• That is, the cost of collection should be at the minimum level and the major portion of revenue should be made available for the other expenditure outlays of the Governments.

9. Principle of Accountability:

• Each Government should be accountable to its own legislature for its financial decisions i.e. the Central to the Parliament and the State to the Assembly.

- **Some problems of federal finance in India are:**

1. Mounting Vertical Imbalance:

Vertical imbalance emerges because of disproportionate alignment of revenue sources in relation to increasing expenditure obligations by level of government. There is a situation of growing expenditure requirements and poor yield of revenue source for states in India.

The process of assigning highly elastic revenue to the center and inelastic taxes to the states, led to a high degree of concentration in revenue collection. For example in India the centre collects 59% of total revenue whereas state and local bodies collect 41 % only. Lack of accountability and implementation of populist policies are the major cause for imbalance in state budgets.

2. Horizontal Imbalance:

Various regions and states in India differ in resources endowment, level of development and per capital income. Therefore horizontal imbalance occurs between different units of government at the same level of government in Indian federation.

The resources transfer affected through planning commission and Finance Commission has miserably failed in correcting the horizontal imbalance. As a result disparities in per-capita income are increasing.

3. Excessive Dependence on Centre:

This situation mainly emerges owing to the existence of vertical im-balance in resources source and transfer. Very often in Indian fed-eration the taxes which are assigned to states are generally less elastic and less productive.

As a result, with the passage of time states in India have become more and more dependent on cen-tre for financial help. The matter sometimes becomes worse for states ruled by a particular political party different from the one in the centre.

4. Eroded State Autonomy:

It is usually argued that the framers of our constitution were guided by the mistaken notion of "strong centre and weak states". The single party rule at the centre for the early decades of independence hardened this notion.

In a federation a strong centre without strong states is not feasible. The growing influence of regional partners and there active participation in central government coupled with the introduction of structural adjustment programmers, since 1990, has changed the situation. At present we can find quali-tative change in the concept of state autonomy.

5. Overlapping of Functions:

A study report of R. Venkataraman shows that a dualism in the cen-tral assistance has developed and there has been certain overlap-ping of functions of finance commission and the planning commis-sion.

5. Other Causes:

Some of the other causes responsible for the increase in population are: joint family system and lack of responsibility of young couples in these families to bring up their children, lack of recreational facilities, and lack of information or wrong information about the adverse effects of vasec-tomy, tubectomy and the loop.

Many poor parents produce children not because they are ignorant but because they need them. This is evident from the fact that there are some 35 million child workers in our country. If families stop those chil-dren from working, their family funds will be ruined. Producing more children by the poor people illustrates the paradox of population-poverty interrelationship. Poverty is both the cause and ef-fect of the population growth.

Hence measures which can reduce the birth rate should be adopted. These measures can be classified into 3 heads:

Measure of Population Control:

A. Social Measure:

Population explosion is a social problem and it is deeply rooted in the society. So efforts must be done to remove the social evils in the country.

1. Minimum age of Marriage:

As fertility depends on the age of marriage. So the minimum age of marriage should be raised. In India minimum age for marriage is 21 years for men and 18 years for women has been fixed by law. This law should be firmly implemented and people should also be made aware of this through publicity.

C. Other Measures:

The following are the other measures:

1. Late Marriage:

As far as possible, marriage should be solemnized at the age of 30 years. This will reduce the period of reproduction among the females bringing down the birth rate. The govt. has fixed the minimum marriage age at 21 yrs. for males and 18 yrs. for females.

2. Self Control:

According to some experts, self control is one of the powerful methods to control the population. It is an ideal and healthy approach and people should be provided to follow. It helps in reducing birth rate.

3. Family Planning:

This method implies family by choice and not by chance. By applying preventive measures, people can regulate birth rate. This method is being used extensively; success of this method depends on the availability of cheap contraceptive devices for birth control. According to Chander Shekher, "Hurry for the first child, Delay the second child and avoid the third."

4. Recreational Facilities:

Birth rate will likely to fall if there are different recreational facilities like cinema; theatre, sports and dance etc. are available to the people.

