SECOND REPORT

OF

THE NINTH FINANCE COMMISSION

(FOR 1990-95)

CONTENTS

INTRODUCTION

1.1 This Finance Commission, the ninth since the commencement of the Constitution, was constituted by the President by his Order (SO No.581(E) dated the 17th June, 1987), which is reproduced below:-

"In pursuance of the provisions of article 280 of the Constitution of India, and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President is pleased to constitute a Finance Commission consisting of Shri N.K.P. Salve, Member of Parliament, as the Chairman and the following four other Members, namely:-

1. Shri Justice Abdus Sattar Qureshi, Judge, Gujarat High Court - Member
2. Dr.Raja J. Chelliah, Member, Planning Commission - Member
3. Shri Lal Thanhawla Former Chief Minister of Mizoram. - Member
4. Shri MaheshPrasad - Member Secretary

2. The Chairman and the other Members of the Commission shall hold office from the date on which they respectively assume office upto the 30th day of June, 1989.

3. The Commission shall make recommendations as to the following matters:-

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I of Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisos to clause(1) of that article.

4. In making its recommendations, the Commission shall-

(i) adopt a normative approach in assessing the receipts and expenditures on the revenue account of the States and the Centre and, in doing so, keep in view the special problems of each State, if any, and the special requirements of the Centre such as defence, security, debt servicing and other committed expenditure or liabilities;

(ii) have due regard to the need for providing adequate incentives for better resource mobilisation and financial discipline as well as closer linking of expenditure and revenue-raising decisions;

(iii) take into account the need for speed, efficiency and effectiveness of Government functioning and of delivery systems for Government programmes; and

(iv) keep in view the objective of not only balancing the receipts and expenditure on revenue account of both the States and the Centre, but also generating surpluses for capital investment.

5. The Commission may suggest changes, if any, to be made in the principles governing the distribution among the States of -

(a) the net proceeds in any financial year of the additional duties of excise leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957), and

(b) the grants to be made available to the States in lieu of the tax under the repealed Railway Passenger Fares Tax Act, 1957 (25 of 1957).

6. In making its recommendations on the various matters aforesaid, the Commission shall adopt the population figures of 1971 in all cases where population is regarded as a factor for determination of devolution of taxes and duties and grants-in-aid.

7. The Commission may examine the feasibility of the merger of additional duties of excise in lieu of sales tax with basic duties of excise and evolve a suitable formula for allocating a part of the duties of excise in respect of the goods described in column (3) of the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957) for distribution among the States, in lieu of sales tax.

8. The Commission may make an assessment of the debt position of the States as on the 31st day of March, 1989 and suggest such corrective measures as deemed necessary keeping in view the financial requirements of the Centre. The corrective measures will be with particular reference to investments made in infrastructure projects and shall have linkage with improvements in financial and managerial efficiency.

9. The Commission may review the policy and arrangements in regard to the financing of relief expenditure by the States affected by natural calamities and suggest such modifications as it considers appropriate, in the existing arrangements, having regard, among other considerations, to the need for avoidance of wasteful expenditure. The Commission may examine, inter-alia, the feasibility of establishing a national insurance fund to which the State Governments may contribute a percentage of their revenue receipts.

10. On the matters aforesaid, the Commission shall make two reports, the first report covering a period of one year commencing on the 1st day of April, 1989, by the 30th June, 1988, and the second report covering a period of five years commencing on the 1st day of April, 1990, by the 30th June, 1989.

11. The Commission shall indicate the basis on which it has arrived at the findings and make available the State-wise estimates of receipts and expenditures."

1.2 On his taking over as Chief Minister of Mizoram Shri Lal Thanhawla resigned his membership of the Commission and his resignation was accepted by the President with effect from the 24th day of January, 1989. Shri S. Venkitaramanan, Adviser to the Prime Minister, was appointed as a Member of the Commission, in place of Shri Lal Thanhawla, vide the President's Order of the [illegible] May, 1989. Shri S. Venkitaramanan resigned his membership of the Commission on his appointment as Adviser to the Governor of Karnataka. On his appointment as Secretary, Ministry of Environment and Forests, Shri Mahesh Prasad resigned his membership of the Commission and Shri K.V.R. Nair was appointed the Member Secretary of the Commission from the 13th July, 1989. Shri R. Keishing, former Chief Minister of Manipur, assumed charge as part-time Member of the Commission on Saturday the 25th November, 1989.

1.3 Shri N.K.P. Salve, Chairman, and Dr. Raja J. Chelliah, Member, continued to render part-time service. Shri Justice A.S. Qureshi, Member, rendered part-time service upto the 3rd August, 1989, whereafter he became a full-time Member.

1.4 Paragraph 10 of the Order dated 17th June, 1987, required the Commission to make two reports, the first report covering a period of one year commencing on the 1st day of April, 1989, and the second report covering a period of five years commencing on the 1st day of April, 1990. The President having accepted our request to extend the date for its submission to 31st July, 1988, our first report for 1989-90 was presented to the President on 29th July, 1988. Although the work on both the reports was taken up concurrently, it was possible to attend to the major issues and undertake the detailed exercises relating to the second report only after the presentation of the first report. A review of the progress of work made by us in April/May, 1989, convinced us that it would not be possible to submit the second report by 30th June, 1989. We sought extension of time upto 31st December, 1989. Our request was accepted by the President in his Order dated 13th June, 1989. This Order is reproduced in Annexure I.1.

1.5 The Commission attached great importance to its detailed interaction with the State Governments. The Commission further felt that it would benefit from consultations with experts in the fields of public finance and econometrics. A meeting was held on 24th February, 1988, at New Delhi with some eminent economists and econometricians (list in Annexure I.2). This was followed by another meeting on 22nd April, 1988, with the State Finance Secretaries and representatives of the Union Finance Ministry in which certain conceptual and methodological issues relating to the normative assessment of receipts and expenditures for the period 1990-95 were discussed. The Chairman wrote to all the State Chief Ministers and some eminent economists (list in Annexure I.3) on 11th November, 1988, requesting them for their views and suggestions about the feasibility of formulating a suitable composite index of backwardness. With a view to bringing greater clarity on some of these issues, meetings were held with economists and experts on 23rd June, 1989, (list in Annexure I.4) and 16th October, 1989, (list in Annexure I.5). We also convened an all-State Finance Ministers' meet at New Delhi on 24th July, 1989, to involve them in the examination of some of these important issues and to seek their advice and guidance before finalising our views. We thank all those who replied to our letters and attended these meetings and willingly gave us their valuable advice.

1.6 While most of the exercises were done in-house, some studies were also commissioned. The National Institute of Public Finance and Policy, New Delhi, submitted the results of the study assigned to it by the Commission on "Estimation of Relative Taxable Capacities of the States" using the "Representative Tax System Approach". Prof. B.B. Bhattacharya of the Institute of Economic Growth, Delhi, who was engaged as a Consultant, gave his report on government borrowing with special reference to States' indebtedness to the Centre. The Institute of Public Enterprises, Hyderabad, undertook a study for us on the investments made by the State Governments in the various State Public Enterprises and their financial performances. The National Institute of Urban Affairs prepared for us a report on Municipal services and Municipal finances.

1.7 The Commission was able to visit almost all the States at least once during its entire term except Mizoram, Nagaland, Sikkim and Tripura (Annexure I.6). We had programmed a visit to Sikkim on 20th and 21st September, 1989. The Commission, however, could not proceed beyond Siliguri, despite all its effort, because of inclement weather in Sikkim and land-slides en route to Gangtok. The Chief Ministers of Tripura, Mizoram and Nagaland were kind enough to make it convenient to visit Delhi and have detailed discussions with the Commission on the 8th, 17th and 29th November, 1989, respectively. We found visits to the States of immense value specially because of the open and free discussions with the State Chief Ministers, their Cabinet colleagues and officials. During these visits the State Governments also arranged some field visits and we could avail of the opportunity to gain first hand knowledge of the ground conditions and other factors affecting delivery of social and economic services and consequently expenditure needs of the State. These discussions and visits enabled us to have a better understanding and appreciation of the problems of the States. During these visits to the States, the Commission also had some very useful meetings with Leaders of the Opposition, Members of Parliament, Members of State Legislatures, representatives from Chambers of Commerce and Industry, Associations and Federations of State Employees, economists and other eminent personalities. We are grateful to all the State Governments we visited for having made meticulous arrangements for our visits and for the cooperation extended by them in full measure to the Commission and its secretariat. We deeply regret the inconvenience caused to some of the States when the programme of our visit had to be called off more than once at short notice, invariably for reasons beyond our control.

1.8 The Commission had useful rounds of discussions with the Secretaries incharge of various Minstries and Departments of the Government of India (Annexure I.7). This gave us valuable insight into the perceptions of the Government of India on several issues having a bearing on the resources of the Centre.

1.9 At our request, the Comptroller and Auditor General of India issued instructions to all the State Accountants-General to render such assistance as was required by us in the course of our work. The State Accountants-General cooperated in full measure and supplied the required information and clarifications. We record our appreciation for the services rendered to the Commission. We would also like to thank four eminent jurists, namely, Shri N.A. Palkhivala, Shri K.K. Venugopal, Shri A.G. Noorani and Prof. B. Errabbi, whom we consulted to ascertain the implications and scope of Articles 275 and 282 of the Constitution.

1.10 We would like to ackowledge the efficient and painstaking work put in by the offices and members of our staff. The terms of reference of our Comnission were far wider than those of any previous Commission and we had to submit two separate reports relating to two sepaate periods. All this called for greater effort and work on the part of our secretariat as voluminous data and information had to be collected and studies conducted. (The list of the names and the dsignation of officers who constituted our secretariat is given n Annexure I.8).

1.11 The Commission is thankul to the National Informatics Centre which provided the computer facilities in the Commission's office. This faciliated the handling and an indepth analysis of the mass of data compiled by the Commission.

1.12 It is not possible to give the names of all those in our Secretariat who worked and contributed to the completion of the task assigned to us. We are fully aware of the long hours put in by them and several times, at considerable personal inconvenience to themselves. We thank the Superintendent, Programme Assistants, Economic Investigators, Technical Assistants, Personal Assistants, Stenographers, Typists and others for their cooperation and help extended to us in full measure. Each of us would also like to add that our personal staff performed their duties to our entire satisfaction.

THE APPROACH OF THE COMMISSION FOR THE PERIOD 1990-95

2.1 In outlining the approach we proposed to adopt in the first report for 1989-90, we had referred to the nature of the federal finance problem*/. We had also indicated that an adequate volume of assistance in the form of federal transfers must be made available to the States in the light of the respective responsibilities assigned to them and the Union Government under the Constitution. The principles nonetheless upon which the transfers are effected must be such as to ensure that the linking of revenue and expenditure decisions and fiscal responsibility are not unduly weakened and that higher levels of expenditure than what is to be provided for on the basis of national criteria would have to be met out of the efforts of the government concerned. In this connection, we had quoted, with approval, the observation of the First Finance Commission : "The method of extending financial assistance should be such as to avoid any suggestion that the Central Government have taken upon themselves the responsibility for helping the States to balance their budgets from year to year" (p.97). The federal transfers must, however, be adequate in the context of legitimate budgetary needs of the States while being just and fair to minimise the vertical and horizontal imbalance within the confines of available resources.

2.2 In fashioning our approach in the report for the period 1990-95, we have, in line with the above, kept in view two basic principles : (a) a fair apportionment of revenue resources between the Centre and the States, given their constitutional responsibilities and the overall limitation of resources; and (b) the manner of transfer of resources to be such as to preserve fiscal autonomy of the States and to promote fiscal responsibility on the part of both the Centre and the States. Central transfers invariably involve questions of inter-State equity and such equity can be attained in a system of federal transfers only if fiscal prudence, tax effort and growth impulses are not penalised.

2.3 Apart from these basic considerations, our approach has been influenced also by the steadily deteriorating fiscal scenario in the country. The trends in Central and State finances on revenue account (with which we are primarily concerned) are described in Appendix 3 and the figures of revenue receipts and revenue expenditures are presented in Annexure II.1; trends in revenue deficits/surpluses are given in Annexure II.2. It is noticed that at both the Central and State levels, revenue expenditures have been growing faster than revenue receipts. Over the period 1974-75 to 1986-87, while the revenue receipts of the Union Government grew at 14.4 per cent per annum, its revenue expenditures grew at 16.8 per cent; over the same period, the revenue expenditure of the States grew at 17.1 per cent, and their revenue receipts at a lower rate of 15.7 per cent. As a result of the gap between the rate of growth of receipts and expenditures, with the latter being higher, revenue deficits have emerged. The Central Government has been incurring a revenue deficit in all the years since 1979-80, and the States as a whole since 1984-85 (except for 1985-86). The revenue deficit of the Centre has been continuously increasing since 1981-82; the revenue surplus of the States as a whole started declining from the same year, and since 1986-87, the States as a whole have also been incurring a revenue deficit which is estimated to have risen to Rs. 4,451 crore in 1989-90. In that year, the revenue deficit of the Centre is budgeted at Rs. 7,012 crore. The total estimated revenue deficit of the Centre and the States in the year 1988-89 would thus be around 3.9 per cent of GDP.

2.4 The incurring of revenue deficits on a large scale year after year implies an infraction of one of the fundamental principles of sound public finance in any economy, particularly in a developing economy. A large revenue deficit implies dissaving on government account (although the amount of dissaving according to national accounting may be somewhat different from the figure of revenue deficit) and the use of the savings of the other domestic sectors or savings borrowed from abroad for financing government's consumption expenditure. In fact, an important principle of fiscal policy enunciated at the very beginning of the planning era was that there should be positive and rising savings on government account, i.e., increasing surplus in the revenue budget in order that government also could contribute to raising the rate of savings in the economy. Thus, the First Plan stated " ...... public savings, as distinguished from private savings, personal or corporate, must be developed steadily. The financing of investment through public savings would help to ensure a pattern of development in consonance with accepted social criteria" (pp. 41-42). The very principle was reiterated in the document of the Second Plan. The massive increases in taxation that have been brought about through successive Plans were intended to implement the above-mentioned principle of financing a part of public investment through the creation of revenue surpluses. However, we note that the principle has been gradually eroded by allowing revenue expenditures to grow faster than revenue receipts in spite of the steadily increasing tax ratio.

2.5 Another related disquieting feature of recent public finances in India is the rapidly growing public debt. A large part of investment by departmental and non-departmental enterprises financed by the government did not yield sufficient returns but in fact resulted in losses*/. In addition, the practice of the government taking over loss-making private enterprises to prevent their closure and then financing them through public borrowing, the growing revenue deficits and the non-recovery of a substantial part of loans to public enterprises and others on which even interest is often not collected have together led to an alarmingly rapid growth of public debt, especially in recent years. And in the process if the social objectives have been served at all, the cost has been highly disproportionate. Annexure II.3 shows the growth of the public debt in India. The total debt of the Central Government (internal and external) has grown from Rs. 19,193 crore on 31st March, 1971, to Rs. 2,28,241 crore on 31st March, 1989 (R.E.); it is expected to rise to Rs. 2,59,729 crore by the end of 1989-90 (B.E.). Of this, Rs. 2,31,692 crore would constitute internal debt. The indebtedness of the States has increased from only Rs. 8,749 crore as on 31st March, 1971, to Rs. 91,053 crore by 31st March, 1989 (R.E.). This total includes Rs. 55,536 crore of loans from the Centre. Excluding this, the combined indebtedness of the Centre and the States amounted to Rs. 2,63,758 crore at the end of 1988-89. Since 1984-85, the debts have been growing rapidly. In the last few years, they have been growing at the rate of Rs. 35,000 to 40,000 crore per year. The ratio of public debt to GDP which stood at 48.9 per cent on 31st March, 1981, rose to 54.9 per cent on 31st March 1985, and is estimated to have risen to 76.9 per cent on 31st March, 1989.

2.6 As a result of the growth of debt on the one hand and inadequate returns from the use of the borrowings on the other, the burden of interest payments on the budget has naturally been rising. Between 1974-75 and 1986-87, interest payments increased at 16.9 per cent per annum in the case of the States and at 20.3 per cent in the case of the Centre. (The debt of the States has been growing at 15.4 per cent per annum and that of the Centre at 18.9 per cent.) As of 1988-89, net interest payments constituted 30.4 per cent of net borrowings for the States and 37.4 per cent for the Centre. In 1989-90, the proportion of net interest

* *First Report of the Ninth Finance Commission (July 1988), Chapter II, paras 2.1 - 2.7*

* *We pointed out in the first report of the Commission that the rate of return after tax on the capital of Rs. 51,931 crore invested in Central public enterprises (covered by the Public Enterprises Survey) by the end of 1986-87 amounted only to 3.4 per cent and if the petroleum sector were excluded, the rate of return was negative. The performance of public enterprises at the State level was much worse.*

payments to net borrowings at the Centre is estimated to amount to 48.5 per cent. The vicious circle of excessive growth in revenue expenditure, meagre or negative returns from public enterprises, growing revenue deficit and large scale public borrowing resulting in a massive rise in interest burden and in turn, accentuating the revenue deficit leading to higher borrowing, must be broken. The first task must, therefore, be to restore balance in the revenue budget. The suggestion contained in one of the terms of reference given to the Commission, that the Commission should "keep in view the objective of not only balancing the receipts and expenditure on revenue account of both the States and the Centre, but also generating surpluses for capital investment" is in line with this objective. As rightly pointed out in the Second Five Year Plan document, once expenditure is classified as revenue and capital items, revenue resources must be found to meet the recurrent needs. In our system where Finance Commissions appointed every five years recommend appropriate revenue transfers to States, large and continuing revenue deficits are indefensible either on principle or on practical grounds.

2.7 The tasks of the Commission have to be approached against the backdrop of phasing out the revenue deficits. This means that not only the growth of revenue expenditures that we postulate must be governed by the feasible rate of growth of revenues but also the manner in which Centre-State financial relations are moulded by the recommendations of the Commission should provide incentives, to the extent possible, for each government to make attempts to move towards a more healthy fiscal situation.

2.8 The problem of Central transfers to States cannot be looked upon merely as a matter of the Centre versus the States and/or largely as a question of which level gets more. Basic principles of inter-State equity, fiscal responsibility and efficiency in the use of resources are also involved. As we indicated earlier, the manner of transfer of resources should not tend to weaken fiscal responsibility and should ensure inter-State equity, i.e., the genuine basic needs of all the States should be taken into account along with differences in taxable capacity. Once assistance is granted on such a basis, it would be the responsibility of each government to balance its revenue budget.

2.9 To sum up, the basic objectives underlying the Commission's approach and methodology are : (a) phasing out the revenue deficit of the Centre and the States in such a manner that the deficit is reduced to zero or a relatively small figure by March 31, 1995; (b) equity in the distribution of fiscal resources both vertically and horizontally; and (c) promotion of fiscal discipline and efficiency in the utilisation of resources.

2.10 The implementation of these principles has naturally led us to the normative approach according to which "needs" and "capacities" of different governments are assessed normatively and such normative assessments are then taken as the basis for determining the volume and pattern of federal transfers. This is the first basic departure this Commission made from the practice of the previous Commissions. We indicated in the first report that in respect of the five-year period (1990-95), we shall not take for granted the base year figures either on the receipts or on the expenditure side as the "right" figures on which to proceed. We also indicated the basic considerations governing the normative approach. The relevant passage may be quoted here for convenience :

> "First, the distribution of revenues between the Centre and the States must be made in such a way that the two layers of government are enabled to fulfil their respective obligations satisfactorily as enjoined in the Constitution. The norms applied should not be discriminatory as between the Centre and the States. Second, the distribution of revenues among the States should be equitable so that every State is enabled over time to provide a specified minimum standard of basic public services. That is, the States with less capacity should be able to improve their relative standards in respect of essential services. Third, the assessment of revenues and expenditures should be done in such a manner that incentives for greater revenue effort and economy in spending are not curtailed. Fourth, the States should be free to provide more public services and defray their costs through additional levies on their respective citizens. Finally, the norms adopted should be consistent with our overall objective of balancing the revenue accounts of the Centre and the States" (paragraph 2.35).

2.11 If the Commission's labours are to result in a rapid movement towards the restoration of balance in the revenue budgets of the Centre and the States, it becomes necessary to consider the revenue budget as a whole comprising the non-Plan and Plan parts. This is the second basic departure this Commission thought fit to make. Our approach here is in keeping with the terms of reference and is in full conformity with the constitutional position regarding the scope of work of the Finance Commission. While thus determining the area of our work, we have kept in view the traditional and important role played by the Planning Commission and the arrangements that have been established, on the basis of consensus in the National Development Council, for financing the revenue and capital plans of the States in an integrated manner. We have attempted to work out an approach which, while enabling us to perform our legitimate constitutional role, would not prove detrimental to the planning process or to the role played by the Planning Commission in that process.

2.12 The normative approach must be applied as much to the assessment of Central receipts and expenditures as to that of State receipts and expenditures. Whatever norms are choosen must be applied with the same degree of rigidity in both cases. But the norms themselves cannot be uniform or identical. This is because in the distribution of transfers from the Centre among the States, questions of inter-State equity and the apportionment of burdens and benefits among the taxpayers of the different States are involved, whereas in the apportionment of revenue resources between the Centre and the States, the interests of two different groups of taxpayers are not involved. What needs to be considered is rather the question whether the relative levels of revenues raised by the Centre and the States are commensurate with the distribution of taxing powers under the Constitution and what could be the total combined tax intake that would be adequate and also acceptable to the people. On the expenditure side again, the average cannot be used as a norm for the Centre as can be done in assessing the relative needs of the States, because the services provided by the Centre are in most cases different from those provided by the States; hence, a broad judgement has to be exercised regarding the justifiability of the existing levels of Central expenditure, and the system of transfers must contain elements which would induce the Centre to exercise economy in its expenditure and to restrain its growth.

2.13 The principles and methodology of the normative assessment of tax revenues and non-Plan revenue expenditures of the State Governments are detailed in Appendices 4 and 5 respectively.

2.14 Briefly, on the revenue side, normative estimates have been derived separately for tax and non-tax revenues. In respect of taxes, a modified representative tax system approach has been applied, in order to determine what a particular State would be able to raise by way of tax revenue, had it exploited its tax bases to an average extent. Such "tax capacity" figures have been derived for a base year*/ and are then projected to the year 1989-90. As regards non-tax revenues, while actuals have been used in the case of fees and user charges, in the case of dividends and interest to be received by the government, normative rates of return have been used. Thus, total normative estimates of revenue are arrived at for the year 1989-90.

2.15 As in the case of revenues, in regard to a substantial part of non-Plan revenue experditures, the average behaviour has been taken as the norm. Thus, the normative estimates,

* *(Appendix 4)*

which may be called "the expenditure needs", in the case of general services, have been defined as the justifiable costs of providing an average standard of service. In respect of social and economic services, needs are taken to be the justifiable costs of providing the existing level of services. Here, justifiable costs are also based on the norm of an average but with due allowance for what may be called "cost disability" factors**/. In regard to expenditure on the maintenance of assets, engineering norms have been applied in a graded scale assuming that the full norms will come into operation in the last year of the report period. Certain other items of expenditure such as on elections have been computed on the basis of estimated costs; while expenditure on social welfare schemes have been fixed at certain uniform levels in order to ensure inter-State equity.

2.16 The implications of computing the budgetary positions of the State Governments on the basis of normative estimates as calculated above may be spelt out. While the actual performance of the States as a whole is kept in view (through the use of the average) the non-Plan revenue deficit or surplus of any one State computed by us is not dependent on its actual behaviour. Thus, if a State is raising revenues more than the norm, it would not be penalised; conversely, if it raises less than the norm, it would either lose or be not rewarded. Any excess revenue over and above the norm which a State raises can be used by it for purposes of its own choice thus giving the State freedom of action without affecting its entitlements to Central transfers. On the side of expenditures, since "needs" are reckoned on the basis of norms, differences in standards of services among the States attributable to differences in revenue capacities would not be frozen. On the contrary, a process of equalisation would be initiated. Again, if a State observes economy in expenditure and achieves lower costs in providing a given standard of services, it would not be penalised. On the other hand, a State which wishes to provide a standard of services higher than the norm in the case of general and administrative services would not be prevented from doing so but would have to do it on the basis of "extra" resources it raises.

2.17 It is to be emphasised that the methodology applied by the Commission implies no interference with the right of a State Government to raise resources and incur expenditures at such levels and in such manner as desired by its people and its Legislature. The norms are relevant only in arriving at the relative entitlements to Central transfers and are so designed as to ensure inter-State equity in working out such entitlements. This may be illustrated by reference to the normative rate of return applied for deriving estimates of dividends from State public enterprises. Representatives of a number of State Governments argued before us that no significant returns can be expected from Road Transport Corporations or Electricity Undertakings given their special difficulties or that it was necessary to subsidise services of such enterprises in the public interest, as was being done in several countries of the world. Apart from special difficulties for which, of course, allowances have to be made, the proposition that the actual positive or negative rates of return earned by different State Governments on their investments in State enterprises should be included in the base for judging their entitlements to Central transfers would not only tend to reward inefficiency but also imply (since actual differing rates of returns, positive or negative, will be used) that the citizens of one State using the concerned services would be subsidised by the taxpayers of all States. Thus, the question is not just whether a State Government should be heavily or partially subsidising road transport or power services; it is more a question of who should pay for the subsidies : the taxpayers of the State concerned or the national taxpayers. To take care of this problem, the Commission has, as was done by earlier Commissions, specified uniform rates of return for all the States so that to the extent that these rates of return are lower than the normally acceptable commercial rates of return, there would be scope for subsidisation by the Centre on a uniform basis. However, in order to give further time for adjustment to the States, we have stipulated that even these lower normative rates of return should be achieved to the full extent only in the last year of the reference period.

2.18 Although we had observed in our first report that in our approach for the period 1990-95, we intended to adopt a fully normative basis, in deference to pleas made by several State Governments that the application of norms should be spread over a period of years, we have moderated the application of norms in some ways as specified in Chapter III.

2.19 In regard to Special Category States, the Commission decided that keeping in view their relative under-development and the nature of their special problems, no systematic norms could be applied at the present stage. Therefore, the basis of projections of receipts and expenditures for these States are more or less the actuals.

2.20. It may be pointed out that since the average has been used as the norm in respect of the revenue receipts and a substantial part of the non-Plan revenue expenditures of the States, if the normative estimates are added up, we would derive a figure which would be equal to the totals of the actuals*/. Thus for the States as a whole, the base chosen is not much different from the actuals, although there would be a difference between the norm and the actual in relation to any one State. The normative estimates could not be computed for the year 1989-90 or 1988-89, for lack of the necessary data. They were worked out for an earlier base year and then projected to 1989-90 at appropriate rates of growth. In doing so, on the expenditure side, adequate provision has been added on account of revision of emoluments on par with Central Government scales.

2.21 For the purpose of assessing Central revenue receipts and non-Plan revenue expenditures, we have taken 1989-90 budget estimates as the base, except for estimates of dividend and interest income for which normative rates of returns have been used, as in the case of the States. Since the sum total of the normative estimates for the States tends to equal the "actuals", there has been broad similarity in our treatment of the Centre and the States. The difference is that for the Centre, instead of taking the 1986-87 actuals and projecting them to 1989-90 at trend rates of growth or adjusted trend rates of growth, we have adopted the 1989-90 budget estimates as the base. We find that the Centre's non-Plan revenue expenditure (excluding interest payments) in 1989-90 would be higher than the budget estimates if we proceeded from 1986-87 actuals. This is obviously bacause of the restraint shown by the Centre in formulating the budget estimates of 1989-90. We are of the view that this was a step in the right direction and that we should build our projections on that lower base only.

2.22 We had indicated that for judging the relative tax performance of the Centre and the States, we have to consider the relative levels of revenue raised in the light of the constitutional division of tax powers. The major productive sources of revenue have been assigned to the Centre and hence the Central Government has the responsibility for raising the major part of the tax revenues. We find that, in recent years, the Centre has been raising 66-67 per cent of the combined tax revenues of the Centre and the States, i.e., around 2/3rds, with the total tax revenue/GDP ratio being near 17.5 per cent. While there is no way of definitively determining whether this magnitude of the relative share of taxes raised indicates an adequate relative use of tax powers, it is seen that the Centre is raising much the larger part of tax revenues.

2.23 For our present purpose, we are proceeding on the basis of the broad approach to fiscal policy being evolved by the Planning Commission in relation to the Eighth Plan. With an average GDP growth rate of 6 per cent per annum, the Planning Commission is envisaging a significant increase in the tax ratio to be brought about mainly through tax rationalisation and better enforcement. In view of this, we are assuming that revenues will, and can be made to, grow faster than GDP. Allowing for a 5 per

** (Appendix 5)

* *Except for stochastic errors.*

cent increase in prices per annum (in conformity with the present thinking in the Planning Commission), we assume GDP to be growing at 11 per cent per annum in nominal terms. On this assumption, we postulate an increase in the tax revenues of the States as a whole at 11.5 per cent per annum in nominal terms and that of the tax revenues of the Centre, at 12.8 per cent per annum. A higher rate of increase has been postulated for the Centre, because over the period 1974-75 to 1986-87, the share of taxes raised by the Centre in the combined tax revenues of the Centre and the States has fallen slightly. These rates of growth of revenue subsume a certain amount of additional tax effort. This has been done because we are including a minimum level of revenue Plan expenditure and to derive a balance on revenue account. Non-tax revenues of the Centre and the States have been projected using similar methods; while normative rates of return have been used in respect of income from investments, reasonable rates of growth (5-6 per cent per annum) have been applied to the base year figures of fees and other user charges.

2.24 In view of the large revenue deficit in the base year, the above-mentioned orders of increase in revenues would imply strict control of the growth of revenue expenditure, particularly non-Plan revenue expenditure, if the revenue deficit is to be phased out according to our scheme. Accordingly, we are postulating an annual average increase of 7 per cent in non-Plan revenue expenditure in nominal terms. Since full neutralisation of price rise is not granted in the revision of dearness allowance and the prices of goods bought by the government do not generally rise as fast as the wholesale price index which includes the prices of capital goods and intermediates with higher deflators, a 7 per cent increase in nominal terms should allow for a 3 per cent increase in expenditure in real terms. Increases in interest payments, however, have been allowed on the basis of likely actuals on the assumption of a slower rate of growth of public debt than in the past.

2.25 As indicated earlier in paragraph 2.11, the Commission has assessed, on the expenditure side, the entire requirements of revenue account, Plan and non-Plan. The manner in which estimates of revenue Plan expenditures have been derived is indicated in Chapter VII. Under our approach, once the revenue expenditures, non-Plan and Plan, of the State Governments and the Centre are normatively determined and given the total revenues that could justifiably be expected to be raised by them during the report period, federal transfers should be such as to ensure that each government can undertake the expenditures normatively determined for it, if it fulfils the norms for raising revenues. It follows that the volume and criteria of the distribution of Central shareable taxes and of grants-in-aid must be such as to subserve this basic objective. Most of the earlier Finance Commissions confined the scope of their work to non-Plan revenue expenditures and receipts excluding the effects of additional resource mobilisation effort. They did not, therefore, concern themselves with what levels of revenue Plan expenditures the different States could have or how such expenditures would be financed; they were content with ensuring that each State Government would at least cover its estimated non-Plan revenue expenditures. With this approach, our predecessors developed criteria for the distribution of shareable taxes which were quite independent of their assessment of the budgetary needs of the States. It is rather through the raising of the volume of devolution than through a tailored distribution of shared taxes that they attempted to cover the pre-devolution revenue gaps of the States. This and the fact that the predominant criterion of devolution of the Eighth Finance Commission, for example, was population*/ and the general grants-in-aid of revenue were just sufficient to close the revenue gaps remaining after devolution, meant that the Finance Commission's recommendations left the different State Governments with varying levels of per capita non-Plan revenue surpluses ranging from fairly large figures to zero. Under our approach, the volume as well as distribution of Central transfers must be aligned to the need to enable the States to incur, at least to a significant extent, the expenditures normatively determined for them. Also, it would seem proper that there should be a degree of equalisation in the capacity of the different State Governments to undertake revenue Plan expenditures.

2.26 The volume of Central transfers has to be determined on the one hand by the estimated needs of the States and on the other by the estimated needs of the Central Government; and the total expenditures to be provided on revenue account (for the Centre and the States together) would depend on the total revenues they could be expected to raise and the pace at which the revenue deficit is to be phased out. In arriving at the final estimates of feasible levels of Central Government expenditures, we have kept in view an important condition, namely, that the total transfers from the Centre to the States under our recommendations should not be less than what they are now as a percentage of estimated Central revenues. The fiscal situation at the Centre being what it is, they cannot be substantially higher. If the total volume of transfers is thus determined, larger transfers to deficit States (taking non-Plan and Plan expenditures together) through grants-in-aid would necessarily mean a reduction in the relative weight of formula-based devolution as compared to the past. While we consider that the move towards equalisation that we are recommending is in the right direction, we are conscious that too radical a departure would not be feasible. We are, therefore, recommending only a moderate step in this direction to begin with. In course of time, a greater degree of equalisation could be attempted.

2.27 We have retained the level of devolution prescribed by the Eighth Finance Commission, that is 85 per cent of Income Tax and 45 per cent of Union Excise Duties (basic plus special). The share of Income Tax is to be distributed among all the States according to the criteria evolved by us. A portion of the shareable Union Excise Duties (16.5 per cent), however, is to be linked to our normative assessment of non-Plan budgetary needs; the rest will be distributed according to the formula applicable to all the States. The normative gaps on non-Plan revenue account remaining after devolution are filled by grants-in-aid under Article 275.

2.28 Our normative assessment of revenue expenditures on economic and social services revealed that a number of States were providing standards of services below the average. In order to bring about a degree of equalisation in standards of these services, we are recommending development grants to the States whose non-plan revenue surpluses are found inadequate according to a formula evolved by us**/. These development grants are being recommended under Article 275 and will be in addition to those that a State will get for Plan purposes under the modified Gadgil formula. The use of the development grants recommended by us will be determined in consultation with the Planning Commission.

2.29 Thus, subject to the overall constraint of resources, we have endeavoured to bring about a greater degree of inter-State equity through the partial linking of the distribution of Union excise duties to normative assessment and through the recommendation of development grants to help weaker States afford a higher level of development expenditure.

*/ *Although on the face of it, it would seem that the Eighth Finance Commission had accorded 75 per cent weight to per capita SDP, in effect, since population was used as a scale factor in relation to SDP, the total direct and indirect weight given to population in the distribution of shared taxes (other than 10 per cent of income tax distributed according to collection) works out on the average to 83 per cent. This figure has been derived on the basis of the average of differences between the share of a State on the basis of population criterion alone and its share on the basis of the combined criteria used by the Eighth Finance Commission, in relation to the non-Special Category States.*

**/ *(Chapter VII).*

CHAPTER III

ASSESSMENT OF STATES' REVENUE RECEIPTS AND EXPENDITURES

Tax Revenues

3.1 The basic approach governing the assessment of the States' revenue receipts and expenditure has already been outlined in the preceding chapter. As indicated in our first report for 1989-90, the National Institute of Public Finance and Policy was entrusted with a study for estimating taxable capacities by the "Representative Tax System" approach. However, the complexity in the tax systems prevailing in the States and the non-availability of data on tax bases at the required level of disaggregation led them to use a mix of regression and representative tax system methods. Considering the weaknesses in the data and methodology used in the study, after holding detailed discussions with some leading economists (Annexure I.5), we preferred to estimate taxable capacities of the States using a modified representative tax system method. Accordingly, revenue from each of the major taxes is regressed on relevant tax bases or their proxies to determine the regression average effective rate. By applying these average rates on the bases of the relevant taxes in the different States, taxable capacity was derived. To determine the average rates, however, we have employed a covariance model pooling cross-section observations over time. The analysis has been done for each of the major State taxes except agricultural taxes and miscellaneous taxes levied by the States for which no meaningful functional relationship could be established. In the case of these two taxes, no normative estimates have been made. In the case of Sales Tax, Motor Vehicles Tax and Stamp Duties and Registration Fees, the regression average effective rates were determined separately for high income, middle income and low income categories of States. For State Excise Duties, as there are only 13 States in the sample due to the prohibition policy in vogue in Gujarat, the effective rates have been determined separately for the States grouped into two categories only. The detailed methodology employed for the estimation is given in the Appendix 4. . We may add that the estimates of taxable capacity on the basis of this method have been made only for the 14 Major States. The methodology used for projecting the tax revenues of the Special Category States is outlined later in the chapter.

3.2 The taxable capacity estimated for the initial year has to be projected first to the base year and then for the period of our recommendations. In the case of revenues from agricultural taxes and other miscellaneous levies, the actuals in 1986-87 were projected using the past rates of growth. In the case of other taxes, normative estimates for the initial year were projected to 1989-90 using the historical growth rates. For the period 1990-95, State tax revenues have been normatively projected to grow at 11.5 per cent keeping in view the targeted SDP growth rate of 6 per cent and allowing for a price rise of 5 per cent per annum. The rate of increase in the yield of different taxes has been derived from the above projection of aggregate tax revenues, using as a base their respective growth rates in the past which were *pro rata* adjusted.

3.3 The above exercise gives us the levels of normative tax revenues for each of the years 1990-91 to 1994-95. In order to provide adequate time for adjustment to States which were found to be under-taxing at the beginning of this period, we have taken for the year 1989-90 the normative estimates, but the trend level estimates for all the States and have worked out then the rate of growth of tax revenues required during the period to reach the normative levels by 1994-95. In other words, the normative approach to the assessment of tax revenues has been moderated.

3.4 The prohibition policy followed by certain States like Gujarat and Tamil Nadu is an issue which we have taken note of. We had made a limited allowance in our normative estimate on this account in 1989-90. The concerned State Governments, however, have again impressed upon us that the loss of tax revenue attributable to the prohibition policy should be totally excluded from the revenue receipts of the State Governments. This was all the more necessary as the prohibition policy emanated from the Directive Principles of State Policy as enshrined in the Constitution. The States pleaded that they should not be penalised on this account. We believe that this is a question that should be settled at the national level. The Central Government should formulate a policy in this regard and make it clear to what extent and for how long the Centre would compensate those States which lose revenue on account of prohibition, taking into account the various aspects of the matter including the possibility that the States adopting prohibition would in course of time be raising additional revenues through other taxes both because of higher productivity and higher income and also because money diverted from drinks would be spent on other taxable commodities. We find considerable merit in these submissions of the State and therefore, on reconsideration of the matter, think that States which have taken courage to clamp full or partial prohibition should not be unduly penalised. Therefore, we have not included the full taxable capacity on account of excise on liquor for the non-Special Category States which have adopted prohibition; we have taken into account only 30 per cent of the estimated revenue that would have accrued to Gujarat and Tamil Nadu, had prohibition not been in force.

3.5 The States of Nagaland and Mizoram have introduced prohibition from 1989-90. Considering the weak financial base of these two States, we have, in their case, allowed for the full loss of revenue on this account.

Non-Tax Revenue

3.6 The major sources of non-tax revenues are interest receipts and dividends, receipts from forests, mines and minerals and irrigation works and receipts from departmentally run commercial schemes like water supply schemes, milk schemes and industrial schemes.

(i) Interest Receipts

3.7 Interest receipts from institutions other than the State Electricity Boards and Road Transport Corporations have been assumed at rates rising gradually from 2 per cent in 1990-91 and reaching 6 per cent in 1994-95 on loans outstanding as on 31.3.1990. In the case of loans to agriculturists, however, only half of the normative rates has been assumed.

(ii) Dividends

3.8 The equity investment of the States in as many as 823 enterprises (other than the State Electricity Boards and State

Road Transport Corporations) aggregates to Rs. 5146.82 crore at the end of 1989-90. The successive Finance Comnissions have taken the view that the large investments made in tie enterprises cannot be allowed to languish without adequate retirn. We share their anxiety and concern. We are of the view tha: with growing expenditure responsibilities and developmental commitments devolving on the State Governments, the Stat enterprises should not be a burden on the State excheque any longer. Having regard to the fact that the enterprises are ncurring huge losses, the Eighth Commission evolved a realistic nirm assuming dividends at different rates from different categories of enterprises. Promotional enterprises were requird to meet all their expenses and not to provide any return on equiy considering the nature of the responsibilities assigned to them, vhile financial and commercial enterprises were expected to yiel a return of 3 per cent and 5 per cent, respectively, on their equiy capital. We stipulated the same pattern of returns as laid downoy the Eighth Commission in our first report for 1989-90.

3.9. We accept the classification of Stat enterprises adopted by the Seventh and the Eighth Finance Commissions. The classification of enterprises into promotional, inancial and commercial ones seems proper. We also accept th logic behind the differential rates of dividends as prescribed ly the Eighth Commission. Considering the higher losses beingncurred by a large number of enterprises in almost all the State; it would not be realistic - much as we would like - to improve o the rates of dividends laid down by the previous Commission. hus we treat the promotional enterprises as basic to the community and dedicated to provide service and infrastructure facilies. For this reason we are not assuming any return on thei operations. Financial institutions, however, are in a separate catgory and we expect them to provide a minimum return of 3 pe cent on the investments made in them. Commercial enterrises must generate a higher return and we assume in their cas a minimum return of 5 per cent. We have, therefore, worked oudividends at zero per cent, 3 per cent and 5 per cent for promotional, financial and commercial enterprises respectively. Like our pedecessors, we have assumed the same absolute amounts of retrn in each of the five years of the period of our report. Statewise brak-up of the enterprises, the amount of investments made upt the end of 1989-90 and the amounts of dividends calculated by s in the five-year period 1990-95 are given in Annexures II1 and III.2 respectively.

3.10 In regard to the estimation of diviends from cooperative institutions, we propose to stick tc the broad methodology of the Eighth Finance Commisson. That Commission recommended that cooperative bnks, credit societies, sugar mills, spinning mills and othr industrial cooperative institutions, should yield a minimum averge return of 5 per cent. We too recommend the same as this wuld ensure recycling of funds and encourage their proactive use. Investments in societies which are engaged in rocessing, warehousing, marketing and housing activities and Consumers' Societies were required to provide a minimum return f 3 per cent by the Eighth Commission. Given the nature of activies of these bodies, we consider this rate as reasonable and applyhe same to these institutions. We do not assume any diviends from investments in the cooperative institutions which hae been set up to promote certain socially desirable and wehre related activities arising out of State policies. Falling in this ctegory are the societies engaged in activities such as day farming, fishermen's cooperatives, labour cooperatives and ooperative bodies set up as part of Tribal Areas sub-Plan programmes. The intention is that they should continue to subserve the romotional and social welfare policies of the State Governmnts. The resources which they may generate may be madeuse of for improving the quality of their services.

3.11 We have accordingly classified the societie into these three broad categories and assessed the dividends fom them in 1990-91. As in the case of State public enterprises, e assume the same absolute amounts of dividends in each of the ears of the period of our report. The details are given in Annexure III.3.

(iii) Revenue from Forests

3.12 Most of the State Governments pleaded before us that due to the restrictions contained in the Forest (Conservation) Act, 1980 and the guidelines issued thereunder, they would not be able to generate revenues from the forests in line with past trends. In fact, some of them were of the view that the revenues from forests, excepting those receivable from minor forest produce, should be taken as zero over the five year period. We also had a meeting with the Union Ministry of Environment and Forests before finalising our views in this matter. With a view to conserving our precious forest resources, we have not envisaged any growth in the receipts during the period of our report excepting for the growth due to increases in prices by the postulated 5 per cent per annum. In other words, we have frozen the receipts in real terms at the 1988-89 levels.

(iv) Mines and Minerals

3.13 In the case of receipts from items other than natural gas and petroleum we have assumed 1989-90 budget estimates as the base and applied a growth rate of 8 per cent for the forecast period. In the case of receipts from natural gas and petroleum, the estimates obtained from the Ministry of Petroleum and Natural Gas have been adopted.

(v) Irrigation Receipts

3.14 The Eighth Finance Commission commented adversely on the increasing losses incurred by the irrigation projects. Though it did not assume any return on investments in those projects, it expected the State Governments to make efforts so as to ensure that the receipts covered at least the cost of maintenance. The position has since worsened. The losses of the irrigation projects which amounted to Rs. 66 crore in 1981-82 shot up to Rs. 327 crore in 1987-88. In view of this dismal performance, we feel that assuming a positive return on investments from these projects during the five-year period 1990-95 will be quite unrealistic. We have, therefore, adopted the norm of the Eighth Finance Commission, namely, that the receipts should cover at least the cost of maintenance, except in the case of hill States where a somewhat liberal norm has been adopted which is explained later in this chapter.

(vi) Minor Irrigation

3.15 We have assumed that the losses incurred in 1986-87, will be brought down gradually to one-fourth by the year 1994-95. Provision for maintenance expenditure has been made separately on the basis of norms discussed later in this chapter.

(vii) Receipts from other Departmental Schemes

3.16. The States continue to incur losses on the departmentally run water supply schemes, milk schemes and industrial schemes. The objective in this area should be to recover the full cost of these services by charging an appropriate price from the beneficiaries. It would, however, be unrealistic at this stage to make projections on the basis of this assumption considering the current operating conditions. We would, however, like these undertakings to take earnest measures to reduce the losses gradually. We have, accordingly, assumed that in the case of water supply schemes the losses should be reduced gradually by 1994-95 to one-fourth of those in 1986-87. The milk supply schemes, being of a semi-commercial nature, have been treated somewhat differently. In their case, it has been assumed that they should break even by 1994-95. In the case of industrial schemes we have assumed a positive return of 5 per cent by 1994-95.

(viii) Returns from Investments in Power Projects

3.17 The financial performance of power utilities, particularly the State Electricity Boards, has been a matter of deep concern. The poor performance stems from a wide variety of factors including poor operating efficiency, lop-sided tariff structure, disproportionately high transmission and distribution losses, and delays in the construction and commissioning of the power projects. A number of Boards has been incurring heavy losses year after year. These utilities in which the States have invested vast resources cannot afford to continue with such losses. This affects not merely their viability but even the overall availability of resources required to fund the steadily growing Plan programmes in the Power sector.

3.18 We are aware that it is necessary to keep in view the capital intensity of the power projects and the long gestation period that their construction and commissioning involves. We have also noted that the Boards have an unfavourable capital structure without any equity component. However, we regard the Boards as commercial undertakings liable to provide a return on their investments. This is in line with the latest amendment in the Electricity (Supply) Act, 1948, which stipulates that the Board shall leave such surplus as is not less than 3 per cent or a higher percentage on its net fixed assets in service after meeting its depreciation and interest liabilities.

3.19 As mentioned earlier, we expect the State Electricity Boards, Central Sector Undertakings and State Departmental Undertakings to run on commercial principles and to yield a minimum rate of return on their capital investment. But the minimum rate of return we prescribe should not be unrealistic given the situation at the start.

3.20 While examining the finances of the Boards as they are structured today, we cannot ignore the fact that a sizeable segment of the programmes currently being undertaken by them, particularly in the rural areas, is virtually directed towards the fulfilment of certain socially desirable objectives. As such they are unlikely to generate sufficiently remunerative returns. Taking all the relevant factors into consideration, we have, firstly, for working out the return, reduced the outstanding loans as on 31.3.1990 by the amount tied up with works-in-progress (with 10 per cent of the value as on 31.3.1990 added on to the net outstanding loans in each year presuming the overall gestation period of the project to be 10 years) and by that attributable to rural electrification schemes. Secondly, we have prescribed a gradually rising rate of return starting from 3 per cent in 1990-91, increasing by 1 percentage point in each succeeding year and reaching the maximum of 7 per cent in the terminal year of the five-year period (1990-95).

3.21 Besides the State Electricity Boards, there are at present seven departmentally-run power undertakings in Arunachal Pradesh, Goa, Manipur, Mizoram, Nagaland, Sikkim and Tripura. These undertakings are still fairly small in terms of the scale of their operations. In some of the North-Eastern States, the level of indigenous generation is almost insignificant and they have to import power from the neighbouring States at a fairly high cost. The problems are further compounded by the low load scattered over a vast geographical area. We have also taken note of the inherent disabilities in the operations of electricity undertakings in the hill States. The cost of operations in the hill States is high in view of the insignificant load, difficult terrain and widely dispersed population. Considering these handicaps and taking into account the fledgling status of the operations in some of these States, we consider it appropriate not to prescribe any rate of return in their cases. This applies to the departmentally-run power undertakings in Arunachal Pradesh, Goa, Manipur, Mizoram, Nagaland, Sikkim and Tripura and the Boards in the Special Category States of Jammu and Kashmir, Himachal Pradesh, Meghalaya and Assam. Estimates of State Government loans to the State Electricity Boards outstanding at the end of 1989-90 are shown in Annexure III.4 The amounts of return worked out on the basis indicated above are shown in Annexure III.5.

Returns from Investments in Road Transport Undertakings

3.22 The State Governments have made substantial investments in Road Transport Undertakings. Most of the Undertakings in the States have been set up under the Road Transport Corporation Act, 1950, although there are a few departmental undertakings and, as in Tamil Nadu, there are also some government companies. For our purpose we have treated all such undertakings on par.

3.23 Section 22 of the Road Transport Corporation Act stipulates that the Corporations should carry on their activities on "business principles". This requirement has not been fulfilled by most of the Corporations. We have noticed that many of them are not able to produce sufficient surpluses to provide for depreciation and pay interest and taxes. Some of the Undertakings are not in a position to cover even their working expenses. A certain measure of contribution is expected of these Undertakings for reinvestment through generation of surpluses, but this is not forthcoming at all. Barring a few exceptions such as the Andhra Pradesh State Road Transport Corporation and the Haryana Roadways which have been making sustained surpluses and the Corporations of Maharashtra, Rajasthan and Uttar Pradesh which have shown profits during 1987-88, all other Undertakings, by and large, have been showing dismal results; their total losses in 1987-88 amount to Rs. 82.65 crore. The details are brought out in Annexure III.6.

3.24 Several reasons have been adduced for the losses of these Undertakings. Our attention has been drawn, in particular, to factors like unrealistic fare structure, increased cost of inputs, growing burden of interest on loans and the compulsion of "socially oriented" concessions which the Undertakings are obliged to provide. In the hill States the Undertakings have to bear the additional burden on account of greater wear and tear to the rolling stock and higher operating costs. On the other hand, it is argued that, as a matter of policy, the fares cannot be built high enough to cover costs so that the means of transport remain cheap for the common man.

3.25 These constraints are too well-known. However, it is a recognised fact that operations of Road Transport Corporations are less complex than those of the power system. Investments in road transport have a much shorter gestation period. Moreover, there is greater scope for manoeuvre in their operations to meet temporary or even day-to-day situations. Though, sometimes, a fare hike may become unavoidable, it would be clearly incorrect to assume that improvement in the financial performance in most of the Undertakings is possible only through an upward revision of the fares. As a matter of fact, we notice that there are several avenues available for effecting structural and operational improvements in each of the Undertakings. Annexure III.7 identifies the areas of improvement and the possible means. For instance, most of the Undertakings in the States have in-house maintenance facilities at the depot, divisional or central levels. It should, therefore, be possible to control the down-time of the buses with proper and efficient monitoring of rolling stock with consequent improvement in their fleet utilisation. Similarly, the load factor/occupancy ratio could be improved by remunerative charting of bus routes and adequate scheduling of services. The staff-bus ratio also can be brought down through an appropriate deployment of staff. With suitable improvement and proper control of the physical performance of traffic operations, it is possible to secure higher earnings and reduce operating costs.

3.26 We have noted that even though most of the Undertakings are running at losses, there exist large variations in the individual performances in terms of certain identifiable parameters such as staff-bus ratio, fleet utilisation, load factor and revenue earning kilometerage per vehicle per day. While acknowledging the fact that there are constraints within which the Undertakings have to operate, we observe that, to a considerable extent, inefficient management and outmoded financial practices are responsible for their present plight. Despite exhortations of the previous Commissions and the approach adopted by the Seventh Commission which assumed a phased increase in returns on investments of the State Governments in these Undertakings, no serious effort appears to have been made to improve their operations. Since most States have no revenue surplus for capital investment, the capital contribution to the

Undertakings comes mainly out of borrowed funds which is becoming costlier year after year. We are aware of the difficulties faced by the Undertakings and also the increased cost of borrowings in recent years. Hence we recommend that the Undertakings should achieve a return of 6.5 per cent in a graduated manner. That is, we are postulating the Road Transport Undertakings in the non-hill States should give a return on the investments at the rate of at least 1 per cent in 1990-91, 2 per cent in 1991-92, 3 per cent in 1992-93, 4.5 per cent in 1993-94 and 6.5 per cent in 1994-95. The returns on the investments made by the Governments of Goa, Gujarat, Kerala and West Bengal in their Inland Water Transport Undertakings have been assessed in the same way.

3.27 As regards Hill States and hill areas of the non-Hill States, we have to keep in view the difficult operating conditions leading to higher operating costs. We, therefore, recommend that the Road Transport Undertakings in these States and those catering to the hill areas in other States should at least provide for depreciation in full, after meeting their working expenses.

3.28 The returns on investments assessed on the above basis for the period 1990-91 to 1994-95 are shown in Annexures III.8 and III.9.

Grants-in-aid from the Centre

3.29 The Central Government gives grants-in-aid to the States for meeting expenditure on a number of non-Plan heads. We have assumed that all these grants would continue to flow to the States on the existing basis. Accordingly, in our assessment of the revenues of the States we have taken credit for these grants-in-aid by providing for expenditures corresponding to them. However, the grants which are given for meeting expenditure of a capital nature such as on border and strategic roads have been omitted by us.

Special Category States

3.30 The States of Arunachal Pradesh, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura and also Assam form a distinct group requiring somewhat different treatment from what we have accorded to the non-Special Category States. This applies to the State of Goa as well. Keeping in view the special features of the Special Category States and the historical background in which these States came to be constituted, we have adopted a liberal approach in assessing their receipts as well as expenditures. We have firmed up their estimates of receipts and expenditures for the base year 1989-90 by taking into consideration the budget estimates or the latest estimates received from these States. In some cases the intended purpose was served better by taking the actuals of the latest year for which they were available and projecting to the base year 1989-90 by adopting the State-specific past growth rate. Having provided adequately for the base year 1989-90, the projection of revenue receipts and expenditures for the forecast period has been done at the rate of 11.5 per cent and 7 per cent per annum, respectively. Wherever norms have been applied, they are on a more liberal basis than for the non-Special Category States. However the need for over-all fiscal discipline on the part of the Special Category States is as necessary as in the case of other States. The States must take effective corrective measures to reverse the current trend of growing deficits. There is urgent need to augment the revenue receipts and cut down the disproportionately high growth in expenditure. Keeping them in view, on the base arrived at for 1989-90 revenues have been projected to increase at 11.5 per cent per annum during the period 1990-95.

Non-Plan Revenue Expenditures

3.31 We have estimated the non-Plan revenue expenditures on the basis of a normative assessment of "needs". Such an approach is expected to help whether States provide their people with a certain minimum standards of services.

3.32 The estimation of normative non-Plan revenue expenditures for the period 1990-91 to 1994-95 involves two distinct steps. The first is the estimation of expenditure needs of the States in a base year and, second, making projections for the period 1990-91 to 1994-95. The estimation of expenditure needs was found to be extremely difficult as it involved the quantification of the units of public service provided and the unit cost of providing them. The non-excludability and non-marketability of public goods makes it difficult both to assess the demand for these goods and to measure the standards of public services supplied. The output of public services is, therefore, generally attempted to be measured by taking input proxies which have gone into their provision.

3.33 For the purpose of assessing non-Plan expendiure needs of the States on a normative basis, we have classified the expenditures into three categories:

(i) those items of expenditure which depend upon either the stock of monetary liabilities, such as interest payments, or the stock of physical assets such as maintenance expendiures on roads, buildings and irrigation works;

(ii) those items of regular and recurring expenditure whose levels of service can be measured by making statistical analysis of the revenue expenditures; and

(iii) those items of revenue expenditures which can be reckoned neither on the basis of statistical analysis nor on the basis of engineering norms.

3.34 We have to mention that we were considerably handicapped in our work on account of paucity of data on a wide variety of subjects despite our persistent efforts to obtain the same. We, therefore, had to rely upon the use second-best, alternative techniques for our analysis. These are discussed below:

Category (I)

3.35 The major items of expenditure falling in this category are interest payments and maintenance of capital assets.

Interest payments

3.36 Interest payments by the State governments have been computed in two stages. In the first stage, interest payments due in 1990-91 with respect to the borrowings upto the end of 1989-90 have been worked out with reference to the actual terms thereof. Thereafter, in the second stage, we have inducted a normative element in respect of interest payments for the period 1991-92 to 1994-95. In the past, borrowings have been resorted to by the States in a liberal manner and, at times, on quite stringent terms to meet their immediate requirements disregarding their long-term effects. Against this background we consider it appropriate to apply a growth rate of 12 per cent only on the estimated interest payments in 1990-91 for the next four years, i.e. 1991-95. This would cover the liability on account of the fresh loans during the five year 1990-95. While deciding the normative growth rate of interest payment, we have been guided by the consideration that in our scheme of dispensation the States are better placed in meeting their expenditure requirements. What is, however, more important is that we expect the States to exercise much greater restraint in the future in the matter of borrowings. The States themselves should raise adequate revenue resources so as to finance at least their current requirements in full measure.

Maintenance of Capital Assets

3.37 The provisions made by us for the maintenance of capital assets like irrigation works, buildings, roads, etc. are based on engineering norms obtained from the concerned Central organisations. These provisions are restricted to assets created upto 1989-90 as the assets created thereafter would, under the present system, be maintained on Plan account. As indicated earlier, the norms have been applied in a graduated manner.

(i) Major and Medium Irrigation Works

3.38 For the maintenance of irrigation works, the Eighth Finance Commission adopted a norm of Rs.100 per hectare for the utilised potential (includng special repairs and regular establishment) and Rs.30 per hectare for the unutilised potential, with an increase of 30 per cent thereon for hill States.

3.39 The Ministry of Water Resources recommended to us a basic norm of Rs.180 per hectare for the maintenance of the utilised potential. In addition, it recommended Rs.65 per hectare for regular establishment and Rs.36 per hectare for special repairs (with Rs.25 per hectare extra for areas having drainage problems). With this, the total cost comes to Rs.281 per hectare. The Ministry suggested that the maintenance expenditure should be updated annually for escalation in cost. As regards the unutilised potential, the norm suggested by the Ministry is Rs.60 per hectare.

3.40 The norms suggested by the Ministry for the utilised potential are found to be on the very high side, being nearly three times the norms adopted by the last Commission. Taking into account escalation in the cost of labour and material, a norm of Rs.180 per hectare appears reasonable to us in the case of utilised potential. As for the unutilised potential, we have accepted the rate of Rs.60 per hectare recommended by the Ministry. We have also provided for a price increase at the rate of 5 per cent per annum. Having regard to the low level of current maintenance expenditure, the normative expenditure level has been projected to be reached in a graduated manner by the end of the period.

3.41 On the basis of the data obtained from the Planning Commission, we worked out for each State the extent of utilisation of the irrigation potential likely to be created upto 1989-90. Annexure-III-10 gives the irrigation potential and its utilisation in 1987-88 and 1989-90(Estimated).

3.42 We find that the extent of utilisation of the potential is extremely poor in some States. We share the concern of the last Commission in this matter and urge the States to bring the utilised potential into use as expeditiously as possible. For this purpose, we have divided the States into three categories, viz.(i) the States where the extent of unutilised potential is less than 10 per cent (Andhra Pradesh, Karnataka, Kerala, Orissa, Punjab, Tamil Nadu and West Bengal); (ii) the States where the unutilised potential varies from 10 to 25 per cent (Bihar, Haryana, Madhya Pradesh, Rajasthan, Uttar Pradesh, Jammu and Kashmir and Manipur); and (iii) the States in which the extent of non-utilisation is over 25 per cent (Assam, Goa, Gujarat, Himachal Pradesh, Maharashtra). We have, in our assessment assumed that in the case of States falling in category (i), the potential estimated to be created at the end of 1989-90 will be fully utilised by the end of 1994-95, and that in the case of States falling in categories (ii) and (iii) the unutilised potential would be reduced to 5 per cent and 10 per cent, respectively, by the end of 1994-95.

3.43 As stated earlier, we have assumed gross receipts from the major and medium irrigation works to be equal to the maintenance expenditure provided by us on the basis of norms in respect of the utilised potential only. However, in regard to the hill States, though the norm for maintenance expenditure has been raised by 30 per cent, the receipts in their case have been limited to cover the normal expenditure only. No receipts have been assumed in the case of unutilised potential. Annexure III.11 shows the gross receipts, working expenses and net returns in the case of each State as assessed by us over the period 1990-95.

3.44 While providing for maintenance of major and medium irrigation projects, we felt that Loktak lake in Manipur which is the largest natural lake in eastern India requires additional funds over and above the level of expenditure already provided by us. We have, therefore, provided an additional sum of Rs.15 crore for the maintenance and preservation of the Loktak lake.

(ii) Flood Control Works

3.45 On the basis of data on length, height and age of the embankments and the discharge capacity of the drainage channels which it could obtain, the Ministry of Water Resources, gave us at our request, suggestions regarding the level of maintenance expenditure required in the year 1989-90 in accordance with the norms recommended by the Expert Committee appointed by the Ministry. However, as the Ministry could not get the data from all the States and the data received were also not up to the mark, we decided to have a parallel exercise conducted in order to work out the maintenance expenditure in respect of flood control works on the lines attempted by the Eighth Finance Commision. For this purpose, we derived the expenditure in the base year 1989-90 by applying a growth rate of 10 per cent to the actual non-Plan expenditure on this account for the year 1987-88. Having done that, we made a comparison of the two sets of figures for 1989-90 and adopted the higher of the two. The projections for the next five years have been done on the basis of a growth rate of 7 per cent per annum and are shown in Annexure III.12.

3.46 The recurrence of floods in North Bihar creates havoc to the State' economy and this was brought to our notice quite tellingly during our field visit. The State Government has already prepared a long term Plan involving construction of a reservoir in the catchment areas of the river in Nepal. As a medium term solution, the State Government suggested the strengthening and controlling of embankments. The long term project for the drainage scheme prepared by the State Government is already with the Planning Commission. The project merits the support of the Planning Commission. We have made adequate provision for the maintenance of the flood control works in North Bihar.

(iii) Minor Irrigation

3.47 We could not adopt a normative approach in making provision for the maintenance of minor irrigation for want of the requisite data. We, therefore, worked out the estimated requirements for 1989-90 by applying a growth rate of 10 per cent to the actual non-Plan expenditure for the year 1986-87. The level of expenditure for 1989-90 so derived was further stepped up at the rate of per cent per annum for the period of our report.

(iv) Maintenance of Roads

3.48 Provision was made by the Eighth Finance Commission for the maintenance of State highways and other roads, on the basis of the norms recommended by the Expert Committee (1968) and the Malhotra Committee (1978) respectively. In May, 1988 the Ministry of Surface Transport appointed a Study Group to update the norms recommended by those two committees. Based on the prices of chips and other materials used for the maintenance of roads, this Group divided the country into six zones and recommended separate maintenance norms for each zone. These norms as set out in Annexure I-13 were approved by the Transport Development Council.

3.49 We obtained from the State Governments information as to the length of State highways, major district roads and other roads. The data received was updated to 1989-90 by following the State-specific trend registered during 1982-86. Applying the norms of the Study Group to the road length in different States, we derived estimates of maintenance expenditure in respect of roads.

3.50 Since the norms recommended by the Study Group were at 1987-88 prices, the provisions for maintenance based thereon were augmented appropriately to make allowance for the subsequent price increases. The cost of establishment and tools and plants has been added to the above estimates at the rate of 16 per cent and 4 per cent of the expenditure, respectively, in each year.

per cent and 4 per cent of the expenditure, respectively, in each year.

3.51 The estimates of provisions for maintenance of roads worked out in the manner described above came out to be much higher than the present levels. Such higher levels cannot, in any case, be reached in a short span of time. Hence, we restricted the provisions for 1994-95 to a maximum of 220 per cent of the amounts allowed by the Eighth Finance Commission for 1988-89. As these provisions were at 1989-90 prices, we made an allowance of 5 per cent per annum to account for the effect of price rise during the next five year period. The provision thus worked out for 1994-95 has been assumed to be reached in graduated steps, keeping in view the current level of expenditure. Annexure III.14 shows the provisions allowed to each State for the maintenance of roads over the period 1990-95. These include the provision for maintenance of the roads of local bodies as well.

(v) Maintenance of Buildings

3.52. We obtained from the State Governments data on the plinth area of buildings at the end of March, 1989 by three broad age groups viz., 0 to 20 years, 20 to 40 years and over 40 years. Tha data were scaled upto March, 1990 by applying the trends witnessed in the preceding years. As the Central Public Works Department maintains the Central Government buildings throughout the country, we thought it proper to make provisions for the maintenance of State Government buildings also on the basis of the same norms as are followed by the CPWD with suitable allowance for price increases. These norms are shown at Annexures III-15A and III-15B.

3.53 The norms for the hill States have been adjusted upward to the extent of 50 per cent for residential buildings and 25 per cent for non-residential buildings. Additional provisions of 16 per cent and 4 per cent of the expenditure worked out on the basis of norms have been allowed for establishment charges and tools and plant, respectively.

3.54 We found that the annual provision worked out in the above-mentioned manner came out to be either very low or very high in some States. We,therefore, decided to moderate it so as to ensure that no State would be provided in 1994-95 less than 180 per cent and more than 220 per cent of the annual provision made for this purpose by the Eighth Finance Commission. On this a price increase at the rate of 5 per cent per annum has also been allowed. However, in view of the low level of current maintenance expenditure, the normative expenditure has been allowed to increase in a graduated manner during the forecast period. The provisions made on this basis for the five years 1990-95 are given in Annexure III.16.

Monitoring of the Maintenance Expenditure

3.55 We find that successive Finance Commisions have made provision for maintenance expenditure based on certain engineering norms,but the expenditure incurred in actual practice by the States has been far too low relative to the norms as well as the requirements for the maintenance of the assets even on a minimum basis. There appears to be a strong preference for the creation of additional assets with little attention being paid to the maintenance of assets already created. In the process, the quality of the assets and their useful life span decline steeply. The neglect of maintenance is an unhealthy practice and must be discouraged. The amount required for the maintenance of the existing assets should be the first charge on the resources of the States. We would even suggest that the Planning Commission should be given a special responsibility for ensuring that the maintenance of the existing assets in the States is in no way compromised. At the time of assessing the resources for the State Plan, the Planning Commission should take special care to ensure that the maintenance expenditures are fully provided for.

Category (II)

3.56 In the case of items of expenditure falling under this category, we could estimate cost functions using regression analysis. The detailed methodology for assessing the expenditure needs using this analysis is given in Appendix 5.

3.57 In order to estimate the non-Plan revenue expenditure "needs", we have attempted to estimate the cost functions of non-Plan expenditures classified into suitable categories under general, social and economic services. Expenditure "needs" under general services have been defined as the justifiable costs of providing the average standards of services. In the case of social and economic services, however, the justifiable costs of providing the existing standards of services have been taken to represent "needs". The "needs" so estimated give us the normative assessments.

3.58 Since expenditure needs have been derived on the basis of the estimated cost functions, expenditure variations among the States are attributable to differences in the quantity of public service provided and in the costs of providing them. Here, we have tried to separate the cost factors within the control of the State Governments and those beyond their control.

3.59 After estimating the effects of various quantity and cost variables on the expenditures of the States, we made normative estimates of the expenditures for the year 1986-87. As stated above, for general services, the estimates represent expenditures that would be required to provide the average standards of services and for social and economic services, they show the requirements of providing the existing standards of services on the basis of the quantified behavioural relationship.

Provision for parity of pay scales.

3.60 We may mention here that the expenditure estimates derived on the basis mentioned above take into account the salary revisions done by the States only upto 1986-87. Many State Governments undertook salary revisions for their employees subsequently following the implementation of the recommendations of the Fourth Central Pay Commission by the Government of India. Almost all the State Governments and a number of employees' associations in different States made strong representations to us emphasising the need to bring about parity in the pay scales of State Government and Union Government employees.

3.61 Parity in pay scales is a subject of considerable discussion and debate. Pay parity, however, should not be viewed in total isolation. The frequency and the periodicity of pay revision must also be kept in view. It is necessary to mention here that although the scales of pay in some States are lower than the comparable Central scales, the total emoluments of a comparable State employee could be higher than his counter-part in the Central Government due to the frequent revision of scales in the former. The emoluments that an employee gets is a function not merely of scales of pay but also the frequency of pay revision, the weightage and fixation benefits given to the employee at the time of each pay revision, the existence of automatic grade promotion, revision of other allowances consequent on the revision of pay and proportions of promotions post to the feeder posts. We have made provision for parity only in terms of basic pay. This has been done by taking into account the difference in the scales of pay prevailing at the Union and the State Governments levels for representative categories of employees. We made a comparison of basic pay of selected categories of employees in different States with that under the Union Government by notionally adjusting them to the CPI level of 608 to which the pay scales of the Central Government employees , as revised by the Fourth Central Pay Commission, are related. Wherever these notionally adjusted amounts were lower than the basic pay under the Central Government, additional provisions have been made in the manner as explained in Annexure III.17.

3.62 The estimated expenditure on pay parity was then adjusted to conform to our normative expenditure estimates. For this purpose, we first segregated the non-Plan component by proportionately adjusting the total provision on the basis of the expenditure and normative expenditure in each of the major States in 1986-87.

3.63 The expenditure needs thus estimated for 1986-87 were required to be projected to the period of our recommendations. This has been done in two stages. In the first phase the normative expenditures have been projected to the base year 1989-90 by applying the average historical growth rates for all States adjusted partially for periodic revision in the salaries by the States. It should be noted that unlike in the case of the Central Government where the salary revision subsequent to the recommendation of the Fourth Pay Commission was done after thirteen years, in a majority of States, the scales have been revised more frequently contributing to the growth of expenditure by a substantial margin.

3.64 As the provision for parity in the pay scales has been made separately, the rate of growth of expenditures had to be adjusted to exclude partially the effect of periodic revision of pay scales in the States. We, therefore, applied the growth rate of 13 per cent per year on the normative expenditures estimated for 1986-87 (historical growth-rate being 14.5 per cent), to estimate the expenditures in 1989-90. The salary revision as computed by us was added to this provision.

3.65 The normative estimates of expenditure arrived at for 1989-90 thus constitute the expenditures at justifiable costs. At the same time in the case of general administrative services, the cost of providing the average standards of services has been taken into account. We must state in this connection that the overall effect of expenditure assessment has been to reckon the non-Plan expenditures of less developed States at a level higher than their actual level. Thus, the overall effect of the application of the norms has been equitable, as may be seen from the details given in Appendix 5.

3.66 In the second stage, the normative estimate of expenditure arrived at for the base year was projected to the period 1990-91 to 1994-95. In making projections, we have been guided by the consideration of phasing out revenue deficits by the terminal year of the period of our Report. This would require restricting the rate of growth in non-Plan expenditure so that the imbalance between the growth of revenues and expenditures is eliminated. Achieving overall balance in the revenue account is possible only when we succeed in limiting the rate of growth of expenditures. This means that the State Governments can ill afford to increase their expenditures substantially in real terms.

3.67 Considering these factors, we have provided for only moderate increases in real expenditures. Given the overall assumption of 5 per cent increase in prices, provision for increase in prices alone would result in the growth of expenditures by 4 per cent, as the major component of expenditures, i.e., wages and salaries, was found to increase by 0.75 per cent for every one per cent increase in prices in the past. In addition, we have assumed that the expenditures should increase at a rate marginally higher than the increase in population, considering that the public services, by and large, are meant to serve the entire population. Therefore, we have assumed 3 per cent growth of expenditure in real terms. Thus, we have projected the non-Plan expenditure for the period 1990-91 to 1994-95 assuming a growth rate of 7 per cent per annum.

3.68 It is necessary to mention here that achieving the normative levels of expenditure right from the first year of our recommendation may not be feasible. In the case of those States for which normative levels were reckoned lower than the level of their actual expenditures, severe hardship would result if the normative levels were to be assumed from the first year itself. Similarly, in the case of the States whose actual expenditures fell short of the normative levels, it might not be realistic to assume that within a year the normative levels would be achieved. We have, therefore, phased out the expenditures so as to reach the normative levels by 1994-95. For this purpose, we have restricted the difference between actuals and normative estimates by one-half in 1989-90. Taking these as the base year estimates, we have phased the expenditure growth to reach the targetted level in 1994-95.

3.69 While finalising the level of non-Plan revenue expenditure, we have not made any exclusive allocation for upgradation of such administrative services as Training, Jails, Judiciary, Police and Revenue Administration. We do realise the essentiality of these services and the need for their improvement and upgradation. We have, however, not recommended any specific grants-in-aid for such upgradation, because the need for upgrading these services in States where they are below average level has been taken care of in the norms which we have adopted. Our experience is that these sectors are generally starved of funds in a bid to conserve resources for the Plan. It is desirable, no doubt, to make economy in non-Plan expenditure and to make resources available for financing a larger Plan. We feel, however, that it would not be advisable to do so at the cost of the efficiency of the basic administrative services. The requirements of these services should be met in adequate measure. We, therefore, suggest that a Committee may be constituted in each State under the Chairmanship of the Chief Secretary to ensure that the legitimate requirements of these basic services are adequately met.

Category (III)

3.70 The notable items of expenditure which fall in this category are elections, pensions and retirement benefits and social security and welfare.

Elections

3.71 Provision has been made for expenditure on regular election machinery. We have also provided fully for the conduct of State assembly elections wherever it will become due during the report period. This has been done on the basis of the information obtained from the Office of the Election Commission. Full allowance has been made to accommodate the additional cost arising from the enlargement of the electorate following the recent lowering of the voting age.

Pension and Retirement Benefits

3.72 In the case of pensions, no data are available about the number of pensioners in different pension ranges. Most of the States have already revised their scales of pay and the impact of the revision on pension and other retirement benefits would be reflected in the pension figures in the budget estimates for 1989-90. We have, therefore, projected the provisions in the budget estimates for 1989-90 by applying a growth rate of 7 per cent to work out the estimates for each year of the report period. The impact on account of revision of pay scales subsequent to the presentation of the budget has also been taken care of.

Social Security and Welfare

3.73 Provision for old-age pension has been made by allowing pension of Rs.100/- per month to 0.2 per cent of the population of each State as per the 1981 Census. In the case of Special Nutrition Programme and food subsidy in States like Andhra Pradesh, Gujarat, Kerala and Tamil Nadu, the expenditure as provided in budget estimates for 1989-90 has been adopted as the base and projected at the rate of 7 per cent per annum. The expenditures on other programmes have been worked out by taking the actuals of 1986-87 and projecting the same at the annual rate of 10 per cent till 1989-90 and 7 per cent over the subsequent period of our Report.

Other Expenditures

3.74 Some of the north-eastern States represented to us that for want of funds they had not been able to build accommodation for housing their capital. They requested us to consider giving grants for construction of secretariat, high court building, government residential buildings and similar other facilities. We urge the Government of India to consider the entire matter and provide appropriate assistance.

3.75 To commemorate the memory of the entryof the INA and Netaji Subash Chandra Bose on the Indian soil, thecitizens of Moirang (Manipur) erected a memorial in 1956. The memorial consists of a modest museum-cum-library, a life size statue of Netaji and a pillar in honour of Indian National Amy. This memorial is managed by the Government of Marpur. The Commission feels that this national heritage needs to be conserved,improved and fostered as befitting the nemory of Netaji and INA. The Commission would sugget that the Government of India undertake the expenditure in his regard which may amount to Rs. 10 crore . We are confident that our assessment of non-Plan revenue expenditure of theCentre can easily accommodate a provision of Rs.10 crore in ths regard.

3.76 It was represented to us by the Governmerof Manipur inter alia that a time bound comprehensive and integrated project be taken up to solve the problem of jhoom cultration. The estimate given to us for undertaking this programmewas Rs.45 crore at the rate of Rs. 28,000 per family. This problem, in fact, is not peculiar to Manipur alone as it obtains in all the north-eastern States. We understand that schemes to tackle this problem are being taken up as part of the Plan exercise. In view of the imperative necessity to meet this problem, we expect that Planning Commission and the State Governments toether would draw up and implement a comprehensive Plan.

3.77 The Government of Sikkim approachd us with a proposal for assistance for construction of an airtrip, which, according to them, was vital for the State in view ofts strategic location, difficult terrain and frequent landslide disrupting communication link with the rest of the country. We as convinced of the genuineness of the State Government's demand. While proceeding to Gangtok, we ourselves got stranded because of a massive landslide on the way. We would, stronly urge the Government of India to take up the construction of anairstrip in the State.

Committed Liability

3.78 In the assessment of non-Plan revenue expenditure of States, we have not provided for committed liability cthe Seventh Plan Schemes. This departure from the practice adopted so far is intended to correct what we consider to be an unsatsfactory way of providing for this liability. As repeatedly stated bythe previous Finance Commissions, it is extremely difficult to assess correctly the committed liability. So the previous Commissions adopted on overall percentage of the revenue expenditure of the base year State Plan as a reasonable estimate of committed liability. As those Commissions dealt only with non-Plan reveue account, they had to assess the committed liability in somemanner and they followed a method reasonable and feasible inhat situation. However, the Ninth Commission is in a better position in the sense that our terms of reference imply assessment of the entire revenue account including Plan expenditure. Therefore, we have examined whether there is a better way to tackl the issue of committed liability. The result of our analysis in thi regard is the finding that to deal with committed liability in an isolated manner without a linkage to new Plan revenue expenditure can be misleading. What is worse is that such an exercis could lead to wasteful expenditure. A substantial part of the Plan revenue expenditure is on staff and allied items. The expencure in the last year of a Plan is the cumulative expenditure built up over the five years of that Plan. If all that staff and allied expenditure are transferred to non-Plan side when the new Pin starts, the expenditure for the same item (many of such schmes continue from Plan to Plan with or without some alterationsshould, in the first year, be substantially less than that of the fial year of the previous Plan. But in actual practice, in most casesthe first year's Plan is higher than the Plan outlay of the previousyear and each Union Ministry or State Government Department insists on getting a corresponding increase in their shares of that outay also. In any case, the system in its totality does not have the resources to transfer a substantial part of the revenue expenditure of the terminal-year of a Plan to the non-Plan side and provide, in addition, a higher amount for the revenue expenditure of the first year of the new Plan. This is particularly true of programmes under Education, Family Welfare, Extension Schemes in Agriculture, etc.

3.79 From this analysis, we have come to the view that what is required is to provide funds for normal gradual increase in the revenue expenditure of the last year of a Plan into the next Plan also. How much of that provision should be actually transferred to non-Plan and how much should be retained as part of Plan should be decided by the States and Centre (for Central Plan) in consultation with the Planning Commission. This should be based on a close scrutiny of the schemes with substantial revenue expenditure component and not on the basis of a rough overall percentage. In a fiscal exercise like ours, that type of detailed analysis is not possible nor is it necessary provided we ensure adequate provision for total revenue expenditure.

3.80 Consistent with this perception, we have not provided separately for committed liability, but we are providing (as explained in Chapter VII) for reasonable growth in Plan expenditure of both the States and Centre over the corresponding outlays, from the first year of the Eighth Plan onwards.

3.81 Before we conclude this Chapter, we would like to mention that the Commission's Secretariat had prepared two alternative sets of exercises to project the tax revenues and non-Plan revenue expenditures over the period covered in our second report. The details of the first exercise are available in Appendices 4 and 5 of the report. A separate exercise was also done to estimate the tax revenues and the non-Plan expenditures of each State in the traditional manner. For this exercise, the data for the base year (1989-90) was firmed up by applying to the actuals of 1986-87, duly cleaned for non-recurring and abnormal items, the State-specific long term rates of growth and keeping fully in view the budget and the latest estimates for the year 1989-90 as received from the States. The latest developments which came to our notice following our meeting with the State Governments were also taken into consideration in finalising the base for 1989-90. The projection for the five-year period of our report was worked out by giving the tax revenues (excepting Land Revenue) in the base year (1989-90) an annual growth rate of 11.5 per cent. The non-Plan revenue expenditure of the base year was stepped up by projecting it at an annual rate of 7 per cent, except in the case of Compensation and Assignment to local Bodies which was increased by 9 per cent. The final figures of receipts and expenditure resulting from both the sets of exercises for each State are set out in Annexure III.18.

3.82 The approach as detailed in Appendices 4 and 5 has been attempted by the Finance Commission for the first time. The inherent logic of this approach is inescapable. Finance Commissions in the future may bring about further sophistication and refinement in this exercise. As this exercise is unique and is being attempted for the first time by the Finance Commission, we have made certain adjustments in the final estimates resulting from this exercise. It would be seen that the estimates flowing from this exercise either show higher surpluses or lower deficit than those resulting from the alternative more traditional exercise in the case of 10 of the 14 major States, excluding Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh. These differences arise because of deviations of the trends from the norms adopted by us. As a matter of abundant caution and as a measure of concession to the States, we have reduced by 50 per cent the net improvement in the budget position shown by the normative exercise. (Annexure III.19).

3.83 Shri Justice A.S. Qureshi is of the view that the methodology adopted for applying the normative approach is not satisfactory. He has explained his view in the Note of Dissent.

CHAPTER IV

REASSESSMENT OF THE FORECAST OF THE CENTRAL GOVERNMENT

4.1 According to our terms of reference, we have to adopt a normative approach in assessing the receipts and expenditure on revenue account of the Centre and in doing so, keep in view its special requirements such as defence, security, debt servicing and other committed expenditure or liabilities. In making our recommendations we are required to keep in view the objective of not only balancing the revenue receipts and expenditure but also generating surpluses for capital investment.

4.2 We had requested the Ministry of Finance to furnish the forecast of receipts and expenditure of the Centre under the revenue account for 1990-95. The forecast sent to us assumed 1989-90 rates of taxation, tariffs, prices, emoluments and an increase of 6 per cent in GDP during 1990-95. As we thought that it would be appropriate to reassess the revenue receipts and expenditure at current rates and prices we sought from the Ministry a revised forecast assuming 6 per cent annual growth in GDP and 5 per cent rise in prices. Based on the revised forecast, we also held discussions with the officials of the Ministry of Finance.

4.3 The forecast received from the Ministry of Finance is summarised below:

(Rs. Crore)

I. Revenue Receipts	**1989-90(BE)**	**1990-95**
1. Tax Revenues	50875	337344
2. Non-tax Revenues	15831	84044
3. Total Revenue Receipts	66706	421388
II. Non-Plan Revenue Expenditure		
1. Interest Payments	17000	151255
2. Major Subsidies	7472	58433
3. Other non-Plan Expenditure	23070	165306
4. Total non-Plan Expenditure	47542	374994

4.4 The details of the forecast contain some very disturbing features. After excluding Railways, Postal and Telecommunication Services, the non-Plan revenue expenditure in 1989-90 (BE) is about 71 per cent of the total revenue receipts. As per the forecast, in 1994-95, the expenditure will rise to nearly 97 per cent of total revenue receipts. The percentage of expenditure other than major subsidies and interest payments goes up from about 35 per cent of revenue receipts in 1989-90 to nearly 40 per cent in 1994-95. Major subsidies which account for about 11 per cent in 1989-90 will be nearly 15 per cent of all revenue receipts by 1994-95. But the biggest increase is in interest payments. From the level of Rs. 17,000 crore in 1989-90, it will increase to nearly Rs. 42,200 crore in 1994-95. That will be 42 per cent of all revenue receipts in 1994-95 against 25 per cent in 1989-90. By 1994-95 interest payments will be about 125 per cent of the total proceeds from Union Excise Duties. In 1989-90, it is 75 per cent of excise revenue. As a result of this increasing imbalance between revenue receipts and non-Plan revenue expenditure as per the forecast, the Central Government will have to borrow not only for meeting its own Plan revenue expenditure and Plan grants to States but also for giving statutory grants to States under Article 275 of the Constitution. In fact, according to the forecast, total non-Plan revenue surplus available in 1994-95 will be less than the States' share of the mandatorily shareable Income Tax receipts at current levels.

4.5 We have also attempted a preliminary exercise to assess the likely overall revenue deficit of the Centre based on the forecast and assuming the Finance Commission transfers to States, Plan grants and Central Plan on revenue account broadly at current levels. The revenue deficit for each of the years from 1990-91 to 1994-95 emerges as follows:

(Rs. Crore)

1989-90(BE)	**1990-91**	**1991-92**	**1992-93**	**1993-94**	**1994-95**
(-)7,012	(-)14,500	(-)17,700	(-)21,700	(-)27,600	(-)33,900

4.6 It is obvious that with this order of revenue deficit in the Central Budget, the entire system of budgeting and financial management of the Central Government would face a crisis situation during the Eighth Plan period. It is equally clear that such a trend is totally inconsistent with the objective of balancing the revenue account of the Central Government. In our discussions with the officials of the Ministry of Finance we raised this basic issue. Their response, broadly stated, was that the projections were based on existing rates of taxation, current levels of expenditure commitments and assuming continuation of the current policy positions. They agreed that the non-Plan surplus should be significantly positive and added that the Centre had already taken certain measures in this direction. The budget of 1989-90 reflected lower revenue deficit as well as lower growth rates of consumption expenditure of the Central Government. They also stated that any guidelines the Commission might outline would be helpful to them in improving the position further.

4.7 It is against this background that we have reassessed the Centre's forecast. We are of the definite view that the forecast supplies vivid and unassailable justification to the contention that a determined effort is essential which cannot brook any delay whatsoever. While we do not want to set too optimistic goals in revenue collection or expenditure control, in revising the forecast we do assume on the part of the Central Government a reasonable degree of effort involving some not-too-soft options. If this were not to be done, the Commission could well terminate its labours without analysing the forecast at all and conclude that Central Government finances have moved beyond the possibility of corrective action. Such a conclusion is certainly not warranted. It is clear that the Central Government is keen to start a process of stabilisation of the budget, particularly the revenue account, as is evident from the budget estimates of 1989-90. As pointed out by the officials of the Ministry of Finance during the discussions, the trend of increasing revenue deficits has been reversed. We urge that this effort should continue and in our reassessment of the Centre's forecast we propose to indicate the dimensions of improvement reasonably attainable.

4.8 The objective criteria constituting our approach in assessing the Centre's revenue receipts and non-Plan revenue expenditure are the following:

(i) The Centre should set an example to the States;

(ii) The Centre should improve on its own past performance;

(iii) The price rise assumed (5 per cent) should be fully captured in tax buoyancy;

(iv) The real growth rate of GDP assumed (6 per cent) should be reflected fully in the tax yield;

(v) The Centre should move towards the objective of eliminating revenue deficit. The tax revenue yield should reflect some further increase resulting from better efficiency in taxation policy and administration;

(vi) General items of non-tax revenue receipts should, at least partly, reflect general price rise which increases the cost of services rendered;

(vii) Increase in non-Plan revenue expenditure consequent on general price rise should be marginally below the rate of price rise;

(viii) The real increase (over and above the effect of price rise) in non-Plan expenditure should be less than the rate of growth in GDP. This would imply an overall nominal rate of increase (real increase plus price rise effect) of non-Plan revenue expenditure of around 9 per cent per annum; and

(ix) Within that level of overall rate of increase, the higher growth needs of interest payments and other unavoidable expenditure should be accommodated by downward adjustment of rates of increase in other items of non-Plan revenue expenditure.

Our re-assessment of the forecast presented by the Ministry of Finance has been made applying these criteria and adjusting their effect in respect of each major item keeping also in view the other relevant factors germane to the issues.

Tax Revenue

4.9 The revised forecast of the Ministry of Finance assumes different growth rates for the Central taxes: 10.5 per cent and 10 per cent for Income Tax and Corporation Tax, respectively, (after adjusting for surcharges levied in 1989-90), 8.3 per cent for Union Excise Duties, 12 per cent for Customs Duties and 4.8 per cent for other taxes. The overall growth rate of tax revenues as given in the forecast is roughly 10 per cent. As against this, the long-term trend growth rates for the period 1974-75 to 1989-90(BE) are 10.19 per cent for Income Tax, 12.88 per cent for Corporation Tax, 13.39 per cent for Union Excise Duties and 20.42 per cent for Customs Duties. The overall growth rate of tax revenues comes to 14.64 per cent. However, we are not adopting those rates in our projections as the price rise and rate of growth of GDP assumed by us are different from those observed during the past. In our reassessment, the overall growth rate of tax revenue works out to 12.8 per cent per annum for the perod 1990-91 to 1994-95. The total tax revenue receipts for the five - year period estimated by us aggregate to Rs. 3,70,014 crore, as against the estimate of Rs. 3,37,344 crore supplied by the Ministry of Finance.

