



REGIONAL IMBALANCE OF STATE: AN ANALYSATION

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ABSTRACT

State level imbalances means extensive differences in per capital income, literacy rates, health and education services, levels of industrialization, etc. between different regions. Regions may be either States or regions within a State. In India there are enormous imbalances on various accounts. The unfairness of British colonial rule either created or accentuates regional disparities. The planning in independent India has also not been able to remove these disparities. Balanced regional development has always been an essential component of the Indian development strategy. Since all parts of the country are not equally well endowed with physical and human resources to take advantage of growth opportunities, and since historical inequalities have not been eliminated, planned intervention is required to ensure that large regional imbalances do not occur. Spectacular growth attained by some regions and in some sectors in India, after independence, is in contrast to low levels of development still prevailing in many parts.

KEYWORDS:--Imbalance, state,finance, development, indicators, State, Imbalance, Domestic, Disparities

INTRODUCTION

Therefore, it was felt that the State had a major role to play in removing disparities. This commitment was reflected in the foundation and in planning objectives. Two major institutions, which were expected to work towards reducing the regional imbalances after independence, were the Finance Commission and the NITI Aayog (Planning Commission). India's successive Five Year Plans have stressed the need to develop backward regions of the country. In promoting regional balanced development, public sector enterprises were located in backward areas of the country during the early phase of economic planning. In spite of pro-backward areas policies and



programmes, considerable economic and social inequalities exist among different States of India, as reflected in differences in per capita State Domestic Product. While income growth performance has diverged, there is welcome evidence of some convergence in education and health indicators across the states.

What are the Need for Balanced Regional Development: Impartial regional development is an important condition for the pleasant-sounding and smooth development of a country. It does not imply equal development of all regions of a country. Rather it indicates utilization of development probable of all areas as per its capacity so that the benefit of overall economic growth is shared by the inhabitants of all the different regions of a country. Thus, the term “Balanced regional development is the economic development of all regions simultaneously, raising their per capita income and living standards by exploiting their natural and human resources fully”. The policy of balanced regional growth is considered as both on economic, social and political grounds. The Second Five Year Plan documents of India observed in this connection, “In any comprehensive plan of development, it is obvious that the special needs of the less developed areas should receive due attention. The pattern of development must be so devised as to lead to balanced regional development.” Review of literature: Global Theories of Regional Imbalances/Disparities: There are sharp differences in the theoretical opinions on the issue of development disparity/imbalance and has been debated extensively by the scholars in terms of theory as well as empirical investigators. The Neo-Classical Theory of Convergence: The neo-classical school is a believer in market forces and flexible prices. Its perspective on regional developmental disparities is drawn from Solow’s growth model. One implication on Solow’s growth model is that the countries with different levels of per capita income over time tend to converge to one level of per capita income.

Regional Imbalances in the Pre and Post - Reforms Periods: Pre-Globalization Period:

First Five Year Plan (1951-56): There was no explicit mention about the removal of regional disparity in this Plan. The emphasis was rather laid on strengthening and expanding the economic base of the country. However, it observed that “in any comprehensive plan of development, it is axiomatic that special needs of the less developed areas should receive due attention”.



Second Five Year Plan (1956-61): The need to correct regional imbalances was explicitly recognized for the first time in the Second Five Year Plan. This plan emphasized setting up decentralized industrial production, location of new enterprises, whether public or private, keeping in view the need for developing a balanced economy for different parts of the country.

Types of Disparities/Imbalances

- 1) **Global Disparity:** The term global disparity describes the disparities that exist between the nations. Each country is at a different level of development, which causes disparity between countries. Some countries have been endowed with resources in abundance, while there are countries that are extremely poor in resources.
- 2) **Inter - State Disparity:** Like global disparities, there are also exist disparities between the states in India. Inter –state disparities or regional disparities or regional imbalances refers to a situation where a per capita income, standard of living, consumption situation, industrial and agriculture development are not uniform in different parts of a given region. Backwardness of state could be the result of either the regional diversity or disparity.
- 3) **Intra-State Disparity:** Intrastate disparity refers to disparity within the state. Intra-regional disparities in development can be identified through macro indicators of development like allocation of resources, quality of governance, agrarian structure, income, consumption patterns and estimates of poverty.
- 4) **Rural-Urban disparity:** Rural-urban disparity has been prevalent in India for ages. Rural areas are considered backward areas in terms of availability of basic infrastructure - roads, electricity, water and sanitation facilities, schools and hospitals etc. In contrast, these facilities are mostly available in urban areas. It is because of the absence of such facilities that rural areas lag behind urban areas in terms of the basic indicators of development - poverty, illiteracy, unemployment etc.



