Ishita Patil

Is backwardness immune to state intervention?

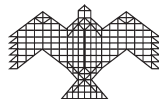National Institute of Advanced Studies

Bengaluru, India

Is backwardness immune to state intervention?

Ishita Patil

Is backwardness immune to state intervention?

Abstract

The discourse on regional backwardness in India has tended to assume that the appropriate response would be targeted investment in a backward region. Yet regions that have been the recipients of such investment often continue to be seen as backward. This paper explores reason for the inability to break out of backwardness, using the example of the Kalyana-Karnataka region. Despite targeted initiatives like the Special Development Plan (SDP) and Hyderabad Karnataka Development Board, the Kalyana-Karnataka region continues to be seen as backward. With a focus on the Yadgir district, because of its 'most backward' taluks, the study reveals that despite investment through SDP and irrigation projects, the region continues to remain backward based on social and economic indicators. Through an analysis of the experience of a village in the district, the paper argues that the impact of state investment is constrained by the fact that secondary investments prompted by the original spending is not limited within the region.

1. Introduction

Discourses on backwardness have been a part of Indian policymaking and planning since the 1950s. Over the decades, governmental and academic efforts to identify backwardness have evolved to include social factors like health and education as well as economic infrastructure. The social indicators are designed to ensure the benefits of growth reach a larger section of the population rather than replace economic growth as a frontline instrument in the battle against backwardness. Rapid growth could even be a necessary, though not sufficient, condition for a substantial improvement in social indicators. There has thus often been a consistent effort to improve the growth potential of the more backward regions. The Kalyana-Karnataka (previously, Hyderabad-Karnataka)* region which consists of the districts in the northeast part of Karnataka, is an example of this effort. The extended period over which the region continues to be considered backward, despite specific initiatives like the Special Development Plan (SDP) and the creation of the Hyderabad Karnataka Development Board, raises an uncomfortable question: is the region immune to state initiatives to combat

---

* Hyderabad-Karnataka and Kalyana-Karnataka are used interchangeably throughout this paper.

backwardness, particularly the apparent inability of the region to catch up with the average growth rate of Karnataka's economy?

To gain insights that will help answer this question, this paper begins by outlining the discourse of 'backwardness' in the Indian economy and policymaking, before recognising the Hyderabad-Karnataka region as 'backward'. The next section dives into understanding the economic imperative behind investment as a policy response to address backwardness and regional imbalance, highlighting the relation between infrastructure development and growth. The persistence of backwardness despite state intervention in the Kalyana-Karnataka region is presented in the following section, with a focus on Yadgir district since all three taluks in that district have been classified by Nanjundappa Committee Report as 'most backward'. The paper then goes on to gain insights from a village that was the site of a sample survey in 2017 and a qualitative survey in 2022. The village which we call Sitapur, is representative of the Kalyana-Karnataka region as it shows the characteristics of being the most backward and a benefactor of investment under the SDP and irrigation infrastructure under the Upper Krishna Project. The continuous

flow of capital has not contributed to significant development in the region, as social and economic indicators continue to identify it as a backward region in the state. By understanding the social, economic and historical forces at play in the village and its inter-relationship with external economies, the paper calls for the need to recognise the role of space and acknowledgement of externalities in addressing regional disparities.

2. Backwardness in Indian Policy Making

Recognition of regional disparity and imbalances in development was reflected in Indian planning from the early 1950s. Various committees were set up by the state to identify backward areas and further usher the process of development in those areas. In the last six decades, the understanding of backwardness and backward areas has evolved. Early on, backward states and districts were identified by the Pande Committee, 1968 based on per capita income, share of income from industries and mining, employment in industries and availability of transport, communication and electricity facilities. It was recommended to build industries of all sizes in the backward areas to address regional imbalance. The Wanchoo Committee, 1969 suggested fiscal incentives to reduce backwardness

through subsidies, tax concessions and financial aids, maintaining its focus on industrial development to address regional imbalance.

The National Committee on Development of Backward Areas (NCDBA), 1978 steered away from the reliance on developmental and sectoral indicators to identify backwardness. It relied on six types of fundamentally backward areas i.e., chronically drought-prone areas, desert areas, tribal areas, hill areas, flood-affected areas and coastal areas affected by salinity. For the Sarma Committee on 100 Backward Districts, 1996, direct and indirect indicators of human development and quality of life were the criteria to identify an area as backward and suggested a special action plan for infrastructural development in backward areas. The Raghuram Rajan Committee, 2013 came up with a multi-dimensional index of backwardness to identify states based on their development. An index based on socio-economic indicators was formulated to rank states as per their level of development and growth, funds were to be allocated for the identified under-developed states for developmental needs. While lack of industrialisation and employment in industries was taken as an indicator of development/backwardness, the focus on well-being

and social factors indicated a shift from a cause-based assessment to one determined by effects on the population and region, in the conception of backwardness.

State efforts on addressing backwardness were also reflected in programmes and plans launched over the years to reduce regional disparities. The Backward Region Grant Fund (BRGF) launched in 2006 identified 250 backward districts in 27 states having structural and institutional deficiencies. The programme aimed to redress regional imbalances in development by supplementing existing financial flows within these districts. The aim was to bridge the gap in local infrastructure and other development requirements through financial as well as professional support to the local panchayats. Recently, a report by Niti Aayog in 2018 pointed to the need for inclusive and sustainable development for all in the country. The report identified 150-200 districts in the country as 'aspirational districts', requiring policy attention to address their prevailing under-development. Emphasis was also placed on changing the nomenclature of these under-developed districts from 'backward' to 'aspirational', to move away from the negative connotation of being backward.

