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REGIONAL ECONOMIC DEVELOPMENT IN INDIA: PROBLEMS AND PROSPECT

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Abstract:

The concept of regional Economic Development in India has emerged due to the fact that India is a large federal nation and there are widespread disparities in the levels of economic and social development among different regions of the Indian nation. Indian economy started its journey to economic development from a closed economic set-up having considerable faith in centralized planning and with commanding heights reserved for the public sector. At the initial stages of national economic development economic disparities got increased and as a result there arose the necessity of initiating deliberate policy measures to curb these regional disparities. Having recognized the existence of widespread heterogeneity among the regions and their accompanying problems decentralized planning technique has been adopted. The idea of Decentralized planning has been familiar to planners for a long time with a view to achieve development of widely dispersed areas and to provide solution to locality specific problems. The second and the third plans had mentioned local horizontal plans, preparation of state plans based on district and block level plans and devolution of responsibilities to Panchayati Raj Institutions. However these ideas did not really take off, particularly due to inadequacy of planning capabilities at such levels. With the outbreak of COVID-19 and consequent lockdown the entire economy has become a sufferer. Complete stoppage of production of goods and services has wiped out the supply chain. . COVID has hit the external sector as well. Within a moment of time nothing can be changed much. Gradual recovery process with conscious and judicious efforts is to be started.

Key Words: Region, Development, Disparities, Decentralization, COVID, Competitive Advantage, Self Reliant.

The concept of regional Economic Development in India has emerged due to the fact that India is a large federal nation and there are widespread disparities in the levels of economic and social development among different regions of the Indian nation. Indian economy started its journey to economic development from a closed economic set-up having considerable faith in centralized planning and with commanding heights reserved for the public sector. At the initial stages of national economic development economic disparities got increased and as a result there arose the necessity of initiating deliberate policy measures to curb these regional disparities. Having recognized the existence of widespread heterogeneity among the regions and their accompanying problems decentralized planning technique has been adopted. The term “Region” deserves our attention here. While we concentrate on Regional Economic development we face a problem of defining boundary of a “Region”. The states are the politico-administrative units of the Indian federation and are the units for which formulation of planning and its implementation have some implications. A question may arise as to whether it is appropriate to consider states as “Regions” for the purpose of regional analysis. It is true that no Indian state can be looked upon as an entirely homogeneous region by any touchstone of homogeneity. Nor can a state be looked upon as a nodal region in terms of the existence of only self-contained economic linkages. Some regional studies consider Districts as units of regions and analyze their performances in the field of economic development and make critical evaluations of their performances. Again a question may arise as to whether it is appropriate to consider districts as “Regions” for the purpose of regional analysis. The problem of heterogeneity still persists there. Even if we consider Blocks as units of analysis we face the same kind of problems. The same picture will come out in case of further segregated analysis of regional studies. Before going into the further details of regional analysis we should bear in mind that the unit of analysis in regional studies should contain minimal heterogeneity for having in-depth study of their problems and prospects.

With this background in mind let us concentrate on the problems of data to be used for analyzing Regional Economic Development. Detailed studies examining the nature, extent, possible causes and changes in inter regional disparities have been of considerable relevance to policy makers and planners in India. A critical survey of studies related to Regional Economic Development in India by Nair (1993a) has clearly shown the paucity, till 1990, of studies. Earlier work mainly consisted of examining issues related to the choice of regions for analysis, estimation of indicators of regional well-being, regional impact studies and studies testing the validity of growth theories at the regional level. Barring few exceptions like the study by Nair (1982) dealing with the pre-80 period, these did not link regional development experience to government policies in this regard for regional development. The situation has remained more or less the same since the 90's. There have of course been a number of meaningful studies about indicators of regional well being like the ones by Cassen(2002), Malhotra(1998) and the Planning Commission (2002). There have also been some attempts to find out the relationship between economic growth and poverty at the regional level like the one by Datt and Ravillion(2002). There were also some efforts at linking regional development experience to regional policy. One of these by Nair(1993 b) was a mere exploratory note and that too concerned with just one state – Orissa. The other was a much more detailed one by Kurian(2000)and dealt with the major Indian states, but it focused

mostly on the period since the 80's. There is no detailed study of inter-state regional experience in economic and social development in India examining the nature, extent and possible causes of disparities, the patterns of regional change and the interrelationship between economic and social development at the regional level. A usually accepted and simple way of carrying out regional analysis is to compare the region concerned with the national or state level averages. Practically such comparisons hardly carry any significance due to the very nature of averages being influenced by extreme values.

