

Bihar State Planning Board

Special Category State (SCS) Status

in the context of Bihar

Feb'2013

(Updated in
Oct, 2013)



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PREFACE

1. Bihar has seen unexpected resurgence in the recent times on most counts. Growth Rate has increased from 0.92 % in 05-06 to 13.33 % in 11-12, Per Capita Income (PCI) from Rs 6,610 in 05-06 to Rs 15,268 in 11-12, poverty ratio has declined from 54.4% in 04-05 to 33.74% in 11-12 and so on. Most of all, State Govt. has provided good governance and established rule of law. People can do business without fear of anti-social elements. Bihar is a success story discussed world-wide.
2. Due to the sound financial management, the total budget has increased from Rs 20,058 Cr. in 04-05 to Rs 78,687 Cr. in 12-13, the plan size increased from Rs 3,059 Cr. in 04-05 to Rs 28,000 in 12-13, public debt has come down from 55.5% in 05-06 to 29% in 11-12, own tax & non-tax has increased from Rs 3,342 Cr in 04-05 to Rs 18,837 in 12-13.
3. However, we are still far behind in PCI (38% of All India in 11-12) and Power availability (1/7th of All India). Industrialization, which provides better employment & income to the people and reduces population load on the overburdened agriculture (89% people in 2011), is still very low. Per Capita Total Expenditure (PCTE), which is a major determinant of growth, of Bihar (Rs 6,291) is way behind the All India average of Rs 11,619 in 11-12. Credit Deposit Ratio (CDR) continues to be below 29% against the All India average of 73%.
4. The root cause lies in the cumulative neglect of Bihar, which continued from the colonial rule to post-independence & post-liberalization periods. Separation of resource-rich Jharkhand gave yet another body blow.
5. In spite of the abiding objective of the national policies and plans to ensure “Faster, More Inclusive & Sustainable Growth”, Per Capita Central Assistance to Bihar was Rs 1,738 in the 11th Plan against All India average of Rs 2,534. Unfortunately, even the Per Capita Plan Outlay projected by the 12th National Plan for Bihar is Rs 20,033 against Rs 31,328 for All India. Similarly, Per Capita award of Central Finance Commission (FCs) has been grossly insufficient to ensure equalization of services, the very objective of the FC transfers. With the Growth Rate projections (9.1% for All India & 8.2% for Bihar) in the 12th National Plan, Bihar would take 116 year to catch up on PCI and even more, if the

fertility rate (3.7) is not controlled. Development is the best contraceptive. Fortunately, with the current growth of 13.26 %, it would take 17years.

6. Post- liberalization era has seen decline of the public investment (from 66% in the 6th Plan to 25% in the 11th Plan) and ascendance of the private sector. Most of the private investment flows to the developed States leading to production, employment & income elsewhere and market in Bihar. Law & order is no longer an impediment but low availability of power (1/7th of national average) and the deficient infrastructure are. However the Union Government has not acceded for example to repeated requests for providing coal linkage to our Thermal Power Plants. Moreover, tax & non-tax incentives to industries, given in many non-NE States, are not available in Bihar though mining & manufacturing of Bihar contributes miniscule 0.81% of the All India total. In per capita terms, it is Rs 724 Vs Rs 7,696 respectively.
7. Given the huge development deficit, State Govt. has been urging Prime Minister, Finance Minister and Planning Commission to grant Special Category State (SCS) status to Bihar. The following Note clearly brings out:
 - Situation of other Low Income Sates (LISs), who also have demanded SCS status, is relatively much better. By any objective criteria, Bihar would be the most deserving for SCS Status. **(para 10.4).**
 - Tax & other incentives are imperatives for attracting acutely needed private investment in Bihar.
 - Grant of SCS status would not be enough for catching up even with the All India **averages** in the foreseeable future. Special Central Assistance of Rs. 1,28,000 cr. would be required over each of the 12th and 13th Plans.
 - Policy and Program support as listed in Chapter 9 of the Note would be necessary.
8. The Note further brings out that:
 - Other Low Income States (LISs), although much better off than Bihar, also generally lag behind in crucial parameters.
 - The FC devolution and the Planning processes, priorities & allocations should make a paradigm shift. Bridging the deficit of backward States in 10 years should be the number one priority in consonance with the national objective of “Faster, More Inclusive & Sustainable Growth” and the mandate of NDC.

9. The Union Government accordingly needs to set up an Expert Committee (or mandate the 14th FC itself) to take a holistic view of Plan & Non- Plan transfers, State Borrowing norms, Private Investment, Credit Deposit Ratio, direct & indirect Subsidies etc. for equalization within 10 years and make appropriate recommendations. Moreover, Planning Commission should do due diligence urgently on the issues relating to 'Regional Equality' referred to in Chapter 1, para 1.4 of the following Note.

10. The concern, therefore, is not only about Bihar, but all Low Income States (LISs) of the Country. Para 11.35 of Chapter 11 on 'Regional Equality' of the 12th Plan has rightly cautioned us "Different States of the country, if are not able to access the fruits of development equitably so that the levels of services and benefits to them are fair and just, the overall stress in the national polity is increased. This gets reflected in the handling of various national issues and acts as a drag on overall economic growth of the country".

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11. SCS status and Raghuram Rajan Committee Report
12. Conclusion and Recommendations

Chapter – 1

Regional Backwardness and National Policies and Planning

1. Objective of the National Policies and Planning

1.1 ‘Growth with Equity (including Regional Equality)’ has been the abiding objective of the National Policies and Planning process ever since the 1st Plan.

1.2 One of the key functions of the National Development Council (NDC) set up in 1952 is to ensure balanced and rapid development of all parts of the country.

1.3 The leit motif of 12th Plan is “Faster, More Inclusive & Sustainable Growth”. Para 11.35 of Chapter 11 on ‘Regional Equality’ of the 12th Plan document says “Different States of the country, if are not able to access the fruits of development equitably so that the levels of services and benefits to them are fair and just, the overall stress in the national polity is increased. This gets reflected in the handling of various national issues and acts as a drag on overall economic growth of the country”.

1.4 However, the 12th Plan document doesn’t indicate time frame for achieving Regional Equality, whether the Growth Rates (GRs) projected for the States would lead to significant reduction in inequality, what investments are required for achieving even the projected GRs, how would such investment be mobilized, how would private investment (which has increased from 34% in the 6th Plan to 75% in the 11th Plan and become the major determinant of growth) flow to the underdeveloped states, how would the huge gaps in power & connectivity in particular would be bridged, inter alia, to attract private investment, etc.

1.5 Following data & analysis show that **cumulative deprivation and development deficit is clearly the highest for Bihar (most often by a big margin) and unbridgeable without extraordinary measures**. Regional Equality for Bihar, inspite of the recent resurgence, would otherwise remain a distant dream.

2. Defining & measuring Regional Backwardness:-

Several Expert Committees have gone into the definition and measurement of Regional Backwardness (App. 1.1), the last being Raghuram Rajan Committee (Chap.

11). Each has gone into certain aspects of Regional Backwardness, depending on their ToRs and it is difficult to choose one Report as the most satisfactory.

Appendix-

1.1 Approach / Variables used by Past Committees to Address Regional Backwardness

Chapter – 2

Socio-economic Scenario

Notwithstanding the remarkable progress made by Bihar on most of the socio-economic indicators in the recent years, cumulative deficits of the past are huge and would take extra-ordinary measures by both the State & the Centre to bridge in the proximate future.

2.1 Composition of GSDP:

2.1.1 GSDP is the lowest per capita for Bihar and comprises of subsistence agriculture, tiny manufacturing base with predominance of tiny & cottage units and largely informal service sector. **(Annex-2.1)**

2.1.2 Changes in the composition of GSDP from 04-05 to 11-12 are characterized by :

- (a) % of people in rural areas, largely dependent on subsistence agriculture & allied activities, has stagnated around 89% between 2001 & 2011, whereas, share of agri & allied sectors in GSDP has come down from 26.8 to 24.84% - a major cause of the persisting poverty.
- (b) Share of manufacturing has declined from a low 5.63% to lower 5.29%. Moreover, unregistered manufacturing is substantially high.
- (c) There was a boom in public & private constructions (from 6.01% to 10.81%) and trade (from 20.94% to 23.89%). However, contribution of institutional finance in financing these activities has not been significant.
- (d) There was a marginal decline in Banking & Insurance (from 3.32% to 3.17%), which signifies that one of the key drivers of the economy is not doing well.

2.1.3 Overall, the recent spurt in growth is without significant structural changes and all segments of the GSDP have grown proportionately. It has considerable implications for revenue generation, poverty reduction and developmental prospect. Nevertheless, major public investments made in the recent past in infrastructure etc. would now come into full play and drive the economy.

2.2 Income, Poverty & Employment

2.2.1 Per Capita Income (PCI), which is the single best indicator of development, in the case of Bihar has been declining ever since the 1st Plan- from 69% of the National average in 60-63 to 32% in 05-06 but for significant improvement during the 11th

plan, due primarily to the good governance by the State Govt. It is still abysmally low at 35% (2011-12). (**Annex-2.2**)

2.2.2 Poverty Ratio: The latest NSSO data (2011-12) shows major improvements in poverty ratio (Table 2.1) and need detailed analysis for policy & programme prescriptions:

Table 2.1 : Poverty ratios in LISs

State	Bihar	Chhattis.	Jharkhand	MP	Orissa	Rajasthan	UP
04-05	54.4	49.4	45.3	48.6	57.2	34.4	40.9
09-10	53.5	48.7	39.1	36.7	37	24.8	37.7
11-12	33.74	33.93	36.96	31.65	32.59	14.71	29.43

Note: Planning Commission has explained the high poverty figures of 09-10, a result of drought in the year.

2.2.3 Consumption pattern: 65% (highest) of Per Capita Monthly Expenditure (PCME) in Bihar is incurred on food, which reflects the magnitude of subsistence. (Annex-2.2)

2.2.4 Unemployment Rate (CDS): for Bihar is 108 as against 63 for All India. (Annex-2.2)

2.3 Other Socio-Economic indicators

2.3.1 HDI of Bihar is 0.367 against 0.467 for All India (as per the latest comparable data available upto 07-08 only). Status in regard to MMR (261) and Sex ratio (916) against (212, 940) is particularly unsatisfactory. (Annex.2.3)

2.3.2 Infrastructure Index: rank of Bihar in infrastructure, as estimated by Planning Commission, was 20th in 2008-09. Per Capita Consumption of Power, for example, in Bihar is 1/7th of All India. (Annex-2.4)

- Infrastructure no doubt is the key to economic growth, cost & quality of governance and private investment. Moreover, there is strong correlation between Infrastructure, PCI and Poverty (Table 2.2):

Table : 2.2

Between	1999-00	2007-08	2008-09
Infra Index and PCI	0.7895	0.8623	0.8506
Infra Index and Poverty Ratio	0.6386	0.8727	0.8208
PCI and Poverty Ratio	0.8193	0.7390	0.7481

Source: 12th Plan document (page-315).

- 2.3.3** Urbanization –which is both the cause (as engine of growth, enabler of economies of scale in providing goods & services and promoter of social mobility) and the consequence of development, is the lowest for Bihar and has increased from mere 10.46 % in 2001 to just 11.30% in 2011 as against 27.82% and 37.70% respectively for All India. (**Annex-2.3**)
- 2.3.4** Population load: Bihar has the highest population density (1102 per sq. km), being compounded by the highest TFR (3.7). National averages are 368 & 2.5 respectively. This combined with very low urbanization (around 11% in 2011) results in (i) ever-increasing population load on the already subsistence agriculture, and (ii) fragmentation and decreasing size of the land holdings, making farming evermore unremunerative and the poverty problem intractable. **Furthermore, low skills & dearth of skill building institutions, do not assure ‘demographic dividend’ for Bihar.**
- 2.3.5** Industrialization: is one of the lowest for Bihar. Share of manufacturing in GSDP has declined from a low 5.63% in 04-05 to even lower 5.29% in 11-12. Moreover, unregistered manufacturing is substantially higher. The share of Bihar in All India mining & manufacturing in 2011-12 was miniscule 0.81%. (**Annex. 2.5**)

Annexures:

Annex. 2.1 Composition of GSDP of Bihar

Annex. 2.2 Income, Poverty & Employment

Annex. 2.3 Demographic features & HDI

Annex. 2.4 Infrastructure

Annex. 2.5 Composition of GSDP of the states

Chapter – 3

Causes of underdevelopment of Bihar

3.1 Causes of under-development of Bihar

- **Colonial legacy:** Permanent Settlement and its consequences viz. weak presence of Government and correspondingly extortionate stranglehold of landlords led to low public & private investment. Bihar infact was relegated as supplier of cheap labor & raw materials.
- **Post- independence GOI policies:** of freight equalization, royalty ad-quantum, low Plan and non-Plan transfers, negative transfers etc led to low investment, relative deterioration of infra & HRD and continuously declining PCI.
- **Post-liberalization:** Progressive increase in private investment (from 43% of the total in the 6th Plan to 75% in the 11th Plan), which mostly flows to the already developed states (for obvious reasons), led to production/ income/ employment elsewhere and market in Bihar.
- **Recurring devastating floods:** in population-dense North Bihar, primarily due to GOI inability to negotiate with Nepal, where 85% of the catchment lies, is an eternal curse.
- **Severe Governance deficit:** till recently gave Bihar a little hope.
- **Separation of Jharkhand –**
 - Led to loss of extensive mines & industries: which were source of income & employment for people and revenue for the State Government.
 - Infact richer part went to Jharkhand: $\frac{3}{4}$ of Assets & $\frac{1}{4}$ of liabilities, 46% land & 25% population, 70% power generation & 30% load.
 - Non-fulfillment of promises of the Bihar Reorganization Act: perpetuates its consequences.
- **Access to global trade:** is very limited, Bihar being land-locked with no Dry Ports and no Expressway to sea-ports.

3.2 Why is development of Bihar important

- **National Goal:** is 'Faster, More Inclusive & Sustainable Growth'. Growth Rate projection of India in the 12th Plan has already been scaled down from initial 9% to 8.2%. LISs including Bihar have the potential to grow faster and enhance the national growth rate. Further, imperative of Regional Equality is clearly stated in para 11.35 of the 12th Plan document.
- **Population Control:** Bihar has the highest population density of 1102 per sq. km. and its TFR is the highest at 3.7. This leads to avoidable large scale migration of able-bodied, creating labor shortages within and tensions outside. Moreover, 1971 population as cut-off for (a) FC awards and (b) Plan Assistance (Gadgil Formula), is going to be a major federal issue, as most LISs face the consequences of this gross discrimination. Development is the best contraceptive as TFRs of High/Medium Income States (H/MISs) vs of Low Income States (LISs) show. (**Annex-2.3**)
- **Food security:** Future food requirement of the country would be met by the highly efficient production potential of Bihar in particular, being realized now.
- **Strategic importance:** China and LWE corridor through Bihar-Nepal is going to be a major national concern when India & China compete increasingly in the global arena.
- **Imperative of federalism:** both political & economic, is self-evident.

3.3 The following Chapters show that for the recent resurgence of Bihar to sustain, much higher level of Plan & non-Plan transfers and major policy supports are required.

Chapter – 4

Time frame and resources for catching up

4.1 With the 12th National Plan Growth Rate (GR) targets for Bihar @ 9.1% (Bihar had projected 13%) and for All India @ 8.2%, Bihar PCI would take 128 years to catch up with All India. Even if the unprecedented GR of 12.11% of the 11th Plan is sustained by Bihar, it would take 30 years.

$$\text{Formula : } State\ PCI(1 + \frac{GR_s}{100})^y = All\ India\ PCI(1 + \frac{GR_{AI}}{100})^y$$

- With TFR factored in, it would take many more years.

4.2 If PCI is to converge in 10 years, Growth Rate of Bihar (without factoring in TFR) should increase from 12.11% in the 11th Plan (a very high base already) to 20%. (**Annex-4.1**). It translates into **additional central assistance** of Rs 1,38,896 cr and private investment of Rs 9,94,178 cr. in the five year plan (at 11-12 prices) as given in **Table: 4.1** below:

Table: 4.1

GR (%)	Total (Pub.+ Pri.)	Public Investment				Private Investment		
		Total (Pub.)	State Plan	Available	Addi Cntrl Transfer	Total (Pvt.)	Banks, if CDR is 100%	Others
1	2	3	4	5	6 (4-5)	7	8	9 (7-8)
13	10,35,933	3,77,468	2,72,478	2,72,478	0	6,58,465	1,00,000	5,58,465
20	15,64,158	5,69,980	4,11,374	2,72,478	1,38,896	9,94,178	1,00,000	8,94,178

Note : (a.) Col. 2, 3, 4 and 7 are based on assumptions of the 12th Plan of Bihar for 13% growth:

(b.) Public Investment @ 36.44% [state plan investment @ 26.30% & others @ 10%] and Private Investment @ 63.56 of total. The Working Group set up by the Planning Commission for the 12th Plan on State Resources has also given similar composition.

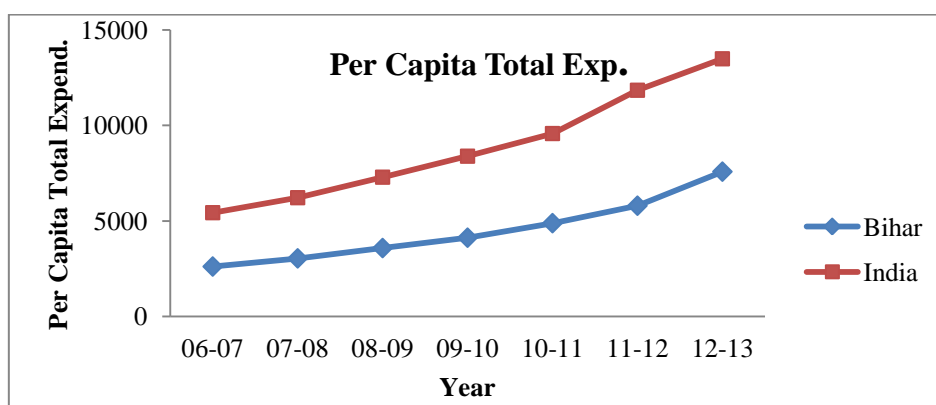
- **Since this magnitude of private investment is improbable, most of the additional resource has to come from public investment.**

4.3 Unfortunately, resource projection for the State 12th Plan by Bihar at Rs 2,72,478 cr, has been reduced by Planning Commission to Rs 2,28,451 cr, instead of finding additional resources. Moreover, Per Capita Plan Expenditure (PCPE) projection by the 12th National Plan for Bihar is Rs 20,033 against the All India average of Rs 31,328.

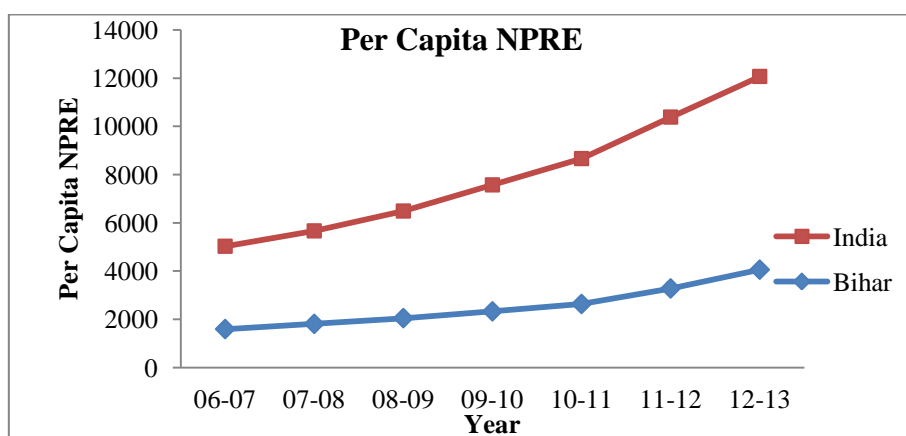
4.4 **Resource requirement for equalization of PCTE/NPRE:** Resource mobilization, expenditure profile and debt management of Bihar (Chapters 5 & 6) show determined move towards prudent financial management. But given the huge cumulative development deficit, Bihar needs far more resources than all India average to invest

particularly on infrastructure & social services and catch up. But it is actually much less by all parameters. **Even if the modest target is to reach the present all India averages (2011-12), additional public resource requirement at 2011-12 price would be as shown below:**

- 4.4.1 **PCTE:** If Per Capita Total Expenditure (the most important determinant of development, if expended well) is to equalize, requirement of **additional** central transfers would be [PCTE_{National}: Rs 11,696 - PCTE_{Bihar}: Rs 6,294]× Bihar Population: 10.38 Cr. = 56,072.76 Cr. p.a. ≡ Rs 56,000 Cr p.a. (**Annex-4.2**)



- 4.4.2 **PCNPRES** : If PC NPRES is to equalize, requirement of **additional central transfer** would be [PCNPRES_{National} : Rs 7,104 – PCNPRES_{Bihar} : Rs 3,277] × Bihar Population: 10.38 Cr = Rs 39,724 cr. ≡ Rs 40,000 Cr p.a. (**Annex-4.2**)



Source: Bihar figures are taken from Bihar Budget Document and All India figures from State Finance, RBI of respective years. Per Capita is computed on the basis of 2011 Census.

Annexures:

Annex. 4.1 Time frame & resources for catching up on PCI

Annex. 4.2 Trends of PCTE & PCNPRES

Chapter – 5

Expenditure Management in Bihar

5.1 Expenditure on key items as % of the Total Budget -2011-12 (RE)

Table 5.1 (Details in Annex 5.1)

State	Plan Exp.	Non-Plan Exp.						PCTE	PCPE	Deficit		Liabilities (of % GSDP)
		Inters.	Pension	Salary	Debt.	GOI Loan	Others			Rev.	Fis.	
1	2	3	4	5	6	7	8	9	10	11	12	13
Bihar	41.17	6.58	10.54	17.30	3.42	0.65	20.34	6934	2855	-2.60	2.50	28.40
India	33.36	9.72	8.50	17.39	6.63	0.59	23.81	12061	4024	-0.20	2.20	21.90

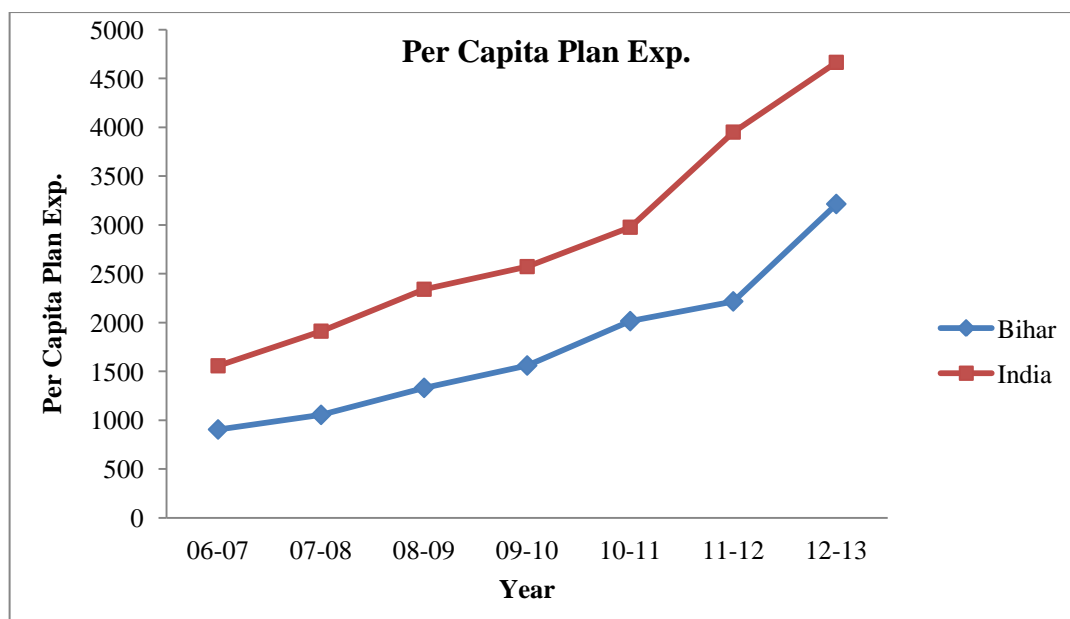
Note: Receipt & Expenditure of Bihar for 05-06 (actuals) to 13-14 (BE) at Annex. 5.7

5.1.1 Total Expenditure (TE):

- PCTE (the most important determinant of all round development) of Rs 6,934 of Bihar in 2011-12 (RE) was 57.48 % of All India average of Rs 12,061. Relative to PCI, it is even worse.

