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CHAPTER I

INTRODUCTION

Our Commission was constituted by the President in his Order dated 28th June, 1972 which is reproduced below :—

"In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President is pleased to constitute a Finance Commission consisting of Shri K. Brahmananda Reddi, former Chief Minister of Andhra Pradesh, as the Chairman and the following four other Members, namely :—

(1) Shri Justice Syed Sadat Abul Masud, Judge, Calcutta High Court.

(2) Dr. B. S. Minhas, Member, Planning Commission.

(3) Dr. I. S. Gulati, Senior Fellow, Centre for Development Studies, Trivandrum.

(4) Shri G. Ramachandran, 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 31st day of October, 1973.

3. The Chairman and Members of the Commission except Dr. B. S. Minhas and Dr. I. S. Gulati shall render whole-time service to the Commission. Dr. B. S. Minhas shall render part-time service as Member of the Commission. Dr. I. S. Gulati shall render part-time service as Member of the Commission until such date as the Central Government may specify in this behalf and thereafter he shall render whole-time service to the Commission.

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

(a) the distribution between the Union and 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 having regard, among other considerations, to —

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

(ii) the revenue resources of those States for the five-years ending with the financial year 1978-79 on the basis of the levels of taxation likely to be reached at the end of the financial year 1973-74 ;

(iii) the requirements on revenue account of those States to meet the expenditure on administration taking also into account such provision for emoluments of Government employees, teachers and local body employees as obtaining on a specified date as the Commission deem it proper in the light of the States' capacity and needs, interest charges in respect of their debt, transfer of funds to local bodies and aided institutions and other committed expenditure ;

(iv) adequate maintenance and upkeep of capital assets and maintenance of Plan schemes completed by the end of 1973-74, the norms, if any, on the basis of which specified amounts are allowed for the maintenance of different categories of capital assets being indicated by the Commission ;

(v) the requirements of States which are backward in standards of general administration for upgrading the administration with a view to bringing it to the levels obtaining in the more advanced States over a period of ten years ; and

(vi) the scope for better fiscal management and economy consistent with efficiency which may be effected by the States in their administrative, maintenance, developmental and other expenditure ;

(c) the changes, if any, to be made in the principles governing the distribution amongst the States of the grant to be made available to the States in lieu of tax under the repealed Railway Passenger Fares Tax Act, 1957 ;

(d) the changes, if any, to be made in the principles governing the distribution amongst the States under article 269 of the Constitution of the net proceeds of any financial year of estate-duty in respect of property other than agricultural land ;

(e) the changes, if any, to be made in the principles governing the distribution 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, on each of the following commodities, namely :—

(i) cotton fabrics,

(ii) woollen fabrics,

(iii) rayon or artificial silk fabrics,

(iv) sugar, and

(v) tobacco including manufactured tobacco, in replacement of the States' sales taxes formerly levied by the State Governments ;

Provided that the share accruing to each State shall not be less than the revenue realised from the levy of sales tax for the financial year 1956-57 in that State ; and

(f) the principles governing the distribution among the States of the grant to be made available to the States on account of wealth tax on agricultural property.

5. The Commission may make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1978-79. In the light of such an assessment, the Commission may undertake a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1973-74 and suggest changes in the existing terms of repayment having regard *inter alia* to the overall non-Plan gap of the States, their relative position and the purposes for which the loans have been utilised, and the requirements of the Centre.

6. The Commission may review the policy and arrangements in regard to the financing of relief expenditure by the States affected by natural calamities and examine *inter alia* the feasibility of establishing a National Fund to which the Central and State Governments may contribute a percentage of their revenue receipts.

7. The Commission in making its recommendations on the various matters aforesaid shall have regard to the resources of the Central Government and the demands thereon on account of the expenditure on civil administration, defence and border security, debt servicing and other committed expenditure or liabilities.

8. The Commission shall make its report by 31st October, 1973 on each of the matters aforesaid and covering a period of five years commencing from the 1st day of April, 1974, indicating the basis on which it has arrived at its findings and make available the State-wise criteria adopted in making modifications, if any, in the States' forecasts of receipts and expenditure".

2. Dr. B. S. Minhas served the Commission on a part-time basis throughout. Dr. I. S. Gulati served the Commission part-time upto 31st December, 1972 and thereafter as a full-time Member. The Chairman and other Members served on a whole-time basis. The first meeting of the Commission was held in New Delhi on 14th July, 1972. We adopted rules of procedure similar to those followed by the earlier Finance Commissions subject to minor modifications. We also approved of the issue of a Press Note indicating the terms of reference of the Commission and inviting written Memoranda setting out views and specific suggestions from those interested in the matter. A circular letter inviting their views on matters covered by our terms of reference was sent to all Members of Parliament, Members of State Legislatures, Vice-Chancellors of Universities and leading economists.

3. Even prior to the formal constitution of the sixth Finance Commission, an Officer appointed on Special Duty in the Ministry of Finance to attend to the preliminary work connected with the setting up of the Commission, wrote to the State Governments and Accountants General for supply of material on matters likely to be of relevance to our work. In the light of our discussions at the first meeting of the Commission, a further letter was addressed by our Member-Secretary to the State Governments asking them to furnish us with forecasts of receipts and expenditure on revenue and capital accounts for the five years period to be covered by our award (1974-75 to 1978-79). We also requested the State Governments to supply information on certain subsidiary points which have been set out in Appendix III. Likewise, we also wrote to the Union Ministry of Finance to furnish the Commission with forecasts of revenue and expenditure for the five year period indicating separately the divisible pool of income-tax and share in other Central taxes and duties likely to accrue to the States during the period of our award.

4. At our request, the Comptroller and Auditor General was good enough to instruct the State Accountants General to assist us with whatever information

that may be needed by us from time to time in connection with our work. We are grateful to the State Accountants General for complying with all our requests for information promptly, despite the fact that this time the range of information on which we sought verification through them was far wider than needed by the earlier Commissions in view of the inclusion of non-Plan capital accounts of State Governments also within the purview of our enquiry. The State Accountants General also readily complied with our request for verification of figures regarding the debt position of the States. But for the co-operation extended by them, it would not have been possible for us to complete our work in time.

5. We could initiate our round of discussions with the State Governments only from January, 1973 in view of the considerable time taken by most of the State Governments in compiling and submitting the forecasts on revenue and capital accounts in the form prescribed by us. We thought that it would be an advantage, if the forecasts were first discussed between the Officers of the Commission and the State Governments. Accordingly the Member-Secretary of the Commission held discussions on various dates with State Finance Secretaries and other officials deputed by the State Governments at which clarification was obtained on a number of points of detail relating to the forecasts. This preliminary exercise considerably facilitated the subsequent discussions which the full Commission held with State Chief Ministers and their colleagues and senior officials at State headquarters.

6. The dates of the Commission's discussions with State Chief Ministers and officials are indicated at Appendix IV. It will be seen that we were able to visit all State headquarters except Imphal. The Manipur State representatives kindly complied with our request to come to Shillong for their discussion with us. At these meetings with the State Chief Ministers, other Ministers and senior officials of the State Governments, there was a full and frank exchange of views on matters pertaining to our terms of reference and the requirements of the States and we are glad to report that these discussions enabled us to gain a clear appreciation of the special problems and the needs of the States. We would like to acknowledge gratefully the help and co-operation we received in unstinted measure from State Governments in all aspects of our work. We would also like to thank them specially for the hospitality extended to us during our visits to the States.

7. During our discussions with State Governments and their officials, State Accountants General were also generally present. In most States we also had a brief session with the Accountants General separately. These discussions enabled us to form a fair judgment on the general state of fiscal management in different States.

8. In many of the State headquarters visited by us, the representatives of the Press also met the Chairman and other Members of the Commission. These meetings proved helpful to us in appreciating in a wider perspective some of the local problems and needs, though obviously we could not indicate to the Press our response to the several points in the Memoranda submitted by the State Governments. We would like to thank the Press for the keen interest shown by them in our work.

9. In response to the Press Note issued by the Commission, we received a number of memoranda from economists, chambers of commerce, some Members of Parliament and State Legislatures and other men of public affairs. A list of the organisations and individuals who sent memoranda is given in Appendix IV. Some of the economists and other individuals and organisations also met us either in New Delhi or in the State headquarters during our visits and gave us the benefit of their views. A list of individuals and organisations who met us is given in Appendix VI. We wish to record our appreciation of the trouble and time taken by them in preparing and submitting memoranda to us and for giving us the benefit of their valuable advice on several issues of great importance in Union-State financial relations.

10. After completing our round of discussions with the States and analysing the material presented to us, we held consultations with officials of the Ministry of Finance led by Shri M. R. Yardi, Finance Secretary and Shri H. N. Ray, Secretary (Expenditure) on the forecasts of receipts and expenditure of the Central Government presented to us by the Ministry of Finance and on other matters pertaining to our terms of reference. This meeting proved helpful in obtaining elucidation on several issues having a bearing on the resource position of the Central Government and other matters relevant to our enquiry.

11. We also thought that it would be useful to have similar discussions with the Deputy Chairman and Members of the Planning Commission. We sent them in advance a short note setting out some of the more important issues on which we felt that the views of the Planning Commission might prove of benefit to us. But, unfortunately, that meeting could not take place.

12. The Chairman and other Members of the Commission wish to place on record the deep sense of appreciation for the utmost devotion of our Member-Secretary, Shri G. Ramachandran, in the discharge of his very onerous duty. But for his untiring efforts, the Commission would have found it difficult to complete its work in time. It has to be remembered in this connection that the terms of reference of our Commission are far wider than those of the earlier Commissions involving, among other things, the assessment of non-Plan capital gaps of the States and revision of the terms of repayment of Central loans outstanding against the States. We wish to acknowledge the very useful and efficient work done by the

officers and members of our staff. The main brunt of handling the voluminous correspondence with State Governments and Central Ministries and of providing guidance to the research staff was borne by the two Deputy Secretaries—Sarvashri A. G. Krishnan and R. K. Mukherji and we thank them for their exemplary devotion and dedication to work. Shri S. D. Srivastava who was Joint Secretary of the Commission for about six months in the initial stages of our work played a notable part in the preparation of background papers for the reference of the Commission and in organising the work of the Commission on proper lines. Dr. K. N. Reddy, our Joint Director, whose services we specially obtained from the University of Baroda, was of great help to us in analysing the economic issues having a bearing on our terms of reference. Our team of Senior Research Officers consisting of Sarvashri M. L. Sastry, B. L. Bansal, P B. Dhawan, R. D. Gupta and Research Officers, Sarvashri B. R. Kharbanda, S. P. Sharma, K. D. Kaushik and Manohar Lal, did excellent work in the collection and processing of the voluminous data on the basis of which alone we could make a proper assessment of the needs of the States on revenue and capital account. We owe a special debt of gratitude to them for the diligence and care with which they attended to this important area of our work. Our Superintendents—Sarvashri M. N. Bajpai and J. P. Kapoor—and the staff under them provided efficient secretarial assistance. Our personal staff also carried out the duties assigned to them to our entire satisfaction.

CHAPTER II

UNION-STATE FINANCIAL RELATIONS: OUR APPROACH

The purpose of the Finance Commission, as envisaged in the Constitution, is primarily to facilitate a periodical assessment of the fiscal needs of the States and the formulation on an objective basis of proposals for transfer of resources from the Centre to the States through devolution of taxes and grants-in-aid. But an incidental and by no means insignificant advantage of the appointment of a Finance Commission has generally been to rekindle interest in issues pertaining to financial relations between the Centre and the States and to promote an enlightened national debate on the several facets of our federal fiscal set up. We have had the benefit of being able to draw on the ideas, concepts and analytical tools evolved by the earlier Commissions. The implications of the several provisions of the Constitution governing the financial relations between the Union and the States, the new trends in federal finance set in motion by the establishment of the Planning Commission as a major agency for canalisation of resources for the financing of State Plans, and other related issues have received elaborate treatment at the hands of the earlier Finance Commissions and also the Administrative Reforms Commission and its study teams. We do not consider it necessary to traverse the ground covered by them. In indicating our general approach to leading issues of current interest in the sphere of fiscal relations between the Union and the States, we feel that it would be more purposeful if we confine ourselves to delineating certain directions in which, in our judgment new initiatives need to be attempted, without of course disturbing too violently the delicate framework that has been painstakingly evolved in the last 25 years.

2. Among the various federal polities in the world today, the Indian federal fiscal system, whether one views it as federal or quasi-federal, is undoubtedly among the few that have demonstrated remarkable resilience in coping satisfactorily with the new demands made on it from time to time. The provisions of the Constitution concerning financial relations between the Centre and the States seem to have been designed with great care and circumspection so as to forestal precisely the kind of difficulties that even the older federations do not appear to have overcome in securing closer correspondence between resources and functions of the different lawyers of Government. These observations should not be construed as implying that the present matrix of financial relations between the Centre and the States does not admit of improvement or simplifications. All that we would like to stress is that the financial provisions of our Constitution give enough room for reconciling such conflicts of interest as may arise from time to time between the Union and the constituent units. If despite these well conceived provisions of the Constitution, some signs of dissatisfaction are discernible in the actual conduct of financial affairs between the Centre and the States, the reasons are to be found partly in the stresses and strains which the national economy as a whole has had to face in recent years and also perhaps in the spirit in which the provisions of the Constitution have sometimes been worked.

3. We must bear in mind that the country as a whole and every part thereof has gained significantly from the maintenance of a vast unified market within which there is free movement of goods and men. Having regard to the trends all over the world even for independent political entities to come together to forge closer economic links in the form of common markets and economic groupings, our best hopes of accelerated economic development lie in the further strengthening of our national market and in the promotion of fiscal arrangements that are most conducive to the effective functioning of this market. Given this basic fact, there can be no room for argument that the levy and administration of taxes with wide economic base such as income tax, corporation tax, union excise duties and of course also import and export duties will have to remain with the Union Government. In fact the architects of our Constitution drew on the experience of some of the other federations in which the assignment of taxes with wide economic base to units had led to intractable problems of conflicting tax jurisdictions. They wisely averted the possibility of such conflicts by assigning such taxes right from the beginning to the Union Government. At the same time, the framers of our Constitution rightly allocated to the States' subjects such as agriculture, education, medical care, public health, irrigation and law and order that touch intimately the lives of the people. These can be efficiently administered in a vast country only by the State Governments who are closer to the people and are more keenly alive to their problems and needs. The heads of revenue and responsibilities were distributed on the basis of whether the Centre or the State was better equipped to deal with the particular head. It was however realised that the delimitation of resources and functions on this basis would call for appropriate corrective measures to bring about better correspondence between resources and responsibilities of the two tiers in our federal set-up. That is why, the Constitution embodies both mandatory and enabling provisions for facilitating a wide ranging transfer of resources from the Centre to the States. It is not necessary for us to spell out at any great length the several devices that have been imaginatively incorporated in the Constitution for this purpose. These have been dealt with adequately in the reports of

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the earlier Commissions. Briefly stated, the Constitution provides for transfer of resources from the Centre to the States in the following forms :—

(i) Through the levy by the Centre, but assignment in whole of the proceeds of certain taxes. (Article 269 of the Constitution).

(ii) Through mandatory sharing of the proceeds of income-tax (Article 270 of the Constitution).

(iii) Through permissive participation in the proceeds of the union excise duties (Article 272 of the Constitution).

(iv) Through statutory grants-in-aid of the revenues of the States (Article 275 of the Constitution).

(v) Through grants for any public purpose (Article 282 of the Constitution).

Apart from these provisions pertaining to assistance on revenue account, the Centre of course has also the power to grant loans for any purpose to the State Governments under Article 293 of the Constitution. The Constitution does not merely mark out the channels through which resources can flow from the Centre to the States; it also provides for a machinery for regulating the flow of resources in the form of the Finance Commission. The fact that the Planning Commission has come into prominence in the last two decades as another channel for resource transfers does not in anyway detract from the efficacy of the provisions embodied in the Constitution. The advent of economic planning has only further strengthened the bonds of financial kinship between the Centre and the States and has underlined, even in a more pronounced manner than envisaged in the Constitution, the common stake that the Centre and the States have in the proper utilisation of the resources of the nation as a whole. It may be stated that the Planning Commission has emerged as an effective instrument for raising the scale of transfer of resources from the Centre to the States. The following table highlights the steadily rising trend in the transfer of resources from the Union to the States :—

(Rs. crores)

	Resources transferred through		Other transfers	Total
	Finance Commission	Planning Commission		
1951—56	447	880	104	1431
1956—61	918	1344	606	2868
1961—66	1590	2738	1272	5600
1966—69	1782	1917	3415	7114
1969—74	5316	4230	5307	14853
Total 1951—74	10053	11109	10704	31866

4. These figures can of course be interpreted in two ways. They can be looked upon as an indication of the increasing dependence of the States on the Centre and therefore symptomatic of an unhealthy development in our federal polity. But a generous interpretation would be that despite the centralisation of resources inherent in a growing economy, the Centre has responded to the expending needs of the States and thereby ensured the use of national resources in a decentralised fashion.

5. It may be worthwhile at this stage to pause and examine why, notwithstanding this rise in the flow of resources from the Centre to the States, there have still been complaints about the working of the federal financial arrangements and why, in particular, critical references are being made frequently to centralisation of resources and responsibilities and diminution of the role of the States. May be, some of these complaints have political overtones. But during our visits to the States and the wide ranging discussions we had with the Chief Ministers, other Ministers and senior Civil servants, it was heartening to find that despite grievances about inadequacy of resources, there was a deep and abiding sense of commitment to the concept of national unity. There was also sufficient awareness of the need to view local problems in the broader national perspective. It is also generally realised that problems which individual States face cannot be solved, unless the nation as a whole is made economically strong and unless each State is prepared to bear its due share of the burden that the pursuit of the national objectives of economic growth with social justice calls for. It, therefore, becomes all the more necessary to probe the causes for the lingering discontent on certain aspects of the fiscal arrangements between the Centre and the States and initiate corrective action.

6. Before we deal with some of the grievances which are real and call for redress, it may be convenient to refer to and dispose of some of the superficial criticisms of the existing federal fiscal set up. It is often cited as the major drawback of the present fiscal structure that while the Centre has all the elastic sources of revenue, States' revenues are comparatively inelastic. As pointed out earlier, given the compulsions of national economic integration, the present division of heads of revenue between the Centre and the States does not seem to admit of any significant change. The relative elasticity of Central resources cannot by itself constitute any ground for legitimate complaint, as long as there are almost automatic mechanisms for canalising resources to the States for meeting all their genuine needs. It is our belief that such arrangements are feasible within our Constitution and if necessary can be further improved upon. While it is undoubtedly true that the Central tax revenues have grown at a faster rate than those of the States, the variations in the pace of growth of State and Central revenues are not of such an order as to permit any sweeping generalisation. Since 1950-51, the State tax revenues have registered an increase from Rs. 221.55 crores to Rs. 1891.91 crores in 1972-73. In other words, the State tax revenues have risen about nine-fold. As against this, the Central revenues

have risen from Rs. 404.51 crores in 1950-51 to Rs. 4537.78 crores in 1972-73 or in other words, they have risen about eleven-fold. It should be mentioned that these are **gross** figures. If the Central transfers to the States through shareable Central taxes are taken into account, the State tax revenues would have increased eleven-fold as against only a nine-fold rise in Central tax revenues **net** of transfers to the States.

7. It may be relevant to mention that if State Governments had been less reluctant to tap the rural sector and particularly had secured reasonable returns on investments in irrigation and power projects, the State revenues would have grown at a faster rate.

8. In our view the difficulties which have been experienced from time to time in the field of Centre-State financial relations are not due primarily to the particular pattern of distribution of resources as laid down in the Constitution. The root cause for dissatisfaction among the States is to be found in the fact that the rate of growth of our economy has not been fast enough to meet the rising expectations of our people. We have also not exploited fully our potential for resource mobilisation. We would therefore urge that attention should be focussed on how best the various instruments in the fiscal armoury of the Central and State Governments can be further 'sharpened' and adequate resources raised for social and economic development.

9. A satisfactory and enduring solution to the problem of Centre-State relations cannot be found except through a vigorous and concerted drive against tax evasion, tax avoidance and waste and extravagance in public expenditure. It is equally important to ensure all round efficiency in the deployment of public funds including in particular, investments in productive enterprises in the public sector. In other words, sound fiscal management holds the key to the evolution of harmonious and fruitful fiscal relations between the Centre and the States.

10. There are large arrears of taxes both at the Centre and the States. Investments in industrial and commercial enterprises of the Centre have failed to generate the surpluses out of which fresh resources for expansion of our economy could have been found. The record of the State Governments in this regard, as analysed in greater detail in the Chapter on Fiscal Management, is also poor.

11. While under the Constitution, the Centre and the States have their own distinct responsibilities and resources, the advent of economic Planning and the establishment of the Planning Commission have initiated certain new trends in the conduct of intergovernmental relations. Economic and Social Planning is an item specifically mentioned in the Concurrent List. It is this entry which, among other things, gives the Centre the necessary sanction for the formulation of a national Plan. A national Plan has necessarily to comprehend the entire range of developmental activities, cutting across the delimitation of powers between the Centre and the States. In this process, the Government of India and the Planning Commission have acquired a voice even in matters recognised to be within the jurisdiction of the States.

12. The State Plans are formulated in conformity with the objectives of the national Plan. This conformity is sought to be secured through an elaborate process of consultations at different levels and, more importantly, through Central assistance for the State Plans. This has brought about such close financial interdependence between the Centre and the States, that it is by no means an exaggeration to say that the Centre can be financially only as strong as the States and *vice versa*. The task of a Finance Commission, in this changed context, ought to be one of settling the optimal distribution of the resources of the public sector between the Centre and the States.

13. The distribution of national resources as between the Centre and States has to be conceived not in static but in dynamic terms. It should have due regard to the relative priorities of the different sectors from time to time. It is misleading to speak in terms of redistribution of resources between the Centre and the States. It will be more appropriate to view the problem as one of distribution of available resources as between the subjects coming constitutionally within the competence of the Centre and those coming within the purview of the States. In a sense, we have already become accustomed to this approach of looking at the distribution of national resources as between different sectors of development, rather than as between Centre and States, in dealing with Plan outlays.

14. In the sphere of planning, there is a growing realisation that the Central and State Plans reinforce each other and together subserve certain widely shared economic and social objectives. But unfortunately, and presumably because of the present unrealistic distinction between Plan and non-Plan, a similar healthy approach is not being brought to bear upon the allocation of resources between the Centre and the States when it comes to assessing the non-Plan requirements.

15. In taking a view on the quantum of resources to be transferred to the States, we have therefore borne in mind the relative priorities to be assigned in the present context to services coming within the purview of the Centre and the State Governments. In reviewing the forecast of resources of Central Government, as presented to us by the Union Ministry of Finance, we cannot help observing that there are some areas in which, given the right policies and the requisite determination, savings on a significant scale can be effected, thus liberating more resources for meeting the pressing needs of the States. In our scheme of devolution of resources to the States, we have taken the view that the resources belong to the nation and they should be applied at points where they are most needed.

16. The Approach to the Fifth Plan has recognised, among other things, the importance of an appreciable increase in social consumption for eradication of poverty. In concrete terms, this approach calls for larger allocations for education, medical care, public health, and welfare of Scheduled Castes and Scheduled Tribes and other backward classes and the like than in the past. This in turn entails provision of additional resources to the States in general and to the States that have lagged behind in these sectors in particular. We found that even in a State like Punjab, with the highest per capita income in the country, the outlay on certain essential social services was very low in per capita terms. The position in some of the backward States is far worse. The enlarged devolution of resources from the Centre to the States, which our proposals involve should therefore be viewed in the light of the new orientation that is sought to be given to our Plan strategy. When the emphasis is on social justice, there is no escape from a realignment of resources in favour of the States, because services and programmes which are at the core of a more equitable social order come within the purview of the States under the Constitution.

17. It is also necessary to stress that the transfers we have proposed look large in absolute terms partly because, of the 21 States now in existence, quite a few are very small in terms of area and population and have virtually no resource base of their own. The result is that almost all their requirements, which are not inconsiderable, have to be met in entirety through Central devolution. It may be relevant to mention in this connection that of Rs. 9608.85 crores sought to be provided to the States through shareable taxes and grants-in-aid in terms of our award, Jammu and Kashmir, Himachal Pradesh, Tripura, Manipur, Meghalaya and Nagaland amongst them accounting for only 2.26 per cent of population absorb Rs. 919.73 crores or 9.57 percentage of aggregate transfers. We are making these observations not because we consider the needs of these States to be unreasonable, but only in order to stress the point that the main burden of supporting the administrative apparatus of these six States would in effect have to be shouldered by the Centre. In comparing the magnitude of the devolution made by us with that of the last Commission, it should be remembered that of these six States constituting a special category, four came into existence only recently and their needs are being dealt with by the Finance Commission for the first time.

18. The question of allocation of resources between the Centre and the States is one which cannot be viewed in isolation from the allied issue of the relative shares of the States in the pool of national resources. It is in this context that the need for using the mechanism of fiscal transfers from the Centre to the States as a means of redressing regional imbalances acquires special significance. Due to various factors, some of which have been operative even from the period prior to Independence, certain States have forged ahead of the rest in terms of social and economic progress. We should however hasten to point out that these disparities between the different States, adjudged in terms of per capita income, are far less pronounced in our country than in some of the other federations. It may be noted that Punjab has a per capita income of Rs. 953 as compared with Bihar with Rs. 389; the ratio of disparity being less than 2.5:1. But even these disparities, when the absolute levels of per capita income are very low, cannot be ignored. We have, therefore, accorded due priority to the need for correction of disparities among the States in our scheme of devolution. But the part which the Finance Commission can by itself play in bringing about a reduction in disparities in per capita incomes of States cannot be as significant as those of other agencies concerned with allocation of Central resources and formulation of Central policies. Policies such as those relating to allocation of Central assistance for State Plans, location of Central industrial and other projects, lending policies and procedures of financial institutions and norms for industrial licencing have probably more important and pervasive influence in correcting or accentuating regional imbalances.

19. In this connection, we cannot help observing that imbalances also exist among different areas within individual States themselves. In our view, the even development of the different areas within a State can be ensured only through a significant measure of decentralisation of powers and resources in favour of local bodies at district, block and village levels. While notable advance has been made in certain States in building up active local government, most of the States have allowed their local bodies to languish without any reasonable measure of delegation of powers or resources. We would strongly urge that the States should set up suitable Committees to review urgently the existing state of finances and powers of their local bodies. A time-bound programme should be drawn up and implemented, keeping in view the special needs of the backward areas within the States. In transferring resources from the Centre to the States, the Finance Commissions have been largely guided by the consideration that in our vast country, people's needs can be effectively attended to only by the agencies close to them and in the functioning of which they are fully involved. This ideal which has inspired the Finance Commissions in proposing transfer of resources from the Centre to the States can find its full consummation only if the States also in their turn realise the imperative need to transfer resources and powers to local bodies.

20. While the problem of regional imbalances may be less acute in our federation than others in terms of differences in per capita income, the disparities between the States are sharper when assessed in terms of the relative standards of essential administrative and social services. Thus, for example, while the per capita expenditure on education in Bihar was Rs. 8.86 in 1971-72, it was as high as Rs. 31.03 in Kerala. Likewise, the expenditure on medical care and public health was Rs. 3.11 per capita in Uttar Pradesh in 1971-72 as compared with Rs. 8.33 in Tamil Nadu. In our judgment, far greater priority has to be assigned to the abridgment of disparities in essential administrative and social services particularly

in the present context when emphasis is rightly being laid on helping the weaker sections of society. Correction of these disparities comes clearly within the purview of the Finance Commission. What is even more important, differences in levels of public expenditure on vital social services can be eliminated within a shorter time span than the differences in per capita incomes which are determined by various factors, not so easily emenable to control. While the earlier Commissions had assessed the requirements of States largely on the basis of maintenance of administrative and social services at whatever level obtained in the base year in each of the States, we have sought to raise the provision for some of the administrative and social services upto the national average in the backward States. We hope that in doing so we have broken new ground in Indian federal finance.

21. While we have adopted population as the dominant factor in the distribution of shareable taxes, weightage has been given to a limited extent to the factor of contribution in the case of income-tax and backwardness in the distribution of Union excise duties.

22. The special difficulties of backward States have been given further recognition and in particular we have given them access, for the first time, to resources on a liberal scale to come up to the national average in important administrative and social services. This approach in our view ensures a fair deal to the advanced as well as the backward States.

23. The overall transfer of resources resulting from our recommendations has to be viewed in the proper perspective. A part of the grants-in-aid proposed by us under Article 275 of the Constitution is for purposes of equalisation of administrative standards. A significant portion of this grant relates to raising the level of social services and should be used for the expansion of these services. With all the emphasis at our command, we wish to state here that effective mechanisms must be evolved to see that the funds provided by us for those services are not diverted to other purposes. If this is ensured, the disparities in Plan outlays among the different States can be kept within a narrower range than in the past and every State will be enabled to have a plan of reasonable size.

24. The growing indebtedness of the States to the Centre and the significant diminution in the net flow of resources from the Centre to the States on capital account have caused great concern in recent years. The Central and the State Governments alike have been anxious to seek a satisfactory solution to this problem. The reference of this problem to the Finance Commission enables us to take a total view of the revenue and capital accounts of the States and devise some remedies. We have outlined the principles of debt relief in detail in the relevant chapter. It might suffice to mention here that while our objective has been to give some relief to all the States, in the case of States with relatively heavier burden of debt, we have recommended debt relief on a discriminatory basis with reference to certain principles. If in the process some States emerge with surpluses on non-Plan capital account, it cannot be helped. In fact, some of the States would have had such surpluses even without any re-scheduling of debt. We gave very careful consideration to the question whether there was need and scope for any significant conversion of outstanding Central loans into grants and for reasons explained in greater detail in the concerned chapter, decided against any such conversion. It is only necessary to mention here that in adopting this course, we have been largely influenced by the consideration that any such conversion would impede the reverse flow of resources from some of the relatively advanced States to the Centre and thus impair the latter's capacity to redirect larger resources to the relatively backward States. While it is true that conversion of outstanding Central loans into grants would make no material difference to the resources position of the nation as a whole, we felt that the Centre should not be deprived of the leverage it now has for adjusting the flow of resources in such a way as to promote balanced development of different regions of the country. The debt outstanding between the Centre and the States could be looked upon as a revolving fund fed by the payments due from the past beneficiaries and drawn on by those now in need.

25. Our survey of trends in evolution of Centre-State financial relations has revealed that on the whole helpful and co-operative solutions have been found for the problems as they have arisen. But if despite this, a feeling still persists that the States have not had a fair deal, it would seem to be due not to any basic deficiencies in the Constitutional set up, but perhaps to the style of functioning of Central Ministries at times. The role of the Central Ministries is primarily one of leadership, guidance and coordination in the fields which are Constitutionally within the sphere of the States. While States should be only glad to draw on the expertise available with the Central Ministries in solving their problems, the fullest measure of latitude should be given to the States in shaping their Plans and programmes to suit their needs, as long as national priorities are not lost sight of. The Central Ministries should increasingly transform themselves into expert, specialised agencies for providing guidance to the States on problems which they cannot tackle with their limited technical and other resources. They should cease to encumber themselves with routine administrative and supervisory functions which only annoy the States and result in avoidable duplication of effort and expenditure. Provisions for Centrally sponsored schemes pertaining to subjects coming within the jurisdiction of the States should be considerably pruned. This has also been repeatedly urged by the National Development Council. These observations apply not merely to Central Ministries, but also to their agencies such as the University Grants Commission.

26. In the course of our discussions, we gathered the impression that many States felt aggrieved about the spirit in which the Centre had interpreted certain

provisions of the Constitution. Some of these grievances have been referred to in the succeeding chapters. Reference may be made in this connection to the replacement of tax on Railway passenger fares by a fixed lump sum grant, the changes introduced in the scheme of taxation of Companies in 1959-60, the exclusion of advance income tax collections till recently from the shareable pool of income-tax, and the recent imposition of auxiliary duties of excise on non-shareable basis. We would only like to point out that there could be a significant improvement in the climate of Centre-State fianancial relations, if decisions that affect the revenues of the States are taken after the widest possible measure of consultation. The spirit underlying Article 274 of the Constitution would also seem to call for such consultation. It is perhaps the absence of such consultation and the consequent lack of comprehension of the difficulties of the Centre that is largely responsible for the feeling of dissatisfaction among the States. If the process of consultation between the Centre and the States on fiscal issues is placed on a systematic basis and speedy decisions are taken in the light of these consultations, a good deal of this type of dissatisfaction would disappear.

CHAPTER III
INCOME-TAX

Taxes on income, other than agricultural income, though levied and collected by the Government of India, are compulsorily shareable between the Union and the States under Article 270(1) of the Constitution. The proceeds attributable to Union Territories and taxes payable in respect of Union emoluments, as also any surcharge which may be levied for purposes of the Union are kept out of the divisible pool by virtue of the provisions contained in Articles 270(2), 270(3), 270(4), and Article 271 of the Constitution. These Articles, when read with Article 280(3) of the Constitution, cast the following responsibilities on the Finance Commissions :—

(i) Determination of the percentage of the net proceeds of income-tax (exclusive of Corporation tax, proceeds attributable to Union Territories and taxes payable in respect of Union emoluments) to be assigned to the States.

(ii) Fixation of the shares of each of the States in the divisible pool.

(iii) Assessment of the percentage of the net proceeds which the Union should be allowed to retain with itself as proceeds attributable to Union Territories.

2. The assignment of the net proceeds of income-tax to the States, which was fixed by the First Finance Commission at 55 per cent, was enlarged progressively by the succeeding Commissions and placed at 75 per cent by the Fourth Finance Commission. The Fifth Finance Commission retained the States' share of the net proceeds of income-tax at 75 per cent, despite the request of many State Governments for further enchancement. The Commission refrained from recommending upward revision of States' shares, among other things, on the ground that for the period covered by their award, the proceeds of the income-tax distributable among the States would for the first time be inclusive of advance tax collections and that this change would have the effect of augmenting the divisible pool.

3. Almost all the States have again pleaded before us for a significant increase in the divisible pool of income-tax. Some of the States—Andhra Pradesh, Orissa and Punjab—have argued that the entire net proceeds of income-tax should be divided among the States. Kerala proposed an increase in the share of the States to 95 per cent. Other States have also pressed for augmentation of the divisible pool ranging from 80 per ment to 90 per cent. In justification of a further increase in the States' share of income-tax, the States have put forward two main arguments :—

(i) The continuance, almost on a permanent basis, of Union surcharge and its recent enchancement have in effect enlarged the Centre's share of the net proceeds of the income-tax at the expense of the States.

(ii) While in terms of the provisions of Article 271 of the Constitution, the Centre is entitled to levy a surcharge exclusively for purposes of the Union, the levy of such a surcharge should be only a transitory phenomenon. In their view, the continuance of surcharge as a permanent element of the income-tax rate structure was against the spirit, if not the letter, of the provisions of the Constitution.

4. The State Governments have also contended that the exclusion of income-tax paid by Companies from the divisible pool since 1959-60 has deprived them of a source of revenue that is bound to be far more elastic than income-tax. The income-tax paid by Companies just before its exclusion in 1959-60 from the divisible pool stood at Rs. 68.81 crores. But for the changes made in pursuance of the Finance Act of 1959, it would have risen to Rs. 232.5 crores by 1969-70. Almost all the State Governments have gone a step further and argued that the Commission should recommend that Corporation tax should also be brought within the divisible pool through an amendment of the Constitution. They pointed out that in 1950-51 when the Constitution came into force, the yield from Corporation tax was only Rs. 40 crores as against Rs. 133 crores from income-tax, whereas in 1973-74 Corporation tax is estimated to yield Rs. 608 crores as against Rs. 650 crores from income-tax. State Governments have argued that if the framers of the Constitution had anticipated these trends in the relative rates of growth of income-tax and Corporation tax, it is extremely unlikely that they would have kept the Corporation tax out of the divisible pool.

5. In view of the explicit provisions of the Constitution, we are precluded from recommending the inclusion of the surcharge on income-tax for Union purposes and the Corporation tax in the divisible pool. But having regard to the near unanimity in the views expressed by the State Governments, we would suggest that the question of bringing Corporation tax within the divisible pool be brought up for examination before the National Development Council. There is no reason to apprehend that the inclusion of Corporation tax in the list of shareable taxes would *ipso facto* upset seriously the relative balance between Central

and State resources. The States' share of the combined divisible pool of income tax and Corporation tax could be fixed at a suitably lower level that takes note of the essential needs of the Centre.

6. As regards the States' share of the net proceeds of income tax, we agree with the earlier Commissions that the Centre which is responsible for the levy and collection of the income tax should continue to have a significant interest in it. But there are also certain other factors which should be taken into account. The Union surcharge was raised from 10 to 15 per cent in 1971-72. The addition of advance tax collections to the divisible pool, including a sum of Rs. 270 crores representing the unadjusted balances of advance tax collections up to 1966-67, had resulted in a very appreciable increase in the resources accruing to the States from their share of the income tax during the period covered by the award of the Fifth Commission. The arrear element due to advance tax collection of earlier years has now disappeared. Having regard to these and other considerations, we feel that there is a good case for a modest increase in the States' share of the divisible pool of income tax. We, therefore, recommend that the States' share of the net proceeds of income tax be raised from 75 to 80 per cent during the period covered by our award.

7. As regards the manner of distribution among the States of the percentage of the net proceeds of income tax assigned to them, the views of the States are understandably divergent. While some of the relatively advanced States such as Gujarat, Maharashtra, Tamil Nadu and West Bengal have pressed for a higher weightage for the factor of contribution ranging from 40 per cent to 50 per cent against 10 per cent at present, the other States have urged that the net proceeds of income tax should be distributed wholly on the basis of population. Some of the States have also suggested weightage for other factors such as area, proportion of Scheduled Castes and Scheduled Tribes population. Uttar Pradesh has urged that while 75 per cent of the proceeds may be distributed on the basis of population, the balance of 25 per cent should be distributed only among those States whose per capita income is below the per capita national average.

8. All the successive Finance Commissions so far have recognised population and contribution to be the only two relevant factors in the distribution of the proceeds of income tax among the States, though they have differed on the relative weightage to be accorded to these two factors. None of them has taken into account other considerations such as economic backwardness, area and proportion of Scheduled Castes and Scheduled Tribes population. We endorse this approach of the earlier Commissions both because there are advantages in our complex federal system in maintaining a reasonable measure of stability in the principles of distribution of shareable taxes and also because we are seeking to mitigate the economic disabilities of some of the States through weightage for relative economic backwardness in the distribution of Union excise duties and through grants-in-aid for upgradation of standards of administrative and social services.

9. We have given careful consideration to the relative weightage to be accorded to population and contribution. In view of the increasing integration of our national economy and the influence of Central policies on the location and development of industrial and tertiary sectors, it is difficult to assign the factor of contribution any higher weightage than at present in the distribution of income tax. Also such enhanced weightage will further aggravate regional imbalances. At the same time, particularly after the exclusion of income tax paid by the Companies from the divisible pool, it cannot be denied that a small, but not clearly identifiable, percentage of personal incomes should be deemed to have purely local origin. In respect of income tax ascribable to such local incomes at least, the States can lay a claim based on contribution. Bearing all these considerations in mind, we have decided that 10 per cent of the net proceeds of income tax should be distributed on the basis of contribution.

10. Another important point which arises for consideration in this context is how precisely the factor of contribution should be measured. The Fifth Finance Commission considered assessment as a more reliable index than collection of the contribution of the different States. The reasons adduced by them were :—

(i) Collections did not make due allowance for incomes originating outside the State.

(ii) Large amounts of deduction of tax at source on dividends, interest payments and in other cases gave undue benefit to States having metropolitan and industrial centres, in so far as such deductions relate to assessees residing in other States. On the other hand, any refunds made to such assessees would reduce still further the figures of collection of the States where they reside.

(iii) The figures of collection might include large over-payments or under-payments which were adjusted only on assessment.

We feel that these considerations still hold good. In determining the States' share of the net proceeds of income tax we have, therefore, taken assessment as the measure of contribution.

11. Accordingly, we consider that during the period covered by our award, namely 1974-75 to 1978-79, 90 per cent of the States' share of the divisible pool of income tax should be distributed among them on the basis of population according to 1971 census and the remaining 10 per cent on the basis of figures of assessment after allowing for reductions on account of appellate orders, revisions, refunds and rectification. All the previous Commissions have prescribed the respective shares of States worked out on the principles enunciated by them in terms of fixed percentages. For the sake of administrative convenience, we propose to continue this practice. In arriving at the percentage

share of each State, we have taken the figures of population according to 1971 census and the average of the assessments made during the five years ending with 1972-73, which are the latest years for which firm figures are available, after adjustment for reduction on account of factors such as appellate orders, revisions and refunds during the same period.

12. We further recommend that 1.79 per cent of the net proceeds of income tax may be taken to be the portion of such proceeds attributable to Union Territories. We have worked out this figure by allocating to Union Territories as at present constituted the share which would have accrued to them on the principles of distribution prescribed by us for the States, if the Union Territories had collectively been entitled to share of income tax.

13. We accordingly make the following recommendations in respect of the distribution of the net proceeds of income tax in each of the financial years from 1974-75 to 1978-79 :—

(1) Out of the net proceeds of taxes on income in each financial year, a sum equal to 1.79 per cent thereof be deemed to represent the proceeds attributable to Union Territories.

(2) The percentage of the net proceeds of taxes on income, except the portion representing the proceeds attributable to Union Territories, to be assigned to the States, should be eighty.

(3) The distribution among the States *inter se* of the share assigned to the States in respect of each financial year should be on the basis of the following percentages :—

	States	Percentage
1.	Andhra Pradesh	7.76
2.	Assam	2.54
3.	Bihar	9.61
4.	Gujarat	5.55
5.	Haryana	1.77
6.	Himachal Pradesh	0.60
7.	Jammu & Kashmir	0.81
*8.	Karnataka	5.33
9.	Kerala	3.92
10.	Madhya Pradesh	7.30
11.	Maharashtra	11.05
12.	Manipur	0.18
13.	Meghalaya	0.18
14.	Nagaland	0.09
15.	Orissa	3.73
16.	Punjab	2.75
17.	Rajasthan	4.50
18.	Tamil Nadu	7.94
19.	Tripura	0.27
20.	Uttar Pradesh	15.23
21.	West Bengal	8.89
	TOTAL	100.00

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CHAPTER IV

UNION EXCISE DUTIES

Under paragraph 4(a) of the President's Order, we are required to make recommendations on "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". Under Article 272 of the Constitution, Union excise duties may be divided between the Union and the States, if Parliament by law so provides. Though sharing of the excise duties is of a permissive nature, no satisfactory scheme of fiscal transfers from the Union to the States through tax sharing can be devised, unless Union excise duties are also kept within the ambit of devolution.

2. The participation of States in Union excise revenues started on a rather modest scale with the award of the First Finance Commission which recommended sharing in respect of only three of the major commodities then subject to Union excise duties. In pursuance of the recommendations of successive Finance Commissions, the share of the States in Union excise duties has been progressively enlarged. By the time the Fifth Finance Commission was set up, the States were already sharing the proceeds of all Union excise duties excepting only special excise duties, regulatory duties of excise and cesses on commodities. The Fifth Finance Commission saw no justification for the exclusion of special duties of excise from the divisible pool and recommended that they should also be brought within the scheme of sharing from 1972-73 onwards. The regulatory duties, however, still remained outside the shareable pool. It should, however, be noted that the yield from regulatory duties was nil in 1970-71. No credit was also taken under this head in the budget estimates for 1971-72. But, in the new situation created by large influx of refugees from Bangladesh and hostilities with Pakistan, Government of India invoked the powers available to them under section 12 of the Finance Act of 1971 to levy regulatory duties of excise on certain products such as steel, iron and steel products, copper, zinc, aluminium and unmanufactured tobacco. The yield from these regulatory duties amounted to Rs. 22.88 crores in 1971-72 and was placed at Rs. 80.37 crores in 1972-73 (Revised Estimate).

3. The levy of regulatory duties of excise has been replaced under the Finance Act of 1973 by auxiliary duties on excisable goods. The Finance Act specifically lays down that these auxiliary duties have been levied for purposes of the Union and that the proceeds therefrom shall not be distributed among the States. In his budget speech, the Finance Minister observed that "for certain reasons it is not possible to incorporate the provision in rate tariffs, or make them part of taxation statutes and they would, therefore, have to be revived from year to year for the present". The States have argued that auxiliary duties are, in pith and substance, indistinguishable from basic duties of excise. They also apprehend that continuance of auxiliary duties as a separate entity may encourage the Centre to raise additional revenues increasingly through enhancement of rates and coverage of auxiliary duties of excise rather than of basic duties. On the basis of existing coverage and rates, the estimated revenue from auxiliary duties of excise over the next five years is of the order of Rs. 720 crores. We recognise that under certain special circumstances the Centre may have to resort to levy of excise duties in a form not shareable with the States, particularly as the Constitution does not, unlike in the case of Income-tax, envisage a surcharge exclusively for purposes of the Union. Nevertheless, we feel that levy of excise duties on a non-shareable basis should be confined to short periods of two or three years at the most to meet the large demands on national exchequer that may unexpectedly arise. We therefore recommend that revenue from auxiliary duties should be brought within the divisible pool from 1976-77 onwards. This will enable the Centre to meet its pressing needs in the immediate future and at the same time allay the apprehensions of the States that auxiliary duties of excise may be resorted to on a larger scale in order to deprive them of their legitimate share in the growth of revenues from Union excise duties.

4. As the buoyancy of Union excise duties in recent years has been significantly higher than that of income-tax, it is understandable that all the States—except Assam—should have pressed for augmentation of the divisible pool of Union excise duties. It is significant that this plea has been made by advanced and backward States alike. Some of the States—Andhra Pradesh, Kerala, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal—have suggested enhancement of the States' share of Union excise duties from the present level of 20 per cent to 50 per cent. Others have urged increases ranging from a minimum of 33 1/3 per cent to 40 per cent. In the course of our discussions with some of the socially and economically backward States that were likely to qualify for grants under Article 275 of the Constitution, we specifically posed the question whether they would not prefer the divisible pool to be kept at a lower level so that the Centre may have larger resources for helping them in their developmental programmes. We also drew their attention to the possibility of increase in revenues accruing to them from increased share of Union excise duties being off-set by corresponding reduction in grants [illegible] Article 275. Even such States distinc[illegible] larger devolution through share of exc[illegible] with a more pronounced weightage

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share of each State, we have taken the figures of population according to 1971 census and the average of the assessments made during the five years ending with 1972-73, which are the latest years for which firm figures are available, after adjustment for reduction on account of factors such as appellate orders, revisions and refunds during the same period.

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for backwardness, because their share of Central revenues would then rise in tune with the rise in prices and higher taxation by the Centre, while grants under Article 275 are set at fixed amounts for the five-year period.

5. We have to strike a balance between the plea of the States for a substantial increase in the divisible pool and the needs of the Centre. We have also to ensure equity in the aggregate transfer of resources as between 'surplus' and 'deficit' States. An enlargement of the divisible pool will confer disproportionately larger benefit on surplus States than on the deficit States. On these and other relevant considerations, we feel that the States' share of all basic duties of excise should be retained at 20 per cent during the period covered by our award. Twenty per cent of the net proceeds of auxiliary duties of excise shall also be shareable from 1976-77 onwards. Revenues from cesses on excisable commodities, levied under special enactments and reserved for special purposes, should however continue to remain excluded from the divisible pool.

6. While there was near unanimity among the States in demanding an increase in the share of Union excise duties, there were naturally wide divergences in their approach to the principles of determination of the relative shares of the States in the divisible pool. Each State was inclined to put forward a formula that would favour it most. Andhra Pradesh and Haryana urged distribution wholly on the basis of population, while Maharashtra and Tamil Nadu pleaded for weightage for urban and rural population in the ratio of 30:70. Their argument was that consumption would be a suitable criterion in the distribution of Union excise duties and in the absence of reliable data on consumption, the broad break-up between urban and rural population would provide a satisfactory indicator of the level of consumption. West Bengal also pressed for population as the sole relevant factor but with weightage of 40 per cent for urban population. Assam, Bihar and Nagaland favoured continuance of the existing arrangements, namely, 80 per cent on population and 20 per cent on the basis of per capita income and index of backwardness. Gujarat argued in favour of distribution of 80 per cent on the basis of population, the balance of 20 per cent being distributed in proportion to sales tax collections. They justified their preference for sales tax collection on the ground that the levy of Union excise duties limits the scope for mobilisation of resources by the States in the form of sales tax. Kerala put forward an altogether new approach in proposing distribution on the basis of population and budgetary needs with equal weightage for both. Mysore contended that the entire distributable tax proceeds should be treated as one unit and allocated among the States—90 per cent on the basis of population and 10 per cent on the basis of development index or relative per capita income. Uttar Pradesh urged that 75 per cent of the divisible pool should be distributed on the basis of population and the remaining 25 per cent only among the States whose per capita income is below the national average in the inverse ratio of the per capita income. They specifically urged that other indices of backwardness should be ignored altogether, as there was no better measure of backwardness than per capita income. Madhya Pradesh, Maghalaya, Orissa, Rajasthan and Tripura urged that apart from backwardness and population, certain other factors such as percentage of Scheduled Castes and Scheduled Tribes should also be deemed relevant to the distribution of Union excise duties.

7. We have given careful thought to the formulation of principles of distribution of Union excise duties among the States, as it will continue to be by far the most important conduit for transfer of resources from Centre to the States. We agree with the earlier Commissions that collection or contribution would not be an appropriate basis for distribution of excise duties. The two criteria that have gained general acceptance with the earlier Commissions are population and relative social and economic backwardness of the States.

8. A measure of weightage for relative economic backwardness has by now come to be accepted as a legitimate criterion in the distribution of States' share of Union excise duties. As briefly indicated in the earlier paragraphs, some of the States, of course, have argued before us vigorously that relative backwardness of States cannot be a relevant consideration in the distribution of Central taxes. In their view, the distribution of excise duties should be related exclusively to non-discriminatory criteria such as population or consumption and any special help that may be considered necessary should be extended to the backward States through the mechanism of grants-in-aid under Article 275 of the Constitution.

9. We are unable to accept this point of view. The objective of rectifying, to the extent possible, regional imbalances should be recognised as a distinct criterion in determining the principles of fiscal transfers in any federation. We are aware that while regional imbalances cannot be redressed completely through our scheme of devolution alone, our recommendations should nevertheless make a modest contribution to the process of elimination of existing disparities.

10. In view of the continuing need to help States that are economically backward, it becomes essential to evolve some indicators for the measurement of relative economic backwardness. The main issue which we had to consider in this connection was whether per capita income could be taken as the sole indicator of the comparative economic position of different States or whether, in lieu of or in addition to per capita income, other indicators, such as those employed by the Fourth and Fifth Finance Commissions, should also be used. The Central Statistical Organisation has been compiling estimates of State Domestic Product and per capita income on comparable basis and such estimates were used by the last Commission for purposes of distribution of a portion of Union excise duties. At our request, Central Statistical Organisation has furnished us with estimates of State Domestic Product for 1967-68, 1968-69 and

1969-70—the three latest years for which such estimates are available. The Central Statistical Organisation has confirmed that the methodology now followed by them in preparing these estimates is the same as that followed by them earlier in preparing the estimates upto 1964-65 that had formed the basis of recommendations of the Fifth Finance Commission. We, however, felt that in view of divergences in trends of prices among States, it would be more relevant to have figures of State Domestic Product reworked at abstract all-India prices. Accordingly, the Central Statistical Organisation has computed figures of State Domestic Product for the years 1967-68 to 1969-70 using abstract all-India prices.

11. Some of the States have contended before us that per capita income by itself would not be a wholly dependable index of the relative economic position of the States. They have urged that the Commission should take into account some other indicators relating to certain specific areas of economic or social significance. The more important indicators of backwardness suggested by the States, some of them identical with those relied on by the Fourth and Fifth Commissions, are as under:—

(i) Percentage of rural population to total population of each State.

(ii) Percentage of scheduled castes population.

(iii) Percentage of literacy.

(iv) Enrolment in primary classes I to V as percentage of population in age group 6—11.

(v) Number of workers registered in factories per lakh of population.

(vi) Number of registered factories in terms of area.

(vii) Value added per capita by manufacture.

(viii) Number of hospitals in terms of area or per lakh of population.

(ix) Per capita gross value of agricultural production.

(x) Net irrigated area per cultivator.

(xi) Percentage of villages with public water supply.

(xii) Landless agricultural labour in each State.

(xiii) Installed capacity for generation of electricity.

(xiv) Number of villages electrified.

(xv) Percentage of villages electrified.

(xvi) Per capita consumption of energy.

(xvii) Motor vehicles per lakh of population.

(xviii) Length of railways and roads in terms of area.

(xix) Area of each State.

(xx) Per capita availability of calories or proteins in different States.

(xxi) Percentage of population below 'poverty line' in each State.

(xxii) Extent of unemployment in each State.

12. This long list, of course, is not exhaustive. Each State was understandably anxious to put forward such indicators as would reflect its own interests more fully.

13. We have carefully considered whether all or any of the indicators set out above could be used in addition to or in substitution of per capita income as a measure of comparative levels of economic and social advance in different States. Even a cursory look at the list would show that most of the indicators put forward by the States refer either to characteristics that are themselves the causes of low per capita income or to characteristics that are direct or indirect consequences of low per capita income. Thus, for example, gross value of agricultural output or the number of workers employed in factories is itself one of the causes for variations in per capita income of the State. Area under irrigation, likewise, has a bearing on agricultural production and, therefore, also on per capita income. There is a high degree of correlation among the several indicators mentioned by the States. If we take into account all of them or a sub-set of them as indicators, we shall be confounding their impact on the criterion of backwardness.

14. The use of indicators relating to sociol services such as enrolment in schools of children in the age group 6—11, or bed strength in hospital is open to objections of a different nature. Some of the States like Kerala have urged that the adoption of these criteria for the measurement of relative backwardness would place at a disadvantage those States which, despite a poor resource base, have assigned high priority to these services in the past. While some of the advanced States have concentrated their resources on irrigation and power projects, or even repayment of Central loans out of revenue resources, a few of the poorer and middle level States, presumably out of their greater concern for the weaker sections of society, have allocated larger resources for building up social services. We feel that these arguments cannot be wholly ignored. Even granting the need to provide certain States with larger resources to enable them to enlarge social services, it would be much better to do so through a straightforward "mark-up" of the budgetary provisions under the relevant heads, than seek to accomplish the same objective circuitously through weightage for social services in our formula for distribution of Central taxes. There will then be greater certainty also that the additional resources so provided will be utilised for expansion of social services.

15. The assignment of weightage among the different indicators is an intractable issue. Among the numerous indicators put forward before us, we consider per capita income as the best possible yardstick for the measurement of the levels of development. We have taken per capita income as the sole criterion in assessing the relative economic position of the States.

16. A related issue to which we have devoted considerable thought is whether on the basis of per capita income, States should be classified into two categories—advanced and backward—States below the national average being regarded backward and those above the average as advanced. It may be recalled that the Fifth Finance Commission had adopted such an approach in determining the allocation of a portion of Union excise duties. The approach favoured by the last Commission affected most adversely those States whose per capita income happened to be just above the dividing line. This precise division is open to objection particularly in view of the known margins of errors in national income data. This approach also needlessly heightens the conflict of interest among different States. In view of these considerations, we recommend that while the weightage for backwardness should be raised from 20 per cent to 25 per cent, the *inter se* distribution of this portion of Union excise duties should be in relation to the 'distance' of a State's per capita income from that of the State with the highest per capita income multiplied by the population of the State concerned according to 1971 census.

17. The balance of 75 per cent of the States' share of the divisible pool of Union excise duties should be distributed on the basis of population of the States according to 1971 census.

18. We have worked out the relative shares of the States in terms of percentages according to the principles enunciated above.

19. We therefore recommend that:

(a) during each of the years 1974-75 and 1975-76, a sum equivalent to 20 (twenty) per cent of the net proceeds of Union duties of excise on all articles levied and collected in that year, excluding auxiliary duties of excise and cesses levied under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States;

(b) during the years 1976-77, 1977-78 and 1978-79, a sum equivalent to 20 (twenty) per cent of the net proceeds of Union duties of excise on all articles levied and collected in the respective year, including auxiliary duties of excise, but excluding cesses levied under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States; and

(c) the distribution among the States of the sum payable to the States in respect of each financial year should be made on the basis of the following percentages:—

	States	Percentage
1.	Andhra Pradesh	8.16
2.	Assam	2.71
3.	Bihar	11.47
4.	Gujarat	4.57
5.	Haryana	1.53
6.	Himachal Pradesh	0.63
7.	Jammu & Kashmir	0.90
8.	Karnataka	5.45
9.	Kerala	3.86
10.	Madhya Pradesh	8.15
11.	Maharashtra	8.58
12.	Manipur	0.21
13.	Meghalaya	0.19
14.	Nagaland	0.11
15.	Orissa	4.06
16.	Punjab	1.87
17.	Rajasthan	5.00
18.	Tamil Nadu	7.43
19.	Tripura	0.30
20.	Uttar Pradesh	17.03
21.	West Bengal	7.79
	TOTAL	100.00

CHAPTER V

ADDITIONAL DUTIES OF EXCISE

Under paragraph 4(c) of the Order of the President defining our terms of reference, we are required to recommend the changes, if any, to be made in the principles governing the distribution of the net proceeds in any financial year of additional duties of excise in lieu of sales tax on cotton fabrics, woollen fabrics, rayon or artificial silk fabrics, sugar and tobacco including manufactured tobacco. The scheme of distribution has however to be so devised as to guarantee to every State in each of the financial years from 1974-75 to 1978-79 an amount not less than the revenue realised by it from the levy of the sales tax on these commodities in the financial year 1956-57.

2. The arrangements now in force for the levy of additional excise duties in lieu of sales tax on the commodities mentioned above are the outcome of a decision taken by the National Development Council in December, 1956. The National Development Council decided on replacement of sales tax on these commodities by additional excise duties in the interests of convenience to trade and avoidance of tax evasion. While even now the States remain free to re-impose sales tax subject only to the possible forfeiture of their share of revenues from additional excise duties on these commodities, the declaration of these goods as 'goods of special importance' by Section 14 of the Central Sales Tax Act, 1956, acts as an effective deterrent against the States reverting to the old pattern of levy of sales tax. The effect of this legislative provision is to restrict the levy of sales tax to the limit specified therein (currently 3 per cent). Sales tax on these commodities can also be levied at only one stage and the local sales tax is to be refunded if such goods subsequently become subject to inter-State sales tax. State Governments are thus effectively prevented from reimposing sales tax on these commodities, though their constitutional right to levy sales tax remains unimpaired.

3. The scheme of levy of additional excise duties in lieu of sales tax has now been in force for over 15 years. All available evidence indicates that the continuance of the scheme is welcomed by trade and industry who have in fact frequently pleaded for its extension to other commodities. But till quite recently, most of the State Governments would seem to have had reservations about the utility of the existing system. Dissatisfaction of the State Governments with the inadequate exploitation of the revenue potential of the additional excise duties on these commodities by the Union Government led the Government of India to request the last Finance Commission to investigate and report on the desirability or otherwise of continuing the scheme of levy of additional excise duties in replacement of sales tax. Later in the wake of the recommendations of the Fifth Finance Commission, the whole question was considered by a representative group of Central and State Government officials. In the light of the proposals made by that group, the National Development Council at its meeting held on 28-12-1970 agreed to the continuance of the present arrangements subject to certain conditions. The main condition stipulated by the National Development Council for the continuance of the scheme was that the incidence of the additional excise duties should be stepped up to 10.8 per cent of the value of the clearances within a period of two or three years.

4. These recommendations were accepted by the Government of India and have since been implemented through successive Finance Acts. Accordingly the yield from additional excise duties which amounted to only Rs. 52.68 crores in 1968-69 rose to Rs. 105.97 crores by 1971-72 and is expected to rise further to Rs. 168.78 crores in 1973-74. It is clear from the memoranda submitted to us by the State Governments that they are by and large now satisfied with the manner in which Government of India have implemented the recommendations of the National Development Council and that they do not seek any material change in the present scheme of levy of additional excise duties. Andhra Pradesh however urged that the existing practice should be given up and the States permitted to levy sales tax without any restriction. Uttar Pradesh also wanted that the constitutional right of the State Government to levy sales tax on these commodities should be restored. West Bengal sought discontinuance of the present system, if the conditions stipulated by the National Development Council were not accepted fully by the Government of India. In any case, the question of continuance or otherwise of additional excise duties does not come within our purview. We are only concerned with the limited issue of formulating a proper scheme of distribution of the revenues from additional excise duties among the States.

5. We sought the views of the State Governments on the principles to be followed in the distribution of additional duties of excise. Gujarat, Haryana, Maharashtra and West Bengal desired that the excess of the proceeds of additional excise duties over the guaranteed amount should be distributed entirely on the basis of the proportion of sales tax revenue realised in each State to the aggregate of sales tax collections in all the States taken together. In other words they seemed to favour the re-instatement of the principles of distribution recommended by the Fourth Finance Commission. Bihar, Himachal Pradesh, Madhya Pradesh, Orissa and Rajasthan invited our attention to the absence of reliable Statewise data

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16. A related issue to which we have devoted considerable thought is whether on the basis of per capita income, States should be classified into two categories—advanced and backward—States below the national average being regarded backward and those above the average as advanced. It may be recalled that the Fifth Finance Commission had adopted such an approach in determining the allocation of a portion of Union excise duties. The approach favoured by the last Commission affected most adversely those States whose per capita income happened to be just above the dividing line. This precise division is open to objection particularly in view of the known margins of errors in national income data. This approach also needlessly heightens the conflict of interest among different States. In view of these considerations, we recommend that while the weightage for backwardness should be raised from 20 per cent to 25 per cent, the *inter se* distribution of this portion of Union excise duties should be in relation to the 'distance' of a State's per capita income from that of the State with the highest per capita income multiplied by the population of the State concerned according to 1971 census.

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17. Rajasthan	5.00
18. Tamil Nadu	7.43
19. Tripura	0.30
20. Uttar Pradesh	17.03
21. West Bengal	7.79
TOTAL	100.00

on consumption of these commodities and urged that the excess over the guaranteed amount should therefore be distributed on the basis of population. Bihar also pleaded for suitable enhancement of the guaranteed amount, while Himachal Pradesh and Kerala did not want any reservation of guaranteed amount. Since distribution solely on the basis of population might entail a sudden disruption of the present scheme of distribution, Orissa urged that at least 75 per cent of the surplus available after providing the guaranteed amount and an appropriate share to the Union Territories, Jammu & Kashmir and Nagaland should be distributed in proportion to the population of a State. Assam pleaded for continuance of the existing principles. Uttar Pradesh wanted the proceeds to be distributed in the same ratio as guaranteed amount of each State to the total guaranteed sum. Andhra Pradesh suggested that the revenue from additional excise duties should correspond to what the State could have got if they had the power to levy sales tax. They also argued that raw tobacco should be deleted from the list of goods of special importance so as to empower the States to levy suitable sales tax without any restriction on the commodity. While urging that its share should not be less than 1½ per cent of the net proceeds, Jammu & Kashmir urged that the growth in sales tax revenues of the State should be a broad guide in determining the amounts to be allocated out of the proceeds of the additional excise duties. Kerala put forward an altogether different approach. It urged that the proportion of general sales tax collection to consumption expenditure should be adopted as the base for distribution. If, however, the consumption data are not available, figures of State income should be adopted for the purpose of working out a similar ratio. Punjab did not suggest any specific principle of distribution but only wanted the State to be fully compensated for the loss of sales tax revenue on these commodities even if it entailed a further step up of the incidence of the additional excise duties beyond 10.8 per cent of the value of clearances. Three States Manipur, Meghalaya and Tamil Nadu did not put forward any specific suggestions on the principles to be followed for distribution. Tamil Nadu has pleaded for the power to levy sales tax upto 3 per cent without forfeiture of their share in additional excise duties. Their argument was that the right of the States to levy at least a marginal sales tax on these commodities should be recognised. This suggestion as well as the other suggestion of Andhra Pradesh about deletion of raw tobacco from the list of 'declared goods' does not come within our purview.

6. The first issue we have to consider is whether it is possible or necessary to re-determine the yield in 1956-57 from sales tax on the commodities subject to additional excise duties for purposes of guaranteeing to the States concerned the amounts so determined. The Third, Fourth and Fifth Finance Commissions accepted the estimates worked out by the Second Finance Commission and did not consider it feasible in view of the lapse of time to reassess the likely yield in 1956-57 of sales tax on the commodities on which additional excise duties have been imposed. In view of the further lapse of time, we find it impossible to frame any fresh estimates of the likely yield of sales tax in 1956-57 on these commodities and on that basis redetermine the guaranteed amounts. It is also significant that barring one State, none has asked for any such reassessment. We have, therefore, adopted the estimates worked out by the Second Finance Commission subject to the subsequent adjustments made by the Third Finance Commission in view of the bifurcation of Bombay State into Maharashtra and Gujarat and by the Fifth Finance Commission in view of the formation of the new States of Punjab and Haryana. We have to make a similar apportionment of the sum guaranteed to Assam between Assam and Meghalaya. We find that the President has by an order issued under Section 49 of the North Eastern Areas (Reorganisation) Act 1971, fixed Meghalaya's share at Rs. 5.51 lakhs reducing correspondingly Assam's share to Rs. 79.57 lakhs on the basis of population. Later in this chapter, we are suggesting that the proceeds of additional excise duties should be distributed among the States on the basis of 70 per cent weightage for population, 20 per cent for State income and 10 per cent for production. If these principles are applied, the original share of the composite State of Assam in the yield from Sales tax would be apportionable between Meghalaya and Assam in the ratio of 1:14.25. Accordingly, we determine the yield of sales tax on these commodities in 1956-57 in the area at present comprised in Meghalaya to Rs. 5.58 lakhs and that in the area now comprised in Assam to Rs. 79.50 lakhs. These are the amounts that would need to be guaranteed to Assam and Meghalaya.

7. The next important issue that arises for consideration is whether the guaranteed amounts should first be set apart from the net proceeds and the balance then distributed among the States on suitable principles or whether the entire net proceeds should be distributed on whatever principles are considered appropriate subject to the overriding proviso that no State should get in any year less than the guaranteed amount as its share. The earlier Commissions have preferred the first alternative. They presumably felt that unless the guaranteed amounts were first set apart and the balance alone distributed among the States, there was the risk of the share of some of the States falling short of the guaranteed amount. However well founded this apprehension may have been earlier, we are convinced that there is now absolutely no risk of the share of any State not coming up to the guaranteed amount. The expected net proceeds of additional excise duties during the forecast period after excluding the share attributable to Union Territories on the existing basis has been estimated at Rs. 1037 crores as against the guaranteed amount of Rs. 32.40 crores per annum or Rs. 162 crores over the same five year period. In other words, the guaranteed amount works out to about 16 per cent of the anticipated distributable part of additional excise duties. We, therefore, feel there is no need to set apart the guaranteed amounts and distribute the balance alone among States. The initial reservation of guaranteed amounts confers and unintended advantage on certain States and introduces an avoidable element of distortion in the scheme of distribution of additional excise duties.

8. As regards the basis of distribution of additional excise duties among the States, the view has gained general acceptance among the Finance Commissions that every State should be enabled to get the equivalent of what it would have secured if it had not surrendered its power to levy sales tax on these commodities. In other words, the Finance Commissions have recognised the principle of compensation to be the only valid principle in the distribution of the additional excise duties. Other considerations such as preferential treatment for backward States, however valid in relation to allocation of other Central taxes, are totally irrelevant to any scheme of distribution of additional excise duties. Their levy by the Centre is in pursuance of what is equivalent to a tax rental agreement.

9. A second proposition which would again seem to be incontrovertible is that State-wise figures of consumption of the commodities on which additional excise duties are levied would afford by far the best indication of the potential loss of revenue sustained by their surrender of authority to levy sales tax on them. The earlier Finance Commissions would seem to have differed only on how the relative levels of consumption of these commodities in the several States are to be assessed. The Second Finance Commission, which incidentally was the first to deal with the problem of distribution of additional excise duties among the States, recommended that the distribution of additional excise duties should be on the basis of the then available consumption figures with population as a correctional factor in view of the infirmities in the data on consumption. The Third Finance Commission felt that since additional excise duties were being levied in lieu of sales tax it would be equitable to distribute collections in excess of guaranteed amounts partly on the basis of percentage increases in the collection of sales tax in each State since 1957-58 and partly on the basis of population. The Fourth Finance Commission altogether abandoned population as a relevant factor and rested its scheme of distribution of additional excise duties wholly on the realisation of sales tax revenue in each State. The last Commission recognised certain limitations in taking the revenue from sales tax which is derived from a wide range of commodities comprising luxuries, semi-luxuries, raw materials and intermediate goods as indicative of the contribution made by each State to the aggregate revenue from additional excise duties. As the available statistics on consumption of these commodities did not in their view provide an unassailable basis for distribution of additional excise duties, the Commission held that the best formula for distribution of additional excise duties would be one that gave equal weightage to both sales tax collections and population.

10. We have examined afresh what the most equitable basis would be for allocation of the proceeds of additional excise duties among the States. Theoretically there cannot be any dispute that figures of consumption of these commodities, if available, would be the best possible indicator of what each State could have mobilised if it had retained its power to levy sales tax on these commodities. We therefore examined in the first instance the available statistics of State-wise consumption of the commodities to which additional excise duties are applicable. Additional excise duties on cotton textiles are specific duties levied according to the metreage at varying rates on different varieties of fabrics. The available figures on consumption of textiles are, however, in terms of the value of cloth consumed and even these are confined only to cotton fabrics, and State-wise estimates of consumption of woollen fabrics, rayon and artificial silk fabrics are not available. In the case of cigarettes, consumption data are available only in terms of number of cigarettes consumed, while the additional excise duties on them are levied at varying *ad valorem* rates. State-wise figures of consumption of sugar are available and these have been arrived at on the basis of despatches of sugar by factories to the consuming States. From what has been stated, it is clear that consumption figures as available, except possibly in the case of sugar, cannot be regarded as providing an equitable and firm basis for distribution of the proceeds of additional excise duties.

11. Like the earlier Commissions, we are also thus constrained to identify some indirect but reasonably reliable indicators of the level of consumption of these commodities in different States. Of the various possible indirect indicators of levels of consumption we have no hesitation in rejecting sales tax collections as of any relevance at all. As recognised by the Fifth Finance Commission, sales tax is applicable to a wide range of commodities comprising luxuries, semi-luxuries, raw materials, intermediate goods and the like. Sales tax revenue derived from these commodities may be a measure of the tax effort of the State Governments. But it does not provide even an indirect clue to the levels of consumption of textiles, sugar and tobacco on which additional excise duties are being levied in lieu of sales tax. It is true that compensation for the loss of revenue from sales tax on these commodities is the only equitable criterion for distribution of additional excise duties. But we do not consider revenue from sales tax on other commodities in respect of which the State Governments have retained the power to levy sales tax as providing any basis for determination of the likely receipts from textiles, tobacco and sugar on which they have abstained from levying sales tax.

12. We have, therefore, to look for some better indices of consumption of these commodities. There cannot be serious room for argument that consumption is directly related to levels of income. Latest available data on State Domestic Product may, therefore, be taken to provide a broad indication of the likely consumption of these commodities. However, it is also necessary to recognise that the consumption of tobacco and possibly even of sugar depends, apart from levels of income, on the habits of people, their social mores and other intangible factors. As regards textiles, the coarser varieties of cloth should be deemed to be among necessities of life, the consumption of which is more likely to depend on population rather than on State domestic product. Having regard to these considerations, we feel that population and the average of State Domestic Product for the three years

1967-68 to 1969-70 should be taken together as providing reasonable basis for assessment of the levels of consumption, population being given considerably higher weightage.

13. It is arguable that if the States had not surrendered their power to levy sales tax on textiles, sugar and tobacco, they would have also had the authority to levy sales tax on these commodities sold in the course of inter-State transactions. In other words, the States would have to be compensated not merely for the loss of revenue from sales tax on these commodities consumed within the State but also on that portion of the production, if any, of these commodities that is 'exported' to other States. The sales tax leviable on these three commodities 'exported' to other States would, however, normally be subject to a ceiling of three per cent which is the rate applicable under the Central Sales Tax Act to inter-State sales to recognised dealers and Government departments. The present rate of additional excise duties on these commodities works out to about 10.8 per cent of the value of clearances. In view of this, while production of these commodities in different States has to be given a measure of weightage, the weightage should however be comparatively small in view of the ceiling on rates at which inter-State sales tax can be charged. Having regard to all the considerations set about above, we feel that by far the most equitable basis for distribution of additional excise duties would be to allocate the proceeds of additional excise duties on the basis of population, State Domestic Product at State current prices and production in the ratio of 70:20:10. We have worked out the relative percentage share of each State on this basis.

14. We have also to determine the net proceeds of additional excise duties attributable to Union Territories. The Fifth Finance Commission had recommended that a sum equal to 2.05 per cent of the net proceeds of the additional excise duties should be retained by the Union as attributable to Union Territories. Likewise the share payable to Jammu & Kashmir and Nagaland have also to be determined as these States were not parties to the original agreement of replacement of sales tax by additional excise duties on these three commodities. We feel that it would be appropriate to determine the share of these two States as also that of Himachal Pradesh, Manipur, Meghalaya and Tripura which became full-fledged States after the Fifth Finance Commission had submitted its report and the proportion attributable to the Union Territories as now constituted on the same basis as applicable to other States, namely 70 per cent weightage for population, 20 per cent for State Domestic Product and 10 per cent for production. On this basis the portion to be retained by the Union, as being attributable to Union Territories, will be 1.41 per cent of the net proceeds.

15. Accordingly, we recommend that :—

(i) There is no need to set apart any guaranteed amounts to the States as in our opinion there is no risk of the share of any State in the net proceeds of additional excise duties falling short of the revenue realised from the levy of the sales tax on the commodities subject to additional duties of excise in lieu of sales tax for the financial year 1956-57 in that State ;

(ii) The net proceeds of the additional excise duties during each financial year be distributed on the following basis :—

(a) A sum equal to 1.41 per cent of such net proceeds be retained by the Union as attributable to Union Territories ;

(b) The balance of 98.59 per cent of such net proceeds be distributed among the States in accordance with their respective percentage shares of such balance as under :—

	States	Percentage of distribution
1.	Andhra Pradesh	8.39
2.	Assam	2.47
3.	Bihar	9.36
4.	Gujarat	5.91
5.	Haryana	1.94
6.	Himachal Pradesh	0.59
7.	Jammu & Kashmir	0.73
8.	Karnataka	5.62
9.	Kerala	3.58
10.	Madhya Pradesh	6.98
11.	Maharashtra	11.65
12.	Manipur	0.17
13.	Meghalaya	0.17
14.	Nagaland	0.08
15.	Orissa	3.59
16.	Punjab	2.68
17.	Rajasthan	4.17
18.	Tamil Nadu	7.27
19.	Tripura	0.25
20.	Uttar Pradesh	16.10
21.	West Bengal	8.30
		100.00

CHAPTER VI

GRANT IN LIEU OF TAX ON RAILWAY PASSENGER FARES

Under paragraph 4(c) of the Order of the President delimiting our terms of reference, we are called upon to make recommendations in regard to the changes, if any, to be made in the principles governing the distribution amongst the States of the grant to be made available in lieu of tax under the repealed Railway Passenger Fares Tax Act, 1957.

2. Tax on railway passenger fares is among the category of taxes which are levied and collected by the Union but are assignable to the States in terms of Article 269(d) of the Constitution. A tax on the railway passenger fares was for the first time levied under the provisions of Railway Passenger Fares Tax Act, 1957. Soon thereafter, the Secod Finance Commission was asked to go into the principles which should govern the distribution of the net proceeds of the tax among the States. In formulating its recommendations in this regard, the Commission was guided by the cardinal principle that each State should be enabled to get as nearly as possible the share of the net proceeds on account of the actual passenger travel on railways within its limits. In its judgment, this objective could be secured by allocating the passenger earnings from non-suburban services for each gauge of each railway zone separately among the States covered by it according to the route length falling within each State.

3. Though the recommendations of the Second Finance Commission were to hold good upto 1961-62, the Railway Passenger Fares Tax Act was repealed in 1961 and the Tax was merged in the basic fares with effect from 1st April, 1961. It may be relevant to mention here that this was done in pursuance of the recommendations of the Railway Convention Committee before whom the Railway Board had argued that the levy of passenger fares tax had limited the scope for raising passenger fares. Though the levy on passenger fares was thus given up, the Government of India decided to make an *ad hoc* grant of Rs. 12.5 crores a year to States in lieu of the tax for a period of five years from 1961-62 to 1965-66. This grant was later raised to Rs. 16.25 crores from 1966-67 and has since then continued at the same level. The Third, Fourth and Fifth Commissions, which were asked to deal with the distribution of this *ad hoc* grant, were of the view that it should be on the principle of compensation so as to place the States broadly on the same footing that prevailed prior to the repeal of the Act. Accordingly, the grant is now being distributed with reference to the share of each State as arrived at by allocating the passenger earnings of each railway zone on the basis of the actual route length in each State.

4. While responding to our request for their views on the principles of distribution of this grant, almost all the States have also made a vehement plea against the grant being frozen at Rs. 16.25 crores per year and have urged that we should recommend to the Government of India enhancement of the grant *pari passu* with the increase in earnings from passenger fares.

5. As regards the principles of distribution, many of the State Governments are in favour of continuance of the existing principles without any change. Some of the States which are deficient in rail facilities have urged that while distribution of 80 per cent of the grant might be made on the existing principles, the balance of 20 per cent should be distributed among the States whose railway mileage in terms of area is below the all-India average in proportion to the shortfall from such average multiplied by the area of the State concerned. One of the States has contended that, in determining the share of the States, due allowance should be made for track mileage in each State as against purely route mileage as the former affords better index of intensity of traffic. Some States have also pleaded that the lack of adequate railway facilities in a State and the consequential expenditure on roads to meet the demands of traffic should be allowed for determining the *inter se* distribution of the grant. Meghalaya, which has no railway line at present, has urged that a minimum sum out of the grant should be set apart for distribution among such States as do not have railway lines. Manipur which has also no railway line at present has suggested population as criterion for distribution of the grant among States which have no railway lines. Jammu and Kashmir would like its share to be fixed at a higher figure and increased in the same proportion as the increase in the length of railways in the State. The Fifth Finance Commission had fixed the grant due to Jammu and Kashmir at Rs. 16,000 at a time when the railway line was only upto Kathua. As the link has now been extended upto Jammu, the State should be given its legitimate share of the earnings of the railways on this account.

6. We have considered the pros and cons of the various suggestions put forward by the State Governments carefully. Since the principles of distribution of *ad hoc* grant in lieu of the repealed tax should be so designed as to place the States on more or less the same footing as when the tax was in force, States in which there are no railways can have no claim on this grant. Manipur and Meghalaya, the only two States which are adversely affected by the application of this principle, qualify for grants under Article 275(1) in terms of our assessment of their requirements for the forecast period. Their exclusion from any share in lieu of passenger fares tax would, therefore, mean no real hardship to them. Likewise, while

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1967-68 to 1969-70 should be taken together as providing reasonable basis for assessment of the levels of consumption, population being given considerably higher weightage.

13. It is arguable that if the States had not surrendered their power to levy sales tax on textiles, sugar and tobacco, they would have also had the authority to levy sales tax on these commodities sold in the course of inter-State transactions. In other words, the States would have to be compensated not merely for the loss of revenue from sales tax on these commodities consumed within the State but also on that portion of the production, if any, of these commodities that is 'exported' to other States. The sales tax leviable on these three commodities 'exported' to other States would, however, normally be subject to a ceiling of three per cent which is the rate applicable under the Central Sales Tax Act to inter-State sales to recognised dealers and Government departments. The present rate of additional excise duties on these commodities works out to about 10.8 per cent of the value of clearances. In view of this, while production of these commodities in different States has to be given a measure of weightage, the weightage should however be comparatively small in view of the ceiling on rates at which inter-State sales tax can be charged. Having regard to all the considerations set about above, we feel that by far the most equitable basis for distribution of additional excise duties would be to allocate the proceeds of additional excise duties on the basis of population, State Domestic Product at State current prices and production in the ratio of 70:20:10. We have worked out the relative percentage share of each State on this basis.

14. We have also to determine the net proceeds of additional excise duties attributable to Union Territories. The Fifth Finance Commission had recommended that a sum equal to 2.05 per cent of the net proceeds of the additional excise duties should be retained by the Union as attributable to Union Territories. Likewise the share payable to Jammu & Kashmir and Nagaland have also to be determined as these States were not parties to the original agreement of replacement of sales tax by additional excise duties on these three commodities. We feel that it would be appropriate to determine the share of these two States as also that of Himachal Pradesh, Manipur, Meghalaya and Tripura which became full-fledged States after the Fifth Finance Commission had submitted its report and the proportion attributable to the Union Territories as now constituted on the same basis as applicable to other States, namely 70 per cent weightage for population, 20 per cent for State Domestic Product and 10 per cent for production. On this basis the portion to be retained by the Union, as being attributable to Union Territories, will be 1.41 per cent of the net proceeds.

15. Accordingly, we recommend that :—

(i) There is no need to set apart any guaranteed amounts to the States as in our opinion there is no risk of the share of any State in the net proceeds of additional excise duties falling short of the revenue realised from the levy of the sales tax on the commodities subject to additional duties of excise in lieu of sales tax for the financial year 1956-57 in that State ;

(ii) The net proceeds of the additional excise duties during each financial year be distributed on the following basis :—

(a) A sum equal to 1.41 per cent of such net proceeds be retained by the Union as attributable to Union Territories ;

(b) The balance of 98.59 per cent of such net proceeds be distributed among the States in accordance with their respective percentage shares of such balance as under :—

States	Percentage of distribution
1. Andhra Pradesh	8.39
2. Assam	2.47
3. Bihar	9.36
4. Gujarat	5.91
5. Haryana	1.94
6. Himachal Pradesh	0.59
7. Jammu & Kashmir	0.73
8. Karnataka	5.62
9. Kerala	3.58
10. Madhya Pradesh	6.98
11. Maharashtra	11.65
12. Manipur	0.17
13. Meghalaya	0.17
14. Nagaland	0.08
15. Orissa	3.59
16. Punjab	2.68
17. Rajasthan	4.17
18. Tamil Nadu	7.27
19. Tripura	0.25
20. Uttar Pradesh	16.10
21. West Bengal	8.30
	100.00

the argument of Jammu and Kashmir that the additional earnings from passenger fares arising from extension of the railway line to Jammu should be taken into account in the determination of the grant is unassailable, we are handicapped by the absence of any information on passenger earnings in this extended section, which became operative only from October, 1972. We are not, therefore, in a position to take the extended route length into account. But here again, this decision should cause no serious concern because Jammu and Kashmir, in terms of our award, is entitled to a grant under Article 275(1) of the Constitution. What they possibly lose under the grant in lieu of railway passenger fares is made good to them by the grant payable under Article 275(1) of the Constitution. The existing principles of distribution, which are substantially the same as those formulated by the Second Finance Commission, have stood the test of time. In the continuing absence of statistics on passenger earnings in each State on account of actual travel within its limits, the allocation of passenger earnings from non-suburban services from each gauge for each railway zone separately among the States according to route length lying within each State would be the most equitable basis for distribution of the grant.

7. We have accordingly worked out the percentage shares of different States on the basis of statistics of gauge-wise route length of railways in each State and the actual passenger earnings from non-suburban traffic for each zonal railway for the four years ending 1971-72. They are as follows :—

States	Percentage share
1. Andhra Pradesh	8.01
2. Assam	2.70
3. Bihar	10.58
4. Gujarat	7.47
5. Haryana	2.57
6. Himachal Pradesh	0.17
7. Jammu and Kashmir	0.02
8. Karnataka	3.47
9. Kerala	1.61
10. Madhya Pradesh	9.89
11. Maharashtra	8.87
12. Manipur	—
13. Meghalaya	—
14. Nagaland	0.01
15. Orissa	2.24
16. Punjab	5.06
17. Rajasthan	6.59
18. Tamil Nadu	5.14
19. Tripura	0.02
20. Uttar Pradesh	19.85
21. West Bengal	5.73
	100.00

We recommend that the grant to be made available to the States in lieu of tax under the repealed Railway Passenger Fares Tax Act, 1957 be distributed in accordance with these percentages.

8. The recommendations of the Railway Convention Committee on the quantum of the grant allocable among the States are to be in force only till the end of 1973-74. It is not known on what basis the Railway Convention Committee would determine the grant payable to the States in lieu of railway passenger fares for the period covered by our award. We have, therefore, contented ourselves with recommending the percentage share of each State. The grant to be made available to the States in lieu of the repealed tax on railway passenger fares should be distributed in accordance with the percentages indicated above. Meanwhile, for purposes of assessment of revenue gaps of States, we have assumed that the grant in lieu of Railway passenger fares tax would be maintained at Rs. 16.25 crores.

9. Almost all State Governments have drawn our attention forcefully to the inequity involved in the replacement of tax on railway passenger fares by a fixed grant. In providing for an impost on passenger fares as one of the taxes to be levied by the Centre and assigned to the States under Article 269 of the Constitution, the architects of the Constitution had presumably intended to give the States access to a modest share of the growing revenues of the railways. This objective has been thwarted by the substitution of railway passenger fares tax by a fixed lump sum grant. We are impressed with the force of these arguments put forward by the State Governments. It is difficult to rebut their contention that they have been deprived of a potentially elastic source of revenue by a unilateral decision of the Central Government. We are aware that the Railway Convention Committee of 1971 did consider the question of enhancement of the grant in lieu of tax on passenger fares, but had concluded that there was no scope for stepping up the grant in view of the financial position of the Railways. We also recognise that the Railways, as forcefully urged by them before the Railway Convention Committee, have to bear many social burden such as subsidised passenger fares on suburban railways, movement at less than the economical cost of certain articles like foodgrains and bulky raw materials and maintenance of uneconomic railway lines often under pressure from State Governments themselves. But we are not concerned here with the larger aspects of the working and financial results of the Railways. Making due allowance for the difficulties faced by the Railways, that are not dissimilar to those confronting many other public utilities in Central and State sectors, the fact remains that if the tax on passenger fares had continued, the actual collections during 1969-70 and 1970-71 would have amounted to about Rs. 24.46 crores and Rs. 26.17 crores respectively. On the basis of the figures made available to us for 1971-72, 1972-73(RE) and 1973-74(BE), we estimate that the tax would have amounted to approximately Rs. 31 crores, Rs. 33 crores and Rs. 36.5 crores respectively on the presumption that roughly 10.7 per cent

of non-suburban passenger fares would represent the tax element. Looked at from the narrow angle of ensuring the profitability of Railways, it is true that the levy of a tax on passenger fares would curtail the scope for enhancement of fares. But from the broader economic standpoint there is absolutely no difference between the revision of railway fares and imposition of a tax on passenger fares. As such a tax has been specifically mentioned in Article 269 of the Constitution, it is not unreasonable to argue that whatever potential there may be for mobilising additional revenues from passenger traffic should in part be tapped through a levy under Article 269 of the Constitution for the benefit of the States.

10. Though the question of reimposition of tax on passenger fares or corresponding enhancement of the grant payable in lieu of the tax may not strictly come within our purview, we have deemed it desirable to invite the attention of the Government of India to the strong views expressed by the State Governments, because we are also convinced that the grievance of the State Governments is real and needs to be redressed early. We also feel that the repeal of the passenger tax and its replacement by a fixed grant was not quite in accordance with the spirit, if not the letter, of the provisions of Article 269 of the Constitution. It will be in the larger interests of healthy development of cooperative federalism in the country if the point of view of the States is given due recognition in taking decisions on issues of this nature. We would, therefore, urge that the Government of India should redetermine the amount of grant payable in lieu of tax on passenger fares in terms of what the States could have got if the railway passenger fares tax had continued in its original form. The additional loss to the Centre or gain to the States may only be of a marginal nature. But it will have a significantly favourable impact on Centre-State financial relations. We appreciate the social burden which the Railways are currently bearing. It cannot, however, be seriously disputed that many other enterprises in public sector are also constrained to bear similar burdens. But this has not deterred the Central Government from imposing or enhancing, for example, excise duties on products of such enterprises. It should also be remembered that States do get a share of such increases in excise duties. The only question that may be of relevance to the reimposition of the tax on passenger fares or in the alternative enhancement of the passenger fares to enable the Railways to make a larger grant available for distribution among the States is whether the demand for railway travel is sufficiently elastic and whether the fares would admit of upward revision. Past experience indicates that railway passenger fares should surely admit of some increase. We also feel that any proposals for re-imposition of railway passenger fares tax or enhancement of passenger fares would be justifiable to the extent that such enhancement is linked specifically with the payment of larger grants to the States.