As pointed out by many including Nair (1993a) and Dholakia (2004), data problems are a major impediment in the way of meaningful and in-depth regional analysis even at the state-level in India. Data are available at the state level of net domestic product or income originating which can be considered indicative of the level and efficiency of resource use in the concerned state. The statistical bureaus of the concerned states are regularly bringing these out, but there are doubts about the strict comparability of these estimates while making inter-state comparisons. Moreover changes in the methodology of and data base used in these estimates make inter-temporal comparisons also difficult. We have also to bear in mind the well-known fact that the state economies have always been much more open than the national economy if we consider the existence of considerable inter-state economic flows. In view of this, no serious analyst would consider the income originating in a state as indicative of the level of living of the people of the state concerned. In order to have clearer understanding in this regard, it is necessary to examine other indicators like income originating or disposable personal income at the state level. But data regarding income accruing or personal income, available at the regional level in most countries of the world are conspicuous by their absence in India. However, in recent years, some serious efforts have been made to fill this important data gap. Planning Commission (2002) has brought out human development indicators at the state level for three points of time. Similarly the Economic and Political Weekly Research Foundation (EPWRF)(2002) has put together on a comparable basis data on state domestic product brought out by the different state statistical bureaus.

The idea of Decentralized planning has been familiar to planners for a long time with a view to achieve development of widely dispersed areas and to provide solution to locality specific problems. The second and the third plans had mentioned local horizontal plans, preparation of state plans based on district and block level plans and devolution of responsibilities to Panchayati Raj Institutions. However these ideas did not really take off, particularly due to inadequacy of planning capabilities at such levels. In the fourth plan period the need for strengthening the planning machinery at different levels was recognized. Decentralized planning came into the forefront only with the advent of the fifth plan when a number of Special Area Programmes were undertaken with specialized agencies for their implementation. During the sixth plan the procedures for effective functional, financial and administrative decentralization upto the district level were outlined to the states. Though the role of micro level planning had been recognized even in the earlier plans, its implementation is still in its infancy. So far as Indian Regional Developmental Programmes are concerned regional economic development has been brought about mostly in the form of 'providing some help to a portion of regional mass'. Sometimes these helps are in the form of subsidy and/or institutional credit. The prime consideration there is the possibility of recovery

of credit, nothing else. Inadequacy of planning capabilities at regional level has been reflected through the lack of involvement on the part of regional mass into sustained innovative project for effective utilization of resources available in the region concerned resulting in total neglect of potentialities in some cases.

Regional Developmental schemes are classified into three categories. They are Central Scheme, Centrally Sponsored Scheme and State Scheme. Central Schemes are those, which are funded and implemented by the central government. Centrally Sponsored Schemes are those, which are fully or partly funded by the central government and implemented by the state government. State Schemes are those, which are funded by the state government and share of state government in Centrally Sponsored Schemes. Regarding the implementation of Central Schemes and utilization of fund sometimes so many lapses are found due to apathy of the state government. In case of Centrally Sponsored Schemes sometimes state governments cannot utilize funds due to their inability to provide their own share. Funding and careful implementation of Regional Developmental Programmes are essential pre requisite of having success in Regional Economic Development.

Within the framework of administrative setup and its functioning Panchayati Raj institutions are not given required autonomy needed for launching locally relevant programmes. They suffer from lack of adequate funds, as they are dependent on Central Schemes or Centrally Sponsored Schemes or State Schemes. They do not raise their own resources and cannot carry out their own programmes needed for Regional Economic Development. In order to achieve decentralization in true sense of the term required autonomy is to be provided to the Panchayati Raj institutions so that they can formulate and implement their locality specific plans and programmes.

Regarding the credit delivery of scheduled commercial banks we note that credit delivery is not sufficient to meet the requirements of the region concerned. In this respect the suggestion of the committee (Oct, 1987) headed by the chairmanship of Dr. P D Oza is worth mentioning. These suggestions are based on Service Area Approach and include preparation of Branch Action Plans, Block Level Annual Action Plans, District Annual Action Plans and their implementations. This Service Area Approach is expected to facilitate grassroots level planning and better spatial distribution and disbursement of credit. On the other hand this will enable bank credit officers to have a better knowledge of their area of operation and to have a better coordination between lending and promotional and infrastructural agencies. Unfortunately nowhere such approach is followed. Only consideration there is the possibility of recovery, nothing else. Until and unless such Service Area Approach is followed decentralized Regional Economic Development will remain a far cry.

