

**Recommendations of Nanjundappa Committee Report and  
Resource Flows of Special Development Plan  
*Are We Meeting the Targets?***

*Report Prepared for the*

**Planning, Programme Monitoring & Statistics Department  
Government of Karnataka**

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**EXECUTIVE SUMMARY**

The challenges to federal nation building are many. In a country like India these challenges become more complex due to heterogeneity found in our country. The very structuring of a federal polity involving division of authority and distribution of responsibilities presumes coordination and reconciliation of several processes and varied interests. India, a state so vast and varied, the effective and responsive functioning of a new federal sovereignty involves various levels and components of the huge constitutional-cum-administrative machinery. The ever-changing dynamics of federalism make it difficult to demarcate jurisdiction and identify areas of operation. It may be difficult to settle such issues by mere enunciation of law or by the juristic separation. The constitution is assumed to represent the terms and contracts between the federating units and the federal authority. In actual practice the political face of federal system adjusts and adapts itself to the new problems and demands of an evolving polity. The smooth functioning of the federal processes is predicted on their capacity to absorb shocks, overcome tensions and reconcile conflicts and irritations.

Given this federal institutional framework, one can try to figure out other factors along with federal financial “IRRITANTS” that could lead to imbalance in regional development.

If one looks at the macro economic performance of the Indian economy in general and similar performance across states it is important to note that in recent times the growth rates have been quite impressive. However the issue is that we have not been able to transform this growth into development. This may be on account of serious regional imbalances both among states and within the states. Now the major question that needs to be addressed is that which are the factors that would come in the way of realizing this transformation in different states or regions within a state?

### Focus of the Study:

In the context of Karnataka state, the issue of regional imbalance in development has triggered off a good deal of debate especially in the aftermath of Dr. Nanjundappa Committee Report in 2002. The report, which was pioneering one, is considered to be a bench mark in highlighting the regional imbalance across the taluks of the state. Indicators for different sectors were used to measure the distance among the taluks and taluk rankings so done have brought forward the issue of backwardness to the forefront.

### Overview of Nanjundappa Committee:

The committee using 35 indicators (list of indicators is presented in appendix) from five different sectors (Agriculture, Industry Trade and Finance, Economic Infrastructure, Social Infrastructure, and Population characteristics) constructed a Comprehensive Composite Development Index (CCDI). Taking the State average of development for the selected indicators as the benchmark (equal to 1) and giving appropriate weights the committee identified 114 taluks as backward taluks among 175 taluks. Based on CCDI values, these backward taluks were further classified into Most Backward - MSB (CCDI of 0.52 - 0.79), More Backward - MRB (CCDI of 0.80 - 0.88) and Backward - BAK (0.89 - 1.00). Those with the value of greater than one were classified as relatively developed. In the below mentioned table division wise distribution of the taluks in these various groups has been presented.

**Division wise distribution of the taluks in different category**

Division/Region	Relatively Developed	Backward	More Backward	Most Backward	Total Taluks
Bangalore	18	09	13	11	51
Mysore	22	10	10	02	44
Belgaum	18	14	12	05	49
Gulbarga	03	02	05	21	31
<b>Total (State )</b>	<b>61</b>	<b>35</b>	<b>40</b>	<b>39</b>	<b>175</b>

Source: HPC FRRI, 2002

**In order to push these identified backward taluks (114) forward and reduce regional imbalances, the committee recommended the resource flows in the following manner.**

**Resource Allocation Pattern by Prof. Nanjundappa Committee:**

In order to bridge this deprivation Rs. 31,000 crores at 2002-03 prices were recommended by the committee. Out of this total recommendation, Rs. 16,000 crores need to be spent through a period of 8 years under the banner of **Special Development Plan (SDP)** and remaining 15,000 crores to be allocated through regular budget.

The present analysis takes into account only the resources that have been allocated under the SDP alone. Ideally one should consider the resources that have been spent under the general budgetary support. **As it was very difficult to get the disaggregated data relating to such resources we had to analyze the SDP resources per se.**

Table below shows the recommended resource allocation as per the committee's report.

**Division Wise Allocation of Resources as Recommended by Prof. Nanjundappa Committee**

Division/Region	Recommended Resource Allocation Share (%)	Recommended Resource Allocation (Rs. crores)
Belgaum	20	3200
Gulbarga	40	6400
Bangalore	25	4000
Mysore	15	2400
<b>Total (State )</b>	<b>100</b>	<b>16000</b>

Source: HPC FRRI, 2002

A committee was established to oversee the implementation of the recommendations of Prof. Nanjundappa Committee. This committee developed the criteria for allocation of resources for different years under the SDP.

