CHAPTER V

INSTITUTIONAL AND FINANCIAL ASPECTS

Institutional Framework

Financial Aspects

• Arrangement of funds
• Funding criteria
• Outlay and expenditure
• Pattern of assistance

Financial Allocation and Expenditure: A Comparison
The objectives of a programme mean little in the absence of a mechanism capable of translating them into action (Government of India, 1982, p.38). Such a mechanism may be classified into institutional and financial arrangements. The former ‘determines the pace of implementation of plans’, while the latter translates plans into reality (Sundaram, 1978, p.87). Hence, institutional and financial arrangements have paramount importance in efficient and effective implementation. This chapter examines the institutional and financial aspects of area programmes, in light of the following questions:

- What are institutional/administrative arrangements for implementing different area programmes? Whether the institutional arrangements differ between programmes of sectoral and regional nature?
- What have been the criteria for allocation of funds to different programmes? Have these changed over the period?
- Which are the programmes and states that have benefited the most from the central assistance?
The discussions are divided into two sections. First section deals with the institutional arrangements for different programmes and the second deals with financial aspects in terms of pattern of assistance, distribution criteria, and expenditure.

Section I
Institutional Framework

Broadly speaking, backward area programmes are formulated by the national institutions, and implemented by the state agencies. Among the national institutions, the Planning Commission of India prepares programmes of regional nature, while the Central Ministries do the same in case of sectoral programmes.

The Planning Commission formulates Special Area Development Programmes including the Hill Areas, the Border Areas and the North-Eastern Regional Plan. All these programmes are in the nature of regional development plans.

The Planning Commission is divided into a number of General and Subject Divisions1. One of the General Divisions is State Plan Division which includes the Multi-Level Planning, the Border Area Development Programme, the Hill Area Development and the North-Eastern Region Plan (NER). A separate Secretariat in the Planning Commission acts as the Subject Division for the Western Ghats Development Programme (Table 5.1). Four Central Ministries namely, Rural Development, Industry, Home Affairs and Tribal Affairs regulate development programmes of the sectoral nature.

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Table 5.1: Administrative Structure of Backward Area Development Programmes

National Level

Planning Commission
  - General Division
    - State Plan Division (One of eleven Divisions)
      - HADP
      - BADP
      - NER
  - Subject Division
    - Western Ghat Secretariat (One of eighteen Divisions)
      - WGDP

Central Ministries
  - Rural Development
    - Department of Land Resources (One of three Departments)
      - DPAP
      - DDP
  - Industry
  - Tribal Affairs
    - Department of Industrial Policy and Promotion (One of five departments)
      - IBADP
    - Tribal Development

Table 5.1: Administrative Structure of Backward Area Development Programmes
In the Ministry of Rural Development, the Department of Land Resources looks after the DPAP and the DDP. A Central Sanctioning Committee, constituted for policy making, identifies the thrust areas and disburses the central share of funds. Also, it guides, monitor and evaluates programmes.

The Ministry of Industry implements the Industrially Backward Area Programme. Department of Industrial Policy and Promotion, created in 1995 by splitting the Department of Industrial Development, has been entrusted with the task of policy formulation for industrially backward areas.

The Ministry of Home Affairs acts as the nodal agency for tribal development. It controls financial provisions made under the 'Special Central Assistance' (Government of India, 1984, p.22). The monitoring of the programme is done by the newly constituted Ministry of Tribal Affairs, created by reorganising the Ministry of Social Justice and Empowerment.

At the state level, a Screening Committee (SLSC), constituted by the respective state governments monitors all the centrally sponsored programmes. It is also called State Level Sanctioning Committee. Headed by the Chief Secretary or the Agricultural Production Commissioner or the Development Commissioner of the state, the committee keeps the Secretaries of various departments, such as agriculture, rural development, planning, finance, forests and environment and rural water supply act as its members.

In addition, a Ministerial Co-ordination Committee of development departments exists at the state level. The Secretary, Rural Development implements the DPAP and the Directorate of Industries monitors industrial development. The Tribal Development Department of the concerned state seeks

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2 The Ministry was called Ministry of Rural Areas and Employment from 1995 to April 1999. It reverted back to Ministry of Rural Development on April 9, 1999.
the co-operation from various departments to implement various development schemes (Government of India, 1997, p.16). According to central guidelines the administrative set up at state level comprises a Tribal Advisory Committee. The Tribal Commissioner in the state regulates programmes and the Divisional Commissioner co-ordinates work if it spreads over more than one district. Below the state level, the District Rural Development Agencies (DRDAs) or Zila Parishads (ZPs) are the implementing agencies. The District Collector/Project Administrator, Project Authority, Block Development Officer/Block Extension Officer, Village Level Worker (VLW) or Agricultural Worker is put in-charge of the programmes in order of hierarchy. Recently, there has been some change in the nomenclature of village level officials in some states and after the 73rd Constitutional Amendment some schemes are directly handed over to the village level from the national level for implementation.

District Level Committee or Regional Office implements the schemes at the district level. The District Collector/Deputy Commissioner/District Magistrate\(^1\) monitor programmes at this level. Here, the DRDA/Zilla Parishad is given the responsibility of implementing the programme. At the Block level, the Block Development Officer performs the same.

Briefly, a variety of administrative arrangements have been made in India to implement programmes of area backwardness.

\(^1\) Administrative (non-elected) head of the district is known by different names, such as District Collector in Rajasthan, Deputy Commissioner in Punjab and District Magistrate in Uttar Pradesh (Kant, 1988, p.73)
Section II
Financial Aspects

(A) Arrangement of funds

The financial assistance for development schemes and projects under backward area programmes comes from two main channels: the Planning Commission and the Central Ministries; and is known as ‘Central Assistance’\(^2\). A part of the funds also come from other sources including the state governments, all India financial institutions, nationalised banks, market borrowings etc.

Programmes of inter-state coverage prepared and implemented as regional plans such as the HADP, the BAPD, and the North-Eastern Region Plan are financed by the Planning Commission. Whereas, programmes of sectoral nature, such as drought prone, desert, tribal and industrial backwardness get funds through the concerned Central Ministries. For example, the DPAP and the DDP are allocated funds by the Ministry of Rural Development and Industrially Backward Area programme by the Ministry of Industry.

(B) Pattern of assistance

There exist a variety of arrangements to distribute the central assistance to state governments or implementing agencies for area programmes. For the hill and tribal development, where the sub-plan approach is applied to implement programmes, central assistance is provided as an additive to financial

\(^2\) Central Assistance, henceforth CA, is an important segment of the national level funds. It constitutes an undefined part of the total national funds. The distribution of plan funds marked as CA is done for four different categories. To begin with a part of CA, not defined, is separated for aiding the externally aided projects. Of the balance, a part is separated, not defined, for Special Area Programmes. The rest is for the States. Thirty per cent of the total funds for states go to Special Category States and seventy per cent to non-special category states. Gadgil formula (now Modified Gadgil- Mukerjee) is applied for distributing CA among non-special category states whereas there is no formula for distributing CA among Special Category States.
provisions made by the concerned states (Table 5.2). The concerned states prepare separate plans for such areas and earmark funds out of the normal state plans on certain basis. Generally population share of such areas in total population of the state is taken as a basis for the purpose by state governments.

The sub-plan approach ensures that the funds allocated are used exclusively for the benefit of such areas. Otherwise, some states used to divert funds including the central assistance to other areas in the state from the plan allocations done for such areas.

The tribal sub-plan is financed from four sources, viz. central assistance, central ministries, state share, and all India financial institutions including nationalised banks. Against this, the border area programme is entirely funded through central assistance.

The North-East Region Plan is financed through a high-powered regional authority known as the North-East Council. It receives funds directly from the Planning Commission and invests in projects of a regional nature.

