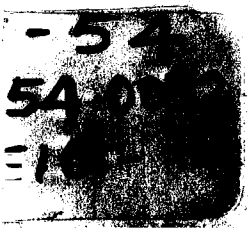
REPORT

OF

THE EIGHTH FINANCE COMMISSION

1984



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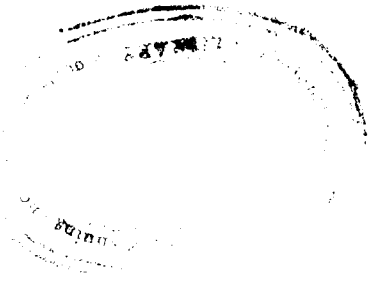

REPORT

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CONTENTS

CHAPTER I

INTRODUCTION

1.1 This Finance Commission, the eighth since the commencement of the Constitution, was constituted by the President by his Order dated the 20th June, 1982, 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 Y.B. Chavan, Member of Parliament as the Chairman and the following four other Members namely:-

1. Shri Justice Sabyasachi Mukherjee, Judge, Calcutta High Court.
2. Dr. C.H. Hanumantha Rao, Member, Planning Commission.
3. Shri G.C. Baveja, Secretary, Ministry of Finance.
4. Shri A.R. Shirali, Deputy Comptroller & Auditor General of India.

2. The Chairman and other Members of the Commission shall hold office from the date on which they respectively assume office upto the 31st day of October, 1983.

3. The Chairman shall render part-time service to the Commission. Shri Justice Sabyasachi Mukherjee and Dr. C.H. Hanumantha Rao shall render part-time service as Members of the Commission. Shri G.C. Baveja shall render part-time service upto 30th June, 1982 and full-time service thereafter. Shri A.R. Shirali shall render full-time service.

4. 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 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."

5. In making its recommendations, the Commission shall have regard, among other considerations, to:-

i) the resources of the Central Government and the demands thereon on account of the expenditure on civil administration, defence and border security, debt servicing and other committed expenditure or liabilities;

ii) the existing practice in regard to determination and distribution of Central assistance for financing State Plans;

iii) the revenue resources of those States for the five years ending with the financial year 1988-89 on the basis of the levels of taxation likely to be reached at the end of the financial year 1983-84 and the targets set for additional resource mobilisation for the Plan;

iv) the requirements on revenue account of those States to meet the expenditure on administration and other non-Plan commitments or liabilities, keeping however in view national policies and priorities. In assessing such requirements, the Commission shall take into account:-

a) such provision for emoluments and terminal benefits of Government employees, teachers and employees of local bodies as obtaining on a specified date as the Commission deems it proper and with reference to appropriate objective criteria rather than in terms of actual increases that may have been given effect to; and

b) commitments in regard to interest charges on their debt, transfer of funds to local bodies and aided institutions;

v) adequate maintenance and upkeep of capital assets and maintenance of Plan schemes completed by the end of 1983-84, the norms, if any, on the basis of which specified amounts are allowed for the maintenance of different categories of capital assets and the manner in which such maintenance expenditure could be monitored, being indicated by the Commission;

vi) the requirements of States for upgradation of standards in non-developmental sectors and services particularly of States which are backward in general administration with a view to bringing them to the levels obtaining or likely to obtain in the more advanced States, the manner in which such expenditure could be monitored, being also indicated by the Commission;

vii) the scope for better fiscal management and economy in expenditure consistent with efficiency; and

viii) the need for ensuring reasonable returns on investments in irrigation and power projects, transport undertakings, industrial and commercial enterprises and the like.

6. 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 estate duty in respect of property other than agricultural land;

b) the net proceeds in any financial year of the additional excise duties leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in replacement of the sales tax levied formerly by the State Governments on each of the following commodities; namely:-

i) cotton fabrics;
ii) woollen fabrics;
iii) rayon or artificial silk fabrics;
iv) sugar; and
v) tobacco including manufactured tobacco. Provided that the share accruing to each State shall not be less than the revenue realised from the levy of sales tax for the financial year 1956-57 in that State.

c) the grant to be made available to the States in lieu of the tax under the repealed Railway Passenger Fares Tax Act, 1957; and

d) the grant to be made available to the States on account of wealth tax on agricultural property.

7. 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.

8. The Commission may examine the scope for raising revenue from the taxes and duties mentioned in article 269 of the Constitution but not levied at present and the scope for enhancing revenue from the duties mentioned in Article 268.

9. The Commission may make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1988-89. In the light of such an assessment, the Commission may undertake a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1983-84 and suggest appropriate measures to deal with the non-Plan capital gap, having regard inter-alia to the overall non-Plan gap of the States, their relative position and the purposes for which the loans have been utilised and the requirements of the Centre.

10. 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.

11. The Commission shall make its report by the 31st October, 1983 on each of the matters aforesaid and covering a period of five years commencing from the 1st day of April, 1984. The Commission shall indicate the basis on which it has arrived at its findings and make available the State-wise criteria adopted in making modifications, if any, in the States' forecasts of receipts and expenditure."

1.2 On his appointment as a Judge of the Supreme Court, Shri Justice Sabyasachi Mukherjee resigned his Membership of the Commission and his resignation was accepted by the President with effect from the 28th April, 1983. The President, by his Order dated the 2nd June, 1983, appointed Shri Justice T. P. S. Chawla, Judge, Delhi High Court, as a Member of the Commission. Shri Justice T. P. S. Chawla assumed charge as a Part-time Member with effect from 3rd June, 1983.

1.3 Shri Y. B. Chavan, Chairman, Shri Justice Sabyasachi Mukherjee (upto 28.4.1983), Shri Justice T. P. S. Chawla, Member and Dr. C. H. Hanumantha Rao, Member, rendered part-time service. Shri G. C. Baveja, Member, rendered part-time service upto 30.6.1982 and full-time thereafter and Shri A. R. Shirali, Member, rendered full-time service. By a separate Order dated 24th June, 1982, Shri N. V. Krishnan, Joint Secretary in the Department of Expenditure, Ministry of Finance, was appointed as Secretary to the Eighth Finance Commission.

1.4 Para 11 of the Order reproduced in para 1.1 supra (hereinafter referred to as the President's Order) required the Commission to make its report by the 31st October, 1983. On a request by the Commission for extension of time for reasons stated hereinafter, the President by his Order dated the 29th October, 1983 directed the Commission to make an interim report by the 15th November, 1983 and the final report by the 29th February, 1984. The Order is reproduced in Annexure I-1.

1.5 The Commission submitted its Interim Report to the President on the 14th November, 1983. The text of the Interim Report is reproduced in Annexure I-2.

1.6 A review of the progress of our work was made in early February, 1984, and it was felt that because of the initial delays caused by circumstances beyond our control, it would not be possible to complete our Report by 29th February, 1984. Consequently, we were compelled to seek a further extension of time upto 30th April, 1984. This request was accepted by the President in his Order dated 29th February, 1984. The Order is reproduced in Annexure I-3.

1.7 The first meeting of the Commission was held on 22nd July, 1982, after the Chairman and all Members had assumed charge. At that meeting, the Commission decided to issue a Press Note inviting the views of the public on the tasks entrusted to the Commission. Letters to the like effect were addressed to Members of Parliament and Members of State Legislatures and to Vice Chancellors of Universities, Heads of Department of Economics of various Universities and Institutes of Higher Learning, eminent economists, Chairmen and Members of the previous Finance Commissions, senior administrators and former Finance Ministers. Chairman also wrote personal letters to Chief Ministers and other eminent persons in various walks of life inviting their opinion. Letters were also addressed to the editors of economic journals and newspapers.

1.8 The Commission could only make a slow start in its work, primarily due to the fact that no Officer on Special Duty was appointed in advance of the constitution of the Commission as was done in the case of previous Commissions. No accommodation had been arranged for the Commission before its constitution and the process of sanctions for creation of posts and recruitment of suitable personnel to fill those posts continued for a long time after its constitution. The Commission functioned from a few rooms in the Vigyan Bhawan Annexe, which also had to be vacated soon afterwards, on account of the requirements of an international Conference. The Commission was then allotted accommodation in two separate buildings about 2 km. away from each other and could move into them only towards the end of September, 1982. Procurement of office equipment, creation of posts and selection of suitable persons took time and it was only towards the end of 1982 that the office of the Commission could begin functioning in a reasonable fashion. We have dwelt on these problems so as to focus attention on the need for advance action to save the time of the Commission, after it is constituted.

1.9 The initial response of the States for data required by the Commission was also slow, even though they had been requested by the Centre-State Finances Cell of the Ministry of Finance in March/April, 1982 to take advance action for preparing the forecasts. They, apparently, were not geared to meet the requirements of the Commission at that stage.

1.10 The appointment of a Finance Commission is not an unexpected event and we think there is no reason why both the Centre and the States should not ready themselves in advance before its coming into existence. In this connection it is pertinent to refer to our Chapter on "General Observations" in which we have made some suggestions which would ensure that the Finance Commission is able to proceed with its work without loss of time.

1.11 We requested the State Governments to send, before 31st August, 1982, their Memoranda containing their views on the various matters included in the terms of reference as well their forecasts of receipts and expenditure on revenue and capital account. The first Memorandum was received by us from Sikkim on 24th September, 1982 and the last from Bihar on 13th September, 1983, i.e. about a month before we were required by the President to submit our Report. The first forecast on revenue account was received in early October, 1982 from Tripura and the last in early April, 1983 from Tamil Nadu. Because of this delay in the receipt of the Memoranda from the States and also because of the changes in Government in some States as a result of elections, we had to reschedule our visit to the States much beyond the dates we had originally envisaged. We started our round of discussions with the State Governments beginning with the Government of Gujarat on 18th March, 1983, and ended with Bihar towards the end of September, 1983. Annexure 1.4 gives the dates of our discussions with various States.

1.12 As in the case of some of the States, the Centre's forecast also reached us late. The Chairman requested the Union Finance Minister, on 26th July, 1982, to send the forecast of receipts and expenditure of the Government of India and also indicate their views on the various terms of reference given to the Commission. The forecasts of the Centre were received by us on 19th August, 1983. The examination of the forecast of the Central Government is a time-consuming exercise requiring detailed discussions at various levels. In the short time left for the Commission to submit its Report by 31st October, 1983, it was impossible to properly scrutinise the Centre's forecast and, consequently, the Commission was left with no other alternative but to request the President for an extension of time for submitting its Report.

1.13 The Commission had a round of discussions with the Finance Secretary, Revenue Secretary and Expenditure Secretary during which clarifications were sought concerning Centre's receipts as well as expenditure. Discussions were also held with the Secretaries to the Government of India in the Ministries/Departments of Power, Health, Irrigation, Education, Defence, Home Affairs, Petroleum and with the Secretary, Planning Commission. The Governor, Reserve Bank of India also met the Commission. All these discussions provided us with an insight into some of the problems relevant to our work. We are obliged to various Ministries and Departments for providing us the required information.

1.14 During our visits to the States, we met the Chief Ministers and their Cabinet colleagues and had extensive discussions with them in which the senior officials of the State Governments also participated. We also met some Members of Parliament and Members of the State Legislatures as well as representatives of various political parties, educationists, economists,eminent personalities, representatives of Chambers of Commerce, trade unions and the representatives of State Employees' Associations and Pensioners' Associations. We met the Chairman of the last Finance Commission and also its Member-Secretary to have a fuller understanding of the approach of that Commission to the problems relating to devolution.

1.15 The Press in general took a keen interest in our work and a number of stimulating articles on the subject of Centre-State financial relations were published. At various places the Press also informally met the Chairman of the Commission.

1.16 During our visit to the States, several State Governments arranged field visits for the Members and senior officers to backward areas, major projects, important public enterprises and other institutions. We are grateful to the State Governments for the excellent arrangements made for our visits to the States and for the cooperation extended by them to the Commission and its Secretariat.

1.17 Our Secretary had a round of discussions regarding the State forecasts with the Chief Secretaries/Finance Secretaries, Heads of Departments and Senior Officers of various State Governments, both at New Delhi and State Headquarters. These discussions were very useful and enabled the Commission to be as objective as possible in making its assessment on a uniform basis for all States.

1.18 At our request, the Comptroller & Auditor General of India issued instructions to the State Accountants General to render all assistance to the Commission. The State Accountants General have

supplied the Commission with a variety of information which facilitated our work. We are grateful to them for the utmost cooperation extended by them to the Commission.

1.19 The total number of Memoranda received by the Commission from various individuals and organisations was 255. The list of those who submitted the Memoranda is given in Annexure 1.5. The names of the individuals and organisations which met us during our visits to the States headquarters is given in Annexure 1.6.

1.20 The Commission considered it useful to obtain the views of the National Institute of Public Finance & Policy on certain aspects relating to forecasting. The following studies were specifically carried out by the Institute on behalf of the Commission:-

(1) Revenue and Expenditure Projections: Evaluation and Methodology.
(2) Relative Taxable Capacity and Tax Effort of Indian States.
(3) Revenue and Expenditure Projections: Union Taxes.
(4) Forecasting Major subsidies of the Central Government.

Pursuant to a suggestion made by the Seventh Finance Commission regarding the need for a comprehensive study on the resources and levels of services of local bodies, the National Institute of Urban Affairs, New Delhi carried out a study on "Financial Resources vis-a-vis level of Services of the Local Bodies in India". Miss A. Rangasami, who has been studying the problems associated with natural calamities was engaged as a Consultant by us to undertake a study on the financing of relief expenditure. All these studies proved useful to us.

1.21 We have great pleasure in acknowledging our deep appreciation of the painstaking and patient work put in by our Secretary, Shri N.V. Krishnan. He ably guided both the technical and administrative staff and on our behalf held discussions with the State Governments for purposes of reassessment of their forecasts. He carried out the onerous responsibilities of collecting, analysing and placing for our consideration various issues along with relevant data. With his rich background of financial and administrative matters, both in the Centre and State, he was of great assistance to us in our deliberations.

1.22 The Commission was fortunate to have on its staff a team of knowledgeable and dedicated officers but for whose cooperation and help it would have been difficult for us to do full justice to the tasks assigned to us. Dr. Atul Sarma, Economic Adviser, gave the Commission valuable advice, specially on matters relating to forecasting. Shri G. Ranga Rao, Joint Secretary ably organised the administrative work and handled all the work relating to upgradation of standards of administration. Shri N. Valluri, Director and Kumari A.K. Ahuja, Deputy Secretary shared the responsibilities of examining in detail the States' forecasts and coordinating the research work on subjects entrusted to them. Shri G.H. Bijlani, Consultant assisted us on matters relating to the Centre's forecast. We are grateful to all these officers for their notable contribution to the work of the Commission.

1.23 Shri P.B. Dhawan, Officer on Special Duty to the Chairman was of great assistance to the Chairman and to the Commission in the discussions we had at the State Capitals with the Chief Ministers. He also handled ably the subject of non-Plan capital gap. Shri N.I. Vyas, Officer on Special Duty provided very useful assistance to Dr. C.H. Hanumantha Rao, in the day to day work and did considerable amount of original research work, particularly on various aspects of Plan financing. Shri K. Venkataraman, functioning as Private Secretary to Shri Justice Sabyasachi Mukherjee and Shri Justice T.P.S. Chawla, rendered valuable assistance to them in analysing various issues. On Shri R.D. Gupta, Officer on Special Duty fell the difficult task of coordinating the research work and providing a link between the last Commission and us. The brunt of work relating to the estimation of the non-Plan capital gap and the interest liabilities of States as well as organising the work relating to the forecasting was shouldered by him.

1.24 While all senior officers in the Commission helped the Secretary in preparing the drafts of the Report, special mention has to be made of the contribution of Shri N. Valluri, Director and Shri P.B. Dhawan, Officer on Special Duty, in this regard.

1.25 We had an efficient team of Deputy Directors - Sarvashri R.K. Juneja, Manohar Lal, S.P. Rastogi, V.P. Bhatia and B.N. Singh and Research Officers - Sarvashri P.L. Gambhir, B.S. Mussania, G.P. Sahni and M.R. Verma, who had the painstaking task of sifting the voluminous data contained in

the State forecasts and presenting a comparable picture of the resources position of various States. All of them did their work cheerfully, and we are grateful to them for their cooperation. Shri T.C. Nanda, Administrative-cum-Accounts Officer, did commendable work in the efficient discharge of the house keeping functions, including the detailed arrangements for the Commission's tours to the States. The Commission had in Shri B.K. Agarwal a reliable and efficient Economic Investigator who was quick in preparing the various calculations which the Commission wanted from time to time when they were considering the formula of devolution.

1.26 We had very competent officers on our personal Staff: Sarvashri M.N. Sharma, B.R. Puri and M.L. Bhatia. Shri B.M. Vedi provided very useful assistance to our Secretary.

1.27 While we have acknowledged, by name, only a few officers, we would like to say that this in no way, means that we are oblivious to the contribution of other members of our staff who had often to put in extra-long hours at considerable personal inconvenience to themselves, to make the work of the Commission run smoothly. We thank these officers and members of the staff consisting of Superintendent, Economic Investigators, Personal Assistants, Technical Assistants, Stenographers and Typists and others for their full help and cooperation.

CHAPTER II

OUR APPROACH

2.1 Article 280(3) of the Constitution charges the Finance Commission with the duty of recommending the division of shareable taxes between the Centre and the States, and the making of grants-in-aid to the States in need of assistance. This involves two steps: first, the revenues must be divided between the Union and the States; and, second, the share of the States has to be allocated among them. Each of these steps requires the Commission to take into account numerous considerations and imponderables. In the discharge of its functions, the Finance Commission has to perform a balancing exercise almost at every turn.

2.2 The crux of the problem is that the resources are limited, and the needs of the States are enormous. It is to their credit that they are impatient to achieve further development as fast as possible. The degrees of development vary. Some States are relatively more advanced while others are lagging behind. Naturally, this leads to many competing claims, and the Finance Commission is compelled to adopt some approach in fixing priorities. At the same time, it has to have regard to the needs of the Centre which has many responsibilities. The overriding consideration which has guided this Commission, is the national interest taken as a whole. Ultimately, the solutions we have chosen have been judged on this touchstone.

2.3 We have carefully considered the memoranda sent to us by the States, and the points made by the Chief Ministers and their colleagues during our discussions with them. They are unanimous in their demand for a larger share in the total Central revenues. There are divergent views as to how this should be done. The common thread, in all that they urged, was the desire for accelerated economic development, and the need for proper maintenance of assets already created. The extent of the share demanded by the States from the Centre's revenues, varies from 40 per cent to 75 per cent.

2.4 In this connection, the demands on the Centre's resources, also, need to be remembered. The expenditure on defence, subsidies on food and fertilizers, and interest payments is, in the present circumstances, inescapable. These items alone absorb nearly half the Centre's revenues. Out of what remains with the Centre, about 37 per cent is at present being transferred to the States, largely on the recommendations of the Finance Commission and the Planning Commission.

2.5 While we have the greatest sympathy for the needs of the States, the parameters within which we have to function are, thus, obvious. Within the scope which was available to us, we have tried to do our best.

2.6 In making the allocation between the States we had, again, to balance divergent considerations. How to reconcile the need to accelerate the development of the backward States, without hindering the further development of the more advanced ones? It is true that we have leaned in favour of the former, and tried to make our scheme of devolution more progressive; but, we think, that this is what the national interest, at present, requires.

2.7 All the States seem to prefer a share in the devolution of taxes rather than grants-in-aid under Article 275 of the Constitution. The reason, plainly, is that whereas taxes are buoyant, grants-in-aid are fixed sums whose value is eroded, in real terms, over the years. We are impressed by what the States have said. We have tried to accommodate their view in two ways. Firstly, we have set apart 5 per cent of the net proceeds of the shareable excise duties exclusively for deficit States. Secondly, we have tried to give grants a measure of buoyancy by providing a 5 per cent rate of growth during the forecast period.

2.8 One of the points constantly brought up by the States, was regarding administered prices. According to them, while a rise in administered prices made available to the Centre sizeable extra-budgetary resources, it casts additional burdens on the States in the form of additional costs of inputs required by

them for their undertakings. The States think that, instead of raising resources by increasing administered prices, the Centre should raise resources by revision of excise duties, which are shareable with the States.

2.9 We have given this matter our careful consideration. We think, that an increase in administered prices is justified if there is an increase in the cost of production, provided that the public sector undertakings concerned are functioning with reasonable efficiency. Also, in fixing the administered prices, provision can be made for reasonable profits. But, if obtaining revenue is the sole consideration, then, it seems to us, that the appropriate course is to increase excise duty.

2.10 Most States, also, urged that the surcharge on income tax and the corporation tax should be made shareable. Some of them also wanted that the levy of a tax on Railway passenger fares ought to be revived as, they thought, they would be better off if that was done. On the other hand, the Centre has complained about the overdrafts on the Reserve Bank resorted to by some States. We have dealt with these topics in their appropriate places in this Report, and need not say anything further here.

2.11 The State Governments have also drawn our attention to the fact that they are being given a smaller share in the total market borrowings. We have examined the position, and find that there has been a decline in the share of the States in recent years. During the Fourth Plan period, the share of the Centre was 55 per cent, and that of the States 45 per cent. But, during the Sixth Plan period, the estimated share of the Centre has increased to nearly 77 per cent, whereas that of the States has fallen to 23 per cent. We think, that this pattern of distribution of total market borrowings requires correction, and the share of the States ought to be raised.

2.12 We would like to end this Chapter by dealing with a criticism to which, we know, we are bound to be subjected. Most of the earlier Finance Commissions have been castigated for adopting what has been called a 'gap filling' approach. And, it will be said that we have done the same. The two main objections raised against this approach are: firstly, that it encourages the less well-managed States to squander resources, knowing that their deficits will be made up by the Finance Commission; and, secondly, that a revenue deficit is not a complete indication of the needs of a State.

2.13 As regards the first objection, we need only say that it is not as if the Finance Commissions accept the forecasts sent by the States at their face value. We, like all previous Finance Commissions, have realistically re-assessed the forecasts and applied certain norms. Our approach has been objective both on the revenue and the expenditure sides.

2.14 As regards the second point, we think, that the requirements of the States on account of developmental needs should, according to the exising practice, be estimated and generally met by the Planning Commission. Consequently, even if fiscal needs are to be taken into account, they would have to be limited to the needs on non-Plan account for which we have made appropriate provisions.

2.15 We would like to add that we have, in fact, taken steps to reduce the regional imbalances between the States, in addition to covering the revenue gaps. We have tried to achieve this objective to some extent by our recommendations relating to grants for upgradation of the standards of administration. Moreover, our scheme of devolution has also a redistributive role, in that, it provides additional resources to the less developed States.

CHAPTER III

REASSESSMENT OF THE FORECASTS OF STATE GOVERNMENTS ON REVENUE ACCOUNT

3.1 While making our recommendations regarding the devolution of taxes and grants-in-aid, we are required to have regard, among others, to the considerations mentioned in para 5 of the President's Order, For the purpose of the present chapter, the following considerations mentioned in that para are relevant:

(i) The revenue resources of States for the five years ending with the financial year 1988-89 on the basis of the levels of taxation likely to be reached at the end of the financial year 1983-84 and the targets set for additional resource mobilisation for the Plan.

(ii) The requirements on revenue account of the States to meet the expenditure on administration and other non-Plan commitments or liabilities, keeping however in view national policies and priorities. In assessing such requirements, we have to take into account :

(a) Such provision for emoluments and terminal benefits of Government employees, teachers and employees of local bodies as obtaining on a specified date as we deem it proper and with reference to appropriate objective criteria, rather than in terms of actual increases that may have been given effect to ; and

(b) commitments in regard to interest charges on their debt, transfer of funds to local bodies and aided institutions.

(iii) Adequate maintenance and upkeep of capital assets and maintenance of Plan schemes completed by the end of 1983-84, the norms, if any, on the basis of which specified amounts are allowed for the maintenance of different categories of capital assets and the manner in which such maintenance expenditure could be monitored, being indicated by us.

(iv) The scope for better fiscal management and economy in expenditure consistent with efficiency.

(v) The need for ensuring reasonable returns on investments in irrigation and power projects, transport undertakings, industrial and commercial enterprises and the like.

3.2 In order to assess the revenue resources of States on a comparable and uniform basis, State Governments were requested to send their forecasts of revenue receipts and revenue expenditure in the proformae prescribed by the Commission. The forecasts of revenue receipts were required to be based on the levels of taxation likely to prevail at the end of 1983-84. The forecasts of expenditure were, similarly, to be based on the normal level of standing charges on non-Plan account as at the end of 1983-84 i.e. after excluding all provisions for any fresh expenditure during the forecast period. Provisions for emoluments in 1983-84 were required to be made on the basis of the rates of emoluments obtaining on the date specified by us under para 5(iv) (a) of the President's Order i.e., the 1st April, 1982*, taking into account the effect of all orders passed and implemented before that date. Estimates in regard to the expenditure likely to be incurred on the maintenance of capital assets and Plan schemes completed by the end of 1983-84 and also 1984-85 were separately obtained from States. Similarly, States were requested to send their proposals for fresh expenditure - whether for the upgradation of standards of services or for the improvement of the existing norms of maintenance - separately and not to incorporate their financial effect in the forecast of normal expenditure.

3.3 Detailed discussions were held between the officials of the State Governments led by their Chief Secretaries/Finance Secretaries and the officials of the Commission headed by the

* For reasons stated later on in this Chapter.

Secretary on the forecasts received from the State Governments. On the basis of these discussions many States have revised their forecasts taking also into account the latest estimates of receipts and expenditure for the base year 1983-84 which are generally based on the budget estimates for 1983-84.

3.4 Some important decisions which this Commission had to take were about the assumptions to be made in regard to the rates of growth of incomes and prices which influence revenue receipts and revenue expenditure of both the Union and the State Governments. In this respect, we were, unlike our predecessors, severely handicapped on account of one important circumstance. Our predecessors had the advantage of being able to look into the estimates of resources made by the Planning Commission for the next 5 years which generally coincided with the period during which the recommendations of the previous Finance Commissions were to be in force. These estimates contain important details useful for forecasting. Our recommendations on the contrary, would be in force in the last year of the Sixth Plan (i.e. in 1984-85) and in the first four years (i.e. in 1985-89) of the Seventh Plan 1985-90. The preparatory work in regard to the Seventh Plan is still continuing in the Planning Commission and, therefore, unlike the earlier Finance Commissions, we did not get the benefit of the views of the Planning Commission on important issues which have a bearing on our work, particularly assumptions regarding future rates of growth of incomes and prices.

3.5 We had engaged the National Institute of Public Finance and Policy (NIPFP, for short), New Delhi to help us in the matter of forecasting of receipts and expenditure of the State Governments. The NIPFP submitted reports on the following subjects which concern the State forecasts :

(a) Revenue and Expenditure Projections: Evaluation and Methodology.

(b) Relative Taxable Capacity and Tax Effort of Indian States.

3.6 The study "Revenue and Expenditure Projections : Evaluation and Methodology" evaluated the forecasts given by the State Governments to the Sixth and Seventh Finance Commissions and the estimates made by these Commissions, in respect of six major State taxes (i.e. sales tax, State excise duties, stamp duties & registration fees, motor vehicle taxes, entertainment duty and electricity duty) and six important heads of non-plan expenditure (i.e. administration of justice, police, district administration, jails, education and medical, including public health). After examining the relative efficacy of the forecasts based on long term trend rates of growth and those based on elasticity method, the NIPFP observed that though the latter could be expected to provide a better forecast with respect to some of the taxes, the former would generally give a fairly good approximation to realisation in all categories of expenditure and State taxes.

3.7 This suggestion was carefully considered by us. The main difficulty in adopting the long term trend rates of growth for the forecast period is the uncertainty about the future rates of growth of prices.

3.8 The Sixth Finance Commission estimated the expenditure on non-Plan account on the assumption of relative price stability. It also observed that, while it might not be possible to isolate, with the requisite degree of precision, the influence of price increase on rates of growth of taxes from other factors, it was obvious that given the assumption of price stability the rates of growth for the forecast period were bound to be lower than witnessed during the years since 1969-70. The Seventh Finance Commission remarked that it did not believe it was possible in practice to project revenues on the assumption of no price changes whatsoever in the forecast period. However, it believed that the rates of growth it had adopted would be fair to the States. The Commission went on to state further that taking the overall receipts and expenditure as projected by them, except in a situation of more than marginal increases in prices, the States should be able to manage their finances fairly smoothly in the period of its report.

3.9 Because of uncertainties in regard to future price trends, it is difficult to build up forecasts of revenue receipts and expenditure which reflect realistically the emerging price situation. The elasticity of revenues with respect to prices can take care of the rise in expenditure on account of the price factor to a certain extent. Besides, we cannot also ignore the overall policy framework for maintaining relative price stability in the economy. The Planning Commission also works out

the resources for the Five-Year Plans at the base year prices. For these reasons, we opted to base our forecast on the assumption of price stability in the economy.

3.10 Shri G C. Baveja has reservation in regard to basing the forecast on the assumption of price stability. He agrees with the observation of the Seventh Finance Commission to the effect that it is not possible to project revenues on the assumption of no price change whatsoever in the forecast period. In his opinion it would be more realistic to work out the forecasts of both the Central Government and the State Governments on the assumption of a modest annual rise in prices say of 5 per cent during the forecast period. However, for the sake of unanimity on this issue, he agreed that the forecast may be made on the assumption of price stability.

GENERAL METHODOLOGY ADOPTED FOR FORECASTING

3.11 Our projections of receipts and expenditure for the forecast period are based on the estimates for the base year 1983-84. All State Governments have presented their budgets for 1984-85 which show their revised estimates for 1983-84 of receipts and expenditure. We have, however, not received these budgets from all the States, so as to enable us to reassess their forecast on the basis of the R. E. 1983-84. Such re-assessment could have been done in the case of those States from whom the budget documents had been received but in that case we would not have ensured uniformity of treatment amongst the States. In any case, paucity of time also prevented us from examining these estimates for adoption. We had obtained the actuals of the receipts and expenditure for the year 1982-83 from the Accountants General of States and based thereon we have made our own estimates of the receipts and expenditure in the base year 1983-84 which have been used for purposes of forecasting. We thought that these estimates were more reliable than the budget estimates of State Governments for 1983-84 which are based only on the revised estimates for 1982-83. In exceptional cases where the actuals of 1982-83 appeared to be inexplicably out of line with the past trends of receipts or expenditures, the 1981-82 actuals have been used for projection purposes.

3.12 In order to capture the effect of prices in the estimates of receipts and expenditure for the base year 1983-84, the long term trend rate of growth was applied to the 1982-83 actuals. We have, however, taken care to eliminate unusual items of receipts / expenditure from the actuals of 1982-83 before using them for projection purposes. In respect of the principal taxes, the State-specific rates of growth for 1970-1982 were used for this purpose. However, for those States for which the data was not available for that full period, the rates of growth for a shorter period ending with 1981-82 were used. Due to non-availability of comparable data, the rates of growth in the period 1976-1982 were used in respect of other receipts. The projection of revenue expenditure for the year 1983-84 was generally based on the all States' growth rate 1976-82, duly adjusted for changes in emoluments (whether by way of revision of pay scales or grant of fresh instalments of dearness allowance) sanctioned after 1.1.1977 and upto 31.3.1982. We have specified 1st April, 1982 as the date for the purpose of para 5(iv) of the President's Order. We have taken into account the emoluments at the rates actually obtaining in the States as on that date. Therefore, while using the actual expenditure of 1982-83 furnished by Accountants General for being projected into the base year 1983-84, we have made suitable adjustments for any pay revision or additional dearness allowance sanctioned after 1st April, 1982.

3.13 In order to determine the rates of growth of revenue receipts for the forecast period, the method we followed was to isolate the increase attributable to rise in prices from the trend rates of growth of important tax and non-tax revenues, as adopted by us for estimating the receipts in 1983-84. For this purpose, we examined the elasticities of these revenues with respect to changes in prices as worked out by NIPFP for the Planning Commission while the resources for the Sixth Plan were worked out. We also took note of the estimates made by the same Institute for our use. We have used the price elasticities and the SDP deflators to net out the price effect and get the real growth rate which reflects the impact of rise in income and other factors, including the effectiveness of tax administration etc. The rates of growth have been fixed after making due adjustments to ensure that a certain minimum effort is assumed on the part of all States. Certain ceilings of rates of growth have also been set to ensure that States who have done well in the past are not placed in a disadvantageous position.

3.14 The rates of growth of expenditure in the forecast period are primarily based on the all States' growth rates for 1976-82. We obtained from the State Governments head-wise details of

total expenditure broken up into salary and non-salary expenditures. As regards salary expenditure, the data was adjusted so as to exclude the effect of revision in emoluments, including increases in dearness allowance, sanctioned after 1.1.1977 and upto 31.3.1982 and, thus the real rate of growth of salary at 1976-77 prices was worked out. Similarly, from the non-salary expenditure, the effect of prices was isolated by using the Index Number of Wholesale Prices(1970-71 = 100)for manufactured products. The rate of increase in the Index of Wholesale Prices of manufactured products was deducted from the rate of growth of non-salary expenditure on the assumption of unit elasticity of such expenditure with respect to prices, to arrive at the growth rate of such expenditure at 1976-77 prices. By integrating the two rates, composite rates of growth for different heads of expenditure were determined and were generally used by us for the forecast period.

In the case of certain items of expenditure like maintenance of buildings and irrigation works, the provisions in the forecast period have been made on the basis of special norms explained later, and not on the basis of growth rates. In some other cases, like provisions for diet and medicine in hospitals, the expenditure on the basis of the norms in force in 1982-83 has been projected on the basis of growth rates and to this have been added the additional requirements based on the revised norms.

RATES OF GROWTH OF CERTAIN SPECIFIC HEADS OF REVENUE RECEIPTS

3.15 Annexure III-1 gives the rates of growth of six principal taxes during the period 1970-1982, as worked out by the National Institute of Public Finance and Policy. Annexure III-2 shows the rates of growth we have adopted for the forecast period. In the case of certain States, the rate of growth has been worked out for a shorter period ending 1982 for special reasons like their coming into existence after 1970.

3.16 We have paid attention to the recovery of arrears of taxes as well as arrears of some important non-tax sources of revenue. After taking into account the various problems associated with collection of arrears, we have assumed a tolerance limit of arrears that would always remain. Arrears outstanding at the end of 1982-83 or 1981-82 (depending upon the latest year for which we have information) in excess of these tolerance limits have been taken into account for full recovery in the forecast period. Collections of arrears of land revenue, agricultural income tax and irrigation dues would be affected by climatic conditions to which agriculture is susceptible. We have, therefore, ignored the accumulation of arrears upto one year's demand and have assumed in our forecast the recovery of arrears in excess of this tolerance limit. In regard to sales tax, the corresponding tolerance limit assumed is 10 percent of the sales tax revenue in 1982-83. This limit has been fixed keeping in view the orders staying recovery that may have been issued by both the Departmental authorities and by Courts, as well as the hard core of arrears, the recovery of which might be difficult. In the case of excise duties, forest receipts and revenues from mines and minerals, the tolerance limit is fixed at 5 per cent of the revenue in 1982-83 as in all such cases, the revenue authorities are generally expected to collect the revenue in advance before permitting the tax-payer or contractor to carry on his business. Similarly, a 5 per cent tolerance limit of the revenue in 1982-83 has been fixed for motor vehicle taxes and electricity duty also.

Tax Revenues:

3.17 Particulars of some important tax receipt heads are given below:

(i) Sales-tax: We have taken the receipts under the local sales tax laws and the Central Sales Tax Act, 1956 together for consideration. In order to ensure uniformity as between the States, purchase tax levied in some States on sugarcane, jute etc. and accounted for under a different head has also been considered as part of sales tax receipts. In regard to the forecast period, the rates of growth adopted are a minimum of 7 per cent and a maximum of 10.5 per cent.

(ii) Excise duties : Some States had taken measures between 1977-78 and 1979-80 to introduce prohibition. However, these measures were given up later on. In respect of such States the rate of growth between 1981-82 and 1982-83 has been taken into account for projecting the revenue in the base year 1983-84. In the case of other States, projections for 1983-84 have been made on the basis of long-term trend rates of growth. For the forecast period, the receipts have been projected for all States at either 7 per cent or 10 per cent, depending upon their past trends of growth rates, and the performance of the States placed in similar circumstances.

It may be mentioned in this connection that the Seventh Finance Commission had recommended that, in the event of any State implementing prohibition measures during the period from 1979-80 to 1983-84 and suffering a loss of excise revenue from potable alcohol in relation to the corresponding revenue in 1978-79, 50 per cent of such loss should be compensated by the Centre. A request has been made to us by the General Secretary, All India Prohibition Council, that we should make a similar recommendation to facilitate the implementation of prohibition. No State has made any such request to us, and, therefore, we are not making any such recommendation.

(iii) Stamps & Registration : For the forecast period a minimum rate of growth of 4 per cent and a maximum of 10 per cent has been adopted.

(iv) Motor Vehicle Taxes : We have considered together the taxes on motor vehicles and the taxes on goods and passengers carried by road booked under major heads 41 and 42 for forecasting. A minimum rate of growth of 6 per cent and a maximum of 11 per cent has been adopted.

(v) Electricity Duty : The receipts from electricity duty are a function of consumption of power in the State and receipts in 1983-84 have been estimated on this basis. This procedure could not be adopted for the forecast period as the Seventh Plan has not been finalised and we could not get a profile of Statewise consumption of power in the forecast period on which this duty is levied. We have, therefore, worked out the rates of growth of consumption of power liable to the levy of electricity duty in various States during the years 1976-82 and adopted these rates subject to a minimum of 5 per cent and maximum of 10 per cent for projection in the forecast period.

(vi) Entertainment Duty : In the absence of information regarding the number of cinema houses, the class-wise number of seats and the particulars of tariff charged from time to time for admission, the rate of growth for the forecast period has been worked out on the basis of the trend growth rate 1970-82 subject to a minimum of 6 per cent and maximum of 10 per cent.

Non-tax Revenues :

3.18 We now turn our attention to non-tax revenues. 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 undertakings. Out of these, interest receipts from public sector undertakings will be dealt with later. The other important receipts are dealt with below :-

(i) Interest receipts : Interest receipts have been computed on the basis of the loans likely to remain outstanding at the end of 1983-84@. We notice that the recovery of interest by States has been much less than was estimated by the Seventh Finance Commission. This situation has to be improved. We have considered the various aspects which have a bearing on this issue. An examination of the rates of interest now being charged by State Governments on various kinds of loans showed that the bulk of the loans disbursed in the recent past have been at rates of interest of 7 per cent or more. For a proper assessment of the scope for recovery of interest, account should be taken of the arrears of interest at the end of 1981-82 or 1982-83. Keeping these factors in view, we have considered it desirable to provide for a minimum recovery of interest on a normative basis. We have adopted an average rate of 6 per cent on the loans outstanding at the end of 1983-84. No extra collection has been taken into account separately in respect of recovery of arrears. We think that States should be strict in achieving this minimum norm during the forecast period.

(ii) Dividend : The share capital investment of States (other than in the State Electricity Boards and in the State Road Transport Undertakings) have shown a phenomenal increase over the period 1975-82. There were 432 undertakings having a turnover of Rs. 50 lakhs or more with a share capital of Rs. 596* crores at the end of 1975-76. As against this, there were 657 undertakings (inclusive of those undertakings having a turnover of less than Rs. 50 lakhs) with a share capital investment of Rs. 1,546 crores at the end of 1981-82. Annexure III-3 gives the Statewise details of number of enterprises and investments therein. Most of these concerns are running in losses and hardly provide a return to the State Governments. We cannot view this situation without concern. It is necessary to ensure that these investments give a proper return to the State Governments.

@ The only exception is loans to Government servants for purposes other than housing, for which interest receipts from future lendings have been included, as such loans have been taken into account for working out the non-Plan capital gap.

* Appendix I.24 (1) of the Report of the Seventh Finance Commission.

We think that the principles adopted for the classification of the State public enterprises by the Seventh Finance Commission into three categories namely, investments in promotional enterprises, investments in financial enterprises and investments in commercial enterprises are reasonable. We have also classified the enterprises on the same basis. We are not assuming any return from the investments in the promotional undertakings. The financial institutions are similar to banking institutions but with this difference that they have to promote the growth of industrial units in the States. Therefore, we have felt that a minimum return of 3 per cent from 1984-85 should be realised. In regard to commercial enterprises, we have no qualms in prescribing a minimum average rate of return of 5 per cent. In both cases, the dividend has been worked out on the estimated investment as at the end of 1983-84.

In regard to dividends payable by co-operatives a slightly different classification has been adopted. Investments in co-operative banks, including land development banks, credit societies, sugar mills, spinning mills and other industrial co-operatives should yield a minimum average return of 5 per cent. Investments in societies engaged in processing, warehousing, marketing and housing activities and consumers' societies should yield a minimum return of 3 per cent. We feel that investments in some of the co-operative institutions set up to promote the social policies of Government may not generally yield any return. Accordingly, for forecasting purposes, no dividend has been taken into account from the investments in dairy, farming and fishermen's societies, labour co-operatives and co-operatives organised as part of the programme of Tribal Area Sub-Plan.

The amounts of dividend taken into account in the forecast are shown in Annexure III-4.

(iii) Revenue from Forests : Many State Governments have drawn our attention to the restrictions contained in the Forest (Conservation) Act, 1980. This Act provides that without the prior approval of the Central Government no State Government can direct that any reserved forest shall cease to be reserved or that any forest land may be used for any non-forest purposes. They have, therefore, represented that forest revenues would not record any growth in the forecast period.

There is no doubt that the nation's forest wealth has been depleted due to indiscriminate felling in the past, compounded by thefts and illegal extractions. There is also an urgent need to curb all such activities and restore the ecological balance in nature. This does not mean that even legitimate felling according to working plans prepared by the forest departments has to be stopped Taking all these factors into account we think that a uniform rate of growth of 5 per cent in the forest revenue in the forecast period for all the States, which is less than the rate warranted by past trend rates of growth, would be consistent with the need to conserve the forests and preserve the ecological balance.

(iv) Mines & Minerals : Rates of growth based on past trends present an uneven and erratic picture for all States. We have, therefore, by and large, estimated the future receipts attributable to non-fuel minerals and coal on the basis of the available projections of production. The rates of growth were adjusted by assuming a minimum rate of 5 per cent and a maximum rate of 10 per cent.

(v) Irrigation Receipts : The Seventh Finance Commission had noted the deficits suffered by the State budgets on account of multipurpose, major and medium irrigation schemes. It also observed that if steps were taken for better management (such as efficient and economic maintenance and management of the irrigation systems, raising water rate demands correctly and collecting them fully and in time), the receipts from these schemes could be enhanced. Accordingly, it had expected that the receipts would not only cover the working expenses but also yield a small return of Rs. 190 crores by way of interest at 1 per cent on the total capital invested by the States at the end of 1978-79 to be realised by 1983-84 in stages. These expectations have been belied as, according to the actuals of 1981-82, the expenditure under the relevant major heads for all States excluding interest was Rs. 214 crores, while the receipts were only Rs. 148 crores. For the forecast period, States have projected expenditure at Rs. 2,611 crores and receipts at Rs. 1,112 crores resulting in a loss of Rs. 1,499 crores.

Keeping in view the losses being incurred by the Irrigation Projects, we have not assumed any returns on investments in these projects in the forecast period. However, we expect a minimum effort

from the State Governments so as to ensure that the receipts cover, at least, the cost of maintenance as recommended even by the Seventh Conference of Irrigation Ministers held in December, 1982. We have provided for receipts* accordingly after applying the norms for maintenance prescribed by us later on in this Chapter. As mentioned therein, we have adopted higher norms for maintenance of irrigation works in the hill States, taking into account the higher cost of materials. However, as we think that it will not be possible for them to match these higher costs by corresponding increase in revenue, we have estimated their revenue receipts at the same rate as for the States in the plains.

(vi) Receipts from Departmental Schemes: In many States, water supply schemes and milk supply schemes are run departmentally. While as a matter of principle the States should cover the full cost of these services by charging an appropriate price from the beneficiaries we notice that this has not been achieved. For the water supply schemes it may not be possible for the State Governments to recover the entire working expenses. We have, therefore, assumed that the losses incurred in 1982-83 on the running of water supply schemes would be gradually reduced to 50 per cent by the end of 1988-89.

The Milk Supply Schemes are of a semi-commercial nature and can be treated slightly differently. Accordingly, we have assumed that the losses in 1982-83 would be made good at the end of 1986-87, and that with the commencement of 1987-88 there would be no losses on this account.

In some States certain consumer goods are produced by industrial units run departmentally. In respect of such units we have assumed a return of 5 per cent over the capital invested therein, which is the same as the rate of dividends assumed by us on the State Governments' investments in commercial enterprises.

(vii) Other Receipts: For all other receipts, a growth rate of 5 per cent has generally been adopted.

RETURN ON INVESTMENTS IN POWER PROJECTS

3.19 The States have invested vast sums in power projects in the form of loans. These projects are required to function on a commercial basis. Consequently, the States are entitled to expect a reasonable return. However, the returns 2/ in the past have been far from satisfactory in the vast majority of States. Naturally, this has caused concern because such large portions of the nation's resources are yielding a negligible or no return.

3.20 Two Committees have gone into this question. The Venkataraman Committee reported in 1964 that Electricity Boards should yield a return of 11 per cent, made up of 6 per cent interest on capital, ½ per cent for appropriation to reserves, 3 per cent net profit and a notional 1½ per cent on account of electricity duty. Again, the Rajadhyaksha Committee reported in 1980. It reported that the State Electricity Boards should earn a gross return of 15 per cent including an average composite rate of interest of 7 per cent to be paid by the Boards on State Government loans.

3.21 It is worth noting that the World Bank, when financing rural electrification projects in this country, now stipulates that the State Electricity Boards contribute to investment not less than 20 per cent of the 3 years annual average of capital expenditure of the Electricity Board. The contribution is to be computed, inter alia, after payment of the interest due to the State Government, and taking credit for rural electrification subsidy subject to certain ceilings.

3.22 Even Parliament has been concerned with this unsatisfactory state of affairs. To remedy this situation, Section 59 of the Electricity (Supply) Act of 1948 has been amended in 1983. It now lays down that State Electricity Boards shall adjust their tariffs "so as to ensure that the total revenues in any year of account shall, ... leave such surplus as is not less than three per cent.....". This, more or less, corresponds to the 11 per cent return envisaged by the Venkataraman Committee. Thus, it will be seen that everyone who has examined this matter objectively has come to the conclusion that the return should be about 11 per cent.

3.23 On the other hand, it is undeniable that there are certain constraints on the functioning of State Electricity Boards. In some spheres they have to be guided by non-commercial considerations for the

* See Annexure III-20

1/ Loans advanced by the State Governments as on 31.4.1984 amounted to Rs. 13,639 crores. Statewise details are given in Annexure III-5.

2/ Annexure III-6 gives Board-wise details of commercial losses in 1982-83 and accumulated arrears of interest

sake of development of the country, for example, rural electrification schemes. Power projects, also, have a fairly long gestation period, and until they come into operation the capital invested obviously cannot yield any return. The costs of generating electricity are, to some extent, affected by factors beyond control of the Boards, such as rise in prices and quality of coal and so forth. These, and like considerations, cannot entirely be ignored.

3.24 Nevertheless, we think that the costs could be reduced considerably by taking steps to improve maintenance, reduce over-staffing and transmission and distribution losses, and pilferage etc. Balancing all these various considerations, and not being unappreciative of the problems of the State Electricity Boards, we think, that, at the very least, they should pay the interest stipulated when the loans were granted by the State Governments. We have worked out the average of these rates of interest and it comes to about 7 per cent per annum. We have, accordingly, assumed that State Electricity Boards will be giving a return to the State Governments at this rate during the forecast period.

3.25 However, we think it necessary to make three qualifications. Firstly, works-in-progress cannot at that stage participate in yielding a return. In respect of such works, we have assumed that those in hand in 1983-84 will be completed over a period of 10 years. The corollary is that 10 per cent of the capital invested in the works-in-progress upto the end of 1983-84 will become productive of a return in each year of the forecast period. To arrive at the amounts of loans allocable to works-in-progress (excluding capital stores and advances for capital works and stores), we have worked out the ratio of the amount invested in works-in-progress in 1981-82 to the total block capital in that year, and applied it to the total loans to the Electricity Boards estimated to be outstanding at the end of 1983-84 3/. The calculation of returns has been made accordingly.

3.26 Secondly, we think that the portion of the loans attributable to rural electrification 3/ schemes ought to be excluded from calculating the return. Subsidies given by the State Governments to the Electricity Boards for the purpose of the rural electrification schemes should also be excluded.

3.27 And thirdly, credit has been given to the State Electricity Boards for the sums realised by the State Governments as electricity duty, if any, imposed by them. The calculation of returns have been made by us accordingly, unless the State forecast was higher.

3.28 For fixing a norm of return, we see no distinction between Power projects run by Electricity Boards and those run departmentally. The amounts worked out on the basis indicated above are shown in the Annexure III-7.

3.29 We should mention that we did at one stage contemplate some kind of classification of Electricity Boards with the object of prescribing differential norms of return. However, on studying the matter carefully we found that it was not possible to do so, for the reason that far too many factors influence the working of the Boards.

3.30 It will be observed that in fixing the returns expected to be given by State Electricity Boards to State Governments, we have adopted a somewhat more liberal approach than Seventh Finance Commission. This should not be taken to mean that we view the matter with less seriousness. It is too obvious that large national resources have been invested and we would exhort the States and Electricity Boards to do everything in their power to ensure that proper returns are obtained. We are quite sure that it is possible to reduce rural electrification losses, and waste and theft of power and also accelerate the load growth in rural areas. We hope that our appeal to the State Electricity Boards and State Governments will not go unheeded.

RETURNS ON INVESTMENTS IN ROAD TRANSPORT UNDERTAKINGS

3.31 The investments by State Governments in Road Transport Undertakings are less than those in power projects, but are still huge. The returns are, again, far from satisfactory. It is recognised by statute that Road Transport Corporations should be run on a commercial basis. Section 22 of the Road Transport Corporations Act, 1950 specifically says that a Corporation in carrying on its undertaking

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3/ Annexure III-5 shows details of the State Governments' Loans outstanding with the Electricity Boards, amounts allocated to works-in-progress and Rural Electrification.

"shall act on business principles". It follows, therefore, that we would be perfectly justified in approaching this matter as one would in judging the performance of a private commercial enterprise.

3.32 The Road Transport Corporations have, however, put forth some reasons why they are unable to give proper returns to the State Governments. For example, they have said that fixing of passenger fares is not within their discretion, but is decided by the State Government. They have also mentioned that they are at a disadvantage as against private operators in a State where road transport is only partially nationalised and are not able to earn as much as they might otherwise have done. Another major reason which they have advanced for their poor performance is that the taxes namely, the motor vehicle tax and the tax on passengers imposed by the States, cast a heavy burden on them and cut into their profits.

3.33 Although we do not accept as valid all these reasons put forth by the Road Transport Corporations, we are not prepared to say that they are totally devoid of all substance. Yet, we think that even taking things as they are, there is very considerable scope for improvement. We have made a study of the performance in physical terms of Road Transport Corporations in various States. The information which we have collected is tabulated in Annexure III-8. Even a cursory glance at the Annexure shows that there is much room for improving the occupancy ratio, and the staff-bus ratio. The table also establishes that fuel utilised does not give reasonable kilometreage which is probably due to the lack of proper maintenance. We can also see that fleet utilisation is not at the optimum level.

3.34 Our immediate predecessor, the Seventh Finance Commission, prescribed differential normative returns for groups of undertakings. The highest rate of return which they adopted was 6.5 per cent. The performance of Road Transport Corporations since the time the Seventh Finance Commission gave its Report, shows that, barring a few exceptions, they were not able to reach the norms assumed by that Commission. This is apparent from Annexure III-9. This may possibly indicate that the norms assumed by the Seventh Finance Commission were, in the circumstances, too high. But it cannot possibly justify the poor extent of the performance of the Road Transport Corporations. We have no doubt, that although within the period of five years with which we are concerned, it will not be possible for Road Transport Corporations to reach the norms prescribed by the Seventh Finance Commission, it is possible for them to very substantially improve their performance.

3.35 Taking everything into account, we are of the opinion, that there is no reason whatsoever why the Road Transport Corporations should not be able to give a return of 3 per cent to the State Governments after providing for depreciation. As in the case of power projects, we see no reason for making any distinction between the departmental undertakings and Road Transport Corporations.

3.36 However, so far as the hill States are concerned, we recognise that the nature of their terrain is such as to raise operating costs. Consequently, we do not think it will be right to apply the same norm to them. We think, it will be sufficient, if during the forecast period they are able to cover fully their operating costs inclusive of interest payments to creditors other than State Governments, and after providing for depreciation. The provisions we have made in the forecast are shown in Annexure III-10.

3.37 We will only add that the observations which we have made while dealing earlier with the returns on power projects, are applicable with equal force here. The appeal which we have made there, should also be taken as having been addressed to the Road Transport Undertakings.

ADDITIONAL RESOURCES MOBILISATION

3.38 Para 5(iii) of the President's Order requires us to have regard to the revenue resources of States for the five years ending with the financial year 1988-89 on the basis of the levels of taxation likely to be reached at the end of the financial year 1983-84, and the targets set for additional resource mobilisation for the Plan.

3.39 There is a difference of opinion amongst us on the interpretation of the said terms of reference, in particular, as to the significance of the words, "targets set for additional resource mobilisation for the Plan". According to the majority of the Commission, comprising Shri Y.B. Chavan, Dr. C.H. Hanumantha Rao and Shri A.R. Shirali, the Commission is required for the resons explained hereinafter, to ascertain the levels of taxation likely to be reached at the end of 1983-84 for determining the revenue resources for the five years ending with 1988-89, and, in this no distinction is envisaged between the levels of taxation reached before the commencement of the Sixth Plan and the additional resource mobilisation measures taken during the Sixth Plan period merely because the proceeds of the latter are shown separately in the Plan exercises.

3.40 On the other hand, the view taken by Shri Justice T.P.S. Chawla and Shri G.C. Baveja is that the practice followed by the Planning Commission should also be followed by the Finance Commission, so as to maintain the consistency between the forecasts made by the Planning Commission and the Finance Commission. They, therefore, feel that in accordance with this practice, the additional resources mobilised during the course of the Sixth Plan upto the terminal year i.e. 1984-85 should be treated as a Plan resource, and not included in the non-Plan resource forecast until 1985-86. They are further of the view, that from the year 1985-86, receipts from the additional resources mobilised in 1984-85 should also be taken into account. Their reasons are given in detail in a separate minute of dissent.

3.41 According to the majority, the President's Order requires the Commission to estimate the revenue resources for the five years ending 1988-89 on the basis of the levels of taxation likely to be reached at the end of 1983-84. It is, therefore, clear that the revenue resources during 1984-85 are to be based on the levels of taxation likely to be reached at the end of 1983-84. Considering that the Commission was initially required to submit its report by 31st October, 1983, the level of taxation likely to be reached at the end of 1983-84 could only be determined on the basis of the actual levels reached at the end of 1982-83 and the estimated incremental levels likely to be reached at the end of 1983-84. It is in connection with the determination of the latter that the words "targets set for additional resource mobilisation for the Plan" in the Order become relevant. The only possible interpretation of these words is that the targets set for the Annual Plan for 1983-84 had to be taken into account. Any other interpretation would be inconsistant with the requirement of estimating the revenue resources for the five year period 1984-89 on the basis of the levels of taxation likely to be reached at the end of 1983-84. It might be mentioned that both the Sixth and the Seventh Finance Commissions also computed the resources of the States for the forecast period on the basis of the levels of taxation likely to be reached at the end of the year in which they were required to make their reports. The minority view that the additional resources mobilised during the course of the Sixth Plan period i.e. 1980-81 to 1983-84 should be excluded from the computation of revenue resources in 1984-85 is, thus, not consistant with the requirement of the Order referred to above.

3.42 It is true that the Planning Commission shows the proceeds of the additional resource mobilisation measures taken during the Plan period separately in the Plan exercise. But it has not prevented the Planning Commission from setting off the proceeds of additional resource mobilisation against gaps in resources on non-Plan account with the result that they hardly constitute a Plan resource in such cases. There is, therefore, no inconsistency between the procedure adopted by the majority and that actually followed by the Planning Commission.

3.43 As for the point regarding additional resource mobilisation in 1984-85, this has been dealt with later in connection with the committed liabilities.

3.44 As stated earlier, we have taken into account the levels of taxation actually reached at the end of 1982-83 and the estimated incremental level likely to be reached at the end of 1983-84. For determining the latter in relation to the targets set for the Annual Plan 1983-84, we have decided to use certain norms based on the performance in the earlier years. For this purpose, we obtained from the States details of the yield of revenue from measures taken in 1980-81, 1981-82 and 1982-83 to raise additional resources. States have taken both budgetary and extra-budgetary measures in the past three years to raise fresh resources. The all-States' aggregate of receipts in the years 1980-81 1981-82 and 1982-83 from budgetary measures constituted 48.56 per cent of the corresponding total receipts from both budgetary and extra-budgetary measures. We have decided to apply the same percentage to the target fixed by the Planning Commission for 1983-84 to arrive at a normative target for realisation of fresh revenue receipts in 1983-84 which would determine the levels of taxation at the end of that year. Wherever we have received the details of additional revenue measures from the State Governments, we have calculated the full year's yield thereof. If the yield so calculated was less than 48.56 per cent of the target fixed by the Planning Commission for 1983-84, we have added the difference to the revenue estimate for 1983-84, if it was more, we gave credit to the States for the difference.

RATES OF GROWTH OF CERTAIN SPECIFIC HEADS OF REVENUE EXPENDITURE

3.45 The general methodology for projecting the expenditure in the base year 1983-84 and thereafter for the forecast period has already been explained. The rates of growth adopted for certain important heads of expenditure are discussed below.

(i) Elections: We have made adequate provisions for holding elections to Parliament and the State Legislatures in the years when they fall due. Provision has also been made for the issuance of

identity cards to voters in certain States in the North-East, in respect of which estimates have been furnished to us by the Office of the Election Commission. Assistance to be provided by the Centre in regard to these items of expenditure has been included in the estimates of receipts.

(ii) Police: We have taken into account the payments made by a State to other Statesfor the use of their police forces. In the case of the seven hill States of Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Sikkim and Tripura, we have excluded from the forecast payments to Government of India for the deployment of the Central police force in these States, as there are large fluctuations in the expenditure on this account. We are recommending in the Chapter on Grants-in-Aid measures to deal with such expenditure. While the normal trend rate of growth for police expenditure worked out to 5.5 per cent only, we have assumed a higher rate of growth of 6.5 per cent so as to provide a cushion for accommodating any extra or unusual expenditure or any further improvements in administration.

(iii) Education: The normal trend rate of growth of expenditure on education works out to 4.5 per cent only. This is not surprising as expenditure on expansion of education is treated as Plan expenditure.

We are aware that the standards of maintanance of educational institutions, particularly of the primary and middle schools, leave much to be desired. Furniture, equipment, laboratory stores etc. are some of the basic and essential needs which suffer when State Governments decide to impose restrictions in expenditure as a measure of economy. In order to ensure that some provisions are available to make good this backlog, we have decided to project expenditure on education at the rate of 7 per cent during the forecast period.

(iv) Medical and Health: To improve the standards of service rendered in hospitals in the States marked by low expenditure levels on medicines and diet it was felt that the expenditure on medicines and diet should be stepped up to the level of all-States average.

Based on the information received from States, the all-States average of annual expenditure on medicines and diet worked out respectively at Rs.4069 and Rs.1296 per bed per annum as against Rs.2578 and Rs.1100 recommended by the Seventh Finance Commission. We have made additional provisions in the expenditure forecast of the States whose estimates were found to be lower than all-States average. In making the additional provision, we have restricted the additional amount to the difference between the all-States average and the norm fixed by the Seventh Finance Commission. We may add that while reckoning the expenditure on medicines, we have taken into account the total expenditure on medicines incurred by a State. This would include the expenditure on medicines for serving both in-patients and the out-patients. It is only for the purpose of facility in calculation that we have worked out the expenditure on medicines with reference to bed strength.

(v) Pensions: Due to insufficiency of comparable data we could not work out satisfactorily a trend rate of growth for this head. We have, therefore, adopted a 5 per cent rate of growth, both for estimating the base year's expenditure for 1983-84 and the requirements for the future, as was done by the Seventh Finance Commission. Estimates of expenditure, if any, furnished by the State Governments for the implementation of the judgement of the Supreme Court in the case of D.S. Nakara and others vs. Union of India, declaring that the benefit of revision in pensionary benefits should apply to all pensioners, irrespective of the date of their retirement, have been accepted and provisions made accordingly.

(vi) Subsidies on the sale of foodgrains: The sale of foodgrains at fair prices, particularly to the weaker sections of the society, is an important plank of national policy. An elaborate infrastructure has been created for this purpose, both by the Central Government and the State Governments. The major operations of procurement, storage and inter-State distribution are handled by the Centre through the Food Corporation of India. These gigantic operations involve large outlays. As the specific objective is to ensure that all over the country, foodgrains should be made available at a fair price, large amounts of subsidies are being given by the Centre to the Food Corporation of India. In accordance with the national policy, the foodgrains are delivered by the Food Corporation of India in all States at fixed central points at the same price.

In some States like Himachal Pradesh, Jammu & Kashmir, Nagaland, Sikkim and Manipur the essential commodities received at the central points have to be transported to far flung places in

remote and inaccessible areas. To ensure that the burden of this additional cost is not passed on to the consumers in the remote areas, it is absorbed by the State Governments and is reflected in accounts as a loss or as a subsidy. We consider this to be an inescapable item of expenditure and have, therefore, made provisions in the forecast.

We notice that subsidy is also given to ensure that foodgrains are sold through the public distribution system at a specified concessional rate. For example, the Government of Andhra Pradesh has launched a scheme whose objective is to enable families, whose annual income is not more than Rs.6000/- per annum, to get rice at the rate of Rs.2/- per kg. through public distribution system. The difference between the procurement price and the concessional sale price is subsidized by Government. This subsidized rice is being supplied at the rate of 5 kgs. per head per month subject to a maximum of 25 kgs. per family. An expenditure of Rs.1,192 crores as subsidy has been projected for the forecast period by the State Government. Similarly, the Government of Karnataka has started a scheme from February, 1983 whereunder super-fine rice, fine rice and ordinary rice are to be sold to card holders in informal ration areas at subsidized rates of Rs.2.10, Rs.2 and Rs.1.90 per kg. respectively. The liability of the subsidy on this account has been assessed at Rs.100 crores over the forecast period.

We have to take a view about this expenditure on subsidies in the background of the steps taken at the national level and the expenditure already being incurred to ensure that rice is made available at reasonable prices to the consumer. In our view it would not be equitable to provide for the large expenditure on this account in the estimates of one or two States only. Therefore, for the limited purpose of forecasting of expenditure under the concerned heads, and without commenting on the merits of the schemes, we have not taken into account the provision made by the State Governments for these subsidies.

(vii) Social Security and Welfare Measures: Provisions for expenditure on a large number of social security and welfare measures are made under the major head 288. We have made reasonable provisions for all the social security schemes including those that have been launched for the first time in 1983-84. Mention may be made in this connection of the schemes like the Chief Minister's Nutritious Meal Programme in Tamil Nadu, the scheme for giving pension to agricultural workers in Kerala and the Scheme for giving employment allowance to unemployed persons in West Bengal, Punjab and Kerala, to mention only a few of such schemes.

The old age pension scheme is being implemented by practically all States. In Bihar, we noticed that the per capita expenditure on this scheme in 1981-82 was Rs.9.65. This appeared to be extraordinarily large. Therefore, for forecasting purposes, we have adopted a per capita rate of Rs.4.59 which is the highest per capita expenditure among all the States excluding Bihar.

(viii) Debt Services: We have made provisions for the payment of interest by the State Governments on all loans and other interest bearing obligations estimated to be outstanding at the end of 31.3.1984. Interest on State Provident Funds has, in addition, been calculated on the basis of the yearly accretions to the fund in the forecast period. Further, we have also made provisions in the forecast period for the payment of interest to the Reserve Bank of India on the likely ways and means advances, likely to be availed of by the States. These have been estimated on the assumption that the maximum permissible limit of such advances including special advances, would remain outstanding for half the year in each year of the forecast period.

In respect of Central loans, we have made provision for interest liability in the forecast period on the basis of the outstandings as per our scheme of consolidation and re-scheduling of loans and the new rates of interest as detailed in the Chapter on Non-Plan Capital Gap of the States. As regards loans taken by States from the Life Insurance Corporation, etc., Accountants General of only some States have furnished this information. Therefore, in the case of the other States, this data was worked out by us on the basis of the information contained in the States' forecast. To these, we have added the interest payments in respect of the loans taken in the year 1983-84. Particulars of such loans have been taken from the forecasts given by the States to the Planning Commission for the purpose of estimating their financial resources for the annual Plan 1984-85, copies of which have been sent to us also by the States.

In short, barring interest on the fresh ways & means advances from Reserve Bank of India and the fresh accretions to Provident Fund, we have not made provisions for any interest payments in

respect of fresh borrowings during the forecast period, mainly for the reason that estimates of such loans could not be made with a reasonable degree of accuracy. Therefore, like our predecessors, we have worked out an arrangement for the discharge of such fresh liabilities in the forecast period, details of which are given in the Chapter on Grants-in-aid.

PROVISIONS FOR EMOLUMENTS AND TERMINAL BENEFITS

A - EMOLUMENTS

3.46 We are required to take into account, under para 5(iv) (a) of the President's Order, provisions for emoluments and terminal benefits of Government employees, teachers and employees of local bodies as obtaining on such date, as the Commission deems it proper to specify and with reference to appropriate objective criteria, rather than in terms of actual increases that may have been given effect to. The inclusion of 'terminal benefits' of Government employees is an addition to our terms of reference as compared to that of the last Commission.

3.47 A specific reference to the provisions needed for emoluments of Government employees was made for the first time in the President's Order dated 28th June, 1972, constituting the Sixth Finance Commission . That Commission was required to take into account "such provision for the emoluments of Government employees, teachers and local body employees, as obtaining on a specified date as the Commission deem it proper in the light of the States' capacity and needs". The Sixth Finance Commission specified 1st January, 1972 as the date of reference for this purpose, in the hope of getting "a clear picture of the relative position of different States in respect of scales of pay as on a date when the State Government's judgement was least likely to have been clouded by the implications of the impending appointment of a Finance Commission".

3.48 The Sixth Finance Commission observed that it would be conducive to sound fiscal management and rational decision making, if it became known that a Finance Commission did not consider itself bound to take note of all the increases in emoluments that may have been given effect to. At the same time, States which had observed a measure of restraint in pay revisions should have the assurance that their minimum requirements in this regard would not go unnoticed.

3.49 The terms of reference of the Seventh Finance Commission in this respect were identical with those given to us except that the subject of 'terminal benefits' has been added in our terms of reference. That Commission specified 1st January, 1977 as the relevant date for the computation of emoluments of Government employees for two reasons. Firstly, it noted that the Centre had not sanctioned any fresh instalments of dearness allowance after 1.3.1975, and it, therefore, presumed that by the 1st January, 1977, State Governments would have sanctioned all the instalments of dearness allowance which the Centre had sanctioned by than or at any rate, those considered justified by them. Secondly, it observed that on the announcement of elections to the Lok Sabha, a number of States, had hastened to sanction benefits to their employees, somewhat more freely than had been their practice, which it declined to take into account so as to mete out uniform treatment to all States.

3.50 We are in general agreement with the approach of the Sixth and Seventh Finance Commissions regarding specifying of a date in accordance with our terms of reference. However, unlike in 1977, when some States proceeded to announce increases in anticipation of the impending Lok Sabha elections there had been no special circumstances in 1982 which might have influenced the State Governments in the period immediately prceding the constitution of our Commission. We were, therefore, convinced that we should take into account all the decisions which the State Governments had taken during the financial year 1981-82. Also we did not want to specify a date too remote from the date of the President's Order. Hence, at our first meeting, we decided to specify the 1st April, 1982 as the date for the purpose of para 5(iv) (a) of the President's Order.

3.51 Many States had misgivings about the implications of the specified date, i.e. the 1st April, 1982. They, therefore, suggested that whatever decisions they have actually taken in respect of revision of emoluments, even though ordered after the specific date, should be taken into account for the purpose of making provisions in the forecast period, instead of determining these on the basis of objective criteria. This was particularly emphasised by the States who either do not have a revenue surplus or have a surplus which is negligible. A view was strongly expressed that as the recommendations of the Commission were to be based on the levels of taxation/ receipts likely to obtain at the end of 1983-84, it was only fair that decisions on emoluments and terminal benefits by the State Governments upto, say, June, 1983, should be taken note of by the Commission.

3.52 In regard to emoluments, certain States have sought parity with the emoluments given to Central Government employees, while others have desired parity with those of nationalised banks, the Life Insurance Corporation and the major Central public sector undertakings. Some States have urged that at any rate there should be no difference between the Central and State scales of pay in respect of certain common categories of posts while the difference in respect of emoluments of other posts should be restricted to about 10 per cent.

3.53 All States have mentioned about their being under constant pressure to sanction fresh instalments of dearness allowance corresponding to the increases sanctioned at the Centre. They were unanimous that in any event, there was no justification whatsoever for any differentiation in respect of dearness allowance, as increases in the cost of living affected all employees in the same way regardless of whether their employer was the Union or the State.

3.54 Some Chief Ministers have also requested us to make provisions for States to pay interim relief and bonus to the same extent as sanctioned by the Centre.

3.55 The All India State Government's Employees Federation sent us a detailed Memorandum and its representatives also met us. When we visited the State capitals, the State Employees Associations put forward their views which were substantially the same as those of the State Governments.

3.56 At the outset, we wish to state that there were two objectives we had in mind in specifying 1st April, 1982 as the relevant date. First, we wanted the State forecasts of expenditure relating to emoluments to be on a comparable basis i.e. based on the rates of levels of emoluments obtaining on a given date. And secondly we wanted to be able to compare the emoluments attached to certain common categories of posts, e.g., peons, constables, lower division clerks, etc. on a common date so as to be able to evolve objective criteria for making provisions in the forecast period. Obviously, it could not be a future date as that might lead some States to raise the emoluments of their employees before that date which they might not otherwise have done. Therefore, it had to be a past date. In selecting 1st April, 1982, we were also guided by the consideration that the date should not be too remote.

3.57 State Governments have urged us to accept as a principle that they should be enabled to neutralize the increases in the cost of living by the payment of dearness allowance in the same manner and to the same extent as the Central Government. There is, no doubt, force in this demand. We agree that there is no reason why in the matter of the grant of dearness allowance any distinction should be made between the employees of the Union and those of the States.

3.58 As regards emoluments, other than dearness allowance, the considerations are more complex. We agree with the observations of the Sixth and Seventh Finance Commissions that a Finance Commission cannot take the place of a Pay Commission and should not take upon itself the burden of recommending revision or pay scales. Pay Commissions take into account many considerations like the cost of living, the pay scales obtaining at the Centre and in adjacent States for comparable posts, the expenditure incurred on establishment in relation to the total Government expenditure, the need to conserve resources for the development Plans and so on. These are matters beyond our ken. For the same reason, therefore, it would not be proper for us to express any opinion as to whether the State Governments' pay scales should be brought on par with those obtaining at the Centre. Conversely, we would also not be justified in refusing to make provisions simply on the ground that in certain cases the emoluments other than dearness allowance actually being paid by a State are higher than at the Centre or in any other State. Our limited concern is merely to evolve an appropriate objective criteria on the basis of which provisions can be made during the forecast period.

3.59 In order to make provisions for the minimum requirements of emoluments on the basis of an objective criterion, the Sixth Finance Commission took the average of the emoluments obtaining in States on the specified date, i.e. 1st of January 1972. It made additional provisions in the expenditure estimates of those States where the emoluments on the specified date were less than this average. The Seventh Finance Commission also adopted a similar approach. However, it adjusted the all-States average so as to maintain the relativity that existed on 1.1.72 between the average emoluments of the States, on the one hand and those at the Centre on the other. We are also satisfied that the objective criterion on the basis of which provisions should be made for emoluments, is the all-States average emoluments obtaining in the States as on the date specified by us, i.e., 1st April 1982.

3.60 Having considered all aspects of the matter, we are of the view that provisions for emoluments should be made in the forecast of the States on the following objective criteria:

(a) Provisions should be made for the emoluments actually obtaining on 1st April, 1982 on the basis of orders both issued as well as implemented before that date.

(b) Provisions should be made for payment of dearness allowance to compensate for increases in the cost of living to the same extent as has been done by the Centre so far. These provisions should be linked to increases of 8 points in the 12-monthly average of the All India Consumer Price Index number for Industrial Workers (1960=100), and this average is hereinafter referred to as the 'CPI'.

(c) Provisions should also be made for covering the disparities in the rate or level of emoluments obtaining in various States. Thus, if the level of actual emoluments on 1st April 1982 in a State is lower than the corresponding all States' average worked out in the manner indicated hereinafter, a further provision should be made to cover the difference.

Provisions for emoluments in the forecast period have been worked out in accordance with these criteria. The manner in which this has been done is briefly explained in the subsequent paragraphs.

3.61 State Governments have furnished information about the CPI level upto which the last instalment of dearness allowance was sanctioned by orders issued prior to 1.4.1982. The number of instalments of dearness allowance for which provisions have been made so as to link them with the CPI level of 440 i.e. the level upto which the Central Government had sanctioned additional dearness allowance upto 1.4.1982, is shown in Annexure III-11.

3.62 The Central pattern of sanctioning dearness allowance has been followed in all States from before 1st April, 1982 except in Assam, Meghalaya and Tripura. These States have adopted this pattern sometime after 1st April, 1982. In the case of these three States also we have made provisions for dearness allowance on the Central pattern.

3.63 We have obtained from State Governments the details of the annual cost of one instalment of dearness allowance and also the total number of Government employees,* paid from both the Plan and non-Plan Budget, as well as the total number of employees of local bodies. The cost of one instalment per year per employee was worked out, but this was found to vary considerably from State to State. As we have decided to make provisions for payment by the States of dearness allowance on the same pattern as that of the Central Government, we thought it worth-while to compare the per employee cost of one instalment of dearness allowance to the Centre with that to States. We have been informed by Ministry of Finance, that, on an average, this works out to Rs. 147 per employee per annum in so far as Central Government employees are concerned. We are aware that this average would, to some extent, very according to the pay-range-wise composition of the employees. Making an allowance of 10 per cent for this factor, we decided that a maximum incidence of Rs. 162 per employee per annum would be a reasonable norm on the basis of which this burden could be estimated. We have, therefore, adopted the cost of one instalment of dearness allowance as worked out from the State data but subject to the maximum amount worked out on the above norm.

3.64 The provisions for additional dearness allowance made on this basis to compensate the cost of living upto CPI 440 are indicated in the Table in paragraph 3.68.

3.65 The Sixth and the Seventh Finance Commission worked out the all-States average as on the dates specified by them (i.e. 1.1.1972 and 1.1.1977 respectively) by taking into account the actual emoluments obtaining on those dates. We have decided to calculate the all-States average by first bringing the emoluments to a uniform CPI level. On the date specified by us i.e. 1st April, 1982, the CPI level upto which dearness allowance had been sanctioned varies from State to State. Therefore, the actual emoluments as on this date are not comparable as between States. We, therefore, felt it necessary, in the first instance, to work out the presumptive emoluments as on 1st April, 1982 i.e. what would have been paid if, like the Centre, all States had sanctioned dearness allowance upto CPI level of 440. This has been done by adding to the actual emoluments as on 1.4.1982, the provisions for additional dearness allowance referred to in the previous para. A summary of the all-States average level of presumptive emoluments as on 1.4.1982 and the State-wise presumptive emoluments as on that date in respect of the selected common categories of posts which account for the bulk of Government employees is given in Annexure III-13. Details thereof, post-wise, are given in Annexures III-14(i) to III-14(xi).

3.66 State Governments have furnished the numbers of their employees classified by pay ranges. The provisions needed for emoluments have been worked out with reference to (i) the difference between the all States average emoluments for the particular common category post and the presumptive emolu-

* Total number of State Government Employees, Teachers and other employees of Local Bodies and Aided Institutions is given in Annexure III. 12.

ments attached to that post in a State and (ii) the estimated number of employees falling within the pay-range of that post. The provisions worked out on this basis are indicated in the Table in paragraph 3.68.

3.67 The Centre has already sanctioned after 1st April, 1982 another seven instalments of additional dearness allowance with effect from various dates when the CPI increased by 8 points from 440 to 496. Accordingly, we have also made provisions for these additional instalments in the forecast period. Details thereof have been indicated in the table in the next paragraph.

3.68 To sum up, the Table below shows the provisions we have made for emoluments of Government employees etc. during the five years ending 1988-89. These are in addition to the normal requirements projected during the forecast period on the basis of the rates obtaining as on 1.4.1982 included in the base year estimates of 1983-84.

Table: 1 : Additional provisions made for emoluments for five years of the forecast period 1984-85 to 1988-89.

(Rs. lakhs)

Name of the State	For DA upto 12 monthly CPI average of 440 as on 1.4.1982.	To make up the difference with reference to the presumptive emoluments on 1.4.82 adjusted to CPI 440	Total (2+3)	For DA consequent on increase in the 12 monthly average CPI from 440 to 496	Total of 4+5
1	2	3	4	5	6
1. Andhra Pradesh	19480	3246	22726	34090	56816
2. Assam	11500	4173	15673	12740	28413
3. Bihar	22760	6615	29375	39830	69205
4. Gujarat	13280	1974	15254	23240	38494
5. Haryana	6860	Nil	6860	12005	18865
6. Himachal Pradesh	2080	Nil	2080	3640	5720
7. Jammu & Kashmir	Nil	489	489	8750	9239
8. Karnataka	Nil	Nil	Nil	26705	26705
9. Kerala	12000	6573	18573	21000	39573
10. Madhya Pradesh	18000	24932	42932	31500	74432
11. Maharashtra	23360	Nil	23360	40880	64240
12. Manipur	1200	529	1729	1680	3409
13. Meghalaya	@	Nil	Nil	2701	2701
14. Nagaland	1460	176	1636	2555	4191
15. Orissa	11860	9503	21363	20755	42118
16. Punjab	8000	Nil	8000	14000	22000
17. Rajasthan	14880	15391	30271	26040	56311
18. Sikkim	515	107	622	721	1343
19. Tamil Nadu	3685	50134	53819	25795	79614
20. Tripura	3700	2796	6496	5180	11676
21. Uttar Pradesh	25860	17793	43653	45255	88908
22. West Bengal	45395	Nil	45395	45395	90790
Total	245875	144431	390306	444457	834763

3.69 Some Chief Ministers have requested us to make provisions to enable States to pay the interim relief sanctioned by the Central Government to its employees with effect from 1st June 1983, as well as the ad hoc bonus sanctioned to its employees for the year 1982-83.

@ State Government has sanctioned DA upto Six-monthly average CPI level of 457 as on 1.1.82 on their own pattern viz. Rs.1.30 per point for all employees, but switched over to Central pattern w.e.f. 1.10.1983. The State Government has indicated that the estimated cost for switch over to Central pattern is Rs.27.01 crores upto 12-monthly average CPI of 496 which has been accepted.

3.70 The Government of Uttar Pradesh, like the Centre, has already sanctioned for 1982-83 an ad hoc bonus of 15 days' pay to its employees and to teachers and employees of local bodies. Pending the evolution of a formula they have made a provision of Rs.247.14 crores for the forecast period.

3.71 As already stated, our terms of reference require us to make provisions for emoluments on the basis of objective criteria, rather than on the basis of actual increases sanctioned. We have explained the objective criteria which we have decided to adopt. Keeping them in view we are unable to accede to these requests as they do not come within those objective criteria.

B - TERMINAL BENEFITS

3.72 Terminal benefits are given in different forms such as pension, gratuity, commutation of pension, encashment of leave, family pension etc. and they very from State to State. In addition to the benefits given on retirement, pensioners are also given dearness relief to compensate them for increases in the cost of living from time to time. Expenditure relating to various types of terminal benefits is booked under the Major Head 266.

3.73 We are required to make provisions for terminal benefits on the basis of objective criteria. Since statistics regarding the number of pensioners in different pension slabs are not maintained by States it was not possible to work out, on the basis of any objective criteria, the requirements for terminal benefits during the forecast period. Therefore, the actual expenditure under Major Head 266 for the year 1982-83, excluding relief, if any, sanctioned to pensioners after the specified date, i.e. 1.4.1982 was taken as the basis for working out the estimates of expenditure on terminal benefits for the forecast period. Accordingly, provisions have been built into the forecasts, as already indicated in para 3.45(v).

3.74 As regards dearness relief, again, for lack of statistics, we were unable to make reasonably approximate estimates of the cost to the State Governments of one instalment of dearness relief to pensioners. Consequently, we have estimated the cost of this relief to the States on the assumption that it bears the same ratio to the cost of one instalment of additional dearness allowance as that at the Centre. This ratio in the case of the Centre is 7.8 per cent.

3.75 We have allowed for payment of dearness allowance to State Government employees upto the 12-monthly average of the All India Consumer price Index Number for Industrial Workers (1960 = 100) of 496. According to the prevailing practice at the Centre, relief to pensioners is also sanctioned as and when dearness allowance is sanctioned to serving Government employees. Therefore, we propose to make provisions for dearness relief to pensioners upto the same index level as for dearness allowance. The provisions needed by the States except Meghalaya, for payment of relief to pensioners, have been worked out at the rate of 7.8 per cent of the provisions made in respect of additional dearness as shown in the Table below. Meghalaya had been sanctioning relief to pensioners on their own pattern upto 30.9.1983. They switched over to the Central pattern with effect from 1.10.1983. Additional requirements of funds for grant of relief to pensioners, during the forecast period, upto CPI level of 496 have been indicated by the State Government. Their estimate has been accepted. The amounts so worked out for the forecast period 1984-89 are shown in the following table.

Table 2 : Provision for Dearness relief to Pensioners during 1984-89 upto CPI level of 496.

	State	(Rs.lakhs)		State	(Rs. lakhs)
1.	Andhra Pradesh	4178	12.	Manipur	225
2.	Assam	1891	13.	Meghalaya	55*
3.	Bihar	4882	14.	Nagaland	313
4.	Gujarat	2849	15.	Orissa	2544
5.	Haryana	1471	16.	Punjab	1716
6.	Himachal Pradesh	446	17.	Rajasthan	3192
7.	Jammu & Kashmir	683	18.	Sikkim	96
8.	Karnataka	2083	19.	Tamil Nadu	2299
9.	Kerala	2574	20.	Tripura	693
10.	Madhya Pradesh	3861	21.	Uttar Pradesh	5547
11.	Maharashtra	5011	22.	West Bengal	7082
				Total	53691

*As indicated by State Government.

These are in addition to the normal requirements projected for the forecast period on the basis of the rates obtaining on 1.4.1982 included in the base year estimates of 1983-84.

MAINTENANCE OF CAPITAL ASSETS

3.76 Para 5(v) of the President's Order requires us to have regard, inter alia, to the need for adequate maintenance and upkeep of capital assets and to indicate the norms, if any, on the basis of which specified amounts are allowed for the maintenance of different categories of capital assets and the manner in which such maintenance expenditure could be monitored.

3.77 We had requested the State Governments to give us information about the prevailing norms of expenditure for the maintenance of various types of capital assets and also to indicate the norms which they would recommend for adoption in the quinquennium commencing from 1st April, 1984. During our visits to States, we ascertained the views of the Secretaries to Governments and the Heads of the Departments concerned with the maintenance of buildings, roads and irrigation works, both as to the norms of maintenance and the steps needed to ensure that the provisions made are actually utilized. We also had discussions with the concerned Ministries in the Government of India. The requirements for maintenance for various kinds of capital assets are considered in the paragraphs that follow.

MAINTENANCE OF MAJOR AND MEDIUM IRRIGATION WORKS

3.78 We requested the States to furnish information about the potential created from major and medium irrigation works upto the end of 1981-82, and likely to be created at the end of 1983-84 and their utilisation. As the data received from the States were incomplete, we have obtained similar data from the Ministry of Irrigation, details of which are furnished in Annexure III-15.

3.79 The Union Ministry of Irrigation also gave us particulars about the maintenance expenditure incurred on some projects in Maharashtra, Punjab and Tamil Nadu (Annexure III-16). These show wide variations, not only from State to State but also from project to project within the same State as was only to be expected. For instance, the maintenance expenditure in Maharashtra in the year 1979-80 was only Rs.27.95 per hectare on the Gangapur project, whereas for Jayakwadi Project it was as high as Rs.171.70 per hectare in the same year. In Punjab, the variation was from a minimum of Rs.9.10 per hectare on Upper Bari Doab Canal System to Rs.38.66 per hectare on the Bhakra Canal System. The corresponding minimum and maximum levels of maintenance expenditure in Tamil Nadu were Rs.10.90(Vaigai) and Rs.68.35 (Krishnagiri Project) per hectare.

3.80 With this range of intra-State and inter-State variation, we wanted to examine whether it would not be more realistic to evolve Statewise/region-wise norms. At our instance, the Ministry of Irrigation explored this possibility but found it difficult to suggest a desirable set of State-wise/region-wise norms. They, however, felt that, within the limits of an all-India norms, it should be possible for the States to provide for the desired levels of expenditure on maintenance, and accommodate the widely differing needs of various projects.

3.81 Some States have suggested to us certain norms of expenditure for the period covered by our report (Annexure III-17). These vary for plain areas from Rs.75 per hectare suggested by Orissa and Haryana to Rs.127 per hectare proposed by Uttar Pradesh. Jammu & Kashmir has suggested Rs.200 per hectare. Some States have suggested gross irrigated area as the basis for determining the norms of expenditure while some others have pleaded for use of irrigation potential for this purpose. During our discussions with the States, many of them, however, expressed the view that the norms recommended by the Seventh Conference of Irrigation Ministers might be adopted. But, at least one State felt that the norms recommeded by this Conference were too high.

3.82 We held discussions with the Ministry of Irrigation and requested them to suggest norms for our consideration. Based on the recommendations made by the Seventh Conference of the Irrigation Ministers of States held in December, 1982 the Ministry of Irrigation has proposed the following norms for maintenance and return :-

(a) Operation and maintenance charges of irrigated systems may be placed at Rs.100 per hectare of culturable command area, where irrigation intensities are less than 100% and, Rs.100 per hectare of potential/irrigated area, where irrigation intensities are more than 100%. In hilly areas this may be increased by 50%. This provision should be exclusive of regular establishment charges.

(b) For special repairs, provisions may be made at the rate of 20% of the annual grants for normal operation and maintenance.

(c) Regular establishment required for maintenance of canals should be financed separately. Based on typical studies carried out by the Central Water Commission a provision at Rs.50/- per hectare of irrigated area may be made till more data become available from States.

(d) The States should also review and revise upwards their water rates with regular periodicity to ensure that the costs of operation and maintenance are met fully, and a return on capital investment of at least 1 per cent is realised.

3.83 We drew the attention of the Ministry of Irrigation to the fact that in 1978, the Seventh Finance Commission had, after consulting the Ministry, recommended that provisions for maintenance be made generally on a norm of Rs.50 per hectare of gross irrigated area, inclusive of the cost of regular establishment, and enquired the reasons for the large increase in the norm of maintenance now suggested. The Ministry of Irrigation explained that due to some misunderstanding it was conveyed to the Seventh Finance Commission that the norms suggested by the Ministry were inclusive of the expenditure on regular establishment while, in fact, the expenditure on regular establishment was meant to be in addition to the suggested norm of Rs.50 per hectare of irrigated area. Further, it was pointed out that the rate recommended by the Ministry to the Seventh Finance Commission "had a relation only to the level of expenditure which was being incurred at that time and corresponded to the level of maintenance that existed then. It was not linked to the requirements of the system to maintain it to the desired degree or standard."

3.84 We have considered all aspects of this matter. It would appear from the Note dated 2nd November, 1977 sent by the Department of Irrigation to the Seventh Finance Commission (vide Appendix 1.13 of the Report of the Seventh Finance Commission) that the norms suggested by that Department were not merely based on the level of expenditure then being incurred by the States. That Note showed that the Department considered that one of the main reasons for under-utilisation of irrigation poterntial was that the maintenance of irrigation and drainage systems was neglected. The Department had further mentioned that a Central Water Utilisation Team had found that the operation and maintenance budgets were grossly inadequate in many cases and the systems were gradually deteriorating. The Note also alludes to the emphasis laid by the World Bank on operation and maintenance strictly in accordance with sound engineering principles. Further, while collecting material from the States for this particular purpose, the irrigation project authorities had been requested to indicate the amount which they required for proper operation and maintenance. From this it would appear that the norms recommended by the Seventh Finance Commission, based on the aforesaid Note of the Department of Irrigation did reflect the needs of funds for proper maintenance.

3.85 The norms now suggested by the Ministry roughly work out to Rs.170 per hectare of irrigated area in the plains, and Rs.230 per hectare of irrigated area in the hilly areas. These seem to be quite high, even allowing for the increase in costs since 1976-77 on the basis of which the Department of Irrigation gave its note to the Seventh Finance Commission. The Ministry has furnished a statement of the "Estimated index for operation and maintenance charges (All India)" (Annexure III-18). On the basis of the trend increase in prices, the norm of Rs.50 per hectare of irrigated area fixed by the Seventh Finance Commission would now work out to about Rs.88 in 1983-84. Even if the costs of establishment and special repairs are added to the norms of the Seventh Finance Commission adjusted above, the amount would still be less than what has been proposed now.

3.86 As regards regular establishment, the sum of Rs.50 per hectare of irrigated area seems to be rather excessive when we consider the fact that in the case of roads and buildings, provision for regular establishment is being made at 16% of the provision for normal repairs.

3.87 Further, on the basis of the norms of maintenance now suggested by the Ministry of Irrigation a provision of Rs.512 crores would have to be made for all the States in 1983-84, as against which their actual expenditure in 1981-82 amounted to Rs.214 crores only. An increase in the maintenance provision of this order does not seem justified.

3.88 When the Seventh Conference of Irrigation Ministers recommended higher norms for maintenance it recommended at the same time that the States should raise their water rates so that the irrigation receipts not only met the full cost of maintenance but also gave a return of 1 per cent on the capital. Unfortunately, this position does not exist in most States as is apparent from Annexure III-19. The receipts fall far short of the maintenance expenditure in almost all States, and, therefore, a yield on the capital is yet a very far cry. We observe that even though expenditure on maintenance of irrigation works has risen substantially after the Seventh Finance Commission made its report, very few States

have taken any step to raise their irrigation rates. Even where the rates have been increased, they are not commensurate with maintenance expenditure.

3.89 Keeping all these aspects in view, we have decided to provide a consolidated amount of Rs.100 per hectare of gross irrigated area for maintenance including normal repairs, special repairs and regular establishment. This is nearly double the norm adopted by the Seventh Finance Commission. We hope that this expenditure will be matched by water rates and other irrigation receipts.

3.90 In addition, we have provided funds at Rs.30 per hectare for the maintenance of the unutilised potential existing at the end of 1983-84.

We are very concerned at the extent of the unutilised potential, and we would urge the States, in the national interest, to bring this potential into use as expeditiously as possible. We have, therefore, assumed that in the States of Andhra Pradesh, Haryana, Karnataka, Kerala, Orissa, Punjab, Tamil Nadu and West Bengal, the unutilised potential in 1983-84 which is less than 10 per cent of the potential estimated to be created at the end of that year, will be fully utilised by the end of 1988-89. For Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and Jammu & Kashmir, where the corresponding percentage of unutilised potential in 1983-84 varies from 11.8 per cent to 27.4 per cent, we have assumed that the unutilised potential will be reduced to 5 per cent by the end of 1988-89. In the other States, where the corresponding percentage of unutilised potential in 1983-84 varies from 33.3 per cent to 41.4 per cent, we have assumed that the unutilised potential at the end of 1988-89 will be reduced to 10 per cent.

3.91 The provisions for maintenance have been made by us on the basis of these norms.

3.92 For hill States these norms have been increased by 30 per cent to provide for the extra cost as compared to the cost in plains.

3.93 The provisions worked out on this basis are indicated in Annexure III - 20.

3.94 The provisions for maintenance expenditure thus made may, for some States, be less than the expenditure actually incurred in 1983-84. But at the same time, the receipts that we have taken note of on a normative basis may also be less than the actual receipts being realised in some States. We would only say that we have made provisions both for revenue receipts and maintenance expenditure on a normative basis. If in any State, it is found necessary to incur a larger expenditure for maintenance, it should also ensure that irrigation receipts are also increased so that there is no further burden on the budgetary resources of the States.

MAINTENANCE OF FLOOD CONTROL WORKS

3.95 The Ministry of Irrigation, Government of India set up an Expert Committee in 1982 under the Chairmanship of the Member (Flood), Central Water Commission to suggest norms for maintenance of flood control works. This Expert Committee gave its report in December, 1982. During our discussions with the Ministry, the norms recommended by this Committee were placed before us for consideration. They are as follows :

'Embankments

Rs.12,000 to Rs.17,000 per km. in the first three years after construction and Rs.9,000 to Rs.12,000 per km. in subsequent years, the lower rates to be adopted for embankments upto a height of 3 metres (10 ft.). For armoured embankments, lower rate to be adopted.

In case of embankments situated in areas of heavy monsoon rainfall of the order of 1500 mm. or more, an increase of 10% in the above rates is recommended.

In case of embankments along rivers with a flood discharge of 10,000 cumecs or more an increase of 30-40 per cent is recommended.

Drainage Channels

Discharge upto 5 cumecs	Rs.2000 per km
Discharge between 5 to 15 cumecs	Rs.2500 per km
Discharge above 15 cumecs	Rs.5000 per km

The above rates will be applicable for non-tidal channels. In case of channels, in tidal areas, the above rates will be upgraded by 50 per cent.

River training and Bank protection works including sea walls

5 per cent of updated capital cost in the first three years and 3 per cent in subsequent years.

In case of temporary and light works such as bed bars, timber dempeners, porcupines, "Salballah" screens/spurs a rate of 10 per cent is recommended.

The recommended rate for 1982-83 will be increased for subsequent years at 10 per cent per year or the actual yearly escalation, in case of embankments and drainage channels.

The recommended rates are exclusive of all regular establishment charges.

3.96 Inadequacy of data as to the length, height and age of the embankments and the discharge capacities of the drainage channels has rendered it difficult for us to assess the needs of the States on the basis of these norms. The recommended rates for river training works, bank protection works, and seawalls are in terms of percentages of the capital cost of these assets. Application of these rates also posed problems for want of data. Therefore, we have projected the actual expenditure incurred by each State on maintenance of flood protection works in 1981-82 at a growth rate of 10 per cent per annum to arrive at the estimated requirement for 1983-84. The sums provided for each State on this basis during the forecast period can be seen at Annexure III-21.

MAINTENANCE OF MINOR IRRIGATION WORKS

3.97 Due to data problems we could not adopt a normative approach in making provisions for the maintenance of minor irrigation. We have, therefore, projected the actual expenditure of these States in the year 1981-82 at the rate of 10 per cent to arrive at the estimated requirements for 1983-84, as has been done in the case of flood control works. This amount has been projected for five years of the forecast period.

MAINTENANCE OF ROADS

3.98 We had requested the States to furnish information about the estimated lengths of various types of roads as at the end of 1983-84. However, except eight States, the data furnished by other States relates to earlier years. For such States, we have estimated, on the basis of past trends, the likely lengths of roads as at the end of 1983-84 for which maintenance provisions would have to be made. For this purpose, we have referred to the "Basic Road Statistics of India" published by the Transport Research Division of the Ministry of Shipping and Transport. We also had detailed discussions with that Ministry about the provisions required to be made for the maintenance of roads.

3.99 We first deal with the maintenance of highways. The Ministry of Shipping and Transport has recommended that the norms for maintenance of State highways prescribed by the 1968 Expert Committee should be followed by all States, and the requirement of funds should be worked out by applying the currently applicable costs of materials and wages to the physical specifications prescribed in these norms. Based on these recommendations, the Ministry has worked out the norms in financial terms which have been accepted by us.

3.100 For other State roads, the Ministry has recommended the acceptance of the norms prescribed by the Malhotra Committee. This Committee was set up as a result of the recommendation of the Conference of the Chief Engineers held in 1977 and it gave its report in 1978. For most of the maintenance needs, the recommendations of this Committee specify the physical quantities of material and the manpower required for various types of roads. We, therefore, requested the Director General, Road Development, Ministry of Shipping and Transport to convert these requirements into financial terms. The monetary norms worked outby him have been accepted by us. In Assam, gravel roads occupy an important place in the State's road network. However, the Malhotra Committee did not specifically indicate the norms for maintenance of such roads. The Ministry of Shipping and Transport, whom we consulted, have advised that the norms applicable to water-bound Macadam (WBM) road may be adopted for gravel roads also. We have accepted this recommendation, and provisions for such roads in Assam have been made on this basis.

3.101 The norms allowed for State highways and other roads are indicated in Annexure III-22. These are exclusive of establishment charges, and charges for tools and plants. Provisions for these items have been added at the rate of 16 per cent and 4 per cent of the norm respectively.

3.102 We have also examined the requirements for the roads maintained by local bodies. The Seventh Finance Commission recognised the economic importance of these roads and the need for their maintenance requirements on par with other State roads. It provided for a major part of the maintenance requirement in the forecast and assumed that the balance would be raised by local bodies. The finances of local bodies have come under severe strain and we think it might not be possible for them to afford even the limited sums for the maintenance of roads which the Seventh Finance Commission had expected of them. We have, therefore, made full provisions for the maintenance of such roads on the same norms as for State roads.

3.103 The States have made a strong plea for provisions for the maintenance of village earthen roads also. On examining the data regarding these roads, it appeared that large lengths of village kacha tracks have also been included. This, and, the other infirmities in the data have precluded us from considering whether to make provisions for such roads.

3.104 Roads are a basic infrastructure for all developmental activities, and, more so in States which are not well served by railways. Therefore, the importance of maintenance of roads does not need to be streassed. The Union Ministry of Shipping and Transport urged that, at least, the most important aspect of maintenance viz. surface renewals, should be monitored. The sums allocated for maintenance of roads should , it was suggested, be broken up into three components, i.e. 35 per cent for ordinary repairs, 50 per cent for surface renewals and 15 per cent for special repairs and minor flood damage repairs. The Ministry felt that the sums allocated for surface renewals could be monitored, as such renewals have to be carried out periodically. We think there is merit in this suggestion. However, we have refrained from earmarking the provisions for the purposes as suggested, as we hope that the States themselves will take necessary action to ensure proper utilisation of the provisions for maintenance.

3.105 When we worked out the provisions for maintenance in 1984-85 on the basis of the norms indicated above, we found that in the case of Assam, Bihar, Haryana, Karnataka, Maharashtra, Manipur, Punjab, Rajasthan and Tamil Nadu they were disproportionately larger than the estimated current levels of expenditure. For these States, the provisions for 1984-85 have been restricted to twice the estimated requirement for the year 1983-84, which has been assessed by assuming a rate of growth of 10 per cent over the actuals of 1981-82. In Nagaland, however, the provision we worked out for 1984-85 was less than the actual expenditure in 1982-83. Therefore, we have allowed a higher provision based on the prevailing levels of expenditure.

The provisions for maintenace in 1984-85 and for the five years have been shown in Annexure III-23. These include a provision of Rs.81 lakhs for the maintenance of the Old Hindustan-Tibet Road, in Himachal Pradesh during the forecast period.

MAINTENANCE OF BUILDINGS

3.106 Both the Sixth and Seventh Finance Commissions allowed expenditure for maintenance of buildings on the basis of the norms used by the Central Public Works Department for the maintenance of Central Government buildings. From 1978, the Central Public Works Department switched over to the system of assessing maintenance requirements on norms based on plinth area, from the earlier system based on percentage of capital costs.

3.107 We had requested the States for information regarding the total estimated plinth area of residential and non-residential buildings as at the end of 1983-84, and asked them to indicate separately the plinth area of medical and educational buildings. From the information received, we notice that Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Manipur, Orissa, Punjab, Rajasthan and West Bengal still use capital cost as the basis for making maintenance provisions, while Andhra Pradesh, Assam, Madhya Pradesh, Uttar Pradesh, Maharashtra, Meghalaya, Tamil Nadu and Tripura use plinth area for this purpose. All States have requested for a substantial enhancement in the maintenance provisions. The seven hill States have stated that due to the higher costs of materials in hill areas, their unit requirements for maintenance would be higher than those of the States in the plains.

3.108 We obtained the views of the Ministry of Works and Housing on the issue of maintenance, and also collected information regarding the norms followed by the Central Public Works Department for maintenance of Central Government buildings. These norms are shown at Annexure III-24. As the Centre owns buildings throughout the country, we think that it will be proper to make provisions for main-

tenance of State Government buildings on the same norms as those followed by the Centre keeping in view, however, the levels of expenditure being currently incurred.

3.109 To this end, we have updated the data furnished by the States in regard to plinth area of buildings, on the basis of past trends, so as to arrive at the likely plinth area in 1983-84 for which maintenance expenditure has to be provided in the forecast period. The States of West Bengal, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan and Tripura, could not provide us any data on the plinth area of buildings. They had, however, furnished information to us about the capital cost of the buildings. Using this data and certain norms we have been able to compute their requirements on a plinth area basis.

3.110 We have accepted the norms currently used for the maintenance of Central Government buildings (vide Annexure III-24) for making provisions in the forecast period for maintenance of buildings by States. We agree that the unit cost of maintenance of buildings in hill States would be higher than elsewhere. Therefore, in accordance with the recommendations made by the Central Public Works Department, we have made suitable higher provisions for buildings in hill areas.

3.111 Provision at the rate of 16 per cent and 4 per cent for establishment and tools and plants have also been made in all cases.

3.112 The norms of the Central Public Works Department for special repairs are related to the age of the buildings. Buildings have been classified into 3 age groups, i.e. 0 to 20 years, 20 to 40 years and above 40 years. As we did not have full information on the age of buildings we have made provisions for special repairs on the norms applicable to buildings in the age group of 20 to 40 years as we think that this would be a fair average, and should meet their requirements.

3.113 When the provisions for maintenance in 1984-85 according to the above norms were worked out, we noticed that they were disproportionately larger than the estimated expenditure in 1983-84 for the States of Madhya Pradesh, Tamil Nadu, Himachal Pradesh and Jammu & Kashmir. We have, therefore, restricated the provisions for 1984-85 in the case of these States to twice the requirements assessed for the year 1983-84. In the case of Assam, Bihar and Meghalaya the actual expenditure in 1981-82 was higher than the provisions for 1984-85 calculated by us. For these States, we have made provisions on the basis of the existing levels of expenditure. The provisions made for 1984-85 and the five years 1984-85 to 1988-89 are shown in Annexure III-25.

MONITORING OF PROVISIONS MADE FOR MAINTENANCE OF CAPITAL ASSETS

3.114 The President's Order specifically requires us to indicate the manner in which the maintenance expenditure for which we have made provisions could be monitored. The Seventh Finance Commission was also required to make recommendations on this subject. It had observed that physical performance objectives cannot be laid down in respect of the provisions for maintenance of roads and buildings, irrigation and flood control works, etc. It was, therefore, of the view that the provisions made for maintenance could be discussed and reviewed regularly during the Annual Plan discussions, and accordingly suggested that the Planning Commission may, in consultation with the States, evolve a suitable procedure for monitoring the adequate maintenance of capital assets and other schemes. The Planning Commission indicated to us that detailed monitoring would be difficult. They, however, clarified that during the course of Annual Plan discussions adequate provisions for maintenance are made while working out States' resources keeping in view the norms recommended by the Finance Commission which are treated as the minimum provisions needed for maintenance.

3.115 The need for monitoring the expenditure on maintenance of capital assets arises mainly due to two reasons. Firstly, these capital assets have been created at great cost and they cannot be allowed to be neglected as that would be a waste of the outlays incurred and it would be difficult to find adequate resources for their replacement. Such neglect should not, therefore, be allowed to take place. Secondly, many State Governments seem to prefer creation of new assets to proper maintenance of assets already created. In the process, resources for the Plan are found at the cost of maintenance of the capital assets already created by diversion of the maintenance provisions meant for the latter. Such diversion should be avoided.

3.116 We are of the view that the State Governments must accept it as a matter of policy that proper maintenance of capital assets already created in order to preserve them for their full life is equally, if not more, important than creating new assets. In order to ensure that this policy is strictly given

effect to, we would suggest that there should be in every State a high power committee consisting of the State Chief Secretary, Finance Secretary, Planning Secretary, Secretaries to Government in the Irrigation and Public Works Departments and the concerned Chief Engineers to review the manner in which provisions for maintenance are being made in the budget and their utilisation. We would also suggest that a statement be included in the Budget documents showing the provisions made in the Budget and the actual utilisation of the provisions made in the last Budget. It will also be necessary for the Planning Commission and the Union Finance Ministry to review annually the manner in which the provisions for maintenance are being made and utilised by the States.

