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Regional Industrial Imbalances in India: Trends, Determinants and Policy Implications

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Abstract: Industrial development has been one of the principal drivers of India's economic transformation by promoting structural change, employment generation, technological advancement, and productivity growth. Despite substantial progress in manufacturing during the last decade, industrial development remains unevenly distributed across Indian states. The present study examines regional industrial imbalances in India during 2014-2024 by analysing recent industrial trends, identifying the determinants of regional disparities, and discussing their policy implications. The study is based entirely on secondary data obtained from official sources, including the Annual Survey of Industries (ASI), Ministry of Statistics and Programme Implementation (MoSPI), Reserve Bank of India (RBI), Department for Promotion of Industry and Internal Trade (DPIIT), Economic Survey of India, and NITI Aayog publications. Descriptive and comparative analytical techniques have been employed to analyse regional differences in manufacturing output, employment, investment, infrastructure, and industrial concentration.

The findings indicate that industrial development continues to be concentrated in a limited number of western and southern states, while several eastern, central, and northeastern states remain relatively less industrialized. Recent ASI results show that Tamil Nadu accounts for the largest share of registered factories (15.43%) and persons engaged (15.24%), Gujarat leads in fixed capital (19.53%) and industrial output (17.22%), whereas Maharashtra contributes the highest share of manufacturing Gross Value Added (15.95%). These patterns clearly demonstrate the continued concentration of industrial activity in a few states.

The study concludes that balanced industrial development requires region-specific industrial policies, improved physical infrastructure, enhanced logistics, greater private investment, skill development, and stronger institutional support for industrially lagging regions. Such interventions are essential for achieving inclusive and sustainable industrial growth across India.

Keywords: *Regional Industrial Imbalance, Manufacturing, Industrial Development, Regional Disparities, Inclusive Growth, India.*

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Introduction

Industrialization has historically been regarded as the foundation of sustainable economic development because it accelerates structural transformation, raises productivity, generates employment, promotes technological innovation, and strengthens export competitiveness. Since the initiation of economic liberalization in 1991, India's industrial sector has expanded considerably through increased private investment, greater foreign direct investment (FDI), technological modernization, and deeper integration into global value chains. Manufacturing has emerged as an important contributor to economic growth and national income, supported by reforms aimed at improving competitiveness and ease of doing business.

Despite this progress, the geographical distribution of industrial development across India remains highly uneven. Manufacturing activities continue to be concentrated in a relatively small number of states possessing superior infrastructure, better institutional capacity, higher urbanization, efficient logistics, skilled human resources, and favourable investment climates. In contrast, many eastern, central, and northeastern states continue to experience comparatively slower industrial growth despite possessing abundant natural resources and significant development potential.

Regional industrial imbalance has important implications for economic development. Uneven industrialization contributes to disparities in income, employment opportunities, urbanization, infrastructure development, and investment flows. Persistent regional disparities also encourage migration from economically weaker regions to industrially advanced states, thereby increasing regional socio-economic inequalities. Consequently, balanced industrial development remains an important objective of national economic planning.

During the study period (2014-2024), the Government of India introduced several important industrial initiatives, including Make in India, the Production Linked Incentive (PLI) Scheme, PM Gati Shakti National Master Plan, the National Industrial Corridor Development Programme, and Startup India. These initiatives were designed to enhance manufacturing competitiveness, improve logistics, attract investment, and strengthen industrial

infrastructure. Although these programmes have contributed significantly to industrial expansion, their regional benefits have not been evenly distributed.

Recent official statistics indicate continued concentration of manufacturing activity. The Annual Survey of Industries (ASI) 2023-24 reports that Tamil Nadu, Gujarat, Maharashtra, and Uttar Pradesh dominate India's registered manufacturing sector across several indicators, confirming the persistence of spatial concentration in industrial development.

Review of Literature

Industrial development and regional disparities have remained important themes in development economics because unequal industrialization directly influences regional income, employment opportunities, infrastructure development, and overall economic growth. Since economic liberalization in 1991, several scholars have examined the spatial concentration of manufacturing activities across Indian states and attempted to explain the structural factors responsible for persistent regional inequalities.

M. S. Ahluwalia (2000) argued that interstate differences in economic performance widened after economic reforms because states differed considerably in infrastructure, governance, institutional quality, and investment climate. According to the study, industrially advanced states were better positioned to attract private investment and benefit from liberalization, whereas economically weaker states experienced comparatively slower industrial growth.