5.1.2 Plan Expenditure (PE):

- PCPE: for Bihar has always been much lower than All India (e.g. 66 % of All India in 90-91, 26% in 00-01, 55% in 2010-11). Further, it was Rs 6,343 for Bihar and Rs 10,794 for All India in the 11th Plan. (Annex- 5.4)



- Unfortunately, even the 12th Plan projection for PCPE for Bihar is Rs 20,033 against the All India average of Rs 31,328. Relative to PCI, it is even worse. It raises serious question about the planning priorities, processes & allocations. **(Annex-5.5)**
- Plan expenditure of NE states: on the other hand in the 10th & 11th Plan, with mere 4.51 cr. population & higher PCI, were Rs 80,000 cr & Rs 1,50,000 cr respectively.
- State Plan size of Bihar has, however, increased from Rs 4,490 Cr in 05-06 to Rs 20,322 Cr in 11-12 (and further to 28,000 Cr in 12-13) due to sound financial management and compression of NPRE. Consequently, % of Plan to Total Expenditure in 11-12 (RE) was 41.17% & 33.36% for Bihar & All India respectively.

5.1.3 Non-Plan Expenditure:

- Lower Interest & Debt expenditure reflect that Bihar inspite of the acute resource gap, is not able to borrow optimally.
- Higher % of Salary & Pension expenditure: reflects low Budget, as employee ratio of Bihar is lower.

5.1.4 NPRE (Details in Annex 5.6):

- Actuals of Bihar are much higher than the estimates of the 13th FC (Table 5.2 below) and closer to the Planning Commission formula given vide its letter No. 3/3/2011 - FR dt 11.10.2011 for the 12th Plan projections.

Table 5.2: NPRE of Bihar Govt. in Cr.

	10-11	11-12	12-13	13-14	14-15	Total
PC	27316	34619*	38888	43429	48529	192781
FC	24787	26475	31385	33724	36254	152625
Actuals	27316	34013	42080	49602	59428	212439

Note:- (i) PC- Planning Commission formula, FC-As per 13th Finance Commission,

*(ii) Actual figures for 10-11 to 13-14 as per Bihar Budget and for 14-15 based on moving TGR for five years. (iii) * - BE figure – as suggested by PC.*

- Under-estimation of NPRE by the 13th FC has evidently hurt Bihar's interest.

5.2 Sectoral expenditure (2011-12) (Details in Annex- 5.2 & 5.3)

5.2.1 The following Tables show that while Bihar spends substantially higher % of GSDP on critical sectors (except Urban Development), it is quite low Per Capita (except Rural Development). The same picture obtains for other sectors also, evidently due to the low PCTE/Budget level.

Table: 5.3 (2011-12 BE)

State	Education				Health				Agriculture				Rural Development			
	Exp.	% Bud	% GSDP	PC	Exp.	% Bud	% GSDP	PC	Exp.	% Bud	% GSDP	PC	Exp.	% Bud	% GSDP	PC
Bihar	11233	17.20	4.55	1082	2305	3.53	0.93	222	2071	3.17	0.84	200	5147	7.88	2.08	496
India	233103	16.58	2.79	1962	51188	3.64	0.61	431	65403	4.65	0.78	540	52852	3.76	0.63	437

Table: 5.4 (2011-12 BE)

State	Energy				Irrigation				Road				Urban Development			
	Exp.	% Bud	% GSDP	PC	Exp.	% Bud	% GSDP	PC	Exp.	% Bud	% GSDP	PC	Exp.	% Bud	% GSDP	PC
Bihar	2033	3.11	0.83	196	3567	5.46	1.44	344	4898	7.50	1.98	472	1233	1.89	0.50	119
India	54713	3.89	0.65	452	88599	6.30	1.06	732	64999	4.62	0.78	537	42389	3.02	0.51	357

5.3 Debt and deficits:

Annex. 5.7 shows that there has been a turn around in deficit & debt management.

Infact, it is better than the fiscal adjustment path recommended by the 13th FC.

5.3.1 Revenue Deficit:

There is a revenue surplus of 1.95% as against the FC target of 0.0% (year 2011-12)

5.3.2 Fiscal Deficit (FD) is within norms i.e. 2.39% as against 3.00% (year 2011-12). Infact

one could argue for enhancing FD to at least 3% for raising additional resources to meet the huge development deficit.

5.3.2 Debt (as % of GSDP) have come down from 55.5 % in 05-06 to 29% in 11-12 against the FC target of 30.3%. **But it may have happened through a compression of much needed higher spending.****Annexures:**

Annex. 5.1 State wise Expenditure

Annex. 5.2 Economic Services Expenditure

Annex. 5.3 Social Services Expenditure

Annex. 5.4 Plan Outlay

Annex.5.5 Plan resources, borrowings & GSDP growth for the 11th & 12th Plans

Annex. 5.6 NPRD Projection for Bihar

Annex. 5.7 Receipt & Expenditure as % of GSDP of Bihar Govt. (05-06 to 13-14).

Chapter – 6

Resources of Bihar

6.1 Resource Projection by the 13th FC & actuals for Bihar

Following Table 6.1 shows that Bihar has done better than the 13th FC projections as regards own revenue (OTR + ONTR).

Table: 6.1: 13th FC projection of own revenue & transfers and actuals for Bihar

Year	GSDP		13 th FC Projection				Actuals/BE			
	CSO/Bud	13 th FC	OTR	ONTR	Tax-share	Grant	OTR	ONTR	Tax share	Grant
10-11	130272	129917	8242	1654		1543	9870	989	23978	1485
11-12	144149	144301	9303	1774		2595	12612	890	27935	2550
12-13	165018	160895	10537	1907		3129	15695	1142	33126	1438
13-14	314155	179398	11933	2132		3505	20963	1416	37981	-----
14-15	-----	200029	13510	2467		3831	26612*	1422*	-----	-----
Total		814540	53526	9934	158341	12758	85752	5856	-----	-----

*Source: (i) GSDP figures are from CSO (@ constant prices as on 1.08.2013 (except 13-14) (ii) FC figures as per 13th Finance Commission Report, (ii) *projected through Moving TGR for 5 years (except in the case of ONTR, after excluding expected amount of Rs 2000Cr each from Jharkhand in 12-13 & 13-14.)*

6.2 Total Resources of Bihar in 2011-12 (RE) relative to All India : Details in Annex-6.1

Table: 6.2: Own revenue, borrowing & central transfers for Bihar

State	Tax & N-Tax as			Borrowing As			Total own (T & NT and Borr.)			Central Contribution				
	% Bud	% GSDP	Rof PCI	% Bud	% GSDP	Rof PCI	% Bud	% GSDP	Rof PCI	T. Share	Grants	Loan	Total	PC
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Bihar	21.20	5.53	0.89	10.43	2.72	0.44	31.62	8.24	0.13	28810	13680	1540	44030	4242
India	46.67	7.88	0.62	17.58	2.97	0.23	64.25	10.84	0.06	259730	223890	20210	503830	4164

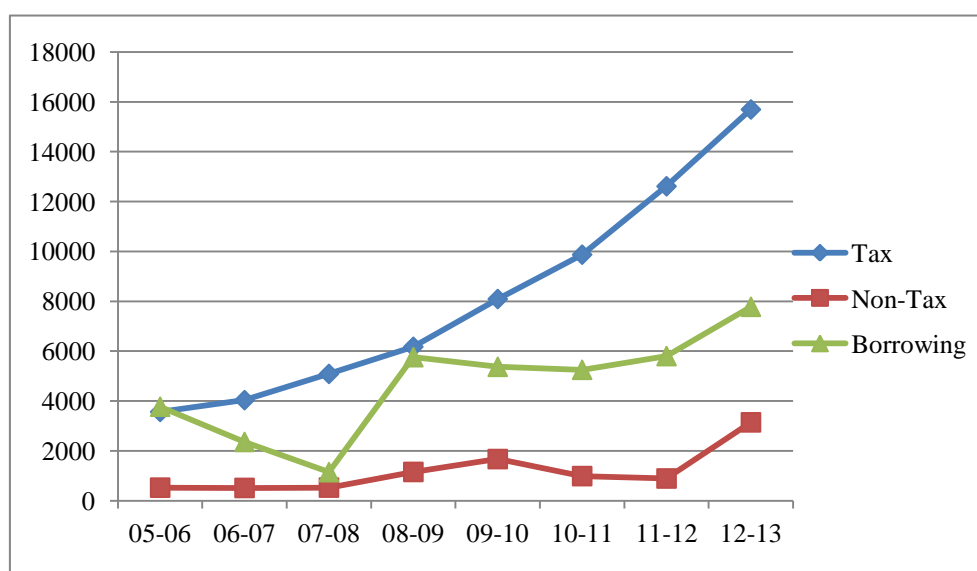
R of PCI = Ratio of Per Capita Income, PC = Per Capita, Grants- include all Central grants

6.2.1 Own resources of Bihar are 0.13 as ratio of PCI, 8.24% of GSDP and 31.62% of Budget, as against all India averages of 0.06, 10.84% & 64.25% respectively. It shows that while Bihar is doing much better in raising own resources as ratio of PCI and fairly well in % of GSDP (inspite of the adverse size & composition of GSDP and

the lowest PCI), its own resources are (inspite of serious ARM efforts) low as percentage of its even modest Budget.

6.2.2 Additional Resource Mobilization (ARM): Adverse size (the lowest per capita GSDP) and composition of GSDP (relatively high share of subsistence agriculture, tiny industrial base with predominance of tiny & cottage units and largely informal service sector) compounded by the highest population density (1102 per sq km) & TFR (3.7), impose serious limitations on further ARM by Bihar. **Tremendous effort made by Bihar in the recent years has already pushed ARM to the limits. (Table 6.3 & Annex. – 6.2)**

Table 6.3 Tax, Non-Tax and Borrowing



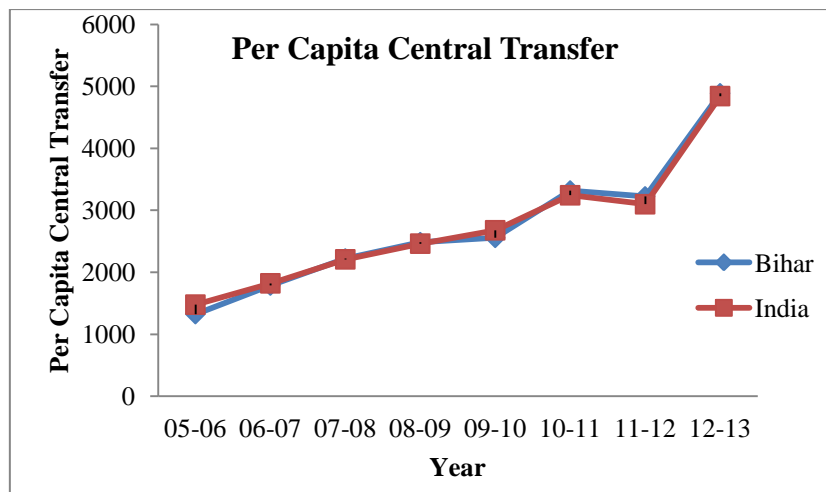
6.2.3 Borrowing: was 2.72 % of GSDP for Bihar as against 3.19% of All India in 2011-12. Per Capita borrowing in the 11th Plan was Rs 1,499 for Bihar and Rs 4,666 for All India (**Annex-6.1**). Further debt as % of GSDP has come down from 55.5% in 05-06 to 29% in 11-12 against the 13th FC target of 30.3%. Thus while Bihar's development deficits are huge, borrowing & debts are low.

6.3 Myth of excessive transfer of central resources to Bihar:

6.3.1 In spite of Bihar being very low in socio-economic indicators (notwithstanding the recent turn around) and the explicit objective of National Policies, Planning and FC transfers being equalization (growth with equity), overall central transfers to Bihar

remains at par with All India (graph below). It was Rs 4,164 & Rs 4,242 per capita in 2011-12 for All India & Bihar respectively.

6.3.2 Evidentially, in this scenario, Bihar would have no prospect for catching up ever, particularly when the scope for further mobilization of own resources is very limited (para 6.2.2).



Source:- RBI Reports of the respective years.

Annexures:

Annex.6.1 Receipts of states (11-12, RE)

Annex.6.2 Resource mobilisation by Bihar

Chapter – 7

Finance Commission transfers

7.1 Criteria and weights for devolution have changed over the FCs as given below:

Table:7.1: Criteria & weights for devolution

Sl. No.	Criteria	Weight (%)						Suggestion** for 14 th FC
		8 th FC 84-89	9 th FC 89-95	10 th FC 95-00	11 th FC 00-05	12 th FC 05-10	13 th FC 10-15	
1.	Population (1971)	25	25	20	10	25	25	5.0
2.	Area			5	7.5	10	10	
3.	Fiscal Capacity Distance						47.5	
4.	a.) Income Distance	50	50	60	62.5	50	0	70.0
	b.) Inverse of Income	25	12.5	--	--	--	--	--
5.	a.) Fiscal Discipline			--	7.5	7.5	17.5	--
	b.) Tax effort			10	5.0	7.5		15.0
6.	Index of Infra/Backward		12.5	5	7.5			10.0
7.	Undivided Bihar Popul. (Census)	7.65% (1981)	7.65% (1981)	7.62% (1991)	7.62% (1991)	10.69% (2001)	10.69% (2001)	10.69% (2011)
8.	Und. Bihar's share (%) Tax Dev.	10.70*	10.54*	11.293	14.597	14.401	13.74	

* includes grants, which were nominal.

Definitions/ Justification (for FCD – 13th FC, others – 10th FC) :

- Fiscal Capacity distance adopted by the 13th FC-

$$S_i^{m=3} = \text{pop}_i^{1971} d_{i,j} / \sum_{i=1}^{28} (\text{pop}_i^{1971} d_{i,j})$$

Where $d_{i,j} = (kY^* - kjY_i, j)$ for all states except Goa, Haryana & Maharashtra
= 100 for Goa, Haryana & Maharashtra: based on 3 year average (2004-07).

k = tax to comparable GSDP ratio of all states, kj = tax to comparable GSDP ratio of general/ special category states; $j=1,2$, Y^* = comparable per capita GSDP of Haryana, $Y_{i,j}$ = comparable per capita GSDP of i th state in j th category, Pop_i^{1971} = 1971 population of the i th state

- Income distance- distance of State PCI from the highest PCI (exclude Goa & take Maharashtra, or weighted average of top 3 PCI States : Punjab, Goa, Maharas.)
(Inverse of income- 'implicit convexity' in it leads to MISs bearing a higher burden of adjustment)
- Fiscal discipline- Improvement in ratio of Own Revenue Receipt (ORR) to Total Revenue Expenditure (TRE) related to similar average ratios for all States.
- Tax effort- Ratio of Per Capita Own Tax Revenue (PCOTR) to its PCI, weighted by inverse of PCI.
- Index of infra/backwardness: infra is crucial for overall development and attracting investment.
- Area: States with both large & small areas, incur higher expenditure per capita on administrations infra
- ** Based on arguments in App.7.1

7.2 13th FC transfers to Bihar:

7.2.1 Memorandum of Bihar to the 13th FC, award of the 13th FC and actual transfers are given in **Table 7.2** below:

Table : 7.2 13th FC Transfers

Year	Demand in Memo	Award for Bihar		Actuals for Bihar				Actuals for All India		
		Tax	Grants	Tax	Grants	Total	%	Tax	Grants	Total
10-11	51192		1543	23978	1485	25463	9.49	219490	48910	268400
11-12	62030		2595	27935	2550	30485	9.69	259730	54750	314480
12-13	71423		3129	33126	1438	34564	9.47	302190	62760	364950
13-14	87548		3505	37981	-----	-----	-----	-----	-----	-----
14-15	108533		3831	-----	-----	-----	-----	-----	-----	-----
Total	380726	158341*	12758*	-----	-----	-----	-----	1448096*	318581*	1766677*

*Note: (i) Demand in Memorandum of Bihar to the 13th FC, (ii) Award for Bihar by the 13th FC, (iii) Actuals for Bihar from Bihar Budget, (iv) Actuals for all India through RBI Reports, (v) *Award from 13th Finance Commission, (vi) % indicates Bihar as % of All India.*

7.2.2 Adequacy of the 13th FC transfers for equalization: In spite of its sumptuous ‘sympathy’ for the low PCI States, the 13th FC opted not only to maintain the ‘historical distribution’ but also reduced share of Bihar in devolution from 11.04% (by the 12th FC) to 10.13%. **Awarding Rs 3,332 Per Capita p.a. when Bihar’s PCTE was Rs 6,294 and PCI was Rs 15,268 in 2011-12, is grossly unjust and inadequate particularly when corresponding All India figures are Rs 2,821, Rs 11,696 and Rs 38,005 respectively. (Annex – 7.1)**

- **Highest gainers of the 13th FC:** vis a vis the 12th FC in terms of % of total devolution were - Maharashtra (0.11%) and Goa (0.11%).
- Table 2.3 inter alia shows that the actual transfers during 10-11 to 12-13 are lower even than the award share of 10.13%.

7.2.3 This happened though the stated objective of the 13th FC was equalization and not mere equity (para 3.46 of the report) i.e. provision of comparable level of services at comparable level of taxation - accordingly, correction of fiscal disabilities of the States. The 13th FC made the following changes in the criterion & weights:

- replaced Income Distance (ID) criterion with Fiscal Capacity Distance (FCD) criterion and reduced its weight, (ii) increased the weight of Fiscal Discipline criterion (FDI) and (iii) dropped tax effort criterion.

7.3 The above changes were unfair as explained below:

7.3.1 FCD Criterion:

- (a) The 13th FC has adopted FCD (instead of ID) criterion, purportedly for achieving better fiscal equity. The rationale given (para 8.30 & 8.31- reproduced at **App.-7.2**) evidently is contrived which has resulted in lower share for LISs (**Annex 7.2 - Col.7**).
- (b) There is nothing to justify the name “capacity distance”. The difference in FCD & ID is caused by measuring the ‘tax effort’ of individual states with reference to the averages of the respective two groups of the states (GCS & SCS) and not by the way fiscal distance is measured, which is commonly proxied by Per Capita GSDP.
- (c) Incidentally, para 8.31 states that “ Ideally, tax frontiers specific to each State should be estimated, but an exercise of this kind was constrained due to lack of the necessary data.” But it is not true that the necessary data are lacking. Infact the 13th has used such data not only for **assessing** average Tax-GSDP ratio for 04 – 05 to 06 – 07 period but also for **projecting** Tax – GSDP ratio for 09-10 to 14-15 for each state. (**Annex-8.5 and 7.3 of the 13th FC Report**)
- (d) FCD forgets that (i) the relationship between income and tax is non-linear because of the difference in the taxable consumption basket between High, Medium & Low Income States. Moreover taxable capacity increases more than proportionally as PCI increases and age dependency ratio & population growth decreases. (ii) CST entails significant tax exportation from the producing HISs to the consuming LISs. Thus FCD creates an inherent bias against LISs.
- (e) FCD formula, based on group-specific (SCS vs GCS) averages, infact amounts to a redistribution from the GCS - who are penalised for their higher than average tax effort - to the SCSs, who get a premium for their lower than average tax effort. If the 13th FC had continued with the earlier ID formula, the SCSs would have had a larger revenue gap, and would have got an equivalent amount from the Consolidated Fund of the central government as a revenue gap grant. **Thus the GCSs have lost and the gain is for the central government.**

7.3.2 Fiscal Discipline Criterion/Index (FDI):

- (a) FDI rewards/punishes for the past performance and, therefore, defeats its very objective of incentivizing fiscal prudence in the future.
- (b) FDI (i.e. ratio of own revenue to total revenue expenditure) contradicts the primary objective of achieving horizontal equity and conflicts with the Fiscal Capacity objective. When large scale inequality exists in government expenditure in per capita terms, effective measure of expenditure equalization (infact more, if equalization is the objective) is needed taking into account total revenues including devolution & grants, especially since a number of specific purpose transfers is anyway given to enhance efficiency of govt. exp. and also for state-specific needs.
- (c) If FDI is eliminated and its weight assigned to FCD, share of devolution to LISs increases significantly, viz for Bihar : from 10.917% to 12.659% and for UP, from 19.677% to 21.229%. Share of Maharashtra decreases by 1.562% (**see Annex 7.2-Col. 2, 3 & 4**).
- (d) FCD criterion has already penalized LIS having 'lower than' the group-specific average tax effort. Thus also having FDI, penalizes the LISs twice.

7.3.3 Tax effort:

- (a) Measurement of Tax effort by Tax - GSDP ratio is illogical as explained in (i) (d) above. It should logically be, as recommended by the 10th, 11th & 12th FCs, ratio of PC tax to PCI weighted by inverse of PCI. Effect of the two measurements could be seen in **Annex 7.2 – Col 17 & 18**). Index of Tax Effort of Bihar goes up from 0.031 to 0.085, the highest of all states.
- (b) Substitution by FCD of the earlier "Income Distance" formula, may also result in discouraging tax effort, an effect that could be further compounded because the tax effort criterion has been removed.
- (c) Dropping tax effort criterion on the ground that FDI includes tax effort, was in any case inconsistent with its ToRs.
- In brief, in the 13th FC scheme of devolution, Tax:GSDP ratio has 'determined' both FCD & FDI criteria, underplaying PC GSDP and cumulative development deficit of LISs and also that tax:GSDP ratio is patently wrong criterion in the context of FC transfers.

7.4 Following scenario emerge from Annex 7.2, within the framework of criteria of the 13th FC for horizontal distribution:

Col.	Scenario	Increase in the share of LISs compared to the 13 th FC						
		Bihar	Chhat	Jhar	MP	Odisha	Raj	UP
4	If FDI is eliminated and its weight assigned to FCD	1.742	0.042	0.231	0.476	0.097	0.192	1.552
7	If FCD is replaced with ID	0.068	0.033	0.038	0.071	0.057	0.069	0.181
10	If 1971 popln is replaced with 2011 Popl	0.269	-0.321	0.045	0.162	-0.119	0.273	0.386
15	If FCD and FDI are replaced by ID and Tax Effort respectively with 1971 Popl	0.954	-0.255	0.446	0.621	0.089	-0.019	0.828
16	If FCD and FDI are replaced by ID and Tax Effort respectively with 2011Popl	1.223	-0.576	0.491	0.784	-0.030	0.254	1.214
20	If ID is given a weight of 70%, Tax effort (redefined) 15%, Popl 5% (1971) and Index of Infra 10%.*	2.968	-0.069	0.948	0.830	0.363	-0.172	3.095
22	CDI (Raghuram Rajan Committee)**	1.653	0.988	0.958	2.775	1.860	2.784	-1.101

*As recommended for the 14th FC. ** Based on MPCE instead of PCI.

- The following observation reflects on seriousness of the 13th FC on the core objective of equalization. **(para 8.41 of its Report):** “relative to FC-XII, there is an increase in the ratio of devolution to GSDP (as projected by us) for each state (Table 8.4). Thus every state taken individually gain in terms of devolution relative to GSDP.” **It implies that low PC GSDP states getting a lower share, is not an issue.**

7.5 Suggestion on the criteria & weights for horizontal distribution are given at App.-7.1

7.6 Problems with the 13th FC Grant:

Although grant should be more equalizing than devolution, share of **Bihar** for instance was less than 5.0% of the total grant (i.e. less even than its population of 8.58%), whereas, devolution was 10.93%. **(Annex. 7.3)**

7.7 Method of projections adopted by the 13th FC for NPPE, O & M etc: (See Annex. 7.4)

Annexures:

Annex.7.1 Devolution by the FCs

Annex.7.2 Horizontal distribution scenarios under 13th FC

Annex.7.3 Grants by the 13th FC

Annex. 7.4 Projection method for NPPE, O&M etc. (13th FC)

Appendix:

App.7.1 Suggestion on criterion & weights for horizontal distributions

App. 7.2 Fiscal Capacity Distance

Chapter – 8

Transfer of Plan funds, tax concessions, subsidies etc.