3.117 We have noticed that the accounts as presently maintained and compiled do not clearly show the provisions for maintenance of roads, buildings, irrigation schemes, etc. at one place except to some extent under the Major Head 259. Even in the latter case, a clear picture is not available becasue of 'Suspense' transactions relating mainly to Stores purchases, sometimes, together with the transactions under 'Suspense', even a negative figure of expenditure is shown. Again, under the major head relating to Roads and Irrigation, the provisions for maintenance are spread over various projects/schemes and it is difficult to obtain a consolidated picture. As this has been creating difficulties for us, and to facilitate the monitoring arrangements, we would suggest that the accounting of maintenance expenditure under each of the relevant major heads may be reviewed by the Union Ministry of Finance in consultation with Comptroller and Auditor General of India and suitable procedures devised to enable all concerned to obtain easily a complete picture of the expenditure being incurred on maintenance under that head.

COMMITTED EXPENDITURE IN RESPECT OF PLAN SCHEMES

3.118 Our terms of reference require us, inter alia, to make provisions for the maintenance of Plan schemes completed by the end of 1983-84.

3.119 We requested States to furnish us a forecast of their requirements for maintenance of (i) Plan schemes completed by the end of 1983-84; and (ii) Plan schemes completed by the end of 1984-85 i.e., at the end of the Sixth Plan period. The need for making provisions for these requirements in 1984-85 was considered by us when we presented our Interim Report to the President. We were aware that the schemes initiated in the earlier years and which would get completed at the end of 1983-84 would, according to the prevailing practice, continue as Plan schemes in 1984-85 also, and be included in 1984-85 Annual Plan. We, therefore, thought that the provisions for the maintenance of such completed schemes would be required only from the financial year 1985-86 and, therefore, we made no provisions on this account for the year 1984-85.

3.120 The majority of the Commission comprising Shri Y.B. Chavan, Dr. C.H. Hanumantha Rao and Shri A.R. Shirali have felt it appropriate to review the above decision. On further consideration of the President's Order, they have deemed it necessary to include in the projections of revenue expenditure for 1984-85 provisions for maintenance of Plan schemes completed by 1983-84. On the other hand, Shri Justice T.P.S. Chawla and Shri G.C. Baveja are of the view that provisions for these schemes should, according to the existing practice, be included in the Annual Plan for 1984-85, and making provisions therefor again on the non-Plan side is unnecessary. Their view is set out in detail in a minute of dissent.

3.121 According to the majority, a plain reading of para 5 (v) of the President's Order suggests that the Commission is required to make provisions for maintenance of Plan schemes completed by 1983-84 in 1984-85 and onwards. The rationale of this requirement seems to be that 1983-84 being the base year for projection of revenue expenditure into the forecast period, maintenance provisions for Plan schemes completed by 1983-84 should be included in the expenditure forecasts for 1984-85 and onwards. By making provisions for maintenance of Plan schemes completed by 1983-84 in the projections of revenue expenditure in 1984-85, the Commission would only be giving effect to the requirements of the President's Order, the rationale for which has been stated above. The majority, however, expects that the Planning Commission as well as the Government of India would take this into account and make such adjustments for 1984-85 as may be necessary,

3.122 In making provisions for committed expenditure, we have taken note of the estimated requirements furnished to us by the State Governments and the views of the Planning Commission and the Central Ministries respecting to committed expenditure requirements for Centrally Sponsored Schemes.

3.123 The Seventh Finance Commission noted that the estimates of committed expenditure, as a percentage of the Plan Outlay on revenue account in 1978-79 varied considerably as between States. Keeping this in view, that Commission allowed for committed liabilities as the levels proposed by the States, subject to a maximum of 50 per cent of the revenue component of the Plan outlay for 1978-79. In the case of Sikkim and Haryana, the States' estimates were revised upwards to 30 per cent. We are faced with the same problem. In respect of the State Plan Schemes completed by the end of 1983-84, the maintenance expenditure requirements estimated by States for 1984-85 varies from 29.8 per cent to 88.9 per cent of the Plan provisions on the revenue account in 1983-84. The corresponding percentage in respect of Central Sector and Centrally Sponsored Schemes varies between 13 per cent and 138.9 per cent.

3.124 We sought information from the States about the actual expenditure incurred in 1979-80 on the maintenance of the Plan schemes completed at the end of 1978-79. From the information received from 12 States the following facts came to light:

(a) The revenue component of the State Plan in 1978-79 under the heads 277-Education, 280-Medical and 288-Social Security and Welfare accounted for 26.48 per cent of the revenue component of the total Plan, the balance of 73.52 per cent being accounted for by all other heads.

(b) The maintenance expenditure incurred in 1979-80 as a percentage of the revenue component of the Plan in 1978-79 in respect of the three heads mentioned in (a) above was 62.81 per cent.

(c) The percentage corresponding to (b), in regard to the residual Plan schemes was 17.0 per cent.

(d) The total maintenance expenditure in 1979-80 as a percentage of the revenue component of the total Plan outlay in 1978-79 was 29.19 per cent.

3.125 On the basis of the above, it appears to us that a provision of 30 per cent of the total outlay on revenue account in the year 1983-84 would cover the maintenance expenditure of schemes completed upto 1983-84. As it was noticed that this would not be sufficient to maintain the mid-day meal scheme which has been taken in Andhra Pradesh as a part of the 1983-84 State Plan, the maintenance provisions have been augmented suitably. The provisions so included in 1984-85 are shown in Annexure III-26.

3.126 In regard to Centrally Sponsored schemes, we obtained the views of the Planning Commission and the Central Ministries concerned with this matter. After considering their views, we have made provisions for all States for the expenditure on account of the maintenance of the schemes of post-Matric Scholarships to Scheduled Castes and Scheduled Tribes, pre-Matric Scholarships to Scheduled Caste children, and for the maintenance of assets created under the National Rural Employment Programme and the Rural Landless Employment Guarantee Scheme.

3.127 According to the majority, the terms of reference make no mention of the requirements for maintenance of Plan schemes likely to be completed by the end of 1984-85. However, they have considered on merit the question of including provision on this account in the requirements of the States in the forecast period, keeping in view the fact that full details of the Annual Plan for 1984-85 are not yet available. The reassessment of the States' forecast in respect of the last four years of the period covered by our Report i.e. 1985-86 to 1988-89, excludes any projections of revenue receipts and revenue expenditure on account of fresh resource mobilisation in 1984-85 and additional committed liability that would result consequent upon the implementation of the Annual Plan for that year. Having examined all the relevant aspects of the question, it is broadly considered that the additional non-Plan liability which would arise during 1985-89 consequent upon the completion of new Plan schemes in 1984-85 i.e. over and above the provisions already made for schemes completed by 1983-84 would, by and large, be more than offset by additional revenue which the States are expected to raise on the basis of the targets agreed to by the States for the Annual Plan 1984-85. It is, however, likely that in the case of a few deficit States, the expenditure on account of additional committed liability which would become a charge on their non-Plan account from 1985-86 onwards, would be in excess of the additional revenue which they are expected to raise on the basis of the targets agreed to for the Annual Plan 1984-85. We think, that in these cases, such excess may be computed by the Ministry of Finance and the Planning Commission and be covered by additional grants-in-aid during each of the four year 1985-86 to 1988-89 as recommended by us separately in the Chapter on Grants-in-aid.

3.128 Shri Justice T.P.S. Chawla and Shri G.C. Baveja are of the view that the provisions made by the majority of the Commission for maintenance of Plan schemes during 1984-85 in respect of schemes completed in 1983-84 is totally contrary to the procedure adopted by the Planning Commission. Expenditure on maintenance of Sixth Plan Schemes forms part of annual Plans until the Sixth Plan itself is over, and can by no process of reasoning form part of non-Plan expenditure during 1984-85 which is the last year of the Sixth Plan. Therefore, they are of the view that for the purpose of maintenance of Plan schemes which have been completed in 1983-84, provisions need be made for the first time from 1985-86 only. For almost all the States, their Plans for 1984-85 have already been settled by the Planning Commission. It is not, therefore, clear as to what the majority want to convey when they suggest that the Planning Commission as well as the Government of India would take this into account and make such adjustment for 1984-85 as may be necessary.

3.129 They also feel that exclusion of provisions for maintenance of schemes completed in 1984-85 from the forecast for the period commencing from the Seventh Plan viz. 1985-86 onwards is not desirable. They wish that instead of leaving it to the Ministry of Finance and Planning Commission, this Commission should have worked out the amounts of grants-in-aid due to deficit State on this account. The reason of the minority are set out in their minute of dissent.

3.130 As a result of the reassessment of the State forecasts on the lines indicated in this Chapter, sixteen States have deficits aggregating to Rs.18,484.83 crores, and six States surpluses amounting to Rs.8,063.94 crores, on the non-Plan revenue account over the forecast period, without taking into account devolution of taxes. State-wise details of such surpluses/deficits are shown in Annexures III-27(i) to III-27(xxii).

CHAPTER IV

REASSESSMENT OF THE FORECASTS OF THE CENTRAL GOVERNMENT

4.1 Paragraph 5(i) of the President's Order enjoins that in making its recommendations, the Finance Commission shall have regard, among other considerations, to the resources of the Central Government and the demands thereon on account of the expenditure on civil administration, defence and border security, debt servicing and other committed expenditure or liabilities.

4.2 We requested the Ministry of Finance to send us forecasts of the Central Government's receipts and expenditure on revenue account and capital account for the five years ending with the financial year 1988-89. These were received on 19th August, 1983. Subsequently, the Commission held detailed discussions with the Union Finance Secretary and his colleagues regarding the premises under-lying and the assumptions made in preparing the forecasts. In respect of certain issues relating to direct taxes, the Commission had separate discussions with the Chairman of the Central Board of Direct Taxes and his colleagues. The Commission also held discussions with the Defence Secretary, the Secretary, Department of Petroleum and the Financial Commissioner, Railways, regarding the estimates of receipts and/or expenditure with which they were concerned. Further, the Secretary of the Commission held discussions with Member (Finance), Posts and Telegraphs Board. All these discussions were intended to have a fuller understanding of the important aspects of the Centre's forecasts.

4.3 It emerged from the discussions with the Ministry of Finance that the projections of tax revenues were made on the following two important assumptions: first, that the gross domestic product (GDB) would grow at the rate of 4.5 to 5 per cent per annum; and second, that the annual price rise would be around 4 per cent to 5 per cent. The projection of revenues from customs duties, it was explained, was based on the expected levels of imports and exports and the overall position regarding balance of payments. It was clarified by the Ministry that all individual heads of revenue expenditure had been projected at constant prices. However, they had made a lump-sum provision to meet the cost of fresh instalments of dearness allowance that might be sanctioned to employees during the forecast period.

4.4 As mentioned in the previous Chapter, the States' revenue and expenditure have been projected by us for the forecast period at 1983-84 prices. To be consistent, the forecasts of receipts and expenditure received from the Finance Ministry have been re-worked on the assumption of price stability. For this purpose, the rates of growth of revenue from different sources, particularly from the major taxes and duties, had to be appropriately determined.

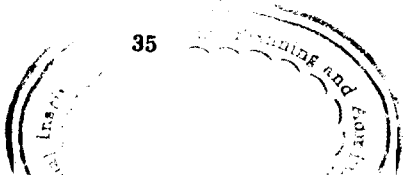
4.5 At our instance, the National Institute of Public Finance and Policy carried out detailed exercises for projecting revenues from four important Union taxes viz. income tax, corporation tax, Union duties of excise and customs duties. The projections were worked out on the basis of partial elasticities with respect to income and price variables.

4.6 We also received from the Central Board of Direct Taxes two alternative estimates of income tax and corporation tax collections during the forecast period based on partial elasticities. One estimate assumed 4 per cent annual rate of growth in non-agricultural GDP and zero rise in wholesale price index. The other estimate incorporated in addition to a 4 per cent annual rate of growth in non-agricultural GDP, an increase of 5 per cent in the index of wholesale prices.

4.7 We also compared the actual rates of growth of revenue from the important Union taxes/duties during the period 1978-79 to 1983-84 with the rates of growth assumed by the Seventh Finance Commision and also with the rates of grwoth assumed by the Working Group set up by the Planning Commission for estimating the resources for the Sixth Plan.

TAX REVENUES

4.8 In considering the growth of some of the important Union taxes and duties, we also took note of certain recent developments which have an important bearing on the assumptions to be made about the



growth of individual taxes. For example, while the rate of growth of revenues from income tax has not been impressive in the recent year, about Rs. 1000 crores of un-accounted money was mopped up through bearer bonds. This shows that a more effective enforcement of the income tax laws would have produced a higher growth rate. Again, one of the principal reasons given by the Ministry of Finance for the decline in growth of revenue from Union excise duties in the recent past is the change in the pattern of industrial growth. It was pointed out that industrial growth in the past few years had been characterized by the relatively higher rate of growth of un-registered and small-scale units which enjoyed more liberal concessions under the scheme of excise duties. The growth of the rest of the industrial sector was slower. Further, with the exception of 1981-82 when there was a growth of 8 per cent, industrial production registered a rate of growth of only 3 to 4 per cent in other years. It was explained that both these factors appeared to be responsible for the decline in the rate of growth of revenue from Union duties of excise.

4.9 While determining the rates of growth of revenue from the taxes and duties of the Union Government, we have had regard to all the facts mentioned above. We have also kept in view the behaviour of several relevant macro and policy variables while finally determining the rates of growth of revenue on the assumption of price stability during the forecast period.

4.10 It may be recalled that though State Governments have presented their budgets for 1984-85, we have not used the Revised estimates for 1983-84 for the reasons given in paragraph 3.11 of the previous chapter; instead the estimates of receipts/expenditure for the base year 1983-84 were built up from the actuals of 1982-83. However, in the case of the Centre, the estimates for the base year 1983-84 have been reworked out by us using the Revised estimates for 1983-84 with suitable modifications. We made this departure as the budget documents relating to the financial year 1984-85 which contain the details of Revised estimates for 1983-84 were furnished to us and it was possible, within the time available to us, to undertake a fresh review of the resources of the Centre on the basis of the Revised estimates for 1983-84.

4.11 Briefly, the methodology and the rates of growth adopted by us are as follows:

(a) Growth rates are expected to be influenced by changes in income, prices and other factors. On the assupmptions of price stability and 5 per cent annual increase in income during the forecast period, and taking into account all other relevant factors, we have determined the annual rate of growth of income tax at 6.5 per cent, of corporation tax at 7.5 per cent (excluding the receipts from petroleum companies) and of Union duties of excise at 7 per cent (excluding the receipts from cess on crude oil).

(b) The receipts of corporation tax from petroleum companies depend upon the production of crude oil and hence they have been projected separately on the basis of the forecast given to us by the Department of Petroleum, after taking into account the deductions permissible under section 42 of the Income Tax Act for prospecting and production of mineral oils and the agreements between the Central Government and the petroleum companies.

(c) The estimates of the cess on crude oil are also based on the forecast of crude production furnished to us by that Department.

(d) As a result of the recent judgement of the Supreme Court holding that the manufacturers are liable to pay excise duty on post-manufacturing expenses, arrears of excise duty have become recoverable. Our forecast assumes the recovery of such arrears.

(e) Having regard to the likely levels of export and import during the forecast period, we have adopted 7 per cent as the rate of growth of customs duties.

(f) For estimating the proceeds in the Union territories from taxes like sales tax, motor vehicles tax, State duties of excise, etc., the rates of growth adopted by us in the adjacent States have generally been applied.

NON-TAX REVENUES

4.12 The two important items of non-tax receipts which require special mention are interest receipts and dividends. The forecast of the interest receipts of the Centre includes recovery of interest on

fresh lendings by the Central Government during the forecast period. We have re-assessed the Centre's forecast, prepared on this basis, so as to get a complete picture of their resources.

4.13 The two major items of fresh loans to the States in the forecast period, interest on which has been included in the Centre's forecast, are the loan component of Central assistance for Plans and the loans against small savings collections. In regard to loans for Plans, the forecast received from the Finance Ministry assumed an increase of 10 per cent per year. As regards the fresh loans to the State Governments against small savings collections, we have assessed the net collections of small savings during the forecast period at about Rs. 14,700 crores and we have provided for loans of about Rs. 9,800 crores to the State Governments. The estimates of interest receipts from the State Governments and the Union territories as furnished in the Finance Ministry's forecast have been accepted, except for the modifications required on account of the changes made in the estimates of loans against small savings collections referred to above.

4.14 The forecast of interest receipts from Railways and the Posts and Telegraphs furnished by the Railway Board and Posts and Telegraphs Board, based on their expectations of Plan investments, have been accepted.

4.15 Most of the loans, other than those to State Governments/Union territories, are due from the public sector undertakings of the Central Government. Consequently, we have re-assessed the interest receipts assuming an average rate of 7 per cent.

4.16 According to the Public Enterprises Survey for 1982-83 published by the Bureau of Public Enterprises, out of 144 running commercial and industrial undertakings (other than financial institutions, Life Insurance Corporation, General Insurance Corporation and the banks) in which the Central Government's equity investment was Rs. 13,121 crores at the end of 1982-83, a net profit of Rs. 1,517 crores was made by 82 enterprises, and the remaining companies incurred losses amounting in all to about Rs. 821 crores. Dividend amounting to Rs. 114 crores was declared by 44 companies and the Centre's share in the dividend was Rs. 110 crores. Thus, the Central Government received a return at the rate of 0.84 per cent.

4.17 In view of the nature of the Central enterprises we have thought it fit to consider them as a whole for the purpose of estimating dividends from the Central investments made in their equity. It may be recalled that in the case of States, we had taken into account the broad purposes subserved by the public sector undertakings and classified them into promotional, financial and commercial undertakings and we had assumed dividends at the rates of nil, 3 per cent and 5 per cent respecitvely from the investments in these undertakings. The Seventh Commission assumed a return of 7.5 per cent by 1983-84 to the Centre on equity investments by the Central Governments. For the financing of the Sixth Plan, the Planning Commission had assumed a return of 8 per cent on the investments of the Central Government rising to 10 per cent at the end of the Sixth Plan. Large investments have been made in the public sector undertakings in pursuance of the national economic policy, which envisages control of the commanding heights of the economy by the Government. The policy further envisages that these investments would yield reasonable surplus to the undertakings which could be ploughed back for further development or utilised to give returns to the Centre by way of dividends. There are, thus, strong grounds for expecting higher returns on these investments. However, keeping in view the losses being incurred at present as mentioned above and taking a realistic view of the matter, we have assumed an average minimum dividend of 6 per cent only during the forecast period.

4.18 The Central Government's departmental undertakings have been treated in the same manner as those of the States. In regard to the Delhi Milk Scheme, we have assumed that the existing losses would be reduced and wiped out completely, by 1986-87. However in the case of power projects like the Badarpur Thermal Station, return at the rate of 7 per cent has been assumed on the entire investment as at the end of 1983-84.

REVENUE EXPENDITURE

4.19 Turning to the revenue expenditure, as already stated, the Finance Ministry's projections under individual major heads in their forecast were based on assumptions of price stability during the forecast period. We observe that all the important heads of expenditure have been projected at a rate of 5 per cent per annum which we consider reasonable. Their forecast also included provisions for the interim relief sanctioned from 1st June, 1983 but did not include any contingent provision to meet the liabilities that might arise on account of the recommendations of the Fourth Pay Commission which has recently been set up.

4.20 To enable the Central Government to pay dearness allowance (DA) in the event of an increase in prices, lump sum provisions had been made by them in each of the five years of the forecast period. As our reassessment is based on price stability during the forecast period, we have excluded the provisions for dearness allowance from our calculations.

4.21 It was intimated by the Ministry of Finance that the forecast of defence expenditure was based on the tentative projections made by the Defence Ministry. These projections were discussed with the Finance Secretary and his colleagues as well as with the Defence Secretary. We have reassed the defence provisions with a view to adjusting them for constant prices.

4.22 The forecast of interest payments furnished by the Ministry of Finance has been modified by us in consequence of the changes made in the forecast of some items of capital receipts like market loans and small savings collections, to which we will refer later.

4.23 Subsidies constitute an important item of expenditure of the Central Government. The major part of the expenditure on subsidies is accounted for by three items viz. foodgrains, fertilisers and exports. The Seventh Finance Commission thought that while export subsidies might not be susceptible to reduction in view of the role they played in sustaining the national export effort, there was scope for reducing the burden of subsidies on fertilisers. They assumed a progressive decrease in the subsidy on fertilisers and reduced it to nil by 1983-84. So also, in regard to food, they assumed that the quantum of the subsidy would be reduced in 1983-84 by 25 per cent from the level existing in 1979-80. Unfortunately, these expectations of the Seventh Finance Commission have not materialised for various reasons.

4.24 Our view in regard to food subsidy is that it would be unrealistic to assume any reduction in the level of this subsidy during the forecast period. Factors such as growth of population, larger procurement and off-take of foodgrains, increases in prices of foodgrains and of storage charges etc. are the important factors which effect the quantum of subsidy. All these factors are likely to necessitate a higher subsidy. We have, however, projected the amount of subsidy shown in Revised estimates for 1983-84 at the rate of 2 per cent per annum to provide only for the likely increase on account of the increase in population. So far as other factors are concerned we expect the Central Government and the Food Corporation of India to meet the additional burdens by increases in the issue prices and/or by reduction in the costs of handling foodgrains. On this basis, we have made a provision of Rs.4,433 crores for subsidy on food as against a provision of Rs.4,884 crores made in the Ministry's forecast.

4.25 We notice that the subsidy on indigenous fertilisers has risen steeply in recent years. This seems to be for two reasons. Firstly, efforts are being made, as a matter of policy, to substitute imports by indigenous production of fertilisers. The domestic costs of production are higher than the international prices. The subsidy is calculated on the basis of retention prices fixed for the various manufacturing units. Larger amounts of subsidy have become payable as a greater portion of the demand is being met by indigenous production of fertilisers. Secondly, in order to encourage the farmers to increase the consumption of fertilisers, the issue prices had also to be subsidised. These considerations are unlikely to change in the near future and, therefore, it is unlikely that there will be any significant reduction in the levels of subsidy during the forecast period. We have projected increases in the quantum of subsidy so as to take into account the likely increase in production in the forecast period. We have, however, not made provision for increase in the quantum of subsidy on account of further increase in the production costs of fertilisers. We expect that the latter increases would be suitably absorbed in the issue prices of fertilisers. Accordingly, we have reduced the provision of Rs.10,197 crores made by the Ministry to Rs.6,581 crores.

4.26 The need to step up exports still continuous and there is a rationale for the export subsidy which is being given at present. Taking note of the present overall economic policy, we have made provisions for the subsidy in the forecast period at the level obtaining in Revised estimates for 1983-84.

4.27 A major item of expenditure is the transfer to the Oil Industry Development Board of the cess raised by the Central Government on the production of crude oil. The law under which the cess is levied earmarks it for the development of the oil industry. The receipts from cess are estimated at Rs.854 crores in Revised estimates for 1983-84. Though no transfer is envisaged in Revised estimates for 1983-84, the Finance Ministry has indicated that the entire amount of receipts will be transferred to the Oil Industry Development Board in the forecast period. These funds are required by the Board for lending to the various nationalised petroleum companies. The expenditure of the Board is in the nature of Plan expenditure. Consequently, in estimating the revenue surplus of the Central Government, we have not made any provision for such transfers.

COMMITTED LIABILITY

4.28 The forecast of the Central Government did not include provisions for maintenance of the Plan schemes completed by the end of 1983-84. We have, however, made provisions for this in the year 1984-85 as well in subsequent years after obtaining relevant information from the Ministry of Finance. So far as Sixth Plan schemes completed during 1984-85 are concerned, we have not made provision for their committed liability in the first four years of the Seventh Plan, namely, 1985-86 to 1988-89. This procedure has been adopted in accordance with the recommendation of the majority of the Commission for reasons similar to those stated in paragraph 3.127 of Chapter III.

4.29 Shri Justice T.P.S Chawla and Shri G.C. Baveja are of the view that this Commission should follow the practice adopted by the Planning Commission for making provision for maintenance of Plan schemes. They are, therefore, in favour of making provision for maintenance of all the Sixth Plan schemes, including those likely to be completed in the year 1984-85, in the forecast period commencing from first year of the Seventh Plan, i.e. 1985-86. For the same reason, they are against making provision in the year 1984-85 for maintenance of Sixth Plan schemes completed by 1983-84, since this would appropriately form part of the Plan expenditure and not non-Plan expenditure.

CAPITAL ACCOUNT

4.30 As indicated earlier, we have modified the Centre's estimates in respect of market loans and net small savings collections as a result of which additional receipts of about Rs.11,000 crores would accrue in the forecast period. These changes are based on the trends of the major determinants of market loans and small savaings collections in the recent past. The Centre's forecast did not provide for repayment of small savings loans by the State Governments. We have revised the forecast in this respect by including, according to the normal terms and conditions of these loans, such repayments amounting to Rs.960 crores during the period 1984-85 to 1988-89. On the expenditure side, we have made additional provision for loans to the States against their share in small savings collections.

4.31 Annexure IV-I presents a summary of the results of our reassessment of the Centre's forecast. As a result of our reassessment, the surplus on Revenue Account of the Central Government will increase by Rs.18,671 crores and that on Capital Account by Rs.11,736 crores, resulting in an overall surplus of Rs.96,319 crores during the forecast period as against Rs.65,912 crores assessed by the Ministry of Finance.

4.32 Shri A.R. Shirali has some reservations on the above reassessment. These are reflected in his Note of Dissent which is appended.

CHAPTER V

INCOME TAX

5.1 Under Article 280(3) of the Constitution, it is the duty of the Finance Commission to make recommendations to the President, inter alia, as to the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them and the allocation between the States of the respective shares of such proceeds. Article 270(2) of the Constitution specifically provides that such percentage, as may be prescribed, of the net proceeds in any financial year of taxes on income, other than agricultural income, except in so far as these proceeds represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which the tax is leviable in that year. Sub-clause 4(a) of Article 270 specifically excludes corporation tax from the definition of 'taxes on income'. Article 271, permits levy of a surcharge on taxes and duties for the purposes of the Union and the whole proceeds of such surcharge form part of the Consolidated Fund of India.

5.2 The share out of the net proceeds of income tax assigned by the First Finance Commission to the States was fixed at 55 per cent. This was raised to 60 per cent, 66 2/3 per cent and 75 per cent by the Second, Third and Fourth Finance Commissions respectively. The Fifth Finance Commission did not increase the States' share further and retained it at 75 per cent, inter alia, on the ground that the proceeds of the income tax distributable among the States during the period covered by the Commission's recommendations would also be inclusive of advance tax collections which, till then, were not shared with the States.

5.3 The Sixth Finance Commission increased the States' share in income tax to 80 per cent having regard to various considerations. Their approach was conditioned by the desire to ensure that there was no decrease in the distributable income tax pool on account of the disappearance of the arrear element of the advance tax collections which existed in the previous period. The Seventh Finance Commission was impressed by the grievance of the States that the Centre was using the power to levy surcharge as a normal revenue measure, instead of restricting its use to meet extraordinary or emergent needs and, hence, increased the States' share to 85 per cent of the net proceeds.

5.4 In their Memoranda submitted to us, eight States viz. Assam, Bihar, Gujarat, Jammu & Kashmir, Karnataka, Nagaland, Orissa and Tamil Nadu have pleaded for an increase in the States' share in income tax from 85 per cent to 90 per cent. Punjab has proposed enhancement of the States' share to 90 per cent of the net proceeds of income tax, inclusive of surcharge. Four States, viz. Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh have proposed that it should be 95 per cent. Another four States viz. Andhra Pradesh, Haryana, Tripura and West Bengal have proposed that it be hundred per cent.

But Andhra Pradesh has, alternatively, said that if surcharge on income tax is merged in the divisible pool, such percentage share may be kept at 90 per cent of the enlarged divisible pool. Further, both Andhra Pradesh and Haryana have suggested that if surcharge and corporation tax are both included in the divisible pool, the share of the States in the combined receipts may be reduced to 50 per cent. Four States viz. Himachal Pradesh, Kerala, Manipur and Sikkim have not proposed any change in the existing share of 85 per cent.

Meghalaya is the only State which has suggested a reduction in the share of the States to 80 per cent, or even 75 per cent, for the reason that surcharge on income tax has been brought down from 15 per cent as at the time of the last Commission's report to $12\frac{1}{2}$ per cent as at present.

5.5 The States, by and large, have advanced two main arguments for increasing their share in the divisible pool of income tax. Firstly, they say that surcharge and corporation tax should be made a part of the divisible pool or, alternatively, whilst determining the share of the States, regard be had to the fact that they are not part of the pool. Secondly, they say that the share of the divisible pool should be enhanced because their needs have increased over the years.

5.6 As regards the surcharge and corporation tax, we would like to mention that similar arguments by the States were put forward before the Third Finance Commission and have been repeated before all succeeding Commissions. All of them were agreed that, under the Constitution as it stands, it is not permissible to merge the surgharge and corporation tax with income tax, and bring them into the divisible pool. We agree with this view. The position is too obvious to need any further elaboration. As regards the argument that the surcharge and corporation tax not being shareable would form a part of the Centre's resources, and that this fact should be taken into account in deciding what the share of the States in the divisible pool should be, we need only say that this is exactly what we have done.

5.7 With regard to the second argument, we notice that there is an evident inconsistency in the views expressed by the States. Whilst on the one hand they demand a larger share in the divisible pool of income tax on the ground that their needs have risen, yet, on the other, they seem to apprehend that the Centre is losing interest in this tax because of its declining share. Although we do not share this apprehension, yet, having weighed all the relevant considerations, we think that it would not be prudent to increase the share of the States in the divisible pool of income tax beyond the present 85 per cent.

5.8 We accordingly, recommend, that the States' share in the net proceeds of income tax may be kept at 85 per cent of the divisible pool during each of the years covered by our recommendations i.e. 1984-89.

5.9 Notwithstanding the present position as regards surcharge under the Constitution, we feel bound to express our concurrence with the view of the Seventh Finance Commission that "a surcharge continued indefinitely could well be called an additional income tax, shareable with the rest of the proceeds of income tax". It appears, that it is because of this view taken by them, that the Seventh Finance Commission raised the share of the States to 85 per cent in the divisible pool of income tax.

5.10 For reasons which we have already stated, we are not in favour of increasing the share further. However, we would strongly suggest to the Union Government that for the sake of amicable Centre-State relations it should reconsider the indefinite continuance of the surcharge. We realise that an immediate withdrawal of the surcharge would cause difficulties to the Centre. Therefore, 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. We appreciate that probably this process will reduce the Centre's resources by a small extent, but, we think, that in the larger national interest it is a desirable step. To avoid any doubt, we make it clear that if this suggestion is accepted and implemented, the share of the States in the divisible pool should nonetheless remain at 85 per cent and the additional resources accruing to the States should be available to them for their Plans.

5.11 As regards corporation tax, the grievance of the States is even stronger. The Sixth Finance Commission had suggested a review of the question by the National Development Council, and the Seventh Commission had also suggested that the Centre may consider holding consultations with the States in order to settle the point finally. Several States are not satisfied with the outcome of the meeting of Chief Ministers held on 19th and 20th May, 1979. An extract from the summary record of the meeting is given at Annexure V-I. Some States, therefore, have gone to the extent of suggesting to us that, until the Constitution is amended to provide for the sharing of corporation tax, we may recommend grants-in-aid under Article 275 of the Constitution in lieu of the share which we think they ought to have in corporation tax. We are unable to accede to this suggestion made by the States, as it would amount to circumventing the Constitution. We do, however, think that a further review of this matter is overdue, as it is important to remove this major irritant in Centre-State relations. Corporation tax has shown a high elasticity and it would seem only fair that the States also should have access to such a source of revenue.

5.12 We had the benefit of discussions with the Central Board of Direct Taxes relating to collection of income tax and its distribution amongst the States. We were informed that while working out the portion assignable to the States, deductions are made from the gross receipts of the following five items:-

(1) Union surcharge;
(2) Share attributable to Union territories;
(3) Tax on Union emoluments;
(4) Cost of collection; and
(5) Miscellaneous receipts.

In regard to item (4) - 'Cost of Collection', we were informed that the cost of collection is apportioned between income tax and corporation tax, as the collecting agency for both the taxes, is the same.

We were informed that under the present system which was introduced from 1970-71, the cost of collection is allocated in the ratio of 7:1 between income tax and corporation tax. This is said to be on account of the fact that the number of income tax assessees is much larger than those who pay corporation tax. Even then the ratio seems somewhat imbalanced. We, therefore, suggest that the existing method of allocating the cost of collection between income tax and corporation tax be reviewed by an Expert Committee consisting of senior officials representing the Comptroller and Auditor General of India, the Ministry of Finance and some State Governments.

5.13 With regard to item (5) 'Miscellaneous Receipts', we learn that this head comprises:

(i) Penalties under the Income Tax Act 1961;
(ii) Interest recoveries;
(iii) Leave salary contributions;
(iv) Sale proceeds of dead stocks, waste paper and other articles (the cost of which was met from office expenses); and
(v) Other items.

Out of these, we are concerned only with 'penalties' and 'interest recoveries'. It has been brought to our notice that these two classes of receipts are not included in the divisible pool of income tax. We are further told that the reason is that the Law Ministry had given the opinion that they do not form a part of 'income tax'. We have given the matter our careful consideration and it seems to us that since the power to levy penalties and recover interest under the Income Tax Act emanates from the power to levy income tax itself, these two classes of receipts must fall within the concept of 'income tax' as that term is used in Article 270 of the Constitution. Accordingly, we recommend that 'penalties' and 'interest recoveries' should form part of the divisible pool of income tax. If there be any difficulty in segregating the figures for 'penalties' and 'interest recoveries' out of miscellaneous receipts in 1984-85, this may be done on an estimated basis for that year.

5.14 Two other matters, to which the States have particularly drawn our attention, are receipts under the Compulsory Deposit Scheme and the floatation of Bearer Bonds to draw out black money. The States have argued that a share in the net proceeds of both these receipts should be given to them. Some of them have maintained that since the receipts under these schemes are in the nature of borrowed funds to be eventually given back to the income tax assessees or the Bond holders, they should be apportioned between the Union and the States on the same basis as small savings.

5.15 While we appreciate the desire of the State Governments to obtain as large a share as possible in the national resources, it has to be borne in mind that these schemes are not normal revenue measures; they are special devices employed to meet the needs of the Central Government. We do not, therefore, think it reasonable to recommend the sharing of these abnormal receipts

5.16 The Seventh Finance Commission had determined the proceeds attributable to Union territories, by notionally treating all Union territories taken together, as one State and assigning to it a share on the basis recommended for the States. Excepting for Nagaland, no State has criticised the method adopted by the Seventh Finance Commission. Nagaland has suggested that the share attributable to Union territories may be either discontinued or reduced, as the Union territories get grants from the Consolidated Fund of India. We cannot subscribe to this view. The share of Union territories cannot be discontinued in view of the clear provisions of Article 270(3) of the Constitution. The principle adopted by the Seventh Finance Commission for determining the share of Union territories viz. treating all of them taken together as one unit, is equitable, and we recommend its continuance during the period covered by our recommendations.

5.17. Coming now to the inter se allocations of income tax among the various States, we observe that all the previous seven Commissions have given weight to only two factors, namely, 'population' and 'contribution'. While the First, Third and Fourth Finance Commissions gave 80 per cent weightage to population, the Second, Fifth, Sixth and Seventh Finance Commissions gave it a weightage of 90 per cent. 'Collection' as a measure of contribution was given a weightage of 10 per cent by the Second and the Fifth Finance Commissions and 20 per cent by the First, Third and the Fourth Finance Commissions. The Sixth and the Seventh Finance Commissions gave 10 per cent weightage to 'assessment', in preference to 'collection' as a measure of the States' contribution.

5.18 Twelve States are against attaching any weightage to the factor of contribution, whether computed by collection or assessment. Five States have proposed that the 10 per cent weightage to contribution,

as at present, may continue. Only three States have proposed a higher weightage to contribution, namely, Punjab 20 per cent, Gujarat 30 per cent and Maharashtra 45 per cent. All these States have argued that a significant portion of tax collected, particularly from State emoluments, small business, retail trade, house property etc. is of local origin, and should be given back to the States where such income tax is collected. They have also argued that they have to incur additional costs to promote industrialisation which has produced the additional income and tax thereon. They say that investments had to be made on infrastructure facilities like roads, power, water supply, housing etc., which imposed on them some amount of sacrifice as they had to forgo correspondingly, investments in other sectors. Therefore, they argued that they should not be deprived of their legitimate shares based on contribution in tax which has been derived from income made possible by their efforts.

5.19 We have carefully considered the matter in the light of the recommendations of the previous Commissions and, also, the views expressed before us by the State Governments. While on the one hand, it has been argued that the factor of contribution has become irrelevant on economic considerations, there is also the point, forcefully argued before us, that a part of the incomes liable to tax is of local origin. On a balance of various considerations, we recommend that 10 per cent of the States' share of income tax may continue to be allocated on the basis of 'contribution' as measured by assessment. For the purpose of determining the proportions of the contribution of the States to the income tax revenues, we have adopted the ratio of State-wise assessments to the total income tax assessed on the basis of the average for the years 1977-78 to 1981-82. We have obtained information from the Central Board of Direct Taxes for this purpose which is shown in Annexure V-2.

5.20 Dr. C.H. Hanumantha Rao feels that there is no case for distributing part of the States' share of income tax among the States on the basis of 'contribution'. However, in view of the decision of the Commission to give a significant weightage to factors favourable to the less developed States in the distribution of the States' share of income tax as well as basic excise duties, he concurs with the overall recommendations in this Chapter.

5.21 The factor of population simpliciter has been given a predominant weightage in the distribution of income tax shares in the past. As mentioned earlier, three Commissions had assigned 80 per cent weightage and four Commissions 90 per cent weightage to population. In the Memoranda submitted to us, Haryana and Kerala have suggested 100 per cent weightage for population. (This is Kerala's second best alternative, the first being a common formula for allocating both excise and income tax in which the weightage to population is 25 per cent.) Andhra Pradesh, Assam and Sikkim have proposed 90 per cent weightage for population. Punjab, Bihar, Gujarat, Himachal Pradesh, Manipur, Meghalaya, Maharashtra, Nagaland, Orissa, Rajasthan and Uttar Pradesh have proposed a weightage ranging from 50 per cent to 80 per cent for population. While Jammu & Kashmir has proposed 20 per cent and Tamil-Nadu 25 per cent weightage for population in the determination of the inter se shares of the States in income tax, Karnataka is the only State to suggest that no weightage may be given to population.

5.22 A study of the States' Memoranda shows that sixteen States would like a change from the present 90 per cent weightage for population. They have urged that weightage for population per se should be reduced. We note that population as a factor for the distribution of income tax has continued for well over 30 years. The First Finance Commission had mentioned that population is a broad determinant of needs. While we agree with this view, we think that population as such is merely a scale factor. For example, two States with equal population may not require an equal level of assistance if one State is more advanced than the other. We are of the view that, at the present stage, relative economic backwardness must receive due consideration in the scheme of allocation of tax resources amongst the States.

5.23 Assam, Bihar and Jammu & Kashmir have suggested a weightage of 10 per cent to 30 per cent to backwardness in the distribution of the State-wise shares in income tax. Himachal Pradesh, Manipur and Nagaland would like a certain percentage of the distributable pool to be set aside for exclusive distribution amongst the hill States. Karnataka would like 60 per cent weightage to be given to a composite index of development and 40 per cent to an index of resource mobilisation effort. On the other hand Rajasthan would prefer equal weightage to be given to an index of infrastructure and population weighted by area. Meghalaya would like 25 per cent share of income tax to be set apart for ensuring a predetermined level of surplus for all States. Orissa has proposed 50 per cent weightage for Scheduled Castes and Scheduled Tribes population while Uttar Pradesh has proposed that 25 per cent may be distributed on the basis of the inverse ratio of per capita income multiplied by population and another 25 per cent amongst only those States whose per capita income is below the all States'

average. Jammu & Kashmir has proposed distribution on the principle of revenue equalisation and giving weightage for area besides population and backwardness.

5.24 Bihar, Haryana, Kerala, Madhya Pradesh and Tamil Nadu have suggested a common formula for the distribution of both income tax as well as basic duties of excise. A similar suggestion was made to the previous Commission but it was not accepted by the majority of that Commission.

5.25 On analysing the diverse views expressed by the States, it appears to us that we have to resolve two questions. One is whether the criteria for allocating income tax can be the same as those for allocating excise duty or must be different; and, the other, what those criteria should be.

5.26 As regards the first question, it is worth observing that it was also canvassed before the Seventh Finance Commission. The majority of that Commission seem to have taken the view that "since the Constitution distinguishes between the two taxes" they had "to determine separately the shares of the States in income tax and in excise duties and the principles of distribution thereof among the States." Dr. Raj Krishna, a Member of that Commission wrote a very forceful dissent and Dr. C.H. Hanumantha Rao, who was a Member of that Commission and is also a Member of the present one, agreed with Dr. Raj Krishna on this issue, but he concurred with the overall recommendations in view of the decision of that Commission to give a significant weightage to factors in favour of the less developed States in the distribution of the much enlarged divisible pool of excise duties.

5.27 It is, of course, true that income tax and excise duties are dealt with by different Articles in the Constitution, and that whereas income tax is compulsorily shareable, with regard to excise duties there is a discretion. But the Constitution itself seems to attach no importance to the separation, because in Article 280(3)(a), they are dealt with together. It refers conjointly to 'the allocation between the States of the respective shares' in regard both to 'taxes which are to be, or may be, divided between them.'

5.28 We agree with Dr. Raj Krishna that "there is no legal or economic basis for allocating shareable income tax revenue and excise revenue according to different criteria*". There is great force in his dissent where he says: "It cannot be argued that progressivity should be a feature of the inter-State distribution of excise revenue but not of the inter-State distribution of income tax revenues". We further agree with him that no distinction can be drawn because of the use of the word 'manner' in Article 270, and 'principles' in Article 272. Nor does anything turn on the word 'assigned' in Article 270 and its absence in Article 272. In any case, this word is used in Article 270 in respect of the transfer of the net proceeds of income tax from the Centre to the States, and not in connection with the allocation amongst the States, and, therefore, can have no significance in respect of the latter. These verbal differences between the two Articles do not imply more than they actually convey. In our opinion, it would be an error to found any substantial argument relevant to the present question merely on these differences in phraseology.

Further, general considerations lead us to the same conclusion. We can conceive of no reason why the Constitution makers should have wanted that only excise duties should be used for the benefit of the backward States. After all, in both cases what is transferred to the States is money. The debates in the Constituent Assembly, and the reports of its Committees, show that no such distinction was intended to be made. Having given the matter our very careful consideration, we are of the opinion that there is nothing in the Constitution which bars the allocation of income tax on the same criteria as excise duties.

5.29 As to the criteria which we should adopt for making the allocation, we think, that the criteria for allocating income tax should be more progressive than they have been hitherto. In order to achieve this result, we think, that the 90 per cent of the States' share of income tax remaining after distributing 10 per cent on the basis of contribution, should be allocated amongst them on the very same principles as those we are applying for allocating the predominant part of their share of excise duties.

5.30 Accordingly, we think, that the balance of 90 per cent of the States' share of income tax, which remains after distributing 10 per cent on the basis of contribution, should be allocated between the States by giving a weightage of 25 per cent to population, 25 per cent to the inverse of per capita income multiplied by population, and 50 per cent to the distance of per capita income as explained in the next chapter.

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* Page 115 - Report of the Finance Commission (1978).

5.31 On the basis of the recommendations in para 5.19 and 5.30, the composite percentage shares of each State have been determined and shown in the table below para 5.32. Income tax has not yet been extended to Sikkim. We have worked out the State-wise composite shares in income tax amongst the States including Sikkim as well as without Sikkim on the consideration that in case income tax is extended to that State, the basis of its distribution amongst the States may pose no problem.

5.32 To sum up, we recommend that in the distribution of the net proceeds of income tax in each of the years 1984-85 to 1988-89 :-

(a) Out of the net proceeds in each financial year, a sum equal to 1.792 per cent thereof shall be deemed to represent the proceeds attributable to Union territories,

(b) The share of net income tax proceeds, except the portion representing the proceeds attributable to Union territories and Union emoluments, to be assigned to the States should be 85 per cent; and

(c) The distribution amongst the States inter se of the share assigned to the States in respect of each financial year should be on the basis of the percentages shown in the Table below:

State	Percentage with Sikkim	Percentage without Sikkim	State	Percentage with Sikkim	Percentage without Sikkim
1. Andhra Pradesh	8.187	8.190	12. Manipur	0.220	0.220
2. Assam	2.789	2.789	13. Meghalaya	0.184	0.184
3. Bihar	12.080	12.085	14. Nagaland	0.088	0.088
4. Gujarat	4.409	4.410	15. Orissa	4.202	4.203
5. Haryana	1.074	1.074	16. Punjab	1.744	1.744
6. Himachal Pradesh	0.555	0.555	17. Rajasthan	4.545	4.547
7. Jammu & Kashmir	0.838	0.838	18. Sikkim	0.035	-
8. Karnataka	4.979	4.981	19. Tamil Nadu	7.565	7.567
9. Kerala	3.760	3.761	20. Tripura	0.269	0.269
10. Madhya Pradesh	8.378	8.382	21. Uttar Pradesh	17.907	17.914
11. Maharashtra	8.392	8.396	22. West Bengal	7.800	7.803
			Total:	100.000	100.000

5.33 Shri A.R. Shirali feels that in order to give the Centre a little more incentive in the collection of income tax and in view of the constraint of revenue resources at the Centre, the States' share would need to be brought down from the present level of 85 per cent. Considering, however, the progressive formula recommended for distribution of the States' share among the States, he suggests that for the present the share be brought down from 85 per cent to 80 per cent only. This he considers can be given effect to from 1985-86.

As for 1984-85, in view of the fact that the Plan size of most States has already been finalised and in order not to disturb the resource calculations already made, he is of the view that the States' share in 1984-85 be retained at 85 per cent and continue to be distributed according to the existing formula as recommended in the Commission's Interim Report submitted in November, 1983 i.e. according to the percentages recommended by the Seventh Finance Commission. His Note of Dissent is appended.

CHAPTER VI

UNION DUTIES OF EXCISE

6.1 The distribution between the Union and the States of Union excise duties is governed by Article 272 of the Constitution. That Article vests power in the Government of India to levy and collect duties of excise, other than those on medicinal and toilet preparations as are mentioned in the Union List. But, if Parliament by law so provides, there shall be paid out of the Consolidated Fund of India to the States to which the law imposing the duty extends, sums equivalent to the whole or any part of the net proceeds of that duty, and those sums shall be distributed among those States in accordance with such principles of distribution as may be formulated by such law. By para 4(a) of the President's order, we are required to make recommendations on this matter.

6.2 The First Finance Commission recommended that Union excise duties on three commodities, namely, tobacco (including cigarettes, cigars, etc.), matches and vegetable products, should, be shared between the Centre and the States. These commodities were selected on the consideration that they were articles of common consumption, and the excise duties levied thereon would yield a sizeable and reasonably stable source of revenue for distribution. The share of the States was fixed at 40 per cent.

The Second Finance Commission enlarged the list to include duties on sugar, tea, coffee, paper and vegetable non-essential oils. With this increased coverage, it felt that the States' share could be reduced to 25 per cent.

The amendments in the Income Tax Act in 1959 made a large portion of the tax on companies non-shareable by treating it as corporation tax. This resulted in a shrinkage of the divisible pool of income tax. The Third Finance Commission, therefore, thought that a further addition to the list of excisable goods, the duties on which should be shared with the States, was necessary. It also felt that the States needed greater assistance to fill up their larger revenue gaps caused by the impact of expenditure on two successive plans. The Commission, therefore, included in the divisible pool excise duties from all commodities, excluding those on which the yield was less than Rs.50 lakhs a year. The States' share was fixed at 20 per cent. However, the Commission excluded from its computation the duty on motor spirit as they separately proposed that a sum of Rs. 36 crores, being about 20 per cent of its yield, should be utilised for the maintenance and improvement of communications, and distributed as a special purpose grant.

The Fourth Finance Commission considered the demand of the States for the sharing of the excise duties realisable on all commodities as perfectly reasonable. That Commission fixed the States' share at 20 per cent of this enlarged divisible pool.

The Fifth Finance Commission went a step further and recommended that States should also receive a share from the proceeds of special excise duties from 1972-73. Firstly, it felt that the resort by Union Government to special duties of excise should not be the rule but an exception. It further said that if these duties were continued on a long-term basis, it would be desirable to include them, alongwith other duties, in the divisible pool. And, secondly, that in the last two years of its award period, namely 1972-73 and 1973-74, the divisible pool of income tax would shrink, as it would no longer include any arrears of advance tax collections pertaining to the previous years. It thought that the sharing of special excise duties from 1972-73 would provide some stability to the States' revenues by securing to the States some increases in the last two years. The States' share was fixed by them at 20 per cent.

Like its predecessor, the Sixth Finance Commission also felt that the levy of excise duties which are, under the law, not shareable with the States, should be confined to short periods of two or three years at the most, to meet the unexpected demands on the national exchequer. It, therefore, recommended that the revenue from auxiliary duties on excisable goods levied in replacement of regulatory duties under the Finance Act of 1973, should be brought within the divisible pool from 1976-77 onwards.

That Commission, however, recommended that revenues from cesses on excisable commodities, levied under special enactments and reserved for special purposes, should not be included in the divisible pool. It also took the view that an enlargement of the States' share would confer disproportionately large benefits on surplus States than on the deficit States. On these and other considerations, it recommended that the States' share should be 20 per cent of all the basic excise duties. It also recommended that 20 per cent of the net proceeds of auxiliary duties of excise be shared from 1976-77 onwards.

6.3 The stated objective of the Seventh Finance Commission was that its scheme of fiscal transfers should leave as many of the less affluent States as possible with a surplus on revenue account. It thought that the bulk of fiscal transfers should be by way of tax shares and grants-in-aid should have a residual role. That Commission, therefore, recommended that the States' share of excise duties (excluding duty on electricity, in respect of which it made a separate recommendations) should be 40 per cent. It clarified that the net proceeds of excise duties would include proceeds from all Union excise duties, by whatever name called, but exclude proceeds from the additional excise duties levied in lieu of sales tax and cesses earmarked for special purposes and the additional duties of excise on certain textiles and textile articles, which, under law, are not to be distributed among the States.

6.4 To decide upon the recommendations we should make, we have to consider the following questions:-

(i) Should any kind of excise duty be left exclusively to the Union and remain unshared with the States?

(ii) What should be the share of the States in excise duties?

(iii) On what principles should shares be allocated amongst the States?

We shall deal with these and allied questions seriatim.

6.5 The first question is as to the kinds of duties which should be shared by the Union with the States. In their Memoranda Bihar, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Punjab, Rajasthan and West Bengal have expressly demanded that all kinds of excise duties should be made shareable with the States, including the cesses levied under special Acts and the additional excise duties levied on textiles under the Additional Excise Duties (Textiles and Textile Articles) Act, 1978.

A perusal of the revised estimates of 1983-84 of the Central budget shows that out of the total receipt of Rs.10,125 crores of excise duties, about Rs.1,186 crores (i.e. about 11 per cent) of cesses and duties stand earmarked for special purposes. The laws, under which these duties and cesses are levied, earmark them for specific purposes. We obviously cannot ignore those laws and recommend the diversion of moneys to different purposes. We would, however, like to say that the earmarking of certain levies of excise duties for specific purposes should be kept to the minimum as it causes grievances amongst the States.

6.6 In view of what we have stated, we recommend that the States should be paid a share out of the net proceeds of all excise duties, other than those collected under the provisions of the Additional Excise Duties (Textiles and Textile Articles) Act, 1978 and the cesses earmarked by law for special purposes.

6.7 Before turning to the other two questions, we would like to dispose of the point regarding the excise duty on electricity before we deal with the excise duty on other articles. An excise duty on electricity was first levied from 1st March, 1978 as a part of the budget proposals of the Centre for the financial year 1978-79. The net proceeds of this new duty were shared with, and, amongst the States in 1978-79 in the same manner that the net proceeds of other excise duties were being shared at that time in accordance with the recommendations of the Sixth Finance Commission.

6.8 Subsequently, the Central Government intimated to the Seventh Finance Commission, which was then sitting, that the Centre had, of its volition, decided to transfer to the States the entire non-shareable portion of the net proceeds of this new duty with effect from the 1st April, 1979 subject to the condition that the duty continued to be levied beyond that date. The Union Finance Ministry wrote three letters dated 13th, 19th and 23rd October, 1978 to the Member-Secretary of the Finance Commission which have been reproduced in Annexure VI-1. In these circumstances, that Commission recommended that the entire net proceeds of Union excise duty on generation of electricity realised from States should be paid to the States. Each State was to get an amount equal to the collection in or attributable to that State.

6.9 There has now been another development. In the course of his speech presenting the Budget for the year 1984-85, the Union Finance Minister has proposed to abolish the excise duty on electricity, leaving it to the States to tap this source to whatever extent, and in whatever manner they like. In order to give the States time to take appropriate action, this proposal would be made effective from 1st October, 1984.

6.10 We have examined the implication of this proposal. As the date with effect from which this change is intended to come into effect falls outside the financial year 1983-84, which we have used as the base year for making projections for the forecast period, we have made our calculations as if no change was contemplated in regard to this levy. This will not affect the revenue resource position of the States. No doubt the States will not receive anything as a share of excise duty in electricity if the Central Government abolishes this levy from 1st October, 1984, but, in that event, we would naturally assume that the States would make good the loss by recovering an equal amount by way of electricity duty on consumption, which they have the power to levy. In other words, the loss on account of devolution from the Centre can be made good by the States themselves. As far as the Centre is concerned, our decision will not affect its revenue surplus as the transfer to the States by way of devolution would have been equal to the receipts from this duty.

6.11 As regards the formula for distribution, continuance of the principle of allocation of Union excise duty on electricity recommended by the Seventh Finance Commission is advocated by the States of Haryana and Maharashtra. However, Himachal Pradesh is strongly opposed to it, and feels that it has wrought great injustice. It maintains that the only right principle for allocation of this duty among the States is that the proceeds should be shared by the States in proporation to the power generated within their territory. Meghalaya supports this principle. Gujarat has suggested that the allocation should be on the basis of consumption in each State. No other State has offered any comments.

6.12 We think that in deciding what principle to apply for allocating excise duty on electricity among the States, it is necessary to remember the backgronnd. As we have mentioned earlier, the Finance Ministry wrote to the Seventh Finance Commission saying that the Union Government had agreed to transfer to the States the entire non-shareable portion of the excise duty on electricity. This was done because the States had made representations that they were entitled to the proceeds of the duty, and the Union Government had acceded to the demand. The effect of this decision was tnat the entire proceeds of excise duty on electricity were made transferable to the States. The principle on the basis of which the Union intended to allocate the non-shareable portion of this duty among the States was explained in the letter dated 13th October, 1978 written by the Finance Ministry to the Seventh Finance Commission. It said that the entire non-shareable portion of the duty would be transferred to the States' in proportion to the revenues realised from each State on this account'. The Seventh Finance Commission obviously concurred with that principle and applied it to the States' share of this duty also. That is why they recommended that the entire proceeds of this duty should be transferred to the States, and each State should be paid an amount 'equal to the collection in or attributable to the State'. In these circumstances this was obviously the right thing to do, and, we propose to do the same. Accordingly, we recommend that, during the forecast period, the entire excise duty on electricity will be distributed among the States so that each State gets an amount equal to the collection in or attributableto that State.

6.13 In order to make an estimate of the likely State-wise receipts of the Union excise duty on electricity during each of the five years or the forecast period ending with the financial year 1988-89, we requested the Central Electricity Authority to provide us with their estimates of such receipts. We have accepted the estimates sent by them and have made our calculations on that basis. The estimated receipts State-wise are shown in Annexure VI-2.

6.14 We next come to the question as to what should be the share of the States in the net proceeds of excise duties.

6.15 Himachal Pradesh, Manipur, Meghalaya, Nagaland and Sikkim are the only States which have stated that the States' share should be kept at 40 per cent, as fixed by the last Finance Commission. They apprehend that if the share is further enlarged, a relatively larger portion might go to the developed States, which will further accentuate the existing inter-State imbalances. These States prefer to leave the Centre with larger resources with which it can help the less developed States. Other States have suggested larger share for the States, varying from 50 per cent to 75 per cent. West Bengal has not specifically stated what it thinks should be the States' share, though the tenor of its Memorandum undoubtedly suggests that it is in favour of a larger share for the States. The main plea

of the States in support of their demand for a larger share is that their requirements for resources have increased rapidly with the expanding size of their developmental plans, the unforeseen commitments in respect of increases in dearness allowances and larger expenditure on office contingencies due to increase in prices. They also feel that the Centre can bear a greater transfer as it has exclusive access to other large source of funds.

6.16 It is patent that we have to carefully balance many diverse considerations. There can be no doubt that the Centre has a greater capacity to bear financial burdens than the States. Revenue deficits of States have also increased since the Report of the Seventh Finance Commission. As will appear in Chapter III, sixteen States have a total deficit of Rs.18,485 crores without taking into account any transfer of resources from the Centre. We think the transfer of resources to the States should leave as many of them as possible with surpluses on revenue account so that they are able to have a better start in the implementation of the next Five Year Plan. At the same time, we have also to keep in view the amount of surplus with the Centre as reassessed by us. Having regard to these, and all other relevant considerations, we have come to the conclusion that during the forecast period, the share of the States in the net proceeds of excise duties, other than the duty on electricity, should be increased from 40 per cent fixed by the Seventh Finance Commission to 45 per cent, and, we recommend accordingly.

6.17 There remains the question as to the allocation of excise duty among the States. Widely divergent views have been expressed by them. We think it would be worthwhile to summarise the views.

6.18 Assam, Tripura and Sikkim favour the continuation of the scheme of distribution adopted by the Seventh Finance Commission except that Tripura is in favour of special weightage being given to the population of Scheduled Tribes in the State, and Sikkim wants weightage to the criterion of poverty increased by 5 per cent with a corresponding reduction in the weightage to population. Haryana and Punjab have advocated that the entire proceeds should be distributed solely on the basis of population. While making this suggestion, the Government of Punjab has emphasised that factors like financial weakness and relative economic backwardness are extraneous to the purpose of inter se distribution of shareable taxes and duties, and are relevant only for assessing the needs of grants under Article 275 of the Constitution. On the other extreme, Karnataka does not want to assign any weightage at all to population. Instead, it has suggested that 60 per cent be distributed on the basis of relative development of each State measured by a composite index of development, and the remaining 40 per cent be distributed on the basis of an index of revenue mobilisation effort.

6.19 Gujarat has preferred a weightage of 75 per cent to be given to population, the remaining 25 per cent being left for distribution on the basis of the proportion of sales tax collection in each State to the total collections of sales tax in all States. It has also suggested that excise duty recovered from sick industrial units taken over by State Governments be fully paid back to the concerned States to enable them to meet a part of their financial commitments of such take-over. Maharashtra would like 60 per cent of the States' share to be distributed on the basis of population (giving a weightage of 70 per cent to rural population and 30 per cent to urban population), 20 per cent on the basis of economic backwardness as reflected by the per capita incomes, using the method adopted by the Sixth Finance Commission, 10 per cent on the basis of the performance of States in the population control programme, and the remaining 10 per cent on the basis of the mobilisation of small savings.

6.20 Both Bihar and Uttar Pradesh have advocated that 30 per cent and 25 per cent, respectively, of the States' share should be exclusively distributed among those States the per capita income of which is below the all States' average, the inter se distribution being based in proportion to such distance multiplied by population. While Bihar wants the entire balance of 70 per cent to be distributed on the basis of population, Uttar Pradesh wants only 50 per cent out of the balance of 75 per cent to be distributed on this basis and the remaining 25 per cent to be distributed on the basis of inverse of the per capita income. Bihar has also added that, in the alternative, the scheme of distribution of the Seventh Finance Commission may be adopted.

6.21 Madhya Pradesh is in favour of the formula adopted by the Seventh Finance Commission, except that it wishes to reduce the weightage to population from 25 per cent to 10 per cent, and advocates that the balance of 15 per cent be distributed on the basis of the area of the States. Rajasthan has favoured distribution on two criteria, i.e., 50 per cent on the basis of population weighted for area and 50 per cent on the basis of an index of infrastructure. Orissa has suggested that the practice of bridging the revenue gap by grants under Article 275 be discontinued. Instead, the deficits of all States that remain after devolution, except of basic Union excise duties, should first be met by a share from Union excise

duties, and the balance may be distributed among States on the basis of weightage of 25 per cent each to population, percentage of Scheduled Castes/Scheduled Tribes population, the per capita SDP, and inverse ratio of per capita household consumption.

6.22 Tamil Nadu would like 25 per cent to be distributed on the basis of population, after giving urban population a weightage of 50 per cent; 50 per cent on the basis of revenue equalisation, 12½ per cent each on the basis of poverty ratio and unemployment ratio. Andhra Pradesh has suggested a weightage of 50 per cent each to population and per capita SDP. Kerala has proposed a weightage of 25 per cent each to population and per capita income and distribution of the remaining 50 per cent in proportion of the non-Plan expenditure on social and community services to the total non-Plan expenditure of States. West Bengal has not suggested any formula of distribution.

6.23 Himachal Pradesh and Nagaland want a weightage of 25 per cent to population. Both States are in favour of 25 per cent being reserved for providing an equal percentage of surplus to the revenue deficit backward States and to allocate another 40 per cent to all backward States. The remaining 10 per cent is recommended to be distributed only among hill States to ensure reasonable surpluses to them. Jammu & Kashmir has suggested that the per capital SDP and revenue equalisation should be given a weightage of 25 per cent each, and backwardness the remaining 50 per cent. The proposal of Manipur is similar except that the 50 per cent, which Jammu & Kashmir wants earmarked for backwardness, Manipur would wish to be distributed to the extent of 40 per cent on the basis of poverty ratio and the balance of 10 per cent to be earmarked for the hill States exclusively. Meghalaya wants the pre-emption of 50 per cent of the States' share to ensure that all States get a surplus on revenue account. It wants the remaining 50 per cent to be divided into three equal parts; one part to be distributed on the basis of population, another on the basis of backwardness and the third to be reserved exclusively for the hill States for distribution on the basis of population.

6.24 It is obvious from this narration of the views of the States that each of them has given preference to the formula which benefits it most. There are merits and demerits in each of them. Ultimately, in deciding the criteria which we should apply for allocating shares of excise duty among the States, we have been guided by three over-riding considerations which were emphasised by all the experts and the disinterested observers we met. These considerations are: (i) that the formula should be progressive in the sense that it should allocate a larger share to those States which have a relatively lower per capita incomes, or, which are otherwise backward and financially weak; and (ii) the formula should be simple; and (iii) firm and reliable data should be available for applying the formula.

6.25 It is too late in the day for anyone to argue that backwardness should not be a factor in allocating resources between the States. From the Third Finance Commission onwards every Commission has given weightage to backwardness in one form or other, though in varying proportions. It is impossible to argue that backward States, which are members of a federation, should be left to fend for themselves. Even many of the richer States did not dispute this proposition. We are happy to record that some of them freely conceded that in the larger national interest they would have to make sacrifices to help the backward States. Since excise duties form a major portion of the moneys which are transferred to the States by way of devolution it follows that backwardness in some form or other must be given a large weightage, otherwise it will be impossible to correct fiscal imbalances.

6.26 We now proceed to examine some of the particular points made by the States. Bihar and Uttar Pradesh have suggested that to do justice to backward States, 30 per cent and 25 per cent respectively of the States' share should be distributed only among States whose per capita income is below the all-India average. We think that the same objective could be served even if every State is allowed a share from a progressive formula of distribution, provided a substantial proportion of excise duties is distributed on the basis of such a formula.

6.27 Madhya Pradesh has suggested assigning a weightage of 15 per cent to area while Rajasthana has suggested that the population factor should be weighted with area. In the course of discussions we were informed that States having large areas with sparse population, living in isolated villages, have to incur larger costs in providing services like schools, hospitals, roads, etc. They, therefore, pleaded that some special consideration should be given to this factor in the formula of distribution. We are not unaware of these disabilities suffered by some States. We may point out, however, that all costs being incurred on this account have already been taken into account while projecting the revenue expenditure for the forecast period. The needs of these States would be assessed on that basis. That apart, we notice that distribution of resources on the criterion of area of States benefits only a few States, but, mainly at the cost of other States which are equally backward, and whose backwardness is probably attributable to their high density of population. Thus the area factor cannot have general acceptance for use in distributing resources among the States.

6.28 Many States have said that it would be unrealistic to take into account the 1971 population for the distribution of resources when the results of the 1981 census are available. A few States have suggested that a portion of the States' share of excise duties should be distributed among the States on the basis of the efforts made by them to control the growth of population. However, para 7 of the President's Order is clear on the subject. It is in accordance with the policy announcement contained in para 8 of 'Family Welfare Programme - A Statement of Policy"(June 29, 1977) issued by the Ministry of Health and Family Welfare, Government of India, the relevant portion of which is reproduced in Annexure VI-3. That shows that a decision was taken at the national level that in all cases, where population is a factor for the transfer of resources from the Centre to the States, the population figures of 1971 would continue to be used till the year 2001.

6.29 As regards the proposal made by some States to give special weightage to urban population, we think that both the revenue receipts and revenue expenditure of States as well as their per capita incomes reflect this position, and hence, a separate weightage is not necessary.

6.30 We would now like to consider the three criteria of distribution, other than population, adopted by the Seventh Finance Commission.

6.31. The first was the States' population weighted by the inverse of the average per capita State Domestic Product of States for the triennieum 1973-74 to 1975-76. This produces progressive results in as much as States with a lower average per capita State Domestic Product would receive a relatively larger share and vice versa. On a similar basis, the Planning Commission has distributed among the States a portion of the Central assistance during the Sixth Plan period. The share of a State is determined by its 'Income Adjusted Total Population' as a percentage of the aggregate of all-States' Income Adjusted Total Population. We note that State Governments have not generally objected to this principle adopted by the Seventh Finance Commission.

6.32 The second criterion used by the Seventh Finance Commission was the percentage of the poor in each State measured by a method which Prof. Raj Krishna, Member of that Commission, had evolved. The methodology adopted for this purpose is outlined in Appendix 4.9 of the Report of the Seventh Finance Commission.

6.33 We have scrutinised the estimates of the poor in each State by using the formula of the Seventh Finance Commission, and those made by the Planning Commission for the purposes of the 1980-85 Plan. A peculiar feature of these estimates is that in the hill States and States like Rajasthan, which are undoubtedly poor and backward, the percentage of poor is relatively small. To what extent the policies of the State Governments resulting in maldistribution of incomes are responsible for accentuation of poverty conditions, particularly in the case of States which have a high per capita income, is another important question which is to be considered in this connection. More important is the fact that the estimates of the poor can vary depending on the concept of poverty used. It is, therefore, not surprising that many States have expressed doubts about the reliability of data and the methodology used for the estimation of these poverty ratios.

6.34 With these limitations, use of poverty ratio as a factor of distribution may not be advisable. In fact, as many as 15 States, including some which are undoubtedly backward and poor, have not favoured the use of this criterion. The object of transferring relatively larger resources to States which are more backward and poor can still be achieved by linking distribution to the per capita incomes of States. Therefore, in the circumstances described above, we have no other option except to choose other criteria which are more reliable, and whose data base is not likely to be called into question by States.

6.35 The third criterion used by the Seventh Finance Commission was the revenue equalisation factor. A shortcoming in the application of this criterion, as used by the Seventh Finance Commission, was brought to our notice by the Government of Maharashtra. It pointed out that with a linear equation, when only one independent variable, viz. per capita income has been used (as would appear from the gist of the formula in the Report of the Seventh Finance Commission), that formula did not amount to anything different from allocating shares in revenues to States based on the distance of the per capita income of the State from the highest per capita income of any State.

6.36 This criticism is, no doubt, valid but it does not detract from the utility of this criterion for assessing the capacity of States to raise resources. It is true that a more sophisticated formula of revenue equalisation could be evolved using multiple factors as independent variables to estimate tax effort. In fact, the National Institute of Public Finance and Policy has given us a study entitled "Relative Taxable Capacity & Tax Effort of States in India", which we had commissioned, with the intention of working out a refined formula for revenue equalisation. On examination,we found that a

comprehensive formula of revenue equalisation would be quite complicated. We also thought that some of the assumptions that might be made for evolving that formula might also be called into question by States. On balance, therefore, we considered that it would be worthwhile to opt for a less complicated formula. We are of the view that the distance of per capita income of States from the highest per capita income of any State, which is a well accepted indicator of the relative backwardness of States, would also be a good indicator of the capacity of States to raise resources. Such a formula was used by the Sixth Finance Commission as an alternative to the criteria suggested to it by States for measuring backwardness.

6.37 Before we proceed to explain the basis we have adopted for the distribution of excise duties amongst the States, we would like to highlight two important considerations which have influenced our decisions.

The first is the striking imbalances between the States. Our re-assessment of States' forecasts shows that there are six States which have a surplus of Rs. 8,064 crores, while the remaining States have a total deficit of Rs. 18,485 crores on revenue account, before devolution from the Centre. The percentage of revenue expenditure which is met by a State's own revenue receipts (i.e. excluding Central transfers) is another indicator of the imbalance. We notice that the percentage of own revenue receipts to revenue expenditure in 1982-83 varied between 42.6 in the case of Orissa to 107.2 in the case of Maharashtra among the 15 non-hill States. Amongst hill States, the corresponding percentage is as low as 9.3 for Manipur. We think, that it should be the endeavour of a Finance Commission to minimise, to the extent possible, these imbalances without, however, hindering the progress of developed States.

The second consideration is that the recommendations made by the earlier Finance Commissions regarding distribution of taxes and duties among States used to leave deficits in the revenue account of a number of States. These were then covered by grants under Article 275. Notwithstanding that the last Finance Commission raised the States' share of excise duties from 20 per cent to 40 per cent, eight States still had deficits. This included the seven hill States of Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Sikkim and Tripura. That Commission estimated that these States would receive Rs.421.80 crores as their share of devolution, which would still leave them with a deficit of Rs.1036.20 crores. This was made good by recommending grants-in-aid under Article 275. We are of the view that this pattern of distribution as between the amounts received as shares of taxes and as grants needs to be corrected, so that the dependence on an inelastic source of revenue like the grant-in-aid is minimised.

Having considered the problem in all its aspects, we are of the view that, if our scheme of devolution has to serve the aforesaid purposes, it should not only be based on a progressive and simple formula of distribution among the States, but, it should also make a special provision to deal with the revenue deficits of States.

6.38 As regards backwardness, various factors have been suggested to determine it. We have found it difficult to choose a set of indicators which would adequately represent and reflect fully the economic and social conditions of the States in our country, and to assign appropriate weightages to them so that an index of backwardness could be prepared. We, however, feel that per capita income is a more appropriate composite criterion than any other suggested to us, which reflects the level of backwardness of States as well as their capacities to raise revenues. The merit of this criterion is that it suffers least from data deficiency and it is generally accepted by all States.

6.39 For this purpose, we prefer to use the average per capita income for at least three years so that annual fluctuations are smoothened out. Details of State-wise per capita income upto 1979-80 are available. A perusal of the data relating to 1979-80 shows that as the country's economy suffered a serious setback in that year owing to exceptionally bad weather, the per capita incomes of all States have generally been affected. We, therefore, thought that it would not be proper to base our recommendations on the basis of the average per capita incomes for the triennium ending with 1979-80. The 1980-81 data has not yet been made available to us. We have, therefore, considered it proper to take the average per capita income of States of the three years ending with 1978-79 only. We have worked out the simple average of the per capita incomes of States for the years 1976-77, 1977-78 and 1978-79, as furnished to us by the Central Statistical Organisation of the Government of India as shown in Annexure VI-4.

6.40 We have assigned a weightage of 25 per cent to population as we consider it to be a primary criterion for determining, in general terms, the needs of all States. The population on the basis of 1971 census has been used for this purpose as required by para 7 of the President's Order. The share

of each State is given by the percentage share of its population in the aggregate all-States' population.

6.41 Consideration to backwardness is given in two ways by using the average per capita income for the triennium 1976-77 to 1978-79 in constructing the formula of distribution:-

(a) Firstly, the 1971 population of the States has been weighted with the inverse of the aforesaid average per capita income to get an Income Adjusted Total Population. The share of a State is determined by percentage of the income adjusted total population of that State to the aggregate of the income adjusted total population of all States. We have assigned a 25 per cent weightage to this factor in the distribution.

(b) Secondly, we have assigned a 50 per cent weightage to the distance of the average per capita income of any State during the triennium 1976-77 to 1978-79 from that of the State which has the highest average per capita income, which is Punjab.

6.42 It would be obvious that if the principle mentioned in sub-para (b) of the previous para is adopted without any further modification, Punjab would not be eligible to receive any share from excise duties under this criterion. This is what happened when the Sixth Finance Commission distributed 25 per cent of the States' share of Union excise duties to States on the basis of 'distance' method without making such adjustment. This was also the result when the Seventh Finance Commission assigned a weightage of 25 per cent to the revenue equalisation factor in its formula of distribution. As we are assigning a weightage of 50 per cent to this factor, we have considered it necessary to ensure that all States get a share under this principle. Therefore, while in the case of all States, except Punjab, the distance between their average per capita income for the triennium 1976-77 to 1978-79 from the corresponding average per capita income of Punjab has been multiplied by their 1971 population, in the case of Punjab we have used a special device to obtain such a product. The product in the case of Punjab has been arrived at by multiplying its 1971 population with a notional distance factor equal to the distance of the average per capita income of Punjab from that of the State which has the second highest per capita income i.e. Haryana. In other words, the income distances in the case of Punjab and Haryana have, for this purpose, been treated as equal.

The share of each State will be determined by the product of that State arrived at in the manner indicated above as a percentage of the aggregate of the similar products for all the 22 States.

6.43 We would like to mention here that we have tried a large number of alternative combinations, and we find that to impart progressivity to the inter se distribution in a significant measure, with due regard to the capacity of States to raise resources, it is necessary to give a weightage of 50 per cent to per capita income on the basis of the 'distance method'.

6.44 The special arrangement that we are making to help the deficit States is to set aside a certain portion of the States' share of excise duties, which will be distributed only among those States which have deficits on revenue account. The manner in which this amount is being distributed is explained in the next paragraph.

6.45 It will be recalled that we have fixed the States' share at 45 per cent of the net proceeds of shareable excise duties excluding that on electricity. We recommend that this be distributed amongst the States on the following basis:-

(a) 40 per cent of the net proceeds of shareable excise duties excluding that on electricity, be distributed during each year of the forecast period among all States in the following manner:-
  (i) $\frac{1}{4}$th of this amount (i.e. 25 per cent) should be distributed among the States on the basis of the 1971 population, as indicated in para 6.40.
  (ii) Another $\frac{1}{4}$th (i.e. 25 per cent) should be distributed to States on the basis of inverse of per capita income, as indicated in sub-para (a) of para 6.41.
  (iii) The remaining 50 per cent should be distributed on the basis of the distance of per capita income, as indicated in sub-para (b) of para 6.41 and para 6.42.

(b) The remaining 5 per cent of the net proceeds of excise duties excluding that on electricity, be set aside and distributed to those States which have deficits after taking into account their shares from the devolution of all taxes and duties, including their shares of excise duties, under clause (a) above and grants in lieu of the repealed tax on railway passenger fares, but excluding their shares of estate duty and grants on account of wealth tax on agricultural property. This distribution should be based on the proportion of the deficit of each State to the total of the deficits of all States as estimated by us, worked out separately for each year of the forecast.

6.46 The percentage share of each State in 40 per cent of the net proceeds of shareable excise duties excluding that on electricity has been worked out and shown in the table below:-

Table 1 : Percentage Share of States in 40 per cent of the net proceeds of excise duties for the years 1984-89

Name of State	Percentage Share in 40 per cent of the net proceeds of excise duties for the years 1984-89	Name of State	Percentage Share in 40 per cent of the net proceeds of excise duties for the years 1984-89
1. Andhra Pradesh	8.587	12. Manipur	0.233
2. Assam	2.977	13. Meghalaya	0.194
3. Bihar	13.202	14. Nagaland	0.096
4. Gujarat	3.506	15. Orissa	4.592
5. Haryana	1.017	16. Punjab	1.317
6. Himachal Pradesh	0.589	17. Rajasthan	4.695
7. Jammu & Kashmir	0.856	18. Sikkim	0.039
8. Karnataka	5.077	19. Tamil Nadu	7.317
9. Kerala	3.800	20. Tripura	0.292
10. Madhya Pradesh	8.852	21. Uttar Pradesh	19.097
11. Maharashtra	6.216	22. West Bengal	7.449
		Total:	100.000

The percentage share of the deficit States in the 5 per cent of the net proceeds of the shareable excise duties excluding that on electricity has been worked out by us for each of the 5 years commencing from 1st April, 1984 and these percentages are shown in the following table:-

Table 2 : Shares of Deficit States in 5 per cent of the net Proceeds of Excise Duties

Name of the State	Share in 5 per cent to Deficit States				
	1984-85	1985-86	1986-87	1987-88	1988-89
1. Assam	12.728	12.578	12.713	13.418	12.023
2. Himachal Pradesh	10.340	11.528	12.914	14.098	16.475
3. Jammu & Kashmir	15.457	16.661	17.818	18.560	20.254
4. Manipur	6.969	7.742	8.722	9.545	11.217
5. Meghalaya	5.575	6.180	6.944	7.570	8.863
6. Nagaland	8.837	9.944	11.240	12.371	14.482
7. Orissa	9.214	8.154	5.457	3.109	0.598
8. Rajasthan	1.940	-	-	-	-
9. Sikkim	1.659	1.836	2.051	2.232	2.593
10. Tripura	8.200	9.104	10.207	11.162	12.956
11. West Bengal	19.081	16.273	11.934	7.935	0.539
Total:	100.000	100.000	100.000	100.000	100.000

6.47 Shri A.R. Shirali, for reasons explained in Chapter V, Income Tax, feels that for 1984-85 the States' share of shareable Union excise duties (excluding that on electricity) may continue to remain at 40% and be distributed according to the recommendations of this Commission in its Interim Report submitted in November, 1983 i.e. according to the percentages recommended by the Seventh Finance Commission.

6.48 As for the period 1985-89, Shri A.R. Shirali feels that regard must be had to the difficult revenue position of the Central Government as well as the wide disparities in the levels of surpluses of the different States that would result if the share of Union excise duties (excluding that on electricity) for all States is maintained at 40% with another 5% for deficit States only. Taking both these considerations into account, he is of the opinion that a modest reduction in the share meant for all States would be justified. On this basis, he suggests that the total States' share of Union excise duties (excluding that on electricity) be maintained at 40% comprising 35% for all States and 5% for the deficit States only. As regards the distribution of the States' share among the States, he agrees with the recommendation of the majority. His Note of Dissent is appended.

CHAPTER VII

ADDITIONAL DUTIES OF EXCISE

7.1 Paragraph 6(b) of the President's Order invites our suggestions on the changes, if any, to be made in the principles governing the distribution among the States of the net proceeds in any financial year of the additional excise duties leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in replacement of sales tax levied formerly by the State Governments on each of the following commodities namely: (i) cotton fabrics; (ii) woollen fabrics; (iii) rayon or artificial silk fabrics; (iv) sugar and (v) tobacco including manufactured tobacco. The proviso to clause (b) lays down that the share accruing to each State shall not be less than the revenue realised from the levy of sales tax on these commodities in the financial year 1956-57 in that State.

7.2 This levy was the result of an agreement reached in the National Development Council in December, 1956, by which the States agreed to refrain from exercising their power to levy sales tax on the commodities mentioned above in lieu of a share in additional excise duties to be levied by the Centre. Their decision was recorded as follows:-

> "The National Development Council agreed unanimously that sales tax levied in States on mill-made textiles, tobacco including manufactured tobacco, and sugar should be replaced by a surcharge on the Central excise duties on these articles, the income derived therefrom being distributed among States on the basis of consumption, subject to the present income derived by States being assured. The method of sharing and distribution should be referred to the Finance Commission." *

Accordingly, additional duties of excise have since then been levied and collected by the Centre, and the entire net proceeds, other than the proceeds attributable to Union territories, are distributed amongst the States. As observed by previous Finance Commissions, the agreement is in the nature of a tax rental. Theoretically, the States are even now free to reimpose sales tax on the afore-mentioned commodities but there are two disincentives. First, a State which chooses to reimpose sales tax would lose its share in the proceeds from additional excise duties unless the Central Government otherwise directs. Secondly, in view of sections 14 and 15 of the Central Sales Tax Act, which declares these goods to be goods of special importance in inter-state trade and commerce, the rate of sales tax, even if reimposed by the States, cannot exceed 4 per cent.

7.3 Having regard to the understanding on the basis of which these additional excise duties came to be levied, the only proper principle on which to allocate shares to the States would obviously be the consumption of the said commodities in each State. The problem is, how to ascertain the figures of consumption. This problem was also faced by the previous Finance Commissions.

7.4 However, before describing the solutions found by the earlier Finance Commissions, and the views of the States thereon, we propose to deal with the matter of the guaranteed amount. The agreement reached at the National Development Council (December, 1956) guaranteed that the shares of the States would not be less than the revenue they were deriving from the sales tax on these commodities in 1956-57. The proviso to paragraph 6(b) of the President's Order incorporates that guarantee in our terms of reference.

The Second, Third, Fourth and Fifth Finance Commissions decided to first set apart the guaranteed amount, representing the shares of the States on the basis of what they were realising from sales tax on these commodities in 1956-57 and applied the principles of distribution evolved by them only to the excess over the guaranteed amount. The Sixth and Seventh Finance Commissions observed that setting apart the guaranteed amount first and then distributing the balance might confer an advantage on some States that was not intended by the agreement of the National Development Council. They, therefore, decided to dispense with this procedure, because they felt that the revenues from additional

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excise duties had attained such large proportions that, whatever be the principles of distribution adopted by them, the States would in any case, not receive less than the guaranteed amount. We agree with this reasoning. The revenues from additional duties of excise in lieu of the sales tax have now crossed Rs. 670 crores in the Revised estimates 1983-84. Whatever be the basis of distribution, every State is bound to get more than what it was realising as sales tax on these commodities in 1956-57 for, the aggregate of the guaranteed amount for all States is only of the order of about Rs. 35 crores. We, therefore, do not see any necessity for setting apart the guaranteed amount first. Only four States, namely, Gujarat, Karnataka, Maharashtra and Uttar Pradesh have argued in favour of first setting apart the guaranteed amount. The others have no complaint against the method adopted by the Sixth and Seventh Finance Commissions.

7.5 As regards the principles of distribution, the Second Finance Commission, which was the first to deal with this question, recommended that the shares of the States in additional duties of excise should be on the basis of the then available consumption figures, with population used as a corrective factor for moderating the deficiencies in the data on consumption. The Third Finance Commission was of the opinion that as additional duties of excise were being levied in lieu of sales tax, it would not be right to ignore sales tax collections altogether. It, therefore, recommended that the receipts of additional excise duties in excess of the guaranteed amount, be distributed among the States partly on the basis of the percentage increase in the collection of sales tax in each State since 1957-58 and partly on the basis of population. It was not indicated what relative weightages were assigned to these two factors. The Fourth Finance Commission dispensed with population as a factor, and relied exclusively on realisations of sales tax revenue in each State. It determined the shares on the basis of the proportion of sales tax revenue in each State to total sales tax collections of all the States over the years 1961-62 to 1963-64. The Fifth Finance Commission felt that while sales tax collection was a relevant factor, it would be necessary to exclude inter-State sales tax which was realised on 'exports' outside the State. It also restored population as a factor for distribution, and recommended that equal weightage be given to both these factors.

7.6 The Sixth Finance Commission, however, took the view that sales tax revenue did not provide even an indirect indication of the levels of consumption of textiles, sugar and tobacco because sales tax was levied on a host of commodities ranging from luxury goods to semi-luxuries, raw materials and intermediate goods. That Commission, therefore, decided to exclude sales tax collections from the principles of distribution and sought other indices of consumption.

7.7 It thought, the premise that consumption was directly related to levels of income could not be doubted, and hence decided to adopt State Domestic Product (SDP) as one of the factors. It also recognised that sugar, textiles and tobacco were in a sense articles of mass consumption and their consumption was dictated by social habits and manners. Hence population as a factor could not be ignored. But, where the Sixth Finance Commission differed from the earlier Finance Commissions, was in giving a weightage to production also. In doing so it was influenced by the consideration that had sales tax not been given up, the States would have also taxed sales of these commodities 'exported' to other States; therefore, the portion of production relatable to the 'export' of these commodities also deserved to be taken into account. The Sixth Finance Commission, therefore, determined the shares of the States on the basis of three factors, namely, population, SDP and production with weightages of 70 per cent, 20 per cent and 10 per cent respectively atached to them. It assigned a relatively low weightage to production, recognising that there was a ceiling on the rates at which inter-State sales tax could be levied.

7.8 Agreeing with the earlier Finance Commissions that the consumption of these articles in the different States would be the most suitable basis for distribution of the receipts of additional excise duties among them, the Seventh Finance Commission examined whether the household expenditure surveys of the National Sample Survey, could give an adequate and reliable measure of consumption of these articles in each State. The Commission even got the National Sample Survey Organisation(NSSO) to make a special compilation for it. Though this survey included a large variety of items of household consumption of sugar, tobacco and textiles, the Seventh Finance Commission found that the description of these items was different from that of articles subject to additional duties of excise. The Seventh Finance Commission enlisted the help of the Central Board of Excise and Customs to rearrange the data to make the consumer expenditure survey conform as closely as possible to the articles on which additional excise duties were leviable. However, the estimates so obtained, after rearrangement of the data did not tally with the estimates of private final consumption at current prices of the Central Statistical Organisation (CSO) and the Finance Commission could find no adequate explanations for these differences. It further found that the NSSO's estimates did not also agree with the data of production of

sugar, tobacco and textiles, and the discrepancies were not accountable. It also observed that the NSSO consumer expenditure surveys did not fully capture the expenditure of the higher income groups and therefore, were not likely to provide acceptable estimates of consumption of the varieties of tobacco and textiles which contribute to a substantial extent, to the revenues from additional excise duties. It also noticed that NSSO's surveys in any case covered only household expenditure, whereas both in the case of sugar and textiles non-household consumption was also significant. Moreover, the Commission was not inclined to use NSSO's data relating to 1972-73 for a period which would commence seven years later. The Seventh Finance Commission, therefore, found itself unable to use the consumption estimates provided by the NSSO and CSO. Hence, it had to devise other means of assessing consumption. In doing so, it adopted different bases for sugar and for textiles and tobacco.

7.9 In respect of sugar, the Seventh Finance Commission decided to treat the despatches to the States as an acceptable measure of consumption. Accordingly, it relied on the average of despatches of sugar to each State in the three years ending 1976-77 as representing a fair approximation of consumption in that State. As regards textiles and tobacco, that Finance Commission failed to find a similar method for estimating consumption in each State. Nor did it see any merit in the suggestion of some States that sales tax collections in a State would provide a reasonable basis for estimating consumption of the articles subject to additional excise. It was of the opinion that the sales tax collections in the different States were a doubtful measure of the relativities between them in the matter of consumption of textiles and tobacco. It, therefore, preferred to rely on the generally accepted proposition that higher income levels would lead to higher consumption of textiles and tobacco, specially the varieties which contribute the major part of revenue from additional excise duties. Thus, it multiplied the average per capita SDP of each State, for the three years ending 1975-76, by the population of the State according to the 1971 census, and worked out the percentage share of this product of each State in the corresponding all States' total figure.

7.10 We turn next to the views of the States. Andhra Pradesh, Punjab and Sikkim favour the approach of the Seventh Finance Commission, while Assam favours that of the Sixth Finance Commission. Bihar prefers additional duties of excise to be distributed among the States on the same principles as suggested by it for the distribution of basic excise duties. Gujarat, Karnataka and Uttar Pradesh would like the excess over the guaranteed amount to be distributed in the same proportion as the guaranteed amount. Uttar Praesh has added that, in the alternative, population should be the sole criterion. Haryana and Tamil Nadu have expressed themselves in favour of the distribution being made in proportion to the sales tax revenue of each State to total sales tax collections in all States. Himachal Pradesh agrees that consumption of these commodities would be the rational basis for distribution of the proceeds, but adds that neither sales tax nor per capita SDP correctly indicate relative consumption in the various States. It further desires that 20 per cent additional share should be given to hill States for tobacco and textiles, over and above their share on the per capita domestic product basis, in case that principle is adopted. In respect of sugar, it has suggested that both official and private despatches should be taken into account.

Jammu and Kashmir considers that the criteria adopted by the Seventh Finance Commission were disadvantageous to it. It has proposed that inter-State distribution should be related to the trend in growth of sales tax collections, so that a State is fully compensated for not levying the tax on these commodities. Kerala has merely said that consumption should be the basis for distribution. Madhya Pradesh is in favour of the Seventh Finance Commission's approach in respect of sugar, but for textiles and tobacco it suggests that the distribution should be on the basis of population alone. Maharashtra has suggested that the proceeds from the excise duty on sugar should be distributed with equal weightage attached to inter-State sales tax collections and consumption as represented by despatches. In regard to tobacco and textiles it has proposed equal weightage to inter-State sales tax collections and consumption represented by SDP. Manipur prefers the Seveth Finance Commission's approach for sugar, but for tobacco and textiles it has urged that the data on actual consumption of these commodities in hill States should be reviewed, if necessary, by having a special random survey conducted. Meghalaya has suggested 70 per cent weightage to population and 30 per cent to backwardness in regard to textiles and tobacco. Nagaland would like 20 per cent of the net proceeds to be set apart exclusively for the hill States, as it claims that consumption of these commodities in the hill areas is higher than in the plains. For the balance of 80 per cent, it has proposed that it be distributed with 75 per cent weightage to population and per capita SDP, and 25 per cent weightage to backwardness.

Orissa has suggested that the distribution be done on the basis of population alone. Rajasthan agrees that consumption should be the basic criterion for distribution, and has suggested that if the

National Sample Survey data are not acceptable or are not considered reliable, then average despatches of sugar be taken into account in respect of sugar, and population in respect of textiles and tobacco. Tripura, like Bihar, would like the same principles of distribution to be adopted for basic duties of excise and additional duties of excise in lieu of sales tax, and favours the formula which was used by the Seventh Finance Commission for basic duties of excise, with the slight modification that appropriate weightage should also be given for the proportion of scheduled tribe population in excess of the All-India average. West Bengal has not made any specific suggestions.

7.11 Our endeavours to obtain reliable estimates of consumption have not met with any greater success than those of the last Finance Commission. We, too, sought data from the National Sample Survey Organisation. They furnished to us estimates of consumption of sugar, textiles, and tobacco, in the different States, based on the 32nd round and relying on a sample survey conducted during July, 1977 to June, 1978. We are, however, not satisfied that this would be a correct basis for estimating consumption in different States. As pointed out by the last Finance Commission, the NSSO survey covers only household consumption, whereas there is a significant consumption of sugar and textiles outside the household sector.

7.12 We also obtained information from the Ministry of Commerce (Department of Textiles) as to the estimated per capita purchases of textiles in different States during 1981. Apart from the fact that there were significent gaps in the data, the figures probably relate to purchases of all textiles whereas additional duties of excise are leviable only on specified categories of textiles. Our attempts to obtain State-wise figures of consumption of mill-made textiles from certain associations of textile units like South India Textile Research Association, Bombay Textile Research Association, Ahmedabad Textile Industries Research Association etc., have not yielded any useful results.

7.13 With due deference to the previous Finance Commission, we do not consider that despatches of sugar to different States would provide a satisfactory basis for estimating consumption therein. In support of our view, we would cite merely one objection raised by the Government of Meghalaya. They pointed out that, the consumption centres in Meghalaya are supplied by the markets in Assam because of their proximity, and, hence, consumption in Meghalaya would get reflected in the despatches to Assam. Therefore, it would not be correct to estimate the consumption in a State on the basis of despatches thereto. Clearly, if consumption is estimated on the basis of despatches, distortions can well occur, where the markets in one State cater to the needs of the consumers in another.

7.14 The different factors used by the previous Finance Commissions for estimating consumption were sales tax collections, either including or excluding inter-State sales tax, despatches of sugar, production, State Domestic Product and population. Without repeating the well known objections to the use of sales tax collections for estimating consumption, suffice it to say that we agree with the Sixth and Seventh Finance Commissions on this point. As already stated, we are unable to accept the despatches of sugar to a State as a satisfactory basis for estimating consumption of that commodity in different States. We do not consider production as an appropriate criterion for distributing additional excise duties among the States, because the additional duty of excise is in replacement of sales tax, which is essentially a tax on consumption.

We accept the proposition that the higher the State income, the consumption of sugar, textiles, and tobacco will tend to increase. State Domestic Product, therefore, appears to us to be a relevant factor for distribution of proceeds of the duty among the States.

7.15 While it is reasonable to expect a positive relationship between the State Domestic Product and consumption of these commodities, it is difficult to be precise about this relationship. Again, a relationship based on household consumption data from sample surveys cannot hold good across the States in a largecountrylike ours with wide variations in climatic conditions, dietetic habits, tastes etc. Since factors other than SDP are important in influencing consumption of these commodities, we think that significant weightage should also be given to population as an independent factor for distribution of the proceeds of the duty among the States. Accordingly, we recommend that the shares of the States in the additional duties of excise for all the three commodities viz. Sugar, Textiles and Tobacco,, be distributed by giving equal weightage to SDP and population. We have worked out the shares of the States on this basis taking the average SDP of the States for the years 1976-77 to 1978-79 and the population figures as given in 1971 census.

7.16 As regards Sikkim, this State was given a share for the first time by the Seventh Finance Commission in respect of sugar and tobacco, though Sikkim was not a party to the original agreement,

reached at the meeting of the National Development Council in December 1956, as Sikkim was not then a part of the Indian Union. In making this recommendation, the Seventh Finance Commission proceeded on the principle that the essential prerequisite for a State to qualify for a share, was that it should have kept in abeyance, its right to charge sales tax on these commodities. As no sales tax was levied on sugar and tobacco in Sikkim, the Seventh Finance Commission granted it a share in the proceeds of the levies on these two commodities, but withheld it in respect of textiles as sales tax was being charged in that State on cotton, woollen, rayon and artificial silk fabrics. The Seventh Finance Commission added that as and when sales tax on textiles was given up in Sikkim, it would be entitled to a share for this also. We concur with the last Finance Commission that the sine qua non for a State to be eligible for a share in additional duties of excise, is that it should have refrained from exercising its right to levy sales tax on these commodities. As Sikkim has since given up the levy of sales tax on textiles also, we recommend that Sikkim be given a share in the net proceeds alongwith the other States.

7.17 As regards the share of Union territories, we recommend that all Union territories be treated as one unit, and their share determined on the same basis as that of the States. Accordingly, the share of Union territories amounting to 2.391 per cent, of the net proceeds of the additional duties of excise on sugar, textiles and on tobacco in each year from 1984-85 to 1988-89 should be retained by the Central Government as attributable to the Union territories. We recommend that the balance be distributed among the States in accordance with the percentages given below :

	State	Percentage		State	Percentage
1.	Andhra Pradesh	7.504	12.	Manipur	0.178
2.	Assam	2.566	13.	Meghalaya	0.183
3.	Bihar	8.627	14.	Nagaland	0.098
4.	Gujarat	5.941	15.	Orissa	3.653
5.	Haryana	2.488	16.	Punjab	3.675
6.	Himachal Pradesh	0.663	17.	Rajasthan	4.827
7.	Jammu & Kashmir	0.853	18.	Sikkim	0.039
8.	Karnataka	5.561	19.	Tamil Nadu	7.549
9.	Kerala	3.963	20.	Tripura	0.287
10.	Madhya Pradesh	6.942	21.	Uttar Pradesh	14.318
11.	Maharashtra	11.461	22.	West Bengal	8.624
				Total	100.000

7.18 There remains the question of the Centre not fulfilling the assurances given to the States in regard to additional duties of excise. As will be recalled, two assurances were given: first, that the proceeds from additional duties of excise would attain atleast 10.8 per cent of the value of clearances; and secondly, that the ratio between basic duties of excise and additional duties of excise on these three commodities would not be greater than 2:1. While in recent years the Centre has fulfilled the latter assurance, the first still remains unfulfilled. There is no doubt that the States are rather agitated by the fact that the former assurance has not yet been implemented; so much so, that they have even suggested to us that the losses in revenue sustained by them on account of non-fulfilment of that assurance should be made good by way of grants-in-aid. However, we are informed by the Union Ministry of Finance that a Standing Review Committee for Additional Excise Duty was set up with the Secretary, Planning Commission, as its Chairman. The Finance Secretaries of all the States were Members thereof. This Committee has recommended that the incidence of 10.8 per cent of the value of clearances in respect of additional excise duty may be achieved by 1989-90 in three stages i.e. 8.5 per cent by 1984-85, 9.75 per cent by 1987-88 and 10.8 per cent by 1989-90. The Ministry of Finance have further indicated that, as it is a long term matter, decisions may have to be taken on a year to year basis. We trust that the latest recommendations made by the Standing Review Committee will be implemented by the Centre within the time schedule contemplated.

CHAPTER VIII

ESTATE DUTY IN RESPECT OF PROPERTY OTHER THAN AGRICULTURAL LAND

8.1 Paragraph 6 (a) of the President's Order, requires us to suggest changes, if any, to be made in the principles governing the distribution among the States of the net proceeds in any financial year of estate duty in respect of property other than agricultural land.

8.2 Estate duty on property other than agricultural land, is one of the taxes and duties mentioned in Article 269 of the Constitution, which are to be levied and collected by the Government of India, and the net proceeds of which, except to the extent attributable to Union territories, are assigned to the States within which the duty is leviable in that year. Further, the net proceeds are to be distributed amongst the States in accordance with such principles of distribution as may be formulated by Parliament by law.

8.3 The Second Finance Commission examined for the first time the principles that should govern the distribution of the net proceeds of estate duty among the States. In determining the principles of distribution of both estate duty and the tax on railway passenger fares, that Commission was guided by, what it believed would be, the most equitable manner of distributing the taxes levied under Article 269 of the Constitution. It said, "Except in relation to the Union territories and to the extent of a Central surcharge, if any, the Union Government have no share in these taxes and are entrusted merely with their levy, collection and distribution. It is obvious that these taxes have been placed under the Union Government to ensure uniformity of taxation and convenience of collection. As regards distribution, though Parliament is free to formulate any principles of distribution in respect of these taxes, we consider that, to the extent to which they can be reasonably ascertained or estimated, each State should receive, as nearly as may be, from these taxes the amounts which it would have raised if it had the power to levy and collect them". In consonance with these observations, it took the view that for estate duty which is a tax on property, the location of the property would be the most appropriate principle for distribution. It, however, appreciated that it would not be possible to apply this principle to the estate duty attributable to the movable property forming part of the estate and in regard to this component some other principle was necessary. Hence, it recommended that : (i) out of the net proceeds of estate duty in any financial year, the proceeds attributable to Union territories be first retained by the Union; (ii) the balance be apportioned between immovable property and other property in the ratio of the gross value of all such properties brought into assessment in that year; (iii) the sum thus apportioned to immovable property be distributed among the States in proportion to the gross value of the immovable property located in each State; and (iv) the sum apportioned to property other than immovable property be distributed among the States in proportion to their population.

The succeeding four Commissions endorsed this approach.

8.4 The Seventh Finance Commission concurred with the views of the earlier Commissions that in the distribution of the proceeds of estate duty, each State should get, as nearly as possible, a share equivalent to what it would have obtained had it the power to levy and collect the duty. It also observed that it would be incorrect to fix the share of a State in proportion to the collections of the duty in that State, as the collections may include a duty assessed on properties located in other States.

8.5 In discussions with the Union Ministry of Finance and the Central Boad of Direct Taxes (CBDT), the Seventh Finance Commission realised that in the State-wise statistics of the value of property brought to assessment, the demands raised, etc. furnished to it by the CBDT did not represent the location of the assessed property but were based on the assessments made in the different States. This, it noted, was due to certain difficulties faced by the Department in compiling the requisite statistics. While recongnising that the Department of Revenue might have difficulties in collecting relevant statistics, the Seventh Finance Commission emphasised that the difficulties, whatever be their nature, should not be allowed to frustrate the principle that the States should get in respect of a tax or duty falling under Article 269 what they would have obtained if they had the power to levy and collect it

themselves. According to it, this could best be ensured if State-wise location of the property subject to tax or duty, was taken into account.

8.6 The Seventh Finance Commission considered the question whether it would be possible to extend the principle of location to movable property also. It said that, "the rules framed under the Estate Duty Act lay down the manner in which properties other than immovable property, which are held abroad, should be treated for the purpose of determining location. These are principles which are well established, and can equally be applied for the determination of the location of such properties in India". It, therefore, recommended that "the net proceeds of estate duty in respect of property other than agricultural land brought to assessment in each of the years from 1979-80 to 1983-84, should be distributed among the States in proportion to the gross value of the immovable property as also property other than immovable property taken together located in each State, excepting in regard to pro- located abroad". In respect of movable property located abroad that Commission said that it should be deemed to be in the State where it was brought to assessment.

8.7 That Commission expressed the hope that the Government of India would issue instructions to the concerned authorities to ensure that statistics would thereafter be compiled in a manner which would enable the share of each State to be computed in accordance with its recommendations.

8.8 In their memoranda submitted to us, a large majority of States have favoured continuance of the existing principles of distribution. They are Andhra Pradesh, Bihar, Gujarat, Haryana, Kerala, Karnataka, Maharashtra, Manipur, Meghalaya, Nagaland, Punjab, Rajasthan, Tamil Nadu, Tripura and Uttar Pradesh. The Estate Duty Act, 1953 has not yet been extended to Sikkim, and consequently that State is not entitled to a share in the net proceeds of estate duty. However, in its memorandum submitted to us the Government of Sikkim has expressed its agreement with the existing principles of distribution. The Government of West Bengal has not expressed any views about the principles of distribution of estate duty. Though the remaining five States (namely, Assam, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh and Orissa) have not agreed with the principles of distribution enunciated by the Seventh Finance Commission, they have broadly endorsed the approach of the Sixth Finance Commission, except Jammu and Kashmir, which wants backwardness of a State to be also one of the criteria in the distribution of the proceeds from estate duty.

8.9 Under Article 269(2) of the Constitution the distribution of the duty or tax among the States has to be "in accordance with such principles .... as may be formulated by Parliament by law". It is obvious from the words of that Article which we have quoted that the Finance Commission is free to recommend any principle for distribution, which it thinks appropriate. The previous Commissions have also taken the same view.

With regard to estate duty we are in agreement with the Seventh Finance Commission, and do not recommend any change in the existing principle of distribution. In other words, we think, that the principle of location of property should be applied to all kinds of properties, whether immovable or movable. There can be no difficulty in determining the location of immovable property. So far as movable property is concerned its location can be determined in accordance with the rules framed under the Estate Duty Act, 1953. As for property located abroad, it should be deemed to be located in the State where it is brought to assessment. Sikkim will also have a share in the proceeds if and when the Estate Duty Act is made applicable in that State. The share of Union territories will be determined in the same manner as that of the States, taking the Union territories as one unit for this purpose.

8.10 We are not attempting to determine the percentage share of States on the basis of our recommendations, but leaving it to the Ministry of Finance to distribute every year the net proceeds of estate duty, in respect of property other than agricultural land, in the light of the principles recommended by us. We are also not taking into account the receipt of this duty for purposes of determining the revenue position of the States after devolution but are leaving the proceeds to be utilised for the State Plans.

CHAPTER IX

GRANT IN LIEU OF TAX ON RAILWAY PASSENGER FARES

9.1 Paragraph 6(c) of the President's Order requires us to suggest changes, if any, to be made in the principles governing the distribution among the States of the grant to be made available to them in lieu of the tax under the repealed Railway Passenger Fares Act, 1957.

9.2 A tax on railway passenger fares is one of the taxes mentioned in Article 269 of the Constitution, which are levied and collected by the Government of India but assigned to the States. Such a tax was levied by the Railway Passenger Fares Act for the first time in 1957. By an additional term of reference, the Second Finance Commission, which was then at work, was requested to recommend the principles that should govern the distribution among the States of the net proceeds of that tax. Whilst dealing with the taxes mentioned in Article 269(2) that Commission said:

> "It is obvious that these taxes have been placed under the Union Government to ensure uniformity of taxation and convenience of collection. As regards distribution, though Parliament is free to formulate any principles of distribution in respect of these taxes, we consider that, to the extent to which they can be reasonably ascertained or estimated, such State should receive, as nearly as may be, from these taxes the amounts which it would have raised if it had the power to levy and collect them".

Applying this principle to the tax on railway passenger fares, the Commission said:

> "Although article 269 does not rule out any principle of distribution, we think that for this tax the principle should be such as to secure for each State, as nearly as possible, the share of the net proceeds on account of the actual passenger travel on railways within its limits".

The Commission then evolved a formula for determining the 'actual passenger travel' within a State.

