

Status of Regional Disparities in India

Dr. A. Chandraiah

Associate Professor, Sardar Patel College, Padma Rao Nagar, Secunderabad -500025

ABSTRACT

The term 'disparity' is very frequently used in the arena of social science research. This term has evolved from the Latin word 'disparitas' which means 'divided'. Hence, the term disparity literally means inequality or disproportion in particular phenomena. The American Heritage® Dictionary defines disparity as inequality or difference, as in age, rank, wages, etc. Regional disparity means the disproportionate performance of inter- or intra-geographic regions or sectors in different economic and non-economic indicators. Regional disparity refers to a situation where different indicators such as per capita income, consumption level, food availability, agricultural and industrial development, and infrastructural development are not similar among regions. The problems of regional development are mostly universal in nature, except that their intensity differs in different countries (developed or developing). Almost all countries face regional disparities during their development processes. It has been argued that the reforms are responsible for widening income disparities among states. However, Ahluwalia argues that implementation of these programmes has led to substantial growth in India since 1992, and both the rich and poor states have experienced the benefits of the economic reforms. Against this background, it is pertinent to examine whether regional economic disparities have increased or decreased in India after the economic reforms since 1991. This paper evaluates the status of regional disparities in India.

INTRODUCTION

Inter-regional disparity in levels of development and incomes is a major issue of economic, social, and political significance in India. The fact that there are wide disparities across the states is well known and is also recognised as a concern to be addressed through public policy. Several mechanisms and instruments have been in use to reduce these disparities since independence. Some of them, like the Finance Commission, a constitutionally provided mechanism, and the Planning Commission, are of a standing nature, while several others, in the form of policies and programmes, are adopted from time to time to promote the development of relatively less developed states and regions by giving them preferential treatment in central public investment and fiscal and financial concessions and incentives. Public policy instruments, no doubt, influence the growth of economic activity in different regions, but in the ultimate analysis, the relative economic position of different regional entities depends on their rate and pattern of economic growth, which are determined by several other factors, especially region-specific factors. According to the dominant theory of modern economic development, industry is expected to play a major role in creating as well as mitigating disparities among different regions.

The issues of regional economic growth and inequality have attracted considerable attention among researchers, planners, and policymakers. Since independence, the Indian government has been concerned about how to strengthen national unity and promote economic growth through regional equality. Balanced regional development has been considered essential for national integration, political stability, and economic viability. Naturally, the issue of regional balance has been given sharp focus in all the plans, and various policies have been adopted for achieving balanced regional development in the economy.

Redressing regional imbalances has been one of the primary objectives of Indian planning. Concern for regional disparities in development has been expressed in the government's policies and programmes. The Eleventh Five-Year Plan (2007–12) has chosen 'faster and more inclusive growth' as its central objective. It recognised the need to make growth 'more inclusive' in terms of the benefits of growth flowing to those sections of the population, which have been bypassed by the high rates of economic growth achieved in recent years. It has also been



perceived that the disparities among regions have been increasing steadily and that the benefits of the rapid growth have not reached all parts of the country in an equitable manner. Hence, for growth to be 'more inclusive' regionally, it is necessary that the benefits of economic growth be shared equally by all the regions of the country. In the present juncture of the economy's progress, it would be useful to investigate how far economic growth has been 'inclusive', and to what extent the benefits of growth have been shared by different regions of the country.

There is another important reason for studying regional economic growth and inequality in India. Confronted with a severe economic crisis due to a deep fiscal crisis as well as an external payments crisis in 1991, the Indian government adopted comprehensive economic reforms involving large-scale structural adjustment and liberalisation programmes. The major economic reforms carried out since 1991, characterised as "pro-market" in orientation, have been primarily in the following areas: (i) fiscal policies, aiming at rationalization of the tax structure and reduction of subsidies and fiscal deficit; (ii) financial sector policies, including liberalization of interest rates, relaxation of controls on capital issues, freer entry for domestic and foreign private banks, and opening up of the insurance sector; (iii) industrial policies (e.g., abolition of industrial licensing, reduction in reservations for small-scale industries); (iv) trade and investment policies (viz., liberalization of foreign trade including elimination of import licensing and progressive reduction of non-tariff barriers, liberalization of trade in services and technology industries, liberalization of foreign direct and portfolio investment); and (v) infrastructure sector policies, encouraging investment in airports and road networks, allowing privatization of ports and roads, and allowing entry of the private sector into telecommunication sector. The thrust of the reforms has been to open the Indian markets to international competition, reduce the government's control, encourage private investment and participation, liberalise access to foreign capital, and attract foreign investment.