8.1 Following data and analysis show that even in respect of Plan transfers, tax concessions, subsidies etc, LISs including Bihar have received grossly unfairly treatment.

8.2 Plan transfers:

8.2.1 Normal Central Assistance (NCA)

- Dispensation of NCA, which should be the main source of plan transfers, under Gadgil Formula, gives low weightage of 25% to PCI and high weightage of 60% to population (that too based on 1971 population). It is evidently highly regressive for the poorer states.
- Accordingly, Gadgil formula should be modified as suggested in Table 8.1 below:

TABLE: 8.1 Gadgil-Mukherjee Formula for General Category States (GCSs)

	Criteria	Revised Formula (1991)	Suggestions	
			Ratio	Logic
	15 GCSs to get 70% of NCA			Share of GCS in NCA has actually decreased to 43.4% in the 11 th Plan.
A.	Population (1971)	60.0	20	1971 population and 60% weightage, is highly regressive. It amounts to keeping poorer States under-developed. 2011 population + 20% weightage would be fair.
B.	Per Capita Income	25.0	70	To make Central Assistance truly progressive for equalization
	of which, according to			
i.	‘deviation’ method:	20.0		
ii.	‘distance’ method:	5.0		
C.	Performance, of which	7.5	--	
i.	Tax effort	2.5	5.0	Tax effort is desirable but as redefined in para 3.6.6
ii.	Fiscal management	2.5	--	Fiscal Management as defined in Gadgil Formula is reressive.
iii.	National objectives	2.5	5.0	
D.	Special problems	7.5	--	To minimize discretion
	Total	100.0	100	

Notes:

- Fiscal management is assessed as the difference between States own total plan resources estimated at the time of finalizing Annual Plans and their actual performance, considering the latest five years.
- Criterion of National objectives covers four objectives, viz.: (i) population control; (ii) elimination of illiteracy; (iii) on-time completion of EAPs; and (iv) success in land reforms.
- Deviation method covers only the states with PCI below the national average and distance method covers all the fifteen states.

- Since tax effort and fiscal management indices are unscaled, for the same effort, small states would get much higher per capita share. While tax effort criterion should be redefined (see para 3.6.6 (d) (ii)), fiscal management criterion, as defined by Gadgil formula should be dropped, being regressive.
- There is no explicit basis for earmarking of 30% of NCA for the SCSs. Moreover, there is no objective criteria for its distribution among the SCSs. Both need to be determined on an objective basis. viz. PCI/HDI/Infra Index.
- Further, in pursuance of recommendation of the 12th FC (of only grant under NCA), share of SCSs in NCA has increased from initially earmarked 30% to 56.6% in the 11th Plan. **Incidentally, this increase in NCA for SCSs would meet the financial implications of granting SCS status to Bihar.**

8.2.2 CS/CSS/ACA/NCA/EAP (Annex-8.1 & 8.2):

- Para 4.56 of the 13th FC Report states “In recent years, plan grants have become more scheme-oriented, reverting in a way to the pre-1969 position of scheme-based transfers. There is a general consensus on reducing the number of CSS and moving towards predominance of formula-based transfers, but there has been no significant movement in this direction.”
- **Share of Central Plan** has increased from Rs 72,466 Cr (60%) in 03-04 to Rs 3,21,405 Cr (75%) in 11-12 and Central Assistance to State Plans has declined correspondingly from 40% to 25% (**Union Budgets**).
- **Share of GOI sponsored and controlled CSS/ACA** (which ‘compels’ States to contribute a share out of its own resources, create support structure and commit liabilities) increased (from 48.29% to 68.19%) sharply at the expense of State controlled NCA (from 34.61% in the 10th Plan to 24.90 % in the 11th Plan) in the overall Plans transfers.
- For example RE 11-12 of the Union Budget provided:
 - (a.) Central Plan- Rs 3,21,405 Cr (including CSSs of 1,31,189 Cr)
 - (b.) Total Central Assistance to State Plans – 1,05,199 Cr, which consists of : (i) NCA- 21,832 Cr. (barely 5% of the national plan size) (ii) SPA – 5,500 Cr., (iii) SCA- 12,498 Cr., (iv) ACA- 61,276 Cr., (iv) UT- 4,093 Cr.

(c.) Infact ACAs are CSSs under a different nomenclature.

8.2.3 Chaturvedi Committee Report on CSSs/NCA (App-8.1): It has the following infirmities:

- (a) The Report doesnot address the basic issue of GOI sponsoring a large number of CSSs and ACAs in the state domains, which reflect political priorities of GOI but pre-empt state resources as state contribution and reduces divisible pool.
- (b) It merely recommends transparent guidelines for disbursement of funds to the states, whereas, CSSs should be the instruments for equalization of services for every citizen of the country.
- (c) The condition of 50% of Ministry funds going to the states who increase budget for the relevant sector, would discriminate against the poorer states.
- (d) Recommendation of NCA not being less than 10% of GBS, is too low. It should be at least 50%. Flexi funds of 10% of the CSS outlay is no substitute for this.

8.2.4 EAP: Karnataka (11.84%), W. Bengal (18.04%) and MP (14.21%) availed of 44.09% of total GCS-EAP in the 11th Plan, whereas, Bihar received 0.76% only. More surprisingly, SCSs received 50.52% of the total EAP in the 11th Plan. (**Annex- 8.1**).

8.2.5 Per Capita Plan Assistance: in the 11th Plan was Rs 1,738 for Bihar and Rs 2,534 for All India. (**Annex- 5.5**)

- Unfortunately, even the 12th Plan projection for PC Plan outlay for Bihar is Rs 20,033 against the All India average of Rs 31,328. Relative to PCI, it is even worse. It raises serious question about the planning priorities, processes & allocations. (**Annex- 5.5**)

8.3 Tax concessions: As regards tax concessions, Para 4.34 of the 13th FC report is illustrative. Relevant extract is “ Loss of revenue on account of tax concessions in respect of both direct and indirect taxes is estimated at Rs. 4,18,0951 Cr. for the year 2008-09..... The NIPFP study shows that Himachal Pradesh and Uttarakhand are far ahead of other states in terms of per capita gain from tax expenditures because of **area exemptions**. Excluding area-based exemptions, Karnataka emerges at the top with a per capita gain of Rs 922, followed by Haryana and Goa with a per capita benefit of Rs. 700 each. The per capita benefit is much lower for the poorer states. This raise the question about the rationale for continuing with tax exemptions involving huge revenue”

- 8.4 GOI Subsidies & implicit transfers:** implicit & subsidised transfers are higher than the Direct Central Transfers which go disproportionately to the richer states. For example, GOI subsidy on Food, Fertilizer & Petroleum itself was Rs 2,57,654 cr in RE 2012-13, very low share of which reached the poorer states. (**Annex 8.3**)
- 8.5 CPSUs:** GOI has made little investment in its CPSUs in Bihar (**Union Budgets**).
- 8.6 Institutional & Private Investment:**
- 8.6.1 CDR** continues to be the lowest for Bihar: at 28.6% against 73 % for All India in 2010-11. (**Annex – 8.4**). It has increased to 29% as on March, 2012 after hard efforts. (RBI report 11-12)
- 8.6.2 Pvt. Investment:** which increased from 43% of the total in the 6th Plan to 75% in the 11th Plan, flows mostly to the developed states. e.g. (a) FDI approved between Aug, 91 to Aug, 04 were: Maharastra (Rs 36,602 cr), TN (Rs 22,583 cr), KNK (Rs 18,818 cr), and Bihar (Rs 886 cr). (b) SEZ notified are: Maharas (64), TN (53), AP (76), KNK (41) and Bihar (Nil). (**Annex- 8.4**).
- It may be noted that Pvt. Investment requirement of Bihar to achieve PCI equalization in 10 years is Rs 9,69,324 Cr. for the 12th Plan. (**Para 4.2**)
- 8.7 House Hold Saving:** for Bihar is the lowest at Rs 5,908 in 2011-12 against the All India average of Rs 25,357 due to the extreme poverty. (**Annex- 8.4**)

Annex:-

- 8.1 Composition of Plan transfers
- 8.2 Union Budget (13-14) Statement-16
- 8.3 GOI Subsidies
- 8.4 FI/Private Investment

Appendix:-

- 8.1 Chaturvedi Committee Report

Chapter – 9

Key policies to spur development

9.1 CSS/ACA funding norms:

- GOI allocation should fill resource gap between the existing (for a cut-off year, say 11-12) % of the State Budgets and the needs of the States in subsequent years for meeting the national norms in socio-economic indicators (viz under NRHM, SSA, PMGSY, RGGVY, etc.)
- Flexi fund of 20% in each scheme should be provided to meet local specific needs.
- Unutilized funds in a year should be available for the next year (non-lapsability as in the case of NE States.)
- State share of all Central Assistance (infact all transfers) should be calibrated based on PCI/PCTE/CDI.

9.2 Agriculture: given the major comparative advantage of Bihar in Agriculture and also the food security needs of the Country:

- Allocation under RKVY & NFSM should be increase manifold.
- Credit share of Bihar should increase adequately under PSL.
- RGGVY norms should include 3 phase line and 63/100 KVA transformers, to utilize abundant ground water of Bihar.
- Procurement & Storage of 65 lakh MT by 2017 & 85 lakh MT by 2022 should be ensured.

9.3 Irrigation & Flood Control:

- Dams in Nepal and inter-linking of rivers within Bihar should be taken up urgently as National Projects. Agreement with Nepal should be expedited.
- Definition of flood intensity, area affected and damages should be clear, objective and applied to all States ‘uniformly’ so that calamity relief is fair & adequate.
- AIBP: State share in AIBP, procedure of sanction/release and environmental/forest clearances need review, as requested repeatedly in the past.

9.4 Power:

- Coal linkage: is urgently required for Barauni Plant Extension, Case II bidding projects at Chausa (Buxar), Pripainti (Bhagalpur), Bajra (Lakhisarai) and Nabinagar (Aurangabad).
- Ultra Mega Power and Nuclear Projects should be located in Bihar.
- Norms under RGGVY should shift from village to habitation connectivity.
- Rural Transmission & Distribution and Renewable Energy should be eligible under RIDF.

9.5 Industrialization:

- Tax incentive:

For almost four decades, the erstwhile Bihar suffered the most on account of freight equalization on coal, steel, etc., which took away the natural advantages of its huge mineral resources. Withdrawal of this policy subsequently, has not changed the investment climate because of the capital accumulation already made elsewhere and low level of infrastructure in Bihar. Moreover, nearly all the major and medium industries as also a majority of small scale industries have gone to Jharkhand.

- Mining & manufacturing in Bihar contributes miniscule 0.81% of All India total.
- The 13th FC has estimated tax concession at Rs 4,18,095 Cr. for 2008-09 alone (para 4.34), of which richer states are the major beneficiaries. Per Capita benefit is much lower for the poorer states. GOI should, evidently, **provide Income Tax and Excise Duty concessions to the industries set up in Bihar.**
- It may be reiterated that share of private investment in the country, which flows mostly to the developed States, has been increasing continuously (from 43% in the 6th Plan to around 75% in the 11th Plan) and very large private investment is an imperative to ensure 'equalization' for Bihar.
- Eastern Economic Corridor (on the pattern of Westerns Corridor):
Should be built from Raxaul (Bihar – Nepal Border) to Paradeep (Port in Orissa) via the upcoming bridge on Ganga at Bakhtiyarpur, as also dry ports in land-locked Bihar and a dedicated port in the East Coast, to benefit Bihar & the neighboring States.

9.6 Urbanization:

- Only Patna and Bodhgaya are covered under JNNURM. Urban % of Bihar being abysmally low (11.3% in 2011), at least all 9 Divisional HQs should be planned & developed under JNNURM II.

9.7 Banking:

- CDR: Banking Guidelines need to be changed drastically to improve CDR for Bihar which is stagnating at around 29%.
- To reach the national average, Bihar needs around 2,500 new Bank branches. After the new guidelines of financial inclusion banks have slowed down in opening new branches.
- The model of Business Correspondent and ultra small branch needs review because viability of both these models are very doubtful in the State.
- The Banks should be transparent in working as well as in redressal of the public grievances and introduce a Citizens Charter.
- Corpus of RIDF fund should be enhanced sufficiently to enable NABARD fund more rural infrastructure.

9.7 VGF:

- In order to make Projects (State Highways under BOT – Toll model in particular) viable for PPP, Viability Gap Funding (VGF) should be increased to 60% with sharing of the cost equally by the State and Central Government.

9.8 Food Security:

- BPL population ratio needs realistic assessment through an independent National Commission, to meet the objectives of Food Security Act.

Chapter – 10

SCS Status for Bihar and IMG Report

10.1 Why SCS status:

If Bihar were categorized as SCS:

- NCA grant for Bihar would have been for example Rs 2,814.5 cr in BE 09-10 as compared to the actuals of Rs 938.2 cr.
- Grant Component of EAP would have been 90%. Bihar is now mobilizing more & more EAPs, unlike in the past. EAP in 2011-12 for example was (a) loan – Rs 1,673 Cr & (b) grant – Rs 204 Cr.
- State share in CSSs would have been substantially less leading to greater offtake of the CSSs & additional resources for the State Plan.
- State share in the award of the 13th FC would have been substantially higher.
- Tax concessions would have been facilitated.

10.2 SCS status and Report of the IMG

- CM, Bihar in his letter dated 23.05.2009 to PM had requested for granting SCS status to Bihar owing to its high poverty density, poor infrastructure, low tax base, low per capita expenditure and hesistant appetite for private investment.
- Subsequently an Inter Ministerial Group (IMG) was set up by GOI to examine a similar request from a delegation of Bihar in July, 2011.
- Report of IMG is weak in data taken, analysis made and findings given. Even if the findings were preordained, the Report could have been made presentable. A statement covering the Report of IMG and response of Bihar thereto at **Appendix 10.1 & 10.2** and cumulative deprivation and development deficit mentioned in Chapter 2, would amply justify grant of SCS status to Bihar as also fiscal concessions.
- IMG has observed that SCSs have a low resource base and cannot mobilize resources (not defined by IMG & left vague) for their development even though PCI of some of the SCSs is relatively high. IMG misses the point that inspite of its best efforts, Bihar is unable to mobilize resources anywhere near that required for equalization.
- IMG has, however, recognized that Bihar has a huge development deficit and low PCI. Infrastructural gaps, particularly in power & road, are obstacles especially for attracting private investment. Accordingly, IMG has recommended continued special

resource support from the centre through the flagships as well as special plan under BRGF, to be strengthened in the 12th Plan. IMG has further recalled the role of Unit set up in Planning Commission under the Bihar Reorganization Act.

- IMG has, however, not taken cognizance of the fact that:
 - **Overall Central transfers:** In spite of Bihar being at the bottom of socio-economic indicators and the explicit objective of National Policies, Planning and FC transfers being equalization, overall central transfers to Bihar remains at par with All India. **(para 6.3)**
 - **PCPE:** for Bihar has always been lower than All India (e.g. 66 % of All India in 90-91, 26% in 00-01, 55% in 2010-11). Further, it was Rs 6,343 for Bihar and Rs 10,794 for All India in the 11th Plan. Unfortunately, even the 12th Plan projection for PCPE for Bihar is Rs 20,033 against the All India average of Rs 31,328. Relative to PCI, it is even worse. It raises serious question about the planning priorities, processes & allocations.
 - **Central Plan Transfers:** for example under Flagships to Bihar was 7.5% of the total in 2011-12 i.e. lower even than its population of 8.58%, while it should have been much higher for catching up. **(Annex 8.2)**
 - **BRGF:** assistance to Bihar in the 11th Plan (both the Special Plan of Rs 8,753 cr and the entitlement under District Component of around Rs 600 Cr. p.a.) was too meager to address backwardness significantly. Requirements are indicated in para 2.5.2.
 - 12th Plan provides Rs 30,000 cr for the supra-district component of BRGF for all the States, share of Bihar in which again would be too meagre.

10.3 Revision in Criteria for granting SCS status:

- Existing SCS criteria need serious review since hilly/difficult terrain, international boarder, population density/ ST composition etc are intermediate aspects, whereas, Poverty ratio, PCI, HDI and Infrastructure are the real concerns of all people and planning.
- Moreover, for addressing the existing criteria of SCS, specific programs like Hill Area Development Program (HADP), Boarder Area Development Program (BADP), Tribal Sub Plan (TSP) etc already exist.
- Based on a proposed set of criteria, a suggested list of SCS is given at **Annex-10.1**

- Even the existing criteria, if given objective definition & weightage, would lead to a very different set of SCS. (**Annex- 10.2**)
- Moreover, as discussed in Chap 11, Raghuram Rajan Committee has also found Bihar to be least developed after Odisha.
- **In conclusion, whichever objective criteria are adopted, Bihar would be the most deserving for SCS Status.**

Annexures:

Annex.10.1 List of SCS based on the proposed criterion

Annex.10.2 List of SCS based on the existing criterion

Appendix:

Appendix. 10.1 Response to the IMG findings

Appendix. 10.2 Response to the IMG findings

Chapter – 11

SCS status and Raghuram Rajan Committee Report

11.1 Terms of Reference: of the Committee were as under :

- (a) To suggest methods for identifying backward States on the basis of measures such as the distance of the State from the national average on a variety of criteria such as per capita income and other indicators of human development;
- (b) To suggest any other method or criteria to determine the backwardness of States;
- (c) To suggest the weight-age to be given to each criterion;
- (d) To recommend how the suggested criteria may be reflected in future planning and devolution of funds from the Central Government to the States.
- (e) To suggest ways in which the absorptive capacity of the States for funds and their ability to use the funds to improve well-being can be assessed and used to influence devolution to incentivize performance.

11.2 Measurement of Development

- Development is multi-directional – Accordingly measurement of the development would involve :
 - (a) Choice of dimensions (variables) that together reasonably characterize the state of development.
 - (b) Assigning weight-age to each variable to reflect its relative importance.
- Though both the variables & weights have a significant element of judgment, should stand the test of logic.
- Chosen variables should be ‘outcome’ than ‘background’ or ‘process’ variables so as to make them ‘objective’ and ‘outcome-oriented’.
- Moreover, variables should have significant factor loading (to be reflected in the weights) in the Principal Component Analysis (PCA).

11.3 Salient recommendations of the Committee :

11.3.1 A snapshot of CDI, share in Central allocation etc. is given in Annex.11.1

11.3.2 The committee has chosen the following 10 variables with **equal weights** to evolve Composite Development Index (CDI) as at Table-2 of the Report :

(i) monthly per capita consumption expenditure (MPCE), (ii) education (attendance ratio, No. of primary schools), (iii) health (IMR), (iv) household amenities (% of HH with drinking water, sanitation, tel/mobile, specified assets, electricity for lighting), (v) poverty ratio, (vi) female literacy, (vii) % of SC-ST population, (viii) urbanization rate, (viii) financial inclusion (% of HH with banking facility), and (x) connectivity-Rail route/NH/SH/other roads per 100 sq.k.m.

- **It is crucial to note that the Committee has consciously chosen these variables to represent the needs of the individual in a State. But, as commonly understood, the need of the individuals is just one (though very important) facet of the development of the State as a whole.**

11.3.3 The Committee has proposed to allocate Central funds to the states based both on the development need and performance, besides fixed basic. (8.4% fixed basic + 3/4th x 91.6% for need + 1/4th x 91.6% for performance).

11.3.4 Allocation increases more than linearly (as a result of squaring CDI) to the more needy states. Performance formula is also progressive as reward for performance is multiplied by need.

Formula are as follows :

(a) Percent share of state i in the total central government funds allocated 0.3% (fixed basic).

+ Percent share of state i based on need

+ Percent share of state i based on performance

(b) Points to state i based on need are :

$[0.8 * \text{Share of population of State } i + 0.2 * \text{Share of Area of State } i]$

$* [(\text{under}) \text{ development index for state } i]^2$

(c) Points to state i based on performance are :

Points to state i based on need * Change in (under) development index for state i

* Performance weighting parameter

11.3.5 The suggested share of States in allocation ranges from 0.30% to 16.41% with standard deviation of 4.02%. Per Capita allocation ranges from 20.63(Goa) to 1.13 (Kerala) excluding NE states. Bihar would receive 11.56 against the All India average of 8.26.

- States have been categorized notionally into least (>0.6), less (0.4 to 0.6) and relatively developed (<0.6), 'subsuming' SCS category.

11.3.6 CDI is to be updated on a quinquennial basis and performance to be measured relative to the last update.

- The index and the allocation formula are to be re-examined after 10 years and revisions proposed based on experience.

11.3.7 The Committee has finally observed that the approach recommended in this report is not intended to replace all existing methodologies. Other methodologies may serve different purposes and should be used in parallel to allocate other funds.

11.4 Dr. Shaibal Gupta in his note of dissent has in brief argued as follows :

Issue -1 : Tenability of % of SC/ST population as a variable

- (a) it is neither an 'outcome' variable, nor has a significant factor loading (0.02) in the PCA.
 - (b) Significant socio-economic deprivation of SC/ST are taken into account in the other 9 variables.
 - (c) Other disadvantages of the states such as extent of flood or LWE affected areas have not been considered.
- This view evidently is logical. Table 1 (p8 of the Report) clearly shows that % of SC/ST population has the lowest correlations.

Issue – 2 : Desirability of 'Household banking facility' as an independent variable.

- (a) Such banking facility is basically a part of the 'household amenities', variable which is already included and is a 'process variable'
 - (b) A robust indicator for financial inclusion must have 'credit per capita' and 'credit-deposit ratio', which in fact are 'outcome' variables.
- This view evidently is logical. Table 1 (p8) clearly shows that the HH banking facility has low correlations.

Issue – 3 : Definition of 'connectivity index'

- (a) 'Connectivity index' of the Committee considers only area coverage & ignores population coverage on the wrong ground that carrying capacity of roads/rails is not a constraint. Connectivity index should include road & rail length, per unit surface area and per unit population as equally weighted variables, as is customarily done.
- Visible impact of the highest population density in Bihar and the extent of travel in

search of work on the rail & road, could be seen everywhere in Bihar. This view, therefore, is logical. Table-1 (p8) clearly shows that ‘connectivity’, as defined by the Committee, has low correlations.

Issue – 4 : - Choice of MPCE over PCI, in this highly significant variable.

- (a) Both the relevant FM’s budget speech and the ToRs of this committee have clearly highlighted the PCI distance as a key index.
- (b) As a measure of under-development of a geographical area, the PCI is superior to the MPCE since MPCE will always under-measure the difference between the richer & poorer areas as compared to PCI since $MPCE = PCI - \text{per capita savings} + \text{remittance income}$. The less developed area would have (i) lower PC savings as % of the total income and (ii) higher distress outmigration (which reflects poor quality jobs locally and entails a cost of leaving family behind). Moreover, assumption that the HH saving may be invested outside the State is exaggerated.
- (c) It is incorrect to assume that estimates of MPCE are more reliable than that of PCI.
- (d) Comparison of MPCE with PCI (based on NSDP and **not** on GSDP) to prove similar outcomes (correlation of 0.85) is misplaced, since (a) a correlation coefficient of 0.85 does not imply that one could be used in place of the other, (b) PCI (including tax effort) is usually calculated (including by the Finance Commissions and Gadgil Formula) based on GSDP & not on NSDP. NSDP, which is GSDP minus depreciation, favours industrialized states as depreciation formula brings down physical capital much below the market or replacement value.
- (e) MPCEs are estimated at current prices, which vary widely (up to 40%) across states. The poverty ratio, being a ratio, takes care of this problem. On the whole inclusion of both the MPCE and poverty ratio would amount to double counting. A combination of PCI and poverty ratio is clearly a superior combination for calculating backwardness index.
- (f) MPCE (instead of PC GSDP) based index leads to serious distortions as shown in Para-11 of the note of dissent. Odisha, scoring the highest backwardness index (0.80), has double the PCI of Bihar. On the other hand, Gujarat - one of the most prosperous states - appears in the list of ‘less developed’ state (with an index of 0.49).
- (g) Income- deprivation (the most serious deprivation) of the poorer states is underestimated first by considering MPCE (in place of PC GSDP) and then further by assigning a less than due weight-age to even MPCE.

