IJHDIS: *Vol. 14, No. 2 (July-December 2021) pp. 175-192* ISSN : 0974-3529

REGIONAL DISPARITIES AND ECONOMIC GROWTH IN INDIA

Dr. Kamna Srivastava

India is a large and heterogeneous country with wide divergences and inequalities in economic and social development. Balanced regional development has been one of the major objectives of national policy. The management of regional inequalities has been a major concern for policymakers for the past decades. The Third Five Year Plan (1991-96) noted that the balanced development of different parts of the country, extension of the benefits of economic progress to the less developed regions and wide spread diffusion of industry are among the major aims of planned development. A variety of fiscal and regional development programmes have also tried to promote regional balanced development. Present paper highlights the issue of regional disparities and economic growth in India.

INTRODUCTION

A study conducted by World Bank has categorized the states into lower income states, north-eastern special category states, middle income states and higher income states. There are considerable intra-state variations in development across districts within states and this variation is particularly higher in the backward regions. About 80 per cent poor districts of the country fall in the category of low income states and north-eastern special category states. Interestingly, more than 28 per cent population in the poor districts lives below the poverty line as against only 14 per cent of the population living below poverty line in the rich districts. Interestingly, the 6 lagging states have abandons of natural resources. A large proportion of undivided states of Uttar Pradesh and Bihar is under the Indo-Gangetic plain and covered by fertile alluvial soil and has tremendous irrigation potential. The large river systems in Orissa and Madhya Pradesh have similarly provided livelihood systems to the majority of the

1. Assistant Prof. , Department of Economics , University of Lucknow, Lucknow

population. Both undivided states of Bihar and Madhya Pradesh and also Orissa are rich in mineral deposits. The states of Orissa and Madhya Pradesh have also significant proportion of areas covered by forests. The lagging states of India account for more than a quarter of India's GDP. They together make up about 44 per cent of India's population which accounts politically important Hindi belt and account for about 60 per cent of India's poor. There has been slow growth rate of economy in the lagging states despite the heavy dose of investment in development projects. The poorer states like Bihar, Orissa and Uttar Pradesh have continued to remain among the country's poorer states. Others like Punjab, Haryana, Gujarat and Maharashtra have maintained their position as India's richer states. The economic development in India during the pre and post reform period is not balanced and even the issues of regional inequalities in development during the economic liberalization era were not adequately addressed. The regional disparity in India is now a matter of serious concern. The poorer states with inadequate infrastructure are not able to attract public investment for rapid economic development though they are rich in natural resources. The poorer states are also investing less because they are depend on central government for financing of plans and grants-in-aid, central assistance and support for implementing developmental projects and finally achieving economic growth.

REGIONAL DISPARITY

The problem of regional disparities in levels of development is not of recent origin. Even during the first quarter of 19th century, there were many countries which experienced its severity to a considerable extent. Today, the problem of regional disparities has become most crucial in almost all the countries of the world, whether developed or developing, although the degree of its proneness is more acute and explosive in the later. In developed countries, regional disparities generally showed divergence in the early phase of their development, but during fifties, the record was somewhat mixed; some of these countries had almost a stable co-efficient of variation while others had almost a tendency towards convergence. However, due to a drastic change in situation during sixties, the tendency towards convergence or depolarization prevailed in almost all the developed countries, simply because the backward regions got an opportunity to consolidate their position. On the other hand, most of the developing countries, during the period their planned development, experienced enclave type development because of the larger concentration of modern sector activities in urban centres, mainly metropolies, degenerating growth impulses to their peripheries.

Like other developing countries, India also suffers from the acute and explosive problem of regional disparities. Our successive Five Year Plans have construed the complexity of this problem in various pronouncements made in the plan documents. But the efforts made through the first three plans were primarily oriented towards achieving the objective of higher growth rates. The scarcity of resources and efficiency of investment often made it imperative for the decision makers to concentrate developmental efforts at those parts of the economy and those regions of the country where rates of return were expected to be comparatively high. This type of implementation of planned development programmes resulted in widening of regional disparities in levels of development and strengthening of the dualistic structure of the economy. Moreover, judging from the measures adopted and the results achieved there appear to have been only some vague quest for balance of equity till the end of the Third Plan. However, with the commencement of the Fourth Plan, planning for regional development, especially for backward areas, started receiving special attention. Besides higher allocation of central assistance to backward regions, numerous programmes based on 'Area Development' and 'Target Group' approaches were launched around seventy with a view to achieving the objective of reducing regional disparities (Rao & Sundaram, 1973).

