Impact of Globalisation on Regional Imbalance in Economic Growth Across the Different States of India

Archana Kumari*

The accelerated economic growth since the early 1980’s appears to have aggravated regional disparities. The ongoing economic reforms since 1991 with stabilization and deregulation policies as their central themes seem to have further widened the regional disparities. The seriousness of the emerging acute regional imbalances has not yet been received the public attention. The purpose of this study is to initiate a debate on the various issues involved with a view to explore effective corrective measures without any further delay.

Keywords: Regional Disparity, Globalisation

Introduction

The impact of globalisation on regional imbalance in economic growth across the different states of India is a hot topic nowadays. The ultimate aim of economic growth for any country is its overall balanced growth in each sector of its every state. If the economic development in each and every sector of each state is not with equal pace then it creates unbalanced growth within the country. Economic growth that does not lead to sharp and sustained reduction in this unbalanced growth, may create regional variation and create more problems than it solves.

Regional disparity is often a source of political tensions and dissatisfaction in a federal system. Although the theory and measurement of such disparities have never received adequate attention in India, both the Planning commission and Finance commission have given very high (and some exclusive) weightage to this aspect when deciding allocation of resources among the states. Every time such allocation is made to address the issue of regional disparity, one or other theory gets acceptance of policy makers over other competing alternatives. What is disturbing is that very often the choices are made without proper validation and verification of these theories in the Indian context. For instance, from the late 1950’s to the 1980’s, it was believed that investment is the prime mover in the system and that an adequate dose of investment can solve any problem of growth and disparity. Dholakia (1985) found that it was not a correct remedy for reducing regional disparities once the state level capital stock and hence capital formation estimates were generated for the states.

Regional inequality is one of the important aspects of the economic growth which has attracted the attention of a number of economists in India as well as abroad. Removing the inequality and imbalance in the growth is one of the important objectives of economic planning. A number of economists in the country have tried to explore the extent and the reason for the regional variation and still a lot is to be done.

Ahluwalia (2000); Dev and Ravi (2003); Bhattacharya and Sakhivel (2004) have found in their respective studies that the interstate disparities in the growth of gross state domestic product (GSDP) have increased in post economic reform period beginning from the early nineties when compared to the eighties. In general the richer states have grown faster than the poorer states. They were of the view that the regional disparities in per capita GSDP growth are even greater because the poorer states in general have experienced a faster growth in population. Although these disparities have accentuated in post reform period they have been building up in the pre-reform period itself.

According to Kurian (2000), inter-state economic and social disparities in India have been increasing in spite of various governmental measures to develop backward areas.

*Research Scholar, Department of Economics, Ranchi University Ranchi(Jharkhand)
E-mail: archanaks17@gmail.com
Jeffray, Bajpai and Ananthi(2002) aims to explain the growth experiences of 14 major states of India between 1980 and 1998. Using two measures of convergence, σ-convergence and β-convergence, they examine whether per capita incomes in the states have been converging or diverging. By both standards of convergence, India demonstrated overall divergence during 1980-98, as well as during both the pre-reform and post-reform sub periods. Interestingly, the richer states experienced a degree of convergence during the post-reform period, whereas the poorer states did not.

Dholakia (2003) in his paper examines the trends in regional disparity in India’s economic and human development over the past two decades, and the direction of their causality. The Indian regional data suggest a two-way causality between human and economic development. The paper argues that the planning commission and the finance commissions need not be unduly concerned about regional imbalance in human or economic development. Emphasis on economic growth is likely to address the issue of disparities in development. Emphasis on economic growth is likely to address the issue of disparities in income and human development speedily.

According to SINGH et al. (2003), there are concerns that regional inequality in India has increased after the economic reforms of 1991. This concern is supported by various statistical analyses.

According to Rao, H. (2006) the interstate disparities in the gross state domestic product (GSDP) have been increasing in particular in post economic reform period. These disparities have been largely contributed by the large variability in the contributions made by the secondary and tertiary sectors. For reducing interstate disparities, there is an urgent need for enhancing the levels of public investment for improving the social and economic infrastructure in the backward regions.