4.10 The gross receipts of Income Tax and Corporation Tax have been assessed at Rs. 28,508 crore and Rs 33,836 crore, respectively, as compared to Rs. 27,359 crore and Rs. 30,191 crore in the forecast. Our reassessment of the Excise Duty collection is Rs. 1,61,526 crore against a forecast of Rs.1,45,103 crore. The amounts transferred to the States from Income Tax and Union Excise Duties depend upon realised collections from these taxes. If these taxes are projected at high rates, which might not be realised, it would adversely affect the revenue deficit States. We have kept this in view in our reassessment of these two taxes. The reassessed figure of Customs Duties comes to Rs. 1,36,674 crore against the forecast of Rs. 1,27,221 crore.

Non-Tax Revenue

4.11 Non-tax revenues mainly comprise receipts from interest on loans advanced by the Central Government, dividends and profits from the public sector enterprises, fees and other receipts on account of services rendered by the government and its agencies and other transactions of a commercial nature.

4.12 The Ministry of Finance has estimated the interest receipts at Rs. 52,457 crore whereas our reassessment is Rs. 57,214 crore. This is after providing for a 7.5 per cent rate of return on the loans outstanding with the non-financial public sector enterprises as against 7 per cent adopted in our first report. Our projection of interest receipts is based on an annual growth rate of 12 per cent over the 1989-90 budget estimates. As the cost of borrowing is going up, there should be corresponding improvement in interest receipts.

4.13 Dividends from public sector undertakings have been projected by assuming a normative rate of return of 6 per cent on investments in those undertakings. The outstanding investments during the forecast period have been projected at a rate of 5 per cent per annum. Dividends from other investments are assumed to increase at 5 per cent over 1989-90(BE). On this basis, we reassessed dividend receipts at Rs. 13,257 crore as compared to Rs. 7,626 crore in the forecast. The budget estimate of dividends for 1989-90 shows that the government is aware of the need for and the possibility of increasing its receipts under this head. We urge that this trend may be maintained and improved upon. Government budget should receive as dividends or contribution a reasonable share of public sector profits, a major part of which is the result of either the government policy of administered prices or the near monopoly status of these public sector enterprises. If that is ensured, dividend receipts as assessed by us can be substantially realised even starting from the current level of profit earned by public sector enterprises.

4.14 Other non-tax receipts have been projected by assuming an annual growth rate of 6 per cent applied to 1989-90 (BE) of Rs. 4,354 crore.

4.15 In all, the estimate of Rs. 84,044 crore of total non-tax receipts given in the forecast by the Ministry of Finance has been reassessed at Rs. 96,488 crore.

4.16 On this basis the total revenue receipts of the Central Government during the period 1990-95 have been reassessed by us at Rs. 4,66,502 crore. This is against the estimate of Rs. 4,21,388 crore given in the forecast of the Ministry of Finance.

Revenue Expenditure

4.17 The forecast of the Ministry of Finance assumes a growth rate of non-Plan revenue expenditure of 18.41 per cent for 1990-91 over 1989-90. Growth rates ranging from 13.79 per cent to 15.71 per cent have been assumed for the rest of the years. This is against the long-term growth rate of 17.04 per cent observed during the period 1974-75 to 1989-90. If the revenue account of the Central budget is ever to be balanced at all, the real effort should come by way of effective control of non-Plan expenditure. We feel that, in this context, at least during the transitional period of reversing the trend of increasing revenue deficits, the Ministry of Finance should effectively resist the increasing demands for items like staff sanctions, subsidies, and housekeeping expenses. The fact that this can be done is evident in the budget estimates of 1989-90. The overall growth in non-Plan revenue expenditure in 1989-90(BE) over 1988-89(RE) is only 10.56 per cent. Our reassessment of non-Plan revenue expenditure for 1990-95 gives a 9.75 per cent growth rate (assuming a price rise of 5 per cent) which implies only a reasonable acceleration of the process of correction attempted in the 1989-90 budget estimates. The growth rates adopted by us in respect of major items of revenue expenditure may be viewed in this background.

4.18 The Central Government's forecast of non-Plan revenue expenditure on defence was based on annual growth rates ranging from 10.17 per cent to 10.22 per cent. We have made our projections on a uniform annual step-up of 10 per cent over 1989-90(BE).

4.19 The Ministry of Finance has placed the estimate of interest payments at Rs. 1,51,255 crore. This is an item of expenditure for which we consider that stringent norms should be applied if a dent is to be made in the Centre's revenue deficit. If an annual step-up of 10 per cent is allowed over the 1989-90 budget estimates of total capital expenditure adjusted for recovery of loans (the approximate borrowing requirements), with the rate of interest of 10 per cent per annum going up by 0.25 per cent annually, the total interest outgo on the additional borrowing requirements during the period 1990-95 works out to Rs. 32,400 crore. If interest outgo on account of annual revenue deficits estimated by us during the forecast period and on the outstanding interest-bearing liabilities at the end of 1989-90 is added, the burden of total interest payments in five years comes to Rs. 1,22,500 crore. After reassessment we have provided an amount of Rs. 1,23,880 crore towards interest payments assuming an annual growth rate of 12 per cent on the base level estimate of Rs. 19,500 crore in 1990-91 [the 1989-90 (BE) stands at Rs. 17,000 crore]. We are confident that the provision made by us is adequate to meet the normal budgetary support to the Central Plan, besides ensuring reasonable levels of disbursement of Plan loans to States. We will revert to this aspect later in the report.

4.20 The Ministry of Finance has placed the total estimate of expenditure on subsidies on food, fertilisers and exports at Rs. 58,433 crore. The Ministry's forecast does not indicate the details of expenditure on other subsidies. The Ministry's estimates for the major subsidies are based on different growth rates; 4.55 per cent to 6.39 per cent for food, 4.10 per cent to 27.44 per cent for fertilisers and 25 per cent for exports. We are quite conscious that the expenditure on subsidies is an important component of Central Government's non-Plan revenue expenditure and we have to be careful in making the provisions under this head. While the legitimate expenditure needs under this head must be met, one has to be careful that the tendency to overspend is contained. This is essential to curtail the revenue deficit. In this background we have applied a uniform annual growth rate of 8 per cent in calculating the amount of subsidies for 1990-95. We are of the opinion that the expenditure on subsidies should be contained within the overall ceiling growth rate of 8 per cent.

4.21 As the subsidy commitment on fertilizers is growing fast, we feel that the retention pricing scheme as well as its working should be subjected to a close scrutiny. As they rely substantially on subsidies from the general taxpayers, the fertiliser companies have a responsibility to manage their operations and finances with optimum efficiency and economy. We wonder whether the government is able to ensure that no part of the subsidy goes to finance extravagance and inefficiency. To ensure this, it is necessary that the retention price should be based more on norms rather than the present combination of norms and actuals, particularly when certain items constituting the retention price are outside governmental control. Another area for review is the cost of inputs, such as gas, high speed diesel oil. There does not seem to be justification for adding to the fertilizer subsidies and generating increased surpluses for certain public sector units which have the benefit of administered prices substantially above economic prices.

4.22 We have provided for an annual growth rate of 7 per cent for other non-Plan revenue expenditure. The total non-Plan expenditure including this item but excluding interest and major subsidies has been reassessed by us at Rs. 1,46,013 crore as against Rs. 1,65,306 crore in the forecast. In our projections we have not included provision for assistance on account of natural calamities to the States [Rs. 200 crore in 1989-90 (BE)] as we are dealing with this issue separately. We have not provided for committed expenditure on Plan schemes as explained earlier in Chapter III.

4.23 On the basis of the foregoing assessment, the total non-Plan revenue expenditure of the Central Government during 1990-95 reassessed by us is placed at Rs. 3,17,231 crore. This is against Rs. 3,74,994 crore in the forecast of the Union Government. Thus we are allowing non-Plan revenue expenditure at the level of about 85 per cent of what the Ministry of Finance has indicated in its forecast. On the side of revenue receipts our assessment raises the Ministry's estimate by only 10.7 per cent. We have deliberately moderated our reassessment of the Centre's forecast. This is because we know that the initial stages of correcting a trend that has been in vogue for a long time will be extremely difficult and we do not want to set too high a target for that effort. We, therefore, expect that the Central Government would be able to achieve the reasonable target of Rs. 1,49,271 crore of non-Plan pre-devolution revenue surplus for the Eighth Plan period. A summary of our reassesment of the Central Government's forecast is given in Annexure IV.1.

CHAPTER V

DEVOLUTION OF TAXES, DISTRIBUTION OF ADDITIONAL EXCISE DUTIES AND GRANT IN LIEU OF TAX ON RAILWAY PASSENGER FARES

5.1 In this Chapter we make our recommendations regarding the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I of Part XII of the Constitution and the allocation between the States of their respective shares of such proceeds. This Chapter also includes our recommendations on two additional issues, namely,

(I) the principles on which the shares of the net proceeds of Additional Duties of Excise in lieu of Sales Tax should be distributed among the States and their *inter se* shares therefrom; and

(II) the principles which should govern the distribution among the States of grants to be made available to them in lieu of the repealed Railway Passenger Fares Tax Act, 1957, and a few related issues.

Income Tax

5.2 Under paragraph 3(a) of our terms of reference we are required to make recommendation as to the distribution of the net proceeds of Income Tax between the Union and the States, the allocation of shares among the States *inter se* and the determination of the net proceeds attributable to the Union Territories.

5.3 Since the submission of our first report, we have had further discussions with the States and have also taken into consideration the additional submissions which some of the States had made to us. Consequently the recommendations we are making now are somewhat different from those we had made in our first report.

5.4 With the enactment of the Finance Act, 1989, the extension of the Income Tax Act, 1961, to Sikkim from the assessment year 1990-91 onwards has been formalised. Therefore, the State-wise shares of Income Tax that we prescribe include the share of Sikkim also.

5.5 We have to prescribe the shares of the Union Territories in the divisible pool of Income Tax under Article 270(3) of the Constitution. As regards the allocation of shares to Union Territories, we propose to follow the same procedure as we did in the first report. All the Union Territories would be treated notionally together as one unit for the purpose of our scheme of devolution and we prescribe the share of Union Territories at 1.437 per cent.

5.6 In our first report we had retained the States' share at 85 per cent of the divisible pool. We had pointed out therein that almost all State Governments had asked for the enlargement of the States' share beyond the present level of 85 per cent. We have duly considered the suggestions made by the State Governments but we do not consider it necessary to increase the States' share beyond 85 per cent.

5.7 Among the criteria to be adopted for the distribution of Income Tax among the States, we had assigned a weight of 10 per cent to 'contribution' in our first report. While the opinion on giving weight to 'contribution', was divided among the States, we cannot ignore the fact that the State Governments do play a role in providing infrastructural wherewithal and facilities and services. It is also to be borne in mind that States which move forward economically tend to gain on the basis of this criterion, while "deficit" States do not lose, given the basic logic underlying our scheme of transfers. On a balance of considerations we, therefore, propose to retain the weight of 10 per cent to 'contribution'. The relevant data relating to Income Tax assessments for the latest three years 1985-86 to 1987-88 have been obtained by us from the Union Finance Ministry (Annexure V.1).

5.8 We had given pronounced weight to the "distance" of the per capita income of the State from that of the State with the highest per capita income multiplied by the population of the concerned State in 1971. There was no controversy attached to this factor which was considered quite progressive and was welcomed widely by the States and the general body of professional experts. We propose to retain "distance" as a factor and assign to it a weight of 45 per cent. The per capita SDP data which we are using relate to 1982-85 as in the first report but are based on the new revised SDP series which we have obtained from the Central Statistical Organisation. The per capita SDP data are given in Annexure V.2. The methodology adopted for arriving at the "distance" of various States is the same as that prescribed in our first report. Goa has the highest per capita income according to the data available with us. We, however, find it difficult to consider Goa as a representative State for measuring the "distance" of per capita income among the States because it is too small in area and in population. Also the data for the State of Goa are available only for a few years. We have, therefore, chosen Punjab which has the next highest per capita income for purposes of measuring the "distance" factor. In order, however, to protect the interests of Goa and Punjab and to give these States too this benefit, we have adopted the "distance" of the next highest income State which is Maharashtra for measuring the notional "distance" of three states, namely, Goa, Punjab and Maharashtra and also the share of the Union Territories. The "distance" so derived for each State is multiplied by the population of 1971, and the products give the relative shares of the States in the devolution portion (45%) assigned to the factor of "distance".

5.9 Population as a factor for the distribution of taxes has been given different weights by successive Finance Commissions. The previous Finance Commission assigned 22.5 per cent weight to this factor in the distribution of the share. Population is considered to be a significant determinant of the needs of the people. However, since population is used as a scale factor in applying the "distance" and the "inverse of per capita income" criteria, even with a separate weight of only 22.5 per cent to population, it gets a much higher weight in the overall scheme. Therefore, the weight currently being assigned to population, namely, 22.5 per cent (25 per cent of the 90 per cent) in the devolution of Income Tax would remain unchanged.

5.10 In our first report we had assigned a weight of 11.25 per cent to the inverse of per capita income of the State multiplied by 1971 population and an identical weight to the proportion of poor people in the State to the total number of poor people in the country. In our first report, we had said that the consensus in the Commission was "that the exclusive use of per capita income in addition to population would also not be appropriate because this measure does not adequately capture or reflect the state of well-being or otherwise among the majority of population of the States". We had also taken note of the argument adduced by some that if a criterion in addition to per capita income and population should be used, it should be some other appropriate indicator of backwardness and not the relative number of poor people in a State. As indicated in the first report, we had a dialogue with the State Governments on this matter and also consulted leading economists and other experts. Several States did not approve of the introduction of the index of population below the poverty line in the devolution formula. They felt that State-wise data on the number of poor people below the poverty line were not statistically reliable. The argument was also advanced that the methodology of measurement was not conceptually sound because it had assumed the same amount of calorie requirement in all places regardless of terrain and climate and had also ignored price differentials. Some of the economists also felt that the degree of poverty as such was not a relevant criterion in deciding upon budgetary allocations. Since, even the backward States such as Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh did not favour the use of the criterion of people below the poverty line in the devolution formula, we have decided to drop it. However, in order to supplement the use of per capita SDP, we have evolved a composite index of backwardness based on more sturdy data. The composite index of backwardness evolved by us comprises a combination of two indices, namely, population of Scheduled Castes and Scheduled Tribes and the number of agricultural labourers in different States, as revealed in the census for 1981. We feel that these two indicators would serve to reflect poverty and backwardness in large measure. An additional reason for adopting this criterion in the formula of devolution is to reduce the very high weight given to the factor of population, directly and indirectly. We have assigned equal weight in our computation to the two factors. The States having larger share of these two components are required to bear substantial expenditure responsibilities. The census data for Assam for 1981 are not available and, therefore, the figures have been derived by taking the 1971 data and by applying thereto the past growth rates of population. To this new criterion the data relating to which are shown in Annexures V.3A and V.3B we assign a weight of 11.25 per cent.

5.11 We propose to retain the weight of 11.25 per cent to the factor of inverse of per capita income multiplied by the population of the State for 1971.

5.12 To sum up, we recommend that the shareable proceeds of Income Tax be distributed among the States in the following manner :-

(i) 10 per cent on the basis of "contribution" as measured by the assessment of Income Tax for the years 1985-86 to 1987-88.

(ii) 45 per cent on the basis of "distance" of the per capita income of a State from that of the State with the highest per capita income multiplied by the 1971 population of the State concerned as indicated in paragraph 5.8.

(iii) 22.5 per cent on the basis of the population of the State in 1971.

(iv) 11.25 per cent on the basis of a composite index of backwardness compiled by us.

(v) 11.25 per cent on the basis of the inverse of per capita income multiplied by the population of the State in 1971.

5.13 To conclude, we recommend that for the period 1990-91 to 1994-95 :-

(a) Out of the net distributable proceeds of Income Tax, a sum equal to 1.437 per cent shall be deemed to represent the proceeds attributable to Union Territories;

(b) the share of net Income Tax proceeds assigned to the States should be 85 per cent; and

(c) the distribution among the States of the share assigned to each of them in each financial year should be on the basis of the percentages shown in the table below :-

Share of States from Income Tax:1990-91 To 1994-95

	States	Percentage share
1.	Andhra Pradesh	8.208
2.	Arunachal Pradesh	0.073
3.	Assam	2.631
4.	Bihar	12.418
5.	Goa	0.110
6.	Gujarat	4.550
7.	Haryana	1.244
8.	Himachal Pradesh	0.595
9.	Jammu and Kashmir	0.695
10.	Karnataka	4.928
11.	Kerala	3.729
12.	Madhya Pradesh	8.185
13.	Maharashtra	8.191
14.	Manipur	0.171
15.	Meghalaya	0.208
16.	Mizoram	0.073
17.	Nagaland	0.096
18.	Orissa	4.326
19.	Punjab	1.706
20.	Rajasthan	4.836
21.	Sikkim	0.030
22.	Tamil Nadu	7.931
23.	Tripura	0.303
24.	Uttar Pradesh	16.787
25.	West Bengal	7.976
	Total	**100.000**

5.14 Shri Justice A.S. Qureshi, Member, does not agree with the sharing of the proceeds of Income Tax as outlined above. He is of the view that the receipts from Corporation Tax should also be made part of the divisible pool and shared with the States. His views in the matter have been given separately in his note of dissent.

Distribution of Additional Excise Duties in lieu of Sales Tax

5.15 We now examine the principles governing the distribution of the net proceeds of Additional Duties of Excise among the States as required under paragraph 5(a) of our terms of reference. We had discussed at length in our first report the recommendations of the previous Finance Commissions and the points made to us by the different States regarding the principles of distribution. We maintain the view expressed in our first report that since the Additional Duties of Excise are levied in lieu of sales tax which itself is a tax on consumption, the shares of various States should correspond to their shares in the consumption of these commodities. Direct and reliable data of State-wise consumption of these commodities, however, could not be obtained, all our efforts since the submission of our first report to secure the same notwithstanding. The most comprehensive source of data we could have used is the National Sample Survey (NSS) data. We found that the NSS 38th round survey data, for which computer sheets were ready, suffered from the same infirmities as we had mentioned in detail in our first report. We were in no position to use these data as there were discrepancies between the description of the articles on which Additional Excise Duties were leviable and those included in the 38th round. Also, it was felt that the NSS data did not capture fully the expenditure made by the higher income groups on the specified items. The data from the 43rd round were not available in time for our use. The search for the figures of consumption led us to other sources as well. We enquired from the Textile Committee under the Ministry of Textiles whether they could supply us the required data relating to textiles. We found that the publications which the Textiles Committee brought out did not have the State-wise consumption data which we could make use of. We also checked and found that the various Textile Research associations like the South India Textile Research Association, the Bombay Textile Research Association and the Ahmedabad Textile Industries Research Association also did not maintain the type of data that we required. Likewise, no State-wise consumption figures in respect of tobacco could be obtained by us. This is not surprising in view of the nature of the product.

5.16 The Government of India does not compile State-wise consumption data in respect of sugar. Only the despatch figures of sugar to individual States (both levy and free sale) are available. We did not feel inclined to use them as proxies for the figures of State-wise consumption of sugar for the obvious reason that while inter-State movement of levy sugar is banned, there is no such restriction in respect of sugar meant for free sale. Moreover, we cannot ignore the fact that the markets of one State often serve the requirements of people in other States. The figures of despatch to a State do not necessarily represent the levels of consumption in that State. We also considered whether our purpose could be served by the data of production of these three commodity groups in the respective States. We concluded that since we were looking for consumption data (as Sales Tax is mainly a tax on consumption) and production figures in a State cannot be taken to indicate consumption therein, it would be unfair to the consuming States with little or no production if we use production data.

5.17 This leaves us in no better position than we were before submission of our first report. Hence, for this report also we have relied on proxies, namely, SDP and population of the respective States. We have assigned equal weights to SDP and population in determining the shares of the individual States in the net proceeds of Additional Duties of Excise. We have used the New Series of comparable estimates of SDP averaged for three years 1982-83 to 1984-85 (Annexure V.4).

5.18 As far as population is concerned, we are making a departure from our first report. Earlier we had adopted the 1971 population for calculating the shares of the States. We have reconsidered at length whether for calculating the shares of the States in the net proceeds of Additional Duties of Excise, the 1971 or the 1981 census figures of population should be used. Paragraph 6 of the terms of reference, no doubt, lays down that this Commission should adopt the population of 1971 in all cases where population is regarded as a factor for determination of devolution of taxes and duties and grants-in-aid. But the question is whether distribution of Additional Duties of Excise is really devolution or grant.

5.19 The fact that the proceeds of Additional Excise Duties are distributed only in pursuance of a tax rental arrangement between the Centre and the States (which has its origin in the National Development Council meeting of 1956) would clearly imply that this distribution cannot be treated as devolution or grant-in-aid in the sense that these terms are normally understood. The terms of reference would, therefore, not bind us to use the 1971 population for computing the States' share of Additional Excise Duties. But for the tax rental arrangement, the States would have been collecting Sales Tax on the current consumption of the relevant commodities. Since population is being used only as a proxy for consumption alongwith SDP, we consider it as only logical that any criterion which links the shares of the States nearest to the consumption of the relevant items in the individual States should be preferred. Viewed from this angle, one would be justified in calculating the shares even on the basis of the projected population of each year of the period of our report. However, we felt that it might not be safe to use projections which could go wrong. It was preferable to use the 1981 census figures of population (the latest available) for computing the States' shares of Additional Duties of Excise. We have, therefore, used the New Series of comparable estimates of SDP averaged for three years 1982-83 to 1984-85, alongwith the 1981 census figures of population in determining the shares of the States *inter se* in the net proceeds of Additional Duties of Excise (Annexure V.5).

5.20 For working out their share, the Union Territories should be treated notionally as one unit and the share determined on the same basis as applicable to the States. The share of the Union Territories which amounts to 1.903 per cent should be retained by the Central Government. The balance would be distributed among the States in each year in accordance with the percentage shares given in the table below:

Share of States from Additional Excise Duties in lieu of Sales Tax, 1990-91 to 1994-95

	States	Percentage Share
1.	Andhra Pradesh	7.680
2.	Arunachal Pradesh	0.107
3.	Assam	2.743
4.	Bihar	8.317
5.	Goa	0.228
6.	Gujarat	5.905
7.	Haryana	2.317
8.	Himachal Pradesh	0.621
9.	Jammu and Kashmir	0.929
10.	Karnataka	5.865
11.	Kerala	3.723
12.	Madhya Pradesh	7.164
13.	Maharashtra	11.886
14.	Manipur	0.213
15.	Meghalaya	0.190
16.	Mizoram	0.068
17.	Nagaland	0.120
18.	Orissa	3.486
19.	Punjab	3.533
20.	Rajasthan	4.689
21.	Sikkim	0.052
22.	Tamil Nadu	7.064
23.	Tripura	0.278
24.	Uttar Pradesh	14.657
25.	West Bengal	8.165
	Total	**100.000**

Grant in lieu of Tax on Railway Passenger Fares

5.21 Tax on Railway Passenger Fares is one of the items mentioned in Article 269 of the Constitution. In terms of paragraph 5(b) of our terms of reference we are required to suggest changes, if any, in the principles governing the distribution of the grant in lieu of the tax under the repealed Railway Passenger Fares Tax Act, 1957.

5.22 The historical background leading to the practice of giving grants to the States in place of the repealed tax on Railway Passenger Fares has been given in our first report. Briefly, the tax which was first imposed in 1957 was repealed in 1961. In fact, the tax was merged with the basic fare and the grant was introduced only to compensate the States for the consequential loss of revenue. The tax was revived in 1971 and again repealed in 1973.

5.23 The principles on the basis of which the earlier Finance Commissions distributed the grants have been summarised and examined in our first report. The Seventh Commission adopted the formula of distribution of the grant in proportion to the non-suburban passenger earnings from traffic originating in each State. The Eighth Commission endorsed this practice. That Commission found it only logical that the taxable event being the payment of fare, the States should get the grant on the basis of the fare, paid within their boundaries. The route or the length of the journey was not material. In our first report, we found the logic adopted by the Seventh and the Eighth Commissions to be sound. We see no reason to change our view.

5.24 Our terms of reference do not directly enjoin upon us to make any recommendation about the quantum of the grant. We are of the view that it would not be particularly meaningful to consider the principles of distribution of the grant without going into its size - that would be an exercise in vacuum. On this; some States have demanded that the grant should be 10.7 per cent of the non-suburban railway passenger earnings (because this was the incidence when the tax was in force) and that this proportion should be maintained in each of the years 1990-95. In other words, the grant should be 10.7 per cent of railway passenger earnings in each of the future years.

5.25 The Railways have again strongly pleaded that increasing the amount of the grant beyond its current size of Rs. 95 crore annually would put their developmental efforts in jeopardy. They have again drawn our attention to the fact that they are subsidising not only passenger traffic but also freight traffic. In a communication sent to us for our second report, they have stated that the impact of social obligations borne by them in 1987-88 (estimated) was close to Rs. 1,760 crore by way of subsidisation of passenger fares and tariff on low-rated commodities. Their case is that Railway receipts should not be treated on par with Central Government's general tax revenues, part of which devolves on the States. The Railways have to find adequate resources to provide a modern and efficient transport infrastructure to meet the demands of a growing economy which is acquiring further complexity and sophistication.

5.26 In paragraph 8.22 of our first report, we had stated that we would, for the purpose of our second report, revert to the question of the size of the grant. Having said this, we have examined it on the basis of Railways' accounts, balance-sheet and budget documents. We have come to the conclusion that the Railways cannot bear the burden of 10.7 per cent incidence of the grant on non-suburban passenger fares without their finances and performance being seriously affected. The alternative of raising the railway fares in order to pay more to the States does not appeal to us. At the same time, we are of the opinion that the quantum cannot remain pegged at Rs. 95 crore. Considering all aspects of the matter and the interest of the States as well as of the Railways, we feel that it would be reasonable and fair to fix the grant at a lumpsum amount of Rs. 150 crore per annum for each year of the period of the report, 1990-95. On the subject of quantum, Shri Justice A.S. Qureshi, Member, feels that the fair and equitable approach to the matter was to fully compensate the States for the loss as though there was no repeal of the Act. The Railway Passenger Fares Tax when in force amounted to 10.7 per cent of Railways' non-suburban passenger fare earning and grant equivalent to this be paid to the States in each of the years 1990-95. Since the incidence of this amount would be around 3 per cent of Railways' total revenues from goods and passenger earnings, he feels that it could be borne by the Railways instead of any part of it being made up from the General Revenues of the Union Government as in the past. He also feels that the abolition of the tax without the consent of the States was not a correct step. Dr. Raja J. Chelliah, Member, is of the view that the case for increasing the grant in lieu of the repealed Railway Passenger Fares Tax is implicitly based on the earlier approach to the devolution of taxes whereby the principles of distribution were determined on the basis of criteria, all of which were independent of the assessments of the State Governments' revenues and expenditures. Under the new approach that this Commission has initiated, devolution and grants-in-aid have to be linked to the normatively assessed budgetary positions of the different States. This has required some reduction in the relative weight of devolution based on independent criteria. This being so, if more is given by way of grant in lieu of Railway Passenger Fares Tax, correspondingly less might have to be given by way of other shareable taxes. The States as a whole would not gain while the Railways might be put to difficulty. Furthermore, if the amount of the above grant is to be increased substantially, one would have to put the principles of its distribution on par with those of other shareable taxes; in fact, it is not clear why a proxy for passenger earnings in each State is being used now, when there is no tax rental arrangement involved. However, Dr. Chelliah does not wish to press this issue because the total amount involved is relatively small.

5.27 We are aware that in recent years the Railways have shown good performance in the field of freight traffic, wagon utilization, traffic density, track renewals, railway electrification, etc. Their inventory turn-over ratio and energy consumption have also shown favourable trends. Even then, we cannot ignore the fact that there is great scope to improve Railways' efficiency parameters, such as control of staff, better utilisation of rolling stock, checking of ticketless travel, prevention of wasteful expenditure and greater productivity of investments by not taking up too many schemes and programmes whose inadequate funding leads to time and cost over-runs. The scope for curtailing staff and effecting savings would be much greater following the large scale computerisation undertaken by the Railways in recent years. All these should improve the developmental and modernisation work besides meeting the obligation of the grant to the States.

5.28 In our first report, we had also considered the suggestions of the States regarding the principles of distribution of the grant. In that report, following the recommendations of the Seventh and the Eighth Finance Commissions, we had recommended that the grant should be distributed among the States in proportion to the non-suburban passenger earnings from traffic originating in each State. We consider that the logic of our recommendation in the first report was sound and hence we do not find any reason to deviate from it in our second report.

5.29 We have obtained from the Ministry of Railways the latest actuals of non-suburban passenger earnings in respect of each State for the period 1984-85 to 1987-88, except for Mizoram which does not have a railway line or an out agency (Annexure V.6).

5.30 Summing up, we recommend as below :-

(I) The quantum of the grant in lieu of Railway Passenger Fares Tax for 1990-95 should be Rs. 150 crore annually.

(II) The shares of the States in the grant in lieu of the repealed Tax on Railway Passenger Fares be allocated in the same proportion as the average of the non-suburban passenger earnings in each State in the years 1984-85 to 1987-88 bears to the average of the aggregate non-suburban earnings of all the States in those years. On this basis, the shares of the States in each year during 1990-95 would be as follows:-

Share of States from the Grant in lieu of Tax on Railway Passenger Fares: 1990-91 to 1994-95

	States	Percentage Share
1.	Andhra Pradesh	7.484
2.	Arunachal Pradesh	0.008
3.	Assam	1.509
4.	Bihar	8.266
5.	Goa	0.133
6	Gujarat	5.717
7.	Haryana	1.637
8.	Himachal Pradesh	0.098
9.	Jammu and Kashmir	0.520
10.	Karnataka	3.271
11.	Kerala	3.562
12	Madhya Pradesh	6.061
13.	Maharashtra	22.634
14	Manipur	0.013
15.	Meghalaya	0.040
16	Mizoram	-
17.	Nagaland	0.165
18.	Orissa	1.614
19.	Punjab	3.110
20.	Rajasthan	4.579
21.	Sikkim	0.004
22.	Tamil Nadu	6.893
23	Tripura	0.042
24	Uttar Pradesh	15.437
25.	West Bengal	7.203
	Total	**100.000**

Union Excise Duties

5.31 Now we take up the issue relating to the distribution, between the Union and the States, of the net proceeds of Union Excise Duties and the allocation among the States of such proceeds, as required under paragraph 3(a) of our terms of reference.

5.32 Over the years, Finance Comrissions have increasingly depended on Union Excise Dutiesin meeting the revenue needs of the States. This is inspite of theact that Excise Duties are not compulsorily shareable under the Onstitution. The modalities of sharing Union Excise Duties have, bwever, varied. The details were given in our first report. It als contained the views of the State Governments on different aspects of sharing the Union Excise Duties as also our observatons on certain important issues having a bearing on the schem of devolution. Since the submission of the first report we rceived further suggestions from some State Governments and we have considered them also.

5.33 Coming to the actual scheme of devoltion we do not make any deviation from our earlier recommedation that the divisible pool of Excise Duties should include thenet proceeds of all Excise Duties including Special Excise Duts but exclude duties collected under the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978, and the earmarkd cesses.

5.34 In our first report, we had recommendedthat 40 per cent of the net proceeds of Excise Duties should be ditributed among all the States to take care of the revenue needs of the States in general. Another 5 per cent was earmarked tohelp the deficit States so that their non-Plan revenue deficits cold be reduced. We are making a departure from this in that we propose to distribute the entire amount of 45 per cent asa consolidated amount without dividing it into two components o40 per cent and 5 per cent.

5.35 We are also revising the formula of devlution adopted in our first report. While we are retaining the weigts of population and IATP at the levels of 25 per cent and 12.5 per cent, respectively, we are reducing the weight for "distace" from 50 per cent to 33.5 per cent. In view of the poor quality of available data and for the reasons stated in paragraph 5.10, weare doing away with the poverty ratio. As in the case of the formua for devolution of Income Tax, 12.5 per cent weight is eing given to backwardness in place of poverty ratio. On thesecriteria 83.5 per cent of the State's share of Union Excise Dues is allocated among all the States. In our first report, we hd adopted the approach of the Eighth Finance Commission tht the scheme of devolution should, inter alia, take account of theevenue deficits of the States. On this basis 5 per cent of the net poceeds of Union Excise Duties was set aside for the deficit States. The normative approach adopted by us in this report in reassesing the revenue receipts and expenditure has much wider covrage than what was adopted by the earlier Commissions. As pointed out in Chapter II, under a scheme of normative assesment it is only equitable that the resultant deficits are also cnsidered in the broad scheme of devolution itself. This can be ensured, more appropriately, while formulating the scheme of sharing of Union Excise Duties, which is discretionary unlike Inome Tax, under the Constitution. On this basis the remaining net roceeds of 16.5 per cent will be distributed among the States which will have a non-Plan revenue deficit after taking into accont their shares from the devolution of all taxes and duties, inclung the shares of Excise Duties, as indicated above, and also the grants in lieu of the repealed Tax on Railway Passenger Fares. Distnution should be done on the basis of the proportion of deficit of each State to the total of all States' deficits worked out by us.

5.36 Accordingly, we recommend that the distribution among the States in 1990-95 of 45 per cent of thenet proceeds of Union Excise Duties should be done in the following manner:-

(i) 25 per cent should be distributed among the States on the basis of 1971 population.

(ii) 12.5 per cent should be distributed among the States on the basis of Income Adjusted Total Population (IATP). For calculating IATP, the 1971 population of the States should be weighted with the inverse of the average per capita income as per the New Series for the triennium 1982-83 to 1984-85. The share of a State is to be determined by the percentage of the Income Adjusted Total Population of that State to the aggregate of the income adjusted total population of all States.

(iii) 12.5 per cent should be distributed on the basis of the index of backwardness.

(iv) 33.5 per cent should be distributed on the basis of "distance" of per capita income (New Series) of a State during the triennium 1982-83 to 1984-85 from that of the State having the highest per capita income, i.e., Punjab, as indicated in paragraph 5.8, multiplied by its 1971 population.

(v) The remaining 16.5 per cent should be distributed among the States with deficits, after taking into account their shares from the Income Tax, Excise Duties under clauses (i) to (iv) above, Additional Excise Duties in lieu of Sales Tax and the grant in lieu of the repealed Tax on Railway Passenger Fares. Distribution should take place on the basis of the proportion of deficit of each State to the total of all States' deficits worked out by us.

5.37 The percentage share of each State as worked out by us for the Union Excise Duties during each year of 1990-95 is given in the table below:-

Share of States from Union Excise Duties: 1990-91 to 1994-95

	States	Percentage share
1.	Andhra Pradesh	7.170
2.	Arunachal Pradesh	0.897
3.	Assam	3.810
4.	Bihar	11.028
5.	Goa	0.523
6.	Gujarat	3.183
7.	Haryana	1.099
8.	Himachal Pradesh	1.943
9.	Jammu and Kashmir	3.548
10.	Karnataka	4.104
11.	Kerala	3.087
12.	Madhya Pradesh	7.224
13.	Maharashtra	5.185
14.	Manipur	1.174
15.	Meghalaya	0.891
16.	Mizoram	1.109
17.	Nagaland	1.348
18.	Orissa	5.358
19.	Punjab	1.362
20.	Rajasthan	5.524
21.	Sikkim	0.260
22.	Tamil Nadu	6.379
23.	Tripura	1.556
24.	Uttar Pradesh	15.638
25.	West Bengal	6.600
	Total	**100.000**

CHAPTER VI

FINANCING OF RELIEF EXPENDITURE

6.1 Paragraph 9 of the President's Order requires us to review the policy and arrangements in regard to the financing of relief expenditure by the States affected by natural calamities. We have been called upon to suggest appropriate modifications in the existing arrangements, having regard, among other considerations, to the need for avoidance of wasteful expenditure. The President's Order also requires us to examine the feasibility of establishing a national insurance fund to which the State Governments may contribute a percentage of their revenue receipts. The mandate is much wider than in the past. Pending the detailed examination of all the inter-related matters we had recommended in our first report the extension of the scheme of the Eighth Finance Commission to 1989-90 with the amount of margin money revised and updated. We will now examine in this report the entire gamut of the issues referred to us in paragraph 9 of the said Order.

6.2. The existing policy and arrangements for meeting the relief expenditure are, by and large, based on the observations and recommendations of the successive Finance Commissions. All the Finance Commissions from the Second Commission onwards have accepted the concept of margin money which is built into the expenditure forecast of each State. The Seventh Finance Commission, for the first time, made a distinction between different calamities. It distinguished droughts from floods, cyclones and earthquakes. The distinction was made on the grounds of differences in the nature of the calamity and the consequent difference in the measures required for relief of distress. That Commission recognised the fact that the necessity for relief in the event of floods,cyclones and earthquakes was immediate and the needed action could brook no delay. The incidence of droughts, on the other hand, was something which could be foreseen and which also permitted certain margin of time for planning relief works. In fact, while a flood destroys, drought offers the opportunity of creating productive assets for the community through relief works, provided a shelf of development projects to be executed at the local level is kept prepared in advance. There is no loss of immovable property in drought even though there is considerable loss of production of food and fodder. Drought leads to erosion of employment and wages, migration of cattle, distress sales, malnutrition and serious diminution in the availability of drinking water. As against this, when floods, cyclones or earthquakes occur, there is loss of both human and cattle lives accompanied by damage to public and private property. Floods may cause damage to standing crops - they may even lead to salinity or sand-spilling in certain cases - but quite often, the next crop, invigorated by the deposit of fresh silt, is healthy and luxuriant. The Eigth Finance Commission considered the damage caused by fire as well to be treated on the same footing as floods, cyclones and earthquakes.

6.3. The pattern of funding of the relief expenditure has been evolved over the years on the basis of the recommendations of the Finance Commissions. The margin money for each State was calculated by averaging the non-plan expenditure (excluding advance Plan assistance and expenditures of a Plan nature) booked over the years under the heads accommodating the relief expenditure. The Seventh Finance Commission, while fixing the margin money, took into consideration the fact that the expenditure on public works damaged by a natural calamity constituted a heavy burden on the finances of the States and, therefore, it included an element on this account too in the margin money. The expenditure on relief employment, however, was kept outside the purview of margin money. That Commission also improved by 15 per cent the average calculated for 9 years(1969-70 to 1977-78 to allow for the increase in price levels. The Seventh Commission stipulated that in the event of drought, the expenditure, over and above the margin money, should be met by the State out of the contribution from its Plan outlay. Normally, such a contribution was not supposed to exceed 5 per cent of the annual Plan outlay of the State. This contribution by the State was to be covered by release of "advance Plan assistance" by the Government of India adjustable within five years following the end of the drought. The assistance was released in the form of 70 per cent loan and 30 per cent grant to all non Special Category States, Assam and Jammu and Kashmir and 10 per cent loan and 90 per cent grant to Special Category States excluding Assam and Jammu and Kashmir. In those cases, however, where the drought was so severe that the expenditure could not be restricted to 5 per cent of the annual Plan of the States, the Seventh Finance Commission recommended that the expenditure should be taken as an indication of the special severity of the calamity which would justify the Central Government assisting the State to the full extent of the extra expenditure. This extra assistance was to be made available by the Central Government on more liberal terms i.e., half as grant and half as loan. As regards expenditure in excess of margin money on repairs and restoration of public works following floods, cyclone and earthquakes, the Central assistance was to be made available as non-plan grant not adjustable against the Plan. The non-plan grant was to be given to the extent of 75 per cent of the total approved ceiling of expenditure in excess of the margin money.The remaining 25 per cent was to be borne by the State. The Seventh Finance Commission had also observed that where a calamity was of "rare severity", the Central Government could extend assistance to the States concerned even beyond the schemes suggested by the Commission.

6.4. The Eighth Finance Commission recommended the continuance of the scheme suggested by the Seventh Finance Commission, increased the quantum of margin money for all States to Rs.24.75 crore per year and suggested that the margin money should be shared on a matching basis between the Centre and the State. That Commission further stipulated that the margin money should cover items of direct relief expenditure and expenditure on repairs and restoration of public assets. The expenditure on relief employment was disallowed, except to the extent where additional staff was specifically recruited for the purpose of relief operations.

6.5. Let us now examine the views of the States in the matter. Almost all the States felt that there were deficiencies in the present arrangements and pointed out the operational problems that the scheme gave rise to. Uttar Pradesh, Madhya Pradesh, Maharashtra, Manipur etc., would like the present distinction between droughts and floods to be done away with. All non-plan expenditure on drought relief in excess of the margin money is expected to be borne by the State Governments. The advance Plan assistance is available to accommodate Plan expenditure but this assistance is adjustable against future Plan assistance. This pattern of funding obviously cuts into the size of the Plan for subsequent years and poses problems of inter-sectoral adjustments. The States, therefore, by and large, do not relish the linkage of relief expenditure to the adjustment from Plan assistance which eventually reduces the size of the Plan. In their view, the entire expenditure should be met by the Central Government in the form of non-Plan grants. Further, State

Governments have argued that Central teams wlich visit the States after the calamity do not allow some items o expenditure on which expenses have already been incurred by th States and that they also do not have very clear idea about te norms for different items of expenditure on drought and flod relief. A number of suggestions have been made for increasig the level of expenditure. Bihar, Gujarat and Maharashtra hav suggested increase in the quantum of cash doles given to the ged and the handicapped. Other suggestions include adrissibility of overhead expenditure, purchase of capital eqipment and payment to skilled workers with a view to creatin permanent assets through employment generation programms. Some of the States have also requested that they should be alowed a free hand in incurring expenditure on heads other than thse approved by the Central teams with the stipulation that th total ceiling should not be exceeded. They have also suggestedhat the loans advanced by the Centre for financing the relief expediture in the past and remaining outstanding should be written off.

6.6. The States have also referred to the currnt procedure for sanction of relief assistance by the Governrent of India which,according to them, is somewhat cumbersme and time consuming. In actual practice considerable time istaken before final indication is received about the quantum of assistance available from the Government of India. States argu that they are handicapped by the fact that they do not know at all s to why their claims for Central assistance are disallowed and wy the size of the assistance is drastically curtailed relative to th demand put forth by them. The Central teams constituted at shrt notice and comprising officers drawn from different disciplins are said to have no effective means of checking the data persoally and their recommendations which are usually endorsed by te High Level Committee on Relief are based mostly on impressons gathered during brief visits to some sites.

6.7. We feel that the present system in which ay assistance in excess of the margin money is made condional on the assessment of the Central team carried out at shor notice would lead, by its very nature, to dissatification on the par of the States and at the same time induce them to make exaggrated claims. On the other hand, since the quantum of assistano is based on quick and rather cursory surveys, there could le substantial underassessment of the damage to be compensated for. We must,therefore, look for an alternative system.

6.8. The Sixth Finance Commission had a randate under the President's Order to examine the feasibility of establishing a national fund somewhat similar to what has been assigned to us. That Commission gave careful thought to the pros nd cons of the setting up of such a fund. It recognised the fact the the provision of relief was a sensitive issue and any fund set p outside the Government would find it difficult to deal successfuly with issues having political implications. In the event of a wide-pread natural calamity the Central Government would come under strong pressure to go all out and provide assistance to the affected State. In such a situation,the availability or otherwise of resources in the national fund would cease to be relevant in determining the quantum of assistance. The concept of national fund would thus break down completely in the event of a major calamity. At the same time, the States would view the assistance frm the national fund as legitimately due to them, at least, to the extent of their contribution. There was thus a risk of the fund being depleted even in the normal years, while in years of adversity it might prove wholly inadequate. That Commission also felt tat there were serious operational difficulties in the constitution of such a fund. The determination of the contribution of individu States to the fund would pose conceptual and practical problem. No formula, however carefully designed, would be acknowledged as fair by all the States. Some of the States would be called upn to contribute appreciably more to the pool than they were eve likely to draw from it. The question of States' contribution to te fund - the Commission felt - might become yet another irrant in Centre-State relations. The Sixth Finance Commission, terefore, came to the conclusion that the establishment of such national fund was neither feasible nor desirable.

6.9. The feasibility of establishing a national nsurance fund to which States may contribute a percentage o their revenue receipts has also been referred to us under the Preident's Order. In this connection we had discussions with the Life Insurance Corporation of India(LIC) and the General Insurance Corporation of India (GIC). These institutions operate a numer of schemes which cover, wholly or partly, some of the items fc which relief is provided. Both LIC and GIC were asked to examine the possibility of formulating a comprehensive umbrella scheme which could cover the whole range of natural calamities for which relief is currently admissible. The LIC indicated that it would be possible for them to cover only one item viz., ex-gratia payment to a bereaved family under the insurance scheme. It further mentioned that due to certain legal constraints it would not be possible for it to cover death attributable only to natural calamity. The insurance cover would include deaths ascribable to other factors as well. The insurance cover could be had under the group insurance scheme of the LIC covering groups of persons taken together under one master policy. It further stated that since a natural calamity might affect many categories of people in many geographical locations of the country, the only effective way was to cover the entire population of India within the age group of 18-60 years for an assured sum of Rs.1000 per person. The premium on such an insurance was tentatively estimated to cost Rs. 400 crore per annum and this we considered to be too colossal a sum for the limited benefits provided. In any case, it hardly bore any relation to the maximum expenditure of Rs.84.5 lakhs incurred by the States for the loss of life during any one year of the last five years. The proposal submitted by LIC was beset with other limitations as well. The scheme, by and large, covered only the principal bread-winner of the family and the population below 18 years and above 60 years was outside its purview. The LIC would also not be in a position to operate even a limited scheme of this nature entirely on its own strength. It would call for heavy dependence on the administrative machinery of the State without which the settlement of the claims was likely to get inordinately delayed. We felt,therefore, that the proposal submitted by LIC was unlikely to meet the purpose which we had in mind.

6.10. The General Insurance Corporation of India (GIC) also operates its business of general insurance on the principles of insurable interest and indemnity. Most of the items for which assistance is now being provided by the States do not lend themselves to the concept of general insurance as transacted by the GIC. Only a few of the items fall under the categories now being insured by the GIC. It was found that the items which the GIC was prepared to insure did not account for even 20 per cent of the total ceilings of expenditure approved for relief during the five year period 1982-87. In any case, both the LIC and the GIC do not have field organisations of their own down to the block and village levels which could take up the task of assessing losses and damages resulting from natural calamities. The insurance cover provided by them is also of a limited nature and the bulk of the items on which relief is being given today fall outside their purview.The LIC and GIC have further averred that given the magnitude of the problem, they could operate any such scheme, like the Crop Insurance Scheme, not as insurance bodies but as agents of the Government. In other words, government would have to provide budgetary support to meet any gap between the premium collected and claims paid. We found it difficult to evolve an appropriate insurance scheme which could be operated independently of the government. The formulation of an insurance scheme would hinge on determination of experience-rated premia for different types of risk whose incidence and intensity would vary widely from State to State and, indeed, from area to area within each State. There would be serious imponderables in working out the premium rates and getting the same accepted by all the States.

6.11. The source of calamity, by its very nature and magnitude, would pose problems which no agency, outside government, can tackle exclusively and in full measure. The process of assessing the loss by an external agency is bound to be a lot more complicated and time-consuming. It would largely defeat the purpose of providing timely succour to the people stricken by calamity. Besides, the greatest sufferers in a natural calamity are the poor and the have-nots at the bottom of the social and economic pyramid who have precious little to insure. Apart from this, it must be remembered that in the case of floods and cyclones, much of the damage is caused to public assets such as roads, embankments, bridges and government buildings. The States have to be helped to rebuild them. This liability to rebuild cannot easily be measured as an insurable risk, particularly when the physical conditions and the sources of risk vary vastly as between States. It would, therefore, seem that the concept of an insurance fund for disaster relief is not a viable one and a scheme based on the insurance concept will run into serious practial problems.

6.12. It is not possible to run away from the basic fact that the primary responsibility for providing relief to the persons affected by natural calamities is that of the government. No corporate body or agency independent of government can ever cope with the multitude of problems left by a natural calamity in its trail. The execution of the relief programme, therefore, cannot be delinked from governmental responsibility.

6.13. We, therefore, share the misgivings expressed by the Sixth Finance Commission in full measure. The majority of the States have also opposed the setting up of such a fund. Having heard the States and after having given serious thought to the entire gamut of inter-related issues we also feel that the establishment of a national insurance fund is not feasible.

6.14. It is seen that in the last ten years (1979 to 1989) the total of ceilings of expenditure allowed on relief on account of natural calamities comes to Rs. 7930 crore. While there has been a continuous increase in the ceilings of expenditure on account of relief, it is seen that no asset of any significance could be created within the parameters of the relief programmes both under floods and drought nor could any long- term corrective action be undertaken. The assets created were negligible as the scheme of financing of drought relief work did not allow for expenditure on material components or for employment of skilled staff to guide the unskilled workers who could create durable assets. It was mostly test relief type of work which was undertaken. Further, the scale of assistance allowed was not enough to meet the actual expenditure required for the restoration of the assets. No purpose was served by such assistance. The Commission feels that it would have been a more constructive approach if this money had been given as seed money to enable individuals or a group of people to get help from financial institutions and build pucca houses. A similar approach is also called for in the construction of the roads damanged by a natural calamity.

6.15. While formulating our recommendations on the financing of relief expenditure and suggesting a suitable scheme, we must keep in view certain basic considerations to ensure the success and viability of the scheme. The first concerns the level of assistance to be provided for. An analysis of the operation of the scheme during the recommendation period of the Eighth Finance Commission would clearly show that the ceiling for the margin money prescribed by the Eighth Commission proved to be quite inadequate for the levels of relief expenditure sanctioned by the Central Government in each year of the recommendation period. The total ceilings of expenditure approved by the Government of India during the five-year period 1984-89 were Rs.512.89, Rs.1006.32, Rs.1023.89, Rs.1658.92 and Rs.1084.29 crore, respectively, against the annual margin money of Rs.240.75 crore fixed by the Eighth Commission. This large difference between the margin money fixed and the actual ceilings of expenditure was due to the fact that the margin money was calculated excluding the expenditure incurred by the States on items of plan nature for which advance Plan assistance was given, whereas the actual ceilings of expenditure included also advance Plan assistance consisting of both grants and loans. The expenditure level allowed should be calculated in such a manner as to reflect the current realities as closely as possible. Second, the present system of assessment of the damage and the mechanism of giving Central assistance leads to delay in extending help and succour to the people affected by the natural calamities which should be avoided. Quickness of response should be a basic feature of the scheme. Third, we must take note of the fact that, quite often, the catalogue of demands presented by the States is inflated in character presumably under the impression that the claim, regardless of how realistically it has been formulated, would, in any case, be cut down heavily by the Government of India. The compulsions of public opinion in the State may also lead to such demands so that the State Governments could avoid being criticised for alleged underestimation of relief requirements. Any scheme of financing the relief expenditure, therefore, should contain a built-in mechanism to discourage such claims which are either not necessary or not fully supported by facts. Fourth, the scheme should be so designed as to ensure against profligacy and wastefulness. As observed by the previous Commissions, the big increase in expenditure in terms of approved ceilings from Rs.49.88 crore in 1974-75 to Rs.1084.29 crore in 1988-89 cannot be explained purely in terms of the growing severity of natural calamities. True, the environmental degradation, deforestation, climatic changes as a consequence of the greenhouse effect, rapid population growth forcing settlement and cultivation of marginal land in the river beds and storm water channels have all contributed to the phenomenal growth in relief expenditure. At the same time, increased expenditure on relief diverts precious resources from investment in projects needed for the long term growth of the economy. The scheme should aim at providing incentives for economy in expenditure. Fifth, the States should be able to take care of the problems and expenses caused by the occurrence of the usual type of natural calamities of normal magnitude. That is, the money already provided in advance should be more or less sufficient for the purpose of relief expenditure except when there is a serious disaster. Keeping these considerations in mind and also taking into account the various suggestions made by the State Governments, we recommend as follows.

6.16 The present arrangement for financing relief expenditure should be replaced by a new one where greater autonomy, accountability and responsibility are placed upon the States and they are provided adequate means and wherewithal to carry out the same. Once this is done, the States would be expected to follow the path of self-reliance and would not have to look up to the Centre. This would also be in conformity with the views of previous Commissions and the constitutional position that the primary responsibility for relief is that of the States.

6.17. We propose to replace the present scheme involving the provision of margin money, preparation of States' memoranda, visits of Central teams, etc. by a scheme which is qualitatively different in the sense that generous funds are placed at the disposal of the States and they are expected to look after themselves in almost all situations. We have taken the average of actual ceiling of expenditure approved during the last ten years ending in 1988-89 and rounded it off to the nearest crore thus completely changing the concept of margin money followed hitherto. On this basis, the aggregate average for all the States, taken together, works out to Rs.804 crore. We, therefore, recommend that a total of Rs. 804 crore should be available each year to States as funds earmarked for relief on account of natural calamities. This amount does not represent just the margin money (both Centre's and States' shares) as understood so far but the average of ceilings of expenditures approved in the last ten years which include margin money, advance Plan assistance (grant and loan), special Central assistance (50:50 loan and grant) for relief of natural calamities and the State's own share of 25 per cent in flood relief. The Centre will be required to pay 75 per cent (Rs. 603 crore) to a Calamity Relief Fund for all the States together for each year of the five year period covered by our report. The Statewise shares are shown in Annexure VI.1. The States would have to deal with natural calamities and manage their affairs without the need for any reference to or authorisation from the Centre within the amounts so provided. The other features of the scheme would be as under:

(I) A Calamity Relief Fund should be constituted for each state with the amount allocated to the State. This fund would have an existence separate from the general revenues of the State and contributions to this fund would be made by the Centre and the State concerned in the course of the year in equal quarterly instalments. The fund will be kept in a nationalised bank and administered by a Committee.

(II) Contribution to the fund would be made by the Government of India to the extent of 75 per cent in the form of non-Plan grant. The balance of 25 per cent shall be contributed by the State Governmenout of its own resources.

(iii) The fund would be operated under the cotrol of a Committee headed by the Chief Secretary of te State. The Committee would consist of officials who are normally connected with relief work and xperts in various fields in the State affected by natural alamities. The Committee will be nominated by he State Government.

(iv) The State Level Committee shall decide on ll matters connected with the financing of the relief expnditure.

(v) Following the creation of this fund, it wl be the responsibility of the State Governments tc meet all expenditures arising out of natural calamies. The yearly additions to the fund as well as the ccrual of interest thereon should be used to neet the requirements. No further Central assistancewould be available for this purpose.

(vi) The money put into the fund in a year and emaining unspent in that year or in subsequent yearswould be available to the State at the end of the 5h year or thereafter for being used as a resource fc the next Plan.

(vii) The State Level Committee will decide all thevariations in the norms of assistance as it may not lways be realistic to have one uniform norm throuhout the country.

(viii) If it is found by the State Level Committe that in a particular year the amount required is morthan the same available in the fund, it may draw 25 pecent of the funds due to them in the following year from th Centre to be adjusted against the dues of the subseuent year. The Central Govt. may, however, at its discrtion, allow a higher percentage of advance from he State's entitlement in the next year.

(ix) The State Level Committee may keep the Union Ministry of Agriculture, informed of the amount of damages due to drought, floods, etc. as well as the broad details of the relief work undertaken.

(x) The present arrangements for coordinang relief work at the Centre in the Ministry of Agricture may continue so that the assistance from Defece forces, Railways as also supply of seeds, etc., whichmay be required in times of natural calamities could be coordinated.

(xi) The Commission also recommends that alcalamities such as drought, floods, cyclone, fire, etc., which have so far been covered by the relief scheres of the previous Commissions for purpose of reliefssistance should continue to be covered in the presnt scheme also and the distinction between drought n the one hand, and floods, cyclone, fire, etc., on th other, be done away with.

(xii) The Centre should constitute an Expert Grou to monitor the relief work done in the States utilising te Calamity Relief Fund. Acknowledged Experts in varius relevant disciplines should be involved in this work omonitoring. The result of their work should be communiated to the State Government concerned. The Group my also give such advice as it deems appropriate to he States' agencies involved in relief work. We expect that the work of this Group and the reports it prepares would enable the next Finance Commission to review the working of the new scheme we have recommended.

6.18. During the period covered by our Report, if any region faces a calamity of such dimensions and severity as to warrant its handling at the national level, we are confident that the Centre will take appropriate action as the situation demands and incur the necessary expenditure.

BHOPAL GAS LEAK TRAGEDY

6.19. We propose to deal with Bhopal Gas Leak Tragedy also in this Chapter although this tragedy was industrial and man-made and quite distinct from a natural calamity. This tragedy was by far the worst industrial disaster of its kind. We had observed in the first report that a crisis of this magnitude could not legitimately be construed as the exclusive responsibility of the State Government. The Supreme Court of India has since given its decision and pursuant to the same the Union Carbide Limited has deposited a sum of US $ 470 million with the Reserve Bank of India. We believe that the amount available from the Union Carbide Limited is dedicated entirely to the victims of the gas tragedy and the compensation money would not lend itself to any adjustment against the sum already spent or required to be spent in future for this purpose either by the Government of India or by the State Government. An assurance to this effect has also been given to the Supreme Court by the Government of India.

6.20. It would be worthwhile to remember in this context that the Government of India enacted a Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985 under which the Central Government assumed the exclusive responsibility to represent all the victims and the claimants of the gas tragedy. The Government of India assumed the role of "parens parentis" on behalf of the victims of the tragedy. This adds considerably to the responsibility of the Government of India as regards its duties and obligations to the victims.

6.21. The Government of Madhya Pradesh had earlier submitted an "Action Plan" involving an amount of Rs. 371.29 crores likely to be spent on relief and rehabilitation during the period from 1988-89 to 1994-95. It is learnt that the size of the Action Plan, following its scrutiny by Government of India, has since been reduced to Rs. 163 crores. We, therefore, recommend:-

(a) that the entire amount of medium term loan of Rs. 91.62 crore given by the Government of India to the State Government, together with the interest thereon, should be written off. A special reference to this has been made later in the Chapter on Debt Relief.

(b) the future requirement of fund in the forecast period towards the relief and rehabilitation of the victims which has now been reduced to Rs. 163 crore should be met by the Government of India and the State Government in the ratio of 3:1. The share of the Government of India which works out to 75 per cent of the entire amount should be given to the State Government by way of outright grant. The balance of 25 per cent should be met by the State Government out of its own resources for which a suitable provision has been built into our assessment for Madhya Pradesh. The amount mentioned here is over and above the amount allocated to the State for financing its other relief expenditure.

GRANTS - IN - AID

7.1 Article 280 of the Constitution lays down that it shall be the duty of the Finance Commission to make recommendations as to the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India. In responding to this mandate, the first task of the Commission is to assess the dimensions of the aid required by each State to supplement its revenues including its share in shareable Central taxes.

7.2 In Chapter III, we have narrated in some detail the manner in which the States' non-Plan revenue receipts and non-Plan revenue expenditures for the period between 1.4.1990 and 31.3.1995 have been assessed. In Chapter V, we have formulated our recommendations regarding devolution of shares of Central taxes to States and amongst States. The non-Plan revenue account position of States for the period 1990-95 emerging from these two exercises is summarised in Table 1.

TABLE 1

Net Non-Plan Revenue Surplus(+)/Deficit(-) : 1990-95

(Rs. Crore)

States	Net Non-Plan Revenue Position Without Devolution Of Taxes And Duties	Net Non-Plan Revenue Surplus After Devolution Of Taxes And Duties	Net Non-Plan Revenue Deficit After Devolution Of Taxes And Duties
1. Andhra Pradesh	(-) 2286.25	4289.22	
2. Arunachal Pradesh	(-) 827.38		302.79
3. Assam	(-) 3529.89		560.32
4. Bihar	(-) 7095.38	2575.15	
5. Goa	(-) 505.12		166.58
6. Gujarat	(+) 563.26	3957.94	
7. Haryana	(+) 1374.00	2505.06	
8. Himachal Pradesh	(-) 1792.52		523.09
9. Jammu and Kashmir	(-) 3300.44		1083.12
10. Karnataka	(+) 708.77	4670.79	
11. Kerala	(-) 2916.81	2.29	
12. Madhya Pradesh	(-) 5306.50	1227.98	
13. Maharashtra	(+) 5489.20	11525.56	
14. Manipur	(-) 1081.72		371.65
15. Meghalaya	(-) 814.39		256.18
16. Mizoram	(-) 1017.26		379.79
17. Nagaland	(-) 1240.55		458.67
18. Orissa	(-) 4792.29		528.48
19. Punjab	(-) 114.77	1400.45	
20. Rajasthan	(-) 5100.22		486.39
21. Sikkim	(-) 240.93		84.68
22. Tamil Nadu	(-) 1712.12	4296.04	
23. Tripura	(-) 1422.67		466.01
24. Uttar Pradesh	(-)14225.14		348.60
25. West Bengal	(-) 4678.98	1581.77	
Total	(-)64001.33 (+)8135.23	38032.25	6016.35

Note- *Surplus/Deficit of each year has been netted to arrive at the five-year position.*

7.3 If our assessment of the needs of States for grants-in-aid of revenues is to be confined to the non-Plan revenue account, we could determine the amount required to fill the gross deficit of each year and recommend those amounts as grants. But that would leave the entire Plan revenue account outside the scope of the exercise, thereby depriving the needy States of the full benefit of Article 275 of the Constitution. That would also make it impossible to work towards the objective of balancing the revenue account and generating surpluses for investment, as indicated in our terms of reference.

7.4 However, we have severe limitations in assessing the Plan expenditure on revenue account. The Eighth Plan is still in the stage of formulation and neither the Central Government, nor the State Governments could give us a clear idea of the likely Plan expenditure for the period 1990-95. We, therefore, had to attempt determination of this item of need based on available data, past trends and our normative approach. For this purpose, we have taken all non-Special Category States other than Goa as one group and Special Category States and Goa as another group.

7.5 For the first group we have already assessed, on a normative basis, their non-Plan revenue expenditure till 1994-95. In regard to social and economic services, we have projected expenditure needs to conform to the standards of services already achieved at justifiable costs. That exercise revealed the wide disparity among states in respect of the levels (standards) of expenditure of those services. While all the States have to improve on those services from existing levels, those who are relatively backward in this respect should move at a faster pace. Based on this premise, we have worked out the ratios of expenditure in each non-Special Category State. The methodology is explained in Appendix 7.

7.6 The next stage is to determine what amount can be set apart for fresh expenditure on social and economic services during the 1990-95 period for this group of States. In 1989-90 these fourteen States together have a Plan outlay of around Rs.7,200 crore in the revenue account (This includes State Plan schemes expenditure as well as States' share of Centrally-sponsored schemes). A part of this expenditure is tied to externally aided projects, hill area development, etc. Excluding those items on a rough assessment, we have taken the base as Rs.6,500 crore in 1989-90. Allowing a growth rate of 7 per cent per annum on that base, we have assessed that the revenue Plan expenditure that can be provided to attempt a moderate correction of the disparities in social and economic services will be Rs. 40,000 crore during 1990-95 in the fourteen States of the first group (non-Special Category States other than Goa). That level of expenditure should cover not only such expenditure during the Eighth Plan period but also the committed expenditure on Seventh Plan schemes. (Our analysis of the question of committed liability has been given in paragraph 3.78 in Chapter III). This amount of Rs. 40,000 crore is distributed among the fourteen States in the ratio (vide paragraph B7.8 of Appendix 7) worked out by us. For the purpose of our recommendations, we take these amounts as the *minimum* revenue Plan expenditure of each of the States. The outlay for each State is given in Table 2.

TABLE 2

Minimum Revenue Plan Expenditure: 1990-95

(Rs. crore)

States	Amount
1. Andhra Pradesh	3345.20
2. Bihar	5045.60
3. Gujarat	1779.20
4. Haryana	844.40
5. Karnataka	2206.40
6. Kerala	1312.00
7. Madhya Pradesh	3528.80
8. Maharashtra	3555.60
9. Orissa	1602.00
10. Punjab	926.00
11. Rajasthan	2472.80
12. Tamil Nadu	2454.00
13. Uttar Pradesh	7664.00
14. West Bengal	3264.00
Total	40000.00

7.7 For the Special Category States and Goa, we are not in a position to follow the same methodology and assess the minimum revenue Plan expenditure. Non-Plan expenditure estimates of the Special Category States have not been done on a normative basis and so the ratios worked out for reducing inter-State disparities cannot be applied in their case. Further their problems as well as their stage of development are such that, even for the limited purpose of evolving a total financing scheme for the revenue account, it will not be safe to apply a general formula. So in respect of these States we have made the assessment of Plan expenditure on the basis of 1989-90 revenue Plan expenditure and projected it at the rate of growth of 7 per cent per annum. The total five year expenditure for these eleven States so projected comes to Rs. 6,570 crore. As in the case of the first group of States this should include committed liability of the Seventh Plan schemes also.

7.8 At this stage we should make it quite clear that we are not determining the Plan (revenue) outlay of the States. We are only estimating the likely minimum revenue expenditure in the Eighth Plan of each State and that too on an overall basis In doing so, the only targeting we have attempted is a moderate correction of the disparities in social and economic services expenditure in the different non-Special Category States. For other States we are simply going by the base year (1989-90) figures as determined by the Planning Commission. This would adequately serve our limited purpose of assessing the total revenue expenditure and determining the needs of each State for grants under Article 275. The actual determination of each State's Plan outlay including the outlay on the revenue account, its distribution among the different Sectors will all have to be done, as before, by the Planning Commission.

7.9 Coming to the determination of each State's need for aid under Article 275, we must make it clear that under this Article, the Finance Commission is obliged to recommend the grants-in-aid of revenue to States and, therefore, the grants for financing the State Plans are very much within the purview of the Commission under the said Article. In fact there is a view that all grants to the States could be channelled through Article 275 only. Mr.K.K. Venugopal, an expert on Constitutional law opined before us that Article 282 is clear and unambiguous and unless the Article is re-written with the addition and substraction of words it would not be possible to arrive at the conclusion that Article 282 is an independent source of power vesting in the Central Government a discretion to make grants to States for special purposes. As against this, Mr. N.A. Palkhivala opined -

"Article 282 is not intended to enable the Union to make such grants as fall properly under Article 275. Artice 282 embodies merely a residuary power which enables the Union or a State to make any grant for any public purpose, irrespective of the question whether the purpose is one over which the grantor has legislative competence."

Thus, according to Mr. Palkhivala residuary power of grants for public purposes vests under Article 282 in the Union and the State Governments. We may also refer to the commentary of Dr. D.D. Basu on Constitution of India, 6th Edition Volume 'K' page 312-

"There is no limit to the grants which can be made by the Union under Article 282 and, in fact, the volume of grants to the States under Article 282 vie with those made under Article 275. Thus, in 1979-80, while the States received Rs.375 crore through the Finance Commission, the sum received through the Planning Commission amounted to Rs. 3159 crore. This is striking in view of the fact that Article 282 is a residual provision regarding Grants-in-aid".

Thus opinions on this issue differ widely The Commission considers it unnecessary to involve itself in the controversy relating to the precise limits on the scope of Aticle 282 vis-a-vis Article 275. But we are quite certain that if our Constitutional obligations under Article 280 read with Article 275 require us to enlarge the scope of grants beyond the non-Plan account limitations, we should not hesitate to do so. We are convinced that such a situation exists now. This is the result of a combination of two major factors. The first is the vast disparity among States in the size of the non-Plan revenue account position. The other is the fact that the Gadgil formula has no linkage to the non-Plan revenue account position or the overall financial position of State Governments. As yet, there is no formal channel through which additional assistance could be extended to those States whose non-Plan revenue accounts have no surplus and whose shares of Gadgil formula grants are substantially less than their approved Plan revenue expenditures. Such States have to divert their borrowings to meet a good part of their revenue Plan requirements and this sets in motion a vicious circle which, ultimately, may invalidate the very concept of balanced regional development. We propose to introduce a mechanism to correct this basic flaw in the present system of federal fiscal transfers. We are clear in our mind that Article 275 provides full Constitutional support for such a new arrangement.

Shri Justice A.S. Qureshi, Member, has opined that Article 275 is the only source for giving grants-in-aid to States. He has elaborated his view on this issue in his Note of Dissent.

7.10 Our assessment of non-Plan revenue account leaves net deficits in some and net surpluses in other States, after accounting for their share of Central taxes. It is obvious that the surplus will be used for financing their Plans. It is also clear that both types of States will get assistance as per the Gadgil formula. Our scheme for additional help to non-Special Category States takes into account these two facts. We assume that Gadgil formula assistance (total for all the 14 States) will grow at least at 10 per cent per annum from the 1989-90 base of Rs. 1,450 crore. We have calculated that on that basis, these States can be expected to get Rs. 10,000 crore grant under Gadgil formula (excluding ad-hoc items like grant portion of additionality for externally aided schemes, hill area programmes etc.) in the Eighth Plan period. We have divided that amount among the 14 States in the same ratio as the Gadgil formula ratio as applied to Seventh Plan allocation (excluding the weight of 10 per cent) given to special problems). We have taken the amounts so arrived at as approximate receipts available for the States' revenue Plan. To that we have added 40 per cent of the non-Plan revenue surplus of each of the States having such surpluses. The total of these two amounts (only the Gadgil formula amount for deficit States) is set off against the minimum revenue Plan expenditure share of each State in the total Plan revenue expenditure of Rs. 40,000 crore. The difference between the two shares is each State's deficit in the Plan revenue account. Fifty per cent of that deficit will, in our scheme, be given as grants under Article 275 (For States which have non-Plan deficits also, the total grant under Article 275 will be the amount to meet the net five year non-Plan revenue account gap and half of the Plan revenue account gap). Annexure VII.1 gives the financing pattern for revenue Plan expenditure of the 14 non-Special Category States determined accordingly.

7.11 We have already explained how, in assessing the revenue Plan expenditure, we have adopted a method for Special Category States (and Goa) different from what we adopted for the 14 non-Special Category States. Some difference is unavoidable in the matter of financing also. Here the basic factor is that special category States other than Assam and Jammu and Kashmir get their Plan assistance in the ratio of 90:10 as grant and loan. So their Plan grants go to meet capital expenditure also. During the discussions we had with them, these States have requested that the Finance Commission's recommendations regarding Plan grants may not be allowed to adversely affect this facility of a higher grant portion of Central assistance. We concede this point. We do not propose to link the likely revenue Plan expenditure of these States to their Plan grants. So we are not recommending any grants under Article 275 for Plan financing for Special Category States other than Assam and Jammu and Kashmir. In order to ensure that they continue to enjoy the special treatment as regards Plan grants, we have built into our estimates of the Central Government's revenue expenditure adequate amounts at a growth rate of 15 per cent per annum (as against 10 per cent growth in other cases) for providing Plan grants to these eight

Special Category States. The amounts are given below.

(Rs. Crore)

1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1990-95
891	1025	1179	1355	1559	1792	6910

As in respect of other States, these do not include assistance for externally aided projects, etc.

7.12 For Assam, Goa and Jammu and Kashmir we have followed the same pattern as for the 14 non-Special Category States. The scheme of financing their revenue account Plan is at Annexure VII.2.

7.13 Previous Finance Commissions determined the gap grants under Article 275 equal to each State's deficit each year so that all States' non-Plan revenue accounts were balanced (or left with a surplus) every year. This was necessary as those Commissions were dealing only with the non-Plan revenue account. This Commission is not only dealing with the total revenue account but is also expected to work towards eliminating deficits in revenue account. Keeping these aspects in view, the net deficit (after adjustment of deficits and surpluses of different years) has been taken for assessing the need for grants. Similarly, the actual payment of grants under Article 275 is also proposed to be phased in a manner not necessarily linked to each year's deficit in the revenue account. The total grants have been distributed as follows in the case of non-Special Category States other than Goa.

Year	(Per cent)
1990-91	13.5
1991-92	16.0
1992-93	19.5
1993-94	23.0
1994-95	28.0

7.14 Consequent on the assessment detailed so far in this Chapter we recommend grants-in-aid to States in each of the five years from 1990-91 to 1994-95, as shown in Table3.

TABLE 3

Grants-In-Aid To States: 1990-95

(Rs. Crore)

States	1990-91	1991-92	1992-93	1993-94	1994-95	Total 1990-95
	(1)	(2)	(3)	(4)	(5)	(6)
1. Andhra Pradesh	46.07	54.60	66.54	78.49	95.55	341.25
2. Arunachal Pradesh	57.65	59.45	60.76	61.48	63.45	302.79
3. Assam	205.61	179.68	172.87	161.42	154.65	874.23
4. Bihar	185.53	219.88	267.98	316.08	384.80	1374.27
5. Goa	33.66	33.31	33.06	32.88	33.67	166.58
6. Himachal Pradesh	113.75	109.67	104.50	98.32	96.85	523.09
7. Jammu and Kashmir	210.99	213.60	224.35	220.87	226.61	1096.42
8. Kerala	55.69	66.01	80.45	94.88	115.51	412.54
9. Madhya Pradesh	141.45	167.65	204.32	241.00	293.39	1047.81
10. Manipur	74.92	74.90	74.40	73.32	74.11	371.65
11. Meghalaya	58.88	50.32	51.27	48.54	47.17	256.18
12. Mizoram	74.75	76.22	76.16	76.43	76.23	379.79
13. Nagaland	92.26	92.48	93.88	90.54	89.51	458.67
14. Orissa	146.20	173.28	211.18	249.09	303.23	1082.98
15. Punjab	7.28	8.63	10.51	12.40	15.09	53.91
16. Rajasthan	195.32	231.49	282.12	332.76	405.10	1446.79
17. Sikkim	17.59	17.37	17.03	16.50	16.19	84.68
18. Tamil Nadu	5.91	7.01	8.54	10.07	12.26	43.79
19. Tripura	101.19	101.27	96.52	87.25	79.78	466.01
20. Uttar Pradesh	436.74	517.62	630.84	744.07	905.83	3235.10
21. West Bengal	134.82	159.78	194.74	229.69	279.62	998.65
Total	**2396.26**	**2614.22**	**2962.02**	**3276.08**	**3768.60**	**15017.18**

7.15 Grants towards meeting relief expenditure as recommended in Chapter VI will be in addition to the grants indicated in Table 3. Total estimated transfers to States during the five year period are given in Table 4.

TABLE 4

Total Transfers To States: 1990-95

(Rs. Crore)

States	Share Of Taxes And Duties					Grants-In-Aid				Grants Towards Meeting Relief Expenditure	Total Transfer (Col.9+10)
	Income Tax	Basic Excise Duties	Additional Duties Of Excise	Tax On Railway Passenger Fares	Total	Non-Plan Deficit	Plan Deficit	Total	Total (Col.5+8)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1 .Andhra Pradesh	1717.52	3976.81	824.99	56.15	6575.47	-	341.25	341.25	6916.72	322.50	7239.22
2 .Arunachal Pradesh	15.28	497.76	11.50	0.05	524.59	302.79	-	302.79	827.38	7.50	834.88
3 .Assam	550.54	2113.07	294.66	11.30	2969.57	560.32	313.91	874.23	3843.80	112.50	3956.30
4 .Bihar	2598.47	6116.65	893.41	62.00	9670.53	-	1374.27	1374.27	11044.80	131.25	11176.05
5 .Goa	23.02	290.01	24.51	1.00	338.54	166.58	-	166.58	505.12	3.75	508.87
6 .Gujarat	952.09	1765.43	634.31	42.85	3394.68	-	-	-	3394.68	318.75	3713.43
7 .Haryana	260.31	609.56	248.89	12.30	1131.06	-	-	-	1131.06	63.75	1194.81
8 .Himachal Pradesh	124.50	1077.48	66.70	0.75	1269.43	523.09	-	523.09	1792.52	67.50	1860.02
9 .Jammu and Kashmir	145.43	1968.20	99.79	3.90	2217.32	1083.12	13.30	1096.42	3313.74	45.00	3358.74
10 .Karnataka	1031.18	2276.27	630.02	24.55	3962.02	-	-	-	3962.02	101.25	4063.27
11 .Kerala	780.29	1712.19	399.92	26.70	2919.10	-	412.54	412.54	3331.64	116.25	3447.89
12 .Madhya Pradesh	1712.71	4006.76	769.56	45.45	6534.48	-	1047.81	1047.81	7582.29	261.00*	7843.29
13 .Maharashtra	1713.97	2875.85	1276.79	169.75	6036.36	-	-	-	6036.36	165.00	6201.36
14 .Manipur	35.78	651.31	22.88	0.10	710.07	371.65	-	371.65	1081.72	3.75	1085.47
15 .Meghalaya	43.52	493.98	20.41	0.30	558.21	256.18	-	256.18	814.39	7.50	821.89
16 .Mizoram	15.28	614.88	7.31	-	637.47	379.79	-	379.79	1017.26	3.75	1021.01
17 .Nagaland	20.09	747.65	12.89	1.25	781.88	458.67	-	458.67	1240.55	3.75	1244.30
18 .Orissa	905.21	2972.03	374.47	12.10	4263.81	528.48	554.50	1082.98	5346.79	176.25	5523.04
19 .Punjab	356.98	755.43	379.51	23.30	1515.22	-	53.91	53.91	1569.13	105.00	1674.13
20 .Rajasthan	1011.93	3063.87	503.68	34.35	4613.83	486.39	960.40	1446.79	6060.62	465.00	6525.62
21 .Sikkim	6.28	144.34	5.58	0.05	156.25	84.68	-	84.68	240.93	11.25	252.18
22 .Tamil Nadu	1659.56	3538.09	758.81	51.70	6008.16	-	43.79	43.79	6051.95	146.25	6198.20
23 .Tripura	63.40	863.09	29.87	0.30	956.66	466.01	-	466.01	1422.67	11.25	1433.92
24 .Uttar Pradesh	3512.68	8673.61	1674.45	115.80	13876.54	348.60	2886.50	3235.10	17111.64	337.50	17449.14
25 .West Bengal	1668.98	3660.68	877.09	54.00	6260.75	-	998.65	998.65	7259.40	150.00	7409.40
Total	**20925.00**	**55465.00**	**10742.00**	**750.00**	**87882.00**	**6016.35**	**9000.83**	**15017.18**	**102899.18**	**3137.25**	**106036.43**

**Includes Rs. 122.25 crore for Bhopal Gas Leak Tragedy*

7.16 As per our terms of reference, we have to assess the Centre's revenue receipts and expenditure. In Chapter V we have assessed its revenue receipts and non-Plan pre-devolution expenditure for 1990-95. We have also recommended transfers to States as indicated in Table 4. Now, we proceed to assess the Centre's Plan expenditure including assistance to States and Union Territories for their Plans as well as grants or Central schemes and Centrally sponsored schemes.

7.17 For reasons explained earlier in the report, we have not provided for committed liability on the Seventh Plan schemes in our non-Plan expenditure projections. Therefore, we are projecting all Plan expenditure using 1989-90 (BE) as the base year figure so that our projections, though shown fully as Plan expenditure, will contain reasonable provision for the committed liability of Seventh Plan schemes also. The rate of growth adopted in our projections is 7 per cent per annum for Centre's own Plan expenditure on revenue account (other than Central schemes and Centrally sponsored schemes expenditure) and for Union Territory Plans. For Central assistance to States, we have first made a projection at 10 per cent growth per annum after excluding the grant portion of advance Plan assistance from the base year figure (as our scheme for relief expenditure does not involve such a commitment for the Centre). To the assessment so made, we have added the amount required for an extra five per cent growth (Rs. 925 crore) in the basic Central assistance grant to Special Category States other than Assam and Jammu and Kashmir. For assistance to Union Territories, the growth rate is 10 per cent. For Central schemes and Centrally sponsored schemes we are providing a growth rate of 7 per cent per annum over 1989-90 (BE). We are, however, of the view that the present level of provision for Centrally sponsored schemes is too high and that determined efforts should be made to gradually reduce the proportion of this type of expenditure and add the savings to the amount of Central assistance for States and Union Territory Plans.

7.18 Table 5 gives the revenue account position of the Central Government for the five year period. (Year-wise projections are given in Annexure VII.3).

TABLE 5

Revenue Account Position Of The Central Government:1990-95

(Rs. Crore)

I	Non-Plan Revenue Surplus	149271
II	Transfers By Finance Commission	106062
	1. States' share of Income Tax	20925
	2. States' share of Excise Duties	66207
	3. Grant in lieu of Tax on Railway Passenger Fares	750
	4. Grants under Article 275(1)	18180
III.	Plan Expenditure on Revenue Account	73847
	1. Centre's own Plan	20046
	2. Union Territory Plans	1742
	3. Grants to States for State Plans	25285
	4. Grants for Union Territory Plans	248
	5. Grants to States for Central and Centrally sponsored schemes	26350
	6. Grants to Union Territories for Central and Centrally sponsored schemes	176
IV.	Surplus (+)/Deficit(-) on Revenue Account (I-II-III)	(-)30638

7.19 We have attempted an assessment of the impact of our recommendations regarding transfers to States on the revenue account of the Central budget. Table 6 gives the percentages of each major item to Central Government's revenue receipts for the five years from 1985-86 to 1989-90 and the corresponding estimated transfers for the period 1990-95.

TABLE 6

Transfers To States

(Rs. Crore)

		1985-90	1990-95
1.	Total Revenue Receipts	249419	466502
2.	States' share of Taxes	49145	87882
3.	Grants under Article 275(1) except margin money grant and net interest liability grant.	4199	15030
4.	Net Interest Liability Grant	1333	-
5.	Total (2 to 4)	54677	102912
6.	a) Margin Money	651	
	b) Grant for relief expenditure	1163	
	Total (6)	1814	3150
7.	Total Transfers	56491	106062
8.	Item 5 as percentage of item 1	21.92	22.06
9.	Item 6 as percentage of item 1	0.73	0.68
10.	Item 7 as percentage of item 1	22.65	22.74

Note - *Difference in figures in this table and those in table 4 is due to rounding.*

7.20 It will be seen from Table 6 that as percentages of total revenue receipts of the Centre, the transfers to States recommended by us do not involve any substantial difference.

7.21 We now come to the question whether the transfers recommended by us result in a situation where the Centre cannot have a reasonable outlay on the Eighth Plan. Our projections show that the total budget support to Central Plan in the revenue account will be Rs. 46572 crore at current prices. (For reasons we have explained earlier in the report, we have not provided separately for committed liability on Seventh Plan schemes). Our projections of interest payments imply net borrowings adequate to finance 10 per cent per annum growth in capital expenditure (adjusted for recovery of loans). Centre's capital expenditure includes non-Plan expenditure, capital portion of Central assistance to States as well as Centre's own Plan in the capital account. When Centre's total capital expenditure increases by 10 per cent per annum over 1989-90 base, the capital portion of budget support to Central Plan should increase at least at the same rate. On that basis we have worked out that the total budget support to Central Plan in the capital account during 1990-95 can be Rs. 63,097 crore. Including the revenue component of Rs. 46,572 crore mentioned above, the total budgetary support to Central Plan at current prices for the Eighth Plan is estimated at Rs. 1,09,669 crore. Adjusted for 5 per cent price rise assumed by us the total budgetary support to Plan at 1989-90 prices works out to Rs. 94,191 crore as indicated in Table 7.

TABLE 7

Budgetary Support To Central Plan : 1990-95

(Rs. Crore)

1.	Capital Expenditure on - (Plan)	107767
2.	Loans to States out of 1 for State Plans	41051
3.	Loans to Union Territories for Union Territory Plans	3619
4.	Balance (Capital part of Budgetary Support to Central Plan)	63097
5.	Revenue Expenditure (Plan)	73847
6.	Plan Grants to States and Union Territories and Union Territory Plans.	27275
7.	Balance (i.e. Revenue Part of Budgetary Support to Central Plan)	46572
8.	Total Budgetary Support to Central Plan (4+7)	109669
9.	Total Budgetary Support to Central Plan at 1989-90 Prices	94191

7.22 Around Rs. 94,200 crore of budget support to Central Plan at 1989-90 prices should be possible during 1990-95 with revenue deficit contained within reasonable level as projected by us. To limit Centre's revenue deficit at such a level, it is necessary that the remaining part of Centre's Eighth Plan resources are raised by and invested in the public sector unless the Centre can raise net revenue resources at levels higher than what we have projected. The policy implications of this approach have been indicated in our concluding remarks in Chapter X.

7.23 On the States' side, we have provided for a minimum Plan expenditure of Rs. 40,000 crore on the revenue account including committed liability. States' total Plan expenditure on revenue account will obviously be higher as we have left out of our assessment the revenue Plan expenditure on externally aided schemes, hill area programmes, etc. Further, States with surpluses available may spend more on their revenue account Plan. However, these types of additions to outlay in the revenue account need not add to revenue deficit as they are matched by grants or revenue surplus available. As we have fully provided grants for Centrally sponsored schemes in the Centre's forecast, on that item also there should be no additional revenue deficit. (States' share of Centrally sponsored schemes is included in the base year 1989-90 figure we have adopted for projecting the minimum Plan expenditure of Rs. 40,000 crore). As we have stated earlier, determining each State's Plan including its revenue component as well as the allocation of sectoral outlays is obviously the task of the Planning Commission and we do not enter into that area at all.

7.24 Before we proceed to assess the final revenue account position of the States and the Centre, we would like to see whether the overall result of our recommendations is consistent with the objective of helping all States in general and the relatively more needy States in particular. Table 8 gives per capita transfers recommended by us to non-Special Category States (other than Goa) and the ratio of each State's per capita transfers to its per capita income.

TABLE 8

Per Capita Transfer And Its Ratio With Per Capita Income-Non-Special Category States: 1990-95

States	Per Capita Transfers (Rs.) * Based On 1981 Population	Per Capita Transfers (Rs.) * Based On 1982-85 Average Population	Per Capita SDP (New Series) Average 1982-85(Rs.)	Ratio Of Per Capita Transfer And Per Capita Income @
	(1)	(2)	(3)	(4)
1. Andhra Pradesh	1292	1229	2053	0.5986
2. Bihar	1580	1495	1323	1.1300
3. Gujarat	996	943	2919	0.3231
4. Haryana	875	814	3043	0.2675
5. Karnataka	1067	1008	2461	0.4096
6. Kerala	1309	1250	2144	0.5830
7. Madhya Pradesh	1453	1373	1860	0.7382
8. Maharashtra	961	909	3384	0.2686
9. Orissa	2028	1936	1728	1.1204
10. Punjab	935	886	4013	0.2208
11. Rajasthan	1769	1647	1820	0.9049
12. Tamil Nadu	1250	1198	2142	0.5593
13. Uttar Pradesh	1544	1461	1713	0.8529
14. West Bengal	1330	1263	2230	0.5664

* *Excluding grants for Relief Expenditure*

@ Based on per capita transfers as in col. 2 and average of per capita income as in col. 3.

7.25 The per capita shares of transfers to Special Category States (and Goa) are indicated in Table 9.

TABLE 9

Per Capita Transfers To Special Category States And Goa 1990-95

(Rupees)

States	Per Capita Transfers * Based On 1981 Population	Per Capita Transfers * Based On 1982-85 Average Population
1. Arunachal Pradesh	13091	12158
2. Assam	1932	1815
3. Goa	5016	4715
4. Himachal Pradesh	4187	3983
5. Jammu And Kashmir	5535	5230
6. Manipur	7612	7125
7. Meghalaya	6096	5667
8. Mizoram	20592	18519
9. Nagaland	16007	14368
10. Sikkim	7624	6894
11. Tripura	6930	6476

* *Excluding grants for Relief Expenditure*

7.26 As we have mentioned in different contexts earlier in this report, our terms of reference require that we keep in view the objective of not only balancing the receipts and expenditure of both the States and the Centre, but also generating surpluses for capital investment. No specific time-frame for achieving this objective has been indicated in the terms of reference. We have tried to determine how much improvement can be reasonably achieved during the five-year period 1990-95. While our assessment does assume an effort on the part of both the States and the Centre, we have taken care to make reasonable adjustments in our normative assessment so that the revenue account position we have assessed is not too difficult to reach.

7.27 The following table gives the net result of the overall revenue account position of States as assessed by us.

Each State's position is given in Annexure VII.4.

