

# Regional Disparities in Contemporary India: Concerns and Policies for Development

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## Abstract

*India has had a glorious past. Our cultural heritage is comparable to that of China or Egypt. We had great kings and kingdoms. Half of the major world religions had their origin in India. We had produced great thinkers and philosophers who contributed to several branches of knowledge. But most of our history before 1500 AD is in oral traditions. Indians, by and large, were not good at record keeping. This is especially true about hard facts and data relating to various aspects of life. Even for the period 1500 to 1750 AD data are rudimentary. Regional disparities are an alarming issue in India, and it has been widening in spite of various policy initiatives by the government to develop backward areas. The fruit of high growth have not been distributed fairly across India's different regions and have given rise to the threat of regional inequality. Disparities in social and economic development, employment, and infrastructure amenities across the regions and within regions have been a major challenge to policy makers and economists. This paper is an attempt to understand the recent picture of regional imbalance in India across its states. The paper tries to analyze the existing regional disparity in India in terms of macroeconomic aggregates, social and economic infrastructure, and human development. The paper also examines the various policy initiatives taken by the government of India to achieve the regional balance in development.*

**Keywords:** Regional, policies, Development, Disparity, Social, Economic, Data, backward.

## 1. INTRODUCTION

The Indian economy has witnessed an era of high growth and continues to be one of the fastest growing economies in the world. India has achieved significant growth, with its gross domestic product (GDP) growing at an average of 7% per year from 2004 to 2014. This high growth leads to a rise in per capita income (PCI) double fold over a period of 12 years and a reduction in absolute poverty. However, the fruit of high growth have not been distributed fairly across India's different regions and have given rise to the threat of regional inequality. Disparities in social and economic development, employment, and infrastructure amenities across the regions and within regions have been a major challenge to policy makers and economists since independence. To tackle the issue of uneven development across different regions of India, planning commission have formulated special investment programs in backward regions and also initiated various policies directed at encouraging private investment

in such regions (Kurian, 2000). Although there is a considerable amount of policies to reduce regional disparities, the achievements were not often commensurate with these policy initiatives. However, there is a considerable level of disparity remain among different regions of India, and it had worsened over the years. Kurian has pointed out that accelerated economic growth since the early 80s appears to have aggravated regional disparities (Kurian, 2000). At the time of independence, India was very underdeveloped, and income was unevenly distributed across regions. The main challenge before the policy makers was to build an egalitarian society, coupled with the balanced development of different regions. A regional dimension has been a crucial component of India's development policy. The government has adopted the policy of active state intervention, for example, by channeling capital investment to selected areas, to reduce the disparities across different regions (Rajan, Pandey, Jayal, Ramaswami, & Gupta, 2013). The policy initiatives of various 5-year plans emphasized achieving the goal of balanced regional development and reducing interstate disparities. Regional disparity is a multidimensional phenomenon in India. Income disparity within the states has remained a serious concern even today. Odisha, Bihar Uttar Pradesh, Rajasthan, and Madhya Pradesh had the lowest PCI in the Eighth plan (Bakshi, Chawla, & Shah, 2015). But the 11th 5-year plan has shown an improvement in average growth rate with some of the economically weaker states even exceeded the average growth rates of general category states. Even though the less developed states performed better in economic growth, we cannot claim that the regional disparity has reduced. In addition to the income disparity, infrastructure disparity also contributes to the existing regional disparity. Higher investment in social and economic infrastructure can lead to higher level of citizen's well-being as well as better educated and healthier workforce. The National Human Development report reveals that the human development index of the state like Bihar, Uttar Pradesh, Madhya Pradesh, and Rajasthan are extremely low (Planning Commission, 2002). Given this background, this paper tries to analyze the existing regional disparity in India in terms of macroeconomic aggregates, social and economic infrastructure, and human development. The paper also examines the various policy initiatives taken by the government of India to achieve the regional balance in development.

