

Regional Disparities In Economic Growth : A Case Study of Indian States

Dr. Achal Kumar Gaur

Professor

Department of Economics

Faculty of Social Science

B.H.U., Varanasi (India)

Email : achal_gaur@yahoo.co.in

ABSTRACT

In India, regional imbalance has been one of the major concerns before policy makers and planners. There had been a huge gap between active and vibrant regions and hinterland during pre-independence period in terms of availability of facilities and this has resulted in the form of unequal levels of development both in terms of economic and human. After independence, reduction in inter-state disparities has been emphasized during successive Five Year Plans, but the menace continued unabated. For instance, the World Bank (2006) in its reported entitled, "India-Inclusive Growth and Service Delivery : Building of India's Success" has observed sharp differentiation across states since the early 1990s reflects acceleration of growth in some states but declaration in others. The report further add that more worryingly, growth failed to pick up in states such as Bihar, Orissa and U.P. that were initially poor to start with, with the result that the gap in performance between India's rich and poor states widened dramatically during the 1990s. The World Bank (2008) again in its recent release "The Growth Report Strategies for sustained Growth and Inclusive Development" has mentioned that disparity in income distribution in India has risen during 1993-2005 which is revealed by fact that Gini-coefficient in this connection has risen from 0.3152 in 1993-94 to 0.3676 in 2004-05. The Draft Eleventh Five Year Plan (2007-2012, Vol. I), has also admitted that regional disparities have continued to grow and the gap have been accentuated as the benefits of economic growth have been largely confined to the better developed areas.

The present study has been undertaken against this backdrop. In order to accomplished the task, inter-state disparity in total as well as per capita SDP for 20 major Indian states for the period 1980-2005 has been examined with the help of inequality indices that are based on properties of **Lorenz Curve, Atkinson's social welfare function, Herfindahl's Concentration indices** etc. Inter-state inequality trend has also been examined through '**convergence-hypothesis**' as **β -convergence and σ -convergence**. Empirical results revealed disparity among states in terms of total/per capita SDP has risen sharply as inequality indices like **Gini, Theil's index, RMD, Kakwani's as well as Atkinson's indices** have shown surge, especially after the economic reforms of 1991. Widening gap in terms of income among rich and poor states, especially after 1991 **has also been established through empirical results based on β -convergence and σ -convergence**. This is indeed an alarming situation and a potential threat for stability of a federation like India. Redressel of horizontal economic disparity happens to be an important objective in any scheme of federal devolution of funds among federating states. In India, this task is done by the Planning Commission and Finance Commission. The Thirteenth Finance Commission, Government of India (2010-15) should assign due weight age to this factor in its scheme of devolution of taxes/grants for states such that inter-state economic disparities may be rectified effectively.