TABLE 10

Overall Revenue Account Position of States: 1990-95

(Rs. Crore)

	1990-91	1991-92	1992-93	1993-94	1994-95	Total 1990-95
I. Non-Special Category States						
a) Gross Surplus	2107.59	3089.09	4268.72	5978.71	7807.76	23251.87
b) Gross Deficit	2424.18	1742.41	1095.53	690.81	593.07	6546.00
c) NetSurplus (+) or Deficit(-)	(-)316.59	(+)1346.68	(+)3173.19	(+)5287.90	(+)7214.69	(+)16705.87
II. Three Special Category States (Assam, Jammu and Kashmir, Goa)						
a) Gross Surplus	0.74	1.78	2.99	7.00	16.10	28.61
b) Gross Deficit	92.80	82.92	68.54	55.28	40.33	339.87
c) Net Surplus(+) or Deficit(-)	(-)92.06	(-)81.14	(-)65.55	(-) 48.28	(-)24.23	(-)311.26
III. Other Special Category States						
a) Gross Surplus	427.87	539.80	671.87	827.34	1008.93	3476.81
b) Gross Deficit	-	-	-	-	-	-
c) Net Surplus(+) or Deficit(-)	(+)427.87	(+)539.80	(+)671.87	(+)827.34	(+)1008.93	(+)3476.81
IV. Total						
a) Gross Surplus	2536.20	3630.67	4943.58	6813.06	8833.79	26757.29
b) Gross Deficit	2516.98	1825.33	1164.07	746.09	633.40	6885.87
c) Net Surplus(+) or Deficit(-)	(+)19.22	(+)1805.34	(+)3779.51	(+)6066.98	(+)8200.39	(+)19871.42

7.28 We have already indicated (vide Tables 8 and 9) that our scheme of transfers gives special consideraion to weaker States. This may raise the question whether the otler States have been given a less than fair treatment. Table 11 gives the per capita surplus/deficit in the overall revenue account of each non-Special Category State (except Goa) emerging from our assessment and recommendations.

TABLE 11

Per Capita Revenue Surplus/Deficit Aftr Transfers In Non-Special Category States (Excluding Goa) : 1990-95

(Rupees)

States	Surplus/Deficit
1. Andhra Pradesh	(+) 417
2. Bihar	(+) 24
3. Gujarat	(+) 767
4. Haryana	(+)1454
5. Karnataka	(+) 792
6. Kerala	(-) 162
7. Madhya Pradesh	(-) 60
8. Maharashtra	(+)1389
9. Orissa	(-) 210
10. Punjab	(+) 468
11. Rajasthan	(-) 280
12. Tamil Nadu	(+) 523
13. Uttar Pradesh	(-) 260
14. West Bengal	(-) 9

Note : *Based on 1981 population.*

7.29 The assessment of the Centre's evenue account position, year-wise, is given in Annexure VII.3 The deficit of the Centre each year is given in Table 12.

TABLE 12

Revenue Deficit of Central Government: 1990-95

(Rs. crore)

Year	Reenue Deficit
1990-91	8520
1991-92	7600
1992-93	6480
1993-94	4935
1994-95	3103
Total	**30638**

7.30 The overall (States and Centre together) position is given in Table 13.

TABLE 13

Overall Revenue Position Of States And Centre : 1990-95

(Rs. Crore)

	1990-91	1991-92	1992-93	1993-94	1994-95	Total 1990-95
1. States' Gross Surplus (+)	2536	3631	4943	6813	8834	26757
2. States' Gross Deficit (-)	2517	1825	1164	746	633	6885
3. Centre's Deficit (-)	8520	7600	6480	4935	3103	30638
4 Net Total	(-)850	(-)5794	(-)2701	(+)1132	(+)5098	(-)10766

Both in the States and the Centre, deficit levels are estimated to come down steadily. In the last two years of the Eighth Plan, there will be net surplus in the overall revenue account. In 1994-95, the net surplus consists of gross surplus of Rs. 8834 crore in 21 States, gross deficit of Rs. 633 crore in 4 States, and a deficit of Rs. 3,103 crore in the Centre's revenue account.

7.31 It may be seen that the net overall revenue deficit in the States and the Centre together for the five-year period (1990-95) is Rs. 10,766 crore. We have noted the fact that the States which have deficits will have to divert their borrowings to meet their part of the revenue deficit. However, the position that emerges from our recommendations (particularly regarding developmental grants to partly meet Plan deficit) is substantially better than the position those States would find themselves in if, as before, only non-Plan deficits were tackled by the Finance Commission. Therefore, it is reasonable to expect the deficit States to make some extra efforts to fill their remaining overall revenue account gap. If they do that and reduce their revenue deficits substantially from the levels assessed by us, the Planning Commission may consider giving them special long-term loans to cover a part of the remaining revenue deficit so that only a minor part of the overall revenue deficits of those States will have to be met by diverting their normal borrowings.

CHAPTER VIII

MERGER OF ADDITIONAL DUTIESOF EXCISE WITH BASIC DUTIES OF EXCISE

8.1 Under paragraph 7 of the terms of reference we are required to examine the feasibility of the merger of Additional Duties of Excise in lieu of Sales Tax with Basic Duties of Excise and evolve a suitable formula for allocating a part of the duties of excise in respect of goods described in column 3 of the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957, for distribution among the States. We did not make any recommendation on the feasibility of the suggested merger in our first report as we wanted to examine the issue in greater depth and complete our discussions with all the States. We were also keen that before we considered this matter, the outstanding issues relating to the operation of the tax rental arrangement should be sorted out to the extent possible in order to create an environment for a dispassionate approach to the issue by the States. We have since completed our discussions with the States and we are now better aware of their views on this matter.

8.2 The concept of merger was mentioned in the Long Term Fiscal Policy (LTFP) announcement of the Central Government. As a measure of simplification of the assessment procedures under Central Excise law, it was suggested in the policy document that Special Excise Duties which were levied as a percentage of the amount of basic duties should be merged with them. The policy document also indicated that the merger of adittional duties with basic duties was desirable, though not feasible immediately. There was a commitment to refer the matter to the next Finance Commission. It would be worth mentioning here that the proposed merger of Basic and Special Excise Duties was carried out through the budgetary changes of 1986-87 and 1987-88. In the Budget of 1988-89, however, the Special Excise Duties were brought back as a separate levy.

8.3 Let us turn now to the views of the States. All the States except Arunachal Pradesh, Mizoram, Meghalaya and Goa have opposed the concept of merger. Arunachal Pradesh, Mizoram and Goa are erstwhile Union Territories and the first two are not levying even Sales Tax. States like Andhra Pradesh, Bihar, Haryana, Tamil Nadu and Uttar Pradesh opposed the very inclusion of this subject in the terms of reference assigned to us. The opposition was based on the ground that since Additional Duties of Excise were levied pursuant to the decision of the National Development Council (NDC) in 1956, the matter, in all fairness, should have been first referred to it. Maharashtra also questioned the competence of the Union Government to refer the question to the Finance Commission unilaterally, without the concurrence of the States or the endorsement of NDC. States like Andhra Pradesh, Bihar, Gujarat, Madhya Pradesh and West Bengal also apprehend that the proposed merger would remove completely the identity of Additional Duties of Excise as a separate levy and this would prejudice the interests of the States. Gujarat, Orissa, and Punjab apprehend that the inherent right of the States to re-impose Sales Tax on any of the commodities would be lost totally in the event of the merger.

8.4 Much of the opposition against merger stems from the manner in which the tax rental arrangement was administered in the past. The States referred particularly to the decision of the National Development Council in December, 1970, under which, within a period of two to three years, the proceeds from Additional Duties of Excise were scheduled to attain a level of 10.8 per cent of the value of clearances and the ratio between the yields from Basic Duties of Excise and Additional Duties of Excise on the three commodities was intended to be brought up to 2:1. While the latter commitment was fulfilled in recent years, the first, which was required to be done within, say, three years of the meeting of the National Development Council in 1970, still remains unrealised. There has been a further complaint that, apart from the fact that the Government of India did not fulfil its promises in regard to realisations from this levy, it had unduly expanded the coverage of the goods by resorting to definitional changes precluding thereby larger areas from the levy of Sales Tax. Many commodities were also subjected to 'nil' rate of duty. These commodities, therefore, were free not merely from the levy of Additional Duties of Excise but they also escaped the liability to Sales Tax which the States were prevented from imposing for fear of forfeiting their share in the proceeds from Additional Duties of Excise. In the context of their unhappy experience with the implementation of tax rental arrangement in the past, some States went to the extent of urging that the arrangement for the levy of Additional Duties of Excise in lieu of Sales Tax should be scrapped altogether and *status quo ante restored.*

8.5 Most of the States also felt strongly about the low yield from Additional Duties of Excise. Punjab wanted to be compensated for the delay in achieving the incidence of 10.8 per cent of the value of clearances. Andhra Pradesh complained that its Sales Tax revenue increased sixty nine times during 1959-60 to 1986-87 against a three-time growth in its share of Additional Duties of Excise. The position is not much different in the case of Tripura as well, where, according to the State Government, the increase in revenues from Sales Tax in the last 10 years was sixteen times whereas the same from Additional Duties of Excise was three times. Haryana recited a similar experience and, in fact, suggested the scrapping of this tax rental arrangement. From our discussions with the States and also from the memoranda received on this matter it was clear that almost all the States - barring a few exceptions - were opposed to the idea of merger.

8.6 As stated before, the issue of merger has been referred to us with a view to bringing about a certain measure of simplification of and streamlining in the assessment procedure under the Central Excise law. The case for the merger, however, gets substantially weakened when one takes into consideration the fact that the Union Government itself has not made any serious effort to reduce the multiplicity of levies. The Special Excise Duties which were merged with Basic Duties of Excise in 1986-87 and 1987-88 were brought back as a separate levy in 1988-89. The revival of Special Excise Duties as a separate levy after its merger in earlier years robs the concept of merger of its rationale as a tax reform measure. One cannot also ignore that even if the merger is effected, separate imposts in the form of cess would still be leviable on sugar and bidies by virtue of the

Sugar Cess Act, 1982, and the Bidi Workers Welfare Cess Act, 1976, for raising resources for the development of the sugar industry and the welfare of bidi workers, respectively. In respect of fabrics, there would be not one, but two other levies namely, Handloom Cess and the Additional Duties of Excise (Txtile and Textile Articles). We note that while the Eighth Finance Commission recommended the containment of these cesses and the LTFP proclaimed the Government's intention to reuce their number no concrete step appears to have been takn in this regard.

8.7 As the tax rental arrangement was brought into being with the consent of the States, any major modificatbn in the arrangement should also be brought about with the consent of all the parties. But almost all the States have strongly oposed the issue of merger. As a matter of fact, the proposal for merger is perceived by the States as a threat to their financial interests and a further irritant in the Centre-State fiscal relatios. The reservations of the States on this point were also expresed at the meeting of the Chief Ministers on financial matters covened by the Union Government on February 9-10, 1989, at New Delhi. We, therefore, do not recommend the merger of Additinal Duties of Excise with Basic Duties of Excise.

8.8 We would like to now touch upon the isue of the incidence of Additional Excise Duties. The incidence of Additional Excise Duties should be brought up to 10.8 per cent by the end of 1989-90. We have been informed by the Ministry of Finance that the incidence had reached 10.7 per cent at the end of 1988-89. We would expect that the committed level of 10.8 per cent would be actually achieved by the end of 1989-90. We recommend that during the report period, if in any year the ad valorem incidence of Additional Duties of Excise falls short of the level of 10.8 per cent of the value of clearances, the shortfall should be made good (as soon as accounts are available) by Government of India by providing equivalent amount by way of grant-in-aid to be distributed amongst the States and the Union Territories in the same manner as worked out for sharing the proceeds in paragraph 5.20.

8.9 As a follow-up of our recommendation in paragraph 7.16 of our first report, the Central Government has asked the National Institute of Public Finance and Policy to conduct a study to assess the revenue loss suffered by the States on account of exemptions of Additional Duties of Excise allowed by the Central Government. It has also undertaken to review these exemptions to ascertain whether there is adequate justification to continue them. The feasibility of converting the rates of Additional Duties of Excise which are now specific into ad valorem is also under examination by the Central Government. We have no doubt that appropriate action, in due course, will be taken by Government of India to redress the grievances of the States.

CHAPTER IX

DEBT POSITION OF THE STATES AND CORIECTIVE MEASURES

9.1 Paragraph 8 of the President's Order constituting the Commission reads as follows :

"The Commission may make an assessment of the debt position of the States as on the 31st day of March, 1989 and suggest such corrective measures as deemed necessary keeping in view the financial requirements of the Centre. The corrective measures will be with particular reference to investments made in infrastructure projects and shall have linkage with improvements in financial and managerial efficiency."

9.2 This term of reference differs significantly from that given to the Sixth, Seventh and the Eighth Finance Commissions. Unlike in the case of the Eighth Commission, we have not been asked to estimate the likely non-Plan capital gap of the States at the end of the period under our consideration. Second, we have been asked to review the entire debt position of the States, and not "the States' debt position with particular reference to Central loans advanced to them". Third, instead of "appropriate measures to deal with the non-Plan capital gap", this Commission has been asked to suggest corrective measures with particular reference to investments in infrastructure projects and improvements in their performance.

9.3 Since this subject has been referred to us under Article 280(3)(c), we shall determine the scope of our work strictly in accordance with the term of reference. We shall not deal with the non-Plan capital gaps of the States, although as background to our work we did make a rough estimate of the likely gaps during the period 1990-95. We shall make a review of the debt position of the States as on 31.3.1989 and then go on to recommend measures that would prevent the recurrence of "the debt problem" in the long-term context. While the long-term solutions would be our main concern, we shall also indicate some short-term corrective measures by way of relief.

Debt Position Of The States

9.4 Total debt of State Governments is estimated to be Rs. 89,461 crore, as on 31.3.1989, of which liabilities to the Central Government form about 63 per cent (Annexure IX.1). Provident funds, reserve funds and deposits are the next largest source of debt financing, amounting to 23 per cent of the States' total debt. Market loans constitute almost 12 per cent of the debt, and the residual is negotiated loans from public financial institutions and others. About 11 per cent of the total debt is short-term (ways and means advances, reserve funds and deposits).

9.5 The previous Finance Commissions excluded this short-term component in assessing the overall debt position of the States. For comparative purposes, the table below gives the estimated debt excluding short-term liabilities as at the end of 1978-79, 1983-84 and 1988-89 :

Estimated Outstanding Debt Of The State Governments

(Amount in Rs. Crore)

	At the end of 1978-79		At the end of 1983-84		At the end of 1988-89	
	Amount*	%age	Amount#	%age	Amount	%age
1. Internal Debt						
(a) Market Loans	2572	13.7	4236	11.3	10411	13.1
(b) Other Loans	776	4.1	1724	4.6	2032	2.5
2. Central Loans	13463	71.7	27059	72.4	56052	70.4
3. Unfunded Debt	1974	10.5	4387	11.7	11148	14.0
Total	18785	100.0	37406	100.0	79643	100.0

Seventh Finance Commission Report, Chapter II.
 # Eighth Finance Commission Report, Chapter XIV.

It is seen that he estimated gross debt of the States as a whole more than doibled (in nominal terms) between 31.3.1984 and 31.3.1989. We notice a shift in the sources of the debt. Although loans and advances from the Centre still account for the bulk of the States' outstanding debt, there has been a marginal decline in the share of Cental loans by 2 percentage points since the end of 1983-84, accounted for by increases in the shares of unfunded debt and market loans. Nevertheless, even now loans from the Centre constitute 70 per cent of the total indebtedness of the State Governments excluding short-term debt).

9.6 As stated earlier, the Central loans account for bulk of the States' indebtedness. As at the end of 1988-89, out of the total indebtedness aggregating Rs. 89,460.77 crore, as much as Rs. 56,051.92 crore was in the form of Central loans. Over the five-year period 1990-95, repayments of Rs. 15,528.59 crore will fall due in respect of these outstandings. Taking all States together, the position in regard to the outstandings as at the end of 1988-89 and repayments falling due during the five years 1990-95 for the major components of the Central loans is shown below:-

Table 2

Outstandings Of Central Loans And Repayments

(Rs. Crore)

	Outstandings as on 31.3.1989	Repayments falling due during 1990-95
1. Loans received upto 1983-84 and consolidated by the previous Finance Commissions		
a) 15 year loans	1650.61	962.00
b) 20 year loans	430.48	134.53
c) 25 year loans	2883.68	686.59
d) 30 year loans	8357.15	1717.33
2. Plan loans received during 1984-89	17955.24	6863.86
3. Small Savings loans	20345.04	3727.26
4. Relief and rehabilitation loans	39.94	12.38
5. Loans to clear overdraft	696.65	132.40
6. Loans to cover gap in resources	248.34	172.25
7. Drought loan	519.57	196.88
8. Special loan	2384.53*	850.57
9. Loans for Hirakud Project	80.80	8.10
10. Other loans	459.89	62.44
Total	56051.92	15528.59

* *Includes loans of Rs. 2,300.91 crore to Punjab and Rs. 83.62 crore (net of repayment of Rs. 8 crore in 1986-87) to Madhya Pradesh for relief of Bhopal Gas Leak Tragedy.*

Statewise position of outstanding loans is given in Annexure IX.2 and of repayments due in Annexure IX.3

9.7 The major cause for the rapid rise in States' indebtedness is the key role of borrowing in financing investments under the Plan. Money is borrowed by the States not only to finance government sector investments (schools, roads, bridges, etc.) but also to finance investments by departmental and non-departmental enterprises (irrigation works, State Electricity Boards, State Road Transport Corporations and a large number of other enterprises). As seen earlier, more recently, borrowed funds have been used also to cover part of the revenue expenditure. Except for such a diversion of borrowings, growth in indebtedness should not cause any worry if investments yield adequate returns to meet interest and for amortization. In respect of government owned assets, depreciation or amorzation funds are not maintained and hence borrowings contrcted for the creation of such assets have to be repaid out of fres!borrowings. As regards investments by State Governments in eterprises by way of loan or equity, the source of trouble in moscases is the extremely poor performance of the enterprises. Beause of such performance resulting in meagre or negative eturns and insufficient or nil amortization/depreciation, almot the entire burden of servicing the debt contracted on enterpses' account has fallen on the Government budget. While the groing interest burden reduces the amount available for incurrg important categories of revenue expenditure, repayment obligtions tend to continuously reduce the ratio of net borrowins to gross borrowings. This process was arrested or slowed dovn as a result of the rescheduling of repayments to the Centre bythe previous Finance Commissions. However, the same tred continues operating on the new base after rescheduling.

9.8 As far as market borrowings are concernd, under each Five Year Plan, each State is allocated a share on a et basis, i.e., the States' gross borrowing is fixed by the Reserve3ank of India so as to yield the pre-determined net loan after dducting any repayments due to the market in the concerned yer. The State does not have to find resources of its own to met repayment obligations and so it does not feel any immedite pressure; however, more and more of the gross borrowing i:absorbed by repayments and the interest burden grows as the 'ld' as well as the 'new' loans have to be serviced.

9.9 Central loans, as part of Plan assistance for any other purpose, are determined and granted on a gross bais. The entire amount is intended to be used for Plan financing c for any other specific purpose agreed upon. The repayment (outstanding Central loans (contracted earlier) is supposed to>e met out of other sources. However, as stated above, no amotization funds are established in respect of government sector invstments; and loans to Electricity Boards, which constitute aroun66 per cent of loans advanced by State Governments, are give in perpetuity. Hence the only funds available for repayment of)ans from the Centre are recoveries of loans and advancesby the State Governments and net miscellaneous capital recets. These do not cover more than a small part of repaymet obligations. Therefore, repayment obligations tend to cut into 'lan resources to a substantial extent.

9.10 This has led to the complaint by the StatGovernments that their repayment obligations to the Centre a absorbing a large and ever-increasing proportion of fresh loas. Hence, the demand for relief by way of rescheduling and wri-off. We note that as of 1989-90, repayments to the Centre ae expected to constitute 32 per cent of fresh loans on the avrage, with the percentage varying from 18.2 for Punjab to 116. for Arunachal Pradesh. (Annexure IX.4)

9.11 The resources for financing State Plns are derived from (a) balance from current revenues, (b) Plan gants and loans from the Centre, (c) net market borrowing, (d) institutional loans and (e) unfunded debt (accrual of provident fund, etc.). On the non-Plan capital side are reckoned repayment of loans to the Centre and institutions (outgoings) and recoveris of loans and advances. The difference between repaymentsind recoveries has been termed the non-Plan capital gap (negave). The non-Plan gaps tended to absorb a substantial part of Pn resources in the case of most of the States, which then coulnot have what were considered adequate Plans. Presumoly, it is this consideration which led to the three previous Comissions being asked to assess the non-Plan capital gaps of th States and to suggest appropriate measures to deal with thee gaps. The "appropriate measures" recommended by th Seventh and Eighth Commissions consisted largely of rscheduling of repayments supplemented by some "write-off". The measures recommended by the Commissions have nt led to any improvement in the debt burden faced by the Stes. Thus, the rough estimate of the total non-Plan capital gapsf the States for the period 1990-95 that we worked out is subantially higher than the estimate of the gaps for the period 1984-89 made by the Eighth Commission (Rs. 6,806 crore).

9.12 This Commission has not been asked to estimate the non-Plan capital gaps of the States, or to suggest measures to deal with those gaps. We refer to this matter only to show that unless some basic changes in policy are adopted, large non-Plan gaps would continue to emerge at the State level and successive Finance Commissions would have to reschedule/write-off loans every five years. That is, loans will first be granted by the Centre at certain rates of interest and with pre-determined maturity periods; but later, some of the loans or part of the total debt will be converted to a grant or the maturity period will be lengthened. The rates of interest might also be changed, as was done by the Seventh and the Eighth Commissions. Such a sequence of policy actions, to be repeated at regular intervals, will neither bespeak an orderly management of financial affairs nor be conducive to the efficient use of funds. We feel that this chain should be broken.

Views Of The State Governments

9.13 In their memoranda to us, several State Governments have made suggestions for reducing their debt, and, in particular, the repayment burden during the period covered by our recommendations. While some States have requested a write-off of some types of debt, others have suggested longer repayment and grace periods. The major suggestions made by the State Governments are as follows:

a. The repayment burden during the period covered by our recommendations should be reduced.

b. Central loans should have longer maturity periods.

c. Loans given and utilised for socially desirable but financially unremunerative projects and for investments in public utilities including power projects should be fully or partially written off.

d. The rate of interest charged to the States should be related to the cost of borrowing to the Centre and in general, much lower rates should be charged than those at present.

e. Loans against small savings should be converted into loans in perpetuity.

f. The pattern of Central Plan assistance should be changed to have a higher proportion of grants, e.g., 50:50 as against 30:70 proportion of grants to loans.

g. The terms of loans relating to externally-aided projects should be changed to be more in line with the terms on which the Central Government obtains assistance from external agencies.

h. Loans given to Arunachal Pradesh, Goa and Mizoram prior to their becoming full-fledged States should be written off.

i. The loan component of drought assistance should be written off 1\.

9.14 These suggestions are based mainly on considerations relating to reasonableness of maturity periods, justifiability of interest rates charged, repaying capacity, appropriate mix of grants and loans, the treatment of loans against small savings and special problems. We shall give due consideration to the suggestions made by the State Governments and accommodate them insofar as they are in conformity with the principles on which we shall base our recommendations. The entire matter relating to Central loans to the States and their repayment must be considered in the light of certain fundamental principles having a bearing on equity, efficiency, financial responsibility and the long-term impact on the economy. It would have been desirable, had it

1\ *There are also demands and suggestions relating to States' share in market borrowing and regulations on overdrafts, with which we are not directly concerned.*

been posssiible, to get a part of government investment financed through surplus of revenues over government's current expenditures. In the present situation, when there are large revenue deficits in the Centre and most of the States, this is not possible. Capital investment has to be financed almost solely through borrowed funds.

9.15 When the Central Government borrows from the market and lends to the State Governments, it is, of course, not acting just as an agent through whom the funds are routed. It can and does bring about an allocation of capital funds amongst the States which favours the weaker States; had the monies been borrowed by all the States directly from the market, the richer States would have gained in competition. Second, the allocation of funds gets closely linked with the approval of projects by the Planning Commission. Third, wherever considered appropriate (i.e., in special circumstances), the terms of lending by the Centre could be made softer than the ones at which it borrows funds so that the national taxpayer will bear part of the burden to the benefit of taxpayers in particular States. But in doing so, as in the case of current transfers, the aspect of inter-State equity and the extent to which and the grounds on which the national taxpayer can be asked to shoulder additional burdens for the benefit of taxpayers in the weaker States or in a particular State, must be carefully considered.

9.16 It could be argued that since the Central Government has greater taxing powers, it could bear part of the cost of borrowing on behalf of the State Governments. There could be a case for this but, correspondingly, the amounts available for making direct transfers to the States would be reduced. Also very low rates of interest often lead to uneconomic use of funds.

9.17 We may sum up by saying that the Central Government is not acting merely as a financial agent on behalf of the States in order to reap economies of scale in obtaining funds from the market, but also aims to fulfil certain national purposes such as promoting development and helping weaker States. However, in lending money to the States it is, in fact, channeling a part of private sector savings for investment by the States. The latter fact requires that the funds must be used efficiently and for productive purposes and also that loans must be repaid so that the Central Government can keep down its own gross borrowing correspondingly and re-cycle the returned funds for future lendings for further investment 2\.

9.18 In principle, rescheduling of repayments and write-off of debt are undesirable; instead, the terms on which loans are made must be reasonable and fair taking into account all relevant circumstances, including the terms on which the Central Government obtains funds from the market at home or from abroad. A write-off may be considered only under exceptional circumstances such as when the borrowing State has been plagued by severe natural calamities. Conversions of debt into grants except under special circumstances would not be conducive to the promotion of fiscal discipline. Rescheduling of debt, when the terms of repayment are not unreasonable, also tends to promote uneconomic use of funds and indifference towards the need to make most productive use of the borrowed funds so as to obtain high returns and wherewithal to repay the debt. Besides, as already stated, issues of inter-State equity are also involved, since any scheme of rescheduling tends to favour particular States more than the others (States with higher per capita indebtedness will gain).

Our Recommendations On Corrective Measures

9.19 Ultimately, the solution to the government debt problem lies in borrowed funds (a) not being used for financing revenue expenditure and (b) being used efficiently and productively for capital expenditure so as to earn returns and/or increase productivity of the economy resulting in increased governmental revenues. In order that the capital stock of the country may be maintained intact, there should be adequate depreciation provision or loan should be repaid out of amortization fund. In future, rescheduling of the loans must be avoided. At the same time, the terms on which funds are lent by the Centre to the States must be reasonable and equitable. They should have relation to (a) the maturity period of loans obtained by the Centre, (b) rate of interest thereon, (c) other charges, if any, which the Centre has to bear, and (d) the gestation period of the projects to be financed.

9.20 Keeping these principles in view, we make the following recommendation:

a. While we do not think that a substantial part of government investment can be financed through tax revenues and, therefore, cannot recommend that Plan assistance by the Centre to the non-Special Category States may be given in the ratio of 50 per cent grant and 50 per cent loan as suggested by some State Governments, we feel there would be merit in limiting loans from the Centre as part of Plan assistance to non-Special Category States to 100 per cent of Plan grants. The additional amount which a non-Special Category State is now getting from the Centre under the 70:30 formula may be made available to it as additional market borrowing. In other words, the modified Gadgil formula as well as the 70:30 rule will continue to operate, but part of the loan assistance would now be shifted to the market1/. In order to avoid growth of the indebtedness of the States to the market while the assets created out of the loans would be depreciating, the Reserve Bank of India should work out a suitable formula according to which the States would be required to maintain amortization funds to the extent considered necessary by the Bank. The arrangements we have suggested would serve to reduce the rate of growth of States' indebtedness to the Centre and, in turn, reduce the relative magnitude of the Central Government borrowing, which would serve to slow down the growth of its own debt. Also, the States would enjoy greater flexibility in regard to repayments. We want to make it clear that the new arrangement suggested by us should not result in any reduction in the overall Central assistance to States. Assessment of Centre's resources, determination of Central assistance out of that and State-wise allocation of Central assistance as per Gadgil formula should be done as at present. The only change recommended by us is that a portion of the Centre's market borrowings taken into account while assessing Centre's resources, will not actually be raised by the Central Government but directly by the States as additional market borrowing over and above their normal market borrowing.

b. We note that the Central Government is now floating loans in the market with 20 years maturity. We, therefore, recommend that direct Central Government loans to the States for financing their Plans from 1990-91 onwards should have maturity period of 20 years'. Besides, fifty per cent of these loans should be granted a five-year initial grace period, after which repayments should be spread over fifteen years. The grace period would take care of gestation of the capital projects.

c. We do not recommend any change in the terms and conditions relating to Central loans against small savings collections. The present terms, viz., five-year grace period and thereafter repayments to be spread over twenty years are reasonable.

d. As regards assistance in relation to externally aided projects, we suggest the following:

2/ *In the long run, repayment has to be out of amortization so that capital stock is maintained and undue growth of debt is avoided.*

1/ *Thus, if a non-Special Category State is entitled to Plan assistance of Rs. 1,000 crore under the modified Gadgil formula, it would get a Plan grant of Rs. 300 crore, Central Plan loan of Rs. 300 crore and additional market borrowing of Rs. 400 crore.*

(i) At present, assistance to States for externally aided projects is outside the allocation made on the basis of the modified Gadgil formula. The "assistance" granted by external agencies amounts to 50 to 60 per cent of the cost of the projects. Since only 70 per cent of this assistance for such projects is passed on to the States except for assistance for socially oriented projects from 1989-90, the States in effect get assistance for externally aided projects only to the extent of 35 to 42 per cent of the total cost of such projects. We recommend that 100 per cent of assistance should be passed on in all cases. There is no logic in the Centre withholding a part of funds given exclusively for projects.

(ii) The terms of the assistance given to States for externally aided projects are the same as for the assistance under the Gadgil formula. Thus, they get 70 per cent of this assistance in the form of loans and 30 per cent in the form of grants. The rate of interest on the loans and the period of repayment thereof are also the same as for the Plan loans (9.75 per cent and 15 years). These bear no close relation to the terms of assistance granted by the external funding agencies such as IDA and the World Bank. We recommend that World Bank "assistance" be passed on to the States as of now, i.e., 30 per cent in the form of grant and 70 per cent in the form of loans. The rate of interest charged may also be the same as applicable to other Plan loans. The present interest rate of 9.75 per cent actually works out to only 6.8 per cent of total assistance including the grant component. But the repayment period should be the same as prescribed by the World Bank.

(iii) IDA assistance is granted to the country as a loan on very soft terms: 0.75 per cent service charge per annum, ten-year grace period and a forty-year repayment period (that is money is to be repaid only within fifty years). The Government of India however, has to bear the risk of exchange rate fluctuation/depreciation. While, therefore, IDA assistance cannot be passed on as loans without interest, we think that the Central Government should fix a rate of interest to be paid by the recipient States at a level of six per cent per annum which would provide a substantial cover against the risk of exchange rate fluctuations. The entire amount may be passed off as loan having a maturity period of 30 years including a grace period of 5 years. (iv) It has been argued that assistance given to a particular State for externally aided projects represents "an additionality", i.e., an addition to "normal" Plan assistance. Not all States had projects partly financed by external assistance. This is presumably the reason why 30 per cent of what was received from external agencies was retained by the Centre. We understand from the Ministry of Finance that for some years now there is a greater spread among the States of externally aided projects. Some States which may not have externally aided projects under their Plans may nevertheless be benefiting from the location of externally aided Central projects within their borders. Taking all flows into account, if it is found that the share of some weaker States are unduly low, they should be compensated in some other way. We, therefore, recommend that a larger share of the 10 per cent of Plan assistance reserved for special problems be allocated to such States.

Loan Liabilities Of Erstwhile Union Territories

9.21 The Union Territories of Arunachal Pradesh, Mizoram and Goa were constituted as full-fledged States in 1987. Prior to this, as Union Territories they received grants to meet their revenue gap and loans to cover their capital gap. However, under their present pattern, most of the Special Category States get 90 per cent of the Plan assistance by way of grants and the remaining 10 per cent only as loans, while the non-Special Category States get Central assistance in the form of grants and loans in the ratio of 30 to 70. Arunachal Pradesh and Mizoram have been designated Special Category States and Goa as a Non-Special Category State. It is recommended that the excess of the Central loans received by each of these three States for its Plans, upto 1986-87, as Union Territories (and outstanding as on 31.3.90) over what it would have received if it had been a full-fledged State, be written off - the write-off being restricted to the oustandings of such loans as on 31.3.1990. The loans remaining outstanding, if any, after this write-off, as on 31.3.1990, against each State may be consolidated into one loan with a reasonable maturity period and rate of interest. This is estimated to give a relief of Rs. 191 crore to the three States during the period 1990-95, as shown below:

(Rs. Crore)

States	Plan Loans Outstanding As On 31.3.1990*	Excess	Amounts To Be Written Off	Adjusted Outstanding As On 31.3.1990*	Relief In Repayment During 1990-95
1. Arunachal Pradesh	227.44	229.30	227.44	—	116.48
2. Mizoram	120.59	110.49	110.49	10.10	51.20
3. Goa	284.01	22.27	22.27	261.64	23.32
Total					191.00

* *These relate to the loans received upto 1986-87.*

Drought Loans To States During 1986-89

9.22 Some States suffered enormously on account of unprecedented droughts during 1986-87 to 1988-89. Additional assistance was provided to them for approved relief expenditure over and above five per cent of annual Plan outlays, which is not adjusted against Plan assistance. Fifty per cent of this additional assistance was given in the form of loans. We feel that the burden of drought relief should not be cast upon the States, as we have indicated in Chapter VI on Financing of Relief Expenditure. We recommend that outstanding loans on account of drought may be written off entirely. This will result in the States having a relief of Rs. 198.88 crore over the five years, 1990-95, as shown below:

(Rs. Crore)

States	Drought Loans Outstanding As On 31.3.1989	Relief In Repayment During 1990-95
1. Andhra Pradesh	5.02	2.09
2. Gujarat	165.31	63.56
3. Haryana	4.81	1.85
4. Himachal Pradesh	2.80	1.08
5. Karnataka	5.05	2.06
6. Kerala	10.08	3.88
7. Rajasthan	324.35	123.53
8. Uttar Pradesh	2.15	0.83
Total	519.57	198.88

Loans For Relief Works Relating To Bhopal Gas Leak Tragedy

9.23 During 1984-89, the Central Government gave loans totalling Rs. 91.62 crore to the Government of Madhya Pradesh to meet some of the immediate medical and rehabilitation needs of gas victims. It is recommended that all these loans may be written off. Since the entire loans have been recommended to be written off, payments already made by the State Government by way of repayment of principal and interest payment in respect of these loans may be adjusted against other payments due from the Government of Madhya Pradesh.

Special Loans To Punjab

9.24 Special loans to the tune of Rs. 2,300 crore were given to Punjab during 1984-89. An amount of Rs. 766.95 crore in respect of these loans is due for repayment during 1990-95. It is seen that the indebtedness of Punjab has been rising rapidly due to Plan and non-Plan loans of the order of Rs. 600 to Rs. 700 crore a year flowing to it from the Centre. These loans became necessary because of three factors, namely, (a) the high cost of combatting terrorism, (b) the power tariff policy on account of which the State Electricity Board, though otherwise performing well, is losing Rs. 300 to Rs. 400 crore a year due to highly concessional tariff, and (c) the State wishing to have a Plan far bigger than what its resources could sustain.

The special circumstances prevailing in the State might be inhibiting the administration from raising resources. And the State certainly has had to bear a high burden in terms of expenditure on law and order. As this case is of a special nature, we recommend a moratorium of two years on repayment of principal and interest. We further recommend that the Central Government, meanwhile, work out a suitable package of measures including debt relief in order to put Punjab's finances on a more sound footing.

Scheme For General Debt Relief

9.25 If the changes in terms of lending by the Central Government to the States are modified in accordance with our recommendations and the investment policies of the governments at both levels are also improved along the lines suggested, it would be possible for the Centre to reduce the rate of growth of its debt and for the States to take care of their liabilities. In future, therefore, there should be no need, as a rule, for debt rescheduling or write-off. However, as regards existing repayment obligations, it might be desirable to grant some relief. In doing so, we need to keep in mind the terms of reference which require us to suggest corrective measures with particular reference to investments made in infrastructure projects and linked to improvements in financial and managerial efficiency. We propose to grant some relief in relation to Plan loans received by the State Governments during the five years 1984-89 and outstanding as on 31.3.1990 after adjusting repayments during 1989-90. Central loans to States outstanding at the end of 1983-84 have been covered by the scheme of debt relief recommended by the Eighth Finance Commission; as such we do not propose to grant relief in relation to them. We propose to link the extent of relief to the performance of the States in respect of their investments in two important sectors, namely, power and road transport. We worked out the rate of return on investments in these two sectors. For this purpose we defined the rate of returns to equal the gross operating surplus after depreciation as a percentage of total (cumulative) investments. While total actual investments were taken in the case of road transport, investments in power sector have been taken after excluding the portion attributable to rural electrification and works-in-progress. On this basis, the States are divided into three categories:

(i) those where the rate of return was above 15 per cent (Andhra Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa and Tamil Nadu);

(ii) those where the rate of return varied between 10 and 15 per cent (Gujarat, Rajasthan and Uttar Pradesh); and

(iii) those where the rate of return was below 10 per cent (Bihar, Haryana, Kerala, Punjab and West Bengal).

The above classification of States has been worked out on the basis of the data obtained from the Planning Commission and the State Governments. It has been found in the past that the data received from the State Governments and from the Boards and Transport Corporations were not always consistent. We would, therefore, suggest that the Government of India, while implementing the scheme, have the data checked up once more with a view to ensuring their accuracy for the purpose of classification.

9.26 We recommend relief in repayment of 1984-89 State Plan loans due during the years 1990-95, to the extent of 10 per cent for the first category of States, 7.5 per cent for the second category of States and 5 per cent for the third category of States. We recommend relief to the extent of 10 per cent uniformly for the Special Category States and Goa. The loans which remain outstanding after this relief, at the end of 1994-95, should be made repayable in 10 equal instalments. In other words, the State Plan loans advanced to States during the five years 1984-89 and outstanding as on 31st March, 1990, should be consolidated and re-scheduled to 15 years in the case of all the States. In the first five years of this 15 year period (i.e., during 1990-95), the repayment should be 10 per cent, 7.5 per cent or 5 per cent less, as the case may be, than that due on the existing basis. The balance of the loan should be repayable in the remaining 10 years (1995-2005). This is estimated to provide relief in repayment to the extent of Rs. 494 crore to States during the five-year period 1990-95. Annexure IX.5 shows the Statewise position of the relief.

9.27 It is recommended that the 1984-89 loans consolidated in the above manner for 15 years should carry a rate of interest of 9.0 per cent per annum.

9.28 The total debt relief on all accounts to each State during 1990-95 under our scheme in respect of the loans outstanding at the end of 1989-90 comes to Rs. 975.62 crore as per details in Annexure IX.6.

9.29 This quantum of relief is less than what the Eighth Finance Commission recommended. However, in this context, the basic difference between the relevant terms of reference of the Eighth and Ninth Commissions has to be kept in view. Unlike the Eighth Commission, we have not been asked to suggest measures to deal with the non-Plan capital gap. We are required to review States' debt position as on 31.3.1989 and suggest corrective measures. This is a matter referred to us under Article 280(3) (c) of the Constitution and, therefore, we have to confine ourselves strictly to the President's Order on this subject which was not the same before the Eighth Finance Commission. As explained earlier in this chapter, the practice of writing off and rescheduling of Central loans in order to cover a part of the non-Plan capital gap has failed to provide a durable solution to the problem of States' indebtedness. The thrust should rather be on corrective measures which would prevent accumulation of excessive debt burden on States. This can be achieved only by suitable changes in the terms and conditions governing Central loans. We have suggested some measures in this new direction. While it is difficult to assess the exact quantum of consequent relief to States during 1990-95, a rough estimate would put it around Rs. 2000 crore (excluding amortization). However, the net adverse impact on Central budget is likely to be less in view of our suggestion regarding additional market borrowings by States in lieu of a part of Central Plan loans. Our recommendations also aim at recognising the financial and managerial efficiency as indicated in the terms of reference.

9.30 Shri Justice A.S. Qureshi, Member, does not agree with this scheme of general debt relief for the reasons explained in his Note of Dissent given separately.

CHAPTER X

CONCLUDING OBSERVATIONS

10.1 The task of a Finance Commission is a difficult one under any circumstances, as it involves judging the claims, needs and resources of the Centre and the States and on that basis working out a judicious scheme of transfers that would result in the balancing of needs and resources of the different governments. This Commission's task was rendered doubly difficult because of the grim and deteriorating fiscal scenario which we faced as we started our labours. It was a matter for concern that while the economy was doing well in many respects, the budgetary situation was far from satisfactory and was likely to hamper growth. There was a large and growing deficit on revenue account at the Centre and in the budgets of several States. In such a situation, any attempt to work out a scheme of Central transfers on the assumption that past trends would or could continue was a futile exercise. We were thus led to adopt a normative approach which had also been suggested in our terms of reference.

10.2 As this was the first time that a systematic normative approach to the assessment of revenue receipts and expenditure was being attempted, we had to develop first the basic principles of a normative approach and then work out the specific methods of assessing revenue receipts and revenue expenditure. It is in working out the methodologies of the normative assessment and applying them in practice that we had to face the greatest difficulty. Not much work had been done by Indian scholars in this area, particularly in relation to the normative assessment. We could get some guidance from studies conducted in certain other federations such as Australia and from practices in those countries. However, since the federal finance situation in our country has its own peculiar features, we had to work out for ourselves the entire methodology of normative assessment using certain relevant principles developed abroad with due adaptation.

10.3 The broad methodologies that could be applied in practice depended on the availability of data. A major source of difficulty has been in relation to obtaining relevant detailed data on a number of economic variables and other factors needed as base for making the normative assessments. Even when a methodology requiring less data was chosen, there was often difficulty in getting even such minimum data. Thus, we found that sufficient and reliable information was not available on tax bases or on the net yield of additional tax measures undertaken in various years. On the expenditure side, we could not find any authoritative or reliable studies on, for example, cost effectiveness of defence expenditure, the cost justification and distribution of benefits of subsidies of various kinds, etc. The Commission itself did not have time or resources to gather primary data or to undertake original research studies. The methodologies of normative assessments and their applications suffer from some imperfections traceable to data limitations.

10.4 It is also to be borne in mind that we were initiating a new approach with no precedence to build upon. In course of time, further experimentation should be possible and improvements in methodology could be effected. Apart from the limitations arising from the paucity of data, we also have had to make allowance for the fact that State finances were being subjected to a full-fledged normative assessment for the first time by. a Finance Commission, and, hence, we have thought fit to moderate the results of the normative assessment. As indicated in the relevant places, we have also been quite liberal in making assessments in respect of the Special Category States. Notwithstanding this liberality and the moderation of the results of normative assessment of the revenue receipts and expenditure of the non-Special Category States, we have taken care to ensure that the intended impact of normative assessment will be felt by the different States and the Centre and the signals generated by the principles underlying our scheme of Central transfers would serve to induce fiscal prudence without impinging in any way on fiscal autonomy.

10.5 The State Governments had argued before us that while it was desirable to adopt a normative approach, it was at the same time necessary to give adequate time for them to make the adjustments. The moderation of norms we have introduced is partly in response to the plea by the State Governments. The States had also urged that the normative assessment should be equally applied to the States and the Centre. We have indicated in Chapter II, the manner in which we have applied the normative approach to the assessment of Central revenues for the period 1990-95. In regard to Centre's revenue expenditure, we have sought to restrain its rate of growth. We have allowed for an overall growth in non-Plan revenue expenditure of the Centre over the base of the budget estimates of 1989-90 at only 9.7 per cent per annum in nominal terms (on the assumption of a 5 per cent rate of inflation) as against the long-term rate of growth of 17.0 per cent during the period 1974-75 to 1989-90. This represents an acceleration of the process of correction attempted in 1989-90 Budget wherein the increase in non-Plan revenue expenditure over the level in the 1988-89 revised estimates was 10.6 per cent. Of the total increase, interest payments are taken to grow at 12 per cent per annum as against 23.4 per cent in the eighties. This assumes a considerably reduced rate of growth of indebtedness which is expected to be achieved, inter alia, by taking a part of the financing of public investment out of the budget.

10.6 The rate of growth of Central Government expenditure has thus been determined normatively, keeping it well below the postulated rate of growth of revenues, as has been done in the case of the States. It could, however, be argued that the Commission should have considered the justifiable cost of providing a given standard of services in the case of the Centre too. In fact, it has been pointed out to us that the Central Government was spending large amounts of money in areas and subjects which belong properly to the jurisdiction of the State Governments under the Constitution, for example, agriculture. The strength of staff in Departments and Ministries dealing with the subjects falling largely or wholly within the jurisdiction of the States is considered by some to be unduly large. The Commission did not have the resources to undertake in depth studies in order to examine such issues. For example, while the requirements of defence will have to be assessed by military experts and the Government, it would be desirable to aim at minimisation of the cost of providing a given degree of military capability and deterrence. We had no way of judging the present level of defence expenditure on the basis of the above criterion.

10.7 Most of the data we collected have been computerised and will be passed on to the Ministry of Finance. In the very difficult task we were assigned to carry on, and in the context of the disconcerting fiscal scenario we felt hamstrung by non-availabilty of ready, adequate and reliable data. We, therefore, recommend that between the end of the life of one Finance Commission and the appointment of the next Finance Commission, in the interregnum, active and imaginative studies and projects on different topics relevant for the working of the Finance Commission be undertaken by the Finance Ministry to facilitate the work of the incoming Finance Commission. We strongly suggest that the present Division in the Finance Ministry which looks after the work of the Finance Commission, in the interregnum, be entrusted with this task. The Division, however, needs to be substantially strengthened and should function under a separate Senior Joint Secretary assisted by adequate number of officials and technical staff trained to collect and analyse the data and material, necessary for the Finance Commission. It may also be worthwhile examining constituting an Advisory Committee headed by a person well conversant with the intricacies of the public finances in India, which should guide this particular Division in its work and functions. One of our Members, Shri Justice A.S. Qureshi, however, in his dissenting note has suggested a different approach on this point. He opines, that Clause 1 of Article 280 of the Constitution envisages a permanent Finance Commission to be reconstituted every five years.

10.8 We would like to refer here to a complaint made by several State Governments, that while the Finance Commission wishes to impose, and might succeed in imposing, fiscal discipline on the State Governments, a similar dicipline could not be imposed on the Central Government. The Central Government, they argued, has access to credit from the Reserve Bank of India (on which limitations could be placed only out of Central Government's own volition), which meant not only that the Centre could incur expenditure in excess of whatever norms were prescribed, but also that an inflationary rise in prices was generated which threw the budgets of the States out of equilibrium.

10.9 The approach adopted by this Commission would result in a degree of discipline being imposed on the budgetary operations of the State Governments in the following manner. First, the volume of Central transfers has been determined on the basis of a normative assessment of revenue receipts and revenue expenditure and this places a limit on possible increases in expenditure without additional resources being mobilised. Second, this Commission has not attempted to fully close the non-Plan capital gaps of the States and as such the States would have to observe extreme caution in incurring additional debt, especially for financing revenue expenditure. Third, the overdraft facility with Reserve Bank of India to the State Governments has already been strictly limited. As against this, the fact that the Union Government has virtually unlimited "overdraft facility" with Reserve Bank of India means that it can incur additional debt to finance expenditures in excess of norms without raising additional revenue resources of its own. We have earlier urged that the Central and State Governments should be treated in a similar manner with regard to fiscal discipline. We recommend that a convention should, therefore, be developed limiting the extent of deficit financing by Central Government, in any given year, to an amount to be determined in consultation with the Governor of the Reserve Bank of India on the basis of certain objective economic criteria to be clearly laid down in advance. We would urge that suitable guidelines and criteria for determining the permissible amount of net RBI credit to Government be devised jointly by the Union Ministry of Finance and the Reserve Bank of India. It will also be necessary to predetermine the permissible peak level of RBI credit to Central Government at any point of time, in the course of the year.

10.10 In our first report, we had stated that in the report for the period 1990-95, we shall indicate in some detail the changes in fiscal policy and practices needed to bring about a situation of balance in the revenue budgets. Fiscal experts are agreed that the sine qua non for controlling the growth of revenue expenditure is the avoidance of inflation. This in turn requires strict limits to be placed on deficit financing in the sense of net RBI credit to the Central Government. Therefore, the first basic change in fiscal policy required is that the extent of deficit financing permissible in an year should be first determined in the manner we have suggested in paragraph 10.9 above. If under certain extraordinary circumstances the agreed upon limits of credit from RBI are to be exceeded, the matter should be discussed in Parliament and its approval obtained.

10.11 Second, the criterion of efficiency must be given a much larger weight in the pursuit of fiscal policy. Accessibility to funds without conditions or definite limits based on economic principles which we have referred to earlier in our report leads to erosion of responsibility and efficiency. It is, therefore, necessary to link performance with accessibility to funds.

10.12 Third, we suggest certain specific steps for bringing down the rate of growth of revenue expenditure in the immediate future:

(a) As the budgets are over-burdened and resources are scarce, government would have to shed some activities. This calls for the application of zero-based budgeting. Each Ministry/Department at the Centre and State be asked to order its activities according to its own scheme of priorities keeping in view certain guidelines to be issued by the respective Cabinets. Five per cent of each Department's work (measured in terms of share of revenue expenditure) which is of the lowest priority according to its own evaluation should be given up. The surplus staff created by this procedure would be kept available for re-location in other areas where activities might have to be expanded.

(b) There has been a fairly fast growth of employment in the government sector, particularly at the State level. Between 1979-80 and 1988-89, employment in the government sector, taking all States together, grew at the rate of 3.6 per cent (for the major States alone, the corresponding figure is 3.3 per cent). The result has been burgeoning increase in the salary bills. Therefore, it is essential to prevent the growth of government sector employment. There should be no increase in employment in the government sector (Centre and States) during the Eighth Plan period and the revenue Plan expenditure of the Eighth Plan should consist only of expenditure on materials except in relation to additional schools and hospitals to be started under the Plan. If expenditure on additional staff is incurred in respect of such Plan schemes, that must be adjusted within the non-Plan budget.

(c) Special efforts must be made to plug leakages in the Departments incurring heavy expenditure on materials such as P.W.D., Water Supply, Medical and Public Health. Considerable money could also be saved through economy in inventories and stores.

(d) The phasing out of the revenue deficit would reduce the rate of growth of public debt and, hence, the rate of growth of interest payments. In addition, some other measures are needed to slow down the growth of public debt. One is to reduce budgetary support to public enterprises, i.e., financing of public enterprises should be taken out of the budget as far as possible. Budget support would, of course, have to be extended to key infrastructure sectors like the railways; but even in such cases, part of the financing could be met through borrowing from the market with some interest subsidy from the budget. Methods of financing of the investment by other public enterprises through funds obtained outside the budget would have to be worked out. Public enterprises which are performing efficiently and are showing satisfactory financial results can be allowed by the Controller of Capital Issues to issue debentures as is done in respect of private enterprises. It would be desirable if Corporations in large cities are allowed to borrow funds against debentures with appropriate interest subsidy, to undertake slum clearance and other developmental activities. Another way of reducing the load on the public sector is to share with the private sector the task of expanding capacity in some areas such as power.

(e) In Chapter II, we referred to the low rates of return being obtained from public enterprises as a whole (excluding the petroleum sector) and to the fact that several of them are making losses. At the State level, most public enterprises including State Electricity Boards and State Road Transport Corporations are suffering losses. There is little justification for continuing to own and operate enterprises outside the core sector* which are continually making losses and which, according to reasonable expectations, cannot be revived and turned around. At present, these enterprises are being sustained largely through loans from the budget and, to some extent, through grants. Major budgetary savings can be effected if a way can be found to cut out such loan or grant subsidy. Those enterprises which can be rehabilitated with a reasonable infusion of funds should be brought back to health with the help of public financing institutions or the private sector; others would have to be merged with larger enterprises or closed down with adequate care taken to safeguard the interest of displaced labour. (We understand that part of the staff displaced could be absorbed in large number of vacancies normally arising in the government itself).

10.13 Subsidies are an item of expenditure in the Central Government Budget that has been rising rapidly. The rate of growth witnessed in recent years is not sustainable. Food, fertilizer and export subsidies account for by far the major proportion of total subsidies in the Central Budget. Food subsidies might have to be targeted in future towards the poor only, and with only a moderate rate of inflation, it would be possible to adjust issue prices when procurement prices are raised. We feel that not only the manner of determining and granting fertilizer subsidy, but the entire philosophy and approach would have to be re-examined, as otherwise with increasing fertilizer production on the basis of higher and higher costs due to increased capital costs, fertilizer subsidy would grow unbearably large in the not so distant future. Export subsidies are, of course, necessary but the increase in the quantum of subsidy could be reduced if the competitiveness of Indian exports could be ensured in other ways.

10.14 We urge that the above suggestions for policy changes we have made be given the utmost consideration by the Central and State Governments so that fiscal equilibrium is restored at least by the end of the period of our report.

10.15 Before concluding this report, it is pertinent to point out that the methodology of normative assessment which we have applied to the revenues and expenditures of the State Governments affects only inter-State transfers and has no role in determining the total volume of transfers from the Centre to the States as a whole. The methodology is so designed as to favour the States with lower revenue capacities and lower than average standard of services at justifiable costs. This is the major departure made by this Commission. As far as the projections for the 5-year period 1990-95 are concerned, we have followed almost the same approach as the earlier Commissions; that is, normative rates of growth of revenues and expenditures have been applied to base year figures and the base year figures are closely related to the actuals for the Centre as well as for the States taken as a whole.

10.16 The annexures included in this report contain only such summary tables as are essential for explaining our recommendations. A supplementary volume containing the detailed explanations will be submitted in a few days time.

* The core sector for this purpose may be defined to consist of coal, steel, power, petroleum, railways, telecommunications and some strategic non-ferrous metals. Loss making enterprises in this sector cannot be closed down, but should be brought back to health on the basis of a time bound programme.

SUMMARY OF IMPORTANT RECOMMENDATIONS AND OBSERVATIONS

11.1 Our important recommendations and observations are set out below:

I. INCOME TAX

11.2 (1) Out of net distributable proceeds, a sum equal to 1.437 per cent shall be deemed to represent the proceeds attributable to the Union Territories (para. 5.5);

(2) Eighty-five per cent of the divisible pool of Income Tax should be assigned to the States (para. 5.6); and

(3) The distribution amongst the States inter se of the share assigned to the States in each financial year during 1990-95 should be on the basis of the percentages shown in table below:

	States	Percentage Share
1.	Andhra Pradesh	8.208
2.	Arunachal Pradesh	0.073
3.	Assam	2.631
4.	Bihar	12.418
5.	Goa	0.110
6.	Gujarat	4.550
7.	Haryana	1.244
8.	Himachal Pradesh	0.595
9.	Jammu and Kashmir	0.695
10.	Karnataka	4.928
11.	Kerala	3.729
12.	Madhya Pradesh	8.185
13.	Maharashtra	8.191
14.	Manipur	0.171
15.	Meghalaya	0.208
16.	Mizoram	0.073
17.	Nagaland	0.096
18.	Orissa	4.326
19.	Punjab	1.706
20.	Rajasthan	4.836
21.	Sikkim	0.030
22.	Tamil Nadu	7.931
23.	Tripura	0.303
24.	Uttar Pradesh	16.787
25.	West Bengal	7.976
	Total	100.000 (para. 5.13)

II. ADDITIONAL DUTIES OF EXCISE IN LIEU OF SALES TAX

11.3 The net proceeds of Additional Excise Duties on Textiles, sugar and tobacco should be distributed on the following basis:

(a) A sum equal to 1.903 per cent of such net proceeds be retained by the Central Government as attributable to the Union Territories (para. 5.20).

(b) The balance should be distributed amongst the States in accordance with the percentages given below:

	States	Percentage Share
1.	Andhra Pradesh	7.680
2.	Arunachal Pradesh	0.107
3.	Assam	2.743
4.	Bihar	8.317
5.	Goa	0.228
6.	Gujarat	5.905
7.	Haryana	2.317
8.	Himachal Pradesh	0.621
9.	Jammu and Kashmir	0.929
10.	Karnataka	5.865
11.	Kerala	3.723
12.	Madhya Pradesh	7.164
13.	Maharashtra	11.886
14.	Manipur	0.213
15.	Meghalaya	0.190
16.	Mizoram	0.068
17.	Nagaland	0.120
18.	Orissa	3.486
19.	Punjab	3.533
20.	Rajasthan	4.689
21.	Sikkim	0.052
22.	Tamil Nadu	7.064
23.	Tripura	0.278
24.	Uttar Pradesh	14.657
25.	West Bengal	8.165
	Total	100.000 (para. 5.20)

III. GRANTS IN LIEU OF TAX ON RAILWAY PASSENGER FARES

11.4 (1) The annual quantum of the grant in lieu of the repealed Tax on Railway Passenger Fares should be fixed at Rs. 150 crore in each of the years 1990-91 to 1994-95 (para. 5.26).

(2) The grant to be made available be distributed amongst the States as under:

	States	Percentage Share
1.	Andhra Pradesh	7.484
2.	Arunachal Pradesh	0.008
3.	Assam	1.509
4.	Bihar	8.266
5.	Goa	0.133
6.	Gujarat	5.717
7.	Haryana	1.637
8.	Himachal Pradesh	0.098
9.	Jammu and Kashmir	0.520
10.	Karnataka	3.271
11.	Kerala	3.562
12.	Madhya Pradesh	6.061
13.	Maharashtra	22.634
14.	Manipur	0.013
15.	Meghalaya	0.040
16.	Mizoram	-
17.	Nagaland	0.165
18.	Orissa	1.614
19.	Punjab	3.110
20.	Rajasthan	4.579
21.	Sikkim	0.004
22.	Tamil Nadu	6.893
23.	Tripura	0.042
24.	Uttar Pradesh	15.437
25.	West Bengal	7.203
	Total	100.000 (para. 5.30)

IV UNION DUTIES OF EXCISE

11.5 (1) The divisible pool of Union Duties of Excise should include the net proceeds of all Excise Duties including Special Excise Duties but excluding duties collected under the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978, and the earmarked cesses (para. 5.33).

(2) The States' share in the net proceeds of shareable Union Excise Duties shall be 45 per cent (para. 5.34).

(3) The percentage share of each State in the shareable Excise Duties in each of the years 1990-91 to 1994-95 should be as given below:

	States	Percentage Share
1.	Andhra Pradesh	7.170
2.	Arunachal Pradesh	0.897
3.	Assam	3.810
4.	Bihar	11.028
5.	Goa	0.523
6.	Gujarat	3.183
7.	Haryana	1.099
8.	Himachal Pradesh	1.943
9.	Jammu and Kashmir	3.548
10.	Karnataka	4.104
11.	Kerala	3.087
12.	Madhya Pradesh	7.224
13.	Maharashtra	5.185
14.	Manipur	1.174
15.	Meghalaya	0.891
16.	Mizoram	1.109
17.	Nagaland	1.348
18.	Orissa	5.358
19.	Punjab	1.362
20.	Rajasthan	5.524
21.	Sikkim	0.260
22.	Tamil Nadu	6.379
23.	Tripura	1.556
24.	Uttar Pradesh	15.638
25.	West Bengal	6.600
	Total	100.000 (para 5.37)

V. FINANCING OF RELIEF EXPENDITURE

11.6 (1) The existing arrangements for financing relief expenditure should be replaced by a new one under which the States will have much greater autonomy and accountability (para. 6.16).

(2) A Calamity Relief Fund should be constituted for each State with the following amount in each year.

(Rs. Crore)

	States	Amount
1.	Andhra Pradesh	86
2.	Arunachal Pradesh	2
3.	Assam	30
4.	Bihar	35
5.	Goa	1
6.	Gujarat	85
7.	Haryana	17
8.	Himachal Pradesh	18
9.	Jammu and Kashmir	12
10.	Karnataka	27
11.	Kerala	31
12.	Madhya Pradesh	37
13.	Maharashtra	44
14.	Manipur	1
15.	Meghalaya	2
16.	Mizoram	1
17.	Nagaland	1
18.	Orissa	47
19.	Punjab	28
20.	Rajasthan	124
21.	Sikkim	3
22.	Tamil Nadu	39
23.	Tripura	3
24.	Uttar Pradesh	90
25.	West Bengal	40
	Total	804

(para. 6.17 and Annexure VI.1)

(3) Government of India shall contribute to the Calamity Relief Fund of each State to the extent of 75 per cent in the form of non-Plan grant. The balance 25 per cent shall be contributed by each State out of its own resources. The contribution to the Fund will be made by Governments in quarterly instalments (para 6.17).

(4) The Relief Fund would have existence outside the general revenues of the State and will be deposited in a nationalised bank (para. 6.17).

(5) A State-level Committee headed by the Chief Secretary of the State and consisting of officials connected with the relief work and other experts shall be constituted by the State Government to administer the Calamity Relief Fund. The Committee will decide all matters connected with the financing of the relief expenditure, including variations in the norms of assistance (para. 6.17).

(6) The yearly accretion to the Fund together with the interest accruing thereon would be used to meet all expenditure on calamities. No further Central assistance would be made available for the purpose. However, if in a particular year the money required is more than the balance available in the Fund, the State may draw 25 per cent of the Centre's contribution due to it in the following year in advance. (The Central Government may, at its discretion, allow higher percentage of advance also) (para. 6.17).

(7) The balance left in the Fund unspent at the end of fifth year (i.e. 1994-95) will be available for being used as a Plan resource (para. 6.17).

(8) All calamities such as drought, flood, cyclone and fire which qualified for relief assistance in the past will continue to be covered in the present scheme. The distinction between drought and other calamities like flood, cyclone etc. will be dispensed with (para. 6.17).

(9) The Centre should constitute an Expert Group to monitor relief work done in States utilising the Calamity Relief Fund and also to give such advice as it deems appropriate to the State agencies involved in relief work (para. 6.17).

(10) The Centre should contribute 75 per cent of the relief expenditure (over and above its contribution to the Calamity Relief Fund) of Rs. 163 crore on relief and rehabilitation of gas victims in Bhopal, during 1990-95 by way of non-Plan grant. The balance 25 per cent will be borne by the Government of Madhya Pradesh (para. 6.21).

VI. GRANTS-IN-AID

11.7 (1) To cover the net five-year (1990-95) deficits on non-Plan revenue account and part of the deficits on plan revenue account, the following States be paid the sums specified against each of them as grants-in-aid of their revenues in the respective years indicated in the table below, under the substantive part of Clause (1) of Article 275 of the Constitution:

(Rs. Crore)

States	Total					
	1990-95	1990-91	1991-92	1992-93	1993-94	1994-95
	(1)	(2)	(3)	(4)	(5)	(6)
1. Andhra Pradesh	341.25	46.07	54.60	66.54	78.49	95.55
2. Arunachal Pradesh	302.79	57.65	59.45	60.76	61.48	63.45
3. Assam	874.23	205.61	179.68	172.87	161.42	154.65
4. Bihar	1374.27	185.53	219.88	267.98	316.08	384.80
5. Goa	166.58	33.66	33.31	33.06	32.88	33.67
6. Himachal Pradesh	523.09	113.75	109.67	104.50	98.32	96.85
7. Jammu & Kashmir	1096.42	210.99	213.60	224.35	220.87	226.61
8. Kerala	412.54	55.69	66.01	80.45	94.88	115.51
9. Madhya Pradesh	1047.81	141.45	167.65	204.32	241.00	293.39
10. Manipur	371.65	74.92	74.90	74.40	73.32	74.11
11. Meghalaya	256.18	58.88	50.32	51.27	48.54	47.17
12. Mizoram	379.79	74.75	76.22	76.16	76.43	76.23
13. Nagaland	458.67	92.26	92.48	93.88	90.54	89.51
14. Orissa	1082.98	146.20	173.28	211.18	249.09	303.23
15. Punjab	53.91	7.28	8.63	10.51	12.40	15.09
16. Rajasthan	1446.79	195.32	231.49	282.12	332.76	405.10
17. Sikkim	84.68	17.59	17.37	17.03	16.50	16.19
18. Tamil Nadu	43.79	5.91	7.01	8.54	10.07	12.26
19. Tripura	466.01	101.19	101.27	96.52	87.25	79.78
20. Uttar Pradesh	3235.10	436.74	517.62	630.84	744.07	905.83
21. West Bengal	998.65	134.82	159.78	194.74	229.69	279.62
Total	**15017.18**	**2396.26**	**2614.22**	**2962.02**	**3276.08**	**3768.60**

(para.7.14)

(2) The following grants-in-aid may be paid to States in each of the five years commencing from Ist April, 1990, under the substantive portion of Clause (1) of Article 275 of the Constitution, towards the Centre's contribution to the Calamity Relief Fund.

(Rs. Crore)

	States	Amount of Grant
1.	Andhra Pradesh	64.50
2.	Arunachal Pradesh	1.50
3.	Assam	22.50
4.	Bihar	26.25
5.	Goa	0.75
6.	Gujarat	63.75
7.	Haryana	12.75
8.	Himachal Pradesh	13.50
9.	Jammu and Kashmir	9.00
10.	Karnataka	20.25
11.	Kerala	23.25
12.	Madhya Pradesh	27.75
13.	Maharashtra	33.00
14.	Manipur	0.75
15.	Meghalaya	1.50
16.	Mizoram	0.75
17.	Nagaland	0.75
18.	Orissa	35.25
19.	Punjab	21.00
20.	Rajasthan	93.00
21.	Sikkim	2.25
22.	Tamil Nadu	29.25
23.	Tripura	2.25
24.	Uttar Pradesh	67.50
25.	West Bengal	30.00
	Total	**603.00**

(para. 7.15 and Annexure VI.1)

(3) An amount of Rs. 122.25 crore be paid to Madhya Pradesh by way of grants-in-aid of revenue in five equal instalments commencing from Ist April, 1990, under the substantive portion of Clause (1) of Article 275 of the Constitution, towards the expenditure on rehabilitation and relief of victims of Bhopal Gas Leak Tragedy. (para. 7.15)

(4) The present level of provision for Centrally Sponsored schemes is too high and efforts should be made to reduce gradually the proportion of this type of expenditure and add the savings to the amount of Central assistance for State and Union Territory Plans. (para. 7.17).

VII. MERGER OF ADDITIONAL DUTIES OF EXCISE WITH BASIC DUTIES OF EXCISE

11.8 (1) The merger of Additional Duties of Excise with Basic Duties of Excise is not recommended, having regard to serious objections raised by almost all the major States to this proposal. As the tax rental arrangement was brought into being with the consent of the States, any major modification in the arrangements should also be brought about only with the consent of all the parties (para. 8.7).

(2) During the report period, if in any year the ad valorem incidence of Additional Excise Duties falls short of the level of 10.8 per cent of the value of clearances, the short-fall should be made good by Government of India by providing equivalent amount by way of grant-in-aid to be distributed in the same manner as worked out for sharing the proceeds of Additional Duties of Excise in paragraph 5.20 (para. 8.8).

VIII. DEBT RELIEF

11.9 (1) The formula of 70:30 for the apportionment of the Plan assistance in the case of non-Special Category States may be continued. But the loan component so worked out may be contributed from two sources - an amount equal to the grant portion may come in the form of Central loan and the balance may be made available by way of additional market borrowings (para. 9.20).

(2) The Reserve Bank of India may work out a formula for amortisation of States' market borrowings (para. 9.20).

(3) From 1990-91, the direct Central loans for State Plans should have a maturity period of 20 years with 50 per cent of the loans enjoying grace period of 5 years (para. 9.20).

(4) There should be no change in the terms and conditions relating to the Central loans against the small savings collections (para. 9.20).

(5) The entire external assistance received for externally-aided projects should, in all cases, be passed on to the States implementing those projects. No part of funds received exclusively for such projects should be withheld by the Centre (para. 9.20).

(6) The loan and grant portion of the World Bank assistance to be passed on to States should also be in the ratio of 70:30 as in the case of general Plan assistance. However, while the loan portion should carry the same rate of interest as applicable to other Plan loans, the repayment period should be the same as applicable to the assistance received from the Bank (para. 9.20).

(7) The entire amount of IDA assistance shall be passed on to States as loans carrying a rate of interest of 6 per cent per annum and repayment period of 30 years including a grace period of 5 years (para. 9.21).

(8) The States with unduly low share in assistance for externally aided projects should be allocated a larger share of the 10 per cent of the Plan assistance reserved for 'Special problems' under the modified Gadgil formula (para. 9.20).

(9) The Central loans obtained on Plan account by each of the three newly constituted States of Arunachal Pradesh, Goa and Mizoram, upto 1986-87 as Union Territories (as outstanding on 31st March 1990), in excess of what it would have received during that period by way of loan on the basis of the 90:10 or 30:70 formula applicable to States, should be written off (para. 9.21).

(10) The loans of given to States on account of drought during 1986-89 as outstanding on 31st March, 1989 shall be written off (para. 9.22).

(11) The loans of Rs. 91.62 crore given to Madhya Pradesh during 1984-89 in connection with the Bhopal Gas Leak Tragedy shall be written off and repayment or payment on account thereof made already by the State Government by way of principal and interest shall be adjusted against other payments due from the State Government (para. 9.23).

(12) A moratorium of 2 years (1990-92) on repayment of principal and payment of interest should be granted in respect of the special loans given to Punjab during 1984-89. Meanwhile, the Central Government should work out a suitable package of relief measures for the State (para. 9.24).

(13) The State Plan loans advanced to States during the 5 years 1984-89 and outstanding as on 31st March, 1990 should be consolidated and rescheduled to 15 years in the case of all the States. During the first 5 years 1990-95, repayments should be less than due on existing basis to the extent of 10 per cent in the case of Andhra Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu, Goa and Special Category States, 7.5 per cent in the case of Gujarat, Rajasthan and Uttar Pradesh and 5 per cent in the case of Bihar, Haryana, Kerala, Punjab and West Bengal (para. 9.25 and 9.26).

IX CONCLUDING OBSERVARTIONS

11.10 (1) In the interregnum between two Finance Commissions, the present Finance Commission Division should be entrusted with studies and projects on different topics relevant to the work of the Finance Commission. For this purpose, the Division should be substantially strengthened (para. 10.7).

(2) An advisory Committee should be constituted to guide the Finance Commission Division in its work and functions (para. 10.7).

(3) With a view to treat Central and State Governments in a similar manner with regard to fiscal discipline, a convention should be developed limiting the extent of deficit financing by the Central Government, in any given year, to an amount determined in advance in consultation with the Reserve Bank of India. If under certain extraordinary circumstances the agreed upon limits are to be exceeded, the matter should be discussed in Parliament and its approval obtained (para. 10.8).

(4) Specific steps should be taken to bring down the rate of growth of revenue expenditure in the immediate future. The policy regarding major subsidies should be reviewed (para. 10.12 and 10.13).

(5) Measures should be taken to slow down the growth of public debt. Funds for investment in public enterprises other than those in the key infrastructure sectors like the Railways, should, to the extent possible, be obtained from outside the budget (para. 10.12).

(6) A way may be found to cut out loans, grants and subsidies to the public enterprises which are continually making losses and which, according to reasonable expectations, cannot be revived and turned around (para. 10.13).

(N. K. P. Salve)
Chairman

(Raja J. Chelliah) *Member*

(Abdus Sattar Qureshi) *Member*

(R. Keishing) *Member*

(K. V. R. Nair)
Member Secretary

New Delhi
December , 1989.

NOTE OF DISSENT AND GENERAL OBSERVATIONS BY SHRI JUSTICE A. S. QURESHI (MEMBER)

It is my misfortune that I am unable to agree with the views of my esteemed colleagues in the Ninth Finance Commission on certain crucial issues. Hence, I am writing this Dissent Note expressing my views on those points. My signature to the main report is subject to this Note of Dissent and General Observations.

1. PERMANENT FINANCE COMMISSION

1.1 At the outset, I must say that Article 280 of the Constitution of India under which a Finance Commission is constituted is misunderstood and misconstrued right form the beginning. In my opinion, Article 280(1) envisages a permanent Finance Commission to be reconstituted every five years, unless for some reason, it ceases to exist before the expiry of its full tenure of five years. This interpretation is in consonance with the scheme of Chapter I of Part XII and other provisions of the Constitution of India. The founding fathers of our Constitution had intended Finance Commission to be an indpendent, impartial and semi-judicial body to arbitrate and adjudicate between the Union and the States in the matter of distribution of shareable taxes which are to be, or may be, divided between them and also to allocate to the States their respective shares of such proceeds. The Commission also has to lay down principles which should govern the grants-in-aid of the revenues of the States which are in need of assistance, out of the Consolidated Fund of India. Moreover, the President may refer to the Finance Commission any other matter in the interests of sound finance. These duties are such that they can be properly and effectively discharged only by a permanent Finance Commission on a continuous basis. Because of the complexities involved, it is not possible to estimate correctly at a stretch the revenue receipts and expenditures of the States for several years in the future. In fact, the situation is such that the Finance Commission must not only make assessments of receipts and expenditures on a year to year basis but also make changes and adjustments in the assessment from time to time during the year itself. Moreover, a permanent Finance Commission must also monitor the implementation of its recommendations by the Centre and the States and from time to time caution or even warn them when they are found erring. Thus, the Finance Commission, as originally conceived, could have been a powerful instrument to bring financial discipline in the Centre and the States. But, it is a pity that such an important institution is devalued, downgraded and rendered ineffective due to the Centre's growing hunger for amassing more and more power and authority in its own hands. This has led to the avoidable friction in the Centre-State relations. Consequently regionalism has increased rapidly and poses a threat to the unity and integrity of the country. The founding fathers had perhaps visualized this and hence they provided for the Finance Commission.

1.2 Article 280 of the Constitution does not envisage the appointment of a Finance Commission for one or two years, as it has been done so far. If the framers of the Constitution had intended the Commission to be a transitory body they would have provided for the exercise of its jurisdiction, powers and authority by some other body during its non-existence. The fact that there is no such provision clearly shows that those powers were intended to be exercised by the Finance Commission alone and none else. It also means that the Commission has to be in existence at all the time. No interregnum between the two transitory Finance Commissions is contemplated. By misinterpreting Article 280, the Union Government appoints Finance Commission for one or two years and thereafter, unconstitutionally exercises its jurisdiction, powers and authority through the Planning Commission, Finance Ministry or some other agency, till next Finance Commission is appointed after several years. This amounts to gross violation of the provisions of Chapter I of Part XII of the Constitution.

1.3 This interpretation of Article 280 is supported by the fact that nowhere in the Constitution it is stated that the Finance Commission shall submit its report for the next five years. Indeed, it could not say so because the revenue receipts and expenditures of the Centre and the States have considerable fluctuations from year to year. It is, therefore, reasonble and proper to interpret that the Finance Commission should do its work on the year to year basis and take into account the latest available data rather than the projections and forecasts for the next five years. The forecasts are mainly conjectures. The dependence on forecasts of receipts and expenditures of the Centre and the States for the next five years may not only be factually incorrect and unrealistic but also it may actually do injustice either to the Centre or, to all or some of the States. Therefore, I am of the opinion that the Finance Commission's reports should be on the annual basis and not on the five-year basis. Actually, this Commission has been asked to make recommendations for as many as six years i.e. for 1989-90 and for 1990-95. Even if the five-year calculations on the basis of projections and forecasts are to be carried out with a view to assist the planning process, such projected calculations must be corrected every year in the light of the actuals, which in turn would facilitate the annual Plans of the Centre and the States.

1.4 The wrong interpretation of Article 280(1) is probably due to the words, "at the expiration of every fifth year or at such earlier time as the President considers necessary", used therein. These words are used presumably to cover a contingency where the Finance Commission ceases to exist before the expiry of its full tenure of five years due to death, disqualification or resignation of its Members or for any other reason. In that event the Finance Commission may be reconstituted earlier, i.e. before the expiration of the five-year period. The aforesaid words do not imply that the Finance Commission can be constituted at any time during the five-year period. The five-year tenure of the Finance Commission is in consonance with similar tenures for the President, the Lok Sabha, etc.

1.5 Looking to the important functions of the Finance Commission, the ambit of its authority and jurisdiction should have been expanded by referring to it under Article 280(3)(c) many more matters pertaining to the public finance. Moreover, conventions should have been built to refer to the Finance Commission all matters pertaining to financial discipline and disputes regarding financial matters between the Centre and the States and the States inter se. Instead of expanding the authority and functions of the Finance Commission they are systematically curtailed. Even the functions already assigned under the Constitution were gradually taken out and exercised by the Centre in clear violation of the Constitutional provisions.

1.6 To discharge its functions as envisaged in the Constitution, the Finance Commission should consist of a whole-time Chairman and four whole-time members. The Section 7 of the Finance Commission (Miscellaneous Provisions) Act, 1951 provides that the Members of the Commission shall render whole-time or part-time service. The provision allowing part-time Chairman and Members, in my opinion, is quite wrong and needs to be amended immediately. The nature and extent of the Finance Commission's work, as envisaged in the Constitution, is such that it can be discharged only if the Finance Commission consists of the whole-time Chairman and Members. Our own experience in this Commission is not quite a happy one in this regard. The Chairman and three Members were part-time Members. Only the Member Secretary was full-time. Hence, the Commission's meetings could not be held as and when required and the work continued to pile up. Moreover, the Commission could not visit all the twenty five States even in our two and a half years tenure. We could not visit Sikkim, Nagaland, Mizoram and Tripura. This is quite unfair to these States as we could not see for ourselves their special problems and hold discussions with the Ministers, higher officials and representatives of different sections of the society. Only three Chief Ministers came here with a few officials. But to the non-availability of the part-time Chairman and part-time Members the progress was very slow. As a result, the Commission had to seek extension of six months beyond June, 1989 for submission of its second report. Even then, we have not been able to discuss some important points in detail. Thus the work is not completed satisfactorily. Given the normal working conditions it could have at the minimum taken another two to three months to complete the work satisfactorily. Therefore, I am of the opinion that not only the Finance Commission should be permanent but also that the Chairman and all its Members should be on the whole-time and not on the part-time basis.

1.7 The work of the Finance Commission is semi-judicial in nature. Hence it needs a great deal of objectivity and impartiality. To ensure that the Finance Commission performs its functions as required by the Constitution, it is necessary to appoint on it the persons who are truly independent, impartial and objective. To achieve this objective, a convention should be built not to appoint any active politician or a serving civil servant to the Commission. A further convention should be built to see that the Chairman of the Finance Commission has judicial background. Out of the remaining four Members also, if one of them has judicial background, it would further strengthen independence, impartiality and objectivity to a considerable extent. It is unfortunate that in the past, the Union Government has taken care to appoint to the Finance Commission some persons whom it regarded as favourable to it. Such appointments would reduce the credibility of the Finance Commission. The Finance Commission is a very important and useful institution for the Centre-State financial relations and for enforcing fiscal discipline on the Centre and the States. Therefore, care should be taken to preserve, nurture and strengthen it. It should not be interfered with, down graded and rendered ineffective. If the Centre has nothing to hide in its financial dealings with the States and if it wants to be fair and just to them, it should not be afraid of being judged by the truly impartial Finance Commission. Appointment of pliable-yesmen and favour-seekers to the Finance Commission may imply a guilty conscience. It is earnestly hoped that in future due care will be taken in the appointment of persons to the Finance Commission who are known to be truly independent, impartial, objective, fair and just.

1.8 It is also necessary that healthy conventions should be built to have informal consultations between the Centre and the States on the composition of the Finance Commission and on the terms of reference under Article 280(1)(c). This is necessary because the recommendations of Finance Commission greatly affect the finances of the States. Therefore, the States should have full confidence in the Chairman and Members of the Finance Commission. The unilateral action of the Union Government in the selection of persons to be appointed to the Finance Commission and in deciding the terms of reference without consulting the States may lead to misunderstanding and suspicion amongst at least some of the States. This would create avoidable friction between the Centre and the aggrieved States. The informal consultations in this regard can be held in the National Development Council or some other forum.

1.9 To perform its duties fully and effectively as required by the Constitution the Finance Commission should have a permanent Secretariat. It should be large and commensurate with the enormous task it has to undertake. In the past, the Finance Commissions had solely depended upon the data supplied by the Centre and the States regarding the estimated receipts and expenditures and the forecasts for future. Much of such data supplied by the Centre and the States is quite unreliable because the figures are deliberately inflated or deflated with ulterior motives. Such data is required to be cross-checked, enquired into and corrected to arrive at the true financial position. Besides this, some special studies also have to be undertaken by the Finance Commission. This Commission with its staff of nearly two hundred persons was unable to carry out certain studies, e.g., Taxable capacity and Tax Effort of States, Upgrading Municipal Services - Norms and Financial Implications, Indebtedness of Central and State Governments, etc. It had to entrust such studies to individuals and institutions. Even after spending several lakhs of rupees on such farmed out studies, the results were found not quite useful and most of these had to be discarded. The Commission should be able to carry out such work through its own Secretariat, if it is permanent and has qualified persons. The work of the Finance Commission will further increase because, henceforth it will go into plan grants and plan expenditure also which is lawfully within its jurisdiction but so far wrongly excluded from its jurisdiction. Moreover, it is also necessary that the Commission's Secretariat should monitor the implementations of the Commission's recommendations by the Centre and the States. The Commission should also from time to time point out to the Centre and the States the financial deviation if any and may suggest corrective measures to the erring party when it is found necessary to do so. To enforce financial discipline on the Centre and the States is not only a difficult and delicate task but also it requires constant vigil. Hence also a permanent Finance Commission with a permanent Secretariat is the sine qua non for fiscal discipline at the Centre and in the States. I am unable to agree with the majority recommendation regarding establishing the Finance Commission Division in the Finance Ministry to look after the Finance Commission's work during the interregnum between the two Finance Commissions, because it is wholly inconsistent with the Constitutional provisions.

1.10 The future Finance Commissions should have a Chairman and four full-fledged Members. There should be no Member Secretary. Instead there should be a non-Member, Secretary to the Commission to look after secretarial work. The secretarial work is so heavy and time-consuming that the Member Secretary is not able to give his full and undivided attention to the Commission's work. Therefore, he should be either a Member or a Secretary but not, both at the same time. Moreover, the Commission's work is of semi-judicial nature. Hence, all its Members should be able to concentrate on the Commission's work only. This was the position in the Eighth Finance Commission which had a non-Member Secretary. Why this practice is departed from in this Commission is difficult to understand.

1.11 Finance Commission has been treated as an adjunct of the Finance Ministry and subservient to it. The Finance Commission has no independence in the matter of even the appointments of its staff or managing its own finances. The Finance Commission has to go to the Finance Ministry for every trivial thing. The Commission should have complete freedom in dealing with its administrative and financial matters. It should not be required to go to the Finance Ministry or any other Union Government Department to seek sanction or approval of anything. Such an arrangement would be conducive to bring independence, impartiality, objectivity and fair dealing in the discharge of the Commission's Constitutional obligations. The Finance Commission should be a completely independent institution more or less on the lines of the judiciary. The second point I would like to emphasise is the way in which the staff is recruited in the Commission's secretariat. Most of the staff taken is on deputation from the Finance Ministry, Planning Commission or other Union government offices. The Member Secretary also is usually from the Finance Ministry or some other government establishment. In the interest of independence and objectivity in the working of the Finance Commission's Secretariat, I feel it would be appropriate that as much of the staff as possible should be taken through the direct recruitment. If some competent and qualified officers are available in the State Government departments, they could also be inducted in the Commission's secretariat. This may create a sense of involvement in the State Governments and win their confidence. Thirdly, I may emphasise that the maintenance of confidentiality of the deliberations of the Finance Commission is of utmost importance to avoid pressures on it from outside. I am sorry to say that till a few months ago the position in this regard was most unsatisfactory causing considerable embarrassment to the Commission.

1.12 Although in the Constitution, the word used is 'recommendation', in reality, the Finance Commission's recommendations are not mere recommendations, which can be ignored wholly or partially. It is a decision by an independent, impartial and semi-judicial body which distributes divisible revenue between the Centre and the States and recommends grants-in-aid of revenues to the States. This is within the exclusive jurisdiction of the Finance Commission as laid down in the Constitution. It also creates a vested right in the States to receive the amounts recommended to be transferred. Hence,these 'recommendations' are in the nature of 'award' of a tribunal or an impartial arbitrator. Hence, the recommendations of the Finance Commission must be accepted and implemented faithfully and in letter and spirit. Not doing so would amount to contravention of the Constitutional provisions. In theory, the President (in effect the Union Government) has power not to accept them or adopt the dilatory tactics to forward it to the Planning Commission with the remark "to bear it in mind" as it did with our First Report (for 1989-90). But the theoretical power to reject the Finance Coimmission's recommendations cannot be exercised without committing the breach of the Constitutional provisions. Moreover, no other body is empowered to recommend on the devolution of taxes and grants. Hence, the rejection of the recommendations of the Finance Commission would be tantamount to violation of letter and spirit of the Constitutional provisions. Indeed in the scheme of Chapter I of Part XII of the Constitution, the Finance Commission is virtually like the financial Supreme Court and its recommendations should be given effect to as an award and should be treated as final and non-justiciable.

1.13 For the above reasons, I would recommend to the President of India that –

(i) The jurisdiction, powers and authority of the finance Commission, as laid down in Chapter I of Part XII of the Constitution, should be restored, with immediate effect;

(ii) A permanent Finance Commission should be appointed immediately, initially for a period of five years and may be reconstituted at the expiration of every fifth year or earlier, if for whatever reason, it ceases to exist before the expiry of its full tenure of five years;

(iii) The Finance Commission should consist of a whole-time Chairman and four whole-time members;

(iv) The Chairman should be a retired judge of the Supreme Court or a High Court. A sitting judge may be appointed as Chairman only if he is willing to resign judgeship and take up the Finance Commission's Chairmanship on a whole-time basis. It is also desirable that one of the four members should have judicial background;

(v) No active politician or a serving Civil servant be appointed to the Finance Commission;

(vi) The Commission's report should be on the annual basis and on the realistic appraisal of the financial position of the Centre and each State;

(vii) The Finance Commission should have a permanent Secretariat with adequate staff commensurate with its constitutional obligations and other functions which the Commission may be required to perform under Article 280(1)(c) and for monitoring the implementation of its recommendations and also for enforcing financial discipline on the Centre and the States;

(viii) The Finance Commission should be totally independent of the Union government, especially the Finance Ministry. The Finance Commission should have complete control of its own finances and to appoint its staff. It should not be under the control of the Finance Ministry or any other ministry for anything whatsoever;

(ix) The Finance Commission's recommendations should be made binding on the Centre and the States and should be implemented in the letter and spirit. The recommendations should be treated like an award and should be made final and non-justiciable;

(x) To achieve the aforesaid objectives, if necessary, the relevant provisions of the Constitution and of the Finance Commission (Miscellaneous Provisions) Act, 1951, may be suitably amended.

2. GRANTS-IN-AID WITH SPECIAL REFERENCE TO ARTICLE 275 AND ARTICLE 282

2.1 The scheme of Chapter 1 of Part XII of the Constitution is that all regular fiscal transfers from the Centre to the States by way of grants are covered under Article 275. There is no distinction made between the plan and non-plan receipts and expenditures, while making the assessment of the needs of the States. Nor does Article 275 make any distinction on the capital and revenue accounts. The Finance Commission alone has the jurisdiction, powers and authority to make regular transfers from the Centre to the States under Articles 275. The said scheme envisages that the Finance Commisson appointed under Article 280 would be an independent, impartial, objective and semi-judicial body to adjudicate and arbitrate between the Centre and the States in the matter of fiscal transfers, on the principles of equity, justice and fair dealing. By misinterpreting the provisions of Articles 275 and 280, the Centre has, in the past, curtailed the Finance Commissions' jurisdiction, powers and authority, by making regular discretionary grants to the States for their plan and non-plan expenditures.

2.2 The plan grants and expenditures were in the past expressly excluded from the purview of the Finance Commissions by their terms of reference. In total contravention of the Constituional provisions the plan grants were given to the States by the Union Government through the Planning Commission, which is an extra-Constitutional body. The Planning Commission not only gave plan grants but also gave even the grants-in-aid of the revenues of the States to fill the budgetary gaps, on the ground that there was no Finance Commission in existence at that time. This is gross violation of the Constitutional provisions and amounts to the subversion of an important Constitutional body like the Finance Commission.

