FINANCE COMMISSION

REPORT
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CONTENTS

CONTENTS

ERRATA

S.No.	Page No.	Description	For	Read
1.		CONTENTS - CHAPTER IV	Centres'	Centre's
2.	16	Para 3.69 - Last word	expendiutre	expenditure
3.	17	CHAPTER IV - Heading	CENTRES'	CENTRE'S
4.	18	Para 4.11 - 3rd line from bottom	buoyany	buoyancy
5.	39	Table 3 - Col. 1 - State	20. Punjab 21. Rajasthan 22. Sikkim 23. Tamil Nadu 24. Tripura 25. Uttar Pradesh 26. West Bengal	19. Punjab 20. Rajasthan 21. Sikkim 22. Tamil Nadu 23. Tripura 24. Uttar Pradesh 25. West Bengal
6.	60	Para 13.13 - Notes - Last line below Table 2	Receipts Budet	Receipts Budget
7.	66	Chapter XVI - Bottom Table - Col.6 Total - Last Figure	100.00	100.000
8.	68	Para - 16.16 - Table	Figures in Table are Rs. in crores	
9.	71	Contents - III.12, III.13,III.14	State Government	State Goverments
10.	73	ANNEXURE 1.1 - (b)	the 30th November, 1993	the 30th day of November, 1993
11.	74	ANNEXURE 1.2 - (b)	30th June, 1994	30th day of June, 1994
12.	87	ANNEXURE I.4 - S.No. 273(iv)	Shril	Shri
13.	88	ANNEXURE I.6-S.No.4	Shri K.A. Nambiar, Secretary, Ministry of Defence & August 4, 1993	Shri K.A. Nambiar, Secretary, Ministry of Defence
14.	88	ANNEXURE I.6-S.No.4	July 20, 1993	July 20, 1993 & August 4, 1993
15.	90	ANNEXURE III.1 - Col. 1 - State	Punab	Punjab
16.	101	ANNEXURE III.15 - Col.1	Mizoram 0	Mizoram 0
17.	101	ANNEXURE III.15- Col.7	Blank	0
18.	103	ANNEXURE III.18 - Col.1	Arunchal Pradesh	Arunachal Pradesh
19.	129	ANNEXURE IV.2 - Col.1	Income Tax*	Income Tax
20.	136	ANNEXURE IX.1- Col. 2 Tamil Nadu	5602	5601
21.	143	ANNEXURE XI.1 - Col. 1 Item VII	Contribution to National Calamity Relief Fund	Contribution to National Fund for Calamity Relief
22.	143	ANNEXURE XI.1 - Col. 1 - 4th line from bottom	Total V- Grants	Total VI - Grants
23.	150	ANNEXURE XII.7 - Column 'Loans' - First line	State plan lons	State plan loans
24.	167	Appendix 2 - para 6 - last line	long function	log function
25.	171	Appendix 4 - Para 2 - 2nd Line	pupulations	populations
26.	171	Appendix 4 -Para 6 - 9th Line	given	give

ANNEXURES

APPENDICES

CHAPTER I

INTRODUCTION

1.1 This Finance Commission is the tenth since the commencement of the Constitution. The Order of the President [SO No.431 (E) dated 15th June, 1992], constituting the Commission is reproduced below :

"In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President is pleased to constitute a Finance Commission consisting of Shri Krishna Chandra Pant as the Chairman and the following four other Members, namely:-

1. Dr. Debi Prosad Pal, Member of Parliament, Member
2. Shri B.P.R. Vithal Member
3. Dr. C. Rangarajan Member
4. Shri M.C. Gupta Member Secretary

2. The Chairman and other members of the Commission shall hold office from the date on which they respectively assume office upto the 30th day of November, 1993.

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

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

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

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

(i) the objective of not only balancing the receipts and expenditure on revenue account of both the States and the Central Government, but also generating surplus for capital investment and reducing fiscal deficit;

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

(iii) the maintenance and upkeep of capital assets and maintenance expenditure on plan schemes to be completed by 31st March, 1995 and the norms on the basis of which specified amounts are recommended for the maintenance of the capital assets and the manner of monitoring such expenditure;

(iv) the requirements of States for modernization of administration, e.g. computerization of land records and providing faster channels of communication upto and above district level, and for upgrading the standards in non-developmental sectors and services, and the manner in which such expenditure can be monitored;

(v) the revenue resources of the States for the five years commencing on 1st April, 1995, on the basis of the levels of taxation likely to be reached in 1993-94, targets set for additional resource mobilization for the Plan and the potential for raising additional taxes;

(vi) the requirement of the States for meeting the Non-Plan revenue expenditure also keeping in view the potential for raising additional taxes;

(vii) the tax efforts made by the States,

(viii) the need for ensuring reasonable returns on investment by the States in irrigation projects, power projects, state transport undertakings, departmental commercial undertakings, public sector enterprises, etc., and

(ix) the scope for better fiscal management consistent with efficiency and economy in expenditure.

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

(a) the net proceeds in any financial year of the additional excise duties leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in replacement of the sales tax levied formerly by the State Governments; and

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

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

7. The Commission may review the present scheme of Calamity Relief Fund and may make appropriate recommendations thereon.

8. The Commission may make an assessment of the debt position of the States as on 31st March, 1994, and suggest such corrective measures as are deemed necessary also keeping in view the financial requirements of the Centre.

9. The Commission shall make its report available by the 30th November, 1993, on each of the matters aforesaid, covering a period of five years commencing on the 1st day of April, 1995. The Commission shall indicate the basis on which it has arrived at its findings and make available the State-wise estimates of receipts and expenditure."

1.2 Shri K.C.Pant served as the full-time Chairman for the entire period of the Commission. Dr. Debi Prosad Pal and Shri B.P.R.Vithal served for the entire period as part-time Members. Dr.C.Rangarajan was also a part-time Member, until he resigned with effect from 21st December, 1992 to take up his new

assignment as Governor of the Reserve Bank of India. Shri M.C.Gupta, Member Secretary, relinquished charge of his office on 31st January, 1994 to take over as Chief Secretary to the Government of Haryana.

1.3 Shri Manu R.Shroff was appointed by the President vide his Order SO No. 800(E) dated 14th October, 1993 in the vacancy caused by the resignation of Dr.Rangarajan. Shri Shroff assumed charge the same day.

1.4 The post of Member Secretary, which lay vacant since 31st January, 1994, was filled up by Shri Arun Sinha who was appointed by an order dated Ist March, 1994. Shri Sinha assumed charge of his office the same day.

1.5 Information sought by the Commission from the Centre and the States was slow in coming. Even by November,1993 many States had not submitted forecasts or memoranda to the Commission. Besides, the vacancy caused by the resignation of Dr.Rangarajan on 21st December, 1992 was not filled till 14th October,1993. The Commission at that stage requested the President for extension of time for submission of the report up to 30th June,1994 and the same was granted by the President. The order is reproduced at Annexure I.1.

1.6 The Commission did not receive the forecasts/ memoranda from all the States even till the last week of May, 1994. The working of the Commission's secretariat was disrupted when the Member Secretary, who had been with the Commission right from the beginning, was transferred at the end of January, 1994. In the meantime the Central and State Budgets having been presented for the year 1994-95, it became necessary to take a fresh look at the resources of the Centre and the States. For all these reasons, the Commission requested a further extension of its term up to 30th November, 1994 and the same was granted by the President. The order is reproduced at Annexure I.2.

1.7 The first meeting of the Commission was held on 18th June,1992. The Commission issued a press note in the month of July, 1992 inviting the general public to offer its views on the issues before the Commission. The Chairman of the Commission sought the views of Union Ministers, Chief Ministers, Members of Parliament, Members of State Legislatures, eminent economists and other prominent citizens. In response, close to two hundred memoranda were received by the Commission. Besides, a number of individuals and organizations met the Commission during the time of its visits to States. A list of those from whom memoranda were received is given at Annexure I.3. A list of those who met the Commission is given at Annexure I.4. We are thankful to those who submitted memoranda or had discussions with us.

1.8 A conference of all State Finance Ministers was organized at New Delhi on 27th August, 1992, which proved very helpful to us in our work. We had a round of discussions with representative interest groups including Union and State Ministers, Members of Parliament, leaders of political parties, chairmen and senior office bearers of chambers of commerce and industry, chiefs of public sector organizations, leaders of trade unions and of employees' associations, agriculturists, agricultural experts, economists, engineers, educationists, journalists and media persons. Our interaction with these groups gave us valuable insights into their perception of issues before the Commission. A list of such meetings is at Annexure I.5.

1.9 The Member Secretary had a series of discussions with the chief secretaries/finance secretaries, heads of department and senior officers of State Governments. These discussions were very informative and useful to the Commission in its deliberations.

1.10 We had requested the Comptroller and Auditor General to issue directions to Accountants General of the States to provide a critical appraisal of State finances and to assist the Commission during its visits to the States. We wish to record our appreciation of the cooperation given to us by the Comptroller and Auditor General and the Accountants General in the States.

1.11 The Commission had a meeting with the Governor of the Reserve Bank of India. In addition, meetings were also held with Member Secretary, Planning Commission and secretaries in the Union Ministries/Departments of Power, Surface Transport, Textiles, Fertilizer, Education, Rural Development, Defence, Home Affairs and Chairman and Member (Traffic) of the Railway Board. Discussions were also held with Finance Secretary and Secretary (Expenditure) along with the Chairmen of the Boards of Direct Taxes and of Excise and Customs. We had a detailed discussion regarding the financing of calamity relief expenditure with the Relief Commissioner in the Ministry of Agriculture, and representatives of State Governments. We are thankful to all of them for helping us in our work. A list of the meetings is at Annexure I.6.

1.12 The visits of the Commission to the States commenced with Punjab on 7th September, 1993 and ended with Bihar on 20th August, 1994. The dates of discussions with different States are at Annexure I.7. We found the visits to the States of great value. They enabled us to have free, frank and detailed discussions with the Chief Ministers, their cabinet colleagues and officials. The visits also provided us with an opportunity to hold discussions with leaders of the opposition, eminent persons, economists, and representatives of political parties, chambers of commerce and industry, employees' associations and the media. The States arranged field visits to enable us to acquire first hand knowledge of different projects and of the ground realities. We are grateful to all the State Governments for the courtesies extended to us. We are also grateful to the media which took keen interest in our work and helped us in appreciating local problems.

1.13 The National Institute of Public Finance and Policy (NIPFP) organized a seminar on issues before the Commission which was attended by experts from the Central and State Governments and academe. We would like to place on record our appreciation of the efforts of NIPFP and of the contributions made by the participants.

1.14 We commissioned a number of studies. The Institute of Public Enterprises, Hyderabad undertook a study on `Financial Contribution and Requirements of State Level Public Enterprises in India'; Professor Hemlata Rao of the Institute for Social and Economic Change, Bangalore on `Taxable Capacity, Tax Efforts and Forecasts of Tax Yield of States'; Ms. Laxmi Reddy on `Girls' Education and Role of Non-Governmental Organizations' and a team of experts led by Professor K.L. Krishna of the Delhi School of Economics on `Measuring Inter-State Differentials in Infrastructure'. We are grateful to all of them.

1.15 We also constituted three advisory groups on State Electricity Boards, State Transport Undertakings and Central Public Sector Undertakings. The detailed composition of the advisory groups is given at Annexure I.8. The reports of the advisory groups of experts contributed substantially to our understanding of their respective areas of study.

1.16 The Commission is thankful to the National Informatics Centre which provided the computer facilities in the Commission's Office. In particular, we would like to thank Shri V.M.Raman, our Computer Programmer.

1.17 Our Terms of Reference required meticulous and elaborate collection of information and its processing. We were fortunate in having a harmoniously working, dedicated team of officers and other members of the staff, advisers and consultants who ungrudgingly put in hard work for long hours and gave of their best. At the end of June 1994, at a crucial stage in our work, Professor Atul Sarma, Economic Adviser, who had been with us

since the beginning, left to take up another assignment. In his place, Professor D.K.Srivastava of Benaras Hindu University joined us as Economic Adviser. We are grateful to him for having done so at short notice, regardless of the personal inconvenience.

1.18 We would like to place on record our appreciation of the valuable and wide ranging work done by our officers, advisers and consultants who carefully guided the staff and painstakingly scrutinised, sifted and analysed the voluminous material received by us and presented options for consideration of the Commission. The officers included Shri Kamal Pande, Shri M.N.Prasad, Smt.Neelam Nath, Joint Secretaries and Shri Laxman Das, Director. The excellent contribution of these officers and, at the technical level, of Professors Atul Sarma and D.K.Srivatsava was of immense benefit to us and proved crucial to our work. Apart from providing excellent technical support, Shri Haseeb Drabu, Consultant, worked meticulously and untiringly for the preparation of the Report. Our advisers/consultants S/Shri L.C.Gupta, V.S.Jafa, G.N.Tandon, Bharat Karnad, N.I.Vyas and T.S.Rangamannar likewise gave us the benefit of their rich experience and knowledge of their respective areas of work.

1.19 We are also grateful to our Joint Directors, Shri Satish Kumar and Shri Pushp Raj Singh, and to Deputy Directors S/Shri H.S.Puri, S.R.Dongre, H.M.Dass and R.K.Gaur who did an excellent job of the work allotted to them. We would like to make a special mention of S/Shri A.K.Raina, Deputy Director and B.K.Aggarwal, Assistant Director who carried on their shoulders much more than their share of work. We also acknowledge the first rate work put in by S/Shri S.Roy, S.S. Sharma, Radhey Shyam, R.N.Tiwari, and T.C.Aggarwal Assistant Directors, and all other staff members including Superintendents, Private Secretaries, Personal Assistants, Economic Investigators, Technical Assistants, Computors, Stenographers, Cashier, photo-copy operators, Clerks and Class D employees without whose untiring support it would not have been possible to produce this report. Our special thanks are due to our personal staff who worked unsparingly without a thought to themselves.

CHAPTER II

FRAMEWORK AND APPROACH

Introduction

2.1 Our approach has been guided by the paramount need to restore fiscal equilibrium in the economy. Our recommendations have been informed by our Constitutional responsibilities, the terms of reference, the budgetary scenario of the Centre and the States, the emerging issues in federal finance, and the evolving macroeconomic policy environment.

2.2 The period covered by our recommendations will witness the completion of half a century of fiscal federalism. Federal relations, as envisaged in the Constitution, have evolved over the years through political, institutional and functional changes. In this changing scenario, the Finance Commission, as an institution, has had an important role to play as resource sharing, based on a Constitutional division of functions and finances, is a critical element in the federal system.

2.3 While the charter of the Commission flows from the Constitution itself, the terms of reference of each Commission have reflected some of the dominant concerns in the area of Centre-State relations and the emerging issues in national public finance. It is, therefore, not surprising that our terms of reference mirror the anxiety regarding the finances of the country and have been influenced by the systemic changes in the economic regime that have been initiated since 1991.

2.4 The whole gamut of policy changes is reflective of a change in the nature, content and extent of state intervention. The outcome of these changes will edge into view in the period which coincides with the period of our recommendations. Another dimension has been added by the 73rd and 74th amendments to the Constitution which have brought into being a third tier in the federal structure. It is these changes that provide the context for our recommendations and, in conjunction, with our concern for equity and efficiency, delineate the contours of our approach.

Centre and State Finances : An Analytical Overview

2.5 The macroeconomic vulnerability of the economy is linked in no small measure to the secular deterioration in its fiscal balance. The magnitude of aggregate deficits - revenue and fiscal - had reached levels in the late eighties that set the economy on a medium term path of stagflation and a recurring balance of payments problem.

2.6 From a revenue surplus the economy moved into a state of continuous deficit on revenue account in 1982-83. While in 1975-76 there was a revenue surplus of about 2.5 per cent of Gross Domestic Product (GDP), in 1990-91 revenue deficit reached 3.6 per cent and is estimated to be about 5 per cent of GDP in 1993-94. This rise has been even faster than that in the fiscal deficit which increased from 6 per cent in 1974-75 to about 12 per cent in 1990-91. It is estimated to be 11.5 per cent in 1993-94. A graphical presentation of the trends and pattern in the finances of the Centre and the States is at Appendix 1.

2.7 The change in the fiscal regime in 1982-83 - from revenue surplus to revenue deficit - has meant that what was earlier a non-debt creating source of financing has become a source of rising internal indebtedness. In other words, while revenue receipts used to cover a part of the capital expenditure, now an increasing part of the capital receipts are used to finance revenue expenditure. The consequent build up of public debt and the interest burden , which is now the largest and fastest growing item of expenditure , further fuelled the growth of revenue expenditure. This led to a spiral of growing deficits, rising debt, escalating interest costs, and further expansion of deficit.

2.8 The statement that deficits have emerged because of differential rates of growth of revenue receipts and expenditures is tautological. It is, however, of prescriptive value to note that the total revenue receipts as a proportion of GDP increased from about 12 per cent in 1960-61 to 27.4 per cent in 1987-88. Thereafter it has levelled off. A major part of the increase is accounted for by a sustained improvement in tax revenues while the potential for exploiting the sources of non-tax revenues has remained largely untapped. During the same period the tax/gdp ratio of the economy more than doubled from 8.3 per cent to 17 per cent which is impressive at the prevailing levels of per capita income. Thus, the principal factor underlying the fiscal imbalance is the unbridled growth of government expenditure.

2.9 The accelerating growth of revenue expenditure is a recent phenomenon. Till the mid-seventies revenue expenditure as a percentage of GDP remained constant at about 15 per cent. In fact, in the early seventies, aggregate government expenditure was actually declining in real terms. Thereafter, till 1987-88 it increased exponentially to reach 27 per cent of GDP - the real rate of growth being close to double digit during this period. After 1987-88 revenue expenditure as a percentage of GDP has remained stable at about 27 per cent. This appears to be in line with the behaviour of revenue expenditure over the last three decades during which it has increased in steps. The structure of expenditure has imparted downward rigidity and inflexibility to its level in recent years. Interest, and wages and salaries have emerged as the major components of expenditure as a direct result of the mode of financing of expenditure and the expansionary policies pursued by government. These two items are at any given point of time "committed expenditure" which can be curtailed only in the medium term. This has made expenditure more income elastic than revenue receipts thereby generating an in built tendency towards deficits. As a result the economy has moved away from resource based fiscal management to expenditure based budgeting.

2.10 From a diagnostic point of view, it is important to analyse the profile of deficits and their composition across levels of government. In the case of the Central Government, the revenue deficit increased from 0.2 per cent of GDP in 1981-82 to 3.5 per cent of GDP in 1990-91. It is estimated to be 4.3 per cent in 1994-95 . The fiscal deficit for the corresponding period increased from 5.4 per cent to 8.4 per cent. Apart from the increase in magnitude, a disturbing aspect relates to the financing of fiscal deficit. Over the years, especially since 1991, the monetised deficit has been reduced significantly. Without a corresponding reduction in the fiscal deficit the proportion of other forms of borrowings has increased . The implication of this change is that the unit cost of financing government expenditure is increasing. This is of particular concern because revenue deficit as a proportion of

fiscal deficit is also rising and this underlines the need for reducing the revenue deficit and the fiscal deficit along with a reduction in monetised deficit.

2.11 The higher cost of financing government expenditure will make its impact felt on expenditure by increasing the burden of interest payments. This is so because borrowings are financing such revenue expenditure as cannot possibly yield financial returns and a fair amount of capital expenditure which yields inadequate returns. In other words, it is the burden of interest payments arising out of the none too prudent use of borrowings that lies at the root of the fiscal malaise. This is borne out by the fact that the primary fiscal balance (i.e. fiscal balance net of interest payments) of the Central Government has turned surplus after 1991-92.

2.12 At the aggregate level, the combined accounts of the State Governments exhibit a similar picture of increasing revenue deficits though the deficits emerge on a secular basis from 1987-88. While the share of States in total revenue deficit of the economy has increased , its share in fiscal deficit has remained constant perhaps on account of their inability, unlike the Centre, to finance the expenditure-revenue gap through borrowings .

2.13 It is important to recognise that there is a pattern in the transition from healthy revenue surpluses that the system used to generate to chronic deficits. This becomes evident by disaggregating the revenue account into plan and non- plan. The plan revenue account has been in marginal deficit till the early eighties. Thereafter it has increased in response to the plan size. On the other hand, the non-plan account has been in surplus till 1990-91.

2.14 Almost all States have gone through a three phase deterioration in the revenue account balance. In the first phase up to 1986-87, the non-plan account surplus was larger than the plan deficit and to that the extent it was yielding an overall revenue surplus. Between 1986-87 and 1991-92 the magnitude of plan revenue deficit increased sharply and it became larger than the non-plan surplus which itself had been declining. The third and final phase started in 1991-92 when the non-plan revenue account went into deficit. That all States have had almost identical turning points seems to suggest that there are systemic factors underlying this deterioration rather than State specific reasons.

2.15 The magnitude of the fiscal problem can be gauged by the level of deficits projected in the Central and State forecasts submitted to us. It is significant to note that the Centre did not project a crisis of resource availability to the Ninth Commission. There was a clear break with the past when the Finance Ministry submitted a forecast which showed a pre-devolution deficit on the revenue account . Again, for the first time not a single State has submitted a forecast showing a pre-devolution surplus on the non-plan revenue account. Thus the problem posed to us was far worse than that faced by earlier Commissions.

Macroeconomic Stabilisation and Structural Reforms

2.16 The stabilisation and structural adjustment programme of the Centre was initiated in response to the situation of fiscal disequilibrium which reached crisis proportions in 1991. The components of the reform package are : deregulating industry, activist monetary management, gradual dismantling of the complex protective trade regime, a liberal policy towards foreign investment, strengthening the capital markets, restructuring the tax system, full convertibility on current account and an efficiency oriented hard budget approach towards the public sector. The overhauling and restructuring of the financial sector, which is the bridge between macro stabilisation and structural adjustment, is still under way.

2.17 The reforms aim at tackling a series of macroeconomic imbalances, both external and internal. The components of the reform, which are of particular relevance to government finances, are the policies relating to tax reform and reduction in fiscal deficit. Tax reform has revolved around simplification of procedures and reduction in rates of income and corporation tax, selective reduction in excise duties and a substantial reduction in customs duties. The premise is that the stimulus to growth provided by tax reforms and better compliance will more than offset the loss of revenues on account of lower rates.

2.18 The reduction in fiscal deficit was expected to come about both through improved revenue receipts and reduced revenue expenditure. However, in the face of temporary shortfalls in revenue and the inflexibility displayed by revenue expenditure in the short run, the fiscal deficit has been reduced primarily by compressing capital expenditure. Thus, contrary to expectation, the fall-out has been an increasing revenue deficit and reduced capital expenditure.

2.19 In the case of States, the rising revenue deficit has also cut into maintenance expenditure in the revenue budget. In order to accommodate the rising interest payments and the growth of wages and salaries, which have come to be regarded as committed expenditure, maintenance expenditure has been treated as a residual item. This has had a visible impact on infrastructure. The deteriorating conditions of roads, poorly maintained hospitals, neglected school and administrative buildings have together become a formidable supply side constraint on growth. Most assets like power stations, irrigation systems, and highways are operating at levels well below their capacity on account of poor maintenance and continual neglect.

2.20 Clearly, any attempt to curtail the growth of expenditure must be accompanied by measures to protect essential expenditure on maintenance of existing infrastructure and creation of new capacities. This requires a change in the emphasis and priorities of government expenditure. Development of physical and human infrastructure is also essential if the market oriented process of development, with its emphasis on competition and private investment, is not to bypass many States and sectors. If such development does not take place, regional inequalities are bound to accentuate. Quite paradoxically, expenditure priorities of States have in a number of ways tended to reinforce rather than reduce inter-regional disparities.

2.21 The long term implication of this will be that the resource raising capacity of States will be differentially affected. While to some extent this can be addressed through a greater degree of progressivity in transfers to States, the primary responsibility for strengthening the resource base is that of the States. The States will have to make continuous efforts to improve their revenue base, strengthen their capacity to provide better services and curtail expenditures.

2.22 As for receipts, States should initiate restructuring of the tax system through rationalisation of the complex multi-layered sales tax system. The multiplicity of rates is counterproductive and can be rationalised by reducing dispersion in the rates. Inter-State variations in the rate and structure of taxes can be harmonised and move in the direction of uniformity. It would lead to an increase in the tax revenues of States as they will no longer be forced to indulge in unhealthy reduction of rates. If this is done, it would be an important step towards removing impediments to developing a common economic space which would give a substantial fillip to the rate of growth.

2.23 The potential of non-tax revenues as a buoyant source of revenue is virtually untapped by the States. Much greater attention must be focussed on non-tax receipts for resource mobilisation. There are two specific areas that merit attention viz. rates of return on investment and user charges. The total investment in public enterprises runs into thousands of crores of rupees but the rate of return is next to nothing. In many areas particularly power supply, transport services , irrigation, and higher education only a small portion of the expenditure incurred is recovered. It is important to reverse these trends not only for budgetary considerations but also for the overall growth of the economy.

Approach

2.24 Given the evolving scenario, and the goals set out by our terms of reference - of not only balancing the revenue account but generating surplus for capital investment - the task before us was far from enviable. We could reach this objective for the States by recommending the requisite increase in transfers from the Centre but leave it with an unmanageable deficit. Alternatively, we could have left the States with an uncovered deficit. We have chosen not to do either because in doing so we would be just shifting the deficits while our aim was to arrive at a sustainable and healthy fiscal balance.

2.25 This concern would be fully tackled by taking a holistic view of government finances and looking for an integrated solution. It should be obvious that no policy prescription for the fiscal malaise can be given if a large component of the budget, viz. plan outlay, is left out of reckoning . Even if we leave out that part of the plan outlay which is financed by borrowings and is used for creating new capital assets which would eventually earn a return, there is a revenue plan which ought to covered by revenue receipts. The clubbing of the revenue and capital components in one category termed as plan outlay has generated a tendency to use borrowings to finance revenue expenditure. It is imperative to match the revenue resources separately with the revenue component of the plan. Failure to appreciate this basic requirement of fiscal discipline is one of the main causes of the endemic fiscal disequilibrium.

2.26 In an effort to project larger plan outlays, inadequate provision is made for crucial expenditures like the maintenance of existing assets which are, in current practice, regarded as non-plan expenditure and hence of lower priority. New schemes take priority over maintenance resulting in sub-optimal use of resources. We think that such a bias arises at least in part from the artificial classification of expenditures between plan and non-plan and the attitude of regarding all non-plan expenditure as of low priority. It needs to be appreciated that a large part of non-plan expenditure is of a developmental nature and should enjoy the same priority, if not higher, as new plan schemes.

2.27 We are of the view that there is a clear rationale for the Finance Commission to deal with the revenue account as a whole, and not merely the non-plan revenue expenditure. Our terms of reference require us to keep in view the objective of reducing fiscal deficit and generating surplus for capital investment which cannot be done adequately unless we reassess the projection of plan expenditure also. But our terms of reference also explicitly require us to assess non-plan revenue expenditure. Our period of recommendations not being co-terminus with the Eighth plan has further complicated the issue. The practical difficulties of making acceptable projections of plan outlay - even for the remaining two years of the plan - were brought to our notice by the representatives of the Planning Commission. Most States have also chosen not to hazard any estimates. In view of these constraints we have confined our reassessment to the non-plan revenue account.

2.28 We have, however, not lost sight of the need to reduce the fiscal deficit. Our approach to this issue has been based on the understanding that a reduction in fiscal deficit has to come about through improvements in the revenue account balance emanating from the non-plan revenue account. Accordingly, our attempt through the reassessment of Centre and State forecasts, has been to generate sustainable non-plan revenue surpluses. The premise is that a recurring revenue surplus is the basic prerequisite for achieving desirable macro fiscal balance.

2.29 In estimating the base and reassessing the non-plan revenue account of the Centre and States we have maintained, to the extent permitted by functional specificities and compositional differences, a uniform pattern of reassessment. The principles and methodology of the reassessment of Central and States forecasts is dealt with in detail in the subsequent chapters. Briefly, the reassessment of tax revenues is based on a study of the buoyancy of major taxes of the Centre and States with respect to the GDP and individual state domestic product. Non-tax revenues and some items of expenditure have been reassessed on a normative basis. Expenditure reassessment in general is based on price elasticity of expenditure besides allowing for a uniform 1.5 per cent rise in real terms independent of the rate of growth of nominal or real GDP. We have provided for higher real growth for priority sectors like elementary education, health, and family welfare. In contrast, we expect that even implicit subsidies in sectors like power, transport, and irrigation would be reduced greatly. Subsidies on food and fertilisers should be given on a uniform scale and pattern from a single source. We are of the view that the quantum of subsidies should progressively account for a smaller proportion of GDP.

2.30 In estimating revenues and expenditure a major determinant is the nominal GDP growth rate and its decomposition into real growth and inflation. In its forecast, the Ministry of Finance had assumed nominal GDP to grow at 11 per cent per annum comprising a rate of inflation of about 5 per cent and real growth of 6 per cent. While we accept the underlying premise of the medium term growth rate being around 11 per cent, we find it unrealistic that the rate of inflation will decline suddenly from about 10 per cent in the 1994-95 to 5 per cent next year. In an attempt to approximate reality we have assumed that the rate of inflation would decline gradually and reach a level of 5 per cent by the year 2000 A.D. At the same time the real rate of growth will increase in a secular manner. On this graduated basis we have assumed the nominal rate of growth to be 12.5, 12, 12, 11.5 and 11 per cent in sucessive years of the period 1995-2000.

2.31 The balance on the non-plan revenue account that we have sought to achieve is contingent on the profile of receipts and expenditure as reassessed by us. On this basis we have formulated our recommendations on vertical resource sharing and horizontal distribution. Our basic approach to vertical resource sharing has been influenced by the view that it would be in the interest of better Centre-State relations if all central taxes are pooled and a proportion devolved to the States. There is considerable merit in moving to such a system as it would make the vertical sharing simple and transparent. It also gives greater freedom to the Centre in choosing tax policy measures in an integrated manner. If a proportion of all taxes goes to the States, any apprehensions of bias in the choice of tax measures will be allayed. Therefore, we have proposed an alternative scheme of devolution.

2.32 We are conscious that moving over to such a system of pooling will require amendment of the Constitution. Our terms of

reference do not require us to consider such a change. As such, we have made our recommendations in accordance with the existing provisions of the Constitution. The share of income tax and excise duty to be devolved has been recommended in a way that will facilitate a move towards the pooling of all central taxes and devolving a proportion to the States. We have reduced the gap between the percentage of income tax and excise duty shared with the States. This has been accompanied by uniform criteria for distribution of both the shareable taxes.

2.33 Our concern for equity and efficiency has been built into our criteria for horizontal distribution. We believe that the two are not mutually exclusive and we have in our devolution formula tried to blend equity with efficiency. Towards this end, tax effort - which represents fiscal efficiency on the revenue side - has been explicitly rewarded in our scheme. We have incorporated two new elements, area and infrastructure, keeping in view the spatial dimension of providing public services and the enhanced importance of infrastructure development across States.

2.34 A healthier fiscal attitude can be generated if the grants are not based only on the emerging picture of surpluses or deficits but also on the urgent needs and special problems of the States as identified on the basis of discussions and field visits in the States. In our scheme of transfers, we have used grants as an instrument for upgrading services and providing earmarked resources for some important purposes.

2.35 Following the 73rd and 74th amendments of the Constitution, enabling legislation has been enacted by all States and State Finance Commissions have been constituted by them. While our terms of reference do not require us to consider the financial needs of the third tier of the federal structure, we feel that the development of these institutions would be impaired if they are not put into funds at their inception. We are aware that a major part of their needs would come by transfers of functions and funds from the States, including plan funds, and central and centrally sponsored schemes. However, we still consider it important that initial funding of priority areas of basic services like drinking water, health facilities, and elementary education to our rural population and civic amenties to the huge population living in the slums in our megapolises, metropolises and other urban centres should be made. Accordingly, we have provided grants to all States for this purpose.

2.36 Our approach to the problem of the accumulating debt burden has been informed by the need for economy in expenditure and efficiency in raising resources. The solution to the problem of debt lies in restoring the revenue account balance and generating surpluses for investment. We are firmly of the view that debt relief offers only temporary reprieve and a long term solution to the problem lies in corrective measures discussed later. In line with our diagnosis we have tried to introduce an incentive based system of debt relief which is related to an improvement on the revenue account balance. We have, utilising the opportunities offered by the new economic environment, recommended a scheme of debt retirement from the proceeds of disinvestment of equity in the public sector enterprises. We have introduced an incentive scheme in this respect also.

2.37 Our projections of revenue and expenditure for the period 1995-96 to 1999-2000 set out the direction in which policies to restore fiscal balance have to move and provide a picture of what should happen in the five-year period if these are undertaken. Our projections, while showing an improvement over the present picture, are still far from the goal of having revenue surpluses for each State. It is not too much to expect that the measures we recommend would be implemented fully by the Centre and the States. If in actual practice the picture turns out to be worse than what is being projected, even our conservative assessement of what can realistically be done would have been proved wrong. It is a perpetual battle between hope and experience.

CHAPTER III

STATES' RESOURCES : ASSESSMENT OF REVENUE AND EXPENDITURE

Introduction

3.1 Our reassessment of the forecast of revenue receipts and non-plan revenue expenditure of State Governments during the period covered by our Report has been guided by the considerations set out in Para 4 of the Presidential Order. These relate to the objective of not only balancing the receipts and expenditure on revenue account but also generating surplus for capital investment and reducing fiscal deficit, the tax efforts made by the States and the potential for raising additional taxes, the need for ensuring reasonable returns from investment in power and irrigation projects, transport undertakings, departmental schemes and public enterprises, the requirement of the States for meeting the non-plan revenue expenditure, including the maintenance and up-keep of capital assets and the maintenance expenditure on plan schemes to be completed by 31st March, 1995. Our overriding concern has been the need for promoting better fiscal management consistent with efficiency and economy in expenditure.

3.2 We received forecasts of revenue receipts and non-plan revenue expenditure for the period 1995-2000 from all the States. However, the forecasts were not strictly comparable as the base year, basis of projections, assumptions regarding inflation, treatment of committed liability of past plan schemes etc. varied widely. What was common to all the forecasts was that they presented a gloomy picture of the fiscal scenario for the period 1995-2000. Some idea of the magnitude of the problem could be gathered from Table 1.

3.3 Two features stand out which deserve special mention. The first is that the States have projected a deterioration in all major budgetary variables : revenue receipts as a percentage of GDP are forecast to decline and revenue expenditure is estimated to increase by about two percentage points. As a result there is a doubling of the deficit on the non-plan revenue account. The second is that, perhaps for the first time, not a single State has forecast a pre-devolution surplus. It is a matter of grave concern that even those States which had always taken pride in keeping their finances on a sound footing seem reconciled now to accepting a regime of increasing deficits on the revenue account. This trend needs to be reversed. It is against this background, coupled with the deteriorating fiscal picture of the Centre, that we have carried out our reassessment. We have been guided in this task by the paramount need for ensuring fiscal balance, reducing reliance on borrowings and making available adequate resources for investment in critical sectors like health and education.

Table 1

Pre-devolution Revenue Account of States

per cent of GDP

		1990-95 Actuals/Estimates	1995-2000 Forecast
I.	Revenue receipts		
(i)	Tax revenue	5.61	4.89
(ii)	Non-tax revenue	1.20	0.42
(iii)	Non-Plan grants	0.08	0.02
	Total	6.89	5.33
II.	Non-plan revenue expenditure	10.11	12.06
III.	Non-plan revenue deficit	-3.22	-6.73

General Methodology

3.4 The forecasts of revenue receipts and non-plan revenue expenditure were received from the States over a long period beginning from early 1993 to the middle of 1994. These were projected on different base levels of taxation, varying assumptions about inflation and instalments of dearness allowance etc. Our first task, therefore, was to arrive at a reasonable estimate for the base year, i.e. 1994-95, before we could make any projections for 1995-2000. It would have been simpler for us to adopt the budget estimates for 1994-95 of all the States as these had become available to us by the time we completed our reassessment. However, we found considerable variations between the budget estimates of earlier years and the actuals. This compelled us to go by the latter for arriving at base year estimates on a comparable and uniform basis. We worked out the trend growth rates for revenue receipts and expenditure on a fairly disaggregated basis. For receipts, we took a ten year period spanning 1983-93. For expenditure, the period was 1986-93 as the reclassification of accounts from 1st April, 1987 made it difficult to develop a comparable series for a period prior to that. We estimated the base year figures using the observed trend growth rates and applied it to the actuals for 1992-93. We then carefully looked at the results in the light of the entire series of receipts and expenditure, the budget estimates for 1994-95 and the State forecasts and moderated them wherever warranted. Our effort has been to arrive at such estimates as would reflect the most likely position at the commencement of the forecast period.

Tax Revenues

3.5 Our terms of reference require us to assess the revenue resources of the States for the five years commencing from Ist April, 1995 on the basis of the levels of taxation likely to be reached in 1993-94, the targets for additional resource mobilisation for the plan, the potential for raising additional taxes

and the tax efforts made by the States. In estimating tax revenues for the forecast period, we have looked at past trends and future potential. We had commissioned a study by the Institute of Social and Economic Change, Bangalore, for assessing the taxable capacity of different States. The study brought into focus the problems inherent in estimating the tax potential of different States. After giving considerable thought to the recommendations made therein, we were unable to accept the same. We were of the view that though the study gave insights into the problem, it did not offer a dependable basis for estimation of taxable capacity. The study utilizes two alternative methods of estimating taxable capacity - the first based on the representative tax system and the other based on a regression analysis. The study itself discards the first. Regarding the second approach, we had reservations about the specifications prescribed in the study as also the reliability of the data base. This is an area of research that ought to be accorded priority and a suitable data base built up if later Commissions are not to encounter similar handicaps.

3.6 For our in-house exercise regarding estimation of tax revenues of States, we adopted a regression based approach for seventeen States for which disaggregated data were available for a reasonable length of time. Such a series was not available for Goa for which we adopted the rates of a neighbouring State. For six States of the North-East and Sikkim, an entirely different exercise was done to which we shall revert shortly.

3.7 For the seventeen States, tax revenues have been disaggregated into six categories, i.e. sales tax, including receipts from central sales tax ; state excise duties ; motor vehicle tax, including receipts from taxes on goods and passengers ; stamps and registration ; land related taxes and taxes on agricultural income and all other tax receipts, except proceeds from electricity duty. For the four major taxes, tax receipts were regressed on the state domestic product of each State for which we had received updated figures from the Central Statistical Organisation (CSO). The sample period chosen was 1980-81 to 1989-90. A brief note on the methodology is at Appendix 2. Since the buoyancy of different taxes was worked out with respect to income, it was not necessary to make any allowance for additional resource mobilisation ; in any case segregating receipts on this account from the total tax receipts would necessarily be a somewhat arbitrary exercise. We have adopted, by and large, the buoyancy estimates emerging from this exercise and the growth rates derived from them. However, we have taken care to see that States which have been doing well are not penalised by our assuming high growth rates for the forecast period and States which have lagged behind are not given similar benefits in the future. We have, therefore, not accepted for any State a buoyancy estimate of less than unity for any of the four taxes and have adopted suitable ceilings in each case. The buoyancies and the growth rates derived therefrom on the basis of our assumption regarding graduation in the growth profile of GDP and inflation are as indicated at Annexure III.1 to III.4.

3.8 In view of the stickiness of land revenue and fluctuations in collection on account of suspensions, remissions etc. we have taken the average of the past five years i.e. 1990-95 and assumed the same levels during each year of the period of our Report except in cases where the State forecast gave us a more realistic estimate. For agricultural income tax, we have retained the estimates of the State Governments. We have accepted the estimates of electricity duty as projected by the States and have taken these into account while estimating the net return from power projects. All other residual taxes have been combined together. Looking at their past behaviour, we have taken their buoyancy as one.

3.9 We found it very difficult to conduct a similar exercise for the States of the North-East (except Assam) and Sikkim. The lack of data, small size of the tax base and instability in the pattern and growth of taxes precluded any meaningful relation being established with either the state domestic product or any other specified tax base. On the other hand, we found that much more acceptable results were available if we looked at the growth of aggregate tax revenues. Accordingly, we have proceeded on an agggregate basis taking into account the need for some improvement in their tax effort over the period covered by our Report. The growth rates adopted by us are at Annexure III.5.

3.10 We have taken note of the prohibition policy followed by certain States like Gujarat and Tamil Nadu and more recently by Andhra Pradesh and Orissa apart from some of the North-Eastern States. This is an issue which came up repeatedly in our meetings with the concerned State Governments. The States concerned have been at great pains to impress upon us the need for compensating them for the losses on this account as they have taken these measures in furtherance of the Directive Principles of State Policy. The approach to prohibition is not the same in all such States. While there is a total ban on production, sale and consumption in some States like Gujarat and Manipur, most others have only imposed restrictions on the sale of country liquor. We do not propose to go into the necessity or otherwise of a uniform prohibition policy throughout the country and the responsibility, if any, of the Central Government for compensating the States for the resultant loss of revenue. We have,therefore, only adjusted the base year estimates taking into account the effect of the prohibition policy of the State on its excise revenues and made projections on that basis.

Arrears of taxes

3.11 We expect that the States would tackle vigorously the problem of substantial arrears of taxes which have accumulated by the end of 1992-93. We have assumed that 90 per cent of sales tax arrears and 95 per cent of the arrears of other taxes as on 31st March, 1993 would be recovered during 1995-2000. We also hope that the States would take steps to ensure that in future large arrears do not accumulate.

Non-tax Revenues

3.12 The major sources of non-tax revenues are interest receipts, royalty on mines and minerals, revenues from forests and receipts from irrigation works and departmentally run schemes. We have dealt with most of these items separately on a normative basis. The performance of States on this account has been a matter of great concern for us. While tax revenues have been generally more buoyant than estimated by successive Finance Commissions, non-tax revenues have consistently fallen behind. This has been a major reason for the yawning gaps between receipts and expenditures which have eroded the revenue resources of the States and crippled their efforts at providing reasonable services in many vital sectors like power, transport, irrigation and water supply. All these constitute vital elements of infrastructure and hold the key to faster development in the new economic regime. They are critical for attracting investment. We are painfully conscious of the fact that most States have preferred the softer option of letting services deteriorate rather than improving their spread and quality by realising economic returns on the investment in these areas and deploying the additional resources for this purpose. We have adopted norms in the light of this concern without losing sight of the feasibility of our prescription and the capacity of the State Governments to achieve the same. We have been emboldened in our efforts by the response we have received in the course of our

meetings with different State Governments where we perceived greater sensitivity now to the need for improvement as also a degree of determination to turn things around. We now turn to the major components of non-tax revenues.

Interest

3.13 We find that receipts from this source have been extremely unsatisfactory. Cutting across all States, the interest receipts on loans advanced by the State Governments, excluding loans to State Electricity Boards and State Road Transport Corporations, have remained at a level which does not correspond to the rates at which loans have been advanced. We are conscious of the difficulty in effecting full realisation but we see no reason why considerable improvement cannot be brought about through concerted efforts. Accordingly, we have assumed interest receipts at the rate of 4 per cent on the loans outstanding to third parties as on 31st March, 1995. For the purpose of calculations, we have ignored further accretion to the loans outstanding as on 31st March,1995.

Dividends

3.14 It has been estimated that the equity investment of the States in public enterprises and cooperative institutions (other than State Electricity Boards and State Road Transport Corporations) would be of the order of Rs. 14,416.79 crores as on 31 March, 1995. Most of these enterprises have not been functioning in a satisfactory manner and they have incurred huge losses over the years. In fact, we have been distressed to note that in State after State even the accounts of many undertakings have not been finalised for long periods ranging from 5-20 years. Clearly, such a state of affairs reduces accountability and is hardly an incentive for good management. It is expected that the State Governments would take up this task in right earnest and bring the accounts up-to-date in a time bound fashion.

3.15 It has been the view of successive Finance Commissions that the substantial investment made in these enterprises should yield a reasonable return. Most Finance Commissions have set very modest goals but the actual yield has been much below even these. Nevertheless, it has been the view of most States that it would still be useful if the Commission were to set standards towards which they could strive. In the context of the new economic policy it appears necessary that such areas of economic activity, in which Government chooses to intervene directly, are selected carefully and Government enterprises in these areas perform competitively. Taking all these issues into account, we are of the view that it would be reasonable to expect a return on the investment made by State Governments in such enterprises and cooperative institutions.

3.16 We commissioned a study by the Institute of Public Enterprises, Hyderabad regarding the performance of, and expected rate of return on equity invested in state level public enterprises (SLPEs). The Institute has recommended that the enterprises (including cooperatives) be classified as commercial, commercial-cum-promotional and promotional. We are in agreement with the classification proposed. The Institute has also recommended that a reasonable rate of return on equity for these three categories of SLPEs would be 7.5 per cent, 5 per cent and 2.5 per cent respectively. While we accept the logic of a differential rate of return as suggested by the Institute, we are of the view that it might not be feasible for the States to achieve the suggested standard of performance during 1995-2000. Accordingly, we have adopted 6 per cent, 4 per cent and 1 per cent respectively as the expected rates of return on equity for commercial, commercial-cum-promotional and promotional enterprises and on this basis calculated the absolute level of dividends in each of the years of the period of our report. The details are given at Annexure III.6.

3.17 We are also of the view that a stage has now come when there should be no addition to the number of SLPEs. In fact, there might well be a case for reverting certain functions of a purely promotional nature to either Government departments or even to non-government organisations of proven record. This is relevant for all such enterprises where the intended goals of better performance and additional resource mobilisation have not been achieved. In fact, in some cases, such an experiment has tended to erode accountability and dilute the responsibility of government in crucial areas.

3.18 We have noted with concern that the capital structure of a number of SLPEs is quite inadequate in relation to the objectives set forth for them. Generally, there has been an overwhelming reliance on borrowed funds as compared to equity capital, burdening such enterprises with heavy debt-servicing liabilities in their infancy and leading to progressive sickness. The Institute of Public Enterprises has examined this aspect at some length and suggested that the debt-equity ratio should be re-aligned in such a manner that it should not be a disadvantage for such enterprises. We support this view and expect that all State Governments would draw detailed plans for capital restructuring of viable enterprises in such a manner that no enterprise remains handicapped on this account by the turn of the century.

3.19 In keeping with the changed economic scenario, we consider it necessary for all States to devise a suitable disinvestment strategy based on considerations of performance, profitability and mobilisation of resources. Considering that less than 15 per cent of the equity has been invested in promotional enterprises and only a third of these enterprises are in the core sector, it should not be difficult to disinvest at least 20 per cent of the aggregate equity during the period covered by our Report through outright sale or substantial disinvestment of the equity invested in such enterprises.

3.20 We are firmly of the opinion that the proceeds of such disinvestment should be utilised only for retirement of debt owed to the Central Government. This would not only reduce the stake of government in such activities as are not of vital concern, but it would also help diminish the debt burden of the States. As an incentive, we recommend that the Central Government should additionally write-off debt equivalent to the debt retired by the States in this manner limited, however, to 20 per cent of the equity investment of the State as on 31st March, 1995.

Forests

3.21 Forests have not been perceived as a major source of revenue for the State Government in view of the restrictions imposed by the Forest (Conservation) Act, 1980 and the growing need for preserving our forest wealth. We share the concern for ensuring ecological balance and preventing any depletion of our forest resources. As such, we have not envisaged any growth in the receipts from this source during the period of our report, except for such increases as might accrue on account of rise in prices.

Mines and Minerals

3.22 For our reassessment, we have retained the estimates provided by the State Governments. The Ministry of Mines and the Ministry of Coal have expressed their inability to make any forecast of royalty payments to States during 1995-2000. We have received projections from the Ministry of Petroleum and Natural Gas, but these are at variance with the estimates of the State Governments. However, as this affects only a few States, we have taken the view that in case the actual realisation of the concerned States from royalty is higher than that assumed in our

estimates, it would be open to the Central Government to make suitable adjustments in the grants-in-aid under Article 275 recommended by us for meeting their non-plan revenue deficits.

Major and Medium Irrigation

3.23 The losses incurred by irrigation projects have continued to mount. They have increased from Rs.367 crores in 1987-88 to Rs.881 crores in 1992-93. We have also noted that while some earlier Commissions had prescribed a rate of return on the capital invested in irrigation projects, the previous two Commissions, perhaps in view of the dismal performance, did not go beyond assuming that the receipts should cover atleast the cost of operation and maintenance (O and M). Presently, the receipts from irrigation projects are not only meagre but they constitute a negligible proportion of the value of produce per hectare of irrigated area. Receipts seem to be quite insensitive to the very substantial gains in agricultural productivity in irrigated tracts. The Vaidyanathan Committee on Pricing of Water has referred to an assessment that indicates that the gross receipts per hectare for major and medium irrigation projects are less than 3 per cent of the value of production. They are also less than 5 per cent, except in two States, of the difference in the value of output per hectare in irrigated and unirrigated areas. Obviously, the States have not succeeded in capturing the gains from higher productivity in terms of better irrigation receipts. The Vaidyanathan Committee has made a number of recommendations in this regard which should be given urgent consideration. We are of the view that the irrigation receipts should cover not only O and M costs but also give a return of at least 1 per cent per annum on capital. We suggest that the State Governments should strive to achieve this goal during the forecast period. Having regard to the ground which still remains to be covered, however, we have included in our reassessment of forecasts only such receipts as are sufficient to meet O and M charges. We have taken a more liberal view for the hill States and have assumed recovery of only 75 per cent of the O and M expenditure on the utilised potential. Receipts have not been assumed from the unutilised potential for any State. The receipts assumed from major and medium irrigation projects on this basis are shown at Annexure III.7.

Minor Irrigation

3.24 For receipts from minor irrigation works, we have assumed that there will be full recovery of expenditure on maintenance by the terminal year 1999-2000. However, this would come about in a graduated manner. For hill States, and hill areas of non-hill States covered by the Hill Area Development Programme we have assumed that the percentage of recovery in the terminal year would rise to 75 per cent of the expenditure on maintenance. The receipts assumed from this source are shown at Annexure III.8.

Lotteries

3.25 Most States have projected much lower receipts from lotteries than realised in the preceding five years. We have accepted these estimates as fresh restrictions are being imposed by the Central and State Governments in tapping this source of revenue. However, we have not provided for any loss on this account and we have confined our estimates in such cases to the last positive contribution.

Elections

3.26 The receipts under this head represent the amounts likely to be reimbursed by the Central Government to the States for the expenditure incurred in holding elections to Parliament and other preparatory work connected with the conduct of general elections. We have gone by the estimates furnished by the Ministry of Law and Justice. We have been advised that the Central Government is also likely to reimburse to the States a part of the cost of preparing photo identity cards but we have not included these in receipts as the amounts are not firm.

Departmental Schemes

3.27 The receipts from departmental schemes, namely, water supply schemes, milk schemes and industrial schemes continue to be negligible and most States are incurring heavy losses on this account. Conceptually, it should be possible to distinguish between water supply schemes, which address a minimum need, and milk schemes and industrial schemes, which are semi-commercial/commercial in nature. The former provide services for which it should be possible to recover reasonable charges from the beneficiaries. Accordingly, we have assumed that the aim should be to recover 50 per cent of the O and M expenditure on water supply schemes by the year 1999-2000, subject to the increase in the ratio of recovery in any year of the period covered by our Report being not more than 50 per cent of that in the previous year. Milk schemes should generate receipts which are atleast equal to the O and M expenditure incurred on these activities. Industrial schemes are no different from the activities of commercial public sector enterprises. As such we have assumed that they should give the same return on investment i.e. 6 per cent per annum. The details are at Annexure III.9 to III.11.

3.28 We would also like to take this opportunity of suggesting that many of these schemes should be transferred progressively to local bodies, cooperatives, and non-governmental organisations which might be more responsive to local needs and also be in a better position to effect recoveries.

Power Projects

3.29 The performance of power utilities, particularly the State Electricity Boards (SEBs), is crucial to the finances of States. The total investment by State Governments in Boards and power undertakings is expected to exceed Rs.45,000 crores by the end of 1994-95. Far from getting any return on this huge investment, the States have had to countenance ever increasing commercial losses which are expected to cross Rs.6,000 crores in 1994-95.

3.30 In fact, we have reached a stage where the poor financial health of the Boards is not only hindering their own development but is also inhibiting others from investing in the power sector. The inability of the Boards to pay promptly for the power purchased by them from other organisations, whether they be Central Sector undertakings or private utilities, has cast a shadow on investment in this sector.

3.31 The reasons for this dismal state of affairs are well known and have been gone into at considerable length by previous Commissions and a number of expert groups. No doubt a part of the blame is attributable to the adverse capital structure of the Boards which is tilted heavily in favour of loans rather than equity even though power projects have long gestation lags and are very capital intensive. The reluctance of States to revise their tariffs to keep pace with the increasing costs of operation and inputs and in particular, the provision of power to agriculture at rates much below the cost of supply or at just a token charge, compounds the problem. The average rate of realisation in most States is thus much below the average cost of production and supply of power. Boards also need to be recompensed for extending power supply to areas which cannot bear the economic costs as cross-subsidization through differential tariffs is possible only upto a point. Excessive subsidization of power, particularly

for agricultural uses, leads to a waste not only of power but also of diminishing groundwater resources.

3.32 Equally serious are the deficiencies in physical performance. Capacity utilisation is low, transmission and distribution losses are unconscionably high, the numbers employed bear no relation to the task in hand and billing and collection procedures are hopelessly out of date. These again are not insurmountable problems as has been demonstrated by some Boards which have managed to achieve very high levels of operational efficiency.

3.33 A large number of representatives of State Electricity Boards, Central Electricity Authority and the Department of Power of the Central Government, with whom we had detailed discussions, share our views. We had also set up an Advisory Group of Experts on Power. This Group has recommended that the statutory minimum return of 3 per cent on net fixed assets is not sufficient and it should be possible for the Boards to aim at a rate of return around 7 per cent by 1999-2000. This is necessary if the Boards are to generate at least 25 per cent to 30 per cent of the resources needed for new projects.

3.34 Taking all this into account, we have assumed a gross rate of return of 3 per cent on investment in 1995-96 and 1996-97, 5 per cent in 1997-98 and 1998-99 and 7 per cent in 1999-2000. We have adopted this graduated approach keeping in view the distance to be traversed by most Boards to arrive at the desired level of performance in the terminal year of the period covered by our report. We have estimated the investment by reducing the amount of loans outstanding as on 31 March, 1995 by the amount tied up in the works-in-progress (with one sixth of the value as on 31 March, 1995 being added on to outstanding loans in each year) and the amount attributable to rural electrification schemes. We have relied on the data furnished by the State Governments regarding the works in progress for 1992-93. We have applied the ratio of this to the total capital block in 1992-93 to arrive at the figures for 1994-95. We have, however, not made allowance for fresh loans during the period covered by our report, though we are aware that all States will be investing substantial additional sums in this sector during 1995-2000. The investment in rural electrification has been estimated by adding the actual expenditure figures for the period 1990-93 and the approved outlays for the period 1993-95 to the investment figures for 1989-90. In our estimation, we have not assumed any subsidy as a receipt of the Boards and we have correspondingly excluded it from the expenditure of the States. Receipts from electricity duty (except the amounts received from private utilities), as projected by the State Governments, have been set off against the gross return. On this basis, the net return, after setting off electricity duty, works out to Rs. 2369 crores during 1995-2000 as shown at Annexure III.12.

3.35 We have prescribed no returns for the departmentally run power undertakings of Arunachal Pradesh, Goa, Manipur, Mizoram, Nagaland, Sikkim and Tripura and Boards in the special category states of Jammu and Kashmir, Himachal Pradesh, Meghalaya and Assam, in view of the special operating conditions in these States.

3.36 We have been advised that particular attention needs to be paid to the management of the power systems, improvements in which have lagged behind additions to capacity. Such improvement can be effected with relatively lower capital investment. Transmission and distribution links need to be strengthened in keeping with the developing loads, transformers have to be of adequate capacity and capacitors introduced. Proper metering and billing arrangements in all sectors of usage should be introduced at the earliest. Ideally, there should be time-of-the-day metering which will induce some consciousness regarding wasteful consumption besides reducing the need for additional capacity. Tamper proof meters could be installed at the earliest to prevent rampant pilferage of power. Finally, a suitable institutional arrangement should be established to facilitate exchange of power between States and regions. This would improve capacity utilisation and discourage economically wasteful flogging of inefficient plants when less expensive options for purchase of power are available.

3.37 In view of conflicting interests and with divided ownership of power utilities and the growing size and complexity of the system, more disputes are likely to arise. It would, therefore, be necessary for the Central Government to develop such guidelines which facilitate the economic exchange of power and help resolve such disputes, as might arise, regarding the terms and conditions on which such exchange takes place. Otherwise, chronic problems like overdrawal of power and non-payment of dues would get compounded and accountability and efficiency eroded further.

State Road Transport Undertakings

3.38 This is another important area where State Governments have a considerable stake. The total investment by the States in these undertakings is expected to be Rs. 3084 crores at the end of 1994-95. For our purpose, we have considered together all undertakings established under the Road Transport Act, 1950, companies registered under the Indian Companies Act as also the eight undertakings run departmentally.

3.39 Road transport is a commercial business notwithstanding the social obligations cast on Government for providing essential transport services to areas which might not be serviced by private operators. These obligations do impose a financial burden on these undertakings but they cannot be construed to be sufficient justification for the poor financial position of most State road transport undertakings (SRTUs) in the country. Our analysis of the physical and financial working of the SRTUs confirms the impression that improved physical performance in the areas of fleet utilisation, vehicle utilisation, load factor, staff-bus ratio and kilometers covered per litre of fuel would alter the picture substantially. While the percentage of fleet utilisation in 1992-93 was more than 90 per cent in Punjab, Haryana, Andhra Pradesh, Rajasthan and Tamil Nadu, it was as low as 36 per cent in Bihar. Similarly, the vehicle utilisation ranged from 361 kms. per bus per day in Tamil Nadu to a mere 70 kms. per bus per day in Bihar amongst non-special category States. Overstaffing is a common malaise in most undertakings with some States having a staff-bus ratio as high as 18. On the other hand, it has been possible for others to manage with a ratio close to 5. We see no reason why it should not be possible for the States that are lagging behind to ensure that the operational efficiency of their undertakings improves during the next five years.

3.40 We have had detailed discussions on the subject with representatives of the Ministry of Surface Transport, Planning Commission, Transport Ministers of States and State Road Transport Undertakings. We had also constituted an Advisory Group of Experts on SRTUs to assist the Commission in its deliberations in this regard. There was general agreement that there is considerable scope for improving the physical and financial performance of SRTUs. This would be facilitated if the SRTUs were compensated for the social obligations imposed on them as a matter of State policy. Several States permit private operators to provide services and other States could also do so to augment services and improve efficiency through a measure of

competition. The barriers for collection of sales tax and other taxes hinder efficient operations by wasting time and fuel. These need to be eliminated over a period of time. It might also be necessary to consider setting up a Tariff Commission, either at the national or regional level, to ensure some degree of compatibility in the fare structure.

3.41 The Advisory Group also recommended that it should be possible to achieve a rate of return on investment of 8 per cent per annum in the terminal year i.e. 1999-2000 commencing from a level of 6.5 per cent in 1995-96 and rising in a graduated fashion subject to fares being cost based and fare revisions being done promptly. We have neither included subsidies in the receipts of SRTUs nor have we made any provision for these in the expenditure estimates of States.However, keeping in view the environment in which SRTUs operate today and their past performance, we have settled for a relatively lower rate of return starting from 2.5 per cent in 1995-96 and rising to 6 per cent in 1999-2000. State-wise details are as at Annexure III.13.

3.42 We have adopted the same standards for the functioning of the Inland Water Transport Undertakings in the States of Goa, Kerala, Tamil Nadu and West Bengal. The details are at Annexure III.14.

3.43 On account of the nature of the terrain and low load factors, we have not assumed any return for SRTUs operating in the special category states and the hill areas of non-special category states. However, we would like to stress that even within this category there are wide variations in performance. We hope that all these States would endeavour to improve their operational performance in the next five years and come close to the levels prevailing in the better managed undertakings.

Other non-tax revenue

3.44 All other items of non-tax revenues have been treated in a composite fashion. Our analysis reveals wide variation in the performance of States in this regard. While the trend growth rate in most States has been more than 11 per cent per annum during the period 1983-93, some have lagged behind at less than 5 per cent per annum. The overall buoyancy of these receipts taken together for all States with respect to the gross domestic product has been close to one. Accordingly, we have assumed a buoyancy estimate of one for this item. We hope all States will review the structure of fees, charges and levies presently in force with a view to tapping these neglected sources of revenue.

Other non-plan Grants

3.45 We have assumed that non-plan grants from the Centre, other than those under article 275, would continue to flow to the States on the same basis as at present. These grants are meant to cover special expenditure liabilities which have been assumed to grow at a particular rate in our expenditure projections. We have provided for these grants to grow at the same rate. The base year receipts are generally as provided for in the 1994-95 budget estimates of different States except in such States where estimates were not available for which we have made suitable adjustments. We have excluded grants which are given for meeting capital expenditure or a one time expenditure.

Non-plan Revenue Expenditure

3.46 We have reassessed the non-plan revenue expenditure of the States keeping in view the past trends in the growth of expenditure and their reasonable requirements. Our examination of the fiscal behaviour of States for the last 15 years or so gives an unmistakable impression that the problem in ensuring fiscal balance hinges primarily on the capacity of States to curtail unproductive and wasteful expenditure. Non-plan revenue expenditure has grown at a trend growth rate of about 18 per cent during the period 1986-93. There is little possibility of a step-up in revenue resources which can accommodate such a rapid increase in expenditure. While some growth in non-plan revenue expenditure in priority sectors like basic health and elementary education could be considered desirable, there is need to curtail expenditure on most other items.

3.47 The rapid rise in non-plan revenue expenditure has also been accompanied by a rapid increase in the numbers employed by government without commensurate increases in efficiency and productivity. In State after State, we have come across the phenomenon of salary bills growing relatively much faster than the growth of expenditure, pre-empting an ever increasing proportion of resources for the mere maintenance of the government apparatus. Very little resource is left for improving the coverage and quality of services which government is expected to provide. The result is manifest in the poor maintenance of government assets, the upkeep of government offices and even the unbelievable situation of non-payment of salaries to employees in time. This is an unsustainable position which is bound to erode the capacity of State Governments for providing essential services to the people.

3.48 For estimating non-plan revenue expenditure, we have disaggregated the total expenditure into certain broad heads like police, health, education, buildings, irrigation and flood control, roads and bridges, interest payments, committed liabilities and others. While the expenditure on the maintenance of buildings, roads, irrigation works, flood control works and liabilities on account of interest payments have been worked out on a normative basis, we have followed a statistical approach for the rest tempered with an element of prescription as explained earlier in the general methodology. It may be clarified that while estimating the trend growth rates and arriving at base year figures, we have eliminated unusual items of expenditure which are not part of the normal trend and have occurred on account of special contingencies in one or two years.

3.49 We conducted an exercise to examine the responsiveness of the expenditure on the residual items to the price increases during the period 1980-90. We find that the price elasticity of non-plan revenue expenditure, excluding the normative items, is around 0.85. We have used this figure as we think it will suffice to cover increases in expenditure which arise on account of inflation, primarily for payment of additional instalments of dearness allowance.

3.50 Considering the unprecedented expansion of the Government machinery that has occurred over the years, we are of the view that there is little justification for further expansion. On the contrary, there has to be a deliberate and conscious attempt to reduce the size of establishment if government machinery is to be lean and effective. In the circumstances, we have provided for a modest real growth of 1.5 per cent per annum in non-plan revenue expenditure over and above the increase accounted for by prices. For certain priority sectors like health and elementary education we have provided a relatively faster rate of growth. A higher rate of 2.5 per cent has been provided for expenditure on health and family welfare services for all States. We have provided a growth rate of 2.5 per cent for expenditure on elementary education, only for States where literacy levels are below the national average viz. Andhra Pradesh, Arunachal Pradesh, Bihar, Jammu and Kashmir, Madhya Pradesh, Meghalaya, Orissa, Rajasthan and Uttar Pradesh.

3.51 We have retained the amounts forecast by the State Governments for social security and terminal benefits except in cases where we found these estimates to be out of line with the trends in expenditure and the rates of growth of non-plan revenue expenditure assumed by us. However, we are not convinced that we are required to provide for the varying food subsidy schemes in different States. Schemes like these raise a number of questions of inter-personal and inter-State equity which are not easy to resolve. We also feel that it is sufficient if we have provided fully for food subsidy in our assessment of the expenditure needs of the Central Government. This is available to all needy persons in the country on a uniform basis. To obviate any hardship to any State, we have provided for a gradual phasing out of the provisions on this account such that beginning in 1995-96 with an amount equivalent to the provision in the budget estimates 1994-95, it becomes nil after the financial year ending on 31st March, 2000.

Interest Payments

3.52 Interest payments constitute a major item of expenditure for the States accounting for nearly 17 per cent of the total non-plan revenue expenditure in 1992-93. We have been able to obtain from all the States estimates of outstanding loans as on 31st March, 1995. We have also been able to estimate the implicit rate of interest on such loans. On this basis, we have generated a stream of interest liabilities on this account for the period covered by our Report. As for new loans likely to be contracted during the forecast period we expect that the States would be much more prudent while borrowing in the future in the light of their outstanding debt. For many, the opportunity to borrow would also get somewhat circumscribed in the new economic regime. For the purpose of our reassessment, we have looked at past trends and assumed a 10 per cent growth in the outstanding amount every year and provided fully for the interest liability on this account.

Maintenance of Capital Assets

3.53 We have felt greatly concerned about the poor maintenance of capital assets which is a neglected area in most States. The poor state of our roads, irrigation works and government buildings bear testimony to the lack of care in this regard. While there is intense jostling amongst States for more and more new projects, this zeal is not matched by corresponding attention to the upkeep of the assets created at great expense. Even though an improvement in the maintenance of these assets would make available additional capacity immediately at a fraction of the cost involved in setting up corresponding new capacities. We are also extremely concerned that though successive Finance Commissions have provided for this purpose and the actual expenditure has exceeded the provisions, most of it has got diverted to payment of salaries and wages rather than to material and equipment necessary for maintenance work. We have been quite liberal in providing for the expenditure needs on this account and we hope this would motivate the State Governments not only to earmark sufficient funds for this purpose but also to ensure that the funds are utilised efficiently and economically. We expect that not more than 20 per cent of the provision would be spent on establishment, and tools and plant in any year. We also hope that the possibility of maintenance being done by groups of beneficiaries or non-governmental organisations or even through private bodies would be explored by the States if they happen to be cost-effective options.

Major and Medium Irrigation Works

3.54 The Ninth Finance Commission adopted a norm of Rs.180 per hectare for the utilised potential and Rs.60 per hectare for the unutilised potential. The norms for hill States were higher by 30 per cent.

3.55 In view of the price rise and other changes during the period 1990-95, we have adopted a norm of Rs.300 per hectare for the utilised potential and Rs.100 per hectare for the unutilised potential. We have also accepted norms which are higher by 30 per cent for hill States. We have provided for suitable increase in the norms in each year of the forecast period to insulate them against inflation.

3.56 We are quite concerned about the very high percentage of unutilised irrigation potential in certain States. Irrigation capacity is created at considerable cost, time and effort. Non-utilised capacity, whatever might be the cause, is an avoidable waste which we can ill-afford. Accordingly, we have assumed that in States where the utilisation of the potential is 90 per cent or more, there would be no unutilised potential by the year 1999-2000. For those which have a utilised potential between 75 per cent and 90 per cent, we expect the levels to rise to 95 per cent by 1999-2000. For the rest, we expect the utilisation to rise to 90 per cent by the terminal year of the forecast period.

3.57 The requirement for maintenance expenditure for each of the years 1995-96 to 1999-2000 has been worked out on the basis of the data regarding utilised and unutilised potential obtained from the Planning Commission and the norms assumed by us. We have taken care to ensure that in such States where the norms imply a very sharp increase in expenditure in 1995-96 compared to the base year, the increase is graduated without affecting the aggregate provision available for the forecast period. The details are at Annexure III.7.

Minor Irrigation

3.58 The Ninth Finance Commission did not adopt a normative approach in making provisions for the maintenance of minor irrigation works for want of requisite data. We too did not have adequate data. We have attempted to assess the requirements on this account on the basis of the ratio of the average weighted expenditure per hectare on minor irrigation in a State to the average weighted expenditure per hectare on major and medium irrigation schemes. On this basis, we are of the view that a norm of Rs.150 per hectare i.e. half that for major and medium irrigation schemes, should suffice. As usual, the hill States have been given a norm which is higher by 30 per cent and hill areas of non-hill States have been treated similarly. We have provided for enhancement of the norm for each year during 1995-2000 period to protect it against price rise. We have used the information furnished by the Planning Commission regarding the expected irrigation potential from minor irrigation schemes at the end of the current financial year. Wherever we found that our provision for 1995-96 was too high compared to the expenditure provided for in 1994-95, we have opted for a gradual increase without affecting the total provision for the five years. The details are at Annexure III.8.

Flood Control Works

3.59 For working out the requirements for maintenance of flood control works, we have proceeded with the average expenditure in each State during the five years from 1990-91 to 1994-95. As that expenditure would have been incurred on maintenance of capital stock as on 31st March, 1990, and as per our terms of reference we have to provide for the maintenance of capital stock as on 31st March, 1995, the average expenditure was increased by 10 per cent in all, assuming an increase of 10 per cent in the capital stock during these five years. The

requirements for 1995-96 to 1999-2000 have been assessed by providing for inflation during the years 1995-96 to 1999-2000. We took the estimates so worked out or those assessed by the States in their forecasts, whichever were lower. The assessed requirements are as shown at Annexure III.15.

Buildings

3.60 The Ninth Commission had made provisions for the maintenance of buildings taking into acount the plinth area of the buildings of different categories in three broad age groups, viz. 0-20 years, 20-40 years and over 40 years and the relevant norms obtained from the Central Public Works Department. The Commission had moderated the expenditure arrived at on the basis of norms so as to ensure that no State would be provided in 1994-95 less than 180 per cent and more than 220 per cent of the annual provision made for this purpose by the Eighth Commission for 1988-89. Keeping in view the trends in expenditure, the steep increase in the costs involved and the poor state of up-keep of government buildings, we have provided a step-up of 250 per cent by 1999-2000 of the norms accepted by the Ninth Commission for 1994-95. The provisions for the intervening years have been worked out on the basis of these two boundary estimates after protecting the provision against inflation. Wherever the estimates for 1995-96 are very high compared to the estimates for the preceding year, the provisions have been graduated without affecting the total availability for the forecast period. The year-wise provisions are at Annexure III.16.

Roads and Bridges

3.61 We obtained norms for the maintenance of roads from the Ministry of Surface Transport. The norms were at the 1992-93 level of prices and were suitably increased to take into account the effect of rise in prices in 1993-94 and 1994-95. The norms were also increased by 20 per cent to take into account the cost of establishment, and tools and plant. We obtained from the State Governments information about the length of different categories of roads in the States. The norms were applied to the likely road lengths of different categories of roads as on 31st March, 1995 to assess the expenditure as per norms in different States during the forecast period. As the expenditure so worked out came out to be very high, we have limited the total provision for all the States to twice that provided by the Ninth Commission. The State-wise distribution has been made on the basis of the average of their percentage shares in (a) the all-State total as per norms and (b) the all States total estimated expenditure in 1994-95. The provisions for the individual States worked out in this manner were, wherever necessary, suitably modified to provide for each State at least twice the amount provided by the Ninth Commission. It was also ensured that the provision for each State was at least 20 per cent higher than the expenditure in 1994-95. As usual we have provided for a graduated increase in the expenditure without affecting the totals. The year-wise provisions are at Annexure III.17.

Monitoring of Maintenance Expenditure

3.62 We know it is not enough if we just provide liberally for the maintenance of capital assets. In the past, maintenance has been poor not so much on account of paucity of resources as misdirection of available resources. The main reason has been the exhaustion of a large part of the provision for maintenance on establishment expenditure leaving very little for maintenance per se. However, in State after State, we found that the information system was not geared to providing data regarding the exact amount spent on maintenance and on maintenance-related establishment. No doubt, the respective work divisions entrusted with maintenance had the details but these were not reflected in the accounts or in any other reporting system in a fashion which would permit easy monitoring. In view of this, we feel it is necessary to redesign the presentation of accounts in such a way that the expenditure on the works component and the establishment expenses get reflected separately and are easily accessible. The reporting formats should be brought in line with this change in the presentation of accounts. The outline of a scheme in this regard is at Appendix 3. We recommend that the Ministry of Finance, in consultation with the State Governments and with the concurrence of the Comptroller and Auditor General of India, may introduce appropriate changes in the accounting and reporting system in accordance with this scheme.

3.63 We also recommend that the State Governments should ensure that the provisions for maintenance are made in accordance with our recommendations. We further recommend that a high powered committee chaired by the Chief Secretary and with secretaries of the State Government concerned in the departments of Finance, Planning, Irrigation and Public Works and the concerned chief engineers of the works departments should review every quarter the allocation and utilisation of such funds. In particular, this committee may concentrate on ensuring that the funds meant for maintenance per se are not diverted to wasteful expenditure on unrelated and unnecessary establishment. It should also check compliance with the stipulated quality norms through suitable reporting and sample checking at the field level. Similar committees at the district level could report periodically to the state level committee. The district level committees could associate representatives of users/ beneficiaries and the media to ensure proper utilisation of the amounts provided for maintenance of specific schemes and adequate dissemination of information about the commencement and completion of such works.

3.64 Finally, we would suggest that in all exercises for assessing resources for the annual plans, whether at the State level or in the Planning Commission, due care should be taken to ensure that the anxiety for enlarging the size of plans does not result in cutting down the provisions necessary for a reasonable level of maintenance. This was a salutary practice in the past and its going into disuse has led to an erosion of the funds available for maintenance.

Pay and emoluments

3.65 Our terms of reference do not make any specific reference to the subject of emoluments of State Government employees. However, we have taken note of the fact that in a few States the emoluments paid for certain categories of employees are higher than those of the Centre. For making the comparison, we have considered the emoluments at the mid-point of the minimum and maximum basic pay scale for comparable categories of the Centre and States as on 31st March, 1993. Five States, viz. Haryana, Himachal Pradesh, Mizoram, Punjab and Tripura have granted higher emoluments than the Central Government. While these States might be of the view that their financial position permits them to do so, we are not in a position to accommodate these differentials in our assessment. We have, therefore, made suitable deductions from the expenditure estimates of the five States mentioned above in order to ensure an equitable treatment to all States.

3.66 We have noticed that almost all State Governments are following the same pattern in payment of dearness allowance as the Central Government. The sanction of dearness allowance instalments by the Central Government is followed sooner or later by the States. Since we have taken note of the expenditure figures of 1992-93 in our estimates for arriving at the base year estimates,

we are of the view that the expenditure on dearness allowance instalments sanctioned upto that year are adequately provided for. The trend growth rates of expenditure adopted for arriving at the base year also take into account the expenditure liabilities which have arisen on account of payments of dearness allowance during 1993-95. In our forecast, we have already provided adequately for the effect of such price increase on non-plan expenditure through the price elasticity of such expenditure.

3.67 All State Governments have projected liabilities likely to arise from the recommendations of the Fifth Pay Commission. We have no basis for estimating the requirements on this account. Accordingly, we have decided to exclude these requirements from our estimates just as we have done for the Central Government. If any State chooses to go in for pay revision during the forecast period, it would have to raise the resources for the purpose.

Elections

3.68 We have provided fully for the conduct of general elections to Parliament and the State Assemblies and for other expenditure incidental to such elections as estimated by the Ministry of Law and Justice.

Other expenditure

3.69 All other items of expenditure have been clubbed together. We have provided the same growth rate for such expenditure as for other items of non-plan expendiutre.