It has been argued that the reforms are responsible for widening income disparities among states. However, Ahluwalia argues that implementation of these programmes has led to substantial growth in India since 1992, and both the rich and poor states have experienced the benefits of the economic reforms. Against this background, it is pertinent to examine whether regional economic disparities have increased or decreased in India after the economic reforms since 1991.

Objectives of the Study

1. To examine the differences in pre- and post-reform trends at regional levels and patterns of industrial development.
2. To analyse the impact of economic reform measures on the relative human development indicators
3. To measure the flow of foreign direct investment in different regions of India.

RESEARCH METHODOLOGY

The study utilises the secondary database and indicators of development published by the Planning Commission and Finance Commission to analyse the patterns of regional development. An attempt has also been made to examine the pattern of variations state-wise on the basis of the data base presented in the Reserve Bank of India Reports.

Need for the Study

Regional imbalances in a country may be natural due to the unequal distribution of natural resources and/or man-made in the sense of neglect of some regions and preference for others for investment and infrastructural facilities. In India, apart from the uneven distribution of geographical advantages, historical factors have also contributed to regional inequities. India's successive five-year plans have stressed the need to develop backward regions of the country. To promote regionally balanced development, public sector enterprises were located in backward areas of the country during the early phase of economic planning. In spite of pro-backward areas policies and programmes, considerable economic and social inequalities exist among different states of India, as reflected in differences in per capita state domestic product. Hence, a study on regional imbalances is essential to avert the growth of divisive forces in different parts of India.

REVIEW OF LITERATURE

Ric Shand and S. Bhide (2000), in their paper „Sources of Economic Growth: Regional Dimensions of Reforms, examine variation in the size, income, and structural characteristics of Indian states. It analyses total and per capita



net SDP for the period 1970–71 to 1995–96. Sectoral analysis shows that reform in agriculture will yield the most benefit, as growth in this sector is positively and significantly related to overall growth. Infrastructure and human development are other important determinants.

Ravindra H. Dholakia (2003), in his article “Regional Disparity in Economic and Human Development in India,” examines the trends in regional disparity in India's economic and human development over the past two decades and the direction of their causality. He argues that the Planning Commission and Finance Commissions need not be unduly concerned about regional imbalances in human or economic development.

Baddeley et al. (2006) observe absolute divergence in per capita income, as the initially poorer states have grown at a slower rate than the initially richer ones during 1970–97, and the divergence has increased markedly in the post-reform period. However, they find evidence of conditional convergence to different steady states depending on the economic and social characteristics of the states.

Kar & Sakthivel (2007) find that regional inequality remained largely unchanged during the 1980s but increased dramatically in the 1990s after the economic reforms, largely due to a sharp rise in inequality in the industrial and services sectors.

Kalra & Sodsriwiboon (2010) find evidence of divergence during the period 1960–2003 but convergence during the sub-periods corresponding to structural breaks in 1980 and 1992.

The review of the existing literature reveals that the results reported by the researchers are far from uniform, and a consensus has yet to emerge on the issue of convergence of per capita income across Indian states. Moreover, the impact of the economic reforms initiated in the early 1990s on the regional disparities of per capita income has not been adequately investigated, and very little work has been done to identify the states that have been converging to or diverging from a common steady state path of income. The present study uses more up-to-date data covering the period 1960/61–2006/07 and examines some of the issues that are not adequately studied in the existing literature. An important feature of this study is that it examines regional divergence in per capita income during the pre- and post-reform periods, focusing primarily on a rigorous region-wise analysis of its causes. It explains the regional inequalities in income in terms of regional disparities in physical, social, and financial infrastructure.

Inter-State Variations in Development: in GSDP, Income, Industrial Growth, Exports, and Human Development

Inter-regional disparity in levels of development has always been an important concern in Indian development thinking and policy. There have been different periods of increase and decline in disparity: an increase in the initial one and a half decades of independence, a decline during the next two decades, and an increase again, especially in the post-reforms period. It is particularly interesting to analyse the trends in inter-state disparities since the Indian economy graduated to a higher growth path in the 1980s and especially after the economic reforms towards globalisation in 1991. There have been conflicting hypotheses and expectations about inter-regional disparities in the deregulated and globalised economic environment. A high aggregate growth rate is generally accompanied by increasing disparity. A deregulated policy regime can lead, on the one hand, to an increase in disparities as the developed regions have a competitive advantage and government policies favouring poorer regions are no longer in operation, while, on the other hand, disparities may also decline as the regions get opportunities to freely utilise their comparative advantage.

