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Economic Development of Chhattisgarh, Jharkhand and Uttarakhand (2000–2018)

ORIGINAL ARTICLE



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Abstract

The year 2000 saw the creation of Chhattisgarh, Jharkhand, and Uttarakhand as separate states carved out of larger predecessors. This paper provides a comprehensive analysis of their economic development from 2000 to 2018. Using an array of indicators – including Gross State Domestic Product (GSDP) growth, per capita income, sectoral composition, and human development metrics. The study conducts a comparative trend analysis of the three states. Government data from official sources (Reserve Bank of India, Planning Commission/NITI Aayog, Economic Surveys, Census, etc.) form the empirical basis. The findings reveal divergent trajectories: Uttarakhand experienced remarkably rapid economic growth, leveraging industrial incentives and central funding, whereas Chhattisgarh and Jharkhand showed moderate growth with periodic fluctuations. All three states achieved improvements in indicators like literacy and per capita income, yet stark differences persist. Uttarakhand's per capita income and social development indices now surpass the national average, while Chhattisgarh and Jharkhand continue to grapple with higher levels of poverty and infrastructural challenges. The paper discusses factors underlying these outcomes from natural resource endowments to governance and policy interventions and identifies common

challenges such as regional disparities and inclusive growth. It concludes with policy recommendations aimed at sustaining progress and addressing development gaps in these states.

Key Words

Chhattisgarh, Jharkhand, Uttarakhand, Economic Growth, Human Development.

Introduction

Background: Chhattisgarh, Jharkhand, and Uttarakhand were all formed as new states in the year 2000, emerging from the reorganization of Madhya Pradesh, Bihar, and Uttar Pradesh respectively. Chhattisgarh

was carved out on November 1, 2000, bringing 16 predominantly tribal and mineral-rich districts of eastern Madhya Pradesh under a new administrative unit Jharkhand followed on November 15, 2000, comprising the southern, resource-abundant plateau region of erstwhile Bihar. Uttarakhand (initially called Uttaranchal) became the 27th state of India on November 9, 2000, encompassing the Himalayan hill districts of northern Uttar Pradesh. The creation of these states was driven by long-standing regional aspirations for self-governance and better development focus. Each region had felt relatively neglected in governance and resource allocation when part of larger states, and it was hoped that smaller states would facilitate more effective administration and targeted development initiatives.

Purpose and Relevance: Two decades on, it is pertinent to examine whether statehood has translated into faster or more equitable economic development in these regions. The case of these three states is particularly relevant to the broader debate on India's federal structure and regional disparities. Advocates of smaller states argue that breaking up large, populous states can enhance administrative efficiency and spur economic growth in previously lagging regions. Indeed, expectations were high that Jharkhand's rich mineral resources, Chhattisgarh's abundant coal and forests, and Uttarakhand's tourism and hydropower potential would be better harnessed under separate state administrations. However, recent research provides a nuanced picture. A 2022 study by the Indira Gandhi Institute of Development Research found that the economic gains from the 2000 reorganization did not universally live up to the "hype," and that while the parent states did not suffer greatly, the newly formed states saw mixed outcomes. Notably, Uttarakhand emerged as an outlier with **remarkably strong post-creation growth**, whereas Jharkhand and Chhattisgarh did not dramatically outperform their erstwhile parent regions in the medium term. These findings underscore the importance of studying each state's trajectory in detail, to discern the factors that enabled or constrained development.

Objectives

1. To document the growth trends in Gross State Domestic Product (GSDP) and per capita income in each state since their inception.
2. To compare the structural changes in their economies, including the shifting sectoral composition between agriculture, industry, and services.
3. To assess improvements in human development indicators such as literacy, education, and poverty reduction.
4. To identify the key drivers and constraints of growth in each state, including natural resource endowments, policy initiatives, and governance challenges.

