CHAPTER II
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BACKWARD AREA DEVELOPMENT - A CONCEPTUAL APPROACH

Before reviewing the criteria to identify the backward areas and strategy or different categories of Backward Area, it is necessary to have a conceptual framework about the causes and origin of regional disparities in India. The concept of backward area was first developed in Great Britain to stress the problem of distressed/depressed areas. Britain was also the first country to take some effective steps to develop the backward areas through dispersal of industries from congested areas to the backward areas.\(^1\) United States of America (U.S.A.), France and Italy also faced the problem of backward areas and the practice of regional development and planning came into force in these countries.

In our country, a very large number of people believe that the area they live and work in is, in some more or the other way "economically backward". Many of them also feel that their requirements have been neglected in the process of planning. This belief has found expression in the political system and manifests itself in a large number of claims for special treatment put forward by official and non-official organisations\(^2\).

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THE CONCEPT OF BACKWARD AREA:

The concept of 'backwardness' has been reinforced by many financial schemes that give special treatment to backward areas. The concept of backward areas could not remain confined to the developed countries. Developing countries also recognised the problem of growing regional disparities and the need for development of industries in these backward areas in order to achieve balanced development. Resenstein Rodan says that development of industries in backward areas will reduce the regional disparities by raising income in depressed areas at a higher rate than in rich areas by the use of local raw material, employment of local raw material, employment of local labour, skilled and unskilled would create an impact on income levels and pull the area out of its backwardness and promote regionally balanced development. The draft report of the chakravarty committee on backward areas made some relevant observations on this matter. The draft report states: "The purpose of this committee is to

1. Report on General issues relating to backward areas development, National Committee on the development of backward areas, planning commission, Government of India, November, 1981, P. 34.
provide an approach towards the formulation of plans for backward areas, where backwardness refers to necessarily to poverty, but to factors which underlie such poverty.¹

There are certain other important features of the concept of backwardness which need to be made more clear. The areas identified as backward must have following three key characteristics:

1. They must have potential for development;
2. There must be some inhibiting factor which prevents this potential from being realised, and
3. There must be a need for special programmes to remove or mitigate the inhibiting factor and realise the full potential for development.²

REGIONAL DISPARITIES/AREA-WISE DIFFERENCES:

In a developing country like India, backward areas are rural in character and have not experienced any industrial development. In fact, the difference in developing country can be called the difference in development between 'rural' and 'urban' areas which Lipton has called "rural-urban" dichotomy.

¹ Report on general issues relating to backward areas development, National Committee on the development of backward areas, planning commission, Government of India, November, 1981, P.34.
² Ibid, P.35.
This rural-urban dichotomy, has become the most important class conflict in developing countries, which has been the result of 'urban biased' strategy of development. The witnessed prosperity in urban areas due to the growth and development of economic activities particularly industrial activity, rural areas remained backward. In India 'urban' areas are very less in number, therefore, these urban centres are surrounded by vast backward rural areas, which are characterised by chronic unemployment, under employment, lack of industrial development and dominance of primary sector in the regional economy.

REASONS OF DIFFERENCE:

The difference in development of industries and other related modern economic activities among different areas arise due to the following reasons.

1. Variation in activity in three sector i.e. cooperative, private and public.
2. Unsatisfactory conditions of development which are associated with substantial areas.
3. Geographical distribution of natural resources like coal, iron, ore etc.
4. Colonial rule over capial manufacturing industries and markets.

5. After independence, industrial development concentrated in and around industrially developed colonies, due to the absence of any systematic policy of location, control, regional planning and operation of market forces, causing concentration of capital, labour and income. Thus, backward areas of the country have fallen behind due to migration of manpower and capital to industrially developed cities, for higher wages and return.¹

From the foregoing discussion, it can be concluded that regional differences arise due to uneven distribution of industrial investment, industrial employment and their concentration in a few developed centres.

**REGIONAL ECONOMIC POLICY:**

The Regional economic policy play an important role in the development of backward areas.

1. It can stimulate demand for labour in backward region.

2. It can reduce level of employment by attracting more industries in backward areas and raising wages.

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3. It can induce private and public investment in backward areas through regulating industrial units through subsidy and incentives.

4. It can dispose industries from congested areas and promote industries in backward areas through regional development plan.