Gross State Domestic Product

It is, however, found that inter-state disparities in rates of GSDP growth increased during the 1990's over 1980, and disparity was more marked in the growth of per capita income. The Gini coefficient of inter-state inequality in per capita SDP increased from 0.152 in 1980–81 to 0.161 in 1987–88 and to 0.225 in 1997–98. In the period after 2000, while some of the poorer states experienced faster-than average growth, the growth of some of the developed states slowed down. As a result, the Gini coefficient of inequality in per capita income has stood at around 0.24 during 2000–2008–09, though it is still much higher than it was before the reforms.

Inter-state variations in rates of GSDP growth are found to be strongly associated with the pace of industrial growth during 1981–2009. All states underwent structural changes in terms of a decline in the share of agriculture, but that



does not seem to have been accompanied by a decline in inter-state disparities. But the extent of the shift towards manufacturing seems to significantly influence the interstate variations in income. Large structural shifts away from agriculture in different states are more often associated with faster industrial growth and a larger shift to industry than with growth and a shift to services. The growth rates of manufacturing GSDP have been quite divergent during this period, particularly since 2001. Growth rates were not necessarily correlated with the initial levels of industrialization during 1981–2001, but during 2001–09, states with higher levels of industrialization registered high growth in manufacturing, and vice versa. Thus, industrial growth in recent years has led to increasing divergence, contributing to an increase in disparities in the growth of GSDP. But disparities in the extent of industrialization as well as in the share of different states in the national manufacturing GDP have somewhat declined during the longer period 1981–2009.

The organised sector contributes a major part of manufacturing GSDP in all the states except West Bengal. Its share has been increasing over the past 30 years in all the states except West Bengal, Gujarat, Haryana, and Punjab. Organised and unorganised manufacturing are distributed in a similar pattern across the states: states with a larger share of all-India GDP in one segment also have a higher share in the other. The same is true of the agro-based and non-agro-based segments of manufacturing. Agro-based industries have generally declined in importance, except in Kerala, Karnataka, West Bengal, and Punjab. Punjab is the only state where more than 50 (57) percent of manufacturing GSDP is derived from agro-based industries (incidentally, it is also the only state with over 30 percent of GSDP still contributed by agriculture in 2009–10). Punjab is also the only state where agro-industries have higher per-worker productivity than other industries.

Industrial Growth

The product structure of manufacturing industries has significant similarity among states in so far as most industries (2 digits) are found in practically all the states, and many of them also hold similar relative importance in the industrial structure of different states. The degree of specialisation is rather low (the coefficient of specialisation is lower than 0.30 for 13 out of 17 major states), except in small states and UTs. Most industries are quite ubiquitous in terms of their presence in different states. But overall, the industrial base of most of the states is rather narrow vis-à-vis that of the country as a whole: there are only a few industries with a larger share in the manufacturing SDP of the state than in that of the country, which together account for an overwhelmingly large part of the state's industrial sector. The degree of specialisation seems to be increasing, while, at the same time, the industrial base of several, especially larger, states appears to be widening in the post-reforms period. These processes are also likely to lead to a reduction in inter-state differences in productivity, which are significantly large, particularly in the organised sector, where they are primarily caused by differences in industrial structure and technology.

On the whole, growth and structural changes in manufacturing seem to have made a positive contribution towards reducing differences in the growth and structure of state economies. The overall trends towards convergence or divergence are, however, shaped by the rate and pattern of growth in other sectors, especially services. The growth of the services sector has been more uneven and has generally been higher in the better developed states, particularly during 2000–2008–2009, thus resulting in increased divergence among states in their levels of economic development.

Growth in Income across States

The growth in per capita income in India has been quite impressive over the years. At a more disaggregated level, we find the per capita state domestic product of fifteen major states for a longer period of time, 1980/81 to 2009/10. The primary focus of this analysis is to see whether disparities or gaps in per capita income across states have decreased over time or not. In the course of liberalising markets, the interactions within states and between individual states and the external world are expected to rise, resulting in greater convergence in terms of economic gains. Table 1 shows that per capita income increased consistently for all the states. In 2009–10, Maharashtra had the highest per capita income and the lowest figure in Bihar.

