

STATEMENT OF THE FINANCE MINISTER

The **Report of the Dr. Raghuram Rajan Committee for Evolving a Composite Development Index of States** has been submitted to the Finance Minister. The Committee had been asked to suggest methods for identifying backwardness of States using a variety of criteria and also to recommend how the criteria may be reflected in future planning and devolution of funds from the Central Government to the States.

The Committee has proposed a general method for allocating funds from the Centre to the States based on both a State's development needs as well as its development performance. The Committee has recommended that each State may get a fixed basic allocation of 0.3 percent of overall funds, to which will be added its share stemming from need and performance to get its overall share.

The Committee has come up with a **Multi dimensional Index** of backwardness based on per capita consumption as measured by the NSSO, the poverty ratio, and a number of other measures which correspond to the multi dimensional approach to defining poverty outlined in the Twelfth Plan. The Committee has recommended that States that score 0.6 and above on the Index may be classified as "*Least Developed*"; States that score below 0.6 and above 0.4 may be classified as "*Less Developed*"; and States that score below 0.4 may be classified as "*Relatively Developed*".

The Committee has observed that the demand for funds and special attention of different States will be more than adequately met by the **twin recommendations** of the basic allocation of 0.3 percent of overall funds to each State and the categorisation of States that score 0.6 and above as "*Least Developed*" States. According to the Committee, these two recommendations, along with the allocation methodology, effectively subsume what is now "*Special Category*".

Using the index, the Committee has identified the "*Least Developed*" States as Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Meghalaya, Odisha, Rajasthan and Uttar Pradesh.

The Prime Minister has approved the proposal to place the report of the Committee in the public domain.

The Prime Minister has also directed that the recommendations of the Committee may be examined and necessary action in this behalf may be taken.

The Ministry of Finance, Department of Economic Affairs has been asked to examine the report and take necessary action.



September 26, 2013

(P Chidambaram)

Underdevelopment/Need Index

	State	Underdevelopment /need index	
1	Odisha	0.798	LEAST DEVELOPED
2	Bihar	0.765	
3	Madhya Pradesh	0.759	
4	Chhattisgarh	0.752	
5	Jharkhand	0.746	
6	Arunachal Pradesh	0.729	
7	Assam	0.707	
8	Meghalaya	0.693	
9	Uttar Pradesh	0.638	
10	Rajasthan	0.626	
11	Manipur	0.571	LESS DEVELOPED
12	West Bengal	0.551	
13	Nagaland	0.546	
14	Andhra Pradesh	0.521	
15	Jammu & Kashmir	0.504	
16	Mizoram	0.495	
17	Gujarat	0.491	
18	Tripura	0.474	
19	Karnataka	0.453	
20	Sikkim	0.430	
21	Himachal Pradesh	0.404	
22	Haryana	0.395	RELATIVELY DEVELOPED
23	Uttarakhand	0.383	
24	Maharashtra	0.352	
25	Punjab	0.345	
26	Tamil Nadu	0.341	
27	Kerala	0.095	
28	Goa	0.045	