

# Spatial Dimensions of the Resource Curse: Mineral Wealth, Governance Failure, and Regional Inequality in Jharkhand (India)

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## Abstract

Jharkhand represents one of the most striking examples of the resource curse in India, where abundant mineral wealth coexists with persistent poverty, underdevelopment, and regional inequality. This study provides a comprehensive spatial analysis of mineral distribution, socio-economic indicators, and district-level disparities. Using secondary data on coal, iron ore, copper, uranium, and bauxite reserves along with Human Development Index (HDI), poverty, and income indicators, the paper identifies a structural disconnect between resource extraction and human development. The analysis reveals that mineral-rich districts often exhibit high deprivation due to displacement, weak governance, environmental degradation, and inequitable distribution of mining revenues. The paper argues that the Jharkhand case is not merely an economic paradox but a governance and spatial justice issue. Policy recommendations emphasize decentralized planning, inclusive growth, and sustainable mining practices.

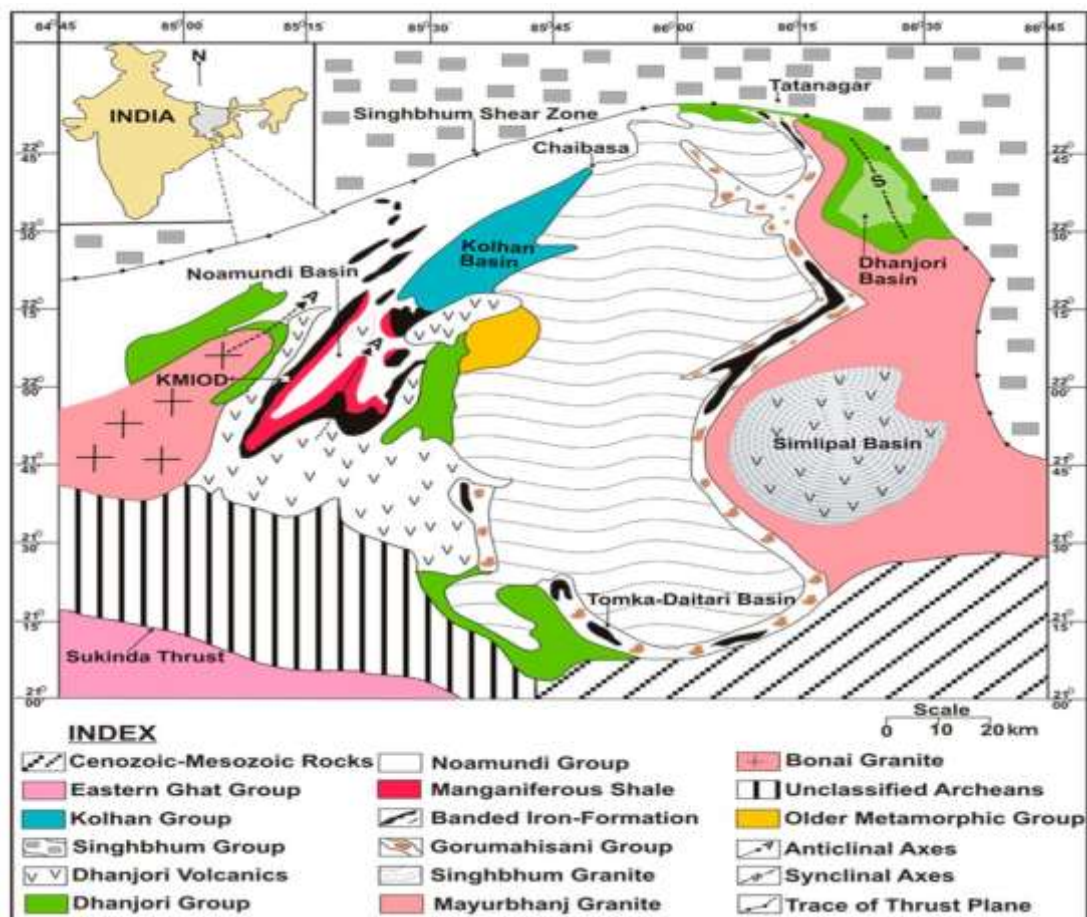
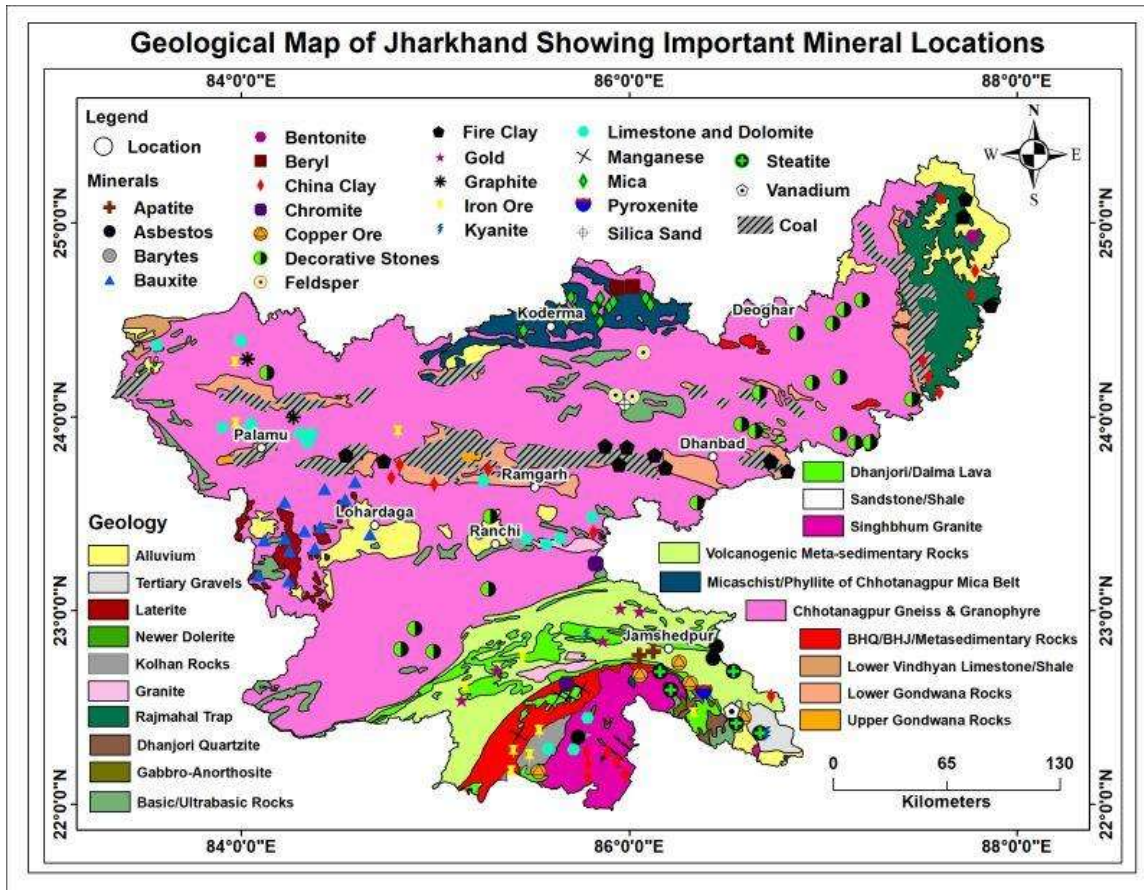
Keywords: Resource Curse, Spatial Inequality, Jharkhand, Mineral Economy, Tribal Development, Regional Planning, Mining Governance

## I. Introduction

The paradox of “resource richness and economic poverty” has been widely debated in development economics, commonly referred to as the resource curse. Regions endowed with abundant natural resources often experience slower economic growth, institutional weakness, and social inequality compared to resource-scarce regions [1]. Jharkhand, carved out of Bihar in 2000, provides a compelling case of this phenomenon within the Indian context. The state possesses nearly one-third of India’s mineral resources, including coal, iron ore, copper, uranium, and mica. Despite this, Jharkhand consistently ranks among the lower-performing states in terms of human development, income, and poverty alleviation. The contradiction becomes even more pronounced when analyzed spatially: mineral-rich districts often remain economically backward, while relatively resource-poor districts with administrative or industrial advantages perform better.