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5	Para 1—3rd line from bottom		insert ' , ' after judgm
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6	Para 4—8th line	lawyers	layers
9	Para 20—9th line from bottom	expending	expanding
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31	Para 12—last but one line	paragraph 4(c)	paragraph 4(e)
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57	Sub-para below table under para 24—line 7	majority o	majority of
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Page No.	Reference	For	Read
58	Heading above para 27	State	States
58	Para 27—line 25	projects n 1971-72	projects in 1971-72
58	Para 27—last line	cores	crores
58	Para 28—line 3	considered t	considered it
58	Para 28—line 24	years'	years,
59	Table below para 30—col. 5—heading	Mark up (—)	Mark up (+)
59	Table below para 30—col. 6—Punjab	(+)12.28	(+)12.28(a)
61	Table below para 34—col. 3—heading	5 year's	5 years'
62	Para 37—line 16th from bottom	of	to
62	Para 38—line 5th from bottom	wherever in information	wherever information
64	Para 4—1st line	"distorions"	"distortions"
65	Para 7—9th line	no wmet	now met
65	Para 9—14th line	"under-Article"	"under Article"
72	Para 21—5th line	governments	Government
77	Para 18—8th line	money	moneys
77	Para 21—3rd line	provision	provisions
78	Para 29—9th line	prriod	period
81	92—First line	Pament	Payment
81	94—First line	Caital	Capital
81	125—First line	contingency	Contingency
83	ANNEXURE II—TOTAL (Col. 3)	50,195	52,195
83	Against Himachal Pradesh (Column 4)	594	595
84	Para 5—10th line	these	those
85	Para 6—3rd line from bottom	with of the wisp	a will O' the wisp
86	Para 10—3rd line	loan	loans
87	Para 16—7th line	far	fair
88	Para 22—8th line	it	. It
89	Against Assam (Table)	35	(—)35
89	Para 28—Line 15th from below	Plans	Plan
90	Para 32—3rd line	outstading	outstanding
92	Para 38—3rd line	liquisidation	liquidation
92	Para 41—9th line	As	At
95	Para 55—7th line from bottom	Fifh	Fifth
95	Foot Note 2—last but one line	prejudice	prejudice to
96	Para 58—9th line from bottom	numberous	numerous
96	Para 59—8th line	optration	operation
100	Para 1—4th line	marged	merged
100	Para 8—last but one line	25	23
101	Para 8—last but one line	well	will
104	Para 42(iii)	Harika	Harike
104	Para 51—2nd line	vtz	Viz
105	Para 52—1st line	1973	1973-74
105	Para 52—last but one line	2.53	2.55
105	Para 53(i)	Velley	valley
105	Para 56—Against Haryana	647	764
106	Heading	V ANNEXURE I	ANNEXURE IV
106	Against Himachal Pradesh Under Col. 8	7,76	7.76
107	II Union Excise Duties—Line 1	1975-7	1975-76
	Line 2	01	of
115	Para (3) of Article 270—line 1	yaer	year
124	Para (6)—line 1	taxe	taxes
128	Item (j)	f	if
130	Item 23	Expenditre	Expenditure
139	F. Note 1	0.85 :	0.85.
144	B. Loans from Financial Institutions to States	SATEMENT V	STATEMENT V
144	Para 2 letter No. (6) last line	August, 1972	August 1, 1972
146	Item 8, line 1	if any	if any,

Page No.	Reference	For	Read
150	Para (3) under II Loans to States, line 2	defa u	defaults
156	Table under sub-para (c) of Para 1[illegible], line 1	731.24	731.34
157	Letter No. 12, line 5	States,	States'
157	Letter No. (13), line 4	determing	determining
158	Letter No. (14), para 3, line 10	States,	States'
160	Item (a), line 1,	Commission	Commission :
160	Item (b), line 1,	Commission	Commission :
168	Table 7.3—item 22 Total—States	6737	67373
170	Table 8 : 1st col.	tate/Zone	State/Zone
171	Nagaland : last col.	.35	9.35
171	Rajasthan (iii)—last col.	2803.9	2803.96
182	Gujarat : Item 3 under Non-Plan Expenditure on Revenue Account.	committee	committed
182	Haryana : Under A Revenue Receipts—item 2(e)	Loans to other	Loans to others
188	Kerala : Foot Note (1)	Teacher-pupilratio	Teacher-pupil ratio
195	Nagaland : Under A Revenue Receipts—1. Tax Revenues—under col. variation.	+(.86	+0.86
196	Nagaland : Foot Note (1)—2nd line	provision for	provisions for
198	Punjab : Total Non-Developmental under Reassessed Estimate.	362.16	262.16
201	Tamil Nadu : C(i) under col. variation.	−79.14	+79.14
203	Uttar Pradesh : B. Non-Plan Expenditure on Revenue Account—I(iii) under col. variation	417.26	−417.26
205	West Bengal : C(i)	State Governments	State Government
205	Foot Note (4)—last line	for emoluments	for pay
207	Appendix IX—Table No. 1(C)—Col. Nos. 10 and 11	operating surplus elect. duty	Operating surplus + elect. duty
207	-do—Col. 10—Andhra Pradesh	4.47	14.47
210	Appendix—IX—Table No. 5(b)—Col. 6—West Bengal—Rice	0.8 to 1.08	0.8 to 1.8
222	Appendix—X—Table No. 7—Mysore—Total	278,00	278,000
226	Appendix—XI—Heading	Table No 1 3	Table No. : 3
226	Appendix—XI—Col. heading No : 4	from 1.4.62 to 31.4.74	from 1.4.62 to 31.3.74
227	Appendix XI—Table No : 4(iii)—Col. 6—Item No : 1—line 1.	traffic > 450 C.V. Day	traffic < 450 C.V./Day
230	Appendix XI—Table No : 6—Col. for in patients-proposed	3.00 5.50** 3.00	3.00 5.50** 3.00
235	Appendix—XII—Table No : 6—Col. 5—Tamil Nadu	13.41	14.41
237	Last Column against entry 18	5.6	5.60
244	1st line—col. 33	451	1451
251	col. 23.—Heading—4th line	iug	ing
254	Item 7(c)—cols. 3 & 4	40 22	.. ..
255	Item 7—3rd line	Co-operatin	Cooperation
257	Item 7(a)—col. 35	392	382
257	Item 7(c)—col. 43	146	164
257	Item 7(d)—col. 44	163	1635
260	Heading—col. 31-32	Pubjab	Punjab
286	Item 7—col. 12	489	499
288	on the top	up to	during
303	Item 1—col. 23	1	..
304	Item 1—col. 34	92	927
309	Item II (1) (c)—col. 44	2843	23
314	Item 7(c)—col. '0'	Cooperation	Cooperative
316	Item 7(c)—col. '0'	Cooperation	Cooperative
316	Item 9(b)—do—	(g)	(b)
316	col. 31—Heading	outstanging	outstanding
317	Item	7	6
317	-do-	6	7
317	Item 8(a) col. 44	32	329

ıge No.	Reference	For	Read
318	Total—12—col. 9	9725	7925
318	Total 13 col. 4	5641	3541
319	Top	Rs. akhs	Rs. lakhs
320	Item 12(d) col. '0' Heading	rojects	Projects
323	col. 5. 2nd line	Centra	Centre
-do-	against Mysore col. 3	369	269
327	Table 15 against Bihar	17	179
-do-	col. 4 against Rajasthan col. I	61	631
-do-	Table 16 col. 1 heading	Standing	Outstanding
330	Table 21—heading col. I	3x-3-1974	31-3-1974
331	Against Andhra Pradesh col. I	30	330
-do-	Table 24 col. Against Punjab	39	36
-do-	-do- Against Rajasthan	..	5
-do-	-do- Against Tamil Nadu	5	..
332	Table 25 under col. '0'	Triura	Tripura
333	Table 28 Item 2(ii) under Assam	Centrally sponsored	Centrally sponsored and other schemes.
336	Heading above col. 3	posed	proposed
337	-do above col. 5 after proposed by	—	Add us
344	Table 39 Heading col. 4 line 2	payable	repayable
344	Table 39 item 4(c)	Corporation	Corporations
347	Table 41 col. 16 against Andhra Pradesh	1 11	1911
348	Table 42 Item 6 col. 9	335	3354
349	Table 43 item 3 col. 3	10310	10370

CHAPTER VIII

GRANT ON ACCOUNT OF WEALTH TAX ON AGRICULTURAL PROPERTY

Under paragraph 4(f) of the President's Order, we are required to make recommendations regarding "the principles governing the distribution among the States of the grant to be made available to the States on account of wealth tax on agricultural property."

2. Though the Wealth Tax Act had been enacted as early as 1957, agricultural property was exempt from the levy of wealth tax upto and inclusive of the assessment year 1969-70. The Finance Act of 1969 amended the Wealh Tax Act so as to extend the levy of wealth tax to agricultural property (except such property situated in Jammu & Kashmir), subject to certain exemptions, with effect from the assessment year 1970-71. The decision to subject agricultural property to wealth tax was taken by Government with a view to bring about equality of treatment as between persons having investments in non-agricultural property and those having investments in agricultural property.

3. Wealth tax is not one of those taxes or duties which, under the provisions of the Constitution, are to be shared with the States either on an obligatory or permissive basis. It is also not a tax levied and collected by the Centre and assigned in their entirety to the States, as for example, is the case with estate duty on property other than agricultural land. However, when in 1969, agricultural land held by individuals and Hindu undivided families was made liable to wealth tax, subject to certain limits, the Central Government decided *suo motu* that the net proceeds of wealth tax on agricultural land would be passed on to the States as grants-in-aid.

4. We have obtained the views of the State Governments on the principles to be evolved for the distribution amongst them of the grant-in-aid to be made available to them on account of wealth tax on agricultural property. Briefly they are :—

(i) Distribution on the basis of location of property. While one State had specifically suggested that the grant should be distributed in proportion to the gross value of agricultural wealth located in each State in the same way as estate duty is distributed in proportion to the gross value of immovable property located in each State, another had suggested that each State should get the amount which it would itself have collected if it had the power to levy and collect the tax itself. Another State would prefer the grant being distributed amongst the States according to their respective population, in case data were not available for distribution of the grant in proportion to the gross value of agricultural land located in each State and brought into assessment in each year;

(ii) Distribution on the basis of population;

(iii) Distribution on the basis of collection;

(iv) Distribution on the same basis as for income tax;

(v) Distribution partly on the basis of population and partly on the basis of backwardness.

(vi) Distribution in proportion of the rural population living below the subsistence level to the total of such population of all States taken together;

(vii) Distribution in such a manner as to make available more funds to agriculturally less developed States in comparison to those which are highly developed.

5. We have considererd the relative merits of these suggestions carefully. Wealth tax on agricultural property is comparable in its incidence to estate duty in so far as the latter relates to immovable property. The location of property in each case is clearly identifiable and provides therefore a reliable basis for distribution of the proceeds of the tax among the States. We therefore feel that the grant on account of wealth tax on agricultural property should be distributed among the States in proportion to the value of agricultural property situated in the State and brought into assessment. Population would not seem to be a suitable basis for distribution of the grant since it has no bearing on the extent or value of agricultural property brought within the tax net. Collection would not also be an appropriate basis as the tax collected may in some cases relate to property located outside the State. Backwardness or need for development of any particular area would also not seem to be relevant in the distribution of the grant. Accordingly, we recommend that the grant-in-aid to be made avaliable to the States on account of wealth tax on agricultural property should be distributed among the States in proportion to the value of agricultural property located in each State and brought to assessment in that year.

6. It is presumed that the grant payable to the States would be equivalent to the net collections of wealth tax on agricultural property less collections attributable to Union Territories. If our presumption is correct, we would recommend that the share attributable to Union Territories should be in proportion to the value of agricultural property situated in the Union Territories and brought to assessment.

7. We had asked the Central Board of Direct Taxes to let us know the nature of statistics that are at present required to be maintained for the purpose of assessment and collection of wealth tax on agricultural property, and whether it would be possible to maintain statistics relating to the agricultural property in each State brought under assessment. We have been advised that these data are not readily available. We have, however no doubt that arrangements could easily be made for compilation of relevant statistics relating to agricultural property located in each State and brought to assessment in that year.

8. The initial anticipations in regard to the yield of the tax would seem to have gone awry completely. In 1970-71, against the estimated yield of Rs. 4 crores, the actual collections amounted to only Rs. 8.72 lakhs. The actual collections in 1971-72 amounted to Rs. 49.43 lakhs and in 1972-73 to Rs. 69.51 lakhs against the anticipated receipts of Rs. 8 crores in each of the years. The Central Board of Direct Taxes has now set its sights lower and in the forecast of receipts for the five years ending 1978-79, the gross receipts from this tax have been placed at Rs. 1 crore per annum. As the cost of collection has been estimated at Rs. 55 lakhs a year, the net amount likely to become available for payment to the States as grant-in-aid during the period of our recommendation would be only of the order of Rs. 45 lakhs a year. In view of the relatively low and uncertain yield from this tax, we consider that the grant likely to be made available to the States from out of the proceeds of this tax should not be taken into account in assessing the resources of the States for the period of our award. We have, therefore, left this amount out of account in computing the non-Plan revenue gaps of the States. Accordingly, the grant on account of wealth tax on agricultural property distributed among the States in accordance with the principles recommended by us may be reckoned as a resource for State Plans.

9. We have been given to understand that a sum of about Rs. 3.4 crores has already been given to the States, including Himachal Pradesh, Tripura and Manipur in 1970-71. The actual collection in that year amounted to only Rs. 8.72 lakhs on the basis of departmental statistics. In view of this, the grants on account of tax on agricultural property falling due for payment in the forecast period are likely to be offset substantially by recoveries of overpayments already made. This is another factor that has weighed with us in keeping this grant out of our estimates regarding the resources and needs of the States during the period of our award.

CHAPTER VIII

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CHAPTER X

REVISION OF PAY AND DEARNESS ALLOWANCE OF EMPLOYEES OF STATE GOVERNMENTS

In assessing the requirements of State Governments on account of expenditure on administration, we are required to take into account, under paragraph 4(b)(iii) of our terms of reference, such provision for emoluments of Government employees, teachers and local body employees as obtaining on a specified date as the Commission deem it proper in the light of the States' capacity and needs. It is significant that the Presidential Order delimiting the field of enquiry of the earlier Commissions did not make any explicit reference to the problems of emoluments of Government employees or teachers or local body employees. This does not, of course, imply that earlier Commissions had, for purposes of their award, left out of account the needs of the States in regard to emoluments of their employees. On the contrary, the Commissions considered it both necessary and proper to provide in their schemes of devolution for all the requirements of the States arising from such increases in dearness allowance and scales of pay as had been implemented and brought to their notice. Thus, for example, the Fourth Finance Commission which was faced with a spate of proposals from State Governments for revision of the emoluments of their employees considered in detail the requests of the State Governments. The Commission took into account all firm Government orders sanctioning increases in emoluments upto the end of June 1965. The Commission recommended that the revision upto the end of July, 1965 should also be taken into account and suitable adjustments in grants-in-aid under Article 275 made if the States concerned had passed firm orders by them. Accordingly, after the submission of the report by the Fourth Commission, Government of India asked Prof. Karve, a member of the Commission, to examine the requirements of the States excluded by the Commission and listed by them in their report. The grants-in-aid recommended by the Fourth Commission were suitably enhanced with reference to the amounts needed by such States for revision of emoluments of their employees. The procedure followed by the Fifth Commission, in assessing the reasonableness of the demands made by the State Governments, for revision of the emoluments of their employees, has been indicated by them in para 6.13 of their report. Briefly stated, the Commission allowed in full for the likely expenditure on increased dearness allowance in all cases where such increases had already been sanctioned by the State Governments. They also allowed for arrear payments relating to the period prior to 1-4-1969 in all cases where commitments had already been made or payment had already commenced. They did not, however, make any allowance for possible increases in dearness allowance in future. With regard to pay revisions, the Fifth Commission took the line that only such proposals as had been implemented prior to 1-4-1969 should be recognised by them. In other cases, the Commission felt that the question of making provision for revision of scales of pay would arise only where the level of expenditure in any State fell short of all States average after taking into account also the scope for greater tax effort in relation to the all States average. It is not, however, clear how precisely final adjustments in this regard were made in determining grants-in-aid of the States under Article 275.

2. On the question of provisions for revisions of dearness allowance and scales of pay, the States would seem to have two main grievances. Firstly, the practice, which has come into vogue of Finance Commissions taking into account only such revisions as have already been implemented, places at a serious disadvantage States which, on considerations of financial prudence or on account of constraint of resources or even administrative delay in the appointment of Pay Commissions and processing of their recommendations, could not implement revisions of dearness allowance or pay in time for consideration by the Finance Commissions. Secondly, the wide disparities in emoluments between employees of State Governments and those of Central Government on the one hand and among employees of various State Governments themselves on the other hand create a situation in which most State Governments are under continual pressure for upward revision of emoluments.

3. The scales of pay of Central Government employees were revised in pursuance of the recommendations of the Second Central Pay Commission in 1959 and since then there have been as many as eighteen revisions in the form of dearness allowance or interim relief. Understandably, these revisions have triggered demands for similar increases from employees of State Governments. These successive increases in rates of dearness allowance have caused enormous strain on the resources of the State Governments and may be said to be at the root of the ways and means difficulties of many of them. It is tragic that the bulk of the additional resources raised by them for financing the Plan has been eroded by the payment of higher emoluments to employees. This is not a situation which can be viewed with equanimity by any one interested in economic and social development, though we appreciate that, given the continuous spurt in prices, the State Governments had perhaps no other alternative. Reference has also been made to this problem in the reports of the earlier Commissions. With the appointment of the Third Pay Commission by the Central Government, in April, 1970, States became aware that its report and Government of India's decision thereon would further upset their budgetary calculations. One of the main themes urged by State Governments in their memoranda and

per annum. The same rate has been adopted for projecting the requirements on account of committed liabilities of the Fourth Plan Schemes.

22. There are a few heads of expenditure to which it will be inappropriate to apply a uniform rate of growth. The requirements of the States under "16-Interest" have necessarily to be determined with reference to debts outstanding. Likewise, the major head "76—Other Miscellaneous Compensations and Assignments" includes payments to local bodies of their share of tax collections at present level of expenditure and the future pattern of growth varies from State to State. The major head "71-Miscellaneous" comprises a large number of miscellaneous transactions that cannot be conveniently accommodated within any other group. The composition and quantum of expenditure under this head varies considerably from year to year. In some of the States, this head also accommodates grants to local bodies for functions transferred to them. The forecast of expenditure under these heads has, therefore, been determined in each case separately with reference to past trends and other relevant factors urged by the State Governments.

23. As regards the base level to which these rates of growth are to be applied, we are constrained to adopt the actuals of 1971-72, because the preliminary actuals of 1972-73 furnished by the Accountants-General for most of the States, unlike similar figures on the receipt side, are liable to numerous adjustments that may not be completed in time for our report. However, this decision is not expected to affect adversely the interests of the States because the assumed rates of growth on the expenditure side are generally a little more generous than what most of the State Governments have been able to provide for in the recent past, if increases on account of pay and dearness allowance are excluded.

during their discussions with us has therefore been that the repercussions of the Central Pay Commission's recommendations on the scales of pay and allowances of employees of State Governments should necessarily be allowed for by us fully in our award.

4. At our very first meeting, we addressed ourselves to the extremely complex and delicate issue of determining a reference date for purposes of consideration of the requirements of the State Governments in regard to emoluments of their employees. We realised that the fixing of any prospective date would bring the State Governments under relentless pressure for further revision of emoluments of their employees. It might not also have proved fair to States anxious to conserve their limited resources for implementation of developmental programmes in the remaining period of the Fourth Plan. We therefore strongly felt that the date chosen should be such as would guarantee that whatever decisions were actually taken by the State Governments on revisions of emoluments would be based on their own merits and without reference to the pendency of the award of the Finance Commission. In view of this consideration we proposed to adopt 1st January, 1972 as the reference date. The State Governments were informed accordingly in Member-Secretary's letter of 17th July, 1972 and they were requested, in furnishing their projections of non-development expenditure for the years 1974-75 to 1978-79, to take into account only scales of pay, dearness allowance and other allowances as obtaining on 1st January, 1972 on the basis of orders issued and implemented on or before that date. We would like to state even at this stage that in choosing a date anterior to our appointment as the reference date, we were motivated solely by the consideration that the whole question of additional provisions needed for revision of scales of pay and dearness allowance should be settled to the extent possible on the basis of certain objective norms and not as would seem to have been the case in the past, only with reference to the actual commitments made by the State Governments on or before a particular date falling within the last phase of the labours of the Finance Commission. The most serious criticism of the approach followed by earlier Commissions has been that it gave the States an almost irresistible incentive to rush ahead with implementation of proposals for enhancement of emoluments in the certain knowledge that all such increases would invariably be taken note of by the Commission. At the same time, States which refrained from doing so either for want of resources or on considerations of sound fiscal management or even sheer administrative delay felt that they had been dealt with unfairly. In fixing 1-1-1972 as the date of reference, we hoped to get a clear picture of the relative position of different States in respect of scales of pay as on a date when the State Governments' judgment was least likely to have been clouded by the implications of the impending appointment of a Finance Commission. However, it was not our intention that the needs of the States on account of emoluments of their employees should be frozen as on 1-1-1972. Rather, our intention was that no State should gain or lose only because it had implemented its proposals for revision of pay and allowances on a particular date after we had embarked on our work. It was also our intention to put the State Governments on clear notice that whatever revision of scales of pay and allowances they chose to implement would be at their own risk and that their proposals in this regard would be evaluated on merits and with reference to certain yardsticks.

5. Many Chief Ministers have written to us protesting against the choice of a date as far back as 1-1-1972. During the discussions with the Commission too, all the State Governments pressed hard for a reconsideration of the reference date of 1-1-1972. They have argued that it would neither be realistic nor fair for the Finance Commission to ignore the financial implications of the proposals implemented by the State Governments after 1-1-1972. The choice of 1-1-1972 as the date of reference has not deterred most of the State Governments from going ahead with revisions of pay and dearness allowance. All State Governments, with the exception of Meghalaya, have proposed additional provisions on account of increases in pay and/or dearness allowance including interim relief—Table No. 1 in Appendix X to our report sets out details of provisions proposed by the State Governments for such revisions implemented by them after 1-1-1972. The additional provisions demanded by the State Governments for revision of emoluments amount to about Rs. 2827 crores over the Fifth Plan period. Even this estimate is incomplete because only a few of the State Governments have chosen to indicate liabilities of a contingent nature. A broad picture of the estimates of additional provisions is presented below while Statewise details will be found in Table Nos. 1, 4 and 5 in Appendix X appended to our report:

(Rs. crores)

	Increases already given effect to	Contingent liability	Total
Revision of pay, dearness allowance and interim relief	1,563.27	1,144.85	2,708.12
Other increases	68.11	51.10	119.21
TOTAL	1,631.38	1,195.95	2,827.33

6. The arguments of State Governments in seeking a change in the reference date run on the following lines:

In accordance with the terms of reference, the Finance Commission is required to take levels of taxation likely to be reached at the end of 1973-74. The estimates of revenue-receipts for the forcast period are not with reference to accruals of revenue as on 1st January, 1972. As such, there would be an asymmetary in the Commission's estimation of the needs of the States. Most of the State Governments are committed to maintenance of parity with Central Government in rates of dearness allowance and the revision by the Central Government of the rates of dearness allowance of their employees sets in motion a chain reaction which cannot be ignored. In this context, the State Governments also drew our attention to the disparities already existing between emoluments of employees of most of the State Governments and those of Central Government and urged that it was becoming increasingly difficult to sustain such disparities. They were working side by side in many places and their work was identical. The State Governments also referred to the likely repercussions of the report of the Central Pay Commission and the pressures that would be generated for further revision of the emoluments of their employees. The State Governments, therefore, urged strongly that a date such as 31-3-1973 or 31-3-1974 should be adopted as the reference date.

7. We have already indicated briefly the reasons that weighed with us in choosing 1-1-1972 as the date of reference. We reiterate that it was our intention right from the outset to evolve, to the extent possible, certain principles for proper assessment of the requirements of the States on account of pay and dearness allowances. In formulating these principles, we have given the most careful consideration to the points urged by representatives of State Governments and also representatives of employees of some of the State Governments who met us during our visits to State capitals. In our view, any assessment of the requirements of the States for revision of scales of pay and dearness allowance for their employees should subserve certain objectives which we delineate in some detail in succeeding paragraphs.

8. The appointment of a Finance Commission now becomes a signal for State Governments to hurry through the proposals for revision of scales of pay and dearness allowance. We should not be taken to imply that the revisions that have been implemented in recent months have been motivated solely by the desire to take advantage of our impending award. Nevertheless it is clear that the State Governments do become specially vulnerable to the demands of their employees when the Finance Commission is in session. At the same time, the approach hitherto followed by the Finance Commissions does impose a disability on States which, for want of resources, are unable to implement in time revisions of emoluments of their employees even though there may be a pressing need for the same. It would be conducive to sound fiscal management and rational decision making if it becomes clear that a Finance Commission is not bound to take note of all the increases in emoluments that may be given effect to. At the same time, States which have observed a measure of restraint in pay revisions, should have the assurance that their minimum requirements in this regard would not go unnoticed. An approach somewhat on these lines alone will be fair to the State Governments *inter se* and their employees.

9. The Finance Commission cannot, however, arrogate to itself the responsibilities of a Pay Commission and pronounce on the reasonableness or otherwise of the scales of pay in force in different States. It will take us far from our field of enquiry to go into such questions as to whether disparities between State and Central Government employees or among the States themselves are justified or not. These are larger issues which can best be examined in the context of an overall national policy on wages and incomes. We should also remember in this connection that inter-State comparisons on scales of pay and allowances can be undertaken with any degree of assurance only in respect of certain common and well-defined categories of staff at lower levels, such as Peons, Clerks, Police Constables and Teachers in Primary Schools. The structure of departments, opportunities for promotions, as also qualifications and responsibilities attached to the several posts at higher levels, vary from State to State. It would, therefore, be risky to attempt any kind of approach towards standardisation of pay and allowances at these levels.

10. At the same time we recognise that very wide disparities in emoluments at the lower levels, where duties and qualifications are easily comparable, are bound to generate discontent and impair maintenance of reasonable standards of efficiency in administration. It is relevant to mention here that we have also been specifically asked to make reasonable provision for enabling the States that are now backward in standards of general administration to come up to the levels of the more advanced States within a period of ten years. While we deal with this problem of upgradation of standards of administration in backward States at some length in another chapter, we would only like to observe at this stage that improvement of standards of administration cannot be viewed in isolation from scales of pay. The level of emoluments has an important bearing both on standards of recruitment and the performance of employees of different ranks.

11. State Governments are united in demanding that the likely repercussions of the Government of India's decisions on the recommendations of the Third Pay Commission should not be left out of our reckoning. They have also laid stress, in the light of their past experience, on the inevitability of further revision of rates of dearness allowance of their employees in the forecast period. They have urged that our schemes of devolution should provide for all such possible increases over the next five years. In our view, it would be difficult, and wrong in principle, to provide for expenditure of a contingent nature. In the event of rise in prices, increases in rates of dearness allowance may become necessary. We have made our estimates of revenues and expenditure at constant prices. Any rise in prices, which may call for an upward revision of rates of dearness allowance of employees, will also bring in additional revenues to the States under heads such as Sales Tax, Motor Vehicles Tax and Stamp Duty, and also in the form of their share of Central taxes. This assumption is, by and large, borne out by past experience. In view of this, we have not considered it necessary to incorporate in our forecast of requirements of State Governments any provisions for enhancement of rates of dearness allowance in future.

12. Keeping in view various considerations set out above, we felt that the provisions indicated by the State Governments for revision of scales of pay, dearness and other allowances of their employees should be dealt with in the following manner :

(1) 1st January, 1972 should be taken as the date of reference.

(2) Though there were wide disparities in scales of pay and dearness allowance among States even as on 1-1-1972, full provision should be made for the actual requirements of the States on the basis of scales of pay and allowances as on 1-1-1972. We need not go into the reasonableness or otherwise of the scales of pay as obtaining on the date of reference.

(3) While complete elimination of the disparities as between different States is not feasible, it has to be conceded that in some of the States scales of pay and allowances as on 1-1-1972 were relatively low. The States, in which emoluments of employees as comprising pay, dearness allowance, interim relief and dearness pay, if any, were below the all-States average as on 1-1-1972, should, therefore, be enabled to come upto the average. Requirements of additional funds in this regard have been taken into account. It is not possible to make a meticulously accurate computation of the requirements of the States with reference to scales of pay of all the numerous grades in existence and the number of employees in each grade. We, therefore, concluded that the ends of justice would be substantially met if the requirements of the States were worked out with reference to the disparities in respect of select common and numerically large categories of posts such as (1) Peon (2) Lower Division Clerk (3) Upper Division Clerk (4) Police Constable (5) Head Constable (6) Trained Primary School Teacher (7) Revenue Inspector (8) Trained Graduate Teacher (9) Naib/Deputy Tehsildar (10) Tehsildar and (11) Deputy Collector/Sub Divisional Officer. The order of increases needed with reference to these posts having been determined, the actual provision needed could be settled on a reasonably accurate basis with reference to the total number of employees falling more or less within the pay ranges corresponding to those of the categories mentioned above.

(4) As regards States whose scales of pay were above the all-States average on 1-1-1972, it would be sufficient if further increases actually given by them were allowed for with reference to rise in cost of living since 1-1-1972. For this purpose, we took into account the rise in cost of living from 1-1-1972 to 1-5-1973. In view of the fact that our projections of revenues of States from 1973-74 onwards have been made on the assumption of constant prices, we have left out of account the rise in prices after 1-5-1973. The All India average Consumers' Price Index for Industrial workers (1960 = 100), which stood at 195 in December 1971 rose to 221 in April 1973, indicating an increase of 13.33 per cent. As regards the degree of neutralisation against rise in the cost of living, we felt that it would be both fair and appropriate to regulate it on the basis of the recommendations of the Third Pay Commission in regard to employees of Central Government as set out in paragraph 17 of Chapter 55 of their Report. In assessing the requirements of the States which were above the national average in terms of scales of pay and emoluments as on 1-1-1972, we, therefore, took into account the increases given effect to by them subsequent to 1-1-1972 only to the extent needed for neutralisation in cost of living in the manner indicated above. We have taken the view that any excess over the provisions, as computed in the manner indicated above, should be met by the State Governments from their own resources and should not qualify for grants-in-aid. In the case of surplus States, we have computed their non-Plan revenue surplus on the same basis.

(5) In the case of States whose scales of pay and dearness allowance were below the national average as on 1-1-1972, the amount needed to bring them up to the national average was computed first. On the amounts so arrived at, a further increase to compensate for the rise in cost of living from 1-1-1972 to 1-5-1973 was worked out in the same manner as indicated in the last paragraph and allowed for.

13. The precise manner in which we have worked out the entitlements of the States on the basis of these principles is explained at length below :

14. For computing the approximate cost of increases in emoluments of employees of State Governments since 1-1-1972, we ascertained from them the number of employees by various pay ranges and the details of revisions in pay and allowances undertaken by them together with their own estimates of costs during the Fifth Plan period. The State Governments were also requested to indicate the number of employees of local bodies and teachers of aided institutions in respect of whom they are liable to meet the expenditure on salary and allowances. It was seen that the State Governments had not followed a uniform procedure in estimating the financial implications of their decisions. While some of the State Governments had adopted a constant figure for each year during the Fifth Plan period, others had in addition allowed for certain annual rates of growth. It should be remembered that the bulk of tht further increase in the number of employees would normally be for Plan schemes, expenditure on which will form part of the Fifth Plan. We, therefore, considered a growth rate of 2 per cent per annum to be ample in projecting the cost of the revisions already implemented by the State Governments since 1-1-1972. Necessary adjustments were accordingly made in the estimates furnished by the State Governments. The financial implications of the revisions as estimated by the State Governments and the modifications made by us are indicated in Table No. 2 in Appendix X which also shows the number of employees in each State according to the information furnished by State Governments.

15. As indicated above, in the case of States whose scales of pay and allowances were below the national average as on 1-1-1972, necessary allowance has been made to bring them up to the all-States average and also a further increase to compensate for the rise in the price level between 1-1-1972 and 1-5-1973. The upgradation of the emoluments of the employees of these States to all-States average will naturally call for the formulation of a revised pay structure and the 'fitment' of the employees in new scales of pay. It needs no great argument to show that in this process, the maximum benefit as measured

by the difference between the minimum of the old and new scales of pay will accrue only to the new entrants who generally constitute only a small proportion of the total number of employees. Those already in service would benefit to a much smaller extent depending upon the pay actually drawn by them in the old scale and the formula prescribed for fitting them into new scales. Having regard to this fact, it would not be wide off the mark to assume that the aggregate cost of enhancement of scales of pay up to the national average in these States would at best be about half the cost worked out on the basis of the difference between the minima of the old and new scales of the numerically significant categories.

16. Our estimate of the cost thus arrived at for compensating the States for increase in the price level between 1-1-1972 and 1-5-1973 and for raising the emoluments of employees of the States, whose scales were below the all-States average up to the average, together amount to Rs. 1414.15 crores. The same has been taken into account for purposes of reassessment of forecasts. In the case of the States where the emoluments were generally below the all-States average on 1-1-1972, the provision allowed by us naturally exceeds the provisions needed for the commitments already made. In effect, they secure additional resources amounting to Rs. 221.80 crores over the five year period to cope with the demand for the future increase in the emoluments of their employees. In the case of the remaining States, viz., Bihar, Gujarat, Haryana, Jammu & Kashmir, Mysore, Punjab, Tamil Nadu and Uttar Pradesh, the aggregate cost of the revisions carried out by them after 1-1-1972 exceeded the provision arrived at by us on the basis indicated by Rs. 244.99 crores. In their case, the provision for revision of emoluments has, therefore, been limited to the cost arrived at by us. The total provision allowed by us for each State is indicated in Table No. 3 in Appendix X.

17. Some of the State Governments have sought substantial additional allocation in anticipation of revision of pay scales likely to be necessitated by the decisions of the Central Government on the recommendations of the Third Central Pay Commission. These requests have not been taken into account by us.

18. In addition to revision of pay and dearness allowance, some of the State Governments have also either undertaken or have proposed enhancement of house rent and other allowances and certain fringe benefits such as medical aid, increase in pension and gratuity, travelling alowance leave travel concesions, encashment of leave, etc. Table No. 4 in Appendix X indicates the provisions proposed by the various State Governments in this regard. Increase in pension and gratuity, travelling allowance, special pay, etc., are in the nature of normal growth in departmental expenditure and these have been taken care of by the fairly liberal growth rates that we have allowed in the expenditure estimates. No additional provision for these items was, therefore, considered necessary. One of the States has sought substantial provision for grant of encashment benefits of leave to its employees. This concession should not in our judgment entail any appreciable extra expenditure as there would ordinarily be no need to appoint substitutes in leave vacancies when the employees are allowed encashment of leave. It may be added that the Third Pay Commission which considered a similar claim for encashment of leave by employees of Central Government has rejected the same. We do not, therefore, see any justification for the provision sought by the State Government. The claims in respect of other items have been accepted by us after suitable adjustments for errors arising from overestimation of costs by the State Governments concerned. The provisions so allowed by us are indicated in Table No. 3 in Appendix X.

19. The approach that we have adopted in this chapter has the following advantages :

(i) States whose scales of pay were distinctly above the all-State average as on 1-1-1972, would get the benefit of additionan provisions needed to compensate their employees for rise in the cost of living since that date up to 1-5-1973.

(ii) States, which had observed restraint in revisions of pay and allowances and thus conserved their resources for development, would not be penalised for their past prudence.

(iii) Our approach embodies a line of policy in terms of which demands for addtional provision for pay or dearness allowance can be dealt with by the Finance Commissions in future. States will be relived of the compulsion to hustle through pay revisions and present the Finance Commission with fait accompli, if it is brought home to them that their requests for additional allocation of funds for enhancement of pay and allowances would be regulated on a normative basis.

CHAPTER XI

NORMS FOR MAINTENANCE OF CAPITAL ASSETS AND PLAN SCHEMES

The poor state of maintenance of capital assets, created at considerable cost to the community, has caused widespread concern in recent years. State Governments had urged before the earlier Finance Commissions that the rates of growth assumed by them as well as the Planning Commission in projecting their requirements for non-Plan purposes generally left them with inadequate resources for maintenance of capital assets leading to their progressive deterioration. It is presumably in view of the accumulating evidence of relative neglect of existing assets that, under para 4(b)(iv) of our terms of reference, we are required to take into consideration, in assessing the needs of States for assistance, the requirements for adequate maintenance and upkeep of capital assets created upto the end of 1973-74.

2. While an explicit mention of the needs of maintenance has been made for the first time in the terms of reference of a Finance Commission, it will not, however, be correct to assume that the earlier Commissions had overlooked the importance of maintenance of assets. The mere adoption of a higher rate of growth or upgradation of the norms for maintenance of assets would not *ipso facto* ensure that provision for maintenance would be made at the desired level and not diverted to other purposes. It is essential to stipulate norms for proper maintenance of capital assets and for provision of funds related to such norms. But there is no escape ultimately from striking a balance between maintenance of existing institutions and services in good condition and expansion of services and creation of new assets so as to serve new areas and new sections of our people.

3. Standards of maintenance vary from State to State and we, therefore, considered it desirable to obtain information from the State Governments on the norms they presently follow and what in their judgment might constitute a reasonable minimum. During our visits to State capitals, we held discussions, among others, with experts in charge of departments such as Irrigation, Public Works, Medical and Public Health and sought their help in evolving such norms We have also elicited the views of the concerned Ministries of the Government of India. In the light of our study of the problem, we feel that it is possible to lay down norms for maintenance of the following categories of capital assets :

(i) Irrigation works—major and minor

(ii) Flood protection works

(iii) Buildings

(iv) Roads

4. We have also considered it desirable to review the present norms, if any, for allocation of funds for medicines, hospital necessaries and diet charges for patients and have proposed suitable increases. As regards other capital assets for which we have not considered it possible to lay down specific norms, such as vehicles and equipment, the comparatively high rates of growth we have assumed in our estimates of requirements of the States should enable the States to maintain them in a fit and serviceable condition.

Maintenance of Irrigation Works

5. Proper maintenance of irrigation works is absolutely essential for the growth of our agrarian economy. We have sought to evolve norms for maintenance of such works in consultation with the State Governments and the Ministry of Irrigation and Power. The Governments of Manipur, Nagaland and Tripura have not furnished any information on this point, presumably because these States do not have irrigation systems of any significant magnitude. The Governments of Bihar, Jammu & Kashmir, Haryana, Himachal Pradesh, Kerala, Meghalaya, Mysore, Rajasthan, Tamil Nadu and West Bengal have also informed us that no norms as such have been prescribed by them for maintenance of irrigation works and that the annual budgetary allocations are determined on the basis of actual requirements and the availability of funds. However, the Governments of Kerala and Tamil Nadu have indicated the average expenditure incurred by them for the maintenance of irrigation works. Norms for maintenance of irrigation works either in terms of acreage benefited or length of canals have been laid down in eight States, namely, Andhra Pradesh, Assam, Gujarat, Madhya Pradesh, Maharashtra, Orissa, Punjab and Uttar Pradesh. The norms in force in these States vary widely and are not readily comparable. The Union Ministry of Irrigation and Power, whose advice we sought on the question of norms, have informed us that Rs. 10 to 12 per acre might be taken to represent a reasonable limit for maintenance of irrigation works. Having regard to the present level of expenditure in many of the States, we also feel that the provision of Rs. 10 per acre for maintenance would assure the States adequate resources. We have accordingly worked out the requirements of States for maintenance of irrigation works at the rate of Rs. 10/- per acre irrigated by Government sources of irrigation, whether canals, tanks or Government wells including tubewells. Statewise figures of areas under irrigation from Government sources and the provision for maintenance at Rs. 10 per acre or Rs. 24.71 per hectare, as computed by us, have been indicated in Table 1 in Appendix XI. In most of the States, namely, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Kerala, Maharash-

tra, Mysore, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal, the existing level of maintenance, as is evident from the actuals of 1971-72, is higher than the norm adopted by us. It will not be practicable for these States to reduce the present level of expenditure on maintenance. We have, therefore, allowed these States provision for maintenance on the basis of the actuals recorded in 1971-72. Prescription of higher norms for maintenance of irrigation works will, however, have no financial implications so far as major and medium irrigation projects are concerned, because we have suggested elsewhere that the States should raise gross receipts from such works at least to the extent of full recovery of their maintenance charges. In other words, our suggestion implies that the States where the level of expenditure on maintenance is lower than the norms, should strike a balance between gross receipts and maintenance charges at a higher level than the present. This would enable the works to be maintained upto a more satisfactory standard and at the same time ensure that there is no additional burden on the general tax payer. But in the case of minor irrigation works, there will be some financial gain to the States because they are being required to fill the gap between receipts and maintenance charges only to the extent of 50 per cent on the deficiency in 1973-74.

Maintenance of flood protection works

6. As regards flood protection works, Assam, Bihar, Orissa and Uttar Pradesh have supplied us information on the norms now followed by them for maintenance of flood embankments. Governments of Assam, Bihar and Uttar Pradesh have suggested that expenditure on flood protection works should be fixed as a percentage of the capital cost, while Orissa has indicated that it should be in terms of the length and the type of embankments. There is also wide disparity between the States in the standards of maintenance. Expenditure varies from 1.2 per cent of capital cost in Uttar Pradesh to 5 per cent in Bihar and Jammu & Kashmir and to 6 per cent in Assam. The Ministry of Irrigation & Power, whom we consulted, have indicated that annual maintenance on flood control works during the Fifth Plan period may be provided at 5 per cent of the investment at the end of the Fourth Plan. They have observed that this suggestion is based on the recommendations of the Ministers' Committee on Floods and Flood Relief. The Ministers' Committee is reported to have been of the view that although the maintenance expenditure would depend upon factors like the height of the embankment, its importance and vulnerability and the year of construction, as a rough guide, maintenance expenditure could be taken at 4 to 5 per cent of the capital cost. We have also ascertained from State Governments their figures of cumulative investment in flood control works.

7. Keeping in view the present level of maintenance of flood protection works and the constraint of resources, it would be adequate if provision for maintenance of flood protection works is made at 4 per cent of the capital cost for the works as estimated at the end of the Fourth Plan. As in the case of irrigation works, we have allowed the expenditure actually incurred in 1971-72 where this was found to be more than the provision arrived at on the basis of norm. The State-wise figures of investment in flood control works as anticipated at the end of the Fourth Plan and the provision for maintenance at 4 per cent of the capital cost as allowed by us in reassessing the forecast of the State Governments are indicated in Table 2 in Appendix XI. The table below indicates the provision allowed by us for irrigation and flood protection works on the basis of norms or the actual level of expenditure in 1971-72 whichever was higher :

Provision for maintenance of irrigation and Flood Protection Works

(Rs. crores)

States	Irrigation Works			Flood Protection Works		
	Actuals 1971-72	Annual Provision	Provision for five years	Actuals 1971-72	Annual Provision	Provion for five years
1	2	3	4	5	6	7
1. Andhra Pradesh	7.78	11.21	56.05	0.07	1.06	5.30
2. Assam	0.50	0.51	2.55	4.97@	4.97	24.85
3. Bihar	8.81	8.81	44.05	0.38@	2.75	13.75
4. Gujarat	4.26	4.26	21.30	0.13	0.13	0.65
5. Haryana	3.70	3.70	18.50	0.17	0.74	3.70
6. Himachal Pradesh	0.21	0.21	1.05	NA	0.01	0.05
7. Jammu & Kashmir	0.94	0.94	4.70	NA	0.79	3.95
8. Kerala	2.18	2.18	10.90	0.06	0.13	0.65
9. Madhya Pradesh	2.09	2.63	13.15	..	0.03	0.15
10. Maharashtra	5.90	5.90	29.50	Neg.	0.02	0.10
11. Manipur	0.01	0.03	0.15	0.06	0.06	0.30
12. Meghalaya	..	..	..	..	..	..

1	2	3	4	5	6	7
13. Mysore	6.70	6.70	33.50	..	..	..
14. Nagaland	..	..	..	..	..	..
15. Orissa	2.73	2.73	13.65	1.74*	1.74	8.70
16. Punjab	3.40	6.13	30.65	0.50	1.72	8.60
17. Rajasthan	3.89	3.89	19.45	NA	0.39	1.95
18. Tamil Nadu	8.06	8.06	40.30	..	0.02	0.10
19. Tripura	0.17	20.5	1.25	NA	0.06	0.30
20. Uttar Pradesh	21.75	21.75	108.75	0.19	1.47	7.35
21. West Bengal	2.29	2.29	11.45	2.32@	2.32	11.60
TOTAL	85.37	92.18	460.90	10.59	18.41	92.05

Neg. —Negligible

NA —Not available.

@Excludes expenditure on restoration of flood damage.

*Takes into account transfer of flood control portion of Hirakud Project.

Norms for maintenance of buildings

8. In regard to the maintenance of buildings too, all the State Governments have represented that the existing provisions are woefully inadequate and that the Commission should, therefore, assess the requirements of the States on the basis of scientific norms. Most of the State Governments have also referred to the serious consequences which neglect of maintenance of permanent assets would entail in the long run. State Governments, however, have assumed widely varying norms for maintenance of buildings in the forecast submitted to us.

9. We felt that in regard to the needs of maintenance of buildings, there cannot be any wide divergence between the requirements of State Governments and those of Central Public Works Department. In fact, in certain States the actual work of maintenance of buildings borne on the registers of the Central Public Works Department is entrusted to the State Public Works Department on an agency basis at approved rates. We, therefore, asked the Ministry of Works and Housing to furnish us with complete information on the norms for maintenance followed by the Central Public Works Organisation in respect of buildings located in different States. Central Public Works Department has laid down the norms for maintenance of buildings with reference to (i) capital outlay on the buildings, and (ii) the age of different buildings. Certain special rates have also been prescribed for secretariat blocks and temporary buildings. Excluding these special categories, the norms laid down by the Central Public Works Department are as in the Table below :

Maintenance norms of Central Public Works Department buildings as percentage of capital cost.

	Buildings Constructed		
	From 1-4-1942 to 14-8-1947	From 15-8-1947 to 31-3-1962	After 1-4-1962
I. *Residential buildings* (permanent)			
1. Ordinary Repairs	3.20	2.20	1.90
2. Special Repairs	1.20	0.73	0.63
II. *Non-residential buildings* (permanent)			
1. Ordinary Repairs	2.80	1.10	0.95
2. Special Repairs	1.20	0.73	0.63
III. *Electrical Installations*			
A. Residential			
1. Annual Repairs	9.00	8.00	5.60
2. Special Repairs :			
(a) with fans	3.50	3.25	3.00
(b) without fans	2.00	1.75	1.50
B. Non-residential			
1. Annual Repairs	2.75	1.75	1.05
2. Special Repairs	1.00	0.75	0.50

10. Having regard to the basis now being followed by the Central Public Works Department for determination of maintenance expenditure on buildings, we thought it would be useful to obtain information from the State Governments also on the progressive capital outlay on buildings and their age composition. State Governments were, therefore, requested to furnish capital outlay on buildings classified into three categories according to the age of the buildings, *viz.* (i) those constructed upto 31-3-1948 (ii) those constructed from 1948 to 1962 and (iii) those constructed after 1962. The information regarding capital costs of buildings of different age groups and maintenance norms has been furnished by all State Governments.

11. As already indicated, the standards of maintenance considered appropriate by the State Governments vary widely. The divergence in the estimates

proposed by the States will be apparent from the following Table :

State norms of maintenance as percentage of capital cost.

States	Buildings constructed		
	Upto 31-3-1948	From 1-4-1948 to 31-3-1962	From 1-4-1962 to 31-3-1974
Andhra Pradesh	8.00	4.00	3.00
Bihar	3.50	2.50	2.00
Gujarat	3.50	2.50	2.50
Haryana	4.00	4.00	2.00
Jammu & Kashmir	10.00	6.00	2.50
Kerala	3.00	2.00	1.50
Madhya Pradesh	4.00 to 18.00	3.00 to 13.50	1.50 to 6.75
Maharashtra (R)	9.30	4.50	3.50
(NR)	6.80	4.00	3.00
Mysore	*1.50 *3.00 (Revised)	1.50 3.00	1.50 3.00
Nagaland	5.00	5.00	3.00
(T)	10.00	10.00	7.00
Orissa (P)	5.00	4.00	2.50
(T)	6.00	5.00	3.00
Rajasthan	3.75	2.50	1.75
Tamil Nadu	3.00	1.50	1.50

*3.00 for buildings constructed upto 1940
*4.00 for buildings constructed upto 1940
(P) Permanent buildings
(T) Temporary buildings
(R) Residential buildings
(NR) Non-residential buildings.

While the norms proposed by Kerala, Mysore and Tamil Nadu are among the lowest, those sought by Maharashtra, Madhya Pradesh and Jammu & Kashmir are *prima facie* high. It is also seen that while generally no separate norms have been laid down for different categories of buildings such as administrative buildings, hospitals, schools and colleges, some of the State Governments, for example Maharashtra, have provided separate norms for residential and non-residential buildings. The Government of Rajasthan have contended that the ordinary norms for maintenance would be inadequate for medical and educational buildings and that for such buildings a 50 per cent increase over the normal provisions should be conceded. Working on this basis, they have pleaded for an additional allocation of Rs. 35 lakhs in the revised forecasts for maintenance cost of buildings. The norms suggested for educational buildings and hospitals and dispensaries by Madhya Pradesh are also high ranging from 8 to 18 per cent in the case of buildings constructed upto 31-3-1948 as against their normal rate of 4 to 6 per cent for other buildings. Some of the State Governments have also proposed a different set of norms for maintenance of electrical installations. Table No. 3 in Appendix XI shows the capital outlay on buildings in various States and the cost of maintenance of buildings on the basis of Central Public Works Department norms.

12. Some of the States Governments have taken into account also the expenditure needed for the maintenance of buildings to be constructed during the course of the Fifth Plan period. We have disallowed this provision as we are required, under our terms of reference, to provide only for maintenance of capital assets created upto and inclusive of 1973-74. An annual growth rate varying from 5 to 10 per cent has also been taken for the forecast period by some of the State Governments. As the requirements have been assessed on the basis of norms, the question of further annual increase on the base year's provision does not arise. Likewise, the clearance of arreas of maintenance for which Madhya Pradesh has proposed an additional provision of Rs. 889 lakhs does not merit consideration, as maintenance requirements have been worked out with reference to certain norms. Any major programme of reconstruction of buildings, due to prolonged neglect, should necessarily be treated as involving capital outlay and accommodated within the Plan.

13. We have not considered it necessary to prescribe higher standards of maintenance for medical and educational buildings particularly as the higher rate of growth conceded for these two sectors—6 per cent per annum—should take care of all reasonable needs arising in these two sectors including proper upkeep of buildings.

14. The norms proposed by the State Government vary widely. It is not easy to reduce them to a comparable basis. Even otherwise, we do not see any strong grounds for prescribing more liberal standards of maintenance than considered appropriate by the Central Public Works Department. We have accordingly worked out the provisions to be made for maintenance of buildings, keeping in view the maintenance norms followed by the Central Public Works Department.

15. We had collected from the State Accountants General the information regarding progressive capital outlay on buildings to end of 1972-73. These differ from the progressive outlay indicated by the State Governments in most cases. The variations were explained by the State Governments to be due to exclusion by the Accountants General of the outlay on building, expenditure on which is most from the revenue budget and partly exclusion of certain other Government buildings not maintained by the State Public Works Departments. The variations in the case of Bihar, Punjab and Uttar Pradesh were found to be very large. Applying the C.P.W.D. maintenance norms to the capital outlay indicated by the Governments of Bihar and Punjab, the maintenance provision would work out to three times the present level of maintenance expenditure. In the case of Uttar Pradesh, it would be about eight times. In the case of Punjab, the variation appeared to be mainly due to adoption of figures of the capital outlay of buildings of composite Punjab as this has not yet been allocated between Punjab and Haryana. The maintenance provision for Punjab as now constituted could not therefore be related to progressive capital outlay on buildings. Accordingly, we took the provision arrived

at for Haryana on the basis of Central Public Works Department norms and determined the provision of Punjab at proportionately higher level in relation to its population. Government of Uttar Pradesh had indicated capital outlay on buildings department-wise and as information in ragard to several departments was not available, they suggested an *ad hoc* addition of 25 per cent for the remaining departments. In the case of Bihar, the variation seemed to be mainly due to the State Government adopting the present value of buildings. In Assam, Gujarat, Manipur, Meghalaya, Tamil Nadu and West Bengal we found that the present level of expenditure on maintenance of buildings was more than the provision required on the basis of norms. In these, and also in the case of Bihar, we took the latest available actuals as the basis for allowing maintenance provisions. For Uttar Pradesh, an annual provision of Rs. 3.50 crores has been allowed as the actuals were found to be inexplicably low. In all other States provision for maintenance has been made on the basis of norms of the Central Public Works Department. The provision allowed by us for the maintenance of buildings for different States in indicated in the Table below:

(Rs. crores)

States	Actuals 1972-73	Provision for	
		1974-75	1974-79
1. Andhra Pradesh	0.97	1.55	7.75
2. Assam	1.05	1.05	5.25
3. Bihar	1.45	2.23*	11.15
4. Gujarat	2.69	2.69	13.45
5. Haryana	0.79	1.23	6.15
6. Himachal Pradesh	0.56	0.86	4.30
7. Jammu & Kashmir	0.55	0.82	4.10
8. Kerala	0.54	1.91	9.55
9. Madhya Pradesh	2.13	3.31	16.55
10. Maharashtra	2.41	2.94	14.70
11. Manipur	NA**	0.28	1.40
12. Meghalaya	0.19	0.19	0.95
13. Mysore	1.39	2.17	10.85
14. Nagaland	NA	0.67	3.35
15. Orissa	1.70	2.10	10.50
16. Punjab	1.09	1.66	8.30
17. Rajasthan	0.80	2.24	11.20
18. Tamil Nadu	1.96	1.96	9.80
19. Tripura	0.45	0.45	2.25
20. Uttar Pradesh	1.07	3.50	17.50
21. West Bengal	3.15	3.15	15.75
Total	24.94	36.96	184.80

*Based on average of actual expenditure for 1971-72 and 1972-73.

**Actual for 1971-72 was Rs. 28 lakhs.

Norms for Maintenance of Roads

16. In reassessing the forecasts of State Governments, we have deemed it necessary to allow adequate provision for proper maintenance of roads. We were, however, faced with difficulties in evolving both the norms for maintenance and verifying the information furnished by State Governments particularly regarding roads reported to be maintained by local bodies and village roads. A Technical Group appointed by the Ministry of Transport had recommended in 1969 specific norms for the maintenance of National Highways. They had suggested that the same norms could be applied to the State Highways also. We sought the assistance of the Roads Wing in the Ministry of Shipping and Transport in prescribing similar norms for maintenance of other categories of State roads also. The Roads Wing informed us that the maintenance costs of State roads would depend upon classification of the roads, namely, State Highways, Major District Roads, Other District Roads or Village Roads and other factors such as width of carriage-way, type of surface, whether black top, cement concrete, water bound macadam, gravel or earth, intensity of traffic, the terrain and rainfall conditions and cost of stone aggregates. The Roads Wing further indicated that detailed studies on norms of maintenance of various categories of State roads have not been carried out so far. They, however, felt that broad guidelines could be laid down for evaluating maintenance needs on the basis of work done by the Technical Group and other information available in the Roads Wing of the Government of India. The norms for maintenance of State Highways, Major District and Other District Roads and other roads separately for each zone, as indicated by the Roads Wing, are set out in Table 4 in Appendix XI. In arriving at these norms, the Roads Wing has taken into account the price escalation since 1969.

17. In the light of the guidelines proposed by the Roads Wing of the Government of India, we asked the State Governments to let us have details of the road lengths separately for State Highways, Major District Roads, Other District Roads and Village Roads classifying them on the basis of traffic intensity, type of surface and width of carriage-way. While the road lengths of various categories of roads have been indicated by all States Governments, several of them could not furnish information classified according to the criteria prescribed by us. Some of the State Governments also drew our attention to the length of the roads maintained by the Local Bodies and urged that this should be taken into account by us. The other State Governments, who had not earlier indicated length of roads maintained by Local Bodies in their States were, therefore, requested to supply the information so that provision for maintenance of roads could be made on a uniform basis. Despite this specific request, complete information in regard to Local Body roads could not be furnished by some of the State Governments. Table 5(i) and (ii) in Appendix XI indicate respectively the kilometrage of Government roads and roads of local bodies.

18. Available information on present level of expenditure on maintenance of roads confirmed that the expenditure of State Governments on maintenance of Village Roads was not of any significant magnitude. Our study of the material furnished by the State Governments also indicated wide variation in the length of Village Roads which could not be explained in terms of factors such as area of the State and past investments in construction of village roads. We. terefore decided to exclude Village Roads for the purpose of computation of cost of maintenance on the basis of norms. As regards Local Body roads, it was clear that some State Governments had sought to include even unsurfaced roads

maintained by Local Bodies in the category of Other District Roads. Moreover, the present liability of the State Government in regard to the maintenance of Local Body roads is significantly low compared to the length of roads. It is only reasonable to expect that the Local Bodies should raise part of the resources for maintenance of assets transferred to them. Having regard to these factors, we concluded that it would be proper to allow only 50 per cent of the provision needed on the basis of norms for maintenance of roads entrusted to local bodies.

19. As already explained, the information furnished by the State Governments in regard to classification of roads was not on a uniform basis. In working out the cost of maintenance of roads, we, therefore, took the average cost as indicated by the Roads Wing for each category of roads, after excluding the Village Roads and limiting the provision needed for Local Body roads to 50 per cent. In the case of Manipur, Nagaland and Tripura, we found that the maintenance cost, as worked out on the basis of norms, was very low compared to the level of expenditure in Assam and Meghalaya. High level of expenditure in Assam is evidently due to difficult terrain and other special factors in regard to maintenance of roads. As conditions in Manipur, Nagaland and Tripura are similar to those in Assam, we have raised the maintenance provision on the basis of norms for these States by 100 per cent. We further observed that in certain States, namely, Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Meghalaya and West Bengal, the present level of expenditure on maintenance of roads was higher than the provision arrived at on the basis of norms. It may be difficult for these States to reduce the present level of expenditure on maintenance of roads. We have, therefore, adopted the actual expenditure in 1971-72 in these States as the basis for future projection. We have also allowed for all the States a growth of 2 per cent per annum during the forecast period to cover the possible additional costs on account of increase in the intensity of traffic. The provision for maintenance of roads, worked out on the lines discussed above, for each State for the five year period ending 1978-79 is indicated in the Table below:

(Rs. crores)

States	Actuals 1971-72	Provision for	
		1974-75	1974-79
1. Andhra Pradesh	8.87	13.76	71.61
2. Assam	7.45	7.90	41.11
3. Bihar	9.80	10.40	54.12
4. Gujarat	6.75	9.10	47.36
5. Haryana	2.18	2.49	12.96
6. Himachal Pradesh	2.62	2.86	14.88
7. Jammu & Kashmir	2.23	2.37	12.33
8. Kerala	5.84	6.68	34.76
9. Madhya Pradesh	8.23	14.95	77.80
10. Maharashtra	5.08	13.08	68.07
11. Manipur	0.59	1.25	6.52
12. Meghalaya	1.64	1.73	9.00
13. Mysore	5.80	12.38	64.43
14. Nagaland	NA	1.87	9.72
15. Orissa	3.26	4.65	24.20
16. Punjab	1.86	2.75	14.31
17. Rajasthan	3.38	10.03	52.20
18. Tamil Nadu	7.54	12.83	66.77
19. Tripura	0.53	0.83	4.32
20. Uttar Pradesh	12.23	19.04	99.08
21. West Bengal	9.15	10.09	52.51
Total	105.03	161.04	838.06

Norms of provisions for medicines and those for hospitals and dispensaries.

20. During our discussions with the representatives of the States, we repeatedly came across complaints about inadequate provision for medicines and diet in hospitals and dispensaries and the consequent hardship caused to poor patients. There can be no doubt that the allotment of funds for medicines and diet on a more generous scale would ensure considerable relief to the weaker sections of the society, who have to depend largely on medical services provided by Governmental agencies. We, therefore, examined with special care the basis on which allocations are now being made by the State Governments for medicines and diet with a view to determine the additional requirements of the State Governments.

21. From the information furnished to us it is seen that State Governments of Kerala, Maharashtra, Meghalaya, Nagaland, Punjab, Tamil Nadu and Tripura had not so far laid down any norms as such for regulating expenditure on medicines. The budgetary provision in this regard would seem to be determined from year to year on considerations such as past actuals and the overall resources position of the State Governments. Meghalaya and Tamil Nadu which do not have any norms at present have, however, indicated certain norms for guidance in the Fifth Plan period, while the Government of Gujarat have not stipulated any norms as such, they have fixed ceilings on expenditure of medicines at Rs. 20,000 per annum for each referral hospital and Rs. 6,000 per annum for each primary health centre. Even among the other States which have already laid down certain norms there appears to be no uniformity. While Andhra Pradesh, Assam, Haryana, Jammu & Kashmir, Himachal Pradesh, Madhya Pradesh, Mysore, Orissa, Uttar Pradesh and West Bengal have prescribed norms in terms of per patient per day, Bihar and Rajasthan have laid down the norms on an actual basis. Table No. 6 in Appendix XI sets out the information on norms now in force and those proposed for the Fifth Plan period in the several States. There are very wide differences between States, both in terms of existing as well as proposed norms. This wide disparity appears to be due in part to the fact that while in some States they may represent only expenditure on medicines and drugs, in others they may be inclusive of expenditure on other hospital necessaries like linen, instruments and also the cost of X-Ray, clinical and other tests. It is

also felt that the norms proposed by the various States for the Fifth Plan period represent a substantial step-up over the existing levels.

22. As regards diet for patients, no norms as such have been prescribed in Himachal Pradesh, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh. However, the Governments of Tamil Nadu and Himachal Pradesh have prescribed scales of diet admissible and provisions were reported to be made on the basis of requirements. These two State Governments have also indicated the average expenditure per patient per day on diet. Norms for diet in force at present and those proposed for the Fifth Plan period in the several States are indicated in Table No. 7 in Appendix XI.

23. In some States higher scales of expenditure have been allowed for certain cotegories of patients such as those suffering from tuberculosis. Here again it is very clear that there is a wide margin of variation between the norms proposed by different States. The available information on the number of out-patients and in-patients in different States does not appear to afford a reliable basis for determination of the funds needed for medicines and diet. We do not, therefore, find it possible to determine the provisions needed for medicines and diet on the basis of specific norms. The only course open to us in these circumstances is, therefore, to categorise the States into certain broad groups on the basis of present provision for medicines and diet per head of population and to lay down differential rates of increase over the existing level of expenditure. It should be remembered that the present wide variations in allocations for medicines and diet in different States may be due both to constraint on resources and the absence of adequate number of hospitals and dispensaries. Where there are not enough hospitals or dispensaries, the mere enhancement of provision for medicine and diet would serve no purpose Equalisation of provision for medicine and diet in per capita terms will, therefore, not be a practical proposition. However, having regard to the present level of expenditure on medicines, the States may be classified broadly into three categories, namely :

Category A.—States in which the provision for medicine and diet is substantially above the national average :—

(1) Himachal Pradesh
(2) Jammu & Kashmir
(3) Kerala
(4) Nagaland
(5) Tamil Nadu
(6) Tripura

Category B.—States in which the provisions for medicine and diet may be considered to be at moderate level :—

(1) Andhra Pradesh
(2) Assam
(3) Gujarat
(4) Haryana
(5) Madhya Pradesh
(6) Maharashtra
(7) Mysore
(8) Punjab

Category C.—States in which provisions for medicines and diet should be considered to be low :—

(1) Bihar
(2) Manipur
(3) Meghalaya
(4) Orissa
(5) Rajasthan
(6) Uttar Pradesh
(7) West Bengal

24. Having regard to our general impression that the expenditure on diet and medicines cannot be considered satisfactory in any State, we consider it essential to allow for some increase in all the States but at different rates. Taking the actuals of 1971-72 we have considered it necessary to provide for an increase of 25 per cent in States falling in Category-A, 50 per cent for States falling in Category-B and 100 per cent for States falling in Category-C to arrive at the desired base level expenditure in 1973-74. We have allowed for a further increase of 5 per cent per annum during the forecast period keeping in view the normal increase in number of patients seeking medical care. The statement below shows, in one view, the actuals of expenditure on medicines and diet in 1971-72 in different States, and the estimates as reassessed by us for the forecast period :

Provision for Medicines and Diet

(Rs. Crores)

States	1971-72	1974-75	Total 1974-79
Category-A			
1. Himachal Pradesh	0.51	0.67	3.71
2. Jammu & Kashmir	0.90	1.18	6.51
3. Kerala	3.90	5.12	28.31
4. Nagaland	0.50	0.65	3.58
5. Tamil Nadu	7.56	9.92	54.83
6. Tripura	0.34	0.44	2.40
Category-B			
1. Andhra Pradesh	4.12	6.49	35.85
2. Assam	1.05	1.65	9.12
3. Gujarat	1.88	2.96	16.37
4. Haryana	0.75	1.19	6.58
5. Madhya Pradesh	2.66	4.19	23.15
6. Maharashtra	3.25	5.11	28.22
7. Mysore	3.09	4.86	26.86
8. Punjab	0.99	1.56	8.63
Category-C			
1. Bihar	0.99	2.08	11.47
2. Manipur	0.09	0.18	1.05
3. Meghalaya	0.06	0.13	0.75
4. Orissa	0.94	1.97	10.90
5. Rajasthan	1.42	2.98	16.47
6. Uttar Pradesh	2.91	6.11	33.78
7. West Bengal	3.27	6.87	37.95
Total	41.18	66.31	366.49

Medical care and health service in rural areas

25. Primary Health Centres are the focal points for the provision of medical care and health services in rural areas. The country has also adopted the pattern of one primary health centre for every block. Despite this uniformity in the basic set up for provision of medical services in rural areas, there is very wide divergence in the allocations for medicines for primary health centres in different States. Thus, while the allotment for medicines is as low as Rs. 5,000 in Madhya Pradesh and Rs. 5,800 in Orissa, Punjab and West Bengal were able to provide upto Rs. 12,000 per centre. We understand that as part of the Minimum Needs Programme now under consideration in the Planning Commission, it is envisaged to provide funds for medicines at Rs. 12,000 per primary health centre and about Rs. 2,000 for each sub-centre attached to the primary health centre. We consider it appropriate to adopt this norm in working out the requirements of funds for provision of medicines in primary health centres and sub-centres. The table below indicates the number of primary health centres and sub-centres in each State and the corresponding provisions for medicines and diet allowed by us in determining the requirements of the States for the forecast period 1974-75 to 1978-79 :

Provision for Medicines in Primary Health Centres and Sub-Centres

(Rs. crores)

States	Public Health Centres			Sub-Centres			Total provision on the basis of norms.		Level of expenditure in 1971-72 (Actuals)	Total provision allowed in the re-assessment 1974-79
	No. at the end of 1973-74	Provision on the basis of norms		No. at the end of 1973-74	Provision on the basis of norms					
		1974-75	Total 1974-79		1974-75	Total 1974-79	1974-75	Total 1974-79		
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh .	416	0.50	2.50	1,248	0.25	1.25	0.75	3.75	0.29	3.75
2. Assam . .	109	0.13	0.65	274	0.05	0.25	0.18	0.90	0.08	0.90
3. Bihar . . .	587	0.70	3.50	1,761	0.35	1.75	1.05	5.25	0.04	5.25
4. Gujarat . .	251	0.30	1.50	786	0.16	0.80	0.46	2.30	0.15	2.30
5. Haryana . .	89	0.11	0.55	267	0.05	0.25	0.16	0.80	0.80	0.80
6. Himachal Pradesh	76	0.09	0.45	266	0.05	0.25	0.14	0.70	0.09	0·70
7. Jammu & Kashmir	76	0.09	0.45	187	0.04	0.20	0.13	0.65	0.04	0.65
8. Kerala . .	162	0.19	0.95	428	0.08	0.40	0.27	1.35	0.31	2.08*
9. Madhya Pradesh .	451	0.54	2.70	2,900	0.58	2.90	1.12	5.60	0.23	5.60
10. Maharashtra .	388	0.47	2.35	1,243	0.25	1.25	0.72	3.60	0.25	3.60
11. Manipur . .	16	0.02	0.10	50	0.01	0.05	0.03	0.15	0.01	0.15
12. Meghalaya .	16	0.02	0.10	20	0.01	0.05	0.03	0.15	0.01	0.15
13. Mysore . .	265	0.32	1.60	795	0.16	0.80	0.48	2.40	0.21	2.40
14. Nagaland . .	10	0.01	0.05	45	0.01	0.05	0.02	0.10	NA	@
15. Orissa. . .	314	0.38	1.90	882	0.18	0.90	0.56	2.80	0.16	2.80
16. Punjab . .	167	0.20	1.00	836	0.17	0.85	0.37	1.85	0.05	1.85
17. Rajasthan . .	232	0.28	1.40	696	0.14	0.70	0.42	2.10	0.12	2.10
18. Tamil Nadu .	379	0.45	2.25	1,137	0.23	1.15	0.68	3.40	0.26	3.40
19. Tripura . .	26	0.03	0.15	106	0.02	0.10	0.05	0.25	0.08	0.54*
20. Uttar Pradesh .	905	1.09	5.45	3,008	0.60	3.00	1.69	8.45	0.43	8.45
21. West Bengal .	318	0.38	1.90	662	0.13	0.65	0.51	2.55	1.32	8.84*
TOTAL . .	5,253	6.30	31.50	17,597	3.52	17.60	9.82	49.10	4.21	56.31

*In Kerala, Tripura and West Bengal the 1971-72 level of expenditure was more than what works out on the basis of norms and has been allowed in the reassessment.

@In the case of Nagaland, the 1971-72 level of expenditure was not available. However, the State Government have informed that they are spending at rates more than the norms adopted by us. Hence additional provision has not been allowed.

CHAPTER XII

UPGRADATION OF STANDARDS OF ADMINISTRATION IN BACKWARD STATES

The formulation of principles governing grants-in-aid of the revenues of the States in need of such assistance is one of the obligatory functions cast on the Finance Commission under the Constitution. In assessing the needs of the States in pursuance of this Constitutional directive, the Finance Commissions have moved away from the concept of budgetary needs, as emerging from the forecasts of revenue and expenditure admitted by State Governments, to a consideration of fiscal needs in a comprehensive sense. But the determination of grants has been made on the basis of the levels of administrative and social services as already attained in different States. In consequence the accent has been on maintenance and consolidation, rather than on improvement and expansion of the variegated services, that a State Government is called upon to provide in an era of rising expectations. In particular, no attempt appears to have been made so far to quantify the requirements in financial terms of the backward States from the standpoint of progressive equalisation of standards of essential administrative and social services within a definite time horizon. It seems reasonable to us that provision of funds to the States that are backward in administrative and social services, falls within the purview of the Finance Commission. Para 4(b)(v) of our terms of reference appears to confirm this view.

2. It is hardly possible for the Finance Commission within the time allowed to it, either to examine in depth the soundness and adequacy of the administrative set up in the various States or to formulate specific proposals for its improvement. Among the numerous factors which impinge on the efficiency of the administrative system, there are many that cannot be reduced to financial terms in any meaningful sense. Principles and procedures of recruitment, training and deployment of administrative and technical personnel of different categories, clear definition and enforcement of the responsibilities of functionaries at different levels and above all the general political and social milieu in which the administrative machinery has to operate, determine the efficacy of the administrative system. However, the constraint of resources is admittedly one of the important factors impeding the achievement of certain minimum standards of administrative and social services in some of the States. The removal of this constraint comes within the purview of this Commission. It would nevertheless be recognised that the provision of resources is only the first important step in the process of progressive elimination of disparities in standards of administrative and social services. If the provision of additional resources is to fructify in terms of more efficient and adequate service to the community at large, this will have to be followed up by energetic and purposeful action on a wide front at both political and administrative levels in the backward States.

3. We have carefully examined the implications of the term "General Administration" occurring in this part of our terms of reference. On a narrow interpretation, the term "General Administration" could be deemed to cover only those services, provision for which is normally made under the budget head "19-General Administration". This would mean that the problem of upgradation of standards in backward States might be considered as limited to allocation of additional funds for expenditure on such agencies as Secretariat and Attached Offices, Board of Revenue, Treasuries and general administrative establishments at district, divisional and tehsil levels. We hold that such an interpretation would be unduly restrictive and out of tune with the enlightened approach to the problem of inter-State disparities that has inspired this part of our terms of reference. In our view, the expression 'General Administration' occurring in our terms of reference should be taken in its broad sense as comprehending all the instrumentalities of Governments concerned with general administration, maintenance of law and order, administration of justice and other vital functions of Governments pertaining to the health and welfare of the citizens.

4. We have taken the view that the Finance Commission is concerned primarily with expenditure on revenue account. But this can be considered by some as restrictive. Article 112(2) of the Constitution relating to Central Budget and Article 202(2) of the Constitution relating to the State Budget do specifically require that expenditure on revenue account should be distinguished from other expenditure. Article 275 of the Constitution also refers only to 'revenues' of the States. It, therefore, seems to us that while we can deal with all the requirements of the States for upgradation of standards of administration including social services, we should concern ourselves only with expenditure on revenue account and not on capital and loan accounts. For purposes of raising of administrative standards, we have therefore left out of account expenditure in States on schemes such as roads and drinking water supply, which is generally booked under capital account.

5. We examined carefully the criteria with reference to which the backwardness of States in standards of administration could be assessed with a measure of accuracy and the assistance provided to them for reduction of the disparities. In an attempt to assess the extent of leeway to be made up by the backward States in physical terms, we addressed a questionnaire to all the State Governments as in Appendix III.

Many of the subsidiary points on which we obtained information also gave some indication of the levels of physical achievements in several spheres of administration and social services. On an analysis of the information obtained, we found that except in certain sectors such as elementary education or medical and public health, where the enrolment ratios or the hospital bed-population ratios might give some indication of the relative progress made by different States, the information available about many heads of administrative and social services did not provide a workable basis for taking a view on physical requirements of backward States. To illustrate, we thought that the span of control in terms of area and population of different functionaries at district, sub-divisional and taluk levels could provide a reasonably satisfactory yardstick for assessment of the standards of general administration in different States. But analysis of the information obtained from the States showed that it would be misleading to apply this yardstick. Thus, for example, the average size of a district in terms of population was found to be high both in Bihar, which is admittedly one of our backward States, and Tamil Nadu which is recognised to be an advanced State. This should suffice to show that the size of a district by itself cannot be taken to be an indicator of the adequacy or otherwise of th: administrative machinery of different States. Similarly in the case of Police, available information on the strength of police force and the facilities available to police personnel was not such as to permit any definite conclusions about the adequacy or efficiency of the police force in different States. Even in sectors such as education or medical and public health where the enrolment ratios or the ratio between population and hospital beds gives some indication of the requirements of the States on a comparable basis, we found it difficult to translate the requirements in financial terms in view of wide differences in scales of pay and variations in patterns of assistance to institutions run by local bodies and other aided agencies. On consideration of these and other relevant factors, we were led to the view that per capita expenditure on administrative and social services in different States, with all its imperfections, would be a convenient yardstick for estimation of the requirements of the backward States in broad terms. Having therefore first projected the requirements of all the States—advanced and backward—on the basis of existing standards of administrative and social services with reference to the rates of growth indicated elsewhere in the report, we worked out the per capita expenditure on certain essential services at the levels likely to be reached in 1978-79 and struck an all-States average of such expenditure. The next step was to identify the States whose expenditure was below the all-States average under different heads and work out the provisions needed to bring them up to the all-States average by 1978-79.

6. In order that this concept of upgradation in terms of per capita expenditure may yield satisfactory results, it was found necessary to exclude certain typical States like Jammu & Kashmir, Himachal Pradesh, Manipur, Meghalaya, Nagaland and Tripura. If the figures of expenditure of these States are taken into account for purposes of working out the all-States average, the results would be vitiated. In working out the average of all States for purposes of provision of additional funds to backward States, we have, therefore, left out these States. The requirements of these exceptional States for raising the standards of administration have, however, been worked out separately on their merits with due regard to their special circumstances.

7. The primary object of upgrading administrative standards in backward States is to enable the State Governments concerned to respond to the needs of the people more effectively. This consideration is not relevant in regard to tax collection charges. Provision for tax collection charges will have to be made in relation to receipts from the various sources of revenue or on the basis of certain reasonable rates of growth on existing levels of expenditure.

8. The question of mitigating disparities in standards of administration as between advanced and backward States is not relevant in respect of items such as Interest Payments(16)*, Appropriation for Reduction or Avoidance of Debt(17), State Legislatures(18), Famine Relief(64), and Pensions and Retirement Benefits(65). Provisions under these heads will have to be worked out with reference to the actual requirements of the States. As regards developmental heads, it may not be relevant to consider Industries(35), Multi-purpose Projects(42), Expenditure on Irrigation Schemes (43 and 44), Road Transport(57), Electricity(45) and Forests(70) from the point of view of elevation of standards, because the expenditure under these revenue heads relates mostly to the maintenance of irrigation schemes, road transport undertakings, and departmental units already in existence. If a State lags behind in these sectors, the deficiency can be made good only through appropriate programmes undertaken as part of the Plan and not through allocation of funds on revenue account under our scheme of devolution. Moreover, it should be remembered that such outlays will be mostly on capital account. We have, however, dealt separately with provision for adequate maintenance of existing assets such as irrigation works and roads and have provided funds on the basis of certain norms. Adequate resources have been provided under our scheme for maintenance of buildings, irrigation and flood protection works, roads, supply of medicines and diet in hospitals and dispensaries for all the States. The backward States which, for paucity of resources or other reasons, have so far been unable to provide adequate funds for maintenance of capital works, would be the principal beneficiaries of the new procedure followed by us for determination of funds for maintenance. The expenditure on Forests(70) has also to be excluded depending as it does on the extent under forests and also perhaps on the revenue derived therefrom. Likewise, we have felt that expenditure on Agriculture,

*Figures in breakets relate to heads of account as in the Account for 1973-74

CHAPTER XII

UPGRADATION OF STANDARDS OF ADMINISTRATION IN BACKWARD STATES

The formulation of principles governing grants-in-aid of the revenues of the States in need of such assistance is one of the obligatory functions cast on the Finance Commission under the Constitution. In assessing the needs of the States in pursuance of this Constitutional directive, the Finance Commissions have moved away from the cencept of budgetary needs, as emerging from the forecasts of revenue and expenditure admitted by State Governments, to a consideration of fiscal needs in a comprehensive sense. But the determination of grants has been made on the basis of the levels of administrative and social services as already attained in different States. In consequence the accent has been on maintenance and consolidation, rather than on improvement and expansion of the variegated services, that a State Government is called upon to provide in an era of rising expectations. In particular, no attempt appears to have been made so far to quantify the requirements in financial terms of the backward States from the standpoint of progressive equalisation of standards of essential administrative and social services within a definite time horizon. It seems reasonable to us that provision of funds to the States that are backward in administrative and social services, falls within the purview of the Finance Commission. Para 4(b)(v) of our terms of reference appears to confirm this view.

2. It is hardly possible for the Finance Commission within the time allowed to it, either to examine in depth the soundness and adequacy of the administrative set up in the various States or to formulate specific proposals for its improvement. Among the numerous factors which impinge on the efficiency of the administrative system, there are many that cannot be reduced to financial terms in any meaningful sense. Principles and procedures of recruitment, training and deployment of administrative and technical personnel of different categories, clear definition and enforcement of the responsibilities of functionaries at different levels and above all the general political and social milieu in which the administrative machinery has to operate, determine the efficacy of the administrative system. However, the constraint of resources is admittedly one of the important factors impeding the achievement of certain minimum standards of administrative and social services in some of the States. The removal of this constraint comes within the purview of this Commission. It would nevertheless be recognised that the provision of resources is only the first important step in the process of progressive elimination of disparities in standards of administrative and social services. If the provision of additional resources is to fructify in terms of more efficient and adequate service to the community at large, this will have to be followed up by energetic and purposeful action on a wide front at both political and administrative levels in the backward States.

3. We have carefully examined the implications of the term "General Administration" occurring in this part of our terms of reference. On a narrow interpretation, the term "General Administration" could be deemed to cover only those services, provision for which is normally made under the budget head "19-General Administration". This would mean that the problem of upgradation of standards in backward States might be considered as limited to allocation of additional funds for expenditure on such agencies as Secretariat and Attached Offices, Board of Revenue, Treasuries and general administrative establishments at district, divisional and tehsil levels. We hold that such an interpretation would be unduly restrictive and out of tune with the enlightened approach to the problem of inter-State disparities that has inspired this part of our terms of reference. In our view, the expression 'General Administration' occurring in our terms of reference should be taken in its broad sense as comprehending all the instrumentalities of Governments concerned with general administration, maintenance of law and order, administration of justice and other vital functions of Governments pertaining to the health and welfare of the citizens.

4. We have taken the view that the Finance Commission is concerned primarily with expenditure on revenue account. But this can be considered by some as restrictive. Article 112(2) of the Constitution relating to Central Budget and Article 202(2) of the Constitution relating to the State Budget do specifically require that expenditure on revenue account should be distinguished from other expenditure. Article 275 of the Constitution also refers only to 'revenues' of the States. It, therefore, seems to us that while we can deal with all the requirements of the States for upgradation of standards of administration including social services, we should concern ourselves only with expenditure on revenue account and not on capital and loan accounts. For purposes of raising of administrative standards, we have therefore left out of account expenditure in States on schemes such as roads and drinking water supply, which is generally booked under capital account.

5. We examined carefully the criteria with reference to which the backwardness of States in standards of administration could be assessed with a measure of accuracy and the assistance provided to them for reduction of the disparities. In an attempt to assess the extent of leeway to be made up by the backward States in physical terms, we addressed a questionnaire to all the State Governments as in Appendix III.

Many of the subsidiary points on which we obtained information also gave some indication of the levels of physical achievements in several spheres of administration and social services. On an analysis of the information obtained, we found that except in certain sectors such as elementary education or medical and public health, where the enrolment ratios or the hospital bed-population ratios might give some indication of the relative progress made by different States, the information available about many heads of administrative and social services did not provide a workable basis for taking a view on physical requirements of backward States. To illustrate, we thought that the span of control in terms of area and population of different functionaries at district, sub-divisional and taluk levels could provide a reasonably satisfactory yardstick for assessment of the standards of general administration in different States. But analysis of the information obtained from the States showed that it would be misleading to apply this yardstick. Thus, for example, the average size of a district in terms of population was found to be high both in Bihar, which is admittedly one of our backward States, and Tamil Nadu which is recognised to be an advanced State. This should suffice to show that the size of a district by itself cannot be taken to be an indicator of the adequacy or otherwise of the administrative machinery of different States. Similarly in the case of Police, available information on the strength of police force and the facilities available to police personnel was not such as to permit any definite conclusions about the adequacy or efficiency of the police force in different States. Even in sectors such as education or medical and public health where the enrolment ratios or the ratio between population and hospital beds gives some indication of the requirements of the States on a comparable basis, we found it difficult to translate the requirements in financial terms in view of wide differences in scales of pay and variations in patterns of assistance to institutions run by local bodies and other aided agencies. On consideration of these and other relevant factors, we were led to the view that per capita expenditure on administrative and social services in different States, with all its imperfections, would be a convenient yardstick for estimation of the requirements of the backward States in broad terms. Having therefore first projected the requirements of all the States—advanced and backward—on the basis of existing standards of administrative and social services with reference to the rates of growth indicated elsewhere in the report, we worked out the per capita expenditure on certain essential services at the levels likely to be reached in 1978-79 and struck an all-States average of such expenditure. The next step was to identify the States whose expenditure was below the all-States average under different heads and work out the provisions needed to bring them up to the all-States average by 1978-79.

6. In order that this concept of upgradation in terms of per capita expenditure may yield satisfactory results, it was found necessary to exclude certain typical States like Jammu & Kashmir, Himachal Pradesh, Manipur, Meghalaya, Nagaland and Tripura. If the figures of expenditure of these States are taken into account for purposes of working out the all-States average, the results would be vitiated. In working out the average of all States for purposes of provision of additional funds to backward States, we have, therefore, left out these States. The requirements of these exceptional States for raising the standards of administration have, however, been worked out separately on their merits with due regard to their special circumstances.

7. The primary object of upgrading administrative standards in backward States is to enable the State Governments concerned to respond to the needs of the people more effectively. This consideration is not relevant in regard to tax collection charges. Provision for tax collection charges will have to be made in relation to receipts from the various sources of revenue or on the basis of certain reasonable rates of growth on existing levels of expenditure.

8. The question of mitigating disparities in standards of administration as between advanced and backward States is not relevant in respect of items such as Interest Payments(16)*, Appropriation for Reduction or Avoidance of Debt(17), State Legislatures(18), Famine Relief(64), and Pensions and Retirement Benefits(65). Provisions under these heads will have to be worked out with reference to the actual requirements of the States. As regards developmental heads, it may not be relevant to consider Industries(35), Multi-purpose Projects(42), Expenditure on Irrigation Schemes (43 and 44), Road Transport(57), Electricity(45) and Forests(70) from the point of view of elevation of standards, because the expenditure under these revenue heads relates mostly to the maintenance of irrigation schemes, road transport undertakings, and departmental units already in existence. If a State lags behind in these sectors, the deficiency can be made good only through appropriate programmes undertaken as part of the Plan and not through allocation of funds on revenue account under our scheme of devolution. Moreover, it should be remembered that such outlays will be mostly on capital account. We have, however, dealt separately with provision for adequate maintenance of existing assets such as irrigation works and roads and have provided funds on the basis of certain norms. Adequate resources have been provided under our scheme for maintenance of buildings, irrigation and flood protection works, roads, supply of medicines and diet in hospitals and dispensaries for all the States. The backward States which, for paucity of resources or other reasons, have so far been unable to provide adequate funds for maintenance of capital works, would be the principal beneficiaries of the new procedure followed by us for determination of funds for maintenance. The expenditure on Forests(70) has also to be excluded depending as it does on the extent under forests and also perhaps on the revenue derived therefrom. Likewise, we have felt that expenditure on Agriculture,

*Figures in breakets relate to heads of account as in the Account for 1973-74

Animal Husbandry, Rural Development and Co-operation (31, 32, 33 and 34) should be kept out of the present exercise aimed at upgradation of standards in backward States because the expenditure under these heads depends upon factors varying from State to State. Thus, for example, in some of the States, there may not be any scope for development of fisheries. Likewise, in a State where Cooperation has made very little headway, there will be no point in providing additional funds to match the levels of expenditure on staff attained by another State where co-operative movement has registered considerable progress. The expenditure on Agriculture in *per capita* terms may vary with reference to the potential for agricultural production in different States. The provision of funds for improvement of the capacity of the backward States to exploit their full potential in these sectors can be made only within the frame-work of a Plan. As regards expenditure under "37-Community Development Projects, National Extension Service", the staffing pattern is already uniform. The level of expenditure on "Labour and Employment" (38) is negligible and has no relation to the incidence of unemployment. This head records expenditure on employment exchanges, maintenance of craftsmen training centres, etc. The allocation of additional funds under this head would, therefore, seem to have no significance from the standpoint of upgradation of administrative standards. As regards the head "26-Miscellaneous", Fire Services would seem to be the only service in respect of which it may be necessary to provide additional funds to the States that lag behind. Here again, the strength and standards of fire services needed would vary from State to State depending upon the extent of urbanisation and industrialisation. We have, however, in the course of scrutiny of forecasts of the States, identified the States where expenditure on Fire Services is significantly lower and provided a little extra help to the weaker States to come up to the standards of the rest. The expenditure under "39-Miscellaneous Social and Developmental Organisations" relates to variegated developmental services which are not uniform in different States. The principal services expenditure on which is booked under this head are (i) Statistics, (ii) Social Welfare, (iii) Town and Country Planning, (iv) Tourist Organisation, (v) Welfare of Scheduled Castes/Tribes and Backward Classes and (vi) preservation and translation of ancient manuscrpits. It does not seem feasible to make a Statewise comparison of the aggregate expenditure on these services. However, attention needs to be focussed only on welfare of Scheduled Castes/Tribes and Backward Classes. Our developmental programmes are being increasingly reoriented towards promotion of social justice. In this context, the provision of additional funds for Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes acquires special importance. Expenditure on other services under this head is either negligible or does not lend itself to equalisation. There is no uniformity of classification of expenditure falling under Miscellaneous(71) and Miscellaneous Compensations and Assignments(76). The expenditure under Miscellaneous(71) covers a variety of purposes. The varying levels of expenditure under this head also reflects in a measure certain policies relatable to special difficulties confronted with by the States. Thus, for example, expenditure on food subsidy in Jammu & Kashmir figures under this head. In some other States, payment of subsidies to electricity boards for rural electrification and other purposes is booked under this head. It will, therefore, be wholly inappropriate to seek uniformity in terms of expenditure among States under this head. We have, therefore, analysed the provisions indicated by the States under the head '71' on their own merits. The head "Miscellaneous Compensations and Assignments" accommodates, among other things, grants and assignments of revenue to local bodies. Some of these grants are on a matching basis and, therefore, depend upon the resources raised by the local bodies themselves. Some taxes are levied and collected by the State Government on behalf of the local bodies and the consequential transfer of the proceeds of such taxes figures under this head. There is a wide range of variations in the organisational set up of the local bodies and the extent of delegation of powers to them. It will, therefore, be a futile and misleading exercise to seek to ensure uniformity between States in terms of provisions under this head. It may also be relevant to add here that the bulk of the grants to local bodies is under education, medical and public health and maintenance of roads. The wide disparities in grants-in-aid to local bodies for these purposes will be rectified in large measure under our other proposals.

9. The upshot of the foregoing discussion is that from the point of view of improvement of standards of administration in backward States, attention needs to be focussed only on the following heads of expenditure, both developmental and non-developmental:

(i) "9-Land Revenue"
(ii) "19-General Administration"
(iii) "21-Administration of Justice"
(iv) "22-Jails"
(v) "23-Police"
(vi) "28-Education"
(vii) "29-Medical"
(viii) "30-Public Health"
(ix) "39-Miscellaneous Social and Developmental Organisations ; Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes."

10. General Administration is undoubtedly a sector in respect of which it is essential to analyse the levels of expenditure in different States with a view to ensuring a more liberal treatment to the backward States and enabling them to catch up with the rest. For this purpose, we thought it desirable to take a composite view of expenditure on revenue establishments under "9-Land Revenue" and "19-General Administration" as the two heads taken together provide a better indication of adequacy or otherwise of the general administrative set up of the States. Expenditure on stationery and printing serves the needs of all departments. It will be appropriate to club the expenditure under this comparatively minor head also with that of general administration for assessment of the additional requirements of backward States. In terms of per capita expenditure, eight States will be below the all-States average. These are Assam, Bihar, Gujarat, Kerala, Madhya Pradesh, Mysore, Uttar Pradesh and West Bengal. The standards of general

administration in Gujarat are generally considered to be among the best in the country. Its level of expenditure is low perhaps because Gujarat has devolved responsibilities on local bodies at district, block and village levels to a significant extent. There may not, therefore, be any need to mark up the expenditure on general administration in the case of Gujarat; nor will such mark up have any significance as Gujarat does not qualify for a grant under Article 275 in view of its substantial revenue surplus.

11. An efficient police administration is an essential pre-requisite for effective maintenance of law and order and the creation of necessary conditions in which economic development can take place without serious set-backs. It is this consideration that led the Commission to devote considerable time to analysis of the requirements of the States for strengthening and modernisation of police force in the course of the discussions with the States. However, apart from Jammu & Kashmir, whose requirements have to be dealt with separately, only the following States have indicated specific provisions for reorganisation and modernisation of police force: (i) Andhra Pradesh—Rs. 24.7 crores; (ii) Madhya Pradesh—Rs. 69.2 crores (including Rs. 20.50 crores for police housing which should be accommodated on capital account); (iii) Orissa—Rs. 2 crores; and (iv) Uttar Pradesh—Rs. 30.2 crores. It will obviously not be fair or proper to provide funds for modernisation of police force only in certain States leaving out the rest. Also the request for modernisation has to be assessed carefully with reference to the special problems facing each State, the general law and order position, proximity to border areas, extent of urbanisation and industrialisation. The availability of equipment on the scale entailed by the various proposals for modernisation formulated by States would also have to be carefully checked. We have, therefore, felt that modernisation should be left to be tackled as at present through a special programme administered by the Ministry of Home Affairs but with substantially larger financial allocation. The scheme is now being financed on the basis of 25 per cent grant and 75 per cent loan. We suggest that the present pattern should be liberalised and the grant component raised to 50 per cent.

12. Judged in terms of per capita expenditure, expenditure on Police in nine States, namely, Andhra Pradesh, Bihar, Haryana, Kerala, Madhya Pradesh, Mysore, Orissa, Tamil Nadu and Uttar Pradesh, is lower than the all-States average. Of these nine States, no special assistance to Tamil Nadu and Haryana may be necessary because the gaps to be covered in their case are small and the strength and effectiveness of the police force should be deemed adequate with reference to coverage of police stations and facilities available to them.

13. The expenditure under administration of justice is not significant in any State. The all-States average of per capita expenditure in 1978-79 reassessed by us would be Rs. 1.01. With reference to this average, eight States, namely, Andhra Pradesh, Assam, Bihar, Haryana, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh, would need special assistance. In the case of Haryana, which does not qualify for a grant under Article 275, the mark up will be of only notional significance. The expenditure on jails is not very substantial in any State. Further, comparison among States is vitiated by the fact that in most States jails undertake commercial activities which have the effect of inflating both the receipts and expenditure. Any comparison of the per capita expenditure should, therefore, be made only with reference to the net expenditure after setting off the receipts. On this basis, all-States average for 1978-79 would be 65 Paise. With reference to this, nine States including Maharashtra and Gujarat, whose general level of expenditure is otherwise satisfactory, were below the all-States average, whereas in the case of Bihar, which is recognised as one of the most backward States, the per capita expenditure exceeded the all-States average.

14. Education is by far the most important social service in respect of which the need for bridging the differentials in standards among different States appears to be imperative. It would, however, not be appropriate to assess the requirements of the States with reference to the aggregate levels of expenditure on Education. The general complaint against the States has been that they have tended to spend relatively more on university education to the detriment of primary education. This charge would seem to be partially correct, when we compare State-wise figures of per capita expenditure on education as a whole and State-wise per capita figures on primary education. States like Punjab, Haryana, Rajasthan and West Bengal are above the all-States average in terms of aggregate expenditure on education while they are below the average in terms of expenditure on primary education. The concept of equalisation can be validly applied only to primary education. In this sector, all States except Assam, Kerala, Gujarat, Tamil Nadu, Mysore and Maharashtra are below the average and additional funds need to be provided to raise the level of expenditure on primary education in the remaining States to all-States average. In the case of Punjab and Haryana, which do not qualify for grant under Article 275, the mark up of the provision under primary education would only mean that they would have to earmark a portion of the revenue surplus accruing to them for the purpose.

15. In regard to Medical and Public Health, we have indicated elsewhere the norms evolved by us for supply of medicine and hospital necessaries. The provision of funds to States on the basis of such norms would result in a significant upgradation of the quality of medical and public health services in the backward States. But, apart from medicines, the strength of medical and para medical staff has also an important bearing on the level of medical and public health care attained in a particular State. From this point of view, we have, therefore, looked at expenditure on medical and public health as a whole and have identified Andhra Pradesh, Assam, Bihar, Haryana, Madhya Pradesh, Mysore, Orissa and Uttar Pradesh as the States which are lower than the national average.

