

**Review of related Literature**

**Achal Kumar Gaur** (2010) has taken 20 major Indian states for the period 1980-2002 for examining the per capita & SDP and in totality. He states that the growth is more over confined to better developed areas. He suggests that the thirteen finance commission, Government of India (2010-2015) should assign due weightage to this factor in its scheme of devolution of taxes/grants for States such that interstate disparities may be rectified effectively.

**Ajitava Raychaudhary** (2012) says that though there had been reforms in 1991 and there had been lot of liberalization in the economy of the country, how much the common person has gained from it? Faster growth should accompany with raising welfare of the people. The growth should percolate to all symmetrically.

**Anil Nair** (2013) Across India, state governments have proposed several education related measures in their 2012-13 budgets. These include setting up new schools, colleges and universities; providing free laptops to students; and scholarships. Taken together, states are estimated to spend Rs 2.6 lakh crore, a 13% increase over 2011-12. But education expenditure as a proportion of aggregate expenditure has remained almost identical at around 16.5%. The largest allocation to education comes in Assam (21.1%) while the lowest is in Arunachal Pradesh (8.3%). The biggest increase in allocation is in Bihar, almost a 3% increase from 16.6% to 19.5%. In Tripura, education spending has decreased by 3.4% to 13.8% making it the largest reduction.

**Anit N. Mukherjee and Satadru Sikdar** (2013) India is undergoing a historic demographic transition where the majority of the population is below the age of 25. It is increasingly being recognised that education will play a major role in the country for reaping the expected ‘demographic dividend’ over the next decades. The paper provides an analysis of the expenditure in the Department of School Education and Literacy and the Department of Higher Education, under the Ministryof Human Resource and Development (MHRD), which constitutes over 90 per cent of the total education budget of the Government of India.

**Cesar Gallo** (2002) Forbes’ (2000) results suggest that in the short and medium term, an increase in income inequality has a significant positive impact on subsequent economic growth. This result can be interpreted as saying that, as long as one looks within the same country, increases in inequality promote
growth in the short and medium term. However, Banerjee and Duflo (2000) report works that find no relationship between inequality and growth, but when the sample is broken up into poor and rich countries a negative relationship in found in the sample of poor countries, while a positive relationship is found in the sample of rich countries. This finding is quite interesting since it suggests that the pro-equality argument would be reasonable for poor countries, while in the case of rich countries the pro-equality argument might be more applicable.

**CHARAN D. WADHVA** is of the opinion that due to the reforms India’s economy has benefitted a lot but now time has come to have second round of reforms with much more human approach so as to make optimum use of potential. Politicians and administration must show more positive human approach while designing and implementing future economic reforms. The reforms should be designed on the long-term vision of converting India into a global economic power in the next few decade. It will be of the utmost importance that all sections of society are educated as to the long-term benefits of reform in order to utilize the economic resources of the country. These reforms must be drastically redesigned and systematically marketed. Future economic reforms must be designed from the point of economics as well as from politics. This paradigm shifts in the reforms will be backed up by the effective fulfillment of the promises made. It will help to gain the support of the Indian people. These reforms must increase the productivity of Indian labor and improve the work culture. In due course the change in the whole system will bear the fruit and growth will occur providing a higher level of real wages, and generating greater opportunity for employment and under–employment and disguise employment will come to an end. Growth with employment is the most effective strategy for getting rid of poverty and improving the quality of life of the people. The reforms must aim at raising the standard of Indian consumers. In due course the reforms must reduce prices of goods and services, improve their quality. It will provide freedom of choice due to market forces. This will further accelerate the demand—both domestic and international—and provide incentives to entrepreneurs to raise their investment, output, and employment. A combination of more productive labor and pro-consumer economic reforms will be giving rise to conducive atmosphere for growth. Good for economics and politics as well. For this purpose visionary political statesmanship will be required. The whole process should be result oriented.
Dr. K. R. G. Nair (2004) highlights the fact that in spite of all the efforts, the difference in the economic development within the states and between the states has been prominent. Economic liberalization was brought in order to trickle down the benefits of reforms after 1991. It has been shocking truth that the regions highly populated and with vast natural and mineral resources have been categorized as poor. It simply reflects that economic benefits have not been utilized by these regions and development have not been inclusive.

Dr. Vu Quoc Huy (2006) The availability of public infrastructure provision, in general turns out to have positive impact on the overall economic growth. Different types of infrastructure, however, have different impact on the well-being of different income groups. The poor seems to get less benefit than the rich does.