Table 1: Per capita SDP at Constant Prices

	1980-81	1990-91	2000-01	2009-10
Andhra Pradesh	1380	2060	2994	4993
Assam	1284	1544	1635	2786
Bihar	917	1197	1205	1621

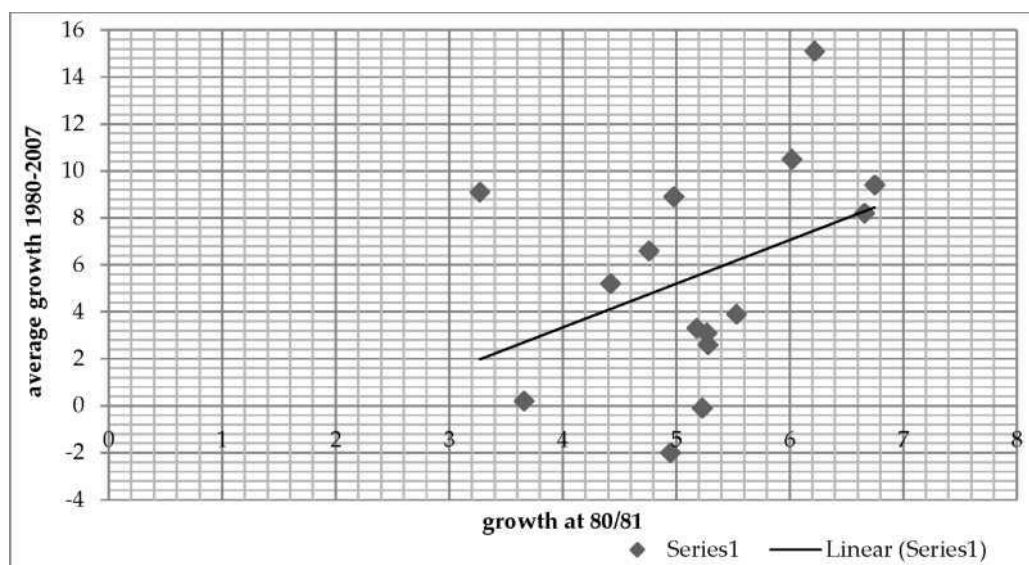


Gujarat	1940	2641	3905	6736
Haryana	2370	3509	4385	7585
Karnataka	1520	2039	3564	5167
Kerala	1508	1815	2673	6390
Madhya Pradesh	1358	1693	1965	2711
Maharashtra	2435	3483	5026	7893
Orissa	1314	1383	1778	3311
Punjab	2674	3730	4788	5935
Rajasthan	1222	1942	2233	3249
Tamil Nadu	1498	2237	3597	6414
Uttar Pradesh	1278	1652	1796	2255
West Bengal	1773	2145	3524	4130
India	1630	2223	3234	4634
CV %	31.09	36.00	40.55	42.78

Source: Economic and Political Weekly

In 1980–81, the states with the highest and lowest per capita income were Punjab and Bihar, respectively. However, if we compute the ratio of the highest and the lowest in the two reference years, which in some sense captures the difference between the two extremes, we see that for 1980/81 it was 2.91, and that increased to 4.87 in 2009/10. There were eight of the fifteen states considered to have a per capita income higher than the all-India average. The table also shows that the coefficient of variation across states has increased consistently over the past three decades. This perhaps shows that contrary to the presumption of convergence, in fact, the divergence increased in terms of per capita income.

Figure 1 shows a strong positive correlation between the growth of per capita income in 1980–81 and the average growth of the respective states during the period 1980–2007. The regression line says that the higher the initial growth rate, the higher the average growth rate over the years. This implies that the gaps in per capita income would increase over time, and there seems to be no trend towards reversing this rising disparity. In the initial year, Andhra Pradesh, Tamil Nadu, and Gujarat had higher growth rates, and the highest average growth for the period 1980–2007 is recorded in the case of Gujarat.



Source: Computed from EPW CD

Figure 1: Relation between initial growth in per capita income and average growth over the years



One of the major reasons of income disparity across states is often attributable to the share of non-agriculture in GSDP. It is generally held that shifting economic activities from decreasing returns activities to manufacture and services that are assumed to have increasing returns would necessarily lead to higher income growth.