9.3 The recommendations of the Second Finance Commission were to be in force upto 1961-62. But, the Railway Passenger Fares Act was repealed in 1961, and the tax were merged in the basic fares with effect from 1st April, 1961. This decision of the Government, to merge the tax with the fare, was based on the recommendations of the Railway Convention Committee, before whom the Railway Board had put forth the plea that the levy of the tax had curtailed the scope for raising passenger fares. In order to compensate the States for the loss of the tax, the Government of India decided, again, on the recommendation of the Railway Convention Committee, to make an ad hoc grant of Rs. 12.50 crores a year to the States, in lieu of the tax, for the five year period 1961-62 to 1965-66. The grant was raised to Rs. 16.25 crores per annum from 1966-67. It was stationary at that level until it was, again, raised to Rs. 23.12 crores for the period 1980-81 to 1983-84 in accordance with the recommendation contained in the Seventh Report of the Railway Convention Committee, 1980.

9.4 Each Finance Commission, beginning with the Third, has been asked to make recommendations as to the principles that should govern the distribution of that grant among the States. All the Commissions upto, and including the Sixth, adopted substantially the same formula for distributing the grant as the Second Finance Commission had adopted for distributing the tax.

9.5 The Seventh Finance Commission accepted the same underlying principle as its predecessors. It said:

> "The general principle for the distribution of proceeds of taxes and duties under Article 269 as enunciated by the Commissions in the past is that each State should receive from such taxes, as nearly as may be, the amounts which it would have raised if it had the power to levy and collect them."

But, in the application of this principle it applied a different formula, as appears from the following passage:

> "In the light of this principle, we have given consideration to the question as to what the principles of distribution should be. It the tax had continued and were to be collected by the States, each State would be competent to collect tax only on railway fares paid within that State, irrespective of the States through which the journeys may be performed. There can be no extra-territorial collection by any State. Railway passenger fares are paid in advance before the commencement of the journey. The tax was collected at source and was a percentage of the fare. It, therefore, appears to us that the most appropriate distribution of the grant in lieu of the tax would be in proportion to the non-suburban passenger earnings from traffic originating in each State."

The Commission also relied on section 6 of the Railway Passenger Fares Act 1971, which provided for the distribution of a similar tax among the States on a similar formula.

9.6 The States in their memoranda have expressed divergent views. About one third are in favour of retaining the formula adopted by the Seventh Finance Commission. An equal number want a return to the formula of the earlier Commissions. Three States, namely, Himachal Pradesh, Meghalaya and Tamil Nadu have urged that population should also be considered as a factor for distribution. Whilst Himachal Pradesh would have population as the sole factor, Meghalaya and Tamil Nadu have suggested 50 per cent weightage to population 50 per cent to passenger earnings in the States. Manipur and Sikkim have demanded that States which do not have railways, but have out-agencies, should also receive a share in the grant as they contribute to the railway's earnings.

9.7 We think that the formula adopted by the Seventh Finance Commission was right. Article 269(d) of the Constitution refers, inter alia, to 'Taxes on railway fares and freights'. The same words are repeated in Entry 89 of the Union List in the Seventh Schedule of the Constitution. These words must be contrasted with the words in Entry 56 of the State List. That entry speaks of 'Taxes on goods and passengers carried by road or on inland waterways'. The crucial distinction to be borne in mind is that whereas Article 269(d) of the Constitution, and Entry 89 in the Union List, refer to a tax on 'fares and freights' Entry 56 of the State List refers to a tax'on goods and passengers carried'. The former tax can be levied only by the Union, the latter only by the States. The tax which the States are empowered to impose is commonly referred to as a 'transport' or 'carriage' tax.

In accordance with the principle that a State should be given what it would have got if it had power to levy the tax, the assumption to be made is that the States have power to levy a tax on 'fares'. On that assumption, it immediately follows that each State would have got the tax recovered on the fare paid within its boundaries. The taxable event is the payment of the fare. The length or the course of the journey, for which it is paid, is totally irrelevant. Since the whole fare is paid within the State, and that is what attracts the tax, no question of extra-territoriality arises. Therefore, in accordance with the principle of restitution to the States, which all Commissions have accepted, the distribution must necessarily be in accordance with the fare collected.

It is of the utmost importance that, throughout the reasoning, a tax on 'fares' should not be confused with a tax on 'transport' and 'carriage'. Further, the quantification of either of those taxes may be made to depend on the fare. That only serves to measure the tax. Their intrinsic nature, and the consequences which flow therefrom, still remain different.

9.8 We agree with Manipur and Sikkim that they are entitled to a share in the grant on the basis of their out-agency collections. Having regard to rule 3 laid down in section 4 of the repealed 1957 Act, they would have obtained the tax collected, at their out-agencies, in respect of the fare attributable to the actual journey by railway.

9.9 There remains one other question. Though our terms of reference do not specifically call for any suggestions or recommendations as to the quantum of the grant, a recommendation in the Seventh Report of the Railway Convention Committee 1980, which has been approved by Parliament, clearly implies that we should do so (vide Annexure IX.1). According to that recommendation, a sum of Rs. 23.12 crores is to be paid annually to the States for the period 1980-84 in lieu of a tax on railway passenger fares, and a further increase in the quantum of the grant could be considered on the basis of the recommendations of the Eighth Finance Commission. Therefore, we feel bound to deal with the quantum of the grant.

9.10 All the States were agitated over the smallness of the grant being given to them, in lieu of the tax on railway passenger fares. Many of them even asked for the re-imposition of the tax.

9.11 We drew the attention of the Ministry of Finance to the recommendations contained in the Seventh Report of the Railway Convention Committee 1980, which were approved by Parliament (Annexure IX.1). The Ministry requested that, in considering the question of the quantum of the grant, we should take note of the losses incurred by the Railways in having to run uneconomic railway lines and the running of metropolitan services. We think, that while revising the fare structure, from time to time, the Railways must have already taken such losses into account. A pertinent answer has been given by Punjab, Uttar Pradesh and Bihar. They say that similar kinds of social burdens are borne by them in running road transport and other public utility services.

9.12 After considering all the relevant aspects, we think, that the States should be compensated by being given a grant equivalent to the tax element in the present non-suburban passenger earnings. Both the Sixth and Seventh Finance Commissions found that the tax element in the fare structure, when the tax was in force, was, on an average, 10.7 per cent. This was confirmed by officers of the Railway Board in the course of the discussions we had with them. We, therefore, recommend that the States should be paid 10.7 per cent of the present non-suburban passenger earnings by way of grant in lieu of the tax.

The latest year for which separate State-wise figures of suburban and non-suburban passenger earnings have been made available to us, is 1981-82. The non-suburban passenger earnings in that year were Rs.884.89 crores. Hence, we recommend, that 10.7 per cent of this amount, viz. Rs.94.68 crores, or say Rs.95 crores, be paid to the States annually as a grant in lieu of the tax on railway passenger fares, during the period covered by our Report.

Having regard to the difficult financial position of the railways, and their increasing burdens resulting from mounting operational costs, we have refrained from suggesting an annual increase in the quantum of the grant during the period covered by our Report.

9.13 We have obtained from the Railway Board the State-wise passenger earnings on the basis of originating stations located in each State for the Years 1978-79 to 1981-82. We have taken the average earnings of each State over these four years and worked out the proportion it bears to the average earnings of all States taken together and determined the shares of States accordingly (Annexure IX.2).

9.14 In conclusion, we wish to refer to a communication received by us, towards the end of December 1983, from the Railway Board. This letter invites our attention to certain recommendations contained in Part XI of the Report of the Railway Reforms Committee, submitted in October, 1983. That Committee made an in-depth study of certain uneconomic railway lines, and identified 40 railway routes, where adequate road transport services had been developed to cater to the transport needs of the areas. The Committee had, therefore, recommended a fresh dialogue with the State Governments with a view to closing down these uneconomic lines. It had further suggested that, in the event of States not agreeing to close down those lines, they should be made to share 50 per cent of the losses from out of the grant given to States in lieu of the tax on railway passenger fares. The Railway Board, therefore, requested us to fix a period of two years for ascertaining the reactions of the State Governments and to permit it, in the event that the States did not agree to the closure of the lines, to effect adjustments of the losses on account of these lines, from 1986-87 onwards, out of the grants payable to them in lieu of a tax on railway passenger fares.

9.15 There is a difficulty in dealing with this request. The letter of the Railway Board was received rather late for us to obtain the views of the States. It would obviously be improper for us to reach any conclusion without giving them an opportunity to express their views. In these circumstances, we are unable to accede to the request of the Railway Board, and we leave this issue to be resolved by negotiations between the Government of India and the States concerned.

9.16 To sum up, we recommend that:

(a) the annual quantum of the grant in lieu of a tax on railway passenger fares be raised to Rs.95 crores in each of the years 1984-85 to 1988-89; and

(b) the shares of States be allocated in the same proportion as the average of the non-suburban passenger earnings in each State in the years 1978-79 to 1981-82 bears to the average of the

aggregate non-suburban passenger earnings of all States in those years. On this basis, the shares of States would be as follows:-

STATE	Percentage share	STATE	Percentage share
1. Andhra Pradesh	7.68	12. Manipur	0.02
2. Assam	2.03	13. Meghalaya	0.05
3. Bihar	9.51	14. Nagaland	0.16
4. Gujarat	6.67	15. Orissa	1.58
5. Haryana	1.84	16. Punjab	3.88
6. Himachal Pradesh	0.14	17. Rajasthan	4.87
7. Jammu & Kashmir	0.95	18. Sikkim	0.01**
8. Karnataka	3.43	19. Tamil Nadu	6.61
9. Kerala	3.18	20. Tripura	0.04
10. Madhya Pradesh	5.85	21. Uttar Pradesh	17.85
11. Maharashtra	15.70	22. West Bengal	7.95
		Total:	100.00

** Rounded to 0.01 Actual percentage works out to 0.0045.

9.17 Shri A.R. Shirali has some reservations on the recommendation regarding the quantum of the grant. He feels that determination of the grant on the basis of the amount of non-suburban passenger earnings implies that the tax is still in force, which is not the case. He sees considerable force in the view taken by the Seventh Finance Commission that the growth in non-suburban passenger traffic is a major element in the growth of passenger earnings. He is, therefore, of the opinion that, in the determination of the quantum of the grant, greater weightage should be given to growth in passenger traffic and a lesser weightage to growth in passenger earnings. The non-suburban passenger traffic (in million passenger k.m.) in 1981-82 was 2.58 times that in 1961-62; the non-suburban passenger earnings in 1981-82 were 6.44 times than those in 1961-62. Even if equal weightage were given to the two factors, the quantum of the grant would work out, Rs. 12.5 crores being the grant in 1961-62, to $\frac{12.5 \times 2.58 + 12.5 \times 6.44}{2}$ = Rs. 56.38 crores, which could be rounded off to Rs. 60 crores.

CHAPTER X

GRANT ON ACCOUNT OF WEALTH TAX ON AGRICULTURAL PROPERTY

10.1 We are required by paragraph 6(d) of the President's Order, to suggest changes, if any, in the principles governing the distribution among the States of the grant to be made available to them on account of wealth tax on agricultural property.

10.2 Wealth tax on agricultural property was first imposed with effect from the assessment year 1970-71. This was done by amending Section 2(e) of the Wealth Tax Act, 1957 by the Finance Act, 1969. The tax was applicable over the whole of India, except Jammu & Kashmir.

10.3 Wealth tax is not one of those taxes which, under the provisions of the Constitution, is to be shared with the States. Nor, is it levied by the Centre for the benefit of the States. Nevertheless, the Central Government decided of its own accord that the net proceeds of wealth tax on agricultural property should be made over to the States in the form of grants-in-aid.

10.4 The Sixth Finance Commission was the first to be asked to make recommendations regarding the principles on which these grants should be made to the States. That Commission took the view that wealth tax on agricultural property was similar to estate duty chargeable on immovable property. It, therefore, recommended that the grant on account of wealth tax on agricultural property should be distributed among the States in proportion to the value of the agricultural property located in each State. It did not consider either population or collection as an appropriate basis for determining the share of the States, for, the former had no relation to the value of the agricultural property brought to charge and the latter could include tax paid on property located outside the State. The Sixth Finance Commission did not think that the backwardness or developmental needs of a State were germane for the purpose of distribution. Having regard to the comparatively low and uncertain yield from this tax, the Sixth Finance Commission left out of account the grants likely to be paid to the States while computing their revenue position after devolution. The grants were left to be treated as a resource for the State Plans.

10.5 The Seventh Finance Commission was required to suggest changes, if any, in the existing principles of distribution of these grants. It noted that, though the Sixth Finance Commission's recommendation was accepted by the Government of India, the grants were actually made to the States on an altogether different basis. This was because the Central Board of Direct Taxes found that a disproportionately large amount of work would be involved in maintaining the statistics of wealth tax assessments in such a manner as would permit it to ascertain the value of agricultural property located in each State and brought to assessment in any year. Moreover, from the assessment year 1975-76, the separate exemption given to agricultural land was withdrawn and agricultural property then stood on the same footing as any other asset. This made even more difficult the segregation of the tax attributable to agricultural property from the tax on all the assets. In 1976, the Union Ministry of Finance, therefore, decided that distribution of the grants to the States from 1974-75 onwards should be in proportion to the value of agricultural property brought to assessment in any State to the total value of such assessments in all States taken together.

10.6 The Seventh Finance Commission also observed that there were inexplicably wide differences between the collections shown in the Finance Accounts of the Central Government prepared by the Comptroller and Auditor General and those reported to the Commission. That Commission therefore expressed the hope that these matters would be looked into, and that the Government of India would take adequate measures to ensure that the States received their proper share of the grants.

10.7 The Seventh Finance Commission stated that, in the normal course, it would have suggested continuance of the principles recommended by the Sixth Finance Commission. However, considering the difficulties encountered by the Central Board of Direct Taxes and the Ministry of Finance in giving effect to the recommendation of the Sixth Finance Commission, it recommended that the share of each

State in the grant in each year from 1979-80 to 1983-84 should be an amount equivalent to the net collection in that State in that year. The Commission further recommended that Sikkim would also become entitled to a share in the grant if, and when, the levy of wealth tax was extended to that State in the period covered by its Report. Like its predecessor, the Seventh Finance Commission also decided to ignore the shares of the States in the grant while computing the revenues position after devolution, and left the amount of grant to be treated as a Plan resource of the States.

10.8 We have studied the views of the States as to principles that should govern the distribution of the grant. However, it is not necessary to narrate their views as the position with regard to wealth tax on agricultural property has completely changed from the assessment year 1981-82. As a result of the amendment under the Finance (No.2) Act, 1980, wealth tax was not chargeable on agricultural property with effect from the assessment year 1981-82, except on four specific types of plantations, namely, tea, coffee, rubber and cardamom. The wealth tax on these four plantations has also been withdrawn by the Finance Act, 1982 and thus, now, wealth tax on agricultural property totally stands discontinued from the assessment year 1983-84.

10.9 Though wealth tax on agricultural property is not leviable at present, the principles of distribution of the grant still have to be decided so as to enable the distribution of the arrears, if any, that may be collected during the period covered by our Report. As the amounts to be distributed would be quite small, and for the sake of continuity, we adopt the same principle as the Seventh Finance Commission and recommend that the share of each State in the grant in each year from 1984-85 to 1988-89 should be an amount equivalent to the net collection in that State in that year. We too, have left the grants to be treated as the States' Plan resources, and not brought them into computation of the revenue position after devolution.

CHAPTER XI

FINANCING OF RELIEF EXPENDITURE

11.1 By paragraph 10 of the President's Order we are required to review the policy and arrangements in regard to financing of relief expenditure by the States affected by natural calamities, and, to suggest such modifications, as considered appropriate, in the existing arrangements, having regard, among other considerations, to the need for avoidance of wasteful expenditure.

11.2 That financing of relief expenditure is primarily the responsibility of State Governments has been accepted as almost exiomatic by earlier Commissions. Notwithstanding this view, successive Finance Commissions have been recommending schemes of Central assistance for meeting relief expenditure. They obviously realised that, on occasions, the magnitude of expenditure required to be incurred might well be beyond the means of the States.

The Second Finance Commission introduced the concept of 'margin money', and built it into the expenditure requirements of the States. This concept was retained by the succeeding Commissions, though they varied the manner of computation of the same. This was done with the object that the margin money should be immediately available for use in the event of calamities of more than moderate severity. It was only if the expenditure requirements exceeded the 'margin money' that Central assistance was to be extended.

11.3 We will briefly describe the existing arrangements which are based on the recommendations of the Seventh Finance Commission. According to the recommendations of that Commission margin moneys aggregating Rs. 100.55 crores annually are to be provided by the States in their budgets. That Commission considered that these provisions should enable the States to bear the burden of relief expenditure better than had been the case until then. Where the expenditure required to be incurred is estimated to exceed the 'margin money', the State concerned has to present a memorandum to the Centre setting out its demands for Central assistance. The memorandum is examined by the Union Ministry of Agriculture, which is the coordinating Ministry for this purpose. Thereafter a Central team consisting of officers drawn from different Ministries is sent to make an on-the-spot assessment and make a report. This report is considered by the High Level Committee on Relief, which recommends ceilings of expenditure for different items. Based on these recommendations, the Ministry of Finance fixes the ceilings of expenditure and communicates them to the State concerned. Expenditure in excess of margin money, subject to the ceiling so fixed, qualifies for Central assistance.

11.4 The Seventh Finance Commission distinguished between droughts on the one hand, and, floods, cyclones, earthquakes, etc. on the other, and suggested different patterns of Central assistance for these two categories of natural calamities.

11.5 For expenditure on droughts, the Seventh Finance Commission recommended that the State concerned should contribute from its Plan, the contribution being subject to assessment by the Central teams and the High Level Committee on Relief. Such contribution is, however, not to exceed 5 per cent of the Annual Plan outlay, and, is to be treated as an addition to the Plan outlay of the State in that year. To enable the State to make this contribution, the Centre provides assistance which is treated as advance Plan assistance. If, however, the expenditure requirement as assessed by the Central team and the High Level Committee on Relief cannot be contained within 5 per cent of the Plan outlay, the extra expenditure is to be taken as an indication of the special severity of the calamity, which would oblige the Central Government to assist the State to the full extent of the extra expenditure. This assistance is to be given half as grant and half as loan, and, is not adjustable against the Plan assistance of the State.

11.6 For expenditure on relief, and, on repairs and restoration of public works following floods, cyclones and other calamities of a sudden nature, the Seventh Finance Commission recommended that the assistance should be given as a non-Plan grant to the extent of 75 per cent of the total expenditure

in excess of the margin. The remaining 25 per cent is to be borne by the State in order to discourage wasteful expenditure. The Central assistance is not adjustable against the Plan of the State or against the Central assistance for the Plan. The Seventh Finance Commission also added that where a calamity is of 'rare severity', it might be necessary for the Central Government to extend assistance to the States concerned on a scale even more liberal than suggested by it.

11.7 Before proceeding to consider what recommendations we should make, it will be useful to briefly mention the important points made in the Memoranda of the States, the Ministry of Agriculture, Ministry of Finance, and, the Planning Commission.

11.8 Andhra Pradesh, Karnataka, Tamil Nadu and Uttar Pradesh have suggested retention of the existing levels of margin money, whereas Gujarat and Haryana have said that the margin money should be a modest amount. Others have suggested an increase in the quantum of margin money by varying amounts. Yet other States have suggested specific amounts of margin money for which provision should be made. Some States have even pleaded that the expenditure incurred by them out of the margin money should be accepted without question by the Centre. There is a divergence of opinion amongst the States as to the period for which the actuals of expenditure should be taken to obtain an average for computing the margin money.

11.9 Andhra Pradesh, Gujarat, Haryana, Orissa and West Bengal have opposed the distinction presently being made between drought on the one hand and floods, cyclones, etc. on the other. As many as thirteen States have opposed linking of relief expenditure with the Plan. Some of them are also against the grant of Central assistance by way of advance Plan assistance, and its subsequent adjustments. They say that, since the major portion of Plan outlays is pre-empted by priority sectors like irrigation and power, it would be unrealistic to expect them to accommodate the relief expenditure within the Plan. They further say that to treat relief expenditure incurred for accelerating on-going Plan schemes, or, on new Schemes as additional Plan expenditure in the year in which the calamity occurs, distorts their priorities, and inevitably leads to a cut back in the allocation for these schemes in the future years. Moreover, in many States the concept of district planning has been accepted which would render it difficult to transfer resources from one district or area to another.

11.10 With respect to the pattern of Central assistance, some States are in favour of the assistance being in the form of 100 per cent grants while others have suggested that the grants should be to the extent of 75 per cent and the rest as loan. Some States have suggested different patterns of assistance for drought and floods. A few States like Bihar and Haryana have said that Central assistance should be given to the extent of 100 per cent as non-Plan grant under Article 275 of the Constitution. Kerala is of the view that the entire responsibility for incurring expenditure on natural calamities should be that of the Centre.

11.11 Some other suggestions of a miscellaneous nature received by us are: that expenditure to meet relief of distress caused by fire and hailstorms should also qualify for Central assistance; that there should be no arbitrary cut-off point like the financial year in the grant of Central assistance, but, that Central assistance should be related to the agricultural year; that spill-over expenditure into the next financial year should also qualify for Central assistance; that the assessment by Central teams and the scales of assistance fixed by them should be realistic; that provision should be made for the non-wage component in employment generation works; that a representative of the State Government should be included in the Central team; that loss of revenue arising from natural calamities should also be compensated by Central assistance; and that there should be no insistence that the unspent margin money in any year should be invested in easily encashable securities.

11.12 The suggestions received from the Ministry of Agriculture emanate from two basic considerations: first, any scheme for financing of relief expenditure should contain disincentives to discourage States from rushing to the Centre for help; secondly, State Governments are primarily responsible for meeting expenditure on natural calamities from their own resources. They, therefore, suggest that no distinction should be made in the pattern of assistance for drought and for other natural calamities, that only 50 per cent of the expenditure should be met by the Centre by way of advance Plan assistance, and that the remaining 50 per cent should be found by the States from their own resources. They have also suggested that advance Plan assistance given to States should be adjusted strictly in accordance with the recommendations of the Finance Commission and that no assistance should be given for restoration and repairs of public properties damaged by natural calamities, for which, at the most, ways and means advances be given to the States.

11.13 The Ministry of Finance are of the opinion that (a) relief expenditure is primarily the responsibility of the State concerned; (b) the present arrangements are totally unsatisfactory leading to abuse of the system and inflated demands; and (c) the scheme of financing of relief expenditure should aim at curbing the present abuses, and, discouraging States from making unnecessary and unjustified demands. The Ministry has put forth two alternative schemes.

According to the first, the State Government should meet the expenditure from its own resources to the extent of 5 per cent of its Plan outlay for the financial year in which the calamity occurs, by suitable adjustments within its Plan and non-Plan outlays. This amount should be found by the States over and above the margin money fixed by the Finance Commission. No distinction need be made between drought and other natural calamities like floods, cyclones, etc. In the event of the expenditure requirement exceeding the margin money and 5 per cent of the State's Plan outlay, the excess expenditure should be met through a five-year non-Plan loan from the Centre.

The second scheme keeps intact the present distinction between drought on the one hand, and, floods, cyclones, etc. on the other. For drought, the suggestion is that the expenditure in excess of the margin money be shared between the Centre and the State in the ratio of 60:40, the Central assistance being advance Plan assistance adjustable within five years from the date of release of assistance. For floods, the sharing of expenditure in excess of the margin money would be in the same proportion, but the Central assistance would be given as a non-Plan loan to the State to be repaid within five years.

The Ministry suggests that the present procedure of sending a Central team to the affected State and placing its report before the High Level Committee on Relief should continue in both cases.

11.14 The Planning Commission has said that the present distinction between droughts, and, floods, cyclones, etc., originated by the Seventh Finance Commission, should be maintained. It also does not think that any change is called for in the existing criteria governing Central assistance for various kinds of natural calamities; except that in the case of States which have had droughts for more than four or five successive years, the entire assistance should be considered for being given as a grant.

11.15 We turn our attention, first, to the alleged deficiencies of the present system. There is no doubt that relief expenditure has increased enormously in recent years; and, also, that the burden of the expenditure has, in the course of time, come to fall more heavily on the Central budget. But, these phenomena could, to a large extent, be the result of forces beyond the control of both the Centre, and the States, e.g. the greater severity of the calamities, and the rise in prices. Therefore, they do not necessarily indicate any intrinsic defect in the system as such.

11.16 However, a comparison of the demands made by the States, and the ceilings fixed by the Centre on the recommendations of the High Level Committee on Relief does show that the claims made by the States tend to be exaggerated. We have made such a comparison in Annexure XI-I. It could be that inflated demands are made by the States as a matter of precaution thinking that no matter how realistic their claim, it is bound to be cut down by the Centre.

11.17 There may, again, be good reason to believe that all the money granted for relief expenditure is not properly employed. However, the present system provides adequate safeguards to minimise that possibility. As we have mentioned already, a Central team is deputed to make an on-the-spot study as soon as a memorandum is received from the State. Of course, it can be said that such a team makes its assessment only on an "impressionistic view", but, we are unable to discover any other method by which it could make a better assessment. It is further true that there is a degree of subjectivity involved, but, given the fact that the Central teams, which go to different States, comprise different officials, who are required to make an assessment in a hurry, some degree of subjectivity is inevitable.

11.18 It seems to us that, even if some flaws have appeared in the functioning of the existing scheme, these are not of such a nature as to indicate that the scheme itself is misconceived. On the contrary, we think, that having regard to all aspects of the problem, it is not easy to devise a better scheme. It contains many checks and balances which, if properly worked, should operate as safeguards against abuse. According to the Union Ministries, the basic flaw in the present system arises from the fact that the Centre is required to subscribe towards relief expenditure. To this, the answer is that there are inbuilt disincentives in the scheme. Assistance by the Centre to a State in the case of drought is given in the form of advance Plan assistance to be adjusted in succeeding years. Though in the case of a flood, a non-Plan grant is given, but, 25 per cent of the expenditure in excess of the margin money has to be borne by the State itself. We think these are considerable deterrents to the misuse of the system.

11.19 Our analysis of relief expenditure, and, relief assistance over the last few years has shown that the margin money fixed by the last Commission has, in practice, proved insufficient in many cases. The earlier Commissions took the average of relief expenditures incurred over a few years and fixed them as the margin moneys for each State. The Second, Fourth and Fifth Finance Commissions took the average of these expenditures for 10 years, 8 years and 9 years respectively, while the Sixth Finance Commission adopted the average of such expenditure for the period 1956-57 to 1971-72, i.e. over a period of 16 years. The actual expenditures taken into account by them included not only expenditure on items of direct relief like gratuitous relief, drinking water arrangements, arrangements for supply of fodder, and other emergent expenditure immediately following a calamity, but, also, expenditure on relief works. These Commissions, however, did not provide for any element of repairs and restoration of public assets, which entails considerable expenditure following floods, cyclones, etc. The Seventh Finance Commission did take such expenditure into account while computing the margin money, but, left out of reckoning the expenditure on relief employment. It took the average annual expenditure for each State for the years 1969-70 to 1977-78 on direct relief other than relief employment, and on repairs and restoration of public properties damaged by floods, cyclones and earthquakes, This 9 year average was increased by 15 per cent to allow for the increase in price levels. The margin money for each State was fixed on this basis after making appropriate adjustments in the case of individuals States where there were exceptionally large expenditures, because of calamities of unprecendented magnitudes, like, for instance the cyclones in Andhra Pradesh and Tamil Nadu in 1977.

11.20 We observe that relief expenditure in many States reached hitherto unprecedented proportions from the year 1977-78 onwards. Fixing the margin money on the basis of a long-term average would, therefore, operate to the disadvantage of the States. We, therefore, think that the margin money should be fixed with reference to the average expenditure over the five years ending 1982-83 as this would correctly reflect the possible needs of the States. Further, we agree with the view of the previous Commission that the margin money should be meant to cover items of direct relief expenditure, and, repairs and restoration of public assets, and not the expenditure on relief employment.

11.21 We have, therefore, taken the average of the expenditure in each State over the period 1978-83 classified as 'non-Plan' expenditure which would accord with the items of expenditure taken into account by the Seventh Finance Commission. The total annual requirement of provisions for all States works out to nearly three times the total annual provision allowed by the last Commission. In the case of some States, we found, that fixation of margin money on this basis resulted in unusually large amounts because of abnormal expenditures in particular years. We have, therefore, moderated the margin money calculated in this manner in the case of such States by limiting the total margin money provision to three times of what was provided by the Seventh Finance Commission. In the case of a few States, the margin money provision, calculated by us on the basis of the five-year average, worked out to even less than what was allowed by the last Commission. In such cases, we have provided what was allowed by them. The margin moneys calculated by us in the light of the foregoing, with the above mentioned modifications, have been rounded-off to the next higher Rs.25 lacs. On this basis the aggregate margin money for all the States taken together works out to about Rs.240.75 crores as against an aggregate margin money of Rs.100.55 crores provided by the previous Commission.

11.22 In one important respect, however, we wish to make a departure from the previous Commissions i.e. in the manner of funding the margin money. The earlier Commissions made a provision equal to the margin money, determined by them, in the revenue forecast of each State. In our scheme of financing the relief expenditure, we propose that the Centre should contribute 50 per cent of the margin money, determined for each State, in every year. We further propose that on the occurrence of a natural calamity, a State will be entitled to draw on the Centre's share after it has exhausted its own share of the margin money. The Centre should make this money available on demand. If, in any year, the Centre's share of the margin money or a portion thereof is not paid to any State, it shall be carried forward into the next year. The accumulated balances lying to the credit of a State will then be available to it in a year of need together with that year's contribution from the Centre. We are advisedly not suggesting that the unspent balances in the margin money should be invested in easily encashable securities, for, we are aware that in practice this does not happen. While the unspent balances in the margin money need not be invested in easily encashable securities, the balance out of the margin money in any year would be deemed to have been notionally carried forward into the next year. In a year in which a natural calamity occurs necessitating Central assistance, the Centre would naturally take note of all the unspent balances in the margin money from the previous years while determining the quantum of Central assistance.

11.23 Now that we have enlarged the margin money on the basis of an average derived from the annual expenditure during the five years ending as recently as 1982-83, and, have further recommended that 50 per cent of the margin money should be contributed by the Centre. We think that, in the ordinary course, it should be possible for the States to cope with a natural calamity without having to seek any further assistance from the Centre. As regards the situation in which such further assistance may become necessary, we think, no change is necessary to be made in the existing scheme of Central assistance based on the recommendations of the Seventh Finance Commission. Accordingly, we recommend that, as at present, there should be a distinction between drought on the one hand, and, flood, cyclones, earthquakes, etc. on the other. Further, the present arrangements relating to Central assistance for these two categories of natural calamities should continue during the period covered by our report. The only changes that we recommend are in respect of the quantum of margin money and the manner of its funding.

11.24 Now, reverting to the other points raised by the States, some of them have represented to us that expenditure incurred on relief of distress caused by hail-storms and fire should also be deemed to be expenditure on natural calamities. We understand that expenditure on relief necessitated by hail-storms qualifies for Central assistance even in the scheme as it exists, so no recommendation by us is required. The position in regard to fire has hitherto not been very clear. We recommend that expenditure for relief of distress caused by fire should be treated on the same footing as a natural calamity of the category of floods, cyclones, earthquakes, etc.

11.25 It has been suggested by some States that expenditure on staff and establishment sanctioned on a regular basis to meet a calamity, which recurs annually, should be treated as a legitimate charge on the margin money of the State. We think that expenditure on regular staff and establishment should not normally be a charge on relief expenditure, except where additional staff has been specifically recruited for the purpose of relief operations.

11.26 As for the point made by some States that Central assistance should not be related to the financial year, but, to the agricultural year, we understand that the Centre does sanction additional assistance in the succeeding financial year in respect of natural calamities like drought, which continue beyond the financial year. However, there is no doubt that it would make for better planning and continuity of relief operations if the Centre, while sanctioning its assistance, were to indicate the likely quantum of Central assistance even for the period falling in the next financial year. If budgetary constraints require the sanctions to be restricted to the financial year, the ceilings of expenditure can be fixed with reference to the full duration of the calamity in question, but, the financial sanctions could be suitably divided to fall in the respective financial years.

11.27 Some of the States have said that Central assistance should take into account the non-wage element in expenditure on relief employment. We gather that this is already being done.

Some States have complained that cost norms adopted by the Central team for items such as repairs/ reconstruction of damaged houses are too low. We suggest that Central Government may review the norms.

11.28 As regards the complaint of some States that spill-over requirements are not met by the Centre, we feel that the States have a good case. Though a flood or a cyclone may have ended, the expenditure on the repairs and restoration of public works, which it entails, may spill over into the next, and, succeeding financial years. We understand that under the existing arrangements the Central assistance is restricted to the financial year in which the natural calamity occurs, and, that all spill-over expenditures are expected to be met by the States themselves by making suitable provisions in their budgets for the subsequent years. We are of the view that this is unfair to the States. If after an on-the-spot assessment, the Centre is satisfied about the extent of expenditure required to be met, than the Central assistance should extend to the whole of the expenditure on the repairs and restoration of public works, regardless of whether it can be incurred in the financial year in which the calamity occurs, or, whether it will have to be spread over the next and subsequent years. Technicalities of financial years should not be allowed to come in the way of sanctioning what has been assessed as legitimate expenditure.

11.29 As regards the suggestion that a representative of the State Government should be included in the Central team, we think, this will cause unnecessary difficulties, and, we do not, therefore, favour this suggestion.

11.30 We would like to add a word regarding the existing procedure for providing relief assistance to the States. Some States have complained that there is considerable delay in sending Central teams to the

States and sanctioning Central assistance. It hardly needs to be emphasised that when there is a natural calamity, the situation is one demanding urgency on all hands. We, therefore, think that the procedures should be streamlined as much as possible, and, the Centre should give its attention to this aspect. In any case, we think, it should be possible for the Centre to send a team within 15 days of receipt of a report from the State giving a broad assessment of the damage caused by the calamity, and, the assistance required. Sending of the Central team should not be delayed to await a detailed memorandum. It should also be the endeavour of the Centre to sanction relief within 15 days of the return of the Central team.

11.31 Lastly, we turn to the objections of certain States to linking of Central assistance to Plan assistance. Though the arguments of the States are not without some force, the fact remains that the major portion of advance Plan assistance is for relief employment, and, drinking water supply schemes. It should not be difficult for the States to dovetail these with their Plan programmes either by accelerating the existing Plan schemes or by taking up schemes which, in any case, would have been taken up in the near future as a part of Plan programmes, Dovetailing of relief expenditure with the Plan should not prove too difficult, if, the States have a shelf of schemes ready in advance.

11.32 To sum up, therefore, we recommend that the scheme of financing of relief expenditure as recommended by the Seventh Finance Commission should continue. The further relief we have proposed is in regard to the quantum of margin money and its sharing between the Centre and the States.

11.33. The revised margin moneys fixed by us for the different States are shown in the following Table. The margin moneys allowed by the last Commission are also shown alongside.

Margin moneys as recommended by the Eighth Finance Commission and the Seventh Finance Commission.

(Rs. crores)

	STATE	Margin Money recommended by Eighth Finance Commission	Margin Money recommended by Seventh Finance Commission
1.		2.	3.
1.	Andhra Pradesh	24.50	8.58
2.	Assam	7.25	3.46
3.	Bihar	33.75	13.08
4.	Gujarat	28.75	9.56
5.	Haryana	4.50	1.47
6.	Himachal Pradesh	1.75	0.51
7.	Jammu & Kashmir	1.50	1.30
8.	Karnataka	6.00	2.00
9.	Kerala	5.00	1.59
10.	Madhya Pradesh	4.75	1.83
11.	Maharashtra	7.25	4.57
12.	Manipur	0.25	0.08
13.	Meghalaya	0.25	0.07
14.	Nagaland	0.25	0.14
15.	Orissa	26.25	8.71
16.	Punjab	6.00	2.68
17.	Rajasthan	16.75	7.74
18.	Sikkim	0.25	0.01
19.	Tamil Nadu	8.75	8.59
20.	Tripura	0.75	0.18
21.	Uttar Pradesh	32.50	10.80
22.	West Bengal	23.75	13.60
	TOTAL :	240.75	100.55

Half the margin money for each State, as now fixed by us, has been taken into account in the reassessment of the State's forecasts. We recommend that the remaining half of the margin money should be provided by the Centre.

CHAPTER XII

UPGRADATION OF STANDARDS OF ADMINISTRATION

12.1 In making our recommendations, para 5(vi) of the President's order enjoins us to have regard, among other considerations, to 'the requirements of the States for upgradation of standars in non-developmental sectors and services, particularly of States which are backward in general administration, with a view to bringing them to the levels obtaining or likely to obtain in the more advanced States', and to indicate the manner in which such expenditure could be monitored.

12.2 Such a consideration was first mentioned in the terms of reference of the Sixth Finance Commission. It was asked to have regard to the requirements of States which were backward in standards of general administration, for upgrading the administration with a view to bringing it to the levels obtaining in the more advanced States over a period of ten years. For this purpose, that Commission adopted the yardstick of the per capita expenditure on administrative and social services in different States. Those States which fell below the all States' average in per capita expenditure in selected sectors were given supplemental provisions in the re-assessed forecasts by way of upgradation provisions. The Sixth Finance Commission confined itself to the expenditure on revenue account in estimating these requirements.

The corresponding term of reference to the Seventh Finance Commission was similar to ours. That Commission examined the requirements of upgradation of standards of administration according to physical norms. It also had regard to the feasibility of approved schemes supported by upgradation grants during the period covered by the Report of the Commission. It did not make a larger provision for any State than that proposed by the State itself.

12.3 Though we agree with the approach of the Seventh Finance Commission that the standards of service in the selected sectors should be judged according to physical norms, we do not think that the provisions made should necessarily be restricted to the amounts requested by the State. Thus, we have made provisions for upgradation on the basis of physical norms, uninhibited by the amount named by the State.

12.4 The proposals for upgradation received from all States would require a total outlay of Rs.19,424 crores. The proposals cover the whole gamut of administration. Given the limitation of resources, it is obviously not possible for us to provide for all the upgradation needs for which we have received requests, norto the total extent asked. We have, therefore, selected the following sectors for upgradation. They are:

(i) police;
(ii) education;
(iii) jail administration;
(iv) tribal administration;
(v) health;
(vi) judicial administration;
(vii) district and revenue administration;
(viii) training; and
(ix) treasury and accounts administration

12.5 It is, perhaps, for the first time that a Finance Commission has decided to support training by upgradation. We think that management training is essential for public servants as they are involved in every sphere of the nation's activities and their role is immense. It is obvious that such training will enhance their effectiveness. Though education and health are conventionally treated as developmental sectors, we have selected them for upgradation in view of their crucial importance. Besides, 33 years of Planning have brought into existence large-sized infrastructural facilities in health and education sectors. But, the vital inputs which these sectors need are lacking. Accordingly, we have sought to

rectify some of the deficiencies in these two sectors. In addition to the nine sectors enumerated above, we have taken into consideration the special problems of the States for which we have tried to provide reasonable outlays.

While we have estimated the outlays required for upgradation and special problems in this Chapter, we have indicated the amounts of grants-in-aid recommended by us for this purpose in the following Chapter.

POLICE

12.6 In the police sector, we have received proposals aggregating to Rs. 4341 crores. The proposals encompass the whole range of police administration. As a result of our discussions with the Union Home Secretary and the State Governments, we have chosen four programmes in the police sector for upgradation namely, police housing, pucca buildings for police stations and out posts located in the rented or temporary structures, opening of new police stations and augmentation of the number of women police constables.

Police Housing

12.7 In regard to police housing, we have tried to follow up the efforts of the Seventh Finance Commission. That Commission determined the minimum desirable police housing satisfaction level at 58.2 per cent of the total police subordinate force. It also decided that only 14 per cent of the lower subordinates need be provided family type accommodation. Several States have represented to us that barrack type of accommodation for the majority of police subordinate ranks is not acceptable to the police lower subordinates, and is not in keeping with modern times. The National Police Commission also recommended that 100 per cent family accommodation be uniformly provided to all the ranks of the police. We have, therefore, decided to provide outlays for family accommodation to all ranks of the subordinate police force.

12.8 Regarding the unit cost of police housing, our Secretary had discussions with the Housing and Urban Development Corporation. After taking into consideration all the relevant aspects, we consider that a plinth area of 35 square metres should be provided for the residential unit of a lower subordinate and a plinth area of 95 square metres for the residential unit of an upper subordinate. We, accordingly, estimate the unit cost of housing for lower subordinates at Rs. 24,500 and Rs. 66,500 for upper subordinates. We have also allowed 30 per cent mark-up for the hill States of Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Sikkim and Tripura.

12.9 The size of subordinate police force has increased from 7.40 lakhs from the time of the Seventh Finance Commission to 8.68 lakhs in 1981. It has thus registered an increase of 17.3 per cent. Presently the housing satisfaction is 48.95 per cent. In spite of the significant increase in the size of the subordinate police force, we have set the minimum desirable housing satisfaction level at 60 per cent of the total subordinate police force. Accordingly, we have provided an outlay of Rs. 299.81 crores for the construction of 1,01,131 additional residential quarters.

Police station buildings

12.10 Regarding the provision of pucca buildings to the existing police stations and out-posts located in temporary or rented buildings, we find that presently, out of 15,061 police stations and out-posts, 9,884 police stations and out-posts are located in pucca Government buildings. The remaining police stations and out-posts are in rented buildings or temporary structures. The percentage of police stations and out-posts which are located in pucca Government buildings works out to 65.63 per cent. We consider 80 per cent as the minimum desirable norm for this purpose. We have accordingly provided outlays for the construction of 2,452 new pucca buildings for the police stations and out-posts. In providing outlays for the new buildings to the police stations and out-posts, we have taken into consideration the type designs for the police station buildings published by the National Buildings Organisation. It is reasonable to expect that some of the police stations may require larger plinth area because of their location in rapidly growing towns. We have, therefore, provided 222 square metres of plinth area per police station to one-third of the new police station buildings to be constructed. For the remaining two-thirds of the new buildings, we have provided a plinth area of 131 square metres per police station.

The unit cost for the bigger police station building will be Rs. 2.22 lakhs and for the smaller police station building the unit cost will be Rs. 1.31 lakhs. We have added 30 per cent mark up to the unit costs in case of seven hill States, i.e., Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Sikkim and Tripura. We have thus provided Rs. 40.29 crores for the construction of 2452 additional buildings to the police stations and out-posts now located in rented buildings or temporary structures.

New Police Stations

12.11 A police station is the basic unit of the department and is the level at which the police and the public come into contact with each other. There is an urgent need to increase the coverage of police stations, especially in rural areas. We have, therefore, decided to provide outlays for augmenting the number of police stations. For this purpose, we have taken into consideration the norms of crime, area and population, suggested by the National Police Commission. Presently, there are 9,174 police stations. In view of the shortage of resources, we have provided a 10 per cent increase over the existing number of police stations. We have, however, provided a minimum number of 10 additional police station in respect of small States like Himachal Pradesh, Manipur, Meghalaya, Nagaland, Sikkim and Tripura where a 10 per cent increase works out to less than 10 police stations. We have taken the police strength at 15 persons per new police station. In computing staff cost, we have adopted State specific emolument levels. We would strongly suggest that the new police stations should be established in rural areas. For the establishment of the new police stations, we have provided Rs. 34.09 crores.

Women-Police Wing

12.12 The National Police Commission recommended augmentation of the number of women in the police. It is stated by that Commission that women constitute 0.4 per cent of the total police force. This percentage is low compared to our neighbouring countries like Bangla Desh and Singapore where the women constitute 2.5 per cent and 12 per cent of the total police force respectively. Women in the police are a necessity for the investigation of offences involving women and juveniles. We have, therefore, decided to provide for the augmentation of the women police constabulary. In computing staff cost, we adopted State-specific emolument-levels. We have accordingly provided Rs. 7.08 crores for the creation of additional posts of 3,252 women police constables.

Armed Police

12.13 Since we have decided to provide significant outlays for strengthening the civil police for establishment of new police stations, provision of pucca buildings for the existing police stations, augmentation of the number of the women police constables and police housing, we do not consider it necessary to provide support for upgradation of Armed Police.

However, we have made an exception in case of Meghalaya. The Second Armed Police Battalion of Meghalaya was raised in 1981-82. We have provided Rs. 0.32 crore for the construction of headquarter buildings for this battalion.

To sum up, we have provided Rs. 381.58 crores for the police sector. The State-wise and scheme-wise details may be seen at Annexure XII-1.

EDUCATION

School Buildings

12.14 In the education sector, we have received requests from the State Governments aggregating to Rs. 3966.25 crores. The proposals of the State Governments include appointment of additional teachers, provision for furniture and equipment, construction of buildings, provision for mid-day meals and other schemes of that kind. The Ministry of Education emphasised the need for clearing the backlog of pucca buildings for the primary and middle schools, the conversion of single-teacher schools into two-teachers schools, and provision of adequate inspecting staff and administrative facilities. The Ministry of Education have placed the financial requirements for the above schemes at Rs. 3,247.86 crores. It seems to us that lack of pucca buildings for the primary schools and the existence of single-teacher primary schools constitute two basic weaknesses in the education system. Presently, 1,85,666 primary schools accounting for 40.88 per cent of total number of primary schools in all the 22 States are functioning in thatched huts, tents, etc. We have decided that the States in which the percentage of primary schools without pucca buildings exceeds 40 per cent, should be helped with upgradation outlays to bring down the percentage of such primary schools to the all-India average, i.e., 40 per cent. We have assumed a unit cost of Rs. 40,000 for a school building of two class-rooms. We have added 30 per cent to the unit cost for the hill States. We have thus allocated Rs. 164.39 crores for the construction of 38,946 additional school buildings in 11 States to bring them to the all-India average of 60 per cent building satisfaction in respect of primary schools.

Additional Teachers

12.15 Another facet of the education sector, which caused us concern, was the preponderance of single-teacher primary schools in some States. Out of the 4,54,213 primary schools in the 22 States, 1,65,848 schools function as single-teacher schools. Thus, they form 36.5 per cent of the total number of primary schools. We have decided to extend our support to those States where the proportion of single-teacher schools exceeds 35 per cent, which is the all-India average. The States wherein the proportion of single teacher primary schools exceeds 35 per cent are Andhra Pradesh, Gujarat, Himachal Pradesh, Jammu and Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Meghalaya, Orissa, Rajasthan and Tripura. We have provided outlays for the appointment of 45,255 additional teachers to bring these States to the all-India level. In the computation of upgradation outlays, we have adopted State-specific emolument-levels for each of the 11 States. We have thus provided Rs.122.01 crores. With this provision, it should be possible to raise the number of primary schools with two teachers or more, in the 11 States, to 65 per cent, which is the all-India average. We have provided a total sum of Rs. 286.40 crores for upgradation of the education sector. The State-wise and scheme-wise break up may be seen at Annexure XII-2.

JAIL ADMINISTRATION

12.16 We have received upgradation proposals from the State Governments in respect of jail administration totalling to Rs.530.09 crores. We have also received the recommendations of the Union Ministry of Home Affairs. The Ministry of Home Affairs have recommended the following areas in jail administration as deserving of our support:—

(i) stepping up direct expenditure on prisoners for diet, medicines, clothing and other facilities;

(ii) separate jails for women and juveniles;

(iii) special jails for lunatics;

(iv) establishment of new sub-jails;

(v) provision of basic amenities in jails like electricity, water supply and sanitation;

(vi) vocational training for prisoners;

(vii) establishment of open and semi-open jails;

(viii) staff quarters;

(ix) staff training; and

(x) strengthening of supervisory structure of the jail department.

12.17 Out of these, we have stepped up the provisions for direct daily expenditure on the prisoners, and provided outlays suitably in the revenue expenditure estimates. We do not, therefore, propose to provide separately for the daily expenditure on prisoners in this chapter. We propose to support the following areas in jail administration through suitable outlays:—

(i) establishment of new sub-jails;

(ii) provision of basic amenities in the existing sub-jails;

(iii) separate institutions for women;

(iv) separate institutions for juveniles;

(v) separate institutions for lunatics; and

(vi) staff quarters.

New Sub Jails

12.18 A sub-jail constitutes the basic unit of the Indian prison system. The average daily prisoner population of 822 sub-jails in the country is said to be 19,900. There are many district, sub-division and tehsil headquarters which have no sub-jail, but where criminal courts function. This causes great inconvenience in transporting undertrials and convicts over long distances from the jails to the courts. Besides, there is considerable over-crowding in the existing sub-jails. The Ministry of Home Affairs have identified 252 headquarter-towns of districts, sub divisions and tehsils which have no sub-jails, but have courts. We, accordingly, recommend the establishment of 252 new sub-jails, with a total capacity of 17,100 prisoners. We recommend prisoner capacity of 50 for tehsil and sub-division headquarters and a capacity of 100 for district headquarters. We have adopted a unit cost of Rs. 50,000 per prisoner capacity to be created. We have added 30 per cent extra for the seven hill States. We have thus provided capital outlays of Rs.89.18 crores.

Basic amenities in the existing Jails

12.19 The Ministry of Home Affairs have informed us that there are 235 jails without electricity and 722 jails without proper sanitation or adequate water supply. We consider provision of electricity, water supply and sanitation facilities as of foremost importance. In our computation, we have adopted a unit cost of Rs.5000 per prisoner capacity for provision of electricity and Rs.2500 per prisoner capacity for provision of water supply and sanitation facilities. We have provided 30 per cent additional outlay for the seven hill States. We have thus provided Rs.38.60 crores for the provision of basic amenities.

Jails for women

12.20 According to the Ministry of Home Affairs, the number of women prisoners by the end of December 1980 was 3401 constituting 2.13 per cent of the total prisoner population. Only six States have separate prisons for women. In view of the small number of women prisoners, their position in jails becomes vulnerable. It has been recommended by the Ministry of Home Affairs, that States having women convicts exceeding 100 should have a separate prison for women. Only one State falls into this category, namely Madhya Pradesh. We have provided one separate prison for women with a capacity of 100 prisoners for Madhya Pradesh. For the other States, including Madhya Pradesh, we have provided outlays for construction of separate prison annexes for the women convicts. We have assumed a unit cost of Rs.50,000 per prisoner, with 30 per cent step up in the cost for the seven hill States. Accordingly, we have provided an outlay of Rs.12.31 crores for creation of a separate jail and jail annexes for women prisoners.

Jail for Juveniles

12.21 According to information furnished by the Ministry of Home Affairs, there were 15,617 juvenile offenders at the end of December, 1982. The capacity of Borstal schools and juvenile jails is of the order of 3,930. The Ministry of Home Affairs have recommended creation of separate institutions for the care of juvenile offenders. We were given to undertand that the custodial institutions for young prisoners may provide either medium level security or minimum level security. It was also suggested by the Ministry that two-thirds of the new institutions may have provision for minimum type of security and the balance may have provision for medium security. We have accepted this recommendation. It has been suggested to us that a unit cost of Rs.20,000 per in mate for minimum security institution and a unit cost of Rs.35,000 per inmate for medium security institution would be adequate. We have added 30 per cent step-up in case of hill States. We have accordingly provided for an outlay of Rs.29.83 crores for providing institutional care to 11,823 juvenile offenders.

Jails for lunatics

12.22 According to information furnished by the Ministry of Home Affairs, the number of lunatics in Indian prisons was 2,333 by December, 1980. The need for special institutions for the care of insane prisoners is self-evident. We have, therefore, provided for the establishment of special institutions for the care of lunatic prisoners in the States of Assam, Maharashtra, Meghalaya, Nagaland and West Bengal where the lunatic prisoner population exceeds 75, and where such facilities do not exist. In case of lunatic prisoners, the jails should serve both as custodial and therapeutic institutions. For this purpose, we have adopted a unit cost of Rs.1 lakh per lunatic prisoner. We have as usual added 30 per cent step-up for the seven hill States. We have accordingly provided Rs.7.60 crores for this purpose.

Staff quarters

12.23 According to the Ministry of Home Affairs, there are 32000 prison-staff in the country. Residential quarters are stated to be available for 45 per cent of the staff. We think that the prison staff should be provided with Government accommodation upto the same level that the police subordinate staff have been provided. We have, accordingly, determined the minimum desirable norm of housing satisfaction for prison staff at 60 per cent. We have adopted the same unit cost of housing as in the case of police housing. Since the Commission did not have State-wise data of the available accommodation or the break-up of the prison staff into upper subordinates and lower subordinates, we have distributed the additional outlay of Rs.13.88 crores among the States in proportion to the prisoner-capacity existing in the States. We have assumed that 10 per cent of the total staff quarters would be needed for the upper subordinates. Accordingly, we have provided Rs.13.88 crores for construction of 4800 housing units.

12.24 To sum up, we have thus provided Rs.191.39 crores for upgradation of jail administration. The State-wise and scheme-wise details are available at Annexure XII-3.

TRIBAL ADMINISTRATION

12.25 We have received requests for upgradation of tribal administration amounting to Rs.1068.81 crores. The Ministry of Home Affairs have sent us a memorandum in which they have supported, in a general way, the requests of the State Governments. The requests for upgradation relate to the following areas of tribal administration:—

(i) grant of compensatory allowances to Government servants and the employees of the local bodies;
(ii) construction of staff quarters for the public servants working in the tribal areas;
(iii) provision of recreation facilities for the staff;
(iv) construction of office buildings for the various departments of the Government;
(v) establishment of public health facilities like hospitals; and
(vi) establishment of better communications.

Out of the above schemes suggested by the State Governments and recommended by the Ministry of Home Affairs, we have selected the following for support through upgradation provisions:—

(i) grant of compensatory allowances;
(ii) construction of Staff Quarters; and
(iii) provision of infrastructural facilities in tribal areas.

Haryana, Jammu & Kashmir and Punjab have no tribal population. These States, therefore, do not have the need for upgradation in tribal administration. In the States of Meghalaya and Nagaland, the tribal population accounts for more than 80 per cent of the total population. We, therefore, consider that no earmarked outlays are necessary for upgradation in tribal administration in these two States.

Compensatory Allowances

12.26 It is well known that public services in tribal areas are thinly spread. One of the reasons for the low level of public services in tribal areas is the reluctance on the part of the transferable Government servants to move to tribal areas with their families. Their reluctance is due to the fact that living conditions in tribal areas entail considerable hardships. The Seventh Finance Commission took this fact into consideration and provided Rs. 30.71 crores towards compensatory allowances for the transferable Government servants working in the tribal areas. Though all the State Governments and the Ministry of Home Affairs have requested provision for the sanction of compensatory allowances, no details are forthcoming about the number of Government servants, working in the tribal areas, who are still to be covered by the scheme of compensatory allowances. We are, therefore, slightly handicapped in assessing the quantum of outlay required for carrying further the process initiated by the Seventh Finance Commission. We, however, think that we should provide an outlay roughly equal to what the Seventh Finance Commission provided. We have, therefore, provided Rs. 30 crores for payment of compensatory allowances to the transferable Government servants working in the tribal areas. We have distributed the grant as follows: First, we multiplied the Government servants-strength of a State by the percentage share of tribal population to the total population of the concerned State (1971). We have totalled the products thus obtained and computed the share of each State in the aggregate. Then, we have allocated to each State a share in the grant of Rs.30 crores equal to the State's share in the aggregate of Government employees, of all States multiplied by tribal population percentage. We wish to make it clear that this amount should be utilised by the State Governments for the benefit of the transferable Government employees who could not be granted compensatory allowances earlier eue to the paucity of the resources. The scale of compensatory allowances will, of course, be according to the local norms prevalent in the concerned State. The liability on account of grant of compensatory allowance flowing from the Seventh Finance Commission's recommendation has already been taken into account as committed liability in the expenditure forecasts of the State Governments.

Staff Quarters

12.27 Regarding the staff quarters, State Governments have not furnished to us the number of Government servants working in tribal areas and the present level of available accommodation. In the absence of requisite data, we have decided to allocate to each State staff quarters equal in number to 10

per cent of 93,846 tribal villages in the States. We have adopted a unit cost of Rs. 40,000 per house. We have also provided an additional mark up of 30 per cent for the hill States. Accordingly, we have provided a sum of Rs. 37.83 crores for the construction of 9,385 Staff quarters.

Provision of infra-structural facilities

12.28 The official Report of the "Group on Administrative Management and Personnel Policies in Tribal Areas" headed by Shri Maheshwar Prasad, the then Secretary, Department of Personnel and Administrative Reforms recommended the creation of "requisite physical facilities in tribal areas". The Study Group have highlighted, in particular, the need for creation of "communications, education and health institutions" in tribal areas. The above recommendations of the Study Group are pertinent for rendering service in tribal areas attractive. We, therefore, suggest that facilities like schools, dispensaries, drinking water facilities and other related conveniences be created in selected tribal villages. We suggest that one per cent of the 93,846 tribal villages should be provided with infrastructural facilities in the education and health and communications sector, and we have accordingly provided a sum of Rs. 5 lakhs per tribal village for 941 tribal villages for provision of the requisite facilities, amounting to Rs. 47.05 crores. In all, we have thus provided Rs. 114.88 crores for upgradation of tribal administration. The State-wise and scheme-wise break-up may be seen at Annexure XII-4.

HEALTH SECTOR

12.29 State Governments have requested for a sum of Rs. 2977.23 crores as upgradation assistance in medical and public health sectors. The proposals of the State Governments cover the entire medical and public health administration. In order to obtain a clear picture of the priorities in this sector, we had discussions with the Union Secretary of Health and Family Welfare.

12.30 The Ministry of Health and Family Welfare regard the following as the priority areas:—

(i) staff quarters for doctors working in primary health centres;
(ii) provision of rural allowance at Rs. 250/- p.m. per doctor working in primary health centres;
(iii) Sanction of house rent allowance for doctors in primary health centres who have not been provided Government accommodation;
(iv) supply of professional equipment to the doctors of primary health centres;
(v) upgradation of select number of primary health centres into community health centres by provision of front-line specialities like medicine, surgery, gynaecology and obstetricts, paediatrics and dentistry.

The Union Health Ministry had estimated the requirements of funds at Rs. 108.5 crores for schemes suggested by them.

12.31 Out of the schemes suggested by the Ministry of Health and Family Welfare, we have selected the following for our support:—

(a) Sanction of rural allowances to the doctors of primary health centres as an incentive for working in rural areas;
(b) payment of house rent allowance to the doctors not provided with Government accommodation;
(c) construction of staff quarters for all the doctors working in the primary health centres; and
(d) supply of professional equipment to the primary health centres.

Staff Quarters

12.32 There are 5,575 primary health centres in the 22 States. The authorised strength in each primary health centre is three doctors. Out of the 16,725 doctors, 8,828 doctors have Government accommodation, thus accounting for 52.78 per cent housing satisfaction. We have decided that all the doctors of the primary health centres should be provided with Government accommodation. Accordingly, we have provided for the construction of 7,897 additional quarters. We have adopted a unit cost of Rs. 66,500 per quarter. We have also added 30 per cent step up to the unit cost for the hill States. Thus, we have provided Rs. 53.53 crores for the construction of 7,897 additional quarters to ensure 100 per cent satisfaction.

Allowances and Equipment

12.33 Pending the construction of additional quarters, we have provided an outlay of Rs.5.69 crores for payment of house rent allowance to doctors at Rs. 150/- per month per doctor. We have also made a provision for payment of rural allowance to the doctors working in the primary health centres at the rate of Rs. 250/- per month per doctor. We have, accordingly, provided Rs.25. 09 crores for the entire authorised strength of 5,575 primary health centres. We have provided Rs. 10,000 per primary health centre to enable the doctors working in the primary health centres to obtain requisite professional equipment. For this purpose, we have included Rs.5.58 crores for the upgradation of the health sector. In all, we have provided Rs.89.88 crores for upgradation of the health sector. The State-wise and scheme-wise distribution may be seen at Annexure XII-5.

JUDICIAL ADMINISTRATION

12.34 In the judicial administration sector, we have received upgradation proposals from 18 States amounting to Rs.630.24 crores. The proposals of the State Governments include creation of new courts, appointment of additional staff, construction of buildings, supply of office aids and similar facilities. According to the information supplied by the State Governments, there were 90.74 lakhs of cases pending on 31.12.1981, in the district and subordinate courts. Out of the proposals of the State Governments, we have selected the following four schemes for support through upgradation:—

(i) creation of new courts to cope with the arrears;
(ii) construction of pucca buildings for the courts now located in rented buildings;
(iii) structural alterations and extensions for providing amenities to the public and the staff, like record rooms, lock-up rooms, malkhanas or property rooms, waiting halls for litigants; and
(iv) construction of staff quarters for judicial officers.

Creation of new Courts

12.35 The State Governments have furnished us the year-wise figures about institution of cases and their disposal for four years, viz., 1978 to 1981. We have worked out the weighted annual average for these four years for both institution and disposal. Thereafter, we have calculated separately (i) the annual disposal as a percentage of institution and (ii) as a percentage of pendency, as on December 31,1981. The all-States average of annual disposal as a percentage of institution in the district courts is 96.76. In the case of subordinate courts, the all-States average disposal as a percentage of institution is 94.07. In the district courts the all-States average of annual disposal as a percentage of pendency (as on 31. 12. 1981) is 115.90. Similarly in the subordinate courts the all-States average of annual disposal as a percentage of pendency is 110.

12.36 The Seventh Finance Commission made provisions for creation of new courts on the assumption that criminal cases would be disposed of within six months and civil cases within 12 months from their institution. We did not get information separately about the civil and criminal courts. We have, therefore, proceeded on the basis that the States where the arrears exceed one year's institution require additional courts. In determining the number of additional courts, we have divided the pendency in excess of one year's institution by the State-specific annual disposal per court or all-States average whichever is higher. We have, thereafter, provided annual phasing for five years and determined accordingly the number of additional courts. We have thus determined that 210 additional courts (38 district courts and 172 subordinate courts) are needed. For the new courts to be established, we have allowed a staff strength of 8 for a subordinate court and 9 for a district court. In calculating the staff costs, we have adopted State-specific emolument levels. Besides, we have also included in our estimates non-recurring outlay of Rs.50,000 per new court for furniture, law books and other miscellaneous requirements. Accordingly, we have estimated the outlay required for 210 new courts at Rs.9.37 crores.

Pucca Buildings for the Courts

12.37 From the information given by the State Governments it appears that there are 429 courts in the States located in rented buildings. We have decided that all the 429 courts should be provided with pucca Government buildings. For this purpose, we have assumed a unit cost of Rs.4 lakhs per court building. We have provided 30 per cent increase for the hill States. Accordingly, we have provided Rs. 17.40 crores.

Structural alterations

According to the information given by the States, there are 7647*courts in the 22 States. We have not received information from all the States regarding the number of courts which require Structural

alterations or extensions for provision of facilities to the public and the staff. We have, therefore, assumed that 25 per cent of the 7647, i.e., 1912 courts will be requiring structural alterations/extensions for the creation of better amenities. We have assumed a unit cost of Rs. 1 lakh per court for provision of amenities. We have also added 30 per cent extra to the unit cost for the hill States. Thus, we have provided Rs. 19.36 crores for this purpose.

Staff quarter

12;38 According to the information given to us by the State Governments, out of the 7238* judicial officers, 3819 officers have been allotted the Government accommodation. This represents 52.76 per cent housing satisfaction level. We think that the minimum desirable level of housing satisfaction for the judicial officers should be 80 per cent, and have accordingly provided outlays for the construction of 2107 additional residential quarters. We have assumed a unit cost of Rs. 70,000 per quarter. We have allowed 30 per cent extra for the hill States. We have thus provided Rs. 14.94 crores for this purpose. In total, we have provided Rs. 61.07 crores for upgradation of judicial administration. The State-wise and scheme-wise break-up may be seen at Annexure XII-6.

DISTRICT AND REVENUE ADMINISTRATION

12.39 District and Revenue Administration provides the general framework of Government. In this sector, we have received proposals from 21 State Governments amounting to Rs. 1246.62 crores comprising the following programmes:—

(i) Creation of new revenue divisions, districts, sub-divisions, tehsils, circles and villages,
(ii) strengthening of staff in the existing offices;
(iii) construction of office buildings for offices not having buildings of their own;
(iv) reconstruction of old buildings;
(v) amenities and extensions to the existing buildings;
(vi) construction of residential quarters; and
(vii) vehicles and office aids.

The Commission had discussion with the Union Home Secretary who was of the view that it would be better to improve the working of the existing offices rather than to create new offices.

Buildings for Revenue Offices at sub-division/tehsil level and below

12.40 Agreeing with the views of the Ministry of Home Affairs, we have decided to support two schemes, namely construction of buildings for the offices at sub-division/tehsil level, circle/firka/kanungo (supervisory) level and village offices and provision of better amenities through structural alterations and extension for the offices at the sub-division/tehsil and lower levels. We have decided that provisions should be made for pucca buildings for 5 per cent of the offices at the sub-division/tehsil level, 10 per cent of the offices at circle/firka/kanungo (supervisory) level and 1 per cent of the offices at the village level (offices require new buildings). We have adopted a unit cost of Rs.4 lakhs for a sub-division/tehsil level building, Rs. 1 lakh for the circle/firka/kanungo (supervisory) level and Rs. 0.25 lakh for the village level offices. We have added 30 per cent to the unit cost in case of hill States. We have accordingly provided for construction of 183 sub-division/tehsil level building, 1256 circle/firka/kanungo (supervisory) level and 1452 village level offices. We have thus provided in the outlays a sum of Rs.23.93 crores for the construction of new buildings in the revenue and district administration.

Structural alterations to the buildings at Sub-Division/Tehsil level and below

12.41 We have similarly made provision for meeting the cost of structural alterations and extensions for creation of amenities like toilets, cycle stands, waiting halls, record rooms, etc. in respect of 10 per cent of the sub-division/tehsil level buildings, 20 per cent of the circle/firka/kanungo (supervisory) level offices and 5 per cent of the village level offices. We have adopted a unit cost of Rs. 1 lakh per sub-division/tehsil level office, Rs. 0.25 lakh per circle/firka/kanungo (supervisory) level and Rs. 0.05 lakh for village level offices. We have added 30 per cent to unit costs in case of hill States.

* According to the information furnished by the State Governments, in Madhya Pradesh, Punjab, Uttar Pradesh and West Bengal, the number of courts is 568, 176, 1368 and 410 respectively, while the number of judges in those States is 561, 161, 1000 and 379 respectively. There is a short-fall in the number of judges by 421 in these four States. In the case of Gujarat and Maharashtra, the number of courts is 412 and 699 while the number of judges is 420 and 703 respectively. There is thus excess in the number of judges over that of number of courts by 12.

We have accordingly provided Rs. 13.79 crores for this purpose. The total outlay provided by us for the district and revenue administration is Rs.37.72 crores. The State-wise and purpose-wise distribution may be seen at Annexure XII-7.

TRAINING

12.42 Eleven States have submitted proposals to us for upgradation of training facilities. The amount requested by the States is Rs.40.72 crores. The Association of the State Training Institutes of India presented a memorandum to the Commission requesting a grant of Rs.75 crores for upgradation of the training sector. The State Governments have sought support for strengthening the infrastructure of training institutes. The Association of State Training Institues also highlighted the need for augmenting the training facilities in the States through adequate provision for buildings, libraries, audio-visual aids and other miscellaneous facilities. The Commission recognise that training forms a cost-effective investment for improving the over-all performance of public administration. Our discussions with the State Governments and the Union Government have convinced us that there is acute need for updating the management skills of public servants through appropriate training programmes. We have, accordingly, provided an outlay of Rs. 23.90 crores and recommend its distribution among the States in proportion to the number of Government employees. The State-wise distribution of outlays may be seen at Annexure XII-8.

TREASURY AND ACCOUNTS ADMINISTRATION

12.43 Twenty States have submitted proposals for upgradation of treasury and accounts sector. The proposals entail an outlay of Rs. 208. 18 crores. The broad purposes for which grants have been requested from the Commission are the following:—

(a) Creation of the Directorates of Treasuries where they do not exist;
(b) establishment of staff training institution;
(c) establishment of data processing centres;
(d) conversion of district treasuries into Pay and Accounts Offices;
(e) establishment of new district treasuries and sub-treasuries;
(f) construction of buildings for the treasuries;
(g) provision of office aids like typewriters, calculators, telephones, etc.,
(h) construction of staff quarters; and
(i) increasing the staff-strength of existing treasuries.

Based on our discussions and correspondence with the Accountants-General and the State Governments, we have selected the following schemes for support through upgradation outlays:—

(a) Establishment of additional sub-treasuries;
(b) construction of pucca buildings for the existing sub-treasuries;
(c) structural additions or extensions for provision of amenities like toilets, cycle-sheds, waiting-halls for the public, record rooms, strong rooms etc., and
(d) staff training.

Establishment of new sub-treasuries

12.44 From our discussions, we have found that one of the weaknesses in the treasury administration of the States is the inadequate number of sub-treasuries. We have, therefore, adopted a normative approach and estimated the total requirement of sub-treasuries at the rate of one sub-treasury for two Community Development Blocks. According to this calculation the number of new sub-treasuries needed works out to 649. For a sub-treasury, we have provided a staff strength of seven consisting of one sub-treasury officer, one accountant, four assistants or clerks and one peon. In computing the staff cost, we have adopted State-specific emolument levels. Besides, we have also provided non-recurring revenue expenditure of Rs. 25,000 per new sub-treasury for facilities like typewriters, furniture and other miscellaneous aids. We have thus provided Rs. 15.03 crores for establishment of new sub-treasuries.

Buildings for the sub-treasuries

12.45 Another weakness in the treasury administration is the lack of proper buildings for the sub-treasuries. Since all the States have not given us the factual information regarding the number of sub-

treasuries presently located in rented buildings, we have assumed that 5 per cent of the sub-treasuries will require pucca buildings. We have adopted a unit cost of Rs.2 lakhs per sub-treasury building. We have provided 30 per cent step up for the hill States. We have accordingly provided Rs.2.40 crores for the construction of 118 new buildings for the existing sub-treasuries.

Structural alterations to the sub-treasury buildings

12.46 We also find that the existing buildings of the sub-treasuries are in need of structural alterations or extensions for greater convenience of the staff and the public. Here again, we have not received complete data from all the States. We have, therefore, assumed that 10 per cent of the existing sub-treasuries will need structural alterations and extensions. We have adopted a unit cost of Rs.1 lakh per sub-treasury for structural alterations. We have also provided 30 per cent mark up for the hill States. Accordingly, we have provided Rs.2.41 crores for this purpose.

Treasury staff training

12.47 In our opinion, staff training constitutes a vital input for efficient functioning of the Treasury and Accounts Administration. In the absence of complete information, we have provided Rs.20 lakhs each for the purpose of training for the 15 large States. For the hill States of Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Sikkim and Tripura, we have provided an outlay of Rs.15 lakhs each. We have thus provided Rs.4.05 crores for the training of the personnal of Treasury and Accounts Departments.

On the whole, we have provided Rs.23.89 crores for upgradation of Treasury and Accounts Administration. The State-wise and scheme-wise distribution of outlay may be seen at Annexure XII-9.

SPECIAL PROBLEMS

12.48 We consider that one of the objectives of grants-in-aid is to support the States in their efforts to solve special problems facing them. The special problems are of a varied nature, e.g., the terrain, large tribal populations, etc.

12.49 Several States have requested us to provide support through upgradation outlays for the special problems facing them. We have carefully considered these requests and our views are explained in the subsequent paragraphs.

District Autonomous Councils of Assam, Meghalaya and Tripura

12.50 The State Governments of Assam, Meghalaya and Tripura have requested upgradation outlays for the District Autonomous Councils functioning in their States. The District Autonomous Councils have legislative, executive and judicial functions. They also have separate administrative machinery. The Government of Assam have requested for a recurring annual grant of Rs.2.72 crores for making up the revenue deficits in the two District Autonomous Councils of Karbi Anglong and North Cachar Hill Districts. Having regard to all the circumstances, we recommend a total outlay of Rs.5 crores for both the District Autonomous Councils in Assam for the forecast period. The Government of Meghalaya have requested a grant of Rs.1.61 crores to enable the three Autonomous District Councils (Khasi hills, Garo hills and Jaintia hills) to establish the necessary administrative machinery for administering laws for the regulation of the transfer of land, trading by non-tribals and grazing of cattle. We recommend an outlay of Rs.1 crore to Meghalaya for this purpose during the forecast period. The Government of Tripura have requested a grant of Rs.30.72 crores for the following programmes:—

(i) Construction of office buildings for village committees;
(ii) construction of office buildings for village councils;
(iii) construction of office buildings for special blocks;
(iv) construction of buildings for large-sized cooperative societies;
(v) improvement of communications;
(vi) setting up of growth centres; and
(vii) office buildings and other facilities for Autonomous District Councils.

From out of the above programmes, we think, it will suffice if we provide for the construction of office buildings and related facilities for the Autonomous District Councils, with an outlay of Rs.0.8 crore.

Creation of new sub-divisions in Sikkim

12.51 Sikkim has requested upgradation outlay of Rs. 5 crores for the creation of 21 sub-divisions in the State. Being the youngest State in India, Sikkim does not have administrative net-work at the grass-roots level. Recognising this, we recommend an outlay of Rs. 1 crore for establishment of necessary administrative net work at the sub-division level and below.

Development of Bastar District in Madhya Pradesh

12.52 The Government of Madhya Pradesh have submitted a comprehensive proposal for the development of Bastar district, which is entirely a tribal area. Bastar district has an area of 39,000 kilo metres. The State Government have impressed on us the need for developing this vast region, and have formulated a development plan with an outlay of Rs.45.21 crores. Recognising this special burden cast on the State Government, we recommend an upgradation grant of Rs.10 crores for development of necessary infrastructural facilities in Bastar district.

Border problems of Punjab

12.53 The Government of Punjab have brought home to us the special strains and stresses which the State has to suffer due to being a border State. In this State, cultivation of land takes place right up to the international borders. This necessitates maintanance of continuous vigil by the State police. We appreciate the need for maintenance of a large police force in a border State like Punjab. Similarly, the State Government have to invest large amounts in construction and maintenance of flood protection works in the river courses running adjacent to the international boundaries. Recognising these special burdens cast on Government of Punjab we recommend an outlay of Rs.20 crores.

Development of desert areas in Rajasthan

12.54 Development of the desert areas of Rajasthan deserves our support through upgradation outlays. Communication and water supply are the two important needs of desert areas. We accordingly recommend an outlay of Rs. 10 crores for dealing with these two problems.

Creation of infrastructure in Leh District of Jammu & Kashmir

12.55 The Government of Jammu & Kashmir have requested an upgradation grant of Rs. 2.48 crores for the creation of necessary storage facilities for food and essential articles, construction of office buildings and other related facilities in the Leh district. The State Government have represented to us that Leh district is totally inaccessible during the winter months on account of heavy snow-fall. We recognise that this is a special problem of Jammu & Kashmir. We, therefore, recommand an outlay of Rs.2.48 crores for the construction of necessary facilities in Leh district.

Construction of Central Jail at Shimla

12.56 The Government of Himachal Pradesh have asked for a grant of Rs.50 lakhs for re-construction of a Central Jail at Shimla. The Commission was shown the Central Jail at Shimla during its visit to the State capital. We are satisfied that the Central Jail needs to be re-constructed, and accordingly recommend Rs.50 lakhs for this purpose.

Security prison at Imphal

12.57 The Government of Manipur have requested a grant of Rs. 7 crores for the construction of a 1000 prisoner capacity maximum security Jail at Imphal in view of the frequent escapes from the prisons in Manipur. The need for such a prison seems indisputable. We, however, think that it will be adequate to provide an outlay of Rs. 2 crores for this purpose.

12.58 In all, we recommend an outlay of Rs.52.78 crores for support to the State Governments in their efforts to solve the special problems facing them. The State-wise distribution or outlay may be seen at Annexure XII-10.

12.59 There are some special problems of the States which have been taken into account by us in the reassessed expenditure-forecasts of the State Governments. The Government of Kerala have sought

our support for the implementation of the Unemployment Assistance and the Agricultural Workers' Pension Schemes. These being on-going schemes, we have provided for them in the reassessed forecast of expenditure.

12.60 Similarly, the Government of Himachal Pradesh have sought an upgradation grant for the maintenance of the Hindustan-Tibet Road. We have again made a suitable provision in the expenditure forecast of Himachal Pradesh.

12.61 Government of Assam wanted assistance for the construction of new capital at a cost of Rs.200 crores, for which a site has now been selected. In this connection, we would recall that the Government of Assam were promised assistance of Rs.25 crores by the Centre when the State of Meghalaya was created out of the erstwhile composite State of Assam. The Government of Assam could not avail itself of the Central assistance due to its inability to decide on the location of the new capital. We think that the State cannot launch upon the construction of a new capital without the support of the Centre which, we hope, will be forthcoming.

12.62 The States of Maharashtra, Tamil Nadu and West Bengal have requested upgradation grants of the order of Rs.1000 crores, Rs.500 crores and Rs.151.95 crores respectively for solving the problems of urban congestion in the cities of Bombay, Calcutta and Madras. Whilst we are acutely conscious of the problems of urban congestion in these three metropolitan cities, we think that the Planning Commission is the appropriate body to deal with these problems, which we commend for their sympathetic consideration.

12.63 The Government of Andhra Pradesh have requested an upgradation grant for construction of protective and preventive works to minimise the damage caused by the cyclones. We feel that the State Government should undertake appropriate plan programmes for mitigating such damages.

12.64 Certain State Governments have asked for upgradation grant to raise the service level of local bodies, particularly of urban local bodies. We think that the problem is too large to be dealt with through upgradation provisions.

12.65 Some State Governments have requested upgradation grants for the construction of Secretariat buildings and State Assembly buildings. Paucity of resources has prevented us from considering their requests favourably.

12.66 In the education sector, the Association of Vice-Chancellors met the Commission for support through earmarked upgradation outlays. We have adopted a high rate of growth in the assessment of expenditure estimates of the State Governments in the education sector so as to enable the States to properly maintain all educational institutions, including the Universities. We do not, therefore, think it necessary to make any special provision for Universities.

12.67 To sum up, we have provided Rs.1263.49 crores as the total upgradation outlay for the betterment of service levels in nine sectors, and for meeting the special problems faced by some States. The State-wise and sector-wise distribution of outlays may be seen at Annexure XII-11.

Monitoring

12.68 We are required further to recommend the manner of monitoring of utilisation of upgradation grants. The Seventh Finance Commission which was required to do likewise stated the objectives of monitoring to be as follows:—

(i) Ensuring the utilisation of grants for the purpose for which they have been provided; and

(ii) ensuring that desired results in physical terms are achieved by the outlays.

That Commission desired that expenditure progress reports from the States should be supplemented by indices of physical progress. It identified Planning Commission as the agency for monitoring the provision of adequate maintenance outlays for the efficient use of capital assets. In respect of upgradation expenditure on Stamps and Registration, and of Treasury and Accounts administration, that Commission recommended that the Ministry of Finance should monitor the expenditure. Similarly, for monitoring the expenditure of upgradation grants in Judicial administration, that Commission recom-

mended that the Department of Justice should undertake this responsibility. For utilisation of upgradation grants in Police, Revenue and District, Tribal administration and Jails, it expected the Ministry of Home Affairs to do the same.

12.69 Regarding regulation of release of grants, the Seventh Finance Commission recommended an initial release on an 'on account' basis. It envisaged the preparation of a plan of action on the basis of which subsequent grant releases should be regulated. The Seventh Finance Commission expected that the release of grants from the third year (i.e. 1981-82) would be based on audited expenditure. It stated that the grants would be available for the entire five year period. The grants would lapse after March 31, 1984.

12.70 Seven States, namely, Jammu & Kashmir, Karnataka, Madhya Pradesh, Manipur, Meghalaya, Tamil Nadu and West Bengal have stated their views regarding monitoring in their memoranda. All the States are unanimous in saying that the States should have flexibility in the utilisation of upgradation grants. They feel that the need for clearance of a plan of action by the Central Government is the source of avoidable delay.

12.71 We had written to the Ministries of Finance, Home Affairs and Planning Commission to give us the details of releases of grants, their utilisation by the State Governments in financial and physical terms and the utilisation of enhanced asset-maintenance provisions. Regarding the monitoring of the upgradation provisions on maintenance expenditure, the Planning Commission stated that it was not possible for them to follow up the recommendation of the Seventh Finance Commission. The position which emerged from our discussions with the Ministries of Finance and Home Affairs was as follows. The Seventh Finance Commission recommended upgradation grants totalling Rs.436.79 crores. The Government of India released at the end of March 1984 Rs.388.59 crores. There was thus a lapse of Rs.48.20 crores. The releases amount to 88.96 per cent. No State could obtain cent per cent release of the grant provided by the Seventh Finance Commission. The States which could obtain releases exceeding 90 per cent are Andhra Pradesh, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Nagaland, Rajasthan and Uttar Pradesh. The States of Assam, Bihar, Kerala, Manipur, Meghalaya, Orissa, Sikkim, Tamil Nadu and Tripura obtained releases varying from 74.03 per cent to 89.96 per cent. West Bengal could obtain only 35.03 per cent of the grant. Among the sectors, the releases were highest at 95.26 per cent in case of stamps and registration and treasury administration. Police administration ranks next at 92.03 per cent. Judicial Administration recorded lowest release with 64.64 per cent.

12.72 We could not get complete data regarding the utilisation of grants by the State Governments out of the amounts released. We have incomplete information regarding the physical progress. From the available information, we find that police housing recorded a 56.38 per cent physical achievement. In absolute terms, that means that 45788 housing units were built out of 81219 housing units envisaged by the Seventh Finance Commission. In judicial administration out of 538 new courts recommended by the Seventh Finance Commission, 450 were set up. The objectives of monitoring visualised by the Seventh Finance Commission could not be realised in full since there was no single coordinating agency which took upon itself the monitoring both of financial and physical progress.

12.73 We think that simplicity in monitoring should be the guiding principle. The objective of monitoring is to see that funds have been applied for the purpose for which they were intended. There should be some flexibility for the States in regard to physical specifications and cost norms. For this purpose, we suggest the following institutional arrangements:-

(i) At the Government of India level, there should be an inter-ministerial Empowered Committee for monitoring the progress of utilisation of upgradation grants. The Committee should have representatives of the concerned Union Ministries as Members. The Officer-in-Charge of the Finance Commission Division, which we have proposed in a later Chapter should be the Convenor of the Committee. This Committee should meet as often as necessary, but not less than once in a quarter, to review the physical and financial progress of utilisation of upgradation grants. Based on escalation in prices or alterations in physical norms for State-specific reasons, the Committee should be empowered to alter the physical targets contained in the upgradation grants within the amounts specified by the Commission. The Empowered Committee would be competent to transfer the grants from one scheme to another scheme within the same sector. For example, in tribal administration, the Ministry of Home Affairs transferred funds from compensatory allowance to staff quarters while

implementing recommendations of the Seventh Finance Commission. Similarly, if it becomes necessary to transfer grants from the establishment of new treasuries, which we have recommended, to the construction of buildings for the existing treasuries, or effecting structural alterations to the existing treasuries, the Empowered Committee should be competent to do so. This is the kind of flexibility which the Empowered Committee will have in over-seeing the implementation process. We also expect the Members of the Empowered Committee to visit the States and make random inspection of the works under construction and the offices set up out of the upgradation grants. The Empowered Committee should have frequent discussions with the State Governments at State capitals, if necessary.

(ii) At the State level, we envisage the constitution of a similar State level Empowered Committee under the chairmanship of the Chief Secretary or a very senior officer. The Empowered Committee should be competent to sanction schemes, provide funds and monitor the progress. An officer of the State Finance Department should be the convenor of the Empowered Committee to coordinate the implementation arrangements. We recommend that the Empowered Committee should have the Finance Secretary, the Secretary of the Public Works Department and the Secretaries of other concerned Departments as Members. We expect the State Level Empowered Committee to meet frequently (preferably not less than once in two months) in order to resolve any problems that may occur.

12.74 In order to expedite the utilisation of upgradation grants, we recommend that the Ministry of Finance should release initially on an 'on-account' basis 10 per cent of the grant recommended for a State, with the request to constitute necessary institutional arrangements described in the earlier paragraphs. After receipt of advice regarding the accomplishment of institutional arrangements, and a plan of action for execution of the physical content of the upgradation grants, the Ministry of Finance should release another 30 per cent of the grant. Subsequent grant releases should be determined by the extent of physical progress. For the convenience of monitoring by the State Governments and Central Government, we have indicated in the Annexure XII-12, the annual phasing of the execution of each programme and release of grants for each sector. We recommend that an evaluation study be conducted by a suitable organisation as to the benefits of the upgradation programmes. The evaluation study should identify the deficiencies in monitoring, and suggest remedial measures.

CHAPTER - XIII

GRANTS-IN-AID

13.1 Paragraph 4(b) of the President's Order enjoins us to make recommendations as to the principles which should govern the grants-in-aid of the revenues of States out of the Consolidated Fund of India. It further requires us to make recommendations in regard to 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. In making our recommendations, we have been asked to have regard, among others, to the considerations set out in paragraph 5 of the President's Order.

13.2 Grants-in-aid play an important role in the scheme of transfer of resources from the Centre to the States. The Constitution makers realised that a scheme of devolution of income tax and Union excise duties may not be adequate to cover the needs of a State. In that event, it might still require further assistance from the Centre. Therefore, Article 275 of the Constitution provides for payment of grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance and different sums may be fixed by Parliament for different States. No law has so far been enacted by Parliament, and therefore, as provided in Article 275(2), this power is exercised by the President by making an Order after considering the recommendations of the Finance Commission.

13.3 The First Finance Commission formulated a set of principles of grants-in-aid. Some of these principles related to the manner in which the budgetary needs of the States had to be assessed on a uniform basis, taking into account tax effort and the scope for economy in expenditure. In addition to merely budgetary needs, that Commission recognised that equalising the standards of basic social services in the different States was an important purpose to be served by grants-in-aid. It also thought, that grants-in-aid could be given to help a State to meet special burdens or obligations which, though falling within the State's responsibility, are of national concern, if they impose an undue strain on its finances. Apart from budgetary needs, it also thought that grants could be given to further any beneficient service of primary importance in regard to which it was in the national interest to assist the less advanced States to go forward. The Five Finance Commissions which followed, broadly endorsed those principles.

13.4 The Seventh Finance Commission, however, felt that in view of the change in the circumstances, there was a need to reformulate the principles of grants-in-aid. Accordingly, it formulated the following three principles:

"(a) Grants-in-aid may, in the first place, be given to States to enable them to cover fiscal gaps, if any are left after devolution of taxes and duties, so as to enable them to maintain the levels of existing services in the manner considered desirable by us and built in their revenue forecasts. In this connection consideration should be given to the tax effort made by the individual States in relation to targets for the Plan, to economy in expenditure consistent with efficiency and to prudent management of public sector enterprises.

(b) Grants-in-aid may be made as correctives intended to narrow, as far as possible, disparities in the availability of various administrative and social services between the developed and the less developed States, the object being that every citizen, irrespective of the State boundaries within which he lives, is provided with certain basic national minimum standards of such services. While the long term objective may be to provide to each citizen these services at the levels obtaining in the most advanced States, due regard should be had to the feasibility of upgrading these standards in the shorter term.

(c) Grants-in-aid may also be given to individual States to enable them to meet special burdens on their finances because of their peculiar circumstances or matters of national concern."

The Seventh Finance Commission recommended grants to eight States on the first principle, and, under the second principle it recommended grants to seventeen States but confined the grants to non-Plan non-developmental sectors only like police, jails, etc. as indicated in its terms of reference. It excluded the developmental services as these fell within the domain of the Planning Commission. No grants were recommended to any State under the third principle.

13.5 In their Memoranda submitted to us and also during our discussions with the States, several suggestions have been made regarding the payment of grants-in-aid under Article 275(1). Andhra Pradesh, Haryana, Karnataka, Kerala, Meghalaya and West Bengal would like the role of grants-in-aid to be only residuary and have proposed that the States' requirements should by and large, be met by allocating to them adequate tax shares. Madhya Pradesh, Nagaland, Tripura and Uttar Pradesh have proposed indexation of grants so that in case of price increases the real value of grants to the State does not get eroded. Bihar, Himachal Pradesh, Kerala, Maharashtra, Orissa and Tripura would like grants to be paid to the States to cover the cost of additional instalments of dearness allowance during the forecast period which they may be compelled to pay following the increases in the rates of dearness allowance of the Central employees. Punjab has proposed that grants-in-aid may be given irrespective of the revenue position of the State. Kerala, Maharashtra and Tamil Nadu have requested for payment of grants-in-aid to cover expenditure on certain programmes considered important by those State Governments. Gujarat and Harayana have asked for grants-in-aid for relief on account of natural calamities. Manipur and Orissa have suggested that grant-in-aid may be paid to take care of their debt servicing liabilities.

13.6 Karnataka has suggested that grants should be made on a reward/penalty principle, i.e., States which have ensured better financial management should be rewarded by grants so that incentives for greater efficiency are provided and conversely. It has further suggested that a portion of the grants may be set aside for being distributed among the States in accordance with the index of revenue mobilisation effort. Uttar Pradesh has proposed that the difference in per capita expenditure on certain specified services between a State and the average of such expenditure in the more advanced States should be multiplied by the population to arrive at the quantum of grant so as to provide equalisation in per capita terms. It has also proposed that the amount required for enabling the urban and rural local bodies of the State to render services at a minimum desirable level should be provided by grants-in-aid.

13.7 We consider that the principles of grants-in-aid formulated by the Seventh Finance Commission are unexceptionable and we broadly agree with them. We would, however, like to make it clear that they are not intended to be either exhaustive or inflexible. New problems will require new approach and this is probably what the Constitution intended; for, a new Finance Commission has to consider the matter every fifth year.

13.8 We now proceed to make our recommendations regarding the amounts of grants-in-aid that should be given to States in aid of their revenues. In making our recommendations we have kept in mind the views expressed by the States.

13.9 We shall first deal with grants-in-aid to cover the gaps on revenue account left after devolution. The non-Plan revenue surplus (+) or deficit (-) as reassessed by us for different States for the period 1984-89 together with the corresponding position about such surplus/deficit after taking into account the transfer of tax resources under our recommendations and based on principles of price stability during the forecast period is given in the following Table:

Table 1: Revenue Surplus/Deficit before and after devolution: 1984-89

(Rs. crores)

States	Non-Plan revenue position without devolution of taxes	Revenue surplus after devolution of taxes @	Revenue deficit after devolution of taxes@
1.	2.	3.	4.
1. Andhra Pradesh	(-) 845.98	(+) 1908.80	-
2. Assam	(-) 1444.46	-	(-) 192.79
3. Bihar	(-) 3152.50	(+) 853.32	-
4. Gujarat	(+) 1034.13	(+) 2451.31	-
5. Haryana	(+) 965.95	(+) 1393.92	-
6. Himachal Pradesh	(-) 713.77	-	(-) 183.08
7. Jammu & Kashmir	(-) 995.39	-	(-) 257.18
8. Karnataka	(+) 351.71	(+) 2064.68	-
9. Kerala	(-) 635.43	(+) 623.51	-
10. Madhya Pradesh	(-) 801.77	(+) 1986.34	-
11. Maharashtra	(+) 3790.48	(+) 6407.78	-
12. Manipur	(-) 422.73	-	(-) 123.55
13. Meghalaya	(-) 341.30	-	(-) 98.42
14. Nagaland	(-) 484.04	-	(-) 158.57
15. Orissa	(-) 1663.80	-	(-) 102.20

@ Excluding Estate Duty and Wealth Tax on Agricultural Property.

(Rs. crores)

States	Non-Plan revenue position without devolution of taxes	Revenue surplus after devolution of taxes @	Revenue deficit after devolution of taxes@
1.	2.	3.	4.
16. Punjab	(+) 1147.55	(+) 1758.70	-
17. Rajasthan	(-) 1240.63	(+) 307.25**	(-) 9.70*
18. Sikkim	(-) 92.65	-	(-) 29.13
19. Tamil Nadu	(+) 774.12	(+) 3217.19	-
20. Tripura	(-) 502.46	-	(-) 144.79
21. Uttar Pradesh	(-) 2113.59	(+) 3802.01	-
22. West Bengal	(-) 3034.33	-	(-) 213.71
Total All States	(-)18484.83 (+) 8063.94	(+)26774.81	(-)1513.12

*For 1984-85 ** For 1985-89 @ Excluding Estimate Duty and Wealth Tax on Agricultural Property.

13.10 The year-wise revenue deficits of States after devolution of taxes, as recommended by us, are given in the following table:

Table 2 : Revenue deficits of the States as reassessed

(Rs. crores)

States	Total 1984-85	1984-85	1985-86	1986-87	1987-88	1988-89
1.	2.	3.	4.	5.	6.	7.
Assam	192.79	63.63	50.14	37.66	29.67	11.69
Himachal Pradesh	183.08	51.70	45.95	38.25	31.17	16.01
Jammu & Kashmir	257.18	77.27	66.41	52.78	41.04	19.68
Manipur	123.55	34.85	30.87	25.83	21.10	10.90
Meghalaya	98.42	27.87	24.64	20.56	16.74	8.61
Nagaland	158.57	44.19	39.64	33.30	27.36	14.08
Orissa	102.20	46.07	32.51	16.17	6.87	0.58
Rajasthan	9.70	9.70	-	-	-	-
Sikkim	29.13	8.29	7.31	6.08	4.93	2.52
Tripura	144.79	40.99	36.29	30.24	24.68	12.59
West Bengal	213.71	95.40	64.88	35.35	17.55	0.53
Total	1513.12	499.96	398.64	296.22	221.11	97.19

It may be seen that Rajasthan also shows deficit in 1984-85, though over the remaining forecast period it would have surplus.

13.11 The main grievance of States in regard to grants is that, unlike shares in taxes, these grants are fixed sums and not buoyant. In order to confer on these deficit States the advantage of buoyancy we have decided to provide for an annual growth of 5 per cent in respect of the amount of grants payable in each year of the forecast period commencing from 1984-85. Accordingly, we recommend that the amounts shown in the table below be paid in each of the five years 1984-85 to 1988-89 as grants-in-aid of the revenues of the States mentioned in column (1) of the table under Article 275 (1) of the Constitution of India.

Table 3 : Revenue gap grants-in-aid to States

(Rs. crores)

States	Total 1984-89	1984-85	1985-86	1986-87	1987-88	1988-89
1.	2.	3.	4.	5.	6.	7.
Assam	215.48	66.81	55.15	43.31	35.60	14.61
Himachal Pradesh	206.24	54.29	50.55	43.99	37.40	20.01
Jammu & Kashmir	288.73	81.13	73.05	60.70	49.25	24.60
Manipur	139.20	36.59	33.96	29.70	25.32	13.63
Meghalaya	110.85	29.26	27.10	23.64	20.09	10.76
Nagaland	178.72	46.40	43.60	38.29	32.83	17.60
Orissa	111.70	48.37	35.76	18.60	8.24	0.73
Rajasthan	10.19	10.19	-	-	-	-
Sikkim	32.81	8.71	8.04	6.99	5.92	3.15
Tripura	163.10	43.04	39.92	34.78	29.62	15.74
West Bengal	233.91	100.17	71.37	40.65	21.06	0.66
Total	1690.93	524.96	438.50	340.65	265.33	121.49

A total grant of Rs. 1690.93 crores would be payable as against the nominal deficit of Rs. 1513.12 crores, the difference being due to the annual growth of 5 per cent assigned by us.

13.12 As stated already, Rajasthan requires grants in 1984-85 only*, and not thereafter. In the case of all other States, the requirements of grants show a decline from year to year. There are two main reasons for this phenomenon. The first is that, on an average, the rates of growth of revenue receipts that we have worked out on the basis of past trends and price stability are higher than the corresponding rates of growth of revenue expenditure which have also been worked out similarly. In view of this, the revenue deficits before devolution tend to get reduced from year to year. While this is true of States which have a reasonably strong revenue base, we have noticed that in the case of the hill States whose own revenues cover only a small portion of their non-Plan revenue expenditure, the revenue deficits before devolution tend to increase over the forecast period. For, the growth of the small amount of revenue, albeit at a relatively larger rate, is not sufficient to cover the growth in expenditure at a relatively smaller rate. The second reason is that in our scheme of devolution 5 per cent of the net proceeds of shareable excise duties, which are buoyant, has been allocated exclusively to deficit States.

13.13 In the previous Chapter we have considered the requirements of States for upgradation of standards of administration as well as for meeting their special problems. Ten States namely, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Orissa, Sikkim, Tripura and West Bengal which have not been left with any surpluses after devolution cannot meet the requirements of upgradation without further assistance. We, therefore, recommend that their requirements on this account be met by grants-in-aid. The States of Andhara Pradesh, Bihar, Kerala, Madhya Pradesh, Rajasthan and Uttar Pradesh have surpluses after devolution. These States are relatively less developed, and, one factor which could have perhaps, contributed to their surplus is the low level of expenditure incurred by them on a number of services. A part of the revenue surplus, we have left them with, would have to be utilised to cover the non-Plan capital gap which we are leaving uncovered, as indicated in the next Chapter. We are of the view that, at least, the remaining surplus should be available for developmental purposes. We have, therefore, decided to recommend grants-in-aid to them also. Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Tamil Nadu are left with sufficiently a large surpluses before devolution of taxes. They should normally incur optimum levels of non-Plan expenditure on various services. We, nevertheless, notice that they are lagging behind in this respect in some sectors/services where we feel that the expenditure incurred by them is less than what is otherwise required. We have also quantified these requirements. In our view, it should be possible for these six States to meet these requirements without any further assistance from the Centre.

The grants-in-aid recommended by us on this account are shown in the Table below:

Table 4 : Grants-in-aid for 1984-85 to 1988-89 for upgradation of services
(Year-wise phasing based on para 12.71)

(Rs. crores)

States	Total 1984-89	1984-85	1985-86	1986-87	1987-88	1988-89
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	80.49	13.09	28.50	16.74	16.72	5.44
Assam	58.35	9.49	20.66	12.14	12.12	3.94
Bihar	130.27	21.18	46.13	27.10	27.06	8.80
Himachal Pradesh	15.76	2.56	5.58	3.28	3.27	1.07
Jammu & Kashmir	46.07	7.49	16.31	9.58	9.57	3.12
Kerala	16.81	2.73	5.95	3.50	3.49	1.14
Madhya Pradesh	147.69	24.01	52.30	30.72	30.68	9.98
Manipur	20.30	3.30	7.19	4.22	4.22	1.37
Meghalaya	18.20	2.96	6.44	3.79	3.78	1.23
Nagaland	10.81	1.76	3.83	2.25	2.24	0.73
Orissa	74.84	12.17	26.50	15.57	15.54	5.06
Rajasthan	43.48	7.07	15.40	9.04	9.03	2.94
Sikkim	3.14	0.51	1.11	0.66	0.65	0.21
Tripura	13.79	2.24	4.88	2.87	2.87	0.93
Uttar Pradesh	108.18	17.59	38.31	22.50	22.47	7.31
West Bengal	126.37	20.55	44.75	26.28	26.25	8.54
Total	914.55	148.70	323.84	190.24	189.96	61.81

* Subject to paras 13.16, 13.19 and Annexure XIII-2.

13.14 The other matter referred to in the previous Chapter relates to the special problems of States. These fall into two categories. Firstly, there are some problems of a special nature, even though purely within the States' sphere of activities, in regard to which requests have been received from the concerned States. Secondly, there are some problems of national importance. We have decided that grants-in-aid may be given to deal with these special problems regardless of whether a State has a revenue surplus before devolution or not. Accordingly, we recommend grant of Rs.52.78 crores to the following States:—

Table 5: Grants-in-aid for special problems

(Rs. crores)

States	Total 1984-89	1984-85	1985-86	1986-87	1987-88	1988-89
1.	2.	3.	4.	5.	6.	7.
Assam	5.00	1.00	1.00	1.00	1.00	1.00
Himachal Pradesh	0.50	0.10	0.10	0.10	0.10	0.10
Jammu & Kashmir	2.48	0.49	0.50	0.50	0.50	0.49
Madhya Pradesh	10.00	2.00	2.00	2.00	2.00	2.00
Manipur	2.00	0.40	0.40	0.40	0.40	0.40
Meghalaya	1.00	0.20	0.20	0.20	0.20	0.20
Punjab	20.00	4.00	4.00	4.00	4.00	4.00
Rajasthan	10.00	2.00	2.00	2.00	2.00	2.00
Sikkim	1.00	0.20	0.20	0.20	0.20	0.20
Tripura	0.80	0.16	0.16	0.16	0.16	0.16
Total	52.78	10.55	10.56	10.56	10.56	10.55

13.15 We have already stated in the Chapter relating to financing of relief expenditure that the Centre should also contribute to the margin money of the States shown in the Table in para 11.33 of that Chapter to the extent of 50 per cent. We recommend that an amount of Rs.120.375 crores may also be paid each year to the States as grants-in-aid under Article 275 as shown in the following table subject to the observations made in that Chapter as to the manner of their disbursement to the States.

Table 6 : Centres' contribution to margin money

(Rs. crores)

States	1984-85	Total 1984-89	States	1984-85	Total 1984-89
1.	2.	3.	1.	2.	3.
Andhra Pradesh	12.250	61.250	Meghalaya	0.125	0.625
Assam	3.625	18.125	Nagaland	0.125	0.625
Bihar	16.875	84.375	Orissa	13.125	65.625
Gujarat	14.375	71.875	Punjab	3.000	15.000
Haryana	2.250	11.250	Rajasthan	8.375	41.875
Himachal Pradesh	0.875	4.375	Sikkim	0.125	0.625
Jammu & Kashmir	0.750	3.750	Tamil Nadu	4.375	21.875
Karnataka	3.000	15.000	Tripura	0.375	1.875
Kerala	2.500	12.500	Uttar Pradesh	16.250	81,250
Madhya Pradesh	2.375	11.875	West Bengal	11.875	59.375
Maharashtra	3.625	18.125	Total	120.375	601.875
Manipur	0.125	0.625			

13.16 It may be recalled that we have not taken into account, while reassessing the revenue forecast of States, the requirements to meet the interest liability arising out of fresh borrowings by States during the forecast period. Since this liability would impose a substantial burden, we recommend that grants under Article 275 should be paid by the Centre to the ten deficit States to which grants-in-aid are being paid to cover the revenue gaps during each of the last four years of the forecast period. The manner in which this additional liability should be computed has been indicated in Annexure XIII-1. Following the computations made on the basis indicated in Annexure XIII-1 the President should be moved to increase, to the extent required, the grants recommended by us under Article 275 of the Constitution to the ten States mentioned in paragraph 13.11 above. Rajasthan will be entitled to such assistance in 1985-86, in respect of the fresh transactions that may take place in 1984-85 as it will have deficits in that year as shown in para 13.19. In the case of the remaining States, the net interest liability computed should be set off against the surplus as assessed by us, after devolution, and the net deficit, if any, should be given as grants-in-aid by President's Order under Article 275.

13.17 We have referred to two other categories of contingent liabilities in Chapter III. The first relates to the payments which the hill States would have to make to Government of India as cost of the deployment of the Central Police Forces in their States. We have been informed that the rate for the recovery of the cost for the use of the Central Police Forces in the States has been substantially increased recently. It would not be possible for us to estimate with any degree of certainty the amounts which these States would have to pay to the Centre for the use of the Central Police Forces, because this is a matter entirely dependent on the law and order situation prevailing in States from time to time. We, therefore, thought it best to leave out this provision and recommend that such needs should be provided for separately. Accordingly, we recommend that in the event of the use of the Central Police Forces during the forecast period, the Centre may either write off the recovery on such account or in the alternative, provide grants-in-aid to these States to enable them to make such payments.

13.18 The second relates to the additional burden from 1985-86 on account of the committed expenditure in respect of Plan schemes completed in 1984-85. In this connection reference may be made to para 3.127 of Chapter III. As mentioned therein, grants would have to be paid to the deficit States whose targets of additional resource mobilisation through budgetary measures in 1984-85 may be less than the increase in the committed liability in 1985-86 over the provisions made by us, based on schemes completed by 1983-84. We recommend that the requirements, if any, of grants on this account for such deficit States, may be met by the Government of India for the four years from 1985-86 to 1988-89. The methodology to compute the grants payable to such States is explained in Annexure XIII-2.

13.19 About ten days before we were to submit this Report to the President, the Union Finance Minister made an announcement in Parliament that three instalments of dearness allowance which had already become due upto 1st November, 1983 were being released to the Central Government employees. These cover the 12-monthly average of All India Consumer Price Index Number for Industrial Workers (Base 1960=100) upto 520. It would be recalled that one of the objective criteria we have adopted in Chapter III is that provisions should be made for payment of dearness allowance to employees of State Governments and of dearness relief to pensioners to compensate for increases in cost of living to the same extent as has been done by the Centre so far. At this late stage it has not been possible for us to incorporate provisions for this purpose in the forecasts of the States. We have estimated to what extent there will be an increase in the deficits of the States shown in the Table in para 13.10. We, therefore, recommend that, in addition to the grants to cover the revenue gap as mentioned in para 13.11, the amounts shown in the Table below may be given as grants-in-aid of the revenues of the States to cover the additional deficits arising out of these provisions.

