CHAPTER-2

Survey of Literature

2.0 Introduction

2.1 Studies on Indian Economy

2.2 State Wise Inter-Regional Comparison Studies

2.3 Studies on Gujarat State

2.4 Conclusion
2.0 **Introduction**:-

This chapter covers subject related explanation of various studies. It is divided into three divisions – studies on Indian economy, state-wise inter-regional comparison studies, and studies on Gujarat State.

Here, Only subject related literature is analyzed and given prime importance to pre & post economic reforms studies.

2.1 **Studies on Indian economy**

2.2 **State wise Inter-regional comparison studies**

2.3 **Studies on Gujarat State**

2.1 **Studies on Indian Economy**:-

A researcher Yanruni Wu\(^1\) presented a paper on Comparing Regional Development in China and India from 1980 to 2005. For Comparing Regional Development, he took provinces and municipalities in China, and India’s states and union territories as regions.

He has discussed following three Parts:

(a) Regional growth in China and India
(b) Regional convergence or divergence
(c) Sources of regional disparity: a regression analysis

---

1. Yanruni Wu - Comparing Regional Development in CHINA and India – Research Paper No. 1378, United Nations University, Published by WIDER – (Helsinki, Finland, 2008).
(a) **Regional Growth in China and India:-**

He has compared the positions of two countries in two years-1980 and 2001-in both the economies.

This comparison shows that in China only five of the top ten (in 1980) regions remain in the top ten group in 2001, which were Shanghai, Beijing, Tianjin, Liaoning and Heilongjiang.

Coastal regions such as Zhejiang, Jiangsu, Guangdong, Fujian and Shandong were also the beneficiaries of China’s economic reforms as they were offered special policy initiatives under the concept of ‘**letting some get rich first**’.

In India, between 1980 and 2001, eight of the top ten regions maintained their top positions, which were Goa, Delhi, Pondicherry, Punjab, Maharashtra, Gujarat, Haryana and Andaman & Nicobar Islands.

The gap between the richest region and the poorest region is much wider in China than in India.

(b) **Regional Convergence or Divergence:-**

In the paper, he has measured sigma-convergence by the Standard deviation of the logarithm of the gross regional product (GRP) per capita and showed the results of non-linear regression analysis, to provide an explanation of the sources of regional disparity.

In addition, the results from the analyses of both sigma-convergence and beta-convergence illustrate that during the period of high economic growth, the regions in China and India have shown the tendency of divergence.
Sources of Regional Disparity: A Regression Analysis:

This section attempts to provide an explanation of the sources of regional disparity by the following empirical model:

$$\log(y) = f[\text{inf, hum, urb, ind, z}] + E$$

Here,

- $y$ = Real gross regional product (GRP) per capita.
- $\text{inf}$ = Infrastructure.
- $\text{hum}$ = Human capital.
- $\text{Urb}$ = Urbanisation.
- $\text{Ind}$ = Industrialisation.
- $z$ = Control variable.
- $E$ = Error.

The estimation results of the analysis are as follows:

- The export sector plays an important role in affecting regional development in China.
- Human capital development is seen to play a major role in regional disparity in India.
- The most urbanised regions have the highest per capita income in both the economies.
- In both the countries, variations in infrastructure development and urbanisation are the main sources of regional disparity.
- Regional economic development is unbalanced in both the countries, because of no mechanism for the backward regions to catch up.

R Nagraj\(^2\) has attempted to examine the Development in Indian economy after 1980.

---

In his paper he has tried to verify two points – (i) the improved growth since 1980-81 compared with the reduced poverty, and (ii) the reforms in the 1990s which increased the growth rate further, without dampening the process of poverty reduction.

Further, it tries to examine if the developments during the last two decades led to a diffusion of growth or a polarization in the economy.

The following three matters are discussed in his paper:

(a) Trends in GDP
(b) Trends in Employment
(c) Trends in Income Distribution

(a) Trends in GDP:-
There is no change in the trend growth rate between the 1980s and the 1990s for the primary sector.

There is a statistically significant slow down in the growth rate of the secondary sector, after 1991-92.

The tertiary sector has become the fastest growing sector in the 1990s.

According to the economic survey, 1998-99, the proportion of population living in poverty has steadily come down – from 55 percent in 1973-74 to 36 percent in 1993-94.

(b) Trends in Employment:-
Since 1973-74, there has been wide decline in employment elasticity of output in the economy. For instance, the elasticity for the whole economy has declined from 0.61 between 1972-73 and 1977-78, to 0.47 between 1987-88 and 1993-94. The fall is more pronounced in the secondary and tertiary sectors.

The improved growth since the 1980s did not result in a proportionate increase in employment.
(c) **Trends in Income Distribution**:

The per capita rural income has declined compared to the urban per capita income, from 42 percent in 1980-81 to 38 percent in 1993-94.

In his study the following findings have been seen:

- There is no statistically significant acceleration in India’s growth rate after 1991-92. According to trend basis, GDP growth rate between 1991-92 and 1999-2000 is the same as it was between 1980-81 and 1990-91.
- The secondary sector growth rate witnessed a statistically modest significant slow down after 1991-92.
- On a trend basis GDP growth the primary and the tertiary sector have grown at the same rates in the 1980s.
- It is widely believed that the decline in poverty had started before the growth rate improved in the 1980s and the reforms in 1991.
- There is no statistically significant association between the growth in per capita income (SDP) and poverty reduction across the major Indian states.
- There is no improvement in rural poverty and specially in nutritional status, during this period.
- This study shows that while the growth rate improved since 1980-81, there is no sustained reduction in unemployment rates.

The above findings show that economic growth has favoured urban India, organised sectors, richer states and property owners - against rural India, unorganised sectors, poorer states and wage earners.

Thus, India’s Growth process during the last two decades has polarised the economy.
Dipankar Dasgupta and others\textsuperscript{3} have examined the analytical description of the economic growth and Inter state Disparities in India from 1960-61 to 1995-96.

In their paper, statistical analysis shows that there is a clear tendency for Indian state to diverge in per capita SDP, but converge in shares of different sectors in the SDP.

The following Four matters are discussed in their paper:

(a) The growth performance of the states

(b) Analysis of sigma (\(\sigma\)) convergence & Beta (\(\beta\)) Convergence

(c) Rank Analysis

(d) Structural Variations

(a) The Growth Performance of the States:-


In their study the growth rate on an average appears to be around 2 percent.

The green revolution has a special impact on the growth rates of all states, except Andhra Pradesh, Jammu and Kashmir, Manipur and Tripura. Thus, the agricultural sector has played a significant role in the development of the states.