- (h) It is wrong to say that MPCE better measures the population's well-being and that PCI does not adequately measure what reaches the people. MPCE indicates only household consumption, whereas, PCI gives the total picture of 'development'. For example, Mining, Manufacturing, services etc. (i) generate wages & other incomes for the local population, (ii) most of the gross profit is invested locally, (iii) taxes paid by these sectors enhance fiscal capacity of the govt for providing public goods & services, etc.
- (i) In the HDI prepared by UNDP, PCI is assigned a weight of 1/3, equal to that for more complex indices.
- MPCE gives undue emphasis on the present consumption and PCI is usually taken as a superior measure of development. The argument of Dr. Gupta evidently is logical.

Issue – 5 :- Assigning the same weight to all variables.

- PCA has found factor loading of different variables to range from 0.02 to 0.16. It, therefore, makes no sense to assign equal weights to all the variables, viz. MPCE (0.16) vs SC/ST population (0.02).
- Surprisingly, the committee has chosen PCA technique for assigning weights to various components within a variable (e.g. household facilities). Evidently, PCA technique is more pertinent for assigning weights to the variables than to its components.

Issue – 6 :- Per capita power Power consumption as an independent variable.

- The committee has included electricity (as primary source of lighting) as a sub-component of the HH amenities. Given the criticality of electricity in development, per capita electricity availability / consumption should be an independent variable.
- This view evidently is logical.

Issue – 7 :- SCS category

- Categorizing the states into three (least, less and relatively developed) and 'sidelining/subsuming' SCS category goes against the spirit of the task of the committee, as would appear from the genesis of the committee & its task. For the least developed states viz. Bihar, SCS states would not only enhance central transfers but also **facilitate** grant of much needed incentives such as tax concessions.
- The issue is discussed below.

11.5 Alternative criteria :

- Dr. Gupta has suggested the following criteria (without changing the variables

adopted by the Committee) for better CDI :

- (i) Per Capita GSDP (PCI)
 - (ii) Health (Infant Mortality Rate)
 - (iii) Education (Female Literacy Rate and School Attendance Ratio)
 - (iv) Poverty Ratio (Tendulkar)
 - (v) Urbanization Rate
 - (vi) Per capita electricity availability / consumption
 - (vii) Household Amenities (drinking water, sanitation, banking, telephone facility and specified assets)
 - (viii) Connectivity Index (Rail and Road per unit surface area and population)
- He has however not suggested weights for each.
 - Assigning weights as per PCA to the variables suggested by Dr. Gupta would throw different CDIs .

11.6 Strengths of the Report

- 11.6.1** Allocation increases more than linearly to the poorer states. As a result, CDI based allocation is more favourable than the current FC & Planning Commission transfers to the poorer States (Table-2, p13). Bihar for example would get 12.04% of the total based on CDI as against 10.13% based on the FC criteria and even lower from the Planning Commission.
- 11.6.2** Performance formula rewards the under-developed states more for the same improvement in CDI.
- 11.6.3** Ranking states as per CDI (categorization of the states into least/less/relatively developed is merely notional) evidently is much better than categoring the states into just GCS & SCS, which place LISs at great disadvantage compared to the much better-off SCS states.

11.7 Weakness of the Report :

- 11.7.1** It is indeed beyond comprehension that the committee headed by an internationally reputed economist, could not appreciate the compelling arguments put forth by Dr. Gupta and prepared a report which would not stand the test of even basic logic. The Committee has, however, left an escape route by saying. “ Other methodologies may serve different purposes and should be used in parallel to allocate other funds and the least developed states, as identified by the index, is to be

eligible for other forms of central support that the Central Government may deem necessary to enhance the process of development.”

11.7.2 The larger context of under-development in its totality and ‘equalization within a proximate timeframe’ is not addressed. Would CDI lead to equalization within a proximate timeframe even with the introduction of non-linearity by squaring the index? Timeframe and resources required for catching up on PCI, PCTE (F/A) shows that CDI based allocation may not be good enough.

- Overall, the recommendations are apparently a mindset of welfare/poverty (MPCE etc.) economics than developmental economics (PCI etc.). The report itself says that the value of CDI for a state represents the **needs of an individual** in a State (which is just one facet of the development of a state).

11.7.3 Essence of the task has been lost in the application of statistical techniques to not very pertinent variables, weights and data, as indicated below:

- Selection of variables is questionable as argued by Dr. Gupta. Moreover, assigning equal weights has lessened the rigour of the exercise. (I have advised Dr. Gupta to workout CDI based on his variables with appropriate weights).
- Type and source of data chosen is sometimes not appropriate viz. (a) NSDP instead of GSDP for comparison of MPCE with PCI, (b) Sharp reduction in the poverty ratio for Bihar from 53.3% in 10-11 to 33.3% in 11-12.

11.7.4 Incentivizing the past instead of the future performance is not a good choice.

11.7.5 Applicability of the CDI/variables in resource transfer has been left open-ended, which is not consistent with TOR (d).

11.8 Need for SCS category:

11.8.1 While categorization of States into least/low/relatively developed is much better than just into GCS and SCS, a separate category of SCS, which automatically extends tax concessions etc., is acutely needed for the ‘least’ developed states, with acute industrial backwardness. **For instance, mining & manufacturing in Bihar is miniscule 0.81% of the All India total.**

- The Committee has perhaps, therefore, observed that “allocation scheme based on SCS categorization can be run in parallel to CDI as SCS serves somewhat different purposes. However, the least developed states could be targeted for specific additional support.”

- Progressive increase in the private investment (viz. from 43% of the total in the 6th Plan to 75% in the 11th Plan), which mostly flows to the developed states, has led to production, income and employment in the richer states and markets in the poorer states. Tax concessions and much higher public investment in the poorer states, therefore, is an imperative. SCS status for Bihar is adequately justified in the paper on SCS status for Bihar.
- 11.8.2** Incidentally, as regards tax concessions, Para 4.34 of the 13th FC report is illustrative. Relevant extract is “ Loss of revenue on account of tax concessions in respect of both direct and indirect taxes is estimated at Rs. 4,18,0951 crore for the year 2008-09..... The NIPFP study shows that Himachal Pradesh and Uttarakhand are far ahead of other states in terms of per capita gain from tax expenditures because of **area exemptions**. Excluding area-based exemptions, Karnataka emerges at the top with a per capita gain of Rs 922, followed by Haryana and Goa with a per capita benefit of Rs. 700 each. The per capita benefit is much lower for the poorer states. This raise the question about the rationale for continuing with tax exemptions involving huge revenue losses and disproportionate benefit derived by the relatively developed states. ”
- 11.8.3** SCS status could cover approximately 1/4th of the country’s population, based on the duly modified CDI itself.

Annexures:

Annex.11.1 A snapshot of CDI, share in allocation etc.

Chapter – 12

Conclusion and Recommendations

12.1 Conclusions:

- Report of the IMG set up by GOI on grant of SCS status to Bihar is weak in data taken, analysis made and findings given. (**Appendix- 10A & B**).
- Report of Raghuram Rajan Committee again doesnot address the key issue of bridging the huge cumulative development deficit of the States like Bihar.
- Cumulative deprivation and development deficit is clearly the highest for Bihar (most often by a big margin) and unbridgeable without extraordinary measures.
- Other Low Income States (LISs), although much better off than Bihar, also generally lag behind in crucial parameters.

12.2 Recommendations:

- The FC devolution and Planning processes, priorities & allocations should make a paradigm shift. Bridging the deficit of backward States in 10 years should be the number one priority in consonance with the national objective of “Faster, More Inclusive & Sustainable Growth” and the mandate of NDC.
- Accordingly, an Expert Committee (or the 14th FC itself) should take a holistic view of Plan & Non- Plan transfers, State Borrowing norms, Pvt. Investment, CDR, direct & indirect Subsidies etc. for equalization within 10 years. It should also make recommendations on (i) Changes in TORs of FCs from the perspective of Regional Equality, (ii) Changes in Gadgil formula, share of NCA in overall Plan outlay, (iii) Ways for integration of transfers by FC and Planning Commission including Plan & non-Plan distinction and a common period for transfers, (iv) 1971 population as cut-off for FC and Gadgil Formula, (v) Objective criteria/norms for granting SCS, etc.
- Moreover, Planning Commission should be mandated to do due diligence urgently on issues relating to the ‘Regional Equality’ referred to in para 1.4.

12.3 In the meantime,

- (a) Grant SCS Status to Bihar: Situation of other LISs, who also have demanded SCS status, is relatively much better. By any objective criteria, Bihar would be the most deserving for SCS Status. (**para 10.3**)
- (b) Provide tax & other incentives for attracting private investment in Bihar. (para 9.5)

- (c) Since grant of SCS status would not be enough for catching up in the foreseeable future, provide special package of Rs. 1,38,000 cr. over each of the 12th and 13th Plans. (para 4.2)
- (d) Provide policy and program support as listed in Chapter 9.
- (e) Activate Unit set up in the Planning Commission under the Bihar Reorganization Act.

A. N. P. Sinha

Member, Bihar State Planning Board

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ANNEXURES

Composition of GSDP of Bihar @ Current Prices

Annex- 2.1

(Rs. in Cr.)

Sl. No.	Sector	% of GSDP														
		04-05	06-07	07-08		08-09		09-10		10-11		11-12			Adv (12-13)	
		Share	Share	Share	GR	Share	GR	Share	GR	Share	GR	Share	GR	GSDP	Share	GR
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
I	Primary	30.90	31.41	27.87	0.13	29.78	33.73	25.98	0.89	26.89	24.63	27.74	28.34	68378	26.25	13.02
a.	Agriculture & Allied	25.80	26.95	23.79	-0.38	25.77	35.57	22.46	0.80	23.86	27.92	24.84	29.51	61230	23.54	13.18
II	Secondary	13.92	14.88	17.05	29.31	17.09	25.45	17.41	17.82	17.81	23.18	17.30	20.84	42642	16.88	16.53
a.	Manufacturing	5.72	4.82	5.66	32.51	5.88	30.02	5.03	-1.07	5.60	34.06	5.29	17.52	13047	5.22	17.85
	i) Registered	1.47	0.55	1.22	150.32	2.14	119.54	1.58	-14.61	2.41	83.67	2.43	25.44	6001	2.56	25.82
	ii) Un-Registered	4.25	4.27	4.44	17.34	3.73	5.14	3.46	7.28	3.19	11.02	2.86	11.53	7045	2.66	11.08
b.	Construction	6.71	8.93	10.17	28.52	10.19	25.40	11.55	31.09	11.29	17.70	10.81	19.11	26646	10.48	15.79
c.	Electricity, W/S	1.50	1.13	1.22	21.84	1.03	5.67	0.83	-6.81	0.92	33.47	1.20	62.27	2949	1.17	16.45
III	Tertiary	55.18	53.71	55.09	15.75	53.13	20.70	56.60	23.20	55.30	17.65	54.96	23.64	135467	56.88	23.61
a.	Transport & Comm.	5.99	5.91	5.96	13.80	5.47	14.87	5.67	19.88	5.22	10.86	4.87	16.06	12009	4.58	12.32
b.	Trade, Hotel	21.26	20.58	22.17	21.57	21.84	23.29	23.38	23.81	23.43	20.67	23.89	26.85	58878	25.37	26.83
c.	Banking & Insurance	3.38	3.17	3.10	10.36	2.78	12.24	3.00	24.80	3.21	28.84	3.17	22.85	7814	3.26	22.82
d.	Real State	5.28	5.73	6.02	18.56	5.59	16.22	6.12	26.62	6.35	24.94	6.47	26.75	15936	6.86	26.63
e.	Public Adm	6.82	5.80	5.61	9.15	6.01	34.08	6.14	18.15	6.21	21.79	6.07	21.60	14960	5.64	10.97
f.	Other Services	12.45	12.52	12.23	10.23	11.44	17.07	12.29	24.24	10.88	6.60	10.50	20.06	25871	11.17	27.05
	GSDP @ Current Prices	77781	100737	113680	27.35	142279	25.16	162923	14.51	204463	25.50	246995	20.80	246995	308640	24.96
	GSDP @ Const. Prices	77781	90095	95274		106857		113247		130272				144149	165018	

Source: (a) Directorate of Economics & Statistics, Govt. of Bihar (b) GSDP figures taken from CSO as on 01.08.2013

Note: i) GR is taken as the % changeover previous year GSDP @ Current Prices.

Income, Poverty, Growth Rate & Unemployment Rate

Annexure-2.2

(Rs. in Cr.)

Sl. No.	State	Popul.(2011)	GSDP 10-11	PCI (as % of National Average)						Growth Rate								Poverty Ratio			Unemp. Rate		MPCE (Rural)	
				Triennial av. of selected yrs			Annual av. of selected yrs			Year			FYP			Target				2011-12		2011-12		
				4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	
				60-63	70-73	87-90	00-01	05-06	10-11	00-01	05-06	10-11	9th	10th	11th	12th	04-05	09-10	11-12	CDS	UPS	Rs	% food	
A High Income States																								
1	Goa	0.15	20922	...	...	190	242	228	286	4.50	7.54	8.30	5.5	7.80	9.02	8.6	24.9	8.7	5.09	121	179	...	...
2	Gujarat	6.03	365295	124	123	119	107	127	146	8.41	14.95	10.47	4.0	10.60	9.59	8.4	31.6	23	16.63	16	10	1110	57.7	
3	Haryana	2.53	166095	115	152	136	143	143	165	7.81	9.20	9.59	4.1	7.60	9.10	8.1	24.1	20.1	11.16	63	32	1510	54.0	
4	Maharas.	11.23	775020	129	127	138	137	139	174	4.05	14.49	10.47	4.7	7.90	9.48	8.9	38.2	24.5	17.35	46	28	1153	54.0	
5	Punjab	2.77	148844	124	169	180	161	138	124	1.92	5.90	7.04	4.4	4.50	6.87	6.4	20.9	15.9	8.26	43	18	1649	48.2	
B Middle Income States																								
6	AP	8.46	381942	102	94	89	103	102	112	4.22	9.57	9.96	4.6	6.70	8.33	8.4	29.6	21.1	9.2	59	30	1234	58.1	
7	Karnataka	6.11	279932	96	106	98	108	105	109	5.17	10.51	8.87	7.2	7.00	8.04	7.6	33.3	23.6	20.91	42	25	1020	56.5	
8	Kerala	3.33	193383	90	99	91	122	123	139	7.12	10.09	9.13	5.7	7.20	8.04	8.2	19.6	12	7.05	143	99	1835	45.9	
9	TN	7.21	391372	110	101	106	126	117	144	-1.56	13.96	11.74	6.3	6.60	8.32	7.9	29.4	17.1	11.28	63	22	1160	54.7	
10	WB	9.13	317786	123	114	97	100	98	90	7.32	6.29	7.06	6.9	6.10	7.32	7.6	34.2	26.7	19.98	99	78	952	63.5	
C Low Income States																								
11	Bihar	10.38	144472	69	68	55	41	32	38	-4.73	0.92	14.77	4.0	4.70	12.11	9.1	54.4	53.5	33.74	108	83	780	64.7	
12	Chhattis.	1.01	79166	...	...	...	68	78	75	6.79	3.23	11.16	NA	9.20	8.44	9.1	49.4	48.7	33.93	54	12	784	58.2
13	Jharkhand	3.29	78045	...	...	...	62	72	60	2.80	-3.20	6.01	NA	11.10	7.27	7.8	45.3	39.1	36.96	94	48	825	60.9
14	MP	7.26	182647	86	81	85	69	60	62	13.20	5.31	8.17	4.0	4.30	8.93	8.8	48.6	36.7	31.65	44	27	903	55.8	
15	Orissa	4.19	128367	74	83	76	63	NA	71	1.92	5.90	7.04	5.1	9.10	8.23	8.2	57.2	37	32.59	38	30	818	61.9	
16	Rajasthan	6.86	204398	88	90	80	79	73	71	10.87	6.68	10.97	3.5	5.00	7.68	7.4	34.4	24.8	14.71	65	17	1179	54.8	
17	UP	19.96	394499	78	81	74	59	51	48	2.17	6.51	7.86	4.0	4.60	6.90	7.6	40.9	37.7	29.43	54	25	899	57.9	
D Special Category States																								
18	Arun Pr	0.13	5691	...	...	120	93	96	104	15.70	2.75	7.87	4.4	5.80	9.42	8.3	31.4	25.9	34.67	83	65	...	...
19	Assam	3.11	74215	108.02	88	82	77	72	59	2.60	3.40	7.34	2.1	6.10	5.50	7.1	34.4	37.9	31.98	77	63	1003	64.4	
20	HP	0.85	39066	...	111	93	136	130	131	5.21	8.43	8.80	5.9	7.30	5.50	7.9	22.9	9.5	8.06	48	31	1536	NA	
21	J & K	1.25	38739	82	86	91	86	NA	77	1.96	5.78	6.63	5.2	5.20	4.40	6.7	13.1	9.4	10.35	86	56	...	...
22	Manipur	0.27	7184	...	70	89	75	86	65	6.81	6.35	6.16	6.4	11.60	4.60	6.6	37.9	47.1	36.89	40	37	...	...
23	Meghalaya	0.29	10736	...	93	86	94	88	100	6.89	7.91	9.39	6.2	5.60	7.50	8.0	16.1	17.1	11.87	40	36	...	...
24	Mizoram	0.10	4557	...	...	106	103	NA	102	6.52	6.97	9.18	NA	5.90	8.70	8.6	15.4	21.1	20.4	14	19	...	...
25	Nagaland	0.19	8591	...	81	101	98	NA	114	11.45	10.22	3.98	2.6	8.30	3.50	7.2	8.8	20.9	18.88	50	60	...	...
26	Sikkim	0.06	3642	...	...	125	95	99	132	7.88	9.83	8.94	8.3	7.70	12.20	8.4	30.9	13.1	8.19	123	126	...	...
27	Tripura	0.36	14203	...	84	82	93	102	103	14.07	5.82	8.74	7.4	8.70	8.00	7.9	40	17.4	14.05	172	141	...	...
28	Uttara.	1.01	51107	...	...	...	94	97	124	5.53	14.05	7.37	NA	8.80	9.30	9.0	32.7	18	11.26	72	52	1747	NA
29	All India	121.0	4885954	100	100	100	100	100	100	5.81	9.48	8.39		7.17	7.93	8.2	37.2	29.8	21.92	63	38	1054	57.0	

Source : Col : 2 - Census of India (2011). Col : 4 to 6 - Table 10, Fifty years of Fiscal Federalism in India, Amaresh Bagchi.

Col : 3, 7 to 9 - Directorate of Economics & Statistics of respective State Governments, and for All India - CSO

Col : 10 to 12 - A study of State Budgets RBI : Data from 2001-02 on 1990-00 series, Data from 2004 - 05 on 2004-05 series, Col: 13 to 16- 12th five year Plan Vol. 1 (Page-305,316)

Col : 17 to 19 - Press Note on Poverty Estimates, 2009-10 & 2011-12, GoI, Planning Commission, Mar 2012. MPCE- Monthly Per Capita Expenditure

Col : 20,21- Report on Employment and Unemployment Survey 2011- 12 , GoI, Ministry of Labour. Col : 22,23- Economic Survey 2011-12 (Page-310)

Demographic Features & HDI

Annexure-2.3

Sl. No.	State	Popul. (in crore)				% Urban		HDI		HI	II	EI	Sex Ratio	TFR	MMR	IMR
		Total		G. Rate	Density	Population										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
		2001	2011	(01-11)	2011	2001	2011	99-00	07-08	07-08	07-08	07-08	2011	2010	07-09	2011
A	High Income States															
1	Goa	0.13	0.15	8.2	394	49.76	62.17	0.595	0.617	...	...	...	968	1.6	...	...
2	Gujarat	5.07	6.03	19.2	308	37.36	42.58	0.466	0.527	0.633	0.371	0.577	918	2.5	148	41
3	Haryana	2.11	2.53	19.9	573	28.92	24.25	0.501	0.552	0.627	0.408	0.622	877	2.3	153	44
4	Maharas.	9.69	11.23	16.0	365	42.43	45.23	0.501	0.572	0.650	0.351	0.715	946	1.9	104	25
5	Punjab	2.43	2.77	13.7	550	33.92	37.49	0.543	0.605	0.667	0.495	0.654	893	1.8	172	30
B	Middle Income States															
6	AP	7.62	8.46	11.1	308	27.30	33.49	0.368	0.473	0.580	0.287	0.553	992	1.8	134	43
7	Karnataka	5.28	6.11	15.7	319	33.99	38.57	0.432	0.519	0.627	0.326	0.605	968	2.0	178	35
8	Kerala	3.18	3.33	4.9	859	25.96	47.72	0.677	0.790	0.817	0.629	0.924	1084	1.8	81	12
9	TN	6.24	7.21	15.6	555	44.04	48.45	0.480	0.570	0.637	0.355	0.719	995	1.7	97	22
10	WB	8.02	9.13	13.9	1029	27.97	31.89	0.422	0.492	0.650	0.252	0.575	947	1.8	145	32
C	Low Income States															
11	Bihar	8.3	10.38	25.1	1102	10.46	11.30	0.292	0.367	0.563	0.127	0.409	916	3.7	261	44
12	Chhattis.	2.08	1.01	22.6	189	20.09	23.24	0.278	0.358	0.417	0.133	0.526	991	2.8	269	...
13	Jharkhand	2.69	3.29	22.3	414	22.24	24.05	0.268	0.376	0.500	0.142	0.485	947	3.0	261	...
14	MP	6.03	7.26	20.3	236	26.46	27.63	0.285	0.375	0.430	0.173	0.522	930	3.2	269	59
15	Orissa	3.68	4.19	14.0	269	14.99	16.68	0.275	0.362	0.450	0.139	0.499	978	2.3	258	57
16	Rajasthan	5.65	6.86	21.4	201	23.99	24.89	0.387	0.434	0.587	0.253	0.462	926	3.1	318	52
17	UP	16.62	19.96	20.1	828	20.78	22.28	0.316	0.380	0.473	0.175	0.492	908	3.5	359	57
D	Special Category States															
18	Arun Pr	0.11	0.13	25.9	17	20.75	22.67	*	*	...	...	...	920	2.7	...	...
19	Assam	2.66	3.11	16.9	397	12.90	14.08	0.336	0.444	0.407	0.288	0.636	954	2.5	390	55
20	HP	0.6	0.85	12.8	123	9.80	10.04	0.581	0.652	0.717	0.491	0.747	974	1.8	...	38
21	J & K	1.01	1.25	23.7	56	24.81	27.21	0.465	0.529	...	...	...	883	2.0	...	...
22	Manipur	0.23	0.27	18.7	122	26.58	20.21			...	...	...	987	1.5	...	...
23	Meghalaya	0.23	0.29	27.8	132	19.58	20.08			...	...	...	986	3.1	...	...
24	Mizoram	0.09	0.10	22.8	52	49.63	51.51	*	*	...	...	...	975	2	...	...
25	Nagaland	0.12	0.19	-0.5	119	17.23	28.97			...	...	...	931	2	...	...
26	Sikkim	0.05	0.06	12.4	86	11.07	24.97			...	...	...	889	2.1	...	...
27	Tripura	0.32	0.36	14.7	350	17.06	26.18			...	...	...	961	1.7	...	...
28	Uttara.	0.85	1.01	19.2	189	25.67	30.55	0.339	0.490	0.530	0.302	0.638	963	2.55	359	...
29	Total/Nat. Av.	102.9	121.0	17.64	368	27.82	37.70	0.387	0.467	0.563	0.271	0.568	940	2.5	212	44

Source : Col : 2 to 7 and 13 - Census of India (2011). Col : 8,9 - India Human Development Report 2011, Page- 24

Col : 10 to 12 -Economic Survey 2011-12 (Page-310-311) Col : 14, 15 - SRS-2010. Col : 16 - Economic Survey 2012-13 (Page- 276-277)

Note - * indicates combined HDI of North East States (excluding Assam) of 0.473 and 0.573 for 99-00, 07-08 respectively.