The drought prone and desert development programmes are financed by the Ministry of Rural Development. The funds for the development of drought prone areas are contributed by the Ministry of Rural Development and the concerned states on fifty-fifty basis, while desert development is fully funded by the Ministry. However, the hot non-sandy desert areas are an exception. In their case, the expenditure on different schemes is borne by the centre and the concerned state in 3:1 ratio.

Under the industrially backward area programme, the Ministry of Industry provides incentives to the entrepreneurs for locating industries in such areas. There were at least five type of incentives (discussed in the chapter on areal
coverage), which were mostly withdrawn in 1991. Transport subsidy, continued beyond 1991, has come to an end in March 2000. A 'New Growth Centre' strategy that replaced the investment incentive policy is funded by sources such as the Central Government, State Governments, All India Financial Institutions and Nationalised Banks. One-third of the total expenditure incurred on this scheme is met out through the market borrowing.

(C) Funding criteria

The criteria for distribution of funds vary from programme to programme. For a discussion on funds distribution criteria, programmes have been grouped according to their nature and funding agencies.

(a) Regional programmes

The hill, the border and the North-East region development programmes are directly under the administrative and financial control of the Planning Commission. In the plan documents these are termed as ‘Special Area Development Programmes’. A separate chapter is provided for such programmes in Five Year Plan documents.

(i) Hill area development programme

After the decision on the quantum of central assistance to be given to area programmes, the central assistance is distributed among different programmes. A portion of the central assistance allocated to Special Area Programmes is allocated to the HADP. This amount is further distributed between ‘Designated Hill Districts’ and ‘the Western Ghats’ in the ratio of 86.61: 13.39 having no scientific base. In fact, the ad-hoc allocation of 13.39 per cent to the Western
Ghats programme during the Sixth Plan became a convention for further plans. In the annual plan for 1999-2000 it has been modified to make it 84 and 16 per cent, respectively (Government of India, Annual Plan, 1999-2000, p.520).

The share of 86.61 per cent thus assigned to the designated hill districts is distributed further among the concerned states on the basis of area and population. Equal weightage is given to area and population for distributions of funds. A Working Group on Hill Area Development recommended ecological vulnerability as the third parameter. It recommended that 20 per cent funds must be pre-empted and allocated on the basis of ecological vulnerability. This, however, is yet to be implemented. In this way, the intensity of ecological problems is overlooked.

However, the Western Ghats Development Programme, which gets 13.39 per cent share, provides higher weightage to area in distribution of funds. It is distributed in the ratio of 3:1. Goa, which has been kept an exception to this, is provided a fix proportion of 5.0 per cent of the total central assistance allocated to the Western Ghats Programme. The typical problem in the case of Goa is that the share of Goa, if calculated on the basis of these criteria, comes to almost negligible. To overcome this, the share of Goa has been fixed at 5.0 per cent.

(ii) Border area development programme

For the border area programme, central assistance is distributed on the basis of area, population, and length of border with reference to identified border blocks. The length of the border is defined as the actual length of the international border within a state.

All indicators are given equal weightage. However, at the time of distribution of funds among concerned states, a weightage of 7.5 per cent is given to
security sensitivity. An index of security sensitivity is however yet to be evolved.

Besides, giving a part of the funds to the Indira Gandhi *Nahar* Project (IGNP) funds are also provided for the scheme of Photo Identity Cards of the Ministry of Home Affairs. Funds for the IGNP are given to Rajasthan (Evaluation Report, 1999). Funds earmarked for IGNP and Photo Identity Cards are preempted from the total central assistance, before disbursement.

**Table 5.2**

**Backward Area Development Programmes: A Comparison of Financial Sources and Distribution Criteria**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Assistance</th>
<th>Distribution Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>HADP</td>
<td>Central Assistance and the State Contribution</td>
<td>Area and population[^1]</td>
</tr>
<tr>
<td>BADP</td>
<td>Central Assistance</td>
<td>Area, population and border length</td>
</tr>
<tr>
<td>NER</td>
<td>Central Assistance</td>
<td>Approval of schemes</td>
</tr>
<tr>
<td>DPAP</td>
<td>Central Assistance and matching grant from state</td>
<td>Area of block and number of watershed projects</td>
</tr>
<tr>
<td>DDP</td>
<td>Central Assistance</td>
<td>Area of block and number of projects</td>
</tr>
<tr>
<td>Tribal Development</td>
<td>Central Assistance, State Share, 15 Central Ministries, All India Financial Institution including Nationalised Banks</td>
<td>Population, area and gross domestic product of the state</td>
</tr>
<tr>
<td>IBADP[^2]</td>
<td>Central Assistance, All India Financial Institution, Market borrowing, and Individual entrepreneurs</td>
<td>Investment Amount</td>
</tr>
</tbody>
</table>

**Notes:**

[^1]: Total Central Assistance for the programme is firstly divided between Designated Hill Districts and Designated Hill Talukas (WGDP) in the ratio of 86.61: 13.39. Secondly, area and population are given equal weightage in case of Designated Hill Districts, while respective weightage in case of the Western Ghats is 3:1

[^2]: Most of the programmes were withdrawn in 1991.

**Source:** Compiled from various Government of India documents

(iii) North East region

The North East Council, which receives its entire funds as central assistance from the Planning Commission, has established a Committee to discuss and approve development projects of inter-state nature. All the concerned states are given representation on the Committee.

[^3]: Canal, in vernacular, is called *Nahar*
(b) Sectoral programmes

The Central Ministries of Rural Development, Industry, Home Affairs, and Tribal Affairs provide central assistance for area programmes of a sectoral nature viz. the drought prone, desert development, tribal development and industrial development programmes.

(i) Drought prone area programme

The Ministry of Rural Development finances the drought prone and the desert development programmes. The desert development programme was launched as an independent programme in 1977-78, but it also remained a part of the drought prone area programme for about four years.

Table: 5.3

<table>
<thead>
<tr>
<th>Period</th>
<th>Criteria</th>
<th>Funding Arrangements</th>
<th>Allocation Method</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| 1974-79      | Area of the District covered under the programme in percentage. | Shared equally between the centre and concerned states. | District with coverage of 
   (i) > 75 per cent: Rs60 million for five year plan period.  
   (ii) 50 – 75 per cent: Rs50 million for five year plan period.  
   (iii) < 50 per cent: Rs40 million for five year plan period. |                                                                              |
| 1979-87      | Number of Blocks covered in a district.        | Shared equally between the centre and concerned states. | Rs 1.5 million per block per annum.                                           | In 1985: Rs 12 million per block per annum.                  |
| 1988-95      | Area of block covered in a districts           | Equally shared between the centre and concerned states. | Block with an area of 
   (i) > 1000 sq. km.: Rs1.85 million per block per annum  
   (ii) 500 – 1000 sq. km.: Rs1.65 million per block per annum  
   (iii) < 500 sq. km: Rs1.5 million per block per annum |                                                                              |
| 1995 – till date | Area of blocks and number of watershed projects running. | Shared equally between the centre and concerned state | Rs 500 thousand /75 thousand per project in semi arid / Dry sub humid for a maximum of 3,5, and 6 projects in a block of 400 sq. km., 400-800 square km. and above 800 sq. km. respectively |                                                                              |

Source: Compiled from Government of India documents.
The funding criteria for both the DPAP and the DDP have changed frequently (Table 5.3). For the DPAP, the extent of areal coverage in a district was the basis of funding during the Fifth Plan. Under this, drought prone districts were classified into three groups: (i) Districts with 75 per cent or more; (ii) between 50 to 75 percent and (iii) below 50 per cent areal coverage.