**Regional Imbalance & Economic Growth**

Disparities in economic and social development across the regions and intraregional disparities among different segments of society have been the major reasons for adopting planning in India since independence. Apart from massive investment in backward regions, various public policies directed at encouraging private investments in such regions have been pursued in the first three decades of planned development. While efforts to reduce disparities were not lacking, achievements were disproportionately low. Considerable level of regional disparities remained at the end of the 1970’s. The accelerated economic growth since the early 1980’s appears to have aggravated regional disparities. The ongoing economic reforms since 1991 with stabilization and deregulation policies as their central themes seem to have further widened the regional disparities. The seriousness of the emerging acute regional imbalances has not yet been received the public attention. The purpose of this study is to initiate a debate on the various issues involved with a view to explore effective corrective measures without any further delay.

Thus there is no dearth of literature on the subjects related to Impact of Globlisation on Regional imbalance in economic growth across the different states of India, but not much has been done to analyze empirically the inter state variation in the economic growth of the country. There is need to examine the extent of interstate variation and trends of the disparities in economic growth.

Considering these facts the present study has tried to examine the impact of globlisation on regional imbalance in economic growth across the different states of India. This paper considers 27 states for the periods of twenty five years (from 1980-81 to 2004-05).

For showing the variation in economic growth of different states, Gini coefficient and coefficient of variation of NSDP and Per capita NSDP has been calculated for the years 1981-82, 1985-86, 1990-91, 1995-96, 2000-01, 2004-05.

From the table-1, fig- 1 and fig- 2 it is clear that the Gini coefficient and coefficient of variation both has increased up to 1995-96 and then started decreasing. It means before economic reform the regional imbalance was increasing rapidly but after economic reform variation increased in 1995-96 but after that it
started decreasing. This may be because any plan takes time to give result. Thus this study shows that after
Globlisation regional variation has decreased though slowly.

Table-1
Gini coefficient and Co efficient of variation of NSDP.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gini coefficient</th>
<th>Co efficient of variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>0.48</td>
<td>105.95</td>
</tr>
<tr>
<td>1985-86</td>
<td>0.48</td>
<td>106.41</td>
</tr>
<tr>
<td>1990-91</td>
<td>0.56</td>
<td>109.03</td>
</tr>
<tr>
<td>1995-96</td>
<td>0.57</td>
<td>113.55</td>
</tr>
<tr>
<td>2000-01</td>
<td>0.56</td>
<td>109.19</td>
</tr>
<tr>
<td>2004-05</td>
<td>0.51</td>
<td>107.08</td>
</tr>
</tbody>
</table>

Fig-1 Gini coefficient of NSDP

Fig-2 Coefficient of variation of NSDP
Table -2
Gini coefficient and Co efficient of variation of Per capita NSDP.

<table>
<thead>
<tr>
<th>Years</th>
<th>Gini coefficient</th>
<th>Co efficient of variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>0.19</td>
<td>37.98</td>
</tr>
<tr>
<td>1985-86</td>
<td>0.20</td>
<td>39.95</td>
</tr>
<tr>
<td>1990-91</td>
<td>0.22</td>
<td>42.58</td>
</tr>
<tr>
<td>1995-96</td>
<td>0.24</td>
<td>46.69</td>
</tr>
<tr>
<td>2000-21</td>
<td>0.26</td>
<td>51.72</td>
</tr>
<tr>
<td>2004-05</td>
<td>0.26</td>
<td>50.83</td>
</tr>
</tbody>
</table>

From table-2 fig-3 and fig-4, it is clear that the variation is increasing continuously it has decreased very slightly in the year 2004-05. So we can say that the variation in per capita NSDP was increasing before globlisation and it has also continued to increase after this. As per capita income is more appropriate indicator of economic growth, we can say that variation is increasing even after globlisation.
Thus we can conclude that the certain states are increasing at faster rate than the others. As we are seeing there is some tendency of decreasing variation in NSDP after economic reform i.e. in the year 1995-96 and 2004-05 but the variation in per capita NSDP is not decreasing even after globlisation.

References


Baxi Himani Joshi (2009): Regional Disparity in India – Issues and Perspectives, Published by, ICFAI University Press.


