

Regional Imbalances in India: An Over View

By

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Meaning of Regional Imbalances **& Objectives of the Study**

Meaning: Regional imbalances or disparities means wide differences in per capita income, literacy rates, health and education services, levels of industrialization, infrastructural facilities etc. between different regions. Regions may be either States or regions within a State.

Objectives of the Study:

- **To study the need for Balanced Regional Development.**
- **Review of Literature.**
- **To study the Regional Imbalances in the Pre and Post - Reforms Periods.**
- **Types of Disparities/Imbalances.**
- **Indicators of Regional Imbalances in India.**
- **To study the causes Regional Imbalances in India.**
- **To study the consequences Regional Imbalances in India.**
- **To suggest the remedies to reduce the Regional Imbalances in India.**

Methodology: The study is based on secondary data collected from Research Journals, News-papers, Books, Internet and Surveys of organizations etc.

Need for Balanced Regional Development: “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 development is considered on both economic, social and political grounds.

Review of Literature:

Global Theories of Regional Imbalances/Disparities:

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. 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. 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.

Global Theories of Regional Imbalances/Disparities (Cont..)

- **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 Streeten and Marcus Fleming.
- **Resource Curse Theory**: Negative correlation between resource abundance and economic growth is called the resource curse. It was formally presented by Auty in 1993. **For example: Japan relatively having less natural resources compare to India developed faster.**

Review of Studies Related to India & Regional Imbalances in the Pre-Globalization Period:

Review of Studies Related to India: India has experienced wide regional imbalance in achievement of development goals. Whether such imbalances have widened over the years have been studied by the Williamson (1964), Dhar and Sastry (1969), Rao (1973), Gupta (1973), Raj (1990), Dholakia (1994), Ahluwalia (2000), Jha (2000), Kurian (2000), Majumdar (2004), Nayyar (2008), Kalra & Sodsriwiboon (2010) etc.

Regional Imbalances in the Pre-Globalization Period:

First Five Year Plan (1951-56): 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.

Third Five Year Plan (1961-66): This Plan addressed the issue of regional imbalance and laid emphasis on the multiactivity approach to development of backward States and regions. This Plan “calculated and allocated the size and pattern of plan outlays for different States” with a view to reduce Inter-State Disparities of development.

Fourth Five Year Plan (1969-74): This Plan focused attention on “Multi-Dimensional Area Development Approach” in order to accelerate the development of backward areas. In this plan, Central plan assistance to States shifted from project tied assistance to bulk assistance under Gadgil formula, where in population and economic backwardness were the two major criteria.

Regional Imbalances in the Pre-Globalization Period (Cont..)

- **Fifth Plans (1974- 79):** This Plan grouped backward areas broadly into two categories: (a) Areas with unfavourable physioeographic conditions, terrain, and regions including drought-prone, tribal areas and hill areas; and (b) Economically backward areas, marked by adverse land man ratios, lack of infrastructure and inadequate development of resource potential. Programmes like Drought Prone Area Programme (DPAP), Tribal Area Development Programme (TADP), Hill Area Development Programme (HADP) etc., were introduced during this plan with provision of earmarked funding.
- **Sixth Five Year Plan (1980-85):** Introduction of Integrated Rural Development Programme (IRDP) and submission of the report of a “High level National Committee for Development of Backward Area”. This committee was set up to (a) Examine and identify backward areas and (b) Review the working of existing schemes for stimulating industrial development in backward areas.
- **The Seventh Five Year Plan (1985-90):** It laid major emphasis on employment generation and poverty alleviation programmes. However,

Regional Imbalances in the Post-Globalization:

Post-Globalization:

Eighth Five Year Plan (1992-97): Market driven development strategy was introduced in the Eighth plan, it recognized that planning process has to manage the flow of resources across regions for accelerated removal of “regional disparities”.

Ninth Five Year Plan (1997-2002): The Ninth plan emphasized that the States to operate in a spirit of cooperative federalism and to arrive at a set of public policy and action in which state-level initiatives at attracting private investment in a competitive manner will be acceptable, but they should safe guard the interests of backwards areas.

Tenth Five Year Plan (2002-07): This was most explicit on regional disparity by setting the State specific GSDP growth targets for the first time. For the first time, the national growth target was disaggregated to the state-level growth targets in consultation with State governments. NAREGA was introduced during this plan to guarantee the “Right to work”.

The Eleventh Five Year Plan (2007-12): It adopted an Inclusive Growth Model.