Committed Liability

3.70 Para 4(iii) of our terms of reference requires us to provide for the maintenance of plan schemes to be completed by 31st March, 1995. Normally, such a transfer is effected at the conclusion of a plan period. This has become difficult as the period of the Eighth Plan is not co-terminus with the period of our Report. We have followed our terms of reference though it involves a transfer from the plan to non-plan in the middle of a plan period. We have broadly adopted the approach of the Seventh and Eighth Commissions while arriving at a reasonable estimate of committed liability on account of plan schemes to be completed by 31st March, 1995. We have not admitted the committed liability for different States on the basis of their estimates as the proportion of committed liability in relation to the revenue plan outlay in 1994-95 varies from as low as 18 per cent to as high a figure as 115 per cent. Such wide differences defy rational explanation. We have found that the overall proportion of committed liability estimated in 1990-91 for the completed Seventh Plan schemes worked out to 30.8 per cent of the revenue plan component in 1989-90. We have adopted a norm of 30 per cent of the revenue plan outlay for the year 1994-95 for committed expenditure in 1995-96 in respect of State plan schemes to be completed by 31st March, 1995. We have adopted a higher norm for the special category States, except Meghalaya. As these States did not effect a transfer of completed plan schemes to the non-plan side at the conclusion of the Seventh Plan, the provision for committed liability in 1995-96 for such States would have to cover the backlog of the schemes completed by the end of the Seventh Plan, apart from whatever is completed during 1990-95. We have adopted an overall percentage of 40 per cent for such States. Estimates of committed liability for 1995-96 thus arrived at, on the basis of the budget estimates of the revenue component of the State plan for 1994-95, have been protected against inflation but no real growth has been assumed as has been done for other non-plan revenue expenditure. State-wise details of the provision on the above basis are at Annexure III.18.

3.71 We have made no additional provision for committed liability on account of centrally sponsored schemes. A number of them have already been discontinued or transferred to the States. These form part of the State plan. Those schemes which are continuing are not expected to be completed by 1994-95.

3.72 As mentioned earlier, we have gone by our terms of reference in deciding the cut-off date for transfer of committed liability on account of plan schemes. However, the incremental liabilities that would arise in 1997-98 on account of Eighth Plan schemes completed in the next two financial years would have to be provided for. We are of the view that the Planning Commission may consider providing for the maintenance of such schemes till 1999-2000 in the plan itself as was done for the schemes of the two Annual Plans of 1990-91 and 1991-92.

3.73 The summary position on the non-plan revenue account of each State, as reassessed by us, is indicated in Annexures III.19 to III.43.

CHAPTER IV

CENTRES' RESOURCES : ASSESSMENT OF REVENUE AND EXPENDITURE

Introduction

4.1 The resource position of the Central Government during the period 1995-2000 has been assessed in conformity with our terms of reference. These require us to assess the revenue receipts and non-plan revenue expenditure of the Central Government having regard to the demands on the Central Government for expenditure on civil administration, defence and border security, debt servicing and other committed expenditure or liabilities. The terms of reference emphasise the need for improving overall fiscal management consistent with efficiency and economy in expenditure so as to generate surplus for capital investment and reduce fiscal deficit.

4.2 Our assessment is based on an analysis of the forecast of receipts and expenditure submitted by the Ministry of Finance. The Ministry of Finance submitted a memorandum which provided the overall context for our reassessment. We also had the benefit of discussing the issues under consideration with representatives of the Ministry of Finance.

Analysis of the Forecast

4.3 The Ministry of Finance first submitted a forecast in July, 1993 and revised it in May 1994 after the budget of 1994-95 was presented to Parliament. Our reassessment has been carried out on the revised forecast.

4.4 To put the forecast in perspective, Table 1 compares the projected behaviour of major fiscal and budgetary variables with their observed pattern in the past. It is evident that the current fiscal imbalance gets accentuated in the forecast submitted to us : revenue receipts as a percentage of GDP are declining while revenue expenditures are rising. The Central forecast shows that the revenue receipts as a percentage of GDP are estimated to be 13.28 per cent during 1995-2000 as against the actuals of 14.56 per cent during 1985-90 . On the other hand, revenue expenditure as a percentage of GDP is forecast to rise from 13.94 per cent in 1985-90 to 14.53 percent during 1995-2000. Non-plan revenue expenditure is also projected to increase to 11.44 per cent. Thus, non-plan revenue expenditure as a proportion of revenue receipts is estimated to rise from about 80 per cent during 1985-90 to about 86 per cent of revenue receipts in the forecast period.

Table 1

Pre-Devolution Revenue Account of Centre

(per cent of GDP)

Item	1980/ 85 Actual	1985/ 90 Actual	1990/ 95 Actual/ Estimates	1995/ 2000 Fore cast
REVENUE				
I. Revenue Receipts	12.81	14.56	13.36	13.28
a) Gross Tax	9.96	11.22	10.21	10.26
b) Non Tax	2.85	3.34	3.15	3.02
EXPENDITURE				
II. Revenue Expenditure	11.17	13.94	13.67	14.53
a) Plan	2.17	2.75	2.93	3.09
b) Non-plan	9.00	11.19	10.74	11.44
Revenue surplus/deficit	1.64	0.62	-0.31	-1.25
Non-plan revenue surplus/deficit	3.81	3.37	2.62	1.84

4.5 We note with concern that the tax/gdp ratio is anticipated to stagnate at the levels achieved during 1990-95 which is lower than what has been achieved during 1985-90. The average tax/gdp ratio during the period 1985-90 was 11.22 per cent, while it has been forecast at 10.26 per cent by the Ministry. Non-tax revenues are also expected to register a decline. The net effect is that the revenue deficit as a percentage of GDP is projected to increase four-fold during the next five years. Non-plan revenue surplus is estimated to decline from 2.62 per cent of GDP to 1.84 per cent.

4.6 Thus the projections for 1995-2000 aggravate rather than reverse the trend of deterioration of fiscal balance which started in the the mid-eighties . We recognise that the stabilisation and structural adjustment initiated by the Government of India since mid 1991 might result in a temporary drop in revenues, but we are not convinced that this should persist over the medium term covered by our recommendations. In fact, the forecast appears to be at variance with the position taken by the Ministry in its memorandum where it is submitted that the Ministry would, over the forecast period, raise tax/gdp ratio by 1 percentage point.

4.7 The Ministry's forecast of revenue receipts and revenue expenditures and its memorandum present a scenario of extreme fiscal imbalance. The projections indicate that the Centre does not have adequate resources on the non-plan revenue account to meet its constitutional obligation of devolution at existing levels as indicated in the forecast. We find it difficult to accept the position as the assumptions underlying the forecast are unsustainable.

Reassessment of Centre's Receipts and Expenditures

4.8 We have, as explained in our approach, confined ourselves to the non-plan revenue account informed by the view that substantial recurring surpluses on the non-plan account are the first requisite for ensuring a sound and stable fiscal balance.

4.9 The reassessment was carried out in two stages : arriving at the base year of 1994-95 and then forecasting for 1995-2000. The estimation of the base year is important in view of the sensitivity of forecast values to the base year estimates. The need

for estimating the base year rather than accepting the budget estimates for 1994-95 is reinforced by the fact that the budget estimates for 1994-95 are out of line with the past. There is no prescriptive element in estimating the base year. We have been guided solely by the consideration of what the Central Government would most realistically be able to achieve in 1994-95. As regards the forecast, we take into account the historical patterns of revenue mobilisation and expenditure behaviour, current trends and recent changes in the macro-policy framework and blend them with prescriptive or normative considerations as appropriate.

4.10 We have estimated the trend rate of growth for the period 1983-84 to 1992-93 (the last year for which actuals were available) in the case of receipts and the trends for the period 1986-87 to 1992-93 for different categories of revenue expenditure. Having arrived at the trend rates of growth, these were applied to the actuals for 1992-93 to arrive at the base year figures. These were suitably moderated wherever necessary in the light of the budget estimates for 1994-95. Given the fact that the sample period 1986-87 to 1992-93 has been one of the most expansionary phases of government expenditure, the trend figures for expenditure categories in all cases were higher than the budget figures. We have accepted the latter. In the case of receipts, an exception was made for customs duties with a slight upward revision of the budget figures keeping in view the collection from customs in the first six months of the current year. For "other tax revenues", suitable adjustments have been made on account of the changed status of Delhi. However, the estimated receipts from new service taxes announced in the budget but not included in the budget estimates for 1994-95 have been taken into account.

Revenue Receipts

4.11 In the case of major taxes of the Centre, viz. income tax, excise duty, customs duty and corporation tax, the buoyancy coefficients have been estimated with respect to the GDP at current market prices for the sample period 1980-81 to 1990-91. It needs to be appreciated that these are historical buoyancies which reflect the responsiveness of taxes to the changes in GDP. Forecasting on the basis of these buoyancies would imply a continuation of the historical trends in the future. Such an assumption would not be valid in view of the significant changes in the economic regime. We have,therefore, used this information on buoyany coefficients as the basis of forming our judgement regarding reasonable rates of growth of individual taxes during the forecast period .

4.12 In this context, we have deemed it appropriate to stipulate a buoyancy coefficient of 1.2 for excise duty as against an estimated buoyancy of 1.004. This prescriptive revision has been carried out in the light of the expanding tax base, changing composition of GDP, the rates of growth projected by the Ministry of Finance and the evidence tendered by the representatives of the Ministry of Finance in their deposition before the Commission. On the other hand, in view of the fact that there has been substantial reduction in customs duties we have adopted for it a buoyancy coefficient lower than its historical value. The buoyancy coefficient of customs duties is reckoned to be 1.2 having regard to the recent rates of collection, the anticipated average rate of custom collection during the forecast period and the continuance of the process of liberalised import policy.

4.13 In the case of income tax and corporation tax, the historical buoyancies have been revised as in the liberalised environment corporation tax is likely to be more buoyant and lower rates and an expanding base for income tax are expected to yield higher revenues. For corporation tax the historical buoyancy has been enhanced to 1.35 and in the case of income tax 1.2.

4.14 In the case of "other tax revenues" we have used the trend rate of growth as the buoyancy could not be estimated on account of a compositional change with the sales and other tax receipts of Delhi no longer being a part of the Central resource pool. As explained earlier in the chapter, we have lowered the base in the case of "other tax revenues" but used the historical trend rate .

4.15 In general, we have followed a principle, both for the Centre and the States, that no revenue source should have a prescriptive buoyancy of less than unity and more than 1.35. Further, differential year wise growth rates have been used for major taxes following our basic assumption of a graduation in the profile of the growth rate of GDP and inflation as explained earlier in para 2.31. The buoyancy estimates and growth rates are at Annexure IV.1.

4.16 Non-tax revenues of the Centre mainly comprise interest receipts on loans advanced by the Centre, dividends and profits from public sector undertakings (PSUs), fees and other receipts on account of the services rendered by the government and its agencies and other transactions of a commercial nature. We have not found it necessary to reassess the interest receipts of the Centre. The interest receipts of the Centre on its loans and advances to the States are consistent with the interest liability of the States to the Centre and we have provided matching amounts in the expenditure estimates of the States.

4.17 The reassessed items of non-tax revenues are dividends and profits from PSUs and "other non-tax revenues". The estimates furnished by the Ministry on dividend and profits from PSUs imply a rate of return on equity as low as 1.82 per cent. According to the Advisory Group set up by us to assess an adequate rate of return on equity investment of the central PSUs it should not be difficult for these PSUs to give a return of 8-10 per cent. We have estimated the outstanding equity as on 1994-95 and prescribed a normative rate of return of 8 per cent to arrive at the estimates of dividends.

4.18 In the case of "other non-tax revenues" we have accepted the Ministry's forecast on three specific items - grants from external sources, royalty from petroleum and revenues from forestry and wild life . This is in line with our approach to such items as discussed in Chapter III in the case of States. For the remaining non- tax revenues we have estimated the buoyancy with respect to GDP and grown these at the graduated rates of GDP growth.

4.19 As a result of our reassessment, tax receipts of the Centre increase by Rs 62,858 crores and the non-tax receipts improve by Rs 27,782 crores for the five year period . The total revenue receipts of the Centre thus stand reassessed at Rs 9,25,040 crores. The reassessed position of revenue receipts is at Annexure IV.2. The tax/gdp ratio of 10.94 per cent in 1991-92 which is estimated to decline to 9.59 per cent in 1994-95 improves, in our reassesment, to 11.4 in 1999-2000. The average tax/gdp ratio of 10.26 forecast by the Ministry for 1995-2000 rises to 10.94 in our reassessment. Revenue receipts as a percentage of GDP are now reassessed to be 14.31 per cent of the GDP as against 13.28 forecast by the Ministry.

Non Plan Revenue Expenditure

4.20 For reassessment, non-plan revenue expenditure has been disaggregated into four major categories: interest

payments, defence expenditure , subsidies, and "other non-plan revenue expenditure".

4.21 For estimating interest payments, the composition of capital receipts and the rate of interest provided by the Ministry of Finance have been accepted. However, we have taken into account the likely impact of our reassessment of the revenue receipts and non-plan revenue expenditure on the net borrowing requirements of the Centre.

4.22 As regards defence expenditure we have increased the estimated expenditure submitted by the Ministry. This has been necessitated by a revision of the GDP growth profile. Defence expenditure as a percentage of the GDP has been kept at the same level as in the Ministry of Finance forecast.

4.23 The aggregate subsidies have been kept at the same level as in the base year level in nominal terms. At a disaggregated level, this is sufficient to accommodate the Ministry's forecast on food subsidies while implying a gradual reduction in the others.

4.24 For the "other non-plan revenue expenditure", we have:

i) adopted a price elasticity of 0.75 which is applied to the assumed rate of inflation and

ii) allowed for a real growth of 1.5 per cent per annum.

4.25 The Ministry of Finance had built into their forecast an additional requirement of Rs 19,926 crores in anticipation of the expected recommendations of the Fifth Pay Commission. We also feel that the Finance Commission is not required to take such anticipated developments into account in assessment of non-plan revenue expenditure which has to be based on commitments already made. The terms of reference do not require such an exercise to be done either. As admitted by the representatives of the Ministry of Finance in their evidence before the Commission, they have no specific basis and methodology for making such an estimate except past precedents. In these circumstances, we have made no provision for pay revision for the Central Government as in the case of States. If pay revisions is taken up during the forecast period additional resources would have to be raised to meet the fresh liability.

4.26 On the basis of the foregoing assessment, the total non-plan revenue expenditure during 1995-2000, as reassessed by us, is placed at Rs 6,56,640 crores as shown at Annexure IV.3. Non-plan revenue expenditure as a proportion of GDP has been reassessed at 10.16 per cent as against 11.44 per cent as in the forecast.

4.27 As a result of the reassessment of revenue receipts and the non-plan revenue expenditure the pre-devolution surplus of the Centre, which had been forecast at Rs 1,15,797 crores is now estimated to be Rs 2,68,400 crores.

4.28 A comparison of the forecast submitted by the Ministry of Finance and the reassessed non-plan position of the Central Government is summarised in Table 2.

Table 2

	Ministry's Forecast		Reassessment	
	(Revised) Absolute	% GDP	Absolute	% GDP
I. Revenue Receipts	834400	13.28	925040	14.31
a) Tax Revenue	644553	10.26	707411	10.94
i) Income Tax	82326	1.31	85239	1.32
ii) Corporation Tax	94043	1.50	100115	1.55
iii) Union Excise Duty	292773	4.66	303710	4.70
iv) Customs	162012	2.58	198198	3.07
v) Other Tax Revenue	13399	0.21	20149	0.31
b) Non Tax Revenue	189847	3.02	217629	3.37
i) Interest Receipts	115937	1.85	115934	1.79
ii) Dividends & Profits	15363	0.24	29249	0.45
iii) Other Non Tax Revenue	58547	0.93	72446	1.12
II. Non Plan Revenue Expenditure	718603	11.44	656640	10.16
a) Interest Payments	368000	5.86	348138	5.38
b) Defence Expenditure	111773	1.78	115063	1.78
c) Other Non-plan Revenue Expenditure	238830	3.80	193439	2.99
III. Non Plan Revenue Surplus	115797	1.84	268400	4.15

CHAPTER V

RESOURCE SHARING : DEVOLUTION AND DISTRIBUTION

Introduction

5.1 The distribution of the net proceeds of income tax which "are to be", and of the net proceeds of Union excise duties which "may be" divided between the Union and the States under Chapter I of Part XII of the Constitution is the centre-piece of the deliberations of Finance Commissions. Related to this is the issue of determining the respective shares of the States in the distributable proceeds of these two taxes.

5.2 Para 4(ii) of our terms of reference requires us to have regard to "the resources of the Central Government and the demands thereon, in particular, on account of expenditure on civil administration, defence and border security, debt-servicing and other committed expenditure or liabilities".

5.3 In addition, the Central Government has, in a memorandum to us, separately drawn our attention both to the limited scope for adjustment in its expenditure and the likely downward impact on tax revenues in the context of structural reforms in indirect taxation, especially those related to customs duties. The States, on the other hand, have sought larger devolution through upward revisions in their shares in the net shareable proceeds of both income tax and the Union excise duties. In making our recommendations, we have taken into account the overall fiscal scenario of the economy and the submissions of the Central and State Governments .

5.4 We have already discussed the resource position of the State Governments and the Central Government in Chapters III and IV respectively. We now go on to deal with the specific issues relating to the devolution of income tax and Union excise duties and make our recommendations pertaining to the aggregate share of all States in the net proceeds of these taxes, and their individual shares in respect of both the taxes.

Income tax

5.5 Under the provisions of article 280(3)(a), read with article 270 of the Constitution, our task with respect to income tax is to make recommendations in regard to three matters, viz.

a) the percentage of the "net distributable proceeds" which shall represent the proceeds attributable to the Union Territories ;

b) the percentage of the divisible pool of the "net proceeds" of income tax to be assigned to the States; and

c) the share of each State in the divisible pool.

5.6 Under article 270(3) of the Constitution, the share of the net proceeds of income tax "attributable to the Union Territories" has to be prescribed. Previous Finance Commissions had adopted the practice of treating all Union Territories together as a group, and determining their joint share by applying the same principles as for the other States. As would be evident in the ensuing discussion, we have used some allocative criteria for the States for which adequate corresponding information for the Union Territories is not available. We have, therefore, decided to determine their share on the basis of population. We recommend that the share attributable to the Union Territories in the net distributable proceeds of income tax for each of the financial years during 1995-2000 should be 0.927 per cent.

5.7 The present share of the States in the net proceeds of income tax is eighty five percent. It would be useful to review the path that this ratio has traversed through the recommendations of earlier Commissions. The States' share out of the net proceeds of income tax was fixed at 55 per cent by the First Commission. The succeeding three Commissions enlarged the share progressively to 60 per cent, 66 2/3 per cent and 75 per cent. While recommending the increase in the States' share, the Third and Fourth Commissions took due note of the representation of the States about the need for making good in some measure the loss sustained by them on account of the non-inclusion of corporation tax in the divisible pool consequent upon the reclassification brought about in the Income Tax Act in 1959. The Fifth Commission did not recommend any further increase in the States' share, on the ground, among others, that the divisible pool of income tax would for the first time also include advance tax collections. Arrears pertaining to the advance tax collections were distributed among the States in three instalments during the period covered by the recommendations of that Commission.

5.8 The Sixth Commission raised the States' share from 75 to 80 per cent taking into consideration various factors including the fact that the arrears referred to above were no longer available. The share of the States was further increased to 85 per cent by the Seventh Commission keeping in view the States' grievance in regard to the levy of surcharge by the Centre as a normal tax revenue measure. The Eighth and the Ninth Commissions let it remain at 85 per cent.

5.9 Notwithstanding its present high level, a number of States have sought an increase in the States' share in income tax. While Bihar has favoured a figure of hundred per cent, Arunachal Pradesh, Goa, Madhya Pradesh, Punjab and Uttar Pradesh have indicated a figure of 95 per cent. Gujarat, Nagaland, Orissa, Tripura and West Bengal have called for an upward revision in this share to 90 per cent. Rajasthan and Tamil Nadu stressed the need for an increase in the share. Andhra Pradesh, Assam, Himachal Pradesh and Kerala have not suggested any change in the existing share of 85 per cent. Mizoram has proposed a reduced share of 65 per cent in favour of a larger flow of resources through grants-in-aid.

5.10 Haryana and Karnataka have suggested that the proceeds of corporation tax and income tax be pooled and the share of the States may be fixed at 50 per cent. Alternatively, Karnataka would like that 85 per cent and 15 per cent shares respectively out of the net yields from income tax and corporation tax be distributed among the States. Maharashtra is in favour of reducing the States' share to 75 per cent provided 20 per cent of the proceeds of the corporation tax are also simultaneously shared. However, pending a Constitutional amendment to this effect, the State would not want any change in the existing share of 85 per cent. Haryana, Punjab and West Bengal have even suggested that till the Constitution is amended, a compensatory grant equal to a specified percentage of the net proceeds may be

recommended in lieu of sharing the corporation tax with the States.

5.11 The main grounds on which the States have pleaded for an enhancement in the share of income tax proceeds may be summarised as below:

i) As compared to income tax, corporation tax has turned out to be more buoyant but its proceeds, which were shareable prior to the Income Tax Act amendment in 1959, have been excluded from the divisible pool.

ii) States were losing revenue due to the surcharge on income tax being continued by the Centre as a normal source of revenue.

iii) Various kinds of reliefs and concessions being provided in the Central budget almost every year and periodic increases in the basic exemption limit for income tax have led to a shrinkage of the divisible pool.

iv) The expenditure responsibilities of the States, particularly for infrastructure, have grown in the wake of economic liberalisation.

5.12 The States have been pleading for inclusion of the proceeds from corporation tax in the divisible pool for a long time now. We understand their desire to share the proceeds of corporation tax. This issue deserves to be seen in the wider context of diversifying and broadening the base of tax devolution. We have given our views in this regard in the alternative scheme of devolution suggested in Chapter XIII.

5.13 A number of States have raised the issue regarding the reintroduction of surcharge on income tax in 1987-88. The States have pointed out that instead of the measure being used for meeting any emergent requirements of a specific nature, the surcharge was being continued by the Centre as a normal source of revenue. In the process, the States were losing considerable revenue which would have been available to them had it been integrated into the income tax rates. We note that the Centre has completely withdrawn the surcharge on income tax from the financial year 1994-95. We, nevertheless, would like to emphasise that the surcharge on income tax should not be levied except to meet emergent requirements for limited periods.

5.14 States have been critical of the allocation of the `cost of collection' as between income tax and corporation tax. This cost is deducted from the proceeds of income tax while working out the share of States. They regarded as unfair the ratio of 7:1 which was fixed on the basis of the findings of an expert committee set up in 1985 at the suggestion of the Eighth Commission. Some States have suggested allocation of the collection charges in proportion to the yields from income tax and corporation tax. A few States desire that due weightage be given to the workload involved under the respective taxes. The Ninth Commission, before which the States had made similar suggestions, had felt that there was need to re-examine the entire matter taking into account factors such as the introduction of simplified procedures of assessment and the nature and complexity of the cases involved under the respective taxes.

5.15 In pursuance of the observations made by the Ninth Commission in its first Report, an Expert Committee headed by Shri M.M.B. Annavi, Additional Deputy Comptroller and Auditor General of India was constituted by the Government of India on the 8th of June, 1989 to examine the apportionment of the cost of collection between income tax and corporation tax. The committee has observed in its report that:

a) the number of officers deployed in the collection of corporation tax and income tax is in the ratio of 255:1926 or 1:7.5 ;

b) the ratio between the number of officers engaged in assessment of corporation tax and income tax in mixed circles, after segregation, works out to 1:6.52; and,

c) there has been no significant reduction in the workload involved in individual assessments with the introduction of a summary assessment scheme with effect from 1st April, 1989 because every individual return is required to be physically checked to detect arithmetical errors, and examine the admissibility of deductions.

5.16 The Committee after analysing various parameters which could have a bearing on the cost of collection concluded that it would be reasonable to apportion the cost of collection of corporation tax and income tax in the ratio of 1:6.5. This ratio has been worked out after a detailed study by experts which included representatives of the State governments. It is being used currently. This may be considered acceptable.

5.17 The States have further contended that the receipts from `penalties' and `interest receipts', which form part of the "miscellaneous receipts", should be included in the divisible pool of income tax. The Eighth Commission had recommended the inclusion of these receipts in the divisible pool on the ground that since the power to levy penalties and recover interest under the Income Tax Act emanates from the power to levy income tax itself, these two classes of receipts must fall within the concept of income-tax' as that term is used in article 270 of the Constitution. The Ninth Commission examined the matter de novo, and keeping in view the pronouncements of the Supreme Court on the subject and other relevant factors, recommended that receipts on account of penalties' and `interest receipts' should form part of the divisible pool of income tax.

5.18 We have been informed by the Ministry of Finance that the matter is under their active consideration. We are of the opinion that the receipts on account of interest recoveries and penalties form part of the divisible pool and should be shared with the States. We, therefore, recommend that this should be done with effect from 1st April, 1995.

5.19 Karnataka, Rajasthan and Tamil Nadu have contended that the receipts from pre-emptive purchases of immovable properties represent accretions to capital gains and should, therefore, form part of the income tax pool for purposes of sharing. On a representation made by the Tamil Nadu Government, this matter was examined by the Ninth Commission in its first Report. The Commission felt that, as this was a matter of accounting procedure, it would be appropriate if the matter was settled in consultation with the Comptroller and Auditor General of India. Now more States have raised this issue with us. They have pointed out that the amount involved may be significant and the device of using pre-emptive purchases under the Income tax Act is now widely spread in many metropolitan towns. They argue that the proceeds arising out of the scheme are in the nature of capital gains and should be shared with the States. The Ministry of Finance has expressed the view that these receipts do not form part of the shareable proceeds of income tax. We are of the same opinion.

5.20 We now return to the key issue of determining the share of the States in the net proceeds of income tax. Having considered this matter at length, we have come to the conclusion that our recommendation in the matter should be guided by two considerations, viz.

i) that the authority that levies and administers the tax should have a significant and tangible interest in its yield, and

ii) that any change in the share on this account should not materially affect the level of overall devolution to the States.

In other words, any downward revision in the share of States in the net proceeds of income tax should be mirrored in a revenue equivalent increase in their share in the net proceeds of Union excise duties.

5.21 Accordingly, we recommend that the share of States in the net proceeds of income tax be fixed at 77.5 per cent. We later recommend a suitable increase in the share of the States in Union excise duties. These changes reflect our concern that the Centre retains adequate interest in income tax.

Union Excise Duties

5.22 Entry 84 of list I (Union List) of the Seventh Schedule read with article 272 of the Constitution vests in Parliament the power to levy Union excise duties. The article also provides for the sharing of the net proceeds of these duties with the States, if Parliament by law so provides.

5.23 The sharing of Union excise duties started with the First Commission itself, although the beginning was modest. It was restricted to 40 per cent of just three commodities, viz. tobacco, matches and vegetable products.

5.24 Since then, the sharing of the net proceeds of Union excise duties has become a regular feature, with successive Finance Commissions devolving larger amounts to the States, through either upward revisions of the coverage of the shareable items, or by increasing the magnitude of the States' share. The Second Commission extended the list of shareable commodities to eight but reduced the States' share to 25 per cent. The Third Commission reduced the States' share to 20 per cent but enlarged the list of shareable items to 35, the yield from each of which was Rs.50 lakh or more per year. Since the Fourth Commission, the coverage of items for States' share has been near - universal, but the States' share was limited to 20 per cent. The Seventh Commission doubled the States' share to 40 per cent on the ground that if the States had sufficient resources with them their dependence on the Centre would be reduced. The Eighth Commission raised this share to 45 per cent, but the increment of 5 per cent was used for meeting the assessed post-devolution deficits of the States. The Ninth Commission let the overall share remain at 45 per cent, but used 5 per cent and 7.425 per cent from it for deficit-based devolution, in its First and Second Reports, respectively. In effect, therefore, the portion of the net proceeds of Union excise duties from which all States receive a share was 40 per cent for the Eighth Commission. It remained so in the one year (1989-90) report of the Ninth Commission, but it was reduced to 37.575 per cent in its second report pertaining to the period 1990-95.

5.25 States have generally asked for an upward revision in their share in the net proceeds of Union excise duties from the present 45 per cent to 55 per cent and even 60 per cent . They have also pleaded for an enlargement of the divisible pool by including cesses levied under specific Acts, and a portion (20 per cent) of the yield from administered prices which are periodically increased by the Government. Some State Governments argue that instead of raising the administered prices, the Government should raise the excise duty tariff on the concerned product. This will automatically entitle the States to a share in the proceeds.

5.26 It may be noted that, in the context of the greater market orientation of the economy, the scope for the Central Government to raise administered prices would be progressively constrained except in cases where it might have a monopoly. We would suggest that even in these cases, decisions to raise administered prices should aim at minimising budgetary support and increasing operational efficiency of the concerned public enterprises.

5.27 As regards the inclusion of revenues from the cesses in the divisible pool, it may be mentioned that a cess is levied on a specified commodity and is governed by a special Act of Parliament with the stipulation that it should be utilised for the development of the specific industry, the products of which bear the cess. The proceeds of such cesses cannot, therefore, be shared with the States.

5.28 Having regard to the views of the Central and the State Governments in the matter, and having recommended a decrease in the States' share of the net proceeds of income tax, we further recommend that the share of States in the net proceeds of Union excise duties be raised to 47.5 per cent.

Distribution of Divisible Amounts

5.29 The criteria for determining the inter se shares of States in income tax and Union excise duties have tended to converge since the recommendations of the Seventh Commission. However, 10 per cent of the distributable amount of income tax was allocated amongst the States on the basis of contribution and a portion of Union excise duties set aside for distribution according to assessed deficits. The convergence of the criteria determining the shares of States in the remaining portion of these two taxes is a move in the right direction. We now consider the determination of the inter se shares of States in income tax and excise duties.

5.30 For the distribution of the net proceeds of income tax among the States, successive Finance Commissions, till the Seventh Commission, gave weightage to `population' as a major factor and `contribution' as a minor factor. The Eighth and the Ninth Commissions gave a weight of 10 per cent to the factor of contribution in the distribution of the net proceeds of income tax, but reduced the weight of population substantially.

5.31 In their memoranda submitted to us, while nine States have favoured providing a weightage ranging from 10 per cent to 45 per cent to the `contribution' factor, fourteen States are against including it at all in the distribution criteria. As for the `population' factor, while eighteen States have recommended its retention, there is wide divergence in the views regarding the weightage to be given to it. Haryana and Punjab want to increase the weightage to 100 and 80 per cent, respectively. Maharashtra has suggested 55 per cent, while Karnataka, Kerala, Nagaland and Uttar Pradesh want it kept at 50 per cent. The other States have proposed weights ranging from 20 per cent to 40 per cent.

5.32 A number of States have argued before us, as also before previous Finance Commissions, that there is no case for attaching any weight to the factor of `contribution'. While discussing the subject, the Eighth Commission had noted that the basic argument in favour of including this as a factor in determining the inter se shares was premised on a portion of income having a `local origin' such as that arising from State emoluments, small businesses, retail trade and house property. However, the same report had noted the views of one of its members, "Dr. C.H. Hanumantha Rao feels that there is no case for distributing part of the States' share of income tax among the States on the basis of contribution." (para 5.20, page 43, Report of the Eighth Finance Commission). Earlier Dr. Raj Krishna, as a member of the Seventh Commission, had observed in his minute of dissent "...it is important to perceive that the State in which income seems to originate for the purpose of assessment is not necessarily the State where this income originates in a more

fundamental economic sense." (emphasis in original; page 114, Report of the Seventh Finance Commission).

5.33 The generation of income, especially non-agriculture income, is a spatially interdependent activity. The linkages run through the input side as well as the demand side. An output being produced in a specific place may be using inputs produced in various other locations. The income generated from the sale of this output also depends on the incomes of consumers who may be spatially dispersed throughout the country. The country as a whole represents a common economic space and market, and growing interdependence in economic activities has considerably weakened the case for locally originating incomes in the non-agricultural sector. We are, therefore, persuaded there is no need to retain contribution as a criterion of distribution. Besides, the only factor that now stands in the way of a common formula for distribution of the two taxes is this component of `contribution' in the case of income tax. Accordingly, we have not used `contribution' as a factor in determining the respective shares of States in the distributable amount of the net proceeds of income tax. To the extent, however, that `contribution' is interpreted as `collection', it is the effort of the States in collecting their own taxes that is relevant rather than a tax levied and collected by the Centre. We have recognised this while recommending later that tax effort of the States, which necessarily includes collection effort, be a factor with a weight of 10 per cent in the distribution of the divisible pool.

5.34 Since the recommendations of the Eighth Commission, the allocative criterion determining the shares of States has mainly made use of an information base comprising population and per capita incomes of the States. The three criteria derived from this information base are, the population criterion, the distance criterion, and the inverse of income criterion, which has sometimes been called the income adjusted total population (IATP) criterion. In addition, the Ninth Commission had used an index of poverty, in their first report, and an index of backwardness in their second report.

5.35 Andhra Pradesh, Assam, Bihar, Goa, Karnataka, Kerala, Madhya Pradesh, Manipur, Meghalaya, Nagaland, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh have suggested inclusion of such criteria as would take into account the relative backwardness of the States, e.g., composite index of backwardness, distance of per capita income of a State from the highest per capita income and inverse of per capita income weighted by population. Some States have suggested that `area' and `index of infrastructure' are relevant factors in this context.

5.36 Arunachal Pradesh, Assam, Meghalaya and Kerala have urged that a certain percentage of the divisible proceeds be reserved for distribution among the revenue deficit States, while Himachal Pradesh, Manipur, Mizoram and Nagaland have suggested that a specified percentage be pre-empted for exclusive distribution among the special category States.

5.37 The Eighth and the Ninth Commissions (First Report) evolved an approach whereby 90 per cent of the divisible pool of income tax and 40 per cent of the net proceeds of Union excise duties were distributed among the States on the basis of a common formula. In the second report of the Ninth Commission, although the approach was the same, there was some variation in the relative weights assigned to different criteria for the two taxes, as summarised in Table 1.

Table 1

Distribution Criteria:Relative Weights

COMMISSION	EIGHTH	NINTH First Report	NINTH Second Report	
CRITERIA	Income tax*	UED**	Income	UED#
Population	25	25	25	29.94
Distance	50	50	50	40.12
Inverse Income	25	12.5	12.5	14.97
Poverty/Back-wardness		12.5	12.5	14.97
	100	**100.0**	**100.0**	**100.00**

* *relates to 90 per cent of the States' share.*

** *relates to 40 per cent of the net proceeds of UED.*

\# *relates to 37.575 per cent of the net proceeds of UED.*

Weights in the last column are derived by multiplying the weights as given in Para 5.36 of the second report of the Ninth Commission by a factor of (100/83.5).

5.38 Evidently, the distance and the inverse income formulae, which utilise the same information base, namely, population and per capita income, have jointly carried a very high weight. Yet because of the common information base in the two formulae, viz. inverse income and distance, both of which are progressive, the issue of their relative merit requires further discussion.

5.39 The population criterion allocates the same per capita share or transfer to a State, independent of its ranking in the income-scale. By itself, therefore, it is not a progressive criterion. When progressivity is imparted to the allocative criterion, as in the case of the distance or the inverse-income, the lower income States are allotted a higher share in per capita terms. This is achieved only by a corresponding reduction in the per capita share of higher income States, i.e. States with more than average per capita income. We find that, compared to the distance formula, in the inverse income formula, owing to the implicit convexity in it, the middle income States have to bear a relatively higher burden of this adjustment . This may be interpreted as a deficiency of the inverse-income formula (see Appendix 4).

5.40 We have, therefore, decided to use the distance formula for generating progressivity in distribution that hitherto was being achieved by a conjunction of the two formulae. In view of the shares already given jointly to the two formulae in the earlier awards, we have decided to give a weight of 60 per cent to the distance formula. In the pure version of the formula, the highest income State would not get any share because its distance measured from its own income would be zero. Presently, as for the Ninth Commission, this State happens to be Goa. Like them, we have decided to measure the distances from the per capita income of Punjab, giving it, and Goa, the notional distance between the per capita SDP of Punjab and that of the next highest income State, viz. Maharashtra. The respective `distances' are multiplied by the population of the States, and the share of a State is obtained by dividing the product by the sum of such products for all the States. This procedure of multiplying an index by respective populations, and deriving shares according to such products has been called `scaling' in the following paragraphs.

5.41 For the population criterion, we have given a weight of 20 per cent. This is a marginal reduction from the weight of 22.5 (i.e. 25 per cent of 90 per cent) used by the Ninth Commission.

Since as a scale factor, its influence, in any case, is spread across all formulae, we consider that this adjustment is of relatively minor importance.

5.42 Some States have urged us to use `area' as one of the distribution criteria. Earlier Commissions had also considered this issue. The argument in favour of using area depends primarily on the additional administrative and other costs that a State with a larger area has to incur in order to deliver a comparable standard of service to its citizens. However, we also recognise that this difference in the costs of providing services may increase with the size of a State but only at a decreasing rate. Beyond a point, increment in costs may, in fact, become negligible. At the same time, there are many States with a very small area. Nevertheless they have to incur certain minimum costs in establishing the framework of governmental machinery. Many of these smaller States are in hilly terrain, and the costs there may be higher because of the nature of the terrain. Taking these considerations into account, we are of the opinion that although area as a factor may be used, certain adjustments may be required at the upper and lower ends. We thought that it would be relevant to use an adjustment procedure whereby no State gets a share higher than 10 per cent at the upper end, and no State gets a share less than 2 per cent at the lower end. The shares of other States are derived accordingly. We have assigned a small weight of 5 per cent to area.

5.43 The Ninth Commission had used in its first report, an index of poverty, and in the second report, an index of backwardness for imparting greater progressivity to the devolution scheme. From the very beginning of our deliberations, we have been of the opinion, that some corrections are required for the relative disparities in infrastructure as between the States. For this purpose, we had commissioned a study with a view to obtaining a set of indices which would reflect inter-State differentials in infrastructure. The study was carried out by a group of eminent economists. We appreciate that they estimated for us a number of alternative indices despite the difficulties in obtaining relevant data and setting up a suitable methodology for the purpose.

5.44 The index of infrastructure that we have utilised, reflects the relative achievement of a State in providing an economic and social infrastructure to its citizens. The economic infrastructure here consists of a number of sub-sectors, viz. agriculture, banking, electricity, and transport and communications. The social infrastructure consists of education and health. An aggregate index was derived pertaining to these subsectors. The relevant details are given in Appendix 5. For utilising this infrastructure index (which assigns a higher share to a State with better infrastructure) as an allocative criterion, we have used the distance method, as in the case of the distance formula described earlier, and scaled these distances with population, so as to derive the respective shares of the States. A State lower on the infrastructure scale gets a higher share, because its distance is measured by the difference of the value of its own index from that of the highest indexed State. The highest indexed State, itself gets a notional distance equal to its distance from the next highest reading. We have decided to give this factor a weight of 5 per cent.

5.45 Our terms of reference direct our attention to `the tax efforts made by the States.' Measurement of tax effort on a comparable basis among the States is not a straightforward exercise because tax effort must be related to some notion of tax potential, and there are differences in the nature and composition of tax-bases among the States. Given the data constraints on a suitably disaggregated information base pertaining to different tax-bases, our choice has been narrowed down to using per capita state domestic product as a proxy for the aggregate tax-base. Tax effort could then be measured by the ratio of per capita own tax revenue of a State to its per capita income. We felt that there was still a need to provide for an adjustment for States with poorer tax bases. If the tax effort ratio as defined above is divided by per capita income, it would imply that if a poorer State exploits its tax-base as much as a richer State, it gets an additional positive consideration in the formula. Thus, using an index of tax effort, as measured by the ratio of per capita own tax revenue to the square of per capita income, the respective shares are worked out after scaling by population. We have decided to give this index a weight of 10 per cent. Basic data relating to all the criteria are given in Annexures V.1 to V.5.

5.46 While the criteria explained above shall apply to the entire divisible pool of income tax, we have decided to reserve a portion of Union excise duties to be distributed on the basis of deficits as assessed by us. The Eighth Commission had set apart 5 per cent in the 45 per cent share recommended by it for distribution among deficit States. These percentages were retained in the first report of the Ninth Commission. In its second report that Commission incorporated this `deficit-based' devolution in the overall devolution formula. It recommended that 16.5 per cent of the 45 per cent , i.e. 7.425 per cent of the net proceeds of the Union excise duties be used for distribution among the `deficit' States. Apart from the difference in the manner in which these percentages are stated, there is no effective difference in the two procedures. We have decided to keep apart 7.5 per cent out of the 47.5 per cent of Union excise duties assigned to the States for distribution amongst States assessed by us to be deficit. This deficit has been assessed after taking into account devolution of income tax and 40 per cent of the net proceeds of Union excise duties, and after taking into account shares of States in additional excise duties and grant in lieu of tax on railway passenger fares, in each of the years during the period 1995-2000, as a proportion of the total deficit so assessed for all the States.

5.47 To summarise, the criteria for determining the inter se shares of the States in the shareable proceeds of income tax are based on the following indices :

i) 20 per cent on the basis of population of 1971 as explained in para 5.41;
ii) 60 per cent on the basis of distance of per capita income as explained in para 5.40;
iii) 5 per cent on the basis of `area adjusted' as explained in para 5.42;
iv) 5 per cent on the basis of index of infrastructure as explained in para 5.44;
v) 10 per cent on the basis of tax effort as explained in para 5.45 ;

We thus recommend that for each financial year in the period 1995-96 to 1999-2000

a) Out of the net distributable proceeds of income tax, a sum equal to 0.927 per cent shall be deemed to represent the proceeds attributable to Union Territories.

b) The share of the net proceeds of income tax assigned to the States shall be 77.5 per cent.

c) The distribution among States of the share assigned to them in each financial year should be on the basis of the percentages shown in Table 2 .

Table 2

Income Tax : Shares of States 1995 - 2000

State	Per cent
Andhra Pradesh	8.465
Arunachal Pradesh	0.170
Assam	2.784
Bihar	12.861
Goa	0.180
Gujarat	4.046
Haryana	1.238
Himachal Pradesh	0.704
Jammu & Kashmir	1.097
Karnataka	5.339
Kerala	3.875
Madhya Pradesh	8.290
Maharashtra	6.126
Manipur	0.282
Meghalaya	0.283
Mizoram	0.149
Nagaland	0.181
Orissa	4.495
Punjab	1.461
Rajasthan	5.551
Sikkim	0.126
Tamil Nadu	6.637
Tripura	0.378
Uttar Pradesh	17.811
West Bengal	7.471
TOTAL	**100.000**

Table 3

40 per cent of Union Excise Duties : Shares of States 1995 - 2000

State	Per cent
Andhra Pradesh	8.465
Arunachal Pradesh	0.170
Assam	2.784
Bihar	12.861
Goa	0.180
Gujarat	4.046
Haryana	1.238
Himachal Pradesh	0.704
Jammu & Kashmir	1.097
Karnataka	5.339
Kerala	3.875
Madhya Pradesh	8.290
Maharashtra	6.126
Manipur	0.282
Meghalaya	0.283
Mizoram	0.149
Nagaland	0.181
Orissa	4.495
Punjab	1.461
Rajasthan	5.551
Sikkim	0.126
Tamil Nadu	6.637
Tripura	0.378
Uttar Pradesh	17.811
West Bengal	7.471
TOTAL	**100.000**

5.48 We have used the same set of criteria for distribution of 40 per cent of the net proceeds of Union excise duties. Accordingly we re commend that 40 per cent of the net proceeds of Union excise duties during each financial year in the period 1995-96 to 1999-2000, should be distributed as per the shares in Table 3.

5.49 We also recommend that the remaining 7.5 per cent of the net proceeds of Union excise duties be distributed among the States in accordance with the shares specified by us for each financial year in the period 1995-96 to 1999-2000 as given in Table 4.

Table 4

Shares of States in 7.5 per cent of the net proceeds of Union Excise Duties

(per cent)

State (1)	1995-96 (2)	1996-97 (3)	1997-98 (4)	1998-99 (5)	1999-2000 (6)
Andhra Pradesh	12.069	7.988	0.000	0.000	0.000
Arunachal Pradesh	3.410	4.300	5.871	6.224	6.667
Assam	8.543	9.836	11.849	10.748	9.290
Bihar	6.434	2.965	0.000	0.000	0.000
Goa	0.973	1.058	1.161	0.917	0.604
Himachal Pradesh	8.816	10.744	14.057	14.230	14.338
Jammu & Kashmir	13.366	16.491	21.985	22.741	23.700
Manipur	3.930	4.891	6.602	6.917	7.348
Meghalaya	3.590	4.403	5.815	5.994	6.130
Mizoram	3.676	4.628	6.278	6.784	7.074
Nagaland	5.818	7.417	10.247	11.072	12.025
Orissa	4.815	5.248	4.934	2.773	0.680
Rajasthan	0.835	0.000	0.000	0.000	0.000
Sikkim	1.199	1.473	1.938	1.982	2.055
Tripura	5.465	6.807	9.263	9.618	10.089
Uttar Pradesh	17.061	11.751	0.000	0.000	0.000
TOTAL	**100.000**	**100.000**	**100.000**	**100.000**	**100.000**

CHAPTER VI

TAX RENTAL : DISTRIBUTION OF ADDITIONAL DUTIES OF EXCISE

6.1 Paragraph 5 (a) of the President's Order requires us to suggest changes, if any, to be made in the principles governing the distribution among the States of the net proceeds in any financial year of the additional excise duties leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in lieu of the sales tax levied formerly by the States.

6.2 The scheme of the levy of additional excise duties on sugar, tobacco, cotton fabrics, woollen fabrics, and man-made fabrics was the outcome of an agreement reached at the meeting of the National Development Council held in December, 1956, by which the States agreed to refrain from exercising their power to levy sales tax on these commodities in lieu of a share in additional excise duties to be levied by the Centre. In pursuance of the said arrangement, the additional excise duties have, since 1957, been levied and collected by the Centre and the entire net proceeds (after deducting the share of Union Territories) are distributed amongst the States in accordance with the principles of distribution laid down by Finance Commissions from time to time. The arrangement stipulated that the distribution among the States should assure to them the revenue realised in 1956-57 from their respective sales taxes on these articles. Thus the scheme was essentially in the nature of a tax-rental arrangement. While a state has even now the constitutional right to reimpose sales tax on these commodities there are two deterrents. First, in view of sections 14 and 15 of the Central Sales Tax Act (1956), which declare these goods to be goods of special importance in inter-state trade and commerce, the rate of sales tax, even if reimposed by the States, cannot exceed 4 per cent. Secondly, if in any year a State levies sales tax on any of these commodities, no sums will be paid to that State as its share in the proceeds from additional excise duties of that commodity unless the Central Government otherwise directs.

6.3 The Second, Third, Fourth and Fifth Commissions adopted a procedure under which they first set apart the guaranteed level of States' revenue which the States were realising from sales tax on these commodities in 1956-57, and then the balance amount of additional excise duties was distributed according to specific principles. The Second Commission, which was the first to examine this matter, adopted consumption figures along with population as a corrective factor. The Third Commission felt that since the additional duties of excise were being levied in lieu of sales tax, the shares in the additional excise duties in excess of the guaranteed amount, should be determined partly on the basis of percentage increase in the collection of sales tax in each State since 1957-58 and partly on the basis of population. The Fourth Commission was of the view that the collection of sales tax in a State was more directly indicative of the contribution made by each State than population. Hence, that Commission adopted sales tax realised in each State as the sole criterion and dispensed with the factor of population. The Fifth Commission took into consideration certain limitations in relying exclusively on sales tax which was raised from a wide range of commodities comprising luxuries, semi-luxuries, raw materials and intermediate goods and, therefore, assigned equal weight to both sales tax (excluding inter-State sales tax) and population.

6.4 The Sixth Commission made a departure from the earlier practice of first setting apart the guaranteed amounts as they were convinced that there was no risk of the share of any State not coming up to the guaranteed amount. As regards the basis of distribution, they took the view that the levels of consumption of these commodities would have been the `best possible indicator' but in the absence of data state domestic product and population were considered to offer a reliable approximation of such levels. But that Commission also felt that the States would have realised sales tax not merely on what was consumed in the State but also on what was produced in the State and sold in the course of inter-state transactions of these commodities. It, therefore, gave a small weight to production. For all these reasons it decided to allocate the shares on the basis of population, state domestic product and production in the ratio of 70:20:10.

6.5 Like the earlier Commissions, the Seventh Commission felt that the appropriate basis for the distribution of revenue from additional excise duties would be the levels of consumption of the dutiable articles in each state. For this purpose, the Commission examined the data compiled by the National Sample Survey Organisation (NSSO) from the consumer expenditure survey of 1972-73 (27th round). However, they did not rely on it because the coverage of the three items in terms of variety in the NSS differed from the description of these items for the purpose of additional excise duties and in the case of sugar and textiles, the non-household consumption which was not reflected in the NSS data, was also considered significant. That Commission finally adopted two separate bases for the distribution of the net proceeds, one for sugar and the other for textiles and tobacco. In the case of sugar, the Commission decided to treat the despatches of sugar to the States as a fair approximation to the consumption of sugar. As regards textiles and tobacco they preferred to rely on the generally accepted proposition that higher income levels would lead to higher consumption of textiles and tobacco, specially the varieties which account for a major part of the revenue from additional excise duties. Accordingly, they determined each State's share in the net proceeds from additional excise duties on textiles and tobacco by multiplying its average per capita SDP for the three years ending 1975-76 by its population according to the 1971 census.

6.6 The Eighth Commission did not favour the use of either the consumption data based on NSS data, or sugar despatches to different States or sales tax revenues. They recommended that the shares of States in the additional excise duties be determined by giving equal weightage to state domestic product and population. The Ninth Commission maintained the view that since the additional excise duties were levied in lieu of sales tax which itself is a tax on consumption, the share of the States should correspond to their share in the consumption of these commodities. Direct and reliable data of State-wise consumption of these commodities, however, could not be obtained by that

Commission. The Commission, therefore, relied on proxies, namely state domestic product and population of the respective States and recommended the shares of individual States by giving equal weightage to these two factors. The Ninth Commission preferred to use 1981 census figures of population because in their view, distribution of additional excise duties was not in the nature of devolution for which census figures for 1971 were to be used as per their terms of reference.

6.7 In their memoranda, the State Governments have not only put forward their suggestions on the principles of distribution of the net proceeds from additional excise duties but also commented upon the manner in which the scheme of replacement of sales tax by additional duties of excise has been operated by the Central Government. Reviewing first the principles of distribution, most State Governments have recognised the situation that in view of the inadequacy of reliable data on the State-wise consumption levels of the three articles, the distribution has to be based on the best available proxies. Karnataka, Kerala, Maharashtra, Tamil Nadu and Manipur have urged that the distribution of the entire proceeds be done on the basis of the proportion which the sales tax revenue of each state bears to the total sales tax revenues of all the States. Gujarat has expressed the view that the distribution be done in proportion to the guaranteed amounts as worked out by the Second Commission. As an alternative, it has suggested a criterion based on trends in the growth of sales tax revenues. Haryana has pointed out that the trend in its sales tax collections showed a very high growth in comparison to that of its share in the additional excise duties and, therefore, suggested that the existing tax-rental arrangement be scrapped. Alternatively, it has supported the distribution of the proceeds of additional excise duties on the basis of sales tax collections. Bihar, Madhya Pradesh and Orissa have proposed that distribution be done on the basis of population. Uttar Pradesh has also favoured the population factor. In the alternative, it has suggested that the proceeds should be distributed among the States in proportion to their share in the guaranteed amounts. Punjab Government has proposed that distribution among the States be done in the ratio of the respective products of population and average per capita state domestic product.

6.8 Andhra Pradesh wants the existing scheme of tax-rental arrangement to be revoked as it finds that States have lost heavily due to the delay in setting up the Standing Review Committee as decided by the National Development Council in 1970 and the long period allowed by the Committee for the incidence of additional excise duties to reach the level of 10.8 as a percentage of the value of clearances. For the interim period, it has suggested that the distribution be done in the same manner as recommended by the Ninth Commission. West Bengal has felt that the original rights of the States to levy sales tax on these articles be restored as the Centre has not fulfilled its commitments in time and States have thus lost substantial sums of revenue. Rajasthan has suggested that the distribution be done on the basis of current consumption of the commodities in the light of the NSS data. If this was not feasible, the State Government has suggested that 75 per cent weightage be given to population as projected for 1997 and the balance of 25 per cent be distributed on the basis of per capita income.

6.9 Arunachal Pradesh has suggested that 30 per cent of the proceeds be set apart for distribution among deficit States and the balance be allocated on the basis of population and state domestic product. Similarly Nagaland has also proposed that 20 per cent of the total net proceeds be earmarked in the first instance for the hill States and the balance be distributed by giving weightage of 75 per cent to population and 25 per cent to state domestic product. Himachal Pradesh has pleaded that the distribution be based on NSS consumption data. Goa and Meghalaya have favoured equal weightage to state domestic product and population. Jammu and Kashmir has expressed the view that the 1993-94 population figures should be used. While Sikkim has suggested the use of identical criteria for the distribution of shares under Union excise duties and additional excise duties, Tripura has suggested that the scheme be abolished and, in the interim period, the distribution of additional excise duties should be on the same criteria as for Union excise duties.

6.10 Before we discuss the principles for the distribution of additional excise duties for 1995-2000 , we may refer to the major complaints of the States regarding the manner of the operation of the scheme. The complaints, by and large, relate to the following decisions taken at the meeting of the National Development Council held in December 1970 to discuss the subject of the replacement of sales tax on sugar, tobacco and textiles by additional excise duties:

i) The ad valorem system of additional excise duties be extended to all items except un-manufactured tobacco.

ii) The incidence of additional excise duties be raised to 10.8 per cent of the value of clearances as soon as possible during the next two or three years.

iii) While making upward adjustments in basic excise duties in future, the Government of India should keep in view a ratio of 2:1 between the yield of basic and special excise duties on the one hand and additional excise duties on the other.

iv) A Standing Review Committee be set up to review the working of the new arrangement at least once a year and make suitable recommendations for its further improvement.

6.11 The implementation of the above decisions remained tardy in the initial stages as would be evident from the fact that the first meeting of the Standing Review Committee was held in February 1981 i.e. after a gap of over ten years. The Committee in its meeting held in November 1981 recommended that the incidence of additional excise duties of 10.8 per cent of the value of clearances may be achieved in three stages viz : 8.5 per cent by 1984-85, 9.75 per cent by 1987-88 and 10.8 per cent by 1989-90. The States have a grievance that delay in setting up the Standing Review Committee amounted to a breach of agreement and has caused them financial loss.

6.12 In regard to the stipulation for moving towards ad valorem system of additional excise duties we find that the duty structure for cotton and man-made fabrics which was based on specific-cum-ad valorem rates has now been converted into ad valorem rates. However, in the case of sugar, bidis and cigarettes, which are major revenue yielding commodities, rates continue to be specific. From the data obtained from the Ministry of Finance which is indicated in Table 1, the ratio between basic and additional excise duties is seen to have satisfied the norm envisaged by the National Development Council. The incidence of additional excise duties as per cent of value of clearances also reached 10.87 in 1989-90 as against the targeted level of 10.8.

Table 1

Year	Ratio between basic* and additional excise duties	Incidence of additional excise duties in terms of per cent of value of clearances
1982-83	1.79:1	7.43
1983-84	1.57:1	8.17
1984-85	1.29:1	8.93
1985-86	1.28:1	8.84
1986-87	1.19:1	9.02
1987-88	1.23:1	9.87
1988-89	1.23:1	10.67
1989-90	1.22:1	10.87

** including special, regulatory and auxiliary duties.*

6.13 Having regard to the tax rental nature of the levy, the most appropriate principle to be used for distribution among States is that of compensation for the loss of revenue from sales tax on sugar, textiles and tobacco. Therefore, the demands of certain States to set aside a certain percentage for exclusive distribution among hill States or deficit States, or to adopt identical criteria for the distribution of additional excise duties and Union excise duties cannot be accepted as they are not in keeping with the spirit of the tax-rental scheme.

6.14 It has been well accepted that State-wise figures of consumption of the three articles on which the additional excise duties are levied would closely reflect the potential loss of sales tax revenue sustained by the States. Like the earlier Commissions, we also sought data from the NSSO in regard to State-wise consumption on sugar, textiles and tobacco, based on their latest round of survey . The NSSO furnished to us estimates of household consumption expenditure on clothing, tobacco and sugar based on the 43rd round of the survey carried out by them in 1987-88. The Seventh, Eighth and the Ninth Commissions did not use similar data furnished by the NSSO on earlier occasions owing to various infirmities. The data furnished to us also suffer from similiar infirmities. As the estimates relate only to household consumer expenditure, the segment of non-household consumption, which is quite significant, particularly in the case of sugar and textiles, is not covered. Besides, there are discrepancies between the description of the articles on which the additional excise duties were levied and the items covered in the 43rd round of survey. For example, while various types of textiles, textile fabrics and textile articles including those for industrial use were subject to additional excise duties, the household consumption expenditure in the NSS estimates was related only to the category of 'clothing'. Also, there would be a gap of eight years between the year 1987-88, to which the NSS data relate and the year 1995-96 from which our recommendations would be operative. It would be reasonable to assume that the consumption pattern in regard to certain varieties of tobacco and textiles would change over the years. We are unable to use the NSS estimates and are constrained to consider the distribution of additional excise duties on the basis of suitable proxies.

6.15 In evolving our approach for the distribution of the States' shares, we have kept in view the bases adopted by the earlier Commissions, the views of the State Governments and the availability of reliable data for the proxies which would represent a fair approximation to the consumption of the three articles. The commodities on which additional excise duties are levied are articles of mass consumption and accordingly, in our view, population should have a substantial weight in the formula. We also agree with the views of the earlier Commissions that the level of State income has a significant bearing on the consumption of sugar, textiles and tobacco and should be a factor in distribution.

6.16 Since sales tax is a levy on consumption, some of the past Commissions have accepted proportion of sales tax revenues as capturing the consumption levels of the three commodities. Some of the States are of the same view. The other point of view is that since sales tax is levied on a host of commodities ranging from luxuries to raw materials, the proceeds of this tax do not represent the consumption levels of these three alone. Nevertheless, there is a relationship between consumption, as represented by sales tax, and consumption of these commodities. Accordingly, we feel some weight can be given to sales tax.

6.17 We have worked out the shares of the States by assigning a weight of 50 per cent to population according to the 1991 census, 40 per cent to the average of state domestic product for the three latest years 1987-88 to 1989-90 for which the requisite data is available and 10 per cent to the average collection of State sales tax (excluding inter-State sales tax) for the three years 1990-91 to 1992-93, these being the latest three years for which final accounts are available. The State-wise data are placed at Annexures VI.1 and VI.2

6.18 We agree with the view of the Ninth Commission that distribution of additional excise duty is not in the nature of devolution for which the population figures of 1971 census should be used as per our terms of reference. Hence, we are using the latest census figures of 1991 which are placed at Annexure V.1.

6.19 As regards the share of the Union territories they should be treated as one unit, and their share determined on the same basis as that of all the States. Accordingly, the share of Union territories amounting to 2.203 per cent should be retained by the Central Government. We recommend that the balance should be distributed among the States as shown in Table 2.

Table 2.

Shares in Additional Excise Duties : 1995-2000

States	Per cent
Andhra Pradesh	7.820
Arunachal Pradesh	0.104
Assam	2.483
Bihar	7.944
Goa	0.232
Gujrat	5.995
Haryana	2.366
Himachal Pradesh	0.595
Jammu & Kashmir	0.856
Karnataka	5.744
Kerala	3.740
Madhya Pradesh	7.236
Maharashtra	12.027
Manipur	0.197
Meghalaya	0.188
Mizoram	0.079
Nagaland	0.137
Orissa	3.345
Punjab	3.422
Rajasthan	4.873
Sikkim	0.053
Tamil Nadu	7.669
Tripura	0.286
Uttar Pradesh	14.573
West Begal	8.036
TOTAL	**100.000**

6.20 Successive Commissions have faced difficulties in obtaining reliable and comprehensive data on State-wise consumption of the three articles viz. sugar, textiles and tobacco which attract additional excise duties. We would like to urge the Government of India to take appropriate steps for the regular collection and maintenance of the requisite data on consumption of these commodities, both household and non-household, to facilitate the task of the future Finance Commissions.

CHAPTER VII

GRANTS IN LIEU OF TAX ON RAILWAY PASSENGER FARES

7.1 As per paragraph 5(b) of our terms of reference, we are required to suggest changes, if any, to be made in the principles governing the distribution of grants to be made available to States in lieu of the tax under the repealed Railway Passenger Fares Act, 1957.

7.2 Article 269 of the Constitution empowers the Government of India, amongst other things, to levy and collect taxes on railway fares and freights but the net proceeds are to be assigned to the States. The tax was levied for the first time under the Railway Passenger Fares Tax Act, 1957. The Act was repealed with effect from 1st April, 1961. In pursuance of the recommendations of the Railway Convention Committee, the tax was merged with the basic fares. The tax was revived briefly in 1971 at the time of the Bangladesh war and was repealed again on 31st March, 1973. It was agreed that the States should be compensated for the consequential loss of revenue through an ad-hoc grant of Rs.12.50 crores a year in lieu of the tax for the period 1961-62 to 1965-66. The grant was raised to Rs. 16.25 crores per annum from 1966-67 to 1970-71. It was raised again to Rs.23.12 crores for the period 1980-81 to 1983-84 in view of the recommendations contained in the seventh report of the Railway Convention Committee, 1980.

7.3 Earlier Finance Commissions, starting from the third, made recommendations in regard to the principles that should govern the distribution of this grant to the States. The existing principles for distribution of the grant were first laid down by the Seventh Commission :

"If the tax had continued and were to be collected by the States, each State would be competent to collect tax only on railway fares paid within that State, irrespective of the States through which the journeys may be performed. There can be no extra-territorial collection by any State. Railway passenger fares are paid in advance before the commencement of the journey. The tax was collected at source and was a percentage of the fare. It, therefore, appears to us that the most appropriate distribution of the grant in lieu of the tax would be in proportion to the non-suburban passenger earnings from traffic originating in each State." (para 6, page 53, Report of the Seventh Finance Commission)

7.4 The Eighth Commission endorsed the formula adopted by the Seventh Commission. However, on the basis of the recommendations of the seventh report of the Railway Convention Committee (1980), which had recommended that the Finance Commission could look into the question of a further increase in the amount of grant from Rs.23.12 crores, the Eighth Commission chose to examine the issue and recommended that the States should be paid a grant equivalent to 10.7 per cent of the non-suburban passenger earnings in lieu of the tax as that was the tax element in the fare structure when the tax was in force. An amount of Rs.95 crores per annum was recommended for the period 1984-85 to 1988-89. The total amount of the grant was based on total non-suburban passenger earnings during 1981-82. The Ninth Commission, in its first report, endorsed the views of the Eighth Commission and kept the grant at the same level i.e. Rs.95 crores for 1989-90. In its second report, the Ninth Commission made a departure in regard to the quantum of grant. They took the view that the Railways could not bear the burden of grant based on the 10.7 per cent incidence of non-suburban passenger fares without their finances and performance being seriously affected. At the same time, the Commission was also of the view that the existing amount of Rs. 95 crores was inadequate. Taking all aspects into account the Commission fixed the grant at an amount of Rs.150 crores per annum for the period 1990-95.

7.5 Though our terms of reference do not specifically require us to examine the quantum of the grant, we feel that the entire exercise would be futile if we ignore this aspect. Particularly so, as many States are aggrieved about the inadequacy of the grant and have suggested retaining the grant on the basis of a fixed percentage of the actual earnings from non-suburban fares for the years 1995-2000. Karnataka and Maharashtra have suggested 12 per cent of the non-suburban passenger earnings to be distributed among the States. Tamil Nadu has asked for the quantum of grant to be raised to Rs.750 crores per annum for the period 1995-2000. Haryana has suggested revival of the tax on Railway Passenger Fares. Most of the hill states have suggested adopting population as a criterion for determining the distribution of grants since they do not have railway lines and their people buy tickets from neighbouring States. Manipur and Jammu & Kashmir have suggested an increase in the quantum of the grant by giving additional weightage to the total traffic.

7.6 We have had the benefit of discussion with the Ministry of Railways. The Railways have submitted that they cannot bear the burden of the grant on the basis of the incidence of the tax when it was in force. This would affect their finances and performance seriously. They again brought to our notice that they were subsidising not only passenger but also freight traffic. In fact, the financial impact of the social burden borne by the Railways was estimated to be of the order of Rs.2000 crores in 1993-94. The substantial increase in the cost of operation, the policy of tariff restraint, dwindling budgetary support etc. have also to be taken into account before assessing the Railway's capacity to bear the burden of an increase in the grant in lieu of the tax on passenger fares.

7.7 Having regard to what has been stated above, we propose to consider the following issues:-

i) Whether the tax on Railway Passenger Fares ought to be revived.

ii) In case the tax is not revived, the quantum of the grant and the basis of its calculation.

iii) The principles to be adopted for distribution of the grant in lieu of the tax on Railway Passenger Fares.

7.8 As regards the issue of reviving the tax, we do not consider it necessary to go into this as in our view there is no economic or operational advantage in reviving the tax.

7.9 As for the the quantum of the grant, we are unable to accept the argument of the Railways that they cannot bear the

burden of the grant at this level. We note that it is not the Railways but the Central Government which has all along been bearing most of the compensatory grants. What the Railways pay to the Central Government is a separate issue which is considered periodically by the Railway Convention Committee of Parliament. As such we would not like to go into the operational performance of the Railways and their capacity to contribute more to the general revenues. As far back as the Sixth Commission it had been observed that Finance Commissions were "not concerned here with the larger aspects of the working and financial results of the Railways" (page 23, para 9). We have come to the conclusion that the grant must bear some relation to the incidence of the tax when it was repealed. We agree with the views expressed by most State Governments and that of the Eighth Commission that the grants should be equal to 10.7 per cent of the non-suburban railway passenger earnings. The latest year for which State-wise figures of non-suburban passenger earnings have been made available by the Ministry of Railways is 1992-93. The total non-suburban passenger earnings for that year was Rs.3540.82 crores. We recommend that 10.7 per cent of this i.e. Rs. 380.00 crores be paid to the States annually during the period covered by our report.

7.10 As regards the principles of distribution , we are in agreement with the Seventh, Eighth and Ninth Commissions which recommended distribution of the grant in proportion to the non-suburban passenger earnings from traffic originating in each State. The taxable event being the payment of fare, a State should get a grant in relation to the fare paid within its boundary. Considerations like route length etc. appear to be immaterial.

7.11 We have considered the views of States which do not have railway lines. In view of the clear position laid down in article 269 (1)(d) and article 269(2) of the Constitution, we are unable to accept the contention that such States ought to be compensated on the ground that the people of such States purchase tickets from stations falling within the boundaries of other States.

7.12 To sum up we recommend that :

i) The quantum of the grant in lieu of the Railway Passenger Fares Tax for 1995-2000 should be Rs.380 crores annually.

ii) The shares of the States be allocated in the same proportion as the average of the non-suburban passenger earnings in each State during the years 1988-89 to 1992-93 bears to the average of the aggregate non-suburban earnings in all States in those years. The relevent data is at Annexure VII.1. On this basis the shares of the States would be as in Table 1 :

Table 1

Grants-in-lieu of Tax on Railway Passenger Fares : Shares of States1995-2000

States	Per cent
Andhra Pradesh	8.345
Arunachal Pradesh	0.005
Assam	1.368
Bihar	9.326
Goa	0.194
Gujrat	6.901
Haryana	1.917
Himachal Pradesh	0.108
Jammu & Kashmir	0.728
Karnataka	3.388
Kerala	3.495
Madhya Pradesh	6.882
Maharashtra	17.548
Manipur	0.018
Meghalaya	0.034
Mizoram	0.001
Nagaland	0.145
Orissa	1.715
Punjab	3.280
Rajasthan	4.445
Sikkim	0.010
Tamil Nadu	6.458
Tripura	0.039
Uttar Pradesh	15.568
West Begal	8.082
TOTAL	**100.000**

CHAPTER VIII

UPGRADATION GRANTS

8.1 Para 4(iv) of the Presidential Order constituting our Commission stipulates that recommendations may be made taking into consideration, inter alia, "the requirements of States for modernization of administration ..... and for upgrading the standards in non-developmental sectors and services, and the manner in which such expenditure can be monitored." The aspects of administration requiring modernization have been further amplified, using illustrations of computerization of land records and providing faster channels of communication upto and above the district level. Being illustrative, however, the examples cannot be construed to mean that these must necessarily be taken up or to preclude consideration of any other aspect of administration .

8.2 The requirement of upgrading standards of State administration, as a specific consideration underpinning the recommendations of Finance Commissions, appeared for the first time in the terms of reference of the Sixth Commission. Much before that, however, the First Commission had in their report discussed in detail the need for general and specific grants. In para 16 of Chapter VII of their report, the First Commission recorded " We believe that both the methods of conditional and unconditional grants should have their part to play in the scheme of assistance by the Centre. Unconditional grants should reinforce the general resources of the State Governments, which they would be free to allocate among competing purposes according to their best judgement, subject to the usual administrative and parliamentary checks. Grants for broad purposes may be given to stimulate the expansion of particular categories of services rather than specified schemes under those categories." Thus, in pursuance of its belief that primary education needed to be encouraged, the First Commission recommended, without being specifically asked to do so, grants for primary education to eight States in proportion to the number of children of school going age not attending schools till then.

8.3 The Third Commission , likewise, took a view that impetus should be given to the development of communications to open up backward areas The Commission, therefore, recommended grants for the development of communications.

8.4 By the time the Sixth Commission was set up, it was realised that the upgradation of standards of administration required to be looked into by the Finance Commission. Accordingly the terms of reference of successive Finance Commissions, from the Sixth to the Eighth, require them to consider the need for upgradation of standards of state administration in one form or the other.

8.5 The terms of reference of the three Commissions refer to the need for upgrading the administration in `backward' States with a view to bringing them to the level of more advanced States. The Sixth Commission wanted the standards of general administration in backward States to be brought to the "levels obtaining in the more advanced States over a period of ten years". The Seventh Commission confined the upgradation of standards in backward States to "non-developmental sectors and services" but introduced a more up-to-date comparison with more advanced States i.e. "over the period covered by the report of the Commission." The terms of reference of the Eighth Commission reiterated the requirement of upgradation of standards in "non-developmental sectors and services" to bring them to the "levels obtaining or likely to obtain" in the more advanced States. Unlike the terms of reference of the Sixth and Seventh Commissions, which referred only to the States "which are backward", the Eighth Commission was required to consider the need for upgradation of States in general and `in particular' of States which are backward. The Seventh and Eighth Commissions also introduced the element of monitoring of expenditure on upgradation. The terms of reference of the Ninth Commission did not require it to consider upgradation of the standards of administration.

8.6 The Sixth Commission drew a distinction between the need for making a `provision' for upgradation of State administration and `entitlement' of a State to receive the grant. In broad terms, the provision needed was worked out on the basis of per capita expenditure needed to bring the services in selected items of administration to the level of all States average by 1978-79. This was added to the expenditure estimates of States for the award period. The entitlement to a grant arose only if the result of the aforesaid exercise showed a revenue gap. The Sixth Commission had "concerned itself only with expenditure on revenue account and not on capital and loan accounts" though it had averred that it could deal with all the requirements of the States for upgradation of standards of administration including social services. The Seventh Commission examined the relative position of States in physical terms and made an assessment of the need for the upgradation of standards in terms of the norms set by it. The Seventh Commission also felt that it was open to them to recommend grants for capital expenditure apart from grants for revenue expenditure under article 275. The Commission did not recommend any grants to revenue surplus States. It felt that the revenue surplus States could, of their own, upgrade their standards of administration. The Eighth Commission also did not recommend any grants for upgradation of services to Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Tamil Nadu as they had a sufficiently large surplus before devolution of taxes. The Ninth Commission was also required by its terms of reference to keep in view the special problems, if any, of each State. Accordingly, the Commission made recommendations in its first report regarding special problems in some of the States. Earlier, the Eighth Commission had also recommended grants for special problems in some States.

8.7 A statement indicating amounts recommended by the Eighth and Ninth Commissions, amounts approved by Inter-Ministerial Empowered Committee (IMEC) and releases made is at Annexure-VIII.1.

8.8 The aspirations of all the States in wishing to attain higher standards of administration in various sectors are reflected in the numerous proposals we have received. Together, the proposals amount to Rs. 1,17,519.77 crores. The

special problems alone account for 41.7 per cent of the total amount.

8.9 It is obviously not possible for us to cover all the areas in which the States would like to improve their existing standards of services. Computerization of land records is one of the areas we are expected to look at. We discussed the possibilities in this regard with the Ministry of Rural Development and the National Informatics Centre (NIC) and were advised that the Eighth Plan already had a scheme for this purpose. We saw the implementation of this scheme of computerization of land records in several districts. By 1993-94 its coverage included 75 districts. 300 districts are scheduled to be covered by the end of the Eighth Plan and the remainder by the turn of the century. In view of this we decided not to pursue this matter further.

8.10 There is also a mention in our terms of reference of the need for providing faster channels of communication upto and above the district level. This has several dimensions. Telecommunication links are already fairly well spread-out and are being strengthened and made faster and more reliable with the help of technological advances and the participation of private industry. We understand that the Department of Telecommunications plans to link all district headquarters on the telex network and through digital media . The NIC has also established a country-wide network , called NICNET. Police communication, however, remains a weak area . We have dealt with this aspect while considering the upgradation of facilities for the police.

8.11 In identifying areas of upgradation, we have been largely guided by such considerations as their relevance and importance to administration and society, neglect across States and the long-term deleterious consequences if no remedial action is taken soon. State specific special problems have also been considered. On this basis, we have selected the following areas for upgradation :

A. District Administration :
   - i) Police
   - ii) Fire services
   - iii) Jails
   - iv) Record rooms
   - v) Treasuries and Accounts

B. Education :
   - i) Promotion of girls' education
   - ii) Additional facilities for upper primary schools
   - iii) Drinking water facilities in primary schools

C. Special Problems

8.12 Upgradation grants are not being recommended for those States which have been assessed to have an overall non-plan revenue surplus before devolution. In our view it is not only desirable but also necessary and possible for these States to give from their own resources priority allocation to the areas needing upgradation.

8.13 The need for such grants in respect of items under A and B in para 8.11 is examined as follows :-

A. District Administration :

i) Police

Our proposals on this subject as well as fire services and jails have been formulated on the basis of information received from the States and in consultation with the Ministry of Home Affairs.

(a) Buildings for Police Stations/Out-posts :

According to available data, there is an acute shortage of buildings for police stations and out-posts in almost all the States. As on 1st January 1993, there were 12,064 police stations and 5,899 out-posts in all the States. Out of these, 4,246 police stations and 3,002 out-posts did not have proper accommodation. Many of these operate from temporary sheds and tents. There is also a shortage of separate lock-up rooms for women. Such deficiencies are a drag on the operational efficiency of the police. We have assessed a requirement of Rs.28.76 crores to cover at least 10 per cent of the existing shortage of buildings for police stations/out-posts at an average cost of Rs.4 lakhs per building.

(b) Police Housing (Family Accommodation):

Housing facility for the lower subordinate staff in the police is inadequate at present. While the all-States' average satisfaction level was of the order of 30.09 per cent, as on 1st January 1993, it was much lower in the case of several States; the lowest being 6.29 per cent in the case of Assam. We accept that a redressal of this situation is necessary as housing satisfaction has a bearing on the general levels of police performance. We feel that at least a minimum of 20 per cent satisfaction level should be reached in respect of all the States. Fourteen States fall in this category. In calculating the amounts required we have worked out the unit cost as Rs.1.25 lakhs for family accommodation with a plinth area of 435 sq. ft. at the rate of Rs.285 per sq. ft. The requirement thus worked out for fourteen States is Rs.375.61 crores.