HDI - Human Development Index, HI- Health Index, II- Income Index, EI- Education Index, TFR- Total Fertility Rate, MMR- Maternal Mortality Rate

Infrastructure

Annexure-2.4

Sl. No.	State	Popul.	Index of Infrastructure		Road per lakh population (10-11)				Power					Irri Potn till X pln ('000ha)			Rail km
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
		Total	99-00	08-09	Rural	MDR	SH (08)	NH	Gen, 11	T & D (%)	PC cons.	% Vill.	% HH	Created	% of Ag area	Utili (%)	/lac Pop
A High Income States																	
1	Goa	0.15	200.57	215.11	65		1.92	1.86	80	17	2264	100		55		82	4.76
2	Gujarat	6.03	124.31	124.72	211		30.59	5.38	13110	23	1615	100		4250		88	8.74
3	Haryana	2.53	137.54	136.43	98		9.97	5.98	4430	24	1222	100		3831		91	6.09
4	Maharas.	11.23	112.80	115.56	181		29.99	3.72	17190	22	1028	88		6550		76	4.99
5	Punjab	2.77	187.57	175.81	134		5.03	5.62	5210	18	1527	100		6005		98	7.70
B Middle Income States																	
6	AP	8.46	103.30	112.84	392		12.43	5.29	12110	16	967	100		6693		91	6.22
7	Karnataka	6.11	104.88	124.35	379		33.94	6.29	10130	20	903	100		1823		152	5.03
8	Kerala	3.33	178.68	197.36	575		12.42	4.32	2360	19	525	100		3750		74	3.15
9	TN	7.21	149.10	152.24	227		12.85	6.19	12580	18	1132	100		3700		100	5.63
10	WB	9.13	111.23	97.01	203		1.84	2.60	7370	24	550	97		5777		84	4.31
C Low Income States																	
11	Bihar	10.38	81.33	78.79	106		3.63	3.51	600	37	122	61		7638		73	3.48
12	Chhattis.	1.01	NA	70.14	672		33.85	21.62	4030	35	1547	97		1227		120	11.75
13	Jharkhand	3.29	NA	52.09	52		5.73	5.49	1680	33	880	31		3722		48	6.03
14	MP	7.26	76.79	78.91	208		12.02	6.43	4780	34	602	96		2040		77	6.83
15	Orissa	4.19	81.00	81.83	471		9.08	8.84	3760		874	63		3623		92	5.09
16	Rajasthan	6.86	75.86	84.11	232		16.38	0.08	6780	28	736	69		5329		92	8.43
17	UP	19.96	101.23	86.99	119		4.20	2.94	5810	29	348	88		32386		79	4.39
D Special Category States																	
18	Arun Pr	0.13	69.71	NA	1268		0.00	30.15	90	36	470	57		116		76	0.08
19	Assam	3.11	77.72	62.02	722		10.08	9.12	470	30	205	81		935		77	7.83
20	HP	0.85	95.03	164.20	402		21.46	14.21	1160	15	1380	98		187		82	3.48
21	J & K	1.25	NA	81.40	164		0.54	9.96	1090	60	952	98		678		86	2.05
22	Manipur	0.27	...	...	605		42.11	35.52	50	43	240	86		199		78	0.04
23	Meghalaya	0.29	...	...	338		39.10	27.93	190	30	675	59		62		88	0.00
24	Mizoram	0.10	...	...	585		25.90	92.70	90	35	377	81		21		70	0.20
25	Nagaland	0.19	...	...	1169		21.26	26.00	30	31	218	64		93		77	0.68
26	Sikkim	0.06	108.99	NA	307		29.83	10.33	50	42	850	94		34		74	0.00
27	Tripura	0.36	...	...	875		19.14	11.11	170	21	335	57		149		85	4.19
28	Uttara.	1.01	NA	118.38	375		15.60	19.71	1810	23	1112	97		808		74	3.42
29	All States	121.0	...	...	237		12.77	5.50	172920	24	779	84		101737		84	5.33

Source : Col : 2- Census of India (2011). Col : 3,4 - 12th Plan document Page-314. Col : 5,7,8 - M/o Road Transport & Highways. Col : 9 - Energy Statistics 2012, Page-17.

Col : 10, 14 - Planning Commission Data Table

Col : 17 - Indian Railways Yearbook - 2010-11. Col : 3, 4 - 11th Finance Commission Report.

Abbreviation: T&D= Transmission and Distribution loss, MDR= Major district road, SH= State Highway, NH= National Highway, Gen= Power Generation in MW

PC cons= Per Capita Consumption, Vill.=Village electrified, HH= Household electrified, Ag.area= Agricultural area

Comoposition of GSDP of the states for 2011-12 (at 2004-05 Prices) Annex. 2.5

Sl. No.	States	2011-12										Rs. In Cr.				
		GSDP	Popln	Argi. & Allied		Agri.		Indus.			Mining & Manufac.			Services		
				Total	%	Total	%	Total	%	PC	Total	%	PC	Total	%	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A	High Income States															
1	Goa	23192	0.15	1085	0.15	695	0.11	10090	0.70	69586	7571	0.81	52214	11975	0.39	
2	Gujarat*	367540	6.03	46379	6.27	39839	6.32	150964	10.47	25035	107672	11.56	17856	167953	5.49	
3	Haryana	179097	2.53	29144	3.94	27615	4.38	51934	3.60	20527	33545	3.60	13259	98405	3.21	
4	Maharas.	805031	11.23	59501	8.05	46612	7.39	249168	17.27	22188	163383	17.54	14549	496363	16.21	
5	Punjab	156454	2.77	35619	4.82	33736	5.35	49621	3.44	17914	33187	3.56	11981	71243	2.33	
B	Middle Income States															
6	AP	405046	8.46	78208	10.58	62704	9.94	104182	7.22	12315	60788	6.53	7185	225220	7.36	
7	KNK	286410	6.11	43688	5.91	36784	5.83	82593	5.73	13518	53335	5.73	8729	165380	5.40	
8	Kerala	210107	3.33	20457	2.77	15986	2.54	42624	2.95	12800	18372	1.97	5517	145387	4.75	
9	TN	416549	7.21	34674	4.69	30016	4.76	127805	8.86	17726	88226	9.47	12237	254071	8.30	
10	WB	339844	9.13	59400	8.03	47073	7.47	64789	4.49	7096	38377	4.12	4203	209395	6.84	
C	Low Income States															
11	Bihar	144278	10.38	34005	4.60	30182	4.79	29801	2.07	2871	7520	0.81	724	88059	2.88	
16	Chhatisgh.	84674	1.01	16236	2.20	12164	1.93	38320	2.66	37941	24277	2.61	24037	33167	1.08	
17	Jharkh.	91421	3.29	13500	1.83	10466	1.66	34805	2.41	10579	26597	2.86	8084	43116	1.41	
12	MP	201290	7.26	47831	6.47	43634	6.92	58959	4.09	8121	32354	3.47	4456	96181	3.14	
13	Odisha	130669	4.19	22642	3.06	18536	2.94	48913	3.39	11674	31637	3.40	7551	66030	2.16	
14	Rajasthan	227824	6.86	47597	6.44	42178	6.69	64306	4.46	9374	34491	3.70	5028	103551	3.38	
15	UP	432261	19.96	95376	12.90	86281	13.68	99217	6.88	4971	59939	6.44	3003	225423	7.36	
D	Special Cat. States															
18	Arun. Pr.	5666	0.13	1696	0.23	1018	0.16	2129	0.15	16377	245	0.03	1885	2074	0.07	
19	Assam	80172	3.11	18041	2.44	15210	2.41	17604	1.22	5660	9786	1.05	3147	44821	1.46	
20	HP	41939	0.85	6644	0.90	4651	0.74	16857	1.17	19832	6765	0.73	7959	18531	0.61	
21	J&K	40771	1.25	8381	1.13	6890	1.09	10628	0.74	8502	3522	0.38	2818	21262	0.69	
22	Manipur	7535	0.27	1890	0.26	1567	0.25	2464	0.17	9126	390	0.04	1444	3278	0.11	
23	Meghal.	11085	0.29	1802	0.24	1343	0.21	3379	0.23	11652	1623	0.17	5597	6034	0.20	
24	Mizoram*	4557	0.10	919	0.12	660	0.10	916	0.06	9160	69	0.01	690	2722	0.09	
25	Nagaland	9379	0.19	2665	0.36	2090	0.33	1551	0.11	8163	252	0.03	1326	5140	0.17	
26	Sikkim	5148	0.06	409	0.06	373	0.06	2793	0.19	46550	1335	0.14	22250	1946	0.06	
27	Tripura	15645	0.36	3270	0.44	2546	0.40	4153	0.29	11536	638	0.07	1772	8040	0.26	
28	UK	58561	1.01	6436	0.87	4682	0.74	22449	1.56	22227	15374	1.65	15222	32014	1.05	
29	India	5243582	121.0	739495	100.00	630540	100.00	1442498	100.00	11920	931272	100.00	7696	3061589	100.00	

Source: CSO *figures pertain to 2010-11 (11-12 figures not available)

A. Growth Rate of GSDP (@ Constant Prices as on 27.02.2013)

Annexure- 4.1

Sl. No.	1	2	3	4	5	6	7	8	9	10	11	12	13
		07-08	08-09	09-10	10-11			11-12			12-13	13-14	11 th FYP
		Gr. rate	Gr. rate	Gr. rate	PCI	%of All India	Gr. rate	PCI	%of All India	Gr. rate	Approved	BE	(07-08 to 11-12)
1	Bihar	5.72	12.16	7.09	11,792	32.44	11.29	13,178	34.64	13.26	9.48	19.05	9.904
2	All India	9.32	6.72	8.59	36,342	100	9.32	38,037	100	6.21	4.96	--	8.032

Source: CSO

Note- Growth Rate of Bihar for 13-14 based on GSDP of 13-14 (BE) & 12-13 (Adv) @ current prices.

GR for 12-13 based on estimates of GSDP by CSO.

B. Time frame for Per Capita Income of Bihar to reach National average

SR	1	2	3	4	5	6	7
		2011-12		PCI after 62 yrs ¹	PCI after 10 yrs ²	PCI after 17 yrs ³	PCI after 128 yrs ⁴
		PCI	Growth rate				
1	Bihar	13,178	13.26	45,88,877	81,594	1,09,434	91,49,25,593
2	All India	38,037	6.21	45,70,435	82,347	1,05,930	91,47,35,713

Assumptions: If Growth Rate

1. continue @ the av. of rate of 11th FYP i.e. 07-08 to 11-12 for Bihar (9.90) and India(8.03) respectively.

2. for Bihar increases to 20% and for India remains @ 8.03%.

3. Bihar and India remain unchanged as of 2011-12, i.e. 13.26% and 6.21% respectively.

4. for Bihar and India are 9.1% and 8.2% respectively as targeted in 12th FYP.

C. Investment Required for 12th Plan if Target Growth Rate= 20% (for PCI Bihar to catch up in 10 yrs.) (@ 2011-12 prices)

Growth Rate (%)	Total (Pub.+ Pri.)	Public Investment				Private Investment		
		Total (Pub.)	State Plan	Available	Addl Cntrl Trans	Total (Pvt.)	Banks, if CDR is 100%	Others
1	2	3	4	5	6 (4-5)	7	8	9 (7-8)
11	8,60,287	3,13,449	2,26,279	2,72,478	---	5,46,838	1,00,000	4,46,838
11.5	9,03,888	3,29,335	2,37,747	2,72,478	---	5,74,553	1,00,000	4,74,553
12	9,47,903	3,45,372	2,49,324	2,72,478	---	6,02,531	1,00,000	5,02,531
12.5	9,91,918	3,61,558	2,61,009	2,72,478	---	6,30,360	1,00,000	5,30,360
13	10,35,933	3,77,468	2,72,478	2,72,478	0	6,58,465	1,00,000	5,58,465
20	15,64,158	5,69,980	4,11,374	2,72,478	1,38,896	9,94,178	1,00,000	8,94,178

Note : Col. 2, 3, 4 and 7 are based on 12th Plan of Bihar assumptions:

a.) Public Investment @ 36.44% [state plan investment @ 26.30% & others @ 10%] and Private Investment @ 63.56 of total.

b.) Share of State Plan as indicated in Col. 4. (c.) Rs 2,72,478 cr. projected by Bihar Govt. for the 12th Plan.

d.) Available Pub. Invest. taken @ 13% growth rate envisaged for 12th Plan.

e.)Col. 7 to 9 – private investment of this magnitude is improbable and most of it must come from public investment.

Trend of Plan Expenditure, NPRE, Total Exp, Central Transfer

Annex- 4.2

Rs in Cr.

Sl.	Year	Plan Exp.		NPRE		Total Exp.		Central Trans.	
		Bihar	India	Bihar	India	Bihar	India	Bihar	India
		1	2	3	4	5	6	7	8	9
1	05-06							13755	178871
2	06-07	9392	188410	16520	415510	27136	657280	18542	220462
3	07-08	10946	231332	18761	466560	31573	752324	23066	267276
4	08-09	13815	283279	21231	537376	37181	882333	25804	297981
5	09-10	16194	311370	24145	634540	42796	1015330	26530	324090
6	10-11	20911	360170	27316	729540	50705	1158730	34460	392460
7	11-12	23008	478100	34013	859750	60181	1433080	33470	374960
8	12-13	33364	564570	42079	969730	78687	1632290	50750	586220
9	13-14	39006		49602		92088			

Rs in Cr.

Sl.	Year	Per Capita Plan Exp.		Per Capita NPPE		Per Capita Total Exp.		Per Capita Central Trans.	
		Bihar	India	Bihar	India	Bihar	India	Bihar	India
		1	2	3	4	5	6	7	8	9
1	05-06							1325	1478
2	06-07	905	1557	1591	3433	2614	5431	1786	1822
3	07-08	1054	1912	1807	3855	3042	6217	2222	2209
4	08-09	1331	2341	2045	4440	3582	7291	2486	2462
5	09-10	1560	2573	2326	5243	4123	8390	2556	2678
6	10-11	2014	2976	2631	6028	4885	9575	3320	3243
7	11-12	2216	3951	3277	7104	5798	11842	3224	3098
8	12-13	3214	4665	4054	8013	7580	13488	4889	4844
9 Pr.	13-14	3986	5611	5015	9230	9060	15702		
10	14-15	4994	6725	5866	10678	10877	18332		
11	15-16	6248	8032	6895	12360	13099	21385		
12	16-17	7899	9719	8154	14261	15892	25004		
13	17-18	9951	11848	9705	16463	19356	29351		
14	18-19	12801	14228	11647	18938	23674	34147		
15	19-20	16117	17134	13889	21858	28624	39864		

Source: State finances of respective years (2005-06 to 2012-13), RBI

Note: Projection based on moving TGR.

Annual Plan Outlay

Annexure- 5.4

(Rs. in Cr.)

Sl.	State	Popul.	State Annual Plan Expenditure (Total, Per Capita and % of All States)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
			90-91			00-01			10-11			11-12			Including CS/CSS (11-12)		
		Total	Actual	PC	%	Actual	PC	%	Actual	PC	%	Outlay	PC	%	Total	PC	%
A	High Income States																
1	Goa	0.15	135	934	505	361	2488	415	2710	18690	580	3320	22897	573	3130	21586	547
2	Gujarat	6.03	1567	260	140	4965	823	137	30000	4975	154	38000	6302	158	31350	5199	132
3	Haryana	2.53	615	243	131	1718	679	113	18260	7217	224	20358	8047	201	15340	6063	154
4	Maharas.	11.23	2503	223	120	9586	854	143	37916	3376	105	42000	3740	94	45800	4078	103
5	Punjab	2.77	991	358	193	1877	678	113	8931	3224	100	11520	4159	104	8640	3119	79
B	Middle Income States																
6	AP	8.46	1486	176	95	7035	832	139	32249	3812	118	43000	5083	127	47560	5622	143
7	Karnataka	6.11	1173	192	104	6785	1111	185	31050	5082	158	38070	6231	156	34590	5661	144
8	Kerala	3.33	596	179	97	2954	887	148	10025	3011	93	12010	3607	90	8960	2691	68
9	TN	7.21	1496	207	112	5777	801	134	20068	2783	86	23535	3264	82	36370	5044	128
10	WB	9.13	1151	126	68	5631	617	103	17985	1970	61	22214	2433	61	25100	2749	70
C	Low Income States																
11	Bihar	10.38	1258	121	66	1638	158	26	18351	1768	55	24000	2312	58	26770	2579	65
12	Jharkhand	3.29	...		0	...		0	9240	2809	87	15300	4650	116	17430	5298	134
13	Chhattis.	1.01	...		0	470	465	78	13230	13099	406	16710	16545	414	17020	16851	427
14	MP	7.26	1704	235	127	3177	438	73	19000	2617	81	23000	3168	79	25580	3523	89
15	Orissa	4.19	1086	259	140	2562	611	102	10000	2387	74	15200	3628	91	15280	3647	92
16	Rajasthan	6.86	973	142	77	3773	550	92	21223	3094	96	27500	4009	100	19290	2812	71
17	UP	19.96	3026	152	82	5956	298	50	38432	1925	60	47000	2355	59	47630	2386	60
D	Special Category States																
18	Arun Pr	0.13	166	1276	690	511	3930	656	2561	19699	611	320	2462	62	3800	29231	741
19	Assam	3.11	597	192	104	1481	476	80	7800	2508	78	9000	2894	72	14330	4608	117
20	HP	0.85	378	444	240	1723	2027	338	3060	3600	112	3300	3882	97	3090	3635	92
21	J & K	1.25	557	445	241	1538	1230	205	6000	4800	149	6600	5280	132	8080	6464	164
22	Manipur	0.27	165	610	330	248	918	153	2582	9563	297	3210	11889	298	3610	13370	339
23	Meghalaya	0.29	166	573	310	463	1596	266	2230	7690	238	2727	9403	235	3430	11828	300
24	Mizoram	0.10	125	1249	675	372	3719	621	1264	12640	392	1700	17000	425	1750	17500	444
25	Nagaland	0.19	142	748	404	318	1672	279	1429	7520	233	1810	9526	238	2360	12421	315
26	Sikkim	0.06	79	1324	715	218	3640	608	1175	19583	607	1400	23333	584	1900	31667	803
27	Tripura	0.36	201	559	302	474	1317	220	1368	3801	118	1950	5417	136	2650	7361	187
28	Uttara.	1.01	...		0	821	812	136	6800	6733	209	7800	7723	193	6560	6495	165
29	All States	121.0	22361	185	100	72431	599	100	390204	3225	100	483590	3996	100	477390	3945	100

Source : Col : 2- Census of India (2011). Col : 3 to 14 - Planning Commission Data Table figures. Col : 15 to 16 - State Finance: A Study Of Budgets of 2011-12, R.B.I

Note: (1) PC= Per Capita, C.Loan= Central Loan, % = % of All States (2) Jharkhand did not exist till 2000

Aggregate Plan Resources, State Borrowings and GSDP Growth For 11th and 12th Plan

Annexure-5.5

11	State	Pop	11th Plan									GSDP Growth			12th Plan Projection			
			Aggregate Plan Resources			States Borrowings*			Central Assistance			Five Year Plan			Agg. Reso.		Gr.Rate	% change
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
			Project.	Realiz.		Project.	Realiz.		Project.	Realiz.		9th	10th	11th				Over 11th
			%	PC	Total	%	PC	Total	T	PC				Total	PC	Target	Target	
A	High Income States																	
1	Goa	0.15	8485	102.1	59746	3304	101.8	23196	600	143.6	5942	5.5	7.8	9.02	28599	197234	8.6	-0.4
2	Gujarat	6.03	106918	95.6	16951	50727	89.3	7512	11099	90.1	1658	4.0	10.6	9.59	283623	47035	8.4	-1.2
3	Haryana	2.53	33374	192.1	25340	21402	89.7	7588	2379	118.3	1112	4.1	7.6	9.10	185212	73206	8.1	-1.0
4	Maharas.	11.23	127538	92.3	10482	96501	79.8	6857	21551	115.2	2211	4.7	7.9	9.48	370334	32977	8.9	-0.6
5	Punjab	2.77	28923	87.5	9136	23024	113.2	9409	5958	66.9	1439	4.4	4.5	6.87	79496	28699	6.4	-0.5
B	Middle Income States																	
6	AP	8.46	147395	87.8	15297	50466	99.7	5947	20569	84.1	2045	4.6	6.7	8.33	342513	40486	8.4	0.1
7	KNK	6.11	101664	107.2	17837	45036	47.4	3494	12044	106.6	2101	7.2	7.0	8.04	277512	45419	7.6	-0.4
8	Kerala	3.33	41941	77.1	9711	25418	107.4	8198	6239	64.5	1208	5.7	7.2	8.04	98253	29505	8.2	0.2
9	TN	7.21	85344	87.5	10357	51566	90.4	6465	10313	102.2	1462	6.3	6.6	8.32	211250	29300	7.9	-0.4
10	WB	9.13	63779	79.9	5582	59605	110.3	7201	16794	81.0	1490	6.9	6.1	7.32	165934	18175	7.6	0.3
C	Low Income States																	
11	Bihar	10.38	60631	108.6	6343	16029	97.1	1499	21374	84.4	1738	4.0	4.7	12.11	207939	20033	9.1	-3.0
12	Chhatisgh	1.01	53730	72.8	38728	9296	50.8	4676	6666	85.6	5650	NA	9.2	7.27	131729	130425	9.1	1.8
13	Jharkh.	3.29	40240	84.6	10347	12798	67.8	2637	6683	127.3	2586	NA	11.1	6.90	110240	33508	7.8	0.9
14	MP	7.26	70329	95.8	9280	27713	76.2	2909	14738	99.7	2024	4.0	4.3	8.44	197565	27213	8.8	0.4
15	Odisha	4.19	32225	122.9	9452	13261	25.7	813	11297	109.1	2942	5.1	9.1	8.93	124373	29683	8.2	-0.7
16	Rajasthan	6.86	71732	105.8	11063	31398	88.4	4046	9602	91.4	1279	3.5	5.0	8.23	226417	33005	7.4	-0.8
17	UP	19.96	181094	79.9	7249	63559	88.5	2818	22264	101.8	1136	4.0	4.6	7.68	326953	16380	7.6	-0.1
D	Special Cat. States																	
18	Arun. Pr.	0.13	7901	106.3	64606	677	174.5	9087	6399	122.1	60101	4.4	5.8	9.42	21126	162508	8.3	-1.1
19	Assam	3.11	23954	116.1	8942	10768	94.4	3268	21849	76.1	5346	2.1	6.1	5.50	55481	17840	7.1	1.6
20	HP	0.85	13778	78.7	12757	5764	123.5	8375	8691	103.7	10603	5.9	7.3	5.50	23538	27692	7.9	2.4
21	J&K	1.25	25834	83.6	17278	5252	236.6	9941	22727	116.8	21236	5.2	5.2	4.40	41055	32844	6.7	2.3
22	Manipur	0.27	8154	97.1	29324	1050	119.3	4639	7655	93.2	26424	6.4	11.6	4.60	21718	80437	6.6	2.0
23	Meghal.	0.29	9185	61.6	19510	1291	91.5	4073	4791	95.2	15728	6.2	5.6	7.50	19790	68241	8.0	0.5
24	Mizoram	0.10	5534	82.8	45822	586	226.2	13255	4766	95.0	45277	NA	5.9	8.70	10605	106050	8.6	-0.1
25	Nagaland	0.19	5978	82.2	25863	1240	135.3	8830	5014	106.0	27973	2.6	8.3	3.50	12969	68258	7.2	3.7
26	Sikkim	0.06	4720	86.9	68361	494	200.5	16508	2932	103.3	50479	8.3	7.7	12.20	13720	228667	8.4	-3.8
27	Tripura	0.36	8853	78.7	19354	2566	52.7	3756	6691	92.9	17266	7.4	8.7	8.00	15387	42742	7.9	-0.1
28	UK	1.01	42798	52.5	22246	5668	111.3	6246	13861	78.8	10814	NA	8.8	9.30	52939	52415	9.0	-0.3
29	All States	121.00	1412029	92.5	10794	636458	88.7	4666	324851	94.4	2534				3790628	31328	8.2	

Source : Col: 3 to 11 and 15 to 16 - Report of the working group on State's Financial Resources for the 12th FYP (2012-2017), Planning Commission

Col. 12,13,14 & 17 from 12th five year Plan (Page-305,316) * for (2006-07) prices

NPRD Projection For Bihar (Current Prices)

Annex.-5.6 (Rs. In Cr.)

