

State	Share of tax on railway fares
Mysore . . . . .	66
Orissa . . . . .	26
Punjab . . . . .	120
Rajasthan . . . . .	100
Uttar Pradesh . . . . .	278
West Bengal . . . . .	94
Total . . . . .	<hr/> 1484

203. We cannot over-emphasise the paramount importance of States balancing their revenue budgets. We have framed our scheme of devolution so as to enable them to do so. With a massive development plan under implementation, there is a grave risk of the budgetary deficits of the States endangering the country's economy by adding to the inflationary potential. Now that all expenditure creating permanent assets are being treated as capital outlay, deficits on current account covered by borrowing result in an unfair shifting by the present generation of its burden to future generations. Development expenditure should, therefore, be adjusted to the available resources and States should not run into a revenue deficit even for meeting such expenditure. We earnestly trust that they will bear this in mind in shaping their financial policies.

## XX. ACKNOWLEDGEMENTS

204. During the earlier stages of our work, when the accommodation allotted to us was not ready, we held some of our meetings in the Committee rooms of Parliament or in the rooms of the Judges of the Supreme Court, by the courtesy of the Speaker and the Chief Justice. We are most grateful to them for their assistance.

205. In conclusion we should like to place on record our appreciation of the assistance given to us by our officers and staff. Our Secretary, Shri H. B. Bhar, brought to bear on his work expert knowledge of Government finances and accounting. Our Under Secretary, Shri R. Saran, had a detailed knowledge of budgetary procedure and practice which was of great value. Our Research organisation,

(Rupees in crores)

State	Shares of taxes	Grant under article 273*	Grant under substantive portion of article 275(1)	Total
Uttar Pradesh . . . . .	16.25	..	..	16.25
West Bengal . . . . .	9.50	0.91	3.85	14.26
Jammu and Kashmir . . . . .	1.25	..	3.00	4.25
	100.00	1.88*	37.55	139.43

\*This is an average for five years of payments which will actually be made to the States in the three years ending 31st March 1960. Grants-in-aid under article 273 cease on the expiry of ten years from the commencement of the Constitution.

NOTE 1.—Assam will receive, in addition, a grant-in-aid of Rs. 40 lakhs under clause (a) of the second proviso to article 275(1).

NOTE 2.—Under Section 74 of the States Reorganisation Act, the States of Bombay, Kerala, Madras and Mysore are entitled to receive during the three years ending 31st March 1960 the sums by which a prescribed percentage of their share of divisible Central taxes may fall short of the average of the revenue gap grants guaranteed to the former Part B States of Saurashtra, Travancore-Cochin and Mysore, now merged in them. On the estimate of divisible Central taxes adopted by us, the sums due to Kerala and Madras will be marginal while Bombay and Mysore may receive sums of the order of Rs. 3½ crores and Rs. 1 crore respectively for all the three years.

202. The increased devolution just mentioned is not the only source of additional income for the States. During this period the States will receive their share of the new Centrally levied tax under article 269, namely, the tax on railway fares. These receipts, which do not form part of the revenue devolved by us, are likely to be of the order of Rs. 15 crores in a full year; a state-wise detailed analysis, on the basis of the distribution recommended by us, is given in the table below:

(Rupees in lakhs)

State	Share of tax on railway fares
Andhra Pradesh . . . . .	131
Assam . . . . .	40
Bihar . . . . .	139
Bombay . . . . .	241
Kerala . . . . .	27
Madhya Pradesh . . . . .	123
Madras . . . . .	96

under the Chief of Research. Shri R. K. Seshadri, cheerfully met all the demands on it for statistical and other information, very often at short notice, and we had the benefit of Shri Seshadri's wide knowledge of economic problems and State Governments' finances and his experience of work with the States Reorganisation Commission. Shri K. Jayaram, Private Secretary to the Chairman, also assisted in the work of the Commission. Shri A. P. Puri, our Superintendent, the office staff under him and our personal staff did very good work. We are grateful to all of them.

**K. SANTHANAM**  
*Chairman.*

**UJJAL SINGH**  
*Member.*

**L. S. MISRA**  
*Member.*

**M. V. RANGACHARI**  
*Member.*

**B. N. GANGULI**  
*Member.*

**H. B. BHAR**  
*Secretary.*

**NEW DELHI,**  
**30th September 1957.**



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**APPENDICES**

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