

A Study on Regional Disparities in Development after Post-Liberalization in India

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Introduction:

India's economic history underwent a significant transformation with the adoption of the New Economic Policy in 1991, which marked the beginning of liberalization, privatization, and globalization. These reforms were introduced to overcome the economic stagnation of the pre-1991 period and to integrate the Indian economy with the global market. Post-liberalization, India experienced accelerated economic growth, expansion of the service sector, increased foreign direct investment, and technological advancement. However, alongside these positive outcomes, the process of economic reform has also led to the emergence and widening of regional disparities in development. Regional disparity refers to the unequal distribution of economic growth, income, infrastructure, and human development across different regions of a country. In the Indian context, post-liberalization growth has been spatially uneven, favoring states and regions with better initial infrastructure, skilled human resources, and investor-friendly policies. States such as Maharashtra, Gujarat, Tamil Nadu, Karnataka, and Haryana have made substantial progress, while others—particularly Bihar, Uttar Pradesh, Madhya Pradesh, Odisha, Jharkhand, and Chhattisgarh—continue to lag behind in terms of per capita income, industrialization, and social development. The shift from a state-led development model to a market-driven economy reduced direct government intervention and increased the role of private investment. As a result, regions that were already economically advanced attracted greater capital inflows, whereas backward regions with weak infrastructure and governance faced difficulties in competing for investment. This has intensified inequalities not only between states but also within states, especially between urban and rural areas. Understanding regional disparities in the post-liberalization era is crucial for achieving inclusive and balanced growth, which is a core objective of India's development strategy. India's economic history underwent significant changes as a result of the introduction of new economic policies in 1991, beginning the process of liberalization, privatization and globalization. These reforms were introduced to overcome the economic stagnation of prior 1991 and integrate the Indian economy into the world market. After liberalization, India experienced rapid economic growth, service sector expansion, increased foreign direct investment and technological progress. However, in addition to these positive results, the process of economic reform has also led to the emergence and expansion of regional development disparities. Regional disparity refers to unequal distribution of economic growth, income, infrastructure and human development indifferent regions of the country. In the Indian context, post-liberal growth is spatially uneven, favoring countries and regions with good initial infrastructure, qualified human resources, and investor-friendly policies. State-owned enterprises such as Maharashtra, Gujarat, Tamil Nadu, Karnataka and Haryana have made substantial progress, while other states, especially Bihar, Uttar Pradesh, Madhya Pradesh, Odisha, Jharkhand and Chhattisgarh, remain in lagging behind in terms of per capita income, industrialization and social development. The transition from state-led development models to market-based economies reduced direct government interventions and increased the role of

private investment. Consequently, regions with already advanced economies attracted larger capital flows, while regions with weak infrastructure and governance faced difficulties in competition for investment. This has increased inequality, particularly between urban and rural areas, not only between States, but also within States. Understanding regional disparities after the liberalization era is crucial to the achievement of inclusive and balanced growth, a core objective of India's developmental path.

Concept of Regional Disparities:

Regional disparities arise when certain regions advance economically and socially at a faster rate than others. These disparities may manifest in terms of per capita income, industrial output, employment generation, literacy levels, healthcare access, infrastructure availability, and overall quality of life. In the Indian context, regional disparities can be observed at multiple levels—between states, within states, and between urban and rural areas. Balanced regional development has long been a stated objective of India's planning process. During the pre-liberalization period, the government adopted a centralized planning approach and used public sector investment as a tool to reduce regional imbalances. Despite these efforts, disparities persisted due to inefficiencies, resource constraints, and implementation challenges. The post-liberalization shift toward market-led growth further altered the dynamics of regional development. The idea of regional inequalities is closely associated with balanced regional development, which highlights fair growth across all areas to guarantee social equity and economic stability. When some areas grow more quickly than others, it results in uneven development and causes economic and social disparities. Such inequalities can occur at various levels, including inter-state disparities (differences across states), intra-state disparities (differences within states), and rural-urban disparities. Regional inequalities can emerge from various factors. Areas with superior natural resources, infrastructure, skilled workforce, and market connectivity usually draw more investment and experience quicker growth. Conversely, areas characterized by inadequate connectivity, ineffective governance, low levels of human capital, and a weak industrial foundation frequently face challenges in attaining sustained growth. As time progresses, this establishes a cycle in which advanced areas keep advancing while underdeveloped regions lag even more. The effects of regional differences are extensive. Financially, they result in uneven income distribution and ineffective use of resources. Social disparities lead to poverty, joblessness, and migration from less developed areas to advanced urban locations. On a political level, ongoing regional disparities may lead to tensions and calls for special support or autonomy. Grasping the idea of regional inequalities is crucial for creating effective development strategies. Tackling these disparities necessitates focused public funding, enhanced governance, the development of human capital, and strategies tailored to specific regions. Mitigating regional inequalities is essential for attaining inclusive

Regional development before liberalization:

In India Before 1991, India followed a planned and regulated economic system characterized by large-scale state intervention, industrial permits, import substitution and the dominance of the public sector. The government sought to promote balanced regional development by establishing public sector enterprises in the less developed countries, providing subsidies, and allocating plan funds to countries with poorer development. Although this approach has contributed to the establishment of basic industrial infrastructure in some of the regions that have lapsed, there are also some limitations. Many public sector units are inefficient, inadequately managed and cannot produce sustainable growth. In addition, political

considerations often have an impact on industrial location rather than economic performance. As a result, regional differences continued, although they were relatively moderated by redistributive policies and centralized planning. The government implemented the Five-Year Plans as the primary tool for economic planning. These plans intentionally channelled public investment into underdeveloped areas to encourage growth and generate job opportunities. The creation of public sector enterprises (PSEs) in underdeveloped regions was a significant policy instrument utilized to encourage regional advancement. Major industries like steel mills, heavy machinery plants, and fertilizer production facilities were frequently established in less developed areas to serve as catalysts for growth and create spillover benefits for nearby economies. A key strategy was the industrial licensing policy, which controlled the establishment and growth of industries. The licensing system sought to avoid the concentration of industries in developed areas and promoted industrial distribution by offering incentives for companies to establish themselves in underdeveloped regions. Financial entities like the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), and State Financial Corporations (SFCs) were founded to extend credit and assistance to industries in underdeveloped areas. In the agricultural field, regional development initiatives aimed at boosting productivity via irrigation schemes, rural infrastructure, and the Green Revolution. Though the Green Revolution greatly enhanced agricultural production, its advantages were primarily focused in areas like Punjab, Haryana, and western Uttar Pradesh, resulting in new types of regional inequality.

Economic Reforms After Liberalization and Their Effects:

The economic changes of 1991 signified a clear transition from government-driven development to a market-centric growth framework. Main aspects of the reforms involved deregulation, lowering trade barriers, privatizing state-owned enterprises, and promoting foreign direct investment (FDI). These actions improved efficiency and competitiveness while also altering the spatial arrangement of development. With liberalization, private investment emerged as the main catalyst for growth, shifting away from the previous emphasis on public investment. Private investors favoured areas with superior infrastructure, skilled workforce, stable governance, and access to markets. As a result, states that already had these advantages saw swift growth, while less developed states struggled to draw in investment. Liberalization entailed eliminating unnecessary governmental restrictions and regulations. Industrial licensing was mostly eliminated, limitations on capacity growth were loosened, and trade obstacles like elevated tariffs and import quotas were diminished. These actions promoted competition, boosted productivity, and provided companies with more autonomy in their decision-making processes. Consequently, industrial expansion advanced and the private sector became more significant. Privatization aimed at diminishing the public sector's influence by divesting government interests in state-owned enterprises and promoting private involvement across different industries. This contributed to enhancing efficiency, lowering financial burdens, and implementing contemporary management methods. While privatization enhanced efficiency in certain areas, it also sparked worries regarding job security and fair access to resources. Globalization sought to connect the Indian economy with the worldwide market. Foreign direct investment (FDI) was promoted via policy changes, currency adjustments, and streamlining processes. Greater openness resulted in enhanced access to international capital, technology, and markets, fostering the swift growth of the service sector, particularly in information technology and telecommunications. The impacts of economic reforms have been substantial.

India witnessed increased GDP growth, economic diversification, and enhanced foreign exchange reserves. Nonetheless, the advantages of the reforms were not equally shared. Although certain states and urban areas thrived significantly, others fell behind, resulting in regional and social inequalities. Moreover, agriculture and the informal sector did not benefit equally from the reforms.

Interstate Inequalities:

A notable characteristic of post-liberalization India is the expanding divide between affluent and impoverished states. States like Maharashtra, Gujarat, Tamil Nadu, Karnataka, Haryana, and Telangana have experienced significant growth rates, increased per capita incomes, and swift industrialization. These states gained from initial reforms, export-driven industries, and robust service sectors. Conversely, regions such as Bihar, Uttar Pradesh, Madhya Pradesh, Odisha, Jharkhand, and Chhattisgarh have fallen behind. These regions are marked by minimal industrial development, elevated poverty levels, insufficient infrastructure, and poor human development metrics. Since the 1990s, the income disparity between the wealthiest and the poorest states has increased considerably. Regional disparities extend beyond differences between states; they are also present within individual states. Even in economically advanced nations, growth is focused in particular urban areas, whereas rural and interior regions stay underdeveloped. Cities such as Bengaluru, Mumbai, Chennai, and Hyderabad have become centers of growth, while nearby rural regions struggle with few job prospects. Growth following liberalization has primarily focused on urban areas, propelled by services, information technology, finance, and manufacturing. Rural regions, especially in underdeveloped states, have not experienced equal advantages from reforms. Growth in agriculture has been inconsistent, resulting in stagnation of rural earnings and a rise in migration to cities.