N. J. Kurian (2000) examined interstate disparities during the post-reform period and concluded that market-oriented reforms accelerated industrial development primarily in states possessing stronger physical infrastructure, higher literacy, and better administrative efficiency. Consequently, regional inequalities widened despite overall national economic growth.

Subsequent empirical studies also highlighted the persistence of industrial concentration. Studies examining manufacturing performance observed that states such as Maharashtra, Gujarat, Tamil Nadu, and Karnataka consistently outperformed other states in terms of industrial output, employment generation, productivity, and capital formation. These states benefited from diversified industrial structures, superior transport infrastructure, efficient ports, and greater integration with domestic and global markets.

Recent government publications further reinforce these findings. The latest Annual Survey of Industries (ASI) demonstrates that industrial production continues to remain concentrated in a limited number of states. According to ASI 2023-24, Tamil Nadu accounted for 15.43% of registered factories and 15.24% of manufacturing employment, Gujarat contributed 19.53% of fixed capital and 17.22% of industrial output, while Maharashtra generated the highest share of manufacturing Gross Value Added (15.95%). Together, the five leading states accounted for nearly 54% of manufacturing GVA and approximately 55% of total employment in India's registered manufacturing sector, indicating a substantial spatial concentration of industrial activity.

The Government of India's industrial policy initiatives introduced during the past decade—including *Make in India*, the *Production Linked Incentive (PLI) Scheme*, PM Gati Shakti, and the National Industrial Corridor Development Programme—have significantly strengthened India's manufacturing sector by improving infrastructure, attracting investment, and enhancing industrial competitiveness. Nevertheless, official evidence suggests that the benefits of these initiatives have accrued disproportionately to states already possessing established industrial ecosystems, thereby reinforcing existing regional disparities rather than eliminating them.

Although the existing literature provides valuable insights into regional industrial disparities, comparatively few studies comprehensively examine the post-2014 industrial landscape by integrating recent official datasets from ASI, MoSPI, RBI, and DPIIT. The present study attempts to bridge this gap by analysing recent industrial trends using authentic secondary data and examining their implications for balanced regional development.

Research Gap

The existing literature establishes that regional disparities have remained a persistent feature of India's industrial development. Most earlier studies primarily focused on the post-liberalization period and analysed interstate differences in industrial growth, investment, and infrastructure. However, limited research has comprehensively examined regional industrial imbalances during 2014-2024, a period marked by major policy initiatives such as *Make in India*, the *Production Linked Incentive (PLI) Scheme*, *PM Gati Shakti*, and the *National Industrial Corridor Development Programme*. Furthermore, many previous studies relied on older datasets and did not incorporate the latest evidence from the Annual Survey of Industries (ASI), MoSPI, RBI, and DPIIT. Therefore, the present study attempts to bridge this gap by analysing recent trends in regional industrial development using authentic and publicly available secondary data and by examining their implications for balanced regional development.

Objectives of the Study

The study has been undertaken with the following objectives:

1. To examine the trends in industrial development across different states of India during 2014-2024.
2. To analyse the extent of regional industrial imbalances in India.
3. To identify the major determinants responsible for interstate disparities in industrial development.
4. To suggest suitable policy measures for promoting balanced and inclusive industrial growth across India.

Research Methodology

The present study is based entirely on secondary data collected from authentic and publicly accessible government sources. Data have been compiled from the Annual Survey of Industries (ASI), Ministry of Statistics and Programme Implementation (MoSPI), Reserve Bank of India (RBI), Department for Promotion of Industry and Internal Trade (DPIIT), Economic Survey of India, NITI Aayog reports, National Accounts Statistics, and other official publications. The study covers the period from 2014 to 2024. Since ASI statistics are released with a publication lag, the latest officially available data have been used to analyse recent industrial trends.

The study employs descriptive and comparative analytical techniques to examine regional disparities in industrial development. Major indicators include the number of registered factories, manufacturing employment, fixed capital, industrial

output, Gross Value Added (GVA), foreign direct investment, and infrastructure development. The findings are interpreted to identify the structural and policy-related factors responsible for regional industrial imbalances and to propose measures for achieving balanced industrial growth.

