



## Analyzing the Inter-State Disparities in India: A Comprehensive Study

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**ABSTRACT:** India, a federal country, is struggling with widespread inter-state disparities that pose a serious development challenge. Regional economic disparities generally increase with initial stages of economic development. Imbalances could occur because of unequal distribution of natural resources and other economic and non-economic factors. The paper put emphasis on presence of such inter-state inequalities in India since independence, their causes and impact. Further the paper also suggests some remedies to overcome this challenge.

**Key Words:** Inter-State Disparities, Economic Growth, Constitution, Natural Resources, Population

### I. INTRODUCTION

India stands at 7<sup>th</sup> place geographical area wise in the world and is composed of 36 states and union territories. With such a large area, spatial disparities are inevitable. India is in the league of the countries with most billionaires while simultaneously has more than 300 million people living below poverty line which stands at almost 30% of the population. States in India differs in terms of geographical area, natural resources, economic growth and development, social aspects etc.; which leads to inequalities among different states, districts, areas within the districts and also among different groups in the area. The presence of stark inequalities among different states and regions pose a serious development challenge. The paper tries to analyze the presence of such different types of inter-state inequalities in India and suggest the remedies that are required to be put in place to converge the inequalities across states in future. The paper consists of four sections. Section I is introduction itself. Section II defines the methodology used to carry out the research. Section III provides a brief overview of the present inequalities in India, different factors which leads to the inequalities and the steps needs to be taken to reduce them. Section IV briefly concludes the paper.

### II. METHODOLOGY

The paper comprehensively analyzes various factors that are responsible for existence of inter-state disparities. The study is based on secondary data which is collected from different journals, the Economics of Development and Planning Report, Human Development Report 2011 and Census of India 2011. The study further analyzes the presence of provisions in the Constitution of India which may have a significant effect in reducing such disparities. The researcher has tried to provide a brief overview of the present situation in India.

### III. ANALYSIS

Regional disparities exist in India in the form of social and economic differences across different regions since the time of independence. These differences have provided a base platform in the formation of Five Year Plans (FYPs) to the NITI Aayog (erstwhile Planning Commission). Main objectives of FYPs have always been focused on reducing these regional differences and achieving a balanced development across the nation. These inequalities exist because of presence of inequities in access to different natural resources, educational institutions, health services and biased development process.

#### A. Factors leading to the inequalities

Regional imbalances occur due to natural unequal distribution of resources and also because of neglect or preference of some regions over others. States in India consists of modern developed areas with simultaneous existence of

backward areas within the same state. Geographical features such as presence of hills, rivers, forests etc plays a crucial role in determining the cost of administration and development across different areas while making mobilization of resources difficult [1].

Income and employment opportunities, Economic planning, population growth levels, weak institutions, investment climate, poverty levels, access to credit, labour market flexibilities, logistics and transport costs, access to health and education facilities, water availability and sanitation condition, implementation of government schemes are some dominant factors effecting the inequality levels.

Climatic conditions such as floods and droughts also affect the rate of development in a particular region. Some areas enjoy local advantage for example existence of easy terrain and natural resources which helps in rapid development while some areas have local disadvantages that hinders the development process [1].

#### *B. Impact*

Inequality in India in terms of income is not only large but increasing. The main source is the difference across households living in the same state [2]. Divergence in income of the states can be seen from the trends of average per capita Net State Domestic Product (NSDP) [Table 1].

