CHAPTER 1

INTRODUCTION

The increase in regional research in terms of rupees spent and scholars engaged has been enormous during the last few decades. The existence of depressed, distressed, and disorganized regions even in times of general prosperity has become increasingly evident. The existence of regional problem in the process of economic development was virtually recognized by the Indian planners in a very early phase of independence. And hence reducing regional disparities was set as one of the objectives of our planning process. Here inter state disparities were considered and different policy prescriptions were proposed by different planners and policy makers. But one thing which most of them failed to realize is that regional disparities in this country exist at intra state level too. And this phenomenon has become quite evident from the last decade with the outcry for regional autonomy or demand for separate statehood within different states. One aspect worth mentioning here is that these demands for the fulfillment of sub regional aspirations are coming from not so well doing states in the Indian republic. "Viewed from the centre, the peripheral forces always tend to assume threatening and dangerous proportions. It is only through a peripheral perspective that real implications and significance of regionalism could be assessed properly".¹

Regional imbalances are however implicit to the very process of economic development. Because developmental process is not uniformly distributed over space and time. And apart from it, they emerge due to geographical non homogeneity and deliberate apathy of the rulers. Economists have long recognized the existence and stubborn persistence of regional dualism at all levels of national development and throughout the historical experience of almost all presently developed countries.² But one of the principal difficulties in applying economic analysis to spatial aspects of public policy has been the highly simplified and abstract nature of the purely deductive models of classical location theory³. As classical location theory was unable to explain the empirical results of regional disparities it was a disappointing experience since the assistance furnished by them on

¹ Ram Reddy G. et al: Regionalism In India - A Study of Telangana, Concept Publishing Company, New Delhi, 1979


this topic is relatively meagre whereas one might have expected them to be the most helpful¹.

As a matter of fact in lieu of these inadequacies the concept of development poles was put forward by Perroux where he argued that the fundamental fact of spatial, as well as sectoral, development is that growth does not appear everywhere and all at once; it appears in points or development poles, with variable intensities; it spreads along diverse channels and with varying terminal effects for the whole of the economy².

In continuation to the above logic A.O.Hirschman states that for any economy to attain higher income levels it must and will develop within itself one or several regional centers of economic strength. This need for the emergence of growing points or growth poles in the course of the development process means that international and interregional inequality of growth is an inevitable concomitant and condition of growth itself.³ He explains existence of regional differentials in terms of "Polarisation" and "Trickle Down Effect".

Gunnar Myrdal while questioning the classical notion of stability in equilibrium states that the play of the forces in the market normally tends to increase, rather than to decrease, the inequalities between regions⁴. He adds further that if things were left to market forces unhampered by any policy interferences, industrial production, commerce, banking, insurance, shipping and indeed, almost all those economic activities which in a developing economy tend to give a bigger than average return and in addition, science, art, literature, education and higher culture generally - would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater⁵. And once this process sets in these regions fortified and sustained their continuous growth at the expense of other localities and regions where instead relative stagnation or regression became the pattern⁶. He explains this process with the help of "Backwash Effects" and 'Spread Effects

² N.M.Hansen, "Development Pole theory in a Regional Context", Kyklos, XX, (1967), pp. 709 -725
⁵ ibid., p.38
⁶ ibid., p 39
H.W. Richardson tried to explain persisting regional disparities with respect to the functioning of economic forces within the system. He was of the view that there are three potential convergence forces (i) the possibility of equilibrating factor flows as predicted by neo-classical model, (ii) re-allocation of resources within region from low-wage sectors to high productivity, high-wage sectors, (iii) high income matured regions may slow down future increases in per capita income. He adds further that there is nothing inevitable about these convergence forces. Instead, divergence forces may predominate. In particular, in a dynamic framework factor may be disequilibrating. And even if factor flows were equilibrating and other convergence tendencies were strong, regional per capita incomes would not be fully equalized.

One of the best possible way to measure developmental differentials is constructing composite indices at different time periods and analyzing them with regard to their convergence or non-convergence over the period of time. However with regard to this problem, "sharp differences of opinions and judgments, however, exist on the prediction of ultimate convergence as the nation reaches matured stages of development, and on the basic determinants of regional growth differentials".

The present study is aimed at gauging the level of intra state disparities in economic development in Andhra Pradesh. Andhra Pradesh is basically divided into three distinct regions namely:

i) Telengana
ii) Coastal Andhra
iii) Rayalaseema

These are geographically, socially, culturally and institutionally heterogeneous entities. These were merged together by States Reorganization Committee in 1956.

Major emphasis of this study is on economic development. Economic development is a multidimensional process involving major changes in social framework, people's attitudes and national institutions along with the acceleration in economic growth, reduction of inequality and the eradication of absolute poverty. In other words it can be defined as a process whereby an

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2 ibid., pp. 56-57
3 R.H. Dholakia, "Regional Disparity in Economic Growth in India", Himalaya Publishing House,
economy is able to transform its potential capabilities in actual terms in order to meet the growing needs of the population.

**DATA SOURCES:**

The study is based on secondary data published by the Bureau of Economics and Statistics of Andhra Pradesh. Publications of CSO, Centre for monitoring Indian Economy and other central agencies were also examined.

**OPERATIONAL DESIGN:**

The geographical area under this study comprises all the districts of Andhra Pradesh. The micro level regions are taken in order to find out whether there is any homogeneity in the developmental process with respect to their regional classification. The study covers all important socio-economic aspects of the following sectors:

1. Agricultural Sector
2. Industrial Sector
3. Banking Sector
4. Cooperative Sector
5. Power Sector
6. Education
7. Health
8. transport and Communication
9. Urbanization

The study has been comparative static covering from 1960-61 to 1990-91, with four benchmark years i.e. 1960-61, 1970-71, 1980-81 and 1990-91.

**TECHNIQUES USED:**

Different statistical techniques to formulate a composite index of development for different districts were used. These are as follows:

i) Principal Component Analysis
ii) Taxonomic Method
iii) Simple Averaging Method

Bombay, 1985
The purpose of using different techniques is to verify the consistency of the results given by different techniques.

OBJECTIVE, SCOPE AND COVERAGE OF THE STUDY:

Once composite index has been formulated for all the districts, ANOVA and Discriminant Analysis has been applied for all the three regions as well as for the total Andhra Pradesh in order to ascertain whether the difference in the development levels within the regions and across the regions were statistically significant or not. It is also intended to examine the relative importance of different variables (indicators) in a given sector as well as of different sectors at an aggregate level at different bench mark years across the three regions of the state and Andhra Pradesh as a whole.

Based upon the above methodology the present study proposes to examine the following:

Firstly, it was hypothesized that there were no significant developmental differentials within as well as across the three regions of Andhra Pradesh over the four bench mark years.

Secondly, this study proposes to examine the validity of inverted U hypothesis across the three regions as well as total Andhra Pradesh.

Thirdly, to find out as to which of the adopted technique of formulating the composite index yields better results.

This study is an exercise in the direction of providing insights at the micro level developmental process which will in turn help in formulating micro level plans.