Q) The 15th FC may split open Demographic fault lines between South & North India? Discuss. What alternative criteria would you suggest for fair sharing of central resources between North & South Indian states, keeping in mind the population issue in mind?

Finance commission is a body constituted by President of India under Article 280. 15th Finance commission headed by N.K. Singh has received short response for term of reference (TOR). The TOR mandates the commission to use 2011 population for tax sharing and devolution of resources instead of 1971.

~~Issues for South~~ Issues

- Between 1997-~~200~~2011 population ~~share~~ shares of southern state except ~~tele~~ Telangana is reduced from 22●.01% to 18.16%. Use of 2011 population means less fund.
- Population share for other 10 states have also declined. In which less prosperous states like Odisha, Assam & west Bengal are also present. which means less fund for them.

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Reality

- It is uncertain how 15th FC will ensure fairness & equality. so less population ~~do~~, does not mean less fund.
- In ~~past~~, tax-sharing formula was a combination of factors reflecting equity, need & ~~effici~~ efficiency.
- In all 14 Finance commissions population has been a neutral indicator.
- In 14th FC 10% of ~~to~~ 2011 population share was used and there was no significant loss in share of tax share of 10 states. but is early to say for resource sharing.

North Vs South ?

- Apart from Southern states there are many states who have reduced their population share from 1971 to 2011.
- States like Gujarat, Delhi, Haryana, Maharastra ~~are~~ get less compared to what they pay.
- Per capita ~~inco~~ share is less for poor state like U.P compared to Souther states.

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Way Forward

- Strengthening of federalism is required by which state should move towards self sufficiency.
- Creative methods apart from population share is needed to be found.
- Giving mixed weightage to 2011 & 1971 population share is still an option
- Support to better performing states is required but poor states need to bring some reform for ~~fast~~ better development.

The issues generated as still uncertain as 15th FC has still not given any signs of difference in tax share. Till 14 FC no effect of 2011 population was seen. Later effects of 15 FC can not be predicted & should be waited.

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