Further, academics have also studied regional disparities at the state and sub-state levels in India using various indicators. Bhattacharya & Sakthivel (2004)[1] compared the state domestic product in the pre and post reform decades which showed uneven development between different states, where benefits accrued in favour of the industrialized states while others lagged. Debroy & Bhandari (2003)[2] made a remarkable contribution to regional disparities showing the presence of backward areas even within states having higher growth and higher income levels. Deprivation calculated based on six indicators (economic and non-economic) was widespread in the country in varying degrees. They highlighted that focus on state-level development and growth overshadowed intra-state disparity at the district and sub-district levels. Through their computation at the district and sub-district level, Bakshi et al. (2015)[3] showed not only the presence of underdeveloped regions in higher income states but also the prevalence of most developed sub-districts in some backward districts. Basu & Das (2020)[4] conclude that India has not made significant progress in addressing regional imbalance and the need to expend the recognition of backwardness beyond the BIMARU states. The

polarised nature of development in India becomes apparent in their study.

Backwardness then, is multi-dimensional and there is no consensus between the state or academia on its classification. At the same time, backward states and sub-states are identified against the benchmark of better performing regions. Backwardness is always relative, where it is conceived only in relation to other regions based on selected indicators. Globally, the Millennium Development Goals identify the most backward districts, by creating relative benchmarks. The Sustainable Development Goals also aim not just to alleviate absolute poverty but also 'leave no one behind' (in relative terms) and achieving greater progress for all. Such exercises of identifying and demarcating regions as developed or under-developed become crucial for allocation of funds and policy decisions.

3. The Role of State Investment in Regional Development

Policy response to effectively address regional imbalances and backwardness centers upon the role of state investment as catalyst for sustainable development and inclusive economic growth. In this context, strategic allocation of resources and targeted investments in

key sectors emerge as indispensable tools to uplift underdeveloped regions. Strategies adopted have been based on the idea of growth pole theory, import substitution, export-led growth and setting up of 'industrial areas'[5,6]. State investment is geared towards reducing inequality and bridging the gap between underdeveloped regions and more developed ones by means of deliberate planning and financial support. By injecting capital into these regions, the intention is to generate a positive effect on their income levels, through the multiplier effect. This rise in income level would attract further investment in the region, setting in motion a cycle of growth and development. The multiplier-accelerator model serves as the fundamental economic rationale driving state investment, as it initiates a virtuous cycle of income growth and subsequent reinvestment.

India's Second Five Year (1956-61) had the objective to further the process of development initiated under the First Year Plan by providing for a larger increase in production, in investment and employment. The principal objectives included a sizable increase in the national income, rapid industrialization with emphasis on the development of basic and heavy industries, expansion of employment opportunities and

reduction of inequalities in income and wealth. Perspective from the First Five Year Plan highlighted that underdevelopment was a consequence of insufficient technological processes and the Second FYP would address this. The Plan's approach paper stated that advances should not be restricted to an increase in national income and employment but should create greater equality in incomes and wealth. The state assumed major responsibility for all socioeconomic aspects of the economy. Emphasis was placed on developing basic industries which would make machines to make the machines for further development. Investment in basic industries would create demand for consumer goods as the income would increase, owing to the multiplier effect of the initial investment. The higher growth rate would stimulate further investment and this cycle would continue until the economy reached its capacity. The Second Five Year Plan through its focus on technology and developing basic and heavy industry was an attempt to stimulate growth in economy.

In the field of development economics, a strong positive correlation exists between infrastructure and economic development. According to the Keynesian macroeconomic model, the level of investment in an economy directly influences its income or output. A nation's income is derived from four main factors: consumption expenditure, investment expenditure, government expenditure, and net income from abroad. Investment, originating from both private individuals and government spending, holds particular importance in this context. Given the link between infrastructure and development, a strategy to invest in basic industries and infrastructure is viable to drive economic growth and address regional disparities. Aschauer (1989)[7] in his work, put forward the relationship between infrastructure development, economic growth and poverty reduction. Further research concentrated on India has also shown the effect of infrastructural development on economic growth[8,9]. As a result, the national and state governments would invest heavily in irrigation, power, transportation, and other infrastructure for promoting agricultural growth and reducing disparities between regions.

An extension of the Second Five Year Plan's approach was adopted in the state of Karnataka to address and reduce backwardness in the Hyderabad-Karnataka districts. The state government invested in major, medium and minor irrigation projects including

groundwater utilisation. The Special Development Plan recommended by the HPCRRI also followed a similar trajectory. Investment was made in building and strengthening agricultural infrastructure, the building of educational institutions and improving transportation and public infrastructure. The Upper Krishna Project was initiated in 1964 to provide irrigation to the arid districts. Other developments in the region included the establishment of the Central University at Kalburgi, IT parks in Kalburgi and Hubli, the establishment of medical colleges and so on. A major push was provided to the agricultural sector also through the establishment of agricultural colleges, institutes, and farmer training centres in the Hyderabad-Karnataka districts. A consequence of the agricultural investment is the geographical indicator granted to the 'Gulbarga tur dal' (Kalaburagi red gram) for its quality all over the world.

Investment in agricultural sector and the Special Development Plan in Karnataka focused on technological advancements, basic industry development, and infrastructure improvements to stimulate economic growth and reduce backwardness in regions like Hyderabad-Karnataka. These investment strategies, guided by the multiplier-accelerator model, aimed to bridge the gap between

underdeveloped and more developed regions by reducing regional imbalances through deliberate planning, financial support, and the injection of capital. As shown above, the H-K districts have been a beneficiary of this targeted investment for over two decades, ideally the gap between the backward districts should have been reduced. The next section through state and district-level data on income and social indicators will briefly outline the effect of state investment in the specified region.