(c) Police Training :

We find that training facilities for police personnel continue to be inadequate. We consider that investment in training is essential and have therefore assessed a requirement of Rs.56.47 crores for upgrading the facilities for training of subordinate police personnel in the States. The detailed schemes may be formulated by States in consultation with the Ministry of Home Affairs. The assessment made by us is on the basis of weightage assigned to population, strength of police personnel, and crime per lakh of population in the proportion of 30 , 50 and 20 respectively.

(d) Police Telecommunication

The importance of police telecommunication can hardly be over-emphasized. It has been brought to our notice that the scheme of POLNET seeks to upgrade the existing police telecommunication system and also extend it to rural and remote areas, at an approximate cost of Rs.154.20 crores. This cost, estimated by the Ministry of Home Affairs, is to be shared by both the Central and State Governments. The non-recurring amount of the share of States works out to Rs. 94.38 crores and the recurring cost as Rs.11.07 crores. To facilitate quick implementation of the scheme, it is considered necessary to provide for the non-recurring cost of the share of States which are eligible for upgradation grants.

ii) Fire Services

With growing industrialization, urbanization and development of congested markets, fire hazards have increased manifold. The development of fire services has not made commensurate headway. We are convinced that it would be prudent for States, to strengthen and upgrade fire fighting capabilities. This would include adequate and suitable modern equipment, effective fire call communication system, rescue equipment, training of manpower, well designed functional fire stations, adequate water availability and protective equipment

for functionaries etc. The total requirement of funds needed for this purpose is assessed as Rs. 100 crores for all the States.

iii) Jails

Proposals have been received from States urging improvement of facilities in jails. It is hidden from none that the prevailing conditions leave much to be desired. We are aware that plan funds are available for this sector; the amounts, however, are not sufficient to make an appreciable dent on the problem. We have, therefore, provided Rs.50 crores for repair and renovation of the existing accommodation for prisoners and Rs.30 crores for medical equipment, consumable items and sanitation, in the ratio of the capacity of jails in different States. The amounts provided for in respect of medical care etc. may be so used that not less than the proportionate allocation for female prisoners is ensured in each jail.

iv) Record Rooms

Records are an important part of administration. They are required to be referred to time and again, over long periods, by different agencies. In districts, they are necessary for the proper and efficacious functioning of administration. Unfortunately, in most places the upkeep of records is in poor state and needs to be improved. Considering that in the districts, revenue records are crucial to the welfare of the large rural population, we have assessed the requirement under this sector based on estimates of operational holdings in a State and the area covered by them. Accordingly, we have assigned 60 per cent weightage to operational holdings and 40 per cent to area in arriving at the State-wise requirement. We have used the data for 1990-91. In respect of Assam, Bihar, Jammu & Kashmir, Meghalaya and Sikkim, information is available only upto 1985-86. We have therefore projected these on the basis of average growth rates of operational holdings/area in other States, to arrive at the figures for 1990-91. The averages have been taken separately for special category and non-special category States. We have thus assessed a requirement of Rs.100 crores for construction of/ addition to record rooms and provision of ancillary equipment for modernization. This provision will not be available for staff.

v) Treasuries and Accounts

We have received proposals from several State Governments in respect of the creation of new treasuries/sub-treasuries, construction of new buildings, purchase of furniture, office equipment, racks, almirahs, computers, data entry machines, provision for staff, imparting of training etc. The Commission's attention has also been drawn towards considerable delays in rendition of accounts for reasons of lack of adequate and skilled staff, mechanical aids etc.

We are not inclined to support staff proposals or proposals for expenditure on normal expansion or equipping of treasuries. States should be able to deal with such items on their own. We are, however, of the view that computerization of district treasuries would go a long way in improving the managerial control of both the State and district level administration. It would also make for speedy and accurate generation of accounting information that might be needed for purposes of better planning, budgeting and monitoring. Information regarding the number of district level treasuries and the state of computerization thereof, has been obtained from the office of the Comptroller and Auditor General of India, Accountants General, NIC and States. Computerization of treasuries has been found to be at various stages in different States. While some of the States have achieved computerization of all treasuries, others are still to do so. Many have not embarked on computerization as yet. We have taken the view that at least all the district level treasuries should be computerized. We have, for this purpose, assessed a requirement of Rs.23.10 crores at an average unit cost of Rs.10 lakhs per treasury. The details of the latter are indicated in Annexure VIII.2

A statement showing State-wise requirement for each sector under District Administration is given in **Table 1**.

Table 1
Requirement for Upgradation of District Administration

(Rs. Lakhs)

State	Building for Police Stations/Outposts	Police Housing	Police Training	Police Telecommunications	Fire Services	Jails		Record Rooms	Computerisation of Treasuries	Total (2 to 10)
						Repairs and Renovation	Medical Facilities			
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	204.00	—	401.51	683.00	400.00	257.00	154.00	871.83	—	2971.34
Arunachal Pradesh	32.00	537.50	10.96	163.75	200.00	—	—	13.65	60.00	1017.86
Assam	68.00	8291.25	179.81	374.50	200.00	154.00	92.00	226.67	230.00	9816.23
Bihar	504.00	5267.50	524.73	919.25	700.00	587.00	353.00	989.19	400.00	10244.67
Goa	20.00	---	10.21	44.75	200.00	7.00	4.00	5.73	20.00	311.69
Gujarat	240.00	---	291.62	399.50	500.00	135.00	81.00	446.37	---	2093.49
Haryana	100.00	3611.25	124.23	246.50	200.00	90.00	54.00	175.68	---	4601.66
Himachal Pradesh	32.00	1471.25	43.89	178.75	300.00	14.00	9.00	71.99	20.00	2140.88
Jammu & Kashmir	32.00	2466.25	84.54	214.25	300.00	32.00	19.00	98.02	150.00	3396.06
Karnataka	112.00	---	273.27	429.00	300.00	190.00	114.00	622.46	---	2040.73
Kerala	128.00	1028.75	192.24	322.25	300.00	140.00	84.00	348.42	---	2543.66
Madhya Pradesh	140.00	---	449.07	889.25	800.00	414.00	248.00	1006.52	---	3946.84
Maharashtra	172.00	---	571.32	611.50	1000.00	441.00	264.00	1038.04	---	4097.86
Manipur	28.00	1382.50	26.46	124.25	200.00	43.00	26.00	12.21	---	1842.42
Meghalaya	8.00	---	22.14	107.50	200.00	14.00	8.00	17.95	50.00	427.59
Mizoram	12.00	282.50	11.89	58.75	100.00	15.00	9.00	5.46	30.00	524.60
Nagaland	28.00	1606.25	31.72	122.25	200.00	30.00	18.00	31.36	90.00	2157.58
Orissa	120.00	---	200.09	399.50	400.00	182.00	109.00	350.00	180.00	1940.59
Punjab	68.00	6271.25	185.55	312.00	300.00	180.00	108.00	160.22	140.00	7725.02
Rajasthan	124.00	---	288.63	581.00	500.00	212.00	127.00	793.66	340.00	2966.29
Sikkim	16.00	38.75	5.93	68.75	200.00	1.00	1.00	4.84	10.00	346.27
Tamil Nadu	220.00	---	369.62	623.50	400.00	467.00	280.00	630.52	---	2990.64
Tripura	8.00	818.75	30.63	62.25	100.00	20.00	12.00	25.33	20.00	1096.96
Uttar Pradesh	224.00	---	907.62	1149.25	1200.00	886.00	532.00	1563.75	460.00	6922.62
West Bengal	236.00	4487.50	409.67	352.50	800.00	489.00	294.00	490.13	110.00	7668.80
Total	**2876.00**	**37561.25**	**5647.35**	**9437.75**	**10000.00**	**5000.00**	**3000.00**	**10000.00**	**2310.00**	**85832.35**

B. Education :

i) Promotion of Girls' Education

There is a strong correlation between rise in female literacy and the decline in fertility and infant mortality rates . Low female literacy has been a source of many other social ills. While much has been achieved in the sphere of education through planned effort, girls education continues to lag behind. It is, therefore, felt that the States which have very low female literacy rates may be assisted by upgradation grants for specific districts. Thus, 83 districts where female literacy rates were below 20 per cent and 199 districts with rates between 20 and 40 per cent in 1991, have been identified for upgradation grants. The assessment has been made on the basis of Rs.20 lakhs and Rs.10 lakhs respectively per district per year. The total requirement works out to Rs.182.50 crores.

ii) Additional facilities for upper primary schools:

On the basis of the Fifth All India Educational Survey (AIES,1986, published in 1992) only 67 per cent of the upper primary schools had drinking water facilities. We feel this percentage should be raised to at least 80 percent. Even more important is the necessity of providing for separate toilet facilities for girls at the upper primary level to ensure that they do not discontinue education for want of basic amenities. The present availability of this facility is of the order of 12.7 per cent. We feel that in the interest of promoting girls education it is necessary to reach a level of at least 75 per cent satisfaction in this regard by the year 2000. The number of girls and co-educational schools in 1993 have been arrived at by applying the ratio prevailing in 1986 to the total number of schools in each State. The same unit cost of drinking water facility has been taken as in the case of primary schools; the unit cost for low-cost sanitation has been taken as Rs.10,000. Accordingly a total requirement of Rs.116.93 crores has been estimated.

iii) Drinking water facilities in primary schools :

As per the Educational Survey (referred to above) only 52.8 per cent of primary schools had drinking water facilities. For some States, the percentage was even lower. In view of the abysmally low levels of such a basic and essential facility, we have decided to provide upgradation grants for drinking water in all primary schools of the country. We have arrived at the number of schools requiring this facility by applying the ratio obtaining in AIES 1986 to the number of schools in 1992-93 in each State. At an average unit cost of Rs.15000 for a hand pump, we have assessed a requirement of Rs.456.32 crores.

A statement showing State-wise requirement for upgradation in the educational sector is given in **Table 2**.

Table 2

Requirement for Upgradation of Education

(Rs. Lakhs)

States	Girls Education			Upper Primary School			Primary School	Total Col. 4 7 and 8
	Female Literacy in Distt.			Drinking Water	Toilets for Girls	Total	Drinking Water	
	Less than 20%	Between 20%-40%	Total					
1	2	3	4	5	6	7	8	9
Andhra Pradesh	200.00	850.00	1050.00	144.75	391.70	536.45	4329.84	5916.29
Arunachal Pradesh	300.00	400.00	700.00	6.60	17.90	24.50	89.30	813.80
Assam	---	500.00	500.00	289.05	415.10	704.15	3665.44	4869.59
Bihar	1800.00	1100.00	2900.00	61.50	884.40	945.90	4221.96	8067.86
Goa	---	---	---	1.80	6.20	8.00	59.30	67.30
Gujarat	---	150.00	150.00	255.00	1048.10	1303.10	949.31	2402.41
Haryana	---	350.00	350.00	---	72.70	72.70	211.95	634.65
Himachal Pradesh	---	200.00	200.00	28.35	71.50	99.85	562.33	862.18
Jammu & Kashmir	1000.00	200.00	1200.00	173.55	86.70	260.25	1020.72	2480.97
Karnataka	---	450.00	450.00	333.15	1083.30	1416.45	1962.89	3829.34
Kerala	---	---	---	37.20	162.20	199.40	239.87	439.27
Madhya Pradesh	1000.00	1450.00	2450.00	478.20	759.40	1237.60	7003.02	10690.62
Maharashtra	---	450.00	450.00	462.45	1152.80	1615.25	3391.73	5456.98
Manipur	---	200.00	200.00	32.55	44.80	77.35	353.99	631.34
Meghalaya	---	100.00	100.00	44.25	48.30	92.55	551.46	744.01
Mizoram	---	---	---	43.05	35.50	78.55	109.46	188.01
Nagaland	---	50.00	50.00	19.35	22.00	41.35	146.77	238.12
Orissa	200.00	400.00	600.00	641.55	841.10	1482.65	4656.16	6738.81
Punjab	---	150.00	150.00	---	68.90	68.90	186.99	405.89
Rajasthan	1900.00	400.00	2300.00	50.10	386.60	436.70	2284.34	5021.04
Sikkim	---	50.00	50.00	4.65	8.30	12.95	46.79	109.74
Tamil Nadu	---	150.00	150.00	---	248.40	248.40	695.53	1093.93
Tripura	---	50.00	50.00	18.00	31.10	49.10	194.34	293.44
Uttar Pradesh	1900.00	1900.00	3800.00	148.65	334.40	483.05	5548.63	9831.68
West Bengal	---	400.00	400.00	7.50	190.70	198.20	3149.63	3747.83
Total	**8300.00**	**9950.00**	**18250.00**	**3281.25**	**8412.10**	**11693.35**	**45631.75**	**75575.10**

C. Special Problems :

8.14 Our visits to the States, and discussions with State Government representatives and others who appeared before us to present their point of view, have left a deep impression on us that there are special problems in every State, irrespective of their financial status, which need to be attended to in a responsive manner. We take the view that by providing assistance for such problems of each State, in howsoever small a measure, we recognise the priority the States attach to these problems. Accordingly, we recommend the following :-

Andhra Pradesh

The Naxalite movement is a special problem of the State since it tends to draw sustenance from the inadequacy of development programmes in remote areas. We have focussed attention on this aspect. To enable the State to provide for some programmes, a special assistance of Rs.65 crores is recommended. Of this, Rs.40 crores is for the development of minor irrigation and Rs.25 crores for solving drinking water problems.

Arunachal Pradesh

As represented by the State, it has no referral hospital/medical college. The people of Arunachal Pradesh are forced to seek such medical facilities in other States at great expense and inconvenience to themselves. To overcome this problem, we are supporting the State's proposal for the establishment of a 500 bedded tertiary care referral hospital and recommend Rs.50 crores for that purpose.

Assam

The State Government has represented that it does not have a proper secretariat building in the capital, Dispur. We are, therefore, recommending Rs.60 crores for the construction of the civil secretariat.

Bihar

Inundation of lakhs of hectares of agricultural lands, over long periods, is the special bane of Bihar. Two such areas comprise the tal and diara lands. Accepting the State Government's proposals in regard to these two vast areas, we are recommending Rs.31 crores for the development of tal lands and Rs.21 crores for the development of diara lands. In addition, we are also recommending Rs.5.50 crores for the purchase of X-ray plants and diagnostic equipment to be provided in sadar and sub-divisional hospitals. A total of Rs.57.50 crores is thus being recommended to take care of some of the special problems of Bihar.

Goa

The building housing the Assembly and the secretariat is understood to be unsafe, having become 400 years old. Provision for a new Assembly complex having already been made, we now recommend Rs.5 crores for the construction of a new Secretariat. We also recommend a provision of Rs.2 crores for the construction of transit accommodation at Dona Paula.

Gujarat

550 villages of Mehsana district have been facing the problem of excessive fluorides in drinking water. We are recommending for Rs.50 crores towards the early solution of this problem.

Haryana

To relieve congestion in Delhi, Haryana has to invest in the development of satellite towns. Special assistance of Rs.40 crores is being provided for this purpose.

Himachal Pradesh

Himachal Pradesh offers year round facilities for tourism. To facilitate further flows of tourists, we are providing for Rs.30 crores for the construction of air strips at Banikhet and Rangrik. We are also providing for Rs.40 crores for reorganization and augmentation of existing water supply system and extension of sewerage system of Shimla town, capital and principal hill resort of Himachal Pradesh. In addition, acknowledging the need for a MLA's hostel and augmentation of library facilities in the State Assembly, we are also recommending a total of Rs.5 crores (Rs.4 crores for a hostel and Rs.1 crore for the library) for the Assembly. Altogether a provision of Rs.75 crores is being recommended.

Jammu & Kashmir

Jammu & Kashmir is beset with many problems. For the development of Leh and Kargil districts, as proposed by the State, we are recommending a provision of Rs.10 crores (Rs. 5 crores each). In addition, we are also supporting the proposal of the State for upgrading equipment in various departments of medical colleges in Jammu/Srinagar. A provision of Rs.37 crores is being recommended on this account. The total grant recommended for special problems is Rs.47 crores.

Karnataka

For Karnataka we recommend Rs 29 crores as grants. Of this, Rs.12 crores are for a regional training institute at Gulbarga, Rs.7 crores for construction of/completion of district stadia, including laying cinder tracks therein, and Rs.10 crores for computerization of the tax collection departments.

Kerala

The State Government has represented that annually about 18,000 fishermen are rendered homeless and road and drinking facilities are badly affected during squally conditions. Accordingly a provision of Rs.50 crores is being made to provide : (i) Rs.30 crores for better housing , (ii) Rs.13 crores for fisheries road and (iii) Rs.7 crores for water supply . In addition, Rs.2 crores is recommended to protect shola forests. The total grants recommended are Rs.52 crores.

Madhya Pradesh

Forests are vital to the ecology of Madhya Pradesh and the country at large. In order to help preserve and regenerate forests and also improve the lot of villages in and around forest areas, the State Government has proposed a socio-economic development project in 500 such villages. We recommend Rs.60 crores for this project.

Maharashtra

Maharashtra has special problems arising out of high degree of urbanization in the State. We therefore recommend a provision of Rs.50 crores for the improvement of slum conditions in Bombay and another Rs.50 crores for the development of urban water supply and sewerage systems.

Manipur

The State Government made a special plea to us for funds for the maintenance and preservation of Loktak Lake, which is of prime importance to the economy and eco-system of Manipur. This fact was also recognized by the Ninth Commission. We recommend Rs.30 crores for the development of the lake, including its desilting, afforestation of the catchment area and enlargement of its capacity. We also recommend Rs.10 crores for

putting up a cultural complex either at Moirang or at Imphal and a memorial for the Indian National Army, and Rs.10 crores for a sports complex at Imphal.

Meghalaya

The State Government has represented that there is an urgent need to extend the secretariat building. We recommend Rs.5 crores for this.

Mizoram

The construction of an airport at Lengpui is widely recognised as a special requirement of Mizoram. We endorse the same and recommend Rs.57 crores for an airport with a 10,000 ft. runway, as proposed by the State and supported by the Ministry of Home Affairs.

Nagaland

The internal security problem of Nagaland is a major bottleneck in the overall development of the State and, therefore, requires special and timely assistance. In this context we are inclined to endorse the State Government's proposal to strengthen the law and order machinery, and recommend Rs.30 crores for security equipment like bullet proof jackets, jeeps, communication equipment , construction and repair of barrack type police accommodation and establishment of appropriate helicopter facilities.

Orissa

The preservation of Chilka lake and restoration of the eco-system have attracted attention. Area shrinkage, siltation, pollution, and weed infestation threaten to choke the lagoon. We recommend Rs.27 crores for the scheme of the State in this regard. A large number of ancient monuments including temples and pre-historic caves etc. need to be preserved and protected. We acknowledge this special requirement and recommend Rs.10 crores for this purpose. For supporting flood control measures in especially vulnerable areas, that are endemic to floods, we are recommending Rs.8 crores (Rs.4 crores for providing 800 deep tube-wells and Rs.4 crores for the construction of livestock shelters). In addition, appreciating the State's desire to conserve plant genetic resources with an aim to introduce, conserve and propagate special species of plant, Rs.6 crores are recommended for the development of the Regional Plant Resource Centre at Bhubaneshwar.

Punjab

The special problem of Punjab relates to debt arising out of special loans to fight insurgency. Accordingly we have dealt with this in Chapter XII para 12.40.

Rajasthan

The severity of the problem of drinking water particularly in the western arid region of Rajasthan stands out as the special problem of the State. Both the quantity and quality of drinking water need to be considerably augmented and improved . We recognise this need and recommend Rs.70 crores for capital expenditure directed towards a long term solution of the problem.

Sikkim

The construction of an airfield at Gangtok appears to be a requirement on which several other developments hinge. We are, therefore, convinced of the need to support this project and recommend Rs. 3 crores for it. We also recommend Rs.1.5 crores for the much needed stadium complex at Gangtok, Rs.0.70 crores for equipment for 23 PHCs and Rs.0.30 crores for equipment for post-partum units, as asked for by the State.

Tamil Nadu

The metropolitian city of Madras is continuously expanding. About one third of the city's population lives in slums and the task of improving their lot is urgent. We, therefore, recommend Rs. 60 crores for this purpose.

Tripura

The State made a plea for supplemental funds for the G.B. Pant Hospital at Agartala. We accept their plea and recommend Rs. 10 crores for the same. We recognise the need for timely completion of the sports complex at Bhadarghat at Agartala. We recommend Rs.2 crores for the same thereby supplementing the grant made available to the State by the Government of India.

Uttar Pradesh

The disruption of water supply services poses a critical problem in the hill districts of the State. We found urban areas in these districts to be particularly affected, chiefly the towns of Almora, Nainatal, Pithoragarh and Pauri. We, therefore, recommend Rs. 40 crores for the augmentation, improvement and maintenance of water supply services. Restoration of roads, buildings, irrigation channels, and godowns for storage of essential supplies for distribution to remote and inaccessible areas has been neglected for want of funds. We recommend Rs.20 crores for the purpose. We find strength in the contention of the State that national pilgrimage centres play a major role in promoting national unity and integration. Besides, a reasonable level of facilities needs to be provided for hygiene and sanitation. We therefore recommend Rs.40 crores for providing and improving yatra services to Kailash, Mansarovar, Badrinath and Kedarnath, including the widening of main yatra roads and provision of adequate transportation services. The lake areas in the Kumaon region are getting more and more polluted everyday and urgently need some financial support for their regeneration. We recommend Rs. 8 crores for this scheme. The total of special problem grants for Uttar Pradesh comes to Rs.108 crores.

West Bengal

The problem of slums in Calcutta continues to be a special one requiring large sums of money, time and effort. We have decided to provide assistance of Rs. 50 crores. Two other special problems of West Bengal have attracted our attention. We are recommending Rs.35 crores for the development of the Sunderbans and another Rs.20 crores for tackling the problem of erosion and related narrowing of the critical gap between the Bhagirathi and Ganga-Padma river systems.

8.15 Our assessment of the State-wise requirements for upgradation of District Administration and Education have been indicated in Tables 1 and 2. The consolidated statement of grants recommended by us for upgradation and special problems is at Table 3. We are conscious that the States will take some time to finalise estimates, get the necessary technical and administrative approvals, select agencies for

implementation etc. We are of the view that the requirements shall arise from 1996-97 in a phased manner. Accordingly, the year wise entitlements for grants for States is as indicated in Tables 4 and 5.

Monitoring and Evaluation

8.16 Previous Commissions have stressed the need for ensuring that the grants recommended for upgradation were used for the purpose for which they were intended. They also sought to establish effective monitoring. The Eighth Commission reviewed the monitoring system suggested by the Seventh and stated that they could not get complete data from the State either in respect of the utilization of grants, or physical progress of the schemes. They therefore, recommended the following arrangements:-

a) At the Government of India level, there was to be an Inter-Ministerial Empowered Committee for monitoring the progress of utilisation of upgradation grants. The Committee consisted of representatives of the concerned Central Ministries as Members and had to meet as often as necessary, but not less than once in a quarter. The Committee was empowered to alter the physical targets in case escalation in prices warranted it, or transfer the grants from one scheme to another within the same sector. For example, under Tribal Administration, the Ministry of Home Affairs transferred funds from compensatory allowance to staff quarters while implementing the recommendations of the Seventh Commission. Similarly, adjustments like transferring grants from the establishment of new treasuries to the construction of buildings for existing treasuries, or effecting structural alterations to existing treasuries, were within the competence of the Empowered Committee. The members of the Empowered Committee were also expected to visit the States and make random inspection of the works under construction/offices set up out of the upgradation grants.

b) At the State level, a similar State Level Empowered Committee under the Chairmanship of the Chief Secretary or a very senior officer was constituted. It was competent to sanction schemes, provide funds and monitor progress. It was expected to meet frequently but not less than once in two months.

8.17 The Commission had also recommended that an evaluation study be conducted by a suitable organisation to assess the benefits of upgradation programmes.

8.18 The Ninth Commission recommended the continuation of the same mechanism for monitoring.

8.19 A consideration of the above, as well as the deposition of the Ministry of Finance before us, leads us to conclude that the existing system of monitoring, as introduced by the Eighth and continued by the Ninth Commission, is working in a satisfactory manner as evidenced by the details at Annexure VIII.1. We, therefore, propose to retain it. In order to eliminate administrative bottlenecks and delays, we would however, like the State Level Empowered Committee to be more vigilant. Details of the various schemes, their unit cost, physical targets etc. may need to be suitably revised during their implementation . Keeping in mind the overall objective of timely completion of schemes coupled with financial prudence, the State Level Empowered Committee may be vested with a measure of flexibility within agreed parameters to effect necessary changes.

Table 3

Grants for Upgradation and Special Problems

(Rs. lakhs)

State	Upgradation													Special Problems	Total (14+15)
	Record Rooms	Computerisation of Treasuries	Primary Schools	Upper Primary Schools	Girls' Education	Buildings for Police Stations/Outposts	Police Housing	Police Training	Police Telecommunications	Fire Services	Repair & Renovation of Jail Bldgs.	Med. facilities in Jails	Total (2 to 13)		
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
1. Andhra Pradesh	871.83	-	4329.84	536.45	1050.00	204.00	-	401.51	683.00	400.00	257.00	154	8887.63	6500.00	15387.63
2. Arunachal Pradesh	13.65	60.00	89.30	24.50	700.00	32.00	537.50	10.96	163.75	200.00	-	-	1831.66	5000.00	6831.66
3. Assam	226.67	230.00	3665.44	704.15	500.00	68.00	8291.25	179.81	374.50	200.00	154.00	92	14685.82	6000.00	20685.82
4. Bihar	989.19	400.00	4221.96	945.90	2900.00	504.00	5267.50	524.73	919.25	700.00	587.00	353	18312.53	5750.00	24062.53
5. Goa	5.73	20.00	59.30	8.00	-	20.00	-	10.21	44.75	200.00	7.00	4	378.99	700.00	1078.99
6. Gujarat	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5000.00	5000.00
7. Haryana	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4000.00	4000.00
8. Himachal Pradesh	71.99	20.00	562.33	99.85	200.00	32.00	1471.25	43.89	178.75	300.00	14.00	9	3003.06	7500.00	10503.06
9. Jammu & Kashmir	98.02	150.00	1020.72	260.25	1200.00	32.00	2466.25	84.54	214.25	300.00	32.00	19	5877.03	4700.00	10577.03
10. Karnataka	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2900.00	2900.00
11. Kerala	348.42	-	239.87	199.40	-	128.00	1028.75	192.24	322.25	300.00	140.00	84	2982.93	5200.00	8182.93
12. Madhya Pradesh	1006.52	-	7003.02	1237.60	2450.00	140.00	-	449.07	889.25	800.00	414.00	248	14637.46	6000.00	20637.46
13. Maharashtra	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10000.00	10000.00
14. Manipur	12.21	-	353.99	77.35	200.00	28.00	1382.50	26.46	124.25	200.00	43.00	26	2473.76	5000.00	7473.76
15. Meghalaya	17.95	50.00	551.46	92.55	100.00	8.00	-	22.14	107.50	200.00	14.00	8	1171.60	500.00	1671.60
16. Mizoram	5.46	30.00	109.46	78.55	-	12.00	282.50	11.89	58.75	100.00	15.00	9	712.61	5700.00	6412.61
17. Nagaland	31.36	90.00	146.77	41.35	50.00	28.00	1606.25	31.72	122.25	200.00	30.00	18	2395.70	3000.00	5395.70
18. Orissa	350.00	180.00	4656.16	1482.65	600.00	120.00	-	200.09	399.50	400.00	182.00	109	8679.40	5100.00	13779.40
20. Punjab	160.22	140.00	186.99	68.90	150.00	68.00	6271.25	185.55	312.00	300.00	180.00	108	8130.91	**	8130.91
21. Rajasthan	793.66	340.00	2284.34	436.70	2300.00	124.00	-	288.63	581.00	500.00	212.00	127	7987.33	7000.00	14987.33
22. Sikkim	4.84	10.00	46.79	12.95	50.00	16.00	38.75	5.93	68.75	200.00	1.00	1	456.01	550.00	1006.01
23. Tamilnadu	630.52	-	695.53	248.40	150.00	220.00	-	369.62	623.50	400.00	467.00	280	4084.57	6000.00	10084.57
24. Tripura	25.33	20.00	194.34	49.10	50.00	8.00	818.75	30.63	62.25	100.00	20.00	12	1390.40	1200.00	2590.40
25. Uttar Pradesh	1563.75	460.00	5548.63	483.05	3800.00	224.00	-	907.62	1149.25	1200.00	886.00	532	16754.30	10800.00	27554.30
26. West Bengal	490.13	110.00	3149.63	198.20	400.00	236.00	4487.50	409.67	352.50	800.00	489.00	294	11416.63	10500.00	21916.63
All States	**7717.45**	**2310.00**	**39115.87**	**7285.85**	**16850.00**	**2252.00**	**33950.00**	**4386.91**	**7751.25**	**8000.00**	**4144.00**	**2487.00**	**136250.33**	**124600.00**	**260850.33**

** *Special debt relief has been provided for as indicated in Chapter XII para 12.40.*

Table 4

Year-wise Grants for Upgradation

(Rs. lakhs)

State	1995-96	1996-97	1997-98	1998-99	1999-2000	Total 1995-2000
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	-	1778	2222	2666	2222	8888
Arunachal Pradesh	-	366	458	549	458	1831
Assam	-	2937	3672	4406	3671	14686
Bihar	-	3663	4578	5494	4578	18313
Goa	-	76	95	114	94	379
Gujarat	-	0	0	0	0	0
Haryana	-	0	0	0	0	0
Himachal Pradesh	-	601	751	901	750	3003
Jammu & Kashmir	-	1175	1469	1763	1470	5877
Karnataka	-	0	0	0	0	0
Kerala	-	596	746	895	746	2983
Madhya Pradesh	-	2927	3659	4391	3660	14637
Maharashtra	-	0	0	0	0	0
Manipur	-	495	619	742	618	2474
Meghalaya	-	234	293	352	293	1172
Mizoram	-	143	178	214	178	713
Nagaland	-	479	599	719	599	2396
Orissa	-	1736	2170	2603	2170	8679
Punjab	-	1626	2033	2439	2033	8131
Rajasthan	-	1597	1997	2396	1997	7987
Sikkim	-	91	114	137	114	456
Tamil Nadu	-	817	1021	1225	1021	4084
Tripura	-	278	347	417	348	1390
Uttar Pradesh	-	3351	4188	5026	4189	16754
West Bengal	-	2284	2854	3425	2854	11417
All States	**-**	**27250**	**34063**	**40874**	**34063**	**136250**

Table 5

Year-wise Grants for Special Problems

(Rs. lakhs)

State	1995-96	1996-97	1997-98	1998-99	1999-2000	Total 1995-2000
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	-	1300	1625	1950	1625	6500
Arunachal Pradesh	-	1000	1250	1500	1250	5000
Assam	-	1200	1500	1800	1500	6000
Bihar	-	1150	1438	1725	1438	5750
Goa	-	140	175	210	175	700
Gujarat	-	1000	1250	1500	1250	5000
Haryana	-	800	1000	1200	1000	4000
Himachal Pradesh	-	1500	1875	2250	1875	7500
Jammu & Kashmir	-	940	1175	1410	1175	4700
Karnataka	-	580	725	870	725	2900
Kerala	-	1040	1300	1560	1300	5200
Madhya Pradesh	-	1200	1500	1800	1500	6000
Maharashtra	-	2000	2500	3000	2500	10000
Manipur	-	1000	1250	1500	1250	5000
Meghalaya	-	100	125	150	125	500
Mizoram	-	1140	1425	1710	1425	5700
Nagaland	-	600	750	900	750	3000
Orissa	-	1020	1275	1530	1275	5100
Rajasthan	-	1400	1750	2100	1750	7000
Sikkim	-	110	138	165	138	550
Tamil Nadu	-	1200	1500	1800	1500	6000
Tripura	-	240	300	360	300	1200
Uttar Pradesh	-	2160	2700	3240	2700	10800
West Bengal	-	2100	2625	3150	2625	10500
Total	**-**	**24920**	**31150**	**37380**	**31150**	**124600**

CHAPTER IX

CALAMITY RELIEF

9.1 Para 7 of our terms of reference requires us to review the existing scheme of Calamity Relief Fund (CRF) and to make appropriate recommendations thereon. The scheme, introduced by the Ninth Commission (Second Report), is designed to enable the States to manage and provide for calamity relief on their own by drawing upon the resources available with a fund constituted for that purpose separately for each State. The prescribed annual contributions to each State CRF are required to be made by the Centre and the concerned State in the proportion of 75:25. The scheme further provides for an accumulating balance with the proviso that if there is any unutilised amount left at the end of five years , it would be available for augmenting the plan resources of that State. On the other hand, it is permissible under the scheme to draw upon a percentage of the next year's Central assistance, if it became necessary to tide over the insufficiency of resources in the CRF in any particular year. The CRF dispensed altogether with the requirement under previous calamity relief schemes of maintaining `Margin Money', submitting a memoranda to the Central Government for determining the ceiling of approved expenditure (which entitled the States to the Central assistance) and receipt of assistance in the form of loans and grants. The Centre's contribution to the CRF of a State is now entirely in the nature of a grant.

9.2 While recommending the constitution of a CRF, the Ninth Commission noted certain deficiencies in the existing scheme. They thought it tended to encourage the States to present inflated claims with the expectation of receiving a higher Central assistance. Moreover, the arrangements in the wake of a calamity were far from satisfactory. Further, to overcome the procedural delays in sanctioning, releasing and deploying the assistance for carrying out the actual relief works the Ninth Commission recommended the constitution of a CRF from which the concerned State could draw funds as the need arose for the same.

9.3 In determining the size of the CRF and the annual contributions to it the Ninth Commission followed more or less the same basis as adopted by the previous Commissions. It took the State-wise average of the ceilings of expenditure approved during the ten years ending 1988-89 as the amount which should be available for relief in the respective States. The total of all the States aggregated to Rs.804 crores. If any region faced a calamity of `rare severity' the Centre was expected to take appropriate action as the situation demanded and incur the necessary expenditure. The Commission did not define what constituted 'rare severity'.

9.4 Most States have expressed themselves in favour of continuation of the existing scheme, albeit, with some modifications here and there. Jammu and Kashmir, Nagaland and Tripura have pleaded that they should be completely exempted from making any contribution towards the CRF. Assam has stated that deficit States should be exempted from making any contributions to CRF and Madhya Pradesh has suggested total exemption for backward States. Orissa, Arunachal Pradesh and Himachal Pradesh have suggested reduction in the share of States from 25 per cent to 10 per cent. A number of States have asked for adjustment for inflation. Gujarat has stated that the amount provided as CRF should be adjusted for inflation over the last ten years and of subsequent years within the time frame of the Tenth Commission. A similar plea has been made by Rajasthan. Rajasthan also joins Madhya Pradesh, Maharashtra, Gujarat and Kerala in suggesting that the actual expenditure, and not the approved ceilings, should be taken into account for working out the size of the CRF . Mizoram is more specific and has pleaded that all expenditure incurred in connection with natural calamities and not only those booked under the Major head "2245-Natural Calamities" should be taken into account. Tamil Nadu has stated that it was not correct to determine the annual CRF on a historical basis according to the expenditure ceilings approved by the Centre in the period 1979-80 to 1988-89, as this historical trend failed to take note of the current price levels.

9.5 A number of States have raised objections against the investment pattern laid down for investments out of the CRF. The Finance Ministry has laid down that the accretions to the Fund should be invested in the following manner :

a) 15 per cent in Govt of India securities.

b) 25 per cent in 182 days Treasury bills.

c) 10 per cent in State Govt. securities.

d) 10 per cent in Public Sector Bonds/units.

e) 25 per cent to be maintained as deposits with Public Sector Banks (PSBs)

f) 15 per cent to be maintained as deposits with State Cooperative Banks (SCB)

9.6 Punjab is one of the few States which has actually created a separate fund and it found that the purchase of securities/bonds was a time-consuming process which tended to negate the objective laid down in the original scheme. Rajasthan has stated that investments out of the CRF should not be held on a long-term basis and that too in a basket of securities the sale and purchase of which has to be effected in the open market. Haryana has pleaded that the entire amount available should be deposited in a fixed deposit/term deposit. Assam has suggested that the procedure for investment of funds may be made simpler with greater freedom for investment in profitable avenues.

9.7 As regards calamities of rare severity, Gujarat has stated that these should be objectively defined in terms of the number of villages/people affected, quantum and extent of relief and similar other factors. Andhra Pradesh has cited the case of the disastrous cyclone which occured on 9th May, 1990 and resulted in unprecedented loss of life and property for which no additional assistance was given; it has suggested that standard criteria should be evolved for determining `rare severity'. Tamil Nadu has stated that though it suffered an unprecedented calamity in 1992, no special help was forthcoming and as such the recommendations of the Ninth Finance Commission cannot be said to have provided a durable arrangement for such national disasters of unprecedented severity.

9.8 The Ministry of Finance, on the other hand, has stated that the scheme recommended by the Ninth Commission is advantageous to the States as the Central contribution is now entirely in the form of grants and the States left free to manage their affairs at their own discretion. The Ministry has also opposed the suggestion of the State Governments for a change in the investment pattern of the fund, lest the balances in the fund may not be available when needed. They have argued for the continuation of the present arrangement.

9.9 We have also received the comments of the Department of Agriculture and Cooperation of the Ministry of Agriculture who have been assigned a nodal role within the Government of India for overseeing the operation of CRF. They have reported that the response of the State Governments to requests by them for information for purposes of monitoring has not been encouraging, as the States accorded very low importance to the submission of any information to the Centre in the absence of any additional monetary assistance which could flow based on these communications. They have observed that in the absence of clear guidelines being prescribed, the States have tended to charge to the CRF all types of expenditure, including some only remotely related to calamity relief, such as office expenses at the State level and construction of new flood protection works and embankments. Their specific comments regarding the role of the Government of India under the changed scenario are as follows:

> "....in a vast country like ours, any calamity with substantial adverse impact involved the involvement of the Central Government as well (but) the scope of giving expression to the concerns of the Central Government in concrete terms has been significantly reduced under the new arrangement based on Ninth Finance Commission's recommendations." They stated that the Centre had received 30 Memoranda for additional Central assistance between June 90 and May 93 regarding natural calamities that, according to the States, required to be handled at the national level.

9.10 The Department has suggested that the States CRF should be shared between the Central and the State Government in the ratio of 50:50, and the basis for fixing the amount of the fund should be the average of the actual expenditure on relief measures during the last four years of the existing state corpus, whichever is higher. The instalments of Centre's share of the CRF may be released by the Ministry of Finance on the recommendations of the Department or the submission of utlisation reports by the States. The expenditure from the CRF should be incurred on the basis of guidelines framed by the Government of India in this regard. If the funds available under the CRF are not sufficient to meet the situation in the wake of a natural calamity, additional funds should be made available by the Central Government on the basis of the recommendations of the Central teams to be deputed for this purpose and these additional requirements should be shared between the Central and the State Governments in the ratio of 3:1. The Department has also stated that the Central Government would make an annual provision of adequate funds in addition to the Centre's share of CRF for meeting these additional requirements.

9.11 There is near unanimity on the part of the States that the present arrangement should be continued, even though certain reservations were expressed by one or two States during discussions. In the light of the fact that almost all States have asked for the continuance of the existing scheme and the Ministry of Finance have also suggested that sufficient time should be given for the scheme to be operationalised, we do not consider it necessary to change the present scheme or the pattern of the Centre-State contributions to it.

9.12 There is some substance in the observation of the Department of Agriculture and Cooperation that the practice regarding charging of different types of expenditure to the CRF has not been uniform among the States. While acknowledging that there is room for inter-State variations in items of relief expenditure, depending upon local requirements, there is nevertheless a need to evolve an All-India framework. To give one instance, it would be invidious if one State gives Rs.10,000 ex-gratia payment for the loss of life, and another gives Rs. 1,00,000. Adherence to certain broad parameters may also be necessary to withstand undue local pressures. Successive Commissions have, while noting the varying capacity of different States to meet the cost of calamity relief, also stressed the need to avoid unwarranted and wasteful expenditure.

9.13 We, therefore, recommend that the Department of Agriculture and Cooperation of the Ministry of Agriculture should set up a committee of experts and representatives of State Governments to frame common guidelines in regard to the items and their rates and norms, that can be debited to the CRF. The State committees will then work out the details for their respective States. In auditing the expenditure from the CRF it should be ensured that the designated items alone are charged to the fund and the norms are observed. We are also in agreement with the Finance Ministry that a separate fund outside the Public Account must be created so that the balances in the fund are available when needed.

9.14 Another issue raised by several States is that the quantum of the CRF should be based on an average of the actual expenditure incurred by them on natural calamities over a given number of years and not on the basis of ceilings of expenditure approved by Government of India. However, the States have claimed expenditure booked under a variety of Heads as being expenditure relating to calamity relief. In the case of other Heads it is difficult to distinguish between expenditure incurred in connection with calamity relief and other normal expenditure booked to those Heads. On the other hand, expenditure under various Minor Heads such as gratuitous relief, supply of fodder, drinking water, veterinary care, housing etc. is subsumed under the Major Head 2245 - Natural Calamities, which can therefore be justifiably taken to represent the expenditure of State Government on all relief activities. We are, therefore, of the view that the most appropriate and objective manner of assessing relief expenditure is to take into account only the expenditure booked to Major Head 2245-Natural Calamities.

9.15 We do, however, fully share the States' misgivings with regard to the factor of inflation which may not have been suitably accommodated in the present dispensation. We have taken into account the average of the aggregate of ceilings of expenditure for the years 1983-84 to 1989-90 and the amount of calamity relief fund for the years 1990-91 to 1992-93. The amount so worked out for all the States, has been adjusted for inflation upto 1994-95 and

thereafter at graduated rates with the same elasticity as for other non-plan revenue expenditure up to 1999-2000. The amount thus worked out for all States for the period of our Report is Rs.6304.27 crores as at Annexure IX.1. Out of this, the Centre will be required to contribute Rs.4728.19 crores (75 per cent) and the States Rs.1576.08 crores (25 per cent). The share of the States has been included in their expenditure estimates. We accordingly recommend the continuation of the current scheme of the Calamity Relief Fund with modifications. The main features of the modified scheme will be as follows:

a) The contribution of the Centre and States to the Calamity Relief Fund shall be as at Annexure IX.2 and IX.3 respectively.

b) The CRF should be held outside the Public Account of the State in a manner to be prescribed by the Ministry of Finance as explained next. Before releasing the amount due in any year, Ministry of Finance shall ensure that the Central contributions released in earlier years have been credited to the CRF.

c) The existing scheme for the "Constitution and Administration of the Calamity Relief Fund and Investment therefrom", issued by the Ministry of Finance, should be modified so as to provide flexibility in the choice of avenues for investment subject to ensuring security and liquidity. Holding the funds entirely in a nationalised bank should be considered by the Finance Ministry. The Ministry should circulate a modified scheme after consulting the States by 30th June, 1995.

d) The balance in this fund will be available to the State at the end of the fifth year or thereafter for being used as a resource for the next plan.

e) The State Level Committes constituted under the existing scheme shall decide on all matters connected with the financing of the relief expenditure subject to the general guidelines issued by the Union Agriculture Ministry in terms of para 9.15 (j).

f) If it is found by the State Level Committee (constituted under the existing scheme) that in a particular year, the amount required is more than the sum available in the CRF , it may draw 25 per cent of the funds due to the State in the following year from the Centre, to be adjusted against the dues of the subsequent year. The Ministry of Finance may consult the Agriculture Ministry before making such advance releases. The Central Government may, at its discretion, allow a higher percentage of advance from the State's entitlement in the next year.

g) Periodic information relating to expenditure from the CRF and relief operations may be collected by the Department of Agriculture from the State Level Committees of the CRF .

h) The present arrangement for co-ordinating relief work at the Centre in the Ministry of Agriculture may continue so that the assistance from Defence Forces, Railways as also supply of seeds, etc., which may be required in time of natural calamities could be co-ordinated.

i) A Committee of experts, and representatives of States, may be set up by the Ministry of Agriculture to draw up a list of items, the expenditure on which alone will be chargeable to the CRF . This should be done by Ist April, 1995.

j) The norms for the amounts that can be given or spent under each of the approved items be prescribed by the State Level Committees. This should be done by 30th June, 1995. The norms so fixed should be communicated to the Union Ministry of Agriculture. They should check the norms and, if they are significantly out of line, modify them.

k) The Accountants General should then be instructed to see that only expenditure on the items approved by the Ministry of Agriculture is booked to the Head 2245 - Natural Calamities. The Ministry of Agriculture may monitor whether the State is adhering to the norms prescribed by its own Committee.

9.16 Lastly, we consider how to deal with a calamity of rare severity. Between June, 1990 and May, 1993 the Central Government is reported to have received thirty memoranda from the States claiming additional Central assistance on the ground that they had experienced a calamity of rare severity. While it is no doubt true that the country has been spared the agonies of the type witnessed during the severe drought in 1986-87 and 1987-88, which affected Rajasthan and Gujarat, nevertheless, floods and drought of varying intensity and magnitude have continued to be experienced in various parts of the country almost every year. From time to time calamities of such a severity may occur in various regions that the States are not able to manage with their own CRF. At such times the Central Government must be in a position to come to the rescue of the State and organise relief on a national scale.

9.17 We have considered the issue carefully and are of the view that a calamity of rare severity would necessarily have to be adjudged on a case-to-case basis taking into account, inter alia, the intensity and magnitude of the calamity, level of relief assistance needed, the capacity of the State to tackle the problem, the alternatives and flexibility available within the plans to provide succour and relief, etc. Any definition bristles with insurmountable difficulties and is likely to be counter-productive.

9.18 Once a calamity is deemed to be of rare severity it really ought to be dealt with as a national calamity requiring assistance and support beyond what is envisaged in the CRF Scheme. It goes without saying that additional assistance from the Centre would be required. But the national dimensions of such a calamity can be brought out only if all States also come to the succour of the affected State. In actual fact this has been happening in the past when many States did extend support to the affected State both in terms of financial grants and by sending material help and teams of doctors, etc. We would like to place this urge for national solidarity in a moment of distress on a more formal basis in our scheme. We, therefore, propose that in addition to the CRFs for States, a National Fund for Calamity Relief should be created to which the Centre and the States will subscribe and which will be managed by a National Calamity Relief Committee on which both the Centre and the States would be represented. This fund

will be for dealing with calamities of rare severity and will be managed at the national level by a sub-committee of the National Development Council. This committee headed by the Union Agriculture Minister could comprise the Dy. Chairman, Planning Commission, and two Union Ministers and five Chief Ministers to be nominated by the Prime Minister annually by rotation. The Department of Agriculture should provide the secretariat for this fund . The nomination of the Chief Ministers should be done in March of each year for the next financial year.

9.19 The National Fund for Calamity Relief (NFCR), will be operated by the Ministry of Agriculture, Government of India but it will be maintained outside the Public Account of the Government of India as recommended by us for CRFs of States. The Ministry of Finance will prescribe guidelines for this as we have recommended it should do in the case of the CRF. The accounts of the NFCR shall be audited annually by the Comptroller and Auditor General. The admissible items of expenditure, norms etc. for this fund should be worked out by the Committee of Experts which we have recommended above for a similar purpose in the case of CRFs.

9.20 The size of the fund would be Rs.700 crores, to be built up over the period 1995-2000, with an initial corpus of Rs.200 crores to which the Centre would contribute Rs.150 crores and the States Rs.50 crores in the proportion of 75:25. In addition, for each of the five years from 1995-96 to 1999-2000 the contributions of the Centre and the States would be Rs.75 crores and Rs.25 crores respectively. The contribution by both the Centre and the States would be made annually in the beginning of the financial year. Contribution of States inter-se would be in the same proportion as their estimated total tax receipts after devolution. The share of each of the States, as indicated at Annexure IX.4, has been included in the reassessment of expenditure of the States.

9.21 We hope that with the setting up of the National Fund for Calamity Relief it would now be possible to tackle calamities of rare severity more effectively . What is more, we hope that the system recommended by us would also help create a sense of national solidarity in a common endeavour which would then abide beyond the period of distress.

CHAPTER X

GRANTS FOR LOCAL BODIES

10.1 The provisions of article 280 of the Constitution, under which Finance Commissions have been constituted, prescribe (a) mandatory terms of reference as laid down in clause (3) of article 280 and (b) such other matters as may be referred to the Commission by the President "in the interests of sound finance". Till the time this Commission was constituted i.e. by the Presidential Order dated 15th June, 1992, mandatory terms of reference under article 280(3) were as follows:

Article 280(3)

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

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India."

10.2 Subsequent to the setting up of this Commission, article 280(3) has been amended to provide for yet another mandatory duty to be performed by the Finance Commission. By the 73rd and 74th amendments to the Constitution, two new sub-clauses (bb) and (c) have been introduced in clause 3 of article 280. These sub-clauses make it obligatory upon the Commission to recommend "the measures needed to augment the Consolidated Fund of a State to supplement the resources of the panchayats/municipalities in the State on the basis of the recommendations made by the Finance Commission of the State."

10.3 The Union Ministries of Rural and Urban Development, several State Governments, the National Commission for Women and the Rajiv Gandhi Foundation have taken note of the fact that the recommendations of the State Finance Commissions are not likely to be available during our term. Nevertheless, they have represented that the Commission should recommend measures needed to augment the resources of States to enable them to supplement the resources of newly created constitutional bodies i.e. panchayats and municipalities. Assuming that the reports of the State Finance Commissions will not be available earlier than mid-1995, the Union Ministry of Rural Development has argued " while the Tenth Finance Commission cannot therefore wait for the recommendations of State Finance Commissions, it cannot also leave the subject of supplementing the resources of the Panchayats untouched as it would mean ignoring a key area which represents the basic tier of administration throughout the country. In our opinion, the Tenth Finance Commission must necessarily look into the measures needed to supplement the resources of the Panchayats." In his evidence before the Commission, Secretary, Ministry of Rural Development had argued in much the same vein. A similar plea has been made by the Ministry of Urban Development. It has argued that "The third stratum of self-governance has been constitutionally created at a time when almost all the States are suffering from a severe financial crunch. That apart, the resource base of the States is rather narrow. Self-governance connotes a sense of autonomy. There cannot be any measure of autonomy without some degree of independence in relation to access to resources. Hence, in order to implement the Constitution (74th Amendment) Act in letter and spirit, sufficient provisions have to be made from now on for access to resources by Municipalities."

10.4 Several States have submitted that even in the absence of recommendations of State Finance Commissions, it would still be necessary to provide for the augmentation of the consolidated fund of the State, in order to enable the latter to set up local bodies, hold elections thereto and supplement their resources. Assam has requested us to bridge the gap of Rs.88.45 crores for the urban local bodies in the State. Karnataka has laid claim to Rs.372.93 crores for panchayats. Orissa has asked for a provision of Rs.492 crores to be made available for municipalities and notified area councils of the State. Rajasthan has projected a requirement of Rs.1000 crores for the five year period. Himachal Pradesh has asked for Rs.158.55 crores for panchayats. Bihar, Goa, Madhya Pradesh, Maharashtra, Uttar Pradesh and West Bengal have also argued for strengthening their resource base to enable them to effectively discharge their constitutional obligation of making panchayats and municipal bodies financially viable.

10.5 The amendment of article 280(3) was not followed-up by an amendment of our terms of reference. The question before us now is whether we should and can recommend measures for augmenting State resources (for the purpose of supplementing the resources of panchayats and municipalities) by taking cognizance of the purpose, intent and spirit underlying the Constitution 73rd and 74th amendments.

10.6 Article 280 sub-clauses (bb) and (c) stipulate that the recommendation by the State Finance Commissions is to be the basis of our recommendation to the President regarding "the measures needed to augment the Consolidated Fund of a State" to supplement the resources of panchayats/municipalities. The State Finance Commissions are required to be constituted under article 243-I of the Constitution. In terms of article 243-I and article 243-Y, the State Finance Commission is required to review the financial position of the panchayats/municipalities and recommend to the Governor, inter-alia, the principles of distribution and shares of proceeds of shareable taxes, duties, tolls and fees as between the State and panchayats/municipalities. The Commission is also required to recommend to the Governor "the measures needed to improve the financial position" of the panchayats/municipalities.

10.7 Under article 280 (3), "The Finance Commission" has "the duty" to make a recommendation to the President regarding the "measures needed to augment the Consolidated Fund of a State", once the recommendations of State Finance Commissions become available to it. On the 'basis' of the recommendations made by the State Finance Commission, the Finance Commission would have to first ascertain the "need" for augmentation of the consolidated fund of a State and then

recommend 'measures', which may not necessarily involve any transfer of resources. It is obvious to us, however, that once the State Finance Commissions complete their task, it would be obligatory upon the Finance Commission to assess and build into the expenditure stream of the States the funding requirement for supplementing the resources of panchayats/municipalities. This would be necessary to determine the measures needed for augmentation of the State consolidated fund.

10.8 Since at present the recommendations of the State Finance Commissions are not available, there is no duty cast on this Commission to make a recommendation in terms of article 280(3) of the Constitution. At the same time the Commission is not precluded either, in terms of article 275 of the Constitution, from making a recommendation regarding grants-in-aid of the revenues of such States as may be determined to be in need of assistance. That being so, we have to consider whether or not we would be failing in our duty if we were to overlook the implications for State finances of local self-government consequent on the Constitutional amendments.

10.9 Our recommendations have a time span of five years i.e. 1995-2000. This entire period would witness the emergence and consolidation of the new place and role of panchyats/ municipalities in the Constitution. Now the Constitution envisages supplementation of their resources by the State with the help of the Union. It would not be wrong to assume, therefore, that while a proper consideration of the measures as such to augment the resources of the States must await the recommendations of respective State Finance Commissions , ad hoc augmentation of the Consolidated Fund of States would be in keeping with the spirit of the amendments.

10.10 The panchayats/municipalities are late entrants in our federal democratic structure but their action or inaction is likely to affect the welfare of the people and area under their jurisdiction more directly than either the actions of the State or the Union. Therefore, within the constraints imposed on us by our terms of reference, we are inclined to consider assistance to the States for panchayats/municipalities.

10.11 The Ministry of Rural Development has stated that the finances of panchayats have unfortunately not been studied in detail for several years now and the published figures relate only to the year 1976-77. Based on these figures, two projections have been offered for the year 1992-93. One of the projections is based on the derived share of allocable taxes and grants to panchayats and the other on the proportion of States' own resources made available to panchayats. In 1976-77, taking all States together, per capita share of taxes and grants assigned to panchayats has been worked out as Rs.14.75. This has been projected for the year 1992-93 to reach a per capita figure of Rs.54.87. It has been then multiplied with the latest census figure of rural population of 62.87 crores to arrive at the needed amount of Rs.3445 crores, rounded to Rs.3500 crores.

10.12 The Ministry of Rural Development has, however, not recommended this alternative as in their view it would amount to freezing the grant at 1976-77 level. Instead, the second alternative, by working out the share of taxes and grants to panchayats as a proportion of States' own revenues, has been pursued. It is claimed that in 1976-77 taxes and grants assigned to panchayats for all States put together worked out to 12.02 per cent of the own resources of all the States. The Ministry is of the view that the percentage share of States' own resources being made available to panchayats by way of assigned taxes and grants would have to be improved upon. In 1976-77, 87 per cent of the all States' total assigned taxes and grants to panchayats was contributed by only four States - Andhra Pradesh, Gujarat, Maharashtra and West Bengal. The rest of the States put together accounted for only 13 per cent. The Ministry's view is that " it will be necessary to provide them (panchayats) a minimum of 15 per cent of the total resources of the States specifically earmarked for the purpose." On this basis and taking into account the revised estimate for 1992-93 of resources of all States and Union Territories, the Ministry of Rural Development has suggested that it will be "appropriate to earmark a sum of Rs.7,500 crores specifically for being distributed to panchayati raj institutions out of the States (and Union Territories) own resources during the period covered by the Tenth Finance Commission."

10.13 The responsibility of sharing taxes with panchayats and assigning grants to them has not been transferred from the States to the Centre. The responsibility for providing panchayats with an independent source of revenue as also grants for specified purposes is very much that of the State Governments. The State Finance Commissions are there to ensure proper allocation of resources as between the State and panchayats . If in the process of supplementation of the resources of panchayats a need arises for the augmentation of the State Consolidated Fund, it has to be considered by the Finance Commission. The percentage of States' own resources made available to panchayats in 1976-77 may be an indicator of what the States should do to help panchayats but it cannot become a standard for augmentation by the Centre of a State's Consolidated Fund. Some of the States like Gujarat and Maharashtra have had, for many years, a three-tiered panchayati raj structure similar to the one now incorporated in the 73rd amendment of the Constitution. The figures of 1976-77 supplied by the Ministry of Rural Development indicate that in Gujarat the share of assigned taxes worked out to 29.60 per cent of States' own resources and grants accounted for 22.90 per cent of the total. Since in many other States similar institutions did not exist, they did not transfer a comparable level of resources from the States to the panchayats.

10.14 In terms of the 73rd amendment to the Constitution, many of the functions of the State would have to be transferred to panchayats . It can be assumed that the transfer of functions and responsibilities from the State to panchayats would be accompanied by the transfer of staff already working on these schemes/projects as also the financial allocations budgeted for and envisaged to be spent on the transferred activities. Such a transfer is, therefore, not likely to result in any extra burden on the State. The States are still in the process of setting up panchayats and as such it is not yet feasible to work out the additional financial burden a State might have to bear to enable the panchayats to discharge their duties effectively. Even so, it is possible to visualise that the local bodies, rearing to get on with their job once they are in position, would generate a need at least in the initial stages for augmentation of the consolidated fund of states. A few States have already reported that the number of panchayats may increase as a result of fresh delimitation exercises. Even taking into account the existing infrastructure and other facilities available to panchayats , there would still be an initial need for supplementation of resources in order to provide for not only the additional set up, including infrastructure facilities, but also the heightened expectations of people from these bodies.

10.15 While considering the 'measures' needed to augment the consolidated funds of states, in pursuance of article 73 of the Constitution, we have taken note of the fact that a large amount of money is already going to the rural areas through Jawahar Rojgar Yojana (JRY) and other district level schemes. In future these amounts are likely to be channelised through the panchayats.

Even if much of it is tied to specific programmes and activities, it would still leave some leeway for discretionary programmes to be taken up. The corpus of untied funds in the hands of panchayats would, however, require to be supplemented. We assume, though, that the need for measures to augment the State Consolidated Funds, on account of supplementation of the resources of panchayats , would not really arise until 1996-97, since in most cases the panchayats are yet to become functional.

10.16 In the above background we have approached our task as one of making an ad hoc provision of specific grants to States. This has been estimated with reference to the rural population according to the 1971 Census figures. The rural population of all States in India was 4,380.93 lakhs. Most of the funding requirements of panchayats are likely to be met by transfer along with functions from the States and their own resources. We are making an ad hoc provision of Rs.100 per capita of rural popoulation . For all States the figures are indicated at Annexure X.1. This amount should be distributed amongst the panchayati raj institutions, over and above their due by way of their share of the assigned taxes, duties, tolls, fees, transferred activity related budgets and grants. Even in those States which are not required to have panchayats , as envisaged in the 73rd amendment of the Constitution, the additional amounts would be required to be given to supplement the resources of similar local level representative bodies.

10.17 As regards the need for additional funds for municipal bodies, in pursuance of the 74th amendment of the Constitution, the Ministry of Urban Development has stated that without waiting for the recommendations of the State Finance Commissions, a sum of Rs.500 crores, Rs.100 crores per annum, in the next five years may be provided to improve the basic civic services in various urban local bodies. In support of its representation, the Ministry has pointed out that between 1981-91 the urban population had increased from 159 million to 217 million. It registered a decadal growth of 36 per cent. By the year 2001 the urban population is expected to be more than 300 million. In 1991 the slum population in urban areas was of the order of 46.62 million. By the year 2001, it is estimated to be 63.76 million. The increase in urban population, particularly the growth of slum population, is overstraining the meagre resources of urban local governments who are now finding it difficult to provide even the basic civic services like drainage facilities, garbage disposal, latrines, street lighting, etc. The Ministry of Urban Development has, therefore, represented that there is an urgent need to supplement the resources of municipal bodies to enable them to discharge atleast their primary functions in an effective manner. The danger arising from the break-down of urban civic services has been tragically illustrated by the outbreak of epidemics. These are reminders of the cost of neglect of civic services in urban agglomerations.

10.18 An estimate of financial needs for operation and maintenance of core municipal services in urban India made by the National Institute of Urban Affairs indicates that the estimated gap in 1995 worked out to Rs.5,987 crores. It is expected to go up to Rs.12,980 crores in the year 2000. While the accuracy of these estimates and the measures that the state and urban local bodies can adopt to bridge the gap are matters to be discussed and studied by the State Finance Commissions, we are of the view that a provision of Rs.1,000 crores for the five year period covered by our recommendation will go a long way in enabling the urban local bodies to meet their primary obligations. The inter-State distribution of this sum indicated at Annexure X.2 is based on the inter-State ratio of the slum population derived from the urban population figures as per 1971 Census.

10.19 While we have made these provisions for grants to panchayats / municipalities for the discharge of their enhanced responsibilities, this need not necessarily be a precedent for future Commissions. In any case after the reports of the State Finance Commissions become available the need for measures required for augmentation would have to be determined in terms of article 280(3) of the Constitution. For the present, grants recommended by us should be made known to the State Finance Commissions. Further, these amounts should be an additionality over and above the amounts flowing to the local bodies from State Governments. They should draw up suitable schemes with detailed guidelines for utilisation of the grant. The local bodies should be required to provide suitable matching contributions by raising resources. The grant is not intended for expenditure on salaries and wages.

10.20 The total provision should be made available to the States in four equal instalments commencing from 1996-97, as at Annexure X.3 as the rural and urban local bodies are not likely to be fully functional prior to that.

CHAPTER XI

GRANTS-IN-AID

11.1 Under Article 280 (3)(b), the Constitution requires us to make recommendations as to the principles which should govern the grants-in-aid of the revenues of the States that are in need of assistance. In addition, the Presidential Order constituting the Commission asks us to determine, "the sums to be paid to the States .... by way of grants-in-aid of their revenues under article 275".

11.2 We have already explained the manner in which the estimates of the non-plan revenue receipts and non-plan revenue expenditures of the Centre and the States were reassessed by us. Thereafter, we have made our recommendations regarding the devolution of taxes to the States. Other components of resource transfer have also been considered, e.g. additional excise duties and the grants in lieu of tax on railway passenger fares. We now bring these threads together to determine the overall "need of assistance" for grants-in-aid of the revenues of each State.

11.3 A comparison at this juncture with the relevant clauses of the Presidential Order constituting the Ninth Commission would be in order. The terms of reference of that Commission contained a clear directive to "adopt a normative approach in assessing the receipts and expenditures on the revenue account of the States and the Centre and, in doing so, keep in view the special problems of each State, if any, and the special requirements of the Centre." In contrast, no explicit reference to a "normative approach" figures in our terms of reference, and our assessment has been limited specifically to the non-plan revenue expenditure of the States.

11.4 On the other hand, what is entirely new in our terms of reference is the mention of the objective of reducing fiscal deficit in Para 4(i). We are thus required to consider the fiscal balance on revenue as well as capital accounts.

11.5 Clearly, any improvement in the non-plan revenue account will go to reduce fiscal deficit only if it is not offset by a corresponding deterioration in the plan revenue account and capital account. We have not gone into the question of plan outlays or the non-plan capital account. We assume that to the extent our recommendations help improve the non-plan revenue account of the Centre and the States, they would contribute to a reduction in fiscal deficit.

11.6 The difference between assessed needs and assessed post-devolution resources on the non-plan revenue account is a resource gap. This gap is ideally estimated through a full-fledged normative exercise. In that case, the comparison would be between what a State `ought' to be raising in terms of revenues by the application of a vector of normatively determined tax rates on the relevant tax bases after specific fiscal disabilities have been taken into account and what it `ought' to be spending in terms of desired levels of governmental services. At the other extreme is the gap that would emerge from a comparison of what a State `does' raise in terms of revenues with what it `does' spend, i.e. from a comparison of the historical patterns of revenues and expenditures, projected into the future.

11.7 The absence of an explicit mention of a 'normative approach' in our terms of reference does not debar us from adopting one. However, lack of availability of suitably disaggregated data on the tax bases of the States (especially relating to their quality and coverage) and the difficulties in evolving a suitable methodology under these limitations, place serious constraints on using a normative approach. We have not used a full-fledged normative methodology. However, our exercises do contain relevant normative and prescriptive considerations as indicated in Chapters III and IV.

11.8 Views of the States on the principles that ought to be followed in determining grants-in-aid are arrayed in a broad spectrum. Gujarat has suggested that no grants-in-aid should be given for covering post-devolution revenue gaps. Madhya Pradesh, on the other hand, has argued not only for covering this gap, but increasing its scope to include the entire `fiscal gap'. Kerala has advocated an effective use of the grants-in-aid mechanism to rectify horizontal fiscal imbalances. Goa suggested that a built-in buoyancy should be provided for in the grants. Maharashtra has indicated that, in its view, the last three Commissions have progressively increased the ratio of grants to devolution, and that this trend needs to be arrested. Some States, e.g., Rajasthan and Manipur, have favoured linking grants to achieving a reduction in disparities in the availability of administrative and social services, not merely in terms of revenues, but in physical or real terms.

11.9 Grants-in-aid of revenues to cover post-devolution assessed deficits constitute only a component of our overall recommendations regarding grants-in-aid. The provision for devolution of 7.5 per cent of the net proceeds of Union excise duties according to assessed deficits makes for a built-in buoyancy in transfers to cover deficits.

11.10 **Table 1** gives the year-wise pre-devolution surplus/deficit profile of the States, when their assessed expenditures on non-plan revenue account are posited against their own revenue receipts. In 1995-96, only Haryana and Maharashtra emerge with a pre-devolution surplus. The position of some of the other States improves in the succeeding years. By 1999-2000, six of the non-special category States have a pre-devolution surplus, viz. Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Tamil Nadu.

11.11 Grants-in-aid that are meant for covering assessed deficits on non-plan revenue account of the States, are calculated after considering transfers to the States on account of (i) devolution of income tax and Union excise duties (ii) share in additional excise duties, and (iii) share in grants in lieu of tax on railway passenger fares. As indicated in Para 11.9 above, the devolution of taxes is inclusive of 7.5 per cent of the net proceeds of Union excise duties, which are devolved on the basis of deficits as they emerge after the distribution of 40 per cent of the net proceeds of Union excise duties alongwith the devolution of income tax according to the formula given in Chapter V, and the transfers on account of additional excise duties and grants in lieu of tax on railway passenger fares, according to the distributive criteria given in Chapters VI and VII, respectively.

Table: 1

Pre-Devolution Non-Plan Revenue Surplus/Deficit: 1995-2000

(Rs. lakhs)

State	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	- 321410	- 318618	- 308220	- 295375	- 275477	- 1519100
Arunachal Pradesh	- 28141	- 30431	- 32823	- 35241	- 37567	- 164203
Assam	-136545	- 146239	- 155413	- 164177	- 171676	- 774050
Bihar	- 392855	- 415431	- 435901	- 457733	- 476647	- 2178567
Goa	- 11994	- 12216	- 12181	- 11990	- 11519	- 59900
Gujarat	- 16920	6643	38221	76025	122434	226403
Haryana	28225	44062	65490	89120	119721	346618
Himachal Pradesh	- 80363	- 85201	- 89686	- 93920	- 96924	- 446094
Jammu & Kashmir	- 122660	- 131264	- 140050	- 148835	- 156974	- 699783
Karanataka	- 1492	30279	73087	120662	181413	403949
Kerala	- 103000	- 94036	- 79112	- 60726	- 36578	- 373452
Madhya Pradesh	- 151922	- 145870	- 141796	- 137000	- 125004	- 701592
Maharashtra	88221	145166	216694	298984	391711	1140776
Manipur	- 34817	- 37422	- 40196	- 42994	- 45805	- 201234
Meghalaya	- 32471	- 34562	- 36600	- 38772	- 40341	- 182746
Mizoram	- 29378	- 31669	- 33901	- 36909	- 38383	- 170240
Nagaland	- 45216	- 49193	- 53385	- 58022	- 62283	- 268099
Orissa	- 156179	- 171271	- 183169	- 195235	- 209400	- 915254
Punjab	- 46152	- 43732	- 28618	- 20180	185	- 138497
Rajasthan	- 160648	- 157023	- 149205	- 143070	- 121009	- 730955
Sikkim	- 11603	- 12426	- 13194	- 13983	- 14781	- 65987
Tamil Nadu	- 150330	- 117248	- 72918	- 24137	34690	- 329943
Tripura	- 48103	- 51717	- 55861	- 59316	- 62588	- 277585
Uttar Pradesh	- 612203	- 633492	- 639943	- 642133	- 624764	- 3152535
West Bengal	- 211367	- 215035	- 203306	- 194457	- 176314	- 1000479
Total (Net)	**- 2789323**	**- 2707946**	**- 2511986**	**- 2289414**	**- 1933880**	**- 12232549**
Deficit	**- 2905769**	**- 2934096**	**- 2905478**	**- 2874205**	**- 2784034**	**- 14403582**
Surplus	**116446**	**226150**	**393492**	**584791**	**850154**	**2171033**

11.12 After taking into account the transfers pertaining to taxes and duties indicated in the previous paragraph, some States still emerge with residual deficits. We recommend grants-in-aid, to be given to the States under the substantive portion of Article 275(1), equal to the amount of these deficits as estimated for each of the years during 1995-96 to 1999-2000. These amounts have been specified in **Table 2.**

11.13 It may be observed that no State has a post-devolution deficit on the non-plan revenue account in the terminal year. The total amount of grant, on account of non-plan revenue deficit for the period 1995-2000, is Rs. 7,582.68 crores. It may be noted that the dependence of States on the deficit grants declines in successive years. This pattern applies to each of the States, indicating that their budgetary position on the non-plan revenue account keeps improving over the years thereby changing their balance on the non-plan revenue account from deficit to surplus as indicated in **Table 3**.

11.14 In addition to the deficit grants, we have also recommended grants for upgradation of standards of administration, grants meant for local bodies consequent upon the Constitution Amendment Acts 73 and 74, and grants for special problems. Grants have also been recommended for meeting expenditure relating to calamity relief. These grants have been discussed in the relevant Chapters.

11.15 Total estimated transfers to the States for the period 1995-2000, on account of transfers relating to taxes and duties and all grants, are given in **Table 4**. For the five year period from 1995-2000, the estimated amount of devolution is Rs.1,84,457 crores. In addition, Rs.19,986 crores and Rs.1900 crores are the estimated amounts of transfers pertaining to the additional excise duties and grants in lieu of tax on railway passenger fares respectively. The total transfer on account of taxes and duties thus amounts to Rs.2,06,343 crores. The overall transfers recommended by us add to an estimated amount of Rs. 2,26,643.30 crores. The estimated position of the Central Government on the non-plan revenue account after the above mentioned transfers to States is given at Annexure XI.1.

Table: 2

Non-Plan Revenue Grants:1995-2000

(Rs crores)

State	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-2000
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	483.47	202.98	0.00	0.00	0.00	686.45
Arunachal Pradesh	136.60	109.26	45.63	16.11	0.00	307.60
Assam	342.20	249.94	92.08	27.81	0.00	712.03
Bihar	257.72	75.34	0.00	0.00	0.00	333.06
Goa	38.98	26.88	9.03	2.37	0.00	77.26
Himachal Pradesh	353.11	273.00	109.25	36.82	0.00	772.18
Jammu and Kashmir	535.39	419.05	170.85	58.84	0.00	1184.13
Manipur	157.43	124.28	51.31	17.90	0.00	350.92
Meghalaya	143.83	111.89	45.19	15.51	0.00	316.42
Mizoram	147.25	117.60	48.79	17.55	0.00	331.19
Nagaland	233.04	188.46	79.63	28.65	0.00	529.78
Orissa	192.87	133.35	38.34	7.18	0.00	371.74
Rajasthan	33.45	0.00	0.00	0.00	0.00	33.45
Sikkim	48.05	37.45	15.06	5.13	0.00	105.69
Tripura	218.92	172.98	71.99	24.89	0.00	488.78
Uttar Pradesh	683.40	298.60	0.00	0.00	0.00	982.00
Total	**4005.71**	**2541.06**	**777.15**	**258.76**	**0.00**	**7582.68**

Table: 3

Non-Plan account of States after devolution of Taxes and Duties and Deficit Grants

(Rs crores)

State	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	0.00	0.00	21.57	571.87	1227.95	1821.39
Arunachal Pradesh	0.00	0.00	0.00	0.00	25.60	25.60
Assam	0.00	0.00	0.00	0.00	35.67	35.67
Bihar	0.00	0.00	188.50	589.66	1071.68	1849.84
Goa	0.00	0.00	0.00	0.00	2.32	2.32
Gujarat	1047.23	1454.32	1965.85	2557.82	3253.76	10278.98
Haryana	669.75	882.90	1159.69	1464.35	1844.45	6021.14
Himachal Pradesh	0.00	0.00	0.00	0.00	55.05	55.05
Jammu & Kashmir	0.00	0.00	0.00	0.00	91.00	91.00
Karnataka	1503.16	2037.76	2713.37	3459.62	4360.22	14074.13
Kerala	62.81	307.99	634.77	1012.62	1464.29	3482.48
Madhya Pradesh	793.36	1183.31	1600.07	2058.87	2623.97	8259.58
Maharashtra	2839.94	3681.81	4708.10	5871.00	7166.75	24267.60
Manipur	0.00	0.00	0.00	0.00	28.21	28.21
Meghalaya	0.00	0.00	0.00	0.00	23.54	23.54
Mizoram	0.00	0.00	0.00	0.00	27.16	27.16
Nagaland	0.00	0.00	0.00	0.00	46.17	46.17
Orissa	0.00	0.00	0.00	0.00	2.61	2.61
Punjab	18.63	110.22	338.27	506.75	801.57	1775.44
Rajasthan	0.00	199.20	529.31	865.90	1384.75	2979.16
Sikkim	0.00	0.00	0.00	0.00	7.89	7.89
Tamilnadu	408.33	1011.04	1764.70	2591.63	3547.41	9323.11
Tripura	0.00	0.00	0.00	0.00	38.74	38.74
Uttar Pradesh	0.00	0.00	49.36	904.81	2029.15	2983.32
West Bengal	23.27	290.05	753.73	1220.72	1812.29	4100.06
Total	**7366.48**	**11158.60**	**16427.29**	**23675.62**	**32972.20**	**91600.19**

Table 4

Total Transfer to States: 1995-2000

(Rs. crores)

State	Taxes and Duties					Grants-in-Aid						Total Transfer
	Income Tax	Basic Excise Duties	Additional Duties of Excise	Tax on Railway Passenger Fares	Total (col. 2 to col. 5)	Non-Plan Revenue Deficit	Upgradation	Special Problems	Local Bodies	Relief Expenditure	Total (col. 7 to col. 11)	(col. 6+12)
1	2	3	4	5	6	7	8	9	10	11	12	13
Andhra Pradesh	5313.06	9291.43	1562.90	158.55	16325.94	686.45	88.88	65.00	424.94	490.33	1755.60	18081.54
Arunachal Pradesh	106.70	1232.44	20.79	0.10	1360.03	307.60	18.31	50.00	4.63	27.79	408.33	1768.36
Assam	1747.38	4794.51	496.25	26.00	7064.14	712.03	146.86	60.00	147.56	197.46	1263.91	8328.05
Bihar	8072.21	13465.35	1587.69	177.20	23302.45	333.06	183.13	57.50	574.28	205.14	1353.11	24655.56
Goa	112.98	361.01	46.37	3.70	524.06	77.26	3.79	7.00	5.91	4.23	98.19	622.25
Gujarat	2539.47	4146.22	1198.16	131.10	8014.95	0.00	0.00	50.00	259.47	551.17	860.64	8875.59
Haryana	777.03	1268.66	472.87	36.40	2554.96	0.00	0.00	40.00	99.22	98.93	238.15	2793.11
Himachal Pradesh	441.87	3180.97	118.92	2.05	3743.81	772.18	30.03	75.00	34.23	106.41	1017.85	4761.66
Jammu & Kashmir	688.53	5031.24	171.08	13.85	5904.70	1184.13	58.77	47.00	49.68	77.80	1417.38	7322.08
Karnataka	3351.02	5471.25	1147.99	64.38	10034.64	0.00	0.00	29.00	291.96	165.23	486.19	10520.83
Kerala	2432.14	3970.98	747.48	66.40	7217.00	0.00	29.83	52.00	204.24	218.74	504.81	7721.81
Madhya Pradesh	5203.22	8495.34	1446.19	130.75	15275.50	0.00	146.37	60.00	410.43	201.67	818.47	16093.97
Maharashtra	3844.98	6277.74	2403.72	333.40	12859.84	0.00	0.00	100.00	479.96	269.28	849.24	13709.08
Manipur	177.00	1472.91	39.37	0.35	1689.63	350.92	24.74	50.00	11.54	9.79	446.99	2136.62
Meghalya	177.62	1318.74	37.57	0.65	1534.58	316.42	11.72	5.00	10.12	11.01	354.27	1888.85
Mizoram	93.52	1289.04	15.79	0.02	1398.37	331.19	7.13	57.00	3.32	5.00	403.64	1802.01
Nagaland	113.61	2053.64	27.38	2.75	2197.38	529.78	23.96	30.00	5.21	6.71	595.66	2793.04
Orissa	2821.29	5260.99	668.53	32.60	8783.41	371.74	86.79	51.00	220.10	193.51	923.14	9706.55
Punjab	917.00	1497.19	683.92	62.30	3160.41	0.00	81.31	**	133.95	213.80	429.06	3589.47
Rajasthan	3484.09	5712.80	973.92	84.45	10255.26	33.45	79.87	70.00	255.40	706.89	1145.61	11400.87
Sikkim	79.08	472.20	10.59	0.20	562.07	105.69	4.56	5.50	2.48	18.59	136.82	698.89
Tamil Nadu	4165.71	6801.40	1532.73	122.70	12622.54	0.00	40.84	60.00	402.86	234.33	738.03	13360.57
Tripura	237.25	2030.65	57.16	0.75	2325.81	488.78	13.90	12.00	14.97	17.75	547.40	2873.21
Uttar Pradesh	11179.07	19139.24	2912.56	295.80	33526.67	982.00	167.54	108.00	880.70	494.00	2632.24	36158.91
West Bengal	4689.17	7656.06	1606.07	153.55	14104.85	0.00	114.17	105.00	453.77	202.63	875.57	14980.42
Total	**62765.00**	**121692.00**	**19986.00**	**1900.00**	**206343.00**	**7582.68**	**1362.50**	**1246.00**	**5380.93**	**4728.19**	**20300.30**	**226643.30**

** *Has been dealt with in Chapter XII para 12.40*

DEBT POSITION OF STATES

Introduction

12.1 We are required, under Paragraph 8 of the Presidential Order, to make `an assessment of the debt position of States as on 31st March, 1994, and suggest such corrective measures as are deemed necessary keeping in view also the financial requirements of the Centre'. However Para 4(iii) of our terms of reference requires us to have regard to the maintenance and upkeep of capital assets as on 31st March, 1995 . Many States have also suggested that the relevant date for the assessment of their debt position should be the same. In line with our approach we shall endeavour to make an assessment of the debt position of the States as on 31st March, 1994 as well as 1995.

