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REGIONAL DISPARITIES AND ECONOMIC GROWTH IN INDIA

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Abstract:-This study addresses issues related to definition, dimension, and measure of economic disparities from the perspective of the finance commission. In India alongside fast economic growth has come to a new challenge of increasing regional disparities. Usingper capita net state domestic product, net state domestic product and urban population data, this paper examined the current status of regional disparities during the period of 2004-05 to 2012-13. The period has chosen because it reflects the latest situation of regional disparities in India. Statistical analysis of data for the period 2004-05 to 2012-13 shows a clear tendency for Indian states to diverge in per capita income, percentage of urban population to total populationand NSDP.In a panel data study for 15 major Indian states for the period from 2004-05 to 2012-13, it is found thatregional inequality in India remained largely unchanged during this study period. The paper argues that the Planning Commission and the finance commissions should take due note about regional imbalances.

Keywords: Regional Disparity, Economic Growth, NSDP, Per capita Income, Urban Population, India.

INTRODUCTION:

Balanced regional growth is necessary for the harmonious development of a federal state such as India. India, however, presents a picture of wide regional variations in the form of such indicators of economic growth as per capita income, net state domestic product (NSDP) the proportion of population living below poverty line, working population in agriculture, the percentage of urban population to total population etc. (Dholakia, 1985).

Thedistribution of the fruits of economic growth among different regions and among different groups of society has been the main concern of the economists, since it is one of the major objectives of economic development. The co-existence of relatively developed and economically depressed states and even regions within each state is known as regional disparity. The process of economic growth may lead to regional disparity among regions and among different groups of society (Ghosh, 1998). This phenomenon could be an outcome of factor endowment, geographic location or some other historical events or manmade in the sense of neglect of some regions and preference of other for investment and development effort. Regional disparity may be inter-state or intra-state (Nayyar, 2008).

Hoover (1971) pointed out that agglomeration economies play an important role in the concentration of economic activities, at a certain location. The same has been also found valid in the case of India.Regional disparity is often a source of political tensions and dissatisfaction in a federal system (Sakthivel, 2007). Although the theory and measurement of such disparities have never received adequate attention in India, both the Planning Commission and finance commissions have given very high (and sometimes exclusive) weightage to this aspect for deciding allocation of resources among states (Economic Survey, 2012-13).

Rising regional inequality can create economic and political problems for any country. For the Indian economy, it has serious ramifications for the continuation of the growth process. Regional disparities like other imbalances and distortions in the economy are the manifestations of the concentration of wealth and income in the hands of a few who prefer to direct them in already developed areas where private profit could be maximized (Kurian, 2000). Regional disparities are, by and large, an outcome of the working of the socio-economic system and its processes. Partly they are also influenced by regional factors. As in many other areas of development, regional imbalances stem mainly from the failure of our planning process which is constrained by the framework of mixed economy and the emerging pattern of distribution within it. The problem of regional disparities in India is to be seen in this larger context. Regional disparities are expected to be reduced through "planned efforts".

But the plans are formulated within the frame-work of an extremely iniquitous system of ownership of property and a heritage of regional inequalities. Planning in India continues to be aggregative and sectoraldevoid of spatial dimensions. This makes integration of plans at different levels and between different sectors difficult (Suryanarayan, 2009).

The issues of regional disparity and economic growth have attracted considerable attention among planners and policy makers. Since independence, the Indian Government has been concerned with the issue of how to strengthen national unity and promote economic growth with regional equality. Redressing regional imbalances has been one of the primary objectives of Indian planning. The Eleventh Five Year Plan (2007-12) with 'faster and more inclusive growth' as its theme perceived that disparities among regions have increased steadily and the benefits of growth have not reached all parts of the country equally (Planning Commission, 11th FYP 2007-12). Recognizing the need to make growth 'more inclusive', approach paper to the 12th Five Year Plan (2012-17) has chosen 'faster, sustainableand more inclusive growth' as its major objectives. For growth to be 'more inclusive' regionally, it is necessary that the benefits of growth to be shared equally by all the regions of the country (Planning Commission, 2011). At the backdrop of impressive progress of the economy during the last decade, it would be useful to investigate how far economic growth is shared by different regions of the country.