During the previous two decades, quite a large number of studies have been accomplished by the academicians, researchers and planners in the field of regional disparities/inequalities both at the global and national levels. Some studies have found that regional disparities become larger and larger, or diverse with economic growth, whereas others have shown that disparities converge in the process of economic growth. Moreover, the most prevalent view is that, as the economy grows, regional disparities diverse at first only to converge later. In India too, since the dawn of seventies, there has been continuous improvement both in quality as well as quantity in regional studies in academic institutions, research organizations and State Planning Departments. The focus has, however, varied significantly from study to study ranging from inequalities at the State level to those of the district and block levels. Most of these studies appear to be mainly concerned with measuring the levels of development, but very few of them analyse the impact of the present development strategies/policies on reducing regional disparities in levels of development. Thus, it appears that so far only a small amount of research effort has been devoted to comparative analysis of regional disparities as related to the process of development (Sreedevi, 2008).

Balanced regional development, in developing and under-developed countries, is essential for the following reasons:

- The profit motive results in the development of those regions where the prospects of profit are high, while other regions remain under-developed. These inequalities are accentuated by migration, capital movements and trade. Thus, the need is to minimize the trend towards industrial localization through deliberate State action for a balanced regional development.
- Balanced regional development is essential for rapid development of the economy because the progress of the entire economy depends on the development of all regions in keeping with their factor endowments.
- If there are regional inequalities, the low levels of income in the backward regions will retard the development of the developed regions due to lack of adequate demand for the products of the latter.
- The aim of regional development should be to secure maximum efficiency in the utilization of available resources. Establishment of varied industries leads to the fuller utilization and conservation of the mineral, forest, agricultural and human resources of the region.
- Balanced regional development is needed to maintain

political stability in the country. If there are regional disparities in income and wealth, they are the greatest source of danger to national solidarity.

- Development of a few areas and concentration of industries in them, will bring the entire economy to stand-still in the event of their destruction by the enemy during a war. Thus, balanced regional development is essential for national security and defence.
- In localized industrial centres, there is over-crowding congestion and noise which undermine the health and efficiency of the inhabitants. Cost of living being high, such centres breed poverty and discontent among the masses. Therefore, the need arises for balanced regional development to avoid these social evils.
- The dispersal of industries in different regions will not only promote the development of infrastructure in backward regions, but also secure larger employment opportunities in all areas thereby increasing their per capita output and income.

Not only is there difference of opinion in deciding the process but also the causes behind such tendencies. There is enough evidence in existing literature that industrialization of an economy is always geographically imbalanced, be it the 'centre and periphery' by Fiedmann (1966), the 'core and fringe' by Ullman (1958) or the hinterland – heartland by Perloff and Wingo (1961), but empirical experiences of different countries differ. Also the seriousness of the socio-political implications of such inequalities prompts any national government to take action in terms of specific economic policies. In India, two such major policy practices have been preferential treatment to backward States in location of economic activities particularly industrial dispersal and Centre-State fiscal transfers. There is an inbuilt imbalance between the expenditure responsibilities and the revenue sources of the State governments. The founding fathers of the Indian Constitution were aware of this fact and ensured a comprehensive scheme of devolution of central tax revenues through the mechanism of finance commissions. The sharing of personal income tax and excise duties collected by the Centre with the States is periodically reviewed by the Finance Commission appointed every five years. The omission also decides the principles and the formula by which the allocable funds are to be distributed among the States. An important aspect of the devolution of central tax revenues under finance commission dispensation is that it has inbuilt bias in favour of fiscally weak States. Population and per capita income of the state get higher weightage in the distribution formula. A State with larger population and lower per capita income gets a higher share in the Central tax revenues.