Twelfth Plan (2012-17): This Plan seeks to fulfill the economy at a faster, sustainable and more inclusive growth.

Types of Disparities/Imbalances & Indicators of Regional Imbalances in India:

Types of Disparities/Imbalances: They are:

- 1. Global Disparity (Disparity between Nations)**
- 2. Inter-State Disparity (Disparity between States)**
- 3. Intra-State Disparity (Disparity within States)**
- 4. Rural-Urban Disparity (Disparity between Rural & Urban)**

Indicators of Regional Imbalances in India:

- 1. State Per - Capita Income:** For 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.

Indicators of Regional Imbalances in India (Cont..)

- 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 part of U. P 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 metro cities of the states while allocating its industrial and infrastructural projects by neglecting the backward areas.**
- 4. Spatial Distribution of Industries: 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.**

Indicators of Regional Imbalances in India (Cont..)

5. Population below poverty line: The high rural poverty can be attributed to lower farm incomes due to subsistence agriculture, lack of sustainable livelihoods in rural areas, impact of rise in prices of food products on rural incomes, lack of skills, underemployment and unemployment. Total poverty (Rural & Urban) is more in M.P, Assam, Odisha, Arunachal Pradesh, Manipur, Jharkhand and Chhattisgarh.
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.
7. Per Capita Consumption of Electricity: 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.

Indicators of Regional Imbalances in India (Cont..)

8. Employment Pattern: 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.

9. Foreign Direct Investment: High FDI States: Maharashtra, Dadra nagar Haveli, Daman & Div, Delhi, Haryana, Tamilnadu, Pondicherry, Karnataka, Gujarat, Andhra Pradesh. Medium FDI States: West Bengal, Sikkim, Andaman & Nikobar islands, Rajasthan, Chandhighadh, Punjab, Haryana, Himachal Pradesh, Madhya Pradesh, Chatiishghadh, Kerala, Lakshadweep. Low FDI States: Goa, Orissa, UP, Uttaranchal, Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Bihar and Jharkhand.

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. Kerala, Delhi, H.P, Goa, Punjab are very highly developed. NE (excluding Assam), M.S, Tamilnadu, Haryana, J&K, Gujarat, Karnataka are highly developed. West Bengal, Uttarakhand, Andhra Pradesh, Assam, Rajasthan are medium developed. UP, Jharkhand. M.P, Bihar, Chhattisgarh are low developed, which clearly shows regional imbalances between the States in India.

Causes of Regional Imbalances in India:

- 1. Historical factors: British regime**
- 2. Geographical factors : Natural factors**
- 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.**
- 4. Financial: Small and Medium enterprises which are important engine of growth and productivity have not been able to access finance in rural areas.**
- 5. Infrastructure:**
- 6. Disparities in Socio-Economic Development:**
- 7. Political :**
- 8. Predominance of Agriculture:**
- 9. Lack of Motivation on the Part of Backward States:**
- 10. Locational Advantages:**

Consequences of Regional Imbalances in India:

1. 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. According to HDI (2005-06) , Telangana Region had only 3 districts namely Hyderabad, Ranga Reddy and Karimnagar with in 10 HDI Ranks. Whereas, Seemaandhra Region had 6 districts (i.e. double the districts than the Telangana had with in 10 HDI Ranks), namely Krishna, Guntur, Nellore, Chittoore, West Godavari, and Kadapa. There were several agitations for separate Telangana State for several decades from 1969 – 2014 finally it was formed as a separate State on 2 – 06 – 2014 as 29th State of India. Still now and then, there are are agitations for separate Vidhrbha State in Maharashtra and Bodoland movement in Assam for separate Bodo State for Bodos.
2. 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.
3. 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.
4. Pollution: Centralization of industrial development at one place leads to air ,sound and water pollution.
5. 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.
6. Frustration among Rural Youth: In the absence of employment opportunities in rural and backward areas leads to frustration especially among educated youth.
7. 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.
8. Aggregation of the imbalance: Once an area is prosperous and has a 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.