It has been observed that the gap between the income of rural and urban have increased over the 1990s. It has started growing at the faster rate of 7 percent per annum. (Economic Commission for Asia and specific annual report 2006)

According to Forbes list (2008), India added to its list 16 new billionaires taking its total to 53. The combine net worth of these 53 billionaires is the order of $335 billion – equal to one third of India’s GDP. In 2010, the number of billionaires was 49. But the most striking feature is that 10 billionaires has total net worth of $144.7, which was 65.4 percent of net worth of all 49 Billionaires.

Similarly there is the growth of the Indian middle class, which is according to a study by National council of applied Economic Research (NCAER), around 28.4 million house hold by 2009-10 accounting for total population of 153 million. The income range of middle class has been defined as Rs. 2 lakh - Rs. 10 lakh per annum. This implies that by 2009-10, about 153 million person will be covered in middle class. Thus we have ‘shining India’ with 53 billionaires making India proud in the world map and middle class comprising of 150 million which bask in the sun of Indian economic growth. Along with this there is the population of 20 million rich with income level over Rs. 10 lakh per annum using 3.8 million house hold. Apart from this middle level income group with Rs. 5 lakh - 10 lakh having the house hold of 1.7 million and then the bottom level of middle class with income Rs. 2 lakh - 5 lakh having house hold of 1 million. Class with annual income Rich over Rs. 10 lakh per annum amounted foe only 0.8 million house hold is expected to rise up to 3.8 million by 2013-14 indicating annual increase of
21.4 percent household. As a result of economic prosperity resulting from GDP growth of the order 6.1 percent per annum and distribution of income in favour of middle class and rich ‘household’. The demographic pattern is undergoing rapid changes. Urban household account for nearly two-third of total household and rural household are poor with only one-third household. Hence it is apparent that growth of middle class is more or less is urban phenomenon. In other words the growth process is leading to rapid increase of Indian middle class, confined to the cities and metros. In that case it does not promote the inclusive growth.

On the contrary it leads to greater concentration of income in the urban areas compared to rural areas. The myth of being superpower explodes when we look at the living condition of 900 millions living in rural and slum areas of the country. The contradictory picture of 53 billionaires on one hand and 900 million in very pathetic condition represents very sad picture of the country. It highlights the lop sided development. Unless the condition of the majority of the Indian population improves, it would be unfair to consider India as super power. over the 1990s. It has started growing at the faster rate of 7 percent per annum.

**India brand equity foundation (2013)Report** – It is a well-known fact that infrastructure facilities form the backbone of a nation’s economy, the Indian government began to shift its focus to infrastructure development, as was evident from the 10th and 11th Five Year plans. During this period, the Planning Commission identified inadequate infrastructure as a significant barrier to economic growth. It persuaded the government to undertake initiatives such as public private partnerships (PPPs), to draw private sector investments into the infrastructure sector. This move has benefited several infrastructure companies, and has consequently renewed their interest in undertaking large scale infrastructure projects within the country. Infrastructure investments are expected to double from Rs 9,19,225 crore (US$ 169.9 billion) during the 10th Five Year Plan (2002–07) to Rs 20,54,205 crore (US$ 379.6 billion) during the 11th Five Year Plan (2007–12).

**Jeffrey D. Sachs et al, (2002)** compare the economic conditions prevailing in India and China. They point out that though India geographically covers only 2.4 percent of world surface yet it sustains 16.7 percent of the world population which is little more than 1 billion people. Some states has achieved greater growth than the others...Similar situation had been prevailing in china but
comparatively less than India. The authors suggest to follow the path of China to reduce the gap between the developed and less developed regions.

**Jonathan D. Ostry et al (2014)** Economists are increasingly focusing on the links between rising inequality and the fragility of That equality seems to drive higher and more sustainable growth does not in itself support efforts to redistribute. In particular, inequality may impede growth at least in part because it calls forth efforts to redistribute that themselves undercut growth. In such a situation, even if inequality is bad for growth, taxes and transfers may be precisely the wrong remedy. While considerable controversy surrounds these issues, we should not jump to the conclusion that the treatment for inequality may be worse for growth than the disease itself. Equality-enhancing interventions could actually help growth: think of taxes on activities with negative externalities paid mostly by the rich or cash transfers aimed at encouraging better attendance at primary schools in developing countries. The macroeconomic effects of redistributive policies will reflect a balance between the components of the fiscal package.