Methodology

Data Sources: This analysis draws entirely on secondary data from reliable Government and institutional publications. Key macroeconomic indicators such as Gross State Domestic Product (GSDP), sectoral output, and per capita income are taken from the Reserve Bank of India's Handbook of Statistics on Indian States, state Economic Survey reports, and data released by the Ministry of Statistics and Programme Implementation (MOSPI). Social and demographic indicators including literacy, population, and enrolment come from the Census of India (2001 and 2011) and the National Sample Survey Office (NSSO) rounds. Poverty estimates are based on the Planning Commission's Tendulkar methodology, using household expenditure surveys, while NITI Aayog reports and state profiles provide supplementary insights on human development and infrastructure. When multiple sources exist, preference is given to primary official data to maintain consistency and reliability.

Indicators and Analysis: The study focuses on five main dimensions:

- a. **Economic Growth:** Annual and compound GSDP growth at constant prices;
- b. **Per Capita Income:** Trends in Net State Domestic Product per person;
- c. **Sectoral Structure:** Shifts among agriculture, industry, and services, showing structural transformation;

- d. **Human Development:** Literacy, education, health, poverty, and HDI indicators;
- e. **Employment:** Workforce participation and sectoral employment where data permit.

Analytical Approach: The methodology integrates time-series trend analysis (2000–01 to 2017–18) with comparative evaluation across the three states. Growth phases are identified and interpreted in context, relating quantitative trends to policy shifts, governance quality, and external factors such as commodity cycles or insurgency impacts. By benchmarking against national averages and parent-state performance, the approach situates each state’s development within India’s broader economic trajectory. This mixed-methods framework ensures the findings are both data-driven and contextually grounded.

Economic Overview of the States

The three Indian states - Chhattisgarh, Jharkhand, and Uttarakhand formed around 2000, reflect distinct developmental paths shaped by their natural endowments, geography, and policy environments.

Chhattisgarh lies in central India and is rich in forests and minerals such as coal, iron ore, and bauxite. Since its formation, the state has evolved into a major industrial hub, with the industrial sector (including mining, manufacturing, and utilities) accounting for nearly 40% of its Gross Value Added by the late 2010s. The Bhilai Steel Plant remains its industrial backbone, and abundant coal reserves have enabled significant thermal power generation, turning the state into a power-surplus producer. Agriculture, mainly rice cultivation, plays a smaller role in GSDP though it remains vital for rural livelihoods. Social progress has been steady literacy and food security improved through welfare reforms such as the revamped Public Distribution System. Yet, poverty reduction has been slow, and disparities persist in tribal and rural regions. The Maoist insurgency in southern districts continues to disrupt development initiatives. Moreover, over-reliance on extractive industries poses environmental risks and underscores the need for diversification.

Jharkhand, created from southern Bihar, shares a similar industrial base. It possesses vast reserves of coal, iron ore, copper, and uranium, and hosts major industries such as Tata Steel in Jamshedpur and mining operations in Dhanbad and Bokaro. However, it began its journey with some of India’s lowest human development indicators. Frequent political instability during its early years hindered consistent policymaking, though economic performance improved after the mid-2000s. Industrial expansion and infrastructure projects fueled growth, with GSDP increasing at rates comparable to national trends. Literacy rose from 53.6% in 2001 to 66.4% in 2011, and poverty declined from nearly 45% to 37%. Nonetheless, inequality remains high, and rural and tribal populations continue to face limited access to quality health care, education, and employment. The state’s long-term challenge is to convert mineral wealth into sustainable, inclusive growth. Although left-wing extremism has receded, governance and institutional capacity remain critical issues.