2.3 The Centre has not expressly stated under what provisions of the Constitution does it give the discretionary plan grants to the States. But, it can be safely assumed that it must be under Article 282 because there is no other provision in the Constitution which confers power on the Centre to make discretionary grants to the States. Although apparently the language of Article 282 appears to be wide enough to cover all grants so long as they are for public purpose. But the apparent width of power has to be understood in its context. The power under Article 282 cannot be construed to mean that the Centre can give grants to States on a regular basis. The regular grants from the Centre to the States can be given only under Article 275 and only through the Finance Commission recommendations. If the power under Article 282 is interpreted to mean that it is an alternative channel of *regular* transfers from the Centre to the States it would disrupt the delicate and judicious fiscal equillibrium which the Finance Commission is expected to bring about through the regular channel under Article 275. The Constitution makers could not have intended to bring about such a disruption. If Article 282 was intended to be a second channel for regular transfers from the Centre to the States that Article would have been grouped together with Articles 268 to 281 under the heading, "Distribution of Revenues between the Union and the States". The fact that Article 282 is separated from those Articles and put under a separate heading, "Miscellaneous Financial Provisions" shows that it is not intended to be used as a second channel of transfers from the Centre to the States. Moreover, the marginal note on Article 282 is: "Expenditure defrayable by the Union or a State out of its revenues" clearly indicates that it is an expenditure to be met by the Union or a State to meet a particular situation provided that it is for a public purpose. Article 282 permits the Centre and the States to incur expenditure even on subjects which are not within the legislative competence of the Centre or the States as the case may be. Under Article 73, the Union's executive power to give grants extends to the matters with respect to which the Parliament has the power to make laws. This is an embargo on the Centre's power to give disretionary grants to the States. This embargo is lifted by the non-obstant clause in Article 282 whereby the Centre can give discretionary grants to the States even when it has no legislative power on the subject. The lifting of the embargo clearly suggests that the power to give grants under Article 282 is an "emergency power" to be used in exceptional circumstances only. This is so for another reason also namely, the power under Article 282 can also be exercised by any State to give grants to the Centre or to another State which must necessarily be in emergency or exceptional circumstances. Moreover, Article 282 does not lay down as to whom such grants can be given. The only condition in the Article is that it must be for a 'public purpose'. It means that so long as the purpose is public and not private, it can be given even to voluntary organisations or institutions irrespective of whether they are controlled by the Centre or any States. It must also be remembered that any expansion of the scope of Article 282 would necessarily result in the corresponding abridgement of the scope of Article 275, which could not have been intended by the Constitution makers.

2.4 Article 282 is virtually a reproduction of a similar provision contained in Section 150 (2) of the Government of India Act, 1935. In that Act also this provision was meant for granting special assistance by the federal government to the provincial governments in emergency conditions or to meet exceptional situations. That power was not used until 1943. In 1943-44 during the unprecedented Bengal famine, it was used for the first time. After some years, it was again used for post-war reconstruction, relief and rehabilitation, etc. All these were undoubtedly emergencies and the grants were given to meet exceptional circumstances. The non-user of the power for several years clearly shows that it was to be used in really exceptional circumstances. Secondly, that section was also put under the heading, "Miscellaneous Financial Provisions". In Article 282 the retention of the heading "Miscellaneous Financial Provisions" and the marginal note, "Expenditure defrayable by the Union or a State out of its revenues" and separating it from the other Articles dealing with the regular transfers, cumulatively suggest that the Article 282 was not intended by the Constitution makers to be a regular channel of transfer from the Centre to the States as done in the past. The heading and the marginal note of Article 282 cannot be treated as relics of the past and ignored as suggested by the eminent jurist, Shri M.C. Setalvad in his report of the Study Team of the Administrative Reforms Commission on Centre-State Relationships. The framers of the Constitution had retained them after giving proper thought.

2.5 While enacting Article 275 and Article 282 the framers of the Constitution must have considered the practical aspect also. They must have realised that in the matter of giving regular grants from the Centre to the States it is desirable that these should be given on the basis of justice, equity and fair-dealing and not on the ground of political compulsions or demands of expediency. They must have also felt that if the power to make discretionary grants is to be exercisable by the Union Government there is a possibility of such power being exercised arbitrarily and on extraneous considerations or on questionable grounds. Apart from such a possibility, some States may feel that they have been discriminated against and that some other States have benefitted at their cost. Hence it is reasonable to assume that the founding fathers had on the practical grounds also intended that all the regular grants should be covered under Article 275 and given by the Finance Commission rather than those be covered under Article 282 and given to the States by the Union Government.

2.6 In the majority recommendation on this point, there is a quotation from the eminent jurist, Shri N.A. Palkhivala to the effect that the power under Article 282 is a 'residuary' power. Taken out of context the quotation may create a wrong impression that the power is 'residuary' in the sense that over and above the grants under Article 275 there is 'residuary' power under Article 282 also to give such grants. This is not true. Shri Palkhivala has categorically opined that regular grants from the Centre to the States do not come under Article 282. He has also stated in his written opinion that the regular grants for plan and non-plan expenditures on capital as well as revenue accounts can come only under Article 275 and it is within the jurisdiction of the Finance Commission only.

2.7 In the Commission's meeting a suggestion was made by a Member that the discretionary plan grants given by the Centre to the States through the Planning Commission do not fall either under Article 275 or under Article 282. It was further stated that the Union Government has power under Articles 112 to 114 to appropriate funds for its own expenditure, a part of which it can use for giving discretionary grants to the States. In my opinion, this view is not correct. The sums appropriated by the Union Government for its own expenditure cannot be transferred to the States as discretionary grants because it would run counter to the jurisdiction, powers and authority of the Finance Commission to give grants-in-aid under Article 275 and would upset the fiscal balance brought about by the Finance Commission on the principles of justice, equity and fair play. The discretionary grants could be arbitrary, unfair and unjust, favouring some States at the cost of others. The discretionary grants by the Centre for plan or non-plan expenditure, either on capital account or revenue account under Article 282 or Articles 112 to 114 or under any other provision of the Constitution would disrupt the whole scheme of Chapter I of Part XII of the Constitution. It is incumbent on all concerned that the provision of the Consitutution should be read in a harmonious manner because the Constitution is an organic document and therefore, its different parts must be understood, interpreted and acted upon so as to bring about harmony, and not disruption.

2.8 The Union Government has consistently misconstrued and misused the emergency power under Article 282 almost since the Constitution came into force. Consequently, larger and larger unauthorised and unconstitutional transfers have been made to the States and in the process curtailed the jurisdiction, powers and authorifty of the Finance Commission to give to the States the grants under Article 275. The following table illustrates this fact:

Grants from the Centre to the States

(Rs. crore)

Period	Grants under Art. 275(I)		Other Grants		Total Grants
	Amount	Per cent to Total Grants	Amount	Per cent to Total Grants	
(0)	(1)	(2)	(3)	(4)	(5)
1. I Plan (1951-56)	24	12.6	166	87.4	190
2. II Plan (1956-61)	153	21.5	558	78.5	711
3. III Plan (1961-66)	292	22.2	1023	77.8	1315
4. Three Annual Plans (1966-69)	422	27.7	1100	72.3	1522
5. IV Plan (1969-74)	737	18.9	3166	81.1	3903
6. V Plan (1974-78)	2068	35.8	3703	64.2	5771
7. Two Annual Plans (1978-80)	927	19.6	3808	80.4	4735
8. VI Plan (1980-85)	2020	11.0	16408	89.0	18428
9. VII Plan (1985-90)	6182	14.1	37565	85.9	43747
(i) 1985-86	975	14.8	5634	85.2	6609
(ii) 1986-87	869	12.0	6389	88.0	7258
(iii) 1987-88	1195	13.2	7846	86.8	9041
(iv) 1988-89 (RE)	1266	12.7	8673	87.3	9939
(v) 1989-90 (BE)	1877	17.2	9023	82.8	10900
Total (1951-90)	**12825**	**16.0**	**67497**	**84.0**	**80322**

Note: *Compensatory grants in lieu of the repealed Tax on Railway Passenger Fares are not included.*

The above table clearly shows that since 1951-52 to 1989-90 (BE), Rs.12,825 crore (16.0%) were transferred under Article 275 on the basis of the Finance Commissions' recommendations whereas a much larger amount of Rs.67,497 crores (84.0%) were transferred as discretionary grants by the Centre outside the recommendations of successive Finance Commissions.

2.9 While using the power to give discretionary grants to the States under Article 282, the Centre has used the Planning Commission as the medium. The Planning Commission is an extra-Constitutional body and has no basis either in the Constitution or in any legislative enactment. It is purely a creation of the Union government by a resolution. Its functions are not defined nor is there any limit to the number of its members. Its duration also is not fixed. The Prime Minister is its ex-officio Chairman and there are Cabinet Ministers among its Members. Its Members are picked and chosen to suit the requirements of the Union government. From its composition it can be described as a quasi-political body. It enjoys vast authority and prestige. It has undoubtedly a very crucial role to play in the planned and orderly development of the country. But, even such a high-powered body cannot take over and exercise, the jurisdiction, powers and authority of the purely Constitutional bodty like the Finance Commission. The Planning Commission cannot be expected to discharge quasi-judicial functions envisaged in Chapter I of Part XII of the Constitution. In our discussions in the Commission a point of view was expressed that if the Finance Commission exercises its powers of going into plan expenditure and giving plan grants, it would disrupt the planning process. I do not agree with that view point. It is not correct to say that the Planning Commission can work only if it has power to give discretionary grants to the States. Even without such a power it can and should function effectively. In my opinion, the Finance Commission and the Planning Commission have independent and distinct roles to play. Neither need impinge on the other's authority or functions. I am of the view that under the scheme of Chapter I of Part XII of the Constitution, the Finance Commission has to decide the parameters of resources available through its judicious distribution between the Centre and the States for plan and non-plan expenditures, on the capital account as well as revenue account. The Finance Commission has to do this on the principles of justice, equity and fair-play, so as to maintain fiscal equillibrium between the Centre and the States as well as between one State and another. In other words, the Finance Commission has to maintain the fiscal balance, vertically and horizontally. After the resource position of the Centre and the States is determined by the Finance Commission, the role of the Planning Commission begins in determining the priorities for the planned development. Where to spend and how to spend the available re-resources is within the respective spheres of the Centre and the States, who may with the help and guidance of the Planning Commission set out priorities and make the best use of the allocated funds. This is the spehere where the Planning Commission has an important role to play. The Finance Commission is not concerned with it at all.

2.10 The grants which the States get through the Finance Commission under Article 275 are given as a matter of Consititutional right; whereas the discretionary plan grants which they get from the Centre through the Planning Commission are mere bounty depending on the munificence of the Centre. The Centre alone decides whom to give and how much to give. The receiving State does not get it as a matter of right. It is highly unfair and unjust for the Centre to appear to give to the States plan and non-plan grants as a charity under Article 282, what is theirs as a matter of Constitutional right under Article 275. It is surprising that for the past four decades the States have not appreciated this aspect of the matter. They have not claimed what is theirs by right and have chosen to come as supplicants, seeking assistance from the Centre through the Planning Commission. Perhaps some of the State governments might have been finding it more convenient and beneficial, because in the Planning Commission the assistance is determined not so much on the basis of inter State equity, justice and fair-play, as on the basis of supplication, bargaining, haggling and even brow-beating or using political clout. In any case the States are interested in getting from the Centre as large sums as possible through whatever channel, Finance Commission, Planning Commission, Union Ministries or any other. Hence, they do not seem to bother much about enforcing the Constitutional rights rather than seeking charity. The size of the plans of the Centre and the States should not solely depend on the allocations by the Finance Commission. If the States want bigger and better plans they are free to mobilise additional resources over and above the transfers by the Finance Commission.

2.11 The question regarding giving regular plan grants under Article 282 is a very important matter which goes to the very root of the jurisdiction of the Finance Commision. It was, therefore, necessary and proper for this Commission to go into that question in its report. I, therefore, do not agree with the majority view that we should not go into that question or express an opinion on it. The Commission has discussed this point in considerable details. We had sought and obtained written opinion from a number of eminent Constitutional experts. We had also invited a number of experts from the legal profession and academic institutions, who expressed their learned opinions, from which we have benefitted quite a lot. After putting in so much effort, it would, in my opinion, be improper to brush aside the question and skirt the issue. Speaking for myself after having gone into the question in some depth I am fully convinced that the above interpretation of Article 282 vis-a-vis Article 275 is correct.

2.12 I would therefore recommend to the President that-

(i) The scope of the recommendations of the Finance Commission should not be restricted to the non-Plan revenue and expenditure accounts only as done in the past. The Commission should be left free to cover plan and non-plan, revenue as well as capital expenditures and general as well as capital grants under Article 275;

(ii) No restriction direct or indirect should be put on the jurisdiction, powers and authority of the Finance Commissions, which are conferred by Chapter I of Part XII of the Constitution;

(iii) That the Union Government should not give any plan or non-plan grants to the States on a regular basis which can be given only by the Finance Commission under Article 275;

(iv) The special public purpose grants under Article 282 may be given by the Centre on *ad hoc* basis only, to meet exceptional or emergency situations and not as a regular alternative channel of Central transfers to the States;

(v) The Union Government should not exercise the jurisdiction, powers and authority of the Finance Commission through the Planning Commission, Finance Ministry or any of its other organs under the pretext that the Finance Commission is not in existence at that time.

3. DISTRIBUTION OF TAXES

3.1 In the matter of distribution of the proceeds from the taxes, the Centre has not always been fair to the States. There are instances, where the States have been wrongfully deprived of their legitimate shares by dubious means. A striking example is that of income tax revenue. Before the year 1959, the entire collections of income tax paid by individuals as well as companies was divisible and shared between the Centre and the States. In 1959, the income tax paid by the companies was abolished and the rates of corporation tax raised. The latter being non-shareable with the States, they suffered loss in their share of income tax earlier paid by the companies.

3.2 The Finance Minister was conscious of the fact that the States will strongly resent and will not easily reconcile to this recurring heavy financial loss. Hence, he announced in his budget speech in February, 1959 that the States will be compensated for this loss by some other means. This assurance was implemented by paying to the States compensatory ad-hoc grants-in-aid of revenue for the years 1959-60, 1960-61 and 1961-62 to make good their loss in the income tax share.

3.3 When the Third Finance Commission was constituted in 1960, this question was referred to it. But, that Finance Commission regretted its inability to fully compensate the states on the ground that the Commission was bound by the relevant Constitutional provision and the terms of reference in the Presidential Order of appointment of the Commission. However, the Commission recommended the increase in the States share of individual income tax from 60 per cent to 66 2/3 per cent. Thus, the fact that the States were deprived of their legitimate share in the entire income tax collections was acknowledged by both, the Finance Commission and the Union Government.

3.4 Since then successive Finance Commissions have increased the States' share in the individual income tax which now stands at 85 per cent, leaving the remaining 15 per cent for the Centre. Consequently, the Centre's interest in collection of individual income tax, appears to have considerably reduced, which can be seen from a number of tax deductions it has allowed in respect of the individual income tax and the frequent exemptions granted.

3.5 By making the company income tax (i.e. the corporation tax) non-shareable, the Centre has deprived the States of sharing in an expanding source of revenue. On the scrutiny of the income tax collection figures for individuals and companies and the respective shares of the Centre and the States, it becomes evident that the Centre gets too big a share and the States get a small share. The following table shows the comparative figures of income tax collections and the shares of the Centre and the States from 1950-51 to 1989-90 (BE):

TAX COLLECTION ON INCOMES: INDIVIDUALS AND COMPANIES

(Rs. crores)

Year	Income Tax paid by Individuals	Income Tax paid by Companies	Total Income Tax	Amount of States' Share	Percentage of States' Share
1	2	3	4	5	6
1950-51	134	39	173	47	27.4
1951-52	147	41	187	53	28.0
1952-53	143	43	186	57	30.6
1953-54	124	40	164	57	34.9
1954-55	123	36	159	56	35.0
1955-56	132	37	169	58	34.6
1956-57	151	50	202	58	28.7
1957-58	165	56	220	73	33.3
1958-59	172	54	226	76	33.5
1959-60	149	107	256	79	30.9
1960-61	169	111	279	88	31.5
1961-62	160	161	321	94	29.4
1962-63	187	220	408	95	23.4
1963-64	246	287	533	118	22.1
1964-65	267	314	581	124	21.3
1965-66	272	305	577	123	21.4
1966-67	307	331	637	137	21.5
1967-68	326	311	636	174	27.4
1968-69	379	300	678	195	28.7
1969-70	448	353	802	293	36.6
1970-71	473	371	844	359	42.6
1971-72	537	472	1009	460	45.6
1972-73	630	558	1188	488	41.1
1973-74	745	583	1328	532	40.0
1974-75	874	710	1584	516	32.6
1975-76	1214	862	2076	734	35.4
1976-77	1194	984	2179	652	29.9
1977-78	1002	1221	2223	675	30.4
1978-79	1177	1252	2429	707	34.2
1979-80	1340	1392	2732	865	31.6
1980-81	1506	1311	2817	1002	28.1
1981-82	1476	1970	3446	1017	34.0
1982-83	1570	2185	3754	1132	33.2
1983-84	1699	2493	4192	1172	35.8
1984-85	1928	2556	4484	1231	36.4
1985-86	2509	2865	5374	1846	34.3
1986-87	2878	3160	6038	2159	35.7
1987-88	3187	3433	6620	2589	39.1
1988-89	4188	4314	8502	N.A.	-
1989-90 (BE)	4245	4755	9000	3128	34.8

Source : Central Budget Documents-various issues

3.6 The States have constantly raised this question before successive Finance Commissions. They have made a forceful representation before this Commission also, in their Memoranda as well as at the personal hearings. The States also made strong representations on this point before the Commission on Centre-State Relations, headed by Mr. Justice R.S. Sarkaria. The Sarkaria Commission also very strongly recommended to the Union of India to remove this major irritant.

3.7 My esteemed colleagues feel that 85 per cent of income tax given to the States, compensates them adequately for the loss they suffer on account of the exclusion of the company income tax (corporation tax) from the divisible pool. They feel that if the States are given more money, it would financially weaken the Centre. I am unable to agree with my respected colleagues. In principle, it is wrong to deprive the States of their legitimate share in the composite income tax. To compensate a wrong is not the same thing as not to do the wrong at all. It is not correct to say that the Centre will be financially weakened if the States are given their legitimate share. Nobody would want to weaken the Centre. In fact, we all want the Centre to be strong but not at the cost of the States. For the harmonious relations between the Centre and the States, it is essential that the Centre should be fair, just and equitable because in any comparison between the two the Centre is and has always been stronger than all the States.

3.8 In view of the adamant, inflexible and unreasonable attitude of the Centre in this matter and also on the principle that the equity looks upon that as done, which ought to have been done, I would recommend to the President (in effect the Union Government) to take appropriate action for amendment of the Constitution to provide for sharing of the corporation tax with the States.

3.9 The next question is what constitutes divisible pool from income tax proceeds. Even from the individual income tax, the Centre has been making quite a number of large deductions under different heads such as the Union emoluments, Miscellaneous receipts, cost of collection, etc. These deductions are unilaterally determined by the Centre and are not subject to scrutiny. In fairness to the States, it is desirable that the questions regarding the propriety of deductions under these heads and the justifiable quantum of deductions should be decided by an impartial body like the Finance Commission. Hence, in my opinion these questions should be referred to the Finance Commission under Article 280(3)(c), as it pertains to the sound finance of the Centre and the States.

3.10 The most crucial question is what should be the ratio of apportionment of total income tax receipts (including those from corporation tax) between the Centre and the States. While determining this question, we have to bear in mind that the Centre shoulders heavy responsibility in several matters of national importance. Hence, in my opinion, the share of the Centre should be larger than the share of all the States put together. Taking all the relevant circumstances into consideration and adopting impartial and objective standards, I feel that the Centre including the Union territories should get 55 per cent and all the States put together should get 45 per cent of the total receipts of the income tax paid by the individuals as well as the companies. In fact, this ratio was achieved in 1971-72 when all the States' share in the total income tax was 45.6 per cent. This ratio is the same as that we have fixed for the excise duty. There also we have recommended 55 per cent for the Centre and 45 per cent for the States. However, the ratio of apportionment of income tax revenue between the Centre and the States can be modified by the Finance Commission from time to time as the situation demands.

3.11 In view of my aforementioned recommendations, the 45 per cent share of the States should be divided between them according to the same formula as is adopted in the majority report. The said formula appears to be reasonably fair. The only difference between the majority recommendation and my recommendation, in this Dissenting Note, is that instead of 85 per cent of the individual income tax alone, the States will get 45 percent of the total collections of income tax, paid by the companies as well as individuals.

3.12 Under my recommendation, the Centre will get slightly less amount and the States will get slightly more than what they get now and will get under the majority recommendation. But the two major advantages in my recommendation are: (i) that a strong irritant in the Centre-State relations will be removed and (ii) that the unity and integrity of the country will be safeguarded at a negligible cost. In my opinion, it will not in any manner weaken the financial position of the Centre. Rather, this would enhance the Centre's interest and stake in income tax, leading to larger collections.

3.13 In my recommendation, the corporation tax which is in fact company income tax is treated as shareable between the Centre and the States. The question of proportionate cost of collection for the individual income tax and the corporation tax does not arise. However, if such a question does arise then, in my opinion, the ratio between the individual income tax and the company income tax would be 1:1. It is highly unfair and unjust to fix it at 7:1 on the ground that there is more work-load and bigger work force engaged in the individual income tax work. This is factually incorrect. The company income tax work is much more complicated. Moreover now, individual assessments upto rupees one lakh do not require scrutiny, which takes out bulk of the work. It is indeed a travesty of truth to say that the work on individual income tax collection is seven times heavier than that on the company income tax collections. Apart from the work-load, the amount of collections also must be looked at. The company income tax collections are higher than the individual income tax collections and, therefore, company income tax component can and should bear at least equal burden, if not more. An important aspect in this matter is to consider that if there was no individual income tax and only the company income tax was to be collected, how many persons would have been employed and how many establishments put up to collect it. On this basis, much more than half of the cost of collections would get allocated to the corporation tax. Hence, fairness and justice would demand that the ratio between the two components of income tax should be 1:1.

3.14 The next important question is regarding the surcharge on the income tax levied under Article 271. Its proceeds go entirely to the Centre and are not shareable with the States. The surcharge is intended to mobilise additional resources for unforeseen calamities. Hence, necessarily it must be for a limited time. It should not be levied for long period to become almost a permanent tax. The Centre had been collecting surcharge on income tax for many years. The States complained before all Finance Commissions that the Centre was wrongly using surcharge as additional income tax and appropriating the proceeds. The Eight Finance Commission in its report observed as under:-

> "..... we would strongly suggest to the Union Government that for the sake of amicable Centre-State relations it should reconsider the indefinite continuance of surcharge... We would suggest that with the commencement of the financial year 1985-86 the surcharge be withdrawn, and the basic rates of income tax be suitably adjusted". (Para 5.10).

The Government withdrew the surcharge after 1985-86 but subsequently, reintroduced it selectively on the ground of severe drought in 1986-87. Though the last two monsoons have been exceptionally good and foodgrains production has reached record levels, the surcharge still continues. The policy of the Centre in this regard is unfair, unjust and arbitrary. In the name of surcharge on income tax, it is collecting large amounts which should be shareable. If the surcharge is levied for a specific purpose and its duration is relatable to the purpose, it can be regarded as 'surcharge' and will be exclusively for the Centre. But, if it is not for the specific purpose, or if it continues beyond the duration of that purpose, it should be treated as ordinary income tax and made shareable. In my opinion, in future, the levy of any surcharge on income tax should be referred to the Finance Commission to be decided on equitable grounds.

3.15 The States also have the grievance that as the Centre gets only 15 per cent of the individual income tax, it does not show keen interest in the recoveries of the arrears of income tax. The amount of income tax arrears for the past five years, 1983-84 to 1987-88 for which data is available is as under:

INCOME TAX IN ARREARS

		(Rs. in crore)
1983-84	-	903.95
1984-85	-	1168.40
1985-86	-	1215.83
1986-87	-	1439.20
1987-88	-	1631.68

If the total income tax (company and individual) is made shareable the Centre would have more interest in recovery of arrears as its own share in the enlarged pool will increase. In fairness to the States the Centre should make vigorous efforts to recover promptly the arrears of income tax.

4. DEBT RELIEF

4.1 For purposes of debt relief, the majority has classified the States into three categories, based on the performance in respect of returns from investments in power and road transport, and recommended that the State Plan loans obtained by them during 1984-89 should be so rescheduled as to give relief in the repayments ranging from 5 per cent to 10 per cent over the five years 1990-95. This is estimated to reduce the repayment liability of the States by Rs.488 crore in the five year period 1990-95. Though I agree with their classification, I feel that the relief recommended by them is not adequate, in view of the States' weak financial base. I am convinced that the staggering debt burden they are carrying on their shoulders is partly due to the fact that in the matter of devolution of taxes and grants the Centre has never given a fair deal to the States.

4.2 The total outstanding of Central loans against the States as on 31.3.1990 is over Rs.56,000 crore out of which about Rs.16,000 crore are due for recovery during the five years, 1990-95. The relifef of Rs.494 crore recommended by the majority, in my opinion, is too meagre, amounting to only about 3 per cent of the repayments due. Even this meagre relief is by way of rescheduling, i.e. postponement, which in my view is not a relief in the real sense. I would, therefore, recommend that the repayments due during 1990-95 in respect of State Plan loans received over the five years 1984-89 and outstanding as on 31.3.1990 should be straightaway written off to the extent of 60 per cent in the case of States in the first category and special category States and Goa, 50 per cent in the case of those in the second category and 40 per cent in the case of those in the third category. This would give a relief of Rs.3150 crore to the States over the five years 1990-95. Considering the debt relief of Rs.2285 crore given to the States by the Eighth Finance Commission at 1983-84 prices, the order of relief recommended by me cannot, by any standard, be considered excessive.

4.3 I am of the firm view that the order of relief recommended by me should cause no undue strain on the finances of the Centre. The Centre could certainly find this money through economy in expenditure over the levels allowed by us in our assessment. According to me, there is a lot of wasteful expenditure being incurred by the Union Government and a little check thereon could easily give the resources of the order required to give the desired debt relief recommended by me.

4.4 Earlier in our deliberations we were of the view that in general there should be no write off or rescheduling of the debts as it encourages profligacy in the States. But now taking an overall view of the fiscal scenario in the Centre and the States I feel that the least we can do for the States to relieve them of their crushing debt burden is to write off a small part of it which becomes repayable during the next five years. This relief will help the States in financing partly their next five year plans. I must also add that the States should realise the sanctity of loans and that the borrowed funds should be used for productive investments only and not for consumption.

5. GRANTS TO STATES IN LIEU OF THE REPEALED RAILWAY PASSENGER FARES TAX

5.1 Though the Commission has not been asked by its terms of reference to make recommendation on the quantum of the compensatory grants to be paid to States in lieu of the repealed tax on railway passenger fares, the majority report has recommended this at Rs.150 crore per annum on an ad-hoc basis. I do not agree with this. This is a compensatory grant and therefore, its quantum has to be based on what the yield of the tax would have been if the tax was in force. When the tax was in force, the tax element in the fare structure was, on an average, 10.7 per cent. It will, therefore, only be fair that quantum of the grant is determined on the basis of 10.7 per cent of the non-suburban passenger fare earnings in each year of our recommendations. The Eighth Finance commission had accepted this principle in fixing the grant at Rs.95 crore per year for the period 1984-89.

5.2 The argument advanced on behalf of the Railways and accepted by the majority that the Railways will not be able to bear the burden of paying to the States 10.7 per cent of non-suburban passenger fares and that it will seriously affect their finances and jeopardise their modernisation programme is, in my opinion, not tenable. The Railway finances and their modernisation plan should not depend on the contributions by the States. The passenger fares being collected by the Railways include an amount in lieu of the repealed tax. This amount is collected on behalf of the States and is thus held in trust by the Railways. The Railways therefore, cannot be allowed to nibble away this amount due to extraneous considerations. I would, therefore, recommend to the President that the States should be paid grants in lieu of the repealed tax on Railway passenger fares equivalent to 10.7 per cent of the non-suburban Railway passenger fares collecitions in each year from 1990-91 to 1994-95.

6. NORMATIVE APPROACH

6.1 At the outset I must make it clear that the Presidential Order requiring this Commission to adopt the normative approach in assessing the receipts and expenditures on the revenue account of the States and the Centre is a step in the right direction. It is indeed the need of the hour. The Centre as well as the States have been indulging in uncontrolled profligacy and are living beyond their respective means for quite sometime. Their performance on the revenue and the expenditure fronts is dismal. Neither the Centre nor the States practise any kind of financial discipline. In these circumstances, it is necessary that their performance should be judged on the basis of what it reasonably ought to be and not on the basis of what it actually is. In the prevailing conditions pertaining to public finances it is an imperative need to adopt the normative approach for both the Centre and the States. Anyone who has conceived this notion of normative approach has done a great service to the country in the prevailing financial chaos. In the beginning some States were up in arms against, inter alia, normative approach. Even in the Centre the Finance Ministry was in jitters on the normative approach being applied to its far from satisfactory performance. Neither the Centre nor the States wanted the normative approach to be applied by the Finance commission all of a sudden. They wanted this Commission to apply the normative approach gradually giving them chance to adapt themselves to the normative standards. In the circumstances and on practical grounds this Commission felt that the request was reasonable. We, therefore, decided to apply the normative approach gradually to enable the Centre and the States to trim their fiscal sails according to the needs of normative standards. In our first Report, we had applied normative standards to the States somewhat rigorously. Consequently, some States especially the special category States suffered heavily. We have reversed our policy on this point and now have watered down normative standards considerably in our second Report. Although the normative approach is in itself a very beneficial thing, there is a practical difficulty in its application. Normative standards can be applied to States easily and effectively, but they cannot be applied to the Centre with the same rigour. It is difficult to set normative standard to certain items, such as, defence expenditure, debts etc. it would, therefore, always be the grouse of the States that the normative approach is applied only to the States and not to the Centre. Such an objection is justified in the prevailing situation. However, ways and means have to be devised to lay down normative standards for the Centre also.

6.2 In our first Report, we had given the upgradation grants for improvement of certain beneficial services. We had also given grants for the special problems of the States. Those grants were separate and identifiable. The advantage of such grants is that they could be tied grants for specific purposes. It was possible to insist upon the performance relatable to the grants from the concerned States. In the present Report, we have departed from that practice and instead of giving upgradation grants or special problem grants they have been built in the requirements of the States in this regard which is assessed on normative basis by the use of econometric models and algebric formulae. In my opinion, this is not correct. We should have followed the same method as we followed in our first Report and should have recommended grants for special problems and upgradation of services, so as to make abundantly clear how much is given, for what purpose and to ascertain the compliance of the objectives of the grants.

6.3 I have an objection to the results arrived at by adopting th normative approach in assessing the receipts and expenditure on the revenue account of the States and the Centre. It is on th ground that they have been worked out on the basis o econometric models relying on proxies, dummies, variables, et in the absence of accurate or reliable data. Moreover, certai considerations have been built in to arrive at the desired results. am really doubtful about the efficacy of such a mechanic approach towards normative assessment of receipts an expenditures of States, in such a vast country with widely varyin social and economic conditions and historical background. Aft all life is not all law or logic. It is not susceptible to algeb equations, econometric models or any other theoretical formu Life is full of contradictions, conflicts and compulsions. Hen things have to be seen realistically and not theoretically. Thoug eforts have been made to impart some realism to the economet normative estimates by 'moderating' them considerably wi reference to the figures arrived at by the alternative tradition method, this in my view is not a very happy state of affairs.

6.4 Relying on the normative approach as a means of assessment of receipts and expenditures of States, the Commission did not call upon the States to furnish their forecasts, as was done in the past, until nearly the end of the Commission's work. The forecasts when received were not in proper form. The dialogue thereon with some of the State representatives at that late stage was a mere formality. This was quite wrong in my opinion. A proper forecast and the detailed discussions with the State representatives could have provided a lot of information useful for the formulation of realistic estimates for the sake of comparision with the normative assessment.

6.5 The normative estimates derived from the econometric models remain more or less a mystery. How these have been formulated, what factors have gone into them, what weights have been assigned to various factors and what are the disabilities taken into account and provided for in the case of different States, are not known. On my enquiry, I was told that there were too many details involved in the process and it was difficult to explain or check them. I was also told that only some kind of random sample check can be done. As it was now too late to check them, or work out the estimates through an alternative method, I had no choice but to accept the estimates as arrived at through the so-called econometric models. However, I am doing so with considerable mental reservations. Even my other esteemed colleagues do not appear to have been satisfied with these estimates arrived at through the econometric models. That is why the estimates were got worked out through an alternative method and compared with the normative estimates. As there was divergence between the two estimates, 'moderation' was carried out in the estimates derived from the econometric models to bring them closer to the alternative estimates.

6.6 Let me in the end repeat that I am all for the normative approach in assessing the revenue receipts and expenditures of the Centre and the States. What I am really doubtful is about the reliability of the data used and the mechanical manner in which the normative assessment has been done. In such a vast country as ours with widely varying social and economic conditions and historical background, no theoretical model would work. Hence things have to be seen realistically. The 'moderation' done in the normative estimates to impart some realism is not a very satisfactory solution. I wish that more thorough study of the subject had been done and more broad-based and accurate data/information collected before this approach was put to practical application. It would have been immensely useful if the State Governments and the subject specialists had been more actively involved in evolving normative approach towards different items of receipts and expenditures. I have elsewhere recommended that a permanent Finance Commission should be constituted forthwith with a Secretariat commensurate with the task. I hope with continuity of operations and with their more intimate contact with the State Governments and other agencies they would be able to do justice to the subject of normative approach. In the meantime I would recommend that the President may accept this Commission's assessment of the revenue account of the Centre and the States for one year i.e. 1990-91 only.

GENERAL OBSERVATIONS

7. CENTRALLY SPONSORED SCHEMES

7.1 The Centre has sponsored a number of schemes, known as Centrally sponsored schemes for developmental activities such as poverty alleviation, employment generation family planning, removal of illiteracy etc. All these schemes are essential for national progress. After the independece, it was the duty of the national Government to transform the under-developed country into a modern progressive country. The purposes behind the Centrally sponsored schemes are very laudable. However, in actual practice, those schemes have not produced the desired results, None-the-less, the effort has to continue to achieve the objectives. The question is what is the best way of achieving them.

7.2 Many States had represented to us that these schemes create a number of problems for them. Their main complaints were in respect of the norms for staffing, providing accommodation, vehicles, equipment etc. According to them, there was considerable wastage which became a permanent liability for them after the expiry of the period of the schemes. the wastage left heavy financial burden on the States after the Centre had withdrawn from these schemes. They could not do away with the surplus staff and had to maintain the costly establishments. This is quite a legitimate complaint by the States and deserves to be remedied.

7.3 I feel that much better results from these schemes could be obtained at a much lesser cost, if the schemes are integrated into the State plans. The States are in a better position to assess the needs and to evaluate the resources to accomplish the task. The States should have discretion to work out the details themselves, keeping in view the local conditions. The Centre should have mainly the role of a co-ordinator. It may give necessary guidance and maintain general supervision on the performance of the States in this regard. Such a procedure would not only remove the legitimate grievance of the States but also have the additional advantage that the Centre will not need to misuse Article 282 for giving the discretionary grants; for such schemes and thereby commit the constitutional impropriety.

8. WIDENING THE DIVISIBLE POOL OF TAXES AND DUTIES

8.1 The Consititution provides for the sharing of the proceeds of the individual income tax alone. The sharing of the proceeds from the Union excise duties is merely optional. The corporation tax (company paid income tax), customs duty etc. are not divisible and remain wholely with the Centre. In all, the Centre has a disproportionately large resource base from which it derives collossal amounts as revenue. The State have relatively a much smaller resource base. Apart from the sales tax, there are no other major sources of revenue for the States. Receipts from the entertainment tax, stamp duty etc. are meagre. Hence, most of the States have to perpetually look to the Centre for financial assistance. Consequently, many States are languishing in poverty, illiteracy, widespread malnutrition, insufficient infrastructural facilities, etc. This is not a desirable state of affairs. After nearly four decades of the Constitution having been into force, now the time is ripe for giving the second look at the relative resource base of the Centre and the States. With a view to bring about certain amount of equity and fair deal in the resource distribution and to move towards a just society, it is desirable that the entire question of equitable distribution of resources between the Centre and the States should be gone into by a high powered independent body. Its conclusions may be debated and discussed in the Parliament and outside and the final outcome may be embeded in the Constitution by suitably amending it.

8.2 With the advent of the planning and with the process of the democratic decentralisation in operation the responsibilities of the States have increased manyfold. In a democratic set up the States have to give positive response to the needs, aspirations and reasonable expectations of the people. They have also to bear in mind the needs of the immediate future. In these circumstances, it is very essential that the States should have fairly strong resource base. In my opinion, the equitable distribution of resources between the Centre and the States would in no way weaken the Centre. On the contrary, financially strong

States would bring about a stronger Centre. It is hoped that there will be some useful debate and discussion on the subject in the country and correct decisions taken soon.

8.3 The Union of India, under our Constitution, is not a federation in the strict sense. At best it can be described as a "quasi-federal" Union. This means that the Centre does not have all the residuary powers in fiscal and other matters. There is a carefully devised scheme of distribution of powers between the Centre and the States. Neither the Centre nor the States can legitimately claim to exercise powers beyond their respective spheres. If either of the two tries to transgress its limit, it would necessarily impinge upon the sphere of the other. Hence for the unity and harmony it is necessary that there is mutual co-operation, understanding and a common desire to accommodate one another. The fiscal imbalance can be a major cause for friction and possible confrontation between the Centre and the States. Therefore the founding fathers thought it necessary to provide for the Finance Commission. To avoid such confrontation there should be equitable distribution of resources between the Centre and the States.

9. CASUAL ATTITUDE OF THE UNION GOVERNMENT ABOUT FINANCE COMMISSION

9.1 This Commission was constituted in June, 1987 only two or three days before the Constitutional deadline of the 'expiration of the five years'. This was done in peculiar circumstances, after considerable dilly dallying. Originally, it was to be constituted in January, 1987 to give it sufficient time to submit its report in time for the formulation of the plan and the Budget. With this end in view, the preparatory work started sometime in August/September, 1986. An Officer on Special Duty was appointed. As per the usual practice he was to take over as the Member Secretary when the Commission was constituted. But for some unknown reasons, the Commission was not constituted for more than eight months. Only when it was realised that a Constitutional impropriety may be committed if it was not constituted immediately, the Commission was hurriedly constituted in June, 1987. But surprisingly the Officer on Special Duty who had better background and experience was sidetracked and another person who was completely new to the job was brought in as Member Secretary at the last minute. Surprisingly the said person was transferred after two years in the Commission and the person who was earlier sidetracked was brought in as Member Secretary at such a late stage. It shows the extreme casualness on the part of the Union Government.

9.2 Right from the inception there was hostile criticism in the press about the Commission's composition. Its Chairman and Members were labelled as the henchmen of the Government of India. There was an apprehension in the minds of several State Governments that this Commission may not be impartial and that it may make the recommendations which will be favourable to the Centre at the cost of the States, especially those ruled by the political parties different from the one in power at the Centre. The Commission did try to dispel the apprehensions and to re-assure the State Governments and others of its independence, impartiality and fair approach. This situation would have been avoided if the States were taken into confidence on the composition and the terms of reference of the Commission.

9.3 Another instance of the Union Government's casual attitude towards the Commission can be seen from the way in which the vacancy caused by the resignation of Shri Lal Thanhawla, as Member was filled. On his appointment as Chief Minister, Mizoram, in January, 1989, Shri Lal Thanhawla resigned as Member of this Commission. Till may, 1989, no Member was appointed in his place. Shri S.Venkitaramanan who had recently retired as Union Finance Secretary was appointed as Member sometime in May, 1989. Within a day or two of his taking over charge he was appointed Adviser to the Governor of Karnataka. Again the post remained vacant till mid-Novermber, 1989 when Shri Rishang Keishing, the present Member was appointed. He took charge on 25th Novermber, 1989, i.e. less than a month before submitting the Commission's report. Thus, the post of a Member had remained vacant for as many as 10 months at the end of the Commission's term which is quite an important and crucial time. Moreover, Shri Rishang Keishing (Member) had only a month's time to acquaint himself with the Commission's work of over two and a half years. It is humanly impossible for a person to understand the problems of the Centre and twenty-five States and take a decision thereon within such a short time. Thus, it is quite obvious that Shri Keishing's appointment to this Commission was only to meet the Constitutional requirements of the report being signed by all the five members. Looking to the crucial importance of the Finance Commission, this kind of casual attitude of the Union government amounts to the violation of the letter and spirit of the Constitution.

New Delhi

December, 1989

(Justice Adbus Sattar Qureshi)

Member

Finance Commission

NOTE BY THE MAJORITY

One of our colleagues, Mr. Justice A.S. Qureshi, has appended a note of Dissent. By and large, his note deals with matters which according to our view falls outside the duties of the Finance Commission enumerated in Article 280 and are also unrelated to the Terms of Reference of the Presidential Order. Therefore, we are not offering any comments on the views and observations contained in his note. It is not within our mandate to suggest any changes in the Finance Commission (Miscellaneous) Provisions Act, 1951.

The role assigned to the Finance Commission in the Constitution is extremely important. It is vested with certain specific powers which are crucial. However, the Commission can only make recommendations to the President who deal would deal with them in accordance with the procedure prescribed in the Constitution. Therefore, in our view, the Finance Commission is neither a Quasi-judicial Body nor a Tribunal.

As regards the comments in the dissent note about the functioning of the Ninth Finance Commission, we would be content to be judged by the work we have done and its results. We would also like to state that we have not been hampered in accomplishing our tasks by the fact that we were constituted as a temporary body which had to complete its work within a specified period of time.

(N.K.P.Salve)	**(Raja J. Chelliah)**	**(R. Keishing)**	**(K.V.R.Nair)**
Chairman	*Member*	*Member*	*Member Secretary*

We would like to reiterate that the work of the Secretariat of the Commission has given us full satisfaction. Both the Member-Secretaries have rendered meritorious service. They and the staff under them maintained the high standards of conduct expected of the civil service.

(N.K.P. Salve)	**(Raja J.Chelliah)**	**(R. Keishing)**
Chairman	*Member*	*Member*

NOTE BY SHRI N.K.P. SALVE, CHAIRMAN, DR. RAJA J. CHELLIAH, MEMBER AND SHRI R. KEISHING, MEMBER.

1. Under the heading Grants-in-Aid with special reference to Article 275 and Article 282, Shri Justice A.S. Qureshi has expressed his views on the scope of Article 275 and Article 282.

2. In paragraph 7.9 of this report we have stated that "coming to the determination of each State's need for aid under Article 275, we must make it clear that under this Article, the Finance Commission is obliged to recommend the grants-in-aid of revenue to States and, therefore, the grants for financing the State Plans are very much within the purview of the Commission". The Commission, therefore, exercised its power to give grants-in-aid of revenue to the States both for Plan as well as non-Plan purposes.

3. There has been a serious controversy amongst experts in Constitutional Law as to the precise ambit and scope of Article 282. The controversy is still greater as to whether the Government can give grants under Article 282 which could also be covered by Article 275. We looked at the entire problem from the view point of Commission's powers and its obligations. We came to the conclusion that so far as the Finance Commission is concerned, it is obliged to make grants-in-aid for revenue to the States under Article 275 without making distinction between non-development and development (Plan) accounts.

4. Thus, having found ourselves placed in a situation where no impediment was created in our way to operate over the entire area essential for Finance Commission to determine grants-in-aid under Article 275, we considered it unnecessary to adjudicate on the issue as to whether the Central Government is prohibited from giving grants and if so to what extent under Article 282 in view of the provisions of Article 275.

5. That being the situation, the majority view was that the Finance Commission on such a serious controversy was not a forum to interpret the Constitution. The Commission, therefore, exercised restraint and refrained from taking a view.

(N.K.P. Salve)	**(Raja J.Chelliah)**	**(R. Keishing)**
Chairman	*Member*	*Member*

New Delhi
December, 1989.

ANNEXURES

CONTENTS

ANNEXURE I.I

(Para 1.4)

Ministry of Finance

Department of Economic Affairs

New Delhi, the 13th June, 1989

NOTIFICATION

S.O.457(E).-The following Order made by the President is published for general information:-

ORDER

In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President hereby directs that in the Order dated the 17th June 1987 published with the notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) S.O. No.581(E) dated the 17th June, 1987 -

(a) in paragraph 2, for the words, figures and letters "the 30th day of June, 1989" the words, figures and letters "the date of making the second report by the Commission or the 31st day of December, 1989, whichever is earlier" shall be substituted;

(b) in paragraph 10, for the words, figures and letters "the 30th June, 1989", the words, figures and letters "the 31st December, 1989" shall be substituted.

June 13, 1989

R. VENKATARAMAN
President of India

No.10(6)-B(S)/89
K.V.R. NAIR, Addl.Secy.(Budget)

ANNEXURE I.2
(Para 1.5)

List Of Experts Invited For Discussion On February 24, 1988.

1. Dr. Amaresh Bagchi, National Institute of Public Finance and Policy, Special Institutional Area, New Delhi-110067.
2. Prof. B.B. Bhattacharya, Institute of Economic Growth, Delhi-110007.
3. Dr. A. Dasgupta, National Institute of Public Finance and Policy, Special Institutional Area, New Delhi-110067.
4. Prof. K.L. Krishna, Delhi School of Economics, University of Delhi, Delhi.
5. Prof. T.N. Krishnan, Director, Centre for Development Studies, Prasanta Hills, Aakulam Road, Trivandrum.
6. Prof. R. Radhakrishna, Director, Centre for Economic and Social Studies, Nizamia Observatory Campus, Hyderabad.
7. Prof. Atul Sarma, Indian Statistical Institute, Sansanwal Marg, Near Qutab Hotel, New Delhi.
8. Dr. J.V.M. Sarma, National Institute of Public Finance and Policy, Special Institutional Area, New Delhi-110067.
9. Prof. D.K. Srivastava, Prof. and Head, Deptt. of Economics, Banaras Hindu University, Varanasi.
10. Dr. G. Thimmaiah, Economic Adviser, Government of Karnataka, Vidhana Saudha, Bangalore.

ANNEXURE I.3
(Para 1.5)

List Of Economists Whose Views Were Sought OnThe Devolution Formula And The Composite Index Of Backwardness

1. Prof. C.H. Hanumantha Rao, Institute of Economic Growth, University Enclave, Delhi - 110 007.
2. Prof. V.M. Dandekar, Gokhale Institute of Politics and Economics, Pune.
3. Shri D.R. Pendse, Economic Adviser, Tata Industries, Bombay House, Homi Mody Street, Bombay - 400 001.
4. Prof. D.K. Srivastava, Department of Economics, Banaras Hindu University, Varanasi.
5. Prof. D.T. Lakdawala, Centre for Monitoring Indian Economy, Bombay.
6. Prof. S. Guhan, Madras Institute of Development Studies, Madras.
7. Dr. Pravin Visaria, Director, Gujarat Institute of Area Planning, Ahmedabad.
8. Prof. S.R. Hashim, Consultant (Perspective Planning), Planning Commission, New Delhi.
9. Dr. G. Thimmaiah, Economic Adviser, Government of Karnataka, Vidhana Soudha, Bangalore.
10. Prof. R. Radhakrishna, Director, Centre for Economic and Social Studies, Nizamia Observatory Campus, Hyderabad.
11. Mr. B.P.R. Vitthal, Centre for Economic and Social Studies, Nizamia Observatory Campus, Hyderabad.
12. Prof. B.S. Minhas, Indian Statistical Institute, Sansad Marg, New Delhi - 110 001.
13. Prof. S.D. Tendulkar, Delhi School of Economics, University of Delhi, Delhi - 110 007.
14. Dr. S.P. Gupta, Department of Economics, Sambalpur University, Jyoti Vihar, Burla, Orissa.
15. Prof. N.S. Iyengar, Indian Statistical Institute, Bangalore.
16. Prof. P.R. Brahmananda, Visiting Professor, Indian Statistical Institute, Bangalore.
17. Dr. T.S. Papola, Consultant, Planning Commission, Yojana Bhavan, New Delhi - 110 001.
18. Prof. I.S. Gulati, Vice-Chairman, Kerala State Planning Board, Pattom, Trivandrum - 4.
19. Dr. Amaresh Bagchi, Director, National Institute of Public Finance and Policy, New Delhi - 110 067.
20. Prof. Ashok Mitra, Former Finance Minister, Government of West Bengal, Calcutta.
21. Prof. Shailendra Singh, Professor of Economics, Lucknow University, Lucknow.
22. Dr. Freddie Mehta, Director, Tata Sons Ltd., Bombay House, Homi Mody Street, Bombay - 400 001.

ANNEXURE I.4
(Para 1.5)

List Of Economists Who Met The Commission On 23rd June 1989

1. Dr. D.T. Lakdawala, Hon. Professor, Sardar Patel Institute of Economic and Social Research, Ahmedabad.
2. Dr. G. Thimmaiah, Economic Adviser, Government of Karnataka, Bangalore-560001.
3. Prof. V.M. Dandekar, Indian School of Political Economy, Pune.
4. Dr. S.R. Hashim, Adviser, Perspective Planning Division, Planning Commission, New Delhi.
5. Prof. S.D. Tendulkar, Delhi School of Economics, Delhi.
6. Dr. Amaresh Bagchi, Director, National Institute of Public Finance and Policy, New Delhi.
7. Shri. D.R. Pendse, Economic Adviser, Tata Industries, Bombay.

ANNEXURE I.
(Para 1.

List Of Economists Who Met The Commission On 16th October 1989

1. Prof. K.L. Krishna, Delhi School of Economics, University of Delhi, Delhi.
2. Dr. A. Dasgupta, National Institute of Public Finance and Policy, New Delhi.
3. Dr. J.V.M. Sharma, National Institute of Public Finance and Policy, New Delhi.
4. Prof. R. Radhakrishna, Director, Centre for Economic and Social Studies, Hyderabad.
5. Dr. G. Thimmaiah, Economic Adviser to the Government Karnataka, Bangalore.
6. Prof. R.S. Rao, PG Department of Economics, Sambalpur University, Sambalpur.

ANNEXURE I.6
(Para 1.7)

Dates Of Discussions With The State Governments At State Headquarters/Field Visits Undertaken In The State

Madhya Pradesh	5th and 6th April, 1988 and 6th January, 1989	Andhra Pradesh	9th and 10th January, 1989
Gujarat	11th and 12th April, 1988	Karnataka	11th to 13th January, 1989
Kerala	26th and 27th April, 1988	West Bengal	1st to 3rd February, 1989
Maharashtra	12th and 13th May, 1988	Assam	4th to 6th February, 1989
Jammu and Kashmir	20th to 23rd May, 1988	Manipur	16th and 17th February, 1989
Haryana	24th May, 1988	Meghalaya	18th and 19th February, 1989
Punjab	25th May, 1988	Tamil Nadu	24th to 26th February, 1989
Himachal Pradesh	27th and 28th May, 1988	Rajasthan	9th to 11th January, 1988 and 26th June, 1989
Goa	10th and 11th October, 1988	Bihar	22nd to 23rd Sepember, 1989
Uttar Pradesh	12th and 13th December, 1988 and 4th June, 1989	Arunachal Pradesh	2nd to 4th November, 1989
Orissa	20th to 22nd December, 1988		

ANNEXURE I.7
(Para 1.8)

List Of Secretaries To The Government Of India Who Met The Commission

		Date of Meeting
1.	Shri S. Venkitaramanan, Ministry of Finance	4.5.1988 & 29.6.1988
2.	Shri V.C. Pande, Department of Rural Development	4.5.1988
3.	Shri K.D. Vasudeva, Department of Fertilizers	5.5.1988
4.	Shri T.U. Vijayasekharan, Department of Food	5.5.1988
5.	Shri Shiromani Sharma, Ministry of Textiles	6.5.1988
6.	Shri S. Varadan, Ministry of Petroleum and Natural Gas	6.5.1988
7.	Shri G.N. Mehra, Department of Public Enterprises	6.5.1988
8.	Shri H.K. Khan, Deptt. of Chemicals and Petrochemicals	6.5.1988
9.	Shri S.K. Bhatnagar, Ministry of Defence. Assisted by: (a) Lt. General S.S. Rodrigues, Vice-Chief of the Army Staff (b) Vice-Admiral G.M. Hiranandani, Vice-Chief of the Naval Staff (c) Air Marshal N.C. Suri, Vice-Chief of the Air Staff (There was a presentation by the Ministry of Defence at the South Block.)	8.5.1988
10.	Shri S. Varadan, Department of Coal	9.5.1988
11.	Shri P.S. Raghavachari, Department of Posts	9.5.1988
12.	Shri C.G. Somaiah, Ministry of Home Affairs	10.5.1988
13.	Shri R.K. Jain, Chairman, Railway Board	17.5.1988
14.	Shri D. Bandyopadhyay, Department of Revenue	28.6.1988
15.	Shri R.R. Gupta, Department of Expenditure	28.6.1988
16.	Dr. Bimal Jalan, Chief Economic Adviser and Secretary, Department of Economic Affairs	29.6.1988
17.	Shri P.M. Abraham, Ministry of Surface Transport	8.2.1989
18.	Shri Mahesh Prasad, Ministry of Environment and Forests	19.7.1989
19.	Shri G.K. Arora, Ministry of Finance	19.7.1989, 14.10.1989 & 8.11.1989
20.	Dr. Nitin Desai, Chief Economic Adviser & Secretary Department of Economic Affairs	14.10.1989 & 8.11.1989
21.	Dr. N.K. Sengupta, Department of Revenue	14.10.1989 & 8.11.1989
22.	Shri K.P. Geethakrishnan, Department of Expenditure	14.10.1989 & 8.11.1989

ANNEXURE I.8
(Para 1.10)

Names With Designation Of The Officers In The Commission's Secretariat

S/Shri

1. Kamalakar Mishra, Joint Secretary
2. R.K. Chakrabarti, Joint Secretary
3. Dr. M. Govinda Rao, Economic Adviser
4. Km. Bharti Prasad, Officer on Special Duty
5. V. Srinivasan, Director
6. R.D. Gupta, Consultant
7. P.R. Nair, Joint Director
8. P.L. Rao, Joint Director
9. H.N. Gupta, Joint Director
10. D. Amarnath, Joint Director
11. Km. Ritu Anand, Consultant
12. Manohar Lal, Consultant
13. T.S. Rangamannar, Consultant
14. B.N. Singh, Consultant
15. A.N. Bhattacharjee, Deputy Director
16. A.K. Lal, Deputy Director
17. R.N. Dubey, Deputy Director
18. S.R. Dongre, Deputy Director
19. P.S. Gill, Deputy Director
20. Diwan Chand, Deputy Director
21. Sanjeev Kumar, Asstt. Director
22. Km. Vandana Aggarwal, Asstt. Director
23. G.P. Sahni, Asstt. Director
24. B.K. Aggarwal, Asstt. Director
25. R.N. Tewari, Asstt. Director
26. Kailash Chandra, Asstt. Director
27. Karan Vir Ahluwalia, Systems Analyst (Seconded from the National Informatics Centre)

ANNEXURE II.1
(Para 2.3)

Revenue Receipts and Revenue Expenditure of Central and State Governments

(Rs. Crore)

	Revenue Receipts Of Centre		Revenue Expenditure Of Centre		Revenue Deficit of Centre	Revenue Receipt Of States		Revenue Expenditure of States	Revenue Deficit of States	Combined Revenue		
	Gross	Net	Including Transfers to States	Excluding Transfers to States		Gross	Own			Receipts	Expenditure	Deficit
1974-75	7702	6478	5714	4655	764	6004	3716	5602	402	11048	9882	1166
1975-76	9557	7958	7071	5786	887	7475	4591	6522	953	13687	11847	1840
1976-77	10308	8618	8320	6735	298	8652	5387	7555	1097	15258	13863	1395
1977-78	11390	9592	9162	7254	430	9401	5688	8381	1020	16435	14986	1449
1978-79	12960	11003	10711	8143	292	11008	6487	9872	1136	18775	17348	1427
1979-80	14467	11061	11755	9555	-694	13060	7452	11512	1548	21211	20356	855
1980-81	16276	12484	13261	10504	-777	15036	8491	14136	900	23835	23711	124
1981-82	19414	15140	15433	12590	-293	17504	10407	16193	1311	28881	27864	1017
1982-83	22146	17507	18761	15177	-1254	20243	12026	19354	889	33086	33451	-365
1983-84	24963	19717	22115	17822	-2398	22908	13609	22690	218	36959	39139	-2180
1984-85	29326	23549	27047	21994	-3498	26220	15313	27118	-899	42933	47329	-4396
1985-86	35535	28044	33608	27053	-5565	31906	18091	31362	544	51011	56031	-5021
1986-87	41426	32950	40726	33685	-7776	35981	20581	35960	21	58434	66189	-7755
1987-88 (RE)	47906	38308	46804	38228	-8497	41383	23341	43012	-1629	67349	77474	-10125
1988-89 (BE)	53671	43009	52851	44111	-9842	45549	26331	46622	-1073	74781	85696	-10915

Note : States include Union Territories *Source : "Indian Economic Statistics - Public Finance, "Ministry of Finance, Government of India."*

ANNEXURE II.2
(Para 2.3)

Revenue Surplus/Deficit Of Central And State Governments

(Rs. Crore)

Year	Revenue Surplus(+) /Deficit(-)			Percentage of Revenue Surplus(+)/ Deficit(-) to GDP		
	Centre	States	Total	Centre	States	Total
1980-81	-777	900	123	-0.57	0.66	0.09
1981-82	-293	1311	1018	-0.18	0.82	0.64
1982-83	-1254	889	-365	-0.71	0.50	-0.21
1983-84	-2398	218	-2180	-1.16	0.11	-1.05
1984-85	-3498	-899	-4397	-1.52	-0.39	-1.91
1985-86	-5565	544	-5021	-2.12	0.21	-1.91
1986-87	-7776	21	-7987	-2.65	-0.07	-2.7[illegible]
1987-88	-9137	-1306	-10443	-2.76	-0.40	-3.1[illegible]
1988-89(RE)	- 11030	-2324	-13354	-3.21	-0.68	-3.8[illegible]
1989-90(BE)	-7012	-4451	-11463			

(RE) Revised Estimates. *(BE) Budget Estimates.*

Source: 1. *Indian Economic Statistics - Public Finance. (From 1980-81 to 1986-87).*
2. *Budget Documents of Union and State Governments (From 1987-88 to 1989-90).*

ANNEXURE II.3
(Para 2.5)

Indebtedness Of The Centre And States

(Rs. Crore)

At the end of the Year	Internal Debt of Centre	External Debt of Centre	Other Liabilities of Centre		Total Liabilities of Centre* (1)+(2)+(3)	States: Central Loans	States: Other Liabilities	States: Total Liabilities of States (5)+(6)+(7)	Centre + States (4)+(8)
	1	2	3		4	5	6	7	8
1970-71	7662	6485	5046		19193	6365	2384	8748	21577
1975-76	13899	7489	8462	+300	29850	9682	4035	13717	33885
1976-77	14441	8495	10506	+300	33442	10408	4393	14801	37835
1977-78	18996	8985	11891	+300	39872	11529	4958	16487	44830
1978-79	19855	9373	13954	+300	43182	13890	5297	19187	48479
1979-80	24339	9964	15552	+300	49915	15756	5870	21626	55785
1980-81	30864	11298	17287	+300	59449	17071	6902	23973	66351
1981-82	35653	12328	19905	+300	67886	19080	8649	27729	76535
1982-83	46939	13682	23951	+300	84572	23558	8965	32523	93537
1983-84	50263	15120	29578	+300	94061	26990	10863	37853	105824
1984-85	58537	16637	37967	+300	113141	30432	13478	43910	126619
1985-86	71039	18153	47992	+300	137484	37842	14439	52281	151753
1986-87	86312	20299	59635	+300	166546	43530	17110	69781	192797
1987-88	99646	23223	73392	+300	195561	49345**	19979**	80066**	226282@
1988-89(RE)	114453	25239	88249	+300	228241	55536***	22663***	91053***	263758
1989-90(BE)	130758	28037	100634	+300	259729				

Note: * *Total liabilities net of amount due from Pakistan on account of her share of Pre-Partition Debt (approx) valued at Rs.300 crore.*
** *Revised Estimates.* *** *Budget Estimates.* (@) *Includes actuals of Central Government debt and BE/RE of States' debt.*

Source: *RBI, Reports on Currency and Finance.*

ANNEXURE III.1

(Para 3.9)

Share Capital Investment in State Public Undertakings At the End of 1989-90

(Rs. Lakh)

	States	Promotional		Financial		Commercial		Total	
		Number	Investment	Number	Investment	Number	Investment	Number	Investment
1.	Andhra Pradesh	14	8141	5	10113	26	26691	45	44945
2.	Arunachal Pradesh	1	490	2	291	-	-	3	781
3.	Assam	8	2439	2	1526	19	8636	29	12601
4.	Bihar	13	4153	5	4219	17	13425	35	21797
5.	Goa	2	48	1	234	5	2619	8	2901
6.	Gujarat	17	12990	3	4053	16	12376	36	29419
7.	Haryana	10	7307	5	327	9	3159	24	10793
8.	Himachal Pradesh	8	5133	1	805	8	2499	17	8437
9.	Jammu and Kashmir	3	510	3	1143	12	9234	18	10887
10.	Karnataka	15	4753	13	6919	47	23322	75	34994
11.	Kerala	22	8096	3	1430	55	24137	80	33663
12.	Madhya Pradesh	16	13137	6	644	13	8364	35	22145
13.	Maharashtra	25	11368	2	6720	14	7059	41	25147
14.	Manipur	3	368	3	168	8	727	14	1263
15.	Meghalaya	3	268	1	45	5	2558	9	2871
16.	Mizoram	2	40	1	12	3	368	6	420
17.	Nagaland	2	31	1	4	6	1467	9	1502
18.	Orissa	14	4828	4	10286	52	20536	70	35650
19.	Punjab	11	5220	5	4888	11	12724	27	22832
20.	Rajasthan	10	3488	16	7959	14	4253	40	15700
21.	Sikkim	1	30	2	428	10	481	13	939
22.	Tamil Nadu	14	4130	2	1677	38	26130	54	31937
23.	Tripura	3	794	1	77	4	2114	8	2985
24.	Uttar Pradesh	33	11055	7	18308	25	76455	65	105818
25.	West Bengal	24	11590	4	4286	34	8379	62	24255
	TOTAL	274	120407	98	86562	451	297713	823	504682

Note : *This Table does not include State Electricity Boards/Undertakings and Road Transport Corporations/Undertakings.*

ANNEXURE III.2

(Para 3.9)

Dividend From State Governments' Investment In Public Enterprises : 1990-91 And 1990-95

(Rs. Lakh)

	States	Dividend @ 3% on Financial Enterprises	Dividend @ 5% on Commercial Enterprises	Estimated Dividend in 1990-91	Estimated Dividend in 1990-95
1.	Andhra Pradesh	303.39	1334.55	1638	8190
2.	Arunachal Pradesh	8.73	-	9	45
3.	Assam	45.78	431.80	478	2390
4.	Bihar	126.57	671.25	798	3990
5.	Goa	7.02	130.95	138	690
6.	Gujarat	121.59	618.80	740	3700
7.	Haryana	9.81	157.95	168	840
8.	Himachal Pradesh	24.15	124.95	149	745
9.	Jammu & Kashmir	34.29	461.70	496	2480
10.	Karnataka	207.57	1166.10	1373	6865
11.	Kerala	42.90	1206.85	1250	6250
12.	Madhya Pradesh	19.32	418.20	438	2190
13.	Maharashtra	201.60	352.95	555	2775
14.	Manipur	5.04	36.35	41	205
15.	Meghalaya	1.35	127.90	129	645
16.	Mizoram	0.36	18.40	19	95
17.	Nagaland	0.12	73.35	74	370
18.	Orissa	308.58	1026.80	1335	6675
19.	Punjab	146.64	636.20	783	3915
20.	Rajasthan	238.77	212.65	451	2255
21.	Sikkim	12.84	24.05	37	185
22.	Tamil Nadu	50.31	1306.50	1357	6785
23.	Tripura	2.31	105.70	108	540
24.	Uttar Pradesh	549.24	3822.75	4372	21860
25.	West Bengal	128.58	418.95	547	2735
	TOTAL	2596.86	14885.65	17483	87415

ANNEXURE III.3

(Para 3.11)

Investments In Co-operative Institutions At The End Of 1989-90 And Estimated Dividend In 1990-91 And 1990-95

(Rs. Lakh)

	States	Total Investments	Estimated Dividend (1990-91)	Estimated Dividend (1990-95)
1.	Andhra Pradesh	34693	816	4080
2.	Arunachal Pradesh	229	5	25
3.	Assam	5454	184	920
4.	Bihar	10751	276	1380
5.	Goa	1390	56	280
6.	Gujarat	8464	347	1735
7.	Haryana	8768	346	1730
8.	Himachal Pradesh	2646	78	390
9.	Jammu & Kashmir	734	5	25
10.	Karnataka	17316	742	3710
11.	Kerala	9809	369	1845
12.	Madhya Pradesh	17401	652	3260
13.	Maharashtra	44869	1910	9550
14.	Manipur	957	21	105
15.	Meghalaya	1444	49	245
16.	Mizoram	264	9	45
17.	Nagaland	475	17	85
18.	Orissa	14562	461	2305
19.	Punjab	13272	476	2380
20.	Rajasthan	12521	463	2315
21.	Sikkim	256	6	30
22.	Tamil Nadu	12059	445	2225
23.	Tripura	804	25	125
24.	Uttar Pradesh	23196	787	3935
25.	West Bengal	21969	817	4085
	TOTAL	264303	9362	46810

ANNEXURE III.4

(Para 3.21)

State Electricity Boards Estimates Of State Governments' Loans Outstanding As On 31.03.1990

(Rs. Lakh)

States	Total State Loans	Investments In Works-In-Progress	Investments In Rural Electrification	Net Outstanding Loans (Col.1-2-3)
	(1)	(2)	(3)	(4)
1. Andhra Pradesh	110922	2838	91704	16380
2. Assam	86911	28882	7302	50727
3. Bihar	169896	41468	11802	116626
4. Gujarat	226491	20894	25589	180008
5. Haryana	139440	25352	29632	84456
6. Himachal Pradesh	37107	15638	2842	18627
7. Jammu and Kashmir	38624	16489	700	21435
8. Karnataka	53743	5010	28879	19854
9. Kerala	64957	17763	14552	32642
10. Madhya Pradesh	199262	42023	37510	119729
11. Maharashtra	287048	50177	94132	142739
12. Meghalaya	8657	2000	1383	5274
13. Orissa	22973	902	10620	11451
14. Punjab	327157	47675	18779	260703
15. Rajasthan	105923	3717	48917	53289
16. Tamil Nadu	231729	48467	57826	125436
17. Uttar Pradesh	475085	176928	59488	238669
18. West Bengal	70657	26609	11592	32456
TOTAL	2656582	572832	553249	1530501

ANNEXURE III.5

(Para 3.21)

Net Return On Investments In State Electricity Boards : 1990-91 To 1994-95

(Rs. Lakh)

STATE	1990-91	1991-92	1992-93	1993-94	1994-95	Total 1990-95
1. ANDHRA PRADESH						
Gross Return On Outstanding State Loan	491	839	1278	1809	2431	6848
Set-off For Electricity Duty	3900	4095	4299	4514	4740	21548
Net Return	-	-	-	-	-	-
2. BIHAR						
Gross Return On Outstanding State Loan	3499	4985	6632	8439	10407	33962
Set-off For Electricity Duty	1919	2015	2116	2222	2333	10605
Net Return	1580	2970	4516	6217	8074	23357
3. GUJARAT						
Gross Return On Outstanding State Loan	5400	7349	9372	11470	13642	47233
Set-off For Electricity Duty	16942	17789	18678	19612	20593	93614
Net Return	-	-	-	-	-	-
4. HARYANA						
Gross Return On Outstanding State Loan	2534	3572	4706	5937	7265	24014
Set-off For Electricity Duty	3644	3826	4017	4218	4429	20134
Net Return	-	-	689	1719	2836	5244
5 KARNATAKA						
Gross Return On Outstanding State Loan	596	896	1248	1650	2104	6494
Set-off For Electricity Duty	8313	8728	9165	9623	10104	45933
Net Return	-	-	-	-	-	-
6. KERALA						
Gross Return On Outstanding State Loan	979	1533	2201	2982	3876	11571
Set-off For Electricity Duty	6720	7056	7409	7779	8168	37132
Net Return	-	-	-	-	-	-
7. MADHYA PRADESH						
Gross Return On Outstanding State Loan	3592	5299	7261	9479	11951	37582
Set-off For Electricity Duty	17418	18289	19204	20164	21172	96247
Net Return	-	-	-	-	-	-
8. MAHARASHTRA						
Gross Return On Outstanding State Loan	4282	6312	8642	11274	14207	44717
Set-off For Electricity Duty	24248	25460	26733	28070	29473	133984
Net Return	-	-	-	-	-	-
9. ORISSA						
Gross Return On Outstanding State Loan	344	485	640	809	991	3269
Set-off For Electricity Duty	6997	7347	7714	8100	8505	38663
Net Return	-	-	-	-	-	-
10. PUNJAB						
Gross Return On Outstanding State Loan	7821	10668	13635	16721	19921	68766
Set-off For Electricity Duty	5534	5810	6101	6406	6726	30577
Net Return	2287	4858	7534	10315	13195	38189
11. RAJASTHAN						
Gross Return On Outstanding State Loan	1599	2199	2833	3500	4201	14332
Set-off For Electricity Duty	3602	3782	3971	4169	4378	19902
Net Return	-	-	-	-	-	-
12. TAMILNADU						
Gross Return On Outstanding State Loan	3763	5471	7406	9567	11956	38163
Set-off For Electricity Duty	347	364	382	401	421	1915
Net Return	3416	5107	7024	9166	11535	36248
13. UTTAR PRADESH						
Gross Return On Outstanding State Loan	7160	10763	14973	19792	23125	75813
Set-off For Electricity Duty	4358	4575	4804	5044	5297	24078
Net Return	2802	6188	10169	14748	17828	51735
14. WEST BENGAL						
Gross Return On Outstanding State Loan	974	1582	2333	3225	4259	12373
Set-off For Electricity Duty	4400	4619	4850	5093	5348	24310
Net Return						

Note :

1. *In cases where receipts from Electricity Duty are larger than gross return, net return has been taken as NIL. Where gross return is larger than receipts from Electricity Duty, net return has been calculated net of receipts from Electricity Duty. (For this purpose, receipts from Electricity Duty relate to the sale of power by the Boards).*
2. *Net return from investments in Departmental undertakings in Arunachal Pradesh, Goa, Manipur, Mizoram, Nagaland, Sikkim and Tripura has been taken as NIL in each year.*
3. *NIL rate of return has been assumed from the operations of the Electricity Boards in the Special Category States of Assam, Himachal Pradesh, Jammu and Kashmir and Meghalaya in each of the years of the forecast period.*

ANNEXURE III.6

(Para 3.23)

Financial Performance Of The State Road Transport Corporations/Undertakings (1987-88)

(Rs. Crore)

Transport Corporations/undertakings	Operating Revenue	Operating Expenditure	Operating Surplus	Misc. Receipts (net)	Gross Profit (3+4)	Contribution To Depreciation Reserve Fund	Taxes	Interest To Creditors Other Than State Govt.	Net Profit/ Loss(Col. 5-6-7-8)	Operational Ratio Of Finance(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
NON-HILL STATES										
1. Andhra Pradesh	506.02	338.03	167.99	-3.84	164.15	66.17	55.88	11.47	30.63	66.69
2. Assam	15.15	18.59	-3.44	-0.49	3.93	1.80	0.39	1.08	-7.20	124.26
3. Bihar	19.62	30.24	-10.62	9.55	-1.07	3.61	0.76	0.09	-5.53	154.44
4. Gujarat	305.25	212.28	92.97	-3.21	89.76	29.19	76.44	9.39	-25.26	90.80
5. Goa	6.91	5.85	1.06	0.01	1.07	0.90	0.61	0.04	-0.48	92.86
6. Haryana	115.07	89.18	25.89	0.62	26.51	5.81 @	8.29	-	12.41	77.50
7. Karnataka	345.60	211.87	133.73	-26.97	106.76	40.47	54.26	15.16	-3.13	61.40
8. Kerala	123.00	107.50	15.50	-1.98	13.52	7.06	10.50	6.54	-10.58	87.40
9. Madhya Pradesh	96.38	74.76	21.62	-3.62	18.00	6.85	15.05	5.89	-9.79	78.64
10. Maharashtra	569.75	383.13	186.62	-7.00	179.62	47.98	100.57	14.68	16.39	80.66
11. Orissa	18.36	16.07	2.29	0.65	2.94	1.75	2.69	1.83	-3.33	87.53
12. Punjab										
(i) Punjab Roadways	60.44	60.04	0.40	0.09	0.49	6.28	6.32	-	-12.11	99.34
(ii) PEPSU RTC	26.00	29.04	-3.04	-0.46	-3.50	2.68	2.56	2.79	-11.53	111.69
13. Rajasthan	131.67	86.63	45.04	-3.24	41.80	6.61	29.76	2.58	2.85	82.78**
14. Tamil Nadu										
(i) Pallavan Transport Corpn. Ltd	81.93	70.32	11.61	3.24	14.85	10.15	2.78	0.53	1.39	85.83
(ii) Thiruvalluvar Transport Corpn. Ltd	56.51	42.55	13.96	-0.03	13.93	10.10	3.79	1.59	-1.55	75.29
(iii) Pattukottai Azhagiri Transport Corpn. Ltd	42.81	30.43	12.38	0.09	12.47	7.71	5.74	1.53	-2.51	71.08
(iv) Pandiyan Roadways Corpn. Ltd	38.96	29.39	9.57	-0.19	9.38	4.79	5.25	1.77	-2.43	75.43
(v) Marudhu Pandiyar Trasport Corpn. Ltd	27.57	20.81	6.76	-0.17	6.59	4.08	3.82	0.89	-2.20	75.48
(vi) Rani Mangammal Transport Corpn. Ltd	26.38	19.21	7.17	0.53	7.70	4.88	3.36	0.79	-1.33	72.82
(vii) Cheran Transport Corpn. Ltd	55.84	39.67	16.17	-0.27	15.90	7.94	7.21	2.10	-1.35	71.04
(viii) Jeeva Transport Corpn. ltd	29.74	20.13	9.61	-0.94	8.67	4.87	4.32	1.06	-1.58	67.68
(ix) Cholan Roadways Corpn. Ltd	33.14	24.27	8.87	-0.76	8.11	5.41	4.20	1.12	-2.62	73.23
(x) Dheeran Chinnamalai Transport Corpn. Ltd	29.54	19.35	10.19	0.86	11.05	6.62	3.74	0.85	-0.16	65.50
(xi) Anna Transport Corpn. Ltd	30.92	21.45	9.47	-1.17	8.30	4.59	4.21	1.48	-1.98	69.37
(xii) Annai Satya Transport Corporation ltd.	18.54	11.83	6.71	0.21	6.92	3.89	2.72	0.40	-0.09	63.81
(xiii) Kattabomman Transport Corpn. Ltd	31.13	22.84	8.29	-0.15	8.14	4.95	3.97	1.21	-1.99	73.37
(xiv) Nesamony Transport Corpn. Ltd	24.45	17.87	6.58	0.35	6.93	3.40	3.16	0.66	-0.29	73.08
(xv) Thanthai Periyar Transport Corpn. Ltd	43.80	27.22	16.58	-2.24	14.34	7.59	5.50	0.78	0.47	62.14
Total: (i to xv)	571.26	417.34	153.92	-0.64	153.28	90.97 $	63.77	16.76	-18.22	73.06
15. Uttar Pradesh	216.09	163.63	52.46	0.68	53.14	34.23	4.63	11.79	2.49	76.47
16. West Bengal										
(i) Calcutta State Transport Corpn.	18.29	38.34	-20.05	15.51	-4.54	6.32	0.32	0.06	-11.24	209.62
(ii) North Bengal State Transport Corpn.	10.00	13.57	-3.57	5.13	1.56	1.00	0.05	0.21	0.30	135.70
(iii) Durgapur State Transport Corpn.	2.15	3.97	-1.82	2.03	0.21	0.64	0.10	0.01	-0.54	186.38
(iv) Calcutta Tramways Co. Ltd	6.92	25.96	-19.04	13.40	-5.64	6.30	0.04	0.85	-12.83	375.14
HILLSTATES										
1. Arunchal Pradesh	1.41	2.05	-0.64	-	-0.64	-	-	-	-0.64	143.39
2. Himachal Pradesh	34.81	37.25	-2.44	11.14	8.70	4.70	1.40	2.51	0.09	107.00
3. Jammu and Kashmir	21.28	19.89	1.39	-0.21	1.18	3.48	0.90	2.09	-5.29	93.47
4. Manipur	1.45	1.94	-0.49	0.08	-0.41	0.45	0.02	0.21	-1.09	133.79
5. Meghalaya	2.54	2.97	-0.43	-0.15	-0.58	0.82	0.01	0.26	-1.67	116.93
6. Mizoram	1.30	3.90	-2.60	0.04	-2.56	-	-	-	-2.56	300.00
7. Nagland	2.24	4.70	-2.46	-0.20	-2.66	-	0.04	-	-2.70	209.82
8. Sikkim	7.77	7.87	0.10	-0.03	-0.13	-	0.04	-	-0.17	101.29
9. Tripura	2.06	2.96	-0.90	-0.16	-1.06	0.59	0.04	0.23	-1.92	146.70
TOTAL	**3238.79**	**2409.55**	**829.24**	**6.73**	**835.97**	**376.66**	**435.44**	**106.52**	**-82.65**	**79.28**

@ Includes Rs. 0.14 crore as M.T. Reserve Fund of Haryana Roadways.

$ Includes Rs. 4.50 Crore of Insurance and other funds of 15 Government owned companies of Tamil Nadu.

*** Calculated on Rajasthan State Road Transport Corporation's own fleet.*

ANNEXURE III.7

(Para 3.25)

Physical Performance Of State Road Transport Corporations/Undertakings : 1987-88

Transport Corporations/undertakings		Fleet Utilisation (Per cent)	Load Factor (Per cent)	Staff Bus/Tram Car Ratio				Kilometres Run Per Litre Of HSD	Per Cent Of Overaged Vehicles To Total Fleet	Vehicle Productivity (in Kms.)
				Traffic	Workshops/ Maintenance	Admn. And Others	Total (Cols. 3+4+5)			
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
NON-HILL STATES										
1. Andhra Pradesh		96.00	73.00	5.07	1.58	1.74	8.39	4.92	7.72	293.00
2. Assam		77.00	77.00	7.09	2.20	0.37	9.66	4.10	-	142.00
3. Bihar		53.00	59.44	6.89	3.21	3.62	13.72	3.98	15.36	102.00
4. Gujarat		84.90	66.00	4.76	1.89	0.56	7.21	4.99	14.13	312.00
5. Goa		87.00	79.00	5.36	1.29	1.14	7.79	3.70		229.00
6. Haryana		95.00	82.00	3.60	1.31	0.63	5.54	4.23	2.06	305.00
7. Karnataka		86.60	65.20	3.99	1.54	1.62	7.15	4.39	14.50	256.00
8. Kerala		82.00	81.00	7.08	2.76	1.83	11.67	3.72	48.02	240.00
9. Madhya Pradesh		88.00	68.00	3.95	2.74	2.21	8.90	4.17	8.64	207.00
10. Maharashtra		87.00	81.33	5.14	2.11	1.20	8.45	4.32	6.24	242.00
11. Orissa		82.00	70.00	4.92	2.25	2.36	9.53	3.98	6.06	203.00
12. Punjab										
(i) Punjab Roadways		95.40	75.40	3.41	1.24	0.82	5.47	3.99	NIL	237.00
(ii) PEPSU RTC		89.00	76.00	3.78	1.31	1.02	6.11	3.93	33.21	223.00
13. Rajasthan		89.00	72.00	5.43	1.84	0.99	8.26	4.60	47.95	253.00
14. Tamil Nadu										
(i) Pallavan Transport Corpn. Ltd		88.30	83.80	6.26	2.52	1.32	10.10	3.53	0.67	232.00
(ii) Thiruvalluvar Transport Corpn. Ltd		91.20	73.00	5.43	1.10	0.72	7.25	3.90	11.87	378.00
(iii) Pattukottai Azhagiri Transport Corpn. Ltd		89.25	77.64	7.26	2.16	1.39	10.81	4.10	NR	657.00
(iv) Pandiyan Roadways Corpn. Ltd		95.48	64.00	5.40	1.29	0.87	7.56	4.15	NR	339.00
(v) Marudhu Pandiyar Trasport Corpn. Ltd		91.18	62.77	5.56	1.44	0.78	7.78	4.34	6.42	385.00
(vi) Cheran Transport Corpn. Ltd		97.00	67.00	5.36	1.14	0.79	7.29	3.81	NR	305.00
(vii) Rani Mangammal Transport Corpn. Ltd		94.95	66.04	5.30	1.26	0.62	7.18	4.11	11.58	374.00
(viii) Jeeva Transport Corpn. ltd		95.69	60.20	5.33	1.38	0.56	7.27	4.32	34.71	370.00
(ix) Cholan Roadways Corpn. Ltd		94.00	61.00	5.25	1.34	0.96	7.55	4.45	0.71	381.00
(x) Dheeran Chinnamalai Transport Corpn. Ltd		93.00	61.00	5.48	1.42	0.74	7.64	4.08	0.83	396.00
(xi) Anna Transport Corpn. Ltd		94.10	62.00	5.32	1.16	0.97	7.45	4.13	15.53	368.00
(xii) Annai Satya Transport Corporation ltd.		92.40	68.00	4.77	1.14	0.79	6.70	4.21	11.96	300.00
(xiii) Kattabomman Transport Corpn. Ltd		94.10	65.50	5.65	1.62	1.05	8.32	4.37	NR	369.00
(xiv) Nesamony Transport Corpn. Ltd		96.30	65.19	5.27	1.63	1.07	7.97	4.10	9.55	342.00
(xv) Thanthai Periyar Transport Corpn. Ltd		94.81	70.56	4.87	1.13	0.80	6.80	4.13	1.00	391.00
15. Uttar Pradesh		88.00	63.00	5.28	2.04	0.89	8.21	4.45	6.00	209.00
16. West Bengal										
(i) Calcutta State Transport Corpn.		59.00	100.00	10.30	3.54	3.20	16.94	2.98	16.88	98.00
(ii) Durgapur State Transport Corpn.		47.00	61.00	6.30	2.63	2.67	11.60	3.40	5.33	98.00
(iii) North Bengal State Transport Corpn.		87.00	69.00	4.42	2.69	3.05	10.16	3.97	25.14	182.00
(iv) Calcutta Tramways Co. Ltd		71.00	74.00	16.00	11.78	5.70	33.48	Runs on DC current	61.31	69.00
HILL STATES										
1. Arunchal Pradesh	Bus	90.00	54.00	2.53	0.80	1.90	5.23	3.70	14.85	113.00
2. Himachal Pradesh	Bus	94.00	63.50	3.75	1.45	0.72	5.92	3.20	16.12	182.00
3. Jammu and Kashmir	Bus	62.00	NR	7.39	2.27	1.44	11.10	3.50	12.75	81.00
	Truck	NR	NR	NR	NR	NR	NR	NR	34.25	NR
4. Manipur	Bus	65.00	68.00	5.40	3.90	3.41	12.71	3.46	34.06	21.49
	Truck	NR	NR	NR	NR	NR	NR	NR	50.00	7.90
5. Meghalaya	Bus	70.00	73.00	5.71	3.03	1.53	10.27	3.46	NIL	93.00
6. Mizoram	Bus	75.00	89.00	2.73	0.90	0.55	4.18	2.80	19.00	43.00
7. Nagland	Bus	69.00	69.00	4.16	2.06	0.65	6.87	3.75	23.23	97.00
8. Sikkim	Bus	70.00	47.00	6.21	4.31	4.42	14.94	3.00	15.00	60.00
	Truck	75.00	63.00	NR	NR	NR	NR	3.04	18.00	59.00
9. Tripura		59.00	83.00	5.80	2.79	1.77	10.36	3.40	11.46	68.00

NR: Not reported.

** *Source: Government of Mizoram.*

Source: Planning Commission.

ANNEXURE III.8

(Para 3.28)

Return Assessed At Graduated Rates On State Governments' Investment In Road Transport Undertakings (1990-91 to 1094-95)

(Rs. Crore)

States	1990-91	1991-92	1992-93	1993-94	1994-95	1990-95 Total
Non-Hill States						
1. Andhra Pradesh	1.32	2.64	3.96	5.94	8.57	22.43
2. Assam @	0.63	1.26	1.90	2.86	4.13	10.78
3. Bihar	0.94	1.88	2.82	4.24	6.12	16.00
3. Goa @	0.08	0.17	0.26	0.39	0.56	1.46
5. Gujarat @	2.57	5.15	7.73	11.60	16.75	43.80
6. Haryana	1.16	2.33	3.49	5.24	7.58	19.80
7. Karnataka @	1.26	2.52	3.78	5.67	8.20	21.43
8. Kerala @	0.50	0.99	1.49	2.23	3.22	8.43
9. Madhya Pradesh	0.96	1.93	2.89	4.34	6.26	16.38
10. Maharashtra	1.09	2.17	3.26	4.89	7.07	18.48
11. Orissa	0.51	1.03	1.56	2.35	3.88	8.83
12. Punjab	1.07	2.15	3.23	4.85	7.00	18.30
13. Rajasthan	0.45	0.90	1.35	2.02	2.92	7.64
14. Tamil Nadu @	0.81	1.62	2.43	3.64	5.26	13.76
15. Uttar Pradesh	1.41	2.82	4.23	6.34	9.16	23.96
16. West Bengal	2.92	5.82	8.74	13.10	18.93	49.51
TOTAL	**17.68**	**35.38**	**53.12**	**79.70**	**115.61**	**300.99**

@ Proportional set-off allowed for hill areas of non-Hill States.

ANNEXURE III.9

(Para 3.28)

Return On State Governments' Investments In Inland Water Transport Undertakings (1990-91 to 1094-95)

(Rs. Lakh)

States	1990-91	1991-92	1992-93	1993-94	1994-95	1990-95 Total
1. Goa	10	21	31	47	68	177
2. Gujarat	36	72	108	162	234	612
3. Kerala	6	12	17	26	38	99
4. West Bengal	1	2	3	4	6	16
TOTAL	**53**	**107**	**159**	**239**	**346**	**904**

ANNEXURE III.10

(Para 3.41)

Major And Medium Irrigation Schemes - Potential Created And Utilisation

(Thousand Hectares)

States	1987-88 (Actuals) Irrigation Potential	Gross Irrigated Area	Col.2 As Per Cent Of Col.1	Estimated For 1989-90 Irrigation Potential	Gross Irrigated Area	Col. 5 As Per Cent Of Col. 4.
	(1)	(2)	(3)	(4)	(5)	(6)
1. Andhra Pradesh	3337	3105	93.0	3411	3172	93.0
2. Arunachal Pradesh	-	-	-	-	-	-
3. Assam	132	79	59.8	174	107	61.5
4. Bihar	3050	2405	78.9	3166	2575	81.3
5. Goa	4	2	50.0	9	9	100.0
6. Gujarat	1196	809	67.6	1296	869	67.1
7. Haryana	1995	1787	89.6	2060	1811	87.9
8 Himachal Pradesh	7	4	57.1	9	4	44.4
9. Jammu and Kashmir	141	121	85.8	151	128	84.8
10. Karnataka	1425	1317	92.4	1496	1372	91.7
11. Kerala	551	531	96.4	608	577	94.9
12. Madhya Pradesh	2003	1535	76.6	2213	1692	76.5
13. Maharashtra	1850	1123	60.7	1945	1221	62.8
14. Manipur	57	44	77.2	61	47	77.0
15. Meghalaya	-	-	-	-	-	-
16. Mizoram	-	-	-	-	-	-
17. Nagaland	-	-	-	-	-	-
18. Orissa	1578	1530	97.0	1615	1548	95.8
19. Punjab	2521	2487	98.7	2585	2532	97.9
20. Rajasthan	1902	1578	83.0	2008	1610	80.2
21. Sikkim	-	-	-	-	-	-
22. Tamil Nadu	1289	1267	98.3	1293	1274	98.5
23. Tripura	-	-	-	10	10	100.0
24. Uttar Pradesh	6840	5663	82.8	7166	5967	83.3
25. West Bengal	1610	1500	93.2	1701	1560	91.7
TOTAL	**31488**	**26887**	**85.4**	**32977**	**28085**	**85.2**

ANNEXURE III.11

(Para 3.43)

Financial Returns From Major And Medium Irrigation Schemes (Excluding Flood Control Schemes) During The Five-Year Period 1990-91 To 1994-95.