Sl. No	Year	Total NPRE A=(B+C+D+E)			(B) Interest			(C) Pension			(D) Salaries			(E) Other NPRE			(F) Tax	(G) N-Tax	(H) SOR	I= (A-H) Pr. DD
	1	2	3	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
		A/Mov. TGR	PC	A/Pr. by TGR.	A/Mov. TGR	PC	A/Pr. by TGR.	A/Mov. TGR	PC	A/Pr. by	A/Mov. TGR	PC	A/Pr. by TGR.	A/Mov. TGR	PC	A/Pr. by TGR.	A/Mov. TGR	A/Mov. TGR	A/Mov. TGR	A/Mov. TGR
A. 13th FC																				
1	10-11	27316		27316	4319		4319	6144		6144	9953		9953	6900		6900	9870	986	10856	16460
2	11-12	34013	34619	34013	4304	4739	4304	7808	7584	7808	11504	12451	11504	10397	9845	10397	12612	890	13502	20511
3	12-13	42080	38888	42079	5186	5165	5186	10043	8797	10043	14101	14194	14100	12750	10731	12750	15695	1142	16837	25243
4	13-14	49602	43429	49602	5888	5630	5888	11274	10205	11274	16837	15897	16837	15603	11697	15603	20963	1416	22379	27223
5	14-15	59428	48529	53351	6637	6137	6330	14381	11838	12401	19705	17805	17847	18705	12750	16773	26612	1422	28034	31394
6	Total	212439		206361	26334		26027	49650		47670	72100		70241	64355		62423	85752	5856	91608	120831
B. 14th FC																				
7	15-16	72193	54260	57395	7407	6689	6804	17815	13732	13642	23379	19942	18918	23592	13897	18031	34113	1557	35670	36523
8	16-17	87153	60702	61757	8487	7291	7315	21927	15929	15006	27918	22335	20053	28821	15148	19384	43761	1825	45586	41567
9	17-18	104559	67951	66463	9600	7947	7863	26683	18478	16506	33117	25015	21256	35159	16511	20837	56559	2057	58616	45943
10	18-19	125989	76110	71542	10848	8662	8453	33102	21434	18157	39220	28017	22532	42819	17997	22400	72490	2262	74752	51237
11	19-20	152027	85303	77023	12267	9442	9087	40773	24864	19973	46586	31379	23884	52401	19617	24080	93128	2541	95669	56358
12	Total	541921	344326	334180	48609	40031	39522	140300	94437	83283	170220	126688	106643	182792	83170	104732	300051	10242	310293	231628

Note : (i)PC = Based on Formula of Planning commission through its letter dated 11/10/2011

(ii) Base year for PC is 11-12 (BE), (iii) A = Actual/BE/Projected figures for 10-11, 11-12/12-13, 13-14/14-15 and onwards respectively.

(iv) Planning Commission Formula for Interest = 9% annual growth ,Pension = 16% Annual growth over 11-12, Salaries = Growth of 14% for 2012-13 and 12% for subsequent years,

(v) Other NPRE = 9% annual growth (vi) Projection from Moving TGR for five (06-07 to 10-11 and onwards) year

Resource mobilisation by Bihar

Annex6.2 *Rs in cr.*

Item	1	2	3	4	5	6	7	8	9
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (BE)	2013-14 (BE)
Commercial	2379	2940	3551	4374	5535	6651	8412	11000	13643
State Excise	319	382	525	679	1082	1523	1981	2715	3680
Registration	505	455	654	716	998	1099	1480	1906	2628
Transport	302	181	273	298	345	455	569	644	800
Land Revenue	55	75	82	102	124	139	167	185	205
Others	1	0	0	4	6	3	2	5	7
Total	3561	4033	5086	6173	8090	9870	12612	16455	20963
GSDP	82490	100737	113680	142279	164547	198135	246487	263876	314155

Note: GSDP figures (05-06 to 11-12) are taken from CSO and of 12-13, 13-14 are from Bihar Budget document @ current price.

Devolution by FCs

Annexure-7.1

(Rs. in Cr.)

Sl.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	10th (95-00)					11th (00-05)				12th CFC (05-10)				13th CFC (10-15)				PCTE	PCI	
	State	Total (%)	Tax %	Grants %	PC p.a.	Total (%)	Tax %	Grants %	PC p.a.	Total (%)	Tax %	Grants %	PC p.a.	Total (%)	Tax %	Grants %	PC p.a.	loss	11-12	11-12
A	High Income States																			
1	Goa	0.27	0.25	0.48		0.19	0.21	0.08	1219	0.23	0.26	0.09	435	0.26	0.27	0.20	6033	-359	5400	112372
2	Gujarat	3.92	3.88	4.24		2.76	2.82	2.36	474	3.39	3.57	2.60	923	3.15	3.05	3.74	1784	1475	13136	57130
3	Haryana	1.23	1.24	1.17		0.97	0.94	1.12	398	1.06	1.08	1.01	693	1.14	1.05	1.65	1539	4159	16502	63045
4	Maharas.	6.05	6.23	4.18		4.46	4.63	3.34	400	4.79	5.00	3.88	692	5.37	5.21	6.30	1633	2505	13458	67991
5	Punjab	1.58	1.53	2.11		1.25	1.15	1.90	446	1.70	1.30	3.44	990	1.51	1.39	2.14	1855	-2505	15491	46688
B	Middle Income States																			
6	AP	7.98	7.91	8.65		7.13	7.70	3.47	814	6.66	7.36	3.66	1252	6.69	6.95	5.23	2699	-12857	14839	42710
7	Karnataka	4.64	4.86	2.39		4.53	4.93	1.94	745	4.16	4.46	2.84	1103	4.36	4.33	4.49	2435	-4355	13741	41545
8	Kerala	3.41	3.50	2.49		2.83	3.06	1.39	774	2.59	2.67	2.28	1204	2.36	2.34	2.46	2422	-16805	15811	53427
9	TN	5.89	6.12	3.64		4.97	5.38	2.28	692	4.85	5.31	2.90	1091	4.89	4.98	4.40	2314	-25735	14817	56461
10	WB	6.61	6.84	4.31		8.10	8.12	7.99	879	6.73	7.06	5.31	1187	6.91	7.28	4.89	2585	-7245	9600	34229
C	Low Income States																			
11	Bihar	10.88	11.29	6.67		13.04	14.60	3.06	1367	10.01	11.04	5.59	1620	10.13	10.93	5.65	3332	11242	6294	15268
12	Chhattis.	...	...	...	...	...	...	...	...	2.42	2.66	1.39	2363	2.46	2.47	2.39	8317	-12650	31267	29635
13	Jharkhand	...	...	...	...	...	...	...	...	3.13	3.36	2.13	1581	2.81	2.81	2.80	2911	1326	10067	22902
14	MP	7.10	7.40	4.03		8.05	8.84	2.97	1160	6.13	6.72	3.60	1394	6.83	7.13	5.15	3212	7892	9456	24260
15	Orissa	4.28	4.26	4.55		4.77	5.06	2.95	1128	4.89	5.17	3.70	1878	4.63	4.79	3.74	3770	-8327	10709	26900
16	Rajasthan	5.03	4.97	5.64		5.42	5.47	5.11	835	5.17	5.61	3.26	1249	5.73	5.86	5.01	2853	15150	9329	27765
17	UP	15.95	16.25	12.97		18.05	19.80	6.84	945	17.66	19.28	10.70	1460	18.29	19.71	10.34	3128	17793	7931	18103
D	Special Category States																			
18	Arun Pr	0.78	0.66	2.01		0.53	0.24	2.38	4217	0.47	0.29	1.23	5881	0.53	0.33	1.68	14006	371	49077	38130
19	Assam	3.67	3.42	6.23		3.05	3.29	1.57	996	3.22	3.24	3.14	1685	3.39	3.63	2.02	3719	-1506	11936	22956
20	HP	2.10	1.81	5.01		1.72	0.68	8.35	2455	1.91	0.52	7.89	834	1.27	0.78	4.01	5104	338	19647	49817
21	J & K	3.23	2.86	6.98		3.78	1.29	19.75	3239	2.76	1.21	9.42	3688	2.37	1.39	7.83	6470	2887	24608	28932
22	Manipur	0.94	0.82	2.20		0.74	0.37	3.14	2804	0.91	0.36	3.26	5503	0.79	0.45	2.72	10050	466	25407	24327
23	Meghalaya	0.83	0.74	1.75		0.68	0.34	2.86	2554	0.58	0.37	1.47	3348	0.58	0.41	1.52	6788	828	21448	38944
24	Mizoram	0.80	0.68	1.99		0.58	0.20	3.06	5704	0.62	0.24	2.24	9870	0.52	0.27	1.90	17611	406	42200	39814
25	Nagaland	1.23	1.06	2.93		1.02	0.22	6.18	4472	0.99	0.26	4.09	7664	0.81	0.31	3.55	14468	1359	33474	41522
26	Sikkim	0.31	0.27	0.67		0.38	0.18	1.61	604	0.24	0.23	0.31	1217	0.27	0.24	0.41	15085	3928	73333	51653
27	Tripura	1.27	1.13	2.70		1.00	0.49	4.32	2727	1.11	0.43	4.06	4952	0.77	0.51	2.21	7293	338	19056	40411
28	Uttara.	...	...	...	...	...	...	...	...	1.61	0.94	4.51	2624	1.19	1.12	1.57	4021	182	18376	47831
29	All States	100	100	100		100	100	100	846	100	100.00	100	1350	100	100	100.00	2821	28	11696	38005

Source : Finance Commission Reports.

Col :19,20 - State Finance: A Study Of Budgets of 2011-12, R.B.I.

Note- i) Total CFC award amount in 11th, 12th & 13th CFC are 4,34,905 Cr.; 7,55,752 Cr; and 17,06,676 Cr. respectively.

ii) PC p.a. figures relate to population figures of 2011 for 13th CFC, 2006 for 12th CFC and 2001 for 11th CFC.

iii) Col 18 shows notional loss (gain) in total award: as 1971 instead of 2006 population was considered. = (% share of 2006 pop. - % share of 1971 pop.) × All India Actual ÷ 100

iii) Col 14 excludes Rs 60,000 Cr to be awarded seperately for GST (Rs 50,000 Cr.), IMR (Rs 5,000 Cr.) & Renewable energy (Rs 5,000 Cr.)

Grants to Bihar by 13th CFC

Annex- 7.3

Rs in Cr.

Sr No.	Grant Head	2010-11		2011-12		2012-13		2013-14		2014-15		Total (10-15)	
		1	2	3	4	5	6	7	8	9	10	11	12
		All India	Bihar	All India	Bihar	All India	Bihar	All India	Bihar	All India	Bihar	All India	Bihar
1	Post Devolution NPRD	11653	0	10808	0	11716	0	10074	0	7550	0	51800	0
2	Performance Incentive	0	0	80	0	160	0	160	0	160	0	559	0
3	General Basic Grant	8022	529	9303	614	10873	717	12883	850	15254	1006	56335	3715
4	General Performance Grant	0	0	3181	210	7462	492	8802	580	10382	685	29826	1967
5	Disaster Relief (including capacity building)	4783	256	5017	268	5262	282	5520	295	5791	310	26373	1411
6	Elementry Education	3675	585	4264	699	4881	818	5540	946	5708	970	24068	4018
7	Justice Delicery	1000	77	1000	77	1000	77	1000	77	1000	77	5000	385
8	Issuing UIDs	598	74	598	74	598	74	598	74	598	74	2989	369
9	District Innovation Fund	123	8	123	8	123	8	123	8	123	8	616	38
10	Statistical Systems	123	8	123	8	123	8	123	8	123	8	616	38
11	Employee & Pension Data Base	45	2	45	2	45	2	45	2	45	2	225	10
12	Environment related Grants												
13	Forest	625	5	625	5	1250	10	1250	10	1250	10	5000	38
14	Water Sector Management			1250	76	1250	76	1250	76	1250	76	5000	304
15	Maintenance of Roads & Bridges			4359	94	4731	105	5175	119	5665	146	19930	464
16	State Specific	1050	0	6724	461	6724	461	6724	461	6724	461	27945	1845 (6.60%)
17	Total Grants in Aid	31697	1543	47500	2595	56198	3129	59266	3505	61622	3831	256282	12758

Source : 13th Finance Commission Report

Composition of Plan Transfers: Share of States

(Percent) Annexure-8.1

Sl.	State	Popln	Inter-State Composition of Plan Transfers								Intra-State Composition of Plan Transfers					
			Tenth Plan Period				Eleventh Plan Period				Tenth Plan Period			Eleventh Plan Period		
			1	2	3	4	5	6	10	11	12	13	7	8	9	14	15	16
		NCA	EAP	ACA#	Total	NCA	EAP	ACA#	Total	NCA	EAP	ACA#	NCA	EAP	ACA#	
		Total	Total	Total		Total	Total	Total								
A High Income States																
1	Goa	0.15	0.50	0.09	0.54	0.43	0.48	0.00	0.49	0.46	26.97	4.96	68.08	16.98	0.00	83.02
2	Gujarat	6.03	4.00	12.81	6.15	7.20	3.93	2.12	6.67	5.98	12.82	41.30	45.89	10.78	1.84	87.38
3	Haryana	2.53	1.78	0.52	1.41	1.29	1.84	0.30	1.41	1.42	31.95	9.39	58.66	21.23	1.10	77.67
4	Maharas.	11.23	6.91	4.51	10.95	8.52	6.91	5.69	14.04	12.43	18.74	12.29	68.97	9.12	2.38	88.50
5	Punjab	2.77	2.18	1.10	2.10	1.89	2.23	0.57	2.44	2.31	26.71	13.53	59.76	15.83	1.28	82.89
B Middle Income States																
6	AP	8.46	7.51	20.76	7.68	10.68	6.28	5.17	11.17	10.06	16.24	45.13	38.64	10.25	2.67	87.08
7	KNK	6.11	4.45	10.77	6.21	6.86	4.40	11.84	5.02	5.28	14.99	36.43	48.58	13.69	11.66	74.64
8	Kerala	3.33	3.45	6.10	2.69	3.66	3.20	5.25	2.43	2.70	21.80	38.73	39.47	19.44	10.10	70.46
9	TN	7.21	5.98	5.09	5.28	5.40	5.90	8.94	4.34	4.84	25.59	21.88	52.53	20.04	9.61	70.35
10	WB	9.13	8.55	9.12	5.98	7.30	8.17	18.04	5.96	6.95	27.03	28.97	44.00	19.29	13.49	67.22
C Low Income States																
11	Bihar	10.38	10.87	0.06	12.38	9.17	11.26	0.76	10.42	10.06	27.37	0.16	72.48	18.38	0.39	81.23
12	Chhatisgh	1.01	2.99	1.15	3.00	2.57	2.81	5.77	3.60	3.58	26.87	10.39	62.74	12.88	8.38	78.75
13	Jharkh.	3.29	3.46	0.63	4.57	3.40	3.39	1.55	3.90	3.69	23.50	4.28	72.22	15.08	2.19	82.73
14	MP	7.26	6.88	4.61	6.89	6.36	7.14	14.21	7.82	8.04	24.98	16.82	58.19	14.58	9.18	76.24
15	Odisha	4.19	5.41	8.73	6.74	6.89	5.95	6.56	6.26	6.22	18.11	29.40	52.49	15.70	5.48	78.82
16	Rajasthan	6.86	5.64	5.69	5.02	5.32	5.91	5.73	4.37	4.69	24.47	24.83	50.70	20.67	6.35	72.98
17	UP	19.96	19.45	8.26	12.39	13.06	20.20	7.51	9.66	11.28	34.39	14.67	50.94	29.39	3.46	67.15
18	Total GCS		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	23.10	23.21	53.69	16.41	5.20	78.39
D Special Cat. States																
19	Arun. Pr.	0.13	7.97	1.16	3.75	5.88	7.94	0.27	8.31	7.34	73.85	1.28	24.87	44.62	0.37	55.00
20	Assam	3.11	19.16	37.82	15.13	18.81	19.56	30.87	12.33	17.20	55.56	13.12	31.33	46.88	18.31	34.81
21	HP	0.85	9.70	4.46	12.46	10.44	9.59	5.49	6.16	7.51	50.70	2.79	46.51	52.68	7.47	39.85
22	J&K	1.25	19.23	11.36	31.93	23.66	19.16	12.92	32.04	24.78	44.30	3.13	52.57	31.89	5.32	62.79
23	Manipur	0.27	5.87	7.68	7.40	6.58	5.85	2.59	8.24	6.68	48.60	7.61	43.79	36.10	3.96	59.94
24	Meghal.	0.29	4.87	3.52	3.72	4.34	4.86	3.62	5.72	5.15	61.28	5.29	33.43	38.90	7.18	53.93
25	Mizoram	0.10	5.62	7.98	2.70	4.63	5.60	7.93	3.20	4.67	66.09	11.23	22.68	49.39	17.32	33.30
26	Nagaland	0.19	5.94	1.42	3.15	4.56	5.92	2.49	5.51	5.37	71.05	2.04	26.92	45.43	4.73	49.84
27	Sikkim	0.06	3.79	2.88	1.79	2.95	3.78	1.39	3.30	3.30	69.98	6.36	23.65	47.14	4.30	48.57
28	Tripura	0.36	8.28	0.55	4.13	6.16	8.19	2.46	5.28	6.19	73.27	0.58	26.15	54.51	4.06	41.43
29	UK	1.01	9.58	21.18	13.83	11.99	9.55	29.97	9.90	11.80	43.56	11.52	44.92	33.36	25.92	40.73
30	Total SCS		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	54.52	6.25	38.95	41.23	10.21	48.57
31	All States	121.00									34.61	17.10	48.29	24.90	6.91	68.19
Share of Special and General Category States																
32	SCS		57.71	13.98	29.55	36.63	56.63	50.52	24.37	34.21						
33	GCS		42.29	86.02	70.45	63.37	43.37	49.48	75.63	65.79						

Source : (a) Report of the working group on State's Financial Resources for the 12th FYP (2012-2017), Planning Commission, (b) Col.2 from census of India, 2011

Note : #ACA for non-EAP

CENTRAL ASSISTANCE FOR STATE AND UNION TERRITORY PLANS

STATEMENT 16

(In crores of rupees)

	2011-2012 Actuals	2012-2013 Budget	2012-2013 Revised	2013-2014 Budget
A CENTRAL ASSISTANCE FOR STATE PLANS	100128.79	124249.00	107147.12	129930.00
1 Normal Central Assistance	20920.68	25589.00	24089.00	27636.00
2 Special Plan Assistance	5758.84	6005.00	6005.00	6341.00
3 Special Central Assistance (untied)	8370.00	9571.00	9671.00	9571.00
4 Special Central Assistance, of which	4038.76	4577.00	3732.54	4577.00
(a) Hill Areas	298.85	300.00	300.00	300.00
(b) Tribal Sub-Plan	963.68	1200.00	852.54	1200.00
(c) Grants under Proviso to Article 275(1)	1084.83	1317.00	820.00	1317.00
(d) Border Area	1003.22	990.00	990.00	990.00
(e) North Eastern Council	688.18	770.00	770.00	770.00
5 Control of Shifting Cultivation	50.00	...	...	...
6 MPs Local Area Development Scheme	2507.68	3955.00	3950.00	3955.00
7 Additional Central Assistance for Externally Aided Projects	13148.61	13500.00	13500.00	13500.00
8 Assistance from Central Pool of Resources for NE & Sikkim	798.99	880.00	775.58	950.00
9 Bodoland Territorial Council	50.00	50.00	35.00	60.00
10 Accelerated Irrigation Benefit Programme (AIBP) and Other Water Resources Programmes	7459.01	14242.00	7342.00	12962.00
11 Roads & Bridges	2198.55	2267.00	2267.00	2267.00
12 National Social Assistance Programme (NSAP) (including Annapurna)	6546.08	8382.00	7882.00	9541.00
13 National E-Governance Action Plan (NEGAP)	41.37	190.00	90.00	315.00
14 Backward Regions Grant Fund (BRGF), of which	11104.30	12040.00	10524.00	11500.00
(a) State Component	7187.30	6990.00	6790.00	5000.00
(b) District Component	3917.00	5050.00	3734.00	6500.00
15 Jawaharlal Nehru National Urban Renewal Mission, of which	7337.78	12522.00	6822.00	14000.00
(i) Sub Mission on Urban Infrastructure and Governance	4113.68	5900.00	3300.00	5000.00
(ii) Urban Infrastructure Development for Small and Medium Towns (UIDSSMT)	1134.58	2100.00	1600.00	4478.00
(iii) Sub Mission on Basic Services to Urban Poor (SM-BSUP)	1321.92	2100.00	1022.00	1500.00
(iv) Integrated Housing and Slum Development (IHSDP)	699.66	900.00	800.00	1000.00
(v) Rajiv Awas Yojana (RAY)	67.94	1522.00	100.00	2022.00

STATEMENT 16

CENTRAL ASSISTANCE FOR STATE AND UNION TERRITORY PLANS

(In crores of rupees)

	2011-2012 Actuals	2012-2013 Budget	2012-2013 Revised	2013-2014 Budget
16 Rashtriya Krishi Vikas Yojana (RKVY)	7794.09	9217.00	8400.00	9954.00
17 Additional Central Assistance (ACA) for desalination Plant at Chennai	126.85	1.00	1.00	...
18 Additional Central Assistance for Other Projects	1877.20	1261.00	2061.00	1261.00
19 Additional Central Assistance for LWE Districts	...	...	...	1000.00
20 Other Additional Central Assistance	...	...	...	540.00
B Union Territory Plans #	3887.11	5749.00	4855.30	6324.00
<i>Union Territories with Legislature</i>	920.48	1720.00	1478.74	1826.90
(a) National Capital Territory of Delhi	648.62	1100.00	900.00	1143.70
(b) Puducherry	271.86	620.00	578.74	683.20
<i>Union Territories without Legislature</i>	2966.63	4029.00	3376.56	4497.10
(a) Andaman & Nicobar Islands	1290.87	1706.04	1507.67	1867.10
(b) Chandigarh	632.77	742.18	624.95	881.00
(c) Dadra & Nagar Haveli	333.50	610.00	567.02	674.70
(d) Daman & Diu	326.46	570.00	426.75	631.80
(e) Lakshadweep	383.03	400.78	250.17	442.50
GRAND TOTAL (A + B)	104015.90	129998.00	112002.42	136254.00

Includes Budget provision to all UTs for relevant Special and Other Programmes viz Roads & Bridges, NSAP, NEGAP, TSP, and JNNURM.

Explicit and Implicit Central Subsidies Per Capita in Different States, 2007-08 Annex.- 8.3

(In Rs.)

States	Petroleum Subsidy	Food	Fertiliser	Agri. Marketing and Insurance	Central Road Fund	School and Higher Education	Total	Percent of GSDP
Gen.Cat.States	450.25	170.11	243.47	11.52	12.83	25.65	913.84	3.9
AP	489.01	276.17	361.93	25.13	5.8	24.34	1182.37	4
Bihar	226.82	68.22	149.45	8.32	2.5	10.18	465.49	4.94
Chhatt.	335.58	291	245.87	0.38	9.97	14.81	897.62	3.64
Goa	1646.55	52.2	60.69	0	0	50.28	1809.72	2.42
Gujrat	632.93	79.08	294.58	16.32	17.41	13.09	1053.42	3.19
Haryana	867.49	59.02	610.53	52.7	24	26.14	1639.38	3.9
Jharkhand	320.8	145.23	55.11	17.97	3.47	14.56	557.13	3.41
Karnataka	550.83	248.73	297.86	2.35	19.21	16.94	1135.91	3.81
Kerala	520.09	199.83	69.85	0.55	9.16	27.18	826.67	2.55
M.P.	334.12	141.45	211.54	4.66	12.11	36.41	740.08	4.79
Maharashtra	623.71	141.82	243.92	2.13	20.33	21.93	1053.04	2.92
Orissa	339.81	288.18	129.31	0.61	12.9	22.82	793.63	4.48
Punjab	842.46	18.38	791.04	0.54	23.09	39.45	1714.97	4.67
Rajasthan	429.15	61.71	177.21	73.46	21.31	21.81	784.66	4.33
Tamilnadu	624.63	396.61	194.25	7.6	19.67	31.64	1274.4	4.13
U.P.	317.99	149.26	245.96	1.34	10.42	37.86	762.44	5.73
W.B.	350.84	185.78	183.13	3.82	7.8	88.67	760.04	3.1

Source: NIPFP

FI/Pvt. Investment

Annexure-8.4

(Rs. in Cr.)

