

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 - (iv) Grant in lieu of the repealed tax on railway passenger fares; and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. Brahmamanda 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)

(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.

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 tax 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 year 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 Agricultural 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) Kilowatts 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.

(Rs. Crores)

	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	Fifth Plan Period.					Total
	Actuals	Actuals	Actuals	Actuals	Estimate	Estimate	1974-75	1975-76	1976-77	1977-78	1978-79	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., if 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.

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	1969- 70	1970- 71	1971- 72	1972- 73	1973- 74	Fifth Plan Period					Total 1974- 75 to 1978- 79
						1974- 75	1975- 76	1976- 77	1977- 78	1978- 79	
Actuals	Actuals	Actuals	Actuals	Esti- mate	Esti- mate	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)					
<i>Total—A</i>					
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)					
<i>Total—B</i>					

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.

(Rs. crores)

	1968-69	1969-70	1970-71	1971-72	1972-73	1972-73	1973-74	Fifth Plan period					Total
	Actuals	Actuals	Actuals	Actuals	B.E. 2 nd latest	Estimate		1974-75	1975-76	1976-77	1977-78	1978-79	1974-75 to 1978-79
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<i>III. Surplus (+) or Deficit (-) on revenue Account (I—II)</i>													
<i>IV. Capital Receipts</i>													
<i>(i) Receipts from Centre</i>													
<i>(a) Loans for Plan Schemes</i>													
								X	X	X	X	X	X
<i>(b) Loans for Central and Centrally sponsored Schemes</i>													
								X	X	X	X	X	X
<i>(c) Non-Plan loans</i>													
								X	X	X	X	X	X
<i>(ii) States' own capital receipts</i>													
<i>Total IV</i>													
<i>V. Capital Disbursements</i>													
<i>(i) Expenditure corresponding to non-Plan loans from Centre</i>													
								X	X	X	X	X	X
<i>(ii) States' own direct Capital disbursements</i>													
<i>Total V</i>													
<i>VI. Surplus (+) or Deficit (-) on Capital Account</i>													
<i>VII. Overall Surplus (+) or Deficit (-)</i>													
<i>(III + VI)</i>													
Financed by :—													
<i>(a) Drawings on Cash balances</i>													
								X	X	X	X	X	X
<i>(b) Sale of Treasury bills</i>													
								X	X	X	X	X	X
<i>(c) Sale of other un earmarked securities</i>													
								X	X	X	X	X	X
<i>(d) Increase in ways and means advances from R.B.I</i>													
								X	X	X	X	X	X
<i>(e) Increase in over-draft</i>													
								X	X	X	X	X	X
<i>(f) Special accommodation from Centre, if any¹</i>													
								X	X	X	X	X	X
<i>Total (a—f)</i>													

X Figures not to be projected for the Fifth Plan period.

- (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 1st 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.						
<i>Total—A</i>						
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.						
<i>Total—B</i>						

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 subse-

quently, 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 separately 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 23rd April, 1973 from Shri G. Ramachandran, Member-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 repayment 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

II. *Developmental*

1. Agricultural production and allied 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

Categories of loans	(Rs. lakhs)							
	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)								
<i>Total—10</i>								
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)								
<i>Total—13</i>								
<i>Total—II (1—13)</i>								
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 default 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

Head of Account	(Rs. crores)												
	Actuals 1968- 69	Actuals 1969- 70	Actuals 1970- 71	Pre- Actuals 71-72	B.E. 72-73	Latest estimates 72-73	Esti- mates 73-74	Forecast for					Total 74-75 to 78-79.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
I. Education (etc., etc.)													
(a) 1968-69 Plan schemes													
(b) Fourth Plan schemes													
(i) Central Plan Schemes													
(ii) Centrally sponsored schemes													
(c) Non-plan ex- penditure													
(i) Committed expenditure in respect of 1966- 69 annual plans													
(ii) Committed expenditure in respect of Fourth Plan schemes													
(iii) Other non- plan expendi- ture													
<i>Total</i>													

Note : Similarly for other heads of account.

Statement of Revenue Receipts—Central Government

Head of Account	(Rs. crores)												
	Actuals 1968- 69	Actuals 1969- 70	Actuals 1970- 71	Pre- Actuals 1971- 72	B.E. 1972- 73	Latest Estimates 1972- 73	Esti- mates 1973- 74	Forecast for					Total 74-75 to 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 Fifth 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.*/ expendi- ture**	31-3-1956 No./ expendi- ture	31-3-1961 No./ expendi- ture	31-3-1966 No./ expendi- ture	31-3-1969 No./ expendi- ture	31-3-1972 No./ expendi- ture
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 allowance; 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	5½%
Exceeding 15 years, but not exceeding 30 years	5½%

Since June 1968 a rebate of 1¼% for prompt repayments and interest payments has been allowed to State Governments.

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% (5½% since June 1968)
Exceeding 4 years but not exceeding 9 years	6½% (6½% since June 1968)
Exceeding 9 years but not exceeding 15 years	7% (6½% 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 1¼% towards prompt payments and interest payments or in other words, 4¾% 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. 1½% 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. 4½% Loan, 1973	132.87	6.31
5½% Loan, 1986	157.41	8.26
5½% Loan, 2001	225.85	12.99
5% National Defence Loan, 1981	59.93	3.00
5½% National Defence Loan, 1986	23.66	1.24
5½% 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
5½% National Defence Loan, 1986	5.00	0.26
5½% 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 13th 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 determining 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 distribution 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., Basvan-gudi, 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.
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