The gap between revenue receipts and revenue expenditure is another parameter which decides the level of a State's share. As a result, the central tax share constitutes a major revenue source for the backward states. While it constitutes about one-third of the total tax revenues of all the states taken together; it accounts for more than 50 per cent of the total tax revenues of less developed states like Bihar and Orissa; but its share is less than 20 per cent of the total tax revenues of more developed States like Gujarat, Haryana, Maharashtra and Punjab. A second channel of resources flow from the Centre to the States is Central Assistance for State Plans. The State plans are financed partly by States own resources and the balance by Central Assistance. Central assistance is provided as a block assistance of which 30 per cent is grant and the remaining 70 per cent is a long term loan. The rationale for this grant-loan proportion is imbedded in the fact that about 30 per cent of the plan expenditure was of revenue nature and 70 per cent was of capital nature when this proportion was decided in the late Sixties. Since plan expenditure of revenue nature is not expected to yield any financial returns for servicing the loan, this share was provided as grant by the Centre. In the case of fiscally weak States categorized as 'Special Category States' the grant component is, indeed, 90 per cent.

The distribution of Plan assistance to the States ha been governed by 'Gadgil Formula' since the Fourth Five Year Plan (1969-74). As in the case with Finance Commission devolution, 'Gadgil Formula' which is administered by the Planning Commission also has it's built in bias in favour of backward States. Population and per capita income together account for 85 per cent of the weight in the formula.

The remaining 15 per cent weightage is equally divided between state performance in the achievement of certain priority national objectives and the special problems of the States. Central assistance constituted about 45 per cent of the State Plans when all States are taken together. While the share of Central assistance constitutes less than 25 per cent of the Plan finances of the more developed states, it accounted for the major share of Plan finances of the backward states. While 'Gadgil Formula' based normal Central assistance continued to be positively discriminating towards backward States, additional Central assistance for externally aided projects was skewed towards better off States. Indeed, external aid accounted for 40 to 60 per cent of Central Plan assistance to some of the developed states, while such assistance contributed less than 20 per cent of the Central Plan assistance to most of the backward states.

Fiscal management in India is characterized by some important features that should be noted. Firstly, the focus of fiscal and economic reforms has been on central finances. Secondly, the fiscal reforms focused mainly on macro-economic stabilization and the measures were directed at compressing fiscal and revenue deficits and not improving efficiency and the tax and the expenditure system (Rao & Shah, 2009). Thirdly, fiscal adjustment has focused on reducing fiscal deficits at the state level which had adverse implications for the developmental role of states and particularly the lagging states. Realizing the development potential of the country will depend upon the management of fiscal resources by the centre to create a common market and enable a level playing field for lagging states. Intergovernmental transfers constitute an important policy instrument in fiscal federalism that can serve a number of different functions. An efficient fiscal transfer system is likely to be characterized by predictability and stability. Predictability of resource flows enables the sub-national governments to plan ahead and stability ensures that there will not be sudden shocks in the transfer arrangements. Fiscal transfers play a role in resolving both vertical and horizontal imbalances in a fiscal federal system (Rangarajan & Srivastava, 2011). Vertical fiscal imbalance refers to the simultaneous imbalance between means and responsibility in two different tiers of governments. The vertical gap arises from the assignment of revenue sources and expenditure responsibility. However, individual policy choices and the handling of these assignments by the governments in different tiers play a significant role in determining the actual gap that ultimately emerges. Horizontal fiscal imbalance pertains to the same level of government where the concerned tier comprises more than one government. It necessarily refers to the lower, sub-national tiers of government. Thus, there is a need to modify the transfer mechanism so that the issues of regional inequality may be addressed and both the vertical and horizontal fiscal imbalances are corrected. In view of the above, the present study has been conducted to examine the fiscal transfers to states and addressing the issues of regional inequality.

Reducing regional disparities in development has been a major concern throughout the plan period. These disparities were largely inherited from the pre-independence period partially because of the regional diversity in natural endowments and also because of the differences in land tenure systems, investment patterns and systems of governance in different parts of the country which were basically designed to serve the interest of colonial government and a large number of princely states (Rao, 2010). Reform of land tenures and development of infrastructure in the backward regions received a high priority in the post-independence period. Programmes for the development of drought prone areas, hill and tribal areas were also launched from time to time. Federal financial transfers through the successive Finance Commissions and Planning Commission have distinctly favoured the less developed states over a period of time. However, fiscal transfers in a democratic polity have its own limitations and thus, inter-state disparities in the levels of development persisted and even increased in some extent. There has been a marked increase in inter-state disparities in the post-reform period.