Table 7 : Grants to cover increases in revenue gaps on account of additional provisions for dearness allowance

(Rs. crores)

State	Total 1984-89	1984-85	1985-86	1986-87	1987-88	1988-89
1.	2.	3.	4.	5.	6.	7.
1. Assam	58.85	11.77	11.77	11.77	11.77	11.77
2. Himachal Pradesh	16.80	3.36	3.36	3.36	3.36	3.36
3. Jammu & Kashmir	40.45	8.09	8.09	8.09	8.09	8.09
4. Manipur	7.75	1.55	1.55	1.55	1.55	1.55
5. Meghalaya	8.30@	1.66	1.66	1.66	1.66	1.66
6. Nagaland	11.80	2.36	2.36	2.36	2.36	2.36
7. Orissa	95.90	19.18	19.18	19.18	19.18	19.18
8. Rajasthan	32.44	24.06	8.38*	-	-	-
9. Sikkim	3.35	0.67	0.67	0.67	0.67	0.67
10. Tripura	23.95	4.79	4.79	4.79	4.79	4.79
11. West Bengal	209.70	41.94	41.94	41.94	41.94	41.94
Total	509.29	119.43	103.75	95.37	95.37	95.37

@ Based on cost of one instalment by assuming Rs.162 as the cost per employee per annum. 7.8 per cent of the amount so worked out has been allowed for relief to pensioners.

* After adjusting for marginal surplus in 1985-86.

The surpluses left with some States as shown in para 13.9 will also get reduced on this account. The extent of reduction can be computed with the help of the data given in Chapter III.

13.20 The following Table shows the position regarding total amounts of grants-in-aid to be paid annually during the forecast period.

Table 8 : Total Grants-in-aid under Article 275: 1984-89

(Rs. crores) (Rs. crores*)

State	Total 1984-89	1984-85	1985-86	1986-87	1987-88	1988-89
1.	2.	3.	4.	5.	6.	7.
1. Andhra Pradesh	141.74	25.34	40.75	28.99	28.97	17.69
2. Assam	355.81	92.70	92.21	71.85	64.11	34.94
3. Bihar	214.65	38.06	63.01	43.98	43.93	25.67
4. Gujarat	71.87	14.37	14.37	14.37	14.38	14.38
5. Haryana	11.25	2.25	2.25	2.25	2.25	2.25
6. Himachal Pradesh	243.68	61.19	60.47	51.61	45.00	25.41
7. Jammu & Kashmir	381.48	97.95	98.70	79.62	68.16	37.05
8. Karnataka	15.00	3.00	3.00	3.00	3.00	3.00
9. Kerala	29.31	5.23	8.45	6.00	5.99	3.64
10. Madhya Pradesh	169.57	28.39	56.68	35.10	35.05	14.35
11. Maharashtra	18.12	3.62	3.62	3.62	3.63	3.63
12. Manipur	169.87	41.96	43.22	35.99	31.62	17.08
13. Meghalaya	138.98	34.20	35.52	29.42	25.86	13.98
14. Nagaland	201.95	50.64	49.91	43.02	37.56	20.82
15. Orissa	348.06	92.85	94.57	66.47	56.08	38.09
16. Punjab	35.00	7.00	7.00	7.00	7.00	7.00
17. Rajasthan	137.99	51.70	34.16	19.42	19.40	13.31
18. Sikkim	40.93	10.21	10.14	8.65	7.57	4.36
19. Tamil Nadu	21.87	4.38	4.38	4.37	4.37	4.37
20. Tripura	203.51	50.60	50.12	42.97	37.82	22.00
21. Uttar Pradesh	189.43	33.84	54.56	38.75	38.72	23.56
22. West Bengal	629.36	174.54	169.94	120.75	101.12	63.01
Total	3769.43	924.02	997.03	757.20	681.59	409.59

* Rounded off to nearest lakh.

13.21 Shri A.R. Shirali has suggested that the States' shares of income-tax, Union excise duties, etc., may continue to be determined and distributed in 1984-85 in accordance with the recommendations of this Commission in its Interim Report submitted in November, 1983. He has also differed from the majority in regard to the States' shares of income-tax and Union excise duties during the period 1985-89. The consequential changes which he considers necessary in the determination of the grants-in-aid etc. are contained in his Note of Dissent.

13.22 A comparative picture regarding total estimated resources transferred to the States on the basis of the recommendations of the Seventh Finance Commission for the period 1979-84 and on our recommendations for the period 1984-89 is given in the following Table:

Table 9 : Transfers from Centre to the States by way of share of Taxes and Duties and Grants-in-aid under Article 275 of the Constitution.

(Rs. in Crores)

	STATE	Estimated transfer during 1979-84 as recommended by Seventh Finance Commission					Estimated transfer during 1984-89 as recommended by Eighth Finance Commission					
		Taxes and Duties*	Art. 275 Grant		Total	Percentage to total in Column 5	Taxes and Duties**	Article 275 Grant			Total	Percentage to total in Column 11.
			Revenue Gap	Upgradation				Revenue Gap@	Upgradation Grant	Margin Money Grant		
	1	2	3	4	5	6	7	8	9	10	11	12
1.	Andhra Pradesh	1502.89	..	19.60	1522.49	7.31	2754.78	..	80.49	61.25	2896.52	7.34
2.	Assam	496.94	..	21.71	518.65	2.49	1251.67	274.33	63.35	18.13	1607.48	4.07
3.	Bihar	2149.85	..	63.02	2212.87	10.62	4005.82	..	130.27	84.38	4220.47	10.70
4.	Gujarat	963.87	..	..	963.87	4.63	1417.18	..	..	71.87	1489.05	3.77
5.	Haryana	308.57	..	..	308.57	1.48	427.97	..	..	11.25	439.22	1.11
6.	Himachal Pradesh	110.26	207.07	7.74	325.07	1.56	530.69	223.04	16.26	4.38	774.37	1.96
7.	Jammu & Kashmir	159.05	199.56	18.28	376.89	1.81	738.21	329.18	48.55	3.75	1119.69	2.84
8.	Karnataka	1005.00	..	..	1005.00	4.82	1712.97	..	..	15.00	1727.97	4.38
9.	Kerala	766.16	..	4.18	770.34	3.70	1258.94	..	16.81	12.50	1288.25	3.27
10.	Madhya Pradesh	1533.88	..	63.58	1597.46	7.67	2788.11	..	157.69	11.88	2957.68	7.50
11.	Maharashtra	1714.06	..	..	1714.06	8.22	2617.30	..	..	18.12	2635.42	6.68
12.	Manipur	37.76	146.32	9.95	194.03	0.93	299.18	146.95	22.30	0.62	469.05	1.19
13.	Meghalaya	36.68	92.61	4.86	134.15	0.64	242.88	119.15	19.20	0.63	381.86	0.97
14.	Nagaland	17.91	218.35	4.33	240.59	1.15	325.47	190.52	10.81	0.62	527.42	1.34
15.	Orissa	815.27	136.92	32.26	984.45	4.72	1561.60	207.60	74.84	65.62	1909.66	4.84
16.	Punjab	419.53	..	..	419.53	2.01	611.15	..	20.00	15.00	646.15	1.64
17.	Rajasthan	883.52	..	19.29	902.81	4.33	1538.18	42.63	53.48	41.88	1676.17	4.25
18.	Sikkim	0.48	35.72	0.65	36.85	0.18	63.52	36.16	4.14	0.63	104.45	0.27
19.	Tamil Nadu	1476.39	..	27.21	1503.60	7.21	2443.07	..	..	21.87	2464.94	6.25
20.	Tripura	59.66	136.57	3.61	199.84	0.96	357.67	187.05	14.59	1.87	561.18	1.42
21.	Uttar Pradesh	3202.72	..	112.02	3314.74	15.90	5915.60	..	108.18	81.25	6105.03	15.47
22.	West Bengal	1572.60	..	24.51	1597.11	7.66	2820.62	443.61	126.37	59.38	3449.98	8.74
	TOTAL	19233.05	1173.12	436.80	20842.97	100.00	35682.58	2200.22	967.33	601.88	39452.01	100.00

* Includes share of Grants in lieu of Railway Passenger Fares Tax amounting to Rs.81.25 crores but excludes Rs. 64 crores in respect share in Estate Duty and receipt on account of Wealth Tax on Agri. Property.

** Includes Share of Grants in lieu of Railway Passenger Fares Tax amounting to Rs.475 crores but excludes Rs.103 crores in respect of Share in Estate Duty and receipt on account of Wealth Tax on Agri. Property.

@ Revenue Gap Grants in Table 3 and Table 7.

CHAPTER XIV

NON-PLAN CAPITAL GAP OF THE STATES

14. 1 Paragraph 9 of the President's Order reads as follows :-

> "The Commission may make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1988-89. In the light of such an assessment, the Commission may undertake a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1983-84 and suggest appropriate measures to deal with the non-Plan capital gap, having regard inter alia to the overall non-Plan gap of the States, their relative position and the purposes for which the loans have been utilised and the requirements of the Centre".

This paragraph of our terms of reference is verbatim the same as the like paragraph in the case of the Seventh Finance Commission. However, it is worth noting that it is much wider than the corresponding paragraph in the terms of reference of the Sixth Finance Commission. Whereas that Commission was only asked to "suggest changes in the existing terms of repayments" of Central loans we, like the Seventh Finance Commission, have been asked to "suggest appropriate measures to deal with the non-Plan capital gap" as a whole.

14. 2 By the said terms of reference we are required :-

(i) to make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for 1984-89;

(ii) to undertake a general review of the States' debt position with particular reference to outstanding Central loans as on 31. 3. 1984;

(iii) to suggest appropriate measures to deal with the non-Plan capital gap having regard inter alia to the considerations mentioned.

We will deal with these matters seriatim.

I - Assessment of the non-Plan capital gap

14. 3 We have studied the methodology of the Sixth and Seventh Finance Commissions as to the assessment of the non-Plan capital gap of the States on a uniform and comparable basis. In the Memoranda submitted to us, most of the State Governments have not suggested any substantial change in the methodology followed by the previous Commissions. Broadly speaking, the methodology we have adopted in the estimation of the non-Plan capital gaps is as follows :-

(a) Capital expenditure outside the Revenue Account, including outlays required for administrative buildings, will, by and large, form part of the Plan;

(b) Net receipts from fresh market loans will be treated as a Plan resource. Consequently, repayments of such loans have been ignored for the purposes of working out the non-Plan capital gaps. Repayment of loans to the Life Insurance Corporation and other financial institutions, however, have been treated as non-Plan liability and taken into account by us in working out the non-Plan capital gaps;

(c) While no recoveries of loans have been assumed from the State Electricity Boards, recoveries of other loans have been assumed on a normative basis;

(d) The repayment of all outstanding Central loans, including small savings loans and over-draft loans, during the forecast period have been treated as a non-Plan liability for the purposes of working out the non-Plan capital gaps.

(e) In working out the non-Plan capital gaps, transactions under Cash Balance Investment Accounts have been ignored. No drawals have been assumed against State Governments' cash balances.

Further details of the manner in which the non-Plan capital gaps of the States have been worked out by us are indicated in Annexure XIV-1.

14.4 The State-wise position of non-Plan capital gaps, as reassessed by us, is set out in the following table :-

Table 1 : Non-Plan Capital Gaps as re-assessed

		(Rs. Crores)			(Rs. Crores)
1.	Andhra Pradesh	432.88	12.	Manipur	46.47
2.	Assam	365.11	13.	Meghalaya	16.62
3.	Bihar	865.29	14.	Nagaland	20.44
4.	Gujarat	226.18	15.	Orissa	340.99
5.	Haryana	209.50	16.	Punjab	259.17
6.	Himachal Pradesh	49.61	17.	Rajasthan	668.61
7.	Jammu & Kashmir	259.10	18.	Sikkim	3.64
8.	Karnataka	220.53	19.	Tamil Nadu	199.13
9.	Kerala	249.81	20.	Tripura	19.47
10.	Madhya Pradesh	503.28	21.	Uttar Pradesh	800.37
11.	Maharashtra	328.74	22.	West Bengal	721.25

TOTAL ALL STATES : 6806.19

Itemised details on the basis of which these gaps have been worked out may be seen in Annexure XIV-2.

14.5 Although to comply perfectly with paragraph 9 of the President's Order, it would, probably, be necessary for us to take into account the loans likely to be obtained by the States from the Centre during the forecast period, and, the repayment thereof during the same period, we have not done so because of the difficulties in estimating the same. We have also not taken this into account for the purposes of debt relief.

Shri G. C. Baveja has reservations in this regard and he is of the view that to make a more realistic assessment of non-Plan capital gaps for the period 1984-89, it would be proper to estimate future loans on the basis of past trends and provide for repayments on the basis of existing terms during the forecast period.

II - A GENERAL REVIEW OF THE STATES' DEBT POSITION

14.6 The following table gives the picture of the estimated indebtedness of the State Governments as at the end of 1983-84. For facility of comparison, corresponding estimates of outstanding debt as at the end of 1978-79 as estimated by the Seventh Finance Commission are also indicated in the table :

Table 2 : Estimated Outstanding debt of the State Governments

(Rs. crores)

		As at the end of 1978-79*	As at the end of 1983-84
(1)	Internal Debt		
	(a) Market loans	2572	4236
	(b) Other loans	776	1724
(2)	Central loans	13463	27059
(3)	Unfunded debt	1974	4387
	TOTAL :	18785	37406

* Seventh Finance Commission Report Chapter 11, Paragraph 17.

It would be seen that the States' indebtedness has doubled in the last five years, i. e. from Rs. 18, 785 crores at the end of 1978-79 as estimated by the Seventh Finance Commission to Rs. 37, 406 crores at the end of 1983-84.

14. 7 Our terms of reference require us to review the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1983-84. As is apparent from the above Table, Central loans have also doubled from Rs. 13, 463 crores to Rs. 27, 059 crores in the last five years. The Statewise position in regard to the total outstanding debt, outstanding Central loans, Central loans falling due for repayment during 1984-89 and the non-Plan capital gaps during the corresponding period is shown in Annexure XIV-3. The Annexure also shows the ratio of these items to the State Domestic Product (average for 3 years 1976-77 to 1978-79).

14. 8 The phenomenal growth in the States' indebtedness testifies to the compulsions for financing a large part of the plan outlays through borrowings. The States' revenue resources have failed to keep pace with their growing requirements on revenue account and most of the State Governments are dependent upon the Centre's transfers to meet their revenue requirements. In this situation, there is no alternative but to finance developmental outlays mainly through borrowings. The position of the Central Government is not materially different from that of the States in this respect, as it also depends heavily on borrowed funds,.since its commitments on revenue account are larger than its revenue receipts. Our views in regard to the growth in public debt are set out in a later part of this Chapter.

14. 9 The position in regard to the outstanding Central loans as at the end of 1983-84 and repayments falling due during the forecast period for the major components of the Central loans is shown below :

Table 3 : Outstandings of Central Loans and Repayments

(Rs. Crores)

		Outstandings as on 31. 3. 1984	Repayment falling due during 1984-89
1.	Loans consolidated by the Seventh Finance Commission		
	(a) 15-year loans	1785. 63	892. 84
	(b) 30-year loans	6364. 87	1273.01
2.	Small Savings loans		
	(a) Loans received upto 1978-79	2293. 41	585. 67
	(b) Loans received during 1979-80 to 1983-84	4677. 16	374. 98
3.	Plan loans including Central and Centrally sponsored schemes	8780. 58	3332. 03
4.	Hirakud (Stage I) Loans to Orissa	82. 42	1. 62
5.	Loans for drought relief	615. 48	231. 97
6.	Loans to clear overdrafts	2242. 58	1992. 90
7.	Relief and Rehabilitation loans	144. 62	
8.	Loans under the National Loans Scholarship Schemes, etc.	71. 99	3. 02
	TOTAL :	27058. 74	8688. 04

The State-wise position is given in Annexures XIV-4(i) and XIV-4 (ii).

14. 10 In their Memoranda to us, several State Governments have made suggestions for reduction of their outstanding debts and, in particular, the repayment burden during the period covered by our recommendations. Andhra Pradrsh has proposed that loans and advances from the Centre consolidated by the Seventh Finance Commission, and, also those not consolidated, but outstanding as on 31. 3. 1984, may be written off. It has also proposed that no relief may be provided on overdraft loans and that all other loans given after 1978-79 be consolidated into one loan repayable over 30 years. Assam would like that loans for Brahmputra Flood Control be written-off, and that

repayments of loans for power projects and social and economic services should commence after the gestation period is over. Bihar has proposed that loans given to the States for all major irrigation and flood protection schemes may be converted into grants. Haryana has proposed write-off of all loans given for power development. Several States have proposed write-off of loans for famine relief, rehabilitation of displaced persons, repatriates, etc. and loans under the National Loans Scholarship Schemes. Himachal Pradesh has proposed write-off of the overdraft loans. Jammu & Kashmir would like 75 per cent of the outstanding Central loans as on 31-3-1984 to be converted into grants-in-aid and the repayment period for the remaining 25 per cent to be fixed at 30 years. Karnataka would like overdraft loans to be converted into long term loans and it has also suggested that there should be two categories of loans viz., non-productive, which should be written-off and productive which should be made repayable in 30 years. Madhya Pradesh and Punjab have proposed that all loans be consolidated into one loan. These States have proposed that the loan thus consolidated may be made repayable in 50 years and 30 years respectively. Orissa, Uttar Pradesh and Tripura would like repayment liabilities in excess of the recoveries of loans and advances to be charged to revenue account and have requested provision of adequate revenue surpluses to discharge their debts.

14. 11 Several State Governments have also proposed a change in the present pattern of Plan assistance in which the ratio of loan and grant component is 70:30. Andhra Pradesh and Tamil Nadu would like this ratio to be 50:50. Haryana and Karnataka would go further and would like this ratio to be fixed at 30:70 for all States. However, Bihar would restrict this liberal pattern to only those States whose per capita income is below the all States' average. Gujarat has proposed that, in future, all Plan assistance should be by way of grants-in-aid.

14. 12 Suggestions have also been made by several State Governments in regard to interest rates. Assam has proposed that loans for power projects and social and economic services should be interest free during the gestation period. Karnataka would like that no interest is charged on loans given for relief and rehabilitation of displaced persons and repatriates and under the National Loans Scholarship Schemes. Gujarat and Rajasthan have proposed that loans in respect of externally aided projects should carry the same terms as the Central Government obtains from the foreign creditors.

14. 13 Assam has supported the classification of Central loans into the three categories viz. productive, semi-productive and non-productive evolved by the Seventh Finance Commission. Karnataka has proposed that the outstanding loans may be classified into only two categories viz. non-productive and productive.

14. 14 Assam, Gujarat, Haryana and Rajasthan have proposed that small savings loans may be treated as 'loans in perpetuity'. Andhra Pradesh, Karnataka and Tamil Nadu have proposed that the States' share of net small savings collection should be given as grants and not as a loan. Uttar Pradesh and Maharashtra have proposed that recoveries of small savings loans may be made from States only in those years when the gross collections of small savings are less than the repayments/withdrawals.

III. MEASURES TO DEAL WITH NON-PLAN CAPITAL GAPS

14. 15 Before we come to the specific measures to deal with the non-Plan capital gaps of the States as reassessed by us in Section I of this Chapter, we would like to indicate our general approach to the problem of the States' indebtedness to the Centre.

14. 16 We see nothing basically wrong in the growth of public debt. With the expanding public functions, no Government, particularly in developing economy, can undertake large scale programmes of development without recourse to borrowing. We think, however, that it is but right that the borrowed funds should be used for investment purposes and not for consumption. Investments financed by borrowed funds, need not be strictly productive in commercial sense, but, they should subserve a genuine public purpose. In our view, investments in roads, buildings for schools, hospitals, etc. are as desirable as investments in productive assets which yield commercial returns. While it is, no doubt, preferable that public debt is discharged through public savings, in the event of such savings being inadequate or or required for achieving a better social or economic goal, there is no harm in discharging old debts by taking fresh loans.

14. 17 The relationship between the Union and the States is one of partnership, in which loans constitute an important mechanism for transfer of resources. The resources made available by the Union Government to the States are returned to the Union to be redeployed for the benefit of the same or some other States which may be in need of assistance. Thus, the loan funds constitute a pool of resources recycled between theUnion and the States in accordance with their respective emerging requirements.

In general, we are not in favour of write off of loans since such a write off would reduce the pool of resources available with the Union for re-cycling. In a growing economy, normally, loan receipts would exceed the repayments in any year and hence, a situation should not arise in which the capacity of the States to discharge their debts is impaired. So long as the liability for repayments to the third parties is fully provided for, the indebtedness of the States to the Union could continue to grow without any detrimental effect on the national economy.

14. 18 We do not consider the loan transactions between the States and the Union as merely a debtor-creditor relationship. Most of the loans given by the Union to the States have been used to create capital assets. Returns, if any,form these assets are also required by the States for further development. In these circumstances, the States have no option but to seek assistance from the Union for their developmental requirements. The Centre, in turn, has to view each State's requirements in the perspective of total national needs and provide for them. In fact, this is precisely what has been happening and the growing volume of Central assistance for the Plan is an indication of the partnership between the Union and the States in the common endeavour for further economic development.

14. 19 The most pernicious problem, which has manifested itself in Union-States financial relations, is overdrafts. The phenomenon of overdrafts has been disturbing the financial balance between the Union and the States and the States inter-se for over a decade now. In a statement made by the Union Finance Minister in Parliament in July, 1982, a package of measures was announced to tackle the problem of mounting overdrafts of State Governments. In that statement, the Finance Minister announced that the Overdraft Regulation Scheme introduced in 1972 and modified in 1978 would be rigidly enforced. In order to enable the State Governments to start the year 1982-83 with a clean slate, medium term loans amounting to Rs. 1743 crores were advanced to various States to clear the overdrafts taken from the Reserve Bank of India as at the end of 1981-82. Simultaneously, the Reserve Bank of India doubled the ways and means limits of the States so that they would have a larger cushion against temporary imbalances between their receipts and expenditures. Out of the loans of Rs. 1743 crores advanced to the States, Rs. 1593. 60 crores would fall due for repayment during the period covered by our recommendations. The problem of overdrafts has persisted even after the medium term loans given to the States in June, 1982. The Centre has again given in 1983-84 loans of Rs. 499. 12 crores to certain States to help them in tackling the problem of overdrafts at the close of 1983-84. The loans are intended to cover part of such overdrafts. The normal terms prescribed are that these would be repayable in five years commencing from 1985-86, with a moratorium on principal and interest in 1984-85. This is subject to the condition that the concerned State Governments would restrict the closing deficits at the end of 1983-84 to a certain agreed amount, failing which the entire loan would be recovered in 1984-85 itself. The actual closing deficit for 1983-84 would be known only after the Reserve Bank of India furnishes this information in due course. We have assumed that there would be no defaults by the State Governments and have, therefore, provided for recovery according to the normal terms which amount to Rs. 399. 30 crores during the forecast period.

14. 20 We have not suggested any change in the terms of repayment of overdraft loans and have kept such loans outside our scheme of debt relief. This is because any modification in the terms of repayment of such loans in favour of the States would amount to condoning laxity in fiscal management. The problem of overdraft had been examined, in detail, by the Fifth Finance Commission and they has made certain suggestions in regard to this matter. Overdrafts taken as an additional resource for financing either the State Plans or for meeting non-Plan expenditures, are objectionable and the States which manage their finances well are the worst sufferers in this situation, since, with the shrinkage in the Central resources on account of the need to clear the overdraft of the defaulting States, the available pool of resources which could be equitably distributed amongst the States, gets reduced.

14 21 Unauthorsed overdrafts are a sign of financial indiscipline in that the concerned State Government over-spends without any regard to the availability of resources. There may be genuine difficulties in certain cases which need to be resolved through dialogue with the Union Government but not by running into overdrafts. We are of the view that fresh liabilities should be kept in alignment with the availability of resources and any inescapable requirements which may arise during the year should be met by

specific measures of additional resource mobilisation and/or economy in expenditure. The practice to run into overdrafts is unhealthy in a federal structure like ours where, apart from a need of accelerated development, there is also an urgent need to reduce regional disparities. Thus overdrafts are a negation of the planning process and hence should be dealt with strictly.

14.22 In the scheme to cover the non-Plan capital gaps, we have, therefore, not suggested any relief on the outstandings of the overdraft loans and have assumed full recoveries in respect of these loans on the basis of the existing terms during the period covered by our recommendations.

14.23 Small savings collections are a major source for financing the Plan. The Centre's revised estimates for 1983-84 place the receipts from this source at Rs. 2,200 crores. Under the existing arrangement a two-third share of the net receipts in a State is passed on as loan to that State. The present terms and conditions of small savings loans to the States envisage their repayment in 25 years with a five-year initial moratorium. The total small savings loans outstanding at the end of March, 1984 are estimated at about Rs. 6,971 crores against which a repayment of about Rs. 960 crores would fall due during 1984-89.

14.24 While dealing with the non-Plan capital gaps, the Sixth Finance Commission treated the small savings loans as a separate category. The scheme of debt relief proposed by that Commission also did not take into account the repayment liabilities in respect of small savings loans and it considered that such repayments should be taken care of through fresh mobilisation of small savings.

14.25 The Seventh Finance Commission recommended that small savings loans may be treated as 'loans in perpetuity'. One Member of the Commission, however, had reservations regarding this recommendation. The Central Government did not accept the recommendation to consider the small savings loan to the States as loans in perpetuity. Nevertheless, in order not to disturb the order of the debt relief recommended by that Commission for the five years 1979-84, the Central Government decided that the State Governments will not be required to make any repayment during 1979-84 on account of such small savings loans as were outstanding at the end of 1978-79.

14.26 There is a difference of opinion amongst us regarding the question whether any relief need be accorded in the repayment of small savings loans outstanding at the end of 1983-84 during the period 1984-89. Shri Justice T. P. S. Chawla, Dr. C. H. Hanumantha Rao and Shri A. R. Shirali, constituting the majority, are of the view that these loans have enjoyed a moratorium for a long enough period already and that no further relief in their repayment during the forecast period would be justified, except in respect of the repayments due in 1984-85 for the special reasons stated hereinafter. Shri Y. B. Chavan, and Shri G. C. Baveja, are of the view that there should be no repayment in respect of these loans throughout the forecast period. They have given a minute of dissent on this issue which is appended.

14.27 The majority of the Commission is in full agreement with the views of the Sixth Finance Commission reproduced below:

"Small Savings Loans :

Most of the State Governments have urged that loans given to them towards their share of the net collections under small savings scheme in the respective States should be treated as loans in perpetuity. They have argued that as their entitlement to these loans is now worked out with reference to the net collections under Small Savings Scheme, it is only fair that the Union Government should not insist on repayment of the loans. A critical analysis of the evolution of the sharing arrangements on small savings schemes leaves us with the impression that these loans have been given to the States largely as an inducement to join the Centre in a cooperative effort to mobilise small sevings. Net collections within the States would thus seem to be only a convenient yard-stick for determining the quantum of loans given to each State. There is, therefore, no strong justification for treating these loans as loans in perpetuity. We would also like to stress that treatment of small savings loans as loans in perpetuity would confer dis-proportionally larger benefits on some of the advanced States and defeat the crucial objective of any properly designed scheme of debt relief which should have regard both to the purposes for which the loans have been utilised and the need for relief as adjudged by its relative economic condition and the overall position on non-Plan account and the like. Repayment of small savings loans by the States during the Fifth Plan period are estimated at about Rs. 462 crores. If these loans are treated as loans in perpetuity, it would considerably affect the resources at the disposal of the Central Government

and impair its capacity to help backward States. We should also remember that small savings collections in recent years have shown a sharp spurt mainly because the provident funds, particularly subscription under Employees' Provident Fund Act, have been permitted to be invested in Post Office Time Deposits. Nearly 60 per cent of the net collections of small savings are attributable to the investments made by the provident funds. In the mobilisation of funds from this source at any rate, the State Governments cannot claim to play any active part. We have indicated in Chapter XVI reasons for excluding repayment of small savings loans from the estimates of non-Plan capital gaps. We have, therefore, decided to leave small savings loans outside the scope of debt relief."

The majority only wish to add that they agree with the reasons given by the Sixth Finance Commission in para 13 of Chapter XVI and para 18 of Chapter XVII of their Report for treating small savings loans separately, and excluding them from their general scheme of debt relief.

14.28 Coming to the merits, the majority think that the existing terms of repayment of small savings loans are already very liberal, and, besides, any relief in respect of such loans would, in general, benefit the better off States as is apparent from the following table:--

Table 4 : Per Capita S.D.P. and outstandings of Small Savings Loans,

(arranged in descending order of Per Capita S.D.P.)

(In Rupees)

	States	Per capita SDP 1976-79 (Average)	Per capita outstanding Small Saving loans at the end of 1983-84
1		2	3
1.	Punjab	2250	142
2.	Haryana	1895	160
3.	Maharashtra	1670	257
4.	Gujarat	1590	220
5.	West Bengal	1247	272
6.	Himachal Pradesh	1230	260
7.	Karnataka	1202	101
8.	Tamil Nadu	1165	87
9.	Kerala	1162	45
	Average(All States)	1139	129
10.	Rajasthan	1127	78
11.	Sikkim	1100	28
12.	Nagaland	1100	28
13.	Jammu & Kashmir	1100	126
14.	Tripura	1082	55
15.	Meghalaya	1046	73
16.	Andhra Pradesh	1006	64
17.	Assam	960	132
18.	Orissa	918	65
19.	Madhya Pradesh	895	60
20.	Uttar Pradesh	870	106
21.	Manipur	859	10
22.	Bihar	755	108

14.29 In determining the Central assistance for the Plan, the needs of the less advanced States are a guiding factor. It is only as an exception to this rule that small savings loans are given on the basis of the collection principle. This does not, however, mean that the money initially granted as loans should not be available for recycling for ever, which would be the result if repayments are not required to be made. It is important to emphasize that if the loans are repaid to the Centre the money returned can be deployed wherever necessary according to progressive criteria.

14.30 The majority does not consider that any distinction can be drawn between the small savings loans and other Central loans to States simply on the ground that small savings loans are given on the

basis of net collections, i.e. gross receipts less repayments to depositors. If such a distinction were to be accepted, it would have to be applied in respect of all loans in general granted by the Centre since the latter also in effect come out of the net borrowings of the Centre.

14.31 Moreover, small savings collections are generated as a result of the cooperative effort of both the Centre and the States. It is only fair to recognise that the net collections of small savings are to a considerable degree attributable to certain policy decisions taken by the Centre, such as the income tax concessions on investment in certain small savings instruments and the prescribed pattern of investment of the moneys accruing under the provisions of the Employees' Provident Fund Act.

14.32 No doubt, the States play an important part in the mobilization of small savings, but for this they are suitably compensated by the grant of a large portion of the net collections as loans on very liberal terms. Our estimates for the forecast period indicate that nearly Rs.9,800 crores would be given to the States as loans against small savings collections whereas only Rs.960 crores would be required to be repaid during that period. These figures indicate the extent of benefit which would flow to the States.

14.33 As pointed out earlier, the majority felt that the small savings loans in respect of which repayment is due during the forecast period have already enjoyed moratorium for a long period extending from five to ten years and no further moratorium in their repayment would be justified. If such moratorium were to be granted for the forecast period and if all succeeding Commissions do the same, then the small savings loans will never be repayable and will in effect become "loans in perpetuity" - a concept which we find totally untenable. As mentioned already, the last Commission had made such a recommendation but it was rejected by the Central Government.

14.34 Accordingly, the majority of the Commission recommends that no relief in the repayment of small savings loans is necessary and these be required to be repaid according to the existing very liberal terms. However, we agree that in respect of 1984-85 there is a special consideration. It would be recalled that we were unable to complete our report by 31st October, 1983 and had made an interim report. In that report we had recommended that the moratorium granted by the Central Government in respect of repayments of small savings loans during 1979-84 be continued for one more year. In the meantime, the annual Plans of the States for 1984-85 have, in most cases, been finalized. In order not to disturb the resource calculations for the annual Plan for 1984-85, we recommend that during this year only the States may not be required to make any repayment of small savings loans.

14.35 The following table gives the estimates of non-Plan capital gaps for the years 1984-89 after excluding the repayment of overdraft loans and small savings loans to which we have referred earlier.

Table 5: Estimates of Non-Plan Capital Gap

(Rs. crores)

State	Non-Plan capital gap as indicated in para 14.4 of section I of this Chapter	Non-Plan Capital gap excluding repayment of overdraft loans and small savings loans	State	Non-Plan capital gap as indicated in para 14.4 of section I of this Chapter	Non-Plan capital gap excluding repayment of overdraft loans and small savings loans
1. Andhra Pradesh	432.88	384.97	12. Manipur	46.47	13.13
2. Assam	365.11	274.00	13. Meghalaya	16.62	7.54
3. Bihar	865.29	441.30	14. Nagaland	20.44	9.21
4. Gujarat	226.18	81.78	15. Orissa	340.99	260.81
5. Haryana	209.50	93.79	16. Punjab	259.17	118.86
6. Himachal Pradesh	49.61	19.44	17. Rajasthan	668.61	319.20
7. Jammu & Kashmir	259.10	250.24	18. Sikkim	3.64	3.63
8. Karnataka	220.53	177.32	19. Tamil Nadu	199.13	95.59
9. Kerala	249.81	107.78	20. Tripura	19.47	3.05
10. Madhya Pradesh	503.28	294.07	21. Uttar Pradesh	800.37	653.44
11. Maharashtra	328.74	82.37	22. West Bengal	721.25	161.12
			Total - All States	6806.19	3852.64

14.36 A good index of the capacity of a State to meet its repayment obligations to the Centre is the level of its development as measured by State Domestic product. The following table contains the

indices in this regard in respect of various States:—

Table 6: Central loans excluding small savings and overdraft loans outstanding at the end of 1983-84 as percentage of State Domestic Product (Average 1976-79)

Category	Name of State	Percentage	Category	Name of State	Percentage
Group 1	Punjab	10.8	Group 3	Bihar	33.5
	Maharashtra	12.1		Rajasthan	36.3
	Gujarat	15.3		Orissa	43.5
	Haryana	17.1		Assam	56.6
	Tamil Nadu	17.5			
	Karnataka	19.1	Group 4	Tripura	14.5
				Meghalaya	16.6
Group 2	West Bengal	21.5		Himachal Pradesh	18.0
	Kerala	22.1		Nagaland	39.2
	Madhya Pradesh	27.5		Manipur	49.7
	Uttar Pradesh	29.6		Sikkim	56.3
	Andhra Pradesh	31.3		Jammu & Kashmir	140.6

The details of the calculations are indicated in Annexure XIV-5.

Based on the above ratios, we have categorised the States into the following groups:

Group 1 - Six States with ratios upto 20 per cent.
Group 2 - Five States with ratios above 20 per cent but less than 33 per cent.
Group 3 - Four States with ratios above 33 per cent.
Group 4 - Seven hill States having special problems.

14.37 Our terms of reference require us to have regard, inter-alia, to the overall non-Plan gap of the States. The following table gives the State-wise position in this regard.

Table 7: Non-Plan Capital Gap as per cent of Revenue Surplus (Rs. crores)

States	Non-Plan Revenue position before devolution	Revenue Surplus after devolution (including revenue gap grants)	Non-Plan Capital gap (excluding re-payment of small savings and overdraft loans)	Total Non-Plan Gap (3+4)	Non-Plan Capital Gap as percentage of Revenue Surplus	
					Before devolution (Per Cent)	After devolution (Per Cent)
1	2	3	4	5	6	7
Group 1						
1. Maharashtra	(+)3790.48	(+)6407.78	(-) 82.37	(+)6325.41	2.2	1.3
2. Tamil Nadu	(+) 774.12	(+)3217.19	(-) 95.59	(+)3121.60	12.3	3.0
3. Gujarat	(+)1034.13	(+)2451.31	(-) 81.78	(+)2369.53	7.9	3.3
4. Punjab	(+)1147.55	(+)1758.70	(-) 118.86	(+)1639.84	10.4	6.8
5. Haryana	(+) 965.95	(+)1393.92	(-) 93.79	(+)1300.13	9.7	6.7
6. Karnataka	(+) 351.71	(+)2064.68	(-) 177.32	(+)1887.36	50.4	8.6
Group 2						
7. Madhya Pradesh	(-) 801.77	(+)1986.34	(-) 294.07	(+)1692.27		14.8
8. Kerala	(-) 635.43	(+) 623.51	(-) 107.78	(+) 515.73		17.3
9. Uttar Pradesh	(-)2113.59	(+)3802.01	(-) 653.44	(+)3148.57		17.2
10. Andhra Pradesh	(-) 845.98	(+)1908.80	(-) 384.97	(+)1523.83		20.2
11. Bihar	(-)3152.50	(+) 853.32	(-) 441.30	(+) 412.02		51.7
12. Rajasthan	(-)1240.63	(+) 297.55*	(-) 319.20	(-) 21.65		107.3
Group 3						
13. West Bengal	(-)3034.33		(-) 161.12	(-) 161.12		
14. Orissa	(-)1663.80		(-) 260.81	(-) 260.81		
15. Assam	(-)1444.46		(-) 274.00	(-) 274.00		
Group 4						
16. Himachal Pradesh	(-) 713.77		(-) 19.44	(-) 19.44		
17. Jammu & Kashmir	(-) 995.39		(-) 250.24	(-) 250.24		
18. Manipur	(-) 422.73		(-) 13.13	(-) 13.13		
19. Meghalaya	(-) 341.30		(-) 7.54	(-) 7.54		
20. Nagaland	(-) 484.04		(-) 9.21	(-) 9.21		
21. Sikkim	(-) 92.65		(-) 3.63	(-) 3.63		
22. Tripura	(-) 502.46		(-) 3.05	(-) 3.05		

* Net surplus in 1984-89 after adjusting the deficit of Rs. 9.70 crores in 1984-85

On the basis of their position in the foregoing table, the States again fall into four distinctive groups. The first group comprises six States which have surpluses even before devolution. These surpluses are also larger than their non-Plan capital gaps. The next group of six States also have revenue surpluses but only after devolution. These surpluses are also larger than their non-Plan capital gaps except in the case of Rajasthan. The third group comprising three States has no revenue surpluses even after devolution. The last group consists of the seven hill States which have no revenue surplus and are further characterised by a relatively weak revenue base and significant non-Plan capital gaps in relation to their resources.

14.38 It would be seen that the composition of the groups indicated in the preceding paragraph is almost the same as in the case of groups under para 14.36 above except in the case of Bihar, Rajasthan and West Bengal. We notice that —

(i) the non-Plan capital gaps of Bihar and Rajasthan as a percentage of their revenue surplus after devolution are much higher than those of other States; and

(ii) though West Bengal's percentage outstandings of Central loans, excluding small savings and overdraft loans, are smaller, it has not been left with any surplus after devolution.

Taking note of all these considerations, we have grouped the States as follows:—

Group 1	Group 2	Group 3	Group 4
Maharashtra	Uttar Pradesh	Bihar	Jammu & Kashmir
Punjab	Madhya Pradesh	Rajasthan	Himachal Pradesh
Gujarat	Andhra Pradesh	West Bengal	Tripura
Haryana	Kerala	Orissa	Manipur
Tamil Nadu		Assam	Meghalaya
Karnataka			Nagaland
			Sikkim

14.39 On the basis of the above classification, we have formulated our debt relief proposals in respect of Central loans which are intended to grant relief on a progressive basis to all States. While considering rescheduling of repayment as a measure of relief, we considered that the maximum period for which repayment may be rescheduled should not exceed thirty years. We are of the view that the States in Groups 1 and 2 may be given debt relief to the extent of not more than 35 per cent and 55 per cent respectively of their reassessed non-Plan capital gaps. We have provided this level of relief by way of rescheduling the terms of repayment of the outstanding loans. Considering the overall non-Plan gaps, we are of the view that States in Groups 3 and 4 may be given debt relief of 75 per cent and 85 per cent respectively of their reassessed non-Plan capital gaps. We have granted this order of relief, to the extent possible, by rescheduling the terms of repayment of outstanding loans and, for the balance, by recommending a write off of certain specified sums out of the amounts due to be repaid to the Centre by different States in each of the years covered by our recommendations.

14.40 The detailed manner in which the scheme of debt relief would be operated in respect of various categories of loans in different States is given in the subsequent paragraphs. We wish to add here that the uncovered gaps left by us should be covered by the State Governments from their own resources.

14.41 For the purposes of providing debt relief in respect of Central loans outstanding as at the end of 1983-84 to States our recommendations are as follows:—

(a) Loans for relief and rehabilitation of displaced persons, repatriates, etc. as outstanding at the end of 1983-84 are estimated at Rs.144.62 crores. Under the existing terms, the State Governments are required to repay to the Centre only such amounts which they are able to recover from individual loanees. In the period covered by our recommendations, the State forecasts estimate repayments to the Centre of only about Rs.2 crores. We recommend that in so far as the Central Government is concerned the outstanding loans against the States may be written off. As States would be relieved of their burden to repay to the Centre, the amounts they had borrowed, we should recommend to them to pass on this benefit to the displaced persons, repatriates, etc. to whom loans have been given from the funds borrowed from the Centre as indicated above.

(b) Loans given under the National Loans Scholarship Schemes outstanding on 31.3.1984 against all States may continue to be recovered on the basis of the existing terms under which repayment to the Centre is limited to the recoveries effected by the States.

(c) We do not recommend any change in the terms and conditions of the loans given to the States in 1982-83 and 1983-84 to clear overdrafts in respect of any State.

(d) We recommend that all small savings loans (both pre 1979-80 and those given to the States during 1979-84) outstanding as on 31.3.1984 be repaid by States according to the terms and conditions applicable to such loans. For 1984-85, however, there will be a moratorium on repayment of such loans. Shri Y.B. Chavan and Shri G.C. Baveja, however, recommend that there should be no repayment of small savings loans during 1984-89.

(e) As regards the outstandings as on 31.3.1984 of the pre-1979 loans consolidated into 15-year loans and 30-year loans on the recommendations of the Seventh Finance Commission, we recommend as follows :-

(i) such outstandings against Uttar Pradesh be consolidated into one new loan repayable in 25 equal annual instalments commencing from 1984-85;

(ii) such outstandings against the States of Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Orissa, Rajasthan and Sikkim be consolidated into one new loan for each State, repayable in 30 equal annual instalments commencing from 1984-85; and

(iii) in respect of such outstandings against Haryana, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Nagaland, Punjab, Tamil Nadu, Tripura and West Bengal, no change be made in the existing terms and conditions of repayment.

(f) We do not recommend any change in the existing terms and conditions of loans to Orissa for Hirakud (Stage I) in respect of which a repayment of Rs.1.62 crores is due from the State Government during 1984-89.

(g) In respect of the outstandings as on 31.3.1984 of all other loans received by the State Governments during 1979-84, we recommend that they be consolidated into one loan for each State on that date and made repayable from 1984-85, as follows:-

(i) in 15 equal annual instalments by the States of Gujarat, Maharashtra and Tamil Nadu;

(ii) in 20 equal annual instalments by the States of Karnataka, Punjab and Tripura;

(iii) in 25 equal annual instalments by the States of Haryana, Kerala, Uttar Pradesh and West Bengal; and

(iv) in 30 equal annual instalments by the States of Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Manipur, Meghalaya, Nagaland, Orissa, Rajasthan and Sikkim.

(h) In respect of the repayments to be made to the Centre by the States named in column 1 of the table below during the period 1984-89, the amounts mentioned in column 2 thereof may be written off. For this purpose, in each of the five years of the forecast period 1984-89, the amount shown in column 3 of the table below may be written off against the repayments due to the Centre in that year.

Table 8 : Amounts of repayments to be written off.

(Rs. in crores)

Name of the State	Total amount to be written off during the five years 1984-89	Amount to be written off in each of the five years 1984-89	Name of the State	Total amount to be written off during the five years 1984-89	Amount to be written off in each of the five years 1984-89
1	2	3	1	2	3
1. Assam	49.75	9.95	7. Nagaland	1.80	0.36
2. Bihar	76.45	15.29	8. Orissa	76.50	15.30
3. Himachal Pradesh	5.60	1.12	9. Rajasthan	97.85	19.57
4. Jammu & Kashmir	85.10	17.02	10. Sikkim	0.60	0.12
5. Manipur	3.55	0.71	11. Tripura	0.40	0.08
6. Meghalaya	2.90	0.58	12. West Bengal	4.70	0.94
			TOTAL :	405.20	81.04

On the basis of the aforesaid recommendations, the total debt relief to the States during the forecast period works out to Rs.2285.39 crores. The State-wise amount of relief and its percentage to non-Plan capital gap as assessed is indicated in Annexure XIV-6. The amounts indicated do not include relief under small savings loans in 1984-85 under the majority recommendations and in 1984-89 under the minority recommendations.

14.42 Shri A.R. Shirali subscribes generally to the scheme of consolidation and rescheduling of debts recommended in para 14.41 but has reservations in regard to the quantum of relief proposed, particularly in regard to the write-off recommended in certain cases. He feels that the precise extent of relief in the case of any particular State should be left to be determined according to the needs of financing of the Plan outlay of that State. He is also of the opinion that the size of the Annual Plan for 1984-85 having already been settled in the case of most States, the scheme of rescheduling of debts and consequent relief should be given effect to from 1985-86, His note of dissent is appended.

14.43 The next question which we had to consider was the rate of interest in respect of the loans recommended to be consolidated and rescheduled. Normally, the longer the period of a loan, the higher the rate of interest. Taking this into account and also having regard to the interest rate structure prevailing during the period 1979-84, we recommend that the loans consolidated and rescheduled by us may carry the rates of interest shown in the following table :-

Table 9 : Rates of Interest

	Category of loans	Period of repayment	Rate of Interest (Per cent)
(a)	Pre-1979 loans consolidated and rescheduled(under items (i) and (ii) of sub-para (e) of para 14.41)	25 & 30 years	4.75
(b)	1979-84 loans consolidated and rescheduled(under sub-para(g) of para 14.41)	15 years	6.00
		20 years	6.25
		25 years	6.50
		30 years	6.75

The interest payable by the State Governments on the Central loans has been calculated in accordance with this recommendation and provisions therefor have been made in the revenue forecasts of the States to which a reference has been made in Chapter III. It may be mentioned here that by working out the interest payable at the rates recommended by us an amount of Rs.550.01 crores has to be additionally paid by the States during the forecast period, which has been taken into account in Chapter III while computing the interest payments. This increase is due to the fact that in the scheme of rescheduling recommended by us, the repayment of loans will be spread over longer period, the outstandings would be higher every year and so also the interest payable. The additional amount to be paid by the States to whom grants-in-aid under Article 275(1) have been recommended works out to Rs.171.30 crores and this additional liability has, therefore, been met by grants. In the case of other States, the additional liability has been absorbed in their overall surpluses.

CHAPTER XV

TAXES AND DUTIES MENTIONED IN ARTICLES 268 AND 269 OF THE CONSTITUTION

Part I

DUTIES UNDER ARTICLE 268

15.1 It is for the first time that the scope for enhancing revenues from the duties mentioned in Article 268 of the Constitution has been referred to a Finance Commission. We have been asked to do this by paragraph 8 of our terms of reference.

15.2 Article 268 lays down that such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected (a) in the case where such duties are leviable within any Union territory, by the Government of India, and (b) in other cases, by the States within which such duties are respectively leviable. Further, the proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State. The duties mentioned in Article 268 fall under entries 84 and 91 of the Union List in the Seventh Schedule to the Constitution. We shall deal first with the duties mentioned under entry 91, and, thereafter with those mentioned under entry 84.

I - Stamp duties

15.3 Entry 91 of the Union List empowers the Centre to fix the rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts. These documents are normally executed in the course of transactions in banking, industry, trade, and commerce. The inclusion of these documents in the Union List enables the rates to be kept uniform throughout the country.

15.4 The levy and collection of stamp duty on Central instruments is governed by the Indian Stamp Duty Act 1899, which was last amended in 1976. The rates of stamp duty on certain instruments namely, bills of exchange, promissory notes payable otherwise than on demand, letters of credit, transfer of shares, proxies and receipts were revised in June 1976.

15.5 Apart from obtaining the views of the States regarding the scope for enhancing revenues by revision of stamp duties on the instruments mentioned above, we also invited the comments of the Department of Revenue, and the Banking Division of the Ministry of Finance, Reserve Bank of India, Life Insurance Corporation, the General Insurance Corporation, and the nationalised banks. Though we shall recall the views expressed by them while dealing with the individual instruments, it may not be out of place to briefly sum up their comments.

15.6 After examining the matter in the light of the comments received by it from the different State Governments, and the recommendations made by the Law Commission in its 67th Report (March 1977), the Department of Revenue has opined that there is scope for increase in the rates of stamp duty atleast in certain cases. The Department of Revenue also consulted the Department of Economic Affairs before conveying its views. The Department of Revenue has, however, cautioned that the question of determination or revision of rates of stamp duties involves various aspects including pragmatic and legal considerations. The Department of Economic Affairs in the Ministry of Finance has merely agreed with the views expressed by the Reserve Bank of India. The Reserve Bank of India has said that any decision to raise stamp duties on instruments falling under entry 91 of the Union List should be taken only after considering its likely impact on the economy, the revenues likely to be derived, and the cost of administration including printing, vending, etc. It is not in favour of reimposing stamp duty on cheques, as it considers this a retrograde step. (Stamp duty was being levied on cheques prior to 1927, but was later withdrawn in order not to impede the growth of banking habit among the people). As for other instruments, it does not regard as desirable any increases in the existing rates

of stamp duty on bills of exchange, promissory notes, transfer of shares, debentures and receipts. It, however, says that there is scope for increases in stamp duty on bills of lading, letters of credit, policies of insurance and proxies, as the duty currently payable on these instruments is low and levied at flat rates. However, for want of adequate data the Reserve Bank of India has not been able to quantify the likely revenue that might flow from the revision of rates on these instruments.

(a) Bills of exchange

15.7 The rates of stamp duty payable on bills of exchange very according to the usance and the amount of the bill. Bills of exchange payable on demand do not attract any stamp duty. The Reserve Bank of India thinks that bills of exchange play an important role in trade and industry. In its opinion, any increase in stamp duty on bills of exchange would be misconceived as it would adversely affect commerce which, in turn, would have repercussions on the economy as a whole. Of the nationalised banks which have responded to our request for comments, six are in favour of an increase in stamp duty while five are opposed to it. Seven States, which alone have offered their comments on this issue, have expressed themselves in favour of increase in stamp duty on bills of exchange.

15.8 After considering the views received by us, we are inclined to agree with the Reserve Bank of India that if the stamp duty on bills of exchange is increased, it is likely to be detrimental to the growth of trade and industry. We, therefore, do not think that it would be desirable to raise the rates of stamp duty on bills of exchange.

(b) Cheques

15.9 Stamp duty was payable on cheques prior to 1927, but was withdrawn in July 1927 on the recommendation of the Royal Commission on Indian Currency. Reimposition of stamp duty on cheques has been considered time and again, but has not been revived on the ground that it would retard spread of the cheque habit and, in consequence, the development of banking in India. The Taxation Enquiry Commission also did not favour levy of a stamp duty on cheques. The Reserve Bank of India has pointed out that the reasons earlier adduced by the Taxation Enquiry Commission still hold good; besides, reimposition of a stamp duty on cheques would adversely affect the deposit mobilisation effort of the banking system. In their comments sent to us, only two nationalised banks have favoured the reintroduction of stamp duty on cheques, while four have opposed this. All the seven States, which have given their comments, are in favour of a stamp duty on cheques.

15.10 We find much force in the arguments against reimposition of a stamp duty on cheques. Moreover, some exemptions may have to be given; for instance, cheques issued by small account holders may have to be exempted from the levy of a stamp duty. This would entail a considerable amount of administrative work disproportionate to the revenue that may be earned. We do not, therefore, think that there is any scope for reimposition of stamp duties on cheques.

(c) Promissory Notes

15.11 A promissory note, when payable on demand, is chargeable under stamp duty according to its amount, or, value, subject to a maximum duty of 25 paise. Promissory notes, when payable otherwise than on demand, are subject to the same duty as bills of exchange. The stamp duty on bills of exchange and promissory notes is ad valorem. This takes care of the increases in prices of goods or services paid for by the instrument. The Reserve Bank of India sees little scope for increase in the existing rates of stamp duty on promissory notes. The nationalised banks are, again, divided in their views; seven are in favour of increase in the rates of duty while three are against. All the seven States, which have expressed their views, are in favour of increase in the rates of duty.

15.12 A promissory note is a document in very common use in trade and commerce. It should not be subjected to an excessive stamp duty as that would be counter-productive. We think the existing rates are adequate and the fact that the duty is paid ad valorem in respect of promissory notes, payable otherwise than on demand provides adjustment to inflation.

(d) Bills of lading

15.13 The current rate of duty on bills of lading is 25 paise regardless of the amount involved. Bills of lading in respect of inland navigation are, however, exempt from duty. We agree with the Reserve

Bank of India that there is some scope for increase in the rates of stamp duty on bills of lading, as the existing rates seem rather low; and, since this duty is levied at a flat rate, there is no adjustment to the increase in price levels that have taken place in recent years. Bills of lading in respect of inland navigation should, however, continue to remain exempt as before.

(e) Letters of Credit

15.14 A letter of credit is a primary document for financing sale of goods. Banks issue letters of credit by which they agree to accept bills drawn on them, subject to their being in accordance with the terms of credit. The stamp duty on letter of credit is at a uniform rate of Re.1. It has not been revised since June, 1976. The Reserve Bank of India has said that there is some scope for revising the rates of stamp duty payable on letter of credit without any adverse impact on trade or commerce. We are also of the same view.

(f) Life Insurance Policies

15.15 Life Insurance business is the monopoly of the Life Insurance Corporation of India. We understand that stamp duty payable on insurance policies is not collected from the policy holders but is borne by the Corporation itself. The expenditure incrurred by Life Insurance Corporation on Stamp Duty paid on life policies is estimated at Rs.151 lakh in 1980-81 and Rs.178 lakh in 1981-82. The rate of duty is 40 paise for every thousand rupees of insured value.

15.16 In its memorandum submitted to us, the Life Insurance Corporation has said that any increase in stamp duty on policies would increase the management expenses which, in turn, affect the premium rates and diminish the valuation surplus, 95 per cent of which is allocated to the policy holders by way of bonus on the with-profit policies. The impact of an increase in the stamp duties payable on life insurance policies would fall on the Corporation alone. The Government wants to encourage extension of insurance to rural and urban areas, and, as the Life Insurance Corporation through its life cover mobilises the savings of the community on a large scale, any increase in stamp duty will raise the cost of insurance to the policy holders. No doubt an increase in stamp duty would benefit the States, but, at the expense of policy holders. In view of this consideration, we are not in favour of any enhancement of rates on stamp duty on life insurance policies.

(g) General Insurance Policies

15.17 The general insurance business in the country is handled by the General Insurance Corporation and its four subsidiary companies. We understand that stamp duty for all classes of insurance, except marine insurance, is borne by the insurance company. Stamp duty on marine insurance is borne by the insured. The General Insurance Corporation of India and its four subsidiary insurance companies spent about Rs.85 lakhs in 1980 and Rs.95 lakhs in 1981 on stamp duties on fire and other classes of insurance policies. No record of stamp duty is kept in respect of marine insurance.

15.18 The General Insurance Corporation, in a memorandum to us, has submitted that, as a public sector undertaking the entire proceeds of the Corporation and its four subsidiary Companies go to the Central Government. Apart from dividends, income tax is also paid to Government. Besides, 75 per cent of the investible surplus is required to be invested in Government securities, and socially oriented investments. Consequently, the Corporation says, there is no justification for increase in the rates of stamp duty on general insurance. The Corporation further says that it provides insurance to the weaker sections of society by devising suitable forms of policy such as Janata Personal Accident Insurance, Grameen Accidents Insurance, hut insurance, etc. The Corporation has even suggested that the Government might consider reducing or waiving stamp duties on general insurance altogether so that the premium can be reduced on such categories of policies.

15.19 The Reserve Bank of India has said that the considerations that apply to policies of general insurance are quite different from those relevant to life insurance, and that there is scope for raising stamp duty on policies of general insurance. In its view this is also unlikely to affect the business of insurance companies. We concur with this view and think that there is some scope for raising rates of stamp duty on general insurance, including marine insurance.

(h) Transfer of shares

15.20 The existing rate of stamp duty on transfer of shares is ad valorem. There is no scope for undervaluation as all the transfer deeds executed by sellers bear the stamp of the Registrar of

Companies showing the date on which the transfer was executed. The Reserve Bank of India does not favour any increase in the existing rates arguing that this is likely to affect transfer of shares and retard the growth of new issues of shares. It feels that enhancement in rates might act as an impediment to the private sector in mobilising resources. It would also, according to the Reserve Bank of India, defeat the object of encouraging diversion of funds from non-productive investments to productive investments in shares and securities. The Reserve Bank of India thinks that any increase in stamp duty would be a retrograde step in the development of the capital market. We see the force of these arguments and are, therefore, not inclined to suggest any enhancement in the rates of stamp duty payable on transfer of shares.

(i) Debentures

15.21 Recent years have witnessed the growing importance of debentures in raising funds for working capital as well as for long term requirements of the private sector. Government has been encouraging companies to offer higher rates of interest on non-convertible debentures and to raise funds through this instrument. Efforts are also being made to develop a secondary market for debentures to facilitate their easy availability for purchase or sale. In the circumstances, we agree with the Reserve Bank of India that any increase in the rate of stamp duty on debentures would hinder the growth of the debenture market in the country, apart from increasing the cost of borrowings to the companies. We do not, therefore, see much scope at this stage for increase in the rates of stamp duty on debentures.

(j) Proxies

15.22 Proxies are normally given by share holders when they are not able to attend the general body meeting, but are interested in exercising their right to vote. The present rate of stamp duty on proxies is 30 paise. Though the rate of stamp duty is low, and there is perhaps scope for increasing it, this would be of very little significance from the point of view of enhancing revenue. We do not, therefore, see much point in raising the rates of duty on proxies.

(k) Receipts

15.23 The present stamp duty on receipts for amounts exceeding Rs.20/- is a flat 20 paise. Receipts for amounts upto Rs.20/- are exempt. As receipts are insisted upon as a matter of course for proof of payment, the Reserve Bank of India feels that the rate of stamp duty on receipts should not be increased. The Life Insurance Corporation of India has also pointed out that it has to bear the stamp duties on receipts, and that any increase in stamp duty would increase its expenses. We have received some suggestions that the exemption limit be raised, and, above that limit the rate be graded according to the amount involved.

15.24 A receipt is perhaps the commonest document in general use and, also the most frequently executed both in the commercial and non-commercial world. We do not think it would be advisable to raise the rate of stamp duty on such a document, or make the calculation of such a duty complicated by having graded rates.

II — DUTIES OF EXCISE ON MEDICINAL AND TOILET PREPARATIONS

15.25 We turn, next, to the duties leviable under entry 84 of the Union List which reads as under : "Duties of excise on tobacco and other goods manufactured or produced in India except :-

(a) alcoholic liquors for human consumption;
(b) opium, Indian hemp and other narcotic drugs and narcotics;

but including medicinal and toilet preparations containing alcohol of any substance included in sub-paragraph (b) of this entry".

15.26 The Medicinal and Toilet Preparations (Excise Duties) Act, 1955 imposes duties on medicinal and toilet preparations. The Act provides for the levy and collection of a duty of excise, as specified in the schedule to the Act. The Act is administered by the Department of Revenue which has not offered any comments to us about the scope for raising the rates of duties. The Department has, however, reported that a suggestion to increase the rate of duty in respect of ayurvedic, unani and other indigenous systems of medicines and homeopathic preparations is under consideration of the Union Government in consultation with various States and Union territories. Only ten States have offered

comments in their memoranda to us on the scope for enhancing revenues through revision of these duties. Most of these States are in favour of enhancing the excise duty on toilet preparations. Only Andhra Pradesh and Karnataka have suggested that the excise duty on medicinal preparations may be increased, though Karnataka has said that this should not be done in the case of life saving preparations.

15.27 Since the rates of excise duty on medicinal and toilet preparations were increased as recently as in 1982, we do not think that there is at present scope for enhancing this duty.

15.28 To sum up, we are of the opinion that scope for raising the rates of duties exists only in respect of bills of lading, letters of credit and policies of general insurance. As we are not in possession of the requisite data to enable us to suggest specific increases in the rates of duty, we leave it to the Union Government to keep in view our recommendations in this regard and make appropriate revisions.

Part II

TAXES AND DUTIES UNDER ARTICLE 269

15.29 It is for the first time, after the Fifth Finance Commission, that the terms of reference of a Finance Commission include the scope for raising revenue from taxes and duties mentioned in Article 269 of the Constitution but not levied at present. This question has been referred to us by paragraph 8 of the President's Order.

15.30 Article 269 mentions the following duties and taxes that may be levied and collected by the Government of India but which shall be assigned to the States :

(a) Duties in respect of succession to property other than agricultural land;
(b) Estate duty in respect of property other than agricultural land;
(c) Terminal taxes on goods or passengers carried by railway, sea or air;
(d) Taxes on railway fares and freights;
(e) Taxes other than stamp duties on transaction in stock exchanges and futures markets;
(f) Taxes on the sale or purchase of newspapers and on advertisements published therein;
(g) Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-state trade or commerce.

Clause 2 of Article 269 further prescribes that the net proceeds in any financial year of any such duty or tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that duty of tax is leviable in that year and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.

15.31 Of the seven taxes and duties mentioned above, those at (b) and (g) namely, estate duty in respect of property other than agricultural land, and taxes on inter-state sale and purchase of goods are already being levied, and, hence, are outside our purview, as we are required to consider only those, taxes and duties which are not being levied at present.

15.32 In response to our invitation to States calling for suggestions, if any, relating to our terms of reference, we have received comments from them on the scope for raising revenues from the taxes and duties mentioned in Article 269. As the Union Government has no share in the proceeds of any tax levied under Article 269 of the Constitution and the entire proceeds are to be assigned to the States, we have given very careful consideration to the view of the States in coming to our conclusions.

I — DUTIES IN RESPECT OF SUCCESSION TO PROPERTY OTHER THAN AGRICULTURAL LAND

15.33 Clauses (a) & (b) of Article 269 relate to succession duty and estate duty respectively. These duties are referred to in entries 88 and 87 respectively of the Union List. Though these two duties are mentioned separately, in essence they belong to the same category. In this connection, it would be pertinent to recall the observations of the Fifth Commission that the incidence of both these taxes is on the same object, namely, property passing on the death of the owner to his or her successors. The only difference is that the levy of succession duties would be on parts of an estate passing on to each of the successors, while that of estate duty would be on the value of the whole estate, though all persons succeeding to the estate or parts of it would be liable for the duty. The Fifth Commission took the view that , as estate duty was already being levied, there would be no particular advantage in levying succession duties also.

15.34 In their memoranda to us, twelve States did not express any views about this duty while eight states opposed imposition of succession duty on the ground that the incidence of such duty and the existing estate duty would be on the same person or property. Two States, however, namely, Bihar and Rajasthan, have pleaded for the levy of a succession duty on a graded scale.

15.35 We also obtained the views of the Ministry of Finance on this question. That Ministry too is of the view that succession duty and estate duty are essentially similar in nature, and, that there would be no special gain in levying succession duty. We are of the same view, and do not consider that there is scope for raising revenues from succession duty in respect of property other than agricultural property.

II — TERMINAL TAXES ON GOODS OR PASSENGERS CARRIED BY RAILWAY, SEA OR AIR

15.36 We wish to summarise the views of the States before proceeding to deal with the specific taxes falling under this category.

15.37 Only thirteen States have commented on the scope for raising revenues from terminal taxes on goods or passengers carried by railway, sea or air. Of these, three States namely, Andhra Pradesh, Bihar and Karnataka are in favour of levying a terminal tax both on goods and passengers carried by railway, while Madhya Pradesh favours such a tax only on goods carried by railway. Rajasthan, on the other hand, has suggested the levy of such a tax on passengers only. As for terminal tax both on goods and passengers carried by sea, again only two States i.e. Andhra Pradesh and Karnataka are in favour of it. Madhya Pradesh favours such a tax only on passengers carried by sea. Thus, the majority of States, not taking into account those which had no comments to offer, are opposed to the levy of a terminal tax on goods and passengers carried by railway, or, by sea. However, a large number of States are in favour of levying a terminal tax on goods or passengers carried by air.

(a) Terminal tax on goods carried by railway

15.38 Although octroi duty, which is similar to terminal tax, is being levied by local bodies in many States on goods entering their territorial limits for consumption, sale or use therein, a terminal tax on goods carried by railway has not so far been imposed by the Government of India under Article 269 of the Constitution.

15.39 While examining the scope for levying such a tax, the Fifth Finance Commission consulted the Railway Board, which was likely to be affected directly by this levy, and which would also have been the agency for its collection. The Railway Board argued that in the event of a levy of terminal tax on goods carried by railway it would be necessary to ensure that the States also simultaneously imposed a parallel tax on goods carried by road so that the relativity between rail and road freights was not disturbed. The Railway Board also pointed out that certain articles of common consumption would have to be excluded from the purview of the tax, and, if these exemptions were granted, the levy of the tax on the remaining commodities might not be financially worthwhile.

15.40 The Fifth Finance Commission believed that a terminal tax levied on goods carried by railway would be administratively inconvenient, as it would involve collection of tax at different rates according to the destinations, and also separate accounting of receipts to be transferred to each State for different local areas therein. It, therefore, observed that it would be far similar for municipal bodies to make suitable revisions in their rates of octroi or terminal tax or, preferably, impose some tax or duty on the sale or consumption of the goods entering their territorial limits.

15.41 We also sought the views of the Ministry of Railways. In its memorandum submitted to us, the Ministry has stated that there would be considerable accounting difficulties in respect of terminal tax on goods as this tax would have to be related to the weight and volume of the consignment. Moreover, apart from the administrative difficulties involved in collecting the tax and allocating the proceeds to the States, the levy of such a tax would also limit the scope for the Ministry of Railways to raise the rates of freight on the carriage of goods.

15.42 The Department of Economic Affairs in the Union Ministry of Finance is of the view that a terminal tax is more or less a form of octroi. It has also added that the Ministry has been advising State Governments to abolish octroi. In its opinion, terminal taxes are an ineffective and irksome means of raising revenues, and the scope for this tax is limited considering the existing duties and sales tax on various items.

15.43 Having regard to the various views placed before us, we feel that a tax on goods carried by railway might distort the relativity between railway and road freights. Further, apart from the administrative difficulties involved, there is no doubt that such a tax would restrict the scope for raising rates of freight on goods carried by rail. The levy of a terminal tax would also have an economic impact in that it might push up the prices of goods. Therefore, the balance of advantage appears to be not in favour of levying such a tax.

(b) Terminal tax on passengers carried by railway

15.44 There already exists, under the provisions of the Terminal Tax on Railway Passengers Act, 1956, a terminal tax on passengers carried by railway from or to certain places of pilgrimage or where fairs, melas or exhibitions are held. The proceeds of the tax are collected by the Ministry of Railways and credited to the Consolidated Fund of the concerned States. The Act permits new stations being added to the list as also enhancement of a terminal tax during specified periods. Although this tax is levied under Article 269 of the Constitution, the Act itself restricts the levy of the tax to places of a particular category, and the Central Government has not used its powers to levy a general terminal tax on passengers carried to other places. As a precondition to the levy of a terminal tax, or, to its enhancement, the Act requires a parallel tax to be levied on passengers travelling by road.

15.45 The Fifth Finance Commission tried to make some estimates of the likely yield from such a tax, and was of the view that the yield from the tax might not exceed Rs.5 crores per annum. Considering the administrative difficulties and the inconvenience involved in collection, and the need to levy a corresponding tax on passengers travelling by road, that Commission did not think the levy of this tax to be worthwhile.

15.46 The Ministry of Railways, the views of which we obtained, has said that collection, accounting and reconciliation of the amounts to be passed on to the States would be a cumbersome process. It has added that a general extension of the levy of a terminal tax, if resorted to, would increase the volume of accounting work, necessitating additional staff and other administrative infrastructures. The Ministry thinks that with the cost of collection to be retained by the railways the resultant gains to the State Governments would not be commensurate with the all-round effort that such a tax would involve. Further, it has argued that the extension of the Terminal Tax on Railway Passengers Act, 1956 to cover all passengers would restrict the scope for increase in railway fares and adversely affect railway finances.

15.47 As already stated, a terminal tax on passengers carried by railway to and from certain notified pilgrim centres is at present being levied. However restrictive and limited in scope the tax may be, it is nonetheless a terminal tax under Article 269(1)(c). Therefore, a strict interpretation of paragraph 8 of our terms of reference could be that since a terminal tax on passengers, albeit restricted in nature, is already being levied, a general terminal tax on passengers carried by railway would lie beyond our terms of reference. In any case, not many States have expressed themselves in favour of a terminal tax on passengers carried by railways. There is no doubt that the levy of such a tax would involve accounting and administrative difficulties, which may be out of proportion to the likely yield from such a tax. We do not therefore recommend such a levy.

(c) Terminal tax on passengers carried by sea.

15.48 We understand that most of the passenger services by sea are operated by the public sector shipping companies from Indian ports, and are heavily subsidised by the Government for various socio-economic reasons. These services cater to the needs of the people living in far flung and backward areas like the Andaman & Nicobar and Lakshdweep islands as also to carry pilgrims during the Haj season. We gather from the Ministry of Shipping & Transport that the fares of passenger services have been kept very low in the interest of the poor travelling public and are subsidised. The Ministry of Shipping & Transport does not therefore consider desirable the imposition of a terminal tax on passengers carried by sea from Indian ports.

15.49 The Fifth Finance Commission estimated that even if a terminal tax were levied at Rs.2 to Rs.5 per deck passenger and Rs.10 to Rs.15 per saloon or cabin passenger, the yield was not likely to exceed Rs.50 lakhs. That Commission therefore did not think that the imposition of such a tax on this mode of transport would be justified. We agree with the Fifth Commission. Considering the kind of clientele, the places to which the services are operated and the limited revenues that might flow from such a measure, we do not consider imposing a tax on passengers carried by sea worthwhile.

(d) Terminal tax on goods carried by sea.

15.50 We gather that although no terminal tax is levied on cargo, port dues on ships and wharfage on cargoes are charged by major ports under the provisions of the Indian Ports Act, 1908 and Major Port Trust Act, 1963 respectively. The Ministry of Shipping and Transport has pointed out that the shippers in India are already complaining that port dues and other service charges collected at the ports are very high and should be reduced. The Ministry feels that the existing charges on cargo are already substantially high in India, compared even to neighbouring countries. It, therefore, does not favour imposition of any further tax on cargoes carried by ships.

15.51 The Fifth Finance Commission was of the opinion that a terminal tax on goods carried by sea need not be levied.

15.52 We are impressed by the consideration that shippers in India, as pointed out by the Ministry of Shipping and Transport, are already complaining that ports dues and other service charges collected at the ports are very high. Further-more, only a few States are in favour of levying terminal tax on goods carried by sea. This is understandable when it is remembered that under Article 269 the tax is divisible only amongst States within which it is leviable, and, therefore, unless a State has a port it would not have a share in the tax. For these reasons we do not think that there is scope for raising revenue by levy of terminal tax on goods carried by sea.

(e) Terminal tax on goods and passengers carried by air.

15.53 After considering the views of the Ministry of Tourism and Civil Aviation, Air India and Indian Airlines, and the likely yield from such a tax, the Fifth Commission did not recommend the levy of a terminal tax on passengers carried by air, whether on domestic or international traffic. It did not also think that the levy of such a tax on cargo carried by air would be advisable at a stage when this mode of transport of goods was not sufficiently developed. The Ministry of Tourism and Civil Aviation has, in its representation to us, opposed the levy on many grounds, which are all too familiar and need no repetition. Though a number of States are in favour of levying a terminal tax on goods and passengers carried by air, we are of the view that such a tax would not be practicable. Apart from other considerations, both for a terminal tax on passengers and goods carried by air, a distinction would have to be made between domestic and international traffic. A terminal tax on passengers on international routes might adversely affect tourist traffic. Nor would a terminal tax on air cargo, both domestic as well as international, seem to be desirable at this stage of the development of the country when transport of cargo by air forms a small proportion of the carriage of cargo by all modes of transport taken together. For these reasons, we are not in favour of a terminal tax on goods and passengers carried by air.

III — TAXES ON RAILWAY FARES AND FREIGHTS

(a) Taxes on railway fares

15.54 A tax on railway passenger fares was initially levied under the Railway Passenger Fares Tax Act 1957, which came into force with effect from 15.9.1957. The tax was chargeable as a percentage of the fares. The tax was subsequently repealed by the Government of India from 1st April, 1961 in pursuance of a recommendation of the Railway Convention Committee, 1960 to the effect that the levy of the tax had reduced the scope for raising railway passenger fares. The States were, however, compensated by a fixed lumpsum grant in lieu of a tax on railway passenger fares.

15.55 The Fourth Finance Commission noted the almost unanimous view of the States that the fixation of the grant at a specific level had deprived them of a potential elastic source of revenue. In their memoranda submitted to the Fifth, Sixth and Seventh Finance Commissions, the States urged that either the tax on railway fares be revived or the quantum of the grant in lieu of a tax be increased and fixed as a percentage of the railway passenger earnings. Taking note of the various views urged before it, both by the States and by the Ministry of Railway administration, the Fifth Finance Commission finally came to the conclusion that there was no scope for reimposition of the tax on railway passenger fares in the circumstances then obtaining. It, however, suggested that this question be reviewed by the Government of India, if and when the railway finances showed sufficient improvement.

15.56 The Sixth Finance Commission noted that almost all the States had forcefully drawn its attention to the inequity involved in the replacement of a tax on railway passenger fares by a fixed grant. It

observed that in providing for a tax on passenger fares under Article 269, the framers of the Constitution had presumably intended to give the States access to a modest share in the growing revenues of the Ministry of Railways, and that this objective had been thwarted by substitution of railway passenger fares tax by a fixed lumpsum amount of grant. That Commission felt that the repeal of the passenger fares tax and its replacement by a fixed grant was not quite in accordance with the spirit, if not the letter, of the provisions of Article 269 of the Constitution. It, therefore, urged the Government of India to redetermine the amount of grant payable in lieu of a tax on railway passenger fares in accordance with what the States would have got if the tax on railway passenger fares had continued in its original form.

15.57 The Seventh Finance Commission appreciated the force of the arguments put forth by almost all States, that a fixed grant was not an adequate compensation for a tax on railway fares as it did not take into account the considerable buoyancy in the earnings of the Indian railway brought about by rapid increases in passenger traffic. On the other hand it also appreciated that the railways also served certain socio-economic purposes, and that as the largest departmental undertaking, the Ministry of Railways should be enabled to operate at a profit so as to be in a strong financial position. That Commission, therefore, suggested that the Government of India should specifically refer the question to the Railway Convention Committee to consider the question of increase in the grant payable to States. None of the previous Finance Commissions, however, recommended reimposition of the tax.

15.58 In its memorandum to us, the Ministry of Railways has said that the levy of a tax on passenger fares, if continued, would have undoubtedly placed severe limitations on the capability of the railways to generate internal resources, since a percentage of every fare increase in the tax-inclusive fare would have been unavailable to it for meeting the developmental needs of the railways. Over the years, this would have resulted in severe strains to the finances of the railways. The Ministry has argued that the revival of the tax would be a retrograde step as it would adversely affect the finances of the railways.

15.59 While intimating his views Shri H.C. Sarin, Chairman, Railway Reforms Committee, has explained that the Railway Passenger Fares Tax Act, 1957 was repealed because it had reduced the scope for increase in railway fares. Reimposition of a similar tax would, therefore, in his view, be a retrograde step and would adversely affect railway finances. He also remarked that the railways were poised for phenomenal growth in traffic, and, in the years to come, large sums would be needed for investment to enable the railways to move the projected traffic. Shri Sarin concluded that, as the railways would have to depend increasingly on their international finances and could not hope for any substantial budgetary support the scope for the railways to raise revenue should not be reduced.

15.60 In their memoranda to us, the majority of States are in favour of reimposition of a tax on railway passenger fares, because they are dissatisfied with the quantum of grant that is at present being given to them in lieu of a tax. As will be seen from Chapter entitled "Grant in lieu of Tax on Railway Passenger Fares", we have recommended an increase in the grant payable to the States in lieu of tax on railway passenger fares from Rs.23.12 crores to Rs.95 crores per annum. We think that this should end the grievances of the States.

15.61 However, in order to answer our terms of reference we have still to say whether there is scope for imposition of a tax on railway passenger fares. We recognise that the Ministry of Railways will need enormous funds for further development during the forecast period. But, we are not convinced that the mere imposition of a tax on railway fares will drastically curtail the scope for raising the fares. Many States have imposed a tax on bus fares but that has not prevented the fares being raised. Besides, as against the needs of the Ministry of Railways we have also to balance the needs of the States. Therefore, taking all aspects into account, we would say that there is scope for levying a tax on railway fares, but, it is obvious that no such tax should be levied so long as the present arrangement by which the Centre gives a grant to the States in lieu of such a tax continues to exist.

15.62 Shri A.R. Shirali has some reservations on this issue. He is of the opinion that the question of re-imposition of the tax has to be examined on merits. Needs, whether of the railways or of the States, cannot be the only consideration; other means are available to take care of these. The very fact that we are recommending the distribution of the grant in lieu of the repealed tax on the basis of collection and not needs is relevant. It would be a different matter if any quid pro quo was involved. This does not appear to be the case and the analogy of the tax on passengers carried by road transport does not seem apt. Purely on merits, it would appear that the provision for levy of the tax is a relic of the days when the railway set-up was different. Perhaps, it has little relevance or economic justification in the present circumstances.

(b) Taxes on railway freights

15.63 The Fifth Finance Commission was of the opinion that the freight structure should be consistent with the objectives of the economic policies of Government. It saw no advantage in the levy of a tax on railway freights, having regard to the then financial position of the railways and the movement of large number of commodities like foodgrains, coal, coke and ores which may, for reasons of policy, have to be exempted from such a tax.

15.64 The Ministry of Railways has represented to us that the type of traffic that moves by rail consists predominantly of essential commodities like foodgrains, coal, raw materials for industries and similar other items, and that any enhancement of freight on these articles would have severe repercussions on the economy as a whole. It has pointed out that if in spite of these considerations, additional revenues were raised which were to become unavailable for the railways' developmental needs and were to be passed on to the States, the finances of the railways would come under greater strain than at present. It has also invited our attention to the findings of the Rail Tariff Enquiry Committee which had remarked that owing to continuing adverse trends in the finances of the railways, maintenance inputs and provision for depreciation reserves had been receiving reduced allocations. The Committee was strongly of the view that any opportunity for raising additional revenues through the railways should be allowed to be utilised for the development of the railways itself. It felt that it would be imprudent to consider any steps which would result in diverting a share of the additional earnings for purposes other than the railways' own rehabilitation and developmental works.

15.65 In its comments, the Ministry of Finance has said that the freight structure should be an instrument of economic development of the country and must be consistent with the larger economic policies of the Government. It adds that a tax on freight, being a multipoint tax, is bound to add substantially to the costs of production and to increase the inflationary pressures in the economy. It has also endorsed the views of the Ministry of Railways and the Rail Tariff Enquiry Committee by saying that any further resources raised through the railways should be available for the developmental needs of the railways alone.

15.66 Only eleven States have commented, in their memoranda to us, on the scope for a tax of this nature. They are, by and large, in favour of imposition of such a tax.

15.67 We think that, even if a tax on railway freights were levied, a large number of commodities might have to be exempted. Moreover, if a tax on railway fares is fraught with administrative and accounting difficulties, it is obvious that these would be even greater in the case of a tax on railway freights. Besides, the inflationary effect of such a tax cannot be ignored. We therefore see no scope for raising revenue by the imposition of a tax on railway freights.

IV — TAXES OTHER THAN STAMP DUTIES ON TRANSACTIONS IN STOCK EXCHANGES AND FUTURES MARKETS

(a) Taxes on transations in Stock Exchanges

15.68 Stock exchanges in India are regulated by the Central Government under the Securities contracts (Regulation) Act 1956, which came into force in February 1957. Stock exchanges help in mobilising the savings of the community and channelling them into industrial securities. Stock exchanges also serve as a market place for purchase and sale of securities, and through these operations they ensure liquidity of investments in securities. Except transactions that take place between brokers, documents are used for allotment, issue and transfer of shares and debentures, and also for sale and purchase of securities. All these documents are subject to stamp duties. Under entry 91 of the Union List, the Central Government levies stamp duties on the transfer of shares and on debentures, whereas States levy stamp duties on certain instruments relating to shares and debentures like letters of allotment of shares, transfer of debentures and the like under entry 63 of the State List.

15.69 We invited the views of the associations of major stock exchanges. They are unanimous in their opposition to the levy of a tax on transactions in the stock exchanges. They have pointed out that stock exchanges play a crucial role in mobilising capital required for the growth of industry and that a tax on their transactions would have serious repercussions on trading in securities. They have also argued that such a tax would run counter to the Government's attempts to develop primary and secondary markets in industrial shares and debentures, to diffuse large holdings and to broad-base investments.

15.70 Only ten States have given their views regarding the imposition of this levy. Of these, six States are in favour of levying a tax on transactions in stock exchange and four are not in favour of such a levy.

15.71 The Department of Economic Affairs of the Ministry of Finance has, in a note to us, also opposed any such levies. It has explained in detail the functions of the stock exchange and the vital role played by jobbers in stock exchange transactions. In its view, any tax on transactions or on the turnover of exchanges would primarily hit the jobbers' operations, which would virtually drive away this highly specialised class of operators, and this could result in malfunctioning of stock exchanges. That Department of the Finance Ministry has also emphasised that the efforts of the Central Government, in the last few years, to develop a broad-based capital market in the country would be set at nought, as the tax on stock exchange transactions would adversely affect liquidity of investments, cripple the capital markets and discourage investors.

15.72 There can be no doubt that the development of stock exchanges in the country is at a formative stage. In this context the opposition of the stock exchanges and the Ministry of Finance to the levy of a tax on transactions in stock exchanges gathers greater force. The Central Government is also attempting to nurture the growth of stock exchanges. In these circumstances it does not seem advisable to us to recommend any such levy.

(b) Taxes on transactions in Futures Markets

15.73 Forward contracts are regulated by the Forward Contracts (Regulation) Act, 1952. The Act is primarily concerned with the regulation of forward contracts other than non-transferable specific delivery contracts in notified commodities other than securities, though it provides for the regulation of non-transferable specific delivery contracts if considered necessary by Government.

15.74 Futures transactions are contracts for sale and purchase of goods at a future date. Although the contracts are for delivery of the commodities concerned, they are primarily entered into for the purpose of settlement of the price differences over a period of time. The justification for such contracts lies in that they provide an insurance against adverse price fluctuations to the manufacturers, processors, stockists, etc. Future trading on an appreciable scale cannot be conducted except on an organised basis. Organisations known as Commodity Exchanges, consisting of bodies of merchants or trade associations provide a clearing house and trading space where members and brokers enter into future contracts by open bidding. The Commodity Exchanges frame rules and regulations to cover trading in such contracts. Futures trading in commodities like foodgrains and pulses is at present prohibited and permitted only in respect of four commodities; namely jute goods (sacking bags) at Calcutta; pepper at Bombay and Cochin, turmeric at Sangli and gur at the nine centres of Hapur, Muzaffarnagar, Rohtak, Delhi, Bhatinda, Ludhiana, Amritsar, Kanpur and Gwalior. Currently, no tax is levied by the Government of India on transactions in futures markets. Among the State Governments, only Maharashtra levies a stamp duty on futures transactions in turmeric and pepper.

15.75 The Fifth Finance Commission felt that the rate of tax on transactions in futures markets would necessarily have to be very moderate. Considering the small yield from such a tax it did not consider the imposition of the tax worthwhile. It further observed that such a levy would be justified more as a regulatory measure than on considerations of raising revenue.

15.76 We obtained the views of the Union Ministry of Civil Supplies on this question. That Ministry has stated that the question of levy of taxes, other than stamp duties, on transactions in futures markets was considered by it. But looking to the limited scope for a tax on transactions in futures markets, the extent of revenues likely to be raised and the administrative costs and difficulties involved, it did not think it advisable to impose such a tax.

15.77 Of the six States which have given their comments only three have favoured the levy of a tax on transactions in futures markets. We are, however, not persuaded that a tax on futures markets would result in any substantial revenue for the States or be commensurate with the administrative effort that it is likely to entail. We do not, therefore, find any scope for the levy of such a tax.

V — TAX ON THE SALE OR PURCHASE OF NEWSPAPERS AND ON ADVERTISEMENTS PUBLISHED THEREIN

(a) Tax on sale or purchase of newspapers

15.78 The question of levying a tax on the sale or purchase of newspapers and on advertisements published therein was examined by the Taxation Enquiry Commission in 1953. The Commission thought that a sales tax on newspapers would result in a degree of hardship out of proportion to the

revenue raised, particularly to newspapers with small circulation, in which category most of the newspapers published in regional languages fell. The Commission also felt that sales-tax on newspapers or a tax on advertisements in newspapers would not be worthwhile, considering that such measures might lead to fairly vocal protests.

15.79 The Fifth Finance Commission, after considering the views of the State Governments and the Ministry of Information and Broadcasting concluded that a tax on sale of newspapers would certainly be passed on to the readers and thereby adversely affect newspaper readership in which India already lagged behind many other countries. Having regard to the meagre revenue of not more than Rs. 3.5 crores which was likely to result from a 10 percent tax on newspapers with a circulation of more than 15,000 and the likely adverse effect on the newspaper readership, that Commission did not favour imposition of sales tax on newspapers.

15.80 The Ministry of Information and Broadcasting, in a memorandum to us, has stated that the prices of dailies and periodicals have, in the recent past, been increasing on account of rise in prices of materials and services. It has added that the lower, and, the lower-middle income groups are finding it difficult to subscribe to newspapers; it would, therefore, neither be in the interest of the newspaper industry nor the public to levy a tax on sale or purchase of newspapers.

15.81 The Department of Economic Affairs in the Ministry of Finance has advanced the following arguments against imposition of a tax on sale and purchase of newspapers: first, that the impact of the Palekar Tribunal Report and the ad valorem customs duty of 15 per cent on imported newsprint had resulted in increase in the price of newspapers; secondly, that the Prime Minister had written to the Chief Ministers of the States requesting them to exempt newsprint from the levy of sales tax, and that the response of the Chief Ministers was, by and large, favourable; therefore, a levy of the sales tax on newspapers would be viewed unfavourably; thirdly, that as newspapers were now exempt from excise duty, it might not be proper to impose another levy by way of sales tax; apart from this the levy and collection of sales tax would also involve administrative difficulties; and finally, that any such levy might be construed as an anti-press measure. States are divided on this issue. In their memoranda to us, nine States have indicated that they are in favour of such a tax, while five have expressed themselves against it. No comments have been furnished by the remaining States.

15.82 We are given to understand that according to a calculation made by the Department of Expenditure in the Ministry of Finance in October, 1981 the total annual value of the sales of newspapers and periodicals having a circulation of more than 15,000 was Rs.250 crores. This was based on the assumption of an annual growth rate of 7 per cent over the circulation figures of newspapers given in the "Press in India-1977", and the assumption of an average price of 50 paise per newspaper and Re.1 per periodical. We have attempted to estimate the likely value of the sale of newspapers and periodicals by updating both the figures of circulation and the prices of the journals. According to this calculation, the annual value of sales of newspapers and periodicals might be of the order of Rs.400 crores. Even if a 5 per cent ad valorem tax is levied on the sales of newspapers and journals, the likely revenue from this measure would amount only to about Rs.20 crores per annum. We have no doubt that a tax on newspapers would be passed on to the readers. We feel that in a country where the newspaper reading habit is not sufficiently developed and widespread, a tax on newspapers would be a retrograde step. Taking all these factors into account, we do not recommend a tax on the sale or purchase of newspapers.

(b) Tax on advertisements published in newspapers

15.83 The Fifth Finance Commission, which considered this issue, felt that advertisement revenue formed an important source of income of newspapers, which in some cases might even be as high as 50 per cent to 75 per cent of the total income. It, however, felt that though the burden of a tax on advertisements would fall mainly on the advertisers and advertising agencies and not on the publishers, such a tax might adversely affect the finances of small newspapers. It therefore added that it would be desirable to exempt small newspapers and periodicals from such a tax, even if it were levied. That Commission also recognised that the burden of the tax might indirectly fall on the Government of India and the State Governments; nonetheless it considered that this was a source of revenue which offered some promise. For want of data, however, that Commission did not make any estimate of the likely revenue but opined that there was scope for such a levy. It suggested that the Government of India might examine the question of its levy, rate structure, exemptions to be given and other relevant matters.

15.84 The Ministry of Information & Broadcasting has stated to us that a tax on advertisements published in newspapers could be levied without directly affecting the economies of newspapers, if it were stipulated that the advertisers would be responsible for paying the tax, and the newspapers or periodicals publishing the advertisements would not have to share any part of the tax. It has, however, suggested that suitable exemptions should be considered, for instance, in favour of small and medium newspapers, advertisements by individuals and those in the classified columns.

15.85 The Ministry of Finance has estimated that the revenue from advertisements to newspapers and periodicals might be of the order of Rs.400 to 500 crores per annum. This, in its view, offers good scope for raising sizeable revenues by a tax on advertisements. Moreover, the Ministry does not envisage any administrative problems and difficulties in the levy and collection of such a tax, unlike a sales tax on newspapers and periodicals. It has, however, pointed out that the companies which advertise in newspapers and periodicals would claim a deduction in respect of the tax paid by them, and, hence, the receipts from corporation tax would go down to that extent. This however, in its opinion, need not inhibit imposition of such a tax.

15.86 Of the fourteen States which, in their memoranda to us, have given their views on this tax, twelve are in favour of such a levy with suitable exemptions to small newspapers.

15.87 We agree that such a levy does have potential for exploitation. We are, however, of the opinion that a tax on advertisements, if levied, should be borne by the advertisers themselves and not passed on to the newspapers and journals. We hope that suitable steps would be taken to ensure this. Suitable exemption could also be considered for advertisements inserted in small newspapers and periodicals. We, therefore, consider that there is scope for raising revenue from such a levy. We, however, leave it to the Government of India to work out the extent and modalities of such a levy as we do not possess sufficient data or information to make specific recommendations on this issue.

15.88 To sum up, after a detailed consideration of all the taxes and duties mentioned in Article 269 of the Constitution, but not levied at present, we have come to the conclusion that: —

(a) There is scope for levying tax on railway passenger fares, but, no such tax should be levied so long as the present arrangement by which the Centre gives grants to the States in lieu of such a tax continues to exist; and

(b) there is scope for raising revenues by levying a tax on advertisements published in newspapers and journals.

CHAPTER XVI

GENERAL OBSERVATIONS

16. 1 In this chapter we will call attention to some of the difficulties we encountered, and make suggestions as to the ways in which these can be avoided.

16. 2 Article 280(1) of the Constitution requires that a Finance Commission be constituted at the expiration of every fifth year or at such earlier time as the President considers necessary. The following table indicates the periods covered by each of the Finance Commissions set up so far, together with the corresponding period covered by the Five Year Plans:—

Finance Commission	Period covered	Five Year Plan	Period covered
First	1952-57	First	1951-56
Second	1957-62	Second	1956-61
Third	1962-66	Third	1961-66
Fourth	1966-69	Three Annual Plans	1966-69
Fifth	1969-74	Fourth	1969-74
Sixth	1974-79	Fifth	1974-79
Seventh	1979-84	Annual Plan	1979-80
		Sixth	1980-85
Eighth	1984-89	Seventh	1985-90

The recommendations of a Finance Commission have an important bearing on the resources position for the Five Year Plan. It was in recognition of this fact that the Third Finance Commission was asked to give its recommendations for a 4-year period to cover the remaining period of the Third Year Plan. The Fourth Finance Commission was asked to report for the 5-year period 1966-71 but its recommendations were terminated after three years when it was decided to treat 1966-69 as a period of three Annual Plans and take up the Fourth Plan covering the period 1969-74. The period covered by the recommendations of the Fifth and Sixth Finance Commissions coincided with the Fourth and Fifth Plans respectively.

16. 3 The Seventh Finance Commission made recommendations for the period 1979-84. While it was still in the course of its proceedings, the Fifth Plan was terminated in 1977-78 and the concept of a Rolling Plan was adopted. This disrupted the synchronization between the period for which the Finance Commission was to make its recommendations and the Five Year Plans. With the subsequent decision to treat 1979-80 as an annual Plan period and to reformulate the Sixth Plan for the period 1980-85, the synchronization of the recommendations of the Seventh Finance Commission with the Five Year Plan was still not restored. This has had its inevitable effect on our work and has given rise to several problems.

16. 4 The non-synchronization referred to above has now been continued for another plan period because our terms of reference require us to make recommendations for the five-year period 1984-89, which overlaps the last year of the Sixth Plan and the first four years of the Seventh Plan. Some of the difficulties we had to face stem from the fact that our recommendations will relate to parts of two Plan periods. For example, in making our recommendations, we are required under paragraph 5 of the President's Order to take 1983-84 as the base year even though it is not the last year of the Sixth Plan and then:

(a) to assess the revenue resources of various States for the five years ending with the financial year 1988-89 on the basis of the levels of taxation likely to be reached at the end of the financial year 1983-84 and the targets set for additional resource mobilisation for the Plan;

(b) to provide for adequate maintenance and upkeep of capital assets and maintenance of Plan schemes completed by the end of 1983-84; and

(c) to make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1988-89.

All these matters raised difficult issues for which no simple solutions could be found.

16. 5 The end of a Plan is a convenient cut-off point for assessing the resources and requirements of both the Centre and the States. When the Sixth Plan terminates in 1984-85, the cumulative yield from additional resource mobilisation measures undertaken in each of the years 1980-85 would, in the ordinary course, get merged in the current revenues for the period of the Seventh Plan. That Plan will have an entirely new target of additional resource mobilisation. Likewise, on the expenditure side, the level of expenditure on the Plan schemes completed by 1984-85 would become committed after 1984-85, and become non-Plan expenditure for the period of the Seventh Plan. This is in accordance with well established practices.

16. 6 Paragraph 5(iii) of the President's Order requires us to take note of the targets of additional resource mobilisation set for the Plan while determining the levels of taxation likely to be reached at the end of 1983-84. The Sixth Plan ends with 1984-85 and, therefore, this term of reference raised the question whether the targets of which note would have to be taken are those for 1983-84 or 1984-85, and whether the word 'Plan' denotes five year Plan or annual Plan. We were,thus, compelled to struggle with this question.

16. 7 Again, we had to take a view on the question whether we are required to provide for committed liabilities from 1984-85 onwards in respect of the Plan schemes completed by 1983-84, even though such schemes would form part of the Annual Plan for 1984-85. Normally, the provision for maintenance of the Sixth Plan schemes should be made from 1985-86 onwards, and include the liability on account of the Plan schemes completed by 1984-85. We were also faced with the question as to how the resources which accrue in 1983-84, as a result of the fresh measures taken between 1980-81 to 1983-84, i.e. the first four years of the Sixth Five Year Plan, should be dealt with. In other words, whether they should be treated as part of the current revenues or as an additional revenue earmarked as a Plan resource for the last year of the Sixth Five Year Plan viz. 1984-85. There would have been no occasion for a difference of opinion amongst us if the period covered by our report had synchronized with a full Five Year Plan.

16. 8 The non-synchronization of the period covered by our recommendations with the span of a Five Year Plan also made our task difficult in another respect. The Commission was constituted in June, 1982 — about three years before the Seventh Plan was due to commence. Since the profile of the Seventh Plan would take time to emerge, we had to function under an additional handicap, for unlike earlier Commissions, we could not draw upon the data base and the expertise of the Resources Working Group for the next Plan. We had to make our own assumptions regarding the growth in the national economy, the behaviour of prices and production targets, etc. In our view these are important parameters in respect of which there should be a similarity of approach by the two Commissions. This can be possible only if the two Commissions report for the same 5-year period. A similar conclusion was reached by the Administrative Reforms Commission, though for different reasons.

16. 9 In view of the foregoing, we would suggest that the period covered by the recommendations of the Finance Commission should be synchronized with that of theFive Year Plan and that this may be kept in view while constituting the next Commission.

16. 10 In their Memoranda to us and, also, during discussions, some States have urged that the Finance Commission should be made a permanent body which functions continuously so that it can deal with the financial problems between the Centre and the States as and when they arise. We think, that this is a large question, going much beyond our terms of reference and, in any case, we would not like to venture any opinion on such a question, without having had the benefit of a very full debate and a presentation of all the pros and cons of the matter.

16. 11 However, we do think that there should be a permanent Secretariat which should continue to function during the interregnum between one Commission and the next. Such a Secretariat should be headed by a senior officer, and may function as a Division in the Ministry of Finance during the period intervening between two Finance Commissions. We are not satisfied by the present arrangement under which a small Cell consisting of a few officials functions as a part of the Ministry of Finance.

16. 12 The Division, which we propose, should have the following functions:—

(i) to watch the implementation of the recommendations of the Finance Commission;

(ii) to watch closely and analyse the trends in the non-Plan receipts and expenditure of the State Governments and identify the reasons for variation between actuals and estimates made by the Finance Commission;

(iii) to monitor and evaluate the utilization of upgradation grants;

(iv) to preserve the records of the previous Commissions, and take such necessary action to obtain further information as might be of use to the future Commissions;

(v) to continuously collect and keep uptodate information on all aspects of State finances, including the financial working of the State enterprises; and

(vi) to conduct studies and publish papers and data having a bearing on States' finances.

The Division should be actively associated with the annual exercises of the Planning Commission, so that the maintenance of the assets already created does not suffer from either lack of attention or lack of resource-allocation because of the anxiety of the States to have progressively larger Plans.

16. 13 Looking to the enormous demands for funds made by the State Governments for upgradation of standards of administration we feel, that it would be more useful if comprehensive proposals are framed for achieving progressive equalisation of the standards of administrative and social services within a definite period. This would entail detailed exercises and studies in regular consultation with the State Governments, technical bodies and the Central Ministries, on the basis of which a well defined programme in order of priorities could be formulated. We think that the Division proposed by us, should collect requisite data about the non-developmental sectors so that meaningful comparisons may be made about the levels of services obtaining in various States for determining the apprppriate levels of upgradation.

16. 14 For effective discharge of the responsibilities by the proposed Division, we recommend that the staff strength may be suitably augmented. We also wish to suggest that professional assistance should be made available to the proposed Division for the purpose of conducting research studies. We also think that the proposed Division should provide the nucleus for the Secretariat of a new Finance Commission when constituted.

16. 15 We also consider it necessary that the State Governments should have similar permanent Divisions in their Finance Departments to cater to the requirements of the Finance Commission, as and when a Commission is constituted, as also to handle the problems that might emerge in the interregnum. Since the level of expertise for furnishing relevant data in the prescribed form to the Finance Commission is notuniform among the States, we suggest that the proposed Division in the Union Finance Ministry may organise suitable training workshop for the benefit of the States which may be in need of such assistance.

16. 16 We have a few comments to offer as to the administrative/financial powers delegated to the Finance Commission. Our experience has been that for a large number of matters the Commission had to approach the Finance Ministry for sanctions. We recommend that the Commission should be vested with the financial and administrative powers of a Ministry of the Government of India, and the Secretary should have all the powers of a Head of Department.

Further, sufficient incentives in terms of deputation allowance should be given to the staff drawn from various Ministries in order to attract the best talent. The Commission should also have the necessary powers to engage Consultants, commission studies and employ retired officials without further reference to the Government. A Finance Commission has to complete its work within a limited time and should therefore have these powers to facilitate its smooth working.

16. 17 Our experience impels us to make one important recommendation about the advance action to be taken prior to the constitution of the Commission. We think that an Officer on Special Duty should be appointed six months in advance of the constitution of the Finance Commission and, on its constitution, he should take over as its Member-Secretary. He should be vested with the necessary powers to select officers and staff and organise all the needed facilities like accommodation, vehicles, telex, telephones, etc. for the Finance Commission's Secretariat. This would also enable him to take advance action for the collection of data from States, like their estimates of revenue/expenditure etc. in the forecast period. The Commission would then be able to commence its work immediately after its appointment. We also wish to emphasise that it is essential that the Secretary should be a Member of the Commission, so that in dealing with the States and the Centre on behalf of the Commission he can command the status of a Member.

CHAPTER XVII

SUMMARY OF RECOMMENDATIONS

Our recommendations to the President are set out below. Unless otherwise stated, all these recommendations are in respect of each of the financial years from 1984-85 to 1988-89.

I. Income Tax

(1) Out of the net proceeds, a sum equal to 1.792 per cent thereof shall be deemed to represent the proceeds attributable to Union territories;

(2) The share of net income tax proceeds, except the portion representing the proceeds attributable to Union territories and Union emoluments, to be assigned to the States should be 85 per cent; and

(3) The distribution amongst the States inter se of the share assigned to the States in respect of each financial year should be on the basis of the percentages shown in the table blow:

(Para 5.32)

State	Percentage with Sikkim (If the income tax becomes leviable in that State)	Percentage without Sikkim
1. Andhra Pradesh	8.187	8.190
2. Assam	2.789	2.789
3. Bihar	12.080	12.085
4. Gujarat	4.409	4.410
5. Haryana	1.074	1.074
6. Himachal Pradesh	0.555	0.555
7. Jammu & Kashmir	0.838	0.838
8. Karnataka	4.979	4.981
9. Kerala	3.760	3.761
10. Madhya Pradesh	8.378	8.382
11. Maharashtra	8.392	8.396
12. Manipur	0.220	0.220
13. Meghalaya	0.184	0.184
14. Nagaland	0.088	0.088
15. Orissa	4.202	4.203
16. Punjab	1.744	1.744
17. Rajasthan	4.545	4.547
18. Sikkim	0.035	--
19. Tamil Nadu	7.565	7.567
20. Tripura	0.269	0.269
21. Uttar Pradesh	17.907	17.914
22. West Bengal	7.800	7.803
Total:—	100.000	100.000

II. Union Duties of Excise

(1) States should be paid a share out of the net proceeds of all excise duties, except the duties collected under the provisions of Additional Excise Duties (Textiles and Textile Articles) Act, 1978, and cesses earmarked by law for special purposes.

(Para 6.6)

(2) The net proceeds of the entire excise duty on generation of electricity should be distributed among the States in an amount equal to the collections in or attributable to that State.

(Para 6.12)

(3) The States' share in the net proceeds of shareable excise duties, excluding that on electricity, should be 45 per cent.

(Para 6.16)

(4) 40 per cent of the net proceeds of shareable excise duties, excluding that on electricity, should be distributed among all the States on the basis of the percentages shown in the table below against their names.

(Para 6.46)

	Name of State	Percentage		Name of State	Percentage
1.	Andhra Pradesh	8.587	12.	Manipur	0.233
2.	Assam	2.977	13.	Meghalaya	0.194
3.	Bihar	13.202	14.	Nagaland	0.096
4.	Gujarat	3.506	15.	Orissa	4.592
5.	Haryana	1.017	16.	Punjab	1.317
6.	Himachal Pradesh	0.589	17.	Rajasthan	4.695
7.	Jammu & Kashmir	0.856	18.	Sikkim	0.039
8.	Karnataka	5.077	19.	Tamil Nadu	7.317
9.	Kerala	3.800	20.	Tripura	0.292
10.	Madhya Pradesh	8.852	21.	Uttar Pradesh	19.097
11.	Maharashtra	6.216	22.	West Bengal	7.449
				Total :	100.000

(5) The balance of 5 per cent of the net proceeds of shareable excise duties excluding that on electricity should be distributed among the deficit States in each of the five years commencing from 1.4.1984 on the basis of the percentages shown respectively in columns 2, 3, 4, 5 and 6 of the table below.

(Para 6.46)

Name of the State	Share in 5 per cent to Deficit States (Percentage)				
	1984-85	1985-86	1986-87	1987-88	1988-89
1.	2.	3.	4.	5.	6.
1. Assam	12.728	12.578	12.713	13.418	12.023
2. Himachal Pradesh	10.340	11.528	12.914	14.098	16.475
3. Jammu & Kashmir	15.457	16.661	17.818	18.560	20.254
4. Manipur	6.969	7.742	8.722	9.545	11.217
5. Meghalaya	5.575	6.180	6.944	7.570	8.863
6. Nagaland	8.837	9.944	11.240	12.371	14.482
7. Orissa	9.214	8.154	5.457	3.109	0.598
8. Rajasthan	1.940	-	-	-	-
9. Sikkim	1.659	1.836	2.051	2.232	2.593
10. Tripura	8.200	9.104	10.207	11.162	12.956
11. West Bengal	19.081	16.273	11.934	7.935	0.539
Total:—	100.000	100.000	100.000	100.000	100.000

III Grants-in-Aid

(1) To cover the deficits on 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.

(Paras 13.11 and 13.19)

(Rs. in crores)

State	Total 1984-89	1984-85	1985-86	1986-87	1987-88	1988-89
1.	2.	3.	4.	5.	6.	7.
1. Assam	274.33	78.58	66.92	55.08	47.37	26.38
2. Himachal Pradesh	223.04	57.65	53.91	47.35	40.76	23.37
3. Jammu & Kashmir	329.18	89.22	81.14	68.79	57.34	32.69
4. Manipur	146.95	38.14	35.51	31.25	26.87	15.18
5. Meghalaya	119.15	30.92	28.76	25.30	21.75	12.42
6. Nagaland	190.52	48.76	45.96	40.65	35.19	19.96
7. Orissa	207.60	67.55	54.94	37.78	27.42	19.91
8. Rajasthan	42.63	34.25	8.38	-	-	-
9. Sikkim	36.16	9.38	8.71	7.66	6.59	3.82
10. Tripura	187.05	47.83	44.71	39.57	34.41	20.53
11. West Bengal	443.61	142.11	113.31	82.59	63.00	42.60
Total :	2200.22	644.39	542.25	436.02	360.70	216.86

(2) To cover the requirements of upgradation and special problems, during the five years commencing from 1st April 1984, the following States be paid the amount specified against each of them as grants-in-aid of their revenues under the substantive part of Clause (1) of Article 275 of the Constitution. The annual payments be regulated as indicated in para 12.74 of Chapter XII.