In 1979-80, funding was made more focused by adopting the development block as the unit of fund distribution. However, the number rather than area of a block was made the basis.

The criteria was reconsidered and modified in 1988 wherein area size of a block was made the basis of fund allocation. This gave a geographic perspective to allocation criteria. Blocks were grouped into three categories: (i) having an area of 1000 sq. km or more, (ii) between 500 to 1000 sq. km. and (iii) less than 500 sq. km. This arrangement remained in operation till 1995 when it was slightly modified. The number of watershed projects in a block was combined with the block area for funding purpose.

(ii) Desert development programme (DDP)

Initially, allocation of funds was dependent on the formulation of suitable schemes by concerned states and their capacity to utilise funds (Table 5.4).

This arrangement remained in operation for two years (1977-79). Thereafter, it changed to number of blocks in a district under the programme. Thus, districts having a larger number of blocks under the programme, irrespective of their geographical area, benefited more in comparison to those with fewer blocks of large area size.
In 1982 on the recommendations of Swaminathan Committee, the basis of allocation was changed from number of blocks to area of blocks covered under the programme in a district. This arrangement remained in effect till 1995.

Table 5.4

<table>
<thead>
<tr>
<th>Period</th>
<th>Criteria</th>
<th>Pattern of Assistance</th>
<th>Methods of Allocation</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977 – 79</td>
<td>Ad hoc basis</td>
<td>100 per cent centrally funded</td>
<td>Subject to formulation of suitable schemes by concerned states and their capacity to utilise the funds.</td>
<td></td>
</tr>
<tr>
<td>1979 – 82</td>
<td>Number of blocks covered in a district</td>
<td>Equally shared between the central government and the concerned states</td>
<td>Rs 1.5 million per block per annum and equally shared between the centre &amp; state being the minimum allocation per districts: Rs 2.5 million</td>
<td>Rs 5 million earmarked for cold desert areas in Lahul &amp; Spiti district (H.P.)</td>
</tr>
<tr>
<td>1982 – 85</td>
<td>Area / Intensity of aridity</td>
<td>No change</td>
<td>Rs 1 million per 1000 sq. km. Per annum subject to a ceiling of Rs 20 million per district</td>
<td>Cold Deserts: J&amp;K: Rs 6 million per annum per district; H.P.: Rs 5 million per annum per district. Ganganagar (Rajasthan), Rohtak, Bhiwani, Hisar &amp; Sirsa (Haryana) were considered less arid on the basis of rainfall and irrigation spread in these districts. For these, Rs 5 million per annum per district (to be shared between centre and state) was recommended, raised to Rs 6 million for all except Sirsa district.</td>
</tr>
<tr>
<td>1985 – 95</td>
<td>Areal coverage</td>
<td>100 per cent centrally funded</td>
<td>Rs 1.5 million per 1000 sq. km./annum with a ceiling of Rs 40 million/ district/ annum, raised to Rs 2.5 million/ 1000 sq. km. / annum by 1989-90 with a ceiling of Rs 60 million/ per district/annum</td>
<td>Cold Deserts: Rs 0.75 million to Rs 1.75 million/ annum / per district.</td>
</tr>
<tr>
<td>1995 –</td>
<td>Area Size of a block and number of projects running</td>
<td>(i) 100 per cent centrally funded in hot &amp; cold deserts (ii) Shared between central government and concerned state in the ratio of 3:1 in hot non-sandy deserts</td>
<td>Rs 2.7 million/1000 sq. km. subject to a ceiling of Rs 85 million / district. Rate of allocation per project was Rs 0.625 million. Revised in 1996-97 to Rs 1 million /project</td>
<td>Cold Deserts: A lump-sum grant of Rs 20 million for Kinnaur and Rs 30 million for Lahul &amp; Spiti (H.P.) per district/annum. Hot Non- sandy: Rs 0.562 million /project with a maximum of 3/5/6 project in area size of 400 or above, 401-800 and above 800 sq. km., respectively.</td>
</tr>
</tbody>
</table>

Source: Compiled from various official documents of the Government of India.
On the recommendations of the Hanumantha Rao Committee, the criterion was modified in 1995. The area of a block was combined with the number of watershed projects in a block to allocate funds. No further change has been made in the criterion. Notably, funds allocation criterion for both the DPAP and the DDP has been changing on the same lines. This shows a close association in the nature of two programmes.

(iii) Tribal development programmes

A newly created Ministry of Tribal Affairs now looks after tribal development. Earlier, it was looked after by the Ministry of Social Justice and Empowerment. Tribal development is based on the Sub-Plan concept. Funds are allocated on the basis of three indicators such as population, sub plan area and gross domestic product (GDP) of the concerned states. In relative terms, states having low GDP get higher financial assistance. The low- income states, thus, get preferential treatment in allocation of funds for tribal development.

The Tribal sub plan is broadly financed through: (i) State Plan resources, (ii) Central Plan Assistance from Planning Commission (iii) Special Central Assistance from the Ministry of Home affairs, and (iv) Institutional Finance (Government of India, 1984). Special tribal cells have been established in concerned central ministries to monitor flow of funds and implementation of programmes in tribal areas (Government of India, 1984, pp.19-20).

Special Central Assistance from the Ministry of Home Affairs is provided in the form of grants. Guidelines are provided to the states for the allocation. During the Sixth Plan states were asked to earmark funds for the tribal areas keeping in view the proportion of geographical area under the TSP, development level of tribal area vis-a-vis other parts of the state and the percentage of tribal population. During the Seventh Plan first two conditions were waived-off. The working group for the Eighth Plan recommended that the
allocation should be three per cent more than the share of tribal population. However, most of the states did not follow this strictly.

For the development of primitive tribes, the Government of India has been providing 100 percent financial assistance to states since 1975-76 (Government of India, 1984, pp.19-20) but the basis of funds allocation to ITDP is still ad hoc. With the establishment of an independent Ministry of Tribal Affairs, hopefully a rational and transparent criterion will be evolved soon.

(iv) Industrially backward area development programme

For the development of industrially backward areas, Government of India provided the central investment subsidy to attract industry. A specified proportion of the total investment was also reimbursed to entrepreneurs (Table 5.5). During 1970-83, such a scheme was extended to a limited number of districts from among the identified industrially backward districts.

In 1970, the number of such districts recommended by the concerned states was 44. Two districts each from the industrially backward states and one each from the industrially developed states were included under the scheme. The number increased to 89 in 1973, with a decision of including six districts each from the industrially backward states and three each from the industrially developed states. The number rose further to 102 in 1981 due to reorganisation of districts.

In 1983 with the decision to extend the Central Investment Subsidy scheme to all such districts the number rose to 286 and thereafter to 301 in 1985. The latter increase in the number of districts was due to reorganisation of some districts. No change came till 1991 when the scheme was withdrawn under the new industrial and investment policy initiated under economic reforms process.
The investment subsidy varied and raised from time to time. It varied from a minimum of 10 per cent of the fixed capital assets with a ceiling of Rs 0.5 million in 1970 to a maximum of 25 per cent and a ceiling of Rs 2.5 million for category A districts in 1983 (Table 5.5).