CAUSES FOR REGIONAL DISPARITIES:

It is actually difficult to find out the main cause of regional disparities. It exist in all developed and under developed countries of the world. Regional disparities are of two types, one is natural endowment and other is man-made due to the negligence and preference. On the other hand, regional disparities may be inter-regional or intra-regional may be total or sectoral. As mentioned earlier that regional disparities were largely inherited from the pre-independence period. Investment in physical and human capital, technical change and institutions, including those of governance are the three key variables usually invoked for understanding the growth performance. The decline in public investment on irrigation, power and social sectors has been cause of concern. Within the states, the per capita plan outlays of the poorer states have always been much lower than those of the better of states. These disparities have widened in the post-reform period. Central assistance for the state plans (including assistance for externally aided projects), which is a major component of state plan resources, has been progressive in that the per capita assistance for the poorer states has been higher than for the richer states. The poorer states have been handicapped basically by their own weaker resource positions. The per capita own plan resources of the poorer states, including market borrowing, constituted around 40 per cent of own per capita plan resources of some of the better of states. The important factor responsible for the deterioration in the financial position of the poorer states is the decline in the tax GDP ratio of the Centre in the post-reform period and the consequent decline in the transfers to the states through devolution as recommended by the Finance Commissions. The decline in per capita transfers to the poorer states was even greater because the formula for devolution by the Finance Commission is quite progressive. The debt – GDP ratios of poorer states are higher. Because of their lower credit worthiness, they have not been able to access borrowings from the market to the same extent as the richer states. The inability of the less developed states to access sufficient resources for the development of infrastructure through higher plan outlays has thus emerged as a critical constraint in redressing regional imbalances in development. Private investment has been flowing basically to the higher income states where per capita plan outlays have been higher and where, therefore, infrastructure is well developed. The developed states are characterized by progressive land tenures whereas most of the less developed states were under the exploitative tenures. Similarly, the developed states have good governance which resulted in effective utilization of resources and delivery of public services with improved infrastructure development. However, in the backward states, the central transfers and external resources in terms of development projects could not yield the desired results due to malpractices and prevailing high level of corruption.

POLICY MEASURES FOR ADDRESSING REGIONAL INEQUALITIES:

As the 11th Plan commenced, a wide spread perception all over the country emerged that disparities among states and regions have been steadily increasing in the past few years and the gains of rapid growth witnessed have not been reached all parts of the country and all sections of people in an equitable manner. The 11th Plan made provisions for budgetary support for the new centrally sponsored schemes and additional central assistance. The centrally sponsored schemes included Backward Region Grant Fund, Hill Area Development Programme, Border Area Development Programme, Special Initiative of Earmarking of 10 percent Funds for North-East Region, Non-lapsable Central Pool of Resources and Setting up of Ministry of Development of North-Eastern Region, North-Eastern Development Council etc. The 11th and 12th Central Finance Commissions also adopted progressive formulas for devolution of resources to the states. The central assistance in terms of development projects and financing of state plans has also increased for the poorer states. The government also highlighted the imperative need for reforming tax system and effective debt management. Central government also initiated mega projects in mission mode for infrastructure development, improving governance and public services however, the advantages of such projects was again availed by the developed states. This shows that government transfers and development initiatives have not been successful in reducing in regional inequalities.

ECONOMIC REFORMS AND REGIONAL DISPARITIES:

The different regions of a nation are often endowed with different natural resources and usually have different historical, sociological and political backgrounds. The assumption, in traditional economic theory, of free and costless mobility of factors of production – labour, capital and entrepreneurship – across the regions of any particular nation hence seldom holds true in actual practice. As a result mainly of all this, it is very seldom that the different regions of a nation are all at the same level of economic development at any point of time. For less developed national economies, the existence of backward regions can cause considerable concern. Further as a nation develops economically, the different regions of the nation may or may not share the benefits of this economic development equally. It is hence a matter of great interest to examine the manner in which inter-regional differences in the levels of economic development undergo change during the process of national economic development. If these have a natural tendency to decline in the process of national economic development, and the time taken for this decline is not the proverbial Keynesian long-run in which all of us may be dead, there is no need to devise and rigorously implement deliberate policy measures to mitigate these. But on the contrary, if there is an automatic and built-in tendency on economic grounds for these to increase with national economic development, policy measures to prevent such increases are definitely called for (Nair, 2004).