12.2 Our terms of reference regarding the debt position of States would bear comparison with those of earlier Commissions in several respects. Like the Ninth Commission we have been asked to review the debt position of the States with respect to their entire debt and not merely for Central loans to States. Further, the Sixth, Seventh and Eighth Commissions were asked to consider the non-plan capital gap while considering the debt position of States, and to suggest measures to deal with those gaps. The Ninth Commission, like us, were not so asked although they did keep an assessment of the non-plan capital gap of the States in the background of their considerations (Para 9.11 of the Second Report). In the context of "corrective measures", our terms of reference differ from those of the Ninth . Whereas a specific reference was made to them to consider investments made in infrastructure projects and to provide a `linkage with improvements in financial and managerial efficiency' in suggesting corrective measures, there is no such reference to us.

12.3 In para 4(i) of our terms of reference, a reference has been made to `reducing fiscal deficit'. Fuelled by rising fiscal deficits, the indebtedness of the Central and State Governments has continued to rise. While considering the indebtedness of States, the appropriate perspective is, in fact, the indebtedness of the entire fiscal system. As such, in designing a suitable policy for alleviating the debt burden of the States, the debt position of the States as well as that of the Centre has to be kept in mind.

12.4 The Ninth Commission (Paras 9.12 and 9.29) noted with concern the state of indebtedness of the States which appeared to be sliding into a vicious cycle. Loans are advanced to States with specific maturity periods and rates of interest. Finance Commissions subsequently recommend corrective measures, often across the board, consisting of write-offs, extensions of maturity periods, and lowering of interest rates, thus converting loans effectively into grants, partially or fully. Periodically repeated debt relief exercises may induce States to overstate their demand for borrowed funds. Corrective measures should, therefore, be formulated in a manner as would provide an in-built incentive for prudent use of borrowed funds.

Debt Position of States

12.5 Total debt of State Governments is estimated to rise from Rs 1,83,886 crores as on 31st March, 1994 to Rs. 2,09,159 crores as on 31st March, 1995. The stock of debt and its composition at the end of these two years is placed at Annexures XII.1 and XII.2. Loans from the Central Government account for 54.31 and 53.74 per cent of the outstanding debt, for 1994 and 1995 respectively. The shares of market loans and bonds, and those of provident funds, etc. come to 13.4 and 15.7 per cent for 1994 and to 17 and 15.8 per cent in 1995.

12.6 In assessing the overall debt position of States, previous Finance Commissions have followed the practice of excluding the short-term components of debt. In keeping with this practice, for purposes of comparison, the profile of estimated debt of State Governments, excluding ways and means advances from the Reserve Bank of India and reserve funds, is drawn in Table 1.

12.7 Loans for State plans and small savings account for 97.6 percent of the total central loans to States during 1989-1994 as at Table 2. The Statewise position of outstandings with respect to loans in the above period and the repayments during 1995-2000 is at Annexures XII.3 and XII.4.

Table 1

Outstanding Long Term Debt of State Governments

(Amount in Rs.Crores)

	1989		1994		1995 Estimates	
	Amount	%	Amount	%	Amount	%
1. Internal Debt						
a) Market Loans	10839	13.43	24629	15.69	35585	19.66
b) Loans from Banks	1759	2.18	3774	2.40	(*)	(*)
2. Loans from Centre	55648	68.93	99867	63.58	112395	62.09
3. Provident Funds etc.	12487	15.46	28791	18.33	33029	18.25
Total	**80733**	**100.00**	**157061**	**100.00**	**181009**	**100.00**

Table 2

Outstanding Central Loans Advanced to States during 1989-94 and Repayments in 1995-96 to 1999-2000

(Rs. crores)

Items	Outstandings as on 31.3.1994	Repayments due during 1995-2000
1. Plan Loans		
(i) State Plan	28786.89	6481.00
(ii) Drought Loans	14.35	6.28
(iii) Others	141.49	61.71
(iv) Central Sector	162.97	43.97
(v) Centrally Sponsored schemes	659.59	256.63
Total Plan Loans	**29765.29**	**6849.59**
2. Small Savings Loan	26462.56	4392.20
3. Modernisation of Police	29.93	6.75
4. Housing for All India Services	23.84	13.99
5. Others	305.28	55.80
Total (2 to 5)	**26821.61**	**4468.74**
Grand Total	***56586.90***	***11318.33***

* *Details not available*

12.8 The share of Central loans in the total debt of State Governments has been steadily declining as may be seen at Annexure XII.5. In 1979 the share of Central loans was 71.7 per cent of the total long-term debt of the States. By 1995, this share is estimated to decline to about 62 per cent, which is reflected in the increasing share of internal debt and that of provident funds, the relative increase of the latter category being somewhat higher. On the whole, therefore, for their long-term debt State Governments have been gradually shifting towards higher-cost sources.

12.9 The high income States (Punjab, Maharashtra, Gujarat, Haryana and Goa) currently account for slightly more than a quarter of the outstanding debt for all States as shown at Annexure XII.6. Their share has been increasing steadily over time. The share of low income States has held steady at just above 38 per cent. As such, the increase in the share of debt of the high income States is reflected basically in decreases in the shares of middle income States and special category States. Looking at the movements of the shares of individual States in each category, four out of five in the high income group, Haryana being the exception, have increased while among the low income States, the share of four has declined , Uttar Pradesh being the exception.

12.10 Financing plan outlays continues to constitute the core of the borrowing requirements of States, although in recent years many States have been forced to borrow even to meet part of their revenue expenditure. To the extent borrowed funds are not utilised for productive investments, a future stream of income cannot ensue from them, enabling the States to meet servicing liabilities arising from the debt. States have resorted to loans in order to finance investments in social and economic infrastructure, where the returns are not necessarily direct or immediate and are characterised by considerable externalities. The disturbing features of the debt profile of States and its management appear to be the following :

i) diversion of borrowed funds for meeting revenue expenditure;

ii) use of loans in unproductive enterprises, or enterprises which are potentially productive but are beset by poor performance, and currently yielding low or even negative returns;

iii) non-provision for depreciation or amortisation funds in respect of government owned assets, leading to repayments out of fresh borrowing.

12.11 With growing repayment obligations, the ratio of fresh loans taken on a gross basis, and funds that actually become available net of repayments, is bound to move adversely with smaller and smaller amounts being available as net borrowed funds. Central loans, whether for plan assistance or otherwise, are determined on a gross basis, leading to a gradual decline in the net amounts on account of the heavy repayment burden, because other sources for these repayments are not generally available. On the other hand, gross market borrowing by a State has been so managed by the Reserve Bank of India as to ensure availability of predetermined amounts for the States net of repayments.

12.12 With the outstanding internal and external debt and other liabilities of the Government of India estimated at Rs.5,32,753.22 crores at the end of 1994-95, which by itself represents a 12.96 per cent increase over the revised estimates for the previous year , the debt/gdp ratio for the Centre and the States works out to nearly 69 per cent.

Views of States on Debt Relief

12.13 With respect to the existing liabilities, States have generally been asking for write-off of their debt, extension of maturity periods and reduction in interest rates. In relation to fresh borrowing, they have advocated a larger ratio of grants in the Central plan assistance, changing the grant to loan ratio from 30:70 to 50:50 for non-special category States and from 90:10 to 100:0 for the special category States.

12.14 States have also reiterated their long-standing demand that loans based on small savings be converted into loans in perpetuity and that 90 to 100 per cent of the net collections of small savings be given to the States as loans. It is also suggested that States be allowed to raise small savings and retain them. Treating loans from Central financial institutions as loans in perpetuity, has also been asked for.

12.15 Among the other suggestions of the States, the following may be highlighted:

- that the grant component for externally aided projects be 70 per cent ;
- that Central loans used directly for non-productive purposes (e.g. public works, roads, bridges, education) be written off;
- that loans used for semi-productive purposes like housing, multi-purpose river schemes, power projects, be made repayable in 30 years;
- that loans for natural calamity and socially desirable but financially unremunerative schemes be written-off;
- that differential rates of interest be charged according to the purpose of the loan and the economic backwardness of a State;
- that previous loans be consolidated as on 31st March, 95 and then 50 per cent of these be written-off, and a fresh interest rate of 8 per cent be charged on the remaining balance after determining a new maturity period allowing for an initial grace period; and
- that relief be especially provided for the backward States.

12.16 The issue that there exists now a reverse flow of funds from the States to the Centre, and that this should be stopped has also been raised. In this context, it has been urged that the non-plan capital gap be considered while making an assessment of the debt position, and that a ceiling be fixed so that repayment of principal and interest does not exceed 20 per cent of own revenues.

12.17 States which have been formed more recently, i.e. Goa, Mizoram, and Arunachal Pradesh, have urged that their pre-Statehood loans be written off entirely. Many of the special category States want all of their outstanding loans written off. States have asked for greater latitude in raising loans. In particular, it is suggested that like the Centre, States should be allowed to issue tax-free bonds .

Views of the Central Government

12.18 Considering the fiscal system as a whole any debt relief measures for the States would automatically affect the Centre. In its memorandum , the Central Government has stated that re-scheduling of debt and write-offs of interest recommended by the earlier Commissions have at least partly been responsible for the rise in Central debt and consequently the burden of increased interest payments. In our meeting with the Ministry of

Finance, it was pointed out that the burden of interest payments must be appreciated with reference to i) the difference in the rates at which the Centre borrows and lends, ii) administrative expenses and iii) implicit costs of tax incentives.

12.19 The memorandum notes that the resources of States have grown on both the revenue and capital account. Revenues accruing to the States have gone up from 8.2 per cent of GDP to 12.7 per cent over the period 1974-75 to 1991-92. A large part of the increase in the combined Central and State revenues over this period has accrued to the States. Their gross capital receipts as well as fiscal deficit have grown fairly fast. It calls for a plan to bring down the ratio of debt of State Governments to GDP which includes reduction of fiscal deficit, retirement of debt out of the proceeds of loan recoveries, and sale of equity holdings of States in public enterprises.

12.20 The Central Government has urged us not to reschedule the debts of State Governments as it is no longer in a position to bear any additional burden and rescheduling would inevitably lead to a reduction in future lending by the Centre.

12.21 There is merit in the argument that with both tiers of government under considerable fiscal strain, the transfer of burden from one channel of the fiscal flows would sooner or later be adjusted through another. It is futile merely to shift the debt from one to the other since it will make no dent on the aggregate fiscal deficit of the system. Any relief given to the States should thus be so formulated as to make an impression on the basic fiscal malaise of revenue expenditures persistently exceeding revenue receipts.

Corrective Measures

12.22 The constraints on the fiscal system put limits on the extent of debt relief that can be organised in the medium-term perspective. In the long run there is no escape from the rule that the rate of return on borrowed funds must be greater than the rate of interest at which they are held. The appropriation of a part of borrowing for consumption makes the need for earning an adquate return on investments in productive enterprises that much greater.

12.23 At the same time, States which are under severe fiscal pressure, need to be helped. Similarly, several specific problems relating to debt management and relief need to be addressed. In general, we have considered relief measures keeping in view the following objectives viz.

i) that the quantum of relief is limited ;

ii) that priority is given to States under severe fiscal strain ; and,

iii) that incentives are given for better fiscal management.

12.24 We now consider the following :

Plan Loans;

Small Savings Loans; and

Amortisation Funds.

12.25 Loans advanced by the Centre by way of assistance to finance State plans constitute the bulk of Central loans to States. The burden of debt servicing of States on this account has gone up with the progressive increase in plan outlays and the rise in interest rates as indicated in Annexure XII.7

12.26 States have reiterated their demand that loans against small savings be treated as loans in perpetuity. The present arrangements entitle States to a 75 per cent share of the net collections under various small savings schemes, to be given to them by the Central Government as a loan for use for development purposes. A State may also get an additional 2.5 per cent share provided the net collections in the State as a percentage of gross collections exceed the corresponding percentage for the country by more than 5 per cent. States are also entitled to a 50 per cent share of the net collections under the deposit scheme for retiring employees of Government and Public Sector Undertakings. The repayment period for small savings loans advanced to the States is 25 years inclusive of an initial moratorium period of five years towards repayment of the principal. The current rate of interest on the small savings loans is 14.5 per cent. We note that the rate of interest on small savings loans to the States has been increasing steadily over time, as indicated in Annexure XII.8

12.27 States argue that since their entitlement to a loan against small savings is worked out on the basis of net collections under the small savings scheme, the Union government should not insist on repayments. The loan should be treated as a loan in perpetuity, as the Central Government is able to make the repayments from the gross collections. It is argued that the small savings actually belong to States and the role of the Centre is only to ensure economies of scale through Central management.

12.28 On the other hand, the Central Government has argued that :

i) while State Governments make the repayment in 25 years, the Central Government repays to the investor in 5 to 6 years;

ii) while the Central Government services the repayments out of gross fresh borrowings, it does so at increasing costs; and

iii) the effective interest costs to the Centre are much higher when administrative costs and tax losses due to incentives for small savings provided in the tax statutes are also taken into account.

12.29 According to the Sixth Commission, these loans have been given to the States largely as inducement to join the Centre in a cooperative effort to mobilise small savings, and that treating them as loans in perpetuity would confer disproportionately larger benefits on some of the advanced States and defeat the crucial objective of any properly designed scheme of debt relief.

12.30 The Seventh Commission had recommended that the small savings loans outstanding against each State at the end of 1978-79 may be consolidated into one loan and treated as a loan in perpetuity. This recommendation was not accepted by the Government of India although it did concede that the States would not be required to make any repayment during 1979-84 on account of small savings loans outstanding at the end of 1978-79. Apart from waiving repayments for 1984-85, the Eighth Commission did not recommend any further relief or change in the arrangements with respect to the small savings loans. The Ninth Commission also did not recommend any change in the terms and conditions relating to these loans.

12.31 We have examined this question afresh. We find that net amounts available under small savings schemes have been falling in recent years. From a peak of 50 percent, net collections as a percentage of gross collections have fallen to about 25 per cent. The amounts retained by the Centre net of interest payments and administrative charges indicate that this source contributes only marginally to its funds.

12.32 Small savings schemes have to be run jointly by the Centre and the States in order that the benefits of economies of scale are reaped, that all States are able to participate and that investors feel protected. It follows that the liability of repayment ought to be shared. Further, if the small savings loans were to be treated as loans in perpetuity, it may mean a rising burden of interest on States in perpetuity. For all these reasons, we do not favour these loans being treated as loans in perpetuity.

12.33 The burden of repayments can be much better borne if amortisation funds at the State level are set up in respect of investments in the government sector. Otherwise the present situation of borrowing to meet repayment obligations would continue since recoveries of loans and advances and net miscellaneous capital receipts of the State Governments can contribute only marginally towards repayments.

12.34 The Ninth Commission had recommended an arrangement for amortisation in respect of market borrowings, and the Reserve Bank of India was asked to work out the modalities. While no final decision has been taken on the recommendation, in its Annual Report for 1992-93 (page 115), the Reserve Bank of India observed that : "Consideration could be given to setting up a States' Funding Corporation which would raise funds at market related rates of interest and pass on the funds at fixed rates to the states..." and further, "....with the shortening of the maturity structure of Governmental borrowing, the repayment schedules can give discomfort and, therefore, the restoration of the erstwhile system of a consolidated sinking fund for redeeming the debt has been long overdue...". Although, the context in which the Reserve Bank of India has considered this issue is that of market loans to the States, a similar situation would appear to have arisen about Central loans . Establishment of sinking funds now appears to be desirable as a part of overall fiscal discipline. Such funds would, however, not be able to serve their purpose unless the amounts appropriated to them are held separately by the Reserve Bank of India, and are not available as a Ways and Means resource to the State. We recommend that the modalities should be worked out by the Reserve Bank of India expeditiously.

Quantum and Forms of Debt Relief

12.35 Debt-related relief to States may be provided in many forms, e.g., write-off of the loan or of repayments falling due during a specified period, rescheduling of the loans with a view to shifting the timing of repayments, consolidation of past loans on common terms and reduction of interest rate The Eighth Commission had recommended a debt relief of Rs.2,285 crores for the period 1984-89 . The Ninth Commission recommended a relief of Rs.494 crores for the period 1990-95. The Commission argued that since they were not dealing with the non-plan capital gap, their focus was narrower than that of the Eighth Commission. Also, their overall approach was to discourage the periodic write-off of debt. For all debt relief measures taken together, the quantum of relief recommended by the Ninth Commission was Rs.975.62 crores. In view of the fact that many of the relief measures recommended by the previous Finance Commissions continue to be operative, any further relief should be viewed as only incremental in nature, and the amounts involved would necessarily be limited.

Relief and Corrective Measures

12.36 Our scheme for debt relief, has two parts :

i) a scheme for general debt relief for all States linked to fiscal performance ; and

ii) specific relief for States with high fiscal stress, special category States and States with debt problems warranting special attention.

12.37 This is in addition to a scheme for encouraging retirment of debt from the proceeds of disinvestment of equity holdings of State Governments (Chapter III para 3.20). Relief, in this scheme, is linked to the use of funds for the reduction of outstanding debt. We believe that this would make a tangible impression on the debt burden of the States.

12.38 As an incentive to better fiscal management, we have designed a scheme which links debt relief to the fiscal performance of a State. We measure improvement of fiscal performance by comparing the ratio of revenue receipts (including devolution and grants from the Centre) to total revenue expenditures in a given year (r) with the average of corresponding ratios (r*) in the three immediately preceding years. Thus each State would be considered against its performance in the past. We suggest that generalised debt relief may take the form of a certain percentage of repayment falling due in each year of the period of our recommendations being written off. Only those repayments as pertain to fresh central loans to the States during 1989-95 and as outstanding on 31st March, 1995 would be covered. This percentage (R) should be twice the excess of (r) over (r*) as defined above. The details of this scheme are given in Appendix 6.

12.39 We now come to specific relief for all special category States, and three other States, viz. Orissa, Bihar and Uttar Pradesh, which are characterised by high fiscal stress as indicated by an average ratio of interest payments to revenue expenditure exceeding 17 per cent during 1989-90 to 1993-94. For these States we recommend writing-off of 5 per cent of repayment due with respect to fresh central loans given during 1989-95 and outstanding on 31st March, 1995.

Special Loans to Punjab

12.40 An amount of Rs. 1471.90 crores is due for repayment during 1995-2000 by the Punjab Government on account of special term loans which were advanced to it to fight militancy and insurgency. These repayment liabilities refer to an outstanding amount of Rs.5522 crores as on 31st March,1994 as indicated to us by the State Government. In view of the special circumstances when these loans were advanced, and the need for the State to re-invigorate its development efforts, it is recommended that one third of the repayment of principal falling due during 1995-2000 on these special term loans be waived. The estimated amount of relief would be Rs. 490.63 crores.

Loan Liabilities of Union Territories Graduating to Statehood

12.41 The Union Territories of Arunachal Pradesh, Mizoram and Goa graduated to the status of Statehood in 1987. As Union Territories they received loans to cover their capital gap and grants for their revenue gap. Arunachal Pradesh and Mizoram are special category States receiving plan assistance by way of grants and loans in the ratio 90 : 10. In their case, the Ninth Commission had recommended that the excess of the central loans received by each of these three States for its plans, upto 1986-87 as Union Territories (and outstanding as on 31st March,1990) over what it would have received had it been a full-fledged State be written off. Outstanding loans remaining after this write-off, as on 31st March 1990, of each State were then to be consolidated into one loan. These States have requested for further specific relief on loans given to them as Union Territories. We recommend that the scheme of special relief in Para 12.39 should cover the consolidated loans as well.

12.42 Arunachal Pradesh has requested that loan for payment in respect of helicopters purchased under special

arrangement be written off. The Rangarajan Committee set up by the Planning Commision in 1991 to suggest durable solutions for the financial problems of special category States has recommended this earlier. We also recommend that this be done.

12.43 The Government of Goa has stated that the loan liability of the erstwhile Union Territory of Goa, Daman and Diu has been placed entirely on Goa when it became a State. The State Government pleaded that the loan liability of Daman and Diu should be separated from the accounts of the State. We recommend that this matter may be examined and settled by the Government of India as quickly as possible.

12.44 Our estimates of debt relief relate to fresh central loans during 1989-94 and as outstanding on 31st March, 1994 . However, central loans given to the States given in 1994-95 should also be covered by the schemes of debt relief recommended by us. We suggest that before granting debt relief, the Ministry of Finance may ascertain the exact amount due for repayments in the period 1995-2000 with respect to fresh central loans given during 1989-95 and outstanding as on 31st March , 1995.

12.45 We have estimated the quantum of relief on account of special debt relief schemes suggested by us as in Table 3. The quantum of relief with respect to the incentive scheme suggested by us cannot be estimated at this juncture, as it depends on the future performance of the States. Should the States improve their performance by, say, 2.5 percentage points, the relief would come to Rs.565.51 crores, as explained in Appendix 6. Further relief could accrue to the States from the scheme relating to disinvestment of equity as stated earlier in Para 12.37. However, this would depend on the action taken by States and is not amenable to precise estimation by us.

Table 3

Summary of Special Debt Relief to States

(Rs. crores)

		Relief for 1995-2000
1.	High Fiscal Stress States	
	(i) Bihar	44.54
	(ii) Orissa	17.50
	(iii) Uttar Pradesh	104.33
	(iv) Special Category States	44.14
2.	Punjab	490.63
	Total	**701.14**

CHAPTER XIII

DEVOLUTION : AN ALTERNATIVE SCHEME

13.1 We have indicated earlier in our approach that we favour a system of vertical resource sharing in which central taxes are pooled and a proportion devolved to the States. In the context of the current economic reforms, this new arrangement is likely to have distinct advantages over the present system. We now set out our alternative scheme of devolution.

13.2 The main benefits resulting from this new arrangement may be listed as below:

a) With a given share being allotted to the States in the aggregate revenues from central taxes, States will be able to share the aggregate buoyancy of central taxes.

b) The Central Government can pursue tax reforms without the need to consider whether a tax is shareable with the States or not.

c) The impact of fluctuations in central tax revenues would be felt alike by the Central and State Governments.

d) Should the taxes mentioned in articles 268 and/or 269 form part of this arrangement, there will be a greater likelihood of their being tapped.

13.3 In the framework of cooperative federalism, the Constitution currently provides for sharing of two taxes, income tax and Union excise duties, with the States. India's economic space is occupied in common by the Centre and States. Recent economic reforms including tax reforms, have underlined this fact. The progress of reforms will be greatly facilitated if the ambit of tax sharing arrangment is enlarged so as to give greater certainty of resource flows to, and increased flexibility in tax reform for, the two layers of government. The Indian tax system, heavily dependent on indirect taxes, with Union excises and State sales taxes comprising the core of the domestic trade taxes, suffers from many deficiencies like high and multiple tax rates, taxation of inputs and cascading, exclusion of services from the tax base, multiplicity of exemptions and concessions through notifications and lack of harmony in the tax systems of States. The country needs a climate in which there is greater harmonisation of State taxes in terms of their rates, structure and procedures as also greater Centre-State harmonisation in domestic trade taxes.

13.4 The relevant ratios determining the vertical allocation in tax devolution have remained at 85 per cent in the case of income tax and at 45 per cent for Union excise duties for the past ten years. As the share of the Central Government in income tax is only 15 per cent it has often been claimed that the Centre has shown lack of interest in tapping this source of revenue fully. A similiar lack of interest is adduced as a reason for the tax sources under articles 268 and 269 remaining unexploited or underexploited. Similarly, it is believed that the large share of Union excise duties accruing to the States has reduced the flexibility of the Centre in the choice of tax measures. The Ministry of Finance itself has said in its memorandum : "If the Central Government raises more through personal income tax ... as much as 85 per cent of the increase will go to the States. Similarly, in the case of the Union excise duty, 45 per cent of any increase in the yield will accrue to the States. Hence, if the Central Government wishes to raise Rs. 100 crores for itself, through Union excise duties, it would have to raise around Rs. 182 crores. To get the same Rs. 100 crores through a rise in the personal tax yield, the Central Government would have to raise Rs. 667 crores!".

13.5 Of the major Central taxes, the two taxes presently shareable seem to be less buoyant than the other two as is evident from **Table 1**. An advantage of pooling these Central taxes would be that both the Centre and the States would share in the buoyancy of aggregate revenues. This would be of particular advantage in a period of tax reform, when relative buoyancies undergo changes.

Table 1

Revenues from Major Central Taxes: Growth Rates

	Average Annual Growth Rates		
	70/71-79/80	80/81-89/90	70/71-89/90
Corporation Tax	14.42	17.15	15.79
Income Tax other than Corporation tax	12.76	14.83	13.80
Customs Duties	20.96	20.03	20.49
Excise Duties	14.10	14.31	14.20

Source: *Interim Report of the Tax Reforms Committee, Ministry of Finance, Government of India, page 24*

13.6 In their memoranda to us, States have generally urged us to move towards a larger pool of revenues from which they can be assigned a share. Many States have urged that corporation tax and income tax should be pooled together and then distributed. Orissa has suggested the inclusion of receipts from penalties, interest recoveries and surcharges on income tax in this pool. Rajasthan has suggested that capital receipts accruing from pre-emptive purchases and sale of immovable properties should form part of the income tax proceeds. Tamil Nadu has suggested that proceeds from the pre-emptive purchase of properties, penalties and interest recoveries, tax on Union emoluments, cost of collection and miscellaneous receipts should be included in the pool. Karnataka and Uttar Pradesh have suggested that all Central taxes should be made shareable.

13.7 The Ministry of Finance, Government of India, at one stage, made the suggestion that in the longer term context, we may wish to examine the desirability of changing the pattern of tax sharing such that the entire tax revenues of the Centre (except Union surcharges) become shareable. It also said, however, that the percentage may be pitched at 22-23 per cent and that it should remain fixed for 20 years.

13.8 Notwithstanding the present Constitutional position, Finance Commissions in the past have noted, with concern, that a share was not being assigned to the States in the proceeds of the corporation tax. The Third and Fourth Commissions took this factor into account for raising the States' share in income tax from

60 to 66 2/3, and to 75 per cent, respectively. The Third Commission had also raised the number of items of excise to be shared to compensate for the loss. The Sixth Commission had suggested a review of this issue by the National Development Council and the Seventh Commission had also suggested that the Centre may hold consultations with the States in order to settle the point finally. The Eighth Commission had expressed the view that since the corporation tax had shown a high elasticity, it would seem only fair that the States should have access to such a source of revenue.

13.9 The Sarkaria Commission had also examined this issue at length. It favoured bringing the corporation tax into the divisible pool as part of permissive participation like that of the Union excise duties. It suggested that this may be accomplished by a suitable Constitutional amendment.

13.10 The Chelliah Committee on Tax Reforms (1991) has expressed the view that the present Constitutional provisions regarding tax sharing need to be re-examined. In this context, the Committee observed in its Interim Report (p. 45) as follows: "The task of fiscal adjustment at the Centre has been rendered more difficult because of the compulsions arising from the formula of tax sharing with the States. ... The percentages of the taxes to be shared with the States are not specified in the Constitution, but are left to be decided by the President after he considers the recommendations of the Finance Commission in this regard. At present tax devolution to the States constitutes around 24 per cent of gross Central Government tax revenues. With the consent and cooperation of the States the relevant constitutional provisions could be amended to the effect that 25 per cent of the aggregate tax revenues of the Centre shall be shared with the States. There would be certainty then for the States and the Union regarding what revenues would accrue to their respective budgets and the Centre would not have to distort its pattern of taxation by being virtually compelled to raise non-shareable taxes."

13.11 The Constitution provides for the division of functions and sources of revenue between the Central and State Governments vide three lists contained in the Seventh Schedule, viz. Union List, State List and Concurrent List. Article 270 makes it mandatory to share income tax with the States. Article 272 provides for a discretionary sharing of Union excise duties. The sharing of corporation tax has, however, been excluded by a specific provision in Article 270. In addition, the following proceeds of income tax are excluded from being shared with the States:

i) proceeds attributable to the Union Territories;

ii) taxes payable in respect of Union emoluments;

iii) surcharge.

Duties set out in article 268 are such as may be levied by the Centre but the States collect and appropriate the proceeds within their respective areas. Article 269 specifies taxes that are to be levied and collected by the Government of India but the proceeds are wholly assigned to the States.

13.12 Assigning a share in the total proceeds from central taxes to the States would require suitable amendments to the Constitution. While doing so, the power of the Union to levy and collect all taxes in the Union list should not be qualified by the proposal to transfer a certain percentage of specified central taxes to the States. In other words, while all List I taxes remain Union taxes and the proceeds of no particular tax shall be deemed 'divisible', the States will be entitled to a prescribed percentage of the tax receipts of the Union.

13.13 We are proposing a share of the States based on the amounts currently accruing to the States. For this purpose we have distinguished between shares in income tax , basic excise duties and grants in lieu of tax on railway passenger fares as a proportion of central tax revenues (s1) on the one hand and the share of additional excise duties on the other (s2). The share of the States in these taxes is given in **Table 2.**

Table 2

Share of States in Aggregate Central Tax Revenues

	S1	S2	S
1979-80	25.66	2.92	28.58
1980-81	26.00	2.94	28.94
1981-82	24.11	3.00	27.11
1982-83	23.57	2.78	26.35
1983-84	22.27	3.16	25.43
1984-85	21.15	3.56	24.71
1985-86	23.26	3.20	26.46
1986-87	22.85	3.25	26.10
1987-88	22.53	3.20	25.73
1988-89	21.29	2.91	24.20
1989-90	22.77	3.04	25.81
1990-91	22.60	2.90	25.50
1991-92	22.90	2.85	25.75
1992-93	24.69	3.01	27.70
1993-94 (RE)	26.20	2.98	29.18
1994-95 (BE)	25.15	3.02	28.17
Average:			
1979-84	24.32	2.96	27.28
1984-89	22.22	3.22	25.44
1990-95	24.31	2.95	27.26

Notes: *S1 = Share of States in income tax, Union excise duties, estate duty, and grant in lieu of tax on railway passenger fares as percentage of total Central tax revenues (incl. AED).*

S2 = Revenue from additional excise duties transferred to the States as percentage of total Central tax revenues.

S = S1 + S2

Source: *Finance Accounts, Government of India.*
Receipts Budet, Central Government, 1994-95.

13.14 It will be noticed that during the period covered by the reports of the Seventh, Eighth and Ninth (1990-95) Commissions, the average value of s1 has been 24.32, 22.22 and 24.30 per cent and that of s2 2.96, 3.22 and 2.95. Having regard to these values, and the fact that we are recommending inclusion of some taxes under article 269 in the central pool, we recommend that the share of States in the gross receipts of central taxes shall be 26 per cent. We further recommend that the tax rental arrangement should be terminated, and additional excise duties merged with basic excise duties. These three commodities should not be subject to States sales tax. Having done so we recommend a further share of three per cent in the gross tax receipts of the Centre for the States in lieu of additional excise duties. These shares of twenty six and three per cent respectively should be suitably provided for in the Constitution and reviewed once in 15 years. We have used the criterion of revenue equivalence only for the intial fixing of the

above ratios. We are not recommending revenue equivalence as a principle.It would not be relevant to consider in future what the share of the States would have been had they been getting shares individually in income tax and Union excise duties as at present.

13.15 The proceeds of taxes under articles 268 and 269 , except in so far as they relate to the Union Territories, do not form part of the Consolidated Fund of India, and are wholly assignable to the States. There is a distinction between articles 268 and 269 in so far as this assignment is concerned. In article 268, the Constitution provides that the proceeds of taxes leviable within any State shall be assigned to that State. Article 269 provides that: " The net proceeds....shall be assigned to the States within which that duty or tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law". Among the taxes covered by article 269, estate duty has now been abolished. The tax on railway passenger fares was also repealed in lieu of which the States are given a grant. The important taxes, from the viewpoint of revenue, are the central sales tax, and the consignment tax.

13.16 With the Central Sales Tax Act, 1956, the power to levy the tax on inter State sales has been effectively delegated to the States. A State levies tax on inter-State sales originating in its territory and retains the proceeds . The maximum rate of tax, currently 4 per cent, is prescribed by the Central Government. Such a tax is viewed as fragmenting the national market, and may be considered as an inefficient source of raising revenues. The consignment tax raises similar problems. The very reason why the power to levy these taxes was vested in the Centre was to avoid their misuse or overuse at the cost of fragmenting and distorting the domestic market.

13.17 We believe there is some advantage in retaining a system such as in article 268, where a tax is levied by the Union Government but collected and retained by the States, in the interest of uniformity of rates. Because Central sales tax, already being levied, and consignment tax, if and when levied, are similar to the taxes under article 268, we have decided to keep them out of the pool of central taxes. All other taxes in article 269 shall form part of the central pool.

13.18 In recommending that these taxes form part of the pool, we are guided by the consideration that this will induce the Centre to exploit these tax bases which are not currently being tapped. States will also benefit from such exploitation of tax bases. We are of the view that while article 268 taxes may be kept out of the arrangement of fixing a common share for all central taxes being suggested here, all article 269 taxes except Central sales tax and consignment tax should be brought within the purview of these arrangements.

13.19 There has been occasion in the past when the Centre had to augment its revenue for meeting emergent but temporary needs. In such circumstances a surcharge on income and corporation tax was imposed. Such occasions may arise in future also. The Centre should, therefore, continue to have the power to levy surcharges for the purposes of the Union and these should be excluded from the sharing arrangements with the States which are recommended above.

13.20 We have recommended the share of States in income tax, Union excise duties, additional excise duties and grants *in lieu* of tax on railway passenger fares in accordance with our terms of reference. However, we would recommend that the alternative scheme of resource sharing suggested by us may be brought into force with effect from Ist April, 1996 after necessary amendments to the Constitution. This should not affect the inter-se shares and grants recommended by us.

CHAPTER XIV

NATIONAL SECURITY

14.1 Our terms of reference require that in making our recommendations we should have regard, among other factors, to the resources of the Central Government and the demands thereon, in particular, on account of expenditure on civil administration, defence and border security, etc. Earlier Commissions were also required to take into account the demands of defence while assessing the resources of the Central Government. Defence expenditure, like interest payment, is major component of the central expenditure. Both however, display rigidity to any downward adjustment.

14.2 We felt that our Commission, tenth since the commencement of the Constitution, should give more than an incidental attention to the assessment of defence and security related expenditure. We, therefore, decided early on in our deliberations to carry out a detailed study of the requirements of defence expenditure so as to accord it a proper weight while assessing the resources of the Centre.

14.3 The in-house study on defence expenditure is, for reasons of confidentiality, being forwarded separately to the Ministry of Defence. We expect the Ministry to take full advantage of the findings. Here we would only like to state that the estimates emerging from the study are broadly in line with the over-all projection of defence expenditure made by the Ministry of Finance in its forecast. We have, therefore, accepted the forecast of the Ministry of Finance but adjusted it to neutralise the year-by-year inflation rate, as assumed by us for the period 1995-2000.

14.4 We would like to highlight some of the broad conclusions prompted by the review. These are :

i) A large part of the allocations for defence are pre-empted by manpower costs and related expenditure. Since 1986-87, these have grown at an average rate of 13.4 per cent per annum. As against this the total defence budget during the last five years has grown annually only at an average of 11.9 per cent. It is important to protect the availability of funds for the purchase of hardware, particularly spares and equipment.

ii) The expenditure on defence pensions has risen from Rs.479.88 crores in 1984-85 to Rs.2706 crores in 1994-95. There is an urgent need to contain the rising bill on pensions.

iii) Linked with the reduction in expenditure on pensions is also the consideration of reducing the age profile of combatant troops.

iv) There is a need to examine the possibilities of optimal utilisation of available resources by prioritising defence expenditure . A pattern of inter-service allocation of resources best suited to obtain a balanced force structure, the need for adequate funding for spares replenishment and for training purposes, a cost-effective mix of weapon systems, the balance between new acquisitions and upgradation of the existing hardware and facilities, more economical alternatives to current structures and capabilities, etc. are some of the factors which need to be evaluated in the context of a comprehensive assessment of threats and security requirements of the country.

v) Since the defence and para-military forces have been quite often utilised on the maintenance of law and order duties in States, a revised balance should be evolved between the roles of local police, on the one hand, and that of the defence and para military forces on the other. If a holistic view of the internal and external security scenario is taken, it would suggest that the local law and order problems are best left to be dealt with by a strengthened local police force, suitably supplemented by the State's own armed police. It would reduce the strain placed on the resources of the para-military and defence forces.

vi) Common recruitment and training of para-military forces engaged on the borders and combatant troops serving in the army would facilitate soldiers moving over to the para-military formations after an initial period of, say, seven years service. A certain percentage of vacancies in various government organisations in the States and at the Centre are already reserved for ex-servicemen. Full use should be made of these quotas to facilitate the absorption of servicemen. The defence ministry and the armed forces, who have a large number of non-combatant posts, should take a lead in this matter. This would not only enable the army to maintain a youthful profile of its combatant troops but also reduce its pensionary commitments in future.

vii) The present budgetary system for defence is not conducive either to yielding relevant management information regarding the cost of a job or service done or utilisation of resources. A less opaque and feasible two part-budgetary scheme, involving inputs and outputs (mission/function) should be adopted.

14.5 What is stated above illustrates the kind of action that is needed to evolve an integrated, cost-effective system of national security. It is not possible for us to go into the myriad aspects of national security which, to our way of thinking, would also involve the States. We, therefore, recommend that a High Powered Committee should be set up to review the entire security scenario - both external and internal - and determine the role, organisation equipment and funding requirements of various agencies involved in meeting the present and emerging threats to the country's peace and integrity.

CHAPTER XV

GENERAL OBSERVATIONS

Introduction

15.1 We have, through our reassessment and recommendations, tried to evolve a certain vision of the overall fiscal profile of the economy by 2000 A.D. In approaching our task and working out a design of resource sharing we have been guided by considerations of equity and efficiency. Our recommendations ranging from devolution to distribution and our method of balancing of revenue account take cognizance of the influence on and effect of macro-economic variables operating on the real and monetary sides of the economy. As indicated in Chapter II, to the extent possible, we have taken an integrated view of the finances of the country. If the fiscal profile envisaged by us is to be fully realised, the Centre and States would have to devote attention to certain areas which we have chosen to highlight in this Chapter. These areas relate to fiscal discipline; reform of the tax system; planning process and institutional changes in the context of economic reform; decentralisation of development. Each of these requires far-reaching changes in policies and attitudes and some of them point in the direction of changes in the relevant constitutional provisions. We now turn to a brief discussion of these issues.

Fiscal Discipline

15.2 The previous chapters of our Report have clearly brought out the sad story of rapid deterioration in the financial position of the Central and State Governments. While the potential for raising resources is inadequately utilised, expenditures have continued to mount. The report of the National Development Council Committee on Austerity contains many useful recommendations which still deserve consideration. We think it is of the utmost importance that the growth of expenditure on revenue account is curbed and a serious attempt made to contain it within revenue receipts so that governments do not incur additional debt, as they have been doing, to meet current expenditure which does not generate a return to service the debt. While borrowing for capital expenditure is in order, the projects for which such debts are incurred must earn adequate returns. It is a matter of serious concern that investments in irrigation, power and road transport, which constitute the bulk of State Government investments do not yield enough returns. A shortsighted perception of political necessity, perhaps, has persuaded State after State to fix user charges in irrigation and power at levels which do not cover even the operation and maintenance expenditures in irrigation and generate meagre surpluses, if at all, in power. Several State Electricity Boards are over-staffed and run at substantial losses. The artificially depresed user charges result in a criminal waste of water and electricity - both very scarce resources. Several studies have shown that the marginal benefit of irrigation to the farmer far exceeds what he currently pays for water and even if the rates were raised to yield an adequate return on capital, they would still constitute only a small percentage of the additional production generated by irrigation. There is no justification that can be reasonably adduced for power and irrigation rates to be so heavily subsidised. We would recommend that a national consensus on irrigation and power rates should be evolved sooner rather than later to stem the rot in these sectors. No society can move forward if its citizens are encouraged to believe that costs of services do not have to be borne by those who benefit from them, especially when capacity to pay is not a constraint. Other central subsidies need to be phased out as quickly as possible, and those on food better targetted.

15.3 Fiscal discipline does not stop at bridging the revenue deficit, which in itself would be a very major step forward. Our forecasts do not suggest that this can be achieved by the year 2000, but every effort must be made to do so within the subsequent five years. This will require a careful look at both plan and non-plan expenditures. Equally important is to ensure that resources are not diverted from the purposes for which they are allocated. We came across a case of money meant for flood relief being used for building a sports stadium which exemplifies the extent to which fiscal discipline is eroded. The poor state of accounts in some States and the failure to complete accounts of State enterprises, for several years on end are other examples of such erosion. We would recommend that the Comptroller and Auditor General should constitute a task force to identify lapses from the prescribed norms and procedures and initiate corrective action. The report of the task force should be made public.

15.4 More generally, expenditure control should involve questioning every item of expenditure every year, rather than giving automatic approvals on the basis of continuity of schemes or projects. Over the years employment in government has grown manifold. There is scope for Central and State Governments to shed many an activity and absorb the staff rendered surplus in other activities and to encourage them to avail of retirement with attractive benefits. Viable methods of reducing the strength of government employment must be explored, otherwise, economic reform may lose its way in a new bureaucratic maze.

15.5 Economies in expenditure have many dimensions and we do not wish to deal with the matter in great detail. It is well known that there are leakages in many departments and schemes and only a part of the expenditure reaches the ultimate beneficiary. Accessibility to funds must be linked to performance. And a machinery must be established for close monitoring detecting leakages and punishing the guilty.

15.6 Selective privatisation of public enterprises will relieve the Governments of the burden of recurring losses while at the same time giving them the benefit of a one-time accretion to their resources. Privatisation should be viewed as a method of providing the same service in a cost-effective manner and raising resources which can be deployed to reduce the accumulated debt.

15.7 In the area of Centre-State relations, there is one specific matter to which we would like to draw attention. It is the persistence of a large number of centrally sponsored schemes. Although a number of them have been closed down following a review by a committee set up by the National Development Council , these were relatively small, representing an annual provision of only about Rs.200 crores, as against a total for all

centrally sponsored schemes of about Rs. 14,000 crores. Central intervention through such schemes is presumably acceptable to the States because they carry with them additional resources. Their continuance makes for large and sprawling bureaucracies at the Centre dealing with what are primarily State subjects - e.g. agriculture, rural development, education and public health. Given adequate decentralisation, it should be possible to effect considerable economies in such Ministries.

Reform of the Tax system

15.8 Centre-State financial relations will necessarily undergo a change with the progress of tax reform at the Centre and in the States. At the Centre, a major structural change which has occurred is the decline in the importance of customs as a source of revenue. This is a consequence of the opening up of the economy and the policy of progressively reducing customs duties on capital goods, raw materials and components. The policy of further liberalising imports, if necessary with a high customs tariff on sectors like consumer goods, will, apart from inducing greater efficiency in production, ensure that the growth in customs revenue does not decline rapidly. The reassessment of the Centre's revenues made by us (see Chapter IV) makes an implicit assumption that this will be the case.

15.9 As for excise duties, the Centre has adopted the policy of moving over to ad valorem rates and extension of MODVAT. Several variants of introducing a full-fledged value added tax (VAT) have also surfaced in discussions. One such is that the Centre would levy VAT upto the wholesale stage, leaving it to the States to move over from sales tax to VAT beyond the wholesale stage. Another is a comprehensive VAT levied by the Centre but collected by both the Centre and the States, the proceeds to be shared with the States. Whichever of the various versions is adopted eventually, it is clear that the system of indirect taxation comprising excise duties and sales taxes requires an overhaul in order to remove the deleterious impact it has on economic activity and exports through cascading and lack of transparency. Meanwhile, the widely varying sales tax rates and numerous exemptions and incentives announced by the State Governments to attract investment distort investment and production and result in an avoidable loss of revenue for the States. Harmonisation of rates and incentive structures should be brought about through agreement among the States. One possibility would be to evolve two or more broad bands for sales tax uniformly in all states.

Planning Process and Institutional Reform

15.10 We were considerably handicapped in our work by the fact that the period of our Report does not coincide with the period of the plan. The Eighth Plan runs from April 1992 to March 1997 whereas the period for which we are required to make our recommendations runs from April 1995 to March 2000, with an overlap with the Eighth Plan of two years. In the existing scheme of things, expenditures on plan schemes completed at the end of a plan are treated as committed non-plan expenditures in the subsequent plan period. Our terms of reference specifically require us to have regard to maintenance expenditure on plan schemes to be completed by 31st March, 1995. Since it is not the practice of the State Governments to move expenditures on completed schemes to the non-plan category until the end of the plan period, we have perforce had to take recourse to a broad estimation of such expenditures. In the absence of a common time-frame, we have not been able to take a view of the total revenue expenditure of the Centre and the States, both plan and non-plan, which would have been necessary for dealing fully with para 4(i) of our terms of reference. We believe it is important to synchronise the period of recommendations of a Finance Commission with that of a Five-Year Plan. In the past, due recognition was given to this factor and up to the Seventh Commission the periods were synchronised. The issue is urgent and should be dealt with while determining the period for the next plan .

15.11 It is becoming quite clear that the planning process will have to undergo a material change in the wake of the economic reforms now underway. The Planning Commission itself is conscious of this and has taken an initiative to start a debate on the subject. The greater market orientation of the economy and the enhanced role for private and foreign investment will put additional responsibility on the public sector to strengthen the economic and social infrastructure and reinforce the legislative, legal and judicial processes which make for good governance. In particular, public outlays on education and health will need to be increased substantially. This means a greater responsibility for State Governments whose resource base will have to be correspondingly augmented. Since the bulk of such outlays are on revenue account, we think that it should be the responsibility of future Finance Commissions to deal with them along with revenue receipts. It follows that the present artificial distinction between plan and non-plan expenditures, which runs across revenue and capital budgets shall be replaced by the simpler and conventionally well recgonised distinction between revenue and capital. Future Finance Commissions may be required to examine the aggregate requirements on revenue account and recommend means to bridge the revenue gaps.

15.12 We are conscious that the current distinction between plan and non-plan expenditures serves the purpose of demarcating new from old schemes. We think, however, that the distinction may have had the perverse impact, as explained in an earlier chapter, of resulting in the neglect of maintenance of capital assets. The crucial point is the criterion of borrowing; it should be for activities which generate adequate return to service debt. Other activities must be a charge on current revenue or such funding as may be created from revenues from time to time to finance lumpy expenditures.

Decentralisation

15.13 Because of the 73rd and 74th amendments to the Constitution, Finance Commissions will be required in future to suggest measures in the light of the recommendations of the State Finance Commissions. We believe it is important that the panchayati raj institutions are firmly established and strengthened. Equally, we think it is necessary to guard against generation of dependency for resources at each sub-national level. The three-tier structure, with two layers of Finance Commissions, may generate expectations that in the end it will be the responsibility of the Centre to channel resources through the State Governments to the panchayats and urban local bodies. The fiscal system can scarcely meet such expectations. Panchayats and urban local bodies need to have well-defined sources of income and taxing powers. They must be encouraged to exploit them to the full, relying on transfers from the above only at the margin and preferably on a matching basis. Decentralisation of the development process is a desirable objective. But it can prove effective only if local resources are mobilised for local development, thus ensuring minimum leakage and cost-effective deployment.

15.14 We are of the view that in order to ensure continuity and advance preparations, a permanent Finance Commission Division may be created in the Ministry of Finance with an officer-oriented composition. We endorse the recommendations of the Eighth Finance Commission in this regard contained in para 16.12 of their report which reads:

"16.12 The Division, which we propose, should have the

following functions:-

(i) to watch the implementation of the recommendations of the Finance Commission;

(ii) to watch closely and analyse the trends in the receipts and non-plan expenditure of the State Governments and identify the reasons for variation between actuals and estimates made by the Finance Commission ;

(iii) to monitor and evaluate the utilization of upgradation grants;

(iv) to preserve the records of the previous Commissions, and take such necessary action to obtain future information as might be of use to the future Commissions;

(v) to conduct studies and publish papers and data having a bearing on State finances.

The Division should be actively associated with the annual plan exercises of the Planning Commission so that the maintenance of assets already created does not suffer from either lack of attention or lack of resource-allocation because of the anxiety of the States to have progressively larger Plan."

15.15 We have noted that there is already a Finance Commission division in the Ministry of Finance. It is, however, no more than a cell. We are in full agreement with what the Eighth Commission had recommended and would urge that a full-fledged Division, appropriately staffed, and with adequate technical expertise, be created at the earliest under a senior officer and made to function within the Ministry of Finance so that it can discharge the functions indicated above. State Governments may also be asked to designate officers whose duty it would be to liaise with the Division to ensure continuity of contact and updating of information.

SUMMARY OF RECOMMENDATIONS

16.1 Our important recommendations to the President are set out below.

Income Tax

16.2 We recommend that for each financial year in the period 1995-96 to 1999-2000 :

(a) Out of the net distributable proceeds of income tax, a sum equal to **0.927 per cent** shall be deemed to represent the proceeds attributable to Union Territories.

(b) The share of the net proceeds of income tax assigned to the States shall be **77.5 per cent.**

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

Income Tax : Shares of States 1995 - 2000

State	Per cent
Andhra Pradesh	8.465
Arunachal Pradesh	0.170
Assam	2.784
Bihar	12.861
Goa	0.180
Gujarat	4.046
Haryana	1.238
Himachal Pradesh	0.704
Jammu & Kashmir	1.097
Karnataka	5.339
Kerala	3.875
Madhya Pradesh	8.290
Maharashtra	6.126
Manipur	0.282
Meghalaya	0.283
Mizoram	0.149
Nagaland	0.181
Orissa	4.495
Punjab	1.461
Rajasthan	5.551
Sikkim	0.126
Tamil Nadu	6.637
Tripura	0.378
Uttar Pradesh	17.811
West Bengal	7.471
TOTAL	**100.000**

(Para 5.47)

Union Excise Duties :

16.3 We recommend that **40 per cent** of the net proceeds of Union excise duties during each financial year in the period 1995-96 to 1999-2000 should be distributed as per the shares in the **Table** below :

40 per cent of the net proceeds of Union Excise Duties :

Shares of States 1995 - 2000

State	Per cent
Andhra Pradesh	8.465
Arunachal Pradesh	0.170
Assam	2.784
Bihar	12.861
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Sikkim	0.126
Tamil Nadu	6.637
Tripura	0.378
Uttar Pradesh	17.811
West Bengal	7.471
TOTAL	**100.000**

(Para 5.48)

16.4 We also recommend that the remaining **7.5 per cent** of the net proceeds of Union excise duties be distributed among the States in accordance with the shares specified by us for each financial year in the period 1995-96 to 1999-2000 as given in the **Table** below.

Shares of States in 7.5 per cent of the net proceeds of Union Excise Duties

(per cent)

State	1995-96	1996-97	1997-98	1998-99	1999-2000
(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	12.069	7.988	0.000	0.000	0.000
Arunachal Pradesh	3.410	4.300	5.871	6.224	6.667
Assam	8.543	9.836	11.849	10.748	9.290
Bihar	6.434	2.965	0.000	0.000	0.000
Goa	0.973	1.058	1.161	0.917	0.604
Himachal Pradesh	8.816	10.744	14.057	14.230	14.338
Jammu & Kashmir	13.366	16.491	21.985	22.741	23.700
Manipur	3.930	4.891	6.602	6.917	7.348
Meghalaya	3.590	4.403	5.815	5.994	6.130
Mizoram	3.676	4.628	6.278	6.784	7.074
Nagaland	5.818	7.417	10.247	11.072	12.025
Orissa	4.815	5.248	4.934	2.773	0.680
Rajasthan	0.835	0.000	0.000	0.000	0.000
Sikkim	1.199	1.473	1.938	1.982	2.055
Tripura	5.465	6.807	9.263	9.618	10.089
Uttar Pradesh	17.061	11.751	0.000	0.000	0.000
TOTAL	**100.000**	**100.000**	**100.000**	**100.000**	**100.00**

(Para 5.49)

Devolution : An Alternative Scheme

16.5 Having regard to the share of States in income tax, Union excise duties, and grant-in-lieu of tax on railway passenger fare in total central tax revenues (including additional excise duties), and the fact that we are recommending inclusion of some taxes under article **269** in the central pool, we recommend that the share of States in the gross receipts of central taxes shall be **26 per cent**. We further recommend that the tax rental arrangement should be terminated, and additional excise duties merged with basic excise duties. These three commodities should not be subject to States sales tax. Having done so we recommend a further share of **three per cent** in the gross tax receipts of the Centre for the States in lieu of additional excise duties. These shares of twenty six and three per cent respectively should be suitably provided for in the Constitution and reviewed once in 15 years.

(Para 13.14)

16.6 We believe there is some advantage in retaining a system such as in article **268**, where a tax is levied by the Union Government but collected and retained by the States, in the interest of uniformity of rates. Because Central sales tax, already being levied, and consignment tax, if and when levied, are similar to the taxes under article **268**, we have decided to keep them out of the pool of central taxes. All other taxes in article **269** shall form part of the central pool.

(Para 13.17)

16.7 The Centre should continue to have the power to levy surcharges for the purposes of the Union and these should be excluded from the sharing arrangements with the States.

(Para 13.19)

16.8 We would recommend that the alternative scheme of resource sharing suggested by us may be brought into force with effect from Ist April, 1996 after necessary amendments to the Constitution. This should not affect the inter-se shares and grants recommended by us.

(Para 13.20)

Additional Duties of Excise

16.9 The share of Union territories amounting to **2.203 per cent** should be retained by the Central Government. We recommend that the balance should be distributed among the States as shown in the Table below.

State	Percentage share
Andhra Pradesh	7.820
Aruncahal Pradesh	0.104
Assam	2.483
Bihar	7.944
Goa	0.232
Gujarat	5.995
Haryana	2.366
Himachal Pradesh	0.595
Jammu & Kashmir	0.856
Karnataka	5.744
Kerala	3.740
Madhya Pradesh	7.236
Maharashtra	12.027
Manipur	0.197
Meghalaya	0.188
Mizoram	0.079
Nagaland	0.137
Orissa	3.345
Punjab	3.422
Rajasthan	4.873
Sikkim	0.053
Tamilnadu	7.669
Tripura	0.286
Uttar Pradesh	14.573
West Bengal	8.036
TOTAL	**100.000**

(Para 6.19)

Grants-in-lieu of tax on Railway Passenger Fares

16.10 We recommend that :

i) The quantum of the grant in lieu of the Railway Passenger Fares Tax for 1995-2000 should be Rs.380 crores annually.

ii) The shares of States in the grant would be as in the Table below :

State	Percentage share
Andhra Pradesh	8.345
Arunachal Pradesh	0.005
Assam	1.368
Bihar	9.326
Goa	0.194
Gujarat	6.901
Haryana	1.917
Himachal Pradesh	0.108
Jammu & Kashmir	0.728
Karnataka	3.388
Kerala	3.495
Madhya Pradesh	6.882
Maharashtra	17.548
Manipur	0.018
Meghalaya	0.034
Mizoram	0.001
Nagaland	0.145
Orissa	1.715
Punjab	3.280
Rajasthan	4.445
Sikkim	0.010
Tamil Nadu	6.458
Tripura	0.039
Uttar Pradesh	15.568
West Bengal	8.082
Total	**100.000**

(Para 7.12)

Upgradation Grants

16.11 We recommend a total sum of **Rs 2,608.50** crores as grants for upgradation and special problems for the period 1995-2000.

(Para 8.15)

Financing of Relief Expenditure

16.12 The amount worked out for all the States for the period of our Report is **Rs.6304.27** crores. Out of this, the Centre will be required to contribute **Rs.4728.19 crores (75 per cent)** and the States **Rs.1576.08 crores (25 per cent)**. We recommend the continuation of the current scheme of the Calamity Relief Fund with modifications suggested by us.

(Para 9.15)

16.13 We propose that in addition to the Calamity Relief Funds for States, a National Fund for Calamity Relief should be

created to which the Centre and the States will contribute and which will be managed by a National Calamity Relief Committee on which both the Centre and the States would be represented.

(Para 9.18)

16.14 The size of the National Fund for Calamity Relief would be **Rs.700 crores**, to be built up over the period 1995-2000, with an initial corpus of **Rs.200 crores** to which the Centre would contribute **Rs.150 crores** and the States **Rs.50 crores** in the proportion of 75:25. In addition, for each of the five years from 1995-96 to 1999-2000 the contributions of the Centre and the States would be **Rs.75 crores and Rs.25 crores** respectively. The contribution by both the Centre and the States would be made annually in the beginning of the financial year. Contribution of States *inter-se* would be in the same proportion as their estimated total tax receipts after devolution.

(Para 9.20)

Grants for Local Bodies:

16.15 A total grant of **Rs 5,380.93** crores should be made available to the States in four equal instalments commencing from 1996-97.

(Para 10.20)

Grants-in-Aid

16.16 We recommend grants-in-aid, to be given to the States under the substantive portion of Article 275(1), equal to the amount of the deficits as estimated for each of the years during 1995-96 to 1999-2000. These amounts have been specified in the **Table** below:

(Para 11.12)

	1995-96	1996-97	1997-98	1998-99	1999-00	1995-2000
Andhra Pradesh	483.47	202.98	0.00	0.00	0.00	686.45
Arunachal Pradesh	136.60	109.26	45.63	16.11	0.00	307.60
Assam	342.20	249.94	92.08	27.81	0.00	712.03
Bihar	257.72	75.34	0.00	0.00	0.00	333.06
Goa	38.98	26.88	9.03	2.37	0.00	77.26
Himachal Pradesh	353.11	273.00	109.25	36.82	0.00	772.18
Jammu and Kashmir	535.39	419.05	170.85	58.84	0.00	1184.13
Manipur	157.43	124.28	51.31	17.90	0.00	350.92
Meghalaya	143.83	111.89	45.19	15.51	0.00	316.42
Mizoram	147.25	117.60	48.79	17.55	0.00	331.19
Nagaland	233.04	188.46	79.63	28.65	0.00	529.78
Orissa	192.87	133.35	38.34	7.18	0.00	371.74
Rajasthan	33.45	0.00	0.00	0.00	0.00	33.45
Sikkim	48.05	37.45	15.06	5.13	0.00	105.69
Tripura	218.92	172.98	71.99	24.89	0.00	488.78
Uttar Pradesh	683.40	298.60	0.00	0.00	0.00	982.00
Total	**4005.71**	**2541.06**	**777.15**	**258.76**	**0.00**	**7582.68**

16.17 We recommend that in case the actual realisation of the concerned States from royalty is higher than that assumed in our estimates, it would be open to the Central Government to make suitable adjustments in the grants-in-aid under **Article 275** recommended by us for meeting their non-plan revenue deficits.

(Para 3.22)

Debt Relief

16.18 We have recommend a scheme for debt relief in two parts :

i) a scheme for general debt relief for all States linked to fiscal performance; and

ii) specific relief for States with high fiscal stress, special category States and States with debt problems warranting special attention.

(Para 12.36)

16.19 In addition we recommend a scheme for encouraging retirement of debt from the proceeds of disinvestment of equity holdings of State Governments.

(Para 3.20)

16.20 We recommend specific relief for all special category States, and three other States, viz. Orissa, Bihar and Uttar Pradesh, which are characterised by high fiscal stress. For these States we recommend writing-off of 5 per cent of repayment due with respect to fresh central loans given during 1989-95 and outstanding on 31st March, 1995.

(Para 12.39)

16.21 We recommend the waiver of one third of the repayment of principal falling due during 1995-2000 on special term loans to Punjab in view of the special circumstances when these term loans were advanced and the need for the State to re-invigorate its development efforts.

(Para 12.40)

Monitoring of Maintenance Expenditure

16.22 We recommend that the presentation of accounts should be redesigned in such a way that the expenditure on the works component and the establishment expenses get reflected separately and are easily accessible. We recommend that the Ministry of Finance, in consultation with the State Governments and with the concurrence of the Comptroller and Auditor General of India, should introduce appropriate changes in the accounting and reporting system in accordance with the scheme outlined by us.

Para 3.62)

16.23 We also recommend that the State Governments should ensure that the provisions for maintenance are made in accordance with our recommendations. We further recommend that a high powered committee chaired by the Chief Secretary and with secretaries of the State Governments concerned in the departments of Finance, Planning, Irrigation and Public Works and the concerned chief engineers of the works departments should review every quarter the allocation and utilisation of funds provided for maintenance.

(Para 3.63)

Finance Commission Division

16.24 We recommend that a full-fledged Division, appropriately staffed, and with adequate technical expertise, be created at the earliest under a senior officer and made to function within the Ministry of Finance so that it can discharge the functions assigned to it. State Governments may also be asked to designate officers whose duty it would be to liaise with the Division to ensure continuity of contact and updating of information.

(Para 15.15)

(Krishna Chandra Pant)
Chairman

(Debi Prosad Pal)
Member

(B.P.R.Vithal)
Member

(Manu R. Shroff)
Member

(Arun Sinha)
Member Secretary

New Delhi
25th November, 1994

We wish to place on record our appreciation of the help we have received from our two Member Secretaries, Shri M.C. Gupta and Shri Arun Sinha. Shri Gupta was with us till January 1994 by which time the painstaking work of organising the office, collecting the requisite material and arranging discussion s with several groups as well as State Governments was completed. His initiative and drive during this phase greatly facilitated our work.

Shri Sinha's patience, perseverance, tact, and leadership helped him get the best out of the team working with him. He coordinated their efforts effectively in the final stages of our work and during the preparation of our report. We were fortunate in having an officer of his calibre and experience at this juncture. We wish to record our gratitude to him.

(Krishna Chandra Pant)
Chairman

(Debi Prosad Pal)
Member

(B.P.R.Vithal)
Member

(Manu R. Shroff)
Member

New Delhi
25th November, 1994

CONTENTS

ANNEXURES **Page**

ANNEXURE 1.1
(Para 1.5)

TO BE PUBLISHED IN THE GAZETTE OF INDIA
EXTRAORDINARY PART II — SECTION 3 — SUBSECTION (ii)

Ministry of Finance
Department of Economic Affairs
*****

New Delhi, the 30th November, 1993

NOTIFICATION

SO No. **921** (E) — The following Order made by the President is published for general information:

ORDER

In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President hereby directs that in the Order dated the 15th June, 1992 [published with the notification of the Government of India, in the Ministry of Finance (Department of Economic Affairs) SO NO.431 (E), dated the 15th June, 1992] —

(a) in paragraph 2, for the words, figures and letters " the 30th day of November, 1993", the words, figures and letters "the 30th day of June, 1994" shall be substituted;

(b) in paragraph 9, for the words, figures and letters " the 30th November, 1993", the words, figures and letters "the 30th June, 1994" shall be substituted.

Sd/-
(S. D. SHARMA)
PRESIDENT OF INDIA

30 November, 1993

[No. 10(9)-B(S) 93]

Sd/-
(N. P. Bagchee)
Additional Secretary (Budget)

ANNEXURE 1.2
(Para 1.6)

TO BE PUBLISHED IN THE GAZETTE OF INDIA
EXTRAORDINARY PART II — SECTION 3 — SUBSECTION (ii)

Ministry of Finance
(Department of Economic Affairs)
*****

New Delhi, the 30th June, 1994.

NOTIFICATION

SO No. **487** (E) — The following Order made by the President is published for general information:

ORDER

In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President hereby directs that in the Order dated the 15th June, 1992 [published with the notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) SO NO.431 (E), dated the 15th June, 1992] —

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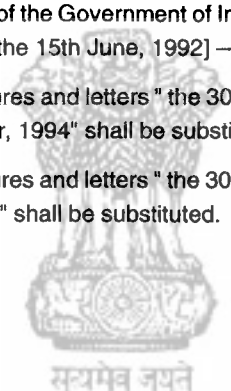


Sd/-
(SHANKER DAYAL SHARMA)
PRESIDENT OF INDIA

June 30, 1994.

[No. 10 (5) - B (S) 94]

Sd/-
(N. P. Bagchee)
Additional Secretary (Budget)

ANNEXURE 1.3

(Para 1.7)

List of those from whom memoranda were received : Organisations and Individuls

Andhra Pradesh

1. All India Manufacturers Organisation
2. Padmabhushan Vavilala Gopalakrishnayya, Freedom Fighter, Former M.L.A. Guntur-2, (Andhra Pradesh)

Bihar

3. The Bihar Chamber of Commerce, Patna
4. Bihar Industries Association, Patna
5. Bhartiya Janata Party
6. Communist Party of India
7. Justice S.Sarvar Ali, Lokayukt, Bihar
8. Asian Development Research Institute, Patna
9. Bihar Institute of Economic Studies, Patna
10. Shri Gulshan Lal, Ajmani, Member, Bihar Vidhan Sabha.
11. Shri Sushil Kumar Nahar, Nirmali Sappore, Bihar
12. Shri Chaturanan Mishra, Member of Parliament, Rajya Sabha.
13. Bihar Rakshavahini Sangh, Patna
14. Dr.K.N. Prasad, Retired University Professor and Head of the Deptt. of Economics, Patna University, Patna.
15. Mrs.Mahjabin Haque, Vice-President East Singhbhum District Congress Committee, Jamshedpur, Bihar.
16. Shri Atma Deo Singh, Chairman, Atmadeo Action Research Institute for Developmental Studies, Patna.
17. Dr. Atmanand, Faculty Member, L.N.Mishra Institute of Economic Development & Social Change, State Finance Commission, Govt. of Bihar, Patna.
18. Shri Raj Mangal Prasad Singh, Joint Secretary, National Federation of State Govt. Employees, Patna.

Goa

19. Dr. S.G. Vaidya, Hony. Secretary, Goa Cancer Society and Chairman, National Organisation for Tobacco Eradication Dona Paula, Goa.

Gujarat

20. Former Finance Ministers of Gujarat, namely
    i) Shri Dinesh Shah
    ii) Shri Jaswant Mehta
    iii) Shri Arvind Sanghavi
21. Shri Jaynarayan Vyas, MLA (BJP) and Shri Dilipbhai Parikh,MLA (BJP)
22. Gujarat Chamber of Commerce and Industry, Ahmedabad.
23. Shri Vithalbhai Patel, Member of Parliament, Rajya Sabha
24. Shri Naishadh Parikh, Chairman, Gujarat Committee, Confederation of Indian Industry (WR), Ahmedabad.
25. Shri Pravinsinhji Jadeja, Leader Janata Dal, Legislative Party (Gujarat).
26. Ms.Bharati D. Dave, Faculty Member, Department of Economics, Bhavanagar University, Gujarat.
27. Dr. Himmat Patel, Professor, Postgraduate Department of Economics, Sardar Patel University, Gujarat.

Haryana

28. PHD Chamber of Commerce & Industry, PHD House, Opp. Asian Games Village, New Delhi. 110 016. (Memorandum on Haryana)

Himachal Pradesh

29. Shri Thakur Sen Negi, Speaker, Vidhan Sabha, Himachal Pradesh,Shimla
30. Pradesh President, Himachal Kisan Union (Non-political) Regd. Village & Post Office Nag Challa, (Distt. Mandi) Himachal Pradesh.
31. Shri Kameshwar Pandit, Secretary, Himachal Pradesh Council, Communist Party of India.
32. Prof. Prem Dhumal, Member of Parliament (Lok Sabha), 1, Meena Bagh, New Delhi 110001 & Simarpur District, Hamirpur, Himachal Pradesh 177 6001.
33. Shri Gopal Das Verma, President, Himachal Pradesh Non-Gazetted Services Fed. Chief Fire Office, Shimla 171 002 Himachal Pradesh.
34. Shri Kaul Singh Thakur, Speaker, Legislative Assembly, Himachal Pradesh Council Chamber, Shimla 171 004.
35. Shri Shanta Kumar, Former Chief Minister, Himachal Pradesh, & National Secretary, Bhartiya Janta Party, U.S. Club, Shimla 171 001 Himachal Pradesh.
36. Shri Mehar Singh Thakur, Secretary, Himachal Pradesh Committee, Communist Party of India (Marxist), 9, Bawa Building, Shimla 171 003.
37. Shri I.C.Gupta, Secretary General, Janta Dal Himachal Pradesh, Allion House, The Mall, Shimla (Himachal Pradesh).
38. Shri Lekh Raj, President, H.P. Fruit & Vegetable Growers Association, Flat No.6, New Bhawan, North Oak Hill, Sanjauli, Shimla 171 203, Himachal Pradesh.
39. Shri B.R.Rahi, Chairman, Himachal Govt. Teachers' Union, Shimla.
40. Shri C.D. Singh Guleria (ADVOCATE) Vice President (H.P.E.S.L.) Vill.& P.O. Darang Teh. Palampur Distt. Kangra (H.P.).
41. PHD Chamber of Commerce & Industry, PHD House, Opp. Asian Games Village, New Delhi 110 016. (Memorandum on Himachal Pradesh).

Jammu & Kashmir

42. Shri P.P. Grover, President, Bari Brahmna Industrial Association, Jammu (J&K State).
43. Shri Y.V. Sharma, President, Chamber of Commerce & Industry (Regd), Jammu

44. Shri Jugal Mahajan, Chairman Federation of Industries & Commerce, 2nd Floor, City Commercial Centre, JDA Complex, Old Hospital Road, Jammu 180 001.

45. Shri Subhash Shastri, President, All J&K National Mazdoor Conference, 125, Kuncha Wazir Punnu, Pacca Danga, Jammu.

46. Shri Nar Singh, Vice President, State Centre Lahaur Union, (J&K National Conference) Sher-i-Kashmir Bhawan, Jammu.

47. Shri Ram Rakh, General Secretary, Building Construction Workers Union, 70/6, Trikuta Nagar, Jammu 180 004.

48. Shri Abdul Majid Khan, President, (Majid Group), All J&K Low Paid Govt. Employees Federation, Jain Bazar, Jammu Tawi.

49. Shri K.N. Khajuria, Vice President, J&K Civil Secretariat (NG), Employees Union, Jammu.

50. Shri Jawahar Lal Peshuri, General Secretary, Migrants Welfare Action Committee, Mishriwalla, Jammu.

51. Chairman, Rajiv Nagar Development Committee, Rajiv Nagar, Jammu (J&K State).

52. Shri R.P. Sethi, President, Association of Small Scale Ind.(Regd), Sicop Divisional Office Building, Gangyal, Jammu 180 010.