**Kishore G. Kulkarni (2006)** The Indian economy continues to grow as a global economic powerhouse. While this growth is impressive, India continues to have hundreds of millions living in poverty and most of them concentrated to specific regions and sectors. The booming software and technology sector receives daily world attention, however those living in poverty remain largely ignored. Thus, it is important to understand whether the growing economic prosperity has also caused an increase in income inequality. Economic theories vary on both the causes and implications of income equality, however empirical evidence indicates that India has been able to maintain low income inequality during periods of significant economic growth.

**K.Ramkumar (2000)** While talking about the economic liberalization the author says that economic policies are on a path of no-turn and the country has taken a positive u-turn and the economy continues to grow strong.

**K.N.Ninan (2000)** analyses the impact of the economic reforms began in India in 1991 the poor and poverty reduction. The paper concentrates the trends of reduction in some states the poverty level where as in some states the trend was reverse. The study probes in to the role of different factors on poverty levels, using time series analysis of all India data and across section analysis of inter-state data for two points of time covering pre and post reform periods. It suggests that policies to accelerate agriculture growth, improved access to subsidised food through the public distribution system and infrastructure development along with measures to control inflation and reduce inequalities promises to be most effective in reducing the poverty in India.
Leonel Muinelo-Gallo, Oriol Roca-Sagales (2011) From a policy perspective, our results have clear implications. According to our estimates, increasing the size of the public sector (through current expenditures and direct taxes) improves the distribution of income at the expense of economic growth. The effects of indirect taxes on both output and inequality are found to be statistically insignificant. Moreover, the novelty of these results is that they indicate that under certain circumstances the classic trade-off between efficiency and equity when implementing specific public policies could be avoided. In particular, increasing public investment reduces inequality without harming output, no matter if it is financed through direct or indirect taxes.

Madhusudan Ghosh evaluates economic performance of 15 major states in India and examines initially disparate states display any tendency of convergence in real per capita income during 1960/61-006/7. Though the growth performance of states has improved in the post reform period since 1991, the states have diverged in per capita income. He is of the opinion that the poor performing states could improve their relative economic position by undertaking investment in physical and social infrastructures and speeding up the reform process, liberalizing investment and infrastructure policies. Prior to reforms of 1991 the economic activities were very slow where as liberalization of 1991 brought the speed to the various economic activities.

Montek S. Ahluwalia (2002) describes the condition prevailing prior to 1991 in the various area of economic active ties and how economic reforms/liberalization would help them to pick up the speed in positive direction. In his work covers saving, investment and Fiscal discipline, industrial policy, trade policy, foreign direct investment, agriculture, infrastructure, financial sector, privatization and social sector development in health and education.

N. J. Kurian (2000) after making detailed analysis on regional disparity after the initiation of reforms reaches the following conclusion. “The accelerated economic growth since the early 1980s with increased participation by private sectors appears to have aggregated regional disparity. The on going economic reforms since 1991 with stabilization and deregulation policies as their prime instruments and a very significant role for the private sector seem to have aggregated the inter-state disparities. The better-off states are able to attract considerable amount of private investment, both domestic and foreign, to improve their development potential because of the existing favourable investment climate including better socio-economic infrastructure. The backward states are unable to attract private investment because of
unfavourable investment climate including poor infrastructure facilities due to lack of resources. Then lack of resources is linked to their poor development.

Parthpratimpal and Jayati Ghosh (2007) analyse the nature and causes of patterns of inequality and poverty in India. Since the economic liberalization in the early 1990s, the evident suggests increasing inequality (in both spatial and vertical terms) as well as persistent poverty. The policies responsible for this are fiscal policy, tax policy, and expenditure, liberalization of rules for foreign and domestic investment leading more regional imbalance and skewed investment pattern and trade liberalization, which has affected livelihood and employment generation.

Rudra Dutta & K.P.M. Sundaram (2012) - He does the detail study and analysis of all the aspects of economic development right from independence till date. He says that in disparity in India in prevailing in India which spoils the picture of shining India. In order to reduce the disparity, Government and NGOs need to work hand in hand to take up the developmental activities. Invest more on infrastructure, education and health. It is an uphill task. It requires strong determination.