Sl. No.	State	Popul. (2011)	Scheduled Commercial Banks (2010-11)					Approved FDI			Notified SEZs	Pvt. Investment				
								No. of Fi	Amount	Share		Corporate		Household (11-12)		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Total	Deposit	% share	Credit	% share	CDR	Collabs		(%)					PCI	MPCE	Saving
A	High Income States															
1	Goa	0.15	29497	0.64	7534	0.23	25.54	210	998	0.4	3			112372	...	...
2	Gujarat	6.03	216470	4.7	141316	4.22	65.28	658	11177	4.51	32			57130	1110	43810
3	Haryana	2.53	109577	2.38	69067	2.06	63.03	552	3875	1.56	35			63045	1510	44925
4	Maharas.	11.23	1224329	26.6	995343	29.75	81.30	3655	36602	14.78	64			67991	1153	54155
5	Punjab	2.77	133571	2.9	94980	2.84	71.11	139	2124	0.86	2			46688	1649	26900
B	Middle Income States															
6	AP	8.46	249467	5.42	262286	7.84	105.14	1010	11609	4.69	76			42710	1234	27902
7	Karnataka	6.11	291655	6.34	224359	6.71	76.93	2085	18818	7.6	41			41545	1020	29305
8	Kerala	3.33	150619	3.27	95785	2.86	63.59	262	1781	0.72	20			53427	1835	31407
9	TN	7.21	285337	6.2	321418	9.16	112.65	2041	22583	9.12	53			56461	1160	42541
10	WB	9.13	276704	6.01	169698	5.07	61.33	481	7790	3.15	11			34229	952	22805
C	Low Income States															
11	Bihar	10.38	101452	2.2	29025	0.87	28.61	54	886	0.36				15268	780	5908
12	Chhattis	1.01	48417	1.05	25540	0.76	52.75							29635	784	20227
13	Jharkhand	3.29	64826	1.41	22329	0.67	34.44				1			22902	825	13002
14	MP	7.26	119335	2.59	71358	2.13	59.8	187	9908	4	6			24260	903	13424
15	Orissa	4.19	83446	1.81	44361	1.33	53.16	91	8229	3.32	5			26900	818	17084
16	Rajasthan	6.86	107021	2.33	94408	2.82	88.21	240	2911	1.18	10			27765	1179	13617
17	UP	19.96	314778	6.84	134015	4.01	42.57	562	4952	2	21			18103	899	7315
D	Special Category States															
18	Arun Pr	0.13	4442	0.1	1116	0.03	25.12							38130	...	...
19	Assam	3.11	49545	1.08	18311	0.55	36.96	4	1	Negl.				22956	1003	10920
20	HP	0.85	27258	0.59	11284	0.34	41.4	42	1174	0.47				49817	1536	31385
21	J & K	1.25	34233	0.74	16050	0.48	46.88	2	8	Negl.				28932	...	...
22	Manipur	0.27	2763	0.06	1121	0.03	40.57							24327	...	...
23	Meghalaya	0.29	7814	0.17	1953	0.06	24.99							38944	...	...
24	Mizoram	0.10	2453	0.05	1166	0.03	47.53							39814	...	...
25	Nagaland	0.19	4244	0.08	1266	0.04	29.83							41522	...	...
26	Sikkim	0.06	3137	0.07	1165	0.03	37.14				1			51653	...	...
27	Tripura	0.36	7643	0.17	2228	0.07	29.15							40411	...	...
28	Uttara.	1.01	42395	0.92	14328	0.43	33.8				1			47831	1747	26867
29	All States	121.0	4601924	100	3345618	100	72.7	18482	247664	100	386			38005	1054	25357

Source : Col : 2 & 3 - Census of India (2011). Col : 3 to 7 - Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, Mar. 2009 & 2010, RBI

Col : 8 to 11- Based on SIA Newsletter, Sep. 2004. Col : 14 - C.S.O.(PCI at constant prices 2004-05) Col : 15- Economic Survey 2011-12 (Page-310)

Note : (i) Col.8-No. of financial Collaborations , (ii) Col. 8,9,10 - Approved FDI for Aug 91 to Aug 04, (iii) Col 10= Share in Total Amount %, (iv) Col 16=Col 14 —12 × Col 15.

Ranking of LIS & SCS States based on the Proposed Criteria for determining SCS Status Annexure - 10.1

Sl.	State	Popul.		TFR	PCI		Poverty Ratio		HDI		Infrastructure Index		Cost Disability		Total	Rank
		Total	Density		Amount								Marks			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
		2011	2011	2010	2011	Marks	09-10	Marks	07-08	Marks	08-09	Marks	Factor	Marks		
A	Low Income States															
1	Bihar	10.38	1102	3.7	15268	10	53.5	10	0.367	10	78.79	6	b	8	44	1
2	Chhattis.	1.01	189	2.8	29635	6	48.7	8	0.358	10	70.14	6	c	6	36	3
3	Jharkhand	3.29	414	3.0	22902	8	39.1	6	0.376	8	52.09	10	c	6	38	2
4	MP	7.26	236	3.2	24260	8	36.7	6	0.375	8	78.91	6	c	6	34	4
5	Orissa	4.19	269	2.3	26900	6	37	6	0.362	10	81.83	4	c	6	32	5
6	Rajasthan	6.86	201	3.1	27765	6	24.8	4	0.434	2	84.11	4	c	4	20	12
7	UP	19.96	828	3.5	18103	10	37.7	6	0.380	8	86.99	4	d	2	30	6
B	Special Category States															
1	Arun Pr	0.13	17	2.7	38130	2	25.9	4	0.573*	0	**	10	a	10	26	7
2	Assam	3.11	397	2.5	22956	8	37.9	6	0.444	2	62.02	8	b	8	32	5
3	HP	0.85	123	1.8	49817	0	9.5	0	0.652	0	164.20	0	a	10	10	13
4	J & K	1.25	56	2.0	28932	6	9.4	0	0.529	0	81.40	4	a	10	20	12
5	Manipur	0.27	122	1.5	24327	8	47.1	8	0.573*	0	**	10	a	10	36	3
6	Meghalaya	0.29	132	3.1	38944	2	17.1	2	0.573*	0	**	10	a	10	24	9
7	Mizoram	0.10	52	2	39814	2	21.1	4	0.573*	0	**	10	a	10	26	7
8	Nagaland	0.19	119	2	41522	1	20.9	4	0.573*	0	**	10	a	10	25	8
9	Sikkim	0.06	86	2.1	51653	0	13.1	2	0.573*	0	**	10	a	10	22	11
10	Tripura	0.36	350	1.7	40411	1	17.4	2	0.573*	0	**	10	a	10	23	10
11	Uttara.	1.01	189	2.55	47831	0	18	2	0.573*	0	118.38	0	a	10	12	12
C	All India	121.0	368	2.5	38005		29.8		0.467							

Source :- Col. 2,3 : Census (2011)., Col.4 -SRS 2010, Col.5 :-State Finance: A Study Of Budgets of 2011-12, R.B.I., Col. - 7 Press Note on Poverty Estimates, 2009-10, GoI, Planning Commission, Mar 2012. Col. 9 - India Human Development Report 2011, Page-24, Col.11 - 12th Plan document (Page -314)

Notes: Marks:

For PCI :- 15000 - 20000 =10, 20000 - 25000 =8, 25000 - 30000 =6, 30000 - 35000 = 4, 35000 - 40000 = 2, 40000 - 45000 = 1, > 45000 = 0

For Poverty Ratio :- 10 ≥ 50, 8 ≥ 40, 6 ≥ 30, 4 ≥ 20, 2 ≥ 10

For HDI :- 0 ≥ .450, 2 ≥ .430, 4 ≥ .410, 6 ≥ .390, 8 ≥ .370, 10 ≥ .350

For Infrastructure Index :- 0 ≥ 100, 2 ≥ 90, 4 ≥ 80, 6 ≥ 70, 8 ≥ 60, 10 < 60

For Cost Disability :- (a) Himalayan and North East States = 10 (b) Severely flood affected (Assam and Bihar) = 8 (c) Tribal /Forested States = 6 (d) Desert States = 4 (e) Other States = 2

* indicates HDI of North East States (Excluding Assam) combined value of 0.573 for 07-08. ** Minimum value of Infra Index given to the NE states for which data is not available

Ranking of LIS/SCS based on Existing Criteria for SCS Status

Annexure -10.2

Sl.	State	Hilly/Difficult Terrain		Density of Population & SC/ST Population				International Border		Economic and Infrastructure Backwardness				Non-viability of State Finances				Remarks	
		Cost Disability		Density		SC/ST Popn (%)		length		PCI (Eco)		Infra Index		PCTE		Tax (% of GSDP)		Total Marks	Rank
		Factor	Marks	Density	Marks	% of all States	Marks	KM.	Marks	PCI (Eco)	Marks	Index	Marks	PCTE	Marks	%	Marks		
		1	2	3	4	5	6	9	10	11	12	13	14	15	16	17	18	19	20
				2011						2011		08-09		11-12					
A	Low Income States																		
1	Bihar	b	4	1102	5	1.34	2	729	2	15268	10	78.79	6	6294	5	9.53	2	36	1
2	Chhattis.	c	3	189	4	0.88	2	0	1	29635	6	70.14	6	31267	2	16.12	0	24	7
3	Jharkhan	c	3	414	1	1.00	2	0	1	22902	8	52.09	10	10067	4	13.30	0	29	5
4	MP	c	3	236	3	2.08	3	0	1	24260	8	78.91	6	9456	5	14.71	0	29	5
5	Orissa	c	3	269	3	1.38	2	0	1	26900	6	81.83	4	10709	4	11.71	1	24	7
6	Rajasthar	d	2	201	3	1.63	3	1037	2	27765	6	84.11	4	9329	5	12.54	1	26	6
7	UP	e	1	828	3	3.43	5	607	2	18103	10	86.99	4	7931	5	14.90	0	30	4
B	Special Category States																		
1	Arun Pr	a	5	17	5	0.07	1	1863	4	38130	2	**	10	49077	1	8.82	3	31	3
2	Assam	b	4	397	2	0.50	1	530	1	22956	8	62.02	8	11936	4	12.30	1	29	5
3	HP	a	5	123	4	0.17	1	201	1	49817	0	164.20	0	19647	4	14.35	0	15	10
4	J & K	a	5	56	5	0.18	1	2928	5	28932	6	81.40	4	24608	3	14.02	0	29	5
5	Manipur	a	5	122	4	0.08	1	398	1	24327	8	**	10	25407	3	10.22	2	34	2
6	Meghalay	a	5	132	4	0.19	1	443	1	38944	2	**	10	21448	3	8.33	3	29	5
7	Mizoram	a	5	52	5	0.08	1	828	2	39814	2	**	10	42200	1	8.30	3	29	5
8	Nagaland	a	5	119	4	0.17	1	215	1	41522	1	**	10	33474	2	4.93	5	29	5
9	Sikkim	a	5	86	5	0.01	1	351	1	51653	0	**	10	73333	0	39.26	0	22	8
10	Tripura	a	5	350	2	0.15	1	856	2	40411	1	**	10	19056	4	5.95	4	29	5
11	Uttara.	a	5	189	4	0.17	1	560	1	47831	0	118.38	0	18376	4	11.53	1	16	9
C	All India			368		24.40		15106		38005				11696		12.30			

Source: Col. 3 & 5 - Census of India, 2011 & 2001 respectively, Col.9 - 2001 Census Report, Col.11,15 & 17 -State Finance: A Study Of Budgets of 2011-12, R.B.I.,

Col.13 - 12th Plan document Page -314.,

Notes: For Cost Disability :- (a) Himalayan and North East States = 5 (b) Severely flood affected (Assam and Bihar) = 4 (c) Tribal /Forested States = 3 (d) Desert States = 2 (e) Other States = 1

Marks for Density:- 5 ≤ 100, 4 ≤ 200, 3 ≤ 300, 2 ≤ 400, 1 ≤ 500, 0 ≤ 600, 1 ≤ 700, 2 ≤ 800, 3 ≤ 900, 4 ≤ 1000, >1000=5 For Infrastructure Index :- 0 ≥ 100, 2 ≥ 90, 4 ≥ 80, 6 ≥ 70, 8 ≥ 60, 10 < 60

For SC/ST Popn :- 1 ≤ 0.8, 2 ≤ 1.6, 3 ≤ 2.4, 4 ≤ 3.2, 5 ≤ 4.0. For International Border :- 0- 600 = 1, 600-1200=2, 1200-1800=3, 1800-2400=4, 2400-3000=5.

For PCI :- 15000 - 20000 =10, 20000 - 25000 =8, 25000 - 30000 =6, 30000 - 35000 = 4, 35000 - 40000 = 2, 40000 - 45000 = 1, > 45000 = 0

For PCTE :- 0 - 10000 = 5, 10000 - 20000 = 4, 20000 - 30000 = 3, 30000 - 40000 = 2, 40000 -50000 = 1, > 60000 = 0

For Tax :- 0 ≥ 13, 1 ≥ 11, 2 ≥ 9, 3 ≥ 7, 4 ≥ 5, 5 ≤ 5. ** Minimum value of Infra Index given to the NE states for which data is not available

A Snapshot of CDI, share in allocation etc.

(Annex- 11.1)

Sr.	States	Population	GSDP	PCI	MPCE	CDI based on		Share based on CDI (MPCE)				Allocation in Rs 1000 Cr.		Share as per			PC Share
		Share	in Cr.	in Rs	Rural	MPCE	PCI	Need	Perform	Fixed	Total	as per CDI (MPCE)		Central	NCA	13th FC	
		2011	11-12	11-12								Total	Per Capita	Assistt.			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
1	AP	7.20	655181	68970	1234	0.52		4.03	2.52	0.30	6.85	68.51	8.10	7.34	2.72	6.61	0.96
2	Arun Pr	0.11	10859	72091	.....	0.73		0.65	0.02	0.30	0.97	9.65	69.74	1.56	4.38	0.50	8.30
3	Assam	2.65	126544	37250	1003	0.71		2.60	0.14	0.30	3.05	30.46	9.76	4.93	10.31	3.31	1.16
4	Bihar	8.83	246995	22890	780	0.76		8.94	2.80	0.30	12.04	120.38	11.56	7.42	4.95	10.06	1.38
5	Chattis.	0.89	139515	46743	784	0.75		2.91	0.49	0.30	3.70	36.99	14.48	3.14	1.21	2.43	1.72
6	Goa	0.13	35932	167838	.....	0.05		0.00	0.00	0.30	0.30	3.01	20.63	0.15	0.22	0.23	2.46
7	Gujarat	5.13	611767	89668	1110	0.49		2.56	0.83	0.30	3.69	36.92	6.11	3.05	1.72	3.12	0.73
8	Haryana	2.15	305405	108345	1510	0.40		0.62	0.41	0.30	1.33	13.29	5.24	1.36	0.88	1.11	0.62
9	HP	0.72	63812	74694	1536	0.40		0.26	0.11	0.30	0.67	6.71	9.77	2.04	5.81	1.54	1.16
10	J & K	1.06	65344	45380	.....	0.50		1.13	0.40	0.30	1.83	18.33	14.62	4.92	9.03	2.51	1.74
11	Jharkhand	2.80	142165	38258	825	0.75		3.04	0.54	0.30	3.88	38.75	11.75	2.96	1.47	2.77	1.40
12	Karnataka	5.20	460607	68423	1020	0.45		2.19	1.24	0.30	3.73	37.30	6.10	4.13	2.03	4.39	0.73
13	Kerala	2.83	315206	80924	1835	0.09		0.04	0.03	0.30	0.38	3.79	1.13	1.95	1.44	2.45	0.13
14	MP	6.18	309687	37994	903	0.76		7.86	1.40	0.30	9.56	95.60	13.16	6.91	3.15	6.72	1.57
15	Maharashtra	9.56	1199548	95339	1153	0.35		2.35	1.28	0.30	3.94	39.38	3.50	6.64	3.01	5.28	0.42
16	Manipur	0.23	10410	32865	.....	0.57		0.20	0.00	0.30	0.50	5.04	19.62	1.39	3.34	0.80	2.34
17	Meghalaya	0.25	16173	53542	.....	0.69		0.33	0.02	0.30	0.65	6.45	21.76	1.11	2.74	0.51	2.59
18	Mizoram	0.09	6991	54689	.....	0.49		0.10	0.00	0.30	0.40	4.00	36.46	1.09	3.26	0.50	4.34
19	Nagaland	0.16	12272	56461	.....	0.55		0.14	0.01	0.30	0.45	4.53	22.90	1.39	3.45	0.84	2.73
20	Odisha	3.57	215899	41896	818	0.80		4.85	1.38	0.30	6.53	65.32	15.56	4.62	2.48	4.83	1.85
21	Punjab	2.36	258006	78633	1649	0.35		0.52	0.25	0.30	1.07	10.73	3.87	1.26	1.05	1.45	0.46
22	Rajasthan	5.84	416755	53735	1179	0.63		5.29	2.83	0.30	8.42	84.21	12.28	4.79	2.76	5.84	1.46
23	Sikkim	0.05	8616	124791	.....	0.43		0.03	0.02	0.30	0.35	3.50	57.39	0.67	2.18	0.35	6.83
24	Tamil Nadu	6.14	665312	88697	1160	0.34		1.32	0.88	0.30	2.51	25.05	3.47	4.46	2.66	5.01	0.41
25	Tripura	0.31	19910	50175	.....	0.47		0.14	0.08	0.30	0.52	5.17	14.09	1.78	5.05	0.81	1.68
26	UP	16.98	679007	29785	899	0.64		12.24	3.87	0.30	16.41	164.11	8.21	10.09	8.87	18.16	0.98
27	Uttara.	0.86	94159	81595	1747	0.38		0.30	0.19	0.30	0.79	7.85	7.79	1.90	5.90	1.15	0.93
28	WB	7.77	532329	54125	952	0.55		4.09	1.10	0.30	5.50	54.95	6.02	6.93	3.92	6.72	0.72
	All India	100.00	8353495	61564	1054			68.74	22.86			1000					

Source: Col. 3, 4 - CSO; Col. 5- Economic Survey 12-13. Page- 276-277

Col 6 to 16 - Report of the Raghuram Rajan Committee Report.

Col 17 - total share/population share.

APPENDIX

Approach / Variables used by Past Committees to Address Regional Backwardness

Appendix 1.1

This is based on the material contained in the Report of the Inter-Ministry Task Group on Redressing Growing Regional Imbalances set up by Planning Commission.

A number of Committees in the past have gone into the issue of addressing regional imbalances. The broad approach followed and indicators used by some of the important ones are listed below.

Committee on Dispersal of Industries (1960): The Committee on Dispersal of Industries, was set up to examine the question of industrialization of rural and industrially underdeveloped areas through small and medium scale industries. The criteria recommended by the Committee for determining backwardness at district level were based on the following:

Poverty indicated by:

- low per capita income; and
- low per capita consumption
- Ratio of population to cultivable land (50% or more below the national average of per capita land holding considered as backward)
- Absence or under-exploitation of other natural resources - minerals, forests and animals
- Percentage of population engaged in secondary and tertiary sectors (25% below the national average considered as backward)
- Ratio of urban to rural population (districts where the ratio was less than 50% of the national average considered as backward)
- Percentage of factory employment (50% below the national average considered backward)
- Poverty of communication indicated by small lengths of railways and metalled roads per square mile (districts where the railway and road mileage fell below 50% of the national average considered as backward)
- High incidence of unemployment and gross underemployment
- Consumption of electric power

Planning Commission Study Group: In the context of the formulation of the Draft Fourth Plan (1966-71), the Planning Commission had requested State governments to devote special attention to the subject of area development. In this connection, backward areas were classified under five categories

- a) Desert areas
- b) Chronically drought affected areas
- c) Hill areas including border areas
- d) Areas with high concentration of tribal population
- e) Areas with high density of population with low levels of income, employment and living etc.

For category (e) above, a Study Group was set up to review some indicators of regional development. The Study Group recommended the following indicators:

- a) Total population and density of population
- b) Number of workers engaged in agriculture including agricultural labourers as percentage of total workers
- c) Cultivable area per agricultural worker
- d) Net area sown per agricultural worker
- e) Percentage of gross irrigated area to net sown area
- f) Percentage of area sown more than once to net sown area
- g) Per capita (rural population) gross value of agricultural output
- h) Establishments (manufacturing and repair) using electricity
- i) Number of workers per lakh of population employed in registered factories
- j) Mileage of surfaced roads
- k) Number of commercial vehicles registered in a district
- l) Percentage of literate population
- m) Percentage of school-going children

- n) Number of seats per million population for technical training
- o) Hospital beds per lakh of population

Pande Committee Report: The Pande Committee was set up in 1968 in order to suggest a strategy to minimise existing regional imbalances by encouraging the establishment of industries in selected backward areas through financial and fiscal incentives including investments from financial and banking institutions. Keeping in view general fund constraints, the Committee felt that it would be desirable to select certain backward districts only in industrially backward States, which may then qualify for special treatment by way of incentives for industrial development. The indicators adopted for this purpose were as follows:

- a) Total per capita income
- b) Per capita income from industry and mining
- c) Number of workers in registered factories
- d) Per capita annual consumption of electricity
- e) Length of surfaced road in relation to the population and area of the State
- f) Railway mileage in relation to the (i) Population and (ii) Area of the State

For identification of backward districts in industrially backward States and Union Territories the following criteria were recommended:

- Districts outside a radius of about 50 miles from large cities or large industrial projects
- Poverty as indicated by low per capita income starting from the lowest to 25% below the State average.
- High population density in relation to utilization of productive resources and employment opportunities as indicated by:
 - Low percentage of population engaged in secondary and tertiary activity (25% below the State average to be considered as backward)
 - Low percentage of factory employment (25% below the State average to be considered as backward)
 - Non and/or under-utilization of economic and natural resources like minerals, forests etc.
 - Adequate availability of electric power or likelihood of its availability within 1-2 years
 - Availability of transport and communication facilities or likelihood of their availability within 1-2 years
 - Adequate availability of water or likelihood of availability within 1-2 years

Committee Report: The Wanchoo Committee was appointed by the National Development Council in 1968 to study the issue of regional imbalance. The terms of reference of this Group were:

- To consider the nature of concessions to be given for encouraging the development of industries in backward regions and in particular to examine procedural, financial and fiscal incentives.
- To consider the role of State governments and financial institutions in the development of industries in backward regions
- To examine the type of disincentives that should be introduced to avoid concentration in metropolitan or highly industrialized areas.

The Committee recommended a package of concessions – procedural, financial and fiscal – for encouraging the development of industries in backward regions. The National Development Council, which in consultation with financial institutions evolved a set of criteria for identification of industrially backward districts on the basis of:

- a) Per capita foodgrain /commercial crop production depending on whether the district was predominantly a producer of foodgrains/ or cash crops (for inter-district comparisons, conversion rates between foodgrains and commercial crops were to be determined by the State Government where necessary).
- b) Ratio of agricultural workers to population
- c) Per capita industrial output (gross)
- d) Number of factory employees per lakh of population or alternatively number of persons engaged in secondary and tertiary activities per lakh of population
- e) Per capita consumption of electricity
- f) Surfaced road or railway mileage in relation to population

Report on Backward Areas: The Planning Commission constituted a committee headed by Prof. Sukhamoy Chakravarty in October 1972, but it could not submit its final report. It was of the view that only such indicators should be chosen which will best express relative variations in development among various area units, subject to data availability. The following variables were chosen for the analysis:

- a) Density of population per sq. km. of area
- b) Percentage of agricultural workers to total working force
- c) Gross value of output of foodgrains per head of rural population
- d) Gross value of output of all crops per head of rural population
- e) Percentage of total establishments using electricity to total number of establishments (manufacturing and repair)
- f) Percentage of household establishments using electricity to total household establishments
- g) Percentage of non-household establishments using electricity to total household establishments
- h) Number of workers in registered factories per lakh of population
- i) Length of surfaced roads per 100 sq. kms. of area
- j) Length of surfaced roads per lakh of population
- k) Percentage of male literates to male population
- l) Percentage of female literates to female population
- m) Percentage of total literates to total population

National Committee on the Development of Backward Areas (NCDBA): The NCDBA appointed by the Planning Commission in November, 1978 recommended that the following types of problem areas should be treated as backward for the purposes of planning.

