

## DISPARITY: THE NEW THREAT TO THE FUTURE OF INDIA

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***Abstract :**Regional imbalance has been one of the major concerns before Indian policy makers and planners. There is a huge gap between active regions and hinterland. After 1991 reforms, this gap widens further. Some of the Indian states showed the accelerated economic growth but some of the states are left far behind. This paper examines how some of the backward states show rapid growth in their economy, while the per capita income of developed states and newly progressing states show a big gap. The states like Bihar, Rajasthan, and few newly formed states like Jharkhand, Chhattisgarh etc. show a remarkable progress. However, the per capita income gap is a major source of worry. This regional disparity can create social unrest. This paper also attempts to throw light on how along with income disparity, which is one of the major characteristic features of Indian economy, there exists disparity in human development too. The Human development index of states like Bihar, Rajasthan, and Uttar Pradesh etc. is found to be the lowest and therefore, it is a matter of great concern. This paper tries to locate the disparities found in income and human development in selected states of India.*

***Keywords:** Regional disparity, Per capita income, Human development index.*

### INTRODUCTION

India is an emerging economic power. It is one of the fastest growing economies of the world. India's average growth rate from 2000 -2013 is 7%. This is a phenomenal economic growth rate for India. After economic reforms, India experiences a substantial growth in various regions of India. For sustainable growth, every state or region of a country should experience economic growth and development. In pre-independence era, there was a huge developmental gap between active region and hinterland. After independence, India applied five year plans to reduce this gap. Every five year plan had emphasis on reduction of region imbalance.

After 1991, the gap between the rich and the poor state in terms of income has widened. Even though Indian economy is growing, regional disparities in India is a major concern for policy makers and planners. Regional disparities can cause political resentment and social unrest. "Regional differences in the standard of living can have serious implications for the economic and political functioning of national economies".

India is a country with regional diversities in culture, religion, tradition, climate, land pattern etc. Poverty rules the lives in rural India. The rural poor are either marginal farmers or landless labourers. Inequitable distribution of land creates income disparities in rural area. Urban poverty is because of under employment, educated unemployment, migrations of unskilled labourers from deprived area to city area.

In the coming decades, India can explore its strengths and achieve the highs of economic development. In human resource field, India is the only country which will enjoy the huge demographic dividend. India can become a huge skilled labour supplier to the world economy. India will be the only country which will have the growing young population. To get the benefit of this demographic dividend,

our human resources must be educated and skilled. On this course Prof. N.J. Kurian has rightly stated that if we continue to neglect our children who are the bridge between our inherited past and the aspirations for the future, our chances of gaining from globalization on the strength of our human resources are slim.

### **Regional Development**

To achieve greater heights of growth and development, equal regional development is required. "Regionaleconomic development has been described as dealing with policies, programs and.... Institutions concerned with encouraging local economic growth and employment which operate at the sub-state or territory level". Regional development involves regional communities in improving economic, social and cultural well-being of its people. Equitable regional development will lead to economic development which is a combination of self-sustained growth, structural changes in patterns of production, technological upgrading, social, political and institutional modernization and widespread improvement in human welfare. The interactions between economic agents are dense at the local level. Socio-institutional factors appear crucial for the creation of a local competitive advantage and make interactions work in a systematic way; it is in such economies that development occurs.. In developing countries like India, only few regions witnessed fast growth rate. Few metropolitan cities attracted large amount of investment in industries and service sector. The disparities in state income shows that richer states are experiencing high growth rate than the other regions of the country.

### **Regional Disparities**

Regional disparity or imbalance in any country may be due to unequal distribution of natural resources or investors' preferences for certain regions because of readily available infrastructure. According to ILO, Regional disparities means differences between economic performance and welfare between countries or regions.

OECD (2002, 2003) defined regional disparities as: Regional (spatial) disparities express the scope of difference of intensity manifestation of economic phenomena under investigation observed within regions of given country

Territorial disparity indicates the scope the intensity of given economic phenomena differs to between regions within a given country.

