Economic wellbeing of a nation or a region or state depends upon its rate of economic development. The earliest concept of development was interpreted in terms of growth of output over time and later in terms of per capita output. Economic welfare or wellbeing of a people does not merely depend upon the rate of development but also on its distributive aspect. It has been seen worldwide that development outcomes are not equally distributed among states, causing disparities and imbalances in economic development. Regional disparity denotes regional dualism or regional income or growth differentials. The term “poles de croissance” in French literature defines regional disparity as the presence of socially and economically advanced and backward regions between nations or different states within a nation. Disparity has also been defined as the condition or fact of being unequal as in age, rank or degree. Synonyms for disparity are inequality, unlikeness, disproportion and difference. In different parts of the country sharp differences are found to exist in physical features and resource endowment across states which are responsible for development disparities within countries.

The prevalence of regional disparities is a common phenomenon and present in both developed and developing countries. Even the richest country of the world, U.S.A., has the problem of unbalanced regional development and many small and rich countries (such as Italy and France) and socialist countries such as Russia and China are also faced with this problem (Koropecky 1972). Different regions of a country grow at very unequal rates, resulting in inter-regional and intra-regional imbalances, which in turn give rise to socio economic problems. Many countries which are developed today, stressed regional development in fifties, though, in western countries regional development began to receive attention in the 1930’s due to welfare considerations (Nath 1970).

Regional disparity or regional dualism is an important feature of the Indian economy. Disparities in economic development exist in terms of per capita income, poverty, literacy, gross enrolment ratios, life expectancy, indicators of mortality (maternal mortality, life expectancy at birth) and access to safe drinking water etc. Not only are there interstate disparities but even within the states variations in development exist. Sometimes these are expressed in terms of the northern, southern, eastern or
western states when the problem is not confined to a state alone but the entire region including several states of the region. The problem of regional disparities is prevalent in the country. Over development of developed states and lesser development of backward states has resulted in misallocation and underutilization of resources.

In India there are significant regional differences in terms of size, population, climate, geography and culture and so on. Similarly, there are large differences in the level of economic development and hence the existence of the problem of regional disparities. For example there is a high level of variation among the states in terms of the size of population and manifest in a high percentage of population living below the poverty line as in Bihar and Orissa (40-50%). On the other hand there are states such as Maharashtra, Tamil-Nadu, and Karnataka where poverty ratios are low. Economic growth rates also reflect economic disparity within the country because economic growth rates vary considerably among states. Growth rates vary from 7 percent to 9 percent (as in Gujarat, Haryana and Delhi) to 4-5 percent as in Bihar, Uttar Pradesh and Madhya Pradesh. In Gujarat growth rate is 8.8 percent, in Haryana it is 8.7 percent in Delhi it is 7.4 percent while in Bihar, Uttar-Pradesh, and Madhya Pradesh, growth rates are very low at 5.1 percent, 4.4 percent and 3.5 percent respectively. This varied economic growth in India is also shown by the fact that rural Orissa and rural Bihar are the poorest regions in the world with the poorest growth rates while rural areas of other states such as Haryana have higher growth rates. There are also wide variations in infant mortality rates. In 2008 Infant mortality rate were 12 per thousand live births in Kerala while in Madhya Pradesh, Uttar Pradesh, Orissa and Rajasthan it ranged between 70 to 63. Similarly in terms of Life Expectancy at Birth (LEB) during 2006-10, Kerala had a higher life expectancy both for males (72.0) and females (76.8) while Madhya Pradesh, Orissa, Uttar Pradesh and Bihar had a much lower life expectancy. There are also large disparities in terms of literacy rate. According to 2001 census the overall literacy rate was 65.4 percent. Kerala had a 90.9 percent literacy rate while in Bihar and in Rajasthan it ranged between 47.5 percent and 61.0 percent. Like other social indicators, there is large disparity in terms of maternal mortality (MMR) rate also. Kerala had the lowest MMR at 95 in 2004-06 while Assam had the highest MMR at 480 during the same period. The major states such as Madhya Pradesh (335), Uttar Pradesh (440), Rajasthan (388) and Orissa (303) had a higher MMR. There are mainly seven states in India which are lagging behind in economic growth namely Bihar,
Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh and states such as Punjab, Haryana, and Gujarat and Maharashtra have maintained a continuous lead over other states. In contemporary India the issue of regional disparity has attracted much attention of researchers and has become one of the significant areas for research. Notable among the recent works on regional disparities are Ahluwalia, 2000, Aiyar, 2001, Cashin and Sahay, 1996, Dasgupta et al., 2000, Ghosh and De, 1998, Kurian, 2000, Rao et al. 1999, Sachs et al., 2001.