53. Mr. Hira Lal Chatta, Kashmiri Pandit Sahayata Samiti Geeta Bhawan, Parade Ground, Jammu.

54. Shri Mangat Ram Sharma, General Secretary, J&K Pradesh Congress (I) Committee, Shahidi Chowk, Jammu.

55. Shri T. Samphal, President, Distt. Congress Committee (I) Leh, P.O. Leh (Ladakh) 194 101.

56. Rafiq Sadiq, Secretary, Distt. Congress Committee (I) Srinagar.

57. Maulvi Iftikhar Ansari, Gen. Secretary, Pradesh Congress Committee (I).

58. Abdul Qayum, ex-Minister of State for Education.

59. General Secretary, (Sampat Group), All J&K Low Paid Govt. Employees Federation Kashmir, Presidency Road, Srinagar.

60. Shri Kuldip Dogra, President, Small Scale Industries Association.

61. Shri Devinder Mahajan, President, Bari Brahmna Industries Associates, Bari Brahmna.

62. Capt. Vijay Duggle, President, Association of Small & Tiny Industries, Kalu Chak, Jammu.

63. Shri Romesh Badal, President, Birpur Industrial Association, Jammu.

64. Shri Kanwal Kant, Senior Vice-President, Association of Industries.

65. Shri Rajinder Oul, General Secretary, SSI, Dig Yama Association.

66. PHD Chamber of Commerce & Industry, PHD House, Opp. Asian Games Village, New Delhi 110 016. (Memorandum on J&K).

Karnataka

67. Dr. G. Thimmaiah Professor and Economist, Economics unit, Institute for Social and Economic Change, Bangalore.

Kerala

68. Bharatiya Janata Party Kerala State Committee.

69. Joint Council of State Service Organisations. (Kerala).

70. Kerala Gazetted Officers Association.

71. The Kerala Finance Secretariat Association.

72. Kerala Pradesh Congress Committee (I).

73. Communist Marxist Party (Kerala State Committee).

74. Federation of State Employees and Teachers Organisations, Kerala.

75. Revolutionary Socialist Party. (Kerala State Committee).

76. Communist Party of India (Marxist) (Kerala State Committee).

77. Kerala State Council of the Communist Party of India.

78. Janata Dal Legislative Party.

79. Kerala Congress (B) Party (By Sh. Thomas Kulhuarattom).

80. Kerala Congress Party.

81. Congress (S) Indian Congress Socialist (Sh. Sarat Chander Sinha) .

82. Kerala Congress (M) Party.

Madhya Pradesh

83. Federation of M.P. Chambers of Commerce and Industry.

84. Malwa Chamber of Commerce and Malwa Vikas Abhiyan Samiti, Indore.

85. Narmada Sagar Sangarsh Samiti, Harsood, Madhya Pradesh.

86. Communist Party of India.

87. Shri Jawarlal Rathore, Journalist, Indore Jabalpur (M.P.).

88. Madhya Pradesh Rajya Panch Sarpanch Sangathan, Jabalpur (M.P.).

89. Dr. Ramakant Dani, General Secretary, All India Kisan Congress, District Durg.

90. Shri Babulal Gaur, M.L.A. and Ex-Minister, Madhya Pradesh, Bhopal

91. Shri Bapu Singh Damar, M.L.A. Madhya Pradesh.

92. Shri Dileep Singh Bhuria, M.P. Jhabua-Ratlam, Madhya Pradesh.

Maharashtra

93. Shri Sudhir Joshi, Opposition Leader of Shiv Sena Legislative Party.

94. Indian Merchants' Chamber, Bombay.

95. Shri R.R.Singh, Mayor of Bombay.

96. Shri Ram Das Nayak, President, BJP, Bombay Unit.

97. Dr. Ratnakar Mahajan, Pune.

98. Shri Ravindra Vadekar, Architect, Thane (Maharashtra).

99. Dr. A.A. Dange, Reader in Public Finance, Deptt. of Economics, Shivaji University, Kolhapur.

100. All India Aluminium Extrusion Manufactures's Association, Bombay.

Manipur

101. Federal Party of Manipur

102. All Manipur Trade Union Council

103. Manipur Peoples Party

104. Economic Development Research Group

105. Kuki National Assembly Party

106. Manipur State Communist Party

107. Manipur Trade Union Council

Meghalaya

108. Meghalaya Chamber of Commerce & Industry.

109. Frontier Chamber of Commerce.

Mizoram

110. Autonomous District Council

111. Mizoram Pradesh Congress(I) Committee.

Nagaland

112. Kohima Chamber of Commerce

113. Kohima Village Development Board.

Orissa

114. Orissa Pradesh Congress Committee.

115. Orissa Legislative Assembly (Group of six MLAs)

116. Shri Raghunath Patnaik, MLA, Jeypore.

117. Shri Uma Ballav Rath, Member, Orissa Legislative Assembly (Puri) and Secretary, All India Yuva Janata Dal.

118. Utkal Chamber of Commerce and Industry, Cuttack, Committee.

119. Orissa State Government Employees Co-ordination Committee.

120. Orissa Secretariat Low-paid Government Servants' Association, Bhubaneswar.

121. Orissa Electrical Workers' Union (GED), Cuttack.

122. Shri Baidyanath Misra, Honorary Fellow, Nabakrushna Choudhury Centre for Development Studies, Orissa.

Punjab

123. Shri P.D.Sharma, President, Apex Chamber of Commerce & Industry (Pb.), 2nd Floor, Savitri Complex, G.T. Road, Ludhiana (Punjab).

124. Shri Jagjit Singh Shad, President, Northern India Chamber of Commerce & Industry Registered Office 161, Sector 40-A, Chandigarh-160014.

125. Representatives of Shiromani Akali Dal (Badal Group) and (Man Group).

126. PHD Chamber of Commerce & Industries, PHD House, Opp. Asian Games Village, New Delhi (Memorandum on Punjab).

127. Sardar Avtar Singh Malhotra General Secretary, CPI.

Rajasthan

128. Shri Ramakant (IAS Retd.), Member, Rajasthan Legislative Assembly, C-72, Sarojini Marg, C - Scheme, Jaipur 302 001.

129. Shri R.K. Agarwal, All Rajasthan State Govt. Employees Federation, Shree Govardhannath Mandir, Choura Rasta, Jaipur 302 003.

130. Professor Om Prakash, 1/245, SPS, Mansarover, Jaipur 302020.

131. Rajasthan Chamber of Commerce & Industry, Chamber Bhawan, M.I.Road, Jaipur 302 001.

132. Shri K.L. Jain, Hony. Secretary General, Rajasthan Chamber of Commerce & Industry, Rajasthan Chamber Bhawan, M.I. Road, Jaipur.

133. Shri Mohan Lal Jain, President, All Rajasthan State Govt Employees Federation, & Secretary, National Federation of State Govt. Employees, Chelo Ka Rasta, Jalabe-Chowk, Jaipur 302 002.

134. Gram Panchayat Kanai, Panchayat Samiti Sangh, District Jaisalmer (Rajasthan).

135. Shri Khangar Khan, S/O Shri Bhan Warya Meerasi, Village Kanoi, Distrist Jaisalmer, (Rajasthan).

136. Shri B.L. Panagariya (Editor Rajniketan), 7, Moti Doongri Road, Jaipur 302 004.

137. Secretary, Association of State Training Institutions of India, J.L.Nehru Marg, Jaipur 302 017.

138. PHD Chamber of Commerce & Industry, PHD House, Opp. Asian Games Village, New Delhi 110 016. (Memorandum on Rajasthan).

Sikkim

137. Agriculturist, Sikkim.

138. Sikkim Demorcratic Front.

Tamil Nadu

139. Madras Chamber of Commerce and Industry.

140. Indian National Council for Economic Integration.

141. Southern Indian Chamber of Commerce and Industry.

142. Hindustan Chamber of Commerce (Madras).

143. Andhra Chamber of Commerce.

144. Tamil Nadu State Committee of the Communist Party of India (Marxist).

145. Tamil Nadu United Secretariat Staff Federation.

146. Tamil Nadu Government Employees Association.

147. Tamil Nadu Chamber of Commerce.

148. Tamil Nadu Government Employees Union.

149. Tamil Nadu Secretariat Association.

150. Tamil Nadu Congress Committee (I).

Uttar Pradesh

151. PHD Chamber of Commerce and Industry, Regional Office, Lucknow.

152. U.P. Desk - PHD Chember of Commerce & Industry, New Delhi.

153. Confederation of Indian Industry, Northern Region, Lucknow.

154. Shri Lalit Khaitan, Chairman, U.P. Committee, PHDCCI, Regional Office, Lucknow.

155. Shri Vineet Virmani, President, PHDCCI, Regional Office, Lucknow.

156. Indian Industries Association, Lucknow.

157. Shri Jagdambika Pal, Chief Whip, Congress Legislative Party, U.P. Lucknow.

158. Shri Uddal, MLA, Leader Communist Party of India, Legislative Party, U.P. Lucknow.

159. Ranikhet Upmandal Zila Banao Sangarsh Samity, Ranikhet, U.P.

160. President,District Bar Association,Pauri- Garhwal, U.P.

161. Wg. Cdr. V.Kumar (Retd), Niralanagar, Lucknow.

162. The President, Kumaun Garhwal Chamber of Commerce and Industry (Regd.), Kashipur U.P.

163. The District President,National Students Union of India, District Nainital, U.P.

164. Shri Ram Chandra Uniyal, President, District Council, Chamoli,U.P.

165. Indira Memorial Trust Society, District Nainital, U.P.

166. Shri Bhudev Lakhera, President, District Council, Tehri, U.P.

167. Shri Gopal Dutt Ozha, Advocate, Ex-MLA, Pithoragarh, U.P.

168. Shri V.P. Mishra, Kanpur, U.P.

169. Shri Harish Rawat (Ex- MP), Vice-President, (AICC)(I), New Delhi.

170. Shri Bhagwan Shankar Rawat, M.P. and Chairman, Public Accounts Committee, New Delhi.

171. Dr. Gayatri Devi,General Secretary, U.P. Veterinary Association, Lucknow.

172. Shri Keshri Nath Tripathi, Chairman, Vidhan Sabhan, Uttar Pradesh, Lucknow.

173. Shri Taradutt Pandey, "Adheer" Nainital.

174. Shri Dharam Prakash Gupta, Chairman, Gram Udyog Mandal, Kanpur (U.P.).

West Bengal

175. Communist Party of India, West Bengal State Council.

176. Communist Party of India (Marxist), West Bengal State Committee, Calcutta.

177. All India Forward Bloc, Bengal Committee.

178. Bhartiya Janta Party, West Bengal Unit.

179. West Bengal Pradesh Congress Committee and the Congress Legislature Party of West Bengal.

180. Socialists Unity Centre of India, West Bengal State Committee, Calcutta.

181. Bengal National Chamber of Commerce and Industry, Calcutta.

182. Merchants' Chamber of Commerce, Calcutta.

183. Indian Chamber of Commerce, Calcutta.

184. State Co-ordination Committee, West Bengal Government Employees Associations and Unions, Calcutta.

185. West Bengal Civil Service (Executive) Association, Calcutta.

186. Shri Subash Ghisingh, Chairman and Chief Executive Councillor of Darjeeling Gorka Hill Council (DGHC).

187. Shri Sukomal Sen, M.P., General Secretary, All India State Government Employees Federation, Calcutta.

188. Shri Prabir Kumar Laha, Freelance Journalist.

Others

189. Shri Yudhishtra Mehta, Yuva Shakti, 509, Sky Lark Building, 60, Nehru Place, New Delhi.

190. Confederation of Indian Industry, 23-26, Industrial Area, Lodi Road, New Delhi.

191. Federation ofIndian Export Organisation, PHD House, (3rd Floor) Opp. Asian Games Village, New Delhi. 110 016. (Memorandum to the Finance Commission)

192. All India Federation of Pensioners' Association, 42, Sadullah Street, T. Nagar, Madras 600 017.

193. Shri Sukomal Sen, General Secretary, All India State Govt. Employees Federation, 10A, Shankharitola Street, Calcutta 700 014.

194. All India Hill People's Welfare Association (Regd.) 90, North Avenue, New Delhi - 110001.

195. The Tobacco Institute of India, New Delhi.

ANNEXURE 1.4

(Para 1.7)

List of those who met the Commission Organisations and Individuals

Andhra Pradesh

1. Shri M. Padmanabhan, M.P. (Rajya Sabha), Leader of TDP.
2. Shri M. Raghuma Reddy, Deputy Leader, TDLP.
3. Shri A. Madhava Reddy, General Secretary & MLA(TDP).
4. Shri G. Muddha Krishna Naidu, Publicity Secretary, TDP.
5. Shri Puvvada Nageswara Rao (CPI).
6. Shri Ch. Vidyasagara Rao (BJP).
7. All India Manufacturers Organisation, Hyderabad - represented by
   (i) Shri Y.V.S.S. Murthy, Chairman.
   (ii) Shri S. Tirumalai, Vice Chairman.
   (iii) Shri S.S. Raju.
   (iv) Shri B. Shankar.
   (v) Shri G.K. Kabra.
   (vi) Shri K. Ramakrishna, Hony. Secy.
8. A.P. Federation of Chambers of Commerce and Trade, Secunderabad - represented by
   (i) Shri V.D. Gupta, President.
   (ii) Shri B. Surya Prakash, Vice President.
   (iii) Shri Dhananjayudu.
   (iv) Shri Srisailam.
9. A.P. Federation of Chambers and Commerce and Industry, Hyderabad - represented by
   (i) Shri T. Yogaiah Naidu, President.
   (ii) Shri M.L. Agarwal, Vice President.
   (iii) Shri D. Seetharamaiah, Tax Commission Chairman.
   (iv) Shri Banarasilal Gupta.
   (v) Capt. Rama Rao.
   (vi) Shri Narayan Rao.
10. Collective Rural Development in India (CRDI) Regd.264/1984 40-A, Electronics Complex, India-500 762 through A.N. RAJU, Vice Chairman
11. Shri Vavilala Gopalkrishnaiah, Gunter-2, Andhra Pradesh

Assam

12. Janata Dal - represented by
   (i) Shri Dulal Baruah
   (ii) Shri Bidhu Sen
   (iii) Shri Harendra Deva Goswami
   (iv) Shri Ajoy Dutta
   (v) Shri Nagen Baruah
   (vi) Dr. A.M. Majumdar, M.L.A.
13. Communist Party of India - represented by
   (i) Shri Promod Gogoi, M.L.A.
   (ii) Shri Giyasuddin Ahmed, M.L.A.
   (iii) Shri Munin Mahanta, M.L.A.
   (iv) Shri Alauddin Sarkar, M.L.A.
14. Bharatiya Janata Party - represented by
   (i) Shri M.R. Das, M.L.A.
   (ii) Shri S.N. Sen, M.L.A.
   (iii) Shri K.R. Dev, M.L.A.
   (iv) Shri P. Suklabaidya, M.L.A.
15. Autonomous State Demand Committee - represented by
   (i) Shri H.R. Terang, M.L.A.
   (ii) Shri Mansingh Rongpi, M.L.A.
   (iii) Shri Dwipen Rangpi, M.L.A.
16. Assam Gana Sangram Parishad - represented by
   (i) Shri Prafulla Kumar Mahanta, M.L.A.
   (ii) Shri Bharat Narah, M.L.A.
   (iii) Shri Thaneswar Boro, M.L.A.
   (iv) Shri Padmeswar Doley, M.L.A.
   (v) Shri Jainath Sarma, M.L.A.
   (vi) Shri Hiten Goswami, M.L.A.
   (vii) Shri Chandra Mohon Potwary, M.L.A.
   (viii) Shri Nagen Sarma, M.L.A.
   (ix) Shri Bubul Das, M.L.A.
17. Communist Party of India (M) - represented by
   (i) Shri Sasha Kamal Handique, M.L.A.
   (ii) Shri Nizamuddin Khan

Bihar

18. Bihar Chamber of Commerce, Patna - represented by:-
   (i) Shri P.K. Agarwal, President
   (ii) Shri H.Nath, Vice-President
   (iii) Shri P.L. Khaitan, Secretary General
   (iv) Shri Y. Pandey, Member
   (v) Shri H.Modi, Member
   (vi) Shri K.P.Jalan, Permanent Invitee
   (vii) Shri Prabhat Kumar, Adviser
19. Bihar Industries Association, Patna-represented by:
   i) Shri A.S.Verma, Past President
   ii) Shri S.N.Patwari, Past President
   iii) Shri B.N.Chaubey, Secretary General
   iv) Shri G.N. Mishra, Executive Member
   v) Shri K.P. Jhunjhunwala, Executive Member
   vi) Shri G.S.Srivastava, Secretary

20. Shri Hidayatullah Khan, Chief, Bihar Pradesh Congress Committee (I).

21. Dr. Jagannath Mishra, Chairman, Bihar Institute of Economic Studies, Patna.

22. Bhartiya Janata Party-represented by:
    i) Shri Lalmuni Choubey, Leader, Legislative Assembly.
    ii) Shri Saryu Rai, Spokesman.
    iii) Shri Yashodanand Singh, State President, Kisaan Morcha.

23. Communist Party of India -represented by:
    i) Shri Suraj Prasad, State Secretary
    ii) Shri U.N. Mishra, Member

24. Communist Party of India (Marxist)-represented by:
    i) Shri Ganesh Shanker Vidyarathi
    ii) Shri Subodh Rai, Member, Vidhan Parishad

25. Janata Party-represented by:
    i) Shri Rajiv Ranjan Singh, President
    ii) Shri Chandra Shekhar Prasad, Secretary
    iii) Shri Shiv Kant Tiwari, General Secretary

26. Shri Ramai Ram, President,Janata Dal.

27. Justice S. Sarvar Ali, Lokayukt, Bihar.

28. Asian Development Research Institute, Patna represnted by:
    i) Shri Muchkund Dubey, Chairman, ADRI and Ex-Foreign Secretary
    ii) Shri Shaibal Gupta, Member-Secretary
    iii) Shri P.P.Ghosh, Member of the Board of ADRI
    iv) Shri Vinay K.Kanth, Working Chairman
    (v) Shri Arun K.Singh, Member of the Board of ADRI

Goa

29. Goa Chamber of Commerce and Industry - represented by:
    i) Shri R.G.Kare, President
    ii) Shri S.B.Naik, Vice-President
    iii) Shri G. Daivajana, Hon. Secretary
    iv) Shri P.S.Angle, Past President
    v) Shri J.R.Deshprabhu, Member
    vi) Shri M.N.Poiraicar, Member
    vii) Shri Oli Da-Lapa-Soares, Executive Secretary

30. Bhartiya Janata Party-represented by:
    i) Shri Sripad Naik, President
    ii) Shri Madhav Dhond, Vice-President
    iii) Shri Manohar Parriker, General Secretary

31. Shri Surendra Sirsat, President, Maharashtrawadi Gomantak Party.

32. Goa Pradesh Congress Committee-represented by:
    i) Shri Santaram Naik, President
    ii) Smt. Nirmala Sawant, General Secretary
    iii) Shri Arthur Sequira, Block President, Panaji Constituency.

33. Goa Cancer Society - represented by :
    i) Dr. S. G. Vaidya, Hon. Secretary, Goa Cancer Society & Chairman, National Organisation for Tobacco Eradication Dona Paula, Goa.
    ii) Shri D. B. Bhonsle, Treasurer.

Gujarat

34. Confederation of Indian Industry (WR) Ahmedabad - represented by:
    i) Shri Naishad Parikh, Chairman
    ii) Shri Chandrajit Banerjee, Secretary
    iii) Shri Rajesh Gandhi, Committee Member.
    iv) Shri Kishore D. Vyas, Committee Member.

35. Gujarat Chamber of Commerce & Industry, Ahmedabad-represented by :-
    i) Shri Thakorbhai P. Amin, President.
    ii) Shri Girish P. Dani, Vice-President.
    iii) Shri Bachubhai D. Patel, Hon. Secretary.
    iv) Shri Dinesh N. Shah, Executive Council Member.
    v) Shri Bipin D. Patel, Deputy Secretary.

36. Bhartiya Janata Party - represented by:
    i) Shri Diliplahai Parikh, Vice-President
    ii) Shri Jaynarayan Vyas, M.L.A.and Ex- Chairman, G.S.R.T.C.

37. Shri Pravinsinhji Jadeja, M.L.A.,Leader Janata Dal, Legislative Party (Gujarat).

38. Congress (I) -represented by:
    i) Shri Jaswant Mehta, Ex-State Finance Minister
    ii) Shri Dinesh Shah, Ex-State Finance Minister
    iii) Shri Arvind Sanghavi, Ex-State Finance Minister and presently Chairman, Gujarat Housing Board.

Haryana

39. Ch. Devinder Singh, Past President, PHDCCI and others

40. Shri Inderdeep Singh, Deputy Chairman, CII and other Representatives of Confederation of Indian Industries,

Himachal Pradesh

41. Pradesh President, Himachal Kisan Union (Non-Political) Regd, Village & Post Office Nag Challa, (Distt. Mandi) Himachal Pradesh.

42. Shri Kameshwar Pandit, Secretary, Himachal Pradesh Council, Communist Party of India.

43. Prem Dhumal, Member of Parliament (Lok Sabha), 1, Meena Bagh, New Delhi 110 001 & Simarpur, District, Hamirpur, Himachal Pradesh 177 6001.

44. Shri Gopal Das Verma, President, Himachal Pradesh Non-Gazetted Services Fed., Chief Fire Office, Shimla 171 002 Himachal Pradesh.

45. Shri Kaul Singh Thakur, Speaker, Legislative Assembly, Himachal Pradesh Council Chamber, Shimla 171 004

46. Shri Ram Lal, Former, CM (Himachal Pradesh) (Congress I)
47. Shri Shanta Kumar, Former Chief Minister, Himachal Pradesh, & National Secretary, Bhartiya Janta Party, V.S. Chug, Shimla 171 001 Himachal Pradesh.
48. Shri Mohar Singh Thakur, Secretary, Himachal Pradesh Committee, Communist Party of India (Marxist), 9, Bawa Building, Shimla 171 003
49. Shri Rakesh Singh, M.L.A. (CPI-M)
50. Shri I.C.Gupta, Secretary General, Janta Dal Himachal Pradesh, Allion House, The Mall, Shimla (Himachal Pradesh)
51. Shri Lekh Raj, President, H.P. Fruit & Vegetable Growers Association, Flat No.6, New Bhawan, North Oak Hill, Sanjauli, Shimla 171 203, Himachal Pradesh
52. Shri B.R.Rahi, Chairman, Himachal Govt. Teachers' Union, Shimla.
53. Ch. Devinder Singh, President, PHDCCI and others
54. Shri Thakar Singh Bharmauri, M.L.A. (Independent)
55. Shri Kuldeep Singh Pathania, M.L.A. (Independent)
56. Shri Manjit Singh Dogra, M.L.A. (Independent)
57. Shri Tek Chand, M.L.A. (Independent)
58. Shri Hari Datt Sharma M.L.A. (Independent)

Jammu & Kashmir

59. Shri P.P. Grover, President, Bari Brahmna Industria Association, Jammu (J&K State)
60. Shri Y.V. Sharma, President, Chamber of Commerce & Industry (Regd.), Jammu (J&K State)
61. Shri Jugal Mahajan, Chairman Federation of Industries & Commerce, 2nd Floor, City Commercial Centre, JDA Complex, Old Hospital Road, Jammu 180 001 (J&K State)
62. Shri Subhash Shastri, President, All J&K National Mazdoor Conference, 125, Kuncha Wazir Punnu, Pacca Danga, Jammu (J&K State)
63. Shri Nar Singh, Vice President, State Centre Lahaur Union, (J&K National Conference) Sher-i-Kashmir Bhawan, Jammu (J&K State)
64. Shri Ram Rakha General Secretary, Building Construction Workers Union, 70/6, Trikuta Nagar, Jammu 180 004 (J&K State)
65. Shri Abdul Majid Khan President, (Majid Group) All J&K Low Paid Govt. EmployeesFederation, Jain Bazar, Jammu Tawi, (J&K State)
66. Shri K.N. Khajuria, Vice President, J&K Civil Secretariat (NG), Employees Union, Jammu (J&K State)
67. Shri Jawaharlal Peshuri General Secretary, Migrants Welfare Action Committee Mishriwalla, Jammu (J&K State)
68. Chairman, Rajiv Nagar Development Committee, Rajiv Nagar, Jammu (J&K State)
69. Shri R.P. Sethi President, Association of Small Scale Ind.(Regd), Sicop Divisional Office Building, Gangyal, Jammu 180 010 (J&K State)
70. Mr. Hira Lal Chatta, Kashmiri Pandit Sahayata Samiti Geeta Bhawan, Parade Ground, (J&K State)
71. Shri Mangat Ram Sharma, General Secretary, J&K Pradesh Congress (I) Committee, Shahidi Chowk, (J&K State)
72. Shri T. Samphat, President, Distt. Congress Committee (I) Leh, P.O. Leh (Ladakh) 194 101 (J&K State)
73. Rafiq Sadiq, Secretary, Distt. Congress Committee (I) Srinagar
74. Maulvi Iftikhar Ansari, Gen. Secretary, Pradesh Congress Committee (I)
75. Shri M. Trakan, CPI, Srinagar
76. Abdul Qayum, ex-Minister of State for Education,
77. Shri Kuldip Dogra President, Small Scale Industries Association
78. General Secretary, (Sampat Group), All J&K Low Paid Govt. Employees Federation Kashmir Presidency Road, Srinagar
79. Shri Devinder Mahajan, President, Bari Brahmna Industries Associates, Bari Brahmna
80. Capt. Vijay Duggle, President, Association of Small & Tiny Industries, Kalu Chak, Jammu.
81. Shri Romesh Badal, President, Birpur Industrial Association, Jammu
82. Shri Kanwal Kant Senior Vice-President, Association of Industries
83. Shri Rajinder Oul, General Secretary, SSI, Dig Yama Association

Karnataka

84. Shri R.V. Deshpande, M.L.A. (Janta Dal) and Leader of the Opposition in Karnataka Legislative Assembly.
85. Shri M.C. Nanaiah, M.L.C. (Janta Dal) and Leader of the Opposition in Karnataka Legislative Council.
86. Shri D.B. Chandregowda, M.L.A.
87. Smt. Hemalatha Rao, Prof. of Economics, Institute for Social and Economic Change, Bangalore.
88. Federation of Karnataka Chamber of Commerce and Industry, K.G. Road, Bangalore represented by-
    i) Shri K. Anandam, President
    ii) Shri K. Lakshman, Vice- President
    iii) Dr. M.V. Krishnamurthy, Ex. President.
    iv) Shri C. Manohar, Secretary
    v) Shri M.N. Nagaraj, Special Officer
    vi) Shri K.M. Sreenivasamurthy.
89. Confederation of Indian Industries, Karnataka Branch represented by-
    i) Sh. C.P. Rangachar, Managing Director, Yuken India Ltd.,
90. The Greater Mysore Chamber of Commerce and Industries represented by-
    i) Shri R.Vishwanathan, Secretary.
    ii) Shri C.C. Rajagopalan, Ex. President.

Kerala

91. Shri Vayalar Ravi, President, Kerala Pradesh Congress Committee(I).
92. Shri M.M. Hassan, MLA, General Secretary, Kerala Pradesh Congress Committee(I).
93. Shri A. Sujanapal, MLA, General Secretary, Kerala Pradesh Congress Committee(I).
94. Shri A. Hidur Mohammed, Joint Secretary, Kerala Pradesh Congress Committee(I).
95. Shri G. Karthikeyan, MLA, Vice President, Kerala Pradsesh Congress Committee (I).
96. Shri P.M. Mathew, MLA, Chairman, Kerala Congress (Jacob Group).
97. Shri Mathew Stephen, MLA, General Secretary, Kerala Congress (Jacob Group).
98. Shri Joseph Thomas, Kerala Congress (Jacob Group).
99. Shri Thomas Kuthiravattom, Ex.M.P., General Secretary, Kerala Congress (Balakrishna Pillai Group).
100. Shri A.C. Mathew, General Secretary, Kerala Congress (Mani Group).
101. Shri V.T. Sebastian, Ex.MLA, Former Chairman, Kerala Congress (Mani Group).
102. Shri Joseph George Vadakkedom, State Secretary, Kerala Congress (Mani Group).
103. Shri C.P. John, Communist Marxist Party.
104. Shri V.S. Achuthanandan, MLA, Leader of Opposition, Communist Party of India (Marxist).
105. Shri E.K. Nayanar, MLA, Secretary, Communist Party of India (Marxist).
106. Shri Baby John, MLA, State Secretary, Revolutionary Socialist Party.
107. Shri A.V. Thamarakshan, Revolutionary Socialist Party.
108. Shri K. Chandrasekharan, MLA, Janta Dal.
109. Shri P.K. Vasudevan Nair, State Secretary, Communist Party of India.
110. Shri C.K. Chandrappan, MLA, Communist Party of India.
111. Shri A.C. Shanmukha Das, MLA, Congress(S).
112. Shri P.J. Joseph, Kerala Congress (Joseph Group).
113. Adv. Antony Raju, Kerala Congress (Joseph Group).
114. Shri K.G. Marar, State Secretary, Bharatiya Janata Party.
115. Shri K. Aiyappan Pillai, State Committee Member, Bharatiya Janata Party.
116. Smt. Santha Madhavan, State Secretary, Bharatiya Janata Party.
117. Shri M.S. Dany, Secretary, Federation of State Employees and Teachers Organisation.
118. Shri P. Viswambharan, Secretary, Federation of State Employees and Teachers Organisation.
119. Shri M.N.V.G. Adiyodi, General Secretary, Joint Council of State Service Organisation.
120. Shri P.R. Somanathan, Chairman, Joint Council of State Service Organisation.
121. Shri C.R. Joseprakash, Joint Council of State Service Organisation.
122. Dr. M.N. Mohammed Ali, General Secretary, Kerala Gazetted Officers' Association.
123. Shri K. Krishna Panikkar, Secretariat Member, Kerala Gazetted Officers' Association.
124. Shri K. Balakrishnan Nair, Kerala Gazetted Officers Association, Thiruvananthapuram.
125. Shri J. Baburajendran Nair, Secretary, Kerala Finance Secretariat Association.
126. Prof. Geevarghese, General Secretary, Kerala Government College Teachers' Organisation.
127. Shri J. Christopher, M.Sc., B.L., Retd. Appellate Assistant Commissioner of Agricultural Income Tax & Sales Tax, Trivandrum.

Madhya Pradesh

128. Shri Pritam Lal Dua, President, Malwa Chamber of Commerce, Indore.
129. Malwa Vikas Abhiyan Samiti, Indore- represented by: i) Prof. B.K. Nilosey, Vice-President ii) Shri A.S. Narang, Adviser iii) Prof. Ramesh Mangal, General Secretary.
130. Shri Sudhir Mukherji, Secretary, Communist Party of India Bhopal.
131. Shri Shailendra Shelly, Secretary, Communist Party of India (Marxist), Bhopal
132. Shri Ranjit Vithal Das, President, Federation of M.P. Chamber of Commerce and Industry, Bhopal

Maharashtra

133. Shri Sudhir Joshi, Opposition Leader, Shiv Sena Legislative Party
134. Shri Nana Chudasama, Former Sheriff of Bombay
135. Shri R.R. Singh, Mayor of Bombay.
136. Shri Ramanand Laud, Leader of the House, Bombay Municipal Corporation
137. Shri Nandu Satam, Leader of Opposition, Bombay Municipal Corporation
138. Shri Ravindra Pawar, Chairman, BEST
139. Smt. Amina Sayyad, Chairperson, Education Committee, Bombay Municipal Corporation
140. Shri Abrahini Yusuf, Leader of Muslim League, Bombay Municipal Corporation
141. Indian Merchants' Chamber-represented by
    i) Shri Nalin K.Vissanji, Past President
    ii) Shri Anil Kumar Ruia, Managing Director, Kolhapur Sugar Mills Ltd. and Chairman, Industry Committee
    iii) Ms. Kiran Nanda, Economist, Gujarat Ambuja Cements Ltd. and Vice-Chairman, Economic Affairs Committee
    iv) Ms. Deepa Acharya, Deputy Secretary
142. Bombay Chamber of Commerce & Industry- represented by:
    i) Shri S.S. Bhandare, Economic Adviser, Tata Services and Member, Economics Sub-Committee.

ii) Shri C.L. Jain, Director, Hoechst India Ltd. and Chairman of the Banking and Finance Sub-Committee

iii) Shri V.S. Date, Secretary

143. Maharashtra Chamber of Commerce and Industry - represented by:

i) Shri M.D. Ranade, Chairman, Finance and Taxation Committee, Bombay.

ii) Shri Satish Kelkar, Co-Chairman, Finance and Taxation Committee of the Chamber, Bombay

Manipur

144. Congress (I) - represented by

(i) Shri A.S. Arthur, Vice President

(ii) Shri R.K. Dorendra Singh, M.L.A.

(iii) Shri Rishang Krishing, M.L.A.

(iv) Shri W. Angou Singh, M.L.A.

(v) Shri T. Gunadhwaja Singh, M.L.A.

(vi) Dr. L. Chandramani Singh

145. M.P.P. - represented by

(i) Shri Ch. Manihar Singh, M.L.A.

(ii) Shri H. Thoithoi Singh, M.L.A.

(iii) Shri Md. Jalaluddin

(iv) Shri R. Vio,

(v) Shri Z. Mangaibou, Gen. Secy.

(vi) Shri Haopao Touthang

(vii) Shri R. Solomon

146. Shri C. Doungel, Former Finance Minister represented Congress (S).

147. Janata Dal - represented by

(i) Shri H. Iboyaima Singh, Gen. Secy., JD

(ii) Shri T. Mangibabu Singh, Gen. Secy.,UD

(iii) Shri N. Dhiren Singh, Distt. President (Imphal East II)

(iv) Shri Amu Kamti

(v) Shri Y. Priyokumar Singh, President,UJD

148. Chamber Commerce - represented by

(i) Shri K.C. Patni

(ii) Shri Kishan Narayan Agarwal

(iii) Shri Ramchandra Agarwal

(iv) Shri Mahindra Kumar Patni

(v) Shri Pawan Dugar

149. Kuki National Assembly Party - represented by

(i) Shri Jainson Hading, President

(ii) Shri M. Vaiphei,

150. Joint Administrative Council (JAC) - represented by

(i) Shri L. Joychandra Singh, President

(ii) Shri Lalhari Singh, Vice President

(iii) Shri S. Kesho Singh, Secy. General

(iv) Shri A. Tombi Singh, Secy. (Orgn.)

(v) Shri N. Itobi, General Secy.(AMTUC)

(vi) Shri Th. Itobi Singh, Secy. (Finance)

151. Shri Gangmui Kamei, President & Party represented Federal Party of Manipur.

152. Manipur University - represented by

(i) Professor IS Khaidem, V.C.

(ii) Professor H. Ranbir Singh, IAS former Director, JNUPG. Centre

(iii) Prof. N. Tombi Singh Ex-MP.

(iv) Shri E. Kunjeshwor Singh, Former Commissioner, Finance.

(v) Prof. M. Iboton Singh, Deptt. of Economics, MU.

(vi) Shri L. Manao Singh, Finance Officer

(vii) Shri Th. Joychandra Singh, Registrar,MU.

153. Janata Party - represented by

(i) Shri P. Rathing, President

(ii) Shri Th. Ibohal Singh, Secy.

154. All Manipur Trade Union Council - represented by

(i) Shri K. Borthakur Sharma, Vice-President

(ii) Shri S. Rajendro Singh, Gen. Secy.

(iii) Shri E. Chandrakumar Singh, Secy.

(iv) Shri E. Surjamani Singh, Member

(v) Shri L. Mohendra Singh, Secy.

155. Shri Kh. Punilkanta Singh, National Council Member & Others represented Bharatiya Janata Party.

156. Manipur Agro-Industries Employees - represented by

(i) Shri Kh. Gojen Singh, President

(ii) Shri M. Subon Singh, Member

157. CPI - represented by

(i) Shri M.P. Mohendra

(ii) Shri Janendra Singh

(iii) Shri Manjeet Singh

(iv) Shri Pari Jat Singh

(v) Dr. Nara Singh

Meghalaya

158. Meghalaya Chamber of Commerce & Industry represented by

(i) Shri S.C. Surana, President

(ii) Shri R.G. Sethia, Secretary

159. Frontier Chamber of Commerce - represented by

(i) Shri Pradip Choudhury, Former President

(ii) Shri Bimal Agarwala, Joint Secretary

(iii) Shri Sajjan Kumar Tharad, Asst. Secy.

160. Khasi Hills Autonomous District Council - represented by

(i) Shri P.S. Cajon, Executive Member

(ii) Shri P. Nengbat, Secy., Executive Committee.

(iii) Shri H. Hajan, Under Secretary.

(iv) Shri W.M. Lyngdoh, Special Officer

161. Jaindra Hills Autonomous District Council - represented by

(i) Shri L.P. Nangpluh, Secy., Executive Committee.

(ii) Shri M. Passah, Jt. Secy., Executive Committee.

162. Meghalaya State Government Employees Federation - represented by

(i) Shri E. Kharkanger, President

(ii) Shri C.M. Syinm, Vice President

(iii) Shri J.E. Mannar, Vice President

(iv) Dr. E. Barah, Vice President

(v) Shri J.D. Suchiang, Secy. General

Mizoram

163. Mizo National Front Party - represented by

(i) Pu F. Malsawma, MLA & Exe. Member,

(ii) Pu. Lalkhama, MLA, Ex. Member,

(iii) Pu H. Rammawi, Gen. Secy. Publicity,

164. Pu. C. Vanlalrawna, President represented the BJP, Mizoram.

165. Congress (I) Party - represented by

(i) Pu. Sainghaka, President, MPCC(I)

(ii) Pu. K.L. Rochama, Gen. Secy., MPCC(I)

(iii) Pu. F. Lalthlamuana, Gen. Secy., MPCC(I)

(iv) Pu. R. Thaugliana, Vice President,MPCC(I)

166. Pu. S. Vadyu, Chief Executive Member represented Mara District Council.

167. Pu. C. Thanghluna, Chief Executive Member represented Lai District Council.

168. One representative of Chakma District Council.

169. Mizo Hmeichhe Insuihkhawm Pawl (MHIP) - represented by

(i) Pi Neihpuii, President

(ii) Pi Sangzuali, Sr. Secretary

(iii) Pi Lalrintluangi, Committee Member

Nagaland

170. Nagaland Peoples' Convention - represented by

(i) Shri Vamuzo, MLA

(ii) Shri Shurhozeilie, MLA

(iii) Shri T.A. Ngullie, MLA

(iv) Shri Huska Sumi, MLA

(v) Shri Sentichuba, MLA

(vi) Shri T. Kikon, MLA

171. Kohima Chamber of Commerce - represented by (Shri Lhouvitsu, President

(ii) Shri K. Lohe, Genl. Secy.

(iii) Shri T. Vihienuo, Economic Advisor

172. Dimapur Chamber of Commerce - represented by (Shri Mangilal Jain, President

(ii) Shri Sohanlal Jain, Executive Member

(iii) Shri Dulichand Jain, Genl. Secretary

(iv) Shri Ramnivas Sharma, Jt. Secy.

(v) Shri V.S. Agarwalla, Advocate

Orissa

173. Congress - represented by

(i) Shri J.B. Patnaik, President, OPCC(I)

(ii) Shri Niranjan Patnaik

(iii) Shri G.D. Mohapatra

(iv) Shri Satya Bhushan Sahu

(v) Shri Jagannath Patnaik

(vi) Shri R.N. Patnaik, MLA

174. Bhartiya Janta Party - represented by

(i) Dr. R.B. Pani, Office Incharge

(ii) Shri M.M. Samal, Gen. Secy.

(iii) Shri S.C. Singh, Ex-Member

175. Janata Dal - represented by

(i) Shri Trilochana Kanungo, Chairman, Cuttack Municipality.

(ii) Shri J. Babu, MLA.

176. Orissa Legislative Assembly - represented by

(i) Shri Amar prasad Satpathy, MLA

(ii) Shri Arun Patnaik, MLA

(iii) Shri Nagendra Pradhan,MLA, etc.

177. Utkal Chamber of Commerce and Industry - represented by

(i) Shri R.K. Sareen

(ii) Shri N. Patnaik

(iii) Shri M.V. Rao

(iv) Shri H. Nataraja

(v) Shri Manoj Sarof

(vi) Shri S.S. Singh Deo

178. Orissa Secretariat Low-paid Government-Servants' Association, Bhubaneswar - represented by

(i) Shri T.K. Lenka, Genl. Secy.

(ii) Shri S. Rout, President

(iii) Shri S.S. Dash, Vice President

(iv) Shri B.N. Mallik, Secretary

(v) Shri A.N. Patnaik, Member

(vi) Shri A. Mohanty, Member

179. Shri K.P. Mohapatra, Retd. Judge, Orissa High Court.

180. Dr. Baidya Nath Mishra, Economist.

Punjab

181. Shri P.D.Sharma, President, Apex Chamber of Commerce & Industry (Pb.), 2nd Floor, Savitri Complex, G.T. Road, Ludhiana (Punjab)

182. Shri Gurmail Singh, General Secretary, Punjab Pradesh Congres (I) Committee

183. Shri Jagjit Singh Shad, President, Northern India Chamber of Commerce & Industry

184. Akali Dal (Mann)

185. Shri Balwant Singh, CPI(M)

186. Ch. Devinder Singh, President, and others PHDCCI

187. Confederation of Indian Industry (C-II) - represented by
i) Shri S.K. Bijlani
ii) Shri R.M. Khanna
iii) Shri R.K. Nair
iv) Shri Piyush Bahl

188. Shri Teja Singh Tiwana President Janta Dal

189. Akali Dal

Rajasthan

190. Shri Ramakant (IAS Retd.), Member, Rajasthan Legislative Assembly, C-72, Sarojini Marg, C - Scheme, Jaipur 302 001.

191. Shri Udai Singh Rathore, President and Shri R.K. Agarwal, General Secretary All Rajasthan State Govt. Employees Federation, Shri Govardhannath Mandir, Choura Rasta, Jaipur 302 003

192. Prof. M.V. Mathur, F-48, Sunder Marg, Jaipur

193. Professor Om Prakash, 1/245, SPS, Mansarover, Jaipur 302 020

194. Representatives of Rajasthan Chamber of Commerce & Industry, Chamber Bhawan, M.I.Road, Jaipur 302 001

195. Shri K.L. Jain, Hony. Secretary General, Rajasthan Chamber of Commerce & Industry, Rajasthan Chamber Bhawan, M.I. Road, Jaipur.

196. Shri Paras Ram Maderna, President, Rajasthan State Congress Committee (I) Jaipur

197. Shri Ramdas Agarwal, President, B.J.P.

198. Shri Haji Mohinuddin, Janta Dal

199. Shri Hari Ram Chavan, CPI(M)

200. Shri Mohan Lal Jain, President, All Rajasthan State Govt. Employees Federation, & Secretary, National Federation of State Govt. Employees, Chelo Ka Rasta, Jalabe Chowk,Jaipur 302 002

201. Gram Panchayat Kanoi, Panchayat Samiti Sangh, District Jaisalmer (Rajasthan)

202. Shri Khangar Khan, S/O Shri Bhan Warya Meerasi, Village Kanoi, Distrist Jaisalmer, (Rajasthan)

203. Shri B.L. Panagriya (Editor Rajniketan), 7, Moti Doongri Road, Jaipur 302 004.

204. Secretary, Association of State Training Institutions of India, J.L.Nehru Marg, Jaipur 302 017.

Sikkim

205. Federation of Industries - represented by
(i) Shri S.G. Tashi, M.D., Sikkim Jewels.
(ii) Shri T. Lakhor, M.D., Labot (Pvt.) Ltd.
(iii) Shri P.K. Bansal.
(iv) Shri Taga Khampa, M.D., S.I.T.C.O.

206. Tourism - represented by
(i) Shri R.K. Lakhotia, Tashi Delek
(ii) Shri J.K. Chettri, Adway Tours
(iii) Shri Sailesh Pradhan, Metalex Pvt. Ltd.
(iv) Shri T. Lepcha, Tashila Tours
(v) Shri S.K. Pradhan

207. Agriculture - represented by
(i) Shri I.B. Gurung, Agriculturist, Kaluk.
(ii) Shri Pema Namgval Kazi, Agriculturist, Pakyong.

208. Chamber of Commerce - represented by
(i) Shri D.D. Thirani, President.
(ii) Shri Ramesh Periwal, General Secretary.
(iii) Shri S.K. Sarda, General Secretary
(iv) Shri Durga Lakhotia, Treasurer.

209. Congress (I) - represented by
(i) Major (Retd.) T. Gyatso, General Secy., Congress (I).
(ii) Shri M.D. Joshi, A.I.C.C. (Member), Congress (I).

210. Communist Party of India (Marxist) - represented by
(i) Shri D.N. Nepal, Secretary.
(ii) Shri Bhim Bahadur Thatal, State Committee Member.

211. Sikkim Democratic Front - represented by
(i) Shri M.M. Rasaily, Chief Adviser
(ii) Shri Biraj Adhikari, General Secretary

Tamil Nadu

212. Madras Chamber of Commerce & Industry - represented by
(i) Shri N. Srinivasan, Chairman
(ii) Shri N. Kannan, Secretary
(iii) Shri R. Subramanian, Deputy Secretary

213. Southern India Chamber of Commerce and Industry - represented by
(i) Dr. M. Kasiviswanathan, President
(ii) Mr. Prasad David, Secretary

214. Hindustan Chamber of Commerce - represented by
(i) Mr. Rajiv Rai, President
(ii) Mr. P. Gopala Krishna, Secretary

215. Andhra Chamber of Commerce - represented by
(i) Mr. H.P. Arora, President
(ii) Mr. P. Nandagopal, Asst. Secy.

216. Tamil Chamber of Commerce - represented by
(i) Mr. V. Ramachandran, President
(ii) Mr. U.S. Natarajan, IAS (Retd.) Executive Committee Member
(iii) Mr. P.A. Deivasigamani, Hon.Secy.
(iv) Mr. P.D. Adikesavalu, Executive Committee Member.
(v) Mr. Sanjivi, Executive Committee Member

217. Mr. S. Rathinavel, President,Tamil Nadu Chamber of Commerce, Madurai.

218. Mr. T. Ananthanarayanan, Confederation of Indian Industries (Tamil Nadu Chamber).

219. Mr. S. S.Thiagarajan, Member, State Executive, Communist Party of India (Tamil Nadu Unit).

220. Mr. W.R. Varadarajan, Ex MLA, State Committee Member, Communist Party of India (Marxist).

221. Indian National Congress (TNCC-I) - represented by (i) Mr. N. M. Manivarma, Vice President (ii) Mr. T. S. Killivalavan, Official Spokesman, TN Cong.Committee

222. Pattali Makkal Katchi - represented by (i) Shri. Krishna Kanthan Yadav, Dy. General Secretary. (ii) Shri. Rama Muthu Kumar,HQ Secy.

223. Tamil Nadu Secretariat Association -
(i) Shri K.Murugesan, President
(ii) Shri S.Namasivayam, Secretary
(iii) Shri S.Rajasekaran, Joint Secretary
(iv) Shri R.Balachandran, Treasurar

224. Dr. D. Vaseekaran, State President, All India Christian Partv.

225. Dr. (Mrs.) Jane, National President, All India Minorities Party.

226. Tamil Nadu Secretariat Association - represented by
(i) Shri K. Murugesan, President
(ii) Shri S. Mamasivayam, Secretary
(iii) Shri S. Rajasekaran, Joint Secretary.
(iv) Shri R. Balachandran, Treasurer.

227. Tamil Nadu Government Officials' Union - represented by
(i) Shri Siva Ilango, President.
(ii) Shri K. Kaliya Perumal, Vice-President.
(iii) Shri G. Ebaneswar, Advisor.

228. Tamil Nadu Government Employees Association - represented by
(i) Shri K.Gangadharan, President
(ii) Shri M.R.Appan, All India Federation Secretary
(iii) Shri K.R.Sankaran, General Secretary
(iv) Shri N.E. Sridharan, Treasurer.

229. Tamil Nadu Government Employees Union - represented by
(i) Shri K. Balasubramanian, State President.
(ii) Shri P.S. Soundara Pandian, General Secretary
(iii) Shri A. Mohan, State Treasurer.
(iv) Shri P. Saravanan, HQs. Secretary.

230. Dr. Malcolm S. Ades., Chairman, MIDS.

231. Shri G. Ramachandran, Former Finance Secretary, Government of India.

232. Shri S. Guhan, MIDS, (Former Finance Secretary, Government of Tamil Nadu).

233. Dr. A. Vaidyanathan, MIDS.

234. Dr. M. Naganathan, University of Madras.

235. Dr. Vedagiri Shanmugasundaram, Emeritus Professor of Economics, University of Madras.

Tripura

236. Tripura Chamber of Commerce & Industries represented by
(i) Shri M.L. Debnath, Hony. Secy.
(ii) Shri M.L. Banik, Treasurer
(iii) Shri R.K. Jain, Member
(iv) Shri A.K. Roy, Member
(v) Shri N. Saha, Member

237. Tripura Pradesh Congress (I) Committee - represented by
(i) Shri Radhika Ranjan Gupta, President
(ii) Shri Ashok Deb Barma, M.L.A.
(iii) Shri Bir Ballav Saha
(iv) Shri Naresh Chandra Bhattacherjee

238. Tripura Upajati Juba Samity - represented by
(i) Shri Harinath Deb Barma, President
(ii) Shri Rabindra Deb Barma, General Secy.

239. Janata Dal - represented by
(i) Shri Arun Bhowmik, President
(ii) Shri Dulala Dashupta, Secy. General
(iii) Shri Apurba Roy
(iv) Shri Swapan Lodh

240. Tripura Hills Peoples Party - represented by
(i) Shri Saral Pak Janatia, President
(ii) Shri Debabrata Kala, M.L.A., Gen. Secy.

241. Tripura Employees Co-ordination Committee represented by
(i) Shri Bhubenswar Dey, President
(ii) Shri Satya Brata Bhattacherjee, Genl.Secy.
(iii) Shri Sibesh Ranjan Biswas, Member of the Executive Body.
(iv) Shri Ashesh Debroy, Joint Secretary
(v) Shri Bain Madhab Acharjee, Office Secy.

242. Tripura Government Employees Association represented by
(i) Shri Dilip Dam, President
(ii) Shri Subodh Deb Roy, Vice President
(iii) Shri Madhu Sengupta, General Secretary
(iv) Shri Salil Deb Barma, Vice President
(v) Shri D. Majumdar, Treasurer

243. Tripura Tribal Areas Autonomous District Council represented by
(i) Shri Harinath Deb Barma, Chief Executive Membe
(ii) Shri Jagadish Deb Barma, Chairman
(iii) Shri Amiya Kumar Deb Barma, Executive Member
(iv) Shri S.K. Barua, Executive Member
(v) Shri Lal Vohliana, Chief Executive Officer.

Uttar Pradesh

244. Representatives of Confederation of Indian Industry

245. Representatives of Indian Industries Association.

246. Representatives of PHD Chamber of Commerce & Industry.

247. Congress (I) - represented by :-
   i) Shri Promod Tewari, M.L.A
   ii) Shri Jagdambika Pal, M.L.A
   iii) Smt. Sushila Rohtagi, M.L.A

248. Shri Kiran Pal Singh, M.L.A., Janata Dal.

249. Shri Uddal, M.L.A., Communist Party of India.

250. Shri Ram Swarup Singh, M.L.A., CPI (Marxist)

251. Ranikhet Upmandal Zila Banao Sangarsh Samiti, Ranikhet, U.P.

252. District Bar Association, Pauri-Garhwal, U.P.

253. Kumaun Garhwal Chamber of Commerce and Industry, Kashipur, U.P.

254. National Students Union of India, Nainital Unit, Nainital.

255. Shri Ram Chandra Uniyal, President, Distt. Council, Chamoli, U.P.

256. General G.S. Rawat (Retd.) and other representatives of Ex-Servicemen.

257. Nainital Hoteliers Association.

258. Prof. K.S. Waldia, Geologist, Nainital.

259. Faculty Members of Kumaon University.

260. Vice-Chancellor, Faculty Members & Students of Pant Nagar University.

261. Principal, Teachers and Students of Sainik School, Ghora Khal.

West Bengal

262. Communist Party of India - represented by
   (i) Shri Nripen Bandyopadhyaya
   (ii) Shri Satyabrata Bhattacharyya

263. Communist Party of India (Marxist) - represented by
   (i) Shri Dipen Ghosh
   (ii) Shri Satyabrata Sen

264. All India Forward Bloc State Committee - represented by
   (i) Shri Anil Mukherjee
   (ii) Shri Debabrata Biswas, M.P.

265. Bharatiya Janata Party - represented by
   (i) Shri Sanat Dutta
   (ii) Col. Sabyasachi Bagchi (Retd.)
   (iii) Shri Dhanpat Agarwal

266. Congress (I) - represented by
   (i) Shri Zainal Abedin
   (ii) Shri Somen Mitra, MLA & President,WBPCC
   (iii) Shri Subrata Mukherjee, MLA
   (iv) Dr. Manas Bhunia, MLA
   (v) Shri Pradeep Bhattacharya, Gen.Secy.
   (vi) Shri Abdul Mammen, MLA

267. SUCI - represented by
   (i) Shri Provash Ghosh, Secy.
   (ii) Shri Debaprasad Sarkar

268. R.S.P. - represented by
   (i) Shri Kshiti Goswami, MLA
   (ii) Shri Nara Narayan Biswas

269. Bengal National Chamber of Commerce & Industry - represented by
   (i) Shri Samir K Ghosh, President
   (ii) Shri N. Saha, Member
   (iii) Shri Sunil Banik, Secretary
   (iv) Shri S.R. Bal, Chairman of Customs & Excise Committee
   (v) Shri Biji K. Kurien, Ex-President

270. Merchants' Chamber of Commerce - represented by
   (i) Shri S.S. Sarganan, Ex-President
   (ii) Shri Suresh Jhunjhunwala, President
   (iii) Smt. Majumdar, Dy. Secy.

271. Indian Chamber of Commerce - represented by
   (i) Shri S.K. Bajoria, Vice President
   (ii) Shri B.K. Agrawal, Secy. General

272. Bharat Chamber of Commerce - represented by
   (i) Shri V.B. Chaturvedi, Member
   (ii) Shri D.D. Kothari, Member
   (iii) Shri B.S. Sarkar, Secretary
   (iv) Shri Asimabra Mukherjee, Sr. Asst.Secy.

273. Economists and Eminent Persons - represented by
   (i) Shri Dhires Bhattacharyya, Economist
   (ii) Shri Biplab Dasgupta, Economist
   (iii) Prof. Amiya Bagchi, Economist
   (iv) Shril Sukomal Sen, M.P.

Others

274. Shri Yudhishtra Mehta Yuva Shakti, 509, Sky Lark Building, 60, Nehru Place, New Delhi.

275. Confederation of Indian Industry, 23-26, Industrial Area, Lodi Road, New Delhi.

276. Federation of Indian Export Organisation, PHD House, (3rd Floor) Opp. Asian Games Village, New Delhi-110 016

277. All India Federation of Pensioners' Association, 42, Sadullah Street, T. Nagar, Madras 600 017.

278. Shri Sukomal Sen, General Secretary, All India State Govt. Employees Federation, 10A, Shankharitola Street, Calcutta 700 014.

279. All India Hill People's Welfare Association (Regd.) 90, North Avenue, New Delhi -110001

ANNEXURE 1.5
(Para 1.8)

List of the Meetings of the Commission

Sl. No.	Date of Meeting	Participating groups/organisations Meeting
1.	January 18, 1993	Directors General of Police/ representatives from 9 States, Senior Officers of Defence and Home Ministry.
2.	January 19, 1993	Small Scale Industries & Khadi & Village Industries Commission
3.	January 25, 1993	Shri Jagdish Tytler, Minister of State for Surface Transport
4.	February 2, 1993	Trade Unions
5.	February 10, 1993	Sales Tax Commissioners of States
6.	February 15, 1993	Engineers & Experts (Irrigation Buildings, Roads & Public Health and Engineering)
7.	March 2, 1993	Meeting with State Ministers of Transport
8.	March 5, 1993	Economists & Educationists
9	March 12, 1993	Economists & Journalists
10.	March 18,1993	Farmers' Representatives including some Members of Parliament
11.	March 29, 1993	State Electricity Boards/ Departments
12.	March 31, 1993	Chambers of Commerce & Industry
13.	April 8, 1993	Members of Parliament from CPI(M)
14.	April 19, 1993	Central Public Sector Enterprises
15.	April 28, 1993	Government Servants' Federations
16.	April 30, 1993	Members of Parliament of Congress(I)
17	May 17, 1993	Central Police Organisations
18.	May 19, 1993	Central Undertakings in the Power/Oil Sectors
19.	May 20, 1993	Member of Parliament of CPI
20.	June 17, 1993	National Informatics Centre (on Computerization)
21.	July 9, 1993	Orissa Computer Application Centre (on Computerization)

ANNEXURE 1.6
(Para 1.11)

List of secretaries to the Government of India & Other Senior Officials who met the Commission

Sl. No.	Name & Designation	Date of Meeting
1.	Shri. S.P. Bagla Secretary, Ministry of Surface Transport	January 25, 1993
2.	Shri N.Raghunathan Secretary, Planning Commission	January 25, 1993
3.	Shri R.Vasudevan Secretary, Ministry of Power	March 29, 1993
4.	Shri. K.A. Nambiar Secretary, Ministry of Defence & August 4, 1993	July 20, 1993
5.	Shri K.B.Saxena Additional Secretary (Agriculture) & Relief Commissioner	December 23, 1993
6.	Shri. K. Venkatesan Secretary, Expenditure	December 23, 1993 & July 27, 1994
7.	Shri. S.R. Sathyam Secretary, Ministry of Textiles	March 28, 1994
8.	Shri. N.R. Krishnan Secretary, Department of Fertilisers	March 28, 1994
9.	Shri. B.N. Yugandhar Secretary, Department of Rural Development	March 29, 1994
10.	Shri. M.K. Rao Chairman, Railway Board	June 6, 1994
11.	Shri Ashok Bhatnagar Member (Traffic), Railway Board	June 6, 1994
12.	Shri. S.V. Giri Secretary, Department of Education	June 6, 1994
13.	Dr. M.S. Ahluwalia Secretary, Ministry of Finance	July 27, 1994
14.	Shri T.S.Srinivasan Chairman, Central Board of Direct Taxes	July 27, 1994
15.	Shri Tarun Roy Chairman, Central Board of Excise & Customs	July 27, 1994
16.	Shri. K. Padmanabaiah Secretary, Ministry of Home Affairs	August 5, 1994
17	Dr. Arjun K. Sen Gupta Member Secretary, Planning Commission	August 10, 1994

ANNEXURE 1.7
(Para 1.12)

Dates of discussions with State Governments at State Head Quarters/ Field Visits :

1.	Punjab	September 7 and 8, 1993
2.	Maharashtra	September 21 and 22, 1993
3.	Sikkim	October 4 to 6, 1993
4.	Assam	October 6 to 8, 1993
5.	Jammu & Kashmir	October 13 to 15, 1993
6.	Goa	December 16 and 17, 1993
7.	Gujarat	December 28 and 29, 1993
8.	West Bengal	January 3 to 5, 1994
9.	Orissa	January 5 to 7, 1994
10.	Rajasthan	January 20 to 22, 1994
11.	Madhya Pradesh	January 27 and 28, 1994
12.	Andhra Pradesh	February 8 and 9, 1994
13.	Tripura	February 22 and 23, 1994
14.	Mizoram	February 23 and 24, 1994
15.	Meghalaya	February 25 and 26, 1994
16.	Karnataka	March 8 and 9, 1994
17.	Arunachal Pradesh	April 4 and 5, 1994
18.	Nagaland	April 6 and 7, 1994
19.	Manipur	April 8 and 9, 1994
20.	Kerala	April 26 and 27, 1994
21.	Uttar Pradesh	May 10 to 12, 1994
22.	Tamil Nadu	May 30 and 31, 1994
23.	Haryana	June 22 and 23, 1994
24.	Himachal Pradesh	June 24 and 25, 1994
25.	Bihar	August 19 and 20, 1994

~~ANNEXURE~~ 1.8
(Para 1.15)

COMPOSITION OF ADVISORY GROUPS

I. Advisory Group of Experts on State Transport Undertakings

1.	Dr.S.Padam, Director, Central Institute of Road Transport, Pune	Member
2.	Shri C.K.Sawhney, Formerly Chairman, Pepsu Road Transport Corporation, Chandigarh	Member
3.	Sh. V.Nagaraja, Formerly Executive Director and Advisor, ASRTU, Delhi.	Convenor

II. Advisory Group of Experts on Power

1.	Dr. N.Tata Rao, formerly Chairman, Andhra Pradesh State Electricity Board	Member
2.	Shri A.K.Sah, formerly Chairman, UPSEB and formerly Chairman, NTPC	Member
3.	Dr.R.K.Pachauri, Director, Tata Energy Research Institute, New Delhi	Convenor

III. Advisory Group of Experts on Central Public Sector Enterprises

1.	Shri H.C.Gandhi, formerly Secretary, Technical Development, Government of India	Member
2.	Shri Hasmukh Shah, formerly Chairman, IPCL	Member
3.	Shri N.Mohanty, Adviser (Industry & Minerals), Planning Commission, Government of India	Convenor

ANNEXURE III.1

(Para 3.7)

Buoyancy Estimates and Buoyancy Based Growth Rates of Sales Tax

State	BUOYANCY COEFFICIENT*	1995-96	1996-97	1997-98	1998-99	1999-2000
1	2	3	4	5	6	7
Andhra Pradesh	1.177	14.713	14.124	14.124	13.536	12.947
Assam	1.250	15.625	15.000	15.000	14.375	13.750
Bihar	1.057	13.212	12.684	12.684	12.156	12.627
Gujarat	1.250	15.625	15.000	15.000	14.375	13.750
Goa	1.069	13.362	12.828	12.828	12.294	11.759
Haryana	1.092	13.650	13.104	13.104	12.558	12.012
Himachal Pradesh	1.216	15.200	14.592	14.592	13.984	13.376
Jammu & Kashmir	1.023	12.788	12.276	12.276	11.764	11.253
Karnataka	1.250	15.625	15.000	15.000	14.375	13.750
Kerala	1.250	15.625	15.000	15.000	14.375	13.750
Madhya Pradesh	1.000	12.500	12.000	12.000	11.500	11.000
Maharashtra	1.069	13.362	12.828	12.828	12.294	11.759
Orissa	1.222	15.275	14.664	14.664	14.053	13.442
Punab	1.000	12.500	12.000	12.000	11.500	11.000
Rajasthan	1.062	13.275	12.744	12.744	12.213	11.682
Tamil Nadu	1.108	13.850	13.296	13.296	12.742	12.188
Uttar Pradesh	1.175	14.688	14.100	14.100	13.513	12.925
West Bengal	1.101	13.763	13.212	13.212	12.662	12.111

**Floor : 1.000*
Ceiling : 1.250

ANNEXURE III.2

(Para 3.7)

Buoyancy Estimates and Buoyancy Based Growth Rates of State Excise

State	BUOYANCY COEFFICIENT*	1995-96	1996-97	1997-98	1998-99	1999-2000
1	2	3	4	5	6	7
Andhra Pradesh	1.350	16.875	16.200	16.200	15.525	14.850
Assam	1.000	12.500	12.000	12.000	11.500	11.000
Bihar	1.350	16.875	16.200	16.200	15.525	14.850
Gujarat	1.089	13.612	13.068	13.068	12.524	11.979
Goa	1.343	16.788	16.116	16.116	15.445	14.773
Haryana	1.350	16.875	16.200	16.200	15.525	14.850
Himachal Pradesh	1.265	15.812	15.180	15.180	14.548	13.915
Jammu & Kashmir	1.245	15.563	14.940	14.940	14.318	13.695
Karnataka	1.051	13.138	12.612	12.612	12.087	11.561
Kerala	1.067	13.337	12.804	12.804	12.271	11.737
Madhya Pradesh	1.217	15.213	14.604	14.604	13.996	13.387
Maharashtra	1.343	16.788	16.116	16.116	15.445	14.773
Orissa	1.350	16.875	16.200	16.200	15.525	14.850
Punjab	1.165	14.563	13.980	13.980	13.398	12.815
Rajasthan	1.350	16.875	16.200	16.200	15.525	14.850
Tamil Nadu	1.350	16.875	16.200	16.200	15.525	14.850
Uttar Pradesh	1.350	16.875	16.200	16.200	15.525	14.850
West Bengal	1.000	12.500	12.000	12.000	11.500	11.000

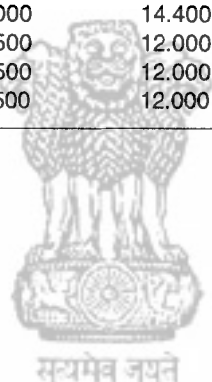
** Floor : 1.000*
Ceiling : 1.350

ANNEXURE III.3
(Para 3.7)

Buoyancy Estimates and Buoyancy Based Growth Rates of Motor Vehicle Tax

State	BUOYANCY COEFFICIENT *	1995-96	1996-97	1997-98	1998-99	1999-2000
1	2	3	4	5	6	7
Andhra Pradesh	1.020	12.750	12.240	12.240	11.730	11.220
Assam	1.010	12.625	12.120	12.120	11.615	11.110
Bihar	1.200	15.000	14.400	14.400	13.800	13.200
Gujarat	1.186	14.825	14.232	14.232	13.639	13.046
Goa	1.164	14.550	13.968	13.968	13.386	12.804
Haryana	1.000	12.500	12.000	12.000	11.500	11.000
Himachal Pradesh	1.200	15.000	14.400	14.400	13.800	13.200
Jammu & Kashmir	1.000	12.500	12.000	12.000	11.500	11.000
Karnataka	1.136	14.200	13.632	13.632	13.064	12.496
Kerala	1.200	15.000	14.400	14.400	13.800	13.200
Madhya Pradesh	1.000	12.500	12.000	12.000	11.500	11.000
Maharashtra	1.164	14.550	13.968	13.968	13.386	12.804
Orissa	1.200	15.000	14.400	14.400	13.800	13.200
Punjab	1.000	12.500	12.000	12.000	11.500	11.000
Rajasthan	1.200	15.000	14.400	14.400	13.800	13.200
Tamil Nadu	1.000	12.500	12.000	12.000	11.500	11.000
Uttar Pradesh	1.000	12.500	12.000	12.000	11.500	11.000
West Bengal	1.000	12.500	12.000	12.000	11.500	11.000

** Floor : 1.000*
Ceiling : 1.200



ANNEXURE III.4
(Para 3.7)

Buoyancy Estimates and Buoyancy Based Growth Rates of Stamps and Registration

State	BUOYANCY COEFFICIENT *	1995-96	1996-97	1997-98	1998-99	1999-2000
1	2	3	4	5	6	7
Andhra Pradesh	1.074	13.425	12.888	12.888	12.351	11.814
Assam	1.117	13.963	13.404	13.404	12.846	12.287
Bihar	1.281	16.013	15.372	15.372	14.731	14.091
Gujarat	1.300	16.250	15.600	15.600	14.950	14.300
Goa	1.144	14.300	13.728	13.728	13.156	12.584
Haryana	1.248	15.600	14.976	14.976	14.352	13.728
Himachal Pradesh	1.000	12.500	12.000	12.000	11.500	11.000
Jammu & Kashmir	1.000	12.500	12.000	12.000	11.500	11.000
Karnataka	1.300	16.250	15.600	15.600	14.950	14.300
Kerala	1.300	16.250	15.600	15.600	14.950	14.300
Madhya Pradesh	1.165	14.563	13.980	13.980	13.398	12.815
Maharashtra	1.300	16.250	15.600	15.600	14.950	14.300
Orissa	1.156	14.450	13.872	13.872	13.294	12.716
Punjab	1.000	12.500	12.000	12.000	11.500	11.000
Rajasthan	1.286	16.075	15.432	15.432	14.789	14.146
Tamil Nadu	1.292	16.150	15.504	15.504	14.858	14.212
Uttar Pradesh	1.300	16.250	15.600	15.600	14.950	14.300
West Bengal	1.246	15.575	14.952	14.952	14.329	13.706

** Floor : 1.000*
Ceiling : 1.300

ANNEXURE III.5

(Para 3.9)

Growth Rates for Aggregate Tax Revenues of North Eastern States (Except Assam) and Sikkim

State	1995-96	1996-97	1997-98	1998-99	1999-2000
1	2	3	4	5	6
Arunachal Pradesh	15.0	14.4	14.4	13.8	13.2
Manipur	15.0	14.4	14.4	13.8	13.2
Meghalaya	15.0	14.4	14.4	13.8	13.2
Mizoram	15.0	14.4	14.4	13.8	13.2
Nagaland	15.0	14.4	14.4	13.8	13.2
Sikkim	15.0	14.4	14.4	13.8	13.2
Tripura	15.0	14.4	14.4	13.8	13.2

ANNEXURE III.6

(Para 3.16)

Estimated Equity Investment in State Level Public Enterprises (Including Cooperative Institutions)

(Rs. Lakhs)

State	Estimated Equity Investment 31.3.95	Estimated Dividend during 1995-96	Estimated Dividend during 1995-2000
1	2	3	4
Andhra Pradesh	129848	6347	31735
Arunachal Pradesh	1007	43	215
Assam	25335	1236	6180
Bihar	49623	2601	13005
Goa	10416	380	1900
Gujarat	137253	5666	28330
Haryana	29772	1422	7110
Himachal Pradesh	23227	1056	5280
Jammu & Kashmir	16405	775	3875
Karnataka	75602	4040	20200
Kerala	89238	2718	13590
Madhya Pradesh	77632	3608	18040
Maharashtra	106186	2376	11880
Manipur	4410	209	1045
Meghalaya	6263	315	1575
Mizoram	496	20	100
Nagaland	3715	218	1090
Orissa	129372	6335	31675
Punjab	66214	2634	13170
Rajasthan	61213	3015	15075
Sikkim	2372	89	445
Tamil Nadu	72617	2806	14030
Tripura	6693	306	1530
Uttar Pradesh	184672	8230	41150
West Bengal	132098	6731	33655
TOTAL	**1441679**	**63176**	**315880**

ANNEXURE III.7
(Para 3.23 & 3.57)

Financial Returns from Major & Medium Irrigation Schemes

(Rs.Lakhs)

Sl.No.	State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1.	Andhra Pradesh						
	Expenditure	10064	10823	11624	12402	13182	58095
	Receipts	9890	10675	11505	12318	13182	57570
	Net Receipts	-174	-148	-119	-84	0	-525
2.	Assam						
	Expenditure	556	618	686	755	815	3430
	Receipts	489	560	636	716	786	3187
	Net Receipts	-67	-58	-50	-39	-29	-243
3.	Bihar						
	Expenditure	7171	8621	10072	11522	12973	50359
	Receipts	6886	8313	9787	11282	12750	49018
	Net Receipts	-285	-308	-285	-240	-223	-1341
4.	Goa						
	Expenditure	67	72	77	81	85	382
	Receipts	67	72	77	81	85	382
	Net Receipts	0	0	0	0	0	0
5.	Gujarat						
	Expenditure	4061	4433	4798	5157	5522	23971
	Receipts	3835	4241	4626	5012	5427	23141
	Net Receipts	-226	-192	-172	-145	-95	-830
6.	Haryana						
	Expenditure	6351	6831	7339	7831	8270	36622
	Receipts	6148	6639	7159	7668	8127	35741
	Net Receipts	-203	-192	-180	-163	-143	-881
7.	Himachal Pradesh						
	Expenditure	33	36	40	43	46	198
	Receipts	24	26	29	32	35	146
	Net Receipts	-9	-10	-11	-11	-11	-52
8.	Jammu & Kashmir						
	Expenditure	357	617	876	1136	1395	4381
	Receipts	236	418	610	808	1009	3081
	Net Receipts	-121	-199	-266	-328	-386	-1300
9.	Karnataka						
	Expenditure	4978	5394	5836	6272	6623	29103
	Receipts	4761	5201	5671	6141	6509	28283
	Net Receipts	-217	-193	-165	-131	-114	-820
10.	Kerala						
	Expenditure	2117	2277	2445	2609	2754	12202
	Receipts	2088	2253	2428	2600	2754	12123
	Net Receipts	-29	-24	-17	-9	0	-79
11.	Madhya Pradesh						
	Expenditure	5816	6409	7049	7694	8245	35213
	Receipts	5233	5887	6598	7329	7951	32998
	Net Receipts	-583	-522	-451	-365	-294	-2215

ANNEXURE III.7
(Para 3.23 & 3.57)

Financial Returns from Major & Medium Irrigation Schemes

(Rs.Lakhs)

Sl.No.	State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
12.	Maharashtra						
	Expenditure	5402	6124	6915	7730	8469	34640
	Receipts	4515	5359	6287	7269	8168	31598
	Net Receipts	-887	-765	-628	-461	-301	-3042
13.	Manipur						
	Expenditure	292	318	343	368	390	1711
	Receipts	215	236	256	277	295	1279
	Net Receipts	-77	-82	-87	-91	-95	-432
14.	Orissa						
	Expenditure	4775	5171	5593	6008	6386	27933
	Receipts	4640	5064	5516	5968	6386	27574
	Net Receipts	-135	-107	-77	-40	0	-359
15.	Punjab						
	Expenditure	8025	8572	9205	9755	10299	45856
	Receipts	7971	8514	9174	9723	10299	45681
	Net Receipts	-54	-58	-31	-32	0	-175
16.	Rajasthan						
	Expenditure	6583	7131	7660	8175	8632	38181
	Receipts	6347	6930	7472	8004	8484	37237
	Net Receipts	-236	-201	-188	-171	-148	-944
17.	Tamil Nadu						
	Expenditure	3459	4587	5714	6841	7968	28569
	Receipts	3459	4587	5714	6841	7968	28569
	Net Receipts	0	0	0	0	0	0
18.	Uttar Pradesh						
	Expenditure	21092	22852	24726	26387	28058	123115
	Receipts	20173	22036	24028	25741	27576	119554
	Net Receipts	-919	-816	-698	-646	-482	-3561
19.	West Bengal						
	Expenditure	4140	4453	4816	5173	5499	24081
	Receipts	4039	4360	4750	5138	5499	23786
	Net Receipts	-101	-93	-66	-35	0	-295

ANNEXURE III.8

(Para 3.24 & 3.58)

Financial Returns From Minor Irrigation Schemes

(Rs. Lakhs)

Sl.No.	State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1	Andhra Pradesh						
	Expenditure	4899	5241	5582	5917	6213	27852
	Receipts	1672	2652	3744	4943	6213	19224
	Net Receipts	-3227	-2589	-1838	-974	0	-8628
2	Arunachal Pradesh						
	Expenditure	164	175	187	198	208	932
	Receipts	40	65	93	124	156	478
	Net Receipts	-124	-110	-94	-74	-52	-454
3	Assam						
	Expenditure	1031	1103	1175	1245	1308	5862
	Receipts	221	443	692	967	1261	3584
	Net Receipts	-810	-660	-483	-278	-47	-2278
4	Bihar						
	Expenditure	7295	9218	11141	13064	14987	55705
	Receipts	1819	4028	6959	10612	14987	38405
	Net Receipts	-5476	-5190	-4182	-2452	0	-17300
5	Goa						
	Expenditure	36	37	40	42	45	200
	Receipts	7	14	22	31	41	115
	Net Receipts	-29	-23	-18	-11	-4	-85
6	Gujarat						
	Expenditure	3209	3434	3657	3877	4070	18247
	Receipts	727	1442	2243	3127	4070	11609
	Net Receipts	-2482	-1992	-1414	-750	0	-6638
7	Haryana						
	Expenditure	2508	2683	2857	3029	3180	14257
	Receipts	502	1073	1714	2423	3180	8892
	Net Receipts	-2006	-1610	-1143	-606	0	-5365
8	Himachal Pradesh						
	Expenditure	313	334	356	378	396	1777
	Receipts	50	102	162	228	297	839
	Net Receipts	-263	-232	-194	-150	-99	-938
9	Jammu & Kashmir						
	Expenditure	785	840	894	948	995	4462
	Receipts	125	258	407	571	746	2107
	Net Receipts	-660	-582	-487	-377	-249	-2355
10	Karnataka						
	Expenditure	2649	2833	3018	3199	3359	15058
	Receipts	654	1188	1786	2446	3148	9222
	Net Receipts	-1995	-1645	-1232	-753	-211	-5836
11	Kerala						
	Expenditure	1093	1169	1246	1320	1386	6214
	Receipts	212	414	641	890	1156	3313
	Net Receipts	-881	-755	-605	-430	-230	-2901
12	Madhya Pradesh						
	Expenditure	2728	3897	5065	6234	7403	25327
	Receipts	2728	3897	5065	6234	7403	25327
	Net Receipts	0	0	0	0	0	0
13	Maharashtra						
	Expenditure	4353	4658	4961	5259	5522	24753
	Receipts	1260	2113	3064	4111	5223	15771
	Net Receipts	-3093	-2545	-1897	-1148	-299	-8982

ANNEXURE III.8

(Para 3.24 & 3.58)

Financial Returns From Minor Irrigation Schemes

(Rs.Lakhs)