### Table 5.5
**Industrially Backward Areas: Criteria for Providing Central Investment Subsidy**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Industrially Backward districts/Area</th>
<th>Criteria</th>
<th>Districts/areas eligible for central investment subsidy</th>
<th>Investment Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>209</td>
<td>Two districts/areas each from industrially backward states and one district/area each from industrially developed states</td>
<td>44²</td>
<td>10 per cent of the fixed capital assets with a maximum limit of Rs 0.5 million</td>
</tr>
<tr>
<td>1973</td>
<td>229</td>
<td>Six districts/areas each from industrially backward state and three districts/areas each industrially developed state</td>
<td>89</td>
<td>15 per cent of the fixed capital assets with a maximum limit of Rs 1.5 million</td>
</tr>
<tr>
<td>1981</td>
<td>245</td>
<td>No change</td>
<td>102</td>
<td>No change</td>
</tr>
</tbody>
</table>
| 1983 | 286                                        | All industrially backward Districts/ Areas | 286 | A - 118 districts - (25 % of the fixed capital assets subject to a ceiling of Rs2.5 million )  
B - 55 districts - (15 % of the fixed capital assets subject to a ceiling of Rs1.5 million)  
C - 113 districts - (10 % of the fixed capital assets subject to a ceiling of Rs1 million) |
| 1985 | 301                                        | No change | 301 | No change |
| 1991 | Scheme withdrawn                          |          |                            |                   |

Source:  

Notes:  
(a) The rate of subsidy was enhanced to 20 per cent with effect from 1st March 1981 in the case of north-eastern region and Sikkim, subject to a ceiling of Rs 2 million.  
(b) Under the revised scheme of 1983, the blocks/talukas/urban agglomerations in category ‘B’ and ‘C’ districts where investments exceeded Rs 300 million as on 31st March 1983 were not eligible for further investment subsidy or concessional finance.  
(c) In 1983, 54 blocks in ‘B’ and ‘C’ category districts, where the investment exceeded Rs 300 million were excluded.
**Outlay and expenditure**

The outlay and expenditure on different programmes has been examined here in sequential order of funding criterion. The former refers to initial allocation of funds, the latter to actual expenditure incurred on the programme.

**(a) Regional programmes**

**(i) Hill area development programme (HADP)**

Among all area programmes, the HADP receives the largest share of Central Assistance revealing the national concern for ecologically fragile areas. The attention of planners towards these peripheral areas was an outcome of the Indo-China War in 1962. Because the development of infrastructure in these areas became an essential prerequisite of defence strategy after this War. From Fifth to Eighth Plan, a total sum of Rs 30.5 billion was allocated as Central Assistance for the Hill Area Development Programme (Table 5.6). The allocation increased to Rs 14.5 billion from Rs 1.7 billion during this period, increased 8 times in 23 years. The maximum increase in proportional terms (229 per cent) occurred from the Fifth to Sixth plan. In absolute terms, the maximum increase was from the Seventh to Eighth Plan.

Notably, the gap between outlay and expenditure has been declining over the period. While, actual expenditure made about 96 per cent of the outlay on the programme in the Fifth Plan, it went to cent per cent by the Eighth Plan. Earlier, during the Seventh Plan, it was as high as 107 per cent indicating that the realisation of physical targets of the programme was quite satisfactory.
Table 5.6
HADP: Central Plan Allocation and Expenditure
(Rupees in million)

<table>
<thead>
<tr>
<th>Plan</th>
<th>Outlay</th>
<th>Absolute Increase</th>
<th>Increase in per cent</th>
<th>Expenditure</th>
<th>Absolute Increase</th>
<th>Increase in per cent</th>
<th>Expenditure as percentage to total outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td>5th Plan</td>
<td>1700.0</td>
<td>-</td>
<td>-</td>
<td>1626.5</td>
<td>-</td>
<td>-</td>
<td>95.7</td>
</tr>
<tr>
<td>6th Plan</td>
<td>5600.0</td>
<td>3900.00</td>
<td>229.41</td>
<td>5429.0</td>
<td>3802.5</td>
<td>233.8</td>
<td>96.9</td>
</tr>
<tr>
<td>7th Plan</td>
<td>8700.0</td>
<td>3100.00</td>
<td>55.36</td>
<td>8911.1</td>
<td>3482.1</td>
<td>64.1</td>
<td>102.4</td>
</tr>
<tr>
<td>8th Plan</td>
<td>14500.0</td>
<td>5800.00</td>
<td>66.67</td>
<td>14468.7</td>
<td>5557.6</td>
<td>62.4</td>
<td>99.8</td>
</tr>
<tr>
<td>Total</td>
<td>30500.0</td>
<td></td>
<td></td>
<td>30435.3</td>
<td></td>
<td></td>
<td>99.8</td>
</tr>
</tbody>
</table>

Source:

Of the total outlay of Rs 30.5 billion the designated hill districts and the designated hill talukas (Western Ghats) received Rs 26.5 billion and 4.0 billion, respectively. However, their respective shares in total outlay have been changing over the Plans mainly due to ad hocism in allocation. The share of the Western Ghats, which was 11.83 per cent during the Fifth Plan, increased to 13.39 per cent during the Sixth Plan and to 16 per cent in the annual plan of 2000. Efforts to rationalise the criteria in 1985 failed due to strong opposition from the Tamil Nadu Government. Hence, a status quo has been maintained (Government of India, 1985, p. 17).

Funds to Designated Hill Areas, located in Uttar Pradesh, West Bengal, Assam and Tamil Nadu, are allocated on the basis of equal weightage to area and population. Uttar Pradesh, having the maximum area under the programme gets two-thirds of the total funds. In determining the quantum of Central Assistance for hill areas of Uttar Pradesh a convention is maintained that it has to be same amount as given to Himachal Pradesh. However, the Uttar Pradesh government has to earmark a share out of its total plan outlay, which is almost equivalent to proportion of population of hill districts in total population of the state.
The method of granting central assistance to a hill state and hill pockets within a state differed till 1981-82. The component of grant and loan in the central assistance for hill or special category states was in the ratio of 9:1 where as it was 1:1 for states having hill pockets. For non-hill states, 50 per cent was grant and remaining 50 per cent loan. This arrangement changed after 1981-82 when hill pockets were treated at par with hill or special category states, in favour of the non-hill category states having hill pockets. Consequently, plan allocation to the HADP jumped up to Rs 5.6 billion in the Sixth Plan from Rs 1.7 billion in the Fifth Plan, registering an increase of 229 per cent (Table 5.6).

In case of Western Ghats Development Programme, where taluka is the unit of programme implementation, funds are distributed on the basis of area and population in the ratio of 3:1. States having large area get higher share of funds and vice versa. Of the total amount of Rs 4.02 billion allocated to designated hill talukas in the Western Ghats from the Fifth to the Eighth Plan, Rs 1.3 billion or 32.4 per cent went to Maharashtra state. Karnataka followed it with 23.1 per cent, both together receiving dominant share (more than 55 per cent) of the total outlay. Kerala received 21.3 per cent, Tamil Nadu 17.2 per cent and Goa 5.02 per cent (Annexure XXI). Remaining 1.05 percent was allocated for survey and studies. As stated earlier, Goa is given a fixed share of 5 per cent (pre-empted before allocating to other states). Allocated shares of respective states indicated that funds distribution criteria are fully respected in division of funds.
Component of Grant and Loan in Central Assistance

<table>
<thead>
<tr>
<th>Hill Area Development Programme</th>
<th>Hill States/Hill Areas in Special Category States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1974 - 81</td>
</tr>
<tr>
<td>a</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1981 - 2001</td>
</tr>
<tr>
<td>c</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td></td>
</tr>
</tbody>
</table>

Diagram 3
On the whole, there are wide inter-state variations in allocation of funds for the development of hill areas, as area and population covered differed widely among states. The value of index of co-efficient of variability being the highest of all programmes in case of this programme reveal that, there are wide inter-state variations in aggregate funds allocated among the concerned states (Annexure XXXI).

(ii) Border area development programme (BADP)

Information on allocation of funds to BADP is scanty. Whatever little could be collected is analysed in the following.

Initiated during the Seventh Plan, the programme was allocated Rs 2 billion (Table 5.7). It increased to more than three times during the Eighth Plan. Extension of the programme to states bordering Bangladesh was largely responsible for such an increase.