5. It can have effective control over private industrial location.

REGIONAL POLICY IN INDIA:

The aim of regional policy in India is to control location. Regional policy should be able to counter the structural weaknesses of backward regions to promote and develop new manufacturing industries. Regional planning influences the location decision of private entrepreneurs and also influences the location of industrial investment and induces industries to come to backward areas. Since, regional planning aims at regulating the location of industrial investment and plant location, industrial location turns out to be a link between regional planning and industrial development in backward areas. Therefore, there is relationship among regional planning, industrial location and development on backward areas.


IDENTIFICATION OF BACKWARD AREAS BY SMALL SCALE INDUSTRIES BOARD 1960

The identification of backward areas in an attempt made in 1960 by Small Scale Industries Board. The appointed committee by the board, to suggest a criteria to indentify the backward areas noted the following points.

1. Low per capita income,
2. High density of population,
3. Lack of communication etc.

PLANNING COMMISSION AND IDENTIFICATION OF BACKWARD AREAS:

During the formulation of Fourth Five Year Plan the commission set up a study group in 1966 to suggest the criteria for identifying backward areas. This committee suggested 15 indicators including the density of population, No. of workers in agriculture, net sown area, cultivable area per agricultural worker, establishment using electricity road mileage, no. of seats for technical training, no. of commercial vehicle etc. ¹

NATIONAL DEVELOPMENT COUNCIL 1968 AND BACKWARD AREAS:

The National Development Council too suggested per capita income as a criteria to identify the backward states in 1968. This criteria could not be effective due to following reasons.

¹ K.S.V. Menon, Development of Backward areas, through incentives.
1. States below the national average were considered backward for this purpose;

2. Too much variation in per capita income among districts within a state; and

3. Per capita income can not be the only indicator of backwardness.

**State government financial Institution Criteria**

The planning commission, state governments and financial institutions finalised, the following criteria for identifying backward districts in all the states and union territories of India:

1. The districts (which are normally said to be economically and industrially backward should possess a minimum level of infrastructure facilities essential for the development of industries;

2. ratio of population to agricultural workers;

3. Per capita industrial output (gross);

4. number of factory employees per lakh population;

5. Per capita consumption of electricity; and

6. length of surfaced roads and length of railway mileage in relations to population, (only those districts with indices well below the state average in respect of above indicators are to be selected as backward.

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WORKING GROUPS FOR IDENTIFICATION OF BACKWARD AREAS:

At the central level two working groups were appointed by the planning commission in 1968, under the chairmanship of Mr. B.D. Pande and Mr. N.N. Wanchoo. They were set up to suggest criteria for identification of backward areas, and to go into fiscal and financial incentives needed for establishing and expending industries in the identified backward areas.

PANDE COMMITTEE AND IDENTIFICATION OF BACKWARD AREAS:

A committee was set up under the chairmanship of B.D. Pande to identify the backward areas at states, Union territories and district level.

STATES AND UNION TERRITORIES LEVEL:

The committee submitted its reports in February 1969, it suggested the following criteria for identifying backward states and union territories.

1. Total per capita income;
2. Per capita income from industry and mining;
3. Number of workers in registered factories;
4. Per capita annual consumption of electricity;
5. Length of surfaced road in relation to (a) the population, and (b) the area of the state;
6. Railway mileage in relation to, and (a) the population and (b) the area of the state.
Keeping in view the foregoing noted criteria the committee recommended the following industrially backward states and union territories which qualified for special treatment.

**STATES:** Andhra Pradesh, Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Nagaland, Orissa, Rajasthan, and Uttar Pradesh.

**UNION TERRITORIES:** All Union territories (i.e. Andhama & Nicobar, Arunachal Pradesh, Dadra & Nagar Haveli, Goa, Damam & Diu, Lakshadeep and Mizoram) except Chandigarh, Delhi and Pondicherry.

**DISTRICT LEVEL:**

The Pande working group also suggested criteria or indicators for identifying backward districts in industrially backward district level are as follows:

1. District outside a radius of about 50 miles from large cities or large industrial projects;

2. Poverty of the people indicated by low per capita income starting from the lowest to 25 percent below the state average;

3. High density of population in relation to utilisation of productive resources and employment opportunities as indicated by;

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(a) Low percentage of population engaged in secondary and tertiary activities (25 percent below the state average may be considered as backward);

(b) Low percentage of factory employment (25 percent below the state average may be considered as backward);

(c) Non or under utilisation of economic and natural resources like minerals, forests etc;

(d) Adequate availability of electric power or likelihood of its availability with in 1-2 years;

(e) Availability of transport and communication facilities or likelihood of their availability within 1-2 years;

(f) Adequate availability of water or likelihood of availability during 1-2 years.