Foreign direct investment

What is the impact of economic reforms towards globalisation on the economic growth of different states and, consequently, on interstate economic disparities? There are basically two instruments that have a direct bearing on this question: one, the foreign direct investment (FDI) a state has attracted, and two, the extent to which a state has been able to participate in export growth. Available data on the state-wise distribution of FDI are somewhat confusing in so far as they often reflect the location of the registered offices of the companies rather than the investment activity. Further, data for the more recent period are available by regional office, not by state. Some broad patterns can still be drawn from these data. During the period 1991–2004, four states—Maharashtra, Tamil Nadu, Karnataka, and Gujarat—accounted for about 44 percent of approved FDI. Three large states—Bihar, Madhya Pradesh, and Uttar Pradesh—together accounted for about 6 percent. Data for the more recent period, 2004–2011, also reveal a similar pattern. Mumbai alone claims 35 percent, Delhi (covering Delhi, part of UP, and Haryana) 10 percent, Ahmedabad and Bangalore 6 percent each, Chennai 5 percent, and Hyderabad 4 percent. The Jaipur office covering Rajasthan claimed 0.4 percent, and the Patna office covering Bihar accounted for 0.005 percent of FDI received over the period 2000–2011. Thus, FDI could not have contributed to a reduction in regional disparities; if anything, it is likely to lead to an increase in inter-state disparities in development.

Exports

How have different states performed in exports? By and large, the states that have been the major contributors to India's exports in the past have also experienced faster growth in exports in recent years. Of the total exports reported by the 15 major states, Maharashtra accounted for 25 percent, Tamil Nadu for 20 percent, Gujarat for 19 percent, Kerala for 14 percent, West Bengal for 9 percent, Andhra Pradesh for 7 percent, and Karnataka for 4 percent in 2001. The shares of other states were rather insignificant. Only Punjab had more than one percent. During the decade 2001–2010, some of the poorer states seem to have registered faster growth in exports. As a result, UP has improved its share to over 4 percent and Rajasthan from 0.2 percent to 1.4 percent. But so has Gujarat, from 19 to 23 percent. Despite some poorer states taking advantage of export growth, the overall contribution of exports to reducing disparities cannot be considered significant. If anything, it might have contributed to the increase in interstate disparities as the developed states have continued to be the major beneficiaries of the export growth.

Human development

Against the background of large and even increasing inter-state disparities in various economic indicators of development, it is encouraging to note that the indicators of human development have shown a converging trend over the past three decades. It is observed that the various dimensions of human development improve with a rise in per capita income, but at a declining rate. This finding, along with that relating to a decline in the rural-urban gap in human development indicators, goes to suggest that beyond a threshold income, capabilities and entitlements are available at more or less similar levels despite divergence in per capita income. It implies that per capita income growth will lead to a faster improvement in human development indicators in the case of less developed states than in more developed states, thus resulting in a reduction in inter-state disparities in human development. It is expected that this will eventually lead to a decline in disparities in economic growth as well.

Gross Enrollment Ratio

The measure we use to capture education entitlement is the gross enrollment ratio. The ratio shows the enrollment of students as a proportion of the population within the age group considered to be relevant for the specific grade. Table 2 shows the gross enrollment ratio for primary and upper primary grades across the fifteen states over the years. We find that the gross enrollment ratio increased for India as well as for the states considered during the reference period for both the primary and upper primary sections. The coefficient of variation between states also declined over the years, implying that the differences across states in terms of gross enrollment ratio have declined. In the upper primary segment, we see some fluctuations in the coefficient of variation, but the trend, of course, shows a decline. We find some figures in the table greater than 100, implying that some students enrolled in the specific segment would not belong to the age cohort specified for the segment.