16. Our terms of reference envisage that the process of improvement of standards of administration in backward States should be so phased that they can reach the level obtaining in the more advanced States over a period of ten years. We have, therefore, applied our minds to the question whether the additional financial allocations, as estimated by us, for bringing the backward States upto all-States average should be spread over a period of ten years or only the five years falling within the period of our award. It is possible to argue that the process of equalisation can be deemed to be fully accomplished only when the backward States are brought up, in terms of per capita expenditure, to the average of the advanced States. We have, however, worked out the additional requirements of the States for the services indicated earlier only with reference to all-States average of expenditure on such services. In other words, our immediate objective is a more limited one of providing additional funds to certain States to come up to a minimum which we have taken as the average of all States. We consider that this limited objective can, and should be achieved within five years, i.e. by 1978-79. Having, therefore, projected the provisions needed by all the States for the services indicated on the basis of different rates of growth indicated elsewhere, we have worked out the additional provisions needed by the backward States to come up to all-States average of expenditure as assessed for 1978-79. These requirements have been spread evenly over the five-year period of our award.

17. The additional amounts as assessed by us for improvement of standards of essential administrative and social services are set out below :

Financial provision over the Fifth Plan period for upgradation of Standards of Administration

(Rs. crores)

States	General Adminis-tration	Adminis-tration of Justice	Jails	Police	Primary Education	Medical and Public Health*	Welfare of Scheduled Castes/ Tribes & Backward Classes	Total all Services
1	2	3	4	5	6	7	8	9
1. Uttar Pradesh	36.03	5.04	2.65	54.30	123.72	55.62	12.80	290.1
2. Bihar	36.21	5.58	..	39.60	35.19	35.19	15.02	166.7
3. West Bengal	3.84	..	..	..	49.56	..	18.83	72.23
4. Orissa	..	2.04	0.79	11.88	27.60	7.35	7.40	57.06
5. Andhra Pradesh	..	0.27	2.61	20.37	15.54	13.83	..	52.62
6. Madhya Pradesh	12.27	1.62	1.88	3.99	7.38	18.51	4.69	50.34
7. Rajasthan	..	1.77	1.31	..	11.31	..	13.04	27.43
8. Mysore	7.02	..	1.76	16.53	..	1.14	..	26.45
9. Haryana	..	0.42	..	(1.11)	14.79	2.07	4.17	21.45
10. Assam	4.86	1.65	..	..	..	3.24	8.27	18.02
11. Punjab	..	..	..	..	7.02	..	6.92	13.94
12. Gujarat	(10.02)	..	2.56	..	..	..	6.63	9.19
13. Kerala	1.92	..	0.77	3.84	..	..	..	6.53
14. Maharashtra	..	..	0.30	..	..	..	3.33	3.63
15. Tamil Nadu	..	..	..	(6.54)	..	..	..	..
TOTAL	102.15	18.39	14.63	150.51	292.11	136.95	101.10	815.84

*It relates to expenditure on items other than medicines and diet.

N.B.—Figures in brackets not included in total for the reasons indicated in paras 10 and 12 of this Chapter.

These amounts together with those provided for separately in regard to a typical States have been taken into account by us in the determination of grants-in-aid of the States under Article 275 of the Constitution.

18. The provision of additional funds may not by itself ensure that they would be utilised for the purposes which we have in view. There have been instances when the States, faced with constraint of resources, have diverted the provisions in the Plan for essential social services to other programmes. Having regard to the magnitude of the special help now being provided to them for improvement of certain essential services, it would be in the national interest to prescribe some arrangements for ensuring greater accountability on the part of the States for the funds provided to them. We outline briefly our suggestion in this regard in the Chapter on grants-in-aid.

CHAPTER XIII
FISCAL MANAGEMENT

Our terms of reference stipulate that in framing our proposals for grants-in-aid of the revenues of the States, we should have regard among other things to fiscal management and economy combined with efficiency in expenditure at the State level. Fiscal management is a multi dimensional concept. In the application of this concept to concrete situations, both qualitative and quantitative aspects deserve attention. Briefly stated, in assessing sound fiscal management one should have regard both to the manner in which the State has endeavoured to raise the resources needed for meeting its commitments and also the manner in which it has deployed the resources so raised so as to get the best possible results for the expenditure incurred. A review of fiscal management in this broad sense will call for a comprehensive and critical survey of the fiscal policies and administration of State Governments over a period of time. This is a task which is too difficult to undertake within the limited time at our disposal. A review of fiscal policies and administration is already being attempted in some measure on a continual basis by Audit and Public Accounts Committees under our Constitution. Since the advent of planning, the Planning Commission too has an opportunity of surveying from time to time the trends in revenues and expenditure of State Governments and more particularly their efforts at mobilisation of additional resources. Programme Evaluation Organisations at the Centre and their counter-parts in various forms at the States are also expected to play a part in focusing attention on areas of inefficiency in execution and shortfalls in achievement of results in relation to the resources deployed. While within the time at our disposal, it has not been possible to consider in depth issues relating to fiscal policies, expenditure control and quality of fiscal administration in general, during our visits to the States we invariably held discussions among others with Accountants General that enabled us to form a general judgement on the manner in which the State finances were being managed. We also obtained from Accountants General short summaries of the reports of the Public Accounts Committees for the last few years highlighting major financial irregularities and instances of infructuous expenditure. We would only like to observe that these discussions and the materials furnished to us have left us with the feeling that in many States the treasury and accounts organisations need to be considerably strengthened. In particular, arrangements have to be made without further delay for the more prompt and effective compilation and processing of data on receipts and expenditure. The considerable delays which we ourselves experienced in getting response to our requests for information on important points having a bearing on terms of reference such as for example number of employees, their distribution by pay ranges, norms for maintenance of capital assets and arrears of loans and revenue outstanding clearly point to the need for improvement of fiscal administration in many of the States. It is regrettable that we could not get even the preliminary actuals of revenues and expenditure for 1972-73 from some of the States primarily because the treasuries in the States had in turn failed to submit the monthly statements of accounts according to schedule. Some of the backward States will get additional resources in terms of our award for improvements of their standards of general administration. We would urge that some part of these additional resources should be devoted to the strengthening of financial and accounting organisations in the States without which neither sound planning nor fiscal discipline can be ensured.

2. We also noticed that in many of the States somewhat relaxed attitudes in regard to recovery of loans and tax arrears have been allowed to develop over a period of time. If these attitudes are allowed to persist, fiscal discipline will suffer an irretrievable set back. In reassessing the forecasts of receipts furnished by the State Governments, we have assumed recovery of arrears of revenues and loans to a reasonable extent.

3. A special aspect of fiscal management that arises for consideration is whether the State Governments have exerted themselves to a reasonable extent in raising resources from the sources allocated to them under the Constitution. The Fifth Finance Commission sought to measure the tax performance of the States on the basis of the ratio of per capita revenue to per capita income of the States and the same methodology was also followed by the Planning Commission in determining the tax efforts of the States for distribution of a portion of Central Assistance for State Plans. We devoted some thought to the question of further refinement of the methodology followed by the Fifth Finance Commission and evolving certain criteria for determining the relative tax performance of the States. But we have given up the effort on the practical consideration that the application of a formula based on relative tax effort, however designed, would place at a disadvantage some of the States faced with big gaps on non-Plan revenue accounts. To leave such gaps uncovered on the ground of their poor tax performance, however defensible on theoretical considerations, would jeopardise maintenance of essential administrative and social services for want of adequate resources. States, both advanced and backward, which have done better than the average at resource mobilisation might feel aggrieved that their efforts have not received recognition. But, if in the determination of the principles of Central assistance for

CHAPTER XIII
FISCAL MANAGEMENT

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16. Our terms of reference envisage that the process of improvement of standards of administration in backward States should be so phased that they can reach the level obtaining in the more advanced States over a period of ten years. We have, therefore, applied our minds to the question whether the additional financial allocations, as estimated by us, for bringing the backward States upto all-States average should be spread over a period of ten years or only the five years falling within the period of our award. It is possible to argue that the process of equalisation can be deemed to be fully accomplished only when the backward States are brought up, in terms of per capita expenditure, to the average of the advanced States. We have, however, worked out the additional requirements of the States for the services indicated earlier only with reference to all-States average of expenditure on such services. In other words, our immediate objective is a more limited one of providing additional funds to certain States to come up to a minimum which we have taken as the average of all States. We consider that this limited objective can, and should be achieved within five years, i.e. by 1978-79. Having, therefore, projected the provisions needed by all the States for the services indicated on the basis of different rates of growth indicated elsewhere, we have worked out the additional provisions needed by the backward States to come up to all-States average of expenditure as assessed for 1978-79. These requirements have been spread evenly over the five-year period of our award.

17. The additional amounts as assessed by us for improvement of standards of essential administrative and social services are set out below :

Financial provision over the Fifth Plan period for upgradation of Standards of Administration

(Rs. crores)

States	General Adminis-tration	Adminis-tration of Justice	Jails	Police	Primary Education	Medical and Public Health*	Welfare of Sche-duled Castes/ Tribes & Back-ward Classes	Total all Services
1	2	3	4	5	6	7	8	9
1. Uttar Pradesh	36.03	5.04	2.65	54.30	123.72	55.62	12.80	290.1
2. Bihar	36.21	5.58	..	39.60	35.19	35.19	15.02	166.7
3. West Bengal	3.84	..	..	..	49.56	..	18.83	72.23
4. Orissa	..	2.04	0.79	11.88	27.60	7.35	7.40	57.06
5. Andhra Pradesh	..	0.27	2.61	20.37	15.54	13.83	..	52.62
6. Madhya Pradesh	12.27	1.62	1.88	3.99	7.38	18.51	4.69	50.34
7. Rajasthan	..	1.77	1.31	..	11.31	..	13.04	27.43
8. Mysore	7.02	..	1.76	16.53	..	1.14	..	26.45
9. Haryana	..	0.42	..	(1.11)	14.79	2.07	4.17	21.45
10. Assam	4.86	1.65	..	..	..	3.24	8.27	18.02
11. Punjab	..	..	..	..	7.02	..	6.92	13.94
12. Gujarat	(10.02)	..	2.56	..	..	..	6.63	9.19
13. Kerala	1.92	..	0.77	3.84	..	..	..	6.53
14. Maharashtra	..	..	0.30	..	..	..	3.33	3.63
15. Tamil Nadu	..	..	..	(6.54)	..	..	..	..
TOTAL	102.15	18.39	14.63	150.51	292.11	136.95	101.10	815.84

*It relates to expenditure on items other than medicines and diet.

N.B.—Figures in brackets not included in total for the reasons indicated in paras 10 and 12 of this Chapter.

These amounts together with those provided for separately in regard to a typical States have been taken into account by us in the determination of grants-in-aid of the States under Article 275 of the Constitution.

18. The provision of additional funds may not by itself ensure that they would be utilised for the purposes which we have in view. There have been instances when the States, faced with constraint of resources, have diverted the provisions in the Plan for essential social services to other programmes. Having regard to the magnitude of the special help now being provided to them for improvement of certain essential services, it would be in the national interest to prescribe some arrangements for ensuring greater accountability on the part of the States for the funds provided to them. We outline briefly our suggestion in this regard in the Chapter on grants-in-aid.

the Plan, some weightage is given for the relative efforts of the States at mobilisation of revenues, as was done at the time of the formulation of the Fourth Plan, the grievance of such States would be substantially met.

4. With the increasing investments in irrigation and power projects and road transport undertakings, non-tax revenues in the form of interest receipts and dividends should be expected to become increasingly important in State finances. We have, therefore, made a detailed review of the working results of these major projects in different States and sought to stipulate certain minimum standards of performance.

FINANCIAL RESULTS OF STATE ELECTRICITY BOARDS

5. Schemes for generation and distribution of power have absorbed no less than 15 per cent of the outlays on State Plans in recent years. The investment in power projects as at the end of 1973-74 is estimated at well over Rs. 5000 crores. The loans advanced by State Governments to Electricity Boards would also have risen by the end of 1973-74 to about 3225 crores. The need for ensuring high level of efficiency in the selection, execution and management of power projects so as to secure reasonable return on the massive investments made in them cannot, therefore, be overtemphasised.

6. The question of prescribing certain minimum rates of return on investments in power projects has been engaging the attention of the Planning Commission and the State Governments in the last decade. The Venkataraman Committee which made a review of the working results of State Electricity Boards urged that a phased programme should be drawn up for attaining a minimum return of 11 per cent on capital invested after meeting all working expenses and depreciation. In the course of negotiations with the International Bank for Reconstruction and Development for loans for certain transmission projects in the middle sixties, the issue of prescribing a norm of 11 per cent return on capital invested according to a phased programme again came up for consideration. In this connection, the State Electricity Boards also gave an undertaking that they would achieve a return of 11 per cent by certain stipulated dates. These dead-lines have already been passed. The Fourth Finance Commission felt that the State Governments should realise their interest dues excluding interest on fresh loans to be made in the Fourth Plan period and estimated the States' resources accordingly. The Fifth Finance Commission also assumed that the State Governments should be able to realise in full interest charges on loans advanced by them to the State Electricity Boards except in the case of Assam and Rajasthan.

7. Despite this all round awareness of the need to achieve certain minimum rates of return on investments made in power projects, the working results of State Electricity Boards, far from registering any improvement, have suffered further set back during the current Plan period. The forecasts furnished by the State Governments point to no significant improvement in the standards of performance of State Electricity Boards in financial terms in the Fifth Plan period. Taking all State Electricity Boards together, while their revenue receipts would have increased from Rs. 387 crores in 1969-70 to Rs. 692 crores in 1973-74 reflecting the growth in generation and sale of power and revision of tariff, their net surplus, after setting on revenue expenditure and obligatory transfers to depreciation fund, would have declined from 4.2 per cent to 3.3 per cent on the capital base. The rate of return will more or less be of the same order during the forecast period. It may well register further erosion, if the assumptions made by State Government about trends in revenue receipts and expenditure go awry.

8. It is to be conceded that the set back in the financial position of the State Electricity Boards has been partly due to causes beyond their control. Mention may be made in this connection of increases in costs on account of factors such as wage awards and increase in cost of raw materials, fuel and replacements. The capital costs of new projects have also outstripped, by a very substantial margin, the estimated costs. Inadequate investigations, changes in specifications and, in certain cases, even a measure of deliberate underestimation of original costs have been responsible for this phenomenon. There are also certain other factors related to our national economic policies, which impair the profitability of State Electricity Boards. Mention may be made of the high cost of indigenisation of equipment. Thermal stations are now increasingly constrained to use lower grades of coal, as the higher grades with lower ash content are costlier and are reserved for production of steel. The emphasis, in recent years, on the utilisation of groundwater resources for irrigation and the growing urge for provision of certain basic amenities in rural areas have led to a significant step up in the programmes for rural electrification. While at the beginning of the Fourth Plan, there were about 75,000 villages to which power had been extended, by the end of the Plan about 1.5 lakhs of villages would have the benefit of power supply. In other words, the number of electrified villages would have doubled in the course of five years. The progress in terms of energisation of pump sets has even been more striking. As against a little over one million pump sets connected to power at the commencement of the Fourth Plan, over 2.5 million pump sets would have been energised by the end of the Fourth Plan under the various programmes now under way. While this impressive spread of rural electrification is wholly desirable, the present tariff policies entail losses which would increase with the growing use of electricity for lift irrigation. There is a very wide gap between the cost of power at the point of delivery to agricultural consumers and the actual rate charged to the consumers.

9. Among the other factors contributing to the deterioration in the financial position of State Electricity Boards, one cannot overlook the serious losses of energy in the transmission and distribution of power. In many States, transmission losses range from 20 to 27 per cent as against only 15 per cent or so which can

be considered normal. In the course of our discussions with representatives of State Governments, some of them conceded that a small part of what is euphemistically called 'transmission losses' may be due to outright theft of power. Energetic and purposeful action needs to be taken to arrest the present trend of transmission losses. Our estimates reveal that a saving of even one per cent in transmission losses will mean an aditional revenue of the order of Rs. 8.5 crores per annum at the present level of generation of power.

10. The poor working results of Electricity Boards are reflected in the budgets of State Governments in the form of default, in full or in part, in payment of interest on loans advanced by State Governments. The total arrears of interest due from Electricity Boards stood at Rs. 280 crores at the end of 1971-72 and would have risen to nearly Rs. 400 crores by the end of 1973-74. The Commission is distressed to note that some of the State Electricity Boards are not in a position to meet even the obligatory transfers to Depreciation Reserve Fund. Some States—Uttar Pradesh, Orissa and Rajasthan—seem to be recovering in full interest payments on loans given to the Boards while their Boards are not in a position to meet such payments. This, in turn, has led the Boards to curtail their transfers to the Depreciation Reserve Fund. The forecasts made available to us by the States show that the operating surplus of some of the State Electricity Boards, after the statutory transfers to Depreciation Fund, will not be adequate to meet even the interest on open market loans and loans from financial institutions. As a Commission charged with the responsibility for looking into the quality of fiscal management at State level, we cannot but view with extreme concern some of the present trends in the functioning of State Electricity Boards. It is not enough to stop with the exhortation that these trends should be reversed and suitable remedial action should be taken. It is also absolutely essential to build into our scheme of devolution suitable deterrents against the continued poor performance of State Electricity Boards. We feel strongly that unless some minimum returns are laid down in respect of investments made in power projects, and are strictly enforced, the present drift will continue with serious consequences for the health of our economy. At the same time, we recognise that the norms proposed should be realistic and be capable of realisation within the period of our award. The return of 11 per cent suggested by the Venkataraman Committee and also agreed to by the States in the course of negotiations for loans from the World Bank would appear to be unattainable for the present. But there is no reason why action should not be taken immediately to raise the levels of tariff and improve operational efficiency so as to secure a minimum return of at least 6 per cent on the loans advanced to State Electricity Boards and outstanding at the end of 1973-74. Strictly speaking, this norm should be made applicable also to additional loan assistance, which the State Governments propose to extend to the Electricity Boards during the Fifth Plan period. But information made available by States on the fresh loans to be advanced during 1974-79 is incomplete. It may not be fair on our part to make any assessment on our own of the quantum of loan assistance likely to be extended to the State Electricity Boards, as the State Plans and the outlays for development of power are yet to be determined on a firm basis. In computing the interest receipts of the State Governments on the basis of norms laid down by us, we, therefore, proposed to leave out of account fresh loans from the State Governments to the Electricity Boards during the period 1974-75 to 1978-79. If, however, any State should be in a position to recover interest on such fresh loans, such receipts will be available to them for financing the Plan. As indicated earlier, the default of the State Electricity Boards in payment of interest due from them would result in accummulation of arrears to the extenst of nearly Rs. 400 crores at the end of 1973-74. In the light of the general financial picture of the Electricity Boards now before us, it will be highly unrealistic to assume recovery of arrears to any extent. Even the recovery of current dues would call for determined action on the part of State Governments and Electricity Boards. Further, we should remember that the Fifth Finance Commission had assumed full recovery of interest in all States except Rajasthan and Assam during the period of their award. To the extent that the States had failed to secure returns upto the norms laid down by Finance Commission, they possibly have already paid the penalty in terms of smaller Plan outlays. To assume recovery of past arrears of interest for our present assessment of the needs of the States might be construed as inflicting on them a double penalty. We have, therefore, left the arrears of interest out of account in our estimation of the resources of the State Governments for the forecast period 1974-79.

11. It has been urged before us by some State Governments that the preponderance of thermal capacity in their grids adversely affects the average cost of generation of power, the operating costs of thermal plants being significantly higher than those of hydel plants. They have, therefore, pleaded for an element of concession for thermal plants in the norms that may be prescribed. The cost of generation of thermal power is undoubtedly higher than that of hydel power. We, therefore, fell that in respect of thermal capacity the rate of return would admit of some reduction. Keeping this in view, we have allocated the loans advanced by the State Governments to the State Electricity Boards and outstanding at the end of 1973-74 between thermal capacity and hydel capacity on pro-rata basis. We have assumed recovery of interest at 5 per cent on the loans allocated to thermal capacity and 6 per cent on hydel.

12. The rates of interest charged by the State Governments on the loans advanced to the State Electricity Boards vary. Some States charge concessional rates on certain types of loans such as those for rural electrification. In the interests of uniform treatment, we have considered it desirable to reassess the interest due to State Governments on an identical basis—5 per cent in respect of loans allocable to thermal capacity and 6 per cent in respect of hydel.

13. Some of the State Governments have also contended before us that the locking up of capital in works under construction is one of the major factors contributing to the default of State Electricity

Boards in payment of interest charges in full. *Prima facie* this argument has some validity. The need to pay interest on loans taken for projects even during the period of construction does impose a serious burden on Electricity Boards. But, as against this, we should recognise that a price has to be paid for capital. The large investment in works under construction is an index of the considerable potential for development of power in the State and there is no reason why such States should get a concessional treatment. Also, capital under construction covers such elements as inventories and the waiver of interest on inventories may only promote greater inefficiency in management of materials and stores. The present tendency on the part of some of the States to take up a large number of projects and to spread the available resources too thinly over them needs also to be kept in check. Having regard to these considerations, the Members of the Commission, except Dr. Gulati, feel that there will be no justification to draw any distinction between capital invested in completed works and capital invested in works under construction for purposes of recovery of interest.

14. Dr. Gulati feels, however, that there is considerable substance in the plea made before us for drawing a distinction between capital invested in completed works and that locked up in works under construction for purposes of requiring the recovery of interest on a uniform basis for all the States. He is of the view that it is necessary in this regard to take into account the fact that the proportion of capital invested in works in progress to total investment in electricity schemes is far from uniform and in fact ranges widely from 7.98 per cent for Tamil Nadu to 60.79 per cent for Jammu and Kashmir. Not to make the above distinction will, he feels, place the States with relatively higher proportion of capital locked up in works in progress at a disadvantage compared to others in fulfilling the norms we are laying down for the recovery of interest.

15. We have carefully examined the question whether any concessional treatment is called for in respect of capital investment in rural electrification programmes. The recognition of a lower rate of return on loans advanced or deemed to have been advanced for rural electrification programmes may benefit unduly States which have already forged ahead in rural electrification. Agricultural tariff in most States are also palpably low and the losses currently being incurred on rural electrification are thus in the nature of concealed subsidies. Even granting for the sake of argument that rural electrification can never be fully remunerative and should, therefore, be given subsidies, it is only fair that the burden of this subsidy should be borne by the general tax payer of the State concerned and not be shifted to the national exchequer. Some of the State Governments have provided in their forecasts for payment of subsidy to Electricity Boards for such purposes as rural electrification, supply of power to energy-intensive industries, supply of power to backward areas at concessional rates, etc. In the interests of uniformity of treatment, we have thought it fit to exclude all such subsidies in our assessment of the financial needs of the States.

16. It will be recalled that the Fifth Finance Commission has shown some concession in favour of Assam and Rajasthan in view of the special difficulties in their operating systems. We have examined carefully the question whether similar concessional treatment would be warranted in respect of these or other States. We do not find that the working results of State Electricity Boards of Assam, Jammu and Kashmir and Rajasthan provide conclusive evidence of any special disabilities that need to be taken note of. We have given full recognition to the several special problems faced by these States in determining grants-in-aid. We have also extended to them a generous measure of debt relief. We are of the view that such explicit assistance to States facing special difficulties is far more desirable than any indirect help such as recognition of lower rates of return on investments in power projects or other remunerative enterprises would imply. It is essential not to weaken the will of these States to strive for and achieve better results in the power sector.

17. The levy of Electricity Duty/Tax on sale or consumption of electricity introduces some complication in the prescription of norms for recovery of interest on loans advanced by the State Governments to the Electricity Boards. The levy of Electricity Duty, it may be argued, limits the scope for revision of tariffs by Electricity Boards and to that extent also reduces the operating surplus out of which interest is payable. Some of the State Governments—Andhra Pradesh and Himachal Pradesh—do not levy any duty on consumption/sale of electricity. Tamil Nadu, which was till 1970-71 levying duty on all categories of consumers of electricity, withdrew it in respect of certain classes of consumers and merged it with the tariff. Other States levy electricity duty but at varying rates. Parity of treatment among States demands that prescription of norms for recovery of interest does not place at a disadvantage States which are now raising considerable revenue in the form of taxes on sale/consumption of electricity. The revenues realised as Electricity Duty should be set off against the interest due according to the norms prescribed by us so that revenue from Electricity Duty and interest from Electricity Board might together make up the interest stipulated as the minimum to be recovered from Electricity Boards.

18. The Electricity Duty is now being levied not merely on units generated within a State but also on units bought from other States. To set off the whole of the proceeds from the Electricity Duty against interest due from Electricity Board may not be quite proper because there is no loan assistance corresponding to units purchased from other States. We have, therefore, allocated, with reference to the information available with us, the receipts from Electricity Duty proportionately between units generated within the States and units bought from outside and set off only the Electricity Duty ascribable to 'own'

generation against interest due. As we are determining the interest liability with reference to loans outstanding at the end of 1973-74, we have thought it appropriate to set off against the interest due accruals from Electricity Duty only at the levels reached in 1973-74.

19. Some of the State Governments are also executing power projects departmentally. It is essential to ensure that reasonable returns are secured on such direct investments also. While reassessing the forecasts of receipts and expenditure furnished by the State Governments, we have assumed returns on these direct investments at the same rates as prescribed by us in respect of loans to Electricity Boards. However, the Commission, having regard to the special features of generation and transmission of power in Manipur, Nagaland and Tripura, felt that it would be unrealistic to expect these States to recover interest on their investments in Power Schemes during the forecast period. Nonetheless, we see no reason why they should not cover fully their working expenses.

20. Government of Mysore have set up a Power Corporation, which has been charged with the responsibility of execution of certain power projects. We have considered it appropriate to assume recovery of interest at 6 per cent on the loans advanced by the Government of Mysore to the Power Corporation.

21. We are fully aware that the recovery of interest up to the norms indicated by us in earlier paragraphs would call for considerable effort both by way of revision of tariff and improvement of operational efficiency of Electricity Boards. The Statement below, which shows State-wise the loans advanced to Electricity Boards and expected to be outstanding at the end of 1973-74 and the interest recoverable from State Electricity Boards, according to the norms stipulated by us, highlights the corrective action that needs to be taken by the State Governments either through revision of tariff or improvement of operational efficiency of Electricity Boards or both.

(Rs. crores)

States	Loans advanced by State Governments and estimated to be outstanding at the end of 1973-74	Interest payable to the State Government according to norms laid down by us for the period 1974-79	Receipts from Electricity Duty (as in the forecast) during 1974-79, attributable to own generation*	Interest receipts taken credit for in the forecast of States for 1974-79**	"Mark up" of the estimates of receipts of interest considered necessary in the light of our norms
1	2	3	4	5	6
1. Andhra Pradesh	214.70	55.90	Nil	34.69	+21.21
2. Assam	73.76	20.82	1.50	Nil	+19.32
3. Bihar	180.87	46.01	27.00	Nil	+19.01
4. Gujarat	167.57	41.89	35.15	46.53	Nil
5. Haryana	166.99	48.83	7.80	7.62	+33.41
6. Himachal Pradesh	33.89	10.17	Nil	4.29	+5.88
7. Jammu & Kashmir	83.81	24.90	0.95	Nil	+23.95
8. Kerala	157.06	47.12	11.25	5.08	+30.79
9. Madhya Pradesh	184.46	48.53	22.85	31.30	Nil
10. Maharashtra	268.21	67.13	82.80	40.81	Nil
11. Mysore	54.86	16.46	7.05	Nil	+9.41
12. Orissa	76.36	20.38	18.00	12.39	Nil
13. Punjab	304.68	88.75	15.75	Nil	+73.00
14. Rajasthan	182.19	52.49	2.70	7.32	+42.47
15. Tamil Nadu	246.62	71.51	8.90	27.95	+34.66
16. Uttar Pradesh	757.48	205.73	23.94	127.36	+54.43
17. West Bengal	72.04	18.62	43.45	..	..
Total	32,25.55	8,85.24	3,90.09	3,45.34	+3,67.54

*Computed in the manner indicated in para 18.

**Adjusted for subsidies being paid.

22. Likewise, the following table shows the net receipts envisaged for 1974-79 by State Governments under Electricity Schemes run departmentally and the returns that should be obtained according to the norms laid down by us :

(Rs. crores)

States		As indicated by State Governments in their forecasts for 1974–79	Worked out according to norms laid down by us 1974–79
1. Andhra Pradesh	Gross Receipts	18.25	24.59
	Working Expenses	(—) 7.65	
	Interest charges	(—) 29.70	(—) 24.59
	Net Receipts	**(—) 19.10**	**Nil**
2. Maharashtra	Gross Receipts	46.25	46.25
	Working Expenses	(—) 0.70	(—) 0.70
	Interest charges	—	—
	Net Receipts	**45.55**	**45.55**
3. Orissa	Gross Receipt	3.59	3.59
	Working Expenses	(—) 2.50	(—) 2.50
	Interest charges	(—) 0.88	(—) 0.88
	Net Receipts	**0.21**	**0.21**
4. Manipur	Gross receipts	8.65	
	Working Expenses	(—) 10.93	Nil
	Interest charges	(—) 3.16	Nil
	Net Receipts	**(—) 5.44**	**Nil**
5. Nagaland	Gross Receipts	1.69	
	Working Expenses	(—) 3.19	Nil
	Interest charges	Nil	Nil.
	Net Receipts	**(—) 1.50**	**Nil**
6. Tripura	Gross Receipts	9.67	Nil
	Working Expenses	(—) 13.23	
	Interest charges	(—) 3.37	Nil*
	Net Receipts	**(—) 6.93**	**Nil**

*In the case of these States the Commission has assumed recovery of only Working Expen.cs in view of their special problems in generation and distribution.

23. By the end of 1973-74, Government of Mysore would have advanced loans to the extent of Rs. 96.82 crores to the Power Corporation. In estimating the revenues of the Government of Mysore for the forecast period, we have assumed recovery of interest by them of Rs. 29.05 crores at 6 per cent of the loans outstanding against the Power Corporation.

24. The mark-up of interest receipts State-wise will be reduced to the figures indicated in the table below, if Dr. Gulati's suggestion referred to earlier is accepted.

(Rs. crores)

States	"Mark-up" of interest receipts considered necessary on the basis of loans-attributable to completed works only	Consequential relief to States as compared to norms prescribed by the majority o the Commission
1	2	3
1. Andhara Pradesh	+11.89	9.32
2. Assam	+16.76	2.56
3. Bihar	+7.74	11.27
4. Gujarat	Nil	--
5. Haryana	+12.61	20.80
6. Himachal Pradesh	+0.80	5.08
7. Jammu & Kashmir	+8.82	15.13
8. Kerala	+13.56	17.23
9. Madhya Pradesh	Nil	..
10. Maharashtra	Nil	..
11. Mysore	+ 9.41	..
12. Orissa	Nil	..
13. Punjab	+30.75	42.25
14. Rajasthan	+29.79	12.68
15. Tamil Nadu	+28.94	5.72
16. Uttar Pradesh	+19.33	35.10
17. West Bengal	Nil	..
TOTAL	+190.40	177.14

As regards electricity schemes run departmentally, Dr. Gulati's suggestion will ensure a relief of Rs. 13.40 crores for Andhra Pradesh, *i.e.* the contra-entry interest receipts of Rs. 24.59 crores taken credit for in our reassessment will be reduced to Rs. 11.19 crores and there will be a corresonpding increase in the States' overall deficit on revenue account and the grants-in-aid under Article 275. In regard to loans to Mysore Power. Corporation the contra-entry interest receipts amounting to Rs. 29.05 crores taken credit for in our reassessment will be reduced to Rs. 15.89 crores which will reduce the overall surplus on revenue account of the State by Rs. 13.16 crores.

25. In laying down certain minimum norms of performance on the part of State Electricity Boards, we have been guided by the consideration that a time bound programme of action for revision of tariff and orf implementation of other measures to improve the working results of State Electricity Boards may not fructify unless suitable financial deterrents are evolved. It is necessary to ensure that the pressure on State Government to enforce certain minimum standards of performance on the part of Electricity Boards is not in any way weakened through *ad hoc* expedients such as special accommodation. States qualifying for grants under Article 275 will immediately feel the impact of our assumptions of minimum returns on loans advanced to State Electricity Boards and on direct

investments in electricity projects. But so far as surplus States are concerned, our assumptions will only have the effect of reducing the surplus on non-Plan account, which they could otherwise have utilised for purposes of the Plan. Whatever additional revenues that the State Governments or the Electricity Boards are able to raise by way of revision of tariff, is now treated as part of their additional tax effort for the Plan. It is true that conceptually revision of tariff of public enterprises has the same effect as additional taxation. But we have reason to fear that this approach has fostered the wrong notion that while the gap in resources arising from the failure of States to secure reasonable returns on power and other projects should be made good by devolution or grants-in-aid from the Centre, whatever action may be taken for getting larger returns from such projects should rank as additional tax effort for the Plan. A complete reorientation of this outlook is called for. We would, therefore, urge that the measures needed to be taken by the State Governments to realise the minimum returns from power projects envisaged by us should not be deemed to be part of their additional tax effort. In other words, in addition to whatever target of taxation that may be laid down for purposes of State Plans, the State should be required to achieve the norms we have suggested for Electricity Boards.

26. We would also like to refer to the tendency brought to our notice on the part of some of the Central Ministries to exert pressure on the State Governments and their Electricity Boards to extend concessional tariff for certain energy-intensive industries. We concede that power-intensive industries may call for specially negotiated favourable rates and that under certain circumstances it may be advantageous to State Governments and their Electricity Boards, to concede special rates to large projects sponsored by the Central Government. But we would like to urge very strongly that the Government of India should not overlook the need to assure certain minimum returns on the investments made by the State Electricity Boards in arriving at a settlement about power tariff for such big projects. Even making allowance for some benefits in the form of inter-State sales-tax, additional employment and the like accruing to the States concerned from the location of such big Central projects, it has been stressed that the States concerned, some of them economically backward, are not the only beneficiaries of such industrial projects sponsored by the Centre. Often the Centre and other economically advanced States benefit more from increased production of products such as aluminium for which favourable tariff is sought. It would, therefore, be highly inequitable to expect the States where such projects are located to bear the full burden of supply of cheap power. In all such cases involving supply of concessional power by State Government to Central industrial projects, the larger aspects of securing reasonable return from power projects should not be lost sight of.

Losses on Major and Minor Irrigation works in the State.

27. Irrigation projects rank next only to schemes for generation and transmission of power in terms of capital investment. The investment in major and medium irrigation projects, expenditure on which is debited to "98-Capital Outlay on Multi-purpose River Valley Schemes" and "99-Capital Outlay on Irrigation, Navigation and Embankment Work (Commercial)", is estimated to be of the order of Rs. 3,500 crores at the end of 1973-74. State-wise details of cumulative capital outlay on major and medium irrigation projects at the end of 1971-72 and as estimated at the end of 1973-74, are furnished in Table 5(a) in Appendix IX. The bulk of this investment has been made since the comencement of planning in the country. The outlays on irrigation projects would account of approximately 16 per cent of the aggregate outlays of the State Plan by the end of 1973-74. The era of planning which has witnessed phenomenal increase in investment in irrigation projects has, however, been unfortunately marked by sharp and progressive deterioration in the working results of irrigation projects. As against a marginal loss of only Rs. 58 lakhs in 1950-51, State Governments sustained a loss of nearly Rs. 150 crores on major and medium irrigation projects n 1971-72. In that eyar except for Andhra Pradesh, Haryana and Punjab, no other State was able to cover even the working expenses from receipts by way of water charges. According to the forecasts furnished by the State Governments to us, Gujarat, Madyha Pradesh and Rajasthan alone would be able to meet their working expenses, while in all other States the receipts would fall short of even working expenses, let alone recovery of interest charges. Taking all States together, the aggregate loss on irrigation projects including interest charges, as projected during the Fifth Plan period, would be well over Rs. 1,000 cores.

28. Decline in net receipt from irrigation works attracted the notice of the Second Finance Commission, which considered t "a disturbing feature of the revenue position of most States." The Commission also apprehended that with the completion of some of the projects by the end of the Second Plan period, their impact on the revenue budget of the States would cause anxiety. The Third Finance Commission also viewed with concern the losses on irrigation projects and the reluctance of the States to increase water rates or collect betterment levies. The reports of these two Commissions do not, however, indicate that the losses on account of irrigation projects were left out of account in the assessment of the budgetary gaps of the States. The Fifth Finance Commission took the stand that the losses on account of irrigation projects should be contained within certain stipulated limits. The Commission saw no reason why public sources of irrigation should not be so managed as to avoid at least losses, when very large numbers of agriculturists were incurring higher costs in obtaining water from private sources. While working out the entitlements to grants-in-aid of revenues of the States the Commission therefore assumed that "within the next five years' it will be possible for the State Governments to take steps to improve the returns for covering working expenses and interest charges at 2½ per cent per annum on the investments in all irrigation projects."

29. An improvement in working results of irrigation projects can be secured, not through any economy in expenditure on maintenance, but only through enhancement of the present level of receipts. The Irrigation Commission found that water rates in vogue were a mere fraction of the value of the produce of the area receiving irrigation. The results of the study made by them for the two main crops, *viz.* rice and wheat are reproduced in Table 5(b) in Appendix IX of our report. It will be seen therefrom that the water rates for rice vary between 1.2 per cent to 2.4 per cent of the value of produce in Uttar Pradesh to about 7 per cent in Bihar. As for wheat, the water rates in terms of the value of produce vary from 0.9 per cent in part of Uttar Pradesh to 4.4 per cent in Gujarat. Irrigation projects have entailed large draft on the scarce resources of the community. The beneficiaries of the projects are easily identifiable. Hence it is imperative to fix water rates at reasonable levels so as to eliminate recurring subsidies of a substantial nature from the general budget.

30. The losses on irrigation projects as indicated in the forecasts furnished to us cannot, therefore, be conceded in full. Some norms have to be laid down for containing the losses on irrigation projects if they cannot altogether be eliminated. While it is reasonable to insist that the massive investments in irrigation projects should yield a minimum return over and above maintenance charges, we recognise that the norms prescribed should be realistic. Our estimates show that if a net return of even $2\frac{1}{2}$ per cent is to be secured, as envisaged by the last Finance Commission, the States will have to raise additional resources of the order of Rs. 619 crores, if expenses on maintenance of irrigation works are to be incurred at the levels projected by them. Efforts of this magnitude may seem unrealistic. We, therefore, feel that the immediate objective for the States should be to ensure that at least the maintenance charges on major and medium irrigation projects are fully covered. The forecasts of working expenses, as furnished by the State Governments, have been reassessed with reference to certain norms. The position in respect of receipts and working expenses on multi-purpose river valley projects and irrigation (commercial) will, on the assumption that the gap, if any, between receipts and working expenses is to be fully covered by the end of 1978-79, be as under :

Financial working of Irrigation (Commercial) and Multi-purpose River Schemes

(Rs. crores)

States	Receipts	Working Expenses according to norms	Surplus	Mark up (—) in receipts	Final position after mark-up
1	2	3	4	5	6
1. Andhra Pradesh	31.55	37.00	(—)5.45	(+)5.45	Nil
2. Assam	..	..	..	..	..
3. Bihar	31.44	40.60	(—)9.16	(+)4.84	(—)4.32
4. Gujarat	18.38	8.95	(+)9.43	..	(+)9.43
5. Haryana	32.95	16.65	/(+)16.30	..	(+)16.30
6. Himachal Pradesh	..	..	..	..	..
7. Jammu & Kashmir	1.11	1.50	(—)0.39	(+)0.15	(—)0.24
8. Kerala	0.96	2.05	(—)1.09	(+)0.31	(—)0.78
9. Madhya Pradesh	17.98	9.85	(+)8.13	..	(+)8.13
10. Maharashtra	17.45	15.20	(+)2.25	..	(+)2.25
11. Manipur	..	..	..	..	..
12. Meghalaya	..	..	..	..	..
13. Mysore	16.50	13.00	(+)3.50	..	(+)3.50
14. Nagaland	..	..	..	..	..
15. Orissa	9.41	7.60	(+)1.81	..	(+)1.81
16. Punjab	26.31	22.55	(+)3.76	(+)8.52	(+)12.28
17. Rajasthan	13.82	11.25	(+)2.57	(+)2.23	(+)4.80(b)
18. Tamil Nadu	12.64	16.10	(—)3.46	(+)0.86	(—)2.60
19. Tripura	..	..	..	..	..
20. Uttar Pradesh	131.00	107.75	(+) 23.25	..	(+)23.25
21. West Bengal	4.90	10.30	(—)5.40	(+)5.05	(—)0.35
TOTAL	366.40	320.35	(+)46.05	27.41	73.46

(a) On account of mark-up of receipts under "Multi-purpose River Schemes" as per Commission's decision to eliminate the loss in—the last year of the Plan.

(b) Estimates adopted on the basis of Revised Forecast of State Government which envisaged a net surplus.

31. From the above table, it may prima facie appear that many of the States are already covering the working expenses arrived at according to norms and that, therefore, they could be expected to ensure a further improvement in the working results of the irrigation projects so as to secure a minimum return on their investments. There can be no doubt that our objective should be to secure a reasonable return on all investments made in irrigation projects, but we have refrained from stipulating any minimum returns for the forecast period for purposes of computation of the budgetary gaps/surpluses of the States for certain reasons. Firstly, if past experience be any guide, it is doubtful if States would be able to hold down the working expenses at the levels stipulated by us. Secondly, the requisite measure of public support for the enhancement of water rates may be more readily forthcoming, if the States are enabled to utilise the additional resources accruing from such enhancements (over and above the level needed to cover working expenses) for purposes of the Plan. We cannot also overlook the fact, borne out by past experience, that revision of water rates is far more difficult to effect in most States than enhancement of power tariff or passenger fares in road transport undertakings. The gestation period of major irrigation projects, including the time taken for substantial or full utilisation of irrigation potential is much longer than in the case of power projects whether hydel or thermal. With power projects the utilisation of additional capacity created has generally not posed any serious problem in most States, whereas in the case of irrigation projects there is considerable time lag between creation and utilisation of irrigation potential. On these considerations, in reassessing the forecasts of State Governments for the purpose of our award, we have only assumed that there will be no gap between receipts and working expenses by the end of 1978-79. We would, however, urge that the revision of water rates up to the level needed to cover in full the maintenance charges should not be reckoned towards additional tax effort for the Plan. Revision of water rates above this level should, however, be treated as additional resources mobilisation for the Plan by the States.

32. Dr. Minhas is, however, unable to agree with the view of the majority that in projecting the revenue accounts of the States relating to "98-Capital Outlays or Multi-purpose River Valley Schemes" and "99-Capital Outlays on Irrigation, Navigation and Embankment Works (Commercial)" for the forecast period, the receipts under these heads should be taken to cover only their working expenses.

33. Working on the basis of norms of expenditure on the maintenance of irrigation works, the irrigation receipts of the States of Gujarat, Haryana, Madhya Pradesh, Maharashtra, Mysore, Orissa, Punjab, Rajasthan and Uttar Pradesh would be in excess of the working expenses during the next five years. Both the receipts and expenditure under this head are insignificant and, therefore, of no relevance for the States of Assam, Himachal Pradesh, Manipur, Meghalaya, Nagaland and Tripura. When 15 out of the 21 States of the Union would be in a position to more than cover their working expenses, it does not seem proper to adopt the norm that the irrigation receipts should just cover only the working expenses. While a very large number of agriculturists are incurring higher costs in obtaining water from private sources, it does seem odd that the Finance Commission should condone fully the loss of interest chargeable to public investments in major and medium irrigation works. The beneficiaries of irrigation works are clearly identifiable and they must be made to pay the full economic costs of irrigation water overtime. An effective beginning nevertheless must be made immediately to gather adequate irrigation receipts in support of the regular non-Plan budgets of the States.

34. In the interests of sound fiscal management, Dr. Minhas recommends that while working out the entitlements to grants-in-aid of the revenues of the States, the Commission should assume that within the next five years it will be possible for the State Governments to take steps to improve the returns so as to cover working expenses and interest charges of at least 1 per cent per annum on the investments in all major and medium irrigation projects. As a corollary of this recommendation, the receipts of all the States must therefore be marked up as shown in columns 5 and 6 of the Statement below. The amounts by way of grants under Article 275 recommended in Chapter XV for the States of Andhra Pradesh, Bihar,

Jammu and Kashmir, Kerala, Orissa, Rajasthan, Uttar Pradesh and West Bengal should be marked down by Rs. 24.30, 24.06, 0.88, 3.79, 8.05, 11.05, 0.81 and 15.61 crores, respectively for the period of our award.

States	Receipts assumed in the forecast	Working Expenses according to norms	5 year's interest at 1 per cent per annum	Surplus(+) or deficit (—)	Mark up of receipts required for surplus States	Mark up of receipts required for deficit States
1	2	3	4	5	6	7
1. Andhra Pradesh	31.55	37.00	18.85	(—) 24.30	..	24.30
2. Assam	..	..	..	..	..	..
3. Bihar	31.44	40.60	14.90	(—) 24.06	..	24.06
4. Gujarat	18.38	8.95	13.22	(—) 3.79	3.79	..
5. Haryana	32.95	16.65	6.22	(+) 10.08	..	..
6. Himachal Pradesh	..	..	..	..	..	..
7. Jammu & Kashmir	1.11	1.50	0.49	(—) 0.88	..	0.88
8. Kerala	0.96	2.05	2.70	(—) 3.79	..	3.79
9. Madhya Pradesh	17.98	9.85	9.27	(—) 1.14	1.14	..
10. Maharashtra	17.45	15.20	17.11	(—) 14.86	14.86	..
11. Manipur	..	..	..	..	..	..
12. Meghalaya	..	..	..	..	..	..
13. Mysore	16.50	13.00	14.48	(—) 10.98	10.98	..
14. Nagaland	..	..	..	..	..	..
15. Orissa	9.41	7.60	9.86	(—) 8.05	..	8.05
16. Punjab	26.31	22.55	12.83	(—) 9.07	9.07	..
17. Rajasthan	13.82	11.25	13.62	(—) 11.05	..	11.05
18. Tamil Nadu	12.64	16.10	6.52	(—) 9.98	9.98	..
19. Tripura	..	..	..	..	..	..
20. Uttar Pradesh	131.00	107.75	24.06	(—) 0.81	..	0.81
21. West Bengal	4.90	10.30	10.21	(—) 15.61	..	15.61
TOTAL	**366.40**	**320.35**	**174.34**	**(—)128.29**	49.82	88.55

35. Dr. Gulati, who agrees with the majority recommendation on this subject, would like to add that in the event of any rate of returns being prescribed for investments in irrigation, it is no less important to draw a distinction between investments locked up in works under construction and investments in works which are already completed as has been suggested by him in regard to investment in power projects.

36. Turning to minor irrigation works, expenditure on which is debited on the revenue account to "44-Irrigation (non-commercial)" the picture revealed is no less unsatisfactory. In 1971-72, the States incurred a loss of nearly Rs. 42 crores on minor irrigation and flood control works, maintenance expenditure on which is debited to "44-Irrigation (non-commercial)". Here again, the working expenses may not admit of any reduction. In fact, as proposed by us elsewhere in our report, the provisions for working expenses will have to be marked up appreciably in most of the States according to the norms considered essential by us. The losses will further widen unless remedial action is immediately initiated. In order that the States may be induced to take such action we have, in reassessing the forecasts of the States, assumed that the States should by the end of 1978-79 reduce the losses on minor irrigation works upto half of the estimated losses in 1973-74. As regards flood control works, we feel that in view of the absence of any arrangements at present for recovery of charges of maintenance of flood control works from the beneficiaries, we may have to reconcile ourselves for the present to the continuance of losses on such works.

Financial Results of State Road Transport Undertakings.

37. Road transport, particularly passenger transport is another sector in which State Governments have made large investments in recent years. These undertakings are under different forms of management. Most of them have been set up under the Road Transport Corporation Act, 1950, while a few function as companies under the Indian Companies Act. There are also seven undertakings run departmentally. The investments in all these undertakings taken together would be about Rs. 380 crores at the end of 1973-74, out of which the contribution of State Governments in the form of equity and loans would amount to about Rs. 205 crores. It is gratifying to find that road transport undertakings have by and large proved financially remunerative and make

reasonable contribution to State revenues in the form of interest payments and dividends. But there are a few undertakings whose financial position should cause serious concern. The road transport corporations of Assam and Kerala will not have adequate surpluses to provide fully for depreciation and interest charges. Calcutta State Transport Corporation, the North Bengal State Transport Corporation and Durgapur State Transport Corporation will not meet even their working expenses, let alone provision for depreciation and interest. In the light of the experience of most of the road transport undertakings it is clear that given proper management and economic fare structure State Governments should be able to secure reasonable return on their investments in this sector. We are, therefore, convinced that it would be realistic to assume recovery of interest and/or dividends at a minimum of 6 per cent on the investments made by the State Governments while reassessing the forecast of the State Governments. The Calcutta State Transport Corporation does not even meet its working expenses in full at present and this position is expected to continue during the forecast period. Having regard to the special features of operation of transport services in the large metropolitan area of Calcutta, we have considered it appropriate to reassess the forecasts of the State Governments on the basis that the Corporation should meet its working expenses in full during the forecast period. We have not assumed any credit for interest on the investments made by the State Government. We do not, however, see any justification for extending special treatment of North Bengal and Durgapur State Transport Corporations. Road transport services are being run departmentally in Manipur and Nagaland. In view of the special problems of operation of transport services in these two States, we feel that these services may at best be expected to cover their working expenses. In reassessing the forecasts of these two State Governments we have not, therefore, assumed any recovery of interest of their investment in road transport. A statement showing the investment by way of equity or loan in road transport undertakings by the State Governments, the forecasts of interest receipts as furnished by the State Governments and as reassessed by us with reference to the norms indicated above has been appended in Table No. 6 in Appendix IX.

Recovery of Interest on loans advanced by State Governments.

38. State Governments have advanced loans for a variety of purposes. We have already indicated separately our assumptions in regard to recovery of interest on loans advanced to State Electricity Boards and Road Transport Undertakings. The information obtained by us from State Governments shows that, by and large, there is no concessional element in the rates of interest on loans granted for various purposes. In view of this, one should normally expect the interest receipts on these loans to match, if not provide a surplus over, the average rate of borrowing of the State Governments. But it is distressing to find that recovery of interest in 1971-72 worked out to as low as 0.4 per cent and 0.7 per cent on loans outstanding in two of the States. In many other States too, it worked out to less than 5.29 per cent, the average rate of borrowing of State Governments, though it should also be mentioned that in some of the States interest receipts work out to a much higher figure ranging from 5.6 per cent to 7.62 per cent. It is clear that the shortfall in interest receipts reflects the failure of State Governments to enforce prompt recovery of the loans advanced by them. Here again, we consider that certain minimum standards of performance should be insisted on and the anticipated receipts from interest for the forecast period reassessed on that basis. Even allowing for some element of default in the recovery of interest, it should not be difficult for the State Governments to realise at least 5 per cent interest on loans outstanding. It has been represented to us that, in recent years, loans have been granted in large measure for relief purposes and such loans are exposed to high risk of default. While we expect the State Governments to take appropriate action for recovery of interest even on such loans, we have considered it advisable to leave out loans granted to victims of natural calamities, refugees and repartriates in computing interest receipts wherever in information about amounts outstanding under such loans was made available to us. States which perform better than the norm laid down by us should be allowed to keep such receipts as resources for their Plan.

CHAPTER XIV

FINANCING OF RELIEF EXPENDITURE

Provision of relief to victims of natural calamities is one of the basic responsibilities of State Governments in India and requirements in this regard have been taken into account by the Finance Commissions. But this time, we have been asked to make a somewhat more detailed enquiry into the several aspects of financing of relief expenditure. Our terms of reference in this regard are :

> "The Commission may review the policy and arrangements in regard to the financing of relief expenditure by the States affected by natural calamities and examine, *inter alia*, the feasibility of establishing a National Fund to which the Central and State Governments may contribute a percentage of their revenue receipts."

2. In a predominantly agrarian economy like ours, the failure of crops over large tracts resulting from deficiency or failure of rainfall necessitates State intervention on a large scale for provision of alternative opportunities for employment, supply of foodgrains and other essentials at fair prices and initiation of protective and preventive works against recurrence of similar calamities in the future. The State has to step in when other natural calamities such as floods, cyclones and earthquakes cause extensive damage to crops and property. Even prior to Independence, it was one of the main tasks of the administrative machinery to tackle emergencies of this nature and consequently, rules and instructions for the guidance of field staff in administering programmes of relief came to be codified. Famine Codes are available in many of the States and some of them have been updated. These codes, despite many deficiencies, assured a reasonable measure of uniformity among the States in their approach to problems of relief. However, the practice, envisaged in these Codes, of keeping ready a list of works to be taken up for execution as relief programmes appears to have fallen into disuse in many States. The result is that in an emergency relief works are in many cases taken up on an *ad hoc* basis with inadequate attention to their long term utility. Also, one cannot but feel perturbed by the sharp increase in expenditure on relief particularly since 1966-67. As against an annual average of expenditure of Rs. 13.41 crores during the period of the Third Plan, expenditure under "64-Famine Relief" in State budgets rose to an average of Rs. 81.01 crores during the period of the three annual Plans. This rising trend gathered unprecedented momentum during the period of the Fourth Plan. The expenditure which stood at Rs. 151·87 crores in 1969-70 rose to an all time peak of Rs. 318 crores in 1972-73. Central assistance to the States for financing such expenditure has also registered an equally disturbing increase as will be seen from Table 10 in Appendix VII. In fact Central assistance to some States for drought relief has far exceeded the assistance for the Plan.

3. In the light of the massive expenditure at present undertaken by many of the State Governments, the provisions made by Finance Commissions in their awards for famine relief have lost their significance. In terms of the policy as defined in September 1966, Central teams are to be deputed to make an on the spot assessment of the situation created by a natural calamity and to recommend ceilings of expenditure to be incurred on relief measures, loans for rehabilitation, repairs to public properties damaged in cyclones, floods or earthquakes. Of the various types of expenditure on natural calamities, expenditure on relief measures alone is shareable by the Central Government to the extent of 75 per cent in excess of the margin provided for by the Finance Commission, 50 per cent as loan and 25 per cent as grant. Of the remaining 25 per cent of the relief expenditure, the expenditure on loans to third parties and on repairs is expected to be met by the State Governments themselves. But if the ways and means position of the States is difficult, loans can be obtained from the Centre.

4. We have been given to understand that sometime last year, the concept and the scope of relief-assistance as embodied in the policy enunciated in 1966 was significantly altered. In particular, the practice of imposing ceiling was given up towards the middle of 1972. It is not surprising that since then relief expenditure has reached alarming proportions. It is difficult to explain the striking increase in the magnitude of expenditure on drought relief programmes since 1966-67 purely in terms of the increasing severity of the natural calamities. It is our distinct impression that there has been a good deal of avoidable waste in the expenditure incurred in the name of drought relief and also that with better planning and organisation more enduring benefits could have been secured. It is possible that the constraint of resources for developmental programmes in the Plans has in a few cases led to pressures by the States on the Centre for larger assistance in the form of drought relief. While it could be argued that utilisation of relief funds on works of permanent value that should normally be accommodated within the Plan is in national interest, the distribution of Central assistance for drought relief, outside the framework of Central assistance for Plans, tends to set at naught the formula for distribution of Central assistance evolved according to the criteria approved by the National Development Council. The present system of assistance for natural calamities has

thus introduced serious distorions in the scheme of allocation of Central funds among the States and if continued any longer will accentuate inter-State jealousies and rivalries. The elaborate exercises, which are undertaken by the Finance Commissions and the Planning Commission, to settle the distribution of Central resources on a fair and rational basis among the States on an over-all assessment of the relative economic and financial position and needs of the States lose their relevance altogether, if Central assistance for purpose of drought relief determined on an *ad hoc* basis tends to assume large dimensions. We have no hesitation in urging that if the serious distortions and inequities caused in our scheme of federal finance by mounting expenditure on relief are to be corrected, whatever assistance is provided to a State for drought relief or flood control should be adjusted against the ceilings of Central assistance for the Plan. This should not cause great hardship to any State or impair its capacity to meet its genuine requirements of relief expenditure because we visualise very large increases in the outlays in Central and State Plans on programmes of development of drought prone areas. We are also providing for a substantial increase in the present margins under "64-Famine Relief" within the framework of our award.

5. The existing arrangements are also open to another serious objection. The Central teams entrusted with the task of assessing the requirements of relief are usually constituted at short notice and have to complete their assessment of the situation within a short period. Their visits to affected areas thus tend to be brief. As they are composed of representatives drawn from various Ministries who are pre-occupied with their own other work, the teams can at best make only a very broad judgment on the needs of the States in the light of the data provided by the State Governments themselves. The Central teams have no effective means of checking such data and their findings by and large tend to be of an impressionistic nature. There is also no satisfactory arrangement anywhere in the Central Government to keep close and critical watch on the implementation of the recommendations of the Central teams.

6. Expenditure on drought relief has been unusually high and has been escalating sharply since 1966. What is more disturbing is that a good deal of relief expenditure has been incurred on schemes formulated in desperate hurry which turn out to be therefore largely unproductive without any appreciable effect on the permanent improvement of the areas prone to drought and floods. It is possibly because of serious dissatisfaction with the present arrangements for financing of relief expenditure on the existing scale and pattern that the concept of a National Fund on a contributory basis has been posed to us for examination. We have given careful thought to the *pros* and *cons* of setting up of such a Fund and have also ascertained the views of the State Governments. It is not quite clear whether the Fund as envisaged is to be a passive accounting mechanism for the earmarking of resources for relief operations on a contributory basis or whether it is to be an active agency providing direction and guidance in the formulation, appraisal and execution of relief programmes. The Fund, with its scope as enlarged to cover these aspects of relief programmes, would to an extent meet the need for a single focal point at the Centre for coordination of the present somewhat disjointed efforts of various Ministries in coping with the problems caused by natural calamities. The National Fund, with an administrative arm of its own may also be expected to promote more purposeful inter-ministerial cooperation on a systematic basis. It should also be able to acquire over a period of time the necessary expertise for collection of data, monitoring of relief measures and review of programmes of long term significance in areas known to be vulnerable to periodic ravages of droughts or floods. It is quite possible that the concept of a National Fund for relief to which different States contribute would carry with it a great deal of emotional appeal. It would serve to provide a rallying point for the expression of nationwide concern for victims of natural calamities. In other words, contributions to such a National Fund would underscore a sense of participation by all States in a common cause.

7. While the concept of a National Fund may thus seem to have some merits, we cannot ignore the practical difficulties of a serious nature which are bound to arise in the constitution and administration of the Fund. It is necessary to be clear about the scope and functions of a National Fund. If the word 'relief' is interpreted in its narrow sense as confined to provision of gratuitous relief to those affected by natural calamities, there would hardly be any need for setting up such a Fund, because even now the expenditure on gratuitous relief is relatively small. If the relief fund is at all to play an effective role, it should be vested with responsibilities for relief in the larger sense of the term so as to include provision of employment, rehabilitation of affected population through assistance in cash or kind, repairs of public properties and buildings or reconstruction of houses. It is obvious that some of these programmes can be financed only on a loan basis. This would mean that the Fund will also have to assume the role of a creditor. Thus, the fund will get involved in the screening of the proposals from the State Governments and in the assessment, both in qualitative and quantitative terms, of utilisation of funds by the State Government. Some of the programmes will lead to the establishment of a creditor-debtor relationship between the Fund and the State Governments and introduce an additional complication in our Federal financial structure. The Fund cannot also refrain from advising the State Governments on the scale and appropriateness of relief in various forms. The provision of relief is such a sensitive issue that it often gets politicised. It is doubtful if a Fund set up outside the Government would be able to deal successfully with issues which have political implications. Further, in the event of widespread natural calamities like flood or drought, the Central Government will naturally come under strong pressure to go all out and provide assistance to the affected States. The availability or otherwise of resources in the National Fund will then cease to be relevant in determining the assistance to be extended to the States. Thus the concept of a National Fund will break down completely when the country

is struck by serious calamities. At the same time, the States will come to look upon assistance from the National Fund at least to the extent of their contribution as legitimately due to them. Thus there is a risk of the Fund being depleted even in normal years, while in years of adversity it may prove wholly inadequate. The determination of contribution of individual States to the Fund will pose both conceptual and practical difficulties not dissimilar to those no wmet within the distribution of Central resources among the States. No formula, however skilfully devised, is likely to be acknowledged fair by all the States. It is also clear that whatever be the formula, some of the States will be called upon to contribute appreciably more to the pool than they are ever likely to draw from it. This new concept of a contributory fund will not therefore be relished by such States. In these circumstances, we apprehend that the question of States' contribution to the National Fund might well become yet another irritant in Centre-State relations.

8. One can conceive that annual appropriation to a fund of this nature may minimise dislocations of the budgetary position of the affected State Governments. However, from the point of view of the impact of the relief expenditure on the aggregate demand in the economy during any period, it is the expenditure actually incurred during that period, whether financed within or outside of the resources of the Fund, which is of significance. Therefore, in any given period, what is of importance from the view point of the inflationary impact of such expenditure is that it should be subject to the utmost possible restraint.

9. A majority of the States are also opposed to the setting up of a National Fund. Andhra Pradesh, Assam, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Meghalaya, Nagaland, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal are opposed to the establishment of a National Fund. Mysore would favour the creation of a National Fund but only if no contribution is required from the State. Bihar, Himachal Pradesh, Kerala, Rajasthan, Tripura and Manipur support the proposal for a National Fund with an element of contribution from the States. But it should be recognised that some of these States would, in terms of our other recommendations, qualify for a grant under-Article 275 and their contribution to the National Fund would, therefore, in effect come out of the Central resources. Punjab has no particular objection to the establishment of a National Fund and would be prepared to contribute, if established. It is clear that many of the States have reacted adversely to the establishment of a National Fund because it would entail a contribution from the State revenues and also, perhaps, some surrender of authority to an outside agency.

10. In the light of our analysis of the advantages and disadvantages of the establishment of a National Fund, and the views expressed by the State Governments, we have come to the conclusion that the establishment of a National Fund, fed by Central and State contributions, is neither feasible nor desirable.

11. At the same time we are convinced that the present arrangements for providing assistance to the States for meeting expenditure on relief operations in terms of the policy enunciated in 1966 need to be completely overhauled. The existing arrangements suffer from two serious defects. Firstly, the States have no incentive for economy in expenditure on relief or in maximising results for the expenditure incurred. They try to get as much as possible by way of Central assistance for drought relief, because in the overall scheme of fiscal transfers from Centre to States this is almost the only element for which no clear guidelines have been laid down for State-wise distribution and therefore in respect of which there is considerable room for exercise of discretion. Secondly, the schemes on which relief funds are utilised are not always integrated with the overall Plans for development of the areas prone to droughts or floods.

12. Alternative schemes for tackling effectively the problems of relief of distress and development of drought/flood prone areas should be designed to overcome these two basic defects of the exising system. We suggest that detailed programmes of both medium and long term significance for permanent improvement of the areas liable to drought and flood should be drawn up with the utmost urgency and these programmes fully integrated with the Plan. These schemes prepared in advance and arranged in a suitable order of priority can be taken up for implementation as soon as a natural calamity actually strikes a State or a region thereof. This arrangement would definitely produce better results than the present practice of formulating schemes in desparate hurry after the actual onset of the natural calamity in an attempt to absorb as much Central assistance as can be secured. As the programmes for the development of these areas would have been examined by the Planning Commission and the concerned administrative Ministries in advance as part of their general scrutiny of State Plans, there will be no need for State Governments to await the clearance of Central Government or its agencies before actually taking up the scheme for execution. While in normal years the schemes included in the Plan for development of drought/flood prone areas will be included according to the annual phasing visualised in the Plan, the pace of execution of such programmes should be suitably accelerated when the area is stricken by natural calamities. The additional funds needed for such acceleration of the programmes should be provided through advance release of Central assistance for the Five Year Plan. Such advance release of Central assistance for the Plan in a year in which a State is stricken by a natural calamity will not only meet its immediate needs but also expedite the process of development of drought affected areas. At the same time, the States would be put on notice from the beginning that any assistance which is thus secured by them would be subject to the overall ceiling of Central assistance for the Plan period as a whole. This should effectively deter them from inflating the expenditure. We, therefore, propose that the provisions needed for the development of drought prone areas should form a distinct part of

State and Central Plans. Likewise programmes of flood control should also form an integral part of the Plan.

13. The need of the hour is a massive time bound programme of action which aims at substantially reducing, if not completely eliminating, the vulnerability of the drought and flood prone areas to these calamities. Provisions are now available in the Central Plan for development of drought prone areas in selected districts. There is reason to fear that the needs of drought prone areas have not received the recognition due in our earlier Plans. However, in the Fourth Plan some provision was made in the Central Sector for the development of selected drought prone districts. The mounting scale of expenditure on provisions of relief lends urgency to the need for finding a permanent solution for the economic advancement of areas in which occurrence of drought or floods is endemic. We strongly urge that instead of incurring large scale expenditure on relief on an *ad hoc* basis on schemes of dubious value, provision ought to be made on a much larger scale for development of drought and flood prone areas in the Fifth Plan both in State and Central sectors.

14. We are, however, aware that States, which are constitutionally responsible for provision of relief, may often be called upon to deal with situations caused by localised failures of crops or distress caused by floods, cyclones and the like and other calamities. In our view, States should be enabled to tackle on their own any such situation without having to invoke Central assistance. We, therefore, feel that the provision of a reasonable margin in the forecasts of State expenditure should be considered as a legitimate charge on the revenue accounts of the States. We have carefully considered the basis on which such margins could be fixed. Of course, by far the most scientific basis for determination of the margins would be to assess the proneness of different areas in the States to occurrence of droughts or cyclones or other natural calamities with reference to meteorological and other data. But for all practical purposes, a reasonably satisfactory formula for assessment of the needs of the State would be the average level of expenditure as recorded in the past. As indicated already, expenditure on drought relief has arisen to dizzy heights in the last few years and it will neither be possible nor desirable to sustain expenditure at these levels without serious detriment to other programmes of development.

15. We have determined the provisions needed by the States for gratuitous and other relief on the basis of average of expenditure under "64-Famine Relief" over the period from 1956-57 to 1971-72 inclusive. We have left out expenditure incurred in 1972-73, both because 1972-73 was clearly an abnormal year and also because the actuals of the year are yet to become available. The provision under "64-Famine Relief" in West Bengal, as pointed out by earlier Commissions, includes some element of expenditure which is not classifiable under this head. Some adjustments have, therefore, been made on this account. The provisions for Nagaland and Manipur have had to be fixed on an *ad hoc* basis.

16. Accordingly, we recommend the following provisions under "64-Famine Relief" for different States:

(Rs. crores)

States	Annual Provisions
1. Andhra Pradesh	4.31
2. Assam	1.25
3. Bihar	4.61
4. Gujarat	4.55
5. Haryana	1.24
6. Himachal Pradesh	0.03
7. Jammu & Kashmir	0.35
8. Karnataka	1.91
9. Kerala	0.30
10. Madhya Pradesh	3.41
11. Maharashtra	4.17
12. Manipur	0.04
13. Meghalaya	0.04
14. Nagaland	0.02
15. Orissa	3.58
16. Punjab	0.33
17. Rajasthan	10.19
18. Tamil Nadu	1.52
19. Tripura	0.07
20. Uttar Pradesh	2.18
21. West Bengal	6.61
TOTAL	50.71

We have taken these figures into account in arriving at the grants, if any, needed by the States under Article 275 of the Constitution.

CHAPTER XV
GRANTS-IN-AID

Paragraph 4(b) of the President's Order requires us to make recommendations on the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and also to recommend the sums to be paid to the States which are in need of assistance by way of grants-in-aid of the revenues under Article 275 of the Constitution. In proposing the grants-in-aid, we have been also asked to have regard among other things to some of the specific considerations listed in that paragraph.

2. All the carlier Finance Commissions have felt that grants-in-aid of the revenues of the States should be related to the fiscal needs of the States. A close and critical scrutiny of the forecasts of receipts and expenditure of State Governments for the period covered by our award is an essential first step in the determination of such fiscal needs. We have spelt out in detail in Chapter IX the criteria with reference to which we have reassessed the forecasts of the State Governments presented to us.

3. In estimating the receipts of the States from both tax and non-tax revenues, we have adopted realistic but varying rates of growth with reference to the considerations set out in detail in Chapter IX. We have, in an attempt to enforce fiscal discipline, assumed reduction of arrears of taxes outstanding to more reasonable limits. We have also reassessed the receipts by way of interest on loans advanced to Electricity Boards, Road Transport Undertakings and third parties according to certain minimum standards of performance considered appropriate by us. In the case of major and medium irrigation projects, we have stipulated that at least the charges for maintenance should be fully covered by the terminal year of our award. In other words, while we have made every effort to assure the States adequate resources to maintain budgetary equilibrium, we have not adopted the approach of mechanical filling up of the gap between receipts and expenditure on present levels of efficiency in the collection of revenue and management of public enterprises. Our proposals envisage determined and purposeful efforts on the part of the States at reduction of arrears of taxes and improvement of returns from investments in quasi-commercial and commercial projects.

4. Like earlier Finance Commissions, we have also been asked to take into account committed liabilities of the States on account of the Plan in assessing the need for grants-in-aid. On the completion of every Plan, there is a significant increase in committed liabilities devolving on the States. Unless the normal growth of tax revenues of State Governments and returns from commercial projects can generate the additional resources to absorb a sizeable part of such committed expenditure, Central devolution for covering the same will soon rise to a level at which resources available for sustaining further development would be seriously eroded. While some States have done well in strengthening the resource base and are in a position to meet their committed liabilities, many others are now constrained to rely almost wholly on increased grants-in-aid under Article 275 for meeting their committed expenditure. This cannot be considered a healthy trend in federal finance.

5. We have adopted a normative approach also in reassessing the demands of the States for funds for raising emoluments of Government employees, teachers in aided institutions and employees of local bodies. Our approach in this regard has been delineated in detail in Chapter X. We have taken these requirements into account in determining the revenue gaps/surpluses of the States. We are aware that in the process States which have observed a policy of restraint in revision of emoluments become entitled to higher grants than warranted by the existing levels of emoluments of Government employees, teachers in aided institutions and employees of local bodies. The course we have adopted would not only reward the States for their fiscal prudence but also bring about, over a period of time, a greater measure of equality in levels of scales of pay and other allowances among the States.

6. We have sought to redress to the extent possible legitimate grievances of the States about inadequacy of funds for maintenance of existing assets such as buildings, irrigation works and roads at satisfactory levels. We have made reasonably adequate provision for maintenance of these assets on the lines indicated in detail in Chapter XI. It is at the same time necessary to ensure that the allocations made for the maintenance of these assets, particularly irrigation works and roads, are utilised for the purpose for which they are intended and that they are not diverted to other uses. Accordingly, we propose that the provisions allowed by us for maintenance of roads should be assessed together with the outlays to be provided in the Fifth Plan for construction of roads. For purposes of regulating Central assistance for the Annual Plan, only the aggregate expenditure on roads in excess of the provisions allowed by us for maintenance should be reckoned as Plan expenditure qualifying for assistance. Likewise, the provisions we have made for maintenance of irrigation works should be taken in conjunction with the outlay in the Plan for irrigation and the same procedure followed for regulating the release of Central assistance for the Annual Plan. In order to enable the Planning Commission and the Ministry of Finance to apply these checks, we have set

out the Statewise outlays of the provision we have made for maintenance of (i) roads, and (ii) irrigation and flood protection works.

7. As we have explained elsewhere, by far the most significant departure we have made from the approach of the earlier Finance Commissions is in the process we have initiated of enabling the States that are backward in standards of general administration to come up to a certain national minimum. For this purpose, we have identified certain administrative and social services as to be of crucial importance and have proposed that the States whose expenditure in per capita terms is below the all-States average should be enabled to come up to such an average by the last year of our award. The provisions we have so embodied in our recommendations for upgradation of standards have been indicated in Chapter XII. Among these services, we consider primary education, medical and public health and welfare of Scheduled Castes, Scheduled Tribes and other backward classes to be of critical importance for the well being of the people and particularly the weaker sections. We have, therefore, thought it essential to devise suitable special safeguards against diversion of the funds so provided for improvement of these services to other purposes. It may be recalled that the special grants-in-aid provided by the First Finance Commission for promoting primary education in backward States and the grants provided by the Third Finance Commission for improvement of communications in certain States were not utilised for the purposes for which they were intended. In the light of the experience, we cannot over-emphasize the need for effective and purposeful monitoring of the special grants earmarked for administrative upgradation. To this end, we make an important suggestion. The concerned administrative Ministry at the Centre and the Planning Commission should, as part of their scrutiny of the Annual Plans of the States, take special care to verify whether the funds provided by us for primary education, medical and public health and welfare of Scheduled Castes, Scheduled Tribes and other backward classes have been utilised on these services. We would suggest that only such expenditure on these services, as is in excess of the provisions indicated by us under these heads, should alone be treated as Plan expenditure qualifying for Central assistance. Thus, for example, in the case of Uttar Pradesh the provisions adopted by us for Primary Education under "28-Education" for each of the five years covered by the award are as follows :

	(Rs. crores)
1974-75	66.12
1975-76	77.39
1976-77	88.81
1977-78	100.43
1978-79	112.24

For purposes of determining the expenditure in the Plan on primary education in Uttar Pradesh only amounts in excess of the figures indicated above should be reckoned as Plan expenditure and Central assistance for the Annual Plan regulated accordingly. We hope that with this safeguard the special funds we are now allocating as part of grants-in-aid for improvement of social services, will not run the risk of being diverted to other heads.

8. We indicate in the Table below the provisions we have assumed for these essential services in our reassessment of the forecasts of the States :

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(Rs. Crores)

States	Primary Education					Medical and Public Health					Welfare of Scheduled Castes/Tribes and other back ward classes				
	1974-75	1975-76	1976-77	1977-78	1978-79	1974-75	1975-76	1976-77	1977-78	1978-79	1974-75	1975-76	1976-77	1977-78	1978-79
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Andhra Pradesh	41.52	44.75	48.14	51.64	55.29	28.49	30.86	33.33	35.85	38.49	13.80	14.49	15.21	15.98	16.77
2. Assam	16.05	16.95	17.89	18.88	19.93	9.45	10.15	10.88	11.63	12.43	0.66	1.20	1.78	2.33	2.88
3. Bihar	50.36	55.45	60.71	66.12	71.70	27.16	30.80	34.55	38.33	42.23	6.05	7.31	8.59	9.86	11.13
4. Gujarat	38.10	40.22	42.46	44.82	47.33	21.84	23.00	24.21	25.48	26.84	4.51	5.16	5.82	6.49	7.17
5. Haryana	7.26	8.58	9.94	11.30	12.71	6.81	7.30	7.80	8.34	8.89	0.28	0.56	0.83	1.11	1.39
6. Himachal Pradesh	4.60	4.86	5.15	5.44	5.75	4.85	5.11	5.39	5.68	6.00	0.43	0.45	0.47	0.49	0.52
7. Jammu & Kashmir	3.35	3.97	4.59	5.23	5.86	7.74	8.15	8.57	9.00	9.48	0.37	0.39	0.41	0.43	0.45
8. Kerala	50.24	53.10	56.08	59.22	62.55	21.03	22.18	23.39	24.67	26.03	4.66	4.89	5.13	5.39	5.66
9. Madhya Pradesh	41.69	44.32	47.09	49.98	53.00	25.27	27.69	30.18	32.73	35.37	13.58	14.58	15.57	16.61	17.67
10. Maharashtra	66.47	70.20	74.14	78.32	82.72	40.19	42.39	44.73	47.17	49.77	5.47	5.96	6.44	6.96	7.48
11. Manipur	3.66	3.86	4.07	4.30	4.53	1.61	1.69	1.76	1.87	1.95	0.39	0.41	0.43	0.46	0.48
12. Meghalaya	1.44	1.53	1.61	1.71	1.80	1.91	2.01	2.12	2.23	2.35	negl.	negl.	negl.	negl.	negl.
13. Mysore	36.10	38.11	40.25	42.51	44.90	21.48	22.67	23.93	25.25	26.63	3.92	4.12	4.32	4.54	4.76
14. Nagaland	2.52	2.65	2.79	2.93	3.10	2.44	2.58	2.72	2.87	3.03	0.60	0.63	0.66	0.69	0.72
15. Orissa	16.96	19.61	22.30	25.04	27.84	13.39	14.56	15.76	16.99	18.27	4.63	5.33	6.05	6.76	7.50
16. Punjab	12.37	13.52	14.67	15.90	17.16	12.36	13.02	13.72	14.46	15.26	0.47	0.92	1.38	1.84	2.31
17. Rajasthan	24.10	26.16	28.28	30.50	32.79	27.38	28.87	30.47	32.14	33.90	2.37	3.30	4.26	5.21	6.17
18. Tamil Nadu	58.64	61.98	65.50	69.24	73.20	38.26	40.29	42.45	44.73	47.10	13.08	13.73	14.41	15.13	15.89
19. Tripura	3.10	3.34	3.59	3.86	4.12	1.66	1.76	1.87	1.97	2.10	0.26	0.27	0.29	0.30	0.31
20. Uttar Pradesh	66.12	77.39	88.81	100.43	112.24	46.56	52.41	58.35	64.46	70.68	8.68	9.93	11.21	12.47	13.76
21. West Bengal	35.22	40.32	45.54	50.85	56.29	39.18	41.31	43.58	45.97	48.50	3.38	4.74	6.10	7.49	8.85
All States	**579.87**	**630.87**	**683.60**	**738.22**	**794.81**	**399.06**	**428.80**	**459.76**	**491.82**	**525.30**	**87.59**	**98.37**	**109.36**	**120.54**	**131.87**

9. The procedure we have outlined will ensure parity of treatment between surplus States and States qualifying for grants-in-aid. Among the deficit States themselves it will ensure equality of treatment as between, for example, Andhra Pradesh and West Bengal, which get the whole of the amounts needed to raise the levels of essential services to all-States average through grants-in-aid and States such as Uttar Pradesh and Bihar, in whose case part of the amounts so needed are in effect set off against the revenue surplus computed, according to the requirements of the existing level of services. All States, whether in receipt of grants-in-aid or not under Article 275, will be subject to same degree of discipline of having to spend the minimum amounts assumed under essential services. It is necessary to impose such discipline even on surplus States, because a few of them, for instance Punjab, are neglecting some of these essential services. In the case of States qualifying for grants-in-aid under Article 275, we have considered it appropriate to indicate separately grants-in-aid for filling up gaps in resources for maintaining institutions and services at existing levels, or what may be called 'conventional revenue gap grants' and the grants for upgradation of essential administrative and social services.

Non-Plan Grants

10. Apart from the statutory grants made under the substantive provision of Article 275(1) of the Constitution, States are also receiving from the Centre non-Plan grants for other purposes, the more important being, (i) relief and rehabilitation of displaced persons (ii) relief and other measures necessitated by hostilities (iii) construction and maintenance of border roads (iv) labour and employment (v) development of border areas (vi) assistance to Jammu & Kashmir for transport of rice and wheat (vii) incentive bonus for higher procurement of foodgrains (viii) modernisation of Police Force (ix) education (x) social welfare, and (xi) Central Road Fund.

11. We gave careful consideration to the question of the treatment to be accorded to these grants and the corresponding or relatable expenditure met from revenue in the forecasts furnished by the State Governments. In respect of Central assistance for schemes which are not uniformly applicable to all States, such as payment of bonus for procurement of foodgrains, development of border areas and construction of roads from Central Road Fund, we have omitted both revenue receipts on account of Government of India's grants to the State Governments and the related expenditure in the State forecasts. Consequently, the non-Plan grants will have to be continued by the Central Government if these schemes are to be continued by the State Governments. As regards schemes of continuing nature which are being implemented generally in most of the States, we have allowed after necessary scrutiny the non-Plan ependiture of the State Governments but the corresponding grant from the Central Government has been omitted in the reassessment of revenue receipts. Grants to States for purposes such as small savings schemes, labour and employment schemes, (craftsmen training and employment exchanges), social welfare homes, infirmaries and doles, National Sample Survey fall within this category. In these cases, Central Government will not have to sanction any non-Plan grant, as the expenditure on these schemes should be met from their own resources as reassessed by us.

12. In Table 12 in Appendix VII we have indicated the non-Plan grants which we have assumed, in our reassessment of the forecasts of the States, would be continued and for which corresponding expenditure provisions have also been allowed. We have also indicated in Appendix VII the grants which, in our opinion, need not be continued. As we have taken into account in our reassessment of the States' forecast the corresponding expenditure, the same should be met from the States' own resources. We have in particular taken into account the committed liability on account of teachers already appointed in the States under the special Central Scheme and there will therefore be no need to continue Central grants for this purpose separately. In Appendix VII we have indicated the grants for which we have assumed no credit in our reassessment of the forecasts of the States and where the corresponding expenditure has also not been taken into account. In these cases, if the schemes continue, specific grants-in-aid should have to be continued to be given.

13. In our reassessment of the forecasts of expenditure of the State Governments, we have not treated the expenditure on the staff or any other recurring expenditure under the Family Planning Programme as committed liability of the States arising out of the Fourth Plan schemes. In view of this, Central assistance for Family Planning schemes should continue to be given to the States on the present pattern.

14. The issue whether provision for amortisation of public debt-open market loans or loans obtained from the Government of India and financial institutions or both—should be considered a legitimate charge on revenue account has engaged the attention of successive Finance Commissions and divergent views have been expressed by them. Some of the State Governments have urged that even repayment of Government loans to the Government of India should be provided for fully in the revenue account. In the context of the proposals we have formulated for affording adequate debt relief to the States during the Fifth Plan period, we have not considered it necessary to allow for any element of amortisation of debt in the revenue accounts of the State Governments. The provisions sought by the State Governments in this regard have, therefore, been excluded for purposes of reassessment of their budgetary requirements.

15. In Chapter XVII we are dealing with the request of the State Governments for financial assistance within the framework of our award, for the implementation of land reform measures. We have explained therein in some detail our reasons for leaving out of account the requirements of the State Governments for this purpose. For the same reasons, we have also excluded the provisions for implementation of land reforms sought by some of the

State Governments on revenue account, except to the extent needed for meeting the cost of staff that have already been appointed and has become a committed liability.

16. In Chapter XVII, we examine the question of the treatment of Central Government loans to the State Governments outstanding on 31st March, 1974. For reasons set out in that Chapter, we have kept small savings loans out of our scheme of revision of the terms of repayment. We have given careful consideration to the question of the rate of interest to be charged on the loans which we have recommended for consolidation into a few distinct categories and for which we have suggested different periods of repayment. The incidence of interest charges on outstanding loans now works out to an average rate of a little over 4.75 per cent. Currently, the Centre is charging 4.75 per cent on the bulk of the loans advanced to the State Governments. We therefore consider that it would be appropriate for the State Governments to pay interest on the loans recommended for consolidation by us at 4.75 per cent. We have not consolidated loans for Bhakra Nangal and Hirakund (Stage I). Besides small savings loans, we have also kept out of our scheme of consolidation of debt, loans obtained by State Governments as their share in Centralised market borrowings. For these loans, existing rates of interest should be continued. We have recommended that the States may retain half of the principal and full interest on loans for relief of displaced persons, repatriates from Burma, Sri Lanka etc., goldsmiths and loans given under the National Loan Scholarship Scheme. We have not assumed any interest payments by State Governments in respect of these loans. Nor have we provided for interest on pre-autonomy debt and other categories of loans recommended by us for write-off. The interest liabilities of the State Governments on Central loans outstanding at the end of 1973-74 have been computed on these assumptions and allowed for the five year period 1974-75 to 1978-79.

17. The earlier Finance Commissions had allowed for the provisions likely to be needed by the State Governments for payment of interest on fresh borrowings during the forecast period while taking credit for interest receipts of fresh lendings. The estimates furnished by the State Governments of their interest liabilities on fresh borrowings—from open market, from financial institutions and from the Government of India for Plan and non-Plan purposes—and the interest receipts assumed by them on fresh lendings have been set out in Appendix VIII. We requested the Planning Commission to let us have a broad idea of the likely Plan outlays of the different State Governments for the Fifth Plan period and how the same was proposed to be financed. We requested them in particular to furnish us with information on the probable magnitude of borrowings of State Governments and the likely Central assistance in the form of grant and loan during the Fifth Plan period. The Planning Commission has replied that no firm view has yet been taken on the quantum of Central assistance to the States for the Fifth Plan period and that a view in this regard would emerge only after our Report is submitted to the President and decisions thereon become available. The Planning Commission has thus made it clear that it is not possible for them at this stage to indicate either the figures of Central assistance for the State Plans or its apportionment between grants and loans. As regards market borrowings of State Governments also, the Planning Commission has not yet taken a definite view. We have been informed that decisions in this regard would also be taken only after the submission of our Report. We reproduce in Appendix III of our Report the full text of correspondence exchanged between us and the Planning Commission in this regard. In the circumstances, we have no alternative but to leave the interest liabilities on fresh borrowings of State Governments out of account in computing their requirements for the forecast period. For the same reason, we have excluded out of our reckoning also interest receipts on fresh lendings by State Governments during the forecast period. Whatever net commitment by way of interest charges devolves on the State Governments, as a result of the Government of India's decision on Central assistance for State Plans, borrowings from the open market and negotiated loans of State Governments, will have to be computed separately by the Ministry of Finance. The President should be moved to raise to the extent required the grants recommended by us under Article 275 of the Constitution. In the case of the States which do not qualify for grants-in-aid in terms of our award, the net commitment on account of interest liabilities on fresh borrowings and lendings should be set off against the surpluses as assessed by us and the net deficit, if any, should be given as grant-in-aid under Article 275 of the Constitution by a Presidential Order.

18. We now indicate briefly our views on some of the issues special to certain State Governments which have a bearing on their revenue surpluses or deficits. After the submission of the forecast of receipts and expenditure to us and our discussions with them based on these forecasts, the Government of Tamil Nadu communicated to us on 21st June, 1973 their decision to reintroduce prohibition in the State and requested us to take into account the loss of revenue arising from this decision during the forecast period. The Government of Tamil Nadu had also sought to make up partially the loss of revenue resulting from the decision to reintroduce prohibition through enhancement of taxes on motor spirit, stamps and entertainment. They urged that the additional revenues accruing from these levies should be excluded in estimating their revenue gap, as they were intended specifically for financing the Fifth Plan. We have given careful consideration to these issues raised by the Government of Tamil Nadu. We are required under our terms of reference to estimate the revenues of the State Governments at levels of taxation obtaining at the end of 1973-74. In view of this we felt constrained to allow for the financial implications of the decision of the Government of Tamil Nadu already implemented to close down toddy shops. We did not, however, consider it proper to allow for the further loss of revenue anticipated from the closure of shops for sale of arrack and other

liquors subject to State excise duties, as these decisions have not yet come into force. We could not also accept the request of the State Government to exclude the revenues estimated to accrue from the additional taxation on motor spirit, stamps and entertainment levied by them because these levies have already come into force. Consequently the net downward adjustment we had to effect in the forecasts of revenues of the Government of Tamil Nadu was of the order of only Rs. 18.16 crores for the five year period as against Rs. 165.45 crores indicated by them.

19. The Government of Rajasthan also brought to our notice the pressures building up in their State for introduction of total prohibition and the resultant loss of revenue, if the demands are conceded. In the absence of any specific decision to reintroduce prohibition in the State, we have projected the revenues from excise duties adopting the rates of growth indicated in Chapter IX. As, however, the late Chief Minister of Rajasthan in his letter to Chairman of the Commission had specifically requested us to indicate whether or not we have allowed in our award for the possible loss of revenue from excise duty in the event of introduction of prohibition, we have considered it appropriate to refer to this communication and clarify that we have assumed in our forecast the continuance of revenues from State excise duties on the basis of the present policy in force in the State.

20. A few of the State Governments, notably West Bengal, have in the forecasts submitted to us included large provisions for payments to the Government of India on account of Central Reserve Police deployed in their States for maintenance of law and order. We consider it difficult to concede in principle that the deployment of Central Reserve Police would be needed as a permanent measure in any State. We have also no means of estimating accurately the commitments likely to devolve on the State Governments by the requisitioning of Central Reserve Police in accordance with the needs of the law and order situation in future. From the point of view of parity of treatment among the States also we do not consider it possible to concede the request of only some of the State Governments for possible expenditure arising from enlistment of the services of the Central Reserve Police to support their own regular police forces. While we have left out of consideration the provisions sought by State Governments, such as West Bengal, for payments likely to be made for the services of the Central Reserve Police during the forecast period, we would strongly urge that the Government of India should modify the present policy and waive payment altogether for the services of Central Reserve Police personnel made available to the State Governments for maintenance of law and order. As the Central Government would continue to have a decisive voice in determining whether or not the law and order situation in a State warrants supplementary support in the form of Central Reserve Police, there is no reason to apprehend that State Governments may invoke the assistance of the Central Reserve Police on a larger scale if payment for the same is waived. After all, the Governments of India have an equal stake with State Governments in the maintenance of law and order throughout the country. The present system of insistence on payment for services of the Central Reserve Police does not seem to make sense particularly when most of the States are in effect paying for the same through grants-in-aid under Article 275 of the Constitution from the Government of India. In the case of the States, which were Union Territories till recently, namely, Tripura and Manipur, we have allowed the provision in full for payment of Central Reserve Police. They were, till quite recently, not paying for the services of the Central Reserve Police and would need time to raise and strengthen their own police force.

21. The Government of Jammu and Kashmir have proposed a special provision of Rs. 10.55 crores for strengthening and reorganisation of the police force. After satisfying ourselves, about the demands of the State Governments in this regard in consultation with the Ministry of Home Affairs, we have allowed the provision asked for by them in full. But we propose that the grant in this regard under Article 275 of the Constitution be tied specifically to programmes of expenditure for the strengthening and reorganisation of the police force in the State. Jammu and Kashmir Government have also included in their forecast a sum of Rs. 56.77 crores towards food subsidy. It should be remembered that this subsidy is over and above the element of subsidy in the issue price of foodgrains released from the Central stocks. The Commission feels that the commitment on the State budget on this account can and should be gradually reduced. Only 50 per cent of the provision sought by the State Government has therefore been allowed.

22. On the basis of the reassessment of revenue receipts and non-plan revenue expenditure of the State Governments, taking into account the principles and general considerations explained earlier and after setting off the resources estimated to accrue to them from devolution of taxes and duties and grants in lieu of tax under the repealed Railway Passengers Fares Tax Act, 1957, the surpluses and deficits of

the State Governments during the five-year period would be as indicated in the Table below :

(Rs. Crores)

States	Non-Plan revenue surplus/deficit on the basis of the existing standards of essential administrative and social services: Without devolution* of revenues	After devolution* of revenues	Provision allowed for upgradation of the standards of essential administrative and social services	Net Revenue deficit after devolution of revenues	Net Revenue surplus after devolution of revenues
1	2	3	4	5	6
1. Andhra Pradesh	723.39	153.31	52.62	205.93	..
2. Assam	421.60	236.51	18.02	254.53	..
3. Bihar	677.93	(—) 60.51	166.79	106.28	..
4. Gujarat	23.99	(—)344.65	9.19	..	335.46
5. Haryana	(—)124.14	(—)244.80	21.45	..	223.35
6. Himachal Pradesh	204.06	160.96	..	160.96	..
7. Jammu & Kashmir	214.95	156.16	17.33	173.49	..
8. Karnataka	124.45	(—)259.19	26.45	..	232.74
9. Kerala	473.44	202.40	6.53	208.93	..
10. Madhya Pradesh	383.05	(—)160.52	50.34	..	110.18
11. Maharashtra	(—) 40.52	(—)752.05	3.63	..	748.42
12. Manipur	126.91	113.43	1.10	114.53	..
13. Meghalaya	86.02	73.17	1.50	74.67	..
14. Nagaland	135.01	128.18	0.66	128.84	..
15. Orissa	520.26	247.67	57.06	304.73	..
16. Punjab	(—)186.45	(—)355.42	13.94	..	341.48
17. Rajasthan	536.49	203.10	27.43	230.53	..
18. Tamil Nadu	354.04	(—)184.53	..	..	184.53
19. Tripura	130.19	110.50	2.00	112.50	..
20. Uttar Pradesh	1058.89	(—) 91.33	290.16	198.83	..
21. West Bengal	750.70	162.63	72.23	234.86	..
TOTAL	6594.26	(—)504.98	838.43	2509.61	2176.16

NOTE : Negative sign indicates surplus.

