

CHAPTER 7

MAJOR FINDINGS, RECOMMENDATIONS AND CONCLUSION

7.1 Conclusion

The present study was an attempt to trace the overall growth trajectory of major states in India through an analysis of the performance in different sectors of the economy and to measure the sectoral contribution to overall inequality in India in the post reform period. Further the disparity in per capita development expenditure is measured in order to know the trend of disparity in the expenditure on economic and social services among the states of India. As already discussed in detail about four objectives of the study and on the base of findings of the study which were discussed in chapter 4, 5 and 6 the main conclusion and major findings are explained as below:

India has made significant gains in economic growth in the recent decades and has achieved the tag of the fastest growing economy in the world on the one hand but on the other hand, Indian states are continuously diverging with respect to income. The results of the study are contrary to the neoclassical growth model which proposes regional convergence in the long run but in case of India such evidence of convergence doesn't exist. The inter-state inequality is increasing. At the sectoral level, the tertiary sector remains the main contributor to the total output in the post reform period, but with this increasing output share, its contribution to overall inequality has also increased whereas, the primary sector

registered just opposite. The share of secondary sector has also increased due to the increase in intra sectoral inequality.

7.2 Major Findings:

Based on the analysis, the study has reveals some major findings:

- There doesn't exist σ and β -convergence at the aggregate level in the economy after reforms but at the sectoral level σ -convergence persists in primary and tertiary sector.
- At the sectoral level, disparity decreased within the sector in case of primary and tertiary sector and increased in secondary sector. Although, the tertiary sector is contributing more in aggregate divergence whereas primary sector is offsetting the aggregate divergence.
- The share of primary sector in total inequality has decreased from 45% in 1991-92 to 0.26% in 2016-17 while the share of secondary sector has increased from 28% to 45%. In the same time period the share of tertiary sector has also increased from 26% to 54% over the time.
- There is convergence across the states in terms of per capita development expenditure, more in case of expenditure on social services as compared to expenditure on economic services, but this is not enough to iron out the regional inequality.
- Rank of all the states in terms of per capita income remains almost same over the time except in the three i.e. Assam, Gujarat and Punjab.

7.3 Policy Implications

- There is a tradeoff between specialization in secondary and tertiary sector on the one hand, and primary sector on the other hand. The research has shown that the modern secondary and tertiary sector have higher growth as compared to agriculture sector, but the agriculture is the only that offsets divergence in India.
- One of the major challenges facing economy is the substantial decline in the share of the primary sector income, which is bypassing the secondary sector and has entirely gained over by the tertiary sector. So, it is necessary to infuse dynamism not only into the commodity sector, especially secondary sector, but also to diversify the economy to prevent dominance of only one sector which is not desirable for the overall health of the economy.
- To reduce the inter-state disparities, development policies need to be state specific. Government should focus more on the poorer states.
- It is important for the developing countries like, India where a large proportion of population is engaged in primary sector, Government should create new opportunities for the development of primary sector.

7.4 Limitations and further scope of the study

Present study has also some limitations which are as follows:

- This study tested only σ and unconditional β -convergence. Further by including more variables conditional convergence can also be checked.
- Due to the time limitation, Inequality is measured only at sectoral level, further it can be measured at sub sectoral level also.

- Furthermore, the analysis can be extended by covering the all geographical area of India, because this study is constrained only to 18 major states (including one UT) for simplicity of the analysis, newly created states have been included as a part of their parent states.