

REGIONAL DISPARITIES AND PLANNING
IN INDIA

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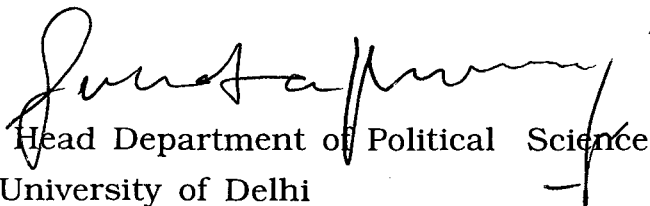
CERTIFICATE

I have the pleasure to certify that Monica Dureja, an M. Phil. student of the Department of Political Science, University of Delhi, has pursued this research work and prepared the present dissertation entitled Regional Disparities and Planning in India under my supervision and guidance. The present dissertation is the result of her own research and, to the best of my knowledge, no part of it has earlier comprised any other monograph, dissertation or book. This is being submitted to the University of Delhi for the degree of Master of Philosophy in partial fulfillment of the requirements for the said degree.



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INTRODUCTION

INTRODUCTION

In recent times there has been a considerable debate in the several international fora about the regional Imbalances between the developed and the developing countries of the world. Extensive dialogues have taken place under GATT, UNCTAD and other International fora about the various measures necessary to implement a more rational transfer of resources from the developed countries to the developing ones and for the reduction in global imbalances arising out of maldistribution of natural and human resources. There are disparities not only at the global level but variations in development also arise within a country be it a developed, developing or developed. Even the states widely considered to have passed the threshold of national integration like Great Britain, USA, Italy and Canada have been suddenly confronted with basic issues relating to unity and integrity of their constituent national components. Problem of regional disparities in the level of economic development is almost universal. Its extent may differ in different countries. But its existence can hardly be challenged seriously in any nation of respectable size. The concept has inherited several ambiguities and connotations because of the differences in the view points and approaches of different disciplines and the historical, socio-economic and political administrative framework within which the planning process has been in operation. Prior to the era of industrialisation, with emphasis on basic and heavy industries and the technology associated with it, regional disparities was hardly any problem to be dealt with seriously. Rapid growth of population and

shifting of population in the relatively favourable areas of agriculture laid the foundation for a widely dispersed pattern of spatial organisation.

Economists have, however, until recently assumed away the problem of regional disparities in the levels of living of the people within a nation. In fact, most analysis of the national economics has been sectoral and almost totally devoid of the spatial dimension. Those who did take space into account could, however, not visualise any problem of regional disparities because of their 'invisible hand' operating through price mechanism in a world of complete mobility of factors of production and commodities within a nation. The third world countries planning the development of their economies can avoid this regional pitfall by taking the regional aspect specifically into account in economic planning. This is vital since most of these countries have low levels of living with often more than 50% of the people living below the poverty line. Further, the different regional units usually compose of people of different regions, races, castes and cultural and sociological backgrounds. Hence increasing regional differences in levels of living are often fraught with disastrous consequences, striking even at the very root of national unity.

The best way to study the level of economic development over a period of time is to analyse economic growth. It is natural, therefore, to find the analysis of regional economic growth to be the most popular field in the regional economics. Various theories in general, and models in particular, have been devised in the last 40 years to provide answers to the above mentioned questions. Most experts, for instance, generally agree that inherent tendencies for increasing regional disparities exist in the early stages of national economic development. Sharp differences of opinions and judgements, however, exist on the prediction of ultimate convergence as the nation reaches mature stages of development, and on the basic determinants of regional growth differentials.

Myrdal (1957) and Kaldor (1970) feel that the basic forces at work are dis-equilibrating in nature. They recognize that the spread effects

usually become stronger as a nation develops, They believe that the backwash effects are on an average more powerful than the spread effects. Hirschman (1959) also feels that the polarization effects are stronger than the trickling-down effects in the earlier stages of development of a nation. Kaldor's model (1970) formalized by Richardson (1973) predicts divergence. But the reformulation of the same model by Richardson (1978) later showed that it is equally consistent with convergence. Hirschman's formulation of these arguments clearly give rise to a hypothesis of an inverted U-shape curve between the extent of regional disparity and the level of national development. The hypothesis of an inverted U-shaped curve gets reinstated by empirical statements from Kuznets (1958) and Williamson (1965). Williamson (1965) explains this type of the shape of a regional inequality curve mainly with the help of four factors viz., labour migration, capital migraton, inter-regional linkages, and central government policy.

The pattern of urbanisation based on the strategy of exporting primary produce laid the foundation for the emergence of port towns as the major centres of urban industrial activities. To these may be added the capitals of several princely states which had developed a pattern of centripetal development around them. The vast tracts of agriculture soon lost their traditional handicrafts and other small scale non-agricultural activities in the face of competition from the high technology associated with the modern processes of urbanisation and industrialisation. With the growth of basic and heavy industries rooted to their resource base there have emerged a number of industrial locations which are footloose in so far as their relationship with the surrounding rural areas are concerned. Moreover the pattern of inter-regional transport that has emerged over the years has strengthened the economic linkages between the large cities and the newly emerging urban industrial centres.

In the agricultural sector too, green revolution and its impact has been confined to relatively small areas and under highly skewed

distribution of land among different size of holdings, the disparities in socio-economic conditions of the people both within and between different regions of the country. Nair is also of the view that different regions of a nation are generally endowed with different climate and natural resources. These coupled with historical and sociological differences and differences in political set up and conditions lead to different rates of regional economic growth resulting often in considerable and increasing differences in the levels of living of the people of the different regions of a nation.

Decades of governance under one constitution after independence have not removed this economic imbalances from our society. In fact, it was not an easy task especially to achieve in a country that had hardly seen any political or cultural unity in the past. Indian society is based on a caste system. Politically, India was fragmented with different political structures obtained in different parts of the country, ranging from absolutist monarchies to sufficiently democratic republics. The predominance of village based economy, primitive techniques of production and backward modes of industrial production etc. made changes in society difficult and perpetuated a static life. In the absence of revolutionary changes in the economic life of the country which would homogenise, different parts of the country, largely dependent on natural conditions for their economic survival, continued to remain isolated from one another and witnessed different rates and patterns of development. Although the Britishers ruled for two centuries but the aim of the economic development during the colonial period was to fulfil British interests which accentuated the existing regional disparities or created new ones in India.

India's Constitution provides for the periodic appointment of Finance Commissions to tackle specifically the problems arising due to the differences between revenue and expenditure in the different states. The Commissions recommendations have aroused interest in the

problem of regional inequalities and measures provided through the implementation of these recommendations. But it appears that the Commissions have not had the reduction of regional inequalities in levels of living as their terms of reference and hence not been in general considering this as an objective in recommending devolution of finances from the centre to the states. Two points are to be noted here —

(a) The transfer of funds from the centre to the states as a result of the recommendations of the Finance Commissions are not of that magnitude as the allocation from the Planning Commission.

(b) It has also to be borne in mind that the major issue is not the mere allocation of funds but the manner of utilization of these and the impact it produces on the economy of the less developed regions.

With regard to Five Year Plans we can say that the practice measures taken have been mostly adhoc in nature and the twin issues of disparities and development have not been considered complementary in the development process. The need for minimisation of regional imbalances in development was stressed in the goals and strategies of planning which stated that ending regional disparities in development is as important as of imbalances in the levels of living among different sections of the society. But neither were the backward regions identified nor was backwardness considered as a criteria for the allocation of central plan assistance to the states.

The Gadgil formula was adopted, in that year for the allocation of central plan assistance to the states. The year also saw the setting up of the Pande and Wanchoo Committees to identify industrially backward regions and to suggest fiscal and financial measures to promote development in them. Steps have also been taken to better the living conditions of people in particular problem areas like hill, drought prone, desert and tribal areas. Despite all these developments in the field of

regional policy these measures appear to be inadequate in achieving a reduction in disparities in levels of living within and between different regions in India.

The most important consequence of regional disparities is the growth of regionalism. Today there is hardly any country including the developed ones that has been able to escape from this problem. Even the states widely regarded to have passed the threshold of nation building like Great Britain, USA, France, Belgium, Italy and Canada have also been confronted with the problems relating to the fundamental unity and integrity of their respective countries. The erstwhile Soviet Union, Poland and Yugoslavia which claimed to have resolved the complex national question by eliminating national oppression, ensuring equality among various nationalities and other ethnic groups and creating conditions for their free development have been threatened by a resurgence of national identities to the extent that the very existence of their political system has been put into doubt.

The plan of dissertation is as follows :

Chapter 1 starts with a discussion on the concept of 'region'. There is no unanimity in the definition of a region and depending on whether we adopt the criterion of homogeneity, nodality or administrative convenience, we can have different types of regions. Even in these categories we can have numerous possibilities. For instance we might seek homogeneity in physical geography, economic structure or socio-cultural factors. Then, we might seek homogeneity in two or more features of a particular factor. For example, while considering the factor, homogeneity in economic structure we might take into account per capita income, industrial production etc. For purpose of planning, an attempt has been made to define 'planning regions' which take all possible criterion as homogeneity, nodality and administrative convenience into account.

Chapter 2 begins with Myrdal's analysis who points out that the genesis of Regional Imbalances has a non-economic basis and

is associated with the capitalist system guided by profit motive. 'Cumulative Causation' theory of Myrdal explains stagnation of many regions in India. W.W.Rostow's take off theory based on the aeronautical analogy, showing how the underdeveloped economies can also rise from their stationary state, take off can further grow, has also been discussed in detail.

Regarding the factors that have led to regional disparities, maximum weightage has been given to colonial policy or the Imperialist Policy in India. For instance, during the colonial period government policy with respect to land settlement and the extent of commercial penetration into the agricultural economy differed from region to region. Since the eastern states were the major contributors to the colonial exchequer, therefore in order to stabilise colonial revenues that the imperial rulers introduced Zamindari System of land tenure in this region.

By contrast, the western region, comprising the present Punjab, Haryana and Western U.P as well as Coastal Andhra and Tamil Nadu was characterised by a terminal system based on proprietorship. This region benefited from massive public investments in irrigation which ultimately resulted in the emergence of small enclaves of growth and vast areas of low productivity and stagnation.

Not only this, the uneven development of capitalism led to regional concentration of Industrial Development. The Hazari Report on Industrial Planning and Licensing Policy, 1967, pointed out that most of the Marwari, Gujarati and Parsi investment was concentrated in the three states of Maharashtra, West Bengal and Madras.

Although it is true that we should not expect even roles of growth in the field of agriculture and industrialisation because of the differences in soil and natural endowments but there is no justification for the regional disparities most of which have been accentuated by technological and institutional factors. The Green Revolution was a growth strategy which led to the emergence of a few pockets of growth.

Chapter 3 deals with the extent of regional disparities by selecting various socio-economic indicators. Some of the important studies relating to the extent of regional disparities have also been examined. The pioneering works of Asok Mitra, Hemlata Rao, V. Nath, Dietmar Rothermund have been dealt extensively. Then on the basis of calculated percentage of social and economic development for each and every state under study we have categorised them into four levels.

- (a) Areas backward both socially and economically.
- (b) Areas developed economically and backward socially.
- (c) Areas developed socially and backward economically.
- (d) Areas developed socially as well as economically.

In Chapter 4, an attempt has been made to critically evaluate failures and success of planning right from the first to the eighth Five Year Plan and the inability of plans to handle the problem of regional disparities. The nine Finance Commissions appointed so far, who are to examine problems arising out of economic imbalances between the expenditure and resources of the states have failed to bring about the desired results. They do not seem to have taken into account the question of regional economic inequalities while considering fund allocation to the states. The Planning Commission enjoys more powers than the Finance Commission in recommending resource transfers from the centre to the states. But equity has not been a predominant objective of central plan expenditure. It is found that the per capita state plan expenditure has been low in state with low per capita income and high with high per capita incomes.

Chapter 5 deals with the implications of regional disparities. Regionalism being the most important one has been dealt extensively. Myron Weiner points out that it is the development process itself that undermines the existing ethnic division of labour by opening up new avenues for educational, social, economic, and political advancement. The strategy of gradual and necessarily uneven development which

suiting the Indian system created regional awareness among the masses and the new groups emerged at different levels, which in a situation of scarcity of resources resulted in the competition among regional groups to get the maximum share of the limited economic cake produced by the modernisation. The competition, a by-product of modernisation, resulted in the politicization of primordial 'givens' like caste, language, religion and region, which in many cases superimposed one another.

The emergence of regionalism is a reflection of the fact that planning has failed to develop all the regions of the country. "One of the most striking experience of planned development in India has been that economically backward areas have gained little from planning. In many states though the development efforts have increased in every successive plan period, its benefit has percolated more to the already developed areas". It has resulted in economic imbalances between states, regions and sub-regions. Telengana is an interesting case of sub-regional conflict. The main grievance of the people of Telengana is the economic backwardness of the region and subjugated position in which they are placed by the people of Andhra having a superiority complex.

In the present dissertation on 'Regional Disparities and Planning in India', an attempt has been made to analyse the factors and the role of planning in solving this acute problem which has led to severe implications on a developing country like India.

Chapter I

THE CONCEPT OF 'REGION'

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THE CONCEPT OF 'REGION'

We live in a lopsided world for socio-economic development, as manifest by the spatial arrangement of human activities, always uneven, both in time and space. Both developed and under developed countries are gripped with this problem. The gravity of the problem of tiny islands of relative affluence in a sea of poverty is so much pronounced in developing countries as to give rise to social tensions, simmering or violence of the types witnessed in West Bengal, Andhra Pradesh, Kerala, Tamil Nadu, Assam, Punjab etc. R.P. Mishra points out that, if the current development trends are going to continue, we will be creating a situation in which the past will be lost and the future will be bleak. For no planning and development is possible in the midst of social tension and civil disturbances.¹

Conceptually speaking¹ these imbalances are nothing new to us. Even in Adam Smith's time, there were perceptible and growing differences in the levels of economic achievements in different parts of Europe and between Western Europe and the USA and other continents, Upto the Great World Depression, economists believed that progress was something like a merry-go-round². It would then be very difficult to point out and convince an economist in the 19th century or even in the first 40 years of the 20th century that the imbalances between the countries (regions) were destined to go on widening. But they did not catch attention for a number of reasons —

(a) they were not sharp and

(b) they were within tolerable limits, in the sense that even those nations which stood on the relatively lower rung of development, enjoyed in absolute terms, a level of living and other socio-economic facilities and amenities which kept the average nation satisfied if not contented. The psychological pangs of inequalities did not pinch much.³

Then came World War II which opened the floodgates of national freedom, of political consciousness and of economic aspirations. Aided by sophisticated statistical devices, economists ransacked history and brought to the fore the view that all developed countries were once underdeveloped. Growth historians appeared on the scene with their captivating appeal, particularly those led by Prof. Rostow who, through his take-off theory, based essentially on the beautiful aeronautical analogy, showed how underdeveloped economies can also rise from their stationary state attain take off and continue growing.⁴

Imbalances started showing their hoofs, particularly since early seventies. The glaring impact was first realised in relation to global scene between what they are now called as the North and the South, the living standards between which stand at least in ratio of 10 to 1.

