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ROLE OF UNION PUBLIC FINANCE IN BALANCED REGIONAL DEVELOPMENT

By

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The recent feeling of the government that the taxable capacity of people of India has crossed its maximum ceiling has given rise to new scope of reassignment of the tax potential. In fact, indirect taxes have been increasing day by day. So some innovations in this field have been fully examined. In the direct tax list again, the various alternatives, as suggested by Jha Committee, have also been addressed.

There are certain deterrent factors which come in the way of rapid development of a region; most important of these are the geographical isolation, inadequacy of economic overheads like transport, labour, technology, etc.

Under the land system of the British, the rural areas were continuously pauperised and the farmers remained the most oppressed class; the zamindars and the moneylenders were of course, the only prosperous persons on the rural scene. The absence of effective land reforms allowed the structure in most of rural India to remain inimical to economic growth. The uneven investment in irrigation during the British period helped some areas become prosperous under the British rule.

In developing countries, the developed regions are generally confined to urban centres and urban areas. This is mainly because physical geography controls economic growth in a greater degree in developing countries than in developed countries. For example, Japan and Switzerland have overcome the handicaps of mountain terrain but our Himalayan States, viz., Northern Kashmir, Himanchal Pradesh, the Hill districts of U.P. and Bihar and NEFA, have remained backward and underdeveloped mainly because of inaccessibility. Climate too plays an important role in the low economic development of many regions in India as reflected in low agricultural output and absence of large-scale industry.

Some regions are preferred because of certain locational advantages. The location of iron and steel factories or oil refineries will have to be only in those technically defined areas, which are optimal from all the standpoints considered together. Naturally, as the process of development gains momentum, they attract labour, capital, trade and the external economies offered by the developing regions.

New investment, more so, in the private sector has a tendency to concentrate in an already well developed area, thus reaping the benefit of external economies. This is but natural from the private sector point of view, since well developed area offers private investors certain basic advantages, viz., labour, infrastructure facilities, transport and the market.

Serious regional imbalances resulted during the period of planned economic development since 1950-51. Even though balanced development was strongly endorsed by the Industrial Policy Resolution of 1956 and accepted as one of the principal objectives of economic planning from the Second Plan onwards, it was almost completely ignored by our planners and the licensing authorities.

Table - 2

Per Capita Plan outlays

	I Plan	**II Plan**	**V Plan**	**VI Plan**	**VII Plan**	**IX Plan**	**X Plan**	**XII Plan**
Punjab	175	146	212	316	531	1,179	1,695	2,951
Maharashtra	37	57	103	199	372	983	1,434	3,101
Haryana	--	--	--	358	481	1,385	1,871	2,838
Gujarat	58	76	108	204	376	1,037	1,485	2,700
West Bengal	54	48	80	82	200	600	653	1,144
Karnataka	46	62	100	128	276	614	749	3,138
Kerala	31	49	101	156	224	578	727	2,378
Tamil Nadu	28	57	98	134	201	651	1,063	2,427
Andhra Pradesh	33	52	91	98	236	584	841	1,858
Madhya Pradesh	34	48	84	114	254	687	1,146	1,742
Assam	29	57	103	136	190	526	850	2,066
Uttar Pradesh	25	32	72	132	237	535	803	1,372
Rajasthan	39	53	97	120	237	577	718	2,548
Orissa	56	54	120	113	207	536	897	2,123
Bihar	25	40	67	85	155	456	626	592
All States	38	51	92	142	262	687	1,026	1,965

Source : Centre for Monitoring Indian Economy : *Basic Statistics Relating to the Indian Economy,* Vol. 2, States (2015) and Planning Commission, *Twelfth Five Year Plan*

Really speaking, the planning mechanism has itself accentuated the disparity between the states by having a strong bias in favour of developed states and neglecting less-developed States. By and large, the more developed States were clearly favoured and the less developed States were neglected in planned outlay. Punjab and Haryana have always received the highest per capita plan outlays from the first plan to the eighth plan. In fact, the first four or five state have always received larger allocation of Plan outlays in all the five year plans. At the same time, the poorest states like Bihar, Orissa, Uttar Pradesh and Rajasthan have continued to receive the smallest allocation per capita in all the Plans. Accordingly, the disparity between the States in India has been widening. This is despite a clear objective of planning to achieve regional balance in development.

Since 1951, considerable investments have been concentrated at a few places like Bombay, Ahmedabad, Delhi, Kanpur, Calcutta, Bangalore, etc. on "efficiency criteria." These areas have outgrown their capacities and are faced with serious problems of congestion, slums, transport, public health, etc. At the same time, they are causing serious brain and resource drain from the adjoining areas. They "act as suction pumps, pulling in more dynamic elements from the more static regions." While the growth centres experience rapid, sustained and cumulative economic growth, the neighbouring regions have experienced outflow of people, capital and resources.

The adoption of the new technology in agriculture during the 1960's has also aggravated regional economic disparities. Working on the assumption of using the scarce resources in the most productive way and maximising food grains production to solve the problem of food shortage, the Government has concentrated its resources on farmers of heavily irrigated tracts in different parts of the country. These farmers were already well – off and they are made still better-off. On the other hand, dry-land farmers and non-farming population of the countryside have been left out. This has led to widening of the gap of income disparities between irrigated and dry areas and between large farmers and small farmers in every state.

The Government did make an attempt towards decentralisation and development of backward regions through public sector investment programmes in such areas as Rourkela, Bhilai, Barauni, etc. But as the ancillary industries did not come up fast enough these areas have continued to remain backward despite heavy investment by the Centre.

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