**Special Features of SDP:**

- It is proposed to allocate funds in the ratio of 10%, 20%, 15%, 15%, 15%, 10%, 10% and 5% respectively in eight years

- In the 2<sup>nd</sup> and subsequent years, the allocations have been enhanced by 5% annual inflation
- The SDP does not take into account the recommendations already implemented and investment already made during the period June 2002 to March 2007
- Within the allocated amount to the sector, the amount is to be distributed among the Most Backward, More Backward and Backward Taluks in the ratio of 50:30:20
- A special cell to be created in Planning Department

It is observed from the data that Rs. 14140crore has been allocated through the SDP as against the recommended outlay of Rs. 16,000 crore by Dr. D M Nanjundappa Committee Report. SDP allocation is 12 per cent of the recommended outlay. **This reflects on the serious tilt towards the efforts made by the government in the reduction of regional imbalances.** However, if one looks at level of expenditure as against the recommended allocation we can note that the state has spent 33 per cent less than the recommended amount.

From the below table we can note year-wise allocation and expenditure of SDP resources in the state. It captures the data from initiation year of SDP (2007-08) to 2014-15, which ideally completes the recommended eight years of SDP. From the table it can be observed that as the time has progressed the deficiencies of both allocation and expenditure have been declining, which is an encouraging sign for the state.

### Growth of Special Development Plan

Year	Recommended Outlay	SDP Allocation		SDP Release	SDP Expenditure	
2007-08	1600	906	-(43)	681	658	-(59)
2008-09	3200	1660	-(48)	1234	1076	-(66)
2009-10	2400	2103	-(12)	1608	1487	-(38)
2010-11	2400	1883	-(22)	1480	1316	-(45)
2011-12	2400	2365	-(1)	2010	1731	-(28)
2012-13	1600	1833	(15)	1905	1860	(16)
2013-14	1600	1824	(14)	1457	1399	-(13)
2014-15	800	1565	(96)	1349	1234	(54)
All Years	16000	14140	-(12)	11725	10762	-(33)

Source: SDP Cell, GoK

### Division wise allocation of SDP

Divisions	Recommended	Expenditure	Gap	Gap (%)
Bangalore	4000	2748	-1252	-31
Belgaum	3200	2147	-1053	-33
Gulbarga	6400	4387	-2013	-31
Mysore	2400	1476	-924	-38
Total	16000	10759	-5241	-33

From table above it can be observed that the allocation of SDP against the recommended amount varies across the divisions, which is true for SDP expenditure as well. Highest negative deviation of allocation is found in Belgaum division (-22%) followed by Bangalore (-18%), Gulbarga (-16%) and Mysore (-9%). Similar pattern is also found as far as expenditure on SDP is concerned with respective figures for the four divisions as noted below,

- Belgaum -41%
- Bangalore -42%
- Gulbarga -35%
- Mysore -35%

The resources allocated for the reduction of regional imbalances have been allocated by the State Government almost in accordance with the recommendations of Dr. Nanjundappa Committee. However the irritant in this regard is relating to the expenditure of such resources to the fullest extent. For example, the expenditure for all the divisions taken together falls short to the extent of -33 per cent. Thus the need is felt to examine this issue in detail and find out why such deficit is occurring. Our discussions with the officials both at the district and taluk levels revealed that sometimes the money does not get allocated and even if it is allocated the release of the funds is not within the stipulated period of time. Administrative hurdles also sometimes affected quantum of expenditure.

### Nexus between SDP Expenditure and Development Status of Taluks:

In order to examine the impact of SDP expenditure as well as other budgetary support of Government of Karnataka on the development status of taluks, we followed the methodology of Dr. Nanjundappa Committee to understand the development status of

taluks for the year 2010 – a ten year comparison of development status of taluks was attempted. We used the same methodology and same 35 indicators to arrive at the development status of the taluks. The data of the Dr. Nanjundappa Committee was for the year 2000 and we have used the data for the year 2009-10. Though conceptually it may be difficult to extricate the impact of SDP expenditure alone on the change in the development status of taluks, we did attempt this just to know the linkage. As per Dr. Nanjundappa Committee Report, there were 114 taluks in the backward category and 61 taluks were in the developed category, whereas in 2010 these were 98 and 77 respectively. Among the divisions Mysore division has highest regional imbalances followed by Bangalore, Gulbarga and Belgaum divisions in the both years. The following chart shows the change in the development status of taluks for the period 2000 to 2009-10.