(Rs. Lakh)

STATE	1990-91	1991-92	1992-93	1993-94	1994-95	Total 1990-91to 1994-95
NON-HILL STATES						
1. Andhra pradesh						
Total Working						
Expenses	*3420	4370	5416	6569	7836	27611
Receipts	3380	4322	5372	6540	7836	27450
Net Receipt	-40	-48	-44	-29	-	-161
2. Assam						
Total Working						
Expenses	135	184	239	302	374	1234
Receipts	123	168	222	286	361	1160
Net Receipt	-12	-16	-17	-16	-13	-74
3. Bihar						
Total Working						
Expenses	2899	3773	4746	5830	7031	24279
Receipts	2793	3634	4592	5681	6910	23610
Net Receipt	-106	-139	-154	-149	-121	-669
4. Goa						
Total Working						
Expenses	9	12	15	18	21	75
Receipts	9	12	15	18	21	75
Net Receipt	-	-	-	-	-	-
5. Gujarat						
Total Working						
Expenses	1053	1410	1813	2268	2779	9323
Receipts	976	1308	1698	2153	2679	8814
Net Receipt	-77	-102	-115	-115	-100	-509
6. Haryana						
Total Working						
Expenses	1979	2537	3153	3830	4575	16074
Receipts	1933	2474	3078	3750	4496	15731
Net Receipt	-46	-63	-75	-80	-79	-343
7. Karnataka						
Total Working						
Expenses	1487	1905	2366	2876	3437	12071
Receipts	1466	1880	2343	2861	3437	11987
Net Receipt	-21	-25	-23	-15	-	-84
8. Kerla						
Total Working						
Expenses	617	787	972	1175	1397	4948
Receipts	612	781	966	1171	1397	4927
Net Receipt	-5	-6	-6	-4	-	-21
9. Madhya Pradesh						
Total Working						
Expenses	1955	2573	3268	4045	4914	16755
Receipts	1863	2455	3141	3928	4829	16216
Net Receipt	-92	-118	-127	-117	-85	-539
10. Maharashtra						
Total Working						
Expenses	1522	2065	2680	3380	4169	13816
Receipts	1392	1895	2492	3197	4020	12996
Net Receipt	-130	-170	-188	-183	-149	-820
11. Orissa						
Total Working						
Expenses	1651	2098	2587	3124	3710	13170
Receipts	1640	2085	2574	3116	3710	13125
Net Receipt	-11	-13	-13	-8	-	-45

STATE	1990-91	1991-92	1992-93	1993-94	1994-95	Total 1990-91to 1994-95
12. Punjab						
Total Working						
Expenses	2679	3384	4160	5010	5939	21172
Receipts	2670	3378	4154	5006	5939	21147
Net Receipt	-9	-6	-6	-4	-	-25
13. Rajasthan						
Total Working						
Expenses	1823	2379	3000	3691	4460	15353
Receipts	1752	2287	2898	3594	4383	14914
Net Receipt	-71	-92	-102	-97	-77	-439
14. Tamil Nadu						
Total Working						
Expenses	1344	1697	2086	2509	2970	10606
Receipts	1341	1693	2082	2507	2970	10593
Net Receipt	-3	-4	-4	-2	-	-13
15. Uttar Pradesh						
Total Working						
Expenses	6659	8624	10810	13233	15914	55240
Receipts	6442	8339	10489	12913	15640	53823
Net Receipt	-217	-285	-321	-320	-274	-1417
16. West Bengal						
Total Working						
Expenses	1691	2166	2692	3271	3908	13728
Receipts	1667	2138	2666	3254	3908	13633
Net Receipt	-24	-28	-26	-17	-	-95
HILL STATES						
1. Arunachal Pradesh						
Total Working						
Expenses	-	-	-	-	-	
Receipts						
Net Receipt						
2. Himachal Pradesh						
Total Working						
Expenses	8	10	14	20	26	78
Receipts	5	7	10	14	19	55
Net Receipt	-3	-3	-4	-6	-7	-23
3. Jammu & Kashmir						
Total Working						
Expenses	185	238	296	363	435	1517
Receipts	138	177	222	272	329	1138
Net Receipt	-47	-61	-74	-91	-106	-37[illegible]
4. Manipur						
Total Working						
Expenses	70	91	118	146	176	601
Receipts	51	67	88	109	133	44[illegible]
Net Receipt	-19	-24	-30	-37	-43	-15[illegible]
5. TRIPURA						
Total Working						
Expenses*	13	17	21	25	30	10[illegible]
Receipts	10	13	16	19	23	[illegible]
Net Receipt	-3	-4	-5	-6	-7	-2[illegible]

* *Does not include an additional provision of Rs. 15 crore maintenance of Loktak Lake.*

ANNEXURE III. 12

(Para 3.45)

Provision For Maintenance Of Flood Control Works: 1990-95

(Rs. Lakh)

STATES	1990-91	1991-92	1992-93	1993-94	1994-95	1990-95
1. Andhra Pradesh	684	732	783	838	896	3933
2. Arunachal Pradesh	3	3	4	4	4	18
3. Assam	2439	2609	2792	2987	3196	14023
4. Bihar	4310	4612	4934	5280	5649	24785
5. Goa	13	14	15	16	17	75
6. Gujarat	505	540	578	619	662	2904
7. Haryana	324	347	371	397	425	1864
8. Himachal Pradesh	12	13	13	14	15	67
9. Jammu & Kashmir	406	434	464	497	532	2333
10. Karnataka	22	24	26	28	29	129
11. Kerala	560	599	641	686	734	3220
12. Madhya Pradesh	9	9	10	10	11	49
13. Maharashtra	21	23	25	26	28	123
14. Manipur	208	222	238	254	272	1194
15. Meghalaya	25	26	28	30	32	141
16. Mizoram	3	3	4	4	4	18
17. Nagaland	-	-	-	-	-	-
18. Orissa	1195	1279	1368	1464	1567	6873
19. Punjab	685	733	784	839	898	3939
20. Rajasthan	73	78	83	89	95	418
21. Sikkim	11	11	12	13	14	61
22. Tamil Nadu	142	152	163	174	187	818
23. Tripura	81	87	93	100	107	468
24. Uttar Pradesh	2070	2215	2370	2536	2714	11905
25. West Bengal	3153	3374	3610	3863	4133	18133
TOTAL	16954	18139	19409	20768	22221	97491

ANNEXURE III.13

(Para 3.48)

Norms For Maintenance Of Roads

(Rs. Per Km. Per Year)

Categories	Price Zones Of Chips And Stone Metal					
	Zone-1	Zone-2	Zone-3	Zone-4	Zone-5	Zone-6
State Highways						
Less than 150 CVD						
B.T.	22810	23410	24670	25650	26450	27230
W.B.M.	19890	23360	25670	30280	34890	39500
150 to 450 CVD						
B.T.	26040	26310	27790	28950	29870	30780
W.B.M.	20970	24470	26800	31460	36110	40770
450 to 1500 CVD						
B.T.	31770	32770	34850	36480	37760	39000
W.B.M.	24140	28430	31250	36890	42530	48180
Over 1500 CVD						
B.T.	36880	38110	40680	42680	44240	45760
W.B.M.	29200	34770	38470	45870	53270	60680
Unsurfaced	11270	12010	13640	14510	15260	16010
Major District Roads						
Less than 150 CVD						
B.T.	18060	18610	19790	20700	21400	22100
W.B.M.	19810	20920	23110	27500	31890	36270
150 to 450 CVD						
B.T.	20380	23250	24670	25780	26660	27530
W.B.M.	21070	21810	24050	28520	33000	37480
Over 450 CVD						
B.T.	23910	27160	28870	30120	31390	32650
W.B.M.	21840	26010	28790	34330	39870	45410
Unsurfaced	9730	10470	11300	12970	13720	14470
Other District Roads, Village Roads & Others (All Traffic Densities)						
B.T.	15370	15920	17100	18010	20190	20890
W.B.M.	14720	18010	20200	24590	30460	34850
Unsurfaced.	9730	10470	11300	12970	13720	14470

B.T. : Bitumen topped *W.B.M. : Water bound macadam*

CVD : Commercial vehicles a day

ANNEXURE III.14

(Para 3.51)

Provision For Maintenance Of Roads : 1990-95

(Rs. Crore)

STATES	1990-91	1991-92	1992-93	1993-94	1994-95	1990-95
1. Andhra Pradesh	129.06	153.58	182.76	217.48	258.80	941.68
2. Arunachal Pradesh	6.63	8.03	9.71	11.75	14.22	50.34
3. Assam	26.66	33.33	41.66	52.07	65.09	218.81
4. Bihar	69.21	74.05	79.24	84.79	90.72	398.01
5. Goa	3.97	5.35	7.23	9.76	13.17	39.48
6. Gujarat	90.46	105.84	123.83	144.88	169.51	634.52
7. Haryana	20.33	27.45	37.05	50.02	67.53	202.38
8. Himachal Pradesh	22.13	25.45	29.26	33.65	38.70	149.19
9. Jammu & Kashmir	10.53	14.21	19.18	25.90	34.96	104.78
10. Karnataka	65.28	78.33	94.00	112.80	135.36	485.77
11. Kerala	51.99	60.83	71.17	83.27	97.43	364.69
12. Madhya Pradesh	101.07	126.34	157.93	197.41	246.76	829.51
13. Maharashtra	120.25	149.11	184.90	229.27	284.30	967.83
14. Mizoram	3.90	4.25	4.63	5.05	5.50	23.33
15. Meghalaya	11.15	13.26	15.78	18.78	22.35	81.32
16. Mizoram	3.48	4.17	5.01	6.01	7.21	25.88
17. Nagaland	5.95	6.84	7.87	9.05	10.41	40.12
18. Orissa	46.64	56.90	69.42	84.70	103.33	360.99
19. Punjab	33.86	45.71	61.71	83.31	112.47	337.06
20. Rajasthan	85.85	97.01	109.62	123.87	139.97	556.32
21. Sikkim	4.03	4.43	4.88	5.36	5.90	24.60
22. Tamil Nadu	70.64	91.13	117.55	151.64	195.62	626.58
23. Tripura	6.62	7.41	8.30	9.29	10.41	42.03
24. Uttar Pradesh	193.96	226.93	265.51	310.64	363.45	1360.49
25. West Bengal	81.97	94.27	108.41	124.67	143.37	552.69
TOTAL	1265.62	1514.21	1816.61	2185.42	2636.54	9418.40

ANNEXURE III.15A
(Para 3.52)

Plinth Area Rates For Civil Engineering Maintenance

(Rs. Per Sq. M.)

Category	Service Charges	Annual Repairs	Special Repairs Age 0-20 Years	Special Repairs Age 20-40 Years	Above 40 Years
Residential Buildings					
1. M.P.'s Flats, Ministers' Bungalows, High Court Judges' Residences	9.31	10.29	4.30	7.20	10.10
2. Hostels	6.01	6.64	3.27	5.42	7.57
3. All other residential units	4.66	5.14	3.27	5.42	7.57
Non-Residential Buildings					
1. Office buildings except South & North Blocks	5.34	5.89	5.61	9.35	13.09
2. Sansad Saudha	9.99	11.03	18.05	-	18.05
3. Temporary Office Buildings	5.34	5.89	4.39	7.20	-
4. Court Buildings	9.99	11.03	18.05	-	-
5. Hospitals	13.29	14.68	8.70	14.40	20.20
6. Dispensaries	13.29	14.68	8.70	14.40	20.20

Note: *1. The above plinth area rates do not cover expenditure on conservancy charges.*
2. These rates also do not include the extra amount admissible for maintenance and repairs in hill region.

ANNEXURE III.15B
(Para 3.52)

Plinth Area Rates For Electrical Engineering Maintenance

(Rs. Per Sq. M.)

Category	Rate For Day To Day Service, Repairs, Maintenance: Concentrated Groups	Scattered Groups
Residential Buildings		
1. M.P.'s flats, Ministers Bungalows, High Court Judges residences	10.55	-
2. Hostels	7.03	-
3. Residential units of Type-I to type-IV	4.37	5.32
4. Residential Units of Type-V and above	5.32	6.18
Non-Residential Buildings		
1. Office buildings except North & South Blocks	6.18	7.03
2. Sansad Saudha	17.58	-
3. Temporary Office Buildings	6.18	7.03
4. Court Buildings	10.55	-
5. Hospitals	14.06	-
6. Dispensaries	10.55	-

Notes 1. *Since the above rates are for service and repair the average cost indices of both have been taken to arrive at present plinth area rates:*
(138+120)/2 = 129 (258+233)/2 = 245.5

2. *These plinth area rates do not cover expenditure on maintenance and running of air conditioning installations, lifts, pumps and sub-stations.*

3. *The rates do not include extra amount admissible for maintenance and repairs in hill areas.*

Source: *Ministry of Urban Development.*

ANNEXURE III.16
(Para 3.54)

Provision Assessed For Maintenance Of Buildings : 1990-95

(Rs. Lakh)

STATES	1990-91	1991-92	1992-93	1993-94	1994-95	1990-95
1. Andhra Pradesh	1959	2253	2591	2979	3426	13208
2. Arunachal Pradesh	396	455	523	602	692	2668
3. Assam	851	945	1049	1164	1292	5301
4. Bihar	2898	3014	3134	3260	3390	15696
5. Goa	168	193	222	256	294	1133
6. Gujarat	2403	2764	3178	3655	4203	16203
7. Haryana	597	686	789	908	1044	4024
8. Himachal Pradesh	543	673	834	1035	1283	4368
9. Jammu & Kashmir	409	552	745	1006	1358	4070
10. Karnataka	1211	1538	1953	2480	3150	10332
11. Kerala	958	1102	1267	1457	1676	6460
12. Madhya Pradesh	2232	2678	3214	3857	4628	16609
13. Maharashtra	4424	5087	5850	6728	7737	29826
14. Mizoram	186	214	246	283	325	1254
15. Meghalaya	451	478	506	537	569	2541
16. Mizoram	161	185	212	244	281	1083
17. Nagaland	358	412	474	545	627	2416
18. Orissa	1797	2265	2853	3595	4530	15040
19. Punjab	1021	1348	1779	2348	3100	9596
20. Rajasthan	1478	1700	1955	2248	2585	9966
21. Sikkim	111	122	135	148	163	679
22. Tamil Nadu	1796	2066	2376	2732	3142	12112
23. Tripura	407	432	457	485	514	2295
24. Uttar Pradesh	3434	4120	4944	5933	7120	25551
25. West Bengal	3011	3252	3513	3794	4097	17667
TOTAL	**33260**	**38534**	**44799**	**52279**	**61226**	**230098**

ANNEXURE III.17

(Para 3.61)

Methodology Adopted For Working Out The Provision For Parity Of Pay Between The Centre And The States.

The following steps explain the methodology used for working out the provisions allowed to States for pay parity with the Centre.

1. This exercise has been done in terms of 17 representative categories of posts which should account for bulk of the employees. These categories have been grouped in the different emolument range as shown in Table 1 enclosed. Total number of employees in each State is given in Table 2.

2. The comparison between the pay of employees in each category under the Central Government and those under each of the State Governments has been done in terms of basic pay at the minimum of the pay scales, the provision for payment of DA at par with the Central Government having been allowed separately in our assessment.

3. The comparison of basic pay of employees under the Central Government and each of the States has been done as on 1.1.1989. For this purpose, the basic pay of specified categories of State employees has been notionally adjusted to CPI [1/] level 608 (1960 = 100) which was reached in December, 1985 and on which are based the revised pay scales (w.e.f. 1.1.86) of the Central Government employees on the recommendations of the Fourth Central Pay Commission. In the case of States which have not revised scales of pay after 1.1.86 and wherein pay scales are linked to index level of less than 608, the basic pay of selected categories of employees has been proportionately increased to work out the notional basic pay at index level 608. States of Assam, Bihar, Kerala, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal fall in this category. Similarly, in case of States which have revised scales of pay between 1.1.86 and 1.1.89 and whose scales of pay are linked to index level higher than 608, the basic pay of selected categories of employees in these States has been proportionately reduced to work out the notional basic pay at index level of 608. States of Karnataka, Meghalaya and Sikkim fall in this category. (Table3).

4. The average of the basic pay as on 1.1.89 under the Central Government and each State Government in respect of the selected categories of posts falling under each of the specified range of emoluments has been worked out and difference between the two ascertained. Thereafter, the percentage of this difference to average basic pay of State employees in each emoluments range has been derived.

5. As all the employees in a specific emoluments range are not expected to get the full benefit of the difference, the provision required for giving benefit of parity has been moderated as under:

(i) if the percentage difference is 10 or below, the benefit has been allowed to 20 per cent of the number of employees in that range;

(ii) in cases where the percentage difference is more than 10, the benefit has been extended to such number of employees which is equivalent to twice the percentage difference in that emoluments range. This is illustrated below:

If the percentage difference is 30, 60 per cent of the employees in the specified emolument range have been covered. However, if the percentage difference is more than 50, the coverage have been limited to 100 per cent of the employees.

6. In the case of 10 States, viz., Arunachal Pradesh, Goa, Gujarat, Himachal Pradesh, Haryana, Maharashtra, Punjab, Meghalaya, Mizoram and Tripura, the average basic pay of State employees in selected categories in different emolument ranges was either equal to or more than the average basic pay of corresponding categories of Central Government employees. Thus, no provision for pay parity has been allowed in the case of these States. The provision for pay parity has been made in the case of remaining 15 States.

TABLE 1

Distribution Of Categories Of Employees By Emoluments Ranges

Emolument Range	Categories of Employees Covered
I. Upto Rs 1600/- P M.	1. Peon 2. Lower Division Clerk (LDC) 3. Forest Guard 4. Upper Division Clerk (UDC) 5. Constables 6. Head Constable 7. Primary School Teacher 8. Pharmacist
II. Rs.1601/- to Rs 2000/- P.M.	1. Trained Graduate Teacher 2. Revenue Inspector 3. Naib Tehsildar 4. Junior Engineer 5. Trained Nurse
III. Rs 2001/- to Rs.2500/-P.M.	1. Tehsildar 2. Assistant Engineer
IV. Above Rs.2500/- P.M.	1. Deputy Collector 2. Assistant Surgeon

TABLE 2

Number Of State Government Employees Including Employees Of Local Bodies And Aided Institutions As On 1-1-1989.

		State Government	Local Bodies	Total
1.	Andhra Pradesh	383709	349712	733421
2.	Arunachal Pradesh	35740	N.A.	35740
3.	Assam	329487	28581	358068
4.	Bihar	869065	66281	935346
5.	Goa	30365	4960	35325
6.	Gujarat	255266	N.A.	255266
7.	Haryana	N.A.	N.A.	266260
8.	Himachal Pradesh	108095	2349	110444
9.	Jammu & Kashmir	197752	7727	205479
10.	Karnataka	491806	113912	605718
11.	Kerala	N.A.	N.A.	490242
12.	Madhya Pradesh	731842	49551	781393
13.	Maharashtra	546141	290735	836876
14.	Manipur	62589	5013	67602
15.	Meghalaya	36945	15368	52313
16.	Mizoram	25653	20677	46330
17.	Nagaland	54567	4353	58920
18.	Orissa	293772	172400	466172
19.	Punjab	313575	41563	355138
20.	Rajasthan	N.A.	N.A.	525000
21.	Sikkim	N.A.	N.A.	21917
22.	Tamal Nadu	N.A.	N.A.	874005
23.	Tripura	112126	12087	124213
24.	Uttar Pradesh	882676	718277	1600953
25.	West Bengal	744530	102300	846830

Note: *N.A.= Not Available.*

In the case of States where information as on 1.1.89 was not available the number of employees as on 1.1.89 has been estimated by applying a growth rate of 2 per cent per annum over the latest available data.

1/ CPI = Consumer Price Index for Industrial Workers.

Actual Basic Pay of Selected Categories of State Government

		Index number as on 1.1.89	Peon		L.D.C		Forest Guard		U.D.C		Constable		Head Constable		Primary School Teacher	
			Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	CENTER	608	750	750	950	950	775	775	1200	1200	825	825	975	975	1200	1200
1.	Andhra Pradesh	608	740	740	910	910	950	950	1100	1100	810	810	1010	1010	1010	1010
2.	Arunachal Pradesh	608	750	750	950	950	775	775	1200	1200	825	825	975	975	1200	1200
3.	Assam	384	370	586	580	918	410	649	670	1061	420	665	470	744	500	792
4.	Bihar	392	350	543	580	900	425	659	*	*	425	659	480	744	580	900
5.	Goa	608	750	750	950	950	775	775	1200	1200	825	825	975	975	1200	1200
6.	Gujarat	608	750	750	950	950	800	800	1200	1200	825	825	1320	1320	1200	1200
7.	Haryana	608	750	750	950	950	950	950	*	*	950	950	975	975	1200	1200
8.	Himachal Pradesh	608	750	750	950	950	950	950	1200	1200	1000	1000	1200	1200	1200	1200
9.	Jammu and Kashmir	608	630	630	800	800	800	800	900	900	800	800	1075	1075	900	900
10.	Karnataka	632	780	750	960	924	960	924	1190	1145	960	924	1040	1001	1040	1001
11.	Kerala	488	550	685	640	797	600	748	740	922	640	797	700	872	660	822
12.	Madhya Pradesh	608	725	725	870	870	800	800	1200	1200	870	870	975	975	975	975
13.	Maharashtra	608	750	750	950	950	750	750	1200	1200	825	825	975	975	1200	1200
14.	Manipur	608	750	750	950	950	800	800	975	975	800	800	950	950	950	950
15.	Meghalaya	661	820	754	1300	1196	900	828	1675	1541	975	897	1050	966	1200	1104
16.	Mizoram	608	775	775	1200	1200	775	775	1400	1400	825	825	1200	1200	1200	1200
17.	Nagaland	N.A	375	705	535	898	400	740	720	1282	400	740	450	818	535	898
18.	Orissa	568	570	610	780	835	625	669	840	899	780	835	840	899	840	899
19.	Punjab	608	750	750	950	950	950	950	1200	1200	1000	1000	1200	1200	1200	1200
20.	Rajasthan	608	700	700	880	880	720	720	1120	1120	760	760	880	880	880	880
21.	Sikkim	656	800	741	975	904	840	779	1080	1001	910	843	1030	955	1030	955
22.	Tamil Nadu	528	450	518	610	702	505	582	705	812	505	582	705	812	610	702
23.	Tripura	608	775	775	970	970	850	850	1250	1250	850	850	1020	1020	1250	1250
24.	Uttar Pradesh	328	305	565	354	656	330	612	430	797	364	675	400	741	365	677
25.	West Bengal	200	220	669	300	912	230	695	380	1155	260	790	280	851	300	912

NA- Not Available.

** No such post reported by the State Government.*

Table - 3

Employees as on 1.1.89 and presumptive Basic Pay at CPI level 608

(Rupees)

Pharmacist		Trained Graduate Teacher		Revenue Inspector		Naib Tehsildar		Junior Engineer		Trained Nurse		Tehsildar		Asstt. Engineer		Deputy Collector		Asstt. Surgeon	
Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay	Basic Pay	Presumptive Basic Pay
(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)
1200	1200	1400	1400	1320	1320	1400	1400	1400	1400	1400	1400	1640	1640	2000	2000	2000	2000	2200	2200
1010	1010	1280	1280	910	910	1330	1330	1330	1330	1150	1150	1550	1550	1380	1380	2150	2150	1810	1810
1200	1200	1400	1400	*	*	*	*	1400	1400	1400	1400	2000	2000	2000	2000	2375	2375	2200	2200
525	831	620	982	420	665	500	792	620	982	560	887	800	1267	875	1385	875	1385	1200	1900
680	1055	850	1318	850	1318	*	*	785	1218	730	1132	*	*	1000	1551	1000	1551	1150	1784
1200	1200	1400	1400	1320	1320	1600	1600	1400	1400	1400	1400	1640	1640	2000	2000	2000	2000	2200	2200
1200	1200	1400	1400	1400	1400	1400	1400	1400	1400	1350	1350	2000	2000	1640	1640	2200	2200	2200	2200
1350	1350	1400	1400	*	*	1600	1600	1400	1400	1400	1400	2000	2000	2000	2000	*	*	3000	3000
1410	1410	1640	1640	1350	1350	1640	1640	1640	1640	1500	1500	2000	2000	2200	2200	2200	2200	2200	2200
900	900	960	960	1150	1150	1550	1550	1650	1650	1550	1550	1900	1900	2000	2000	2350	2350	1900	1900
1190	1145	1400	1347	1190	1145	1600	1539	1400	1347	1400	1347	1900	1828	1900	1828	2200	2116	2200	2116
700	872	780	972	825	1028	950	1184	825	1028	780	972	1100	1370	1050	1308	1500	1869	1150	1433
1200	1200	1290	1290	1200	1200	1290	1290	1540	1540	1200	1200	1540	1540	1820	1820	1820	1820	1820	1820
1350	1350	1400	1400	1200	1200	1640	1640	1400	1400	1400	1400	2000	2000	2000	2000	2200	2200	2200	2200
1200	1200	1350	1350	1200	1200	1600	1600	1350	1350	1200	1200	*	*	1640	1640	2000	2000	1640	1640
1200	1104	1700	1564	*	*	*	*	1450	1334	1375	1265	*	*	1975	1817	*	*	2000	1840
1350	1350	1640	1640	*	*	*	*	1640	1640	1400	1400	*	*	2000	2000	2200	2200	2000	2000
510	851	775	1348	*	*	*	*	690	1200	510	851	*	*	1010	1672	1010	1672	1010	1672
840	899	1050	1124	780	835	1350	1445	1050	1124	935	1001	*	*	1350	1445	*	*	1350	1445
1350	1350	1640	1640	1500	1500	1640	1640	1640	1640	1350	1350	2000	2000	2200	2200	2400	2400	2200	2200
1140	1140	1140	1140	925	925	1200	1200	1160	1160	1140	1140	1490	1490	1720	1720	1720	1720	1720	1720
1200	1112	1520	1409	1410	1307	*	*	1410	1307	1410	1307	*	*	1820	1687	1820	1687	1820	1687
705	812	780	898	705	812	905	1042	1045	1203	780	898	1160	1336	1160	1336	1340	1543	1340	1543
1300	1300	1450	1450	1450	1450	970	970	1450	1450	1450	1450	*	*	2100	2100	2100	2100	2100	2100
400	741	540	1001	*	*	515	955	515	955	470	871	690	1279	850	1576	850	1576	850	1576
360	1094	440	1338	380	1155	*	*	425	1292	300	912	280	851	660	2006	660	2006	550	1672

Surplus or Deficit on
(Before Finance

	Andhra Pradesh	Arunachal Pradesh	Assam	Bihar	Goa	Gujarat	Haryana	Himachal Pradesh	Jammu & Kashmir	Karna-taka	Kerala
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
I-Revenue Receipts	19049.13	180.55	3764.60	11867.17	660.93	16387.07	7049.74	1447.07	1702.53	15855.77	9725.61
1. Tax Revenue	16469.51	12.73	2516.27	6557.24	548.35	13090.54	6152.43	1028.15	1139.92	13030.70	8340.80
	(16765.45)			(6513.40)		(13028.81)	(5973.11)			(13058.78)	(8704.23)
(i) State Excise	4475.77	6.53	63.13	563.35	64.39	329.01	1688.80	277.10	298.91	2571.40	1218.48
	(4468.92)			(599.23)		(68.38)	(1541.69)			(2323.96)	(1305.61)
(ii) Sales Tax	9140.36	2.03	1784.78	4675.66	394.64	9416.06	2973.83	500.76	420.80	7469.02	5566.12
	(9320.01)			(4515.56)		(9860.81)	(2855.08)			(7446.67)	(5827.90)
(iii) Others	2853.38	4.17	668.36	1318.23	89.32	3345.47	1489.80	250.29	420.21	2990.28	1556.20
	(2976.52)			(1398.61)		(3099.62)	(1576.34)			(3288.15)	(1570.72)
2. Non-Tax Revenue	2549.84	167.82	1237.93	5226.85	111.41	3274.87	882.73	409.08	559.90	2665.08	1366.42
(i) Interest Receipts											
(a) SEB	-	-	-	233.57	-	-	52.44	-	-	-	-
(b) RTC	22.43	-	10.78	16.00	1.46	43.80	-	-	-	21.43	8.43
(c) Others	145.13	0.86	45.67	173.01	4.85	182.15	49.24	8.81	18.72	208.59	78.74
(ii) Dividends	122.70	0.70	33.10	53.70	9.70	54.35	25.70	11.35	25.05	105.75	80.95
(iii) Forest	301.92	98.46	95.43	338.83	4.53	93.35	36.27	162.45	295.32	302.45	243.39
(iv) Mines And Minerals	346.62	19.20	760.20	3245.76	16.03	951.07	39.72	15.96	4.12	95.67	5.07
(v) Irrigation *	368.74	20.83	58.51	358.11	4.66	171.17	158.64	15.13	48.59	224.37	102.03
(vi) Others	1242.30	27.77	234.24	807.87	70.18	1778.98	520.72	195.38	168.10	1706.82	847.81
3. Non-Plan Grants From The Centre	29.78	-	10.40	83.08	1.17	21.66	14.58	9.84	2.71	159.99	18.39
II- Revenue Expenditure	20967.53	1007.93	7294.49	18848.20	1166.05	15714.56	5509.04	3239.59	5002.97	15031.65	12463.72
(a) Category (ii) Items	11092.05	618.28	4299.53	11183.27	626.71	9946.47	3042.86	1911.27	2605.73	9074.26	7528.47
	(12123.72)			(11368.16)		(10103.26)	(3196.91)			(9332.99)	(8249.24)
(i) Police	1291.00	81.52	819.37	1518.15	53.90	910.44	350.43	213.03	409.38	903.70	585.16
	(1238.72)			(1510.95)		(1195.03)	(463.59)			(834.61)	(589.17)
(ii) Education	4678.00	142.88	1681.69	5066.54	287.31	3771.32	1375.83	789.53	747.99	3708.68	3490.70
	(4941.66)			(4702.39)		(4233.10)	(1426.82)			(3844.03)	(3957.36)
(iii) Medical And Public Health	1089.08	79.93	315.91	770.84	114.89	1400.99	315.73	246.50	369.81	1180.64	964.53
	(1174.17)			(938.24)		(1161.74)	(366.31)			(953.21)	(914.74)
(iv) Others	3967.26	313.95	1105.99	3165.46	170.61	3863.72	1000.87	662.21	1022.44	3273.48	1974.81
	(4697.54)			(3535.04)		(3513.39)	(940.19)			(3693.02)	(2197.26)
(v) Provision For Pay Parity	66.71	-	376.57	662.28	-	-	-	-	56.11	7.76	513.27
	(71.63)			(681.54)						(8.12)	(590.71)
(b) Other Expenditure	9875.48	389.65	2994.96	7664.93	539.34	5768.09	2466.18	1328.32	2397.24	5957.39	4935.25
(i) Interest Payment	2977.85	197.62	1875.92	4416.60	386.01	3178.43	1613.74	601.93	1556.00	2554.24	2082.81
(ii) Social Security And Welfare	3135.41	12.43	129.79	511.56	11.35	590.03	129.02	40.41	102.15	829.22	461.86
(iii) Irrigation *	441.71	30.15	222.17	667.73	6.91	234.88	181.40	23.17	93.52	281.42	158.67
(iv) Buildings Including Housing	132.08	26.68	53.01	156.96	11.33	162.03	40.24	43.68	40.70	103.32	64.60
(v) Roads And Bridges	941.68	50.34	218.81	398.01	39.48	634.52	202.38	149.19	104.78	485.77	364.69
(vi) Others	2246.75	72.43	495.26	1514.07	84.26	968.20	299.40	469.94	500.09	1703.42	1802.62
III- Adjustment	-367.85	-	-	-114.35	-	-109.25	-166.70	-	-	-115.35	-178.70
IV- Surplus/Deficit On Revenue Account (I-II+III)	-2286.25	-827.38	-3529.89	-7095.38	-505.12	563.26	1374.00	-1792.52	-3300.44	708.77	-2916.81

* *Major, medium and minor irrigation*

Note : *For comparison, the figures based on an alternative exercise attempted on traditional line are shown in brackets. In respect of the Special Category States and Goa, only the traditional exercise was done.*

Annexure III.18
(Para 3.81)

Revenue Account : 1990-95
Commission Transfers)

(Rs. Crore)

Madhya Pradesh	Maharashtra	Manipur	Meghalaya	Mizoram	Nagaland	Orissa	Punjab	Rajasthan	Sikkim	Tamil Nadu	Tripura	Uttar Pradesh	West Bengal
(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
13344.35	37125.83	168.59	310.67	64.70	231.20	4835.83	10095.27	8636.54	127.73	19884.44	273.79	20207.44	15774.93
8481.97	28418.32	78.35	172.03	15.76	127.86	2910.47	8291.05	6499.86	77.68	17874.75	119.85	16081.98	11653.82
(8944.23)	(27906.13)					(2842.40)	(8017.48)	(6796.73)		(17076.83)		(15280.67)	(11949.94)
1403.76	3774.40	14.03	43.47	2.46	5.96	267.54	2591.99	980.27	49.52	1721.02	9.48	2938.95	984.27
(1595.90)	(2833.40)					(238.45)	(2559.89)	(1199.28)		(1963.74)		(3003.08)	(880.51)
4973.84	18761.89	32.48	91.60	3.50	97.28	2087.38	4144.66	4117.54	16.62	12492.98	73.57	9181.96	7881.23
(4863.44)	(18758.34)					(1998.74)	(3850.35)	(4276.98)		(11274.43)		(8225.67)	(7893.14)
2104.37	5882.03	31.84	36.96	9.80	24.62	555.55	1554.40	1402.05	11.54	3660.75	36.80	3961.07	2788.32
(2484.89)	(6314.39)					(605.21)	(1607.24)	(1320.47)		(3838.66)		(4051.92)	(3176.29)
4735.63	8417.64	83.47	124.92	42.79	99.16	1820.64	1717.52	2052.50	50.05	1884.53	140.28	3877.42	3987.22
-	-	-	-	-	-	-	381.89	-	-	362.48	-	517.35	-
16.38	18.48	-	-	-	-	8.83	11.58	7.64	-	13.76	-	23.96	31.56
96.17	315.55	5.15	5.09	10.29	3.89	28.58	121.36	50.42	1.73	249.48	5.82	217.21	255.53
54.50	123.25	3.10	8.90	1.40	4.55	89.80	62.95	45.70	2.15	90.10	6.65	257.95	68.20
2001.66	783.96	5.21	16.58	2.32	8.12	359.90	28.31	51.88	5.63	162.51	21.53	414.95	147.95
773.11	131.28	-	24.33	-	7.66	287.15	2.66	425.01	0.13	49.61	56.64	69.70	2057.02
218.17	229.89	5.83	4.52	0.86	2.56	161.99	373.25	220.15	0.86	144.83	8.24	1307.57	331.08
1575.64	6815.23	64.18	65.50	27.92	72.38	884.39	735.52	1251.70	39.55	811.76	41.40	1068.73	1095.88
126.75	289.87	6.77	13.72	6.15	4.18	104.72	86.70	84.18	-	125.16	13.66	248.04	133.89
18650.85	30118.93	1250.31	1125.06	1081.96	1471.75	9628.12	9610.84	13736.76	368.66	21368.61	1696.46	34432.58	20143.26
9783.29	16023.21	878.30	756.92	843.30	1063.53	5738.72	4360.54	7388.16	244.22	13746.81	1244.25	21094.19	12766.55
(9934.10)	(18546.45)					(5625.45)	(5285.38)	(6993.00)		(13404.80)		(20134.43)	(13683.99)
1197.65	1669.00	196.91	156.11	90.33	329.00	585.34	516.83	751.93	34.96	1161.00	217.58	2739.58	1431.10
(1365.53)	(2127.44)					(519.83)	(752.49)	(793.09)		(954.92)		(2549.49)	(1466.15)
4199.91	7269.97	311.84	199.24	228.09	228.84	2430.89	1826.53	3076.11	76.11	5338.44	480.82	7607.97	5103.04
(3404.79)	(8312.03)					(1991.45)	(2435.73)	(3066.86)		(4977.33)		(6981.77)	(5887.42)
925.65	1829.51	65.67	100.85	107.75	106.27	563.08	668.89	886.22	26.84	1563.39	88.05	1703.80	1646.74
(908.40)	(1489.60)					(576.12)	(626.40)	(849.09)		(1464.24)		(1532.90)	(1700.34)
3383.79	5254.73	266.96	300.72	417.13	374.31	1757.23	1348.29	2427.87	101.89	4060.72	457.80	5553.48	4162.63
(4164.56)	(6617.38)					(2136.36)	(1470.76)	(2046.19)		(4318.87)		(5608.68)	(4132.40)
76.29	-	36.92	-	-	25.11	402.18	-	246.03	4.42	1623.26	-	3489.36	423.04
(90.82)						(401.69)		(237.77)		(1689.44)		(3461.59)	(497.68)
8867.56	14095.72	372.01	368.14	238.66	408.22	3889.40	5250.30	6348.60	124.44	7621.80	452.21	13338.39	7376.71
3941.60	5731.24	162.74	126.00	85.83	214.08	2303.12	3319.35	3334.27	55.61	2672.10	193.26	7781.90	4075.18
1135.31	789.20	22.50	12.80	57.95	20.95	182.53	243.03	215.35	1.95	2030.97	52.71	520.41	441.59
238.01	271.56	34.97	7.26	1.35	3.81	238.09	492.63	238.63	1.78	162.49	16.82	1778.30	598.03
166.09	298.26	12.54	25.41	10.83	24.16	150.40	95.96	99.66	6.79	121.12	22.95	255.51	176.67
829.51	967.83	23.33	81.32	25.88	40.12	360.99	337.06	556.32	24.60	626.58	42.03	1360.49	552.69
2557.04	6037.63	115.93	115.35	56.82	105.10	654.27	762.27	1904.37	33.71	2008.54	124.44	1641.78	1532.55
-	-1517.70		-	-	-	-	-599.20	-	-	-227.95	-	-	-310.65
-5306.50	5489.20	-1081.72	-814.39	-1017.26	-1240.55	-4792.29	-114.77	-5100.22	-240.93	-1712.12	-1422.67	-14225.14	-4678.98

ANNEXURE III.19
(Para 3.82)

Comparison Of Normative Estimates With Conventional Estimates Of Tax Revenue And Expenditure 1990-95 (Non - Special Category States Excluding Goa)

(Rs. Crore)

	Tax Revenues			Non - Plan Rev. Expenditure			Net Improvement (col 3+6)	Adjustment Made
	Normative Estimates	Conventional Estimates	Improvement (col. 1-2)	Normative Estimates	Conventional Estimates	Improvement (col 5-4)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. ANDHRA PRADESH	16469.51	16765.45	-295.94	11092.06	12123.72	1031.66	735.72	367.85
2. BIHAR	6557.24	6513.40	43.84	11183.27	11368.16	184.89	228.73	114.35
3. GUJARAT	13090.54	13028.81	61.73	9946.47	10103.26	156.79	218.52	109.25
4. HARYANA	6152.43	5973.11	179.32	3042.86	3196.91	154.05	333.37	166.70
5. KARNATAKA	13030.70	13058.78	-28.08	9074.26	9332.99	258.73	230.65	115.35
6. KERALA	8340.80	8704.23	-363.43	7528.47	8249.24	720.77	357.34	178.70
7. MADHYA PRADESH	8481.97	8944.23	-462.26	9783.29	9934.10	150.81	-311.45	
8. MAHARASHTRA	28418.32	27906.13	512.19	16023.21	18546.45	2523.24	3035.43	1517.70
9. ORISSA	2910.47	2842.40	68.07	5738.72	5625.45	-113.27	-45.20	
10. PUNJAB	8291.05	8017.48	273.57	4360.54	5285.38	924.84	1198.41	599.20
11. RAJASTHAN	6499.86	6796.73	-296.87	7388.16	6993.00	-395.16	-692.03	
12. TAMIL NADU	17874.75	17076.83	797.92	13746.81	13404.80	-342.01	455.91	227.95
13. UTTAR PRADESH	16081.98	15280.67	801.31	21094.19	20134.43	-959.76	-158.45	
14. WEST BENGAL	11653.82	11949.94	-296.12	12766.55	13683.99	917.44	621.32	310.65
TOTAL	**163853.44**	**162858.19**	**995.25**	**142768.86**	**147981.88**	**5213.02**	**6208.27**	**3707.70**

ANNEXURE IV.1
(Para4.23)

Summary Of The Central Government's Forecast By The Ministry Of Finance And As Reassessed For The Period 1990-95.

(Rs. Crore)

	Estimates furnished by Min.of Finance (At Current Prices).	Reassessed Estimates (At Current Prices)
I. Revenue Receipt	**421388**	**466502**
(a) Tax Receipts(gross)	*337344*	*370014*
1. Income Tax	27359	28508
2. Corporation Tax	30191	33836
3. Union Excise duties	145103	161526
4. Customs	127221	136674
5. Other tax revenues	7470	9470
(b) Non-Tax Receipts	*84044*	*96488*
1. Interest Receipts	52457	57214
2. Dividends And Profits	7626	13257
3. Other Non-Tax Receipts	23961	26017

(Rs. Crore)

	Estimates furnished by Min.of Finance (At Current Prices).	Reassessed Estimates (At Current Prices)
II. Non-Plan Expenditure On Revenue Account.	**374994**	**317231**
1. Interest Payments	151255	123880
2. Major Subsidies	58433	47338
3. Other Non-Plan Expenditure	165306	146013

ANNEXURE V.1

(Para 5.7)

Statewise Assessment Of Income Tax (Excluding Tax On Union Emoluments) For The Years 1985-86, 1986-87 And 1987-88

(Rs. Crore)

States	1985-86	1986-87	1987-88	Total 1985-86 To 1987-88
1. Andhra Pradesh	82.13	93.65	111.97	287.75
2. Arunachal Pradesh	0.70	0.71	0.73	2.14
3. Assam	23.58	17.64	29.29	70.51
4. Bihar	34.62	47.24	72.34	154.20
5. Goa	6.98	7.24	11.02	25.24
6. Gujarat	193.53	245.26	275.81	714.60
7. Haryana	16.47	23.94	22.45	62.86
8. Himachal Pradesh	8.57	7.30	7.48	23.35
9. Jammu and Kashmir	9.04	10.49	17.15	36.68
10. Karnataka	81.09	114.69	127.06	322.84
11. Kerala	63.21	69.35	75.51	208.07
12. Madhya Pradesh	52.78	69.01	88.05	209.84
13. Maharashtra	512.23	613.06	614.23	1739.52
14. Manipur	0.60	0.53	0.57	1.70
15. Meghalaya	1.61	1.65	1.93	5.19
16. Mizoram	0.01	0.01	0.01	0.03
17. Nagaland	0.28	0.28	0.31	0.87
18. Orissa	13.75	14.24	13.92	41.91
19. Punjab	79.21	61.17	61.77	202.15
20. Rajasthan	53.65	40.37	39.92	133.94
21. Sikkim	-	-	-	-
22. Tamil Nadu	179.29	215.88	207.14	602.31
23. Tripura	0.44	0.51	0.68	1.63
24. Uttar Pradesh	95.47	122.58	120.44	338.49
25. West Bengal	167.79	180.45	150.97	499.21
All States	**1677.03**	**1957.25**	**2050.75**	**5685.03**
Union Territories	**162.51**	**208.65**	**250.45**	**621.61**
All India	**1839.54**	**2165.90**	**2301.20**	**6306.64**

Source : *Ministry of Finance - Department of Revenue - Central Board of Direct Taxes.*

ANNEXURE V.2

(Para 5.8)

States Arranged In Descending Order Of Per Capita State Domestic Product : New Series

(Average of three years, 1982-85, at current prices)

(Rupees)

States	Per Capita Income
1. Goa	4437
2. Punjab	4013
3. Maharashtra	3384
4. Haryana	3043
5. Gujarat	2919
6. Arunachal Pradesh	2746
7. Sikkim	2570
8. Karnataka	2461
9. Jammu and Kashmir	2380
10. Nagaland	2268
11. West Bengal	2230
12. Manipur	2205
13. Kerala	2144
14. Tamil Nadu	2142
15. Himachal Pradesh	2103
16. Andhra Pradesh	2053
17. Meghalaya	1960
18. Assam	1863
19. Madhya Pradesh	1860
20. Rajasthan	1820
21. Tripura	1784
22. Mizoram	1778
23. Orissa	1728
24. Uttar Pradesh	1713
25. Bihar	1323
All States' Average	2165
Union Territories	5002
All India Average	2199

ANNEXURE V.3A

(Para 5.10)

Composite Index Of Backwardness

(All India)

States	SC/ST Population 1981	Relative Shares	Agricultural Labourers 1981	Relative Shares	Weighted (Combined) Relative Shares
1. Andhra Pradesh	11137731	6.9692	8325017	14.8524	10.9108
2. Arunachal Pradesh	444086	0.2779	7796	0.0139	0.1459
3. Assam	3430150	2.1463	552048	0.9849	1.5656
4. Bihar	15953235	9.9824	7366973	13.1432	11.5628
5. Goa	21309	0.0133	30556	0.0545	0.0339
6. Gujarat	7286883	4.5596	2488300	4.4393	4.4995
7. Haryana	2464012	1.5418	590324	1.0532	1.2975
8. Himachal Pradesh	1251221	0.7829	40072	0.0715	0.4272
9. Jammu and Kashmir	497363	0.3112	63540	0.1134	0.2123
10. Karnataka	7420556	4.6433	3655197	6.5211	5.5822
11. Kerala	2810857	1.7588	1917362	3.4207	2.5898
12. Madhya Pradesh	19345564	12.1051	4857829	8.6667	10.3859
13. Maharashtra	10251801	6.4149	6470855	11.5444	8.9796
14. Manipur	405730	0.2539	28613	0.0510	0.1525
15. Meghalaya	1081837	0.6769	57899	0.1033	0.3901
16. Mizoram	462042	0.2891	5118	0.0091	0.1491
17. Nagaland	650885	0.4073	2979	0.0053	0.2063
18. Orissa	9780610	6.1200	2396974	4.2764	5.1982
19. Punjab	4511703	2.8231	1092225	1.9486	2.3859
20. Rajasthan	10022003	6.2711	764625	1.3641	3.8176
21. Sikkim	91904	0.0575	4887	0.0087	0.0331
22. Tamil Nadu	9401521	5.8829	6037601	10.7715	8.3271
23. Tripura	894304	0.5596	146089	0.2606	0.4101
24. Uttar Pradesh	23686044	14.8211	5177074	9.2362	12.0287
25. West Bengal	15071440	9.4306	3891531	6.9427	8.1867
All States	**158374791**	**99.0998**	**55971484**	**99.8568**	**99.4783**
Union Territories	**1438620**	**0.9002**	**80259**	**0.1432**	**0.5217**
All India	**159813411**	**100.0000**	**56051743**	**100.0000**	**100.0000**

ANNEXURE V.3B
(Para 5.10)

Composite Index Of Backwardness
(All States)

States	SC/ST Population 1981	Relative Shares	Agricultural Labourers 1981	Relativw Shares	Weighted (Combined) Relative Shares
(1)	(2)	(3)	(4)	(5)	(6)
1. Andhra Pradesh	11137731	7.0325	8325017	14.8737	10.9531
2. Arunachal Pradesh	444086	0.2804	7796	0.0139	0.1472
3. Assam	3430150	2.1658	552048	0.9863	1.5761
4. Bihar	15953235	10.0731	7366973	13.1620	11.6176
5. Goa	21309	0.0135	30556	0.0546	0.0340
6. Gujarat	7286883	4.6010	2488300	4.4457	4.5233
7. Haryana	2464012	1.5558	590324	1.0547	1.3052
8. Himachal Pradesh	1251221	0.7900	40072	0.0716	0.4308
9. Jammu and Kashmir	497363	0.3140	63540	0.1135	0.2138
10. Karnataka	7420556	4.6854	3655197	6.5305	5.6080
11. Kerala	2810857	1.7748	1917362	3.4256	2.6002
12. Madhya Pradesh	19345564	12.2151	4857829	8.6791	10.4471
13. Maharashtra	10251801	6.4731	6470855	11.5610	9.0171
14. Manipur	405730	0.2562	28613	0.0511	0.1537
15. Meghalaya	1081837	0.6831	57899	0.1034	0.3933
16. Mizoram	462042	0.2917	5118	0.0091	0.1504
17. Nagaland	650885	0.4110	2979	0.0053	0.2082
18. Orissa	9780610	6.1756	2396974	4.2825	5.2291
19. Punjab	4511703	2.8488	1092225	1.9514	2.4001
20. Rajasthan	10022003	6.3280	764625	1.3661	3.8471
21. Sikkim	91904	0.0580	4887	0.0087	0.0334
22. Tamil Nadu	9401521	5.9362	6037601	10.7869	8.3616
23. Tripura	894304	0.5647	146089	0.2610	0.4128
24. Uttar Pradesh	23686044	14.9557	5177074	9.2495	12.1026
25. West Bbengal	15071440	9.5163	3891531	6.9527	8.2345
Total	**158374791**	**100.0000**	**55971484**	**100.0000**	**100.0000**

ANNEXURE V.4
(Para 5.17)

Comparable Estimates Of Net State Domestic Product At Current Prices (1982-83 To 1984-85) - New Series

(Rs. Lakh)

	1982-83	1983-84	1984-85	Total	Average (1982-85)
(1)	(2)	(3)	(4)	(5)	(6)
1. Andhra Pradesh	990706	1211448	1269209	3471363	1157121
2. Arunachal Pradesh	15852	19609	20704	56165	18722
3. Assam	327776	393060	465925	1186761	395587
4. Bihar	827324	969824	1142014	2939162	979721
5. Goa	42180	44279	56433	142892	47631
6. Gujarat	895750	1105388	1154468	3155606	1051869
7. Haryana	387616	416563	464903	1269082	423027
8. Himachal Pradesh	88550	97377	98061	283988	94662
9. Jammu and Kashmir	128892	149375	175073	453340	151113
10. Karnataka	828745	978485	1101567	2908797	969599
11. Kerala	495316	573124	648615	1717055	572352
12. Madhya Pradesh	901116	1062298	1121461	3084875	1028292
13. Maharashtra	1932505	2270745	2549625	6752875	2250958
14. Manipur	27631	33854	39199	100684	33561
15. Meghalaya	24489	28297	31871	84657	28219
16. Mizoram	7766	9471	12199	29436	9812
17. Nagaland	17139	19215	22526	58880	19627
18. Orissa	394916	519939	518687	1433542	477847
19. Punjab	636896	699319	799490	2135705	711902
20. Rrajasthan	574674	719680	717391	2011745	670582
21. Sikkim	7418	8711	10920	27049	9016
22. Tamil Nadu	914066	1071027	1265703	3250796	1083599
23. Tripura	35374	38304	44066	117744	39248
24. Uttar Pradesh	1828520	2000192	2200054	6028766	2009588
25. West Bengal	1100427	1280301	1470874	3851602	1283867
All States	**13431644**	**15719885**	**17401038**	**46552567**	**15517522**
Union Territories	382069	419913	482056	1284038	428013
All India	13813713	16139798	17883094	47836605	15945535

Source : *Central Statistical Organisation (CSO).*

ANNEXURE V.[illegible]
(Para 5.1[illegible])

Population

(In lakh)

States	Population 1971 Census	Population 1981 Census
(1)	(2)	(3)
1. Andhra Pradesh	435.03	535.50
2. Arunachal Pradesh	4.68	6.32
3. Assam	146.25	198.97
4. Bihar	563.53	699.15
5. Goa	7.95	10.07
6. Gujarat	266.97	340.86

(1)	(2)	(3)
7. Haryana	100.37	129.23
8. Himachal Pradesh	34.60	42.81
9. Jammu and Kashmir	46.17 2/	59.87
10. Karnataka	292.99	371.36
11. Kerala	213.47	254.54
12. Madhaya Pradesh	416.54	521.79
13. Maharashtra	504.12	627.84
14. Manipur	10.73	14.21
15. Meghalaya	10.12	13.36
16. Mizoram	3.32	4.94
17. Nagaland	5.16	7.75
18. Orissa	219.45	263.70
19. Punjab	135.51	167.89
20. Rajasthan	257.66	342.62
21. Sikkim	2.10	3.16
22. Tamil Nadu	411.99	484.08
23. Tripura	15.56	20.53
24. Uttar Pradesh	883.41	1108.62
25. West Bengal	443.12	545.81
All States	**5430.80**	**6774.98**
Union Territories	**50.80**	**76.87**
All India	**5481.60**	**6851.85**

1/ Projected Figure.
2/ Population figures exclude population of area under unlawful occupation of Pakistan and China where Census could not be taken.
***Source:** Census of India, 1971 and 1981.*

ANNEXURE V.6
(Para 5.29)

State-wise Passenger Earnings On The Basis Of The Originating Stations
Located In Each State For The Years 1984-85 To 1987-88

(Rs. Lakh)

States	Years				1984-85 To 1987-88	Total Average 1984-85 To 1987-88
	1984-85	1985-86	1986-87	1987-88		
1. Andhara Pradesh	10511.22	12038.01	13051.49	14174.01	49774.73	12443.68
2. Arunachal Pradesh	4.70	12.01	12.41	25.03	54.15	13.54
3. Assam	1884.98	2384.38	2764.80	2999.40	10033.56	2508.39
4. Bihar	10731.39	12916.14	15308.85	16016.36	54972.74	13743.19
5. Goa	178.60	212.11	233.21	262.64	886.56	221.64
6. Gujarat	8237.38	9130.33	9574.37	11079.56	38021.64	9505.41
7. Haryana	2016.28	2412.48	3033.19	3424.82	10886.77	2721.69
8. Himachal Pradesh	129.67	156.26	178.10	187.94	651.97	162.99
9. Jammu and Kashmir	582.51	752.19	957.78	1168.16	3460.64	865.16
10. Karnataka	4550.29	5294.15	5813.15	6094.98	21752.57	5438.14
11. Kerala	4941.65	5792.04	6281.28	6674.54	23689.51	5922.38
12. Madhaya Pradesh	7919.50	9697.18	10608.61	12084.72	40310.01	10077.50
13. Maharashtra	31049.05	36055.62	40303.98	43123.66	150532.31	37633.08
14. Manipur	29.05	14.79	18.79	26.69	89.32	22.33
15. Meghalaya	45.36	65.05	69.12	88.68	268.21	67.05
16. Mizoram	-	-	-	-	-	-
17. Nagaland	179.86	240.91	317.29	355.52	1093.58	273.40
18. Orissa	2122.66	2483.60	2893.93	3233.24	10733.43	2683.36
19. Punjab	3389.81	4648.65	6588.13	6057.93	20684.52	5171.13
20. Rajasthan	6566.23	7413.89	8205.77	8268.09	30453.98	7613.50
21. Sikkim	-	11.92	11.55	5.45	28.92	9.64
22. Tamil Nadu	9607.62	10710.07	12132.83	13390.99	45841.51	11460.38
23. Tripura	36.29	70.67	86.85	83.52	277.33	69.33
24. Uttar Pradesh	20732.84	24037.47	27598.52	30299.52	102668.35	25667.09
25. West Bengal	9953.61	11372.87	13225.54	13350.32	47902.34	11975.59
Total	**135400.55**	**157922.79**	**179269.54**	**192475.77**	**665068.65**	**166269.59**

Assistance Sought By the State and the Ceilings Approved By

STATE	CALAMITY	1979-80 Assist. Sought	1979-80 Ceiling Approved	1980-81 Assist. Sought	1980-81 Ceiling Approved	1981-82 Assist. Sought	1981-82 Ceiling Approved	1982-83 Assist. Sought	1982-83 Ceiling Approved	1983-84 Assist. Sought	1983-84 Ceiling Approved
1. Andhra Pradesh	Flood, etc.	14482	6122	1495	848	265	82		40534	9671	
	Drought	28071	2206	22788	4297	10583	2625	22024	6077	16512	2826
	TOTAL	42553	8328	24195	5137	10768	2707	22024	6077	57046	12497
2. Arunachal Pradesh	Flood, etc.										
	Drought										
	TOTAL										
3. Assam	Flood, etc.	1628	456	3437	1272			2484	947	5257	1107
	Drought	869	640								
	TOTAL	2497	1096	3437	1272			2484	947	5257	1107
4. Bihar	Flood, etc.			8980	2647	7865	2074	6378	1748		
	Drought	4307	1182	9290	2482			23430	2501	7457	898
	TOTAL	4307	1182	16270	5129	7865	2074	29808	4249	7457	898
5. Goa	Flood, etc.										
	Drought										
	TOTAL										
6. Gujarat	Flood, etc.	13929	5060	6129	1898			30002	7291	16685	4367
	Drought			4298	612			20197	3060		918
	TOTAL	13929	5060	10427	2510			50199	10351	16685	5285
7. Haryana	Flood, etc.			2466	524			2639	175	10337	1707
	Drought	2532	450	3879	402	12263	825	8405	1182		
	TOTAL	2532	450	6345	926	12263	825	11044	1357	10337	1707
8. Himachal Pradesh	Flood, etc.	353	209			806	241	2187	403	6354	829
	Drought	1550	370	1880	1001	1026	265	4150	1302		
	TOTAL	1903	579	1880	1001	1832	506	6257	1705	6354	829
9. Jammu and Kashmir	Flood, etc.	64	13			126	40			1358	100
	Drought	2400	279								
	TOTAL	2544	292			126	40			1358	100
10. Karnataka	Flood, etc.			2557	348	1412	281	2080	443	1899	329
	Drought			25667	665	6804	1381	3420	881	1681	1400
	TOTAL			28224	1013	8216	1662	5500	1324	3580	1729
11. Kerala	Flood, etc.			3467	909	4010	843	2403	11		
	Drought							2357	410	22960	4246
	TOTAL			3467	909	4010	843	4760	421	22960	4246
12. Madhya Pradesh	Flood, etc.							6083	221	2393	669
	Drought	9555	2280	11922	4790			13375	4099	7272	2229
	TOTAL	9555	2280	11922	4790			19458	4320	9665	2898
13. Maharashtra	Flood, etc.									10584	2468
	Drought	3968	854	3995	1625			14095	5689	1760	1163
	TOTAL	3968	854	3995	1625			14095	5689	12344	3631
14. Manipur	Flood, etc.					189	161				
	Drought	530	272								
	TOTAL	530	272			189	161				
15. Meghalaya	Flood, etc.							100	33	244	73
	Drought	300	77								
	TOTAL	300	77					100	33	244	73
16. Mizoram	Flood, etc.										
	Drought										
	TOTAL										
17. Nagaland	Flood, etc.									163	77
	Drought	405	67								
	TOTAL	405	67							163	77
18. Orissa	Flood, etc.			11230	4289	1112	1079	78757	17052		2290
	Drought	7214	1405	5668	1808			26484	1998	14965	2464
	TOTAL	7214	1405	16898	6097	1112	1079	105241	19050	14965	4762
19. Punjab	Flood, etc.										
	Drought										
	TOTAL										
20. Rajasthan	Flood, etc.	11625	1648			39446	4506	32	32	6000	893
	Drought	8067	1875	12084	4030	25043	8783	27130	7400	10568	3985
	TOTAL	19692	3523	12084	4030	64489	13289	27162	7432	17368	4878
21. Sikkim	Flood, etc.					415	222				
	Drought							401	17	64	4
	TOTAL					415	222	401	17	64	4
22. Tamil Nadu	Flood, etc.	8271	2250							12912	4119
	Drought					16068	4977		1839	21945	5915
	TOTAL	8271	2250			16068	4977		1839	34857	10034
23. Tripura	Flood, etc.							97	56	1943	450
	Drought	347	133					325	91		
	TOTAL	347	133					422	147	1943	450
24. Uttar Pradesh	Flood, etc			41379	7905	36055	4546	43701	6723	56376	5726
	Drought	45707	3491	12223	4752					3600	157
	TOTAL	45707	3491	53602	12657	36055	4546	43701	6723	59976	5883
25. West Bengal	Flood, etc.			4222	2356	5907	1818		758		68
	Drought	9474	2767					28132	7727	10233	3059
	TOTAL	9474	2767	4222	2356	5907	1818	28132	8485	10233	3119
GRAND TOTAL	Flood, etc.	50352	15758	85362	22988	97608	15893	176863	35893	173839	34943
	Drought	125384	18348	113606	26464	71707	18856	193925	45073	119017	29264
	TOTAL	175736	34106	198968	49452	169315	34749	370788	80966	292856	64207

ANNEXURE VI.I

the Government of India During the Year 1979-80 to 1988-89

(Rs. Lakh)

1984-85		1985-86		1986-87		1987-88		1988-89		1979-80 to 88-89		Fund Proposed Rs. Crore	Centre's Share of the Fund
Assist Sought	Ceiling Approved	Assist. Sought	Ceiling Approved	Assist. Sought	Ceiling Approved	Assist Sought	Ceiling Approved	Assist. Sought	Ceiling Approved	Assist. Sought	Ceiling Approved		
10430	2991		1279	127590	13951	13864	746	27156	3226	235816	38908		
36928	5442	95095	6309	67680	6324	78725	8715		910	378238	46531		
47358	8433	95095	7586	195270	20275	92589	9461	27156	4136	614054	85439	86	64.50
						3218	683	9964	648	13182	1331		
						3218	683	9964	648	13182	1331	2	1.50
15493	3942	9003	2385	33865	3194	38655	6250	82421	8541	192243	28094		
				8193	740					9062	1380		
15493	3942	9003	2385	42058	3934	38655	6250	82421	8541	201305	29474	30	22.50
20494	5894			26833	3694	73596	8337	15289	2740	159435	27134		
										44484	7063		
22494	5894			26033	3694	73596	8337	15289	2740	203919	34197	35	26.25
								17253	2702	83998	21318		
		17736	3183	105930	15058	129904	27841	31092	12774	309157	63446		
		17736	3183	105930	15058	129904	27841	48345	15476	393155	84764	85	63.75
1306	155	3922	794	385	55	2261	83	19188	3265	42504	6758		
15562	870	6457	921	14162	1670	48937	3727		69	112197	10116		
16868	1025	10379	1715	14547	1725	51198	3810	19188	3334	154701	16874	17	12.75
530	273	8209	1240	18566	1670	6880	1029	29077	3340	72882	9234		
6786	547	17903	3036	7056	70	27464	1816		99	67815	8506		
7316	820	26112	4276	25622	1740	34344	2845	29077	3439	140697	17740	18	13.50
609	378			8095	2192	26853	2161	29390	3780	66495	8664		
		3050	412			16906	1650		261	22436	2602		
609	378	3050	412	8095	2192	43759	3811	29390	4041	88931	11266	12	9.00
								28572	1538	36520	2939		
20950	3413	58793	6246	750	5000	25680	2561		2196	143733	23743		
20950	3413	58793	6246	750	5000	25680	2561	28572	3734	180253	26682	27	20.25
19515	2133	74336	13479	21591	2667			9286	1055	134608	21097		
		5781	30			'88610	4561		275	119708	9522		
19515	2133	80117	13509	21591	2667	88610	4561	9286	1330	254316	30619	31	23.25
2301	591			8288	759					19065	2240		
11257	1138	27742	5111	15449	2270	44124	7405	29712	4721	170408	34043		
13558	1729	27742	5111	23737	3029	44124	7405	29712	4721	189473	36283	37	27.75
		3621	1420	2029	600			17496	2197	33730	6685		
12132	3182	49894	6556	55301	9576	41465	5899	17751	2732	200361	37276		
12132	3182	53515	7976	57330	10176	41465	5899	35247	4929	234091	43961	44	33.00
200	28	454	160	1289	196			3464	166	5596	711		
				198	76					736	348		
200	28	454	160	1487	272			3464	166	6332	1059	1	0.75
765	293	478	261	725	192			1921	415	4233	1267		
				86	17					386	94		
765	293	478	261	811	209			1921	415	4619	1361	2	1.50
								950	130	950	130		
								950	130	950	130	1	0.75
		432	24			682	198			1277	291		
						2220	363		27	2625	457		
		432	24			2902	553		27	3902	748	1	0.75
16124	2343	19615	3422	.8352	724					135190	31207		
5037	295	6537	600			17613	4780		1494	83518	14844		
21161	2638	26152	4022	8352	724	17613	4780		1494	218708	46051	47	35.25
		47411	6088	7773	1808	13669	148	85794	15030	154647	23074		
2445	635	1876	850			50505	2594		359	54826	4438		
2445	635	49287	6938	7773	1808	64174	2742	85794	15389	209473	27512	28	21.00
2225	499			4012	875			2932	214	67072	8667		
4547	543	45517	9212	96135	14145	223911	41904	101266	23038	554268	114915		
6772	11042	45517	9212	100147	15020	223911	41904	104198	23252	621340	123582	124	93.00
4467	830	2804	407	3291	99	2237	419	3277	851	16491	2828		
21	10									486	31		
4488	840	2804	407	3291	99	2237	419	3277	851	16977	2859	3	2.25
10678	2799	18201	6781							50062	15949		
				31002	3177	40116	6143		473	109131	22524		
10678	2799	18201	6781	31002	3177	40116	6143		473	159193	38473	39	29.25
1244	730	991	442	304	114			641	196	5220	1988		
				430	86					1110	311		
1244	730	991	442	743	200			641	196	6330	2298	3	2.25
26417	5724	131475	13748	98805	6762	18696	2049	50778	4080	503682	57254		
18145	810	54353	5170	47482	1088	131411	15554		1234	312921	32264		
44562	6534	185028	18910	146287	7850	150107	17603	50778	5314	816603	89519	90	67.50
15752	4803	2817	1065	27362	3538	26463	8284	17956	3713	100479	26395		
										47840	13553		
15752	4803	2817	1065	27362	3538	26463	8284	17956	3713	148319	39948	40	30.00
148550	34406	323769	52987	399155	43091	227074	30213	452805	57827	2138115	344853		
133810	16885	398734	47644	449862	59298	967578	135512	179821	50662	2745443	44800		
282360	51291	714503	100631	849017	102389	1194651	165892	632626	108429	4883558	792965		
										ROUNDED OF TO		804	603.00

ANNEXURE VII.1

(Para 7.10)

States' Revenue Plan Financing

States	Share Of Total Expenditure of 40000	Total Amount Available For Plan	Difference Between Col 1 and 2 Where Col 1 Is Higher	50 per cent Of Col 3 (Plan Deficit Grants)
	(1)	(2)	(3)	(4)
1. Andhra Pradesh	3345.20	2662.69	682.51	341.25
2. Bihar	5045.60	2297.06	2748.54	1374.27
3. Gujarat	1779.20	2018.18	-	-
4. Haryana	844.40	1220.02	-	-
5. Karnataka	2206.40	2344.32	-	-
6. Kerala	1312.00	486.92	825.08	412.54
7. Madhya Pradesh	3528.80	1433.19	2095.61	1047.81
8. Maharashtra	3555.60	5363.22	-	-
9. Orissa	1602.00	493.00	1109.00	554.50
10. Punjab	926.00	818.18	107.82	53.91
11. Rajasthan	2472.80	552.00	1920.80	960.40
12. Tamil Nadu	2454.00	2366.42	87.58	43.79
13. Uttar Pradesh	7664.00	1891.00	5773.00	2886.50
14. West Bengal	3264.00	1266.71	1997.29	998.65
TOTAL	40000.00	25212.91	17347.23	8673.62

Annexure VII. 2

(Para 7.12)

States' Revenue Plan Financing

(Rs. Crore)

States	Total Revenue Plan Expenditure	Share In Central Assistance	Difference Between Col 1 and 2 Where Col 1 Is Higher	50 Per Cent Of Col 3 (Plan Deficit Grants)
	(1)	(2)	(3)	(4)
1. Assam	1880.75	1252.93	627.82	313.91
2. Goa	185.53	201.47	-	-
3. Jammu and Kashmir	1070.67	1044.08	26.59	13.30

Annexure VII.3

(Para 7.18 and 7.29)

Revenue Account Position Of Central Government Resources : 1990-95

(Rs. Crore)

	1990-91	1991-92	1992-93	1993-94	1994-95	Total 1990-95
	(1)	(2)	(3)	(4)	(5)	(6)
I. Revenue Receipts						
(a) Tax Receipts						
1. Income Tax	4670	5136	5650	6215	6837	28508
2. Corporation Tax	5326	5965	6681	7483	8381	33836
3. Excise Duties	25426	28477	31894	35721	40008	161526
4. Customs	20473	23441	26840	30732	35188	136674
5. Other Tax Revenues	1461	1651	1866	2109	2383	9470
Total - (a)	***57356***	***64670***	***72931***	***82260***	***92797***	***370014***
(b) Non Tax Revenues						
1. Interest	9006	10087	11297	12653	14171	57214
2. Dividends	2399	2519	2645	2778	2916	13257
3. Other Non Tax Receipts	4615	4892	5186	5497	5827	26017
Total - (b)	**16020**	**17498**	**19128**	**20928**	**22914**	**96488**
Total-I - (a+b)	***73376***	***82168***	***92059***	***103188***	***115711***	***466502***
II. Non Plan Revenue Expenditure						
1. Interest Payments	19500	21840	24461	27396	30683	123880
2. Major Subsidies	8069	8714	9412	10165	10978	47338
3. Other Non-Plan Revenue Expenditure	24754	26797	29013	31419	34030	146013
Total - II	**52323**	**57351**	**62886**	**68980**	**75691**	**317231**
III. Non-Plan Revenue Surplus (I-II)	**21053**	**24817**	**29173**	**34208**	**40020**	**149271**
IV. Transfers to States under Finance Commission Recommendations						
(a) Share of Taxes						
1. Income Tax	3428	3770	4147	4562	5018	20925
2. Excise Duties (Incl. Add. Ex. Duties)	10422	11672	13073	14641	16399	66207
3. Grants in lieu of Tax on Railway Passenger Fares	150	150	150	150	150	750
Total - (a)	***14000***	***15592***	***17370***	***19353***	***21567***	***87882***
(b) Grants under Article 275(1)	3030	3245	3595	3910	4400	18180
Total - IV (a+b)	***17030***	***18837***	***20965***	***23263***	***25967***	***106062***
V. Plan Expenditure on Revenue Account						
1. Centre's own plan	3486	3730	3991	4270	4569	20046
2. Union Territory Plan	303	324	347	371	397	1742
3. Grants to States for State Plans	4100	4545	5020	5535	6085	25285
4. Grants for Union Territory Plans	41	45	49	54	59	248
5. Grants to States for Central and Centrally Sponsored Schemes	4582	4903	5246	5613	6006	26350
6. Grants to Union Territories for Central and Centrally Sponsored Schemes	31	33	35	37	40	176
Total - (V)	**12543**	**13850**	**14688**	**15880**	**17156**	**73847**
VI Surplus(+)/Deficit(-) on Revenue Account (III-IV-V)	**-8520**	**-7870**	**-6480**	**-4935**	**-3103**	**-30638**

ANNEXURE VII.4
(Para 7.27)

OVERALL REVENUE ACCOUNT POSITION

(Rs. Crore)

Year	Pre-devolution surplus deficit(-)	Share in taxes including grant in lieu of railway passenger fare tax	Non-Plan surplus or deficit (-) after devolution of share in taxes and railway passenger fare tax grant	Plan revenue expenditure (minimum)	Grant portion of Central Assistance	Revenue surplus or deficit (-) after receiving share in taxes, Central assistance and meeting revenue plan expenditure	Grants under Article 275(1)	Total revenue account surplus or deficit (-) (difference between 7 & 8)
State: ANDHRA PRADESH								
1990-91	- 473.98	1048.45	574.47	581.65	151.52	144.34	46.07	190.41
1991-92	- 459.81	1167.24	707.43	622.46	170.46	255.43	54.60	310.03
1992-93	- 446.96	1299.77	852.81	666.03	189.40	376.18	66.54	442.72
1993-94	- 432.67	1447.53	1014.86	712.61	208.34	510.59	78.49	589.08
1994-95	- 472.83	1612.48	1139.65	762.45	227.28	604.48	95.55	700.03
1990-95	- 2286.25	6575.47	4289.22	3345.20	947.00	1891.02	341.25	2232.27
State: BIHAR								
1990-91	-1360.17	1541.53	181.36	877.30	202.72	- 493.22	185.53	- 307.69
1991-92	- 1350.17	1716.45	366.28	938.86	228.06	- 344.52	219.88	- 124.64
1992-93	- 1400.45	1911.58	511.13	1004.58	253.40	- 240.05	267.98	27.93
1993-94	- 1453.42	2129.12	675.70	1074.84	278.74	- 120.40	316.08	195.68
1994-95	- 1531.17	2371.85	840.68	1150.02	304.08	- 5.26	384.80	379.54
1990-95	- 7095.38	9670.53	2575.15	5045.60	1267.00	- 1203.45	1374.27	170.82
State: GUJARAT								
1990-91	- 44.22	542.28	498.06	309.36	69.60	258.30	–	258.30
1991-92	27.41	603.20	630.61	331.06	78.30	377.85	–	377.85
1992-93	106.03	671.11	777.14	354.24	87.00	509.90	–	509.90
1993-94	203.32	746.80	950.12	379.02	95.70	666.80	–	666.80
1994-95	270.72	831.29	1102.01	405.52	104.40	800.89	–	800.89
1990-95	563.26	3394.68	3957.94	1779.20	435.00	2613.74	–	2613.74
State: HARYANA								
1990-91	158.57	180.24	338.81	146.82	34.88	226.87	–	226.87
1991-92	206.81	200.71	407.52	157.12	39.24	289.64	–	289.64
1992-93	256.45	223.55	480.00	168.12	43.60	355.48	–	355.48
1993-94	337.42	249.04	586.46	179.88	47.96	454.54	–	454.54
1994-95	414.75	277.52	692.27	192.46	52.32	552.13	–	552.13
1990-95	1374.00	1131.06	2505.06	844.40	218.00	1878.66	–	1878.66
State: KARNATAKA								
1990-91	-19.21	631.32	612.11	383.64	76.16	304.63	–	304.63
1991-92	54.37	703.09	757.46	410.56	85.68	432..58	–	432.58
1992-93	137.29	783.14	920.43	439.29	95.20	576.34	–	576.34
1993-94	231.71	872.40	1104.11	470.02	104.72	738.81	–	738.81
1994-95	304.61	972.07	1276.68	502.89	114.24	888.03	–	888.03
1990-95	708.77	3962.02	4670.79	2206.40	476.00	2940.39	–	2940.39
State: KERALA								
1990-91	- 590.43	465.64	- 124.79	228.12	77.76	- 275.15	55.69	- 219.46
1991-92	- 605.13	518.29	- 86.84	244.13	87.48	- 243.49	66.01	- 177.48
1992-93	- 580.62	577.03	- 3.59	261.22	97.20	- 167.61	80.45	- 87.16
1993-94	- 574.19	642.53	68.34	279.49	106.92	- 104.23	94.88	- 9.35
1994-95	- 566.44	715.61	149.17	299.04	116.64	- 33.23	115.51	82.28
1990-95	- 2916.81	2919.10	2.29	1312.00	486.00	- 823.71	412.54	- 411.17
State: MADHYA PRADESH								
1990-91	-932.07	1041.50	109.43	613.57	150.72	-353.42	141.45	-211.97
1991-92	-984.59	1159.75	175.16	656.62	169.56	-311.90	167.65	-144.25
1992-93	-1044.31	1291.65	247.34	702.59	188.40	-266.85	204.32	-62.53
1993-94	-1111.96	1438.73	326.77	751.72	207.24	-217.71	241.00	23.29
1994-95	-1233.57	1602.85	369.28	804.30	226.08	-208.94	293.39	84.45
1990-95	-5306.50	6534.48	1227.98	3528.80	942.00	-1358.82	1047.81	-311.01

(Rs. Crore)

Year	Pre-devolution surplus deficit(-)	Share in taxes including grant in lieu of railway passenger fare tax	Non-Plan surplus or deficit (-) after devolution of share in taxes and railway passenger fare tax grant	Plan revenue expenditure (minimum)	Grant portion of Central Assistance	Revenue surplus or deficit (-) after receiving share in taxes, Central assistance and meeting revenue plan expenditure	Grants under Article 275(1)	Total revenue account surplus or deficit (-) (difference between 7 & 8)
State: MAHARASHTRA								
1990-91	597.73	968.41	1566.14	618.23	120.48	1068.39	-	1068.39
1991-92	831.05	1074.88	1905.93	661.61	135.54	1379.86	-	1379.86
1992-93	1084.35	1193.60	2277.95	707.92	150.60	1720.63	-	1720.63
1993-94	1363.55	1325.91	2689.46	757.43	165.66	2097.69	-	2097.69
1994-95	1612.52	1473.56	3086.08	810.41	180.72	2456.39	-	2456.39
1990-95	5489.20	6036.36	11525.56	3555.60	753.00	8722.96	-	8722.96
State: ORISSA								
1990-91	-803.71	677.52	-126.19	278.55	78.88	-325.86	146.20	-179.66
1991-92	-870.46	755.46	-115.00	298.09	88.74	-324.35	173.28	-151.07
1992-93	-945.05	842.61	-102.44	318.96	98.60	-322.80	211.18	-111.62
1993-94	-1028.16	939.82	-88.34	341.26	108.46	-321.14	249.09	-72.05
1994-95	-1144.91	1048.40	-96.51	365.14	118.32	-343.33	303.23	-40.10
1990-95	-4792.29	4263.81	-528.48	1602.00	493.00	-1637.48	1082.98	-554.50
State: PUNJAB								
1990-91	-204.50	241.79	37.29	161.01	41.28	-82.44	7.28	-75.16
1991-92	-109.50	269.07	159.57	172.30	46.44	33.71	8.63	42.34
1992-93	-25.91	299.51	273.60	184.37	51.60	140.83	10.51	151.34
1993-94	64.77	333.46	398.23	197.26	56.76	257.73	12.40	270.13
1994-95	160.37	371.39	531.76	211.06	61.92	382.62	15.09	397.71
1990-95	-114.77	1515.22	1400.45	926.00	258.00	732.45	53.91	786.36
State: RAJASTHAN								
1990-91	-849.67	734.25	-115.42	429.96	88.32	-457.06	195.32	-261.74
1991-92	-921.23	818.11	-103.12	460.13	99.36	-463.89	231.49	-232.40
1992-93	-1002.75	911.85	-90.90	492.33	110.40	-472.83	282.12	-190.71
1993-94	-1095.00	1016.42	-78.58	526.77	121.44	-483.91	332.76	-151.15
1994-95	-1231.57	1133.20	-98.37	563.61	132.48	-529.50	405.10	-124.40
1990-95	-5100.22	4613.83	-486.39	2472.80	552.00	-2407.19	1446.79	-960.40
State: TAMIL NADU								
1990-91	-582.49	958.58	376.09	426.69	103.68	53.08	5.91	58.99
1991-92	-477.13	1066.90	589.77	456.63	116.64	249.78	7.01	256.79
1992-93	-352.87	1187.70	834.83	488.59	129.60	475.84	8.54	484.38
1993-94	-208.88	1322.36	1114.08	522.76	142.56	733.88	10.07	743.95
1994-95	-91.35	1472.62	1381.27	559.33	155.52	977.46	12.26	989.72
1990-95	-1712.72	6008.16	4296.04	2454.00	648.00	2490.04	43.79	2533.83
State: UTTAR PRADESH								
1990-91	-2377.83	2211.78	-166.05	1332.57	302.56	-1196.06	436.74	-759.32
1991-92	-2570.42	2462.76	-107.66	1426.08	340.38	-1193.36	517.62	-675.74
1992-93	-2790.64	2742.89	-47.75	1525.90	378.20	-1195.45	630.84	-564.61
1993-94	-3840.95	3055.23	14.28	1632.63	416.82	-1202.33	744.07	-458.26
1994-95	-3445.38	3403.88	-41.42	1746.82	453.84	-1334.40	905.83	-428.57
1990-95	-14225.14	13876.54	-348.60	7664.00	1891.00	-6121.60	3235.10	-2886.50
State: WEST BENGAL								
1990-91	-1076.42	998.51	-77.91	567.53	101.44	-544.00	134.82	-409.18
1991-92	-1014.91	1111.53	96.62	607.35	114.12	-396.61	159.78	-236.83
1992-93	-988.16	1237.58	249.42	649.86	126.80	-273.64	194.74	-78.90
1993-94	-853.26	1378.14	524.88	695.31	139.48	-30.95	229.69	198.74
1994-95	-746.23	1534.99	788.76	743.95	152.16	196.97	279.62	476.59
1990-95	-4678.98	6260.75	1581.77	3264.00	634.00	-1048.23	998.65	-49.58
State: ASSAM								
1990-91	- 634.73	471.50	- 163.23	327.05	205.23	- 285.05	205.61	- 79.44
1991-92	- 655.34	525.89	- 129.45	349.94	225.75	- 253.64	179.68	- 73.96
1992-93	- 698.44	586.78	- 111.66	374.43	248.32	- 237.77	172.87	- 64.90
1993-94	- 743.96	654.74	- 89.22	400.64	273.16	- 216.70	161.42	- 55.28
1994-95	- 797.42	730.66	- 66.76	428.69	300.47	- 194.98	154.65	- 40.33
1990-95	- 3529.89	2969.57	- 560.32	1880.75	1252.93	- 1188.14	874.23	- 313.91

(Rs. Crore)

Year	Pre-devolution surplus deficit(-)	Share in taxes including grant in lieu of railway passenger fare tax	Non-Plan surplus or deficit (-) after devolution of share in taxes and railway passenger fare tax grant	Plan revenue expenditure (minimum)	Grant portion of Central Assistance	Revenue surplus or deficit (-) after receiving share in taxes, Central assistance and meeting revenue plan expenditure	Grants under Article 275(1)	Total revenue account surplus or deficit (-) (difference between 7 & 8)
State: GOA								
1990-91	- 87.15	53.49	- 33.66	32.26	33.00	- 32.92	33.66	0.74
1991-92	- 93.09	59.78	- 33.31	34.52	36.30	- 31.53	33.31	1.78
1992-93	- 99.92	66.86	- 33.06	36.94	39.93	- 30.07	33.06	2.99
1993-94	- 107.66	74.78	- 32.88	39.52	43.92	- 28.48	32.88	4.40
1994-95	- 117.30	83.63	- 33.67	42.29	48.32	- 27.64	33.67	6.03
1990-95	- 505.12	338.54	- 166.58	185.53	201.47	- 150.64	166.58	15.94
State: JAMMU AND KASHMIR								
1990-91	- 559.38	350.19	- 209.19	186.18	171.02	- 224.35	210.99	- 13.36
1991-92	- 602.96	391.49	- 211.47	199.21	188.12	- 222.56	213.60	- 8.96
1992-93	- 659.67	437.91	- 221.76	213.16	206.93	- 227.99	224.35	- 3.64
1993-94	- 707.64	489.83	- 217.81	228.08	227.62	- 218.27	220.87	2.60
1994-95	-770.79	547.90	- 222.89	244.04	250.39	- 216.54	226.61	10.07
1990-95	- 3300.44	2217.32	- 1083.12	1070.67	1044.08	- 1109.71	1096.42	- 13.29
State: ARUNACHAL PRADESH								
1990-91	- 140.35	82.70	- 57.65	55.81	146.20	32.74	57.65	90.39
1991-92	- 151.97	92.52	- 59.45	59.72	168.13	48.96	59.45	108.41
1992-93	- 164.35	103.59	- 60.76	63.90	193.35	68.69	60.76	129.45
1993-94	- 177.45	115.97	- 61.48	68.37	222.35	92.50	61.48	153.98
1994-95	- 193.26	129.81	- 63.45	73.16	255.70	119.09	63.45	182.54
1990-95	- 827.38	524.59	- 302.79	320.96	985.73	361.98	302.79	664.77
State: HIMACHAL PRADESH								
1990-91	- 314.44	200.69	- 113.75	142.30	197.65	- 58.40	113.75	55.35
1991-92	- 333.93	224.26	- 109.67	152.26	227.30	- 34.63	109.67	75.04
1992-93	- 355.24	250.74	- 104.50	162.92	261.39	- 6.03	104.50	98.47
1993-94	- 378.64	280.32	- 98.32	174.32	300.60	27.96	98.32	126.28
1994-95	- 410.27	313.42	- 96.85	186.53	345.69	62.31	96.85	159.16
1990-95	- 1792.52	1269.43	- 523.09	818.33	1332.63	- 8.79	523.09	514.30
State: MANIPUR								
1990-91	- 186.94	112.02	- 74.92	51.01	139.44	13.51	74.92	88.43
1991-92	- 200.20	125.30	- 74.90	54.58	160.35	30.87	74.90	105.77
1992-93	- 214.63	140.23	- 74.40	58.40	184.41	51.61	74.40	126.01
1993-94	- 230.24	156.92	- 73.32	62.49	212.07	76.26	73.32	149.58
1994-95	- 249.71	175.60	- 74.11	66.86	243.88	102.91	74.11	177.02
1990-95	- 1081.72	710.07	- 371.65	293.34	940.15	275.16	371.65	646.81
State: MEGHALAYA								
1990-91	- 147.85	88.17	- 58.88	64.75	134.35	10.72	58.88	69.68
1991-92	- 148.89	98.57	- 50.32	69.28	154.51	34.91	50.32	85.23
1992-93	- 161.51	110.24	- 51.27	74.13	177.68	52.28	51.27	103.55
1993-94	- 171.85	123.31	- 48.54	79.32	204.34	76.48	48.54	125.02
1994-95	- 185.09	137.92	- 47.17	84.87	234.99	102.95	47.17	150.12
1990-95	- 814.39	558.21	- 256.18	372.35	905.87	277.34	256.18	533.52
State: MIZORAM								
1990-91	- 175.21	100.46	- 74.75	62.08	86.80	- 50.03	74.75	24.72
1991-92	- 188.63	112.41	- 76.22	66.43	99.82	- 42.83	76.22	33.39
1992-93	- 202.04	125.88	- 76.16	71.08	114.80	- 32.44	76.16	43.72
1993-94	- 217.36	140.93	- 76.43	76.05	132.01	- 20.47	76.43	55.96
1994-95	- 234.02	157.79	- 76.23	81.38	151.82	- 5.79	76.23	70.44
1990-95	- 1017.26	637.47	- 379.79	357.02	585.25	- 151.56	379.79	228.23

(Rs. Crore)

Year	Pre-devolution surplus deficit(-)	Share in taxes including grant in lieu of railway passenger fare tax	Non-Plan surplus or deficit (-) after devolution of share in taxes and railway passenger fare tax grant	Plan revenue expenditure (minimum)	Grant portion of Central Assistance	Revenue surplus or deficit (-) after receiving share in taxes, Central assistance and meeting revenue plan expenditrure	Grants under Article 275(1)	Total revenue account surplus or deficit (-) (difference between 7 & 8)
State: NAGALAND								
1990-91	- 215.55	123.29	-92.26	66.37	108.73	-49.90	92.26	42.36
1991-92	-230.39	137.91	-92.48	71.02	125.04	-38.46	92.48	54.02
1992-93	-248.28	154.40	-93.88	75.99	143.80	-26.07	93.88	67.81
1993-94	-263.36	172.82	-90.54	81.31	165.37	-6.48	90.54	84.06
1994-95	-282.97	193.46	-89.51	87.00	190.17	13.66	89.51	103.17
1990-95	-1240.55	781.88	-458.67	381.69	733.11	-107.25	458.67	351.42
State: SIKKIM								
1990-91	-42.24	24.65	-17.59	40.55	62.65	4.51	17.59	22.10
1991-92	-44.94	27.57	-17.37	43.39	72.05	11.29	17.37	28.66
1992-93	-47.88	30.85	-17.03	46.43	82.86	19.40	17.03	36.43
1993-94	-51.03	34.53	-16.50	49.68	95.29	29.11	16.50	45.61
1994-95	-54.84	38.65	-16.19	53.16	109.58	40.23	16.19	56.42
1990-95	-240.93	156.25	-84.68	233.21	422.43	104.54	84.68	189.22
State: TRIPURA								
1990-91	-252.23	151.04	-101.19	114.09	149.01	-66.27	101.19	34.92
1991-92	-270.13	168.86	-101.27	122.08	171.36	-51.99	101.27	49.28
1992-93	-285.47	188.95	-96.52	130.63	197.06	-30.09	96.52	66.43
1993-94	-298.61	211.36	-87.25	139.77	226.62	-0.40	87.25	86.85
1994-95	-316.23	236.45	-79.78	149.55	260.61	31.28	79.78	111.06
1990-95	-1422.67	956.66	-466.01	656.12	1004.66	-117.47	466.01	348.54