4. Hyderabad-Karnataka as a Backward Region

Expanding the findings of Debroy & Bhandari (2003)[10], richer states like Maharashtra, Karnataka and Tamil Nadu had a few of their districts in the bottom 25% of the various indicators like poverty, food sufficiency, infant mortality and literacy rate. States like Maharashtra and Karnataka which house the financial capital, Mumbai and IT capital, Bangalore also housed few of the 'hungriest' districts of the country like Kolhapur and Gulbarga. This raised the issue of intra-state disparity and the need to understand the relationship between the rich and poor regions (or districts) within the state.

Among the regions within states that have been at the forefront of discourses

of backwardness are the north-eastern districts of Karnataka, now known as the Kalyana-Karnataka region. The region is recognised as backward not only at the state level, but also at the national level. It has been a part of the Backward Regions Grant Fund as well as is termed as an Aspirational district. The Kalyana-Karnataka region comprises the seven districts of Bidar, Bellary, Koppal, Kalaburagi, Raichur, Vijayanagara and Yadgir. The High-Power Committee for Redressal of Regional Imbalances (HPCRRI), which produced its report (Nanjundappa Committee Report) in 2003 tried to evaluate the status of human development in the state with focus on infrastructural development. The committee developed an index based on social, economic and financial indicators to identify regional disparities and backwardness for the 175 taluks in Karnataka. The index known as the Comprehensive Composite Development Index (CCDI) categorized the taluks as either Relatively developed, Backward, More Backward or Most Backward. Of the 175 taluks, 114 taluks were identified as Backward in the state further grouped as follows – Most backward (39), More backward (40) and Backward (35).

The report concluded that North-eastern Karnataka had a higher concentration of backward taluks compared to other parts of Karnataka. Of the 31 talukas in the north-eastern districts, 28 were categorized as Backward – further divided as Most backward (21), More Backward (5) and Backward (2). 90 percent of taluks in Hyderabad-Karnataka were categorised as backward, while for other divisions like Belgaum (63 percent), Bangalore (64 percent) and Mysore (50 percent) the concentration was much less. Only three taluks from the Hyderabad-Karnataka region were recognized as Relatively developed i.e., Bidar, Bellary and Hospet. While the occurrence of backward taluks was spread throughout the state, the Hyderabad-Karnataka districts emerged with a high prevalence of backward taluks as per the report.

A Special Development Plan (SDP) was recommended by the HPCRRI to invest in various sectors from agriculture to social services to accelerate growth and development in these 114 taluks. Allocations under the SDP were made based on the Cumulative Deprivation Index (CDI) which was estimated based on its distance from the Comprehensive Composite Development Index (CDI = 1 – CCDI). The financial allocations were made for the four divisions in Karnataka i.e., Gulbarga (Kalyana-Karnataka), Mysore, Bangalore and

Belgaum, with a recommended allocation of Rs. 6400 crores for the Gulbarga division. A total of Rs. 31000 crores which included Rs 15000 crore from the Normal Plan and an additional Rs 16000 crore was invested in the backward taluks, with the north-eastern districts having a higher proportion of the investment. The planned investment included Rs. 2340 crores for agriculture; Rs. 7100 crores for rural development; Rs. 8000 crores for irrigation; Rs. 3000 crores in the power sector; and Rs. 8025 crores for social services. The remainder was to be distributed through Industry & Minerals (Rs. 400 crore), Transport (Rs. 1650 crore), Science & Technology (Rs. 200 crore) and Rs. 10 crore was to be invested in economic services like banking and other financial institutions. The plan was slated for eight years starting in 2007 but has been extended beyond that and continues till date. Of the total allocation of Rs. 38398.76 crores from 2007-08 to 2020-21, 74.75 percent is released and of the released amount, 95.33 percent is incurred as an expenditure (Planning, Programme Monitoring and Statistics Department, 2021).

Further, the Kalyana Karnataka Area Development Board (KKRDB) was formed under the Article 371(j) amendment to the constitution to achieve rapid inclusive growth and balanced regional development with social justice for the six districts coming under Kalyana Karnataka region. Between 2013-14 and 2021-22, Rs. 8878.33 crores were allocated to the KKRDB of which Rs. 6240.67 crores were spent. The Kalyana-Karnataka region also received investment from other sources which include the Backward Region Grant Fund (BRGF), a centrally sponsored programme designed to address regional imbalances in development. These districts have also gained from the Upper Krishna Irrigation Project (UKP) in 1982 which built dams and provided irrigation facilities to the arid villages in north-east Karnataka.

4.1. Persistence of Backwardness

Underlying the Special Development Plan and other initiatives was a faith in state investment overcoming backwardness and reducing inter-district disparities within Karnataka. The results have, at best, been mixed. Hyderabad-Karnataka districts have seen some growth but their distance with the state average has widened (Figure 1). Investment of the SDP was expected to have a multiplier effect on the local economy, thereby raising income levels in these districts by more than the initial amount of investment. On the contrary,

the districts of Hyderabad-Karnataka have fallen further behind the state average.