West Bengal, Rajasthan and Jammu & Kashmir are major receivers of funds under the BADP. In fact, a higher share of Rajasthan is mainly due to the fact that funds are given to the state for the completion of the Indira Gandhi Nahar Project.

An aggregate amount of Rs 4.19 billion was allocated to this programme between 1993 and 1997. West Bengal alone received more than one-fourth (25.78%) of this amount. West Bengal along with Rajasthan and Jammu & Kashmir received nearly two-thirds (64.83%) of total central assistance. Coefficient of variability index value of 75.8 indicates relatively low inter-state variations as compared to other backward area programmes (Annexure XXXI).
Outlay registered an increase between 1993 and 1994 for all the states but no such change has taken place between 1995 and 1996. However, between 1994-95 and 1995-96, three states (Assam, Meghalaya, and Mizoram) registered a decline against an increase in the remaining six states (Annexure XXII).

<table>
<thead>
<tr>
<th>Table 5.7</th>
<th>Border Area Development Programme: Plan wise Distribution of Outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs in million)</td>
</tr>
<tr>
<td>Plan Period</td>
<td>Allocation</td>
</tr>
<tr>
<td>Seventh Five Year Plan</td>
<td>2000.0</td>
</tr>
<tr>
<td>Eighth Five Year Plan</td>
<td>6400.0</td>
</tr>
<tr>
<td>Ninth Five Year Plan</td>
<td>NA</td>
</tr>
</tbody>
</table>


Border areas having higher population density receive more funds in comparison to sparsely populated border areas. Degree of sensitivity, an important dimension of the border problem, is not given due consideration in the allocation criteria. For example, India’s western border is more sensitive to hostilities than the eastern but this factor does not reflect the allocation of funds to states falling along these two borders. This could happen as the border sensitivity index which make a part of the allocation criteria has not yet been evolved.

(iii) North eastern region development programme

During 1973-97, a total sum of Rs 32.3 billion was allocated for the development of North-Eastern Region (Table 5.8). During the Fifth Plan, the allocated funds made Rs 0.9 billion, which were raised, to Rs 1.65 billion during the Eighth Plan, registering an increase of more than 1.8 times.
During the Fifth Plan, outlay was higher than the actual expenditure. However, this situation reversed during the Sixth and the Seventh Plans. During the Eighth Plan expenditure was again lower than the outlay. Hence, physical performance of the programme became excellent during the Sixth and the Seventh Plan, which was low during the Fifth Plan (Table 5.8).

### Table 5.8

<table>
<thead>
<tr>
<th>Period</th>
<th>Outlay</th>
<th>Expenditure</th>
<th>Percentage of Expenditure to total outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>3.3</td>
<td>2.80</td>
<td>84.85</td>
</tr>
<tr>
<td>Fifth Plan</td>
<td>900.0</td>
<td>865.80</td>
<td>96.20</td>
</tr>
<tr>
<td>Annual Plan 79-80</td>
<td>470.0</td>
<td>326.80</td>
<td>69.53</td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>3400.0*</td>
<td>3853.40</td>
<td>113.34</td>
</tr>
<tr>
<td>Seventh Plan</td>
<td>6750.0*</td>
<td>7798.00</td>
<td>115.52</td>
</tr>
<tr>
<td>Annual Plan 90-91</td>
<td>2020.0*</td>
<td>1919.50</td>
<td>95.02</td>
</tr>
<tr>
<td>Annual Plan 91-92</td>
<td>2300.0*</td>
<td>2195.00</td>
<td>95.43</td>
</tr>
<tr>
<td>Eighth Plan</td>
<td>16480.0</td>
<td>15812.80</td>
<td>95.95</td>
</tr>
<tr>
<td>Total</td>
<td>32323.3</td>
<td>32774.10</td>
<td>101.39</td>
</tr>
</tbody>
</table>

Source: Compiled from unpublished information collected from Multi-level Planning Division, Planning Commission, New Delhi

Notes: * including LIC Loan.

1 including LIC Loan, SLR borrowing and Market Borrowing

Inter-state variations in distribution of funds for development are quite revealing (Annexure XXIII). The funds invested in projects located in Arunachal Pradesh were more than one-third of the total, against only 4.8 per cent in Meghalaya. Arunachal Pradesh has not only the peripheral location but also has a very sensitive border. Issues such as dispute with China over the international border, frequency of floods, and a need for creation of resilience and confidence among the people require huge financial investments. It helps the entire northeastern region. Meghalaya received the lowest share of total allocations. A value of 76 per cent of Co-efficient of variation (CV) of inter-state allocation reveals that though there are wide inter-state variation in allocation of funds, yet these are of moderate nature as compared to other programmes (Annexure XXXI). In per capita terms also Arunachal Pradesh received the highest sum followed by Nagaland, and Mizoram.
(b) Sectoral programmes

(iv) Drought prone area programme

Since its inception in 1973-74, allocation of funds for the DPAP has been on the rise. Allocation in absolute terms increased by more than eight times. Growth of funds has been more than 200 per cent between the Fourth and Fifth Plans. However, it has been less than 20.0 per cent during the Sixth and Seventh Plans. Again, increased by about 93 per cent between the Seventh and Eighth Plan.

Notably, the amount allocated to the DPAP over the plans has been increasing, though erratically. Against this, its share in total plan allocations has been declining continuously. It has come down to only 0.21 per cent during the Eighth Plan from 0.72 per cent in the Fourth Plan (Table 5.9).

It is to be noted here that though the allocation of funds registered an increase of more than 200 per cent between the Fourth and Fifth Plans, the expenditure was only 74 per cent of the total allocation during the Fifth Plan. Thereafter, there has been a gradual reduction in gap between the allocation and expenditure. This is considered as an indicator of the success of programmes (Table 5.9 and 5.10).

Decomposition of allocation reveals that out of total allocation of Rs 24 billion during 1973-97 period, Maharashtra accounted for 12.7 per cent, followed by Andhra Pradesh (12.29 per cent), Uttar Pradesh (11.52 per cent), Karnataka (11.1 per cent), Madhya Pradesh (9.2 per cent), Bihar (8.2 per cent), Gujarat (7.8 per cent) and Rajasthan (7 per cent) (Annexure XXIV).
Higher share of Bihar and Uttar Pradesh in allocation as compared to Gujarat and Rajasthan is quite interesting. It seems that funds allocation methodology favoured these two states between 1979-87. In fact, the number of blocks covered being the basis of funds division, these states benefited, because the number of blocks covered in these states was more owing to small area size of blocks and large population size of blocks. With change of criteria in 1988, this situation got rectified to some extent. This may be the reason for the lowest value of co-efficient of variation (56.9 per cent) in case of inter-state variations in funds allocated under the DPAP (Annexure XXXI).

Table: 5.9

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Total Plan Size</th>
<th>Amount</th>
<th>Allocation as per cent to total plan size</th>
<th>Absolute increase</th>
<th>Growth Rate (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4th Plan</td>
<td>15778.8</td>
<td>1125.52</td>
<td>0.72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5th Plan</td>
<td>39287.49</td>
<td>3501.23</td>
<td>0.89</td>
<td>2375.71</td>
<td>211.08</td>
</tr>
<tr>
<td>6th Plan</td>
<td>97500.00</td>
<td>4047.00</td>
<td>0.42</td>
<td>545.77</td>
<td>15.59</td>
</tr>
<tr>
<td>7th Plan</td>
<td>180000.00</td>
<td>4627.60</td>
<td>0.26</td>
<td>580.60</td>
<td>14.35</td>
</tr>
<tr>
<td>8th Plan</td>
<td>434100.00</td>
<td>8927.35</td>
<td>0.21</td>
<td>4299.75</td>
<td>92.92</td>
</tr>
</tbody>
</table>


Note: DPAP is a centrally assisted programme. The funds are equally shared between central and state governments.

