

## General Studies – 2; Topic: Issues and challenges pertaining to the federal structure, devolution of powers and finances up to local levels and challenges therein.

### Disparities between States in India

#### 1) Introduction

- The states across India do not show a uniform growth trend.
- The Economic Survey pointed out that while the health trends across states are converging, the income and consumption pattern shows a sharp divergence
- The progress of the country depends on the progress of each of its individual states

#### 2) Reasons for Disparity

- **Natural Resources**
  - a) India's different regions are endowed with different natural and human-based resources.
  - b) Some states such as West Bengal, Jharkhand, Odisha, Chhattisgarh etc. are endowed with better mineral resources while others such as Punjab and Haryana have better irrigation facilities.
- **Manmade / Historical Reasons**
  - a) Neglect of some regions and preference of other regions in terms of investments and infrastructure facilities.
  - b) Historical factors that go back to mughal era and became prominent in British Era, have also contributed to regional inequities.
- **Government Policies**
  - a) Faulty planning process inherited from colonial rule in the post-independence era
  - b) Despite of the pro-backward areas policies and programmes, considerable economic and social inequalities exist among different States
  - c) Inter-state disparities in growth of GSDP have increased post economic reforms period.
  - d) Red tapism, corruption, lack of ease of doing of business environment and political and administrative inefficiency
- **Geography**
  - a) Factors like climate, water ways, terrain and soil are important for development
  - b) For e.g. coastal states have done well due to their developed ports and waterways for trade in comparison to the inland regions.
- **Social factors**
  - a) The poor and illiterate sections of less developed regions has high fertility rate thus growing population
  - b) Incapacity of the states to harness rich demographic dividend due to less developed job market.
- **Economic factors**
  - a) High input cost due to inadequate infrastructure and lack of demand driven market
  - b) Infrastructure like robust transport system is inefficient in poorer states.

#### 3) Nature of Disparity

- Disparities have been strengthening, not weakening, over time.
- The less developed States are falling behind the richer ones instead of catching up
- Five of the six best-performing States in 2001 - Gujarat, Tamil Nadu, Andhra Pradesh, Kerala and Punjab - continue to be the top performers in 2011.

- Likewise, four of the six worst-performing States in 2001 - Odisha, Jharkhand, Uttar Pradesh and Bihar - remained at the bottom in 2011.
- There is Electricity Power deficit disparity among Indian states. Almost half of the states would be either surplus or balanced, and the remaining states would face both peaking and energy shortages
- Income inequalities are much higher than the inequality in human development.
- Poorer countries are catching up with richer countries, the poorer Chinese provinces are catching up with the richer ones, but in India, the less developed states are not catching up

#### 4) Way Forward

- Implementation of GST will reduce disparities among the state's leading to more "convergence".
- By increasing the literacy levels and also providing basic health amenities, to a certain extent the disparities could be reduced.
- Female literacy is the best antidote to rising total fertility rate (TFR) and female labour participation an effective way to boost per capita incomes.
- If India has to do well, the States as a whole must do well
- This requires that large differences in economic development between states must narrow over time.
- Business friendly environment in terms of single window clearances, transparency in regulation, tax benefits and providing adequate infrastructure
- The driving force behind the Chinese convergence dynamic has been the migration of people from farms in the interior to factories on the coast; such restructuring is need in India as well.
- Solving problems specific to backward region – Naxalism; patriarchy; discrimination based on sex and caste
- Scientific and technological developments - Prudent interlinking of rivers; internet access through innovative projects like project loon; prospect of cloud seeding in drought prone areas; e-education; e-health etc
- Skill development – less than 5% of labourers in India have any skill certification; more attention to skill development particularly in less developed states.

#### 5) ARC recommendations

- Union and State Governments should adopt a formula for Block-wise devolution of funds targeted at more backward areas.
- Governance needs to be particularly strengthened in more backward areas within a State.
- A system of rewarding States (including developed States) achieving significant reduction in intra-State disparities.
- Additional funds need to be provided to build core infrastructure at the inter-district level in less developed States and backward regions.
- The quantum of assistance should be made proportionate to the number of people living in such areas.
- The approach to all such funding should be outcome driven.