The Nanjundappa Committee Report of 2003 classified all three taluks of Yadgir district, Shorapur, Shahpur, and Yadgir, as the most backward amongst the Hyderabad-Karnataka region. As a result, the district received investment under the SDP and other projects, including the Upper Krishna Project. The flow of investment to the district has remained constant for the last two decades. The H-K districts experience a steady increase in absolute per capita income in decade 2009-19, however, their growth rate remains slower than the state average and other districts of Karnataka (Figure 1). These figures indicate that the Special Development Plan's objective of reducing inter-district inequality in the state has not been achieved, as the increase in per capita income in the Hyderabad -Karnataka region and Yadgir district has not effectively levelled regional imbalances. Simultaneously, the H-K region also sees a drop in its share of the state's per capita income (Figure 2). This share, which was at 60.75 percent in 2009-10 fell to 56.17 percent in 2018-19. The drop is steeper for Yadgir district which fell by approximately 25.96 percent during the decade. The

Hyderabad-Karnataka region as well as Yadgir district experienced a decrease in their relative contributions to the state's per capita income. This implies that either other regions/districts within the state experienced faster economic growth, or the Hyderabad-Karnataka region and Yadgir district faced economic challenges or slower development compared to other parts of the state. The district of Yadgir has gained from the Upper Krishna Project and investments under the SDP, but instead of witnessing a growth in per capita, faces the reverse. When compared to other districts within the Hyderabad-Karnataka districts, Yadgir also has a lower per capita income and growth rate. This pattern of limited growth, much slower than the state average, suggests that the virtuous cycle of multiplier-accelerator model did not quite take off.

Further, as per the Karnataka Human Development Report and District Human Development Report which estimated disparity and developmental gaps within the state, the Kalyana-Karnataka districts occupied the bottom-most positions in the 1991 and 2005 Human Development rankings. At the district level, Yadgir is the only district in Karnataka having all its Gram Panchayats (118) performing

Figure 1: Per capita Gross District Domestic Product (Base – 2011-12 prices)
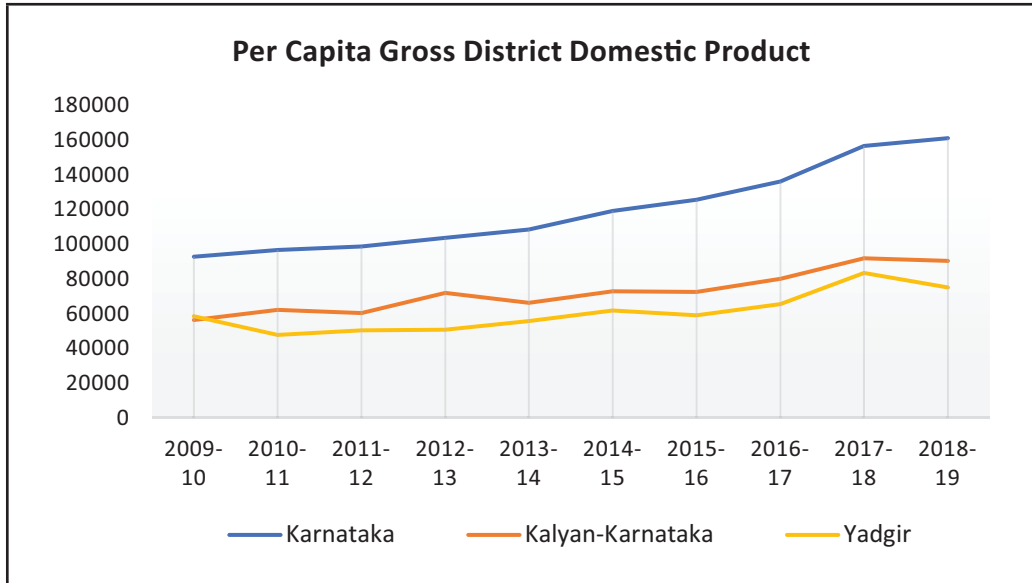
Source: Data from Karnataka Economic Surveys

Figure 2: Proportion of Karnataka's Per Capita Gross Domestic Product (Base – 2011-12 prices)
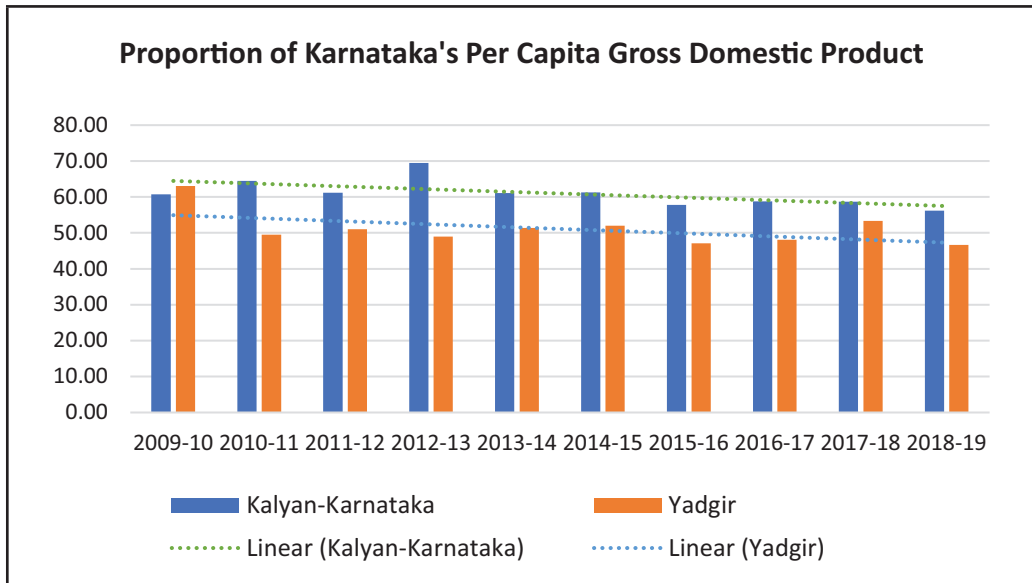
Source: Data from Karnataka Economic Surveys

below the state average in 2015, this is present in all three aspects of the HDI i.e., standard of living, health and education indicators (Government of Karnataka, 2015: 9). As these studies were conducted at the district and sub-district level, the indicators used, and methodology adopted for estimating the indicators had to be adapted to the data available at the sub-state levels.

