

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4491  
ANSWERED ON:19.12.2014  
FINANCIAL INCENTIVES OF STATES  
Khanna Shri Vinod

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has any plans to introduce mechanism to give financial incentives to the lagging States to improve their performance in delivery of the welfare schemes and if so, the details thereof;
- (b) whether the Government proposes to establish a system of annual awards in different areas of public service delivery in recognition of exemplary performance at the State level and if so, the details thereof;
- (c) whether there is any proposal to introduce performance ranking of the States on social factors and if so, the details thereof;
- (d) whether there is any proposal to link Central funds with performance; and
- (e) if so, the details thereof and if not the reasons therefor?

**Answer**

MINISTER OF STATE IN MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) to (e) There is no formal proposal at present to give performance based financial incentives/awards and directly linking central funds with performance in delivery of welfare schemes by States. However, area and social indicator based backwardness is inter-alia addressed under Centrally Sponsored Schemes / Central Sector Schemes (CSS/CS) / Central Assistance for State Plans (CASP) such as under Tribal Sub-Plan; Scheduled Caste Sub-Plan; District component of Backward Regions Grant Fund (BRGF); Packages under State component of BRGF; ACA for Left Wing Extremism affected districts/ Hill areas/ Border areas; Desert Development Programme; Drought Prone Area Programme, etc. Further, differential needs of Special Category States and enhancement of various inter-state and intra-state social sector indicators, as reflected in Human Development Index (HDI), are also factored in under various sector specific CASP/CSS /CS Schemes, including monitoring of physical and financial performance as per guidelines of respective schemes. Further, State specific needs are considered by Finance Commissions and Terms of Reference of 14[ Finance Commission also provides the Commission to inter-alia suggest measures for maintaining a stable and sustainable fiscal environment consistent with equitable growth and recommend incentives and disincentives for States for observing the obligations laid down in the Fiscal Responsibility Budget Management Acts.