Table 2 : Gross Enrolment ratio

	Primary				Upper primary			
	1981	1991	2005/06	2007/08	1981	1991	2005/06	2007/08
Andhra Pradesh	46.3	53	94.87	95.5	39.9	55.9	73.91	77.3
Assam	NA	46	107.11	129.7	NA	63.4	72.83	75.1
Bihar	33.6	34.3	87.2	104.4	42.1	51.1	34.27	46.2
Gujrat	56.5	62.3	119.44	123	59.6	68.1	74.24	78.2
Haryana	50	62.2	79.61	90.4	53.8	73.1	74.83	75.7
Karnataka	51.7	61.9	106.19	106.1	46.3	63.2	84.64	90.2
Kerala	89.7	91.2	93.85	92.3	84	93.1	97.94	100.1
Madhya Pradesh	37.4	47.4	143.67	153.4	40.9	57.3	91.67	100
Maharashtra	63.4	69.1	112.34	101.8	60.7	75.7	100.64	86.8
Orissa	48.7	54.3	118.15	117	41.7	56.7	64.55	80.1
Punjab	64.4	65.9	77.46	92.8	61.2	73.4	67.53	69.1
Rajasthan	33.7	38.9	121.69	118.3	40.2	52.2	74.12	81.4
Tamil Nadu	67.4	77.4	120.07	116.1	52.8	72.1	106.81	112.7
Uttar Pradesh	33.9	36.7	110.57	113.7	43.8	51.3	53.02	67.8
West Bengal	45.9	45.9	119.89	112.9	52.8	61.1	66.71	71.2
India	47.2	51.2	109.4	114.6	50	62.1	71.15	77.5
Mean	51.61	56.43	107.47	111.16	51.41	64.51	75.85	80.79
CV%	30.68	28.02	16.77	15.04	23.85	17.93	24.76	19.73

Source: Selected Educational Statistics-Department of Education, Govt. of India.

Life Expectancy

Table 3 shows life expectancy at birth for male and female across states over the years. The figure shows that life expectancy increased for both male and female over the years and the coefficient of variation across states declined in the reference period.

Table-3: Life Expectancy at Birth

	1998-2002		1999-2003		2000-04		2001-05		2002-06	
	M	F	M	F	M	F	M	F	M	F
Andhra Pradesh	62	64.6	62.2	64.8	62.4	65	62.7	65.2	62.9	65.5
Assam	57.7	58.1	57.8	58.3	58	58.6	58.3	59	58.6	59.3
Bihar	61.4	59.5	61.6	59.7	61.8	59.9	62	60.1	62.2	60.4
Gujarat	62.4	64.4	62.5	64.6	62.7	64.8	62.8	65	62.9	65.2
Haryana	64.7	65.4	65	65.6	65.3	65.8	65.6	66	65.9	66.3
Karnataka	62.8	66.2	62.9	66.4	63.1	66.7	63.4	66.9	63.6	67.1
Kerala	70.8	75.9	70.9	76	71	76.1	71.3	76.3	71.4	76.3
Madhya Pradesh	57	56.7	57.2	56.9	57.5	57.2	57.8	57.5	58.1	57.9
Maharashtra	65	67.4	65.2	67.6	65.5	67.8	65.8	68.1	66	68.4
Orissa	58.4	58.5	58.6	58.7	58.9	58.9	59.2	59.2	59.5	59.6
Punjab	67.4	69.5	67.6	69.6	67.8	69.8	68.1	70.1	68.4	70.4
Rajasthan	60.5	61.6	60.7	61.8	60.9	62	61.2	62.2	61.5	62.3
Tamil Nadu	64.2	66.3	64.3	66.5	64.6	66.8	64.8	67.1	65	67.4
Uttar Pradesh	59.4	58.5	59.6	58.7	59.9	59	60.1	59.3	60.3	59.5
West Bengal	63.3	64.8	63.5	65	63.7	65.2	63.9	65.5	64.1	65.8
India	61.6	63.3	61.8	63.5	62.1	63.7	62.3	63.9	62.6	64.2
Mean	62.47	63.83	62.64	64.01	62.87	64.24	63.13	64.50	63.36	64.76
CV%	5.94	8.06	5.91	8.00	5.85	7.92	5.83	7.85	5.76	7.73

Source: Planning Commission, http://planningcommission.nic.in/data/datatable/0904/tab_150.pdf



In 2002–06, for both males and females, the highest life expectancy at birth was recorded in Kerala, with the lowest being in Maharashtra. It is evident from the table that female life expectancy was higher than that of males for India and for 12 out of 15 states considered. The second measure we take note of in the context of health is the infant mortality rate.

Infant Mortality

Table 4 shows that the infant mortality rate declined in both rural and urban areas across states. Considering IMR for the year 2009, we find that in the rural segment it was lowest in Kerala and highest in Orissa, and for the urban segment, the lowest being recorded is again Kerala while the highest is Uttar Pradesh. Combining rural and urban IMR has been lowest in Kerala and highest in the case of Madhya Pradesh.

The difference between rural and urban IMR shows the rural-urban gap in this regard. In 2009, the state that recorded the highest gap between rural and urban figures was Rajasthan, with the lowest being Kerala. States showing relatively low gaps apart from Kerala are Tamil Nadu and West Bengal. The difference had been relatively higher in Assam and Madhya Pradesh.