In order to address the issue of regional imbalances and socio-economic disparities, the Nanjundappa Committee Report of 2003 recommended the Special Development Plan, which was aimed at taluks identified as backward. The report identified the three taluks of Yadgir district as the Most Backward, and the necessary investment was directed towards the taluks. Despite this, economic growth in the district remains slower than in other backward districts and the state average. This paper aims to study the relationship between state investment and backwardness by analysing a village economy in the Shorapur taluk of Yadgir district. A household survey was conducted in 2017, sampling 124 households to gather data on household characteristics, land, agriculture, assets, loans, employment, and migration. The survey data, along with qualitative insights and secondary sources, will be used to understand the persistent backwardness in the region despite decades of investment. The following section will present insights and findings from the village, which we call, Sitapur.

5. The Village

The village (name changed) Sitapur is in the Shorapur taluk of Yadgir district, Karnataka. Until 2011, Yadgir was a part of Gulbarga (now, Kalaburagi) district. Being a part of the Kalyana-Karnataka region, the village is representative of the characteristics and has undergone the processes as mentioned in the previous section. The village is chosen because of its location in one of the three most backward taluks in the district. This village has benefited from the Upper Krishna Project and Special Development Plan with the accessibility to agricultural infrastructure and developments in transportation and connectivity. But social and economic indicators paint a different picture. The village continues to remain backward and there is an increasing movement away from the local economy. Through a peek into the village economy – its history, economic and social background and local politics, the paper attempts to trace and understand the reason behind the persistence of backwardness in the village, and thereafter, the region.

The journey from Shorapur town to Sitapur is a mix of green fields and barren land. Buses leave every 30 minutes from the town and travel 31 kilometres on a concrete road towards Kembhavi town, passing through Sitapur on the way. On arriving in Sitapur there is a small shop selling snacks and a few auto-rickshaws waiting for passengers. The village is about 200 meters from the main road, and the path is a winding concrete road with garbage on both sides and some cows grazing. At the end of the road, there is a government primary school and a Ram temple on the right. Next to the temple, there is a shop run by a Marwari man selling chips, cold drinks, and snacks. On the left, the first house of the village belongs to the Patel family, a Muslim land-owning household in the village. Their house is located at the entry of the village, in a way, significant of their status during the Nizam's rule. The Patel family has the largest land ownership in the village. The Patel house is built of cement and has no colours on the walls. The compound is square shaped with rooms constructed in an L-shape on one side, while the other side is empty. The ground is also concretized. The Patels are the only Muslim household with substantial land ownership, as the remaining Muslim households own no more than two acres of land. *Ambiga* is the dominant group

(73.54 percent) in village, followed by the Muslim community (7.84 percent) and the *Nayaka* caste group belonging to Scheduled Caste category (6.17 percent).

5.1. History and Land Relations

Historically, the Hyderabad-Karnataka districts were part of the Nizam's Dominions until the Police Action of September 1948 when they were integrated into the Union of India. The States Reorganisation Act, 1956 unified the Hyderabad-Karnataka districts along with the Mysore state and others. Under the Nizam rule, the agrarian structure in the region had three layers to it – the state, landed intermediaries and the peasants. The landed intermediaries were a heterogenous group with different categories – *Diwani* or *Khalsa, Sarf-i-Khas* (crown land)*, Paigahs, Samsthanas* and *Jagirs* and *Inams.* The state created these landed intermediaries by granting land to military, finance or other officials for their service to the state. It was a political strategy adopted to create groups having loyalty towards the state. *Diwani* lands were held under different tenures with *ryotwari* being the most common land tenure system. Land would be held by *Pattadars* for a period of over one year, subject to timely payment of rent to the state. Failure of payment leading to forfeiting of rights

over the land. *Pattadars* would cultivate the land themselves or through hired labour or have sharing based cultivation with others. The system of sub-letting on mutually agreed terms was called *Shikmidari* system. There were other types of tenures under the *Diwani* system like *Ijra, Pan-mukta, Tahud* or *Sarbasta* and *Wattandari* where land was held by the local revenue officials like the Patels, Patwaris and Deshmukhs[11,12]. In 1948, one of the initial actions taken by the Military Government was the consolidation of Sarf-i-Khas lands with the Diwani land. Subsequently, the Abolition of Jagirs Regulation 1948 was enacted with the objective of abolishing the *jagir* system and transferring land ownership to the government. The regulation also provided for the payment of compensation to the *jagirdars*, who were the holders of the jagirs, in exchange for the loss of their rights and privileges. But the personal property of the *jagirdars* remained untouched[13]. In the aftermath of the abolition, land concentration in the hands of a few families continued to persist in north-eastern Karnataka, thereby allowing them to wield considerable power in the local economy. The Patel family in Sitapur, is one of them, with a large land holding and their position in the society elaborated by Raima Patel, 78 years, "Earlier during drought, people would

queue up outside our house for grains and food. Things have changed now." The change she refers to is the loss of power and influence in the village that her family held decades ago.

During the 19th century, the region had high incidence of tenants over other forms of cultivators. The tenants were a heterogenous group, with small farmers as well as prevalence of dominant class tenancy. In the 1880s, there was a growing desire among money lenders from Gujarat and Bombay for owning land in the Hyderabad-Karnataka region. Moneylenders unable to cultivate their own lands, started leasing out land to the former owners and large landlords too. As a result, despite the shift in ownership, the landlords continued to hold sway over the land. The prevalence of 'dominant class tenancy' in the region has resulted in the land reform initiative in the state benefiting the landed class, enabling them to maintain their hold over their leased-in land[14]. The region is also characterized by large land holdings, with over 10.69 percent of holdings falling in the four acres and above group in Shorapur taluk when compared to the 8.91 percent in Yadgir district, and 5.84 percent in the state. Furthermore, the area under the four acres and above category constitutes a significant portion of 33.69 percent in

Shorapur taluk and 29.05 percent for the state in 2015-16[15]. A similar trend is observed in the village of Sitapur, where households owning more than four acres of land constitute 33.26 percent of the sample in a household survey conducted in 2017, while the semi-medium category (two to four acres) is the largest group, comprising 44.35 percent. The incidence of landlessness is relatively low, as only 4.8 percent of households have reported no ownership of land.