(iv)The trend in respect of 'current revenue balance' (i.e. revenue surplus on the basis of existing tax rates) is very unhappy. The 'additional resource mobilization' (mainly tax efforts over and above the existing tax revenues) as percentage of total outlays has not been on the rising trend. "Among the tax revenues, while the indirect tax revenue exceeded the LTFP (long term fiscal Policy) projections, direct tax revenue has fallen short of the projection by a wide margin. The share of direct taxes in the gross tax revenue of the Centre has come down from 43 per cent in 1950-51 to just 16 per cent in 1988-89. The shift in favour of indirect taxes though inflationary and regressive in nature is continuing unabated".

(v) 'Deficit financing' being an unwelcome feature of the pattern of financing had exceeded tire planned targets in almost all the plans, except for the Second Plan. It is seen that deficit financing has been kept at zero level in the Ninth Five Year Plan.

Q- Discuss the main objectives of the planning process in India. What factors have impeded the achievement of the objective of poverty alleviation?

Ans: The major objectives can be divided into following groups:

(a) Economic Growth:

Attainment of higher rate of economic growth received topmost priority in almost all the Five Year Plans of the country. As the economy of the country was suffering from acute poverty thus by attaining a higher rate of economic growth eradication of poverty is possible and the standard of living of our people can be improved.

(b) Attaining Economic Equality and Social Justice:

Reduction of economic inequalities and eradication of poverty are the second group of objective of almost all the Five Year Plans of our country particularly since the Fourth Plan. Due to the faulty approach followed in the initial part of our planning, economic inequality widened and poverty became acute.

Thus to achieve the target, various poverty alleviation programmes like the National Rural Employment Programme (NREP), Composite Rural Training and Technology Centre (CRTTC), Crash Scheme for Rural Employment Programme (CSREP), Rural Landless Employment Guarantee Programme (RLEGP) etc. were introduced. But the performance of these programmes is not up to the satisfaction.

(c) Achieving Full Employment:

Five Year Plans of India gave importance on the subject to employment generation since the Third Plan. The generation of more employment opportunities was considered as an objective of both the Third and Fourth Plan of our country. But up to the Fourth Plan employment generation never received its due priority.

(a form of laissez-faire capitalism very different from the free-form capitalism in the USA or China).

The main features of the New Economic Policy of 1991 are as follows:

1. Dereservation of the industrial sector: The industrial sector of the economy has been opened up to the private sector after the New Industrial Policy 1991. Previously, the public sector has given reservation especially in the capital goods and key industries. Other operators-private sector and foreign investors were not allowed in these critical industries. Deregulation of the industrial sector allowed private sector operation in most of these sectors except in eight selected areas including atomic energy, mining and railways.

2. Industrial delicensing policy: The most important part of the new industrial policy of 1991 was the end of the industrial licensing or the license raj or red tapism. Under the previous industrial licensing policies, private sector firms have to secure licenses to start an industry. This has created long delays in the start-up of industries. The industrial policy of 1991 has almost abandoned the industrial licensing system. It has reduced industrial licensing to fifteen sectors.

3. Opening up of the economy to foreign competition: Another major feature of the economic reform measure was that it has given welcome to foreign investment and foreign technology. Opening up of the economy to foreign competition started a new era in India's economic policy with permission to FDI up to 51 per cent in selected sectors.

4. Financial Sector Reforms: On the financial sector the government is introducing numerous measures for the deregulation as well as liberalisation of the sector. Different banking sector reforms including removal of control on interest rate and branch

Using its fiscal authority, a central bank can regulate the exchange rates between domestic and foreign currencies. For example, the central bank may increase the money supply by issuing more currency. In such a case, the domestic currency becomes cheaper relative to its foreign counterparts.

Tools of Monetary Policy:

Central banks use various tools to implement monetary policies. The widely utilized policy tools include:

1. Interest rate adjustment

A central bank can influence interest rates by changing the discount rate. The discount rate (base rate) is an interest rate charged by a central bank to banks for short-term loans. For example, if a central bank increases the discount rate, the cost of borrowing for the banks increases. Subsequently, the banks will increase the interest rate they charge their customers. Thus, the cost of borrowing in the economy will increase, and the money supply will decrease.