Indicators of Regional Imbalances in India

- 1) **State Per - Capita Income:** The most important indicator of regional imbalances is difference in per capita income of States. In most of the years States like Punjab, Haryana, Maharashtra, Gujarat, Karnataka, Tamil Nadu and Kerala have achieved higher per capita income when compared with Orissa, Bihar, M.P, UP, Assam and Rajasthan. In 2016, Delhi's per capita income stood at Rs. 2,01,083 as compared to Bihar's Rs. 22,890. PCI for 6 Indian states is not available, including Gujarat, Kerala, Mizoram, Chandigarh, Rajasthan and Goa. In 2012, Goa had the highest Per Capita Income followed by Delhi.
- 2) **Inter - State Disparities in Agricultural and Industrial Development:** Punjab, Haryana and part of U. P. has recorded high rate of productivity due to its high proportion of irrigated area and higher level of fertilizer use. On the other hand, states like Assam, Bihar, Orissa and Uttar Pradesh have been lagging behind in respect of the pace of industrialization.
- 3) **Intra - State imbalance:** There is a growing tendency among most of the advanced states concentrate its development activities towards relatively more developed urban, and metropolitan of the states while allocating its industrial and infrastructural projects by neglecting the backward areas.
- 4) **Spatial Distribution of Industries:** Another Important Indicator of regional imbalance is the uneven distribution of industries. Though, the country as a whole has achieved industrial development at a fair rate since independence, but the spatial distribution of such industrial development between different states remained almost uneven. For example, States like Punjab, Haryana, Maharashtra, Gujarat, Kerala, and Karnataka have achieved considerable development in its industrial sector. But West Bengal could not keep pace in its industrial growth as much as other industrially developed states.
- 5) **Population below poverty line:** Percentage of population living below the poverty line in different states is an important indicator of regional Imbalance or disparities.
- 6) **Degree of Urbanization:** In respect of urbanization the percentage of urban population to total population is an important indicator. The all India percentage share of urban population stands at 27.81% in 2001 and 31.6 in 2011.



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- 7) **Per Capita Consumption of Electricity:** Per capita consumption of electricity is also another important indicator of regional disparities. States like Punjab, Gujarat, Haryana, Maharashtra etc., having higher degree of industrialization and mechanization of agriculture, have recorded a higher per capita consumption of electricity than the economically backward states like Assam, Bihar, Orissa, Madhya Pradesh and Uttar Pradesh.
 - 8) **Employment Pattern:** States attaining higher degree of industrialization are maintaining higher proportion of industrial workers to total population. It is found that industrially developed states like Maharashtra, Gujarat, Haryana, Punjab, Tamil Nadu and West Bengal are maintaining a higher average daily employment of factory workers per lakh of population as compared to that of lower average maintained in industrially backward states like Assam, Orissa, Uttar Pradesh, Rajasthan etc. Even the industrially developed states like Gujarat, Maharashtra, Tamil Nadu and West Bengal are still maintaining a higher proportion of agricultural labourers to total workers as the industrial sector of these states have failed to enlarge the scope of employment sufficiently to engage more and more rural workers.
 - 9) **Foreign Direct Investment:** FDI is yet another important indicator of regional disparities. Most of the states think that if they attract FDI it is useful for economic growth. Discounts in bank rates, discount in taxes etc. are the benefits of FDI investment. The projects like IT Park, Industrial park, Agricultural processing such projects are reserved for FDI. There are various facilities for attracting FDI so that it shows various inequalities in foreign investment.
 - 10) **Human Development Index:** It is a composite statistic of life expectancy, education, and income per capita indicators. It is also an important indicator of regional disparities. By studying HDI ranks of different countries, we can analyze the regional imbalance among the globe so also inter-states and intra states of a country.



Causes of Regional Imbalances in India

1. Historical factors: Historically regional imbalance started in India from British regime. British industrialist mostly preferred to concentrate their activities in two states like west Bengal and Maharashtra and more particularly to their metropolitan cities like Kolkata, Mumbai and Chennai. They concentrated all their industries in and around these cities neglecting the rest of the country to remain back ward.

2. Geographical factors : The difficult terrain surrounded by hills, rivers and dense forests, leads to increase in the cost of administration, cost of developmental projects, besides making mobilization of resources particularly difficult. Most of the Himalayan states of India, i.e., Himachal Pradesh. Northern Kashmir, the hill districts of Uttar Pradesh and Bihar, Arunachal Pradesh and other North-Eastern states, remained mostly backward due to its inaccessibility and other inherent difficulties. Adverse climate and proneness to flood are also responsible factors for poor rate of economic development of different regions of the country as reflected by low agricultural productivity and lack of industrialization. Thus these natural factors have resulted uneven growth of different regions of India.

3. Failure of planning: Although balanced growth has been accepted as one of the major objectives of economic planning in India, since the second plan onwards, but it did not make much headway in achieving this object. On the other hand, the backward states like Bihar, Assam, Orissa, UP, Rajasthan have been receiving the smallest allocation of per capita plan outlay in almost all the plans. Due to such divergent trend, imbalance between the different states in India has been continuously widening in spite of framing achievement of regional balance as one of the important objectives of economic planning in the country.

4. Financial: Financial sector reforms have led to a booming stock market that has helped large firms finance their expansion easily, however small and medium enterprises which are important engine of growth and productivity have not been able to access finance in rural areas.