* Devolution for this purpose has been taken to cover the States' share of Income-tax, Union duties of excise, Additional Excise Duties, Estate Duty on property other than agricultural land, grant in lieu of tax on passenger fares and grant on account of wealth tax on agricultural property.

23. In the light of the foregoing, we recommend that the following State Governments be paid the sums specified against each of them as grants-in-aid of their revenues under the substantive part of Clause (1) of Article 275 of the Constitution for each of the five years covered by our recommendations :

(Rs. Crores)

States	Total amount to be paid in the five years	Grants-in-aid to be paid in 1974-75	1975-76	1976-77	1977-78	1978-79
1. Andhra Pradesh	205.93	42.83	43.47	41.89	39.45	38.29
2. Assam	254.53	49.66	51.33	50.60	51.35	51.59
3. Bihar	106.28	18.78	23.92	21.12	21.53	20.93
4. Himachal Pradesh	160.96	31.72	32.02	32.15	32.42	32.65
5. Jammu & Kashmir	173.49	34.57	34.65	34.73	34.83	34.71
6. Kerala	208.93	43.85	43.46	41.19	40.92	39.51
7. Manipur	114.53	21.05	21.97	22.85	23.84	24.82
8. Meghalaya	74.67	13.61	14.23	14.90	15.63	16.30
9. Nagaland	128.84	23.77	24.68	25.72	26.77	27.90
10. Orissa	304.73	56.97	60.11	61.00	62.56	64.09
11. Rajasthan	230.53	49.30	48.57	46.05	44.30	42.31
12. Tripura	112.50	20.66	21.53	22.44	23.45	24.42
13. Uttar Pradesh	198.83	21.61	33.91	39.23	49.10	54.98
14. West Bengal	234.86	53.29	49.27	46.57	44.55	41.18
TOTAL	2,509.61	481.67	503.12	500.44	510.70	513.68

CHAPTER XVI

ASSESSMENT OF NON-PLAN CAPITAL GAP OF STATES

I-Methodology

The assessment of non-Plan capital gaps of States has been referred to the Finance Commission for the first time. It is clear from the terms of reference that determination of the non-Plan capital gaps of States is considered an essential prelude to the formulation of proposals for revision of the terms of outstanding Central loans. As the survey of non-Plan capital gaps has been brought within the ambit of enquiry of the Finance Commission for the first time, we did not have the benefit of the views of the earlier Commissions on the conceptual and other problems involved in this exercise. We, therefore, thought it fit to begin with an analysis of the nature and scope of the different categories of transactions relating to both receipts and disbursements generally figuring in capital account and to indentify, in the light of such analysis, which of them could be considered to be of non-Plan nature. We had also to take a view on treatment of items like contribution of State enterprises and their borrowings which, though not directly reflected in State budgets, are reckoned as resources for the Plan. The question whether cash balances and negotiable securities held by State Governments should also be taken in reduction of their non-Plan capital gap, also came up for consideration.

2. The capital transactions of the States are recorded in the budget against the various heads indicated in Annexure I to this Chapter. In the light of our analysis of the scope of receipts and disbursements accommodated under these various heads of account, we indicate below briefly which of them, in our judgment, should be taken into account in computing the non-Plan capital gap and which of them should be left out.

***92. Payment of compensation to landholders, etc. on the abolition of zamindari system.**

3. The bulk of the compensation payments to landholders is met out of the zamindari abolition fund created by various State Governments. Provision under this major head on capital account is now rather insignificant except in a few States such as West Bengal. But it is a legitimate non-Plan capital liability, as most of the compensation payable for the abolition of intermediaries has already been disbursed and the residual amounts shown in the forecasts presented to us are needed to complete the reforms. While the provision sought for completion of the processes of abolition of intermediaries such as zamindaries and jagirdaris posed no problems in view of the firm basis of the commitments already entered into, our approach to similar estimates of financial implications of the recent land reform measures had to be defined with care, in view both of the tentative character of the estimates presented to us and the widely varying requirements of the States.

4. Many of the State Governments have invited our attention to the legislation for imposition of ceilings on agricultural holdings, which has either been enacted or is on the anvil, and have urged that the compensation likely to be needed for payment in cash or in bonds to the landholders for the excess lands to be taken over in pursuance of such legislation should be treated as non-Plan capital liability. Since it is not possible for us to make any firm judgment on the extent of surplus land likely to be available or satisfy ourselves on the extent of compensation likely to be paid for the excess lands thus taken over, we are not in a position to estimate the resources likely to be needed by the States to implement the various proposals already indicated or under consideration for the imposition of ceilings. As we have been asked to assess the non-Plan gap of the States on as uniform and comparable a basis as possible, it will obviously not be correct for us to discriminate between States that have already completed all the legislative measures connected with the ceilings on land holdings and those in which the process is still in a preliminary stage.

5. Past experience indicates that estimates of surplus land may prove wide off the mark and that the pace of take over of surplus land cannot also be predicted in advance. Whatever financial assistance is necessary for payment of compensation for surplus land, should, therefore, be provided only on the basis of close and critical review of the progress of implementation of land reforms. Such tied assistance cannot be visualised within the framework of any scheme of debt relief. We would, therefore, suggest that Government of India should, in consultation with States, assess their net financial requirements for smooth implementation of land reforms and arrange to meet them. In computation of the non-Plan capital gap, we have left out of consideration the requirements for land reforms for the various reasons indicated above.

*References are to Heads of Account as in force in 1973-74.

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2. The capital transactions of the States are recorded in the budget against the various heads indicated in Annexure I to this Chapter. In the light of our analysis of the scope of receipts and disbursements accommodated under these various heads of account, we indicate below briefly which of them, in our judgment, should be taken into account in computing the non-Plan capital gap and which of them should be left out.

***92. Payment of compensation to landholders, etc. on the abolition of zamindari system.**

3. The bulk of the compensation payments to landholders is met out of the zamindari abolition fund created by various State Governments. Provision under this major head on capital account is now rather insignificant except in a few States such as West Bengal. But it is a legitimate non-Plan capital liability, as most of the compensation payable for the abolition of intermediaries has already been disbursed and the residual amounts shown in the forecasts presented to us are needed to complete the reforms. While the provision sought for completion of the processes of abolition of intermediaries such as zamindaries and jagirdaris posed no problems in view of the firm basis of the commitments already entered into, our approach to similar estimates of financial implications of the recent land reform measures had to be defined with care, in view both of the tentative character of the estimates presented to us and the widely varying requirements of the States.

4. Many of the State Governments have invited our attention to the legislation for imposition of ceilings on agricultural holdings, which has either been enacted or is on the anvil, and have urged that the compensation likely to be needed for payment in cash or in bonds to the landholders for the excess lands to be taken over in pursuance of such legislation should be treated as non-Plan capital liability. Since it is not possible for us to make any firm judgment on the extent of surplus land likely to be available or satisfy ourselves on the extent of compensation likely to be paid for the excess lands thus taken over, we are not in a position to estimate the resources likely to be needed by the States to implement the various proposals already indicated or under consideration for the imposition of ceilings. As we have been asked to assess the non-Plan gap of the States on as uniform and comparable a basis as possible, it will obviously not be correct for us to discriminate between States that have already completed all the legislative measures connected with the ceilings on land holdings and those in which the process is still in a preliminary stage.

5. Past experience indicates that estimates of surplus land may prove wide off the mark and that the pace of take over of surplus land cannot also be predicted in advance. Whatever financial assistance is necessary for payment of compensation for surplus land, should, therefore, be provided only on the basis of close and critical review of the progress of implementation of land reforms. Such tied assistance cannot be visualised within the framework of any scheme of debt relief. We would, therefore, suggest that Government of India should, in consultation with States, assess their net financial requirements for smooth implementation of land reforms and arrange to meet them. In computation of the non-Plan capital gap, we have left out of consideration the requirements for land reforms for the various reasons indicated above.

*References are to Heads of Account as in force in 1973-74.

the State Governments during the five-year period would be as indicated in the Table below :

(Rs. Crores)

States	Non-Plan revenue surplus/deficit on the basis of the existing standards of essential administrative and social services		Provision allowed for upgradation of the standards of essential administrative and social services	Net Revenue deficit after devolution of revenues	Net Revenue surplus after devolution of revenues
	Without devolution* of revenues	After devolution* of revenues			
1	2	3	4	5	6
1. Andhra Pradesh	723.39	153.31	52.62	205.93	..
2. Assam	421.60	236.51	18.02	254.53	..
3. Bihar	677.93	(—) 60.51	166.79	106.28	..
4. Gujarat	23.99	(—)344.65	9.19	..	335.46
5. Haryana	(—)124.14	(—)244.80	21.45	..	223.35
6. Himachal Pradesh	204.06	160.96	..	160.96	..
7. Jammu & Kashmir	214.95	156.16	17.33	173.49	..
8. Karnataka	124.45	(—)259.19	26.45	..	232.74
9. Kerala	473.44	202.40	6.53	208.93	..
10. Madhya Pradesh	383.05	(—)160.52	50.34	..	110.18
11. Maharashtra	(—) 40.52	(—)752.05	3.63	..	748.42
12. Manipur	126.91	113.43	1.10	114.53	..
13. Meghalaya	86.02	73.17	1.50	74.67	..
14. Nagaland	135.01	128.18	0.66	128.84	..
15. Orissa	520.26	247.67	57.06	304.73	..
16. Punjab	(—)186.45	(—)355.42	13.94	..	341.48
17. Rajasthan	536.49	203.10	27.43	230.53	..
18. Tamil Nadu	354.04	(—)184.53	..	..	184.53
19. Tripura	130.19	110.50	2.00	112.50	..
20. Uttar Pradesh	1058.89	(—) 91.33	290.16	198.83	..
21. West Bengal	750.70	162.63	72.23	234.86	..
TOTAL	6594.26	(—)504.98	838.43	2509.61	2176.16

NOTE : Negative sign indicates surplus.

* Devolution for this purpose has been taken to cover the States' share of Income-tax, Union duties of excise, Additional Excise Duties, Estate Duty on property other than agricultural land, grant in lieu of tax on passenger fares and grant on account of wealth tax on agricultural property.

23. In the light of the foregoing, we recommend that the following State Governments be paid the sums specified against each of them as grants-in-aid of their revenues under the substantive part of Clause (1) of Article 275 of the Constitution for each of the five years covered by our recommendations :

(Rs. Crores)

States	Total amount to be paid in the five years	Grants-in-aid to be paid in				
		1974-75	1975-76	1976-77	1977-78	1978-79
1. Andhra Pradesh	205.93	42.83	43.47	41.89	39.45	38.29
2. Assam	254.53	49.66	51.33	50.60	51.35	51.59
3. Bihar	106.28	18.78	23.92	21.12	21.53	20.93
4. Himachal Pradesh	160.96	31.72	32.02	32.15	32.42	32.65
5. Jammu & Kashmir	173.49	34.57	34.65	34.73	34.83	34.71
6. Kerala	208.93	43.85	43.46	41.19	40.92	39.51
7. Manipur	114.53	21.05	21.97	22.85	23.84	24.82
8. Meghalaya	74.67	13.61	14.23	14.90	15.63	16.30
9. Nagaland	128.84	23.77	24.68	25.72	26.77	27.90
10. Orissa	304.73	56.97	60.11	61.00	62.56	64.09
11. Rajasthan	230.53	49.30	48.57	46.05	44.30	42.31
12. Tripura	112.50	20.66	21.53	22.44	23.45	24.42
13. Uttar Pradesh	198.83	21.61	33.91	39.23	49.10	54.98
14. West Bengal	234.86	53.29	49.27	46.57	44.55	41.18
TOTAL	2,509.61	481.67	503.12	500.44	510.70	513.68

6. We then have a number of heads of account relating to capital outlay for various developmental purposes. These are :

94—Capital outlay on improvement of public health.

95—Capital outlay on schemes of agricultural improvement and research.

96—Capital outlay on industrial and economic development.

98—Capital outlay on Multipurpose River Schemes.

99—Capital outlay on Irrigation, Navigation, Embankment and Drainage works (commercial).

100—Capital outlay on Irrigation, Navigation, Embankment and Drainage works (non-commercial).

101—Capital outlay on Electricity Schemes.

103—Capital outlay on Public Works.

109—Capital outlay on other works.

114—Capital outlay on Road and Water Transport Schemes.

119—Capital outlay on Forests.

7. The provisions contemplated under these heads are essentially in the nature of outlays which should result in creation of tangible assets and from the economic standpoint should be classified as investment expenditure. We have, therefore, taken the view that for this purpose the expenditure on these heads will be accommodated in the State Plans. No non-Plan capital liability as such will arise under these heads.

120—Payment of commuted value of pensions

8. Payment of commuted value of pensions (major head of account—120) was hitherto being classified under capital account. But Government of India have decided recently in consultation with the Comptroller and Auditor General that the payment of commuted value of pensions should be charged straightaway to revenue instead of being debited initially to capital and then written back to revenue account over a period of years. In view of this change in accounting practice, we have considered it appropriate to exclude this item from capital account and provide for the reasonable requirements of the States for payment of commuted value of pensions in the revenue account itself. The amounts involved in any case are not large.

124. Capital outlay on schemes of Government Trading

9. The next major head—124—relates to Capital outlay on schemes of Government trading. As at present, provisions under capital outlay on State trading reflect the net impact on ways and means position of State Governments' trading transactions in various commodities. The ways and means position of State Governments will be adversely affected both on account of additions to stock and trading losses. The "Approach to Fifth Plan" makes it clear that all additions to stocks or inventories should form part of the Plan and be treated as Plan outlay. We agree with this approach. Even otherwise, cash credit from banks will be available to the States against inventories such as stocks of foodgrains or fertilisers, whether held as buffer or for operational purposes. The losses or profits arising from schemes of Government trading should appropriately be transferred to revenue account, as such losses do not add to the assets of the State Governments while profits, if any, constitute non-tax revenues. Thus it is clear that the entire provision under capital outlay on State trading schemes, whether it relates to additions to stock or losses or profits on such schemes, should be ignored in assessing the non-Plan capital gap.

125. Appropriation to the Contingency Fund

10. Major head—125—on capital account relates to appropriations to Contingency Fund. A Contingency Fund has been set up under Article 267 of the Constitution by all State Governments. This fund which is in the nature of an imprest is intended to enable the executive to meet unforeseen expenditure arising in the course of a year pending its authorisation by the Legislature. By its very nature, there can be no net additional liability on the capital budget of the State Governments on account of transactions under Contingency Fund, since the amounts spent from the Fund are to be recouped in the same or in the next financial year through legislative authorisation. Neither receipts nor disbursements under this head need therefore be taken into account while working out the non-Plan capital gaps of the States.

O.I. Permanent Debt

11. This head accommodates mainly loans raised by the State Governments from open market. In some of the State budgets, small amounts in respect of compensation bonds are also charged under this head. As regards market borrowings, the practice so far has been to show net receipts on account of loans from public—i.e. fresh loans minus repayment of maturing loans—as a resource for the Plan. In the case of States having overall non-Plan deficits, receipts under this head are now set off against non-Plan deficit and as such are not available to them for financing their Plans. We are of the view that net market borrowings which constitute a draft on the savings of the community should be considered as available for creation of new assets and not for the discharge of Central loans or other liabilities on capital account of the State Governments. We have, therefore, excluded market borrowings—both receipts from fresh loans and repayment of maturing loans—in arriving at the non-Plan capital gap of the States. These net market borrowings will accordingly be available to the States for financing Plan programmes.

O.II. Floating Debt

12. Receipts and disbursements under this head relate to loans of short-term duration, i.e. of less than 12 months. The range of variations between receipts and disbursements should be small. We have, therefore, considered it appropriate to leave out this item in working out non-Plan capital gap.

O. III. Loans from the Government of India

13. The various categories of loans received from the Government of India in respect of which repayments have to be made by the State Governments are listed in Annexure I. Ways and Means advances, as the term implies, are intended to enable the State Governments to tide over temporary difficulties caused by the uneven flow of receipts and disbursements within a financial year. Loans obtained from the Government of India for meeting such difficulties have to be discharged within a financial year and do not therefore materially affect the non-Plan capital gaps of States. Short-term loans are advanced by the Central Government for purchase and distribution of fertilisers, pesticides and seeds which are generally repayable within six months. As these liabilities are essentially of short-term nature and are mostly covered by specific assets such as fertilisers or seeds, it will be both convenient and proper to leave out completely the receipts and disbursements pertaining to short-term loans. Of the remaining loans from the Government of India, loans against share of small savings are made available to the States on the basis of net collections within the State. Net receipts from small savings should be considered as available to the States for the financing of the Plan, as otherwise their incentive for mobilising small savings will be considerably impaired. It is also proper to urge that small savings constitute a draft on the savings of the community and should, therefore, be matched by the creation of new assets as part of the Plan. However, if fresh receipts accruing to the States as their share of small savings collections during the Fifth Plan period are to be excluded in computing the non-Plan capital gap, it is only proper that the repayment of past loans obtained by the States against their share of small savings collections should also be similarly excluded. We feel that this might incidentally act as a spur to more strenuous efforts by States to mop up small savings, so that fresh collections may always be in excess of the repayment of past small savings loans to the Government of India. We have, therefore, excluded both receipt of fresh loans from the Government of India against the States' share of small savings and repayments by State Governments of the past loans obtained from the Government of India as their share of small savings from the present exercise of computation of non-Plan capital gaps of the States. The scheme of debt relief proposed later in the Report also does not take into account liabilities arising out of repayment of small savings loans since, as mentioned earlier, such repayment should be taken care of through fresh mobilisation of small savings. However, the repayment of all other loans—loans for State Plan schemes, loans for Centrally sponsored schemes, special accommodation loans, loans for clearance of overdrafts—have to be treated as legitimate non-Plan capital liability for the State Governments. The liability for repayment of these loans is, in fact, largely responsible for the non-Plan capital gap of the States. All fresh loan receipts from the Government of India for State Plan schemes or Centrally sponsored schemes, however, have to be excluded in determining the non-Plan capital gap for these are, by definition, intended for financing the Plan. We have not assumed any fresh loans from the Government of India in the nature of special accommodation loans or for clearance of overdrafts. Nor have we assumed any non-Plan loans for relief purposes in view of our recommendations in Chapter XIV that the present arrangements for provision of Central assistance for relief expenditure should be given up and that relief schemes should be fully integrated with the Plan.

O.IV. Other Loans

14. These loans are received by State Governments from various autonomous bodies like the National Cooperative Development Corporation, Life Insurance Corporation and Reserve Bank of India. All these loans are, in most cases, for Plan schemes. It would, accordingly, be necessary to exclude fresh receipts of all Plan loans from these bodies while working out the non-Plan capital gap of the States. We have also excluded repayment of past loans taken from such bodies in computing the non-Plan capital gap. In our view, like small savings loans, only net additional amount raised by the State Governments should be treated as a Plan resource.

15. Most of the State Governments have also made arrangements for cash credit advances from the State Bank of India and commercial banks. These credits, which are generally of short-term duration are covered by stocks of commercial commodities such as food, fertilisers, seeds and pesticides held by State Governments and are repaid when inventories are liquidated or when ownership is passed on to cooperative societies and other organisations. These cash credits do not represent any net burden on the State Governments. They have accordingly been left out in arriving at the non-Plan capital gap of State Governments.

Q. Loans and Advances by State Governments

16. Loans and advances are given by State Governments for various purposes to individuals and institutions. In particular, loans are advanced by State Governments on a fairly large scale to Panchayati Raj institutions, Municipal Corporations, State Electricity Boards and Housing Boards. Most of these loans relate to specific Plan programmes and should, therefore, be accommodated in the Plan. Almost all the loans given to other agencies or groups of individuals would also qualify for inclusion in the Plan, as they are linked to certain developmental objectives. We have, accordingly, excluded all such loans in assessing the non-Plan capital gap of the States. Loans are also given by State Governments to Government servants. These loans are mainly for purchase of conveyance and for house building purposes. Advances for purchase of conveyances and for other consumption purposes have to be treated as part of the non-Plan liability of the State Governments. As loans to Government servants for construction of houses result in creation of fresh assets and augment facilities for residential accommodation, it is only proper that all such loans should be brought within the purview of the Plan. Recoveries of loans and advances given to individuals and institutions should be set off against the non-Plan capital gap. We have scrutinised the forecasts furnished by the State Governments of recoveries of loans and advances with reference to

amounts of loans outstanding under different categories and taken a view on how much of the arrears could be recovered over the period of the Fifth Plan with reasonable efforts on the part of the States. Such recoveries, as reassessed by us have been taken in reduction of the non-Plan capital gap of the States.

R. Inter-State Debt Settlement

17. The net figures under this head should also be taken into account for determining the non-Plan capital gap of the States.

S. Unfunded debt—State Provident Fund

18. The essential distinction between receipts and outgoings on Public Account from those forming part of the Consolidated Fund is that in respect of the former group of transactions, the Government only acts as a banker. The disbursements on Public Account do not need the vote of the legislature and are not included in the Appropriation Act which authorises drawal of money from the Consolidation Fund. Unfunded debt is the first item of significance under Public Account. Receipts and disbursements on account of provident fund of employees are accounted for under this head. We are of the view that the anticipated net receipts under State Provident Funds should be set off against the non-Plan capital gap.

T. Deposits and Advances

19. These deposits and advances belong to various statutory bodies and corporations, local bodies and individuals such as contractors, litigants in courts, etc. In view of the steadily rising trend in the growth of public transactions, there is an overall net accretion to these deposits and funds from year to year. These deposits are in the nature of banking transactions and credits, in fact, represent a liability for the Government. Debits on the contrary represent discharge of corresponding liability. The magnitude of net resources accruing to the State Governments from these deposits will, in part, depend upon the regulations laid down by the State Governments in regard to custody of funds of autonomous bodies and local bodies under its control. In some States, for example, State Electricity Boards, Housing Boards and Municipalities are required to keep the surplus funds with State Governments, while in certain other these institutions are allowed to keep their funds with approved commercial banks. In the case of States where these funds are banked with Government, there will naturally be larger accretions under deposits and advances as compared to others where these deposits are allowed to be kept elsewhere. As we are asked to assess the non-Plan capital gap of the States on a uniform basis, we thought it necessary to examine the practices in vogue in each State and take into account only those deposits in respect of which the practices were uniform in all States. From the information obtained by us from the States, it is seen that the only class of deposit common to all States is civil deposits. The receipts under civil deposits are closely linked to the administrative, regulatory and developmental functions of the Government. They consist of deposits made by litigants in courts, security deposits of contractors with various State Departments and the like. They thus represent regular receipts of the State Governments on capital account and may be expected to conform to some pattern. The accretions under civil deposits should, therefore, be legitimately set off against the non-Plan capital gap of the State. While working out the non-Plan capital gap we have taken note of only civil deposits and have left out other categories of deposits such as deposits of local bodies, electricity boards, etc., as the practices in regard to them vary widely. Net receipts, if any, would therefore be available for supplementing other resources for the Plan.

Sinking Funds

20. Sinking Funds are built out of appropriations from current revenues. In certain states, part of the appropriations from current revenues is also invested in securities. We have elsewhere taken the view that provision for appropriation for reduction or avoidance of debt need not be treated as a legitimate charge on revenue account. Consistent with this decision we have decided to leave net accretions to Sinking Funds out of the present exercise.

Other Funds

21. Some States make large provisions towards various funds on the expenditure side of the revenue budget. The provision so earmarked are then transferred to Public Account. From the Public Account the funds are retransferred to revenue account to the extent necessary for meeting specific purposes either of maintenance or developmental nature. Thus, for example, a State may make a provision of Rs. 10 crores in a year towards the Road Fund and then retransfer, say, Rs. 2 crores to the revenue account for meeting the cost of maintenance of roads, the balance being utilised either for fresh road works or other Plan programmes. Transfers of this nature are particularly large in some of the States with substantial revenue surplus. We have analysed the nature of these funds and have taken the view that provisions in revenue account towards the funds should be allowed only to the extent dictated by the needs of current maintenance as reflected in the concerned heads of expenditure. In other words, if the forecasts of States disclose that States have to draw on the Road Fund only upto Rs. 2 crores for maintenance of roads per year, then the provision for the Road Fund is also to be restricted to the same figure. There will thus be no net accretion to the fund on the capital account which could be set off against the non-Plan gap.

Suspense and Remittances

22. We have looked into past trends under Suspense and Remittance heads, and feel that the net receipts or disbursements under these items should be left completely out of consideration in working out the non-Plan capital gap figures, because the receipts and disbursements under these heads are expected to balance over a period of time.

Depreciation Reserves of autonomous enterprises

23. Depreciation reserves and retained profits of State Electricity Boards, State Road Transport Corporations and other autonomous corporations form part of the resources of the Plan. But in the Fourth Plan period, the contribution of public enterprises at pre-Plan tariffs was taken as part of the States' non-Plan budgets and in the case of States having overall non-Plan gaps, it was not available for financing the State Plans. Most of the State Governments have

urged that depreciation reserves of autonomous corporations are intended for either replacement of their existing assets or for acquisition of new assets and expansion. It would be unfair to set them off against the non-Plan capital liability or, in other words, for the discharge of loan repayments to the Government of India. We consider that this plea of the State Governments is reasonable and have, therefore, excluded the net accretions to depreciation reserves of autonomous corporations in the appraisal of the non-Plan capital gaps of the States.

Cash balances

24. We have carefully considered whether the opening and closing cash balances of State Governments and the securities held by them should be set off against their non-Plan capital gaps. The cash balances of State Governments are not expected to be large because these balances, in excess of certain limits, will always be kept invested in treasury bills and/or securities. We feel that to set off the value of such securities against the non-Plan capital liability of the States would be to penalise them for past prudence. We have, therefore, ignored the value of securities held by the State Governments in determining the non-Plan capital gap.

25. To conclude, in working out the non-Plan capital gap of the States, we have taken the following receipts and disbursements on capital account:

(a) *Capital Receipts*

(i) Recoveries of loans and advances.

(ii) State provident funds.

(iii) Civil deposits.

(iv) Inter-State debt settlement.

(b) *Capital Disbursements*

(i) Repayment of loans to Centre (excluding small savings loans).

(ii) Loans to Government servants for purchase of vehicles.

(iii) Compensation bonds (to the extent they relate to abolition of intermediaries).

26. The difference between the capital receipts and capital disbursements, as set out above, constitutes the non-Plan capital gap.

II

NON-PLAN CAPITAL GAP: ASSESSMENT

Recoveries of loans & advances

27. The forecasts of receipts and disbursements furnished by the State Governments had to be reassessed by us on a uniform and comparable basis. In view of the falling standards of performance of State Governments in effecting recoveries of loans disbursed by them to third parties, we considered it desirable to obtain information on loans likely to be outstanding at the end of 1973-74 categorywise and to determine the amounts that could be recovered by the State Governments given the necessary will and determination. In so estimating recoveries of loans, we had to leave out the loans advanced by the State Governments to State Electricity Boards, because the latter in view of their poor working results, can hardly be expected to repay any loans to the State Governments during the Fifth Plan period. The Electricity Supply Act also accords low priority to the repayment of loans by the State Electricity Boards. We have, therefore, not taken credit for any recoveries in respect of loans by the State Governments to the Electricity Boards. In respect of other loans we have assumed that the State Governments should be able to recover 90 per cent of the amounts falling due for repayment in the period from 1974-75 to 1978-79.

28. While the State Governments have furnished us figures of loans likely to be outstanding as at the end of 1973-74, they could not generally supply similar information on the amounts actually falling due for recovery during each of the five years of the Fifth Plan period. This is presumably because the detailed accounts of many categories of these loans are kept at district and lower levels. We have, therefore, been constrained to make some broad estimates Statewise of the amounts falling due for recovery during the Fifth Plan period. Loans have been advanced by the State Governments for a variety of purposes. The terms of repayment are also diverse. While some loans are repayable within comparatively short periods of five to seven years, the period of repayment of other loans such as those for water supply schemes and the like may be for longer periods. But as against this, it should be remembered that a significant percentage of the outstanding loans at the end of 1973-74 would have been advanced a number of years back and the period of repayment yet left would be relatively short. Keeping this in view, we have assumed that the residuary period of repayment of loans would on the average be 10 years as at the end of 1973-74, and that on this basis 50 per cent of the outstanding amounts would fall due for repayment during the five years of the forecast period. This would mean that allowing for default up to 10 per cent the recovery of loans could be estimated at 45 per cent of the amounts outstanding at the end of 1973-74.

29. Our discussions with the representatives of some of the State Governments revealed that this assumption about the balance of the period of repayment of outstanding loans would not be far wide off the mark. In making this assumption, we derive support also from the observed relationship between Central loans outstanding against the State Governments and the actual schedule of repayment as indicated by the State Governments for the Fifth Plan prriod. The repayments of loans due from the State Governments to the Government of India during the Fifth Plan period work out to approximately 50 per cent of the Central loans outstanding in 1973-74. In other words, the outstanding loans have on the average a further period of 10 years to run. We should normally expect the pattern of repayment of loans advanced by the States to third parties to conform to the terms of their own borrowings from the Government of India.

30. We have reassessed the recoveries of loans and advances to be made by State Governments on the lines indicated above. Where the State Government's own estimates were higher than warranted by our norms, we have adopted their higher estimates without any change. Statewise figures of recoveries of loans and advances as reassessed by us in this manner are indicated below:

Recoveries of loans and advances : 1974-79

(Rs. lakhs)

States	As assumed by the State Governments in their forecasts	As reassessed
1	2	3
1. Andhra Pradesh	40,00	50,50
2. Assam	4,18	12,35
3. Bihar	50,00	50,00
4. Gujarat	39,75	54,11
5. Haryana	14,39	14,39
6. Himachal Pradesh	4,33	4,33
7. Jammu & Kashmir	12,31	12,31
8. Kerala	14,13	26,67
9. Madhya Pradesh	26,92	41,22
10. Maharashtra	1,71,03	1,71,03
11. Manipur	2,45	2,45
12. Meghalaya	30	31
13. Mysore	36,25	74,66
14. Nagaland	2,12	2,12
15. Orissa	21,89	21,89
16. Punjab	61,50	61,50
17. Rajasthan	27,00	33,22
18. Tamil Nadu	59,21	59,21
19. Tripura	3,43	3,43
20. Uttar Pradesh	90,77	90,77
21. West Bengal	22,50	94,20
TOTAL	7,04,46	8,80,67

It appears to us that in many of the States there is no effective monitoring of the loans advanced to third parties and arrears are allowed to accumulate to serious proportions. A more energetic and purposeful drive for recovery of the loans due to State Governments should be accorded high priority in any programme for mobilisation of resources for the Plan. While there is room for improvement in the present pace of recovery of loans in almost all the States, Andhra Pradesh, Assam, Kerala, Madhya Pradesh, Mysore, Rajasthan and West Bengal would, in particular, have to put forth special efforts if the assumptions made by us in regard to recovery of loans in their cases are to materialise. To the extent their efforts fall short of our minimum expectations, they run the risk of the resource base of their Plans being eroded.

State Provident Funds

31. We have reassessed the forecasts of receipts indicated under this head by the State Governments on the basis of a growth rate of 5 per cent per annum on the actual net receipts in 1971-72. In Madhya Pradesh, 50 per cent of the additional dearness allowance allowed by the State Government, in the past, is at present credited to the provident funds of the employees. The State Government have argued that it would not be realistic to assume continuance of the existing arrangements indefinitely and that, therefore, no credit should be assumed during the Fifth Plan period for this extraordinary element in the accrual of subscriptions to the provident fund even though the State Government's initial forecast to the Commission had assumed such credits. The point made by the State Government is valid and we have accordingly made suitable downward adjustments in the figures furnished by the State Government under State Provident Fund. Statewise estimates of accruals to provident fund as reassessed by us will be found in Annexure II.

Civil Deposits

32. The net accretion under Civil deposits fluctuates considerably from year to year. Accordingly, we have considered it expedient to project the receipts for the forecast period on the basis of average net credits during the four years ending with 1971-72.

Inter-State debt settlement

33. We have taken the estimates of inter-State debt settlement as indicated by the State Governments in their forecasts.

Repayment of loans to Centre

34. Repayment of loans to Central Government, which constitute by far the most important element under capital disbursements, were verified for us by the State Accountants General with reference to the terms of repayment of outstanding loans. In respect of loans to be received by the State Governments in

1973-74, we have been guided by the State Governments' own estimates except to the extent that clearer indications to the contrary were available from the information obtained from the Ministry of Finance. The category-wise details of loans outstanding in each State are indicated in Appendix XIV. As explained earlier, repayment of small savings loans to the Central Government have been excluded since these repayments in terms of our recommendations could be effected out of fresh loans to be received by the State Governments towards their share of small savings collections.

Loans to Government Servants

35. As regards loans to Government servants for purchase of vehicles, we have taken the actuals of 1971-72 as the base and allowed for an increase of 5 per cent per annum.

Compensation bonds

36. Provision for compensation bonds has been made in the forecasts of only a few of the State Governments. The estimates as indicated by the State Governments and as finally adopted by us in the light of our discussions with the State Governments are indicated in Annexure II.

37. On the basis of the several assumptions spelt out in some detail in the preceding paragraphs, the non-Plan capital gaps of State Governments are expected to be of the order indicated below :—

Non-Plan Capital Gaps during the Fifth Plan period

(Rs. lakhs)

States	Non-Plan Capital Gap as reassessed
1. Andhra Pradesh	2,24,31
2. Assam	1,75,22
3. Bihar	1,48,63
4. Gujarat	22,35
5. Haryana	53,81
6. Himachal Pradesh	40,20
7. Jammu & Kashmir	1,42,30
8. Kerala	1,25,61
9. Madhya Pradesh	74,52
10. Maharashtra	(—)45,87
11. Manipur	15,31
12. Meghalaya	7,71
13. Mysore	1,31,99
14. Nagaland	5,74
15. Orissa	1,72,00
16. Punjab	(—)18,51
17. Rajasthan	2,88,46
18. Tamil Nadu	90,93
19. Tripura	14,25
20. Uttar Pradesh	1,72,38
21. West Bengal	1,53,28
TOTAL	19,94,62

These gaps are exclusive of the liabilities anticipated on account of repayment of fresh loans from the Centre for the period 1974-75 to 1978-79.

CAPITAL EXPENDITURE OUTSIDE THE REVENUE ACCOUNT

92. Pa ment of compensation to landholders, etc. on the abolition of the Zamindari System.

94. Ca ital outlay on improvements to public health.

95. Capital outlay on schemes of agricultural improvement and research.

96. Capital outlay on industrial and economic development.

98. Capital outlay on multipurpose river schemes.

99. Capital outlay on irrigation, navigation, embankment and drainage works (Commercial).

100. Capital outlay on irrigation, navigation, embankment and drainage works (Non-Commercial).

101. Capital outlay on electricity schemes.

103. Capital outlay on public works.

109. Capital outlay on other works.

114. Capital outlay on road and water transport schemes.

119. Capital outlay on forests.

120. Payments of commuted value of pensions.

124. Capital outlay on schemes of Government trading.

125. Appropriation to the contingency Fund.

0 Public Debt.

I. Permanent Debt.

II. Floating Debt.

III. Loans from the Central Government.

A. Ways and means advances.

B. Short-term loans for purchase and distribution of fertilisers.

C. Short-term loans for pesticides and seeds.

D. Loans against share of small savings.

E. Other Loans.

IV. Other loans.

Q. Loans and advances by the State Government.

Advances to cultivators

Short-term Loans to co-operative Central Land Mortgage Bank and the Industrial Investment Corporation.

Loans under the State Aid to Industries Act.

Other Loans (Local Bodies, Government servants etc.).

R. Inter-State Settlements.

(*a*) State loans bearing interest.

(*b*) Other transactions.

TOTAL I—Consolidated Fund.

II. Contingency Fund.

III. Public Account

S. Unfunded Debt.

State Provident Funds

Savings Bank Deposits.

Others.

T. Deposits and Advances.*

I. Deposits Bearing Interest—

Deposits of depreciation reserves of Government commercial concerns and other deposits.

Electricity Board deposits.

Housing Board deposits.

Small Industries Corporation.

Agro-Industries Corporation.

Deposits of Khadi and Village Industries Board.

Deposits of Local Funds.

II. Deposits not bearing interest—

(*a*) Sinking Funds—

Appropriation for reduction or avoidance of debt—

Sinking Funds.

Sinking Fund investment account.

*This is only illustrative. The Major Heads of Account in this Section differ from State to State.

(*b*) Reserve Funds
Famine Relief Fund—

A. Famine Relief Fund.

B. Investment Account Zamindari Abolition Fund
Depreciation Reserve Fund— Government Non-commercial undertakings
Depreciation Reserve Fund—
Road Transport.
Investment Account.
Insurance Fund of commercial concerns.
Hindu Religious and Charitable Endowment Fund
Investment Account.
Sugarcane Cess Fund.
State Agricultural Credit Relief and Guarantee Fund.
Fund for the improvement of milk Supply.

C. Other Deposit Accounts—
Deposits of Local Funds—
District Funds.
Library Funds.
Municipal and other funds.
Other Miscellaneous Funds.
State Khadi and Village Industries Board Deposits.
Departmental and Judicial Deposits—
Civil Deposits.
Other Accounts—
Subventions from Central Road Fund.
Deposit Account of the grant made by the Indian Central Cotton Committee.
Deposit Account of the grant made by the Indian Council of Agricultural Research.
Deposit Account of grants made by the Indian Central Oil Seeds Committee.
Deposit Account of Grants made by the Indian Central Coconut Committee.
Deposit Account of Grants made by the Indian Central Arecanut Committee.
Deposit Account of Revolving Fund under World Food Programme 348.
Deposit Account of Grant made by the Council of Scientific and Industrial Research.
Deposit Account of the Grant From the Ford Foundation for Package Programme.
Deposit Account of Grant. made by the National Co-operative Development Corporation and Ware-Housing Board.
Other Deposit Accounts

III. Advances not bearing interest—
Departmental Advances.
Permanent Advances
Accounts with the Government of Pakistan.
Accounts with the Reserve Bank.

IV. Suspense—
Cash Balance Investment Account
Cheques and Bills.
Departmental and Similar Accounts
Other Suspense Accounts.

V. Miscellaneous—
Miscellaneous Government Account.

Non-Plan Capital Gap : 1974—79

(Rs. Lakhs)

States	Capital Receipts					Capital Disbursements				Non-plan Capital Gap (10—6)
	Recoveries of loans and advances.	State Provident Funds	Civil deposits	Inter-State Debt settlement (net)	Total (2 to 5)	Repayment of loans to Centre*	Loans to Government servants for conveyance	Compensation bonds	Total (7 to 9)	
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh .	5,050	2,250	380	—	7,680	29,866	200	45	30,111	22,431
2. Assam . .	1,235	662	430	68	2,395	19,872	45	—	19,917	17,522
3. Bihar . . .	5,000	2,950	1,280	—	9,230	23,463	295	335	24,093	14,863
4. Gujarat . .	5,411	3,000	1,000	—	9,411	11,432	114	100	11,646	2,235
5. Haryana . .	1,439	1,165	470	—	3,074	8,310	145	—	8,455	5,381
6. Himachal Pradesh .	433	1,350	594	—	2,378	6,334	57	7	6,398	4,020
7. Jammu & Kashmir	1,231	1,204	200	—	2,635	16,765	100	—	16,865	14,230
8. Kerala . .	2,667	3,959	130	—	6,756	19,132	185	—	19,317	12,561
9. Madhya Pradesh .	4,122	5,010	800	—	9,932	17,284	100	—	17,384	7,452
10. Maharashtra .	17,103	8,738	1,460	—	27,301	22,539	175	—	22,714	—4,587
11. Manipur . .	245	55	25	—	325	1,846	10	—	1,856	1,531
12. Meghalaya .	31	95	70	(—)68	128	891	8	—	899	771
13. Mysore . .	7,466	1,600	757	—	9,823	22,822	200	—	23,022	13,199
14. Nagaland . .	212	136	50	—	398	967	5	—	972	574
15. Orissa . .	2,189	1,669	203	—	4,061	21,031	230	—	21,261	17,200
16. Punjab . .	6,150	2,541	1,200	—	9,891	7,890	150	—	8,040	-1,851
17. Rajasthan . .	3,322	2,775	100	—	6,197	34,605	38	400	35,043	28,846
18. Tamil Nadu .	5,921	3,050	1,070	—	10,041	18,716	310	108	19,134	9,093
19. Tripura . .	343	270	3	—	616	2,006	35	—	2,041	1,425
20. Uttar Pradesh .	9,077	6,910	812	—	16,799	31,912	225	1,900	34,037	17,238
21. West Bengal .	9,420	2,806	1,585	—	13,811	25,994	145	3,000	29,139	15,328
TOTAL . .	**88,067**	**50,195**	**12,620**	—	**1,52,882**	**3,43,677**	**2,772**	**5,895**	**3,52,344**	**1,99,462**

*Excluding share in Small Savings.

CHAPTER XVII

REVISION OF TERMS OF REPAYMENT OF OUTSTANDING CENTRAL LOANS TO THE STATES

Paragraph 5 of the Presidential Order setting up the Commission defines the task of the Commission in regard to the assessment of the non-Plan capital gap and the review of the debt position of the States in the following words :—

> "The Commission may make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1978-79. In the light of such an assessment, the Commission may undertake a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1973-74 and suggest changes in the existing terms of repayment having regard *inter-alia* to the overall non-Plan gap of the States, their relative position and the purposes for which the loans have been utilised and the requirements of the Centre."

2. The total debt burden of the States including public debt and unfunded debt rose from Rs. 449 crores in 1952 to Rs. 9,568 crores in 1972 and is expected to be Rs. 11,670 crores by the end of March, 1974. The bulk of the outstanding debt of the State Governments is accounted for by the loans obtained by the States from the Central Government. In 1952, loans taken from the Central Government constituted just over 53 per cent of the total debt of the State Governments; but by the end of 1972 these had risen to over 70 per cent. In absolute terms, the outstanding loans from the Central Government would have gone up from Rs. 196 crores at the end of March, 1951 to Rs. 8,536 crores by the end of 1973-74. These figures testify to the phenomenal increase in the States' debt to the Centre. Though the burden of servicing of loans owed by the States to the public and autonomous financial institutions cannot be altogether ignored, we are primarily concerned with the analysis and treatment of the problem of repayment of Central loans.

3. While the mounting debt liabilities of the States have attracted considerable attention in various forms in recent years, we would like to observe that there is nothing intrinsically alarming about this growth of public debt. The continuous increase in the indebtedness of the States to the Centre only reflects the assistance provided by the Centre to the States year after year for financing not only their Plan outlays but also for meeting the non-Plan needs such as those arising from relief expenditure on natural calamities. In other words, the magnitude of the debt burden of any State as at the end of the Fourth Plan is also a measure of the assistance that the State concerned has secured from the Centre.

4. On this question of creditor-debtor relationship between Centre and States, the memoranda of State Governments propound a common theme. They urge that a broad distinction should be drawn between productive and unproductive debt and that on the basis of such a classification a significant percentage of the debt should be written off. One State has suggested 50 per cent write-off. Support for such views can also be found in some passages of the report of the Study Team on Centre-State relations of the Administrative Reforms Commission. Taking a composite view of Central and State finances, it is true that the clearance of the debt liabilities of the States to the Centre in whole or in part would hardly make any difference to the resources position. But this and similar arguments in favour of write-off overlook one important point. Recoveries of old loans enable the Centre to re-lend the amounts so realised to States on the basis of criteria that can be revised from time to time to promote certain national priorities and to bring about a progressive reduction of regional disparities.

5. To write-off old loans on the ground that they have been utilised for unproductive purposes or for any other reason would be to reduce the pool of resources available with the Centre. Since a significant part of the loans outstanding had been obtained by relatively advanced States at a time when the emphasis on accelerated growth of backward areas was less pronounced, the scaling down of debt, however, carefully designed, would help the advanced States to a greater extent than these States which, on account of inadequate capacity for implementation of developmental programmes or lack of suitable schemes, had not been able to draw on their due share of Central loan assistance in the past. It can no doubt be argued that even if write-off of a portion of the existing debt benefits the advanced States relatively more, it can be offset by re-adjustment of the relative shares in the Central assistance for Plans to the required extent. Thus, while write-off of debt will leave the Centre with less resources for financing a new Plan, this reduced amount can be distributed with a more pronounced slant in favour of the backward States. In the extreme case, where write-off of a portion of debt is found to confer on an advanced State resources adequate for fulfilling a reasonable Plan, fresh Central assistance for the Plan may be denied to it altogether. We do not deny that action on these lines is, in principle, possible. Nevertheless, having

CHAPTER XVII

REVISION OF TERMS OF REPAYMENT OF OUTSTANDING CENTRAL LOANS TO THE STATES

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2. The total debt burden of the States including public debt and unfunded debt rose from Rs. 449 crores in 1952 to Rs. 9,568 crores in 1972 and is expected to be Rs. 11,670 crores by the end of March, 1974. The bulk of the outstanding debt of the State Governments is accounted for by the loans obtained by the States from the Central Government. In 1952, loans taken from the Central Government constituted just over 53 per cent of the total debt of the State Governments; but by the end of 1972 these had risen to over 70 per cent. In absolute terms, the outstanding loans from the Central Government would have gone up from Rs. 196 crores at the end of March, 1951 to Rs. 8,536 crores by the end of 1973-74. These figures testify to the phenomenal increase in the States' debt to the Centre. Though the burden of servicing of loans owed by the States to the public and autonomous financial institutions cannot be altogether ignored, we are primarily concerned with the analysis and treatment of the problem of repayment of Central loans.

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Non-Plan Capital Gap : 1974—79

(Rs. Lakhs)

States	Capital Receipts					Capital Disbursements				Non-plan Capital Gap (10—6)
	Recoveries of loans and advances.	State Provident Funds	Civil deposits	Inter-State Debt settlement (net)	Total (2 to 5)	Repayment of loans to Centre*	Loans to Government servants for conveyance	Compensation bonds	Total (7 to 9)	
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh .	5,050	2,250	380	—	7,680	29,866	200	45	30,111	22,431
2. Assam . .	1,235	662	430	68	2,395	19,872	45	—	19,917	17,522
3. Bihar . . .	5,000	2,950	1,280	—	9,230	23,463	295	335	24,093	14,863
4. Gujarat . .	5,411	3,000	1,000	—	9,411	11,432	114	100	11,646	2,235
5. Haryana . .	1,439	1,165	470	—	3,074	8,310	145	—	8,455	5,381
6. Himachal Pradesh .	433	1,350	594	—	2,378	6,334	57	7	6,398	4,020
7. Jammu & Kashmir	1,231	1,204	200	—	2,635	16,765	100	—	16,865	14,230
8. Kerala . .	2,667	3,959	130	—	6,756	19,132	185	—	19,317	12,561
9. Madhya Pradesh .	4,122	5,010	800	—	9,932	17,284	100	—	17,384	7,452
10. Maharashtra .	17,103	8,738	1,460	—	27,301	22,539	175	—	22,714	—4,587
11. Manipur . .	245	55	25	—	325	1,846	10	—	1,856	1,531
12. Meghalaya .	31	95	70	(—)68	128	891	8	—	899	771
13. Mysore . .	7,466	1,600	757	—	9,823	22,822	200	—	23,022	13,199
14. Nagaland . .	212	136	50	—	398	967	5	—	972	574
15. Orissa . .	2,189	1,669	203	—	4,061	21,031	230	—	21,261	17,200
16. Punjab . .	6,150	2,541	1,200	—	9,891	7,890	150	—	8,040	-1,851
17. Rajasthan . .	3,322	2,775	100	—	6,197	34,605	38	400	35,043	28,846
18. Tamil Nadu .	5,921	3,050	1,070	—	10,041	18,716	310	108	19,134	9,093
19. Tripura . .	343	270	3	—	616	2,006	35	—	2,041	1,425
20. Uttar Pradesh .	9,077	6,910	812	—	16,799	31,912	225	1,900	34,037	17,238
21. West Bengal .	9,420	2,806	1,585	—	13,811	25,994	145	3,000	29,139	15,328
TOTAL . .	**88,067**	**50,195**	**12,620**	—	**1,52,882**	**3,43,677**	**2,772**	**5,895**	**3,52,344**	**1,99,462**

*Excluding share in Small Savings.

regard to the fact that the principles of Central assistance for State Plans in a federal democracy such as ours can be formulated only on the basis of a national consensus, the room for re-adjustment of principles of Central assistance will be comparatively small. While weightage for social and economic backwardness may increasingly receive greater recognition in the principles of distribution of Central assistance, one cannot expect it to be of such an order as to offset fully the effects of the serious shrinkage in Central resources bound to be caused by the liquidation of any significant part of outstanding Central loans. It may be relevant in this connection to mention that apprehensions of this nature have been expressed to us. The Government of Assam, in their Memorandum, has pointed out that they recognised that :

> "writing-off of all outstanding debts will not be correct solution of the problem as this will mean a corresponding reduction in the resources available to the Centre for financing the national Plan and all the States and the financially weaker States in particular will be victims of this policy......"

The suggestions put forward by most of the State Governments for a large scale write-off of debt cannot therefore be upheld.

6. The conversion of the whole or part of the outstanding debt into grant on the basis of a distinction between productive and unproductive debt does not appear to be a practicable proposition for another important reason. In the course of their discussions with us, the State Governments were generally inclined to concede that loans for such purposes as irrigation and power projects, industrial enterprises and road transport could be considered productive. But on a closer look at the working results of the so called 'productive' schemes, the proposed classification between productive and unproductive debt would seem to have almost a touch of irony about it. There are transport schemes which do not cover even working expenses let alone depreciation and interest. There are electricity projects that are unable to provide even for depreciation. There are irrigation projects, receipts from which are inadequate to meet even the costs of maintenance. There are also many industrial enterprises which incur losses. There is practically no State in which the returns from productive schemes are large enough to provide for both payment of interest and amortisation. We would, therefore, be pursuing with of the wisp if we seek to formulate any scheme of debt relief on the basis of a distinction between productive and unproductive debt.

7. We also found that it would be a futile exercise to regulate debt relief with reference to the relative position of assets and liabilities of the State Government. The one formidable snag in this approach is that some of the assets and liabilities shown in Finance Accounts of the States cannot be taken at their face value. Thus, for example, loans to cultivators, sick mills, refugees, repatriates, figure as assets in the books of the States; but no reliable estimate can be made of the extent to which these loans would be eventually recoverable. As against this the present value of some assets, as for example, Government buildings and forests will be much higher than is apparent from the Finance Accounts of the States. It may also be worthwhile to mention here that no comprehensive inventory has been made of assets such as lands and buildings held by the State Governments. To this extent the Finance Accounts do not reveal a complete picture of the "wealth" of the State Governments. We are, therefore, led to the view that a practical scheme of debt relief cannot be framed with reference to the relationship between the assets and liabilities of the State Governments.

8. A scheme, commanding the widest measure of agreement and meeting some of the pressing needs of the States, can be framed only on the basis of scrutiny of the numerous categories of loans, the purposes for which they have been utilised, the relative position of the States and the schedule of repayment actually arising in our forecast period. Such an approach is also enjoined on us by the terms of reference.

9. Any scheme of debt relief in the present context of Centre-State financial relations should subserve both short-term and long-term objectives. The long-term objective should be to determine afresh the period of repayment of different categories of loans with due regard to the nature of the scheme and the relative debt burden of the States. But the more immediate and pressing short-term objective that cannot be over-looked is to enable States to have a reasonable Fifth Plan. This can be facilitated only by reducing their non-Plan capital gaps to manageable limits. We are fully conscious of the fact that our proposals for debt relief are concerned primarily with mitigating the burden of repayment in the Fifth Plan period and that they do not make an enduring contribution to the long-term issues of a more satisfactory creditor-debtor relationship between Centre and States. In justification of this approach, we would urge that most of the States, particularly the financially weaker and backward States, should be vitally interested in securing as much relief as possible in the next five years so that they could take on a Fifth Plan of reasonable dimensions. This would strengthen their economies and enable them to service their large Central debt in future.

10. The consolidation of the numerous outstanding Central loans and simplification of their terms of repayment have also engaged our attention. The loans given by the Centre to the States and expected to be outstanding in 1973-74 number over 12,000. The terms of these loans such as rate of interest, period of repayment, period of grace and the like also reveal a bewildering variety. The introduction of an element of order and coherence in the present chaotic situation would deserve to be given the highest priority irrespective of whether or not the States need debt relief. It was quite a task to obtain within the time available to us details of all current loans, examine each one of them and then classify them under certain broad and meaningful categories. This work could be completed in time only because of the unstinted co-operation we received from the Finance

Departments of the State Governments, State Accountants General and the Union Ministries. Perhaps, the scheme of consolidation of Central loan we have outlined may admit of even further simplification. But what we have proposed is an essential first instalment of reform that will make an immediate and perceptible contribution to the simplification of the enormous accounting work entailed by the recovery of interest and instalments of principal on thousands of loans.

11. As a first step in the formulation of a scheme of debt relief, we requested the State Governments to furnish item-wise details of all loans expected to be outstanding at the end of 1973-74 and in respect of which one or more instalments were due for repayment in the Fifth Plan period. This information was obtained in three parts :—

(a) Loans obtained upto 1971-72 and likely to be outstanding at the end of 1973-74 together with the corresponding schedule of repayment over the Fifth Plan.

(b) Loans obtained during 1972-73 and likely to be outstanding at the end of 1973-74 together with corresponding schedule of repayment over the Fifth Plan, and

(c) Loans likely to be received in 1973-74 in respect of which repayment would arise in the Fifth Plan period.

Data on loans drawn by the States from the Centre upto the end of 1971-72 and the schedule of repayment of such loans over the Fifth Plan period were verified for us by the State Accountants General. Similar information furnished by the State Governments on loans obtained by them in 1972-73 has also been verified through the State Accountants General. But it should be recognised that data on loans of 1972-73 may well undergo some marginal changes when the accounts for the year are finalised. As regards loans likely to be obtained by the States in 1973-74, we have relied mainly on the data supplied by the State Governments based on their anticipation of receipts of loans for the year. But we have also had these figures cross-checked with reference to the information furnished by the Ministry of Finance on block loans, special accommodation and loans for natural calamities obtained upto the end of August, 1973 and have made corrections to the extent necessary in the data furnished by the State Governments. Statewise estimates of loans for 1973-74, as furnished by the State Governments together with modifications made by us, are indicated in Table 3 in Appendix XIV. To the extent that the actuals of 1973-74 turn out to be different, our estimates of the relief likely to be secured by the States under the scheme outlined in this Chapter will also undergo some changes.

12. While information has been obtained on all loans outstanding, it would have been virtually impossible to spell out revised terms for each of these loans individually with reference to whatever considerations may be considered relevant. It is needless also to emphasis that in such an item-wise approach, there is a very real risk of losing sight of the larger considerations. We have, therefore, classified the loans outstanding into certain broad but well-defined categories and have proposed for each category a suitable revised pattern of repayment so as to afford in the process some relief to the States.

13. It will be useful at this stage to invite attention to some of the implications of our terms of reference in so far as they pertain to the revision of the terms of repayment of Central loans. Our terms of reference stipulate that in suggesting revision of the terms of repayment of outstanding loans we should have regard for the purposes for which the loans have been utilised. This seems to imply that all the States would be entitled to a measure of relief with reference to the nature of the scheme for which the loans have been obtained. Even apart from this, we are convinced that it would be grossly unfair and would amount to penalising prudent financial management, if relief to certain States were denied only on the ground that they are relatively better off or have non-Plan surpluses. While under our scheme of rescheduling, States which are surplus get significantly smaller relief than the others, none-the-less they do emerge with their surpluses on non-Plan capital account somewhat enlarged. This cannot be helped. At the same time, our terms of reference require that we should have regard among other things to the relative position of the States and their position on non-Plan account. It is, therefore, clear that relief cannot be on a uniform basis and that a degree of discrimination is inevitable. We delineate in some detail later in this Chapter the precise manner in which such discriminating relief is to be assured to the States in need of it. All that we would like to point out at this stage is that the final scheme of debt relief emerging from our proposals is an amalgam of uniform relief in respect of certain categories of loans and discriminatory relief based on certain valid principles in regard to others.

14. For purposes of analysis and determination of the treatment to be accorded to the thousands of loans outstanding, we have found it convenient to draw a distinction between non-Plan and Plan loans. We should hasten to add that this distinction is made only for purposes of facilitating analysis and should not be considered as hard and fast one. In fact some of the non-Plan loans such as small savings loans and Central loans in lieu of open market loans have been used for financing the Plan. It is also possible to argue that in essence even special accommodation loans and loans for clearance of overdrafts have been used for Plan programmes because in their absence the States would have been compelled to curtail their Plan outlays appreciably. All the same the distinction between Plan and non-Plan loans still serves a useful purpose. While Plan loans have generally been subject to agreed ceilings determined on the basis of certain principles uniformly applicable to all States, non-Plan loans have been generally advanced as and when the needs arose as in the case of drought relief or on the basis of performance of the States concerned as in the case of small savings loans.

NON-PLAN LOANS

15. Confining our attention for the present to non-Plan loans we have found it convenient to classify these loans into the following categories :

(i) Small savings loans

(ii) Loans in lieu of open market borrowings

(iii) Loans for strengthening of Police and provision of amenities :

(a) Scheme for modernisation of Police, and

(b) Police housing.

(iv) Loans for relief and rehabilitation of

(a) Goldsmiths,

(b) Displaced persons from Pakistan,

(c) Repatriates from Burma and Sri Lanka etc., and

(d) Loans for other relief and rehabilitation schemes.

(v) Pre-autonomy debt

(vi) Miscellaneous non-Plan loans

(vii) Loans for clearance of overdrafts

(viii) Loans for meeting gaps in resources

(ix) Loans for relief of distress caused by natural calamities, and

(x) Special accommodation loans.

Small Savings Loans :

16. Most of the State Governments have urged that loans given to them towards their share of the net collections under small savings scheme in the respective States should be treated as loans in perpetuity. They have argued that as their entitlement to these loans is now worked out with reference to the net collections under small savings scheme, it is only fair that the Union Government should not insist on repayment of the loans. A critical analysis of the evolution of the sharing arrangements on small savings schemes leaves us with the impression that these loans have been given to the States largely as an inducement to join the Centre in a co-operative effort to mobilise small savings. Net collections within the States would thus seem to be only a convenient yard-stick for determining the quantum of loans given to each State. There is, therefore, no strong justification for treating these loans as loans in perpetuity. We would also like to stress that treatment of small savings loans as loans in perpetuity would confer disproportionally larger benefits on some of the advanced States and defeat the crucial objective of any properly designed scheme of debt relief which should have regard both to the purposes for which the loans have been utilised and the need for relief as adjudged by its relative economic condition and the overall position on non-Plan account and the like. Repayment of small savings loans by the States during the Fifth Plan period are estimated at about Rs. 462 crores. If these loans are treated as loans in perpetuity, it would considerably affect the resources at the disposal of the Central Government and impair its capacity to help backward States. We should also remember that small savings collections in recent years have shown a sharp spurt mainly because the provident funds, particularly subscription under Employees' Provident Fund Act, have been permitted to be invested in Post Office Time Deposits. Nearly 60 per cent of the net collections of small savings are atributable to the investments made by the provident funds. In the mobilisation of funds from this source at any rate, the State Governments cannot claim to play any active part. We have indicated in Chapter XVI the reasons for excluding repayment of small savings loans from the estimates of non-Plan capital gaps. We have, therefore, decided to leave small savings loans outside the scope of debt relief.

17. Certain State Governments have represented to the Government of India that in view of the manner in which the terms of reference of the Commission relating to the review of debt position of States had been worded, the Commission may consider changes in terms of repayments of Central loans only as a means of giving relief to such of those States which have a non-Plan capital gap, or an overall non-Plan gap, with a view to bridging such gap. These States have, therefore, suggested to the Ministry of Finance that small savings loans given by the Central Government to the States may be considered independently and changes in their repayments to the Centre suggested on their merits by the Commission. The Ministry of Finance, vide its letter dated September 13, 1973 (Appendix III) informed the Commission that the Government of India, having considered the representation of the States agreed that "the small savings loans stand on a different footing and may be considered on merits independent of non-Plan capital gap or overall non-Plan gap of States".

18. We have given careful consideration to the communication from the Ministry of Finance. As indicated above, we had, on our own decided that small savings loans stood on a different footing. We have not only excluded small savings loans for the purposes of determining the non-Plan capital gap of the States but also from our scheme of debt relief. We have also specifically indicated above our reasons why we do not consider that the demand of the State Governments for treatment of small savings as loans in perpetuity is jusified.

Loans in lieu of open market borrowings:

19. The Government of India decided, with the concurrence of State Governments, on a policy of Centralised market borrowings on behalf of all States in 1963-64 in pursuance of which a sum of Rs. 100 crores was raised in that year and distributed among the States. The repayment of these loans, which is a Central liability, falls due in 1975-76. State Governments, in turn, have to repay to the Government of India the amounts advanced to them as their share of market borrowings in that year. We have considered how this category of loan should be dealt

with. We suggest that the target of gross market borrowings by States in 1975-76 may be so set that out of the proceeds of the fresh loan the State Governments may be enabled to repay to the Centre the outstanding amounts. On the assumption that this recommendation would be accepted, we have excluded this category of loan from our scheme of debt relief.

20. The Central Government took over the repayment liability in respect of Hyderabad Development Loans amounting to Rs. 11.26 crores which are due for repayment in 1974-75. We suggest that, in respect of these loans too, the same approach may be followed as for the loans advanced to the States out of the Centralised market borrowings. Accordingly the repayments on these Hyderabad Development Loans have been excluded from our scheme of debt relief.

Loans for strengthening of Police and provision of amenities:

21. The amounts outstanding under the scheme of modernisation of police force are estimated at Rs. 12.82 crores at the end of 1973-74. The schemes financed by these loans are clearly unproductive and do not generate any additional revenues out of which the loans can be repaid. This aspect of these loans is also recognised by the Government of India by the offer of an element of grant in its scheme of assistance. While we have as a matter of principle refused to propose any large scale conversion of loan into grant, we feel that a measure of relief to all the States in respect of this category of loans is clearly called for. Keeping this in view, we propose that all loans granted to the States for modernisation of their Police forces might be consolidated and made repayable over 25 years. We also propose the same terms for loans given to Madhya Pradesh and Uttar Pradesh for anti-dacoity operations.

22. Government of India have also been granting to the States loans for a long time for provision of housing facilities to Police personnel. In the course of our discussions with the State Chief Ministers, Inspectors General of Police and other senior officials connected with maintenance of law and order, considerable stress was laid on the need for a substantial step up in outlays on Police housing it is hardly necessary to emphasise that provision of proper housing facilities has an important bearing on the morale and efficiency of the Police force. Capital outlay on police housing is, however, by and large unremunerative, as the accommodation is let out mostly on rent-free basis. We, therefore, suggest that the loans already given to the State Governments for police housing and outstanding at the end of 1973-74 should be consolidated and made repayable over a period of 25 years.

Loans for relief and rehabilitation :

23. We have classified these loans under four broad categories:

(a) Loans to goldsmiths;

(b) Loans to displaced persons from Pakistan;

(c) Loans to repatriates from Burma, Sri Lanka etc; and

(d) Other relief and rehabilitation loans.

According to the revised terms enforced since August 1970, repayments of loans obtained for rehabilitation of goldsmiths are to be in proportion to the recoveries made by the State Governments from individual recipients subject, however, to the condition that any losses on account of non-recovery of loans will be shared by the Centre and the State Governments in the ratio of 50 : 50. The terms and conditions governing various loans for relief and rehabilitation of displaced persons have undergone changes from time to time. The present terms of repayment of loans differentiate amongst (a) loans given to displaced persons from 'West' Pakistan; (b) loans given to such displaced persons from erstwhile East Pakistan who migrated upto 31st December, 1963; and (c) those who came to India on or after 1-1-1964. Loans to persons affected by Indo-Pak hostilities of 1965 and also loans given to repatriates from Burma and Sri Lanka carry specific terms which are different from those given for other categories. In the case of these categories of loans there is a procedure for sharing of losses ranging from 10 per cent in respect of displaced persons from 'West' Pakistan to 100 per cent in the case of migrants from erstwhile East Pakistan after 1-1-1964. We feel that there is no logical basis for these distinctions and these should be done away with both in the interests of simplification and *inter se* justice among the States.

24. In the data furnished by most States no provision has been made for repayment of these loans, presumably on the basis that they would be called upon to pay to the Centre only such amounts as they themselves recover, the question of determination of losses being put off till the closing of the accounts of each loan. Some States, however, have made provisions for repayment to the Centre of these loans; but it is by no means certain that these loans would actually be recovered by the State Governments concerned. These loans have been given to large number of persons and the amounts involved are small in each case. It is also generally recognised that there is large risk of default on most of these loans. The procedure for the eventual sharing of the losses in respect of these loans would, in practice, prove unworkable since some State Governments might well keep the loan accounts indefinitely open so that the question of apportionment of losses may not arise at all. It has to be conceded that in all these cases the States have been rather involuntary borrowers. The States have had no control over the events or policies which led to the flow of refugees or repatriates. We, therefore, propose that in respect of all these loans, the States need repay to the Centre only such sums as they recover from the beneficiaries. The ceiling on shareable losses should also be removed. The Gold Control Order was also the result of a Central decision taken in national interest and the States were in effect only the conduits through which the financial assistance was canalised to displaced goldsmiths in order to mitigate their hardship. For these loans also we propose the same terms. In regard to loans under National Loan Scholarship Schemes also the same treatment may be accorded.

25. We would, in fact, go a step further and urge that as a measure of incentive to the States to recover as much as possible of these loans given under difficult circumstances and often in relaxation of the normal standards of scrutiny, they should be allowed to retain half the principal and the whole of the interest they may manage to recover. The loss to Central Government implicit in this suggestion is largely notional because very little of the amounts due is being recovered at present.

Pre-autonomy Debt :

26. Pre-autonomy debt, as the term itself indicates, dates from 1937 when under the Government of India Act, 1935 the provincial cash balances were separated from the Central cash balance. All the loans from the Central Government to the provinces then outstanding were consolidated into one loan and made repayable in ninety half-yearly instalments, that is in 45 years. The outstanding balances against the provinces had later to be allocated to the successor States in the ratio of their respective population, as and when the provinces underwent reorganisation of their territorial limits. From the information furnished to us it is seen that as at the end of 1973-74 about Rs. 10.32 crores would be outstanding against various States, of which Rs. 5.91 crores would fall due for repayment over the Fifth Plan period. This debt, now thirty-six years old, represents the consolidation of a number of loans given over a long period prior to 1937. The provinces on whom the debt burden devolved have also undergone extensive territorial reorganisation. It is also likely that most of the investments on which the loans had been utilised would by now have depreciated and the book value would almost be nil. We, therefore, suggest that the loans outstanding against some of the States as their share of pre-autonomy debt be written-off the accounts.

Miscellaneous non-Plan loans :

27. There are a number of non-Plan loans of a miscellaneous nature which are individually and collectively insignificant. We have found it convenient to set out our detailed proposals for consolidation and revision of terms of repayments of these loans in Annexures I and II to this Chapter. Our proposals on these miscellaneous loans will confer relief on the different States as under:—

(Rs. lakhs)

States	Amount
1. Andhra Pradesh	49
2. Assam	35
3. Bihar	51
4. Gujarat	34
5. Haryana	3
6. Himachal Pradesh	—
7. Jammu and Kashmir	34
8. Kerala	4
9. Madhya Pradesh	11
10. Maharashtra	20
11. Manipur	1
12. Meghalaya	1
13. Mysore	184
14. Nagaland	—
15. Orissa	2
16. Punjab	17
17. Rajasthan	23
18. Tamil Nadu	22
19. Tripura	—
20. Uttar Pradesh	288
21. West Bengal	23
TOTAL	732

Our recommendations in regard to loans for (a) clearance of overdrafts; (b) meeting gaps in resources; (c) natural calamities; and (d) special accommodation are given later in the Chapter.

PLAN LOANS

28. The loans advanced to the States as part of the Plans account for the bulk of the outstanding debt. These loans have been sanctioned for a variety of developmental purposes and in conformity with the principles of Central assistance as formulated from time to time. The patterns and procedures of Central assistance to State Plans have also undergone material changes from time to time. In this process of evolution of arrangements for channelling loan assistance to the States for financing the Plan, 1969-70 constitutes a water-shed. Prior to the commencement of the Fourth Plan, while there was an agreed ceiling on aggregate Central assistance for State Plans, loans and grant assistance within the ceiling was allocated, as far as possible, to specific schemes or heads of development. It is not necessary here to trace all the different steps in process of liberalisation of patterns and procedures of determination and release of Central assistance for State Plans. It may suffice for our present purposes to point out that till 1969-70, despite the gradual relaxation of Central control over Plan outlays through specific patterns of assistance, there was some attempt to link central assistance, loan or grant, to specific schemes or heads of development. After the Central assistance had been allocated to specific schemes or heads of development, whatever remained of the agreed ceiling of Central assistance was extended as a miscellaneous development loan. We have found it both convenient and proper to consider these Plans loans advanced for specific schemes or purposes as constituting a distinct category by themselves and for which a separate set of arrangements for consolidation and revision of terms could be proposed. Though since 1969-70 Central assistance for State Plans has been in the form of block loans and grants, assistance for Centrally sponsored and Central schemes still continues to be related to specific schemes or programmes. We have, therefore, considered it appropriate to classify the loans advanced under the Centrally sponsored and Central schemes to States under the corresponding heads of development, just as we have done in the case of loans given to States for State Plan Schemes prior to 1969-70.

29. On a detailed analysis of the particulars furnished by the State Governments, we have classified the Plan loans given for specific schemes or programmes under the following broad heads:

(1) Agricultural production and allied schemes.

(2) Medium and large industries.

(3) Small Scale industries including handlooms, handicrafts, coir etc.

(4) Housing.

(5) Water supply, drainage and slum clearance.

(6) Education (excluding National Loan Scholarships Schemes).

(7) Medical and Public Health.

(8) Community Development, National Extension Service, and Co-operation.

(9) Transport and Communications.

(10) Employment Schemes:

(a) Rural Works Programme.

(b) Rural manpower programme.

(c) Schemes for educated unemployed.

(d) Other schemes.

(11) Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes.

(12) Rural electrification.

(13) Inter-State transmission lines.

(14) Flood control.

(15) Investigation of Irrigation and Power projects; and

(16) Multi-purpose river valley schemes, major and medium irrigation and power development.

Besides these specific purpose loans, Miscellaneous Development Loans and Block Loans have also been given for financing State Plans.

30. At an early stage of this exercise, we had further sub-divided these groups into narrower and more specific categories of loans. We also examined the terms of repayment in respect of each such category separately. But ultimately we refrained from suggesting consolidation of loans by such sub-groups of loans, as the resultant scheme of debt relief would have been far less tidy without any compensating advantages.

31. The amounts outstanding as on 31-3-1974 against the loans under each of the categories mentioned above are indicated in Table 4 of Appendix XIV. It may be mentioned that after we had classified the amounts outstanding under the different heads, we had them verified from the State Governments and have reconciled discrepancies, if any, to the maximum extent possible. We have super-imposed changes, if any, in respect of loans in 1972-73 and 1973-74 for which additional data were supplied by the State Accountants General and the Ministry of Finance. The figures as set out could, therefore, be taken as representing an agreed classification of the amounts left to be repaid of the numerous loans for specific purposes advanced from time to time as part of the State Plans upto 1969-70 and as part of all Centrally sponsored schemes upto 1973-74.

32. The terms fixed for these specific purpose loans in the past have had varying periods of repayment; they have also been outstading for varying periods of time depending upon when they were drawn, and have enjoyed different periods of grace in some cases. The life that these have yet to run also naturally varies. It would, therefore, be difficult to apply whatever period of repayment that may now be prescribed from the dates on which the loans were originally drawn. Such extensive reopening of the terms of repayment of every individual loan will be administratively difficult and cause great confusion. We have given considerable thought as to how a scheme of consolidation of these numerous loans could be drawn up and the periods of repayment so determined as to assure the States the desired relief in their repayment obligations particularly in the Fifth Plan period. To start with, we tabulated available information on the amounts of loans yet outstanding pertaining to the different sectors of development mentioned in paragraph 29 and also the actual amounts falling due for repayment in respect of each such category of loans. The information thus tabulated helped us to determine the average period of repayment still left of all the loans taken together under a broad category. With reference to this average period of repayment and the purposes for which the loans had been taken, whether for quick yielding or long gestation projects or provision of social services, we have prescribed a suitable revised period of repayment. In this process, all the States would benefit, though the extent of benefit will depend upon when its loans were drawn and the average period of currency of the loans still outstanding. But it is our belief when all the specific purpose loans are taken together, these variations would by no means be significant. The variations also get ironed out in our other proposals involving discriminatory relief. We, therefore, suggest that all the loans given for specific purposes as part of the State Plans prior to 1969-70 and for Centrally sponsored/ Central schemes upto and inclusive of 1973-74 be consolidated at the end of 1973-74 and made repayable as shown against each category:

Head of Development to which specific purpose loans relate.	Revised period of re-payment suggested
1. Agricultural production and allied schemes .	15 years
2. Medium and large industries.	15 ,,
3. Small Scales Industries including handlooms, handicrafts, coir, etc.	25 ,,
4. Housing	25 ,,
5. Water Supply, Drainage and Slum Clearance .	25 ,,
6. Education (excluding National Loan Scholarship Schemes).	25 ,,
7. Medical and Public Health	25 ,,
8. Community Development, National Extension Service & Co-operation	15 ,,
9. Transport and Communications	25 ,,

Head of Development to which specific purpose loans relate.	Revised period of re-payment suggested
10. *Employment Schemes :*	
(*a*) Rural Works Programme	25 years
(*b*) Rural Manpower Programme	25 ,,
(*c*) Schemes for educated unemployed	25 ,,
(*d*) Other schemes	25 ,,
11. Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes.	25 ,,
12. Rural Electrification	25 ,,
13. Inter-State Transmission lines	25 ,,
14. Flood Control	25 ,,
15. Investigaton of Irrigation and Power Projects	25 ,,

Multi-purpose River Valley Schemes, major and medium irrigation and power development :

33. Prior to 1969-70, i.e. before the schemes of block loans came into existence, Government of India was giving specific loans earmarked for certain major irrigation and power projects including multi-purpose river valley projects. Details of such loans obtained by the State Governments prior to 1969-70 and expected to be outstanding at the end of 1973-74 will be found in Table 30 in Appendix XIV. On a scrutiny of the terms prescribed for these loans, it is seen that while the terms vary widely, the periods of repayment by and large are fairly long and make due allowance for time lag in the execution of the projects and the accrual of benefits therefrom. If despite these comparatively easy terms of repayment, some of the States have run into financial difficulties, the reasons for this perhaps lie elsewhere. It is possibly the considerable escalation in the cost of some of these projects and the delay in execution on account of constraint of resources that are responsible for the difficulties faced by the States. Even so, as repayments of these loans do contribute to the strain on ways and means position of some of the States, we consider that a further measure of relief would not be inappropriate. At the same time the relief has to be necessarily selective depending upon the stage of execution of the project, the amounts outstanding, the terms already in force for the repayment of the loans. the aggregate debt burden of the State concerned in relation to its general economic position and other relevant factors. We have, therefore, made a project-wise analysis for settling the lines on which loans for multi-purpose river valley projects and certain specified major and medium irrigation projects can be consolidated and terms of repayment fixed. The results of our analysis are set out in detail in Annexure III to this Chapter.

34. On the basis of the proposals outlined in Annexure III, States are estimated to secure relief as under in the repayment of loans in the Fifth Plan period :

(Rs. crores)

	Amount of relief
1. Andhra Pradesh	7.92
2. Bihar	14.31
3. Gujarat	—2.04
4. Haryana	7.64
5. Kerala	1.43
6. Madhya Pradesh	10.22
7. Maharashtra	0.13
8. Mysore	0.49
9. Orissa	4.84
10. Punjab	6.67
11. Rajasthan	26.74
12. Uttar Pradesh	9.64
13. West Bengal	5.12
TOTAL	93.11

Loans for clearance of overdrafts :

35. We may now consider how the medium term loans given by the Government of India for clearance of overdrafts to State Government are to be dealt with. It is not necessary at this stage to refer in any great detail to the circumstances in which certain States had run into large overdrafts with the Reserve Bank of India. The State Governments concerned have argued before us that these overdrafts had become inevitable on account of certain special factors such as revision of scales of pay and allowances of the employees not taken into account by the Fifth Finance Commission, heavy incidence of repayment of loans to the Government of India, escalation in costs of projects and the like. Whatever be the merits of these arguments, there can be no doubt that these overdrafts amount to a compulsory loan on the Government of India by the State Governments. It is also true, as pointed out by the last Finance Commission, that no country with a unified currency system can afford to have more than one independent authority taking measures which result in increase of money supply. Unauthorised overdrafts run counter to this fundamental principle of sound monetary management.

36. It was the widespread concern about the dangerous consequences to the national economy of the continuing resort to overdrafts by certain State Governments that led the Government of India to formulate some arrangements for orderly liquidation of overdrafts as they stood at the end of 1971-72. The essence of these arrangements was that subject to the State Government's agreeing to repayment of

certain stipulated percentages of the outstanding overdrafts in 1972-73 and 1973-74, the Central Government took over the responsibilty for clearing the balance of the overdrafts through special medium term loans to the State Governments. The loans thus advanced to the State Governments are repayable in six years beginning from 1973-74. In other words, the outstanding balance of the loans given for clearance of overdrafts at the end of 1973-74 is to be repaid within the Fifth Plan period. We understand that after these arrangements came into force, the State Governments have generally refrained from running into unauthorised overdrafts and no occasion had arisen in which the Reserve Bank of India has had to suspend payments on behalf of the State Governments. Even in the few cases in which the State Governments had again run into serious ways and means difficulties, they have been enabled to tide over them through special loans for covering gaps in resources after mutual consultation between the State Governments and the Central Government.

37. While we are anxious to ensure that no State is allowed to resort to overdrafts with impunity, we feel that unless the period of repayment of the loans already given to them for clearance of overdrafts is fixed realistically, there is a real risk of the States concerned being faced with serious problem of repayment in the Fifth Plan period or in the alternative in facing serious erosion of the resources for the Plan. Government of India's hands in enforcing fiscal discipline would be strengthened if the terms of repayment of loans given for liquidation of overdrafts are fixed with due regard to the anticipated financial position of the State Governments. Among the recipients of these special loans for clearance of overdrafts, some are faced with such large non-Plan capital gaps as cannot be reduced to manageable limits, unless some relief is provided also under overdraft loans. There are also a few other States which, though they had run into overdrafts, had otherwise maintained fairly high standards of fiscal management if some of the other indices such as tax effort, control over non-developmental expenditure and Plan performance are taken into account. Having regard to all these considerations, we propose that all loans given for clearance of overdrafts and outstanding at the end of 1973-74 as listed in Table 32 of Appendix XIV should be made repayable in 15 years.

Loans for meeting gaps in resources :

38. The Centre has also given loans to certain States in 1972-73 for meeting gaps in resources. These loans are indistinguishable from similar loans given for liquisidation of overdrafts. The only difference is that these loans for covering gaps in resources had been given in an attempt to avoid the overdrafts that might otherwise have arisen. The terms laid down by the Ministry of Finance for the repayment of these loans are also the same as those for clearance of overdrafts. More liberal terms were allowed only in the case of Andhra Pradesh on the ground that the State could not make up for the shortfall in its resources for the Plan in view of the disturbed conditions in 1972-73. We, however, feel that uniform treatment should be accorded to all loans given for meeting gaps in resources, whatever be the circumstances in which special gaps had arisen. Accordingly we recommend that the loans given for meeting gaps in resources of certain States, details of which as furnished to us by the Ministry of Finance are set out in Table 34 of Appendix XIV be lumped together for each State and made repayable within a period of 15 years.

39. Governments of Uttar Pradesh and Assam were given non-Plan loans of the order of Rs. 6 crores and Rs. 0.11 crore, respectively in 1972-73 as a special case since these States raised additional resources in that year over and above the targets fixed for them for the year. These loans carry the same terms as Block Loans. We recommend that the amount outstanding at the end of 1973-74, *viz.*, Rs. 5.6 crores in the case of Uttar Pradesh and Rs. 0.10 crore in the case of Assam be added to their outstanding Block Loan and accorded the terms indicated for the Block Loan later in the Chapter.

40. Among the newly formed States, Himachal Pradesh, Manipur and Tripura would have large amounts outstanding at the end of 1973-74 on loans obtained by them while they were Union Territories. A significant part of Meghalaya's debt burden relates to loans which have devolved on it as its share in the loans obtained by the composite Assam State. Jammu and Kashmir and Nagaland have certain loans which were given to them earlier to enable them to balance their non-Plan budgets. Details of these loans expected to be outstanding at the end of 1973-74 have been set out in Table 35 in Appendix XIV. We consider that all these loans should be merged into one loan for each State and made repayable within a period of 20 years. Keeping in view, however, the magnitude of the non-Plan gaps of Manipur, Meghalaya, Nagaland and Tripura and the comparatively small relief accruing to these States from other categories of loans we recommend moratorium* for a period of 3 years each for Manipur, Meghalaya and Tripura and 2 years for Nagaland.

PROPOSALS FOR DISCRIMINATORY DEBT RELIEF

41. As indicated earlier in this Chapter, the debt relief scheme drawn up entirely on principles uniformly applicable to all States would fail to meet the needs of the situation. If, therefore, the scheme of relief is to be equitable and all States are to be enabled to embark on the Fifth Plan without too wide a non-Plan capital gap there is no escape from a discriminatory approach in the revision of the terms of the outstanding loans. As the same time discrimination should be confined to certain select identifiable groups of loans which account for a significant portion of the amounts falling due for repayment in the Fifth Plan period. From this stand point, we have selected, besides loans for irrigation and power projects discussed earlier, the loans for natural calamities, special accommodation loans, Miscellaneous Development Loans and Block Loans given since 1969-70 as pre-eminently suitable for discriminatory treatment.

*Wherever we have recommended moratorium in this Chapter for any loan, it should be taken to apply only to repayment of principal of a loan and not to interest.

42. We also gave some thought to the principles on the basis of which the relative capacity of the States to service outstanding debt can be assessed. One way of assessing such relative capacity would be to determine the relationship between State tax revenues and outstanding debt. This approach is, however, open to the objection that it might place the States that have been vigorous in mobilisation of tax and non-tax revenues at a disadvantage *vis-a-vis* the States that have been tardy in raising resources. For purposes of comparision of the relative capacity of the States, it would, therefore, be more equitable to relate the burden of debt as reflected in the amount falling due for repayment in the Fifth Plan period to State Domestic Product (the average for 1967-68 to 1969-70—the three latest years for which the figures are available). The following table shows the relative ranking of the States on the basis of their relative debt burden worked out according to the principle mentioned above:

	Percentage
1. Punjab	6.5
2. Gujarat	6.8
3. Maharashtra	6.9
4. Uttar Pradesh	7.9
5. Tamil Nadu	8.7
6. West Bengal	9.3
7. Madhya Pradesh	9.6
8. Bihar	10.7
9. Haryana	11.0
10. Andhra Pradesh	13.4
11. Mysore	14.9
12. Meghalaya	15.2
13. Kerala	17.1
14. Orissa	20.7
15. Assam	24.8
16. Tripura	26.1
17. Rajasthan	31.4
18. Himachal Pradesh	33.2
19. Manipur	40.7
20. Nagaland	48.4
21. Jammu and Kashmir	90.8

43. On the basis of the relative burden of debt as emerging from the above table we have found it convenient to group the States into the following three categories:

Group A.—States whose ratio of amounts falling due for repayment to the Centre in the Fifth Plan period to State Domestic Product is less than 10 per cent.

Group B.—States whose ratio of amounts falling due for repayment to the Centre in the Fifth Plan period to State Domestic Product is between 10 and 20 per cent.

Group C.—States whose ratio of amounts falling due for repayment to the Centre in the Fifth Plan period to State Domestic Product is above 20 per cent.

44. In framing our proposals for consolidation and re-phasing of repayment of the categories of loans listed in paragraph 41, we have borne in mind the grouping of States as indicated in the above Table.

Loans for relief of distress caused by natural calamities :

45. The loan assistance from the Government of India to the State Governments for natural calamities has registered a tremendous increase in recent years. Though most of the State Governments have urged that these loans should be converted into grants, we do not recommend any such conversion. Apart from depleting the resources of the Central Government for providing relief for natural calamities which may arise in future, we also apprehend that conversion into grants may amount to condonation, without scrutiny of the undoubted waste that has occurred in relief expenditure in recent years. Also, a good portion of the relief expenditure has ostensibly been on creation of assets such as roads and minor irrigation works. When similar schemes taken up as part of the Plan have been financed on the basis of loans, we do not consider it appropriate to recommend write-off of loans given under the scheme for assistance for natural calamities.

46. The ends of justice will be met if these loans for natural calamities which are now repayable in 10 years are suitably rephased so as to provide a measure of relief to the States, the relief being regulated with reference to the relative position of the States. We, therefore, suggest that all loans given by the Government of India for natural calamities and outstanding at the end of 1973-74 should be consolidated into one loan in respect of each State and made repayable in 15 years from 1974-75 in the case of States in Group A, in 20 years in the case of States in Group B and in 25 years in the case of States in Group C.

Special Accommodation Loans :

47. Government of India have advanced, what have come to be known as, special accommodation loans to a number of States during the Fourth Plan period. At the time of the finalisation of the Fourth Plan, it was found that in the case of certain States the size of their Plan would not be equal even to Central assistance for the Plan and additional resource mobilisation. The State Governments had then represented that unless additional resource mobilisation undertaken by them was reserved for augmenting the size of the Plan, the requisite measure of public support for additional tax effort might not be forthcoming. After careful consideration of the representations of the States, the Planning Commission persuaded the Union Ministry of Finance to extend special accommodation loans to such States to cover Non-Plan gaps in their resources subject to condition that gaps in resources of individual States would be contained within the agreed figures and the States concerned would make an effort to increase their Plan outlay through mobilisation of additional resources.

48. Annexure IV furnishes figures of special accommodation loans actually released to the States during 1969-70 to 1972-73. The Annexure also

shows uncovered non-Plan gaps in 1973-74 as assessed by the Planning Commission and the Ministry of Finance. While the Centre's budget estimates for 1973-74 do not provide, in full, the amounts needed to cover these gaps, adequate non-Plan assistance would have to be provided to the States in 1973-74 to take care of these gaps so that these liabilities do not flow into the Fifth Plan period. Consequently, we have assumed that special accommodation loans in 1973-74 will be equal to the assessed uncovered gap in respect of each State. (This should not, however, be construed as a recommendation by the Commission for grant of special accommodation loans equal to non-Plan capital gaps in 1973-74. Of course the relief which the States would get under the scheme drawn up by us will depend on the actual releases).

49. Special accommodation loans are recoverable in 10 annual instalments beginning from 1974-75. Though these special accommodation loans have also been given in effect on consideration of the ways and means difficulties experienced by the States concerned, they can be distinguished from the overdrafts loans on the ground that these were given after mutual consultation and after close and critical scrutiny of the resources and needs of the States. If the existing terms of repayment of these special accommodation loans are strictly adhered to, most of the States concerned will again face acute ways and means problems and the kind of situation which necessitated special accommodation loans may well recur in the Fifth Plan period. We consider it essential to give a little longer time to the States concerned to strengthen their resource base so that they may be able to repay the special accommodation loans without having to curtail their Plan outlays too drastically. We, therefore, recommend that all special accommodation loans outstanding at the end of 1973-74 may be consolidated into one loan in respect of each State and made repayable in 25 years in the case of all States except Madhya Pradesh and Tamil Nadu. For these two States we recommend a period of repayment of 15 years as the amounts involved are not large. Having regard to the magnitude of the non-Plan Capital gaps of Andhra Pradesh, Orissa and Rajasthan and the special problems faced by Assam, Jammu & Kashmir, Manipur and Meghalaya we propose a moratorium for 5 years for the repayment of these loans.

Miscellaneous Development Loans :

50. The Miscellaneous Development Loans in force till 1968-69 have been used in many States mostly for irrigation and power projects with long periods of gestation. They have also been used to some extent for financing Plan outlays on social services. We consider it equitable to prescribe a suitably longer period of repayment of such loans. At the same time a discriminatory approach among the States has been adopted. We suggest that all outstanding amounts in respect of Miscellaneous Development Loans at the end of 1973-74 may be aggregated into one loan in respect of each State and made repayable in 15 years in the case of Group A States, 20 years in the case of Group B States and 25 years in the case of Group C States. No moratorium is suggested for any State in respect of this category of loan.

Block Loans :

51. Of the several categories of loans from the Centre to the States outstanding, Block Loans are by far the most important from the point of view of the burden of repayment liability arising in the Fifth Plan period. This is understandable because Block Loans came into existence only in 1969-70 and are repayable in 15 years starting from the anniversary of the loan. Only about 10 per cent of the loan amounts released during the Fourth Plan period would have been repaid within the Plan period itself.

52. In view of their magnitude, Block Loan call for a selective rescheduling with reference to the relative position of the States. Since 1969-70, with the disappearance of specific purpose loans, all kinds of Plan schemes whether quick yielding or involving long gestation periods have been financed through Block Loans. From this stand-point there is a strong case for spreading the repayment of the Block Loans over a much longer period than at present in the case of all States, particularly in the case of States whose debt burden and, therefore, also non-Plan capital gap is comparatively heavy. For this purpose we have placed Gujarat, Maharashtra and Punjab which have non-Plan capital surpluses in a separate class. We suggest that in their case, it would suffice if the outstanding amount of Block Loans is consolidated as at the end of 1973-74 into one loan and made repayable within 15 years. This will give them some relief because the average period of repayment of outstanding Block Loans at the end of 1973-74 is now less than 15 years. In the case of other States, longer period of repayment is necessary in order to keep their non-Plan capital gaps within manageable limits. We suggest that in the case of the remaining States the Block Loans may be aggregated into one loan in respect of each State and made repayable in 20 years in the case of Group A States, 25 years in the case of Group B States and 30 years in the case of Group C States. Even after softening of terms of repayment of Block Loans, we find that Andhra Pradesh and Rajasthan would have fairly big gaps on non-Plan account. We, therefore, suggest a moratorium of two years in the repayment of the consolidated Block Loans in the case of these two States. In the case of Assam and Manipur, having regard to their special problems and also the magnitude of the non-Plan capital gaps, a moratorium of 5 years would be justified.

53. During the Fourth Plan period, some States have been given loans for certain specific projects, over and above the ceiling of Central assistance for Plan Schemes, with a view to accelerate the pace of execution of these projects. Details of these loans are given in Table 38 in Appendix XIV. As the terms of repayment of these loans are the same as prescribed for Block Loans, we suggest that the amounts outstanding in respect of these loans be aggregated with the Block Loans and accorded the same terms of repayment as suggested by us for Block Loans.

54. In addition to Block Loans for the Fourth Plan schemes, Andhra Pradesh has been given certain special loans for development of Telengana and West Bengal has been helped with special loans for development of Calcutta Metropolitan District. In regard to special loans for Telengana development, we recommend the same terms as for Block Loans, namely repayment of the consolidated loan in 25 years with moratorium of two years. As regards loans for development of Calcutta Metropolitan District, while suggesting repayment over a period of 20 years analogous to Block Loans, we propose a moratorium of 5 years to give adequate time for the developmental programmes financed out of these loans to make their impact on the regeneration of Calcutta and the economy of West Bengal.

