

from Bihar to West Bengal, should continue till these grants automatically cease at the end of the financial year 1959-60. We accordingly recommend that the sums to be prescribed under article 273 be as follows:—

	(Rupees in lakhs)
Assam . . . . .	75.00
Bihar . . . . .	72.31
Orissa . . . . .	15.00
West Bengal . . . . .	152.69

121. The disappearance of these grants-in-aid after 1959-60 will cause dislocation in the finances of these States, and we have made due provision for this in our scheme. We should like to make it clear that this should not be construed as giving support to any claim that for the future these States are entitled to be compensated for the disappearance of these grants. Their claim for assistance under article 275 will have to be on a par with those of other States. The anomaly of some States receiving compensation for their share in the past of what is now a non-sharable Central tax was a temporary feature introduced in the Constitution for historical reasons and with the expiry of the prescribed time limit, it should disappear altogether.

## XII. Grants-in-aid of Revenues

122. We now turn to the problem of determining the States which are in need of assistance and the amount of the grants to be recommended for them under the substantive portion of article 275 (1) of the Constitution.

123. In our scheme of devolution, we have sought to provide for both the committed needs of the States and their needs for implementing the five year plan, to the extent to which the expenditure has to be met from revenue. We have, as far as possible, tried to meet the requirements of the States by giving them shares of taxes. For most of them, however, this devolution, on a basis common for all the States, falls short of their total needs and we have tried to make good the deficiency by grants-in-aid.

124. The grants-in-aid, which we are recommending, are much larger than the grants-in-aid paid to the States in the past. This is mainly due to the fact that, in the past, the requirements of the

States for development were not fully taken into account, while we have done so. It should, however, be clearly understood that the sums recommended by us, while justified in the context of the second five year plan, are not to be taken as indicating the permanent requirements of the States for their ordinary budgetary needs.

125. In the assessment of the overall needs of the States, we have assumed that in the five years ending 31st March 1962 revenue expenditure on development would be on the same scale as in the second five year plan and would throw a net burden of the order of Rs. 228 crores on the State revenues. A state-wise analysis is given below:—

State	(Rupees in crores)			
	Total expenditure to be met from revenue	Additional revenue to be raised*	Grants likely to be received from the Union	Balance to be met from current revenue
Andhra Pradesh	54	11	22	21
Assam	36	4	10	22
Bihar	77	27	28	22
Bombay	102	23	44	35
Kerala	28	8	9	11
Madhya Pradesh	70	21	26	23
Madras	45	11	22	12
Mysore	39	9	12	18
Orissa	27	8	9	10
Punjab	44	18	16	10
Rajasthan	31	8	12	11
Uttar Pradesh	93	43	36	14
West Bengal	53	15	25	13
Jammu and Kashmir	10	..	4	6
<b>Total</b>	<b>709</b>	<b>206</b>	<b>275</b>	<b>228</b>

\* Figures of Economic Division of the Planning Commission—see Appendix X.

126. By the devolution of revenue which we propose, the States will be receiving a significant measure of assistance which will enable them to implement the plan. We wish to emphasise that they cannot depend wholly on this; they will still have to help themselves by raising at least the additional revenue expected of them towards the execution of the current plan, by securing all possible economies in

settled between the State and the Union Governments, will be permanently stationed in the Naga hills at the cost of the State Government. Assam will be unable to meet this additional expenditure and *ad hoc* assistance should be given to it by the Union.

For Bihar, we recommend a grant-in-aid of Rs. 3.5 crores a year, to be raised to Rs. 4.25 crores in each of the last two years for the reason mentioned in the case of a similar increase recommended for Assam. The grant-in-aid to Bihar is intended wholly to enable it to meet its commitments under the five year plan.

For Kerala, we recommend a grant-in-aid of Rs. 1.75 crores a year. This will assist the State to implement the five year plan.

For Madhya Pradesh, we recommend a grant-in-aid of Rs. 3 crores a year. This will assist the State to implement its development plan.

Mysore has been materially affected by reorganisation, and is in need of special assistance for meeting both its ordinary and plan deficits. We recommend a grant-in-aid of Rs. 6 crores a year for this State.

For Orissa, we recommend a grant-in-aid of Rs. 3.25 crores a year, to be raised to Rs. 3.5 crores in each of the last two years for the reason explained in the case of a similar increase recommended for Assam and Bihar. Orissa is in need of assistance both for its basic requirements and for implementing the five year plan.

For Punjab, we recommend a grant-in-aid of Rs. 2.25 crores a year. This State has special problems as a border State, with the scars of partition not wholly healed.

For Rajasthan, we recommend a grant-in-aid of Rs. 2.5 crores a year, mainly to enable it to implement its five year plan.

West Bengal is still in a difficult position; its economy and its administration are being strained by the influx of refugees from East Pakistan and it needs substantial assistance. We recommend a grant-in-aid of Rs. 3.25 crores a year. West Bengal's revenue in the last two years would be seriously dislocated by the disappearance of the grant-in-aid under article 273. The grant-in-aid recommended for that State should be raised to Rs. 4.75 crores in each of these two years.

For Jammu and Kashmir, we recommend a grant-in-aid of Rs. 3 crores a year. For some time to come, the State is likely to need assistance both for its ordinary requirements and for its development.