It has to be investigated as to why growth rates have been averaging at so high a figure as 8 per cent in some developing countries as some Latin American countries and Taiwan and why only at 3 to 4 per cent per year in rest of these. Thus there are persistent and are attaining proportions, strange enough with the progress of economic development. India's experience constitutes a telling example.

THE CONCEPT OF REGION

The term 'region' and 'regionalism' has been used in recent studies with reference to a variety of problems. The word 'region' has no precise meaning and is used in various senses by geographers, political

theorists, administrators and country planners.⁵ Richardson asserts that "defining region precisely is such a nightmare that most regional economists prefer to shy away from the task and are relieved when they are forced to work with administrative regions on the the ground that policy consideration require it."⁶ The choice of the definition of region is constrained by the purpose for which delineation of a set of regions is required and by the over all structure and degree of integration of the regional system considered as a whole.⁷

The concept is generally linked with space and has spatial dimension, though it is sometimes also used as something 'subjective'. The followers of the subjective approach treat region only as an 'idea' by accepting the nation as a one point economy and arbitrarily dividing it into as many regions as the need be, independent of considerations of space. This concept has found favour by many economists engaged in the formulation of regional growth theory.⁸ However for most of the geographers and public in general, region is an objective reality linked with space and defined in terms of space. Thus, sometimes a village is called a region, sometimes a district is taken to be a region, sometimes a state and sometimes a group of states is regarded as a region.⁹

Rupert B. Vance defines a region as "a homogenous area with physical and cultural characteristics distinct from those of neighbouring areas. As a part of national domain a region is sufficiently unified to have a consiousness of its customs and ideals and thus possesses a sense of identity distinct from the rest of the country."¹⁰

Conceptually 'region' can be distinguished from an 'area' though all types of area possess almost all the characteristics of a region including homogeneity and organisation. But a 'region' can be described as a special type of area and within a spatial structure, the structure of a region is identified in terms of those elements out of which a region is formed.¹¹

Ginsburg points out that the two terms 'area' and 'region' are not same. An area is always associated with at least four properties- scale, location, content and boundary. It may or may not possess homogeneity or uniformity as to content and organisation i.e, a system of interrelationship both between areas and among various areas in a territorial setting. It is the presence of any or both of these additional properties which makes 'area' a 'region'. Area is thus more general term and regions are special kinds of areas. Regions are those types of areas which not only possess scale, location, content and territorial boundaries but also either homogeneity or organisation or elements of both.

METHODS FOR DELIMITING REGIONS

As far as methods for delimiting regions are concerned they can be grouped under three categories:

- (a) homogeneity
- (b) nodality and
- (c) programming

The homogenous regions are those whose sub-areas have some common characteristics, such as income level or cropping pattern. The polarised or nodal or functional regions are those whose sub-areas are all interrelated by flows of some kind, and programming regions are those whose sub-areas all fall under the jurisdiction of a planning or administering authority.¹²

However, as noted by Meyer, the three categories are not mutually exclusive. Thus, "a so-called programme or policy region is essentially homogenous in being entirely under the jurisdiction of some one or a few specific governments or administrative agencies."¹³

But the similarity should not be emphasised too far since basically the idea of homogeneity emphasises uniformity while the idea of nodality underlines interdependence. One gives a formal region and other a functional region.

FORMAL REGION

While a formal region is a geographical area which is homogeneous in terms of selected geographical criteria or selected economic criteria and social/or political criteria. When physical homogeneity is stressed, i.e, when uniformity in topography or climate is taken into account in actual delineation of regions, we get natural or physical or geographic regions. When we stress economic homogeneity, i.e, when we emphasise uniformity or similarity in per capita income levels etc. we get economic regions. When homogeneity in some social factors are stressed, we get socio-cultural regions.

Against all such classifications, the functional region emphasises interdependence (or linkage). It is composed of heterogeneous units such as cities, towns and villages which are nevertheless functionally interrelated. Therefore, the functional region is a nodal region since it emphasises intra-regional spatial differentiation.

PLANNING REGIONS

When one comes to define region for planning purpose, administrative convenience assumes paramount importance. But one must not forget the importance of the factors of homogeneity and nodality, for the neglect of these factors can introduce distortions in the whole planning process. Thus, in actual delineation of regions for planning purposes, it becomes necessary to strike a balance between the considerations of homogeneity, nodality and administrative convenience.

According to Pathak, a planning region should have the following characteristics:

- (a) it should be large enough to contain a range of resources, conditions, and attributes so as to serve a desired degree of economic viability and at the same time not too large to make the comprehensive approach too general;

- (b) its resource position is such that a satisfactory level of product combination for consumption and exchange should be feasible;
- (c) the internal homogeneity of resources structure should logically link up the anticipated future as to make future relevant to the present;
- (d) the regions should be internally cohesive area... and lastly
- (e) that planning region is essentially operational in character, therefore a high degree of flexibility and elasticity should be maintained in the process of regional delineation.¹⁴

But the best definition emphasising the factors of homogeneity, nodality and administrative convenience is given by P. D. Malgavkar and B.M.Ghaira which is quoted below:—

"Geographically, it should be continuous unit though it could be sub-divided into plain, hilly track, coastal belt, lake area etc.

The people of the region should have social and cultural cohesiveness.

The region should be a separate unit for data collection and analysis.

The region should have an economic existence which can be assessed from statistical records.

It should be small enough to ensure local people's participation in its development.

It should be under one administrative agency.

It should not be too small, its geographical size should be big enough to exploit resources and avoid duplication.

It should have fairly homogeneous economic structure, i.e, the variation in local proportions of employment and output in agriculture, industry and services should be within a narrow range. To this we may also add a minimum topographical homogeneity which ensures absence of permanent or seasonal breaks in roadlinks.

It should have one or more growth points.

There should be common appreciation of local problems and common aspirations and approaches to the solution; it should permit and encourage competition but not rivalry or apathy between one area and the other.¹⁵

DEPRESSED REGION

The depressed regions are characterised by overdependence upon some highly localized industries . They are typified by their distance from viable and growing centres of major economic activity and by their dependence on a resource base. Whereas, the backward regions are the object of regional policy in developing economies, regional policy in developed countries often aims at the depressed regions. A regional planning based on the notion of backward region aims at closing the income gaps between the developed and backward regions by restricting or eliminating net resource transfers from the backward to the developed ones and by supporting the autonomous development efforts of the backward regions. A regional planning pertaining to depressed regions tries to remove or ameliorate the disadvantages of regional specialisation both by embarking upon complementary policies for spontaneous development as well as rational policy intended to stimulate new economic activities in the affected regions.¹⁶

DEVELOPMENT REGION

Depending upon the availability of resources and the efforts made to use the resources, different regions may achieve different pace of

development. It would be of immense help to demarcate regions of an economy on the basis of the levels of development achieved by different areas of the economy for formulating development plan and policies. Such regions may be called development regions. The concept of development region seems akin to backward region. But backward region emphasises negative side of development and a regional planning based on the concept of backward regions aims at the development of backward regions by restricting or eliminating the flow of resources from the backward region to the developed region and thereby at the cost of developed region. On the other hand development region stresses the positive side of development and a regional planning based on the notion of development regions aims at removing the limiting factors of a region's growth and accelerating the pace of growth in all the regions. A region lagging behind in the pace of development possesses high degree of development potentials as well as better scope of development. Removal of hinderances and bottlenecks of development would therefore make the lagging regions grow at faster rate than the regions lying on the higher point of development graph and the gap between less developed and more developed regions would get bridged up. The level of development must be focussed in the regional planning so that there is neither premature diversion of resources to the backward areas nor the concentration of scarce resources in the development rather an optional allocation of resources is made to get regional balance without making any erosion in the economic efficiency.¹⁷

DEVELOPMENT REGION vs. ECONOMIC REGION

Natural region is the geographic division of the area based on the homogeneity in respect of topography, climate, rainfall, soil condition, river basin etc.

Delimitation of agricultural region, a kind of economic region, is to be preceded by physical regionalisation of territory because the crop structure largely depends upon topography, soils and climate even

though socio-economic factors play their part. Natural division can, however, not be taken as akin to agricultural region, for that matter to the economic region, as natural region is not always an agricultural region.

Economic region is of various kinds viz. resource region, agro-climate region, crop region etc. and it emphasises only the economic aspect of development. But development is a multi-disciplinary concept. Besides the economic base it requires conducive socio-political-psycho framework, an orientation to development, right kind of institutional set-up, cooperation and the like development region is thereby more inclusive than the economic region.¹⁸

REGIONALISM

Bhawani Singh points out that people living in a particular territory over a period of time are apt to develop an identity affiliated with it. Continued stay in that area creates a common new identity which provides a new image. This image identification is a resultant of an inter-play of several factors or dependent variables such as religion, language, ethnicity a common past rooted in history and a common desire to live together in future. Thus regionalism apart from being a resultant of spatial and temporal factors gets buttressed by other factors also.¹⁹

The concept of regionalism derives sustenance from the factors of topography, religion, culture, economic life, political traditions and hard historical experiences. The factors of diversity makes the people of a particular area or region distinct from others and the factor of 'disparity' inculcates in their minds a sense of social and economic injustice. The twin effect is that the people feeling bound by certain ties come out to fight for the sake of their 'regional cause' and their behaviour regards positive as well as negative discussions of regionalism.²⁰

Iqbal Narain points out that regionalism is a multi-dimensional phenomenon at once psychological, geo-cultural and politico-economic in its manifestation with positive and negative overtones. On the positive

side, regionalism means the urge of people living in a territory for self-fulfilment and on the negative side, it represents real or perceived deprivation on the part of the people of an area. It is this negative aspect which makes regionalism quite militant, agitational and violent.²¹

Regionalism is a much used as well as abused term in contemporary Indian political vocabulary. In their zeal for national unity and integrity the scholars have usually overplayed the descriptive consequences of regionalism while underplaying, the constructive implications. In the early sixties, a foreign observer speculated that India faced the dangerous alternatives of balkanisation or authoritarian rule as the movement for regional autonomy gained ground.²¹ One scholar goes to the extent of saying that "what appears certain is that, whether overtly or covertly, the ism in that rules India is regionalism."

Das Gupta identifies regionalism with a "search for an intermediate control system between the centre and the periphery for competitive advantage in national arena".²² Paul R. Brass calls it as a "resource-sharing aspiration of a coherent political unit in comparison with other regions".²³ While in a bid to define the term in a quite comprehensive way, Hedwig Hintze says, "In a general way, regionalism means, a counter movement to any exaggerated or aggressive form of centralisation. It must not, however, be considered solely from the viewpoint of political control or governmental administration. Regionalist problems arise only when there is a combination of two or more such factors as geographical isolation, independent historical traditionalism, racial, ethnic or religious peculiarities and local or economic class interests".²⁴

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Regionalism is different from nationalism in the sense that while the latter desires subordination of sectoral and regional loyalties to the wider loyalty of a nation, the former seeks to lay more emphasis on local loyalties even at the expense of national loyalties in certain cases.



Regionalism also differs from sectionalism or localism. While the latter is based on some very narrow interest of a class or communities, the former is based exclusively on certain ethnic or cultural factors like linguistic or traditional peculiarities which provides a basis for, what is, often, termed, a 'sub-nationality'.

Regionalism may be distinguished from 'sub-regionalism', though one may point out that the differentiation between the two may hardly be done in a precise manner that too in the context of contemporary Indian Politics. However, we can say that sub-regionalism refers to a small area within a region which for certain factors of its own "is aware of possessing a distinct identity".

Paul Brass has characterised the Indian society as a "segmented one" consisting of a large number of ethnic groups based on caste, language, tribe and religion at the different levels of "self-conscious awareness" of their identities. These groups exist one parallel to another, and are hierarchically divided within themselves of entire system but for dominance of respective regions.²⁵

Selig Harrison has presented in a forceful way that India comprises of diverse, cultural regions which in the past were held together by the dominance of sanskrit and of a national Brahmin elite and subsequently by the dominance of English and of a British or British educated administrative and political elite. Independence has changed the whole context and no longer serves as a uniting force but on the other side, there has been a tremendous upsurge of the regional languages and cultures. According to Harrison, these developments are potential sources for creation of barriers between the linguistic regions, to impede mobility on a national scale, to intensify local loyalties and to provoke demand for greater autonomy. All these development ultimately may give rise to regional or even separatist movements.²⁶

Thus, what we can say is that regionalism has been treated differently by scholars under varied compulsions. It has been generally regarded as something that is anti-federal, anti-system and against the basic interests of well integrated and well developed polity.

Leonard Binder points out that growth and development of regionalism is natural in a country where the tradition-modernity has persisted causing uneven response to the nationalistic doctrines by the masses and elites. The new political elite is centripetal owing their desire to hold on to the newly acquired power and consolidate it and the traditional masses nursing a distrust for 'centralised authority', display centrifugal tendencies. Such a volatile situation creates an integrational crisis in a 'transitional polity', where elites accord priority to nation building where as traditional masses, stands for system maintenance. Unable to comprehend sudden emergence of transplanted nationalistic doctrines, the masses crave for the preservation of traditional order resting on primordial familiar ascriptiveness and an attachment to pristine values. Such a system is bound to face what Binder calls "a crisis of ontological maturation".²⁷

C.A. Perumal also writes that regionalism is a countrywide phenomenon, often tended to take the form of well conceived and well organised agitations and campaigns. It mainly assumed four forms - viz. demand of people of certain areas for secession from the Indian Union, demand of people of certain areas for separate statehood, demand of people for certain areas for full ledged statehood, and the demand of certain people for favourable settlement in inter-state disparities.²⁸

DIMENSIONS OF REGIONALISM

Following Iqbal Narain's typology, one can classify regionalism into three types.²⁹ They are Supra-state regionalism, inter-state regionalism and intra-state regionalism.