AGGREGATE DEBT RELIEF

55. The combined impact of the several proposals for revision of the terms of Central loans indicated in the Chapter would be to reduce the repayment obligations of the States during the Fifth Plan period to the extent of Rs. 1970 crores. To this extent, the non-Plan capital gaps of the States get reduced. The States would be enabled to finance a larger proportion of their Plans out of their own resources. Also the complaint now frequently voiced by many of the State Governments that there is very little net flow of Central loan assistance to the States for the implementation of the Plan would have been partially redressed. Though we have not suggested any significant conversion of loans into grants for the reasons already explained, the rephasing of repayments of some of the quantitatively important categories of loans such as Block Loans, special accommodation loans and Miscellaneous Development Loans would give the States relief to varying extent in the subsequent Plan periods also. Above all to the extent the States, particularly the weaker States, get some respite, they should have a bigger Fifh Plan. Their resources potential would be considerably strengthened and they should be able to meet their repayment obligations in the Sixth and subsequent Plan periods with far less difficulty. Our estimates of State-wise relief expected to accrue from the proposals for revision of the terms of Central loans are as follows:

(Rs. crores)

State	Estimated relief in repayment of loans to Government of India during Fifth Plan period on the basis of our proposals.*
1	2
1. Andhra Pradesh	191.20
2. Assam	162.49
3. Bihar	133.35
4. Gujarat	36.25
5. Haryana	33.14
6. Himachal Pradesh	34.57
7. Jammu and Kashmir	133.43
8. Kerala	109.77
9. Madhya Pradesh	87.16
10. Maharashtra	66.58
11. Manipur	15.23
12. Meghalaya	7.64
13. Mysore	127.04
14. Nagaland	5.84
15. Orissa	157.32
16. Punjab	15.18
17. Rajasthan	258.14
18. Tamil Nadu	87.05
19. Tripura	14.35
20. Uttar Pradesh	150.77
21. West Bengal	143.12
TOTAL	1969.62

*1. The total relief has been worked out on the basis of grouping of loans suggested by us and agreed to by the State Governments. The consolidation of loans would have to be done on the basis of actual balances (as against figures rounded in lakhs of rupees by us) against each loan outstanding at the end of 1973-74 and consequently the final debt relief may be marginally different from that indicated in the Table.

2. In working out the State-wise estimates of debt relief, we have gone by the figures of debt furnished to us by the State Governments and certified by State Accountants General. We understand that the allocation of debt liability between successor States following States' reorganisation/bifurcation is, in several cases, provisional and has been determined on the basis of population pending final settlement. The scheme of debt relief recommended by us is without prejudice settlement of inter-State claims.

These estimates may undergo some change, but not of a material nature, when the final figures of Central loans advanced to the States in 1972-73 and 1973-74 turn out to be different from those adopted for purposes of this exercise on the basis of the information furnished by the Ministry of Finance and the State Governments.

56. The loans recommended by us for consolidation may be so consolidated with effect from 31st March, 1974. They may be repaid in equal annual instalments falling due for repayment each year on the 31st of March. With a view to avoid ways and means difficulties for the States, the amounts annually payable by way of principal may be recovered in four equal instalments on the 1st July, 1st October, Ist January and 31st March each year. Since it would take some time to obtain data regarding actuals for 1973-74 and for issue of necessary sanctions, repayments falling due in the early part of 1974-75, on the basis of the existing terms, may be deferred and recoveries falling due in 1974-75 on the basis of the consolidated loans as recommended by us, be made in two instalments on September 30, 1974 and March 31, 1975 together with interest on total amount outstanding as on April 1, 1974, in the case of first instalment and on

the balance outstanding in the case of the second instalment. With a view to simplify accounting, the instalments of principal falling due may be rounded to rupees one hundred and of interest to rupees ten in each case.

57. We would urge that our proposals for debt relief should be viewed in their totality and accepted as a 'package' both by the Government of India and the State Governments. It is possible to argue for softer or harder terms of repayment in respect of particular categories of loans. But any such variation will upset the delicate balance that we have sought to maintain between several valid but at times conflicting considerations such as the need to give every State some minimum relief, containment of non-Plan gaps within limits, and a measure of discrimination between States in relation to their relative debt burden. It is our belief that the end result of this complex exercise will be to enable all States to start the Fifth Plan on a hopeful note. We should also add that the residual non-Plan capital gaps should not cause any State great concern, because fresh capital receipts such as net market borrowings, net small saving collections, depreciation reserves of commercial enterprises which were hitherto being set off against non-Plan capital gaps have been excluded by us. Also non-Plan capital gaps can be minimised, if not altogether eliminated, by greater dynamism in recovery of loans and higher scale of subscriptions to Provident Fund. We have no doubt that the substantial relief accruing to the States under our proposals will inspire more vigorous and imaginative action on these lines.

58. We are not oblivious of the dent that our recommendations would make on Central resources for the Plan. But in assessing the scale of relief we have proposed for the next five years, it should be remembered that it looks large only because it represents the first systematic and major attempt to come to grips with the debt problem of the States which has been allowed to become far too complex over a long period. The more pressing difficulties that arose from time to time in the discharge of the repayment obligations by States were met largely through improvised solutions which often piled up problems for the future. In order to 'protect' the agreed size of the State Plans, the Centre had to give over Rs. 1500 crores during the Fourth Plan period over and above the approved Central assistance for the Plan. This assistance was extended to the States in such forms as special accommodation loans, loans for clearance of overdrafts, loans for meeting gaps in resources and loans for natural calamities. All this assistance was, except in name, debt rescheduling. Our proposals represent, in effect, a summation, in one single operation, of the numberous small decisions that should have been taken on several classes of loans over a period of time. If we may say so, 'the bill of cost' we have presented looks heavy only because a large part of it is in the nature of arrear claims for debt relief which could have been met in the earlier Plan periods. We have no doubt that the Union Government would view the over-all figure of debt relief emerging from our proposals in this perspective.

59. It will also be wrong to think that the relief suggested by us would undermine the resource base of the Plan. Our proposals would, in fact, enable the States to finance a larger proportion of their Plans from their own resources and, thus, foster a greater sense of self-reliance and financial responsibility on the part of the States. The States should also realise that the debt relief optration cannot be an annual or quinquen nial affair and that they should make the best use of respite provided to them to strengthen their finances, improve the working results of the commercial enterprises, including in particular irrigation and power projects, and exercise the utmost economy in non-development expenditure. If simultaneously the Centre could also fix the terms of repayment of fresh loans with due regard to the pattern we have recommended for existing loans, the problem of repayment of Central debt will cease to be the irritant it has been in our federal polity.

60. Before we conclude, we would only like to refer briefly to the special grievances voiced by some States about certain specific categories of loans. We have taken note of these special grievances to the extent possible in framing our debt relief scheme. It is obviously not possible to tailor the terms of repayment of every class of loan to meet the particular point of view of each of the States concerned. It may be worth while, however, to refer to some of the specific loans in respect of which the State Governments have vehemently pleaded for relief.

61. The Government of Jammu and Kashmir pleaded for special treatment of loans for relief and rehabilitation of the displaced persons in the Chhamb area. In terms of the proposals made by us, the Government of Jammu and Kashmir will be liable to repay only such amounts as they are able to recover from the displaced persons and that too only to the extent of half the amounts recovered. They should, therefore, have no grievance on this account. The Government of Kerala were unhappy about the present terms of loans for anti-sea erosion works. Having regard to the fact that these are comparable to loans advanced for flood control, we would suggest that the outstanding amount at the end of 1973-74 be made repayable over 25 years. The plea of Madhya Pradesh about writing-off of loans received from the Centre for anti-dacoity operations will, in a large measure, be met by our suggestion to treat it like other loans for modernisation of police force.

62. Orissa has sought to make out a special case for review of the terms of Central loans for Hirakud multi-purpose project. Central loans amounting to Rs. 82.42 crores secured by the Government of Orissa during 1948-62 for the execution of the Hirakud multi-purpose project (Stage I) would be outstanding at the end of 1973-74 and the repayment of loans will only commence in 1988-89. We have suggested a period of repayment of 25 years for flood control loans beginning from 1974-75. For irrigation and power projects, too, our suggestions envisage consolidation of existing loans into a 25-year loan with varying periods of moratorium for the Fifth Plan period. We do not propose any change in terms of

the loans for Hirakud (Stage I) as these terms are already quite generous. Outstanding loans in respect of Hirakud (Stage II) are estimated at Rs. 3.98 crores at the end of 1973-74 of which Rs. 3.57 crores would fall due for repayment during the period 1974—79. For these loans we recommend a period of repayment in 30 years with a moratorium for 5 years.

63. We, however, feel that the grievance of Government of Orissa about the loan for construction and development of Paradeep Port is genuine. Paradeep, as a major port, is now under the control of a Port Trust, which under the Constitution comes within the purview of the Central Government. The assets created by the State Government with the loan have been taken over by the Government of India but the State Government is required to repay the loan to Centre with interest. The annual burden of repayment of loan with interest is about Rs. 2 crores. Whatever be the circumstances in which the Government of India were constrained to take over the Paradeep Port under its control, we do not see any justification for the State Government being burdened with repayment of a loan covering expenditure incurred specifically for the development of a major port which constitutionally comes within the responsibility of the Government of India. We, therefore, recommend that the outstanding amount of about Rs. 4.14 crores under this loan should be taken over by the Central Government. The amounts already recovered from the Government of Orissa need not, however, be refunded to them. Nor is there any case for adjustment of the interest already paid by the State Government against the loan outstanding, because such interest payments have been taken into account by the earlier Commissions in determining the grants made.

64. The Government of West Bengal has drawn our attention to the pre-partition loan outstanding against the State. It has been represented to us that a sum of Rs. 195 lakhs being the share of the pre-partition outstanding loan was allotted to West Bengal. No payment either of principal or of interest of this loan has so far been made by the State Government. The loan is, however, still outstanding against the State Government in the books of the Accountant General, West Bengal. The State Government has, therefore, suggested that this should be written-off. We do not consider it equitable that West Bengal should be burdened with this pre-partition debt. It is also relevant to mention that no amount has actually been recovered during the last 25 years. The continuance of this loan on the books therefore serves no purpose. We, accordingly, recommend that West Bengal should be absolved of the responsibility for repayment of this loan. Likewise West Bengal is required to repay a ways and means advance of Rs. 2.5 crores on pre-partition account. This ways and means advance is equal to 50 per cent of the debt balance of the Government of undivided Bengal with the Reserve Bank of India at the time of the Partition. Under the Indian Independence (Rights, Property and Liabilities) Order, 1947 the whole amount became the liability of the Government of West Bengal. But the Government of India and the Government of Pakistan repaid it under an agreement on a 50 : 50 basis and the Government of India thereupon decided that this amount of Rs. 2.5 crores should be treated as a ways and means advance to West Bengal. West Bengal has also paid interest amounting to Rs. 1.25 crores on this loan during the last 25 years. The liability for this debt was accepted by the Government of India under an agreement with Pakistan and the State Government has, therefore, urged that this liability should not be passed on to the Government of West Bengal. They have also argued that interest of Rs. 1.25 crores already paid should also be refunded to them. Here again it seems to us that it is not fair to burden the Government of West Bengal with repayment of this loan which is a legacy of partition. We, therefore, suggest that the recovery of outstanding loans of Rs. 2.5 crores should be waived. The request about interest already paid cannot, however, be accepted, since such payments have already been taken into account by the earlier Finance Commissions while recommending devolution to the States.

65. If we have not referred specifically to the special pleas made by States in respect of other select loans, it is only because they are either not sustainable or they have been, to the extent considered necessary, accommodated within the over-all scheme of debt relief proposed by us.

ANNEXURE I

MISCELLANEOUS NON-DEVELOPMENT LAONS

ANDHRA PRADESH

1. A loan amounting to about Rs. 1 lakh is expected to be outstanding at the end of 1973-74 in respect of fire services and water mains in Vijayawada. The whole of the amount is repayable during the Fifth Plan period. The amount is so small that no revision in terms of repayment is called for. But for simplification of accounting procedure, we recommend that this amount may be merged with Miscellaneous Development Loan outstanding against Andhra Pradesh. This will incidentally give marginal relief to the State Government.

ASSAM

2. Certain Miscellaneous loans, details of which are not available, are estimated to be outstanding to the tune of Rs. 30 lakhs. Of this Rs. 11 lakhs would fall due for repayment during the Fifth Plan period. In the interest of simplification we suggest that these loans may be merged with the Miscellaneous Development Loan and made repayable in 25 years.

3. Assam was also given a non-Plan loan of Rs. 11 lakhs in 1972-73 as a special case in recognition of additional resource mobilisation undertaken by the State Government over and above the target fixed for the State Government for that year. Of this Rs. 10 lakhs would be outstanding at the end of 1973-74. We recommend that this amount may be merged with Block Loans and made repayable in 30 years with a moratorium of five years.

MADHYA PRADESH

4. Loans for anti-dacoity operations amounting to Rs. 47 lakhs would be outstanding at the end of 1973-74. Of which Rs. 20 lakhs would fall due for repayment during the Fifth Plan period. We recommend that these loans may be made repayable in 25 years as in the case of other loans for Police.

MAHARASHTRA

5. A loan amounting to Rs. 86 lakhs in respect of "Refund of sugar cane cess" would be outstanding at the end of 1973-74. Of this Rs. 43 lakhs would fall due for repayment during the Fifth Plan period. It would be convenient to add this amount to Miscellaneous Development Loan and thus make it repayable in 15 years.

6. A loan amounting to Rs. 23 lakhs in respect of "Pensioners of Pakistan" would be outstanding at the end of 1973-74. The State Government has not paid any amount so far and the amount is payable only after an agreement is reached with Pakistan. As in the case of West Bengal's pre-partition debt, we recommend that Maharashtra too may be absolved of the responsibility for repayment of this amount.

MYSORE

7. A loan of Rs. 5 lakhs of which details are not available is expected to be outstanding at the end of 1973-74 of which Rs. 2 lakhs are repayable in the Fifth Plan period. We recommend that this may be merged with Miscellaneous Development Loan.

UTTAR PRADESH

8. The loan for anti-dacoity operations amounting to Rs. 7 lakhs outstanding at the end of 1973-74 may be made repayable like similar loans in the case of Madhya Pradesh in 25 years.

9. The State Government received a loan of Rs. 6 crores in 1972-73 as a special case for having exceeded its target of additional taxation as compared to the agreed estimates with the Planning Commission. This amount may be merged with Block Loans and made repayable in a period of 20 years.

10. Miscellaneous loans, in respect of which details are not available, amounting to Rs. 147 lakhs would be outstanding at the end of 1973-74. Of this Rs. 90 lakhs would fall due for repayment during 1974—79. These loans may be merged with Miscellaneous Development Loan and made repayable in 15 instalments.

11. Thirteen States have indicated loans in respect of housing for All-India Service Officers. Total amount outstanding is Rs. 130 lakhs and amount falling due is estimated at Rs. 87 lakhs. These loans may be made repayable in 15 instalments for all States. This would give relief of the order of Rs. 43 lakhs over the period 1974—79.

12. We have dealt with various miscellaneous loans for which details have been made available separately as indicated above. If, however, these loans fall within distinct categories like Block Loans, loans for natural calamities, agriculture and allied schemes etc., terms for such categories of loans should be made

applicable to the respective States. The difference in any case in the aggregate debt relief would be only marginal.

13. Based on the above proposals, estimates of debt relief to various States under Miscellaneous non-Development Loans would work out as follows :—

(Rs. lakhs)

States	
1. Andhra Pradesh	10
2. Assam	9
3. Bihar	2
4. Gujarat	3
5. Haryana	2
6. Himachal Pradesh	—
7. Jammu & Kashmir	1
8. Kerala	3
9. Madhya Pradesh	11
10. Maharashtra	20
11. Manipur	—
12. Meghalaya	—
13. Mysore	2
14. Nagaland	—
15. Orissa	1
16. Punjab	—
17. Rajasthan	7
18. Tamil Nadu	8
19. Tripura	—
20. Uttar Pradesh	103
21. West Bengal	—
TOTAL . . .	182

MISCELLAENOUS LOANS OF A DEVELOPMENT NATURE

ASSAM

1. Total amount outstanding at the end of 1973-74 is estimated at Rs. 662 lakhs, of which Rs. 81 lakhs would fall due for repayment over the Fifth Plan period. Details of these loans are not available. It is suggested that these may be marged with the Miscellaneous Development Loan and made repayable in 25 years.

GUJARAT

2. Rs. 2 lakhs would fall due for repayment in respect of a loan of Rs. 7 lakhs outstanding at the end of 1973-74. This loan was obtained by the State Government for payment of survey charges to the Ministry of Defence. For simplification of accounting procedure we recommend that this may be merged with Miscellaneous Development Loan and made repayable in 15 years.

KERALA, MANIPUR, MEGHALAYA AND ORISSA

3. Nominal amounts are outstanding against these States in respect of loans obtained for various development purposes. Details of these loans are not available. These loans may be merged with Miscellaneous Development Loan and the terms applicable to each State be applied to such loans also.

MYSORE

4. Total amount of Rs. 295 lakhs would be outstanding at the end of 1973-74, in respect of Hatti Gold Mines. Out of this, an amount of Rs. 176 lakhs would fall due for repayment over the Fifth Plan period. As this mine has been taken over by the Government of India, this liability may be assumed by the Central Government.

PUNJAB, HARYANA AND UTTAR PRADESH

5. These States have indicated loans for the development of border areas. The amounts outstanding may be merged with Block Loan of the respective States.

6. Thirteen State Governments have indicated loans for Centrally Sponsored and other schemes in 1973-74 for which details are not yet available. Repayments indicated amount to Rs. 10.09 crores. We recommend that all these loans may be governed by the terms recommended by us for the particular categories of loans. For the purpose of debt relief we have assumed repayments for all these loans in 20 instalments. Changes in the quantum of relief actually available to the States would be marginal.

7. Our proposals are based on figures rounded off to Rs. one lakh. There may be some loans which may not have come within our estimation since the amounts outstanding may be less than rupees one lakh in each case. We recommend such loans, if any, may be merged with Miscellaneous Development Loan in respect of each State and the terms proposed by us for Miscellaneous Development Loan applied to the consolidated loans.

8. Based on the above proposals, estimates of debt relief to various States under this class of loans would work out as shown below:

(Rs. lakhs)

States	
1. Andhra Pradesh	39
2. Assam	—44
3. Bihar	49
4. Gujarat	31
5. Haryana	1
6. Himachal Pradesh	—
7. Jammu & Kashmir	33
8. Kerala	1
9. Madhya Pradesh	—
10. Maharashtra	—
11. Manipur	1
12. Meghalaya	1
13. Mysore	182
14. Nagaland	—
15. Orissa	1
16. Punjab	17
17. Rajasthan	16
18. Tamil Nadu	14
19. Tripura	—
20. Uttar Pradesh	185
21. West Bengal	25
TOTAL	550

LOANS FOR MULTI-PURPOSE RIVER VALLEY PROJECTS, MEDIUM AND MAJOR IRRIGATION SCHEMES AND POWER PROJECTS

These loans relate to the period prior to 1969-70. Since then, all Plan schemes including multi-purpose schemes and major irrigation and power projects are being financed through Block Loans. There is no escape from providing discriminatory relief to the States in regard to loans outstanding under these heads. It is obviously not possible for the Commission to undertake a detailed examination of the present stage of execution, the time likely to be taken for completion and the flow of benefits, nor it is possible for us to undertake an investigation of the causes for escalation in costs of these projects. We have tried to form a judgment on the progress of the projects with reference to expenditure incurred so far in relation to the revised estimates of the projects. Broadly speaking, the existing terms of repayment of loans for multi-purpose river valley projects, medium and major irrigation schemes and power projects seem to be reasonable. The terms provide for varying periods of moratorium and sufficiently long periods of repayment. Because of the long periods of moratorium provided for some loans, the amounts actually falling due for repayment in the Fifth Plan period are, in some cases, negligible though the total amount outstanding is fairly large. Any proposals we may frame for consolidating the loans for multi-purpose projects etc. and staggering their repayment would result in an appreciable increase in the instalments falling due for repayment in the Fifth Plan period. We have sought to avoid this as far as possible. But the States should have really no cause for complaint even if there are minor anomalies because our proposals taken as a whole would provide them substantial relief. Our suggestions on how individual loans under this category can be dealt with are given below :—

ANDHRA PRADESH

Nagarjuna Sagar Project:

2. The terms of repayment seem to be fairly liberal—repayble in 20 annual instalments from the 21st year of the drawal of the loan. Some of the loans for Nagarjuna Sagar Project had a moratorium of 10 years and were made repayable in 20 years thereafter. The project, started in 1956, is nearing completion. For purposes of administrative convenience, all the existing loans under this head may be consolidated and made repayable in 30 years including a period of moratorium of five years which will cover the Fifth Plan period. This would mean that the State would get relief in repayment during the Fifth Plan period amounting to Rs. 7.76 crores —but will have to make some larger repayments during the subsequent Plan periods. But as a package, the course suggested should commend itself to the State Government.

Tungabhadra Project:

3. The amount outstanding under this scheme is Rs. 1.82 crores. Though the existing terms of repayment for the project are fairly liberal, *viz.* moratorium for 10 years and repayment thereafter in 20 annual instalments, as the amount outstanding is only small, *i.e.* Rs. 1.82 crores, it would be convenient to add this amount to liabilities under Block Loan and extend it the same treatment as Block Loan.

Balimela Power Project:

4. As in the case of Tungabhadra Project the amount outstanding may be merged with Block Loan and made repayable over 25 years with a moratorium for two years.

BIHAR

(i) *Damodar Valley Corporation:*

5. Loans drawn up to 1962-63, from the inception of the project in 1948-49, have on the average run a life of 12 years already. Likewise, loans drawn after 1962-63 have already run on an average 5 to 6 years. Keeping this in view, it might suffice if all loans under this category and outstanding at the end of 1973-74 are consolidated and made repayable in 30 years with a moratorium for the Fifth Plan period. This would give Bihar relief of Rs. 3.22 crores.

(ii) *Kosi Project:*

6. The amount outstanding under this head is Rs. 46.57 crores. The work on Western Kosi Canal is yet to start. Having regard to this and the relative debt burden of Bihar, all loans under this head may be consolidated and made repayable in 30 years with a period of grace for the Fifth Plan period. This will provide the State relief to the extent of Rs. 1.5 crores during the Fifth Plan period.

(iii) *Gandak Project:*

7. The loan outstanding under this head is Rs. 36.38 crores. This project, though started in 1960, is expected to be completed only in the Fifth Plan period. Having regard to the fact that the project is yet to be completed and the present terms provide for repayment in 20 annual instalments from 11th anniversary or in other words, repayment is spread over 20 years, we suggest that all loans under this head may be bulked together and made repayable in 30 years, with moratorium for the Fifth Plan period. This would give the State relief to the extent of Rs. 1.71 crores for the forecast period.

(iv) *Tenughat Project:*

8. Though the project is intended to supply water to Bokaro, we cannot accept the argument of the State Government that the liability should be taken over entirely by the Central Government. It is generally recognised to be part of the State Government's responsibility to provide the necessary infrastructure facilities needed for Central and other industrial projects. If we concede the request of Bihar, we well be faced with similar requests from other States also. The amount outstanding under

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this head at the end of 1973-74 is Rs. 28.34 crores. The present terms envisage repayment of these loans in 15 to 17 annual instalments from the 8th anniversary; or, in other words, the loans are repayable in 25 years. The project seems to have been taken up in 1964 and the loans would have had an average life of 5 years by the end of 1973-74. It would suffice if all loans outstanding under this head are consolidated and made repayable in a period of 30 years with a period of grace of 5 years. The State will then not have to repay any amount during the Fifth Plan period and would thus secure a relief of Rs. 7.67 crores.

(v) *Sone High Canal:*

9. It is seen that the work on this project was taken up in 1968-69 or so, *i.e*, just before the commencement of the Fourth Plan. when the system of Block Loan came into existence. It would, therefore, be appropriate to merge the amount outstanding under this head, *viz.* Rs. 70 lakhs with the Block Loan for Fourth Plan schemes and make it repayable in 25 years as proposed elsewhere. No doubt this may increase marginally the loan repayment liability during the Fifth Plan period. But, as Bihar would in terms of other proposals, be getting adequate debt relief, the addition of about Rs. 14 lakhs (one fifth of Rs. 70 lakhs outstanding) to the repayment liability should not pose any serious difficulty.

(vi) *Patratu Power Station:*

10. The amount outstanding at the end of 1973-74 is Rs. 38 lakhs only. As in the case of loan for Sone High Canal, the amount outstanding may be a merged with Block Loan and made repayable in 25 years.

(vii) *Other Schemes:*

11. An amount of Rs. 20 lakhs in respect of other Irrigation and Power Schemes would be outstanding at the end of 1973-74 of which Rs. 10 lakhs would fall due for repayment. The amounts outstanding under these schemes may be merged with Miscellaneous Development Loan and made repayable in 20 years.

GUJARAT

(i) *Nagarjuna Sagar Project:*

12. The amount outstanding under this head is only Rs. 8 lakhs. This amount may be merged with Block Loan and made repayable in 15 instalments.

(ii) *Koyna Project:*

13. All loans under this head may be consolidated and made repayable in 20 years. The same terms are proposed for Maharashtra. Total relief to the State over the Fifth Plan period would be marginal.

(iii) *Ukai Power Project:*

14. The loan outstanding under this head is Rs. 25.74 crores and the project is expected to be completed only during the Fifth Plan period. The existing terms of loans envisage repayment in 17 annual instalments with a moratorium for 8 years. The amount falling due for repayment in the Fifth Plan period is small, *viz.* Rs. 3.01 crores only. We recommend consolidation of the loans at the end of 1973-74 into one loan repayable in 25 years from 1974-75. This would no doubt increase the repayment liability of the State during the Fifth Plan period but considering the amount of relief to the State under other heads, this should not cause any undue concern.

(iv) *Other Schemes:*

15. An amount of Rs. 22 lakhs in respect of 'other' schemes would be outstanding at the end of 1973-74. Of this Rs. 10 lakhs are expected to fall due for repayment over the Fifth Plan period. We recommend that these amounts may be merged with Miscellaneous Development Loan and made repayable in 15 instalments.

HARYANA

(i) *Beas Project:*

16. This project started in 1961-62 is expected to be completed only during the Fifth Plan period. The existing terms of the loan drawn upto 1969-70 provide for repayment in 25 years with a moratorium of 8 years. The loans would have had a currency on the average of 6 years by the end of 1973-74. Having regard to this, it may suffice if all the loans under this head are consolidated and made repayable in 30 years with a moratorium of 5 years. This would give Haryana a relief of the order of Rs. 6.05 crores, Punjab to the extent of Rs. 6.55 crores and Rajasthan Rs. 7.95 crores in the Fifth Plan period. It should be distinctly understood that our recommendations are confined to loans given prior to 1969-70—the project has been financed since 1969-70 through Block Loan for which we have recommended suitable terms of repayment elsewhere—nor will our recommendations apply to the further loans likely to be needed by the project during the Fifth Plan.

(ii) *Bhakra Nangal Project:*

17. These loans are repayable in one lump sum after 15 years of the drawal of the loan. In view of the fact that the project has already been completed, it may not be necessary to provide for any softening of the terms. The repayment liability during the Fifth Plan period is fairly large, *viz.*, Rs. 18.61 crores. But since Punjab and Haryana have fully amortised these loans in the past, the repayment of these loans should not pose any problem.

(iii) *Gurgaon Canal Project:*

18. The amount out standing under this head is Rs. 57 lakhs only of which only Rs. 2 lakhs are repayable during the Fifth Plan period. The amount outstanding may be merged with Block Loan and made repayable in 25 years.

(iv) *Delhi Thermal Station:*

19. The amount outstanding under this head is Rs. 1.62 crores only of which Rs. 49 lakhs are repayable over the Fifth Plan period. The amount outstanding may be merged with Block Loan and made repayable in 25 years.

(v) *Bhakra Right Bank Power Project:*

20. The existing terms stipulate repayment in 20 years with a moratorium for 5 years. The project has been completed. The loan may be merged with Block Loan and made repayable in 25 years.

KERALA

(i) *Vaigai Project* :

21. The amount outstanding under this head is Rs. 11 lakhs only which may be merged with Block Loan and made repayable in 25 years.

(ii) *Iddikki Hydel Project* :

22. This project, estimated to cost Rs. 68 crores, was started in 1963 and is expected to be completed in the Fourth Plan period. A significant part of the cost of this project has been financed in the Fourth Plan period through Block Loan. It will, therefore, be appropriate if the amount outstanding at the end of 1973-74 on these loans, viz. Rs. 12.88 crores, is added to the Block Loan of the State and made repayable in 25 years along with other Block Loans.

(iii) *Other Schemes* :

23. Outstanding loans in respect of other specific irrigation and power schemes amounting to Rs. 60 lakhs may be merged with Miscellaneous Development Loan and made repayable in 20 years.

MADHYA PRADESH

(i) *Chambal Project* :

24. This project has been financed by loans, the terms of repayment of which vary widely depending upon the period when they were drawn. The amount outstanding at the end of 1973-74 is fairly large, viz., Rs. 55.87 crores, and the amount falling due for repayment in the Fifth Plan period is Rs. 9.47 crores. At the same time, this project, which was started in 1954, has now been completed and all the five units have been commissioned. Having regard to this, it might suffice if all the loans for this project are consolidated and made repayable in 30 years with a period of grace of 5 years. This would mean that no repayment will fall due in the Fifth Plan period and the State would get relief of Rs. 9.47 crores.

(ii) *Satpura Thermal Station* :

25. This project was completed in 1969-70. Of the total cost of the project of Rs. 39 crores, only Rs. 3.83 crores would be outstanding at the end of 1973-74. We recommend that the amount outstanding under this head may be added to the Block Loans. In terms of the formula recommended by us all Block Loans outstanding at the end of 1973-74 would be repayable in 20 years in the case of Madhya Pradesh.

(iii) *Bagh Project* :

26. The amount outstanding under this head is Rs. 52 lakhs, the amount falling due for repayment in the Fifth Plan period is only Rs. 1 lakh. We recommend that it may be merged with Block Loan for Plan schemes.

(iv) *Kharkhera Project* :

27. As in the case of loans for Satpura and Bagh projects, the amount outstanding under this head may be merged with Block Loan and made repayable in 20 years.

(v) *Other Schemes* :

28. State Government has indicated a loan of Rs. 92 lakhs in respect of 'arrear payments on power schemes in the State Plan'. Amount falling due for repayment is Rs. 25 lakhs. We recommend that the outstanding amount may be merged with Miscellaneous Development Loan and made repayable in 15 instalments.

MAHARASHTRA

(i) *Nagarjuna Sagar Project* :

29. The amount outstanding under this head is only Rs. 16 lakhs and the amount falling due for repayment in the Fifth Plan period is negligible. The amounts outstanding may be merged with Block Loan.

(ii) *Koyna Project* :

30. The amount outstanding under this head at the end of 1973-74 is Rs. 28.53 crores while the amount falling due for repayment in the Fifth Plan period is Rs. 7.60 crores. The terms, as now in force, envisage repayment in 20 years while the period of moratorium varies. Stage I and Stage II of the project have already been completed. Having regard to the overall position on capital account, it would suffice if all the loans under this head are consolidated and made repayable over a period of 20 years.

(iii) *Bagh Project* :

31. The amount outstanding under this head is only Rs. 1.2 crores of which Rs. 1 lakh is repayable in the Fifth Plan period. The amount outstanding may be merged with Block Loan for State Plan.

(iv) *Tarapore Power Project* :

32. The amount outstanding is Rs. 40 lakhs only out of which Rs. 25 lakhs would fall due for repayment over the Fifth Plan. The amount outstanding may be merged, with Block Loan.

(v) *Other power schemes* :

33. Outstanding amount of Rs. 1.82 crores may be merged with Miscellaneous Development Loan.

MYSORE

(i) *Koyna and Nagarjuna Sagar Projects.*

34. Having regard to the comparatively small amounts outstanding under this head, these may be merged with Block Loan.

(ii) *Ghatprabha Irrigation Projects* :

35. The amount outstanding is Rs. 8.20 crores and the amount falling due is Rs. 0.51 crore over the period 1974–79. The loans outstanding may be consolidated and made repayable in 30 years with a period of grace of 5 years. The State will then get relief to the extent of Rs. 51 lakhs during the Fifth Plan period.

ORISSA

(*i*) *Hirakud Project* :

36. We propose no change in the terms of repayment of loans for Stage I of the Project. For Stage II, it will be appropriate to prescribe the same terms as suggested for Damodar Valley Corporation; in other words, all loans may be consolidated and made repayable in 30 years with a period of grace of 5 years. This would give them relief to the extent of Rs. 3.57 crores during the Fifth Plan period.

(ii) *Delta Irrigation and Salandi Irrigation* :

37. The amount outstanding under this head may be added to the Block Loan for State Plan schemes.

(iii) *Balimela Power Project :*

38. Though this project was taken up in 1961-62 and financed upto 1969 through specific loans, it has been financed since then through Block Loan for Plan schemes. It will, therefore, be appropriate to merge the amount outstanding under this head with Block Loan for State Plan schemes. As recommended separately, Block Loans in the case of Orissa may be made repayable in 30 years.

(iv) *Other Power Schemes :*

39. The amount outstanding may be merged with Miscellaneous Development Loan and made repayable in 25 years.

PUNJAB

(i) *Bhakra Nangal Project* :

40. As indicated under Haryana, no revision in terms of repayment is necessary as the project has been completed.

(ii) *Beas Project* :

41. The outstanding loans drawn upto 31-3-1969 may be consolidated and made repayable over 30 years with a period of grace of 5 years, e.g. the same terms and conditions as in the case of Haryana. Relief to Punjab on this basis would be Rs. 6.55 crores.

(iii) *Harika Project* :

42. The amount outstanding under this head is very small, being only Rs. 31 lakhs. This may be merged with Block Loan.

(iv) *Bhakra Right Bank Power Project* :

43. This project has been completed. In view of the fact that Punjab would even otherwise have a non-Plan capital surplus, there does not appear to be strong justification for further softening of the terms. However, in the interest of administrative convenience, all the loans outstanding under this head may be consolidated and made repayable in 15 years like Block Loan.

RAJASTHAN

(i) *Beas Project* :

44. The formula suggested for Haryana and Punjab, viz. period of repayment of 30 years with a grace for the Fifth Plan period, may be applied to Rajasthan too in regard to loans drawn upto 31-3-1969. This would give them relief to the extent of Rs. 7.95 crores during the Fifth Plan period.

(ii) *Bhakra Nangal Project* :

45. Though the relative economic position of Rajasthan and its non-Plan capital gap would justify differential treatment, we may leave the terms as they are as the project has already been completed. Rajasthan will be getting substantial relief under other heads, more particularly under special accommodation loans and overdraft loans and as such there is no strong case for relief in respect of this project.

(iii) *Chambal Project* :

46. The formula suggested in the case of Madhya Pradesh, viz. repayment in 30 years with a moratorium for the Fifth Plan may be applied here also. This would give Rajasthan relief to the extent of Rs. 8.86 crores during the Fifth Plan Period.

(iv) *Rajasthan Canal* :

47. The project, which was started in 1958, is yet to be completed. The amount outstanding under this head is Rs. 55.04 crores and the amount falling due for repayment in the Fifth Plan period is Rs. 8.49 crores. Having regard to this and the relative economic position of Rajasthan, we recommend that all loans outstanding under this head may be consolidated and made repayable in 30 years with a period of grace of 5 years.

(v) *Gurgaon Canal* :

48. The amount outstanding under this head and the amount falling due for repayment in the Fifth Plan period are small. The outstanding amount may be merged with Block Loan.

(vi) *Satpura Thermal Project* :

49. The outstanding amount may be added to the Block Loan for Plan schemes as proposed for Madhya Pradesh for the same project.

UTTAR PRADESH

(i) *Rihand Dam Project* :

50. The amount outstanding under this head is Rs. 25.25 crores while the amount falling due for repayment during the Fifth Plan period is Rs. 6.55 crores. The project, which was started in 1952-53, has also been brought to beneficial use. Under the existing terms the loans are generally repayable in 30 years with a moratorium of 10 years. It is recommended that the outstanding loans are aggregated and made repayable in 30 years with a period of grace for the Fifth Plan Period.

(ii) *Gandak Project* :

51. We propose the same terms as for Bihar for this project, viz., repayment in 30 years with a period of grace for 5 years.

(iii) *Ramganga Project* :

52. The amount outstanding at the end of 1973 is Rs. 21.21 crores while the amount falling due for repayment in the Fifth Plan period is Rs. 2.55 crores. The loan is repayable in 25 years with a moratorium of 8 years. We may provide for the consolidation of these loans and their repayment in 30 years with a period of grace of 5 years. This will give the State relief to the extent of Rs. 2.53 crores in the Fifth Plan period.

WEST BENGAL

(i) *Damodar Velley Corporation* :

53. The formula suggested in the case of Bihar might apply. The outstanding amount may be made repayable in 30 years with a period of grace for 5 years.

(ii) *Kangsabati Project* :

54. Though the cost of this project is estimated at Rs. 46 crores and it will be completed only by the end of 1973-74, the loan outstanding is only Rs. 7.72 crores. It is suggested that the outstanding loans are consolidated and made repayablein 30 years with a period of grace of 5 years during the Fifth Plan period. This will give the State relief to the tune of Rs. 1.06 crores during the Fifth Plan period.

(iii) *Other power schemes* :

55. The outstanding amounts may be merged with Miscellaneous Development Loan and made repayable in 15 years.

56. Based on the recommendations made in the preceding paragraphs, debt relief in respect of various Irrigation and Power projects, including Multi-purpose River Valley Projects would be as shown below:—

States	(Rs. lakhs)
1. Andhra Pradesh	792
2. Assam	—
3. Bihar	1,431
4. Gujarat	—204
5. Haryana	647
6. Himachal Pradesh	—
7. Jammu & Kashmir	—
8. Kerala	143
9. Madhya Pradesh	1,022
10. Maharashtra	13
11. Manipur	—
12. Meghalaya	—
13. Mysore	49
14. Nagaland	—
15. Orissa	484
16. Punjab	667
17. Rajasthan	2,674
18. Tamil Nadu	—
19. Tripura	—
20. Uttar Pradesh	964
21. West Bengal	512
TOTAL	**9,311**

V ANNEXURE 1

Special accommodation Loans released to States during 1969-70 to 1972-73 and the estimated Non-plan Gaps in 1973-74.*

(Rs. crores)

State	Estimated gap in resources during the period 1969-74 £	69-70 Acttss.	70-71 Accts.	71-72 Accts.	72-73 Accts.	Total 69-73 Accts.	73-74 B.E.	Estimated non-Plan gaps in 73-74**
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Andhra Pradesh	11.50	21.71	24.82	—	—	46.53	—	—
2. Assam	115.00	48.54	25.41	16.49	16.50	106.94†	8.06	18.69
3. Himachal Pradesh	—	—	—	—	6.15	6.15	7,76	9.98
4. Jammu & Kashmir	97.66	56.92	6.43	42.86	7.29	113.50	8.35	29.77
5. Kerala	67.78	17.88	17.30	8.61	13.00	56.79	7.49	22.55
6. Madhya Pradesh	34.75	1.50	—	—	—	1.50	—	—
7. Manipur	—	—	—	—	—	—	—	2.99
8. Meghalaya	—	—	0.20	—	4.60	4.80‡	2.64	2.64
9. Mysore	105.22	15.60	18.05	12.07	11.50	57.22	9.46	16.50
10. Orissa	155.00	28.78	26.38	20.21	38.80	114.17	35.52	35.52
11. Rajasthan	135.32	60.41	22.65	24.06	20.26	127.38	14.49	27.37
12. Tamil Nadu	—	7.00	—	—	—	7.00	—	—
13. West Bengal	73.00	6.16	25.41	—	16.09	47.66	25.29	38.29
TOTAL	795.23	264.50	166.65	124.30	134.19	689.64	119.06	204.30

*The figures of special accommodation loans are as certified by State Accountants General.

£As worked out at the time of the finalisation of the Fourth Plan.

**As worked out during discussions in the Planning Commission on Annual Plan for 1973-74.

†Of this Rs. 2 crores is allocable to Meghalaya.

‡Excluding Rs. 2 crores in respect of loan obtained by the composite Assam.

CHAPTER XVIII

SUMMARY OF RECOMMENDATIONS

Our recommendations to the President in regard to devolution of taxes and grants-in-aid of the revenues of the States are set out below.—

I. Income-tax :

In respect of distribution of the net proceeds of income-tax in each of the financial years from 1974-75 to 1978-79:

(1) Out of the net proceeds of taxes on income in each financial year, a sum equal to 1.79 per cent thereof be deemed to represent the proceeds attributable to Union Territories;

(2) the percentage of the net proceeds of taxes on income, except the portion representing the proceeds attributable to Union Territories, to be assigned to the States, should be eighty;

(3) the distribution among the States *inter se* of the share assigned to the States in respect of each financial year should be on the basis of the following percentages :

State	Percentage
1. Andhra Pradesh	7.76
2. Assam	2.54
3. Bihar	9.61
4. Gujarat	5.55
5. Haryana	1.77
6. Himachal Pradesh	0.60
7. Jammu & Kashmir	0.81
8. Karnataka	5.33
9. Kerala	3.92
10. Madhya Pradesh	7.30
11. Maharashtra	11.05
12. Manipur	0.18
13. Meghalaya	0.18
14. Nagaland	0.09
15. Orissa	3.73
16. Punjab	2.75
17. Rajasthan	4.50
18. Tamil Nadu	7.94
19. Tripura	0.27
20. Uttar Pradesh	15.23
21. West Bengal	8.89
Total	100.00

II. Union Excise Duties :

(*a*) During each of the years 1974-75 and 1975-7[illegible] a sum equivalent to 20 (twenty) per cent o[illegible] the net proceeds of Union duties of excise on all articles levied and collected in that year, excluding auxiliary duties of excise and cesses levied under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States;

(*b*) during the years 1976-77, 1977-78 and 1978-79 a sum equivalent to 20 (twenty) per cent of the net proceeds of Union duties of excise on all articles levied and collected in the respective year, including auxiliary duties of excise, but excluding cesses levied under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States; and

(*c*) the distribution among the States of the sum payable to the States in respect of each financial year should be made on the basis of the following percentages:—

State	Percentage
1. Andhra Pradesh	8.16
2. Assam	2.71
3. Bihar	11.47
4. Gujarat	4.57
5. Haryana	1.53
6. Himachal Pradesh	0.63
7. Jammu & Kashmir	0.90
8. Karnataka	5.45
9. Kerala	3.86
10. Madhya Pradesh	8.15
11. Maharashtra	8.58
12. Manipur	0.21
13. Meghalaya	0.19
14. Nagaland	0.11
15. Orissa	4.06
16. Punjab	1.87
17. Rajasthan	5.00
18. Tamil Nadu	7.43
19. Tripura	0.30
20. Uttar Pradesh	17.03
21. West Bengal	7.79
Total	100.00

III. Additional Duties of Excise:

(1) There is no need to set apart any guaranteed amounts to the States as in our opinion there is no risk of the share of any State in the net proceeds of

additional excise duties falling short of the revenue realised from the levy of the sales tax on the commodities subject to additional duties of excise in lieu of sales tax for the financial year 1956-57 in that State;

(2) the net proceeds of the additional excise duties during each financial year be distributed on the following basis :—

(a) A sum equal to 1.41 per cent of such net proceeds be retained by the Union as attributable to Union Territories;

(b) the balance of 98.59 per cent of such net proceeds be distributed among the States in accordance with their respective percentage shares of such balance as under:—

State	Percentage of distribution
1. Andhra Pradesh	8.39
2. Assam	2.47
3. Bihar	9.36
4. Gujarat	5.91
5. Haryana	1.94
6. Himachal Pradesh	0.59
7. Jammu & Kashmir	0.73
8. Karnataka	5.62
9. Kerala	3.58
10. Madhya Pradesh	6.98
11. Maharashtra	11.65
12. Manipur	0.17
13. Meghalaya	0.17
14. Nagaland	0.08
15. Orissa	3.59
16. Punjab	2.68
17. Rajasthan	4.17
18. Tamil Nadu	7.27
19. Tripura	0.25
20. Uttar Pradesh	16.10
21. West Bengal	8.30
Total	100.00

IV. Grant in lieu of tax on Railway Passenger Fares :

The grant to be made available to the States in lieu of tax under the repealed Railway Passenger Fares Tax Act, 1957 be distributed among the States as under:—

State	Percentage share
1. Andhra Pradesh	8.01
2. Assam	2.70
3. Bihar	10.58
4. Gujarat	7.47
5. Haryana	2.57
6. Himachal Pradesh	0.17
7. Jammu & Kashmir	0.02
8. Karnataka	3.47
9. Kerala	1.61
10. Madhya Pradesh	9.89
11. Maharashtra	8.87
12. Manipur	..
13. Meghalaya	..
14. Nagaland	0.01
15. Orissa	2.24
16. Punjab	5.06
17. Rajasthan	6.59
18. Tamil Nadu	5.14
19. Tripura	0.02
20. Uttar Pradesh	19.85
21. West Bengal	5.73
Total	100.00

V. Estate Duty :

(1) Out of the net proceeds of the estate duty in each financial year, a sum equal to 2.5 per cent thereof be retained by the Union as being the proceeds attributable to Union Territories; and

(2) the balance of net proceeds be distributed among the States in accordance with the following principles;

(a) Such balance be first apportioned between immovable property and other property in the ratio of the gross value of all such properties brought into assessment in that year;

(b) the sum thus apportioned to immovable property be distributed among the States in proportion to the gross value of the immovable property located in each State and brought into assessment in that year; and

(c) the sum apportioned to property other than immovable property be distributed among the States in proportion to the population of each state, namely:

State	Percentage
1. Andhra Pradesh	8.04
2. Assam	2.70
3. Bihar	10.41
4. Gujarat	4.93
5. Haryana	1.86
6. Himachal Pradesh	0.64
7. Jammu and Kashmir	0.85
8. Karnataka	5.41
9. Kerala	3.94
10. Madhya Pradesh	7.70
11. Maharashtra	9.31
12. Manipur	0.20
13. Meghalaya	0.19
14. Nagaland	0.10
15. Orissa	4.05
16. Punjab	2.50
17. Rajasthan	4.76
18. Tamil Nadu	7.61
19. Tripura	0.29
20. Uttar Pradesh	16.32
21. West Bengal	8.19
Total	100.00

VI. Grant on account of wealth tax on agricultural property :

The grant to be made available to the States be distributed among the States in proportion to the value of agricultural property located in each State and brought into assessment in each year.

VII. Grants-in-aids :

The following States be paid the sums specified against each of them as grants-in-aid of their revenues in the respective years indicated in the table below, under the substantive part of Clause (1) of Article 275 of the Constitution:—

(Rs. crores)

State	Total amount to be paid in the five years	Grants in-aid to be paid in				
		1974-75	1975-76	1976-77	1977-78	1978-79
1. Andhra Pradesh	205.93	42.83	43.47	41.89	39.45	38.29
2. Assam	254.53	49.66	51.33	50.60	51.35	51.59
3. Bihar	106.28	18.78	23.92	21.12	21.53	20.93
4. Himachal Pradesh	160.96	31.72	32.02	32.15	32.42	32.65
5. Jammu & Kashmir	173.49	34.57	34.65	34.73	34.83	34.71
6. Kerala	208.93	43.85	43.46	41.19	40.92	39.51
7. Manipur	114.53	21.05	21.97	22.85	23.84	24.82
8. Meghalaya	74.67	13.61	14.23	14.90	15.63	16.30
9. Nagaland	128.84	23.77	24.68	25.72	26.77	27.90
10. Orissa	304.73	56.97	60.11	61.00	62.56	64.09
11. Rajasthan	230.53	49.30	48.57	46.05	44.30	42.31
12. Tripura	112.50	20.66	21.53	22.44	23.45	24.42
13. Uttar Pradesh	198.83	21.61	33.91	39.23	49.10	54.98
14. West Bengal	234.86	53.29	49.27	46.57	44.55	41.18
Total	2509.61	481.67	503.12	500.44	510.70	513.68

OUR RECOMMENDATIONS ON OTHER TERMS OF REFERENCE

I. Financing of Relief Expenditure

In the light of our analysis of the advantages and disadvantages of the establishment of a National Fund, and the views expressed by the State Governments we have concluded that the establishment of a National Fund, fed by Central and State contributions, is neither feasible nor desirable. At the same time the present arrangements for providing assistance to the States for meeting expenditure on relief operations need to be completely overhauled. Detailed programmes of both medium and long term significance for permanent improvement of the areas liable to drought and flood should be drawn up with the utmost urgency and these programmes fully integrated with the Plan. We strongly urge that instead of incurring expenditure on relief on *ad hoc* basis on schemes of dubious value, provision should be made on a much larger scale for development of drought and flood-prone areas in the Fifth Plan both in the State and Central sectors. Any assistance which is provided to the States for purposes of relief in this manner would be subject to the overall ceiling of Central assistance for the Plan period as a whole. At the same time we feel that the provision of a reasonable margin in the forecasts of State expenditure should be considered as a legitimate charge on the revenue accounts of the States. We recommend the following annual provisions under "64—Famine Relief" for different States.

(Rs. crores)

State	
1. Andhra Pradesh	4.31
2. Assam	1.25
3. Bihar	4.61
4. Gujarat	4.55
5. Haryana	1.24
6. Himachal Pradesh	0.03
7. Jammu & Kashmir	0.35
8. Karnataka	1.91
9. Kerala	0.30
10. Madhya Pradesh	3.41
11. Maharashtra	4.17
12. Manipur	0.04
13. Meghalaya	0.04
14. Nagaland	0.02
15. Orissa	3.58
16. Punjab	0.33
17. Rajasthan	10.19
18. Tamil Nadu	1.52
19. Tripura	0.07
20. Uttar Pradesh	2.18
21. West Bengal	6.61

We have taken these figures into account in arriving at the grants, if any, needed by the States under Article 275 of the Constitution.

II. Changes in the terms of repayment of Central Loans

We have made an assessment of the non-Plan capital gap of the States on uniform and comparable basis for the five years ending with 1978-79. The methodology adopted by us and the State-wise non-Plan capital gaps as assessed by us are indicated in Chapter XVI. In the light of this assessment, we have made a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1973-74 and have recommended changes in the existing terms of repayment having regard to all relevant factors including the overall non-Plan gaps of the States, their relative position, the purposes for which the loans have been utilised and the requirements of the Centre. Our proposals for consolidation of outstanding Central loans and revision of their terms of repayment are estimated to ensure relief in the amount falling due for repayment by the States to the Centre over the period 1974—79 as under :—

(Rs. crores)

State	Estimated relief in repayment of loans to Government of India during Fifth Plan period on the basis of our proposals
1. Andhra Pradesh	191.20
2. Assam	162.49
3. Bihar	133.35
4. Gujarat	36.25
5. Haryana	33.14
6. Himachal Pradesh	34.57
7. Jammu & Kashmir	133.43
8. Karnataka	127.04
9. Kerala	109.77
10. Madhya Pradesh	87.16
11. Maharashtra	66.58
12. Manipur	15.23
13. Meghalaya	7.64
14. Nagaland	5.84
15. Orissa	157.32
16. Punjab	15.18
17. Rajasthan	258.14
18. Tamil Nadu	87.05
19. Tripura	14.35
20. Uttar Pradesh	150.77
21. West Bengal	143.12
Total	1969.62

K. Brahmananda Reddi
Chairman

B. S. Minhas
Member

S. A. Masud
Member

I. S. Gulati
Member

G. Ramachandran
Member-Secretary

New Delhi
October 28, 1973.

APPENDIX I

Provisions of the Constitution having a bearing on the work of the Finance Commission

Article 268—

(1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected—

(a) in the case where such duties are leviable within any Union territory, by the Government of India, and

(b) in other cases, by the States within which such duties are respectively leviable.

(2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State.

Article 269—

(1) The following duties and taxes shall be levied and collected by the Government of India but shall be assigned to the States in the manner provided in clause (2), namely :—

(a) duties in respect of succession to property other than agricultural land;

(b) estate duty in respect of property other than agricultural land;

(c) terminal taxes on goods or passengers carried by railway, sea or air;

(d) taxes on railway fares and freights;

(e) taxes other than stamp duties on transactions in stock-exchanges and futures markets;

(f) taxes on the sale or purchase of newspapers and on advertisements published therein;

(g) taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce.

(2) The net proceeds in any financial year of any such duty or tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that duty or tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.

(3) Parliament may by law formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade or commerce.

Article 270—

(1) Taxes on income other than agricultural income shall be levied and collected by the Government of India and distributed between the Union and the States in the manner provided in clause (2).

(2) Such percentage, as may be prescribed, of the net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed.

(3) For the purposes of clause (2), in each financial yaer such percentage as may be prescribed of so much of the net proceeds of taxes on income as does not represent the net proceeds of taxes payable in respect of Union emoluments shall be deemed to represent proceeds attributable to Union territories.

(4) In this article—

(a) "taxes on income" does not include a corporation tax;

(b) "prescribed" means—

(i) until a Finance Commission has been constituted, prescribed by the President by Order, and

(ii) after a Finance Commission has been constituted, prescribed by the President by Order after considering the recommendations of the Finance Commission;

(c) "Union emoluments" includes all emoluments and pensions payable out of the Consolidated Fund of India in respect of which income-tax is chargeable.

Article 271—

Notwithstanding anything in articles 269 and 270, Parliament may at any time increase any of the duties or taxes referred to in those articles by a surcharge for purposes of the Union and the whole proceeds of any such surcharge shall form part of the Consolidated Fund of India.

Article 272—

Union duties of excise other than such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied and collected by the Government of India, but, if Parliament by law so provides, there shall be paid out of the Consolidated Fund of India to the States to which the law imposing the duty extends sums equivalent to the whole or any part of the net proceeds of that duty, and those sums shall be distributed among those States in accordance with such principles of distribution as may be formulated by such law.

Article 274—

(1) No Bill or amendment which inposes or varies any tax or duty in which States are interested, or which varies the meaning of the expression "agricultural income" as defined for the purposes of the enactments relating to Indian income-tax, or which affects the principles on which under any of the foregoing provisions of this Chapter moneys are or may be distributable to States, or which imposes any such surcharge for the purposes of the Union as is mentioned in the foregoing provisions of this Chapter, shall be introduced or moved in either House of Parliament except on the recommendations of the President.

(2) In this article, the expression "tax or duty in which States are interested" means—

(a) a tax or duty the whole or part of the net proceeds whereof are assigned to any State; or

(b) a tax or duty by reference to the net proceeds whereof sums are for the time being payable out of the Consolidated Fund of India to any State.

Article 275—

(1) Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States :

Provided that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of a State such capital and recurring sums as may be necessary to enable that State to meet the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of the Scheduled Tribes in that State or raising the level of administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State :

Provided further that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the State of Assam sums, capital and recurring equivalent to—

(a) the average excess of expenditure over the revenues during the two years immediately preceding the commencement of this Constitution in respect of the administration of the tribal areas specified in Part A of the table appended to paragraph 20 of the Sixth Schedule; and

(b) the cost of such schemes of development as may be undertaken by that State with the approval of the Government of India for the purpose of raising the level of administration of the said areas to that of the administration of the rest of the areas of that State.

(2) Until provision is made by Parliament under clause (1), the powers conferred on Parliament under that clause shall be exercisable by the President by order and any order made by the President under this clause shall have effect subject to any provision so made by Parliament :

Provided that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

Article 279—

(1) In the foregoing provisions of this Chapter, "net proceeds" means in relation to any tax or duty the proceeds thereof reduced by the cost of collection, and for the purposes of those provisions the net proceeds of any tax or duty, or of any part of any tax or duty, in or attributable to any area shall be ascertained and certified by the Comptroller and Auditor-General of India, whose certificate shall be final.

(2) Subject as aforesaid, and to any other express provision of this Chapter, a law made by Parliament or an order of the President may, in any case where under this Part the proceeds of any duty or tax are, or may be, assigned to any State, provide for the manner in which the proceeds are to be calculated, for the time from or at which and the manner in which any payments are to be made, for the making of adjustments between one financial year and another, and for any other incidental or ancillary matters.

Article 280—

(1) The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to—

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

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

(c) any other matter referred to the Commission by the President in the interests of sound finance.

(4) The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

Article 281—

The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

Article 282—

The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.

APPENDIX II

The Finance Commission (Miscellaneous Provisions) Act, 1951, as Amended by the Finance Commission (Miscellaneous Provisions) Amendment Act No. XIII of 1955.

An Act

to determine the qualifications requisite for appointment as members of the Finance Commission and the manner in which they shall be selected, and to prescribe their powers.

BE it enacted by Parliament as follows :—

1. **Short title.**—This Act may be called the Finance Commission (Miscellaneous Provisions) Act, 1951

(Act XXXIII of 1951).

2. **Definition.**—In this Act, "the Commission" means the Finance Commission constituted by the President pursuant to clause (1) of article 280 of the Constitution.

3. **Qualifications for appointment as, and the manner of selection of members of the Commission.**—The Chairman of the Commission shall be selected from among persons who have had experience in public affairs, and the four other members shall be selected from among persons who

(a) are, or have been, or are qualified to be appointed as Judges of a High Court; or

(b) have special knowledge of the Finances and accounts of the Government;

(c) have had wide experience in financial matters and in administration ; or

(d) have special knowledge of economics.

4. **Personal interest to disqualify members.**—Before appointing a person to be a member of the Commission, the President shall satisfy himself that that person will have no such financial or other interest as is likely to affect prejudicially his functions as a member of the Commission ; and the President shall also satisfy himself from time to time with respect to every member of the Commission that he has no such interest and any person who is, or whom the President proposes to appoint to be a member of the Commission shall, whenever required by the President so to do, furnish to him such information as the President considers necessary for the performance by him of his duties under this section.

5. **Disqualifications for being a member of the Commission.**—A person shall be disqualified for being appointed as, or for being a member of the Commission—

(a) if he is of unsound mind ;

(b) if he is an undischarged insolvent ;

(c) if he has been convicted of an offence involving moral turpitude ; and

(d) if he has such financial or other interest as is likely to affect prejudicially his functions as a member of the Commission.

6. **Terms of office of members and eligibility for re-appointment.**—Every member of the Commission shall hold office for such period as may be provided for in the order of the President appointing him, but shall be eligible for re-appointment.

Provided that he may, by letter addressed to the President, resign his office.

7. **Conditions of service and salaries and allowances of members.**—The members of the Commission shall render whole time or part time service to the Commission as the President may in each case specify and there shall be paid to the members of the Commission such fees or salaries and such allowances as the Central Government may, by rules made in this behalf, determine.

8. **Procedure and powers of the Commission.**—(1) The Commission shall determine their procedure and in the performance of their functions shall have all the powers of a civil court under the Code of Civil Procedure, 1908 (Act V of 1908) while trying a suit in respect of the following matters, namely:—

(a) summoning and enforcing the attendance of witnesses ;

(b) requiring the production of any document ; and

(c) requisitioning any public record from any court or office.

(2) The Commission shall have power to require any person to furnish information on such points or matters as in the opinion of the Commission may be useful for, or relevant to, any matter under the consideration of the Commission and any person so required shall, notwithstanding anything contained in sub-section (2) of section 54 of the Indian Income-tax Act, 1922, or in any other law for the time being in force be deemed to be legally bound to furnish such information within the meaning of section 176 of the Indian Penal Code.

The Commission shall be deemed to be a civil court for the purposes of sections 480 and 482 of the Code of Criminal Procedure, 1898 (Act V of 1898).

Explanation.—For the purposes of enforcing the attendance of witnesses, the local limits of the Commission's jurisdiction shall be the limits of the territory of India.

APPENDIX III

Correspondence with Union and State Governments

(1) *Letter No. FC. 1(1)-B/72 dated the 17th July, 1972 from Shri G. Ramachandran, Member-Secretary, Finance Commission to Finance Secretaries of all States.*

In Shri Dutt's D.O. letter of even No. dated 28th March, 1972, the State Governments were requested to initiate necessary action for the preparation of :—

(1) State Government's forecast of revenue and expenditure for the five years 1974-75 to 1978-79 in the prescribed proforma; and

(2) Memoranda on the various issues which are generally referred to the Finance Commission such as for example, principles for distribution of—

(i) taxes on income other than Corporation tax;

(ii) Basic and additional excise duties;

(iii) Estate duty on property other than agricultural land;

(iv) Grant in lieu of the repealed tax on railway passenger fares; and

(v) Grants in aid of revenues of the States out of consolidated fund of India.

2. I now send herewith copy of the Notification dated 28th June, 1972 containing the Presidential Order setting up the Sixth Finance Commission. It will be seen that in addition to matters usually referred to the Finance Commissions, to which a reference has been made in Shri Dutt's letter, the following new items have also been referred to the Commission—

(i) Principles governing the distribution among States of the grant to be made available to the States on account of wealth-tax on agricultural property.

(ii) Assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1978-79 and a review in the light of such an assessment of the State's debt position with particular reference to Central loans advanced to them and likely to be outstanding as at the end of 1973-74 and suggest changes in the existing terms of re-payment having regard *inter alia* to the overall non-plan gap of the States, their relative position and the purposes for which the loans have been utilised and the requirements of the Centre.

(iii) Review of the policy and arrangements in regard to the financing of relief expenditure by the States affected by natural calamities and examination *inter alia* of the feasibility of establishing a national fund to which the Central and State Governments may contribute a percentage of their revenue receipts.

3. It may also be kindly seen that para 4(b) of the Presidential Order appended to this letter spells out some of the considerations to which the Commission shall have regard in determining sums to be paid to the States which are in need of assistance by way of grants-in-aid of revenues under article 275 of the Constitution. The Commission is required to assess the requirements on revenue account of States in need of grants-in-aid under article 275 to meet the expenditure on administration taking also into account such provision for emoluments of Government employees, teachers and local body employees as obtaining on a specified date as the Commission deem it proper. The Commission has proposed to adopt 1st January, 1972 as the date of reference. Accordingly, the projections of non-developmental expenditure for the years 1974-75 to 1978-79 should take into account only scales of pay, dearness allowance and other allowances as obtaining on 1st January, 1972, *i.e.*, on the basis of orders issued and implemented on or before 1st January, 1972. Paragraph 5 of the Explanatory Note regarding statement II appended to Shri Dutt's letter dated 28th March, 1972 will stand modified to this extent. In the view we have taken of the date of reference it is not also necessary for you to furnish details of further revisions of scales of pay that may be under contemplation in any separate statement.

In paragraph 3 of the 'Explanatory Note regarding statement I' attached to Shri Dutt's letter the States were required to furnish the forecast of revenue receipts on the basis of levels of taxation likely to be reached by the end of 1972-73. The Commission's terms of reference stipulate that the revenue resources of the States should be assessed on the basis of levels of taxation likely to be reached at the end of financial year 1973-74. I am, therefore, to request that the State's forecast of revenue receipts be related to the levels of taxation likely to be reached at the end of 1973-74.

4. For the assessment of non-Plan capital gaps of the States, the Commission will require from all the States a forecast, year by year, of the estimated receipts and disbursements on capital account. This may be prepared in the form appended to this letter with suitable notes explaining the basis of the projections in the forecasts in respect of each item of receipt and disbursement. We shall also be grateful if the State Government could, while furnishing this forecast, indicate their views on the appropriateness of classification as between Plan and non-Plan of the different items figuring under capital receipts and disbursements.

5. In addition, the Commission shall be grateful to have memoranda containing the views of the State Governments on—

(i) the debt position of the States, purposes for which loans have been utilised, the existing terms of repayments of various categories of Central loans and the changes, if any, required therein.

(ii) Principles which should govern in their view the distribution of grants on account of wealth-tax on agricultural property.

(iii) The existing arrangements and policy for meeting the expenditure on natural calamities and on the proposals for setting up a national fund fed by contributions by Centre and States.

6. A list of subsidiary points relating to financial and economic matters on which detailed notes are required by the Commission is enclosed.

7. *Thirty copies* of the forecast, memoranda and information on subsidiary points sought in this letter as well as in Shri Dutt's letter dated 28-3-1972 may kindly be sent so as to reach me by the 30th August, 1972.

8. The receipt of this letter may kindly be acknowledged. Please feel free to write to me if you should need clarification on any of the points on which information has been sought.

APPENDIX II

The Finance Commission (Miscellaneous Provisions) Act, 1951, as Amended by the Finance Commission (Miscellaneous Provisions) Amendment Act No. XIII of 1955.

An Act

to determine the qualifications requisite for appointment as members of the Finance Commission and the manner in which they shall be selected, and to prescribe their powers.

BE it enacted by Parliament as follows :—

1. **Short title.**—This Act may be called the Finance Commission (Miscellaneous Provisions) Act, 1951

(Act XXXIII of 1951).

2. **Definition.**—In this Act, "the Commission" means the Finance Commission constituted by the President pursuant to clause (1) of article 280 of the Constitution.

3. **Qualifications for appointment as, and the manner of selection of members of the Commission.**—The Chairman of the Commission shall be selected from among persons who have had experience in public affairs, and the four other members shall be selected from among persons who

(a) are, or have been, or are qualified to be appointed as Judges of a High Court; or

(b) have special knowledge of the Finances and accounts of the Government;

(c) have had wide experience in financial matters and in administration ; or

(d) have special knowledge of economics.

4. **Personal interest to disqualify members.**—Before appointing a person to be a member of the Commission, the President shall satisfy himself that that person will have no such financial or other interest as is likely to affect prejudicially his functions as a member of the Commission ; and the President shall also satisfy himself from time to time with respect to every member of the Commission that he has no such interest and any person who is, or whom the President proposes to appoint to be a member of the Commission shall, whenever required by the President so to do, furnish to him such information as the President considers necessary for the performance by him of his duties under this section.

5. **Disqualifications for being a member of the Commission.**—A person shall be disqualified for being appointed as, or for being a member of the Commission—

(a) if he is of unsound mind ;

(b) if he is an undischarged insolvent ;

(c) if he has been convicted of an offence involving moral turpitude ; and

(d) if he has such financial or other interest as is likely to affect prejudicially his functions as a member of the Commission.

6. **Terms of office of members and eligibility for re-appointment.**—Every member of the Commission shall hold office for such period as may be provided for in the order of the President appointing him, but shall be eligible for re-appointment.

Provided that he may, by letter addressed to the President, resign his office.

7. **Conditions of service and salaries and allowances of members.**—The members of the Commission shall render whole time or part time service to the Commission as the President may in each case specify and there shall be paid to the members of the Commission such fees or salaries and such allowances as the Central Government may, by rules made in this behalf, determine.

8. **Procedure and powers of the Commission.**—(1) The Commission shall determine their procedure and in the performance of their functions shall have all the powers of a civil court under the Code of Civil Procedure, 1908 (Act V of 1908) while trying a suit in respect of the following matters, namely:—

(a) summoning and enforcing the attendance of witnesses ;

(b) requiring the production of any document ; and

(c) requisitioning any public record from any court or office.

(2) The Commission shall have power to require any person to furnish information on such points or matters as in the opinion of the Commission may be useful for, or relevant to, any matter under the consideration of the Commission and any person so required shall, notwithstanding anything contained in sub-section (2) of section 54 of the Indian Income-tax Act, 1922, or in any other law for the time being in force be deemed to be legally bound to furnish such information within the meaning of section 176 of the Indian Penal Code.

The Commission shall be deemed to be a civil court for the purposes of sections 480 and 482 of the Code of Criminal Procedure, 1898 (Act V of 1898).

Explanation.—For the purposes of enforcing the attendance of witnesses, the local limits of the Commission's jurisdiction shall be the limits of the territory of India.

MINISTRY OF FINANCE

(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 28th June, 1972

S.R.O. 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 is pleased to constitute a Finance Commission consisting of Shri K. Brahmananda Reddi, former Chief Minister of Andhra Pradesh, as the Chairman and the following four other Members, namely:—

1. Shri Justice Syed Sadat Abul Masud Judge, Calcutta High Court.
2. Dr. B. S. Minhas, Member, Planning Commission.
3. Dr. I. S. Gulati, Senior Fellow, Centre for Development Studies, Trivandrum.
4. Shri G. Ramachandran – 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 31st day of October, 1973.

3. The Chairman and Members of the Commission except Dr. B. S. Minhas and Dr. I. S. Gulati shall render whole-time service to the Commission. Dr. B. S. Minhas shall render part-time service as Member of the Commission. Dr. I. S. Gulati shall render part-time service as Member of the Commission until such date as the Central Government may specify in this behalf and thereafter he shall render whole-time service to the Commission.

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

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I of Part XII of the Constitution and 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 having regard, among other considerations, to:—

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

(ii) the revenue resources of those States for the five-years ending with the financial year 1978–79 on the basis of the levels of taxation likely to be reached at the end of the financial year 1973–74;

(iii) the requirements on revenue account of those States to meet the expenditure on administration taking also into account such provision for emoluments of Government employees, teachers and local body employees as obtaining on a specified date as the Commission deem it proper in the light of the States' capacity and needs, interest charges in respect of their debt, transfer of funds to local bodies and aided institutions and other committed expenditure;

(iv) adequate maintenance and upkeep of capital assets and maintenance of Plan schemes completed by the end of 1973–74, the norms, if any, on the basis of which specified amounts are allowed for the maintenance of different categories of capital assets being indicated by the Commission;

(v) the requirements of States which are backward in standards of general administration for upgrading the administration with a view to bringing it to the levels obtaining in the more advanced States over a period of ten years; and

(vi) the scope for better fiscal management and economy consistent with efficiency which may be effected by the States in their administrative, maintenance, developmental and other expenditure;

(c) the changes, if any, to be made in the principles governing the distribution amongst the States of the grant to be made available to the States in lieu of tax under the repealed Railway Passenger Fares Tax Act, 1957;

(d) the changes, if any, to be made in the principles governing the distribution amongst the States under article 269 of the Constitution of the net proceeds in any financial year of estate duty in respect of property other than agricultural land;

(e) the changes, if any, to be made in the principles governing the distribution 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, on each of the following commodities, namely:—

(i) cotton fabrics,

(ii) woollen fabrics,

(iii) rayon or artificial silk fabrics,

(iv) sugar, and

(v) tobacco including manufactured tobacco,

in replacement of the States' sales taxes formerly levied by the State Governments;

Provided that the share accruing to each State shall not be less than the revenue realised from the levy of sales tax for the financial year 1956–57 in that State; and

(f) the principles governing the distribution among the States of the grant to be made available to the States on account of wealth tax on agricultural property.

5. The Commission may make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1978–79. In the light of such an assessment, the Commission may undertake a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1973–74 and suggest changes in the existing terms of repayment having regard *inter alia* to the overall non-Plan gap of the States, their relative position and the purposes for which the loans have been utilised, and the requirements of the Centre.

6. The Commission may review the policy and arrangements in regard to the financing of relief expenditure by the States affected by natural calamities and examine *inter alia* the feasibility of establishing a National Fund to which the Central and State Governments may contribute a percentage of their revenue receipts.

7. The Commission in making its recommendations on the various matters aforesaid shall have regard to the resources of the Central Government and the demands thereon on account of the expenditure on civil administration, defence and border security, debt servicing and other committed expenditure or liabilities.

8. The Commission shall make its report by 31st October 1973 on each of the matters aforesaid and covering a period of five years commencing from the 1st day of April, 1974, indicating the basis on which it has arrived at its findings and make available the State-wise criteria adopted in making modifications, if any, in the States' forecasts of receipts and expenditure.

V. V. GIRI
President
[F. 13(1)-B/72]

I. G. PATEL
Secretary (Economic Affairs)

STATEMENT OF CAPITAL RECEIPTS AND DISBURSEMENTS

State.................................

Statement I—Capital Receipts

(*Rs. in lakhs*)

Head of Account	Actuals 1968-69	Actuals 1969-70	Actuals 1970-71	Pre-Actuals 1971-72	B.E. 1972-73	Latest Estimates 1972-73	Estimates 1973-74	Forecast for 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-75 to 1978-79
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1. Market loans													
(a) Gross Loan													
(b) Repayments													
(c) Net borrowings													
2. Loans from Central Govt.													
(a) Loans for State* Plan Schemes													
(b) Loans for centrally* sponsored schemes													
(c) Loans for* Central Plan Schemes													
(d) Loans from Small Saving Collections													
(e) Loans for Natural calamities													
(f) Special loans* for meeting gap in resources													
(g) Loans for clearance* of overdraft													
(h) Other non-Plan loans													
(i) Ways and Means advances													
TOTAL—Loans from Central Govt.													
3. Loans from others (RBI, LIC etc. purpose-wise separately)													
4. Cash credit** Accommodation from SBI and Others													
5. Recoveries of loans and advances													
(a) From Municipal Corporation and Local Bodies													

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(b) From cultivators													
(c) From Statutory Corporations, Boards etc.													
(d) From Govt. servants													
(e) Other recoveries with details													
Total—Recoveries of loans and advances													
6. State Provident Fund													
7. Sinking funds*** (gross) (Disbursements) (Net)													
8. Depreciation*** and other (gross) reserve (Disbursements) funds (Net)													
9. Other*** (gross) Reserve (Disbursements) Funds (Net)													
10. Deposits with details by each item													
11. Advances with details of each item													
12. Remittances													
13. Others (with broad details)													
TOTAL OF I													

NOTE:—

*Figures in respect of these heads to be indicated for the years upto 1973-74 only.

**The purpose for which cash credit accommodation has been obtained, such as procurement of foodgrains, trading in fertilisers etc. may be briefly indicated.

***Each Fund should be mentioned separately.

STATEMENT II—CAPITAL DISBURSEMENTS

(In lakhs of Rs.)

Head of Account	Actuals 1968-69	Actuals 1969-70	Actuals 1970-71	Pre-Actuals 1971-72	B.E. 72-73	L.E. 72-73	Estimates 1973-74	Forecast for 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-75 to 1978-79
1	2	3	4	5	6	7	8	9	10	11	12	13	14
II—*Disbursements*													
1. Non Plan Capital Outlay (other than State trading)													
(a) Industries													
(b) Public work													
(i) On Admn. Buld.													
(ii) Staff Quarters													
(iii) Others (with broad details)													
(c) Agriculture													
(d) Irrigation													
(e) Road and Water Transport Scheme													
(f) Forests													
(g) Other outlay (with broad details)													
Total—1													
2. State Trading (net)													
3. Repayment of loans to Centre													
(a) State Plan loans													
(b) Centrally sponsored Schemes													
(c) Central Plan Schemes													
(d) Small savings													
(e) Natural calamities													
(f) Spl. loans for meeting gap in resources													
(g) Clearance of overdraft													
(h) Other non-Plan loans													
(i) Ways and Means advances													
Total—3													

1	2	3	4	5	6	7	8	9	10	11	12	13	14
4. Repayment to others (RBI, LIC etc. separately)													
5. Cash credit accommodation from State Bank etc.													
6. Non-Plan loans and advances													
(i) Loans to Local Bodies													
(ii) Loans to Statutory Corporations, Boards and Govt. Companies (broad detail to be indicated)													
(iii) Loans to Cultivators													
(iv) Loans to Govt. servants.													
(a) For purchase of vehicles													
(b) For construction of houses.													
(c) Others (purpose-wise)													
(v) Other Non-Plan loans and advances (with broad details)													
Total—6													
7. Outlay on State-Plan Schemes.													
8. Outlay on centrally sponsored schemes													
9. Outlay on Central Plan Schemes													
10. Other items (with details)													
Total—Disbursements													

LIST OF SUBSIDIARY POINTS

I. Taxation :

(1) Basis and rates of land revenue assessment including surcharge, special rates etc. in 1965-66; changes made during the period of the three annual plans and Fourth plan; the rates of land revenue assessment (i) for each district, and (ii) minimum and maximum rates for dry, wet or garden lands; proposals, if any, under consideration for changes in the scheme of land revenue.

(2) Basis and rates of agricultural income tax, if any, on plantations (tea, coffee, rubber and cardamom etc.) and non-plantation crops, with a brief indication with reference to relevant statutory provisions and the procedures for assessment of agricultural income tax, whether on the basis of returns of income or certain flat rates per acre/standard acre.

(3) Basis and rates of charges for irrigation from Government sources as in 1968-69, changes made therein and proposals, if any, under consideration for further changes.

(4-A) Basis and rates of tax, if any, on non-agricultural land in urban areas in the form of urban land tax or ground rent or premium for conversion of agricultural land to non-agricultural uses.

(4-B) Basis and rates of local taxation on land and buildings, with a brief account of procedures for valuation of property, assessment and appeal and revision against assessment.

(5) Prevailing rates of (i) stamp duties, and (ii) registration fees, with a brief description of arrangements for checking under-valuation of properties for evasion of stamp duty.

(6) Basis and rates of taxation on motor vehicles and taxe on passengers and goods.

(7) Prevailing rates and salient features of sales tax system in force in the State—single point or multipoint or both—, together with a brief account of the reviews, if any, made of the working of sales tax system and suggestions made for its improvement from time to time.

(8) Basis and rates of levy of entertainment tax, cinema show tax and betting tax.

(9) Basis and rates of duties on consumption/sale of electricity.

(10) Details of excise revenue for the years 1968-69 and factual information in regard to State Government's policies on excise revenue.

(11) Basis and rates of other taxes, all taxes yielding a revenue of Rs. 50 lakhs or more per annum being listed separately.

(12) Particulars of cesses levied by the State, purposewise and the total proceeds of each cess, the amounts, if any thereof transferred to local bodies or spent directly by the State Government during each year from 1968-69 onwards.

(13) Statement giving the details of measures of additional taxation implemented by the State Government from 1968-69 and those proposed for 1973-74 with their yields during each year.

II. Working Results of State Enterprises and other Autonomous Bodies :

(14) Financial results of State Electricity Board in the proforma enclosed.

(15) Financial results of State Road Transport Corporation (or State Road Transport Department where the transport services are run departmentally) in the proforma attached.

(16) Financial results of other State commercial and industrial undertakings for which commercial accounts are maintained during each of the years beginning 1968-69 and upto 1973-74. (As in the proforma enclosed).

(17) Financial results of major irrigation projects for the period from 1968-69 to 1973-74, with a brief indication of capital outlay, running costs and revenue derived each year, utilisation of irrigation potential and other direct and indirect benefits of the project.

III. Local Finance :

(18) Revenue of local bodies and expenditure incurred by them in each of the years from 1968-69 to 1971-72 with estimates for years 1972-73 to 1973-74 and the 5 years from 1974-75 to 1978-79; the grants received from State Government being indicated separately together with a brief account of powers of taxation available to the local bodies—urban and rural—and the extent of utilisation of such powers by them.

IV. Efficiency in Collection of Taxes and Loans due to Government :

(19) The position of arrears in collection of (i) land revenue, (ii) agricultural income tax, (iii) sales tax, (iv) electricity duties during each yeat from 1968-69 to 1972-73 with a detailed statement showing in respect of each of these sources of revenue (i) the arrears outstanding at the beginning of each year, (ii) the demand for the year, (iii) the amount collected during the year, (iv) the amounts remitted or written off during the year, and (v) the balance carried forward to the subsequent year. (As in the proforma enclosed).

(20) Position of Takavi and land improvement loans with a detailed statement showing (i) the arrears of demand outstanding at the beginning of each year, (ii) the demand for the year, (iii) the amounts collected during the year, (iv) the amounts remitted or written off during the year and (v) the overdue arrears at the end of the year.

(21) Similar information may be furnished also in respect of direct loans by the State to industries under enactments such as State Aid to Industries Act.

V. Public Expenditure :

(22) Revision of pay and dearness and other allowances of (i) State employees, (ii) employees of local authorities and (iii) teachers of aided institutions; (iv) employees of other quasi-Government bodies in each of the years from 1968-69 to 1971-72 (as in the proforma enclosed).

(23) Important measures of administrative reorganisation, if any, carried out during the years from 1968-69 onwards; the basic objectives of such schemes of reorganisation and their impact on the finances of the State Government.

(24) A broad appraisal of economy measures implemented by the state Government during 1968-69 to 1971-72 and their results and further measures, if any, under consideration.

(25) Strength of establishment under police with separate figures for armed police, border police where such police is maintained separately, homeguards, Prantiya Raksha Dal etc., general administration, justice, jails as on 1st of April 1966, 1967, 1968, 1969, 1970, 1971 and 1972.

(26) Number of primary schools, pupils and teachers therein as on 1st April 1966, 1967, 1968, 1969, 1970, 1971 & 1972, showing the additional strength of pupils in these schools together with the age group.

(27) Number of hospitals and dispensaries; total number of beds, nurses, doctors, and mid-wives—rural and urban separately as on 1st April, 1966, 1967, 1968, 1969, 1970, 1971 and 1972.

(28) Mileage of national highways and 'A', 'B' and 'C' class roads as on 1st of April 1966, 1969, 1970, 1971 and 1972 with separate figures for mileage of national highways, State highways, major district roads, village roads etc.

(29) A brief appraisal of norms (if any) which the State Government have prescribed or follow in the regulation of expenditure on maintenance of:—

(i) Administrative buildings ;

(ii) Hospitals and dispensaries ;

(iii) Schools and college buildings ;

(iv) Other categories buildings ;

(v) Roads of different classes and traffic intensity, such as national highways, State Highways, major district roads, village roads etc. ;

(vi) Sources of irrigation—major, medium and minor—with their net-work of canals, indicating the liability, if any, of the beneficiaries of irrigation for maintenance of field channels under the regulations in force ; and

(vii) Other capital assets of Government—categorywise.

(30) A brief appraisal of the norms (if any) which the State Government have prescribed or follow in regulating provisions for (a) medicines and other hospital necessities ; (b) diet in respect of (i) teaching and other major hospitals, (ii) District headquarters hospitals, (iii) Hospitals at Tehsil level, (iv) Primary Health Centres and (v) rural dispensaries etc.

(31) Statement showing expenditure in connection with famine and natural calamities in each of the areas from 1968-69 to 1972-73 and the amount of assistance received from the Centre towards expenditure as grants and loans, by way of supply of foodgrains at concessional prices or otherwise.

(31A) Matching or *ad hoc* grants received or expected to be received from the Central Government and other statutory or non-statutory bodies, e.g., the National Co-operative Development and Warehousing Board, the Indian Council of Agricutural Research, the Indian Central Cotton Committee, the Indian Central Jute Committee, the Handloom Board, etc., during the years 1968-69 to 1973-74, showing separately (i) the gross expenditure on account of Plan and non-Plan schemes financed by such grants, (ii) the pattern and duration of the grants.

VI. Transfers to Funds

(32) A detailed statement showing the amounts included in the forecast by way of transfers to and from any reserve fund with explanations as to the nature and purpose of those funds.

(33) Receipts, payments and balances in the State Road Fund, the famine and natural calamities fund and other reserve funds for each of the years from 1968-69 to 1972-73.

VII. Ways and Means

(34) A statement showing total receipts and expenditure on revenue account, receipts and disbursements on capital account and surplus or deficit on revenue account and capital account during the years from 1968-69 to 1972-73 and the anticipated estimates for 1973-74. This statement should also show how the overall deficit, if any, during each year was financed, i.e. whether by liquidation of securities, withdrawal from cash balance, increase in floating debt or by resort to overdrafts from the Reserve Bank. (As in the proforma enclosed).

VIII. Miscellaneous

(35) Progress of agrarian reforms in the State ; their effect on revenue and expenditure, production of foodgrains and commercial crops during the years 1968-69 and onwards.

(36) Arrangements for preparation and collection of statistics relating to State income and consumption data regarding commodities subject to Union Excise duties.

(37) Kilowats of energy generated in each of the years beginning from 1968 by (i) State undertakings (excluding purchases from D.V.C.) and (ii) private undertakings with indications of the progress of rural electrification programme since 1966 together with the programme for the Fifth Five Year Plan period.

FINANCIAL RESULTS OF STATE ELECTRICITY BOARD/STATE ELECTRICITY DEPTT.

(Details regarding receipts and expenditure on revenue and capital accounts)

(Rs. crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 Estimate	1973-74 Estimate	Fifth Plan period 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-75 to 1978-79
	1	2	3	4	5	6	7	8	9	10	11	12
1.(a) Block capital-(at the beginning of the year)												
(i) invested in completed works.												
(ii) invested in works in progress												
(iii) Total (i+ii)												
(b) Capital base												
2. Installed Capacity (MW)												
(a) Steam												
(b) Hydro												
(c) Diesel												
(d) Total												
3. Peak demand (aggregate) (MW)												
(a) Generation system												
(b) Purchases												
(c) Total												
4. Power (million kwhrs)												
(a) Generated												
(i) Steam												
(ii) Hydro												
(iii) Diesel												
(iv) Total												
(b) Purchased												
(c) Total												
5. Power sold (million kwhrs)												
(a) Within the State												
(b) Outside the State												
(c) Total												
6. Assessed Revenue on												
(a) sale of power												
(i) Within the State (average tariff per unit sold in paise) to be indicated for each year,												
(ii) Outside the State (average tariff per unit-paise)												
(b) arrears due from												
(i) Within the State.												
(ii) Outside the State												
(c) miscellaneous receipts												
TOTAL of 6												

(Rs. crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 Estimate	1973-74 Estimate	Fifth Plan period 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-75 to 1978-79
	1	2	3	4	5	6	7	8	9	10	11	12
7. Revenue expenditure												
(a) Working expenses												
(i) Fuel charges												
(ii) Cost of power purchased												
(iii) Other charges, including misc. repairs.												
(iv) establishment and administrative charges.												
Total (i) to (iv)												
8. Gross operating surplus (6-7)												
9. Transfer to Reserve Fund												
(a) Depreciation Reserve fund.												
(b) Interest on the balance in the depreciation fund.												
(c) General reserve.												
(d) Loans Redemption Fund.												
TOTAL OF 9.												
10. Gross surplus (+) or deficit (-) (8-9).												
11. Interest charges												
(a) On loans from Govt.												
(1) Outstanding on March 31, 1974.												
(2) Loans to be obtained during the Fifth Plan period.												
(b) Interest on bonds (other than Rural debentures).												
(1) Bonds outstanding on March 31, 1974.												
(2) Bonds to be issued during the Fifth Plan period.												
(c) Interest on Rural debentures.												
(d) Others.												
(1) Loans outstanding on March 31, 1974.												
2. Loans to be obtained during the 5th Plan period.												
TOTAL OF 11												

(Rs. Crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 Estimate	1973-74 Estimate	Fifth Plan Period. 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-75 to 1978-79
	1	2	3	4	5	6	7	8	9	10	11	12
12. Net profit or loss (10-11)												
13. Corporation tax.												
14. Transfer to State revenues.												
15. Collection of duty on behalf of the State Government.												
16. Capital receipts.												
(a) Opening Balance.												
(b) Loans from the State Govt.												
(i) Gross loans.												
(ii) Repayment, if any.												
(c) Borrowings from the market (other than Rural debentures)												
(i) Gross loans.												
(ii) Repayment, if any.												
(iii) Net loans.												
(d) Rural debentures.												
(e) Borrowing from LIC.												
(i) Gross loans.												
(ii) Repayments, if any.												
(iii) Net loans.												
(f) Other borrowings*												
(i) Gross loans.												
(ii) Repayments, if any.												
(iii) Net loans.												
(g) Withdrawal from funds.												
(i) Depreciation funds.												
(ii) General reserves.												
(iii) Loan Redemption fund.												
(iv) Others.												
(h) Debt, deposits and remittances (net)												
(i) Provident funds (net)												
(j) Subscription from Govt., f any.												
(k) Other receipts												
(l) Inventories carried forward from previous years.												
TOTAL OF 16 (a) to (k)												
17. Capital expenditure												
(a) Plan Schemes												
(b) Other capital expenditure**												
18. Closing balance												

*The sources such as R.E.C., A.R.C. A.F.C., Agricultural consumers may please be specified.

**Details of other capital expenditure may please be furnished.

Please Note : Separate statements to be prepared and submitted by State.

Electricity Board and the State Electricity Department or any other Department of the State Government which owns and operates power projects.

FINANCIAL RESULTS OF ROAD TRANSPORT CORPORATION/UNDERTAKING

(Rs. crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 Estimate	1973-74 Estimate	Fifth Plan period 1974-75	1975-76	1976-77	1977-78	1978-69	Total 1974-75 to 1978-79
	1	2	3	4	5	6	7	8	9	10	11	12
Road Transport Corporation/Undertaking :												
1. Block capital at the end of the year												
2. No. of vehicles at the end of the year												
(a) Buses												
(b) Others (to be specified)												
3. Overage vehicles at the end of year												
(a) Buses—												
(i) Number												
(ii) Average life assumed												
(b) Other vehicles—												
(i) Number												
(ii) Average life assumed												
4. No. of vehicles replaced during the year												
(a) Buses												
(b) Others (to be specified)												
5. Total vehicles purchased during the year												
(a) Buses												
(b) Others (to be specified)												
6. *Utilisation*												
(a) % of total buses in the fleet on road during the year												
(b) Average kilometreage operated per bus during the year.												
7. Revenue per passenger kilometre												
8. Revenue per bus kilometre												
9. Cost per passenger kilometre (including interest & depreciation)												
10. Cost per bus kilometre (including interest & depreciation).												
11. Gross receipt$												
12. Working Expenses												
13. Interest payments												
(a) to State Government												
(b) to others												
14. Transfer to depreciation fund												
15. Transfer to other funds (to be specified)												
16. Other charges, if any, on current revenues (to be specified).												
17. Net profit [11-(12 to 16)]												
18. Corporation Tax												

(Rs. crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 Estimate	1973-74 Estimate	Fifth Plan period					Total 1974-75 to 1978-79
							1974-75	1975-76	1976-77	1977-78	1978-79	
	1	2	3	4	5	6	7	8	9	10	11	12
19. Contribution to State revenues												
20. Retained profits (17-18-19)												
21. Opcning Balance												
22. Closing Balance												
23. Expenditre met out of funds												
(a) depreciation funds												
(b) other funds												
24. Contribution for the Plan												
(a) Net accretion to depreciation fund (transfers *minus* current replacement expenditure).												
(b) Net accretion to other funds												
(c) Retained profits												
(d) Total contribution for Plan (a+b+c)												

PROFORMA TO ITEM 16 OF THE SUBSIDIARY POINTS.

State ——————

Details of contribution of other autonomous state enterprises (other than Electricity Board and Road Transport Corporation)

(Rs. in crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 Estimate	1973-74 Estimate	Fifth Plan Period 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-75 to 1978-79
	1	2	3	4	5	6	7	8	9	10	11	12
A. Other Autonomous State Enterprises.												
1. Block capital at the beginning of the year . . .												
2. Gross receipts . .												
3. Working expenses .												
4. Interest payments .												
(*a*) To State Government. .												
(*b*) To others .												
5. Transfer to depreciation fund .												
6. Other charges, if any, on current revenues.												
7. Net profits (2-3 to 6) .												
8. Corporation tax . .												
9. Contribution to State revenues.												
10. Retained profits inclusive of transfers to reserve funds (7-8-9) . .												
11. Opening balance .												
12. Closing balance .												
13. Contribution for the Plan . . .												
(*a*) Net accretion to depreciation fund (transfers *minus* current replacement expenditure). .												
(*b*) Retained profits (inclusive of transfers to reserve funds).												

PROFORMA TO ITEM 19 OF THE SUBSIDIARY POINTS.

State ——————

Arrears of Taxes/Non-Tax Revenues

(Rs. crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals (Prelm)	1972-73 Estimates
	1	2	3	4	5
A. Tax Revenues					
1. Land Revenue.					
(*a*) Arrears outstanding at the beginning of the year					
(*b*) the demand for the year					
(*c*) the amount collected during the year					
(*d*) the amount remitted or written off during the year . . .					
(*e*) balance carried forward to the subsequent year					
2. Agricultural Income-tax.					
(*a*) Arrears outstanding at the beginning of the year					
(*b*) the demand for the year					
(*c*) the amount collected during the year					
(*d*) the amount remitted or written off during the year . .					
(*e*) balance carried forward to the subsequent year					
3. Sales Tax.					
(*a*) Arrears outstanding at the beginning of the year					
(*b*) the demand for the year					
(*c*) the amount collected during the year					
(*d*) the amount remitted or written off during the year . . .					
(*e*) balance carried forward to the subsequent year . . .					
4. Electricity Duties.					
(*a*) Arrears outstanding at the beginning of the year					
(*b*) the demand for the year					
(c) the amount collected during the year					
(*d*) the amount remitted or written off during the year . . .					
(*e*) balance carried forward to the subsequent year					
5. Other taxes and duties (Please specify important items) . . .					
Total—A					
B. Non-Tax Revenues					
1. Interest					
(*a*) From State Electricity Board					
(*b*) Other (with broad details)					
2. Other non-tax revenue (Please specify important items)					
Total—B					

PROFORMA TO ITEM 22 OF THE SUBSIDIARY POINTS

State——————

*Expenditure on account of increase in Dearness Allowances and Revision of Pay Scales since 1968-69**

(Rs. crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 Estimate	1973-74 Estimate	Total 1968-69 to 1973-74
	1	2	3	4	5	6	7
1. Increases in 1968-69							
2. Increases in 1969-70							
3. Increases in 1970-71							
4. Increases in 1971-72							
(Orders issued and implemented upto 1-1-72)							

*Please furnish a brief note describing the changes in dearness allowances and pay scales and indicating the dates from which the changes became effective. The estimates should include grants to educational institutions, local bodies, etc. towards meeting the cost of increases in dearness allowances, pay revisions, etc. for their employees. The estimated net accretion to provident funds in different years on account of crediting a part of the additional dearness allowances etc. to the employees' provident fund accounts may also be indicated. The effect of the increase in the case of the quasi-Government bodies may be indicated separately.