Despite being located on the delta of Krishna and Bhima rivers, the absence of irrigation during the Nizam's rule and inadequate rainfall had an adverse impact on agricultural productivity. The situation was exacerbated by natural calamities like famines, droughts, and torrential rains, leading to extended periods of distress for the villagers[16]. The completion of the Upper Krishna Irrigation Project (UKP) in 1964 marked a turning point for the region, including districts like Yadgir, by providing irrigation facilities. The Almatti and Narayanpur dams, constructed under the UKP-1, brought significant benefits to the village, with water canals facilitating the transformation of arid farms into lush green paddy fields. Of the total land ownership in the village, approximately 58 percent of acres owned is irrigated,

followed by 26.61 percent having a combination of irrigated and dryland. Villagers acknowledge the impact of irrigation facilities in turning their dry land into cultivable lands.

Table 1 - Land Distribution in Sitapur

Land Distribution	Percent of HHs
Landless	4.84
Dryland	10.48
Dryland and irrigated	26.61
Irrigated	58.06

But due to inconsistent irrigation facilities, households with large land holdings often find themselves unable to entirely utilize their land. In such instances, these families choose to lease their land to villagers, earning rental income as a result. For example, Devendrappa's family owns 14 acres of land, but due to insufficient irrigation, only three acres are used for cultivating rice. The remaining 11 acres remain unirrigated. To make use of this unirrigated land, the family leases it out to individuals in the village. This practice is common among households with unirrigated land, allowing those who can afford it to cultivate the land. Typically, the land is leased on a share-cropping basis or for a fixed rent. Interestingly, influential individuals in the village, such

as those holding positions in the Gram Panchayat, like the pump operator and another member, are involved in leasing the land. This arrangement harks back to the dominant tenancy observed in the region decades ago. Those associated with the state, here the Gram Panchayat develop a stronger hold and influence in the village economy.

5.2. Occupation and Migration

Agriculture remains the dominant occupation for the working population in Sitapur, with cultivators and agricultural laborers comprising 94.89 percent of the total workers in 2001 and 91.55 percent in 2011. This trend has persisted, with agriculture continuing to be the major source of occupation. The number of agricultural laborers is closely linked to the number of cultivators, the size of farms, rainfall conditions, availability of irrigation facilities, and financial ability to cultivate land. The proportion of cultivators and agricultural laborers fluctuates over time, as households with large landholdings and limited irrigation lease out their land when they are unable to cultivate it themselves, resulting in movement between the two groups. The survey data resonates with this, with 85.89 percent of the working population engaged in agricultural sector, further divided as follows – 82.69 percent as cultivators and 3.20

percent as agricultural labours. The survey also revealed that 36.43 percent of individuals who listed cultivator as their primary occupation also engage in agricultural labour as a secondary activity.

Table 2 -Proportion of Agricultural Workers in Sitapur

Proportion of Total Workers		
	Census 2001	Census 2011
Main Workers		
Cultivators	76.75	33.51
Agricultural Labour	2.46	55.94
Marginal Workers		
Cultivators	0.00	0.40
Agricultural Labour	15.69	1.72
Total Agriculture	**94.90**	**91.56**

The cultivators benefitted from the investment and development of irrigation facilities, and for some this surplus created from agriculture was directed towards migration. As observed with the Patel household. Raima Patel, is the head of the family with two sons, their respective wives and grandchildren. Their landholding of 24 acres has been divided into three parts, out of which two are leased out for cultivation. Her son has been migrating to Bangalore for 7 – 8 years, where he drives a private taxi for Uber/Ola. The Patel family's

decision to migrate can also be seen a response to the rise of a new local elite in the village. The power dynamics between the Patel family and the village society have undergone a significant transformation during Raima's lifetime. At present, Kurupatti, belonging to a family with less than two acres of land and residing in a kaccha house, wields significant power in the village owing to his association with the ruling political party. Similarly, Putrappa Gowda, Chandrashekar, and others associated with the Gram Panchayat or political groups belonging to the dominant caste, despite hailing from marginal to small land-owning households, exert greater influence in the village. The prevailing belief that large land ownership is inherently linked to status and privilege stands challenged in Sitapur. The village's new elites come from households with smaller landholdings and hold sway due to their political associations. The Patel family, who once held the most substantial landholding and exercised immense power in the village, have seen their influence wane due to changing political regimes.

In Sitapur, slightly over half of the households reported having at least one migrant family member, resulting in a migration incidence of 51.42 percent. The earliest instance of migration from the village dates to the year 2000, with most migrants being married children of the household head, accounting for 58.46 percent. As a result, remittances have become an integral part of the village economy. Analysis of survey data reveals that migrant households tend to have higher average loan amounts compared to non-migrant households. Remittances play a crucial role in increasing access to credit options for these households, with 65.41 percent of loans being directed towards agricultural or other business inputs, and 29.32 percent allocated for personal events such as marriages or funerals. Rather than being consumed privately, the inflow of remittances is primarily invested in enhancing and maintaining the agricultural sector. The surplus generated from agriculture serves as migration capital, which is then sent back as remittances but reinvested in agriculture. This pattern is exemplified by families like the Patels, who invest their agricultural surplus outside the local economy, leading to a multiplier effect that occurs elsewhere, as in this case, in Bangalore. The neglect of the location aspect of an investment and the interconnectedness of a region with external economies becomes evident in the case of Sitapur. The application of the multiplier-accelerator model, which assumes a closed economy and predicts

that initial investments will lead to further investment, fails to capture the true dynamics at play. Investments and their effects extend beyond the confines of a closed economy and have both positive and negative externalities.