A country like India is diverse in culture, religion, language, traditions etc. Similarly its regions are also diverse in the natural endowment. Apart from this, India experiences climatic and geographical differences, difference in land pattern etc.

There are three spheres of regional disparities: a) Social, b) economical and c) territorial. Social sphere is related to population and its quality of life. Economic sphere is related with development potential, regional output and employment level. Territorial sphere is related to geographical, infrastructural, natural and technical conditions.

### **Regional Disparities in India**

India's planning process was initiated to reduce the regional imbalances and to achieve regional economic development. But, the measures taken under these plans have not gained much success. Economic reforms of 1980 and liberalization process in 1991 widened the regional differences. In the process of liberalization, the role of government in investment decisions is reduced. Now, private investment and foreign investment become more important for economic development. In the last two and half decades, it was witnessed that the flow of private investment reached such states where investors definitely earned more returns on their investments. The states that have better infrastructure facilities, adequate environment and better approach attracted the larger share of private investment. This leads to the income disparities between the regions. The per capita income differentials have been widening further. Private investments in the southern and western regions of India increase the employment opportunities in those regions. This leads to migration of labour force from eastern and northern regions of India. This internal migration depletes the skill in backward regions and it leads to further economical backwardness of that particular region. It also puts pressure on the developed regions to provide more employment and generate income.

Apart from income disparity, disparity in human development is also one of the major characteristics of Indian economy. The backward regions of India are not only economically backward but also are facing the problem of illiteracy, infant/child mortality, maternal mortality and other social backwardness.

**Income disparities in India**

After economic reforms and liberalization policy, India's GDP growth rate started accelerating. Growth in GDP reflects on poverty. The different estimates agreed that poverty has reduced considerably. Government anti-poverty measures are attributed towards the decline in the poverty. Even though all India level poverty estimates shows decline in poverty, state-wise income disparities are still a worrisome issue for planners. Though the governments are encouraging private investors to invest in the backward regions, the results are not encouraging. The various reforms and policy measures taken by the government in the last decade has not reduced the gap between the rich and the poor states. An important question is why after decades of planning and implementation of different policies inter-state disparities are still unattended.

**Table 1: State-wise per capita income at current prices (Rupees)**

| Sr. No                               | State            | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--------------------------------------|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Low per capita income states</b>  |                  |         |         |         |         |         |         |         |         |         |         |
| 1                                    | Bihar            | 6197    | 6928    | 6913    | 7467    | 7875    | 9967    | 11051   | 13728   | 15548   | 18928   |
| 2                                    | Uttar Pradesh    | 9781    | 10431   | 11250   | 11941   | 13262   | 16013   | 17785   | 20422   | 23661   | 26903   |
| 3                                    | Odisha           | 11075   | 11788   | 14252   | 16303   | NA      | 22237   | 27735   | 31416   | 34361   | 40412   |
| 4                                    | Madhya Pradesh   | 12697   | 12303   | 14306   | 14534   | 15647   | 19028   | 20935   | 25278   | 28712   | 32253   |
| 5                                    | Assam            | 13153   | 14600   | 15687   | 16825   | 18598   | 19737   | 21290   | 24099   | 27464   | 30569   |
| 6                                    | Rajasthan        | 14165   | 13126   | 16704   | 16800   | 17886   | 24055   | 26882   | 31279   | 34982   | 42434   |
| 7                                    | Karnataka        | 17776   | 19041   | 20515   | 24199   | 27291   | 35981   | 42419   | 48084   | 51386   | 59957   |
| 8                                    | West Bengal      | 17826   | 18746   | 20806   | 22522   | 25223   | 27823   | 31567   | 31279   | 41045   | 47738   |
| <b>High per capita income states</b> |                  |         |         |         |         |         |         |         |         |         |         |
| 9                                    | Andhra Pradesh   | 18630   | 19568   | 22041   | 23729   | 26211   | 33135   | 39727   | 46345   | 52814   | 62912   |
| 10                                   | Gujarat          | 19823   | 22683   | 26922   | 29468   | 34157   | 43395   | 50016   | 55068   | 63549   | 75115   |
| 11                                   | Tamil Nadu       | 20924   | 21813   | 24106   | 27137   | 29958   | 42288   | 47606   | 54137   | 64336   | 75449   |
| 12                                   | Kerala           | 21047   | 23207   | 25645   | 27864   | 30668   | 40419   | 45700   | 53046   | 60264   | 71434   |
| 13                                   | Maharashtra      | 24450   | 26697   | 29770   | 32979   | 37081   | 49831   | 57760   | 62234   | 71300   | 87686   |
| 14                                   | Himachal Pradesh | 24608   | 26627   | 28333   | 31140   | 33805   | 40393   | 43966   | 49903   | 58798   | 68020   |
| 15                                   | Haryana          | 26077   | 28259   | 31509   | 35044   | 38832   | 49261   | 56916   | 67388   | 82024   | 94464   |
| 16                                   | Punjab           | 28949   | 29316   | 31128   | 33158   | 36758   | 41883   | 49380   | 55313   | 61894   | 68998   |
| 17                                   | Goa              | 44110   | 48839   | 54577   | 66135   | 70112   | 94882   | 108708  | 135966  | 149164  | 159244  |