(b) Analysis of Sigma Convergence & Beta Convergence:-

The striking result that emerges here is that the trend of the coefficient of variation (CV) is increasing. The adjusted R\(^2\) values are found to be high and t-ratios for the intercept as well as the slope coefficient are highly significant. It is clear, therefore, that for the period under review, the Indian states do not exhibit

\textsuperscript{3} Dipankar Dasgupta, Pradip Maiti, Robin Mukherjee, Subrata Sarkar and Subhendu Chakrabarti – Growth and Interstate disparities in India - EPW July, I 2000.
sigma [\sigma] convergence. Thus, there is strong evidence that the Indian states diverged in terms of per capital real SDP over the 25 year period under consideration.

Similarly, for the test of Beta (\beta) Convergence, taking three different ways – compound growth rates, average of per capita SDP for first Five Years and average growth rate per annum – For per Capita SDP, it is clear that there is no evidence of Beta convergence, but the results show divergence.

(c) Rank Analysis:

During the period from 1970-71 to 1995-96, the behaviour of the states in terms of the ranking of their per capita SDPs shows that states which had a low rank in 1970-71, continued to have a low rank throughout the period e.g. Andhra Pradesh, Assam, Bihar, Manipur, Orissa. The opposite is the case with Delhi, Goa, Haryana, Maharashtra, Punjab etc.

(D) Structural Variations:

The share of the manufacturing sector has remained mostly stable or increased (marginally) in almost all states, except Assam and Manipur. The Share of the primary sector has fallen sharply for all the states. The share of the tertiary sector has risen except for Delhi and Goa.

S L Shetty \(^4\) has attempted to compare economic performance across states and examined interstate disparities for the period 1980-81 to 2000-01.

In his study, he has used two base years for constant prices – 1980-81 and 1993-94. He has compared the growth rates of states and ranks of states with reference to Gross State Domestic Product (GSDP), Net State Domestic Product (NSDP) and per capita GSDP and NSDP for four different periods: 1980-81 to

---

1993-94, 1993-94 to 2000-01, 1980-81 to 1990-91 and 1990-91 to 2000-01. He has selected 16 states in his study, in which he has arranged the growth of SDP in the rank of descending order for his comparison.

He has shown the difference by the calculation of the coefficient of variation (CV) for all states and for the 16 states of the study group.

He has compared 16 states for three-yearly annual averages of per capita NSDP and GSDP by rank of states in descending order. Here he has shown difference among 16 states by grouping them in the top five states, middle five states, and bottom six states.

He has examined inter state inequality measured by Gini Coefficient and examined structural changes of agriculture, industry and service sectors for the percentage share of GSDP at current prices.

In his study the following results have been seen:

- All measures of SDP growth suggest that there has been an overall acceleration in the 1990s period compared to the 1980s. All states growth together has roughly improved to about 5.50 – 5.70 percent per annum in the 1990s, from about 5.20 – 5.30 percent per annum in the 1980s, in terms of aggregate NSDP or GSDP.

- Amongst the major states that have shown outstanding performance in the 1990s are Karnataka, west Bengal, Rajasthan, Tamil Nadu and Gujarat which belong to different regions in the country.

- The degree of dispersion in growth rates, as measured by the coefficient of variation (CV), has become widened in the 1990s. CV (in percentages) of GSDP growth rates has increased from 29.6 percent in the 1980s to 41.1 percent in the 1990s, and that of NSDP from 33.4 percent to 46.0 percent.

- The general phenomenon of relatively higher population growth in low-income and low-growth states, the growth of per capita incomes
in such states is found to be relatively lower than the growth of total state incomes.

- The relative ranks of the top five states [Punjab, Maharashtra, Haryana, Gujarat and Tamil Nadu] which accounted for 24.7 percent of the country’s total population, had a share of 34.6 percent of all states GSDP during the early 1980s. This GSDP share increased to 38.2 percent by the end of the 1990s. On the other hand, the bottom six states which accounted for a 41.6 percent share, in the total population have suffered a set back in their GSDP share from 35.3 percent to 26.9 percent, between these two periods.

- Significant structural changes have occurred in the sectoral composition of incomes at the state level, broadly on the pattern observed at the national level.

- This composite national scenario was the sum total of divergent state – level experiences. For instance, the agriculturally advanced state of Punjab has not benefited from improved terms of trade in agriculture in the 1990s and not even Andhra Pradesh and Madhya Pradesh.

In Some other states like Haryana, Bihar, Uttar Pradesh, Karnataka and Tamil Nadu, agriculture has enjoyed some edge with respect to terms of trade.

**B B Bhattacharya and S Sakthivel** have tried to examine whether the regional disparity is widened in the post reform period. For this they have analyzed growth rates of aggregate and sectoral domestic product of seventeen major states in the per-reform [1980s] and post – reform [1990s] decades.

In their paper, they have discussed Regional Growth and disparity in the following four sections:

(a) Regional Disparities in Growth

(b) Relationship between SDP growth and Population Growth

---

(c) Relationship between Growth and inflation
(d) Sectoral shares and Growth Rates

The results indicates that while the growth rate of gross domestic product has improved only marginally in the post-reform decade, the regional disparity in state domestic product (SDP) has widened much more drastically. Industrial states are now growing much faster than the backward states, and there is no evidence of convergence of growth rates among states.

Thus, an analysis of the growth performance and structural changes in the domestic product of Indian states in the last two decades reveals that the development process has been uneven across states. While advanced industrial states have tended to leapfrog in the reform years, other states have lagged behind.

Ric Shand and S Binde have examined variations in the size, income and structural characteristics of Indian states for the period 1970-71 to 1995-96.

They have got results by measuring Standard Deviation (S.D.), Coefficient of Variation (CV), Range and Mean for NSDP of the 15 major states, in which top ranking states are Punjab, Haryana, Gujarat and Maharashtra. These top four states contributed 49 percent of 15 State Net National Product (NNP) in 1995.

Similarly, they have explained the changes of three important sectors i.e. Agriculture, Industry and Services. In most of these states average share of Agriculture in NSDP is less then 50 percent, share of Industry is between 22

percent and 28 percent, and share of services is between 30 percent and 42 percent in the year 1995.

They have derived results by population growth, population density, literacy rate, work participation rate, life expectancy at birth and Rural – Urban population share, which are determinants of growth rates of NSDP according to census 1991.

The results show that high NSDP growth states are associated with lower population growth rates, higher proportions of urban population, higher work participation rates, higher life expectancy and literacy rates.