Supra state regionalism refers to that manifestation of regionalism which cuts across state boundaries or in which states or parts are grouped together in terms of regional identity. The conflict between North and South India can be cited as an example of supra state regionalism.³⁰

Inter-state regionalism in which the regional identity of one state is in competition with the regional identity of another state mostly for economic development, sharing of benefits and allied purposes. Border disputes, disputes over river water and over the location of central project illustrates this. Inter-state boundary disputes came into existence because of linguistic organisation of states in 1956. There are boundary disputes between Karnataka and Maharashtra on Belgaum, Kerala and Karnataka on Kassargod, between Punjab and Haryana on Chandigarh and Fazilka, between Assam and Nagaland on Rengma reserved forest in Rangapani area, between Assam and Meghalaya on Langphi etc.³¹ There are inter water disputes between Haryana and Punjab on Ravi-Beas and Satluj rivers, among Gujarat, Madhya Pradesh, Maharashtra and Rajasthan on Narmada waters, among Tamil Nadu, Karnataka on Cauvery river, among Andhra Pradesh, Madhya Pradesh, Maharashtra and Karnataka on Godavari river.³²

Intra state regionalism or sub-regionalism are directed against the state Government rather than Union of India. Such demands as the creation of the new and separate political units and administrative units with in the existing federal structure come under this category. The Telangana agitation, the language riots in Assam, agitation in Vidarbha region of Maharashtra, the Chattisgarh region of Madhya Pradesh, the Jharkhand movement, the demand for Uttarakhand in North of Uttar Pradesh and Bundelkhand in South of Uttar Pradesh, the conflict between the people of old Mysore and integrated parts of Karnataka and local patriotism of Shiv Sena are a few examples of manifestations of sub-regional disparities.³³

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Chapter-II

CAUSES AND THEORIES OF REGIONAL DISPARITIES

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At the very outset, it may be mentioned that imbalance is inherent in the process of development. Economic development has not been uniformly distributed either over space or time. Certain countries and regions grow almost exponentially owing to the industrial sector working as the kingpin of the dynamic process of growth, while others lag and stagnate.¹

The fact that all the regions have not developed equally, has been partly due to the lack of resources, and partly also to the tendency to locate new investment in the 'easy' areas or in areas which could generate some pressure on the decision makers.² The location factors such as the availability of cheap power, modern means of transport and communication, banking, insurance and such other services cause the concentration of industries in a few urban regions, as these factors tend to cluster mainly in urban areas.

Bhattacharya writes that the important thing is not that every type of industry or agricultural operation should be developed in every region, but that the level of investment per capita should be made as nearly equal as possible in all areas. The more fundamental target is to reduce inter-personal disparities, but one cannot reach that target

unless inter-regional disparities are reduced. Thus balanced regional development means the maximum utilization of the potentialities of an area and thereby giving its inhabitants the full benefit of possible economic progress in relation to overall economic growth.³

REASONS FOR REDUCING REGIONAL DISPARITIES

The need for reducing regional gaps has been argued from various angles. Hemlata Rao points out that the first argument is in terms of social justice. It is believed that income inequalities can be reduced if the regional disparities are reduced.⁴

Also, that the social justice demands that all citizens are treated alike and given an equal opportunity in life. Therefore it is important to bear in mind that an individual should not be worse-off in one area and better off in the other.⁵

Reducing regional disparities is crucial even from the point of view of accelerating the growth of economy. There is a sort of complementarity between reduction in regional disparities and accelerated economic growth. It is empirically tested that the poor countries are characterised by large and growing regional disparities and the rich countries are generally characterised by small and diminishing gaps.⁶

Not only this, the reduction of regional disparities is essential from the point of view of maintaining national integration, political stability and unity also.

FACTORS LEADING TO REGIONAL DISPARITIES IN INDIA

An analysis of the problem of regional disparities reveals three important underlying factors that led to inter-regional disparities. The process is to some extent natural and to some extent historical.

COLONIALISM AND REGIONAL DISPARITIES

India's misfortune during the two centuries of British rule was not only confined to the impoverishment of the masses and in increasing unemployment, under-employment and disguised unemployment but the colonial policy also caused accentuation in the process of uneven spatial development.

The differential economic spectrum in the states was the result of the pattern of public investment geared to colonial interest. Thus, India emerged in 1947, as a federation of a few relatively 'rich' and 'industrialised' states and also of many poor states which subsisted mainly on agriculture with primitive techniques and semi-feudal agrarian relations.⁷

Hashim S. R., also points out that birth of a number of favoured 'pockets' or enclaves of development may be attributed to the historical coincidence "within broad limits the power of attraction today of a centre has its own origin mainly in the historical accident that something was once started and that start met with success. Thereafter the ever increasing internal and external economies interpreted in the widest sense of the word fortified and sustained their common growth at the expense of other localities and regions where instead relative stagnation or regression became the pattern".⁸ The experience of industrial development in India during the British rule amply illustrates this fact.⁹

The first consequence of the colonial rule was the division of India into British India and native states. As is known, after 1858 the British imperialism stopped annexing the Indian states and established the relationship of paramountcy with them. The 600 odd princely states resisted technological and economic modernisation in their territories, for most of the rulers viewed such modern facilities as the railways and telecommunication as the projection of paramountcy. No doubt, there

were some enlightened rulers who took a personal interest in sponsoring projects for industrial and agro-industrial development in their princely states, but a majority of princely states lagged far behind, the British portion of India. They lagged behind not only in terms of development of manufacturing industries and service sector but also in agriculture.

The port cities of Bombay, Calcutta and Madras received the maximum share of industrialisation and urbanisation which led to the neglect of places and centres that could have been developed into the centres of economic activity. These port cities worked as a nuclei for the development of Maharashtra, West Bengal and Tamil Nadu which are today industrially advanced states of India.¹⁰

Not only this the growth of education also contributed to the uneven regional development. British imperialism linked India with metropolis through trade and the coastal areas, especially those around the ports of Bombay, Calcutta and Madras which came to have an educated class. The first few universities were established in the coastal areas and they produced an educated class of low-paid clerks in governmental offices and private firms, besides lawyers who worked both for and against the independence movement. Thus, industry, and trade gave impetus to education, taking these areas much ahead of other regions and increasing inter-regional disparities.¹¹

Gadgil,¹² Buchanan¹³ and relying on them Malenbaum¹⁴ and Daniel and Alice Thorner¹⁵ have outlined the salient features of Indian economy in the 19th century as the opening up of the economy to the forces of international trade, the simultaneous opening up of internal transport, expansion of primary production¹⁶ and the subsequent development of raw materials based industries such as cotton, textile and plantations. These descriptive studies pinpoint the narrow locational base of each industry primarily around port towns and the raw material supply centres.¹⁷

Bhagwati and Padma Desai sum up the historical record of industrialisation by the statement that :

“Indeed it is dubious whether despite the undoubted growth and diversification (however limited) of enterprise and industrial investment through the 19th century and the undisputable prosperity of centres such as Bombay and Calcutta and overall impact on the Indian economy, was not anything more than perfunctory.¹⁸

Not only this, even the construction of railways led to regional imbalances. Attention was not directed to connect contiguous trade points and to explore thoroughly the trade of each district through which railway passed by a systematic construction of feeder lines. Instead, the scheme followed was to construct grand trunk lines traversing the big cities of interior with the big ports of Bombay, Calcutta and Madras. The routes from the ports were generally sketched with the intention of traversing the important agricultural tracts of the interior, so as to facilitate the export of agricultural produce. From Bombay, for example, Ahmedabad and Gujarat cotton tract, Nagpur with the Khandesh and Berar cotton tract and Sholapur with the adjacent Karnatic cotton tract, were reached before 1871, Calcutta had been connected with Delhi in 1867.¹⁹

To quote S. R. Hashmi, “the pattern of railway construction and the freight policy adopted at that time confirms that the railway looked more to the development of foreign trade of the country than to the growth of internal trade and industry. The construction started from the main towns of Bombay and Calcutta and spread towards the interior with the intention of traversing the important agricultural tracts so as to facilitate the export of agricultural products”.²⁰

Kundu and Raza points out that enough evidence is now available to show that the gap in the value of the agricultural productivity for the two regions - NW region and Eastern, were widening during the colonial

period. While the NW region was showing positive trend of change, the Eastern region was, in all respects showing a negative trend.²¹

The following indicators gleaned from Blyn's classic analysis (1966) of ten overlapping reference decades from 1891-92 to 1941-42 brings this out conclusively.

Average rate of growth per year		
	Greater Bengal	Greater Punjab
Food Grain: output	0.73	1.10
Non Food grain: output	- 0.23	2.40
All Crops: output	- 0.45	1.57
Food Grains: acerage	- 0.00	0.87
Non Food Grains: acerage	- 0.41	1.20
All Crops: acerage	0.06	0.90
Food Grains: yield per acre	- 0.55	0.31
Non Food Grains: yield per acre	- 0.59	1.13
All Crops: yield per acre	- 0.34	0.62

The following table gives the percentage share of the eastern region (Bengal, Bihar and Orissa) on the one hand and of Punjab on the other, in the total capital outlay on irrigation works for the first fifteen years of the twentieth century.²²

Percentage share of		
	Bengal, Bihar and Orissa	Punjab
1	2	3
1901-02	4.64	41.32
02-03	7.09	34.11
03-04	8.34	23.24
04-05	8.01	20.12

Contd.

1	2	3
05-06	7.82	33.04
06-07	6.52	40.78
07-08	6.34	45.22
08-09	5.97	46.82
09-10	7.65	47.40
1910-11	4.98	52.51
11-12	3.53	54.24
12-13	2.89	45.58
13-14	2.84	34.03
14-15	3.50	27.74
15-16	1.83	22.07

Kundu and Raza points out reasons behind such a differential approach on the part of the British rulers —

(1) The permanent settlement introduced by the British in Eastern India, made it extremely difficult for the empire to collect additional revenue consequent upon increased productivity induced by modern irrigation since the British were primarily interested in increasing revenue and not in increased productivity. They did not favour investments in the irrigation of Eastern India.

(2) The British dietary habits and its market was in greater need of the crops grown in the western region as compared to those in the east. As a consequence, there was a greater pressure from the 'home' country to invest in irrigation in the western region.

(3) The relatively open spaces of the western region in general and of Western Punjab in particular made it possible for the British to work, so to say, on a clear state and establish canal colonies with rectangular plots, wherein measurement and calculation of rates are easier.

(4) The British were quite keen to settle the soldiers, with the help of whom they ruled internally and hoped to meet external challenges posed by Czarist expansionism along the north western frontiers of the empire.²³

Thus independent India inherited a stagnant and burdened agricultural sector, which was under the heavy burden of social inequalities and regional disparities.

Raza and Kundu further points out that industrialisation process in colonial India was regionally distorted. The demands of the metropole-colony relationship were operationalised by such mechanism which had the three ports of Calcutta, Bombay and Madras at the apex. The port-oriented centrifugal network of transport and communication, which was built at such great cost, contributed to the emergence of dysfunctional enclaves of industrial under development around the ports. As a consequence of this distortion, the industrial map of colonial India was characterised by the fact that the resource rich regions were by and large industrially backward. In 1948, the presidency provinces around the three ports accounted for 76.7 percent of the total industrial workers, 77 percent of the total value of net industrial production, 82.9 percent of the value of engineering and electrical goods and 87.2 percent of the value of chemical goods in the country. The corresponding percentage figures for the numerally rich states of Bihar, Orissa and Madhya Pradesh were 9.61, 9.54, 10.4 and 5.7 respectively. The same distorted picture is reflected through the fact that, in the year 1946-47, the three port-based provinces accounted for 74.28 percent of rupee and 67.26 percent of sterling capital in registered industries.²⁴

NON-UNIFORM DISTRIBUTION OF NATURAL RESOURCES

Natural resources are not evenly distributed over space and as such regions are endowed with different stock of natural resources. The pace of development therefore varies from regions to regions.

Regions favourably placed advanced at a greater rate and there arises the problem of inter regional disparities. Regions having high concentration of resources attract more industries. For example Maharashtra has a number of cotton and sugar mills. This is because of the availability of the black soil which is good for the growth of sugar and cotton. Industry necessarily tends to become concentrated in regions where there is already an infrastructure, a skilled labour force and a market and specialisation of functions.²⁵ Thus industrialization focuses only on certain regions, leaving aside or spreading with diluted intensity over other regions.

Mandal is of the view that, depending on the uneven distribution of resources, a certain degree of polarization in regional development is inevitable. But what is alarming according to him is the accentuation of this polarization with the economic advancement. Regions where polarization takes place attract labour, educated people, entrepreneur from other regions as they are able to provide better opportunities and remunerations.²⁶ It is generally the dynamic, healthy, energetic youth that migrate. Lagging regions are left with lopsided age-structure with excess of children, unhealthy and old people. Migration of labour from Bihar to Punjab and Haryana makes it amply clear. Such migration has severely affected the agricultural operations and agricultural productivity in Bihar.

Myrdal is also of the view that in whatever way the development may get started in some particular regions it tends to concentrate in and around these regions. There is a constant inflow of labour, educated people and entrepreneurs to these regions from the lesser developed regions of the country.²⁷

Labour migrates because of the expectation of more opportunities and higher wages. Even the capital also tends to move to the rich regions, because of the increasing investment opportunities and expectations of higher profit. This outflow of money accompanied by generally poor and

under developed money and capital market in the backward regions further depress economic activity in these regions. Even the banking system generally interested in assured income and profits and low risks also gives preference to the developed regions in granting loans and advances and the deposits of the underdeveloped regions are transferred to the developed regions as advances. A spiral process of more investment and more income is initiated in the rich regions while an opposite spiral process operates in poor regions. Thus, while the rich regions have the tendency to grow richer, the poor regions are compelled to remain backward.²⁸

Less developed regions are usually not very easy to develop because their infrastructure is often defective, amenities are not well-developed and housing is partly absolute and partly of too low a standard to be attractive. This inherent difficulty makes the government especially the government of an underdeveloped country concentrate on developed regions in order to maximise the rate of economic growth and national development. This deliberate attempt tends to sustain and nurture process of polarization. Such action though seems paradoxical is defended on the ground that emphasising regional balance too early in the development process will mean spill-over of scarce resources in a number of regions where they dissipate making stagnant regions doomed to an even longer period of waiting and poverty.²⁹ On the other hand, concentration on developed regions will push up the rate of growth of not only these regions but of the whole economy once the rate of economic growth is pushed up the task of redistributive justice can be taken up afterwards. According to Williamson³⁰ the regional imbalance thus created and sustained to yield a high level of equilibrium instead of a low level stagnation without imbalances diminishes.

