

MA Econ, Sem-III,

REMOVAL OF REGIONAL DISPARITY THROUGH
UNION PUBLIC FINANCE

By

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To remove regional disparity as a first step, there should be demarcation of backward regions using uniform criteria for an objective assessment of the problem of regional disparities and to remove complaints of a step-motherly treatment by the centre.

Second, adequate funds should be made available by the Centre to Bihar for the development of backward areas after studying their need and importance. The responsibility of developing the areas should be entirely left to the State except in the case of very large projects entailing huge investments.

Third, there should be separate development programmes for each region, after their techno-economic surveys.⁹ For instance, in the backward regions of Bihar plains where densities of population exceed 1,000 per square mile but agriculture is stagnant and there are hardly any mineral resources, the development programmes should spread from technological breakthroughs in agriculture and water management including flood control and improvement of transport and communications, and of social and institutional reforms.

While in regions like famine-prone areas, which have severe environmental handicaps and limited developmental potentials, the programmes should train the local youth for emigration to adjoining regions of better economic opportunity where projects for the development of natural resources can be started.

A number of large projects have been started since the First Plan on the basis of techno-economic efficiency. But in recent years political pressures have led to the setting up of large projects in non-optimal locations without any regard to the

cost involved. The only consideration has been F. Perroux's "growth pole" concept. In such situations, regional growth effects of large projects should be carefully studied before embarking upon them.

Fourth, to develop backward regions industrially, the Third Plan and the fourth Plan emphasised the need for the establishment of industrial estates and Industrial Development Areas where basic facilities like power, water, transport, communications, etc., should be provided, and loan concessions and subsidies given to the entrepreneurs willing to start projects in backward areas.

This was also sought to be achieved through refusal to issue licences in developed areas. The NCDBA reveals in its Report that: (a) the existing policy for industrial dispersal of Central investment subsidy and of concessional finance has benefited a small number of districts, mostly in close proximity to relatively developed industrial centres; (b) with a few exceptions the industrial estate programme has not helped relocate industries away from developed areas; (c) licensing policy is only a negative instrument and cannot by itself promote industrial

development in backward areas; and (d) the availability of concessional finance and subsidy has been a significant motivating factor in persuading entrepreneurs to locate their units in backward districts. The Committee has recommended a policy of encouraging location of industry in suitable growth centres with due weightage for such centres in industrial backward States.¹⁰ It has also suggested the establishment of an Industrial Development Authority in such selected centres, which will work on a commercial basis to provide the necessary infrastructure and to channel development funds which might be allocated by Central or State Government.

Fifth, moreover, such a policy of industrial locations should be modified in the light of the techno-economic changes that are taking place in transport, communication, generation and distribution of power and industrial organisation. These changes have widened the concept of industrial locations. Industrial centres are fed daily by workers coming from far away places with the development of road and rail transport. Power is now transmitted over regional or national grids. "As a result, most industries have become foot-loose and regional location has

acquired greater importance than side location." Moreover, the large land requirements or big plants induce most industries to seek locations in the peripheral areas outside the cities. At the same time, tendency persists for industries to be located near large cities because they can take advantage of entrepreneurial, professional and labour skills, and to proximity to markets. All this necessitates a new industrial location policy where by large industrial estates should be set up near small towns in backward areas and all facilities are provided initially by the State.

Sixth, there should be an integrated programme for the development of village and small industries in backward areas. The State should provide all basic facilities like power, water supply, transport, communications, training institutions, finance, etc. In the initial stage, consumer goods and processing industries can be started, though manufacturing industries are not ruled out. Such a policy will help to provide large employment opportunities to the people of the area. Punjab owes much to the development of small industries in backward areas. The same can click in Bihar also.

Seventh, as we have seen above, some of the most prosperous States in India like Punjab and Haryana have developed through rapid agricultural development. The backward regions of Bihar too can be developed through improved seeds, fertilizers, pesticides, and above all, by providing irrigation and credit facilities to farmers. Industrial development alone cannot remove regional disparities. Agricultural development is more important in the rural-oriented economy of Bihar, as has been amply demonstrated by the Green Revolution, which has increased the per capita incomes of a number of districts considerably.

Eighth, as recommended by the Working Group on Incentives for Industrial Development in Backward Areas, "Growing points" should be developed in backward regions. Such a policy envisages the setting up of urban estates which encourage commuting of workers to such towns from neighbouring villages. It will reduce construction costs, foster rural development through the flow of incomes earned from urban jobs and spread new ideas and knowledge of new production techniques and pattern of living. Growing points may also take

the form of market towns in backward areas which may benefit the farmer by providing various inputs for modernisation of agriculture, and facilities for marketing and processing of agricultural products and for distribution of durable consumer goods. Punjab and Haryana lead in the establishment of such growing points by building urban estates, market towns, and mini secretariats throughout the States. Bihar, too, can take a cue from them and develop its backward areas.

Ninth, Professor Raj Krishna suggests that the bulk of public investment should flow in providing infrastructure facilities to backward regions so that they may generate new employment and income-streams for the poor. "Besides an active infrastructure policy, the policy-mix needed for reducing inter-regional imbalances must comprise: (a) the creation of efficient planning and implementation systems at State, district and lower levels, with considerable decentralised powers, and (b) the devolution of much larger financial resources from the Centre to the states and from the States to districts/blocks."