**Table 1: Per Capita Net State Domestic Product at Current Prices.**

State\UT	2004-05	2006-07	2007-2008	2008-09	2009-10	2010-11	2011-12
Andhra Pradesh	25321	33135	39727	46345	52814	62912	71480
Arunachal Pradesh	26610	30000	34352	39656	48662	55789	62213
Assam	16782	19737	21290	24099	27464	30569	33633
Bihar	7914	9967	11051	13728	15548	18928	23435
Jharkhand	18510	19789	24789	25046	28223	31993	35652
Goa	76968	94882	108708	135966	149164	159244	192652
Gujarat	32021	43395	50016	55068	63549	75115	N.A
Haryana	37972	49261	56916	67388	82024	94464	108859
Himachal Pradesh	33348	40393	43966	49903	58798	68020	74899
Jammu & Kashmir	21734	25059	27448	30212	33648	37593	42220
Karnataka	26882	35981	42419	48084	51386	59975	68374
Kerala	31871	40419	45700	53046	60264	71434	83725
Madhya Pradesh	15442	19028	20935	25278	28712	32253	38669
Chhattisgarh	18559	24800	29385	34360	35121	41167	46573
Maharashtra	36077	49831	57760	62234	71300	87686	101314
Manipur	18640	21419	23093	24773	27332	29684	32284
Meghalaya	24086	30952	34229	40583	43142	47164	52971
Mizoram	24662	28764	32488	38582	42715	48591	N.A
Nagaland	30441	36568	39985	46207	50209	52966	56638
Odisha	17650	22237	27735	31416	34361	40412	46150
Punjab	33103	41883	49380	55315	61894	68998	74606
Rajasthan	18565	24055	26882	31279	34982	42434	47506
Sikkim	26690	32199	36448	46983	90749	104506	121440
Tamil Nadu	30062	42288	47606	54137	64336	75449	84496
Tripura	24394	29081	31111	35587	39949	44965	50750
Uttar Pradesh	12950	16013	17785	20422	23661	26903	30052
Uttarakhand	24726	35111	42619	50657	62885	72093	82193
West Bengal	22649	27823	31567	35487	41045	47738	54830
A & N islands	40921	53778	61430	69177	79396	85741	93075
Chandigarh	74173	97568	102980	108486	117371	130461	140073
Delhi	63877	83275	95241	111756	129746	150653	175812
Puducherry	48302	68673	74201	79306	88158	98719	95759

Source: Directorate of Economics & Statistics of respective State Governments, and for All-India -- CSO

Inter-state disparity in India is mainly affected by intra-regional disparities at district level. Factors such as electricity, urbanisation differences, distance to the closest urban agglomeration and state-specific characteristics explain the divergences across districts [3].

Dispersions in some states fell during 1960s because of implementation of Green Revolution but the after effects of the revolution led to sharp rise in disparities. In 1980s, the pace of divergence was slow but again 1990s saw sharp rise in inequalities, almost 1.6 times higher than that of 1970s [4].

Inter disparities are generally measured using Coefficient of Variation approach and Standard Deviation approach. After the comprehensive economic reforms of 1991, average standard of living has increased and so does the inter-state inequalities, especially high phases of national income saw steep rise in inequalities. Literacy rate plays a crucial role in determining the regional inequality. Increase of literacy rate could increase the per-capita income of the region thus could reduce the inequality levels. Infant mortality rate and life expectancy as part of HDI reflects the inequality levels across regions. Coefficient of Variation on HDI reflects that eastern region in terms of per capita GDP is lagging behind as compared to the rest of the regions. Effects of growth have not been spread evenly across all states [5].

Unequal development of agriculture and industrial sector has contributed to the rise of disparities across states. States like Haryana, Punjab and Uttar Pradesh saw higher growth rates because of development of irrigation and agriculture sector as a whole. Karnataka, Andhra Pradesh, Kerala, Gujarat, Punjab and Haryana have achieved considerable development because of development of industrial sector [1]. Industrial development in India has been uneven throughout the development process since independence.

Spatial inequalities in India has led to higher migration of population from low income states to higher income states, low quality of live in backward states, biased investment pattern, slow performance of socio economic indicators, tension between rich and poor, rise in social conflicts.

### *C. Remedies*

Solution to Inter-state disparities is inherent in Indian constitution. Constitution of India provides for establishment of Finance commission every five years by the president of India. As the Finance commission is responsible for disbursement of funds toward states, so it can play a major role in reducing the inequality levels through balanced regional development. Another provision in constitution is the Special Category status introduced in 1969 which provides special assistance to disadvantaged states with difficult terrain, low population density, inadequate infrastructure and non-viable state finances. Inter-State Council (recommendatory constitution body established in 1990 under Article 263) and Zonal Councils (statutory bodies formed under the States Reorganisation Act, 1956) can led to considerable decline in divergence among states by improving the centre-state relations and coordinated policy action.

Backward states in India possess comparative factor advantage for labour-intensive industries which can help in increasing their incomes through export promotion. Government can play a vital role through establishment of export hubs and economic zones in such areas.

Other measures include implementation of development programmes such as Tribal Development Programme, the Hill Area Development Programme, the Western Ghat Development Programme [6], along with the better financial and political devolution to low income states, cooperative and competitive federalism, infrastructure development, promotion of Small scale industries, improvement of health and education sectors and efficient administration.

## **IV. CONCLUSION**

Economic development process in India has not been inclusive and disparities among and within states is on the rise. Different factors such as population growth, inequities in access to health and education, improper implementation of government schemes has led to this rise. The need is of balance economic development along with the social development. Emphasis should be on equitable distribution of resources and proper implementation of the government schemes, adequate disbursement of funds towards backward states and promotion of cooperative federalism. Sustained economic growth can be achieved only when all the regions of the nation are developed equally.

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