Sl.No.	State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
14	Manipur						
	Expenditure	53	93	134	174	215	669
	Receipts	26	51	83	119	161	440
	Net Receipts	-27	-42	-51	-55	-54	-229
15	Meghalaya						
	Expenditure	106	113	120	127	134	600
	Receipts	16	34	54	76	101	281
	Net Receipts	-90	-79	-66	-51	-33	-319
16	Mizoram						
	Expenditure	26	27	29	31	32	145
	Receipts	9	12	16	20	24	81
	Net Receipts	-17	-15	-13	-11	-8	-64
17	Nagaland						
	Expenditure	140	150	160	169	178	797
	Receipts	23	46	73	102	134	378
	Net Receipts	-117	-104	-87	-67	-44	-419
18	Orissa						
	Expenditure	1706	2064	2420	2777	3134	12101
	Receipts	442	917	1524	2263	3134	8280
	Net Receipts	-1264	-1147	-896	-514	0	-3821
19	Punjab						
	Expenditure	3483	4828	6172	7517	8861	30861
	Receipts	716	1952	3721	6024	8861	21274
	Net Receipts	-2767	-2876	-2451	-1493	0	-9587
20	Rajasthan						
	Expenditure	4018	4300	4579	4854	5097	22848
	Receipts	1846	2556	3341	4198	5097	17038
	Net Receipts	-2172	-1744	-1238	-656	0	-5810
21	Sikkim						
	Expenditure	50	53	56	60	63	282
	Receipts	8	17	26	36	47	134
	Net Receipts	-42	-36	-30	-24	-16	-148
22	Tamil Nadu						
	Expenditure	3704	3962	4220	4473	4698	21057
	Receipts	922	1668	2502	3422	4401	12915
	Net Receipts	-2782	-2294	-1718	-1051	-297	-8142
23	Tripura						
	Expenditure	207	222	236	250	263	1178
	Receipts	32	67	106	150	197	552
	Net Receipts	-175	-155	-130	-100	-66	-626
24	Uttar Pradesh						
	Expenditure	37423	40042	42646	45204	47464	212779
	Receipts	10211	17861	26410	35823	45836	136141
	Net Receipts	-27212	-22181	-16236	-9381	-1628	-76638
25	West Bengal						
	Expenditure	4980	5329	5675	6016	6316	28316
	Receipts	1296	2365	3560	4877	6280	18378
	Net Receipts	-3684	-2964	-2115	-1139	-36	-9938

ANNEXURE III.9

(Para 3.27)

Receipts and Expenditure from Water Supply Schemes

(Rs. Lakhs)

Sl.No.	State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1	Arunachal Pradesh						
	Expenditure	89	93	98	103	108	491
	Receipts	22	29	37	45	54	187
	Net Returns	-67	-64	-61	-58	-54	-304
2	Assam						
	Expenditure	452	474	498	522	549	2495
	Receipts	13	20	31	49	78	191
	Net Returns	-439	-454	-467	-473	-471	-2304
3	Bihar						
	Expenditure	8954	9402	9873	10366	10884	49479
	Receipts	244	384	606	954	1502	3690
	Net Returns	-8710	-9018	-9267	-9412	-9382	-45789
4	Goa						
	Expenditure	1336	1402	1472	1546	1624	7380
	Receipts	668	701	736	773	812	3690
	Net Returns	-668	-701	-736	-773	-812	-3690
5	Gujarat						
	Expenditure	2245	2357	2475	2599	2729	12405
	Receipts	57	89	141	222	349	858
	Net Returns	-2188	-2268	-2334	-2377	-2380	-11547
6	Haryana						
	Expenditure	4997	5247	5509	5784	6074	27611
	Receipts	1022	1461	1941	2465	3037	9926
	Net Returns	-3975	-3786	-3568	-3319	-3037	-17685
7	Himachal Pradesh						
	Expenditure	3537	3714	3900	4095	4300	19546
	Receipts	326	513	809	1274	2006	4928
	Net Returns	-3211	-3201	-3091	-2821	-2294	-14618
8	Madhya Pradesh						
	Expenditure	5870	6163	6471	6795	7134	32433
	Receipts	1030	1581	2185	2846	3567	11209
	Net Returns	-4840	-4582	-4286	-3949	-3567	-21224
9	Manipur						
	Expenditure	124	130	137	143	151	685
	Receipts	1	2	3	5	8	19
	Net Returns	-123	-128	-134	-138	-143	-666
10	Nagaland						
	Expenditure	1597	1677	1761	1848	1941	8824
	Receipts	16	25	40	62	98	241
	Net Returns	-1581	-1652	-1721	-1786	-1843	-8583
11	Orissa						
	Expenditure	2353	2471	2594	2724	2860	13002
	Receipts	901	1018	1145	1282	1430	5776
	Net Returns	-1452	-1453	-1449	-1442	-1430	-7226
12	Rajasthan						
	Expenditure	22596	23725	24912	26158	27466	124857
	Receipts	7043	8512	10111	11848	13733	51247
	Net Returns	-15553	-15213	-14801	-14310	-13733	-73610
13	Sikkim						
	Expenditure	105	110	116	122	127	580
	Receipts	8	12	20	31	48	119
	Net Returns	-97	-98	-96	-91	-79	-461
14	Tamil Nadu						
	Expenditure	194	204	214	225	236	1073
	Receipts	97	102	107	113	118	537
	Net Returns	-97	-102	-107	-112	-118	-536
15	Tripura						
	Expenditure	35	38	39	41	43	196
	Receipts	0	1	1	1	2	5
	Net Returns	-35	-37	-38	-40	-41	-191
16	West Bengal						
	Expenditure	580	608	639	671	705	3203
	Receipts	6	9	14	23	36	88
	Net Returns	-574	-599	-625	-648	-669	-3115

ANNEXURE III.10

(Para 3.27)

Receipts and Expenditure from Milk Schemes

(Rs. Lakhs)

Sl.No. State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
Assam						
Expenditure	247	259	272	286	300	1364
Receipts	247	259	272	286	300	1364
Net Returns	0	0	0	0	0	0
Madhya Pradesh						
Expenditure	1107	1162	1220	1281	1345	6115
Receipts	1107	1162	1220	1281	1345	6115
Net Returns	0	0	0	0	0	0
Maharashtra						
Expenditure	49706	52191	54801	57541	60418	274657
Receipts	49706	52191	54801	57541	60418	274657
Net Returns	0	0	0	0	0	0
Meghalaya						
Expenditure	71	75	79	83	87	395
Receipts	71	75	79	83	87	395
Net Returns	0	0	0	0	0	0
Tripura						
Expenditure	15	15	16	17	18	81
Receipts	15	15	16	17	18	81
Net Returns	0	0	0	0	0	0
West Bengal						
Expenditure	8606	9036	9488	9962	10460	47552
Receipts	8606	9036	9488	9962	10460	47552
Net Returns	0	0	0	0	0	0

ANNEXURE III.11

(Para 3.27)

Receipts and Expenditure from Industrtial Schemes

(Rs. Lakhs)

Sl.No. State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
Karnataka						
Expenditure	1138	1195	1255	1318	1383	6289
Receipts	1143	1200	1260	1323	1388	6314
Net Returns	5	5	5	5	5	25
West Bengal						
Expenditure	851	893	938	985	1034	4701
Receipts	859	901	946	993	1042	4741
Net Returns	8	8	8	8	8	40

ANNEXURE III.12

(Para 3.34)

Estimated Net Return on the Investment by State Governments in State Electricity Boards 1995-96 to 1999-2000

(Rs. Lakhs)

Sl.No.	State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
	1	2	3	4	5	6	7
1.	Andhra Pradesh						
	Gross Return on oustanding State Loans	3620	4047	7458	8171	12438	35734
	Set off for Electricity Duty	4911	5156	5414	5685	5969	27135
	Net Return	0	0	2044	2486	6469	10999
2.	Bihar						
	Gross Return on oustanding State Loans	4325	4510	7824	8132	11817	36608
	Set off for Electricity Duty	2315	2431	2553	2680	2814	12793
	Net Return	2010	2079	5271	5452	9003	23815
3.	Gujarat						
	Gross Return on oustanding State Loans	5702	5909	10195	10541	15242	47589
	Set off for Electricity Duty	54912	57987	61234	64664	68285	307082
	Net Return	0	0	0	0	0	0
4.	Haryana						
	Gross Return on oustanding State Loans	3384	3541	6164	6426	9364	28879
	Set off for Electricity Duty	5100	5200	5400	5700	6000	27400
	Net Return	0	0	764	726	3364	4854
5.	Karnataka						
	Gross Return on oustanding State Loans	6594	6664	11221	11337	16034	51850
	Set off for Electricity Duty	9041	9144	9147	9150	9153	45635
	Net Return	0	0	2074	2187	6881	11142
6.	Kerala						
	Gross Return on oustanding State Loans	510	649	1313	1545	2487	650
	Set off for Electricity Duty	5789	6078	6382	6701	7036	
	Net Return	0	0	0	0	0	
7.	Madhya Pradesh						
	Gross Return on oustanding State Loans	3418	3739	6765	7299	10967	32188
	Set off for Electricity Duty	35028	37481	40104	42912	45915	201440
	Net Return	0	0	0	0	0	0
8.	Maharashtra						
	Gross Return on oustanding State Loans	6677	7200	12871	13743	20460	60951
	Set off for Electricity Duty	34120	36117	38235	40479	42858	191809
	Net Return	0	0	0	0	0	0
9.	Orissa						
	Gross Return on oustanding State Loans	95	112	214	242	378	1041
	Set off for Electricity Duty	13027	13406	13803	14221	14660	69117
	Net Return	0	0	0	0	0	0
10.	Punjab						
	Gross Return on oustanding State Loans	10420	11375	20550	22143	33230	97718
	Set off for Electricity Duty	7360	7730	8115	8520	8945	40670
	Net Return	3060	3645	12435	13623	24285	57048
11.	Rajasthan						
	Gross Return on oustanding State Loans	3685	3840	6658	6917	10045	31145
	Set off for Electricity Duty	5831	6063	6304	6554	6815	31567
	Net Return	0	0	354	363	3230	3947
12.	Tamilnadu						
	Gross Return on oustanding State Loans	473	634	1326	1595	2610	6638
	Set off for Electricity Duty	5955	6312	6691	7092	7518	33568
	Net Return	0	0	0	0	0	0
13.	Uttar Pradesh						
	Gross Return on oustanding State Loans	14933	16722	30849	33830	51535	147869
	Set off for Electricity Duty	6727	7063	7416	7787	8176	37169
	Net Return	8206	9659	23433	26043	43359	110700
14.	West Bengal						
	Gross Return on oustanding State Loans	2756	3037	5530	5999	9054	26376
	Set off for Electricity Duty	2400	2400	2400	2400	2400	12000
	Net Return	356	637	3130	3599	6654	14376
	Total Net Return	**13632**	**16020**	**49505**	**54479**	**103245**	**236881**

ANNEXURE III.13

(Para 3.41)

Estimated Return on the Investment by State Governments in State Roads Transport Undertakings

(Rs. Lakhs)

State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1	2	3	4	5	6	7
Andhra Pradesh	335	402	537	671	805	2750
Bihar	273	327	436	545	654	2235
Goa	41	49	66	82	99	337
Gujarat	731	878	1170	1463	1755	5997
Haryana *	541	649	865	1081	1298	4434
Karnataka	750	901	1201	1501	1801	6154
Kerala	285	342	456	570	684	2337
Madhya Pradesh	339	407	542	678	813	2779
Maharashtra	321	386	514	643	771	2635
Orissa	189	226	302	377	453	1547
Punjab *	505	605	808	1009	1211	4138
Rajasthan	203	243	325	406	487	1664
Tamil Nadu	258	310	413	516	619	2116
Uttar Pradesh	568	682	909	1137	1364	4660
West Bengal	912	1095	1460	1824	2189	7480
Total	**6251**	**7502**	**10004**	**12503**	**15003**	**51263**

n from Departmental Undertaking has been taken under "others""

ANNEXURE III.14

(Para 3.42)

Return Assessed on the Investment by State Governments in Inland Water Transport Undertakings

(Rs. Lakhs)

State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1	2	3	4	5	6	7
Goa	47	56	75	94	113	385
Kerala	22	26	35	44	53	180
Tamilnadu	18	21	28	35	42	144
West Bengal	58	69	93	116	139	475
Total	**145**	**172**	**231**	**289**	**347**	**1184**

ANNEXURE III.15

(Para 3.59)

Provision Made for Maintenance of Flood Control Works

(Rs. Lakhs)

Sl.No.	State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
	1	2	3	4	5	6	7
	Andhra Pradesh	220	236	251	266	279	1252
	Arunachal Pradesh	2	2	2	2	2	10
	Assam	4036	4319	4600	4876	5119	22950
	Bihar	3202	3426	3649	3868	4061	18206
	Goa	3	4	4	4	4	19
	Gujarat	385	399	414	428	444	2070
	Haryana	–	–	–	–	–	0
	Himachal Pradesh	0	0	0	0	0	0
	Jammu & Kashmir	594	624	655	688	722	3283
	Karnataka	17	18	19	20	21	95
	Kerala	395	423	450	477	501	2246
	Madhya Pradesh	–	–	–	–	–	0
	Maharashtra	285	305	326	348	373	1637
	Manipur	272	292	310	329	346	
	Meghalaya	29	31	33	35	36	
	Mizoram 0	0	0	0	0	0	
	Nagaland	0	0	0	0	0	0
	Orissa	1573	1683	1793	1900	1995	8944
	Punjab	1266	1354	1442	1529	1605	7196
	Rajasthan	–	–	–	–	–	0
	Sikkim	4	4	4	4	4	20
	Tamil Nadu	265	284	302	320	336	1507
	Tripura	92	98	105	113	120	528
	Uttar Pradesh	4162	4454	4743	5028	5279	23666
	West Bengal	2443	2614	2783	2950	3098	13888
Total		**19245**	**20570**	**21885**	**23185**	**24345**	**109230**

ANNEXURE III.16
(Para 3.60)

Expenditure provided forMaintenance of Buildings

(Rs. Lakhs)

State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1	2	3	4	5	6	7
Andhra Pradesh	4507	6031	7555	9079	10604	37776
Arunachal Pradesh	2190	2361	2535	2709	2872	12667
Assam	2463	2655	2850	3047	3230	14245
Bihar	6463	6967	7479	7995	8475	37379
Goa	619	667	716	766	811	3579
Gujarat	8013	8638	9273	9913	10508	46345
Haryana	1990	2146	2303	2462	2610	11511
Himachal Pradesh	1988	2409	2829	3250	3670	14146
Jammu & Kashmir	3355	3617	3883	4151	4400	19406
Karnataka	7700	8301	8911	9526	10097	44535
Kerala	3195	3445	3698	3953	4190	18481
Madhya Pradesh	8823	9511	10211	10915	11570	51030
Maharashtra	24108	25988	27898	29823	31613	139430
Manipur	456	586	717	847	978	3584
Meghalaya	1391	1499	1610	1721	1824	8045
Mizoram	801	864	927	991	1051	4634
Nagaland	2371	2556	2744	2933	3109	13713
Orissa	6221	8105	9990	11875	13759	49950
Punjab	6836	7369	7910	8456	8963	39534
Rajasthan	4928	5313	5703	6097	6463	28504
Sikkim	439	473	508	543	576	2539
Tamil Nadu	5990	6457	6932	7410	7855	34644
Tripura	1390	1499	1609	1720	1823	8041
Uttar Pradesh	13574	14633	15709	16792	17800	78508
West Bengal	7811	8420	9039	9663	10243	45176
Total	**127622**	**140510**	**153539**	**166637**	**179094**	**767402**

ANNEXURE III.17
(Para 3.61)

Provision for Maintenance of Roads

(Rs. Lakhs)

State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1	2	3	4	5	6	7
Andhra Pradesh	22471	30069	37667	45265	52863	188335
Arunachal Pradesh	1242	1628	2014	2399	2785	10068
Assam	9295	11711	14128	16544	18960	70638
Bihar	13586	16663	19741	22819	25896	98705
Goa	914	1246	1579	1912	2245	7896
Gujarat	25257	29732	34208	38683	43159	171039
Haryana	6998	7544	8099	8658	9177	40476
Himachal Pradesh	3889	4928	5968	7007	8047	29839
Jammu & Kashmir	2749	3470	4191	4912	5633	20955
Karnataka	14133	17785	21436	25088	28740	107182
Kerala	10957	12772	14588	16403	18219	72939
Madhya Pradesh	28685	30922	33195	35486	37615	165903
Maharashtra	47356	51050	54802	58583	62098	273889
Manipur	400	667	933	1200	1466	4666
Meghalaya	2812	3031	3254	3479	3688	16264
Mizoram	1303	1404	1508	1612	1708	7535
Nagaland	1438	1709	1980	2251	2522	9900
Orissa	15280	20807	26334	31861	37388	131670
Punjab	8393	10938	13482	16027	18571	67411
Rajasthan	19238	20738	22263	23799	25227	111265
Sikkim	851	917	984	1052	1116	4920
Tamil Nadu	25697	27702	29738	31790	33697	148624
Tripura	996	1339	1681	2024	2366	8406
Uttar Pradesh	31753	43086	54420	65753	77087	272099
West Bengal	12975	17541	22108	26674	31240	110538
Total	**308668**	**369399**	**430301**	**491281**	**551513**	**2151162**

ANNEXURE III.18
(Para 3.70)

Committed Liability on State Plan Schemes

(Rs. Lakhs)

State	Revenue Component of State Plan in 1994-95	Provision for committed liability					
		1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1	2	3	4	5	6	7	8
Andhra Pradesh	71222	21367	22638	23890	25109	26176	119180
Arunchal Pradesh	13407	5363	5682	5996	6302	6570	29913
Assam	64092	25637	27162	28664	30126	31407	142996
Bihar	112436	33731	35738	37714	39638	41322	188143
Goa	5932	1780	1886	1990	2092	2181	9929
Gujarat	77511	23253	24637	25999	27325	28486	129700
Haryana	43604	13081	13859	14626	15372	16025	72963
Himachal Pradesh	35108	14043	14879	15701	16502	17203	78328
Jammu & Kashmir	19908	7963	8437	8903	9357	9755	44415
Karnataka	165125	49538	52486	55388	58213	60687	276312
Kerala	52613	15784	16723	17648	18548	19336	88039
Madhya Pradesh	118619	35586	37703	39788	41818	43595	198490
Maharashtra	167310	50193	53179	56120	58982	61489	279963
Manipur	8063	3225	3417	3606	3790	3951	17989
Meghalaya	11705	3512	3721	3927	4127	4302	19589
Mizoram	11695	4678	4956	5230	5497	5731	26092
Nagaland	11002	4401	4663	4921	5172	5391	24548
Orissa	83881	25164	26661	28136	29571	30827	140359
Punjab	40700	12210	12936	13652	14348	14958	68104
Rajasthan	88795	26639	28224	29785	31304	32634	148586
Sikkim	4161	1664	1763	1861	1955	2038	9281
Tamil Nadu	108000	32400	34328	36226	38074	39692	180720
Tripura	15276	6110	6474	6832	7180	7485	34081
Uttar Pradesh	174274	52282	55393	58456	61437	64048	291616
West Bengal	82547	24764	26237	27688	29100	30337	138126
Total	**1586986**	**494368**	**523782**	**552747**	**580939**	**605626**	**2757462**

ANNEXURE III.19
(Para 3.73)

ANDHRA PRADESH

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	27765	31344	35383	39753	44450	178695
2. State Excise	36494	42406	49276	56926	65380	250482
3. Sales Tax	282119	321966	367440	417175	471187	1859887
4. Motor Vehicles Tax	40344	45282	50825	56787	63158	256396
5. Others *	36512	38325	40340	42496	44790	202463
Total - A	**423234**	**479323**	**543264**	**613137**	**688965**	**2747923**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	2044	2486	6469	10999
(b) Road Transport Undertakings	335	402	537	671	805	2750
(c) Others	7182	7182	7182	7182	7182	35910
2. Dividends	6347	6347	6347	6347	6347	31735
3. Irrigation (Net) (Major, Medium & Minor)	-3401	-2737	-1957	-1058	0	-9153
4. Forest	10541	11279	12013	12733	13370	59936
5. Royalty from Mines & Minerals	14283	14997	15747	16534	17361	78922
6. Others	19061	24349	23910	26660	29593	123573
Total - B	**54348**	**61819**	**65823**	**71555**	**81127**	**334672**
C. Non-Plan Grants	*514*	*554*	*595*	*636*	*674*	*2973*
Total - I (A+B+C)	***478096***	***541696***	***609682***	***685328***	***770766***	***3085568***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	169655	186621	205283	225811	248393	1035763
2. Police	45107	48467	51874	55298	58478	259224
3. Pensions	70801	76075	81423	86797	91788	406884
4. Social Security	6671	7005	7356	7724	8111	36867
5. Education (General)						
(a) Elementary	68867	74686	80683	86815	92675	403726
(b) Others	100415	107896	115481	123102	130181	577075
6. Medical & Public Health	42780	46395	50120	53930	57570	250795
7. Roads	22471	30069	37667	45265	52863	188335
8. Buildings	4507	6031	7555	9079	10604	37776
9. Relief on account of Natural Calamity	3489	3291	3462	3629	3776	17647
10. Others	243376	251140	253108	258144	265628	1271396
11. Committed Liability	21367	22638	23890	25109	26176	119180
Total - II	**799506**	**860314**	**917902**	**980703**	**1046243**	**4604668**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-321410**	**-318618**	**-308220**	**-295375**	**-275477**	**-1519100**

* *Including Agr. Income tax, Land revenue, Electricity duty and Tax arrears.*

ANNEXURE III.20
(Para 3.73)

ARUNACHAL PRADESH

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Total Tax Revenue	**782**	**895**	**1023**	**1165**	**1318**	**5183**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	58	58	58	58	58	290
2. Dividends	43	43	43	43	43	215
3. Irrigation (Net) (Major, Medium & Minor)	-124	-110	-94	-74	-52	-454
4. Forest	3382	3619	3854	4085	4289	19229
5. Royalty from Mines & Minerals	192	201	212	222	233	1060
6. Others	1341	1680	1543	1699	1875	8138
Total - B	**4892**	**5491**	**5616**	**6033**	**6446**	**28478**
C. Non-Plan Grants	*50*	*54*	*58*	*62*	*65*	*289*
Total - I (A+B+C)	***5724***	***6440***	***6697***	***7260***	***7829***	***33950***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	4051	4457	4902	5392	5932	24734
2. Police	2688	2889	3092	3296	3485	15450
3. Pensions	701	750	803	859	919	4032
4. Social Security	163	167	172	177	182	861
5. Education (General)						
(a) Elementary	2498	2709	2926	3149	3361	14643
(b) Others	1616	1736	1859	1981	2095	9287
6. Medical & Public Health	2202	2388	2579	2775	2963	12907
7. Roads	1242	1628	2014	2399	2785	10068
8. Buildings	2190	2361	2535	2709	2872	12667
9. Relief on account of Natural Calamity	182	181	191	200	208	962
10. Others	10969	11923	12451	13262	14024	62629
11. Committed Liability	5363	5682	5996	6302	6570	29913
Total - II	**33865**	**36871**	**39520**	**42501**	**45396**	**198153**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-28141**	**-30431**	**-32823**	**-35241**	**-37567**	**-164203**

ANNEXURE III.21
(Para 3.73)

ASSAM

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	1722	1953	2215	2499	2806	11195
2. State Excise	2597	2908	3257	3632	4031	16425
3. Sales Tax	48653	55951	64343	73593	83711	326251
4. Motor Vehicles Tax	5135	5757	6455	7204	8005	32556
5. Others *	21324	22606	24024	25570	27251	120775
Total - A	**79431**	**89175**	**100294**	**112498**	**125804**	**507202**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	1707	1707	1707	1707	1707	8535
2. Dividends	1236	1236	1236	1236	1236	6180
3. Irrigation (Net) (Major, Medium & Minor)	-877	-718	-533	-317	-76	-2521
4. Forest	2683	2871	3058	3241	3403	15256
5. Royalty from Mines & Minerals	27216	27261	27308	27357	27409	136551
6. Others	6462	7170	8021	8946	9941	40540
Total - B	**38427**	**39527**	**40797**	**42170**	**43620**	**204541**
C. Non-Plan Grants	*4746*	*5116*	*5492*	*5871*	*6223*	*27448*
Total - I (A+B+C)	***122604***	***133818***	***146583***	***160539***	***175647***	***739191***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	65766	72343	79577	87535	96289	401510
2. Police	27529	29580	31659	33749	35689	158206
3. Pensions	10127	10633	11165	11723	12309	55957
4. Social Security	1559	1637	1719	1805	1895	8615
5. Education (General)						
(a) Elementary	33761	36276	38826	41389	43769	194021
(b) Others	19373	20816	22280	23750	25116	111335
6. Medical & Public Health	8071	8753	9456	10175	10862	47317
7. Roads	9295	11711	14128	16544	18960	70638
8. Buildings	2463	2655	2850	3047	3230	14245
9. Relief on account of Natural Calamity	1332	1301	1370	1438	1497	6938
10. Others	54236	57190	60302	63435	66300	301463
11. Committed Liability	25637	27162	28664	30126	31407	142996
Total - II	**259149**	**280057**	**301996**	**324716**	**347323**	**1513241**
III. NON–PLAN REVENUE SURPLUS/DEFICIT	**-136545**	**-146239**	**-155413**	**-164177**	**-171676**	**-774050**

ANNEXURE III.22
(Para 3.73)

BIHAR

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	24638	28425	32794	37625	42927	166409
2. State Excise	19325	22456	26094	30145	34621	132641
3. Sales Tax	127020	143131	161286	180891	201923	814251
4. Motor Vehicles Tax	22080	25260	28897	32885	37225	146347
5. Others *	14523	14918	15353	15816	16308	76918
Total - A	**207586**	**234190**	**264424**	**297362**	**333004**	**1336566**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	2010	2079	5271	5452	9003	23815
(b) Road Transport Undertakings	273	327	436	545	654	2235
(c) Others	7557	7557	7557	7557	7557	37785
2. Dividends	2601	2601	2601	2601	2601	13005
3. Irrigation (Net) (Major, Medium & Minor)	-5761	-5498	-4467	-2692	-223	-18641
4. Forest	6589	7050	7509	7959	8357	37464
5. Royalty from Mines & Minerals	68845	72287	75902	79697	83682	380413
6. Others	1999	7976	4166	5566	7244	26951
Total - B	**84113**	**94379**	**98975**	**106685**	**118875**	**503027**
C. Non-Plan Grants	*760*	*819*	*879*	*940*	*996*	*4394*
Total - I (A+B+C)	***292459***	***329388***	***364278***	***404987***	***452875***	***1843987***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	168019	184820	203303	223633	245996	1025771
2. Police	58398	62748	67159	71592	75708	335605
3. Pensions	39895	42867	45881	48909	51721	229273
4. Social Security	18103	19452	20820	22194	23470	104039
5. Education (General)						
(a) Elementary	107143	116197	125528	135068	144185	628121
(b) Others	81771	87863	94040	100246	106010	469930
6. Medical & Public Health	32517	35265	38096	40992	43759	190629
7. Roads	13586	16663	19741	22819	25896	98705
8. Buildings	6463	6967	7479	7995	8475	37379
9. Relief on account of Natural Calamity	1688	1453	1525	1595	1656	7917
10. Others	124000	134786	138893	148039	161324	707042
11. Committed Liability	33731	35738	37714	39638	41322	188143
Total - II	**685314**	**744819**	**800179**	**862720**	**929522**	**4022554**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-392855**	**-415431**	**-435901**	**-457733**	**-476647**	**-2178567**

ANNEXURE III.23
(Para 3.73)

GOA

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	743	859	993	1141	1304	5040
2. State Excise	3233	3754	4359	5032	5775	22153
3. Sales Tax	13246	14946	16863	18936	21163	85154
4. Motor Vehicles Tax	1031	1175	1339	1518	1713	6776
5. Others *	1195	1307	1431	1565	1705	7203
Total - A	**19448**	**22041**	**24985**	**28192**	**31660**	**126326**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	41	49	66	82	99	337
(c) Others	163	163	163	163	163	815
2. Dividends	380	380	380	380	380	1900
3. Irrigation (Net) (Major, Medium & Minor)	-29	-23	-18	-11	-4	-85
4. Forest	102	109	116	123	130	580
5. Royalty from Mines & Minerals	963	990	1020	1051	1082	5106
6. Others	289	434	481	594	714	2512
Total - B	**1909**	**2102**	**2208**	**2382**	**2564**	**11165**
C. Non-Plan Grants	*21*	*22*	*24*	*25*	*27*	*119*
Total - I (A+B+C)	***21378***	***24165***	***27217***	***30599***	***34251***	***137610***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	7950	8745	9619	10581	11639	48534
2. Police	1727	1856	1986	2117	2239	9925
3. Pensions	1456	1573	1701	1841	1996	8567
4. Social Security	385	405	425	446	468	2129
5. Education (General)						
(a) Elementary	2666	2864	3066	3268	3456	15320
(b) Others	5545	5958	6377	6798	7189	31867
6. Medical & Public Health	3612	3917	4231	4553	4860	21173
7. Roads	914	1246	1579	1912	2245	7896
8. Buildings	619	667	716	766	811	3579
9. Relief on account of Natural Calamity	49	35	36	38	39	197
10. Others	6669	7229	7672	8177	8647	38394
11. Committed Liability	1780	1886	1990	2092	2181	9929
Total - II	**33372**	**36381**	**39398**	**42589**	**45770**	**197510**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-11994**	**-12216**	**-12181**	**-11990**	**-11519**	**-59900**

ANNEXURE III.24
(Para 3.73)

GUJARAT

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	28373	32268	36697	41525	46751	185614
2. State Excise	2226	2517	2845	3202	3585	14375
3. Sales Tax	354312	407459	468578	535936	609627	2375912
4. Motor Vehicles Tax	37226	42524	48576	55202	62403	245931
5. Others *	90444	96146	102287	108808	115718	513403
Total - A	**512581**	**580914**	**658983**	**744673**	**838084**	**3335235**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	731	878	1170	1463	1755	5997
(c) Others	4958	4958	4958	4958	4958	24790
2. Dividends	5666	5666	5666	5666	5666	28330
3. Irrigation (Net) (Major, Medium & Minor)	-2708	-2184	-1586	-895	-95	-7468
4. Forest	2373	2539	2704	2866	3009	13491
5. Royalty from Mines & Minerals	40890	43180	45598	48151	50848	228667
6. Others	17063	20343	21815	24548	27507	111276
Total - B	**68973**	**75380**	**80325**	**86757**	**93648**	**405083**
C. Non-Plan Grants	*2589*	*2791*	*2996*	*3203*	*3395*	*14974*
Total - I (A+B+C)	***584143***	***659085***	***742304***	***834633***	***935127***	***3755292***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	151401	166541	183195	201514	221666	924317
2. Police	33355	35840	38360	40892	43243	191690
3. Pensions	38373	41232	44130	47043	49748	220526
4. Social Security	5842	6277	6718	7162	7573	33572
5. Education (General)						
(a) Elementary	75946	81604	87341	93106	98459	436456
(b) Others	73436	78907	84454	90028	95205	422030
6. Medical & Public Health	32275	35003	37813	40687	43433	189211
7. Roads	25257	29732	34208	38683	43159	171039
8. Buildings	8013	8638	9273	9913	10508	46345
9. Relief on account of Natural Calamity	3821	3666	3859	4047	4211	19604
10. Others	130091	140365	148733	158208	167002	744399
11. Committed Liability	23253	24637	25999	27325	28486	129700
Total - II	**601063**	**652442**	**704083**	**758608**	**812693**	**3528889**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-16920**	**6643**	**38221**	**76025**	**122434**	**226403**

ANNEXURE III.25
(Para 3.73)

HARYANA

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	16246	18679	21477	24559	27931	108892
2. State Excise	65230	75798	88077	101751	116861	447717
3. Sales Tax	105973	119860	135566	152590	170920	684909
4. Motor Vehicles Tax	23068	25836	28937	32264	35813	145918
5. Others *	10250	10573	11022	11590	12176	55611
Total - A	**220767**	**250746**	**285079**	**322754**	**363701**	**1443047**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	764	726	3364	4854
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	581	581	581	581	581	2905
2. Dividends	1422	1422	1422	1422	1422	7110
3. Irrigation (Net) (Major, Medium & Minor)	-2209	-1802	-1323	-769	-143	-6246
4. Forest	1387	1484	1580	1675	1759	7885
5. Royalty from Mines & Minerals	0	0	0	0	0	0
6. Others	8713	10888	12972	16008	19945	68526
Total - B	**9894**	**12573**	**15996**	**19643**	**26928**	**85034**
C. Non-Plan Grants	*115*	*124*	*133*	*142*	*150*	*664*
Total - I (A+B+C)	**230776**	**263443**	**301208**	**342539**	**390779**	**1528745**
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	53160	58476	64323	70756	77831	324546
2. Police	20051	21544	23059	24581	25994	115229
3. Pensions	10719	11469	12272	13131	14050	61641
4. Social Security	3124	3357	3593	3830	4050	17954
5. Education (General)						
(a) Elementary	22626	24311	26020	27738	29333	130028
(b) Others	24697	26537	28402	30277	32018	141931
6. Medical & Public Health	9119	9889	10683	11495	12271	53457
7. Roads	6998	7544	8099	8658	9177	40476
8. Buildings	1990	2146	2303	2462	2610	11511
9. Relief on account of Natural Calamity	807	698	733	767	796	3801
10. Others	36179	39551	41605	44352	46903	208590
11. Committed Liability	13081	13859	14626	15372	16025	72963
Total - II	**202551**	**219381**	**235718**	**253419**	**271058**	**1182127**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**28225**	**44062**	**65490**	**89120**	**119721**	**346618**

ANNEXURE III.26
(Para 3.73)

HIMACHAL PRADESH

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	1233	1381	1547	1725	1914	7800
2. State Excise	10985	12652	14573	16693	19016	73919
3. Sales Tax	11397	13060	14965	17058	19340	75820
4. Motor Vehicles Tax	4974	5690	6509	7408	8385	32966
5. Others *	3545	3805	4096	4408	4739	20593
Total - A	**32134**	**36588**	**41690**	**47292**	**53394**	**211098**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	412	412	412	412	412	2060
2. Dividends	1056	1056	1056	1056	1056	5280
3. Irrigation (Net) (Major, Medium & Minor)	-272	-242	-205	-161	-110	-990
4. Forest	2795	2991	3185	3376	3545	15892
5. Royalty from Mines & Minerals	0	0	0	0	0	0
6. Others	863	1473	1885	2646	3725	10592
Total - B	**4854**	**5690**	**6333**	**7329**	**8628**	**32834**
C. Non-Plan Grants	*184*	*198*	*213*	*228*	*241*	*1064*
Total - I (A+B+C)	**37172**	**42476**	**48236**	**54849**	**62263**	**244996**
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	27356	30091	33100	36410	40051	167008
2. Police	6776	7281	7793	8307	8785	38942
3. Pensions	6609	6808	7012	7222	7439	35090
4. Social Security	1396	1500	1605	1711	1810	8022
5. Education (General)						
(a) Elementary	15604	16766	17945	19129	20229	89673
(b) Others	10321	11090	11869	12653	13380	59313
6. Medical & Public Health	7783	8440	9118	9811	10473	45625
7. Roads	3889	4928	5968	7007	8047	29839
8. Buildings	1988	2409	2829	3250	3670	14146
9. Relief on account of Natural Calamity	707	698	735	771	803	3714
10. Others	21063	22787	24247	25996	27297	121390
11. Committed Liability	14043	14879	15701	16502	17203	78328
Total - II	**117535**	**127677**	**137922**	**148769**	**159187**	**691090**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-80363**	**-85201**	**-89686**	**-93920**	**-96924**	**-446094**

ANNEXURE III.27
(Para 3.73)

JAMMU & KASHMIR

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	631	707	792	883	980	3993
2. State Excise	12636	14523	16693	19083	21697	84632
3. Sales Tax	10552	11848	13302	14867	16540	67109
4. Motor Vehicles Tax	7136	7992	8951	9981	11079	45139
5. Others *	2491	2537	2586	2640	2694	12948
Total - A	**33446**	**37607**	**42324**	**47454**	**52990**	**213821**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	849	849	849	849	849	4245
2. Dividends	775	775	775	775	775	3875
3. Irrigation (Net) (Major, Medium & Minor)	-781	-781	-753	-705	-635	-3655
4. Forest	3689	3948	4204	4457	4679	20977
5. Royalty from Mines & Minerals	69	71	73	75	78	366
6. Others	2028	2006	2247	2505	2781	11567
Total - B	**6629**	**6868**	**7395**	**7956**	**8527**	**37375**
C. Non-Plan Grants	*323*	*348*	*373*	*399*	*423*	*1866*
Total - I (A+B+C)	***40398***	***44823***	***50092***	***55809***	***61940***	***253062***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	30455	33500	36850	40535	44589	185929
2. Police	17139	18416	19710	21011	22219	98495
3. Pensions	6124	6581	7043	7508	7940	35196
4. Social Security	5441	5713	5999	6298	6613	30064
5. Education (General)						
(a) Elementary	28087	30460	32906	35407	37797	164657
(b) Others	4800	5157	5520	5884	6222	27583
6. Medical & Public Health	14150	15346	16578	17838	19042	82954
7. Roads	2749	3470	4191	4912	5633	20955
8. Buildings	3355	3617	3883	4151	4400	19406
9. Relief on account of Natural Calamity	562	525	552	578	602	2819
10. Others	42233	44865	48007	51165	54102	240372
11. Committed Liability	7963	8437	8903	9357	9755	44415
Total - II	**163058**	**176087**	**190142**	**204644**	**218914**	**952845**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-122660**	**-131264**	**-140050**	**-148835**	**-156974**	**-699783**

ANNEXURE III.28
(Para 3.73)

KARNATAKA

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	39133	45238	52295	60113	68709	265488
2. State Excise	82993	93460	105247	117968	131606	531274
3. Sales Tax	302958	348402	400662	458258	521268	2031548
4. Motor Vehicles Tax	56146	63800	72498	81969	92211	366624
5. Others *	44654	47671	50934	54435	58169	255863
Total - A	**525884**	**598571**	**681636**	**772743**	**871963**	**3450797**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	2074	2187	6881	11142
(b) Road Transport Undertakings	750	901	1201	1501	1801	6154
(c) Others	4911	4911	4911	4911	4911	24555
2. Dividends	4040	4040	4040	4040	4040	20200
3. Irrigation (Net) (Major, Medium & Minor)	-2212	-1838	-1397	-884	-325	-6656
4. Forest	8471	9064	9653	10232	10744	48164
5. Royalty from Mines & Minerals	2436	2485	2535	2586	2638	12680
6. Others	29569	33043	36919	41097	45591	186219
Total - B	**47965**	**52606**	**59936**	**65670**	**76281**	**302458**
C. Non-Plan Grants	*3947*	*4255*	*4567*	*4883*	*5175*	*22827*
Total - I (A+B+C)	***577796***	***655432***	***746139***	***843296***	***953419***	***3776082***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	110178	121195	133315	146646	161311	672645
2. Police	31123	33442	35793	38155	40349	178862
3. Pensions	38899	41622	44536	47653	50989	223699
4. Social Security	14338	15484	16722	18059	19504	84107
5. Education (General)						
(a) Elementary	61861	66469	71142	75837	80198	355507
(b) Others	65651	70542	75502	80485	85113	377293
6. Medical & Public Health	33665	36509	39441	42438	45303	197356
7. Roads	14133	17785	21436	25088	28740	107182
8. Buildings	7700	8301	8911	9526	10097	44535
9. Relief on account of Natural Calamity	1553	1235	1293	1349	1399	6829
10. Others	150649	160083	169573	179185	188316	847806
11. Committed Liability	49538	52486	55388	58213	60687	276312
Total - II	**579288**	**625153**	**673052**	**722634**	**772006**	**3372133**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-1492**	**30279**	**73087**	**120662**	**181413**	**403949**

ANNEXURE III.29
(Para 3.73)

KERALA

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	28784	33274	38464	44215	50538	195275
2. State Excise	35239	39751	44841	50343	56251	226425
3. Sales Tax	205385	236192	271621	310667	353383	1377248
4. Motor Vehicles Tax	16521	18900	21621	24605	27853	109500
5. Others *	21940	22665	23442	24264	25131	117442
Total - A	**307869**	**350782**	**399989**	**454094**	**513156**	**2025890**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	285	342	456	570	684	2337
(c) Others	3787	3787	3787	3787	3787	18935
2. Dividends	2718	2718	2718	2718	2718	13590
3. Irrigation (Net) (Major, Medium & Minor)	-910	-779	-622	-439	-230	-2980
4. Forest	8100	8667	9230	9784	10274	46055
5. Royalty from Mines & Minerals	213	223	235	246	259	1176
6. Others	13224	15109	16269	17993	19828	82423
Total - B	**27417**	**30067**	**32073**	**34659**	**37320**	**161536**
C. Non-Plan Grants	*475*	*512*	*550*	*588*	*623*	*2748*
Total - I (A+B+C)	***335761***	***381361***	***432612***	***489341***	***551099***	***2190174***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	89491	98440	108284	119113	131024	546352
2. Police	17342	18634	19944	21260	22482	99662
3. Pensions	54025	58050	62131	66232	70040	310478
4. Social Security	7316	7861	8414	8969	9485	42045
5. Education (General)						
(a) Elementary	62384	67031	71744	76479	80876	358514
(b) Others	57880	62192	66564	70957	75037	332630
6. Medical & Public Health	27656	29992	32401	34863	37217	162129
7. Roads	10957	12772	14588	16403	18219	72939
8. Buildings	3195	3445	3698	3953	4190	18481
9. Relief on account of Natural Calamity	1655	1501	1578	1652	1717	8103
10. Others	91076	98756	104730	111638	118054	524254
11. Committed Liability	15784	16723	17648	18548	19336	88039
Total - II	**438761**	**475397**	**511724**	**550067**	**587677**	**2563626**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-103000**	**-94036**	**-79112**	**-60726**	**-36578**	**-373452**

ANNEXURE III.30
(Para 3.73)

MADHYA PRADESH

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	27480	31322	35701	40484	45672	180659
2. State Excise	70408	80690	92474	105416	119528	468516
3. Sales Tax	163125	182700	204624	228156	253253	1031858
4. Motor Vehicles Tax	47462	53157	59536	66382	73684	300221
5. Others *	42476	45304	48346	51604	55088	242818
Total - A	**350951**	**393173**	**440681**	**492042**	**547225**	**2224072**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	339	407	542	678	813	2779
(c) Others	3486	3486	3486	3486	3486	17430
2. Dividends	3608	3608	3608	3608	3608	18040
3. Irrigation (Net) (Major, Medium & Minor)	-583	-522	-451	-365	-294	-2215
4. Forest	51708	55327	58923	62459	65582	293999
5. Royalty from Mines & Minerals	59888	63481	67290	71327	75607	337593
6. Others	17554	15689	16981	19385	22856	92465
Total - B	**136000**	**141476**	**150379**	**160578**	**171658**	**760091**
C. Non-Plan Grants	*2176*	*2346*	*2518*	*2692*	*2853*	*12585*
Total - I (A+B+C)	***489127***	***536995***	***593578***	***655312***	***721736***	***2996748***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	128722	141595	155754	171330	188463	785864
2. Police	43385	46617	49894	53187	56246	249329
3. Pensions	31702	34872	38359	42196	46414	193543
4. Social Security	5351	5807	6304	6843	7431	31736
5. Education (General)						
(a) Elementary	91128	98829	106764	114879	122633	534233
(b) Others	42938	46137	49381	52640	55667	246763
6. Medical & Public Health	28137	30514	32965	35470	37864	164950
7. Roads	28685	30922	33195	35486	37615	165903
8. Buildings	8823	9511	10211	10915	11570	51030
9. Relief on account of Natural Calamity	1681	1436	1506	1575	1635	7833
10. Others	194911	198922	211253	225973	237607	1068666
11. Committed Liability	35586	37703	39788	41818	43595	198490
Total - II	**641049**	**682865**	**735374**	**792312**	**846740**	**3698340**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-151922**	**-145870**	**-141796**	**-137000**	**-125004**	**-701592**

ANNEXURE III.31
(Para 3.73)

MAHARASHTRA

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	80235	92751	107220	123250	140875	544331
2. State Excise	101790	118194	137242	158439	181845	697510
3. Sales Tax	629516	710270	801383	899901	1005721	4046791
4. Motor Vehicles Tax	66965	76318	86979	98622	111249	440133
5. Others *	125535	134323	144047	154454	165540	723899
Total - A	**1004041**	**1131856**	**1276871**	**1434666**	**1605230**	**6452664**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	321	386	514	643	771	2635
(c) Others	10278	10278	10278	10278	10278	51390
2. Dividends	2376	2376	2376	2376	2376	11880
3. Irrigation (Net) (Major, Medium & Minor)	-3980	-3310	-2525	-1609	-600	-12024
4. Forest	13656	14612	15561	16495	17320	77644
5. Royalty from Mines & Minerals	7428	7874	8347	8847	9378	41874
6. Others	62846	73784	78609	87540	97067	399846
Total - B	**92925**	**106000**	**113160**	**124570**	**136590**	**573245**
C. Non-Plan Grants	*9587*	*10334*	*11094*	*11859*	*12571*	*55445*
Total - I (A+B+C)	***1106553***	***1248190***	***1401125***	***1571095***	***1754391***	***7081354***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	188623	207486	228234	251058	276163	1151564
2. Police	76340	82028	87794	93588	98970	438720
3. Pensions	50613	55960	61617	67602	73924	309716
4. Social Security	16337	17165	18065	19042	20103	90712
5. Education (General)						
(a) Elementary	124653	133940	143356	152817	161604	716370
(b) Others	155750	167353	179118	190940	201919	895080
6. Medical & Public Health	57736	62614	67642	72783	77696	338471
7. Roads	47356	51050	54802	58583	62098	273889
8. Buildings	24108	25988	27898	29823	31613	139430
9. Relief on account of Natural Calamity	2593	2033	2127	2219	2299	11271
10. Others	224030	244228	257658	274674	294802	1295392
11. Committed Liability	50193	53179	56120	58982	61489	279963
Total - II	**1018332**	**1103024**	**1184431**	**1272111**	**1362680**	**5940578**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**88221**	**145166**	**216694**	**298984**	**391711**	**1140776**

ANNEXURE III.32
(Para 3.73)

MANIPUR

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1.	2.	3.	4.	5.	6.	7.
I. RECEIPTS						
A. Total Tax Revenue	2435	2785	3186	3625	4104	16135
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	124	124	124	124	124	620
	0	0	0	0	0	
2. Dividends	209	209	209	209	209	1045
3. Irrigation (Net) (Major, Medium & Minor)	-104	-124	-138	-146	-149	-661
4. Forest	483	516	550	583	612	2744
5. Royalty from Mines & Minerals	0	0	0	0	0	0
6. Others	1161	1427	1412	1555	1707	7262
Total - B	**1873**	**2152**	**2157**	**2325**	**2503**	**11010**
C. Non-Plan Grants	*18*	*20*	*21*	*23*	*24*	*106*
Total - I (A+B+C)	***4326***	***4957***	***5364***	***5973***	***6631***	***27251***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	5145	5660	6225	6848	7533	31411
2. Police	5421	5825	6234	6646	7028	31154
3. Pensions	3042	3194	3354	3522	3698	16810
4. Social Security	381	393	406	419	432	2031
5. Education (General)						
(a) Elementary	4464	4797	5134	5473	5787	25655
(b) Others	6822	7330	7845	8363	8844	39204
6. Medical & Public Health	1872	2030	2193	2359	2519	10973
7. Roads	400	667	933	1200	1466	4666
8. Buildings	456	586	717	847	978	3584
9. Relief on account of Natural Calamity	80	69	72	76	79	376
10. Others	7835	8411	8841	9424	10121	44632
11. Committed Liability	3225	3417	3606	3790	3951	17989
Total - II	**39143**	**42379**	**45560**	**48967**	**52436**	**228485**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-34817**	**-37422**	**-40196**	**-42994**	**-45805**	**-201234**

ANNEXURE III.33
(Para 3.73)

MEGHALAYA

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS	**7142**	**8146**	**9296**	**10555**	**11927**	**47066**
A. Total Tax Revenue						
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	171	171	171	171	171	855
2. Dividends	315	315	315	315	315	1575
3. Irrigation (Net) (Major, Medium & Minor)	- 90	- 79	- 66	- 51	- 33	- 319
4. Forest	383	409	436	462	485	2175
5. Royalty from Mines & Minerals	347	365	383	402	422	1919
6. Others	888	1169	1113	1241	1378	5789
Total - B	**2014**	**2350**	**2352**	**2540**	**2738**	**11994**
C. Non-Plan Grants	274	295	317	339	359	1584
Total - I (A+B+C)	***9430***	***10791***	***11965***	***13434***	***15024***	***60644***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	4452	4897	5387	5926	6518	27180
2. Police	4046	4347	4652	4960	5245	23250
3. Pensions	800	881	969	1066	1172	4888
4. Social Security	154	166	177	189	200	886
5. Education (General)						
(a) Elementary	4584	4971	5370	5779	6169	26873
(b) Others	3039	3265	3495	3726	3940	17465
6. Medical & Public Health	2969	3220	3479	3743	3996	17407
7. Roads	2812	3031	3254	3479	3688	16264
8. Buildings	1391	1499	1610	1721	1824	8045
9. Relief on account of Natural Calamity	90	78	82	85	89	424
10. Others	14052	15277	16163	17405	18222	81119
11. Committed Liability	3512	3721	3927	4127	4302	19589
Total - II	**41901**	**45353**	**48565**	**52206**	**55365**	**243390**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**- 32471**	**- 34562**	**- 36600**	**- 38772**	**- 40341**	**- 182746**

ANNEXURE III.34
(Para 3.73)

MIZORAM

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Total Tax Revenue	*682*	*779*	*890*	*1012*	*1144*	*4507*
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	371	371	371	371	371	1855
2. Dividends	20	20	20	20	20	100
3. . Irrigation (Net) (Major, Medium & Minor)	-17	-15	-13	-11	-8	-64
4. Forest	180	192	205	217	228	1022
5. Royalty from Mines & Minerals	0	0	0	0	0	0
6. Others	1771	2228	1895	1924	2058	9876
Total - B	**2325**	**2796**	**2478**	**2521**	**2669**	**12789**
C. Non-Plan Grants	*70*	*76*	*81*	*87*	*92*	*406*
Total - I (A+B+C)	***3077***	***3651***	***3449***	***3620***	***3905***	***17702***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	3218	3539	3893	4283	4711	19644
2. Police	3351	3600	3853	4108	4344	19256
3. Pensions	680	714	749	787	825	3755
4. Social Security	274	288	302	317	333	1514
5. Education (General)						
(a) Elementary	3377	3628	3883	4140	4378	19406
(b) Others	2449	2631	2816	3002	3175	14073
6. Medical & Public Health	1415	1535	1658	1784	1905	8297
7. Roads	1303	1404	1508	1612	1708	7535
8. Buildings	801	864	927	991	1051	4634
9. Relief on account of Natural Calamity	46	37	38	40	42	203
10. Others	10863	12124	12493	13968	14085	63533
11. Committed Liability	4678	4956	5230	5497	5731	26092
Total - II	**32455**	**35320**	**37350**	**40529**	**42288**	**187942**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-29378**	**-31669**	**-33901**	**-36909**	**-38383**	**-170240**

ANNEXURE III.35
(Para 3.73)

NAGALAND

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Total Tax Revenue	2404	2734	3113	3527	3979	15757
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	160	160	160	160	160	800
2. Dividends	218	218	218	218	218	1090
3. Irrigation (Net) (Major, Medium & Minor)	- 117	- 104	- 87	- 67	- 44	- 419
4. Forest	687	735	783	830	871	3906
5. Royalty from Mines & Minerals	0	0	0	0	0	0
6. Others	- 711	- 485	- 710	- 696	- 670	- 3272
Total - B	**237**	**524**	**364**	**445**	**535**	**2105**
C. Non-Plan Grants	14	15	16	17	18	80
Total - I (A+B+C)	***2655***	***3273***	***3493***	***3989***	***4532***	***17942***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	6827	7510	8261	9087	9995	41680
2. Police	9053	10139	11356	12719	14245	57512
3. Pensions	2286	2559	2866	3210	3596	14517
4. Social Security	296	318	340	362	383	1699
5. Education (General)						
(a) Elementary	4876	5239	5608	5978	6322	28023
(b) Others	2190	2353	2519	2685	2839	12586
6. Medical & Public Health	2448	2654	2868	3086	3294	14350
7. Roads	1438	1709	1980	2251	2522	9900
8. Buildings	2371	2556	2744	2933	3109	13713
9. Relief on account of Natural Calamity	67	52	54	56	58	287
10. Others	11618	12714	13361	14472	15061	67226
11. Committed Liability	4401	4663	4921	5172	5391	24548
Total - II	**47871**	**52466**	**56878**	**62011**	**66815**	**286041**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**- 45216**	**- 49193**	**- 53385**	**- 58022**	**- 62283**	**- 268099**

ANNEXURE III.36
(Para 3.73)

ORISSA

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Tax Revenue	7119	8106	9231	10458	11788	46702
1. Stamps and Registration	5657	6573	7638	8824	10134	38826
2. State Excise	71789	82316	94387	107651	122121	478264
3. Sales Tax	11625	13299	15215	17314	19600	77053
4. Motor Vehicles Tax	30846	31510	32212	32951	33728	161247
5. Others *						
Total - A	**127036**	**141804**	**158683**	**177198**	**197371**	**802092**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	189	226	302	377	453	1547
(c) Others	1734	1734	1734	1734	1734	8670
2. Dividends	6335	6335	6335	6335	6335	31675
3. Irrigation (Net) (Major, Medium & Minor)	-1399	-1254	-973	-554	0	-4180
4. Forest	13530	14477	15418	16343	17160	76928
5. Royalty from Mines & Minerals	14549	15713	16970	18328	19794	85354
6. Others	7030	9647	9191	10422	11739	48029
Total - B	**41968**	**46878**	**48977**	**52985**	**57215**	**248023**
C. Non-Plan Grants	2165	2334	2505	2678	2839	12521
Total - I (A+B+C)	***171169***	***191016***	***210165***	***232861***	***257425***	***1062636***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	90076	99084	108992	119891	131880	549923
2. Police	15013	16131	17265	18405	19463	86277
3. Pensions	15826	17005	18200	19402	20517	90950
4. Social Security	10753	11555	12367	13183	13941	61799
5. Education (General)						
(a) Elementary	45327	49157	53104	57140	60997	265725
(b) Others	25700	27615	29556	31507	33319	147697
6. Medical & Public Health	14851	16106	17399	18722	19986	87064
7. Roads	15280	20807	26334	31861	37388	131670
8. Buildings	6221	8105	9990	11875	13759	49950
9. Relief on account of Natural Calamity	1377	1299	1367	1433	1491	6967
10. Others	61760	68762	70624	75106	83257	359509
11. Committed Liability	25164	26661	28136	29571	30827	140359
Total - II	**327348**	**362287**	**393334**	**428096**	**466825**	**1977890**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-156179**	**-171271**	**-183169**	**-195235**	**- 209400**	**-915254**

ANNEXURE III.37
(Para 3.73)

PUNJAB

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	21609	24202	27106	30224	33548	136689
2. State Excise	91848	104689	119324	135310	152651	603822
3. Sales Tax	122288	136962	153397	171038	189852	773537
4. Motor Vehicles Tax	20318	22756	25486	28417	31543	128520
5. Others *	11438	11896	12379	12890	13427	62030
Total - A	**267501**	**300505**	**337692**	**377879**	**421021**	**1704598**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	3060	3645	12435	13623	24285	57048
(b) Road Transport Undertakings	336	403	538	672	806	2755
(c) Others	3404	3404	3404	3404	3404	17020
2. Dividends	2634	2634	2634	2634	2634	13170
3. Irrigation (Net) (Major, Medium & Minor)	- 2821	- 2934	- 2482	- 1525	0	- 9762
4. Forest	505	541	576	610	641	2873
5. Royalty from Mines & Minerals	70	75	80	85	90	400
6. Others	17499	20213	21693	24081	26624	110110
Total - B	**24687**	**27981**	**38878**	**43584**	**58484**	**193614**
C. Non-Plan Grants	2620	2824	3032	3241	3435	15152
Total - I (A+B+C)	***294808***	***331310***	***379602***	***424704***	***482940***	***1913364***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	99444	110959	123625	137558	152884	624470
2. Police	37235	40960	45055	49560	54515	227325
3. Pensions	19620	21580	23740	26115	28725	119780
4. Social Security	7890	8365	8865	9395	9960	44475
5. Education (General)						
(a) Elementary	25845	27770	29722	31684	33506	148527
(b) Others	42254	45402	48594	51801	54780	242831
6. Medical & Public Health	18107	19637	21214	22826	24367	106151
7. Roads	8393	10938	13482	16027	18571	67411
8. Buildings	6836	7369	7910	8456	8963	39534
9. Relief on account of Natural Calamity	1531	1438	1513	1585	1649	7716
10. Others	61595	67688	70848	75529	79877	355537
11. Committed Liability	12210	12936	13652	14348	14958	68104
Total - II	**340960**	**375042**	**408220**	**444884**	**482755**	**2051861**
III. NON–PLAN REVENUE SURPLUS/DEFICIT	**- 46152**	**- 43732**	**- 28618**	**- 20180**	**185**	**- 138497**

ANNEXURE III.38
(Para 3.73)

RAJASTHAN

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	20633	23818	27493	31559	36024	139527
2. State Excise	67132	78007	90644	104717	120267	460767
3. Sales Tax	140689	158618	178832	200673	224116	902928
4. Motor Vehicles Tax	24157	27635	31615	35978	40727	160112
5. Others *	17223	17903	18647	19436	20271	93480
Total - A	**269834**	**305981**	**347231**	**392363**	**441405**	**1756814**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	354	363	3230	3947
(b) Road Transport Undertakings	203	243	325	406	487	1664
(c) Others	1711	1711	1711	1711	1711	8555
2. Dividends	3015	3015	3015	3015	3015	15075
3. Irrigation (Net) (Major, Medium & Minor)	- 2408	- 1945	- 1426	- 827	- 148	- 6754
4. Forest	1874	2005	2135	2263	2376	10653
5. Royalty from Mines & Minerals	13443	14787	16266	17893	19682	82071
6. Others	10531	16864	16998	20731	24763	89887
Total - B	**28369**	**36680**	**39378**	**45555**	**55116**	**205098**
C. Non-Plan Grants	928	1000	1074	1148	1217	5367
Total - I (A+B+C)	***299131***	***343661***	***387683***	***439066***	***497738***	***1967279***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	116812	128493	141342	155477	171024	713148
2. Police	24886	26740	28620	30508	32263	143017
3. Pensions	29499	31696	33925	36164	38243	169527
4. Social Security	5332	5854	6434	7080	7799	32499
5. Education (General)						
(a) Elementary	62149	67400	72813	78346	83635	364343
(b) Others	50198	53937	57729	61539	65078	288481
6. Medical & Public Health	26153	28363	30640	32969	35195	153320
7. Roads	19238	20738	22263	23799	25227	111265
8. Buildings	4928	5313	5703	6097	6463	28504
9. Relief on account of Natural Calamity	4571	4591	4838	5079	5290	24369
10. Others	89374	99335	102796	113774	115896	521175
11. Committed Liability	26639	28224	29785	31304	32634	148586
Total - II	**459779**	**500684**	**536888**	**582136**	**618747**	**2698234**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**- 160648**	**- 157023**	**- 149205**	**- 143070**	**- 121009**	**- 730955**

ANNEXURE III.39
(Para 3.73)

SIKKIM

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Total Tax Revenue	*1831*	*2091*	*2389*	*2715*	*3070*	*12096*
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	43	43	43	43	43	215
2. Dividends	89	89	89	89	89	445
3. Irrigation (Net) (Major, Medium & Minor)	-42	-36	-30	-24	-16	-148
4. Forest	129	138	147	156	164	734
5. Royalty from Mines & Minerals	0	0	0	0	0	0
6. Others	1443	1594	1708	1855	2028	8628
Total - B	**1662**	**1828**	**1957**	**2119**	**2308**	**9874**
C. Non-Plan Grants	*11*	*12*	*13*	*13*	*14*	*63*
Total - I (A+B+C)	***3504***	***3931***	***4359***	***4847***	***5392***	***22033***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	2633	2896	3186	3505	3855	16075
2. Police	1473	1582	1694	1805	1909	8463
3. Pensions	308	355	408	469	539	2079
4. Social Security	49	52	56	60	63	280
5. Education (General)						
(a) Elementary	2105	2262	2421	2580	2729	12097
(b) Others	932	1002	1072	1143	1208	5357
6. Medical & Public Health	887	962	1040	1119	1194	5202
7. Roads	851	917	984	1052	1116	4920
8. Buildings	439	473	508	543	576	2539
9. Relief on account of Natural Calamity	119	121	127	134	139	640
10. Others	3647	3972	4196	4465	4807	21087
11. Committed Liability	1664	1763	1861	1955	2038	9281
Total - II	**15107**	**16357**	**17553**	**18830**	**20173**	**88020**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-11603**	**-12426**	**-13194**	**-13983**	**-14781**	**-65987**

ANNEXURE III.40
(Para 3.73)

TAMIL NADU

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Total Tax Revenue						
1. Stamps and Registration	45395	52433	60562	69560	79446	307396
2. State Excise	68784	79928	92876	107295	123228	472111
3. Sales Tax	413655	468654	530966	598622	671582	2683479
4. Motor Vehicles Tax	45656	51135	57271	63857	70881	288800
5. Others *	43078	45399	47967	50714	53639	240797
Total - A	**616568**	**697549**	**789642**	**890048**	**998776**	**3992583**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	258	310	413	516	619	2116
(c) Others	8893	8893	8893	8893	8893	44465
2. Dividends	2806	2806	2806	2806	2806	14030
3. Irrigation (Net) (Major, Medium & Minor)	- 2782	- 2294	- 1718	- 1051	- 297	- 8142
4. Forest	5738	6140	6539	6931	7278	32626
5. Royalty from Mines & Minerals	2026	2127	2233	2345	2462	11193
6. Others	34746	40231	43587	49050	53948	221562
Total - B	**51685**	**58213**	**62753**	**69490**	**75709**	**317850**
C. Non-Plan Grants	*3451*	*3720*	*3994*	*4269*	*4525*	*19959*
Total - I (A+B+C)	***671704***	***759482***	***856389***	***963807***	***1079010***	***4330392***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	151425	166568	183225	201547	221702	924467
2. Police	41561	44657	47796	50951	53881	238846
3. Pensions	58729	64602	71062	78168	85985	358546
4. Social Security	22700	24391	26106	27829	29429	130455
5. Education (General)						
(a) Elementary	96738	103945	111252	118595	125414	555944
(b) Others	95491	102605	109818	117066	123798	548778
6. Medical & Public Health	47209	51198	55310	59513	63530	276760
7. Roads	25697	27702	29738	31790	33697	148624
8. Buildings	5990	6457	6932	7410	7855	34644
9. Relief on account of Natural Calamity	2068	1707	1789	1869	1939	9372
10. Others	242026	248570	250053	255132	257398	1253179
11. Committed Liability	32400	34328	36226	38074	39692	180720
Total - II	**822034**	**876730**	**929307**	**987944**	**1044320**	**4660335**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-150330**	**-117248**	**-72918**	**-24137**	**34690**	**-329943**

ANNEXURE III.41
(Para 3.73)

TRIPURA

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Total Tax Revenue	*5451*	*6222*	*7105*	*8073*	*9126*	*35977*
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	0	0	0	0	0	0
(b) Road Transport Undertakings	0	0	0	0	0	0
(c) Others	128	128	128	128	128	640
2. Dividends	306	306	306	306	306	1530
3. Irrigation (Net) (Major, Medium & Minor)	-175	-155	-130	-100	-66	-626
4. Forest	373	399	425	451	473	2121
5. Royalty from Mines & Minerals	0	0	0	0	0	0
6. Others	1349	1571	1231	1375	1639	7165
Total - B	**1981**	**2249**	**1960**	**2160**	**2480**	**10830**
C. Non-Plan Grants	*668*	*720*	*773*	*826*	*876*	*3863*
Total - I (A+B+C)	***8100***	***9191***	***9838***	***11059***	***12482***	***50670***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	10421	11463	12609	13870	15257	63620
2. Police	4907	5273	5644	6016	6362	28202
3. Pensions	3998	4296	4598	4901	5183	22976
4. Social Security	1260	1354	1449	1545	1634	7242
5. Education (General)						
(a) Elementary	5619	6038	6463	6889	7285	32294
(b) Others	6712	7212	7719	8229	8702	38574
6. Medical & Public Health	2022	2193	2369	2549	2721	11854
7. Roads	996	1339	1681	2024	2366	8406
8. Buildings	1390	1499	1609	1720	1823	8041
9. Relief on account of Natural Calamity	137	122	129	135	140	663
10. Others	12631	13645	14597	15317	16112	72302
11. Committed Liability	6110	6474	6832	7180	7485	34081
Total - II	**56203**	**60908**	**65699**	**70375**	**75070**	**328255**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**-48103**	**-51717**	**-55861**	**-59316**	**-62588**	**-277585**

ANNEXURE III.42
(Para 3.73)

UTTAR PRADESH

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	73261	84689	97901	112537	128630	497018
2. State Excise	121544	141234	164114	189593	217748	834233
3. Sales Tax	294468	335988	383362	435164	491408	1940390
4. Motor Vehicles Tax	42657	47775	53508	59662	66225	269827
5. Others *	55521	57392	59464	61680	64036	298093
Total - A	**587451**	**667078**	**758349**	**858636**	**968047**	**3839561**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	8206	9659	23433	26043	43359	110700
(b) Road Transport Undertakings	568	682	909	1137	1364	4660
(c) Others	9284	9284	9284	9284	9284	46420
2. Dividends	8230	8230	8230	8230	8230	41150
3. Irrigation (Net) (Major, Medium & Minor)	- 28131	- 22997	- 16934	- 10027	- 2110	- 80199
4. Forest	12652	13537	14417	15282	16046	71934
5. Royalty from Mines & Minerals	3241	3403	3573	3752	3940	17909
6. Others	33873	32700	36514	40605	44967	188659
Total - B	**47923**	**54498**	**79426**	**94306**	**125080**	**401233**
C. Non-Plan Grants	*10001*	*10781*	*11574*	*12372*	*13115*	*57843*
Total - I (A+B+C)	***645375***	***732357***	***849349***	***965314***	***1106242***	***4298637***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	370592	407651	448416	493257	542583	2262499
2. Police	109570	117733	126010	134327	142051	629691
3. Pensions	61761	66363	71028	75716	80069	354937
4. Social Security	14451	15802	17292	18940	20762	87247
5. Education (General)						
(a) Elementary	161544	175195	189263	203647	217393	947042
(b) Others	125149	134473	143927	153426	162248	719223
6. Medical & Public Health	66108	71694	77451	83337	88962	387552
7. Roads	31753	43086	54420	65753	77087	272099
8. Buildings	13574	14633	15709	16792	17800	78508
9. Relief on account of Natural Calamity	3853	3428	3601	3769	3917	18568
10. Others	246941	260398	283719	297046	314086	1402190
11. Committed Liability	52282	55393	58456	61437	64048	291616
Total - II	**1257578**	**1365849**	**1489292**	**1607447**	**1731006**	**7451172**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**- 612203**	**- 633492**	**- 639943**	**- 642133**	**- 624764**	**- 3152535**

ANNEXURE III.43
(Para 3.73)

WEST BENGAL

Non-Plan Revenue Surplus or Deficit before Devolution

(Rs. Lakhs)

Item	Forecast Period					
	1995-96	1996-97	1997-98	1998-99	1999-00	Total 1995-00
1	2	3	4	5	6	7
I. RECEIPTS						
A. Tax Revenue						
1. Stamps and Registration	35089	40335	46366	53010	60275	235075
2. State Excise	29999	33599	37631	41959	46574	189762
3. Sales Tax	255767	289558	327815	369321	414050	1656511
4. Motor Vehicles Tax	35342	39583	44333	49431	54869	223558
5. Others *	40063	43383	47072	51024	55238	236780
Total - A	**396260**	**446458**	**503217**	**564745**	**631006**	**2541686**
B. Non-Tax Revenue						
1. Interest Receipts						
(a) State Electricity Boards	356	637	3130	3599	6654	14376
(b) Road Transport Undertakings	912	1095	1460	1824	2189	7480
(c) Others	8875	8875	8875	8875	8875	44375
2. Dividends	6731	6731	6731	6731	6731	33655
3. Irrigation (Net) (Major, Medium & Minor)	- 3785	- 3057	- 2181	- 1174	- 36	- 10233
4. Forest	3510	3756	4000	4240	4452	19958
5. Royalty from Mines & Minerals	1500	1500	1500	1500	1500	7500
6. Others	55787	66477	69999	78366	86669	357298
Total - B	**73886**	**86014**	**93514**	**103961**	**117034**	**474409**
C. Non-Plan Grants	*10468*	*11284*	*12114*	*12949*	*13726*	*60541*
Total - I (A+B+C)	***480614***	***543756***	***608845***	***681655***	***761766***	***3076636***
II. NON-PLAN REVENUE EXPENDITURE						
1. Interest Payments	162815	179096	197006	216707	238377	994001
2. Police	43260	46483	49750	53034	56083	248610
3. Pensions	32008	34393	36810	39240	41496	183947
4. Social Security	8453	9083	9722	10363	10959	48580
5. Education (General)						
(a) Elementary	69515	74693	79944	85221	90121	399494
(b) Others	117718	126488	135380	144315	152613	676514
6. Medical & Public Health	49482	53663	57972	62378	66588	290083
7. Roads	12975	17541	22108	26674	31240	110538
8. Buildings	7811	8420	9039	9663	10243	45176
9. Relief on account of Natural Calamity	1697	1445	1516	1585	1645	7888
10. Others	161483	181249	185216	197832	208378	934158
11. Committed Liability	24764	26237	27688	29100	30337	138126
Total - II	**691981**	**758791**	**812151**	**876112**	**938080**	**4077115**
III. NON--PLAN REVENUE SURPLUS/DEFICIT	**- 211367**	**- 215035**	**- 203306**	**- 194457**	**- 176314**	**- 1000479**

ANNEXURE-IV.1
(Para 4.15)

REASSESSMENT OF CENTRAL FORECAST : BASIC PARAMETERS

(Rates of Growth)

Items	Buoyancy Coefficient	1995-96	1996-97	1997-98	1998-99	1999-2000
1.	2.	3.	4.	5.	6.	7.
Nominal GDP		12.5	12.0	12.0	11.5	11.0
Inflation		7.5	7.0	6.5	6.0	5.0
Income tax	1.200	15.0	14.4	14.4	13.8	13.2
Basic Excise Duty	1.200	15.0	14.4	14.4	13.8	13.2
Additional Excise Duty	1.200	15.0	14.4	14.4	13.8	13.2
Corporation Tax	1.350	16.9	16.2	16.2	15.5	14.9
Customs	1.200	15.0	14.4	14.4	13.8	13.2
Other Tax Revenue	Trend	17.4	17.4	17.4	17.4	17.4
Other Non Tax Revenue	1.15	14.4	13.8	13.8	13.2	12.7
Elasticity Coefficient	0.75	7.1	6.8	6.4	6.0	5.3

ANNEXURE-IV.2
(Para 4.19)

REASSESSMENT OF CENTRAL FORECAST : REVENUE RECEIPTS

(Rs. crores)

	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1.	2.	3.	4.	5.	6.	7.
I. Revenue Receipts						
(a) Tax Revenue (Gross)	106022	121637	139559	159299	180894	707411
a.1 Shared Taxes	58682	67132	76800	87399	98936	388949
1. Income Tax*	12860	14712	16831	19154	21682	85239
2. Union Excise Duties (Gross)	45822	52420	59969	68245	77254	303710
i) Basic & Special Excise Duty	42716	48867	55904	63619	72017	283123
ii) Additional Excise Duty	3106	3553	4065	4626	5237	20587
a.2 Non-Shareable Taxes	47340	54505	62759	71900	81958	318462
1. Corporation Tax	14586	16949	19695	22753	26132	100115
2. Customs	29901	34208	39135	44537	50417	198198
3. Other Tax Revenue	2853	3348	3929	4610	5409	20149
(b) Non-Tax Revenue	35521	39009	43061	47548	52490	217629
1. Interest Receipts	18046	20288	22835	25733	29032	115934
2. Dividends and Profits	5821	5835	5849	5864	5880	29249
(a) Dividend from PSUs.	4041	4041	4041	4041	4041	20205
(b) Surplus profits from RBI	1500	1500	1500	1500	1500	7500
(c) Others	280	294	308	323	339	1544
3. Other Non-Tax Revenue	11654	12886	14377	15951	17578	72446
Gross Revenue Receipts (a+b)	**141543**	**160646**	**182620**	**206847**	**233384**	**925040**

ANNEXURE-IV.3
(Para 4.26)

REASSESSMENT OF CENTRAL FORECAST : NON-PLAN REVENUE EXPENDITURE

(Rs. crores)

Items	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1.	2.	3.	4.	5.	6.	7.
II. Revenue Expenditure						
a. Non-Plan Revenue Expenditure	106978	118315	130857	143470	157020	656640
i) Interest Payments	52898	60560	68962	77933	87785	348138
ii) Defence Expenditure (Net)	18190	20373	22818	25442	28240	115063
iii) Major Subsidies	8300	8300	8300	8300	8300	41500
iv) Other Non-Plan Revenue Expenditure	27590	29082	30777	31795	32695	151939

ANNEXURE-V.1

(Para 5.41 and 6.17)

POPULATION

(lakhs)

States/Union Territories	1971	1991
1	2	3
Andhra Pradesh	435.03	665.08
Arunachal Pradesh	4.68	8.64
Assam	146.25	224.14
Bihar	563.53	863.74
Goa	7.95	11.70
Gujarat	266.97	413.10
Haryana	100.37	164.64
Himachal Pradesh	34.60	51.71
Jammu & Kashmir	46.17	77.19
Karnataka	292.99	449.77
Kerala	213.47	290.99
Madhya Pradesh	416.54	661.81
Maharashtra	504.12	789.37
Manipur	10.73	18.37
Meghalaya	10.12	17.75
Mizoram	3.32	6.90
Nagaland	5.16	12.10
Orissa	219.45	316.60
Punjab	135.51	202.82
Rajasthan	257.66	440.06
Sikkim	2.10	4.07
Tamil Nadu	411.99	558.59
Tripura	15.56	27.57
Uttar Pradesh	883.41	1391.12
West Bengal	443.12	680.78
Total States	**5430.80**	**8348.61**
Total Union Territories	**50.80**	**114.42**
Grand Total: (India)	**5481.60**	**8463.03**

Source: Registrar General of India.

ANNEXURE-V.2

(Para 5.42)

AREA

State	(000) sq. km.	per cent to total	adjusted percentage
1	2	3	4
Andhra Pradesh	275.05	8.395	7.258
Arunachal Pradesh	83.74	2.556	2.210
Assam	78.44	2.394	2.070
Bihar	173.88	5.307	4.589
Goa	3.70	0.113	2.000
Gujarat	196.02	5.983	5.173
Haryana	44.21	1.349	2.000
Himachal Pradesh	55.67	1.699	2.000
Jammu & Kashmir	222.24	6.783	5.865
Karnataka	191.79	5.854	5.061
Kerala	38.86	1.186	2.000
Madhya Pradesh	443.45	13.535	10.000
Maharashtra	307.71	9.392	8.121
Manipur	22.33	0.682	2.000
Meghalaya	22.43	0.685	2.000
Mizoram	21.08	0.643	2.000
Nagaland	16.58	0.506	2.000
Orissa	155.71	4.753	4.109
Punjab	50.36	1.537	2.000
Rajasthan	342.24	10.446	10.000
Sikkim	7.10	0.217	2.000
Tamil Nadu	130.06	3.970	3.432
Tripura	10.49	0.320	2.000
Uttar Pradesh	294.41	8.986	7.770
West Bengal	88.75	2.709	2.342
Total: States	**3276.30**	**100.000**	**100.000**
Total: Union Territories	**10.96**		
Grand Total: All India	**3287.26**		

Source: Area - Census 1991, Series 1, Paper-II
Registrar General of India.

ANNEXURE-V.3

(Para 5.40)

PER CAPITA NET STATE DOMESTIC PRODUCT

(AVERAGE OF 1987-88, 1988-89 AND 1989-90)

State	Rupees
Andhra Pradesh	3455
Arunachal Pradesh	4670
Assam	3195
Bihar	2135
Goa	7364
Gujarat	4602
Haryana	5284
Himachal Pradesh	3618
Jammu & Kashmir	3534
Karnataka	3310
Kerala	3532
Madhya Pradesh	3299
Maharashtra	5369
Manipur	3449
Meghalaya	3328
Mizoram	4094
Nagaland	3929
Orissa	2945
Punjab	6996
Rajasthan	3092
Sikkim	4846
Tamil Nadu	4093
Tripura	3163
Uttar Pradesh	2867
West Bengal	3750
All States	**3621**

Source : Central Statistical Organisation.