This study aims to explore the spatial dimensions of the resource curse in Jharkhand by integrating mineral distribution data with socio-economic indicators and district-level disparities.

## II. Geological and Mineral Resource Base of Jharkhand



Jharkhand's mineral wealth is primarily associated with two geological formations: the **Singhbhum Craton** and the **Damodar Valley Basin**. The Singhbhum region is globally recognized for its rich deposits of iron ore, copper, and uranium, while the Damodar Valley contains extensive coalfields that power India's thermal energy sector [2]. Table-based evidence indicates that coal reserves are concentrated in districts such as Dhanbad, Bokaro, Ramgarh, and Hazaribagh, contributing approximately 27% of India's total coal reserves. Iron ore deposits are largely confined to West and East Singhbhum, forming the backbone of India's steel industry. Similarly, Jharkhand accounts for nearly 18% of India's copper ore production, with the Singhbhum belt serving as a critical mining zone. The presence of uranium at Jadugoda makes Jharkhand strategically important for India's nuclear energy program. Bauxite and mica deposits further diversify the mineral economy, with Lohardaga and Koderma historically known for their production. Overall, the state's geological advantage positions it as a key driver of India's industrial growth, yet this advantage has not translated into equitable development.

### III. Theoretical Framework: Understanding the Resource Curse

The concept of the resource curse suggests that natural resource abundance may hinder economic development due to several interrelated mechanisms:

- **Dutch Disease Effect:** Resource exports lead to currency appreciation, reducing competitiveness of other sectors [3].
- **Revenue Mismanagement:** Windfall gains from mining are often misallocated or lost due to corruption [4].
- **Institutional Weakness:** Resource-rich regions tend to have weaker governance structures [5].
- **Conflict and Displacement:** Competition over resources leads to social conflict and marginalization of local populations [6].

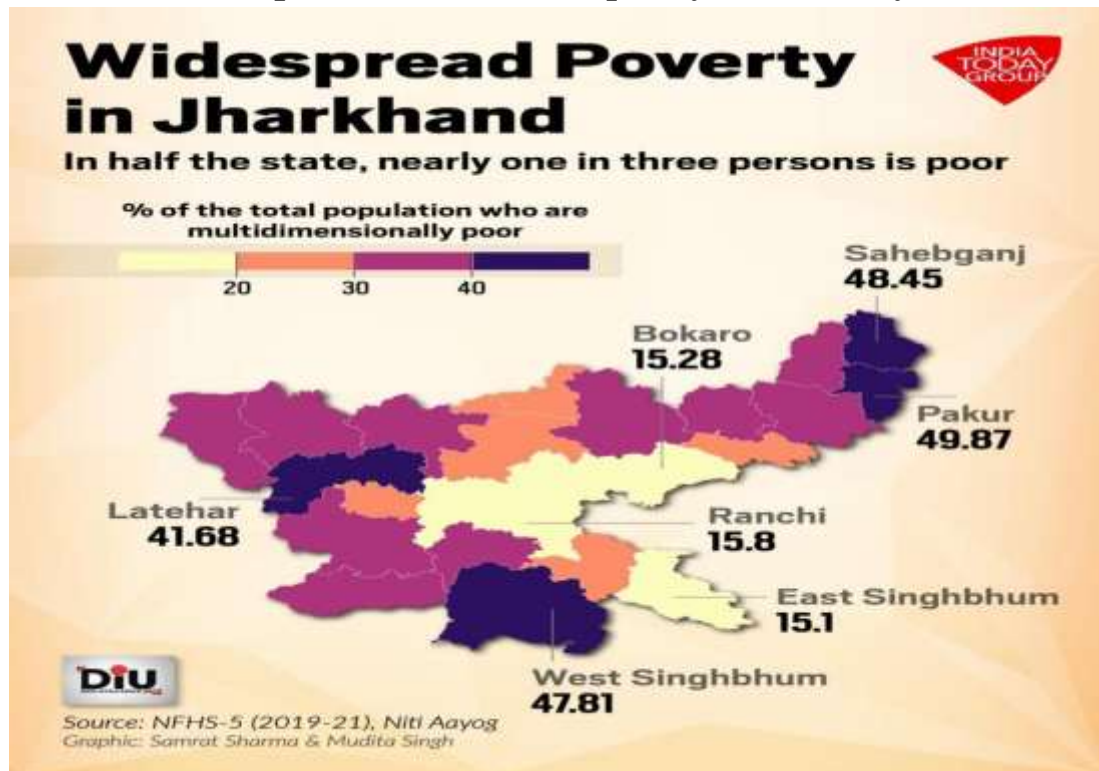
In the context of Jharkhand, these theoretical explanations are reflected in the spatial mismatch between mineral wealth and human development outcomes.