It is suggested that each industrially backward state may furnish the data in respect of the criteria recommended for identification of backward districts from 3 to 6 such districts. It is further felt that about 20-30 districts in all might be finally selected for grant of special incentives during the Fourth Five Year Plan period.

1. Report on industrial dispersal, op. cit, p.11.

WORKING GROUP ON FISCAL AND FINANCIAL INCENTIVES ON
WANCHOO COMMITTEE:

This committee was set up under the chairmanship of Mr. H.M. Wanchoo to suggest fiscal and financial incentives and the role of the state government and financial institutions in the development of industries in backward areas. This working group submitted its report in April, 1969. The committee recommended the following incentives for attracting entrepreneurs for setting up industries in selected backward areas:

(a) Grant of higher development rebates;
(b) Grant of exemption from income tax including corporation tax, for five years after providing for development rebate;
(c) Exemption from excise duties for a period of five years from the date of their going into production;
(d) Exemption from the payment of import duties on plant and machinery components etc., imported by units set up in backward areas;
(e) Exemption from sales tax both on raw materials and finished products to units set up in specified backward areas for a period of five years from the date of their going into production.
(f) Upto 400 miles the distance should be considred normal and beyond that the transport cost for finished goods should be subsidised for such backward areas as may be selected in the states of Assam, Nagaland, Manipur, Tripura, NEFA, Jammu & Kashmir and Andamans. The transport subsidy should be equivalent to 50 percent of the cost of transportation; and

(g) There should be re-orientation of the lending policies of the financial institutions so as to ensure the availability of finance on a preferential basis and on a concessional rate of interest to industries to be set up in backward areas.¹

NATIONAL COMMITTEE ON THE DEVELOPMENT OF BACKWARD AREAS:

The recommendation of the two working groups were considered by a meeting of the National Development Council in September 1969 and the main decisions taken were inter-alia.

(i) Concessions to be offered by financial and credit institutions for financing industries in backward areas should be available to selected backward areas in all the states and Union Territories.

(ii) The criteria to be adopted for selection of industrially backward districts in the state and Union Territories may be settled by the planning commission in consultation with the financial institutions and the state governments. Accordingly, planning commission held deliberations with Reserve Bank of India and other financial institutions like IDBI, IFCI, ICICI etc. For evolving a set of criteria for the purpose.

SIVARAMAN COMMITTEE:

The National Committee on the Development of Backward Areas (NCDBA) was appointed under the chairmanship of Mr. B. Sivarman on 30th November, 1978 to identify the backward areas. The committee felt that backwardness can be identified on the basis of fundamental structural factors i.e. geographical conditions of the region. The committee suggested the following criteria to determine the backwardness of the region:

(i) Tribal areas (the definition is being slightly revised);
(ii) Hill areas inclusive of hill stations.

(iii) Drought prone areas;
(iv) Hot and cold water areas;
(v) Chronically flood affected areas;
(vi) Coastal areas affective by salinity.

This committee has also made a comprehensive study of different aspects of problem and has submitted eleven reports, namely.

1. Organisation of administrative and financial structure for backward areas development.
2. Industrial dispersal.
3. Development of backward hill areas.
4. Village and cottage industries.
5. Development of tribal areas.
6. Industrial organisation.
7. Development of Drought prone areas and desert areas.
8. Development of chronically flood affected areas.

11. General issues relating to backward areas development.

RECOMMENDATION OF SIVARAMAN COMMITTEE:

The NCDBA submitted report on dispersal made following recommendations concerning the development of backward areas through industrialisation.

i. The evaluation of the existing policy for industrial dispersal, the central investment subsidy and the scheme of concessional finance have benefited a small number of districts, mostly in close proximity to relatively developed industrial centres.

ii. The industrial estate programme has not helped to relocate industries away from developed areas.

iii. Licensing policy is only a negative instrument and cannot by itself promote industrial development in backward areas.

iv. The availability of concessional finance and subsidy has been a significant motivating factor in persuading entrepreneurs to locate their units in backward areas.


