

Optimum Allocation of Financial Resources for Reduction of Regional Disparities - An Exercise in Programming

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INTRODUCTION

Over the past many years the planners have been pre-occupied with the problem of regional disparities in the levels of development. Their desire to allocate more resources to relatively backward regions has led to the investigations of the problem of identifying such regions on the basis of several indicators of development. In the attempts to include in this identification as many facets of development as possible, the number of indicators of development that have been sought to be used has been ever increasing and so has been the feeling of necessity and the desire to combine them into one single indicator of development. A considerable amount of research work has gone into this related problem rather unsuccessfully as the solutions offered so far do not go beyond establishing the order of regions on a scale of development or backwardness.¹ The research workers have not been able to evolve any valid method directly relating the allocation of resources to the combined indicator of development; indeed, it does not appear possible to establish such a relationship.

2. In the absence of a 'technical' solution to the problem, different rules-of-thumb formulae, like the Gadgil formula, have been used by the planners to allocate resources to different regions with the objective of reducing regional disparities. The purpose of the present paper is to suggest an objective method of providing a direct solution to the problem of the planners of allocation of resources for development to different regions to reduce the regional disparities. It will be seen from the solution given here that though the problem and therefore the solution require one to consider several indicators in conjunction with one another, it is not necessary to combine them into one single indicator to obtain a solution.

3. The solution given here may appear to be an exercise in mathematics, dealing with a problem removed from practical reality. But this is not so. As in other scientific investigations a simplified model of the reality is first