Considerable economic, and, since 1990s, econometric research has gone on to unravel the pattern of regional economic change in the process of national economic development. Myrdal (1956) and Hirschman (1961) have identified in detail the forces that operate to bring about these relative regional changes. While Myrdal (1956) refers to the forces of convergence and of divergence as spread and backwash effects, Hirschman (1961) describes these broadly as trickling-down and polarisation effects respectively. Scanning regional economic literature, one comes across at least three different hypotheses in this regard and these differ on the emphasis given to the relative importance over time of the forces of convergence and of divergence. One of these is the self-perpetuation hypothesis propounded by Hughes (1961) and found empirically valid by Booth (1964) for the USA. According to this view, the forces of divergence dominate over those of convergence and as a result, inter-regional differences in the levels of economic development keep on widening over time. A diametrically opposite view is the convergence hypothesis propounded and found empirically valid by Hanna

(1959) and substantiated these days also with the Solovian logic that the rate of economic growth is inversely related to the level of per capita income and hence given identical technologies, preferences and rates of population growth, cotemporaneous differences in per capita incomes between any two regions will be transitory.

Considerable evidence to support the hypothesis empirically has been provided by Hanna (1959), Perloff et. al. (1960) and Sala-i-Martin (1996). The third hypothesis, which in a sense is a happy combination of these two diametrically opposite views is the concentration cycle hypothesis propounded by Williamson (1965). The proponents of this view, point out that inter-regional economic differentials diverge initially to converge later on and thus trace out the famous Kuznetsian inverted U-shaped curve over time in the process of national economic development. Considerable empirical evidence in support of such a view emerged as a result of a detailed international study of regional development experiences by Williamson (1965). A new and valid point being stressed in this regard by many including Nair (1982) is that the pattern of regional change depends upon the indicator of development being considered, with different indicators showing different patterns of regional change.

GROWING INTER-STATE INEQUALITIES:

Disparities of various kinds have been viewed as the price paid by man for development gains. Problem of regional disparities in the levels of economic development is almost universal. Its extent may differ in different economies, but its existence can hardly be challenged seriously in any nation of respectable size. While most experts generally agree that inherent tendencies for increasing regional disparities exist in the early stages of national economic development, sharp differences of opinions and judgments, exist on the prediction of ultimate convergence as the nation reaches matured stages of development and on the basic determinants of regional growth different (Khare, 2011).

FISCAL REFORMS:

There was a paradigm shift in economic policy with the initiation of economic reforms in the country in the early nineties. The earlier focus on planned economic development, primacy of the public sector, location of public sector undertaking to address regional imbalances and regulation of industry and trade through a system of licensing and permits gave way to market-oriented economic policies. The focus has shifted from public investment to promoting private investment. The shift in economic policy has been a major contributory factor in putting the Indian economy on a higher growth trajectory. The economic reforms and other associated changes had repercussions on the Indian economy in a number of ways. One such major repercussion is the greater role cast on the States in economic development. With the major portion of investment envisaged to come from the private sector in the Five-Year Plans, States are required to put in place the necessary enabling conditions such as the provision of adequate infrastructure to attract private investments. States which have taken proactive policy measures and having better infrastructure facilities have been able to attract private investment. States failing to attract private investment have lagged behind. This has resulted in increasing inequalities in economic growth thus accentuating imbalances across States. The poorer States with lower resource base and lack of infrastructure have been unable to catch up with the rest of the States. There has been large scale migration from poorer States to richer States and a faster pace of urban growth stretching the already inadequate civic amenities in urban areas to the hilt.