### IV. Socio-Economic Indicators and Development Deficit

Despite its mineral richness, Jharkhand exhibits poor socio-economic performance. The Human Development Index (HDI) of the state is 0.599, which is below the national average of 0.647. Rural poverty remains alarmingly high at approximately 41%, compared to the national average of 26%. Tribal communities, which constitute a significant portion of the population, face even higher poverty levels of around 54%. Per capita GSDP growth in Jharkhand is recorded at 4.5%, lagging behind the national average of 5.7%. Furthermore, the state ranks 25th in per capita income among Indian states.

These indicators demonstrate that economic gains from mineral extraction are not effectively translating into improvements in living standards, reinforcing the existence of a development paradox.

## V. Spatial Pattern of Inequality and Poverty



A spatial analysis reveals stark intra-state disparities. High-poverty districts such as Pakur, Sahibganj, Latehar, and Gumla are characterized by tribal dominance, poor infrastructure, and geographic isolation .

West Singhbhum, despite being rich in iron ore, continues to experience high levels of deprivation, indicating that mining activities have limited local developmental impact .

Conversely, districts like Ranchi, Bokaro, and East Singhbhum (Jamshedpur region) exhibit relatively better development due to administrative concentration, industrialization, and service-sector growth .

This uneven spatial distribution highlights a critical issue: **resource extraction benefits are spatially concentrated, while costs such as displacement and environmental degradation are borne by marginalized regions.**

## VI. Drivers of the Resource Curse in Jharkhand

### 1. Unequal Fiscal Distribution

One of the most critical drivers of the resource curse in Jharkhand is the unequal distribution of mining-generated revenues. Although the state contributes significantly to India’s mineral output, the financial benefits remain highly centralized at the state and national levels, with limited trickle-down to local communities. The institutional mechanism designed to address this imbalance—the District Mineral Foundation (DMF)—has not achieved its intended objectives. In theory, DMF funds are meant to support infrastructure, healthcare, education, and livelihood development in mining-affected areas. However, in practice, issues such as bureaucratic inefficiency, lack of transparency, and weak local participation have led to suboptimal utilization of these funds [4]. Moreover, decision-making processes are often top-down, excluding local stakeholders, particularly tribal communities, from planning and implementation. This fiscal centralization results in a paradox where districts generating immense mineral wealth continue to lack basic

amenities such as drinking water, healthcare facilities, and quality education. Thus, the absence of equitable fiscal decentralization reinforces spatial inequality and perpetuates underdevelopment in mining regions.

## 2. Tribal Displacement and Social Exclusion

Jharkhand has a significant tribal population that is heavily dependent on land and forest resources for livelihood and cultural identity. Mining and industrial projects have led to large-scale displacement of these communities, often without adequate compensation or rehabilitation. Displacement not only results in the loss of land but also disrupts traditional socio-cultural systems and community networks. Many displaced families are forced into informal labor markets with low wages and poor working conditions, leading to long-term economic insecurity [6]. Furthermore, rehabilitation policies have frequently failed due to delays, corruption, and inadequate implementation. Social exclusion is further aggravated by the marginalization of tribal voices in decision-making processes. The lack of recognition of customary land rights and insufficient enforcement of laws such as the Forest Rights Act contribute to systemic injustice. Consequently, mining-induced displacement becomes a major factor driving poverty, inequality, and social unrest in the region.

