

**Steps taken to reduce regional imbalance**

3955. SHRI BRAJAMOHAN MOHANTY: Will the Minister of FINANCE be pleased to state:

(a) what steps Government have taken to reduce growing regional imbalance;

(b) is there any proposal to change the policy and principles in devolution of federal finance; and

(c) have Government considered the dissenting note given in the 7th Finance Commission Report and if so, whether any suitable steps proposed to be taken?

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRI MAGANBHAI BAROT): (a) Reduction of regional imbalance is one of the major objectives of developmental strategy. The strategy is reflected in the Plan documents from time to time. Sixth Five Year Plan (1980—85) is now being formulated in the light of the present Government's policies and programmes.

(b) The devolution of Central taxes and duties and Grants-in-aid of the revenues of the States are made on the basis of decisions taken on the recommendations of Finance Commissions, set up in terms of articles 280 of the Constitution. The Seventh Finance Commission, whose recommendations are effective for the period 1979—85, realising its role in the matter of balanced regional development, sought to ensure that its scheme of fiscal transfer left as many of the less affluent States as possible with surpluses on revenue account. As a result of the assessment of resources and the scheme of fiscal transfers recommended by the Commission, fourteen out of twenty two States are left with surpluses on revenue account, amounting to Rs. 13,582 crores. The Government of India have already accepted and implemented the scheme of fiscal transfers recommended by the

Commission. The Report of the Commission along with an explanatory memorandum on the action taken by the Government was laid on the Table of both the Houses of Parliament in November, 1978. There is no proposal to change this scheme of devolution. Apart from the devolution of funds recommended by the Commission, Government of India also assist the States for the implementation of their Plans. The distribution of Central assistance to States for their Plans is governed by a formula which has come to be called the Gadgil Formula. Assistance for Centrally Sponsored Schemes is given under IATP (Income Adjusted Total Population Formula). Both these formulae are weighted in favour of relatively less advanced States.

(c) The majority of the Commission did not agree with the scheme of devolution proposed in the dissenting note. The Government of India after giving careful consideration to the note of dissent and the opinion of the majority members of the Commission, came to the conclusion that in regard to devolution of resources which involve a delicate issue of Central-State financial relations, it would be proper to accept the recommendations of the majority. A mention to this effect was made in the explanatory memorandum on the action taken on the recommendations of the Commission, which was laid on the Table of both the Houses of Parliament, along with a copy of the Commission's report, in November, 1978.