

Regional Disparities Pose Danger to Unity

One of the great challenges confronting contemporary India is the growing regional disparities. Prof. Amaresh Bagchi and NJ Kurian point out that the per capita income (1996-99) of Maharashtra is Rs 19,248 and that of Bihar is Rs 5,465. This maximum/minimum ratio was 1.87 in 1960-63, 2.50 in 1970-73, 3.28 between 1987-90 and is now at 3.52. The high-income states of Goa, Maharashtra, Gujarat, Punjab and Haryana, with a population share of 20% account for 33.8% of NSDP. Their share of NSDP was 27.6% in 1970-71. The middle-income states of Tamil Nadu, Kerala, Karnataka, AP and West Bengal have a population share of 29% and NSDP share of 32.9%. In their case, the NSDP share has not increased (70-71: 34.6%), but the population share declined from 33.4% in 1970-71 to 29% in 2001. The five low-income states (BIMARU + Orissa) account for 45% of the population and 30% of NSDP share. In these states, the population share is increasing, and NSDP share, declining.

The trends are clear. The regional economic disparities have been growing in India since 1970. Economic liberalization process has not checked this divergence. In general the Northwest, West and South are showing positive signs of growth and investment. All these States enjoy higher than national per capita income except AP (93%). The Eastern and Northern parts of the country are lagging behind. All these States have per capita income below 75% of national average, with the exception of Rajasthan (81%) and West Bengal (85%). The low-income States are registering lower growth rates than the rest of India, increasing regional disparities.

After the demise of the USSR and erstwhile Yugoslavia, India is the only truly multi-ethnic, multinational State with such large regional disparities. While China has disparities, its 85% Mandarin-speaking population with shared ethnicity, history and culture, and the spectacular growth rates achieved help it to overcome the pressures generated on account of backwardness in large tracts of Central Asia and Tibet. The dominant and authoritarian role of the monolithic Communist Party also helps smoothen the wrinkles of regional disparities. In India we are dealing with poorer states accounting for almost half the population, and a modest national growth rate. While migration is taking place to faster growing regions, it is extremely limited due to linguistic

and cultural diversity, and less than welcome policies of various states. As a result, even Mumbai city is showing declining trend in population growth.

In the post Second World War, there is no example of a democratic society sustaining such huge regional disparities. If this trend persists, there are clear and present dangers to India's unity and integrity. Already insular regional chauvinism has altered the political landscape of many states. It is a tribute to our society's resilience that we could absorb the plurality, linguistic diversity and economic disparity, and remain a united country. But we need to focus special attention on the Eastern and Northern region. We cannot allow UP, Bihar, MP, Orissa and Assam to fall behind further.

But what can we do? We have extremely non-discretionary fiscal devolution in our federation. Even marginal increases in allocation to poorer states recommended by the Eleventh Finance Commission are resisted politically. In any case, mere fiscal devolution does not guarantee proper deployment of resources. But there is some good news. West Bengal, with its agricultural growth and urbanization, can be the engine of prosperity in the East. Rajasthan has shown significant growth in recent years, and is now almost a middle-income state. North and East have abundant water, fertile land and minerals.

There are three things required to stimulate investment and growth – infrastructure, trading opportunities, and public order and rule of law. Massive investments are needed to build roads and bridges in Eastern UP, Bihar and Orissa. The Union can finance infrastructure with a special package of large low-interest loans, the utilization of which can be monitored closely. This has to be outside the normal fiscal devolution. It helps all of India. Yashwant Sinha, hailing from Bihar, must take the lead and ensure infusion of massive resources in his own home state. If farmers and traders have to transport goods hundreds of kilometers for want of roads and bridges there can only be subsistence and no growth. India's unity demands that partisan politics be kept out of economic policies. And yet we cannot subsidize waste, corruption and inefficiency. But there is room for intelligent central intervention and support.

The recent belated but aggressive steps to open up Eastern and Northeastern India to Southeast Asia is wonderful news for this region. We need the road and trading links with Thailand and beyond. This will make Eastern India an extension of ASEAN and spur growth and trade enormously.

Ultimately there can be no growth without public order and rule of law. Governance in UP and Bihar is in shambles, and medieval conditions prevail. All parties should sit together and evolve a comprehensive strategy to restore rule of law in the region. Empowering panchayats even as they are made accountable is one way. Far reaching police reform and creation of local courts for speedy justice are vital. We can ignore the growing regional disparities only at nation's peril. All of us have a deep and abiding interest in the future of all regions of India.

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