Based on the findings and recommendations of the report by NCDBA, the Government decided to reclassify the backward areas into three categories (A, B & C) as follows.

Category A: NON-INDUSTRY DISTRICTS PLUS SPECIAL REGIONS

(91+43 = 134 districts).

Category B: Districts currently eligible for central investment subsidy minus category 'A' (55 districts).

Category C: Districts currently eligible for concessional finance, minus category A and B (113 districts).

The NCDBA recommended following primary units for the identification of backward areas.

1. The Nucleus plant approach can be used in industrially backward areas as identified in the recommendations regarding the central subsidy and concessional finance scheme.

2. Entrepreneurial development programme can be organised in industrially backward areas.

3. To establish industrial development authority (IDA), it will prepare a master plan and the responsibility of financing the rest would be with financial institutions on a direct finance basis.


IDENTIFIED BACKWARD DISTRICTS:

In 1971, the government of India declared 217 districts as backward out of 357 total districts in the country, and announced financial incentives for the industries in those districts. The number of backward districts was raised to 262 in April, 1982, and thus 70 percent of total area and 59 percent of total population was brought under backward districts out of 262 districts, 101 were eligible for central Government capital subsidy.

Chakravarty Committee:

The concept and criteria of backwardness outlined in the previous pages has to be operationalised in a manner that it is least open to dispute and most likely to attract a consensus of agreement, Chakravarty Committee sees it, there are broadly two ways of operationalising the concept. The first is to rely on some overall index for ranking areas and treat all areas below some cut off point as backward. The second is to identify problem areas in different categories by specifying the constraints on development that can only be mitigated by special measures.


DIFFERENT CATEGORIES OF BACKWARD AREAS:

The National Committee on the development of backward areas has suggested in the light of the concept of Backward Areas differ in the degree of backwardness and in their underlying causes. Very broadly, we have six categories of backward areas, viz.

(a) desert areas, (b) drought prone areas, (c) hilly areas including border areas, (d) tribal areas, (e) coastal areas and (f) chronically flood affected areas.

Each category needs a specific solution. The nature of backwardness in the hill districts of North Eastern Region would perhaps require, in the initial stages, a greater emphasis on physical infrastructure than elsewhere; while in north west, there is a need for proper marketing - organisation to sell their rich crop. Thus, to expect the manufacturing sector can serve the diverse needs of all these backwardness would be too simplistic an approach.

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1. Report on National Committee on the development of backward areas, Govt. of India, New Delhi, P. 39.
INDUSTRIAL DEVELOPMENT IN BACKWARD AREAS OF DEVELOPED COUNTRIES

It has been observed that all the countries of the world irrespective of the level of economic development have their own backward regions and suffer from the problem of regional disparities. The inducement of industries through industrial estates/areas to invest backward areas may be called indirect incentives. But these 'indirect incentives' may not be able to induce sufficient industrial investment in backward areas in a developing economy where there is total absence of industrial culture and higher uncertainty and risk is involved in investment. Therefore, indirect incentives are supported by direct Financial and Fiscal incentives. Concessional rates, income tax rebate, sales tax rebate, capital investment subsidy, lower tariff or imported machinery and raw material etc. these are some of the important direct incentives which are providing finance to industrial units. These incentives considered as 'pull factors' are known as 'Direct Inducement' for the industries to invest in backward areas. But these 'Direct Inducement to investment' may not be sufficiently strong to counter the 'backwash effect' released by the developed industrial centres in backward areas.¹

These instruments of 'positive incentives' and 'negative control' are equally used by such developed and developing countries such as, Italy, United States of America (USA), Spain, Great Britain (U.K.), France, India, and Israel.

UNITED STATES OF AMERICA:

In USA only 'positives' as a tool to influence regional choice of industry location are widely used. Incentives policy of the USA has a special feature in addition to attracting industries to depressed rural areas, poor rural areas, poor mountain areas, Industrial Mining Areas as well as 'innercity chetto', which are located in urban slums usually inhabited by Negros. The appalachain area is the example of Industrial backward area in U.S.A. ¹

SPAIN:

Like USA in Spain only 'positive incentives' as a tool to influence regional choice of industry location are widely used. Loan policy is also used to attract industrial units to backward areas in Spain.