ANNEXURE IX.1

(Para 9.4)

COMPOSITION OF STATE GOVERNMENTS DEBT AS ON 31.03.1989

(Rs. Crore)

States	Central Loans	Market Loans & Bonds	Ways and Means Advance from RBI	Loans from Banks & Other Institutions	Provident Funds	Reserve Funds & Deposits	Total
Andhra Pradesh	3349.01	1092.89	-2.00	143.95	509.94	948.34	6042.13
Arunachal Pradesh	334.57	3.00		6.50			363.27
Assam	2711.37	180.73	-0.83	26.33	99.81	123.37	3140.78
Bihar	4055.00	849.44	0.78	98.21	1373.91	281.83	7159.17
Goa	567.59	5.60		5.50	41.37		620.06
Gujarat	3455.38	472.18		83.08	596.63	1150.92	5758.19
Haryana	1209.25	278.68		103.16	418.84	154.70	2164.63
Himachal Pradesh	500.64	66.24		24.08	182.31	28.75	802.02
Jammu & Kashnir	2015.13	101.10		38.23	267.70		2422.16
Karnataka	2301.01	597.84		120.51	578.12	405.62	4003.10
Kerala	1682.07	578.62	3.44	107.27	760.01	164.11	3295.52
Madhya Pradesh	3091.69	355.39		125.58	1539.27	540.58	5652.51
Maharashtra	5859.44	560.87		156.82	1029.91	1350.90	8957.94
Manipur	145.32	56.41		16.86	37.88	38.82	295.29
Meghalaya	89.53	25.31		9.36	18.53	10.29	153.02
Mizoram	188.42			1.70	0.75		190.87
Nagaland	132.99	77.16		40.49	71.37	10.77	332.78
Orissa	1995.30	652.11		88.88	563.04	291.86	3591.19
Punjab	3774.25	257.36		188.95	443.31	130.38	4794.25
Rajasthan	3282.10	779.99		91.37	808.59	559.64	5521.69
Sikkam	45.36	4.26		16.14 .	8.28		74.04
Tamilnadu	2495.43	735.82		121.19	319.17	746.70	4418.31
Tripura	119.01	58.84		41.55	31.90	49.42	300.72
Uttar Pradesh	7603.70	1949.55		238.36	837.74	2171.77	12801.12
West Bental	4548.36	671.98	37.85	138.27	590.25	619.30	6606.01
TOTAL	**56051.92**	**10411.37**	**39.24**	**2032.34**	**11147.83**	**9778.07**	**89460.77**

SOURCE: *Forecasts of the State Governments*

ANNEXURE IX.2
(Para 9.6)

Outstandings Of Central Loans As At The End Of 1988-89

(Rs. Crore)

States	Loans Consolidated By Previous Finance Commissions: 15 Year Loans	20 Year Loans	25 Year Loans	30 Year Loans	Small Savings Loans: Received Up to 1978-79	Received from 1979-89	Plan Loans	Relief And Rehabilitation Loans	Loans to Clear Overdrafts	Loans to Cover Gap In Resources	Drought Loans	Special Loans *	Short-term Loans For Agricultural Inputs	Loans for Modernisation Of Police Force	Housing Loans for A.I.S Officers	N.S.S.	Loans to Gold-smiths	Loan for Hirakud Project	Other Loans **	Total Loans
1. Andhra Pradesh				1236.05	49.97	811.71	1175.15	2.71	51.74		5.02		5.00	1.68	0.51	8.42	1.05			3349.01
2. Arunachal Pradesh						1.69	276.68			56.20										334.57
3. Assam				746.03	51.51	399.33	1416.84		93.26					1.59	0.79	0.56			1.46	2711.37
4. Bihar				1309.57	185.73	1479.68	1489.50	0.42	34.99	17.50			11.00	1.50	2.44	1.79			. 20.88	4555.00
5. Goa						25.16	468.77			73.49				0.17						567.59
6. Gujarat	255.38			260.35	102.85	1846.52	726.67		15.45		165.31		77.81	1.58	1.00	2.46				3455.38
7. Haryana	25.32		146.54	117.80	48.18	484.57	358.31		22.72		4.81			0.31	0.44	0.45				1209.25
8. Himachal Pradesh				74.46	21.78	228.82	152.23		19.05		2.80			0.52	0.84	0.14				500.64
9. Jammu And Kashmir				685.28	45.74	124.06	1157.15						1.95	0.62	0.13	0.20				2015.13
10. Karnataka	133.47	269.21		114.41	75.21	975.52	658.75		56.28		5.05		6.00	0.70	0.19	4.62			1.60	2301.01
11. Kerala			281.86	252.03	23.70	317.32	722.98	0.21	68.91		10.08			1.05	0.41	3.51	0.01			1682.07
12. Madhya Pradesh	21.18			912.09	73.01	771.47	1205.82		10.91			83.62	6.00	1.73	0.86	4.70			0.30	3091.69
13. Maharashtra	500.21			305.13	272.28	3583.24	1176.34	0.14	6.07				4.85	1.62	1.43	7.88	0.25			5859.44
14. Manipur				47.03	0.47	4.92	48.70		43.64					0.23	0.27	0.05	0.01			145.32
15. Meghalaya				16.54	1.33	23.16	39.33		8.21				0.50	0.25	0.21					89.53
16. Mizoram							143.86			43.89									0.67	188.42
17. Nagaland				23.03	0.60	4.87	68.89		19.97	15.39				0.23	0.01					132.99
18. Orissa				756.27	49.10	296.93	782.42		19.13				5.00	1.05	0.46	4.14		80.80		1995.30
19. Punjab	112.71	146.87			47.10	788.60	347.40		28.53			2300.91		1.51	0.57	0.05				3774.25
20. Rajasthan				1010.46	50.90	680.01	1132.62	31.30	17.67	29.87	324.35		8.00	1.50	0.95	3.26			0.21	3282.10
21. Sikkim				14.27		2.90	27.42						0.30	0.19	0.15	0.12			0.01	45.36
22. Tamil Nadu	494.34			98.57	123.03	714.96	1016.44	2.94	20.90					2.57	1.13	7.05			13.50	2495.43
23. Tripura		14.40		7.68	1.40	26.82	52.80		15.36				0.30	0.21	0.02	0.02				119.01
24. Uttar Pradesh			1951.90		310.84	2499.60	2662.24	0.37	77.62	21.00	2.15		60.00	2.22	2.53	12.21	0.80		0.22	7603.70
25. West Bengal	108.00		503.38	370.30	315.96	2402.49	647.93	1.85	66.24				13.05	1.55	0.79	5.53	0.15		111.14	4548.36
TOTAL	**1650.61**	**430.48**	**2883.68**	**8357.15**	**1850.69**	**18494.35**	**17955.24**	**39.94**	**696.65**	**248.34**	**519.57**	**2384.53**	**199.76**	**24.58**	**16.13**	**67.16**	**2.27**	**80.80**	**149.99**	**56051.92**

* *Refers to Bhopal Gas Tragedy for Madhya Pradesh*

** *For Bihar includes Rs. 19.77 crore for Kosi Project; for West Bengal includes Rs. 108.33 crore for Second Bridge ove r Hoogly.*

SOURCE: *Forecasts of the State Governments*

ANNEXURE IX.3
(Para 9.6)

Repayment Of Central Loans During 1990-95 On Existing Basis

(Rs. Crore)

States	Loans Consolidated By Previous Finance Commissions: 15 Year Loans	20 Year Loans	25 Year Loans	30 Year Loans	Small Savings Loans: Received Up to 1978-79	Received from 1979-89	Plan Loans	Relief And Rehabilitation Loans	Loans to Clear Over-drafts	Loans to Cover Gap in Resources	Drought Loans	Special Loans	Loans For Modernisation of Police Force	Housing Loans For A.I.S. Officers	Loan For Hirakud Project	Other Loans	Total
1. Andhra																	
Pradesh				237.66	16.65	146.05	446.10										
2. Arunachal								1.25			2.09		0.37	0.30			850.47
Pradesh						0.13	125.32										
3. Assam				143.48	16.10	70.95	528.84			41.13							166.58
4. Bihar				251.85	58.05	257.75	565.44		50.98				0.36	0.45		0.52	811.67
5. Goa						1.22	201.49			12.50			0.36	1.49		8.58	1156.01
6. Gujarat	119.30			65.10	34.30	311.55	289.95			53.47			0.03				256.21
7. Haryana	20.28		34.90	29.45	15.06	95.55	139.07				63.56		0.35	0.60			884.71
8. Himachal											1.85		0.09	0.26			336.50
Pradesh				14.32	6.81	37.78	52.38										
9. ammu and									14.77		1.08		0.11	0.47			127.72
Kashmir				131.80	4.05	26.42	436.24										
10. Karnataka	106.78	84.13		28.80	24.14	124.51	271.44						0.18	0.05			598.74
11. Kerala			67.11	63.03	10.16	55.17	269.97				2.06		0.17	0.12		0.38	642.33
12. Madhya								0.13			3.88		0.22	0.26			469.93
Pradesh	16.94			197.40	23.65	124.05	453.67										
13. Maharashtra	246.35			76.28	88.62	637.42	448.83					83.62	0.45	0.58		0.05	900.41
14. Manipur				9.07	0.14	0.99	18.30						0.37	0.84			1498.71
15. Meghalaya				3.19	0.42	4.02	14.71		34.01				0.04	0.17			62.72
16. Mizoram							83.02		6.57				0.06	0.16			29.13
17. Nagaland				4.44	0.15	0.89	25.66			29.29						0.19	92.50
18. Orissa				145.44	15.34	49.71	290.47		13.78	10.42			0.07	0.01			56.42
19. Punjab	90.17	45.90			14.11	119.59	137.26						0.23	0.33	8.10		509.62
20. Rajasthan				194.33	16.22	112.43	408.86					766.95	0.32	0.36			1174.66
21. Sikkim				2.75		0.44	10.24	11.00		10.44	123.53		0.33	0.57		0.10	877.81
22. Tamil Nadu	275.78			24.64	39.14	128.68	375.72						0.02	0.10			13.55
23. Tripura		4.50		1.93	0.63	4.32	20.17						0.55	0.69		6.75	851.95
24. Uttar									12.29				0.05	0.01			43.90
Pradesh			464.73		99.63	400.14	1033.44										
25. West										15.00	0.83		0.49	1.58		0.11	2015.95
Bengal	86.40		119.85	92.57	100.96	433.18	237.27										
													0.34	0.48		30.34	1101.39
TOTAL	982.00	134.53	686.50	1717.33	584.32	3142.94	6863.86	12.38	132.40	172.25	198.88	850.57	5.54	9.88	8.10	47.02	15528.59

SOURCE : *Forecasts Of State Governments.*

ANNEXURE IX.4
(Para 9.18)

Ratio Of Repayments Of Principal To Fresh Loans From Centre

States	1987-88	1988-89 (R.E.)	1989-90 (B.E.)
1. Andhra Pradesh	41.78	42.88	39.88
2. Arunachal Pradesh	94.78	114.88	116.38
3. Assam	27.28	38.68	37.90
4. Bihar	41.20	39.80	42.20
5. Goa	21.20	45.40	44.70
6. Gujarat	24.20	28.20	29.60
7. Haryana	53.80	45.10	42.40
8. Himachal Pradesh	17.70	23.90	23.40
9. Jammu and Kashmir	26.20	19.30	28.40
10. Karnataka	53.50	58.78	42.20
11. Kerala	60.10	59.10	53.20
12. Madhya Pradesh	35.30	33.40	38.50
13. Maharashtra	25.00	25.30	24.00
14. Manipur	96.00	71.90	85.20
15. Meghalaya	29.70	45.30	53.50
16. Mizoram	80.20	30.30	29.60
17. Nagaland	70.30	67.18	103.50
18. Orissa	35.20	31.80	32.80
19. Punjab	18.20	15.00	18.20
20. Rajasthan	48.40	39.00	48.10
21. Sikkim	20.80	27.70	34.20
22. Tamil Nadu	48.30	41.30	41.30
23. Tripura	45.80	19.10	21.20
24. Uttar Pradesh	30.90	24.30	24.70
25. West Bengal	65.60	43.10	28.58
TOTAL	35.48	32.90	31.80

ANNEXURE IX.5

(Para 9.26)

General Debt Releif Scheme for State Plan Loans

Category/States	Outstanding Balance as on 31.03.1990	Repayments During 1980-95	Revised Repayments During 1990-95	Debt Relief	Outstanding Balance as on 31.03.95	Annual Repayments During 1995-2005
Category I						
1. Tamil Nadu	841.89	343.10	308.79	34.31	533.10	53.31
2. Madhya Pradesh	953.42	391.00	351.90	39.10	601.52	60.15
3. Maharashtra	977.40	404.12	363.71	40.41	613.69	61.37
4. Andhra Pradesh	1008.02	416.49	374.84	41.65	633.18	63.32
5. Orissa	707.99	288.92	258.23	28.69	449.76	44.98
6. Karnataka	579.52	242.11	217.90	24.21	361.62	36.16
TOTAL - I	**5068.24**	**2083.74**	**1875.37**	**208.37**	**3192.87**	**319.29**
CATEGORY II						
1. Uttar Pradesh	2367.02	947.59	876.51	71.08	1498.51	149.05
2. Rajasthan	668.97	272.51	252.06	20.45	416.91	41.69
3. Gujarat	623.50	254.80	235.69	19.11	387.81	38.78
TOTAL - II	**3659.49**	**1474.90**	**1364.26**	**110.64**	**2295.23**	**229.52**
CATEGORY III						
1. Kerala	613.86	251.16	238.61	12.55	375.25	37.52
2. Haryana	288.58	122.20	116.09	6.11	172.49	17.25
3. Punjab	299.54	129.04	122.59	6.45	176.95	17.70
4. Bihar	1346.55	552.85	525.21	27.64	821.34	82.13
5. Wesh Bengal	568.12	224.91	213.66	11.25	354.46	35.45
TOTAL - III	**3116.65**	**1280.16**	**1216.16**	**64.00**	**1900.49**	**190.05**
CATEGORY IV						
1. Arunachal Pradesh	22.33	8.24	7.41	0.83	14.92	1.49
2. Assam	1205.17	496.89	447.20	49.69	747.97	75.80
3. Goa*	147.45	55.19	49.67	5.52	97.78	9.78
4. Himachal Pradesh	86.45	34.90	31.41	3.49	55.04	5.50
5. Jammu and Kashmir	1066.86	432.52	389.27	43.25	677.59	67.76
6. Manipur	39.73	16.11	14.50	1.61	25.23	2.52
7. Meghalaya	32.23	13.06	11.76	1.30	20.47	2.05
8. Mizoram*	13.39	5.22	4.70	0.52	8.69	0.87
9. Nagaland	53.58	21.83	19.65	2.18	33.93	3.39
10. Sikkim	23.17	9.50	8.55	0.95	14.62	1.46
11. Tripura	43.43	17.71	15.94	1.77	27.49	2.75
TOTAL - IV	**2733.79**	**1111.17**	**1000.86**	**111.11**	**1733.73**	**173.37**
Total All States (I to IV)	***14578.17***	***5949.97***	***5455.85***	***494.12***	***9122.32***	***912.23***

** Loans sanctioned in 1987-89 only were considered.*

ANNEXURE IX.6

(Para 9.28)

Summary of Debt Relief During 1990-95

(Rs. Crore)

	States	Loan of Eesdtwhile UTs	Drought Loans	Loans for Bhopal Gas Leak Tragedy	Releif on Loans For State Plan Scheme	Total
1.	Andhra Pradesh		2.09		41.65	43.74
2.	Arunachal Pradesh	116.48			0.83	117.31
3.	Assam				49.69	49.69
4.	Bihar				27.64	27.64
5.	Goa	23.32			5.52	28.84
6.	Gujarat		63.56		19.11	82.67
7.	Haryana		1.85		6.11	7.96
8.	Himachal Pradesh		1.08		3.49	4.57
9.	Jammu and Kashmir				43.25	43.25
10.	Karnataka		2.06		24.21	26.27
11.	Kerala		3.88		12.55	16.43
12.	Madhya Pradesh			91.62	39.10	130.72
13.	Maharashtra				40.41	40.41
14.	Manipur				1.61	1.61
15.	Meghalaya				1.30	1.30
16.	Mizoram		51.20		0.52	51.72
17.	Nagaland				2.18	2.18
18.	Orissa				28.69	28.69
19.	Punjab				6.45	6.45
20	Rajasthan			123.53	20.45	143.98
21.	Sikkim				0.95	0.95
22	Tamil Nadu				34.31	34.31
23.	Tripura				1.77	1.77
24	Uttar Pradesh			0.83	71.08	71.911
25.	West Bengal				11.25	11.25
	TOTAL	**191.00**	**198.88**	**91.62**	**494.12**	**975.62**

APPENDICES

CONTENTS

APPENDIX -1

List Of Organisations And Individuals Who Submitted Memoranda To The Finance Commission

Andhra Pradesh

1. Shri M.S.N. Swamy, PRD, S.O. Bobbili Mandal, Vijayanagaram District, Andhra Pradesh-532568.
2. Shri V.K. Parigi, Secretary, Consumer Education Centre, No. 4, Sesha Vila, 3-6-293, First Floor, Hyderabad-500029.
3. Shri Vavilala Gopalakrishnayya, Former M.L.A., Sattenapalli-522403. (Submitted two Memoranda)
4. Dr. Y. Sivaji, Yalamanchili, Guntur-522006.
5. Shri R.D. Prasad, C/o S.G. Narayana, H.No. I/36, Zeerangi Pet Street, Adoni, District Kurnool-518301.
6. Shri P. Janardhana Reddy, MLA, City Congress Committee, Tilak Road, Sultan Bazar, Hyderabad.
7. Indian Union Muslim League, A.P. General Secretary, IMUL 5-8-548/D, Arastu Complex, Abids, Hyderabad - 500001.

Assam

8. Shri Harinath, General Secretary, Assam State Employees' Federation, C/o Cotton College, Guwahati-781001. (Submitted two Memoranda)
9. Shri D.P. Barooah, Vice Chancellor, Gauhati University, Guwahati.
10. Shri G.C. Pukhan, Retired Financial Commissioner Government of Assam, Guwahati.
11. Shri K.C. Baruah, IAS (Retired) Kharghuli, Guwahati.
12. Shri J.N. Das, Ex-Vice Chancellor, Dibrugarh University and Presently Director, Law Research Institute, Guwahati High Court, Guwahati.
13. Dr. Jayanta Rongpi, Chief Executive Member, Karbi Anglong District Council, Diphu.
14. Shri G.C. Langthasa, Chief Executive Member, North Cachar Hills Autonomous District Council, Haflong.
15. Shri Charan Deka, Secretary General, Sadov Asom Karmachari Parishad Central Office, Guwahati.
16. Shri Devakanta Kakati, IPS (Retd.) Advocate and Member Law Commission and Pay Commission, Assam, Guwahati.
17. Chief Justice, High Court, Assam Guwahati.
18. Shri S. Deb Roy, Chief Conservator of Forests(G), Assam, Guwahati.
19. Shri Atul Bora, Minister of Flood Control, Government of Assam, Dispur.
20. Shri Bhrigu Kumar Phukan, Minister of Tourism, Government of Assam, Dispur.
21. Registrar, Dibrugarh University, Dibrugarh.
22. Agro Economics Research Centre for North East India, Assam Agricultural University.

Bihar

23. Shri Chaturanan Mishra, M.P. (Rajya Sabha)
24. Dr. P.K. Jha, MA, BL, Ph.D., Professor and Head, Department of Economics, L.N. Mithila University, Darbhanga, Bihar. (Submitted two Memoranda)
25. Shri Yogendra Prasad Singh, General Secretary, Bihar State Non-Gazetted Employees' Federation, Patna.
26. Shri Umadhar Prasad Singh, M.L.A., Bihar Legislative Assembly, 141, M.L.A. Flats, Water Tower, Patna. (Submitted three Memoranda)
27. Shri Rajo Singh, M.L.A, 16, Bailey Road, Patna.
28. Shri N.K. Prasad, President, Bihar Pensioner Samaj, North Shreekrishan Puri, Patna-800013.
29. Dr. B. Kumar, Reader in Commerce, Shastri Nagar, Dhanbad-826001.
30. The General Secretary, All India Retailers Federation Patna - 800003.
31. Shri K.M. Sahay, Mayor, Patna Municpal Corporation, Budh Marg, Patna.
32. Bihar Jan Vikas Morcha, Patna.
33. Shri S.P. Tewary, Chairman, Bihar State Gazetted Officers' Federation, Patna.
34. Shri Atam Dev Singh, Chairman, Action Research Institute for Developmental Studies, F 98, Srikrishnapuri, Patna.

Chandigarh

35. Shri Gian Chand, 1147/8 C, Chandigarh-160008.

Delhi

36. Shri Sukomal Sen, Member of Parliament (RS) and General Secretary, All India State Government Employees' Federation, 201 B, V.P. House, Rafi Marg, New Delhi-110001.
37. Shri E.M.S. Namboodripad 14, Ashoka Road, New Delhi-110001.
38. Shri V.L. Gidwani, 15, Mayfair Apartments, Mayfair Gardens, Hauz Khas, New Delhi-110016.
39. Dr. S.K. Singh, Department of Economics, A.R.S.D. College, (University of Delhi), Dhaula Kuan, New Delhi-110021.
40. Dr. H.L. Bhatia, Department of Economics, Shri Ram College of Commerce, University of Delhi, Delhi-110007.
41. Dr. K.R.G. Nair, Department of Business Economics, University of Delhi, South Campus, Benito Juarez Road, New Delhi-110021.
42. Shri S.K. Agrawala, Secretary, Association of Indian Universities, A IV House, 16, Kota Marg, New Delhi-110002.
43. Shri S.S. Ramachandran, Hon. General Secretary, All India Central Committee of Pensionary Association, Post Box No.9913, New Delhi-110064.

Goa

44. Sangum Municipal Council, Goa.
45. Shri J.B. Gonsalves, M.L.A., Chairman, Goa, Daman and Diu Tourism Development Corpn. Ltd., Inter State Bus Terminus, Panaji.

Gujarat

46. Shri Pranav S. Desai, Anjana P. Desai, A-46, Shree Rang Villa, Vastrapur, Ahmedabad-380015.
47. Shri A.N. Jariwala, Chairman, The Surat Art Silk Cloth Manufacturers' Association, Resham Bhavan, Lal Darwaja, Surat-395003. (Submitted two Memoranda)
48. Dr. I.M. Trivedi, Prof. and Head, Department of Economics, Bhavnagar University, Gaurishankar Lake Road, Bhavnagar-364002. (Submitted three Memoranda)
49. Dr. Himmat Patel, Professor, Sardar Patel University, Vallabh Vidyanagar, (Western Railway).
50. Shri G.C. Baveja, President, Gujarat Civil Service Tribunal, Block No. I, Ist floor, Sachivalaya, Gandhinagar-382010.
51. Shri Chimanbhai Patel, Leader of Opposition, Gujarat Vidhan Sabha, Gandhinagar-382010.
52. Shri Sanat Mehta, Former Finance Minister, Government of Gujarat.
53. Shri Dinesh Shah, Former Finance and Planning Minister of Gujarat and Founder Director of Vikas Bharti Institute of Policy Studies Research and Futurology, Ahmedabad.
54. Shri Vrajlal M. Dhamonwala, Chairman, The South Gujarat Textile Processors' Association, Ring Road, Near Sahra Darwaja, Surat-395003.

Haryana

55. Shri M.L. Sehgal, President, Haryana Subordinate Services Federation, Canal Colony, Tohana-126120, District Hissar.
56. Shri R.K. Jain, IPS (Retd.), No. P-141 Rajnagar, Ghaziabad. (Through Government of Haryana)
57. Shri B.R. Sharma, Assistant Comptroller (BGT), Haryana Agriculture University, Hissar.

Himachal Pradesh

58. Shri M.K. Desai, M.A., B.Ed., Documents Expert, Shimla. (Submitted two Memoranda)
59. Shri Gian Chand Totu, M.L.A., Himachal Pradesh Assembly, Shimla-171002.
60. Shri Kanwar Durga Chand, M.L.A., President Lok Dal, Set No. 3 and 4, Lytton Block, Shimla-171001.
61. Shri Harbhajan Singh, General Secretary, Himachal Pradesh Congress Committee, 6, The Mall, Shimla-171001.
62. Shri Adarsh Kumar, Mayor, Municipal Corporation, Shimla-171001.
63. Shri K.C. Malhotra, Vice-Chancellor, Himachal Pradesh University, Shimla-171005.

64. Shri M.P. Gupta, Dr. Y.S. Parmar University of Horticulture and Forestry, Solan-173230.

65. Representatives of Lahul and Spiti District of Himachal Pradesh.

Jammu and Kashmir

66. Shri Ghulam Mohi-ud-din Punoo, General Secretary, All Jammu and Kashmir Low Paid Employees' Federation, C/o Khazir Manzil Dalgate, Srinagar-190001. (Submitted two Memoranda)

67. Shri Sampat Prakash, President, All Jammu and Kashmir Low Paid Govt. Employees' Federation, EP 714, Jogi Gate, Shahidi Chowk, Jammu Tawi-180001.

68. President, All Kashmir Boatmen's Union, Ward No. 9, Srinagar (Kashmir), Head Office Dalgate Kohna Khan, Srinagar-190001.

69. Shri Vinod Avasthi, General Secretary, Federation of Industries and Commerce, Raghunath Bazar, Jammu-800001.

70. Kashmir Chamber of Commerce and Industries, Residency Road, Srinagar-190001.

71. Shri G.M. Khan, President, Jammu and Kashmir Civil Secretariat - Non Gazetted Employees' Union, Srinagar.

72. Shri Abdul Majid Khan, President, All Jammu and Kashmir Low Paid Employees' Federation, Jain Bazar, Jammu Tawi.

73. Shri Rajinder Motial, Secretary General, Chamber of Commerce and Industries, Jammu.

Karnataka

74. Shri K.A. Keshava Murthy, President, Karnataka State Government Employees' Association, Post Box No. 592, Cubbon Park, Bangalore-560001.

75. Dr. G.R. Gaonkar, M.A., Ph.D., Reader and Head, Department of Economics, Dr. A.V. Baliga College of Arts and Science, Kumta-581374.

76. Dr.(Mrs) Hemlata Rao, Associate Professor (Economic Unit), Institute for Social and Economic Change, Nagara Bhavi P.O., Bangalore-560072.

77. Shri A.K. Agarwala, President, Aluminium Association of India, Post Box No. 1250, Science Institute Post Office, Bangalore-560012.

78. Shri M.T. Krishnappa, President, Karnataka State Government, Employees Association, Cubbon Park, Bangalore.

79. Shri C. Valliappa, President, Federation of Karnataka Chambers of Commerce & Industry, Kempegowda Road, Bangalore - 1.

80. Shri T.N. Narasimha Murthy, Leader of the Opposition, Karnataka Legislative Council Vidhana Soudha, Bangalore-1

81. Communist Party of India, Karnataka State Committee, L-56, K.V. Temple Street, Sultanpet, Bangalore - 560053.

82. Shri T.R. Satish Chandran, Director, Institute for Social and Economic Change, Bangalore.

83. Dr. Vinod Vyasulu, Professor and Head, Social Services Management Unit, Institute for Social and Economic Change, Nagara Bhavi P.O. Bangalore - 560072.

84. Dr. M.V. Nadkarni, Professor and Head, Ecology Economics Unit, Institute for Social and Economic Change, Bangalore - 56007.

85. Shri M.C. Shanthamurthy, MA, Head of the Department of Economics, Sri Jagadguru Renuka Charye College of Science and Arts, Bangalore - 560009.

Kerala

86. Shri K.V. Rajendran, General Secretary, Federation of State Employees and Teachers Organisations, Kerala, N.G.O. Union Building, Trivandrum-695033.

87. Shri Raju V. Johnson, R/o Checkattu, P.O. Kalanjoor, District Pathanamthitta, PIN-689694.

88. Shri D. Unnikrishnan, Hony. Secretary, Aged Government Employees' Society, Trivandrum.

89. Dr. N.M. Mohammedali, General Secretary, Kerala Gazetted Officers' Association, Adhyapaka Bhavan Road, Trivandrum.

90. Shri K.V. Devadas, President, Federation of State Employees and Teachers Organisations, Kerala, N.G.O. Union Building, Trivandrum-695033.

91. Prof. V. Gopalakrishna Kurup, Chairman, Kerala Public Service Commission, Trivandrum-695004.

92. Shri M.N.V.G. Adiyodi, Chairman, Joint Council of State Service Organisation, Centre Office Service Corner, Trivandrum.

93. Shri P.J. Joseph, Chairman, Kerala Congress (J) Party, Trivandrum.

94. Kerala Pradesh Congress Committee (I).

95. Shri A. Neelalohithadasan Nadar, Minister for Sports and Youth Affairs, Trivandrum.

96. Shri V.J. Thankappan, Minister of Local Administration.

97. Shri K.M. Mani, Leader, Kerala Congress (M).

98. Shri T.N. Bhaskara Varma Thampan, Controller of Examination Incharge of Secretary, Kerala Public Service Commission, Trivandrum.

Madhya Pradesh

99. Shri Dal Chand Jain, M.P. (Lok Sabha), Chameli Chowk, Sagar.

100. Shri Siremal Chauradia, Tilak Marg, Neemuch-458441.

101. Shri Vimal Mital, Advocate, 26, Yeshwant Niwas Road, Indore-450023.

102. Dr Rajendra Jain, Principal, Government College, 93/6, Tulsi Nagar, Bhopal.

103. Dr. R.S. Tiwari, Professor of Economics, Government Hamidia Arts and Commerce College, 90/28, Tantya Tope Nagar, Bhopal.

104. Shri Neeraj Kumar Mishra, C/o Shri Vayas Narayana Sharma, Village Jarooda, Post Office Tara (Shankar Nagar), District Rayapur-492007.

105. Dr A.C. Minocha, Bhopal University, Bhopal.

106. Shri Rajendra Prasad Shukla, Speaker, Madhya Pradesh Vidhan Sabha, 2, Civil Lines, Bhopal.

107. Shri Kailash Joshi, M.L.A., Leader of the Opposition, Madhya Pradesh Vidhan Sabha, Bhopal.

108. Shri Rameshwar Nikhara, M.P. (Lok Sabha), E-6/45, Bungalow T.T. Nagar, Bhopal.

109. Shri Babu Lal Gaur, M.L.A., Chairman, Public Accounts Committee, Madhya Pradesh Vidhan Sabha, Bhopal.

110. Shri Balakrishna Gupta, M.L.A., Bhartiya Communist Party, 5, Patel Nagar Labour Colony, Bhopal-462001.

111. Shri Ramashanker Singh, M.L.A., 38, Racecourse Road, Gwalior-474002.

112. Dr. Nirmal Hirawat, M.L.A., Kantangi (Balaghat), Madhya Pradesh.

113. Shri Satyabhanu Chauhan, M.L.A., Constituency S. Ryour Kalan, District Murena.

114. Shri Rasual Ahmed Siddiqui, M.L.A. Bhopal.

115. Shri Satyadev Katare, M.L.A., 100/45, Shivaji Nagar, Bhopal.

116. Shri Kanhaiya Lal Sharma, M.L.A., 144/1, Professor Colony, Bhopal.

117. Shri Surender Dubey, M.L.A., 113/9, Sivaji Nagar, Bhopal.

118. Shri Abdul Zabbar Khan, Organiser, Bhopal Gas Tragedy Victims Women's Welfare Association, Bhopal.

119. Dr. Ishwar Dass, President, Associate of State Training Institution in India & Director General, Academy of Administration, Post Bag No. - 6, Bhopal - 462016

120. Abhyas Mandal, Indore, Memorandum presented by Dr. V.D. Nagar, Professor and Head, School of Economics, Devi Ahilya Vishwavidyalaya, Indore

121. The Abhyas Mandal, Indore. (Submitted four Memoranda)
    (i) Indian Medical Association Madhya Pradesh Branch Indore.
    (ii) Trained Nurses Association of India, Madhya Pradesh Branch, Indore.
    (iii) Indore School of Social Work, Indore
    (iv) Development Study Cell, Indore

Maharashtra

122. Shri Sudam Deshmukh, M.L.A., Aamdar, Maharashtra Legislative Assembly, Achalpur City, District Amarawati.

123. Dr. S.B. Sakhalkar, Executive Director, Maharashtra Economic Development Council, 106, Nagindas Master Road, Fort, Bombay-400023.

124. Shri Hashu Advani, President, B.J.P., Kathak Bhavan, Falke Marg, Dadar (East) Mumbai, Mumbai-400014.

125. Shri S.S. Acharekar, Chairman, Maharashtra State Government Employees' Confederation, C/o M-6, Mantralaya, Bombay-400032.

126. Dr. J.F. Patil, Reader, Department of Economics, Sivaji University, Vidyanagar, Kolhapur 416004.

127. Shri B.S. Vaze, General Secretary, All India Posts, Telegraphs and Others Central Government Pensioners' Association, 1082-Sadashiv Peth, Near Shanipar, Pune-411030.

128. Dr. H.D. Kopardekar, Director General, All India Institute of Local Self Government, Sthanikraj Bhavan, C.D. Barfiwala Marg Andheri (West), Bombay-400058.

129. Deputy Registrar (Accounts), Marathwada University, University Campus, Aurangabad-431004.

130. Secretary General, The Bombay Mill-Owners' Association, Elphinstone Building 10, Veer Nariman Road, Post Box No. 95, Bombay-400001.

131. Shri S.C. Varma, C/o Post Box No. 19966, Bombay-400021.

132. Shri D.A. Joshi, Secretary General, Federation of Indian Art Silk Weaving Industry, Resham Bhavan 78, Veer Nariman Road, Bombay-400020.

133. Shri Sharad Pawar, Ex-Chief Minister, "Ramalayam", 44/A, Pedder Road, Bombay-400026.

134. Shri Madhavrao Gaikwad, Secretary, Maharashtra Council, M.L.A., 314, S.V.P. Road, Bombay-400004.

135. Maharashtra Economic Development Council, 106, Nagindas Master Road, Fort, Bombay-400023.

136. Shri D.R. Pendse, Economic Adviser, Tata Industries, Bombay House, 24, Homi Mody Street, Bombay-400001.

137. Shri Chandrakant Shankar Padwal, Mayor of Bombay Municipal Corporation, Bombay.

138. Shri Ramdas Nayak, Member, Standing Committee, Bombay Municipal Corporation, Bombay.

139. Shri Uttam Thawrani, President, Vidarbha Industries Association, Bank of Maharashtra Building, Sitabuldi, Nagpur-440012.

Manipur

140. Shri L. Joychandra Singh, President, Joint Administrative Council, All Manipur Trade Union Council and All Manipur Government Employees' Organisation, Praja Tantra Building, Praja Tantra, Imphal.

141. Shri Th. Joychandra Singh, Registrar, University of Manipur, Canchipur, Imphal - 795003.

142. Shri Th Nilamani Singh, General Secretary, All Manipur College Teachers' Association, Imphal-795001.

143. Shri M. Jayanta Kumar Singh, General Secretary, All Manipur Government College Teachers'Association, C/o Department of Chemistry, D.M. College of Science, Imphal.

144. Shri H. Sanayaima Singh, Deputy Speaker, President, Loktak Lake Development Organisation, Thanga Chingkha.

145. Shri M. Koireng Singh, Ex-Chief Minister, MLA, Chairman, I.N.A. Martyrs' Memorial' Complex Advisery Committee, Meirang.

146. Shri B.S. Lamba, Commissioner, Finance Economics & Statistics, Government of Manipur, Imphal.

Meghalaya

147. Shri H.S. Lyngdoh, M.L.A., Chief Executive Member, Khasi Hills Autonomous District, Council, Shillong.

148. Khasi Hills Autonomous District Council, Shillong.

149. The Frontier Chamber of Commerce, Shillong.

· 150. Office of the All India Garo Union, Shillong.

151. Recommendations of Chief Ministers' Conference, Chief Minister of Meghalaya.

Orissa

152. Shri U.R.R. Patnaik, Superintending Engineer (Civil), Orissa.

153. Shri S.K. Padhi, 841/1, Kalaraput, P.O. Rasulgarh, Bhubaneswar-751010.

154. Shri Saroj Kumar Mishra, At-Janardan Pur, P.O. Keonjhargarh, District Keonjhar-758002.

155. Dr. Sharddhakar Supakar, M.L.A. (Orissa), 18/1(D.S.), M.L.A. Colony, Bhubaneswar-751001.

156. Shri S.B. Panda, (BA, LLB), Sub-Divisional Office, Jeypore, At/Po Jeypore, District Koraput.

157. Dr. Baidyanath Misra, Deputy Chairman, State Planning Board, and Director, N.K.C. Centre for Development Studies, Bhubaneswar.

158. Shri T. Kanungo, MLA, Unit - III, VIB 4/2, Bhubaneshwar. (Submitted two Memoranda)

159. Chief Justice of Orissa, Bhubaneshwar.

160. Shri Habi Bulla Khan, Minister of State Community Development and Rural Reconstruction, Bhubaneswar.

161. Orissa State Government Employees Coordination Committee, Ashoknagar, Bhubaneswar-751009.

162. Orissa State NGOS' Coordination Committee, Block No. 10, Unit -V, Bhubaneswar.

163. The Co-ordination Committee of Service Associations of Gazetted Officers of Orissa.

Punjab

164. Rajbans Kaur, Professor and Head, Department of Economics, Punjabi University, Patiala-147002.

165. Shri M.L. Nandrajog, Secretary General, PHD Chamber of Commerce and Industries, PHD House, Opp. Asian Games Village, New Delhi-110016.

Rajasthan

166. Shri B.L. Panagariya, Raj Niketan, 7, Moti Doongri Road, Jaipur-302004.

167. Shri Pana Chand Gupta, Chairman, District Council, Kota.

168. Shri Bhanwar Lal Bijarania, R/o Kissan Bhavan, D-107, Vidhyadhar Nagar, Jaipur-302012.

169. Shri Vaidya Bhainroon Lal Bhardwaj, M.L.A., President of District Congress Committee, Jaipur-302003.

170. Shri N.C. Pahariya, MA, Ph.D., Associate Professor, Department of Economics, University of Rajasthan, Jaipur-302015.

171. Shri Hari Ram Bagariya, Pramukh, Office of the District Council, Nagour, Rajasthan.

172. Prof. Om Prakash, Former Vice-Chancellor, P-2, University Campus, Jaipur-302003.

173. Shri Justice Guman Mal Lodha, Chief Justice, Rajasthan High Court, Jodhpur.

Tamil Nadu

174. Shri Malcolm S. Adiseshiah, Chairman, Madras Institute of Development Studies, 79, , II Main Road, Gandhi Nagar, Adyar, Madras - 600 017.

175. Smt. R. Kohilam, Assistant Professor in Economics, Quaid-E-Millat Government College for Women, Anna Salai, Madras-600 002.

176. Dr. C.A. Perumal, Professor and Head, Department of Politics and Public Admn., University of Madras, University Building, Chepauk, Madras-600005.

177. Shri M.K. Deena Dayalan, IPS, Retd. Postmaster General, President, All India Federation of Pensioners' Association, 10, Rajan Street, T. Nagar, Madras-600017. (Submitted two Memoranda)

178. Shri M.R. Appan, General Secretary, The Tamil Nadu Government Employees' Association (Regd.), Bethol Lodge, 12, Wallajah Road Madras, 600 002.

179. Shri S. Debendran, Registrar, Institute for Techno-Economic Studies, 76, Harrington Road, Madras-600031.

180. Shri P.C. Mathew, ICS (Retd), 10, Third Avenue, Harrington Road, Madras - 600031.

181. Dr. Vedagiri Shanmugasundaram, President, Anna Nagar Academy, No.43, Ist Main Road, Senoy Nagar, Madras 600030.

182. Shri S. Thirunavukkarasu, MLA, Deputy Leader of Opposition, All India Anna DMK Legislature Party, 275, Avvai Shunmugam Salai, Madras 600 014.

183. Shri W.R. Varadarajan, MLA, Communist Party of India(Marxist), Tamil Nadu State Committee, 26, Car Street, Triplicane, Madras 600 005.

184. Shri D. Vaseekaran, President, All India Minorities' Party, 31, Thirumoorthi Street, Theagarayanagar, Madras 600 017.

185. Smt. Jethalal D. Solanki, President, Tamil Nadu Chamber of Commerce and Industry, 4th Floor, 178 B, Kamarajar Road, Madurai 625 009.

186. Shri M.K. Deena Dayalan, President, All India Federation of Pensioners' Associations, 10, Rajan Street, Theagarayanagar, Madras 600 017.

187. Shri Siva Ilango, President, Tamil Nadu Government Officials' Union, 4, Neeli Veerasamy Street, Triplicane, Madras 600005.

188. Shri C.D.V. Gnanaraj, President, Tamil Nadu Secretariat Association, Fort St. George, Madras 600 009.

189. Shri A. Palaniappan, President, Tamil Nadu United Secretariat Staff Federation, Fort St. George, Madras 600 009.

190. The Tamil Nadu Government Employees' Association, 7, Wallajah Road, Madras-600002.

Tripura

191. Shri Haradhan Dutta, Chairman, Honour's and Post Graduate Teachers' Association, Tripura, 10, Jagannath Bari Road, Agartala-799001.

192. Shri Nripen Chakravarty Ex-Chief Minister, Tripura, Agartala.

Uttar Pradesh

193. Md. Sayed Sibte Razi, Education Minister, Government of Uttar Pradesh, Vidhan Bhavan, Lucknow.

194. Shri B.M. Jauhari, M.A, Ph.D., Department of Post Graduate, Research and Studies in Economics, M.M.H. College, IIA/F-36, Nehru Nagar, Ghaziabad-201001. (Submitted two Memoranda)

195. Shri P.C. Bhatia, President, Federation of Uttar Pradesh Pensioners' Association, 3-C/9, Park Road, Lucknow-226001.

196. Shri P.K. Bhargava, Professor, Benaras Hindu University, Varanasi, Deptt. of Economics, No. G/7, Arvindo Colony, B.H.U. Campus, Varanasi-221005.

197. Shri Vinod Kumar Srivastava, Secretary, Notified Area Committee, Kirti Nagar, Tehri Garhwal.

198. Dr. Sudhakanta Mishra, Hony. Secretary, Indian Institute of Economic Research, 5 E, Pandey Colony, Kautilya Kone Marg, P.Box-110, Varanasi-221002.

199. Officer-in-charge, Municipal Corporation, Bangarmau, Unnao.

200. Shri Shyam Dhar Mishra, Former Minister, Varanasi, Khasi Sadan, Gopi Ganj. (Submitted two Memoranda)

201. Federation of U.P. Pensioners' Association, President Shri P.C. Bhatia, 3-C/9, Park Road, Lucknow - 226 001.

202. Shri U.P. Shrivastava, Convener, Uttar Pradesh Sachivalaya Mahasangh, Vidhan Bhawan, Lucknow.

203. Shri Maheshwar Pandey, M.L.C. Darulshafa, Lucknow.

204. Shri Ram Ratan Singh, President, DCC(I) Fatehpur, District Fatehpur.

205. State Planning Institute, Lucknow and Office of the Collector, Fatehpur.

206. Shri Hari Kant, Principal Chief Conservator of Forests, Uttar Pradesh.

207. Shri Kashi Singh Ari, MLA of Didihat; Pithoragarh.U.P.

West Bengal

208. Shri Tuhin Samanta, M.L.A., West Bengal.

209. Shri Bikash Hazara, Chairman, National Forum of Public Interest, 49/1, Karl Marx Sarani, Bhukailash Rajbari, Kidderpore, Calcutta-700023.

210. Chairman, Beldanga Municipality, P.O. Beldanga, District Murshidabad.

211. The Joint Secretary, State Co-ordination Committee of the West Bengal Govt. Employees' Association and Unions, 186, B.B. Ganguly Street, Calcutta-700012. (Submitted two Memoranda)

212. Dr. R. Chakrabarti, Director, Netaji Institute for Asian Studies, 1, Woodburn Park, Calcutta-700020.

213. Syed S.A. Masud, M.A, LL.B, Barrister-at-Law, Former Judge High Court, 15, Nasiruddin Road, Calcutta-700017.

214. Shri Pankaj Dutta, Chairman, Jiaganj-Azimaganj Municipality, P.O. Azimaganj, District Murshidabad-742122.

215. Shri C.R. Sarkar, Vice-Chairman, Kharagpur Municipality, Kharagpur.

216. Shri Manoranjan Sinha Ray, Reader in Economics, Visva-Bharti University, Vidya Bhavan, P.O. Santiniketan, District Birbhum-731235.

217. Shri Suhas Chattopadhyay, Indian Statistical Institute, Economics Research Unit, 203, Barrackpore Trunk Road, Calcutta.

218. Shri Sunil Banik, Secretary, Bengal National Chamber of Commerce and Industry, 23, R.N. Mukherjee Road, Calcutta-700001. (Submitted two Memoranda)

219. Shri Sukomal Sen Member of Parliament(Rajya Sabha) and General Secretary, All India State Government Employees Federation Telephone No. 387112 201 B, V.P. House,Rafi Marg, New Delhi-110001. 186, Bipin Behari Ganguly Street, Calcutta - 700012.

220. Chief Justice of West Bengal, Calcutta.

221. Indian Chamber of Commerce Calcutta, West Bengal.

222. Shri G.D. Shah, President, Bharat Chamber of Commerce, 28, Hemanta Basu Sarani, Calcutta - 700001.

223. Shri P.D. Tulsyan, President, Merchants Chamber of Commerce, 14, Old Court House Street, Calcutta - 700001.

224. Shri N. Dutta, President, Federation of Associations of Cottage and Small Industries West Bengal, 21/1/1, Creek Row, Calcutta - 700 014.

225. Shri Abdus Samad Mondal, Member Basanti Panchayat Samity and President, Sonakhali Block Congress Committee

226. Shri Jasimuddin Ahamed, Member, Basanti Panchayat Samity, President, Basanti Block Congress Committee Sundarban Zone, Distt. 24 - Parganas.

227. Shri Ajoy Sinha,IAS, Secretary to the Chief Minister, West Bengal, Calcutta.

228. The Joint Secretary, State Coordination Committee of the West Bengal Government Employees Associations & Unions.

229. The All India State Government Employees Federation, 186, B.B. Ganguly Street, Calcutta.

230. All India State Govt. Employees Federation, submitted by - Shri Ananda Mohan Patra, President, State Coordination Committee. Binpur Regional Branch.

APPENDIX - 2

List Of Organisations And Individuals Who Submitted Memoranda To The Finance Commission

Andhra Pradesh

1. Mr. Vavilala Gopalakrishnayya, Former MLA, Sattenapalli, Guntur Distt.
2. Dr.Y.Sivaji, Member, Rajya Sabha

Arunachal Pradesh

3. All Arunachal Pradesh Tribal Employees Association - represented by
   (i) Shri Bamin Hinda,Secretary General
   (ii) Shri D. Bhattacharjee, President
4. Chambers of Industries - represented by Shri Tarin Malo, President
5. Shri R.K. Patir, Ex-Chief Secretary, Itanagar.
6. Shri R.K. Anand, Vice Chancellor, Arunachal Pradesh University, Itanagar.
7. Secretary, Rama Krishna Mission, Itanagar.

Assam

8. Shri K.C. Barua, IAS (Retd.)
9. Shri G.C. Phukan, Financial Commissioner (Retd).
10. Shri Dev Kanta Kakati, IPS (Retd)
11. Shri J.N. Das, Ex-Vice Chancellor, Dibrugarh University.
12. Dr. Jayanta Rangpi, Chief Executive Member, Karbi Anglong District Council, Diphu.
13. Shri G.C. Langthasa, Chief Executive Member, North Cachar Hills District Council, Haflong.
14. Shri Charan Deka, Secretary General, Sadou Asom Karmachari Parishad, Guwahati.
15. Shri Hari Nath, Secretary General, Assam State Employees' Federation.

Bihar

16. Shri K.M. Sahay, Mayor of Patna, Municipal Corporation, Budh Marg, Patna-800001.
17. Shri Ranchhor Prasad, IAS Retd., Patna.
18. Shri Pradhan H. Prasad, Director, A.N. Sinha Institute, Patna.
19. Dr. D.D. Guru, A.N. Institute of Social Studies, Patna.
20. Prof. P.K. Jha, University Department of Economics, L.N. Mithila University, Darbhanga.
21. Shri Yogender Prasad, General Secretary, Bihar State Non-Gazetted Employees Federation, Patna.
22. Shri Gopal Prasad Tripathi, General Secretary, Bihar State Non-Gazetted Employees Federation, Patna.
23. Shri Surendra Mishra, Principal, R.K. College, Madhubani.

Gujarat

24. Shri I.M. Trivedi, Prof. and Head, Deptt. of Economics, Bhavnagar University, Bhavnagar.
25. Shri Chimanbhai Patel, Leader of Opposition, Gujarat Vidhan Sabha, Gandhinagar.
26. Shri Sanat Mehta, Former Finance Minister, Government of Gujarat.
27. Shri Dinesh Shah, Former Finance and Planning Minister of Gujarat and Founder Director of Vikas Bharti Institute of Policy Studies, Research and Futurology, Ahmedabad.
28. The Surat Art Silk Cloth Manufacturers Association - represented by
   (i) Shri A.N. Jariwala, President
   (ii) Shri Arun Jariwala, Member
   (iii) Shri Suraj Ram Bachkaniwala, Member
   (iv) Shri Vasantbhai Bachkaniwala, Member
   (v) Shri Hare Saria, Secretary
29. South Gujarat Textile Processors' Association - represented by
   (i) Shri Dhamanwala, President
   (ii) Shri Bhagwan Dass Jariwala, Member
   (iii) Shri Suraj Ram Bachkaniwala, Member
   (iv) Shri Vasantbhai Bachkaniwala, Member
   (v) Shri Hare Saria, Secretary

Haryana

30. Shri R.K. Nehru, Registrar, Punjab and Haryana High Court.
31. Shri R.K. Khanna, Joint Registrar, Punjab and Haryana High Court.

Himachal Pradesh

32. Delegation of the Members of the Legislative Assembly
   (i) Shri Ram Chand Bhatia
   (ii) Shri Rattan Lal Thakur
   (iii) Shri Vidya Sagar
   (iv) Shri Singhi Ram
   (v) Shri Yogendra Chandra
   (vi) Shri Natha Singh
   (vii) Shri Shonkia Ram
   (viii) Shri Milkhi Ram Gomma
   (ix) Shri Thakur Singh
   (x) Shri Man Chand Rana (Parliamentary Secretary)
   (xi) Shri Kanwar Durga Chand
   (xii) Shri Girdhari Lal
   (xiii) Shri Raghu Raj
   (xiv) Shri Satya Parkash Thakur
   (xv) Shri Harbhajan Singh Bhajji
   (xvi) Shri Nehar Singh
   (xvii) Smt. Viplove Thakur
   (xviii) Shri J.S. Joshi (General Secretary, Lok Dal)
   (xix) Shri Milkhi Ram Bhaira
33. Municipal Corporation of Simla - represented by
   (i) Shri Adarsh Kumar, Mayor
   (ii) Shri D.S. Minhas, Commissioner
   (iii) Dr. Ganesh Datt Bharwal
34. Dr. K.C. Malhotra, Vice-Chancellor, Himachal Pradesh University, Simla.
35. Dr. M.P. Gupta, Dean, Dr. Y.S. Parmar University of Horticulture and Forestry, Simla.

Jammu and Kashmir

36. The Kashmir Chamber of Commerce and Industry - represented by
   (i) Shri Ibrahim Shadad, President
   (ii) Dr. Mubeen Shah, Secretary
   (iii) Shri A.G. Khan, Joint Secretary
37. Chamber of Commerce and Industry, Jammu - represented by
   (i) Shri Ramesh Gupta, President
   (ii) Shri Rajendra Motial, General Secretary
38. Shri V. Avasthi, General Secretary, Federation of Industry and Commerce, Jammu.
39. Shri G.M. Khan, President, Jammu and Kashmir Civil Secretariat Non-Gazetted Employees' Union, Srinagar.
40. Shri Abdul Majid Khan, President, All Jammu and Kashmir Low Paid Employees' Federation.
41. All Jammu and Kashmir Low Paid Government Employees Federation - represented by
   (i) Shri Sampat Prakash
   (ii) Shri Mohi-Ud-Din Punoo
   (iii) Shri Miraj-Ud-Din, Representative
   (iv) Shri A. Krishan, Representative

Karnataka

42. Shri T.R. Satish Chandran, Director, Institute for Social & Economic Change, Bangalore.
43. Dr.(Mrs.) Hemlata Rao, Associate Professor, Institute for Social & Economic Change, Bangalore.
44. Dr. Vinod Vyasulu, Professor, Institute for Social & Economic Change, Bangalore.
45. Prof. S.R. Bijoor, Indian Institute of Management, Bangalore.
46. Shri T.N. Narasimhamurthy, MLC Congress(I), Leader of the Opposition in Legislative Council.
47. Shri M. Mallikarjuna Kharge, MLA Congress(I), Deputy Leader of Congress Legislature Party (CLP).
48. Shri R.S. Mane, MLA, Maharashtra Eki-Karan Samiti.
49. Shri R. Venkataramaiah, MLA, Leader of CPI(M).
50. Shri S. Suryanarayana Rao, Leader of CPI(M).
51. Shri N.K. Upadhyaya, Secretariat Member CPI(M).
52. Shri P. Ramachandra Rao, Secretary Karnataka State Committee, CPI(M).
53. Federation of Karnataka Chambers of Commerce and Industry - represented by
   (i) Shri C. Vailiappa, President
   (ii) Shri M.K. Panduranga Setty, Vice-President
   (iii) Shri Tallam Radhakrishna Setty (Immediate Past) President
   (iv) Shri M.Raghevendra Rao, Secretary
   (v) Shri T. Ramappa, Assistant Secretary
54. All India State Govt. Employees Association - represented by
   (i) Shri K.A.Keshavamurthy, President.
55. Karnataka State Government Employees Association - represented by
   (i) Shri T.V. Raghavan,Former Office Bearer
   (ii) Shri M.N. Shashe Gowda

(iii) Shri Lakshmaiah
(iv) Shri Narase Gowda
(v) Shri Gangavenkataiah, Vice-President
(vi) Sri Chowdaiah, Treasurer
(vii) Sri Manu, Cultural Secretary
(viii) Sri K Dase Gowda, State Council Member

Kerala

56. Kerala Gazetted Officers' Association - represented by
(i) Shri N. Bhageerathan, President
(ii) Shri P.Y. Jacob, Vice-President
(iii) Dr. N.M. Mohammed Ali, General Secretary

57. Aged Government Employees' Society, Attingal - represented by
(i) Shri D. Unni Krishnan, Secretary
(ii) Shri P. Appukuttam, Treasurer

58. Federation Of State Employees' And Teachers' Organisation, Kerala - represented by
(i) Shri K.V. Devadas, President
(ii) Shri K.V. Rajendran, General Secretary
(iii) Shri T.K. Balan, General Secretary, Kerala NGO Union
(iv) Shri K. Chandran, General Secretary, Private School Teachers' Union, Kerala
(v) Shri Babu Sreekumar, General Secretary, Kerala Secretariat Employees' Association

59. Joint Council of State Service Organisation, Trivandrum - represented by
(i) Shri N. Anantha Krishnan, General Secretary
(ii) Shri E.J. Francis, former Chairman
(iii) Shri P.R. Somanadhan, Vice-Chairman
(iv) Shri K.N.K. Nambudiri, State Secretary

60. Kerala Congress (M) - represented by
(i) Shri K.M. Mani, Leader
(ii) Shri T.M. Jacob, former Education Minister

61. Kerala Pradesh Congress Committee (I) - represented by
(i) Shri Sankara Narayanan, Member
(ii) Shri Oommen Chandy, Member
(iii) Shri K. Karunakaran, Member
(iv) Shri A.K. Antony, Member
(v) Shri Pathmarajan, Member
(vi) Dr. P.K. Gopalakrishan, Member
(vii) Shri Karthikeyan, Member

62. Shri A. Neelalohithadasan, Minister of Sports and Youth Affairs.

63. Prof. V. Gopalakrishna Kurup, Chairman, Public Service Commission.

64. Shri V.J. Thankappan, Minister of Local Administration.

Madhya Pradesh

65. Shri R.P. Shukla, Speaker of the State Legislative Assembly.

66. Shri Kailash Joshi, Leader of the Opposition in the State Legislative Assembly.

67. Shri Babu Lal Gaur, Chairman, Public Accounts Committee.

68. Shri N.P. Srivastava, Leader of the Janata Party in the State Legislature.

69. Shri Rameshwar Nikhara, M.P.

70. Dr. P.D. Hajela, Vice-Chancellor, Sagar University.

71. Dr. R.S. Tiwari, Professor, Hamidia College, Bhopal.

72. Shri S.N. Dubey, Senior Vice-President, Madhya Pradesh Teachers' Congress.

73. Shri Rasul Ahmed Siddiqui, M.L.A.

74. Shri Balakrishna Gupta, M.L.A.

75. Shri Mumtaj Ali, Janata Party, Bhopal.

76. Shri Abdul Zabbar Khan, Organiser, Bhopal Gas Tragedy Victims Women's Welfare Association.

77. Shri Kanhaiya Lal Sharma, M.L.A.

78. Shri Ramachandra Bajpayee, M.L.A.

79. Shri Satyabhanu Chauhan, M.L.A.

80. Shri Lalit Jain, M.L.A.

81. Shri Sunil Mishra, M.L.A.

82. Dr. Nirmal Hirawat, M.L.A.

83. Shri Rama Shankar Singh, M.L.A.

84. Shri S.D. Katare, M.L.A.

Maharashtra

85. Shri Sharad Pawar, former Chief Minister.

86. Shri D.R. Pendse, Economic Adviser, Tata Industries, Bombay.

87. Shri N.A. Palkhiwala, Senior Advocate, Supreme Court of India, Bombay.

88. Maharashtra Economic Development Council- represented by
(i) Shri N.M. Desai
(ii) Shri G.A. Newalkar
(iii) Dr. S.B. Sakhalkar

89. Shri K.A. Samuel and others, Federation of Indian Silk and Art Industry

90. Leaders of Opposition Parties in the State Legislature
(i) Shri B.M. Gaikwad, M.L.A., Communist Party of India
(ii) Dr. P.S. Kadam, M.L.A., (Independent)
(iii) Shri Sadanand Warde, M.L.C., Janata Party
(iv) Shri N.D. Patil, M.L.A., Peasants and Workers Party
(v) Shri Manohar Joshi, M.L.C., Shiv Sena
(vi) Shri Ram Naik, M.L.A., B.J.P.
(vii) Shri Sudhir Joshi, M.L.C., Shiv Sena, (former Mayor of Bombay)
(viii) Shri Madhu Deolekar, M.L.C., B.J.P.

91. Bharatiya Janata Party represented by
(i) Shri Sunder Kumar T. Rani, Leader, B.J.P.Corporation Group
(ii) Shri Nanubhai Patel, Vice-President, B.J.P.,President, F.A.M.
(iii) Shri Kirit Somaiya, General Secretary, B.J.P., Chartered Accountant
(iv) Shri Arun Sathe, Advocate, General Secretary, Bombay, B.J.P.
(v) Shri Madhu Deolekar, M.L.C., General Secretary, B.J.P., Bombay
(vi) Shri Ram Naik, M.L.A., Vice-President, B.J.P., State Unit

92. Maharashtra State Government Employees' Federation represented by
(i) Shri S.S. Acharekar, Chairman, Maharashtra State Government Employees' Confederation
(ii) Shri T.L. Manicar, President, Mantralaya Employees' Association
(iii) Shri Uttam Kamble, Secretary Class IV Employees' Association
(iv) Shri S.N. Pansare, Joint Secretary, Gazetted Officers' Confederation
(v) Shri G.D. Kulthe, General Secretary, State Gazetted Officers' Confederation
(vi) Shri N.V. Joshi, Vice-President, Maharashtra State Government Employees' Confederation
(vii) Dr. S.S. Wagle, Economic Adviser, Maharashtra State Government Employees' Confederation
(viii) Shri R.G. Karnik, General Secretary, Maharashtra State Government Employees' Confederation

Manipur

93. Shri Devendra Singh Speaker of the Legislative Assembly.

94. Shri Udhob Singh,Dy. Speaker and Chairman P.A.C.

95. Shri A.S. Arthur,Dy. Chairman, State Planning Board.

96. Shri Sehpu Haokip MLA

97. University Teachers and College Teachers Association represented by
(i) Prof. K.J. Mahale, Vice Chancellor Manipur University, Canchipur.
(ii) Shri W.C. Sachdeva, F.O. Manipur University.
(iii) Shri Nilamani Singh, General Secretary, All Manipur College Teachers' Association, Member, AMCTA.
(iv) Shri Bhogendra Singh, Member, AMCTA.
(v) Shri Ibopishak Singh, Member, AMCTA.
(vi) Shri Jayanta Kumar Singh, Member, AMCTA.
(vii) Shri R.K. Sanajnoba Singh, Member.
(viii) Shri K. Nabachandra Sharma, Member, AMGOCTA.
(ix) Shri Kishan Singh, Member, AMGOCTA.
(x) Shri Ibotombi Singh, Member, AMGOCTA.
(xi) Shri Latiff, Member, AMGOCTA.
(xii) Shri K. Nabachandra Singh, Member, AMGOCTA.
(xiii) Shri M. Jayant Kumar Singh, General Secretary, AMGOCTA.

98. Joint Administrative Council of the All Manipur Trade Union Council and All Manipur Government Employees Organisation
(i) Shri Joyachandra Singh, President.
(ii) Shri Lalhari Singh, Vice-President.
(iii) Shri Kesho Singh, Secretary General.
(iv) Shri Tombi Singh, Secretary (Organisation)
(v) Shri S. Ibobi Singh, Treasurer
(vi) Shri A. Temba Singh, Secretary (Admn.)
(vii) Shri S. Brajamani Singh, Editor,JAC Bulletin.

Meghalaya

99. Khasi Hills Autonomous District Council Shillong represented by
(i) Shri H.S. Lyngdoh, Chief Executive Member

(ii) Shri T. W. Pakyntien, Special Secretary
(iii) Shri S.S. Rynjab, Secretary
(iv) Shri W.N. Lyngdoh, Special Officer

100. The Frontier Chambers of Commerce, Shillong - represented by
(i) Shri Pradip Choudhary
(ii) Shri Vinod Kumar Agarwala
(iii) Shri Krishna Kanta Ghosh
(iv) Shri H.P. Tharad, President

101. All India Garo Union, Shillong - represented by
(i) Shri Maljon M. Sangma, General Secretary
(ii) Shri Thrumen M. Sangma, Member
(iii) Smt. Jennifer Aiengh, Member
(iv) Smt. Jentila Marak, Member
(v) Shri Kamath R. Marak, Member

Orissa

102. Members of Parliament
(i) Shri S.K. Sahu
(ii) Shri K.C. Lamba
(iii) Shri Somnath Rath
(iv) Shri K. Pradhani
(v) Shri B.D. Mohapatra
(vi) Shri A.P. Sethi
(vii) Shri Chintamani Jena
(viii Shri Jagnath Patnaik
(ix) Shri Brij Mohan Mohanty
(x) Shri Lakshaman Mallick
(xi) Shri Ballau Panigrahi
(xii) Shrimati Jayanti Patnaik
(xiii) Shri K.P. Singh Deo
(xiv) Shri Nityananda Mishra

103. Members of Legislative Assembly
(i) Shri Trilochan Kanungo, MLA
(ii) Dr. Sradha Kar Supakar, MLA
(iii) Shri Habibulla Khan, Minister of State Community Development and Rural Reconstruction, Orissa.

104. The Coordination Committee of Service Associations Gazetted Officers of Orissa represented by
(i) Shri L.M. Patra
(ii) Shri G.C. Das
(iii) Shri Manmath Das
(iv) Shri Govind Chand Panda
(v) Shri Satyabadi Mishra
(vi) Shri Radha Nath Nanda
(vii) Shri Gajendra Nath Baral

105. Action Committee of Orissa State Non-Gazetted Officers Committee Bhubaneshwar represented by
(i) Shri Sarda Prasad Mohanty
(ii) Shri P.P. Panda
(iii) Shri G Mohan Sale
(iv) Shri Sadasib Mishra

Punjab

106. Capt. Rattan Singh, former Minister, Punjab

107. Shri Jagjit Singh Ghungarana, Progressive Farmer

108. Delegation of PHD Chambers of Commerce and Industry (led by Shri Manmohan Singh)

Rajasthan

109. Rajasthan Chamber of Commerce and Industry - represented by
(i) Shri K.L. Jain, Honorary General Secretary
(ii) Shri M.R. Verma, Member, Executive Committee.
(iii) Shri S.C. Handa, Economist.
(iv) Shri R.B. Sexena, Secretary, RCCI.
(v) Shri M.D. Agrawal, Vice President, RCCI.

110. Member Parliament/Member Legislative Assembly
(i) Shri Shankar Lal, MP, (Lok Sabha)
(ii) Shri Banwari Lal Berwa, MP, (Lok Sabha)
(iii) Shri Bhuvnesh Chaturvedi, MP, (Rajya Sabha)
(iv) Shri Bhudhar Mal Verma, MLA
(v) Shri Pankaj Pancholi, MLA

111. All Rajasthan State Government Employees Federation represented by Shri Udai Singh Rathor, Chairman.

112. National Federation of State Government represented by Shri Mohan Lal Jain, President.

113. Shri M.V. Mathur, Professor, Ex-Vice Chancellor, University of Rajasthan.

114. Shri Bhairon Singh Shekhawat, Leader of the Opposition in the State Assembly.

115. Shri B.L. Panagaria

Tamil Nadu

116. Shri S. Thirunavukkarasu Dy. Leader of the Opposition Parties in the State Legislature.

117. Shri W.R. Varadarajan, Leader of the State Communist Party

118. Shri D.Vasikaran, President, All India Minority Party.

119. Shri Siva Ilango, President, Tamil Nadu Government Officials Union.

120. Dr. Malcolm S. Adiseshiah Chairman, Madras Institute of Development Studies.

121. Shri P. C. Mathew, Former Member-Secretary, Fourth Finance Commission, 10, 3rd Avenue, Harrington Road, Madras 600 031.

122. Dr. Vedagiri Shanmugasundaram, President, Anna Nagar Academy.

123. Dr. A.M. Nalla Gounden, Professor and Head of Economic Department, University of Madras, Chepauk, Madras 600 005.

124. Dr. A. Vaidyanathan, Director, Madras Institute of Development Studies, 79, II Main Road, Gandhi Nagar, Adayar, Madras 600 020.

125. Shri V. Karthikeyan, IAS Retd., Ex-Chief Secretary, Tamil Nadu Government, No.419, Kilpauk Garden, Madras 600 010.

126. Shri M.K. Deenadayalan, IPS, President, All India Federation of Pensioners' Association.

127. Shri C.D.V. Gnanaraj, President, Tamil Nadu Secretariat Association.

Uttar Pradesh

128. Shri Sy. Sibte Raji, MP

129. Shri Maheshwar Pandey, MLC

130. Shri Shailendra Singh, Professor, Department of Economics, Lucknow University.

131. Professor P.K. Bhargava, Department of Economics, Benaras University.

132. Professor B.K. Singh, Department of Economics, Gorakhpur University.

133. Shri Satish Chandra Srivastava, President, U.P. Secretariat Gazetted Officers Association, Lucknow.

134. Shri Umesh Prasad Srivastava, Convenor U.P. Sachivalaya, Maha Sangh, Lucknow.

135. Shri P.C. Bhatia, President, Government Pensioners Welfare Organisation.

136. Shri Ram Ratan Singh, President, DCC(I) Fatehpur.

137. Shri Bal Raj, MLA.

138. Shri Anil Singh, MLA.

139. Shri Prem Dutta Tewari

140. Shri Indrajit, MLA

141. Shri Matni Khan, President, Municipal Board, Fatehpur.

142. Shri Anup Singh, Ex-Block President.

143. Shri Ramesh Chandra Tewari, President, Yuva Kalyan.

144. Smt. Sharda Mishra, Mahila Congress.

145. Smt. Malti Srivastava, President City Congress (I) Mahila.

West Bengal

146. Dr. Bhabatosh Dutta, Economist

147. Shri N.C. Chatterji, Member of Parliament (RS)

148. Bengal National Chambers of Commerce - represented by
(i) Shri A.K. Chandra, Vice-President
(ii) Shri Sunil Banik, Secretary

149. Bengal Chambers of Commerce represented by
(i) Shri S. Ghosh
(ii) Shri P. Das Gupta

150. Merchants Chamber of Commerce represented by
(i) Shri P.D. Tulsyan
(ii) Shri A. Kothari
(iii) Shri B.K. Swaika
(iv) Shri Birendra Agarwal
(v) Shri H. R. Bose

151. Federation of Association of Small Industries - represented by
(i) Shri N. Dutta
(ii) Shri S. Gupta
(iii) Shri S. Roy Chowdhari

152. Bharat Chamber of Commerce represented by
(i) Shri S.D. Shah
(ii) Shri D.D. Kothari
(iii) Shri A.K. Rungta

153. Indian Chamber of Commerce represented by
(i) Shri J.N. Sapru

154. All India State Govt. Employees Federation - represented by
(i) Shri K.A. Kesheva Murty, Chairman
(ii) Shri Sukomal Sen, M.P., General Secretary
(iii) Dr. S.S. Wagle, Economic Adviser
(iv) Shri R.G. Karnik, Secretary
(v) Shri M.R. Appan, Secretary
(vi) Shri J.B. Sahu, Secretary
(vii) Shri S.B. Chakravarti, Treasurer

155. West Bengal State Government, Employees Federation - represented by
(i) Shri Ajoy Mukhopadhyaya, General Secretary
(ii) Shri Hiren Sanyal, Joint Secretary
(iii) Shri Subhashis Gupta
(iv) Shri Bhabatosh Roy

APPENDIX - 3

TRENDS IN CENTRAL AND STATE FINANCES

B3.1 Government revenues and expenditures in India have grown rapidly since Independence. The combined revenue receipts of the Centre and the States which formed 6-7 per cent of Gross Domestic Product (GDP) in the early fifties have now reached the level of 20 per cent; there has been a somewhat faster growth of revenue expenditures. We are here concerned with more recent trends. We note that between 1974-75 and 1986-87, total revenue receipts of the Centre and the States have grown in real terms at 8.4 per cent per annum as against the average growth rate of 4.6 per cent per annum of real GDP. Real government expenditures within the revenue account grew at 10.3 per cent per annum. In other words, during this period, in real terms, total government revenues increased 2.5 times and total revenue expenditures 3.2 times.

B3.2 In nominal terms, revenue receipts grew at an annual rate of 14.5 per cent between 1974-75 and 1986-87, while the growth rate of revenue expenditure was higher by almost 2.5 percentage points at 17 per cent. This outpacing of revenue growth by expenditure growth has led to an era of revenue deficits beginning from 1982-83. However, it appears that recent trends rather than the long term trends have caused the imbalance.

B3.3 As a proportion of GDP, both revenue receipts and revenue expenditure registered substantial increases during the period 1974-75 to 1986-87. [Ref. Table B.3.1]. However, while the revenue receipts registered an increase of 4.8 percentage points from 15.1 per cent in 1974-75 to 19.9 per cent in 1986-87, the increase in revenue expenditure was by over 9 percentage points from 13.5 per cent to 22.6 per cent. The excess of expenditure growth over the growth of revenue is particularly noticeable in the 1980's. Revenue expenditure as a percentage of GDP continued to accelerate, but the growth of receipts slowed down. The former increased from 17.5 per cent in 1980-81 to 22.6 per cent in 1986-87 whereas, increase in the latter was from 17.6 per cent to only 19.9 per cent during the period. As a consequence, the combined revenue deficit which emerged in 1982-83 for the first time at 0.21 per cent of GDP increased to 2.6 per cent of GDP in 1986-87 and the projected revenue deficit in 1988-89 is placed at 3.9 per cent of GDP according to Revised Estimates.

B3.4 If the Central Government's finances alone are considered, it is seen that the gross revenue receipts increased from 10.5 per cent to 14.1 per cent of GDP during the period 1974-75 to 1986-87, the rate of growth being 14.4 per cent. Its net revenues (i.e., gross revenues minus tax devolution to the States) increased from 8.9 per cent to 11.2 per cent of GDP. Thus, the ratio of the devolution to GDP increased from 1.6 per cent of GDP in 1974-75 to 2.9 per cent of GDP in 1986-87. As against this, the revenue expenditure of the Central Government (including grants) increased from 7.8 per cent of GDP to 13.9 per cent during the period. Of this, grants to the States increased from 1.4 per cent of GDP to 2.4 per cent of GDP and other revenue expenditures of the Central Government increased from 6.4 per cent to 11.5 per cent of GDP. Thus Centre's own expenditure increased by 5.1 percentage points while grants increased by one percentage point.

B3.5 The own revenues of the States increased from 5.1 per cent of GDP in 1974-75 to only 7 per cent in 1986-87, but their total revenue receipts including devolution of taxes and grants from the Centre increased from 8.2 per cent to 12.3 per cent (total revenues increased by 4.1 percentage points, while own revenues increased by only 1.9 percentage points). Revenue expenditures of the States increased from 7.7 per cent of GDP to 12.3 per cent, i.e., by 4.6 percentage points during the period. This may be compared with the increase of 5.1 percentage points in the own expenditures of the Centre. The following conclusions may be drawn about fiscal trends since 1974-75:

(a) There has been a substantial growth in the revenue receipts of the Central Government.

(b) The growth in revenue expenditures of the Centre has been much faster mainly because of the rise in its own expenditure and partly also because of the rise in the proportion of grants.

(c) The growth of own revenues of the States is marginally higher than that of the Central revenues. However, the period since 1980-81 shows that the growth of own revenues of the States has not been as fast as that of Central revenues. Nevertheless, when supplemented by Central transfers, States' revenue receipts grew fairly fast.

(d) States' revenue expenditure increased faster than revenues, although not as fast as Centre's own expenditure.

B3.6 Since non-Plan revenue expenditure accounts for around 20 per cent of GDP, the entire Plan revenue expenditure (at the aggregate level) has to be met out of borrowing. The non-Plan revenue expenditure of the Centre and the States increased almost steadily from 13.3 per cent of GDP in 1974-75 to 19.5 per cent in 1986-87. At the Central level, until 1985-86, the greater part of the rise in the non-Plan revenue expenditure was accounted for by increases in interest payments and subsidies. However, since 1986-87, there has also been a substantial increase in defence expenditure which has caused the ratio of non-Plan revenue expenditure to GDP to grow further. At the level of the States, the non-Plan revenue expenditure ratio grew from 7.3 per cent in 1974-75 to 10.1 per cent in 1986-87; more than half of the increase in the ratio was accounted for by increases in development expenditure. The growth in non-Plan development expenditure within the revenue account at the States' level and a good part of the increase in interest payments at the Central level may be attributed to the successive development Plans (which leave behind increased commitments), borrowing for meeting revenue expenditure and also capital expenditure not generating adequate returns.

B3.7 The combined revenue deficit of the Central and State Governments is estimated at Rs. 13,354 crore in 1988-89 which may form about 3.9 per cent of GDP. Of this, the share of the Centre is Rs. 11,030 crore or 3.2 per cent of GDP. Although the total net revenue deficit of the States in that year is only Rs. 2,324 crore, the combined revenue deficit of the deficit States is around Rs. 2,990 crore. Indications are that revenue expenditures would continue to increase faster than revenue receipts and the revenue deficits would rise both absolutely and in relation to GDP. Drastic changes in fiscal policies are required if this trend is to be reversed.

B3.8 Another cause for serious concern is the rapid increase in public debt, especially in recent years. The combined public debt of the Centre and the States increased from only Rs. 29,933 crore at the end of 1974-75 to Rs. 1,92,797 crore at the end of 1986-87 amounting to 65.7 per cent of GDP. It is estimated to have reached Rs. 2,63,758 crore by March 31, 1989. Until the revenue deficit emerged, public borrowing (including borrowing from the Reserve Bank of India) was resorted to for financing public investment in physical assets or for granting loans to enterprises in the public and the private sectors. With a large public sector in core enterprises and the State playing an active interventionist role in promoting growth, it is inevitable that there is a large public borrowing programme. But such a borrowing programme and the consequential growth of public debt need not have resulted in a corresponding growth of interest burden on the budget itself if the investment in public enterprises as well as in financial assets had earned adequate returns. The total capital employed in the Central public enterprises (covered by The Public Enterprises Survey) amounted to about Rs. 52,000 crore at the end of 1986-87. Of these, 100 units were making losses amounting to Rs. 1,708 crore; 109 units were making after-tax profit of Rs. 3,478 crore of which Rs. 2,142 crore came from the petroleum sector. Hence, the profit after-tax of enterprises in other than the petroleum sector amounted only to Rs. 1,336 crore. All in all, the rate of return on the capital of Rs. 51,931 crore amounted to 6 per cent before tax and 3.4 per cent after tax. Of course, if the petroleum sector is excluded, the rate of return would be negative. But the government has to continue to service the debt incurred for a large part of this huge investment. At the level of the States, the most important public enterprises are the State Electricity Boards and the State Road Transport Corporations. The total capital employed (net fixed assets) in State Electricity Boards amounted to Rs. 13,534 crore in 1985-86 and together they incurred a commercial loss of Rs. 1,520 crore. The State Road Transport Corporations made an aggregate loss of Rs. 226 crore on a block capital of Rs. 1,882 crore. One of the major causes of the rise in the net interest burden on the general budget is the poor returns on the major investments of Central and the State Governments. Another cause is the creation of public debt for financing revenue expenditure which by its very nature cannot yield any direct return.

B3.9 The total public debt of the Centre and the States now constitutes about 77 per cent of GDP and the gross interest burden amounts to 4.7 per cent of GDP and the net interest burden 3.1 per cent. The total fiscal deficit (the total borrowing requirements) of the Central Government has become large amounting to nearly 9.4 per cent of GDP. This in itself is not conducive to the maintenance of monetary stability. Besides, the consequent rise in interest burden tends to enhance the revenue deficit further.

B3.10 The low level of income and the fairly moderate rate of economic growth that we have been able to achieve together constrain the extent of resources that can be raised by the governments. But the resources which the governments need for providing essential public services and for performing other functions expected of them are large and rising. The problem of scarcity of resources, however, cannot be solved through increasing revenue deficits, which is tantamount to living beyond one's means. The fiscal scenario in the country has worsened to an alarming extent and corrective steps are required now to reverse the trend and to create conditions for the restoration of health to the financial system. Therefore, in our considered view, one of the major objectives of financial policy in the medium term should be the elimination of the revenue deficit.

B3.11 Table B.3.2 indicates the trends in the share of the States in the total combined tax revenues of the Centre and the States. It is seen that over the years the share of total taxes accruing to the States has increased with some fluctuations. Since 1974-75 the rise has been fairly steady; the share of the States has increased from 44.8 per cent in 1974-75 to 50.6 per cent in 1986-87. In a similar manner, Table B.3.3 indicates the changing share of the States in total revenue accruals. (In this table besides devolution of taxes, Plan and non-Plan grants from the Centre are also included in the States' share). We note that the share of revenues accruing to the States has increased from 54.3 per cent in 1974-75 to 61.6 per cent in 1986-87. In other words, as of now, as much as 62 per cent of the total revenues raised by the Centre and the States are placed at the disposal of the States although they themselves raise only 35.2 per cent of total revenues.

B3.12 The dependence of the States on devolution and grants has gradually increased. While their own revenues have declined from 61.9 per cent of their total revenues in 1974-75 to 57.2 per cent in 1986-87, their dependence on current transfers from the Centre has correspondingly increased from 38.1 per cent to 42.8 per cent (Table B.3.4). In this connection, it is worth noting that the proportion of shared taxes in States' revenues is lower now than the high point reached in 1979-80 as a result of the application of the Seventh Finance Commission's recommendations. This decline, however, has been made up by an increase in the share of grants.

TABLE B.3.1

Revenue Receipts And Revenue Expenditures Of Central And State Governments As A Percentage Of GDP

(Per cent)

Year	Revenue Receipts Of Centre : Gross	Revenue Receipts Of Centre : Net	Revenue Expenditure Of Centre : Including Transfers To States	Revenue Expenditure Of Centre : Excluding Transfers To States	Revenue Deficit Of Centre	Revenue Receipts Of States : Gross	Revenue Receipts Of States : Own	Revenue Expenditure Of States	Revenue Deficit Of States	Combined Revenue: Receipts	Combined Revenue: Expenditure	Combined Revenue: Deficit
1974-75	10.52	8.85	7.80	6.36	1.04	8.20	5.07	7.65	0.55	15.09	13.49	1.59
1975-76	12.13	10.10	8.98	7.35	1.13	9.49	5.83	8.28	1.21	17.38	15.04	2.34
1976-77	12.14	10.15	9.80	7.93	0.35	10.19	6.35	8.90	1.29	17.97	16.33	1.64
1977-78	11.86	9.98	9.54	7.55	0.45	9.79	5.92	8.72	1.06	17.11	15.60	1.51
1978-79	12.44	10.56	10.28	7.82	0.28	10.57	6.23	9.47	1.09	18.02	16.65	1.37
1979-80	12.65	9.67	10.28	8.36	-0.61	11.42	6.52	10.07	1.35	18.55	17.80	0.75
1980-81	11.98	9.19	9.76	7.73	-0.57	11.07	6.25	10.41	0.66	17.55	17.46	0.09
1981-82	12.18	9.50	9.68	7.90	-0.18	10.98	6.53	10.16	0.82	18.12	17.48	0.64
1982-83	12.47	9.86	10.56	8.55	-0.71	11.40	6.77	10.90	0.50	18.63	18.84	-0.21
1983-84	12.08	9.54	10.70	8.62	-1.16	11.08	6.58	10.98	0.11	17.88	18.94	-1.05
1984-85	12.72	10.22	11.73	9.54	-1.52	11.37	6.64	11.76	-0.39	18.63	20.53	-1.91
1985-86	13.54	10.68	12.80	10.31	-2.12	12.15	6.89	11.95	0.21	19.43	21.34	-1.91
1986-87	14.12	11.23	13.88	11.48	-2.65	12.26	7.01	12.26	0.01	19.92	22.56	-2.64

Note : 1. *States include Union Territories.* 2. *New series of GDP estimates used.*

Source : *Indian Economic Statistics - Public Finance, Ministry of Finance, Government of India.*

TABLE B.3.2

The Share Of States In The Total Tax Revenues Of The Centre And States

(Rs. Crores)

Year	Taxes Levied By The States	Devolution Of Taxes	Taxes Accruing To States	Total Taxes (Centre And States)	Taxes Accruing To States As Per Cent Of Total Taxes
(1)	(2)	(3)	(4)	(5)	(6)
1961-62	48944	17892	66836	154318	43.31
1962-63	58003	22404	80407	186507	43.11
1963-64	69070	25824	94894	232446	40.82
1964-65	77811	25874	103595	259880	39.86
1965-66	86092	27600	113692	292159	38.91
1966-67	95468	37273	132741	326119	40.70
1967-68	110284	41159	151443	345524	43.83
1968-69	121141	48398	169539	370119	45.81
1969-70	137694	62535	200229	420001	47.67
1970-71	154562	75562	230124	475241	47.42
1971-72	107275	94210	264485	557518	47.44
1972-73	193086	106140	299226	644055	46.46
1973-74	220837	117476	338313	726038	46.60
1974-75	290131	122850	412981	922306	44.78
1975-76	357294	159912	517206	1118173	46.25
1976-77	406079	167983	574062	1233196	46.55
1977-78	437780	180563	618443	1323718	46.72
1978-79	500269	195272	695541	1552756	44.79
1979-80	570943	340779	911772	1768308	51.56
1980-81	666417	378903	1045320	1984375	52.68
1981-82	829491	425820	1255311	2414241	52.00
1982-83	954590	463262	1417852	2724157	52.05
1983-84	1080342	500718	1581060	3152545	50.15
1984-85	1234283	585343	1819626	3581342	50.81
1985-86	1459652	725974	2785626	4326671	50.52
1986-87	1670075	835974	2506049	4953922	50.58
1987-88 (RE)	1896126	946603	2842729	5694962	49.92
1988-89 (BE)	2154834	1047815	3202646	6414681	49.93

Source : *Indian Economic Statistics - Public Finance, Ministry of Finance, Government of India.*

TABLE B.3.3

Revenue Accruals Of The Union Government And The State Governments

(Rs. Crores)

Year	Revenue Receipts Of Centre And States	Revenue Accruals Of States	Revenue Accruals Of Centre	Per Cent Revenue Accruals To State	Per Cent Revenue Accruals To Centre
1974-75	11048	6004	5044	54.34	45.66
1975-76	13687	7475	6212	54.61	45.39
1976-77	15258	8652	6606	56.70	43.30
1977-78	16435	9401	7034	57.20	42.80
1978-79	18775	11008	7767	58.63	41.37
1979-80	21211	13060	8151	61.57	38.43
1980-81	23835	15036	8799	63.08	36.92
1981-82	28881	17504	11377	60.61	39.39
1982-83	33086	20243	12843	61.18	38.82
1983-84	36959	22908	14051	61.98	38.02
1984-85	42933	26220	16713	61.07	38.93
1985-86	51011	31906	19105	62.55	37.45
1986-87	58434	35981	22453	61.58	38.42
1987-88 (RE)	67349	41383	25966	61.45	38.55
1988-89 (BE)	74781	45549	29232	60.91	39.09

Note : *States include Union Territories.*

Source : *Indian Economic Statistics - Public Finance, Ministry of Finance, Government of India.*

TABLE B.3.4

Composition Of State Revenues

(Per cent)

Year	States' Own Tax Revenue	Devolution Of Taxes Revenue	States' Non-Tax	Grants-In-Aid	Total Revenue	States' Own Revenue
1974-75	48.32	20.47	13.57	17.64	100.00	61.89
1975-76	47.80	21.39	13.62	17.19	100.00	61.42
1976-77	46.94	19.42	15.33	18.32	100.00	62.26
1977-78	46.57	19.21	13.92	20.29	99.99	60.49
1978-79	45.45	17.74	13.48	23.33	100.00	58.93
1979-80	43.71	26.09	13.35	16.85	100.00	57.05
1980-81	44.32	25.20	12.15	18.33	100.00	56.47
1981-82	47.39	24.32	12.06	16.22	99.99	59.45
1982-83	47.16	22.89	12.25	17.70	100.00	59.41
1983-84	47.16	21.86	12.25	18.74	100.00	59.41
1984-85	47.07	22.32	11.33	19.27	99.99	58.40
1985-86	45.75	22.75	10.95	20.54	99.99	56.70
1986-87	46.42	23.23	10.78	19.57	100.00	57.20
1987-88 (RE)	45.82	22.87	10.58	20.72	99.99	56.40
1988-89 (BE)	47.31	23.00	10.50	19.19	100.00	57.80

Source : *Indian Economic Statistics - Public Finance, Ministry of Finance, Government of India.*

APPENDIX - 4

ESTIMATION OF RELATIVE TAXABLE CAPACITY - A METHODOLOGICAL NOTE

B4.1 A major purpose of general revenue sharing in a federation is to enable every State to provide 'reasonable' standards of public services. This requires that those States with lower taxable capacities and those with additional cost disabilities should be assisted to overcome these shortcomings. The First Finance Commission, while laying down the principles governing grants-in-aid, stated that the criterion of budgetary needs should be supplemented with, inter alia, tax effort, to ensure self-help by each of the States in financing its expenditure.

B4.2 Measurement of relative taxable capacity and effort has thus acquired a pivotal significance, but presents a difficult task. The Fifth Finance Commission was the first to take account of the tax effort of the States. However, it measured "effort" merely as the ratio of tax revenue to State Domestic Product (SDP) of the States. The Seventh Finance Commission, which computed a 'revenue equalisation formula', measured it by regressing tax revenue on SDP in a linear model. Similarly, the Planning Commission, which assigns a 10 per cent weight for tax effort in the modified Gadgil formula for distributing Plan assistance to the States, takes the tax-SDP ratio as a measure of tax effort.