The Five year plans in India have stressed on industrial development in the backward regions as industries were concentrated in urban areas and port cities. In the second and third five year plans an effort was made for balanced regional development through industrial development of the backward regions by providing tax concessions, cheap land, concessional freight etc. and a separate chapter in the plan documents was devoted to balanced regional development in the third five year plan. Various measures were undertaken in subsequent plans for the development of less-developed and backward regions. Balanced regional development has been an important objective of economic planning.

**Objectives**

The objectives of the present study are-

(1) To estimate and analyze the extent of disparities in the level of socio-economic development among Indian states, with reference to the post reform.

(2) To analyze the government policies for balanced regional development and deduce policy implications for the present economy in India.

(3) To suggest further measures for reducing regional disparities.

**Hypothesis**

(1) Though the balanced regional development was recognized as important early in the history of planned development in India, it is still far from having been achieved. In fact regional disparities in many instances have become more pronounced, more so after initiation of economic reforms in 1991.
(2) Economic as well as non-economic factors are responsible for persistence of regional disparities in India

**Database and Methodology**

To make an assessment of regional disparities, the present study focuses on certain measures of development, while recognizing that economic development is a multivariate concept. The measures of development that have been taken up for comparison are net state domestic product, per capita net state domestic product, socio-economic indicators related to education (literacy rate and gross enrolment ratios) and health (life expectancy, ratios of infant mortality and maternal mortality), and an important social amenity namely, access to safe drinking water. State wise poverty estimates have also been examined. In this thesis ‘Regional disparities in economic development’, it is an essential requirement to define the concept of a ‘region’. The concept of a region has different importance in the context of economic planning, especially in a vast country like India facing disparity in terms of culture, language, physical conditions and natural resources. Under the 1956 Re-organization Act, the whole country has been divided into zones, states and union territories. States are considered as economic planning regions. Most of the discussion in terms of distribution of central assistance in the five year plans and in the national development councils (NDC) deals with the concept of a region as state. In the present study also regions are defined as states. Secondly, policies and priorities can be easily implemented to meet the requirement at the level of the state by the respective state governments.

**DATABASE:** The study is based on secondary data collected from various sources. Data regarding Net state domestic product (NSDP), Per capita net state domestic product (PCNSDP), poverty, literacy rate, gross enrolment ratios, health indicators like life expectancy, infant mortality, maternal mortality, access to safe drinking water have been taken from census of India, Registrar General of India, CSO (Central Statistical Organization), National Account Statistics, Planning Commission, Reserve Bank of India publications-RBI bulletin, Directorate of Economics and Statistics, various publications of India Development Reports, National Human Development Reports, Annual Reports, Economic Surveys, Retrospective MMR surveys, SRS Prospective Household Reports, Statistical...
Reports and Registrar General of India Sample Registration System Bulletins. The study helps to examine the rates of development and the level of disparities in development among various states. It also helps in deriving suitable measures for balanced growth and development and contributes to regional economic development. The analyses involved in the study would help one to suggest measures for regional disparities among the states.

**Analytical tools:** The following tools have been used in the present study to analyze the level of disparity among the states: Mean, Standard deviation, Average annual growth rate, Coefficient of variation, Sigma and alpha convergence.

**Coefficient of variation:** To find out the imbalance between the different states in terms of per capita incomes, this measure is given by Yotopoulous and Lau. Coefficient of Variation is based on mean and dispersion. It is an average index of inequality for all regions.

\[
C.V = \frac{S.D}{\text{MEAN}} \times 100
\]

Where, \( S.D \) = the standard deviation of that period.

\( \text{MEAN} \) = the mean of that period.

**Sigma Convergence and Alpha Convergence:** Sigma convergence and alpha convergence are the usual tests implemented to prove the convergence and divergence. The sigma convergence hypothesis tests whether the disparities have declined or not in terms of the standard deviation of the chosen variable. The trend rate of the log of standard deviation of per capita net state domestic product (PCNSDP) is estimated by fitting a log-linear time trend model. The alpha convergence is tested by estimating the time trend of coefficient of variation of per capita net state domestic product during the period of study.