Over the plans, expenditure differed widely among the concerned states. The expenditure in Rajasthan was the largest during the Fifth Plan, Andhra Pradesh during the Sixth Plan, Uttar Pradesh during the Seventh Plan and Andhra Pradesh again during the Eighth Plan (Annexure XXV).
### Table 5.10
**DPAP: Financial or Physical Performance, 1973-74 to 1996-97**
(Rupees in million)

<table>
<thead>
<tr>
<th>Periods</th>
<th>Allocation Centre + States</th>
<th>Expenditure</th>
<th>Expenditure as percent to allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973 – 74</td>
<td>928.54</td>
<td>725.77</td>
<td>78.16</td>
</tr>
<tr>
<td>Fifth Plan (1974-79)</td>
<td>3501.23</td>
<td>2576.68</td>
<td>73.59</td>
</tr>
<tr>
<td>Sixth Plan (1980-85)</td>
<td>4047.00</td>
<td>3374.14</td>
<td>83.37</td>
</tr>
<tr>
<td>Seventh Plan (1985-90)</td>
<td>4627.60</td>
<td>4618.60</td>
<td>99.81</td>
</tr>
<tr>
<td>Eighth Plan (1992-97)</td>
<td>8927.35</td>
<td>7072.03</td>
<td>79.22</td>
</tr>
<tr>
<td>Total Outlay (1973-97)</td>
<td>24076.32</td>
<td>20366.72</td>
<td>84.59</td>
</tr>
</tbody>
</table>

Source: Compiled from various official documents of Ministry of Rural Areas & Employment, Government of India, New Delhi.

In financial performance, Andhra Pradesh was at the top. It spent 99 per cent of the total allocation. Against this, Bihar performed the poorest with 64 per cent expenditure of allocation. States utilising funds above 90 per cent of the total allocation were Gujarat, Jammu & Kashmir, Rajasthan, Tamil Nadu and Uttar Pradesh. Even Madhya Pradesh could utilise only 74 per cent of the total outlay. Therefore, there are marked variations among states in terms of financial performance of allocated funds (Annexure XXIV).

**(v) Desert development programme**

Of Rs 8346 million allocated to the DDP during 1977-97, Rajasthan received about 69 per cent of this amount. Haryana and Gujarat together received another 17 per cent. Thus, 86 per cent of total allocation during the period went to these three states (Annexure XXVI). These states together have 62 per cent of the total area under the DDP. Evidently, there are wide inter-state variations in allocation of funds. This is supported with the highest co-efficient of variation value of 170.27 per cent in case of DDP (Annexure XXXI).
Remaining about 14 per cent was distributed among four states of Himachal Pradesh, Jammu & Kashmir, Karnataka and Andhra Pradesh. The allocation was divided in the ratio of 9:1 between hot (sandy and non-sandy) and cold deserts.

As regards the financial performance, 88 per cent or Rs 7353 million of total allocation of Rs 8346 million during 1977-97, was actually spent. In other words, utilisation was short by 12 per cent. However, states differ widely in this context. It varied from the highest of 102.84 per cent in Andhra Pradesh to the lowest of only 30.81 per cent in Karnataka. The performance of three states namely Andhra Pradesh, Rajasthan and Haryana was higher than the average (Annexure XXVI). Rajasthan achieved the highest target (91.3 per cent), against Gujarat achieving the lowest (79.7 per cent) and Haryana (89.1 per cent) falling between the two. On the whole, Andhra Pradesh, Rajasthan and Haryana may be termed as the best and Karnataka and Jammu & Kashmir as the poor performers in utilising the funds available.

(vi) Tribal development programme

Tribal sub-plan receives funds from different sources. Special Central Assistance provided by Ministry of Home Affairs makes the most important component of such funds.

In all, Rs 27 billion were allocated as special central assistance for tribal development from the Fifth to the Eighth Plan (Table 5.11). The allocated amount increased by more than six times during this period. Rs 1.9 billion allocated during the Fifth Plan increased to Rs 4.85 billion in the Sixth Plan, then to Rs 7.56 billion in the Seventh and Rs 12.5 billion in the Eighth Plan.
Plan wise allocation of funds by states reveals that Madhya Pradesh received the highest amount during the Fifth Plan, and Goa received the lowest. Himachal Pradesh came next to Madhya Pradesh (Annexure XXVII). During the Sixth Plan also, Madhya Pradesh got the largest amount but Bihar relegated Himachal Pradesh to third place to take up the second position.

Of the eighteen States and two Union Territories covered under the Tribal Sub-Plan, information on funds allocation for Jammu & Kashmir is not available. Among remaining seventeen States and two Union Territories, Maharashtra received the highest outlay during the Fifth Plan. Himachal Pradesh with about one sixth of the total outlay was next in order. Orissa and Bihar were other major funds receiving states (Annexure XXVIII).

### Table 5.11
TSP: Plan wise Special Central Assistance

<table>
<thead>
<tr>
<th>Plan</th>
<th>Outlay</th>
<th>Expenditure</th>
<th>Expenditure as per cent to outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fifth Five Year Plan</td>
<td>1900.0</td>
<td>1578.2</td>
<td>83.06</td>
</tr>
<tr>
<td>Sixth Five Year Plan</td>
<td>4850.0</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Seventh Five Year Plan</td>
<td>7560.0</td>
<td>8470.0</td>
<td>112.03</td>
</tr>
<tr>
<td>Eighth Five Year Plan</td>
<td>12500.0</td>
<td>14781.0</td>
<td>118.24</td>
</tr>
<tr>
<td>Total</td>
<td>26810.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source:  

Note:  
(a) The figures mentioned are Special Central Assistance of Ministry of Home Affairs  
(b) Actual outlay after completion of Plan was more than the initial outlay.

Special Central Assistance (SCA) allocation to all but Himachal Pradesh and Goa increased in the Sixth Plan from the Fifth Plan. The decline in allocation to Himachal Pradesh has been exceptionally high. Its share went down to 1.44 per cent from 15.78 per cent during this period. On the whole, Madhya Pradesh (26.91 per cent), Bihar (13.43 per cent) and Orissa (13.36 per cent) together, received about 54 per cent share of total allocation under tribal sub-plan during
Fifth and Sixth Plans. Against this, they shared only 45 per cent of the total tribal population covered under tribal sub-plan. Certainly, there are wide inter-state variations in allocation of funds in sub-plan. The co-efficient of variation value of 144.45 per cent the third highest, reveal inequality in inter-state allocation of funds for different programmes (Annexure XXXI).

Of the seventeen States and two Union Territories the share of nine States and two Union Territories in total SCA allocation during the Fifth and the Sixth Plan was more than their respective share in tribal population. These were Bihar, Himachal Pradesh, Kerala, Madhya Pradesh, Manipur, Orissa, Sikkim, Tamil Nadu, Tripura, Goa, Daman & Diu, and Andaman & Nicobar Islands. Share of the other eight states was below their respective share in tribal population (Annexure XXVIII). On the whole, there is, however, a strong positive correlation (r = 0.94) between the financial outlay and tribal population covered under sub-plan in the states.

(vii) Industrially backward area development programme

Central Investment Subsidy scheme was started in 1970. From 1970 to 1983, the scheme of Central Investment Subsidy (CIS) for industrial development was extended to only a limited number of industrially backward districts/areas. In 1983, the scheme was extended to all the industrially backward districts in India. In all, an amount of Rs 10.5 billion was reimbursed during 1972-93 (Table 5.12).