The role of Credit Cooperatives is very vital in Regional Economic Development. Cooperation is a subject in the State List as per the Seventh Schedule of the constitution of India and therefore the primary responsibility for the development of Cooperatives rests with the state. There is a three-tier structure. At the village level there is Primary Agricultural Credit Societies (PACS). At the intermediate level there is Central Cooperative Bank (CCB) at the district and at the apex level there is State Cooperative Bank (SCB). The historical evolution of Cooperatives in the state has revealed the fact that most successful Cooperatives have been the ones that have not relied on the assistance from the state but have shown considerable initiative in developing on their own.

Success of Cooperatives is basically dependent on their internal managerial efficiency and mobilization of their own resources.

Non-Government Organizations and Voluntary Organizations have a checkered history in Regional Economic Development. The seventh plan recognized that government alone could not handle the task of regional economic development. It enunciated a clear-cut policy for involvement of Voluntary Organizations in regional economic development. It stressed the need to enlist Voluntary agencies in accelerating the process of social and economic transformation of regional economies through their participation in the planning and implementation of programmes of regional development. The accent in the seventh plan was on introducing professional competence and managerial expertise in Voluntary Organizations to meet the requirements of development. Despite the official policy of encouraging Voluntary effort, Voluntary Organizations do not get real support from the bureaucracy and political leaders. From the point of view of Voluntary Organizations, governmental agencies, particularly at the district level and below, are not willing to shed their power and hold on to the development programmes. They claim superior knowledge and expertise in the implementation of regional development programmes. In most of the cases the attitude of these agencies towards the Voluntary Organizations is apathetic. They do not consider the Voluntary Organizations to be their equal partners. The style of functioning remains bureaucratic and there is an expectation that Voluntary Organizations will show their obeisance in the corridors of power to get grants. The unfortunate result is that the genuine grassroots level organizations get discouraged and are not able to procure grants. A large number even prefer not to depend on government funding. On the other hand there has been a tendency for several spurious organizations to be set up with the objective of getting grants from the government. These grants are often siphoned off or diverted for other purposes. Adverse publicity about these organizations has an obvious fall out on the genuine organizations as well. Until and unless Non-Government Organizations and Voluntary Organizations are treated as the partner of the governmental agencies to carry out regional developmental programmes and apathy of the bureaucrats is wiped out we will be able to achieve very limited success of Regional Economic Development.

With the outbreak of COVID-19 and consequent lockdown the entire economy has become a sufferer. Complete stoppage of production of goods and services has wiped out the supply chain. Large number of workers has become bound to stay at home. Employees engaged in private sector enterprises have become scared to lose their jobs. Daily wage labourers have lost their jobs. Livelihood of poor common people has become endangered. Government has become bound to incur huge expenses for taking care of COVID patients. At the same time Government has to spend a lot for providing subsidized or no-cost food grains to the poor people. COVID has hit the external sector as well. Within a moment of time nothing can be changed much. Gradual recovery process with conscious and judicious efforts is to be started. We have to encourage our manufacturing sector so that internally we can boost up our supply chain as well as our purchasing capacity. Rural entrepreneurs are to be encouraged. In order to keep our exports sector vibrant we have to build our indigenous capacity through Research and Development. We have to invest for that. A sustained development of an economy must be through indigenous capacity building and acquiring competitive advantage over others.

Indian economy is lacking this approach. Until and unless this basic approach towards planned economic development is adopted and measures are taken for building up of indigenous capacity Indian economy will be a sufferer.

In the era of Globalization the only idea that has occupied our mind is that we should go for producing those commodities, which are enjoying competitive advantage in the global market. It is never taken into consideration that Regional Economic Development may act as engine of acquiring comparative advantage over the others. Nowhere it is recognized that either an existing activity or to be explored activities based on available resources even in remote rural areas may acquire competitive advantage in the world market if they are taken care of. Now time has come to consider this possibility to make India self-reliant through the implementation of decentralized planning.

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