**Scope of the Study**

The scope of the study is to estimate and analyze the interstate disparities in the level of economic development during the post-reform period and compare it with the pre-reform period. Fifteen major states of India have been taken up for the present study. These states are: Andhra Pradesh, Assam, Bihar, Gujarat, Uttar Pradesh, Madhya Pradesh, Maharashtra, Rajasthan, Punjab, Haryana, Kerala, Tamil
Nadu, Karnataka, West-Bengal and Orissa. The study has been divided into seven chapters. The first chapter begins with the concept of development and regional disparity and the problem of existence of regional disparities in development. It also demonstrates that regional disparity exists in terms of per capita income, poverty and in terms of social indicators such as life expectancy at birth (LEB), literacy, gross enrolment ratios, access to safe drinking water and indicators of mortality. The Second Chapter is devoted to a brief survey of the existing literature which highlights the problem of regional disparities in economic development in India. National and International studies related to alternative indicators of economic development have also been taken up in this chapter. The Third Chapter deals with the concepts of economic development, its measurement and gives a brief description of indicators required for the measurement of regional disparities in economic development. Composite index of development and measures of inequality are also discussed briefly in the last part of this chapter.

Fourth Chapter deals with regional disparities with respect to (Net State Domestic Product) NSDP and Per Capita NSDP. Mention has also been made in this chapter of the states where growth rate of net state domestic product (NSDP) increased in the post-reform period and the states where it decreased in that period. Fifth Chapter deals with regional disparities in terms of social indicators such as literacy rate, gross enrolment ratios, life expectancy at birth (LEB), and mortality indicators: maternal mortality rate (MMR), infant mortality rate (IMR), access to safe drinking water and poverty. In this chapter states are also categorized into forward and backward group of states in terms of percentage distribution of poor persons. Chapter sixth reviews some of the government policies taken up in different plans for balanced regional development from the beginning of the Five-Year Plans up to the Eleventh Plan. This chapter touches upon recommendations of the Finance Commissions on devolution of resources between the centre and states with the intention of addressing the problem of regional inequalities and examines the regional disparities after the implementation of new economic policy. It also suggests measures that can be taken up for the reduction of disparities in development. The last chapter summarizes the findings and conclusions of the study.
This study pertains to mainly the post-reform period. The choice of the post-reform period is based on the fact that in spite of widespread economic reforms introduced in the nineties, regional disparities could not be reduced significantly. In fact in some respect disparities became more pronounced. For a meaningful comparison data pertaining to the pre-reform period (since 1980) has also been taken into account. The nineties therefore become an appropriate period for study, more so in view of the marked departure in policy stance of the government since the planning period. It is important to find out if this change has been beneficial for the country in terms of balanced regional development which has been a broad goal of economic planning.

Limitations of the Study

The study is confined to fifteen major states of India. The data has been collected for twenty five years for the convenience of the study. Due to non availability of latest data on single base year the study is restricted up to 2004-05 in terms of per capita NSDP and the variables are also selected on the basis of data availability during this period. There is also discrepancy in the data collected from official sources. When data are gathered from a plethora of agencies associated with a certain purpose, the problem of reconciling conflicting data poses a hindrance and in such instances we had to proceed on our judgment.

