

Methodology for calculating net additional interest liability arising out of fresh borrowings and lendings in the forecast period and the amounts of grants-in-aid to be given to States.

The net additional liability which will fall upon the States as a result of the fresh borrowings and fresh lendings in the forecast period may be calculated as follows:

- (i) The liability on account of payment of interest should be worked out in respect of all such fresh borrowings during a year, as are, according to the normal rules of classification, brought to account under the Major Heads of Account '603' and '604' and at the rates of interest actually applicable to each such borrowing; the following loans should, however, be excluded for this purpose:
 - (a) Overdrafts on the Reserve Bank of India;
 - (b) Loans, if any, from the Government of India to clear the overdrafts on the Reserve Bank of India; and
 - (c) Cash credit accommodations from the State Bank of India or other commercial Banks for procurement of foodgrains, edible oils, other commodities of civil supplies, etc. in as much as the State Governments should recover the interest payable on such accommodation at the time of disposal of such commodities.
- (ii) Where the whole or a part of such fresh borrowings in a year is repayable within the same year (e.g. loans for agricultural inputs) or in subsequent years within the period 1984-89 (e.g. block loans, as at present, for State Plans), the liability on account of interest in a year on such fresh borrowings should be computed with reference to the amount of such borrowings outstanding from time to time.
- (iii) The gross additional interest liability of States calculated in accordance with (i) & (ii) above should be reduced by the amounts shown in enclosure-1 which represent the provisions already made in the States' forecast, on account of interest payable to the Reserve Bank of India on the fresh ways and means advances that the States may avail themselves of during the forecast period.
- (iv) For computing the receipts on account of interest on fresh lendings, whether for Plan or non-Plan purposes, during each of the years from 1984-85 to 1988-89, a uniform rate of interest at 6 per cent per annum on the outstandings of all such fresh loans, brought to account under the Major Heads of Account from '677' to '767' should be taken into account. From this should be deducted the amount shown in enclosure-2 which represents interest receipt on fresh loans to Government servants, for purposes other than house building, during the forecast period, credit for which has already been taken in the forecast.
- (v) For the purpose of computing the amount of fresh lendings which are outstanding of the commencement of each year and on which interest would be recovered as in (iv) above, such outstandings may be worked out on a normative basis in accordance with the procedure adopted by us for estimating the non-Plan capital gaps of States i.e. that all loans under Major Heads '682, '683, '684' & all housing loans to Government servants under '766' would be for an average period of 20 years and all loans under the remaining heads, including loans other than housing for Government servants, for an average period of 10 years.
- (vi) The grants-in-aid on this account should, subject to final adjustments that may become necessary later on be paid to the State Governments in the financial year following the year in which transactions of fresh borrowings and fresh lendings will take place, because, normally, interest is payable/receivable at the expiry of every year from the date of borrowings/lendings. Thus, in respect of the additional liability that will arise out of fresh transactions in the year 1984-85, additional grants-in-aid, if any, will be payable in 1985-86 and so on. In respect of the fresh borrowings and fresh lendings in the year 1988-89, the grants-in-aid will be payable in 1989-90. It may be mentioned here that in respect of the fresh borrowings and lendings in the year 1983-84, provisions have already been made for payment of interest and receipt of interest in the States' forecast for 1984-85.

PHYSICAL COMPLETION OF WORKS

(Outlay in Rs. Lakhs)

Annexure XII-12(Contd).....

1986-87			1987-88			1988-89			1984-89			
Reve- nue	Capi- tal	PT	Reve- nue	Capi- tal	PT	Reve- nue	Capi- tal	PT	Reve- nue	Capi- tal	Total	PT
10	11	12	13	14	15	16	17	18	19	20	21	22
-	138.60	180	-	138.60	210	-	18.50	90	-	660.00	660.00	600
-	203.62	1001	-	203.23	1167	-	23.64	499	-	968.02	968.02	3334
-	2996.82		-	2996.97		-	356.16		-	14270.47	14270.47	
481.80	-		481.80	-		481.80	-		2409.00	-	2409.00	-
-	684.77	2424	-	684.53	2827	-	81.52	1212	-	3236.40	3236.40	8079
-	850.50	243	-	852.00	284	-	99.00	121	-	4050.00	4050.00	810
481.80	1535.27		481.80	1536.53		481.80	180.52		2409.00	7310.40	9719.40	
352.44	-	11748	352.44	-	11748	352.44	-	11748	1762.20	-	1762.20	11748
101.39	-	5633	101.39	-	5633	-	-	-	405.58	-	405.58	5633
78.32	-	783	78.32	-	783	78.32	-	783	391.60	-	391.60	3916
-	807.93	1690	-	808.13	1872	-	96.38	845	-	3847.09	3847.09	5633
532.15	807.93		532.15	808.13		430.76	96.38		2559.38	3847.09	6406.47	
24.44	-	5	24.44	-	5	24.44	-	4	122.22	-	122.22	24
135.02	-	31	135.02	-	31	135.01	-	31	675.09	-	675.09	156
-	220.64	77	-	221.04	90	-	25.00	38	-	1048.00	1048.00	256
-	287.84	404	-	286.86	470	-	34.40	202	-	1368.70	1368.70	1345
-	223.00	447	-	223.27	522	-	26.96	224	-	1062.81	1062.81	1491
159.46	731.48		159.46	731.17		159.45	86.36		797.31	3479.51	4276.82	
-	102.20	35	-	105.12	42	-	10.00	17	-	492.40	492.40	118
-	184.38	258	-	184.56	301	-	21.95	129	-	878.30	878.30	860
-	46.13	280	-	46.04	303	-	5.53	130	-	219.43	219.43	866
-	51.80	71	-	51.96	83	-	6.31	36	-	248.20	248.20	238
-	92.24	516	-	92.24	602	-	10.97	258	-	439.55	439.55	1721
-	45.96	1296	-	45.95	1512	-	5.52	649	-	218.90	218.90	4321
-	522.71		-	525.87		-	60.28		-	2496.78	2496.78	
-	320.83		-	320.82		-	320.82		-	1604.13	1604.13	
285.00	-	125	285.00	-	124	284.99	-	124	1424.99	-	1424.99	623
-	30.24	21	-	29.52	24	-	2.34	10	-	144.20	144.20	70
-	30.45	42	-	30.48	49	-	2.93	20	-	143.80	143.80	139
-	57.00	-	-	57.00	-	-	57.00	-	-	285.00	285.00	-
285.00	117.69		285.00	117.00		284.99	62.27		1424.99	573.00	1997.99	
330.00	725.60		330.00	725.60		330.00	725.60		1650.00	3628.00	5278.00	
3730.58	16389.02		3730.57	16357.60		3629.16	2912.61		18551.53	78178.20	96729.73	