## **2. SOURCES OF REGIONAL DISPARITY IN INDIA:**

2.1 Income disparity India's rapid growth is associated with high-income disparities. The unevenness of regional development is very evident among the growth performance of various states. Historically, peninsular India was much ahead of the hinterland in terms of development and modernization. This, itself, manifests the unequal level of development. After independence, some pockets of the country developed as industrial areas, and this aggravated the existing disparity further. The recent changes in the growth rate of GSDP of Indian states from 2008 to 2009 to 2014–2014. The growth rates of state domestic product fluctuate across the states over the years. The growth rates show a huge gap in the year 2008–2009. However, over the years, the gap between the highest growing state and the slowest growing state has decreased a lot. In the year 2013–2014, Madhya Pradesh recorded the highest growth (9.48), and Odisha achieved 1.82% growth, lowest in the country. Growth achieved by Bihar over the

years was remarkable; it exceeded the average growth rate of general category states. Even though the gap in the growth rate of state domestic product has reduced, we cannot establish that there are equalizing incomes across states. However, the gap in the growth rates across the states has reduced; this has not been reflected in the level of PCI across states. Ahluwalia (2013) pointed out that there are wide differences across the states in levels of PCI and which has increased over the years. The coefficient of variation of PCI across the states has increased from around 28% in 1980s to 41% in 2011–2012 (Bakshi et al., 2015). The growth rate of the states for the period 2001–2010 against the log of PCI in 2001 has shown an upward sloping relationship. The upward sloping curve indicates that states with a higher initial PCI on average grew faster, suggesting that the inequality across states is increasing. So it clearly shows that income disparity remains an alarming issue even today. It is also important to look at the level of poverty in the country. The percentage and number of people below the poverty line for the year 2004–2005 and 2011–2012. The improvement in economic growth and PCI translated, partially, into a reduction in the level of poverty in the country. The percentage of population below the poverty line fell from 37.2% in 2004–2005 to 21.92% in 2011–2012. Although there is a reduction in poverty, it has not applied to the whole country uniformly. The percentage of population below the poverty line has shown an increase in Arunachal Pradesh, Mizoram, and Nagaland. For the rest of the states, the rate of change in poverty varies largely across the states.

2.2 Human development Along with faster economic growth and reduction in poverty, there has been an accelerated improvement in human development indicators across states. The position allows us to compare improvement in Human Development Index (HDI) across the states over the years 1999–2000 and 2007–2008 (Planning Commission, 2011). The top four ranked states for the 2 years remain the same—Kerala, Himachal Pradesh, Goa, and Punjab. At the other end, mostly the northern and eastern states—Chhattisgarh, Odisha, Bihar, Madhya Pradesh, and Jharkhand—have the lowest HDI. The states that have done well in the education and health front are also showing an improvement in HDI and thus higher PCI. States like Madhya Pradesh (MP), Odisha, Bihar, and Uttar Pradesh (UP) have shown tremendous improvement in their HDI over time, leading to a convergence in HDI across states. The coefficient of variation of the states in 1999–2000 was 0.313 and fell sharply to 0.235 in 2007–2008 (Bakshi et al., 2015). These results strongly suggest that there is an improvement in education and health outcomes among the poor states in India and the gaps with the all India average narrowing over time. As we have seen, the disparity in HDI is basically stem from the disparities in education and health indicators across states. State-wise data on human development indicators display considerable variation in performance across states. Kerala was the best performer, witnessing a literacy rate of 93.91%, the sex ratio of 1,084, and infant mortality rate of 12 per thousand. At the other end of the spectrum, the worst performance on these indicators was displayed by Bihar (lowest literacy rate of 63.82%), Haryana (sex ratio of 877), and MP (infant mortality rate [IMR] of 67). Importantly, the BIMARU states, despite witnessing impressive growth rates, continued to remain at the bottom of the distribution in terms of performance on human development indicators. Gender gaps in literacy rate across states are also an important issue. According to 2011 statistics, the effective literacy rates in

2011 were 80.9% for men and 60.64% for women. The average literacy rate of nonpoor states for both the sexes is far better than the poor states. It is important to note that the poor states lag in all the development aspect.