Sanghmitra Bandyupadhyay (2011) explains that inadequate infrastructure and weak fiscal policy is responsible for extreme inequality in India. As a result of this disparity, the Indian states can be broadly into two groups, i.e. The rich states consist of Maharashtra, Gujrat, Panjab, Hariyana, Tamil Nadu, and Karnata, and poor states consist of Bihar, Rajasthan, Madhya Pradesh, Uttar Pradesh and some easter states. There has been little variation in the composition of these two groups over the period. States such as West Bengal have experienced mixed fortunes: it was rich in the 1960s, but suffered due to industrial stagnation of 1970s only picked up in the late 1990s. States in the south such as Andhra Pradesh and Kerala have also become richer in the 2000s. State infrastructure is found to be a major determinant of whether one belongs to the rich group or the poor group. Infrastructure mainly consists network of roads and railways, electrification of towns and villages, power supply to industries, primary- and secondary-level education enrolment, literacy rates and health centres. The extent of state development expenditure strongly indicates whether a state belongs to a rich or poor group. Unfortunately the gap between these groups is increasing day by day. By bringing about balance in infrastructure, the disparity can easily be handled by the state.

Satyaki Roy wants stress the fact that though in last four decades there has been increase in per capita income in all the states in India but relation with this there is no indicators strongly affirming
the higher standard of living, literacy, employment and infrastructure in all the states and even within the states. He also points out that though the income has increased but in that ratio expenditure on human development has not increased.

Shweta Bajaj (2014)- The issue of widening gap between the income can be reduced by inclusive developmental programme. Five year plans had been aiming for inclusive growth but unfortunately the desired result has not been obtained. As the country grows in size, it also brings along with it the responsibility of inclusive growth. Large population, distant interior of the villages and terrain makes it more difficult. It results into scattered development and therefore gap in the income. Though the two third of the population is living below poverty line India is growing. These means two third of population has not benefitted from the growth of the country. Unlike other nation more than 70% of Indian growth comes from domestic consumer spending. Though economic growth have created wealth in the cities giving rise to a different class of sophisticated consumers.

The income gap creates unrest among the have-nots. This creates threat to the security of the country.

India stood at 134th position in the UN Human development Index in 1984. More than two decade later, India stood at the same 134 position in 2007. Inspite being in top four nation with highest number of billionaires, a massive 836 million people on less than 50 cents a day. This serious issue has to be tackled with priority.

World Bank report (2011)

India continues to grow at a rapid pace, although the government recently reduced its annual GDP growth projection from 9% to 8% for the current fiscal year ending March 2012. The slowdown is marked by a sharp drop in investment growth resulting from political uncertainties, a tightening of macroeconomic policies aimed at addressing a high fiscal deficit and high inflation (going well beyond food and fuel prices), and from renewed concerns about the European and US economies. Although the Government was quite successful in cushioning the
impact of the global financial crisis on India, it is now clear that a number of MDG targets will only be met under the Twelfth Five Year Plan (2012–17)

Yaurui Wu (2006) India and China had been matter of study because of the similarity between both the countries from the point of population and era of independence. The author provides an assessment of regional disparity in the two countries and investigates whether there is any evidence of regional convergence during the period of economic growth. He tries to identify the sources of regional disparity and hence draws policy indicators for economic development in the two countries in the near future.

Yazid Dissou and Selma Didic (2010) An interesting summary of the empirical results of the literature appeared in the World Development Report (World Bank 1994), which shows that infrastructure seems to have no effect on economic growth in some cases and appears to generate returns in excess of 100% per year in other cases. These strongly contrasting findings may be explained, in part, by the extent to which researchers have successfully tackled various econometric challenges in estimating the relationship between infrastructure and growth. Maintaining the quality of public infrastructure may positively affect growth by improving the durability of private capital. That is, increasing government infrastructure maintenance spending allows the private sector to spend less to maintain its own capital and thus to allocate its investment capacity to other uses, thereby generating an additional growth effect. Better infrastructure is also found to improve access to health care and education. By improving health and education outcomes, the impact of public infrastructure on growth is magnified or compounded due to the interconnected relationship between education and health. Healthier individuals tend to study more, while more educated individuals also tend to be healthier. Moreover, Agenor and Moreno-Dodson (2006) add labour productivity as another channel whereby public infrastructure indirectly increases growth. Better access to infrastructural facilities means that workers can get to their jobs more easily and perform their job-related tasks more rapidly.

Yumei Zhang et al. (2012) China has recently been spending more than 10 percent of total annual government expenditures on public infrastructure. In late 2008, when the global financial crisis occurred, a 4 trillion yuan package was put into action to stimulate domestic economic growth.
Public infrastructure investment in 2009 and 2010 was respectively 60 and 80 percent higher than in 2008. China has managed to sustain rapid economic growth in recent years. However, disparities between rich and poor have risen, and China has become one of the most unequal countries in the world. Despite high overall economic growth rates, the Chinese government is becoming increasingly concerned about high and rising income inequality. Reducing poverty and inequality through inclusive growth has become a major mandate of development policy.