B4.3 Weaknesses of the tax-SDP ratio as a measure of tax effort are well-known. To recapitulate, first, this measure assumes that the taxable capacity of a State depends on only one factor, SDP. The tax bases of the States are diverse and although all taxes are ultimately paid out of incomes or wealth, SDP cannot be construed as the sole determinant. The economic structure of the States determined by such factors as degree of urbanisation, industrialisation and monetisation affects their taxable capacity. These factors can also affect administrative efficiency and, thus, tax compliance. Further, commodity taxes predominate in the States and in a tax regime marked by exemptions and high differentiation in tax rates, the distribution of consumption (income) may also determine the States' relative taxable capacity.

B4.4 Second, the assumption of proportionality between incomes and tax revenues is unlikely to hold in the Indian context because of the system of exemptions and rate differentiation introduced to impart progressivity in the States' commodity tax structure. As the proportion of tax-exempt and leniently taxed items is likely to be larger in the total consumption (income) of poorer States, the tax-SDP ratio as a measure of tax effort could impart a bias against them. Thus, this measure of tax effort does not adequately take into account the differences in per capita income among the States. Therefore, attempts have been made to develop more satisfactory approaches to measure relative taxable capacity.

Estimating Taxable Capacity – Alternative Approaches

B4.5 Broadly, there are two approaches to measuring relative tax capacity and effort [1]: (i) the Aggregate Regression (AR) approach and (ii) the Representative Tax System (RTS) approach.

B4.6 In the AR approach, tax revenue, either per capita or as a ratio of SDP, is regressed on capacity indicators such as per capita income/consumption, the structure of the economy, the level of urbanisation and monetisation and the inter-personal distribution of incomes, in a linear or a loglinear model. The regression coefficients indicate the 'average' effective rates of tax. By substituting the actual values of the independent variables in the estimated equation, taxable capacity is estimated[2].

B4.7 In the RTS approach, first, the bases for each tax levied by the States are quantified and then, by applying the all-States average effective tax rates (the total yield from the tax divided by the total value of the tax base) on the tax bases of individual States, an estimate of their taxable capacity is derived. By adding up the taxable capacity of individual taxes, the aggregate taxable capacity of a State is estimated[3].

B4.8 There are merits and flaws in both the approaches. The AR approach does not call for highly disaggregated data and also takes account of the inter-dependence of the tax bases. Sometimes, the effective rate itself can vary with the size of the tax base (the effective tax rate may be higher in a more developed State than in a less developed State), which is captured in the regression approach. However, in the regression approach the estimates are not derived by relating tax revenue to the actual or proxy tax bases, but only to macro capacity indicators. Although tax-wise analysis is possible under this method, aggregating the results from such a micro analysis takes away the advantage of taking into account the inter-dependence of the tax bases. The major weakness of the method, however, is that the residual error is taken to represent tax effort. The omission of variables representing effort in the equation may impart a bias in the regression estimates.

B4.9 On the other hand, the RTS approach has the merit of relating tax revenue to the individual tax bases or their proxies and, therefore, the logic of the method is more transparent. However, this method faces certain other problems, primarily the non-availability of data on tax bases at the required level of disaggregation. This becomes crucial given the complex tax systems in the States. In the case of Sales Tax alone, there are differences in the points of levy (first-point, last-point), the number of taxable points (single-point, double-point and multi-point) and the nominal rates of tax. In fact, the number of nominal tax rates levied ranges from six in the case of Orissa to as many as nineteen in the cases of Bihar and Gujarat. In such a situation, obtaining data on the tax bases as also the tax yield from each of the tax rate categories becomes virtually impossible. Consequently, the tax bases are aggregated into some manageable groups and tax base proxies are employed wherever the actual tax base data are not available. Because of this type of aggregation, the use of simple average effective tax rates may impart a bias against the poorer States. For example, if all the food articles are taken as one category of Sales Tax base then, given that the nominal rates on foodgrains are lower than the rates on more expensive food articles (such as packed food and dry fruits), and further that the proportion of consumption of the former in a poorer State would be higher, using a uniform average tax rate for all the food articles might work against these States.

B4.10 Considering the problems associated with the two approaches, in our first report, we adopted the Aggregate Regression approach for the major States, with one modification. This involved the pooling of cross-section observations over the period from 1980-81 to 1984-85 in a covariance model. The object was to improve the efficiency of the estimates by endogenising tax effort rather than taking it as a part of the random error term. In order to impart homogeneity in the assessment and to reduce inequity, the States were grouped into high income, middle income and low income categories. Per capita tax revenues were regressed on per capita SDP, proportion of non-primary sectoral SDP and the Lorenz ratio of consumption expenditure distribution. By substituting the actual values of the independent variables and the average value of the State dummies (standardised to add to unity) in the equations we obtained the estimates of taxable capacity in the base year (1984-85).

B4.11 For the period 1990-95, however, we stated in our first report that : "Taxable capacity will be estimated on the basis of an appropriate method such as the representative tax system approach or the regression approach". We decided in favour of the Representative Tax System approach because it gives us tax by tax estimates and as these estimates are derived by the use of relevant tax bases (actual and proxy), they are more easily understood and, therefore, find easier acceptance.

B4.12 We entrusted the National Institue of Public Finance and Policy with the task of collecting the requisite data from the States for applying the RTS approach and deriving estimates of taxable capacity. The NIPFP was also requested to carry out preliminary exercises in order to enable us to identify the more suitable methodology given data availability and other considerations. In their exploratory exercise, the NIPFP found that they could not apply the simple RTS methodology mainly due to data limitations. Their exercise showed us that we had to marry the RTS approach with the regression methodology. Using the NIPFP study as the base, we estimated tax-wise capacities by employing cross-section regression average tax rates. These estimates were presented at a meeting of experts convened by us. They expressed the view that, considering the complexities in the States' tax systems and the non-availability of reliable disaggregated data on tax bases or their proxies, the RTS method of determining taxable capacity might not be appropriate. Nor did they approve of the computation of taxable capacity on the basis of cross-section regressions for the major taxes. They suggested that the covariance method used in the first report could be used with certain improvements. While a few of the experts indicated their preference for the aggregate model that was used for the first report, but based on a longer time series with both slope and intercept dummies specified, others were of the view that a tax by tax analysis would have more information content and would be useful in identifying the problem areas for raising tax revenues in different States. They further suggested that norms should be evolved separately for the States grouped on the basis of their level of development as the variables representing per capita SDP in the equation may not adequately capture the heterogeneity among the States.

B4.13 We have sought to improve upon the model used for estimating taxable capacity in the first report by incorporating some additional variables such as road and railway length per thousand population and variance of lognormal distribution in consumer expenditures instead of the Lorenz ratio. However, there were no significant differences in the results of taxable capacity derived by this model from the results obtained in the first report. A possible improvement could have been a longer time series and introduction of slope dummies in addition to the intercept dummies for the States. However, the data on the New Series (1981) of SDP are available only for the period 1980-81 to 1984-85 and putting slope dummies in addition to intercept dummies for the States would have seriously restricted the degrees of freedom and affected the efficiency of the estimates. Also, although we are interested in only the aggregate taxable capacity estimates, the tax by tax analysis would enable us to incorporate a larger number of determinants in the analysis and choose appropriate functions for each of the taxes.

Methodology

B4.14 On a balance of considerations, we preferred to re-estimate relative taxable capacities of the States from each of the major taxes and summed them up to arrive at an estimate of aggregate taxable capacity. For the purpose, we have taken separately six major taxes, namely, (i) Sales Tax (including Central Sales Tax and Purchase Tax on Sugarcane), (ii) State Excise Duties, (iii) Stamp Duty and Registration Fees, (iv) Motor Vehicles Tax and Passengers and Goods Tax, (v) Entertainment Tax, (vi) taxes on agricultural land and incomes, and a residual category, other taxes. As the revenues from the taxes on agricultural land and incomes and other taxes were not amenable to proper statistical analysis, we preferred to make projections on the basis of the actuals. It is necessary to mention in this connection that the revenue from cess on mines and minerals has been excluded from agricultural taxes wherever it is shown under the head and included alongwith royalty on mines for the sake of uniformity. As the revenue from agricultural taxes is projected on the basis of actuals, transferring the cess to the non-tax revenue side does not affect the estimates of revenue capacity in the States.

B4.15 Taxable capacity of the States for the remaining five major taxes has been estimated by employing the model using pooled time-series and cross-section observations. Although the model is similar to the one employed in the first report, two important differences may be noted. First, as already mentioned, unlike the aggregate model used in the first report, the estimates have been made separately for the five major taxes. As the behaviour of different taxes could differ, this disaggregated analysis allows us to choose the best fitting functional form of the equations for each tax. Further, in a disaggregated analysis we can relate individual taxes to relevant bases or proxies. Thus, essentially, the method is a modified Representative Tax System approach wherein instead of the arithmetic mean effective tax rate, the regression average rate is taken as the norm. Secondly, while the first report used the quasi-restricted "fixed effects" model with a common slope but varying intercepts across the States, the present model is a completely restricted one - with both intercepts and slope parameters assumed to be common across the States. However, we have allowed the model to capture the inter-temporal shifts through intercept time dummies. In other words, in the model, we estimate the behaviourial relationships between each of the major taxes and the relevant tax base proxies, separating out the 'shifts' over time through time dummies, but without separating the State-specific effects. Therefore, unlike in the earlier model where the average value of State dummies had to be substituted alongwith the actual values of capacity variables and time dummies to estimate taxable capacity, in the present model, as the State dummies have not been estimated, substitution is done only for the capacity variables and time dummies. In order to reduce heterogeneity in the sample and to evolve equitable norms the States have been grouped into high income, middle income and low income categories for the three major taxes, namely, the Sales Tax, Stamp Duty and Registration Fees and Motor Vehicles and Passengers and Goods Taxes. In the case of State Excise Duties, data on the tax base proxies were available only for three years and, therefore, to permit adequate degrees of freedom, the States have been classified into only two categories. In the case of Entertainment Tax, no grouping of the States has been resorted to. The results of the regressions of the major taxes are analysed in what follows.

Analysis Of The Results

(i) Sales Tax:

B4.16 The closest tax base proxy for the Sales Tax is the State Domestic Product and its sectoral composition. Other variables such as proportion of urban population, electricity consumption, road and railway length per thousand persons or thousand sq. km. area and inter-State price differences could also be important in determining the Sales Tax revenues in different States. However, the New Series [1981] data on SDP are available only for the period 1980-81 to 1984-85 and, therefore, we have confined our analysis to this period.

B4.17 For the reasons mentioned earlier, we have grouped the States into three categories. The results of regression analysis are presented in Table B.4.1. In the case of high income States, it may be seen that total SDP and proportion of non-primary sectoral SDP together explain about 98 per cent of variations in the Sales Tax revenues among the States, with the latter variable being significant at one per cent level in a log-linear equation. In the case of middle income States, per capita Sales Tax revenue is found to be significantly related to the road and railway length per thousand sq. km. area and per capita electricity consumption in a log-linear model. Both the variables are found to be significant at one per cent level and the R-Bar-Squared of the equation is 0.96. In the case of low income States, variation in total Sales Tax revenue is explained by SDP, road and railway length per thousand sq. km. area and per capita electricity consumption. All the three variables are significant at one per cent level and explain about 90 per cent of variations in the tax revenue.

(ii) Stamp Duties And Registration Fees:

B4.18 Although the value of property transactions, particularly immovable property transactions, should be taken as the tax base, reliable information on the variable is not available. We have, therefore, been constrained to use proxies such as SDP, its sectoral composition, and road and railway length per thousand sq. km. area. The larger the SDP, the higher should be the volume and value of property transactions. In the States where the proportion of non-primary sectoral SDP is higher, the volume and value of immovable property transactions is expected to be higher. Road and railway length per thousand sq. km. area, which denotes connectivity, also can be taken to determine both the volume of property transactions and the price of property transacted.

B4.19 As in the case of Sales Tax, since the SDP is an important variable, the analysis is confined to the period from 1980-81 to 1984-85. Here too, we have analysed the behaviour of the tax separately in high income, middle income and low income States.

B4.20 It may be seen from Table B.4.1 that in the cases of both high income and middle income States, SDP and road and railway length per thousand sq. km. area are found to be significant. For the high income States about 90 per cent of variations in tax revenues is explained by the two variables whereas for the middle income States, the R-Bar-Squared is 0.65. In the case of low income States, SDP is found to be the significant factor but we have also retained the proportion of non-primary sectoral SDP and road and railway length per thousand population in the equation. The R-Bar-Squared of the equation is 0.97.

(iii) Tax On Motor Vehicles And Goods And Passengers:

B4.21 The revenue from the tax essentially depends upon the number and the types of motor vehicles registered in different States. Information on motor vehicles by types of vehicles registered in the States is available only upto 1985-86. We have, therefore, confined our analysis to the period from 1980-81 to 1985-86.

B4.22 Taking types of motor vehicles rather than their total number as explanatory variables in the equations does not lead to any specific advantage in revenue forecasting and may even result in multicollinearity. After various trials, the total number of vehicles and the proportion of heavy vehicles to total vehicles were found to explain the variations in tax revenue significantly at one per cent level and the equations for the two categories have very high explanatory power. In the case of low income States, however, only the total number of vehicles was found to be significant, perhaps, because the composition of types of vehicles in different States within the group is not very different. In the case of these States, the equation has an R-Bar Squared of over 0.86.

(iv) State Excise Duties:

B4.23 Consumption of different types of liquor has been taken as the base of State Excise Duties. The NIPFP study has collected information on consumption of country spirit, Indian made foreign liquor (IMFL) and beer in the major States for the years 1982-83 to 1984-85. We have, therefore, confined our analysis to these three years.

B4.24 In this connection, it is necessary to mention that of the 14 major States, Gujarat has been following prohibition policy and revenue accrues under this head only on account of duty on medicinal and toilet preparations. Therefore, we have confined our statistical analysis to 13 States. Considering this and given that the data are available only for three years, we have classified the States into only two categories, that is, States having above and below average per capita SDP. Andhra Pradesh, Haryana, Karnataka, Kerala, Maharashtra, Punjab and West Bengal fall into the first category. The second category consists of six States - Bihar, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh.

B4.25 The regression results presented in Table B.4.1 show that tax revenue variations among more developed States are explained by the consumption of country spirit and road and railway length per thousand population. Both the variables are significant at one per cent level and the R-Bar-Squared of the equation is 0.78. In the case of less developed States, however, the two significant variables are consumption of country spirit and SDP of the State, with the equation having an R-Bar-Squared of 0.89.

(v) Entertainment Tax:

B4.26 Entertainment Tax mainly accrues from Cinema although there are some receipts from betting, horse racing and such other recreational activities. Among the 14 major States, Kerala has transferred the taxing power under this head to the local bodies and, therefore, significant revenues are collected only in the other 13 States. The NIPFP study has collected information on seating capacity in cinema halls in various States for the three years, 1982-83 to 1984-85. This being the tax base proxy, we have confined our analysis to these three years.

B4.27 In the case of Entertainment Tax, after considerable experiment, we have preferred to make the analysis for all the 13 States without resorting to any grouping to avoid spurious results. Our analysis shows that the tax revenue is significantly related to seating capacity, SDP and the proportion of urban population to total population in the States. While the seating capacity is the overall capacity indicator, the other two variables proxy both the occupancy ratio and the proportion of higher denomination seats occupied. The equation is significant at one per cent level with an R-Bar Squared of 0.91.

Estimate Of Taxable Capacity And Projections

B4.28 As mentioned earlier, taxable capacity is estimated by substituting the values of the independent variables for the last year of observation and the coefficient of time dummy variable for the same year[4]. For all the taxes except Motor Vehicles and Passengers and Goods Taxes, the estimates have been made for 1984-85 and for the latter, for 1985-86.

B4.29 The taxable capacity estimates made for the initial year is projected to the base year 1989-90. Agricultural taxes and other taxes for which no normative estimates are made are projected to 1989-90 on the basis of the trend rates of growth. As for the other items of tax revenue, we generated two alternative projections by applying two sets of growth rates, the first, on the basis of buoyancies of various taxes in high, middle and low income groups of States multiplied by the trend rate of growth of SDP in each State, and the second, by applying the trend rates of growth in tax revenue observed in the respective States. Generally, as in the States where the performance in the initial year was below average, the trend rates of growth too were lower. Therefore, the application of normative growth computed with the first method would have required these States to raise revenues even by a higher percentage than was indicated in the estimates of the initial year. To be more realistic, therefore, we applied the second method. According to this, the performance of the States in 1989-90 shows an improvement over the initial year if the rate of growth of tax revenue during the period is faster than its own trend rate of growth of the tax.

B4.30 It may be recalled that, for ensuring comparability, the cess on mines and minerals levied in the States under the Major Head `Land Revenue' has been treated as non-tax revenue. However, it is possible to argue that for the purpose of assessing the tax performance, the cess should be considered as tax revenue. In the case of agricultural taxes, as we have not made any normative estimates, but merely projected the revenue on the basis of actuals, from the point of view of estimates of taxable capacity, transferring cess on mines and minerals to the non-tax revenue side does not matter. However, in assessing tax performance, it may be preferable to transfer the cess to the tax revenue side. As the cess on mines and minerals has been projected for the period of our recommendation on the basis of budget estimates of 1989-90 (B.E), we have added the yield to tax revenue both in the potential and actual figures for the year 1989-90. The resulting relative performance of different States is shown in Table B.4.2.

B4.31 It may be noted that the taxable capacity estimates for Gujarat do not include any revenue from State Excise Duties other than on medicinal and toilet preparations, due to the State's prohibition policy. At the same time, the estimates for Tamil Nadu include revenue from country liquor because prohibition was introduced there only in 1987-88. The Commission, after considering the issues involved, decided to take into account 30 per cent of revenue that would have accrued to these States had there been no prohibition in them. Accordingly, in the base year (1989-90) estimates of taxable capacity from State Excise Duties, we have added Rs.72 crore in the case of Gujarat (as the estimates do not include revenue from State Excise Duties), and deducted Rs.272 crore in the case of Tamil Nadu (as the estimates already include revenue from State Excise Duties).

B4.32 From the taxable capacity estimates for the base year 1989-90, we made projections for the period of our recommendation, 1990-91 to 1994-95. This has been done by assuming a real SDP growth of 6 per cent per annum and an increase in the price level of 5 per cent per annum. Keeping these in the background, we have assumed the tax revenues to grow normatively at 11.5 per cent per annum. Individual taxes are projected on the basis of their past behaviour and adjusted pro rata to conform to the aggregate.

B4.33 It has been pointed out that the observed undertaxation in the States where it prevails is the result of the operation of the tax systems for a number of years and cannot be remedied overnight. In order to provide adequate time for adjustment, we have reckoned normative tax revenues in a phased manner starting from the trend levels in 1989-90 and reaching the normative levels in 1994-95. Under this plan, no State is suddenly put to any undue hardship and can adopt appropriate policies to reach normative levels of tax revenue by the terminal year of our recommendation. The projected normative levels of tax revenues are presented in Table B.4.3.

Notes:

1. *For a review of the two approaches, see Bahl [1971, 1972] and Akin [1973].*
2. *For studies using regression approach in the Indian context, see Nambiar and Rao [1972], Reddy [1975], Prasad [1988] and Oommen [1987].*
3. *The two important studies measuring taxable capacity using the Representative Tax System approach are : Thimmaiah [1979] and Chelliah and Sinha [1982].*
4. *We have adjusted the constant term so that the total estimated revenue equals the total observed revenue in respect of each of the taxes as is suggested in Intriligator [1980].*

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TABLE B.4.1

Regression Results

Dependent Variable	Total Tax Revenue from from Sales Tax		
Income Category	High Income States		
Number Of Observations	20 Degrees Of Freedom 13		
Regressor	**Coefficient**	**Standard Error**	**T-Ratio**
1 State Domestic Product at Factor Cost	0.3769	0.2169	1.7378
2 Proportion of income originating from non-primary sector to total income originating	2.8775	0.7326	3.9279
Time period (1980-81)	6.7832	3.3084	2.0503
Time period (1981-82)	6.9494	3.3456	2.0772
Time period (1982-83)	6.9281	3.3367	2.0763
Time period (1983-84)	6.9650	3.3601	2.0729
Time period (1984-85)	6.9340	3.3666	2.0596
R - Squared 0.9852	Residual Sum of Squares		0.1755
R - Bar - Squared 0.9784	S.E. of Regression		0.1162

Dependent Variable	Per Capita Tax Revenue from Sales Tax		
Income Category	Middle Income States		
Number Of Observations	25 Degrees Of Freedom 18		
Regressor	**Coefficient**	**Standard Error**	**T-Ratio**
1 Road/railway length per 1000 square kilometre area	0.4472	0.0327	13.6831
2 Per capita energy sales to ultimate consumers	0.4304	0.0572	7.5212
Time period (1980-81)	-0.5235	0.2992	-1.7496
Time period (1981-82)	-0.3564	0.3030	-1.1761
Time period (1982-83)	-0.2836	0.3038	-0.9335
Time period (1983-84)	-0.1669	0.3030	-0.5508
Time period (1984-85)	-0.0772	0.3105	-0.2485
R - Squared 0.9698	Residual Sum of Squares		0.0634
R - Bar - Squared 0.9597	S.E. of Regression		0.0594

Dependent Variable	Total Tax Revenue from Sales Tax		
Income Category	Low Income States		
Number Of Observations	25 Degrees Of Freedom 18		
Regressor	**Coefficient**	**Standard Error**	**T-Ratio**
1 State Domestic Product at Factor Cost	0.7414	0.0684	10.8323
2 Proportion of income originating from non-primary sector to total income originating	2.6072	0.5096	5.1163
Time period (1980-81)	1.9193	1.2380	1.5503
Time period (1981-82)	1.9356	1.2270	1.5774
Time period (1982-83)	1.8962	1.2214	1.5525
Time period (1983-84)	1.9421	1.2429	1.5626
Time period (1984-85)	1.8708	1.2256	1.5265
R - Squared 0.9678	Residual Sum of Squares		0.2383
R - Bar - Squared 0.9571	S.E. of Regression		0.1151

Note: *Income categories :*

a) High Income States : Gujarat, Haryana, Maharashtra, Punjab.

b) Middle Income States : Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, West Bengal.

c) Low Income States : Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh.

Dependent Variable	Total Tax Revenue from Stamps and Registration		
Income Category	High Income States		
Number Of Observations	20 Degrees Of Freedom 13		
Regressor	**Coefficient**	**Standard Error**	**T-Ratio**
1 State Domestic Product at Factor Cost	0.5633	0.0542	10.4006
2 Road/railway length per 1000 square kilometre area	0.3408	0.0756	4.5050
Time period (1980-81)	-1.5170	1.0605	-1.4305
Time period (1981-82)	-1.3938	1.0733	-1.2986
Time period (1982-83)	-1.4140	1.0806	-1.3085
Time period (1983-84)	-1.4668	1.0907	-1.3448
Time period (1984-85)	-1.4720	1.0980	-1.3406
R - Squared 0.9156	Residual Sum of Squares		0.1728
R - Bar - Squared 0.8767	S.E. of Regression		0.1153

Dependent Variable	Total Tax Revenue from Stamps and Registration		
Income Category	Middle Income States		
Number Of Observations	25 Degrees Of Freedom 18		
Regressor	**Coefficient**	**Standard Error**	**T-Ratio**
1 State Domestic Product at Factor Cost	0.7701	0.1496	5.1487
2 Road/railway length per 1000 square kilometre area	0.4676	0.1129	4.1429
Time period (1980-81)	-5.0338	2.4890	-2.0225
Time period (1981-82)	-5.0122	2.5099	-1.9970
Time period (1982-83)	-4.9883	2.5270	-1.9740
Time period (1983-84)	-5.0250	2.5535	-1.9679
Time period (1984-85)	-4.9691	2.5722	-1.9319
R - Squared 0.7575	Residual Sum of Squares		0.4750
R - Bar - Squared 0.6766	S.E. of Regression		0.1625

Dependent Variable	Total Tax Revenue from Stamps and Registration		
Income Category	Low Income States		
Number Of Observations	25 Degrees Of Freedom 17		
Regressor	**Coefficient**	**Standard Error**	**T-Ratio**
1 State Domestic Product at Factor Cost	1.4339	0.0871	16.4542
2 Proportion of income originating from non-primary sector to total income originating	0.7756	0.6511	1.1913
3 Road/railway length per 1000 population	0.0702	0.0823	0.8529
Time period (1980-81)	-10.9559	1.5894	-6.8928
Time period (1981-82)	-10.9979	1.5750	-6.9828
Time period (1982-83)	-10.9343	1.5678	-6.9741
Time period (1983-84)	-11.0640	1.5960	-6.9323
Time period (1984-85)	-11.1049	1.5728	-7.0605
R - Squared 0.9805	Residual Sum of Squares		0.2914
R - Bar - Squared 0.9725	S.E. of Regression		0.1309

Note: *Income categories :*

a) High Income States : Gujarat, Haryana, Maharashtra, Punjab.

b) Middle Income States : Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, West Bengal.

c) Low Income States : Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh.-

Dependent Variable	Revenue from Motor Vehicles and Passenger Goods Taxes		
Income Category	High Income States		
Number Of Observations	24	Degrees Of Freedom	16

Regressor	Coefficient	Standard Error	T-Ratio
1 Total registered motor vehicles	0.3877	0.0517	7.4921
2. Proportion of heavy vehicles to total vehicles	0.9000	0.1495	6.0220
Time period (1980-81)	5.6257	0.7305	7.7016
Time period (1981-82)	5.5621	0.7315	7.6032
Time period (1982-83)	5.9292	0.7397	8.0157
Time period (1983-84)	5.9925	0.7524	7.9643
Time period (1984-85)	5.9945	0.7623	7.8634
Time period (1985-86)	6.0493	0.7711	7.8450

R - Squared	0.8968	Residual Sum of Squares	0.5007
R - Bar - Squared	0.8516	S.E. of Regression	0.1769

Dependent Variable	Revenue from Motor Vehicles and Passenger Goods Taxes		
Income Category	Middle Income States		
Number Of Observations	30	Degrees Of Freedom	22

Regressor	Coefficient	Standard Error	T-Ratio
1 Total registered motor vehicles	1.5207	0.1705	8.9216
2 Proportion of heavy vehicles to total vehicles	0.5556	0.1830	3.0359
Time period (1980-81)	-9.6157	1.9735	-4.8723
Time period (1981-82)	-9.7024	1.9920	-4.8706
Time period (1982-83)	-9.7840	2.0110	-4.8653
Time period (1983-84)	-9.7768	2.0262	-4.8252
Time period (1984-85)	-9.8064	2.0473	-4.7898
Time period (1985-86)	-9.8303	2.0671	-4.7555

R - Squared	0.8458	Residual Sum of Squares	1.0313
R - Bar - Squared	0.7967	S.E. of Regression	0.2165

Dependent Variable	Revenue from Motor Vehicles and Passenger Goods Taxes		
Income Category	Low Income States		
Number Of Observations	30	Degrees Of Freedom	23

Regressor	Coefficient	Standard Error	T-Ratio
1 Total registered motor vehicles	0.9202	0.0725	12.7014
Time period (1980-81)	-3.1471	0.8918	-3.5288
Time period (1981-82)	-3.1286	0.9004	-3.4748
Time period (1982-83)	-3.0506	0.9091	-3.3557
Time period (1983-84)	-3.0728	0.9194	-3.3424
Time period (1984-85)	-3.0075	0.9262	-3.2471
Time period (1985-86)	-3.0592	0.9425	-3.2459

R - Squared	0.8917	Residual Sum of Squares	1.5534
R - Bar - Squared	0.8635	S.E. of Regression	0.2599

Note: *Income categories :*

a) High Income States : Gujarat, Haryana, Maharashtra, Punjab.

b) Middle Income States : Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, West Bengal.

c) Low Income States : Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh.

Dependent Variable	Total Revenue from State Excise Duties		
Income Category	High Income States		
Number Of Observations	21	Degrees Of Freedom	16

Regressor	Coefficient	Standard Error	T-Ratio
1 Consumption of Country Spirit (PL)	0.7172	0.1004	7.1403
2 Road/railway length per 1000 population	0.3819	0.1173	3.2554
Time period (1982-83)	-2.7314	1.6699	-1.6357
Time period (1983-84)	-2.6895	1.6806	-1.6003
Time period (1984-85)	-2.5265	1.6831	-1.5011

R - Squared	0.8235	Residual Sum of Squares	0.9363
R - Bar - Squared	0.7794	S.E. of Regression	0.2419

Dependent Variable	Total Revenue from State Excise Duties		
Income Category	Low Income States		
Number Of Observations	18	Degrees Of Freedom	13

Regressor	Coefficient	Standard Error	T-Ratio
1 Consumption of Country Spirit (PL)	0.8276	0.1169	7.0777
2 State Domestic Product at Factor Cost	0.8712	0.1759	4.9529
Time period (1982-83)	-16.7964	2.2481	-7.4713
Time period (1983-84)	-16.9020	2.2749	-7.4299
Time period (1984-85)	-16.8711	2.2871	-7.3765

R - Squared	0.9170	Residual Sum of Squares	1.1138
R - Bar - Squared	0.8914	S.E. of Regression	0.2927

Note: *Income categories :*

a) High Income States : Andhra Pradesh, Haryana, Karnataka, Kerala, Maharashtra, Punjab, West Bengal.

b) Low Income States : Bihar, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh.

Dependent Variable	Total Tax Revenue from Entertainment Taxes		
Income Category	Major States excluding Kerala		
Number Of Observations	39	Degrees Of Freedom	33

Regressor	Coefficient	Standard Error	T-Ratio
1 State Domestic Product at Factor Cost	0.9348	0.1497	6.2443
2 Seating capacity in cinema halls	0.2837	0.0857	3.3115
3 Proportion of urban population to total population	0.8174	0.1550	5.2728
Time period (1982-83)	-11.4031	1.4053	-8.1141
Time period (1983-84)	-11.5149	1.4265	-8.0719
Time period (1984-85)	-11.5453	1.4378	-8.0298

R - Squared	0.9194	Residual Sum of Squares	2.3070
R - Bar - Squared	0.9071	S.E. of Regression	0.2644

TABLE B.4.2

Taxable Capacities Of The 14 Major States From Different Taxes For 1989-90

(Rs. Lakh)

STATE	Sales Tax	State Excise Duty	Motor Vehicle Tax	Stamps And Registration	Entertainment Tax	Agriculture And Land Revenue	Other Taxes	Normative Taxable Capacity	Tax Revenue (Trend)	Per Cent Tax Effort	Tax Revenue (B.E.)	Per Cent Tax Effort
1 Andhra Pradesh	126611	60887	16643	9343	6158	1744	7113	228499	246537	107.89	236193	103.37
2 Bihar	65108	8406	11120	7079	1570	1988	1572	96843	87653	90.51	93474	96.52
3 Gujarat	126835	8045	19264	8374	5858	2814	14908	186097	187653	100.84	164674	88.49
4 Haryana	42430	25262	13809	6096	894	233	434	89157	85178	95.54	86967	97.54
5 Karnataka	105658	38906	21650	10197	5622	2143	3388	187564	182640	97.37	181045	96.52
6 Kerala	76958	15991	10891	9264	1	3865	313	117283	121929	103.96	112936	96.29
7 Madhya Pradesh	70806	17606	18241	8572	3562	1553	1481	121821	119361	97.98	127520	104.68
8 Maharashtra	261532	58961	26131	14250	16997	3600	23333	404805	405917	100.27	377484	93.25
9 Orissa	30076	3943	4054	2469	888	943	0	42373	39952	94.29	43666	103.05
10 Punjab	59173	36959	11869	9468	2006	351	926	120752	113735	94.19	117436	97.25
11 Rajasthan	55530	12159	11693	4883	1510	2453	398	88625	100293	113.17	96317	108.68
12 Tamil Nadu	181611	23289	21877	14672	7358	3815	8963	261584	243039	92.91	233802	89.38
13 Uttar Pradesh	127731	30010	24272	23799	6937	2948	13	215710	255225	118.32	216629	100.43
14 West Bengal	112357	16300	17939	10511	7096	1829	6957	172989	154309	89.20	198112	114.52
14 Major States	1442417	356723	229452	138977	66457	30277	69800	2334103	2343421	100.40	2286255	97.95

Note : 1. *Thirty per cent of the presumed loss on account of the prohibition policy has been added to the taxable capacity estimates of Gujarat and Tamil Nadu.*

2. *Revenue from "Agriculture and Land Revenue" and "Other Taxes" have been projected on the basis of actuals for the year 1986-87.*

TABLE B.4.3

Projections Of Normative Tax Revenue Of The 14 Major States

(Rs Lakh)

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1990-91 to 1994-95
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue Category : Sales Tax							
1 Andhra Pradesh	135084	149191	164598	181378	199592	219278	914036
2 Bihar	66323	74418	83324	93055	103472	113297	467566
3 Gujarat	138709	154054	170771	188754	207312	220715	941606
4 Haryana	42155	47112	52633	58780	65622	73235	297383
5 Karnataka	106551	118920	132612	147765	164530	183074	746902
6 Kerala	81997	90629	100075	110393	121641	133876	556612
7 Madhya Pradesh	67064	76635	87246	98979	111688	122835	497384
8 Maharashtra	272655	302976	336072	372120	411288	453734	1876189
9 Orissa	27489	31842	36320	41329	46890	52358	208738
10 Punjab	57739	64945	73041	82123	92183	102175	414466
11 Rajasthan	61731	68049	74835	82127	89848	96895	411754
12 Tamil Nadu	163799	188219	215980	247471	282601	315028	1249298
13 Uttar Pradesh	124848	144205	163548	183837	204987	221618	918196
14 West Bengal	105555	120696	137768	156949	177935	194774	788123
14 Major States	1451699	1631890	1828822	2045059	2279589	2502892	10288252
Revenue Category : State Excise Duty							
1 Andhra Pradesh	68273	74656	81551	88976	96943	105450	447577
2 Bihar	7030	8205	9557	11103	12842	14628	56335
3 Gujarat	1108	1862	3124	5227	8688	13999	32901
4 Haryana	21935	25184	28903	33160	38031	43602	168880
5 Karnataka	32368	37543	43508	50381	58297	67412	257140
6 Kerala	19641	21100	22646	24280	26004	27817	121848
7 Madhya Pradesh	23558	25123	26692	28259	29759	30543	140376
8 Maharashtra	44268	52529	62221	73569	86830	102291	377440
9 Orissa	3378	3963	4580	5279	6068	6864	26754
10 Punjab	36193	40680	45719	51366	57617	63817	259199
11 Rajasthan	16911	17825	18743	19668	20574	21216	98027
12 Tamil Nadu	25678	28344	31244	34390	37725	40398	172102
13 Uttar Pradesh	65006	64037	61940	59380	56470	52068	293895
14 West Bengal	9791	12243	15283	19040	23605	28257	98427
14 Major States	375137	414572	458154	506317	559543	618364	2550903

Note : *Thirty per cent of the presumed loss on account of the prohibition policy has beentaken account of in the taxable capacity estimates of Gujarat and Tamil Nadu.*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue Category : Motor Vehicles And Passenger Goods Taxes							
1 Andhra Pradesh	18535	20296	22201	24255	26463	28825	122040
2 Bihar	4505	6078	8184	10990	14696	19350	59298
3 Gujarat	24294	26223	28252	30349	32397	33522	150743
4 Haryana	12544	14272	16233	18457	20978	23835	93775
5 Karnataka	19459	22224	25360	28915	32946	37513	146958
6 Kerala	6999	8559	10457	12762	15559	18946	66283
7 Madhya Pradesh	12976	15702	18930	22741	27173	31646	116191
8 Maharashtra	33689	35879	38143	40477	42877	45334	202710
9 Orissa	4578	5083	5558	6062	6593	7057	30353
10 Punjab	10242	11807	13609	15682	18041	20494	79632
11 Rajasthan	11471	12965	14618	16449	18451	20402	82886
12 Tamil Nadu	17702	20788	24377	28544	33311	37948	144968
13 Uttar Pradesh	20653	24526	28598	33049	37887	42112	166172
14 West Bengal	16745	19172	21912	24994	28373	31098	125548
14 Major States	214393	243573	276430	313728	355744	398082	158755

Revenue Category : Stamps and Registration

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	15040	15299	15546	15778	15991	16181	78794
2 Bihar	6736	7662	8696	9846	11098	12319	49621
3 Gujarat	8936	9973	11110	12340	13621	14573	61617
4 Haryana	6769	7398	8083	8829	9640	10521	44471
5 Karnataka	12451	13375	14355	15395	16498	17669	77291
6 Kerala	10936	11842	12811	13845	14945	16115	69557
7 Madhya Pradesh	8817	9911	11098	12385	13746	14871	62011
8 Maharashtra	19911	20867	21830	22798	23762	24723	113978
9 Orissa	2825	3128	3412	3712	4026	4299	18576
10 Punjab	8411	9640	11047	12656	14475	16348	64165
11 Rajasthan	5386	5947	6550	7199	7888	8520	36105
12 Tamil Nadu	23522	24091	24640	25165	25614	25450	124960
13 Uttar Pradesh	34528	36852	38621	40115	41333	41293	198214
14 West Bengal	8835	10330	12056	14044	16280	18221	70930
14 Major States	173102	186314	199854	214103	228917	241101	1070290

Revenue Category : Entertainment Tax

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	5871	6592	7396	8285	9269	10353	41894
2 Bihar	0	0	4	35	306	2652	2998
3 Gujarat	0	1	7	78	890	9896	10871
4 Haryana	999	1084	1176	1275	1382	1497	6413
5 Karnataka	4736	5447	6260	7188	8247	9456	36598
6 Kerala	0	0	0	1	1	2	4
7 Madhya Pradesh	0	1	5	57	594	5999	6656
8 Maharashtra	7916	10274	13310	17212	22219	28628	91643
9 Orissa	0	0	3	25	196	1501	1724
10 Punjab	0	0	4	40	368	3363	3776
11 Rajasthan	0	0	4	34	297	2557	2892
12 Tamil Nadu	0	1	7	88	1057	12390	13543
13 Uttar Pradesh	0	1	7	87	1023	11685	12803
14 West Bengal	0	1	7	87	1036	11942	13072
14 Major States	19523	23402	28189	34490	46882	111923	244886

Revenue Category : Agriculture and Land Revenue

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	1390	1454	1521	1591	1663	1740	7969
2 Bihar	1451	1546	1648	1755	1870	1993	8812
3 Gujarat	2274	2374	2479	2588	2702	2821	12963
4 Haryana	46	64	88	122	168	232	673
5 Karnataka	3157	2993	2836	2588	2548	2415	13481
6 Kerala	1964	2352	2817	3373	4039	4836	17417
7 Madhya Pradesh	1876	1807	1739	1675	1612	1552	8385
8 Maharashtra	5537	5084	4668	4286	3935	3613	21584
9 Orissa	989	981	972	963	955	946	4816
10 Punjab	311	318	326	333	341	349	1667
11 Rajasthan	2537	2522	2508	2494	2480	2465	12469
12 Tamil Nadu	3985	4082	4181	4282	4386	4493	21423
13 Uttar Pradesh	3439	3334	3233	3135	3039	2947	15688
14 West Bengal	1460	1573	1695	1827	1969	2122	9187
14 Major States	30418	30484	30710	31111	31707	32523	156534

Revenue Category : Other Taxes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	2344	3255	4515	6256	8657	11959	34642
2 Bihar	1609	1793	1994	2211	2442	2656	11095
3 Gujarat	12332	14397	16776	19492	22503	25184	98353
4 Haryana	731	731	731	730	729	727	3648
5 Karnataka	3917	4229	4561	4916	5295	5699	24700
6 Kerala	392	417	443	470	499	528	2358
7 Madhya Pradesh	5069	4454	3898	3400	2949	2494	17195
8 Maharashtra	21940	24741	27851	31295	35102	39299	158288
9 Orissa	693	76	8	1	0	0	85
10 Punjab	839	952	1081	1226	1389	1553	6200
11 Rajasthan	2257	1786	1410	1110	872	675	5853
12 Tamil Nadu	8353	9479	10743	12156	13710	15093	61181
13 Uttar Pradesh	6751	2206	708	225	71	22	3231
14 West Bengal	11923	12017	12092	12142	12134	11709	60094
14 Major States	79150	80533	86809	95632	106352	117598	486924

Revenue Category : All Taxes (Exclusive of Cess on Mines and Minerals)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	246537	270743	297326	326519	358578	393785	1646952
2 Bihar	87653	99702	113406	128995	146726	166895	655725
3 Gujarat	187653	208885	232519	258827	288112	320711	1309055
4 Haryana	85178	95845	107847	121353	136549	153649	615243
5 Karnataka	182640	204730	229492	257248	288362	323238	1303069
6 Kerala	121929	134899	149248	165124	182688	202121	834079
7 Madhya Pradesh	119361	133632	149608	167495	187521	209941	848197
8 Maharashtra	405917	452349	504093	561755	626013	697622	2841832
9 Orissa	39952	45074	50852	57371	64726	73024	291047
10 Punjab	113735	128342	144825	163425	184414	208099	829105
11 Rajasthan	100293	109094	118668	129082	140410	152732	649986
12 Tamil Nadu	243039	275003	311171	352096	398404	450801	1787475
13 Uttar Pradesh	255225	275161	296655	319828	344810	371744	1608198
14 West Bengal	154309	176032	200813	229083	261332	298122	1165383
14 Major States	2343421	2609491	2906524	3238202	3608647	4022484	16385347

Revenue Category : All Taxes (Inclusive of Cess on Mines and Minerals)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	251547	276304	303499	333371	366184	402227	1681585
2 Bihar	137371	154889	174664	196991	222202	250673	999419
3 Gujarat	187653	208885	232519	258827	288112	320711	1309055
4 Haryana	85178	95845	107847	121353	136549	153649	615243
5 Karnataka	182846	204959	229745	257530	288674	323586	1304494
6 Kerala	121929	134899	149248	165124	182688	202121	834079
7 Madhya Pradesh	130569	146072	163418	182824	204535	228827	925675
8 Maharashtra	405917	452349	504093	561755	626013	697622	2841832
9 Orissa	41333	46606	52553	59259	66822	75350	300590
10 Punjab	113750	128359	144844	163446	184437	208125	829212
11 Rajasthan	100293	109094	118668	129082	140410	152732	649986
12 Tamil Nadu	243039	275003	311171	352096	398404	450801	1787475
13 Uttar Pradesh	255246	275185	296681	319856	344842	371780	1608345
14 West Bengal	173813	197682	224845	255758	290942	330988	1300214
14 Major States	2430484	2706131	3013795	3357272	3740815	4169191	16987204

APPENDIX 5

ESTIMATION OF NON-PLAN REVENUE EXPENDITURE NEEDS OF THE STATE

B5.1 An important step in the operationalisation of the normative approach is the estimation of non-Plan revenue expenditure needs of the States. It basically involves the quantification of units of public services provided and the cost per unit of provision. The characteristics of non-excludability and non-marketability of public goods, however, make it difficult to assess the demand for and the supply of those goods and pose serious problems of quantification. The attempts to estimate public services, therefore, have employed measures of inputs utilised for their provision as proxies for the output of public services. This note outlines the approach and the methodology adopted by the Commission to estimate the expenditure needs of the States for the years 1990-91 to 1994-95.

B5.2 Estimation of non-Plan revenue expenditure needs calls for the computation for the base year 1989-90, followed by projections for the period of our recommendation, 1990-91 to 1994-95.

Definition And Scope

B5.3 The principles of estimating non-Plan and Plan expenditures have to be different and, therefore, it is necessary to treat them separately in the exercise of normative assessment. This note deals only with the estimation of the non-Plan revenue expenditure needs of the States.

B5.4 While setting out the broad approach of the Commission for the normative assessment of non-Plan revenue expenditure of the States, the need for distinguishing between developmental and non-developmental heads was indicated in the first report. Expenditure needs under administrative and general services are to be assessed on the basis of the justifiable costs of providing the average standards of these services. Expenditure on social and economic services are to be determined on the basis of the justifiable costs of provision of the physical standards of services already attained in the States.

B5.5 For the purpose of assessment, non-Plan revenue expenditures are further classified into three categories :

(i) Those regular and recurring items revenue expenditures on which form a substantial proportion of total expenditure. In their case, interdependence between capital and revenue expenditure is weak. The standards of services provided can be approximated by analysing their past revenue expenditure and the cost functions generated.

(ii) Those items of expenditure revenue expenditures on which depend primarily upon the existing stocks, physical or financial. In the case of some physical assets, like roads, buildings and irrigation works, for example, it is appropriate to use suitable maintenance (engineering) norms. Similarly, interest payments depend upon the outstanding borrowings of the States and the effective rate of interest applicable thereon.

(iii) Those items of expenditure which cannot be assessed on the basis of statistical analysis or engineering norms, but have to be reckoned on actual basis or on the basis of broad judgement. Expenditures on elections, on pensions and retirement benefits, on scheduled castes and tribes on relief and rehabilitation of displaced persons and on relief on account of natural calamities fall into this category.

B5.6 Normative expenditures can be determined on the basis of cost functions only for the first category. As regards the other two, the earlier Finance Commissions have developed a satisfactory methodology which we have adopted. The details of estimation of expenditure needs under these items are given in Chapter III of the report. Estimation procedures of the cost functions for the first category are detailed below.

Conceptual Issues

B5.7 The basic identity involved is :

$$E_i = Q_i \times C_i \qquad \text{(i)}$$

where, E_i represents the expenditure incurred, Q_i the units of services provided and C_i the cost per unit of providing the services in the ith State.

The unit cost of providing the services is determined by factors within the control of the State Government, C_{1i}, and those beyond their control, C_{2i}. The identity can, therefore, be restated as :

$$E_i = Q_i \times (C_{1i} + C_{2i}) \qquad \text{(ii)}$$

The normative expenditure, $\bar{E}_i$, for a State i on general services has been defined as :

$$\bar{E}_i = \bar{Q} \times (\bar{C}_i + C_{2i}) \qquad \text{(iii)}$$

and for social and economic services, as :

$$\bar{E}_i = Q_i \times (\bar{C}_1 + C_{2i}) \qquad \text{(iv)}$$

where, $\bar{Q}$ equals vectors of all-States average standard of the service, and $\bar{C}_1$ equals the vector of all-States average cost variable within the control of the States.

However, as mentioned earlier, the measurement of quantity of public services has to be through the reckoning of inputs required for their provision. Similarly, the several cost factors have to be represented by various proxies. Consequently, the identity (iv) is transformed into a stochastic relation :

$$E_i = f\,(Q_i\,, C_{1i}, C_{2i}) \qquad \text{(v)}$$

where, Q_i, C_{1i} and C_{2i}, represent respectively, vectors of proxies of quantity, cost variables within and beyond the control of State Governments and those outside their control.

B5.8 The State Governments provide a wide range of public services, with differing economies of scale. Therefore, specification of the quantity and cost elements which go to determine expenditure and the choice of the appropriate form of expenditure function for the major items of expenditure, over the chosen time period, become important. Once the appropriate functions are specified, by substituting the average values of the cost factors within the States' control ($\bar{C}_1$), and the actual values of other variables, "the expenditure need" or normative expenditure for providing the existing standards of services at justifiable costs can be reckoned. If the average values of the quantity variables ($\bar{Q}$) are substituted, instead of the actual values, the cost of providing the average standards of services at justifiable costs is reckoned.

Studies Measuring Expenditure Needs

B5.9 There have been a number of attempts to develop a satisfactory methodology to estimate expenditure needs. Studies such as Hoffman (1969), Auten (1973) and in more recent years Ladd, et al. (1986) have used similar expenditure determinants models to estimate normative expenditures of State and Local

Governments for certain important expenditure categories in the United States of America.

B5.10 Hoffman (1969) estimates the cost of providing the average level of educational services per pupil for the counties in the State of Maryland by regressing current expenditure on education per pupil on various 'quality' and cost factors. The cost of providing the average level of the service has been arrived at by substituting quality variables at the 'average' levels and cost factors at their actual values in the estimated regression equation. Auten (1973), on the other hand, estimates expenditure needs by regressing per capita local expenditures on 'ability' and 'need' factors. By substituting the average values of ability variables and the actual values of 'need' variables, normative expenditures are estimated for the local governments in New York State. Bradbury et al. (1984) and Ladd et al. (1986) devise a cost index by segregating the effect of various environmental costs, resource and other factors on local expenditures in the State of Massachusetts. The cost index is then used to estimate expenditure needs.

B5.11 In India, however, serious attempts to measure expenditure needs have not been made so far. The Sixth Finance Commission, which gave substantial grants for equalising the standards of administrative and social services, measured the shortfall in the standards of services from the average levels on the basis of per capita expenditures. The weakness of this method is that it ignores non-linearities in the production function for public services and State-specific cost disabilities.

B5.12 At the operational level, the method of measuring aggregate local government expenditure needs based on a cross-section regression analysis of past local government expenditure was employed to allocate grants in England and Wales as far back as 1974. A similar approach was followed in Denmark subsequent to the 1979 legislation introducing the social criterion of measuring expenditure needs instead of allocating funds on the basis of the population criterion (For details, see OECD, 1981). Such an 'umbrella' model cannot obviously take into account all the true 'need' factors, in an adequate manner. Further, as mentioned earlier, some types of expenditure are determined by the stock of physical assets or financial liabilities while others exhibit random behaviour. To stipulate their determinants in a regression equation would not be appropriate. Therefore, the possibility of explaining the need to spend on a service-by-service basis was considered and such an approach was adopted so that each major component of aggregate expenditure was estimated by a methodology appropriate for it.

B5.13 For estimating the cost functions, the States are divided into two categories : the 14 major States and the Special Category States. In view of the heterogeneity of conditions in the latter, the equations estimated for them have not been used to compute their expenditure needs. The measurement of expenditure needs on the basis of estimated cost functions is thus confined to the 14 major States.

Methodology And Data Adjustments

B5.14 To estimate the effects of different quantity and cost variables on non-Plan revenue expenditures, several alternative models were tried. In the first model, cross-section equations were fitted for every year over the period 1981-82 to 1986-87. Although the parameters estimated appeared to be stable over time for almost all items of expenditure, the degrees of freedom associated with each function were found inadequate. Therefore, the cross-section observations from 1981-82 to 1986-87 were pooled in a covariance model and the parameters were estimated by specifying the time effect as well as the State-specific effect through dummy variables. As the data on population and/or its composition used in this model, as proxies representing quantity of public services, were available only for the Census years, they were projected for the other years on the basis of the past trends. However, the use of extrapolated values in the pooled regression equations does not adequately bring out the scale effect of variables such as the density of population or the cost disabilities arising from factors such as the proportions of population in rural and hill areas. In the final analysis, the average of the expenditures and the relevant explanatory variables for the years 1981-82 to 1983-84 and 1984-85 to 1986-87 were taken separately and the two sets of observations were pooled for estimating the parameters. This approach, besides eliminating year-to-year random fluctuations, has the advantage of increasing the number of observations and thereby the degrees of freedom. The regression coefficients thus derived represent the average behavioural responses of expenditures to different quantity and cost variables and indicate the quantitative relationships at average productivity levels.

B5.15 One of the important requirements of estimating expenditure needs of the States on the basis of determinants analysis is the availability of data on various "quantity" and cost factors. On this front, the Commission's experience has been extremely disappointing. In spite of repeated reminders, even data on items such as the number of employees in major departments and expenditure on wages and salaries under major heads of expenditure were not made available by some of the States. Therefore, we our selvels had to build up a comparable data base on both the dependent and the independent variables used from the Finance Accounts, Budget documents and various publications of Central Ministries and Departments and the information received from the State Governments.

B5.16 Data on expenditures have been compiled under various major and minor heads from the Finance Accounts after making adjustments for transfers to and from various funds. Expenditures met out of transfers from various funds are taken into account whereas transfers made to various funds are not included. Estimates of total population, its rural-urban composition and the number of people in the relevant age groups have been obtained from the office of the Registrar General, Census Operations. The definition of hill areas and the population residing in them in various States have been taken from the Planning Commission. The differences in the salaries of important categories of employees in the States have been computed on the basis of information furnished by the State Governments. Using the information on the prices of various commodities collected by the Labour Bureau, Shimla, for computing the Consumer Price Index of Industrial Workers, the index of consumer price differences across the States has been estimated. Data on most of the other quantity variables such as judicial and police personnel, enrolment in educational institutions, number of teachers, hospital beds, medical personnel, pattern of land utilisation, veterinary centres and cattle population have been collected from various Central Ministries. For use as an explanatory variable, the number of employees has been standardised by dividing the total salary bill under the relevant expenditure head by the all-States average salary of an employee. Appendix 6 details the various adjustments made in the data used to estimate the cost functions.

B5.17 The specification of the relationship for each category of expenditure has been tested using both per capita (in the case of education expenditures per child also) and total expenditures of the States as the dependent variables. The role of many of the elements of quantity and cost which might affect expenditures was evaluated in the linear and log-linear functional forms. The equations have been selected on the basis of conformity to a *priori* reasoning and statistical properties such as the explanatory power of the regressors. Variables with low T-ratios, but conforming to a *priori* reasoning, have been retained to avoid the more serious bias that could arise as a result of the exclusion of a variable whose significance has not been picked up adequately due to data limitations.

B5.18 The general linear model employed by us is a widely used statistical tool. As in all statistical applications, however, the power of the method depends on the underlying assumptions being fulfilled for the particular application in question. Some assumptions turn out to be more crucial than others. One of the basic assumptions, although not very crucial for prediction, is that no linear dependence exists between the explanatory variables. For estimating the cost functions offsetting the presence of multicolinearity required the judicious use by us of various correlation coefficients, both zero order and partial.

B5.19 One of the main purposes of estimating a relation such as the cost function is to enable us to make predictions of the expected value of the dependent variable associated with some set of values of the independent variables not observed in the sample. In some studies, especially those based on cross-section data, the assumption of constant variance of the error term is unrealistic. The possibility of testing the assumption of homoscedasticity, however, depends on the nature of the sample data available. Further, there is scant empirical evidence on the likely type of heteroscedasticity in the cost functions estimated here. Therefore, we have done a study of residual variance based on the regression of squared residuals on squared fitted values. The upper 1 per cent points in F-distributions indicated that the assumption of homoscedasticity in the cost functions is not unrealistic.

Analysis Of The Results

I. General Services

B5.20 The general services for which expenditures have been normatively determined on the basis of the regression analysis consist of (i) Organs of State, (ii) Administrative Services, (iii) Administration of Justice, (iv) Fiscal Services, (v) Police, (vi) Jails, (vii) Fire Protection and Control, and (viii) Other Administrative Services. The results for these categories of expenditures are presented in Table B.5.1

(i) Organs Of State

B5.21 Under Organs of State, the major heads of expenditure included are :

211. State Legislature
212. Governor
213. Council of Ministers

(Numbers above refer to the budgetary classification existing prior to the change made in 1987-88)

B5.22 After experimenting with different variables, the number of standard employees per thousand population, the proportion of urban population and price differences among the States have been included as explanatory variables in the equation. The regressor "number of standard employees" is taken to represent the quantity factor and the proportion of urban population and price differences are taken to represent cost factors beyond the States' control. The cost of providing services in rural areas as against urban areas is expected to be higher and, therefore, the expected sign of the coefficient of the variable is negative. The expected sign of the coefficient of prices is positive. The log-linear function is found to have the best fit, explaining about 60 per cent of the variation (adjusted for degrees of freedom) in the per capita expenditure differences among the States. As the quantity variable is specified in terms of the number of standard employees, salary differences among the States are automatically taken into account in the equation.

(ii) Administrative Services

B5.23 Administrative Services consist of expenditure on :

251. Public Service Commission
252. Secretariat - General Services
253. District Administration
254. Treasury and Accounts and Administration

Of the various quantity and cost variables experimented with, only the number of standard employees per thousand population and the price differences among the States have been found to be significant. The two variables explain over 85 per cent of variations in per capita expenditures in a log-linear model. As in the earlier case, the number of standard employees is taken as the quantity variable.

(iii) Administration of Justice

B5.24 In the case of Administration of Justice (major head 214), the per capita expenditures in the log-linear form are found to have the best statistical fit. In the equation, the regressors, the number of standard employees and the cases disposed of per judge are taken to represent the quantity of the services provided. Price differences among the States, the proportion of urban population and the proportion of hill/desert population, on the other hand, are taken to represent cost disabilities. The equation has an explanatory power of 87 per cent, and four of the five variables are significant at the one per cent level.

(iv) Fiscal Services

B5.25 Fiscal Services (major heads 220, 229, 230, 239, 240, 241, 245 and 247) mainly represent the expenditure on tax collection. The expenditure function using total expenditure on fiscal services in a log-linear form is found to have the best fit. Here, the quantity variable is the tax revenue collected. The higher the population density the greater is the ease and hence the lower the cost of tax collections. Similarly, with a higher degree of urbanisation, the cost of collection is likely to be lower. Therefore, population density and the degree of urbanisation in a State have been taken to represent cost disabilities. The coefficients have the expected signs and the equation has an explanatory power of over 64 per cent.

(v) Police Expenditures

B5.26 Per capita expenditure on Police (major head 255) is related in a log-linear function to (a) the number of police constables (below SI rank) per thousand population, (b) the number of cognisable offences per thousand population, (c) the differences in the average salaries of constables across the States, and (d) the proportion of urban population. The coefficient of the variable (d) has a positive sign, indicating some correlation between the proportion of urban population and the crime rate. The equation explains about 82 per cent of the variations in the dependent variable.

(vi) Jails

B5.27 In the case of expenditures on Jails (major head 256), the equation regresses total expenditure on jails on jail capacity, the ratio of the number of prisoners to jail capacity (occupancy ratio), and the density of urban population in a log-linear model. The three variables explain nearly 88 per cent of the variations. The density of urban population, though not significant, has a negative coefficient indicating the operation of economies of scale in more densely populated States.

(vii) Fire Protection and Control

B5.28 Per capita expenditure on Fire Protection and Control (major head 260) is related in a linear equation to the number of standard employees for fire protection per thousand population, the density of urban population and the price differences among the States. The regression analysis is confined to the eleven States among the fourteen major States which reported expenditure under the head. While the variable "number of standard employees" is taken to represent the quantity of the public services, density of urban population and price differences are taken to denote the cost disability factors.

(viii) Other Administrative Services

B5.29 Other Administrative Services consist of the following major heads of expenditure :

257. Supply and Disposal
258. Stationery and Printing
265. Other Administrative Services
267. Aid, Materials, etc.
268. Miscellaneous General Services - Other Expenditure

The per capita expenditure on Other Administrative Services is regressed on the number of standard employees per thousand population, the price differences and the proportion of hill/desert population, in a log-linear equation. All the three variables are found to be significant at five per cent level and the equation has an explanatory power of 79 per cent. While the variable the "number of standard employees" represents the quantity of the public service, price differences and the proportion of hill/desert population denote cost disabilities. It may also be noted that factors such as density of population and proportion of urban population are not found to be significant and, therefore, are not included in the equation.

II. Social Services

B5.30 Expenditure on social services has been assessed on the basis of cost functions fitted for expenditures on education, medical care, family welfare and public health and sanitation (excluding water supply). Education (major head 277) has been disaggregated into primary education, secondary education and higher education and dealt with separately in the statistical exercises. Other incidental expenditures relating to education like art and culture and scientific services and research are taken as a constant proportion of the normative expenditures on education.

(i) Primary Education

B5.31 In the case of Primary Education, expenditure per child in the age-group 6 to 10 has been taken as the dependent variable. This has been regressed in a log-linear model on the proportion of enrolment in primary stages to the population in the age-group 6 to 10, the student-teacher ratio in primary stages, the price differences across the States and differences in the average salaries of primary school teachers across the States. Although variables such as the proportion of enrolment in rural areas, the density of child population in the age-group 6 to 10 and the proportion of hill/desert population in the States have been tried, they were not included as their inclusion adversely affected the efficiency of parameters. The selected equation has an explanatory power of about 76 per cent and all the regression coefficients have the expected signs.

(ii) Secondary Education

B5.32 Expenditure on Secondary Education per person in the age-group 11 to 18 has been taken as the dependent variable. The enrolment in secondary stages as a proportion of children in the age-group 11 to 18 is taken as the quantity variable. The proportion of private unaided secondary schools to total number of schools has also been taken, as an additional quantity variable in the equation, but the coefficient has not been found to be significant. The variable 'salary differences of Trained Graduate Teachers' in the equation represents the cost factor within the control of the State Governments as also the student-teacher ratio. The log-linear form of equation has been found to have the best fit. The coefficients of all the five variables included in the equation have the expected signs with the enrolment ratio, the proportion of children in the age group 11-18 years in rural areas and the 'salary differences of Trained Graduate Teachers' significant at five per cent level.

(iii) Higher Education

B5.33 Under this head, expenditures on university, technical and special education have been included. Per capita expenditure on higher education has been regressed on the proportion of enrolment in higher stages of education to total population, student-teacher ratio, differences in price levels among the States, population density and the proportion of enrolment in private colleges to total enrolment. All the variables except the last one are found to be significant at one per cent level. The equation has an explanatory power of 0.69.

(iv) Medical, Family Welfare And Public Health

B5.34 Under this head, the major heads of expenditure included are :

280. Medical
281. Family Welfare
282. Public Health and Sanitation excluding expenditure on water supply

Total expenditure on these heads are regressed on the number of hospital beds, the number of indoor patients per hundred hospital beds, the proportion of population provided with sanitation facilities in urban areas, the differences in the average salaries of staff nurses, population density and the proportion of population in hill/desert areas of the States. The coefficients of all the variables are found to be significant (except the hill/desert population proportion) and have the expected signs. Then number of hospital beds, the number of indoor patients per hundred hospital beds and the proportion of population provided with sanitation facilities in urban areas have been taken to be the factors affecting the quantity of these public services. Salary of staff nurses are taken to be the cost factor within the control of the State Governments. Population density and the proportion of hill/desert population are taken to be the cost disability factors. The equation has an explanatory power of 0.86.

III. Economic Services

B5.35 The expenditure on economic services considered for statistical analysis includes expenditure on (i) Agriculture and Allied Activities, (ii) Animal Husbandry, and (iii) Industries and Minerals. As mentioned earlier, expenditures under major heads like minor irrigation, water and power development, multipurpose river projects, irrigation, drainage and flood control projects, power projects, civil aviation and roads and bridges are to be considered on a different footing and needs in respect of these items have to be reckoned on the basis of engineering norms. Expenditures on secretariat-economic services, on special and backward areas and on other general economic services are taken as a constant proportion of the normative expenditures on economic services as a whole in all the States taken together.

(i) Agriculture and Allied Activities

B5.36 Under this head, the major heads of expenditure included are:

298. Cooperation.
305. Agriculture.
307. Soil and Water Conservation.
308. Area Development.
309. Food.
312. Fisheries
314. Community Development.

Per capita expenditures on Agriculture and Allied Activities are regressed on the gross cropped area per thousand population, the number of standard employees in the departments dealing with these major heads per thousand hectares of gross cropped area, the proportion of area covered under high yielding varieties of cereals to total gross cropped area, the proportion of area covered under commercial crops and price differences among the States. The log-linear equation has given the best fit explaining nearly 75 per cent of variations. All the variables included in the equation are significant at one per cent level.

(ii) Animal Husbandry

B5.37 In the case of expenditure on Animal Husbandry (major head 310), total expenditure rather than per capita expenditure is found to have the best fit in the log-linear form chosen. Expenditure under the head is regressed on total cattle population, salaries of assistant veterinary surgeons in differing States, the proportion of urban population and the number of veterinary centres per thousand cattle. While the first two variables are significant at the one per cent level, the number of veterinary centres per thousand cattle is significant only at ten per cent level. The coefficient of the proportion of urban population, though not significant, has the expected sign. These factors explain over 69 per cent of the variation in the expenditure.

(iii) Industries And Minerals

B5.38 Expenditures on Industries and Minerals (major heads 320- general, 321, 328) are related to the total income arising from manufacture and mining and quarrying, the number of standard employees per rupees lakh of income arising from manufacture and mining and quarrying, the proportion of hill/ desert population, and the density of urban population. All the variables are significant at the one per cent level and the equation has an explanatory power of about 61 per cent.

Normative Estimates In The Base Year

B5.39 For projecting expenditure needs of the States, in the first instance, the normative estimates of expenditure for the year

1986-87 were worked out on the basis of the expenditure determinants equations discussed above. As mentioned earlier, the normative expenditures have been estimated by substituting the actual or the average values of the explanatory variables in 1986-87 in the equations.

B5.40 To reckon the justifiable cost of providing the average standards of service in the case of general services, it is necessary that the variables representing the quantities of public services and the cost of providing them which are within the control of the State Governments are substituted at their average values. Only the cost factors beyond the control of the State Governments should be substituted at their actual values. In the case of "Organs of State" and "Administrative Services", for example, the quantity variable is represented by the number of standard employees per thousand population. Similarly, the number of police constables per thousand population in the case of "Police Services", the number of judges in the High Courts and subordinate courts and the cases disposed of per judge in the case of "Administration of Justice", the capacity in the case of "Jails", the total tax collected in the case of "Fiscal Services", and the number of standard employees per thousand population in the cases of "Fire Protection" and "Other Admnninistrative Services", have been taken as quantity variables and are substituted at their average values in the respective equations. Factors such as salaries of police constables have been taken as the cost factors within the control of the State Governments. In all cases where the number of standard employees is taken in the equations, the salary differences get automatically subsumed. Only the cost factors beyond the control of the State Governments should be substituted at their actual values. Variables such as inter-State differences in consumer prices, proportion of hill/desert population to total population, density of population, the degree of urbanisation (which in many cases is expected to have a negative sign due to the cost disabilities of providing the services in rural areas) are the cost factors which are beyond the control of the State Governments and are substituted at their actual values.

B5.41 As mentioned earlier, normative expenditures on social and economic services have to be estimated at the justifiable cost of providing the existing standards of services. For these services, only the unit cost of provision is to be computed normatively. Therefore, we have substituted the actual values of the variables in respect of quantity variables and cost variables beyond the control of the State Governments and the average values of the cost factors within the control of the State Governments. In the case of educational services, for example, the enrolment ratio, as well as various cost factors such as density of population, the proportion of hill population and price level differences among the States are substituted at their actual values, whereas, the student-teacher ratio and differences in the salary levels of teachers among the States are substituted at their average values. Similarly, in the case of expenditures on medical and public health, the number of hospital beds per thousand population and other cost factors are substituted at their actual values and salaries of nurses in government hospitals and health centres are substituted at their average levels. The same procedure has been adopted to estimate expenditures on the economic services included in the statistical exercise. In the case of expenditures on agriculture and allied activities, gross cropped area per thousand population, proportion of area covered under high yielding varieties of cereals to gross cropped area, proportion of area covered under commercial crops and the cost disability factors, if any, are substituted at their actual values and the number of standard employees per thousand hectares of gross cropped area is substituted at its average value. In the case of animal husbandry, only the salaries of assistant veterinary surgeons is taken at the average value. In the case of expenditures on industries and minerals, the number of standard employees per rupees lakh of income arising from manufacture and mining and quarrying is taken at its average value for substitution.

B5.42 The sum total of the normative estimates of expenditures of the States as a whole obtained, by using the average as the norm, as mentioned above, should broadly correspond to the sum of actual expenditures. The difference between the norm and actual is within 10 per cent under most expenditure categories. We have adjusted the total normative expenditure of all the States in each expenditure function to equal the total actual expenditure. This amounts to adjusting the value of the constant term in the equations, as suggested in Intriligator [1980].

B5.43 Although we have tried to capture the effects of cost disability factors that are applicable to States in general in our econometric analysis, it was found that special cost disabilities in the form of environmental cost disadvantages in the Himalayan hill regions have not been taken into account. The variable employed in the equation, 'proportion of hill/desert population' cannot be considered to fully reflect the cost disabilities in the provision of services in these far-flung hill areas; and most probably for this reason, in the case of many functions, the above variable is not significant and has had to be excluded from the equation. The cost disabilities experienced in these areas have to be separately taken into account. The issue pertains to the hill regions of Uttar Pradesh and the Darjeeling district of West Bengal. Additional cost disabilities in these regions have, therefore, been worked out using the cost functions for various services in the ten Special Category States. This has been done in the following manner. From the per capita normative expenditures worked out for various services in Himachal Pradesh, a State in the Himalayan belt adjacent to Uttar Pradesh, the normative per capita expenditure estimated for Uttar Pradesh (and of West Bengal) is deducted. The differences so obtained, however, include not only the cost disabilities of providing various services in the Himalayan hill region but also the differences in the quantity of services provided. Besides, there are certain indivisible expenditures incurred by a State such as on the Governor and on the Council of Ministers and the hill regions within that State can reap scale economies in respect of these expenditures. Therefore, we have taken 50 per cent of the differences as the additional cost disability per capita and added these to the normative estimates of expenditures for Uttar Pradesh and West Bengal.

B5.44 Table B.5.2 shows the normative expenditure under each category analysed by us and compares it with the actual. It is seen that by and large the normative expenditures of low income States are higher than their actual levels and, conversely, for the high income States. This is largely because the low income States provide standards of services below the average levels. This is clearly indicated by the standard deviation and the coefficient of variation computed for the per capita expenditures on different services. In the case of general services, for example, the coefficient of variation in expenditures falls substantially from 0.2148 for the actuals to 0.0868 for normative expenditures. In the case of social services, the decline is from 0.2907 to 0.2398 while for economic services, it is from 0.3471 to 0.3315. (Table B.5.3). It can thus be seen that the application of the Commission's methodology serves to bring about a degree of equalisation in the costs of providing public services among the States. In the case of general services there is a move towards equalisation of standards of services too.

B5.45 It may be mentioned here that the expenditure estimates derived on the basis of equations subsume the salary revisions by the States only upto 1986-87. Following the pay revision by the Union Government on the basis of the recommendations of the Fourth Pay Commission, many of the State Governments had to follow suit. Therefore, provision has been made for bringing about parity between the scales of pay of the States and the Centre by taking into account the respective differences in the pay scales of representative categories of employees.

B5.46 The estimated expenditure required to bring pay parity for the year 1989-90 was then adjusted to conform to our normative expenditure estimates. The non-Plan and Plan components have been derived by proportionately apportioning the total provision on the basis of the ratio of salary expenditures under non-Plan and Plan heads. The non-Plan portion was then adjusted _pro rata_ to conform to our normative estimates on the basis of the difference between actual expenditure and normative expenditure in each of the major States in 1986-87.

Projection

B5.47 The expenditure needs estimated for 1986-87 have to be projected to the end of the period of our report. This has been done in two stages. In the first, the normative expenditures have been projected to the base year 1989-90 by applying the all-States average historical growth rates adjusted partially for periodic revision in the salaries by the States. Therefore, although the historical growth rate of expenditure is 14.5 per cent, we have applied a growth rate of 13 per cent per annum to the normative expenditures estimated for 1986-87 to arrive at the normative expenditures in 1989-90. To this, the provision for salary revision computed separately as indicated above has been added.

B5.48 It is necessary to mention in this connection that the assessment of non-Plan revenue expenditures of the States taken together is similar to that of the Centre, although in respect of individual States, norms have been applied to take into account the levels of underspending and overspending. As already mentioned, for the States in the aggregate, our approach amounts to taking actual expenditures of 1986-87[1], applying the historical growth rates (partially adjusted for frequent revision of pay scales) and superimposing the expenditure on account of pay parity with the Centre. In effect, in 1989-90, the total expenditure thus reckoned could even be higher than actual, as in some cases, the States are yet to revise their pay scales on par with the Centre's. For the Centre, on the other hand, by and large, we have taken 1989-90(BE) as the base. This has been done mainly to take account of the lower base year estimates arising from the significant deceleration in the growth of expenditures between the budget estimates of 1988-89 and 1989-90.

B5.49 In the second stage, the normative estimate of expenditure arrived at for the base year has been projected for the period of recommendation, 1990-91 to 1994-95. While making projections, we have been guided by the principle of phasing out revenue deficits by the end of the period. A serious pursuit of this objective requires the containment of the rate of growth of non-Plan revenue expenditure, as well as accelerating revenue growth. However, given the limits to revenue growth, it is inescapable that the State governments strictly contain the growth of expenditure in real terms.

B5.50 Considering these factors, only moderate increases in real expenditures have been provided for. Given the assumption of 5 per cent increase in prices, making provision for increases in prices alone would result in the growth of expenditures by 4 per cent, as the major component of expenditures - wages and salaries - has been found to increase in the past by 0.75 per cent for every one per cent increase in prices. In addition, we have postulated that the expenditures should increase at a rate only marginally higher than the increase in population, considering that the public services, by and large, are meant to serve the entire population, that is, provision has been made for expenditures in real terms to increase at 3 per cent per annum. Thus, the non-Plan revenue expenditure has been projected to increase at 7 per cent per annum in nominal terms during the period 1990-91 to 1994-95.

B5.51 Achieving the normative levels of expenditure from the very first year of recommendations may not be feasible. In the cases of those States for which normative levels have been estimated to be lower than their actual expenditures, severe hardship would result if the normative levels are assumed from the first year itself. In the cases of the States whose actual expenditures fall short of normative levels, it may not be realistic to assume that within a year normative levels can be achieved. Therefore, we have phased out the movement towards the normative levels of expenditures such that each State reaches the normative levels by 1994-95. This has been done by reducing the estimated difference between the actuals and the normative estimates for 1989-90 by 50 per cent. With the resultant figures as the base year estimates, the targetted full normative expenditures are to be attained in 1994-95. The normative estimates of expenditure for the major items analysed by us are given in Table B.5.4.

B5.52. It may be stated in conclusion that the objective of the normative assessment of revenues and revenue expenditures carried out by us on the lines indicated above is to ensure inter-State equity in relation to Central transfers (devolution of taxes and grants-in-aid). The methodologies chosen, based on the concept of evolving norms linked to average behaviour, is in consonance with this objective. It should be pointed out further that our normative assessment of State Governments' revenues and expenditures has no role in determining the relative shares in expenditures or revenues of the Central Government on the one hand and the States on the other.

1\ *Except for expenditures where engineering norms have been applied, these norms are generally higher than the actuals.*

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TABLE B.5.1

Regression Results

Dependent Variable Per Capita Expenditure on Organs of State

Number Of Observations 28 Degrees Of Freedom 23

Regressor	Coefficient	Standard Error	T - Ratio
1 Number of Standard Employees for Organs of State per 1000 population	0.8808	0.1535	5.7397
2 Proportion of urban population to total population	- 0.2349	0.1684	- 1.3952
3 Price differences	0.5308	0.1322	4.0142
Time period (1981-82 to 1983-84)	- 0.0944	0.1586	- 0.5948
Time period (1984-85 to 1986-87)	0.1061	0.1647	0.6439

R - Squared	0.6589	Residual Sum of Squares	1.8753
R - Bar - Squared	0.5996	S.E. of Regression	0.2855

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1) =0.0366	F(1, 22) =0.0288
B: Functional Form	CHI-SQ(1) =5.2223	F(1, 22) =5.0440
C: Normality	CHI-SQ(2) =0.8047	Not Applicable
D: Heteroscedasticity	CHI-SQ(1) =0.0680	F(1, 26) =0.0633

Dependent Variable Per Capita Expenditure on Administrative Services

Number Of Observations 28 Degrees Of Freedom 24

Regressor	Coefficient	Standard Error	T - Ratio
1 Number of Standard Employees for Administrative Services per 1000 population	0.9194	0.0754	12.1932
2 Price differences	0.5567	0.0172	32.3092
Time period (1981-82 to 1983-84)	- 0.1634	0.0922	- 1.7734
Time period (1984-85 to 1986-87)	0.1568	0.0925	1.6951

R - Squared	0.8730	Residual Sum of Squares	0.7002
R - Bar - Squared	0.8571	S.E. of Regression	0.1708

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1) =0.0019	F(1, 23) =0.0015
B: Functional Form	CHI-SQ(1) =11.8344	F(1, 23) =16.8376
C: Normality	CHI-SQ(2) =0.5582	Not Applicable
D: Heteroscedasticity	CHI-SQ(1) =0.0631	F(1, 26) =0.0587

Regression Results

Dependent Variable Per Capita Expenditure on Administration of Justice

Number Of Observations 28 Degrees Of Freedom 21

Regressor	Coefficient	Standard Error	T - Ratio
1 Number of Standard Employees for Administration of Justice per 1000 population	0.5482	0.0792	6.9210
2 Number of cases disposed off per judge	-0.2066	0.0498	-4.1465
3 Price differences	0.8685	0.1012	8.5789
4 Proportion of urban population to total population	0.5430	0.1200	4.5245
5 Proportion of population in hill/desert areas	0.0024	0.0027	0.8719
Time period (1981-82 to 1983-84)	0.0473	0.0675	0.7010
Time period (1984-85 to 1986-87)	-0.0367	0.0686	-0.5343

R - Squared	0.8996	Residual Sum of Squares	0.2259
R - Bar - Squared	0.8709	S.E. of Regression	0.1037

Diagnostic Tests

Test Statistics	LM Version	F Version
A Serial Correlation	CHI-SQ(1) =3.1205	F(1, 20) =2.5085
B Functional Form	CHI-SQ(1) =0.0137	F(1, 20) =0.0098
C Normality	CHI-SQ(2) =0.6211	Not Applicable
D Heteroscedasticity	CHI-SQ(1) =0.2972	F(1, 26) =0.2789

Dependent Variable Per Capita Expenditure on Fiscal Services

Number Of Observations 28 Degrees Of Freedom 23

Regressor	Coefficient	Standard Error	T - Ratio
1 Total tax revenue	0.9239	0.1219	7.5773
2 Proportion of urban population to total population	- 0.7911	0.1902	-4.1601
3 Density of urban population	- 0.5551	0.2389	-2.3233
Time period (1981-82 to 1983-84)	- 0.3785	0.2057	-1.8398
Time period (1984-85 to 1986-87)	0.0706	0.2068	0.3413

R - Squared	0.6974	Residual Sum of Squares	3.2090
R - Bar - Squared	0.6448	S.E. of Regression	0.3735

Diagnostic Tests

Test Statistics	LM Version	F Version
A Serial Correlation	CHI-SQ(1) =3.7387	F(1, 22) =3.3903
B Functional Form	CHI-SQ(1) =2.9796	F(1, 22) =2.6199
C Normality	CHI-SQ(2) =1.2530	Not Applicable
D: Heteroscedasticity	CHI-SQ(1) =1.0608	F(1, 26) =1.0238

Regression Results

Dependent Variable Per Capita Expenditure onPolice

Number Of Observations 28 Degrees Of Freedom 22

Regressor	Coefficient	Standard Error	T - Ratio
1 Number of police constables (below SI rank) per 1000 population	0.7383	0.1320	5.5935
2 Number of cognisable offences per 1000 population	- 0.1231	0.0772	-1.5950
3 Salary differences of police constables	0.4959	0.0212	23.4180
4 Proportion of urban population to total population	0.1731	0.0803	2.1565
Time period (1981-82 to 1983-84)	- 0.0336	0.0778	- 0.4322
Time period (1984-85 to 1986-87)	0.0690	0.0858	0.8046

R - Squared	0.8589	Residual Sum of Squares	0.3377
R - Bar - Squared	0.8268	S.E. of Regression	0.1239

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1) =1.9767	F(1, 21) =1.5952
B: Functional Form	CHI-SQ(1) =2.8278	F(1, 21) =2.3591
C: Normality	CHI-SQ(2) =5.6501	Not Applicable
D: Heteroscedasticity	CHI-SQ(1) =0.0309	F(1, 26) =0.0288

Dependent Variable Total Expenditure on Jails

Number Of Observations 28 Degrees Of Freedom 23

Regressor	Coefficient	Standard Error	T - Ratio
1 Total jail capacity	0.7341	0.0735	9.9851
2 Number of prisoners per jail capacity	0.6187	0.1721	3.5946
3 Density of urban population	- 0.0666	0.1228	- 0.5422
Time period (1981-82 to 1983-84)	- 0.0701	0.1273	- 0.5511
Time period (1984-85 to 1986-87)	- 0.0456	0.1274	- 0.3580

R - Squared	0.8942	Residual Sum of Squares	1.1711
R - Bar - Squared	0.8758	S.E. of Regression	0.2256

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=9.1061	F(1, 22)=10.6031
B: Functional Form	CHI-SQ(1)=1.0500	F(1, 22)=0.8571
C: Normality	CHI-SQ(2) =1.1380	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=0.2313	F(1, 26)=0.2166

Regression Results

Dependent Variable — Per Capita Expenditure on Fire Protection and Control

Number Of Observations 22 Degrees Of Freedom 17

	Regressor	Coefficient	Standard Error	T - Ratio
1	Number of Standard Employees for Fire Protection and Control per 1000 population	7.1069	3.4935	2.0343
2	Density of urban population	-0.0012	0.0006	-2.1514
3	Price differences	0.0082	0.0020	4.0841
	Time period (1981-82 to 1983-84)	0.1721	0.1734	0.9927
	Time period (1984-85 to 1986-87)	-0.4295	0.2014	-2.1319

R - Squared	0.6231	Residual Sum of Squares	1.6450
R - Bar - Squared	0.5344	S.E. of Regression	0.3111

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=0.2544	F(1, 16)=0.1976
B: Functional Form	CHI-SQ(1)=1.6846	F(1, 16)=1.3857
C: Normality	CHI-SQ(2)=4.3973	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=0.0289	F(1, 20)=0.0267

Note : *Linear specification.*

Regression Results

Dependent Variable — Per Capita Expenditure on Other Administrative Services

Number Of Observations 28 Degrees Of Freedom 23

	Regressor	Coefficient	Standard Error	T - Ratio
1	Number of Standard Employees for Other Administrative Services per 1000 population	0.5842	0.0635	9.1986
2	Price differences	0.5220	0.0264	19.7690
3	Proportion of population in hill/desert areas	0.0067	0.0033	2.0184
	Time period (1981-82 to 1983-84)	0.0910	0.0860	1.0585
	Time period (1984-85 to 1986-87)	0.1120	0.0864	1.2967

R - Squared	0.8222	Residual Sum of Squares	0.4996
R - Bar - Squared	0.7913	S.E. of Regression	0.1474

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=1.4023	F(1, 22)=1.1599
B: Functional Form	CHI-SQ(1)=0.6778	F(1, 22)=0.5458
C: Normality	CHI-SQ(2)=1.4049	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=0.0001	F(1, 26)=0.0001

Regression Results

Dependent Variable — Per Child Expenditure on Primary Education

Number Of Observations 28 Degrees Of Freedom 22

	Regressor	Coefficient	Standard Error	T - Ratio
1	Proportion of enrolment in Primary Schools to children in the age group 6-10 years	0.9339	0.2306	4.0503
2	Student-Teacher ratio in Primary Schools	-0.6545	0.3329	-1.9661
3	Price differences	1.3859	0.3196	4.3365
4	Salary differences of Primary School teachers	0.2133	0.1944	1.0971
	Time period (1981-82 to 1983-84)	0.2247	0.1256	1.7885
	Time period (1984-85 to 1986-87)	0.0417	0.1179	0.3533

R - Squared	0.8035	Residual Sum of Squares	0.8631
R - Bar - Squared	0.7588	S.E. of Regression	0.1981

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=2.4906	F(1, 21)=2.0503
B: Functional Form	CHI-SQ(1)=3.6223	F(1, 21)=3.1204
C: Normality	CHI-SQ(2)=0.4335	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=0.0497	F(1, 26)=0.0462

Regression Results

Dependent Variable — Total Expenditure on Secondary Education

Number Of Observations 28 Degrees Of Freedom 21

	Regressor	Coefficient	Standard Error	T - Ratio
1	Enrolment of children in the age group 11-18 years in Secondary Schools	0.6407	0.1009	6.3519
2	Student-Teacher ratio in Secondary Schools	-0.1922	0.4281	-0.4491
3	Salary differences of Trained Graduate teachers	0.5203	0.1838	2.8314
4	Proportion of children (11-18 years) in rural areas	0.5250	0.2449	2.1438
5	Density of children (11-18 years)	-0.1833	0.1123	-1.6322
	Time period (1981-82 to 1983-84)	-0.1587	0.1481	-1.0714
	Time period (1984-85 to 1986-87)	-0.1325	0.1497	-0.8849

R - Squared	0.8126	Residual Sum of Squares	1.2796
R - Bar - Squared	0.7590	S.E. of Regression	0.2468

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=2.9743	F(1, 20)=2.3770
B: Functional Form	CHI-SQ(1)=7.7690	F(1, 20)=7.6803
C: Normality	CHI-SQ(2)=0.4163	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=2.2271	F(1, 26)=2.2467

Regression Results

Dependent Variable — Per Capita Expenditure on Higher Education

Number Of Observations 28 Degrees Of Freedom 21

	Regressor	Coefficient	Standard Error	T - Ratio
1	Enrolment in Colleges and Universities per 1000 population	1.0445	0.2178	4.7964
2	Student-Teacher ratio in Colleges and Universities	-0.9144	0.1990	-4.5948
3	Price differences	1.0338	0.1413	7.3191
4	Density of population	-0.3015	0.1095	-2.7531
5	Proportion of enrolment in Private Colleges and Universities to total enrolment	0.1636	0.1528	1.0708
	Time period (1981-82 to 1983-84)	0.0111	0.1244	0.0892
	Time period (1984-85 to 1986-87)	0.1242	0.1312	0.9466

R - Squared	0.7590	Residual Sum of Squares	0.9316
R - Bar - Squared	0.6901	S.E. of Regression	0.2106

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=2.2811	F(1, 20)=1.7738
B: Functional Form	CHI-SQ(1)=0.0556	F(1, 20)=0.0398
C: Normality	CHI-SQ(2)=0.2491	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=0.2100	F(1, 26)=0.1964

Regression Results

Dependent Variable — Total Expenditure on Medical, Family Welfare and Public Health (excluding Water Supply)

Number Of Observations 28 Degrees Of Freedom 20

Regressor	Coefficient	Standard Error	T - Ratio
1 Number of hospital beds	0.8754	0.0750	11.6745
2 Number of indoor patients per 100 hospital beds	0.0996	0.0449	2.2177
3 Proportion of population covered under sanitation in urban areas	0.1210	0.0492	2.4619
4 Salary differences of Staff Nurse	0.2682	0.1006	2.6677
5 Density of population	-0.2166	0.0828	-2.6179
6 Proportion of population in hill/desert areas	0.0064	0.0054	1.1725
Time period (1981-82 to 1983-84)	0.0470	0.1265	0.3715
Time period (1984-85 to 1986-87)	-0.0766	0.1279	-0.5987

R - Squared	0.8926	Residual Sum of Squares	0.8706
R - Bar - Squared	.0.8550	S.E. of Regression	0.2086

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=7.9846	F(1, 19)=7.5795
B: Functional Form	CHI-SQ(1)=2.8071	F(1, 19)=2.1171
C: Normality	CHI-SQ(2)=1.6982	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=1.3137	F(1, 26)=1.2799

Regression Results

Dependent Variable — Per Capita Expenditure on Agriculture, Food,etc.

