

22/6/22

Economy

Despite equity oriented transfers from the Central Govt, there is a widening inter-state inequalities. Explain (200 words)

Government has been transferring its revenue to all the state government on an equity basis. There are also some criterias for extra funds transfer from Central Government to state Government. This can result in widespread inequality in fund transfer.

Some of the criterias for extra funds are:

(i) Central Government's scheme fulfillment by the states.

(ii) Having more backwardness in their state

(iii) Lack of Hospitals, Schools, Basic institutions

(iv) Extremist affected areas.

(v) ^{with targets} SDG goals achieving states to incentivise and

(vi) top 5% states.

(vii) Revenue losing states i.e. loss from GST tax

Other than this, there are also basic

inequalities in the transfer.

From the Point of view of vertical distribution it is 41% from Central Government's revenue to all the states. i.e. equity basis.

From the Point of view of Horizontal distribution there is widespread inequality in distribution ^{because} Finance Commission recommendations. They are

(i) Income Inequality : This carries highest weightage of 20% approx. Low income states like Bihar, U.P., Rajasthan, M.P. will be receiving more revenue from the revenue transfer.

(ii) Population (1971) & Area : According to 1971 Census Population, More population more revenue, the bigger the state, the greater the revenue. Both carries 10%, 10% weightage respectively.

(iii) Forest Cover and Ecology : More is the forest area more is the revenue i.e. Telangana, Andhra will be receiving more income.

(iv) Population (2011) : According to 2011 Census Population, less the population more the revenue i.e. incentivising population control states, like TN, Kerala, Karnataka etc. They transfer money both equity basis and inequality basis ^{to promote development and}