Uttarakhand, in contrast, emerged from the Himalayan districts of Uttar Pradesh with a stronger social base. Higher literacy, steady remittances from out-migration, and tourism potential gave it a unique advantage. The 2003 Concessional Industrial Package spurred industrialization in the plains especially in Haridwar, Dehradun, and Udham Singh Nagar leading to double-digit growth during the 2000s. Manufacturing and services expanded rapidly, lifting per capita income and transforming the economy. Literacy reached nearly 79% by 2011, and social indicators like life expectancy and infant mortality surpassed national averages. However, uneven development between prosperous plains and lagging hill districts remains a major concern. The state also faces environmental vulnerability; unplanned construction and deforestation have intensified natural disasters such as the 2013 Kedarnath floods.

Review of Literature

The literature on regional economic development and state reorganization in India highlights the complex relationship between governance, resources, and human development. Scholars and institutions have examined how smaller states perform after reorganization, the role of governance in growth, and the structural challenges

of resource-driven economies. The following review synthesizes key contributions relevant to the development trajectories of Chhattisgarh, Jharkhand, and Uttarakhand.

The Indira Gandhi Institute of Development Research (2022) analyzed India's 2000 state bifurcations and concluded that the outcomes were mixed. Uttarakhand achieved strong economic growth through targeted industrial policies and effective administrative focus, while Jharkhand and Chhattisgarh recorded moderate progress shaped by governance quality and dependence on natural resources. The study emphasized that the creation of smaller states alone does not ensure success; institutional strength and consistent policy application are decisive for inclusive and sustainable development.

Mundle, Chowdhury, and Sikdar (2016) explored the link between governance and development through a state-level performance index. Their research demonstrated that strong fiscal management, transparency, and efficient public services are closely associated with higher growth and human development. The study suggests that states with stable governance structures are better able to convert economic expansion into social progress. For Jharkhand and Chhattisgarh, the findings highlight the importance of strengthening institutions to transform industrial output into broad-based welfare gains.

Sachs and Warner (2001) introduced the concept of the "resource curse," explaining how over-reliance on natural resources can limit long-term economic progress. They argued that commodity dependence often leads to volatility and weak institutional incentives. This insight directly applies to Chhattisgarh and Jharkhand, where growth driven by mining and heavy industry has not translated into significant improvements in living standards. Their framework underscores the need for economic diversification and effective governance to mitigate the risks of resource dependency.

Drèze and Sen (2013), in *An Uncertain Glory: India and Its Contradictions*, focused on how public investment in education, healthcare, and welfare underpins equitable development. They argued that human development must be treated as a core component of economic policy, not an afterthought. Their findings imply that while Uttarakhand's growth has been driven by industrial expansion, states like Jharkhand and Chhattisgarh must prioritize social spending to enhance education, health, and nutrition outcomes among marginalized and tribal populations.

The NITI Aayog (2018) Sustainable Development Goals Index compared states on social and economic indicators, revealing that good governance often matters more than size or natural endowments. Uttarakhand ranked relatively high in education and health outcomes, while Jharkhand and Chhattisgarh lagged behind in social inclusion and environmental sustainability. The study reinforces that aligning state budgets and planning frameworks with Sustainable Development Goals (SDGs) is critical for achieving balanced regional progress and reducing internal disparities.

Hausmann, Hwang, and Rodrik (2007) examined how the sophistication of a state's production and export structure affects long-term growth. They found that economies producing complex, high-value goods expand faster due to stronger learning effects and capability building. For India's newly created states, the study suggests reducing dependence on mining and promoting advanced manufacturing and services. Such diversification, supported by skills development and infrastructure, can generate employment and foster inclusive, resilient growth.

Despite several studies on state reorganization and regional growth, limited research directly compares the post-2000 development trajectories of Chhattisgarh, Jharkhand, and Uttarakhand using both economic and human development indicators. Existing literature often examines individual states in isolation, leaving a gap in understanding how governance quality, resource dependence, and policy frameworks collectively shape long-term regional disparities.

Comparative Economic Development: Chhattisgarh, Jharkhand, and Uttarakhand (2000–2018)

The three states created in 2000 - Chhattisgarh, Jharkhand, and Uttarakhand followed distinct economic trajectories shaped by their resource base, governance, and geography. A comparison across the period 2000–2018 reveals sharp contrasts in their economic growth, sectoral transformation, income trends, and human development outcomes.