Source: <http://indiabudget.nic.in/es2012-13/estat1.pdf>

The states like Andhra Pradesh, Kerala, Maharashtra, Punjab etc. have per capita income above the national average. Bihar is a state which has the lowest per capita income. Sector wise contribution in State GDP (Average of 2001-2011) shows that Bihar growth rate of Gross State Domestic Product (GSDP) in industrial sector is 8.93% whereas that of Assam is 5.69%, Madhya Pradesh 5.68% and Uttar Pradesh just 6.4%. In forward states like Kerala, growth rate in industrial sector is 5.65%, in Maharashtra it is 12.48%. In Agriculture and allied sector, growth rate of GSDP (Average 2005 to 2013-14) of Bihar is 4.31%, Assam 3.65%, Madhya Pradesh 9.56%. In forward states like Maharashtra, the growth rate of GSDP in agriculture sector is 5.16%, in Punjab it is 1.49%. Maharashtra, Kerala and Tamil Nadu have more share of non-agriculture in their GSDP. Similarly, growth rate of GSDP in manufacturing sector of Bihar is 6.65%, Assam just 2.10% and Madhya Pradesh 7.80%. In forward states like Maharashtra, it is 7.93%, Punjab 9.78%, and Kerala 6.84%.

Setting up of SEZs in port area helps the states in achieving higher per capita income. Tourism and hospitality sector of Goa and Kerala contributed in their GSDP. Apart from this, Kerala receives the highest amount of remittance from non-residential Keralites.

FDI inflow to low per capita income states is very negligible. As per 2010-2011, FDI inflow to Bihar is 0%, Uttar Pradesh 0.6%, and Madhya Pradesh 2%. In High per capita income states Maharashtra receives the highest amount of FDI, i.e. 31.4%, Gujarat 4%, Andhra Pradesh 6%, and Tamil Nadu received 7% FDI. FDI contributes in employment creation and generation of income. Low FDI indicates lesser

**“Skill Development : The Key to Economic Prosperity”**

employment activity which further reflects on per capita income.

The states like Andhra Pradesh, Karnataka develops the IT sector which contributed in the development of these states.

### Human development disparities

Human capabilities and abilities are in any case not independent of income growth. Countries differ in terms of human development may have similar level of per capita income. India's per capita income is accelerating from last two decades, but India's progress in Human development is slow. If we compare per capita income of states with their human development index it shows that low per capita income state's human development index is also low. Health and education always contribute in the growth process. Low per capita income states experience high incidence of poverty, for e.g. Bihar 33.74%, Odisha 32.59%, Madhya Pradesh 31.65% etc. High per capita income states experience low incidence of poverty than low per capita income states, but still it is high e.g. Maharashtra 17.35%, Goa 5.09%, Kerala 7.05% etc.