R H Dholakia\(^7\) has discussed the role of regional sources of growth acceleration in India after 1991-92.

The following four matters are discussed in his paper:
(a) Growth Acceleration in India
(b) Contribution of States in Growth Acceleration
(c) Causality for Growth among Regions
(d) Plausibility of Regional Growth Targets

In his above study, the following findings have been seen:

- Gujarat, west Bengal, Karnataka, Maharashtra, Kerala and Tamil Nadu are the major contributors to the observed growth acceleration of 0.62 percentage points in India after 1991-92.
- The causality test provides support to the hypothesis about the spread and trickle – down effects working among Indian regions. These effects will be stronger and felt faster if the domestic economy is

\(^{7}\) R. H. Dholakia Regional sources of growth Acceleration in India –EPW November 21, 2009, Vol XLIV No 47.
very well integrated and interlinked with free flow of goods, services and factors of production.

- The regional growth targets assigned by the Eleventh Plan in India, although highly ambitious for most of the states, seem to rely on the spread and trickle-down effects of economic growth acceleration taking place in the better-off states to address the problems of regional disparity and inequality.

- The state bureaucracies need to be friendly to business and industry so as to expedite approval processes. This may require significant administrative reforms at the state level.

Gaurav Nayyar 8 has tried to examine Economic growth and regional inequality in India. In his study he has analyzed 16 major Indian states during the period from 1978-79 to 2002-03.

He has discussed several reasons for analysing interregional differences in income levels in India. Besides this, he gets results by explaining determinants of private investment and public investment, public expenditure and Human development by Econometric Model.

The following are some findings as discussed in his empirical analysis:-

- There is no evidence of absolute $\beta$-convergence. This result holds true for both cross section and panel estimation, thereby implying that there is no tendency for states to converge to identical steady states.

- There is robust evidence of conditional $\beta$-convergence. After controlling for Physical capital formation, both public and private, and proxies for human capital, both fixed effects estimation and generalized method of

moment’s model estimation reveal that initially poorer states do converge faster to their divergent steady states.

- There is no evidence of $\sigma$ – convergence. In fact, increasing dispersion in per capita real income across states over time implies the existence of $\sigma$-divergence.
- There is increasing interstate disparities in level of private and public investment and an insignificant equalizing impact of centre – state government transfers.

Raja J Chelliah and K R Shanmugam\(^9\) have tried to discuss strategy for poverty reduction and narrowing regional disparities in India in their paper. They have selected fifteen states in the study.

Here, six “backward states” (BWS)-Bihar, Uttar Pradesh, Assam, Orissa, Madhya Pradesh and Rajasthan- have lowest per capita income rank, other states are shown as “better off states”(BOS) in the years 1995-96 and 2004-05.

They have discussed disparities with reference to growth rates, poverty levels and indices of social development.

The following are some findings of their study:

- The gap between the average per capita income (GSDP) of the BWS and BOS (in 1993-94 prices) drastically increased from Rs.1862 in 1980-81 to Rs.8908 in 2004-05,both because the average GSDP of the BWS grew at a slower rate than that of the BOS and also because the average population of the BWS grew much faster.
- The poverty ratio (2004-05) was 46.4 percent in Orissa and 41.1 percent in Bihar as against 8.4 percent in Punjab.
- The infant mortality rate (IMR-2005) was 14 in Kerala but 76 in Madhya Pradesh.

• Bihar had the lowest literacy rate (2001) of 47 percent and female literacy of 33.1 percent while Kerala had the highest literacy rate of 90.9 percent and female literacy of 87.7 percent.
• The vast majority of the citizens of the BWS are poor and most of them live in rural areas.
• The lack of worthwhile development in large parts of the country and growing regional disparities, it has been widely recognized that we need to adopt a somewhat different model of growth or require a new strategy of planning.
• They have discussed the new growth strategies of our planning process. According to them primary importance should be given to raising the growth rate of backward states as a plan objective.

Madhusudan Ghosh\(^\text{10}\) has tried to examine the two-way nexus between economic growth and human development for relative performance of 15 major Indian states, for the period 1981 to 2001.

In the section “performance of states on Human development”, he got results by analyzing Human development Index (HDI), Literacy Rate (LR), Expectation of Life at Birth (ELB) and per capita GDP at 1980-81 prices. He has observed that the coefficients of variations (CV) of HDI, LR and ELB have consistently declined; the CV of PCI has consistently increased over time. Thus, while in terms of overall HDI, LR and ELB the regional disparity has been consistently falling, there is clear evidence of an increasing trend in the regional disparity in PCI during 1981-2001.

The estimates of cross-sectional growth regressions provide strong evidence of regional convergence in human development despite considerable

divergence in real per capita income, indicating that the poor states that have failed to catch up with the rich ones in terms of per capita income have managed to catch up in terms of human development.

The classification of the states based on their performance on HD and EG reveals that while only four states (Gujarat, Maharashtra, Haryana and Punjab) have been in the virtuous cycle category, as many as seven states have been in vicious cycle. The results suggest that the sequencing of policy should be such that the Human development – induced growth process has to be strengthened for lifting the states from the vicious to virtuous cycle category.

V K R V Rao\textsuperscript{11} in his book “India’s National Income, 1950-1980” has analyzed economic growth and change in India.

He has discussed growth of NDP, changing structure of the economy, regional distribution of NDP, factor shares in the national product, capital formation and national income and productivity and growth during three decades.

Some of his findings are as follows:

- The net domestic product (NDP) at current prices has grown by 732 percent during the period under study- from Rs.29370 crore in 1950-52 to Rs.244500 crore in 1977-79. This increase in thirty years is in terms of money national income, but the growth in real terms is only 169 percent at 1960-61 constant prices.

- The national income data highlights important structural changes during the period 1950-51 to 1979-80 such as the trend towards modernization, market orientation and the increasing role of the secondary and tertiary sectors. Nevertheless, the Indian economy

continues to be dominated by the primary sector and by unorganized enterprises.

- The data available on state domestic products to analyze inter-state variations in growth and national shares, changes in ranking, and the extent to which inter-state inequality has undergone a change. The comparison of SDP share in NDP at current prices (percentages) for the two years - 1960-61 and 1976-77 – shows that the states with more than seven percent share are Uttar Pradesh, Maharashtra, West Bengal, Tamil Nadu, Bihar and Andhra Pradesh.

  Similarly, there is no remarkable difference in the ranking order among the states.