Economic Growth Performance

Among the three, Uttarakhand consistently achieved the strongest growth after statehood. During its first decade, the state recorded double-digit expansion, driven largely by the 2003 Concessional Industrial Package that attracted significant private investment in manufacturing and services. Between 2000 and 2011, Uttarakhand's Gross State Domestic Product (GSDP) grew at roughly 11% annually - one of the fastest in India. Growth moderated slightly to about 5–7% in the 2012–2018 period as fiscal incentives ended and the base effect emerged, yet the state remained ahead of the national average.

Chhattisgarh and Jharkhand displayed slower and more uneven growth patterns. Both states faced early administrative and political disruptions following their separation from Madhya Pradesh and Bihar, respectively. Chhattisgarh's economy recovered quickly in the mid-2000s with rising mining and power investments, averaging about 5–6% growth over the 2000–2018 period. Jharkhand's performance was weaker initially due to frequent changes in Government, but the state improved after 2005 as mining and manufacturing activity expanded. Over time, Jharkhand's growth rate approached the national level, though it still lagged behind Uttarakhand. Importantly, all three states generally matched or exceeded the growth performance of their parent states, indicating that statehood provided some administrative and policy advantages. However, the sharp contrast between Uttarakhand's dynamic growth and the more resource-dependent expansion of Chhattisgarh and Jharkhand underscores the influence of governance and policy stability in shaping outcomes.

Sectoral Composition and Structural Change

All three states experienced notable structural shifts, but to differing extents. Uttarakhand underwent the most pronounced transformation. Industrial output multiplied nearly tenfold in the first 15 years, with industry's share in GSDP rising from around 20% before 2000 to nearly 45% by 2010. Manufacturing and construction grew rapidly, while services especially tourism, education, and IT expanded around urban hubs such as Dehradun and Haridwar. Agriculture's contribution fell below 15% by 2018, mirroring the transition of a maturing economy.

Chhattisgarh, by contrast, remained heavily reliant on mining and energy-intensive industries. The industrial sector consistently contributed around 40–45% of GSDP, supported by coal, steel, and power generation. Services gained some ground (roughly one-third of GSDP by 2018), but sectors like IT, finance, and tourism remained underdeveloped. Agriculture continues to employ a majority of the population but contributes only about one-fifth of state output, reflecting persistent productivity constraints.

Jharkhand exhibits a structure similar to Chhattisgarh's, dominated by extractive and heavy industries. Mining, steel, and engineering account for a large share of output, while services have grown slowly. Urban centers such as Ranchi and Jamshedpur have seen some expansion in retail, banking, and telecom services, but the broader economy remains dependent on minerals. Agriculture's share has declined but still represents a sizable portion due to the state's large rural population. Compared to Uttarakhand, both Jharkhand and Chhattisgarh remain more vulnerable to fluctuations in commodity prices and less diversified industrially.

Per Capita Income and Living Standards

The divergence in growth is reflected clearly in per capita incomes. Uttarakhand's per capita Net State Domestic Product (NSDP) rose sharply after 2000, climbing from slightly above Uttar Pradesh's level to

about ¹ 1.5–1.7 lakh by 2017–18, well above the national average. Chhattisgarh's per capita income increased steadily but remained moderate, around ¹ 90,000–1,00,000 in 2018—about 20% below the national figure. Jharkhand continues to trail with per capita income between ¹ 60,000–70,000, among the lowest in India. Poverty reduction followed similar trends: by 2011–12, Uttarakhand's poverty ratio had fallen below 15%, while Chhattisgarh (39.9%) and Jharkhand (37%) remained among the poorest states. Thus, economic growth in the mineral states has not translated evenly into improved living standards, largely due to rural-urban and regional disparities.