PROFORMA TO ITEM 34 OF THE SUBSIDIARY POINTS

State ——————————

Overall Budgetary position

FORECAST FOR

(Rs. crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Pre Actuals	1972-73 B.E.	1972-73 latest Estimates	1973-74	Fifth Plan period 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-75 to 1978-79
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
I. Revenue Receipts													
(*a*) Receipts from Centre . .													
(*i*) Share of Central Taxes .								X	X	X	X	X	X
(*ii*) Grants from Centre . .													
(*a*) Statutory .								X	X	X	X	X	X
(*b*) Plan .								X	X	X	X	X	X
(c) Non-Plan								X	X	X	X	X	X
(*b*) States' own revenue . .													
(*i*) Tax . .													
(*ii*) Non-Tax .													
(*c*) Transfers from funds . .													
Total I .													
II. Revenue Expenditure													
(*a*) Expenditure corresponding to non-plan grants from Centre .								X	X	X	X	X	X
(*b*) States' own direct expenditure :													
(*i*) Non-Developmental													
(*a*) Debt Services													
(*i*) Interest payments .													
(*ii*) Appropriation for reduction or avoidance of debt													
(*b*) Others													
(*ii*) Development expenditure													
(*i*) Plan .													
(*a*) Central and Centrally sponsored Schemes								X	X	X	X	X	X
(*b*) State Plan								X	X	X	X	X	X
(*ii*) Non- Plan													
(*a*) Maintenance expenditure on completed Plan Schemes													
(*b*) Others .													
(*c*) Transfer to funds													
Total II .													

(Rs. crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 B.E.	1972-73 latest Estimate	1973-74	Fifth Plan period 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-75 to 1978-79
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
III. Surplus (+) or Deficit (—) on revenue Account (I—II)													
IV. Capital Receipts													
(*i*) Receipts from Centre													
(*a*) Loans for Plan Schemes								X	X	X	X	X	X
(*b*) Loans for Central and Centrally sponsored Schemes								X	X	X	X	X	X
(*c*) Non-Plan loans .								X	X	X	X	X	X
(*ii*) States' own capital receipts													
Total IV .													
V. Capital Disbursements													
(*i*) Expenditure corresponding to non-Plan loans from Centre								X	X	X	X	X	X
(*ii*) States' own direct Capital disbursements													
Total V .													
VI. Surplus (+) Deficit (—) on Capital Account													
VII. Overall Surplus (+) or Deficit (—) (III+VI)													
Financed by :—													
(a) Drawings on Cash balances								X	X	X	X	X	X
(*b*) Sale of Treasury bills .													
(*c*) Sale of other unearmarked securities								X	X	X	X	X	X
								X	X	X	X	X	X
(*d*) Increase in ways and means advances from R.B.I								X	X	X	X	X	X
(*e*) Increase in over-draft								X	X	X	X	X	X
(*f*) Special accommodation from Centre, if any[1]								X	X	X	X	X	X
Total (a—f)													

X Figures not to be projected for the Fifth Plan period.

STATE————————

Transactions on account of Short-term Loans from the Centre for Fertilizers etc.

(Rs. crores)

	1968-69 Actuals	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 Estimate	1973-74 Estimate	Fifth Plan Period 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-75 to 1978-79
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Short-term loans from Centre for fertilizers, etc. . . .												
2. Disbursement of loans to cultivators, etc. on account of item 1 above												
3. Recoveries from cultivators etc. on account of 2 above . . .												
4. Repayment of short-term loans to Centre . .												

(2) *Letter No. F.C. 1(1)-B/72 dated the 25th September, 1972 from Member Secretary, Finance Commission to Finance Secretaries of all States.*

Would you kindly refer to items (22) and (23) in Section V (Public Expenditure) of the list of subsidiary points attached to my D.O. letter No. FC 1 (1)-B/72, dated the 17th July, 1972? It is expected that the preparation of notes on these items which relate to Pay, D.A. and other allowances of State Government employees, teachers, employees of local bodies and other quasi-Government bodies, and to measures of administrative reorganisation carried out since 1968-69 would, if not already completed, be in an advanced stage.

2. It will be useful if the State Governments could in this connection also furnish information in regard to pay scales, D.A. and other allowances of various categories of employees, I shall therefore be grateful if the State Government would furnish the following information relating to various categories of employees with special reference to posts listed in the annexure:—

(i) Minimum and maximum of pay scale;

(ii) Dearness allowance;

(iii) Other allowances (specially house rent allowance, city compensatory allowance and conveyance allowance);

(iv) Total number of employees in the different pay ranges.

3. It is requested that thirty copies of the note on this subject may be sent to me as early as possible and in any case by the 15th October, 1972.

ANNEXURE

Revenue Administration

1. Lekhpal/Patwari/village accountant
2. Revenue Inspector
3. Naib-Tehsildar/Deputy Tehsildar
4. Tehsildar
5. Sub-deputy Collector
6. Deputy Collector
7. Additional Collector/Joint Collector/District Revenue Officer.

Police Administration

1. Constable
2. Head Constable
3. Assistant Inspector/Sub-Inspector
4. Inspector
5. Deputy Superintendent of Police

Civil Judiciary

1. Munsifs
2. Civil Judges/Sub-Judges
3. Civil & Sessions Judges
4. District Judges

Education

1. Teachers in Primary Schools (trained/untrained)
2. Teachers in Middle Level Schools (trained/untrained)
3. Assistant Master in Govt. High Schools (trained/untrained)/B.T. Assistants
4. Headmaster of Govt. High Schools/Aided Institutions

Engineering Services

1. Diploma holders (overseers/supervisors/Junior engineers)
2. Degree-holder / (Assistant Engineers)
3. Executive Engineers
4. Superintending Engineers

Secretariat and other Office Establishments

1. Orderly/Peon/Jamadars
2. Junior/Routine Grade clerks
3. L.D.Cs.
4. U.D.Cs.
5. Stenographers/P.As.
6. Assistant Superintendents
7. Superintendents/Section Officers

Medical & Health Staff

1. Nursing Orderlies
2. Nurses
3. Compounders
4. Pharmacist/Laboratory Technicians/Radiographers etc.
5. Social Worker/Health Visitor
6. Civil Assistant Surgeon
7. Civil Surgeon

Agriculture

1. Fieldman
2. Agricultural Demonstrator/Extension Officer (Graduates in Agriculture)
3. District Agricultural Officer

Animal Husbandry

1. Live Stock Inspector/Assistant
2. Veterinary Assistant Surgeons (Graduates in Veterinary Science)
3. District Veterinary Officers/Live Stock Officers

Forest Department

1. Forest Guards
2. Forester
3. Assistant Ranger
4. Ranger
5. District Forest Officer

(3) *Letter No.* 1(1)-*B*/72, *dated Ist September*, 1972 *from Member-Secretary, Finance Commission to Finance Secretaries of all States.*

With my D.O. letter of even no. dated July 17, 1972 I had forwarded to you a list of subsidiary points relating to financial and economic matters on which detailed notes were required by the Commission. I shall be grateful if you kindly furnish information on the following points as well:—

(i) Basis and existing rates of electricity tariffs/duty for power supply to various categories of users and for different purposes in the proforma 'A' enclosed. Please indicate when last revision in rates took place in respect of each category.

(ii) Basis and existing rates of bus fares by distance travelled/stages for single or return journeys separately for (a) State Road Transport Corporation buses; (b) Departmentally run buses; and (c) private buses on various routes. Separate information may be given for (a) passengers; and (b) goods. Please indicate when last revision in rates took place in respect of each category.

(iii) A statement showing assets and liabilities of the State Government at the end of each year of the Fourth Five Year Plan, in proforma 'B' enclosed.

(iv) A statement showing position regarding receipts and disbursements under important Deposit Heads in the Public Account of the State Government as in proforma 'C'.

(v) Estimated investment in Rural Electrification Works out of the total Block Capital (at the beginning of each year) of the State Electricity Board for each year beginning from 1968-69 to 1978-79.

PROFORMA 'A'

State——————————

Average rates of Electricity Supply and Electricity Duty for different categories of Consumers

Average rate in P/KWH

Category of Consumers	KWH/month	Rate	Duty Tax	Total	Enforced with effect from
1	2	3	4	5	6
1. Domestic					
(a) Lights and fans	(30)				
(b) Heat and Small power	(100)				
(c) Combined load	(130)				
2. Commercial					
(a) Lights and fans	(200)				
(b) Heat and Small power	(400)				
(c) Combined load	(600)				
3. Agricultural purposes (10 HP, 15% L.F.)	(817)				
4. Small Scale Industries (10 KW, 20% L.F.)	(1460)				
5. Medium Industries (50 KW, 30% L.F.)	(10,950)				
6. Large Industry I (250 KW, 40% L.F.)	(73,000)				
7. Large Industry II (1000 KW, 50% L.F.)	(365,000)				
8. Heavy Industry (5000 KW, 60% L.F.)	(2,190,000)				
9. Public Lighting					
10. Supplies to consumers outside the State.					
(a) Inter Board Supplies					
(b) Supplies to other Governments					
(c) Others					

Notes: The average rates may be worked out on the following basis:—

1. Power factor may be assumed at 0.85'.
2. Wherever in the case of H.T. Industrial rates fuel sur-charge is levied, the fuel sur-charge, as per latest available information, may be indicated separately.
3. All the H.T. Industrial rates may be worked out considering a supply voltage of 11 KV.
4. Prompt payment rebate, wherever given, may be taken into account.

PROFORMA 'B'

State——————————

Assets and Liabilities of the State Government as on 31st March of each Year

	1969	1970	1971	1972	1973	1974
A. *Liabilities*						
1. Due to Government of India.						
2. Open market loans.						
3. Land compensation bonds.						
4. Floating Loans.						
5. Other loans.						
6. State Provident Funds.						
7. Other Deposits.						
Total—A						
B. *Assets*						
1. Loans advanced (due to Government)						
2. Loans to Electricity Boards.						
3. Other assets.						
4. Cash balances.						
5. Investments:						
(a) In securities						
(i) Earmarked.						
(ii) Unearmarked.						
(b) Other investments.						
Total—B						

Note:—Details may be given wherever available by Major items only.

PROFORMA 'C'

Deposits and Advances

	As on 31st March of each year										
	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
1. Deposits of Depreciation Reserves of Government Commercial concerns.											
(a) Kept with State Government.											
(b) Kept with banking and financial institutions including liquid, cash and investments in shares etc.											
2. Electricity Board Deposits.											
(a)											
(b)											
3. Housing Board Deposits.											
(a)											
(b)											
4. Deposits of Small Industries Corporation.											
(a)											
(b)											
5. Deposits of Agro-Industries Corporation.											
(a)											
(b)											
6. Deposits of Khadi and Village Industries Board.											
(a)											
(b)											
7. Deposits of Local Funds.											
(a)											
(b)											
8. Other deposits. (please specify details by major categories)											
(a)											
(b)											

(4) *Letter No. F.C.18 (1)-A/72, dated 13th October, 1972 from Member-Secretary, Finance Commission to Finance Secretaries of all States.*

Please refer to my D.O. letter of even number dated the 1st September, 1972 in which the State Government had been requested to furnish certain information relating to the working of the State Electricity Board, State Road Transport Corporation etc.

2. I shall be grateful if information on the following additional points relating to the State Electricity Board is also made available to us at an early date:—

(i) Total progressive investment in power projects, as at the end of each year from 1968-69 to 1971-72 and estimated at the end of 1972-73 and 1973-74 separately for the various systems of power generation e.g. steam, hydro, diesel etc;

(ii) Average cost of power per unit (kwh) produced under each of the above mentioned systems separately and also all the systems taken together during the year 1968-69 to 1971-72;

(iii) Average revenue in paisa per unit (kwh) realised from power sold

(a) within the State and

(b) outside the State

for each of the years from 1968-69 to 1971-72;

(iv) Receipt from electricity duty for the years 1968-69 to 1971-72 together with its break-up as follows:—

(a) on power sold by the State Electricity Board.

(b) on power sold by departmental electricity undertakings including electricity portion of multipurpose river valley project etc;

(c) on sale of power purchased from other State/Systems and

(d) on sale of power by private generators etc. For this purpose, aggregate revenue from electricity duties may be split up in proportion to the number of units sold under each category.

3. It will be useful if similar estimates could also be furnished for each of the years 1972-73 to 1978-79. Such estimates would, it is expected, not be difficult to prepare if the formulation of the Fifth Plan of the power sector is in an advanced stage. If, however, the preparation of the Fifth Plan is likely to take some time, estimates, for these years can be sent subsequently, without holding up the compilation and submission of the information asked for in the preceding paragraph:—

4. Brief notes may also kindly be furnished on the following:—

(a) Present position regarding the estimated level of losses in power transmission/distribution etc., and steps taken by the State Government/State Electricity Board to minimise such losses;

(b) Norms, if any, used by the State Electricity Board in projecting its receipts and expenditures for purposes of the budget and for formulation of the forecast to be furnished to the Planning Commission in connection with Annual Plans. A note on this point has already been sought in Shri A. G. Krishnan's D.O. letter No. F.C. 21(2)-A/72 dated the 8th September, 1972.

5. It is requested that the above information, together with the material asked for in my earlier letter of the 1st September, 1972 may be furnished to us urgently and in any case by the 15th November, 1972.

(5) *Letter No. F.C. 20 (4)-A/72 dated 1st August, 1972 from Shri G. Ramachandran, Member-Secretary, Finance Commission to Finance Secretaries of all States.*

In terms of para 5 of the Presidential Order setting up the Sixth Finance Commission, the Commission is expected to undertake "a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1973-74 and suggest changes in the existing terms of repayment having regard, *inter alia* to the overall non-Plan gap of the States, their relative position and the purpose for which the loans have been utilised and the requirements of the Centre".

2. In order to be able to deal with this question the Finance Commission would need to have a detailed picture of the debt position of the State—purposes for which loans from different sources have been obtained, the terms of the loans, amounts still outstanding and the schedule of repayment upto 1978-79. I shall be grateful if you can, in consultation with the Accountant General concerned, furnish information as required in the proforma attached for each of the categories of loans indicated in the Annexure.

3. Thirty copies of the statements containing information as in the proforma may kindly be sent so as to reach me by the 15th September, 1972. If you need clarification on any point pertaining to compilation of these statements, please do not hesitate to write to me.

DEBT POSITION OF STATES

State——————————

Amounts outstanding as on 31-3-1972 *and schedule of repayments upto* 1978-79—

Statement No.——————

(Rs. lakhs)

Sl. No.	Item/Purpose	Rate of interest	Other terms of repayment	Originally raised		Outstanding as on 31-3-72	Scheduled to be repaid during							Balance if any as on 31-3-79
				Year	Amount		72-73	73-74	74-75	75-76	76-77	77-78	78-79	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Notes:—1. Loans repayable in 12 months and under may be excluded from these statements, and shown in a separate statement purposewise.

2. Col. 3 should refer to actual/effective rate of interest, taking into account the rebate, if any, for prompt repayments.

3. Col. 7: overdue instalments should not be included under this column, but may be shown separately.

STATEMENT III—*Loans for Centrally sponsored Schemes.*

Details may be furnished by individual schemes. These details should not be included either under Statement I or Statement II.

B. Loans from Financial Institutions to States.

(Statements under this category should not include loans given to autonomous bodies like State Electricity Boards, State Road Transport Corporation etc., with or without state Government guarantee).

STATEMENT IV—*Loans from Reserve Bank of India.*

Details may be furnished by individual loans sepatately for Plan and non-Plan purposes. This statement should not include ways and means advances and overdrafts.

STATEMENT V—*LIC Loans:—*

Details may be given by individual loans separately for Plan and non-Plan purposes.

STATEMENT VI—*Loans from State Bank of India.*

STATEMENT VII—*Loans from Nationalised Banks.*

STATEMENT VIII—*Loans from other Financial Institutions.*

STATEMENT IX—*Loans from other autonomous bodies e.g. ICAR. etc.*

Details may be given by individual loans, for Statements VI to XI.

ANNEXURE

A. Loans from the Centre

STATEMENT I—*Non-Plan Loans.*

Details may be given by individual loans. This statement will include all non-Plan loans from the Centre such as loans given for clearance of over-drafts, special accommodations, small savings collections, relief of distress caused by natural calamities, non-Plan development and other non-development purposes. This will *exclude* loans for Centrally sponsored schemes but will *include* loans for specified development projects outside the Plan.

STATEMENT II—*Loans for State Plan Schemes.*

Details may be furnished as under:

(a) Upto 1957-58 by individual loans

(b) 1958-59 to 1968-69.

State Governments are aware that the procedures for allocation and release of Central assistance (loans as well as grant) for State Plans were progressively liberalised during this period. Information in regard to purpose-wise utilisation of Central assistance will therefore be available, in varying degrees of detail, for this period. The purpose-wise distribution of Central assistance may, therefore, be indicated by Schemes/groups/heads as the case may be with reference to the instructions governing assessment and release of Central loan assistance for the Plan for the year in question. It may also be recalled that during this period there was a special category of loan, called "Miscellaneous development loan" for purposes of the plan. The purpose-wise allocation of miscellaneous development loan may be made with reference to approvals in this regard accorded by Planning Commission/Union Ministry of Finance for each year.

(c) 1969-70 onwards—block loans:

Loans for centrally sponsored schemes should not be included under statement II.

(6) *Letter No. F.C.* 20 (4) *-A/72 dated* 23*rd Aptil,* 1973 *from Shri G. Ramachandran, Memeber-Secretary, Finance Commission to Finance Secretaries of all States.*

The Commission had requested you, in its letter of even number of August 1, 1972, to furnish data in regard to the debt position of your State—purposes for which loans from different sources have been obtained, the terms of loans, amount still outstanding and the schedule of repayments up to 1978-79. The information called for related to amounts outstanding as on 31st March, 1972 and schedule of repayment in respect of these loans upto 1978-79. The information in regard to this has already been furnished by your State Government.

2. Now that the year 1972-73 has come to a close the Commission would like to have, at an earlier date, the figures relating to loans obtained by your State Government (excluding short term loans repayable in 1972-73 and 1973-74) during the year 1972-73 and the schedule of repayment of such loans over the period of Fifth Plan. This information may kindly be supplied in the same proforma as indicated in your letter of August, 1972.

3. The terms of reference of the Commission require that a view in regard to Central Loans advanced to States and likely to be outstanding as at the end of 1973-74 be taken into account. I shall be grateful if you could also indicate in a separate statement the likely amounts to be received by your State Government in 1973-74 as loans by various categories and the repayment obligations in respect of these loans over the Fifth Plan period. Brief notes indicating the assumptions on which these estimates have been worked out may also kindly be indicated.

4. Thirty copies of the statements containing information on the above points may kindly be sent to us by May 10, 1973 at the latest. I have no doubt as the problem of debt relief is of vital interest to the State Government the required information would be complied with the utmost sense of urgency and by due date to enable the Commission to formulate its views in the matter.

(7) *Letter No. F.C.* 20 (26)*-A/72 dated* 10-8-73 *from Shri G. Ramachandran, Member-Secretary, Finance Commission to Finance Secretaries of all States.*

As you are already aware, the Commission is required, under its terms of reference, to undertake a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1973-74 and suggest changes in the existing terms of repayment having regard, *inter alia,* to the overall non-Plan gap of the States, their relative position and the purposes for which the loans have been utilised, and the requirements of the Centre. To enable the Commission to consider this term of reference, we had called for details of loans advanced by the Central Government to the State Government that are likely to be outstanding by the end of 1973-74, indicating, *inter alia,* the outstanding balance at the beginning of the Fifth Plan period and the repayments due to the Central Government during the Fifth Plan period. Arrangements have been made to get the estimates of repayments in respect of loans taken to the end of 1972-73 and likely to be outstanding by the end of 1973-74 being checked by the State Accountant General.

2. The material furnished by the State Government in this regard indicates that a very large number of loans are outstanding Further, loans for same and similar purposes were drawn by the State Governments in different years. The Commission felt that it would be useful to classify the individual loans into broad categories so that the problem of debt, particularly with reference to the purpose for which the loans have been utilised, could be considered in proper perspective. We have accordingly classified the loans into certain broad categories with reference to the details furnished by the State Government in regard to the individual loans. The enclosed Statement indicates the outstanding balance at the end of 1973-74 and repayments due to the Central Government during the Fifth Plan period in respect of each category. It is felt that the work of the Commission would be considerably facilitated if the outstanding balance and the estimate of repayment for each category is checked

in consultation with the State Government to eliminate any possibility of error of computation. I will accordingly request you to *kindly get the enclosed Statement* checked and return the same with your comments, if any, so as to reach us *latest by 25th August*, 1973. If the statement is not received back by that date, it will be presumed that you have no comments to offer and the outstanding balance and the estimates of re-payment as shown in the statement are correct on the basis of the records of the State Government. In case your comments necessitate substantial modifications to the Statement, it will be useful to reconcile the differences by personal discussion. Should this be found necessary, the discussion is proposed to be held with the representative of the State Government in the Commission's Office at Delhi on——————1973. I will suggest that the work may be entrusted to an officer who is fully conversant *with the problem so that, if found necessary*, he may come to Delhi to settle the discrepancies on the date indicated above. In order that the programme of discussion if found necessary, is not disturbed, it may kindly be ensured that the Statement is returned to us *by the prescribed date* and the officer also keeps himself free for this purpose.

3. Receipt of this letter may kindly be acknowledged by telegram.

Debt position of————

(Rs. lakhs)

Categories of loans	Amount likely to be outstanding as on 31-3-1974 in respect of loans from the Centre				Amount to be repaid during the Fifth Plan period in respect of loans from the Centre			
	Obtained upto 71-72	Obtained during 72-73	Likely to be obtained during 73-74	Total (Cols. 2+3+4)	Obtained upto 71-72	Obtained during 72-73	Likely to be obtained during 73-74	Total (Cols. 6+7+8)
1	2	3	4	5	6	7	8	9
I. *Non-Developmental loans*								
1. Pre-autonomy debt . . .								
2. States' Share in market borrowings .								
3. Share in small savings . . .								
4. Relief and rehabilitation. . . .								
(a) Goldsmith								
(b) Displaced persons from Pakistan .								
(c) Repatriates from Burma, Ceylon etc.								
(d) Other relief and rehabilitation schemes.								
Total—4								
5. Natural Calamities								
(a) Flood relief								
(b) Famine and drought relief. . .								
(c) Others (Pl. give details) . .								
Total—5								
6. Loans, if any, for clearance of overdrafts (Medium term loans sanctioned in 1972-73)								
7. Special accommodation . .								
8. Special loans, if any for meeting gap in resources								
(a) Loans to erstwhile Union Territories								
(b) Loans sanctioned in 1972-73. .								
(c) Other loans, if any (Please give details)								
Total—8								
9. Other non-developmental loans :								
(a) Modernisation of police force. .								
(b) Police housing								
(c) Housing for All-India Service Officers								
(d) Miscellaneous non-developmental loans (Please give details) . .								
Total—9								
Total—1-9								

Debt Position of————— (Rs. lakhs)

Categories of loans	Amount likely to be outstanding as on 31-3-1974 in respect of loans from the Centre				Amount to be repaid during the Fifth Plan period in respect of loans from the Centre			
	Obtained upto 71-72	Obtained during 72-73	Likely to be obtained during 73-74	Total (Cols. 2+3+4)	Obtained upto 71-72	Obtained during 72-73	Likely to be obtained during 73-74	Total (Cols. 6+7+8)
1	2	3	4	5	6	7	8	9
II. *Developmental*								
1. Agricultural production and alied schemes								
(a) Agricultural production . .								
(b) Grow more food schemes .								
(c) Land development, land reforms .								
(d) Forest and Soil Conservation .								
(e) Horticulture								
(f) Fisheries								
(g) Animal husbandry and Dairying .								
(h) Minor irrigation, Tube wells .								
(i) Permanent improvement in scarcity affected areas . . .								
Total—1								
2. *Irrigation & Power*								
(a) Multipurpose River Valley Schemes								
(b) Irrigation (Medium & Major) Project								
(c) Power project								
(d) Flood control								
(e) Investigation for irrigation and power projects								
(f) Rural electrification . . .								
(g) Inter-State transmission lines .								
Total—2								
3. *Industrial Development*								
(a) Medium and Large industry								
(b) Small scale industry . . .								
(c) Rural industries . . .								
(d) Handicrafts								
(e) Handloom								
(f) Industrial estates. . . .								
(g) Adoption of metric system of weight & measures. . . .								
(h) Others (Pl. give details) . .								
Total—3								

Debt position of——————— (Rs. lakhs)

Categories of loans	Amount likely to be outstanding as on 31-3-1974 in respect of loans from the Centre.				Amount to be repaid during the Fifth Plan period in respect of loans from the Centre.			
	Obtained upto 71-72	Obtained during 72-73	Likely to be obtained during 73-74	Total (Cols. 2+3+4)	Obtained upto 71-72	Obtained during 72-73	Likely to be obtained during 73-74	Total (Cols. 6+7+8)
1	2	3	4	5	6	7	8	9
4. *Housing Schemes*								
(a) Subsidised industrial Housing .								
(b) Low Income Group Housing .								
(c) Village housing schemes . .								
(d) Land acquisition & development .								
(e) Other housing schemes (Please give details)								
Total—4								
5. Water-supply, drainage and slum clearance								
6. *Education*								
(a) Education schemes . . .								
(b) Construction of hostels . .								
(c) National loan scholarship .								
Total—6								
7. Medical and public health schemes .								
8. *C. D. N. E. S. and Cooperation*								
(a) Community Development, NES								
(b) Cooperation schemes . .								
(c) Contribution to share capital of Cooperative Societies . .								
(d) Purchase of debentures of Land Mortgage Banks . .								
(e) Agriculture Credit Stabilisation Fund								
(f) Construction of godowns . .								
(g) Rural Works programmes . .								
(h) Rural Man-Power Programmes								
Total—8								
9. *Transport*								
(a) Inter-State roads of economic importance								
(b) In-land water transport . .								
(c) Development of Minor Ports .								
(d) Construction of bridges. . .								
(e) Other (Please give details) .								
Total—9								

(Rs. lakhs)

Categories of loans	Amount likely to be outstanding as on 31-3-1974 in respect of loans from the Centre.				Amount to be repaid during the Fifth Plan period in respect of loans from the Centre.			
	Obtained upto 71-72	Obtained during 72-73	Likely to be obtained during 73-74	Total (Cols. 2+3+4)	Obtained upto 71-72	Obtained during 72-73	Likely to be obtained during 73-74	Total (Cols. 6+7+8)
1	2	3	4	5	6	7	8	
10. *Labour, employment and Social Welfare*								
(a) Educated unemployed . .								
(b) Welfare of backward classes .								
(c) Others (Please give details) . .								
Total—10								
11. Miscellaneous Development loans .								
12. Block loans for State Fourth Plan Schemes								
(a) Part of Fourth Plan assistance .								
(b) Specific loans outside Fourth Plan assistance . . .								
13. Other Development schemes . .								
(a) Development of border areas .								
(b) Other development schemes (Please give details)								
Total—13								
Total—II (1—13)								
III. Total loans from the Centre . .								

Explanatory Notes

1. Please include loans from the Central Government only. Loans from Central institutions like RBI, LIC, NCDC, IDC, Warehousing Corporation etc. should not be included.

2. Loans for Natural Calamities are those taken from the Government of India specifically for this purpose.

3. Plan loans taken prior to 1969-70 should be classified under the relevant items indicating the purpose under "II-Developmental".

4. "Block Loans" under "II-Developmental" represent loans advanced for financing State Plan Schemes with effect from 1969-70 according to the revised arrangement for Central assistance.

5. Loans for Multipurpose, Irrigation, Power Projects, etc., taken during the Fourth Plan period should be shown against "Block Loans" and not under the specific purpose loans, irrespective of the fact whether these are continuing projects at the beginning of the Fourth Plan or not. Thus, loans for Nagarjuna Sagar Project, Beas Project, etc., which were continuing projects at the commencement of the Fourth Plan, should be classified under "Irrigation & Power" upto 1968-69 and as "Block Loans" from 1969-70. In case over and above the loan assistance for State Plan schemes any loan has been received during the Fourth Plan for a specific Irrigation or Power project, the same should be shown separately under "Block Loans" and the position suitably explained in a Foot Note.

6. Special accommodation relates to the assistance given specifically for meeting non-plan gaps in resources during the Fourth Plan in relation to targets fixed earlier. Other loans received for meeting gaps in resources should be shown under appropriate heads.

7. Loans for centrally sponsored schemes and Central Plan schemes including those given since 1969-70 should be classified with reference to the purpose under different heads indicated under "II-Developmental".

8. Short term loans and Ways & Means advances, if any, should be excluded.

(8) *Letter No. FC 1(1)-B/72 dated 25-7-72 from Shri G. Ramachandran, Member-Secretary, Finance Commission to Dr. I.G. Patel, Secretary, Department of Economic Affairs, New Delhi.*

The Sixth Finance Commission requires as usual data on the resources of the Central Government and allied matters like devolution of Central taxes and other grants and loans made to States.

Some of the points on which information is required are set out in the enclosed note. I shall be grateful if you could arrange to have the necessary information supplied to us by the end of September, 1972.

FORECAST OF REVENUE AND EXPENDITURE

I. *Revenue and Expenditure :*

(1) A forecast in the attached form of the revenue receipts of the Central Government by major heads of account for the five years 1974-75 to 1978-79 together with corresponding data for each of the years 1968-69 to 1973-74.

(2) A forecast in the attached form of the expenditure met from revenue of the Central Government by major heads of account for the five years 1974-75 to 1978-79 together with corresponding data for each of the years 1968-69 to 1973-74. In working out the forecast of expenditures for the years 1974-75 to 1978-79, due provision will no doubt be made for maintenance expenditure on account of the Plan schemes taken up for implementation during the Fourth Five Year Plan period and likely to be completed by the 31st March, 1974. The norms, if any, followed by Central Government in determining provision for maintenance expenditure may also be kindly indicated.

(3) A statement showing for each of the years from 1968-69 to 1973-74 estimates of grants to the States from current revenues. Brief notes explaining the basis on which each grant was calculated and the purpose of the grant may also be furnished. The break-up of these grants between plan and non-Plan items may also be indicated. It will be appreciated if State-wise details of such figures can be furnished. The break-up of these grants between plan and non-Plan items may also be indicated. It will be appreciated if State-wise details of such figures can be furnished. (For the purpose of this Statement, the payment of the States' share of Income Tax and Union Excise and the allocation to the States of Estate Duty and Additional Duties of Excise in lieu of Sales Tax should not be treated as grants.) Grants paid to States on account of Wealth Tax on agricultural property should also be indicated together with a note explaining the basis on which the distribution has been made.

(4) A statement showing capital grants (but not loans) to the States over the years 1968-69 to 1973-74. The nature of these grants and their distribution between Plan and non-Plan items may also be indicated. Here again, State-wise distribution of these figures may please be furnished.

II. *Loans to States :*

(1) Total loans given by the Central Government to each State from time to time and the purposes for which they were given with a break-up between Plan and non-Plan.

(2) Terms and conditions of such loans individually and State-wise.

(3) Details of loans which had been repaid by the States in time and the defaulting States and the amounts of such defa u with a brief indication of remedial action (if any) taken by Government.

(4) Details of further loans given to States individually to help them repay the loans due to the Centre (Break-up by States in each case).

(5) The amounts of loans written off, if any, and the amounts of overdue loans, if any, with a break-up by States. The information on the above points may be supplied from 1968-69 onwards.

(6) A Statement showing repayments of loans due from each State in each of the years from 1974-75 to 1978-79 under the following three broad categories :—

(i) Repayments in respect of loans for plan schemes paid to the States upto the 31st March, 1974.

(ii) Repayments on account of loans given to States on account of small savings collections upto the 31st March, 1974 and

(iii) Repayments in respect of other loans given to the States upto the 31st March, 1974.

Estimates of loans to be given during 1972-73 and 1973-74 in respect of plan schemes, small savings collections and others, have to be made and repayments on account of these estimated amounts will be shown separately in the Statement in each of the years from 1974-75 to 1978-79.

III. *Expenditure on Natural Calamities Relief :*

A Statement showing the year-wise and State-wise expenditure on natural calamities, as reported to the Union Ministry of Finance by various State Governments and the grant and loan assistance given to the States on this account for each of the years from 1966-67 onwards.

IV. *Additional Information* :

(1) Details of the receipts of the Central Government by way of loans and other capital receipts.

(2) Details of disbursements of the Central Government by way of loans and capital outlay, both plan and non-plan.

(3) Details of expenditure on civil administration including revision of dearness and other allowances from time to time.

(4) The outlay on Defence and Border Security.

(5) The amounts required for the servicing of debt by Central Government, indicating amounts payable as interest principal in each year and the provisions for amortisation if any, of debt as well as amounts recoverable as interest and repayment of principal in respect of loans by the Central Government.

(6) Details of such other committed expenditure as may have to be provided for in the course of the five year period, 1974-75 to 1978-79.

Information on the above points may be supplied from 1968-69 to 1973-74 and a forecast for the period 1974-75 to 1978-79.

(7) Details of the debt position of the Central Government for the period upto 31-3-1974, indicating separately loans raised in India, loans from PL 480 funds and loans borrowed from other countries.

(8) The investments of the Central Government in commercial schemes/departments and other productive enterprises together with details of such investments and the amount of return each year on capital invested; and in the event of losses, the steps taken by the Central Government to avert or minimise such losses.

Statement of Expenditure met from Revenues—Central Government

(Rs. crores)

Head of Account	Actuals 1968-69	Actuals 1969-70	Actuals 1970-71	Pre-Actuals 71-72	B.E. 72-73	Latest estimates 72-73	Estimates 73-74	Forecast for					Total 74-75 to 78-79.
								74-75	75-76	76-77	77-78	78-79	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1. Education (etc., etc.) .													
(*a*) 1968-69 Plan schemes .		—	—	—	—	—	—	—	—	—	—	—	—
(*b*) Fourth Plan schemes .								—	—	—	—	—	—
(*i*) Central Plan Schemes													
(*ii*) Centrally sponsored schemes .	—							—	—	—	—	—	—
(*c*) Non-plan expenditure .													
(*i*) Committed expenditure in respect of 1966-69 annual plans													
(*ii*) Committed expenditure in respect of Fourth Plan schemes													
(*iii*) Other non-plan expenditure													
Total													

Note : Similarly for other heads of account.

Statement of Revenue Receipts—Central Government

(Rs. crores)

Head of Account	Actuals 1968-69	Actuals 1969-70	Actuals 1970-71	Pre-Actuals 1971-72	B.E. 1972-73	Latest Estimates 1972-73	Estimates 1973-74	Forecast for					Total 74-75 to 78-79
								74-75	75-76	76-77	77-78	78-79	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1. *Corporation tax* : Normal at 1967-68 rates													
Addl. taxation 1968-69 .													
Addl. taxation 1969-70 .	—												
Addl. taxation 1970-71 .	—	—											
Addl. taxation 1971-72 . .	—	—	—										
Addl. taxation 1972-73 . .	—	—	—										
2. *Taxes on Income other than Corporation tax.*													

Note : As above and similarly for other taxes and duties.

NOTES—*Revenue and Expenditure*

1. As mentioned in the U.O. note, figures are to be shown by major heads of account. However, under Major heads like "Miscellaneous", details of special items of significant magnitude may be given.

2. In working out the forecast for the years from 1974-75 to 1978-79, the following points may please be kept in mind :

(a) In the Section dealing with revenue, no deductions should be made on account of the States' share of income tax or estate duty; but a separate statement should be furnished giving an estimate for each year of the divisible pool of income tax and the total of the distributable amount of estate duty. The contribution receivable from the railways in lieu of tax on railway passenger fares should be shown separately from other contribution from railways.

(b) Brief explanations should be given of any large variations in the revenue estimates from year to year.

(c) Details of the estimates relating to the Union excise duties may be given by each article, separately for basic, regulatory and additional excise duties.

(d) Grants payable to the States in lieu of tax on railway passenger fares should be shown separately from other grants.

(e) The share of the divisible excises payable to the States, if included in the expenditure estimates, should be shown separately. Separate figures should be given also for additional excise duties.

(f) As on the revenue side, variations in the estimates of expenditure from year to year should be briefly explained.

(g) In the expenditure estimates, details of the provision included in each year for grants to States should be given.

(h) Both the revenue and the expenditure estimates should be based on the levels of taxation reached upto 31-3-1974 and the present scales of expenditure; they should, however, take into account the normal growth of revenue and expenditures. Provision should also be made for any foreseeable measures of important non-developmental expenditures, showing the amounts separately and adding suitable explanations to indicate the character of such measures, and whether obligatory or otherwise.

(i) In the statement relating to revenue expenditure for the years 1968-69 to 1973-74 under such heads of accounts as include plan expenditures, the break-up of total expenditure between plan and non-plan may please be indicated. For the years 1974-75 to 1978-79, no provision should be included in the estimates for such developmental expenditures as will be in the Fifth Plan. For these years the estimates to be included in the Statement should refer to :—

(a) Maintenance expenditure on account of plan schemes, undertaken in each of the years 1969-70 to 1973-74 and likely to be completed by 31st March, 1974 both revenue and capital ;

(b) such new developmental expenditure as would not be included in the Fifth Plan, for any reason; and

(c) all such normal continuing expenditure as was not included in the plan and would not be included in the Fifth Plan either.

(9) *Letter No. F.C. 20(14)-A/72, dated 27th October, 1972 from Member-Secretary, Finance Commission to Secretaries of Ministries of the Government of India.*

While considering the principles which should govern the *sharing of Central taxes and duties and allocation of grants-in-aid to States, the Sixth Finance Commission is, under its terms* of reference, required to take into account, among other things, the resources of the Central Government and the demands thereon on account of the expenditure on civil administration, defence and border security, debt servicing and other liabilities. The Commission has given some thought to this aspect of its work and has decided to hold discussions with the representatives of the Central Ministries so as to have a proper appreciation of their requirements in the Firth Plan period. However, before these discussions are arranged, the Commission would like to have factual data about the growth of establishment in the various Ministries (including attached or subordinate agencies) as well as their views on some of the specific issues relevant to our work. The points on which factual information and your views are required are set out in the questionnaire attached herewith. I shall be grateful if the Ministry's reply to the questionnaire can be sent to me at an early date and preferably by the 31st December, 1972.

2. After the Commission has considered your reply to the questionnaire, I shall write to you again about the Commission's programme of discussions with your Ministry.

QUESTIONNAIRE

1. Please furnish a short descriptive note on the main functions performed or looked after by the Ministry referring specially to the division of such functions as between subjects falling in the State List (List II of Seventh Schedule) of the Constitution and those falling within the Union or Concurrent Lists.

2. Please furnish data (in the form attached) regarding the growth in the size of the establishment of the Ministry (including attached and subordinate agencies) and expenditure relating thereto, in respect of gazetted and non-gazetted staff in the successive Plan periods commencing from the First Plan.

3. To what extent is the growth of the establishment attributable to expansion of the Ministry's work relating to subjects in the State List of the Constitution ?

4. Please indicate the norms, if any, used for the employment of additional staff.

5. Has the Ministry undertaken any review recently of its organisation and functions, specially in the light of the recommendations of the ARC (Recommendation No. 10 of the Report on the "Machinery of the Government of India and its Procedures of work" and Recommendation No. 22 of the Report on 'Centre-State Relationships') ? If so, the major features of the review and the action taken thereon may be indicated.

6. Article 258 of the Constitution provides for entrustment, conditionally or unconditionally, to State Governments of functions in relation to matters to which the executive power of the Union extends. Efforts made by the Ministry in this regard and the scope for a greater use of this provision by the Ministry may be indicated.

7. Please indicate the main highlights of the programmes proposed to be undertaken by the Ministry during the Fifth Plan period. Does the Ministry contemplate any significant increase in the strength of its establishment in connection with this programme ? The proposals, if any, formulated in this connection may be indicated in outline form.

Establishment of Central Ministries

	For the year ending					
	31-3-1951 No. */ expenditure**	31-3-1956 No./ expenditure	31-3-1961 No./ expenditure	31-3-1966 No./ expenditure	31-3-1969 No./ expenditure	31-3-1972 No./ expenditure
1. Secretariat						
(*i*) Gazetted						
(*ii*) Non-gazetted						
Total						
2. Attached Offices						
(*i*) Gazetted						
(*ii*) Non-gazetted						
Total						
3. Subordinate Offices						
(*i*) Gazetted						
(*ii*) Non-gazetted						
Total						
Total: Gazetted						
Non-Gazetted						
Grand Total :—						

*Number in hundreds

**Expenditure in Rs. lakhs.

Expenditure includes (*i*) pay and allowances and
(ii) contingencies

(10) *Letter No. FC 20(6)-A/72 dated the 2nd August, 1972 from Shri A. G. Krishnan, Deputy Secretary, Finance Commission to Shri B. Maithreyan, Joint Secretary Department of Economic Affairs.*

In connection with the work of the Finance Commission, we require information on the following two points:—

(*i*) The basis on which the rates of interest on loans to State Governments are now fixed; and

(*ii*) whether the question of modifying the system of equated payments has been considered.

May I in this connection also invite your attention to para 151 of the report of the Second Finance Commission which is extracted below for your ready reference:—

"............ At the same time we think that the Union should not deal with the States as if it were a commercial banker. The Union and the States are partners in the big enterprise of national development and while there is no reason why the Union should lend to the States at less than the true cost of its borrowing, there is no justification either for charging more than the true cost ....".

I am desired to enquire whether an attempt has been made to assess the 'true cost of borrowing of Government of India' and relate thereto the rate of interest to be charged on loans to State Governments. Apart from indicating the current 'true cost of borrowing of Government of India', I wonder whether it would also be possible for you to furnish the corresponding figure for as many of the preceding years as possible. This would be of help to the Commission in dealing with the representations likely to be made by State Governments.

I shall be grateful if information on these points in as much details as possible is sent to us at your earliest convenience.

With regards.

(11) *Note from the Ministry of Finance (Department of Economic Affairs) regarding average rate of borrowing.*

MINISTRY OF FINANCE

(Department of Economic Affairs)

The Finance Commission in their D.O. letter No. FC 20(6)-A/72 dated 2nd August, 1972 have asked for information on the following three points:—

(i) the basis on which the rates of interest on loans to State Governments are now fixed;

(ii) whether the question of modifying the system of equated payments has been considered; and

(iii) whether an attempt has been made to assess the true cost of borrowing of Government of India and relate thereto the rate of interest to be charged on loans to State Governments.

2. These are dealt with below.

(i) *the basis on which the rates of interest on loans to State Governments are now fixed:*

Prior to 1-4-1969 rates of interest applicable to loans advanced by Central Government to States were generally determined with reference to the prevailing redemption yields of Government of India securities with unexpired maturity corresponding to the period of loan to be sanctioned and making a slight addition to cover debt management, incidental and other charges (about 1/8%). The rates were fixed on an annual basis and related to the periods for which the loans were sanctioned.

3. The determination of lending rates with reference to the prevailing redemption yields of Government of India securities in effect co-related to Government's lending rates with its own borrowing cost. This arrangement also enabled the lending rates to be determined for various periods of loans to be sanctioned. Linking the lending rates with interest rates carried by loans raised during a particular year only was neither practicable nor appropriate as only one or two public loans of specific maturities are raised in a year whereas loans are advanced for varying periods. The redemption yields of Government of India loans constitute a more fair basis as yields would represent cost of borrowing for particular periods at any point of consideration.

4. Interest rates on loans advanced to States since 1965 and until 31st March 1969 are indicated below:—

Period of Loan	Interest rate per annum
Upto 1 year	4%
Exceeding 1 year, but not exceeding 4 years	4½%
Exceeding 4 years, but not exceeding 9 years	5%
Exceeding 9 years, but not exceeding 15 years	5¼%
Exceeding 15 years, but not exceeding 30 years	5½%

Since June 1968 a rebate of 1/4% for prompt repayments and interest payments has been allowed to State Governmets.

5. Loans given to State Governments for the specific purpose of re-lending to their industrial and commercial enterprises (excluding State Electricity Boards), however, carry interest rates applicable to loans Central public sector undertakings. The volume of these loans is not much. These rates current from 1965 are:—

Period of Loan	Effective Interest rate per annum
Upto 4 years	6% (5¾% since June 1968)
Exceeding 4 years but not exceeding 9 years	6½% (6¼% since June 1968)
Exceeding 9 years but not exceeding 15 years	7% (6¾% since June 1968)

6. The position was reviewed in the light of observations of the Fifth Finance Commission while indicating the principles adopted by it in assessing States' needs for grants-in-aid from the Centre in Paragraph 6.35 of its Report, its assumptions in regard to interest on *ad hoc* loans to cover gaps in States resources, suggestions for deferring interest recovery for suitable periods in the case of loans given for schemes like irrigation including waiver of interest recovery during the period of construction for a suitable period thereafter. Even though the interest rates on loans to States were already being determined with reference to Centre's own borrowing cost, it was decided to scale down the rates so determined in deference to the observations of the Fifth Finance Commission. Accordingly, since 1-4-1969 the maximum rate of interest on loans to State Governments was reduced to 5% with a rebate of 1/4% towards prompt payments and interest payments or in other words, 4 3/4% per annum effective. Where the interest rate worked out on the basis of the earlier formula was less as in the case of short term loans like ways and means advances, the lesser rate was retained. On this basis, interest rates on loans to State Governments effective since 1-4-1969 are as follows:—

Period of Loan	Effective interest rate per annum
Upto one year	4 1/4%
Exceeding one year	4 3/4%

7. In the case of loans for re-lending to industrial and commercial enterprises, the lending rates mentioned in para 5 above were raised viz. 1/2% from 1-6-1971.

(ii) *Whether the question of modifying the system of equated payments has been considered:*

8. Prior to 1968 all loans sanctioned to State Governments were recovered in annual equated instalments of principal and interest. This had the advantage of spreading out evenly the repayment and interest burden during the period of the loans, the amount of annual instalment comprising principal and interest being uniform throughout the currency of a loan except of course during the period of moratorium. These arrangements however, created difficulties in calculating the annuities as and when the terms of the loans were varied or any temporary deferment of recoveries was allowed as also in the preparation of forecasts of interest liability for purposes of Plan discussions etc. Accordingly since June 1968 loans sanctioned stipulate recoveries in annual equal instalments of principal together with interest due on the outstanding principal from time to time.

(iii) *Whether an attempt has been made to assess the true cost of borrowing of Government of India and relate thereto the rate of interest to be charged on loans to State Governments:*

9. As indicated under item (i), interest rates charged on Central loans to States were, until 31st March, 1969, virtually the same at which Central Government itself raised or would have raised loans for corresponding periods from the market and from 1st April, 1969 these have even been lower than Central Government's own borrowing rates.

10. The lending rates have so far been related to borrowing cost of Government in respect of market loans. That is to say, other debt and interest bearing obligations viz. floating debt (treasury bills), foreign loans and various items coming under unfunded debt (provident funds, small savings securities etc.) were not specifically taken into account in determining the lending rates. This is because:—

(i) Foreign loans are by and large for specific purposes and accrue to the Country as a whole and the Central Government on its part has also to provide substantial aid to friendly neighbouring countries. The quantum of latter assistance has significantly increased since the emergence of Bangla Desh. A substantial part of the assistance provided by India is in the form of outright grants and the loans assistance is also mostly interest free. On a net basis much of the concessions attached to foreign aid received by India are being absorbed by aid provided by India to the neighbouring countries. Lastly, the quantum of foreign aid is coming down and consistent with the object of self-reliance, dependence on foreign aid is expected to be greatly reduced in the course of the Fifth Plan. By the end of the Fifth Plan the country is expected to achieve the stage of net zero concessional rate. In view of all this, interest burden on foreign loans received should not be relevant for the purpose of determining lending rates to States.

(ii) Floating debt is short dated though it is true that bulk of the treasury bills issued in favour of the Reserve Bank are being renewed on maturity but treasury bills issued in favour of the Reserve Bank constitute deficit financing and it cannot be treated as a borrowing in the strict sense of the term nor is this debt earmarked for any specific purpose.

(iii) The accretions under unfunded debt carry interest almost at the same rate at which market loans, are raised. In fact, with the introduction of Post Office Time Deposits the borrowing cost of Small Savings has very much increased. The other main item under unfunded debt is provident fund. The interest rates on provident fund deposits are going up; last year interest rates prescribed were 5.7% on first Rs. 10,000/- of the deposits and 5% on excess accumulations.

11. Even if both rupee loans and unfunded debt items are reckoned for the purpose of determining the lending rate to States the effective rate would be above 6% per annum. This is because:

(a) Rupee loans have been raised at rate varying between 5 to 5 3/4% during this period; Government's borrowing rate based on annual interest burden of rupee loans raised during each year was 5% during 1969-70, 5.5% during 1970-71 and 1971-72. For 1972-73 the borrowing rate (yet to be determined) may also be 5.5%.

(b) Small savings deposits carry varying rates of interest ranging from 4 1/4% and 4 1/2% for POSB Accounts, 4 3/4% to 5% for CTD Accounts and 6 to 7 1/4% for Post Office Time Deposits. During 1971-72 collections amounted to Rs. 228 crores (provisional). Of this Rs. 148 crores pertained to Post Office Time Deposits, Rs. 51 crores under Post Office Savings Bank, Rs. 19 crores under CTD Accounts and the balance of Rs. 10 crores under other schemes. Under POTD the bulk of the deposits pertain to Employees Provident Fund and are for a period of 5 years. Besides the expenditure on Small Savings organisation, remuneration paid to P&T and Small Savings publicity cost have also to be taken into account. Taking all these the average cost of Small Savings collections works out to nearly 6 1/2%. Indeed loans to States out of Small Savings collections are heavily subsidised by Central Government.

(c) The borrowing rates in (a) and (b) above relate to gross amounts raised. Since debt discharged carries lower rates of interest the average cost of net borrowings would be higher as the following illustration based on last year's figures would show:—

(Rupees in Crores)

I. (i) Gross rupee loans raised (details annexed) .	731.24
(ii) Annual Interest (Details annexed) . .	39.09
II. Debt discharged	432.10
Annual Interest (Details annexed) . . .	18.44
III. Net loans raised	299.24
Net interest burden	20.65

Average cost of borrowing 6.9%

So will be the position in the case of unfunded debt items.

ANNEXURE

Loans raised during 1971-72	Amount (Rs. in crores)	Annual Interest (Rs. in crores)
I. 4¾% Loan, 1973	132.87	6.31
5¼% Loan, 1986	157.41	8.26
5¾% Loan, 2001	225.85	12.99
5% National Defence Loan, 1981 .	59.93	3.00
5¼% National Defence Loan, 1986 .	23.66	1.24
5¾% National Defence Loan, 2001 .	27.15	1.56
4½% Loan, 1977	40.00	1.80
5% Loan, 1982	35.00	1.75
5% National Defence Loan, 1981 .	5.00	0.25
5¼% National Defence Loan, 1986	5.00	0.26
5¾% National Defence Loan, 2001	15.00	0.86
4½% Jayanti Shipping Company Compensation Bonds . .	4.47	0.20
	731.34	38.48
Discount on loans raised during 1971-72		
Total		39.09 (A)
II. *Debt discharged during* 1971-72		
4½% loan 1971	332.10	14.94
Ad-hocs.	100.00	3.50
Total	432.10	18.44(B)
Net loans during 1971-72		299.24
Net interest burden=(A−B)		20.65

Average cost of borrowing : 6.9%

(12) *Copy of D.O. No.* 13(7)-*B*/73 *dated the* 13*th September,* 1973 *from Shri B. Maithreyan, Joint Secretary, Ministry of Finance, Department of Economic Affairs addressed to Shri G. Ramachandran, Member-Secretary, Finance Commission, New Delhi.*

According to the terms of reference, the Finance Commission may make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending 1978-79 and in the light of such an assessment, the Commission may undertake a general review of the States, debt position with particular reference to the Central loans advanced to them and likely to be outstanding at the end of 1973-74 and suggest changes in the existing terms of repayment having regard *inter alia* to the overall non-plan gap of the States, their relative position and the purposes for which the loans have been utilised and the requirements of the Centre. Some State Governments have represented that in view of the manner in which the terms of reference by the Commission has been worded, the Commission may consider changes in the terms of repayment of Central loans by certain State Governments only if such changes are found necessary as a means of giving relief to such States from the point of view of bridging their non-plan capital gap and overall non-Plan gap. These States have, therefore, suggested that the small savings loans given by the Central Government to the States may be considered independently and changes in their repayments to the Centre suggested on their merits.

The Government of India have considered the representations of the States and agree that the small savings loans stand on a different footing and may be considered on merits independent of non-plan capital gap or overall non-Plan gap of States.

With regards.

(13) *Letter No. F.C.* 20(25)-*A*/72 *dated* 3-8-73 *from Shri G. Ramachandran, Member-Secretary Finance Commission to Shri R.K. Trivedi, Additional Secretary, Planning Commission.*

As you are aware, the Finance Commission is required, under its terms of reference, to have regard to the revenue resources of the States for the five years ending with the financial year 1978-79 while determing the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and is also required to take into account, among other things, the interest charges in respect of the debt and other committed expenditure of the State Governments. The Finance Commission has also been asked to review the debt position of the State Governments after making an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1978-79. It is necessary for this purpose for the Commission to have a broad idea of the likely Plan outlay of the State Governments for the Fifth Plan period and how the same is proposed to be financed. The resources of the States during the Fifth Plan period will also depend to some extent upon the fresh outlays on the Plan. Thus, for example, investments in the power sector will affect the earnings of the State Electricity Boards while investments in irrigation and industrial sectors will also have some bearing on the revenue receipts. Interest burden during the Fifth Plan period will also depend upon its borrowings both from the open market and from financial institutions. I would, therefore, request you to kindly indicate the likely outlays on the State Plans and its sectoral break-up. The borrowing programme of the States and the likely Central assistance, in the form of grant and loan during the Fifth Plan period, may also kindly be indicated. Although the Fifth Plan has not yet been finalised, broad indications in this regard would probably be available at this stage. I would therefore request that necessary material may kindly be furnished for the information of the Commission latest by 16th August, 1973.

14) *Letter No. 68/72-Economic, dated* 16-8-73 *from Shri R.K. Trivedi, Additional Secretary, Planning Commission to Shri G. Ramachandran, Member-Secretary, Finance Commission.*

Kindly refer to your d.o. letter No. FC.20(25)-A/72 dated August 3, 1973 in which you have sought information relating to (a) the Fifth Plan outlays on the State Plans and their sectoral distribution ; (b) the likely Central assistance to the States for their Fifth Five Year Plans and its grant and loan components and (c) the borrowing programme of the States during the Fifth Plan period.

2. On the basis of the exercises made in the Planning Commission in regard to the estimates of financial resources of the Centre and the States, tentative outlays of the order of Rs. 15,600 crores in the aggregate have been indicated to the individual States for their Fifth Plans. The Statewise distri bution is shown in the enclosed statement. These will be firmed up after the final report of the Working Group on Financial Resources is received and the recommendations of the Sixth Finance Commission as also the Government's decisions thereon become available. The sectoral distribution of the Fifth Plan outlays is currently being discussed with the State officials and a clear picture will emerge only after these discussions are completed sometime next month.

3. Regarding the quantum of Central assistance to States for the Fifth Plan period, no firm view has yet been taken in the Planning Commission. This will emerge after the recommendations of the Sixth Finance Commission as well as the decisions of the Government thereon are available. For the present we have based our calculations on some rough estimates and on the Gadgil formula and modifications if any, in this formula will require approval by the National Development Council. It is, therefore, not possible for us at this stage to indicate the figures of Central assistance for the States, Fifth Five Year Plans or the breakdown between grants and loans.

4. The State Governments have been asking for allocation of market borrowing during the Fifth Plan period on the basis of well defined and objective criteria as in the case of Central assistance for State Plans. The Planning Commission has not yet taken a definite view in the matter. The Commission is likely to consider the questions such as, quantum of Central assistance for the States' Fifth plan, the principles of allocation of this assistance among States, its loan and grant component and the allocation of market borrowing to the States, their enterprises and semi government bodies almost immediately after the decision of the Government on the recommendations of the Sixth Finance Commission becomes available and will take final decisions in consultation with the National Development Council, wherever necessary, before the finalisation of the Fifth Five Year Plan.

Kind regards

APPENDIX IV

Dates of Discussions with State Governments and Ministry of Finance

(A) *Discussions with State Governments at State Headquarters.*

Tamil Nadu	10th and 11th January, 1973
Karnataka	17th and 18th January, 1973
Maharashtra	31st January and 1st February, 1973
Gujarat	2nd February, 1973
Rajasthan	9th February, 1973
Haryana	15th February, 1973
Bihar	24th February, 1973
Punjab	11th and 12th March, 1973
Uttar Pradesh	17th and 18th March, 1973
Orissa	2nd April, 1973
West Bengal	10th and 11th April, 1973
Tripura	12th April, 1973
Madhya Pradesh	19th April, 1973
Andhra Pradesh	29th and 30th April, 1973
Kerala	2nd May, 1973
Jammu & Kashmir	22nd June, 1973
Himachal Pradesh	29th June, 1973
Meghalaya	30th July, 1973
Manipur	31st July, 1973
Assam	31st July, 1973
Nagaland	20th August, 1973 at New Delhi and 24th September 1973 at Kohima.

(B) *Discussions with Ministry of Finance*

Finance Secretary Secretary (Expenditure) Chairman, Central Board of Excise & Customs and other officials of the Ministry.	19th September, 1973.

APPENDIX V

Names of organisations and individuals who sent memoranda to the Commission

(a) Organisations which sent memoranda to the Commission

1. Federation of Andhra Pradesh Chamber of Commerce and Industry, 3-5-822/6, Hyderguda, Hyderabad.
2. Federation of Gujarat Mills and Industries Federation Building, R.C. Dutt Road, Baroda.
3. Gokhale Institute of Public Affairs, G.I.P.A., Basvangudi, Bangalore-4.
4. Indian Merchants' Chamber, 76, Veer Nariman Road Churchgate, Bombay.
5. Indian Roads and Transport Development Association 27, Bastian Road, Bombay-1.
6. Inter-University Board of India & Ceylon, Rouse Avenue, New Delhi-1.
7. Kerala State Muslim League, Trivandrum Kerala.
8. Madurai-Ramnad Chamber of Commerce, 90-92, East, Avaninoola Street, Madurai-1.
9. Maharashtra Charamkar Parishad, Bombay.
10. Mysore Government Secretariat Association, 162, Vidhan Soudha, Bangalore-1.
11. Punjab, Haryana and Delhi Chamber of Commerce and Industry, 9-A, Connaught Place, New Delhi.
12. Rajasthan Chamber of Commerce and Industry, Johari Bazar, Jaipur-3, Rajasthan.
13. Sri Venkateswara University, Tirupati, Andhra Pradesh.
14. Tamil Nadu NGO Union 31, Neeliveerasway Chetty Street, Madras-5.
15. Vyaparak Association Mandal, Hanuman Garh Town, Rajasthan.

(b) Individuals who sent memoranda to the Commission

1. Shri Angrish A.C. Department of Economics, University of Jodhpur, Ratanada 'C' Road Jodhpur, Rajasthan.
2. Shri Ashutosh Lahiry, 11, Sukea Street, Calcutta-9.
3. Shri Babubhai M. Chinai, Member Parliament (Rajya Sabha), Sir P.M. Road, Fort, Bombay-1 BR.
4. Shri Chaudhuri P.N. MLA, Meghalaya, Shillong.
5. Shri Fletcher A.L. Vice Chancellor, Haryana Agricultural University, Hissar, Haryana.
6. Dr. Ganguli B.N., Council for Social Development, 53, Lodi Estate, New Delhi.
7. Prof. Gautam Mathur, Head of Economics Department, Osmania University, Hyderabad.
8. Dr. Ghuge V.B., Head of Economics Department, Shivaji University, Kolhapur, Maharashtra.
9. Shri Gopalakrishnaiah V., Sattenapalli, Andhra Pradesh.
10. Shri Harideya Narayan Singh, Principal, Tilak Dhari College, Jaunpur.
11. Dr. Ishwar Chandra, Kulapati, University of Saugar, Saugar, MadhyaPradesh.
12. Prof. Krishnan V.S., Vice Chancellor, University of Bhopal, Arera Colony, Bhopal.
13. Shri Kshitish Ch. Das, Minister, Forest, Labour, Animal Husbandry & Veterinary Services, Tripura, Agartala.
14. Shri Kumar B., Lecturer, R.S.P. College, Jharia, Bihar.
15. Shri Manoranjan Sinha Ray, Lecturer in Economics, Viswa Bharti, West Bengal.
16. Prof. Mathur M.V., Director. Asian Institute of Educational Planning and Administration, Indraprastha Estate, New Delhi-1.
17. Shri Murasoli Maran, Member Parliament, Editor "Murasoli" and "The Rising Sun", Madras-6.
18. Shri Murli Dhar Joshi, Professor of Economics, Lucknow University, Mahanagar, Lucknow-6.
19. Shri Murti V.S., Head of the Department of Public Administration, Nagpur University, Nagpur.
20. Shri Naripendra Chakravarti, Member, Tripura Legistive Assembly, Agartala.
21. Shri Rajamallu K., Chairman, Andhra Pradesh Regional Committee, Hyderabad.
22. Dr. Rajamannar P.V. Chairman, Fourth Finance Commission, 9, Victoria Crescent Road, Madras-8.
23. Dr. Rajendra Jain, Professor of Economics, 'G' Block, Old Secretariat, Bhopal-5.
24. Shri Raman A., Madras University, Madras.
25. Dr. Rao V.K.R.V., M.P. Former Union Minister of Education, and Director, Institute for Social and Economic Change, Bangalore.
26. Shri Santhanam K., Chairman, Second Finance Commission, 58, East Abhiramapuram Street, Mylapore, Madras-4.
27. Dr. Sharma J. N., 17, Vikas Path, Alwar, Rajasthan.
28. Shri Singh M.P., Registrar, Awadesh Pratap Singh University, Rewa, Madhya Pradesh.
29. Shri Sudarsanam Maddi, Member Parliament, 7, Windsor Place, New Delhi.
30. Dr. Thimmaiah G., Fellow, Institute for Social and Economic Change, Jayanagar, Bangalore-41.
31. Shri Vasudev, Vice Chairman, Vidhan Sabha, Uttar Pradesh, Lucknow.

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(a) Organisations which sent memoranda to the Commission

1. Federation of Andhra Pradesh Chamber of Commerce and Industry, 3-5-822/6, Hyderguda, Hyderabad.
2. Federation of Gujarat Mills and Industries Federation Building, R.C. Dutt Road, Baroda.
3. Gokhale Institute of Public Affairs. G.I.P.A., Basvangudi, Bangalore-4.
4. Indian Merchants' Chamber, 76, Veer Nariman Road Churchgate, Bombay.
5. Indian Roads and Transport Development Association 27, Bastian Road, Bombay-1.
6. Inter-University Board of India & Ceylon, Rouse Avenue, New Delhi-1.
7. Kerala State Muslim League, Trivandrum Kerala.
8. Madurai-Ramnad Chamber of Commerce, 90-92, East, Avaninoola Street, Madurai-1.
9. Maharashtra Charamkar Parishad, Bombay.
10. Mysore Government Secretariat Association, 162, Vidhan Soudha, Bangalore-1.
11. Punjab, Haryana and Delhi Chamber of Commerce and Industry, 9-A, Connaught Place, New Delhi.
12. Rajasthan Chamber of Commerce and Industry, Johari Bazar, Jaipur-3, Rajasthan.
13. Sri Venkateswara University, Tirupati, Andhra Pradesh.
14. Tamil Nadu NGO Union 31, Neeliveeraswamy Chetty Street, Madras-5.
15. Vyaparak Association Mandal, Hanuman Garh Town, Rajasthan.

(b) Individuals who sent memoranda to the Commission

1. Shri Angrish A.C. Department of Economics, University of Jodhpur, Ratanada 'C' Road Jodhpur, Rajasthan.
2. Shri Ashutosh Lahiry, 11, Sukea Street, Calcutta-9.
3. Shri Babubhai M. Chinai, Member Parliament (Rajya Sabha), Sir P.M. Road, Fort, Bombay-1 BR.
4. Shri Chaudhuri P.N. MLA, Meghalaya, Shillong.
5. Shri Fletcher A.L. Vice Chancellor, Haryana Agricultural University, Hissar, Haryana.
6. Dr. Ganguli B.N., Council for Social Development, 53, Lodi Estate, New Delhi.
7. Prof. Gautam Mathur, Head of Economics Department, Osmania University, Hyderabad.
8. Dr. Ghuge V.B., Head of Economics Department, Shivaji University, Kolhapur, Maharashtra.
9. Shri Gopalakrishnaiah V., Sattenapalli, Andhra Pradesh.
10. Shri Harideya Narayan Singh, Principal, Tilak Dhari College, Jaunpur.
11. Dr. Ishwar Chandra, Kulapati, University of Saugar, Saugar, MadhyaPradesh.
12. Prof. Krishnan V.S., Vice Chancellor, University of Bhopal, Arera Colony, Bhopal.
13. Shri Kshitish Ch. Das, Minister, Forest, Labour, Animal Husbandry & Veterinary Services, Tripura, Agartala.
14. Shri Kumar B., Lecturer, R.S.P. College, Jharia, Bihar.
15. Shri Manoranjan Sinha Ray, Lecturer in Economics, Viswa Bharti, West Bengal.
16. Prof. Mathur M.V., Director, Asian Institute of Educational Planning and Administration, Indraprastha Estate, New Delhi-1.
17. Shri Murasoli Maran, Member Parliament, Editor "Murasoli" and "The Rising Sun", Madras-6.
18. Shri Murli Dhar Joshi, Professor of Economics, Lucknow University, Mahanagar, Lucknow-6.
19. Shri Murti V.S., Head of the Department of Public Administration, Nagpur University, Nagpur.
20. Shri Naripendra Chakravarti, Member, Tripura Legistive Assembly, Agartala.
21. Shri Rajamallu K., Chairman, Andhra Pradesh Regional Committee, Hyderabad.
22. Dr. Rajamannar P.V. Chairman, Fourth Finance Commission, 9, Victoria Crescent Road, Madras-8.
23. Dr. Rajendra Jain, Professor of Economics, 'G' Block, Old Secretariat, Bhopal-5.
24. Shri Raman A., Madras University, Madras.
25. Dr. Rao V.K.R.V., M.P. Former Union Minister of Education, and Director, Institute for Social and Economic Change, Bangalore.
26. Shri Santhanam K., Chairman, Second Finance Commission, 58, East Abhiramapuram Street, Mylapore, Madras-4.
27. Dr. Sharma J. N., 17, Vikas Path, Alwar, Rajasthan.
28. Shri Singh M.P., Registrar, Awadesh Pratap Singh University, Rewa, Madhya Pradesh.
29. Shri Sudarsanam Maddi, Member Parliament, 7, Windsor Place, New Delhi.
30. Dr. Thimmaiah G., Fellow, Institute for Social and Economic Change, Jayanagar, Bangalore-41.
31. Shri Vasudev, Vice Chairman, Vidhan Sabha, Uttar Pradesh, Lucknow.

APPENDIX VI

Individuals and Organisations whose representatives met the Commission

(A) Individuals who met the Commission:

1. Dr. Ashok Mitra, former Chief Economic Adviser, Government of India, 2/8, Sarat Bose Road, 1st Floor, Calcutta-20.
2. Shri Bala, P.K., Convenor, Orissa Forum for Socialist Development, Bhubaneswar.
3. Shri Banka Behari Das, former Finance Minister of Orissa with Shri Braj Mohan Mahanty, Shri B. Acharya, former Ministers of Government of Orissa and others.
4. Dr. Bhabatosh Datta, Member, Fourth Finance Commission, 139-B, Rash Behari Avenue, Calcutta-29.
5. Shri Chhabil Das Mehta, MLA, Gujarat, Ahemdabad.
6. Dr. Dandekar, V.M., Director, Gokhale Institute of Politics and Economics, Poona-4.
7. Shri Gopalakrishnaiah, V., Sattenpalli, Andhra Pradesh.
8. Shri Kali Mukherjee, M.P., Trade Unionist, Calcutta.
9. Shri Kanungo, T., Member, Central Screening Committee, Congress Forum for Socialist Action, MLA Colony, Bhubaneswar.
10. Dr. Lakdawala, D.T., Director, Department of Economics, University of Bombay, CST Road, Kalina, Bombay-29.
11. Shri Morarji R. Desai, M.P., Former Deputy Prime Minister, 5, Dupleix Road, New Delhi-11.
12. Dr. Panicker, P.G.K., University of Kerala, Trivandrum.
13. Dr. Patnaik, S.C., Senior Research Fellow, Department of Economics, Khallikote College, Berhampur, Orissa.
14. Dr. Patnaik, S.C., Department of Economics, Rawenshaw College, Cuttack-3, Orissa.
15. Dr. Raj, K. N., National Professor, Centre for 'Development' Studies, Trivandrum.
16. Shri Rajamallu, K., Chairman, Andhra Pradesh Regional Committee, Hyderabad.
17. Dr. Rajamannar, P.V., Chairman, Fourth Finance Commission, 9, Victoria Road, Madras-8.
18. Shri Rama Chandra Reddy, MLA, Former Minister, Andhra Pradesh, Hyderabad.
19. Dr. Rao, V.K.R.V., M.P., Former Union Minister of Education & Director, Institute for Social and Economic Change, Bangalore.
20. Shri Santhanam, K., Chairman, Second Finance Commission, 58, East Abhiramapuram, Mylapore, Madras-4.
21. Dr. Thimmaiah, G., Fellow of the Institute for Social & Economic Change, Bangalore.
22. Shri Vandanam, R., (representing leather industry in Andhra Pradesh) Hyderabad.

(B) Organisations whose representatives met the Commission:

1. Bengal Chamber of Commerce, Calcutta
2. Bengal National Chamber of Commerce, Calcutta.
3. Bharat Chamber of Commerce, Calcutta.
4. Communist Party of India, Kerala State Council, Trivandrum:
   (i) Shri P. Balachandra Menon
   (ii) Shri P.K. Basudevan Nair
   (iii) Shri Valian Bhargawan
5. Communist Party of India (Marxist), Kerala State Committee, Trivandrum:
   (i) Shri E.M.S. Nam boodripad, M.L.A.
   (ii) Shri V.S. Achuthanandan, M.L.A.
   (iii) Dr. K. Mathew Kurien, M.P.
6. Congress (Organisation) Committee, Kerala Pradesh, Trivandrum Shri Amaravila Krishnan Nair
7. Dimapur Chamber of Commerce, Dimapur, Nagaland.
8. Federation of Andhra Pradesh Chamber of Commerce and Industry, 3-5-822/6, Hyderguda, Hyderabad.
9. Indian Chamber of Commerce, Calcutta.
10. Kerala Congress, State Committee, Trivandrum:
    (i) Shri K.M. George, M.L.A.
    (ii) Shri K.M. Mani, M.L.A.
    (iii) Shri P.J. Joseph
11. Kerala Pradesh Congress Committee, Trivandrum:
    (i) Shri A.K. Anthony, M.L.A.
    (ii) Shri A.C. Jose
    (iii) Shri A.A. Rahim, M.L.A.
    (iv) Dr. Henry Austin, M.P.
12. Kerala Secretariat Association, Trivandrum.
13. Kerala State Muslim League, Trivandrum:
    Shri U.A. Beeran, M.L.A.
14. Merchants Chamber of Commerce, Calcutta.
15. Oriental Chamber of Commerce, Calcutta.
16. Orissa Forum for Social Development, Sagackika, Jahangir Wangla, Cuttack-9, Orissa.
17. Paraja Socialist Party, Kerala State, Trivandrum:
    (i) Shri G.P. Mangalathu Madhom, Ex-M.P.
    (ii) Shri G.Sridharan Nair
    (iii) Shri P.K.N. Nambiar, M.L.A.
18. Punjab, Haryana and Delhi Chamber of Commerce and Industry, 9-A, Connaught Place, New Delhi.
19. Revolutionary Socialist Party, Kerala Committee, Trivandrum:
    (i) Shri P.C. John
    (ii) Shri N. Srikanthan Nair, M.P.
    (iii) Shri T.A. Paraman, M.L.A.
20. Socialist Party, Kerala, Trivandrum:
    (i) Shri K.A. Sivarama Bharathi, M.L.A.
    (ii) Shri P. Vishambharam, Ex-M.P.
21. Travancore Chamber of Commerce, Alleppey.
22. Travancore Devaswom Board, Trivandrum.

APPENDIX VII

TABLE No. 5

State-wise assessment of income tax (excluding tax on Union Salaries) for the years 1968-69 *to* 1972-73

(Net of reductions on account of appellate order, revision, rectification, etc.)

(Rs. crores)

States	1968-69	1969-70	1970-71	1971-72	1972-73	1968-69 to 1972-73
1. Andhra Pradesh	13.16	14.73	11.50	16.84	19.92	76.15
2. Assam	2.68	3.05	3.32	4.02	2.87	15.94
3. Bihar	5.48	5.86	6.51	10.65	6.33	34.83
4. Gujarat	25.10	26.11	29.92	48.96	34.15	164.24
5. Haryana	2.26	2.89	2.84	3.33	3.08	14.40
6. Himachal Pradesh	0.46	0.61	0.78	0.49	0.71	3.05
7. Jammu and Kashmir	1.27	1.30	1.34	1.92	1.76	7.59
8. Kerala	9.00	10.01	10.44	13.17	12.30	54.92
9. Madhya Pradesh	9.20	10.00	13.58	12.44	10.24	55.46
10. Maharashtra	69.34	75.96	72.66	111.08	64.92	393.96
11. Manipur	0.02	0.01	0.08	0.08	0.06	0.25
12. Meghalaya	0.22	0.22	0.31	0.50	0.29	1.54
13. Mysore	9.71	13.85	13.81	14.79	15.57	67.73
14. Nagaland	..	..	0.06	0.19	0.07	0.32
15. Orissa	3.13	2.43	2.53	3.14	2.73	13.96
16. Punjab	10.52	15.69	13.04	18.10	16.92	74.27
17. Rajasthan	5.67	5.56	5.33	8.15	7.95	32.66
18. Tamil Nadu	29.14	32.90	28.99	37.93	31.39	160.35
19. Tripura	0.12	0.11	0.18	0.20	0.13	0.74
20. Uttar Pradesh	10.46	13.52	16.23	21.76	17.82	79.79
21. West Bengal	42.44	44.23	42.53	58.84	36.78	224.82
Total :	**249.38**	**279.04**	**275.98**	**386.58**	**285.99**	**1476.97**

Source : Central Board of Direct Taxes.

APPENDIX VII

TABLE No. 6

Revenue from Additional Excise Duties from 1969-70 *to* 1972-73

(Rs. crores)

Year	Revenue from			Total		Refunds	Net
	Sugar	Tobacco including cigarettes	Textiles				
1	2	3	4	5		6	7
1969-70	17.79	22.14	20.68	60.61	(—)	0.12	60.49
1970-71	26.84	24.49	23.45	74.78	(—)	Nil	74.78
1971-72	33.12	43.32	29.77	106.21	(—)	0.24	105.97
1972-73 (R.E.)	37.00	64.00	36.95	137.95	(—)	0.45	137.50

Source : Explanatory Memoranda on the Budget of the Central Government.

APPENDIX VII

TABLE No. 5

State-wise assessment of income tax (excluding tax on Union Salaries) for the years 1968-69 *to* 1972-73

(Net of reductions on account of appellate order, revision, rectification, etc.)

(Rs. crores)

States	1968-69	1969-70	1970-71	1971-72	1972-73	1968-69 to 1972-73
1. Andhra Pradesh	13.16	14.73	11.50	16.84	19.92	76.15
2. Assam	2.68	3.05	3.32	4.02	2.87	15.94
3. Bihar	5.48	5.86	6.51	10.65	6.33	34.83
4. Gujarat	25.10	26.11	29.92	48.96	34.15	164.24
5. Haryana	2.26	2.89	2.84	3.33	3.08	14.40
6. Himachal Pradesh	0.46	0.61	0.78	0.49	0.71	3.05
7. Jammu and Kashmir	1.27	1.30	1.34	1.92	1.76	7.59
8. Kerala	9.00	10.01	10.44	13.17	12.30	54.92
9. Madhya Pradesh	9.20	10.00	13.58	12.44	10.24	55.46
10. Maharashtra	69.34	75.96	72.66	111.08	64.92	393.96
11. Manipur	0.02	0.01	0.08	0.08	0.06	0.25
12. Meghalaya	0.22	0.22	0.31	0.50	0.29	1.54
13. Mysore	9.71	13.85	13.81	14.79	15.57	67.73
14. Nagaland	..	..	0.06	0.19	0.07	0.32
15. Orissa	3.13	2.43	2.53	3.14	2.73	13.96
16. Punjab	10.52	15.69	13.04	18.10	16.92	74.27
17. Rajasthan	5.67	5.56	5.33	8.15	7.95	32.66
18. Tamil Nadu	29.14	32.90	28.99	37.93	31.39	160.35
19. Tripura	0.12	0.11	0.18	0.20	0.13	0.74
20. Uttar Pradesh	10.46	13.52	16.23	21.76	17.82	79.79
21. West Bengal	42.44	44.23	42.53	58.84	36.78	224.82
Total :	**249.38**	**279.04**	**275.98**	**386.58**	**285.99**	**1476.97**

Source : Central Board of Direct Taxes.

APPENDIX VII

TABLE No. 6

Revenue from Additional Excise Duties from 1969-70 *to* 1972-73

(Rs. crores)

Year	Revenue from			Total	Refunds	Net
	Sugar	Tobacco including cigarettes	Textiles			
1	2	3	4	5	6	7
1969-70	17.79	22.14	20.68	60.61	(—) 0.12	60.49
1970-71	26.84	24.49	23.45	74.78	(—) Nil	74.78
1971-72	33.12	43.32	29.77	106.21	(—) 0.24	105.97
1972-73 (R.E.)	37.00	64.00	36.95	137.95	(—) 0.45	137.50

Source : Explanatory Memoranda on the Budget of the Central Government.

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APPENDIX VII

TABLE 7.1

Statewise production of Cotton Textiles (Mill Sector)

(In Million Metres)

States	1968-69 (1)	1969-70 (2)	1970-71 (3)	1971-72 (4)
1. Andhra Pradesh	31.9	32.1	34.4	39.8
2. Assam	..	..	..	..
3. Bihar	0.1	0.1	0.1	0.1
4. Gujarat	1280.5	1261.1	1243.9	1265.6
5. Haryana	44.4	41.2	48.2	43.2
6. Himachal Pradesh	..	..	..	..
7. Jammu & Kashmir	..	..	..	..
8. Kerala	19.4	18.3	18.2	13.2
9. Madhya Pradesh	396.4	381.3	375.5	350.3
10. Maharashtra	1452.0	1457.7	1404.5	1422.4
11. Manipur	..	..	..	..
12. Meghalaya	..	..	..	..
13. Mysore	86.8	91.1	78.8	74.5
14. Nagaland	..	..	..	..
15. Orissa	34.1	30.9	28.2	28.6
16. Punjab	36.4	31.2	36.0	38.1
17. Rajasthan	65.3	65.5	63.2	56.2
18. Tamil Nadu	161.4	159.0	160.5	137.8
19. Tripura	..	..	..	..
20. Uttar Pradesh	280.6	261.0	249.2	258.2
21. West Bengal	203.6	176.0	130.3	122.2
22. Total—States	4092.9	4006.5	3871.0	3850.2
23. Union Territories	205.1	184.5	184.0	188.8
24. Grand Total	4298.0	4191.0	4055.0	4039.0

Source : Office of the Textile Commissioner, Bombay, Ministry of Commerce.

APPENDIX VII

TABLE 7.3

Statewise production of Cigarettes

(Million Nos.)

States	1968-69 (1)	1969-70 (2)	1970-71 (3)	1971-72 (4)
1. Andhra Pradesh	12269	12047	12593	14817
2. Assam	..	..	..	..
3. Bihar	5318	5582	5175	5602
4. Gujarat	..	..	..	..
5. Haryana	..	..	..	..
6. Himachal Pradesh	..	..	..	..
7. Jammu & Kashmir	..	..	..	..
8. Kerala	..	..	..	..
9. Madhya Pradesh	..	..	..	..
10. Maharashtra	16873	15689	15847	16789
11. Manipur	..	..	..	..
12. Meghalaya	..	..	..	..
13. Mysore	8302	8912	8963	10292
14. Nagaland	..	..	..	..
15. Orissa	..	..	..	..
16. Punjab	..	..	..	..
17. Rajasthan	..	..	..	..
18. Tamil Nadu	..	..	..	..
19. Tripura	..	..	..	..
20. Uttar Pradesh	9586	9857	10578	11006
21. West Bengal	9327	9031	9284	8867
22. Total—States	61675	61118	62440	6737
23. Union Territories	..	..	..	..
24. Grand Total	61675	61118	62440	67373

Source : Statistics and Intelligence Branch (Central Excise)

APPENDIX VII

TABLE 7.4

Statewise production of sugar

(1st October to 30th September)

(Thousand Tonnes)

States	1968-69 (1)	1969-70 (2)	1970-71 (3)	1971-72 (4)
1. Andhra Pradesh	339	335	267	302
2. Assam	5	10	7	5
3. Bihar	259	333	293	150
4. Gujarat	77	99	84	98
5. Haryana	60	97	83	72
6. Himachal Pradesh	..	..	..	..
7. Jammu & Kashmir	..	..	..	..
8. Kerala	16	21	16	16
9. Madhya Pradesh	15	37	38	21
10. Maharashtra	979	1044	1055	1002
11. Manipur	..	..	..	..
12. Meghalaya	..	..	..	..
13. Mysore	206	238	205	247
14. Nagaland	..	..	..	..
15. Orissa	15	17	7	7
16. Punjab	38	69	48	31
17. Rajasthan	12	20	13	8
18. Tamil Nadu	335	289	299	299
19. Tripura	..	..	..	..
20. Uttar Pradesh	1175	1624	1299	831
21. West Bengal	7	14	8	1
22. Total—States	3538	4247	3722	3090
23. Union Territories	21	15	18	23
24. Grand Total	3559	4262	3740	3113

Source : Directorate of Sugar and Vanaspati, Department of Food, Ministry of Agriculture.

APPENDIX VII

Table 8:—Railway Route Length in India by States and Zones

(Kilometres)

tate/Zone	As on 31-3-1971				As on 31-3-1972			
	Broad Guage	Metre Guage	Narrow Guage	Total	Broad Guage	Metre Guage	Narrow Guage	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Andhra Pradesh								
(i) Southern	672.65	531.40	—	1204.05	672.65	531.40	—	1204.05
(ii) South Central	1822.39	1179.83	—	3002.22	1822.39	1178.73	—	3001.12
(iii) South Eastern	497.97	—	36.94	534.91	497.97	—	36.94	534.91
(iv) Total	2993.01	1711.23	36.94	4741.18	2993.01	1710.13	36.94	4740.08
2. Assam								
(i) Northeast Frontier	105.22	2088.43	—	2193.65	105.22	2088.43	—	2193.65
3. Bihar								
(i) Eastern	2132.49	—	—	2132.49	2132.49	—	—	2132.49
(ii) North Eastern	52.47	1703.17	—	1755.64	52.47	1703.19	—	1755.66
(iii) Northeast Frontier	102.95	264.35	—	367.30	102.95	265.81	—	368.76
(iv) South Eastern	833.61	—	69.19	902.80	837.31	—	69.15	906.46
(v) Total	3121.52	1967.52	69.19	5158.23	3125.22	1969.00	69.15	5163.37
4. Gujarat								
(i) Northern	—	53.63	—	53.63	—	53.63	—	53.63
(ii) Western	1129.32	3320.19	1134.82	5584.33	1129.32	3320.19	1134.82	5584.33
(iii) Total	1129.32	3373.82	1134.82	5637.96	1129.32	3373.82	1134.82	5637.96
5. Haryana								
(i) Central	72.21	—	—	72.21	72.21	—	—	72.21
(ii) Northern	714.70	527.87	3.38	1245.95	714.70	527.87	3.38	1245.95
(iii) Western	—	98.97	—	98.97	—	98.97	—	98.97
(iv) Total	786.91	626.84	3.38	1417.13	786.91	626.84	3.38	1417.13
6. Himachal Pradesh								
(i) Northern	11.55	—	244.28	255.83	11.55	—	244.28	255.83
7. Jammu & Kashmir								
(i) Northern	6.20	—	—	6.20	6.20	—	—	6.20
8. Kerala								
(i) Southern	553.39	336.54	—	889.93	553.39	336.54	—	889.93
9. Madhya Pradesh								
(i) Central	1789.09	70.13	406.60	2265.82	2044.53	70.13	406.60	2521.26
(ii) Northern	20.23	—	—	20.23	20.23	—	—	20.23
(iii) Eastern	—	—	—	—	19.79	—	—	19.79
(iv) South Eastern	1328.97	—	664.35	1993.32	1328.97	—	664.35	1993.32
(v) Western	705.56	427.62	66.92	1200.10	705.56	427.62	66.92	1200.10
(vi) Total	3843.85	497.75	1137.87	5479.47	4119.08	497.75	1137.87	5754.70

(Kilometres)

State/Zone	As on 31-3-1971				As on 31-3-1972			
	Broad Guage	Metre Guage	Narrow Guage	Total	Broad Guage	Metre Guage	Narrow Guage	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
10. Maharashtra								
(i) Central	1735.19	311.74	298.37	2345.30	1735.81	311.74	298.37	2345.92
(ii) South Central	479.96	994.39	369.61	1843.96	802.48	681.17	369.61	1853.26
(iii) South Eastern	244.28	—	432.08	676.36	244.28	—	432.08	676.36
(iv) Western	350.80	—	—	350.80	350.80	—	—	350.80
(v) Total	2810.23	1306.13	1100.06	5216.42	3133.37	992.91	1100.06	5226.34
11. Mysore								
(i) Southern	239.10	1173.99	153.06	1566.15	239.10	1173.99	153.06	1566.15
(ii) South Central	307.11	933.78	—	1240.89	307.11	933.00	—	1240.11
(iii) Total	546.21	2107.77	153.06	2807.04	546.21	2106.99	153.06	2806.26
12. Nagaland								
(i) Northeast Frontier	—	9.35	—	9.35	—	9.35	—	. 35
13. Orissa								
(i) South Eastern	1732.77	—	143.03	1875.80	1732.95	—	143.03	1875.98
14. Punjab								
(i) Northern	1912.26	194.79	11.90	2118.95	1912.26	194.79	11.90	2118.95
15. Rajasthan								
(i) Central	35.26	—	86.78	122.04	35.26	—	86.78	122.04
(ii) Northern	31.24	2629.54	—	2660.78	31.24	2629.54	—	2660.78
(iii) Western	608.04	2195.92	—	2803.96	608.04	2195.92	—	2803.9
(iv) Total	674.54	4825.46	86.78	5586.78	674.54	4825.46	86.78	5586.78
16. Tamil Nadu								
(i) Southern	869.33	2888.41	—	3757.74	869.33	2889.05	—	3758.38
17. Tripura								
(i) Northeast Frontier	—	12.35	—	12.35	—	12.35	—	12.35
18. Uttar Pradesh								
(i) Central	956.55	—	2.01	958.56	956.55	—	2.01	958.56
(ii) Eastern	227.01	—	—	227.01	264.78	—	—	264.78
(iii) Northern	4138.65	0.13	—	4138.78	4078.69	0.13	—	4078.82
(iv) North Eastern	—	3221.31	—	3221.31	—	3221.31	—	3221.31
(v) Western	71.32	37.11	—	108.43	71.32	37.11	—	108.43
(vi) Total	5393.53	3258.55	2.01	8654.09	5371.34	3258.55	2.01	8631.90
19. West Bengal								
(i) Eastern	1653.00	—	131.38	1784.38	1668.67	—	131.38	1800.05
(ii) Northeast Frontier	437.04	525.31	87.48	1049.83	428.04	525.31	87.48	1040.83
(iii) South Eastern	720.46	—	133.43	853.89	721.29	—	133.47	854.76
(iv) Total	2810.50	525.31	352.29	3688.10	2818.00	525.31	352.33	3695.64

Source:—Railway Board, Ministry of Railways.

APPENDIX VII

TABLE 9

Railway Earnings from Passengers carried on Non-suburban Routes during 1968-69 to 1971-72

(Rs. lakhs)

State/Zone	1968-69				1969-70				1970-71				1971-72			
	Broad Gauge	Metre Gauge	Narrow Guage	Total	Broad Guage	Metre Guage	Narrow Guage	Total	Broad Guage	Metre Guage	Narrow Guage	Total	Broad Guage	Metre Guage	Narrow Guage	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1. Andhra Pradesh																
(i) Southern	354.40	141.71	—	496.11	352.13	151.97	—	504.10	405.68	155.42	—	561.10	453.80	160.49	—	614.29
(ii) South Eastern	145.08	—	2.23	147.31	160.38	—	2.41	162.79	164.53	—	2.54	167.07	185.55	—	3.04	188.59
(iii) South Central	1007.64	310.07	—	1317.71	1016.69	293.75	—	1310.44	1120.95	308.20	—	1429.15	1088.32	318.81	—	1407.13
Total :	1507.12	451.78	2.23	1961.13	1529.20	445.72	2.41	1977.33	1691.16	463.62	2.54	2157.32	1727.67	479.30	3.04	2210.01
2. Assam																
(i) Northeast Frontier	11.48	629.65	—	641.13	13.23	669.82	—	683.05	14.19	656.76	—	670.95	11.90	793.95	—	805.85
3. Bihar																
(i) Eastern	1516.80	—	—	1516.80	1562.61	—	—	1562.61	1612.76	—	—	1612.76	1590.05	—	—	1590.05
(ii) North Eastern	10.31	671.52	—	681.83	12.06	784.88	—	796.94	12.48	816.20	—	828.68	13.10	855.78	—	868.88
(iii) Northeast Frontier	11.23	79.70	—	90.93	12.94	84.78	—	97.72	13.89	83.13	—	97.02	11.64	101.05	—	112.69
(iv) South Eastern	243.99	—	4.18	248.17	268.76	—	4.51	273.27	275.43	—	4.75	280.18	312.00	—	5.68	317.68
(v) Total	1782.33	751.22	4.18	2537.73	1856.37	869.66	4.51	2730.54	1914.56	899.33	4.75	2818.64	1926.79	956.83	5.68	2889.30
4. Gujarat																
(i) Northern	—	10.29	—	10.29	—	10.66	—	10.66	—	11.47	—	11.47	—	12.61	—	12.61
(ii) Western	767.14	870.82	98.94	1736.90	879.36	918.83	100.62	1898.81	937.09	937.68	88.10	1962.87	974.24	1026.29	102.99	2103.52
(iii) Total	767.14	881.11	98.94	1747.19	879.36	929.49	100.62	1909.47	937.09	949.15	88.10	1974.34	974.24	1038.90	102.99	2116.13
5. Haryana																
(i) Central	50.07	—	—	50.07	49.97	—	—	49.97	54.07	—	—	54.07	56.24	—	—	56.24
(ii) Northern	431.43	101.24	0.48	533.15	447.44	104.96	0.50	552.90	487.77	112.90	0.50	601.17	529.51	124.13	0.49	654.13
(iii) Western	—	25.96	—	25.96	—	27.39	—	27.39	—	27.95	—	27.95	—	30.59	—	30.59
(iv) Total	481.50	127.20	0.48	609.18	497.41	132.35	0.50	630.26	541.84	140.85	0.50	683.19	585.75	154.72	0.49	740.96

(Kilometres)

State/Zone	As on 31-3-1971				As on 31-3-1972			
	Broad Guage	Metre Guage	Narrow Guage	Total	Broad Guage	Metre Guage	Narrow Guage	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
10. Maharashtra								
(i) Central	1735.19	311.74	298.37	2345.30	1735.81	311.74	298.37	2345.92
(ii) South Central	479.96	994.39	369.61	1843.96	802.48	681.17	369.61	1853.26
(iii) South Eastern	244.28	—	432.08	676.36	244.28	—	432.08	676.36
(iv) Western	350.80	—	—	350.80	350.80	—	—	350.80
(v) Total	2810.23	1306.13	1100.06	5216.42	3133.37	992.91	1100.06	5226.34
11. Mysore								
(i) Southern	239.10	1173.99	153.06	1566.15	239.10	1173.99	153.06	1566.15
(ii) South Central	307.11	933.78	—	1240.89	307.11	933.00	—	1240.11
(iii) Total	546.21	2107.77	153.06	2807.04	546.21	2106.99	153.06	2806.26
12. Nagaland								
(i) Northeast Frontier	—	9.35	—	9.35	—	9.35	—	. 35
13. Orissa								
(i) South Eastern	1732.77	—	143.03	1875.80	1732.95	—	143.03	1875.98
14. Punjab								
(i) Northern	1912.26	194.79	11.90	2118.95	1912.26	194.79	11.90	2118.95
15. Rajasthan								
(i) Central	35.26	—	86.78	122.04	35.26	—	86.78	122.04
(ii) Northern	31.24	2629.54	—	2660.78	31.24	2629.54	—	2660.78
(iii) Western	608.04	2195.92	—	2803.96	608.04	2195.92	—	2803.9
(iv) Total	674.54	4825.46	86.78	5586.78	674.54	4825.46	86.78	5586.78
16. Tamil Nadu								
(i) Southern	869.33	2888.41	—	3757.74	869.33	2889.05	—	3758.38
17. Tripura								
(i) Northeast Frontier	—	12.35	—	12.35	—	12.35	—	12.35
18. Uttar Pradesh								
(i) Central	956.55	—	2.01	958.56	956.55	—	2.01	958.56
(ii) Eastern	227.01	—	—	227.01	264.78	—	—	264.78
(iii) Northern	4138.65	0.13	—	4138.78	4078.69	0.13	—	4078.82
(iv) North Eastern	—	3221.31	—	3221.31	—	3221.31	—	3221.31
(v) Western	71.32	37.11	—	108.43	71.32	37.11	—	108.43
(vi) Total	5393.53	3258.55	2.01	8654.09	5371.34	3258.55	2.01	8631.90
19. West Bengal								
(i) Eastern	1653.00	—	131.38	1784.38	1668.67	—	131.38	1800.05
(ii) Northeast Frontier	437.04	525.31	87.48	1049.83	428.04	525.31	87.48	1040.83
(iii) South Eastern	720.46	—	133.43	853.89	721.29	—	133.47	854.76
(iv) Total	2810.50	525.31	352.29	3688.10	2818.00	525.31	352.33	3695.64

Source:—Railway Board, Ministry of Railways.