Changes in Tax Sharing: One of the long standing grievances of the States was that the divisible pool of Central taxes was restricted to income tax and Union excise duties. Till the 80th amendment, the Constitution provided for mandatory sharing of the net proceeds of income tax (Article 270) and permissible sharing of the net proceeds of Union excise duties (Article 272). The States were particularly peeved by the exclusion of income tax paid by the companies from the divisible pool by an amendment of the Income Tax Act in 1959. Following the recommendations of the Tenth Finance Commission, Article 270 of the Constitution was amended in 2000 (80th Amendment) to provide for the sharing of net proceeds of all Union taxes and duties except those referred to in Articles 268 and

269 and cesses and surcharges referred to in Article 271. This has resulted in a more rational division of net proceeds of Central taxes between the Union and the States. The new dispensation has enabled the States to share the overall buoyancy of Central taxes. The States, by and large, have favoured the sharing of all Union taxes and their grievance is now restricted to the percentage share devolved to them.

Introduction of Tax on Services: Introduction of service tax initially on three services in 1994 and its gradual extension to other services was a major development in the area of indirect taxation in the country. Services now account for over 50 per cent of the Gross Domestic Product (GDP). With the expansion of the service sector and the extension of service tax to more and more services, revenue from the tax improved from 0.29 per cent of GDP in 2003-04 to 1.22 per cent of GDP in the revised estimates of 2008-09. The share of service tax in the total gross tax revenue of the Centre improved from 3.10 per cent to 10.35 per cent in the same period. The introduction of service tax resulted in higher buoyancy of Central taxes.

Tax Reforms: The introduction of Value Added Tax (VAT) with commonly agreed rates by States in 2005 was a major landmark in the history of State taxes. It was the culmination of efforts stretching over a decade towards reforms in sales taxation. It put an end to the cascading effect of sales taxation and rate wars among States, which was a zero-sum game and heralded a spirit of cooperation among States. Though the Empowered Committee of State Finance Ministers is now entrusted with decision making with regard to VAT, it does not amount to any dilution of the autonomy of States. On the other hand, it is a healthy development towards cooperative federalism for the common good of all. Another major development is the proposed introduction of Goods and Services Tax (GST) shortly. This tax to be levied concurrently by the Centre and the States is likely to subsume a number of Central and State taxes making the tax administration less cumbersome, more industry friendly and more transparent. Furthermore, it is expected to do away with most of the tax exemptions involving huge revenue loss and improve voluntary tax compliance because of the input credit. The introduction of VAT and the proposed introduction of GST have to be perceived from the point of view of larger interests of the nation and in making the country an integrated market rather from the narrow perspective of loss of autonomy of States. Even, if there is a loss of some autonomy, it is the result of voluntary abdication on the part of States for their common good.

Borrowings by States: Following the recommendations of FC-XII, the Centre terminated on lending to States from 2005-06 on account Central Plan assistance. Prior to 2005-06, the Centre was dispensing normal plan assistance in the grant-loan ratio of 30:70 in the case of General Category States (GCS) and in the ratio of 90:10 in the case of Special Category States (SCS). States are now allocated additional market borrowings in lieu of loan component of normal Central assistance. Termination of on lending by the Centre has cast a burden on the States in terms shorter duration of the market borrowings. The Central loans had a repayment period spread over 25 years with a moratorium of five years in repayment. In contrast, the market loans have a repayment period of 10 years with a bullet repayment at the end of the tenth year. This will result in bunching of repayments for the States. Till 1998-99, small saving collections were being credited to the Consolidated Fund of India and the Centre was extending loans to a State against small saving collections in that State. In April 1999, the National Small Savings Fund (NSSF) was created in the Public Account with the Centre taking on the responsibility of servicing outstanding small saving deposits from the date NSSF became operational. The share of the States in net small saving collections was increased from 66.66 per cent to 75 per cent in April 1987 and further to 80 per cent from April 2000 following the requests of the State Governments. From April 2002 to March 2007, the entire net collections under small savings were being invested in securities issued by the State Governments. The mandatory sharing of net collections by the States was reduced to 80 per cent from 2007-08 with the States being given the option to borrow up to 100 per cent of net small saving collections. States' borrowings against net small saving collections are no more treated as loans from the Centre following the setting up of NSSF. With these changes, Finance Commissions have been excluding small saving loans from the purview of consolidation and relief offered on outstanding Central loans to States. Besides, loans from the NSSF carry a high interest rate of 9.5 per cent per annum.