**Chart : Change in Development status of taluks for the period 2000 to 2010**

Status of Talus	Direction of Change	Nature of Change	No. of Taluks	Taluks
DEV→DEV	≡	No Change	52	Jamakhandi, Mudhol, Belgaum, Chikkodi, Dharwad, Hubli, Naragund, Ranebennur, Honnavar, Karwar, Kumta, Sirsi, Yellapur, Bellary Hospet Devanahalli, Nelamangala, Bangalore North, Bangalore South, Chikballapur, Davanagere, Harihara, Kolar, Ramanagaram, Bhadravathi, Hosanagara, Sagara, Shimoga, Thirthahalli, Tiptur and Tumkur, Yelandur, Chikmagalur, Koppa, Mudigere, Narasimharajapura, Sringeri, Bantval, Belthangadi, Mangalore, Puttur, Sullya, Hassan, Sakaleshpur, Madikeri, Somwarpet, Virajpet, Mandya, Mysore, Karkala, Kundapur and Udupi
MSB→DEV	↑	Triple Jump Forward	2	Sandur, Madhugiri
MRB→DEV	↑	Double Jump Forward	5	Gokak, Raichur, Turuvekere Kadur and Krishnarajpet
MSB→BAK	↑	Double Jump Forward	8	Bilagi, Afzalpur and Sindanur Channagiri, Gubbi, Kunigal and Sira Chamarajanagar
BAK→DEV	↑	Single Jump Forward	18	Raybag, Bijapur, Navalgund, Byadgi, Haveri, Ankola, Siddapur, Gulbarga, Hosakote, Anekal, Shikaripura, Tarikere, Arasikere, Channarayapatna, Holenarasipura, Maddur, Srirangapattana and K.R. Nagar
MSB→MRB	↑	Single Jump Forward	9	B. Bagewadi, Indi, Muddebihal, Sindgi Kudligi, Sedam, Shorapur, Hosadurga and Pavagada

**Chart : Change in Development status of taluks for the period 2000 to 2010**

Status of Talus	Direction of Change	Nature of Change	No. of Taluks	Taluks
MRB→BAK	↑	Single Jump Forward	14	Athani, Hirekerur, Bhatkal and Supa (Joida) Arakalgud, Malavalli, Nagamangala, Hunsur, Nanjanagud, Honnali, Soraba, C.N. Halli, Koratagere and Siruguppa
BAK→BAK	≡	No Change	10	Bailhongala, Hukkeri and Kundagol, Gangavathi,Chennapatna, Bangarpet, Malur, Srinivasapura, Pandavapura and Periyapatna
MRB→MRB	≡	No Change	12	Badami, Soundatti, Savanur and Shiggaon, H.B. Halli, Hadagalli, Koppal, Holalkere and Mulbagal Gundlupet, Kollegal and T. Narasipur
MSB→MSB	≡	No Change	20	Aurad, Basavakalyan, Bhalki, Humnabad, Aland, Chincholi, Chitapur, Jevargi, Shahapur, Yadgir, Kushtagi, Yelburga, Devadurga, Lingsugur, Manvi Kanakapura, Magadi, Harappanahalli and Bagepalli H.D. Kote
DEV→BAK	↓	Single Jump Backward	8	Bagalkot, Khanapur, Gadag, Haliyal, Mundagod, Doddaballapur and Chitradurga Alur
BAK→MRB	↓	Single Jump Backward	3	Ramdurg, Chintamani and Belur
MRB→MSB	↓	Single Jump Backward	9	Hungund, Kalghatagi, Mundaragi, Challakere, Hiriyyur, Molakalmuru, Jagalur, Gowribidanur and Gudibanda
BAK→MSB	↓	Double Jump Backward	4	Ron, Shirhatti and Hanagal and Sidlaghatta
DEV→MRB	↓	Double Jump Backward	1	Bidar

**Note: DEV = Developed Taluk, BAK = Backward Taluk, MRB = More Backward Taluk and MSB = Most Backward Taluk**

From the above chart we can note that out of the total 61 developed taluks as per the Dr. Nanjundappa Committee 52 have remained as developed, which means 9 have moved to different backward categories. We can also note from the chart that 8 have moved to Backward (BAK) category and one has moved to More Backward (MRB) category. This shows that such 9 taluks marginally moved backwards.

Within the backward category of taluks some have moved forward and backwards with different level of jumps as indicated below.