6. Himachal Pradesh																
(i) Northern	6.97	—	35.00	41.97	7.23	—	36.00	43.23	7.88	—	35.87	43.75	8.56	—	35.59	44.15
7. Jammu & Kashmir																
(i) Northern	3.75	—	—	3.75	3.88	—	—	3.88	4.23	—	—	4.23	4.59	—	—	4.59
8. Kerala																
(i) Southern	291.57	89.75	—	381.32	289.69	96.25	—	385.94	333.76	98.43	—	432.19	373.34	101.64	—	474.98
9. Madhya Pradesh																
(i) Central	1240.47	4.25	18.56	1263.28	1237.84	4.47	18.20	1260.51	1339.42	5.08	20.25	1364.75	1592.26	5.27	19.94	1617.47
(ii) South Eastern	386.52	—	41.37	427.89	425.13	—	43.34	468.47	439.10	—	45.65	484.75	495.20	—	54.59	549.79
(iii) Northern	—	—	—	—	—	—	—	—	13.81	—	—	13.81	14.99	—	—	14.99
(iv) Western	527.44	112.16	5.83	645.43	550.08	118.34	5.93	674.35	585.46	120.77	5.20	711.43	608.67	132.18	6.07	746.92
(v) Eastern	—	—	—	—	—	—	—	—	—	—	—	—	14.75	—	—	14.75
(vi) Total	2154.43	116.41	65.76	2336.60	2213.05	122.81	67.47	2403.33	2377.79	125.85	71.10	2574.74	2725.87	137.45	80.60	2943.92
10. Maharashtra																
(i) Central	1188.91	19.05	13.72	1221.68	1185.46	19.86	13.36	1218.68	1282.73	22.57	14.86	1320.16	1351.83	23.44	14.64	1389.91
(ii) South Central	266.30	259.97	63.87	590.14	268.59	246.28	56.77	571.64	295.22	259.76	56.07	611.05	479.24	184.23	54.77	718.24
(iii) South Eastern	69.38	—	24.95	94.33	78.67	—	28.19	106.86	80.71	—	29.69	110.40	91.02	—	35.51	126.53
(iv) Western	258.94	—	—	258.94	270.06	—	—	270.06	287.35	—	—	287.35	302.63	—	—	302.63
(v) Total	1783.53	279.02	102.54	2165.09	1802.78	266.14	98.32	2167.24	1946.01	282.33	100.62	2328.96	2224.72	207.67	104.92	2537.31
11. Mysore																
(i) Southern	125.98	313.08	3.32	442.38	125.17	335.74	4.00	464.91	144.20	343.36	4.38	491.94	161.31	354.57	4.42	520.30
(ii) South Central	170.10	240.65	—	410.75	171.57	227.98	—	399.55	188.91	243.93	—	432.84	183.40	252.34	—	435.74
(iii) Total	296.08	553.73	3.32	853.13	296.74	563.72	4.00	864.46	333.11	587.29	4.38	924.78	344.71	606.91	4.42	956.04
12. Nagaland																
(i) Northeast Frontier	—	2.82	—	2.82	—	3.00	—	3.00	—	2.94	—	2.94	—	3.56	—	3.56
13. Orissa																
(i) South Eastern	505.56	—	8.65	514.21	557.10	—	9.33	566.43	572.52	—	9.83	582.35	645.73	—	11.75	657.48
14. Punjab																
(i) Northern	1155.09	37.36	1.71	1194.16	1197.18	38.73	1.75	1237.66	1305.08	41.66	1.75	1348.49	1416.78	45.80	1.73	1464.31
15. Rajasthan																
(i) Central	24.45	—	3.98	28.43	24.41	—	3.89	28.30	26.41	—	4.32	30.73	27.46	—	4.26	31.72
(ii) Northern	3.28	504.34	—	507.62	20.35	522.88	—	543.23	21.32	562.43	—	583.75	23.15	618.33	—	641.48
(iii) Western	454.66	575.94	—	1030.60	474.18	607.70	—	1081.88	504.54	620.16	—	1124.70	524.54	678.77	—	1203.31
(iv) Total	482.39	1080.28	3.98	1566.65	518.94	1130.58	3.89	1653.41	552.27	1182.59	4.32	1739.18	575.15	1297.10	4.26	1876.51

(Rs. lakhs)

State/Zone	1968-69 Broad Guage	1968-69 Metre Guage	1968-69 Narrow Guage	1968-69 Total	1969-70 Broad Guage	1969-70 Metre Guage	1969-70 Narrow Guage	1969-70 Total	1970-71 Broad Guage	1970-71 Metre Guage	1970-71 Narrow Guage	1970-71 Total	1971-72 Broad Guage	1971-72 Metre Guage	1971-72 Narrow Guage	1971-72 Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
16. Tamil Nadu																
(i) Southern	455.91	770.28	—	1226.19	452.99	826.04	—	1279.03	521.89	844.75	—	1366.64	586.48	872.56	—	1459.04
17. Tripura																
(i) Northeast Frontier	—	3.72	—	3.72	—	3.96	—	3.96	—	3.88	—	3.88	—	4.69	—	4.69
18. Uttar Pradesh																
(i) Central	665.43	—	0.09	665.52	663.61	—	0.09	663.70	718.07	—	0.10	718.17	744.95	—	0.10	745.05
(ii) Eastern	161.46	—	—	161.46	166.35	—	—	166.35	171.68	—	—	171.68	197.43	—	—	197.43
(iii) Northern	2473.78	0.03	—	2473.81	2566.66	0.03	—	2566.69	2824.53	0.03	—	2824.56	3021.86	0.03	—	3021.89
(iv) North Eastern	—	1278.89	—	1278.89	—	1497.24	—	1497.24	—	1543.73	—	1543.73	—	1618.56	—	1618.56
(v) Western	53.33	9.56	—	62.89	55.62	10.09	—	65.71	59.18	10.48	—	69.66	61.53	11.47	—	73.00
(vi) Total	3354.00	1288.48	0.09	4642.57	3452.24	1507.36	0.09	4959.69	3773.46	1554.24	0.10	5327.80	4025.77	1630.06	0.10	5655.93
19. West Bengal																
(i) Eastern	892.16	—	16.13	908.29	919.10	—	15.50	934.60	948.60	—	13.87	962.47	1244.21	—	13.05	1257.26
(ii) Northeast Frontier	47.66	158.38	2.96	209.00	54.93	168.48	0.98	224.39	58.94	165.20	2.49	226.63	48.40	199.70	2.18	250.28
(iii) South Eastern	204.42	—	8.08	212.50	225.30	—	8.71	234.01	236.39	—	9.17	245.56	268.76	—	10.97	279.73
(iv) Total	1144.24	158.38	27.17	1329.79	1199.33	168.48	25.19	1393.00	1243.93	165.20	25.53	1434.66	1561.37	199.70	26.20	1787.27
20. Grand Total	16183.09	7221.19	354.05	23758.33	16766.72	7774.11	354.08	24894.91	18070.77	7998.87	349.39	26419.03	19719.42	8530.84	381.77	28632.03

SOURCE:—Railway Board, Ministry of Railways.

APPENDIX VII

TABLE No. 10.

Central assistance to States towards natural calamities relief expenditure—1965-66—1972-73.

(Rs. lakhs)

	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	100	250	—	1555	1780	1260	1503	3700
2. Assam	—	390	—	400	240	575	75	430
3. Bihar	—	1850	4174	250	180	235	2000	1335
4. Gujarat	—	303	214	1150	2120	784	60	1400
5. Haryana	—	—	—	—	—	—	—	—
6. Himachal Pradesh	—	—	—	—	—	—	9	222
7. Jammu & Kashmir	35	—	—	—	—	—	237	50
8. Kerala	—	—	—	200	160	220	279	125
9. Madhya Pradesh	300	1648	1100	501	50	67	—	—
10. Maharashtra	—	800	409	500	—	250	2250	8343
11. Manipur	—	—	—	—	—	—	—	40
12. Meghalaya	—	—	—	—	—	—	—	—
13. Mysore	100	300	—	988	162	200	300	1650
14. Nagaland	—	—	—	—	—	—	—	8
15. Orissa	60	1060	350	950	300	—	1300	1156
16. Punjab	—	—	—	—	—	—	—	—
17. Rajasthan	220	1150	527	1926	5350	2651	—	1100
18. Tamil Nadu	—	250	250	125	1300	—	—	476
19. Tripura	—	—	—	—	—	—	—	50
20. Uttar Pradesh	NA	—	226	—	190	450	500	565
21. West Bengal	—	200	300	2004	576	1941	1750	1017
Total	815	8201	7550	10549	12408	8633	10263	21667

Source: Ministry of Finance.

APPENDIX VII

TABLE 11

Rates of growth for State Taxes and Forest revenues

(a) Past growth rates (actuals) between 1967-68 to 1971-72 as given/implied in State Forecasts.

(b) Growth rates for 1974—79 as given/implied in State Forecast.

(c) Growth rates for 1974—79 as adopted by the Commission.

State	Sales Tax			State Excise Duty			Tax on vehicles£			Entertainment tax			Stamps†			Forest		
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
1. Andhra Pradesh	10	5	7	5	3	3	7	5	5	11	8	8	9	4	4	15	3	7
2. Assam	8	8	6	—4	3	3	5	6	6	17	23	12	1	6	6	4	4	4
3. Bihar	1	7	6	3	4	4	10	8	8	26	10	12	2	6	6	10	2	7
4. Gujarat	14	10	10	8	4	4	12	8	8	12	8	9	10	9	9	7	5	5
5. Haryana	22	10	10	12	8	8	21	10	10	25	9	12	14	7	7	27	10	7
6. Himachal Pradesh	33	10	10	10	8	8	21	6	6	6*	10	6	8	6	6	10	3	7
7. Jammu & Kashmir	14	7	7	2	6	6	3	5	5	29	5	12	10	7	7	10	4	7
8. Kerala	9	7	7	2	3	3	7	7	7	9	6	7	4	3	4	9	2	7
9. Madhya Pradesh	9	7	7	9	4	4	9	4	5	12	6	9	11	6	6	11	2	7
10. Maharashtra	13	9	10	16	9	9	10	8	8	16	7	12	7	5	5	17	7	7
11. Manipur	12	4	9	6*	5	5	—	5	5	7*	5	6	11*	5	5	10*	14	7
12. Meghalaya	—	4	6	33**	5	5	100**	—3	5	200@	3	6	100@	1	4	80@	3	7
13. Mysore	12	6	9	36	3	3	10	6	6	26	6	12	8	1	4	9	1	6
14. Nagaland	—8	19	6	—3	8	8	19	10	10	—	8	6	—	9	9	54	10	7
15. Orissa	5	6	6	8	2	3	9	3	5	1	5	6	7	—3	4	13	5	7
16. Punjab	18	9	10	17	4	4	—	11	10	16	12	12	12	8	8	7	4	4
17. Rajasthan	11	10	7	6	5	5	12	8	8	16	10	12	10	5	5	2	8	4
18. Tamil Nadu	12	9	9	15	3	3	6	4	5	8	5	7	7	4	4	8	1	5
19. Tripura	—	—	—	—	3	3	11	1	5	8*	6	6	—2	2	4	12*	2	7
20. Uttar Pradesh	9	5	7	5	3	3	10	8	8	12	8	9	11	3	4	6	3	5
21. West Bengal	6	5	7	9	6	6	3	4	5	26	5	12	—2	2	4	15	2	7

*1968-69 to 1971-72.

**1970-71 to 1971-72.

@1970-71 to 1971-72.

£ Same growth rates assumed by the Commission for taxes on vehicles and taxes on passengers & goods.

†Same growth rates assumed by the Commission for stamps and registration.

APPENDIX VII

TABLE 11

Rates of growth for State Taxes and Forest revenues

(a) Past growth rates (actuals) between 1967-68 to 1971-72 as given/implied in State Forecasts.

(b) Growth rates for 1974—79 as given/implied in State Forecast.

(c) Growth rates for 1974—79 as adopted by the Commission.

State	Sales Tax			State Excise Duty			Tax on vehicles£			Entertainment tax			Stamps†			Forest		
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
1. Andhra Pradesh	10	5	7	5	3	3	7	5	5	11	8	8	9	4	4	15	3	7
2. Assam	8	8	6	—4	3	3	5	6	6	17	23	12	1	6	6	4	4	4
3. Bihar	1	7	6	3	4	4	10	8	8	26	10	12	2	6	6	10	2	7
4. Gujarat	14	10	10	8	4	4	12	8	8	12	8	9	10	9	9	7	5	5
5. Haryana	22	10	10	12	8	8	21	10	10	25	9	12	14	7	7	27	10	7
6. Himachal Pradesh	33	10	10	10	8	8	21	6	6	6*	10	6	8	6	6	10	3	7
7. Jammu & Kashmir	14	7	7	2	6	6	3	5	5	29	5	12	10	7	7	10	4	7
8. Kerala	9	7	7	2	3	3	7	7	7	9	6	7	4	3	4	9	2	7
9. Madhya Pradesh	9	7	7	9	4	4	9	4	5	12	6	9	11	6	6	11	2	7
10. Maharashtra	13	9	10	16	9	9	10	8	8	16	7	12	7	5	5	17	7	7
11. Manipur	12	4	9	6*	5	5	—	5	5	7*	5	6	11*	5	5	10*	14	7
12. Meghalaya	—	4	6	33**	5	5	100**	—3	5	200@	3	6	100@	1	4	80@	3	7
13. Mysore	12	6	9	36	3	3	10	6	6	26	6	12	8	1	4	9	1	6
14. Nagaland	—8	19	6	—3	8	8	19	10	10	—	8	6	—	9	9	54	10	7
15. Orissa	5	6	6	8	2	3	9	3	5	1	5	6	7	—3	4	13	5	7
16. Punjab	18	9	10	17	4	4	—	11	10	16	12	12	12	8	8	7	4	4
17. Rajasthan	11	10	7	6	5	5	12	8	8	16	10	12	10	5	5	2	8	4
18. Tamil Nadu	12	9	9	15	3	3	6	4	5	8	5	7	7	4	4	8	1	5
19. Tripura	—	—	—	—	3	3	11	1	5	8*	6	6	—2	2	4	12*	2	7
20. Uttar Pradesh	9	5	7	5	3	3	10	8	8	12	8	9	11	3	4	6	3	5
21. West Bengal	6	5	7	9	6	6	3	4	5	26	5	12	—2	2	4	15	2	7

*1968-69 to 1971-72.

**1970-71 to 1971-72.

@1970-71 to 1971-72.

£ Same growth rates assumed by the Commission for taxes on vehicles and taxes on passengers & goods.

†Same growth rates assumed by the Commission for stamps and registration.

APPENDIX VII

Non-Plan grants from the Centre to the States

Table 12 (*a*)

Non-Plan grants from the Centre together with the related expenditure allowed by the Commission.

1. Assistance to Jammu & Kashmir for transport of rice and wheat.

Table 12 (*b*)

Non-Plan grants from the Centre not taken into account but related expenditure allowed in the reassessment.

1. Publicity and staff for work relating to Small Savings.
2. Relief for displaced goldsmiths.
3. Composite Training Centres.
4. National Sample Survey.
5. Craftsman Training Scheme.
6. Employment Exchanges.
7. Social Welfare Infirmaries Homes etc.
8. National Employment Organisation.
9. Grant of scholarships under Educational Schemes.
10. Industrial Training Centres.
11. National Cadet Corps.
12. Institute of Panchayati Raj and Community Development.
13. Grants for Community Development Project, National Extension Service and Local Development Works.
14. Financial assistance to persons distinguished in letters, arts, etc.
15. Board of Gazetteers.
16. Training of Youth Workers.
17. Welfare of District Sailors' & Soldiers' Board.
18. Deportation of Foreigners.
19. Welfare of backward classes (other than Grants under Proviso to Article 275).
20. Training Scheme of Planning & Information Departments.

Note:— Committed liabilities on account of teachers already appointed in the States under Special Central Scheme have also been taken into account. There will, therefore, be no need to continue Central grants for this purpose separately.

Table 12 (*c*)

Non-Plan grants from the Centre for which the Commission has not assumed any credit and has also not allowed any expenditure.

1. Home Guards.
2. Assistance to children of goldsmiths.
3. Modernisatiom of police force.
4. Relief and rehabilitation of displaced persons from Pakistan.
5. Relief and rehabilitation of displaced persons from countries other than Pakistan.
6. Construction and maintenance of border roads, and roads of strategic importance.
7. Construction of Inter-State roads of economic importance.
8. Incentive bonus for procurement of foodgrains.
9. Central Road Fund.
10. Miscellaneous Social Crash Programme.
11. Nutrition Programme.
12. Grant for training-cum-development project.
13. National Service Schemes.
14. Civil Defence.
15. Subsidy for controlling prices of essential commodities.
16. Pre-vocational Training Centres.
17. Rural Engineering Survey.
18. Soil Conservation schemes in River Valley Projects.
19. Resettlement of Tibetan refugees.
20. Crash programme for rural employment.
21. Development of Border Areas.

APPENDIX VIII

Revenue receipts and non-Plan expenditure including committed expenditure on the Fourth Plan schemes have been re-assessed according to the general criteria indicated in the Report. Provision for amortisation, interest payment on fresh borrowings as also interest receipts on fresh lendings have been excluded for the reasons indicated in Chapter XV. Returns from irrigation and power projects, transport undertakings and other commercial enterprises have been projected according to the minimum norms stipulated by the Commission. Provisions for pay revision, maintenance of capital assets and upgradation of the standards of administration have been allowed on the lines indicated in the Report. Provisions made in the forecast for land reforms have also been omitted except the expenditure on staff already employed.

Government of Andhra Pradesh

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	791.93	805.64	(+)13.71
2. Non Tax Revenues	168.59	300.49	(+)131.90
(i) Interest Receipts	196.59	213.91	(+)17.32
(a) State Electricity Board	34.69	55.90	(+)21.21
(b) Other Commercial Deptts.	144.55	139.44	(—)5.11
(c) Loans to others (on existing loans outstanding at the end of 1973-74)	17.35	18.57	(+)1.22
(ii) Interest on fresh loans	5.86	–	(—)5.86
(iii) Other Receipts	(—)33.86	86.58	(+)120.44
3. Non-Plan Grants from Centre	3.55	—	(—)3.55
4. Transfer from Funds	3.75	—	(—)3.75
Total Revenue Receipts	967.82	1106.13	(+)138.31
B. *Non-Plan Expenditure on Revenue Account*			
1. Non Developmental Expenditure	1074.13	656.34	(—)417.79
(i) Interest payments on existing loans outstanding at the end of 1973-74	183.27	200.76	(+)17.49
(a) Central Government	129.67	149.27	(+)19.60
(b) Others (including interest on Provident Fund, other deposits etc.)	53.60	51.49	(—)2.11
(ii) Interest payments on fresh loans	70.11	..	(—)70.11
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	237.66	..	(—)237.66
(iv) Other Non-Developmental expenditure	583.09	455.58	(—)127.51
2. Developmental Expenditure			
(i) Education	449.78	426.82	(—)22.96
(ii) Medical & Public Health	115.76	109.77	(—)5.99
(iii) Public Works (including maintenance of roads and buildings)			
(a) Provision for maintenance of buildings.	12.05	7.75	(—)4.30
(b) Provision for maintenance of roads	98.35	71.61	(—)26.74
(c) Other Expenditure	(—)4.40	15.87	(+)20.27
Total	**106.00**	**95.23**	**(—)10.77**
(iv) Other Developmental Expenditure	271.16	267.89	(—)3.27
Total—Developmental	942.70	899.71	(—)42.99
3. Committed Expenditure on Fourth Plan Schemes	170.57	159.19	(—)11.38
4. Transfer to Funds	3.75	..	(—)3.75
5. Fresh Expenditure	105.90	..	(—)105.90
Total Non-Plan Expenditure on Revenue Account	2297.05	1715.24	(—)581.81
Non-Plan Revenue Gap (A—B)	—1329.23	—609.11	+720.12

APPENDIX VII

Non-Plan grants from the Centre to the States

Table 12 (*a*)

Non-Plan grants from the Centre together with the related expenditure allowed by the Commission.

1. Assistance to Jammu & Kashmir for transport of rice and wheat.

Table 12 (*b*)

Non-Plan grants from the Centre not taken into account but related expenditure allowed in the reassessment.

1. Publicity and staff for work relating to Small Savings.
2. Relief for displaced goldsmiths.
3. Composite Training Centres.
4. National Sample Survey.
5. Craftsman Training Scheme.
6. Employment Exchanges.
7. Social Welfare—Infirmaries Homes etc.
8. National Employment Oiganisation.
9. Grant of scholarships under Educational Schemes.
10. Industrial Training Centres.
11. National Cadet Corps.
12. Institute of Panchayati Raj and Community Development.
13. Grants for Community Development Project, National Extension Service and Local Development Works.
14. Financial assistance to persons distinguished in letters, arts, etc.
15. Board of Gazetteers.
16. Training of Youth Workers.
17. Welfare of District Sailors' & Soldiers' Board.
18. Deportation of Foreigners.
19. Welfare of backward classes (other than Grants under Proviso to Article 275).
20. Training Scheme of Planning & Information Departments.

Note:— Committed liabilities on account of teachers already appointed in the States under Special Central Scheme have also been taken into account. There will, therefore, be no need to continue Central grants for this purpose separately.

Table 12 (*c*)

Non-Plan grants from the Centre for which the Commission has not assumed any credit and has also not allowed any expenditure.

1. Home Guards.
2. Assistance to children of goldsmiths.
3. Modernisatiom of police force.
4. Relief and rehabilitation of displaced persons from Pakistan.
5. Relief and rehabilitation of displaced persons from countries other than Pakistan.
6. Construction and maintenance of border roads, and roads of strategic importance.
7. Construction of Inter-State roads of economic importance.
8. Incentive bonus for procurement of foodgrains.
9. Central Road Fund.
10. Miscellaneous Social Crash Programme.
11. Nutrition Programme.
12. Grant for training-cum-development project.
13. National Service Schemes.
14. Civil Defence.
15. Subsidy for controlling prices of essential commodities.
16. Pre-vocational Training Centres.
17. Rural Engineering Survey.
18. Soil Conservation schemes in River Valley Projects.
19. Resettlement of Tibetan refugees.
20. Crash programme for rural employment.
21. Development of Border Areas.

Government of Andhra Pradesh

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
C. *Provision allowed for—*			
(i) Revision of pay and emoluments of State Government employees, teachers and local body employees.	..	114.28	(+)114.28
(ii) Upgradation of standards of Administration.	..	..	..
(a) General Administration	..	0.27	(+)0.27
(b) Administration of Justice	..	20.37	(+)20.37
(c) Police	..	2.61	(+)2.61
(d) Jails	..	15.54	(+)15.54
(e) Primary Education	..	13.83	(+)13.83
(f) Medical & Public Health	..	..	..
(g) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes			
Total	..	52.62	(+)52.62
Total Non-Plan Revenue Gap (A—B—C)	**—1329.23**	**—776.01**	**(+)553.22**

Note †State Government's demand of Rs. 72.52 crores for renovation of Godavari Barrage, Drainage Works and Nizam Sagar Project not conceded on the ground that they should form part of the Plan. Irrigation receipts amounting to Rs. 5.78 crores included in the forecast for meeting this expenditure have also not been taken into account.

Government of Assam

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	210.98	224.41	(+)13.43
2. Non Tax Revenues			
(i) Interest Receipts	0.91	26.92	(+)26.01
(a) State Electricity Board	..	19.32	(+)19.32
(b) Other Commercial Departments	..	1.98	(+)1.98
(c) Loans to others (on existing loans outstanding at the end of 1973-74)	0.91	5.62	(+)4.71
(ii) Interest on fresh loans	0.70	..	(—)0.70
(iii) Other Receipts	(—)4.96	19.38	(+)24.34
3. Non-Plan Grants from Centre.	1.00	..	(—)1.00
4. Transfer from Funds	13.25	..	(—)13.25
Total Revenue Receipts (A)	221.88	270.71	(+)48.83
B. *Non-Plan Expenditure on Revenue Account*			
1. Non Developmental Expenditure	326.37	268.08	(—)58.29
(i) Interest payments on existing loans outstanding at the end of 1973-74			
(a) Central Government	71.46	87.90	(+)16.44
(b) Others (including interest on Provident Fund, other deposits etc.)	18.13	17.97	(—)0.16
(ii) Interest payments on fresh loans	36.72	..	(—)36.72
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	25.45	..	(—)25.45
(iv) Other Non-Developmental expenditure	174.61	162.21	(—)12.40

Government of Assam

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
Developmental Expenditure			
(i) Education	150.90	154.17	(+)3.27
(ii) Medical & Public Health	35.56	36.41	(+)0.85
(iii) Public Works (including maintenance of roads and buildings)			
(a) Provision for maintenance of buildings.	9.63	5.25	(—)4.38
(b) Provision for maintenance of roads	40.72	41.11	(+)0.39
(c) Other Expenditure	19.52	13.22	(—)6.30
Total	**69.87**	**59.58**	**(—)10.29**
(iv) Other Developmental Expenditure.	**55.12**	**55.88**	**(+)0.76**
Total Developmental	**311.45**	**306.04**	**(—)5.41**
3. Committed Expenditure on Fourth Plan Schemes	108.86	89.31	(—)19.55
4. Transfer to Funds	13.25	..	(—)13.25
5. Fresh Expenditure	..	..	..
Total Non-Plan expenditure on Revenue Account (B)	**759.93**	**663.43**	**(—)96.50**
Non-Plan Revenue Gap (A—B)	**(—)538.05**	**(—)392.72**	**(+)145.33**
C. *Provision allowed for—*			
(i) Revision of pay and emoluments of State Government employees, teachers and local body employees.	..	28.88	(+)28.88
(ii) Upgradation of standards of Administration			
(a) General Administration	..	4.86	(+)4.86
(b) Administration of Justice	..	1.65	(+)1.65
(c) Jails	..	..	..
(d) Police	..	..	..
(e) Primary Education	..	..	..
(f) Medical & Public Health	..	3.24	(+)3.24
(g) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	..	8.27	(+)8.27
Total	..	**18.02**	**(+)18.02**
Total Non-Plan Revenue Gap	**(—)538.05**	**(—)439.62**	**(+)98.43**

Government of Bihar

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	656.22	657.76	+1.54
2. Non-Tax Revenues			
(i) Interest Receipts	60.14	93.17	+33.03
(a) State Electricity Board	..	19.01	+19.01
(b) Other Commercial Departments	46.13	46.13	..
(c) Loans to others (on existing loans outstanding at the end of 1973-74)			
(i) Others	4.01	16.73	+12.72
(ii) D.V.C.	10.00	11.30†	+1.30
(ii) Interest on fresh loans	1.86	..	—1.86
(iii) Other Receipts	55.54	88.82	+33.28
3. Non-Plan Grants from Centre	5.00	..	—5.00
4. Transfer from Funds	..	..	..
Total Revenue Receipts	778.76	839.75	+60.99

Government of Bihar

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(i) Interest payments on existing loans outstanding at the end of 1973-74			
(a) Central Government	139.29	150.42	+11.13
(b) Others (including interest on Provident Fund, other deposits, etc.)	48.89	46.37	—2.52
(ii) Interest payments on fresh loans	31.81	..	—31.81
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	109.71	..	—109.71
(iv) Other Non-Developmental expenditure	412.48	358.25	—54.23
Total Non-Developmental	742.18	555.04	—187.14
2. *Developmental Expenditure*			
(i) Education	414.71	321.59	—93.12
(ii) Medical & Public Health	99.77	104.43	+4.66
(iii) Public Works (including maintenance of roads and buildings)			
(a) Provision for maintenance of buildings	29.47	11.15	(—)18.32
(b) Provision for maintenance of roads	42.78	54.12	(+)11.34
(c) Other Expenditure	23.79	19.89	(—)3.90
Total	96.04	85.16	—10.88
(iv) Other Developmental Expenditure	198.88	181.44	—17.44
Total—Developmental	809.40	692.62	—116.78
3. Committed Expenditure on Fourth Plan Schemes	231.22	191.55	—39.67
4. Transfer to Funds	..	..	..
5. Fresh Expenditure@	38.35	9.69	—28.66
Total Non-Plan expenditure on Revenue Account	**1821.15**	**1448.90**	**—372.25**
Non-Plan Revenue Gap (A—B)	**—1042.39**	**—609.15**	**+433.24**
C. *Provision allowed for—*			
(i) Revision of pay and emoluments of State Government employees, teachers and local body employees	44.35	68.78	+24.43
(ii) Upgradation of Standards of Administration			
(a) General Administration	..	36.21	+36.21
(b) Administration of Justice	..	5.58	+5.58
(c) Police	..	39.60	+39.60
(d) Jails	..	..	..
(e) Primary Education	..	35.19	+35.19
(f) Medical & Public Health	..	35.19	+35.19
(g) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	..	15.02	+15.02
Total	..	**166.79**	**+166.79**
Total Non-Plan Revenue Gap	**—1086.74**	**—844.72**	**+242.02**

@This relates to reorganisation of districts.

† The Commission has assumed returns on Damodar Valley Corporation capital at full rates, *i.e.*, Rs. 2.26 crores a year on the basis of existing terms.

Government of Gujarat

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	953.87	986.87	+33.00
2. Non-Tax Revenues			
(i) Interest Receipts			
(a) State Electricity Board	54.52	46.53	—7.99
(b) Other Commercial Departments	107.34	107.34	..
(c) Loans to others (on existing loans outstanding at the end of 1973-74)	27.21	28.11	+0.90
(ii) Interest on fresh loans	7.30	..	—7.30
(iii) Other Receipts	59.48	83.67	+24.19
3. Non-Plan Grants from Centre	1.50	..	—1.50
4. Transfer from Funds	..	..	..
Total Revenue Receipts	1211.22	1252.52	+41.30
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(i) Interest payments on existing loans outstanding at the end of 1973-74			
(a) Central Government	63.30	63.73	+0.43
(b) Others (including interest on Provident Fund, other deposits, etc.)	48.08	48.10	+0.02
(ii) Interest payments on fresh loans	58.95	..	—58.95
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	76.84	..	—76.84
(iv) Other Non-Developmental expenditure	348.19	332.25	—15.94
2. *Developmental Expenditure*			
(i) Education	317.40	297.91	—19.49
(ii) Medical & Public Health	81.77	88.58	+6.81
(iii) Public Works (including maintenance of roads and buildings).			
(a) Provision for maintenance of buildings	20.37	13.45	—6.92
(b) Provision for maintenance of roads	40.00	47.36	+7.36
(c) Other Expenditure	31.80 —39.07*	42.05	+49.32
TOTAL :	53.10	102.86	+49.76
(iv) Other Developmental Expenditure.	110.62	116.70	+6.08
TOTAL : DEVELOPMENTAL	562.89	606.05	+43.16
3. Committee Expenditure on Fourth Plan Schemes	160.08	156.51	—3.57
4. Transfer to Funds	84.58(1)	—	—84.58
5. Fresh Expenditure	226.43(2)	—	—226.43
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT.	1629.34	1206.64	—422.70
NON-PLAN REVENUE GAP (A—B)	—418.12	+45.88	+464.00

Government of Gujarat

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
C. *Provision allowed for—*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	—	69.87	+69.87
(*ii*) Upgradation of standards of Administration			
(*a*) General Administration	—	—	—
(*b*) Jails	—	2.56	+2.56
(*c*) Primary Education	—	—	—
(*d*) Medical & Public Health	—	—	—
(*e*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	—	6.63	+6.63
TOTAL	—	9.19	+9.19
TOTAL NON-PLAN REVENUE GAP	—418.12	—33.18	+384.94

*Represents the extent of expenditure under "50-Public Works" proposed to be met from the State Road Fund.

(1) The provision for transfers of Rs. 10 crores to the Education Cess Fund and Rs. 74.58 crores to the State Road Fund have been excluded from the re-assessment since these funds would be utilised to meet expenditure on Plan Schemes and on maintenance and repairs of roads for which funds have been separately provided by the Commission on the basis of the norms.

(2) Additional expenditure of Rs. 49.22 crores for implementation of the recommendations of the Panchayati Raj High Level Committee and Rs. 3.41 crores to implement the recommendations of the Grants—in-aid Code Committee have been disallowed, since these contingent liabilities would be taken care of by the liberal growth rates on education and other related heads allowed by the Commission.

Government of Haryana

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	400.11	425.51	+25.40
2. Non Tax Revenues	82.34	114.40	+32.06
(*i*) Interest Receipts	7.62	41.03	+33.41
(*a*) State Electricity Board	68.64	68.64	—
(*b*) Other Commercial Departments	6.08	4.73	—1.35
(*c*) Loans to other (on existing loans outstanding at the end of 1973-74)	2.23	—	—2.23
(*ii*) Interest on fresh loans	8.34	47.07	+38.73
(*iii*) Other Receipts	3.50	—	—3.50
3. Non-Plan Grants for Centre	—	—	—
4. Transfer from Funds			
Total Revenue Receipts (A)	496.52	586.98	+90.46

Government of Haryana

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure	347.51	173.33	—174.18
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	43.74	45.68	+1.94
(*b*) Others (including interest on Provident Fund, other deposits, etc.)	18.68	18.06	—0.62
(*ii*) Interest payments on fresh loans	24.63	—	—24.63
(*iii*) Appropriation for reduction or avoidance of Debt. (including fresh borrowings)	143.39	—	—143.39
(*iv*) Other Non-Developmental expenditure	117.07	109.59	—7.48
2. Developmental Expenditure			
(*i*) Education	98.70	107.01	+8.31
(*ii*) Medical & Public Health	29.37	27.94	—1.43
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings	8.50	6.15	—2.35
(*b*) Provision for maintenance of roads.	44.95	12.96	—31.99
(*c*) Other Expenditure	12.24	24.30	+12.06
TOTAL :	65.69	43.41	—22.28
(*iv*) Other Developmental Expenditure	43.51	43.20	—0.31
TOTAL — DEVELOPMENTAL	237.27	221.56	—15.71
3. Committed Expenditure on Fourth Plan Schemes	44.70	45.02	+0.32
4. Transfer to Funds	3.00	—	—3.00
5. Fresh Expenditure	—	—	—
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT (B)	632.48	439.91	—192.57
NON-PLAN REVENUE GAP (A—B)	—135.96	+147.07	+283.03
C. *Provision allowed for—*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees.	40.04	22.93	—17.11
(*ii*) Upgradation of standards of Administration			
(*a*) General Administration	—	—	—
(*b*) Administration of Justice	—	0.42	+0.42
(*c*) Jails	—	—	—
(*d*) Police	—	—	—
(*e*) Primary Education	—	—	—
(*f*) Medical & Public Health	—	14.79	+14.79
(*g*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	—	2.07	+2.07
	—	4.17	+4.17
TOTAL (ii)	—	21.45	+21.45
TOTAL NON-PLAN REVENUE GAP	—176.00	+102.69	+278.69

Government of Himachal Pradesh

(Rs. crores)

	State Foreast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax-Revenues	60.80	67.10	+6.30
2. Non Tax Revenues			
(*i*) Interest Receipts			
(*a*) State Electricity Board	4.29	10.17	+5.88
(*b*) Other Commercial Departments	1.10	1.10	—
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74)	1.76	2.16	+0.40
(*ii*) Interest on fresh loans	0.77	—	—0.77
(*iii*) Other Receipts	52.03	62.01	+9.98
3. Non-Plan Grants	—	—	—
4. Transfer from Funds	3.40	—	—3.40
TOTAL REVENUE RECEIPTS	124.15	142.54	+18.39

Government of Himachal Pradesh

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
B. *Non-Plan Expenditure on Revenue Account—*			
1. Non-Developmental Expenditure			
(*i*) Interest payments (on existing loans outstanding at the end of 1973-74)			
(*a*) Central Government	28.63	30.89	+2.26
(*b*) Others (including interest on Provident Fund, other deposits, etc.)	4.17	4.17	—
(*ii*) Interest payments on fresh loans	12.35	—	—12.35
(*iii*) Appropriation for reduction or avoidance of Debt. (including fresh borrowings)	3.13	—	—3.13
(*iv*) Other Non-Developmental expenditure.	66.71	66.39	—0.32
TOTAL :	114.99	101.45	—13.54
2. Developmental Expenditure			
(*i*) Education	81.02	83.64	+2.62
(*ii*) Medical & Public Health	20.32	22.60	+2.28
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings.	4.00	4.30	+0.30
(*b*) Provision for maintenance of roads	14.30	14.88	+0.58
(*c*) Other Expenditure	8.25	11.73	+3.48
TOTAL :	26.55	30.91	+4.36
(*iv*) Other Developmental Expenditure	63.99	62.11	—1.88
TOTAL—DEVELOPMENTAL	191.88	199.26	+7.38
3. Committed Expenditure on Fourth Plan Schemes.	38.86	34.15	—4.71
4. Transfer to Funds	3.54	—	—3.54
5. Fresh Expenditure	—	—	—
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	349.27	334.86	—14.41
NON-PLAN REVENUE GAP (A—B)	—225.12	—192.32	+32.80
C. *Provision allowed for—*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	—	11.74	+11.74
(*ii*) Upgradation of standards of Administration	—	—	—
(*a*) General Administration	—	—	—
(*b*) Police	—	—	—
(*c*) Primary Education	—	—	—
(*d*) Medical & Public Health	—	—	—
(*e*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	—	—	—
TOTAL	—	—	—
TOTAL NON-PLAN REVENUE GAP	—225.12	—204.06	+21.06

Government of Jammu and Kashmir

(Rs. crores.)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	94.30	101.37	+7.07
2. Non Tax Revenues	65.11	110.41	+45.30
(*i*) Interest Receipts	11.00	37.43	+26.43
(*a*) State Electricity Board	—	23.95	+23.95
(*b*) Other Commercial Departments	8.74	8.74	—
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74)	2.26	4.74	+2.48
(*ii*) Interest on fresh loans	—	—	—
(*iii*) Other Receipts	54.11	72.98(1)	+18.87
3. Non-Plan Grants from Centre	—	12.50(2)	+12.50
4. Transfer from Funds	—	—	—
TOTAL REVENUE RECEIPTS	159.41	224.28	+64.87

Government of Jammu and Kashmir

(Rs. crores)

	State forecast	Reassessed estimate	Variation
B. *Non-Plan Expenditure on Revenue Account*—			
1. Non-Developmental Expenditure—			
(*i*) Interest payments on existing loans outstanding at the end of 1973-74	76.14	74.42	—1.72
(*a*) Central Government	66.87	72.41	+5.54
(*b*) Others (including interest on Provident Fund, other deposits etc.)	9.27	2.01	—7.26
(*ii*) Interest payments on fresh loans	5.25	—	—5.25
(*iii*) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	5.72	—	—5.72
(*iv*) Other Non-Developmental expenditure	145.54	115.75	—29.79
TOTAL—NON-DEVELOPMENTAL	232.65	190.17	—42.48
2. Developmental Expenditure—			
(*i*) Education	61.11	59.50	—1.61
(*ii*) Medical & Public Health	20.27	22.84	+2.57
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings	32.83	4.10	—0.55
(*b*) Provision for maintenance of roads		12.33	
(*c*) Other Expenditure		15.85	
TOTAL	32.83	32.28	—0.55
(*iv*) Other Developmental Expenditure	55.19	48.92	—6.27
TOTAL—DEVELOPMENTAL	169.40	163.54	—5.86
3. Committed Expenditure on Fourth Plan Schemes	55.33	50.35	—4.98
4. Transfer to Funds	—	—	—
5. Fresh Expenditure	—	—	—
TOTAL—NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	457.38	404.06	—53.32
NON-PLAN REVENUE GAP (A—B)	—297.97	—179.78	+118.19
C. *Provision allowed for*—			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	38.75	35.17	—3.58
(*ii*) Upgradation of standards of Administration			
(*a*) General Administration	—	—	—
(*b*) Administration of Justice	—	—	—
(*c*) Police	10.55	10.55	—
(*d*) Jails	—	—	—
(*e*) Primary Education	—	6.78	+6.78
(*f*) Medical & Public Health	—	—	—
(*g*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	—	—	—
TOTAL	10.55	17.33	+6.78
TOTAL—NON-PLAN REVENUE GAP (A—B—C)	—347.27	—232.28	+114.99

(1) Receipts from forests have been reassessed on the basis of 1972-73 preliminary actuals. Besides, credit has also been taken for Rs. 7 crores by way of realisation of outstanding arrears of royalties from forests.

(2) Transport subsidy from the Centre is expected to continue and hence credit has been taken.

Government of Kerala

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	517.26	526.74	+9.48
2. Non-Tax Revenues			
(*i*) Interest Receipts			
(*a*) State Electricity Board	23.05	35.87	+12.82
(*b*) Other Commercial Departments	10.71	2.92	—7.79
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74)	10.40	10.67	+0.27
(*ii*) Interest on fresh loans	3.20	—	—3.20
(*iii*) Other Receipts	116.10	145.10	+29.00
3. Non-Plan Grants from Centre	7.50	—	—7.50
4. Transfer from Funds	5.00	—	—5.00
TOTAL—REVENUE RECEIPTS (A)	693.22	721.30	+28.08
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	68.62	76.42	+7.80
(*b*) Others (including interest on Provident Fund, other deposits etc.)	40.88	36.65	—4.23
(*ii*) Interest payments on fresh loans	44.90	—	—44.90
(*iii*) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	24.80	—	—24.80
(*iv*) Other Non-Developmental expenditure	291.10	222.41	—68.69
2. *Developmental Expenditure*			
(*i*) Education	510.16	426.05(1)	—84.11
(*ii*) Medicel & Public Health	145.75	102.01	—43.74
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings	5.01	9.55	+4.54
(*b*) Provision for maintainance of roads	35.93	34.76	—1.17
(*c*) Other Expenditure	35.91	13.35	—22.56
TOTAL	76.85	57.66	—19.19
(*iv*) Other Developmental Expenditure	183.44	118.06(2)	—65.38
TOTAL—DEVELOPMENTAL	916.20	703.78	—212.42
3. Committed Expenditure on Fourth Plan Schemes	100.37	92.01	—8.36
4. Transfer to Funds	5.00	—	—5.00
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT (B)	1491.87	1131.27	—360.60
NON—PLAN REVENUE GAP (A—B)	—798.65	—409.97	+388.68

Government of Kerala

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
C. *Provision allowed for*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	95.37	63.47	—31.90
(*ii*) Upgradation of standards of Administration			
(*a*) General Administration	—	1.92	+1.92
(*b*) Administration of Justice	—	—	—
(*c*) Jails	—	0.77	+0.77
(*d*) Police	—	3.84	+3.84
(*e*) Primary Education	—	—	—
(*f*) Medical and Public Health	—	—	—
(*g*) Welfare of Scheduled Castes, Scheduled Tribes, and other backward classes	—	—	—
TOTAL	—	6.53	+6.53
TOTAL—NON-PLAN REVENUE GAP	—894.02	—479.97	+414.05

(1) Provision of Rs. 61.55 crores on account of abolition of shift system and improvement of teacher-pupil ratio has not been conceded as these should be accommodated in the Plan.

(2) *Land Reforms* :—Only a sum of Rs. 10.09 crores allowed in the reassessment of forecast in respect of staff already in position in connection with the implementation of Land Reforms.

Government of Madhya Pradesh

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	676.67	736.53	+59.86
2. Non Tax Revenues			
(*i*) Interest Receipts	**103.13**	**108.12**	+4.99
(*a*) State Electricity Board	31.30	31.30	—
(*b*) Other Commercial Departments	59.00	59.00	—
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74)	12.83	17.82	+4.99
(*ii*) Interest on fresh loans	16.84	—	—16.84
(*iii*) Other Receipts	193.42	295.08(1)	+101.66
3. Non-Plan Grants from Centre	10.31	—	—10.31
4. Transfer from Funds	—	—	—
TOTAL—REVENUE RECEIPTS	1000.37	1139.73	+139.36
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	80.78	87.10	+6.32
(*b*) Others (including interest on Provident Fund, other deposits etc.)	25.87	23.87	—2.00
(*ii*) Interest payments on fresh loans	120.79	—	—120.79
(*iii*) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	32.19	—	—32.19
(*iv*) Other Non-Developmental Expenditure	367.75	327.55	—40.20
TOTAL—NON-DEVELOPMENTAL	627.38	438.52	—188.86

Government of Madhaya Pradesh

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
2. Developmental Expenditure			
(*i*) Education	386.30	340.72	—45.58
(*ii*) Medical & Public Health	92.59	96.84	+4.25
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings	32.15	16.55	—15.60
(*b*) Provision for maintenance of roads	80.02	77.80	—2.22
(*c*) Other Expenditure	22.57	14.27	—8.30
TOTAL	134.74	108.62	—26.12
(*iv*) Other Developmental Expenditure	231.37	199.17(2),(3)	—32.20
TOTAL—DEVELOPMENTAL	845.00	745.35	—99.65
3. Committed Expenditure on Fourth Plan Schemes	177.92	167.79	—10.13
4. Transfer to Funds	—	—	—
5. Fresh Expenditure	158.42	*	—158.42
TOTAL—NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	1808.72	1351.66	—457.06
NON-PLAN REVENUE GAP (A—B)	—808.35	—211.93	+596.42
C. *Provision allowed for*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	136.75	171.12	+34.37
(*ii*) Upgradation of Standards of Administration			
(*a*) General Administration	—	12.27	+12.27
(*b*) Administration of justice	—	1.62	+1.62
(*c*) Jails	—	1.88	+1.88
(*d*) Police	—	3.99	+3.99
(*e*) Primary Education	—	7.38	+7.38
(*f*) Medical & Public Health	—	18.51	+18.51
(*g*) Welfare of Scheduled Castes, Scheduled Tribes, and other backward classes	—	4.69	+4.69
TOTAL	—	50.34	+50.34
TOTAL—NON-PLAN REVENUE GAP	—945.10	(—)433.39	+511.71

*Out of the fresh expenditure proposed, only Rs. 1.81 crores relating to revision of rates of hostel stipends to Scheduled Caste/Tribe students (orders issued on 12-4-1973) have been admitted and shown under normal developmental expenditure.

(1) Improvement in non-tax revenues is mainly due to increase in the estimates of receipts from forest dues (Rs. 78.92 crores). Net profit of Rs. 8.53 crores on State trading operations assumed by the State Government in the capital account has been transferred to revenue account and realisation of 50 per cent of the arrears in respect of forest dues (Rs. 5.92 crores) assumed.

(2) The provision of Rs. 16.31 crores sought by the State Government for subsidy to panchayati raj institutions has not been allowed as this represents a contingent liability.

(3) Provision of Rs. 20 crores included by the State Government in the forecast as expenditure on capital outlay on public works has been disallowed as this should form part of the State Plan.

Government of Maharashtra

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	2090.20	2220.75(1)	+130.55
2. Non-Tax Revenues			
(i) Interest Receipts			
(a) State Electricity Board	60.33	40.81	—19.52
(b) Other Commercial Departments	114.63	114.63	—
(c) Loans to others (on existing loans outstanding at the end of 1973-74)	41.82	55.62	+13.80
(ii) Interest on fresh lendings	18.53	—	—18.53
(iii) Other Receipts	237.79	280.98	+43.19
3. Non-Plan Grants from Centre	31.76	—	—31.76
4. Transfer from Funds	—	—	—
TOTAL—REVENUE RECEIPTS	2595.06	2712.79	+117.73
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(i) Interest payments on existing loans outstanding at the end of 1973-74			
(a) Central Government	127.45	140.59	+13.14
(b) Others (including interest on Provident Fund, other deposits etc.)	104.12	105.69	+1.57
(ii) Interest payments on fresh borrowings	91.19	—	—91.19
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	391.54	—	—391.54
(iv) Other Non-Developmental expenditure	783.68	770.71	—12.97
TOTAL—NON-DEVELOPMENTAL	1497.98	1016.99	—480.99
2. Developmental Expenditure			
(i) Education	561.88	584.38	+22.50
(ii) Medical & Public Health	210.39	196.43	—13.96
(iii) Public Works (including maintenance of roads and buildings)			
(a) Provision for maintenance of buildings	22.58	14.70	—7.88
(b) Provision for maintenance of roads	48.02	68.07	+20.05
(c) Other Expenditure	9.43	44.79	+35.36
TOTAL	80.03	127.56	+47.53
(iv) Other Developmental Expenditure	327.08	296.56	—30.52
TOTAL—DEVELOPMENTAL	1179.38	1204.93	+25.55
3. Committed Expenditure on Fourth Plan Schemes	248.95	207.70	—41.25
4. Transfer to Funds	247.54	117.81	—129.73
5. Fresh Expenditure	233.50	—(2)	—233.50
TOTAL—NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	3407.35	2547.43	—859.92
NON-PLAN REVENUE GAP (A—B)	—812.29	+165.36	+977.65

Government of Maharashtra

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
C. *Provision allowed for*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	—	124.84	+124.84
(*ii*) Upgradation of standards of Administration			
(*a*) General Administration	—	—	—
(*b*) Police	—	—	—
(*c*) Jails	—	0.30	+0.30
(*d*) Primary Education	—	—	—
(*e*) Medical & Public Health	—	—	—
(*f*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes		3.33	+3.33
TOTAL	—	3.63	+3.63
TOTAL—NON-PLAN REVENUE GAP	—812.29	+36.89	+849.18

(1) The increase in tax revenues is mainly in respect of receipts from State excise duties (Rs. 60 crores) following introduction in 1973-74 of the "country liquor" scheme.

(2) The provision of Rs. 210 crores as compensation to local bodies due to abolition of octroi duty has been disallowed as this decision has not been implemented.

Government of Manipur

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	5.66	5.66	—
2. Non-Tax Revenues			
(*i*) Interest Receipts			
(*a*) State Electricity Board	—	—	—
(*b*) Other Commercial Departments	—	—	—
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74)	4.64	0.75(1)	—3.89
(*ii*) Interest on fresh loans	—	—	—
(*iii*) Other Receipts	—3.69	3.05	+6.74
3. Non-Plan Grants from Centre	—	—	—
4. Transfer from Funds	—	—	—
TOTAL—REVENUE RECEIPTS	6.61	9.46	+2.85

Government of Manipur

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
B. *Non-Plan Expenditure on Revenue Account*—			
1. Non-Developmental Expenditure			
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	7.80	9.60	+1.80
(*b*) Others (including interest on Provident Fund, other deposits etc.) .	0.71	0.45	—0.26
(*ii*) Interest payments on fresh loans	5.10	—	—5.10
(*iii*) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	—	—	—
(*iv*) Other Non-Developmental expenditure	55.52	53.09	—2.43
2. Developmental Expenditure—			
(*i*) Education	28.48	29.30	+0.82
(*ii*) Medical & Public Health	5.10	5.62	+0.52
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings	7.27	1.40	+3.23
(*b*) Provision for maintenance of roads		6.52	
(*c*) Other Expenditure		2.58	
TOTAL	7.27	10.50	+3.23
(*iv*) Other Developmental Expenditure	5.94	5.99	+0.05
TOTAL—DEVELOPMENTAL	46.79	51.41	+4.62
3. Committed Expenditure on Fourth Plan Schemes	22.26	16.90	—5.36
4. Transfer to Funds	—	—	—
5. Fresh Expenditure	2.78(¹)	—	—2.78
TOTAL—NON-PLAN EXPENDITURE ON REVENUE ACCOUNT . .	140.96	131.45	—9.51
NON-PLAN REVENUE GAP (A—B)	—134.35	—121.99	+12.36
C. *Provision allowed for*—			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	1.70	4.92	+3.22
(*ii*) Upgradation of Standards of Administration			
(*a*) General Administration	—	0.75	+0.75
(*b*) Administration of Justice	—	—	—
(*c*) Jails	—	—	—
(*d*) Police	—	0.35	+0.35
(*e*) Primary Education	—	—	—
(*f*) Medical & Public Health	—	—	—
(*g*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes .	—	—	—
TOTAL	—	1.10	+1.10
TOTAL—NON-PLAN REVENUE GAP	—136.05	—128.01	+8.04

(¹) Present level of receipts is only Rs. 11 lakhs a year. Consequently on a realistic basis only Rs. 75 lakhs have been assumed for the five years 1974-75 to 1978-79.

(²) Provision for new buildings, modernisation of police etc., not allowed. Additional expenditure under 'Education' also disallowed in view of the higher growth rate allowed under item B 2(i). Provision for the remaining items has been allowed under upgradation of standards of Administration to the extent the Commission considered it necessary.

Government of Meghalaya

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts—*			
1. Tax Revenues	4.50	5.51	+1.01
2. Non Tax Revenues			
(*i*) Interest Receipts			
(*a*) State Electricity Board	—	—	—
(*b*) Other Commercial Departments	—	—	—
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74).	0.29	0.14	—0.15
(*ii*) Interest on fresh loans	0.02	—	—0.02
(*iii*) Other Receipts	2.91	3.51	+0.60
3. Non-Plan Grants from Centre	9.44	—	—9.44
4. Transfer from Funds	—	—	—
TOTAL—REVENUE RECEIPTS (A)	17.16	9.16	—8.00
B. *Non-Plan Expenditure on Revenue Account—*			
1. Non Developmental Expenditure	42.91	27.23	—15.68
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	4.13	4.01	—0.12
(*b*) Others (including interest on Provident Fund, other deposits etc.)	0.87	1.27	+0.40
(*ii*) Interest payments on fresh loans	1.72	—	—1.72
(*iii*) Appropriation for reduction or avoidance of debt (including fresh borrowings)	1.98	—	—1.98
(*iv*) Other Non-Developmental expenditure	34.21	21.95(1)	—12.26
2. Developmental Expenditure			
(*i*) Education	11.67	11.30	—0.37
(*ii*) Medical & Public Health	7.34	6.15	—1.19
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings	0.63	0.95	—1.37
(*b*) Provision for maintenance of roads		9.00	
(*c*) Other Expenditure	16.22	5.53	
TOTAL	16.85	15.48	—1.37
(*iv*) Other Developmental Expenditure	8.35	8.09	—0.26
TOTAL—DEVELOPMENTAL	44.21	41.02	—3.19
3. Committed Expenditure on Fourth Plan Schemes	31.37	24.30	—7.07
4. Transfer to Funds	—	—	—
5. Fresh Expenditure	—	—	—
TOTAL—NON-PLAN EXPENDITURE ON REVENUE ACCOUNT (B)	118.49	92.55	—25.94
NON-PLAN REVENUE GAP (A—B)	—101.33	—83.39	+17.94
C. *Provision allowed for—*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	—	2.63(2)	+2.63
(*ii*) Upgradation of standards of Administration			
(*a*) General Administration	2.70	1.30	—1.40
(*b*) Administration of Justice	0.50	0.20	—0.30
(*c*) Jails	0.10	—	—0.10
(*d*) Police	—	—	—
(*e*) Primary Education	—	—	—
(*f*) Medical & Public Health	—	—	—
(*g*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	—	—	—
TOTAL	3.30	1.50(3)	—1.80
TOTAL—NON-PLAN REVENUE GAP	—104.63	—87.52	+17.11

(1) Food subsidy and specific additional provision for grant-in-aid to district councils have been disallowed.

(2) The State Government have not effected any increase in the pay and dearness allowance after 1-1-1972 and have not included in their forecast any provision for further revision of pay and dearness allowance. Rs. 2.63 crores have been provided by the Commission on the basis of the norms laid down by it.

(3) Provision for new buildings has been disallowed. Such expenditure should be accommodated in the Plan.

Government of Mysore

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*—			
1. Tax Revenues	775.39	862.94	+87.55
2. Non-Tax Revenues			
(*i*) Interest Receipts			
(*a*) State Electricity Board	—	9.41	+9.41
(*b*) Other Commercial Departments	125.71	125.71	—
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74)	32.70	66.11	+33.41
(*ii*) Interest on fresh lendings	4.57	—	(—)4.57
(*iii*) Other Receipts	113.01	181.14	+68.13
3. Non-Plan Grants from Centre	2.50	—	(—)2.50
4. Transfer from Funds	—	—	—
TOTAL—REVENUE RECEIPTS	1053.88	1245.31	+191.43
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	85.92	96.02	+10.10
(*b*) Others (including interest on Provident Fund, other deposits etc.)	51.60	51.60	—
(*ii*) Interest payments on fresh borrowings	60.93	—	(—)60.93
(*iii*) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	106.69	—	(—)106.69
(*iv*) Other Non-Developmental expenditure	529.04	308.53(1),(2)	(—)220.51
TOTAL—NON-DEVELOPMENTAL	834.18	456.15	(—)378.03
2. Developmental Expenditure			
(*i*) Education	416.84	344.24	(—)72.60
(*ii*) Medical & Public Health	112.36	95.60	(—)16.76
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings	15.35	10.85	—4.50
(*b*) Provision for maintenance of roads	35.85	64.43	+28.58
(*c*) Other Expenditure	47.36	35.50	—11.86
TOTAL	98.56	110.78	+12.22
(*iv*) Other Developmental Expenditure	287.61	201.52	(—)86.09
TOTAL—DEVELOPMENTAL	915.37	752.14	(—)163.23
3. Committed Expenditure on Fourth Plan Schemes	80.29	82.04	+1.75
4. Transfer to Funds	—	—	—
5. Fresh Expenditure	50.00	—	(—)50.00
TOTAL—NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	1879.84	1290.33	(—)589.51
NON-PLAN REVENUE GAP (A—B)	(—)825.96	(—)45.02	(+)780.94
C. *Provision allowed for*:—			
(i) Revision of pay and emoluments of State government employees, teachers and local body employees.	..	79.43	+79.43
(ii) Upgradation of standards of Administration			
(*a*) General Administration	..	7.02	+7.02
(*b*) Police	..	16.53	+16.53
(*c*) Jails	..	1.76	+1.76
(*d*) Primary Education	..	..	..
(*e*) Medical & Public Health	..	1.14	+1.14
(*f*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	..	..	
TOTAL :	..	26.45	+26.45
TOTAL—NON-PLAN REVENUE GAP	—825.96	—150.90	+675.06

(1) Provision proposed by the State Government for compensation to local bodies on abolition of octroi duty equalisation and incentive grants to local bodies have been disallowed, as these proposals do not appear to have been implemented.

(2) Provision of Rs. 5 crores for food subsidy disallowed.

Government of Nagaland

(Rs. crores)

	State Fore-cast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	7.34	8.20	+1.86
2. Non Tax Revenues			
(i) Interest Receipts			
(a) State Electricity Board	..	..	..
(b) Other Commercial Departments	..	..	..
(c) Loans to others (on existing loans outstanding at the end of 1973-74)	1.60	1.60	..
(ii) Interest on fresh loans	..	..	..
(iii) Other Receipts	4.73	5.79	+1.06
3. Non-Plan Grants from Centre	..	..	..
4. Transfer from Funds	..	..	..
TOTAL REVENUE RECEIPTS	13.67	15.59	+1.92
B. *Non Plan-Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(i) Interest payments on existing loans outstanding at the end of 1973-74			
(a) Central Government	5.74	5.51	—0.23
(b) Others (including interest on Provident Fund, other deposits etc.)	1.06	1.02	—0.04
(ii) Interest payments on fresh loans	..	..	..
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	0.98	..	—0.98
(iv) Other Non-Developmental expenditure	63.61	61.71	—1.90
2. Developmental Expenditure			
(i) Education	19.33	18.76	—0.57
(ii) Medical & Public Health	9.86	11.15	+1.29
(iii) Public Works (including maintenance of roads and buildings)			
(a) Provision for maintenance of buildings	5.31	3.35	—1.96
(b) Provision for maintenance of roads	9.99	9.72	+8.51
(c) Other Expenditure		8.78	
TOTAL	15.30	21.85	+6.55
(iv) Other Developmental Expenditure	11.49	10.15	—1.34
TOTAL—DEVELOPMENTAL	55.98	61.91	+5.93
3. Committed Expenditure on Fourth Plan Schemes	13.80	13.31	—0.49
4. Transfer to Funds	..	..	..
5. Fresh Expenditure	18.26	0.50(1)	—17.76
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	159.43	143.96	—15.47
NON-PLAN REVENUE GAP (A—B)	—145.76	—128.37	+17.39

Government of Nagaland

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
C. *Provision allowed for—*			
(i) Revision of pay and emoluments of State Government employees, teachers and local body employees.	5.00	6.64	+1.64
(ii) Upgradation of standards of Administration			
(a) General Administration	..	0.46(2)	+0.46
(b) Administration of Justice	..	0.05	+0.05
(c) Jails	..	..	..
(d) Police	..	0.15	+0.15
(e) Primary Education	..	..	..
(f) Medical & Public Health	..	..	..
(g) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	..	..	..
TOTAL	..	0.66	+0.66
TOTAL NON-PLAN REVENUE GAP	—150.76	—135.67	+15.09

(1) Provision for raising of two additional battalions of armed police and upgradation of police Training School not allowed. Provision for improvement of air-ports, development subsidy to village councils and new buildings have also not been allowed; they should be included in the Plan. Provision allowed for Rs. 50 lakhs on account of expenditure on rehabilitation of surrendered hostiles.

(2) Provision has been allowed for Fire Services (Rs. 30 lakhs), Land Records (Rs. 10 lakhs) and Board of Secondary Education (Rs. 6 lakhs).

Upgradation of standards of administration : The Following provisions have been allowed

	(Rs. crores)
Fire Services	0.30
Police	0.15
Land records	0.10
Board of Secondary Education	0.06
Separation of Executive and Judiciary	0.05
TOTAL	0.66

Government of Orissa

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	223.71	243.48	+19.77
2. Non Tax Revenues			
(i) Interest Receipts	68.01	54.19	—13.82
(a) State Electricity Board	20.55	12.39	—8.16
(b) Other Commercial Departments	37.19	37.19	..
(c) Loans to others (on existing loans outstanding at the end of 1973-74)	10.27	4.61	—5.66
(ii) Interest on fresh loans	14.59	..	—14.59
(iii) Other Receipts	45.73	74.55	+28.82
3. Non-Plan Grants from Centre.	3.24	..	—3.24
4. Transfer from Funds	..	..	..
TOTAL REVENUE RECEIPTS	355.28	372.22	+16.94

Government of Orissa

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(i) Interest payments on existing loans outstanding at the end of 1973-74			
(a) Central Government	100.64	113.34	+12.70
(b) Others (including interest on Provident Fund, other deposits etc.)	32.05	34.03	+1.98
(ii) Interest payments on fresh loans	69.85	..	—69.85
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	39.08	..	—39.08
(iv) Other Non-Developmental expenditure	226.33	201.65	—24.68
TOTAL—NON-DEVELOPMENTAL	467.95	349.02	—118.93
2. Developmental Expenditure			
(i) Education	150.09	161.05	+10.96
(ii) Medical & Public Health	54.96	57.24	+2.28
(iii) Public Works (including maintenance of roads and buildings)			
(a) Provision for maintenance of buildings	12.34	10.50	—1.84
(b) Provision for maintenance of roads	28.95	24.20	—4.75
(c) Other Expenditure	20.37	20.00	—0.37
TOTAL	61.66	54.70	—6.96
(iv) Other Developmental Expenditure	125.57	114.44	—11.13
TOTAL—DEVELOPMENTAL	392.28	387.43	—4.85
3. Committed Expenditure on Fourth Plan Schemes	82.04	82.37	+0.33
4. Transfer to Funds	..	..	..
5. Fresh Expenditure	125.72	..	—125.72
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	1067.99	818.82	—249.17
NON-PLAN REVENUE GAP (A—B)	—712.71	—446.60	+266.11
C. *Provision allowed for—*			
(i) Revision of pay and emoluments of State Government employees, teachers and local body employees	38.25	73.66	35.41
(ii) Upgradation of Standards of Administration			
(a) General Administration.	..	..	..
(b) Administration of Justice	..	2.04	+2.04
(c) Jails	..	0.79	+0.79
(d) Police	..	11.88	+11.88
(e) Primary Education	..	27.60	+27.60
(f) Medical & Public Health	..	7.35	+7.35
(g) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	..	7.40	+7.40
TOTAL	..	57.06	+57.06
TOTAL NON-PLAN REVENUE GAP	—750.96	—577.32	+173.64

Government of Punjab

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	672.37	752.07	+79.70
2. Non Tax Revenues			
(i) Interest Receipts			
(a) State Electricity Board	—	73.00	+73.00
(b) Other Commercial Departments	43.41	43.41	—
(c) Loans to others (on existing loans outstanding at the end of 1973-74)	19.35	19.35	—
(ii) Interest on fresh lendings	10.27	—	—10.27
(iii) Other Receipts	39.43	60.84	+21.41
3. Non-Plan Grants from Centre	26.25	—	—26.25
4. Transfer from Funds	—	—	—
TOTAL REVENUE RECEIPTS	**811.08**	**948.67**	**+137.59**
B. *Non-Plan Exenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(i) Interest payments on existing loans outstanding at the end of 1973-74			
(a) Central Government	52.01	48.72	—3.29
(b) Others (including interest on Provident Fund, other deposits etc.)	25.86	25.42	—0.44
(ii) Interest payments on fresh borrowings	41.43	—	—41.43
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	24.31	—	—24.31
(iv) Other Non-Developmental expenditure	185.01	188.02	+ 3.01
TOTAL—NON-DEVELOPMENTAL	328.62	362.16	—66.46
2. Developmental Expenditure			
(i) Education	184.64	193.84	+9.20
(ii) Medical & Public Health	48.98	51.78	+2.80
(iii) Public Works (including maintenance of roads and buildings)			
(a) Provision for maintenance of buildings	7.05	8.30	+1.25
(b) Provision for maintenance of roads	25.70	14.31	—11.39
(c) Other Expenditure	5.01	24.54	+19.53
TOTAL	**37.76**	**47.15**	**+9.39**
(iv) Other Developmental Expenditure	96.22	74.05	—22.17
TOTAL—DEVELOPMENTAL	367.60	366.82	—0.78
3. Committed Expenditure on Fourth Plan Schemes	117.74	98.23	—19.51
4. Transfer to Funds	—	—	—
5. Fresh Expenditure	55.32	3.46(1)	—51.86
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	**869.28**	**730.67**	**—138.61**
NON-PLAN REVENUE GAP (A—B)	**—58.20**	**+218.00**	**+276.20**
C. *Provision allowed for—*			
(i) Revision of pay and emoluments of State Governments employees, teachers and local body employees	—	31.55	+31.55
(ii) Upgradation of standards of Administration			
(a) General Administration	—	—	—
(b) Police	—	—	—
(c) Primary Education	—	7.02	+7.02
(d) Medical & Public Health	—	—	—
(e) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	—	6.92	+6.92
TOTAL	—	**13.94**	**+13.94**
TOTAL NON-PLAN REVENUE GAP	**—58.20**	**+172.51**	**+230.71**

(1)Fresh expenditure has been omitted except for Rs. 3.36 crores for expenditure on a new district already created by the State Government and Rs. 10 lakhs for House Rent Allowance sanctioned for staff at Ropar.

Government of Rajasthan

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	503.58	498.58	—5.00
2. Non Tax Revenues	129.77	231.68	+101.91
(i) Interest Receipts	85.01	132.81	+47.80
(a) State Electricity Board	7.32	49.79	+42.47
(b) Other Commercial Departments	68.39	68.39	—
(c) Loans to others (on existing loans outstanding at the end of 1973-74)	9.30	14.63	+5.33
(ii) Interest on fresh Loans	—	—	—
(iii) Other Receipts	44.76	98.87(1),/(2)	+54.11
3. Non-Plan Grants from Centre	1.45	—	—1.45
4. Transfer from Funds	27.55	—	—27.55
TOTAL REVENUE RECEIPTS	**662.35**	**730.26**	**+67.91**
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(i) Interest payments on existing loans outstanding at the end of 1973-74	199.20	213.29	+14.09
(a) Central Government	144.72	161.26	+16.54
(b) Others (including interest on Provident Fund, other deposits etc).	54.48	52.03	—2.45
(ii) Interest payments on fresh loans	45.00		—45.00
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	57.80	—	—57.80
(iv) Other Non-Developmental expenditure	268.98	292.00	+23.02
TOTAL NON-DEVELOPMENTAL	**570.98**	**505.29**	**—65.69**
2. Developmental Expenditure			
(i) Education	258.98	267.56	+8.58
(ii) Medical & Public Health	70.37	80.65	+10.28
(iii) Public Works (including maintenance of roads and buildings)			
(a) Provision for maintenance of buildings	14.03	11.20	—2.83
(b) Provision for maintenance of roads	67.60	52.20	—15.40
(c) Other Expenditure	—2.78	12.42	+15.20
TOTAL	**78.85**	**75.82**	**—3.03**
(iv) Other Developmental Expenditure	175.15	166.93	—8.22
TOTAL—DEVELOPMENTAL	**583.35**	**590.96**	**+ 7.61**
3. Committed Expenditure on Fourth Plan Schemes	123.28	117.89	—5.39
4. Transfer to Funds	27.55	—	—27.55
5. Fresh Expenditure	4.56	—	—4.56
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	**1309.72**	**1214.14**	**—95.58**
NON PLAN REVENUE GAP (A—B)	**—647.37**	**—483.88**	**+163.49**

Government of Rajasthan

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
C. *Provision allowed for—*			
(i) Revision of pay and emoluments of State Government employees, teachers and local body employees	0.25	52.61	+52.36
(ii) Upgradation of standards of Administration			
(a) General Administration	—	—	—
(b) Administration of Justice	—	1.77	+ 1.77
(c) Police	—	—	—
(d) Jails	—	1.31	+1.31
(e) Primary Education	—	11.31	+11.31
(f) Medical & Public Health	—	—	—
(g) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	—	13.04	+13.04
TOTAL	—	**27.43**	**+27.43**
TOTAL NON-PLAN REVENUE GAP (A—B—C)	**—647.62**	**—563.92**	**+83.70**

(1) Profit on Rock Phosphate Project (Rs. 28.88 crores) treated as non-tax revenue.

(?) Receipts from sale of land of Rs. 12.30 crores also treated as non-tax revenue receipt.

Government Of Tamilnadu

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. Revenue Receipts			
1. Tax Revenues	1306.74	1397.68	+90.94
2. Non Tax Revenues			
(*i*) Interest Receipts			
(*a*) State Electricity Board	79.25	62.61	—16.64
(*b*) Other Commercial Departments	54.81	54.81	—
(c) Loans to others (on existing loans outstanding at the end of 1973-74)	41.29	39.55	—1.74
(*ii*) Interest on fresh loans	19.45	—	—19.45
(*iii*) Other Receipts	90.98	125.67(1)	+34.69
3. Non-Plan Grants from Centre	11.96	—	—11.96
4. Transfer from Funds	22.26	18.51	—3.75
TOTAL REVENUE RECEIPTS	**1626.74**	**1698.83**	**+72.09**

(Rs. crores)

Government of Tamilnadu

	State Forecast	Reassessed Estimate	Variation
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	79.80	82.22	+2.42
(*b*) Others (including interest on Provident Fund, other deposits etc.)	84.51	84.51	—
(*ii*) Interest payments on fresh loans	77.75	—	—77.75
(*iii*) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	81.86	—	—81.86
(*iv*) Other Non-Developmental Expenditure	630.15	572.68	—57.47
TOTAL—I	**954.07**	**739.41**	**—214.66**
2. Developmental Expenditure			
(*i*) Education	633.37	560.25	—73.12
(*ii*) Medical & Public Health	177.96	177.69	—0.27
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings	13.72	9.80	—3.92
(*b*) Provision for maintenance of roads	124.00	66.77	—57.23
(*c*) Other expenditure	66.36	6.31	—60.05
TOTAL :	204.08	82.88	—121.20
(*iv*) Other Developmental Expenditure.	271.01	247.57	—23.44
Total—Developmental	1286.42	1068.39	—218.03
3. Committed Expenditure on Fourth Plan Schemes	187.22	150.02	—37.20
4. Transfer to Funds	26.41	15.91	—10.50
5. Fresh Expenditure	62.53	—	—62.53
NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	2516.65	1973.73	—542.92
NON-PLAN REVENUE GAP (A—B)	**—889.91**	**—274.90**	**+615.01**
C. *Provision allowed for—*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees.	—	79.14	—79.14
(*ii*) Upgradation of standards of Administration.			
(*a*) General Administration			
(*b*) Police		Nil	
(*c*) Primary Education			
(*d*) Medical & Public Health			
(*e*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes			
TOTAL	—	—	—
TOTAL NON-PLAN REVENUE GAP	**—889.91**	**—354.04**	**+535.87**

(1) Against the receipt of only Rs. 1.15 crores from investments amounting to Rs. 70 crores estimated at the end of 1973-74 in commercial and industrial undertakings the Commission has assumed net receipts of Rs. 7 crores on the basis of a minimum return of 2 per cent as in the case of other States.

Government of Tripura

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	3.75	4.11	+0.36
2. Non Tax Revenues			
(*i*) Interest Receipts			
(*a*) State Electricity Board	—	—	—
(*b*) Other Commercial Departments	3.37	—	—3.37
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74)	0.18	1.72	+1.54
(*ii*) Interest on fresh lendings	0.80	—	—0.80
(*iii*) Other Receipts	—2.13	5.38	+7.51
3. Non-Plan Grants from Centre	—	—	—
4. Transfer from Funds	—	—	—
Total Revenue Receipts	**5.97**	**11.21**	**+5.24**
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	6.98	10.43	+3.45
(*b*) Others (including interest on Provident Fund, other deposits etc.)	0.99	0.99	—
(*ii*) Interest payments on fresh borrowings	9.91	—	—9.91
(*iii*) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	0.65	—	—0.65
(*iv*) Other Non-Developmental expenditure	40.88	35.21	—5.67
TOTAL—NON-DEVELOPMENTAL	**59.41**	**46.63**	**—12.78**
2. Developmental Expenditure			
(*i*) Education	37.38	35.77	—1.61
(*ii*) Medical & Public Health	8.09	7.93	—0.16
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of buildings	2.25	2.25	—
(*b*) Provision for maintenance of roads		4.32	
(*c*) Other Expenditure	23.56	7.39	—11.85
TOTAL	**25.81**	**13.96**	**—11.85**
(*iv*) Other Developmental Expenditure	**18.93**	**16.07**	**—2.86**
TOTAL—Developmental	**90.21**	**73.73**	**—16.48**
3. Committed Expenditure on Fourth Plan Schemes	17.19	15.78	—1.41
4. Transfer to Funds	0.02	—	—0.02
5. Fresh Expenditure	30.72	—	—30.72
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	197.55	136.14	—61.41
NON-PLAN REVENUE GAP (A—B)	—191.58	—124.93	+66.65
C. *Provision allowed for—*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	—	5.26	+5.26
(*ii*) Upgradation of standards of Administration			
(*a*) General Administration	—	1.00	+1.00
(*b*) Police	—	—	—
(*c*) Primary Education	—	1.00	+1.00
(*d*) Medical & Public Health	—	—	—
(*e*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	—	—	—
TOTAL	—	**2.00**	**+2.00**
TOTAL—NON-PLAN REVENUE GAP	—191.58	—132.19	+59.39

Government of Uttar Pradesh

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. *Revenue Receipts*			
1. Tax Revenues	1021.14	1147.72(*1*)	+126.58
2. Non-Tax Revenues			
(i) Interest Receipts			
(*a*) State Electricity Board	106.23	181.79	+75.56
(*b*) Other Commercial Departments	119.00	119.00	—
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74)	53.32	40.74	—12.58
(*ii*) Interest on fresh loans	45.24	—	—45.24
(*iii*) Other Receipts	162.73	209.20	+46.47
3. Non-Plan Grants from Centre	5.47	—	—5.47
4. Transfer from Funds	31.00	—	—31.00
TOTAL REVENUE RECEIPTS	**1544.13**	**1698.45**	**+154.32**
B. *Non-Plan Expenditure on Revenue Account*			
1. Non-Developmental Expenditure			
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	157.99	176.87	+18.88
(*b*) Others (including interest on Provident Fund, other deposits etc.)	94.76	93.35	—1.41
(*ii*) Interest payments on fresh loans	128.42	—	—128.42
(*iii*) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	417.26	—	417.26
(*iv*) Other Non-Developmental expenditure	642.45	564.67(2)	—77.78
2. DEVELOPMENTAL EXPENDITURE			
(*i*) Education	630.70	558.35	—72.35
(*ii*) Medical & Public Health	134.40	148.47	+14.07
(*iii*) Public Works (including maintenance of roads and buildings)			
(*a*) Provision for maintenance of Buildings	3.35	17.50	+14.15
(*b*) Provision for maintenance of roads	60.93	99.08	+38.15
(*c*) Other Expenditure	30.41	65.90	+35.49
TOTAL	**94.69**	**182.48**	**+87.79**
(iv) Other Developmental Expenditure	307.22	300.78(3)	—6.44
TOTAL—DEVELOPMENTAL	**1157.01**	**1190.08**	**+23.07**
3. Committed Expenditure on Fourth Plan Schemes	410.84	383.10	—27.74
4. Transfer to Funds	67.25	—	—67.25
5. Fresh Expenditure	1732.65	59.88(4)	—1672.77
TOTAL NON-PLAN EXPENDITURE ON REVENUE ACCOUNT	**4818.63**	**2467.95**	**—2350.68**
NON-PLAN REVENUE GAP (A—B)	**—3274.50**	**—769.50**	**+2505.00**
C. *Provision allowed for—*			
(*i*) Revision of pay and emoluments of State Government employees, teachers and local body employees	581.71	289.39	—292.32
(*ii*) Upgradation of standards of Administration			
(*a*) General Administration	—	36.03	+36.03
(*b*) Administration of Justice	—	5.04	+5.04
(*c*) Jails	—	2.65	+2.65
(*d*) Police	—	54.30	+54.30
(*e*) Primary Education	—	123.72	+123.72
(*f*) Medical & Public Health	—	55.62	+55.62
(*g*) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes	—	12.80	+12.80
TOTAL	—	**290.16**	**+290.16**
TOTAL NON-PLAN REVENUE GAP	**—3856.21**	**—1349.05**	**+2507.16**

Government of Uttar Prodesh

(1) The Commission has not accepted the plea of the State Government about gradual diminution of land revenue by 10 per cent per annum.

(2) Additional provisions for Provincial Armed Constabulary have been allowed under item B(5). Provision for pay revision of police personnel is included under item C(i), while an additional provision of Rs. 54.3 crores has been made under item C(ii) relating to upgradation of administrative standards.

(3) No provision has been allowed for capital outlay on public works. This should be accommodated in the Plan.

(4) Provisions for the following items in respect of which orders have been issued have been allowed.

	(Rs. crores)
1. Staff for rationing	29.00
2. Reorganisation of Provincial Armed Constabulary	10.82
3. Excise Department	0.85
4. Justice & Jails	2.10
5. Police	6.14
6. Fire Services	0.62
7. Liberalisation of family pension	0.65
8. Directorate of Local Bodies.	0.40
9. Non-practising pay to doctors	4.84
10. Reorganisation of Medical Department	1.05
11. Social Welfare Department	3.41
TOTAL	**59.88**

Provisions for Minimum Needs Programme (Rs. 892.17 crores); additional grants to Local Bodies (Rs. 232.99 crores); subsidy to Electricity Board (Rs. 74.81 crores); Provincialisation of Secondary Education (Rs. 45 crores); transfer of Land Development Tax to Local Bodies (Rs. 28.64 crores); and creation of new posts of Lekhpals and Supervisor Kanungos (Rs. 20.52 crores); disallowed as these are inadmissible in terms of the general approach followed by the Commission in adjudging similar claims or have to be fitted into the Plan. Some of these needs should also be met out of the administrative upgradation grants. Cost of provincialisation of Secondary Education would be covered to the extent that we have taken into account all the teachers in computing the provision to be made for revision of scales of pay.

Government of West Bengal

(Rs. crores)

	State Forecast	Reassessed Estimate	Variation
A. Revenue Receipts			
1. Tax Revenues	1029.42	1129.65(7)	+100.23
2. Non-Tax Revenues			
(*i*) Interest Receipts			
(*a*) State Electricity Board	—	—	—
(*b*) Other Commercial Departments	23.90	23.90	—
(*c*) Loans to others (on existing loans outstanding at the end of 1973-74)	27.68	42.38	+14.70
(*ii*) Interest on fresh loans	9.10	—	—9.10
(*iii*) Other Receipts	74.95	116.52(6)	+41.57
3. Non-Plan Grants from Centre	13.74	—	—13.74
4. Transfer from Funds	—	—	—
TOTAL REVENUE RECEIPTS	**1178.79**	**1312.45**	**+133.66**

Government of West Bengal (Rs. crores)

	State Fore-cast	Reassessed Estimate	Variation
B. *Non-Plan Expenditure on Revenue Account*			
1. Non Developmental Expenditure			
(*i*) Interest payments on existing loans outstanding at the end of 1973-74			
(*a*) Central Government	145.70	158.00	+12.30
(*b*) Others (including interest on Provident Fund, other deposits etc.)	56.82	48.77	—8.05
(ii) Interest payments on fresh loans	185.49	..	—185.49
(iii) Appropriation for reduction or avoidance of Debt (including fresh borrowings)	60.11	..	—60.11
(iv) Other Non-Developmental expenditure	652.18	603.36	—48.82
Total 1	**1100.30**	**810.13**	**—290.17**
2. *Developmental Expenditure*			
(i) Education	499.46	466.39	—33.07
(ii) Medical & Public Health	173.14	184.13	+10.99
(iii) Public Works (including maintenance of roads and buildings)			
(a) Provision for maintenance of buildings	25.39	15.75	—9.64
(b) Provision for maintenance of roads	45.63	52.51	+6.88
(c) Other Expenditure	25.07	12.04	—13.03
Total	96.09	80.30	**—15.79**
(iv) Other Developmental Expenditure	306.62	255.71	—50.91
Total-Developmental	**1075.31**	**986.53**	**—88.78**
3. Committed Expenditure on Fourth Plan Schemes	184.55	144.78	—39.77
4. Transfer to Funds	4.55	0.55	—4.00
5. Fresh Expenditure	106.48	18.62(1) to (5)	—87.86
Total Non-Plan expenditure on Revenue Account	**2471.19**	**1960.61**	**—510.58**
Non-Plan Revenue Gap (A—B)	**—1292.40***	**—648.16**	**+644.24**
C. *Provision allowed for—*			
(i) Revision of pay and emoluments of State Governments employees, teachers and local body employees	..	102.54	+102.54
(ii) Upgradation of standards of Administration NP			
(a) General Administration NP	..	3.84	+3.84
(b) Police NP	..	..	..
(c) Primary Education	..	49.56	+49.56
(d) Medical and Public Health	..	..	..
(e) Welfare of Scheduled Castes, Scheduled Tribes and other backward classes Dev	..	18.83	+18.83
Total	...	**72.23**	**+72.23**
Total Non-Plan Revenue Gap	**—1292.40**	**—822.93**	**+469.47**

*Includes provision of Rs. 0.80 crore on account of Commuted Value of pensions transferred from Capital Account.

(1) The State Government's claim for provision on employment of Class III and Class IV employees in the first phase numbering 17000 has been allowed only to the extent of one half, in the absence of definite information on the number of posts actually filled up already. Shri Justice Masud, however, felt that this should have been allowed in full and grant-in-aid for West Bengal should have been enhanced to that extent.

(2) The provision sought by the State Government for the employment of 13,000 employees during the forecast period has not been conceded as this represents a contingent liability.

(3) Provision for reorganisation of secondary education disallowed as it should appropriately form part of the Plan.

(4) The sum of Rs. 35.50 crores proposed by the State Government for payment of additional dearness allowance and introduction of salary deficit scheme for non-Government high and higher secondary schools disallowed, in view of inclusion of the provision for emoluments of all teachers according to norms.

(5) Provision of Rs. 4.25 crores for introduction of additional shifts for the fire services in the State allowed. Other proposals for fresh expenditure should be either fitted into the Plan or accommodated within the increased provisions allowed by us under the concerned heads.

(6) Rs. 10 crores representing arrears of DVC loss for the period upto 1973-74 disallowed. But provision of Rs. 30.85 crores allowed for payments arising in forecast period.

(7) Receipt at Rs. 4 crores per annum has been assumed from 1975-76 for additional taxation from land revenue measures undertaken in 1972-73.

APPENDIX IX

TABLE No. 1(a)

Financial Results of State Electricity Boards for the year 1971-72*

(Rs. crores)

State	Block capital at the beginning of the year	Revenue Receipts	Revenue expenditure	Gross operating surplus	Transfer to Reserves	Operating surplus (5—6)	Operating surplus as % of block capital	Receipts from electricity duty	Operating surplus + elec. duty	
									Total	as % of block capital
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh .	273.19	45.49	25.96	19.53	7.94	11.59	4.2	..	11.59	4.2
2. Assam . .	80.43	5.71	3.29	2.42	2.09	0.33	0.4	0.20	0.53	0.7
3. Bihar . . .	204.03	30.75	21.69	9.06	5.93	3.13	1.5	1.43	4.56	2.2
4. Gujarat . .	194.90	38.73	24.78	13.95	5.50	8.45	4.3	7.42	15.87	8.1
5. Haryana . .	150.89	19.90	11.33	8.57	3.64	4.93	3.3	1.92	6.85	4.5
6. Himachal Pradesh	17.06	2.27	2.16	0.11	0.74	(—)0.63	..	..	(—)0.63	..
7. Jammu & Kashmir	..	..	..	..	..	..	..	..	..	..
8. Kerala . .	179.99	19.30	9.92	9.38	3.57	5.81	3.2	1.90	7.71	4.3
9. Madhya Pradesh	213.40	35.25	15.91	19.34	6.02	13.32	6.2	2.07	15.39	7.2
10. Maharashtra .	332.87	62.33	34.26	28.07	8.80	19.27	5.8	3.50	22.77	6.8
11. Mysore . .	159.84	35.52	21.60	13.92	5.97	7.95	5.0	5.21	13.16	8.2
12. Orissa . .	114.00	13.34	8.00	5.34	2.85	2.49	2.2	2.03	4.52	4.0
13. Punjab . .	224.16	20.85	10.99	9.86	4.17	5.69	2.5	3.11	8.80	3.9
14. Rajasthan . .	184.66	23.82	13.31	10.51	4.43	6.08	3.3	1.09	7.17	3.9
15. Tamil Nadu .	440.27	69.40	42.15	27.25	11.52	15.73	3.6	7.03	22.76	5.2
16. Uttar Pradesh .	574.06	67.44	38.13	29.31	12.15	17.16	3.0	4.44	21.60	3.8
17. West Bengal .	120.71	23.27	15.56	7.71	4.33	3.38	2.8	1.39	4.77	4.0

Source : State Governments.
*Actuals.

APPENDIX IX

TABLE No. 1(b)

Financial Results of State Electricity Boards for the year 1972-73*

(Rs. crores)

State	Block capital at the beginning of the year	Revenue Receipts	Revenue expenditure	Gross operating surplus	Transfer to Reserves	Operating surplus (5—6)	Operating surplus as % of block capital	Receipts from electricity duty	Operating surplus + elec. duty.	
									Total	as % of block capital
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh .	308.96	47.40	26.34	21.06	9.06	12.00	3.9	..	12.00	3.9
2. Assam . .	87.75	6.31	3.40	2.91	2.44	0.47	0.5	0.22	0.69	0.8
3. Bihar . . .	230.74	34.67	22.58	12.09	7.40	4.69	2.0	2.20	6.89	3.0
4. Gujarat . .	230.22	44.12	28.84	15.28	6.22	9.06	3.9	8.16	17.22	7.5
5. Haryana . .	177.55	24.31	15.40	8.91	3.93	4.98	2.8	2.04	7.02	4.0
6. Himachal Pradesh	32.52	3.07	3.00	0.07	0.80	(—)0.73	..	..	(—)0.73	..
7. Jammu & Kashmir	..	..	..	..	..	..	..	..	..	..
8. Kerala . .	203.72	21.71	12.10	9.61	3.80	5.81	2.9	2.17	7.98	3.9
9. Madhya Pradesh	242.40	39.70	18.04	21.66	6.74	14.92	6.2	2.83	17.75	7.3
10. Maharashtra .	385.95	70.84	42.68	28.16	9.06	19.10	4.9	4.30	23.40	6.1
11. Mysore . .	177.50	31.50	20.53	10.97	4.10	6.87	3.9	5.21	12.08	6.8
12. Orissa . .	129.00	16.75	8.93	7.82	3.34	4.48	3.5	2.65	7.13	5.5
13. Punjab . .	262.96	21.21	12.52	8.69	4.54	4.15	1.6	3.23	7.38	2.8
14. Rajasthan . .	222.77	26.08	14.15	11.93	5.42	6.51	2.9	1.14	7.65	3.4
15. Tamil Nadu .	481.31	65.10	45.25	19.85	12.59	7.26	1.5	2.31	9.57	2.0
16. Uttar Pradesh .	648.59	81.45	43.01	38.44	13.58	24.86	3.8	4.25	29.11	4.5
17. West Bengal .	137.86	24.72	17.85	6.87	3.00	3.87	2.8	1.25	5.12	3.7

Source : State Governments.
*Latest Estimates.