Sitapur, despite receiving considerable capital inflow through the Special Development Plan and benefiting from the Upper Krishna Project fails to experience substantial growth and development in its economic and social indicators. While the introduction of improved irrigation facilities has boosted the agricultural sector, there is a noticeable shift away from the local economy, rather than an improvement in economic conditions of household and the village. This shift is enabled by the state's investment in transport infrastructure, which has enhanced mobility and connectivity between rural and urban areas. These factors emphasize the need for a comprehensive understanding of the interplay between investments, local economies, and externalities to achieve sustainable and inclusive development in Sitapur and similar regions.

6. Discussion

The New Economic Geography framework developed by Krugman (1991)[17] explained the process of regional inequality through agglomeration and spatial concentration of economic activities. There are two forces – centripetal and centrifugal that affect regional imbalances. The centripetal forces attract economic activities in particular geographical locations through economies of scale, lower transport and input costs, knowledge spillovers and availability of large markets. The centrifugal forces are the immobile and dispersed natural resources which attract movement from the centre to the periphery[18]. It is the interaction between these two forces which leads to the development of cores and peripheries in an economy. Centripetal forces create certain regions as the core while other regions fall behind, hence, producing regional imbalances in the economy. The increase in income of the core is due to the resources provided and at the expense of the periphery. Economic activities get concentrated to already developed areas leading to urban agglomeration, further causing divergence between the core and periphery areas[19]. Regional inequality emerges because of the socio-economic processes which causes the formation of cores and peripheries in the economy.

Studies like Ahluwalia (2000)[20], Bhattacharya & Sakthivel (2004)[21] and Cashin & Sahay (1996)[22] focused on studying inequalities in the economy

between the pre and post reform years, which showed rising disparity in the post reform years. But the role of space and effect of agglomeration was not covered in these studies. The new economic geography framework was introduced to understand regional inequality by Kar & Sakthivel (2007)[23], which studied the effect of reforms in regional inequality and the contribution of sectors (agricultural, industry and service) in generating these disparities at the state-level. Economic reforms strengthened the centripetal forces as impetus was given to the private sector and export-led production. Similarly, Mohanty & Bhanumurthy (2018)[24] also looked at the role of space in the regional growth process by studying per capita income and the spatial character of possible drivers of these outcomes for 14 major states in India. Spatial clusters are formed because of concentration of policy, investment and other externalities in already developed regions. Regional growth and development studies in India for decades overlooked the role of space in creation of core and peripheries in an economy. This study elaborates on the role of space and brings to light the relationship between so-called 'developed' and 'backward' regions in economic and public-policy decision.

As shown earlier in the paper, state investment in the 'backward' districts do not follow the multiplier-accelerator principle of economics and there are dispersed effects of the investment between the core and periphery regions. For Sitapur (i.e., periphery), we see a rise in the growth rates over the years, but this growth does not catch up with other districts within the state or the state average. The periphery benefits over the years from the irrigation projects and other facilities, but this had not led to a catching up with the better-off districts in the state. Households in Sitapur start diversifying their income sources by making a movement out of the local economy. Engaging in agriculture in the village and short-term migration towards other industrial, construction-sector i.e., wage work in nearby cities like Hyderabad, Bengaluru and Pune.

The core, which is Bengaluru for the study, benefits in various ways. Firstly, the surplus generated from agriculture by families like that of Raima Patel is invested in transportation like taxis in the city. The periphery also supports the core through labour agglomeration, as people from the village migrate to the cities for wage work. Further, as Sitapur is predominantly agricultural any investment for agricultural inputs,

manufacturing, etc. also happens outside the village economy. As a result, the investment in the village is not contained in the local economy through non-local points of expenditure.

7. Conclusion

In conclusion, the findings of this paper highlight the challenges of addressing backwardness in the Hyderabad-Karnataka region and emphasize the need for a comprehensive understanding of regional disparities. Despite state interventions and investments through initiatives like the Special Development Plan and irrigation projects, the region has struggled to catch up with the growth rate of Karnataka's economy. The analysis of the Sitapur village, representative of the Kalyana-Karnataka region, reveals that while there has been some improvement in growth rates and increased household incomes, it has not been sufficient to bridge the gap with more developed districts in the state. The process of identifying backwardness is dependent on the comparison with other developed and developing regions. As demonstrated earlier, while Yadgir district and the Hyderabad-Karnataka region may exhibit growth in absolute numbers, they still lag in comparison to the growth of the state. This highlights that the process of addressing regional disparities and reducing backwardness

involves limiting the growth of underdeveloped areas and favouring the continual progress of more developed regions.

The paper identifies several factors contributing to the constrained development in the region. Firstly, it highlights the dispersed effects of investments, with a significant portion of the capital and surplus generated from agriculture finding its way outside the local economy, through labour and capital migration. The core regions, such as Bengaluru, benefit from the surplus through transportation investments and labour agglomeration. Additionally, households in Sitapur diversify their income sources by engaging in wage work in nearby cities, further contributing to the outflow of capital from the region. As a result, the investment in the village is not contained in the local economy through non-local points of expenditure. These dynamics result in a situation where the desired effects of state investment are dispersed between the village and the city, hindering the region's ability to catch up.