(Para 13.13 and Para 13.14).

Grants for upgradation and special problems
1984-89

(Rs. crores)

State	For Upgradation	For Special Problems	Total
1. Andhra Pradesh	80.49	-	80.49
2. Assam	58.35	5.00	63.35
3. Bihar	130.27	-	130.27
4. Himachal Pradesh	15.76	0.50	16.26
5. Jammu & Kashmir	46.07	2.48	48.55
6. Kerala	16.81	-	16.81
7. Madhya Pradesh	1 47.69	10.00	157.69
8. Manipur	20.30	2.00	22.30
9. Meghalaya	18.20	1.00	19.20
10. Nagaland	10.81	-	10.81
11. Orissa	74.84	-	74.84
12. Punjab	-	20.00	20.00
13. Rajasthan	43.48	10.00	53.48
14. Sikkim	3.14	1.00	4.14
15. Tripura	13.79	0.80	14.59
16. Uttar Pradesh	108.18	-	108.18
17. West Bengal	126.37	-	126.37
Total :	914.55	52.78	967.33

(3) To meet the margin money requirements of States they shall be entitled to the sums specified against each of them as grants-in-aid of their revenues in each of the five years commencing from 1st April, 1984, under the substantive portion of clause (1) of Article 275 of the Constitution, provided that these amounts shall be released as indicated in para 1(c) of item VIII below.

(Para 13.15)

State	Annual Grant (Rs. crores)	State	Annual Grant (Rs. crores)
1. Andhra Pradesh	12.250	12. Manipur	0.125
2. Assam	3.625	13. Meghalaya	0.125
3. Bihar	16.875	14. Nagaland	0.125
4. Gujarat	14.375	15. Orissa	13.125
5. Haryana	2.250	16. Punjab	3.000
6. Himachal Pradesh	0.875	17. Rajasthan	8.375
7. Jammu & Kashmir	0.750	18. Sikkim	0.125
8. Karnataka	3.000	19. Tamil Nadu	4.375
9. Kerala	2.500	20. Tripura	0.375
10. Madhya Pradesh	2.375	21. Uttar Pradesh	16.250
11. Maharashtra	3.625	22. West Bengal	11.875
		Total :	120.375

(4) Grants-in aid under Article 275 of the Constitution to cover net additional interest liability on account of fresh borrowings and lendings in the period 1984-89 may be paid to the deficit States in each of the four years commencing from 1st April, 1985, as indicated in paragraph 13.16 of the Report. Grants-in-aid, if any, may also be paid to the deficit States during the years 1985-86 to 1988-89 to cover the additional burden on account of committed expenditure in respect of Plan schemes completed in 1984-85 as mentioned in paragraph 13.18 of the Report.

IV. Additional Duties of Excise in replacement of sales tax.

The net proceeds of the additional excise duties on textiles, sugar and tobacco should be distributed on the following basis:–

(a) A sum equal to 2.391 per cent of such net proceeds be retained by the Central Government as attributable to the Union territories; (Para 7.17)

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

	State	Percentage		State	Percentage
1.	Andhra Pradesh	7.504	12.	Manipur	0.178
2.	Assam	2.566	13.	Meghalaya	0.183
3.	Bihar	8.627	14.	Nagaland	0.098
4.	Gujarat	5.941	15.	Orissa	3.653
5.	Haryana	2.488	16.	Punjab	3.675
6.	Himachal Pradesh	0.663	17.	Rajasthan	4.827
7.	Jammu & Kashmir	0.853	18.	Sikkim	0.039
8.	Karnataka	5.561	19.	Tamil Nadu	7.549
9.	Karala	3.963	20.	Tripura	0.287
10.	Madhya Pradesh	6.942	21.	Uttar Pradesh	14.318
11.	Maharashtra	11.461	22.	West Bengal	8.624
				Total:	100.000

(Para 7.17)

V. Estate Duty

(1) The net proceeds of Estate Duty in respect of property other than agricultural land attributable to Union territories should be determined in the same manner and on the same principles as for the determination of the shares of each State, taking the Union territories as one unit for the purpose.

(Para 8.9)

(2) The balance of the net proceeds of Estate Duty in each year should be distributed among the States, in proportion to the gross value of the immovable property and property other than immovable property taken together, located in each State and brought into assessment. The location of property other than immovable property should be determined in accordance with the rules framed under the Estate Duty Act, 1953. As for property located abroad, it should be deemed to be located in the State where it is brought to assessment. (Para 8.9)

(3) Sikkim will also be entitled to a share in the net proceeds of this duty, calculated in the same manner as for the other States, as from the date the duty may become leviable in that State in the period covered by our Report. (Para 8.9)

VI. Grant-in-lieu of Tax on Railway Passenger Fares

(1) The annual quantum of the grant in lieu of a tax on railway passenger fares be raised to Rs.95 crores in each of the years 1984-85 to 1988-89. (Para 9.16)

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

	States	Percentage Shares		States	Percentage Shares
1.	Andhra Pradesh	7.68	12.	Manipur	0.02
2.	Assam	2.03	13.	Meghalaya	0.05
3.	Bihar	9.51	14.	Nagaland	0.16
4.	Gujarat	6.67	15.	Orissa	1.58
5.	Haryana	1.84	16.	Punjab	3.88
6.	Himachal Pradesh	0.14	17.	Rajasthan	4.87
7.	Jammu & Kashmir	0.95	18.	Sikkim	0.01
8.	Karnataka	3.43	19.	Tamil Nadu	6.61
9.	Kerala	3.18	20.	Tripura	0.04
10.	Madhya Pradesh	5.85	21.	Uttar Pradesh	17.85
11.	Maharashtra	15.70	22.	West Bengal	7.95
				Total:	100.00

(Para 9.16)

VII. Grant on Account of Wealth Tax on Agricultural Property

The share of each State in the grant on account of wealth tax on agricultural property should be an amount equivalent to the net collection in that State in that year. (Para 10.9).

VIII. Financing of Relief Expenditure

(1) The existing arrangements are basically sound and should continue subject to the following modifications: (Para 11.32)

(a) The following amounts of margin moneys per year be fixed for each State:

Name of State	Amount of Margin Money (Rs. in crores)	Name of State	Amount of Margin Money (Rs. in crores)
1. Andhra Pradesh	24.50	12. Manipur	0.25
2. Assam	7.25	13. Meghalaya	0.25
3. Bihar	33.75	14. Nagaland	0.25
4. Gujarat	28.75	15. Orissa	26.25
5. Haryana	4.50	16. Punjab	6.00
6. Himachal Pradesh	1.75	17. Rajasthan	16.75
7. Jammu & Kashmir	1.50	18. Sikkim	0.25
8. Karnataka	6.00	19. Tamil Nadu	8.75
9. Kerala	5.00	20. Tripura	0.75
10. Madhya Pradesh	4.75	21. Uttar Pradesh	32.50
11. Maharashtra	7.25	22. West Bengal	23.75
		Total:	240.75

(Para 11.33)

(b) The State Governments should provide 50 per cent of the margin money mentioned above under the Head of Account '289 - Relief on Account of Natural Calamities'. (Para 11.33)

(c) The Centre should contribute the balance of 50 per cent of the margin money in every year as a grant-in-aid as indicated in para (3) of item III supra. On the occurrence of a natural calamity, a State will be entitled to draw on the Centre's contribution after it has exhausted its own share of the margin money. Provisions not released to the States will be carried forward to the next year. (Paras 11.22 and 11.33)

(d) Expenditure on relief of distress caused by fire should also be treated on the same footing as a natural calamity of the category of floods. (Para 11.24)

(e) The cost norms adopted for items such as repairs/reconstruction of damaged houses etc. for which assistance is provided may be reviewed by the Centre. (Para 11.27)

(f) In respect of damages caused to public works by cyclones, floods, etc., if the Centre is satisfied about the extent of expenditure required to be met, the Central assistance should extend, subject to the contributions of the State Government as indicated in para (2) below, to the whole of the expenditure on repairs and restoration of public works regardless of whether such expenditure can be incurred in the financial year in which the calamity occurs or it will have to be spread over the next and subsequent financial years. (Para 11.28)

(2) Subject to the above modifications, for drought relief expenditure in excess of the margin we have provided, the State Government should make a contribution from its plan for providing relief employment. The extent to which the State Government should contribute from its Plan in this manner should be assessed by a Central Team after consultation with the State Government and approved by the Central Government. This contribution should not exceed 5 per cent of the Annual Plan outlay. This Plan contribution of the State Government should be treated as an addition to the Plan outlay in that year and covered by Advance Plan assistance. The adjustment of the advance Plan assistance against the ceiling of the Central assistance for the Plan of the State should be effected within five years following the end of the drought. If the expenditure requirement, as assessed by the Central Team and the High Level Committee cannot be adequately met in a particular case after the State Plan contribution is taken into

account, the extra 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, half as grant and half as loan. In regard to the expenditure on relief and repairs and restoration of public works following floods, cyclones and other calamities of this nature, Central assistance should be made available as non-Plan grant, not adjustable against the Plan of the State or against Central assistance for the State Plan, to the extent of 75 per cent of the total expenditure in excess of the margins. Where a calamity is of rare severity it may be necessary for the Central Government to extend assistance to the States concerned even beyond the schemes we have suggested. (Para 11.23 read with paras 11.4, 11.5 and 11.6)..

IX. Measures to deal with non-Plan Capital Gap.

(1) For purposes of debt relief, non-Plan capital gap has been computed after excluding repayments of overdraft loans and small savings loans. (Para 14.35)

(2) No relief is recommended in respect of overdraft loans given to States in 1982-83 and 1983-84. (Para 14.22)

(3) No relief is recommended in respect of repayment of small savings loans, except that in 1984-85, no repayment shall be made. (Para 14.34)

(4) Loans for relief and rehabilitation of displaced persons etc. should be written off. (Para14.41(a)

(5) The estimated relief to States in the 5 year period 1984-89, including write off of repayments of Rs.405.20 crores, is as follows:— (Annexure XIV-6 read with para 14.41(e), (g) and (h)).

Name of State	Rs. in crores	Name of State	Rs. in crores
1. Andhra Pradesh	204.64	12. Manipur	11.18
2. Assam	205.50	13. Meghalaya	6.39
3. Bihar	330.98	14. Nagaland	7.81
4. Gujarat	17.80	15. Orissa	195.62
5. Haryana	31.79	16. Punjab	38.71
6. Himachal Pradesh	16.52	17. Rajasthan	239.41
7. Jammu & Kashmir	212.72	18. Sikkim	3.07
8. Karnataka	48.45	19. Tamil Nadu	28.19
9. Kerala	53.80	20. Tripura	2.57
10. Madhya Pradesh	143.65	21. Uttar Pradesh	337.92
11. Maharashtra	27.83	22. West Bengal	120.84
		Total	2285.39

(6) Pre-1979 loans recommended for consolidation by us should carry an interest of 4.75 per cent. The loans sanctioned after 1st April, 1979 and outstanding on 31.3.84 which have been recommended for consolidation by us should carry the following rates of interest depending on the period of repayment as rescheduled.

Rescheduled for 15 years	6 per cent
Rescheduled for 20 years	6.25 per cent
Rescheduled for 25 years	6.50 per cent
Rescheduled for 30 years	6.75 per cent

(Para 14.43)

X. Scope for Raising revenues from taxes and duties mentioned in Articles 268 and 269 of the Constitution.

(1) Duties under Article 268

(a) Some scope for raising the rates of stamp duties exists only in respect of bills of lading excluding those in respect of inland navigation, letters of credit and policies of general insurance including marine insurance. (Para 15.13, 15.14 and 15.19)

(b) There is no scope for enhancing revenues from excise duties on medicinal and toilet preparations. (Para 15.27)

(2) Taxes and duties mentioned in Article 269 but not levied at present.

There is scope for levying tax on railway passenger fares but no such tax should be levied so long as the present arrangement by which the Centre gives grants to the States in lieu of such a tax, continues to exist. There is scope for raising revenues by levying a tax on advertisements published in newspapers and journals. (Para 15.61 and 15.87)

XI. General Observations.

(1) The period covered by the recommendations of the Finance Commission should be synchronised with that of the Five Year Plan. (Para 16.9)

(2) There should be a permanent Division in the Ministry of Finance during the interregnum between one Commission and the next with the functions indicated in para 16.12 (Para 16.11)

(3) The staff strength of the proposed Division may be suitably augmented. (Para 16.14)

(4) The State Governments should also have similar permanent Divisions in their Finance Departments. (Para 16.15)

(5) Future Commissions should be vested with the financial and administrative powers of a Ministry of Government of India (Para 16.16)

Sd/-
(Y.B. Chavan)
Chairman

Sd/-
(T.P.S.Chawla)
Member

Sd/-
(C.H.Hanumantha Rao)
Member

Sd/-
(G.C.Baveja)
Member

Sd/-
(A.R.Shirali)
Member

Sd/-
(N.V. Krishnan)
Secretary

New Delhi
April 30, 1984.

MINUTE OF DISSENT BY SHRI JUSTICE T.P.S. CHAWLA AND SHRI G.C. BAVEJA ON TREATMENT TO BE ACCORDED TO ADDITIONAL RESOURCE MOBILISATION AND COMMITTED EXPENDITURE

While reassessing the State forecasts of revenue and expenditure for 1984-89, the majority has adopted the following procedure:

(a) Provisions for maintenance of Plan schemes completed by the end of 1983-84 have been included in the non-Plan expenditure estimates for 1984-85.

(b) Receipts on account of additional resource mobilisation by the States during the first four years of the Sixth Plan have been included in the revenue estimates for 1984-85.

(c) The reassessment of the States' forecasts for the period 1985-86 to 1988-89 excludes projections of revenue receipts and revenue expenditure on account of fresh resource mobilisation in 1984-85 and additional committed liability that would result consequent upon the implementation of the annual Plan for that year.

(d) For the deficit States, however, the excess of additional committed expenditure on account of Plan schemes completed in 1984-85 over the yield estimated from additional tax and non-tax measures adopted in 1984-85 has been left to be computed by the Ministry of Finance and the Planning Commission and such excess to be covered by additional grants-in-aid during each of the years 1985-86 to 1988-89.

2. We consider that the procedure adopted by the majority is not in accordance with the existing practices followed by the Planning Commission and the State Governments. It is a well established practice that expenditure on schemes completed during the course of a five year Plan period becomes committed only in the next five year Plan. In other words, whatever expenditure is incurred on the schemes started during the course of a five year Plan is treated as Plan expenditure and not non-Plan expenditure in that Plan period. Similarly, the additional resources mobilised during the course of a five year Plan period are treated as resources available for the implementation of State Plans, and not as a part of the resources available for non-Plan expenditure during that Plan period.

3. The five year period for which we are required to make recommendations covers the years from 1984-85 to 1988-89. At present, the Sixth five year Plan is in operation. It started in 1980-81 and will come to an end in 1984-85. The Seventh five year Plan commencing from 1985-86 is under preparation. In accordance with the practice which we have described above, the provision for maintenance of Plan projects completed during the Sixth Plan period, namely, upto the end of 1984-85, should be made only in the year 1985-86 onwards. Likewise, the additional resources mobilised during the Sixth Plan period should be treated as a part of the resources available for non-Plan expenditure only from 1985-86 onwards.

4. Our view is simple. We think, that the existing practices must be followed, and the forecasts prepared accordingly.

5. But, the majority have taken the view that the provision for maintenance of Plan projects completed upto 1983-84 should be made even in 1984-85, which is the last year of the Sixth Plan. Also, they think, the additional resources mobilised upto 1983-84 should be treated as a part of the normal revenues of the States, available for meeting non-Plan expenditure from 1984-85. In short, the majority want to do from 1984-85, what, according to existing practices, should be done from 1985-86.

6. The majority do not dispute the existance of the practices we have mentioned. They concede in paragraph 16.5 of Chapter XVI entitled 'General Observations' that these practices are 'well-established'. The reasoning of the majority is based entirely on the interpretation they place on para 5(iii) and (v) of the terms of reference. According to them, we are required by clause (iii) to estimate the revenue resources of State 'on the basis of levels of taxation likely to be reached at the end of the financial year 1983-84', and, by clause (v), to make provision for 'maintenance of Plan schemes completed by the end of 1983-84'. Therefore, they argue, the additional resources mobilised upto 1983-84 during the period of the Sixth Plan must be included in the revenue forecast for 1984-85. And, on the other side, provision for expenditure on Plan projects completed by the end of 1983-84 should be made in the expenditure forecast for 1984-85.

7. In our opinion, that is not the proper construction of those two clauses of the terms of reference. We think, they merely prescribe 1983-84 as the 'base year' for making the revenue and expenditure forecasts, and that is all. Para 5(v) of the President's Order merely enjoins that in making its recommendations, the Commission shall have regard, among other considerations, to the maintenance of Plan schemes completed by the end of 1983-84. It does not require that if the expenditure on their maintenance is already being treated as Plan expenditure, it should be treated as non-Plan expenditure in the year 1984-85 which is the last year of the Sixth Plan.

8. The reasoning of the majority, when pursued further, confronts them with a problem which they are unable to resolve except by doing violence to the language of clause (iii) of the terms of reference. The closing words of that clause require the Commission to have regard to 'the targets set for additional resource mobilisation for the Plan'. To fit these words to their interpretation the majority are compelledto say 'the Plan' means the 'annual' Plan for 1983-84. If it was intended to refer to the annual Plan, all that had to be done was to insert the word 'annual' before 'Plan ' in that clause. Since in our view 'the Plan' can only denote the five year Plan, the construction of the majority is untenable.

9. On practical considerations also we are reinforced in our conclusion. Most of the State Plans have already been settled by the Planning Commission for the year 1984-85, and this has been done on the basis of the existing practices to which we have referred. Therefore, the reassessment of the forecasts made by the majority for the year 1984-85 by following a procedure contrary to the existing practices is unrealistic.

10. The majority has mentioned that both the Sixth and Seventh Finance Commissions also computed the resources of the States for the forecast period on the basis of the levels of taxation likely to be reached at the end of the year in which they were required to make their reports. The majority have ignored the fact that in the case of both the Sixth as well as the Seventh Finance Commissions the year in which they were required to make the reports coincided with the last year of the then current five year Plans. Therefore, there is no parallel with the present occasion.

11. After making provisions for maintenance of Plan schemes completed by 1983-84 in the projections of non-Plan expenditure in 1984-85, which is unrealistic in our view, the majority 'expects that the Planning Commission as well as the Government of India would take this into account and make such adjustments for 1984-85 as may be necessary' vide para 3.121 of the Report. It is not clear as to what sort of adjustments the majority wants the Planning Commission and the Government of India to make. In order not to leave either the Central Government or the State Governments in doubt, it would have been better if the majority had spelt out exactly what adjustments should be carried out and in what manner. Does it imply that the Central assistance being given by the Planning Commission for the States' Plans should be reduced or that the Plan size should be cut?

12. As regards the reassessment of the States' forecasts in respect of the period 1985-86 to 1988-89, the majority has left it to the Ministry of Finance and the Planning Commission to work out the excess of the additional committed expenditure arising on account of the Plan schemes completed in 1984-85 over the Yield estimated from additional tax and non-tax revenue measures adopted in 1984-85 and to cover such excess by additional grants-in-aid in the case of deficit States. We only wish that instead of leaving this matter to the Ministry of Finance and the Planning Commission, this Commission should itself have estimated the amounts of grants-in-aid due to deficit States on this account. We feel that there was no difficulty in making these estimates, since the forecast of the States' requirements for maintenance of Plan schemes completed by the end of 1984-85 had already been obtained and, also, the targets for additional resource mobilisation agreed to by the States for the Annual Plan 1984-85, are known,.

13. To sum up, the procedure adopted by the majority as mentioned in sub-paras (a), (b) and (c) of para 1 of this minute is contrary to the existing practices, while the procedure suggested in sub para (d) of the same para amounts to abdication of the functions of the Finance Commission.

Sd/-
(Justice T.P.S. Chawla)

Sd/-
(G.C. Baveja)

New Delhi
April 30, 1984

MINUTE OF DISSENT BY SHRI Y.B. CHAVAN, CHAIRMAN AND SHRI G.C. BAVEJA MEMBER, ON TREATMENT TO BE ACCORDED TO REPAYMENT OF SMALL SAVINGS LOANS DURING 1984-89.

The majority of the Commission consider that no relief in the repayment of small savings loans during the forecast period would be justified, except in respect of the repayments due in 1984-85 as recommended in our Interim Report. We differ with this and are of the view that there should be no repayment in respect of these loans throughout the forecast period 1984-85 to 1988-89. Our reasons are as follows:—

(I) The State Governments have availed of the benefit of moratorium in repayment of small savings loans for a period of six years, including 1984-85 in respect of which year even the majority would also not like to change our interim recommendation to extend moratorium upto 31st March, 1985. We consider that it would be a retrograde step to reverse the position from 1985-86 onwards without sufficiently compelling reasons since it would cause considerable hardship to the States.

(ii) We are unable to agree with the majority view that there is no distinction between the small savings loans and other Central loans. In our view, unlike other loans, there is a direct nexus between small savings collections and loans to the States as their share in small savings. The Central Government lends to the State Governments 2/3rd of the net collections of small savings. In other words, the Centre's repayment liability to the general public on account of small savings is, in each year, fully met from the fresh collections in that year and it is only from the balance that a share is paid to the States by way of loans. Thus, small savings loans are a special category of loan and that is why Seventh Finance Commission had recommended treatment of these loans as loans in perpetuity. The small savings loans is the only loan given by the Centre to the States which indicates its origin and it is already netted for repayment. No other loan given by the Government of India to the State Governments has this distinguishing feature. It is, therefore, unfair to expect the State Governments again to repay these loans. Even the Government of India in its letter* dated 13th September, 1973 to the Sixth Finance Commission recognised that "the Small Savings Loans stand on a different footing and may be considered on merits independent of non-Plan capital gap or overall non-Plan gap of States."

(iii) Small savaings Loans are granted by the Centre to the States with a view to encouraging them to put in more efforts for raising small savings collections. The State Governments have long been suggesting to the Central Government and have also stressed in their Memoranda submitted to Sixth Finance Commission, Seventh Finance Commission as well as this Commission that these loans should be treated as loans in perpetuity. If, therefore, the moratorium on repayment of these loans which has been in force for 6-years (Including 1984-85) is withdrawn, it will dampen the efforts of the State Governments to further mobilise small savings collections.

(iv) The reasons advanced by the Sixth Finance Commission for keeping aside fresh receipts from small savings and repayments of old small savings loans for the purpose of determining non-Plan capital gaps and provision of debt relief are not applicable in the present case. The majority has overlooked the fact that the Sixth Finance Commission covered, in full, the assessed non-Plan capital gaps of the States. This we have not been able to do in view of the constraints in resources. Our recommendations in this regard envisage covering the non-Plan capital gaps excluding repayments due for small savings and overdrafts on a graded basis, ranging from 35 per cent to 85 per cent for different States. In our view it would be extremely hard on the States, particularly ten deficit States in respect of which there are no revenue surpluses even after devolution, if they are asked to cover the deficits in their non-Plan capital account and also to face a further cut in their Plan resources on

* Page 157 of the Sixth Finance Commission Report 1973.

account of repayment of old Small savings loans. Out of the ten deficit States, seven hill States have very narrow resource base. We consider it inequitous to compel them to repay small savings loans simply on the consideration that a moratorium on repayment of small savings loans would confer somewhat larger benefit on some of the advanced States.

(v) Even if it is conceded that the advanced States should not derive an advantage vis-a-vis less advanced States on the basis of the Commission's recommendations, we are of the view that small savings is not the instrument through which the desired progressivity should be achieved. It would dampan the efforts of the advanced States, if past repayments are offset against fresh receipts. This would be a major set-back to the small savings movement which we would like to avoid. The advanced States contribute the maximum to the small Savaings collections and the movement which touches the grassrootes needs to be further strengthened with a view to generate more resources for the Plan. This can be possible only if the existing arrangements continue. Even the Government of India while sending its forecast of resources to us did not take into account the repayment of small savings loans.

(vi) The majority have opposed a further liberalisation of the terms of repayment of the small savings loans on the ground that the existing terms of repayment of such loans are already very liberal. We fail to understand the logic of this argument since while rescheduling other Central loans we have drawn no such distinction and have further liberalised the terms of repayment of various Central loans even though such loans had enjoyed liberalisation as a result of the recommendations of the Sixth and the Seventh Finance Commissions.

(vii) We do not wish to enter into an argument whether 'loans in perpetuity' is a correct concept or not. The majority has taken only a technical view of the matter. What is important is to deal with the non-Plan capital gaps in the next five years. The desired result, in so far as small savings loans are concerned, can be achieved by allowing a moratorium for the full five year period covered by our recommendations. The matter could be reviewed later depending upon the emerging resources position of the Central and State Governments in the subsequent Plan periods.

(viii) The view taken by the majority that any relief in respect of small savings loans would in general benefit the better off States is not correct. The majority has tried to base their conclusion on the table given by them in para 14.28 of the Report. It would be seen from this table itself that even though per capita outstanding loan average for all States is Rs. 129, some less advanced States like Assam, Jammu & Kashmir, Bihar and Uttar Pradesh have substantial per capita outstanding loans, Rs. 132, Rs.126, Rs. 108 and Rs. 106 respectively. A correct conclusion in this regard can be arrived at only by comparing the small savings outstandings with State Domestic Product as has been done by this Commission in respect of other loans in para 14.36. In that para this Commission has observed that a good index of the capacity of a State to meet its repayment obligations to the Centre is the level of its development as measured by State Domestic Product. The Annexure to our Note shows the proprotion of small savings outstanding to State Domestic Product. The conclusion from this Annexure is obvious that if we were to recommend moratorium on repayment of small savaings loans, a number of less advanced States like Bihar, Uttar Pradesh, Assam, Jammu & Kashmir and Himachal Pradesh will also be relatively greater beneficiaries.

(ix) It is understood that the Central Government had rejected the recommendations of the Seventh Finance Commission for treating the small savings loans as loans in parpetuity on the ground that the liability of the Central Government to repay these loans would still remain. In our view the situation where the Government of India would be required to repay the loans from their own resources is not likely to arise during the period of our recommendations. Equity, therefore, demands that moratorium on repayment of small savings loans should continue during the next five years. If necessary, as a safeguard, it could be provided that, in case, in any year, the net collections are minus, the State Government concerned would proportionately incur repayment obligations of the principal amount to the extent to which the gross deposits fall short of gross withdrawals.

2. In view of the foregoing, we recommend that the Central Government may extend the moratorium on repayment of small savings loans for the full 5-year period covered by our recommendations.

3. Further relief recommended by us is shown below:-

Relief in repayment in respect of Small Saving Loans

(Rs. crores)

States	Total repayment due during 1984-89	Relief recommended by this Commission for 1984-85	Further relief recommended by us for 1985-86 to 1988-89
1.	2.	3.	4.
1. Punjab	25.90	2.82	23.08
2. Haryana	23.98	3.23	20.75
3. Maharashtra	164.97	17.16	147.81
4. Gujarat	69.80	7.02	62.78
5. West Bengal	160.44	20.19	140.25
6. Himachal Pradesh	11.72	1.38	10.34
7. Karnataka	39.34	4.83	34.51
8. Tamil Nadu	58.92	7.83	51.09
9. Kerala	14.29	1.90	12.39
10. Rajasthan	26.98	3.24	23.74
11. Sikkim	0.01	-	0.01
12. Nagaland	0.25	0.04	0.21
13. Jammu & Kashmir	8.86	1.08	7.78
14. Tripura	1.06	0.09	0.97
15. Meghalaya	0.87	0.08	0.79
16. Andhra Pradesh	28.96	3.23	25.73
17. Assam	27.41	3.29	24.12
18. Orissa	22.95	3.13	19.82
19. Madhya Pradesh	38.11	4.73	33.38
20. Uttar Pradesh	144.48	19.93	124.55
21. Manipur	0.19	0.03	0.16
22. Bihar	91.16	11.85	79.31
Total	960.65	117.08	843.57

New Delhi
April 30, 1984.

Sd/-
Y.B. CHAVAN

Sd/-
G.C. BAVEJA

Annexure

Per Capita SDP outstandings of Small Savings Loans and percentage of outstandings to SDP.
(arranged in descending order of per capita SDP)

States	Per Capita SDP 1976-79 (Average) (Rs.)	Per Capita outstanding Small Savings loans at the end of 1983-84 (Rs.)	Percentage of outstandings to SDP i.e. %age of Col.3 to Col.2
1.	2.	3.	4.
1. Punjab	2250	142	6.31
2. Haryana	1895	160	8.44
3. Maharashtra	1670	257	15.39
4. Gujarat	1590	220	13.84
5. West Bengal	1247	272	21.81
6. Himachal Pradesh	1230	260	21.14
7. Karnataka	1202	101	8.40
8. Tamil Nadu	1165	87	7.47
9. Kerala	1162	45	3.87
10. Rajasthan	1127	78	6.92
11. Sikkim	1100	28	2.55
12. Nagaland	1100	28	2.55
13. Jammu & Kashmir	1100	126	11.45
14. Tripura	1082	55	5.08
15. Meghalaya	1046	73	6.98
16. Andhra Pradesh	1006	64	6.36
17. Assam	960	132	13.75
18. Orissa	918	65	7.08
19. Madhya Pradesh	895	60	6.70
20. Uttar Pradesh	870	106	12.18
21. Manipur	859	10	1.16
22. Bihar	755	108	14.30
(Average All States)	1139	129	11.33

OBSERVATIONS ON THE JOINT MINUTE OF DISSENT BY SHRI Y.B. CHAVAN AND SHRI G.C. BAVEJA

Our distinguished colleagues, in their minute of dissent, seem to be implying that the small savings loans should in effect be treated as loans in perpetuity but only asking for a further moratorium as a matter of expediency.

They are asking for total relief on small savings loans on the grounds that, unlike the Sixth Finance Commission, we have not been able to cover the non-Plan capital gaps fully. As pointed out in the dissent note itself,, we have not been able to cover these gaps fully because of constraints on resources. Further relief by way of moratorium on small savings loans cannot be sought in these circumstances. As for the weaker States, the general debt relief recommended for them in the Report is very liberal.

The Sixth Finance Commission had clearly stated that total relief on small savings loans would serve to defeat any progressive formula devised for general debt relief. This would have been so even in the case of the debt relief scheme evolved by the Sixth Finance Commission, under which the non-Plan capital gaps, excluding repayments of small savings loans, were totally covered. This would have also been the case in respect of the debt relief formula worked out by us as the moratorium on small savings loans will confer disproportionately larger benefits on the richer States. This is clear from the figures in Column 4 of the Table given in the note of dissent. Out of the further relief of Rs. 844 crores on small savings loans recommended for the period 1985-86 to 1988-89, as much as Rs. 340 crores or 40 per cent of total relief would go to six better-off States who have surpluses on revenue account even before devolution and who have overall surplus even after taking into account the repayment of small savings loans.

As for the remaining States, it would be relevant to examine their position with and without a moratorium on small savings loans. The assertion that they would be benefited by a moratorium on small savings loans ignores the fact that, in any progressive scheme of Plan assistance, such States are likely to be the net beneficiaries as a result of repayment of small savings loans. Under the existing scheme for Plan assistance, a certain amount is pre-empted for special category States, the per capita assistance for whom is much higher than the average for all States. The remaining resources are distributed to different non-special category States on the basis of the modified Gadgil formula under which States with per capita income lower than the national average generally get higher per capita assistance than the all States average. Since the per capita repayments of small savings loans will generally be higher from the better-off States, there would be a clear re-distribution of resources in favour of the weaker States. This point is illustrated in the following Table where it will be seen that the States, whose per capita income is lower than the average, can receive more by way of Plan assistance than their repayments of small savings loans. Repayments of small savings loans would add to the pool of resources for Central assistance to States, and its distribution among the States as Plan assistance on the basis of a progressive formula would benefit the poorer States to a greater extent than a moratorium on the repayment of such loans.

PER CAPITA (Rs.)

Non-Special Category States	S.D.P. (1976-79 Average)	Repayment of Rs. 799.19 crores of small Savings loans as due in 1985-89 period.	Notional distribution of Rs. 799.19 crores as Plan assistance on pro-rata basis of Modified Gadgil Formula allocations for the Sixth Plan
1.	2.	3.	4.
1. Bihar	755	11.4	14.6
2. Uttar Pradesh	870	11.2	14.0
3. Madhya Pradesh	895	6.4	14.2
4. Orissa	918	7.5	20.0
5. Andhra Pradesh	1006	4.8	13.2
6. Rajasthan	1127	6.9	14.7
7. Kerala	1162	4.9	12.9
8. Tamil Nadu	1165	10.6	10.4
9. Karnataka	1202	9.3	9.5

(Cont.....)

Non-Special Category States	S.D.P. (1976-79 Average)	Repayment of Rs.799.19 crores of small Savings loans as due in 1985-89 period.	PER CAPITA (Rs.) Notional distribution of Rs. 799.19 crores as Plan assistance on pro-rata basis of Modified Gadgil Formula allocations for the Sixth Plan
1.	2.	3.	4.
10. West Bengal	1247	25.7	8.9
11. Gujarat	1590	18.4	9.8
12. Maharashtra	1670	23.5	8.7
13. Haryana	1895	16.1	13.6
14. Punjab	2250	13.7	12.9

Sd/- Sd/- Sd/-

New Delhi (JUSTICE T.P.S. CHAWLA) (DR. C.H.HANUMANTHA RAO) (A.R.SHIRALI)
April, 30, 1984

NOTE OF DISSENT BY SHRI A.R. SHIRALI

1. Introductory — The recommendations of the majority of the Commission are briefly discussed below.

2. Centre — The Commission has computed the revenue surplus of the Central Government for the period 1984-89 at Rs.39,123 crores (without taking into account the effect of the recently announced D.A. increases+). By a majority view, it has recommended transfer of Rs.39.452 crores to the States over the same period in the form of share in taxes and duties, grants-in-aid, upgradation grants, grant in lieu of tax on Railway passenger fares, etc. It also wants the surcharge on income tax to be merged in income tax and thereby shared, a portion of loan repayments to the Centre to be written off and certain further contingent liabilities of the States to be met by the Centre. This will leave no revenue surplus whatsoever with the Centre for meeting, apart from contingent liabilities, even the revenue component of the Central Plan and the grant element of the Central assistance for the State and Union Territory Plans. (These two account for a provision of Rs.5674 crores in the 1984-85 Budget). Evidently, the majority expects these current outlays to be financed out of additional resource mobilisation or, what is more likely, out of the Centre's Capital receipts, which is happening to some extent even now. Whether the capital surplus as estimated would be adequate to finance the needs of the Central Plan, besides Central assistance, during 1984-89 would depend among other things, on the contribution of the public sector undertakings.

3. States — On the other hand, with the devolution proposed by the majority, 12 States will be left with revenue surpluses amounting to Rs.26,765 crores $ over the period 1984-89. These include Rs.6408 crores with Maharashtra, Rs.3802 crores with Uttar Pradesh, Rs.3217 crores with Tamil Nadu and Rs.2451 crores with Gujarat. Besides these revenue surpluses, the States will also be raising market loans (over Rs.1400 crores in 1984-85), receiving small savings loans (estimated at over Rs.9800 crores during 1984-89) and getting Central assistance for the Plan. Against this, the States have non-Plan capital gaps amounting to Rs.6806 crores, for covering a part of which the majority has recommended relief of Rs.2285 crores, including write off of Rs.405 crores.

Resource forecasts

4. Centre — The methodology adopted in projecting the Centre's revenue and expenditure has been explained in the relevant chapter. Only a few special items are discussed below.

(i) Dividends

As against the actual dividend receipt in 1982-83 of Rs.110 crores or 0.84 per cent of the equity investment in public sector undertakings, receipt of Rs.937 crores in each of the years from 1984-85 to 1988-89 has been assumed, despite the large accumulated losses of several of these undertakings. The norm of the Planning Commission, based on the concept of 'return', which is cited in justification of the assumption, is much wider in scope, including as it does the profits retained as internal resources. Even if such order of dividends were possible, it would only be at the cost of the public sector contribution for the Plan.

+ These are estimated to cost Rs.785 crores for Civil and Defence and Rs.490 crores for Railways and Posts and Telegraphs. $ Includes Rs.8063.94 crores with six States before devolution.

(ii) Fertilizer subsidy

On the assumption that the present rate of the subsidy would be maintained, the provision has been reduced from the estimate of Rs.10,197 crores proposed by the Union Government to Rs.6,581 crores. As new plants with a high cost of production, and, therefore, retention price relevant to the rate of subsiudy, would be going into production in the next few years, the implication of the reduction is a significant increase in fertilizer prices in the forecast period. This amounts to additional resource mobilization during the forecast period being taken into account.

(iii) Market borrowings

The estimate furnished by the Ministry of Finance, itself stated to be much higher than what the Reserve Bank had considered reasonable, has been further stepped up from Rs.15,700 crores to Rs.23,347 crores. It is a moot point whether borrowings of this order would be possible on the basis of non-inflationary raising of loans, especially if the States are also to borrow more in future.

(iv) General

Notwithstanding the scope for economy in expenditure, it would appear that the surpluses as worked out are based on very optimistic assumptions.

5. States — The methodology adopted in projecting the States' revenues and expenditure has been explained in the relevant chapter. Some salient features are discussed below.

(i) Tax effort

A study on 'Relative taxable capacity and tax effort of Indian States' covering the period 1976-79, conducted for the Commission by the National Institute of Public Finance and Policy, points out inter alia, that "Kerala, Andhra Pradesh, Madhya Pradesh, Haryana and Karnataka seem to be making above average tax effort.....Bihar, Maharashtra, Punjab, Tamil Nadu are in the middle. Uttar Pradesh and Gujarat seem to be making relatively low tax efforts. Orissa, Rajasthan and West Bengal are apparently making relatively little tax effort". The study did not cover Assam and the Hill States.

West Bengal, in particular, which was found to be a surplus State (after devolution) by the Seventh Finance Commission, has now become a deficit State. The surplus of Rajasthan (as also Bihar) is much less than that left by the last Commission. Assam has become a deficit State and Orissa's deficit is much larger; Jammu & Kashmir's deficit is also much larger.

The following table in regard to the revenue raised during 1981-82 by some States as compared to their per capita S.D.P. is very revealing —

State	Per Capita SDP (76-79 average)	Per capita revenue receipts	
		Tax revenue	Total revenue
1. West Bengal	1247	116	138
2. Karnataka	1202	163	229
3. Tamil Nadu	1165	174	204
4. Kerala	1162	147	238
5. Rajasthan	1127	91	142
6. Assam	960	51	80
7. Orissa	918	63	98
8. Madhya Pradesh	875	88	158
9. Uttar Pradesh	870	74	101
10. Bihar	755	51	80

The actual tax rates in the base year get reflected in the projections for the forecast period, despite normative growth rates being adopted for future.

(ii) Dividends, interest, etc.

The norms adopted by this Commission are more liberal than those of the last Commission. For public sector undertakings (other than Electricity Boards and Road Transport Corporations) it works

out, on an average to just 3½ per cent (as against 6 per cent at the Centre). For Electricity Boards, relief having been given on works in progress and outlay on rural electrification, the norm (primarily interest) works out on an average only to 5.24 per cent including electricity duty. The rate varies from as low a figure as 2.91 per cent in the case of West Bengal, mainly because of nearly 57 per cent of the block capital being locked up in works in progress, to 4.02 per cent in Assam, 5.39 per cent in Madhya Pradesh, 6.10 per cent in Andhra Pradesh, 8.23 per cent in Karnataka and 11.73 per cent in Kerala.

As for Road Transport Corporations, the norm adopted, viz. 3 per cent, is much less than the average of 5.24 per cent for State Electricity Boards, though the Seventh Finance Commission had considered that a higher norm for the former compared to the latter was justified.

In the case of irrigation, far from any return as assumed by the Seventh Commission, some subsidy has been built into the forecast of most States. The actual performance in all the above cases is, of course, far from satisfactory.

(iii) Expenditure projections

(a) The base year figures get reflected in the projections for the forecast period. In such a situation, there is little possibility of examination of scope for economy in expenditure. Thus, provisions for the various 'social security schemes' have been maintained with some exceptions. As for future, the norms adopted are, by and large, relatively liberal. In the case of Police, the growth rate adopted is 6.5 per cent as against the trend growth rate of 5.5 per cent. For Education, the growth rate adopted is 7 per cent as against the trend growth rate of 4.5 per cent. (This is apart from the upgradation provisions made separately). Norms for maintenance of irrigation schemes, roads and buildings, for medicines and diet, etc. have also been significantly stepped up.

(b) The provisions for increases in emoluments and dearness allowance over their levels as on 1.4.1982 based on 'objective criteria' adopted by the Commission work out to nearly Rs.8350 crores (excluding the effect of the three instalments of dearness allowance sanctioned at the Centre recently) for the forecast period, of which Rs.284 crores relates to Assam, Rs.421 crores to Orissa, Rs.908 crores to West Bengal, Rs.117 crores to Tripura and Rs.92 crores to Jammu and Kashmir. In addition, provisions of Rs.59 crores, Rs.96 crores, Rs.210 crores, Rs.24 crores and Rs.40 crores, respectively, have been added for these States on account of the three instalments of dearness allowance sanctioned at the Centre recently.

The dearness allowance in Assam and West Bengal was at the CPI level of 392 and 384 respectively as on 1.4.1982. Provision has been made for stepping up the allowance presumptively upto CPI level of 440 as on 1.4.82 and upto CPI level of 520 as on 1.11.83. The result in the case of West Bengal is that the total amoluments, particularly at lower levels, would be higher than in other States and at the Centre (Annexure III-13 may be seen in this connection).

(c) On the basis of the norms etc. adopted, the total expenditure requirements of all the States as assessed for the forecast period amount to as much as Rs.1,05,719* crores during 1984-89 (Rs.19,601 crores in 1984-85) as against Rs.13,952 crores in 1981-82. This excludes the provisions made for upgradation, special problems, etc.

(d) Provisions on the basis of the higher norms have been made for full year in 1984-85 also. The total expenditure provisions, as adopted for 1984-85, together with the revenue receipts assumed, both on per capita basis, for certain States are given below:-

State	Per capita expenditure* Rupees in lakhs	Per Capita Revenue
Assam	270	128
Bihar	201	113
Orissa	273	146
Rajasthan	276	193
West Bengal	322	207
Jammu & Kashmir	679	353
Nagaland	1476	329

*Excluding provision on account of three instalments of D. A. sanctioned at the Centre recently.

6. Devolution —

(i) The picture that emerges, with the order of transfers proposed by the majority, is that the Centre will be left with no revenue surplus whatsoever, even for meeting additional non-Plan revenue liabilities that will arise, much less for meeting Plan revenue expenditure, whether at the Centre or in the States. On the other hand, 12 States will have large revenue surpluses, perhaps leaving little incentive to raise additional resources, though there is considerable scope for raising revenue from sources within the purview of the States. Besides, the other ten States will have deficits which have to be covered by grants-in-aid; further demands on the Centre by these States cannot also be ruled out.

(ii) In the light of the difficult revenue position of the Centre and the wide disparities in the revenue position of the States as it emerges on the basis of the recommendations of the majority, the question of the transfers to be made needs to be considered objectively. Undoubtedly, improved tax administration and working of public sector enterprises, as also economies in expenditure, whether at the Centre or in the States, can considerably improve their revenue position. At the same time, the need for avoiding at least a non-Plan revenue deficit at the Centre (for meeting unexpected non-Plan liabilities_ and for reducing the disparities among the States, as reflected in the surpluses left with them after devolution, cannot be ignored.

(iii) Keeping the above considerations in view, an alternative exercise in respect of States' share of income tax and Union excise was made. Under this, the States' share of income tax was reduced from 85 per cent to 60 per cent and that of Union excise duties from 40 per cent to 30 per cent, the grant in lieu of Railway passenger fares tax being taken as Rs. 60 crores per annum. Even then, ten States were left with surpluses in all of Rs. 20,835 crores, the deficits of the remaining States being Rs. 5,425 crores. If another 6 per cent of Union Excise Duties were earmarked for the deficit States, their deficits would be reduced to Rs. 2,902 crores, which would have to be covered by grants-in-aid. Table I may be seen in this connection. It would be seen that even with this reduced order of devolution most of the States will be placed in a comfortable situation. Correspondingly, the Centre's revenue position will improve by over Rs. 6000 crores with which it can meet its revenue expenditure and also assist needy States.

(iv) However justified and rational the reductions in the States' shares mentioned above may be, a sharp change, particularly in the case of income tax, might be difficult. For one thing, the States' share of income tax has been as high as 80 per cent or more since 1974. For another, the formula for distribution of the States' share among the States has been made very progressive by us. Nevertheless, the constraint of revenue resources at the Centre and the feeling that its interest in income tax is now minimal cannot be lost sight of. Having regard to all these considerations, I propose, for the present, only a modest reduction in the States' share of income tax from 85 per cent to 80 per cent.

(v) As regards shareable Union excise duties, it will be recalled that the States' share was increased by the Seventh Finance Commission steeply to 40 per cent. Having regard, again, to the constraint of revenue resources at the Centre and the large surpluses left with the States, there seems a very good case for a significant reduction in the all States' share from the present level of 40 per cent. In order, however, not to make a major change and also not to depart too much from the majority recommendation, I propose only a modest reduction, viz., that the all States' share be reduced to 35 per cent, with another 5 per cent for the deficit States, thus making a total of 40 per cent, instead of 45 per cent proposed by the majority.

(vi) The position for 1984-85 stands on a special footing. In view of the delay in the submission of our Report and the fact that the States' Plans have already been finalised for most States, any change in the devolution arrangements in the middle of the year may create difficulties for the States and upset their resource calculations. In view of this consideration, the appropriate course would be to maintain the existing arrangements for 1984-85 (in terms of this Commission's Interim Report) in respect of all shareable taxes and duties, namely, income tax, excise duties, additional excise duties and estate duty as well as the grant in lieu of Railway passenger fares tax.

(vii) The States' shares suggested in respect of both income tax, viz. 80 percent, and Union excise duties, viz. 35 percent for all States and 5 per cent for deficit States, can be given effect to conveniently from 1985-86. In so far as the grant in lieu of Railway passenger fares tax is concerned, I have indicated in the relevant Chapter that it could be Rs. 60 crores as against Rs. 95 crores recommended by the majority. This also, if accepted, can be given effect to from 1985-86.

(viii) I have no difference with the majority on the formulae for distribution among the States inter se of the States' shares of income tax and Union excise duties as well as of the other taxes and duties and the grant in lieu of Railway passenger fares tax, from 1985-86 onwards.

(ix) Even the modest proposals made above will leave an aggregate surplus of Rs. 24.571 crores with 12 States (Tables II and III) as compared to Rs. 26,765 crores in terms of the majority recommendation.

Each State's share in respect of income tax and the 35 per cent portion of Union excise duties (other than duty on electricity) will be the same as that recommended by the majority; the share of each of the deficit States in the 5 per cent of Union excise duties (other than that on electricity) earmarked for them for each of the years 1985-89 is shown in Table IV.

7. Grants-in-aid

(i) The modifications suggested in the foregoing section will necessitate consequential changes in the amounts of the grants-in-aid to be paid to the States. Before considering this question, I would like to deal with the principles for determining the grants-in-aid.

(ii) There is a feeling that a 'gap-filling' approach, notwithstanding the normative levels of revenue, expenditure and returns from public sector undertakings assumed by the Finance Commissions, leave no incentive to the States either to economise in expenditure or to raise additional resources and, in general, condones inefficiency. I am, therefore, inclined to take the view that some gap, even if it be a small amount, should be left uncovered so that the necessary effort to fill it will, hopefully, be forthcoming. This is particularly so where the tax effort has been inadequate or the expenditure level high. On this basis, I propose that a portion of the deficit equivalent to 1 per cent of the assessed provisions for each of the deficit States in each of the years 1984-89 be left uncovered.

(iii) There is a special point in respect of 1984-85. As already mentioned, expenditure provisions have been made on the basis of much higher norms, particularly for maintenance, and revision of emoluments, including dearness allowance, for a full year in 1984-85. In view of the delay that has taken place in the submission of our Report and the inevitable delay that will take place in giving effect to it, it seems unlikely that the expenditure provisions made will be fruitfully utilised. This being so, a reduction in the expenditure provisions made for 1984-85 would be justified, even though it might have to be on ad hoc basis. A flat cut of 1 per cent in the case of Hill States and 2 per cent in the case of the other deficit States of the assessed provisions for 1984-85 would, I feel, be justified.

(iv) Another consideration to be kept in view in regard to 1984-85 is in respect of the provisions included in 1984-85 for maintenance of Plan schemes completed by 1983-84 because of the requirements of the President's Order (vide para 3.121 of Chapter III), even though, according to the existing practice, these schemes would be included in the annual Plans for 1984-85 of the respective States. In view of the delay that has taken place in the submission of our Report, it became necessary to add that it was expected that the Planning Commission as well as the Government of India would take this in to account and make such adjustments for 1984-85 as may be necessary. No doubt various alternatives are possible since these schemes would continue to be in the Plan. It could however, be considered if payment of a grant equal to the provision so included in the case of the dificit States could be made to them to the extent of 20 per cent in each of the five years commencing from 1985-86.

(v) The scheme of general debt rescheduling suggested by the majority will result in additional interest liability on the States including Rs. 24.26 crores for deficit States in 1984-85. In the succeeding section, I am recommending, for reasons explained there, that the debt rescheduling scheme, subject to the modifications suggested by me, be given effect to from 1985-86. If this is done, the additional interest liability provided in 1984-85 will not be necessary.

(vi) The Commission has introduced a new concept of 'margin money grants' in respect of relief expenditure. These include Rs. 153.13 crores for six States which have surpluses even before devolution, viz. Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Tamil Nadu. I have some reservations on the need for grants in these cases. Be that as it may, the scheme, I feel, can be given effect to from 1985-86 rather than in the middle of 1984-85.

Keeping the above considerations in view, the grants-in-aid proposed to meet the deficits (including provision on account of three DA instalments) in 1984-85 and during each of the years 1985-89 are indicated in Tables V and VI (1) to (4), respectively.

8. Non-Plan Capital Gap

(i) The non-Plan capital gaps of the States have been computed in Chapter XIV after excluding, among other things, receipt of small savings loans from the Centre, these being treated as an earmarked Plan resource. On the other hand, all repayments of loans, including the small savings loans, to the Centre, have been provided for. In a situation of constraint of resources, there is no reason why the small savings loans and the revenue surpluses that will accrue to the States should be treated as wholly reserved for the Plan. If, even, 50 per cent of both the small savings loans likely to be received from the Centre and the revenue surpluses as worked out by the majority are taken into account, only 12 States will have residual non-Plan gaps of just Rs. 1,213 crores, as may be seen from Table VII.

(ii) Further, while the repayment of overdraft loans has been included in the determination of non-Plan capital gaps, they have been excluded in the final computation of gaps for purposes of giving debt relief.

(iii) In the above background, grant of relief on the basis of some ad hoc percentages of arbitrarily determined capital gaps, as done by the majority, does not have any rationale behind it. In particular, there is no logic in proposing write-off of repayments due of as much as Rs. 405 crores on the basis of such ad hoc percentages.

(iv) The question of debt relief needs to be considered, not with reference to non-Plan capital gaps, howsoever determined, but with reference to the overall position. In this view, it is primarily the States of Assam, Bihar, Orissa, Rajasthan and the Hill States which need relief on a significant scale. For this purpose, the loans outstanding on any given date would have to be consolidated and rescheduled, the rescheduled period of repayment being determined with reference to the position of each State. This is broadly what the Commission has attempted to do in the case of all States in para 14.41 of the Report but it is in fixing the period of repayment of the consolidated loans that it has allowed itself to be unduly influenced by ad hoc and predetermined percentages of the gaps for giving relief. I set out my views below:—

Pre-79 consolidated loans referred in para 14.41(e).

I see no need for reopening the terms and conditions of the loans already consolidated and rescheduled on the basis of the Seventh Finance Commission's recommendations. The only exception can be in the case of States referred to above, viz., Assam, Bihar, Orissa, Rajasthan and the Hill States.

Post-79 loans referred to in para 14.41 (g)

The period of repayment proposed for some States does not seem to bear any relation to their overall position; for example, Tripura (20 years), Uttar Pradesh (25 years), Andhra Pradesh and Madhya Pradesh (30 years). However, I shall not press this point.

(v) The relief that the above rescheduling (i.e. before write-off) will provide may not be adequate in the case of the States of Assam, Bihar, Orissa, Rajasthan and some of the Hill States. It is, however, not possible to determine the precise extent of relief which would be justified for these States without having some idea of the needs for their Plans. The relief necessary should, therefore, be allowed to be determined during the Plan discussions, both for the Five Year and Annual Plans, and be left to be negotiated between the State Governments concerned and the Central Government on the recommendations of the Planning Commission. Such further relief may take the form of moratorium in repayment or more preferably as a fresh non-Plan loan but not as a write-off.

(vi) I see no justification for any write-off of loans or even of repayments as recommended by the majority. This would be objectionable in principle as it would put a premium on inefficient utilisation of loans with no obligation for generation of resources for their repayment. If any write-off is to be considered, it should be done on the basis of the recommendations of some sort of a debt commission, which could go comprehensively into the entire question of outstanding debts, their utilisation, capacity to repay them, etc. and not with reference to some percentages of 'gaps'.

(vii) As already mentioned, the precise extent of debt relief to be given in the case of any State should be left to be determined in the light of the needs for the Plan as judged during the Plan discussions. Since the Annual Plans for 1984-85 have in most cases already been finalised and in order not

to disturb the resource calculations already made, the scheme of consolidation, rescheduling and debt relief proposed by the majority, subject to my reservations indicated above, can conveniently be given effect to from 1985-86, which will also be the first year of the Seventh Plan. The consolidation, etc. may, therefore, be done as on 31. 3. 1985 rather than as on 31. 3. 1984. In so far as 1984-85 is concerned, such relief as is necessary could be considered by the Government of India on merits, keeping in view the needs of the Plan for 1984-85.

9. General

(i) The labours of the Commission have clearly brought out the fact that while the requirements on the basis of what is considered desirable are very high, the availability of resources, whether at the Centre or in the States, is severely limited. The revenue position of the Centre and of 12 States, which have no surpluses or have small surpluses, is particularly difficult. Obviously, the Centre should not be expected to borrow for financing its current expenditure and that of the States, whether on non-Plan or Plan account. In such a situation, while both the Centre and the States must do their best to mobilise more resources through improved tax administration, efficient working of public sector enterprises and economies in expenditure by reordering priorities, there must simultaneously be an integrated review of the non-Plan and Plan needs and their financing, keeping in view also the surpluses accruing from the Finance Commission's recommendations.

(ii) Determination of the Central assistance for Plan on the basis of an independent set of principles without reference to the above surpluses or other resources accruing to individual States, like market borrowings and the small savings loans likely to be received in future, or even the relative needs of the States, would only serve to accentuate the disparities that exist at present. Apart from the quantum of the Central assistance, the question of its pattern would also need examination. For example, it would merit consideration whether any Plan grants, as distinguished from Plan loans, would be justified in the case of the States, which according to our assessment will have large revenue surpluses in the forecast period. On the other hand, in the case of the States with a small or no such surplus, there might be a case for a larger element of grant in the Plan assistance than at present. The entire subject of Plan financing, whether at the Centre or of the States, would, therefore, need to be comprehensively reviewed, taking the non-Plan and Plan accounts together, in the context of the Seventh Plan and the situation that is emerging, and in particular, the imbalances that are arising.

Summary of main recommendations in this Note.

(i) 1984-85 — The existing arrangements in respect of the determination and/or distribution of the States' shares of income tax, Union Excise Duties, additional excise duties, estate duty, grant in lieu of tax on Railway passenger fares as also assistance for relief expenditure may continue to be in force in 1984-85 as recommended in this Commission's Interim Report submitted in November, 1983 i.e. in accordance with the recommendations contained in the Seventh Finance Commission's Report. The grants-in-aid that might be paid to the States under Article 275 to meet their deficits are indicated in Table V.

(ii) 1985-89 — The States' share of income tax may be fixed at 80 per cent and that of shareable Union excise duties (other than that on electricity) at 40 per cent, the latter comprising 35 per cent for all States and 5 per cent for the deficit States. The formulae for distribution among States of the States' share of income tax and the 35 per cent portion of Union excise duties may be the same as recommended by the majority. As for the balance 5 per cent, the percentage shares for distribution are indicated in Table IV. The grants-in-aid that might be paid to the States to meet their deficits are indicated in Tables VI (1) to (4).

(iii) Debt Relief — The general debt relief scheme recommended by the majority, with the exception of the proposal for writes-off and my qualification regarding pre-1979 loans, may be given effect to from 1985-86 by consolidating the relevant loans as on 31. 3. 1985. Further relief to the weaker states may be considered only in the light of the needs of the Plan, and take the form, not of write-off but, of moratorium in repayment of loans or grant of fresh loans, whether in 1984-85 or later years.

Sd/-
(A. R. Shirali)

New Delhi,
April 30, 1984.

Table I : States' position for 1984-89 with 60 per cent share in Income Tax and 30 per cent share in Union excise duties with another 6 per cent for deficit States.

(Rs. in Crores)

STATE	Surplus/deficit before devolution	Devolution	Surplus/deficit after devolution
1	2	3	4
1. Andhra Pradesh	(-) 845.98	2137.21	(+) 1291.23
2. Assam	(-) 1444.46	1055.12	(-) 389.34
3. Bihar	(-) 3152.50	3108.70	(-) 43.80
4. Gujarat	(+) 1034.13	1137.11	(+) 2171.24
5. Haryana	(+) 965.95	351.05	(+) 1317.00
6. Himachal Pradesh	(-) 713.77	412.85	(-) 300.92
7. Jammu & Kashmir	(-) 995.39	580.57	(-) 414.82
8. Karnataka	(+) 351.71	1346.94	(+) 1698.65
9. Kerala	(-) 635.43	983.25	(+) 347.82
10. Madhya Pradesh	(-) 801.77	2156.29	(+) 1354.52
11. Maharashtra	(+) 3790.48	2102.28	(+) 5892.76
12. Manipur	(-) 422.73	225.58	(-) 197.15
13. Meghalaya	(-) 341.30	184.14	(-) 157.16
14. Nagaland	(-) 484.04	238.06	(-) 245.98
15. Orissa	(-) 1663.80	1368.45	(-) 295.35
16. Punjab	(+) 1147.56	501.76	(+) 1649.31
17. Rajasthan	(-) 1240.63	1213.15	(-) 27.48
18. Sikkim	(-) 92.65	47.34	(-) 45.31
19. Tamil Nadu	(+) 774.12	1904.73	(+) 2678.85
20. Tripura	(-) 502.46	271.29	(-) 231.17
21. Uttar Pradesh	(-) 2113.59	4546.83	(+) 2433.24
22. West Bengal	(-) 3034.33	2480.82	(-) 553.51
TOTAL	(-) 18484.83 (+) 8063.94	28353.52	(-) 2901.99 (+) 20834.62

Table II : States' position in 1984-85 on the basis of the existing shares in income tax, Union excise duties etc.

(Rs. in Crores)

STATE	Surplus/deficit before devolution	Devolution	Surplus/deficit after devolution
1. Andhra Pradesh	(-) 290.84	442.58	(+) 151.74
2. Assam	(-) 282.48	149.66	(-) 132.82
3. Bihar	(-) 615.22	643.64	(+) 28.42
4. Gujarat	(+) 98.42	280.51	(+) 378.93
5. Haryana	(+) 108.48	89.95	(+) 198.43
6. Himachal Pradesh	(-) 131.34	32.56	(-) 98.78
7. Jammu & Kashmir	(-) 195.22	47.35	(-) 147.87
8. Karnataka	(-) 3.83	294.53	(+) 290.70
9. Kerala	(-) 149.68	227.37	(+) 77.69
10. Madhya Pradesh	(-) 190.43	457.73	(+) 267.30
11. Maharashtra	(+) 500.63	502.02	(+) 1002.65
12. Manipur	(-) 78.17	11.47	(-) 66.70
13. Meghalaya	(-) 63.36	10.74	(-) 52.62
14. Nagaland	(-) 88.92	5.36	(-) 83.56
15. Orissa	(-) 335.57	242.80	(-) 92.77
16. Punjab	(+) 143.27	120.54	(+) 263.81
17. Rajasthan	(-) 284.74	263.65	(-) 21.09
18. Sikkim	(-) 17.39	1.27	(-) 16.12
19. Tamil Nadu	(-) 9.75	436.28	(+) 426.53
20. Tripura	(-) 93.31	18.21	(-) 75.10
21. Uttar Pradesh	(-) 497.15	955.41	(+) 458.26
22. West Bengal	(-) 624.41	467.28	(-) 157.13
TOTAL	(-) 3951.81 (+) 850.80	5700.91	(-) 944.56 (+) 3544.46

Table III : States' position in 1985-89 with 80 per cent share in income tax and 35 per cent share in Union excise with another 5 per cent for deficit States.

(Rs. in Crores)

STATE	Surplus/deficit before devolution	Devolution	Surplus/deficit after devolution	STATE	Surplus/deficit before devoluation	Devolution	Surplus/deficit after devolution
1	2	3	4	1	2	3	4
1. Andhra Pradesh	(-) 555.14	2054.23	(+) 1499.09	13. Meghalaya	(-) 277.94	185.00	(-) 92.94
2. Assam	(-) 1161.98	968.90	(-) 193.08	14. Nagaland	(-) 395.12	246.41	(-) 148.71
3. Bihar	(-) 2537.28	2975.85	(+) 438.57	15. Orissa	(-) 1328.23	1216.94	(-) 111.29
4. Gujarat	(+) 935.71	1072.58	(+) 2008.29	16. Punjab	(+) 1004.28	465.84	(+) 1470.12
5. Haryana	(+) 857.47	326.70	(+) 1184.17	17. Rajasthan	(-) 955.89	1148.02	(+) 192.13**
6. Himachal Pradesh	(-) 582.43	407.17	(-) 175.26	18. Sikkim	(-) 75.26	48.06	(-) 27.20
7. Jammu & Kashmir	(-) 800.17	561.22	(-) 238.95	19. Tamil Nadu	(+) 783.87	1827.65	(+) 2611.52
8. Karnataka	(+) 355.54	1287.42	(+) 1642.96	20. Tripura	(-) 409.15	272.42	(-) 136.73
9. Kerala	(-) 485.75	941.85	(+) 456.10	21. Uttar Pradesh	(-) 1616.44	4399.20	(+) 2782.76
10. Madhya Pradesh	(-) 611.34	2079.04	(+) 1467.70	22. West Bengal	(-) 2409.92	2192.70	(-) 217.22
11. Maharashtra	(+) 3289.85	1976.99	(+) 5266.84	TOTAL	(-) 14546.60	26881.96	(+) 21020.25
12. Manipur	(-) 344.56	227.77	(-) 116.79		(+) 7226.72		(-) 1458.17

** Comprising deficit of Rs.6.09 crores in 1985-86 and surplus of Rs.198.22 crores in 1985-89. Taking this into account, the total surplus of all States would be Rs.21026.34 crores and the total deficit Rs.1464.26 crores.

Table IV : States' share in 5 per cent of Union excise duties earmarked for deficit States during 1985-89.

(Percentages)

STATE	1985-86	1986-87	1987-88	1988-89	STATE	1985-86	1986-87	1987-88	1988-89
1	2	3	4	5	1	2	3	4	5
1. Andhra Prades	..	..	..	..	14. Nagaland	8.878	9.994	10.850	12.379
2. Assam	12.878	13.217	13.886	12.782	15. Orissa	9.827	7.819	6.022	4.401
3. Bihar	..	..	..	..	16. Punjab	..	..	..	..
4. Gujarat	..	..	..	..	17. Rajasthan	1.196	..	..	..
5. Haryana	..	..	..	..	18. Sikkim	1.646	1.834	1.967	2.230
6. Himachal Prades	10.554	11.791	12.705	14.483	19. Tamil Nadu	..	..	..	..
7. Jammu & Kashmi	15.286	16.326	16.817	17.950	20. Tripura	8.238	9.205	9.932	11.242
8. Karnataka	..	..	..	..	21. Uttar Prade	..	..	..	..
9. Kerala	..	..	..	..	22. West Benga	18.909	15.700	12.605	7.128
10. Madhya Pradesh	..	..	..	..	TOTAL	100.000	100.000	100.000	100.000
11. Maharashtra	..	..	..	..					
12. Manipur	6.996	7.856	8.482	9.716					
13. Meghalaya	5.592	6.258	6.734	7.689					

Table V : Grants-in-aid in 1984-85

(Rs. in Crores)

	STATE	Deficit after devolution	Add provision for three instalments of dearness allowance	++ Less 3 per cent/ 2 per cent of assessed provisions	Less interest liability for debt rescheduling included in column 2	+++ Less Provision for maintenance of 1983-84 Plan schemes included in column 2	Adjusted deficit	Grants-in-aid including escalation of 5 per cent
	1	2	3	4	5	6	7	8
1.	Assam	(-)132.82	11.77	16.09	4.88	31.54	92.08	96.68
2.	Orissa	(-) 92.77	19.18	21.63	5,64	39.39	45.29	47.55
3.	Rajasthan	(-) 21.09	24.06	28.38	4.60	36.49	+	-
4.	West Bengal	(-)157.13	41.94	52.65	1.53	71.82	73.07	76.72
5.	Himachal Pradesh	(-) 98.78	3.36	4.76	0.54	16.51	80.33	84.35
6.	Jammu & Kashmir	(-)147.87	8.09	8.13	6.08	21.61	120.14	126.15
7.	Manipur	(-) 66.70	1.55	1.98	0.53	5.70	60.04	63.04
8.	Meghalaya	(-) 52.62	1.66	1.67	0.10	8.03	44.48	46.70
9.	Nagaland	(-) 83.56	2.36	2.29	0.27	5.83	77.53	81.41
10.	Sikkim	(-) 16.12	0.67	0.60	0.09	5.30	10.80	11.34
11.	Tripura	(-) 75.10	4.79	2.26	(-)0.02	10.74	68.91	70.26
	TOTAL:	(-)944.56	119.43	140.44	24.24	252.96	670.67	704.20

+ Surplus of Rs. 24.32 crores. ++ Reference paras 7(ii) & (iii) of the Note. +++ Reference para 7(iv) of the Note.

Table VI(1): Grants-in-aid in 1985-86

(Rs. in Crores)

	STATE	Deficit after devolution	Add provision for three instalments of dearness allowance	Less 1 per cent of assessed provisions**	Adjusted deficit	Grants-in-aid including escalation of 10 per cent.
	1.	2.	3.	4.	5.	6.
1.	Assam	(-)65.67	11.77	5.48	(-)71.96	79.16
2.	Orissa	(-)50.12	19.18	7.51	(-)61.79	67.97
3.	Rajasthan	(-) 6.09	24.06	9.79	(-)20.36	22.40
4.	West Bengal	(-)96.43	41.94	18.23	(-)120.14	132.15
5.	Himachal Pradesh	(-)53.83	3.36	2.50	(-)54.69	60.16
6.	Jammu & Kashmir	(-)77.97	8.09	4.24	(-)81.82	90.00
7.	Manipur	(-)35.69	1.55	1.02	(-)36.22	39.84
8.	Meghalaya	(-)28.51	1.66	0.86	(-)29.31	32.24
9.	Nagaland	(-)45.28	2.36	1.20	(-)46.44	51.08
10.	Sikkim	(-) 8.39	0.67	0.31	(-) 8.75	9.63
11.	Tripura	(-)42.01	4.79	1.16	(-)45.64	50.20
	TOTAL :	(-)509.99	119.43	52.30	(-)577.12	634.83

** Reference para 7(ii) of the Note.

Table VI(2) : Grants-in-aid in 1986-87

(Rs. in crores)

	STATE	Deficit after devolution	Add provision for three instalments of dearness allowance	Less 1 per cent of assessed provisions**	Adjusted deficit	Grants-in-aid including escalation@
	1	2	3	4	5	6
1.	Assam	(-) 53.21	11.77	5.68	(-) 59.30	68.19
2.	Orissa	(-) 31.47	19.18	7.74	(-) 42.91	49.35
3.	West Bengal	(-) 63.20	41.94	18.95	(-) 86.19	99.12
4.	Himachal Pradesh	(-) 47.46	3.36	2.63	(-) 48.19	55.42
5.	Jammu & Kashmir	(-) 65.73	8.09	4.42	(-) 69.40	79.81
6.	Manipur	(-) 31.62	1.55	1.06	(-) 32.11	36.93
7.	Meghalaya	(-) 25.20	1.66	0.90	(-) 25.96	29.85
8.	Nagaland	(-) 40.24	2.36	1.26	(-) 41.34	47.54
9.	Sikkim	(-) 7.38	0.67	0.33	(-) 7.72	8.88
10.	Tripura	(-) 37.06	4.79	1.21	(-) 40.64	46.73
	TOTAL	(-)402.57	95.37	44.18	(-)453.76	521.82

Table VI(3) : Grants-in-aid in 1987-88

1.	Assam	(-) 46.32	11.77	6.00	(-) 52.09	62.51
2.	Orissa	(-) 20.10	19.18	8.03	(-) 31.25	37.50
3.	West Bengal	(-) 42.05	41.94	19.82	(-) 64.17	77.00
4.	Himachal Pradesh	(-) 42.39	3.36	2.78	(-) 42.97	51.56
5.	Jammu & Kashmir	(-) 56.10	8.09	4.63	(-) 59.56	71.47
6.	Manipur	(-) 28.29	1.55	1.11	(-) 28.73	34.48
7.	Meghalaya	(-) 22.47	1.66	0.95	(-) 23.18	27.82
8.	Nagaland	(-) 36.20	2.36	1.32	(-) 37.24	44.69
9.	Sikkim	(-) 6.57	0.67	0.34	(-) 6.90	8.28
10.	Tripura	(-) 33.14	4.79	1.26	(-) 36.67	44.00
	TOTAL	(-)333.63	95.37	46.24	(-)382.76	459.31

Table VI(4) : Grants-in-aid in 1988-89

1.	Assam	(-) 27.88	11.77	6.13	(-) 33.52	41.90
2.	Orissa	(-) 9.60	19.18	8.34	(-) 20.44	25.55
3.	West Bengal	(-) 15.54	41.94	20.56	(-) 36.92	46.15
4.	Himachal Pradesh	(-) 31.58	3.36	2.93	(-) 32.01	40.01
5.	Jammu & Kashmir	(-) 39.15	8.09	4.82	(-) 42.42	53.03
6.	Manipur	(-) 21.19	1.55	1.16	(-) 21.58	26.98
7.	Meghalaya	(-) 16.76	1.66	0.99	(-) 17.43	21.79
8.	Nagaland	(-) 26.99	2.36	1.38	(-) 27.97	34.96
9.	Sikkim	(-) 4.86	0.67	0.36	(-) 5.17	6.46
10.	Tripura	(-) 24.52	4.79	1.31	(-) 28.00	35.00
	TOTAL	(-)218.07	95.37	47.98	(-)265.46	331.83

** Reference para 7(ii) of the Note.

@ At the rate of 10 per cent for 1985-86, 20 per cent and 25 per cent for 1988-89.

Table VII: Non-Plan gap as adjusted

(Rs. Crores)

	STATE	Non-Plan Capital Gap as assessed including overdraft & Small Savings loans			Fresh small savings loans expected in forecast period (in proportion to loans received in 1979-84		Non-Plan Revenue surplus		Adjusted Non-Plan Gap	
		Total	of which				100%	50% of Col.7	Column (-)2+5+7 (-)	Column(-) (-)2+6+8 (-)
			Overdraft loans	Small Savings loans	100%	50% of Col.5				
	1	2	3	4	5	6	7	8	9	10
1.	Andhra Pradesh	432.88	18.95	28.96	454.82	227.41	1908.80	954.40		
2.	Assam	365.11	63.70	27.41	268.85	134.42			96.26	230.69
3.	Bihar	865.29	332.83	91.16	789.50	394.75	853.32	426.66		43.88
4.	Gujarat	226.18	74.60	69.80	944.01	472.00	2451.31	1225.66		
5.	Haryana	209.50	91.73	23.98	210.35	105.17	1393.92	696.96		
6.	Himachal Pradesh	49.61	18.45	11.72	131.48	65.74				
7.	Jammu & Kashmir	259.10	-	8.86	87.35	43.68			171.75	215.42
8.	Karnataka	220.53	3.87	39.34	420.08	210.04	2064.68	1032.34		
9.	Kerala	249.81	127.74	14.29	123.31	61.65	623.51	311.76		
10.	Madhya Pradesh	503.28	171.10	38.11	335.31	167.65	1986.34	993.17		
11.	Maharashtra	328.74	81.40	164.97	1991.99	996.00	6407.78	3203.89		
12.	Manipur	46.47	33.15	0.19	1.24	0.62			45.23	45.85
13.	Meghalaya	16.62	8.21	0.87	12.07	6.04			4.55	10.58
14.	Nagaland	20.44	10.98	0.25	1.47	0.74			18.97	19.70
15.	Orissa	340.99	57.23	22.95	171.31	85.65			169.68	255.34
16.	Punjab	259.17	114.41	25.90	288.77	144.39	1758.70	879.35		
17.	Rajasthan	668.61	322.43	26.98	287.52	143.76	297.55	148.78	83.54	378.07
18.	Sikkim	3.64	-	0.01	1.22	0.61			2.42	3.03
19.	Tamil Nadu	199.13	44.62	58.92	428.23	214.12	3217.19	1608.59		
20.	Tripura	19.47	15.36	1.06	13.95	6.98			5.52	12.49
21.	Uttar Pradesh	800.37	2.45	144.48	1142.75	571.37	3802.01	1901.00		
22.	West Bengal	721.25	399.69	160.44	1694.42	847.21				
	TOTAL:	6806.19	1992.90	960.65	9800.00	4900.00	26765.11	13382.56	597.92	1213.05

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APPENDICES

ANNEXURES

Appendix - I

Statewise Area and Population

	STATE	Area (thousand sq. Kms.)	Population (Lakhs) 1971	1981
	1	2	3	4
1.	Andhra Pradesh	277	435.03	535.50
2.	Assam	79	146.25	198.97 2/
3.	Bihar	174	563.53	699.15
4.	Gujarat	196	266.97	340.86
5.	Haryana	44	100.37	129.22
6.	Himachal Pradesh	56	34.60	42.81
7.	Jammu & Kashmir	222 1/	46.17 3/	59.87 3/
8.	Karnataka	192	292.99	371.36
9.	Kerala	39	213.47	254.54
10.	Madhya Pradesh	443	416.54	521.79
11.	Maharashtra	308	504.12	627.84
12.	Manipur	22	10.73	14.21
13.	Meghalaya	22	10.12	13.36
14.	Nagaland	17	5.16	7.75
15.	Orissa	156	219.45	263.70
16.	Punjab	50	135.51	167.89
17.	Rajasthan	342	257.66	342.62
18.	Sikkim	7	2.10	3.16
19.	Tamil Nadu	130	411.99	484.08
20.	Tripura	10	15.56	20.53
21.	Uttar Pradesh	294	883.41	1108.62
22.	West Bengal	88	443.12	545.80
	Total : All States	3168	5414.85	6753.63
	Total : All India	3288	5481.60	6851.85

1/ Includes Area under unlawful occupation of Pakistan & China.

2/ Projected Figure.

3/ 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.

Appendix - II

The Finance Commission (Miscellaneous provisions) Act, 1951, as amended by Act 13 of 1955

Act No. 33 of 1951

An Act

to determine the qualifications requisite for appointment as members of the Finance Commission and the manner in which they shall be selected, and to prescribe their powers.

Short title

BE it enacted by Parliament as follows:—

1. This Act may be called the Finance Commission (Miscellaneous Provisions) Act, 1951.

Definition

2. In this Act, "the Commission" means the Finance Commission constituted by the President pursuant to clause (1) of Article 280 of the Constitution.

Qualifications for appointment as, and the manner of selection of members of the Commission.

3. The Chairman of the Commission shall be selected from among persons who have had experience in public affairs, and the four other members shall be selected from among persons who —

(a) are, or have been, or are qualified to be appointed as Judges of a High Court; or
(b) have special knowledge of the Finances and accounts of Government, or
(c) have had wide experience in financial matters and in administration; or
(d) have special knowledge of economics.

Personal interest to disqualify members.

4. Before appointing a person to be a member of the Commission, the President shall satisfy himself that that person will have no such financial or other interest as is likely to affect prejudicially his functions as a member of the Commission, and the President shall also satisfy himself from time to time with respect to every member of the Commission that he has no such interest and any person who is, or whom the President proposes to appoint to be, a member of the Commission shall, whenever required by the President so to do, furnish to him such information as the President considers necessary for the performance by him of his duties under this section.

Disqualifications for being a member of the Commission

5. A person shall be disqualified for being appointed as, or for being, a member of the Commission,

(a) if he is of unsound mind,
(b) if he is an undischarged insolvent,
(c) if he has been convicted of an offence involving moral turpitude;
(d) if he has such financial or other interest as is likely to affect prejudicially his functions as a member of the Commission.

Terms of office of members and eligibility for reappointment

6. Every member of the Commission shall hold office for such period as may be specified in the order of the President appointing him, but shall be eligible for re-appointments.

Provided that he may, by letter addressed to the President, resign his office.

Condition of service and salaries and allowances of members.

7. The member of the Commission shall render whole-time or part-time service to the Commission as the president may in each case specify, and there shall be paid to the member of the Commission such fees or salaries and such allowances as the Central Government may, by rules made in this behalf, determine.

Procedure and powers of the Commission

8(1) The Commission shall determine their procedure and in the performance of their functions shall have all the powers of a civil court under the Code of Civil Procedure, 1908 while trying a suit in respect of the following matters, namely:—

(a) summoning and enforcing the attendance of witnesses;
(b) requiring the production of any document;
(c) requisitioning any public record from any court or office.

(2) The Commission shall have power to require any person to furnish information on such points or matters as in the opinion of the Commission may be useful for, or relevant to, any matter under

the consideration of the Commission and any person so required shall, notwithstanding anything contained in sub-section (2) of Section 54 of the Indian Income-tax Act, 1922, or in any other law for the the time being in force, be deemed to be legally bound to furnish such information within the meaning of section 176 of the Indian Penal Code.

(3) The Commission shall be deemed to be a Civil Court for the purposes of sections 480 and 482 of the Code of Criminal Procedure, 1898.

Explanation :

For the purpose of enforcing the attendance of witnesses, the local limits of the Commission's jurisdiction shall be the limits of the territory of India.

Appendix - III

Provisions of the Constitution having a bearing on the work of the Finance Commission

Article 246 — Subject matter of laws made by Parliament and by the Legislatures of States.

(1) Notwithstanding anything in clauses (2) and (3), Parliament has exclusive power to make laws with respect to any of the matters enumerated in List 1 in the Seventh Schedule (in this Constitution referred to as the "Union List").

(2) Notwithstanding anything in clause (3), Parliament, and subject to clause (1), the Legislature of any State also, have power to make laws with respect to any of the matter enumerated in List III in the Seventh Schedule (in this Constitution referred to as the "Concurrent List").

(3) Subject to clauses (1) and (2), the Legislature of any State has exclusive power to make laws for such State or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule (in this Constitution referred to as the "State List").

(4) Parliament has power to make laws with respect to any matter for any part of the territory of India not included in a State notwithstanding that such matter is a matter enumerated in the State List.

Relevant entries in List I — Union List

82 Taxes on income other than agricultural income.
83 Duties of customs including export duties.
84 Duties of excise on tobacco and other goods manufactured or produced in India except —
(a) alcoholic liquors for human consumption;
(b) opium, Indian hemp and other narcotic drugs and narcotics,
but including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.
85 Corporation tax.
86 Taxes on the capital value of the assets, exclusive of agricultural land, of individuals and companies; taxes on the capital of companies.
87 Estate duty in respect of property other than agricultural land.
88 Duties in respect of succession to property other than agricultural land.
89 Terminal taxes on goods and passengers, carried by railway, sea or air; taxes on railway fares and freights.
90 Taxes other than stamp duties on transactions in stock exchanges and futures markets.
91 Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.
92 Taxes on the sale or purchase of newspapers and on advertisements published therein.
92A Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce.

Relevant entries in List II — State List

45 Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues.
46 Taxes on agricultural income.
47 Duties in respect of succession to agricultural land.

48 Estate duty in respect of agricultural land.
49 Taxes on lands and buildings.
50 Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development.
51 Duties of excise on the following goods manufactured or produced in the State and countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India:—
(a) alcoholic liquors for human consumption;
(b) opium, Indian hemp and other narcotic drugs and narcotics;
but not including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.

52 Taxes on the entry of goods into a local area for consumption, use or sale therein.
53 Taxes on the consumption or sale of electricity.
54 Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of entry 92A of List I.
55 Taxes on advertisement other than advertisements published in the neswpapers and advertisements broadcast by radio or television.
56 Taxes on goods and passengers carried by road or on inland waterways.
57 Taxes on vehicles, whether machanically propelled or not, suitable for use on roads, including tramcars subject to the provisions of entry 35 of List III.
58 Taxes on animals and boats.
59 Tolls.
60 Taxes on professions, trades, callings and employments.
61 Capitation taxes.
62 Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.
63 Rates of stamp duty in respect of documents other than those specified in the provisions of List I with regard to rates of stamp duty

Article 268 – Duties levied by the Union but collected and appropriated by the States.

(1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected —

(a) in the case where such duties are leviable within any Union Territory, by the Government of India, and
(b) in other cases, by the States within which such duties are respectively leviable.

(2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State.

Article 269 — Taxes levied and collected by the Union but assigned to the States.

(1) The following duties and taxes shall be levied and collected by the Government of India but shall be assigned to the States in the manner provided in clause (2), namely:—

(a) duties in respect of succession to property other than agricultural land;
(b) estate duty in respect of property other than agricultural land;
(c) terminal taxes on goods or passengers carried by railway, sea or air;
(d) taxes on railway fares and freights;
(e) taxes other than stamp duties on transactions in stock exchanges and futures markets;
(f) taxes on the sale or purchase of newspapers and on advertisements published therein;
(g) taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce.

(2) The net proceeds in any financial year of any such duty or tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that duty or tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.

(3) Parliament may by law formulate principles for determining when a sale or purchase of goods takes place in the course of inter-state trade or commerce.

Article 270 — Taxes levied and collected by the Union and distributed between the Union and the State.

(1) Taxes on income other than agricultural income shall be levied and collected by the Government of India and distributed between the Union and the States in the manner provided in clause (2).

(2) Such percentage, as may be prescribed, of the net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed.

(3) For the purpose of clause (2), in each financial year such percentage as may be prescribed of so much of the net proceeds of taxes on income as does not represent the net proceeds of taxes payable in respect of Union emoluments shall be deemed to represent proceeds attributable to Union territories.

(4) In this article —

(a) "taxes on income" does not include a corporation tax;

(b) "prescribed" means —

(i) until a Finance Commission has been constituted, prescribed by the President by Order, and

(ii) after a Finance Commission has been constituted, prescribed by the President by Order after considering the recommendations of the Finance Commission;

(c) "Union emoluments" includes all emoluments and pensions payable out of the Consolidated Fund of India in respect of which income-tax is chargeable.

Article 271 — Surcharge on certain duties and taxes for purposes of the Union.

Notwithstanding anything in article 269 and 270, Parliament may at any time increase any of the duties or taxes referred to in those articles by a surcharge for purposes of the Union and the whole proceeds of any such surcharge shall form part of the Consolidated Fund of India.

Article 272 — Taxes which are levied and collected by the Union and may be distributed between the Union and the States.

Union duties of excise other than such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied and collected by the Government of India, but, if Parliament by law so provides, there shall be paid out of the Consolidated Fund of India to the States to which the law imposing the duty extends sums equivalent to the whole or any part of the net proceeds of that duty, and those sums shall be distributed among those States in accordance with such principles of distribution as may be formulated by such law.

Article 274 — Prior recommendation of President required to Bills affecting taxation in which States are interested..

(1) No Bill or amendment which imposes or varies any tax or duty in which States are interested, or which varies the meaning of the expression "agricultural income" as defined for the purposes of the enactments relating to Indian income-tax, or which affects the principles on which under any of the foregoing provisions of this Chapter moneys are or may be distributable to States, or which impose any such surcharge for the purposes of the Union as is mentioned in the foregoing provisions of this Chapter, shall be introduced or moved in either House of Parliament except on the recommendations of the President.

(2) In this article, the expression "tax or duty in which States are interested" means —

(a) a tax or duty the whole or part of the net proceeds whereof are assigned to any States; or

(b) a tax or duty by reference to the net proceeds whereof sums are for the time being payable out of the Consolidated Fund of India to any State.

Article 275 — Grants from the Union to certain States.

(1) Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States :

Provided that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of a State such capital and recurring sums as may be necessary to enable that State to meet

the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of the Scheduled Tribes in that State or raising the level of the administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State :

Provided further that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the State of Assam sums, capital and recurring equivalent to —

(a) the average excess of expenditure over the revenues during the two years immediately preceding the commencement of the Constitution in respect of the administration of the tribal areas specified in Part A of the table appended to paragraph 20 of the Sixth Schedule; and
(b) the cost of such schemes of development as may be undertaken by that State with the approval of the Government of India for the purpose of raising the level of administration of the said areas to that of the administration of the rest of the areas of that State.

(2) Until provision is made by Parliament under clause (1) the powers conferred on Parliament under that clause shall be exercisable by the President by order and any order made by the President under this clause shall have effect subject to any provision so made by Parliament :

Provided that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

Article 279 — Calculation of "net proceeds", etc.

(1) In the foregoing provisions of this Chapter, "net proceeds" means in relation to any tax or duty the proceeds thereof reduced by the cost of collectin, and for the purposes of those provisions the net proceeds of any tax or duty, or of any part of any tax or duty, in or attributable to any area shall be ascertained and certified by the Comptroller and Auditor-General of India, whose certificate shall be final.

(2) Subject as aforesaid, and to any other express provision of this Chapter, a law made by Parliament or an order of the President may, in any case where under this Part the proceeds of any duty or tax are, or may be, assigned to any State, provide for the manner in which the proceeds are to be calculated, for the time from or at which and the manner in which any payments are to be made, for the making of adjustments between one financial year and another, and for any other incidental or ancillary matters.

Article 280 — Finance Commission.

(1) The President shall, within two years from the commencement of this Commission and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to —

(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 this Chapter 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;
(c) any other matter referred to the Commission by the President in the interests of sound finance.

(4) The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

Article 281 — Recommendations of the Finance Commission.

The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

Article 282 — Expenditure defrayable by the Union or a State out of its revenues.

The union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.

Appendix IV

Transfers to the States on the basis of the recommendations of the Finance Commissions during 1951-52 - 1983-84

(Rs. Crores)

	Share in Divisible Taxes & Duties					Statutory and other grants				Grand Total
	Income Tax	Union duties of excise		Estate Duty	Total	Article 275 grants	In lieu of Tax on Railway Fares	Other grants	Total	
		Basic	Additional							
1	2	3	4	5	6	7	8	9	10	11
1st Five-Year Plan										
1951-52	53	..	..	..	53	1	..	16	17	70
1952-53	57	17	..	..	74	5	..	14	19	93
1953-54	57	15	..	..	72	7	..	14	21	93
1954-55	56	15	..	.	71	7	..	15	22	93
1955-56	55	17	..	2	74	7	..	17	24	98
Total:	278	64	..	2	344	27	..	76	103	447
2nd Five-Year Plan										
1956-57	59	18	..	2	79*	8	..	12	20	99
1957-58	74	29	11	2	116*	36	5	7	48	164
1958-59	76	33	40	2	151*	36	11	10	57	208
1959-60	79	36	39	3	157*	36	13	13	62	219
1960-61	87	37	38	3	165*	37	14	12	63	228
Total:	375	153	128	12	668	153	43	54	250	918
3rd Five-Year Plan										
1961-62	94	41	40	4	179	40	12	4	56	235
1962-63	95	79	46	4	224	61	12	7	80	304
1963-64	119	92	44	4	259	62	13	7	82	341
1964-65	124	86	41	7	258	65	13	10	88	346
1965-66	123	100	46	7	276	64	13	11	88	364
Total:	555	398	217	26	1196	292	63	39	394	1590
Three Annual Plans										
1966-67	137	184	47	5	373	141	16	12	169	542
1967-68	175	203	32	7	417	141	16	8	165	582
1968-69	195	241	50	6	492	141	16	9	166	658
Total:	507	628	129	18	1282	423	48	29	500	1782
4th Five-Year Plan										
1969-70	293	266	56	7	622	153	16	10	179	801
1970-71	359	318	72	6	755	142	16	13	171	926
1971-72	462	369	106	7	944	141	16	11	168	1112
1972-73	492	432	135	8	1067	146	16	15	177	1244
1973-74	532	465	166	11	1174	131	16	17	164	1338
Total:	2138	1850	535	39	4562	713	80	66	859	5421

Appendix IV (Concld.)

(Rs. Crores)

		Shares in Divisible Taxes & Duties					Statutory and other grants				Grand Total
		Income Tax	Union duties of excise		Estate Duty	Total	Article 275 grants	In lieu of Tax on Rail-way Fares	Other grants	Total	
			Basic	Addi-tional							
	1	2	3	4	5	6	7	8	9	10	11
5th Five-Year Plan	1974-75	512	524	178	10	1224	482	16	8	506	1730
	1975-76	734	646	211	8	1599	503	16	..	519	2118
	1976-77	652	774	254	10	1690	500	16	..	516	2206
	1977-78	676	817	303	10	1806	583	16	1	600	2406
	1978-79	700	944	301	11	1956	615	16	1	632	2588
	Total:	3274	3705	1247	49	8275	2683	80	10	2773	11048
6th Five-Year Plan	1979-80	862	2201	330	11	3404	256	17	1	274	3678
	1980-81	1003	2378	396	12	3789	281	16	1	298	4087
	1981-82	1019	2759	462	17	4257	292	16	1	309	4566
	1982-83(RE)	1132	2999	492	16	4639	399	16	Neg.	415	5054
	1983-84(BE)	1175	3293	604	16	5088	399	16	Neg.	415	5503
	Total:	5191	13630	2284	72	21177	1627	81	3	1711	22888

* Does not take into account State 'share' in tax on railway passenger fares. These transfers are shown under 'Other grants'.

Source: Report of Seventh Finance Commission (Appendix IV.1(ii)) for data upto the year 1976-77 and State Budgets/Finance Accounts for later years.

Statewise Net Domestic Product at current prices: 1976-77 to 1978-79

Appendix - V

(Rs. Crores)

STATE	1976-77	1977-78	1978-79	1976-79(Average)
1	2	3	4	5
1. Andhra Pradesh	4310.16	5015.78	5530.08	4952.00
2. Assam	1563.64	1789.48	1824.97	1726.03
3. Bihar	4498.60	4861.72	5225.13	4861.82
4. Gujarat	4525.64	5007.92	5272.30	4935.28
5. Haryana	1993.74	2239.59	2415.41	2216.25
6. Himachal Pradesh	416.13	498.64	548.89	487.89
7. Jammu & Kashmir	502.39	629.47	684.51	605.46
8. Karnataka	3578.40	4205.29	4377.65	4053.78
9. Kerala	2642.10	2789.13	3052.95	2828.06
10. Madhya Pradesh	3894.67	4694.02	4597.12	4395.27
11. Maharashtra	8639.71	9613.93	10734.43	9662.69
12. Manipur	102.30	117.33	118.12	112.58
13. Meghalaya	108.97	127.73	143.96	126.89
14. Nagaland	58.97	70.62	85.89	71.83
15. Orissa	1973.92	2304.48	2650.58	2309.66
16. Punjab	3048.39	3506.86	3767.24	3440.83
17. Rajasthan	3116.76	3544.10	3767.31	3476.06
18. Sikkim	NA	NA	NA	NA
19. Tamil Nadu	4756.64	5441.73	5751.32	5316.56
20. Tripura	181.22	218.97	211.87	204.02
21. Uttar Pradesh	7999.69	8912.98	9330.47	8747.71
22. West Bengal	5986.59	6515.16	6805.08	6435.61
All States:	63898.63	72104.93	76895.28	70966.28
Union Territories:	2273.00	2744.90	2849.05	2622.32
All India:	66171.63	74849.83	79744.33	73588.60

SOURCE: Central Statistical Organisation.

Comparable Estimates of Per-Capita State Domestic Product at current prices. Appendix - VI

(Rs.)

	STATE	1976-77	1977-78	1978-79	Average 1976-79
	1	2	3	4	5
1.	Andhra Pradesh	900	1030	1087	1006
2.	Assam	896	994	990	960
3.	Bihar	716	759	791	755
4.	Gujarat	1502	1626	1642	1590
5.	Haryana	1761	1935	1990	1895
6.	Himachal Pradesh	1072	1259	1358	1230
7.	Jammu & Kashmir	939	1146	1215	1100
8.	Karnataka	1093	1259	1254	1202
9.	Kerala	1101	1141	1243	1162
10.	Madhya Pradesh	807	951	927	895
11.	Maharashtra	1535	1677	1797	1670
12.	Manipur	799	888	889	859
13.	Meghalaya	926	1056	1156	1046
14.	Nagaland	948	1100	1252	1100
15.	Orissa	797	912	1046	918
16.	Punjab	2050	2317	2382	2250
17.	Rajasthan	1041	1153	1188	1127
18.	Sikkim				1100*
19.	Tamil Nadu	1066	1203	1225	1165
20.	Tripura	980	1149	1117	1082
21.	Uttar Pradesh	819	896	894	870
22.	West Bengal	1177	1252	1312	1247
	All States:	1051	1162	1203	1139
	Union Territories:	2731	3262	3197	3063
	All India:	1074	1191	1230	1165

* Figure in respect of Nagaland adopted for Sikkim. Source: Central Statistical Organisation.

States arranged in descending order of Per-Capita State Domestic Product. Appendix-VII

STATE		Per Capita SDP Average 1976-79(Rs.)	STATE		Per Capita SDP Average 1976-79(Rs.)
1		2	1		2
1.	Punjab	2250	12.	Nagaland	1100
2.	Haryana	1895	13.	Sikkim	1100
3.	Maharashtra	1670	14.	Tripura	1082
4.	Gujarat	1590	15.	Meghalaya	1046
5.	West Bengal	1247	16.	Andhra Pradesh	1006
6.	Himachal Pradesh	1230	17.	Assam	960
7.	Karnataka	1202	18.	Orissa	918
8.	Tamil Nadu	1165	19.	Madhya Pradesh	895
9.	Kerala	1162	20.	Uttar Pradesh	870
10.	Rajasthan	1127	21.	Manipur	859
11.	Jammu & Kashmir	1100	22.	Bihar	755

Annexure I-1
(Para 1.4)

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)
NOTIFICATION

New Delhi, the 29th October, 1983.

S.O. 783 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 20th June, 1982 /published with the notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) No. S.O.434(E), dated the 21st June, 1982/—

(a) in paragraph 2, for the words, figures and letters "the 31st day of October, 1983", the words, figures and letters "the date of making the final report by the Commission or the 29th day of February, 1984, whichever is earlier" shall be substituted;

(b) in paragraph 11, for the portion beginning with the words "The Commission shall make its report" and ending with the figures, letters and words "1st day of April, 1984" the following shall be substituted, namely:—

"The Commission shall make an interim report by the 15th November, 1983, covering as many of the matters mentioned above as possible and covering the year commencing on the 1st day of April, 1984; and make the final report by the 29th February, 1984 on each of the matters aforesaid and covering a period of five years commencing on and from the 1st day of April, 1984"

DATED 29th OCTOBER, 1983 (No.5(1)FCC/83)

ZAIL SINGH
PRESIDENT

Sd/-
(A. RANGACHARI)
JOINT SECRETARY

INTERIAM REPORT OF THE FIGHTH FINANCE COMMISSION

Annexure I-2
(Para 1.5)

This Finance Commission was constituted by the President's Order dated the 20th June, 1982 hereinafter referred to in this interim report as the "Order". One of us (Shri Justice T.P.S. Chawla) was appointed as a Member of this Commission by the President's subsequent Order dated the 2nd June, 1983, in place of Shri Justice Sabyasachi Mukherji whose resignation as Member of the Commission was also accepted from the 28th April 1983 in the same Order.

2. The Order required the Commission to make its report by the 31st October, 1983. On the 1st July 1982, demi-official letters were addressed by the Chairman to the Chief Ministers of all States (the Governor, in the case of Assam) requesting them to send before the 31st August 1982 a Memorandum containing their Governments' views on the various terms of reference given to this Commission. On the 26th July, 1982, the Chairman requested the Union Finance Minister to send the forecast of receipts and expenditure of the Government of India and also indicate their views on the various terms of reference given to the Commission. Our tentative schedule of work contemplated the completion of the discussions with the Chief Ministers of States by the end of June or July 1983 and with the Government of India by the end of August 1983. However, for reasons beyond our control, this schedule could not be adhered to and as a result we had to seek an extension of time to make our report. The President acceded to our request by his Order dated the 29th October 1983 which directs us (a) to make an interim report by the 15th November, 1983 covering as many of the matters mentioned in the Order as possible and covering the year commencing on the 1st day of April 1984 and (b) to make the final report by the 29th February 1984 on each of the matters mentioned in the Order and covering a period of five years commencing on and from the 1st day of April, 1984.

3. In the light of these requirements we considered the question as to which of the matters could be covered in the interim report. We concluded that, within the limited time available, it would not be possible for us to make final recommendations on any of the matters mentioned in the Order and that, as an interim measure to be applicable provisionally for the financial year commencing on the 1st April 1984, we would have to recommend the continuance of the existing arrangements except in cases where

we felt that some changes would have to be made even for the limited purposes of our interim report. Consequently, we have confined our attention to modifying, for the financial year 1984-85, the existing arrangements as to the needs of States for assistance under Article 275(1) of the Constitution. For this purpose, we have made a preliminary scrutiny of the forecasts of receipts and expenditure sent to us by the Government of India and the similar forecasts of the State Governments.

4. We recommend that in respect of the matters mentioned in para 4(a), para 6 and para 10 of the Order, the existing arrangements may continue provisionally during the financial year commencing on the 1st April 1984. We would only like to add that the State of Sikkim will be entitled to a share in Union excise duties as the law imposing these duties has been extended to that State. Similarly, that State will also receive a share from the proceeds of the additional excise duty on taxtiles in lieu of sales tax as the levy of sales tax thereon has been withdrawn by the State. The percentage shares of all States, including Sikkim, in these two levies which have been worked out by the Seventh Finance Commission should be applied for inter-se distribution in the financial year 1984-85 excepting that Sikkim's share in the excise duty on generation of electricity would be equal to the net collection in or attributable to that State.

5. In regard to the need for grants-in-aid under Article 275(1) of the Constitution to cover the residuary deficits on revenue account, we have felt it necessary to make as realistic an assessment as possible of such needs in the financial year 1984-85. For this purpose, a re-assessment of the revenue position in 1984-85 of all States was made on the basis of the actuals for the year 1982-83 reported to us by the States' Accountants General, after adjusting them for any unusual features. This showed that thirteen States (viz., Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh) would have a revenue surplus in 1984-85 as a result of our recommendations in the preceding para and after taking into account the considerations mentioned in para 6 below. These States do not therefore require grant-in-aid assistance in 1984-85 under Article 275(1) of the Constitution.

6. Some of the important considerations which have been taken into account in reassessing the forecasts of States for 1984-85 and in computing the grants-in-aid needed under Article 275(1) of the Constitution are as follows :—

(a) The targets for mobilisation in 1983-84 of additional resources fixed by the Planning Commission for financing the annual plan 1983-84 have been kept in mind.

(b) In regard to receipts from electricity supply, road transport and other similar activities, whether run departmentally or by public sector undertakings, as well as from irrigation works, certain norms have been tentatively used.

(c) No provisions have been made for expenditure on the following two items as our recommendations thereon would be made in the final report :

(i) fresh proposals for upgradation of standards of administration; and
(ii) improvements, if any, needed for the maintenance and upkeep of capital assets.

(d) No provision has been made, for the maintenance in 1984-85 of the Plan schemes completed by the end of 1983-84 because, according to prevailing practice, these schemes would still continue to be Plan schemes in 1984-85. Non-Plan expenditure on maintenance would have to be incurred only from 1985-86.

(e) In estimating the emolyments of State Government employees we have, for the present, excluded from the base expenditure figures for 1982-83 the effect of all order passed after the 1st April, 1982 for revision of pay scales irrespective of the date from which such revision had been made effective.

(f) However, we have made adequate provisions in the States' forecasts for all the instalments of additional dearness allowance which have so far been sanctioned by the Centre upto index number 496 in the All India Consumer Price Index for Industrial Workers (Base 1960 = 100).

7. Based on these consideration we have re-assessed the revenue deficits in 1984-85 of the remaining nine States. The table below gives the particulars of such deficits. We, therefore, recommend that the States mentioned in column 2 of the table be paid, in the financial year 1984-85, the sums mentioned in column 3 thereof as grants-in-aid of their revenues under Article 275(1) of the Constitution.

TABLE

Sl. No.	State	Sums to be paid as grant-in-aid (Rs. in crores)
1.	Assam	38.17
2.	Himachal Pradesh	91.15
3.	Jammu & Kashmir	114.85
4.	Manipur	56.08
5.	Meghalaya	40.27
6.	Nagaland	81.12
7.	Sikkim	11.96
8.	Tripura	53.34
9.	West Bengal	7.89
	Total :	494.83

8. The other important matter referred to us is to make an assessment of the non-plan capital gap of the States and to suggest appropriate measures to deal with it. As the forecasts on revenue and capital accounts of all the States have not been fully appraised by us, we are not in a position to make any recommendation in this behalf at present. The Government of India have already passed orders of a permanent nature in respect of each State in regard to the recommendations of the Seventh Finance Commission which were accepted by them. The question whether the arrangements finalized by these orders would need any change would be considered by us when we make our final report. There is, however, one recommendation of the Seventh Finance Commission in respect of which the Government of India had passed an order which would lapse at the end of the current financial year viz. in respect of repayment of the small savings loans granted to the States. We recommend, as an interim measure, that the decision of the Government of India granting a moratorium on the repayment of these loans upto the 31st March 1984 be extended upto the 31st March, 1985 pending our final recommendations in this respect. This recommendation would cover not only the small savings loans granted upto the 31st March 1979 but also those granted after that date.

9. Having given our interim recommendations for the financial year commencing from the 1st April 1984, we would like to emphasize that these recommendations are provisional and of an interim nature and would be subject to such re-adjustments as may be necessary on the basis of our final report. The interim recommendations made in this report should therefore not be regarded as indicating our final views or recommendations or committing us in any way regarding the principles of devolution of taxes and duties or grants-in-aid under Article 275(1) of the Constitution or on any other matter referred to us in the Order.

Sd/-
(Y.B. Chavan)
Chairman

Sd/-
(T.P.S. Chawla)
Member

Sd/- Sd/-
(C.H. Hanumantha Rao)
Member

Sd/-
(G.C. Baveja)
Member

Sd/-
(A.R. Shirali)
Member

Sd/-
(N. V. Krishnan)
Secretary

Dated, the 14th November, 1983.

Annexure I-3
(Para 1.6)

MINISTRY OF FINANCE
(Department of Expenditure)

ORDER

New Delhi, the 29th February, 1984

S.O. 138(E) — 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 20th June, 1982 (published with the notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) No.S.O. 434(E), dated the 21st June, 1982) :—

(a) in paragraph 2, for the words, figures and letters "the 29th day of February, 1984", the words, figures and letters "the 30th day of April, 1984" shall be substituted;

(b) in paragraph 11, for the words, figures and letters "the 29th February, 1984", the words, figures and letters "the 30th April, 1984" shall be substituted.

Dated 29th February, 1984

ZAIL SINGH
President

(No.5(11)FCC-83)
A. RANGACHARI, Jt. Secy.