ANNEXURE-V.4

(Para 5.45)

PER CAPITA OWN TAX REVENUE OF STATES

(AVERAGE OF 1987-88, 88-89 AND 89-90)

State	Rupees
Andhra Pradesh	333
Arunachal Pradesh	28
Assam	135
Bihar	99
Goa	575
Gujarat	465
Haryana	507
Himachal Pradesh	244
Jammu & Kashmir	184
Karnataka	388
Kerala	380
Madhya Pradesh	215
Maharashtra	511
Manipur	69
Meghalaya	157
Mizoram	42
Nagaland	153
Orissa	149
Punjab	544
Rajasthan	218
Sikkim	256
Tamil Nadu	385
Tripura	69
Uttar Pradesh	164
West Bengal	265

Source : (i) Finance Accounts of State Governments (Various Issues).

(ii) Registrar General of India (for population).

Note : Aggregate Tax Revenue figures are divided by mid-year (October 1) population figures to obtain corresponding per capita figures, which were derived from population figures of March 1, in successive years.

ANNEXURE-V.5

(Para 5.44)

INDEX OF ECONOMIC AND SOCIAL INFRASTRUCTURE

State	Rupees
Andhra Pradesh	99.19
Arunachal Pradesh	48.94
Assam	81.94
Bihar	92.04
Goa	192.29
Gujarat	123.01
Haryana	158.89
Himachal Pradesh	80.94
Jammu & Kashmir	76.07
Karnataka	101.20
Kerala	205.41
Madhya Pradesh	65.92
Maharashtra	121.70
Manipur	70.38
Meghalaya	73.75
Mizoram	61.85
Nagaland	70.92
Orissa	74.46
Punjab	219.19
Rajasthan	70.46
Sikkim	104.62
Tamil Nadu	149.86
Tripura	83.55
Uttar Pradesh	111.80
West Bengal	131.67
All India	100.00

Source : Anant, T.C.A, Krishna, K.L. and Uma Roy : Measuring Inter state Differentials in Infrastructure.

ANNEXURE-VI.1

(Para 6.17)

Comparable Estimates of Net State Domestic Product

(at current prices)

(Rs. Lakhs)

State	1987-88	1988-89	1989-90	Average 1987-90
1.	2.	3.	4.	5.
Andhra Pradesh	1743589	2195855	2585350	2174931
Arunachal Pradesh	33042	38116	40359	37172
Assam	595336	692165	810242	699248
Bihar	1480271	1806685	1988724	1758560
Goa	77406	82614	95115	85045
Gujarat	1353822	1967196	2167278	1829432
Haryana	637970	831282	1010985	826746
Himachal Pradesh	138525	179304	220698	179509
Jammu & Kashmir	204554	283616	278271	255480
Karnataka	1456225	1672287	1826727	1651746
Kerala	873798	995807	1150155	1006587
Madhya Pradesh	1754285	2069570	2337354	2053736
Maharashtra	3276195	4021311	4682627	3993378
Manipur	54758	60405	63492	59552
Meghalaya	45939	53676	65959	55191
Mizoram	24562	25899	29425	26629
Nagaland	34624	42171	50565	42453
Orissa	693331	912254	1073252	892946
Punjab	1139258	1337413	1608200	1361624
Rajasthan	1009861	1357036	1516346	1294414
Sikkim	16502	18875	22624	19334
Tamil Nadu	1906671	2205686	2548829	2220395
Tripura	68861	79590	92794	80415
Uttar Pradesh	3053798	3746953	4539076	3779942
West Bengal	2036716	2428449	2762149	2409105
All States	**23709899**	**29104215**	**33566596**	**28793570**
Union Territories	**690815**	**925697**	**1034928**	**883813**
GRAND TOTAL	**24400714**	**30029912**	**34601524**	**29677383**

Source: Central Statistical Organisation (CSO).

ANNEXURE-VI.2
(Para 6.17)

State-wise revenue from sales tax during 1990-91 to 1992-93*

(Rs. Lakhs)

State	1990-91	1991-92	1992-93	Average of 1990-91 /1992-93
1.	2.	3.	4.	5.
Andhra Pradesh	119873	140919	152792	137861
Arunachal Pradesh	32	43	50	42
Assam	24349	29322	32264	28645
Bihar	52515 @	54533 @	59484 @	55511
Goa	5343	7341	9447	7377
Gujarat	143022	165225	188345	165531
Haryana	31696	39976	45535	39069
Himachal Pradesh	5520	5974	6617	6037
Jammu & Kashmir	4643	6247	8697	6529
Karnataka	108832	137400	136864	127699
Kerala	80076	102364	121424	101288
Madhya Pradesh	60022	72664	80082	70923
Maharashtra	251364	304615	332636	296205
Manipur	540	776	797	704
Meghalaya .	806	831	967	868
Mizoram	68	34	152	85
Nagaland	929	1050	773	917
Orissa	33156	29419	43375	35317
Punjab	41673	58375	60207	53418
Rajasthan	61679	75202	86054	74312
Sikkim	290	328	398	338
Tamil Nadu	178787	211260	238471	209506
Tripura	1334	1531	1681	1515
Uttar Pradesh	149805	171243	181288	167445
West Bengal	97963	109247	103114	103441
Total	**1454317**	**1725919**	**1891514**	**1690583**

** Excludes receipts from (i) Central sales tax and (ii) Purchase tax on sugarcane wherever levied separately*
@ The total receipts from sales tax as per the actuals indicated in State forecast have been bifurcated into central sales tax and general sales tax on the basis of proportion in the revised estimates for the respective years.
Source : Budget documents/State forecasts/Finance accounts

ANNEXURE-VII.1

(Para 7.12)

STATE-WISE PASSENGER EARNINGS ON THE BASIS OF ORIGINATING STATIONS LOCATED IN EACH STATE FOR THE YEARS 1988-89 TO 1992-93 (NON-SUBURBAN)

(Rs. Lakhs)

State	1988-89	1989-90	1990-91	1991-92	1992-93	Total	Average
1.	2.	3.	4.	5.	6.	7.	8.
Andhra Pradesh	17182	18970	17955	26759	30410	111276	22255
Arunachal Pradesh	12	10	12	12	22	68	14
Assam	3160	3324	3492	3775	4492	18243	3649
Bihar	18378	20132	23483	28677	33681	124351	24870
Goa	308	358	537	642	740	2585	517
Gujarat	13429	14986	17447	20995	25161	92018	18404
Haryana	3952	3895	4549	5105	8054	25555	5111
Himachal Pradesh	222	211	246	277	479	1435	287
Jammu & Kashmir	1564	1484	1725	1945	2986	9704	1941
Karnataka	6619	7271	9705	10092	11486	45173	9035
Kerala	7601	8270	8622	10641	11473	46607	9321
Madhya Pradesh	14390	15064	17532	20686	24087	91759	18352
Maharashtra	33423	34807	42640	64358	58772	234000	46800
Manipur	29	36	53	58	59	235	47
Meghalaya	89	77	84	91	110	451	90
Mizoram		1	1	1	4	7	1
Nagaland	373	341	355	384	480	1933	387
Orissa	3594	3897	4360	5019	5993	22863	4573
Punjab	7031	6667	7738	8747	13548	43731	8746
Rajasthan	9165	10116	11868	13595	14525	59269	11854
Sikkim	9	8	9	10	97	133	27
Tamil Nadu	14116	15299	16215	18614	21863	86107	17221
Tripura	89	85	103	112	131	520	104
Uttar Pradesh	34196	33821	38628	43419	57519	207583	41517
West Bengal	16222	17588	21830	24220	27910	107770	21554
TOTAL	**205153**	**216718**	**249189**	**308234**	**354082**	**1333376**	**266675**

ANNEXURE-VIII.1
(Para 8.7)

Upgradation Grants - Recommendations, Approvals and Releases thereof

(Rs. Lakhs)

State	Eighth Finance Commission				Ninth Finance Commission			
	As recommended by the commission	As approved by IMEC	Grants Released upto 31.7.91	Percentage utilisation (4)/(3)	As recommended by the commission	As approved by IMEC	Grants Released upto 30.11.93	Percentage utilisation (8)/(7)
1	2	3	4	5	6	7	8	9
Andhra Pradesh	7523.50	7523.50	7394.76	98.29	3119.00	3119.00	3102.55	99.47
Arunachal Pradesh	510.00	510.00	381.90	74.88	1533.00	1531.99	1467.04	95.76
Assam	5885.96	5885.46	4724.78	80.28	1196.46	1196.46	1139.51	95.24
Bihar	12211.59	12210.41	9531.60	78.06	6507.77	6507.77	0.20	0.00
Goa	510.00	510.00	444.40	87.14	555.00	554.91	491.48	88.57
Gujarat	-	-	-	-	-	-	-	-
Haryana	-	-	-	-	2488.00	2488.00	1689.90	67.92
Himachal Pradesh	1514.41	1514.41	1513.07	99.91	1363.06	1363.06	1335.47	97.98
Jammu & Kashmir	4540.25	4511.35	3441.24	76.28	4532.85	4405.55	1513.08	34.34
Karnataka	-	-	-	-	1264.00	1264.00	781.50	61.83
Kerala	1550.02	1550.02	1321.36	85.25	210.95	210.95	165.43	78.42
Madhya Pradesh	14623.30	14623.30	14550.69	99.50	4177.87	4170.07	3791.77	90.93
Maharashtra	-	-	-	-	5000.00	4995.00	4833.00	96.76
Manipur	2071.12	2071.04	2038.77	98.44	658.45	658.45	624.53	94.85
Meghalaya	1799.14	1799.12	903.59	50.22	421.41	421.41	319.47	75.81
Mizoram	510.00	501.98	501.21	99.85	1705.00	1699.88	1689.86	99.41
Nagaland	1019.57	1019.57	1019.28	99.97	1787.39	1787.39	1784.68	99.85
Orissa	6998.74	6998.74	6976.92	99.69	2879.99	2879.99	2879.99	100.00
Punjab	1600.00	1600.00	1511.65	94.48	8901.00	8717.13	7847.92	90.03
Rajasthan	4820.49	4820.49	4461.05	92.54	2943.09	2942.15	2844.93	96.70
Sikkim	374.15	374.15	361.51	96.62	319.99	319.99	311.99	97.50
Tamil Nadu	-	-	-	-	2500.00	2500.00	2500.00	100.00
Tripura	1339.37	1339.37	1277.50	95.38	305.55	305.55	245.39	80.31
Uttar Pradesh	10137.48	10137.48	9856.09	97.22	8805.07	8800.72	8783.19	99.80
West Bengal	11922.56	11922.50	10113.62	84.83	9147.07	9145.86	9145.86	100.00
Total	**91461.65**	**91422.89**	**82324.99**	**90.05**	**72321.97**	**71985.28**	**59288.76**	**82.36**

ANNEXURE-VIII.2
(Para 8.13(v))

Estimated Cost

	ITEMS	Cost (Rs. Lakhs)
1.	AT-486, 8MB RAM, 500MB Hard Disk 1 FDD (Floppy Drive), 1 CTD (Cartridge Tape Drive) with monitor & Key Board	4.00
2.	Ten Terminals with Key Board (multi lingual) VT-220	2.00
3.	One Unix Software OS (Operating System)	0.40
4.	One Foxplus (Software Package)	0.20
5.	Two Dot Matrix printers	0.50
6.	One UPS (1 KVA)	0.50
7.	(a) Civil Construction (b) PVC floor covering (c) Air Conditioner (d) Electric Wiring (e) Power connection charges (f) Misc expenses	2.40
	Grand Total	**10.00**

ANNEXURE-IX.1
(Para 9.15)

CALAMITY RELIEF FUND FOR 1995-2000

(Rs. lakhs)

State	Calamity Relief Fund					Total
	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	11721	12419	13105	13773	14359	65377
Arunachal Pradesh	664	704	743	781	813	3705
Assam	4720	5001	5277	5547	5783	26328
Bihar	4904	5196	5483	5763	6007	27353
Goa	101	107	113	119	124	564
Gujarat	13176	13960	14731	15483	16140	73490
Haryana	2365	2505	2644	2779	2897	13190
Himachal Pradesh	2544	2695	2844	2989	3116	14188
Jammu & Kashmir	1860	1971	2079	2184	2279	10374
Karnataka	3949	4185	4416	4641	4839	22030
Kerala	5229	5540	5847	6144	6405	29165
Madhya Pradesh	4821	5108	5389	5665	5905	26888
Maharashtra	6437	6820	7197	7564	7885	35903
Manipur	235	248	261	275	287	1306
Meghalaya	263	279	295	309	323	1469
Mizoram	120	127	133	140	147	667
Nagaland	160	171	180	188	196	895
Orissa	4625	4901	5172	5436	5667	25801
Punjab	5111	5415	5715	6005	6261	28507
Rajasthan	16899	17904	18893	19856	20700	94252
Sikkim	444	471	497	523	544	2479
Tamil Nadu	5602	5935	6263	6583	6863	31245
Tripura	424	449	475	499	520	2367
Uttar Pradesh	11809	12512	13203	13876	14467	65867
West Bengal	4844	5132	5416	5692	5933	27017
TOTAL	**113026**	**119755**	**126371**	**132815**	**138460**	**630427**

ANNEXURE-IX.2

(Para 9.15(a))

CENTRE'S SHARE IN CALAMITY RELIEF FUND DURING 1995-2000

(Rs. lakhs)

State						Total
	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	8791	9314	9829	10330	10769	49033
Arunachal Pradesh	498	528	557	586	610	2779
Assam	3540	3751	3958	4160	4337	19746
Bihar	3678	3897	4112	4322	4505	20514
Goa	76	80	85	89	93	423
Gujarat	9882	10470	11048	11612	12105	55117
Haryana	1774	1879	1983	2084	2173	9893
Himachal Pradesh	1908	2021	2133	2242	2337	10641
Jammu & Kashmir	1395	1478	1559	1639	1709	7780
Karnataka	2962	3139	3312	3481	3629	16523
Kerala	3922	4155	4385	4608	4804	21874
Madhya Pradesh	3616	3831	4042	4249	4429	20167
Maharashtra	4828	5115	5398	5673	5914	26928
Manipur	176	186	196	206	215	979
Meghalaya	197	209	221	232	242	1101
Mizoram	90	95	100	105	110	500
Nagaland	120	128	135	141	147	671
Orissa	3469	3676	3879	4077	4250	19351
Punjab	3833	4061	4286	4504	4696	21380
Rajasthan	12674	13428	14170	14892	15525	70689
Sikkim	333	353	373	392	408	1859
Tamil Nadu	4201	4451	4697	4937	5147	23433
Tripura	318	337	356	374	390	1775
Uttar Pradesh	8857	9384	9902	10407	10850	49400
West Bengal	3633	3849	4062	4269	4450	20263
TOTAL	**84771**	**89815**	**94778**	**99611**	**103844**	**472819**

ANNEXURE-IX.3
(Para 9.15)

State's Share in Calamity Relief Fund

(Rs. lakhs)

State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	2930	3105	3276	3443	3590	16344
Arunachal Pradesh	166	176	186	195	203	926
Assam	1180	1250	1319	1387	1446	6582
Bihar	1226	1299	1371	1441	1502	6839
Goa	25	27	28	30	31	141
Gujarat	3294	3490	3683	3871	4035	18373
Haryana	591	626	661	695	724	3297
Himachal Pradesh	636	674	711	747	779	3547
Jammu & Kashmir	465	493	520	546	570	2594
Karnataka	987	1046	1104	1160	1210	5507
Kerala	1307	1385	1462	1536	1601	7291
Madhya Pradesh	1205	1277	1347	1416	1476	6721
Maharashtra	1609	1705	1799	1891	1971	8975
Manipur	59	62	65	69	72	327
Meghalaya	66	70	74	77	81	368
Mizoram	30	32	33	35	37	167
Nagaland	40	43	45	47	49	224
Orissa	1156	1225	1293	1359	1417	6450
Punjab	1278	1354	1429	1501	1565	7127
Rajasthan	4225	4476	4723	4964	5175	23563
Sikkim	111	118	124	131	136	620
Tamil Nadu	1400	1484	1566	1646	1716	7812
Tripura	106	112	119	125	130	592
Uttar Pradesh	2952	3128	3301	3469	3617	16467
West Bengal	1211	1283	1354	1423	1483	6754
Grand Totai	**28255**	**29940**	**31593**	**33204**	**34616**	**157608**

ANNEXUREIX.4
(Para 9.20)

National Fund for Calamity Relief

(Rs. Lakhs)

State	1995-96	Annual contribution for 1996-2000	Total 1995-2000
1.	2.	3.	4.
Andhra Pradesh	559	186	1303
Arunachal Pradesh	16	5	36
Assam	152	51	356
Bihar	462	154	1078
Goa	24	8	56
Gujarat	527	176	1231
Haryana	216	72	504
Himachal Pradesh	71	24	167
Jammu & Kashmir	97	32	225
Karnataka	566	189	1322
Kerala	348	116	812
Madhya Pradesh	476	159	1112
Maharashtra	984	328	2296
Manipur	21	7	49
Meghalaya	24	8	56
Mizoram	16	5	36
Nagaland	27	9	63
Orissa	221	74	517
Punjab	253	84	589
Rajasthan	346	115	806
Sikkim	8	3	20
Tamil Nadu	668	223	1560
Tripura	31	10	71
Uttar Pradesh	901	300	2101
West Bengal	486	162	1134
Total	**7500**	**2500**	**17500**
Centre	**22500**	**7500**	**52500**
Grand Total	**30000**	**10000**	**70000**

ANNEXURE-X.1
(Para 10.16)

Grants for Local Bodies : 73rd Amendment

(Rs. crores)

State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	0.00	87.75	87.75	87.75	87.75	351.00
Arunachal Pradesh	0.00	1.13	1.13	1.13	1.12	4.51
Assam	0.00	33.34	33.34	33.34	33.34	133.36
Bihar	0.00	126.80	126.80	126.79	126.80	507.19
Goa	0.00	1.48	1.48	1.48	1.47	5.91
Gujarat	0.00	48.00	48.00	48.00	48.01	192.01
Haryana	0.00	20.66	20.66	20.66	20.66	82.64
Himachal Pradesh	0.00	8.05	8.05	8.04	8.04	32.18
Jammu & Kashmir	0.00	9.40	9.40	9.40	9.39	37.59
Karnataka	0.00	55.44	55.44	55.44	55.45	221.77
Kerala	0.00	44.70	44.70	44.70	44.71	178.81
Madhya Pradesh	0.00	87.17	87.17	87.17	87.18	348.69
Maharashtra	0.00	86.75	86.75	86.75	86.76	347.01
Manipur	0.00	2.33	2.33	2.33	2.32	9.31
Meghalaya	0.00	2.16	2.16	2.17	2.16	8.65
Mizoram	0.00	0.74	0.74	0.73	0.73	2.94
Nagaland	0.00	1.16	1.16	1.16	1.17	4.65
Orissa	0.00	50.25	50.25	50.25	50.24	200.99
Punjab	0.00	25.84	25.84	25.84	25.83	103.35
Rajasthan	0.00	53.05	53.05	53.06	53.06	212.22
Sikkim	0.00	0.48	0.48	0.47	0.47	1.90
Tamil Nadu	0.00	71.83	71.83	71.84	71.84	287.34
Tripura	0.00	3.48	3.48	3.49	3.49	13.94
Uttar Pradesh	0.00	189.88	189.88	189.88	189.88	759.52
West Bengal	0.00	83.36	83.36	83.36	83.37	333.45
Grand Total	**0.00**	**1095.23**	**1095.23**	**1095.23**	**1095.24**	**4380.93**

ANNEXURE-X.2
(Para 10.18)

Grants for Local Bodies : 74th Amendment

(Rs. crores)

State	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	0.00	18.48	18.48	18.49	18.49	73.94
Arunachal Pradesh	0.00	0.03	0.03	0.03	0.03	0.12
Assam	0.00	3.55	3.55	3.55	3.55	14.20
Bihar	0.00	16.77	16.77	16.78	16.77	67.09
Goa	0.00	0.00	0.00	0.00	0.00	0.00
Gujarat	0.00	16.87	16.86	16.86	16.87	67.46
Haryana	0.00	4.15	4.15	4.14	4.14	16.58
Himachal Pradesh	0.00	0.51	0.51	0.51	0.52	2.05
Jammu & Kashmir	0.00	3.02	3.02	3.02	3.03	12.09
Karnataka	0.00	17.54	17.55	17.55	17.55	70.19
Kerala	0.00	6.36	6.36	6.36	6.35	25.43
Madhya Pradesh	0.00	15.44	15.44	15.43	15.43	61.74
Maharashtra	0.00	33.24	33.24	33.23	33.24	132.95
Manipur	0.00	0.56	0.56	0.56	0.55	2.23
Meghalaya	0.00	0.37	0.37	0.37	0.36	1.47
Mizoram	0.00	0.09	0.09	0.10	0.10	0.38
Nagaland	0.00	0.14	0.14	0.14	0.14	0.56
Orissa	0.00	4.78	4.78	4.78	4.77	19.11
Punjab	0.00	7.65	7.65	7.65	7.65	30.60
Rajasthan	0.00	10.80	10.80	10.79	10.79	43.18
Sikkim	0.00	0.14	0.14	0.15	0.15	0.58
Tamil Nadu	0.00	28.88	28.88	28.88	28.88	115.52
Tripura	0.00	0.26	0.26	0.25	0.26	1.03
Uttar Pradesh	0.00	30.29	30.29	30.30	30.30	121.18
West Bengal	0.00	30.08	30.08	30.08	30.08	120.32
Grand Total	**0.00**	**250.00**	**250.00**	**250.00**	**250.00**	**1000.00**

ANNEXURE-X.3
(Para 10.20)

Grants for Local Bodies

(Rs. crores)

State						Total
	1995-96	1996-97	1997-98	1998-99	1999-2000	1995-2000
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh	0.00	106.23	106.23	106.24	106.24	424.94
Arunachal Pradesh	0.00	1.16	1.16	1.16	1.15	4.63
Assam	0.00	36.89	36.89	36.89	36.89	147.56
Bihar	0.00	143.57	143.57	143.57	143.57	574.28
Goa	0.00	1.48	1.48	1.48	1.47	5.91
Gujarat	0.00	64.87	64.86	64.86	64.88	259.47
Haryana	0.00	24.81	24.81	24.80	24.80	99.22
Himachal Pradesh	0.00	8.56	8.56	8.55	8.56	34.23
Jammu & Kashmir	0.00	12.42	12.42	12.42	12.42	49.68
Karnataka	0.00	72.98	72.99	72.99	73.00	291.96
Kerala	0.00	51.06	51.06	51.06	51.06	204.24
Madhya Pradesh	0.00	102.61	102.61	102.60	102.61	410.43
Maharashtra	0.00	119.99	119.99	119.98	120.00	479.96
Manipur	0.00	2.89	2.89	2.89	2.87	11.54
Meghalaya	0.00	2.53	2.53	2.54	2.52	10.12
Mizoram	0.00	0.83	0.83	0.83	0.83	3.32
Nagaland	0.00	1.30	1.30	1.30	1.31	5.21
Orissa	0.00	55.03	55.03	55.03	55.01	220.10
Punjab	0.00	33.49	33.49	33.49	33.48	133.95
Rajasthan	0.00	63.85	63.85	63.85	63.85	255.40
Sikkim	0.00	0.62	0.62	0.62	0.62	2.48
Tamil Nadu	0.00	100.71	100.71	100.72	100.72	402.86
Tripura	0.00	3.74	3.74	3.74	3.75	14.97
Uttar Pradesh	0.00	220.17	220.17	220.18	220.18	880.70
West Bengal	0.00	113.44	113.44	113.44	113.45	453.77
Grand Total	**0.00**	**1345.23**	**1345.23**	**1345.23**	**1345.24**	**5380.93**

ANNEXURE-XI.1

(Para 11.15)

Central Government : Non-Plan Revenue account after Finance Commission Transfers : 1995-2000

(Rs. crores)

Item	1995-96	1996-97	1997-98	1998-99	1999-2000	Total 1995-2000
1.	2.	3.	4.	5.	6.	7.
I. Revenue Receipts						
(a) Tax Revenue (Gross)	106022	121637	139559	159299	180894	707411
1. Shared Taxes	58682	67132	76800	87399	98936	388949
2. Non-Shareable Taxes	47340	54505	62759	71900	81958	318462
(b) Non-Tax Revenue	35521	39009	43061	47548	52490	217629
1. Interest Receipts	18046	20288	22835	25733	29032	115934
2. Dividends and Profits	5821	5835	5849	5864	5880	29249
3. Other Non-Tax Revenue	11654	12886	14377	15951	17578	72446
Total I -Gross Revenue Receipts (a+b)	**141543**	**160646**	**182620**	**206847**	**233384**	**925040**
II. Non-Plan Revenue Expenditure						
1. Interest Payments	52898	60560	68962	77933	87785	348138
2. Defence Expenditure (Net)	18190	20373	22818	25442	28240	115063
3. Major Subsidies	8300	8300	8300	8300	8300	41500
4. Other Non-Plan Revenue Expenditure	27590	29082	30777	31795	32695	151939
Total II - Non-Plan Rev. Expenditure	**106978**	**118315**	**130857**	**143470**	**157020**	**656640**
III. Pre-Devolution Non-Plan Revenue Account	34565	42331	51763	63377	76364	268400
IV. States' Share of Taxes and Duties						
1. Income Tax	9428	10813	12392	14124	16008	62765
2. Basic Excise Duties	18430	21054	24052	27316	30840	121692
3. Additional Excise Duties	3016	3450	3946	4491	5083	19986
Total - IV States' Share	**30874**	**35317**	**40390**	**45931**	**51931**	**204443**
V. Post Devolution Non-Plan Rev. Account	3691	7014	11373	17446	24433	63957
VI. Grants						
1. In lieu of Railway Passenger Fares	380	380	380	380	380	1900
2. Non-Plan Revenue deficit grants	4006	2541	777	259	0	7583
3. Upgradation incl Special Problems	0	522	652	783	652	2609
4. Local Bodies	0	1345	1345	1345	1346	5381
5. Calamity Relief	848	898	948	996	1038	4728
Total V - Grants	**5234**	**5686**	**4102**	**3763**	**3416**	**22201**
VII. Contribution to National Calamity Relief Fund	225	75	75	75	75	525
VIII. Surplus/Deficit of the Centre	-1768	1253	7196	13608	20942	41231

ANNEXURE-XII.1
(Para 12.5)

COMPOSITION OF STATE GOVERNMENT DEBT AS ON MARCH 31, 1994

(Rs. crores)

State	Central Loans	Market Loans & Bonds	Loans from Banks, etc.	W&M Adv. from RBI	Provident funds, etc.	Reserve Funds/ Deposits	Total Debt	Total Debt* (8-5-7)
1	2	3	4	5	6	7	8	9
Andhra Pradesh	6682.68	2605.30	266.45		1207.75	1649.92	12412.10	10762.18
Arunachal Pradesh	175.53	25.32	31.37		53.29	1.91	287.42	285.51
Assam	3773.59	488.30	57.55		291.94	227.69	4839.07	4611.38
Bihar	7126.65	2648.01	632.83	58.03	2634.16	1433.84	14533.52	13041.65
Goa	453.41	50.73	26.32		112.67	50.67	693.80	643.13
Gujarat	5632.22	926.21	-168.56	146.54	791.11	2347.97	9675.49	7180.98
Haryana	2231.52	588.70	210.79		1110.12	280.39	4421.52	4141.13
Himachal Pradesh	1052.98	175.07	87.75		566.37	46.24	1928.41	1882.17
Jammu & Kashmir	2430.69	251.48	-924.10	1246.40 @	664.01	-311.89	3356.59	2422.08
Karnataka	4428.78	0.00	1520.90		1343.07	1272.07	8564.82	7292.75
Kerala	3221.06	1471.08	373.71	114.98	2208.06	396.80	7785.69	7273.91
Madhya Pradesh	4770.76	1151.45	172.95		3216.96	-29.56	9282.56	9312.12
Maharashtra	10926.65	1334.79	191.76		2359.85	5470.24	20283.29	14813.05
Manipur	200.40	114.91	187.91		114.73	72.02	689.97	617.95
Meghalaya	197.71	68.19	24.62		41.11	34.22	365.85	331.63
Mizoram	151.92	5.00	64.15	8.40	56.82	101.46	387.75	277.89
Nagaland	209.46	151.76	120.69		180.41	23.44	685.76	662.32
Orissa	3471.18	1722.65	134.72	112.95	1565.96	720.41	7727.87	6894.51
Punjab	8796.73	456.55	81.37		1233.21	60.52	10628.38	10567.86
Rajasthan	4822.40	1711.61	156.06		2102.76	1264.76	10057.59	8792.83
Sikkim	93.73	35.50	47.61		26.76	2.05	205.65	203.60
Tamil Nadu	5461.23	1923.70	68.00	203.19	1288.21	2560.52	11504.85	8741.14
Tripura	304.05	133.10	75.40		176.78	78.83	768.16	689.33
Uttar Pradesh	14982.94	4704.85	243.07		4230.23	5422.37	29583.46	24161.09
West Bengal	8269.05	1884.35	90.85	54.00	1214.89	1703.42	13216.56	11459.14
Total	99867.32	24628.61	3774.17	1944.49	28791.23	24880.31	183886.13	157061.33

Source : State Forecasts.
State Budget

@ Jammu & Kashmir Bank.

* (Excl. W & M Advn from RBI and Reserve Funds/Deposits)

ANNEXURE-XII.2

(Para 12.5)

COMPOSITION OF STATE GOVERNMENT DEBT AS ON MARCH 31, 1995

(Rs. crores)

State	Central Loans	Internal Debt*	Provident funds, etc.	Reserve Funds/ Deposits	Total Debt	Total Debt** (6-5)
1	2	3	4	5	6	7
Andhra Pradesh	7810.11	3476.60	1474.81	1658.66	14420.18	12761.52
Arunachal Pradesh	193.08	74.33	64.42	1.91	333.74	331.83
Assam	3806.05	762.30	342.83	177.25	5088.43	4911.18
Bihar	7922.64	3793.26	3235.16	1433.84	16384.90	14951.06
Goa	485.42	96.67	130.66	54.14	766.89	712.75
Gujarat	5632.22	904.19	791.11	2347.97	9675.49	7327.52
Haryana	2533.71	841.24	1325.20	1085.75	5785.90	4700.15
Himachal Pradesh	1138.57	296.75	641.37	49.24	2125.93	2076.69
Jammu & Kashmir	2220.68	628.76	758.05	-419.68	3187.81	3607.49
Karnataka	5304.13	1727.37	1558.07	1362.28	9951.85	8589.57
Kerala	3777.67	2341.15	2547.47	435.04	9101.33	8666.29
Madhya Pradesh	5611.82	1493.00	3684.98	-311.02	10478.78	10789.80
Maharashtra	12051.30	1984.93	2573.40	6699.05	23308.68	16609.63
Manipur	213.80	315.04	130.23	77.50	736.57	659.07
Meghalaya	228.05	137.04	48.99	37.32	451.40	414.08
Mizoram	163.37	101.86	64.53	100.71	430.47	329.76
Nagaland	225.98	325.48	196.25	31.44	779.15	747.71
Orissa	4175.10	2438.04	1765.96	772.99	9152.09	8379.10
Punjab	9883.33	618.07	1456.08	73.43	12030.91	11957.48
Rajasthan	5482.66	2200.30	2489.20	1479.95	11652.11	10172.16
Sikkim	104.11	96.26	28.99	2.08	231.44	229.36
Tamil Nadu	6596.22	2565.43	1519.89	2715.03	13396.57	10681.54
Tripura	366.39	262.04	210.98	88.82	928.23	839.41
Uttar Pradesh	17056.46	5731.63	4665.62	6137.77	33591.48	27453.71
West Bengal	9411.99	2373.85	1324.48	2058.48	15168.80	13110.32
Total	**112394.86**	**35585.59**	**33028.73**	**28149.95**	**209159.13**	**181009.18**

Source : State Budgets

** Includes market loans, loans from Banks etc. and W & M advances from RBI.*

*** Excluding Reserve funds*

ANNEXURE-XII.3

(Para 12.7)

Profile of Amounts of Fresh Loans Received from the Centre During 1989-90 and 1993-94 and Outstanding as on March 31, 1994

Rs. Lakhs

State	Plan Loans	Drought Loans	Other	Central Sector	Centrally Sponsored Schemes	Total Plan	Small Savings Loans	Moder-nisation of Police	Housing of AIS Officers	Others	Total Non-Plan	Total Loans
1	2	3	4	5	6	7	8	9	10	11	12	13
Andhra Pradesh	267316	380		880	7410	275986	135285	238	514	110	136147	412133
Arunachal Pradesh	8673		1347	364	36	10420	2470	41			2511	12931
Assam	42530			8354	2448	53332	53623	235	95	3883	57836	111168
Bihar	251539			479	3483	255501	159841	373	270	519	161003	416504
Goa	17477				235	17712	10727	8			10735	28447
Gujarat	168609			755	2728	172092	267317	45	115	147	267624	439716
Haryana	52994				644	53638	78306	86	105		78497	132135
Himachal Pradesh	13772			25	1874	15671	46737	110	58	12	46917	62588
Jammu & Kashmir	55218		100	699	171	56188	38136	56	9		38201	94389
Karnataka	124997			64	1382	126443	152291	72	19	1187	153569	280012
Kerala	124027	276	101	670	5383	130457	73275	110	77		73462	203919
Madhya Pradesh	164031			1559	4571	170161	74985	304	133	92	75514	245675
Maharashtra	187044				5302	192346	399980	160	164	88	400392	592738
Manipur	4926			215	509	5650	3074	32	23	54	3183	8833
Meghalaya	3041		250		251	3542	4146	9	12	18	4185	7727
Mizoram	5768		348		349	6465	2927	54	9	29	3019	9484
Nagaland	7017		391	41	252	7701	4029	19	6	700	4754	12455
Orissa	137993				4445	142438	68640	116	107	49	68912	211350
Punjab	212997		3		747	213747	82696	29	17		82742	296489
Rajasthan	129408	777		57	9474	139716	127218	214	130	1325	128887	268603
Sikkim	3920			25	603	4548	2375	10	74		2459	7007
Tamil Nadu	155126			149	1864	157139	122756	54	50	891	123751	280890
Tripura	8395		601	23	258	9277	12301	4	22	115	12442	21719
Uttar Pradesh	584674		11008	1929	6073	603684	448066	474	283	4571	453394	1057078
West Bengal	147197			9	5467	152673	275055	140	92	16738	292025	444698
Total	**2878689**	**1433**	**14149**	**16297**	**65959**	**2976527**	**2646256**	**2993**	**2384**	**30528**	**2682161**	**5658690**

ANNEXURE-XII.4
(Para 12.7)

REPAYMENTS OF CENTRAL LOANS DURING 1995-2000 @

Rs. Lakhs

State	Plan Loans	Drought Loans	Other	Central Sector	Centrally Sponsored Schemes	Total Plan	Small Savings Loans	Moder-nisation of Police	Housing of AIS Officers	Others	Total Non-Plan	Total Loans
1	2	3	4	5	6	7	8	9	10	11	12	13
Andhra Pradesh	58360	171		400	2044	60975	24561	52	278	22	24913	85888
Arunachal Pradesh	3906		1327	133	104	5470	828	29	1		858	6328
Assam	16046			1898	916	18860	9861	112	35	44	10052	28912
Bihar	60008			134	1609	61751	26861		199	266	27326	89077
Goa	6154				86	6240	1867	2	0	10	1879	8119
Gujarat	43876			284	928	45088	58787	43	96		58926	104014
Haryana	11674				259	11933	12150	17	68	0	12235	24168
Himachal Pradesh	3782	1		2	787	4572	7220	35	40	9	7304	11876
Jammu & Kashmir	17902			28	75	18005	5389	12	8	0	5409	23414
Karnataka	32796			68	756	33620	22851	19	19	259	23148	56768
Kerala	32264	151	55	183	2623	35276	10950	37	50	0	11037	46313
Madhya Pradesh	36233		20	333	1596	38182	11694	12	10	108	11824	50006
Maharashtra	43583				4096	47679	64641	22	81	47	64791	112470
Manipur	1626			22	203	1851	621	14	25	0	660	2511
Meghalaya	818		65		212	1095	899	5	14	0	918	2013
Mizoram	1882		149		157	2188	574	21	7	350	952	3140
Nagaland	1666		68	18	81	1833	805	13	15	0	833	2666
Orissa	26332				1020	27352	7586	20	34	4	7644	34996
Punjab	(3 yrs.)5635				309	5944	16882	11	12	2	16907	22851
Rajasthan	30804	305		46	3207	34362	18368	45	75	278	18766	53128
Sikkim	1290				179	1469	63	16	11	0	90	1559
Tamil Nadu	42197			19	272	42488	19803	5	40	6	19854	62342
Tripura	2348		234		101	2683	2493	1	15	639	3148	5831
Uttar Pradesh	132989		4253	661	2504	140407	67950	93	187	24	68254	208661
West Bengal	33929			168	1539	35636	45516	39	79	3512	49146	84782
Total	**648100**	**628**	**6171**	**4397**	**25663**	**684959**	**439220**	**675**	**1399**	**5580**	**446874**	**1131833**

Source : States' forecasts'

Note : @ Relating to the loans received from the Centre during 1989-94 and as outstanding on March 31, 1994.

ANNEXURE-XII.5
(Para 12.8)

Outstanding Long Term Debt of the State Governments

(Rs. Crores)

As on March 31st	1979		1984		1989		1991		1993 Estimates		1994 Estimates		1995 Estimates	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Internal Debt														
(a) Market Loans	2572	13.69	4236	11.32	10839	13.43	15669	14.28	22548	16.35	24629	15.68	35585	19.66
(b) Loan from Banks, etc.	776	4.13	1724	4.61	1759	2.18	2488	2.27	2504	1.82	3774	2.40	(*)	
2. Loans from Centre	13463	71.67	27059	72.34	55648	68.93	72938	66.46	87997	63.80	99867	63.58	112395	62.09
3. Provident Funds, etc.	1974	10.51	4387	11.73	12486	15.46	18647	16.99	24885	18.04	28791	18.34	33029	18.25
Total	18785	100.00	37406	100.00	80732	100.00	109742	100.00	137934	100.00	157061	100.00	181009	100.00

Note :- *1. 1978-79 and 1983-84 figures as given in the Second Report of The Ninth Finance Commission.*
(*) Included in Market Loans
2. 1988-89 (Act) 1990-91 (Act) 1992-93 and 1993-94 as intimated in their forecasts by the State Governments.
3. 1994-95 (B.E) from States' budget documents.

ANNEXURE-XII.6
(Para 12.9)

SHARE OF DEBT OUTSTANDING TO TOTAL DEBT OF ALL STATES

(Per cent)

State	1985	1986	1987	1988	1989	1990	1991	1992	1993 (R.E.)	1994 (B.E.)	Growthrate (1985-1994)
NON SPECIAL CATEGORY											
HIGH INCOME											*
GOA	0.00	0.00	0.00	0.20	0.28	0.34	0.39	0.38	0.38	0.37	7.02
PUNJAB	3.80	4.32	4.24	4.66	5.13	5.27	5.45	5.46	5.63	5.70	4.61
HARYANA	2.64	2.64	2.58	2.48	2.48	2.41	2.43	2.36	2.33	2.37	-1.18
MAHARASHTRA	9.77	9.91	10.06	10.04	10.14	10.45	10.43	10.70	10.77	10.89	1.21
GUJARAT	6.12	6.21	6.51	6.56	6.65	6.55	6.87	6.66	6.58	6.34	0.38
SUB TOTAL	22.33	23.08	23.39	23.95	24.68	25.02	25.57	25.56	25.70	25.67	1.56
MIDDLE INCOME											
TAMIL NADU	5.74	5.38	5.36	5.50	5.35	5.36	5.44	5.56	6.03	6.17	0.82
WEST BENGAL	8.54	8.05	7.79	7.40	7.16	7.07	7.31	7.24	7.06	7.09	-2.05
KARNATAKA	4.79	4.78	4.76	4.73	4.62	4.55	4.49	4.51	4.51	4.60	-0.46
KERALA	4.01	4.06	4.02	3.95	3.86	3.84	3.93	3.98	4.04	4.18	0.45
ANDHRA PRADESH	6.91	6.86	7.06	6.89	6.75	6.52	6.39	6.45	6.64	6.66	-0.41
SUB TOTAL	30.00	29.12	28.98	28.47	27.75	27.34	27.57	27.74	28.28	28.70	-0.49
LOW INCOME											
MADHYA PRADESH	5.87	5.89	5.78	5.72	5.77	5.56	5.33	5.34	5.27	4.98	-1.80
RAJASTHAN	6.01	5.82	5.74	5.97	6.03	5.70	5.25	5.29	5.27	5.40	-1.19
UTTAR PRADESH	14.14	14.43	14.28	14.25	14.36	14.75	15.21	15.49	15.75	15.88	1.29
ORISSA	4.28	4.11	4.13	4.16	4.11	4.07	4.03	4.10	4.08	4.15	-0.34
BIHAR	8.38	8.54	8.61	8.45	8.24	8.17	8.09	8.08	7.89	7.80	-0.80
SUB TOTAL	38.68	38.78	38.55	38.55	38.52	38.25	37.91	38.30	38.26	38.20	-0.14
SPECIAL CATEGORY											
ASSAM	3.58	3.61	3.60	3.58	3.49	3.59	3.57	3.29	2.81	2.60	-3.50
JAMMU & KASHMIR	2.51	2.48	2.52	2.58	2.69	2.79	2.54	2.28	2.17	1.97	-2.66
MIZORAM	0.26	0.26	0.27	0.24	0.24	0.26	0.20	0.20	0.21	0.21	-2.28
MANIPUR	0.42	0.41	0.37	0.34	0.34	0.34	0.36	0.41	0.39	0.37	-1.39
HIMACHAL PRADESH	0.82	0.83	0.84	0.90	0.93	0.96	1.05	1.03	1.03	1.03	2.64
MEGHALAYA	0.19	0.18	0.19	0.18	0.18	0.19	0.18	0.18	0.18	0.20	0.19
NAGALAND	0.36	0.38	0.39	0.37	0.36	0.39	0.37	0.34	0.31	0.37	0.13
SIKKIM	0.06	0.07	0.07	0.08	0.09	0.10	0.10	0.11	0.11	0.11	6.21
TRIPURA	0.35	0.34	0.35	0.36	0.37	0.43	0.43	0.42	0.42	0.41	1.92
ARUNACHAL PRADESH	0.43	0.45	0.48	0.42	0.37	0.34	0.14	0.14	0.15	0.15	-10.81
SUB TOTAL	8.98	9.01	9.08	9.04	9.06	9.39	8.95	8.41	7.77	7.42	-2.10
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	

*Note : * = For Goa, growth rate has been estimated over 1988-94.*

ANNEXURE-XII.7
(Para 12.25)

Rates of Interest on Central Loans (Other than Small Savings Loans) : Plan and Non Plan

Loans	Interest Rates (per cent per annum)
States plan lons	
(i) Pre-1979 Consolidated State Plan Loans	4.75
(ii) Loans advanced during 1979-84 consolidated for terms ranging from 15 to 30 years.	6-6.75
(iii) As per NFC recommendations, State Plan Loans advanced during 1984-89 and outstanding as at the end of 1989-90, consolidated for 15 years.	9.00
Other plan and non-plan loans given to States from :	
(i) 1.6.84 to 31.5.85	7.50
(ii) 1.6.85 to 31.5.86	8.00
(iii) 1.6.86 to 31.5.87	8.75
(iv) 1.6.87 to 31.5.88	9.25
(v) 1.6.88 to 31.5.90	9.75
(vi) 1.6.90 to 31.5.91	10.25
(vii) 1.6.91 to 31.5.92	10.75
(viii) 1.6.92 to 31.5.93	11.75
(ix) 1.6.93 ---to date	12.00

ANNEXURE-XII.8
(Para 12.26)

Rates of Interest on Small Savings Loans to States

Date of Loan	per cent per annum	Date of Loan	per cent per annum
1.8.74 to 31.5.81	6.25	1.6.86 to 31.5.89	12.0
1.6.81 to 31.5.82	7.25	1.6.89 to 31.5.91	13.0
1.6.82 to 31.5.83	7.75	1.6.91 to 31.5.92	13.5
1.6.83 to 31.5.84	8.75	1.6.92 to 31.5.93	14.5
1.6.84 to 31.5.85	9.75	1.6.93 to 1.9.93	15.0
1.6.85 to 31.5.86	10.25	2.9.93 to date	14.5

ANNEXURE-XII.9
(Para 12.39)

Debt Relief to States on Repayment of Central Loans During 1995-2000

State	Total loans repayable during 1995-2000	Recommended Relief of 5% to States with fiscal stress and special category States
Andhra Pradesh	85888	
Arunachal Pradesh	6328	316
Assam	28912	1446
Bihar	89077	4454
Goa	8119	
Gujarat	104014	
Haryana	24168	
Himachal Pradesh	11876	594
Jammu & Kashmir	23414	1171
Karnataka	56768	
Kerala	46313	
Madhya Pradesh	50006	
Maharashtra	112470	
Manipur	2511	126
Meghalaya	2013	101
Mizoram	3140	157
Nagaland	2666	133
Orissa	34996	1750
Punjab	22851	
Rajasthan	53128	
Sikkim	1559	78
Tamil Nadu	62342	
Tripura	5831	292
Uttar Pradesh	208661	10433
West Bengal	84782	
Total	**1131833**	**21051**

Notes:

1. *Repayment amounts in column 1 relate to outstanding loans taken during the period 1989-94. However, the proposed scheme would also cover loans taken during 1994-95 to which repayments may be due in 1995-2000.*