Table 1: Top Five States in India's Registered Manufacturing Sector

Rank	Number of Factories	Fixed Capital	Persons Engaged	Output	Gross Value Added (GVA)
1	Tamil Nadu (15.43%)	Gujarat (19.53%)	Tamil Nadu (15.24%)	Gujarat (17.22%)	Maharashtra (15.95%)
2	Gujarat (12.81%)	Maharashtra (11.94%)	Gujarat (13.07%)	Maharashtra (14.47%)	Gujarat (14.20%)
3	Maharashtra (10.20%)	Tamil Nadu (8.09%)	Maharashtra (12.95%)	Tamil Nadu (10.11%)	Tamil Nadu (10.26%)
4	Uttar Pradesh (8.51%)	Odisha (7.96%)	Uttar Pradesh (8.30%)	Haryana (7.23%)	Karnataka (7.47%)
5	Andhra Pradesh (6.16%)	Karnataka (6.11%)	Karnataka (6.29%)	Uttar Pradesh (7.19%)	Uttar Pradesh (6.80%)

Source: Ministry of Statistics and Programme Implementation. (2025). *Annual Survey of Industries 2023-24*. Government of India.

Results and Discussion

Table 1 clearly demonstrates the spatial concentration of India's registered manufacturing sector. Tamil Nadu accounts for the largest share of registered factories (15.43%) and manufacturing employment (15.24%), reflecting its diversified industrial structure and strong manufacturing ecosystem. Gujarat dominates in terms of fixed capital (19.53%) and industrial output (17.22%), highlighting its capital-intensive industrial base supported by petrochemicals, engineering industries, ports, and industrial corridors. Maharashtra contributes the highest share of manufacturing Gross Value Added (15.95%), indicating its higher productivity and value addition in manufacturing activities. Together, the five leading states account for nearly 54% of manufacturing GVA and around 55% of total employment in the registered manufacturing sector, confirming that industrial development remains concentrated in a limited number of regions despite various policy initiatives aimed at promoting balanced regional development.

Results and Discussion (Continued)

The analysis of recent industrial statistics reveals that India's manufacturing sector continues to exhibit a high degree of spatial concentration. Although the country's industrial base has expanded significantly over the past decade, the pace and distribution of industrial development vary considerably across states. Industrially advanced states have consistently attracted greater investment, generated higher manufacturing output, and created more employment opportunities than relatively less-developed states.

The latest ASI results indicate that Tamil Nadu, Gujarat, Maharashtra, Uttar Pradesh, and Karnataka constitute the principal manufacturing hubs of India. These states have benefited from diversified industrial structures, better infrastructure, established industrial clusters, skilled human resources, and favourable policy environments. Their higher industrial performance reflects cumulative advantages developed over several decades through sustained public investment, industrial policy support, and private sector participation.

In contrast, states located in eastern, central, and northeastern India continue to face significant structural challenges. Despite possessing abundant mineral and natural resources, states such as Jharkhand, Chhattisgarh, and Odisha remain largely dependent on resource-based industries and have achieved comparatively limited diversification into high-value manufacturing sectors. Similarly, the northeastern states contribute only a marginal share to the country's registered manufacturing sector because of geographical isolation, relatively smaller markets, high transportation costs, and inadequate industrial infrastructure.

Another important observation emerging from the analysis is that industrial concentration has not diminished despite the introduction of several national industrial programmes. Policies such as Make in India, Production Linked Incentive (PLI), PM Gati Shakti, and the National Industrial Corridor Development Programme have strengthened manufacturing competitiveness and attracted fresh investments. However, these investments have largely flowed towards states already possessing developed industrial ecosystems, thereby reinforcing existing regional disparities.

Table 2: Major Determinants of Regional Industrial Imbalances in India

Determinant	Impact on Industrial Development	Major Affected Regions
Physical Infrastructure	Better roads, ports, power supply, and logistics attract industrial investment	Western and Southern India
Industrial Investment	Higher domestic and foreign investment promotes industrial expansion	Maharashtra, Gujarat, Tamil Nadu, Karnataka
Human Capital	Availability of skilled labour enhances productivity and technological adoption	Southern and Western India
Market Accessibility	Large consumer markets and urbanization encourage manufacturing concentration	NCR, Western and Southern States
Natural Resources	Mineral availability supports resource-based industries but does not guarantee diversified industrialization	Odisha, Chhattisgarh, Jharkhand
Government Policies	Industrial corridors, PLI schemes, and infrastructure initiatives influence regional competitiveness	All regions (uneven impact)

Source: Compiled by the author from MoSPI (2024), RBI (2024), Economic Survey (2023-24), DPIIT (2024), and NITI Aayog (2023).

Table 2 indicates that regional industrial development is determined by a combination of economic, institutional, and geographical factors rather than by resource availability alone. Among these determinants, infrastructure development emerges as the most influential factor. States possessing modern transport networks, reliable electricity supply, industrial parks, logistics facilities, and port connectivity have consistently demonstrated higher industrial growth. For instance, Gujarat and Maharashtra have developed strong industrial ecosystems supported by major ports, expressways, and integrated industrial corridors, enabling them to attract large-scale manufacturing investments.