Fiscal Responsibility Legislation: A major development in the management of public finances in the country was the enactment of Fiscal Responsibility and Budget Management Act (FRBMA) by the Centre and all the States with the exception of West Bengal and Sikkim, ushering in an era of rule based management of public finances. Since, the late eighties, the finances of the Centre and the States witnessed an alarming deterioration.

CONCLUSION

Reduction in regional disparity is a major concern for government in India. Large regional inequalities represent serious threat to the unity of a country and lead to call for a separate state. Therefore, it is not surprising that reduction in regional disparities has been a major policy objective of most governments especially in developing countries (Shankar & Shah, 2001). The 11^{th} Five year Plan has visualized inclusive growth with balanced regional development in India. The Government of India has also introduced policies, programmes and schemes for addressing the issues of regional development. Additional budgetary resources were also provided for addressing the issues of regional inequalities. It may be concluded that regional inequality has not been adequately addressed even during the reform period. Though, reforms initiatives in agriculture, industry, trade and services sectors has improved overall performance in lagging states however; the economic performance during the reform period has been reported varying across the geographical regions, states and within the states. The special package of financial assistance and support from central government to the lagging states has no doubt provided an additional impetus for the overall economic development of the backward regions however; the desired results of inclusive policies, programmes and schemes could not be achieved due to poor governance and other factors. This calls for more emphasis on improving governance for effective and efficient functioning of centrally sponsored schemes and other inclusive policies for balanced regional development.

References

Booth, E.J.R (1964), "Inter-regional Income Differences", Southern Economic Journal (SEJ), Vol 31, No 1, July.

Friedman, J. (1973), ''A Theory of Polarized Development'', in J. Friedman (ed) Urbanization, Planning and National Development, Sage: Beverly Hills.

Hanna, F.A (1959), State Income Differentials 1919-1954, Duke University Press, Durham

Hirschman, A.O. (1958), The Strategy of Economic Development, Yale University Press: New Haven.

Hirschman, Albert. O (1961), The Strategy of Economic Development, Yale University Press, New Haven.

Hughes, R.B (1961), "Inter-regional Income Differences: Self- Perpetuation", Southern Economic Journal, Vol. 28, No 1, July.

Khare, M. (2011), Convergence, Dispersal and Devolution: Need for Region Specific Approach IN Regional Disparities in India's Socio-Economic Development, Edited by K.K. Bagchi, New Century Publications, New Delhi.

Myrdal, G (1958), Economic Theory and Underdeveloped Regions, Vora, Bombay.

Myrdal, G. (1957), Economic Theory and Underdeveloped Regions, Duckworth: London

Nair, K.R.G (1982), Regional Experience in a Developing Economy, Wiley-Eastern, New Delhi

Nair, K.R.G. (2004), Economic Reforms and Regional Disparities in Economic and Social Development in India, Planning Commission, Government of India, New Delhi.

Perloff, H.S, E.S. Dunn Jr, E.E.Lampard and R.F. Muth, (1960), Regions, Resources and Economic Growth, Resources for the Future, Johns Hopkins Press, Baltimore.

Rangarajan, C. & Srivastava, D.K. (2011), Federalism and Fiscal Transfers in India, Oxford University Press, New Delhi.

Rao, C.H.H. (2010), Regional Disparities, Smaller States and Statehood for Telangana, Academic Foundation, New Delhi.

Rao, Govinda (2009), 'A Review of Indian Fiscal Federalism'-A Study done by the National Institute of Public Finance and Policy for the Commission on Centre-State Relations.

Rao, Govinda, M. & Shah, Anwar (Ed.) (2009), State's Fiscal Management and Regional Equity, Oxford University Press, New Delhi.

Rao, P.P. and Sundaran, K.V. (1973), Regional Imbalances in India – Some Policy Issues and Problems, Indian Journal of Regional Sciences, Vol. 5, No. 1.

Sala-i-Martin (1996), "Regional Cohesion: Evidence and Theories of Regional growth and Convergence", European Economic Review, Vol. .40.

Williamson, J.G (1963), "Regional Inequality and the Process of National Development", Economic Development and Cultural Change, Vol 13, No 4, Part II, July.