Annexure I-4
(Para 1.11)

Dates of discussions with State Governments at State Headquarters

Gujarat	18th and 19th March, 1983
Tripura	22nd March, 1983
West Bengal	24th and 25th March, 1983
Madhya Pradesh	6th and 7th April, 1983
Uttar Pradesh	11th April, 1983
Manipur	19th and 20th April, 1983
Nagaland	21st April, 1983
Andhra Pradesh	5th May, 1983
Rajasthan	17th and 18th May, 1983
Himachal Pradesh	21st June, 1983
Assam	28th and 29th June, 1983
Meghalaya	30th Juna, 1983
Kerala	13th July, 1983
Haryana	26th July, 1983
Punjab	28th July, 1983
Jammu & Kashmir	2nd August, 1983
Karnataka	10th August, 1983
Maharashtra	22nd August, 1983
Orissa	2nd and 3rd September, 1983
Sikkim	13th September, 1983
Tamil Nadu	21st September, 1983
Bihar	28th September, 1983

ANNEXURE I.5
(Para 1.19)

List of organisations and individuals who submitted memoranda to the Commission

DELHI

1. All India Council of Mayors (represented by Secretary).
2. All India Federation of Cloth Retailers Association (represented by Shri D.B. Gupta, Secretary General).
3. All India Hill Peoples' Welfare Association (represented by Prof. N.C. Parashar, M.P.)
4. Birla Institute of Scientific Research (represented by Director General, Shri G.L. Bansal).
5. Ministry of Education and Culture.
6. Ministry of Home Affairs.
7. National Institute of Educational Planning and Culture, New Delhi.
8. S/Shri Bahuguna, H.N., M.P.
9. Bhatia, H.L., Delhi University.
10. Dutt, R.C., Hony. Adviser, Standing Conference of Public Enterprises, New Delhi.
11. Gidwani, V.L., Member Secretary, Fifth Finance Commission.
12. Jha, L.K., Chairman, Economic & Administration Reforms Commission.
13. Madan, B.K., Member, First Finance Commission.
14. Mehta, Asoka, former Deputy Chairman, Planning Commission.
15. Mitra, K., former Adviser, Planning Commission.
16. Ray, H.N., Member, Seventh Finance Commission.
17. Reddy, K.N., Professor, National Institute of Public Finance and Policy.
18. Sarin, H.C., Chairman, Railway Reforms Committee.

ANDHRA PRADESH

19. Darsi Taluk Non-Government School Teachers Pensioners' Association.
20. Jawaharlal Nehru Technological University, Hyderabad.
21. Nagarjunasagar University (represented by
22. S/Shri Gopalakrishnayya, V., Ex-MLA.
23. Hashim, M.M., MLC.
24. Dr. Kasaiah, C.P., S.V.U. College, Tirupathi.
25. S/Shri Omhar, M., MLA.
26. Owaisi, Sultan Salahuddin, MLA.
27. Rosaiah, K., MLA.
28. Dr. Tata Rao, N., Chairman, National Council of Power Utilities, Hyderabad.
29. S/Shri Upadhyaya, K.S., Principal, University College of Arts, Hyderabad.
30. Vengal Rao, J., former Chief Minister, Andhra Pradesh.
31. Dr. Yalamanchili Sivaji.

ASSAM

32. Assam State Employees' Federation (represented by Shri Hari Nath, General Secretary).
33. Gauhati University (represented by Shri J.M. Chaudhury, Vice-Chancellor).
34. North Cachar Hills District Council, Haflong.
35. The Plain Tribals' Council of Assam, District Goalpara.
36. S/Shri Barua, T.M. MLA.
37. Bhuyan, P.K., Principal, Digboi College.
38. Goswami, D.H., Registrar, Dibrugarh University.
39. Tripathi, K.P., President, INTUC, Dispur.

BIHAR

40. Bihar Finance Service, Department of Commercial Taxes, Patna.
41. Bihar Industries Association (represented by Shri R. Nath, Secretary).

42. Bihar Rajya Staff Car Sah Sarkari Motoryan Chalak Sangh, Patna (represented by Shri Kapil Muni Das, General Secretary).

43. Bihar State Bar Council, Patna (represented by Shri Braj Kishore Prasad).

44. Bihar State Council of the Communist Party of India, Patna.

45. Bihar State N. G. Employees' Federation (represented by Shri Y. P. Singh, General Secretary).

46. Bihar Pensioners' Samaj, Patna.

47. Institute of Public Administration, Patna University (represented by Dr. V. P. Verma, Director).

48. L. N. Mishra Institute of Economic Development and Social Change, Patna.

49. Sunday Club, Patna (represented by Dr. C. P. Thakur).

50. The Bihar Chamber of Commerce (represented by Shri Prabhat Kumar Prasad, Secretary).

51. Shri Gupta, R. P., MP

52. Dr. Jha, P.K. L. N. Mithila University, Darbhanga.

53. Dr. Kumar, B., Reader in Commerce, R.S.P. College, Jharia.

54. Dr. Mishra, Jagannath, MLA.

55. S/Shri Singh, Atmadeo, Director, Action Research Institute for Development Studies, Patna.

56. Suraj Mandal, MLA.

57. Dr. Tewari, J. N., Patna University.

GUJARAT

58. Ahmedabad Municipal Corporation (represented by Shri Rafiuddin Sheikh, Mayor).

59. Baroda Municipal Corporation (represented by Dr. V.C. Patel, Mayor).

60. Bhartiya Janta Party.

61. Bhavnagar Municipal Corporation (represented by Shri Ramnikbhai Pandye, Mayor).

62. Gujarat Chamer of Commerce and Industry.

63. Jamnagar Municipal Corporation (represented by Shri Jagubhai Tanna, Mayor).

64. Janata Party (Gujarat) and Rashtriya Congress (represented by Shri Dineshbhai Shah and others).

65. Members of Parliament (represented by Shri Shantabhai C. Patel and others).

66. Rajkot Municipal Corporation (represented by Shri Vajubhaiwala, Mayor).

67. Surat Municipal Corporation (represented by Shri Swarup Chand Jariwala, Mayor).

68. Textile Labour Association (represented by Shri M.T. Shukla, Secretary).

69. Shri Desai, M.K., Surat.

70. Dr. Lakdawala, D.T., Member, Fifth Finance Commission.

71. Dr. Patel, I.G., Director, Indian Institute of Management, Ahmedabad.

72. Shri Shelat, J.M., Chairman, Seventh Finance Commission.

HARYANA

73. Haryana Agricultural University, Hissar (represented by Dr. J.S.P. Yadav, Vice-Chancellor).

74. Punjab, Haryana and Delhi Chamber of Commerce and Industry, Chandigarh.

75. Shri Gianchand, Chandigarh.

HIMACHAL PRADESH

76. Himachal Pradesh Krishi Vishva Vidyalaya (represented by Dr. H.R. Kalia, Vice-Chancellor).

77. Himachal Pradesh University, Simla.

78. Himachal Social Bodies Federation (represented by Shri Vinod Kumar, Hony. General Secretary).

79. Dr. Goma, M.R., M.L.A.

80. S/Shri Negi, T.S. M.L.A.

81. Thakur, M.R., M.L.A.

JAMMU & KASHMIR

82. All Jammu & Kashmir Low Paid Government Employees' Federation, Srinagar.

83. Jammu & Kashmir Civil Secretariat Non-Gazetted Employees' Union (represented by Shri M.S. Kanth, President)

84. The Kashmir Chamber of Commerce and Industry, Srinagar.

85. S/Shri Arman Ghulam Hussain, M. L. A.

86. Sagar, Ali Mohd., M. L. A.

KARNATAKA

87. Communist Party of India (Marxist) (represented by S/Shri S.S. Rao and P.R. Rao).

88. Congress (I) Party.

89. Economic and Planning Council for Karnataka, Bangalore.

90. Gokhale Institute of Public Affairs, Bangalore (represented by Shri Nittoor Sreenivasa Rao, Hony. Secretary).

91. Karnataka State Council of the Communist Party of India (represented by Shri M.S. Krishnan, MLA).

92. Karnataka State Government Employees' Association (represented by Shri K.A. Keshava Murthy, President).

93. Karnataka United Urban Citizens Federation (represented by Shri K.N.V. Rao).

94. Dr.(Mrs.) Rao, Hemalata, Associate Professor, Institute of Social and Economic Change, Bangalore.

95. Dr. N.V. Ratnam, Professor, Indian Institute of Management, Bangalore.

96. Shri Rao, B. Padmavati Vittal, M.L.C.

KERALA

97. Break Water Construction Action Council, Quilon (represented by Shri J. Anthony, Secretary).

98. Communist Party of India (represented by Shri K. P. Prabhakaran, M.L.A. and others).

99. Communist Party of India (Marxist) (represented by Shri E.K. Nayanar, MLA and others).

100. Federation of State Employees and Teachers Organisation (represented by Shri P.V. Nair, General Secretary).

101. Indian Union Muslim League (represented by Shri N. Soopy, MLA).

102. Kerala Congress (J) (represented by Dr. K.C. Joseph, MLA).

103. Kerala Congress (M) (represented by S/Shri Dr. George Mathew and P.M. Mathew).

104. Kerala Association for Non-Formal Education and Development, Trivandrum.

105. Kerala Pradesh Congress (I) Committee (represented by Shri M.M. Jacob and others).

106. S/Shri Kuruvilla, K.C.

107. Nayanar, E.K., MLA.

108. Pylee, Mathew, Mayor, Cochin.

MADHYA PRADESH

109. Bhartiya Janta Party (MLAs and MPs).

110. Gazetted Officers' Association, Bhopal (represented by Shri Brijesh Shrivastava, President).

111. Indore Municipal Corporation.

112. Shri Chordia Siremal, Neemuch.

113. Dr. Jain, Rajendra, Govt. Nutan Girls College, Bhopal.

114. Prof. Majumdar, A.K., Jiwaji University, Gwalior.

115. Prof. Mishra, C.S. Head, Department of Economics, Ravishankar University, Raipur.

116. S/Shri Nahata, MP.

117. Singh, Mahendra, MLA.

118. Dr. Tiwari, R.S., Assistant Professor of Economics, Hamidia College, Bhopal.

MAHARASHTRA

119. Bhartiya Janata Party (represented by Shri Madhu Deolekar, MLC and others).

120. Bombay Chamber of Commerce and Industry (represented by Shri B.P. Gunaji, Secretary).

121. Bombay Taximen's Union (represented by Shri M.H. Baji, General Secretary).

122. Communist Party of India (Marxist) (represented by Smt. A. Rangnekar and Shri Sanzgiri).

123. Janata Party Legislature Wing (represented by Shri Sadanand Varde and others).

124. Maharashtra Chamber of Commerce (represented by Shri A.S. Kasliwal, President).

125. Maharashtra Economic Development Council (represented by Shri S.B. Sakhalkar, Executive Director).

126. Maharashtra State Government Employees' Confederation (represented by Shri R.G. Karnik, General Secretary).

127. Save Bombay Committee (represented by Shri Kisan Mehta, President).

128. The Bomaby Stock Exchange.

129. The Nagpur Chamber of Commerce Ltd. (represented by Shri H.M. Nahata, President).

130. The Western India Automobile Association (represented by Smt. Zarine Taraporevala, Secretary).

131. S/Shri Bedi, Man Mohan Singh, Mayor, Bombay.

132. Bondre, Shripatrao Shankar Rao, MLA.

133. Dr. Borkar, V.V., Head, Department of Economics, Marathwada University, Aurangabad.

134. S/Shri Deora, S. Murli, MLC.

135. Deshmukh, Sudam, MLA

136. Deshpande, V.C., Pune.

137. Dr. Ghuge, V.B., Head, Department of Economics, Shivaji University, Kolhapur.

138. S/Shri Kadam, G.B., Vice Chancellor, Nagpur University.

139. Mahale, H.S. MLA.

140. Mahadik, Ram, MLC.

141. Palkhivala, Nani A., Former Indian Ambassador to USA.

142. Dr. Patil, J.F., Shivaji University, Kolhapur.

143. S/Shri Power, Baliram, Mayor, Kolhapur.

144. Pundlik, G.S., Nagpur.

145. Prof. Rajadhyaksha N.D., Director General, All India Institute of Local Self Government, Bomaby.

146. S/Shri Sant Dass, Managing Director, National Bank for Agricultural and Rural Development, Bombay.

147. Sapre, N.B., Head, Department of Economics, Nowrosjee Wadia College, Pune.

148. Shirole, Balasaheb, Mayor, Pune.

149. Sukhatme, P.V., Maharashtra Association for Cultivation of Science, Pune.

150. Smt. Thakoor, Sharayu G., MLA.

151. Shri Trivedi, G.S., MLA.

MANIPUR

152. All India Manipur Bank Employees' Association.

153. Joint Administrative Council of All Manipur Trade Union Council and All Manipur Government Employees' Organisation.

154. Shri Singh, Yaima Y., MLA.

MEGHALAYA

155. All India Garo Union Headquarters (represented by Shri Maljon M. Sangma).

156. All Meghalaya District Ministerial Officers' Association (representated by Shri E.H. Denington Bamon, General Secretary).

157. Frontier Chamber of Commerce (represented by Shri O.P. Agarwala, Hony. General Secretary).

158. Khasi Hills District Council.

159. Meghalya State Government Employees' Federation.

160. North East India Council for Social Science Research (represented by Shri B. Datta Ray, Secretary).

NAGALAND

161. Members of State Legislature belonging to Opposition Parties (represented by Shri Huska and others).

ORISSA

162. All Orissa Tribal & Rural Welfare Field Officers' Association (represented by Shri Loknath Mishra, President).

163. All Utkal Primary Teachers' Federation (represented by Shri B.P. Pradhan, General Secretary).

164. Cuttack City District Congress (I) Committee.

165. Janata Party.

166. Lok Dal (represented by Shri P.K. Dash, General Secretary).

167. Orissa State NGOs Coordination Committee (represented by Shri M. N. Das, General Secretary).

168. Retired Government Employees' Association (represented by Shri Amar Singh, President).

169. Utkal Samilani (represented by Dr. Radhanath Rath, President).

170. Young and Adult Union of Burma Repatriatee (represented by Shri Raghunath Dalabehera, President).

171. S/Shri Behera, Rasabehari, MP.

172. Kanungo, Trilochan, Ex-MLA, S.V.M. College, Jagatsinghpur.

173. Dr. Misra, Baidyanath, Vice-Chancellor, Orissa. University of Agriculture and Technology, Bhubaneshwar.

174. Dr. Misra, Bidyadhar, Ex-Vice Chancellor, Utkal University, Bhubaneshwar.

175. S/Shri Panda, A., MP.

176. Pati, R.K., MLA.

177. Smt. Patnaik, Jayanti, MP.

178. Shri Patnaik, R., Bar-at-Law, Cuttack.

179. Dr. Patnaik, S.C., Professor, Utkal University, Bhubaneshwar.

180. S/Shri Sahu, Gopinath, Distt. Bolangir.

181. Sahu, S.K., MP.

182. Satpathy, D., Ex-Vice Chairman, Pipli N.A.C., District Puri.

PUNJAB

183. Communist Party of India Group in Vidhan Sabha (represented by S/Shri Raj Kumar, MLA and Babu Singh, MLA).

184. Congress (I) Legislature Party (represented by Shri G.K. Chaitrath, MLA and others).

185. Hero Cycles (P) Ltd.

186. Northern India Chamber of Commerce and Industry.

187. Punjab Civil Secretariat Staff Association (represented by Shri Jaswant Singh Brar, President).

188. Punjab, Haryana & Delhi Chamber of Commerce and Industry.

189. Punjab Planning Board.

190. S/Shri Bansal, R.K., Chartered Accountant, Amritsar.

191. Pandhi, Dalip Singh, MLA.

RAJASTHAN

192. All India prohibition Council (represented by Shri G.B. Bhatt, General Secretary).

193. All Rajasthan State Govt. Employees' Federation(Regd.) (represented by Shri Mohan Lal Jain, President).

194. All Rajasthan State Govt. Employees' Federation (Un-regd.) (represented by Shri S.N. Pareek).

195. Congress (I) MPs and MLAs (represented by Shri Manphool Singh, MP and others).

196. Harish Chandra Mathur Rajasthan State Institute of Public Administration.

197. Rajasthan Chamber of Commerce and Industry.

198. Rajasthan Samagra Sewa Sangh (represented by Shri C. Goel, President).

199. Rajasthan State Roadways Labour Union (represented by Shri Harnam Singh, Convener).

200. Shri Agarwal, S.C., MP.

201. Prof. Ahuja, Kanta, Department of Economics, Rajasthan University, Jaipur.

202. Dr. Angrish, A.C., Associate Professor of Economics, University of Jodhpur.

203. S/Shri Chaudhary, M.S., MP.

204. Jain, V.C., MP and other MPs from Rajasthan.

205. Panagariya, B.L., Jaipur.

206. Raj Bahadur, MLA.

SIKKIM

207. Panchayat Pradhans.

TAMIL NADU

208. Academy of Social Seciences Research (represented by Shri P. Natarajan, Director).

209. All India Christian Party (represented by Shri D. Vaseekaran, President).

210. Andhra Chamber of Commerce, Madras.

211. Annamalai University (represented by Prof. Chittibabu, S.V., Vice-Chancellor).

212. Communist Party of India (Marxist) (represented by Shri A. Nallasivan, MLC).

213. Federation of Pensioners Association (represented by Shri T. Purushotham, President).

214. Institute of Techno Economic Studies, Madras.

215. Madras Institute for Development Studies (represented by Dr. S. Guhan, Director).

216. Seminar on Centre-State Relations held at Institute for Financial Management and Research, Madras.

217. Tamil Nadu Congress (K) (represented by Shri P. Nedumaran, MLA and others).

218. Tamil Nadu Govt. Class IV Employees Association.

219. Tamil Nadu Govt. Officials' Union, Madras.

220. Tamil Nadu Last Grade Govt. Servants Central Coordination Committee.

221. Tamil Nadu Small Scale Industries' Association.

222. The Madras Chamber of Commerce and Industry.

223. The Southern Indian Chamber of Commerce and Industry, Madras.

224. The Tamil Nadu Elementary School Teachers' Federation.

225. Dr. Adiseshiah, Malcolm S., MP.

226. S/Shri Anbarasu, Era, MP.

227. Haja Shareef, K.S.G., MLA.

228. Dr. Kalanidhi, A., MP.

229. S/Shri Mahalingam, N., Member, State Planning Commission.

230. Mathew, P.C., Member-Secretary, Fourth Finance Commission.

231. Dr. Naganathan, M., University of Madras.

232. Shri Sheshadri, R.K., Former Dy. Governor, Reserve Bank of India.

233. Smt. Vijayavalli, District Ramnad.

TRIPURA

234. Tripura Pradesh Congress (I) Committee (represented by Shri S.R. Majumdar, MLA).

235. Honours & Post Graduate Teachers' Association of Tripura.

236. Patnipara Anchalik Lamps Ltd., Mandai.

237. Radhakishore Nagar Farm Complex Workers' Association.

238. Tripura Employees' Coordination Committee.

239. Tripura Mahakaran Karmachari Samiti.

240. Tripura Tribal Areas Autonomous District Council.

241. Tripura Truck Owners Syndicate

UTTAR PRADESH

242. Federation of U.P. Pensioners' Association, Lucknow (represented by Shri P.C. Bhatia, President).

243. Government Pensioners Welfare Organisation, Lucknow, (represented by Shri R. Sahai, General Secretary).

244. Indian Institute for Economic Research, Varanasi (represented by Dr. Sudha Kant Mishra, Hony. Secretary).

245. Seminar on Fiscal Readjustment & The Finance Commission (represented by Shri Singh S., Convenor).

246. Vyapar Mandal, Nakkhas, Lucknow.

247. S/Shri Bhargava, R.K., Reader in Economics, Banaras Hindu University.

248. Khub Chand, Village Banehra Tanda, District Saharanpur.

WEST BENGAL

249. All India State Government Employees' Federation (represented by Shri Sukomal Sen, M.P., General Secretary).

250. Calcutta Chamber of Commerce (represented by Shri B.K. Nahata, President).

251. Council for Political Studies (represented by Shri Satya Brata Dutta, President).

252. State Coordination Committee of West Bengal Govt. Employees' Associations & Unions (represented by Shri A. Mukhopadhyay, General Secretary).

253. S/Shri Datta, B., Member, Fourth Finance Commission.

254. Masud, S.A., Member Sixth Finance Commission.

255. Ray, M.S., Visva Bharti University.

Annexure 1.6
(Para 1.19)

List of organisations and individuals who met the Eighth Finance Commission

DELHI

1. All India Hill Peoples' Welfare Association — represented by :
   1. Shri Namgyal, S., MP
   2. Shri Painuli, Paripoornanand, MP
   3. Shri Parashar, Narain Chand, MP
   4. Shri Rawat, Harish, MP

2. Association of Indian Universities, delegation led by Professor R.C. Paul, President.

3. Association of State Training Institutions - represented by :
   1. Shri Banerji, Surjit, Director, Administrative Training, Institute, Calcutta.
   2. Shri Jain, L.M. Director, Haryana, Institute of Public Administration, Chandigarh.
   3. Shri Mehta, M.L., Director, HCM Rajasthan State Institute of Public Administration, Jaipur
   4. Shri Rao, S.N., Director, Academy of Administration, Bhopal.
   5. Shri Thakur, K.M., Director, Administrative Training Institute, Ranchi.

4. Smt. Chandravati, MLA (Haryana)

5. Shri Eswaran, V.B., Member-Secretary, Seventh Finance Commission.

6. Dr. Manmohan Singh, Governor, Reserve Bank of India.

7. Shri Raja J. Chelliah, Director, National Institute of Public Finance and Policy.

8. Shri Satish Chandran, T.R., Former Secretary, Department of Power.

ANDHRA PRADESH

9. Andhra Pradesh Congress (I) - represented by:
   1. Shri Madan Mohan, A., MLA
   2. Shri Narasa Reddy, P., MLC
   3. Shri Prabhakara Rao, K.
   4. Shri Rajasekhara Reddy, Y.S., MLA.
   5. Shri Rosaiah, K., MLC

10. Workers of Vazair Sultan Tobacco Co. Ltd., Hyderabad — represented by:
    1. Shri Sachithananda, N.K.
    2. Shri Sarma, D.C.

11. Shri Gopalakrishnayya, V., Ex-MLA

12. Dr. Kasaiah, C.P., Convenor, Board of Studies in Econometrics, S.V. University, Tirupati.

13. Shri Lakshminarayanan, G., Vice-Chancellor, Jawaharlal Nehru Technological University.

14. Shri Omkar, M., MLA

15. Shri Owaisi, Sultan Salahuddin, MLA.

ASSAM

16. Assam State Employees' Federation, Gauhati — represented by:
    1. Shri Bhattacharyya, S., Member
    2. Shri Choudhary, S.K., Member
    3. Shri Hari Nath, General Secretary
    4. Shri Swarnakar, M., Secretary.

17. Anglong District Council — represented by:
    1. Shri Bora, T.K. Principal Secretary
    2. Shri Englong, B.S., Chief Executive Member

18. Delegation of Members of Parliament consistingof:
    1. Shri Baharul Islam, MP
    2. Shri Bishru Prasad, MP
    3. Shri Dharamidhar Basumatary, MP
    4. Shri Gogoi, Tarun, MP

19. Delegation of Members of Legislative Assembly consisting of :
    1. Dr. Baruah, T.M., MLA
    2. Shri Basumatari, Binoy, MLA
    3. Shri Basumatari, Mohan, MLA
    4. Shri Gayari, Bimal, MLA
    5. Shri Sanatar, Upen, MLA

20. Gauhati Municipal Corporation.
    1. Dr. Baruah, T.M., Chief Administrator.
    2. Shri Baruah, N.N. Chief Engineer
    3. Shri Borddli, B.C. Chief Accounts Officer
    4. Shri Das, A.K., Commissioner

21. Haflong District Council — represented by:
    1. Shri Hojai, K,. K, Chief Executive Member
    2. Shri Malik, Abdul, Principal Secretary

22. Shri Bipin Pal Das, Chairman State Level Advisory Committee, 20-Point Programme, Dispur.

23. Choudhary, J.M., Vice-Chancellor, Gauhati University.

24. Dr. Gogoi, S.D., Vice-Chancellor, Dibrugarh University.

25. Shri Phene, S.D., Commissioner, Hill Districts.

26. Tripathi, K.P., President, IMTUC, Dispur.

BIHAR

27. Bhartiya Janta Party — represented by :

    1. Shri Arya, Satya Deo Narayan.
    2. Shri Gupta, Ramlakhan Prasad, MP
    3. Shri Namdhari, Inder Singh
    4. Shri Srivastava, Shailendra Nath

28. Bihar Chamber of Commerce, Patna — represented by Shri B.P. Gupta, President and others

29. Bihar Government Staff Car Drivers' Association, Patna — represented by Shri P.K. Sinha, President and others

30. Bihar Industries Association, Patna — represented by Shri H.K. Modi, Chairman and others

31. Bihar Pensioners Samaj Patna - represented by Shri S.P. Verma, President and others

32. Bihar State Non-Gazetted Employees Federation, Patna — represented by Shri Yogendra Prasad Singh, General Secretary and others

33. Communist Party of India (Bihar State Council) — represented by Shri Raj Kumar Purbe and others

34. Jharkand Mukti Morcha, Patna — represented by Shri Suraj Mandal, MLA and N. Ahmed.

35. Dr. Jha, P.K., Head of Department of Economics, L.N. Mithila University, Darbhanga.

36. Shri Ranchhor Prasad, IAS (Retired), Patna

37. Shri Thakur, C.P. President, Sunday Club, Patna.

38. Shri Thakur, Karpoori, MLA

GUJARAT

39. Delegation of Bhartiya Janta Party consisting of:
    1. Shri Bachani, Lekhraj
    2. Shri Desai, Makarandbhai
    3. Shri Patel, Prahaladbhai
    4. Shri Shankerbhai

40. Delegation of Congress(I) Members of Parliament consisting :
    1. Shri Gadhavi B.K., MP
    2. Shri Hari Singh, MP
    3. Shri Kalania, Ibrahim, MP
    4. Shri Patel, Ahmed M., MP
    5. Shri Patel, C.D., MP
    6. Shri Patel, Shantabhai C., MP
    7. Shri Patel, Vithalbhai, MP

41. Delegation of Janta Party and Rashtriya Congress consisting of :
    1. Shri Dhami, Ramikbhai
    2. Shri Patel, Jairambhai
    3. Shri Patel, Indubhai
    4. Shri Patel, Chimanbhai
    5. Shri Shah, Dineshbhai
    6. Shri Kamdar, Vadilal
    7. Shri Mehta, Jaswant
    8. Shri Patel, Satyam
    9. Shri Rethod, Anubhai

42. Delegation of Mayors consisting of :
    1. Shri Pandya, Ramainkbhai, Mayor Bhavnagar
    2. Shri Patel, V.C., Mayor, Vadodara
    3. Shri Sheikh, R., Mayor, Ahmedabad
    4. Shri Tanna, Jagubhai, Mayor, Jamnagar
    5. Shri Vajubhaivala, Mayor, Rajkot
    6. Shri Jariwala, Swaroopchand, Mayor, Surat
    7. Shri Hiralal, Secretary All India Council of Mayors.

43. Gujarat Chamber of Commerce and Industry — represented by :
    1. Shri Amin, T.P.
    2. Shri Kania, I.N.
    3. Shri Nagri, Rajnikant R
    4. Shri Parikh, R.N.
    5. Shri Patel, B.D.
    6. Shri Patel, Nalin, K.
    7. Shri Shah, G.V.
    8. Shri Talati, P.H.

44. Textile Labour Association, Ahmedabad — represented by:
    1. Shri Barot, Navinchandra.
    2. Shri Buch, Aravindbhai
    3. Shri Shukla, Mancharbhai

45. Dr. Lakdawala, D.T., Member, Fifth Finance Commission.

46. Justice Shri Shelat, J.M. Chairman, Seventh Finance Commission.

47. Prof. Shroff, M.R., , Indian Institute of Management, Ahmedabad.

HARYANA

48. Shri Gianchand, Chandigarh.

49. Punjab, Haryana & Delhi Chamber of Commerce and Industry — represented by Shri W.N. Talwar and others.

HIMACHAL PRADESH

50. Himachal Pradesh High Court Bar Association, Simla represented by Shri Bhawani Singh, Advocate and others.

51. Shri Bhikam Ram, MLA.

52. Shri Chander Kumar, MLA.

53. Dr. Goma, M.R., MLA.

54. Shri Mansa Ram, MLA

55. Shri Moti Ram, MLA

56. Shri Nagi, T.S. Speaker, Himachal Pradesh Legislative Assembly.

57. Dr. Sinha. L.P., Vice-Chancellor, University of Himachal Pradesh.

58. Dr. Thakur, D.R., Pro Vice-Chancellor, Himachal Pradesh Krishi Vishwa Vidyalaya, Solan.

59. Shri Thakur, Kaul Singh, Vice-Chairman, Planning, Simla.

60. Shri Vijay Singh, MLA

JAMMU & KASHMIR

61. All J&K Low Paid Government Employees Federation.

62. Delegation of MLAs belonging to Congress (I).

63. J& K Civil Secretariat Non-gazetted Employees' Union.

64. Kashmir Chamber of Commerce & Industries

65. Representatives from Kargil District.

66. Chief Justice, J&K High Court.

67. Shri Ghulam Rasool Bahar, MP

KARNATAKA

68. Bharatiya Janata Party delegation led by Shri Dr. V.S. Acharya.

69. Gokhala Institute of Public Affairs — represented by :
    1. Shri Ghorpade, M.Y.
    2. Shri Dr. Krishnaswamy, K.S.
    3. Shri Nittoor Sreenivasa Rao.
    4. Shri Rao, G.V.K.

70. Karnataka Congress (I) represented by:
    1. Shri Chikka, Gowda.
    2. Shri Hajee Abdul Sattar Sait, MLA
    3. Shri Koujalgi, V.S., MLA.
    4. Shri Moily, Veerappa, MLA.
    5. Smt. Nagarathnamma, K.S., MLA.
    6. Shri Naik, N.G., MLA.
    7. Shri Nanje Gowda, K.N., MP.
    8. Shri Narasimhamurthy, T.N., MLC
    9. Shri Patil, K.H., President.
    10. Shri Patil, M.S.
    11. Shri Shivanna, B., MLA
    12. Shri Srinivasa, K.H.
    13. Shri Vadayaraj, Govind P., MLA
    14. Shri Yahya, S.M.

71. Karnataka Janta Party represented by :
    1. Shri Fernandes, Michael.
    2. Shri Gowda, H.A. Narayana.
    3. Shri Gowda, G. Prittaswamy.
    4. Shri Gouder, D.R. Sangmeshwar.

72. Karnataka State Council of Communist Party of India.

73. Karnataka State Communist Party of India (Marxist).

74. Karnataka State Government Employees' Association.

75. Maharashtra Ekikaran Samiti.

76. Dr. Rathnam, N.V., Professor, Indian Institute of Management.

77. Shri Panchamukhi, P.R., Professor of Economics.

78. Shri Rao, G.V.K., Vice-Chairman, Karnataka State Economic and Planning Council.

79. Dr. (Mrs.) Rao, Hem Lata, Associate Profess Institute for Social & Economic Change, Bangalore.

80. Dr. Thimaiah, G., Economist, Institite for Social & Economic Change, Banaglore.

KERALA

81. Federation of State Government Employees' & Teachers' Organisation — represented by:
    1. Shri Balan, T.K., President, Kerala N.G.O. Union.
    2. Shri Devadas, K.V., President.
    3. Shri Nair, P. Venugopalana, Genl. Secretary
    4. Shri Prakash, K.G., General Secretary, Secretariat Employees' Association.

82. Indian Chamber of Commerce, Cochin and Cochin Chamber of Commerce, delegation Consisting of :
    1. Shri Menon, V.P. Vijayan.
    2. Shri Sethuram, P.
    3. Shri Thomas, M.A.
    4. Shri Venugopal, C. Govind.

83. Kerala Association for non-formal Education and Developments -- represented by:
    1. Smt. Beevi, Nafeesath.
    2. Shri Kutty, K. Mathavan.
    3. Shri Panicker, P.N., Secretary.

84. Kerala Communist Party (Marxist) delegation consisting of :
    1. Smt. Gouri, K.R., MLA.
    2. Shri Nayanar, E.K., MLA (Leader of Opposition).
    3. Shri Raghavan, M.V., MLA.

85. Kerala Communist Party of India delegation — consisting of :
    1. Shri Unnikrishnan, S.V.
    2. Shri Nair, S. Chandra Sekharan.
    3. Shri Prabhakaran, K.P., MLA

86. Kerala Pradesh Congress (I) delegation consisting of :
    1. Shri Jacob, M.M., MP.
    2. Shri Krishnakumar, S.
    3. Shri Pillai, Thennala Balakrishna, MLA.

87. Kerala Congress (M) delegation consisting of:
    1. Dr. Mathew, George.
    2. Shri Mathew, P.M., General Secretary.

88. Kerala Congress (J) delegation consisting of:
    1. Dr. Joseph, K.C., MLA.
    2. Shri Mathew, Oommen, Genl. Secretary.

89. Shri Gulati, I.S., Director Institute of Advanced Studies, Trivandrum.

90. Shri Kuruvila, K.C., Pallickal.

91. Shri Soopy, N., MLA.

MADHYA PRADESH

92. Class III Employees Association, Bhopal — represented by :
    1. Shri Divedi, D.P.
    2. Shri Hira Singh.
    3. Dr. Jain, R.K.
    4. Shri Paramik, Girjakant.
    5. Shri Ravat, A.V.
    6. Shri Sharma, N.P.
    7. Shri Tiwari, S.N.

93. Delegation of Bharatiya Janata Party consisting of :
    1. Shri Gawe, B.L., MLA.
    2. Shri Joshi, Kailash.
    3. Shri Patwa, Sunder Lal, MLA.
    4. Shri Peyare Lal, MP.
    5. Shri Sehai, Sitla, MLA.

94. Delegation of Members of Parliament belonging to Congress (I) consisting of :
    1. Shri Gupta, Gurdev, MP.
    2. Shri Nahata, B.R., MP.
    3. Shri Neekhra, R.P., MP.
    4. Shri Netum, Arvind, MP.
    5. Shri Shukla, Keshwa Prashad, MP.
    6. Shri Tandon, P.N., MP.
    7. Shri Uekey, C.L., MP.

95. Joint Forum of Teachers on Emerging Academic Issues, Bhopal - representing by:
    1. Shri Dubey Surendra Nath.
    2. Shri Gupta, G.P.
    3. Shri Pandey, Devki Nandan.
    4. Shri Sharma, Kapil Kumar.
    5. Shri Sharma, Shiv Narayan.

96. Shri Hardenea, L.S., representative of 'Hitavada', Bhopal.

97. Dr. Jain, R.K. Head of the Department of Economics, Hamidia College, Bhopal.

98. Shri Joshi, M.M., representative of "Nai Duniya", Bhopal.

99. Shri Mahendra Singh, MLA.

100. Shri Malhotra, M.P., Vice-Chancellor, Sagar University.

101. Dr. Mazumdar, A., Professor and Head of the Department of Economics, Jiwaji University, Gwalior.

102. Dr. Minocha, A.C., Professor and Head of the Department of Economics, Bhopal University.

103. Shri Modi, P.C., representative of "Hindustan" Bhopal.

104. Shri Shukla, R.C., Vice-Chancellor, Bhopal University.

MAHARASHTRA

105. Bombay Chamber of Commerce and Industry — represented by :
    1. Shri Chaudhuri, N.C.
    2. Dr. Ganguly, A.S.
    3. Shri Garware, A.B.
    4. Shri Gunaji, B.P.

106. Delegation of Congress(I) MLAs/MLCs consisting of :
    1. Shri Deora, S. Murli, MLC.
    2. Shri Kadam, Chimanrao, MLA
    3. Shri Mahadik. Ram, MLA.
    4. Dr. Subramaniam, MLA.
    5. Smt. Thakur, Sharayu, MLA.
    6. Shri Trivedi, G.S., MLA.

107. Delegation of Bharatiya — Janata Party consisting of :
1. Shri Bichu Vinayak.
2. Shri Deolkar, Madhu, MLC.
3. Dr. Majumdar, Saurabh.
4. Shri Mehta, Chimanlal.
5. Dr. Pai, Prakhakar.
6. Shri Sehgal, Prannath.
7. Shri Somaiya, Kirit.

108. Delegation of Janata Party Legislature Wing of Maharashtra consisting of :
1. Shri Jadhav, Jagannath.
2. Shri Mahale, Hari Bhau.
3. Shri Pinto, F.M.
4. Shri Pradhan, G.P.
5. Shri Varda, Sadanand.

109. Delegation of Communist Party of India (Marxist) consisting of :
1. Smt. Rangnekar, A.
2. Shri Sanzgiri.

110. Delegation of Shiv Sena consisting of :
1. Shri Joshi, Manohar, MLC.
2. Shri Pandey, Ram Nath.

111. Mayor of Bombay and other representatives of the Municipal Corporation.
1. Shri Bedi, Manmohan Singh (Mayor)
2. Shri Chavan, R.N.
3. Shri Chimbulkar, Rajabhan
4. Shrimati Desai, Alka.
5. Shri Mehta, Chimanlal, Chairman, BEST Committee.
6. Shri Memon, A.U.
7. Dr. Pai, Prabhakar.
8. Dr. Mazumdar, Saurabh.
9. Shri Saigal, Prannath.
10. Shri Shete, Baburao.
11. Shri Tanna, J.M.

112. Representatives of All India Institute of Local Self Government.
1. Shri Naik, M.J.
2. Shri Prabhawalkar, S.H.

113. Representatives of Maharashtra Economic Development Council.
1. Dr. Bodhe, J.G.
2. Shri Fazalbhoy.
3. Shri Sakhalkar, S.B.

114. Representatives of Indian Merhcants' Chamber.
1. Shri Bhakta, M.L.
2. Shri Mogre, P.N.
3. Shri Pandit, Ramu.
4. Shri Parekh, H.T.
5. Shri Pendse, D.R.
6. Shri (Dr.) Somaiya, S.K.
7. Shri Trivedi, Y.P.

115. Representatives of Maharashtra Chamber of Commerce.
1. Shri Bhat, B.A.
2. Shri Bodhe, J.G.
3. Dr. Gokhale, V.R.
4. Shri Kasliwal, A.S.
5. Shri Pendse, D.R.

116. Representatives of Nagpur Chamber of Commerce Limited.
1. Shri Agarwal, P.M
2. Shri Nahate, H.M.
3. Shri Punyani, Radha Kisan.

117. Representatives of The Western India Automobile Association.
1. Shri Charania, P.H.
2. Shri Gandhi, R.
3. Shri Patkar, Pradeep.
4. Shri Trivedi, Y.P.
5. Smt. Zarine, Taraporevala.

118. Representatives of Maharashtra State Government Employees Confederation.
1. Shri Karnik, R.G.
2. Shri (Dr.) Wagle, S.S.

119. Representatives of Maharashtra Secretariat Staff Association:
1. Shri Desai, Prabud
2. Shri Kulkarni, Vasundhara
3. Shri Mainkar, T.C.
4. Shri Sardar, Arun.

120. Representatives of Greater Bombay State Employees Federation.
1. Shri Acharekar, S.S.
2. Shri Parab, K.N.

121. Representatives of Bombay Taximen Union.
1. Shri Baji, M.H.
2. Shri Khodekar, E.R.
3. Shri Quadros, A.L.

122. Representatives of Save Bomaby Committee.
1. Shri Godrej, S.P.
2. Shri Guzder, Cyrus.
3. Shri Mandhyan, Kishor.
4. Shri Mehta, Kisan.
5. Smt. Sankalia, Hema.
6. Shri Shaida.

123. Representatives of Stock Exchange, Bombay.
1. Shri Lallubhai, Ramdas.
2. Shri Mayya, M.R.
3. Shri Sonde, V.D.
4. Shri Vohra, Laldas Jamnadas.
5. Shri Zaveri, Rasiklal.

124. Shri Mahalay, H.S., MLA.

125. Shri Power, Baliram, Mayor, Kolhapur.

126. Shri Shirole, Balasaheb, Mayor, Pune.

MANIPUR

127. All Manipur Trade Union Congress, Imphal represented by:
   1. Shri Singh, L. Joy Chandra
   2. Shri Singh, S. Kisho
   3. Shri Singh, S. Rajindro

128. Associated Manipur Chamber of Commerce Imphal represented by :
   1. Shri Bakliwal, Nathumal
   2. Shri Jain, Prem Chand
   3. Shri Patney, Dharam Chand
   4. Shri Singh, S. Kartar

129. Delegation of Manipur Peoples' Party consisting of :
   1. Shri Joy, O., MLA
   2. Shri Manubi, L., MLA
   3. Ch. Manihar Singh, MLA.

130. Delegation of Manipur Pradesh Congress (I) Committee consisting of :
   1. Shri Singh, H. Nilamani
   2. Shri Singh, L. Lalit
   3. Shri Singh, M. Tombi
   4. Shri Singh, R.K. Dorendro
   5. Shri Singh, R.K. Joy Chandra

131. State Transport Workers' Union, Imphal — represented by Shri K. Pishok Singh.

132. Shri Ng. Mohindra Singh, MP

133. Shri Singh, Yaima Y., MLA

134. Shri Singh, W. Angou, MLA

MEGHALAYA

135. All India Garo Union, Shillong — represented by Shri Maljon M. Sangma and others.

136. All Meghalaya District Ministerial Officers' Association, Shillong — represented by S/Shri E.H. Denington Bamon and Willy Banks.

137. Frontier Chamber of Commerce, Shillong — represented by Shri W. Marbaniang, President and others.

138. Garo Hills District Council, Shillong — represented by S/Shri B.R. Marak and Changsan.

139. Jaintia Hills District Council, Shillong — represented by S/Shri H. B. Dan and D. Sungoh.

140. Khasi Hills District Council, Shillong — represented by S/Shri B. Wahlang, MLA and H.W. Nongbet.

141. Meghalaya State Government Employees Federation, Shillong — represented by Shri W.J. Blah, President and others.

142. Shri Lyngdoh, B.B., MLA.

NAGALAND

143. Delegation of MLAs belonging to Opposition Party in State Legislature consisting of :
   1. Shri Hokheto, Sema, MLA
   2. Shri Huska, MLA
   3. Shri Shurhozelie, MLA.

ORISSA

144. Delegation of Janata Party (Orissa), Bhubaneswar consisting of:
   1. Shri Bhagabat
   2. Shri Kundu, Samarendra
   3. Shri Mohanty, Pratap Chandra
   4. Shri Sarat Kumar

145. Delegation of MPs from Orissa consisting of:
   1. Shri Behera, Rahas Bihari, MP
   2. Shri Panigrahi, Chintamani, MP
   3. Shri Sahai, Narayan, MP
   4. Shri Sahoo, Santosh Kumar, MP

146. Orissa State Non-Gazetted Officers Co-ordination Committee, Bhubaneswar and All Orissa Tribal and Rural Welfare Field Officers' Association - represented by :
   1. Shri Das, M.N.
   2. Shri Dash, Radhakrishana
   3. Shri Dash, Nityananda
   4. Shri Mishra, Loknath
   5. Shri Mishra, Raghunath
   6. Dr. Panda, Swapneswar
   7. Shri Pradhan, Bishnu Prasad
   8. Shri Sahoo, Jagbandhu.

147. Retired Government Employees' Association, Bhubaneswar — represented by Shri Amar Singh.

148. Utkal Samalini, Cuttack — represented by:
   1. Shri Kanungo, Panchanan
   2. Shri Kanungo, Trilochan
   3. Shri Panda, Jayadev
   4. Shri Panigrahi, Basant Kumar
   5. Dr. Rath, Randhanath
   6. Shri Rath, Vipin Behari
   7. Shri Roy, Amar

149. Shri Dash, Pradipta Kisore, General Secretary, Lok Dal.

150. Shri Kanungo, Panchanan, Ex-MLA.

151. Shri Kanungo, Trilochan, Ex-MLA, SVM College, Jagatsinghpur.

152. Dr. Misra, Baidyanath, Vice-Chancellor, Orissa University of Agricultural Technology, Bhubaneswar.

153. Dr. Misra, Bidyadhar, Ex-Vice-Chancellor, Utkal University.

154. Dr. Misra, Sahasiv, Ex-Vice-Chancellor, Utkal University.

155. Shri Naik, Bipin Bihari, Member, Syndicate, Utkal University.

156. Shri Pati, Ram Krishana.

157. Smt. Patnaik, Jayanti, MP

158. Shri Patnaik, R., Cuttack.

159. Shri Rai, Amar Nath, Bharat Sevak Samaj, Bhubaneswar.

PUNJAB

160. Delegation of Congress (I) MPs./MLAs., etc. consisting of :
1. Shri Bhatia, R.L., MP
2. Shri Chaitrath, G.K., MLA
3. Shri Darshan Singh.
4. Shri Dilbagh Singh, MLA
5. Shri Sharma, Kidar Nath
6. Shri Singla, Surinder

161. Delegation of Congress (I) MLAs., of Punjab Vidhan Sabha consisting of :
1. Shri Chaitrath, G.K., MLA
2. Shri Dhanowatia, Paira Ram, MLA
3. Shri Dilbagh Singh, MLA
4. Shri Gurmail Singh, MLA
5. Shri Iqbal Singh, MLA
6. Shri Rattan Lal, MLA

162. Delegation of C.P.I. Legislators consisting of:
1. Shri Babu Singh, MLA
2. Shri Raj Kumar, MLA

163. Delegation of Punjab Pradesh Congress Committee(I) consisting of :
1. Shri S. Raja Singh
2. Shri Verka, S. Shamsher Singh.

164. Northern India Chamber of Commerce & Industry, Chandigarh — represented by:
1. Shri Bhandari, I.T.S.
2. Shri Bhupinder Singh
3. Shri Iqbal Singh
4. Shri Walia, G.S.

165. Punjab Civil Secretariat Staff Association — represented by :
1. Shri Bajwa, Sardul Singh.
2. Shri Brar, JaswantSingh
3. Shri Jaspal Singh
4. Shri Walia, AmarjitSingh.

166. P.H.D. Chamber of Commerce and Industry — represented by:
1. Shri Anand, Arun
2. Shri Arora, B.K.
3. Shri Brijlani, S.K.
4. Shri Chabra, P.L.
5. Shri Devinder Singh
6. Shri Dhall, Romi
7. Shri Dua, S.M.
8. Shri Ghosh, A.
9. Shri Prakash Chand
10. Shri Sehgal, T.K.

167. Shri Kang, U.S., Member, Punjab Planning Board.

168. Shri Khosla, R.L., Amritsar.

RAJASTHAN

169. All Rajasthan State Government Employees' Federation, Jaipur — represented by :
1. Shri Agarwal, Ram Kishore
2. Shri Dewedi, Lakshmi Narayan
3. Shri Jain, Mohan Lal
4. Shri Khandal, Ram Prasad
5. Shri Navariya, Gulab Chand
6. Shri Pereak, Satya Narain
7. Shri Prabhati Lal
8. Shri Rathore, Udai Singh
9. Shri Sharma, Ghanshyam.
10. Shri Sharma, Gir Raj Kishore

170. Delegation of Congress (I) MPs and MLAs consisting of :
1. Shri Bhainru Lal, MLA
2. Shri Bhikhabhai, MP
3. Shri Chaturvedi, Bhuvnesh, MP
4. Shri Hari Singh, MLA
5. Shri Jain, Birdi Chand, MP
6. Shri Kanwaria, Chhoga Lal, MLA
7. Shri Ken, Lala Ram, MP
8. Shri Manphool Singh, MP
9. Shri Mirdha, Harendra, MLA
10. Shri Natha Singh, MP
11. Shri Sharma, Nawal Kishore, MP

171. Delegation of MLAs belonging to opposition parties consisting of :
1. Shri Raj Bahadur, MLA
2. Shri Rao, Kamlendra Singh, MLA
3. Shri Shekhawat, Bhainru Singh, MLA

172. Rajasthan Chamber of Commerce and Industry — represented by :
1. Shri Agarwal, M.D.
2. Shri Durlabhji, K.S.
3. Shri Jain, K.L.
4. Shri Pathak, J.N.
5. Shri Saxena, R.B.
6. Shri Surana, Kushalchand

173. Dr. Ahuja, Kanta, Professor of Economics, University of Rajasthan.

174. Dr. Angrish, A.C., Professor of Economics, Jodhpur University.

175. Shri Mathur, Mathura Das, Ex-Finance Minister (Rajasthan).

176. Shri Mirdha, Ram Niwas, Union Minister for Irrigation.

177. Dr. Om Prakash, Professor of Commerce, University of Rajasthan, Jaipur.

178. Shri Pangariya, B.L. Jaipur.

SIKKIM

179. Chief Justice, Sikkim High Court, Gangtok.

180. Panchayat Pradhans

181. Shri Limbu, Sanchaman, MLA

182. Shri Pradhan, J.B., MLA

183. Shri Saring, Solomon, MP

TAMIL NADU

184. All India Christian Party, Madras — represented by:
1. Shri Dharma, S.G.
2. Shri Vaseekaran, D.

185. C&D Group Employees Association, Madras — represented by :
1. Shri Lakshminarasimhan, M.V.
2. Shri Tirumazai, V.

186. Chambers of Commerce & Industry, Madras — represented by :
1. Shri Bafna, Vijay
2. Shri Devid, J. Prasad
3. Shri Dyasanvar, C.S.V.
4. Shri Sundararajan, V.

187. Small Scale Industries Association, Madras — represented by:
1. Shri Narasimhan, V.S.
2. Shri Negi, H.D.
3. Shri Subbukrishnan, L.

188. Tamil Nadu Kamaraj Congress, Madras — represented by :
1. Shri Bahra, Munwar
2. Shri Killivalavan, T.S.
3. Shri Nedumaran, P., MLA

189. Tamil Nadu Presidency Last Grade Government Servants Association, Madras — represented by :
1. Shri Kripanandam, D.
2. Shri Kuttikrishnan, M.
3. Shri Nandagopal, K.
4. Shri Rajgopal, M.

190. Tamil Nadu Secretariat Last Grade Government Servants Association, Madras — represented by :
1. Shri Myalaloel, M.
2. Shri Thangaraj, R.
3. Shri Thulasingham, G.
4. Shri Varatharajan, S.

191. Tamil Nadu Secretariat Association, Madras — represented by :
1. Shri Arumugam, B.T.
2. Shri Munusamy.
3. Shri Pandurangan
4. Shri Pillai, Sasthan Kutty.

192. Tamil Nadu Section Officers' Association, Madras — represented by :
1. Shri Basha, E.K. Anwar
2. Shri Rangarajan, S.N.
3. Shri Jacob, M.I.
4. Shri Victor, M. James.

193. Dr. Adiseshiah, Malcolm S., MP.

194. Dr. Arbutharaj, Madras.

195. Shri Guhan S., Senior Fellow, Madras Institute for Development Studies.

196. Shri Haja, Sheriff K.S.G., MLA

197. Shri Kallan K., MLA

198. Karthikeyan, V., Chairman, State Planning Commission.

199. Shri Mahalingam, N., Member, State Planning Commission.

200. Shri Mathew, P.C., Member-Secretary Fourth Finance Commission.

201. Shri Muthuswamy, Vice Chairman, State Planning Commission.

202. Dr. Naganathan, M., University of Madras.

203. Dr. Shanmugasundaram, V., Madras.

TRIPURA

204. Delegation of Tripura Pradesh Congress (I) Committee consisting of :
1. Shri Bhattacharjee, Naresh Chandra
2. Shri Das, Ashutosh
3. Shri Deb, Bhola Nath
4. Shri Majumdar, S.R., MLA
5. Shri Reang, Kashi Ram, MLA

205. Representatives of Tripura Mahakaran Karamchari Samiti.
1. Shri Dutta, Bimal
2. Shri Dutta, Shyama Pada

206. Representatives of Honours and Post Graduate Teachers Association

1. Shri Chakraborty, Purnendu Bikash
2. Shri Dutta, Haradhan
3. Shri Roy, Biplav Kumar

207. Representatives of Tripura Employees Coordination Committee

1. Shri Banerjee Tara Pada
2. Shri Bhattacharjee, Shudhanshu
3. Shri Biswas, Bhibesh
4. Shri Das, Bhibesh
5. Shri Dey, Bhuneswar

208. Representatives of Tripura Tribal Areas Autonomous District Council, Agartala.

1. Shri Chakma, Anil Kumar
2. Shri Debbarma, Aghore
3. Shri Naresh Chandra
4. Shri Paul, Sridam Chandra
5. Shri Reang, Durbajoy
6. Shri Reang, Surendra Kumar
7. Shri Rupini, Narayan
8. Shri Sahaji, Aradhan

209. Tripura Truck Owners Syndicate — represented by: Shri Saha, Dev Singh.

UTTAR PRADESH

210. Government Pensioners' Welfare Organisation, Lucknow — represented by ;

S/Shri R.K. Bountra, Vice President, Moti Babu, K.N. Saxena and Raghunandan Sahai.

211. State Employees Joint Council, Lucknow — represented by:

S/Shri S.K. Mishra, Vice President and B.N. Singh, General Secretary.

212. U.P. Pensioners' Association, Lucknow — represented by:

S/Shri S.N. Tewari, Vice President, P.N. Khanna and B.N. Chaturvedi.

213. Chief Justice, Allahabad High Court.

214. Shri Bhargava, P.K., Reader, Banaras Hindu University.

215. Dr. Hajela, P.D., Professor and Head of Department of Economics, University of Jabalpur.

216. Smt. Hemlata Swaroop, Vice Chancellor, Kanpur University.

217. Dr. Kushwaha, D.S.

218. Dr. Papola T.S.., Director, Giri Institute of Development Studies, Lucknow.

219. Shri Raghunandan Sahai.

220. Dr. Shailendra Singh, Lucknow University

221. Shri Varma, Paripurananda, Kanpur.

WEST BENGAL

222. Representatives of All India State Government Employees Federation, Calcutta.

1. Shri Biswas, Ajoy, MP
2. Shri Ghosh, Arabinda, MP
3. Shri Karnik, R.G.
4. Shri Keshavamurthy, K.A.
5. Shri Sen, Sukomal, MP
6. Shri Sukul, P.N., MP

WEST BENGAL

223. Representatives of State Coordination Committee of West Bengal Government Employees Associations and Unions, Calcutta.

1. Shri Chatterjee, Deban
2. Shri Gupta, Subhashish
3. Shri Mukhopadhyay., A.
4. Shri Ray, Bhabatosh
5. Shri Thakurta, Diven Guha

224. Representatives of Council for Political Studies, Calcutta.

1. Dr. Banerjee, B.N.
2. Shri Bhattacharyya, C.
3. Dr. Dutta, Satyabrata
4. Shri Mitra., A.

225. Representatives of Calcutta Chamber of Commerce.

1. Shri Jalan, N.K.
2. Shri Nahata, B.K.
3. Shri Sancheti, I.C.

226. Dr. Datta, Bhabatosh, Member, Fourth Finance Commission.

227. Shri Masud, S.A., Member, Sixth Finance Commission.

228. Shri Mitra, Ashok, Ex-Finance Minister, Government of West Bengal.

229. Shri Sattar, Abdul, MLA
Leader of the Opposition of West Bengal Assembly.

Annexure III-1
(Para 3.15)

Rates of Growth of Principal Taxes 1970-82

(As worked out by N.I.P.F.P.)

(Per Cent)

	STATE	Stamps and Registration	State Excise	Sales Tax	Vehicle Taxes	Electricity Duty	Entertainment Tax
	1	2	3	4	5	6	7
I.	Non-Hill States						
1.	Andhra Pradesh	13.18	18.43	17.87	11.56	*	12.23
2.	Assam (1972-82)	7.00	7.17	12.47	10.73	12.96	13.49
3.	Bihar	4.68	9.50	16.67	13.10	5.82	4.58
4.	Gujarat	12.80	18.42	16.58	8.83	21.10	15.13
5.	Haryana	12.37	16.03	18.23	18.88	23.51	13.12
6.	Karnataka	10.34	13.54	15.35	11.92	8.71	13.94
7.	Kerala	15.41	20.95	14.53	8.29	19.57	@@
8.	Madhya Pradesh	11.30	12.19	14.66	18.42	19.30	12.12
9.	Maharashtra	6.78	18.88	15.89	8.92	13.09	11.28
10.	Orissa	11.52	5.59	16.72	9.14	22.31	17.01
11.	Punjab	9.90	13.54	12.99	13.28	18.76	9.34
12.	Rajasthan	7.95	4.04	16.74	14.32	18.65	12.87
13.	Tamil Nadu	9.24	**	16.61	6.95	*	11.94
14.	Uttar Pradesh	15.15	9.61	17.35	11.87	13.50	13.38
15.	West Bengal	7.49	8.18	13.99	13.89	8.89	11.79
II.	Hill States						
1.	Himachal Pradesh (1972-82)	7.31	10.87	16.04	7.62	24.76$	1.05
2.	Jammu & Kashmir (1971-82)	10.91	4.04	18.11	22.04	21.64	11.27
3.	Manipur	3.12	15.20	10.88	12.57	N.A.	10.32
4.	Meghalaya	7.92	18.15	15.24	15.82	16.03	5.40
5.	Nagaland	21.43	11.78	19.34	15.20	N.A.	18.56
6.	Sikkim (1978-82)	5.00	18.71	15.86	15.09	N.A.	18.77@
7.	Tripura	8.72	9.42	33.00¢	(-) 5.74	N.A.	13.87

* In these States Electricity Duty has been merged in Electricity Tariff.
** There was more or less complete prohibition in this State upto July 1981.
$ This is for the period 1976-82.
@ This is for the period 1978-81.
¢ This is for the period 1977-82.
@@ This tax has been transferred to Local Bodies for levy since 1.8.75.

N.A. Not available.

N.B. The above rates are at constant rates of taxation.
Source: Report of National Institute of Public Finance and Policy (N.I.P.F.P.)

Rates of growth of Principal Taxes as Adopted for the Forecast Period (Per cent)

Annexure — III-2 (Para 3.15)

STATE	Stamps Registration	State Excise	Sales Tax	Vehicle Taxes	Entertainment Tax
1	2	3	4	5	6
I Non-Hill States					
1. Andhra Pradesh	9.5	10.0	10.5	7.0	8.0
2. Assam	5.0	7.0	7.0	6.0	7.0
3. Bihar	5.0	7.0	9.5	8.0	8.0
4. Gujarat	8.5	7.0	9.5	7.0	10.0
5. Haryana	8.0	10.0	10.5	11.0	8.0
6. Karnataka	6.0	10.0	8.5	7.0	9.0
7. Kerala	10.0	7.0	8.0	7.0	-
8. Madhya Pradesh	6.5	7.0	8.0	10.0	8.0
9. Maharashtra	7.0	10.0	9.5	7.0	8.0
10. Orissa	7.0	7.0	9.0	7.0	8.0
11. Punjab	7.0	10.0	10.0	8.0	8.0
12. Rajasthan	5.0	7.0	9.0	9.0	8.0
13. Tamil Nadu	5.5	10.0	10.0	7.0	8.0
14. Uttar Pradesh	10.0	7.0	9.0	7.0	8.0
15. West Bengal	5.0	7.0	8.0	8.5	8.0
II. Hill States					
1. Himachal Pradesh	4.0	7.0	9.0	6.0	6.0
2. Jammu & Kashmir	5.5	10.0	10.0	11.0	6.0
3. Manipur	4.0	7.0	7.0	6.0	6.5
4. Meghalaya	4.0	7.0	7.0	6.0	6.0
5. Nagaland	5.0	7.0	7.0	6.0	6.0
6. Sikkim	4.0	7.0	7.0	6.0	6.0
7. Tripura	5.0	7.0	7.0	6.0	7.0

Share Capital Investment in Statutory Corporations/Companies - 1981-82

Annexure III-3 (Para 3.18 (ii))

(Investments in Rs. lakhs)

STATE	Financial		Promotional		Commercial		Total	
	No. of Enterprises	Investment	No. of Enterprises	Investment	No. of Enterprises	Investment	No. of Enterprises	Investment
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	1	728	8	5006	28	8616	37	14350
2. Assam	1	89	6	1510	15	1283	22	2882
3. Bihar	3	944	7	1929	23	3998	33	6871
4. Gujarat	3	1000	6	418	20	2954	29	4372
5. Haryana	3	224	9	2878	9	436	21	3538
6. Himachal Pradesh	1	119	5	1328	8	1021	14	2468
7. Jammu & Kashmir	3	112	4	1284	10	3568	17	4964
8. Karnataka	9	3014	11	1497	42	8070	62	12581
9. Kerala	4	1414	12	2404	51	9540	67	13358
10. Madhya Pradesh	5	313	6	1603	19	3574	30	5490
11. Maharashtra	2	2674	15	3444	19	4122	36	10240
12. Manipur	1	15	2	91	1	313	4	419
13. Meghalaya	-	-	3	420	6	842	9	1262
14. Nagaland	-	-	2	557	3	592	5	1149
15. Orissa	3	829	7	2721	52	4834	62	8384
16. Punjab	2	423	10	6630	14	3627	26	10680
17. Rajasthan	4	2762	3	374	18	1953	25	5089
18. Sikkim	2	105	1	22	8	370	11	497
19. Tamil Nadu	2	1302	8	5185	33	7939	43	14426
20. Tripura	2	24	3	129	3	491	8	644
21. Uttar Pradesh	5	2836	23	2850	31	18541	59	24227
22. West Bengal	1	338	13	1503	23	4838	37	6679
TOTAL :	57	19265	164	43783	436	91522	657	154570

Source: State Finance Accounts/Budgets.

Annexure III-4
(Para 3.18 (ii)

Estimated Invesment in Statutory Corporations/Government Companies and Cooperative Institutions at the end of 1983-84 State-wise and Estimated Return in 1984-85 and 1984-89.

(Rs. lakhs)

STATE	Statutory Corporation/ Government Companies			Cooperative Institutions		
	Estimated Investment at the end of 1983-84	Estimated return		Estimated Investment at the end of 1983-84	Estimated return	
		1984-85	1984-89		1984-85	1984-89
1	2	3	4	5	6	7
1. Andhra Pradesh	18772	588	2940	26412	753	3765
2. Assam	3318	81	405	3200	113	565
3. Bihar	8558	292	1460	6874	245	1225
4. Gujarat	5249	192	960	5782	239	1195
5. Haryana	4357	32	160	6763	289	1445
6. Himachal Pradesh	3384	75	375	1368	44	220
7. Jammu & Kashmir	5632	213	1065	463	8	40
8. Karnataka	15447	580	2900	12931	560	2800
9. Kerala	16143	628	3140	5955	252	1260
10. Madhya Pradesh	7188	199	995	11453	430	2150
11. Maharashtra	12856	366	1830	23467	1020	5100
12. Manipur	475	19	95	167	5	25
13. Meghalaya	1444	46	230	400	13	65
14. Nagaland	1194	30	150	131	5	25
15. Orissa	11039	361	1805	9466	273	1365
16. Punjab	13447	228	1140	8993	346	1730
17. Rajasthan	5716	204	1020	7586	277	1385
18. Sikkim	579	24	120	38	1	5
19. Tamil Nadu	18999	504	2520	10342	426	2130
20. Tripura	864	34	170	476	13	65
21. Uttar Pradesh	28606	1204	6020	23275	1003	5015
22. West Bengal	8914	329	1645	6600	263	1315
TOTAL:	192181	6229	31145	172142	6578	32890

Source: Investment

(a) Finance Accounts
(b) State Budgets
(c) Information received from State Governments.

Annexure III-5
(Para 3.19, 3.25 and 3.26)

Estimates of State Governments' Loans outstanding with the State Electricity Boards as on 31.3.1984.

(Rs. Lakhs)

	STATE	Total	Attributable to Works-in-Progress	Attributable to Rural Electrification	Net amount on which interest has been worked out for 1984-85
	1	2	3	4	5
1.	Andhra Pradesh	58435	5849	12751	39835
2.	Assam	38218	14373	4766	19077
3.	Bihar	88161	25063	8040	35058
4.	Gujarat	88527	24331	8860	53336
5.	Haryana	54384	6472	13655	34257
6.	Himachal Pradesh	10305	5326	976	4003
7.	Jammu & Kashmir	29488	9144	1776	18568
8.	Karnataka*	75363	19609	11025	44729
9.	Kerala	18949	2516	3224	13209
10.	Madhya Pradesh	124503	19659	12913	91931
11.	Maharashtra	175307	63216	27835	84256
12.	Manipur	3576	358	537	2683
13.	Meghalaya	676	154	Nil	522
14.	Nagaland	3054	1753	393	908
15.	Orissa	14582	3209	5519	5854
16.	Punjab	102867	15461	8929	78477
17.	Rajasthan	60580	14915	7635	38030
18.	Sikkim	1369	780	121	468
19.	Tamil Nadu	105488	13777	34657	57054
20.	Tripura	5347	611	666	4070
21.	Uttar Pradesh	273930	76810	28843	168277
22.	West Bengal	52752	29889	6886	15977
	TOTAL:	1363861	353275	200007	810579

NOTE:

1. Total amount of outstanding loans have been adopted from the Finance Accounts 1981-82 and updated upto 31.3.1984 in the light of the provisions made in the subsequent budgets.
2. Amount attributable to works-in-progress has been worked out on the basis of the data published by Central Electricity Authority in Financial Performance Review June, 1983.
3. Rural Electrification - particulars of State-wise total investment in Rural Electrification were obtained from the Planning Commission. From this has been deducted the Rural Electrification Corporations loans outstanding with the State Electricity Boards.

* Includes Karnataka Power Corporation.

Annexure III-6
(Para 3.19)

Commercial Loss/Profit and accumulated arrears of Interest for the year 1982-83

State Electricity Board	Commercial Loss (-)/Profit(+) at current Rates (Revised Estimates 1982-83	Accumulated arreas of Interest at the end of 1982-83
1	2	3
1. Andhra Pradesh	(+) 38.09	Nil
2. Assam	(-) 33.91	109.39
3. Bihar	(-) 92.69	201.62
4. Gujarat	(+) 0.41	105.17
5. Haryana	(-) 28.99	148.49
6. Himachal Pradesh	(-) 9.68	47.71
7. Jammu & Kashmir	(-) 20.57	19.70
8. Karnataka State Electricity Board	(+) 10.59	10.53
8.(a)Karnataka Power Corporation	(-) 15.18	Nil
9. Kerala	(-) 2.60	Nil
10. Madhya Pradesh	(+) 8.51	Nil
11. Maharashtra	(+) 61.43	Nil
12. Manipur	NA	NA
13. Meghalaya	(-) 1.07	23.99
14. Nagaland	NA	NA
15. Orissa	(+) 8.96	43.42
16. Punjab	(-) 79.75	290.92
17. Rajasthan	(-) 58.35	120.72
18. Sikkim	NA	NA
19. Tamil Nadu	(-)180.79	56.61
20. Tripura	NA	NA
21. Uttar Pradesh	(-)225.51	324.45**
22. West Bengal	(-) 56.79	69.97
TOTAL :	(-)805.88 (+)127.99	

NA Not Available.
* Commercial Loss (-)/Profit(+) = Operating Surplus-(Depreciation + Interest payable to the Institutional Creditors and State Governments).
** After adjusting Rs.100 crores waived by the State Government.
Source: Column 2 - Information received from the Planning Commission.
Column 3 - Information received from the State Governments.

Annexure III-7
(Para 3.28)

Net interest receipts from State Electricity Boards during 1984-89

(Rs. Lakhs)

STATE	Interest @ 7 per cent on estimated loans outstanding as on 31.3.84	Receipts of electricity duty attributable to State Electricity Board	Receipts taken under Major Head 049
1	2	3	4
1. Andhra Pradesh	14350	Nil	17815
2. Assam	7683	616	7067
3. Bihar	14024	2897	11127
4. Gujarat	20371	25330	Nil
5. Haryana	12443	12409	6801
6. Himachal Pradesh	1773	582	1191
7. Jammu & Kashmir	7140	1220	5920
8. Karnataka	17028	17140	13886
9. Kerala	4800	11112	Nil
10. Madhya Pradesh	33552	18380	15172
11. Maharashtra	33915	21209	12706
12. Manipur	964	Nil	964
13. Meghalaya	195	73	122
14. Nagaland	441	Nil	441
15. Orissa	2274	12405	Nil
16. Punjab	28549	10845	17704
17. Rajasthan	14354	8024	6330
18. Sikkim	219	Nil	219
19. Tamil Nadu	20934	Nil	20934
20. Tripura	1467	Nil	1467
21. Uttar Pradesh	64273	6405	57868
22. West Bengal	7684	2391	5293

Note: 1. Interest for 1984-85 has been calculated @ 7 per cent of the estimated outstanding loans as on 31.3.1984 adjusted for loans attributable to works-in-progress and rural electrification shcemes. For subsequent years the outstanding loans have been adjusted presuming that works-in-progress would be completed over a period of 10 years.

2. In case the receipts shown in the State forecast are higher than the estimates worked out by us, the State forecasts (net of subsidy, if any) have been accepted.

3. For States where there are no State Electricity Boards the receipts have been taken under Major Head 134 and not under Major Head 049.

State Road Transport Undertakings

Physical performance of State Road Transport Undertakings - 1981-82.

Annexure III-8
(Para 3.33)

Transport Undertakings	Fleet Utilization (%)	Load factor (occupancy ratio) %	Staff-Bus Ratio	Km. run/ Litre of HSD.	% of over-aged vehicles to total fleet strength	Operating ratio (%)
1	2	3	4	5	6	7
I. Non-Hill States						
1. Andhra Pradesh	88.3	72.0	11.0	4.17	10.8	92.9
2. Assam	71.0	79.0	7.5	4.30	14.6	112.2
3. Bihar	60.0	67.9	9.5	3.81	21.8	112.5
4. Gujarat	82.8	75.2	9.3	4.74	3.2	105.9
5. Haryana	94.0	82.0 2/	4.6	1/	..	95.3
6. Karnataka	84.0	66.0	6.2	3.96	N.I.	92.8
7. Kerala	69.2	94.0	11.5	3.7	28.1	109.7
8. Madhya Pradesh	84.0	65.0	7.4	4.07	14.8	101.3
9. Maharashtra	86.3	72.5	9.6	4.18	21.3	96.1
10. Orissa	83.0	75.0	7.7	4.1	27.7	102.8
11. Punjab						
a) Punjab Roadways	91.2	74.0	4.9	3.9	..	101.7
b) PEPSU R.T.C.	93.0	77.0	N.I.	3.85	..	108.5
12. Rajasthan	75.0	71.0	6.9	4.15	7.3	109.1
13. Tamil Nadu						
i) Anna Transport Corporation	92.0	69.0	6.9	3.87	15.0	84.5
ii) Cheran Transport Corporation	94.0	69.0	7.3	3.71	11.3	84.5
iii) Cholan Roadways	92.0	71.0	7.5	4.09	30.5	90.3
iv) Kattabomman Transport Corporation	94.0	62.1	7.3	3.83	0.7	83.5
v) Pallavan Transport Corporation(Metro)	88.9	85.4	7.7	3.53	9.2	97.2
vi) Pallavan Transport port Corporation (District)	92.8	66.1	7.3	3.93	19.5	91.8
vii) Pandiyan Roadways	93.1	70.1	7.4	3.81	14.1	85.1
viii) Thanthai Periyar Transport Corporation	92.0	65.1	7.1	3.74	1.4	88.9
ix) Thiruvalluvar Transport Corporation	87.6	72.3	9.9	4.07	17.2	87.4
14. Uttar Pradesh	78.0	75.0	9.7	4.18	15.5	69.4
15. West Bengal						
i) Calcutta S.T.C.	64.77	100.00	12.6	2.82	20.9	173.2
ii) North Bengal S.T.C.	1/	65.0	14.5	3.6	1/	..
iii) Durgapur S.T.C.	1/	84.0	8.8	3.29	1/	..
iv) Calcutta Tramways	64.0	91.0	..	..	87.7	226.5
II. Hill States						
16. Himachal Pradesh	94.9	73.0	5.2	3.2	7.6	109.5
17. Jammu & Kashmir	63.0	69.0	4.8	3.30	20.7	88.4
18. Manipur	54.0	58.0	5.3	3.5	3.6	145.4
19. Meghalaya	69.0	81.0	7.7	3.40	16.2	133.8
20. Nagaland	62.9	61.0	3.9	3.70	..	138.5
21. Sikkim	70.0	1/	1/	1/	6.4	109.8
22. Tripura	46.0	71.8	4.12	3.45	..	152.3

1/ Information not furnished by State Government. 2/ For 1982-83 as contained in a note from the Planning Commission.
N.I. Not indicated. S.T.C. = State Transport Corporation.

State Road Transport Undertakings Financial Performance- 1981-82.

Annexure III-9
(Para 3.34)

(Rs. in lakhs)

STATE	Gross Receipts	EXPENDITURE						Profit(+) Loss(-) Col.No. (2-8)
		Working expenses	Gross Profit Col.2-Col.3	Interest payment other than State Government	Depreciation	Other charges excluding depreciation	Total excluding interest payment to State Government Col. No. (3+5+6+7)	
1	2	3	4	5	6	7	8	9
I Non-Hill States								
1. Andhra Pradesh	19551.00	18157.00	(+)1394.00	532.00	2037.00	..	20726.00	(-)1175.00
2. Assam	912.75	1024.31	(-) 111.56	38.31	105.00	1.60	1169.22	(-) 256.47
3. Bihar	2360.00	2654.00	(-) 294.00	88.00	270.00	..	3012.00	(-) 652.00
4. Gujarat	16767.00	17756.00	(-) 989.00	290.00	1975.00	(-)193.00	19828.00	(-)3061.00
5. Haryana	5902.54	5627.90	(+) 274.64	..	373.12	12.63	6013.65	(-) 111.11
6. Karnataka	13617.00	12635.00	(+) 982.00	300.00	1198.00	322.00	14455.00	(-) 838.00
7. Kerala	6870.00	7537.00	(-) 667.00	177.00	412.00	234.00	8360.00	(-)1490.00
8. Madhya Pradesh	5301.62	5370.26	(-) 68.64	248.56	270.23	..	5889.05	(-) 587.43
9. Maharashtra	28813.87	27695.85	(+)1118.02	665.28	2418.41	1013.83	31793.37	(-)2979.50
10. Orissa	1047.40	1076.39	(-) 28.99	65.22	86.18	48.43	1276.22	(-) 228.82
11. Punjab								
a) Punjab Roadways	4271.55	4345.57	(-) 74.02	..	531.53	18.56	4895.66	(-) 624.11
b) Pepsu Road Transport Corporation	2002.99	2172.69	(-) 169.70	122.09	345.63	75.87	2716.28	(-) 713.29
12. Rajasthan	4307.32	4701.19	(-) 393.87	196.59	394.43	..	5292.21	(-) 984.89
13. Tamil Nadu								
a) Anna Transport Corporation	1856.00	1569.00	(+) 287.00	30.00	293.16	..	1892.16	(-) 36.16
b) Cheran Transport Corporation	3516.00	2971.00	(+) 545.00	71.00	399.00	10.00	3451.00	(+) 65.00
c) Cholan Roadways	2497.00	2255.00	(+) 242.00	39.00	279.00	6.00	2579.00	(-) 82.00
d) Kattabomman Transport Corporation	2556.35	2134.67	(+) 421.68	28.80	321.86	..	2485.33	(+) 71.02
e) Pallavan Transport Corporation (Metro)	4355.00	4233.64	(+) 121.36	101.00	611.00	15.36	4961.00	(-) 606.00
f) Pallavan Transport Corporation (District)	1598.00	1467.00	(+) 131.00	36.00	218.00	..	1721.00	(-) 123.00
g) Pandiyan Roadways	3882.00	3302.00	(+) 580.00	44.00	448.00	..	3794.00	(+) 88.00
h) Thanthai Periyar Transport Corpn.	1471.00	1308.00	(+) 163.00	31.00	230.00	..	1569.00	(-) 98.00
i) Thiruvalluvar Transport Corporation	2421.00	2115.00	(+) 306.00	59.00	468.00	..	2642.00	(-) 221.00

(Rs. in lakhs)

STATE	Gross Receipts	EXPENDITURE						Profit(+) Loss(-) Col.No. (2-8)
		Working expenses	Gross Profit Col.2-Col.3	Interest payment other than State Government	Depreciation	Other charges excluding depreciation	Total excluding interest payment to State Government Col. No. (3+5+6+7)	
1	2	3	4	5	6	7	8	9
14. Uttar Pradesh	11141.00	7728.00	(+)3413.00	387.00	1261.00	1671.00	11047.00	(+) 94.00
15. West Bengal								
a) Calcutta State Transport Corpn.	1509.47	2613.65	(-)1104.18	NI	261.05	4.17	2878.87	(-)1369.40
b) North Bengal State Transport Corpn.	NI	NI	NI	NI	NI	NI	NI	NI
c) Durgapur State Transport Corpn.	NI	NI	NI	NI	NI	NI	NI	NI
d) Calcutta Tramways	641.60	1453.92	(-) 812.32	77.08	108.00	NI	1639.00	(-) 997.40
II. Hill States								
16. Himachal Pradesh	1727.85	1893.34	(-) 165.49	33.58	255.35	31.14	2213.41	(-) 485.56
17. Jammu & Kashmir	1252.20	1106.55	(+) 145.65	21.98	125.00	8.58	1262.11	(-) 9.91
18. Manipur	86.67	141.22	(-) 44.55	9.44	30.28	..	180.94	(-) 84.27
19. Meghalaya	144.64	193.58	(-) 48.94	1.13	23.50	..	218.21	(-) 73.57
20. Nagaland	130.45	179.58	(-) 49.13	..	..	..	179.58	(-) 49.13
21. Sikkim	287.00	315.00	(-) 28.00	..	..	..	315.00	(-) 28.00
22. Tripura	110.62	169.13	(-) 58.51	8.73	36.48	..	214.34	(-) 103.72
TOTAL	152918.89	147902.44	(+)5016.45	3701.79	15785.21	3280.17	170669.61	(-)17750.72

NI = Not indicated.

Annexure III —10
(Para 3.36)

Returns assessed on State Governments' Investments in Road Transport Undertakings

(Rs.in Lakhs)

STATE	1984-89	STATE	1984-89	STATE	1984-89
I. Non-Hill States		8. Madhya Pradesh	650	II. Hill States	
1. Andhra Pradesh	1345	9. Maharashtra	935	1. Himachal Pradesh	-
2. Assam	160	10. Orissa	300	2. Jammu & Kashmir -	-
3. Bihar	405	11. Punjab	1160	3. Manipur	-
4. Gujarat	1580	12. Rajasthan	345	4. Meghalaya	-
5. Haryana	1085	13. Tamil Nadu	1175	5. Nagaland	-
6. Karnataka	665	14. Uttar Pradesh	1040	6. Sikkim	-
7. Kerala	570	15 West Bengal	2395	7. Tripura	-
		Total 15 States	13810	Total 7 States	-
				Grand Total — All States	13810

Annexure III-11
(Para 3.61)

Consumer Price Index upto which D.A. had been sanctioned to State Government employees as on 1st April, 1982, the number of instalments provided to compensate the employees upto the CPI level of 440 and annual cost of one D.A. instalment

	STATE	CPI upto which DA sanctioned as on 1.4.1982	Number of DA instalments provided to compensate employees upto CPI level 440	Annual cost of one DA instalment (as reported by the State Government) (Rs. Lakhs)	Per employee per annum cost of one DA instalment (Rs.)	Annual cost of one D.A. instalment adopted by the Commission (Rs. Lakhs)
	1	2	3	4	5	6
1.	Andhra Pradesh	408	4	974	153	974
2.	Assam (1)	392	6	364	152	364
3.	Bihar	408	4	1225	174	1138
4.	Gujarat	408	4	654	125	664
5.	Haryana	408	4	343	161	343
6.	Himachal Pradesh	408	4	104	119	104
7.	Jammu & Kashmir	440	Nil	250	148	250
8.	Karnataka	440	Nil	890	189	763
9.	Kerala	408	4	600	138	600
10.	Madhya Pradesh	408	4	900	153	900
11.	Maharashtra	408	4	1545	214	1168
12.	Manipur	400	5	49	166	48
13.	Meghalaya (2)	-	-	-	-	-
14.	Nagaland	408	4	73	161	73
15.	Orissa	408	4	627	171	593
16.	Punjab	408	4	400	151	400
17.	Rajasthan	408	4	800	174	744
18.	Sikkim	400	5	25	196	20.6
19.	Tamil Nadu	432	1	737	93	737
20.	Tripura (3)	400	5	225	246	148
21.	Uttar Pradesh	408	4	1293	92	1293
22.	West Bengal	384	7	1656 (4)	207	1297

CPI = All India Consumer Price Index Number for Industrial Workers (Base 1960 = 100)
DA = Dearness Allowance.

NOTES:
1. As per order dated 18.8.1981, Government of Assam sanctioned DA upto average CPI index for Assam State (Base 1949 = 100) of 494 which as per the State Government is equivalent to All India Consumer Price Index for Industrial Workers (Base 1960 = 100) level of 392.
2. Government of Meghalaya sanctioned DA upto 6 monthly average CPI level of 457 on 1.1.1982 according to their own pattern, i.e. Rs.1.30 per point for all employees but switched over to Central pattern with effect from 1.10.1983. Cost, due to change over to Central pattern upto 12 monthly CPI average of 496 is estimated at Rs.27.01 crores by the State Government.
3. Government of Tripura switched over to Central pattern of DA with effect from 1.10.1981. They have not intimated the index level upto which DA had been sanctioned as on 1.4.1982. The State has shown the DA as on 1.4.1982 and the presumptive DA payable as at CPI level 440. The difference between these two amounts amounted to five installments of Dearness Allowance. From this the CPI level for column 2 was worked out.
4. Government of West Bengal has indicated the cost of one DA instalment as Rs.18 crores. Out of this a sum of Rs.1.44 crores attributable to the employees of State Public Sector Undertakings and Statutory bodies has been excluded.

Annexure III-12
(Para 3.63)

Number of State Government employees, Teachers and Other employees of the Local Bodies and Aided institutions as on 31.3.1982.

STATE	State Government employees	Employees of Local Bodies		Total (2 + 3 + 4)
		Teachers	Others	
1	2	3	4	5
1. Andhra Pradesh	420189	176058	38864	635111
2. Assam	219296	5971	14275	239542
3. Bihar	660264	8039	34067	702370
4. Gujarat	392322	140392	NS	532714
5. Haryana (P)	197183	4395	11692	213270
6. Himachal Pradesh (P)	84709	(0)	2868	87577
7. Jammu & Kashmir	156804	3088	8469	168361
8. Karnataka	389540	(0)	81228	470768
9. Kerala	435865	NA	NA	435865
10. Madhya Pradesh(P)	542825	(0)	43554	586379
11. Maharashtra@	412594	(0)	308108	720702
12. Manipur¢	22231	(0)	7362	29593
13. Meghalaya	22426	9320	-	31746
14. Nagaland	45270	-	153	45423
15. Orissa	230085	(0)	135684	365769
16. Punjab	265573	NA	NA	265573
17. Rajasthan	367216	47236	44553	459005
18. Sikkim	11568 (NP)	(NS)	(NS)	12725**
19. Tamil Nadu	557394	129828	108423	795645
20. Tripura@@	85150	(0)	6336	91486
21. Uttar Pradesh	765782	422881	210693	1399356
22. West Bengal*	362000	323000	115750	800750

NA = Not available

* = As on 31.3.1981
@ = As on 1.7.1981
@@ = As on 31.12.1981
¢ = State Government did not furnish the information. Taken from the Finance Commission Report - 1978.
** = Adjusted to provide for Plan employees.
NP = Non Plan (1982-83)
NS = Not separately specified by State Government.
P = Reported provisional by the State Government.
(0) = Included under "Others".

Source: Information received from the State Governments.

Annexure III-13
(Para 3.65)

Comparative Statement of presumptive emoluments of State Government employees at CPI level 440 as on 1.4.1982

(In Rupees)

	CATEGORIES	Peon	Lower Division Clerk	Upper Division Clerk	Constable	Head Constable	Primary School Teacher	Trained Graduate Teacher	Revenue Inspector	Naib Tehsildar	Tehsildar	Deputy Collector
	1	2	3	4	5	6	7	8	9	10	11	12
A.	Centre	435	576	711	465	576	711	883	862	862	1048	1219
B.	States											
	All States Average	416	562	704	484	556	587	770	632	855	1016	1179
1.	Andhra Pradesh	399	584	729	481	584	619	791	729	940	1040	1495
2.	Assam	415	690	846	446	522	566	690	487	NP	917	1004
3.	Bihar	397	650	@	476	538	650	946	946	NP	NP	1102
4.	Gujarat	427	566	846	435	566	631	867	730	846	1219	1313
5.	Haryana	425	567	680	595	638	680	744	NP	944	1074	NP
6.	Himachal Pradesh	425	567	722	582	668	680	863	680	944	1108	1262
7.	Jammu & Kashmir	413	492	718	495	672	565	821	NP	821	1166	1528
8.	Karnataka	429	539	693	539	605	605	825	693	940	1130	1290
9.	Kerala	448	528	624	496	560	544	669	624	824	969	1181
10.	Madhya Pradesh	393	519	608	413	421	519	709	586	784	906	1053
11.	Maharashtra	435	566	706	479	544	631	754	631	953	1125	1275
12.	Manipur	423	532	719	454	532	532	760	719	NP	897	969
13.	Meghalaya	447	633	855	484	559	596	782	NP	NP	NP	NP
14.	Nagaland	423	596	731	443	525	596	731	555	NP	NP	NP
15.	Orissa	391	499	614	499	NP	586	756	499	NP	895	NP
16.	Punjab	425	567	722	595	638	680	863	567	944	1108	NP
17.	Rajasthan	388	545	575	408	457	545	715	575	765	960	1110
18.	Sikkim*	423	596	731	443	525	596	731	555	NP	NP	NP
19.	Tamil Nadu	344	481	550	385	481	481	619	481	722	825	994
20.	Tripura	375	521	698	446	479	521	690	690	NP	NP	953
21.	Uttar Pradesh	408	473	628	486	534	468	721	NP	688	914	1088
22.	West Bengal	487	662	793	576	620	620	883	NP	NP	NP	1257

NP = No such Post reported in the State.
* = State Government did not furnish the requisite information. This has been adopted as for Nagaland.
@ = Post merged with Lower Division Clerk.

Comparative Statement of actual and Presumptive emoluments of Peon in Centre and States as on 1.4.1982

Annexure III-14(i) (Para 3.65)

(In Rupees)

CENTRE STATES	Emoluments at the minimum of the Scale As actually admissible on the basis of Orders issued and implemented upto 1.4.1982			Presumptive emoluments at CPI 440		
	Basic Pay	DA/ADA/ DP/IR	Total Emoluments	Basic Pay	DA/ADA/ DP/IR	Total Emoluments
1	2	3	4	5	6	7
Centre	196	239	435	196	239	435
All States Average						416
1. Andhra Pradesh	290	80	370	290	109	399
2. Assam	190	196	386	190	225	415
3. Bihar	350	16	366	350	47	397
4. Gujarat	196	200	396	196	231	427
5. Haryana	300	92	392	300	125	425
6. Himachal Pradesh	300	92	392	300	125	425
7. Jammu & Kashmir	345	68	413	345	68	413
8. Karnataka	390	39	429	390	39	429
9. Kerala	280	135	415	280	168	448
10. Madhya Pradesh	125	242	367	125	268	393
11. Maharashtra	200	203	403	200	235	435
12. Manipur	190	187	377	190	233	423
13. Meghalaya	300	166	466	300	147	447
14. Nagaland	190	225	415	190	233	423
15. Orissa	200	159	359	200	191	391
16. Punjab	300	92	392	300	125	425
17. Rajasthan	240	117	357	240	148	388
18. Sikkim	190	225	415	190	233	423
19. Tamil Nadu	250	88	338	250	94	344
20. Tripura	170	164	334	170	205	375
21. Uttar Pradesh	305	73	378	305	103	408
22. West Bengal	220	197	417	220	267	487

Comparative Statement of actual and presumptive emoluments of Lower Division Clerk in Centre and States as on 1.4.1982.

Annexure III-14(ii) (Para 3.65)

Centre	260	316	576	260	316	576
All States Average						562
1. Andhra Pradesh	425	117	542	425	159	584
2. Assam	325	280	605	325	365	690
3. Bihar	580	23	603	580	70	650
4. Gujarat	260	264	524	260	306	566
5. Haryana	400	123	523	400	167	567
6. Himachal Pradesh	400	123	523	400	167	567

Contd.....

Note: Following abbreviations have been used in Annexures III-14(i) to 14(xi).

DA = Dearness Allowance
ADA = Additional Dearness Allowance
DP = Dearness Pay
IR = Interim Relief
CPI = All India Consumer Price Index Number for Industrial Workers(Base1960=100)

(In Rupees)

CENTRE / STATES	Emoluments at the minimum of the Scale As actually admissible on the basis of Orders issued and implemented upto 1.4.1982			Presumptive emoluments at CPI 440		
	Basic Pay	DA/ADA/ DP/IR	Total Emoluments	Basic Pay	DA/ADA/ DP/IR	Total Emoluments
1	2	3	4	5	6	7
7. Jammu & Kashmir	410	82	492	410	82	492
8. Karnataka	490	49	539	490	49	539
9. Kerala	330	159	489	330	198	528
10. Madhya Pradesh	169	314	483	169	350	519
11. Maharashtra	260	264	524	260	306	566
12. Manipur	240	234	474	240	292	532
13. Meghalaya	425	166	591	425	208	633
14. Nagaland	275	310	585	275	321	596
15. Orissa	255	203	458	255	244	499
16. Punjab	400	123	523	400	167	567
17. Rajasthan	355	150	505	355	190	545
18. Sikkim	275	310	585	275	321	596
19. Tamil Nadu	350	123	473	350	131	481
20. Tripura	240	224	464	240	281	521
21. Uttar Pradesh	354	85	439	354	119	473
22. West Bengal	300	266	566	300	362	662

Comparative Statement of actual and presumptive emoluments of Upper Division Clerk in Centre and States as on 1.4.1982

Annexure III-14(iii)
(Para 3.65)

Centre	330	381	711	330	381	711
All States Average						704
1. Andhra Pradesh	530	146	676	530	199	729
2. Assam	425	298	723	425	421	846
3. Bihar	..... Post merged with L.D.C.					
4. Gujarat	425	357	782	425	421	846
5. Haryana	480	147	627	480	200	680
6. Himachal Pradesh	510	156	666	510	212	722
7. Jammu & Kashmir	600	118	718	600	118	718
8. Karnataka	630	63	693	630	63	693
9. Kerala	390	188	578	390	234	624
10. Madhya Pradesh	205	361	566	205	403	608
11. Maharashtra	335	317	652	335	371	706
12. Manipur	335	304	639	335	384	719
13. Meghalaya	575	166	741	575	280	855
14. Nagaland	350	367	717	350	381	731
15. Orissa	320	242	562	320	294	614
16. Punjab	510	156	666	510	212	722
17. Rajasthan	385	150	535	385	190	575
18. Sikkim	350	367	717	350	381	731
19. Tamil Nadu	400	140	540	400	150	550
20. Tripura	330	264	594	330	368	698
21. Uttar Pradesh	470	113	583	470	158	628
22. West Bengal	380	292	672	380	413	793

Annexure III-14(iv)
(Para 3.65)

Comparative Statement of actual and presumptive emoluments of Constable in Centre and States as on 1.4.1982.

(In Rupees)

CENTRE / STATES	Emoluments at the minimum of the Scale As actually admissible on the basis of Orders issued and implemented upto 1.4.1982			Presumptive emoluments at CPI 440		
	Basic Pay	DA/ADA/ DP/IR	Total Emoluments	Basic Pay	DA/ADA/ DP/IR	Total Emoluments
1	2	3	4	5	6	7
Centre	210	255	465	210	255	465
All States Average						484
1. Andhra Pradesh	350	96	446	350	131	481
2. Assam	205	201	406	205	241	446
3. Bihar	425	17	442	425	51	476
4. Gujarat	200	203	403	200	235	435
5. Haryana	420	129	549	420	175	595
6. Himachal Pradesh	400	123	523	400	167	582@
7. Jammu & Kashmir	410	85	495	410	85	495
8. Karnataka	490	49	539	490	49	539
9. Kerala	310	149	459	310	186	496
10. Madhya Pradesh	135	250	385	135	278	413
11. Maharashtra	220	223	443	220	259	479
12. Manipur	205	200	405	205	249	454
13. Meghalaya	325	166	491	325	159	484
14. Nagaland	200	235	435	200	243	443
15. Orissa	255	203	458	255	244	499
16. Punjab	420	129	549	420	175	595
17. Rajasthan	250	117	367	250	158	408
18. Sikkim	200	235	435	200	243	443
19. Tamil Nadu	280	98	378	280	105	385
20. Tripura	205	192	397	205	241	446
21. Uttar Pradesh	364	87	451	364	122	486
22. West Bengal	280	233	493	260	316	578

Annexure III-14(v)
(Para 3.65)

Comparative Statement of actual and presumptive emoluments of Head Constable in Centre and States as on 1.4.1982.

Centre	260	316	576	260	316	576
All States Average						556
1. Andhra Pradesh	425	117	542	425	159	584
2. Assam	240	235	475	240	282	522
3. Bihar	480	19	499	480	58	538
4. Gujarat	260	264	524	260	306	566
5. Haryana	450	138	588	450	188	638
6. Himachal Pradesh	450	138	588	450	188	668@
7. Jammu & Kashmir	560	112	672	560	112	672
8. Karnataka	550	55	605	550	55	605
9. Kerala	350	168	518	350	210	560
10. Madhya Pradesh	139	254	393	139	282	421
11. Maharashtra(Gr.II)	250	254	504	250	294	544

@ Inclusive of Rs.15/- as special pay.

Contd.....

(In Rupees)

CENTRE / STATES	Emoluments at the minimum of the Scale As actually admissible on the basis of Orders issued and implemented upto 1.4.1982			Presumptive emoluments at CPI 440		
	Basic Pay	DA/ADA/ DP/IR	Total Emoluments	Basic Pay	DA/ADA/ DP/IR	Total Emoluments
1	2	3	4	5	6	7
12. Manipur	240	234	474	240	292	532
13. Meghalaya	375	166	541	375	184	559
14. Nagaland	240	275	515	240	285	525
15. Orissa	.....POST DOES NOT EXIST					
16. Punjab	450	138	588	450	188	638
17. Rajasthan	280	132	412	280	177	457
18. Sikkim	240	275	515	240	285	525
19. Tamil Nadu	350	123	473	350	131	481
20. Tripura	220	206	426	220	259	479
21. Uttar Pradesh	400	96	496	400	134	534
22. West Bengal	280	251	531	280	340	620

Annexure III-14(vi)
(Para 3.65)

Comparative Statement of actual and presumptive emoluments of Primary School Teacher in Centre and States as on 1.4.1982.

Centre		330	381	711	330	381	711
All States Average							587
1.	Andhra Pradesh	450	124	574	450	169	619
2.	Assam	260	255	515	260	306	566
3.	Bihar (Matric trained)	580	23	603	580	70	650
4.	Gujarat	290	294	584	290	341	631
5.	Haryana	480	147	627	480	200	680
6.	Himachal Pradesh	480	147	627	480	200	680
7.	Jammu & Kashmir	475	90	565	475	90	565
8.	Karnataka	550	55	605	550	55	605
9.	Kerala(Gr. II)	340	164	504	340	204	544
10.	Madhya Pradesh	169	314	483	169	350	519
11.	Maharashtra	290	294	584	290	341	631
12.	Manipur	240	234	474	240	292	532
13.	Meghalaya	400	186	566	400	196	596
14.	Nagaland	275	310	585	275	321	596
15.	Orissa	300	238	538	300	286	586
16.	Punjab	480	147	827	480	200	680
17.	Rajasthan	355	150	505	355	190	545
18.	Sikkim	275	310	585	275	321	596
19.	Tamil Nadu	350	123	473	350	131	481
20.	Tripura	240	224	464	240	281	521
21.	Uttar Pradesh	350	84	434	350	118	488
22.	West Bengal	280	251	531	280	340	620

@ Inclusive of Rs.30/- as special pay.

Annexure III-14(vii)
(Para 3.65)

Comparative Statement of actual and presumptive emoluments of Trained Graduate Teacher in Centre and States as on 1.4.1982.

(In Rupees)

CENTRE / STATES	Emoluments at the minimum of the Scale As actually admissible on the basis of Orders issued and implemented upto 1.4.1982			Presumptive emoluments at CPI 440		
	Basic Pay	DA/ADA/ DP/IR	Total Emoluments	Basic Pay	DA/ADA/ DP/IR	Total Emoluments
1	2	3	4	5	6	7
Centre	440	443	883	440	443	883
All States Average						770
1. Andhra Pradesh	575	158	733	575	216	791
2. Assam	325	280	605	325	365	690
3. Bihar	850	32	882	850	96	946
4. Gujarat	440	363	803	440	427	867
5. Haryana	525	161	686	525	219	744
6. Himachal Pradesh	620	179	799	620	243	863
7. Jammu & Kashmir	680	141	821	680	141	821
8. Karnataka	750	75	825	750	75	825
9. Kerala (Gr.II).	420	199	619	420	249	669
10. Madhya Pradesh	246	413	659	246	463	709
11. Maharashtra	365	331	696	365	389	754
12. Manipur	360	314	674	360	400	760
13. Meghalaya	525	166	691	525	257	782
14. Nagaland	350	367	717	350	381	731
15. Orissa	410	282	692	410	346	756
16. Punjab	620	179	799	620	243	863
17. Rajasthan	450	205	655	450	265	715
18. Sikkim	350	367	717	350	381	731
19. Tamil Nadu	450	158	608	450	169	619
20. Tripura	325	264	589	325	365	690
21. Uttar Pradesh	540	130	670	540	181	721
22. West Bengal	440	315	755	440	443	883

Annexure III-14(viii)
(Para 3.65)

Comparative Statement of actual and presumptive emoluments of Revenue Inspector in Centre and States as on 1.4.1982.

Centre	425	437	862	425	437	862
All States Average						632
1. Andhra Pradesh	530	146	676	530	199	729
2. Assam	220	215	435	220	267	487
3. Bihar(Circle Inspector & Kanungo)	850	32	882	850	96	946
4. Gujarat	350	324	674	350	380	730
5. Haryana	..... Post does not exist					
6. Himachal Pradesh	480	147	627	480	200	680
7. Jammu & Kashmir	..... Post does not exist					
8. Karnataka	630	63	693	630	63	693
9. Kerala	390	188	578	390	234	624
10. Madhya Pradesh	195	351	546	195	391	586
11. Maharashtra	290	294	584	290	341	631

Contd.....

(In Rupees)

CENTRE / STATES	Emoluments at the minimum of the Scale As actually admissible on the basis of Orders issued and implemented upto 1.4.1982			Presumptive emoluments at CPI 440		
	Basic Pay	DA/ADA/ DP/IR	Total Emoluments	Basic Pay	DA/ADA/ DP/IR	Total Emoluments
1	2	3	4	5	6	7
12. Manipur	335	304	639	335	384	719
13. Meghalaya	..... Post does not exist					
14. Nagaland	255	290	545	255	300	555
15. Orissa	255	203	458	255	244	499
16. Punjab (Patwari)	400	123	523	400	167	567
17. Rajasthan	385	150	535	385	190	575
18. Sikkim	255	290	545	255	300	555
19. Tamil Nadu	350	123	473	350	131	481
20. Tripura	325	264	589	325	365	690
21. Uttar Pradesh	..... Post does not exist					
22. West Bengal	..... Post does not exist					

Annexure III-14(ix)
(Para 3.65)

Comparative Statement of actual and presumptive emoluments of Naib/Deputy Tehsildar in Centre and States as on 1.4.1982.

Centre	425	437	862	425	437	862
All States Average						855
1. Andhra Pradesh	700	176	876	700	240	940
2. Assam	.....Post does not exist					
3. Bihar	.....Post does not exist					
4. Gujarat	425	357	782	425	421	846
5. Haryana	700	180	880	700	244	944
6. Himachal Pradesh	700	180	880	700	244	944
7. Jammu & Kashmir	680	141	821	680	141	821
8. Karnataka	860	80	940	860	80	940
9. Kerala	520	240	760	520	304	824
10. Madhya Pradesh	280	448	728	280	504	784
11. Maharashtra	500	389	889	500	453	953
12. Manipur	.....Post does not exist					
13. Meghalaya	.....Post does not exist					
14. Nagaland	.....Post does not exist					
15. Orissa	.....Post does not exist.....					
16. Punjab	700	180	880	700	244	944
17. Rajasthan	500	205	705	500	265	765
18. Sikkim	.....Post does not exist					
19. Tamil Nadu	525	184	709	525	197	722
20. Tripura	.....Post does not exist.....					
21. Uttar Pradesh	515	124	639	515	173	688
22. West Bengal	.....Post does not exist.....					

Annexure III-14(x)
(Para 3.65)

Comparative Statement of Actual and presumptive emoluments of Tehsildar Centre and States as on 1.4.1982.

(In Rupees)

CENTRE / STATES	Emoluments at the minimum of the Scale As actually admissible on the basis of Orders issued and implemented upto 1.4.1982			Presumptive emoluments at CPI 440		
	Basic Pay	DA/ADA/ DP/IR	Total Emoluments	Basic Pay	DA/ADA/ DP/IR	Total Emoluments
1	2	3	4	5	6	7
Centre	550	498	1048	550	498	1048
All States Average						1016
1. Andhra Pradesh	800	176	976	800	240	1040
2. Assam	475	333	808	475	442	917
3. Bihar	..... Post does not exist					
4. Gujarat	650	491	1141	650	569	1219
5. Haryana	800	202	1002	800	274	1074
6. Himachal Pradesh	825	208	1033	825	283	1108
7. Jammu & Kashmir	1000	166	1166	1000	166	1166
8. Karnataka	1050	80	1130	1050	80	1130
9. Kerala	650	255	905	650	319	969
10. Madhya Pradesh	350	492	842	350	556	906
11. Maharashtra	600	453	1053	600	525	1125
12. Manipur	450	350	800	450	447	897
13. Meghalaya	..... Post does not exist					
14. Nagaland	..... Post does not exist					
15. Orissa	525	307	832	525	370	895
16. Punjab	825	208	1033	825	283	1108
17. Rajasthan	620	260	880	620	340	960
18. Sikkim	..... Post does not exist					
19. Tamil Nadu	600	210	810	600	225	825
20. Tripura	..... Post does not exist					
21. Uttar Pradesh	690	160	850	690	224	914
22. West Bengal	..... Post does not exist					

Annexure III-14(xi)
(Para 3.65)

Comparative Statement of actual and presumptive emoluments of Deputy Collector in Centre and States as on 1.4.1982.

Centre	650	569	1219	650	569	1219
All States Average						1179
1. Andhra Pradesh	1150	253	1403	1150	345	1495
2. Assam	525	368	893	525	479	1004
3. Bihar	1000	34	1034	1000	102	1102
4. Gujarat	700	529	1229	700	613	1313
5. Haryana	..... Post does not exist					
6. Himachal Pradesh	940	237	1177	940	322	1262
7. Jammu & Kashmir	1300	228	1528	1300	228	1528
8. Karnataka	1200	90	1290	1200	90	1290
9. Kerala	800	306	1106	800	381	1181
10. Madhya Pradesh	425	564	989	425	628	1053
11. Maharashtra	680	513	1193	680	595	1275
12. Manipur	500	372	872	500	469	969

Contd...