Table 4: Infant Mortality Rate

	R-81	R-91	R-01	R-09	U-81	U-91	U-01	U-09	C-81	C-91	C-01	C-09
AP	95	58	74	54	72	42	39	35	91	55	66	49
Assam		94	76	64		48	33	37		92	73	61
Bihar	98	77	63	53	62	50	52	40	94	75	62	52
Gujarat	129	83	67	55	85	64	42	33	115	78	60	48
Haryana	132	56	68	54	94	37	54	41	126	52	65	51
Karnataka	87	84	69	47	62	45	27	31	81	74	58	41
Kerala	56	45	12	12	49	42	9	11	54	42	11	12
MP	158	142	92	72	105	84	53	45	150	133	86	67
Mhrst	131	85	55	37	67	47	27	22	119	74	45	31
Orissa	171	130	94	68	111	72	60	46	163	125	90	65
Punjab	135	81	55	42	104	56	37	31	127	74	51	38
Rajasthan	153	93	83	65	97	55	57	35	141	87	79	59
TN	116	62	54	30	78	40	35	26	104	54	49	28
UP	139	104	86	66	81	76	62	47	130	99	82	63
WB	103	66	53	34	59	41	38	27	95	62	51	33
India	123	84	72	55	67	51	42	34	115	77	66	50

Source: SRS Bulletin, various years

The logarithmic trend line shows a greater fit with a larger value of R-squared than the linear trend line implying that IMR declines faster as per capita income grows in the initial period and once the income grows beyond a point improvement in IMR takes place at a declining rate.

Finally we take note of the Human Development Index across states for the four reference years and see the ranking of the states. Human Development Index values increased for almost all the states over the years (Table 5).

Table 5: Human Development Index Values and Rankings

	HDI Values				HDI Ranking			
	1981	1991	2001	2007/08	1981	1991	2001	2007/08
Andhra Pradesh	0.298	0.377	0.416	0.473	9	9	10	9
Assam	0.272	0.348	0.386	0.444	10	10	14	10
Bihar	0.237	0.308	0.367	0.367	15	15	15	14



Gujarat	0.36	0.431	0.479	0.527	4	6	6	6
Haryana	0.36	0.443	0.509	0.552	4	5	5	5
Karnataka	0.346	0.412	0.478	0.519	6	7	7	7
Kerala	0.5	0.591	0.638	0.79	1	1	1	1
MadhyaPradesh	0.245	0.328	0.394	0.375	14	13	12	13
Maharashtra	0.363	0.452	0.523	0.572	3	4	4	3
Orissa	0.267	0.345	0.404	0.362	11	12	11	15
Punjab	0.411	0.475	0.537	0.605	2	2	2	2
Rajasthan	0.256	0.347	0.424	0.434	12	11	9	11
Tamil Nadu	0.343	0.466	0.531	0.57	7	3	3	4
Uttar Pradesh	0.255	0.314	0.388	0.38	13	14	13	12
West Bengal	0.305	0.404	0.472	0.492	8	8	8	8
India	0.302	0.381	0.472	0.467				

Source: Planning Commission (2002) and India Human Development Report (2011)

In the case of Madhya Pradesh and Orissa, it declined during the period 2001–2008. In 2007/08, the highest rank in terms of HDI was Kerala, followed by Punjab and Maharashtra. Orissa recorded the lowest HDI in 2007/08, followed by Bihar and Madhya Pradesh. Comparing the HDI rankings over the years, we do not find any remarkable change in states' positions in the tally. The rank correlation coefficient between rankings for the years 1981 and 2007/08 is 0.938. The states that improved in terms of rankings comparing 1981 and 2007/08 are Bihar, Madhya Pradesh, Rajasthan, Tamil Nadu, and the U.P.; the states in which the case ranking remained the same are Andhra Pradesh, Assam, Maharashtra, Punjab, Kerala, and West Bengal; the HDI rankings deteriorated in the cases of Gujarat, Haryana, Karnataka, and Orissa.

CONCLUSION

The foregoing analysis shows that per capita income increased for all the states in the past four decades, but as it was expected that liberalising markets would bring down the gaps between states, this did not come true. In fact, no sign of convergence could be seen in this regard. Furthermore, considering the share of non-agriculture across states and over the reference period, we see a decline in the difference between states. In other words, the share of agriculture in state domestic product declined for all the states, but it did not result in a decline in the income gap across states. This perhaps implies that declining dependence on agriculture does not necessarily lead to similar kinds of non-agriculture and hence similar value-added. The distribution of industry and services that grew over the years needs to be looked into in order to explain the divergence in income. The study also shows that disparities in terms of income were higher in rural areas across states compared to their urban counterparts. This might be a reflection of a converging trend in terms of opportunities available in cities and towns across states.