- The growth and changes in the volume and composition of capital formation and highlights the increasing shares of the public sector in capital formation. An analysis is also made of changing shares in capital formation in construction, machinery and equipment, and stocks. Capital-output ratios are examined on both a macro and a sectoral basis and the sharp increase in this ratio over this period is analyzed.

- The measurement of productivity by taking up labour productivity, capital productivity, land productivity and management productivity and the relation of these four factors of production to the growth of the national product.

Here, it will be seen that while the NDP has increased at constant prices by 171.32 percent in thirty years, the net area sown (Yield and production, estimates) has increased by only 21.09 percent, the number of workers by only 54.16 percent, and the volume of capital stock by as much as 418.13 percent.
2.2 State Wise Inter-Regional Comparison Studies:-

N J Kurian\(^{12}\) has examined the Inter-state economic and social disparities in India. In his paper, he has taken up 15 states for the detailed study grouped into two- a forward group and a backward group.

The forward group consists of Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab, and Tamil Nadu.

The backward group comprises of Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal.

In his article, he assesses disparities in the following terms:
(a) Demographic indicators
(b) Percentage share of urban population
(c) Percentage of literate females above 7 years
(d) Infant mortality for females
(e) Expectation of life at birth for females
(f) Percentage shares of NSDP from agriculture and from manufacturing
(g) State government expenditure

(a) Demographic Indicators:-

- The study group of 15 states together account for 96 percent of the population of India.

The all India sex ratio of 927 females per 1000 males itself is a reflection of the neglect of women’s health due to relatively lower economic and social values assigned to women, in general, in this country.

---

Among the 15 states considered in the study seven states [Haryana (865), Punjab (882), Assam (923), Bihar (911), Rajasthan (910), Uttar Pradesh (879) and West Bengal (917)] have sex ratios below the national average [927 females per 1000 males] and eight states [Andhra Pradesh (927), Gujarat (934), Karnataka (960), Kerala (1036), Maharashtra (934), Tamil Nadu (974), Madhya Pradesh (931) and Orissa (971)] have sex ratios above the national average.

- Kerala has the highest male – female sex ratio [1000 Males per 1036 Females]
- Haryana has the lowest male – female sex ratio [1000 Males per 865 Females]

(b) Percentage Share of Urban Population:-

- The share of urban population in India was 25.7 percent in 1991.
- In the first group all the states, except Haryana (24.6), have urban population share higher than the national average (25.7 Percent).
- In the second group all the states except west Bengal (27.5) have urban population share below the national average.

(c) Percentage of Literate Females above 7 years:-

- The percentage of illiterate females above 7 years in India was 39.3 percent in 1991.
- Kerala has the highest female literacy rate where 86 out of every 100 females above 7 years are literate.
- Rajasthan is the least literate state where female literacy is as low as 20 percent, which implies that out of every five females in Rajasthan four are illiterate.
(d) **Infant Mortality for females:-**

- The national average of Infant mortality rate for females is 64, which implies that out of every 1000 female infants born in the country, 64 would not survive till the first birthday.
- The lower infant mortality rate is an indicator of the better quality of health care in the society.
- The infant mortality for females as observed during 1996 to 2001 was the lowest at 9 in Kerala and the highest [Worth rate] at 105 in Orissa.

(e) **Expectation of life at birth for females:-**

- Life expectancy at birth or longevity is an overall indicator of the economic and social well-being of people. As a society advances, the life expectancy of its people also increases.
- The highest level of female life expectancy is in Kerala at 75 years and the lowest level is in Madhya Pradesh at 57.2 years. This shows wide disparity in quality of life for women in these two states.

(f) **Percentage shares of NSDP from Agriculture and from Manufacturing:-**

- An important structural change in the economy in the process of development is seen as the decline of income generated in the agriculture sector and the increase in the income generated in the manufacturing sector.
- Ten out of the 15 states considered in the study have share of agriculture higher than the national level [27.7 percent] in the year 1996-97.
- The highest share of NSDP from agriculture is in Punjab at over 44 percent, and the least in Maharashtra at 18.1 percent in the year 1996-97.
- Four out of eight states in the forward group have a share of manufacturing above the national average of 16.7 percent and none
of the states in the backward group has a share of manufacturing above the national average in the year 1996-97.

- The highest share of NSDP from manufacturing is in Gujarat at over 27.1 percent and the least in Orissa at 9.0 percent in the year 1996-97.

(g) State Government Expenditure:-

- An important public policy instrument for economic and social development of a state is the level of government expenditure. The expenditure of the state government could be developmental or non-developmental in character.

- Expenditure on items like maintenance of the organs of the state, administrative services, pensions, interest payments, etc, are non-developmental in nature.

- Expenditure on education, health, various other social services and economic services are categorized as developmental in nature.

- The average per capita development expenditure for all the states was Rs. 207.40 in 1980-81 which increased to Rs. 367.30 in 1995-96

- The average per capita non-development expenditure for all the states was Rs. 64.90 in 1980-81 which increased to Rs. 177.20 in 1995-96.

This study also shows that a marked dichotomy between the forward and backward groups of state has been emerging as follows:

The forward states are characterized by better demographic and social development, higher per capita incomes and more developed economies; significantly better infrastructural facilities, higher private investments and quality of state governance.

The pressing requirement of the backward states is more investment in their social and infrastructural sectors. To improve the level of social services, massive investment in primary education and primary health services is
required. Improvement in basis infrastructural facilities like power irrigation, transport and telecommunication in the backward states is a pre-condition to improve the quality of life of the people and to usher in sustainable economic development in those states.

**Montek S Ahluwalia**\(^{13}\) has examined economic performance of 14 major Indian states in pre and post reforms period.

The following seven Indicators are discussed in his paper:

(a) Growth rates of SDP
(b) Inter-state inequality
(c) Trends in Poverty in States
(d) Investment and Growth in Individual states
(e) Human Resources
(f) Quality of Infrastructure
(g) Policy Environment and Governance

(a) **Growth rates of SDP**:–

The growth rate of the combined SDP of all the 14 states taken together has increased from 5.2 percent in the pre reform period to 5.9 percent in the post reform period.

There is a considerable variation in the performance of individual states, with some states growing faster than the average and other slower. It should be noted that the high growth performers in the 1990s were not concentrated in one part of the country. The six states with growth rates of SDP in the 1990s above 6 percent per year are fairly well distributed regionally, i.e. Gujarat [9.6 percent] and Maharashtra [8 percent] in the west, west Bengal [6.9 percent] in the east, Tamil Nadu [6.2 percent] in the south, Rajasthan [6.5 percent] in the north and Madhya Pradesh [6.2 percent] in the middle.