The states which were first to receive the C.I.S. included Karnataka, Rajasthan and Manipur in 1972-73. Among these, Karnataka alone received 87 per cent of the total subsidy. The number of states to receive C.I.S. in 1973-74 was eight, of which Maharashtra was the single largest beneficiary. It received about 82 per cent of the total C.I.S.
Diagram 4: Backward and Developed States: A Comparison of Shares in Central Investment Subsidy provided under Industrially Backward Area Programme, 1972-1993
During 1974-79, Tamil Nadu received the largest sum. It is evident that industrially backward areas of developed states, such as Karnataka, Maharashtra and Tamil Nadu, reaped the maximum benefit from the subsidy scheme in the initial years.

**Table 5.12**

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount (Rupees in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-85</td>
<td>2917.50</td>
</tr>
<tr>
<td>VII Plan (1985-90)</td>
<td>6170.10</td>
</tr>
<tr>
<td>1990-93</td>
<td>1387.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10474.60</strong></td>
</tr>
</tbody>
</table>

Source: Compiled from unpublished documents collected from the Ministry of Industry, Government of India

Note: Industrially backward area development programme was an incentive based programme. Among the various incentives, information on Central Investment Subsidy was possible to collect from Ministry of Industries. Information on other incentives was not available for various reasons.

This was the result of a uniform treatment given to all the industrially backward areas. Entrepreneurs were more attracted to invest in the industrially backward districts/areas of developed states for better infrastructure there in comparison to such areas in the backward states.

This situation get somewhat balanced following the differential treatment given to such areas on the degree of backwardness. Investors in most backward districts were given higher subsidies. Following this, during 1985-89 phase, the highest share of the subsidy went to industrially backward Uttar Pradesh. The Co-efficient of variation index value of 93.30 per cent suggests moderate level of inter-state variations in distribution of industrial subsidy (Annexure XXX).

About one-sixth of the industrially backward area identified in India is in the state of Madhya Pradesh (now Madhya Pradesh and Chattisgarh). Surprisingly, its share in total C.I.S. distributed during 1972-93 was about 9 per cent, much lower than its share in total backward area (Annexure XXIX).
Industrially backward areas have been identified in all the state and Union Territories except Chandigarh and Delhi. The share (61.05 per cent) of thirteen backward states identified by both National Development Council and Pande Committee (Andhra Pradesh, Assam, Bihar, Goa, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Manipur, Nagaland, Orissa, Rajasthan, Tripura, and Uttar Pradesh), in total subsidies was less than their proportional share (65.25) in backward areas (Annexure XXVIII). Contrary to it, eight developed states (Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab, Tamil Nadu, and West Bengal) and one union territory (Pondicherry) shared 35 per cent of the investment subsidy having only 28.49 per cent share in total geographical area under industrial backwardness (Annexure XXVIII).

**Financial Allocation and Expenditure: A Comparison**

In the following, inter-state and inter-programme comparison of financial allocation and expenditure has been done. This will help us to know states and programmes that benefited the most from the central assistance for backward area development programme.

**(a) Aggregate allocation**

A hefty amount of 129 billion was allocated to different Programmes of backward area development since the Fourth Plan. This amount makes only 0.8 per cent of total GDP of India in 1998-99 (at current prices).

In comparative terms, the largest share of this allocation, Rs30500 million or one-fourth, has gone to the Hill Area Development Programme. Tribal Area Development Programme with about Rs 27 billion comes next, followed by the North Eastern region programme with Rs 23 billion and DPAP with 24 billion. Industrially backward areas programme was allocated Rs 10.5 billion, Desert
Development Programme Rs 8.3 billion, and Border Area Development Programme, Rs 8.4 billion during the Seventh and the Eighth Five-Year Plan.

Table 5.13
Backward Area Development Programme
(Allocation of Financial Assistance, 1970-97)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Programme with period</th>
<th>No. of Years</th>
<th>Total Central Assistance A</th>
<th>Percent to Total Allocation</th>
<th>Total Area in (000 km²)</th>
<th>Allocation/ Year</th>
<th>Allocation/ Year/000 km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hill Areas (5th to 8th plan)</td>
<td>20</td>
<td>30500.00</td>
<td>23.58</td>
<td>234.2</td>
<td>1525.00</td>
<td>6.51</td>
</tr>
<tr>
<td>2</td>
<td>Tribal Areas (5th to 8th plan)</td>
<td>20</td>
<td>26660.00</td>
<td>20.61</td>
<td>501.9</td>
<td>1333.00</td>
<td>2.66</td>
</tr>
<tr>
<td>3</td>
<td>North East - (5th to 8th plan)</td>
<td>20</td>
<td>22650.00</td>
<td>17.51</td>
<td>255.0</td>
<td>1132.50</td>
<td>4.44</td>
</tr>
<tr>
<td>4</td>
<td>Border Areas (7th to 8th plan)</td>
<td>10</td>
<td>8400.00</td>
<td>6.49</td>
<td>138.1</td>
<td>840.00</td>
<td>6.08</td>
</tr>
<tr>
<td>5</td>
<td>Drought Prone Areas (4th to 8th Plan)</td>
<td>21</td>
<td>22328.70</td>
<td>17.26</td>
<td>746.1</td>
<td>1063.27</td>
<td>1.43</td>
</tr>
<tr>
<td>6</td>
<td>Desert Development (1977-97)</td>
<td>20</td>
<td>8346.47</td>
<td>6.45</td>
<td>439.5</td>
<td>417.32</td>
<td>0.95</td>
</tr>
<tr>
<td>7</td>
<td>Industrially backward Areas (1972-93)</td>
<td>21</td>
<td>10474.60</td>
<td>8.10</td>
<td>2300.0</td>
<td>498.79</td>
<td>0.22</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>129359.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Excluding annual plan allocation during plan holidays.

Note: The figures are not comparable since the period covered under programmes is not uniform.

Since programmes of area backwardness were initiated at different times, strict comparison of financial allocations to various programmes is not possible. However, as evident from the quantum of funds allocated to different programmes it is clear that programmes focusing on ecologically fragile (Hill, Desert and Drought Prone areas) and socially weak areas (Tribal Areas) did receive the greatest attention of the planners and policy makers in post-Independence India. Border Area Development programme, which is the youngest of all the programmes, has received no less significance in its short span.
(b) Annual average

Time span certainly influences the total allocations. The cumulative allocation of programme over the years is bound to be large. However, allocations worked out per year removes this bias of duration. Accordingly, the highest annual allocation has gone to the Hill Area Development Programme followed by Tribal Development, North East and Drought Prone. Against this, the lowest annual allocation was for the DDP (Table 5.13).

Annual allocation also provides a misleading picture, since the area coverage was not uniform. Annual allocation per thousand sq. km. reveals much deeper insights of allocations as area size variations are taken care of in this way.

(c) Allocation in area terms

Annual allocation per thousand sq. km. varied from a high of Rs 6.5 million for hill areas to a low of Rs 0.22 million for industrially backward areas. Border areas with Rs 6.08 million, North East with Rs 4.44 million, tribal development with Rs 2.66 million, drought prone areas with Rs 1.43 million and desert areas with Rs 0.95 million fall in between the two extremes (Table 5.13).

Evidently, ecologically fragile, sensitive and strategically significant areas, even smaller in size, attracted more funds than relatively larger but less fragile areas.

(d) Inter-state variations in allocation

There are wide inter-state variations in allocation of central assistance to backward areas. It varies from a high of Rs 23 billion or 19 per cent of total assistance to Uttar Pradesh to a low of only Rs 0.6 billion or 0.5 per cent to
Punjab. The same is evident from co-efficient of variability index of 117.52 (Annexure XXXI).