Sectoral Aspects of Regional Inequalities:

1. Industrial Advancement
2. Industrial development in post-liberalization India has been focused in select states and areas. Industrial corridors, special economic zones (SEZs), and export-oriented units are mainly found in coastal and urbanized regions. Underdeveloped areas are deficient in infrastructure, funding, and skilled workforce needed to draw industrial investments.
3. Expansion of the Service Sector
4. The service industry has been the primary driver of growth in India since the reforms. Nonetheless, its advantages are concentrated in urban areas. The growth of IT and knowledge-driven sectors has generated well-paying jobs in certain areas, leading to regional disparities.
5. Agricultural Productivity
6. In underdeveloped areas, agriculture continues to be the main source of income for a significant percentage of the population. Limited productivity, reliance on monsoons, and insufficient irrigation have hindered agricultural development in various states, thereby increasing regional inequalities.
7. Human Growth and Societal Metrics
8. Regional inequalities are also apparent in education, healthcare, and social progress. Southern and western states typically achieve higher results on human development metrics than northern and eastern states. Variations in literacy rates, school attendance, healthcare availability, and nutritional standards indicate unequal social progress.

9. For example, Kerala has attained elevated literacy and health standards despite lower income levels, whereas states such as Bihar and Uttar Pradesh still face challenges with poor human development results. These differences impact productivity in the workforce and future growth potential

Reasons for Regional Disparities Post-Liberalization:

1. Multiple elements lead to regional inequalities in post-liberalization India:
2. Starting Conditions – States possessing superior infrastructure and human resources gained greater advantages from reforms.
3. Private Investment Favoritism – Investment influenced by the market tends to benefit developed areas.
4. Governance and Institutional Quality – The efficiency of administration and the execution of policies differ among states.
5. Infrastructure Deficiencies – Weak connectivity, power deficits, and insufficient amenities obstruct development in underdeveloped areas.
6. Restricted Human Capital – Inadequate education and skill levels limit job prospects.
7. Urban Preference – The focus of development in urban areas sidelines rural regions.
8. Government Efforts to Mitigate Regional Inequalities
9. The Indian government has introduced various policies and initiatives to tackle regional disparities:
10. Backward Regions Grant Fund (BRGF)
11. MGNREGA for employment in rural areas
12. Pradhan Mantri Gramin Sadak Yojana (PMGSY)
13. Status of special category and financial support for underdeveloped states
14. Industrial corridors and cluster growth
15. Although these initiatives have made some positive contributions, obstacles in execution and management restrict their efficacy

CONCLUSION:

The economic liberalization process that began in India in 1991 represented a crucial change in the nation's development approach and greatly altered its growth path. The period after liberalization has been marked by accelerated economic growth, growth in the service sector, a rise in foreign investment, and deeper integration into the global economy. Nonetheless, in conjunction with these favourable advancements, the reforms have similarly revealed and, in numerous instances, exacerbated regional inequalities in development. The advantages of economic growth have not been evenly shared among states and regions, leading to worries about the inclusivity and sustainability of India's developmental trajectory. The examination of regional inequalities after liberalization indicates a distinct split between high-growth and low-growth areas. Regions with superior foundational infrastructure, skilled labour, efficient governance, and favourable policies for investors successfully leveraged market-oriented reforms and drew in private capital. Consequently, regions like Maharashtra, Gujarat, Tamil Nadu, Karnataka, and Haryana underwent swift industrial development, urban expansion, and income increases. Conversely, various northern and eastern states such as Bihar, Uttar Pradesh, Madhya Pradesh, Odisha, Jharkhand, and Chhattisgarh have remained behind due to structural limitations, poor infrastructure, low human development, and governance issues. Regional differences are not confined to variations between states but also occur within states, especially between urban and rural regions. The growth pattern following liberalization has primarily focused on urban areas and services, aiding metropolitan cities and industrial corridors while causing rural and underdeveloped regions to be comparatively

overlooked. This disparity has led to extensive migration, strained urban infrastructure, and ongoing rural poverty in underdeveloped areas. The research further emphasizes that regional differences are strongly tied to variations in human development metrics like education, healthcare, and skill proficiency. Areas with stronger social infrastructure have achieved greater success in maintaining growth and drawing investment, whereas those with inadequate human development results remain caught in cycles of low growth. This highlights the significance of considering regional development in not just economic aspects but also through a wider social and institutional perspective. Despite the government's implementation of various policy initiatives and development programs to tackle regional disparities, their effectiveness has been constrained by challenges concerning execution, governance, and insufficient targeting. Market dynamics alone cannot guarantee equitable regional development; hence, government involvement is essential. A mix of focused public investment, enhancement of governance, bolstering human capital, and tailored development strategies for regions is crucial to diminish disparities. In summary, although liberalization has sped up India's economic growth, it has also created significant challenges for equitable regional development. Closing the divide between developed and underdeveloped areas is crucial for attaining inclusive growth, social unity, and sustained economic stability. Future development plans should concentrate on uplifting underserved areas, encouraging decentralized expansion, and guaranteeing that the benefits from economic reforms are distributed more equitably throughout the entire nation.

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