GREAT BRITAIN (U.K.):

The Government of United Kingdom has passed the special areas development and Improvement Act in 1934 to deal with the problem of depressed area. According to this Act the Government designated four special areas i.e. South Wales; North East England, West Cumberland and Clydeside area of Scotland. Government provided factory building, loans at low interest rates and tax relief to industries.²

¹ H. Sadhak, op-cit, 34.
² H. Sadhak, op-citp, 32.
The most important step to decentralise industries from London came as a result of publication of Royal Commission Report on the distribution of industrial population. The Commission suggested decentralisation of industries from congested London and a policy of industrial diversification in depressed regions. Then came the distribution of industry act 1947.

Great Britain is using both the 'positive incentives' as well as negative disincentives and control attain its goal of regional policy. And also used financial incentives to create more employment in the depressed areas and attract new industries in special development areas. Industrial Development Certificate (IDC) is used to control further growth of existing country.¹

The regional policy in Britain has undoubtedly achieved good results. The aim of the policy was migration of industrial units to depressed region. But the regional policy of Britain could not solve the problem of unemployment².

¹ Sadhak, H., op-cit, p.31.
The advantages of these control and disincentives are that the region of their enforcement can be responsible to the changing economic circumstances.\textsuperscript{1} The Industrial Development Certificate (IDC) came into existence in 1947 as the most important disincentive measure. The incentive measure in Britain is assisted by strong negative measure of 'location control'. The regional policy in England is based on "The carrot and stick" (or aforesaid incentives and control) methods\textsuperscript{2}. The incentives industries and location of new industries in the congested areas.\textsuperscript{3}.

There is now employment subsidy in England. This employment subsidy also called premia employment, is linked to every job created in development zones. Financial incentives along with employment linked subsidy is beneficial for a country which desires to attract new industries in a backward area with a view to create employment opportunities for local people.\textsuperscript{4}

\textsuperscript{1} Allan Roddyar, op-cit , p. 187.
\textsuperscript{3} Rogers Allan; Economic Development in retrospect V.H. Winter and sons, washington D.C., 1979, p. 186.
\textsuperscript{4} Ibid, p. 186.
Controls and disincentives as the tools of the regional policy would be successful for highly industrialised area available in any depressed region. The depressed regions are known as Development Area (DAS) Special Development Areas (SDAS), Intermediate Areas (IAS) New Towns. Variety of incentives and subsidies are available in these areas in Britain, South Wales, North East England, Cumberland areas are examples of the Industrially backward areas in U.K.

ITALY:

The most Industrially backward area in Italy is south Mezzogiorno. A legislation was passed in 1957 for Mezzogiorno, which was followed by a new law in 1965. According to this law various incentives in the form of loans, grants, tax exemption were introduced. The most important aspect of Italian policy was the implementation of 'Growth Centre' Strategy, 'Area of industrial development' and 'Industrial Nucleus' are two types of zones, first is egglomerative in nature, it incorporates no. of commune focal centres, and at least two lakh population. Secondly normally it has 75,000 population. There are three separate Banking Institutions namely ISVEIMER (for southern Mainland), IRFIS (for sicily) CIS (for Sardinia). 1

Regional disparities in Italy exist between Northern and southern regions of the country, while the industrial growth rate was high in north Italy due to concentration of industrial investment and expression of industrial activities, south was relying on agriculture. The policy of government aimed at reducing disparities in industrial development between the North and south by inducing industries in south. Huge Government investment was made in south directly and indirectly.¹

The Italian Government mainly depended on incentive measures to implement its policy of developing industries in Mezzogiorno. The important incentives were: Investment subsidy upto 20 p.c. of the cost of Industrial building and 30 p.c. of the cost of plant and equipments loans at reduced rate (3 to 6%), relief incorporate and income tax, reduction in turnover tax, Railway freight charge, social security charge etc., preference is given, to large investment and investment in Nuclie only 'positive incentives' as a tool to influence regional choice of industry location were widely used by Italy.

FRANCE:

Industrial control measures came into existence first in France in 1955 with the objective to disperse

¹ M. Sadhak, (2-cit., p. 37.)
industries from Paris and to induce them to southern region and also to check further growth of industries in Paris. The regional problem in France is over concentration of industries in Paris and poor development of industries in southern region. In fact Paris urban region, contains about a quarter of industrial employment of France.