Conclusion

In India there are significant regional differences in terms of size, population, climate, geography and culture and so on. Similarly, there are large differences in the level of economic development and hence the existence of the problem of regional disparities. For example there is a high level of variation among the states in terms of the size of population and manifest in a high percentage of population living below the poverty line as in Bihar and Orissa (40-50%). On the other hand there are states such as Delhi, Punjab and Maharashtra where poverty ratios are very low. In terms of NSDP and its growth rate, disparity increases as it shown by the increased coefficient of variation of growth rates. The coefficient of variation (C.V) of growth rate increased from 21.8 percent in 1980-81 to 1992-93 (first decade) to 22.8 percent in 1993-94 to 2004-05 (second decade). Per capita income is an important indicator to measure the
regional disparities in economic development and it is better measure of economic development. In terms of per capita NSDP Punjab retained the highest position in the pre-reform period. The states of Punjab, Maharashtra, Haryana and Gujarat have had higher per capita NSDP throughout the whole period. While the states such as Assam, Bihar, Uttar Pradesh and Madhya Pradesh remained at the bottom and categorized as poorer states. These results are further proved in the analysis of ranks and analysis of per capita NSDP at 1999-2000 base years. This divergence or disparity process is also supported by sigma convergence and alpha convergence tests, as these tests are adopted to examine the process of convergence and divergences. The sigma convergence hypothesis tests whether the inequalities have decreased or not in terms of the standard deviation of income. If the estimated beta coefficient is negative convergence is said to be taking place. On the other hand if the coefficient is positive, divergence occurs across the selected states. Similar to the sigma convergence, alpha convergence can take place, if the estimated beta coefficient is negative convergence is said to be taking place on the other hand if the beta coefficient is positive divergence can take place across the selected states. In terms of literacy rate Kerala, Maharashtra, Tamil Nadu, Gujarat, Punjab and Karnataka were relatively advanced states while Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan, Andhra Pradesh, Orissa and Assam continued to be lagging states in all the three census years. Disparity also prevails in terms of gross enrolment ratio such as Maharashtra, Tamil-Nadu, West-Bengal Punjab and Kerala have high gross enrolment ratio. On the other hand Bihar, Uttar-Pradesh and Madhya-Pradesh remained at the bottom in terms of enrolment of students at all the level of education. Likewise, performance with respect to health also improved in all the states as indicated by the rising life expectancy and declining infant mortality, maternal mortality, improvement in the safe-drinking water facilities. However, the disparity among the states did not reduce because between the states there is a large amount of variation in public provisioning of health care, budgetary allocations for health in poorer states have been far too inadequate than the better-off states.

In terms of life expectancy at birth which is considered as one of the important indicator of health, Kerala occupied the highest position followed by Punjab, Haryana, Gujarat, Maharashtra and Tamil-Nadu which can be categorized as developed states in terms of life expectancy. On the lower side five states such as Assam, Orissa, Rajasthan, Uttar Pradesh, Bihar, and Madhya Pradesh have lower life expectancy and
can be categorized as under-developed. Male-female LEB also revealed a similar picture. Infant Mortality rate is another indicator which revealed significant disparity. Infant Mortality Rate is high at 53 (2008), with the lowest obtained in Kerala at 12 and highest in Orissa at 69, a difference of almost six times. Though the disparity between states in IMR is high, it has remained almost the same over the entire period for which data has been presented. This is also evident from the minor change in coefficient of variation over the period under review. Maharashtra, Tamil Nadu, Punjab and Karnataka were at the better positions during the study period as they reduced their IMR significantly. On the other hand major states such as Orissa, Madhya Pradesh, Uttar Pradesh and Rajasthan have had high infant mortality rate. In terms of male-female infant mortality results are almost the same with minor changes. Maternal mortality also reveals inter-state disparity in the pre reform and post-reform period but in the later post-reform it showed reduced disparity among the states as shown by the low degree of coefficient of variation. Maternal mortality rate is higher in backward states (Assam, Uttar Pradesh, Rajasthan, Bihar, Orissa and Madhya Pradesh) while it is lowest in Kerala, Tamil Nadu, Maharashtra, Haryana and Gujarat. West Bengal showed improvement in its maternal mortality figures from 561 in 1982-86 to 141 in 2004-06. In terms of access to safe drinking water facility Punjab households have a high level of safe drinking water facility and occupied the first position followed by Haryana, West Bengal in both rural areas and urban areas. The position of Karnataka households improved both in rural and urban areas. In 2001, in Uttar-Pradesh and in Bihar number of households having safe drinking water facility increased. Thus, the position of states having high level of safe drinking water facility remained almost unchanged but the position of Maharashtra and Gujarat households deteriorated in 2001 as compared to 1981 and 1991. Thus, it can be said that huge or large improvement was observed in the access to safe drinking water facility and disparity reduced among states as revealed by the reduced value of coefficient of variation. Undoubtedly, India has achieved impressive progress in reduction of poverty but the reduction in the incidence of poverty was not uniform for all the states, it is still high in some states such as in Orissa and Bihar where poverty ratio was more than 40 percent in 2004-05. It was between 25-30 percent in Maharashtra, Tamil Nadu, Karnataka and West Bengal. In 2004-05 in Orissa poverty was almost six times that of Punjab. It is mainly concentrated in Orissa, Bihar, Madhya Pradesh and Uttar Pradesh and generally it is low in Punjab, Haryana,
Gujarat and Andhra Pradesh for most of the period under study. Similarly, disparity also prevailed in respect of percentage distribution of poor persons as revealed by the increasing value of coefficient of variation. Four states such as Bihar, Madhya-Pradesh, Orissa and Uttar-Pradesh account for 4.98 percent share in the rural poverty in 1983. This share has increased from 55 percent in 1993-94 and further to 61 percent in 2004-05 the share of seven states (Bihar, Karnataka, Madhya-Pradesh, Maharashtra, Rajasthan, Tamil-Nadu and Uttar-Pradesh) in urban poor increased from 61.6 percent 1983 to 70 percent in 1993-94 and further to 76 percent in 2004-05. Poverty for the total population is getting concentrated in Bihar, Madhya Pradesh, Orissa and Uttar-Pradesh. These states accounted for 65 percent of the total poor in 2004-05. In these states percentage of poor people in rural areas increased such as in case of Bihar it increased from 16.82 percent in 1983 to 20.11 percent in 2004-05 and in Uttar-Pradesh 22.8 percent of the rural poor lived in 2004-05 as compared to 17.8 percent in 1983. In the relatively more developed states of Maharashtra more people in urban areas were pushed to the category of poor people as is evident by the fact that 17 percent of the urban poor in 2004-05 are the resident in Maharashtra compared to 13.9 percent in 1983.