- a) Chronically drought prone areas
- b) Desert areas
- c) Tribal areas
- d) Hill areas
- e) Chronically flood affected areas
- f) Coastal areas affected by salinity

The six categories listed above were treated as six types of fundamental backwardness. An area could suffer from the handicap of more than one type of fundamental backwardness.

Committee to Identify 100 Most Backward and Poorest Districts in the Country (1997):

This committee was set up to prepare Special Action Plan for infrastructure development in rural areas in the 100 most backward and poorest districts of the country. The criteria used by the committee included the following:

Indicators of social infrastructure

- Number of primary schools
- Percentage of female literates
- Number of primary health sub-centres
- Number of community health workers
- Infant Mortality Rate
- Percentage of villages having potable water supply

Indicators of economic infrastructure

- Percentage of villages with pucca roads
- Number of railway stations
- Percentage of villages electrified
- Percentage of villages with post offices
- Bank branches per lakh population

- Cropping intensity
- Value of output per hectare
- Percentage of villages engaged in non-agricultural activities

Districts were ranked in ascending order of poverty and backwardness as indicated by the aggregate index developed by the Committee.

National Commission on Population

The National Commission on Population worked out a composite index and ranked 569 districts of the country using the following variables:

1. Percentage of decadal population growth rate
2. Percentage of births of order 3 and above (in place of the total fertility rate)
3. Percentage of current users of family planning methods
4. Percentage of girls marrying below 18 years of age
5. Sex ratio
6. Percentage of women receiving skilled attention during deliveries
7. Percentage of children getting complete immunization
8. Female literacy rate
9. Percentage of villages not connected with pucca road (estimated)
10. Percentage coverage of safe drinking water and sanitation (estimated)
11. Percentage of births registered (estimated)
12. Percentage of deaths registered (estimated)

Inter-Ministry Task Group on Redressing Growing Regional Imbalances (2005)

The Group appointed by the Planning Commission identified 4 major aspects in its methodology to determine backwardness:

1. Though poor resource endowment acts as an inbuilt constraint to development, the Committee did not adopt resource availability as a determinant parameter to identify backwardness.

2. Human development.

□ **Income:** variables considered are (i) preponderance of agricultural labourers in the population (ii) level of agricultural wages (iii) output per agricultural worker (iv) per capita credit and deposits.

□ **Health: (i) IMR (ii) Crude death rate.** Full immunization and institutional delivery are considered to be the most important parameters that capture health status of a region, particularly those of women and children.

□ **Education:** (i) Female literacy rate (to focus on the gender aspect) (ii) Gross enrollment ratio (considered to be a less satisfactory variable) supplemented by availability of secondary schooling facilities with reference to the targeted population.

3. Availability of physical infrastructure

(i) Percentage of households without electricity

(ii) percentage of rural households with drinking water sources at a distance greater than 500 metres

(iii) percentage of households not availing bank services.

4. Robust budgets and ability to raise revenues, etc. are important for states to invest in public goods; the committee did not consider any parameter linked to budgetary capacity.

Percentage of SC and ST population was considered as an overall proxy for regional backwardness.

Suggestion on criterion and weights for horizontal distributions

- **If the 14th FC can break from the past, the objective of transfers should be to equalize PCTE factoring in tax effort & cost disabilities, for the reasons given in Para 3.4 above.**

- However, if the framework of criteria adopted by the previous FCs are to be considered for the sake of “historical stability”, following should be the weights. **It need to be reiterated that any set of criteria & weights would be highly judgmental/axiomatic and therefore, the combined effect of these should be such that the core objective of equalization of PCTE is served:**
 - (a) **Income distance criterion:** Para 3.3.2 has concluded that FCD criteria used by the 13thFC is retrograde and accordingly earlier Income Distance formula should be restored and its weight enhanced to 70%. Income distance is the single most important indicator of inequality in every sense of the term.
 - (b) **Population criterion:** 1971 population as cut-off goes directly against LISs, who have high population & high TFR due to the development deficit. The poorest (Bihar, UP, MP) LISs lost substantial amounts in the 13th FC award on account of the 1971 cut-off and high weightage of 20% to population (**Annex 3.4 – Col 18**).
 - Since adoption of 2011 populations as the cut off may not be possible due to stipulation of the ToR, weightage given to population should at best be 5%. It was 10% by the 11th FC, way back 15 years ago. Infact para 7 of the TOR of 14th FC itself (“however, the Commission may also take into account the demographic changes that have taken place subsequent to 1971”) hints at correction of this gross historical distortion. Incidentally, development is the best contraceptive.
 - (c) **Area Criterion:** Area as a criterion (to cover administrative cost!) is not logical and therefore the FCs have contrived the concept of ‘adjusted area’ and accommodated both the large and small States. It is evident that costs of delivering a comparable standard of services would be higher not only for larger area but also for larger population. Accordingly, if at all, this criterion should include shares of both area & population.
 - (d) **Efficiency indicators :** Presently, a state is rewarded or penalized for its past actions-possibly undertaken by a different government in power. Ideally, the states should be rewarded for future performance based upon well-set rules of the game and forward-looking indicators announced in advance so as to influence future behavior. The major constraints in doing so are stated to be: (i) availability of real time data on which to judge performance and (ii) lack of an institutional ‘home’ within which assessments of improvements in performance can be judged and awards made accordingly. However, a way has to and can be found, otherwise the purpose of efficiency criterion is largely defeated.
- **Efficiency indicators could include Fiscal Discipline & Tax Effort as follows:**
 - (i) **Fiscal Discipline:** As explained in para 3.3.2 (iii), FDI (i.e. ratio of own revenue to total revenue expenditure) contradicts the primary objective of achieving horizontal equity and conflicts with the Fiscal Capacity objective. When large scale inequality exists in government expenditure in per capita terms, effective measure of expenditure equalization (at least) is needed taking into account total revenues including devolution & grants. FDI should, therefore, have no weight.
 - (ii) **Tax effort:** Tax efforts of states measured as tax to GSDP ratio would provide completely distorted picture due to different economic structures, demographic situations and institutional factors. The relationship between income & tax is non-linear because of the differences in the taxable consumption basket between Low, Middle & High Income States. Moreover, taxable capacity increases more than proportionally as PCI increases.

- GSDP of LISs like Bihar is characterized by subsistence agriculture, very low manufacturing base with predominance of cottage & tiny units and largely informal nature of services. This coupled with the lowest PCI and highest population density (1102) and TFR (3.7) – leading to high age dependency ratio – further constrains tax effort. **Therefore the tax effort criterion of tax to GSDP ratio is grossly unfair. (Annex – 3.2 – Col.15 & 16).**
- Instead it should be Per Capita Own Tax to PCI, weighted by inverse of PCI and factoring in character & composition of GSDP as well as population. Reformulated Tax effort criterion (**Annex – 3.2 – Col.15**) should be given a weight of 15%.
- The World Bank (WPS 6252) has adopted the following formula for assessing tax capacity and ranked various countries. Ranking conforms to the common sense that low income countries have the lowest tax capacity.

$$\text{TAX/GDP}_{it} = \alpha_0 + \alpha_1 \cdot \text{GDPPC}_{it} + \alpha_2 \cdot \text{DEMOG}_{it} + \alpha_3 \cdot \text{TRADE}_{it} + \alpha_4 \cdot \text{AGR}_{it} + \alpha_5 \cdot \text{GOVERNANCE QUALITY}_{it} + \text{regional dummies} + \text{time dummies} + \epsilon$$

(e) **Index of Infrastructure:** - Infrastructure no doubt is the key to economic growth, cost & quality of governance and private investment. Moreover, there is strong correlation between Infrastructure, PCI and Poverty (**para 2.3**). Index of Infra should therefore be an important criteria and be given a weight of 10%.

(f) **Cost disability:** Complex & shifting river systems of Bihar (with 85% catchment in Nepal) silt vast tract of land with sand and inflate cost of building & maintaining infrastructure. Its intensity, duration, frequency, inundation, extent of damages is much higher than that in UP & other States. Flood in Bihar is, therefore, a greater economic & cost disability.

7.1 Composite Development Index (CDI): CDI evolved by the Raghuram Rajan Committee could be a criterion for horizontal distribution. However, the convincing note of dissent by a member of the Committee would need to be carefully scrutinized to arrive at a logical CDI.

Fiscal Capacity Distance

8.30 Population and area have both been adopted by this Commission as criteria in the horizontal devolution formula, with the same weights as those used by FC-XII (paras 8.27 and 8.29). These are equity-neutral measures of fiscal need. In a country like India, where there is a 10:1 ratio between the per capita incomes of the highest and lowest income states (based on average comparable per capita GSDP for the years 2004-05 to 2006-07), there is an overwhelming case for an equity component in determination of relative fiscal need and indeed, this has been recognised by every Finance Commission from FC-VI. The intent of the equity component in the devolution formula is to ensure that all states have the fiscal potential to provide comparable levels of public services to their residents, at reasonably comparable levels of taxation. The equity component is justified, not merely to ensure equal treatment of citizens by governments, but also for economic efficiency reasons, so as to minimise fiscally-induced migration. However, it does not, by itself, ensure achievement of common standards in quality or outcomes in public services. For that to happen, it is necessary that the comparable level of tax effort assumed to hold across states actually prevails in each state and that efficiency in delivery is reasonably uniform. One of the terms of reference of this Commission requires us to look at improvement in public service delivery and we do so through the design of the conditionalities uniformity in public service delivery across states.

8.31 The income distance criterion used by FC-XII, measured by per capita GSDP, is a proxy for the distance between states in tax capacity. When so proxied, the procedure implicitly applies a single average tax-to-GSDP ratio to determine fiscal capacity distance between states. This Commission recommends, instead, the use of separate averages for measuring tax capacity, one for general category states and another for special category states. The justification for doing this is that between the two categories, a single average applied (implicitly) to GSDP does not accurately capture the fiscal distance between the two groups. This is because overall GSDP does not accurately capture the taxable base for two reasons. The first is that the sectoral composition of GSDP varies across states and the sectors are not uniform in their taxability. Agriculture, for example, is not effectively taxable in states, except where there are plantations. The second reason is that GSDP estimates presently available are at factor cost and therefore, exclude income such as that accruing in the form of remittances. The cross-state average ratio of tax to- GSDP is higher for general category states than for the special category, where this difference encapsulates the combination of factors underlying the relative fiscal capacity of the two groups. Thus, group-specific averages are applied to the two categories so as to obtain a closer approximation to the distance in fiscal capacity between states, which is ultimately what is sought to be captured. Ideally, tax frontiers specific to each state should be estimated, but an exercise of this kind was constrained due to lack of the necessary data.

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Report of the Committee on Restructuring of Centrally Sponsored Schemes

Shri B.K. Chaturvedi

The Central government has over the years introduced several centrally sponsored schemes (CSS) in areas that are national priority such as health, education, agriculture, skill development, employment, urban development and rural infrastructure. Several of these sectors fall within the sphere of activity of the State governments. States have been raising concerns at various forums about lack of flexibility in these schemes, the adverse implication of counterpart funding requirement of CSS on State finances and the questionable utility of operating large number of CSS with thinly spread resources at the field level. To consider the concerns of all stakeholders, the Planning Commission constituted a Sub-Committee in March 2011 (Chairman: Shri B.K. Chaturvedi) to suggest restructuring of CSS to enhance its flexibility and efficiency. The main recommendations of the Sub-Committee which submitted its report in September 2011 are given below.

- CSS with an average annual outlay of less than `1 billion (which at present accounts for 44 per cent of the total CSS) should either be weeded out or merged for convergence with larger sectoral schemes or alternatively be transferred to the States, which can then continue with these schemes based on their requirements.
- The existing CSS should be restructured into three categories, *viz.*, (a) flagship schemes which will address major national interventions required on education, health, irrigation, urban development infrastructure, rural infrastructure, skill development, employment and other identified sectors, (b) major sub-sectoral schemes to address developmental problems in sub-sectors of major sectors like agriculture, education and health, and (c) sector umbrella schemes, which will address the sectoral gaps to help improve effectiveness of Plan expenditure. Such restructuring will reduce the total number of schemes from 147 to 59.
- The distribution of CSS funds amongst different States should be based on transparent notified guidelines that should be put on the website of the concerned ministries. To incentivise the States to provide larger funds for certain sectors such as health, education, urban development, skill development and rural infrastructure, 50 per cent increase in the budget amount of the Central government department will be distributed amongst those States that have provided for an increase in their budget over the previous year in the concerned sector (excluding Central CSS/ACA funds).
- New CSS should focus only on major interventions required by national development needs. Such schemes should be flagship schemes (Category-I) and have a minimum Plan expenditure of `100 billion over the five-year Plan period. New schemes less than this stipulated minimum should either be part of the major sub-sectoral schemes (Category-II) or sector umbrella schemes (Category-III).
- The normal Central assistance to States should not be reduced to below 10 per cent of gross budgetary support (GBS) to enable States to have adequate, flexible and untied resources for their Plans.
- To enable State governments to meet their special needs, the design of CSS should be flexible and 20 per cent of budget allocation in all the CSS (10 per cent in flagship schemes), to be called 'Flexi Funds', should be earmarked in each scheme for this purpose.
- The evaluation of the CSS may be done by (a) professional institutions; (b) visits of experts to major project implementing States; (c) other individual experts by field visits. In addition, sample surveys may be carried out in selected States across the country to assess the impact and outcomes of the individual CSS. The Planning Commission should prepare a list of organisations that can conduct such monitoring and evaluation in States.

Source : Report of the Committee on Restructuring of Centrally Sponsored Schemes, Planning Commission, Government of India, September 2011.

A. Findings of IMG on SCS Status for Bihar and response of Bihar thereto

Appendix – 10.1

	Criteria	IMG finding	Response of Bihar
1	Hilly & difficult terrain	(i) Bihar is part of the Indo-gangetic plain. Annual floods affect UP, W.Bengal & part of Odisha as well. (ii) Cost disability of geography & terrain of SCS is higher.	(i) Complex & shifting river system of Bihar (with 85% catchment in Nepal) silt vast tract of land with sand and inflate cost of building & maintaining infrastructure. Its intensity, duration, frequency, inundation, extent of damages is much higher than that in UP & other States. (ii) Flood in Bihar is, therefore, a greater economic & cost disability.
2	Low population density and or sizeable ST population	(i) Bihar has very high population density (1102 per sq.k.m.), whereas, Rajasthan, Odisha and Jharkhand, who also have demanded SCS status, have lower density. (ii) SCSs, Odisha, Rajasthan and Jharkhand have higher ST population also.	(i) Very high population density (102) and TFR (37) of Bihar and recurring devastating floods, lead to a greater economic/cost disability. (ii) Bihar has high SC population (15.72%), who are also severely disadvantaged community.
3	International Boarder	• International Boarder of Bihar is 729 k.m. West Bengal (2500k.m.), UP(607 k.m.), Punjab (553k.m.), Gujarat (508 k.m.) & Rajasthan (1037 k.m.) also have long boarders.	Length of International Boarder is one of the criteria. Bihar qualifies for SCS Status due to fulfillment of the combination of criteria.
4	Eco. & Infra Backwardness	(i) Bihar has higher Rail route and NH per 100 sq km. But is deficient in rural Roads, power & irrigation. (ii) While max flood affected area in Bihar is 6.88 mha, UP and W.Bengal figures are 7.33 mha & 3.76 mha. (iii) Poverty and income distance are no criteria for SCS Status, but deficient resource base / capability are. (iv) Moreover, compared to 67% in 04-05, income distance of Bihar has decreased to 61% in 10-11.	(i) Rail routes & NHs, through comparable to All India in per sq. km, have insufficient carrying capacity due to their quality and also compared to the population load. IMG has rightly recognized other serious infrastructural gaps in Bihar. (ii) Flood periodicity, duration, intensity, inundation and damages in Bihar are far higher than UP & W. Bengal. (iii) Poverty & income distance should be the most important criteria for SCS status with high weightages, particularly since 'Growth with Equity' has rightly been the abiding concern of the National policies and Plans. Moreover, Bihar has highly deficient resource base. (iv) This decrease is very small, though the State Govt has made all efforts in good governance, ARM etc. Income distance of 61% for Bihar should be a serious national concern.
5	Non-viable nature of State	(i) Figures of RD, FD, Debt, Interest payment etc. of Bihar are comparable to other GCSs. Overall, State	(i) It is due to the recent prudent financial management, which cannot sustain if investment required for catching up with the

	finances	<p>finances are stable & viable.</p> <p>(ii) Though Own Tax Revenue (OTR) as % of GSDP for Bihar is low, Total Revenue Receipt (TRR) as % of GSDP is comparable.</p> <p>(iii) Central Transfers (Plan & NP) to Bihar is much higher than that of other GCSs and more than compensate for lower OTR to GSDP ratio.</p> <p>(iv) Total exp. as % of GSDP (23%) is higher than other GCSs.. However, PCTE is much lower due to its large population (Rs.6304 vs Rs.10344 in 2011-12).</p>	<p>national averages of PCI, infrastructure etc. are not provided by Central Govt.</p> <p>(ii) Size & composition of GSDP (high share of subsistence agriculture, low industrial base and informal nature of service sector), PCI etc. impose serious limitations on ARM and OTR. Moreover, TRR needs to be far higher for equalization.</p> <p>(iii) Central transfers (both Plan & NP) to Bihar per capita are lower (Rs. 1,768 for Bihar vs Rs.3,225 for All India in 2010-11) and grossly inadequate for equalization in the foreseeable future.</p> <p>(iv) Rational criteria should be Total Expenditure Per Capita, not Total Exp. as % of GSDP. GSDP & PCI are very low for Bihar.</p>
6	Conclusion	<p>(i) Bihar does not meet 3 of 5 criteria (1,2 & 5). As regards length of International Boarder, it is greater for 2 GCSs. Overall, the case of Bihar for SCS Sates is not made out.</p> <p>(ii) In any case, NDC is the sole body to grant SCS Status.</p> <p>(iii) Criteria of eco/infra backwardness is satisfied since PCI of Bihar is 2/3rd of the national average and Infra, power, rural roads etc. are in deficit.</p>	<p>(i) All criteria are met in spirit if not letter, as explained above. More important, these criteria, if given objective definition and weightage, would make Bihar the most deserving for SCS status. (Annex-12 B)</p> <p>(ii) NDC should urgently modify criteria for SCS Status based on PCI, Poverty Ratio, Infra index and cost disability, in keeping with the principle of fiscal federalism of service equalization for all citizens. (Annex-12A)</p> <p>(iii) IMG finding supports the case of Bihar for SCS status, as the present dispensation of Central transfers has failed to bring Bihar anywhere near equalization. For example, at the Growth Rates envisaged in the 12th National Plan, Bihar would take more than 100 years to catch up in PCI.</p>

B. Findings of IMG on the benefits that would flow from the grant of SCS status to Bihar Appendix – 10.2

(A) Benefit listed in Bihar Memo	(B) IMG finding	(C) Response of Bihar
<p>A. Significant argumentation of resources: SCSs are entitled to 90% grant and 10% loan for CSSs & EAP, whereas, GSCs get 30% & 70% for CSSs and back-to-back for EAP.</p>	<p>(i) 30% of Normal Central Assistance (NCA) is provided to SCSs as grant. Balance 70% is distributed amount GCS, based on Gadgil-Mukherjee formula. Inclusion of a State in the SCSs, would thus reduce share of SCS. This will not mean additional resources for the included State on an automatic basic, unless the formula itself is restructured.</p> <p>(ii) As regards CSSs, central share is not uniform for all SCSs in all schemes.</p>	<p>(i) As a consequence of the 12th CFC recommendation, share of SCSs in NCA has increased from earmarked 30% to 56.6% in 09-10. Bihar could, therefore, be accommodated as SCS. Moreover Gadgil-Mukherjee formula should be modified as done many times in the past, as per the emerging needs.</p> <p>(ii) Same differing Central shares would apply to Bihar as well.</p>
<p>B. Additional resource support to SCSs according to 13th Finance Commission are :</p> <p>(i) Higher maintenance expenditure on irrigation, roads and bridges</p> <p>(ii) Higher central funding (90%) as grants to State Disaster Relief Fund (SDRF)</p> <p>(iii) Non-Plan Revenue Deficit (NPRD) Grant to make up for assessed deficits.</p> <p>(iv) Higher incentive for grid connected renewable energy.</p>	<p>(i) Report of the 13th FC has already been implemented in 2 out of 5 year. Further, NPRD was specifically determined for particular States. Bihar had no revenue deficit. Even among the SCSs; Assam, Uttarakhand & Sikkim have not received NPRD. Loss to Bihar in other items is not substantial.</p> <p>(ii) Further, the 13th CFC recommendations for Bihar are estimated at Rs. 172944 Cr., which is 129% growth over the 12th FC of award of Rs 75641 Cr. Bihar's share of all States of 10.09%, is next only to that of UP and 81% of total award for all 11 SCSs.</p> <p>(iii) Main reasons for the benefit under CFC award to Bihar are the criteria of 25% for population (1971), 10% for Area, 47.5% for Fiscal Capacity distance and 17.5 % for Fiscal Discipline.</p> <p>(iv) Flagship programmes have led to large transfers of plan grants to the States including Bihar since CSSs and ACA guidelines enable larger funds to the States with deficiency of socio-economic infrastructure. Bihar for example received 8.10% of CSSs in 2011-12 (upto 29.3.12).</p>	<p>(i) NPRE per capita and not NPRD (including transfers) should be the criterion for grant, if equalization is a major objective.</p> <p>(ii) & (iii) Objective of CFC transfers is to equalize fiscal capacities for enabling the States to provide public/merit services at equal standards to all citizens. 10.09% share to Bihar, which is close to its population of 8.58%, is grossly inadequate to equalize in the foreseeable future, when PCI, PC p.a. award of the 13th CFC & PCTE, for Bihar and all India are (15268, 3332, 6294) & (38005, 2821, 11696) respectively.</p> <p>(iv) The latest figures of transfers under Flagships for 2011-12 to Bihar is 7.5%, less than its population (8.58%) and is certainly regressive.</p>

	<p>(v) In the light of Statement of Objects & Reasons to the Bihar Reorganization Act, 2000, Special Plan @ Rs. 1000 Cr. p.a. during the 10th Plan under RSVY/BRGF was given to Bihar. This was enhanced to Rs. 2000 Cr. for 2010-11 and Rs. 1468 Cr. for 2011-12. The latest cost of the Special Plan projects is Rs. 8753 Cr., against which Rs. 8495 Cr. have been released by 2011-12.</p> <p>(vi) The FC award, Flagship schemes & Special Plan together have provided a framework of resource support to Bihar in improving HDI, addressing poverty & plugging infrastructural gaps.</p>	<p>(v) Special Plan funds are grossly inadequate to bridge the huge economic & infrastructural gaps and the objective of BR Act, 2000 is far from being fulfilled.</p> <p>(vi) All these resources together with SOR, work out to PCTE of Rs.6,294 in 2011-12 for Bihar and Rs. 11,696 for All India. It again shows that overall Central transfers are highly regressive.</p>
<p>C. Fiscal concession to attract Pvt. Investment</p> <p>(i) Excise concession</p> <p>(ii) Custom duty forgone</p> <p>(iii) Waiver of Personal Income tax & Corporate Tax</p>	<p>(i) Area-based fiscal concession is not linked to the grant of SCS. Excise exemption have been given to new units and existing units undertaking substantial expansion in NE States, J & K, Uttarakhand & HP and under different mechanism, to some other States. Request of area-based excise exemption have been received from other States also.</p> <p>(ii) Some area-based exemptions in direct taxes, not linked to SCS (but to industrially backward States), are provided under IT Act.</p> <p>(iii) Given the drawbacks, area-based exemption are being discontinued & phased out. Moreover, indirect tax exemption is in-compatible with the proposed GST and DTC, where investment-based deduction are to replace the profit based/area based deductions & exemptions. IMG, therefore, does not recommend grant of fiscal concessions.</p>	<p>(i) to (iii) If such fiscal concessions have been given to some SCCs good reasons, these still hold good. If required, the nature of concessions could be changed for greater impact & lesser misuse. It may be noted that private investment (which increased to 75% of the total in the 11th Plan) mostly flows to the developed States, thus increasing inequality.</p>