INTRODUCTION

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. The terms growth and development were used interchangeably. In material terms it means availability of more goods and services for the people in the country. In reality this definition is not satisfactory because it does not include the efforts and sacrifices that go into obtaining such goods and services which must be taken into account. In the words of Villard (1963) economic development means leisure, better health, more to read, even more time to contemplate the good life. National income has traditionally been used as an indicator of development and for measuring overall economic welfare of a nation, rate of growth of national income has been commonly used. Meier (1973) defined development as the process whereby an economy’s real national income increases over a long period of time. This definition fails to take into account changes in the growth of population. If a rise in real national income is accompanied by a faster growth in population there will be no economic development but retardation. Thus, some economists define development in terms of an increase in per capita income over time. During 1950’s and 1960’s many developing countries realized their economic growth targets but the standard of living of people did not change. In fact existence of mass poverty, illiteracy and ill health continued to plague the developing countries. This implied that there was something wrong with this
definition of economic development. (Todaro, 1977) Economic development was re-defined in terms of a better human life. The main goal of economic development is the improvement in the standard of living of the people which depends not only on per capita income but also on social and welfare services, satisfaction, self-reliance, self-esteem and economic freedom. Michael Todaro suggested that development should “expand the range of social and economic choices to individuals and nations by freeing them from servitude and dependence not only in relation to other people and nation states, but also to the forces of ignorance and human misery”. World Bank in its 1991 World Development Report entails a much broader definition of standard of living which encompasses better education, higher standard of health, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom, richer cultural life as well as income.

Economic development of a people has been redefined in terms of sustainable development as economic growth without environmental degradation. 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.
Many studies show that regional disparities in India are increasing in spite of measures adopted by the government for their reduction. On the basis of internationally observed pattern of regional changes, it may be pointed out that India has reached a stage when interregional divergence starts generating regional pressures for the development of backward regions (Nair 1993). In a federal political structure like India, perfectly balanced regional development needs no emphasis because perfectly balanced regional development is neither possible nor economically desirable. Therefore solution of the problem of regional disparities lies in regional development and not in perfectly balanced regional development (Kantawala and Rao 1992). 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 (25-30%).

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.

A study of economic history reveals that development originates in regions which are endowed with resources natural, human and others. These regions also draw investment from other regions. But in India these problems cannot be explained with reference to endowment of natural resources alone. There are poor states possessing rich resources like Orissa and rich states possessing poor
resources like Maharashtra. Thus in India the process of development has not been determined by the availability of natural resources alone. Political and social factors have also had an important bearing on development.

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.

1.1 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 period.

(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.
1.2 Hypotheses

To test the study we have used following hypothesis:

(1) 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.

To test the above hypothesis we have not used rigorous econometric analysis but we have used simple statistical techniques such as mean, standard deviation, coefficient of variation, average annual growth rate, sigma and alpha convergence.

1.3 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.

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

### 1.4 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. 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.

1.5 Period covered by 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.
1.6 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.