We find a converging trend in terms of various human development indices across states over the same reference period. In other words, gaps between states declined in terms of literacy rate, general enrolment ratio, and life expectancy at birth. The gaps also declined between the rural and urban segments within states. This is perhaps indicative of the fact that beyond a threshold income, certain basic capabilities or entitlements are available at more or less similar levels, despite divergence in per capita income. We also see that performance in terms of various dimensions of human development increases with income, but at a declining rate. This shows that per capita income at higher levels becomes less important in generating gains in terms of basic human development indices. Finally, the paper compares the performance of the states in terms of human development over the years, including that computed from the latest available data, and shows that the relative positions of the states didn't undergo much change over the years.

Regional disparity in India has been a major challenge for planners and policymakers. Despite a number of development programmes over time, regional disparities have persisted. Regional disparities are observed in growth rates, per capita SDP, per capita consumption expenditure, sectoral contribution to GSDP, agricultural development, industrial development, infrastructural development, and also in human development. The important factors responsible for regional disparities are: variation in the occupational structure of workers; historical factors like variation in infrastructure development; a decline in budgeting support for financing infrastructure; financial



institutions; the provision of education and training facilities, etc. Various programmes have been launched to remove regional disparities. However, all these schemes and programmes have suffered from several limitations, and a lot needs to be done to ensure balanced regional development.

Regional imbalance is a threat to the goal of inclusive growth and the reduction of poverty. The growing regional disparities have dampened the speed of further economic reforms and, hence, may pose a barrier to India's future economic growth. Regional disparities will result in regional tensions, which in turn may lead to popular agitations and, at times, militant activities. Regional disparities in economic and social development that exist within some of the states due to the neglect of certain backward regions have created demand for separate states. As such, there is a strong need for strengthening good governance in the backward areas. Towards this end, it is necessary that the local bodies in the backward areas are empowered and strengthened to reduce the regional imbalances in the country.

REFERENCES

- [1]. Ahluwalia, Montek S. (2000), 'Economic Performance of States in Post-Reforms Period', *Economic and Political Weekly*, May 6.
- [2]. Ahluwalia, Montek S. (2011), 'Prospects and Policy Changes in the Twelfth Plan', *Economic and Political Weekly*, May 21.
- [3]. Baddeley, M., McNay, K. & Cassen, R. (2006) Divergence in India: Income differentials at the state level, *Journal of Development Studies*, 42(6), pp.1000-1022.
- [4]. Bhide Shashank, Kalirajan K. P., Shand R. T. (1998): "India's Agricultural Dynamics; Weak Link in Development" *Economic and Political Weekly*, Vol XXXIII No 39, September 26.
- [5]. Dholkia H. Ravindra (1994): "Spatial Dimension of Acceleration of Economic Growth in India", *Economic and Political Weekly*, August 27, Vol XXIX No 35.
- [6]. Dholkia H. Ravindra (2003): "Regional Disparity in Economic & Human Development in India", *Economic and Political Weekly*, September 27 6.
- [7]. Ghosh, M. (2008) Economic growth and regional convergence, in M. Ghosh (2008): *Economic Reforms and Indian Economic Development – Selected Essays*. (New Delhi: Bookwell), pp.87-112.
- [8]. Kalra, S. & Sodsriwiboon, S. (2010) *Growth Convergence and Spillovers among Indian States*.
- [9]. Kar, S. & Sakthivel, S. (2007) Reforms and regional inequality in India, *Economic and Political Weekly*, 42(47), pp.69-77.
- [10]. Papola T.S. (2012) Structural Changes in the Indian Economy Emerging Patterns and Implications, Working Paper No.2012/2, Institute for Studies in Industrial Development, June.
- [11]. Rao, Chalapati K.S. and M.R. Murthy (2010), Location of FDI in India: A Discussion of Some Less Explored Aspects paper presented at the ISID Seminar on the Globalisation of Production Models and Innovation in Emerging Economics, 19-20 November.
- [12]. *What Matters? What does not?*, IMF Working Paper No. WP/10/96, International Monetary Fund, Washington D.C.