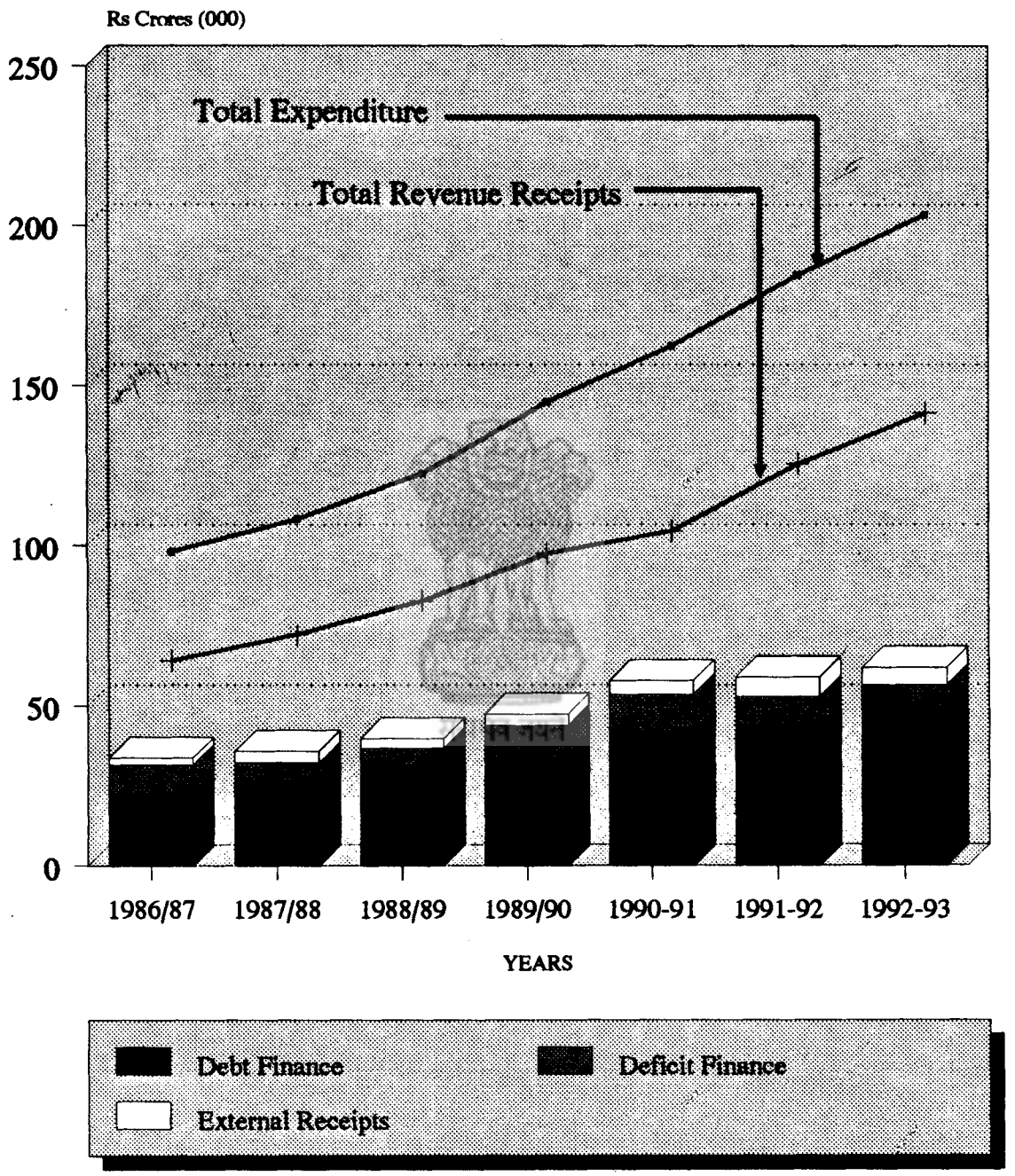
CONTENTS

APPENDIX I

TRENDS AND PATTERNS IN CENTRAL AND STATE FINANCES :
A Graphical Presentation

OVERALL DEFICIT POSITION : CENTRE, STATES AND UTs

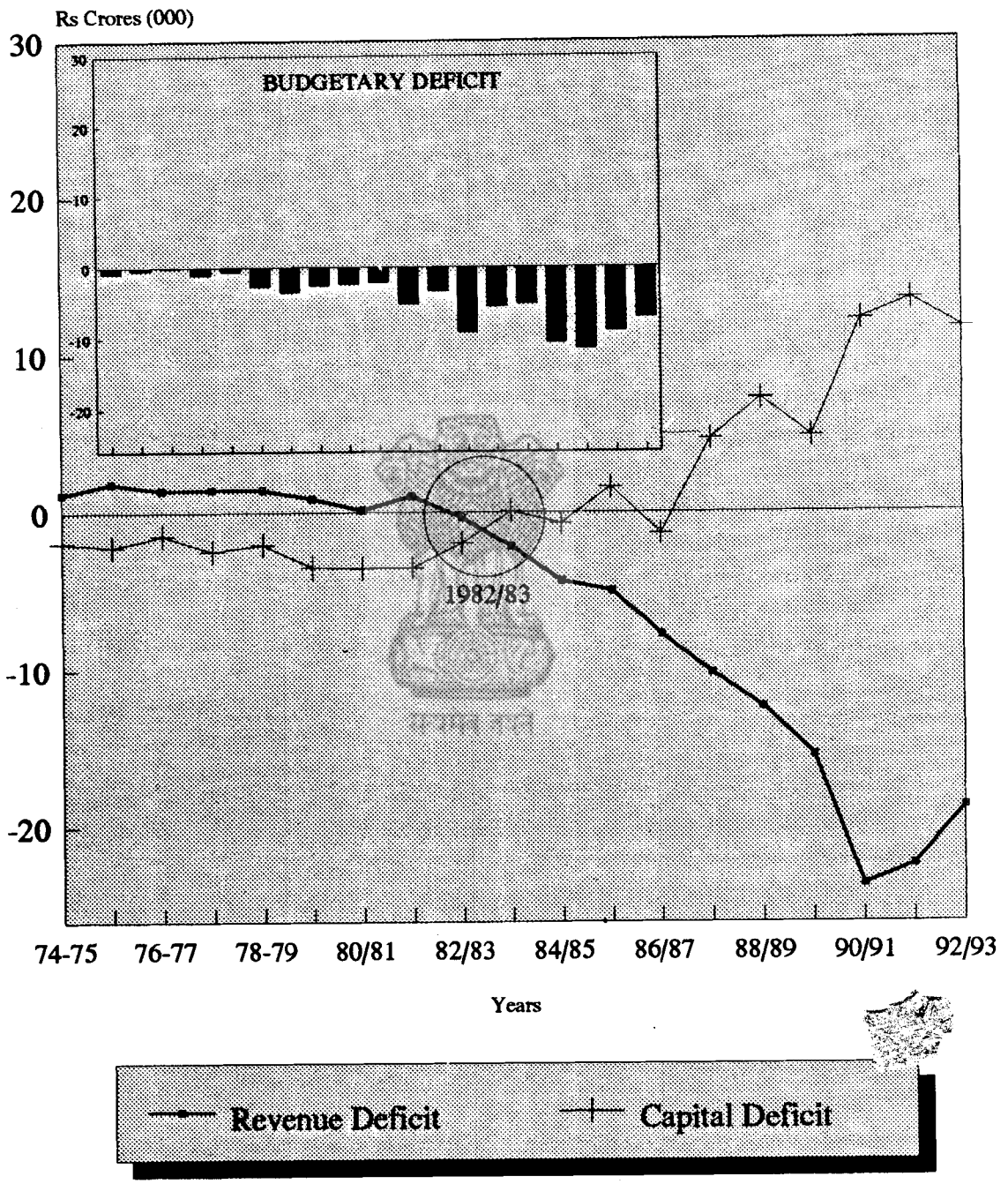
Graphic No: 1



TENTH FINANCE COMMISSION

OVERALL BUDGETARY POSITION CENTRE, STATES AND UTs

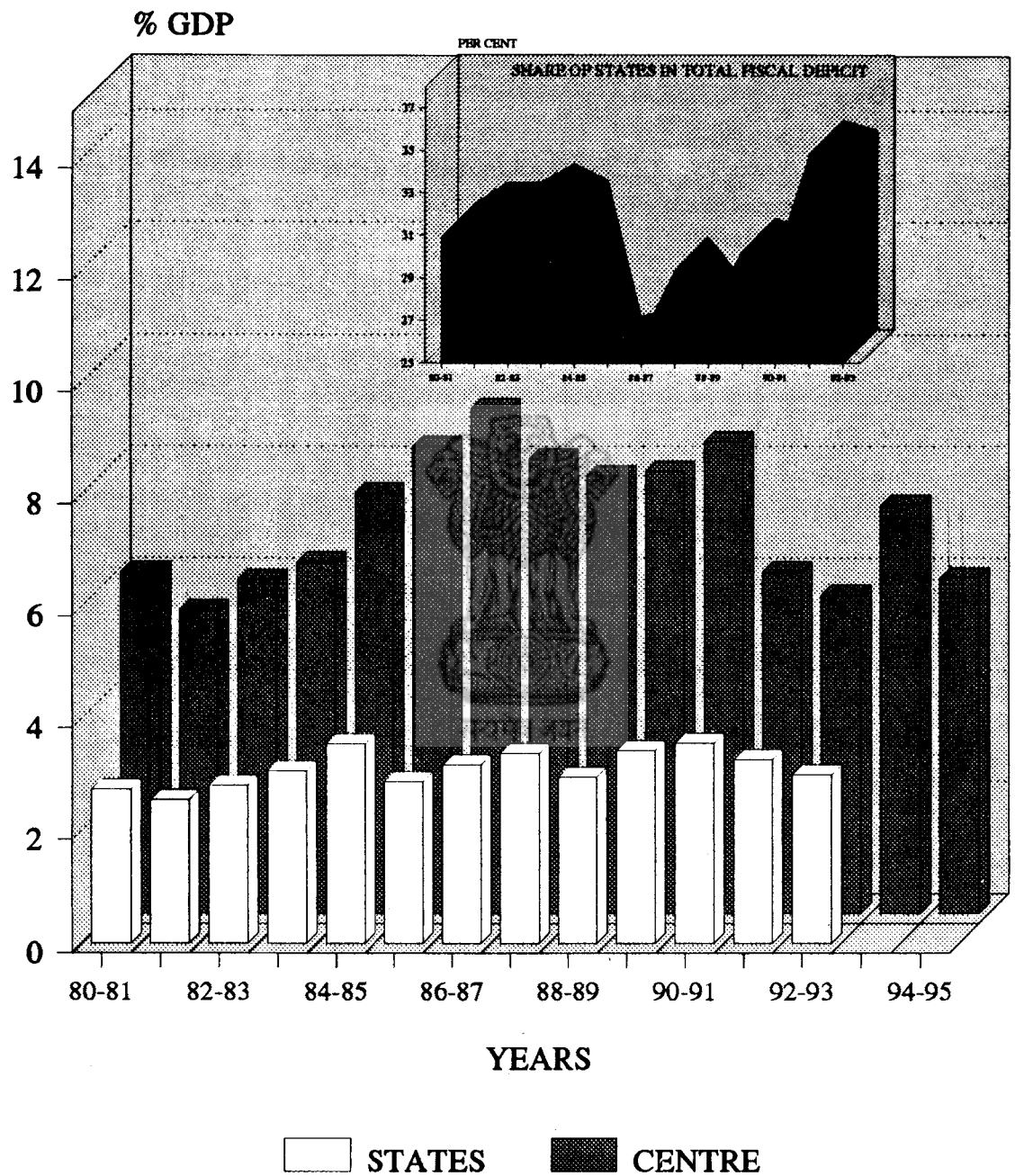
Graphic No: 2



TENTH FINANCE COMMISSION

Graphic No: 3

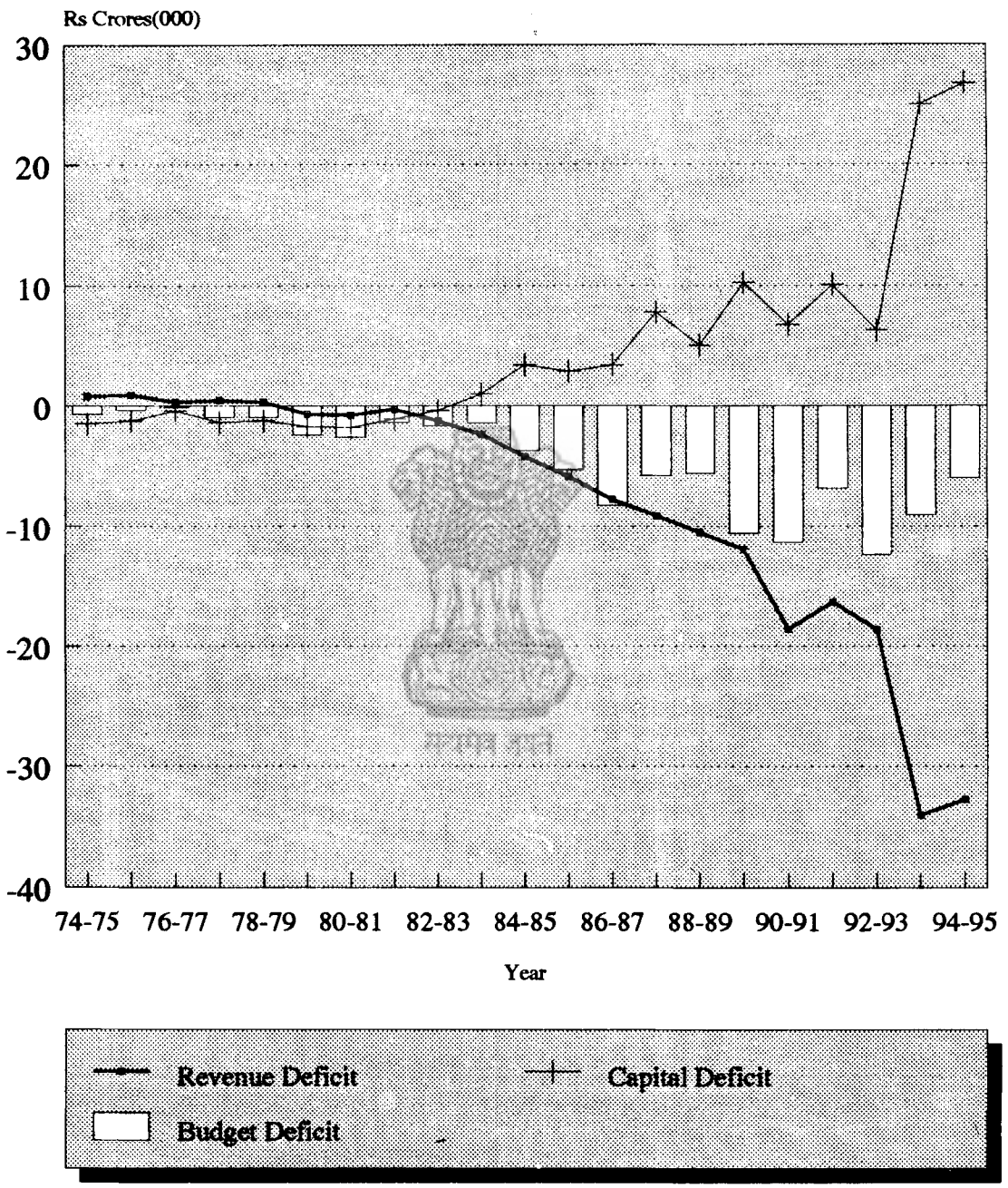
FISCAL DEFICIT
CENTRE & STATES



TENTH FINANCE COMMISSION

Graphic No: 4

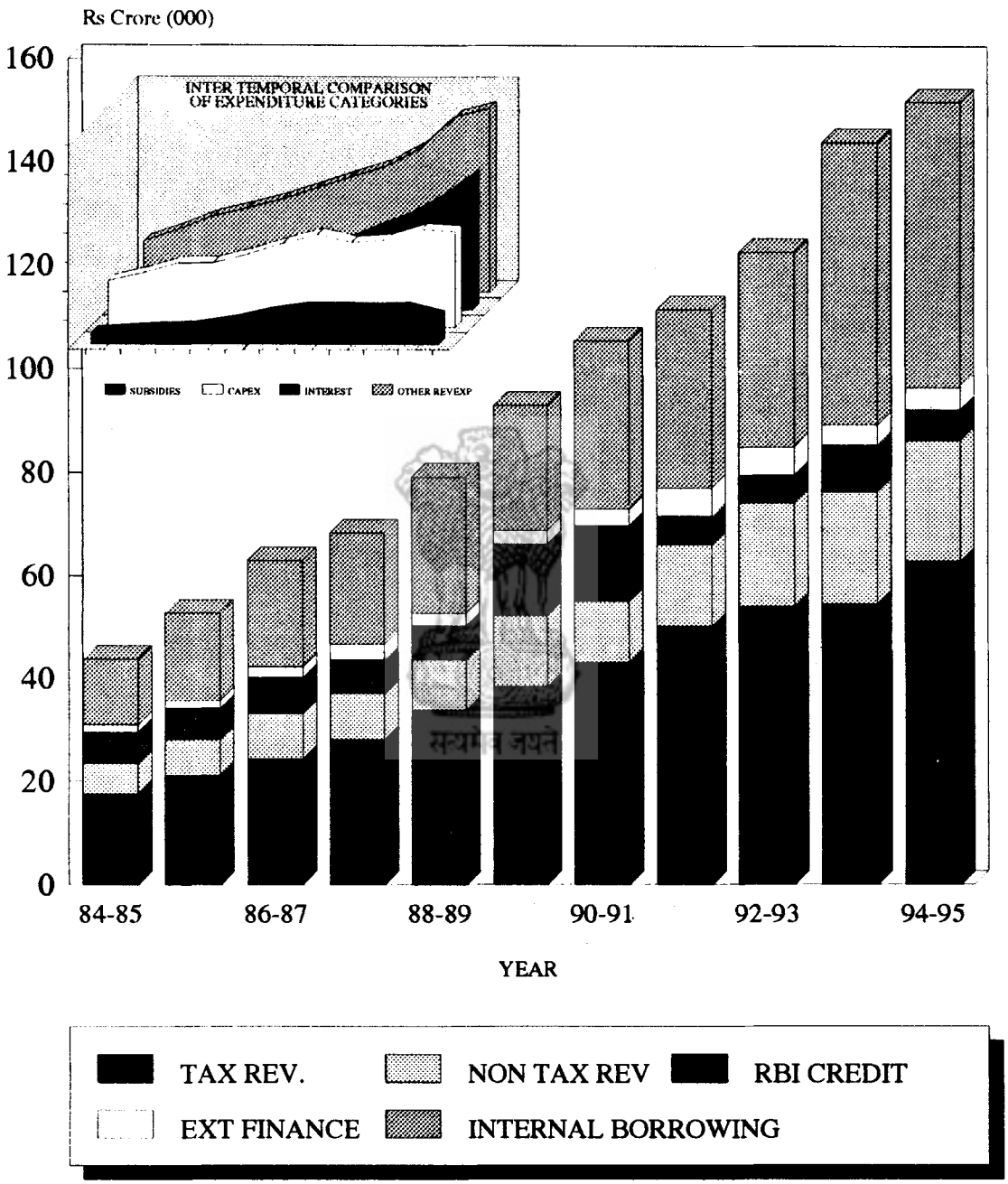
OVERALL BUDGETARY POSITION
CENTRAL GOVERNMENT



TENTH FINANCE COMMISSION

CENTRAL GOVERNMENT EXPENDITURE MODE OF FINANCING

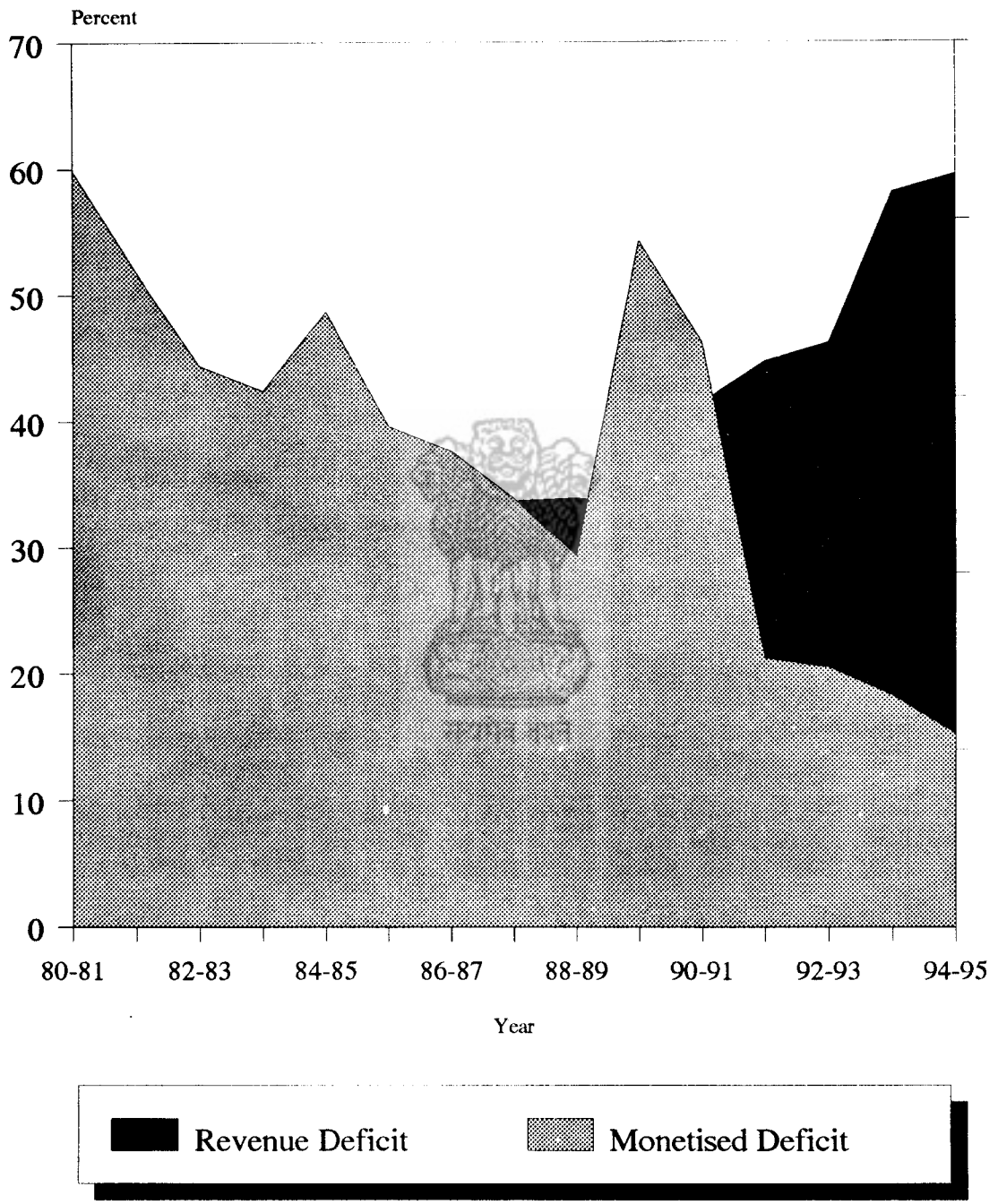
Graphic No: 5



TENTH FINANCE COMMISSION

Graphic No:6

REVENUE AND MONETISED DEFICIT SHARE IN FISCAL DEFICIT

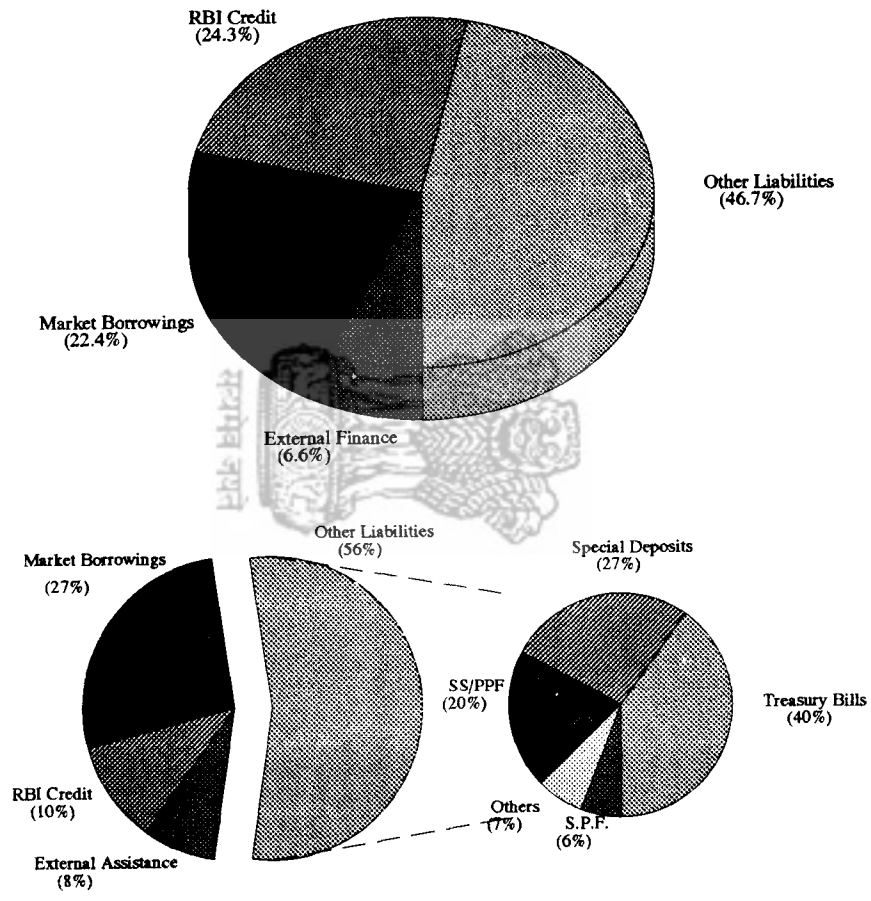


TENTH FINANCE COMMISSION

Graphic No: 7

FINANCING OF FISCAL DEFICIT
CENTRAL GOVERNMENT

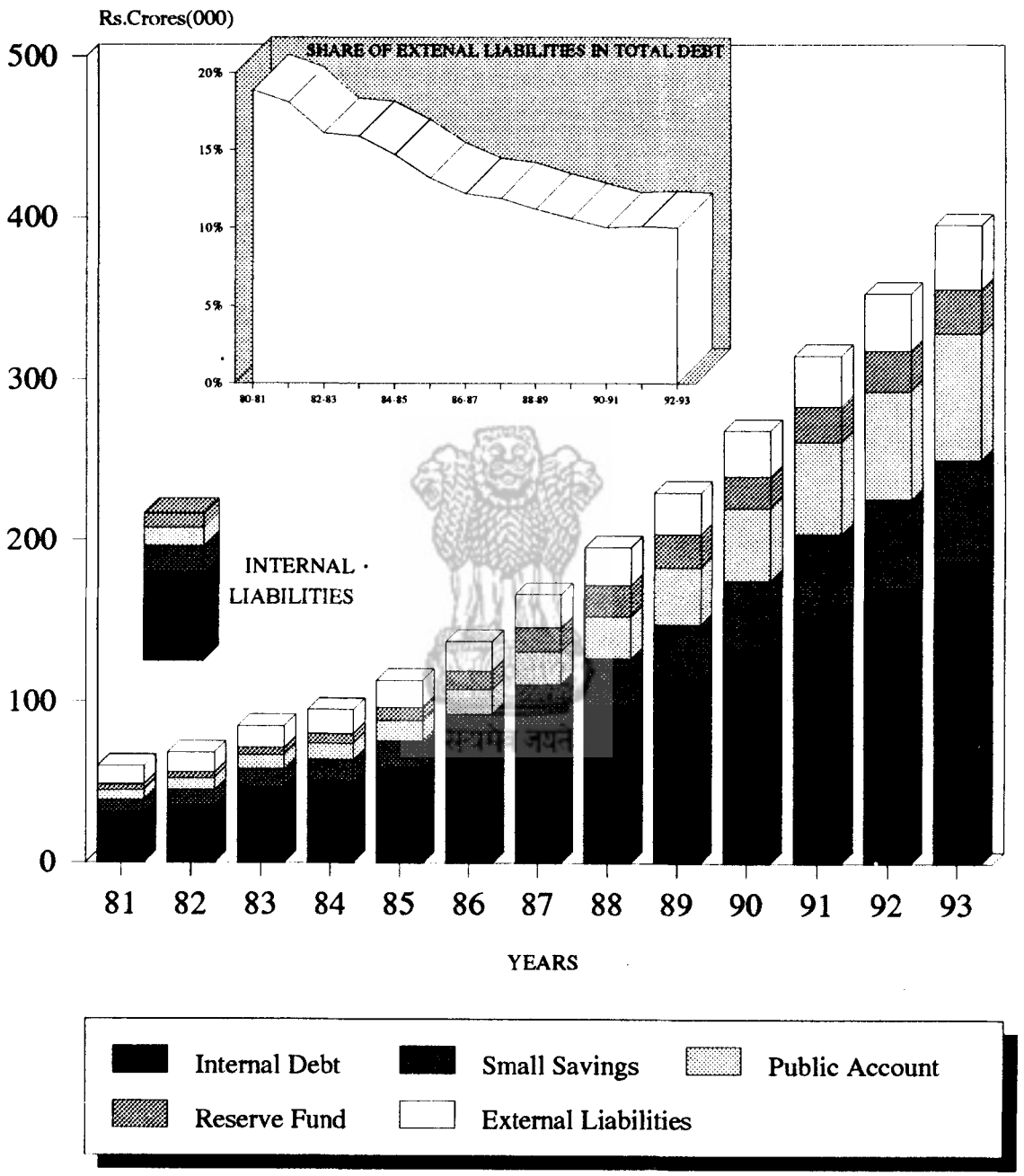
1985/86



TENTH FINANCE COMMISSION

MAGNITUDE AND COMPOSITION OF DEBT
GOVERNMENT OF INDIA

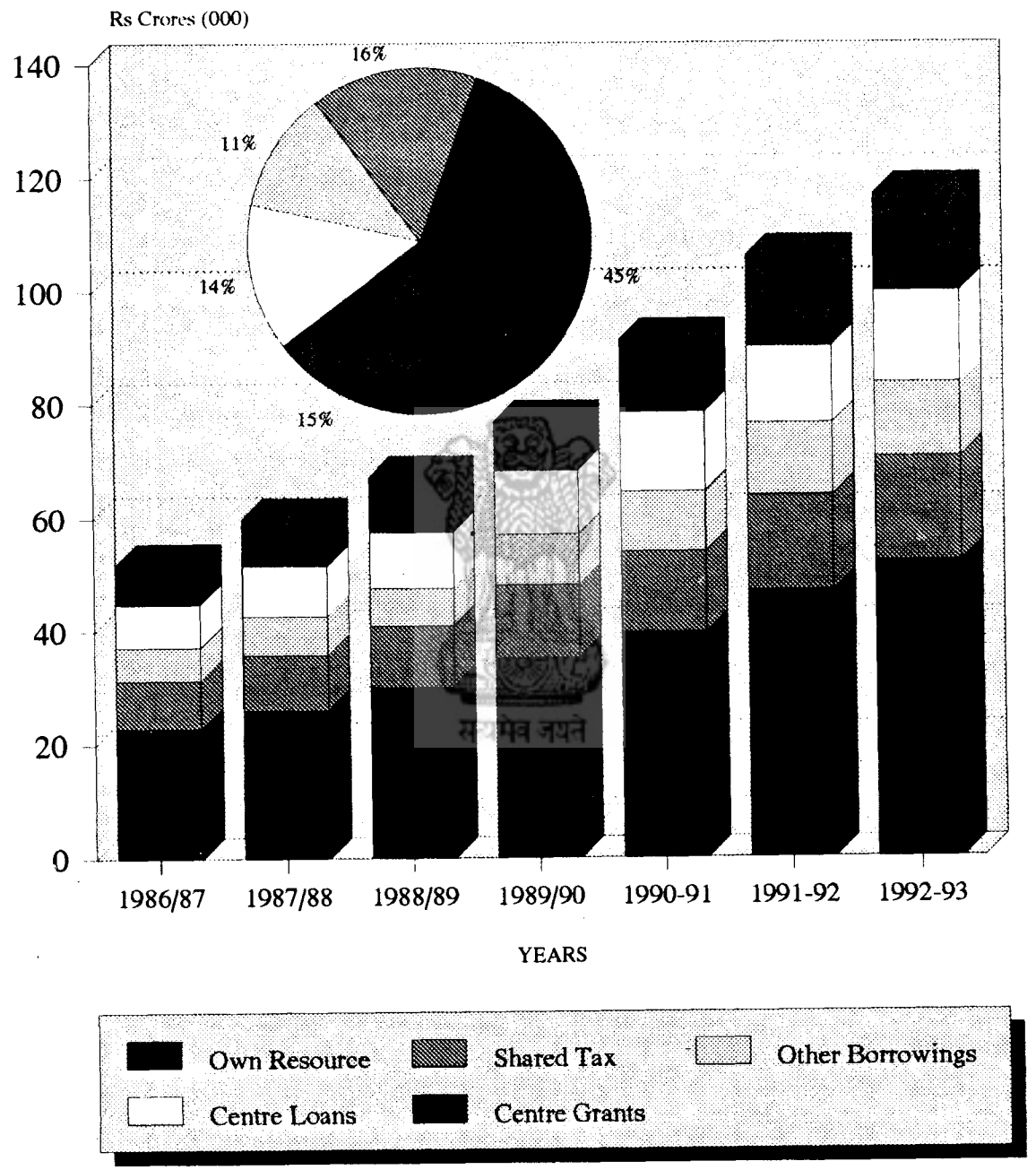
Graphic No: 8



TENTH FINANCE COMMISSION

Graphic No: 9

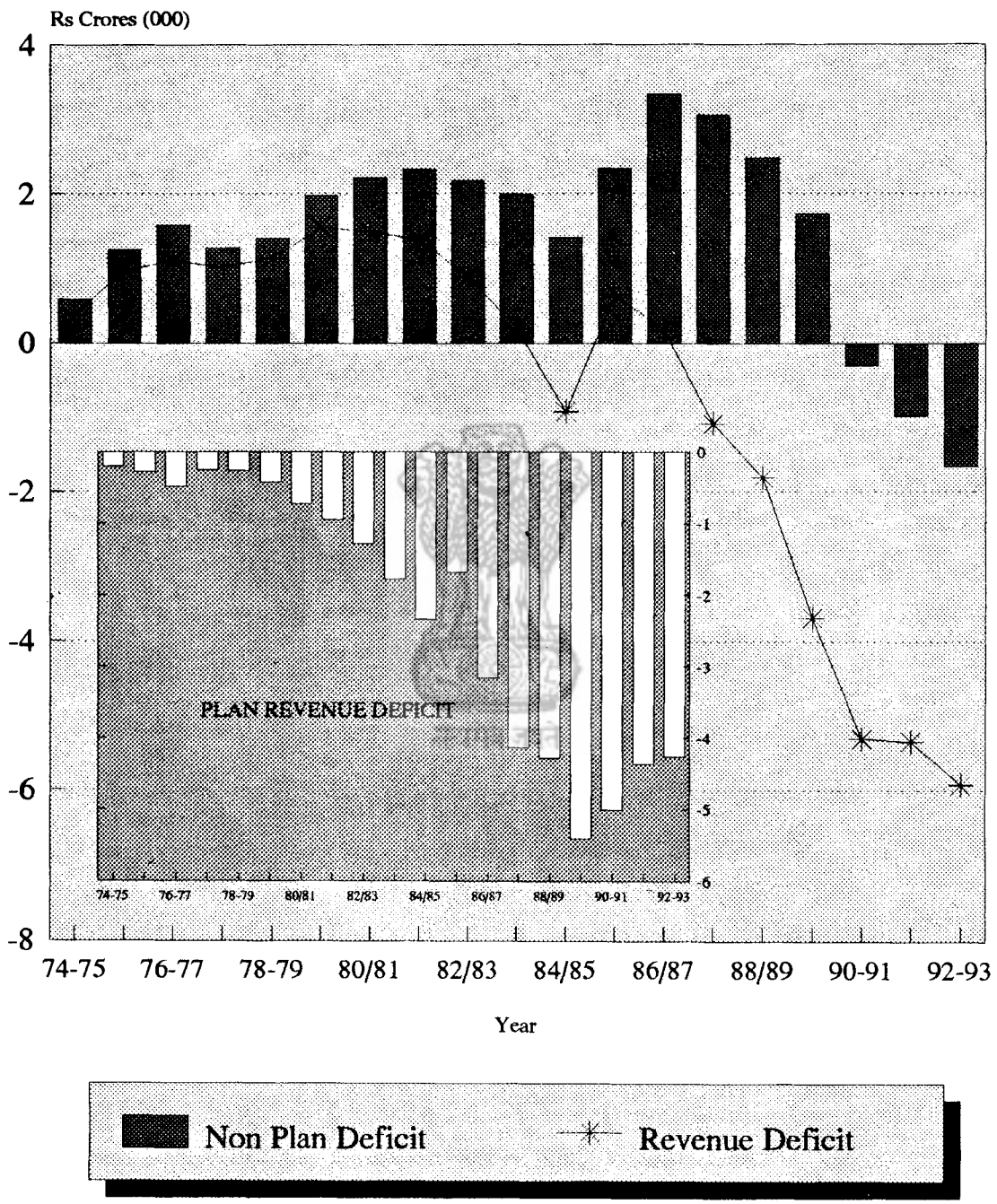
COMBINED STATES EXPENDITURE FINANCING PATTERN



TENTH FINANCE COMMISSION

STATES' REVENUE ACCOUNT BALANCE : COMPOSITION

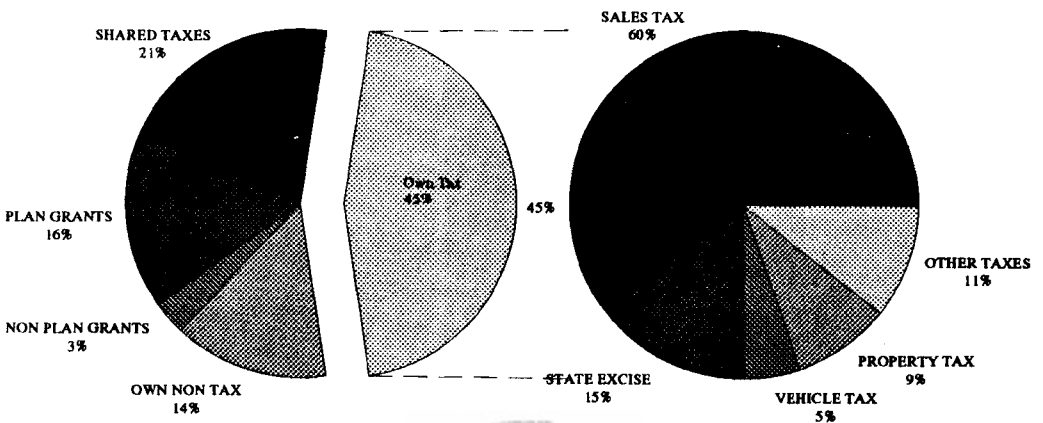
Graphic No: 10



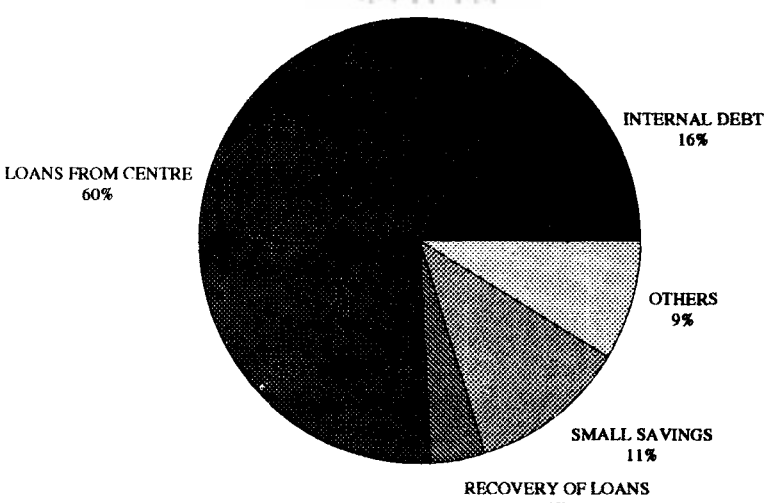
TENTH FINANCE COMMISSION

COMPOSITION OF REVENUE RECEIPTS
ALL STATES
1992/93

Graphic No: 11



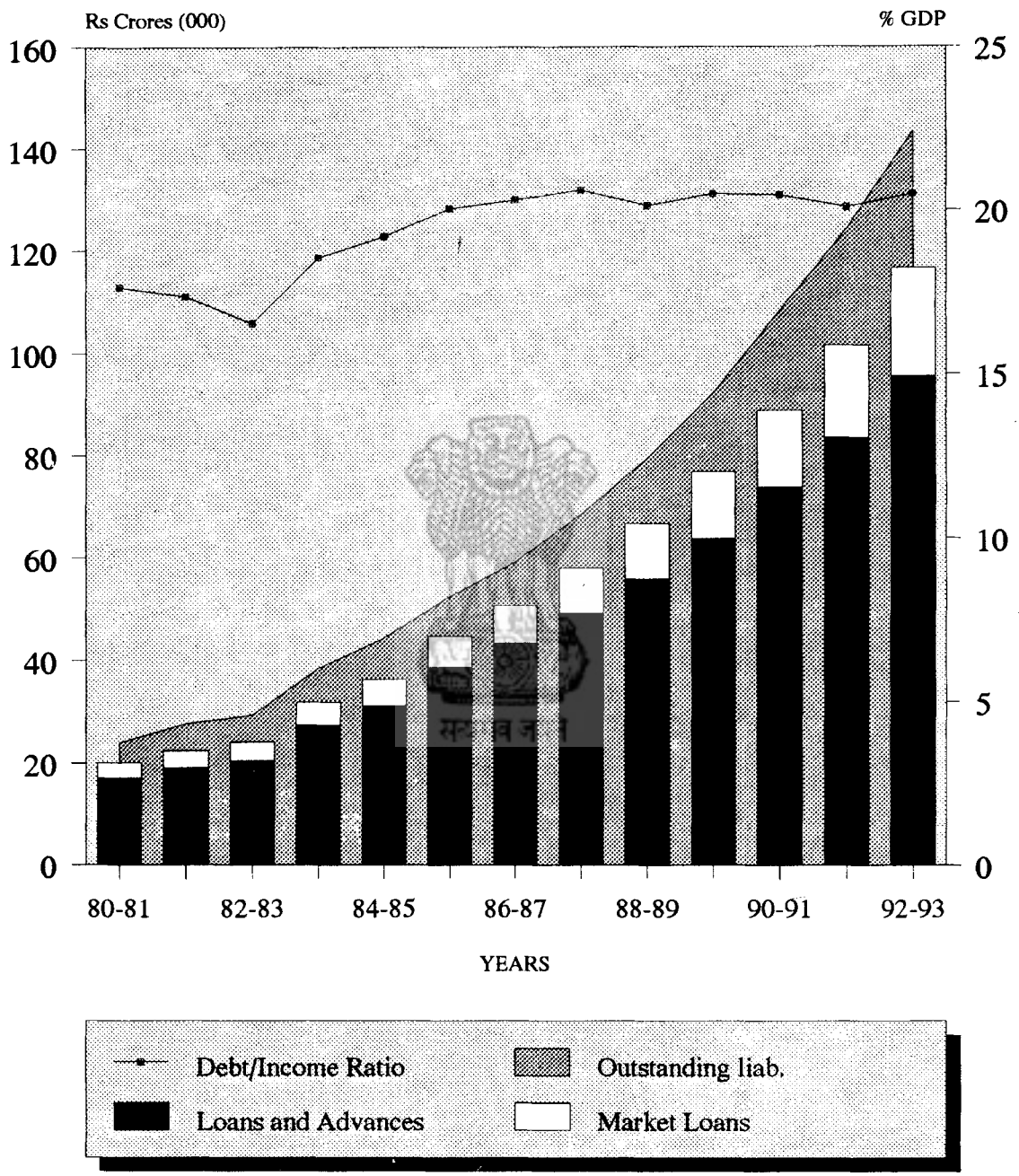
COMPOSITION OF CAPITAL RECEIPTS
ALL STATES
1992/93



TENTH FINANCE COMMISSION

Graphic No:12

TOTAL LIABILITIES
ALL STATES



TENTH FINANCE COMMISSION

Methodology For Projection of Tax Revenues

1. The method that has been used for projecting tax revenues of the Centre and the States is in the genre of tax-income reponse models viz. a buoyancy model.

2. This method has been preferred to the elasticity approach which measures changes in tax yield owing to automatic growth, without discretionary changes. The elasticity method entails adjusting the tax yield of any year to the simulated yield for that year, if a base year rate-structure had prevailied. The actual tax yield is to be 'cleaned' by a sequence of adjustments intended to remove the effects of discretionary changes. The cleaned tax series is regressed upon the relevant tax base or a suitable proxy like state domestic product using a double log function to estimate elasticity coefficients. Buoyancy, it may noted measures the relative changes in tax yield due to both built in flexibility and due to discretionary changes. The use of buoyancy coefficient has a different role to play than the elasticity coefficient as it indicates how the actual growth of revenue compares with the growth in nominal income.

3. The buoyancy of individual taxes, for the Centre and all the States (except the North Eastern States) has been estimated by regressing tax revenue on nominal Gross domestic product and state domestic product respectively using a double log function. The coefficient has been estimated using the equation:

$$R = a\,Y^{b}\,u.$$

In the log form the equation would be:

$$\log R = \log a + b \log Y + \log u$$

where, **R** - tax revenue, is the dependent variable, and **Y** - domestic product in nominal terms, is the independent variable and u is a random term.

4. By using the buoyancy coefficients and relating these with the assumed rate of growth of GDP or SDP, one can project future tax-yields. Thus for purposes of making projections the buoyancy coefficient is applied to the rate of growth of income and the rate of growth of tax-revenue is estimated as follows:

$$\frac{\Delta R}{R} = y * b$$

Where R is tax revenue, 'y' is growth rate of domestic product and 'b' is buoyancy coefficient.

5. On this basis, tax yield in a given year may be projected by applying the estimated rate of growth of tax revenue to the base year figures.

6. The base year, 1994-95, figures to which the growth rate is applied have been arrived at on the basis of a trend rate of growth for the period 1983-84 to 1992-93 estimated using a semi long function.

7. The buoyancy coefficients for individual taxes of the States are given in Tables 1 to 4 and that for the Central taxes in Table 5.

8. Revenue forecasting models with full specifications of tax rates and individual tax bases were not used due to lack of detailed data on the tax bases and multiplicity of tax-rates. Also, the purpose of the exercise was to relate projections of tax yields to the assumed profile of growth of nominal income, which was commonly applied to all the States and the Centre.

9. These estimated buoyancies have been moderated in the case of both the Centre and the States. The moderated buoyancies are placed at Annexure **III.**1 to **III.**4 and **IV.**1.

Table 1

Sales Tax

States	Buoyancy Coefficient	t-statistic	R Squared
Andhra Pradesh	1.177	10.960	0.930
Assam	1.535	17.132	0.970
Bihar	1.057	25.826	0.987
Goa	1.069	25.820	0.987
Gujarat	1.250	12.688	0.947
Haryana	1.092	25.243	0.986
Himachal Pradesh	1.216	16.560	0.968
Jammu & Kashmir	1.023	12.572	0.946
Karanataka	1.291	31.709	0.991
Kerala	1.290	24.387	0.985
Madhya Pradesh	0.955	15.754	0.965
Maharashtra	1.069	25.820	0.987
Orissa	1.222	19.644	0.977
Punjab	0.986	24.100	0.985
Rajasthan	1.062	15.512	0.964
Tamil Nadu	1.108	28.770	0.989
Uttar Pradesh	1.175	32.089	0.991
West Bengal	1.101	28.722	0.989

Table 2

State Excise

States	Buoyancy Coefficient	t-statistic	R Squared
Andhra Pradesh	1.101	11.740	0.939
Assam	0.910	6.386	0.918
Bihar	1.353	27.211	0.988
Goa	1.343	23.808	0.984
Gujarat	1.089	8.440	0.888
Haryana	1.408	23.021	0.983
Himachal Pradesh	1.265	23.469	0.984
Jammu & Kashmir	1.245	5.131	0.745
Karanataka	1.051	23.193	0.984
Kerala	1.067	13.905	0.956
Madhya Pradesh	1.217	23.242	0.984
Maharashtra	1.343	23.808	0.984
Orissa	1.261	19.566	0.977
Punjab	1.165	50.953	0.997
Rajasthan	1.773	9.266	0.905
Tamil Nadu	1.447	2.620	0.432
Uttar Pradesh	1.558	9.421	0.908
West Bengal	0.877	9.939	0.916

Table 3

Motor Vehicle Tax

States	Buoyancy Coefficient	t-statistic	R Squared
Andhra Pradesh	1.020	11.627	0.994
Assam	1.010	33.441	0.992
Bihar	1.497	6.967	0.844
Goa	1.164	13.083	0.950
Gujarat	1.186	5.654	0.780
Haryana	0.786	10.376	0.923
Himachal Pradesh	1.343	22.993	0.983
Jammu & Kashmir	0.827	4.732	0.713
Karanataka	1.136	14.828	0.961
Kerala	1.207	15.357	0.963
Madhya Pradesh	0.802	10.159	0.920
Maharashtra	1.164	13.083	0.950
Orissa	1.408	12.520	0.946
Punjab	0.872	12.167	0.943
Rajasthan	1.421	5.768	0.787
Tamil Nadu	0.905	12.532	0.946
Uttar Pradesh	0.941	8.129	0.880
West Bengal	0.981	17.918	0.973

Table 4

Stamps and Registration Fee

States	Buoyancy Coefficient	t-statistic	R Squared
Andhra Pradesh	1.074	16.522	0.968
Assam	1.117	9.564	0.910
Bihar	1.281	10.798	0.928
Goa	1.539	25.751	0.987
Gujarat	1.301	9.996	0.917
Haryana	1.248	23.339	0.984
Himachal Pradesh	0.858	9.983	0.917
Jammu & Kashmir	0.539	2.330	0.376
Karanataka	1.364	19.190	0.976
Kerala	1.401	17.188	0.970
Madhya Pradesh	1.165	24.724	0.985
Maharashtra	1.539	25.751	0.987
Orissa	1.156	15.463	0.964
Punjab	0.833	8.160	0.881
Rajasthan	1.286	16.412	0.968
Tamil Nadu	1.292	34.551	0.993
Uttar Pradesh	1.309	18.627	0.975
West Bengal	1.246	27.330	0.988

Table 5

Buoyancy of Major Central Taxes

Taxes of Centre	Buoyancy Coefficient	t-statistic	R Squared
Union Excise Duties	1.013	43.398	0.995
Income tax	1.103	16.721	0.968
Corporation tax	1.310	18.890	0.975
Customs Duties	1.389	21.787	0.981

Monitoring of Maintenance Expenditure

1. Introduction

Any system of monitoring will require that the accounts reflect, in a clear manner, the expenditure incurred on maintenance. It is necessary that the accounts are so designed that they indicate the works component and the work charged establishment separately under total maintenance expenditure.

2. The Existing Position:

(a) The major heads concerned with maitenance expenditure are :

3054 - Roads and Bridges

2059 - Public Works (for Buildings)

2216 - Housing

2701 - Major and Medium Irrigation

2702 - Minor Irrigation

(b) Among these heads, "Maintenance and Repairs" is already a minor head (053) under 2059-Public Works. In all the other cases, it is a detailed head-170. 140-Minor Works is another detailed head and 174-work charged establishment is a sub-detailed head.

3. The Scheme

(a) Since these heads are already heads of revenue expenditure they may be deemed to be entirely for maintenance expenditure. Some States have now defined capital expenditure at such low limits as Rupees one lakh that, in fact, no other type of expenditure would even now be getting charged to these heads. However, there may be some other items which may be getting charged here and for which a revenue head of expenditure might still be necessary.

(b) But even if these major heads are deemed to be heads of expenditure for maintenance, there will still be need to have a minor head for "Maintenance and Repairs" under all these major heads, as is now the case under major head 2059-Public Works.

(c) In the present system of functional classification of the Budget, the minor head reflects a programme. Maintenance should be considered one such item hereafter. There should be no objection to having this as a minor head. In any event, there is a precedent in the case of major head - 2059 Public Works. The same precedent can be followed in the case of the other Major Heads.

(d) Under the minor head: "Maintenance and Repairs" there should be two sub-heads: (i) Works and (ii) Work Charged Establishment. In this specific case the Accountants General could be requested to include in the accounts not merely the minor head but these two sub-heads so that the actual expenditure under the works portion and under establishment can be separately monitored.

(e) In all these cases, there is a sub-major head: "General" under which there is a minor head: "Direction and Administration" which shows the Departmental establishment. The problem sought to be tackled above is specifically in regard to the work charged Establishment consequent on its becoming provincialised.

4. Details

Major head - 3054. Roads and Bridges:

(a) There are two sub-major heads here. 03-State Highways and 04-District and Other Roads. Under each a minor head - "Maintenance and Repairs" can be opened.

2059 - Public Works:

There are already minor heads here under the sub-major heads.

01-Office Buildings

60-Other Buildings

There is no problem here.

2216 - Housing:

a) This Head has a Sub-major Head 01. Government Residential Buildings and a Minor Head: 106 General Pool Accomodation. Under this Minor Head there are Sub-heads:

(i) Direction and Administration

(iii) Maintenance and Repairs

(vii) Machinery and Equipment.

b) What is needed is that Maintenance and Repairs should show Works and Establishment separately i.e. establishment other than under sub-Head (i) Direction and Administration. We also require that maintenance and repairs should be a minor head and not a sub-Head.

c) Therefore, Government Pool Accomodation should be made a sub-major head. Under this there should be the following minor heads:

001	Direction and Administration
052	Machinery and Equipment
053	Maintenance and Repairs
799	Suspense
800	Other Expenditure

This is the case at present for the Sub-major head 04 - Bombay Building Repairs and Reconstruction Scheme.

Under minor head 053. maintenance and repairs there will be two Sub-heads - Works and Establishment.

The same procedure can be followed for (107) Police Housing and (700) other Housing which are at present minor heads along with (106) General Pool Accomodation under Sub-Major head 01: Government Residential Buildings.

2702 - Minor Irrigation:

There are two sub-major heads here.

01-Surface Water, and

02-Ground Water

(a) In the case of surface water, there are two minor Heads,

101-Water Tanks and

102-Lift Irrigation Schemes.

Maintenance is different in these two schemes and the element of recovery will be much more important in the case of lift irrigation schemes. It is, therefore, important that the maintenance of these two is indicated separately.

(b) If, in this case, a minor head is opened, "Maintenance", "Water Tanks" and "Lift Irrigation Schemes" will have to be seperate sub-heads which will not serve the purpose. Therefore, in the case of Minor Irrigation, one option would be that "Maintenance" should be a new Sub-major head. Then under this the minor heads will be "Water Tanks", "Lift Irrigation Schemes" and "Tube Wells".

2701 - Major and Medium Irrigation:

(a) The position here is complicated because both minor and medium projects have been brought under one major head; consequently, major irrigation and medium irrigation have become sub-major heads. As a result all other heads below have been pushed down by one level. At the same time, this is a head where each project is big enough to be shown as a separate minor head.

(b) One possibility, therefore, would be to break up this major head into two major heads - one for major irrigation and the other for medium irrigation. In the numbering series of major heads there are spare numbers available for this purpose.

(c) Major irrigation then becomes the major head. Each project can then be the sub-major head. Under this sub-major Head, there can be a minor head for maintenance. Under this there would be two sub-heads - works and work charged establishments as has been suggested in other cases.

(d) If, however, the major head cannot be split up, as suggested above, then it should be first clarified that only maintenance expenditure, whether on works or on provincial establishment, will be charged to the Revenue Head 2701 and all other project establishment and project works will have to be charged to the capital head. Then, automatically the expenditure under the minor head will reflect the total maintenance Expenditure on a particular project.

(e) Under this minor head the sub-heads are for items like Dam, Canal etc. Under the revised scheme, expenditure under three items - works, provincial establishment and work charged establishment would reflected separately. If the expenditure at this sub-head level is to be reflected by the Accountant General, as has been suggested for other Heads, this might pose a problem under works because of the number of sub-heads involved. Therefore, it is suggested that there may be three group sub-heads - (1) Works, (2) Provincial Establishment and (3) Work Charged Establishment. The existing sub-heads can then be suitably grouped under these three groups and the Accountant General can indicate expenditure upto group sub-head level above.

Revenue Sharing under Alternative Criteria : A Comparison

1. The Eighth and Ninth Commissions determined the respective shares of States in the devolution of income tax and Union excise duties largely on the basis of three allocative criteria : (i) population (ii) distance, and (iii) inverse of income. While we have used the population and distance criteria, we have not considered it desirable to use inverse of income as a criterion. We have, instead, drawn upon the discussion in paper no. 6 of 1993, NIPFP, New Delhi {Srivastava D.K. and Aggarwal P.K. (1993) "Some Revenue sharing Criteria in Federal Fiscal Systems: Some New Insights"} and developed further the ideas contained therein. Some analytical properties of these criteria are discussed below.

2. The information base for the 'distance' and 'inverse income' criteria consists of the respective pupulations of the State (N_i) and their per capita incomes (y_i). For the population formula, the information base is limited to just (N_i). The subscript i is used here to indicate the i th State. The total number of States is taken to be n. In the ensuing discussion, States have been arranged in an ascending order with respect to per capita income, i.e.

$$y_1 < y_2 < ....< y_n \qquad i = 1, 2, ...n$$

3. Shares and per capita shares of States under different criteria have been represented by the following symbols:

Criterion	Share	Per Capita Share
Population	q_i	$q^w_i = q_i / N_i$
Distance	a_i	$a^w_i = a_i / N_i$
Inverse Income	b_i	$b^w_i = b_i / N_i$

The per capita share of a State is derivedby dividing its aggregate share by its population. The following conditions would be satisfied :

$$\Sigma q_i = \Sigma a_i = \Sigma b_i = 1 \qquad i = 1, 2, ... n$$

When the shares are taken as percentages, they would add up to 100 instead of 1.

a. Population Criterion

4. The share of a State in the population formula (q_i) is given by :

$$q_i = N_i / \Sigma N_i$$

The corresponding 'per capita' share is given by

$$q^w_i = 1 / (\Sigma N_i)$$

Since $1 / \Sigma N_i$ (= Q, say) is invariant with respect to Y_i, it means that, in this criterion, the same per capita share is given to each State irrespective of its position on the income scale. In a diagram, where per capita share is indicated on the vertical axis, and per capita income on the horizontal axis, the population based per capita shares would represent a horizontal line (Fig. 1).

b. Distance Criterion

5. In the distance formula, distances are measured by the term ($y_n - y_i$), where y_n is the highest per capita income among all the States. Accordingly, the share of a State in the distance formula may be written as :

$$a_i = N_i (y_n - y_i) / \Sigma N_i (y_n - y_i) \qquad i = 1, 2, ... n$$

The term $1 / \Sigma N_i (y_n - y_i)$ is the same for all the States. Writing this as A, we may rewrite :

$$a_i = AN_i (y_n - y_i)$$

If we divide a_i by N_i, the corresponding per capita share (a^w_i) is obtained. Thus,

$$a^w_i = A (y_n - y_i)$$

6. This equation specifies a straight line which may be represented in a diagram with a^w_i on the y-axis and y_i on the x-axis (Fig.1). This line would fall to the right, since the slope of line ($da^w_i / dy_i = -A$) is negative. It implies that the poorer a State, the larger is its per capita share in the revenue sharing arrangement based on this form of the distance formula. The slope of the line indicates the implied degree of progressivity. It may be noted that the distance formula as written above would given a zero share to the highest income State. Such a version of the formula may be written as its standard or unadjusted version. For a comparision of the relative analytical properties with other allocative criteria, it is a useful starting point. This version of the distance formula has been slightly modified by the last two Finance Commissions, as also by this Commission. The implications of these adjustments have been discussed subsequently.

7. The per capita shares, as determined by the population formula and the distance formula (unadjusted version), may be represented together in one diagram (Fig. 1), with a view to highlighting the implications of bringing progressivity into the allocative scheme. The intersection of the line (a^w_i, q^w_i) is given by :

$$1 / (\Sigma N_i) = A (y_n - y_i)$$

or $$y_i = [y_n - \Sigma N_i (y_n - y_i) / \Sigma N_i]$$

or $$y_i = M$$

Where, M is the average per capita income of all States

$$(= \Sigma N_i y_i / \Sigma N_i)$$

8. This implies that, as compared to the population based shares, States which are below the mean income, get higher shares in the distance formula. Correspondingly, the shares of those States which have per capita incomes higher than the mean income are reduced.

c. Inverse Income Criterion

9. In the inverse income formula, the share of a State may be written as :

$$b_i = (N_i / y_i) / [\Sigma N_i / y_i]$$

Here also, the term $[1 / \Sigma (N_i / y_i]$ is common for all States. Writing this as B, we may rewrite,

$$b_i = BN_i / y_i$$

Dividing this by Ni, we get the corresponding per capita shares (b^W_i). Thus,

$$b^W_i = B/y_i$$

or $(b^W_i)(y_i) = B$

10. This equation describes a rectangular hyperbola in a diagram where $b^W i$ is represented on the vertical axis and yi is represented on the horizontal axis (Fig. 2). In this case also, the line falls to the right as yi increases, indicating progressivity in the revenue sharing arrangement.

11 We may now consider the point of intersection of the q^W_i and b^W_i lines. It is given by :

$$\frac{1}{\Sigma N_i} = \frac{B}{y_i}$$

or $y_i = \Sigma N_i / \Sigma N_i / y_i$

This point will be to the left of mean income

$(M = \Sigma N_i y_i / \Sigma N_i)$

if, $M > \Sigma N_i / \Sigma N_i / y_i$

or if, $\Sigma (N_i y_i) [\Sigma (N_i / y_i] > (\Sigma N_i)^2$

which is satisfied since the LHS can be written as :

$(\Sigma N_i)^2$ + interaction terms which are all positive. In other words, the transfer mechanism works in such a way that some of the States that are below average get a share smaller than that assigned to them under the population criterion.

d. Comparison of Distance and Inverse Income Criteria

12. If both a^W_i and b^W_i are brought together in the same diagram (Fig.3), it can be seen that the lines representing per capita shares under the two criteria, i.e. a^W_i and b^W_i, respectively, would intersect at two points. Relative to the distance formula, the inverse income formula favours those States which are very rich or very poor, i.e. States which are located at the two extremes of the income-scale. Conversely, the adjustment that is effected for bringing progressivity into the scheme gives rise to a burden which is borne relatively more by the middle income States in the inverse income formula, as compared to that in the distance formula.

13. The two points of intersection may be identified by using the condition that, for points of intersection, we would have $a^W_i = b^W_i$. Thus,

$$A(y_n - y_i) = B / y_i$$

or $(yi)^2 - (yn)(yi) + B/A = 0$

14. This equation provides the two values of yi (say, u and v) at which the curves representing the per capita shares under the distance and the inverse income formulae intersect. These values are given by:

$$u = .5[y_n - \{(y_n)^2 - 4B/A\}^{1/2}] \text{ and } v = .5[y_n + \{(y_n)^2 - 4B/A\}^{1/2}]$$

15. It can be established that the difference between the per capita shares determined by the distance formula (a^W_i), and the inverse income formula (b^W_i) is maximised when

$$y_i = [\Sigma (N_i)(y_n - y_i) / \Sigma (N_i / y_i)]^{1/2}$$

We have, $(a^W_i - b^W_i) = A(y_n - y_i) - B/y_i = z$ (say)

Differentiating the left hand side with respect to y_i, the first order condition for maximisation may be written as:

$$dz/dy_i = -A + B/(y_i)^2$$

This gives $yi = \{B/A\}^{1/2}$

The second order condition for maximisation is also satisfied, since

$$d^2 z / dy_i^2 = -2B / (y_i)^3$$

The ratio $(a^W_i / b^W_i = r)$, (say), on the other hand, is maximised at $y_n/2$, as can be ascertained by writing the relevant first and second order conditions.

16. This indicates that compared to the distance criterion, the inverse income criterion would allocate shares which are relatively higher not only for the poorest State(s) but also the richest State(s) at the cost of the middle income States. The closer the State is to the median income (yn/2), the greater would be its relative loss in the inverse income formula compared to the distance formula.

17. It may be noted that an adjustment has been made in the distance formula used by the Eighth and Ninth Commissions, as also by this Commission, with a view to giving a positive share to the highest income State. The Ninth Commission had used the same notional 'distance' for Goa, Punjab and Maharashtra. This implies that the per capita shares of these States would be equal in the adjusted distance formula. The modification implies that, in the adjusted version of the distance formula, the per capita share of the two richest States would be greater than their corresponding shares in its standard version. This would be reflected in correspondingly reduced shares of the States that are lower on the income scale. These features are indicated in Fig.4.

18. In comparing the per capita shares of States under the distance (standard version), inverse income and population criteria, six points of interest may be identified over the range of income from the lowest per capita income (y_1) to the highest per capita income (y_n). These points are indicated below. The curves representing per capita shares with respect to per capita income under the alternative criteria have been referred to as the distance, inverse-income and population criteria curves, respectively.

(i) u : the point of intersection between the distance curve (a^W_i) and inverse income curve (b^W_i) at the lower end of per capita incomes ;

(ii) v : point of intersection between the two curves, at the higher end of per capita incomes ;

(iii) M : the mean income defined by $\Sigma N_i y_i / \Sigma N_i$. This gives the point of intersection of the population criterion curve (q^W_i) with the distance curve (a^W_i).

(iv) y(q,b) : This is given by $(\Sigma N_i / \Sigma N_i / y_i)$. This gives the point of intersection of the population criterion curve (q^W_i) with the inverse income curve.

(v) $\{B/A\}^{1/2}$: This is the point at which the difference between the per capita shares determined by the distance formula and the inverse income formula, i.e. $(a^W_i - b^W_i)$ is maximised.

(vi) yn/2 : This is the point at which the ratio between the per capita shares under the distance and the inverse income formulae (a^W_i / b^W_i) is maximised.

19. The income-levels corresponding to the six points mentioned above have been calculated with respect to a distribution of (y_i, N_i), where y_i refers to the per capita incomes of States calculated as an average of per capita incomes of 1987-88, 1988-89 and 1989-90, and population figures relate to the 1971 census. In Table 1, the States have been arranged according to an ascending order of per capita income. The critical income levels corresponding to the six points identified earlier are given in this Table.

20. Between the distance formula and the inverse income formula, the use of the latter would benefit Bihar at the lower end and the States from Arunachal Pradesh to Goa at the upper end of the income scale (Table 1). The difference between the two is maximised at about the income levels of Jammu & Kashmir and Himachal Pradesh. The intersection between the population and inverse income curves takes place at an income level just below that of Meghalaya. Between this and the mean income level, there are five States, viz. Himachal Pradesh, Jammu and Kashmir, Kerala, Andhra Pradesh and Manipur.

21. In Table 2, the shares of States determined under the three formulae, viz. population, distance and inverse income formulae have been given using the distribution of Ni based on 1971 population and per capita incomes (y_i) that represent the average of three years, viz. 1987-88, 1988-89 and 1989-90. The corresponding per capita shares are given in Table 3.

22. A comparison of the per capita shares under the alternative version of the distance criterion indicates that, as compared to the standard version, the adjusted distance formula allocates higher shares to Goa and Punjab at the upper end of the income-scale, and Rajasthan, Orissa, Uttar Pradesh and Bihar at the lower end of the income scale.

Per Capita Shares Under Alternative Criteria

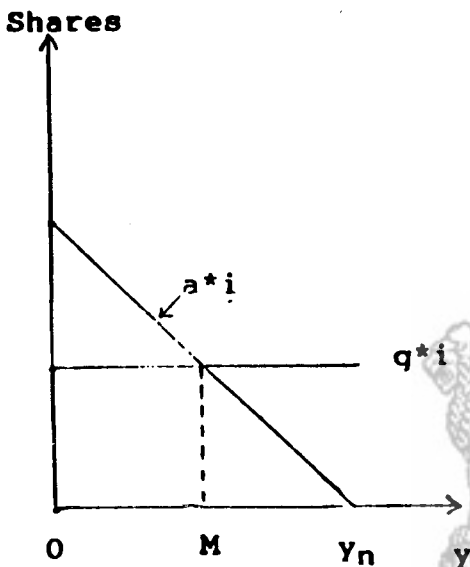


Fig. 1

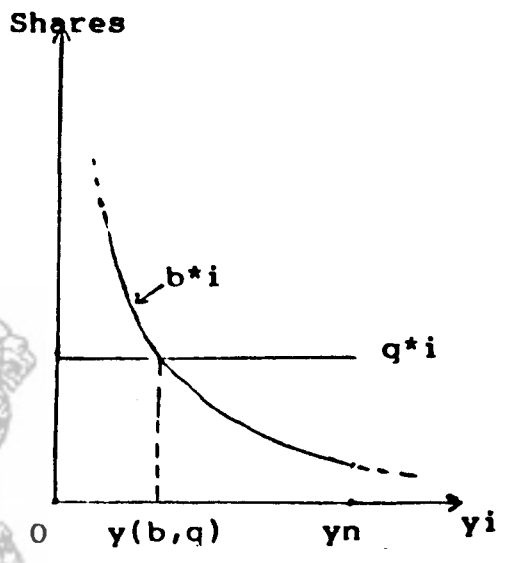


Fig. 2

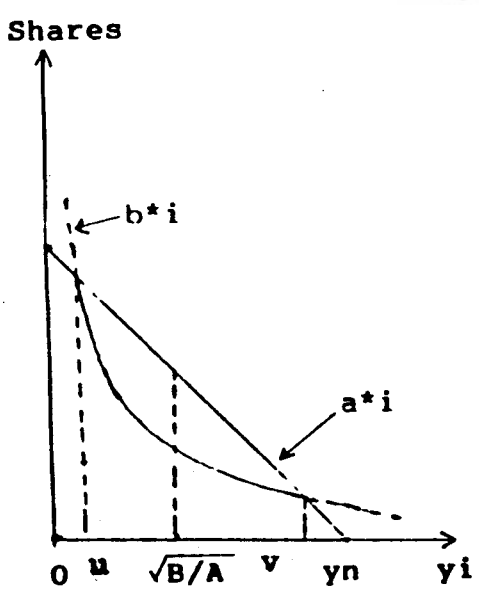


Fig. 3

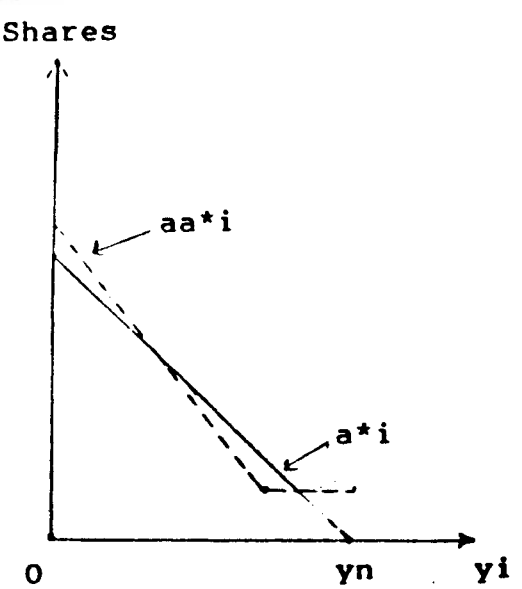


Fig. 4

Shares refer to per capita shares
yi indicates per capita income.
aa*i refers to per capita shares under the adjusted distance formula.

Table 1

Per Capita Incomes : Points of Interest under Alternative Criteria

State	Per Capita income (Rs.)	Critical income levels (Rs.)	Intersection between curves
Bihar	2135		
		u =2699	distance & inverse income
Uttar Pradesh	2867		
Orissa	2945		
Rajasthan	3092		
Tripura	3163		
Assam	3195		
Madhya Pradesh	3299		
Meghalaya	3328		
		y(q,b)=3358	population & inverse income
Manipur	3449		
Andhra Pradesh	3455		
Kerala	3532		
Jammu & Kashmir	3534		
		$\{B/A\}^{1/2}$=3548	*
Himachal Pradesh	3618		
		M = 3625	population & distance
		$y_n/2$ = 3682	**
West Bengal	3750		
Karnataka	3810		
Nagaland	3929		
Tamil Nadu	4093		
Mizoram	4094		
Gujarat	4602		
		v =4665	distance & inverse income
Arunachal Pradesh	4670		
Sikkim	4846		
Haryana	5284		
Maharashtra	5369		
Punjab	6996		
Goa	7364		

* *Income level at which the difference between per capita shares under distance and inverse income criteria ($a^w i - b^w i$) is maximised.*

** *Income level at which the ratio $a^w i / b^w i$ is maximised.*

Table 2

Alternative Criteria : State-wise Shares

States arranged in ascending order of income	Average (1987-90) Per Capita Income (Rupees)	Population (in lakhs)	Shares Under Alternative criteria (Per cent)			
		1971 Census	Population	Distance	Inverse Income	Adjusted Distance
1	2	3	4	5	6	7
Bihar	2135	563.53	10.377	14.513	16.367	14.773
Uttar Pradesh	2867	883.41	16.267	19.566	19.107	19.672
Orissa	2945	219.45	4.041	4.776	4.621	4.795
Rajasthan	3092	257.66	4.744	5.421	5.167	5.425
Tripura	3163	15.56	0.287	0.322	0.305	0.322
Assam	3195	146.25	2.693	3.003	2.839	2.998
Madhya Pradesh	3299	416.54	7.670	8.339	7.830	8.305
Meghalaya	3328	10.12	0.186	0.201	0.189	0.200
Manipur	3449	10.73	0.198	0.207	0.193	0.205
Andhra Pradesh	3455	435.03	8.010	8.375	7.808	8.308
Kerala	3532	213.47	3.931	4.029	3.748	3.988
Jammu & Kashmir	3534	46.17	0.850	0.871	0.810	0.862
Himachal Pradesh	3618	34.60	0.637	0.638	0.593	0.630
West Bengal	3750	443.12	8.159	7.887	7.327	7.757
Karnataka	3810	292.99	5.395	5.128	4.769	5.034
Nagaland	3929	5.16	0.095	0.087	0.081	0.085
Tamil Nadu	4093	411.99	7.586	6.637	6.242	6.450
Mizoram	4094	3.32	0.061	0.053	0.050	0.052
Gujarat	4602	266.97	4.916	3.632	3.597	3.447
Arunachal Pradesh	4670	4.68	0.086	0.062	0.062	0.059
Sikkim	4846	2.10	0.039	0.026	0.027	0.024
Haryana	5284	100.37	1.848	1.028	1.178	0.927
Maharashtra	5369	504.12	9.283	4.953	5.822	4.423
Punjab	6996	135.51	2.495	0.246	1.201	1.189
Goa	7364	7.95	0.146	0.000	0.067	0.070
		5430.80	**100.000**	**100.000**	**100.000**	**100.000**

Table 3

Alternative Criteria : Per Capita Shares

States arranged in ascending order of income	Per Capita Shares x 10,000 (based on 1971 population)			
	qo*	ao*	bo*	aao*
1	2	3	4	5
Bihar	184.14	257.53	290.44	262.16
Uttar Pradesh	184.14	221.47	216.29	222.68
Orissa	184.14	217.63	210.56	218.47
Rajasthan	184.14	210.39	200.55	210.54
Tripura	184.14	206.89	196.05	206.72
Assam	184.14	205.32	194.08	204.99
Madhya Pradesh	184.14	200.20	187.97	199.38
Meghalaya	184.14	198.77	186.33	197.82
Manipur	184.14	192.81	179.79	191.29
Andhra Pradesh	184.14	192.52	179.48	190.97
Kerala	184.14	188.73	175.57	186.82
Jammu & Kashmir	184.14	188.63	175.47	186.71
Himachal Pradesh	184.14	184.49	171.39	182.18
West Bengal	184.14	177.99	165.36	175.06
Karnataka	184.14	175.03	162.76	171.82
Nagaland	184.14	169.17	157.83	165.40
Tamil Nadu	184.14	161.10	151.50	156.56
Mizoram	184.14	161.05	151.47	156.51
Gujarat	184.14	136.03	134.75	129.11
Arunachal Pradesh	184.14	132.68	132.78	125.44
Sikkim	184.14	124.01	127.96	115.95
Haryana	184.14	102.44	117.35	92.33
Maharashtra	184.14	98.25	115.50	87.74
Punjab	184.14	18.12	88.64	87.74
Goa	184.14	0.00	84.21	87.74

Per Capita shares under different formulae have been indicated as detailed below:

qo = population criterion;*

ao = distance criterion (standard version);*

bo = inverse-income criterion;*

aao = adjusted distance criterion.*

Excerpts from Measuring Interstate Differentials in Infrastructure A study undertaken for the Commission by T.C.A. Anant, K.L. Krishna and Uma Roy Chaudhry

INTRODUCTION

1. Over the years our understanding of the development process has changed and with it we have changed the role that is assigned to different agents. However in one area there is virtually no change, which is in the centrality of state policy to the provisioning of infrastructure. Adequate infrastructure Physical or Economic, Social, and Institutional - is treated as the basic pre-requisite for sustained economic development.

2. In this study we seek to develop indices of infrastructural availability at the level of different states mainly for the years 1985 and 1990. These indices will reflect the divergence of a state from the all India average. In this coverage we exclude Union territories. Infrastructure can be measured in different ways: in terms of investment, output or results or in terms of the availability of facilities. In this study we focus on the availability of facilities as the basis for analysis.

CONCEPTS AND METHODOLOGY

3. The availability of adequate infrastructure is taken as the fundamental cornerstone of development strategy. The availability of adequate transportation facilities, power, communications, etc. are taken as essential preconditions by any entrepreneur deciding on an investment project in any region. Similarly the availability of skilled manpower and decent living conditions are also important considerations in such location decisions.

4. The end of the second world war with the associated process of decolonization saw rapid growth in and proliferation of theories of economic development, chief among these were Rosenstein-Rodan's "Big Push" , Nurkse's "Balanced Growth", Rostow's "Take off into Sustained Growth" and Leibenstein's "Critical Minimum effort Thesis". The common theme of all these theories was an aggregative framework of analysis and identifying the process of growth and development with large and discrete injections of investment particularly in areas with strong external economies and economies of scale. Consequently the provision of social overhead capital or infrastructure was a significant component of such models.

DEFINITION OF INFRASTRUCTURE

5. The concept of Infrastructure has itself gone through changes over time. These changes reflect the deepening of the concept of development and the process of economic development. In current thinking there are three important aspects to the concept of infrastructure.

PHYSICAL INFRASTRUCTURE

6. In the 1940's and 50's when the concept was first formulated, it was conceived as a set of physical facilities without which an integrated, interdependent modern economy could not function. This emphasis on physical infrastructure was based on the following characteristics of these facilities.

- They involve technological indivisibilities and considerable lumpiness in investment.
- The investment projects have long gestation lags, this often follows from the sheer size of these investments.
- They are subject to substantial external economies and diseconomies through the interdependence of economic activities or even of infrastructure facilities themselves.

SOCIAL INFRASTRUCTURE

7. The identification of infrastructure with only physical capital was considered inadequate for two main reasons. Firstly there was the recognition of the importance of human capital in the growth process. Human capital effects growth both through its effects on innovations and technological change as well as increases in labour productivity. Investment in Human Capital has similar features and characteristics of physical infras tructural investment outlined above. For example investments in the areas of Health, Education, Water Supply, Housing, etc. have all got marked public good characteristics. They have strong linkages with each other and with physical productivity, for example literacy is an important requirement for the adoption and spread of Public Health measures, Health and Literacy have direct effects on productivity. Investments in these areas have long gestation lags sometimes even longer than in the case of physical infrastructure. The second reason was a dissatisfaction with the identification of economic growth measured in terms of national product. This dissatisfaction was on two grounds. Firstly that considerations of equity would focus attention on a number of issues of basic need like health and education. Further the recognition that quality of life is not perfectly related to measures of income and hence these other factors better proxy other needs of human society.

INSTITUTIONAL INFRASTRUCTURE

8. In recent times the emphasis of development strategy has shifted from state control to market friendly mechanism. This has highlighted the importance of institutions of governance and regulation as well as of agencies which facilitate the flow of information and investible resources. The importance of administrative systems, legal mechanisms, public safety have long been recognized as important preconditions to growth and development. But in addition to these institutions like banks and financial institutions, Insurance agencies etc. can also be seen to play critical infrastructural roles. Banks and Financial Institutions mobilize capital, help in reducing risk and can assist in information flows regarding a number of economic activities.

MEASURING INFRASTRUCTURE

9. We have three broad methods available to measure infrastructure in a country or region. Each of these have their own limitations and advantages. Each measure can be justified depending on the ultimate use to which it is to be put. In this report the basic premise is to calculate a measure which is related to the activity of the government.

INDIRECT MEASUREMENT VIA EFFECTS

10. One possibility would be to measure the extent of infrastructure in terms of utilization and results. It is instructive to consider some examples: in the case of social infrastructure we could focus on literacy or mortality statistics. In the case of transportation by the value added in that sector. Or for physical infrastructure as a whole in terms of the domestic product of the state or a given region. This method has a number of advantages, first it cuts out most intermediate measurement issues and directly focusses on the results of interest. However the link between the facility and result is not given by a precise invertible mathematical result but is influenced by a number of other socio-cultural factors. For example, the availability of schools and teachers translates to literacy through a complex of factors related to attitudes to education, the degree of economic development, the growth of opportunities to take advantage of literacy and so on. The interlinkages across infrastructural facilities create their own problem of interpretation since shortfalls in one area, say power, can significantly reduce domestic product which in all other respects the state may be very well endowed.

INVESTMENT BASED MEASURES

11. We can define the amount of infrastructural facilities available in a state in terms of the amount of investment that is undertaken for this purpose. This would have two main advantages, first it is possible to directly compare different states on availability in terms of a single linear additive measure namely money. It also has the advantage that different types of facilities are directly reduced to a single common denominator. The main difficulty with this approach is that the amount of money allocated in a given year reflects both maintenance and new investment expenditures, even if we could separate out the two, the conversion from monetary units to physical stock is problematic. The amount of physical stock generated is influenced by both prices or cost and the time taken to implement the project. Over the years infrastructure investments have been notorious for both cost and time overruns both of which are almost impossible to quantify.

12. On balance, our assessment is that these measures outlined above while useful in certain contexts are not helpful in devising a measure which can identify the extent and nature of action required at the level of states in the Union. Thus we focus attention in this report on the last measure, namely, that based on a direct enumeration of available facilities.

FACILITIES BASED MEASURES

13. In this approach the measure seeks to directly quantify the amount of different facilities available. In doing so we confront two major problems. The first relates to the aggregation problem as we will attempt to build a unique or small group of measures from a number of disparate measures. Before we deal with this issue, we must examine the second and equally important conceptual issue. The biggest problem with a facilities orientation is that it is almost impossible to control for differences in quality. For example a village may be electrified but effectively no power is delivered because of poor maintenance; the roads may exist but again may be in such poor condition that they are not useful for any major traffic; a teacher may himself be semi or illiterate and so on. This problem is further compounded if these differences are not homogeneously distributed across states. In this exercise we assume, for want of any information in this regard, that the quality effects are similarly placed in different states.

14. In this report we measure the infrastructure facilities available in different states in terms of eight major sectors:

1. Agriculture
2. Banking
3. Electricity
4. Transport
5. Communications
6. Education
7. Health
8. Civil Administration

15. These are further classified under three heads: Economic Infrastructure(1-5), Social Infrastructure (6&7), and Administrative Infrastructure. The choice of these sectors was influenced both by the conceptual considerations outlined earlier and availability of data.

METHODOLOGY

16. A key factor limiting our selection and use of variables was the lack of availability of consistent data for all states in the Union. If data for a given year was not available then the data for the closest available year was chosen. However, in some cases data for 1990 or later is not available, in which case the most recent year possible has been selected. In selecting variables the primary consideration was to preserve the capital good and public good character of the concept of infrastructure.

17. The data was first standardized by deflating the numbers by a suitable deflator. In some cases the choice of deflator was governed by some natural criteria, as in total number of villages for data on villages electrified, or cultivated area for data on net area irrigated. Where such natural deflators were not available then given our concern with availability we have used either population in million or the area of the state in thousand square kilometers. Our preference has been to focus on area unless there are compelling reasons to use population. Occasionally we have in fact used both. The choice was based on the considerations that both distance and congestion are access costs. However congestion can be reduced by improvements in quality or size. Thus in the absence of data on size distribution or quality distribution of these facilities population will be more misleading than a distance based cost. Where this argument was not compelling we have used both measures, as in the case of hospital beds or in the case of administrative measures. The standardized variable was then converted into an index number by deflating with the All-India value of that year. This implies that the index numbers reflect the deviation in a state from the All India availability of that resource.

18. The next step was to devise an aggregation procedure at the sectoral level. For this purpose we restricted attention to the eighteen largest states in terms of population. This was done as the data on the smaller states tended to have numerous gaps. Further the most complete data set is available for all variables only for 1985, hence all statistical analysis was done on this year. As a first step the 1985 data for 18 major states was analyzed to calculate the first principal component. The eigenvector corresponding to this component was standardized so as to sum up to unity. Using the eigenvector based weights sectoral indices were calculated for both 1985 and 1990. If for a given state some variables were missing in any year the weight for

those variables was redistributed amongst the other variables. This general procedure was used in all the above cases except agriculture (where no aggregation was needed), education, banking and administration.

19. The sectoral indices were aggregated into an aggregate index of infrastructure. In a fundamental sense all these infrastructural facilities are critical for the process of development. For this purpose we identified the concept of development with state domestic product. Therefore, in order to examine the issue of assigning weights we looked at the correlation of these different variables with an index of state domestic product per capita. This index was generated by calculating a three year average of the SDP's of different states and converting the resulting SDP percapita into an index with all India value set at 100. The weights for the sectoral values were than constructed in proportion to the correlation of the sectoral variable with the SDP index.

20. It must be noted that the index number so created does not reflect availability. Further increases or decreases in the absolute value does not imply that the state has seen an increase or decrease in its absolute infrastructural facilities but that it has seen a growth which is lower than the average growth recorded.

DATA SOURCES

21. Data on net irrigated area for all states have been collected from `Basic Statistics Relating to the Indian Economy', Vol.II, States (CMIE,September, 1992), for the years 1985-86 and 1987-88.

22. This is also the main source of information for "Installed capacity"," Number of Villages Electrified," and "Consumption of Electricity" (Utilities only). The information is available for 1985-86 and 1991-92 for the first two items and for 1990-91 for the last i.e. consumption of electricity. Data are available consistently for all the states except for Goa. Data on "Length of Transmission and Distribution Lines " by States are taken from "Public Electricity Supply, All-India Statistics-General Review."

23. Data on "Statewise Distribution of Commercial Bank Offices" and "Number of branches of Regional Rural Banks" are obtained from "The Report on Currency and Finance," Vol II, Statistical Statemants, (Reserve Bank of India). Distribution of Offices of Cooperative Banks in Different States are from "Statistical Tables Relating to Banks in India" (Reserve Bank of India) and is inclusive of State, Central and Primary Cooperative Banks. The latest year for which data are available is 1988 except for Goa and Mizoram for which data even for 1985 are not available. In the case of Regional Rural Banks, the latest year for which data are available for all the states is 1989 except for Goa and Sikkim for which no data on this category of bank services are available. For Commercial Bank Offices the position is very satisfactory with data for all the states being available till 1991.

24. "Basic Road Statistics of India", Transport Research Division, Ministry of Surface Transport is the source for all data on road length as well as villages connected by all weather roads. The data are available for all the states with 1988 as the latest year. Information on railway route length and registered motor vehicles are obtained from `Basic Statistics Relating to the Indian Economy,' Vol II, States (CMIE September 1992). In both the cases data are available for all the States for the years, 1985-86 and 1990-91.

25. Data on both post offices and telephones connected to the Departmental Network by States are taken from different issues of "Basic Statistics Relating to the Indian Economy," Vol.II, States (CMIE). The latest data available is for 1990.

26. In the case of `Number of Telephones connected to the Departmental Network,' the 1985-86 data have the information of northwestern States appear in the form of the total figure for Haryana, Himachal Pradesh and Punjab and for northeastern States of Manipur, Meghalaya, Nagaland, Tripura are clubbed with Assam. For 1990-91, the northeastern States of Manipur, Meghalaya, Nagaland and Tripura are presented together. In these cases the figures are distributed between the states using the proportions for the year for which details are available.

27. Data on the number of "Primary Institutions' and "All Types of Institutions' are taken from "Education in India, Vol I, Ministry of Education. The latest year for which data are available is 1985. The data on non-primary institutions are calculated from the above two. As regards the data on the "Number of teachers per unit of the population in the relevant age group" (primary 8-11 years, middle 11-14 years & higher secondary 14-17/18 years) the ratios have been worked out using the two series of teachers and population from independent sources.

28. Data on "Number of beds in Hospitals and Dispensaries" are collected from "Basic Statistics Relating to the Indian Economy, Vol.II., States (CMIE, September 1992)". The latest year for which information is availables is 1989. The data on "Number of Primary Health centres and subcentres" is obtained using both "Health Information in India," and "Health Statistics in India," both published by the Ministry of Health. The latest year for which information is available is 1990. However, no data are available for Goa and Arunachal Pradesh for 1980.

29. Finally we have collected data on some key variables describing a state, namely population, area and number of villages. These were used primarily as a basis for standardisation. The population data was drawn from various issues of the Report of Currency and Finance. Area of states was obtained from the September issues of CMIE, "Basic Statistics Relating to the Indian Economy, Vol In, States (1992)". The data on number of villages in a state was drawn from "Basic Road Statistics of India".

Appendix 6

Scheme of Debt Relief Related to Improvement in Fiscal Performance on Revenue Account

1. The proposed scheme of general debt relief with respect to central loans relates debt relief to improvement in the ratio of revenue receipts of a State to its total revenue expenditure. Revenue receipts include devolution and grants from the Centre on revenue account. Relief is calculated by reference to repayments of central loans falling due during the period 1995-2000.

2. Relief for 1996-97 will be determined in 1995-96. In this year, actuals will be available for 1993-94. For this year, revenue receipts as a percentage of revenue expenditure (r) may be calculated for each State. For three years preceding that year, i.e. 1992-93, 1991-92 and 1990-91, similar ratios will be calculated and the average of these three ratios (r^*) will be computed. From this, the percentage relief (R) is calculated as $2 (r - r^*)$. The relief would be in the form of writing off of R per cent of repayment of principal on account of instalments falling due in 1995-96 with respect to fresh central loans to a Stage given during 1989-95 and as outstanding on March 31, 1995.

3. Thus, if the performance of a State improves by 2.5 percentage points, i.e. $(r - r^*) = 2.5$, the State Government will become entitled to a relief equivalent to 5 per cent, i.e. $R = 5$. The minimum and maximum limits of R have been prescribed as zero and 10 per cent.

4. Values of R will be calculated in a corresponding manner for each year during 1995-2000. As such, the relief pertaining to repayments due in 1999-2000 will be given in the next financial year. If in any year, the Ministry of Finance finds an increase in revenue receipts or revenue expenditure of a State on acount of an unusual or abnormal item, it may take cognizance of this and make suitable adjustments.

5. It may be noted that for the calculation of relief in any one year, a reference to 6 years becomes relevant. Thus, for relief in 1996-97, we refer to the following years:

Year in which relief is given	:	1996-97
Year in which relief is determined (repayments due will relate to this year)	:	1995-96
Year for which latest actuals are available (r is calculated for this year)	:	1993-94
Years from which (r^*) is calculated	:	1992-93, 1991-92, 1990-91

6. The Ministry of Finance may prepare necessary guidelines for the implementation of the scheme and circulate these to the States as soon as possible.

7. In the accompanying Table, the magnitude of relief with respect to two illustrative figures of percentage relief, viz. 5 per cent and 10 per cent are given. The latter figure indicates maximum possible relief that the States may get under the Scheme.

8. The relief under this scheme is in addition to any other debt relief provided to a State on other considerations in Chapter XII.

Debt Relief (Incentive Scheme) to States on Repayment of Central Loans during 1995-2000

(Rs. lakhs)

States	Repayments during 1995-2000	Stipulated relief under general incentive scheme at	
		5%	10%
	1.	2.	3.
Andhra Pradesh	85888	4294.4	8588.8
Arunachal Pradesh	6328	316.4	632.8
Assam	28912	1445.6	2891.2
Bihar	89077	4453.9	8907.7
Goa	8119	406.0	811.9
Gujarat	104014	5200.7	10401.4
Haryana	24168	1208.4	2416.8
Himachal Pradesh	11876	593.8	1187.6
Jammu & Kashmir	23414	1170.7	2341.4
Karnataka	56768	2838.4	5676.8
Kerala	46313	2315.7	4631.3
Madhya Pradesh	50006	2500.3	5000.6
Maharashtra	112470	5623.5	11247.0
Manipur	2511	125.6	251.1
Meghalaya	2013	100.7	201.3
Mizoram	3140	157.0	314.0
Nagaland	2666	133.3	266.6
Orissa	34996	1749.8	3499.6
Punjab	22851	1142.6	2285.1
Rajasthan	53128	2656.4	5312.8
Sikkim	1559	78.0	155.9
Tamil Nadu	62342	3117.1	6234.2
Tripura	5831	291.6	583.1
Uttar Pradesh	208661	10433.1	20866.1
West Bengal	84782	4239.1	8478.2
	1131833	**56591.7**	**113183.3**

1. *Repayment amounts in column 1 relate to outstanding loans taken during the period 1989-94. However, the proposed scheme would also cover loans taken during 1994-95 on account of which repayments may fall due in 1995-2000.*

Appendix 7

Table 1 : Statewise Revenue Receipts : 1983-84

(Rs. crores)

States	Own Tax Revenue	Non-Tax Revenue	Shares in Taxes	Art.275 Grants	Other Grants	Total
1	2.	3.	4.	5.	6.	7.
1. Andhra Pradesh	965.37	309.42	408.32	1.10	269.14	1953.35
2. Arunachal Pradesh	0.85	13.26	0.00	42.41	32.42	88.94
3. Assam	135.35	77.89	137.66	4.36	195.33	550.59
4. Bihar	441.69	226.71	590.50	19.64	236.25	1514.79
5. Goa	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6. Gujarat	879.04	292.15	226.71	6.85	160.38	1565.13
7. Haryana	350.03	179.54	96.63	0.42	71.97	698.59
8. Himachal Pradesh	54.25	48.38	30.02	49.61	134.72	316.98
9. Jammu & Kashmir	70.13	81.65	36.38	86.22	104.54	378.92
10. Karnataka	759.52	316.37	271.15	0.00	142.42	1489.46
11. Kerala	486.77	118.26	209.48	2.05	117.68	934.24
12. Madhya Pradesh	619.12	498.21	420.25	32.83	234.39	1804.80
13. Maharashtra	1870.75	708.99	401.65	3.68	266.90	3251.97
14. Manipur	4.89	3.58	9.75	38.39	73.06	129.67
15. Meghalaya	9.50	7.21	9.86	23.18	75.21	124.96
16. Mizoram	0.61	2.52	0.00	36.61	25.60	65.34
17. Nagaland	9.47	11.06	4.88	52.59	83.89	161.89
18. Orissa	207.07	120.50	222.76	59.16	173.62	783.11
19. Punjab	544.12	156.37	111.66	0.99	65.99	879.13
20. Rajasthan	441.18	267.45	242.01	7.35	185.13	1143.12
21. Sikkim	3.77	7.86	1.13	8.99	34.33	56.08
22. Tamil Nadu	1145.24	190.00	402.03	3.60	221.64	1962.51
23. Tripura	8.38	12.70	16.78	36.10	71.07	145.03
24. Uttar Pradesh	992.10	404.75	682.12	25.11	551.34	2655.42
25. West Bengal	780.75	145.98	433.92	2.02	170.46	1533.13
Total	**10779.95**	**4200.81**	**4965.65**	**543.26**	**3697.48**	**24187.15**

Note: *1. Includes U.T period receipts of Arunachal Pradesh and Mizoram*

2. Figures have been cleaned for Abnormal / One time receipts

Source : *State Finance Accounts*

Appendix 7

Table 2 : Statewise Revenue Receipts : 1994-95 (B.E.)

(Rs. crores)

States	Own Tax Revenue	Non-Tax Revenue	Shares in Taxes	Art.275 Grants	Other Grants	Total
1	2.	3.	4.	5.	6.	7
1. Andhra Pradesh	3842.64	1296.25	1876.45	144.76	1100.42	8260.52
2. Arunachal Pradesh	6.67	64.55	130.44	64.95	283.59	550.20
3. Assam	886.81	372.67	804.60	179.54	1339.45	3583.07
4. Bihar	1791.96	1162.32	2732.89	423.45	1283.90	7394.52
5. Goa	207.85	147.31	89.87	34.62	24.92	504.57
6. Gujarat	4421.17	960.21	974.36	72.32	552.27	6980.33
7. Haryana	1794.47	1861.93	312.03	8.83	328.56	4305.82
8. Himachal Pradesh	241.60	64.20	328.60	110.51	398.69	1143.60
9. Jammu & Kashmir	256.02	155.01	562.52	226.61	785.18	1985.34
10. Karnataka	4882.13	1067.74	1115.07	10.12	1093.30	8168.36
11. Kerala	2457.12	287.55	822.45	138.76	514.08	4219.96
12. Madhya Pradesh	3022.48	1477.92	1839.49	354.68	1582.00	8276.57
13. Maharashtra	8064.48	2474.62	1657.54	66.95	1315.92	13579.51
14. Manipur	22.86	45.17	178.81	74.88	204.52	526.24
15. Meghalaya	61.36	22.10	142.88	48.73	305.77	580.84
16. Mizoram	4.89	22.07	158.15	76.61	196.67	458.39
17. Nagaland	19.30	27.58	193.81	90.26	254.07	585.02
18. Orissa	1076.64	451.42	1272.65	333.01	860.61	3994.33
19. Punjab	2642.08	456.16	417.59	38.07	376.62	3930.52
20. Rajasthan	2218.12	1128.76	1269.11	504.97	930.71	6051.67
21. Sikkim	14.42	29.48	43.73	18.45	157.66	263.74
22. Tamil Nadu	4623.05	560.71	1701.44	14.62	944.55	7844.37
23. Tripura	44.39	34.34	257.36	81.53	358.59	776.21
24. Uttar Pradesh	4601.21	1478.21	3883.20	940.85	1987.95	12891.42
25. West Bengal	3562.80	340.95	1764.07	309.62	974.72	6952.16
Total	**50766.52**	**15989.23**	**24529.11**	**4367.70**	**18154.72**	**113807.28**

Note: *1. Figures have been cleaned for abnormal/one time receipt.*

Source : *State Budget*

Appendix 7

Table 3 : Overall Surplus or Deficit on Revenue Account

(Rs. crores)

States	1983-84 Actuals	1994-95 B.E.
1.	2.	3.
1. Andhra Pradesh	-88.57	-703.66
2. Arunachal Pradesh	9.24	114.78
3. Assam	-138.99	441.29
4. Bihar	59.88	-693.09
5. Goa	N.A.	38.22
6. Gujarat	139.03	87.33
7. Haryana	75.85	-512.27
8. Himachal Pradesh	32.71	-430.08
9. Jammu & Kashmir	-28.47	-148.66
10. Karnataka	72.90	219.93
11. Kerala	-58.20	-833.37
12. Madhya Pradesh	121.85	-30.71
13. Maharashtra	70.36	-998.85
14. Manipur	23.68	104.67
15. Meghalaya	25.25	36.58
16. Mizoram	-19.78	60.13
17. Nagaland	-3.33	-64.69
18. Orissa	0.20	-421.94
19. Punjab	59.27	-406.39
20. Rajasthan	44.65	-482.77
21. Sikkim	6.80	48.68
22. Tamil Nadu	51.71	-1239.16
23. Tripura	3.85	54.62
24. Uttar Pradesh	-105.74	-1971.79
25. West Bengal	-206.17	-1335.88
26. Total (Net)	147.98	-9067.08
27. Deficit	-649.25	-10273.31
28. Surplus	797.23	1206.23

Table 4

Revenue Receipts - All states

(Rs. Lakhs)

	Major Head	Actuals										Trend Growth Rate (%)	1993-94	1994-95
		1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93		R.E.	B.E.
		1	2	3	4	5	6	7	8	9	10	11	12	13
I.	**Tax Revenue**	1070929	1220061	1442652	1647238	1903894	2231849	2569326	2946369	3527328	3942101	15.81	4466076	4986660
0022	Tax on Agr. Income	4402	8446	12692	10377	6263	6443	9259	16943	20221	11119	9.90	15004	16634
0029	Land Revenue	20811	21681	23907	21247	25831	31499	39636	38957	36371	44942	9.56	36952	69846
0030	Stamp and Registration	63249	70453	85333	100866	125337	148778	184826	210717	264488	295272	19.67	340822	381796
0039	State Excise Duties	159057	186537	207723	242933	286800	310286	388288	478920	546134	629642	16.76	651595	689835
(a)	CountrySpirits/ Fermented Liquors													
(b)	Others													
0040	Sales Tax	622656	704738	841837	955964	1114672	1332418	1506754	1757774	2086327	2313971	16.10	2681187	3023912
	Taxes on Vehicles	106883	117836	136426	157942	184302	212760	227329	259069	294224	338968	13.73	407238	437324
0041	Motor Vehicle Tax	62406	70138	82783	98331	112900	129068	139239	152892	184317	215859	14.39	248872	271839
0042	Tax on Goods & Passengers	44477	47698	53644	59611	71402	83692	88090	106177	109908	123109	12.72	158366	165485
0043	Electricity Duty	36754	45499	63390	82709	80621	99898	109021	118633	160103	175312	17.81	189746	206055
II.	**Non-Tax Revenue**													
A	Normative Items													
0049	Interest Receipts	46592	53123	54338	68708	89405	75141	92913	97022	210811	185243	16.85	198286	222742
0050	Dividend	2514	2044	2091	2335	2746	4848	2607	3274	4472	10612	13.97	5800	6032
0701	Major and Medium Irrigation													
(a)	Receipts	13661	12349	20785	15508	13483	16233	17836	17546	21419	25697	5.80	29490	40391
(b)	Expenditure	80988	89409	103855	122185	134920	159496	185764	201439	229589	261739	14.19	265887	317569
	(i) Interest	61431	74076	84231	95371	98384	150850	144733	153430	166278	188894	13.19	217531	242475
	(ii) Others	29486	29403	34646	40984	50015	56963	71752	82576	101525	114533	17.81	98005	131854
(c)	Net (a-bii)	-15824	-17054	-13861	-25476	-36532	-40730	-53916	-65029	-80106	-88837		-68515	-91462
0801	Power (Depart-mental Schemes)													
(a)	Receipts	3024	3474	3970	4523	8123	13120	13087	10946	13342	13383	21.07	18053	20692
(b)	Expenditure	6906	7790	9108	12551	15660	22315	24821	18092	19968	22522	15.00	27033	28651
	(i) Interest	3864	3574	N.A.	4076	4212	5366	5755	4887	8759	9014		8774	10311
	(ii) Others	6836	8714	11287	11691	14673	20649	23156	17481	16083	17536	11.09	22283	22883
(c)	Net (a-bii)	-3812	-5240	-7317	-7168	-6550	-7529	-10069	-6535	-2741	-4153		-4230	-2191
B.	Others	189301	222097	247739	301181	328895	363449	407696	375376	459544	527735	11.12	558020	633953
	A+B	218771	254969	282991	339581	377964	395179	439231	404108	591979	630600	11.54	689361	769073
III. Non-Plan Grants*		26065	23396	38193	43069	39642	61365	44906	52850	59430	52598	9.54	61982	51575
Grand Total (I+II+III)		**1315765**	**1498426**	**1763836**	**2029888**	**2321500**	**2688393**	**3053463**	**3403327**	**4178737**	**4625299**	**15.06**	**5217419**	**5807308**

Note 1. Includes U.T. period receipts of Arunachal Pradesh and Mizoram
2. Figures have been cleaned for abnormal/one time receipts

Source State Finance Accounts/State Budgets

* Grants for which expenditure is booked on Non-plan account.

Table 5

Revenue Expenditure - All states

(Rs. Lakhs)

Major Head		Actuals							Trend Growth Rate (%)	1993-94	1994-95
		1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93		R.E.	B.E.
0		1	2	3	4	5	6	7	8	9	10
2049	Interest Payments	419560	484540	592902	704521	840465	1056391	1296243	20.80	1644875	1917084
2055	Police	202248	240259	279796	328429	393346	444022	520711	17.04	615318	631163
2202	General Education (Other than Dept.)	342648	416062	480504	578721	711962	766355	866980	17.02	986985	1062887
	(a) Elementary Education	341075	389933	447338	560363	664675	732355	839957	16.85	902281	1022054
	(b) Others	174332	198722	227835	260098	326304	352741	403185	15.45	450774	497534
2210	Medical & Public Health	22434	30860	28099	49972	63604	75461	95825	28.22	80853	103666
3456	Civil Supplies										
	(i) Subsidies	54724	61813	65200	79482	96532	99930	107453	12.82	123754	134302
2515	Other Rural Dev. Programmes Others	1102083	1291743	1507149	1766341	2067813	2638351	2766498	17.46	3098981	3147173
	Total	**2659104**	**3113933**	**3628824**	**4327926**	**5164701**	**6165607**	**6896852**	**17.76**	**7903821**	**8515863**

Note : *Figures have been cleaned for abnormal/one time Expenditure.*
Source : *State Finance Accounts/State Budgets.*