Industrial location policy was announced in 1958, which divided the country into five zones to implement financial incentives programme for industries. In France both the positive incentives as well as negative disincentives and control to attain its goal of regional policy are used.

In order to disperse industries a number of financial incentives and grants are introduced in Five zones in France. In the first zone (Southern and western periphery), there are investment grants to new industries. Second zone (specially old mining and textile area), there is industrial adaptation grants to encourage industrial conversion. Tax exemption is allowed in the third and fourth zones (relatively rich part of outer Paris). In the fifth zone (Paris region) industrial expansion is discouraged. France imposed penalty tax on any industry for further expansion in the congested regions and many

industrial activities are subjected to special dues in policy. This penalty of tax is a special feature of French policy.

**ISRAEL:**

Israel is a young nation suffering from industrial backwardness and lack of industrial investment. The only major urban industrial centre are Tel-Aviv, Hafiza and Jerusalem etc. since Israel is a country of immigrant population, there is a normal tendency of concentration of capital, investment and population in urban centres.

The objective is to encourage industrial investment in backward areas and reduce the burden of major urban centres. The main objectives of Israel Government is "the absorption of immigration, the planned distribution of population over the area of the state and the creation of new sources of employment", on the basis of the foregoing points the entire country was divided according to the level of backwardness into two groups. Most backward areas were 'priority area-A' and other were 'priority area-B'.

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The graded system of grants was introduced for building site development and machinery equipment for all the area, highest being for 'priority area - A', liberal loan scheme at the concessional rate of interest upto project cost of 55%, 50% and 45% for A,B, & C areas was introduced. The rate of interest was 6%, 8% and 10% for A,B, 'C areas respectively.¹

The incentive programme in Israel had good impact on relocating industries in priority areas. There was a definite rise in the percentage of approval projects/investment locating in developing (Priority) Areas.

Industrial investment increased in priority areas, the policy failed to disperse industries to distant places. However, it is undeniable that the Israeli policy was quite successful in attracting industrial investment in priority areas, this is no means a small achievement for a young country like Israel.

Conclusion:

From the above noted facts, it can be concluded that the concept of backward area was first developed in Great Britain to stress the problem of depressed areas. Britain was also the first country to take some effective steps to develop the backward areas through dispersal of industries from congested areas to the backward areas. Other developed countries like U.S.A., France and Italy also faced the problem of backwardness and due to this practice of regional development and planning came into force in these countries. The concept of backward areas could not remain confined to the developed countries. Developing countries also recognised the problem of growing regional disparities and the need for development of industries in the backward areas in order to achieve balanced development.

In developing countries like India, backward areas are rural in character and have not experienced any industrial development. In fact, the difference in developing country can be called the difference in development between 'rural' and 'urban' areas which Lipton has called "rural - urban" dichotomy. The Regional economic policy in India has been formula stimulated
demand for labour and reduce level of employment by attracting more industries in backward areas and raising wages.

The planning commission setup a study group in 1966 to suggest the criteria for identifying backward areas. The National Development Council suggested per capita income as a criteria to identify the backward states in 1968. The planning Commission appointed two working groups under the Chairmanship of Mr.B.D. Pande and Mr.N.N Wanchoo. They are setup to suggested criteria for the identification of backward areas and to go into fiscal and financial incentives needed for establishing and expanding industries in the identified backward areas.

The Sivaraman Committee felt that backwardness can be identified on the basis of fundamental structural factors i.e, geographical conditions of the region.

In 1971, the government of India declared 217 districts as backward out of 357 total districts. The number of backward districts was raised to 262 in April, 1982 and announced financials incentives for the industries in those districts.
Thus, it can be inferred that no programme, concept and criteria to identify backward areas could be successful. This may be due to lack of implementation and absence of long term industrial planning. One can say, no efforts were made by the government, committee, financial institutions and any other organisations to develop and evaluate the programmes, policies and criteria to identify backward regions at district or state level, that a particular programme concept policy or a criteria for identification of backward areas suggested by different committees is how for successful. If it is noticed that any programme, policy or criteria is successful the same followed with certain improvement according to the situation for the development of backward areas.

After discussing the concept and criteria for identifying the backward areas, it has been of paramount importance to study the role of government in provides finance for the development backward area in India and Uttar Pradesh during plan periods. The next chapter has been devoted to deal with the same.