2.3 Infrastructure disparity Improvement in the quality of infrastructure is an essential prerequisite for economic growth. Availability of adequate infrastructure is the precondition for sustainable economic growth and social development. Lack of infrastructure facility poses a serious threat to India's economic development. Due to an inadequate infrastructure facility, many international firms show a lack of interest to set up their business in India. In India, only some pockets are well developed in terms of infrastructure amenities. The growth of industrial hubs and urban cities can be one of the reasons for that. Even today, India's rural area lacks proper connectivity from one village to another village. The central government has initiated a lot of infrastructure investment policies to address the problem of widening the regional gap. The low-income states invest in infrastructure supported by central government and private investment, which in turn improves the growth potential of those states potentially (Planning Commission, 2012a, 2014b). The states have increasingly invested in the development of agriculture, communication, energy, and transport. Recently, the planning commission has developed a composite index of infrastructure combining both social and economic infrastructure. It identified five categories—agriculture, communication, banking, electricity, and railways—and took into account 12 indicators to develop infrastructure index. This index reports that Kerala, Uttar Pradesh, Gujarat, Himachal Pradesh, Karnataka, and Tamil Nadu have shown improvement in infrastructure ranking (Planning Commission, 2012a). This is primarily due to improvement in surface roads, rail density, irrigation, and rural electrification. Maharashtra and Haryana performed badly in infrastructure index. In this paper, I present some statistical information about infrastructure amenities across the states. It has been seen the share of villages having a particular infrastructure facility in the state. I have taken six key infrastructure variables such as share of villages having a primary school, the share of villages having a Maternal and Child Welfare Centre, the share of villages having a post office, share villages having a black-topped road, the share of villages having electricity connection, and share of villages having agriculture credit society. I also provide a graphical representation of spatial disparity that exists in India in terms of two infrastructure facilities such as share of villages having a primary school and share of villages having a black-topped road or pucca road (Figure 2). We can observe a clear disparity in terms of infrastructure facility across the states. In the case of all the facilities, Kerala shows the highest share. If we consider the Northeast states, there is high disparity exist among those seven states in terms of a various infrastructure facility. In case of share of villages having blacktopped road, 99% of Kerala's villages have black-topped road, but on the other hand, we have Sikkim, where only 19% of the villages have black-topped road. The condition is similar among all the given facilities across states. The share of electricity connection is an indicator of the level of energy availability in different states. It is not worthy that states such as Kerala, Jammu Kashmir, Uttaranchal, Haryana, Gujarat, Andhra Pradesh, and Karnataka have more than 80% of their

villages having electricity connection. However, the important point is the fact that there is substantial interstate variability in the availability of electricity across states.

### **3. POLICY INITIATIVES TO ADDRESS REGIONAL INEQUALITY**

Regional disparities are a major source of concern for faster and more inclusive growth at the national level. The central government has been helping the state governments through various transfers to achieve an equalizing level of development. Two major sources of financial transfers to the states have been transfers under the finance commission and the plan transfers. The transfers are more equitable and based on PCI, population, geographical area, and similar other factors that are reflective of low PCI states. Policy makers have recognized that inclusive growth necessitates a sharper focus on slower growing states, especially the backward regions in the country. Efforts to tackle regional disparities can only be successful with higher levels of public investment in physical and social infrastructure, which in turn, would provide the basis for overall faster rates of growth (Planning Commission, 2012a). The government has recognized the need to pump more investment and capital to the backward areas to achieve equitable growth. The policy makers have formulated special area programs to tackle the issue of regional disparity effectively. Central governments intervention to tackle regional disparities falls mainly into two categories. The first is to direct investment into less developed states under Centrally Sponsored Schemes through favourable norms of distribution. One example can be seen in the case of Indira Awas Yojana; funds are allocated state wise based upon housing shortage and population below the poverty line. It will help backward states to get more central assistance for capital formation. Following the favourable norms of distribution, in 2010–2011, Bihar received about 25% of the allocation under the programme. Similarly, in the case of the National Rural Health Mission, 17 states have been identified for focused attention. Second and the more important measurement taken by the central government are the special area development programs that focus on the development of backward regions exclusively. These area-based programs are also called place-based policies in the literature and very successful in the developed world and reduced the regional disparity in employment generation, income distribution, and infrastructure facilities (Neumark & Simpson, 2015). Area-based programs first identify the backward regions of a country and try to formulate policies based on the requirement of the particular region. These programs will have a clear focus on the development aspect of the region and seek to enhance the economic performance of the region. The important policy initiatives of the central government to tackle the issue of regional disparity are Integrated Action Plan (IAP) for selected tribal and backward districts, Backward Region Grant Fund (BRGF), the Border Area Development Programme, and the Hill Area Development Programme/Western Ghats Development Programme. The government of India approved IAP in 2010 and for 60 selected tribal and backward districts. It has been extended to the 12th 5-year (2012–2017) plan period and covered 88 most backward districts. The IAP transfers a huge amount of 25 to 30 crores to each identified district, and the funds will be placed at the disposal of the committee headed by the district collector. These funds are mainly utilized to improve the infrastructure facility in the district such as school buildings, Anganwadi centers, primary health centers, drinking water supply, and village roads