5. Infrastructure: Mumbai, Bangalore, Delhi, Chennai and Hyderabad are at breaking point regions bootlick in basic infrastructure such as power, water, roads and airport exist. The concentrated mushrooming of out sourcing companies in these cities lead further higher growth, while as other areas do not poses the same situation prevailing in these metropolitan cities.



6. Disparities in Socio-Economic Development: Development is a multi-dimensional phenomenon. In India, the states are earmarked with wide disparity in socio-economic development. This in turn influences the regional imbalances in a country. The role of social development such as education in promoting literacy, especially of female is prerequisite for overall development

7. Political factor responsible for regional disparities : Political instability in the form of unstable government, extremist violence, law and order problems etc. have been obstructing regional flow of investment into the backward regions.

8. Predominance of Agriculture: The occupational structure of India from the beginning is agriculture. In 1921, it was 76.0% and around 72% in 2001 census. This indicated degeneration economic conditions, deindustrialization and realization of the economy. According to census 2011, yet 58.02% population is engaged with agriculture and remains poor as compared to industrialized civilization.

9. Lack of Motivation on the Part of Backward States: Growing regional imbalance in India has also been resulted from lack of motivation on the part of the backward states for industrial development. While the developed states like Maharashtra, Punjab, Haryana, Gujarat, Tamil Nadu etc. are trying to attain further industrial development, but the backward states have been showing their interest on political intrigues and manipulations instead of industrial development.

10. Locational Advantages: Locational advantages are playing an important role in determining the development strategy of a region. Due to some locational advantages, some regions are getting special favor in respect of site selections of various developmental projects. While determining the location of iron and steel projects or refineries or any heavy industrial project, some technical factors included in the

Vocational advantage is getting special considerations. Thus regional imbalances arise due to such locational advantages attached to some regions and the vocational disadvantages attached to some other backward regions.



Consequences of Regional Imbalances in India: The following are some of the consequences of regional imbalances in India:

- **Inter - States and Intra State Agitations:** Uneven regional development or regional imbalances lead to several agitations with in a State or between the States. The erstwhile combined State of Andhra Pradesh can be sited as the best example of the consequences of intra - state regional imbalance in terms of development, which has lead to several agitations for separate Telangana State for several decades from 1969 – 2014.
- **Migration:** Migration takes from backward areas to the developed areas in search livelihood. For example, migration from rural to urban. Because, urban areas will provide better quality of life and more job opportunities when compared to rural.
- **Social Unrest:** Differences in prosperity and development leads to friction between different sections of the society causing social unrest. For example Naxalism. Naxalites in India function in areas which have been neglected for long time for want of development and economic prosperity.
- **Pollution:** Centralization of industrial development at one place leads to air and sound pollution.
- **Housing, Water Problem:** Establishment of several industries at one place leads to shortage of houses as a result rental charges will increase abnormally. For example, Mumbai, New Delhi, Chennai and Hyderabad and over population leads to water crisis.
- **Frustration among Rural Youth:** In the absence of employment opportunities in rural and backward areas leads to frustration especially among educated youth.
- **Under – Developed Infrastructure:** Rural and backward areas do not have 24 hours power, proper houses, safe drinking water, sanitation, hospitals, doctors, telephone and internet facilities.
- **Aggregation of the imbalance:** Once an area is prosperous and has adequate infrastructure for development, more investments pour-in neglecting the less developed regions. So an area which is already prosperous develops further. For examples, the rate of growth of the metropolitan cities like Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad is higher compared to other metro cities of India.



CONCLUSION

The conclusion is based on the assumption that output per labor is subject to diminishing returns to capital per labor. By this assumption in developed countries with higher capital per labor, per capita income tends to grow at a slow rate than in developing countries which have lower capital per labor. Although the convergence hypothesis was originally about international disparities in per capita income, the hypothesis is often tested for disparities of inter-regional development levels especially within large countries like India, China etc. Lack of unanimity of empirical support for the convergence hypothesis lead to emergence of several other theories. Gunnar Myrdal Theory: He argues that due to industrialization and gain in productivity, rich regions benefit more. He does not deny that growth spreads to poor regions through access to larger markets and trade opportunities. However, he insists that gains are offset by stronger backwash effects generated by deteriorating terms of trade resulting from high productivity gains in industrialization in rich regions. Therefore, the theory predicts divergence in regional incomes. Myrdal's and Krugman analysis also resonant with Hirschman's theory of unbalanced growth. Theory of Unbalanced Growth: Unbalanced growth is a natural path of economic development. Situations that countries are in at any one point in time reflect their previous investment decisions and development. Unbalanced investment can complement or correct existing imbalances. Once such an investment is made, a new imbalance is likely to appear, requiring further compensating investments. Therefore, growth need not take place in a balanced way. Supporters of the unbalanced growth doctrine include Albert O. Hirschman, Hans Singer, Paul Straiten and Marcus Fleming.

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