SCOPE OF THE STUDY

To study the regional disparity, the fifteen major states of India have been selected by taking in to account their respective gamut of per capita income. Further these states have been assorted in to two groups i. e. Forward States and Backward States to facilitate our comparison. Forward States comprised of Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu, Kerala, Gujarat, Punjab, and Haryana. Among the backward states are Madhya Pradesh, Uttar Pradesh, Bihar, Odisha, Rajasthan, Assam and Chhattisgarh. These fifteen states taken together accounted for 84.34% of the total population according to the census of 2011.Where, forward states accounted for 39.41% and backward states accounted for 44.92%.The present study uses data covering the period 2004-05 to 2012-13 and evaluates the economic performance of fifteen major states in India. It examines regional disparities in Net State Domestic Product (NSDP), Per Capita Income and proportion of Urban Population to total Population.

OBJECTIVE OF THE STUDY

The objective of the present study is to examine the regional disparities in India with special reference to net state domestic product, per capita income and urban population.

Data Base

The present study is entirely based on secondary data and information. The secondary data have been collected from RBI Handbook of StatisticsandPrimary Census Abstract 2001 and 2011, Census of India.

Methodsof the study

Successive Growth Rate (SGR) has been calculated to find out the successive year growth.

$$SGR_i = \frac{Y_t - Y_{t-1}}{Y_t} \times 100$$

Where Y_t = value of current year
Y_{t-1} = value of preceding year

The Annual Average Growth Ratehas been calculated by adding the successive growth rate for the different years and then dividing by the number of years..Beside this, simple percentage method has been also used for analysis.

RESULTS AND DISCUSSIONS:

Net State Domestic Product (NSDP) as an Indicator of Regional Disparity

Table-1 demonstratesthe data of NSDP (in billion) for 15 major states in India. From the table it is evident that there is a wide variation in NSDP of different states. In the case of forward states, in 2004-05 NSDP of Maharashtra was 3700.23 billion which further increased to 7603.08

Table – 1
State-wise Net State Domestic Product (2004-05 to 2012-13) at Constant Prices (2004-05)
(in billion)*

States	Years									Annual Average Growth Rate (2004-05 to 2012-13)
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	
Forward States										
Maharashtra	3700.23	4236.32	4819.83	5380.81	5465.33	5993.38	6614.69	7093.15	7603.08	**11.00**
Andhra Pradesh	2013.03	2209.01	2445.87	2227.26	2922.58	3036.68	3329.25	3588.01	3788.79	**9.39**
Karnataka	1487.29	1640.31	1810.66	2038.1	2183.09	2183.63	2408.17	2508.31	2667.84	**9.70**
Tamil Nadu	1936.45	2215.88	2562.86	2723.4	2867.44	3167.6	3599.61	3867.68	4026.03	**11.34**
Kerala	1047.76	1155	1246.25	1357.47	1440.94	1571.23	1702.37	1869.98	1942.12	**9.61**
Gujarat	1722.95	1972.7	2139.54	2392.53	2494.8	2847.32	3157.54	3420.88	3778.98	**11.58**
Punjab	861.08	930.3	1000.72	1087.38	1147.66	1220.97	1299.83	1371.03	1442.38	**6.41**
Haryana	862.22	940.11	1047	1128.96	1215.88	1367.8	1475.16	1594.52	1709.48	**8.92**
Backward States										
Madhya Pradesh	999.4	1049.75	1145.45	1199.58	1351.24	1484.27	1584.66	1777.86	1962.53	**9.40**
Uttar Pradesh	2310.29	2445.14	2639.35	2808.51	3021.92	3209.89	3466.21	3694.91	3897.43	**7.00**
Bihar	701.67	698.61	815.14	859.15	967.29	1020.27	1176.05	1302.81	1496.21	**9.40**
Odisha	697.87	710.05	798.45	866.92	932.07	939.57	994.9	1019.07	1094.64	**7.89**
Rajasthan	1126.36	1202.02	1343.5	1404.71	1522.84	1611.59	1861.93	1975.37	2038.09	**8.32**
Assam	471.81	486.02	507.97	529.68	561.23	612.94	662.8	705.44	754.17	**6.44**
Chhattisgarh	413.87	420.63	500.65	541.12	576.62	592.63	644.7	687.96	745.31	**8.60**