Investment patterns also play a crucial role in explaining regional disparities. States with favourable business environments, better governance, and efficient administrative systems continue to receive a larger share of both domestic and foreign direct investment. These investments facilitate technological upgradation, employment generation, and industrial diversification, creating a cumulative process of sustained industrial growth.

The availability of skilled human resources further strengthens regional competitiveness. States with better educational institutions, technical universities, and vocational training facilities have adapted more effectively to advanced manufacturing technologies. Consequently, industries requiring skilled labour, such as electronics, automobiles, pharmaceuticals, and information technology manufacturing, have become concentrated in these regions.

The findings therefore suggest that regional industrial imbalance in India is primarily a structural phenomenon resulting from historical patterns of industrialization, infrastructure availability, investment concentration, human capital development, and policy implementation. Reducing these disparities requires coordinated interventions aimed at improving industrial infrastructure, strengthening regional connectivity, encouraging private investment, and enhancing institutional capacity in relatively less-developed states.

Policy Implications

The findings of the study indicate that reducing regional industrial disparities requires a comprehensive and region-specific industrial development strategy. While India's manufacturing sector has expanded considerably during the last decade, industrial growth continues to remain concentrated in a few states. Therefore, policy interventions should focus not only on accelerating industrial growth but also on ensuring its equitable regional distribution.

First, infrastructure development should receive the highest priority in relatively less industrialized states. Expansion of multimodal transport networks, industrial corridors, logistics parks, uninterrupted power supply, digital connectivity, and modern warehousing facilities would reduce production costs and improve industrial competitiveness. Programmes such as PM Gati Shakti, Bharatmala Pariyojana, Sagarmala, and Dedicated Freight Corridors should be integrated with regional industrial development strategies to improve market accessibility in lagging regions.

Second, industrial investment policies should be redesigned to encourage greater private sector participation in backward states. Fiscal incentives, simplified regulatory procedures, improved ease of doing business, and dedicated industrial clusters can attract both domestic and foreign investment. Special emphasis should be placed on promoting Micro, Small and Medium Enterprises (MSMEs), which contribute significantly to employment generation and regional industrialization.

Third, strengthening human capital remains essential for sustainable industrial development. Greater investment in technical education, vocational training, research institutions, and industry-academia collaboration would improve labour productivity and facilitate the adoption of advanced manufacturing technologies. Skill development programmes should be aligned with emerging sectors such as electronics, renewable energy, semiconductors, pharmaceuticals, electric vehicles, and advanced engineering.

Finally, industrial policy should recognize the comparative advantages of different regions rather than adopting a uniform national approach. Resource-rich eastern and central states require policies promoting value-added manufacturing instead of merely supplying raw materials, while northeastern states require improved connectivity, logistics infrastructure, and investment support to integrate them with national and global value chains. Such region-specific strategies would contribute to balanced industrialization and inclusive economic development.

Conclusion

The present study examined regional industrial imbalances in India during the period 2014-2024 using secondary data obtained from official government publications. The analysis demonstrates that despite significant industrial expansion over the last decade, manufacturing activity continues to remain concentrated in a limited number of western and southern states. Recent ASI statistics confirm that Tamil Nadu, Gujarat, Maharashtra, Karnataka, and Uttar Pradesh dominate India's registered manufacturing sector in terms of factories, employment, industrial output, fixed capital, and Gross Value Added. In contrast, several eastern, central, and northeastern states continue to experience comparatively lower levels of industrialization.

The study identifies infrastructure availability, investment concentration, skilled human resources, market accessibility, institutional quality, and industrial policy implementation as the principal determinants of regional industrial disparities. Although initiatives such as *Make in India*, the Production Linked Incentive (PLI) Scheme, PM Gati Shakti, and the National Industrial Corridor Development Programme have strengthened India's manufacturing ecosystem, their regional impact has remained uneven because investment has largely flowed towards already industrialized states.

The study concludes that achieving balanced regional industrial development requires sustained public investment in infrastructure, promotion of region-specific industrial clusters, greater support for MSMEs, improved logistics, enhanced skill development, and stronger institutional mechanisms for attracting industrial investment in lagging regions. Such measures would not only reduce regional disparities but also contribute to higher employment generation, greater manufacturing competitiveness, and more inclusive economic growth. Future studies may extend the analysis to the district level by employing spatial econometric techniques and industrial cluster data to provide deeper insights into regional industrial dynamics.

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