MAN-MADE FACTORS

Social, political and economic factors are also responsible for causing regional gaps to emerge. Even if a region is rich in natural resources, due to lack of conscious efforts development regions languish

and without an initial impetus towards economic growth they continue to stagnate. As Hemlata Rao points out lack of entrepreneurship, lack of efforts at acquiring skill and lack of motivation leads to regional disparities, as some regions continue to remain backward due to lack of human efforts.³¹

W.W. ROSTOW'S ANALYSIS

W.W. Rostow points out that economic development consists of three periods : a long period when the conditions for take-off are established, the take-off itself, defined within two or three decades and a long period when growth becomes normal and relatively automatic. To Rostow, takeoff is defined as the interval during which the rate of investment increases in such a way that the real output per capita rises and their initial increase carries with it radical change in production technique and the disposition of income flows which perpetuate the new scale of investment and perpetuate thereby the rising trend in per capita income.

To Rostow, take-offs have occurred in two entirely different types of societies, and therefore the process of establishing pre-conditions have varied. In the first and the most general case the achievement of pre-condition for take-off required major changes in political and social structure and even in effective cultural values. While in the second case, the take-off was initiated by a narrowly economic process, as for example in the USA.

To quote Rostow, "we start with a reasonably stable and traditional society containing an economy mainly agricultural, using more or less unchanging production methods, saving and investing productively little more than is required to meet depreciation. Sometimes comes the idea that the economic progress is possible and this idea spreads within the established elite.... more often than not the economic motives for seeking economic progress converge with some non-economic motive such as

desire for increased social power and prestige, national pride, political ambition and so on. New enterprising men come forward willing to mobilise savings and take risks in pursuit of profit notably in commerce.... Basic capital is expanded notably in transport and communication often to bring to market raw materials in which other nations have an economic advantage and interest, often financed by foreign capital".³²

But in general, this activity proceeds on a limited basis, and the society still is characterised by traditional low productivity techniques and by old values and institutions.³³

The second stage is that of the beginning of take-off, which can be traced to a particular sharp stimulus. The stimulus may take the form of political revolution which affects directly the balance of social power and effective values and character of economic institutions the distribution of income, the pattern of investment outlays and the proportion of potential innovations actually applied.

The third stage is of course, the long, fluctuating story of sustained economic growth. Overall, capital increases as the economy matures. The structure of economy changes rapidly and it finds a place in the international economy.³⁴

About India Rostow writes that India's planned figures fall within the range of prima-facie hypothesis and historical experience, if India in fact fulfils the full- requirements of take off, notably the achievement of industrial momentum.

THEORIES OF REGIONAL GROWTH AND REGIONAL IMBALANCES

According to Kuprianov, the theories describing the regional growth may be classified into two categories³⁵

(i) Inward- looking theories which explain the development within the individual region.

(ii) Outward- oriented theories which primarily stress the mechanism underlying the phenomenon of the transmission of economic growth from one region to another.

INWARD-LOOKING THEORIES

Inward-looking theories emphasise that the region itself possesses impulse for its development as may be observed in urban economies wherein the economic base of the city is considered able to make the city grow. An important version of the inward-looking theories is export base theory. Tiebout and Horth suggest that growth of a region depends on its export base. Increase in export (often mineral resources) leads to import substitution which in turn increases exports and there sets a cumulative process in the growth of the region.

Hilhorst³⁶ have given a fine exposition of the theory exploitation of natural resources increases exports and leads to an export surplus. The result will be an increase in the propensity to import as well as some inflationary pressure. The inflationary effect will drive up wages so that migrants are attracted. The increased import will substitute new activities in the field of import substitution. New enterprises will attract new migrants and thus a cumulative process is set in motion. However this theory requires a region rich in natural resources and is thereby limited in its applicability.

Other versions of inward-looking theories of regional growth are sector theory and stage theory. The sector theory begins with the Clark-Fisher hypothesis that, with the rise in per capita income, proportion of resources employed declines in agriculture and increases in manufacturing and later in service activities. The stage theory is an extension of the sector-theory and suggests that growth of a region passes through evolutionary stages of self sufficient economy, regional specialisation and development of trade diversification of regional production activities and industrialisation in order.³⁷

OUTWARD ORIENTED THEORIES

The Outward Oriented theories examine the processes by which growth impulses are transmitted from one region to another region. 'Balanced' growth model and 'unbalanced' growth model are two important versions of the outward oriented theories. The balanced growth theory stresses that a 'big push' must be made and that investment must be planned in a centralised fashion. The unbalanced growth strategy recognises the necessity to identify strategically correct sequence of investment and it considers the ability to invest as practically the only operative constraint.³⁸

Mandal is of the view that so far the question as to why economic development leads to spatial concentration and polarization is concerned one may find an explanation in the arguments of Ohlin's theory of international trade,³⁹ which takes place between the two regions on the basis of comparative advantage. Trading leads to specialisation in the less developed region and the resulted, higher income raises the levels of savings and investments to set the process of development into motion. Hilhorst, however, does not accept comparative advantage as the sole cause of inter-regional trade. With trade there arise, according to Hilhorst, some forces, viz the improvement of transport and communication - the immobility of factors of production and frontiers of the two regions start to disappear and factor endowments tend towards equalization.⁴⁰

However, this theory fails to recognise growing external economies, technological or managerial innovations which offset or neutralize the diminishing return for investment in core regions. Such changes lead to, in fact, continual growth of core centres, which in turn not only drains off the best manpower from peripheries but restricts investments to more dynamic theory of industrial location.

Localisation of industries in certain regions is an important reason for inter-regional disparities. Theories of industrial location may be classified into —

- (a) theories emphasising the cost factor
- (b) theories emphasising demand
- (c) theories emphasising locational interdependence.

The German economist Von Thunen⁴¹ was first to emphasize cost factor in the theory of location though in the field of agriculture. Cultivation according to Thunen is arranged in a series of concentric circles round the town according to the cost of transportation of a commodity and the ratio in which its value stood to its bulk and weight. The cost factors were comprehensively emphasised first by Weber.⁴² In a circumstance of competitive pricing a producer according to Weber, chooses a location where costs are lowest and the profit maximum. This least cost approach is governed by the relative price range of deposits of materials, the cost of labour and the cost of transportation. These regional factors turn into two in number namely transportation costs and labour costs if adjustment of material costs to transportation costs on the assumption that costlier materials are of distant origin be taken into consideration. They are regarded as the primary causes of their regional distribution of industry. As effects of the primary causes there appear secondary causes which are agglomerating and degglomerating factors.

The assumption of proportionality of transportation costs to distance and the neglect of the role of demand makes Weber's theory inadequate to explain the spatial pattern of activity distribution.

Hoover⁴³ and Isard⁴⁴ find the extent of benefit accruing to a firm from external economies more important than transportation costs in locational choice. Their theory also fails to explain phenomena such as changing patterns of spatial distribution of economic activity and the differences in the economic structure and performance of regions.

Thus the classical locational theory with all its modification presupposes economic rationality, completeness of information, a static situation, a predictable mobility of factors, inexhaustible entrepreneurship and a fully developed transportation network and ignores the complexities of the broader framework of country and region. But most of these conditions do not exist in developing societies. In developing countries, external causes often serve as more powerful factor for attracting industry.

One may draw from the above discussion that regional disparity is preceded by advantages and disadvantages of natural endowments of different regions and inherent in the process of development. It is however not at all a natural phenomenon. Rather it is also a deliberate human creation of a particular development policy giving us two kinds of regional imbalances —

- (i) natural imbalance and
- (ii) created imbalance

It is also evident from the above that there is wide divergence in opinions of the economists as to the course of regional imbalance in the process of development, although there is unanimity among the economists that the regional imbalance is inherent in the process of development.

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Chapter III

EXTENT OF REGIONAL DISPARITIES

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EXTENT OF REGIONAL DISPARITIES

It is worth noting that a process of development is taking place in the world. But it is the law of nature that each and every phenomenon of development cannot be equalised with one another, therefore, the rate and the state of development varies from region to region, society to society and from sector to sector etc. Since the rate of development varies from region to region, that is why large scale regional disparities in the levels of development can be seen. Some regions are developed economically but backward socially where as some others are developed socially but are poor economically. Therefore it becomes essential to study the levels of socio- economic development over different regions so as to ensure the removal of regional imbalances effectively.¹

In the analysis of socio-economic development, one can select various variables, while some can be related to the economic development and the others to the social development.

INDICATORS OF SOCIAL DEVELOPMENT

The variables that can indicate the social development are, for example, given below :

- (a) percent literacy rate,
- (b) literate females per thousand males,
- (c) females per thousand of males,
- (d) proportion of literates, matric and above,

- (e) proportion of schedule caste population to the total population,
- (f) proportion of Schedule Tribe population out of the total population,
- (g) birth rate,
- (h) death rate,
- (i) number of persons per household,
- (j) proportion of urban population to the total population .
- (k) female attendance in the school etc.

TABLE 1
Outlines 5 social indicators based on Census of 1981

State	Female Literacy above 15 (%)	Female School Attendance Between 10-14 (%)	Female Married at 15-19 (%)	Birth Rate (/1000 of population)	Infant Mortality Rate
Kerala	71	84	14	25	37
Maharashtra	35	51	38	30	79
Punjab	32	56	14	30	81
Tamil Nadu	35	45	23	28	91
West Bengal	33	45	32	32	91
Karnataka	28	38	36	29	69
Gujarat	33	51	27	34	116
Andhra	20	30	56	31	86
Haryana	22	36	47	36	101
Orissa	21	30	31	33	135
Rajasthan	12	19	64	40	108
Bihar	13	25	64	37	118
Madhya Pradesh	16	25	63	38	142
Uttar Pradesh	14	25	60	38	150

Economic Indicators can be further classified into :

- (a) Indicators of Agricultural development.
- (b) Indicators of Industrial development.

INDICATORS OF AGRICULTURAL DEVELOPMENT

- (i) yield per hectare.
- (ii) use of fertilizers per hectare,
- (iii) proportion of irrigation area to the total cropped area,
- (iv) tractors per thousand hectares of land,
- (v) proportion of area under high yield variety seeds and
- (vi) average value of productivity per hectare.

INDICATORS OF INDUSTRIAL DEVELOPMENT

- (i) proportion of factories in the state out of total factories in the country,
- (ii) proportion of Industrial employment in the state,
- (iii) Per capita Industrial Gross out put (in rupees) in the state,
- (iv) proportion of industrial output (in rupees) in the state out of the total income of the state, Table 2 estimates the per capita income for different States of India, which reveal some broad trends which are given below :

State	1960-61	1964-65	1966-70	1975-76
	1	2	3	4
Andhra Pradesh	314	438	544	897
Assam	349	441	586	848
Bihar	216	299	402	669
Gujarat	380	423	740	1236
Haryana	350	504	902	1514
Himachal Pradesh	-	-	724	1165
Jammu & Kashmir	287	341	503	825
Karnataka	292	420	571	1038
Kerala	278	393	643	1000
Madhya Pradesh	274	373	495	790
Maharashtra	419	526	736	1455
Manipur	-	-	542	904
Nagaland	-	-	328	949

	1	2	3	4
Orissa	226	347	545	834
Punjab	385	575	1002	1688
Rajasthan	271	356	478	873
Tamil Nadu	344	434	591	997
Tripura	-	-	682	872
Uttar Pradesh	244	374	497	727
West Bengal	386	498	706	1100

(Source : Om Prakash Mathur, "The Problem of Inter Regional Disparities", *Indian Journal of Regional Science Vol. V, Table I, p-89.*)

INDICATORS OF ECONOMIC DEVELOPMENT

Economic development of a region depends on its industrial, agricultural, commercial and infrastructural development.

The most important parameter for judging the economic disparity is the per capita income. R.V. Dadibhavi points out that differences in per capita income are due to some related economic factors. They are :

- (i) per worker productivity in agriculture.
- (ii) per worker productivity in non agricultural activities,
- (iii) degree of industrialisation,
- (iv) degree of urbanisation.²

These factors have been considered in the studies conducted for a number of countries in the world like Williamson³ (1965), Perloff⁴ (1957), Hughe⁵ (1961) etc.

Firstly, the state of Punjab, Maharashtra and Haryana have continuously maintained a considerable lead over other states. In terms of per capita income Maharashtra occupied first place in 1960-61, but was pushed to the second place by Punjab in 1964-65. Since then Punjab has occupied the first place with Maharashtra and Haryana vying with each other for the second place.

The high level of the per capita income in the states of Punjab and Haryana could be attributed to the tremendous agricultural progress registered by the states especially after the advent of Green Revolution, which have created new areas of influence and strengthened

the economic and political powers of the kulaks.⁶ Maharashtra's large industrial base and impressive industrial progress accounts for the high level of per capita income. The data also indicates that many states have remained backward in terms of per capita income. The position of some states such as Bihar, Orissa, Rajasthan, Uttar Pradesh and Madhya Pradesh appears to be particularly bad.

DISPARITIES OF INDUSTRIAL GROWTH

It has already been pointed out that the initial distribution of industries was determined by the historical processes of growth reflected in the interest of the British rulers.

R. Balakrishna points out that the jute industry got concentrated in Bengal and especially around Calcutta because of the ultimate agricultural connection of the industry, the long association of English investors with Calcutta and the good transport relation of the place for the purpose of export.⁷

Out of 75 jute mills in 1919, as many as 71 were concentrated in Bengal, only 3 in Madras and 1 in United Provinces.

Though the first cotton mill was erected in Calcutta by the middle of the 19th century, the industry grew up in Bombay which also became the centre of its concentration. The development of railways and the connection of Bombay with the cotton growing tracts of Nagpur, Ahmedabad and Sholapur led to the setting up of cotton mills in these cities and they spread rapidly. In 1919 out of the total 246 cotton mills in British India, as many as 179 mills were in Bombay. In 1931, the cotton mill industry had gained a certain measure of dispersion, yet out of the 305 mills in that year, 208 were concentrated in Bombay.⁸

What is even more important is the fact that even industries which showed a tendency to disperse away from the original centres of location tended to get concentrated at some other centres.