2. Change reserve requirements

Central banks usually set up the minimum amount of reserves that must be held by a commercial bank. By changing the required amount, the central bank can influence the money supply in the economy. If monetary authorities increase the required reserve amount, commercial banks find less money available to lend to their clients, and thus, money supply decreases.

Commercial banks can't use the reserves to make loans or fund investments into new businesses. Since it constitutes a lost opportunity for the commercial banks, central

(c) Income inequality is at an all-time high and is growing unabated. Rising inequality and unemployment are creating ruptures in the fragile fabric of our society.

In the global level where 82% of the wealth generated last year worldwide went to the 1%, while 3.7 billion people that account for the poorest half of the population saw no increase in their wealth, the survey said. Also, Billionaire wealth has risen by an average of 13% a year since 2010 – six times faster than the wages of ordinary workers, which have increased by a yearly average of just 2%.

India's richest 1% acquired 73% of the total wealth created in the country in 2017, as per a new survey by international rights group Oxfam.

Reasons for Income Inequality

- There a many reasons for the rise in income equality in India some of them are as follows:
- The rise of a rentier class that seeks to maximize its leverage in fixed assets such as lands and property to extract as much as income as possible
- With a 2019 study by the Reserve Bank confirming that housing affordability has significantly deteriorated over the last four years, it is unsurprising how millennial now choose to rent rather than bear the increasingly unaffordable burden of high EMIs.
- Unemployment is also a major reason for the low productivity of labour which can push many into poverty. It is a fact that inequality, poverty and unemployment are related to each other. The lack of sufficient employment not being created in time is the reason why there is an income gap today between classes.
- During inflation, less profit is made and wage earners are the ones who bear the losses. While profits are on the rise, the wages have remained more or less the same.

Health & Transport - Instead of driving, switches to walking or cycling for short journeys will save you money, improve your health and is often just as quick and convenient.

The way we approach development affects everyone. The impacts of our decisions as a society have very real consequences for people's lives. Poor planning of communities, for example, reduces the quality of life for the people who live in them. (Relying on imports rather than growing food locally puts the UK at risk of food shortages).

Sustainable development provides an approach to making better decisions on the issues that affect all of our lives. By incorporating health plans into the planning of new communities, for instance, we can ensure that residents have easy access to healthcare and leisure facilities. (By encouraging more sustainable food supply chains, we can ensure the UK has enough food for the long-term future).

We all have a part to play. Small actions, taken collectively, can add up to real change. However, to achieve sustainability in the UK, we believe the Government needs to take the lead. The SDC's job is to help make this happen, and we do it through a mixture of scrutiny, advice and building organisational capacity for sustainable development.

(f) When the revenue of the government is shorter than its expenditure then this situation is dealt by printing more currency, buying from public and foreign institution. This temporary arrangement of the money is **known as the deficit financing.**

Meaning of Deficit Financing:

Former Planning Commission of India has defined deficit financing as; "The direct addition to gross national expenditure through budget deficits, whether the deficits are on capital or on revenue account."

So whenever the expenditure of the government exceeds its revenue then government envisage the process of deficit financing. So the temporary arrangement of the funds through various methods is known as deficit financing.

Sources of Deficit Financing:

The deficit financing is done in three ways,

1. Printing new currency notes

2. Borrowing from internal sources (RBI, General Public, Ad-hoc Treasury Bills & government bonds etc.)

3. Borrowing from External Sources (like borrowing from developed countries and International institutions like World Bank, IMF, etc).

Deficit Financing in India

In India, when the total income of the government (revenue account + capital account) falls below its total expenditure, then;

1. Government withdraws money from its cash deposited in the Reserve Bank or

Full employment: It aims to achieve full employment, or near full employment, as a tool to recover from low economic activity.

Importance of Fiscal Policy in India:

- In a country like India, fiscal policy plays a key role in elevating the rate of capital formation both in the public and private sectors.
- Through taxation, the fiscal policy helps mobilise considerable amount of resources for financing its numerous projects.
- Fiscal policy also helps in providing stimulus to elevate the savings rate.
- The fiscal policy gives adequate incentives to the private sector to expand its activities.
- Fiscal policy aims to minimise the imbalance in the dispersal of income and wealth.