(Planning Commission, 2012a). The program had identified the lack of infrastructure is the main problem of Left Wing Extremism (LWE) affected areas. This has caused severe damage to the economy and the overall development of the region. It has been identified that Chhattisgarh and Odisha have the most affected districts followed by Jharkhand, Bihar, Madhya Pradesh, and Andhra Pradesh (Planning Commission, 2012a). The IAP has focused mainly on these areas and tries to develop the infrastructure facilities in these areas. Apart from the mere transfer of fund, IAP also consists of monitoring of development activities. The monitoring system in place has been developed as a web-based application that monitors the physical and financial performance of development works. This system has been used to monitor 11 flagship programs undertaken by the Government of India in LWE affected areas. The implementation and monitoring system of the IAP was conceived to give a considerable push in taking development forward especially in tribal and backward districts. BRGF was one of the widely recognized area development programs in its size and reach. The program was implemented in the year 2006–2007 in 250 backward districts of the country. BRGF program has implemented as an improvement over Rashtriya Sam Vikas Yojana, which was launched in 132 selected districts (including 100 backward districts and 32 districts affected by left extremism) in 2003–2004. The main objective of the program was to reduce the infrastructure disparity between the rich and poor districts in India. The backward regions were identified based on certain indicators like the value of the output per agricultural workers, agricultural wage rate, and percentage of SC/ST population in the districts (Planning Commission, 2014a). Apart from reducing infrastructure disparity, capacity building and professional support for promoting participatory planning were recognized as an important objective of the BRGF program. The other main importance of the program is that it gives special attention to the involvement of local people in the process of policy making. The program to be implemented under the fund will be chosen based on people's participation, particularly through Gram Sabhas in the rural areas and ward committees in the urban areas. The BRGF program consists of two funding windows; the first one is a capacity building fund of Rs. Two hundred fifty crores per annum (Rs. 1 crore for each district). This amount is basically used to build capacity in planning, implementation, and monitoring. The second one is a substantial united grant. The main objective of the development grant is to achieve integrated development by giving more importance to infrastructural development. According to this fund, each district gets a minimum of Rs 10 crores per annum, though the final amount is decided based on the proportion of population and area of the district. In each district, the Gram Sabha and the ward committee decide on the assets to be created under BRGF. On the basis of this ground level report, each panchayat and municipality will make a participatory plan and which will be consolidated into an annual action plan. This plan reflects all the financial resources available in the district. Besides the 250 backward regions, BRGF also consists of special package for Bundelkhand, Bihar, West Bengal, and some selected districts of Odisha (KBK). These special plans are formulated to bring about improvement in sectors like power, road connectivity, irrigation, watershed management, and forestry. The special plans are developed mostly given the local needs of the region and are very effective. A report by the planning commission has pointed out that dropout rates in KBK districts have been reduced from 57.13% in 1996–1997

to 6.79% in 2008–2009 (Planning Commission, 2012a). It has also observed that the enrolment rate in primary schools in KBK districts has gone up from 75.89% in 1996–1997 to 94.11% in 2008–2009. Similarly, the enrolment rate in upper primary schools in KBK districts has gone up from 56.39% in 1996–1997 to 95.29% in 2008–2009 (Planning Commission, 2012a,b). From these primary analyses, we could see that changes are happening in the backward districts. But the progress is very slow, and the programs failed to bring about an equitable development across states even after rigorous planning. Border Area Development Programme (BADP) is another centrally funded program initiated in the border areas of the western region during the seventh 5-year plan (1985–1990). The program focused on ensuring balanced development through infrastructure development and promotion of security among the border population. The program now covers 358 border blocks of 94 border districts of 17 states located along the international land border. Works under BADP are taken up by the states under various sectors such as strengthening of social and economic infrastructure—filling up of critical gaps in the road network, especially link roads, bridges, culverts, and so on—schemes for employment generation, education, health, agriculture and allied sector, and schemes, which provide for critical inputs in the social sector (Planning Commission, 2012a,b). However, the program had a positive impact on the life of the people in border districts; it failed to offer a full-fledged development to these areas because the allocation under the program was too small to address the livelihood and other socioeconomic issues. One of the earlier programs to address the problem of regional disparity is called Area Development Programme or Western Ghats Development Programme. The program has been in operation since the fifth 5-year plan in identified hill areas. The program covers two hill districts of Assam (North Cachar and Karbi Anglong), major part of Darjeeling district in West Bengal Nilgiris district Tamil Nadu and 175 talukas of Western Ghats.<sup>1</sup> The program tries to achieve regional balance through ecologically sustainable socioeconomic development of hill areas. The schemes being implemented under the program are mainly in the sectors of agriculture and soil conservation, forestry, social forestry, animal husbandry, sericulture, apiculture, minor irrigation, fisheries, link roads and footbridges, small scale industries, watershed development, the welfare of SC?ST, and rural energy conservation. The program got restructured because of the lack of tangible outcomes. Apart from these policy initiatives, government also have other specific programs like North-Eastern Region Development, Rajiv Gandhi Panchayat Sashaktikaran Abhiyan, Providing Urban Amenities to local Areas (PURA), Mahatma Gandhi National Rural Employment Guarantee Act, Pradhan Mantri Gram Sadak Yojana, Rajiv Gandhi Grameen Vidyutikaran Yojana, Total Sanitation Campaign, and so forth. The study gives the idea that the budgetary allocation of funds to the 17 major flagship programs in India for the years 2012–2013 and 2013–2014. These programs together try to uplift poor in the country and also help the backward districts to perform better in various development aspects.