Taking the picture as a whole, we can say that at the time of Independence, we inherited a lopsided pattern of industrial development with most of the industries concentrated at a few centres.⁹

In 1961, the three states of Maharashtra, West Bengal and Gujarat together accounted for 56% of manufacturing value added and 52% of the

manufacturing capital stock of India. In 1971, their combined share of value added came down to 50% and of the capital stock to 38%. Because of the unequal size of the Indian states and Union territories, two indicators of magnitude were therefore, related to the population sizes of the real units and the per capita values were used for all subsequent analysis. Even on that basis one finds a high degree of inter-regional variation in the levels of industrialisation in the country.¹⁰

TABLE 3
Regional Concentration of Manufacturing industries in India

State & Union Territory	Manufacturing Value Added Per Capita.			Stock of Productive Capital in Manufacturing Per Capita.		
	1961	1971	1981	1961	1971	1981
Andaman and Nicobar	NA	95	89	NA	137	211
Andhra Pradesh	15	36	51	39	142	169
Assam	46	33	31	104	181	112
Bihar	32	43	60	96	177	270
Chandigarh	NA	300	31	NA	356	199
Delhi	102	123	99	153	237	397
Goa	NA	36	146	NA	123	673
Gujarat	86	119	146	144	297	421
Haryana	NA	89	148	NA	319	367
Himachal Pradesh	8	48	83	8	133	243
Jammu & Kashmir	5	9	22	16	95	87
Karnataka	27	76	71	59	220	182
Kerala	25	53	65	44	137	172
Madhya Pradesh	16	38	64	35	166	260
Maharashtra	118	206	213	216	435	487
Manipur	NA	3	12	NA	4	13
Meghalaya	NA	8	27	NA	50	268
Orissa	14	44	38	56	232	205
Pondicherry	NA	115	133	NA	277	216
Punjab	23	58	94	63	262	452
Rajasthan	10	35	43	21	148	195
Tamil Nadu	43	87	114	70	287	302
Tripura	2	3	6	6	4	19
Uttar Pradesh	15	27	54	37	150	171
West Bengal	105	132	105	242	390	290

(Source : Annual Survey of Industries: Census sector, Respective years)

Table 4 reveals disparities in per capita industrial consumption of electricity. In 1969-70 and 1976-77, per capita consumption was highest in Punjab followed by Maharashtra and Gujarat. The underdeveloped states of Bihar, Madhya Pradesh and Rajasthan were way behind these states as far as industrial consumption of electricity was concerned.

State	1969-70	1976-77
Andhra	27.3	40.0
Assam	10.8	16.6
Bihar	39.4	46.3
Gujarat	88.6	119.8
Haryana	46.3	78.2
Himachal Pradesh	-	12.9
Jammu and Kashmir	18.2	11.0
Karnataka	64.1	17.8
Kerala	57.3	68.1
Madhya Pradesh	36.9	61.1
Maharashtra	114.0	120.4
Nagaland	0.8	2.6
Orissa	57.6	71.2
Punjab	138.5	143.5
Rajasthan	21.6	42.2
Tamil Nadu	74.5	76.8
Uttar Pradesh	39.2	41.5
West Bengal	86.3	78.8

(Sources : Col.2 is from O.P Mathur, *op.cit*, Table 6, p.97.

Col. 3 is from the *Economic Times*, 3 August 1978, p.4.)

In addition to this there are also disparities in agricultural development, spread of educational facilities, development of banking facilities, transport and communication etc.

METHODS OF COMBINING FACTORS

To obtain an overall picture of inter-state disparities, it becomes necessary to combine indicators and form a composite index of development. In the analysis given above, we have considered various indicators of development. Some states are more developed in agriculture while others are more developed in industry and less in agriculture. We have already seen as far as the average foodgrain production per capita is concerned, Punjab ranked first followed by Haryana, Himachal Pradesh, and Madhya Pradesh in that order. Although the rank of Punjab according to gross output in industry per capita was fourth. Similarly, Kerala which ranked 17th according to average foodgrain production per capita and 8th according to gross output in industry per capita ranked according to indicators concerning education and indicators concerning infrastructure.

Because of such diversity in ranking according to different indicators of development, it becomes necessary to combine indicators in some way to form an overall view of regional disparities.¹¹

The choice of the indicators depends on the value judgement of the researcher and the availability of data on various indicators. After the question of choosing indicators is selected, then comes the important problem of combining them.

A simple method of combining them is just to add up the ranks that are assigned to different states on the basis of different indicators. The state having the maximum total ranks score will be the most developed state, the state having the second minimum rank score will be the next developed state and so on, and the state having the maximum total rank score will be the least developed. This method is the simplest and is employed by V.Nath and Asok Mitra.

The next method is to assign weights to indicators before combining them. This technique which is now most frequently used technique is the Principal Component Analysis - in this technique number of original indicators. These indices are known as factors and set of coefficients forming a linear combination of the original indicators

are factor loadings. These factor loadings are in fact weights which reflect the relative importance of individual clusters or indicators of development. After the composite indicators of development are prepared for different sectors such as agriculture, industry, banking infrastructure, education etc. they can be combined once again following the technique described above to form a composite Index of Development for the economy as a whole¹². This method was applied in India for the first time by M.N. Pal to study regional imbalances and regional disparities in India. Followed by him was Hemlata Rao, who studied the problem of regional disparities in India taking the years 1956, 1961 and 1965. She also tried to assess whether or not disparities have tended to increase.

Let us now turn to some of the important studies on the extent of regional disparities in India.

ASOK MITRA'S STUDY

Based on 1961 census data, Asok Mitra, the then Registrar General of India, conducted a pioneering study.¹³

Though Mitra's study was based on a simple method of assigning and adding up ranks to highlight regional disparities, it was a pioneering study since it was the first study that used district level data. The indicators used by him were divided into six blocks and information conducted on them for each district in India.

Block I (A) Geology, Topography, Rainfall, House type, Language and schedule castes and tribes,
(B) soils, crops and yields of rice.

Block II Agricultural Infrastructure.

Block III Participation rates in traditional sector (including male and female participation rate), males working in agriculture, percent of male working population, single non-agricultural workers, workers in household industry, percent of total working population.

Block IV Potential of human resources.

Block V Distributive trade, manufacturing and infrastructure.

Block VI Organised industrial activity in the modern sector.

Mitra's analysis shows that out of the total 327 districts in India, 79 were at the lowest level of development, and 88 at the second lowest level of development. The number of districts at the fourth was 84, 19.66 % of the total population lived in districts at the lowest level of development and 30.72% of the total population lived in the districts in the highest level of development. In the most industrialised state of Maharashtra, 11 districts out of 26 were classified in the top level of development and 52.62% of population lived in them. Only 8 districts fell in the two lowest categories of development and 26.99% of population lived in them. In Gujarat also 7 districts out of a total of 17 were at the top level of development and 42.66% of population lived in them. Only 3 districts fell in the two lowest categories of development and a meagre 12.30% of population resided in them. In the agriculturally advanced states of Punjab, 13 districts (out of a total of 19) were placed in the top levels of development and 78.33% population resided in them.

Against this the position of the relatively less developed states such as Uttar Pradesh, Madhya Pradesh, Rajasthan, Orissa and Bihar shows a substantial concentration of population in districts placed in the lowest two levels of development.

V. NATH'S STUDY

Adopting a similar method of combining ranks, V. Nath attempted to highlight disparities between different regions of India. Nath considered data for 14 states and took the following indicators into account.¹⁴

- (a) per capita income.
- (b) proportion of urban population to the rural population.
- (c) proportion of male workers in manufacturing industries to all male workers.
- (d) proportion of population living in districts at the two higher levels of development.
- (e) literacy rate for population in age group of 5 years and above.

V.Nath has ranked all states according to the value of each indicator. Thus, Kerala having the highest literacy rate was given the first rank and Rajasthan having the lowest literacy rate was awarded the 14th rank. Similarly, Maharashtra having the highest proportion of urban population to total population was awarded the first rank and Assam having the lowest proportion of urban population to total population was awarded fourteenth. In V. Nath's study, Tamil Nadu and Maharashtra was considered as the most developed states, followed by Gujarat. Then comes West Bengal, Punjab and Kerala. These 6 states were considered by Nath as the relatively developed states and the remaining eight states, were considered less developed.

HEMLATA RAO'S STUDY

She adopts the technique of Principal Component Analysis¹⁵. She selected 24 variables from the following four sectors - agriculture, industry, banking and education.

INDICATORS CHOSEN FROM AGRICULTURAL SECTOR

- (a) agricultural output per lakh of population,
- (b) agricultural output per worker,
- (c) gross area irrigated as percent of gross area sown,
- (d) consumption of chemical fertilizers per 1000 hectares and
- (e) Mechanisation Index.

INDICATORS FROM INDUSTRIAL SECTOR

- (a) number of factories per lakh of population
- (b) number of factories per 1000 kms
- (c) percent of workers in the total population
- (d) percent of industrial employees
- (e) factory workers per 1000 kms
- (f) factory employes per 1000 kms
- (g) high voltage industrial power consumption per factory and
- (h) value added by manufacturers per capita.

INDICATORS INCLUDED IN BANKING SECTOR

- (a) number of bank offices per lakh of population.
- (b) deposits of banks per lakh of population.
- (c) credits of banks per lakh of population,
- (d) percent of bank offices to the total number of banks in the country,
- (e) percent of deposits in the total deposits and
- (f) percent of credits in the total deposits.

INDICATORS FROM EDUCATION

- (a) literates as percentage of population,
- (b) scholars as percentage of population,
- (c) teachers as percentage of population,
- (d) school going children as percent age of population,
- (e) college going children as percent age of populaton.¹⁶

Hemlata Rao's study of agriculture sector reveals that there has been a slight rise in the level of agricultural sector in the states but their relative position has not registered any change. Moreover, inter-state disparities in agriculture have increased since 1956 and the difference between the levels of development in the agriculturally advanced and backward states is substantial. Glaring disparities were also found in the industrial sector where the industrially advanced states of West Bengal, Maharashtra, Gujarat and Tamil Nadu were considerably above the backward states of Madhya Pradesh, Rajasthan, Assam and Orissa. Although substantial disparities existed in the banking sector and in education but over the years they also have shown a tendency to decrease.¹⁷

Hemlata Rao concludes by pointing out that the regional disparities have declined over the period because of three reasons :

- (a) there has been a gradual decline in absolute differentials between the developed and less developed states,
- (b) the national average of composite index has registered an upward trend over time and
- (c) the co-efficient of variation of the estimated value of composite index has declined from 19.70 % in 1956 to 13.72 % in 1965.¹⁸

GANGULI AND GUPTA'S STUDY

B.N. Ganguli and Devendra B. Gupta have constructed levels of living indices for 15 states of India.¹⁹ They have taken into account three periods of time - around 1955, around 1960 and around 1966. The following components of the level of living have been considered in the study - nutrition, housing, medical care, education, clothing, leisure, security and environment. The first five represents what are called 'primary' components and latter three 'secondary' components. Three sets of component indices have been presented. The first covers the primary components, the second covers the secondary components, and the third is an overall index of the level of living. Punjab led as the highest state with respect to nutritional level, Kerala in respect of housing and education, Tamil Nadu and West Bengal in respect of medical care. No definite pattern emerged for the secondary components. Yet, it was seen that West Bengal, Kerala, Tamil Nadu and Punjab were the top states while Bihar, Orissa, Assam, Madhya Pradesh, Uttar Pradesh occupied rather low positions.²⁰

By using the method of Principal Component Analysis and taxonomy, Ganguli and Gupta calculated a composite index of the levels of living by combining primary and secondary indicators. It was found that in 1955, Tamil Nadu, West Bengal, Punjab, Maharashtra and Kerala had the highest levels of living while Orissa, Uttar Pradesh, Bihar, Madhya Pradesh and Assam were at the lowest levels. The same grouping existed in 1960 and 1965 as well although Karnataka and Jammu and Kashmir improved their positions considerably but Rajasthan declined to a bottom group.²¹

DIETMAR ROTHERMUND'S STUDY

In order to measure regional disparities, Rothermund has taken into account six economic indicators and five social indicators. A comparative ranking scheme has been constructed in order to compare the two.

ECONOMIC INDICATORS

- (a) per cent of urban population,
- (b) male workers in industry.

- (c) male workers in service,
- (d) male workers in agriculture,
- (e) rural poverty,
- (f) agricultural production per worker,

SOCIAL INDICATORS

- (a) female literacy above the age of 15 years,
- (b) female school attendance between 10-14,
- (c) females married at the age 15-19,
- (d) birth rate,
- (e) infant mortality rate.²²

On the basis of economic indicators, four types of states have been listed —

- (a) moderate industrialisation combined with high agricultural productivity and a very low degree of rural poverty (Punjab and Haryana).
- (b) a high degree of industrialisation as well as well developed tertiary sector alongside low agricultural productivity and large scale rural poverty (Maharashtra, Tamil Nadu and West Bengal).
- (c) industrial and agricultural backwardness with a low degree of rural poverty (Uttar Pradesh, Rajasthan, Madhya Pradesh),
- (d) unredeemed backwardness in every respect coupled with rural poverty (Orissa and Bihar).²³

On the basis of social indicators states have been classified as :

- socially very progressive,
- moderately progressive
- socially backward states
- backward Hindi heart land.