---

(b) **Inter-state inequality:-**

He has measured Inter-state inequality by gini coefficient. Here he has included Gujarat, Maharashtra, Punjab and Haryana in the richer states, and Rajasthan, Bihar, Uttar Pradesh and Orissa in the poorer States. It should be noted that the per capita SDP growth rate of Rajasthan is more than double of the other poor states.

Growth of six middle income states [Tamil Nadu, Kerala, West Bengal, Madhya Pradesh, Andhra Pradesh and Karnataka] is faster in terms of Per Capita Gross domestic Product.

(c) **Trends in Poverty in States:-**

Large sample surveys were conducted in 1983, 1987-88 and in 1993-94 and states specific poverty estimates made by the planning commission using these surveys show that for the 14 states as a whole, the percentage of the population below the poverty line declined from 43.8 percent in 1983 to 36.3 percent by 1993-94.

(d) **Investment and Growth in Individual States:-**

In the absence of individual state level data on investment it is difficult to say that the low growth rates in Bihar, UP and Orissa reflect low investments ratios [as a percent of SDP] or lower levels of efficiency.

Here, the size of various state planes is taken into Consideration as an alternative to information of individual state level data on investment.

There is no statistically significant relationship between state plan expenditure as a percentage of SDP and growth performance across states. E.g. Orissa which had the highest ratio of state plane expenditure to GDP at 7.1 percent in the 1990s had an SDP growth rate of only 3.25 percent whereas west Bengal, with the lowest plan ratio of 2.7 percent, had a relatively robust growth of 6.9 per cent.

Looking to the above situation of the states it can be said that the chief factor affecting the growth rate of a state is the total investment including state
plan expenditure and private investment. In the matter of attracting private investment poor performing states lag far behind the richer states.

(e) Human Resources:

The quality of human resource development is one of the determinants of growth. It is noted that the faster growing states are the states with superior availability of human skills.

This study suggests that poorer performing states must make special efforts to upgrade the quality of human resources, and there is need for much stronger emphasis on these sectors in the state plans.

(f) Quality of Infrastructure:

It is generally agreed that rapid industrial growth depends upon the availability of infrastructure support. The poorer performing states definitely lag behind in this area. Beside this scope for private investment in infrastructure is limited in the less developed states. Therefore infrastructure investment is necessary through public investment, either by the central government or the state government.

(g) Policy Environment and Governance:

The overall policy environment and the quality of governance are also important factors determining the growth potential of a state. The quality of governance can help stimulate growth by making the policy environment more business friendly through deregulation, decontrol and procedural simplification.

Amaresh Dubey has examined the intra – state disparities in five states - Gujarat, Haryana, Kerala, Orissa and Punjab in his paper. He has chosen three indicators – consumption, inequality and the incidence of poverty to examine these disparities. Here he has considered per capita total expenditure for consumption, the Gini coefficient Calculated from PCTE for inequality & Head count ratio [HCR] for incidence of poverty.

---

Some of his findings are as follows:

- Haryana and Punjab in the northern India are leaders in improving the well being of the population with one of the highest levels of income among the major states in India. They are most developed states. These two states made large initial public investment in agriculture [irrigation and infrastructure] which improved yields and incomes, which ultimately created a booming consumer market.

  Since 1973-74, both the states have had lowest levels of incidence of poverty except in 1993-94, because of less Head count ratio.

  Faridabad and Gurgaon districts in Haryana have the highest level of PCTE and also consumption inequality. Similarly Ludhiana district in Punjab has the highest level of PCTE and also consumption inequality.

- Gujarat in the western India is rated as the most investor – friendly state in India because of the state government’s encouragement to the investors. The HCR is observed steady at 4 during the study period.

  The highest level of PCTE is in Ahmedabad district, whereas the highest consumption inequality is observed in Vadodara district in the state of Gujarat.

- Kerala has the best human development indicators among the major states in India. Kerala ranked 11th in the incidence of Poverty among 15 major states in 1973-74. It progressed to 4th rank in 2004-05.

  The highest level of PCTE is in Thiruvananthapuram district, where as the highest consumption inequality is observed in Alappuzha district in the state of Kerala.

- Orissa is one of the poorest states in India. It ranked the last among the 15 major states during the 1973-74 to 2004-05 period except the year 1993-94 when it ranked 14th.
The highest level of PCTE is in Baleshwar district, where as the highest consumption inequality is observed in Koraput district in the state of Orissa.

**M H Suryanarayan**\(^{15}\) has tried to examine Intra state economic Disparities between Karnataka and Maharashtra. This study shows definition, dimension, and measure of economic disparities from the perspective of the national finance commission. The concepts and measures of economic disparities within the Kuznets framework that is, in terms of inter-and intra-sect oral dimensions at the state / regional levels for Karnataka and Maharashtra.

Some findings of his paper are as follows:

- The Secondary and tertiary sectors have done better than the primary sector in the growth process of **Karnataka**.

- Karnataka is marked by regional imbalances. e.g. the city of Bengaluru alone accounts for 29% of the state income; it enjoys a per capita income four times greater than that in the poorest district, Bidar.

- Northern Karnataka is relatively backward in economic as well as non economic dimensions and there is a concentration of deprivation.

- Karnataka has generally done better in terms of reducing rural deprivation vis-à-vis all India; whereas the incidence of urban poverty in Karnataka has always been higher than that at the national level.

- The growth observed in Karnataka seems to be neither broad based nor inclusive across regions or persons.

---

• **Maharashtra** ranked second in terms of per capita NSDP and also growth performance during the 1990s.

• Maharashtra has sharpened inter-district disparities. The four urban district of Mumbai, Thane, Pune and Nashik account for half of the state income, the other half is shared by the remaining 31 districts, where deprivation is quite pronounced.

• Rural poverty in Maharashtra was generally higher than the national average, whereas urban poverty was less than the national average till the mid-1980s but has crossed it since then.

• In the rural sector of Maharashtra, the coastal region and Inland western are better off than the state average in terms of levels of living as well as extent of deprivation.

• Deprivation was generally higher in those districts which are economically backward in terms of per capita domestic production in Maharashtra.

C. Upendranadh, M. Vijayabaskar, Vinod Vyasulu\(^\text{16}\) have discussed and analyzed industrial structure and growth of the manufacturing sector of Karnataka.

They have attempted both district wise and industry wise analysis to understand the contours of industrial growth of the state.

Some of their findings are as follows:

• The real per capita SDP from manufacturing is higher in Karnataka at Rs. 173 in 1987 compared to Rs. 130 for all – India. Despite these positive points about the industrial sector in Karnataka, the fact is that the pace of industrial development in the state is slower than the corresponding average situation in the country.

