



# Regional Development Disparity

## Why in News

- Regional development disparity is a continuous developmental challenge for Indian policy makers.
- Recently NITI Aayog published Three Year Action Agenda, to recommend policy changes and programmes for action from 2017-18 to 2019-20. This document highlighted regional development disparity as critical development issue.

## Regional Development Disparity

- It refers to difference in economic development and uneven economic achievement in different geographical regions.
- It is reflected by the indicators like per capita income, the proportion of population living below the poverty line, the percentage of urban population, percentage of population engaged in agriculture vis-à-vis engaged in industries, infrastructural development of different states.

## Need for Balanced Regional Development

- Within democratic polity, growth and prosperity must exhibit regional balance. Thus a democratic government striving to achieve such balance is axiomatic.
- India is subdivided into 29 states differing in terms of their productive potential and the type of industry they can support. The realization of their potential holds the key to increasing the competitiveness of the nation as a whole.
- Regional disparity in development causes challenges like **violent conflicts, unplanned and haphazard migration** e.g. **Insurgency** in North-east and **Left wing extremism** in large parts of central and eastern states of India.
- The sustainability of the growth rate and the goal of the country to achieve its development target will be difficult to meet unless India develops as an integrated whole of regional competency.

## Causes of Regional Disparity

### Historical Factor

- The British government and industrialists developed only those regions of the country which possessed rich potential for prosperous manufacturing and trading activities. Thus port cities like Bombay, and strategically important areas like Calcutta and Madras received initial development.
- In the absence of proper land reform measures and proper industrial policy, the country could not attain economic growth to a satisfactory level.

### Geographical Factors

- The difficult terrain surrounded by flood prone areas, hilly terrain, rivers and dense forests leads to increase in the cost of administration, cost of developmental projects, besides making mobilization of resources particularly difficult.
- Himalayan states like Himachal Pradesh, Northern Kashmir, Uttarakhand, North-Eastern states remained mostly backward due to its inaccessibility and other inherent difficulties.

## Location Specific Advantages

- Due to some locational advantages like availability of irrigation, raw materials, market, port facilities etc. some regions are getting special favour in respect of site selections of various developmental projects e.g. oil refineries are mostly located in close to sea.

## Early Mover Advantage

- New investment in the private sector has a general tendency to concentrate much on those regions having basic infrastructural facilities.
- Term-lending institutions and commercial banks tend to concentrate investments in the relatively more developed States.

## Failure of Planning Mechanism

- Local needs; one size fits all approach, lack of adequate resources, poor implementation of plans, lack of planning capacity at state level reduced capacity of Planning Commission to ensure balanced development.

## Restricted Success of Green Revolution

- **Green revolution** improved the agricultural sector to a considerable extent through the adoption of new agricultural strategy of high yielding variety seeds, assured irrigation, provision of technical knowhow etc
- However, the benefit of green revolution were restricted to Punjab, Haryana and western Uttar Pradesh as this belt had advantage of irrigation facilities, were traditionally wheat growing states, with adequate policy support from State Governments which other areas lacked and couldn't reap benefits of Green Revolution.

## Law and Order Problem

- Extremist violence, law and order problem etc. have been obstructing the flow of investments into backward regions besides making flight of capital from backward states.

## Intra Regional Disparity

- An important aspect of regional disparities in India is the significant level of disparities, which exist within different States. For example, **Vidarbha in Maharashtra, Saurashtra in Gujarat.**
- Demand for and creation of some of the States in the past in the wake of popular agitation was based on perceived neglect of certain backward regions in some of the bigger states such as creation of Andhra Pradesh and Gujarat in the fifties and creation of Punjab, Haryana and Himachal Pradesh in the sixties.
- In each State specific reasons exist for backwardness of regions within states e.g. the major cause of backwardness of Vidarbha and Marathwada in Maharashtra and Northern Karnataka is the scarcity of water.
- Backwardness of certain regions in Gujarat, Madhya Pradesh, Bihar and Orissa can be associated with the distinct style of living of the inhabitants who are mostly tribals and the neglect of such regions by the ruling elite.

## Government Interventions to Reduce Regional Disparities

### Higher resource transfers from the Centre to the Backward States via;

- **Planning Commission** (before 2014) mainly in the form of plan transfers, and
- **Finance Commission** in the form of non-plan transfers. Since 1969 a **Special Category status** was introduced which was in operation till 13<sup>th</sup> Finance commission to provide greater percentage of grants to such states from Centre.
- The large weight given to "**Income Distance**" by 14<sup>th</sup> Finance commission is an important step towards plugging the gaps in per-capita income between states.

## Development Programmes

- Programmes of agriculture, community development programme, **Drought Prone Areas Programme**, irrigation and power, transport and communications and social services aimed at providing basic facilities and services to people in all the regions.

## Provision of Facilities in Areas which Lag Behind Industrially

- **River valley projects** and **multi-purpose projects** e.g. Narmada Dam for dry parts of Gujarat and Madhya Pradesh, proposed Ken-Betwa inter river link project for Bundelkhand region etc.

## Programmes for the Expansion of Village and Small Industries

- **Village and small industries** are spread all over the country and various forms of assistance provided by the Central and State Governments are made available in the areas according to programmes undertaken.
- Industrial estates have been set up in all States, and increasingly, they are being located in smaller towns and rural areas.

## Diffusion of industrial activity and infrastructure

- In the location of public sector projects, the claims of relatively backward areas have been kept in view wherever this could be done without giving up essential technical and economic criteria.
- For North east region East West Corridor project, **Special Accelerated Road Development Project (SARDP-NE)** and **Trans Arunachal Highway** for increasing connectivity.
- There is an on-going major rail construction programme in the NER. 25 rail projects are under way in the region of which 11 are national projects.
- Subsidies, exemptions and tax breaks given to industries for investing in backward regions. For instance **North East Industrial and Investment Promotion Policy (NEIIPP 2007)** for Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura; **Special Package Scheme for Himachal Pradesh, Uttarakhand and J&K.**

## Schemes for Development of Backward Areas

- The **Backward Region Grant Fund (BRGF)** is a Programme implemented in 272 identified backward districts in all States of the country to redress regional imbalances in development.
- BRGF consists of two funding window namely Development Grant and Capacity Building.
- **Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY)** has been launched in September 2015 for the welfare of tribals and tribal areas and other affected by mining.

## Competitive Federalism

- Competitive federalism means spirit of competition among two or more states in the matters of trade, investment and commerce.
- States compete with each other to attract funds and investment, which facilitates efficiency in administration and enhances developmental activities.

## Way Forward

- India's geographical diversity and different levels of development across regions mean that **location specific targeted action** would be required in less prosperous regions to ensure that a minimum acceptable level of prosperity.
- There is need to invigorate civil society in these areas as it is now well accepted in developmental studies that the region with higher social capital tends to develop more rapidly and sustainably.
- NITI Aayog's Three Year Action Agenda underlines the specific action for North Himalayan states, North-Eastern states, Coastal regions and Islands and Desert & Drought prone areas this action plan should be diligently implemented.

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