

Dynamics of Regional Disparities and Growth Patterns in Post-Reform India

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Abstract: Despite the significant economic growth since 1991, India experienced a horizontal imbalance between and within the states. Though in the post-reform period, the growth performance of the states improved; however, the per-capita income divergence was observed. The dynamics and erratic behavior of economic growth of the states and regions in India have been explained in terms of variations in natural endowments, infrastructure, technology, and state-level policy reforms. This paper empirically examines the impact of economic growth on regional disparities using the annual time series data from 1993-2017. The study employed a Theil T- index, Theil L -index, and Gini coefficient to identify inter-state and inter-regional convergence or divergence from the steady-state income path. These empirical findings concluded that higher income inequality exists at the inter-state level, but this gap diminishes as the comparison is made on a regional level. Low-performing states could improve their relative economic position by focusing on the industrial and service sectors and efficiently utilizing government funds.

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