

## **AN ANALYSIS OF ECONOMIC GROWTH AND DISPARITY IN HARYANA**

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Haryana has made tremendous financial progress over the last two decades and is now reckoned as one of the most prosperous states of India. There is enormous increase in per capita income in the state due to boom in the service sector and considerable progress in the field of industries. However, there is perceptible variation in economic growth and prosperity within Haryana. Inter-district variation in economic prosperity in Haryana.

Economic growth causing income inequality depends upon the nature and drivers of economic growth. Growth is expected to be more equitable if it is driven by agriculture and low skilled labour intensive manufacturing sector as there is tremendous potential for employment for unskilled labour in such sectors. On the other hand, if employment is generated in the skill intensive service sector such as banking, business and insurance, only a few highly educated people will be absorbed and, thus, economic disparity will widen. So, drivers of economic growth must be analysed to examine the extent of inequality. This section deals with the analysis of the drivers of the economic growth in Haryana by examining the sector-wise growth performance and their contribution to Gross State Domestic Product (GSDP) growth. GSDP (at factor cost) data has been used since 1980s. The splicing technique has been employed to make GSDP series comparable across time.

Haryana has been performing better than all India average in respect of GDP growth over the last three decades, (1980-2010) except for the decade of 1990-2000. Haryana has registered GDP growth at the rate of more than 6.8% per annum, higher than that of all India average during the last three decades. But in the decade 1990-2000, the growth rate of GDP in the state was marginally less than that of the all India average. The state has registered 9% GDP growth per annum in the last decade. But if we analyse growth sector-wise, the growth rate of the service sector has been the highest both in Haryana and in India. The growth rate of service sector in Haryana has been 9.2%

per annum during the last three decades, while that of all India it has been 7.7% during the corresponding period.

Previous section has highlighted the registered substantial growth during last three decades. In order to ascertain whether there has been uniform growth across districts in Haryana, the growth rates of all districts of Haryana were calculated and then they were compared with the state average. This reveals that growth in Haryana across districts has not been even or uniform while the average annual growth rate of Haryana has been 8.8% during 2000-01 to 2011-12, some districts have had growth at much higher rates while some other at much lower rates. For instance, average annual growth rates of Gurgaon, Faridabad and Panipat have been 12.1%, 10.6% and 10.3% respectively during 2000-01 to 2011-12. But the growth rate of Kaithal and Fatehabad has been even less than 6% per annum during the same period. The growth rate of some districts in Haryana is even less than half of the fast growing districts.

The high growth in Haryana has enhanced per capita income in the state. But a lot of difference is there in per capitaincome within the state. Available data indicates that Gurgaon with a per capita income of Rs.316,512 is the richest district of Haryana, while other district of Haryana has far behind Gurgaon in terms of per capita income. Faridabad with per capita income of Rs.112484, which is much lower than that of Gurgaon, is the second richest district in Haryana. This is enormous disparity among the various districts of Haryana in terms of per capita income. This become quite clear when the per capita income of Gurgaon district is compared with that of Mewat district. Though geographically both the districts are close to each other, but they are poles apart in terms of per capita income. Per capita income in Mewat is nearly Rs.27791 while in Gurgaon per capita income is Rs.316,512, eleven times more than that of Mewat.

Last section reveals that there is a considerable variation in the level of per capita income in various districts of Haryana. Per capita income in some districts is enormously high, while some other districts are extremely poor in terms of per capita income. Though Haryana is a small state, its some districts are enormously rich and prosperous, while others are abysmally poor. What are the factors responsible for such a wide disparity in terms of per capita income. According to economic theory, investment (public and private), physical infrastructure, human capital etc. are the potential factors responsible for wide disparity in per capita income between different districts. In this

section, we have tried to examine whether these factors or variables have caused inter-district variation in per capita income in Haryana.

Haryana has registered significant economic growth over the last decades. However, this growth is lopsided. Some districts which form the part of national capital region (NCR) have registered fabulous while the growth in other districts is insignificant and abysmally low. Economic growth having been restricted to a few districts has widened inter-district income disparity in Haryana. The regression analysis brings out that wide variation in road infrastructure, literacy rate and per capita bank credit are significantly responsible for inter-district income disparity. The govt. should formulate an appropriate policy and take all necessary steps to rectify the regional imbalance in private investment. Moreover, they should spend more on the development of infrastructure in the western region which has lagged behind in the accelerated pace of economic growth in Haryana. This grossly uneven growth in the various districts of Haryana needs to be addressed by the govt. by taking all possible suitable measures to reduce income disparity in various districts.