The study underscores the importance of recognizing the relationship between the core and the periphery within a state to address regional inequalities

effectively. The current approach to addressing regional imbalance begins with identifying backward areas in comparison to more rapidly developing areas, recognising the multi-dimensional nature of backwardness. This leads to state investment in developing infrastructure in the identified areas. But the dynamics of regional imbalances can be such that the investment contributes instead to the widening of disparities between the 'developed' and 'backward' regions.

References

1 Bhattacharya, B. B., & Sakthivel, S. (2004). Regional Growth and Disparity in India: Comparison of Pre- and Post-Reform Decades. Economic and Political Weekly, 39(10), 1071–1077.

2 Debroy, B., & Bhandari, L. (Eds.). (2003). District-level deprivation in the New Millennium. Konark Publishers.

3 Bakshi, S., Chawla, A., & Shah, M. (2015). Regional Disparities in India: A Moving Frontier. Economic and Political Weekly, 50(1), 44–52.

4 Basu, T., & Das, A. (2020). Identification of backward district in India by applying the principal component analysis and fuzzy approach: A census based study. Socio-Economic Planning Sciences, 72, 100915. https://doi.org/10.1016/j.seps.2020.100915

5 Bandyopadhyay, R., & Datta, S. (1989). Strategies for Backward-Area Development: A Systems Approach. The Journal of the Operational Research Society, 40(9), 737–751. https://doi.org/10.2307/2583055

6 Nath, V. (1971). Regional Development Policies. Economic and Political Weekly, 6(30/32), 1601–1608.

7 Aschauer, D. A. (1989). Is public expenditure productive? Journal of Monetary Economics, 23(2), 177–200.

8 Bajar, S. (2015). The Infrastructure-Output Nexus: Regional Experience from India. In A. Picot, F. Massimo, G. Nico, & K. Johann (Eds.), The Economic of infrastructure provisioning: The changing role of the state (pp. 195–237). MIT Press.

9 Sahoo, P., & Dash, R. K. (2009). Infrastructure development and economic growth in India. Journal of the Asia Pacific Economy, 14(4), 351–365. https://doi.org/10.1080/13547860903169340

10 Debroy, B., & Bhandari, L. (Eds.). (2003). District-level deprivation in the New Millennium. Konark Publishers.

11 Hyderabad State. (1909). Imperial Gazetteer of India. Superintendent of Government Printing.

12 Sathyan, B. N. S. (1966). Mysore State Gazetteer. Government Press.

13 Iyengar, S. K. (1953). Land Reforms in the Hyderabad State. 8, 114–119.

14 Pani, N. (1983). Reforms to Pre-

empt Change. Concept Publishing Company.

15 Ministry of Agriculture & Farmers Welfare. (2016). Agriculture Census. Government of India.

16 Bahadur, N. F. J. (1906). Shorapur—An Ancient Beydur Raj. Higginbotham & Co.

17 Krugman, P. (1991). Increasing Returns and Economic Geography. The Journal of Political Economy, 99(3), 483–499.

18 Colby, C. C. (1933). Centrifugal and Centripetal Forces in Urban Geography. Annals of the Association of American Geographers, 23(1), 1–20. https://doi.org/10.2307/2560571

19 Rosenthal, S., & Strange, W. (2004). Evidence on the Nature and Sources of Agglomeration Economies. Handbook of Regional and Urban Economics, 4, 2119–2171.

20 Ahluwalia, M. S. (2000). Economic Performance of States in Post-Reforms Period. Economic and Political Weekly, 35(19), 1637–1648.

21 Bhattacharya, B. B., & Sakthivel, S. (2004). Regional Growth and Disparity in India: Comparison of Pre- and Post-Reform Decades. Economic and Political Weekly, 39(10), 1071–1077.

22 Cashin, P., & Sahay, R. (1996). Regional Economic Growth and Convergence in India. Finance & Development, 33(001). https://doi.org/10.5089/9781451953190.022.A013

23 Kar, S., & Sakthivel, S. (2007). Reforms and Regional Inequality in India. Economic and Political Weekly, 42(47), 69–77.

24 Mohanty, B., & Bhanumurthy, N. R. (2018). Regional growth policy experience in India: The spatial dimension. Asia-Pacific Journal of Regional Science, 2(2), 479–505. https://doi.org/10.1007/s41685-018-0075-3

DOCUMENT CONTROL SHEET

1. **Document No. and Year** : NIAS/SSc/IHD/U/WP/16/2023

2. **Title** : Is backwardness immune to state intervention?

3. **Type of Document** : Working Paper

4. **No. of Pages and Figures** : 22 pages, 2 table and 2 figures

5. **No. of References** : 24

6. **Authors(s)** : Ishita Patil

7. **Originating School** : School of Social Sciences

8. **Programme** : Inequality and Human Development Programme

9. **Collaboration** : None

10. **Sponsoring Agency** : TCS Foundation

11. **Abstract:**

This paper uses the experience of a village in the Kalyana Karnataka region to argue that state investment does not always remove backwardness, the impact of state investment is constrained by the fact that secondary investments prompted by the original spending is not limited within the region.

12. **Keywords** : Backwardness, Investment, Infrastructure, Regional disparities

13. **Security Classification** : Unrestricted

14. **ISBN** : 978-93-83566-46-4

National Institute of Advanced Studies

The National Institute of Advanced Studies (NIAS) was conceived and established in 1988 by the vision and initiative of the late Mr. J.R.D. Tata primarily to nurture a broad base of scholars, managers and leaders to address complex and important challenges faced by society through interdisciplinary approaches. The Institute also engages in advanced multidisciplinary research in the areas of humanities, social sciences, natural sciences and engineering, as well as conflict and security studies.
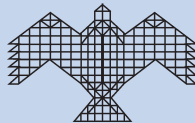
School of Social Sciences

National Institute of Advanced Studies

Bengaluru, India