• The share of value added from the state has remained stagnant over two decades.
• In Karnataka there has been a concentration of industries in a few districts.
• There is a need to diversify industrial growth geographically in a planned manner in order not only to have balanced regional growth but also to tap the resources available in various parts of the state.
• There is a need to have concerted efforts to improve education among the people to achieve higher productivity.

S Mahendra Dev, C Ravi have discussed the Andhra Pradesh’s Macroeconomic performance and policies in terms of economic growth and human development for a period 1980 to 2001. They have examined the trends in economic growth of Andhra Pradesh in comparison with all India level and other state levels. Some of their findings are as follows:

• There is no significant difference between the growth rates of GSDP in the 1990s as compared to that of 1980s for Andhra Pradesh.
• The analysis shows that performance of Andhra Pradesh improved in many indicators while it worsened in some other indicators particularly in fiscal matters.
• The level of per capita income has always been lower than all India but the gap seems to have widened slightly in the 1990s.
• The trends in investments show that the growth rates declined in the 1990s particularly in agriculture.

• The analysis in this study shows that initial conditions such as physical infrastructure and human capital in Andhra Pradesh were not favorable to fully make use of the benefits of economic reforms in the 1990s.

P Vemkataramaiah and L G Burange 18 have discussed structure and growth of Industry in the context of Andhra Pradesh. Some of their findings are as follows:

• The share of the industrial sector in the state domestic product has increased from 12 percent in the 1980s to 19 percent in the 1990s.

• The registered manufacturing segment of the factory sector during the decades of 1980s and 1990s grew at a higher rate than the country’s factory sector aided mainly by the public sector undertakings in iron and steel, petroleum, electrical machinery and electronics.

• Drugs and Pharmaceutical is one industry where Andhra Pradesh has a dominant position in the country. Roughly one third of the country’s bulk drugs are produced in and around Hyderabad.

• In the general developmental process the service sector is gaining increasing prominence, specially after the information technology revolution in Andhra Pradesh.

• The state may have to focus on selected localities by providing the necessary infrastructural facilities to promote industrial development.

Prabhat P Ghosh 19 has discussed the changes such as sectoral growth pattern, employment and poverty, education and human development of Madhya Pradesh economy during the 1980s and 1990s.

His analysis offers the following findings:

- In spite of being a low income state, Madhya Pradesh is as urbanized and industrialized as the overall Indian economy.

- The difference between the growth rates of the agricultural and non-agricultural sectors here has been large during the 1980s and even large during the 1990s.

- In particular, the pace of poverty reduction in the state has been much slower during the 1990s not merely in the rural areas, but even in urban areas in spite of a very high growth in the non-agricultural sector.

- The relatively better performance of Madhya Pradesh in the educational sector, more so during the 1990s, underlines the importance of government policies for development at the regional level, even in an era of liberalization when the market is identified as the prime mover of the development process.

L G Burange\(^{20}\) has discussed industrial growth and structure of manufacturing sector in Maharashtra for a period of 1979-80 to 1994-95.

His analysis offers the following findings:

- The share of the secondary sector in state domestic product is stagnating at around 33 to 34 percent, while the share of the tertiary sector is increasing.

- The composition of industries in the state has undergone major changes over the period of 36 years.

- The manufacture of jute, hemp and Mesta (25) and cotton textiles (23) are declining industries, while leather and leather products (29), textile Products (26) and Computer and information technology industry are expanding industries in the manufacturing sector of the state.

---

2.3 Studies on Gujarat State:-

Ravindra Dholakia\textsuperscript{21} tried to examine the impact of economic liberalization on the performance of industrialization in Gujarat state from 1980-81 to 1997-98.

In his study the following points are seen:

(a) Comparison of the indices of NSDP and NNP
(b) Structural changes
(c) Infrastructural support and input supplies to the productive units in the state

(a) Comparison of the indices of NSDP and NNP:-

- The comparison of the indices of net state domestic product [NNP] at constant (1980-81) prices, shows that during the 18 year period, there are seven years when NSDP in Gujarat declined as compared to that of the previous year.

As against this, the NNP marginally dropped only once during the 18 years.

- Gujarat NSDP during nineties is considerably higher than the national average compared to that of the eighties.

(b) Structural changes:-

- The economic growth in Gujarat is more volatile and lacks stability, because of decrease in agriculture sector.

- Agriculture and related activities is a declining sector in Gujarat. Its share in SDP was about 41 percent in 1980-81, which sharply declined to around 19 percent in 1997-98. This is indicative of significant structural changes in Gujarat’s economy.

- Secondary and tertiary sectors in Gujarat have also shown statistically significant high rates of growth during the period.

Infrastructural support and input supplies to the productive units in the state:

- Gujarat Industrial Development Corporation [GIDC] has been providing comprehensive infrastructural facilities to the industrial units through their estates and sheds in selected locations in the state.
- The urban land ceiling is abolished in the state from April 1999. Due to this measure, the land can be freely transacted.
- The state government abolished the turnover tax in 1997. This measure in itself has given some relief to the trade and industry in Gujarat.

Indira Hirway\textsuperscript{22} has discussed dynamics of development in Gujarat state. She has observed that Gujarat has a relatively high per capita income, a diversified economy and workforce and developed financial and capital markets. On the other hand, the state lags behind in terms of the quality of employment and several dimensions of human development. Some of her findings are as follows:

- The Gujarat economy has undergone a significant structural transformation during the past few decades and experienced a high rate of growth of its NSDP.

  The state has maintained a high rank among the major 16 states in the country in terms of the growth rates of NSDP as well as per capita NSDP.

- The negative or low growth rate of agriculture in the eighties and the nineties is largely because of the saturation of results of the earlier strategies and the lack of adoption of a new approach based on new technology.

\textsuperscript{22} Indira Hirway – Dynamics of Development in Gujarat some issues – EPW – August, 26 – September, 2, 2000.
Besides this, the share of government expenditure on agriculture, irrigation and electricity has declined particularly since the eighties. Neglect of this expenditure implies forgoing opportunities not only to increase production and productivity, but also to stabilize weather induced fluctuations in agriculture.

- Gujarat is among the most industrialized states in India. The industrial sector has performed consistently well with the growth rate of the manufacturing sector continuously increasing from 3.04 percent in the sixties, to 5.55 percent in the seventies, 8.73 percent in the eighties and 11.92 percent in the nineties.