APPENDIX IX

TABLE No. 1(a)

Financial Results of State Electricity Boards for the year 1971-72*

(Rs. crores)

State	Block capital at the beginning of the year	Revenue Receipts	Revenue expenditure	Gross operating surplus	Transfer to Reserves	Operating surplus (5—6)	Operating surplus as % of block capital	Receipts from electricity duty	Operating surplus + elec. duty Total	as % of block capital
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	273.19	45.49	25.96	19.53	7.94	11.59	4.2	..	11.59	4.2
2. Assam	80.43	5.71	3.29	2.42	2.09	0.33	0.4	0.20	0.53	0.7
3. Bihar	204.03	30.75	21.69	9.06	5.93	3.13	1.5	1.43	4.56	2.2
4. Gujarat	194.90	38.73	24.78	13.95	5.50	8.45	4.3	7.42	15.87	8.1
5. Haryana	150.89	19.90	11.33	8.57	3.64	4.93	3.3	1.92	6.85	4.5
6. Himachal Pradesh	17.06	2.27	2.16	0.11	0.74	(—)0.63	..	..	(—)0.63	..
7. Jammu & Kashmir	..	..	..	..	..	..	..	..	..	..
8. Kerala	179.99	19.30	9.92	9.38	3.57	5.81	3.2	1.90	7.71	4.3
9. Madhya Pradesh	213.40	35.25	15.91	19.34	6.02	13.32	6.2	2.07	15.39	7.2
10. Maharashtra	332.87	62.33	34.26	28.07	8.80	19.27	5.8	3.50	22.77	6.8
11. Mysore	159.84	35.52	21.60	13.92	5.97	7.95	5.0	5.21	13.16	8.2
12. Orissa	114.00	13.34	8.00	5.34	2.85	2.49	2.2	2.03	4.52	4.0
13. Punjab	224.16	20.85	10.99	9.86	4.17	5.69	2.5	3.11	8.80	3.9
14. Rajasthan	184.66	23.82	13.31	10.51	4.43	6.08	3.3	1.09	7.17	3.9
15. Tamil Nadu	440.27	69.40	42.15	27.25	11.52	15.73	3.6	7.03	22.76	5.2
16. Uttar Pradesh	574.06	67.44	38.13	29.31	12.15	17.16	3.0	4.44	21.60	3.8
17. West Bengal	120.71	23.27	15.56	7.71	4.33	3.38	2.8	1.39	4.77	4.0

Source : State Governments.
*Actuals.

APPENDIX IX

TABLE No. 1(b)

Financial Results of State Electricity Boards for the year 1972-73*

(Rs. crores)

State	Block capital at the beginning of the year	Revenue Receipts	Revenue expenditure	Gross operating surplus	Transfer to Reserves	Operating surplus (5—6)	Operating surplus as % of block capital	Receipts from electricity duty	Operating surplus + elec. duty. Total	as % of block capital
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	308.96	47.40	26.34	21.06	9.06	12.00	3.9	..	12.00	3.9
2. Assam	87.75	6.31	3.40	2.91	2.44	0.47	0.5	0.22	0.69	0.8
3. Bihar	230.74	34.67	22.58	12.09	7.40	4.69	2.0	2.20	6.89	3.0
4. Gujarat	230.22	44.12	28.84	15.28	6.22	9.06	3.9	8.16	17.22	7.5
5. Haryana	177.55	24.31	15.40	8.91	3.93	4.98	2.8	2.04	7.02	4.0
6. Himachal Pradesh	32.52	3.07	3.00	0.07	0.80	(—)0.73	..	..	(—)0.73	..
7. Jammu & Kashmir	..	..	..	..	..	..	..	..	..	..
8. Kerala	203.72	21.71	12.10	9.61	3.80	5.81	2.9	2.17	7.98	3.9
9. Madhya Pradesh	242.40	39.70	18.04	21.66	6.74	14.92	6.2	2.83	17.75	7.3
10. Maharashtra	385.95	70.84	42.68	28.16	9.06	19.10	4.9	4.30	23.40	6.1
11. Mysore	177.50	31.50	20.53	10.97	4.10	6.87	3.9	5.21	12.08	6.8
12. Orissa	129.00	16.75	8.93	7.82	3.34	4.48	3.5	2.65	7.13	5.5
13. Punjab	262.96	21.21	12.52	8.69	4.54	4.15	1.6	3.23	7.38	2.8
14. Rajasthan	222.77	26.08	14.15	11.93	5.42	6.51	2.9	1.14	7.65	3.4
15. Tamil Nadu	481.31	65.10	45.25	19.85	12.59	7.26	1.5	2.31	9.57	2.0
16. Uttar Pradesh	648.59	81.45	43.01	38.44	13.58	24.86	3.8	4.25	29.11	4.5
17. West Bengal	137.86	24.72	17.85	6.87	3.00	3.87	2.8	1.25	5.12	3.7

Source : State Governments.
*Latest Estimates.

APPENDIX IX

TABLE No. 1(c)

*Financial Results of State Electricity Boards for the year 1973-74**

(Rs. crores)

State	Block Capital at the beginning of the year	Revenue Receipts	Revenue Expenditure	Gross Operating surplus	Transfer to Reserves	Operating surplus (5—6)	Operating surplsus as % of block capital	Receipts from Electricity duty	Operating surplus elect. duty Total	Operating surplus elect. duty As % of block capital
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh .	347.06	56.59	31.80	24.79	10.32	14.47	4.2	..	4.47	4.2
2. Assam . .	96.36	7.45	3.84	3.61	3.09	0.52	0.5	0.24	0.76	0.7
3. Bihar . . .	263.24	37.37	23.39	13.98	8.84	5.14	2.0	2.40	7.54	2.9
4. Gujarat . .	270.13	52.28	34.06	18.22	7.15	11.07	4.1	9.00	20.07	7.4
5. Haryana . .	215.19	29.64	21.50	8.14	3.65	4.49	2.1	2.39	6.88	3.2
6. Himachal Pradesh	38.91	3.60	3.15	0.45	0.85	(—)0.40	..	..	(—)0.40	..
7. Jammu & Kashmir	68.15	2.94	5.41	(—)2.47	0.97	(—)3.44	..	0.19	(—)3.25	..
8. Kerala . .	235.31	24.88	13.45	11.43	4.35	7.08	3.0	2.49	9.57	4.1
9. Madhya Pradesh .	274.68	42.41	18.56	23.85	7.66	16.19	5.9	3.03	19.22	7.0
10. Maharashtra .	432.09	90.56	51.83	38.73	10.41	28.32	6.6	7.13	35.45	8.2
11. Mysore . .	199.06	35.25	23.04	12.21	4.72	7.49	3.8	5.45	12.94	6.5
12. Orissa . .	151.00	21.29	11.71	9.58	3.93	5.65	3.7	2.90	8.55	5.7
13. Punjab . .	314.02	22.92	14.87	8.05	5.43	2.62	0.8	3.56	6.18	2.0
14. Rajasthan . .	255.27	34.73	21.85	12.88	5.92	6.96	2.7	1.20	8.16	3.2
15. Tamil Nadu .	520.08	91.51	58.42	33.09	14.67	18.42	3.5	2.48	20.90	4.0
16. Uttar Pradesh .	784.42	96.70	54.88	41.82	17.23	24.59	3.1	4.47	29.06	3.7
17. West Bengal .	184.56	27.39	19.68	7.71	3.80	3.91	2.1	1.30	5.21	2.8

Source : State Governments.

*Estimates.

APPENDIX IX

TABLE No. 2

Energy losses of State Electricity Boards

(Per cent)

State	1969-70 Actuals	1970-71 Actuals	1971-72 Actuals	1972-73 Latest Estimates	1973-74 Estimates
1	2	3	4	5	6
1. Andhra Pradesh .	24.1	24.9	26.5	26.0	26.0
2. Assam .	18.9	19.0	19.0	20.0	20.0
3. Bihar .	27.9	29.8	25.2	26.1	23.3
4. Gujarat .	21.7	21.2	22.8	21.8	19.9
5. Haryana .	25.6	27.3	27.3	24.0	24.0
6. Himachal Pradesh	14.6	21.5	11.1	12.5	16.0
7. Jammu & Kashmir	24.0	24.0	25.0	25.0	25.0
8. Kerala .	14.4	12.9	17.2	15.0	13.8
9. Madhya Pradesh .	19.9	19.7	20.8	20.8	20.7
10. Maharashtra .	15.0	15.2	16.2	16.0	16.0
11. Mysore .	16.1	13.9	14.8	15.0	15.0
12. Orissa .	10.5	9.3	12.2	12.0	9.1
13. Punjab .	24.4	22.2	21.0	27.1	27.0
14. Rajasthan .	19.7	18.2	23.9	20.0	20.0
15. Tamil Nadu .	20.0	18.2	19.9	17.9	18.1
16. Uttar Pradesh .	26.3	27.8	25.5	28.0	27.3
17. West Bengal .	13.6	13.6	13.6	13.9	13.8

Source: Summary records of discussions held in the Planning Commission on Annual Plan 1973-74.

APPENDIX IX

TABLE NO. 3

Allocation of Loans by State Government to State Electricity Boards as between Hydel and Thermal Capacity

(Percentages)

State	Hydel capacity	Thermal capacity	Total
1	2	3	4
1. Andhra Pradesh	20.76	79.24	100.00
2. Assam	64.44	35.56	100 00
3. Bihar	8.77	91.23	100.00
4. Gujarat	..	100.00	100.00
5. Haryana	84.78	15.22	100.00
6. Himachal Pradesh	100.00	..	100.00
7. Jammu & Kashmir	94.13	5.87	100.00
8. Kerala	100.00	..	100.00
9. Madhya Pradesh	26.20	73.80	100.00
10. Maharashtra	0.52	99.48	100.00
11. Mysore	100.00	..	100.00
12. Orissa	33.94	66.06	100.00
13. Punjab	82.58	17.42	100.00
14. Rajasthan	76.18	23.82	100.00
15. Tamil Nadu	79.94	20.06	100.00
16. Uttar Pradesh	43.30	56.80	100.00
17. West Bengal	17.24	82.76	100.00

Source: Based on information furnished by State Governments.

APPENDIX IX

TABLE NO. 4

Arrears of interest outstanding from State Electricity Boards on loans from State Governments

(Rs. crores)

State	At the end of 1973-74
1	2
1. Andhra Pradesh	14.44
2. Assam	34.17
3. Bihar	81.08*
4. Gujarat	18.09
5. Haryana	24.59
6. Himachal Pradesh	4.19
7. Jammu & Kashmir	6.46*
8. Kerala	25.26
9. Madhya Pradesh	12.06
10. Maharashtra	9.00
11. Mysore	32.66*
12. Orissa	4.15
13. Punjab	49.30
14. Rajasthan	42.00
15. Tamil Nadu	Nil
16. Uttar Pradesh	Nil
17. West Bengal	35.02*
Total	**392.47**

Source : Information furnished by State Governments.

* Summary records of discussions on 1973-74 Annual Plans—Planning Commission.

APPENDIX IX

TABLE No. 5(a)

State-wise figures of Capital Outlay on Major and Medium Irrigation Projects

(Rs. crores)

State	Progressive Capital Outlay upto 1971-72	Capital Outlay 1972-73	Capital Outlay 1973-74	Total upto end of 1973-74
(1)	(2)	(3)	(4)	(5)
1. Andhra Pradesh	336.38	20.17	20.50	377.05
2. Assam	..	..	..	..
3. Bihar	226.71	32.46	38.72	297.89
4. Gujarat	204.01	35.13	25.32	264.46
5. Haryana	83.08	29.71	11.73	124.52
6. Himachal Pradesh	..	..	..	..
7. Jammu & Kashmir	2.28	3.28	4.29	9.85
8. Kerala	53.18	0.38	0.44	54.00
9. Madhya Pradesh	129.31	22.57	33.67	185.55
10. Maharashtra	256.73	40.01	45.60	342.34
11. Manipur	..	..	..	..
12. Meghalaya	..	..	..	..
13. Mysore	229.56	29.68	30.30	289.54
14. Nagaland	..	..	..	..
15. Orissa	158.97	16.52	21.66	197.15
16. Punjab	238.97	9.82	7.81	256.60
17. Rajasthan	220.02	29.15	23.08	272.25
18. Tamil Nadu	114.40	8.06	7.88	130.34
19. Tripura	..	..	..	..
20. Uttar Pradesh	383.63	53.74	43.79	481.16
21. West Bengal	181.48	9.28	13.45	204.21
Total	2818.71	339.96	328.24	3486.91

Sources: (1) *Upto* 1971-72: State Accountants General except Uttar Pradesh and Jammu & Kashmir. For Uttar Pradesh, the information has been supplied by the State Government. For Jammu & Kashmir figures have been taken from the material furnished in reply to Subsidiary points.

(2) 1972-73 *and* 1973-74: Budget documents of the State Governments.

APPENDIX IX

TABLE No 5(b)

State-wise information on Water Rates and Gross Value per hectare of Rice and Wheat

Crops	Water rate per hectare (Rs.)	Yield per hectare (Kg.)	Harvest price at par level (Rs. per quintal)	Value of produce per hectare	Percentage of column 2 to column 5
1	2	3	4	5	6
1. Andhra Pradesh					
Rice	37.5	1428	98.44	1406	2.6
2. Bihar					
Rice	37.5	926	59.63	553	7.0
Wheat	22.5	940	87.02	818	2.7
3. Gujarat					
Rice	45 to 62.5	1358	101.39	1377	3.2 to 4.5
Wheat	45 to 62.5	1529	92.69	1417	3.1 to 4.4
4. Haryana					
Rice	24.4	1433	53.96	773	3.1
Wheat	14.5	1822	69.27	1262	1.1
5. Kerala					
Rice	12.5 to 25	1447	107.56	1556	0.8 to 1.6
6. Madhya Pradesh					
Rice	25	1167	93.39	1090	2.3
Wheat	10 to 25	970	81.59	791	1.2 to 3.1
7. Maharashtra					
Wheat	22.5	626	123.47	773	2.9
8. Mysore					
Rice	40	1474	74.09	1092	3.6
9. Orissa					
Rice	2.5 to 20	1171	N.A.	N.A.	N.A.
10. Punjab					
Rice	24.4	1326	53.96	716	3.4
Wheat	14.6	1953	69.27	1353	1.1
11. Rajasthan					
Wheat	13.1 to 25	1140	92.54	1055	1.2 to 2.3
12. Tamil Nadu					
Rice	40 to 50	1517	73.79	1120	3.5 to 4.4
13. Uttar Pradesh					
Rice	10 to 35	1483	52.69	781	1.2 to 4.4
Wheat	10 to 30	1323	78.72	1041	0.9 to 2.8
14. West Bengal					
Rice	13.4 to 31.25	1324	128.32	1699	0.8 to 1.08

Source: Report of the Irrigation Commission 1972 (Volume I).

N.A. — Not available.

APPENDIX IX

TABLE No. 6

Working Results of Road Transport Undertakings

(Rs. crores)

State	Total investment by State Govt. as on 31-3-74 as loan/capital outlay/equity	Return on investment as at the end of 73-74, taken credit for in State Govt.'s forecast for 1974-79			Return on total investment at 6% for 1974-79	Amounts assumed in the reassessment as interest and/or dividend for 1974-79
		Interest	Dividend	Total		
1. Andhra Pradesh	9.91	3.55	..	3.55	2.97	3.55
2. Assam	6.60	..	..	..	1.98	1.98
3. Bihar	9.13	2.47	..	2.47	2.74	2.74
4. Gujarat	14.72	..	5.89	5.89	4.42	5.89
5. Haryana	11.98	10.26	..	10.26	3.59	10.26
6. Himachal Pradesh	3.59	1.10	..	1.10	1.08	1.10
7. Jammu & Kashmir	5.59	..	0.89	0.89	1.68	1.68
8. Kerala	10.93	..	5.16	5.16	3.28	5.16
9. Madhya Pradesh	9.32	..	4.82	4.82	2.80	4.82
10. Maharashtra	14.38	..	3.50	3.50	4.31	4.31
11. Mysore	12.73	4.00	..	4.00	3.82	4.00
12. Orissa	7.48	1.62	2.08	3.70	2.24	3.70
13. Punjab	17.74	6.04	3.22	9.26	5.32	9.26
14. Rajasthan	3.03	..	0.28	0.28	0.91	0.91
15. Tamil Nadu	16.37	7.72	..	7.72	4.91	7.72
16. Tripura	0.27	..	0.02	0.02	0.08	0.08
17. Uttar Pradesh	31.00	10.50	..	10.50	9.30	10.50
18. West Bengal	28.79	0.80	..	0.80	1.31*	1.31*

*For North Bengal and Durgapur STCs only. Calcutta STC is expected to cover at least the working expenses.

APPENDIX IX

TABLE No. 7

Investments in other enterprises and dividends anticipated

(Rs. crores)

States	Investments at the end of 1973-74	Dividends as reassessed, 1974-79
1. Andhra Pradesh	69.00	6.90
2. Assam	20.86	2.10
3. Bihar	28.07	2.80
4. Gujarat	56.79	11.16
5. Haryana	34.00	3.40
6. Himachal Pradesh	6.00	0.60
7. Jammu & Kashmir	22.63	2.25
8. Kerala	56.00	5.60
9. Madhya Pradesh	58.40	5.80
10. Maharashtra	74.50	7.45
11. Manipur	..	..
12. Meghalaya	..	..
13. Mysore	108.78	10.85
14. Nagaland	3.20	0.50
15. Orissa	47.38	4.75
16. Punjab	43.46	4.35
17. Rajasthan	23.40	2.30
18. Tamil Nadu	70.00	7.00
19. Tripura	NA	0.02
20. Uttar Pradesh	84.76	13.37
21. West Bengal	25.00	2.50
Total	832.23	93.70

Note : Figures of investments at the end of 1973-74 are based on the data available in the Finance Accounts and State Budgets.

Reassessment has been made on the basis of a minimum return of 2% per annum or the forecast furnished by the State Governments, whichever is higher.

APPENDIX X

TABLE No. 1

Financial Implications of the Orders issued by State Governments after 1-1-1972 regarding revision of Pay Scales, Dearness Allowance, etc.

(Rs. crores)

States	Nature of Expenditure	Date of orders	Date of effect	Financial implications Annual	1974—79
1	2	3	4	5	6
1. Andhra Pradesh . .	Grant of additional D.A.	(i) 10-3-72/ 18-4-72/ 20-12-72	1-10-71	5.36	32.01
		(ii) 31-3-73/ 18-4-73	1-8-72	5.52	31.63
	Total:			**10.88**	**63.64**
2. Assam	Grant of Interim Relief	22-2-72	1-9-71	**2.82**	**17.19**
3. Bihar	(a) Grant of additional D.A.	17-2-72	1-1-72	2.30	13.80
	(b) Recommendations of Pay Revision Committee.	30-11-72	1-1-71	7.00	41.61
	(c) Grant of cost of living allowance	23-6-73	1-3-73	5.73	34.21
	(d) Parity in Primary School Teachers' scales.	9-2-73	1-1-71	10.00	58.28
	(e) Improvement of pay scales of Secondary School Teachers.	4-5-68	1972-73	2.50	27.00
	(f) Revision of pay and allowances of teaching and non-teaching staff in Colleges/Universities	14-7-72 18-12-72 8-1-73	1-4-70 1973-74 1972-73	3.77	15.20
	Total:			**31.30**	**190.10**
4. Gujarat	(a) Grant of additional D.A.	(i) 7-2-72	1-1-72	3.50	23.41
		(ii) 10-11-72	1-10-72	2.50	15.62
		(iii) 21-6-73	1-5-73	2.60	16.19
	(b) Grant of Interim Relief	NA	1-5-73	8.25	51.61
	Total:			**16.85**	**106.83**
5. Haryana	Grant of Interim Relief	(i) 27-6-72	1-4-72	4.97	27.46
		(ii) 18-12-72	1-12-72	1.37	7.58
	Total:			**6.34**	**35.04**
6. Himachal Pradesh . .	Grant of Interim Relief	(i) 16-5-72	17-3-72	0.73	3.70
		(ii) 31-10-72	1-8-72	0.72	3.70
	Total:			**1.45**	**7.40**
7. Jammu & Kashmir . .	(a) Grant of additional D.A.	19-6-72	1-4-72	0.91	5.20
	(b) Grant of Interim Relief	Oct. '72	1-11-72	1.80	10.20
	(c) Implementation of Pay Commission's recommendations	7-4-73	1-7-72	4.16	23.49
	(d) State's liability towards the employees of local bodies/ aided institutions.	—	—	0.43	2.50
	Total:			**7.30**	**41.39**

APPENDIX X

TABLE No. I (*contd.*)

1	2	3	4	5	6
8. Kerala	(a) Grant of Interim Relief	(i) 24-1-72	1-1-72	3.02	18.40
		(ii) 20-11-72	1-8-72	3.50	20.37
	(b) Grant of additional D.A.	15-2-72 7-7-73	1-5-73	3.55	20.60
	Total:			**10.07**	**59.37**
9. Madhya Pradesh	(a) Grant of Interim Relief	19-2-72	1-1-72	6.00	30.00
	(b) Grant of D.A.	(i) 19-10-72	1-1-72	3.50	17.50
		(ii) 8-5-73	1-8-72	4.00	20.00
		(iii) 3-8-73	1-5-73	5.75	28.75
	(c) Revision of Pay Scales	10-12-72	1-1-72	5.59	27.95
	(d) Increased D.A. to College Teachers on U.G.C. scales of pay	—	—	0.51	10.05
	(e) Aid to non-Government educational institutions, local bodies, etc.	—	—	1.50	
	Total:			**26.85**	**134.25**
10. Maharashtra	(a) Grant of additional D.A.	17-4-72	1-10-71	5.82	32.78
	(b) Grant of additional D.A.	17-4-73	1-8-72	13.40	75.46
	(c) State Government's liability for municipal employees.	—	—	1.18	6.45
	Total:			**20.40**	**114.69**
11. Manipur	(a) Grant of Interim Relief	5-7-73	1-1-73	0.37	2.24
	(b) Provision of Aided Institutions	—	—	0.05	0.26
	Total:			**0.42**	**2.50**
12. Meghalaya	No revisions in emoluments have taken place after 1-1-72				
13. Mysore	Grant of additional D.A.	(i) 17-1-72	1-1-72	4.60	26.50
		(ii) 1-8-72	1-7-72	2.40	14.00
		(iii) 9-11-72	1-11-72	3.00	17.50
		(iv) 22-6-73	1-4-73	5.34	29.00
	Total:			**15.34**	**87.00**
14. Nagaland	Grant of additional D.A.	17-8-72	1-4-72	**0.23**	**1.15**
15. Orissa	(a) Grant of Interim Relief	(i) 11-3-72	1-3-72	1.75	9.81
		(ii) 9-11-72	1-11-72	3.00	15.00
		(iii) 5-3-73	1-2-73	2.50	12.50
		(iv) 27-6-73	1-6-73	2.15	10.75
	(b) Equalisation of pay scales of teachers of Government & Non-Government Educational Institutions.	21-2-73	1-4-72	0.41	2.25
	Total:			**9.81**	**50.31**
16. Punjab	(a) Grant of additional relief	(i) 18/25-4-72	1-10-71	2.41	14.51
		(ii) 18/25-4-72	17-3-72	6.40	33.27
		(iii) 12-10-72	1-8-72	2.25	13.59
	(b) State Government's liability for aided institutions.	—	—	2.21	13.44
	Total:			**13.27**	**74.81**
17. Rajasthan	Grant of ad hoc relief	(i) 12-3-72	1-10-71	2.60	13.00
		(ii) 2-3-72	1-2-72	1.80	9.00
		(iii) 30-11-72	1-8-72	2.53	12.65
		(iv) 20-8-73	1-5-73	2.53	12.65
	Total:			**9.46**	**47.30**

APPENDIX X

TABLE No. 1 (*contd.*)

1	2	3	4	5	6
18. Tamil Nadu	(a) Grant of additional D.A.	7-4-72	1-4-72	6.00	33.17
	(b) Grant of additional D.A.	9-3-73	1-4-73	6.00	33.17
	(c) Revision of scales of pay	Separate orders have been issued for different departments	1-9-72	5.00	29.00
	Total:			**17.00**	**95.34**
19. Tripura	Grant of Interim Relief	13-11-72	1-8-72	**0.31**	**1.57**
20. Uttar Pradesh	(a) Grant of Interim Relief	(i) 18-1-72	1-10-71	9.94	
		(ii) 5-4-72	1-3-72	15.26	
		(iii) 29-9-72	1-8-72	8.28	
	(b) Implementation of Pay Commission's recommendations.	6-3-73	1-8-72	21.20	351.64
	(c) Revision in rates of D.A.	6-3-73	1-8-72	1.61	
	(d) Grant of additional D.A.	24-8-73	1-5-73	9.40	56.75
	Total:			65.69	408.39
21. West Bengal	Grant of additional D.A.	11-2-72	1-10-71	**5.00**	**25.00**
	Total All States:			**270.79**	**1563.27**

APPENDIX X

TABLE No. 2

Forecasts of State Governments

States	Committed Liability (Rs. crores)			Number of Employees (000 Nos.)		
	Annual	Fifth Plan as per State Government	Fifth Plan (adjusted)	State Government	Teachers and employees of local bodies	Total (Col. 5+6)
1	2	3	4	5	6	7
1. Andhra Pradesh	10.88	63.64	57.75	383	182	565
2. Assam	2.82	17.19	14.97	92	70	162
3. Bihar	31.30	190.10	166.14	308	149	457
4. Gujarat	16.85	106.83	89.44	157	118	275
5. Haryana	6.34	35.04	33.65	126	NA	126
6. Himachal Pradesh	1.45	7.40	7.70	64	1	65
7. Jammu & Kashmir	7.30	41.39	38.75	130	NA	130
8. Kerala	10.07	59.37	53.45	230	125	355
9. Madhya Pradesh	26.85	134.25	142.52	466	82	548
10. Maharashtra	20.40	114.69	108.28	344	341	685
11. Manipur	0.42	2.50	2.23	23	4	27
12. Meghalaya	..	..	..	15	NA	15
13. Mysore	15.34	87.00	81.42	278	72	350
14. Nagaland	0.23	1.15	1.22	32	NA	32
15. Orissa	9.81	50.31	52.07	185	96	281
16. Punjab	13.27	74.81	70.43	173	3	176
17. Rajasthan	9.46	47.30	50.21	212	NA	212
18. Tamil Nadu	17.00	95.34	90.24	283	275	558
19. Tripura	0.31	1.57	1.65	26	NA	26
20. Uttar Pradesh	65.69	408.39	348.68	573	480	1053
21. West Bengal	5.00	25.00	26.54	283	359	642
TOTAL	270.79	1563.27	1437.34	4383	2357	6740

APPENDIX X

TABLE No : 4

Revision of allowances other than Pay/D.A. and Other Fringe benefits

(Rs. crores)

States	Nature of allowance	Estimates of State Governments		Provision allowed by the Commission 1974—79
		Annual	1974—79	
1	2	3	4	5
1. Andhra Pradesh . .	House Rent Allowance	0.37	2.00	2.00
2. Himachal Pradesh . .	(i) Distillery & Brewery Allowance to Excise Department staff posted at Panipet. (ii) Grant of Compensatory Allowance and H.R.A. to the staff of Transport Department posted at Hoshiarpur.	neg.	0.01	
	(iii) Enhancement of H.R.A. for employees stationed at Simla and its suburbs	0.04	0.19	
	TOTAL	0.04	0.20	0.20
3. Jammu & Kashmir . .	Medical and other benefits recommended by Pay Commission	0.88	5.06	2.50
4. Madhya Pradesh . .	*Benefits recommended by State Pay Committee and Grants to Local Bodies*			
	(i) City Compensatory Allowance	1.01		
	(ii) House Rent Allowance	1.08	10.55	7.00
	(iii) Hill Allowance	0.02		
	(iv) Project Allowance	0.58	2.90	..
	(v) Encashment of Leave	4.83	24.15	..
	(vi) Leave Travel Concession	3.50	17.50	8.75
	(vii) Travelling Allowance	1.00	5.00	..
	(viii) Death benefits	0.05	0.25	..
	(ix) Retirement benefits	0.10	0.50	..
	TOTAL	12.17	60.85	15.75
5. Maharashtra . . .	Grant of two advance increaments to loyal Government servants.	2.41	19.50	..
6. Orissa	House Rent Allowance	6.32	31.60	4.25
	GRAND TOTAL	**22.19**	**119.21**	**24.70**

APPENDIX X

TABLE No : 5

Details of estimates of expenditure on revision of pay and allowances as indicated by State Governments for which orders have not been issued

(Rs. crores)

States	Nature of Expenditure	Annual	Fifth Plan period	Remarks
1	2	3	4	5
1. Andhra Pradesh . .	Likely repercussion of Third Central Pay Commission Report	33.58	168.00	
2. Assam	Revision of scales of pay on the basis of the report of the Pay Commission	3.82	22.15	State Govt. are stated to have accepted the report but orders have not yet been received.
3. Gujarat . . .	Contingent provision for Second Pay Commission's recommendations.	15.56	90.38	
4. Haryana . . .	Token provision for Fifth Plan	1.00	5.00	
5. Kerala	Provision for pay revision in Fifth Plan	15.00	75.00	
6. Mysore	Provision for D.A. parity with Central rates	3.30	17.50	
7. Nagaland . . .	Revision of pay scales	1.00	5.00	
8. Orissa	Revision of pay scales of the employees of Government, local bodies and non-Government educational institutions.	8.53	42.65	
9. Rajasthan . . .	Implementation of the recommendations of the Anomalies Committee.	0.05	0.25	
10. Tamil Nadu . . .	Provision for grant of D.A./revision of pay scales of local body employees.	11.93	65.95	
	Repercussion of Third Central Pay Commission	16.13	88.85	
	TOTAL	28.06	154.80	
11. Tripura	Provision for Pay Commission's recommendations.	1.03	7.17	
12. Uttar Pradesh . .	Provision for revision of D.A. with effect from 1-8-73	9.40	56.75	
	Provision for implementation of the recommendations of the Anomalies Committes.	37.92	240.20	
	Total	47.32	296.95	
13. West Bengal . . .	Repercussions of Third Central Pay Commission	50.00	260.00	
	Grand Total	208.25	1144.85	

APPENDIX X

Table No : 6

Emoluments of certain selected categories of staff in different States at the minimum of their respective scales of pay as on 1-1-72

(In rupees)

State	Peons			Constables			Lower Division Clerks			Revenue	Inspectors	
	Basic Pay	D.A./ I.R.	Total emoluments	Basic pay	D.A./ I.R.	Total emoluments	Basic pay	D.A./ I.R.	Total emoluments	Basic pay	D.A./ I.R.	Total emoluments
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Andhra Pradesh	62	77	139	70	77	147	90	104	194	90	104	194
2. Assam	80	60	140	90	60	150	150	70	220	Does not exist.		
3. Bihar	70	79	149	95	79	174	135	106	241	160	120	280
4. Gujarat	90	62	152	100	62	162	130	63	193	130	63	193
5. Haryana	70	71	141	125	98	223	110	98	208	N.A.		
6. Himachal Pradesh	70	89	159	125	123	248	110	123	233	140	123	263
7. Jammu & Kashmir	65	65	130	80	81	161	75	65	140	150	136	286
8. Kerala	70	82	152	80	82	162	100	96	196	130	111	241
9. Madhya Pradesh	55	81	136	65	81	146	90	81	171	100	81	181
10. Maharashtra	75	81	156	90	86	176	115	113	228	115	113	228
11. Manipur	80	60	140	90	60	150	150	70	220	Does not exist.		
12. Meghalaya	80	60	140	90	60	150	150	70	220	Does not exist.		
13. Mysore	65	85	150	80	71	151	90	85	175	90	85	175
14. Nagaland	90	40	130	100	40	140	165	50	215	155	50	205
15. Orissa	47	83	130	70	83	153	90	99	189	90	99	189
16. Punjab	70	71	141	125	98	223	110	98	208	140	98	238
17. Rajasthan	60	81	141	70	81	151	110	113	223	130	113	243
18. Tamil Nadu	130	15	145	150	15	165	210	15	225	210	15	225
19. Tripura	65	71	136	80	71	151	150	122	272	175	122	297
20. Uttar Pradesh	55	66	121	75	66	141	100	66	166	120	86	206
21. West Bengal	135	..	135	160	..	160	230	..	230	300	..	300

Note : Since information was not available for Manipur and Meghalaya scales of pay in force in Assam have been taken for these States.

APPENDIX X

TABLE No : 6 (*contd.*)

(In rupees)

State	Primary School Teachers (Trained)			Head Constables			Upper Division Clerks			Naibs Tehsildar/Dy. Tehsildars		
	Basic Pay	D.A./I.R.	Total Emoluments	Basic Pay	D.A. I.R.	Total Emoluments	Basic pay	D.A. I.R.	Total Emoluments	Basic pay	D.A./I.R.	Total Emoluments
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Andhra Pradesh .	96	104	200	90	104	194	140	104	244	250	152	402
2. Assam . . .	125	70	195	125	70	195	300	80	380	Does not exist		
3. Bihar . . .	115	106	221	110	106	216	200	120	320	Does not exist		
4. Gujarat . . .	135	63	198	125	63	188	200	74	274	200	74	274
5. Haryana . . .	125	98	223	150	122	272	140	98	238	250	146	396
6. Himachal Pradesh .	125	123	248	150	147	297	160	147	307	225	176	401
7. Jammu & Kashmir .	80	81	161	110	112	222	100	85	185	150	136	286
8. Kerala . .	95	96	191	100	96	196	140	111	251	220	163	383
9. Madhya Pradesh .	90	81	171	75	81	156	115	113	228	170	137	307
10. Maharashtra . .	115	113	228	115	113	228	150	137	287	220	161	381
11. Manipur . . .	125	70	195	125	70	195	300	80	380	Does not exist		
12. Meghalaya . .	125	70	195	125	70	195	300	80	380	Does not exist		
13. Mysore . . .	100	85	185	90	85	175	160	122	282	225	146	371
14. Nagaland . . .	140	40	180	140	40	180	330	60	390	Does not exist		
15. Orissa . . .	55	83	138	90	99	189	145	117	262	Does not exist		
16. Punjab . . .	125	98	223	150	122	272	110	98	208	225	146	371
17. Rajasthan . . .	110	113	223	90	81	171	150	137	287	180	137	317
18. Tamil Nadu . .	210	15	225	210	15	225	300	30	330	350	30	380
19. Tripura . . .	125	98	223	110	98	208	225	146	371	Does not exist		
20. Uttar Pradesh . .	80	66	146	98	66	164	120	86	206	160	103	263
21. West Bengal . .	175	..	175	210	..	210	330	..	330	Does not exist		

APPENDIX X

TABLE NO. 6 (*concld.*)

(In rupees)

State	High School Teachers (Trained)			Tehsildars			Deputy Colletcors		
	Basic pay	D.A./ I.R.	Total emolu-ments	Basic pay	D.A./ I.R.	Total emolu-ments	Basic pay	D.A./ I.R.	Total emolu-ments
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	150	128	278	300	152	452	500	169	669
2. Assam	200	80	280	300	80	380	Does not exist		
3. Bihar	220	148	368	290	148	438	325	168	493
4. Gujarat	225	85	310	350	85	435	500	76	576
5. Haryana	220	146	366	350	146	496	N.A.		
6. Himachal Pradesh	220	176	396	350	176	526	400	190	590
7. Jammu & Kashmir	150	136	286	300	161	461	500	178	678
8. Kerala	140	111	251	310	163	473	400	177	577
9. Madhya Pradesh	NA	NA	NA	250	161	411	300	161	461
10. Maharashtra	165	137	302	300	161	461	410	175	585
11. Manipur	200	80	280	300	80	380	Does not exist		
12. Meghalaya	200	80	280	300	80	380			
13. Mysore	175	122	297	300	146	446	400	160	560
14. Nagaland	230	50	280	Does not exist			385	60	445
15. Orissa	185	141	326	Does not exist			300	168	468
16. Punjab	220	146	366	350	146	496	350	146	496
17. Rajasthan	225	161	386	275	161	436	Does not exist		
18. Tamil Nadu	300	30	330	425	30	455	575	30	605
19. Tripura	175	122	297	125	98	223	325	146	471
20. Uttar Pradesh	150	103	253	225	121	346	350	121	471
21. West Bengal	375	..	375	180	..	180	475	..	475

APPENDIX X

TABLE NO. 7

Number of State Government employees, Teachers and employees of local bodies.

(*Numbers*)

(*Numbers*)

1. Andhra Pradesh

A. *State Government employees*	
Below Rs. 85/- ...	209,000
Rs. 85/- and above but below Rs. 210/-	135,000
Rs. 210/- ,, ,, ,, ,, Rs. 575/-	34,000
Rs. 575/- ,, ,, ,, ,, Rs. 1250/-	5,000
Above Rs. 1250/-	125
TOTAL	383,125
B. *Teachers and employees of local bodies*	182,000
TOTAL (A+B)	565,125

2. Assam

A. *State Government employees*	
Below Rs. 100/-	38,198
Rs. 100/- and above but below Rs. 200/-	39,239
Rs. 200/- and above but below Rs. 500/-	12,674
Rs. 500/- and above but below Rs. 1000/-	1,443
Rs. 1000/- and above	314
TOTAL	91,868
B. *Teachers and employees of local bodies*	70,000
TOTAL (A+B)	161,868

3. Bihar

A. *State Government employees**	
Below Rs. 110/-	176,00
Rs. 110/- and above but below Rs. 210/-	91,000
Rs. 210/- ,, ,, ,, Rs. 400/-	30,000
Rs. 400/- ,, ,, ,, Rs. 1000/-	10,000
Rs. 1000/- ,, ,, ,, Rs. 1501/-	1,000
Rs. 1501/- and above ,,	..
TOTAL	308,000
B. *Teachers and employees of local bodies*	149,359
TOTAL (A+B)	457,359

4. Gujarat

A. *State Government emloyees**	
Below Rs. 101/-	18,000
Rs. 101/- and above but below Rs. 201/-	90,000
Rs. 201/- ,, ,, ,, Rs. 501/-	44,000
Rs. 501/- ,, ,, ,, Rs. 751/-	3,000
Rs. 751/- ,, ,, ,, Rs. 1501/-	2,000
Rs. 1501/- and above ,,	..
TOTAL	157,000
B. *Teachers and employees of local bodies*	117,592
TOTAL (A+B)	274,592

5. Haryana

State Government employees	
Below Rs. 100/-	29,618
Rs. 100/- and above but below Rs. 210/-	74,032
Rs. 210/- ,, ,, ,, Rs. 500/-	20,790
Rs. 500/- ,, ,, ,, Rs. 750/-	1,186
Rs. 750/- ,, ,, ,, Rs. 1000/-	432
Rs. 1000/- and above ,,	261
TOTAL	126,319

6. Himachal Pradesh

A. *State Government employees*	
Upto Rs. 100/-	27,125
Rs. 101/- and above but below Rs. 201/-	30,061
Rs. 201/- ,, ,, ,, Rs. 501/-	5,823
Rs. 501/- ,, ,, ,, Rs. 1001/-	581
Rs. 1001/- ,, ,, ,, Rs. 1500/-	56
Above Rs. 1500/-	29
TOTAL	63,676
B. *Teachers and employees of local bodies*	782
TOTAL (A+B)	64,458

7. Jammu and Kashmir

State Government employees	
Below Rs. 300/-	94,800
Rs. 300/- and above but below Rs. 700/-	27,800
Rs. 700/- ,, ,, ,, Rs. 1000/-	6,700
Above Rs. 1000/-	200
TOTAL	129,500

APPENDIX X

TABLE NO. 7 (*contd.*)

(Numbers)

8. Kerala	
A. *State Government employees**	
Below Rs. 101/-	191,929
Rs. 101/- and above but below Rs. 201/-	30,454
Rs. 201/- " " " Rs. 501/-	6,917
Rs. 501/- " " " Rs. 751/-	978
Rs. 751/- and above	111
TOTAL	230,389
B. *Teachers and employees of local bodies*	124,715
TOTAL (A+B)	355,104
9. Madhya Pradesh	
A. *Sate Government employees*	
Below Rs. 110/-	198,400
Rs. 110/- and aobve but below Rs, 210/-	210,765
Rs. 210--- " " " Rs. 500/-	42,800
Rs. 500/- " " " Rs. 1000/-	13,700
Rs. 1000/- , " " " upto Rs. 1250/-	300
TOTAL	465,965
B. *Teachers and employees of local bodies*	82,000
TOTAL (A+B)	547,965
10. Maharashtra	
A. *State Government employees*	
Below Rs. 100/-	82,600
Rs. 100/- and above but below Rs. 200/-	210,200
Rs. 200/- and above but below Rs. 500/-	46,600
Rs. 500/- and above but below Rs. 1,000/-	3,200
Rs. 1000/- and above but below Rs. 1,500/-	700
Above Rs. 1500/-	300
TOTAL	343,600
B. *Teachers and employees of local bodies*	340,885
Total (A+B)	**684,485**

(*Numbers*)

11. Manipur	
A. *State Government employees* Below Rs. 100/-	7,000
Rs. 100/- and above but below Rs. 200/-	12,135
Rs. 200/- and above but below Rs. 500/-	3,920
Rs. 500/- and above but below Rs. 750/-	318
Rs. 750/- and above but below Rs. 1,000/-	112
Above Rs. 1,000/-	43
Total	**23,528**
B. *Teachers and employees of local bodies*	3,600
Total (A+B)	**27,128**
12. Meghalaya	
State Government employees	
Between Rs. 80/- and Rs. 199/-	10,000
Between Rs. 200/- and Rs. 499/-	4,000
Above Rs. 500/-	500
Total	**14,500**
1 Mysore	
A. State Government employees	
Below Rs. 85/-	67,200
Rs. 85 and above but below Rs. 210/-	157.000
Rs, 210/- and above but below Rs. 500/-	44,800
Rs. 500/-and above but below Rs. 1250/-	9,000
Total	**278,00**
B. Teachers and employees of local bodies	72,000
Total (A+B)	**350,000**
14. Nagaland	
State Government employees	
Below Rs. 150/-	17,000
Rs. 150/- and above but below Rs. 300/-	11,000
Rs. 300/- and above but below Rs. 500/-	2,500
Rs. 500/- and above but below Rs. 1,000/-	1,000
Above Rs. 1.000/-	106
Total	**31,606**

APPENDIX X

TABLE No. 7 *(contd.)*

(Numbers)

15. Orissa	
A. *State Government employees*	
Below Rs. 85/-	87,255
Rs. 85/- and above but below Rs. 210/-	72,431
Rs. 210/- and above but below Rs. 500/-	21,692
Rs. 500/- and above but below Rs. 1,000/-	2,868
Rs. 1,000/- and above but below Rs. 1,250/-	311
Above Rs. 1,250/-	190
Total	**184,747**
B. *Teachers and employees of local bodies*	95,965
Total (A+B)	**280,712**
16. Punjab	
A. *State Government employees*	
Below Rs. 85/-	31,003
Rs. 85/ and above but below Rs. 210/-	105,488
Rs. 210/- and above but below Rs. 500/-	33,493
Rs. 500/- and above but below Rs. 1,250/-	2,534
Above Rs. 1,250/-	295
Total	**172,813**
B. *Teachers and employees of local bodies*	3,200
Total (A+B)	**176,013**
17. Rajasthan	
State Government employees	
Below Rs. 85/-	50,000
Rs. 85/- and above but below Rs. 210/-	116,000
Rs. 210/- and above but below Rs. 500/-	40,000
Rs. 500/- and above but below Rs. 575/-	3,000
Rs. 575/- and above but below Rs. 1,250/-	3,000
Above Rs. 1,250/-	500
Total	**212,500**
18. Tamil Nadu	
A. *State Government employees*	
Below Rs. 201/-	386,000
Rs. 201/- and above but below Rs. 376/-	86,000
Rs. 376/- and above but below Rs. 751/-	21,000
Rs. 751/- and above but below Rs. 1,000/-	7,000
Total	**500,000@**
B. *Employees of local bodies excluding teachers*	58,000
Total (A+B)	**558,000**

@ Include 2.17 lakhs of teachers.

(Numbers)

19. Tripura	
State Government employees	
Below Rs. 100/-	9,170
Rs. 100/- and above but below Rs. 201/-	13,363
Rs. 201/- and above but below Rs. 501/-	3,457
Rs. 501/- and above but below Rs. 751/-	131
Rs. 751/- and above but below Rs. 1,500/-	73
Above Rs. 1,500/-	8
Total	**26,202**
20. Uttar Pradesh	
A. *State Government employees*	
Below Rs. 85/-	307,006
Rs. 85/- and above but below Rs. 210/-	234,534
Rs. 210/- and above but below Rs. 576/-	27,369
Rs. 576/- and above but below Rs. 1,250/-	3,575
Above Rs. 1250/-	452
Total	**572,936**
B. *Teachers and employees of local bodies*	479,535
Total (A+B)	**1,052,471**
21. West Bengal**	
A. *State Government employees*	
Below Rs. 101/-	131,000
Rs. 101/- and above but below Rs. 201/-	114,000
Rs. 201/- and above but below Rs. 251/-	13,000
Rs. 251/- and above but below Rs. 501/-	20,000
Rs. 501/- and above but below Rs. 701/-	3,000
Rs. 701/- and above but below Rs. 1,001/-	1,000
Above Rs. 1,001/-	1,000
Total	**283,000**
B. *Teachers and employees of local bodies*	359,000
Total (A+B)	**642,000**

Source : State Governments.

* In the case of Bihar, Gujarat and Kerala distribution by pay ranges of the total number of employees indicated by the State Governments has been effected on the basis of data compiled by Directorate General of Employment and Training as State Governments did not furnish information by pay ranges.

**In the case of West Bengal distribution by pay ranges has been adopted on the basis of the figures indicated by the State Government (as on 31-3-1969) in reply to subsidiary points.

APPENDIX XI

TABLE No. 1

Area under irrigation from Government source and requirement of funds for maintenance.

States	Net area irrigated by Government sources at the end of 1973-74 (000 acres)					Annual requirement on the basis of Rs. 10 per acre (Rs. crores)
	Canals	Tanks	Wells	Other sources	Total	
1	2	3	4	5	6	7
1. Andhra Pradesh	4,863	4,789	1,240	316	11,208	11.21
2. Assam	507	—	—	—	507	0.51
3. Bihar	3,449	467	732	NA	4,648	4.65
4. Gujarat	701	95	136	—	932	0.93
5. Haryana	3,091(b)	*	324	55	3,470	3.47
6. Himachal Pradesh	—	—	1	47	48	0.05
7. Jammu & Kashmir	367	6	10	12	395	0.39
8. Kerala	300	*	*	455	755	0.75
9. Madhya Pradesh	2,632	—	—	—	2,632	2.63
10. Maharashtra	700	562	NA	NA	1,262	1.26
11. Manipur	30	—	—	—	30	0.03
12. Meghalaya	4	—	—	1	5	Neg.
13. Mysore	1,098	956	—	242	2,296	2.30
14. Nagaland	—	—	—	—	—	—
15. Orissa	1,741	694	—	40	2,475	2.48
16. Punjab	6,010	—	120	—	6,130	6.13
17. Rajasthan	2,319	600	Neg.	Neg.	2,919	2.92
18. Tripura	NA	NA	NA	245	245	0.25
19. Tamil Nadu	2,302	2,290	2,030	88	6,710	6.71
20. Uttar Pradesh	9,000	@	2,500	—	11,500	11.50
21. West Bengal	1,365	835	NA	NA	2,200	2.20
Total	40,479	11,294	7,093	1,501	60,367	60.37

(b) This is for 1971-72 end: 1973-74 end figures are not available.

*Included under other sources.

@Included under canals.

Source: Information received from State Govts. However, Governments of Maharashtra and West Bengal did not furnish information and Government of Bihar furnished figure relating to canals only. In the case of these States, figures are based on information received from the Ministry of Food and Agriculture.

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1. Andhra Pradesh	4,863	4,789	1,240	316	11,208	11.21
2. Assam	507	—	—	—	507	0.51
3. Bihar	3,449	467	732	NA	4,648	4.65
4. Gujarat	701	95	136	—	932	0.93
5. Haryana	3,091(b)	*	324	55	3,470	3.47
6. Himachal Pradesh	—	—	1	47	48	0.05
7. Jammu & Kashmir	367	6	10	12	395	0.39
8. Kerala	300	*	*	455	755	0.75
9. Madhya Pradesh	2,632	—	—	—	2,632	2.63
10. Maharashtra	700	562	NA	NA	1,262	1.26
11. Manipur	30	—	—	—	30	0.03
12. Meghalaya	4	—	—	1	5	Neg.
13. Mysore	1,098	956	—	242	2,296	2.30
14. Nagaland	—	—	—	—	—	—
15. Orissa	1,741	694	—	40	2,475	2.48
16. Punjab	6,010	—	120	—	6,130	6.13
17. Rajasthan	2,319	600	Neg.	Neg.	2,919	2.92
18. Tripura	NA	NA	NA	245	245	0.25
19. Tamil Nadu	2,302	2,290	2,030	88	6,710	6.71
20. Uttar Pradesh	9,000	@	2,500	—	11,500	11.50
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Total	40,479	11,294	7,093	1,501	60,367	60.37

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@Included under canals.

Source: Information received from State Govts. However, Governments of Maharashtra and West Bengal did not furnish information and Government of Bihar furnished figure relating to canals only. In the case of these States, figures are based on information received from the Ministry of Food and Agriculture.

APPENDIX XI

TABLE NO. 3

Capital outlay on buildings and their cost of maintenance on the basis of C.P.W.D. norms.

(Rs. crores)

States	Capital Cost of buildings constructed				Maintenance Provision on the basis of of CPWD norms (Annual)
	upto 31-3-48	from 1-4-48 to 31-3-62	from 1-4-62 to 31-4-74	Total	
1	2	3	4	5	6
1. Andhra Pradesh	10.01	27.34	18.85	56.20	1.55
2. Assam	1.38	5.93	6.33	13.64	0.47
3. Bihar	71.13	98.77	40.01	209.91	5.59
4. Gujarat	25.00	18.00	38.00	81.00	2.45
5. Haryana	0.40	12.95	36.33	49.68	1.31
6. Himachal Pradesh	6.00	6.08	13.42	25.50	0.76
7. Jammu & Kashmir	3.78	8.04	25.84	37.66	0.77
8. Kerala	16.81	26.23	26.28	69.32	1.93
9. Madhya Pradesh	26.36	38.69	33.46	98.51	3.24
10. Maharashtra	22.64	22.25	44.54	89.43	2.98
11. Manipur	NA	NA	1.02	1.02	NA
12. Meghalaya	NA	NA	NA	NA	NA
13. Mysore	14.88	12.89	45.18	72.95	2.18
14. Nagaland	NA	10.30	31.00	41.30	1.07
15. Orissa	3.09	20.37	52.86	76.32	2.12
16. Punjab	3.69	20.58	78.34	102.61	3.28
17. Rajasthan	[illegible]88	14.82	27.30	65.00	2.26
18. Tamil Nadu	10.19	24.58	33.04	67.81	1.81
19. Tripura	NA	NA	14.16	14.16	0.41
20. Uttar Pradesh	100.85	49.61	66.13	216.59 +54.15** 270.74	8.16
21. West Bengal	15.63	25.90	31.31	72.84	1.92
Total:	354.72	443.33	663.40	1515.60	44.26

Source: State Governments.

** State Governments have added 25% on aggregate capital outlay for buildings of department details for which are not available.

CHAPTER XII

UPGRADATION OF STANDARDS OF ADMINISTRATION IN BACKWARD STATES

The formulation of principles governing grants-in-aid of the revenues of the States in need of such assistance is one of the obligatory functions cast on the Finance Commission under the Constitution. In assessing the needs of the States in pursuance of this Constitutional directive, the Finance Commissions have moved away from the cencept of budgetary needs, as emerging from the forecasts of revenue and expenditure admitted by State Governments, to a consideration of fiscal needs in a comprehensive sense. But the determination of grants has been made on the basis of the levels of administrative and social services as already attained in different States. In consequence the accent has been on maintenance and consolidation, rather than on improvement and expansion of the variegated services, that a State Government is called upon to provide in an era of rising expectations. In particular, no attempt appears to have been made so far to quantify the requirements in financial terms of the backward States from the standpoint of progressive equalisation of standards of essential administrative and social services within a definite time horizon. It seems reasonable to us that provision of funds to the States that are backward in administrative and social services, falls within the purview of the Finance Commission. Para 4(b)(v) of our terms of reference appears to confirm this view.

2. It is hardly possible for the Finance Commission within the time allowed to it, either to examine in depth the soundness and adequacy of the administrative set up in the various States or to formulate specific proposals for its improvement. Among the numerous factors which impinge on the efficiency of the administrative system, there are many that cannot be reduced to financial terms in any meaningful sense. Principles and procedures of recruitment, training and deployment of administrative and technical personnel of different categories, clear definition and enforcement of the responsibilities of functionaries at different levels and above all the general political and social milieu in which the administrative machinery has to operate, determine the efficacy of the administrative system. However, the constraint of resources is admittedly one of the important factors impeding the achievement of certain minimum standards of administrative and social services in some of the States. The removal of this constraint comes within the purview of this Commission. It would nevertheless be recognised that the provision of resources is only the first important step in the process of progressive elimination of disparities in standards of administrative and social services. If the provision of additional resources is to fructify in terms of more efficient and adequate service to the community at large, this will have to be followed up by energetic and purposeful action on a wide front at both political and administrative levels in the backward States.

3. We have carefully examined the implications of the term "General Administration" occurring in this part of our terms of reference. On a narrow interpretation, the term "General Administration" could be deemed to cover only those services, provision for which is normally made under the budget head "19-General Administration". This would mean that the problem of upgradation of standards in backward States might be considered as limited to allocation of additional funds for expenditure on such agencies as Secretariat and Attached Offices, Board of Revenue, Treasuries and general administrative establishments at district, divisional and tehsil levels. We hold that such an interpretation would be unduly restrictive and out of tune with the enlightened approach to the problem of inter-State disparities that has inspired this part of our terms of reference. In our view, the expression 'General Administration' occurring in our terms of reference should be taken in its broad sense as comprehending all the instrumentalities of Governments concerned with general administration, maintenance of law and order, administration of justice and other vital functions of Governments pertaining to the health and welfare of the citizens.

4. We have taken the view that the Finance Commission is concerned primarily with expenditure on revenue account. But this can be considered by some as restrictive. Article 112(2) of the Constitution relating to Central Budget and Article 202(2) of the Constitution relating to the State Budget do specifically require that expenditure on revenue account should be distinguished from other expenditure. Article 275 of the Constitution also refers only to 'revenues' of the States. It, therefore, seems to us that while we can deal with all the requirements of the States for upgradation of standards of administration including social services, we should concern ourselves only with expenditure on revenue account and not on capital and loan accounts. For purposes of raising of administrative standards, we have therefore left out of account expenditure in States on schemes such as roads and drinking water supply, which is generally booked under capital account.

5. We examined carefully the criteria with reference to which the backwardness of States in standards of administration could be assessed with a measure of accuracy and the assistance provided to them for reduction of the disparities. In an attempt to assess the extent of leeway to be made up by the backward States in physical terms, we addressed a questionnaire to all the State Governments as in Appendix III.

Many of the subsidiary points on which we obtained information also gave some indication of the levels of physical achievements in several spheres of administration and social services. On an analysis of the information obtained, we found that except in certain sectors such as elementary education or medical and public health, where the enrolment ratios or the hospital bed-population ratios might give some indication of the relative progress made by different States, the information available about many heads of administrative and social services did not provide a workable basis for taking a view on physical requirements of backward States. To illustrate, we thought that the span of control in terms of area and population of different functionaries at district, subdivisional and taluk levels could provide a reasonably satisfactory yardstick for assessment of the standards of general administration in different States. But analysis of the information obtained from the States showed that it would be misleading to apply this yardstick. Thus, for example, the average size of a district in terms of population was found to be high both in Bihar, which is admittedly one of our backward States, and Tamil Nadu which is recognised to be an advanced State. This should suffice to show that the size of a district by itself cannot be taken to be an indicator of the adequacy or otherwise of the administrative machinery of different States. Similarly in the case of Police, available information on the strength of police force and the facilities available to police personnel was not such as to permit any definite conclusions about the adequacy or efficiency of the police force in different States. Even in sectors such as education or medical and public health where the enrolment ratios or the ratio between population and hospital beds gives some indication of the requirements of the States on a comparable basis, we found it difficult to translate the requirements in financial terms in view of wide differences in scales of pay and variations in patterns of assistance to institutions run by local bodies and other aided agencies. On consideration of these and other relevant factors, we were led to the view that per capita expenditure on administrative and social services in different States, with all its imperfections, would be a convenient yardstick for estimation of the requirements of the backward States in broad terms. Having therefore first projected the requirements of all the States—advanced and backward—on the basis of existing standards of administrative and social services with reference to the rates of growth indicated elsewhere in the report, we worked out the per capita expenditure on certain essential services at the levels likely to be reached in 1978-79 and struck an all-States average of such expenditure. The next step was to identify the States whose expenditure was below the all-States average under different heads and work out the provisions needed to bring them up to the all-States average by 1978-79.

6. In order that this concept of upgradation in terms of per capita expenditure may yield satisfactory results, it was found necessary to exclude certain typical States like Jammu & Kashmir, Himachal Pradesh, Manipur, Meghalaya, Nagaland and Tripura. If the figures of expenditure of these States are taken into account for purposes of working out the all-States average, the results would be vitiated. In working out the average of all States for purposes of provision of additional funds to backward States, we have, therefore, left out these States. The requirements of these exceptional States for raising the standards of administration have, however, been worked out separately on their merits with due regard to their special circumstances.

7. The primary object of upgrading administrative standards in backward States is to enable the State Governments concerned to respond to the needs of the people more effectively. This consideration is not relevant in regard to tax collection charges. Provision for tax collection charges will have to be made in relation to receipts from the various sources of revenue or on the basis of certain reasonable rates of growth on existing levels of expenditure.

8. The question of mitigating disparities in standards of administration as between advanced and backward States is not relevant in respect of items such as Interest Payments(16)*, Appropriation for Reduction or Avoidance of Debt(17), State Legislatures(18), Famine Relief(64), and Pensions and Retirement Benefits(65). Provisions under these heads will have to be worked out with reference to the actual requirements of the States. As regards developmental heads, it may not be relevant to consider Industries(35), Multi-purpose Projects(42), Expenditure on Irrigation Schemes (43 and 44), Road Transport(57), Electricity(45) and Forests(70) from the point of view of elevation of standards, because the expenditure under these revenue heads relates mostly to the maintenance of irrigation schemes, road transport undertakings, and departmental units already in existence. If a State lags behind in these sectors, the deficiency can be made good only through appropriate programmes undertaken as part of the Plan and not through allocation of funds on revenue account under our scheme of devolution. Moreover, it should be remembered that such outlays will be mostly on capital account. We have, however, dealt separately with provision for adequate maintenance of existing assets such as irrigation works and roads and have provided funds on the basis of certain norms. Adequate resources have been provided under our scheme for maintenance of buildings, irrigation and flood protection works, roads, supply of medicines and diet in hospitals and dispensaries for all the States. The backward States which, for paucity of resources or other reasons, have so far been unable to provide adequate funds for maintenance of capital works, would be the principal beneficiaries of the new procedure followed by us for determination of funds for maintenance. The expenditure on Forests(70) has also to be excluded depending as it does on the extent under forests and also perhaps on the revenue derived therefrom. Likewise, we have felt that expenditure on Agriculture,

*Figures in breakets relate to heads of account as in the Account for 1973-74

Animal Husbandry, Rural Development and Co-operation (31, 32, 33 and 34) should be kept out of the present exercise aimed at upgradation of standards in backward States because the expenditure under these heads depends upon factors varying from State to State. Thus, for example, in some of the States, there may not be any scope for development of fisheries. Likewise, in a State where Cooperation has made very little headway, there will be no point in providing additional funds to match the levels of expenditure on staff attained by another State where co-operative movement has registered considerable progress. The expenditure on Agriculture in *per capita* terms may vary with reference to the potential for agricultural production in different States. The provision of funds for improvement of the capacity of the backward States to exploit their full potential in these sectors can be made only within the frame-work of a Plan. As regards expenditure under "37-Community Development Projects, National Extension Service", the staffing pattern is already uniform. The level of expenditure on "Labour and Employment" (38) is negligible and has no relation to the incidence of unemployment. This head records expenditure on employment exchanges, maintenance of craftsmen training centres, etc. The allocation of additional funds under this head would, therefore, seem to have no significance from the standpoint of upgradation of administrative standards. As regards the head "26-Miscellaneous", Fire Services would seem to be the only service in respect of which it may be necessary to provide additional funds to the States that lag behind. Here again, the strength and standards of fire services needed would vary from State to State depending upon the extent of urbanisation and industrialisation. We have, however, in the course of scrutiny of forecasts of the States, identified the States where expenditure on Fire Services is significantly lower and provided a little extra help to the weaker States to come up to the standards of the rest. The expenditure under "39-Miscellaneous Social and Developmental Organisations" relates to variegated developmental services which are not uniform in different States. The principal services expenditure on which is booked under this head are (i) Statistics, (ii) Social Welfare, (iii) Town and Country Planning, (iv) Tourist Organisation, (v) Welfare of Scheduled Castes/Tribes and Backward Classes and (vi) preservation and translation of ancient manuscrpits. It does not seem feasible to make a Statewise comparison of the aggregate expenditure on these services. However, attention needs to be focussed only on welfare of Scheduled Castes/Tribes and Backward Classes. Our developmental programmes are being increasingly reoriented towards promotion of social justice. In this context, the provision of additional funds for Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes acquires special importance. Expenditure on other services under this head is either negligible or does not lend itself to equalisation. There is no uniformity of classification of expenditure falling under Miscellaneous(71) and Miscellaneous Compensations and Assignments(76). The expenditure under Miscellaneous(71) covers a variety of purposes. The varying levels of expenditure under this head also reflects in a measure certain policies relatable to special difficulties confronted with by the States. Thus, for example, expenditure on food subsidy in Jammu & Kashmir figures under this head. In some other States, payment of subsidies to electricity boards for rural electrification and other purposes is booked under this head. It will, therefore, be wholly inappropriate to seek uniformity in terms of expenditure among States under this head. We have, therefore, analysed the provisions indicated by the States under the head '71' on their own merits. The head "Miscellaneous Compensations and Assignments" accommodates, among other things, grants and assignments of revenue to local bodies. Some of these grants are on a matching basis and, therefore, depend upon the resources raised by the local bodies themselves. Some taxes are levied and collected by the State Government on behalf of the local bodies and the consequential transfer of the proceeds of such taxes figures under this head. There is a wide range of variations in the organisational set up of the local bodies and the extent of delegation of powers to them. It will, therefore, be a futile and misleading exercise to seek to ensure uniformity between States in terms of provisions under this head. It may also be relevant to add here that the bulk of the grants to local bodies is under education, medical and public health and maintenance of roads. The wide disparities in grants-in-aid to local bodies for these purposes will be rectified in large measure under our other proposals.

9. The upshot of the foregoing discussion is that from the point of view of improvement of standards of administration in backward States, attention needs to be focussed only on the following heads of expenditure, both developmental and non-developmental:

(i) "9-Land Revenue"
(ii) "19-General Administration"
(iii) "21-Administration of Justice"
(iv) "22-Jails"
(v) "23-Police"
(vi) "28-Education"
(vii) "29-Medical"
(viii) "30-Public Health"
(ix) "39-Miscellaneous Social and Developmental Organisations ; Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes."

10. General Administration is undoubtedly a sector in respect of which it is essential to analyse the levels of expenditure in different States with a view to ensuring a more liberal treatment to the backward States and enabling them to catch up with the rest. For this purpose, we thought it desirable to take a composite view of expenditure on revenue establishments under "9-Land Revenue" and "19-General Administration" as the two heads taken together provide a better indication of adequacy or otherwise of the general administrative set up of the States. Expenditure on stationery and printing serves the needs of all departments. It will be appropriate to club the expenditure under this comparatively minor head also with that of general administration for assessment of the additional requirements of backward States. In terms of per capita expenditure, eight States will be below the all-States average. These are Assam, Bihar, Gujarat, Kerala, Madhya Pradesh, Mysore, Uttar Pradesh and West Bengal. The standards of general

administration in Gujarat are generally considered to be among the best in the country. Its level of expenditure is low perhaps because Gujarat has devolved responsibilities on local bodies at district, block and village levels to a significant extent. There may not, therefore, be any need to mark up the expenditure on general administration in the case of Gujarat; nor will such mark up have any significance as Gujarat does not qualify for a grant under Article 275 in view of its substantial revenue surplus.

11. An efficient police administration is an essential pre-requisite for effective maintenance of law and order and the creation of necessary conditions in which economic development can take place without serious set-backs. It is this consideration that led the Commission to devote considerable time to analysis of the requirements of the States for strengthening and modernisation of police force in the course of the discussions with the States. However, apart from Jammu & Kashmir, whose requirements have to be dealt with separately, only the following States have indicated specific provisions for reorganisation and modernisation of police force: (i) Andhra Pradesh—Rs. 24.7 crores; (ii) Madhya Pradesh—Rs. 69.2 crores (including Rs. 20.50 crores for police housing which should be accommodated on capital account); (iii) Orissa—Rs. 2 crores; and (iv) Uttar Pradesh—Rs. 30.2 crores. It will obviously not be fair or proper to provide funds for modernisation of police force only in certain States leaving out the rest. Also the request for modernisation has to be assessed carefully with reference to the special problems facing each State, the general law and order position, proximity to border areas, extent of urbanisation and industrialisation. The availability of equipment on the scale entailed by the various proposals for modernisation formulated by States would also have to be carefully checked. We have, therefore, felt that modernisation should be left to be tackled as at present through a special programme administered by the Ministry of Home Affairs but with substantially larger financial allocation. The scheme is now being financed on the basis of 25 per cent grant and 75 per cent loan. We suggest that the present pattern should be liberalised and the grant component raised to 50 per cent.

12. Judged in terms of per capita expenditure, expenditure on Police in nine States, namely, Andhra Pradesh, Bihar, Haryana, Kerala, Madhya Pradesh, Mysore, Orissa, Tamil Nadu and Uttar Pradesh, is lower than the all-States average. Of these nine States, no special assistance to Tamil Nadu and Haryana may be necessary because the gaps to be covered in their case are small and the strength and effectiveness of the police force should be deemed adequate with reference to coverage of police stations and facilities available to them.

13. The expenditure under administration of justice is not significant in any State. The all-States average of per capita expenditure in 1978-79 reassessed by us would be Rs. 1.01. With reference to this average, eight States, namely, Andhra Pradesh, Assam, Bihar, Haryana, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh, would need special assistance. In the case of Haryana, which does not qualify for a grant under Article 275, the mark up will be of only notional significance. The expenditure on jails is not very substantial in any State. Further, comparison among States is vitiated by the fact that in most States jails undertake commercial activities which have the effect of inflating both the receipts and expenditure. Any comparison of the per capita expenditure should, therefore, be made only with reference to the net expenditure after setting off the receipts. On this basis, all-States average for 1978-79 would be 65 Paise. With reference to this, nine States including Maharashtra and Gujarat, whose general level of expenditure is otherwise satisfactory, were below the all-States average, whereas in the case of Bihar, which is recognised as one of the most backward States, the per capita expenditure exceeded the all-States average.

14. Education is by far the most important social service in respect of which the need for bridging the differentials in standards among different States appears to be imperative. It would, however, not be appropriate to assess the requirements of the States with reference to the aggregate levels of expenditure on Education. The general complaint against the States has been that they have tended to spend relatively more on university education to the detriment of primary education. This charge would seem to be partially correct, when we compare State-wise figures of per capita expenditure on education as a whole and State-wise per capita figures on primary education. States like Punjab, Haryana, Rajasthan and West Bengal are above the all-States average in terms of aggregate expenditure on education while they are below the average in terms of expenditure on primary education. The concept of equalisation can be validly applied only to primary education. In this sector, all States except Assam, Kerala, Gujarat, Tamil Nadu, Mysore and Maharashtra are below the average and additional funds need to be provided to raise the level of expenditure on primary education in the remaining States to all-States average. In the case of Punjab and Haryana, which do not qualify for grant under Article 275, the mark up of the provision under primary education would only mean that they would have to earmark a portion of the revenue surplus accruing to them for the purpose.

15. In regard to Medical and Public Health, we have indicated elsewhere the norms evolved by us for supply of medicine and hospital necessaries. The provision of funds to States on the basis of such norms would result in a significant upgradation of the quality of medical and public health services in the backward States. But, apart from medicines, the strength of medical and para medical staff has also an important bearing on the level of medical and public health care attained in a particular State. From this point of view, we have, therefore, looked at expenditure on medical and public health as a whole and have identified Andhra Pradesh, Assam, Bihar, Haryana, Madhya Pradesh, Mysore, Orissa and Uttar Pradesh as the States which are lower than the national average.

16. Our terms of reference envisage that the process of improvement of standards of administration in backward States should be so phased that they can reach the level obtaining in the more advanced States over a period of ten years. We have, therefore, applied our minds to the question whether the additional financial allocations, as estimated by us, for bringing the backward States upto all-States average should be spread over a period of ten years or only the five years falling within the period of our award. It is possible to argue that the process of equalisation can be deemed to be fully accomplished only when the backward States are brought up, in terms of per capita expenditure, to the average of the advanced States. We have, however, worked out the additional requirements of the States for the services indicated earlier only with reference to all-States average of expenditure on such services. In other words, our immediate objective is a more limited one of providing additional funds to certain States to come up to a minimum which we have taken as the average of all States. We consider that this limited objective can, and should be achieved within five years, i.e. by 1978-79. Having, therefore, projected the provisions needed by all the States for the services indicated on the basis of different rates of growth indicated elsewhere, we have worked out the additional provisions needed by the backward States to come up to all-States average of expenditure as assessed for 1978-79. These requirements have been spread evenly over the five-year period of our award.

17. The additional amounts as assessed by us for improvement of standards of essential administrative and social services are set out below:

Financial provision over the Fifth Plan period for upgradation of Standards of Administration

(Rs. crores)

States	General Administration	Administration of Justice	Jails	Police	Primary Education	Medical and Public Health*	Welfare of Scheduled Castes/ Tribes & Backward Classes	Total all Services
1	2	3	4	5	6	7	8	9
1. Uttar Pradesh	36.03	5.04	2.65	54.30	123.72	55.62	12.80	290.1
2. Bihar	36.21	5.58	..	39.60	35.19	35.19	15.02	166.7
3. West Bengal	3.84	..	..	..	49.56	..	18.83	72.23
4. Orissa	..	2.04	0.79	11.88	27.60	7.35	7.40	57.06
5. Andhra Pradesh	..	0.27	2.61	20.37	15.54	13.83	..	52.62
6. Madhya Pradesh	12.27	1.62	1.88	3.99	7.38	18.51	4.69	50.34
7. Rajasthan	..	1.77	1.31	..	11.31	..	13.04	27.43
8. Mysore	7.02	..	1.76	16.53	..	1.14	..	26.45
9. Haryana	..	0.42	..	(1.11)	14.79	2.07	4.17	21.45
10. Assam	4.86	1.65	..	..	..	3.24	8.27	18.02
11. Punjab	..	..	..	..	7.02	..	6.92	13.94
12. Gujarat	(10.02)	..	2.56	..	..	..	6.63	9.19
13. Kerala	1.92	..	0.77	3.84	..	..	..	6.53
14. Maharashtra	..	..	0.30	..	..	..	3.33	3.63
15. Tamil Nadu	..	..	..	(6.54)	..	..	..	..
TOTAL	102.15	18.39	14.63	150.51	292.11	136.95	101.10	815.84

*It relates to expenditure on items other than medicines and diet.

N.B.—Figures in brackets not included in total for the reasons indicated in paras 10 and 12 of this Chapter.

These amounts together with those provided for separately in regard to a typical States have been taken into account by us in the determination of grants-in-aid of the States under Article 275 of the Constitution.

18. The provision of additional funds may not by itself ensure that they would be utilised for the purposes which we have in view. There have been instances when the States, faced with constraint of resources, have diverted the provisions in the Plan for essential social services to other programmes. Having regard to the magnitude of the special help now being provided to them for improvement of certain essential services, it would be in the national interest to prescribe some arrangements for ensuring greater accountability on the part of the States for the funds provided to them. We outline briefly our suggestion in this regard in the Chapter on grants-in-aid.

CHAPTER XIII
FISCAL MANAGEMENT

Our terms of reference stipulate that in framing our proposals for grants-in-aid of the revenues of the States, we should have regard among other things to fiscal management and economy combined with efficiency in expenditure at the State level. Fiscal management is a multi dimensional concept. In the application of this concept to concrete situations, both qualitative and quantitative aspects deserve attention. Briefly stated, in assessing sound fiscal management one should have regard both to the manner in which the State has endeavoured to raise the resources needed for meeting its commitments and also the manner in which it has deployed the resources so raised so as to get the best possible results for the expenditure incurred. A review of fiscal management in this broad sense will call for a comprehensive and critical survey of the fiscal policies and administration of State Governments over a period of time. This is a task which is too difficult to undertake within the limited time at our disposal. A review of fiscal policies and administration is already being attempted in some measure on a continual basis by Audit and Public Accounts Committees under our Constitution. Since the advent of planning, the Planning Commission too has an opportunity of surveying from time to time the trends in revenues and expenditure of State Governments and more particularly their efforts at mobilisation of additional resources. Programme Evaluation Organisations at the Centre and their counter-parts in various forms at the States are also expected to play a part in focusing attention on areas of inefficiency in execution and shortfalls in achievement of results in relation to the resources deployed. While within the time at our disposal, it has not been possible to consider in depth issues relating to fiscal policies, expenditure control and quality of fiscal administration in general, during our visits to the States we invariably held discussions among others with Accountants General that enabled us to form a general judgement on the manner in which the State finances were being managed. We also obtained from Accountants General short summaries of the reports of the Public Accounts Committees for the last few years highlighting major financial irregularities and instances of infructuous expenditure. We would only like to observe that these discussions and the materials furnished to us have left us with the feeling that in many States the treasury and accounts organisations need to be considerably strengthened. In particular, arrangements have to be made without further delay for the more prompt and effective compilation and processing of data on receipts and expenditure. The considerable delays which we ourselves experienced in getting response to our requests for information on important points having a bearing on terms of reference such as for example number of employees, their distribution by pay ranges, norms for maintenance of capital assets and arrears of loans and revenue outstanding clearly point to the need for improvement of fiscal administration in many of the States. It is regrettable that we could not get even the preliminary actuals of revenues and expenditure for 1972-73 from some of the States primarily because the treasuries in the States had in turn failed to submit the monthly statements of accounts according to schedule. Some of the backward States will get additional resources in terms of our award for improvements of their standards of general administration. We would urge that some part of these additional resources should be devoted to the strengthening of financial and accounting organisations in the States without which neither sound planning nor fiscal discipline can be ensured.

2. We also noticed that in many of the States somewhat relaxed attitudes in regard to recovery of loans and tax arrears have been allowed to develop over a period of time. If these attitudes are allowed to persist, fiscal discipline will suffer an irretrievable set back. In reassessing the forecasts of receipts furnished by the State Governments, we have assumed recovery of arrears of revenues and loans to a reasonable extent.

3. A special aspect of fiscal management that arises for consideration is whether the State Governments have exerted themselves to a reasonable extent in raising resources from the sources allocated to them under the Constitution. The Fifth Finance Commission sought to measure the tax performance of the States on the basis of the ratio of per capita revenue to per capita income of the States and the same methodology was also followed by the Planning Commission in determining the tax efforts of the States for distribution of a portion of Central Assistance for State Plans. We devoted some thought to the question of further refinement of the methodology followed by the Fifth Finance Commission and evolving certain criteria for determining the relative tax performance of the States. But we have given up the effort on the practical consideration that the application of a formula based on relative tax effort, however designed, would place at a disadvantage some of the States faced with big gaps on non-Plan revenue accounts. To leave such gaps uncovered on the ground of their poor tax performance, however defensible on theoretical considerations, would jeopardise maintenance of essential administrative and social services for want of adequate resources. States, both advanced and backward, which have done better than the average at resource mobilisation might feel aggrieved that their efforts have not received recognition. But, if in the determination of the principles of Central assistance for

APPENDIX XII

TABLE No: 1

Upgradation of Standards of Administration—Level of Expenditure on General Administration

(Rs. crores)

States	1971-72 (Actuals)	Forecast Period 1974-75	1975-76	1976-77	1977-78	1978-79	Total (1974-79)
1. Andhra Pradesh	19.07	25.47	26.70	27.99	29.34	30.77	140.27
2. Assam	5.25	6.29	6.56	6.88	7.21	7.56	34.50
3. Bihar	15.06	20.96@	21.90@	21.27	22.30	23.40	109.83
4. Gujarat	8.66	11.16	11.68	12.26	12.85	13.47	61.42
5. Haryana	4.09	6.05	6.36	6.68	7.03	7.39	33.51
6. Kerala	7.97	10.49	11.02	11.57	12.14	12.75	57.97
7. Madhya Pradesh	13.67	18.28	19.18	20.11	21.11	22.15	100.83
8. Maharashtra	31.78	41.34	42.97	44.68	46.49	48.37	223.85
9. Mysore	9.95	13.25	13.88	14.56	15.31	16.07	73.07
10. Orissa	10.36	13.51	14.18	14.90	15.66	16.50	74.75
11. Punjab	7.29	8.86	9.32	9.78	10.29	10.82	49.07
12. Rajasthan	10.49	13.63	14.33	15.05	15.85	16.70	75.56
13. Tamil Nadu	24.36	30.64	32.11	33.67	35.31	37.03	168.76
14. Uttar Pradesh	25.85	35.96	37.71	39.58	41.53	43.56	198.34
15. West Bengal	16.82	21.77	22.89	24.05	25.28	26.58	120.57
Total—All States*	**210.67**	**277.66**	**290.79**	**303.03**	**317.70**	**333.12**	**1522.30**
Per Capita—all States* (Average Rs.)						**6.29**	

@Includes non-recurring expenditure in connection with the reorganisation of districts.

* Excluding atypical States.

N.B. Level of expenditure in this Table is prior to upgradations.

APPENDIX XII

TABLE No: 2

Upgradation of Standards of Administration—Level of Expenditure of Justice and Jails

(Rs. crores)

States	1971-72 (Actuals)	Forecast Period 1974-75	1975-76	1976-77	1977-78	1978-79	Total (1974-79)
1. Andhra Pradesh	4.13	5.18	5.43	5.69	5.98	6.26	28.54
2. Assam	1.37	1.66	1.74	1.84	1.93	2.03	9.20
3. Bihar	5.77	7.23	7.58	7.94	8.33	8.74	39.82
4. Gujarat	2.53	3.34	3.48	3.65	3.82	4.00	18.29
5. Haryana	1.25	1.52	1.59	1.68	1.77	1.85	8.41
6. Kerala	2.93	3.63	3.80	3.99	4.18	4.38	19.98
7. Madhya Pradesh	3.62	4.81	5.01	5.24	5.47	5.74	26.27
8. Maharashtra	6.98	8.79	9.22	9.64	10.10	10.59	48.34
9. Mysore	3.02	3.91	4.09	4.29	4.49	4.69	21.47
10. Orissa	1.77	2.24	2.34	2.45	2.57	2.70	12.30
11. Punjab	2.32	3.12	3.25	3.41	3.57	3.72	17.07
12. Rajasthan	2.14	2.68	2.81	2.94	3.08	3.23	14.74
13. Tamil Nadu	5.91	7.36	7.69	8.07	8.46	8.83	40.41
14. Uttar Pradesh	7.67	9.98	10.47	10.98	11.51	12.07	55.01
15. West Bengal	6.16	7.61	7.98	8.36	8.76	9.19	41.90
Total—All States*	**57.57**	**73.06**	**76.48**	**80.17**	**84.02**	**88.02**	**401.75**
Per Capita—All States* (Average Rs.)						**1.66**	

*Excluding atypical States.

N.B. Level of expenditure in this Table is prior to urgradation.

APPENDIX XII

TABLE NO: 3

Upgradation of Standards of Administration—Level of Expenditure on Police

(Rs. crores)

States	1971-72 (Actuals)	Forecast Period 1974-75	1975-76	1976-77	1977-78	1978-79	Total (1974-79)
1	2	3	4	5	6	7	8
1. Andhra Pradesh	16.68	21.19	22.39	23.65	24.99	26.41	118.63
2. Assam	10.72	15.19	16.06	16.99	17.97	19.02	85.23
3. Bihar	19.06	24.81	26.21	26.69	28.21	29.81	135.73
4. Gujarat	15.50	20.93	22.09	23.31	24.61	25.98	116.92
5. Haryana	4.45	5.82	6.15	6.50	6.87	7.26	32.60
6. Kerala	7.89	11.98	12.66	13.39	14.15	14.97	67.15
7. Madhya Pradesh	18.06	24.57	25.92	27.35	28.87	30.47	137.18
8. Maharashtra	36.02	46.13	48.76	51.53	54.46	57.57	258.45
9. Mysore	10.07	13.58	14.33	15.12	15.96	16.86	75.85
10. Orissa	8.04	10.29	10.86	11.46	12.09	12.75	57.45
11. Punjab	9.86	12.30	13.02	13.78	14.58	15.44	69.12
12. Rajasthan	12.78	16.68	17.62	18.62	19.68	20.80	93.40
13. Tamil Nadu	18.41	23.39	24.74	26.14	27.64	29.25	131.16
14. Uttar Pradesh	27.47	39.48	42.08	44.14	47.30	49.30	222.30
15. West Bengal	29.32	38.39	40.56	42.85	45.27	47.84	214.91
Total—All States*	**244.33**	**324.73**	**343.45**	**361.52**	**382.65**	**403.73**	**1816.08**
Per Capita—All States* (Average Rs.)						**7.63**	

* Excluding atypical States

N.B. Level of expenditure in this Table is prior to upgradation.

APPENDIX XII

TABLE NO: 4

Upgradation of Standards of Administration—Level of Expenditure on Primary Education

(Rs. crores)

States	1971-72 (Actuals)	Forecast period 1974-75	1975-76	1976-77	1977-78	1978-79	Total (1974-79)
1	2	3	4	5	6	7	8
1. Andhra Pradesh	27.65	40.48	42.68	45.03	47.50	50.11	225.80
2. Assam	9.76	16.05	16.95	17.89	18.88	19.93	89.70
3. Bihar	31.48	48.01	50.76	53.67	56.74	59.97	269.15
4. Gujarat	24.26	38.10	40.22	42.46	44.82	47.33	212.93
5. Haryana	3.97	6.27	6.61	6.98	7.36	7.78	35.00
6. Kerala	35.29	50.24	53.10	56.08	59.22	62.55	281.19
7. Madhya Pradesh	23.51	41.20	43.34	45.61	48.01	50.54	228.70
8. Maharashtra	43.22	66.47	70.20	74.14	78.32	82.72	371.85
9. Mysore	25.32	36.10	38.11	40.25	42.51	44.90	201.87
10. Orissa	9.02	15.12	15.93	16.78	17.68	18.64	84.15
11. Punjab	7.38	11.90	12.58	13.27	14.03	14.82	66.60
12. Rajasthan	15.03	23.35	24.65	26.02	27.48	29.02	130.52
13. Tamil Nadu	39.20	58.64	61.98	65.50	69.24	73.20	328.56
14. Uttar Pradesh	35.09	57.87	60.89	64.07	67.44	71.00	321.27
15. West Bengal	21.46	31.92	33.71	35.63	37.63	39.77	178.66
Total—All States*	**351.64**	**541.72**	**571.71**	**603.38**	**636.86**	**672.28**	**3025.95**
Per Capita—All States* (Average Rs.)						**12.71**	

*Other than atypical States.

N.B. Level of expenditure in this Table is prior to upgradation.

APPENDIX XII

TABLE No. 5

Upgradation of Standards of Administration—Level of Expenditure on Medical and Public Health (Other than on medicines and diet)

(Rs. crores)

States	1971-72 (Actuals)	Forecast Period 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-79
1. Andhra Pradesh	13.10	19.84	20.95	22.13	23.35	24.67	110.94
2. Assam	5.10	7.05	7.45	7.85	8.29	8.75	39.39
3. Bihar	15.34	21.05	22.23	23.50	24.81	26.22	117.81
4. Gujarat	10.41	17.81	18.80	19.82	20.91	22.07	99.41
5. Haryana	3.05	4.85	5.12	5.41	5.72	6.04	27.14
6. Kerala	10.67	15.10	15.95	16.85	17.80	18.81	84.51
7. Madhya Pradesh	10.14	17.79	18.73	19.73	20.77	21.99	98.92
8. Maharashtra	24.51	33.83	35.76	37.81	39.95	42.22	189.57
9. Mysore	9.88	15.62	16.48	17.38	18.34	19.35	87.17
10. Orissa	6.49	9.87	10.44	11.03	11.63	12.29	55.26
11. Punjab	6.15	9.97	10.54	11.14	11.77	12.46	55.88
12. Rajasthan	15.00	23.50	24.83	26.25	27.74	29.31	131.63
13. Tamil Nadu	17.79	27.11	28.62	30.23	31.94	33.71	151.61
14. Uttar Pradesh	15.73	33.24	35.00	36.85	38.84	40.92	184.85
15. West Bengal	20.45	29.99	31.66	33.44	35.30	37.28	167.67
Total—All States*	**183.81**	**286.62**	**302.56**	**319.42**	**337.16**	**356.00**	**1601.76**
Per Capita—All States* (Average Rs.)						**6.73**	

*Other than atypical States.

N.B. Level of expenditure in this Table is prior to upgradation.

APPENDIX XII

TABLE No. 6

Upgradation of Standards of Administration—Level of Expenditure on the Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes

(Rs. crores)

States	1971-72 (Actuals)	Forecast Period 1974-75	1975-76	1976-77	1977-78	1978-79	Total 1974-79
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Andhra Pradesh	11.91	13.80	14.49	15.21	15.98	16.77	76.25
2. Assam	0.09	0.11	0.11	0.12	0.12	0.12	0.58
3. Bihar	4.36	5.05	5.31	5.58	5.85	6.13	27.92
4. Gujarat	3.52	4.07	4.28	4.49	4.72	4.96	22.52
5. Haryana	—	—	—	—	—	—	—
6. Kerala	4.03	4.66	4.89	5.13	5.39	5.66	25.73
7. Madhya Pradesh	11.46	13.26	13.95	14.64	15.36	16.11	73.32
8. Maharashtra	4.53	5.25	5.51	5.78	6.07	6.37	28.98
9. Mysore	3.39	3.92	4.12	4.32	4.54	4.76	21.66
10. Orissa	3.58	4.14	4.34	4.57	4.79	5.03	22.87
11. Punjab	—	—	—	—	—	—	—
12. Rajasthan	1.30	1.50	1.57	1.65	1.73	1.82	8.27
13. Tamil Nadu	11.29	13.08	13.73	13.41	15.13	15.89	72.24
14. Uttar Pradesh	6.76	7.83	8.22	8.65	9.06	9.49	43.25
15. West Bengal	1.83	2.12	2.23	2.34	2.47	2.57	11.73
Total—All States*	**68.05**	**78.79**	**82.75**	**86.89**	**91.21**	**95.68**	**435.32**
Per Capita—All States* (Average Rs.)							
(a) Scheduled Castes						5.77	
(b) Scheduled Tribes						10.01	
(c) Other Backward Classes						0.37	

* Excluding atypical States.

Notes:—1. Per capita figures of expenditure in respect of Scheduled Castes and Scheduled Tribes have been worked out with reference to the respective population of these in different States. As regards 'Other Backward Classes', figures of per capita expenditure are based on the total population excluding the population of Scheduled Castes and Scheduled Tribes.

2. Level of expenditure in this Table is prior to upgradation.

APPENDIX XII

TABLE No. 7

Major Heads of Account

I. Non-Developmental Heads :—

A—Collection of Taxes, Duties & other Principal Revenues:

4. Taxes on Income other than Corporation tax.
9. Land Revenue.
10. State Excise Duties.
11. Taxes on Vehicles
12. Sales Tax.
13. Other Taxes & Duties.
14. Stamps.
15. Registration Fees.

B—Debt Services:

16. Interest on Debt and other obligations.
17. Appropriation for reduction or avoidance of Debt.

C— Administrative Ser ices

18. Parliament and State/Union Territory Legislatures.
19. General Administration.
21. Administration of Justice.
22. Jails.
23. Police.
23-I. Jammu & Kashmir Militia.
25. Supplies & Disposals.
26. Miscellaneous Departments.

I—Miscellaneous :

64. Famine Relief
65. Pensions and other Retirement Benefits.
66. Territorial and Political Pensions.
67. Privy Purses and Allowances of Indian Rulers.
68. Stationery and Printing.
71. Miscellaneous.

II—Misc. Capital Account within the Revenue Account :

72. Commutation of Pensions.

J—Contributions and Misc. Adjustments:

76. Other Miscellaneous compensation and assignments.

K—Extraordinary items:

78-A. Expenditure connected with National Emergency.

II. Developmental Heads :—

D—Social and Developmental Services :

27. Scientific Departments
28. Education.
29. Medical.
30. Public Health.
30-A. Family Planning.
31. Agriculture.
32. Rural Development.
33. Animal Husbandry.
34. Co-operation.
35. Industries.
37. Community Development Projects, N.E.S. & Local Development Works.
38. Labour & Employment.
39. Miscellaneous Social and Developmental Organisations.

E—Multipurpose River Schemes, Irrigation & Electricity Schemes :

42. Multipurpose River Schemes.
43. Irrigation, Navigation, Embankment and Drainage Works (Commercial).
44. Irrigation, Navigation, Embankment and Drainage Works (Non-Commercial).
45. Electricity Schemes.
48. Capital Outlay on Irrigation etc. met from Revenue Non-Plan Expenditure :

F—Public Works (including Roads) and Schemes of Misc. Public Improvements:

50. Public Works.
52. Capital Outlay on Public Works met from Revenue.

G—Transport and Communications (Other than Roads):

53. Ports and Pilotage.
57. Road and Water Transport Schemes.

GG—Capital a/c. of Transport and Communication other than Roads within the Revenue Account :

60. Capital Outlay on Road and Water Transport Schemes.

I—Miscellaneous :

70. Forests.

APPENDIX XIII

Transfers from Centre to the States by way of shares of taxes and Duties and Grants-in-aid under Article 275 of the Constitution

(Rs. crores)

States	Transfer during 1969-74 on the basis of the recommendations of the Fifth Finance Commission				Estimated transfer during 1974-79 on the basis of the recommendations of the Sixth Finance Commission			
	Taxes and Duties*	Article 275 Grant	Total	Percentage of the Total	Taxes and Duties*	Article 275 Grant	Total	Percentage of the Total
1. Andhra Pradesh	347.78	65.01	412.79	7.77	570.08	205.93	776.01	8.08
2. Assam	109.91	84.18	194.09	3.65	185.09	254.53	439.62	4.57
3. Bihar	508.73	..	508.73	9.57	738.44	106.28	844.72	8.79
4. Gujarat	230.82	..	230.82	4.34	368.64	..	368.64	3.83
5. Haryana	75.27	..	75.27	1.42	120.66	..	120.66	1.26
6. Himachal Pradesh	22.54	27.68	50.22	0.94	43.10	160.96	204.06	2.12
7. Jammu & Kashmir	41.66	73.68	115.34	2.17	58.79	173.49	232.28	2.42
8. Kerala	183.13	49.65	232.78	4.38	271.04	208.93	479.97	5.00
9. Madhya Pradesh	343.10	..	343.10	6.45	543.57	..	543.57	5.66
10. Maharashtra	486.82	..	486.82	9.16	711.53	..	711.53	7.40
11. Manipur	3.43	23.37	26.80	0.50	13.48	114.53	128.01	1.33
12. Meghalaya	7.60	11.24	18.84	0.35	12.85	74.67	87.52	0.91
13. Mysore	229.29	17.99	247.28	4.65	383.64	..	383.64	3.99
14. Nagaland	3.66	77.95	81.61	1.54	6.83	128.84	135.67	1.41
15. Orissa	182.70	104.67	287.37	5.41	272.59	304.73	577.32	6.01
16. Punjab	113.17	..	113.17	2.13	168.97	..	168.97	1.76
17. Rajasthan	213.56	51.49	265.05	4.99	333.39	230.53	563.92	5.87
18. Tamil Nadu	347.96	22.82	370.78	6.97	538.57	..	538.57	5.6
19. Tripura	5.10	28.64	33.74	0.64	19.69	112.50	132.19	1.38
20. Uttar Pradesh	772.47	..	772.47	14.53	1150.22	198.83	1349.05	14.05
21. West Bengal	376.30	72.62	448.92	8.44	588.07	234.86	822.93	8.56
Total :	**4605.00**	**710.99**	**5315.99**	**100.00**	**7099.24**	**2509.61**	**9608.85**	**100.00**

*Includes share of grants in lieu of Railway Passenger Fares Tax.

S/19 M of Fin./73—31.

APPENDIX XIV

DATA RELATING TO DEBT POSITION OF STATES