iii) In addition to the on-account releases, release of grant is regulated on the basis of completed works as per the schedule given below:

1984-85 - 100% of the Unit Cost, 1985-86 - 70% of the Unit Cost, 1986-87 - 70% of the Unit Cost,
1987-88 - 60% of the Unit Cost, 1988-89 - Balance of the available grant.

4. Difference in totals between the amount stated in the Chapter and in the Annexure is due to rounding.

Enclosure-1 to Annexure XIII-IInterest on ways and means advances from Reserve Bank of India.

STATE	(Rs. in lakhs)					Total 1984-89
	1984-85	1985-86	1986-87	1987-88	1988-89	
1. Andhra Pradesh	222	222	222	222	222	1110
2. Assam	95	95	95	95	95	475
3. Bihar	140	140	140	140	140	700
4. Gujarat	189	189	189	189	189	945
5. Haryana	71	71	71	71	71	355
6. Himachal Pradesh	36	36	36	36	37	181
7. Jammu & Kashmir	45	45	45	45	45	225
8. Karnataka	183	183	183	183	183	915
9. Kerala	136	136	136	136	136	680
10. Madhya Pradesh	198	198	198	198	198	990
11. Maharashtra	405	405	405	405	405	2025
12. Manipur	18	18	18	18	18	90
13. Meghalaya	19	19	20	20	20	98
14. Nagaland	18	18	18	18	18	90
15. Orissa	157	157	157	157	157	785
16. Punjab	137	137	137	137	137	685
17. Rajasthan	108	108	108	108	108	540
18. Sikkim	13	13	14	14	14	68
19. Tamil Nadu	297	297	297	297	297	1485
20. Tripura	18	18	18	18	18	90
21. Uttar Pradesh	380	380	380	380	380	1900
22. West Bengal	197	197	197	197	197	985
<u>TOTAL:</u>	<u>3082</u>	<u>3082</u>	<u>3084</u>	<u>3084</u>	<u>3085</u>	<u>15417</u>

Enclosure-2 to Annexure XIII-1

Interest Receipts on Fresh Loans to Government Servants.

(Rs. in lakhs)

STATE	1984-85	1985-86	1986-87	1987-88	1988-89	Total
						1984-89
1	2	3	4	5	6	7
1. Andhra Pradesh	..	3.00	5.40	7.20	8.40	24.00
2. Assam	..	4.86	8.76	11.70	13.62	38.94
3. Bihar	..	5.58	10.08	13.44	15.66	44.76
4. Gujarat	..	5.58	10.08	13.44	15.66	44.76
5. Haryana	..	2.58	4.68	6.24	7.26	20.76
6. Himachal Pradesh	..	0.96	1.74	2.34	2.70	7.74
7. Jammu & Kashmir	..	2.52	4.50	6.00	7.02	20.04
8. Karnataka	..	4.92	8.82	11.76	13.74	39.24
9. Kerala	..	2.22	3.96	5.28	6.18	17.64
10. Madhya Pradesh	..	2.22	4.02	5.40	6.30	17.94
11. Maharashtra	..	3.12	5.58	7.44	8.70	24.84
12. Manipur	..	0.84	1.50	2.04	2.40	6.78
13. Meghalaya	..	0.30	0.54	0.72	0.84	2.40
14. Nagaland	..	1.32	2.34	3.12	3.66	10.44
15. Orissa	..	4.32	7.74	10.32	12.06	34.44
16. Punjab	..	3.36	6.06	8.04	9.36	26.82
17. Rajasthan	..	8.16	14.70	19.62	22.86	65.34
18. Sikkim	..	0.06	0.12	0.18	0.18	0.54
19. Tamil Nadu	..	6.96	12.54	16.74	19.50	55.74
20. Tripura	..	0.12	0.18	0.24	0.30	0.84
21. Uttar Pradesh	..	5.76	10.38	13.86	16.14	46.14
22. West Bengal	..	0.90	1.62	2.16	2.52	7.20
<u>Total:</u>	..	<u>69.66</u>	<u>125.34</u>	<u>167.28</u>	<u>195.06</u>	<u>557.34</u>