- As far as income poverty is concerned, Gujarat is not in a very bad position. The incidence of poverty in Gujarat was 23.92 in 1993-94 and the state ranked third inverse ranking among the major states in India.

- In 1991, Gujarat ranks fourth in the literacy rate; the rate (61.3) is much lower than the same in Kerala (89.8). The rate indicates that 4 persons in every 10 persons in the state are illiterate. The life expectancy at birth in Gujarat is 62.9 as against 62.7 in India (1991). The infant mortality rate in the state is 63 [1994-96] as against 73 in India.

**Indira Hirway** 23 has discussed selective development and widening disparities in Gujarat. She has observed that Gujarat is characterized by stark regional disparities in levels of development and poverty. Hi-tech industrialization in a few well-endowed areas has been coupled with neglect of the relatively backward areas. This selective path of development in the long run will put constraints on the growth rate of the state economy, which in turn will affect the poor adversely since they will not get enough employment. Any

---

number of programmed of poverty eradication cannot compensate for lack of sustainable and healthy development of the economy.

Some of her findings are as follows:

- One major constraint on growth in Gujarat seems to be the poor endowments of natural resources, which are distributed highly unevenly and are managed highly inefficiently.

- In spite of the high level of commercialization, agriculture in Gujarat is unstable and fluctuating. This is largely due to the low level of irrigation (about 25 percent) and uncertain rainfall.

- The performance of the manufacturing sector in Gujarat has been consistently good in spite of the textile crisis. The share of the secondary sector in SDP increased from 24.8 percent in 1960-61 to 34.1 percent in 1988-89.

- The growth in the state has been mainly concentrated in a few regions. Because land and water resources in the states are distributed highly unevenly and agricultural growth is promoted mainly in areas favourably endowed with these resources, there are wide regional variations in agricultural development. Industrial development in the state has followed basically the colonial pattern, being concentrated in centres well connected with Mumbai and Ahmedabad.

- The coefficient of regional variations in the incidence of poverty increased from 0.3274 in the 1960s to 0.4387 in the early 1980s, to 0.5629 in the late 1980s. These widening variations are linked to the wide regional variations in development. The development process has neglected backward and remote areas, with the result that these areas have degraded environments and poor infrastructures. The eastern tribal belt is the worst affected among these, and the region has become poorer over the years.
• As far as the growth strategy of the state is concerned, there is a need to extend growth to wider areas and to larger sections of the population. This will ensure an optimum use of the state’s resources on the one hand and maximum employment of human resources on the other.

• The basic nature of the development path of Gujarat does not seem to have the ability to achieve either sustainable growth or sustainable and significant reduction in the poverty level.

This path will tend to strengthen the selective pattern of development in the state which will favour mainly the relatively developed regions and relatively better off sections of the population.

Ravindra H Dholakia\textsuperscript{24} has examined the sectoral growth experience of Gujarat, during the pre-reform period of 1980-92 and the reform period of 1991-2004, identifying strengths and weaknesses.

Some of his findings are as follows:

• Gujarat was not a better performing state than the nation in terms of economic growth during the 1980s. It lagged behind the nation in almost all sectors except fisheries, electricity, and transport and communication. However, with the increased speed of economic policy reforms in the post 1991-92 period, Gujarat improved in its growth performance remarkably achieving an overall acceleration of 2.2 percentage points in its annual trend rate of growth compared to the acceleration of only 0.6 percentage points in the country as a whole.

• Gujarat has achieved an overall GSDP growth of 11.9 percent per annum in the medium term and 8.9 percent per annum in the long term.

\textsuperscript{24} Ravindra H Dholakia - Sources of economic growth and acceleration in Gujarat – EPW March, 3, 2007.
• A growth acceleration of about 60 to 66 percent can be achieved in Gujarat only by systematically managing technology and its change. Labour and land have stopped contributing substantially to growth in Gujarat because in both these areas the required economic and administrative reforms are seriously lagging behind.

• Labour reforms and public sector restructuring can go a long way to promote labour employment and labour intensity in the state’s export sector.

• Gujarat can grow at a rate higher than 10 percent per annum in the long term if it takes initiatives in bold policy decisions and innovative designs to help small and medium sized entrepreneurs.

**Amiya kumar Bagchi and others**[^25] have discussed the growth and structural change in the economy of Gujarat for the period 1970 to 2000.

This study shows that the primary sector, particularly agriculture, has been stagnant or even declining. By contrast, has a secondary and tertiary sector have shown statistically significant and high rates of growth over the whole period. But the factory sector in Gujarat has undergone a higher degree of concentration than in the rest of India. There is a capital-intensive nature of the growth in the factory sector.

The sectoral growth rates show that the economy of Gujarat grew in an unbalanced and volatile fashion over the period under consideration. So, the people living in rural Gujarat have become significantly proletarianised.

The following are some findings of their study:

• The state’s total income was Rs.13,87,649 lakh in 1970-71 and has increased to Rs, 63,12,932 lakh in 2000-01.

• Large flows of investment have entered the so-called Golden Corridor [This is the central and south belt between Mehsana in north Gujarat and Umbergaon in south Gujarat] and the new regions of sourashtra and kachchh along the coastline currently known as the Silver Corridor. But the other parts, particularly the hilly districts, where tribal population is concentrated, have witnessed little growth of per capita income or employment matching the growth of the workforce. Hence there is a glaring and probably growing regional imbalance.

• The share of the primary sector has declined from around 49 percent in 1970-71 to 15 percent in 2000-01. The share of agriculture, the major constituent of the primary sector has steadily declined from 45.2 percent in 1970-71 to 38 percent in 1980-81, 26.7 percent in 1990-91 and to 13.4 percent in 2000-01.

• The share of the net output of the manufacturing sector has increased from 13.2 percent in 1970-71 to 16.3 percent in 1980-81, 23.9 percent in 1990-91 and finally to 28.7 percent in 2001-01.

• The share of the tertiary sector in NSDP was 46.9 percent in 2000-01 as against 26.4 percent in 1970-71, 31.5 percent in 1980-81 and 37.4 percent in 1990-91.

• The economic growth of the state is mainly sustained by the secondary and tertiary sectors and apparently this growth has had no positive impact on the primary sector.

Dinesh N. Awashi\textsuperscript{26} has discussed the changes in Gujarat Industry in Paper. According to him progress made by Gujarat Can be attributed to entrepreneurial endowment, progressive policies, proactive and efficient bureaucracy, well-developed infrastructural and its industrial structure.