Dietmar concludes by saying that increasing regional disparities and the concentration of development potential in a few states could indicate alarming political consequences. The task of internal development becomes more urgent especially in the new era of liberalisation.²⁴

SPATIAL PATTERNS OF SOCIO-ECONOMIC DEVELOPMENT

The below given data shows the levels of development of 22 states from 1965-85. On the basis of calculated percentages of social and economic development for each and every state under study, we have categorised them into four levels of socio-economic development viz-

- (a) areas backward both socially as well as economically,
- (b) areas developed economically and backward socially,
- (c) areas developed socially and backward economically,
- (d) areas developed socially as well as economically.²⁵

LEVELS OF DEVELOPMENT
TABLE 5 (1965-75)

States.	% Economic Development (1965-75)	% Social Development (1971-74)	% Development (1965-75)
1	2	3	4
Andhra Pradesh	47.85	54.05	50.90
Assam	18.32	00.00	09.16
Bihar	36.78	18.19	24.47
Gujarat	58.43	65.11	61.70
Haryana	62.91	37.91	50.41
Himachal Pradesh	31.92	44.72	38.32
Jammu & Kashmir	28.50	49.53	39.06
Karnataka	43.50	62.82	53.16
Kerala	47.38	100.00	73.69
Madhya Pradesh	16.82	17.52	17.17
Maharashtra	83.76	66.54	75.15
Manipur	74.50	66.95	70.03
Meghalaya	41.36	51.84	46.60
Nagaland	00.00	32.02	16.01
Orissa	21.87	19.21	20.54
Punjab	100.00	69.89	85.00
Rajasthan	14.49	09.32	11.19
Sikkim	15.75	38.22	26.98
Tamil Nadu	81.66	75.61	78.63
Tripura	30.57	57.03	43.77
Uttar Pradesh	56.78	19.77	38.28
West Bengal	70.48	63.88	67.18

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LEVELS OF DEVELOPMENT
TABLE 6 (1975-85)

States	% Economic Development (1975-85)	% Social Development (1981-83)	% Development (1975-85)
Andhra Pradesh	50.69	56.36	53.53
Assam	12.14	42.97	27.50
Bihar	37.58	14.19	25.80
Gujarat	66.91	63.89	66.90
Haryana	75.03	31.46	53.24
Himachal Pradesh	25.05	47.25	36.15
Jammu & Kashmir	22.89	36.38	29.63
Karnataka	44.39	70.47	57.43
Kerala	55.79	100.00	77.90
Madhya Pradesh	14.22	00.38	07.30
Maharashtra	86.71	85.26	85.97
Manipur	46.15	63.26	54.70
Meghalaya	22.48	67.02	44.75
Nagaland	01.00	44.49	22.74
Orissa	16.61	26.08	21.34
Punjab	100.00	60.56	80.28
Rajasthan	13.67	00.13	06.90
Sikkim	16.38	25.70	21.04
Tamil Nadu	75.72	88.60	82.16
Tripura	00.00	64.32	32.16
Uttar Pradesh	51.01	00.00	25.50
West Bengal	64.10	53.30	59.70

AREAS BACKWARD SOCIALLY AND ECONOMICALLY

Under this category those states have been included which experience social and economic development less than 50 percent. During the decade 1965-75 out of the total 22 states as many as 9 states namely, Assam, Bihar, Himachal Pradesh, Jammu and Kashmir, Nagaland, Orissa, Rajasthan and Sikkim lies in this category. Some states having sound basis of natural resources are backward socially and economically. This may be because resources of these states might not have been utilised timely and effectively. These states are backward economically since, there is a very low per capita income, a large section

of society falls below poverty line and agriculture, and industrial development is also very less.

During the decade 1975-85, also these 9 states experienced the state of social backwardness as well as economical in comparison to the other states of the country.²⁶

AREAS DEVELOPED SOCIALLY AND BACKWARD ECONOMICALLY

Under this, those states have been included which are developed socially more than 50 percent and developed economically less than 50 percent. During the decade 1965-75 only 5 states namely Andhra Pradesh, Karnataka, Kerala, Meghalaya and Tripura are observed as developed socially and backward economically. Among them Kerala is the only state which experienced social development 100%. Out of these five, as many as three belong to Southern India, where areas of social development experience a better performance whether there is a high literacy rate and the educational attainment is high including low birth rate, low death rate, high age at marriage, low proportion of schedule caste and schedule tribe population and high rate of urbanisation.

Economically these states are poor because of poor natural resources, low per capita income, less agricultural and industrial development and poor infrastructural facilities.

However, during the decade 1975-85 out of the total states as many as 4 states namely Karnataka, Manipur, Meghalaya and Tripura experience a low level of economic and high level of social development.

AREAS DEVELOPED ECONOMICALLY AND BACKWARD SOCIALLY

States which are developed more than 50 percent economically and less than 50 percent socially have been included in this level of socio-economic development. In both the decades, Haryana and Uttar Pradesh belonged to this list, which indicates towards the reality that there is very little improvement in the social conditions of the population of these two states.²⁷

AREAS DEVELOPED SOCIALLY AND ECONOMICALLY

Under this category have been those states which are developed more than 50 percent socially as well as economically.

During the decade 1965-75, out of the total only six states namely Punjab, Gujarat, Tamil Nadu, West Bengal, Maharashtra and Meghalaya experience high level of social as well as economic development. Per capita income is high, birth and death rate is low, industrial and agricultural development is high, utilisation of resources to some extent is adequate, that is why these states experience high level of socio-economic development.²⁸

AREAS OF LOW DEVELOPMENT

Under this category only those states have been included that experience average rate of socio-economic development less than 20 percent. During the decade 1965-75 only 4 states of Assam, Madhya Pradesh, Nagaland and Rajasthan came under this category. But the number of such states has been reduced to two in 1975-85.²⁹

AREAS OF MODERATELY LOW DEVELOPMENT

Those states are taken under this level of development which show an average socio-economic development from 20 to 40 percent. During the decade 1965-75 out of the total 22 states under study as many as six were in this category which increased to nine in 1975-85.³⁰

AREAS OF MEDIUM DEVELOPMENT

States having average rate of socio-economic development from 40-60 percent are in this category. During the decade 1965-75, five states fall under this category - Andhra Pradesh, Haryana, Karnataka, Meghalaya and Tripura, which increased to six from 1975-85.³¹

AREAS OF MODERATELY HIGH DEVELOPMENT

States having an average rate of socio-economic development from 60 to 80 percent are considered to have attained a level of moderately high level of development. During the decade 1965-75 as many as six

states namely-Gujarat, Kerala, Maharashtra, Manipur, Tamil Nadu and West Bengal fall into this category. Out of these six, as many as four states are developed economically and rest two are developed socially. However, the states in this category were reduced to three in the decade 1975-85.³²

AREAS OF HIGH DEVELOPMENT

States having an average rate of socio economic development more than 80 percent have been included. During the decade 1965-75 out of the total states under study only Punjab was the state which attained high level of development. However such states increased to three in the decade 1975-85. But Punjab was pushed to the third place by Maharashtra and Tamil Nadu securing 85.97 per cent and 82.16 percent rate of development respectively.³³

Therefore, what we can say is that there has been a slight increase in the overall development of the states over time, but due to variations in the rate of development in forward and backward states disparities between states have been increased over time.

CONCLUSION AND SUGGESTIONS

During the planning process in India there has been slight increase in the levels of socio-economic development, but it is also worth while to note that regional disparities in the levels of development have increased since the country attained independence. Dutt and Sundaram are of the view that since the problem of regional disparities in the levels of socio-economic development has become so drastic that economic and political stability of the country has been threatened. Therefore attention cannot be diverted from balanced regional development and balanced growth is very much inevitable for the harmonious development of federal states.³⁵

Failure of Government's Five Year Plans has been the most prominent factor which accounts for increasing regional disparities in India Therefore, government should take into account such measures (e.g. genuine regional planning, decentralisation of projects efficient

utilisation of local resources, potentiality etc.) which will fulfil the basic needs of the poor millions of persons of backward regions so that regional disparities could be reduced overtime.

The task of regional planning in India is two fold —

- (a) reduction of regional disparities and
- (b) ensuring at least minimum level of subsistence to majority of people living in backward areas and below poverty line.

In order to ensure, both these tasks, "financial provisions for the development of backward regions will have to be large enough to accelerate economic growth significantly in backward regions. Otherwise as a result of the processes which increase regional disparities in developing regions will be condemned to long term stagnation & poverty".³⁶

H.P. Prasad points out that the most important way to develop backward regions and to mitigate regional disparities is : firstly, to formulate plans on the basis of regional resources and regional problems, secondly, allocate resources on the basis of regional requirement and lastly implement regional planning. "The rate of public investment and consequently the growth rate of production in rich states will remain higher causing regional inequalities to increase, unless the process is checked by transfer of adequate resources from rich to the poor states".³⁷

In view of planning perspective, the state which experience low level of development either social/economic or both should be given first priority in the process of implementing the development plans so that the gap prevailed between the developed and under developed regions may systematically and judiciously be alleviated in order to achieve an optimal spatial organisation of the society.

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Chapter IV

PLANNING AND REGIONAL DISPARITIES

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The existence of pronounced inter-regional disparities in economic development and standards of living was fraught with dangerous consequences in the new pluralistic state of India. The less developed states of free India could not be held solely responsible for their development, for, of their own, they could not take heavy task of development. In most cases, they had resource constraints and poor infrastructural facilities. Hence, the removal of inter-regional disparities had to be a part of the planned economic development which was imperative for India. In 1929, the All India Congress Committee Resolution stated:

“In the opinion of this committee, the great poverty and misery of the people are due, not only to foreign exploitation of India but also to the economic structure of the society, which the alien rulers support so that their exploitation may continue. In order, therefore, to remove this poverty and misery and to ameliorate the conditions of the masses, it is essential to make revolutionary changes in the present social and economic structure of the society and to remove gross inequalities”.¹

THE FINANCE COMMISSIONS AND INTER STATE DISPARITIES IN INDIA

The need to remove regional inequalities was recognised at the time of framing of the Indian Constitution also. The Constitution of India actually makes it incumbent upon the Government of India to appoint a Finance Commission once at least in five years to examine the problems arising out of the gaps between the needs for expenditure

India actually makes it incumbent upon the Government of India to appoint a Finance Commission once at least in five years to examine the problems arising out of the gaps between the needs for expenditure and the availability of revenue of the different states of India, and other related issues² [Art 280 (3)].

To suggest the criteria and principles for division of economic resources there have so far been recommendations of the Finance Commissions, these being appointed in the year 1951, 1956, 1960, 1964, 1968, 1972, 1977, 1982, 1987 and 1992. The recommendations of various Commissions have aroused interest in the problem of regional inequalities and measures provided through the implementation of these recommendations. But the Commission has not observed the objective of reduction of regional disparities as an objective in recommending devolution of finance from the centre to the states³. Two further points need to be noted here. Firstly, the transfer of funds from the centre to the states as a result of the recommendations of the Finance Commission are not of that magnitude as the allocation from the Planning Commission. Secondly, the major issue is not the mere allocation of funds but the manner of utilization of these and the impact it produces on the economy of the less developed regions.⁴

TERMS OF REFERENCE

The term of references common to all the Finance Commissions have been the determination of the respective shares of the divisible tax accruing to the centre and to the states as well as the share going to each state and grants-in-aid of revenue to the states. The opinion of the Finance Commission has been sought on issues relating to the compensation to the states for tax power withdrawn as in the case of export duty on jute or sales tax on certain commodities. Guidelines have also been obtained from the F/C for the distribution among the states of certain new taxes imposed by the centre like the tax on railways fares and the estate duty on property other than agricultural land. Specific problems of tropical interest in the area of Centre-State financial relations like the terms of the finance agreements among the centre and the states and the different aspects of the debt position of the

states to the centre have all also formed part of the terms of reference.⁵

None of the Finance Commissions appointed so far has, however been specifically asked to make recommendations for the reduction of inter-state disparities in the levels of living. Nor has this figured in the terms of reference as an objective to be borne in mind while making recommendations relating to explicit terms of reference. The different Finance Commissions have been asked to bear in mind different factors like the fiscal discipline of the states, the availability of funds at the centre, the need to tone up the level of administration of the states and the transfer of funds from the centre to the states through other means.

The terms of reference to the Finance Commissions are determined by the President (i.e., by the Central Government) and these have never contained a reference to the question of regional disparities.⁶

The Finance Commissions also do not seem, on their own, to have taken into account the needs for expenditure by the states to reduce inter-state disparities in the levels of living.⁷ In the constitutional provisions regarding the Finance Commission, there appear to be no constraint on the type of expenditure to be borne in mind while estimating the expenditure needs of the state government in this regard. It is hence very clear that the Finance Commissions could therefore easily have stretched the meaning of the expenditure needs of the state government to include the expenditure for pulling up the backward states of India without doing any constitutional wrong. But, instead of taking such a positive attitude towards this problem, the Finance Commissions have chosen to circumscribe their powers in this regard.

The expenditure requirements of the government are split usually into two parts in India. These are expenditures which are to be incurred as part of the plans for economic development referred to as plan expenditure and other expenditure termed as non-plan expenditure. It would, however, be helpful to have a general idea regarding the relative proportions of resource transfers effected on the recommendation of Finance Commissions and through the discretionary channel. The below given table shows that the transfers through the Finance Commissions are only a small proportion of the total transfers. Accordingly, we should

RESOURCE TRANSFER FROM THE CENTRE TO THE STATES

Period	Through Finance Commission	Through Planning Commission	Others	Total	(2) as % of (5)	(3) as % of (5)	(4) as % of (5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Plan	447	880	104	1431	31.2	61.5	7.3
Second Plan	918	1058	892	2868	31.1	47.0	21.0
Third Plan	1590	2738	1272	5600	28.4	48.9	22.7
Annual Plans	1782	1917	1648	5247	33.3	35.9	30.8
Fourth Plan	5421	4731	4949	15101	35.9	31.9	32.8
Fifth Plan	11048	10051	4119	25218	43.8	39.9	16.3
1979-80	3678	3472	1117	8267	44.5	42.0	13.5
1980-81	4087	4075	1600	9762	41.9	41.7	16.1
1981-82	4568	4147	1668	10383	44.0	39.9	16.1
1982-83	5240	5012	2021	12363	42.4	41.3	16.3
1983-84	5629	5099	1826	12554	44.8	40.6	14.6
Total 1952-84	44408	43270	21216	108894	40.8	39.7	19.5
1984-89 (8th FC)	39452						

Sources : Reports of the Finance Commissions and Explanatory Memoranda on the Central Government Budgets.

All this does not mean, however, that the Finance Commissions have not taken the existence of inter-state disparities in the levels of living at all in making their recommendations. Different criteria have been used to distribute among the states the different components of the total devolution effected as a result of the recommendations of the Finance Commissions. In regard to some of these, explicit attention has been paid to the fact that the needs of expenditure of the different states are different.

The question now arises as to whether the net result of the awards of the different Finance Commissions has been such as to promote or lessen inter-state disparities in the levels of living. But it is extremely doubtful as to whether even a deliberate attempt on the part of the Finance Commission to allocate the total amount transferred between the states in such a way as to reduce regional disparities in the levels of living, would have led to a reduction in these. This is so because resource transfers from the centre to the state governments through the Finance Commissions awards are relatively less important than those through other means.

The ills of our centre state financial relations must be removed if the system is to work towards various national goals of ours including that of reducing regional disparities. The centre should give up its belief that resources are wasted only at the state level, that it is only the state undertakings which run into losses on that the state get their resources through some kind of charity. The Finance Commission should try to build a system of reward and punishment for fiscal performance or lack of it in its recommended grants.