Number Of Observations 28 Degrees Of Freedom 21

Regressor	Coefficient	Standard Error	T - Ratio
1 Gross cropped area per 1000 population	0.4026	0.1242	3.2407
2 Number of Standard Employees for Agriculture, etc.,per 1000 hectares of gross cropped area	0.4135	0.1132	3.6527
3 Proportion of area under High Yielding Varieties of cereals to gross cropped area	0.3318	0.1028	3.2259
4 Proportion of area under Commercial crops to gross cropped area	0.4344	0.0908	4.7824
5 Price differences	0.8429	0.0777	10.8468
Time period (1981-82 to 1983-84)	0.1878	0.0957	1.9624
Time period (1984-85 to 1986-87)	-0.1570	0.0999	-1.5710

R - Squared	0.8027	Residual Sum of Squares	0.6514
R - Bar - Squared	0.7463	S.E. of Regression	0.1761

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=1.0309	F(1, 20)=0.7645
B: Functional Form	CHI-SQ(1)=1.6213	F(1, 20)=1.2292
C: Normality	CHI-SQ(2)=1.3847	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=0.0925	F(1, 26)=0.0861

Regression Results

Dependent Variable — Total Expenditure on Animal Husbandry

Number Of Observations 28 Degrees Of Freedom 22

Regressor	Coefficient	Standard Error	T - Ratio
1 Total cattle population	0.5739	0.0950	6.0403
2 Salary differences of Assistant Veterinary Surgeon	0.3693	0.0997	3.7051
3 Proportion of urban population to total population	0.2390	0.1518	1.5748
4 Number of veterinary centres per 1000 cattle	0.1923	0.1006	1.9106
Time period (1981-82 to 1983-84)	-0.0599	0.1419	-0.4217
Time period (1984-85 to 1986-87)	0.0396	0.1421	0.2784

R - Squared	0.7511	Residual Sum of Squares	1.3798
R - Bar - Squared	0.6945	S.E. of Regression	0.2504

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=6.0275	F(1, 21)=5.7607
B: Functional Form	CHI-SQ(1)=0.6756	F(1, 21)=0.5192
C: Normality	CHI-SQ(2)=1.3010	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=4.0392	F(1, 26)=4.3830

Regression Results

Dependent Variable — Total Expenditure on Industry and Minerals

Number Of Observations 28 Degrees Of Freedom 22

Regressor	Coefficient	Standard Error	T - Ratio
1 Income from Mining and Quarrying and Manufacture	1.3875	0.1642	8.4528
2 Number of Standard Employees for Industry and Minerals per income from Mining and Quarrying and Manufacture	0.8514	0.2018	4.2195
3 Density of urban population	-1.0868	0.3013	-3.6072
4 Proportion of population in hill/desert areas	0.0392	0.0116	3.3827
Time period (1981-82 to 1983-84)	0.3879	0.3012	1.2881
Time period (1984-85 to 1986-87)	-0.4294	0.3382	-1.2698

R - Squared	0.6851	Residual Sum of Squares	5.1961
R - Bar - Squared	0.6135	S.E. of Regression	0.4860

Diagnostic Tests

Test Statistics	LM Version	F Version
A: Serial Correlation	CHI-SQ(1)=4.8699	F(1, 21)=4.4214
B: Functional Form	CHI-SQ(1)=0.2659	F(1, 21)=0.2013
C: Normality	CHI-SQ(2)=1.8951	Not Applicable
D: Heteroscedasticity	CHI-SQ(1)=0.9744	F(1, 26)=0.9374

Note : *Diagnostic Tests :*

A: Lagrange multiplier test of residual serial correlation.

B: Ramsey's RESET test using the square of the fitted values.

C: Based on a test of skewness and kurtosis of residuals.

D: Based on the regression of squared residuals on squared fitted values.

TABLE B.5.2

Comparison Of Normative And Actual Expenditures (non-Plan) In 1986-87

	Actual Expenditure (Rs. Lakh)	Normative Expenditure (Rs. Lakh)	Deviation From Actual (Rs. Lakh)	per cent Deviation From Actual	per Capita Actual Exp. (Rs.)	per Capita Normative Exp. (Rs.)	per Capita Deviation From Actual (Rs.)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)

Expenditure Category : Organs Of State

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	365.00	460.32	95.32	26.12	0.61	0.77	0.16
2 Bihar	976.00	695.98	-280.02	-28.69	1.24	0.88	-0.36
3 Gujarat	191.00	297.06	106.06	55.53	0.50	0.78	0.28
4 Haryana	299.00	115.07	-183.93	-61.52	1.99	0.77	-1.22
5 Karnataka	411.00	332.40	-78.60	-19.12	0.98	0.80	-0.19
6 Kerala	313.00	250.17	-62.83	-20.07	1.11	0.89	-0.22
7 Madhya Pradesh	495.00	470.31	-24.69	-4.99	0.84	0.80	-0.04
8 Maharashtra	606.00	530.32	-75.68	-12.49	0.86	0.75	-0.11
9 Orissa	232.00	272.09	40.09	17.28	0.80	0.93	0.14
10 Punjab	417.00	140.49	-276.51	-66.31	2.23	0.75	-1.48
11 Rajasthan	301.00	392.85	91.85	30.51	0.76	0.99	0.23
12 Tamil Nadu	334.00	425.06	91.06	27.26	0.63	0.80	0.17
13 Uttar Pradesh	703.00	1112.81	409.81	58.29	0.56	0.89	0.33
14 West Bengal	274.00	476.74	202.74	73.99	0.45	0.78	0.33
14 Major States	**5917.00**	**5971.68**	**54.68**	**0.92**	**0.83**	**0.83**	**0.01**

Expenditure Category : Administrative Services

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	7445.00	4715.04	-2729.96	-36.67	12.52	7.93	-4.59
2 Bihar	3912.00	6182.38	2270.38	58.04	4.97	7.85	2.88
3 Gujarat	2462.00	3232.78	770.78	31.31	6.46	8.48	2.02
4 Haryana	1193.00	1166.52	-26.48	-2.22	7.94	7.76	-0.18
5 Karnataka	2799.00	3590.23	791.23	28.27	6.69	8.59	1.89
6 Kerala	2579.00	2433.89	-145.11	-5.63	9.17	8.65	-0.52
7 Madhya Pradesh	3905.00	4684.97	779.97	19.97	6.63	7.95	1.32
8 Maharashtra	12425.00	5944.36	-6480.64	-52.16	17.64	8.44	-9.20
9 Orissa	2411.00	2427.42	16.42	0.68	8.27	8.32	0.06
10 Punjab	1791.00	1495.23	-295.77	-16.51	9.58	8.00	-1.58
11 Rajasthan	2951.00	3386.92	435.92	14.77	7.41	8.51	1.10
12 Tamil Nadu	7449.00	4686.41	-2762.59	-37.09	14.04	8.83	-5.21
13 Uttar Pradesh	5368.00	10462.21	5094.21	94.90	4.31	8.40	4.09
14 West Bengal	2525.00	4917.23	2392.23	94.74	4.15	8.07	3.93
14 Major States	**59215.00**	**59325.58**	**110.58**	**0.19**	**8.26**	**8.28**	**0.02**

Expenditure Category : Administration Of Justice

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Andhra Pradesh	1983.00	1577.80	-405.20	-20.43	3.33	2.65	-0.68
2 Bihar	2033.00	1683.07	-349.93	-17.21	2.58	2.14	-0.44
Gujarat	1435.00	1578.07	143.07	9.97	3.77	4.14	0.38
Haryana	487.00	476.65	-10.35	-2.12	3.24	3.17	-0.07
Karnataka	1897.00	1821.85	-75.15	-3.96	4.54	4.36	-0.18
6 Kerala	1384.00	935.31	-448.69	-32.42	4.92	3.33	-1.60
7 Madhya Pradesh	1382.00	1600.36	218.36	15.80	2.35	2.72	0.37
8 Maharashtra	2897.00	3227.12	330.12	11.40	4.11	4.58	0.47
9 Orissa	808.00	650.79	-157.21	-19.46	2.77	2.23	-0.54
10 Punjab	749.00	669.34	-79.66	-10.64	4.01	3.58	-0.43
11 Rajasthan	1199.00	831.39	-367.61	-30.66	3.01	2.09	-0.92
12 Tamil Nadu	1940.00	2108.57	168.57	8.69	3.66	3.97	0.32
13 Uttar Pradesh	3357.00	3739.42	382.42	11.39	2.70	3.00	0.31
14 West Bengal	1597.00	2267.13	670.13	41.96	2.62	3.72	1.10
14 Major States	**23146.00**	**23166.88**	**18.88**	**0.08**	**3.23**	**3.23**	**0.00**

Expenditure Category : Fiscal Services

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	7618.00	6802.09	-815.91	-10.71	12.81	11.44	-1.37
2 Bihar	4350.00	5424.96	1074.96	24.71	5.53	6.89	1.37
3 Gujarat	2547.00	5031.94	2484.94	97.56	6.68	13.21	6.52
4 Haryana	1327.00	2667.99	1340.99	101.05	8.83	17.76	8.92
5 Karnataka	5111.00	4690.70	-420.30	-8.22	12.22	11.22	-1.01
6 Kerala	4748.00	5053.47	305.47	6.43	16.88	17.97	1.09
7 Madhya Pradesh	7498.00	5856.25	-1641.75	-21.90	12.73	9.94	-2.79
8 Maharashtra	9607.00	7138.49	-2468.51	-25.69	13.64	10.13	-3.50
9 Orissa	3758.00	3481.33	-276.67	-7.36	12.89	11.94	-0.95
10 Punjab	1727.00	3145.51	1418.51	82.14	9.24	16.83	7.59
11 Rajasthan	5298.00	7797.93	2499.93	47.19	13.31	19.59	6.28
12 Tamil Nadu	4926.00	6627.58	1701.58	34.54	9.29	12.49	3.21
13 Uttar Pradesh	10437.00	7304.38	-3132.62	-30.01	8.38	5.87	-2.52
14 West Bengal	5482.00	3642.23	-1839.77	-33.56	9.00	5.98	-3.02
14 Major States	**74434.00**	**74664.85**	**230.85**	**0.31**	**10.38**	**10.42**	**0.03**

Expenditure Category : Police

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	11030.00	15376.83	4346.83	39.41	18.54	25.85	7.31
2 Bihar	13851.00	17866.42	4015.42	28.99	17.59	22.69	5.10
3 Gujarat	13717.00	9500.59	-4216.41	-30.74	36.00	24.93	-11.07
4 Haryana	4691.00	3781.26	-909.74	-19.39	31.22	25.17	-6.05
5 Karnataka	8716.00	10521.38	1805.38	20.71	20.85	25.17	4.32
6 Kerala	6565.00	6596.61	31.61	0.48	23.34	23.45	0.11
7 Madhya Pradesh	14109.00	13348.07	-760.93	-5.39	23.96	22.66	-1.29
8 Maharashtra	23988.00	17657.76	-6330.24	-26.39	34.05	25.07	-8.99
9 Orissa	6610.00	6588.77	-21.23	-0.32	22.67	22.59	-0.07
10 Punjab	8293.00	5289.97	-3003.03	-36.21	44.36	28.30	-16.06
11 Rajasthan	8545.00	8451.67	-93.33	-1.09	21.47	21.24	-0.23
12 Tamil Nadu	11230.00	13509.24	2279.24	20.30	21.17	25.46	4.30
13 Uttar Pradesh	27462.00	31647.72	4185.72	15.24	22.05	25.41	3.36
14 West Bengal	16071.00	16129.54	58.54	0.36	26.38	26.48	0.10
14 Major States	**174878.00**	**176265.83**	**1387.83**	**0.79**	**24.40**	**24.59**	**0.19**

Expenditure Category : Jails

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	609.00	1051.49	442.49	72.66	1.02	1.77	0.74
2 Bihar	1564.00	1327.00	-237.00	-15.15	1.99	1.69	-0.30
3 Gujarat	335.00	701.67	366.67	109.45	0.88	1.84	0.96
4 Haryana	327.00	361.23	34.23	10.47	2.18	2.40	0.23
5 Karnataka	325.00	564.56	239.56	73.71	0.78	1.35	0.57
6 Kerala	334.00	413.76	79.76	23.88	1.19	1.47	0.28
7 Madhya Pradesh	914.00	1196.55	282.55	30.91	1.55	2.03	0.48
8 Maharashtra	915.00	888.83	-26.17	-2.86	1.30	1.26	-0.04
9 Orissa	465.00	613.72	148.72	31.98	1.59	2.10	0.51
10 Punjab	620.00	407.34	-212.66	-34.30	3.32	2.18	-1.14
11 Rajasthan	555.00	668.49	113.49	20.45	1.39	1.68	0.29
12 Tamil Nadu	1266.00	772.49	-493.51	-38.98	2.39	1.46	-0.93

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
13 Uttar Pradesh	1979.00	1590.08	-388.92	-19.65	1.59	1.28	-0.31
14 West Bengal	1034.00	700.23	-333.77	-32.28	1.70	1.15	-0.55
14 Major States	**11242.00**	**11257.47**	**18.47**	**0.14**	**1.57**	**1.57**	**0.00**

Expenditure Category : Fire Protection And Control

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	577.00	254.94	-322.06	-55.82	0.97	0.43	-0.54
2 Bihar	44.00	363.08	319.08	725.19	0.06	0.46	0.41
3 Gujarat	0.00	270.86	270.85		0.00	0.71	0.71
4 Haryana	6.00	56.58	50.58	843.06	0.04	0.38	0.34
5 Karnataka	272.00	268.63	-3.37	-1.24	0.65	0.64	-0.01
6 Kerala	424.00	209.20	-214.80	-50.66	1.51	0.74	-0.76
7 Madhya Pradesh	31.00	377.05	346.05	1116.30	0.05	0.64	0.59
8 Maharashtra	12.00	283.35	271.35	2261.24	0.02	0.40	0.39
9 Orissa	445.00	239.06	-205.94	-46.28	1.53	0.82	-0.71
10 Punjab	0.00	83.48	83.48		0.00	0.45	0.45
11 Rajasthan	0.00	327.66	327.66		0.00	0.82	0.82
12 Tamil Nadu	756.00	394.11	-361.89	-47.87	1.42	0.74	-0.68
13 Uttar Pradesh	542.00	562.82	20.82	3.84	0.44	0.45	0.02
14 West Bengal	664.00	129.10	-534.90	-80.56	1.09	0.21	-0.88
14 Major States	**3773.00**	**3819.93**	**46.93**	**1.24**	**0.53**	**0.53**	**0.01**

Expenditure Category : Other Administrative Services

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	2714.00	2471.53	-242.47	-8.93	4.56	4.15	-0.41
2 Bihar	2230.00	3242.56	1012.56	45.41	2.83	4.12	1.29
3 Gujarat	2680.00	1900.95	-779.05	-29.07	7.03	4.99	-2.04
4 Haryana	788.00	700.16	-87.84	-11.15	5.24	4.66	-0.58
5 Karnataka	2536.00	2127.65	-408.35	-16.10	6.07	5.09	-0.98
6 Kerala	1048.00	1452.02	404.02	38.55	3.73	5.16	1.44
7 Madhya Pradesh	2019.00	2455.23	436.23	21.61	3.43	4.17	0.74
8 Maharashtra	4107.00	3524.30	-582.70	-14.19	5.83	5.00	-0.83
9 Orissa	1406.00	1268.53	-137.47	-9.78	4.82	4.35	-0.47
10 Punjab	1652.00	783.33	-868.67	-52.58	8.84	4.19	-4.65
11 Rajasthan	1979.00	2024.92	45.92	2.32	4.97	5.09	0.12
12 Tamil Nadu	2510.00	2774.97	264.97	10.56	4.73	5.23	0.50
13 Uttar Pradesh	4319.00	6328.72	2009.72	46.53	3.47	5.08	1.61
14 West Bengal	3696.00	2887.97	-808.03	-21.86	8.07	4.74	-1.33
14 Major States	**33684.00**	**33942.84**	**258.84**	**0.77**	**4.70**	**4.74**	**0.04**

Expenditure Category : General Administrative Services

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	32341.00	32710.06	369.06	1.14	54.37	54.99	0.62
2 Bihar	28960.00	36785.46	7825.46	27.02	36.78	46.72	9.94
3 Gujarat	23367.00	22513.92	-853.08	-3.65	61.32	59.08	-2.24
4 Haryana	9118.00	9325.47	207.47	2.28	60.68	62.06	1.38
5 Karnataka	22067.00	23917.40	1850.40	8.39	52.78	57.21	4.43
6 Kerala	17395.00	17344.44	-50.56	-0.29	61.85	61.67	-0.18
7 Madhya Pradesh	30353.00	29988.81	-364.19	-1.20	51.54	50.92	-0.62
8 Maharashtra	54557.00	39194.54	-15362.46	-28.16	77.45	55.64	-21.81
9 Orissa	16135.00	15541.70	-593.30	-3.68	55.33	53.30	-2.03
10 Punjab	15249.00	12014.68	-3234.32	-21.21	81.57	64.27	-17.30
11 Rajasthan	20828.00	23881.84	3053.84	14.66	52.33	60.01	7.67
12 Tamil Nadu	30411.00	31298.43	887.43	2.92	57.32	58.99	1.67

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
13 Uttar Pradesh	54167.00	62748.15	8581.15	15.84	43.50	50.39	6.89
14 West Bengal	31343.00	31150.18	-192.82	-0.62	51.46	51.14	-0.32
14 Major States	**386291.00**	**388415.07**	**2124.07**	**0.55**	**53.69**	**54.19**	**0.30**

Expenditure Category : Primary Education

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	23323	23991.76	668.72	2.87	39.21	40.33	1.12
2 Bihar	33652	27547.40	-6104.60	-18.14	42.74	34.99	-7.75
3 Gujarat	23336	20495.85	-2839.84	-12.17	61.24	53.79	-7.45
4 Haryana	5674	5272.89	-400.92	-7.07	37.76	35.09	-2.67
5 Karnataka	22415	20419.60	-1995.45	-8.90	53.61	48.84	-4.77
6 Kerala	23262	13561.10	-9700.65	-41.70	82.71	48.22	-34.49
7 Madhya Pradesh	25510	24723.73	-786.31	-3.08	43.31	41.98	-1.34
8 Maharashtra	40900	37754.51	-3145.20	-7.69	58.06	53.60	-4.46
9 Orissa	9614	13010.71	3396.58	35.33	32.97	44.62	11.65
10 Punjab	8184	7008.90	-1175.10	-14.36	43.78	37.49	-6.29
11 Rajasthan	16845	17349.53	504.61	3.00	42.33	43.59	1.27
12 Tamil Nadu	26962	32403.28	5441.33	20.18	50.82	61.08	10.26
13 Uttar Pradesh	41281	49181.08	7899.98	19.14	33.15	39.49	6.34
14 West Bengal	20794	29165.29	8371.22	40.26	34.14	47.88	13.74
14 Major States	**321751.27**	**321885.65**	**134.38**	**0.04**	**44.89**	**44.91**	**0.02**

Expenditure Category : Secondary Education

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	15218.03	16017.55	799.52	5.25	25.58	26.93	1.34
2 Bihar	9888.00	13796.55	3908.55	39.53	12.56	17.52	4.96
3 Gujarat	14582.81	14623.31	40.50	0.28	38.27	38.38	0.11
4 Haryana	6318.79	7930.01	1611.22	25.50	42.05	52.78	10.72
5 Karnataka	9720.02	13246.55	3526.52	36.28	23.25	31.68	8.43
6 Kerala	13473.86	17778.35	4304.50	31.95	47.91	63.21	15.30
7 Madhya Pradesh	16050.03	16613.76	563.73	3.51	27.25	28.21	0.96
8 Maharashtra	34740.75	28145.43	-6595.32	-18.98	49.32	39.95	-9.36
9 Orissa	8540.12	10127.35	1587.24	18.59	29.29	34.73	5.44
10 Punjab	11578.00	9068.20	-2509.80	-21.68	61.93	48.51	-13.42
11 Rajasthan	11164.94	12426.59	1261.64	11.30	28.05	31.22	3.17
12 Tamil Nadu	15613.97	21323.62	5709.65	36.57	29.43	40.19	10.76
13 Uttar Pradesh	28962.07	25436.13	-3525.94	-12.17	23.26	20.43	-2.83
14 West Bengal	26224.09	15893.31	-10330.77	-39.39	43.05	26.09	-16.96
14 Major States	**222075.47**	**222426.71**	**351.24**	**0.16**	**30.98**	**31.03**	**0.05**

Expenditure Category : Higher Education

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	12585.02	11627.49	-957.53	-7.61	21.16	19.55	-1.61
2 Bihar	9189.00	15359.18	6170.18	67.15	11.67	19.51	7.84
3 Gujarat	5779.92	5698.43	-81.49	-1.41	15.17	14.96	-0.21
4 Haryana	2547.92	2071.05	-476.87	-18.72	16.96	13.78	-3.17
5 Karnataka	8415.02	7280.51	-1134.51	-13.48	20.13	17.41	-2.71
6 Kerala	7501.92	5835.67	-1666.25	-22.21	26.67	20.75	-5.92
7 Madhya Pradesh	6111.01	4865.87	-1245.14	-20.38	10.38	8.26	-2.11
8 Maharashtra	12338.91	11954.00	-384.91	-3.12	17.52	18.97	-0.55
9 Orissa	3211.04	4983.93	1772.89	55.21	11.01	17.09	6.08
10 Punjab	3972.00	3113.33	-858.67	-21.62	21.25	16.65	-4.59

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
11 Rajasthan	4253.98	4534.73	280.75	6.60	10.69	11.39	0.71
12 Tamil Nadu	11037.98	6649.69	-4388.29	-39.76	20.81	12.53	-8.27
13 Uttar Pradesh	9248.02	10439.36	1191.33	12.88	7.43	8.38	0.96
14 West Bengal	8759.03	10543.04	1784.01	20.37	14.38	17.31	2.93
14 Major States	**104950.78**	**104956.28**	**5.50**	**0.01**	**14.64**	**14.64**	**0.00**

Expenditure Category : Other Expenditure On Education

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	820.00	1228.87	408.87	49.86	1.38	2.07	0.69
2 Bihar	929.00	1269.37	340.37	36.64	1.18	1.61	0.43
3 Gujarat	1260.00	1099.75	-160.25	-12.72	3.31	2.89	-0.42
4 Haryana	431.00	354.19	-76.81	-17.82	2.87	2.36	-0.51
5 Karnataka	709.00	976.24	267.24	37.69	1.70	2.33	0.64
6 Kerala	589.00	1060.46	471.46	80.04	2.09	3.77	1.68
7 Madhya Pradesh	590.00	891.90	301.90	51.17	1.00	1.51	0.51
8 Maharashtra	2336.00	2136.48	-199.52	-8.54	3.32	3.03	-0.28
9 Orissa	700.00	522.01	-177.99	-25.43	2.40	1.79	-0.61
10 Punjab	479.00	572.87	93.87	19.60	2.56	3.06	0.50
11 Rajasthan	496.00	774.66	278.66	56.18	1.25	1.95	0.70
12 Tamil Nadu	448.00	1277.39	829.39	185.13	0.84	2.41	1.56
13 Uttar Pradesh	906.00	1906.11	1000.11	110.39	0.73	1.53	0.80
14 West Bengal	4855.00	1477.69	-3377.31	-69.56	7.97	2.43	-5.54
14 Major States	**15548.00**	**15548.00**	**0.00**	**0.00**	**2.17**	**2.17**	**0.00**

Expenditure Category : "Medical, Family Welfare And Public Health (excluding Water Supply)"

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	12368.00	12243.10	-124.90	-1.01	20.79	20.58	-0.21
2 Bihar	9070.00	8593.72	-476.28	-5.25	11.52	10.92	-0.60
3 Gujarat	14696.00	16030.50	1334.50	9.08	38.57	42.07	3.50
4 Haryana	3822.00	3495.77	-326.23	-8.54	25.44	23.27	-2.17
5 Karnataka	11724.00	13665.11	1941.11	16.56	28.04	32.68	4.64
6 Kerala	10731.00	10894.02	163.02	1.52	38.15	38.73	0.58
7 Madhya Pradesh	11507.00	10181.75	-1325.25	-11.52	19.54	17.29	-2.25
8 Maharashtra	20266.00	20684.05	418.05	2.06	28.77	29.36	0.59
9 Orissa	5668.00	6499.20	831.20	14.66	19.44	22.29	2.85
10 Punjab	7760.00	7482.17	-277.83	-3.58	41.51	40.02	-1.49
11 Rajasthan	9885.00	10003.78	118.78	1.20	24.84	25.14	0.30
12 Tamil Nadu	16037.00	17973.93	1936.93	12.08	30.23	33.88	3.65
13 Uttar Pradesh	19175.00	19193.48	18.48	0.10	15.40	15.41	0.01
14 West Bengal	21370.00	17915.45	-3454.55	-16.17	35.08	29.41	-5.67
14 Major States	**174079.00**	**174856.04**	**777.04**	**0.45**	**24.29**	**24.40**	**0.11**

Expenditure Category : Other Social Services

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	502.00	555.68	53.68	10.69	0.84	0.93	0.09
2 Bihar	164.00	406.28	242.28	147.72	0.21	0.52	0.31
3 Gujarat	398.00	384.07	-13.93	-3.50	1.04	1.01	-0.04
4 Haryana	85.00	105.69	20.69	24.34	0.57	0.70	0.14
5 Karnataka	696.00	325.90	-370.10	-53.17	1.66	0.78	-0.89
6 Kerala	224.00	322.42	98.42	43.94	0.80	1.15	0.35
7 Madhya Pradesh	141.00	333.48	192.48	136.51	0.24	0.57	0.33
8 Maharashtra	383.00	658.65	275.65	71.97	0.54	0.94	0.39
9 Orissa	390.00	170.69	-219.31	-56.23	1.34	0.59	-0.75
10 Punjab	138.00	185.06	47.06	34.10	0.74	0.99	0.25
11 Rajasthan	362.00	265.94	-96.06	-26.54	0.91	0.67	-0.24
12 Tamil Nadu	725.00	400.43	-324.57	-44.77	1.37	0.75	-0.61
13 Uttar Pradesh	286.00	545.76	259.76	90.82	0.23	0.44	0.21

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
14 West Bengal	658.00	491.97	-166.03	-25.23	1.08	0.81	-0.27
14 Major States	**5152.00**	**5152.00**	**0.00**	**0.00**	**0.72**	**0.72**	**0.00**

Expenditure Category : Social Services

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	68105.09	68953.45	848.36	1.25	114.49	115.92	1.43
2 Bihar	65780.00	69860.48	4080.48	6.20	83.55	88.74	5.18
3 Gujarat	66432.37	64711.86	-1720.51	-2.59	174.34	169.83	-4.52
4 Haryana	20019.50	20370.58	351.08	1.75	133.24	135.57	2.34
5 Karnataka	55834.10	58068.91	2234.81	4.00	133.55	138.89	5.35
6 Kerala	58379.51	52050.01	-6329.50	-10.84	207.57	185.06	-22.50
7 Madhya Pradesh	62531.08	60232.50	-2298.58	-3.68	106.17	102.27	-3.90
8 Maharashtra	118729.36	109098.11	-9631.24	-8.11	168.55	154.87	-13.67
9 Orissa	29528.30	36718.91	7190.61	24.35	101.26	125.92	24.66
10 Punjab	33578.00	28897.54	-4680.46	-13.94	179.61	154.57	-25.04
11 Rajasthan	44506.84	46855.22	2348.38	5.28	111.83	117.73	5.90
12 Tamil Nadu	73516.90	82721.33	9204.43	12.52	138.57	155.92	17.35
13 Uttar Pradesh	102920.20	109763.92	6843.73	6.65	82.65	88.14	5.50
14 West Bengal	91916.19	84742.75	-7173.44	-7.80	150.90	139.12	-11.78
14 Major States	**891777.41**	**893045.57**	**1268.16**	**0.14**	**124.42**	**124.59**	**0.18**

"Note : *Inclusive of expenditure on "Art, Scientific Services, e.t.c.", "Urban" Development" and "Labour And Employment" reckoned at actuals."*

Expenditure Category : "Agriculture, Food, Cooperation, Community Development, e.t.c."

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	13252.01	12515.74	-736.27	-5.56	22.28	21.04	-1.24
2 Bihar	12990.00	9171.95	-3818.05	-29.39	16.50	11.65	-4.85
3 Gujarat	12312.93	8880.26	-3432.67	-27.88	32.31	23.31	-9.01
4 Haryana	3318.94	3101.60	-217.35	-6.55	22.09	20.64	-1.45
5 Karnataka	9064.01	9445.36	381.34	4.21	21.68	22.59	0.91
6 Kerala	6080.97	5295.29	-785.68	-12.92	21.62	18.83	-2.79
7 Madhya Pradesh	6697.01	9782.63	3085.62	46.07	11.37	16.61	5.24
8 Maharashtra	11553.94	15796.15	4242.21	36.72	16.40	22.42	6.02
9 Orissa	6973.05	5830.55	-1142.50	-16.38	23.91	19.99	-3.92
10 Punjab	3237.00	4007.01	770.01	23.79	17.31	21.43	4.12
11 Rajasthan	4645.99	7409.09	2763.10	59.47	11.67	18.62	6.94
12 Tamil Nadu	13148.99	11250.59	-1898.40	-14.44	24.78	21.21	-3.58
13 Uttar Pradesh	18059.02	20983.01	2923.99	16.19	14.50	16.85	2.35
14 West Bengal	10483.01	8675.66	-1807.35	-17.24	17.21	14.24	-2.97
14. Major States	**131816.87**	**132144.88**	**328.01**	**0.25**	**18.39**	**18.44**	**0.05**

Expenditure Category : Animal Husbandry

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	2360.00	2265.30	-94.70	-4.01	3.97	3.81	-0.16
2 Bihar	2516.00	1959.33	-556.67	-22.13	3.20	2.49	-0.71
3 Gujarat	1227.98	1346.05	118.07	9.61	3.22	3.53	0.31
4 Haryana	892.97	962.87	69.90	7.83	5.94	6.41	0.47
5 Karnataka	1548.00	1793.88	245.88	15.88	3.70	4.29	0.59
6 Kerala	1059.99	969.38	-90.61	-8.55	3.77	3.45	-0.32
7 Madhya Pradesh	2464.00	2985.81	521.80	21.18	4.18	5.07	0.89
8 Maharashtra	3051.98	2398.48	-653.50	-21.41	4.33	3.40	-0.93
9 Orissa	1440.02	1532.29	92.27	6.41	4.94	5.25	0.32
10 Punjab	1118.00	1262.16	144.16	12.89	5.98	6.75	0.77
11 Rajasthan	1567.99	1726.34	158.35	10.10	3.94	4.34	0.40
12 Tamil Nadu	2332.00	1882.65	-499.35	-21.41	4.40	3.45	-0.94

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
13 Uttar Pradesh	2567.01	2841.84	274.83	10.71	2.06	2.28	0.22
14 West Bengal	1795.01	2184.63	389.62	21.71	2.95	3.59	0.64
14 Major States	**25940.95**	**26060.99**	**120.04**	**0.46**	**3.62**	**3.64**	**0.02**

Expenditure Category : Industry And Minerals

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	503.00	502.11	-0.89	-0.18	0.85	0.84	0.00
2 Bihar	1106.00	566.47	-539.53	-48.78	1.40	0.72	-0.69
3 Gujarat	1354.98	2333.36	978.37	72.21	3.56	6.12	2.57
4 Haryana	188.99	308.68	119.68	63.33	1.26	2.05	0.80
5 Karnataka	1800.00	1588.18	-211.82	-11.77	4.31	3.80	-0.51
6 Kerala	1299.99	475.57	-824.42	-63.42	4.62	1.69	-2.93
7 Madhya Pradesh	1319.00	814.68	-504.32	-38.24	2.24	1.38	-0.86
8 Maharashtra	593.00	5702.82	5109.82	861.70	0.84	8.10	7.25
9 Orissa	664.01	162.48	-501.52	-75.53	2.28	0.56	-1.72
10 Punjab	390.00	236.99	-153.01	-39.23	2.09	1.27	-0.82
11 Rajasthan	2079.99	919.22	-1160.77	-55.81	5.23	2.31	-2.92
12 Tamil Nadu	1721.00	2543.95	822.95	47.82	3.24	4.80	1.55
13 Uttar Pradesh	3404.01	1345.31	-2058.69	-60.48	2.73	1.08	-1.65
14 West Bengal	2225.01	1149.16	-1075.85	-48.35	3.65	1.89	-1.77
14 Major States	**18648.98**	**18648.98**	**0.00**	**0.00**	**2.60**	**2.60**	**0.00**

Expenditure Category : Economic Services

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	20996.03	20164.17	-831.86	-3.96	35.30	33.90	-1.40
2 Bihar	18275.00	13360.74	-4914.26	-26.89	23.21	16.97	-6.24
3 Gujarat	26346.78	24010.55	-2336.24	-8.87	69.14	63.01	-6.13
4 Haryana	4738.84	4711.08	-27.77	-0.59	31.54	31.35	-0.18
5 Karnataka	20026.03	20441.43	415.40	2.07	47.90	48.89	0.99
6 Kerala	9993.90	8293.19	-1700.70	-17.02	35.53	29.49	-6.05
7 Madhya Pradesh	16154.02	19257.12	3103.10	19.21	27.43	32.70	5.27
8 Maharashtra	20702.88	29401.42	8698.53	42.02	29.39	41.74	12.35
9 Orissa	10409.13	8857.38	-1551.75	-14.91	35.70	30.37	-5.32
10 Punjab	6202.00	6963.16	761.16	12.27	33.17	37.25	4.07
11 Rajasthan	9360.96	11121.64	1760.68	18.81	23.52	27.94	4.42
12 Tamil Nadu	21999.97	20425.17	-1574.79	-7.16	41.47	38.50	-2.97
13 Uttar Pradesh	27724.06	28864.19	1140.13	4.11	22.26	23.18	0.92
14 West Bengal	24099.05	21605.47	-2493.58	-10.35	39.56	35.47	-4.09
14 Major States	**237028.66**	**237476.71**	**448.05**	**0.19**	**33.07**	**33.13**	**0.06**

"**Note** : *Inclusive of expenditure on ""Other Economic Services"", ""Water and"" Power Development Services"" and ""Compensation to Local Bodies""* reckoned at actuals.

Expenditure Category : Expenditure On Selected Services

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhra Pradesh	121442.12	121827.67	385.56	0.32	204.16	204.81	0.65
2 Bihar	113015.00	120006.68	6991.68	6.19	143.55	152.43	8.88
3 Gujarat	116146.15	111236.33	-4909.82	-4.23	304.81	291.92	-12.89
4 Haryana	33876.34	34407.13	530.79	1.57	225.46	228.99	3.53
5 Karnataka	97927.13	102427.74	4500.61	4.60	234.22	244.99	10.76
6 Kerala	85768.41	77687.64	-8080.77	-9.42	304.95	276.22	-28.73
7 Madhya Pradesh	109038.10	109478.43	440.33	0.40	185.13	185.88	0.75
8 Maharashtra	193989.24	177694.07	-16295.17	-8.40	275.38	252.25	-23.13
9 Orissa	56072.43	61117.99	5045.56	9.00	192.29	209.59	17.30
10 Punjab	55029.00	47875.38	-7153.62	-13.00	294.35	256.09	-38.26
11 Rajasthan	74695.79	81858.70	7162.91	9.59	187.68	205.68	18.00
12 Tamil Nadu	125927.86	134444.93	8517.07	6.76	237.36	253.42	16.05
13 Uttar Pradesh	184811.26	201376.26	16565.01	8.96	148.41	161.71	13.30
14 West Bengal	147358.24	137498.40	-9859.84	-6.69	241.92	225.73	-16.19
14 Major States	**1518097.07**	**1518937.35**	**3840.28**	**0.25**	**211.38**	**211.91**	**0.54**

TABLE B.5.3

Inter-State Variations In Per Capita Normative Expenditure : 1986-87

Expenditure Category	Mean (Rs.) Actual	Mean (Rs.) Normative	Standard Deviation (Rs.) Actual	Standard Deviation (Rs.) Normative	Coeff. of Variation Actual	Coeff. of Variation Normative
1 Organs of State	0.8255	0.8331	0.3740	0.0677	0.4530	0.0813
2 Administrative Services	8.2614	8.2768	4.3141	0.3071	0.5222	0.0371
3 Administration of Justice	3.2295	3.2321	0.7323	0.8155	0.2267	0.2523
4 Fiscal Services	10.3847	10.4169	2.9866	4.0899	0.2876	0.3926
5 Police	24.3981	24.5918	6.2507	1.6000	0.2562	0.0651
6 Jails	1.5684	1.5706	0.5085	0.3258	0.3242	0.2074
7 Other Administrative Services	4.6994	4.7355	1.3994	0.4253	0.2978	0.0898
8 Fire Protection	0.5264	0.5329	0.5426	0.1735	1.0308	0.3256
General Administrative Services	**53.8934**	**54.1898**	**11.5740**	**4.7043**	**0.2148**	**0.0868**
9 Primary Education	44.8892	44.9079	11.7824	7.4120	0.2625	0.1650
10 Secondary Education	30.9829	31.0319	11.9375	10.9411	0.3853	0.3526
11 Higher Education	14.6422	14.6430	5.3634	4.3684	0.3663	0.2983
12 Other Education	24.2867	24.3951	8.7713	9.2653	0.3612	0.3798
13 "Art, Scientific Services, e.t.c."	2.5817	2.5817	3.2430	3.2430	1.2561	1.2561
14 "Medical, Family Welfare, e.t.c."	2.8711	2.8711	2.3913	2.3913	0.8329	0.8329
15 Urban Development	2.1692	2.1692	1.9742	0.6196	0.9101	0.2856
16 Labour Employment	1.2747	1.2747	0.5381	0.5381	0.4221	0.4221
17 Other Social Services	0.7188	0.7188	0.4601	0.2096	0.6401	0.2916
Social Services	**124.4164**	**124.5934**	**36.1698**	**29.8799**	**0.2907**	**0.2398**
18 "Agriculture, Food, e.t.c."	18.3904	18.4362	5.2216	3.5592	0.2839	0.1931
19 Animal Husbandry	3.6192	3.6359	0.9774	1.1034	0.2701	0.3035
20 Industry and Minerals	2.6018	2.6018	1.2905	2.3534	0.4960	0.9045
21 Other Economic Services	1.5831	1.5831	1.0033	1.0033	0.6338	0.6338
22 "Water, Power Development Services"	1.6633	1.6633	4.9599	4.9599	2.9820	2.9820
23 Compensation to Local Bodies	5.2113	5.2113	4.4095	4.4095	0.8461	0.8461
Economic Services	**33.0691**	**33.1316**	**11.4788**	**10.9830**	**0.3471**	**0.3315**
All Services	***211.3790***	***211.9148***	***53.4307***	***42.6125***	***0.2528***	***0.2011***

TABLE B.5.4

Projection Of Normative Expenditure On Selected Categories

		1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1990-91 to 1994-95
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Expenditure Category : Organs Of State								
1	Andhra Pradesh	595.43	651.19	712.17	778.87	851.81	931.58	3925.61
2	Bihar	1206.25	1244.23	1283.40	1323.81	1365.49	1408.48	6625.42
3	Gujarat	352.11	391.87	436.12	485.37	540.18	601.17	2454.71
4	Haryana	298.73	284.21	270.40	257.26	244.76	232.87	1289.50
5	Karnataka	536.33	561.19	587.20	614.42	642.90	672.70	3078.41
6	Kerala	406.30	424.58	443.68	463.63	484.49	506.28	2322.66
7	Madhya Pradesh	696.42	741.32	789.12	839.99	894.15	951.79	4216.37
8	Maharashtra	819.80	865.18	913.07	963.61	1016.95	1073.24	4832.04
9	Orissa	363.67	395.13	429.31	466.44	506.79	550.63	2348.30
10	Punjab	402.20	375.24	350.09	326.63	304.74	284.31	1641.01
11	Rajasthan	500.58	549.10	602.33	660.72	724.77	795.03	3331.95
12	Tamil Nadu	547.63	599.39	656.04	718.06	785.93	860.22	3619.63
13	Uttar Pradesh	1310.01	1459.94	1627.02	1813.23	2020.76	2252.03	9172.98
14	West Bengal	541.62	607.91	682.32	765.84	859.58	964.79	3880.44
14	**Major States**	**8577.07**	**9150.48**	**9782.28**	**10477.88**	**11243.27**	**12085.11**	**52739.03**
Expenditure Category : Administrative Services								
1	Andhra Pradesh	8772.85	8921.55	9072.78	9226.57	9382.96	9542.01	46145.87
2	Bihar	7282.57	8115.03	9042.63	10076.27	11228.06	12511.51	50973.51
3	Gujarat	4108.49	4509.12	4948.81	5431.39	5961.01	6542.29	27392.62
4	Haryana	1702.27	1817.33	1940.16	2071.29	2211.28	2360.74	10400.79
5	Karnataka	4609.50	5048.68	5529.71	6056.57	6633.63	7265.67	30534.28
6	Kerala	3616.54	3847.03	4092.21	4353.01	4630.44	4925.55	21848.24
7	Madhya Pradesh	6197.22	6747.30	7346.20	7998.26	8708.20	9481.16	40281.12
8	Maharashtra	13252.55	12998.44	12749.21	12504.76	12264.99	12029.83	62547.23
9	Orissa	3490.67	3737.55	4001.89	4284.93	4587.98	4912.47	21524.83
10	Punjab	2370.84	2489.40	2613.89	2744.59	2881.84	3025.95	13755.67
11	Rajasthan	4572.49	4958.08	5376.20	5829.57	6321.18	6854.25	29339.28
12	Tamil Nadu	8755.07	8896.25	9039.69	9185.46	9333.57	9484.07	45939.03
13	Uttar Pradesh	11420.68	12921.38	14619.28	16540.29	18713.73	21172.76	83967.45
14	West Bengal	5369.18	6074.38	6872.19	7774.78	8795.92	9951.18	39468.44
14	**Major States**	**85520.93**	**91081.52**	**97244.86**	**104077.75**	**111654.82**	**120059.43**	**524118.38**
Expenditure Category : Administration Of Justice								
1	Andhra Pradesh	2568.94	2683.14	2802.43	2927.02	3057.15	3193.06	14662.80
2	Bihar	2680.96	2812.44	2950.37	3095.07	3246.86	3406.10	15510.84
3	Gujarat	2173.77	2347.62	2535.36	2738.13	2957.10	3193.59	13771.81
4	Haryana	695.23	742.29	792.53	846.18	903.46	964.62	4249.09
5	Karnataka	2682.96	2859.07	3046.74	3246.73	3459.85	3686.95	16299.35
6	Kerala	1673.26	1715.04	1757.85	1801.74	1846.72	1892.82	9014.16
7	Madhya Pradesh	2151.62	2335.00	2534.01	2749.98	2984.36	3238.71	13842.07
8	Maharashtra	4418.24	4777.42	5165.80	5585.75	6039.84	6530.85	28099.66
9	Orissa	1052.44	1100.72	1151.21	1204.02	1259.25	1317.02	6032.22
10	Punjab	1023.26	1082.30	1144.75	1210.81	1280.67	1354.57	6073.11
11	Rajasthan	1464.82	1505.98	1548.30	1591.81	1636.53	1682.52	7965.14
12	Tamil Nadu	2920.83	3150.89	3399.08	3666.80	3955.62	4267.19	18439.58
13	Uttar Pradesh	5119.70	5535.89	5985.91	6472.51	6998.67	7567.60	32560.57
14	West Bengal	2787.77	3079.87	3402.57	3759.08	4152.94	4588.08	18982.53
14	**Major States**	**33413.80**	**35727.67**	**38216.92**	**40895.62**	**43779.04**	**46883.69**	**205502.94**
Expenditure Category : Fiscal Services								
1	Andhra Pradesh	10403.35	11002.66	11636.50	12306.85	13015.82	13765.64	61727.48
2	Bihar	7052.13	7704.89	8418.06	9197.26	10048.57	10978.69	46347.47
3	Gujarat	5467.82	6191.97	7012.04	7940.71	8992.38	10183.33	40320.44
4	Haryana	2882.18	3267.72	3704.82	4200.40	4762.28	5399.31	21334.53
5	Karnataka	7071.42	7500.38	7955.37	8437.96	8949.82	9492.74	42336.28
6	Kerala	7071.26	7612.83	8195.88	8823.59	9499.37	10226.91	44358.58
7	Madhya Pradesh	9634.41	10041.87	10466.58	10909.24	11370.62	11851.52	54639.84
8	Maharashtra	12081.01	12520.88	12976.76	13449.24	13938.93	14446.44	67332.25
9	Orissa	5222.80	5545.01	5887.10	6250.30	6635.90	7045.29	31363.61
10	Punjab	3515.26	3958.54	4457.72	5019.84	5652.85	6365.68	25454.62
11	Rajasthan	9448.04	10468.88	11600.02	12853.37	14242.15	15780.97	64945.39
12	Tamil Nadu	8335.31	9167.26	10082.24	11088.54	12195.28	13412.48	55945.79
13	Uttar Pradesh	12799.49	13173.52	13558.47	13954.67	14362.45	14782.15	69831.26
14	West Bengal	6582.67	6733.27	6887.31	7044.89	7206.06	7370.93	35242.46
14	**Major States**	**107567.14**	**114889.68**	**122838.88**	**131476.86**	**140872.48**	**151102.07**	**661179.98**

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Expenditure Category : Police								
1	Andhra Pradesh	19051.17	21015.59	23182.56	25572.98	28209.88	31118.68	129099.69
2	Bihar	22882.48	25074.99	27477.58	30110.38	32995.44	36156.94	151815.34
3	Gujarat	16750.30	17218.64	17700.09	18194.99	18703.73	19226.70	91044.16
4	Haryana	6112.30	6393.25	6687.12	6994.50	7316.00	7652.28	35043.16
5	Karnataka	13878.78	15119.12	16470.30	17942.24	19545.72	21292.51	90369.89
6	Kerala	9495.42	10164.98	10881.75	11649.06	12470.47	13349.81	58516.07
7	Madhya Pradesh	19808.86	21076.68	22425.64	23860.94	25388.10	27013.00	119764.36
8	Maharashtra	30045.27	31105.62	32203.39	33339.90	34516.52	35734.67	166900.09
9	Orissa	9522.23	10185.51	10894.98	11653.88	12465.64	13333.94	58533.94
10	Punjab	9799.41	9974.28	10152.27	10333.43	10517.83	10705.51	51683.32
11	Rajasthan	12262.22	13106.14	14008.13	14972.21	16002.63	17103.97	75193.07
12	Tamil Nadu	17848.08	19437.05	21167.47	23051.95	25104.20	27339.15	116099.81
13	Uttar Pradesh	42644.62	46258.41	50178.45	54430.67	59043.24	64046.69	273957.46
14	West Bengal	23231.03	24866.23	26616.54	28490.04	30495.42	32641.96	143110.19
14	**Major States**	**253332.19**	**270996.50**	**290046.27**	**310597.17**	**332774.83**	**356715.80**	**1561130.57**
Expenditure Category : Jails								
1	Andhra Pradesh	1197.96	1343.83	1507.47	1691.04	1896.95	2127.94	8567.24
2	Bihar	2085.71	2193.86	2307.61	2427.27	2553.12	2685.51	12167.36
3	Gujarat	747.91	850.23	966.55	1098.78	1249.11	1420.00	5584.67
4	Haryana	496.52	536.46	579.62	626.24	676.61	731.04	3149.98
5	Karnataka	641.77	720.24	808.30	907.13	1018.04	1142.52	4596.23
6	Kerala	539.47	589.05	643.19	702.31	766.86	837.34	3538.75
7	Madhya Pradesh	1522.66	1670.70	1833.14	2011.37	2206.93	2421.51	10143.66
8	Maharashtra	1301.37	1388.41	1481.26	1580.32	1686.01	1798.76	7934.76
9	Orissa	778.24	854.51	938.25	1030.20	1131.16	1242.01	5196.14
10	Punjab	741.18	757.11	773.39	790.02	807.00	824.36	3951.88
11	Rajasthan	882.69	961.38	1047.09	1140.44	1242.11	1352.85	5743.88
12	Tamil Nadu	1470.67	1488.75	1507.05	1525.58	1544.33	1563.32	7629.03
13	Uttar Pradesh	2574.91	2692.31	2815.06	2943.40	3077.60	3217.91	14746.28
14	West Bengal	1251.16	1282.71	1315.06	1348.23	1382.23	1417.09	6745.32
14	**Major States**	**16232.21**	**17329.55**	**18523.04**	**19822.32**	**21238.08**	**22782.17**	**99695.16**
Expenditure Category : Fire Protection And Control								
1	Andhra Pradesh	600.20	582.31	564.96	548.12	531.79	515.94	2743.12
2	Bihar	293.69	352.81	423.84	509.16	611.65	734.78	2632.24
3	Gujarat	195.41	240.18	295.20	362.84	445.97	548.14	1892.33
4	Haryana	45.15	54.39	65.51	78.92	95.06	114.51	408.39
5	Karnataka	390.04	416.82	445.44	476.03	508.72	543.65	2390.66
6	Kerala	456.82	449.92	443.13	436.44	429.85	423.36	2182.71
7	Madhya Pradesh	294.39	356.16	430.90	521.32	630.71	763.06	2702.15
8	Maharashtra	213.08	259.73	316.60	385.92	470.42	573.42	2006.11
9	Orissa	493.51	491.56	489.60	487.66	485.73	483.80	2438.34
10	Punjab	60.22	74.02	90.98	111.83	137.45	168.94	583.21
11	Rajasthan	236.39	290.55	357.11	438.93	539.49	663.10	2289.19
12	Tamil Nadu	829.75	823.21	816.73	810.30	803.91	797.58	4051.73
13	Uttar Pradesh	797.07	856.06	919.41	987.44	1060.52	1139.00	4962.42
14	West Bengal	572.18	489.15	418.17	357.49	305.62	261.27	1831.70
14	**Major States**	**5477.91**	**5736.88**	**6077.60**	**6512.40**	**7056.88**	**7730.54**	**33114.29**
Expenditure Category : Other Administrative Services								
1	Andhra Pradesh	3741.09	3964.81	4201.91	4453.19	4719.50	5001.73	22341.14
2	Bihar	3948.17	4370.44	4837.88	5355.30	5928.07	6562.10	27053.79
3	Gujarat	3304.92	3406.86	3511.94	3620.26	3731.93	3847.03	18118.02
4	Haryana	1073.63	1134.89	1199.65	1268.10	1340.46	1416.94	6360.04
5	Karnataka	3364.58	3534.73	3713.48	3901.26	4098.55	4305.81	19553.81
6	Kerala	1803.64	1988.59	2192.51	2417.33	2665.22	2938.52	12202.16
7	Madhya Pradesh	3227.92	3518.75	3835.77	4181.35	4558.07	4968.74	21062.68
8	Maharashtra	5505.59	5798.14	6106.23	6430.69	6772.39	7132.25	32239.70
9	Orissa	1929.53	2042.93	2162.98	2290.09	2424.68	2567.17	11487.84
10	Punjab	1756.96	1721.20	1686.15	1651.83	1618.20	1585.25	8262.63
11	Rajasthan	2888.62	3097.88	3322.30	3562.98	3821.09	4097.90	17902.15
12	Tamil Nadu	3812.83	4119.84	4451.58	4810.02	5197.32	5615.81	24194.57
13	Uttar Pradesh	7681.78	8508.70	9424.65	10439.19	11562.94	12807.66	52743.14
14	West Bengal	4750.00	4951.13	5160.77	5379.30	5607.07	5844.50	26942.77
14	**Major States**	**48789.28**	**52158.88**	**55807.79**	**59760.90**	**64045.48**	**68691.40**	**300464.45**
Expenditure Category : General Administrative Services								
1	Andhra Pradesh	46930.99	50165.10	53680.79	57504.64	61665.86	66196.57	289212.96
2	Bihar	47431.96	51868.69	56741.38	62094.52	67977.28	74444.12	313125.98
3	Gujarat	33100.72	35156.49	37406.12	39872.47	42581.41	45562.26	200578.75
4	Haryana	13306.02	14230.54	15239.82	16342.89	17549.92	18872.31	82235.48
5	Karnataka	33175.38	35760.23	38556.55	41582.35	44857.23	48402.55	209158.91
6	Kerala	25062.71	26792.02	28650.20	30647.11	32793.42	35100.59	153983.33

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
7	Madhya Pradesh	43533.51	46487.79	49661.35	53072.46	56741.15	60689.49	266652.24
8	Maharashtra	67636.91	69713.81	71912.31	74240.20	76706.06	79319.46	371891.84
9	Orissa	22853.11	24352.91	25955.34	27667.53	29497.13	31452.33	138925.23
10	Punjab	19669.34	20432.10	21269.24	22188.97	23200.57	24314.57	111405.45
11	Rajasthan	32255.85	34938.00	37861.49	41050.03	44529.96	48330.58	206710.05
12	Tamil Nadu	44520.18	47682.63	51119.87	54856.69	58920.16	63339.81	275919.17
13	Uttar Pradesh	84348.26	91406.20	99128.24	107581.41	116839.90	126985.79	541941.55
14	West Bengal	45085.61	48084.65	51354.93	54919.64	58804.85	63039.79	276203.86
14	**Major States**	**558910.53**	**597071.16**	**638537.63**	**683620.90**	**732664.89**	**786050.22**	**3437944.80**
Expenditure Category : Primary Education								
1	Andhra Pradesh	34135.19	36627.32	39301.40	42170.70	45249.48	48553.03	211901.93
2	Bihar	44152.22	46260.36	48469.15	50783.42	53208.18	55748.71	254469.82
3	Gujarat	31622.20	33385.49	35247.10	37212.51	39287.52	41478.23	186610.85
4	Haryana	7897.48	8387.48	8907.88	9460.57	10047.56	10670.96	47474.45
5	Karnataka	30903.00	32752.22	34712.11	36789.27	38990.73	41323.92	184568.24
6	Kerala	26565.79	26739.17	26913.69	27089.35	27266.15	27444.10	135452.46
7	Madhya Pradesh	36241.08	38655.79	41231.39	43978.60	46908.85	50034.34	220808.97
8	Maharashtra	56744.97	60223.57	63915.42	67833.59	71991.95	76405.23	340369.77
9	Orissa	16322.66	17960.72	19763.17	21746.50	23928.88	26330.26	109729.54
10	Punjab	10960.90	11540.85	12151.48	12794.43	13471.40	14184.18	64142.34
11	Rajasthan	24669.53	26473.85	28410.13	30488.04	32717.92	35110.90	153200.84
12	Tamil Nadu	42828.95	46637.86	50785.50	55302.01	60220.18	65575.73	278521.27
13	Uttar Pradesh	65263.81	71011.45	77265.28	84069.87	91473.72	99529.61	423349.93
14	West Bengal	36043.11	39779.73	43903.74	48455.29	53478.70	59022.90	244640.37
14	**Major States**	**464350.89**	**496435.87**	**530977.45**	**568174.14**	**608241.20**	**651412.11**	**2855240.77**
Expenditure Category : Secondary Education								
1	Andhra Pradesh	22534.86	24234.49	26062.32	28028.00	30141.94	32415.32	140882.07
2	Bihar	17087.18	18850.43	20795.64	22941.57	25308.94	27920.60	115817.17
3	Gujarat	21070.71	22551.91	24137.23	25833.99	27650.04	29593.74	129766.91
4	Haryana	10279.78	11237.57	12284.61	13429.20	14680.44	16048.26	67680.09
5	Karnataka	16569.20	18242.84	20085.54	22114.38	24348.14	26807.53	111598.44
6	Kerala	22546.86	24755.86	27181.28	29844.33	32768.29	35978.72	150528.49
7	Madhya Pradesh	23565.24	25301.25	27165.14	29166.35	31314.98	33621.90	146569.62
8	Maharashtra	45369.14	47481.11	49691.39	52004.57	54425.42	56958.97	260561.45
9	Orissa	13467.62	14647.47	15930.69	17326.32	18844.23	20495.11	87243.82
10	Punjab	14895.17	15530.00	16191.88	16881.98	17601.48	18351.65	84557.00
11	Rajasthan	17020.08	18402.23	19896.62	21512.37	23259.33	25148.16	108218.71
12	Tamil Nadu	26648.57	29345.54	32315.46	35585.96	39187.44	43153.41	179587.81
13	Uttar Pradesh	39245.50	41433.63	43743.75	46182.68	48757.58	51476.05	231593.69
14	West Bengal	30385.53	30733.16	31084.76	31440.39	31800.09	32163.90	157222.30
14	**Major States**	**320685.43**	**342747.50**	**366566.33**	**392292.09**	**420088.34**	**450133.32**	**1971827.57**
Expenditure Category : Higher Education								
1	Andhra Pradesh	17468.08	18540.61	19679.00	20887.29	22169.77	23530.98	104807.66
2	Bihar	17710.25	19819.11	22179.09	24820.08	27775.56	31082.95	125676.79
3	Gujarat	8281.04	8848.10	9453.98	10101.36	10793.06	11532.13	50728.63
4	Haryana	3332.35	3488.74	3652.48	3823.90	4003.37	4191.26	19159.76
5	Karnataka	11323.51	11935.71	12581.00	13261.17	13978.12	14733.83	66489.84
6	Kerala	9622.39	10024.79	10444.02	10880.78	11335.81	11809.87	54495.27
7	Madhya Pradesh	7919.26	8272.00	8640.46	9025.33	9427.34	9847.25	45212.38
8	Maharashtra	17526.09	18693.10	19937.83	21265.44	22681.46	24191.76	106769.60
9	Orissa	5912.25	6578.81	7320.53	8145.86	9064.24	10086.17	41195.62
10	Punjab	5111.70	5330.02	5557.65	5795.01	6042.51	6300.57	29025.76
11	Rajasthan	6340.60	6827.24	7351.23	7915.44	8522.96	9177.10	39793.97
12	Tamil Nadu	12760.74	12897.10	13034.91	13174.19	13314.96	13457.23	65878.38
13	Uttar Pradesh	14203.43	15377.30	16648.19	18024.12	19513.76	21126.52	90689.90
14	West Bengal	13925.45	15166.01	16517.09	17988.53	19591.05	21336.34	90599.01
14	**Major States**	**151437.13**	**161798.64**	**172997.46**	**185108.50**	**198213.96**	**212403.97**	**930522.53**
Expenditure Category : Other Expenditure On Education								
1	Andhra Pradesh	1478.15	1640.24	1820.10	2019.69	2241.16	2486.91	10208.10
2	Bihar	1586.01	1746.60	1923.45	2118.21	2332.68	2568.87	10689.81
3	Gujarat	1702.44	1796.17	1895.06	1999.39	2109.47	2225.61	10025.70
4	Haryana	566.47	593.77	622.39	652.39	683.83	716.78	3269.16
5	Karnataka	1215.81	1339.79	1476.40	1626.95	1792.84	1975.65	8211.63
6	Kerala	1190.00	1338.96	1506.56	1695.15	1907.34	2146.09	8594.09
7	Madhya Pradesh	1069.12	1187.18	1318.27	1463.84	1625.49	1804.98	7399.75
8	Maharashtra	3226.67	3421.16	3627.39	3846.04	4077.87	4323.68	19296.14
9	Orissa	881.62	914.09	947.76	982.68	1018.88	1056.41	4919.82
10	Punjab	758.87	825.99	899.05	978.57	1065.13	1159.34	4928.08
11	Rajasthan	916.72	1020.57	1136.18	1264.89	1408.19	1567.71	6397.54
12	Tamil Nadu	1244.78	1440.69	1667.43	1929.85	2233.58	2585.10	9856.64
13	Uttar Pradesh	2028.80	2307.02	2623.40	2983.16	3392.27	3857.47	15163.32

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
14	West Bengal	4568.71	4197.42	3856.30	3542.91	3254.99	2990.46	17842.08
14	**Major States**	**22434.16**	**23769.65**	**25319.75**	**27103.71**	**29143.69**	**31465.07**	**136801.87**

Expenditure Category : "Medical, Family Welfare And Public Health (excluding Water Supply)".

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Andhra Pradesh	17755.64	18979.22	20287.11	21685.13	23179.49	24776.83	108907.78
2	Bihar	12743.47	13561.17	14431.34	15357.35	16342.78	17391.44	77084.08
3	Gujarat	22167.59	23921.87	25814.97	27857.89	30062.48	32441.54	140098.75
4	Haryana	5279.39	5597.66	5935.11	6292.91	6672.28	7074.52	31572.48
5	Karnataka	18316.94	19890.05	21598.26	23453.17	25467.40	27654.61	118063.48
6	Kerala	15601.34	16718.53	17915.72	19198.63	20573.42	22046.65	96452.94
7	Madhya Pradesh	15647.32	16532.83	17468.46	18457.03	19501.56	20605.19	92565.07
8	Maharashtra	29543.35	31675.67	33961.89	36413.12	39041.26	41859.10	182951.04
9	Orissa	8778.01	9517.43	10319.14	11188.38	12130.84	13152.68	56308.47
10	Punjab	10996.44	11722.98	12497.52	13323.24	14203.51	15141.94	66889.19
11	Rajasthan	14348.73	15371.43	16467.03	17640.72	18898.06	20245.02	88622.28
12	Tamil Nadu	24537.13	26547.18	28721.90	31074.76	33620.37	36374.51	156338.72
13	Uttar Pradesh	27680.88	29621.40	31697.95	33920.07	36297.97	38842.57	170379.95
14	West Bengal	28342.43	29773.23	31276.27	32855.19	34513.81	36256.17	164674.67
14	**Major States**	**251738.66**	**269430.65**	**288392.67**	**308717.60**	**330505.22**	**353862.76**	**1550908.89**

Expenditure Category : Other Social Services

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Andhra Pradesh	763.06	824.60	891.10	962.96	1040.62	1124.54	4843.81
2	Bihar	411.41	472.51	542.68	623.28	715.84	822.16	3176.47
3	Gujarat	564.22	601.55	641.35	683.79	729.03	777.26	3432.99
4	Haryana	137.57	150.27	164.13	179.28	195.82	213.89	903.39
5	Karnataka	737.25	721.01	705.12	689.59	674.40	659.54	3449.66
6	Kerala	394.22	436.02	482.25	533.39	589.95	652.50	2694.10
7	Madhya Pradesh	342.31	392.09	449.10	514.40	589.20	674.88	2619.67
8	Maharashtra	751.50	842.76	945.11	1059.88	1188.60	1332.94	5369.29
9	Orissa	404.51	391.94	379.76	367.96	356.52	345.44	1841.62
10	Punjab	233.07	256.27	281.77	309.80	340.63	374.52	1562.98
11	Rajasthan	453.03	468.91	485.34	502.35	519.96	538.19	2514.76
12	Tamil Nadu	811.94	811.62	811.30	810.99	810.67	810.36	4054.94
13	Uttar Pradesh	600.07	677.94	765.92	865.31	977.60	1104.46	4391.23
14	West Bengal	829.64	860.46	892.42	925.57	959.96	995.61	4634.03
14	**Major States**	**7433.81**	**7907.94**	**8437.36**	**9028.55**	**9688.80**	**10426.30**	**45488.95**

Expenditure Category : Social Services

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Andhra Pradesh	98880.68	105924.37	113474.37	121567.44	130243.08	139543.70	610752.95
2	Bihar	97857.62	105168.96	113112.25	121748.76	131146.17	141379.29	612555.44
3	Gujarat	94613.81	100955.08	107729.19	114966.19	122698.26	130959.84	577308.55
4	Haryana	29139.36	31217.06	33451.48	35855.06	38441.28	41224.71	180189.59
5	Karnataka	82175.16	88208.72	94718.44	101743.73	109327.47	117516.25	511514.61
6	Kerala	79669.21	84024.35	88735.31	93833.84	99354.62	105335.56	471283.68
7	Madhya Pradesh	88567.60	94389.24	100604.29	107240.23	114326.52	121894.78	538455.06
8	Maharashtra	164365.78	174325.74	184906.57	196148.10	208092.81	220785.96	984259.18
9	Orissa	47793.95	52179.66	56982.08	62241.20	68000.93	74309.44	313713.31
10	Punjab	45072.88	47471.00	50002.80	52676.12	55499.25	58481.03	264130.21
11	Rajasthan	65913.02	70880.07	76224.50	81975.23	88163.43	94822.67	412065.91
12	Tamil Nadu	112717.83	121837.71	131785.26	142637.92	154480.57	167406.26	718147.72
13	Uttar Pradesh	153440.64	165156.16	177802.83	191457.64	206204.21	222133.39	962754.23
14	West Bengal	127450.33	134800.36	142821.26	151568.89	161104.88	171497.10	761792.48
14	**Major States**	**1287657.86**	**1376538.48**	**1472350.62**	**1575660.37**	**1687083.49**	**1807289.98**	**7918922.93**

"Note : Inclusive of expenditure on "Art, Scientific Services, e.t.c.", "Urban" "Development" and "Labour And Employment" reckoned at actuals."

Expenditure Category : "Agriculture, Food, Cooperation, Community Development, e.t.c."

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Andhra Pradesh	18590.10	19776.41	21038.43	22380.98	23809.20	25328.57	112333.59
2	Bihar	15988.70	16473.04	16972.05	17486.17	18015.87	18561.62	87508.76
3	Gujarat	15289.80	15792.01	16310.72	16846.46	17399.80	17971.32	84320.30
4	Haryana	4632.09	4922.32	5230.73	5558.46	5906.73	6276.82	27895.06
5	Karnataka	13353.55	14346.70	15413.71	16560.07	17791.70	19114.92	83227.10
6	Kerala	8207.38	8657.10	9131.46	9631.82	10159.58	10716.27	48296.24
7	Madhya Pradesh	11889.21	13165.71	14579.27	16144.59	17877.98	19797.48	81565.02
8	Maharashtra	19731.68	21730.63	23932.09	26356.57	29026.67	31967.26	133013.21
9	Orissa	9237.14	9700.70	10187.51	10698.76	11235.67	11799.51	53622.15
10	Punjab	5226.18	5706.14	6230.18	6802.34	7427.05	8109.13	34274.84
11	Rajasthan	8697.12	9698.04	10814.16	12058.73	13446.53	14994.05	61011.52
12	Tamil Nadu	17603.04	18532.59	19511.22	20541.53	21626.25	22768.25	102979.83
13	Uttar Pradesh	28166.81	30576.98	33193.37	36033.65	39116.96	42464.10	181385.07
14	West Bengal	13822.00	14499.33	15209.86	15955.21	16737.08	17557.27	79958.75
14	**Major States**	**190434.81**	**203577.70**	**217754.75**	**233055.34**	**249577.07**	**267426.57**	**1171391.44**

Expenditure Category : Animal Husbandry

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Andhra Pradesh	3336.92	3555.76	3788.95	4037.44	4302.22	4584.37	20268.75
2	Bihar	3228.72	3364.16	3505.28	3652.32	3805.53	3965.16	18292.45
3	Gujarat	1857.03	2004.93	2164.60	2336.99	2523.11	2724.05	11753.68
4	Haryana	1338.89	1443.24	1555.73	1676.99	1807.69	1948.59	8432.25
5	Karnataka	2411.00	2616.66	2839.86	3082.10	3345.01	3630.34	15513.98
6	Kerala	1464.09	1552.33	1645.89	1745.08	1850.26	1961.78	8755.33
7	Madhya Pradesh	3931.76	4284.62	4669.16	5088.20	5544.85	6042.49	25629.32
8	Maharashtra	3932.22	4101.37	4277.78	4461.79	4653.71	4853.89	22348.54
9	Orissa	2144.37	2308.54	2485.29	2675.57	2880.42	3100.95	13450.77
10	Punjab	1717.16	1859.10	2012.77	2179.15	2359.27	2554.29	10964.58
11	Rajasthan	2376.69	2567.05	2772.66	2994.73	3234.59	3493.66	15062.69
12	Tamil Nadu	3004.57	3133.81	3268.61	3409.20	3555.84	3708.79	17076.26
13	Uttar Pradesh	3902.20	4216.95	4557.09	4924.66	5321.88	5751.14	24771.73
14	West Bengal	2871.10	3130.01	3412.26	3719.96	4055.41	4421.12	18738.76
14	**Major States**	**37516.73**	**40138.53**	**42955.93**	**45984.19**	**49239.81**	**52740.61**	**231059.06**

Expenditure Category : Industry And Minerals

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Andhra Pradesh	725.14	775.76	829.92	887.86	949.84	1016.15	4459.53
2	Bihar	1206.60	1194.31	1182.14	1170.10	1158.18	1146.38	5851.10
3	Gujarat	2660.95	2984.39	3347.16	3754.01	4210.32	4722.10	19017.99
4	Haryana	359.04	401.10	448.07	500.56	559.18	624.68	2533.59
5	Karnataka	2444.40	2581.95	2727.25	2880.72	3042.83	3214.06	14446.81
6	Kerala	1280.97	1209.78	1142.54	1079.04	1019.07	962.43	5412.85
7	Madhya Pradesh	1539.34	1560.62	1582.19	1604.05	1626.22	1648.70	8021.78
8	Maharashtra	4542.11	5473.37	6595.56	7947.84	9577.38	11541.01	41135.16
9	Orissa	596.27	529.36	469.95	417.21	370.39	328.83	2115.74
10	Punjab	452.34	457.67	463.06	468.51	474.02	479.61	2342.86
11	Rajasthan	2163.77	2099.35	2036.84	1976.19	1917.34	1860.25	9889.97
12	Tamil Nadu	3076.94	3410.58	3780.39	4190.30	4644.66	5148.29	21174.22
13	Uttar Pradesh	3426.39	3272.39	3125.31	2984.84	2850.69	2722.56	14955.80
14	West Bengal	2434.29	2412.15	2390.21	2368.48	2346.94	2325.59	11843.37
14	**Major States**	**26908.55**	**28362.76**	**30120.58**	**32229.71**	**34747.07**	**37740.64**	**163200.75**

Expenditure Category : Economic Services

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Andhra Pradesh	33297.96	35498.95	37845.68	40347.84	43015.74	45860.38	202568.60
2	Bihar	22823.56	23599.01	24406.70	25248.13	26124.88	27038.64	126417.36
3	Gujarat	36330.22	38460.35	40739.02	43178.17	45790.79	48591.05	216759.38
4	Haryana	6817.63	7288.40	7792.80	8333.34	8912.76	9533.98	41861.28
5	Karnataka	30038.19	32202.60	34524.11	37014.22	39685.25	42550.44	185976.63
6	Kerala	13193.19	13816.81	14485.33	15200.96	15966.08	16783.25	76252.42
7	Madhya Pradesh	25547.31	27771.05	30203.91	32866.28	35780.55	38971.36	165593.14
8	Maharashtra	36278.67	39943.12	44047.83	48655.56	53839.37	59684.49	246170.38
9	Orissa	13899.80	14595.16	15343.27	16146.10	17005.85	17925.01	81015.39
10	Punjab	9497.99	10272.37	11112.93	12025.40	13016.03	14091.61	60518.35
11	Rajasthan	14777.14	16011.76	17386.29	18915.67	20616.51	22507.28	95437.51
12	Tamil Nadu	36207.55	38476.58	40897.80	43482.25	46241.85	49189.48	218287.96
13	Uttar Pradesh	41130.51	44095.88	47327.40	50846.39	54676.00	58841.33	255787.00
14	West Bengal	33073.46	34963.79	36979.19	39128.19	41419.89	43864.06	196355.12
14	**Major States**	**352913.18**	**376995.80**	**403092.26**	**431388.50**	**462091.56**	**495432.36**	**2169000.49**

"**Note** : *Inclusive of expenditure on ""Other Economic Services"", ""Water and" " Power Development Services"" and ""Compensation to Local Bodies"" reckoned at actuals.*

Expenditure Category : Expenditure On Selected Services

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Andhra Pradesh	180193.77	192748.45	206242.07	220748.04	236345.77	253121.21	1109205.54
2	Bihar	178876.20	192153.13	206582.96	222276.62	239356.51	257957.79	1118327.01
3	Gujarat	164044.75	174571.91	185874.32	198016.83	211070.46	225113.15	994646.68
4	Haryana	49263.00	52736.00	56484.09	60531.30	64903.96	69631.00	304286.35
5	Karnataka	145514.85	156306.51	167943.50	180494.82	194035.29	208646.14	907426.26
6	Kerala	126266.57	133558.53	141420.96	149900.55	159048.06	168918.71	752846.80
7	Madhya Pradesh	158888.20	169974.63	181888.97	194697.74	208473.30	223294.47	978329.11
8	Maharashtra	268281.37	283982.66	300866.71	319043.86	338638.24	359789.92	1602321.39
9	Orissa	91082.87	98121.27	105763.78	114061.74	123071.29	132853.88	573871.96
10	Punjab	74240.21	78175.47	82384.97	86890.49	91715.86	96887.21	436054.00
11	Rajasthan	116944.30	126108.01	136049.93	146839.02	158550.86	171268.36	738816.17
12	Tamil Nadu	219825.92	236223.91	254005.80	273293.93	294221.85	316935.38	1374680.87
13	Uttar Pradesh	335626.70	361335.05	389182.65	419354.31	452051.79	487495.42	2109419.22
14	West Bengal	212484.36	225205.01	239026.54	254038.85	270341.29	288043.45	1276655.15
14	**Major States**	**2321533.07**	**2481200.53**	**2653717.27**	**2840188.10**	**3041824.54**	**3259956.09**	**14276886.52**

Note : *"Provision for Salary Revision made in ""Expenditure on Selected Services"" only."*

APPENDIX 6

A NOTE ON SOURCES OF AND METHOD OF ADJUSTMENT IN THE DATA

B6.1 An important pre-requisite for making normative assessment of expenditure and tax revenues of the State Governments is the availability of detailed data on various determinants. In the case of tax revenues, disaggregated data are required on the various tax base proxies in different States. Similarly, in the case of expenditures, information on various quantity and cost factors affecting the States' expenditures are needed.

B6.2 Unfortunately, for many of the determinants, detailed data are not available on a comparable basis for all the State Governments. In such cases, we had to be satisfied with proxies. Within the time available to us, we assembled considerable information on various factors affecting the tax revenues and expenditures of the States. In this note, we broadly indicate the adjustments that have been made in the data in respect of some important variables used in our analysis.

Adjustment In The Data On Tax Revenues And Non-Plan Revenue Expenditures :

B6.3 The first step in the tax and expenditure analysis is to put the data on a comparable basis both over time and across the States. The non-uniformity in the presentation of the budgets among the States necessitates a proper reclassification to render them comparable. While reclassifying, we have taken care to exclude expenditures on account of contributions to various funds, but included the expenditures met out of such funds. Further, "Appropriation for Reduction or Advoidance of Debt" which is essentially a contribution to the Sinking Fund has been excluded as this contribution is not made out of the surplus in the revenue account nor is it systematic and uniform across the States. On the side of tax revenues, Electricity Duty has been excluded as it is taken into account while estimating the normative returns from Electricity Boards. The cess on Mines included under Land Revenue in some States has been transferred to non-tax revenues for the sake of uniformity in presentation.

Adjustment In The Data On Explanatory Variables:

1. Population And Its Various Components.

B6.4 The latest detailed population data from the Census are available for 1981. For the subsequent years, we have taken the projections made in the "Report of the Expert Committee on Population Projections" published by the Office of the Registrar General, Ministry of Home Affairs, Government of India. These data pertain to 1st October of each year. The estimates of urban/rural population also are available in this source from 1981, but only quinquennially. For the intervening years, we have worked out the estimates on the basis of the compound growth rates and adjusted them appropriately to get the mid-year estimates. Age-wise distribution of population among the States, however, is not available in the above publication. We have, therefore, worked out the estimates for the relevant years on the basis of the data available from the Censuses of 1971 and 1981, using State-specific compound rates of growth.

B6.5 Another important variable used in the analysis is the proportion of population in hill/desert areas in different States. Hill area population figures are available both in the Sixth Five Year Plan document (page 414) and the Seventh Five Year Plan document (Volume II, page 339). The list of hill areas identified by the Planning Commission as per 1981 Census is also given in the latter publication. Our analysis showed that the hill areas so identified are slightly larger than the areas identified according to the 1971 Census, particularly in the Western Ghats region. We have computed the compound rate of growth of population in hill areas commonly identified according to 1971 and 1981 Censuses and applied them to the hill area population figures in 1981 to arrive at the estimates of the variable for the period 1981 to 1987. Similarly, population in desert areas has been identified on the basis of the list of districts under the Desert Development Programme given in the Seventh Five Year Plan document (page 350). By applying the rate of growth of population in the State, estimate of desert population has been made for the years 1981 to 1987.

2. Computation of Inter-State Price Index:

B6.6 Conceptually, to estimate the differences in the cost of providing public services on account of price differences, it is necessary to construct a suitable index of price differences across the States. This would, however, require detailed information on the commodity composition of government purchases and the prices of the commodities in different States. Unfortunately, such data are not available and the index of price differences across the States relevant to deflate government spending cannot be estimated with the existing data base.

B6.7 However, one can take a broad view that, although the weighting pattern is different, differences in the general price level relevant for the urban areas can be taken as a proxy for the differences in the government expenditure deflator. However, in respect of neither the wholesale prices nor the consumer prices, do we have an index showing the differences in the price levels across the States. The consumer price index for industrial workers computed for 70 centres only gives us the information on the differential growth of prices taking 1982 as the base year. But it does not indicate the differences in the price levels prevailing in these regions at any given time. In other words, the price indices that are available for different centres or those aggregated for the States only show the relative change in prices over time, but do not indicate the absolute difference in prices across these regions.

B6.8 In order to take account of the cost disabilities of providing public services arising from price differences, we have made an attempt at constructing an inter-State price index for a fixed consumption basket for a point in time. The inter-State price index computed by us is based on the data collected by the Labour Bureau for constructing the Consumer Price Index (CPI) for industrial workers (new series). The basic data drawn from a survey conducted by the Labour Bureau gives average annual prices for about 300 commodities in 70 centres for the year 1982. The items cover the following groups : (i) food, (ii) pan, supari, tobacco and intoxicants, (iii) fuel and light, (iv) clothing, bedding and footwear, and (v) miscellaneous, which covers medical care, education, recreation and amusement, transport and communication, personal care and effects and other items. The Labour Bureau also has all-India item-wise weights (provisional) which we have used to represent a fixed consumption basket for all the regions.

B6.9 The index number of consumer prices in various centres according to the new time series, however, are available to us only for 1983 and 1985. For 1984, the indices have not been compiled for the new series and the 1986 and 1987 indices were not provided to us as they were being used to derive the link factors with the old (1960) series and might undergo some revisions. The percentage changes in the old series are, therefore, used for those years for which the new series are not available.

B6.10 In attempting to compare prices across regions, some important qualifications should be borne in mind. First, there are differences in the variety and quality of commodities across different centres/States. In respect of some goods, this problem prevails even across different markets in the same centre. In such cases, the Labour Bureau does not work out a base year average price, but rather constructs price relatives for each market and then averages them. We cannot, however, overcome this problem and should be aware that the index we have constructed may also reflect price differences due to quality differences. Second, the price indices may be affected by the extent of public distribution system prevalent in different centres.

B6.11 The following further adjustments in the data had to be resorted to before computing the index of price differences :

(a) In respect of commodities for which prices were not available in some States, substitute prices were used by taking the prices prevailing in States similar in terms of climate, terrain, socio-economic characteristics and preferences.

(b) The prices were standardised for fixed units and quantities for each of the centres. State-wise averages and all-India prices were then calculated by assuming equal weight for each centre.

(c) Some of the commodities or services appearing in the Labour Bureau's CPI were deleted from, or are not covered by, our inter-State price index. These include : (i) Commodities for which very few centres reported prices; (ii) commodities which had large variations in quality or could not be standardised for unit prices; and (iii) commodities which had negligible weights. However, care was taken to ensure that the total (all-India) weight of the remaining commodities which were used in our inter-State price index added up to at least 75 per cent of the Labour Bureau's price index.

3. Computation of Standard Employees:

B6.12 One of the important components of government spending at the State level is the expenditure on wages and salaries. The expenditure on wages and salaries can differ across the States due to differences in either the number of employees or their salary levels. Generally, public services are quantified on the basis of the inputs that have gone into their provision, and given the employment intensive nature of government activity, information on the number of employees becomes essential to determine the normative levels of spending. Similarly, differences in the salary levels can be an important factor causing variations in the cost of providing public services across the States.

B6.13 However, employees belong to different classes or categories and a head count measure might lead to erroneous conclusions since the proportions of different categories of employees might differ significantly across the States. Further, our attempt to obtain data on the number of employees under various major heads of expenditures in different States too did not meet with success, as a number of States could not supply these figures.

B6.14 In the case of some items of expenditures, a representative category of employees can be taken to quantify the levels of services. The number of judges in subordinate courts and high courts, the number of police constables, and the number of teachers in primary schools and secondary schools are some examples of taking the representative categories of employees in the cost functions. In such cases, we had to take their salaries as an additional explanatory variable. However, in the case of many expenditure functions, we could not find a representative category and at the same time, could not take the head count measure of total number of employees for the reasons mentioned earlier. In such cases, therefore, we have standardised the number of employees. For the purpose, we have obtained information on total salary expenditures under various major heads. Dividing this figure for a State by the average salary per employee in the 14 major States, we have obtained the number of standard employees under each major head in different States for the period, 1980-81 to 1986-87. The information on salary expenditures under different major heads has been taken from the Subsidiary Points submitted by the States to the present Commission for the period 1984-85 to 1986-87. For the earlier period, i.e., 1980-81 to 1983-84, the details submitted to the Eighth Finance Commission have been used. In some cases, where we could not obtain the data for some year, the information available in the subsequent year or the preceding year was used to generate the proportion of salary expenditures under different major heads and the total expenditure on salaries was distributed accordingly.

4. Computation of salary levels of employees in the States over the period, 1981 to 1987:

B6.15 Wherever we have used the number of standard employees, the salary differences across the States are automatically taken account of. However, wherever a representative category of employees is taken as an explanatory variable, we have had to use an additional variable indicating the salary levels of the representative category in the States. For the purpose, we have computed the salary levels on the minimum basic pay in the scale of the representative category in different States. Salary was taken to include basic pay and dearness allowances. The report of the Eighth Finance Commission gives the salary levels for the representative categories of employees as on 1.4.1982, corresponding to the Consumer Price Index, 408. We have worked out the time series of salary levels in the States from 1.1.1981 to 1.1.1987 for each of the representative categories taking into account the changes in the pay scales and dearness allowances subsequent to 1.4.1982. Information from different States on the changes in their pay scales was obtained and wherever such changes had taken place subsequent to 1982, we have incorporated them while computing the salary differences. The number of instalments of Dearness Allowance (DA) paid subsequent to 1.4.1982 were computed on the basis of the increase in the Consumer Price Index over 408, with one instalment accruing for every 8-point increase in the Index. To obtain the value of each instalment of DA, we first estimated the difference between the actual DA paid and the DA payable on the salary scale in the base year (1982). By dividing the above for every 8 points in the price index corresponding to the DA payments subsequent to the base year CPI, 408, the value of each DA instalment has been obtained for the representative category.

APPENDIX 7

DETERMINATION OF MINIMUM LEVELS OF PLAN REVENUE EXPENDITURE OF THE STATES

B7.1 The terms of reference require the Commission to make a normative assessment of revenue receipts and revenue expenditure of the Centre and the States without distinguishing between the Plan and non-Plan components of expenditure. However, the assessment of the States' revenue component of Plan expenditures necessitates the determination of their Plan size. Plan size and its composition would have to be determined in an inter-sectoral consistency framework taking into account the targetted rates of growth, which can only be done by the Planning Commission. At the same time, given that the standards of social and economic services in the States are generally low and vary rather widely, it is essential that we should determine certain minimum levels of Plan revenue expenditure in the States to enable them to augment the standards of these services and reduce inter-State disparities.

B7.2 It may be noted that the normative projection has been made only in respect of the 14 major States while in respect of the Special Category States, we have largely gone by their actuals and have made projections on that basis. The Plan size and Plan assistance for the latter category are determined more liberally. Therefore, our exercise of determining the minimum levels of Plan revenue expenditure is confined to the 14 major States.

B7.3 As stated in Appendix 5, for determining the normative expenditure on administrative services we have taken the cost of providing an average standard of services and, therefore, the provision for improvement in the standards of these services in the below-average States is implicit in the projection. However, in the case of social and economic services, the justifiable cost of providing only the existing standards of services is taken account of and no provision is made for improving the standards in the below-average States.

B7.4 An analysis of the normative non-Plan expenditures on social and economic services brings out the existence of significant inter-State differences. The four poorest States of Bihar, Uttar Pradesh, Madhya Pradesh and Rajasthan have per capita normative expenditures much below the average for the major States. At the same time, even the per capita normative expenditures in the more developed States, although higher than the average, are inadequate to satisfactorily fulfil the Constitutional obligations and require to be augmented further. In fact, many States have not been able to achieve the levels as stated in the national policy pronouncements. Therefore, we have to bear two important issues in mind while determining the minimum levels of Plan revenue expenditure of the States, namely, (i) improvements in the standards of services should be attempted in all the States so as to enable them to achieve the stated national objectives, and (ii) inter-State differences in the standards of these services should be reduced to the extent possible during the five-year report period.

B7.5 The starting point for determining the minimum levels of revenue Plan expenditure, therefore, is the standard of social and economic services already achieved in the different States. The standards of the services can be broadly represented by per capita revenue expenditures on the existing services estimated at justifiable costs. As our normative analysis is done for 1986-87, standards of services attained upto the end of the Sixth Plan period are taken account of. The projected expenditures in 1994-95 on these services, therefore, can be taken to represent the cost of maintaining the services achieved upto the end of the Sixth Plan period, but not those generated during the Seventh Plan. Although, it would have been preferable to take into account the normative expenditure required to maintain the standards of services provided upto the Seventh Plan period, there is no objective or scientific method of normatively determining the committed expenditures on the Seventh Plan schemes. Improvement in the standards of services and the reduction in inter-State disparities in them envisaged by us are, therefore, attempted on the basis of the standards achieved upto the end of the Sixth Plan period as the starting point. The additional expenditure incurred to enhance these service levels and reduce disparities in them during the Seventh Plan is lumped together with the minimum Plan revenue expenditure determined by us during the Eighth Plan.

B7.6 We have, therefore, taken per capita normative non-Plan expenditures on social and economic services in 1994-95, projected on the basis of the cost functions, to represent the standards of services achieved in the States. Minimum per capita Plan expenditures are then determined so that all the States are enabled to improve the standards of these services at rates inversely related to their existing levels. Thus, the State with the lowest per capita normative expenditure on social and economic services in 1994-95 would have the highest per capita Plan revenue expenditure and vice versa.

B7.7 In order to determine the shares of the different States, their per capita Plan revenue expenditures are estimated to range from a minimum of Rs. 325, for the State with the highest per capita expenditure (Gujarat), to a maximum of Rs. 425, for the State with the lowest per capita expenditure (Bihar). The difference in per capita non-Plan expenditures on social and economic services in 1994-95 between each State and the State with the highest per capita expenditures was first worked out. These differences were expressed as a ratio of the maximum difference obtained and then multiplied by hundred. The values obtained represent the additional amount of per capita expenditure required to supplement the minimum amount specified, i.e., Rs. 325. Thus, in the case of Gujarat, given that the difference is zero, the Plan revenue expenditure is taken at Rs. 325, whereas in the case of Bihar as the difference is the maximum, we have taken the maximum (Rs. 425) Plan revenue expenditure1.

B7.8 Per capita Plan revenue expenditure thus determined is multiplied by the population of the concerned State to get total Plan revenue expenditure. The relative share of individual States is computed on the basis of their shares in total Plan revenue expenditure. These are presented in Table B.7.1.

Notes

1. This can be explained by the formula :

$$\text{Scale} = 325 + \frac{(Xh - Xi)}{(X_h - X_l)} \times 100, \text{ where}$$

X_i is the per capita normative non-Plan revenue expenditure on social and economic services in the ith State, X_h is the highest per capita normative non-Plan expenditure on social and economic services in a State (Gujarat) and X_l is the lowest per capita normative non-Plan revenue expenditure in a State (Bihar).

TABLE B.7.1

Determination Of Development Expenditure For 1994-95

State	Per Capita Normative Expenditure For Social And Economic Services In 1994-95 (Rupees)	Graduation Scale For The Range Rs. 325 to Rs. 425 * (Rupees)	Per Cent Distribution ** (%)
1 Andhra Pradesh	274.88	387.84	8.363
2 Bihar	190.89	425.00	12.614
3 Gujarat	416.93	325.00	4.448
4 Haryana	290.97	380.72	2.111
5 Karnataka	333.89	361.73	5.516
6 Kerala	413.21	326.65	3.280
7 Madhya Pradesh	236.44	404.85	8.822
8 Maharashtra	353.86	352.90	8.889
9 Orissa	296.09	378.46	4.005
10 Punjab	352.32	353.58	2.315
11 Rajasthan	248.78	399.39	6.182
12 Tamil Nadu	410.67	327.77	6.135
13 Uttar Pradesh	222.74	410.91	19.160
14 West Bengal	319.20	368.23	8.160
Major States	291.62	380.43	100.000

Note : -

* *Computed on the basis of the formula:*

$$\text{Scale} = 325 + \frac{(Xh - Xi)}{(X_h - X_l)} \times 100 \text{ where}$$

Xh represents the highest per capita normative expenditure for social and economic services in a State (Gujarat: Rs. 416.93);
Xl represents the lowest per capita normative expenditure for social and economic services in a State (Bihar: Rs. 190.89); and
Xi represents the per capita normative expenditure for social and economic services in ith State.

Computed on the basis of the formula :

$$\text{Share} = \frac{(Ei * Pi)}{\text{Sum }(Ei*Pi)} \times 100, \text{ where}$$

Ei represents the per capita developmental expenditure in the ith State, and
Pi represents the population in the ith State in 1994-95.*