Suggestions:

1. **Identification of the Backward Areas and Allocation of funds:** First of all, government must identify all the backward areas within the country and special attention should be paid by preparing and implementing special plans and models suited to these for the overall development. Due care also to be taken by allotting sufficient funds.
2. **Need for Investments in Backward Areas:** Government and the private sector must realize that regional disparities can be removed only, if greater attention is paid towards backward areas, which need more investments. It is also important to formulate special policies and programmes for the development of backward areas like - north- eastern regions.
3. **Good Governance:** Good governance refers to equitable distribution of the gains of development to all the regions without any prejudice so that over all development takes place in a country. Thus, the better the governance, the less would be the disparities in country.
4. **Political Will:** Political will is vital for the balanced regional development i.e. to remove regional imbalances in a country.
5. **Incentives:** Incentives should be provided for promoting investments in the backward regions. Incentives may be broadly divided in to (a) **Central Government Incentives** (b) **State Government Incentives.**
 - (a). **Central Government Incentives:** Income Tax Concession, Tax Holiday , Central Investment Subsidy Scheme, Transport Subsidy Scheme should be provided to all the identified backward and Hill areas to correct the regional imbalances.
 - (b) **State Government Incentives:** In order to attract private sector investment in backward regions, the State Governments have also been offering several incentives in different forms. The State Governments should review all these schemes time to time for further development of their backward regions.

Suggestions (Cont..)

- 6. Promoting New Financial Institution in Backward Region: In order to accelerate the pace of industrialization in backward areas, the Government of India should promote new financial institutions. Government must see that these Institutions functional well for all round development of the backward areas.**
- 7. Setting Up of Regional Boards: As per Article 321 D of Indian Constitution, Regional Boards with necessary legal powers, funds should be instituted to remove regional disparities in the States.**
- 8. Growth Corridors comprised of education zones, agricultural zones and industrial zones should be operationalised for the rapid development of backward areas in the states.**
- 9. Strict restrictions on usage of productive agricultural lands for non-agricultural purposes to be implemented. If required, permissions for non-agricultural usage should be granted only after the farmers have been guaranteed a better life.**
- 10. Usage of natural resources for the development of tribal areas to be implemented. There should be guaranteed share for the tribals in the income generated from the use of natural resources.**

Suggestions (Cont..)

11. A composite criteria for identifying backward areas (with the Mandal/Block as a unit) based on indicators of human development including poverty, literacy and infant mortality rates, along with indices of social and economic infrastructure should be developed by the NITI Aayog.
12. Devolution of funds: Union and State Governments should adopt a formula for Mandal/ Block-wise devolution of funds targeted at more backward areas.
13. Strengthening of local governments and making them responsible and accountable.
14. A system of rewarding States (including developed States) achieving significant reduction in intra-State disparities should be introduced.
15. Additional funds for Infrastructure: Additional funds need to be provided to build core infrastructure at the inter-district level in less developed States and backward regions. The quantum of assistance should be made proportionate to the number of people living in such areas.
16. Greater share of central pool of funds should be allocated to backward states.
17. Provision of Grant-in-aid by the Central Government to the backward states.
18. Launching of Special Area Programmes like Desert Development Programme, Drought Prone Area Programme, etc.
19. Propagation and use of improved dry farming technology.
20. Provision of infrastructural facilities in backward districts.

Suggestions (Cont..)

- 21. Development of forward and backward linkages in the backward regions.**
- 22. Special grants are to be given to the backward and tribal areas.**
- 23. Schools to be opened providing free and compulsory education to remove illiteracy.**
- 24. Hospitals and dispensaries to be set up to give medical care to the people.**
- 25. Water facilities to be provided for domestic purposes and agriculture.**
- 26. Cottage and small industries are to be promoted to provide employment opportunities.**
- 27. Roads and railway lines have to be laid down to link different places.**
- 28. Shedding Caste and Religion politics and marching towards “Balanced Regional Development” is the need of the hour to reduce “Regional Imbalances in India”.**
- 29. Government must speedup developmental works in backward areas: In the next few days to come the government must swing into action to free up blocked investment and projects. It must work with the relevant ministries and courts. If norms have been violated fines need to be imposed, or if additional environment standards need to be imposed the government must get that done as soon as possible. If developmental works are not implemented with speed, especially in backward areas, they remain backward and regional disparities will increase further.**

Conclusion:

Regional imbalance is a threat to the goal of inclusive growth and reduction of poverty. The growing regional disparities have dampened the speed of further economic reforms, and hence may pose a barrier to India's future economic growth. Regional disparities will result in regional tensions, which in turn may lead to popular agitations and at some times militant activities also. Regional disparities in economic and social development which exist within some of the States due to the neglect of certain backward regions have created and creating demand for separate States like in the past for separate Telangana and now and then for Vidhrbha and for Bodo land. As such, there is a strong need for strengthening of good governance in the backward areas. Towards this end, it is necessary that the local bodies in the backward areas are empowered and strengthened to reduce the regional imbalances in the country.

THANK YOU