#### **4. SUGGESTIONS:**

Regional development policy or place-based policies aim to reduce regional disparities by supporting economic activities in all regions. In today's context, these policies are more

important than ever. Here we detail about the three strategies for removing regional disparities in India.

1. Resource Transfer and Backwardness: ADVERTISEMENTS: ...
2. Special Area Development Programmes: ...
3. Incentives for Promoting Investment in Backward Regions:
4. There should be focus on the all-round development of citizens in general.
5. Regular Upliftment programmes should be made in least focussed areas.
6. Launching of Special Area Programmes like Desert Development Programme, Drought Prone Area Programme, etc. Propagation and use of improved dry farming technology. Provision of infrastructural facilities in backward districts. Development of forward and backward linkages in the backward regions.
7. Identification of the Backward Areas and Allocation of funds
8. Need for Investments in Backward Areas
9. Good Governance – the better the governance, the less would be the disparities in country.
10. Political Will – Political will is vital for the balanced regional development i.e. to remove regional imbalances in a country.
11. Incentives: Incentives should be provided for promoting investments in the backward regions.
12. Promoting New Financial Institution in Backward Region.
13. Setting Up of Regional Boards: As per Article 321 D of the Indian Constitution, Regional Boards with necessary legal powers, funds should be instituted to remove regional disparities in the States.
14. Growth Corridors comprised of education zones, agricultural zones, and industrial zones should be operationalized for the rapid development of backward areas in the states.
15. Strict restrictions on usage of productive agricultural lands for non-agricultural purposes to be implemented. If required, permissions for non-agricultural usage should be granted only after the farmers have been guaranteed a better life.
16. Special grants are to be given to the backward and tribal areas.
17. Schools to be opened providing free and compulsory education to remove illiteracy.
18. Hospitals and dispensaries to be set up to give medical care to the people.
19. Water facilities to be provided for domestic purposes and agriculture.
20. Cottage and small industries are to be promoted to provide employment opportunities.
21. Roads and railway lines have to be laid down to link different places.
22. Government must speed up developmental works in backward areas.

## **5. CONCLUSION:**

It can be well said that different regions of India will certainly benefit from these regional development programs. There will also be spill-over or enforcement effects from growth centers and which will spread further far and wide along with adjacent areas. Even though there are a plethora of programs to address the development issue, the data presented in the earlier sections indicate that there are considerable disparities in socioeconomic development across Indian states. Not only interstate disparities but also intrastate disparities are also on the rise. As we have seen, the convergence in growth rates is not reflected in the equalizing income across the states. There is huge income disparity among various states in India coupled with the difference in human development index. The case with the infrastructure facilities is also not different. There exist huge gaps in basic amenities like health facilities, bank facilities, road connectivity, clean drinking water, post office, and telephone connection. N. J. Kurian opined that the economic reforms of 1991 with stabilization and deregulation policies seen to have further aggravated the interstate disparities (Kurian, 2000). At this point, the backward states require more investment in their social and infrastructure sectors. As we have seen, I had many development programs such as area development programs, employment generation programs, and infrastructure development programs. But one major criticism against these programs is the lack of funds provided by these programs. Many times the funds are not enough to finance a meaning full infrastructure investment at the block level. Massive investment in social sectors such as education and health care should be promoted. India performed better in education front compared with the last era. But the health-care system should be improved to achieve better outcomes. More research and ground level understanding are required to identify the backward regions. Within the districts, which are identified backwards seem to have different layers of development. The challenge of the policy makers is to identify these different levels of development and formulate policies accordingly. To conclude, regional disparities remain as an alarming issue even today, and to tackle this, policy makers have to identify the pockets of under development and fund according to the local needs.

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