Human Development Outcomes

Human development indicators reinforce the same pattern. Uttarakhand leads with a literacy rate of nearly 79% in 2011, universal primary enrollment, and better health outcomes such as lower infant mortality and higher life expectancy. Chhattisgarh (70% literacy) and Jharkhand (66%) have improved but continue to lag. Both face high malnutrition, inadequate healthcare access, and gender disparities, especially among tribal and rural populations. Female literacy in Jharkhand and Chhattisgarh (around 50%) is far below Uttarakhand's 70%. Despite progress in electrification, sanitation, and drinking water access, structural inequalities persist.

Major Findings

The comparative review of Chhattisgarh, Jharkhand, and Uttarakhand reveals clear differences in how each state utilized the opportunity of reorganization. Uttarakhand emerged as the most successful in sustaining high economic growth, especially during its first decade. Its double-digit expansion was supported by targeted industrial policies, fiscal incentives, and effective management of special-category status funds. In contrast, Chhattisgarh and Jharkhand displayed more moderate and uneven progress. Both states experienced early administrative challenges and slower take-off, but later achieved stability once governance and investment frameworks improved. While Jharkhand's recovery was gradual due to political volatility, Chhattisgarh's steady leadership and resource-based industries provided a firmer growth path.

Structural change also diverged sharply. Uttarakhand underwent rapid industrialization and expanded manufacturing and services, transforming from an agrarian base to a more diversified economy. Chhattisgarh and Jharkhand, however, remained reliant on mining and heavy industry, which generated output but limited employment and linkages with other sectors. This dependence on extractive activities made them vulnerable to commodity price cycles. Governance stability, infrastructure development, and policy coherence proved decisive: Chhattisgarh's continuity of leadership and PDS reform contrast with Jharkhand's policy disruptions in its first decade.

On the social front, economic growth did not translate evenly into human development. Uttarakhand's plains prospered while its hill regions lagged, and both Chhattisgarh and Jharkhand continue to face high poverty, low literacy, and persistent rural deprivation. Insurgency and weak administrative capacity have constrained progress in several districts.

Each state's trajectory reflects its own comparative advantages and limits - Uttarakhand's human capital and tourism base, Chhattisgarh's energy resources, and Jharkhand's mineral wealth. Overall, the evidence shows that smaller states do not inherently perform better; success depends on governance quality, policy stability, and the ability to convert growth into inclusive development.

Conclusion

Eighteen years after their formation, Chhattisgarh, Jharkhand, and Uttarakhand have charted distinct economic trajectories, reflecting both their initial conditions and the policies adopted. Uttarakhand's experience demonstrates that a newly formed state can achieve accelerated growth and development given a conducive policy environment and investments in infrastructure and industry. In contrast, Chhattisgarh and Jharkhand illustrate that abundant natural resources, while providing a growth engine, are not sufficient by themselves to

ensure rapid human development – governance, political stability, and inclusive policies are critical. The hypothesis that smaller states inherently grow faster finds only partial support: Uttarakhand's remarkable performance lends credence to it, but the other two states' more tempered outcomes suggest that reorganization's benefits are not automatic. Overall, the creation of these states did succeed in bringing focus to previously neglected regions, resulting in improved infrastructure and some social progress. However, significant challenges remain for Chhattisgarh and Jharkhand to reach the developmental levels of more advanced states. The lessons from 2000–2018 indicate that while statehood can empower regions with administrative autonomy, it must be complemented by sound economic management and inclusive governance to fulfill its promise.

Recommendations

- Promote inclusive growth through targeted investments in education, healthcare, and livelihoods for rural and tribal populations.
- Encourage economic diversification by expanding beyond mining into manufacturing, agro-processing, and service sectors to generate sustainable employment.
- Strengthen infrastructure and governance by improving connectivity, transparency, and institutional efficiency to support balanced regional development.
- Adopt sustainable and participatory development models that protect the environment and involve local communities in planning and resource management.

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