Source: Compiled and Computed from RBI Handbook of Statistics, 2012-13. P.19 to 21
1 billion* = 100 crore

billion in 2012-13 with the annual average growth rate of 11 per cent. While in the case of backward states like Chhattisgarh, Assam, Odisha and Uttar Pradesh, the NSDP for the year 2004-05 was 413.8 billion, 471.81 billion, 697.87 billion, and 2310.29 billion respectively, which was very low as compare to forward states. Absolute data of NSDP for the year 2012-13 exhibits the dismal performance of the backward states in terms of their respective NSDP as compare to forward states. These differentials aggravated regional disparities during the study period. It can be further inferred from the table that forward states like Maharashtra, Tamil Nadu, Gujarat and Karnataka indicated very high annual average growth rate of NSDP (over 11 per cent) during the study period. The backward states like Assam, Odisha and Uttar Pradesh recorded low annual average growth rate (less than 7 per cent) during the period of nine years (2004-05 to 2012-13). Madhya Pradesh and Bihar showed the sign of improvement with the growth rate of 9.40 per cent which was found highest among the backward states during the study period. Chhattisgarh and Rajasthan have picked up growth rate of the order of 8.60 per cent and 8.32 per cent respectively, which though still a bit low, are showing sign of improvement vis-à-vis other backward states during study period. It may also be noted that notwithstanding high per capita NSDP, the growth rate of some forward states, such as Punjab and Haryana have decelerated during the study period. The upshot of the above analysis is that there is wide difference in growth rates of NSDP among forward and backward states which in turn reflects the regional disparities in terms of NSDP in India.

PER CAPITA NSDP AS AN INDICATOR OF REGIONAL DISPARITY

Table-2 provides per capita NSDP at 2004-05 constant prices for both forward and backward states. It is clearly evident from the table that among forward states, Haryana had highest per capita income (37972 Rs.) in 2004-05 followed by Maharashtra (36077 Rs.) and Punjab (33103 Rs.). But in 2012-13 Maharashtra was at top with the per capita income of 66066 Rs. followed by Haryana (65500 Rs.) and Gujarat (60754 Rs.). Among backward states Bihar had the lowest per capita income (7914 Rs.) followed by Uttar Pradesh (12950 Rs.) and Madhya Pradesh (15442 Rs.). In 2012-13 despite performing well in terms of growth of NSDP (9.40 per cent) Bihar remains at the bottom place in terms of per capita NSDP. It is evident from the table that there is a huge variation in per capita NSDP among different states. During the period of 2004-05 to 2012-13, Gujarat has registered the highest annual average growth rate (17.80 per cent) of per capita NSDP followed by Tamil Nadu (17.48 per cent), Maharashtra (16.48 per cent) and Andhra Pradesh (13.81 per cent) among the forward states. While among the backward

states, Assam has recorded the lowest annual average growth rate (8.17 per cent) of per capita
NSDP followed by Utter Pradesh (9.03 percent) and Odisha (10.24 per cent). Further while forward states have recorded smart annual rates ofgrowth and backward states have registered poor rates of growth. Among the backward states, some like, Bihar and Madhya Pradesh have shown positive sign in their annual growth rates of per capita NSDP i. e. 13.49 per cent and 13.37 per cent respectively. This is a clear indication of the forward states providing a higher per capita income to their profile while the backward states failing to catch up with the forward states. Table-2 clearly demonstrates that there is a wide gap among forward and

Table 2
State-wise Per Capita NSDP (2004-05 to 2012-13) at Constant Prices (2004-05)

(in rupees)