With Rs 13 billion, Arunachal Pradesh comes next to Uttar Pradesh. In fact, the investment made by NEC in Arunachal Pradesh was very high. Assam (8.3 per cent), Rajasthan (7.9 per cent), Nagaland (6.7 per cent), Maharashtra (4.3 per cent) and Madhya Pradesh (4.1 per cent) come in order of benefit received from the central assistance.

On the whole, five states which received more than Rs 6 billion each as central assistance may be termed as very high recipient states (Table 5.14). These include Uttar Pradesh Arunachal Pradesh, Assam, Rajasthan and Nagaland. Another seven states, each getting an aggregate of between Rs 4 to Rs 6 billion, are categorised as high recipient states. In contrast, very low assistance recipient states are Goa, Punjab, and Sikkim. Goa and Sikkim are relatively very small states, whereas Punjab is a highly developed state. It is only recently that Border Area Development Programme has been initiated in the state for the development of its border areas falling along the international border with Pakistan.

### Table 5.14

**Classification of States according to Central Assistance received for Backward Area Development Programme**

<table>
<thead>
<tr>
<th>Category</th>
<th>Range of Amount (Rs in billion)</th>
<th>Name of State/UT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>More than 6</td>
<td>Uttar Pradesh, Arunachal Pradesh, Assam, Rajasthan, Nagaland</td>
</tr>
<tr>
<td>High</td>
<td>4 - 6</td>
<td>Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, West Bengal</td>
</tr>
<tr>
<td>Moderate</td>
<td>2 - 4</td>
<td>Bihar, Jammu &amp; Kashmir, Manipur, Meghalaya, Mizoram, Orissa, Tripura</td>
</tr>
<tr>
<td>Low</td>
<td>1 - 2</td>
<td>Haryana, Himachal Pradesh, Kerala</td>
</tr>
<tr>
<td>Very Low</td>
<td>Less than 1</td>
<td>Goa, Punjab, Sikkim</td>
</tr>
</tbody>
</table>

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Uttar Pradesh, Arunachal Pradesh, Assam, Maharashtra, Rajasthan and Madhya Pradesh received relatively large amounts of central assistance for development of backward areas mainly because the dominant share of area and population of ecologically sensitive and socially weak areas are located in these states. Secondly, these programmes were initiated quite earlier as compared to deserts or border area programmes.

Main highlights

- In India, a variety of institutional and financial arrangements were made to formulate and implement backward area development programmes. Broadly speaking, two national agencies, the Planning Commission and the Central Ministries, formulate various programmes and the state level agencies, especially District Rural Development Agency, implement them.

- Backward area programmes, in the nature of regional plans such as the Hill Area, Border Area and North East Region plan, are formulated and financed by the Planning Commission. The programmes of sectoral nature, such as Drought Prone, Desert Development, Tribal Development and Industrial Development, are formulated and financed by the concerned Central Ministries. More specifically, the State Plan Division in the Planning Commission monitors the Hill, Border and North-East Region Programmes; the Western Ghats Secretariat to the Western Ghats; Land Resources Department in Ministry of Rural Development looks after the Drought and Desert programme and the Ministry of Industry has been responsible to the Industrial Development, programme.

- State Level Screening Committees monitor programmes in respective states. The District Rural Development Agencies (DRDAs)/Zila Parishads/District Councils monitor projects and schemes implementation at the district level, in general. With 73rd Constitutional Amendment in 1994, some of the schemes and
projects, such as under the national level backward area programmes, are now directly implemented by the Village Panchayats.

- Likewise there is a great variety in financing of these programmes. For instance, the Planning Commission allocates funds for programmes of regional nature, while the Central Ministries do the same for those of sectoral nature. In addition, funds also flow from all-India financial institutions, such as Industrial Development Bank of India (IDBI), LIC, nationalised banks and market borrowings.

- While the Border Area Programme is fully funded by the Planning Commission, financial assistance for Tribal Development comes from as many as four sources including (i) states plan resources; (ii) central plan and centrally sponsored schemes; (iii) special assistance from Ministry of Home Affairs; and (iv) institutional finance. Funds allocated to the Drought Prone Areas are shared on 50:50 basis between the centre and the concerned states. The Ministry of Industry provides only incentives for locating industries in backward areas.

- It is interesting to learn that the content of space has remained weak in devolution of funds for the backward area programmes in India. In the initial years, funds were distributed on the basis of the number of administrative units, such as districts or blocks covered, under various programmes rather than geographical area. As a result, states where administrative units covered under programmes were few in number but large in geographical area suffered. In due course of time, this procedure had to be rectified. The modified criteria now provide weightage to both area and population of administrative units covered under programmes. There is again a variety here. While the designated hill districts programme in the Himalayan region provide equal weightage to area and population, the designated hill taluka programme in the Western Ghats assign 75 per cent weightage to area and 25 per cent to population. Another important modification effected in the funds allocation criteria has been to consider
Italuka as the unit for the allocation of funds, if the programme identification unit also happen to be the block/taluka. Earlier, district used to be the unit for allocation of funds even if programme was implemented at the block/taluka level. All this have made backward area programmes more focused in space context. One has to keep note of the fact that while block/taluka are identification units, spatial data base at this level are inadequate for objective allocation of funds.

- An aggregate amount of Rs 129 billion has been invested as public money in major seven backward area development programmes in India. At a glance, it seems a huge amount. However, it makes less than one per cent (0.8 per cent) of the total Gross Domestic Product (GDP) of India in 1998-99. The HADP received Rs 30.5 billion and accounted for about one-fourth of the total expenditure on backward area programmes in India. Tribal development received another Rs 27 billion or more than one-fifth of the total expenditure. The North-Eastern Region Programme with an amount of Rs 23 billion closely followed it.

- Timely utilisation of funds allocated for backward area development has been tardy. The utilisation of funds varied among programmes as well as states. For instance, the utilisation of the allocated funds under the hill area development programme varied from a high of 102 per cent in the Seventh Plan to 96 per cent during the Fifth Plan. Though it shows a high rate of utilisation of funds, the state Tamil Nadu could use only about 71 per cent of the total funds allocated to state for hill area development in different five year plans. In case of North-east Regional Plan, there has always been gap, with the exception of Sixth and Seventh Plan, between allocation and expenditure on projects and schemes. During the Annual Plan of 1979-80, the expenditure made only about 70 per cent of allocated funds. The drought prone areas also fall in the same category where expenditure has never been hundred per cent of the allocation in the
entire life of the programme. Among the states, performance of Bihar, Madhya Pradesh, West Bengal, Himachal Pradesh, and Gujarat have been dismal whereas it was encouraging in case of Andhra Pradesh, Karnataka, Haryana and Jammu & Kashmir.

- Expenditure in terms of geographical coverage provides entirely different picture. Border area programme, which received the smallest amount in aggregate terms, got the second highest amount in terms of per km². It received Rs 6080 per km² which was next only to the HADP (Rs 6510 per km²). In contrast, industrially backward area programme got only a meagre amount of Rs 220 per km². On the whole, programmes focusing on ecologically fragile areas such as hill, desert and drought prone received the greatest attention of the government in allocation of funds for development. Socially weak tribal areas followed them in this context. In contrast, industrially backward areas received the least attention.

- Among the states, Uttar Pradesh got the largest amount of assistance for backward area development. It partook Rs 23 billion or 19 per cent of the total development assistance given to backward areas in the country. Arunachal Pradesh received the second largest sum of Rs 13 billion. Uttar Pradesh. Assam, Rajasthan, and Nagaland were the next in order. These five states together received 53 per cent of the total expenditure on backward area programmes in the country. In contrast, Bihar, Orissa, and Madhya Pradesh, which are considerably backward states, together received only about 9 per cent of the total. West Bengal, Tamil Nadu, Maharashtra and Karnataka received a handsome share of 15.3 per cent together.