Constituting of the Inter State Council under Article 203 of our Constitution can be recommended. The Constitution does not define the composition of the Council, but it defines its duties which eminently fit with the task in hand. Such a Council should provide a very useful forum for detailed discussion of the working of the Centre State financial relations as also the problems faced in narrowing regional disparities. The Council should be supported by a permanent secretariat well equipped to collect, process and publish all the data relevant to the

relations as also the problems faced in narrowing regional disparities. The Council should be supported by a permanent secretariat well equipped to collect, process and publish all the data relevant to the centre-state financial and economic relations including the problems of regional disparities.

PLANNING AND REGIONAL DISPARITIES

The problem of imbalanced regional development has been attracting the attention of economists and policy makers since 1951. Because of the glaring regional disparities and inequalities in India the planning process initiated in 1951 accepted the importance of Regional balance and achievements of balanced regional development of the economy was incorporated as an important objective of planning in 1951.

The immediate needs of the economy during the early stage of planning led to a concentration of development efforts in sectors and regions which could give maximum return to the investment and help in solving the acute problems of food, refugee rehabilitation and heavy dependance on imports for captial goods. The Planning Commission adopted the following principles in the First Five Year Plan —

- (a) Accentuation of economy through Industrial and Developmental Projects.
- (b) The basic industries such as Iron and Steel, Chemicals etc will operate by state owned capital only.
- (c) Recognition of industrialisation as the basis of development.
- (d) Achievement of self-sufficiency in industrial and agricultural products.

Certain problem regions such as the D.V.C, were recognised and resource planning particularly multi purpose river valley development was attempted. Some of the refugee rehabilitation plans were implemented in Punjab and adjoining states and in Eastern parts of the country although not regional plans in the true sense of the term were instrumental in providing urban infrastructure which had a great impact from the point of view of regional development.

Commission which decided broad categories of subjects on which research was to be concentrated.

They were —

- (a) savings, investments, employment and small scale industries,
- (b) problems relating to regional development with special reference to problems of rapid urbanisation,
- (c) land reforms, co-operation and farm management,
- (d) social welfare problems and public administration.

A sum of Rs. 50 lakhs was provided for the task. Thus a small step in the right direction was taken in the First Plan.⁷

THE SECOND FIVE YEAR PLAN

The Second Five Year plan was assisted by P. C. Mahalanobis in the preparation outlined raising the national income and per capita by 25% and 11% respectively in the five year period. Special emphasis was laid on the development of basic and heavy industries and it defined the role of public sector in development. The Industrial Policy Resolution of 1956, also came up which emphasised on building up of an adequate infrastructure.⁸

Initiation was given to the expansion of Iron and Steel, Heavy Engineering, Lignite Project and Fertilizer industries which led to the development of large industrial regions of various sizes each with a large industrial node. Important among these regions were Tamil Nadu, Calcutta, Delhi, Kanpur, Ahmedabad and Bangalore. The emergence of these regions further increased inter-regional differences in economic growth. Although as P.C.Sarkar points out that the Second Five Year Plan stressed the need to locate basic industries in less developed area as a means of achieving regional development subject to technical and economic consideration. Several industrial projects, such as the Steel Plants at Bhilai and Rourkela and the Heavy Electrical Plant at Bhopal had been cited in areas which were hither to industrially backward.⁹ The Chittaranjan Locomotive Factory (West Bengal), Hindustan Ship building yard of Vishakhapatnam (Andhra Pradesh) and the Hindustan Machine Tools plant at Bangalore were all expanded.

The transportation sector outranked all others in investment in which the railways accounted for two thirds. The total outlays increased by 119 percent. But the ratio of investment changed to 61.39 which was 50:50 during the First Plan Period. The agriculture sector was neglected in terms of total percentage allocation, resulting in only 18 percent increase in foodgrain production which was because of lack of proper extension of more irrigation facilities and inadequate use of improved seeds and fertilizers.¹⁰

THE THIRD FIVE YEAR PLAN

The Third Five Year Plan dealt with this objective in some detail by devoting one full chapter on 'Balanced Regional Development' which implied extending the fruits of economic growth to the less developed regions and for a wider spread of industries were suggested as a part of the efforts to redress the inequalities between different parts of the country.¹¹ B.P.S. Bhadouria writes that balanced development implied a widespread dispersal of economic activities and further prevention of spatial lags in development.¹²

The Third Five Year Plan emphasised that "it is one of the aims of national planning to ensure that these facilities are steadily made available to areas which are at present lagging behind industrially or where there is a greater need for providing opportunities of employment, providing, the location otherwise is suitable". Accordingly huge investments were made in multi-purpose projects like Hirakud, Kosi, Chambal, Rihand, Nagarjunasagar and Bhakara - Nangal.

However, a more specific and differential approach to the backward area development as a policy to reduce regional disparities was spelt out only in the developmental plans.

Overall, the achievements of the Third Plan were very disappointing. The national income rose only to 10 percent; although target was to increase national income by 30 percent. The reasons of this shortfall, were severe drought in 1965, India's wars with China in 1962 and with Pakistan in 1965, non-availability of full required foreign credit and inability of rigid administrative rules and procedure to cope with such abnormal situations.¹³

1962 and with Pakistan in 1965, non-availability of full required foreign credit and inability of rigid administrative rules and procedure to cope with such abnormal situations.¹³

THE FOURTH FIVE YEAR PLAN

This plan took a comprehensive view of the factors responsible for backwardness and proposed that a multi-dimensional area development approach should be adopted in order to accelerate the development of backward regions. The new Gadgil Formula for the allocation of central assistance to the states embodying in it measures of weightage to backward states was one of the measures over narrowing regional disparities.¹⁴

The Gadgil Formula was framed to provide —

- (a) 60 percent of assistance on the basis of state population,
- (b) 10 percent on the basis of the states per capita tax efforts,
- (c) 10 percent for the states with per capita income less than national average,
- (d) 10 percent for continuing major irrigation and power project, and
- (e) 10 percent for special problems of states.

But the weight of 10 percent provided in the formula was not sufficient to remove inter-state disparities and backwardness. Moreover allocation of central assistance to some backward regions like Jammu and Kashmir and the North-Eastern states were outside this formula and as such inter-states comparisons of such assistance based on the formula were invalidated.¹⁵

In the Fourth Five Year Plan, the problem of regional disparities was attempted at three levels —

- (a) reduction of inter-regional differences through fiscal policy,
- (b) development of resource frontier regions and
- (c) finally, local planning.¹⁶

For pursuing this objective two Committees were set up- the Panda and the Wanchoo Committee. The first was to recommend the criteria

In the plan period a pilot research project for growth centres was launched in India establishing 20 research and investigation cells for the purpose of identifying the growth centres in the selected blocs of the various states.¹⁸

THE FIFTH FIVE YEAR PLAN

The Fifth Five Year Plan conceived of the need for an accelerated development of backward areas as a cooperative endeavour in which states will play the pivotal role with the central government research institutions, the public sector - financial and non- financial corporations, and the co-operative and private sectors together will make a co-ordinated and integrated effort for area development.

Thus the Fourth and the Fifth Plans grouped backward areas broadly into two categories :—

- (a) areas with unfavourable physio-geographic conditions, terrain and regions including drought prone areas, 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.¹⁹

Therefore in seventies, a variety of programmes based on 'Area Development' and 'Target Group' approaches were launched with a view to not only providing income and employment opportunities to the people of backward areas. Important among these programmes were :—

Drought Prone Area Project (DPAP)
 Tribal Area Development Project (TADP)
 Hill Area Development Project (HADP)
 Command Area Development Project (CADP) etc.

Programmes directed towards improving the conditions of 'target groups' were Small Farmers Development Agencies (SFDA) and project for Marginal Farmers and Agricultural Labour (MFAL).²⁰

All these programmes laid special emphasis on mobilisation of credit and provision of agricultural inputs and on development of

economic infrastructure for the benefit of small farmers, marginal farmers and agricultural labourers in particular and community in general.

THE SIXTH FIVE YEAR PLAN

The differential approach to backward area development was given recognition in the Sixth Plan also. The objective behind this approach was "upgrading the development process in backward areas" without "curtailing the growth of regions which have acquired certain momentum". An integrated approach was proposed for rural development. It felt a fresh need for redefining the decentralised planning approach in the following words :—

"Even though the programmes will have to be location-specific, because of the factors of economic and social linkages between rural settlements and consideration of viability in planning it has been decided that a bloc which will possibly be reasonably homogenous, will be taken as the primary area for local planning. At the same time, it is realised that the bloc level planning will have to be built in a frame of district level planning which has to be adjusted to the overall state plan".²¹

The Union Government proposed for the period of 1978-83 an integrated approach for rural development, because it felt that special programmes directed towards specific problems or target groups were inadequate. This programme has come to be known as Integrated Rural Development Programme (IRDP). A high level National Committee for Development of Backward Areas (NCDBA) was constituted to—

- (a) examine and identify backward areas,
- (b) review the working of existing schemes for stimulating industrial development in backward areas.

The NCDBA recommended that —

- (i) sub-plan approach should be made at both the central and the state government levels,
- (ii) project funds for local planning should be allotted to local planning.

- (iii) financial discipline should be imposed on the states to ensure that the funds meant for backward areas are not directed to the areas, but are spent properly within the stipulated periods on projects that are earmarked, and
- (iv) incentives to be given to staff to work in backward areas.

The Government of India considered all the recommendations of NCDBA and introduced them during the Sixth Plan. The Gadgil Formula was also utilised although with certain modifications from time to time to make it progressive.²²

THE SEVENTH FIVE YEAR PLAN

This plan gave special emphasis on employment generation and poverty alleviation programmes.

Regarding the problem of regional imbalances, the plan document makes the point that the "pattern of growth encouraged for the seventh plan is expected to contribute towards the reduction of inter-regional disparities in the levels of development".²³

Various incentives have been provided to tackle the problem of industrial backwardness and provide private investment in backward areas.

Since the beginning of the mid-50s, several theories and models have been developed to provide theoretical frameworks for understanding regional economic problems. Among the various regional theories, the most popular ones are —

- (1) exportbase models,
- (2) neo-classical,
- (3) cumulative causation (Myrdal-Kaldor)
- (4) econometric models,
- (5) input-output models and,
- (6) multi-sectors development planning models (Richardson, 1973).

While one cannot deny the usefulness of these theories/models, it must be stated that their applicability cannot be universal. Their applicability will be determined in view of the differences in resource endowments, economic strategies, capital formation, and institutions among countries, and within a country among regions/states.

Some economists feel that there exists a clear conflict between the national objectives of efficiency and equity. Balogh (1962) points out that the programmes designed to relieve inter-regional disparity of income levels in India may well curtail the efficiency of the national economy to the extent that no region will become better off as a result of the equalization policy. Renand (1973) supports by arguing that "if, under free market forces, we can maximize national output, policies for greater inter-regional equality will tend to reduce total output. S.Gupta (1973) also feels that the objective of reducing regional disparity adds an effective constraint in maximising national output and "hence, regional development as a separate objective, must stand more on social and political considerations than on economic efficiency".

On the other hand, B. Singh (1967) argues that the case for the development of a backward region is essentially similar to that for the development of infant industries, the fundamental logic being the delayed profitability involving time preference and risk subsidization. P.N. Rosenstein-Rodan (1961) observes that induced industrialization in a non-industrial country or area does not take place automatically. It requires direct as well as indirect incentives. Isard and Reiner (1969) also argue that "a policy of 'pure equalization, is necessarily a poor policy, although a policy towards greater equalisation can be and is likely to be valid".

On the basis of above discussion, it is likely that the objectives of economic efficiency and equity may be competitive in the short run and may turn out to be complementary in the long run. Mera's (1975) findings for Japan support this view. As Robock (1970) rightly points out, "the possibility for influencing regional disparities will vary over time and with the stage of development".

In case of India, an inverted U-shaped curve has been developed by Hirschman (1958). This hypothesis actually gets reinstated by the

empirical statements from Kuznets (1957) and Williamson (1965) which states that as an economy grows, regional disparities diverge at first only to converge later.

Kuznet's studies have shown that in several European Countries the position of low income groups were relatively worsening in the early years of industrialisation or economic growth. The inverted U-shaped curve is known as Kuznets curve.²⁴

Williamson's contribution is an excellent empirical work on the basis of a detailed international study based on time series data for 10 countries and cross sectional data for 24 countries, which confirms the tendencies of regional inequalities first to increase and later to decrease with the process of national development.²⁵

Robock (1970) also pointed out the possibility of regional disparity changing with the stage of development. But there is a need to reduce inter-regional disparity of development, though there exists a clear conflict between the national objectives of efficiency and equity.²⁶

However, we can say, even after 40 years of planning, Rajasthan, Bihar, Orissa and Madhya Pradesh are till today considered as the backward states. Bihar has remained the least developed state and it had maximum distance with Punjab. Punjab, being the richest state recorded 171 percent per capita of the national average while Bihar shows it only 70 percent. Moreover, the rate of growth is low in the low income states like Bihar, Orissa, Rajasthan etc while it is higher in high income states as Punjab and Haryana.²⁷ Bhadouria, writes that the whole approach to balance regional development so far pursued in India has been more normative than positive in practice.²⁸

A.C. Minocha writes that, although regional disparities are expected to be reduced through "planned efforts", but the plans are formulated within the framework of an extremely inequitable system of ownership and property and a heritage of regional inequalities. Planning in India continues

to be aggregative and sectoral, devoid of spatial dimensions. This makes integration of plans at different levels and between different sectors difficult.²⁹

The first two Five Year Plans increased regional disparities in the levels of development because these plans emphasised concentration of development efforts in sectors and regions to give maximum return in investment. Spatial imbalances were recognised during the second half of the sixties. The reconstruction of the states in 1956 based on languages, provided homogenous regions which were heterogeneous in levels of living. These imbalances turned into violent form in the states like Assam, and Andhra. In the states where Green Revolution has been most beneficial for landlords, even today subsidies, assistance, concessions and supports are demanded for the sake of solving food problem of the country. Similarly because of better education, skill and technical training people from better-off states had been in control of most of the administrative decision making and even political institution in the centre. As a result these people had overt or covert attachment towards their region.

POLICY ALTERNATIVES

No blanket approach may solve the problem of regional imbalances. Various geographical, demographic, structural situations require different solutions and strategies. But that does not mean that every unit area should be treated as a separate planning unit. Infact the regional approach can provide solution to such problems at national level.