States	Years									Annual Average Growth Rate % (2004-05 to 2012-13)
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	
Forward States										
Maharashtra	36077	40671	45582	50138	50183	54246	59037	62457	66066	16.48
Andhra Pradesh	25321	27486	30114	33239	35272	36303	39434	42119	44098	13.81
Karnataka	26882	29295	31967	35574	37687	37294	40699	41959	44183	13.63
Tamil Nadu	30062	34126	39166	41314	43193	47394	53507	57131	59113	17.48
Kerala	31871	34837	37284	40388	42433	45921	49391	53877	56591	13.92
Gujarat	32021	36102	38568	42498	43685	49168	53789	57508	60754	17.80
Punjab	33103	34096	37087	39567	41003	42831	44769	46364	48409	8.16
Haryana	37972	40627	44423	47046	49780	55044	58376	62078	65500	12.60
Backward States										
Madhya Pradesh	15442	15927	17073	17572	19662	21029	22091	24395	26514	13.37
Uttar Pradesh	12950	13445	14241	14875	15713	16390	17388	18217	18891	9.03
Bihar	7914	7748	8896	9231	10239	10645	12100	13226	14994	13.49
Odisha	17650	18194	20194	21640	22963	22846	23875	24134	25584	10.24
Rajasthan	18565	19445	21342	21922	23356	24303	27625	28851	30123	11.34
Assam	16782	17050	17569	18089	18922	20406	21793	22910	24198	8.17
Chhattisgarh	18559	18530	21580	22929	23926	24189	25788	26979	28666	11.53

Source: Compiled and Computed from RBI Handbook of Statistics, 2012-13. P.45 to 47

backward states in terms of per capita NSDP and its annual average growth rates which leads to the conclusion that regional disparities are prevalent in per capita NSDP also.

Proportion of Urban Population to total Population

The differential in urban population to total population among different states also indicates the regional disparities. If there is uneven distribution of urban population, it is followed thatthere exist regional disparities across the states.

Table: 3

State-wise Urban Population in India (% to Total Population)		
	Years	
States	2001	2011
Forward States		
Maharashtra	37.36	45.22
Andhra Pradesh	27.30	33.36
Karnataka	33.92	38.67
Tamil Nadu	44.04	48.40
Kerala	42.43	47.70
Gujarat	33.99	42.60
Punjab	28.92	37.48
Haryana	27.97	34.88

Backward States		
Madhya Pradesh	23.39	27.63
Uttar Pradesh	14.99	22.27
Bihar	10.46	11.29
Odisha	14.99	16.69
Rajasthan	23.39	24.87
Assam	12.90	14.10
Chhattisgarh	20.09	23.24

Sources: Primary Census Abstract, 2001
Primary Census Abstract, 2011, Census of India

Table-3 presents the proportion of urban population to total population for both forward and backward states. From the table it is evident that among the forward states, Tamil Nadu occupied the first place with urban population of (44.04 per cent) in 2001 followed by Kerala (42.43 per cent) and Maharashtra (37.37 per cent). In 2011 the same states kept their position intact but the proportion of urban population in these states further increased. Whereas in backward states highest urban population have been observed in Madhya Pradesh and Rajasthan with 23.29 per cent in each followed by Chhattisgarh, Assam and Utter Pradesh with 20.09 per cent, 14.99 per cent and 14.99 per cent respectively. In 2011 Madhya Pradesh recorded highest urban population (27.63 per cent) leaving Rajasthan behind with (24.87 per cent) among the backward states. It can be concluded from the foregoing analysisthat there is a huge difference in urban population across the different states which is the harbinger of regional disparity.

CONCLUSION

It is inferred from the foregoing analysis that there has been notable variation in net state domestic product among the forward and backward states. Majority of the forward states recorded higher annual average growth rate of more than 11 per cent. Whereas in the case of backward states the average growth rate was 8 per cent for the period of nine years (2004-05 to 2012-13) which clearly evinced the differentials in growth rates among both category of states. At the front of per capita NSDP, the backward states proved laggards compare to forward states. Majority of the forward states registered the annual average growth rate of more than 17 per cent in their per capita NSDP during the study period. Whereas the backward states recorded average growth rate of 11 per cent during the same period. Further, during the study period it has been found that forward states have higher proportion of urban population as compare to backward states. From this whole analysis it is inferred that the situation of regional disparity is standstill in our country which may be a grave threat to our economy in the ensuing future. Regional disparities are the matter of major concern to our planners and policy makers. Reduction in regional disparities is imperative not only from the point of view of improving living standards in backward states but also for faster economic development of the country at large. Planning Commission and Finance Commission should pay due heed toward the backward states and regions to reduce and iron out the regional disparities by providing extra financial aid to these states and regions.

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