In terms of Headcount ratio poverty ratios declined in both the rural-urban areas since 1983 and in 2004-05 it reduced in almost all the states. But the reduction in poverty was not uniform, very high poverty ratios are still concentrated in some of the states such as in Orissa and Bihar, where the ratios were more than 40 percent, and between 30 percent to 40 percent in Madhya-Pradesh and Uttar-Pradesh in 2004-05. On the other hand absolute number of poor for the total population (rural urban) increased in seven states in the first period of the post reform while in the second of the post reform it became concentrated in five states, viz, Bihar, Madhya-Pradesh, Maharashtra, Madhya-Pradesh and Orissa. More or less increasing trend was also observed in terms of percentage distribution of poor persons among the states as revealed by the increasing value of coefficient of variation.

The study concluded that considerable regional disparity existed among states in India during the period of the study despite the attempts of the central and state governments for balanced regional development. Indian economy in the changed economic scenario in the post reform period witnessed a spurt in private investment
guided by profit considerations which added to the phenomenon of regional disparities. Obviously, the regions having better infrastructure facilities attract more private investment. Hence market forces exacerbate regional disparities. The results of the analysis strengthen this view especially during early part of the post reform period. The disparities widened in terms of per capita net state domestic product (NSDP) and its growth as indicated by the coefficient of variation figures of the selected states. However, mixed nature of disparity was observed in case of social indicators and poverty.

The government measures are too inadequate both in terms of infrastructure as well as health expenditure. It is a high time for the planners and government authorities to start separate development programmes for each backward region, to integrate programme for the development of village and small industries in backward areas and to make education and health within the reach of the common man through increased investment in educational and health infrastructure especially in backward regions. Universalization of education especially female education must be emphasized. Greater priority should be given to the widespread and equitable provision of basic education. Thus, there is a need of appropriate regional planning to reduce inter and intra-district variations in educational and health development. There must be greater transfer of resources from centre to states, and transfer of powers to panchayats to improve development and governance in backward regions. Simultaneously, efforts should be made to reduce population growth especially in backward states and to strengthen the capacity of the poorer states to spend more on social and economic services. Thus, the solution lies not only in increasing resource flows to the backward regions but also creating an enabling environment which attract more resources. Efforts should also be made to control increasing population in backward states and to improve quality of governance. Finally, it can be said that the overall investment climate and governance need to be upgraded.

Therefore, there is urgent need for re-examination of pattern of development. Central and state governments with greater coordination should implement a major programme in human resource development through education, technical training, family welfare etc., especially in backward and rural areas. Policies should be implemented that improve quality and quantity of employment growth and that increase
public investment in physical (irrigation, roads, transport etc.) and human infrastructure (health and education, etc.). Attention should be given to provide clean water, good health care and high quality education in backward states and at national level actions should be made to see that states such as Bihar, Madhya Pradesh, Uttar-Pradesh and Orissa develop their opportunities for improvement in the level of education, health and incomes. Large improvement on human resources would help in reducing regional disparities in India. Moreover, investment must be made in such a way to which would help in reducing disparities among states in terms of per capita income and social indicators and that also reduces poverty.