Secondly, the 'Spatial polarization of activity' and 'backwardness' are the two facets of the problem of regional imbalances. The government concerned should pay attention on both aspects of the problems simultaneously.

Infact, a realistic approach is required which includes more than mere identification of backward areas. It must consider the problem characteristics as well as the scale and severity of the problems,

identification of the obstacles and social, economic and cultural progress and formulation of suitable strategies for development. The regional policies should be framed to achieve the national goals - economic growth, equity and environmental quality.

The crux of the problem to A.C. Minocha is that the objective of balanced regional development is sought to be pursued under a highly inequitable system of private ownership of the means of production, distribution and exchange; along with the colonial heritage of regional disparities. Resource allocation under the market impulses has aggravated concentration of private wealth and income as well as regional imbalances. By and large, resource allocation in the public sector has reinforced the factors increasing inter-personal and state inequalities. Even the fiscal transfers from the centre have aggravated inter-state disparities. The instruments of regulation, control and incentives have been too weak to overcome the forces of inequality. The strategies of industrial and agricultural development have largely benefited the rich in the urban and the rural sectors, resulting in an aggravation of the problem of regional imbalances.³⁰

Paul R. Brass also writes that more urbanised states and the states that benefited from 'intensive irrigation development ranked high in per capita income and net domestic product at independence and they continue to rank high today. While on the other hand, those states that experienced little of either urban or rural development before Independence ranked low in per capita income and net domestic product then and continue to do so today.³¹

The regional disparities in India has given rise to conflicts causing not only political and administrative problems but are posing a challenge to the very integrity and unity of the country.

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Chapter V

IMPLICATIONS OF REGIONAL DISPARITIES

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The most important consequence of regional disparities is the growth of regionalism and sub-regionalism. To be sure in a pluralistic society like that of India, regional and sub-regional identities are inevitable to a certain extent. Regionalism accompanied by economic inequalities and disparities, may acquire the form of separatism and, thus, pose a serious problem. There are various reasons for the growth of regionalism and regional disparities are one of them.

Regionalism is a multi-dimensional phenomenon at once psychological, geo-cultural and politico-economic in its nature and manifestation with negative and positive overtones.¹ On the positive side regionalism means the urge of the people living in a particular territory for self identity and on the negative side it represents real or perceived deprivation on the part of the people of an area. It is this negative aspect which makes regionalism quite militant, agitational and even violent.

Uneven economic development in the interest of metropolitan capital aggravated the sentiments of regionalism. Even within the provinces such differences are sharp for provincial boundaries had been drawn only on the logic of 'administrative convenience'.² It has been pointed out that Curzon was justified in thinking that Bengal Presidency was unwidely. But he sought a solution of the problem along wrong

lines. There were at least two major groups other than Bengalee in that province - Hindi, Oriya. Since the third quarter of the the nineteenth century Assamese linguistic sentiment was growing. On the other hand, when Assam was constituted as a separate province two Bengal speaking districts - Sylhet and Goalpara- were added to it. Besides these two districts there were hill districts. Though the hill districts were virtually out of touch with the Assam plains. Assam's capital was in a hill district.³ Where-as after independence the linguistic principle of reorganisation of states was negated when five states viz, Nagaland, Manipur, Tripura, Meghalaya and Assam were created. These states were created on the basis of grievances expressed by comparatively backward hilly regions against the exploitation of the plainmen, particularly the Assamese.⁴

Emergence of regionalism reflects the fact that planning has failed to solve regional disparities. There are not only inter- state disparities but also inter-state or sub regional disparities which have their socio-economic and political dimensions. The Telangana agitations, the language riots in Assam, agitations in the Vidarbha region of Maharashtra, the Chhatisgarh region of Madhya Pradesh, the eight hill districts of Uttar Pradesh, Jammu and Ladakh regions of Jammu and Kashmir, the Jharkhand movement, the conflict between the people of old Mysore and integrated part of Karnataka and the local patriotism of Shiv Sena are only a few examples of the manifestation of such tendencies which are pressing for a fresh look at the existing scheme of reorganisation of the constituent units of the Union of India.⁵

In the absence of a vibrant national economy, there are a large number of bourgeois entrepreneurs whose activities are confined to small regions. These businessmen rely for their labour and market on the local population. Their interests, thus, frequently conflict with those of the big bourgeoisie which relies on a national market. The national capital in India derives mainly from the erstwhile merchant capitalists of big cities like Bombay and Calcutta, and today they control a major

part of the industry, trade and finance not only in these cities but throughout the sub-continent. Naturally, the regional bourgeoisie of the different states, who arrived later on the scene, resist the monopolistic control of the national market by the big bourgeoisie. They look to the state governments to place restrictions on the national monopolistic interests. To achieve their aim they support such parties and groups at the state level as are state or region based. This approach of the regional bourgeoisie produced violent struggles in the 50's and 60's for the creation of linguistic states. They mobilized both the regional capital and non-bourgeois opposition parties in such states as Maharashtra, Orissa and Mysore and hurled them against the Congress which represented and continues to represent the monopoly bourgeoisie. Besides hurting national unity, this unleashing of regional chauvinism hinders the creation of class consciousness across the country.²

Also there has been the birth of vested interests, particularly in the rural side in these regions. For instance the Green Revolution produced a new class of rich farmers who participate in and influence the political process of these states with a view to perpetuate the concessions and facilities provided to them at first to increase agricultural production. They not only try to influence the policies of the state government but, also of the central government. Of late these interests have started organising and directly participating in politics on class basis. The success of Akali Dal in Punjab, Lok Dal in Haryana and the western parts of U.P. and Telugu Desam in Andhra Pradesh are an evidence of the role these landed interests can play.

Armed with the newly gained economic power, numerical strength, social status and links with the administrative machinery the landlords have been able to appropriate various development funds for their own use. They have also been successful in preventing the imposition of taxes on agricultural income, procuring subsidies for fertilisers and pesticides, getting remunerative support-prices for foodgrains etc. Consequently much of the burden of taxes and increase in prices falls on the urban people and the agriculturally backward regions. But what

is even more undesirable is that the regional imbalance in agricultural growth, leads to regionalism and the emergence of regional parties, development of a rural urban conflict, and birth and intensification of tensions between the developed and underdeveloped regions of the country.

Rajni Kothari points out that India unlike many developing countries sought to solve the problem of transforming the socially and politically fragmented society into a comprehensive whole, without accomplishing the unfinished task of 'democratic revolution' by adopting a peculiar and unprecedented model of simultaneously achieving the goals of nation building and modernization and try to create a "comprehensive framework of consensus" by following the 'democratic path' without dealing with distributive justice, which it was presumed would automatically follow.⁶

Yet another implication of regional imbalances is the migration of work force from the underdeveloped to the developed areas. The continuous large scale arrival of industrial labour from South India and other parts of Bombay and from Bihar and Orissa to Calcutta and the migration of agricultural labour from eastern UP to Punjab, is creating several types of tensions. It disturbs the cultural harmony of the areas to which labour migrates. It also leads to ill-feeling in the local workers, who are either unable to get jobs or bargain effectively with the local employees in view of the migratory labour's willingness to work at lower rates.⁷

Because of the absence of job opportunities in the rural areas and small towns, the educated, semi-skilled, unskilled and uneducated unemployed keep on arriving in metropolitan and big cities, thereby increasing the population pressure on these places tremendously. This results in unplanned and unchecked growth of these cities, failure of civic and transport services, non-availability of residential accommodation, growth of slums, and a rapid increase in the cost of living.

Myron Weiner points out that it is not inequalities between ethnic groups that generate conflicts, but competition. Inequalities real or

perceived are a necessary but not a sufficient condition for ethnic conflict. There must also be competition for control over or access to economic wealth, political power or social status. There are a number of conditions under which such competition takes place.⁸

First, when the ethnic division of labour between migrants and non-migrants parallel class relationships that ordinarily have a high conflictual potential, as between industrial managers and workers, landlords and peasants, grain merchants and agricultural producers ... and so on competition may occur. For whatever reasons - and there may be many - these exchange relationships become conflictual, and when the groups in the exchange belong to different ethnic communities.

Second, when the local population seeks access to occupations that they previously did not seek or which they were once excluded, conflict may ensue.

Third, conflict may occur when a change in the power structure stimulates competition by giving one group the political resource for modifying or transforming the ethnic division of labour.⁹

He further says that much of the discussion of core-periphery relationships and 'internal-colonialism' has focussed on the ways in which the dominant 'core' population dominates the migrants from the periphery - the English in relation to Welsh and Irish, the French in relation to Britain, and so on.¹⁰

Uttar Pradesh, for example, is facing the problem of integrating its various regions into a unified state. The demand for Uttarakhand in the north and Bundelkhand in the South and the move to join the adjoining states of Haryana in the West show that lot is to be done to narrow down the growing gap in the different regions of the state.

Regional imbalances has also thrown up an educated middle class in the developed regions which is politically more advanced and

professionally better equipped and skilled than its counterparts in the less developed regions. The members of this class are, therefore able to take up the best government jobs all over India. The educated from the developed regions and states working in the backward regions side with the national government to safeguard their interests, while the newly educated of the backward regions look to their own state governments for their share in jobs and economic requirements.

Regional disparities also hamper the growth of a national economy. The stunted growth of national economy has consequences for the people's struggle against injustice and exploitation. It creates a mass movement with a vanguard which forges the unity of the people.¹¹

Experts on national integration now agree that, for national integration and unity, the protection of the interests of the common people and removal of regional imbalances are more important than enlightenment through education. It is this protection of the people's interests which would strengthen their loyalty to the political set up and concern for national unity. It is not possible to foster common bonds of national sentiment unless a base of objective conditions is created for its growth.

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CONCLUSION

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The discussion on the evolution of regional policy during the Indian plans clearly reveals that our plans have not acquired regional dimension. The First Five Year Plan hardly gave any recognition to the issue of regional disparities. Infact till the Fourth Five Year Plan, the few measures taken were not even based on an objective identification of the backward regions. It is true that from the Fourth Five Year Plan onwards, regional policy has been based at least on an objective identification of the backward regions. There have been attempts to bring about regional dispersal of industry. But all this has not meant the formulation of a regionally balanced plan in which the plan is made with the pulling up of the level of living of the people in backward regions to a specified level within a prescribed time horizon as an avowed objective.¹

Actually the lack of a regional dimension to Indian plans seems mainly because the entire approach to the issue is coloured by certain assumptions which are being proved wrong. One such assumption is that there is, a trade-off between the reduction in regional disparities in the levels of living and national income growth, particularly in the short run. This is, in fact, what has prompted almost all plan documents to repeatedly stress that in the short run, with limited resources, a developing country like India can ill-afford measures for the reduction of regional disparities. Such an assumption, however, appears unjustified on many grounds. In fact India's Planning Commission itself, in the course of the formulation of the Fifth Five Year Plan, carried out an exercise in model building to prove that a reduction in inequality in the level of living can be brought

about without involving any reduction in the rate of growth of production in India, though it may necessarily change in the composition of the output². The theoretical validity of the existence of such a trade-off in development planning has been doubted also by many including Fukuchi and Nebukumi (1970).

Another assumption has been that industrial development can be treated as synonymous with economic development at the regional level. As a result of this while industrially backward regions have been identified by India's Planning Commission, no such attempt has yet been made as regards regions which can be deemed to be backward from the point of view of overall economic development. Actually the main focus of regional policy during the Indian plans has been on the dispersal of industry among the different regions of the country. Due to such policies, inter-state disparities in agricultural production have gone up and since most state economies are predominantly agricultural, there has hardly been any reduction in inter-state disparities in per capita NDP.³

Sunderam⁴ and many others thus believe that the policy measures adopted by the central government in order to remove regional disparities presents a dismal picture. The Finance Commissions, which have to consider the states as their units, have never taken the removal of inter-state disparities in per capita or levels of living as one of their objectives. In spite of this it is true that the devolutions on the recommendations of Finance Commissions have been somewhat progressive. But these transfer of resources from the centre to the states are smaller than those through the Planning Commission and other sources.

Verma⁵ points out that there is a close connection between regional distribution of political power and economic development. A region which happens to dominate politics is also able to get the lion's share of developmental funds at the cost of politically weak regions⁶. The resentment against neglect finds expression at the elections. The ruling party already

entrenched in the dominant region strengthens or maintains its hold in the region but is gradually weakened in the underdeveloped region. The position of the opposition party is just the reverse. They fare better in the underdeveloped regions. The result is that both ruling and opposition parties acquire regional character, in terms of electoral support and interests⁷.

The vicious circle can be broken by an enlightened and far sighted leadership which can rise above the electoral pressures of their constituencies and undertake definite steps to develop the underdeveloped region and redress the imbalances in development.

Such a policy is difficult to pursue because in democratic country like India, as Mathur⁸ says "regional pulls and pressures for greater plan allocation, at times, even disproportionate to the requirement of the region, disturb the economic planning priorities and already imbalanced development- a backlog of colonial rule - is further perpetuated giving new impetus to sub-regionalism".

Bhanwar Singh points out that the mixed economy which we have adopted in India to promote the economic development of the country, has in reality led to unhealthy competition between them and has disturbed the overall priority schemes for balanced growth.⁹

Indian planning is still highly centralised at New Delhi and at the state capitals. There is no inter related spatial pattern of planning for transmitting the 'spread effects' of growing areas down to the bottom of village level. It is through a process of developing fruitful economic linkages with one another, in contrast to them mutually annihilating competition or in isolation, that a national economy can grow in balance.¹⁰

Patnaik suggests that regionalisation must start from top as well as from bottom. In the proposed scheme, the central government's role will

be largely limited to that of an agency endowed with the responsibility of building up and control of overall instrumentalities for development of national economy and long term policies whose effects, more or less, supersede the administrative boundaries of the state and act as an allocating, co-ordinating and balancing agency in national interest.¹¹

Increasing disparities and the concentration of development potential in a few states indicate rather alarming political consequences. Will India be torn apart by centrifugal forces ? But the three states with the largest potential for further development would generate centripetal rather than centrifugal forces. The need the Indian market for the products of their industries which are mostly not export-oriented and are also interested in an increase in the purchasing power of the backward state.¹²

Export oriented coastal states whose linkages with the home market are limited could react very differently. In this way in India's inward looking economic policy with its concentration on the home market, and its 'export pessimism' has contributed to political cohesion. However, this policy relied mainly on isolating India from external influences and paid little attention to reducing internal disparities. In the new era of economic liberalization in which India is to be opened to international competition, the task of internal development becomes even more urgent.

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