## 3. Environmental Degradation

Mining activities in Jharkhand have caused severe environmental degradation, particularly in coal mining belts such as Dhanbad and Bokaro. Open-cast mining has led to deforestation, soil erosion, and destruction of agricultural land, thereby undermining traditional livelihoods. Water resources have been significantly affected due to contamination from mining waste, including heavy metals and toxic chemicals. This has resulted in declining water quality, affecting both human health and agricultural productivity [7]. Air pollution from coal dust and industrial emissions further exacerbates respiratory diseases among local populations. The environmental costs of mining are disproportionately borne by local communities, while the economic benefits are often transferred elsewhere. This imbalance contributes to what is known as “ecological inequality,” where marginalized regions face environmental risks without corresponding economic gains. Over time, environmental degradation also reduces the long-term sustainability of the region’s economy.

## 4. Governance and Institutional Failures

Weak governance structures and institutional inefficiencies play a central role in sustaining the resource curse in Jharkhand. Despite the presence of regulatory frameworks, enforcement remains inconsistent due to corruption, political interference, and lack of administrative capacity [5]. Mining leases, environmental clearances, and revenue allocations are often influenced by vested interests, leading to rent-seeking behavior and resource misallocation. Transparency in mining operations and financial flows is limited, reducing accountability.

Additionally, coordination between different government agencies is often weak, resulting in fragmented policy implementation. For example, environmental regulations may not align with industrial policies, leading to unsustainable extraction practices. The absence of strong institutions undermines the state’s ability to convert mineral wealth into human development outcomes. Instead, it reinforces elite capture of resources, widening socio-economic disparities.

## 5. Lack of Economic Diversification

Jharkhand's economy is heavily dependent on the mining sector, which limits the development of other productive sectors such as agriculture, manufacturing, and services. This overdependence creates structural imbalances and makes the economy vulnerable to fluctuations in global commodity prices. Agriculture, which employs a large portion of the population, remains underdeveloped due to inadequate investment, poor irrigation facilities, and land degradation caused by mining activities. Similarly, the manufacturing sector is concentrated in a few industrial hubs, leaving large parts of the state economically stagnant. The lack of diversification also restricts employment opportunities, forcing a significant portion of the workforce into informal and low-paying jobs [8]. As a result, economic growth driven by mining does not translate into broad-based employment generation or income enhancement.

A diversified economic structure is essential for reducing vulnerability and ensuring sustainable development. However, the dominance of the mining sector continues to crowd out investments in other sectors, perpetuating the cycle of underdevelopment.

These five factors are deeply interconnected and reinforce each other. For instance, weak governance leads to poor fiscal distribution and inadequate rehabilitation, which in turn exacerbates social exclusion and environmental degradation. Similarly, lack of diversification increases dependence on mining, intensifying both ecological damage and economic inequality.

Thus, the resource curse in Jharkhand is not caused by a single factor but is the outcome of a **complex interaction between economic, social, environmental, and institutional dynamics**.

## VII. Discussion: A Spatial Justice Perspective

The Jharkhand case demonstrates that the resource curse is not merely an economic issue but also a question of spatial justice. The unequal distribution of benefits and burdens across regions creates structural inequalities that perpetuate poverty.

The coexistence of industrial prosperity in districts like Bokaro and Jamshedpur with extreme poverty in tribal districts highlights the need for region-specific development strategies. Spatial planning must integrate mineral policy with social welfare and environmental sustainability.

## VIII. Policy Recommendations

- **Decentralized Revenue Sharing:** Strengthening District Mineral Foundation (DMF) mechanisms for local development
- **Inclusive Tribal Development:** Ensuring land rights, rehabilitation, and participation of tribal communities
- **Infrastructure Development:** Improving connectivity and basic services in backward districts
- **Sustainable Mining Practices:** Enforcing environmental regulations and rehabilitation of mined areas
- **Economic Diversification:** Promoting agriculture, small industries, and service sectors

## IX. Conclusion

Jharkhand's development trajectory highlights the contradictions of resource-led growth. While the state contributes significantly to India's industrial and energy sectors, it continues to struggle with poverty and inequality. The spatial analysis clearly shows that mineral wealth alone cannot ensure development without strong governance, equitable distribution, and inclusive policies.

Addressing the resource curse requires a paradigm shift from extraction-centric growth to human-centric development, ensuring that the benefits of natural resources reach the communities that bear their costs.

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