\textsuperscript{26} Dinesh N Awasthi - Recent changes in Gujarat Industry, Issues and Evidence - EPW August, 26-September, 2, 2000.
The following are some findings of his study:

- In the decade before liberalization, the economy of Gujarat grew at a rate lower than the national average. The average annual growth rate of net state domestic product [NSDP] of Gujarat in the post liberalization period [1990-91 to 1995-96] was around 6 per cent compared to the corresponding rate of 5.6 percent between 1985-86 and 1990-91.

- The share of manufacturing sector in NSDP has continued to grow during the period of the study, compared to agriculture or other sectors of the state economy. Its share in NSDP increased from 20.68 percent in 1980-81 to 33.81 percent in 1995-96.

- Gujarat with its vibrant response to the new economic environment made speedy progress. The investment in its medium and large scale sector grew at a much higher rate during the first five years of post liberalization [1990-91 to 1995-96] compared to the five years of pre-liberalization period [1985-90].

- The existing high share of chemical and petrochemical industries and the pattern of new investment flows, especially in central and south Gujarat deserve a word of Caution. While it could lead to faster industrial growth, the state may have to pay a very heavy price in future while facing pollution problems, which could cause serious environmental damage.

Jeemol Unni and others\(^\text{27}\) have analyzed the trends in growth and efficiency in the utilization of resources in the Indian manufacturing industry before and after the introduction of economic reforms. They have done a comparative analysis of all-India figures with Gujarat.

The study shows that both the organized and unorganized sectors in Gujarat seem to be doing better than the all-India average in terms of growth of value added.

Some of their findings are as follows:

- The magnitude of growth of value added was higher in Gujarat.
- Both output and employment expanded during the reform period, but the expansion in output was relatively more than the expansion in employment. This was because during the reform period the capital-intensive industries such as chemicals and chemical products grew and labour-intensive industries like cotton textiles declined.
- The pattern of growth in Gujarat was, with the organized sector growing rapidly during the reforms period, and the unorganized sector doing so immediately before the reforms.
- Gujarat achieved a positive growth in both the organized and unorganized sectors.
- The major reason for the growth of manufacturing sector in Gujarat has been the strategy adopted by the state during the 1980s of physical infrastructure development leading to industrialization, which has continued in the 1990s.

S. S. Mehta\textsuperscript{28} has tried to examine the performance of Gujarat economy as compared to those of other states with a view to identifying its planning problems and potential for a period of 1960 to 1975. Here he has discussed sectorial growth rates and some sectors such as land, water and energy.

His analysis offers the following findings:

- The greatest threat to Gujarat’s prosperity emanates from population pressure. So the process of population stabilization is necessary.

• The other serious constraint which Gujarat faces is due to the poor management of water resources.

• Similarly, availability of energy is a serious problem of Gujarat.

As solution to these problems, he has suggested population policy, proper use of Narmada water, and coal gasification, which would speed up economic development of Gujarat.

Kiran Wadhva\(^\text{29}\) has tried to explain the changes seen in the compound growth rates of per capita income of Gujarat and India, and changes in the agricultural sector and fields of small and large industries. He has explained the trends of manufacturing sector during 1961 to 1978.

His analysis offers the following finding:

• The important industries have normally shown less instability and higher rate of growth. It is the less important industries which have shown greater instability and / or lower rates of growth. This aspect of industrial sector is completely opposite to that of the agricultural sector.

• The increase and decrease – especially decreases for most of the industries have not coincided. Thus declines in value added of some industries have been offset by increase in others.

Thus, the large scale sector, due to relatively stable growth in its major industries and its diversified structure, has managed to achieve a fairly stable rate of growth.

2.4 Conclusion:

The conclusion of this chapter is presented in the following three sections:

2.4.1 The Studies on Indian Economy Show that

- The gap between the richest region and the poorest region is much wider in China than in India. In both the countries variations in infrastructure development and urbanization are the main sources of regional disparity.
- There is no improvement in rural poverty and sustained reduction in unemployment rates during economic reforms period in India.
- India’s growth process has polarized the economy.
- The shares of the manufacturing sector and the tertiary sector have increased compared to the share of primary sector in India after economic reforms.
- In India, industrial states are growing much faster than the backward states.
- There is increasing interstate disparities in levels of private and public investment.
- The state bureaucracies need to be friendly to business and industry. So that the encouragement policy of industry would became successful.
- In Indian planning process it is necessary to frame an action plan in such a way that planning would not remain on paper only but implemented rapidly to develop backward states.
- A policy which promoter’s human development together with economic development should be implemented so that the standard of living of maximum people would improve in the economy.
2.4.2 **The Studies on Inter-State Comparison Show that**

- In the study of inter-state economic and social disparity 15 states are divided into two groups as “forward states” and “backward states“.

  This study shows that the necessary requirement of the backward states is the improvement of economic and social structure. It is a pre-condition to improve the quality of life of the people in those states.

- The study of five states – Gujarat, Haryana, Kerala, Orissa and Punjab – Shows that Haryana and Punjab have higher level of income, Gujarat is investment friendly, Kerala is the best for human development, where as Orissa has a high poverty level.

- The study of Karnataka and Maharashtra shows that there is higher centralization of industry in developed regions.

- The study of district wise Industrial development of Karnataka shows that there is a need to diversify industrial growth geographically in a planned manner in order not only to have balanced regional growth but also to tap the resources available in various parts of the state.

- The study of growth of industry in Andhra Pradesh Shows that in the general developmental process the service sector is gaining increasing prominence, specially after the information technology revolution in Andhra Pradesh.

- The study of changes in the Madhya Pradesh economy shows that the state in spite of being in the low income group, its process of development has increased after liberalization due to growth in industrialization and education sector.

2.4.3 **The Studies on Gujarat State Economy Show that**

- Gujarat requires framing efficient policy to overcome the problems of inefficient management to water resources, population pressure and availability of energy for its speedy economic development.
• In the face of the decline in the agriculture sector the economic growth of Gujarat is volatile.
• In spite of its lead in the industrialization Gujarat lags behind in terms of the quality of employment and human development.
• Developed regions in Gujarat have benefited from the beginning because of industrialization, while less developed regions are ignored which shows regional disparity in the state.
• Most of the investment in Gujarat seems to be concentrated in regions known as Golden corridor and silver corridor which has not helped rural Gujarat.
• The response to the vibrant Gujarat policy has been positive, which has provided a diversified structure of industry.
• The state government’s policy of physical infrastructure development can be credited for the development of industry in Gujarat.
• Gujarat has to contemplate seriously has it can avoid paying a high price for its speedy industrial development in form of grave pollution problem.