(In Rupees)

CENTRE / STATES	Emoluments at the minimum of the Scale As actually admissible on the basis of Orders issued and implemented upto 1.4.1982			Presumptive emoluments at CPI 440		
	Basic Pay	DA/ADA/ DP/IR	Total Emoluments	Basic Pay	DA/ADA/ DP/IR	Total Emoluments
1	2	3	4	5	6	7
13. Meghalaya	..... Post does not exist					
14. Nagaland	..... Post does not exist					
15. Orissa	..... Post does not exist					
16. Punjab	..... Post does not exist					
17. Rajasthan	750	280	1030	750	360	1110
18. Sikkim	..... Post does not exist					
19. Tamil Nadu	750	228	978	750	244	994
20. Tripura	500	273	773	500	453	953
21. Uttar Pradesh	850	170	1020	850	238	1088
22. West Bengal	660	439	1099	660	597	1257

Major and Medium Irrigation Projects- Potential Created and Utilisation

Annexure III-15 (Para 3.78)

(000' hectares)

STATE	1981-82 (Actuals) Irrigation potential	Gross Irrigated area	Col.3 as %age of Col.2	Estimated for 1983-84 Irrigation potential	Gross Irrigated area	Col 6 as % age of Col.5
1	2	3	4	5	6	7
I. Non-Hill States						
1. Andhra Pradesh	3066	2612	85.2	3214	2926	91.0
2. Assam	118	76	64.4	150	95	63.3
3. Bihar	2609	1877	71.9	2796	2087	74.6
4. Gujarat	1068	624	58.4	1195	755	63.2
5. Haryana	1815	1680	92.6	1886	1709	90.6
6. Karnataka	1135	1113	98.1	1256	1235	98.3
7. Kerala	483	463	95.9	542	522	96.3
8. Madhya Pradesh	1613	1126	69.8	1781	1293	72.6
9. Maharashtra	1412	687	48.7	1660	973	58.6
10. Orissa	1488	1488	100.0	1555	1555	100.0
11. Punjab	2384	2375	99.6	2499	2457	98.3
12. Rajasthan	1574	1397	88.8	1758	1466	83.4
13. Tamil Nadu	1199	1178	98.2	1224	1209	98.8
14. Uttar Pradesh	6560	5149	78.5	6750	5523	81.8
15. West Bengal	1520	1415	93.1	1573	1453	92.4
Total 15 States	28044	23260	82.9	29839	25258	84.6
II. Hill States						
1. Himachal Pradesh	6	2	33.3	6	4	66.7
2. Jammu & Kashmir	126	117	92.9	153	135	88.2
3. Manipur	13	9	69.2	32	19	59.4
4. Meghalaya	..	..	..	..	..	..
5. Nagaland	..	..	..	..	..	..
6. Sikkim	..	..	..	..	..	..
7. Tripura	..	..	..	..	..	..
Total 7 States	145	128	88.3	191	158	82.7
Grand Total-All States	28189	23388	83.0	30030	25416	84.6

SOUPCE: Ministry of Irrigation

Annexure III-16
(Para 3.79)

Particulars of Maintenance Expenditure on certain Projects

Name of State/Project	O & M charges including work-charged staff		Special Repairs (Rs. lakhs)
	Rs. per hectare	Total amount (Rs. lakhs)	
1	2	3	4
1. Karnataka			
(i) Himavathy LBC & RBC 1981-82	101.37	(6.00)	Not given
2. Maharashtra			
(i) Mula Project			
1975-76	23.66	(8.60)	NIL
1976-77	44.16	(18.71)	
1977-78	45.88	(19.22)	
1978-79	49.89	(21.57)	
1979-80	70.85	(20.20)	
1980-81	50.37	(16.31)	
(ii) Gangapur Project			
1975-76	35.00	(4.84)	0.83
1976-77	68.50	(10.03)	0.77
1977-78	65.20	(9.05)	0.45
1978-79	33.25	(6.15)	1.54
1979-80	27.95	(5.25)	0.93
(iii) Girna Project			
1975-76	45.00	(11.67)	9.19
1976-77	56.67	(17.09)	12.11
1977-78	56.60	(17.08)	9.82
1978-79	59.60	(17.03)	13.87
(iv) Jayakwadi Project			
1975-76	43.40	(9.05)	Not given
1976-77	26.70	(11.89)	
1977-78	57.60	(15.13)	
1978-79	100.00	(21.21)	
1979-80	171.70	(36.70)	
1980-81	271.30	(46.70)	
3. Punjab			
(i) Sirhind Canal System:			
1975-76	15.08	(79.08)	1.08
1976-77	18.63	(100.12)	1.33
1977-78	19.90	(108.01)	4.73
1978-79	21.22	(121.30)	11.62
1979-80	22.54	(134.05)	14.76
(ii) Bhakra Canal System			
1975-76	33.81	(40.56)	17.03
1976-77	35.13	(40.79)	16.44
1977-78	36.10	(42.37)	13.73
1978-79	36.62	(45.20)	15.65
1979-80	38.66	(49.03)	14.85
(iii) U.B.D.C.System			
1975-76	08.99	(43.19)	At least Rs.50 lacs annually in view of steep rise in the cost of labour and material.
1976-77	07.83	(37.17)	
1977-78	08.49	(40.25)	
1978-79	08.91	(41.52)	
1979-80	09.10	(41.42)	
4. Tamil Nadu			
(i) Cauvery Delta			
1975-76	38.44	(189.34)	53.53
1976-77	34.34	(169.58)	33.44
1977-78	26.45	(130.42)	60.65
1978-79	24.48	(120.58)	96.68
1979-80	30.17	(148.77)	39.59

Contd.....

Annexure III-16
(Para 3.79)

Particulars of Maintenance Expenditure on certain Projects

	Name of State/Project	O & M charges including work-charged staff			Special Repairs (Rs. lakhs)
		Rs. per hectare	Total amount (Rs. lakhs)		
	1	2	3		4
(ii)	Krishnagiri Res-Project				
	1975-76	55.99	(2.04)	I	
	1976-77	63.08	(2.32)	I	
	1977-78	88.11	(3.21)	I	Not given
	1978-79	38.15	(1.39)	I	
	1979-80	68.35	(2.49)	I	
(iii)	A. Vaigai				
	1975-76	13.10	(7.21)		
	1976-77	12.85	(7.08)		
	1977-78	14.55	(8.01)		
	1978-79	14.30	(7.87)		
	1979-80	10.90	(6.00)		
	1980-81	11.85	(6.50)		
	B. Periyar				
	1975-76	28.80	(14.92)		
	1976-77	28.20	(14.61)		
	1977-78	38.20	(19.80)		
	1978-79	28.95	(15.00)		
	1979-80	10.95	(5.67)		
	1980-81	15.50	(8.03)		
(iv)	Lower Bhawani				
	1978-77	6.39	(4.93)		6.56
	1977-78	20.61	(15.89)		8.93
	1978-79	28.59	(22.05)		4.02
	1979-80	26.03	(20.07)		7.35
	1980-81	18.43	(14.21)		9.59

SOURCE: Ministry of Irrigation.

Annexure III-17
(Para 3.81)

Norms for maintenance of Multipurpose, Major and Medium irrigation works suggested by some States for the forecast period for flow irrigation works

	STATE	Regular maintenance		Unit of expenditure (Rs. per hectare)	Special repairs	Escalation provision, if any
		Plain area (Rs.)	Hilly area (Rs.)			
	1	2	3	4	5	6
1.	Bihar	120	150	Gross area irrigated	20%	-
2.	Gujarat	100	-	Irrigation potential	-	-
3.	Haryana	75	-	Irrigated area	-	10% increase every year.
4.	Jammu & Kashmir	200*	275	-	-	-
5.	Orissa	75	-	Per hectare of ayacut	20%	-
6.	Tamil Nadu	100	-	Net irrigated area	-	10% increase every year.
7.	Uttar Pradesh	127	-	Irrigated area	-	8.2% increase from 1982-83 to 1988-89.

*Semi Hilly.

Source: Information furnished by State Governments in the State Forecasts/Subsidiary Point 67.

Annexure III-18
(Para 3.85)
(1975-76 base)

Statement on Estimated Index for O&M Charges (All India)

Year	Labour* 80%	Material$ 20%	Consolidated 100%
1	2	3	4
1975-76	100	100	100
1976-77	108	1u2	107
1977-78	113	103	111
1978-79	119	104	118
1979-80	130	135	131
1980-81	142	141	142
1981-82	161	164	162

* Field labour
$ Cement, steel structure, paints and varnishes.

Source: 1. Wage-rate data from Department of Economics & Statistics (Agriculture), Ministry of Agriculture.
2. Price data from whole-sale price index series, Ministry of Industry.

Annexure III-19
(Para 3.88)
(Rs. lakhs)

Net Receipts from Multipurpose and Major and Medium Irrigation Schemes (Excluding Flood Control Schemes) in 1981-82.

	STATE	Gross Receipts	Working Expenses	Net Receipts
1		2	3	4
1.	Andhra Pradesh	2534*	2172	+ 362
2.	Assam	55	61	- 6
3.	Bihar	729	1901	-1172
4.	Gujarat	785	1169	- 384
5.	Haryana	1082	1880	- 798
6.	Himachal Pradesh	-	-	-
7.	Jammu & Kashmir	24	173	- 149
8.	Karnataka	832	1096	- 264
9.	Kerala	131	624	- 493
10.	Madhya Pradesh	587	1312	- 725
11.	Maharashtra	1325	1394	- 69
12.	Manipur	5	6	- 1
13.	Meghalaya	-	-	-
14.	Nagaland	-	-	-
15.	Orissa	408	861	- 453
16.	Punjab	1064	1835	- 771
17.	Rajasthan	866	1746	- 880
18.	Sikkim	-	-	-
19.	Tamil Nadu	3480	1064	- 716
20.	Tripura	-	-	-
21.	Uttar Pradesh	3941	2565	+1376
22.	West Bengal	85	1553	-1468
	TOTAL:	14801	21412	-6611

* Includes an estimated amount of Rs.2372 lakhs attributable to irrigation but shown under Land Revenue.

@ Includes Rs.254 lakhs attributable to irrigation but shown under Land Revenue.

Source: State Forecasts/State Budgets.

Annexure III-20
(Para 3.93)

Financial returns from Multipurpose, Major and Medium Irrigation Schemes (excluding Flood Control Schemes) during the five year period 1984-85 to 1988-89

(Rs. Lakhs)

STATE	As given in State forecast			As assessed by the Commission		
	Gross receipts	Working expenses**	Net receipts	Gross current receipts	Working expenses	Net receipts
1	2	3	4	5	6	7
1. Andhra Pradesh	13681*	16063	(-) 2382	15485	15659	(-) 174
2. Assam	341	2435	(-) 2094	589	638	(-) 49
3. Bihar	5030	33240	(-) 28210	12087	12654	(-) 567
4. Gujarat	9181@	8012	(+) 1169	4688	5075	(-) 387
5. Haryana	6811	19302	(-) 12491	9071	9178	(-) 107
6. Himachal Pradesh	1	227	(-) 226	23	33	(-) 10
7. Jammu & Kashmir	197	4716	(-) 4519	705	940	(-) 235
8. Karnataka	2500	14274	(-) 11774	6233	6247	(-) 14
9. Kerala	851	5803	(-) 4952	2667	2681	(-) 14
10. Madhya Pradesh	6545@	11182	(-) 4637	7615	8003	(-) 388
11. Maharashtra	10156	14986	(-) 4830	6343	6930	(-) 587
12. Manipur	33	133	(-) 100	121	173	(-) 52
13. Meghalaya	-	-	-	-	-	-
14. Nagaland	-	-	-	-	-	-
15. Orissa	3661	9187	(-) 5526	7775	7775	-
16. Punjab	5524	28222	(-) 22698	12401	12430	(-) 29
17. Rajasthan	7478	19421	(-) 11943	7924	8184	(-) 260
18. Sikkim	-	-	-	-	-	-
19. Tamil Nadu	4355$	12006	(-) 7651	6096	6102	(-) 6
20. Tripura	-	-	-	-	-	-
21. Uttar Pradesh	34190@	48973	(-) 14783	30234	31289	(-)1055
22. West Bengal	618	12936	(-) 12318	7619	7693	(-) 74
TOTAL:	111153	261118	(-)149965	137676	141684	(-)4008

* Includes an estimated amount of Rs.12860 lakhs attributable to Irrigation but shown under Land Revenue.

$ Incoudes Rs.1775 lakhs attributable to Irrigation but shown under Land Revenue.

@ Includes additional yield estimated during 1984-89 from revision of irrigation rates effected in 1983-84 in Gujarat (Rs.2955 lakhs), Madhya Pradesh (Rs.2790 lakhs) and Urrar Pradesh (Rs.6370 lakhs).

** Includes committed expenditure in respect of Plan Schemes completed upto 1983-84 shown separately by the State Governments.

Provision assessed for maintenance of flood control works - 1984-89

Annexure III-21
(Para 3.96)
(Rs. lakhs)

1.	Andhra Pradesh	-	12.	Manipur	294
2.	Assam	6126	13.	Meghalaya	8
3.	Bihar	3824	14	Nagaland	-
4.	Gujarat	150	15.	Orissa	2796
5.	Haryana	1381	16.	Punjab	151
6.	Himachal Pradesh	-	17.	Rajasthan	-
7.	Jammu & Kashmir	759	18.	Sikkim	-
8.	Karnataka	-	19.	Tamil Nadu	692
9.	Kerala	1625	20.	Tripura	176
10.	Madhya Pradesh	-	21.	Uttar Pradesh	4303
11.	Maharashtra	-	22.	West Bengal	3138
		TOTAL - All States			25423

Norms for Maintenance of Roads

Annexure III-22
(Para 3.101)

STATES	Madhya Pradesh	1. Andhra Pradesh 2. Gujarat 3. Karnataka 4. Manipur 5. Punjab 6. Rajasthan 7. Tamil Nadu	1. Bihar 2. Haryana 3. Jammu Region of of J & K 4. Kerala 5. Maharashtra 6. Orissa 7. Uttar Pradesh 8. West Bengal	1. Assam 2. Himachal Pradesh 3. Kashmir Region of J & K 4. Meghalaya 5. Nagaland 6. Sikkim 7. Tripura
Category of Roads		Recommended Rates in Rs./Kms.		
State Highways-B.T.				
(a) Single Lane	17500	18500	19500	22000
(b) Double Lane	22500	23500	24500	27000
Other Roads				
(a) Earthen	7000	8000	8000	9000
(b) W.B.M. & Gravel	9000	11500	12500	15000
(c) B.T.	15000	16000	17000	19500

Source: Ministry of Shipping & Transport (Roads Wing).

Provision assessed for maintenance of State and Local Body Roads

Annexure III-23
(Para 3.105)
(Rs. lakhs)

STATE	1984-85			1984-89		
	State Roads	Local Body Roads	Total	State Roads	Local Body Roads	Total
1	2	3	4	5	6	7
1. Andhra Pradesh	6198	3019	9217	30990	15095	46085
2. Assam*	2239	79	2318	11195	395	11590
3. Bihar*	3026	205	3231	15130	1025	16155
4. Gujarat	2449	3588	6037	12245	17940	30185
5. Haryana*	2305	100	2405	11525	500	12025
6. Himachal Pradesh	1331	47	1378	6655	235	6890
7. Jammu & Kashmir	1211	34	1245	6055	170	6225
8. Karnataka*	4539	282	4821	22695	1410	24105

Contd.....

(Rs. lakhs)

STATE	1984-85 State Roads	1984-85 Local Body Roads	1984-85 Total	1984-89 State Roads	1984-89 Local Body Roads	1984-89 Total
1	2	3	4	5	6	7
9. Kerala	3110	360	3470	15550	1800	17350
10. Madhya Pradesh	8435	353	8788	42175	1765	43940
11. Maharashtra*	4936	5189	10125	24680	25945	50625
12. Manipur*	185	11	196	925	55	980
13. Meghalaya	854	14	868	4270	70	4340
14. Nagaland	371	-	371	1855	-	1855
15. Orissa	3007	673	3680	15035	3365	18400
16. Punjab*	4145	126	4271	20725	630	21355
17. Rajasthan*	4791	194	4985	23955	970	24925
18. Sikkim	210	-	210	1050	-	1050
19. Tamil Nadu*	3532	3435	6967	17660	17175	34835
20. Tripura	343	28	371	1715	140	1855
21. Uttar Pradesh	9066	3878	12944	45330	19390	64720
22. West Bengal	3542	1564	5106	17710	7820	25530
TOTAL:	69825	23179	93004	349125	115895	465020

* Provision restricted in 1984-85 to twice the requirements assessed for the year 1983-84.

PART I

Plinth Area Rates for Civil Engineering Maintenance

Annexure iii-24 (Para 3.108/110)

Sl. No.	Category	Service Charges (Rs./Sqm)	Annual repair (Rs./Sqm)	Special Repairs Age 0-20 years (Rs./Sqm)	Special Repairs Age 21-40 years (Rs./Sqm)	Special Repairs Above 40 years (Rs./Sqm)
1.	Rashtrapati Bhawan, Vice President's House and P.M.'s House	Actuals	Actuals	Actuals	Actuals	Actuals
2.	M.P's flats, Ministers' bungalows, Supreme Court/High Court Judges Residence	4.80	5.50	2.30	3.85	5.40
3.	Hostels	3.10	3.55	1.75	2.90	4.05
4.	All other residential Units	2.40	2.75	1.75	2.90	4.05
	NON-RESIDENTIAL BUILDINGS					
1.	Office buildings except South & North Blocks	2.75	3.15	3.00	5.00	7.00
2.	North & South Block Secretariat	1.35	1.55	-	-	5.00
3.	Parliament House and Sansad Saudha	5.15	5.90	9.65	-	9.65
4.	Temporary Office Buildings	2.75	3.15	2.35	3.85	-
5.	Supreme Court	5.15	5.90	9.65	-	-
6.	Hospitals	6.85	7.85	4.65	7.70	10.80
7.	Dispensaries	6.85	7.85	4.65	7.70	10.80

NOTES 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 hilly region.

PART II

Annexure III-24(Concld.)

Plinth Area Rates for Electrical Engineering Maintenance

Sl. No.	Category of building	Rate in Rs. per Sqm. for day to day service, repairs, maintenance	
		Concentrated groups	Scattered groups
	RESIDENTIAL BUILDINGS		
1.	Rashtrapati Bhawan, Vice President's House and P.M.'s House	Actuals	-
2.	M.P.'s flats, Ministers' bungalows, Supreme Court Judges residences	5.55	-
3.	Hostels	3.70	-
4.	Residential units of Type-I to IV	2.30	2.80
5.	Residential units of Type-V and above	2.80	3.25
	NON-RESIDENTIAL BUILDINGS		
1.	Office buildings except North and South Blocks	3.25	3.70
2.	North and South Block Secretariat	2.80	-
3.	Parliament House and Sansad Saudha	9.25	-
4.	Temporary Office buildings	3.25	3.70
5.	Supreme Court	5.55	-
6.	Hospitals	7.40	--
7.	Dispensaries	5.55	-

NOTES 1. These plinth area rates do not cover expenditure on maintenance and running of airconditioning installations, lifts, pumps and sub-station. Funds will be provided for these services on actual requirements.

2. The rates do not include extra amount admissible for maintenance and repairs in hilly regions.

Source: Ministry of Works & Housing.

Annexure III-25
(Para 3.113)
(Rs. lakhs)

Provision assessed for maintenance of Buildings

STATE	1984-85	1984-89	STATE	1984-85	1984-89
1	2	3	1	2	3
1. Andhra Pradesh	1220	6100	12. Manipur	116	580
2. Assam	460	2304	13. Meghalaya	248	1238
3. Bihar	1459	7295	14. Nagaland	273	1364
4. Gujarat	1497	7485	15. Orissa	1613	8069
5. Haryana	372	1860	16. Punjab	1104	5522
6. Himachal Pradesh*	457	2284	17. Rajasthan	924	4620
7. Jammu & Kashmir*	532	2662	18. Sikkim	58	290
8. Karnataka	1122	5610	19. Tamil Nadu*	1119	5595
9. Kerala	597	2986	20 Tripura	224	1118
10. Madhya Pradesh*	1648	8240	21. Uttar Pradesh	2536	12684
11. Maharashtra	3368	17335	22. West Bengal	1729	8647
			TOTAL:	22676	113888

* Provision restricted in 1984-85 to twice the requirements assessed for the year 1983-84.

Annexure III-26
(Para 3.125)

Committed Liability in respect of State Plan Schemes

(Rs. Crores)

STATE	Revenue component of State Plan in 1983-84	Committed Liability in 1984-85	STATE	Revenue component of State Plan in 1983-84	Committed Liability in 1984-85
1	2	3	1	2	3
1. Andhra Pradesh	412.22	171.67	12. Manipur	18.87	5.66
2. Assam	103.90	31.17	13. Meghalaya	26.73	8.02
3. Bihar	222.66	66.80	14. Nagaland	19.28	5.78
4. Gujarat	256.72	77.02	15. Orissa	126.84	38.05
5. Haryana	91.06	27.32	16. Punjab	92.35	27.70
6. Himachal Pradesh	54.33	16.30	17. Rajasthan	116.57	34.97
7. Jammu & Kashmir	71.35	21.41	18. Sikkim	17.61	5.28
8. Karnataka	189.36	56.81	19. Tamil Nadu	337.53	101.26
9. Kerala	119.43	35.83	20. Tripura	35.40	10.62
10. Madhya Pradesh	202.73	60.82	21. Uttar Pradesh	387.35	116.20
11. Maharashtra	309.00	92.70	22. West Bengal	231.31	69.39
			TOTAL:	3442.60	1080.78

Annexure III-27(i)
(Para 3.130)

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

State - Andhra Pradesh

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	1568.39	1915.63	(+) 347.24
ii) Sales Tax (MH 040)	3097.91	3480.43	(+) 382.52
iii) Others	1146.99	1158.35	(+) 11.36
Total of 1:	5813.29	6554.41	(+) 741.12

Contd.....

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	243.35	264.73	(+) 21.38
a) State Electricity Board	178.15	178.15	..
b) Road Transport Corporation	26.80	13.45	(-) 13.35
c) Others	38.40	73.13	(+) 34.73
ii) Dividends (MH 050)	6.40	67.05	(+) 60.65
iii) Forest (MH 113)	262.24	281.91	(+) 19.67
iv) Irrigation (MH 106,132 & 133)	10.79	195.35	(+) 184.56
v) Other non-tax revenues	456.42	565.15	(+) 108.73
Total of 2:	979.20	1374.19	(+) 394.99
3. Non-Plan grants from the Centre	8.60	9.99	(+) 1.39
4. Receipts corresponding to shortfall in ARM in 1983-84	..	10.34	(+) 10.34
Total of I:	6801.09	7948.93	(+)1147.84
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	793.11	788.76	(+) 4.35
a) Market loans	116.29	110.92	(+) 5.37
b) Central loans	507.24	516.69	(-) 9.45
c) Others	169.58	161.15	(+) 8.43
ii) Police (MH 255)	534.28	483.04	(+) 51.24
iii) Education (MH 277)	2020.74	1822.97	(+) 197.77
iv) Medical (MH 280)	541.20	401.83	(+) 139.37
v) Social Security & Welfare(MH 288)	1781.69	519.13	(+)1262.56
vi) Irrigation (MH 306,332 & 333)	228.48	234.50	(-) 6.02
vii) Buildings including Housing (MH 259 & 283)	62.70	61.00	(+) 1.70
viii) Roads & Bridges (MH 337)	478.13	460.85	(+) 17.28
ix) Others	2716.28	2378.56	(+) 337.72
Total of 1:	9156.61	7150.64	(+)2005.97
2. Committed expenditure on plan schemes completed by the end of 1983-84	1606.10	1034.33	(+) 571.77
3. Upgradation of Emoluments	1250.01	609.94	(+) 640.07
i) Pay revision		32.46	
ii) DA increases		535.70	
iii) Dearness relief to pensioners		41.78	
4. Fresh expenditure	..*	..	..
Total of II:	12012.72*	8794.91	(+)3217.81
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)5211.63*	(-)845.98	(+)4365.65

@ In this column, (+) denotes increase in receipts or decrease in expenditure as per re-asessment over the State forecast and (-) denotes vice-versa.

* Excluding (i) expenditure on upgradation of standards of administration (Rs.1767.47 crores) and (ii) net interest liability in respect of fresh lendings/borrowings during 1984-89 (-) Rs.1.37 crores).

ARM = Additional Resource Mobilisation.

State- Assam

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(ii)
(Para 3.130)
(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	18.26	28.25	(+) 9.99
ii) Sales Tax (MH 040)	439.49	540.56	(+) 101.07
iii) Others	184.24	210.86	(+) 26.62
Total of 1:	641.99	779.67	(+) 137.68
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	8.76	108.67	(+) 99.91
a) State Electricity Board	5.00	70.67	(+) 65.67
b) Road Transport Corporation	2.20	1.60	(-) 0.60
c) Others	1.56	36.40	(+) 34.84
ii) Dividends (MH 050)	0.80	9.70	(+) 8.90
iii) Forest (MH 113)	127.05	120.22	(-) 6.83
iv) Irrigation (MH 106,132 & 133)	4.26	18.89	(+) 14.63
v) Other non-tax revenues	267.16	346.61	(+) 79.45
Total of 2:	408.03	604.09	(+) 196.06
3. Non-Plan grants from the Centre	178.19	6.37	(-) 171.82
4. Receipts corresponding to shortfall in ARM in 1983-84	..	31.86	(+) 31.86
Total of I:	1228.21	1421.99	(+) 193.78
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	407.16	480.52	(-) 73.36
a) Market loans	30.41	28.91	(+) 1.50
b) Central loans	321.08	390.20	(-) 69.12
c) Others	55.67	61.41	(-) 5.74
ii) Police (MH 255)	273.59	305.01	(-) 31.42
iii) Education (MH 277)	646.19	631.77	(+) 14.42
iv) Medical (MH 280)	125.24	108.92	(+) 16.32
v) Social Security & Welfare(MH 288)	39.88	52.84	(-) 12.96
vi) Irrigation (MH 306,332 & 333)	195.93	94.84	(+) 101.09
vii) Buildings including Housing (MH 259 & 283)	43.19	23.04	(+) 20.15
viii) Roads & Bridges (MH 337)	171.60	115.90	(+) 55.70
ix) Others	627.63	568.53	(+) 59.10
Total of 1:	2530.41	2381.37	(+) 149.04
2. Committed expenditure on plan schemes completed by the end of 1983-84	335.28	182.04	(+) 153.24
3. Upgradation of Emoluments	166.91	303.04	(-) 136.13
i) Pay revision	144.01	41.73	(-) 140.12
ii) DA increases		242.40	
iii) Dearness relief to pensioners	22.90	18.91	(+) 3.99

@ In this column (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

Contd.....

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
4. Fresh expenditure	227.68*	**	(+) 227.68
Total of II:	3260.28*	2866.45	(+) 393.83
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)2032.07*	(-)1444.46	(+) 587.61

* Excluding expenditure of Rs.614.20 crores on upgradation of standards of administration.

** This has been provided under respective heads if and to the extent considered necessary.

State - Bihar

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(iii) (Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	198.09	216.41	(+) 18.32
ii) Sales Tax (MH 040)	1950.79	2070.97	(+) 120.18
iii) Others	434.83	527.09	(+) 92.26
Total of 1:	2583.71	2814.47	(+) 230.76
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	13.85	185.77	(+) 171.92
a) State Electricity Board	..	111.27	(+) 111.27
b) Road Transport Corporation	..	4.05	(+) 4.05
c) Others	13.85	70.45	(+) 56.60
ii) Dividends (MH 050)	0.19	26.85	(+) 26.66
iii) Forest (MH 113)	118.52	118.36	(-) 0.16
iv) Irrigation (MH 106,132 & 133)	56.34	153.72	(+) 97.38
v) Other non-tax revenues	655.17	1142.79	(+) 487.62
Total of 2:	844.07	1627.49	(+) 783.42
3. Non-Plan grants from the Centre	..	3.89	(+) 3.89
4. Receipts corresponding to shortfall in ARM in 1983-84	..	87.38	(+) 87.38
Total of I:	3427.78	4533.23	(+)1105.45
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	920.15	957.72	(-) 37.57
a) Market loans	55.63	64.47	(-) 8.84
b) Central loans	603.95	734.89	(-) 130.94
c) Others	260.57	158.36	(+) 102.21
ii) Police (MH 255)	515.90	546.43	(-) 30.53
iii) Education (MH 277)	2166.44	2013.29	(+) 153.15
iv) Medical (MH 280)	280.99	298.30	(-) 17.31
v) Social Security & Welfare(MH 288)	680.90	406.07	(+) 274.83
vi) Irrigation (MH 306,332 & 333)	469.86	223.53	(+) 246.33
vii) Buildings including Housing (MH 259 & 283)	165.71	72.95	(+) 92.76
viii) Roads & Bridges (MH 337)	357.77	161.55	(+) 196.22
ix) Others	2120.16	1863.77	(+) 256.39
Total of 1:	7677.88	6543.61	(+)1134.27
2. Committed expenditure on plan schemes completed by the end of 1983-84	895.23	401.25	(+) 493.98

@ In this column,(+)denotes increase in receipts or decrease in expenditure as per reassessment over the State forecast and(-)denotes vice-versa. ARM = Additional Resource Mobilisation.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
3. Upgradation of Emoluments	689.84	740.87	(-) 51.03
i) Pay revision		66.15	
ii) DA increases		625.90	
iii) Dearness relief to pensioners		48.82	
4. Fresh expenditure		..	..
Total of II:	9262.95*	7685.73	(+)1577.22
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)5835.17*	(-)3152.50	(+)2682.67

* Excluding (i) expenditure on upgradation of standards of administration (Rs.1423.74 crores) and (ii) net interest liability in respect of fresh lendings/borrowings during 1984-89 (Rs.87.43 crores).

State - Gujarat

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(iv) (Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	26.01	35.76	(+) 9.75
ii) Sales Tax (MH 040)	3016.43	3958.40	(+) 941.97
iii) Others	1597.83	1921.72	(+) 323.89
Total of 1:	4640.27	5915.88	(+)1275.61
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	40.49	145.39	(+) 104.90
a) State Electricity Board	(-)18.89	..	(+) 18.89
b) Road Transport Corporation	0.15	15.80	(+) 15.65
c) Others	59.23	129.59	(+) 70.36
ii) Dividends (MH 050)	(-)258.23	21.55	(+) 279.78
iii) Forest (MH 113)	40.87	55.24	(+) 14.37
iv) Irrigation (MH 106,132 & 133)	77.26	70.68	(-) 6.58
v) Other non-tax revenues	502.05	607.02	(+) 104.97
Total of 2:	402.44	899.88	(+) 497.44
3. Non-Plan grants from the Centre	..	1.99	(+) 1.99
4. Receipts corresponding to shortfall in ARM in 1983-84	..	(-)51.00	(-) 51.00
Total of I:	5042.71	6766.75	(+)1724.04
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	692.21	700.82	(-) 8.61
a) Market loans	69.59	70.12	(-) 0.53
b) Central loans	379.02	406.48	(-) 27.46
c) Others	243.60	224.22	(+) 19.38
ii) Police (MH 255)	464.71	426.77	(+) 37.94
iii) Education (MH 277)	1373.52	1451.99	(-) 78.47
iv) Medical (MH 280)	355.31	358.63	(-) 3.32
v) Social Security & Welfare(MH 288)	103.51	114.88	(-) 11.37
vi) Irrigation (MH 306,332 & 333)	117.13	81.26	(+) 35.87

ARM = Additional Resource Mobilisation.

Contd.....

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
vii) Buildings including Housing (MH 259 & 283)	259.96	74.85	(+) 185.11
viii) Roads & Bridges (MH 337)	363.66	301.85	(+) 61.81
ix) Others	1867.80¢	1355.92	(+) 511.88
Total of 1:	5597.81	4866.97	(+) 730.84
2. Committed expenditure on plan schemes completed by the end of 1983-84	876.47	452.22	(+) 424.25
3. Upgradation of Emoluments	751.53	413.43	(+) 338.10
i) Pay revision	322.58	19.74	(+) 302.84
ii) DA increases	414.68	365.20	(+) 49.48
iii) Dearness relief to pensioners	14.27	28.49	(-) 14.22
4. Fresh expenditure	..	..	..
Total of II:	7225.81*	5732.62	(+)1493.19
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)2183.10*	(+)1034.13	(+)3217.23

* Excluding expenditure of Rs.342.67 crores on upgradation of standards of administration.

¢ Includes Rs.148.75 crores on account of Transfer to Famine Relief Fund.

State - Haryana

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III -27(v)
(Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	482.08	495.07	(+) 12.99
ii) Sales Tax (MH 040)	1153.42	1343.23	(+) 189.81
iii) Others	831.85	905.44	(+) 73.59
Total of 1:	2467.35	2743.74	(+) 276.39
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	82.19	96.52	(+) 14.33
a) State Electricity Board	68.01	68.01	..
b) Road Transport Corporation	..	..	..
c) Others	14.18	28.51	(+) 14.33
ii) Dividends (MH 050)	6.58	16.05	(+) 9.47
iii) Forest (MH 113)	22.10	25.12	(+) 3.02
iv) Irrigation (MH 106,132 & 133)	69.67	92.27	(+) 22.60
v) Other non-tax revenues	649.28	654.76	(+) 5.48
Total of 2:	829.82	884.72	(+) 54.90
3. Non-Plan grants from the Centre	0.78	0.85	(+) 0.07
4. Receipts corresponding to shortfall in ARM in 1983-84	..	86.89	(+) 86.89
Total of I:	3297.95	3716.20	(+) 418.25

@ In this column, (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

ARM = Additional Resource Mobilisation.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	346.35	339.77	(+) 6.58
a) Market loans	34.44	34.77	(-) 0.33
b) Central loans	172.44	171.10	(+) 1.34
c) Others	139.47	133.90	(+) 5.57
ii) Police (MH 255)	183.04	181.42	(+) 1.62
iii) Education (MH 277)	521.90	502.48	(+) 19.42
iv) Medical (MH 280)	99.71	91.70	(+) 8.01
v) Social Security & Welfare(MH 288)	34.75	31.49	(+) 3.26
vi) Irrigation (MH 306,332 & 333)	203.85	106.78	(+) 97.07
vii) Buildings including Housing (MH 259 & 283)	72.23	18.60	(+) 53.63
viii) Roads & Bridges (MH 337)	188.07	120.25	(+) 67.82
ix) Others	1115.96	997.53	(+) 118.43
Total of 1:	2765.86	2390.02	(+) 375.84
2. Committed expenditure on plan schemes completed by the end of 1983-84	310.66	156.87	(+) 153.79
3. Upgradation of Emoluments	172.98	203.36	(-) 30.38
i) Pay revision		..	
ii) DA increases		188.65	
iii) Dearness relief to pensioners		14.71	
4. Fresh expenditure	..*	..	..
Total of II:	3249.50*	2750.25	(+) 499.25
III. Non-Plan revenue deficit(-)/Surplus(+)	(+) 48.45	(+) 965.95	(+) 917.50

* Excluding (i) expenditure on upgradation of standards of administration (Rs.339.07 crores) and (ii) net interest liability in respect of fresh lendings/borrowings during 1984-89 (Rs.71.97 crores).

Annexure III-27(vi)
(Para 3.130)

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

State - Himachal Pradesh

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	84.35	103.83	(+) 19.48
ii) Sales Tax (MH 040)	113.34	144.02	(+) 30.68
iii) Others	76.50	84.78	(+) 8.28
Total of 1:	274.19	332.63	(+) 58.44

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	5.50	19.90	(+) 14.40
a) State Electricity Board	..	11.91	(+) 11.91
b) Road Transport Corporation	..	..	..
c) Others	5.50	7.99	(+) 2.49
ii) Dividends (MH 050)	0.18	5.95	(+) 5.77
iii) Forest (MH 113)	47.50	132.81	(+) 85.31
iv) Irrigation (MH 106,132 & 133)	0.28	5.95	(+) 5.67
v) Other non-tax revenues	75.62	101.72	(+) 26.10
Total of 2:	129.08	266.33	(+)137.25
3. Non-Plan grants from the Centre	13.04	2.34	(-) 10.70
4. Receipts corresponding to shortfall in ARM in 1983-84	..	7.84	(+) 7.84
Total of I:	416.31	609.14	(+)192.83
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	139.70	148.28	(-) 8.58
a) Market loans	5.51	5.44	(+) 0.07
b) Central loans	61.40	65.34	(-) 3.94
c) Others	72.79	77.50	(-) 4.71
ii) Police (MH 255)	67.52	67.33	(+) 0.19
iii) Education (MH 277)	284.84	302.46	(-) 17.62
iv) Medical (MH 280)	102.77	77.34	(+) 25.43
v) Social Security & Welfare(MH 288)	58.09	37.54	(+) 20.55
vi) Irrigation (MH 306,332 & 333)	9.28	9.54	(-) 0.26
vii) Buildings including Housing (MH 259 & 283)	49.40	22.84	(+) 26.56
viii) Roads & Bridges (MH 337)	186.63	68.90	(+)117.73
ix) Others	529.05	433.62	(+) 95.43
Total of 1:	1427.28	1167.85	(+)259.43
2. Committed expenditure on plan schemes completed by the end of 1983-84	270.23	93.40	(+)176.83
3. Upgradation of Emoluments	172.63	61.66	(+)110.97
i) Pay revision		..	
ii) DA increases		57.20	
iii) Dearness relief to pensioners		4.46	
4. Fresh expenditure	..*	..	..
Total of II:	1870.14*	1322.91	(+)547.23
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)1453.83*	(-)713.77	(+)740.06

@ In this column, (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

* Excluding (i) expenditure on upgradation of standards of administration(Rs.832.94 crores) and (ii) net interest liability in respect of fresh lendings/borrowings during 1984-89 (Rs.14.95 crores).

ARM = Additional Resource Mobilisation.

Annexure III-27(vii)
(Para 3.130)

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

State - Jammu & Kashmir (Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	88.54	110.40	(+) 21.86
ii) Sales Tax (MH 040)	147.65	191.97	(+) 44.32
iii) Others	152.04	203.32	(+) 51.28
Total of 1:	388.23	505.69	(+)117.46
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	7.15	16.07	(+) 8.92
a) State Electricity Board¢	..	..	..
b) Road Transport Corporation	..	..	..
c) Others	7.15	16.07	(+) 8.92
ii) Dividends (MH 050)	0.60	11.05	(+) 10.45
iii) Forest (MH 113)	147.04	218.91	(+) 71.87
iv) Irrigation (MH 106,132 & 133)	4.41	15.09	(+) 10.68
v) Other non-tax revenues	306.58	436.53	(+)129.95
Total of 2:	465.78	697.65	(+)231.87
3. Non-Plan grants from the Centre	..	1.85	(+) 1.85
4. Receipts corresponding to shortfall in ARM in 1983-84	..	18.10	(+) 18.10
Total of I:	854.01	1223.29	(+)369.28
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	331.92	344.90	(-) 12.98
a) Market loans		8.47	
b) Central loans		270.85	
c) Others		65.58	
ii) Police (MH 255)	154.59	146.38	(+) 8.21
iii) Education (MH 277)	302.66	316.59	(-) 13.93
iv) Medical (MH 280)	116.38	145.06	(-) 28.68
v) Social Security & Welfare(MH 288)	20.75	21.73	(-) 0.98
vi) Irrigation (MH 306,332 & 333)	99.57	35.01	(+) 64.56
vii) Buildings including Housing (MH 259 & 283)	69.74	26.62	(+) 43.12
viii) Roads & Bridges (MH 337)	103.55	62.25	(+) 41.30
ix) Others	1191.97$	898.91	(+)293.06
Total of 1:	2391.13	1997.45	(+)393.68
2. Committed expenditure on plan schemes completed by the end of 1983-84.	336.30	122.01	(+)214.29

¢ The State Electricity Board has been treated as a State Department for presentation purposes.

$ Includes expenditure of Rs.27.25 crores on the maintenance of Schemes of Upgradation of standards of Administration of the Seventh Finance Commission. The State Government has not furnished head-wise break-up of this expenditure. In reassessment, provision for this purpose has been made under the relevant major heads.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
3. Upgradation of Emoluments	103.52	99.22	(+) 4.30
i) Pay revision	..	4.89	(-) 4.89
ii) DA increases	103.52	87.50	(+) 16.02
iii) Dearness relief to pensioners	..	6.83	(-) 6.83
4. Fresh expenditure	..	..	..
Total of II:	2830.95*	2218.68	(+)612.27
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)1976.94*	(-)995.39	(+)981.55

* Does not include expenditure on upgradation of Standards of Administration (Rs.426.08 crores).

State - Karnataka

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(viii) (Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	801.71	1022.99	(+) 221.28
ii) Sales Tax (MH 040)	2539.50	2585.31	(+) 45.81
iii) Others	1295.69	1353.35	(+) 57.66
Total of 1:	4636.90	4961.65	(+) 324.75
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	171.40	253.87	(+) 82.47
a) State Electricity Board	138.86	138.86	..
b) Road Transport Corporation	15.35	6.65	(-) 8.70
c) Others	17.19	108.36	(+) 91.17
ii) Dividends (MH 050)	29.27	57.00	(+) 27.73
iii) Forest (MH 113)	266.50	304.27	(+) 37.77
iv) Irrigation (MH 106,132 & 133)	26.30	103.71	(+) 77.41
v) Other non-tax revenues	576.02	695.44	(+) 119.42
Total of 2:	1069.49	1414.29	(+) 344.80
3. Non-Plan grants from the Centre	12.50	18.75	(+) 6.25
4. Receipts corresponding to shortfall in ARM in 1983-84	..	143.89	(+) 143.89
Total of I:	5718.89	6538.58	(+) 819.69
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	487.14	438.02	(+) 49.12
a) Market loans		61.09	
b) Central loans		302.55	
c) Others		74.38	
ii) Police (MH 255)	469.47	334.41	(+) 135.06

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
iii) Education (MH 277)	2113.65	1433.65	(+) 680.00
iv) Medical (MH 280)	508.95	402.66	(+) 106.29
v) Social Security & Welfare(MH 288)	411.25	361.94	(+) 49.31
vi) Irrigation (MH 306,332 & 333)	380.12	150.34	(+) 229.78
vii) Buildings including Housing (MH 259 & 283)	168.87	56.10	(+) 112.77
viii) Roads & Bridges (MH 337)	323.50	241.05	(+) 82.45
ix) Others	2735.38	2140.16	(+) 595.22
Total of 1:	7598.33	5558.33	(+)2040.00
2. Committed expenditure on plan schemes completed by the end of 1983-84	586.92	340.66	(+) 246.26
3. Upgradation of Emoluments	946.89	287.88	(+) 659.01
i) Pay revision		..	
ii) DA increases		267.05	
iii) Dearness relief to pensioners		20.83	
4. Fresh expenditure	..	..	..
Total of II:	9132.14	6186.87	(+)2945.27
III. Non-Plan revenue deficit(-)/Surplus(+)	(-) 3413.25*	(+) 351.71	(+) 3764.96

* Excluding expenditure of Rs.574.87 crores on upgradation of standards of administration.

State - Kerala

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(ix)
(Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	345.34	557.29	(+) 211.95
ii) Sales Tax (MH 040)	1973.44	2164.75	(+) 191.31
iii) Others	535.45	680.53	(+) 145.08
Total of 1:	2854.23	3402.57	(+) 548.34
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	25.24	56.52	(+) 31.28
a) State Electricity Board		..	
b) Road Transport Corporation		5.70	
c) Others		50.82	
ii) Dividends (MH 050)	5.13	44.00	(+) 38.87
iii) Forest (MH 113)	332.04	370.57	(+) 38.53
iv) Irrigation (MH 106,132 & 133)	10.97	47.76	(+) 36.79
v) Other non-tax revenues	261.60	350.67	(+) 89.07
Total of 2:	634.98	869.52	(+) 234.54

@ In this column, (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

ARM = Additional Resource Mobilisation.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference
1	2	3	4
3. Non-Plan grants from the Centre	6.40	6.95	(+) 0.55
4. Receipts corresponding to shortfall in ARM in 1983-84	..	(-)53.70	(-) 53.70
Total of I:	3495.61	4225.34	(+) 729.73
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	375.02	434.73	(-) 59.71
a) Market loans	56.08	57.81	(-) 1.73
b) Central loans	164.41	223.15	(-) 58.74
c) Others	154.53	153.77	(+) 0.76
ii) Police (MH 255)	230.17	216.56	(+) 13.61
iii) Education (MH 277)	1807.92	1499.50	(+) 308.42
iv) Medical (MH 280)	401.94	338.41	(+) 63.53
v) Social Security & Welfare(MH 288)	315.81	220.96	(+) 94.85
vi) Irrigation (MH 306,332 & 333)	97.95	83.73	(+) 14.22
vii) Buildings including Housing (MH 259 & 283)	45.35	29.86	(+) 15.49
viii) Roads & Bridges (MH 337)	154.22	173.50	(-) 19.28
ix) Others	1398.22	1226.34	(+) 171.88
Total of 1:	4826.60	4223.59	(+) 603.01
2. Committed expenditure on plan schemes completed by the end of 1983-84	341.60	215.71	(+) 125.89
3. Upgradation of Emoluments	835.34	421.47	(+) 413.87
i) Pay revision		65.73	
ii) DA increases		330.00	
iii) Dearness relief to pensioners		25.74	
4. Fresh expenditure	184.24	**	(+) 164.24
Total of II:	6187.78*	4860.77	(+)1327.01
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)2692.17	(-)635.43	(+)2056.74

* Excluding expenditure of Rs.311.96 crores on upgradation of Standards of administration.

** This has been provided under respective heads if and to the extent considered necessary.

Annexure III-27(x)
(Para 3.130)

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

State -Madhya Pradesh

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	443.67	578.90	(+) 135.23
ii) Sales Tax (MH 040)	1805.89	2116.83	(+) 310.94
iii) Others	1115.20	1284.62	(+) 169.42
Total of 1:	3364.76	3980.35	(+) 615.59
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	516.15	228.49	(-) 287.66
a) State Electricity Board	478.60**	151.72	(-) 326.88

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
b) Road Transport Corporation	1.92	6.50	(+) 4.58
c) Others	35.63	70.27	(+) 34.64
ii) Dividends (MH 050)	19.71	31.45	(+) 11.74
iii) Forest (MH 113)	1524.43	1653.20	(+) 128.77
iv) Irrigation (MH 106,132 & 133)	57.13	101.55	(+) 44.42
v) Other non-tax revenues	580.22	646.89	(+) 66.67
Total of 2:	2697.64	2661.58	(-) 36.06
3. Non-Plan grants from the Centre	11.38	7.20	(-) 4.18
4. Receipts corresponding to shortfall in ARM in 1983-84	..	37.39	(+) 37.39
Total of I:	6073.78	6686.52	(+) 612.74
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	885.74	912.54	(-) 26.80
a) Market loans	38.39	38.43	(-) 0.04
b) Central loans	390.28	451.32	(-) 61.04
c) Others	457.07	422.79	(+) 34.28
ii) Police (MH 255)	616.85	529.05	(+) 87.80
iii) Education (MH 277)	1587.43	1333.42	(+) 254.01
iv) Medical (MH 280)	383.72	330.05	(+) 53.67
v) Social Security & Welfare(MH 288)	379.51	343.97	(+) 35.54
vi) Irrigation (MH 306,332 & 333)	206.45	110.12	(+) 96.33
vii) Buildings including Housing (MH 259 & 283)	117.60	82.40	(+) 35.20
viii) Roads & Bridges (MH 337)	1079.01	439.40	(+) 639.61
ix) Others	2832.67	2263.65	(+) 569.02
Total of 1:	8088.98	6344.60	(+)1744.38
2. Committed expenditure on plan schemes completed by the end of 1983-84	673.91	360.76	(+) 313.15
3. Upgradation of Emoluments	838.81¢	782.93	(+) 55.88
i) Pay revision		249.32	
ii) DA increases	838.81¢	495.00	(+) 55.88
iii) Dearness relief to pensioners		38.61	
4. Fresh expenditure	..	..	..
Total of II:	9601.70	7488.29	(+)2113.41
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)3527.92	(-)801.77	(+)2726.15

@ In this Column (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

* Excluding expenditure of Rs.2199.74 crores on upgradation of standards of administration.

** State Government has provided for a subsidy of Rs.364 crores under major head 334.

¢ Excludes provision on account of increase in allowances of the Home Guards which has been included under Major Head 265.

ARM = Additional Resource Mobilisation.

State - Maharashtra

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(xi) (Para 3.130)

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	894.87	1050.39	(+) 155.52
ii) Sales Tax (MH 040)	7774.39	8305.48	(+) 531.09
iii) Others	2788.00	2986.32	(+) 198.32
Total of 1:	11457.26	12342.19	(+) 884.93
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	543.86	346.43	(-) 197.43
a) State Electricity Board	455.85¢	127.06	(-) 328.79
b) Road Transport Corporation	5.38	9.35	(+) 3.97
c) Others	82.63	210.02	(+) 127.39
ii) Dividends (MH 050)	26.00	69.30	(+) 43.30
iii) Forest (MH 113)	450.29	577.28	(+) 126.99
iv) Irrigation (MH 106,132 & 133)	112.13	88.93	(-) 23.20
v) Other non-tax revenues	1889.21	2051.97	(+) 162.76
Total of 2:	3021.49	3133.91	(+) 112.42
3. Non-Plan grants from the Centre	48.43	59.55	(+) 11.12
4. Receipts corresponding to shortfall in ARM in 1983-84	..	171.86	(+) 171.86
Total of I:	14527.18	15707.51	(+)1180.33
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	1231.64	1216.61	(+) 15.03
a) Market loans	90.97	90.78	(+) 0.19
b) Central loans	727.94	751.05	(-) 23.11
c) Others	412.73	374.78	(+) 37.95
ii) Police (MH 255)	879.26	847.45	(+) 31.81
iii) Education (MH 277)	2768.09	2813.44	(-) 45.35
iv) Medical (MH 280)	539.71	597.06	(-) 57.35
v) Social Security & Welfare(MH 288)	430.00	396.28	(+) 33.72
vi) Irrigation (MH 306,332 & 333)	201.87	109.76	(+) 92.11
vii) Buildings including Housing (MH 259 & 283)	404.71	173.35	(+) 231.36
viii) Roads & Bridges (MH 337)	548.89	506.25	(+) 42.64
ix) Others	4573.71	4016.86	(+) 556.85
Total of 1:	11577.88	10677.06	(+) 900.82
2. Committed expenditure on plan schemes completed by the end of 1983-84	677.67	547.46	(+) 130.21

¢ This is after providing for subsidy of Rs.422.83 crores to S.E.B.(Major Head 334).

@ In this column,(+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference
1	2	3	4
3. Upgradation of Emoluments	2329.39	692.51	(+) 1636.88
i) Pay revision	15.92	..	(+) 15.92
ii) DA increases	2214.22	642.40	(+) 571.82
iii) Dearness relief to pensioners	99.25	50.11	(+) 49.14
4. Fresh expenditure	509.24*	..**	(+) 509.24
Total of II:	15094.18*	11917.03	(+) 3177.15
III. Non-Plan revenue deficit(-)/Surplus(+)	(-) 567.00*	(+) 3790.48	(+) 4357.48

* Excluding expenditure of Rs.1113.62 crores on upgradation of standards of administration.

** This has been provided under respective heads if and to the extent considered necessary.

State - Manipur

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-09)

Annexure III-27(xii) (Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	4.07	6.92	(+) 2.85
ii) Sales Tax (MH 040)	11.66	12.11	(+) 0.45
iii) Others	12.77	13.16	(+) 0.39
Total of 1:	28.50	32.19	(+) 3.69
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	2.03	3.94	(+) 1.91
a) State Electricity Board	..	..	..
b) Road Transport Corporation	..	..	..
c) Others	2.03	3.94	(+) 1.91
ii) Dividends (MH 050)	0.01	1.20	(+) 1.19
iii) Forest (MH 113)	2.14	3.16	(+) 1.02
iv) Irrigation (MH 106,132 & 133)	0.41	1.51	(+) 1.10
v) Other non-tax revenues	17.75	66.30	(+) 48.55
Total of 2:	22.34	76.11	(+) 53.77
3. Non-Plan grants from the Centre	1.83	1.80	(-) 0.03
4. Receipts corresponding to shortfall in ARM in 1983-84	..	2.15	(+) 2.15
Total of I:	52.67	112.25	(+) 59.58
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	39.32	49.65	(-) 10.33
a) Market loans	6.96	6.91	(+) 0.05
b) Central loans	26.07	33.42	(-) 7.35
c) Others	6.29	9.32	(-) 3.03
ii) Police (MH 255)	123.56	73.71	(+) 49.85
iii) Education (MH 277)	130.95	134.48	(-) 3.53
iv) Medical (MH 280)	18.92	21.72	(-) 2.80
v) Social Security & Welfare(MH 288)	13.08	13.45	(-) 0.37
vi) Irrigation (MH 306,332 & 333)	4.03	5.25	(-) 1.22

ARM = Additional Resource Mobilisation.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
vii) Buildings including Housing (MH 259 & 283)	19.99	5.80	(+) 14.19
viii) Roads & Bridges (MH 337)	27.30	9.80	(+) 17.50
ix) Others	177.09	151.79	(+) 25.30
Total of 1:	554.24	465.65	(+) 88.59
2. Committed expenditure on plan schemes completed by the end of 1983-84	68.19	32.99	(+) 35.20
3. Upgradation of Emoluments	85.43	36.34	(+) 49.09
i) Pay revision	13.50	5.29	(+) 8.21
ii) DA increases	71.93	28.80	(+) 43.13
iii) Dearness relief to pensioners	..	2.25	(-) 2.25
4. Fresh expenditure (Bonus)	0.63*	..	(+) 0.63
Total of II:	708.49*	534.98	(+)173.51
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)655.82*	(-)422.73	(+)233.09

* Excluding (i) expenditure on upgradation of standards of administration(Rs.220.99 crores) and (ii) net interest liability in respect of fresh lendings/borrowings during 1984-89 (Rs. 0.82 crores).

State - Meghalaya

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(xiii) (Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	7.88	13.82	(+) 5.94
ii) Sales Tax (MH 040)	15.92	25.72	(+) 9.80
iii) Others	11.86	14.22	(+) 2.36
Total of 1:	35.66	53.76	(+) 18.10
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	2.56	2.67	(+) 0.11
a) State Electricity Board	..	1.22	(+) 1.22
b) Road Transport Corporation	1.95	..	(-) 1.95
c) Others	0.61	1.45	(+) 0.84
ii) Dividends (MH 050)	..	2.95	(+) 2.95
iii) Forest (MH 113)	16.55	22.84	(+) 6.29
iv) Irrigation (MH 106,132 & 133)	0.34	1.76	(+) 1.42
v) Other non-tax revenues	11.39	17.92	(+) 6.53
Total of 2:	30.84	48.14	(+) 17.30
3. Non-Plan grants from the Centre	9.21	7.79	(-) 1.42
4. Receipts corresponding to shortfall in ARM in 1983-84	..	2.99	(+) 2.99
Total of I:	75.71	112.68	(+) 36.97

@ In this column, (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

ARM = Additional Resource Mobilisation.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	34.71	27.54	(+) 7.17
a) Market loans	5.79	4.14	(+) 1.65
b) Central loans	20.27	13.52	(+) 6.75
c) Others	8.65	9.88	(-) 1.23
ii) Police (MH 255)	60.02	52.47	(+) 7.55
iii) Education (MH 277)	113.51	61.70	(+) 51.81
iv) Medical (MH 280)	25.78	24.80	(+) 0.98
v) Social Security & Welfare(MH 288)	4.55	4.09	(+) 0.46
vi) Irrigation (MH 306,332 & 333)	2.35	2.10	(+) 0.25
vii) Buildings including Housing (MH 259 & 283)	27.84	12.38	(+) 15.46
viii) Roads & Bridges (MH 337)	32.29	43.40	(-) 11.11
ix) Others	179.47	152.32	(+) 27.15
Total of 1:	480.52	380.80	(+) 99.72
2. Committed expenditure on plan schemes completed by the end of 1983-84	116.43	45.62	(+) 70:81
3. Upgradation of Emoluments	48.85	27.56	(+) 21.29
i) Pay revision		..	
ii) DA increases		27.01	
iii) Dearness relief to pensioners		0.55	
4. Fresh expenditure	..*	..	..
Total of II:	645.80*	453.98	(+)191.82
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)570.09*	(-)341.30	(+)228.79

* Excluding (i) expenditure on upgradation of standards of administration(Rs.485.13crores) and (ii) net interest liability in respect of fresh lendings/borrowings during 1984-89 (Rs.1.82 crores).

Annexure III-27(xiv)
(Para 3.130)

State - Nagaland

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	10.48	13.77	(+) 3.29
ii) Sales Tax (MH 040)	24.00	23.63	(-) 0.37
iii) Others	5.68	7.39	(+) 1.71
Total of 1:	40.16	44.79	(+) 4.63
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	1.50	2.24	(+) 0.74
a) State Electricity Board	..	..	..
b) Road Transport Corporation	..	..	..
c) Others	1.50	2.24	(+) 0.74
ii) Dividends (MH 050)	0.03	1.75	(+) 1.72
iii) Forest (MH 113)	5.35	5.88	(+) 0.53

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
iv) Irrigation (MH 106,132 & 133)	0.08	0.16	(+) 0.08
v) Other non-tax revenues	56.52	84.97	(+) 28.45
Total of 2:	63.48	95.00	(+) 31.52
3. Non-Plan grants from the Centre	..	0.60	(+) 0.60
4. Receipts corresponding to shortfall in ARM in 1983-84	..	5.94	(+) 5.94
Total of I:	103.64	146.33	(+) 42.69
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	40.05	49.52	(-) 9.47
a) Market loans	9.44	12.40	(-) 2.96
b) Central loans	12.36	15.30	(-) 2.94
c) Others	18.25	21.82	(-) 3.57
ii) Police (MH 255)	105.40	109.68	(-) 4.28
iii) Education (MH 277)	78.41	80.01	(-) 1.60
iv) Medical (MH 280)	33.72	35.05	(-) 1.33
v) Social Security & Welfare(MH 288)	11.36	8.94	(+) 2.42
vi) Irrigation (MH 306,332 & 333)	0.23	0.21	(+) 0.02
vii) Buildings including Housing (MH 259 & 283)	53.18	13.64	(+) 39.54
viii) Roads & Bridges (MH 337)	40.23	18.55	(+) 21.68
ix) Others	265.71	235.85	(+) 29.86
Total of 1:	628.29	551.45	(+) 76.84
2. Committed expenditure on plan schemes completed by the end of 1983-84	88.50	33.88	(+) 54.62
3. Upgradation of Emoluments	211.53	45.04	(+)166.49
i) Pay revision		1.76	
ii) DA increases		40.15	
iii) Dearness relief to pensioners		3.13	
4. Fresh expenditure	67.77*	**	(+) 67.77
Total of II:	996.09*	630.37	(+)365.72
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)892.45*	(-)484.04	(+)408.41

* Excluding expenditure of Rs.188.87 crores on upgradation of standards of administration.

** This has been provided under respective heads if and to the extent considered necessary.

Annexure III-27(xv)
(Para 3.130)

State - Orissa

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	95.29	84.92	(-) 10.37
ii) Sales Tax (MH 040)	757.75	858.59	(+) 100.84
iii) Others	449.11	438.01	(-) 11.10
Total of 1:	1302.15	1381.52	(+) 79.37

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	30.72	29.47	(-) 1.25
a) State Electricity Board	..	..	..
b) Road Transport Corporation	30.72	29.47	(-) 1.25
c) Others	...	..	..
ii) Dividends (MH 050)	1.00	31.70	(+) 30.70
iii) Forest (MH 113)	303.52	336.85	(+) 33.33
iv) Irrigation (MH 106,132 & 133)	44.52	96.00	(+) 51.48
v) Other non-tax revenues	197.35	256.62	(+) 59.27
Total of 2:	577.11	750.64	(+) 173.53
3. Non-Plan grants from the Centre	..	2.90	(+) 2.90
4. Receipts corresponding to shortfall in ARM in 1983-84	..	84.08	(+) 84.08
Total of I:	1879.26	2219.14	(+) 339.88
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	474.85	553.30	(-) 78.45
a) Market loans		64.84	
b) Central loans		345.58	
c) Others		142.88	
ii) Police (MH 255)	229.89	212.47	(+) 17.42
iii) Education (MH 277)	780.80	748.61	(+) 32.19
iv) Medical (MH 280)	221.29	164.95	(+) 56.34
v) Social Security & Welfare(MH 288)	114.22	108.05	(+) 6.17
vi) Irrigation (MH 306,332 & 333)	116.30	126.78	(-) 10.48
vii) Buildings including Housing (MH 259 & 283)	238.79	80.69	(+) 158.10
viii) Roads & Bridges (MH 337)	158.75	184.00	(-) 25.25
ix) Others	1365.66	1031.87	(+) 333.79
Total of 1:	3700.55	3210.72	(+) 489.83
2. Committed expenditure on plan schemes completed by the end of 1983-84	507.67	225.60	(+) 282.07
3. Upgradation of Emoluments	703.64	446.62	(+) 257.02
i) Pay revision	125.00	95.03	(+) 29.97
ii) DA increases	567.34	326.15	(+) 241.19
iii) Dearness relief to pensioners	11.30	25.44	(-) 14.14
4. Fresh expenditure	..*	..	..
Total of II:	4911.86*	3882.94	(+)1028.92
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)3032.60*	(-)1663.80	(+)1368.80

*Excluding expenditure of Rs.819.78 crores on upgradation of standards of administration.

State - Punjab

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(xvi) (Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	708.60	1041.39	(+) 332.79
ii) Sales Tax (MH 040)	1858.80	1734.44	(-) 124.36

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
iii) Others	939.02	967.40	(+) 28.38
Total of 1:	3506.42	3743.23	(+) 236.81
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	35.47	244.47	(+) 209.00
a) State Electricity Board	..	177.04	(+) 177.04
b) Road Transport Corporation	..	3.80	(+) 3.80
c) Others	35.47	63.63	(+) 28.16
ii) Dividends (MH 050)	10.55	28.70	(+) 18.15
iii) Forest (MH 113)	29.07	31.85	(+) 2.78
iv) Irrigation (MH 106,132 & 133)	67.93	144.80	(+) 76.87
v) Other non-tax revenues	472.93	589.27	(+) 116.34
Total of 2:	615.95	1039.09	(+) 423.14
3. Non-Plan grants from the Centre	14.10	9.46	(-) 4.64
4. Receipts corresponding to shortfall in ARM in 1983-84	..	160.83	(+) 160.83
Total of I:	4136.47	4952.61	(+) 816.14
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	434.17	366.55	(+) 67.62
a) Market loans	..	28.65	
b) Central loans	434.17	177.50	(+) 67.62
c) Others		160.40	
ii) Police (MH 255)	293.15	266.20	(+) 26.95
iii) Education (MH 277)	888.45	934.50	(-) 46.05
iv) Medical (MH 280)	201.58	187.88	(+) 13.70
v) Social Security & Welfare(MH 288)	174.01	111.40	(+) 62.61
vi) Irrigation (MH 306,332 & 333)	481.92	155.50	(+) 326.42
vii) Buildings including Housing (MH 259 & 283)	88.68	55.22	(+) 33.46
viii) Roads & Bridges (MH 337)	163.65	213.55	(-) 49.90
ix) Others	1817.75	1116.68	(+) 701.07
Total of 1:	4543.36	3407.48	(+)1135.88
2. Committed expenditure on plan schemes completed by the end of 1983-84	310.04	160.42	(+) 149.62
3. Upgradation of Emoluments	295.99	237.16	(+) 58.83
i) Pay revision	..	..	..
ii) DA increases	292.29	220.00	(+) 72.29
iii) Dearness relief to pensioners	3.70	17.16	(-) 13.46
4. Fresh expenditure	..*	..	..
Total of II:	5149.39*	3805.06	(+)1344.33
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)1012.92*	(+)1147.55	(+)2160.47

@ In this column, (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

* Excluding expenditure of Rs.665.74 crores on upgradation of standards of administration.

ARM = Additional Resource Mobilisation.

State - Rajasthan

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(xvii)
(Para 3.130)
(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	330.69	364.41	(+) 33.72
ii) Sales Tax (MH 040)	1645.28	1703.09	(+) 57.81
iii) Others	675.00	744.43	(+) 69.43
Total of 1:	2650.97	2811.93	(+) 160.96
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	136.79	106.72	(-) 30.07
a) State Electricity Board	104.01	63.30	(-) 40.71
b) Road Transport Corporation	6.97	3.45	(-) 3.52
c) Others	25.81	39.97	(+) 14.16
ii) Dividends (MH 050)	0.90	24.05	(+) 23.15
iii) Forest (MH 113)	49.86	58.31	(+) 8.45
iv) Irrigation (MH 106,132 & 133)	95.03	102.22	(+) 7.19
v) Other non-tax revenues	532.93	615.95	(+) 83.02
Total of 2:	815.51	907.25	(+) 91.74
3. Non-Plan grants from the Centre	..	15.01	(+) 15.01
4. Receipts corresponding to shortfall in ARM in 1983-84	..	94.06	(+) 94.06
Total of I:	3466.48	3828.25	(+) 361.77
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	718.93	733.45	(-) 14.52
a) Market loans	87.48	89.20	(-) 1.72
b) Central loans	415.02	477.94	(-) 62.92
c) Others	216.43	166.31	(+) 50.12
ii) Police (MH 255)	363.88	296.76	(+) 67.12
iii) Education (MH 277)	1261.28	1124.33	(+) 136.95
iv) Medical (MH 280)	379.61	297.53	(+) 82.08
v) Social Security & Welfare(MH 288)	83.79	94.02	(-) 10.23
vi) Irrigation (MH 306,332 & 333)	215.08	109.49	(+) 105.59
vii) Buildings including Housing (MH 259 & 283)	76.40	46.20	(+) 30.20
viii) Roads & Bridges (MH 337)	503.03	249.25	(+) 253.78
ix) Others	2041.17	1312.22	(+) 728.95
Total of 1:	5643.17	4263.25	(+)1379.92
2. Committed expenditure on plan schemes completed by the end of 1983-84	727.35	210.60	(+) 516.75
3. Upgradation of Emoluments	734.92	595.03	(+) 139.89
i) Pay revision		153.91	
ii) DA increases	734.92	409.20	(+) 139.89
iii) Dearness relief to pensioners		31.92	

$ State Government has provided for a subsidy of Rs.273.50 crores under MH 334.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
4. Fresh expenditure	..*	..	..
Total of II:	7105.44*	5068.88	(+)2036.56
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)3638.96*	(-)1240.63	(+)2398.33

* Excluding expenditure of Rs.795.27 crores on upgradation of standards of administration.

State - Sikkim

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(xviii) (Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	12.19	14.81	(+) 2.62
ii) Sales Tax (MH 040)	6.23	7.51	(+) 1.28
iii) Others	4.96	5.44	(+) 0.48
Total of 1:	23.38	27.76	(+) 4.38
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	1.04	1.03	(-) 0.01
a) State Electricity Board	..	..	..
b) Road Transport Corporation	..	..	..
c) Others	1.04	1.03	(-) 0.01
ii) Dividends (MH 050)	0.78	1.25	(+) 0.47
iii) Forest (MH 113)	1.82	2.12	(+) 0.30
iv) Irrigation (MH 106,132 & 133)	..	..	..
v) Other non-tax revenues	29.99	39.35	(+) 9.36
Total of 2:	33.63	43.75	(+) 10.12
3. Non-Plan grants from the Centre	..	0.20	(+) 0.20
4. Receipts corresponding to shortfall in ARM in 1983-84	..	(-) 0.05	(-) 0.05
Total of I:	57.01	71.66	(+) 14.65
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	6.99	7.33	(-) 0.34
a) Market loans	..	..	..
b) Central loans	..	4.67	..
c) Others	..	2.66	..
ii) Police (MH 255)	15.60	11.57	(+) 4.03
iii) Education (MH 277)	29.33	18.43	(+) 10.90
iv) Medical (MH 280)	9.32	6.81	(+) 2.51
v) Social Security & Welfare(MH 288)	0.39	0.18	(+) 0.21
vi) Irrigation (MH 306,332 & 333)	0.82	0.33	(+) 0.49
vii) Buildings including Housing (MH 259 & 283)	16.98	2.90	(+) 14.08
viii) Roads & Bridges (MH 337)	48.87	10.50	(+) 38.37
ix) Others	71.43	61.93**	(+) 9.50
Total of 1:	199.73	119.98	(+) 79.75

@ In this column (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

ARM = Additional Resource Mobilisation.

** Includes Rs.0.75 crore on transport subsidy in respect of essential items.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
2. Committed expenditure on plan schemes completed by the end of 1983-84	57.32	29.94	(+) 27.38
3. Upgradation of Emoluments	17.60	14.39	(+) 3.21
i) Pay revision	..	1.07	(-) 1.07
ii) DA increases	17.30	12.36	(+) 4.94
iii) Dearness relief to pensioners	0.30	0.96	(-) 0.66
4. Fresh expenditure	..*	..	..
Total of II:	274.65*	164.31	(+)110.34
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)217.64*	(-)92.65	(+)124.99

* Excluding expenditure of Rs.79.74 crores on upgradation of standards of administration.

Annexure III-27(xix)
(Para 3.130)

State - Tamil Nadu

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	823.66	1228.40	(+) 404.74
ii) Sales Tax (MH 040)	4633.79	5116.07	(+) 482.28
iii) Others	1093.49	1405.99	(+) 312.50
Total of 1:	6550.94	7750.46	(+)1199.52
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	154.73	424.27	(+) 269.54
a) State Electricity Board		209.34	
b) Road Transport Corporation		11.75	
c) Others		203.18	
ii) Dividends (MH 050)	6.10	46.50	(+) 40.40
iii) Forest (MH 113)	85.98	120.22	(+) 34.24
iv) Irrigation (MH 106,132 & 133)	30.60	86.92	(+) 56.32
v) Other non-tax revenues	300.99	571.94	(+) 270.95
Total of 2:	578.40	1249.85	(+) 671.45
3. Non-Plan grants from the Centre	..	13.57	(+) 13.57
4. Receipts corresponding to shortfall in ARM in 1983-84	..	221.92	(+) 221.92
Total of I:	7129.34	9235.80	(+)2106.46
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	602.26	555.52	(+) 46.74
a) Market loans		90.64	
b) Central loans		352.90	
c) Others		111.98	
ii) Police (MH 255)	525.32	420.07	(+) 105.25
iii) Education (MH 277)	2182.77	1897.18	(+) 285.59
iv) Medical (MH 280)	581.82	587.39	(-) 5.57

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
v) Social Security & Welfare(MH 288)	563.55	462.50	(+) 101.05
vi) Irrigation (MH 306,332 & 333)	170.14	96.95	(+) 73.19
vii) Buildings including Housing (MH 259 & 283)	166.63	55.95	(+) 110.68
viii) Roads & Bridges (MH 337)	581.86	348.35	(+) 233.51
ix) Others	4044.15	2622.12	(+)1422.03
Total of 1:	9418.50	7046.03	(+)2372.47
2. Committed expenditure on plan schemes completed by the end of 1983-84	860.83	596.52	(+) 264.31
3. Upgradation of Emoluments	2172.00	819.13	(+)1352.87
i) Pay revision	854.00	501.34	(+) 352.66
ii) DA increases	1220.00	294.80	(+) 925.20
iii) Dearness relief to pensioners	98.00	22.99	(+) 75.01
4. Fresh expenditure	..*	..	..
Total of II:	12451.33*	8461.68	(+)3989.65
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)5321.99*	(+)774.12	(+)6096.11

* Excluding (i) expenditure on upgradation of standards of administration(Rs.2934.82 crores) and (ii) net interest liability in respect of fresh lendings/borrowings during 1984-89 (Rs.737.48 crores).

State - Tripura

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(xx)
(Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	2.50	3.52	(+) 1.02
ii) Sales Tax (MH 040)	19.00	24.37	(+) 5.37
iii) Others	9.80	13.50	(+) 3.70
Total of 1:	31.30	41.39	(+) 10.09
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	0.85	5.10	(+) 4.25
a) State Electricity Board	..	..	..
b) Road Transport Corporation	..	..	..
c) Others	0.85	5.10	(+) 4.25
ii) Dividends (MH 050)	..	2.35	(+) 2.35
iii) Forest (MH 113)	7.43	8.13	(+) 0.70
iv) Irrigation (MH 106,132 & 133)	0.05	1.24	(+) 1.19
v) Other non-tax revenues	22.80	43.85	(+) 21.05
Total of 2:	31.13	60.67	(+) 29.54
3. Non-Plan grants from the Centre	..	0.56	(+) 0.56
4. Receipts corresponding to shortfall in ARM in 1983-84	..	2.97	(+) 2.97
Total of I:	62.43	105.59	(+) 43.16

@ In this column, (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

ARM = Additional Resource Mobilisation.

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	45.42	47.77	(-) 2.35
a) Market loans	5.35	7.12	(-) 1.77
b) Central loans	15.68	18.85	(-) 3.17
c) Others	24.39	21.80	(+) 2,59
ii) Police (MH 255)	109.35	52.82	(+) 56.53
iii) Education (MH 277)	175.48	103.96	(+) 71.52
iv) Medical (MH 280)	58.09	24.61	(+) 33.48
v) Social Security & Welfare(MH 288)	15.09	9.29	(+) 5.80
vi) Irrigation (MH 306,332 & 333)	11.54	4.21	(+) 7.33
vii) Buildings including Housing (MH 259 & 283)	140.89	11.18	(+)129.71
viii) Roads & Bridges (MH 337)	32.03	18.55	(+) 13.48
ix) Others	247.17	150.97	(+) 96.20
Total of 1:	835.06	423.36	(+)411.70
2. Committed expenditure on plan schemes completed by the end of 1983-84	198.03	61.00	(+)137.03
3. Upgradation of Emoluments	63.05	123.69	(-) 60.64
i) Pay revision	..	27.96	(-) 27.96
ii) DA increases	63.05	88.80	(-) 25.75
iii) Dearness relief to pensioners	..	6.93	(-) 6.93
4. Fresh expenditure	52.57*	..**	(+) 52.57
Total of II:	1148.71*	608.05	(+)540.66
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)1086.28*	(-)502.46	(+)583.82

* Excluding expenditure of Rs.118.67 crores on upgradation of standards of administration.

** This has been provided under respective heads if and to the extent considered necessary.

Annexure III-27(xxi)
(Para 3.130)

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

State - Uttar Pradesh

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	756.34	882.44	(+) 126.10
ii) Sales Tax (MH 040)	2938.88	3920.71	(+) 981.83
iii) Others	1671.73	2225.91	(+) 554.18
Total of 1:	5366.95	7029.06	(+)1662.11
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	63.94	748.46	(+) 684.52
a) State Electricity Board	..	578.68	(+) 578.68
b) Road Transport Corporation		10.40	(+) 105.84
c) Others	63.94	159.38	
ii) Dividends (MH 050)	38.37	110.35	(+) 71.98

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
iii) Forest (MH 113)	291.38	364.18	(+) 72.80
iv) Irrigation (MH 106,132 & 133)	413.41	495.57	(+) 82.16
v) Other non-tax revenues	547.61	636.02	(+) 88.41
Total of 2:	1354.71	2354.58	(+) 999.87
3. Non-Plan grants from the Centre	3.60	13.39	(+) 9.79
4. Receipts corresponding to shortfall in ARM in 1983-84	..	12.58	(+) 12.58
Total of I:	6725.26	9409.61	(+)2684.35
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	1579.02	1560.45	(+) 18.57
a) Market loans	220.18	228.94	(-) 8.76
b) Central loans	897.62	991.57	(-) 93.95
c) Others	461.22	339.94	(+) 121.28
ii) Police (MH 255)	1288.41	915.96	(+) 372.45
iii) Education (MH 277)	3133.92	2587.14	(+) 546.78
iv) Medical (MH 280)	763.31	526.55	(+) 236.76
v) Social Security & Welfare(MH 288)	420.93	241.96	(+) 178.97
vi) Irrigation (MH 306,332 & 333)	853.99	670.46	(+) 183.53
vii) Buildings including Housing (MH 259 & 283)	73.98	126.84	(-) 52.86
viii) Roads & Bridges (MH 337)	1249.47	647.20	(+) 602.27
ix) Others	4583.98	2587.87	(+)1996.11
Total of 1:	13947.01	9864.43	(+)4082.58
2. Committed expenditure on plan schemes completed by the end of 1983-84	2393.60	714.22	(+)1679.38
3. Upgradation of Emoluments	1688.46	944.55	(+) 743.91
i) Pay revision	..	177.93	(-) 177.93
ii) DA increases	1633.46	711.15	(+) 922.31
iii) Dearness relief to pensioners	55.00	55.47	(-) 0.47
4. Fresh expenditure (Bonus)	247.14*	..	(+) 247.14
Total of II:	18276.21*	11523.20	(+)6753.01
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)11550.95*	(-)2113.59	(+)9437.36

* Excluding expenditure of Rs.4790.78 crores on upgradation of standards of administration.

State - West Bengal

Summary Table of State Forecast on Revenue Account and its Reassessment (1984-89)

Annexure III-27(xxii) (Para 3.130)

I. Revenue Receipts			
1. Tax Revenues			
i) State Excise (MH 039)	401.76	443.03	(+) 41.27
ii) Sales Tax (MH 040)	2986.53	3064.04	(+) 77.51
iii) Others	1167.09	1353.34	(+) 186.25
Total of 1:	4555.38	4860.41	(+) 305.03

(Rs. Crores)

HEAD	State Forecast	As reassessed	Difference@
1	2	3	4
2. Non-Tax Revenues			
i) Interest Receipts(MH 049)	81.91	263.81	(+) 181.90
a) State Electricity Board	..	52.93	(+) 52.93
b) Road Transport Corporation	..	19.15	(+) 19.15
c) Others	81.91	191.73	(+) 109.82
ii) Dividends (MH 050)	4.00	29.60	(+) 25.60
iii) Forest (MH 113)	117.71	127.30	(+) 9.59
iv) Irrigation (MH 106,132 & 133)	21.77	147.82	(+) 126.05
v) Other non-tax revenues	778.55	1015.37	(+) 236.82
Total of 2:	1003.94	1583.90	(+) 579.96
3. Non-Plan grants from the Centre	22.06	56.53	(+) 34.47
4. Receipts corresponding to shortfall in ARM in 1983-84	..	(-) 24.85	(-) 24.85
Total of I:	5581.38	6475.99	(+) 894.61
II. Revenue Expenditure			
1. Normal Expenditure			
i) Interest payments(MH 249)	987.86	1074.40	(-) 86.54
a) Market loans	987.86	66.30	(-) 86.54
b) Central loans		857.60	
c) Others		150.50	
ii) Police (MH 255)	674.26	636.51	(+) 37.75
iii) Education (MH 277)	2497.38	2294.43	(+) 202.95
iv) Medical (MH 280)	639.83	705.41	(-) 65.58
v) Social Security & Welfare(MH 288)	401.29	259.46	(+) 141.83
vi) Irrigation (MH 306,332 & 333)	536.27	228.68	(+) 307.59
vii) Buildings including Housing (MH 259 & 283)	215.35	86.47	(+) 128.88
viii) Roads & Bridges (MH 337)	248.80	255.30	(-) 6.50
ix) Others	3462.96	2583.34	(+) 879.62
Total of 1:	9664.00	8124.00	(+)1540.00
2. Committed expenditure on plan schemes completed by the end of 1983-84	799.67	407.60	(+) 392.07
3. Upgradation of Emoluments	2679.99	978.72	(+)1701.27
i) Pay revision	..	..	..
ii) DA increases	2313.94	907.90	(+)1406.04
iii) Dearness relief to pensioners	366.05	70.82	(+) 295.23
4. Fresh expenditure	..*	..	..
Total of II:	13143.66*	9510.32	(+)3633.34
III. Non-Plan revenue deficit(-)/Surplus(+)	(-)7562.28*	(-)3034.33	(+)4527.95

@ In this column, (+) denotes increase in receipts or decrease in expenditure as per re-assessment over the State forecast and (-) denotes vice-versa.

* Excluding expenditure of Rs.329.97 crores on upgradation of standards of administration.

ARM = Additional Resource Mobilisation.

Annexure IV-1
(Paragraph 4.31)

Summary of the Central Government's Forecast as furnished by the Ministry of Finance and as re-assessed for the period 1984-85 to 1988-89

(Rs. crores)

Sl. No.	ITEM	Estimates furnished by Ministry of Finance	Re-assessed estimates	Variation (3 - 2)
0	1	2	3	4
	REVENUE ACCOUNT			
I.	Revenue Receipts			
	(a) Tax Receipts (gross)			
	1. Income tax	10,567	10,130	(-) 437
	2. Corporation tax	12,930	12,790	(-) 140
	3. (i) Basic and special excise duties excluding duty on electricity.	53,209	51,286	(-)1,923
	(ii) Basic excise duty on electricity.	1,197	1,426*	(+) 229
	(iii) Additional Excise duties in lieu of sales tax.	4,213	4,141	(-) 72
	(iv) Non-shareable excise duties including cessess.	6,528	6,837	(+) 309
	4. Customs	41,830	36,176	(-)5,654
	5. Other tax revenues	4,256	4,776	(+) 520
	Total tax receipts	1,34,730	1,27,562	(-)7,168
	(b) Non-tax Receipts			
	1. Interest	19,035	19,816	(+) 781
	2. Dividends	1,916	5,907	(+)3,991
	3. Other non-tax receipts	8,811	10,428	(+)1,617
	Total Non-tax receipts	29,762	36,151	(+)6,389
	Total-Revenue Receipts (I)	1,64,492	1,63,713	(-) 779
II.	Non-Plan expenditure on Revenue Account			
	1. Interest payments	35,966	37,428	(+)1,462
	2. Lump sum provision for DA	4,500	-	(-)4,500
	3. Subsidies	21,021	14,857	(-)6,164
	4. Payment to Oil Industry Development Board	4,390	-	(-)4,390
	5. Other non-Plan expenditure**	78,163	71,001	(-)7,162
	6. Committed expenditure on Central Plan schemes to be completed by the end of 1983-84.	-	1,304	(+)1,304
	Total-Non-Plan expenditure on Revenue Account (II)	1,44,040	1,24,590	(-)19,450
	Non-Plan Revenue Surplus	20,452	39,123	(+)18,671
	CAPITAL ACCOUNT			
III.	Capital Receipts			
	1. Recovery of Loans and Advances from States and Others	21,341	22,701	(+)1,360
	2. Market loans	15,700	23,347	(+)7,647
	3. Small Savings collections (net)	11,417	14,774	(+)3,357
	4. Other capital receipts	18,630	20,010	(+)1,380
	Total-Capital Receipts (III)	67,088	80,832	(+) 13,744

* Calculations made for five years 1984-85 to 1988-89 for the reasons mentioned in paragraph of Chapter VI - Union duties of excise.

** Includes provision in respect of DA instalments granted in 1983-84, shown by Ministry of Finance in item II-2 lump-sum provision for DA.

(Rs. crores)

Sl. No.	ITEM	Estimates furnished by Ministry of Finance	Re-assessed estimates	Variation (3 - 2)
0	1	2	3	4
IV.	Disbursements on Capital Account			
	1. Non-Plan capital expenditure	3,818	3,588	(-) 230
	2. Small Savings loans to States	7,611	9,849	(+) 2,238
	3. Other loans to States and others	10,199	10,199	-
	Total-Disbursements on Capital Account(IV)	21,628	23,636	(+) 2,008
	Surplus on Capital Account	45,460	57,196	(+) 11,736
	Total Surplus - (Revenue and Capital Account)	65,912	96,319	(+) 30,407

Annexure V-1
(Para 5.11)

EXTRACT OF PARA 109 OF THE SUMMARY RECORD OF THE DISCUSSIONS OF THE MEETING OF THE CHIEF MINISTERS HELD ON THE 20TH MAY, 1979 TO DISCUSS CERTAIN ISSUES RAISED BY THE SEVENTH FINANCE COMMISSION.

109. Coming to the question of corporation tax, Prof. Lakdawala said he would not favour the tax to be shared for two major reasons. First, as the Maharashtra Finance Minister pointed out, the Constitutional amendment was a thing to be resorted to as a last step. Before doing that we must find out whether we do not have any other means of achieving the same objective. He felt that the Finance Commission still had enough way of making whatever quantum of transfer of resources it wanted to transfer to the States. No doubt the corporation tax is more buoyant than income tax but it is not buoyant as compared to the excises, which are shared. It was but natural that when resources are transferred from the Centre to States, some will be less buoyant than others. Another difficulty which would arise if the corporation tax was to be shared, was the question of how should the inter se distribution among the States be. Corporation tax in its nature was allied to income tax which was distributed 90 per cent on the basis of population and 10 per cent on the basis of contribution. If the same principles were adopted for distributing corporation tax, it would mean loss to the less advanced States and more to the more advanced States.

Source: D.O. letter No. F. 3(1)/FCC/82 dated 20th October, 1983 from Shri A. Rangachari, Joint Secretary (Budget), Ministry of Finance to Secretary, Finance Commission.

Annexure V-2
(Para 5.19)

Statement showing State-wise Assessment of Income-tax (excluding Tax on Union Emoluments) for the years 1977-78 to 1981-82.

(Rs. in Crores)

	STATES	1977-78	1978-79	1979-80	1980-81	1981-82	Total 1977-78 to 1981-82
	1	2	3	4	5	6	7
1.	Andhra Pradesh	36.89	40.49	34.07	37.63	15.14	164.22
2.	Assam	4.66	9.25	10.26	7.32	7.60	39.09
3.	Bihar	12.91	15.83	10.90	16.07	15.61	71.32
4.	Gujarat	80.21	93.17	86.47	87.95	100.79	448.59
5.	Haryana	11.00	8.04	10.04	14.45	13.26	56.79
6.	Himachal Pradesh	1.69	1.75	1.44	1.95	2.00	8.83
7.	Jammu & Kashmir	3.76	4.24	4.16	5.56	6.42	24.14
8.	Karnataka	15.60	27.40	31.70	31.95	40.02	146.67
9.	Kerala	22.00	22.43	23.57	24.06	29.51	121.57
10.	Madhya Pradesh	27.52	27.74	28.15	30.06	33.30	146.77
11.	Maharashtra	175.16	231.98	166.89	192.37	235.61	1002.01
12.	Manipur	0.37	0.35	0.35	1.76	0.36	3.19
13.	Meghalaya	0.52	0.60	0.50	0.44	0.68	2.74
14.	Nagaland	0.18	0.10	0.17	0.23	0.15	0.83
15.	Orissa	4.30	4.33	3.98	5.46	6.45	24.52
16.	Punjab	33.69	30.68	38.95	43.51	53.22	200.05
17.	Rajasthan	20.71	18.10	23.14	26.27	26.69	114.91
18.	Sikkim	..	..	..	..	..	..
19.	Tamil Nadu	72.25	62.87	65.14	66.27	83.92	350.45
20.	Tripura	0.43	0.47	0.45	0.39	0.55	2.29
21.	Uttar Pradesh	40.97	45.81	50.74	53.52	67.16	258.20
22.	West Bengal	88.35	73.41	74.67	71.03	84.71	392.17
	ALL STATES	653.17	719.04	665.74	718.25	823.15	3579.35
	UNION TERRITORIES	62.19	82.95	89.69	133.58	142.13	510.54
	TOTAL - ALL INDIA	715.36	801.99	755.43	851.83	965.28	4089.89

SOURCE: Enclosure to D.O. letter No. 385/67/82-II(B) dated 10th April,1984 from Shri B.Nagarajan, Deputy Secretary, Ministry of Finance to Shri G.Ranga Rao, Joint Secretary, (F.C.).

Annexure VI-1
(Para 6.8)

COMMUNICATIONS FROM THE MINISTRY OF FINANCE REGARDING UNION EXCISE DUTY ON GENERATION OF POWER.

Letter No.46(75)PFI/78 dated the 13th October, 1978 from Finance Secretary to Member Secretary of the Seventh Finance Commission.

As you are aware, Union Excise Duty of 2 paise per kw/h on electricity generated had been levied with effect from 1.3.1978 as part of the budget proposals for 1978-79. Electricity generated for captive consumption as well as that used in auxiliary plants in the generation stations for the generation of electricity was exempted from this levy. Besides, a rebate of duty had been given in respect of electricity used for agricultural purposes.

2. The rationale behind this levy of excise duty on generation of power was fully explained in the budget speech of the Union Finance Minister. He had observed that the nation has invested heavily in the development of power. The returns from this investment have not been commensurate. It was felt

that with the enormous investment in power, there was ample justification for claiming a contribution from those who benefit from these investments.

3. There is no constitutional bar to the levy of Central excise duty on generation of power. However, the States have been pressing for either withdrawal of the levy altogether or for transfer to the States of its net proceeds entirely. We have given careful consideration of the view point expressed by the States at vaious forums including the National Development Council and the Southern Zonal Council. It has now been decided that the entire non-shareable portion of the net proceeds of Central excise duty on generation of power would be transferred to the States in proportion to the revenues realised from each State on this account. This decision will be effective from 1.4.1979. The decision is being brought to the notice of the Seventh Finance Commission so that it may take into account the implications of this decision while assessing Centre's resources as well as finalizing the scheme of devolution to the States for the quinquennium 1979-84.

4. A statement* showing Statewise anticipated revenue from Central excise duty on generation of power for the years 1979 to 1984 as furnished by the Central Electricity Authority is enclosed.

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2. Letter No. 46(75)PF. I/78 dated 19th October, 1978 from Finance Secretary to Member Secretary of the Seventh Finance Commission.

Please refer to my D. O. letter No. 46(75)PFI/78 dated the 13th October, 1978, regarding Union excise duty on generation of power.

2. I would like to clarify that the decision that the entire non-shareable portion of the net proceeds of central excise duty on generation of power would be transferred with effect from 1.4.1979 to the States in porportion to the revenues realised from each State on this account is subject to the condition that this duty will continue to be levied beyond that date.

3. Letter No. 46(75)PF. I/78 dated October 23, 1978 from Finance Secretary to Member Secretary of the Seventh Finance Commission.

Please refer to my confidential d. o. letter No. 46(75)PFI/78 dated October 13, 1978 conveying the decision of the Government of India that with effect from 1.4.1979, the entire non-shareable portion of the net proceeds of the Central excise duty on generation of power would be transferred to the States in proportion to the revenues realised from each State on this account. A statement showing State-wise anticipated revenue from this levy for the years 1979-80 to 1983-84, as furnished by the Central Electricity Authority, was also enclosed with my letter.

2. The matter has been examined further in consultation with the Central Electricity Authority and the Department of Power, Ministry of Energy and a fresh statement* of estimated revenue State-wise from the levy of Central excise duty on generation of power for the years 1979-80 to 1983-84 has been worked out which may be taken in substitution of the statement enclosed with my earlier letter of October 13, 1978. The basic premises underlying the present estimates have been spelt out in the explanatory note attached.

An Explanatory Note on the estimates of net revenue from excise duty on generation of power from each State for the years 1979-80 to 1983-84

(1) The State-wise estimates of net revenue are based on the estimates of energy availability as contained in the Tenth Annual Power Survey.

(2) The 'energy availability' represents net generation by the State Electricity Boards and other State authorities, the State's share in generation of power from jointly owned projects, allocation from Central power stations and net generation by private licensees located within the State.

(3) The revenue from D.V.C. has been allocated between West Bengal and Bihar in the ratio adopted in the Tenth Annual Power Survey.

(4) i) The Power available from Singrauli Power Station and Narora Atomic Power Plant has been allocated according to the shares decided by the Government of India. The share reserved by the Government of India for allocation at a later date has been shown as energy available in Uttar Pradesh.

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*Not reproduced.

ii) The power available from Tarapur A+ c Power Station has been allocated equally between Maharashtra and Gujarat.

iii) The entire power available from Rajasthan Atomic Power Plant Unit I and II has been shown as energy available in Rajasthan.

iv) The power available from 1st Unit of Kalpakkam Atomic Power Plan has been allocated equally among Tamil Nadu, Karnataka and Andhra Pradesh, while the entire power from IInd Unit has been allocated to Tamil Nadu.

v) As regards the Central hydro projects the share allocated to each State has been included under that State.

(5) The estimates of net revenue have been worked out by deducting the rebate towards the estimated agricultural consumption as assessed by the Tenth Annual Power Survey.

(6) The energy availability shown for Pondicherry and Dadra and Nagar Haveli has been shown as energy available in Tamil Nadu and Gujarat respectively, as these Union territories do not have generation of their own.

(7) The actual share of each State will be based on collection of revenue on account of excise duty on generation of power and not on the basis of accrual.

Annexure VI-2
(Para 6.13)

Estimated Receipts of States from Excise Duty on Electricity (Generation)

(Rs. in Crores)

	STATE	1984-85	1985-86	1986-87	1987-88	1988-89	Total 1984-89
	1	2	3	4	5	6	7
1.	Andhra Pradesh	16.96	17.75	19.93	22.44	23.19	100.27
2.	Assam	2.53	2.94	3.24	3.57	3.94	16.22
3.	Bihar	12.54	16.76	18.00	19.36	20.86	87.52
4.	Gujarat	20.52	22.33	25.42	28.29	30.63	127.19
5.	Haryana	5.31	6.19	7.63	8.85	9.73	37.71
6.	Himachal Pradesh	1.17	1.18	1.31	1.62	1.78	7.06
7.	Jammu & Kashmir	1.68	1.69	1.88	2.74	3.07	11.06
8.	Karnataka	13.97	15.93	18.35	21.60	24.15	94.00
9.	Kerala	8.50	8.82	9.54	11.24	11.92	50.02
10.	Madhya Pradesh	15.69	17.17	19.11	21.66	23.91	97.54
11.	Maharashtra	41.27	41.73	45.60	51.55	54.48	234.63
12.	Manipur	0.08	0.08	0.11	0.17	0.18	0.62
13.	Meghalaya	0.22	0.22	0.26	0.32	0.35	1.37
14.	Nagaland	0.09	0.15	0.17	0.19	0.19	0.79
15.	Orissa	7.00	9.89	10.74	12.24	13.18	53.05
16.	Punjab	8.90	9.67	11.02	12.60	13.82	56.01
17.	Rajasthan	5.70	7.11	7.51	9.53	11.24	41.09
18.	Sikkim	0.05	0.07	0.07	0.08	0.09	0.36
19.	Tamil Nadu	15.58	16.37	18.04	20.56	23.16	93.71
20.	Tripura	0.14	0.15	0.18	0.21	0.24	0.92
21.	Uttar Pradesh	15.47	20.76	24.68	30.22	33.26	124.39
22.	West Bengal	16.42	20.76	22.38	24.13	26.01	109.70
	TOTAL	209.79	237.72	265.17	303.17	329.38	1345.23

SOURCE: Central Electricity Authority.

Annexure VI-3

EXTRACT OF PARA 8 OF THE FAMILY WELFARE PROGRAMME - A STATEMENT OF POLICY (JUNE 29, 1977)

8. In a federal system, the sharing of Central resources with the States is a matter of considerable importance. In all cases where population is a factor as in the allocation of Central assistance to State plans, devolution of taxes and duties and grants-in-aid, the population figures of 1971 will continue to be followed till the year 2001. Family Planning and population control is a subject in the Concurrent list, yet the implementation of the Family Welfare Programme is very much the responsibility of State Governments. Assistance for the implementation of the Programme is provided by the Central Government to the States on cent-per-cent basis. In order to ensure a purposeful implementation of the Family Welfare Programme, the principle of linking 8 per cent of Central Assistance to the State Plans with their performance and success in Family Welfare Programme will be continued.

Source:— Ministry of Health and Family Welfare (D.O. letter No. N.23011/28/82-PLY, dated 30th September, 1982).

Annexure VI-4
(Para 6.39)

Comparable Estimates of Per Capita Income at Current Prices.

	STATE	1976-77	1977-78	1978-79	Average 1976-79
	1	2	3	4	5
1.	Andhra Pradesh	900	1030	1087	1006
2.	Assam	896	994	990	960
3.	Bihar	716	759	791	755
4.	Gujarat	1502	1626	1642	1590
5.	Haryana	1761	1935	1990	1895
6.	Himachal Pradesh	1072	1259	1358	1230
7.	Jammu & Kashmir	939	1146	1215	1100
8.	Karnataka	1093	1259	1254	1202
9.	Kerala	1101	1141	1243	1162
10.	Madhya Pradesh	807	951	927	895
11.	Maharashtra	1535	1677	1797	1670
12.	Manipur	799	888	889	859
13.	Meghalaya	926	1056	1156	1046
14.	Nagaland	948	1100	1252	1100
15.	Orissa	797	912	1046	918
16.	Punjab	2050	2317	2382	2250
17.	Rajasthan	1041	1153	1188	1127
18.	Sikkim				1100*
19.	Tamil Nadu	1066	1203	1225	1165
20.	Tripura	980	1149	1117	1082
21.	Uttar Pradesh	819	896	894	870
22.	West Bengal	1177	1252	1312	1247
	All States	1051	1162	1203	1139
	Union-Territories	2731	3262	3197	3063
	All-India	1074	1191	1230	1165

* Figure in respect of Nagaland adopted for Sikkim.

Source: Central Statistical Organisation.

Annexure - IX.1
(Para 9.9/9.11)

EXTRACTS TAKEN FROM RAILWAY CONVENTION COMMITTEE (SEVENTH REPORT) PRESENTED TO LOK SABHA ON 5.11.1982 LAID IN RAJYA SABHA ON 5.11.1982.

63. The Committee accordingly recommend that dividend at the following rates may be paid by the Railways to General Revenues for the period 1980-84:—

(i) a rate of 6 per cent may be adopted for payment of dividend on capital invested upto 31.3.1980 (inclusive of 1.5 per cent on capital invested up to 31.3.1964 for payment to States in lieu of passenger fare tax etc.)

(ii) a mean percentage of 6.5 may be adopted for payment of dividend on the capital invested in the Railways, after 31.3.1980.

(iii) the amounts to cover payments to States in lieu of passenger fare tax etc. may be found by computing dividend at 1.5 per cent instead of the existing 1 per cent of the capital upto 31.3.1964 less subsidy element out of which Rs.23.12 crores may be passed on to the States in lieu of passenger fare tax and the balance utilised to assist the States in providing their portion of the resources required for financing safety works as at present. Further increase could be considered on the basis of the recommendations of the Eighth Finance Commission.

Enclosure to letter No. 80-B(RCC)4213/I dated 27.4.1983 from Joint Director, Finance (BC), Railway Board to the Secretary, Finance Commission, New Delhi.

Copy of Resolution passed by Lok Sabha on 21.3.1983.

"That this House approves the recommendations made in paragraphs 63,64, 67 70 contained in the Seventh Report of the Railway Convention Committee, 1980, appointed to review the rate of dividend payable by the Railway Undertaking to General Revenues as well as other ancillary matters in connection with the Railway Finance and General Finance, which was presented to Parliament on the 5th November, 1982.

That this House further directs that the action taken by the Government on the other recommendations made in this Report should be reported to the Committee".

Copy of Resolution adopted by Rajya Sabha on 23.3.1983.

"That this House approves the recommendations made in paragraphs 63,64,67 and 70 contained in the Seventh Report of the Railway Convention Committee, 1980, appointed to review the rate of dividend payable by the Railway Undertaking to General Revenues as well as other ancillary matters in connection with the Railway Finance and General Finance, which was presented to the Parliament on the 5th November, 1982; and

That this House further directs that the action taken by Government on the other recommendations made in this Report should be reported to the Committee".

Annexure IX-2
(Para 9.13)

Statement showing Statewise Passenger Earnings on the basis of Originating Stations located in each State for the years 1978-79 to 1981-82

(Rs. in lakhs)

STATE	YEARS 1978-79	1979-80	1980-81	1981-82	Average for years (1978-82)
1	2	3	4	5	6
1. Andhra Pradesh	4,181.29	4,617.13	5.514,72	6,791.57	5,278.18
2. Assam	1,424.91	1,385,56	1,324.12	1,448.70	1,395.82
3. Bihar	5,364.18	6,189.46	6,921.79	7,835.98	8,527.85
4. Gujarat	4,129.22	4,267.24	4,604.58	5,329.96	4,582.75
5. Haryana	1,080.24	1,190.28	1,265.00	1,513.11	1,282.16
6. Himachal Pradesh	76.97	85.47	97.85	115.22	93.88
7. Jammu & Kashmir	520.23	584.24	697.47	807.89	652.41
8. Karnataka	1,981.59	2,080.42	2,533.92	2,820.42	2,354.09
9. Kerala	1,599.83	1,843.26	2,380.60	2,909.74	2,183.36
10. Madhya Pradesh	3,282.30	3.691.87	4,145.63	4,945.68	4,016.37
11. Maharashtra	8,794.83	9,766.54	11,140.49	13,410.23	10,778.02
12. Manipur	8.96	10.87	16.37	19.42	13.90
13. Meghalaya	32.00	33.50	39.24	40.85	38.40
14. Nagaland	96.99	104.06	107.70	135.02	110.94
15. Orissa	950.49	1,056.94	1,063.94	1,269.66	1,085.26
16. Punjab	2,092.35	2,423.88	2,752.52	3,374.71	2,660.86
17. Rajasthan	1,983.90	3,340.73	3,707.30	4,334.20	3,341.53
18. Sikkim	1.44	2.84	3.75	4.20	3.06
19. Tamil Nadu	3,854.75	4,082.86	4,433.31	5,787.73	4,539.86
20. Tripura	25.36	26.78	26.09	28.74	28.74
21. Uttar Pradesh	11,540.22	11,279.79	12,169.59	14,030.33	12,254.98
22. West Bengal	4,688.67	4,977.66	5,403.28	6,755.02	5,456.18
TOTAL:	57,710.70	63,041.38	70,349.26	83,508.18	68,652.38

Annexure XI-1

Statement showing assistance sought by the states and the Ceilings approved by the Government of India during the years 1979-80 to 1982-83

(Rs. in Crores)

STATE	CALAMITY	1979-80 Assistance sought	1979-80 Ceilings approved	1980-81 Assistance sought	1980-81 Ceiling approved	1981-82 Assistance sought	1981-82 Ceilings approved	1982-83 Assistance sought	1982-83 Ceilings approved
0	1	2	3	4	5	6	7	8	9
1. ANDHRA PRADESH	Drought	281.21	22.05	227.00	42.97	105.03	28.25	220.24	68.77
	Flood, Cyclones etc.	145.00	61.22	14.95	8.40	2.85	0.82	..	..
	TOTAL:	426.21	83.27	241.95	51.37	107.68	27.07	220.24	68.77
2. ASSAM	Drought	8.68	6.40	..	..	..	..	..	..
	Flood, Cyclones etc.	16.28	4.56	34.37	12.72	..	..	24.84	9.47
	TOTAL:	24.98	10.96	34.37	12.72	..	..	24.84	9.47

Annexure XI-1(Contd.) (Rs. in Crores)

STATE	CALAMITY	1979-80		1980-81		1981-82		1982-83	
		Assis-tance sought	Ceil-ings app-roved	Assis-tance sought	Ceil-ing app-roved	Assis-tance sought	Ceil-ings app-roved	Assis-tance sought	Ceil-ings app-roved
0	1	2	3	4	5	6	7	8	9
3. BIHAR	Drought	43.07	11.82	92.89	24.82	..	..	234.30	25.01
	Flood, Cyclanes etc.	..	..	89.80	26.47	78.65	20.74	63.34	17.48
	TOTAL:	43.07	11.82	182.69	51.29	78.65	20.74	297.64	42.49
4. GUJARAT	Drought	..	..	42.98	6.12	..	..	202.00	30.60
	Flood, Cyclones etc.	139.29	50.60	61.29	18.98	..	..	299.63	72.91
	TOTAL:	139.29	50.60	104.27	25.10	..	..	501.63	103.51
5. HARYANA	Drought	25.32	4.50	38.79	4.02	760.62	8.25	83.85	11.82
	Flood, Cyclones etc.	..	..	24.88	5.24	..	..	26.39	0.40
	TOTAL:	25.32	4.50	83.45	9.28	760.62	8.25	110.24	12.22
6. HIMACHAL PRADESH	Drought	15.02	3.70	18.80	10.01	10.26	2.65	41.50	13.02
	Flood, Cyclones etc.	3.53	2.10	..	..	8.06	2.41	21.07	4.03
	TOTAL:	18.55	5.80	18.80	10.01	18.32	5.06	62.57	17.05
7. JAMMU & KASHMIR	Drought	24.30	2.79	..	..	..	..	..	..
	Flood, Cyclones etc.	..	0.13	..	..	1.16	0.40	..	..
	TOTAL:	24.30	2.92	..	..	1.16	0.40	..	..
8. KARNA-TAKA	Drought	..	..	258.00	6.85	88.04	13.81	51.01	8.81
	Flood, Cyclones etc.	..	..	25.57	3.48	14.11	2.81	20.80	4.42
	TOTAL:	..	..	281.57	10.13	82.15	18.82	71.81	13.23
9. KERALA	Drought	..	..	..	..	..	..	23.56	4.10
	Flood, Cyclones etc.	..	..	19.89	9.09	40.10	8.43	34.55	0.11
	TOTAL:	..	..	19.89	9.09	40.10	8.43	58.11	4.21
10. MADHYA PRADESH	Drought	91.00	22.80	94.95	47.90	..	..	133.70	40.99
	Flood, Cyclones etc.	..	..	..	..	..	..	80.83	2.21
	TOTAL:	91.00	22.80	94.95	47.90	..	..	194.53	43.20
11. MAHARA-SHTRA	Drought	32.71	8.54	39.95	18.25	..	..	131.14	48.88
	Flood, Cyclones etc.	..	..	..	..	..	..	..	..
	TOTAL:	32.71	8.54	39.95	16.25	..	..	131.14	48.68
12. MANIPUR	Drought	5.38	2.72	..	..	..	..	..	..
	Flood Cyclones etc.	..	..	..	..	1.89	1.81	..	..
	TOTAL:	5.38	2.72	..	..	1.89	1.61	..	..