Growth in consumption expenditure is construed as growth in income. Average per capita expenditure in Haryana has been more than the all India averages, as is revealed by Estimates. In the post-reform period, average per capita expenditure has registered hike both at the all-India level and in Haryana. But this hike in consumption expenditure has not been uniform or even across sectors. Aggregate average monthly per capita expenditure (APCE) for all India has spiked at the rate of less than 1.5 per annum in aggregate during 11 years from 1993-94 to 2004-05 inclusive of both rural and urban sectors. However, the growth rate in consumption has been more than 3% per annum during the period of 7 years from 2004-05 to 2011-12. Growth rate of average per capita expenditure in Haryana has escalated during 2004-05 and 2011-12 in comparison to the growth rate in 1993-94 to 2004-05, but there is stark difference between urban Haryana and rural Haryana. Urban Haryana grew at a spectacular rate of 8.20% per annum from 2004-05 to 2011-12, but in rural Haryana the growth rate has declined during the same period, showing that urban Haryana is outperforming rural Haryana and is thus making higher contribution to the overall growth in Haryana.

Estimates using poverty line based on Tandulkar Committee report reveal that poverty rates in Haryana are uniformly much less than the all-India poverty rates, both in rural and urban areas during the entire period. Moreover, there has been sharp reduction in poverty in Haryana between

1993-94 and 2011-12. This reduction in poverty took place in both rural and urban areas. But comparatively high rate of reduction in poverty was witnessed between 2004-05 and 2011-12 when growth rate was faster. Moreover reduction in poverty in rural Haryana is more than in urban Haryana from 2004-05 to 2011-12.

Haryana's accelerated rate of economic growth has led to reduction in poverty. Historically marginalized social groups are also getting connected to the main stream of development process to some extent. To paint a real picture of the economic growth of the various regions, a sub-state level analysis is necessary. This paper brings out that different districts and social groups residing in them have had different share of economic growth in Haryana, some being substantially benefited, some others only slightly benefited.

Existing literature endorses the view that economic growth helps alleviate poverty. So far as inequality or economic disparity is concerned, the view is that growth accentuates economic disparities. If economic growth is more beneficial to the rich, inequality mounts up and poverty reduces less, despite hike in average incomes. But if growth is more beneficial to the poor, inequality narrows down and poverty also gets mitigated.

In Kaithal, Karnal, Panipat, Sonapat, Jind, Bhiwani, Rewari and Gurgaon, economic growth led to decline of both income inequality and poverty. This growth was preferable in the sense that it was pro-poor growth. But in some districts such as Panchkula, Ambala and Mahendragarh, poverty escalated despite economic growth. Here enhanced inequality in the post-reform period seems to have nullified the impact of increasing growth in reducing poverty. In Yamunanagar, negative economic growth helped reduce income inequality, though poverty remained unmitigated. But in Kurukshetra, negative economic growth reduced both income inequality and poverty. All these results indicate that there are certain factors other than growth and inequality which contribute to reducing poverty. Institutions also play a significant role in determining the dynamics of growth and its outcomes. The role of the institutions also requires analysis.

### **Conclusion and Policy implications:**

There has been considerable economic growth in Haryana over the last three decades. But the National Capital region was far ahead of other regions in terms of economic growth. Resultantly, inter-district income inequality has widened substantially in Haryana. This paper reveals

that road infrastructure, literacy rate and private investment are the major determinants of inter-district income inequality. Inter-district variations in these determinants of income need to be removed by formulating a suitable policy framework. Some steps need to be taken to rectify the growing inter-district imbalance in private investment. Since NCR region attracts private investors in a big way, a growth centre needs to be developed in Western part of Haryana to divert some of the private investment in that region also. If the govt. invests more in roads and other industrial infrastructure, in other regions of the state, this gap could be reduced to a great extent.

Service sector has contributed the most to the economic growth in Haryana. Since the service sector absorbs the skilled and educated labour, educational development across the various regions of the state can play a significant role in making growth more inclusive and in reducing poverty. The cost of education in Haryana is much more as compared to the national average. It should be reduced significantly to make it affordable to the weaker and disadvantaged sections of the society. If education becomes affordable, it will increase the participation of the deprived sections of the society in the economic growth.

Health infrastructure varies substantially between urban and rural Haryana and also across districts. Health disparities also widen the gulf between the rich and the poor. Some urgent steps are required to be taken to rectify the imbalance in health infrastructure. Funds for health infrastructure should be allocated across districts keeping in view the needs of the districts.

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