- Two taluks have moved forward with triple jump to the developed category
- Five taluks have moved forward with double jump to developed category
- Eight taluks have moved forward with double jump to backward category
- Eighteen taluks have moved forward with single jump to developed category
- Nine taluks have moved forward with single jump to more backward category
- Fourteen taluks have moved forward with single jump to backward category
- Ten taluks have remained in the backward category
- Twelve taluks have remained in the more backward category
- Twenty taluks have remained in the most backward category
- Eight taluks have moved backwards with single jump to backward category
- Three taluks have moved backwards with single jump to more backward category
- Nine taluks have moved backwards with single jump to most backward category
- Four taluks have moved backwards with double jump to most backward category
- One taluk has moved backward with double jump to more backward category

The analysis brings out the fact that across the board allocation of SDP resources for 114 taluks as identified by Dr. D. M. Nanjundappa Committee needs a relook. This is more

### **Taluks which got converted as DEVELOPED TALUKS**

Gokak, Raybag, Bijapur, Navalgund, Byadgi, Haveri, Ankola, Siddapur, Sandur, Gulbarga, Raichur, Hosakote, Anekal, Shikaripura, Madhugiri, Turuvekere, Kadur, Tarikere, Arasikere, Channarayapatna, Holenarasipura,

relevant in the background of the fact that 25 taluks have got converted into relatively developed taluks as the time has progressed. In the same way, some taluks have moved backwards, which also need to be considered while allocating the resources. Thus, the need is felt to understand the dynamics of the change in the development status of the taluks at regular intervals and such analysis should act as the base for considering allocations of resources under SDP.

**On the whole it appears that by and large the taluks have remained in the same category as was identified by Dr. D M Nanjundappa Committee.** However, there are few movements across the categories. Note worthy is the movement of Bidar, which was a developed taluk and it has moved backwards to more backward category with double jump. Sandur and Madhugiri have moved forward from most backward to developed category. Those taluks which have moved from more backward to developed category are Gokak, Raichur, Turvekere, Kadur and Krishnarajpet.

Backward movement of taluks is found mainly on account of poor performance in sectors like

- Agriculture,
- Economic infrastructure,
- Economic and Social infrastructures and
- *Industry Trade and Finance*

It is also observed that as the level of backwardness increases quantum of spending of SDP resources also declines.

Thus, the need is felt to understand the dynamics of the change in the development status of the taluks at regular intervals and such analysis should act as the base for considering allocations of resources under SDP. For example our analysis with regard to development status of taluks for the year 2010 (ten years after such analysis by Dr. Nanjundappa Committee) has shown that some taluks have literally moved out of SDP framework as they have attained the status of Developed taluks. Few Developed taluks have become either backward or More Backward which would qualify them to be part of SDP resources.

#### **Other Highlights :**

Inter taluk disparity (CV%) in CCDI in Karnataka has increased marginally from 27.5 per cent in 2000 to 28.5 per cent in 2010. Among the divisions Mysore division has highest regional imbalances followed by Bangalore, Gulbarga and Belgaum divisions in both the years. Out of 27 districts 8 districts have shown the decrease in regional disparity from 2000 to 2010. These districts are Bagalkot and Bijapur from Belgaum division, Bellary and Bidar from Gulbarga division, Chitradurga from Bangalore division, and Hassan Mandya and Udupi from Mysore division. Highest inter taluk disparity is observed in Mysore, Dharwad, Davangere and D. Kannada.

In sum one can say that the efforts of the State Government deserve full appreciation due to the fact that it has exhibited its seriousness in compressing the regional imbalances in the state. Though in the initial years there were teething problems, the machinery responsible for the implementation of the recommendations of Dr. Nanjundappa Committee has picked up speed and is on the right track. Few corrective measures are required in case of select sectors and taluks which are lagging behind marginally. The need is felt to extend the SDP for current five year plan period with additional allocations.

In the background of the above discussion the need is also felt to create REGIONAL DEVELOPMENT COUNCIL (RDC) through the act of legislature. The funds which would be allocated and released to implement the recommendations of Dr. Nanjundappa Committee need to be treated as per the SCP and TSP framework and guidelines. In other words the

implementation and monitoring of funds meant for such recommendations would emphasize, inter-alia, on earmarking of such funds towards achieving balanced regional development, creating a dedicated unit (at taluka / district level) for proper implementation and there should also be a separate budget-head / sub-heads for making funds non divertible and approval for plans of Ministries and / Departments. At the state level the need is felt to create a REGIONAL DEVELOPMENT COUNCIL (RDC) for overseeing the resource flows and the implementation of Dr. DMN Committee recommendations which would also pave the way for addressing regional imbalances issues with a futuristic perspective. The Council needs to be created out of the Act of the legislature. Following chart depicts the prototype of the proposed RDC.