

Income Convergence in Maharashtra: Myth or Reality?

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Maharashtra, a fast growing state of India, contributes significantly to the national GDP. However, uniform percolation of the growth streams throughout the state is still an unachieved goal. The present study attempts to empirically estimate convergence of income in the state using Myrdal's (1957) framework, for the period 1993-2013 using sigma convergence, beta convergence and spatial autocorrelations. The result of empirical analysis reveals that beta convergence is insignificant during the 20 years under consideration. The sigma convergence clearly hints at an increase in divergence and formation of 'convergence clubs' in some divisions of the state. The spatial autocorrelations are significant in all the years indicating the presence of spill overs or spread effect. However, the magnitude of these spatial autocorrelations has been very low, implying laggard percolation of the growth process throughout the state.

I Introduction

Maharashtra, which is one of the most progressive states of India, had an estimated GSDP at constant prices (2004-2005) of ` 8,25,832 crs, for the year 2012-13 (*Economic Survey of Maharashtra, 2013-2014*). Its per capita GSDP at constant prices of ` 71,760 per annum is way higher than the national per capita income of ` 39,168 per annum for the year 2012-2013. The state performs impressively even with respect to social and human development indicators (*Economic Survey of Maharashtra, 2013-2014*). However, with six revenue divisions (Konkan division, Nashik division, Pune division, Aurangabad division, Amravati division and Nagpur division) divided into 35 districts, the District Domestic Product (DDP) of these districts comes from different sources and varies considerably. Major contributors to the state income are Mumbai, Thane and Pune (about 46.8 per cent) which are also the districts with very high per capita DDP, thus highlighting the fact that there are very strong growth centres in the western parts of Maharashtra and an extremely skewed development pattern throughout the state. Balanced regional development calls for convergence of income throughout the state.

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