**Table 2: Human Development Indicators**

| Sr. No                               | State            | Life Expectancy | Infant Mortality | Literacy | Birth Rate | Death Rate | HDI   |
|--------------------------------------|------------------|-----------------|------------------|----------|------------|------------|-------|
| <b>Low per capita income states</b>  |                  |                 |                  |          |            |            |       |
| 1                                    | Bihar            | 65.8            | 44               | 63.82    | 27.7       | 6.7        | 0.367 |
| 2                                    | Uttar Pradesh    | 62.7            | 57               | 69.72    | 27.8       | 7.9        | 0.38  |
| 3                                    | Odisha           | 63              | 57               | 73.45    | 20.1       | 8.5        | 0.362 |
| 4                                    | Madhya Pradesh   | 62.4            | 59               | 70.63    | 26.9       | 8.2        | 0.375 |
| 5                                    | Assam            | 61.9            | 55               | 73.18    | 22.8       | 8          | 0.444 |
| 6                                    | Rajasthan        | 66.5            | 52               | 67.06    | 26.6       | 6.7        | 0.434 |
| 7                                    | Karnataka        | 67.2            | 35               | 75.6     | 18.8       | 7.1        | 0.519 |
| 8                                    | West Bengal      | 69              | 32               | 77.08    | 16.03      | 6.2        | 0.492 |
| <b>High per capita income states</b> |                  |                 |                  |          |            |            |       |
| 9                                    | Andhra Pradesh   | 65.8            | 43               |          | 17.5       | 7.5        | 0.473 |
| 10                                   | Gujarat          | 66.8            | 41               | 79.31    | 21.3       | 6.7        | 0.527 |
| 11                                   | Tamil Nadu       | 68.9            | 22               | 80.33    | 15.9       | 7.4        | 0.57  |
| 12                                   | Kerala           | 74.2            | 12               | 93.91    | 15.2       | 7          | 0.79  |
| 13                                   | Maharashtra      | 69.9            | 25               | 82.91    | 16.7       | 6.3        | 0.572 |
| 14                                   | Himachal Pradesh | NA              | 38               | 83.78    | NA         | NA         | 0.652 |
| 15                                   | Haryana          | 67              | 44               | 76.64    | 21.8       | 38832      | 0.552 |
| 16                                   | Punjab           | 69.3            | 30               | 76.68    | 16.2       | 6.8        | 0.605 |
| 17                                   | Goa              | NA              | 11               | 87.4     | NA         | NA         | 0.617 |

**Source:** <http://indiabudget.nic.in/es2012-13/estat1.pdf>

Apart from West Bengal and Karnataka all other low per capita income state have high infant mortality rate, which increases the Birth rate. It indicates that health services are not properly taken care of in this area. Life expectancy of these states is also less than national average life expectancy, i.e. 66. Apart from Karnataka and West Bengal, literacy rates of the remaining low per capita income states are less than the national average literacy rate which is 74%. HDI values of low income states are similar to low income group countries.

Human development index shows the level of human assets available with the country. We are the youngest nation in the world. In coming decades, India will be the major supplier of human resource. Human development index shows the standard of our human asset. Such human development disparities throughout the country actually hampers our economic growth.

### Conclusion

If the existing pattern of income and social disparities continue, then, regional disparities in India are bound to be noticeable. Regional differences in the standard of living can have serious implications for the economic and political functioning of national economies. Development of under developed or under

privileged regions is not only the responsibility of the government, but it is our individual responsibility too. Deprivation in human development is because of wrong choices selected by the individual. Local leadership instead of creating upheaval on non-issue matters can divert their energy and power towards development of their region.

It is essential to reduce drop-out rate at primary and secondary level. Mid-day meal scheme has to a certain extent reduced the drop-out rates, but few more measures are required to increase our literacy level. Education needs to be skilled based which will provide employment and increase the individual's income. More medical facilities are required to cater to the growing population. Doctor-patient ratio is adverse in India; for every 100000 people only 66 AYUSH doctors are available. The quality of governance influences the socio-economic progress of a country. Centre's help in focused investment, especially in infrastructure sector, will facilitate states to attract more private investors. Government, with the help of the private sector, can reduce the regional disparities, paving the way for economic development.

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