Annexure XI-1(Contd.) (Rs. in Crores)

STATE	CALAMITY	1979-80 Assistance sought	1979-80 Ceilings approved	1980-81 Assistance sought	1980-81 Ceiling approved	1981-82 Assistance sought	1981-82 Ceilings approved	1982-83 Assistance sought	1982-83 Ceilings approved
0	1	2	3	4	5	6	7	8	9
13. MEGHALAYA	Drought	3.00	0.77	..	..	..	..	..	..
	Flood, Cyclones etc.	..	..	..	..	..	..	1.00	0.33
	TOTAL:	3.00	0.77	..	..	..	..	1.00	0.33
14. NAGALAND	Drought	4.05	0.67	..	..	..	..	..	..
	Flood, Cyclones etc.	..	..	..	..	..	..	..	..
	TOTAL:	4.05	0.67	..	..	..	..	..	..
15. ORISSA	Drought	72.14	14.05	56.68	17.39	..	..	262.88	19.78
	Flood, Cyclones etc.	..	..	112.30	42.89	2.58	0.56	757.10	170.52
	TOTAL:	72.14	14.05	168.98	60.28	2.58	0.56	1019.98	190.30
16. PUNJAB	Drought	..	..	..	..	..	..	..	..
	Flood, Cyclones etc.	..	..	..	..	..	..	..	..
	TOTAL:	..	..	..	..	..	..	..	..
17. RAJASTHAN	Drought	80.67	18.75	120.84	40.31	451.06	87.83	398.94	74.00
	Flood, Cyclones etc.	116.00	16.85	..	..	394.33	45.06	32.20	0.32
	TOTAL:	196.67	35.60	120.84	40.31	845.39	132.89	431.14	74.32
18. SIKKIM	Drought	..	..	..	..	..	..	5.00	0.17
	Flood, Cyclones etc.	..	..	..	..	4.15	2.22	..	..
	TOTAL:	..	..	..	..	4.15	2.22	5.00	0.17
19. TAMIL NADU	Drought	..	..	..	..	169.61	49.77	190.00	21.69
	Flood, Cyclones etc.	82.71	22.50	..	..	..	..	0.97	0.56
	TOTAL:	82.71	22.50	..	..	169.61	49.77	190.97	22.25
20. TRIPURA	Drought	3.47	1.33	..	..	..	..	4.22	2.01
	Flood, Cyclones etc.	..	..	..	..	..	..	..	..
	TOTAL:	3.47	1.33	..	..	..	..	4.22	2.01
21. UTTAR PRADESH	Drought	456.17	34.91	122.23	47.52	..	..	..	..
	Flood, Cyclones etc.	..	..	413.79	79.05	360.55	45.46	448.00	67.23
	TOTAL:	456.17	34.91	536.02	126.57	360.55	45.46	448.00	67.23
22. WEST BENGAL	Drought	94.74	27.67	..	..	..	..	278.22	74.27
	Flood, Cyclones etc.	..	..	42.22	23.56	59.07	18.18	..	7.57
	TOTAL:	94.74	27.67	42.22	23.56	59.07	18.18	278.22	81.84
GRAND TOTAL:	Drought	1240.93	183.47	1111.11	263.96	1564.62	188.56	2260.56	443.72
	Flood, Cyclones etc	502.81	157.96	838.84	229.88	967.30	148.70	1790.72	357.56
	TOTAL:	1743.74	341.43	1949.95	493.84	2531.92	337.26	4051.28	801.28

SOURCE: Ministry of Finance.

State-wise Financial and Physical provisions recommended in the Police Administration for Upgradation.

Annexure XII-1
(Para 12.13)

	STATE	Additional Housing Units		Additional Buildings for Police Stations and police outposts		New Police Stations		Additional posts for women constabulary		Others*	Total Outlay (Rs. lakhs)
		Number	Outlay (Rs.lakhs)	Number	Outlay (Rs.lakhs)	Number	Outlay (Rs.lakhs)	Number	Outlay (Rs.lakhs)		
	1	2	3	4	5	6	7	8	9	10	11
1.	Andhra Pradesh	1581	443.63	197	318.13	94	359.61	208	47.47		1168.84
2.	Assam	3714	1149.75	62	100.33	14	43.50	101	18.52		1312.10
3.	Bihar	7615	2333.56	198	319.44	101	402.34	172	41.65		3096.99
4.	Gujarat					40	117.09	130	21.66		138.75
5.	Haryana			7	10.99	13	58.19	72	18.32		87.50
6.	Himachal Pradesh	517	176.68	11	23.46	10	37.80	29	11.15		249.09
7.	Jammu & Kashmir	5235	1810.40	36	75.50	10	31.45	71	12.76		1930.11
8.	Karnataka	4860	1342.74			61	294.19	185	54.00		1690.93
9.	Kerala	1120	321.96	156	251.68	33	119.75	65	13.80		707.19
10.	Madhya Pradesh	10277	2740.47	494	797.29	98	270.23	254	41.71		3849.70
11.	Maharashtra	13350	3628.16	486	784.08	75	256.26	413	86.06		4754.56
12.	Manipur	647	214.26	62	130.43	10	36.96	17	6.62		388.27
13.	Meghalaya	242	97.29	31	64.62	10	36.96	20	7.79	32.30	238.96
14.	Nagaland			1	1.70	10	26.59	10	2.63		30.92
15.	Orissa	2322	957.81	127	204.59	37	129.17	105	21.24		1312.81
16.	Punjab	5266	1519.08			20	81.21	129	32.40		1632.69
17.	Rajasthan	1971	580.33			54	152.34	322	50.98		783.65
18.	Sikkim	519	179.51	8	17.17	10	36.06	10	3.73		236.47
19.	Tamil Nadu	6557	1830.32	246	396.88	89	290.20	170	33.17		2550.57
20.	Tripura	1257	505.72			10	36.96	24	9.35		552.03
21.	Uttar Pradesh	16749	4701.58	330	532.40	125	450.85	538	120.76		5805.59
22.	West Bengal	17323	5447.43			34	141.06	207	52.05		5640.54
	TOTAL:	101131	29980.68	2452	4028.69	958	3408.77	3252	707.82	32.30	38158.26

Notes (1) Cost of Construction has been computed @ Rs.1000 per square metre for functional buildings and @ Rs.700 per square metre for residential buildings. 30% mark up has been given to hill states.

(2) For calculation of revenue expenditure, State specific emoluments have been adopted.

(3) * Construction of Headquarters of IInd Armed Battalion, Meghalaya.

Statewise financial and physical provisions recommended in the Education Sector for upgradation

Annexure XII-2 (Para 12.15)

STATE	Additional Buildings for the primary schools		One additional teacher each for the single teacher primary Schools		Total outlay for primary schools (Rs.lakhs) (Cols. 3 + 5)
	Number	Outlay (Rs. lakhs)	Number	Outlay (Rs.lakhs)	
1	2	3	4	5	6
1. Andhra Pradesh	3149	1259.60	7873	2208.17	3467.77
2. Assam	6064	2425.60			2425.60
3. Bihar	10198	4079.20			4079.20
4. Gujarat			2445	690.09	690.09
5. Haryana					
6. Himachal Pradesh	1420	738.40	355	113.74	852.14
7. Jammu & Kashmir	1411	733.72	2955	770.17	1503.89
8. Karnataka			8864	2891.29	2891.29
9. Kerala					
10. Madhya Pradesh			7036	1545.25	1545.25
11. Maharashtra			6101	1682.59	1682.59
12. Manipur	1688	877.76			877.76
13. Meghalaya	1361	707.72	1038	253.97	961.69
14. Nagaland	496	257.92			257.92
15. Orissa	4193	1677.20	3871	905.97	2583.17
16. Punjab					
17. Rajasthan			4686	1127.05	1127.05
18. Sikkim					
19. Tamil Nadu					
20. Tripura	799	415.48	31	12.69	428.17
21. Uttar Pradesh					
22. West Bengal	8167	3266.80			3266.80
TOTAL:	38946	16439.40	45255	12200.98	28640.38

Note: (1) Cost of construction has been computed @ Rs.40,000 per primary school building and 30% mark up has been given for hill States.

(2) For calculation of revenue expenditure State specific emoluments have been adopted.

State-wise financial and physical provisions recommended in Jail Administration for upgradation.

STATE	Additional Sub-jails		Amenities in jails		Jails for young Offenders		Jail/Jail annexes women		Institutions for lunatic prisoners		Additional quarters for Jail Staff		Total Outlay (Rs. lakhs)
	Number	Outlay (Rs. lakhs)	Number of Jails	Outlay (Rs. lakhs)	Additional Capacity	Outlay (Rs. lakhs)	Additional Capacity	Outlay (Rs. lakhs)	Additional capacity	Outlay (Rs. lakhs)	Number	Outlay (Rs. lakhs)	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Andhra Pradesh	-	-	203	518.75	538	134.45	-	-	-	-	236	67.90	721.10
2. Assam	7	175.00	12	111.25	481	120.20	96	48.00	200	200.00	132	37.80	692.25
3. Bihar	8	200.00	27	150.00	1925	481.15	117	58.50	-	-	635	182.45	1072.10
4. Gujarat	1	37.50	1	1.87	439	109.70	50	25.00	-	-	133	38.05	212.12
5. Haryana	13	325.00	8	11.25	62	15.55	-	-	-	-	84	23.94	375.74
6. Himachal Pradesh	-	-	4	9.75	42	13.65	-	-	-	-	14	5.01	28.41
7. Jammu & Kashmir	8	520.00	10	73.93	26	8.51	-	-	-	-	30	11.20	613.64
8. Karnataka	30	950.00	78	235.00	245	61.30	82	41.00	-	-	164	46.90	1334.20
9. Kerala	-	-	-	-	87	21.75	67	33.50	-	-	136	39.20	94.45
10. Madhya Pradesh	124	4650.00	-	-	2024	506.05	198	149.00	-	-	338	97.09	5402.14
11. Maharashtra	-	-	338	932.50	972	243.00	165	82.50	100	100.00	493	141.36	1499.36
12. Manipur	5	325.00	1	2.44	119	38.74	-	-	-	-	14	5.01	371.19
13. Meghalaya	7	325.00	2	9.75	-	-	33	21.45	100	130.00	17	6.51	492.71
14. Nagaland	13	422.50	7	32.50	127	41.21	30	19.50	100	130.00	31	11.51	657.22
15. Orissa	2	50.00	24	73.75	309	77.25	134	67.00	-	-	205	59.05	327.05
16. Punjab	18	450.00	19	127.50	267	66.75	118	59.00	-	-	194	55.51	758.76
17. Rajasthan	9	225.00	20	56.25	371	92.80	22	11.00	-	-	187	53.80	438.85
18. Sikkim	-	-	-	-	8	2.66	-	-	-	-	1	0.31	2.97
19. Tamil Nadu	-	-	45	88.13	1461	365.25	242	121.00	-	-	398	114.31	688.69
20. Tripura	-	-	-	-	35	11.44	-	-	-	-	15	5.88	17.32
21. Uttar Pradesh	5	187.50	101	1130.00	1275	318.75	100	50.00	-	-	809	232.22	1918.47
22. West Bengal	2	75.00	59	295.62	1010	252.40	889	444.50	200	200.00	534	153.10	1420.62
TOTAL	252	8917.50	957	3860.24	11823	2982.56	2343	1230.95	700	760.00	4800	1388.11	19139.36

NOTE: Hill States have been provided 30% mark up in the cost of construction.

Annexure XII-4
(Para 12.28)

Statewise financial and physical provisions recommended in the tribal administration for upgradation.

STATE	No. of* transferable Govt. employees eligible for compensatory allowance	Outlay (Rs. lakhs)	Additional Quarters to be constructed in tribal areas (Number)	Outlay (Rs. lakhs)	No. of villages recommended for capital outlay	Outlay (Rs. lakhs)	Total outlay (Rs. lakhs)
1	2	3	4	5	6	7	8
1. Andhra Pradesh	16009	104.10	695	278.00	69	345.00	727.10
2. Assam	24100	156.90	385	154.00	39	195.00	505.90
3. Bihar	57773	375.90	1651	660.40	165	825.00	1861.30
4. Gujarat	59285	385.80	498	199.20	50	250.00	835.00
5. Haryana	-	-	-	-	-	-	-
6. Himachal Pradesh	3473	22.80	49	25.48	5	25.00	73.28
7. Jammu & Kashmir	-	-	-	-	-	-	-
8. Karnataka	3077	20.10	268	107.20	27	135.00	262.30
9. Kerala	5492	35.70	25	10.00	3	15.00	60.70
10. Madhya Pradesh	109271	711.00	2260	904.00	226	1130.00	2745.00
11. Maharashtra	24178	157.50	512	204.80	51	255.00	617.30
12. Manipur	9212	60.00	140	72.80	14	70.00	202.80
13. Meghalaya	-	-	-	-	-	-	-
14. Nagaland	-	-	-	-	-	-	-
15. Orissa	53173	346.20	1939	775.60	194	970.00	2091.80
16. Punjab	-	-	-	-	-	-	-
17. Rajasthan	44543	289.80	441	176.40	44	220.00	686.20
18. Sikkim	-	-	5	2.60	1	5.00	7.60
19. Mamil Nadu	4236	27.60	28	11.20	3	15.00	53.80
20. Tripura	24676	160.50	46	23.92	5	25.00	209.42
21. Uttar Pradesh	1761	11.40	4	1.60	1	5.00	18.00
22. West Bengal	20706	134.70	439	175.60	44	220.00	530.30
TOTAL	460965	3000.00	9385	3782.80	941	4705.00	11487.80

NOTE: Hill States have been provided 30% mark up in the cost of construction.

* Estimated for purposes of allocation of outlay in respect of compensatory allowance.

Annexure XII-5
(Para 12.33)

Statewise financial and physical provisions recommended in Health Sector for upgradation.

STATE	Additional quarters for doctors working in Primary Health Centres		Rural Allowance for doctors working in Primary Health Centres		House Rent Allowance for doctors working in Primary Health Centres		Outlay for equipment in Primary Health Centres (Rs. lakhs)	Total outlay (Rs. lakhs)
	Number	Outlay (Rs. lakhs)	Number of doctors	Outlay (Rs. lakhs	Number of doctors	Outlay (Rs. lakhs)		
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	701	466.17	1263	189.45	701	50.47	42.10	748.19
2. Assam	347	230.76	438	65.70	347	24.98	14.60	336.04
3. Bihar	1013	673.65	1833	274.95	1013	72.93	61.10	1082.63
4. Gujarat	320	212.80	759	113.85	320	23.04	25.30	374.99
5. Haryana	115	76.48	267	40.05	115	8.28	8.90	133.71
6. Himachal Pradesh	115	99.42	231	34.65	115	8.28	7.70	150.05
7. Jammu & Kashmir	163	140.91	270	40.50	163	11.73	9.00	202.14
8. Karnataka	378	251.37	911	137.25	378	27.21	30.50	446.33
9. Kerala	198	131.67	531	79.65	198	14.26	17.70	243.28
10. Madhya Pradesh	231	153.62	1395	209.25	231	16.63	46.50	426.00
11. Maharashtra	690	458.85	1431	214.65	690	49.68	47.70	770.88
12. Manipur	63	54.46	93	13.95	63	4.54	3.10	76.05
13. Meghalaya	44	38.04	75	11.25	44	3.17	2.50	54.96
14. Nagaland	36	31.12	54	8.10	36	2.59	1.80	43.61
15. Orissa	312	207.48	942	141.30	312	22.46	31.40	402.64
16. Punjab	208	138.32	390	58.50	208	14.98	13.00	224.80
17. Rajasthan	373	248.05	702	105.30	373	26.86	23.40	403.61
18. Sikkim	28	24.21	45	6.75	28	2.02	1.50	34.48
19. Tamil Nadu	553	367.75	1215	182.25	553	39.82	40.50	630.32
20. Tripura	58	50.14	90	13.50	58	4.18	3.00	70.82
21. Uttar Pradesh	1471	978.22	2781	417.15	1471	105.91	92.70	1593.98
22. West Bengal	480	319.20	1005	150.75	480	34.56	33.50	538.01
TOTAL :	7889	5352.69	16725	2508.75	7897	568.58	557.50	8987.52

NOTE: Hill States have been provided 30% mark up in the cost of construction.

Annexure XII-6
(Para 12.38)

State-wise financial and physical provisions recommended in Judicial administration for upgradation.

STATE	Additional District & Subordinate courts recommended		Additional Court buildings recommended		Amenities recommended in court buildings		Additional quarters for presiding officers		Total outlay (Rs. lakhs)
	Number	Outlay (Rs. lakhs)	Number	Outlay (Rs. lakhs)	Number	Outlay (Rs. lakhs	Number	Outlay (Rs. lakhs)	
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	-	-	69	276.00	120	120.00	319	223.30	619.30
2. Assam	12	53.50	52	208.00	42	42.00	44	30.80	334.30
3. Bihar	56	260.25	15	60.00	277	277.00	596	417.20	1014.45
4. Gujarat	2	10.22	19	76.00	103	103.00	98	68.60	257.82
5. Haryana	1	4.08	5	20.00	32	32.00	28	19.60	75.68
6. Himachal Pradesh	-	-	5	26.00	15	19.50	22	20.02	65.52
7. Jammu & Kashmir	-	-	14	72.80	25	32.50	49	44.59	149.89
8. Karnataka	-	-	37	148.00	84	84.00	163	114.10	346.10
9. Kerala	-	-	28	112.00	67	67.00	207	144.90	323.90
10. Madhya Pradesh	7	27.49	10	40.00	142	142.00	25	17.50	226.99
11. Maharashtra	27	125.54	33	132.00	174	174.00	197	137.90	569.44
12. Manipur	4	14.45	1	5.20	5	6.50	11	10.01	36.16
13. Meghalaya	-	-	-	-	10	13.00	-	-	13.00
14. Nagaland	-	-	-	-	11	14.30	7	6.37	20.67
15. Orissa	15	56.09	9	36.00	74	74.00	37	25.90	191.99
16. Punjab	-	-	6	24.00	44	44.00	5	3.50	71.50
17. Rajasthan	23	86.41	29	116.00	99	99.00	18	12.60	314.01
18. Sikkim	-	-	-	-	2	2.60	2	1.82	4.42
19. Tamil Nadu	-	-	73	292.00	130	130.00	125	87.50	509.50
20. Tripura	-	-	-	-	11	14.30	-	-	14.30
21. Uttar Pradesh	-	-	-	-	342	342.00	-	-	342.00
22. West Bengal	63	299.12	24	96.00	103	103.00	154	107.80	605.92
TOTAL:	210	937.15	429	1740.00	1912	1935.70	2107	1494.01	6106.86

NOTES: Col.4 - Additional court buildings to be constructed to attain approved norm of 100% building satisfaction level with unit cost of Rs.4 lakhs.

Col.6 - Amenities to be provided in Court buildings include buildings for Associations/Law Chambers/Record Rooms/Judicial lock-ups/property rooms (Malkhanas) waiting halls for the litigant public. 25% of the number of courts will be covered. Unit cost provided is Rs.1.00 lakh. Hill States have been provided 30% mark up in the cost of construction.

Statewise financial and physical provisions recommended in District and revenue administration for upgradation.

Annexure XII-7 (para 12.41)

STATE	Additional Office buildings*		Extensions/alterations recommended		Total Outlay (Rs. lakhs)
	Number	Outlay (Rs.lakhs)	Number	Outlay (Rs. lakhs)	
1	2	3	4	5	6
1. Andhra Pradesh	325	238.75	1220	142.15	380.90
2. Assam	33	24.00	127	14.55	38.55
3. Bihar	125	88.75	439	52.20	138.95
4. Gujarat	164	106.25	705	68.10	174.35
5. Haryana	56	44.75	207	26.35	71.10
6. Himachal Pradesh	38	56.23	126	31.08	87.31
7. Jammu & Kashmir	54	67.27	154	37.64	104.91
8. Karnataka	174	140.25	617	81.15	221.40
9. Kerala	32	35.00	101	18.85	53.85
10. Madhya Pradesh	238	193.75	918	115.20	308.95
11. Maharashtra	278	244.25	931	137.00	381.25
12. Manipur	8	17.23	18	8.71	25.94
13. Meghalaya	2	8.50	4	2.28	8.78
14. Nagaland	4	20.80	7	9.10	29.90
15. Orissa	191	221.00	382	110.50	331.50
16. Punjab	84	70.50	306	41.00	111.50
17. Rajasthan	180	188.75	572	94.15	282.90
18. Sikkim	4	1.30	20	1.30	2.60
19. Tamil Nadu	291	196.50	1092	119.30	315.80
20. Tripura	7	11.05	19	8.77	17.82
21. Uttar Pradesh	510	330.00	1884	201.95	531.95
22. West Bengal	93	111.75	291	80.25	172.00
TOTAL:	2891	2392.63	10138	1379.58	3772.21

* At the Sub division/Tehsil, circle/Firka/Kanungo(Supervisory) and Village level.

Note: Hill States have been provided 30% mark up in the cost of construction.

Statewise financial provisions recommended in the Training administration for upgradation.

Annexure XII-8 (Para 12.42)

STATE	No. of State Government employees	Outlay (Rs.lakhs)	STATE	No. of State Government employees	Outlay (Rs.lakhs)
1	2	3	1	2	3
1. Andhra Pradesh	420189	147.07	13. Meghalaya	22426	10.20
2. Assam	219296	76.75	14. Nagaland	45270	20.59
3. Bihar	680264	231.10	15. Orissa	230085	80.53
4. Gujarat	423785	148.32	16. Punjab	265573	92.95
5. Haryana	197183	69.00	17. Rajasthan	367216	128.53
6. Himachal Pradesh	84709	38.55	18. Sikkim	11568	10.00*
7. Jammu & Kashmir	156804	71.34	19. Tamil Nadu	557394	195.09
8. Karnataka	389540	136.34	20. Tripura	85150	38.74
9. Kerala	435865	152.55	21. Uttar Pradesh	765782	268.02
10. Madhya Pradesh	542825	189.99	22. West Bengal	362000	128.70
11. Maharashtra	412594	144.41			
12. Manipur	29593	13.47	TOTAL:	6685091	2390.24

Source: Information as received from the State Governments. *Subject to minimum of Rs. 10 lakhs to a State.

Note: Hill States have been given a mark up of 30% in the cost of construction.

State-wise financial and physical provisions recommended in the Treasury and Accounts Administration for upgradation.

Annexure XII-9
(Para 12.47)

STATE	Additional treasuries recommended		Additional buildings recommended for existing treasuries		Extensions/alterations recommended in the existing treasury buildings		Outlay for training Institutions (Rs. lakhs)	Total Outlay (Rs. lakhs)
	Number	Outlay (Rs. lakhs)	Number	Outlay (Rs. lakhs)	Number	Outlay (Rs. lakhs)		
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	-	-	12	24.00	25	25.00	20.00	69.00
2. Assam	34	85.28	2	4.00	3	3.00	20.00	112.28
3. Bihar	175	407.20	6	12.00	12	12.00	20.00	451.20
4. Gujarat	-	-	10	20.00	20	20.00	20.00	60.00
5. Haryana	-	-	4	8.00	8	8.00	20.00	36.00
6. Himachal Pradesh	-	-	3	7.80	6	7.80	15.00	30.60
7. Jammu & Kashmir	-	-	3	7.80	7	9.10	15.00	31.90
8. Karnataka	-	-	10	20.00	20	20.00	20.00	60.00
9. Kerala	-	-	6	12.00	12	12.00	20.00	44.00
10. Madhya Pradesh	3	9.50	11	22.00	23	23.00	20.00	74.50
11. Maharashtra	-	-	12	24.00	25	25.00	20.00	69.00
12. Manipur	7	21.47	-	-	1	1.30	15.00	37.77
13. Meghalaya	7	23.44	-	-	1	1.30	15.00	39.40
14. Nagaland	-	-	1	2.60	1	1.30	15.00	18.90
15. Orissa	64	124.13	5	10.00	9	9.00	20.00	163.13
16. Punjab	-	-	4	8.00	8	8.00	20.00	36.00
17. Rajasthan	84	176.50	2	4.00	3	3.00	20.00	203.50
18. Sikkim	-	-	-	-	-	-	15.00	15.00
19. Tamil Nadu	26	78.37	8	16.00	16	16.00	20.00	130.37
20. Tripura	5	15.34	-	-	-	-	15.00	30.34
21. Uttar Pradesh	126	256.91	16	32.00	31	31.00	20.00	339.91
22. West Bengal	118	305.22	3	6.00	5	5.00	20.00	336.22
TOTAL :	649	1503.36	118	240.20	236	240.80	405.00	2389.36

NOTE: Hill States have been provided 30% mark up in the cost of construction.

Statewise financial provisions recommended for special problems under upgradation.

(Rs. lakhs)

Annexure XII-10
(Para 12.58

STATE	Revenue	Capital	Total	STATE	Revenue	Capital	Total
1. Andhra Pradesh	-	-	-	13. Meghalaya	100.00	-	100.00
2. Assam	500.00	-	500.00	14. Nagaland	-	-	-
3. Bihar	-	-	-	15. Orissa	-	-	-
4. Gujarat	-	-	-	16. Punjab	1000.00	1000.00	2000.00
5. Haryana	-	-	-	17. Rajasthan	-	1000.00	1000.00
6. Himachal Pradesh	-	50.00	50.00	18. Sikkim	50.00	50.00	100.00
7. Jammu & Kashmir	-	148.00	248.00	19. Tamil Nadu	-	-	-
8. Karnataka	-	-	-	20. Tripura	-	80.00	80.00
9. Kerala	-	-	-	21. Uttar Pradesh	-	-	-
10. Madhya Pradesh	-	1000.00	1000.00	22. West Bengal	-	-	-
11. Maharashtra	-	-	-				
12. Manipur	-	200.00	200.00	TOTAL:	1650.00	3628.00	5278.00

State-wise and Sector-wise

STATE	Police Administration			Education			Jail Administration	Tribal Administration			Health		
	Revenue	Capital	Total	Revenue	Capital	Total	Capital	Revenue	Capital	Total	Revenue	Capital	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Andhra Pradesh	4.07	7.62	11.69	22.08	12.60	34.68	7.21	1.04	6.23	7.27	2.82	4.66	7.48
2. Assam	0.62	12.50	13.12	-	24.26	24.26	6.92	1.57	3.49	5.06	1.05	2.31	3.36
3. Bihar	4.44	26.53	30.97	-	40.79	40.79	10.72	3.76	14.85	18.61	4.09	6.74	10.83
4. Gujarat	1.39	-	1.39	6.90	-	6.90	2.12	3.86	4.49	8.35	1.62	2.13	3.75
5. Haryana	0.76	0.11	0.87	-	-	-	3.76	-	-	-	0.57	0.77	1.34
6. Himachal Pradesh	0.49	2.00	2.49	1.14	7.38	8.52	0.29	0.23	0.50	0.73	0.51	0.99	1.50
7. Jammu & Kashmir	0.44	18.86	19.30	7.70	7.33	15.03	6.14	-	-	-	0.61	1.41	2.02
8. Karnataka	3.48	13.43	16.91	28.91	-	28.91	13.34	0.20	2.42	2.62	1.95	2.51	4.46
9. Kerala	1.34	5.74	7.08	-	-	-	0.94	0.36	0.25	0.61	1.11	1.32	2.43
10. Madhya Pradesh	3.12	35.38	38.50	15.45	-	15.45	54.02	7.11	20.34	27.45	2.72	1.54	4.26
11. Maharashtra	3.42	44.12	47.54	16.83	-	16.83	14.99	1.57	4.60	6.17	3.12	4.59	7.71
12. Manipur	0.44	3.45	3.89	-	8.78	8.78	3.71	0.60	1.43	2.03	0.22	0.54	0.76
13. Meghalaya	0.45	1.94	2.39	2.54	7.08	9.62	4.93	-	-	-	0.17	0.38	0.55
14. Nagaland	0.29	0.02	0.31	-	2.58	2.58	6.57	-	-	-	0.13	0.31	0.44
15. Orissa	1.50	11.62	13.12	9.06	16.77	25.83	3.27	3.46	17.46	20.92	1.95	2.08	4.03
16. Punjab	1.14	15.19	16.33	-	-	-	7.59	-	-	-	0.87	1.38	2.25
17. Rajasthan	2.03	5.80	7.83	11.27	-	11.27	4.39	2.90	3.96	6.86	1.56	2.48	4.04
18. Sikkim	0.40	1.97	2.37	-	-	-	0.03	-	0.08	0.08	0.10	0.24	0.34
19. Tamil Nadu	3.23	22.27	25.50	-	-	-	6.89	0.27	0.27	0.54	2.62	3.68	6.30
20. Tripura	0.46	5.06	5.52	0.13	4.15	4.28	0.17	1.61	0.49	2.10	0.21	0.50	0.71
21. Uttar Pradesh	5.72	52.34	58.06	-	-	-	19.18	0.11	0.07	0.18	6.16	9.78	15.94
22. West Bengal	1.93	54.47	56.40	-	32.67	32.67	14.21	1.35	3.95	5.30	2.19	3.19	5.38
TOTAL :	41.16	340.42	381.58	122.01	164.39	286.40	191.39	30.00	84.88	114.8	36.35	53.53	89.88

PHASING OF RELEASE OF GRANTS AND

SECTOR	1984-85			PT	1985-86			PT
	Revenue	Capital (a)	Capital (b)		Revenue	Capital (a)	Capital (b)	
1	2	3	4	5	6	7	8	9
1. POLICE								
i) New Police Stations	462.33	-	-	132	462.33	-	-	132
ii) Women Police Constables	92.45	-	-	431	92.44	-	-	431
iii) Housing Units	-	2166.04	1083.12	3555	-	6498.11	2274.22	10664
iv) Building for Police Stations	-	283.67	140.13	85	-	851.02	298.31	257
v) H.Q. for IInd Armed Battalion	-	-	-	-	-	-	-	-
Total:	554.78	2449.71	1223.25		554.77	7349.13	2572.53	
2. EDUCATION								
i) Additional Teachers for Primary Schools	1387.41	-	-	5569	1387.40	-	-	5569
ii) Buildings for Primary Schools	-	1643.94	821.88	1947	-	4931.82	1726.14	5842
Total:	1387.41	1643.94	821.88		1387.40	4931.82	1726.14	
3. JAIL								
i) Buildings for Sub-jails (Capacity)	-	715.50	357.95	679	-	2146.50	751.14	2036
ii) Amenities in Jails (Capacity)	-	246.40	123.20	3614	-	739.20	258.72	10841
iii) Jail buildings for young offenders (Capacity)	-	212.10	106.08	419	-	636.30	222.81	1257
iv) Jail buildings for women Jail/ annexes (Capacity)	-	90.25	44.95	89	-	270.74	94.85	268

Annexure XII-11
(Para 12.67)

provisions made for upgradation

(Rs. Crores)

Judicial Administration			Distt.& Rev. Admn.	Train-ing Admn.	Treasuries & Accounts Admn.			Special Problems			Grand Total			Grants recommended		
Reve-nue	Capi-tal	Total	Capi-tal	Capi-tal	Reve-nue	Capi-tal	Total	Reve-nue	Capi-tal	Total	Reve-nue	Capi-tal	Total	Reve-nue	Capi-tal	Total
15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
-	6.19	6.19	3.81	1.47	-	0.69	0.69	-	-	-	30.01	50.48	80.49	30.01	50.48	80.49
0.54	2.81	3.35	0.39	0.77	0.85	0.27	1.12	5.00	-	5.00	9.63	53.72	63.35	9.63	53.72	63.35
2.60	7.54	10.14	1.39	2.31	4.07	0.44	4.51	-	-	-	18.96	111.31	130.27	18.96	111.31	130.27
0.10	2.47	2.57	1.74	1.48	-	0.60	0.60	-	-	-	13.87	15.03	28.90	-	-	-
0.04	0.72	0.76	0.71	0.69	-	0.36	0.36	-	-	-	1.37	7.12	8.49	-	-	-
-	0.66	0.66	0.87	0.39	-	0.31	0.31	-	0.50	0.50	2.37	13.89	16.26	2.37	13.89	16.26
-	1.50	1.50	1.05	0.71	-	0.32	0.32	-	2.48	2.48	8.75	39.80	48.55	8.75	39.80	48.55
-	3.46	3.46	2.21	1.36	-	0.60	0.60	-	-	-	34.54	39.33	73.87	-	-	-
-	3.24	3.24	0.54	1.53	-	0.44	0.44	-	-	-	2.81	14.00	16.81	2.81	14.00	16.81
0.28	1.99	2.27	3.09	1.90	0.10	0.65	0.75	-	10.00	10.00	28.78	128.91	157.69	28.78	128.91	157.69
1.26	4.44	5.70	3.81	1.44	-	0.69	0.69	-	-	-	26.20	78.68	104.88	-	-	-
0.14	0.22	0.36	0.26	0.13	0.22	0.16	0.38	-	2.00	2.00	1.62	20.68	22.30	1.62	20.68	22.30
-	0.13	0.13	0.09	0.10	0.23	0.16	0.39	1.00	-	1.00	4.39	14.81	19.20	4.39	14.81	19.20
-	0.21	0.21	0.30	0.21	-	0.19	0.19	-	-	-	0.42	10.39	10.81	0.42	10.39	10.81
0.56	1.36	1.92	3.31	0.81	1.24	0.39	1.63	-	-	-	17.77	57.07	74.84	17.77	57.07	74.84
-	0.71	0.71	1.11	0.93	-	0.36	0.36	10.00	10.00	20.00	12.01	37.27	49.28	10.00	10.00	20.00
0.86	2.28	3.14	2.63	1.28	1.77	0.27	2.04	-	10.00	10.00	20.39	33.09	53.48	20.39	33.09	53.48
-	0.04	0.04	0.03	0.10	-	0.15	0.15	0.50	0.50	1.00	1.00	3.14	4.14	1.00	3.14	4.14
-	5.10	5.10	3.16	1.95	0.78	0.52	1.30	-	-	-	6.90	43.84	50.74	-	-	-
-	0.14	0.14	0.18	0.39	0.15	0.15	0.30	-	0.80	0.80	2.56	12.03	14.59	2.56	12.03	14.59
-	3.42	3.42	5.32	2.68	2.57	0.83	3.40	-	-	-	14.56	93.62	108.18	14.56	93.62	108.18
2.99	3.07	6.06	1.72	1.27	3.05	0.31	3.36	-	-	-	11.51	114.86	126.37	11.51	114.86	126.37
9.37	51.70	61.07	37.72	23.90	15.03	8.86	23.89	16.50	36.28	52.78	270.42	993.07	1263.49	185.53	781.80	967.33

PHYSICAL COMPLETION OF WORKS

Annexure XII-12
(Para 12.74)

(Outlay In Rs. Lakhs)

1986-87			1987-88			1988-89			1984-89			
Reve-nue	Capi-tal	PT	Reve-nue	Capi-tal	PT	Reve-nue	Capi-tal	PT	Reve-nue	Capi-tal	Total	PT
10	11	12	13	14	15	16	17	18	19	20	21	22
462.33	-	132	462.32	-	132	462.32	-	132	2311.63	-	2311.63	660
92.44	-	431	92.44	-	430	92.44	-	430	462.21	-	462.21	2153
-	4548.96	21330	-	4548.46	24884	-	541.47	10665	-	21660.38	21660.38	71098
-	597.06	515	-	594.82	599	-	71.73	257	-	2836.74	2836.74	1713
-	32.30	-	-	-	-	-	-	-	-	32.30	32.30	-
554.77	5178.32		554.76	5143.28		554.76	613.20		2773.82	24529.42	27303.26	
1387.40	-	5569	1387.40	-	5569	1387.40	-	5569	6937.01	-	6937.01	27845
-	3452.37	11684	-	3452.23	13631	-	411.02	5842	-	16439.40	16439.40	38946
1387.40	3452.37		1387.40	3452.23		1387.40	411.02		6937.01	16439.40	23376.41	
-	1502.37	4072	-	1502.82	4752	-	178.72	2036	-	7155.00	7155.00	13575
-	517.44	21863	-	517.44	25296	-	61.59	10841	-	2463.99	2463.99	72275
-	445.19	2512	-	445.40	2932	-	53.13	1257	-	2121.01	2121.01	8377
-	189.60	536	-	189.48	625	-	22.58	268	-	902.45	902.45	1786

PHASING OF RELEASE OF GRANTS AND

SECTOR	1984-85 Revenue	1984-85 Capital (a)	1984-85 Capital (b)	1984-85 PT	1985-86 Revenue	1985-86 Capital (a)	1985-86 Capital (b)	1985-86 PT
1	2	3	4	5	6	7	8	9
v) Institutions for Lunatic Prisoners (Capacity)	-	66.00	33.00	30	-	189.00	69.30	90
vi) Housing Units (Capacity)	-	69.80	48.94	168	-	230.41	101.38	499
Total:	-	1427.05	714.12		-	4281.15	1498.20	
4. TRIBAL								
i) Compensatory Allowance	481.80	-	-		481.80	-	-	
ii) Housing Unit	-	326.04	163.04	404	-	978.12	342.38	1212
iii) Capital Outlay for Villages	-	405.00	205.00	41	-	1215.00	423.50	121
Total:	481.80	731.04	368.04		481.80	2193.12	765.88	
5. HEALTH								
i) Rural Allowance to Doctors	352.44	-	-	11748	352.44	-	-	11748
ii) House Rent Allowance to Doctors	101.40	-	-	5633	101.40	-	-	5633
iii) Outlay for Equipment for PHCs.	78.32	-	-	784	78.32	-	-	783
iv) Housing Units	-	384.71	191.85	281	-	1154.13	403.96	845
Total:	532.16	384.71	191.85		532.16	1154.13	403.96	
6. JUDICIAL								
i) New District Courts	24.45	-	-	5	24.45	-	-	5
ii) New Subordinate Courts	135.02	-	-	32	135.02	-	-	31
iii) Buildings for existing Courts	-	104.80	53.20	13	-	314.40	108.92	38
iv) Amenities in Courts	-	136.87	68.20	67	-	410.61	143.92	202
v) Housing Units	-	106.28	52.64	74	-	318.84	111.82	224
Total:	159.47	347.95	174.04		159.47	1043.85	364.66	
7. DISTRICT & REVENUE								
i) Buildings at Sub-Division/ Tehsil Offices	-	49.24	25.20	6	-	147.72	52.92	18
ii) Buildings at Firka/Kanungo/ Circle Offices	-	87.83	43.90	43	-	263.49	92.19	129
iii) Buildings at Village level Offices	-	21.94	10.90	43	-	65.83	23.06	130
iv) Amenities at Sub-Division/ Tehsil Offices	-	24.82	12.60	12	-	74.46	26.25	36
v) Amenities at Firka/Kanungo/ Circle Office	-	43.96	21.95	86	-	131.86	46.33	259
vi) Amenities at Village level Offices	-	21.89	10.89	215	-	65.67	23.02	649
Total:	-	249.68	125.44		-	749.03	263.77	
8. TRAINING								
Training Institutions	-	-	320.83		-	-	320.83	
9. TREASURY & ACCOUNTS								
i) New Treasuries	285.00	-	-	125	285.00	-	-	125
ii) Buildings for existing Treasuries	-	14.42	8.60	4	-	43.26	15.82	11
iii) Amenities in existing treasuries	-	14.38	7.30	7	-	43.14	15.12	21
iv) Training	-	-	57.00	-	-	-	57.00	-
Total	285.00	28.80	72.90		285.00	86.40	87.94	
10. SPECIAL PROBLEMS	330.00	-	725.60		330.00	-	725.60	
GRAND TOTAL :	3730.62	7262.88	4737.95		3730.60	21788.63	8729.51	

NOTES:

1. PT = Physical target (a) = On-account release of grant @ 10% in 1984-85 and 30% in 1985-86, (b) = 100% release of grant of the unit cost in 1984-85 and 70% release of grant of the unit cost in 1985-86
2. For revenue grants and grants for special problems phasing has been made on uniform basis of 20% per annum.
3. i) Regarding capital grant, on account releases of grant @ 10% in 1984-85 and 30% in 1985-86 have been made.
   ii) The following annual phasing has been presumed in execution of works: 1984-85 - 5%, 1985-86 - 15%, 1986-87 - 30%, 1987-88 - 35%, 1988-89 - 15%

PHYSICAL COMPLETION OF WORKS

(Outlay in Rs. Lakhs) Annexure XII-12(Contd).....

1986-87			1987-88			1988-89			1984-89			
Reve-nue	Capi-tal	PT	Reve-nue	Capi-tal	PT	Reve-nue	Capi-tal	PT	Reve-nue	Capi-tal	Total	PT
10	11	12	13	14	15	16	17	18	19	20	21	22
-	138.60	180	-	138.60	210	-	16.50	90	-	660.00	660.00	600
-	203.62	1001	-	203.23	1167	-	23.64	499	-	968.02	968.02	3334
-	2996.82		-	2996.97		-	356.16		-	14270.47	14270.47	
481.80	-		481.80	-	-	481.80	-	-	2409.00	-	2409.00	-
-	684.77	2424	-	684.53	2827	-	81.52	1212	-	3236.40	3236.40	8079
-	850.50	243	-	852.00	284	-	99.00	121	-	4050.00	4050.00	810
481.80	1535.27		481.80	1536.53		481.80	180.52		2409.00	7310.40	9719.40	
352.44	-	11748	352.44	-	11748	352.44	-	11748	1762.20	-	1762.20	11748
101.39	-	5633	101.39	-	5633	-	-	-	405.58	-	405.58	5633
78.32	-	783	78.32	-	783	78.32	-	783	391.60	-	391.60	3916
-	807.93	1690	-	808.13	1872	-	96.38	845	-	3847.09	3847.09	5633
532.15	807.93		532.15	808.13		430.76	96.38		2559.38	3847.09	6406.47	
24.44	-	5	24.44	-	5	24.44	-	4	122.22	-	122.22	24
135.02	-	31	135.02	-	31	135.01	-	31	675.09	-	675.09	156
-	220.64	77	-	221.04	90	-	25.00	38	-	1048.00	1048.00	256
-	287.84	404	-	286.86	470	-	34.40	202	-	1368.70	1368.70	1345
-	223.00	447	-	223.27	522	-	26.96	224	-	1062.81	1062.81	1491
159.46	731.48		159.46	731.17		159.45	86.36		797.31	3479.51	4276.82	
-	102.20	35	-	105.12	42	-	10.00	17	-	492.40	492.40	118
-	184.38	258	-	184.56	301	-	21.95	129	-	878.30	878.30	860
-	46.13	260	-	46.04	303	-	5.53	130	-	219.43	219.43	866
-	51.80	71	-	51.96	83	-	6.31	36	-	248.20	248.20	238
-	92.24	516	-	92.24	602	-	10.97	258	-	439.55	439.55	1721
-	45.96	1296	-	45.95	1512	-	5.52	649	-	218.90	218.90	4321
-	522.71			525.87		-	60.28		-	2496.78	2496.78	
-	320.83		-	320.82		-	320.82		-	1604.13	1604.13	
285.00	-	125	285.00	-	124	284.99	-	124	1424.99	-	1424.99	623
-	30.24	21	-	29.52	24	-	2.34	10	-	144.20	144.20	70
-	30.45	42	-	30.48	49	-	2.93	20	-	143.80	143.80	139
-	57.00	-	-	57.00	-	-	57.00	-	-	285.00	285.00	-
285.00	117.69		285.00	117.00		284.99	62.27		1424.99	573.00	1997.99	
330.00	725.60		330.00	725.60		330.00	725.60		1650.00	3628.00	5278.00	
730.58	16389.02		3730.57	16357.60		3629.16	2912.61		18551.53	78178.20	96729.73	

iii) In addition to the on-account releases, release of grant is regulated on the basis of completed works as per the schedule given below:

1984-85 - 100% of the Unit Cost, 1985-86 - 70% of the Unit Cost, 1986-87 - 70% of the Unit Cost, 1987-88 - 60% of the Unit Cost, 1988-89 - Balance of the available grant.

4. Difference in totals between the amount stated in the Chapter and in the Annexure is due to rounding.

Annexure-XIII-1
(Para 13.16)

Methodology for calculating net additional interest liability arising out of fresh borrowings and lendings in the forecast period and the amounts of grants-in-aid to be given to States.

The net additional liability which will fall upon the States as a result of the fresh borrowings and fresh lendings in the forecast period may be calculated as follows:

(i) The liability on account of payment of interest should be worked out in respect of all such fresh borrowings during a year, as are, according to the normal rules of classification, brought to account under the Major Heads of Account '603' and '604' and at the rates of interest actually applicable to each such borrowing; the following loans should, however, be excluded for this purpose:

(a) Overdrafts on the Reserve Bank of India;

(b) Loans, if any, from the Government of India to clear the overdrafts on the Reserve Bank of India; and

(c) Cash credit accommodations from the State Bank of India or other commercial Banks for procurement of foodgrains, edible oils, other commodities of civil supplies, etc. in as much as the State Governments should recover the interest payable on such accommodation at the time of disposal of such commodities.

(ii) Where the whole or a part of such fresh borrowings in a year is repayable within the same year (e.g. loans for agricultural inputs) or in subsequent years within the period 1984-89 (e.g. block loans, as at present, for State Plans), the liability on account of interest in a year on such fresh borrowings should be computed with reference to the amount of such borrowings outstanding from time to time.

(iii) The gross additional interest liability of States calculated in accordance with (i) & (ii) above should be reduced by the amounts shown in enclosure-1 which represent the provisions already made in the States' forecast, on account of interest payable to the Reserve Bank of India on the fresh ways and means advances that the States may avail themselves of during the forecast period.

(iv) For computing the receipts on account of interest on fresh lendings, whether for Plan or non-Plan purposes, during each of the years from 1984-85 to 1988-89, a uniform rate of interest at 6 per cent per annum on the outstandings of all such fresh loans, brought to account under the Major Heads of Account from '677' to '767' should be taken into account. From this should be deducted the amount shown in enclosure-2 which represents interest receipt on fresh loans to Government servants, for purposes other than house building, during the forecast period, credit for which has already been taken in the forecast.

(v) For the purpose of computing the amount of fresh lendings which are outstanding of the commencement of each year and on which interest would be recovered as in (iv) above, such outstandings may be worked out on a normative basis in accordance with the procedure adopted by us for estimating the non-Plan capital gaps of States i.e. that all loans under Major Heads '682, '683, '684' & all housing loans to Government servants under '766' would be for an average period of 20 years and all loans under the remaining heads, including loans other than housing for Government servants, for an everage period of 10 years.

(vi) The grants-in-aid on this account should, subject to final adjustments that may become necessary later on be paid to the State Governments in the financial year following the year in which transactions of fresh borrowings and fresh lendings will take place, because, normally, interest is payable/receivable at the expiry of every year from the date of borrowings/lendings. Thus, in respect of the additional liability that will arise out of fresh transactions in the year 1984-85, additional grants-in-aid, if any, will be payable in 1985-86 and so on. In respect of the fresh borrowings and fresh lendings in the year 1988-89, the grants-in-aid will be payable in 1989-90. It may be mentioned here that in respect of the fresh borrowings and lendings in the year 1983-84, provisions have already been made for payment of interest and receipt of interest interest in the States' forecast for 1984-85.

Enclosure-1 to Annexure XIII-I

Interest on ways and means advances from Reserve Bank of India.

(Rs. in lakhs)

	STATE	1984-85	1985-86	1986-87	1987-88	1988-89	Total 1984-89
1.	Andhra Pradesh	222	222	222	222	222	1110
2.	Assam	95	95	95	95	95	475
3.	Bihar	140	140	140	140	140	700
4.	Gujarat	189	189	189	189	189	945
5.	Haryana	71	71	71	71	71	355
6.	Himachal Pradesh	36	36	36	36	37	181
7.	Jammu & Kashmir	45	45	45	45	45	225
8.	Karnataka	183	183	183	183	183	915
9.	Kerala	136	136	136	136	136	680
10.	Madhya Pradesh	198	198	198	198	198	990
11.	Maharashtra	405	405	405	405	405	2025
12.	Manipur	18	18	18	18	18	90
13.	Meghalaya	19	19	20	20	20	98
14.	Nagaland	18	18	18	18	18	90
15.	Orissa	157	157	157	157	157	785
16.	Punjab	137	137	137	137	137	685
17.	Rajasthan	108	108	108	108	108	540
18.	Sikkim	13	13	14	14	14	68
19.	Tamil Nadu	297	297	297	297	297	1485
20.	Tripura	18	18	18	18	18	90
21.	Uttar Pradesh	380	380	380	380	380	1900
22.	West Bengal	197	197	197	197	197	985
	TOTAL:	3082	3082	3084	3084	3085	15417

Enclosure-2 to Annexure XIII-1

Interest Receipts on Fresh Loans to Government Servants.

(Rs. in lakhs)

	STATE	1984-85	1985-86	1986-87	1987-88	1988-89	Total 1984-89
	1	2	3	4	5	6	7
1.	Andhra Pradesh	..	3.00	5.40	7.20	8.40	24.00
2.	Assam	..	4.86	8.76	11.70	13.62	38.94
3.	Bihar	..	5.58	10.08	13.44	15.66	44.76
4.	Gujarat	..	5.58	10.08	13.44	15.66	44.76
5.	Haryana	..	2.58	4.68	6.24	7.26	20.76
6.	Himachal Pradesh	..	0.96	1.74	2.34	2.70	7.74
7.	Jammu & Kashmir	..	2.52	4.50	6.00	7.02	20.04
8.	Karnataka	..	4.92	8.82	11.76	13.74	39.24
9.	Kerala	..	2.22	3.96	5.28	6.18	17.64
10.	Madhya Pradesh	..	2.22	4.02	5.40	6.30	17.94
11.	Maharashtra	..	3.12	5.58	7.44	8.70	24.84
12.	Manipur	..	0.84	1.50	2.04	2.40	8.78
13.	Meghalaya	..	0.30	0.54	0.72	0.84	2.40
14.	Nagaland	..	1.32	2.34	3.12	3.66	10.44
15.	Orissa	..	4.32	7.74	10.32	12.06	34.44
16.	Punjab	..	3.36	6.06	8.04	9.36	26.82
17.	Rajasthan	..	8.16	14.70	19.62	22.86	65.34
18.	Sikkim	..	0.06	0.12	0.18	0.18	0.54
19.	Tamil Nadu	..	6.96	12.54	16.74	19.50	55.74
20.	Tripura	..	0.12	0.18	0.24	0.30	0.84
21.	Uttar Pradesh	..	5.76	10.38	13.86	16.14	46.14
22.	West Bengal	..	0.90	1.62	2.16	2.52	7.20
	Total:	..	69.66	125.34	167.28	195.06	557.34

Annexure XIII-2
(Para 13.18)

Methodology to compute the additional grants-in-aid payable to deficit States to meet the increase in committed liability on account of making provisions for the maintenance of Plan Schemes completed by 1984-85.

The amount of grants, if any, to be paid to the ten deficit States in each of the years 1985-86 to 1988-89 (and for Rajasthan in 1985-86 only) should be computed as follows:—

(a) The budgetary measures to raise additional resources which these States are expected to take in 1984-85 may be computed in the same manner as we have computed the budgetary measures which the States were expected to take in the year 1983-84 (vide para 3.44). In other words, out of the target of additional resource mobilisation fixed by the Planning Commission for 1984-85, 48.56 per cent may be treated as the target of additional resources to be raised through budgetary resources. This would be the estimated yield in 1985-86 and this may be projected in the remaining three years of the forecast period at 8 per cent, which is the average all-States rate of growth of tax revenue derived from the tax revenues adopted for the forecast period.

(b) The increase in the revenue component of the approved plan outlay in 1984-85 over the corresponding outlay in 1983-84 may be ascertained. In the case of Andhra Pradesh, this may be ascertained after excluding the provisions for the mid-day meals scheme, in respect of which full provisions have already been made for maintenance. 30 per cent of this increase may be assumed as the additional committed expenditure which the States would have to incur in 1985-86. This amount may be projected at 6 per cent for the remaining three years.

(c) If the committed expenditure as computed in (b) is more than the additional revenue computed as in (a) in any of the years commencing from 1985-86, grants-in-aid may be provided to the deficit States concerned.

Annexure XIV.1
(Para 14.3)

Methodology for estimation of non-Plan capital gaps.

The manner in which the non-Plan capital gaps of States have been worked out is discussed in the following paragraphs.

Capital expenditure outside the Revenue Account

2. Capital expenditure, outside the revenue account, in respect of various services are classified into various categories under Major Heads 459 to 544. The Sixth Finance Commission held the view that the provisions contemplated under these heads were essentially in the nature of outlays which should result in creation of tangible assets and from the economic point of view should be classified as investment expenditure. That Commission, accordingly, omitted these expenditures while working out the non-Plan capital gap of the States.

3. The Seventh Finance Commission broadly agreed with the views of the Sixth Finance Commission. They also omitted most of these items while working out the non-Plan capital gap of the States. The only two exceptions made were as follows:

(i) A provision of Rs.20 crores was made on the non-Plan capital account for construction of a new capital for Assam. On the receipt side, a non-Plan loan of Rs.20 crores was also assumed with the result that there was no net effect on the non-Plan capital account during the forecast period.

(ii) Payment of compensation for abolition of zamindari were allowed as expenditure wherever indicated by the State Governments.

The Commission mentioned that in respect of State trading, the activities should be self-financing and in respect of land reforms, the corresponding outlays should be included in the Plan.

4. The Seventh Finance Commission's approach has generally been followed. The outlays provided by the State Governments in respect of State trading and land reforms have also been excluded while working out the non-Plan capital gaps.

5. Twelve States have included in their forecasts provisions for constructing administrative buildings totalling Rs.230.54 crores over the five-year period 1984-89. Both the Sixth as well as the Seventh Finance Commissions did not allow any provision for capital outlays on construction of administrative buildings on the ground that these outlays create new assets and should form part of the Plan. Following this view, the provisions asked for by the State Governments for the purpose on capital account have been omitted while working out their non-Plan capital gaps.

E - Public Debt

6. Varous heads which constitute 'public Debt' are listed in the budgets under Major Heads 603 and 604. On the receipt side, the amounts are shown on a gross basis and the repayment of the maturing debt is shown on the expenditure side. Unless otherwise stated, all calculations are based on outstandings as at the end of 1983-84.

(a) Market loans

7. The practice so far has been to take into account net receipts on account of loans from public i.e., fresh loans minus repayment of old maturing debt - as a resource for the Plan. Both the Sixth as well as the Seventh Finance Commissions ignored such net receipts while working out the non-Plan capital gap. The same procedure has been adopted in respect of market loans.

(b) & (c) Loans from LIC and loans from others

8. The Sixth Finance Commission had ignored fresh receipts as well as the repayment, if any, in respect thereof while working out the non-Plan capital gaps. Fresh gross receipts from LIC etc. are taken as a Plan resource and repayments in respect of old loans are charged to non-Plan account. This is done because the gross loan assistance from these institutions is tied to specific Plan programmes. The method adopted by the Seventh Finance Commission has been followed in the assessment of the non-Plan capital gaps and fresh gross receipts from these institutions have been ignored. Repayment of loans has, however, been provided on the non-Plan disbursement side.

(d) Ways & Means advances from RBI

9. This is a short term accommodation to the States and has been ignored from the receipt as well as disbursement side as the net effect over the year is expected to be nil. (However, provisions have been made on Revenue Account for payment of interest to the RBI on such advances).

Loans and advances from the Central Government

10. Loans are received by the States from the Centre for both Plan as well as non-Plan purposes. Plan loans have to be excluded for working out the non-Plan capital gaps. Non-Plan loans are mainly of the following types:—

(i) Share in small savings.
(ii) Short term loans for agricultural in-puts.
(iii) Loans for Modernisation of Police Force.
(iv) Loans under the National Loans Scholarship Schemes.
(v) Loans to clear over-drafts.
(vi) Other minor items.

(i) Small Savings Loans

11. Loans received by the States as share in small savings have so far been considered a Plan resource. Both the Sixth and Seventh Finance Commissions left the States' share of net receipts in small savings as a resource available for financing the Plan. The Sixth Finance Commission excluded repayments to Centre on the ground that they had excluded fresh receipts on this account. The Seventh Finance Commission, however, made full provision for repayment of small savings loans falling due during the forecast period for computing the non-Plan capital gap. The method adopted by the Seventh Finance Commission has been followed.

(ii) Short term loans for agricultural inputs

12. Short term loans are generally given for 6 months. Some of the loans given in 1983-84 would fall due for repayment in 1984-85 and some of the repayments in respect of loans to be given in 1988-89 would fall due after the period covered by the present Commission's recommendations. For purposes of working out non-Plan capital gap, both fresh receipts and repayments thereof on this account have been ignored.

(iii) Loans for Modernisation of Police Force

13. Receiptsof fresh loans and repayment thereof have been excluded both from the receipt as well as repayment side for working out the non-Plan capital gaps.

(iv) Loans under the National Loans Scholarship Schemes.

14. The same procedure as for (iii) above has been followed.

(v) Loans to clear over-drafts

15. No receipts have been assumed for any of the years of the forecast period. Full repayments have, however, been allowed on the disbursement side while working out the non-Plan capital gap.

(vi) Ways and Means advances

16. These are generally recovered within the same year. Both receipts and repayments have been omitted while making the reassessment of the non-Plan capital gap.

(vii) Other loans

17. The same procedure as for (iii) above has been adopted for the forecast period.

F - Loans and Advances

18. Transactions on account of Loans and advances are recorded in the State budgets under Major Heads 677 to 767, both on receipts as well as disbursement side.

Recoveries of loans and advances

19. Recoveries of loans and advances shown under Heads 677 to 767 have been taken as receipt on capital account for the purposes of working out the non-Plan capital gap. The Sixth and Seventh Finance Commissions had done likewise. A perusal of the State budget shows that the performance of the State Governments in the matters of recovery of loans is uneven. The State forecasts also assume recoveries in the forecast period at varying levels which are not comparable with one another. The Sixth Commission had made a category-wise review of the outstanding loans by taking the balance of repayment period as 10 years and defaults also at 10 per cent. The Seventh Finance Commission adopted a normative approach and assumed different levels of recoveries for loans advanced for various services.

20. At the end of 1983-84, the total outstandings of the loans and advances disbursed by the State Governments are estimated at around Rs.20,000 crores as per details given below:—

	(Rs. crores)
1. Loans to State Electricity Boards	13,210
2. Loans to Road Transport Corporations	331
3. Short-term loans	457
4. Other loans	6,002
Total:	20,000

(The Statewise position is indicated in the enclosure).

Bulk of the loans advanced by the State Governments are to the State Electricity Boards and practically the entire amount of these loans is not repayable. No recoveries against these loans have, therefore, been assumed. As regards loans to Road Transport Corporations, no recoveries have been assumed in respect of the permanent loans of Rs.38.64 crores in Tamil Nadu and the loans of Rs.82.72 crores in West Bengal which have been decided to be written off by the State Government. For the balance, a 10 year term of repayment of loans has been assumed. On this basis, 50 per cent of the outstanding loans should be recovered over the forecast period. However, only 45 per cent recovery has been assumed.

21. No recovery has been assumed against the outstanding short-term loans since such loans spill-over from year to year and a certain amount remains always outstanding. It has been assumed that at the end of the forecast period a similar amount will spill-over for recovery in later years.

22. Of the remaining amount of Rs.6002 crores, the itemwise break-up is as follows:—

	(Rs. crores)
1. Loans for Social and Community Services	2361
2. General Economic Services	931
3. Agricultural and allied services	870
4. Other economic services	1398
5. Government servants and miscellaneous	442
Total:	6002

These loan outstandings have been classified into two categories viz. long-term loans (20 years) and medium term loans (10 years). The loans for Water Supply Schemes, Housing including loans given to Government servants for construction of houses and for urban development have been taken as long-term loans and all other remaining loans as medium-term loans. Accordingly, the recovery over the forecast period has been assumed at the rate of 25 per cent of the former and 45 per cent (as against 50 per cent due during the forecast period) of the latter.

Disbursements of Loans and Advances

23. As regards disbursements of loans and advances under Major Heads 677 to 767, both the Sixth and the Seventh Finance Commissions held the view that these should form part of the Plan. The only exception was made in the case of loans to Government servants (other than for housing) which were treated as non-Plan and provided for while working out the non-Plan capital gap. The same procedure has been followed.

G - Inter-State Settlement

24. Net transactions under this item have been taken into consideration as was done both by the Sixth as well as the Seventh Finance Commission.

H - Appropriations to Contingency Fund and II - Contingency Fund (net)

25. Appropriations to Contingency Fund and the net transactions under Contingency Fund have been ignored while working out the non-Plan capital gap of the States. The Sixth and the Seventh Finance Commissions had done likewise.

III. Public Account

805 - State Provident Funds

26. The Sixth Finance Commission took into account receipts as well as disbursements under this item while working out the non-Plan capital gaps. The Seventh Commission, however, took the view that net receipts under State Provident Funds should constitute a Plan receipt and as such, that Commission omitted the net receipts while working out the non-Plan capital gap. The approach of the Seventh Finance Commission has been followed and State Provident Funds (net) have been treated as a Plan resource.

811 - Insurance & Pension Funds

27. As in the case of State Provident Funds, net receipts under this item have been treated as a Plan resource.

J - Reserve Funds

822 - Sinking Funds

28. These are built out of appropriations from current revenues. Both the Sixth as well as the Seventh Finance Commissions did not allow these appropriations on the revenue account and left out net receipts under sinking funds while working out the non-Plan capital gaps. The same approach has been adopted.

823-835 - Other Funds

29. The Sixth Finance Commission took the view that there should be no net accretion on this account on the capital side and adjusted the revenue account to the extent of actual requirements for maintenance. Consequently the Commission omitted this item while working out the non-Plan capital gap. The same approach has been followed.

K - Deposits and Advances (M.H. 838-850)

30. The Sixth Finance Commission omitted all net receipts other than civil deposits while working out the non-Plan capital gaps. The Seventh Finance Commission, however, took the view that these net receipts should be available for financing the Plan. The approach of the Seventh Finance Commission has been adopted.

L&M - Suspense, Miscellaneous and Remittances (M.H. 858-893)

31. Except for '873-Cash Balance Investment Account', all other items appearing under these Heads, are of accounting nature. These may affect the States' position on capital account in one year to be equally off-set in the subsequent years. Both the previous Commissions ignored these items while working out the non-Plan capital gaps. The same approach has been adopted.

32. 'Cash Balance Investment Account' is a category by itself. Some of the States have sizeable transactions under this item which is in the nature of investment by the State Governments. A veiw could be held that the States should in the first instance use these investments to cover their non-Plan capital gaps. On the other hand, these investments provide a cushion for meeting new expenditures and for increasing the size of the Plan. Such investments have been ignored while working out the non-Plan capital gaps.

Cash Balances

33. The net transactions on account of all budgetary operations of the State Governments both on revenue as well as capital accounts get reflected in the 'Closing Cash Balance' at the end of the year. The difference between the 'Opening Cash Balance' and the 'Closing Cash Balance' represents the net position of all Government transactions during the year. The Sixth Finance Commission ignored these balances while working out the non-Plan capital account. The Commission took the view that since cash balances in excess of certain limits would always be kept invested in Treasury Bills or Securities, it would penalise the States which have such balances for their past prudence if these are taken into account in the non-Plan account. That Commission, therefore, ignored the value of securities held by the State Governments in determining the non-Plan capital gaps. Following this view, cash balances (net) have been ignored from the computation of the non-Plan capital gaps.

Enclosure
(Para 20 of Annexure XIV.1)

Loans and advances outstanding at the end of 1983-84

(Rs. crores)

Sl. No.	STATE	State Electricity Boards	Road Transport Corporation	Short term loans	OTHER LOANS					
					Social & Com. services	General economic services	Agri. & allied services	Other Economic Services	Govt. servant & misc.	Total of other loans 5+6+7+8+9)
1		2	3	4	5	6	7	8	9	10
1.	Andhra Pradesh	584.35	5.30	77.73	149.57	98.84	12.48	15.07	9.55	285.51
2.	Assam	382.16	-	20.89	54.10	21.16	0.62	35.24	29.55	140.67
3.	Bihar	681.61	2.71	94.23	110.97	40.97	30.65	74.18	28.41	285.18
4.	Gujarat	865.27	-	15.58	159.64	50.39	59.10	162.47	77.33	508.93
5.	Haryana	543.84	-	0.47	33.93	17.22	51.58	3.72	8.18	114.63
6.	Himachal Pradesh	103.05	0.05	4.15	11.10	3.69	3.55	4.56	7.62	30.52
7.	Jammu & Kashmir	-	0.09	0.25	29.93	4.60	8.92	14.75	4.21	62.41
8.	Karnataka	753.63	0.31	28.85	140.41	46.42	80.98	110.18	53.23	431.22
9.	Kerala	189.49	9.58	2.67	40.28	42.30	33.02	81.31	15.45	212.36
10.	Madhya Pradesh	1245.03	3.83	18.11	104.35	72.81	66.09	25.03	9.01	277.29
11.	Maharashtra	1753.07	16.15	6.82	336.81	189.24	152.72	110.68	33.91	832.36
12.	Manipur	-	-	NA	6.70	2.14	1.33	2.81	2.39	15.37
13.	Meghalaya	6.76	-	1.47	1.78	1.09	0.34	0.43	2.14	5.78
14.	Nagaland	-	-	0.12	1.90	0.65	0.50	3.28	2.05	8.38
15.	Orissa	145.82	5.38	6.57	30.73	12.12	7.89	23.90	10.35	84.99
16.	Punjab	1028.67	3.20	5.86	108.61	18.65	75.94	198.83	17.53	419.56
17.	Rajasthan	805.80	0.17	14.78	55.24	28.31	20.34	25.44	25.84	155.17
18.	Sikkim	-	-	-	0.48	0.19	0.53	1.03	1.99	4.22
19.	Tamil Nadu	1054.88	65.92	20.44	347.76	122.96	152.29	102.15	68.44	793.60
20.	Tripura	-	0.15	-	11.74	3.96	0.99	1.32	3.67	21.68
21.	Uttar Pradesh	2739.30	15.11	62.13	254.82	123.67	67.40	96.72	15.80	558.41
22.	West Bengal	527.52	202.86	76.36	369.95	20.78	43.16	304.77	15.64	754.30
	TOTAL:	13210.25	330.81	457.48	2360.80	931.16	870.42	1397.87	442.29	6002.54

NA = Not Available

Annexure - XIV-2
(Para 14.4)

Non-Plan Capital Gap - 1984-89

(Rs. Lakhs)

1	Andhra Pradesh 2	Assam 3	Bihar 4	Gujarat 5	Haryana 6	Himachal Pradesh 7	Jammu & Kashmir 8	Karnataka 9	Kerala 10	Madhya Pradesh 11	Maha-rashtra 12
I. RECEIPTS											
1. Recoveries of loans and Advances											
a) In respect of loans outstanding at the end of 1983-84.											
i) Long-term loans*	2646	1204	2958	3235	808	417	507	3971	776	2364	6125
ii) Other loans	8344	4206	7085	17235	3580	626	1905	11919	8163	8324	27000
b) In respect of fresh loans@	150	243	280	280	130	48	125	245	110	113	155
Total of 1:	11140	5653	10323	20750	4518	1019	2537	16135	9049	10801	33280
2. Inter-state debt settlement	-	41	-	-	-	-	-	-995	-	-	995
TOTAL OF I:	11140	5694	10323	20750	4518	1091	2537	15140	9049	10801	34275
II. DISBURSEMENTS											
1. Repayment of loans to Centre											
i) Small Savings	2896	2741	9116	6980	2398	1172	886	3934	1429	3811	16497
ii) Overdraft loans received during:											
a) 1982-83	1895	6370	19740	7460	7579	1845	-	-	9393	15488	8140
b) 1983-84	-	-	13543	-	1594	-	-	387	3381	1622	-
iii) Others	46191	31894	52561	22520	12278	2555	26942	30077	17852	37608	38607
Total of 1:	50982	41005	94960	36960	23849	5572	27828	34398	32055	58529	63244
2. Repayment of loans to others	3146	715	1332	5848	1359	385	369	2305	1755	2375	3595
3. Loans to Government servants (other than house buildings and short-term advances)	300	485	560	560	260	95	250	490	220	225	310
TOTAL OF II:	54428	42205	96852	43368	25468	6052	28447	37193	34030	61129	67149
III. Non-Plan Capital Gap (I-II)	-43288	-36511	-86529	-22618	-20950	-4961	-25910	-22053	-24981	-50328	-32874

Non-Plan Capital Gap - 1984-98 (Contd....) (Rs. Lakhs)

1	Manipur 13	Megha-laya 14	Naga-land 15	Orissa 16	Punjab 17	Rajas-than 18	Sikkim 19	Tamil Nadu 20	Tripura 21	Uttar Pradesh 22	West Bengal 23	Total All States 24
I. RECEIPTS												
1. Recoveries of loans and Advances												
a) In respect of loans outstanding at the end of 1983-84.												
i) Long-term loans*	181	73	86	516	3026	1186	43	8145	93	5710	8530	52600
ii) Other loans	351	114	223	3138	5758	4858	104	22202(b)	752	18469	23761(c)	178117
b) In respect of fresh loans@	43	15	65	215	167	408	3	348	5	288	45	3481
Total of 1:	575	202	374	3869	8951	6452	150	30695	850	24467	32336	234198
2. Inter-state debt settlement	-	-41	-	-	-	-	-	-	-	-	-	-
TOTAL OF I:	575	161	374	3869	8951	6452	150	30695	850	24467	32336	234198
II. DISBURSEMENTS												
1. Repayment of loans to Centre												
i) Small Savings	19	87	25	2285	2590	2698	1	5892	106	14448	16044	96065
ii) Overdraft loans received during												
a) 1982-83	3315	821	1098	2443	9735	28346	-	-	1536	85	34071	159360
b) 1983-84	-	-	-	3280	1706	3897	-	4462	-	160	5898	39930
iii) Others	1698	700	1070	27395	18752	35179	498	36930	905	65519	45718	573449
Total of 1:	5032	1608	2193	35413	32783	70120	499	47284	2547	100212	101731	868804
2. Repayment of loans to others	105	185	95	2125	1750	2378	10	2629	240	3717	2640	39058
3. Loans to Government servants (other than house buildings and short-term advances)	85	30	130	430	335	815	5	695	10	575	90	6955
TOTAL OF II:	5222	1832	2418	37968	34868	73313	514	50608	2797	104504	104461	914817
III. Non-Plan Capital Gap (I-II)	-4647	-1662	-2044	-34099	-25917	-66861	-364	-19913	-1947	-80037	-72125	-680619

* Includes loans under Major heads 682, 683, 684 and loans for housing only under 766.

@ These relate to loans to Government servants (for purposes other than house buildings and purely short-term advances) for which provision has been made on disbursement side.

(b) Recoveries estimated after excluding permanent loan of Rs.3864 lakhs outstanding against Road Transport Corporation.

(c) Recoveries estimated after excluding loans of Rs.8273 lakhs against Road Transport Corporation decided by the State Government to be written off.

Annexure XIV-3
(Para 14.7)

Ratio of loan outstandings, repayments, etc. to State Domestic Product

(Rs. crores)

STATE	Total debt out-stand-ings *	Central loans out-stand-ings *	Repay-ment of Central loans (1984-89)	Non-Plan Capital gap (1984-89)	Total out stand-ing as % of S.D.P.@	Central loans out-stand-ing as % of SDP@	Repay-ment of Cen-tral loans as % of SDP@	Non-Plan capital gap as % of SDP@
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	2575.10	1860.21	509.82	432.88	52.00	37.56	10.30	8.74
2. Assam	1495.29	1306.47	410.05	365.11	86.63	75.69	23.76	21.15
3. Bihar	3270.04	2611.53	949.60	865.29	67.26	53.72	19.53	17.80
4. Gujarat	2056.61	1419.25	369.60	226.18	41.67	28.76	7.49	4.58
5. Haryana	973.39	635.95	238.49	209.50	43.92	28.69	10.76	9.45
6. Himachal Pradesh	336.97	214.88	55.72	49.61	69.07	44.04	11.42	10.17
7. Jammu & Kashmir	1087.21	912.64	278.28	259.10	179.57	150.73	45.96	42.79
8. Karnataka	1612.31	1077.24	343.98	220.53	39.77	26.57	8.49	5.44
9. Kerala	1440.83	859.02	320.55	249.81	50.95	30.37	11.33	8.83
10. Madhya Pradesh	2509.20	1642.87	585.29	503.28	57.09	37.38	13.32	11.45
11. Maharashtra	3545.69	2544.99	632.44	328.74	36.69	26.34	6.55	3.40
12. Manipur	180.94	123.51	50.32	46.47	160.72	109.71	44.70	41.28
13. Meghalaya	84.49	45.30	16.08	16.62	66.59	35.70	12.69	13.10
14. Nagaland	126.16	51.57	21.93	20.44	175.64	71.79	30.53	28.46
15. Orissa	1692.68	1214.67	354.13	340.99	73.29	52.59	15.33	14.76
16. Punjab	1161.09	682.05	327.83	259.17	33.74	19.82	9.53	7.53
17. Rajasthan	2679.98	1802.61	701.20	668.61	77.10	51.86	20.17	19.23
18. Sikkim	16.73	15.63	4.99	3.64	62.59	58.47	18.67	13.62
19. Tamil Nadu	1915.60	1399.34	472.84	199.13	36.03	26.32	8.89	3.75
20. Tripura	133.02	69.00	25.47	19.47	65.20	33.82	12.48	9.54
21. Uttar Pradesh	4989.98	3532.12	1002.12	800.37	57.04	40.38	11.46	9.15
22. West Bengal	3522.72	3037.89	1017.31	721.25	54.74	47.20	15.81	11.21
TOTAL:	37406.03	27058.74	8688.04	6806.19	52.69	38.11	12.24	9.59

* As at the end of 1983-84.

@ Average for 1978-79.

Annexure XIV-4(i)
(Para 14.9)

Outstandings of Central Loans as at the end of 1983-84.

(Rs. Crores)

STATE	Loans consolidated by VII Finance Commission		Small savings Loans		Block loans including Centrally Sponsored Schemes	Drought relief loans	Loans to clear overdraft	Relief & Rehabilitation loans	Other Loans	Total Loans
	15 year Loans	30 year Loans	Received upto 1978-79	Received during 1979-84						
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	66.17	744.38	63.29	217.07	638.45	92.62	18.95	11.01	8.27	1860.21
2. Assam	17.60	219.98	64.39	128.31	737.70	1.80	127.43	8.93	0.33	1306.47
3. Bihar	165.82	621.82	232.17	376.80	817.19	20.84	366.68	5.10	5.11	2611.53
4. Gujarat	-	325.43	137.14	450.54	405.76	20.36	74.60	2.63	2.79	1419.25
5. Haryana	50.44	147.13	60.22	100.39	166.42	15.03	95.72	0.04	0.56	635.95
6. Himachal Pradesh	-	41.88	27.23	62.75	42.44	3.47	36.91	0.01	0.19	214.88
7. Jammu & Kashmir	-	290.02	16.40	41.69	559.95	0.77	-	3.35	0.46	912.64
8. Karnataka	266.95	143.01	94.52	200.49	337.34	22.84	4.84	3.82	3.43	1077.24
9. Kerala	-	315.18	37.38	58.85	284.99	21.51	136.19	1.12	3.80	859.02
10. Madhya Pradesh	42.37	476.57	91.94	160.03	601.27	86.22	175.15	5.34	3.98	1642.87
11. Maharashtra	130.29	379.99	343.18	950.70	604.16	41.62	81.40	3.87	9.78	2544.99
12. Manipur	-	23.59	0.53	0.59	31.70	0.50	66.29	0.17	0.14	123.51
13. Meghalaya	-	3.79	1.66	5.76	17.20	0.04	16.41	0.42	0.02	45.30
14. Nagaland	-	-	0.76	0.70	28.11	0.04	21.96	-	-	51.57
15. Orissa	-	425.22	61.37	81.76	463.19	29.65	65.43	1.84	86.21	1214.67
16. Punjab	225.42	-	54.71	137.82	140.77	2.80	118.67	0.43	1.43	682.05
17. Rajasthan	-	707.50	63.87	137.22	435.82	115.43	332.17	7.58	3.02	1802.61
18. Sikkim	0.33	3.72	-	0.58	10.99	0.01	-	-	-	15.63
19. Tamil Nadu	295.68	123.21	154.36	204.38	452.73	51.04	55.78	54.06	8.10	1399.34
20. Tripura	-	9.60	1.90	6.66	19.14	0.24	30.72	0.23	0.51	69.00
21. Uttar Pradesh	308.56	899.98	389.66	545.39	1342.24	30.81	2.85	2.14	10.49	3532.12
22. West Bengal	216.00	462.87	396.73	808.68	643.02	57.84	414.43	32.53	5.79	3037.89
TOTAL:	1785.63	6364.87	2293.41	4677.16	8780.58	615.48	2242.58	144.62	154.41	27058.74

Annexure XIV-4(ii)
(Para 14.9)

Repayment of loans falling due during 1984-89 (on existing basis)

(Rs. Crores)

STATE	Loans consolidated by VII Finance Commission		Small Savings loans		Block loans including centrally sponsored schemes	Drought relief loans	Loans to clear overdraft	Other loans	Total loans
	15-Year loans	30-Year loans	Received upto 1978-79	Received during 1979-84					
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	33.08	148.89	16.15	12.81	244.65	35.26	18.95	0.03	509.82
2. Assam	8.80	44.00	16.48	10.93	264.99	0.82	63.70	0.33	410.05
3. Bihar	82.91	124.37	59.26	31.90	310.12	8.21	332.83	-	949.60
4. Gujarat	-	65.09	35.10	34.70	152.69	7.36	74.60	0.06	369.60
5. Haryana	25.22	29.42	16.15	7.83	62.43	5.68	91.73	0.03	238.49
6. Himachal Pradesh	-	8.38	6.90	4.82	15.86	1.31	18.45	-	55.72
7. Jammu & Kashmir	-	58.00	5.42	3.44	211.06	0.35	-	0.01	278.28
8. Karnataka	133.47	28.60	24.15	15.19	130.18	8.49	3.87	0.03	343.98
9. Kerala	-	63.04	9.52	4.77	108.08	7.20	127.74	0.20	320.55
10. Madhya Pradesh	21.19	95.31	23.67	14.44	225.39	33.09	171.10	1.10	585.29
11. Maharashtra	65.15	76.00	85.79	79.18	228.90	15.51	81.40	0.51	632.44
12. Manipur	-	4.72	0.14	0.05	12.00	0.23	33.15	0.03	50.32
13. Meghalaya	-	0.76	0.41	0.46	6.21	0.02	8.21	0.01	16.08
14. Nagaland	-	-	0.19	0.06	10.69	0.01	10.98	-	21.93
15. Orissa	-	85.04	15.68	7.27	176.07	11.23	57.23	1.61	354.13
16. Punjab	112.71	-	14.13	11.77	73.88	0.93	114.41	-	327.83
17. Rajasthan	-	141.51	16.23	10.75	166.54	43.49	322.43	0.25	701.20
18. Sikkim	0.17	0.74	-	0.01	4.07	Negl.	-	-	4.99
19. Tamil Nadu	147.85	24.64	39.15	19.77	178.63	18.18	44.62	-	472.84
20. Tripura	-	1.92	0.54	0.52	7.03	0.10	15.36	-	25.47
21. Uttar Pradesh	154.29	180.00	99.65	44.83	507.02	13.44	2.45	0.44	1002.12
22. West Bengal	108.00	92.58	100.96	59.48	235.54	21.06	399.69	-	1017.31
TOTAL:	892.84	1273.01	585.67	374.98	3332.03	231.97	1992.90	4.64	8688.04

Negl. = Negligible.

Annexure XIV-5
(Para 14.36)

Central loans outstanding as percentage of State Domestic Product.

(Rs. Crores)

	STATE	Net State Domestic Product (Average 1976-79) (Rs. crores)	Central Loans outstanding (excluding Small Savings & over-draft loans) (Rs. crores)	Percentage of loans Outstanding to State Domestic Product (Percent)
	1	2	3	4
1.	Punjab	3440.83	370.42	10.8
2.	Maharashtra	9662.69	1165.84	12.1
3.	Gujarat	4935.29	754.34	15.3
4.	Haryana	2216.25	379.58	17.1
5.	Tamil Nadu	5316.56	930.76	17.5
6.	Karnataka	4053.78	773.57	19.1
7.	West Bengal	6435.61	1385.52	21.5
8.	Kerala	2828.06	625.48	22.1
9.	Madhya Pradesh	4395.27	1210.41	27.5
10.	Uttar Pradesh	8747.70	2592.08	29.6
11.	Andhra Pradesh	4952.00	1549.89	31.3
12.	Bihar	4861.82	1630.78	33.5
13.	Rajasthan	3476.06	1261.77	36.3
14.	Orissa	2309.66	1004.27	43.5
15.	Assam	1726.03	977.41	56.6
16.	Tripura	204.02	29.49	14.5
17.	Meghalaya	126.89	21.05	16.6
18.	Himachal Pradesh	487.89	87.98	18.0
19.	Nagaland	71.83	28.15	39.2
20.	Manipur	112.58	55.93	49.7
21.	Sikkim	26.73*	15.05	56.3
22.	Jammu & Kashmir	605.46	851.20	140.6
	TOTAL :	70993.01	17700.97	24.9

* Estimated by the Secretariat of the Finance Commission.

Annexure XIV-6
(Para 14.41)

SUMMARY OF DEBT RELIEF

(Rs. crores)

	STATE	Non-Plan Capital Gap* during 1984-89	Debt relief during 1984-89			Percentage of debt relief to non-plan capital gap
			On the basis of rescheduling	On the basis of write off of repayment	Total	
	1	2	3	4	5	6
1.	Maharashtra	82.37	27.83	-	27.83	33.8
2.	Punjab	118.86	38.71	-	38.71	32.6
3.	Gujarat	81.78	17.80	-	17.80	21.8
4.	Haryana	93.79	31.79	-	31.79	33.9
5.	Tamil Nadu	95.59	28.19	-	28.19	29.5
6.	Karnataka	177.32	48.45	-	48.45	27.3
7.	Uttar Pradesh	653.44	337.92	-	337.92	51.7
8.	Madhya Pradesh	294.07	143.65	-	143.65	48.8
9.	Andhra Pradesh	384.97	204.64	-	204.64	53.2
10.	Kerala	107.78	53.80	-	53.80	49.9
11.	Bihar	441.30	254.53	76.45	330.98	75.0
12.	Rajasthan	319.20	141.56	97.85	239.41	75.0
13.	West Bengal	161.12	116.14	4.70	120.84	75.0
14.	Orissa	260.81	119.12	76.50	195.62	75.0
15.	Assam	274.00	155.75	49.75	205.50	75.0
16.	Jammu & Kashmir	250.24	127.62	85.10	212.72	85.0
17.	Himachal Pradesh	19.44	10.92	5.60	16.52	85.0
18.	Tripura	3.05	2.17	0.40	2.57	84.3
19.	Manipur	13.13	7.63	3.55	11.18	85.1
20.	Meghalaya	7.54	3.49	2.90	6.39	84.8
21.	Nagaland	9.21	6.01	1.80	7.81	84.8
22.	Sikkim	3.63	2.47	0.60	3.07	84.6
	All States	3852.64	1880.19	405.20	2285.39@	59.3

* Excluding repayment of small savings and overdraft loans
@ Excluding relief of Rs.117.08 crores in the repayment or small savings loans in 1984-85.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

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EXPLANATORY MEMORANDUM AS TO THE ACTION TAKEN ON THE RECOMMENDATIONS MADE BY THE EIGHTH FINANCE COMMISSION IN ITS REPORT SUBMITTED TO THE PRESIDENT ON 30TH APRIL, 1984.

The Report of the Eighth Finance Commission covering a period of five years commencing from 1st Day of April, 1984 together with the explanatory memorandum as to the action taken on the recommendations of the Commission is being laid on the Table of the House, in pursuance of Article 281 of the Constitution. A summary of the Commission's main recommendations relating to devolution of taxes and duties to the States, grants-in-aid under Article 275 of the Constitution, financing of relief expenditure and debt relief to the States and other matters, is appended to this memorandum.

2. As required by its terms of reference, the Commission's recommendations cover the five year period commencing from 1st day of April, 1984. The Commission was requested to submit its report to the President by 31st October, 1983 so that sufficient time would be available to consider its recommendations before framing the Budgets and Annual Plans of the Central and State Governments for 1984-85. However, at the request of the Commission, its term was extended upto 29th February, 1984 (by notification dated 29th October, 1983) and further to 30th April, 1984 (by notification dated 29th February, 1984). The Report of the Commission was submitted to the President on 30th April, 1984 by which time the Budgets and Annual Plans for 1984-85 of the Central and most State Governments had already been finalised.

3. In view of the delay in the submission of the Report, the Commission submitted on 14th November, 1983 an Interim Report covering the year 1984-85, so that the recommendations contained in this Interim Report could be considered prior to the presentation of the budgets for 1984-85. The recommendations made by the Commission were accepted by the Government and a memorandum on the action taken was laid on the Table of the House on 9th December, 1983. The budget of the Central Government for the current year, as approved by Parliament, reflects the impact of these decisions.

4. As almost four months of the current year are over and the budgets and Annual Plans for this year are already in operation, it will cause undue disruption in the economy, if the budgets and plans for the remaining part of the current year were to be changed now. In particular, any change in the formula for devolution of Central taxes and duties in mid-year is not considered feasible as it would involve reduction or increase in shares of different States. Taking these considerations into account, the Government have decided to continue with the recommendations of the Finance Commission contained in the Interim Report for the current financial year. The following decisions taken on the Final Report of the Commission and their implementation, therefore, relate to the period 1985-86 to 1988-89.

A - SHARES OF CENTRAL TAXES AND DUTIES

5. For the period of four years commencing from the 1st day of April, 1985, recommendations contained in the final report of the Finance Commission relating to sharing of Income tax, Union duties of excise, additional excise in lieu of State sales tax, estate duty on property other than agricultural land and grant on account of wealth tax on agricultural property have been accepted. In regard to the recommendation of the Commission for enhancing the grant in lieu of repealed tax on railway passenger fares, the recommendation is acceptable to Government but will need to be referred to the Railway Convention Committee. The Government have also accepted the recommendation of the Finance Commission in regard to inter-se distribution of the grant among the States.

6. It may be noted that the Commission has recommended that 5 per cent of the net proceeds of Union duties of excise (excluding that on electricity) should be set aside and distributed to those States which have deficit after taking into account their shares from the devolution of taxes and duties as proposed by it. This introduces a new principle of directly linking devolution to deficits rather than dealing with them only through grants-in-aid under Article 275. While recognising that there could be different views on the merits of this principle, Government have decided to accept this recommendation of the Commission in the Report but without creating a precedent.

B - GRANTS-IN-AID OF THE REVENUES OF STATES UNDER THE SUBSTANTIVE PROVISION OF ARTICLE 275 OF THE CONSTITUTION

7. (i) Grant-in-aid to cover non-Plan gap on revenue account:— For the four years commencing from 1st day of April, 1985, the Government have accepted the recommendations contained in the

Final Report of the Commission for payment of grants-in-aid of the revenues of certain States under the substantive provision of Article 275(1) of the Constitution towards meeting their non-plan revenue gap as assessed by the Commission.

(ii) The Commission has not computed the net interest liabilities of the States arising out of the fresh borrowings during the period 1984-89. The Commission has recommended that the Central Government from year to year should compute in relation to each of the four years (1985-89), the net interest liability of the States arising out of the fresh borrowings and that, thereupon, the President should be moved to increase, to the extent required, the amounts of the grants-in-aid recommended by the Commission for the deficit States and in the case of other States, the net interest liability so computed should be set off against the surplus as assessed by the Commission. The Government have accepted this recommendation.

(iii) The Commission has not computed the additional burden from 1985-86 arising out of the committed expenditure in respect of plan schemes completed in 1984-85. The Commission has recommended that the Government may compute the requirements of the deficit States on this account taking into consideration the yield from additional resource mobilisation measures of 1984-85, and move the President to increase, to the extent required, the amounts of the grants-in-aid. The Government have accepted this recommendation also.

(iv) Grants-in-aid for upgradation of Standards of administration, special problems and for financing of relief expenditure:— The Government have accepted the recommendations of the Commission for making grants-in-aid to certain States for upgradation of standards of administration and special problems for the four years commencing from 1st day of April, 1985, subject to the implementation and monitoring of the schemes in the manner indicated by the Commission in Chapter XII of its Report. The Government have also accepted the recommendation of the Commission that the Centre should contribute annually as grant-in-aid equal to half of the margin money computed by the Commission for financing of relief expenditure.

C - RECOMMENDATIONS ON OTHER TERMS OF REFERENCE

8. i) Financing of Relief Expenditure:— In addition to the grants-in-aid to the margin money of States for financing of relief expenditure, the Government have accepted the modifications recommended by the Commission to the existing arrangements for financing of relief expenditure.

ii) Debt Relief:— The Government have accepted the recommendations of the Commission in regard to debt relief for the four years commencing from 1st day of April, 1985.

D - NOTES OF DISSENT

9. The Report of the Commission has appended to it three Notes of Dissent on certain recommendations. The Government have carefully considered these notes and decided to accept generally the recommendations of the majority.

E - IMPLEMENTATION

10. The Commission's recommendations fall in three categories:

i) Those to be implemented by the Order of the President,
ii) Those to be implemented by law of Parliament,
iii) Those to be implemented by executive orders.

The recommendations under Article 270 and 275(1) of the Constitution relating to income tax and grants-in-aid respectively fall in the first category and the necessary order will be submitted to the President for approval. Recommendations relating to distribution of Union excise duties and estate duty on property other than agricultural land fall in the second category. Necessary legislation will be promoted for implementing them. The recommendations relating to distribution of grant to States in lieu of tax on railway passenger fares and grant on account of wealth tax on agricultural property and also changes in terms of repayment of the Central loans will be implemented by executive orders.

11. The recommendation relating to the enhancement in the grant given in lieu of repealed tax on railway passenger fares will be referred to the Railway Convention Committee and implemented if accepted by them.

12. The Commission has made certain other recommendations in the Report. These do not require any immediate action and will be considered in due course.

New Delhi,
July 24, 1984

Pranab Mukherjee
Minister of Finance

APPENDIX

SUMMARY OF THE MAIN RECOMMENDATIONS OF THE EIGHTH FINANCE COMMISSION

A. SHARES OF CENTRAL TAXES & DUTIES

I. Income Tax

(1) Out of the net proceeds, a sum equal to 1.792 per cent thereof shall be deemed to represent the proceeds attributable to Union territories;

(2) The share of net income tax proceeds, except the portion representing the proceeds attributable to Union territories and Union emoluments, to be assigned to the States should be 85 per cent; and

(3) The distribution amongst the States inter se of the share assigned to the States in respect of each financial year should be on the basis of the percentages shown in the table blow:

State	Percentage with Sikkim (If the income tax becomes leviable in that State)	Percentage without Sikkim
1. Andhra Pradesh	8.187	8.190
2. Assam	2.789	2.789
3. Bihar	12.080	12.085
4. Gujarat	4.409	4.410
5. Haryana	1.074	1.074
6. Himachal Pradesh	0.555	0.555
7. Jammu & Kashmir	0.838	0.838
8. Karnataka	4.979	4.981
9. Kerala	3.760	3.761
10. Madhya Pradesh	8.378	8.382
11. Maharashtra	8.392	8.396
12. Manipur	0.220	0.220
13. Meghalaya	0.184	0.184
14. Nagaland	0.088	0.088
15. Orissa	4.202	4.203
16. Punjab	1.744	1.744
17. Rajasthan	4.545	4.547
18. Sikkim	0.035	--
19. Tamil Nadu	7.565	7.567
20. Tripura	0.269	0.269
21. Uttar Pradesh	17.907	17.914
22. West Bengal	7.800	7.803
Total:—	100.000	100.000

II. Union Duties of Excise

(1) States should be paid a share out of the net proceeds of all excise duties, except the duties collected under the provisions of Additional Excise Duties (Textiles and Textile Articles) Act, 1978, and cesses earmarked by law for special purposes.

(2) The net proceeds of the entire excise duty on generation of electricity should be distributed among the States in an amount equal to the collections in or attributable to that State.

(3) The States' share in the net proceeds of shareable excise duties, excluding that on electricity, should be 45 per cent.

(4) 40 per cent of the net proceeds of shareable excise duties, excluding that on electricity, should be distributed among all the States on the basis of the percentages shown in the table below against their names.

	State	Percentage		State	Percentage
1.	Andhra Pradesh	8.587	12.	Manipur	0.233
2.	Assam	2.977	13.	Meghalaya	0.194
3.	Bihar	13.202	14.	Nagaland	0.096
4.	Gujarat	3.506	15.	Orissa	4.592
5.	Haryana	1.017	16.	Punjab	1.317
6.	Himachal Pradesh	0.589	17.	Rajasthan	4.695
7.	Jammu & Kashmir	0.856	18.	Sikkim	0.039
8.	Karnataka	5.077	19.	Tamil Nadu	7.317
9.	Kerala	3.800	20.	Tripura	0.292
10.	Madhya Pradesh	8.852	21.	Uttar Pradesh	19.097
11.	Maharashtra	6.216	22.	West Bengal	7.449
				Total :	100.000

(5) The balance of 5 per cent of the net proceeds of shareable excise duties excluding that on electricity should be distributed among the deficit States in each of the five years commencing from 1.4.1984 on the basis of the percentages shown respectively in columns 2, 3, 4, 5 and 6 of the table below.

		Share in 5 per cent to Deficit States (Percentage)				
	State	1984-85	1985-86	1986-87	1987-88	1988-89
	1.	2.	3.	4.	5.	6.
1.	Assam	12.728	12.578	12.713	13.418	12.023
2.	Himachal Pradesh	10.340	11.528	12.914	14.098	16.475
3.	Jammu & Kashmir	15.457	16.661	17.818	18.560	20.254
4.	Manipur	6.969	7.742	8.722	9.545	11.217
5.	Meghalaya	5.575	6.180	6.944	7.570	8.863
6.	Nagaland	8.837	9.944	11.240	12.371	14.482
7.	Orissa	9.214	8.154	5.457	3.109	0.598
8.	Rajasthan	1.940	-	-	-	-
9.	Sikkim	1.659	1.836	2.051	2.232	2.593
10.	Tripura	8.200	9.104	10.207	11.162	12.956
11.	West Bengal	19.081	16.273	11.934	7.935	0.539
	Total:—	100.000	100.000	100.000	100.000	100.000

III. Additional Duties of Excise in replacement of sales tax.

The net proceeds of the additional excise duties on textiles, sugar and tobacco should be distributed on the following basis:—

(a) A sum equal to 2.391 per cent of such net proceeds be retained by the Central Government as attributable to the Union territories:

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

	State	Percentage		State	Percentage
1.	Andhra Pradesh	7.504	12.	Manipur	0.178
2.	Assam	2.566	13.	Meghalaya	0.183
3.	Bihar	8.627	14.	Nagaland	0.098
4.	Gujarat	5.941	15.	Orissa	3.653
5.	Haryana	2.488	16.	Punjab	3.675
6.	Himachal Pradesh	0.663	17.	Rajasthan	4.827
7.	Jammu & Kashmir	0.853	18.	Sikkim	0.039
8.	Karnataka	5.561	19.	Tamil Nadu	7.549
9.	Kerala	3.963	20.	Tripura	0.287
10.	Madhya Pradesh	6.942	21.	Uttar Pradesh	14.318
11.	Maharashtra	11.461	22.	West Bengal	8.624
				Total:	100.000

IV. Estate Duty

(1) The net proceeds of Estate Duty in respect of property other than agricultural land attributable to Union territories should be determined in the same manner and on the same principles as for the determination of the shares of each State, taking the Union territories as one unit for the purpose;

(2) The balance of the net proceeds of Estate Duty in each year should be distributed among the States, in proportion to the gross value of the immovable property and property other than immovable property taken together, located in each State and brought into assessment. The location of property other than immovable property should be determined in accordance with the rules framed under the Estate Duty Act, 1953. As for property located abroad, it should be deemed to be located in the State where it is brought to assessment; and

(3) Sikkim will also be entitled to a share in the net proceeds of this duty, calculated in the same manner as for the other States, as from the date the duty may become leviable in that State in the period covered by the Report.

V. Grant-in-lieu of Tax on Railway Passenger Fares

(1) The annual quantum of the grant in lieu of a tax on railway passenger fares be raised to Rs.95 crores in each of the years 1984-85 to 1988-89.

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

	State	Percentage		State	Percentage
1.	Andhra Pradesh	7.68	12.	Manipur	0.02
2.	Assam	2.03	13.	Meghalaya	0.05
3.	Bihar	9.51	14.	Nagaland	0.16
4.	Gujarat	6.67	15.	Orissa	1.58
5.	Haryana	1.84	16.	Punjab	3.88
6.	Himachal Pradesh	0.14	17.	Rajasthan	4.87
7.	Jammu & Kashmir	0.95	18.	Sikkim	0.01
8.	Karnataka	3.43	19.	Tamil Nadu	6.61
9.	Kerala	3.18	20.	Tripura	0.04
10.	Madhya Pradesh	5.85	21.	Uttar Pradesh	17.85
11.	Maharashtra	15.70	22.	West Bengal	7.95
				Total:	100.00

VI. Grant on Account of Wealth Tax on Agricultural Property

The share of each State in the grant on account of wealth tax on agricultural property should be an amount equivalent to the net collection in that State in that year.

B. GRANTS-IN-AID

(1) To cover the deficits on 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. in crores)

	State	Total 1984-89	1984-85	1985-86	1986-87	1987-88	1988-89
	1.	2.	3.	4.	5.	6.	7.
1.	Assam	274.33	78.58	66.92	55.08	47.37	26.38
2.	Himachal Pradesh	223.04	57.65	53.91	47.35	40.76	23.37
3.	Jammu & Kashmir	329.18	89.22	81.14	68.79	57.34	32.69
4.	Manipur	146.95	38.14	35.51	31.25	26.87	15.18
5.	Meghalaya	119.15	30.92	28.76	25.30	21.75	12.42
6.	Nagaland	190.52	48.76	45.96	40.65	35.19	19.96
7.	Orissa	207.60	67.55	54.94	37.78	27.42	19.91
8.	Rajasthan	42.63	34.25	8.38	-	-	-
9.	Sikkim	36.16	9.38	8.71	7.66	6.59	3.82
10.	Tripura	187.05	47.83	44.71	39.57	34.41	20.53
11.	West Bengal	443.61	142.11	113.31	82.59	63.00	42.60
	Total :	2200.22	644.39	542.25	436.02	360.70	216.86

(2) To cover the requirements of upgradation and special problems, during the five years commencing from 1st April 1984, the following States be paid the amount specified against each of them as grants-in-aid of their revenues under the substantive part of Clause (1) of Article 275 of the Constitution. The annual payments be regulated as indicated in para 12.74 of the Report.

Grants for upgradation and special problems
1984-89

(Rs. crores)

State	For Upgradation	For Special Problems	Total
1. Andhra Pradesh	80.49	-	80.49
2. Assam	58.35	5.00	63.35
3. Bihar	130.27	-	130.27
4. Himachal Pradesh	15.76	0.50	16.26
5. Jammu & Kashmir	46.07	2.48	48.55
6. Kerala	16.81	-	16.81
7. Madhya Pradesh	1 47.69	10.00	157.69
8. Manipur	20.30	2.00	22.30
9. Meghalaya	18.20	1.00	19.20
10. Nagaland	10.81	-	10.81
11. Orissa	74.84	-	74.84
12. Punjab	-	20.00	20.00
13. Rajasthan	43.48	10.00	53.48
14. Sikkim	3.14	1.00	4.14
15. Tripura	13.79	0.80	14.59
16. Uttar Pradesh	108.18	-	108.18
17. West Bengal	126.37	-	126.37
Total :	914.55	52.78	967.33

(3) To meet the margin money requirements of States they shall be entitled to the sums specified against each of them as grants-in-aid of their revenues in each of the five years commencing from 1st April, 1984, under the substantive portion of clause (1) of Article 275 of the Constitution, provided that these amounts shall be released as indicated in para 1(c) of Item C below.

State	Annual Grant (Rs. crores)	State	Annual Grant (Rs. crores)
1. Andhra Pradesh	12.250	12. Manipur	0.125
2. Assam	3.625	13. Meghalaya	0.125
3. Bihar	16.875	14. Nagaland	0.125
4. Gujarat	14.375	15. Orissa	13.125
5. Haryana	2.250	16. Punjab	3.000
6. Himachal Pradesh	0.875	17. Rajasthan	8.375
7. Jammu & Kashmir	0.750	18. Sikkim	0.125
8. Karnataka	3.000	19. Tamil Nadu	4.375
9. Kerala	2.500	20. Tripura	0.375
10. Madhya Pradesh	2.375	21. Uttar Pradesh	16.250
11. Maharashtra	3.625	22. West Bengal	11.875
		Total :	120.375

(4) Grants-in aid under Article 275 of the Constitution to cover net additional interest liability on account of fresh borrowings and lendings in the period 1984-89 may be paid to the deficit States in each of the four years commencing from 1st April, 1985, as indicated in paragraph 13.16 of the Report. Grants-in-aid, if any, may also be paid to the deficit States during the years 1985-86 to 1988-89 to cover the additional burden on account of committed expenditure in respect of Plan schemes completed in 1984-85 as mentioned in paragraph 13.18 of the Report.

C. OTHER TERMS OF REFERENCE

I. Financing of Relief Expenditure

(1) The existing arrangements are basically sound and should continue subject to the following modifications:

(a) The following amounts of margin moneys per year be fixed for each State:

	State	Amount of Margin Money (Rs. in crores)		State	Amount of Margin Money (Rs. in crores)
1.	Andhra Pradesh	24.50	12.	Manipur	0.25
2.	Assam	7.25	13.	Meghalaya	0.25
3.	Bihar	33.75	14.	Nagaland	0.25
4.	Gujarat	28.75	15.	Orissa	26.25
5.	Haryana	4.50	16.	Punjab	6.00
6.	Himachal Pradesh	1.75	17.	Rajasthan	16.75
7.	Jammu & Kashmir	1.50	18.	Sikkim	0.25
8.	Karnataka	6.00	19.	Tamil Nadu	8.75
9.	Kerala	5.00	20.	Tripura	0.75
10.	Madhya Pradesh	4.75	21.	Uttar Pradesh	32.50
11.	Maharashtra	7.25	22.	West Bengal	23.75
				Total:	240.75

(b) The State Governments should provide 50 per cent of the margin money mentioned above under the Head of Account '289 - Relief on Account of Natural Calamities'.

(c) The Centre should contribute the balance of 50 per cent of the margin money in every year as a grant-in-aid as indicated in para (3) of item B supra. On the occurrence of a natural calamity, a State will be entitled to draw on the Centre's contribution after it has exhausted its own share of the margin money. Provisions not released to the States will be carried forward to the next year.

(2) Subject to the above modifications, for drought relief expenditure in excess of the margin provided, the State Government should make a contribution from its plan for providing relief employment. The extent to which the State Government should contribute from its Plan in this manner should be assessed by a Central Team after consultation with the State Government and approved by the Central Government. This contribution should not exceed 5 per cent of the Annual Plan outlay. This Plan contribution of the State Government should be treated as an addition to the Plan outlay in that year and covered by Advance Plan assistance. The adjustment of the advance Plan assistance against the ceiling of the Central assistance for the Plan of the State should be effected within five years following the end of the drought. If the expenditure requirement, as assessed by the Central Team and the High Level Committee cannot be adequately met in a particular case after the State Plan contribution is taken into account, the extra 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, half as grant and half as loan. In regard to the expenditure on relief and repairs and restoration of public works following floods, cyclones and other calamities of this nature, Central assistance should be made available as non-Plan grant, not adjustable against the Plan of the State or against Central assistance for the State Plan, to the extent of 75 per cent of the total expenditure in excess of the margins. Where a calamity is of rare severity it may be necessary for the Central Government to extend assistance to the States concerned even beyond the schemes suggested.

II. Non-Plan Capital Gap.

(1) For purposes of debt relief, non-Plan capital gap has been computed after excluding repayments of overdraft loans and small savings loans.

(2) No relief is recommended in respect of overdraft loans given to States in 1982-83 and 1983-84.

(3) No relief is recommended in respect of repayment of small savings loans, except that in 1984-'85, no repayment shall be made.

(4) Loans for relief and rehabilitation of displaced persons etc. should be written off.

(5) The estimated relief to States in the five year period 1984-89, including write off of repayments of Rs.405.20 crores, is as follows:—

	State	Rs. in crores		State	Rs. in crores
1.	Andhra Pradesh	204.64	12.	Manipur	11.18
2.	Assam	205.50	13.	Meghalaya	6.39
3.	Bihar	330.98	14.	Nagaland	7.81
4.	Gujarat	17.80	15.	Orissa	195.62
5.	Haryana	31.79	16.	Punjab	38.71
6.	Himachal Pradesh	16.52	17.	Rajasthan	239.41
7.	Jammu & Kashmir	212.72	18.	Sikkim	3.07
8.	Karnataka	48.45	19.	Tamil Nadu	28.19
9.	Kerala	53.80	20.	Tripura	2.57
10.	Madhya Pradesh	143.65	21.	Uttar Pradesh	337.92
11.	Maharashtra	27.83	22.	West Bengal	120.84
				Total	2285.39

(6) Pre-1979 loans recommended for consolidation should carry an interest of 4.75 per cent. The loans sanctioned after 1st April, 1979 and outstanding on 31.3.84 which have been recommended for consolidation should carry the following rates of interest depending on the period of repayment as rescheduled.

Rescheduled for 15 years	6 per cent
Rescheduled for 20 years	6.25 per cent
Rescheduled for 25 years	6.50 per cent
Rescheduled for 30 years	6.75 per cent

III. Scope for Raising revenues from taxes and duties mentioned in Articles 268 and 269 of the Constitution.

(1) Duties under Article 268

(a) Some scope for raising the rates of stamp duties exists only in respect of bills of lading excluding those in respect of inland navigation, letters of credit and policies of general insurance including marine insurance.

(b) There is no scope for enhancing revenues from excise duties on medicinal and toilet preparations.

(2) Taxes and duties mentioned in Article 269 but not levied at present.

There is scope for levying tax on railway passenger fares but no such tax should be levied so long as the present arrangement by which the Centre gives grants to the States in lieu of such a tax, continues to exist. There is scope for raising revenues by levying a tax on advertisements published in newspapers and journals.

IV. General Observations.

(1) The period covered by the recommendations of the Finance Commission should be synchronised with that of the Five Year Plan.

(2) There should be a permanent Division in the Ministry of Finance during the interregnum between one Commission and the next with the functions indicated in para 16.12 of the Report.

(3) The staff strength of the proposed Division may be suitably augmented.

(4) The State Governments should also have similar permanent Divisions in their Finance Departments.

(5) Future Commissions should be vested with the financial and administrative powers of a Ministry of Government of India.

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