

**S.S.m. 8. GEORGE, K.K. – Centre-State Financial flows and Inter-State Disparities in India—1983—
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In this study, the researcher examines how far a set of regional policies aimed to regulate inter-regional transfer of financial resources, has been effective in achieving the objective of reducing the disparities in development. To prevent wide disparities among Indian States, the Indian federation has been moulded deliberately into a tighter one, even at the cost of States' autonomy, bestowing wide powers and vast resources upon the union. All the Five Year Plans had emphasised the objective of balanced regional development. The author observes that despite this objective, the powers and resources with the central Government and its agencies have been utilised in the opposite direction, accentuating regional disparities and consequently regional discontent.

The study assesses the divergence trends in the Indian economy and examines how and why the declared regional goals had been defeated by the different agencies like the Finance Commission, Planning Commission, Various Union Ministries and financial institutions.

The various chapters focus attention on the disparities in budgetary expenditure of different states, the aggregate budgetary transfers from the centre to different states during the various plan periods, the redistributive effects of statutory financial transfers effected under the aegis of different Finance Commissions, non-statutory non-plan transfers effected by the Planning Commission and the different Union Ministries according to their direction, the reverse flow of funds from the states to the centre in the form of repayment of loans and interest payments etc.

A detailed discussion is also available on the flow of institutional finance from leading financial institutions like commercial banks, development banks including

Life Insurance Corporation and Unit Trust of India.

The conclusion that emerges from this study is that all the agencies entrusted with this task of resource allocation – the Financial Commission, Planning Commission, Union Ministries and Financial institutions – have without exception failed to bring succour to the poorer state. All the major instruments of regional policy have failed to arrest the widening trend in regional disparities in India.

As solution to the problem of regional disparities, the author suggests an identification of the criteria of backwardness and also an identification of the backward areas. Inter-state disparities in income levels can be corrected only by reversing the present directions of the financial flow from the Union Government and the financial institutions. Instead of funds flowing from the backward to the developed states as at present, more funds should flow from the developed to the backward states.