

**MINISTRY OF FINANCE  
(DEPARTMENT OF ECONOMIC AFFAIRS)  
NOTIFICATION**

New Delhi, the 29th October, 1983.

S.O. 783 E 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 hereby directs that in the order dated the 20th June, 1982 / published with the notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) No. S.O.434(E), dated the 21st June, 1982 /—

- (a) in paragraph 2, for the words, figures and letters "the 31st day of October, 1983", the words, figures and letters "the date of making the final report by the Commission or the 29th day of February, 1984, whichever is earlier" shall be substituted;
- (b) in paragraph 11, for the portion beginning with the words "The Commission shall make its report" and ending with the figures, letters and words "1st day of April, 1984" the following shall be substituted, namely:—

"The Commission shall make an interim report by the 15th November, 1983, covering as many of the matters mentioned above as possible and covering the year commencing on the 1st day of April, 1984; and make the final report by the 29th February, 1984 on each of the matters aforesaid and covering a period of five years commencing on and from the 1st day of April, 1984"

DATED 29th OCTOBER, 1983

(No.5(1)FCC/83)

ZAIL SINGH  
PRESIDENT

Sd/-  
(A. RANGACHARI)  
JOINT SECRETARY

**INTERIM REPORT OF THE FIFTH FINANCE COMMISSION**

Annexure 1-2  
(Para 1.5)

This Finance Commission was constituted by the President's Order dated the 20th June, 1982 hereinafter referred to in this interim report as the "Order". One of us (Shri Justice T.P.S. Chawla) was appointed as a Member of this Commission by the President's subsequent Order dated the 2nd June, 1983, in place of Shri Justice Sabyasachi Mukherji whose resignation as Member of the Commission was also accepted from the 28th April 1983 in the same Order.

2. The Order required the Commission to make its report by the 31st October, 1983. On the 1st July 1982, demi-official letters were addressed by the Chairman to the Chief Ministers of all States (the Governor, in the case of Assam) requesting them to send before the 31st August 1982 a Memorandum containing their Governments' views on the various terms of reference given to this Commission. On the 26th July, 1982, the Chairman requested the Union Finance Minister to send the forecast of receipts and expenditure of the Government of India and also indicate their views on the various terms of reference given to the Commission. Our tentative schedule of work contemplated the completion of the discussions with the Chief Ministers of States by the end of June or July 1983 and with the Government of India by the end of August 1983. However, for reasons beyond our control, this schedule could not be adhered to and as a result we had to seek an extension of time to make our report. The President acceded to our request by his Order dated the 29th October 1983 which directs us (a) to make an interim report by the 15th November, 1983 covering as many of the matters mentioned in the Order as possible and covering the year commencing on the 1st day of April 1984 and (b) to make the final report by the 29th February 1984 on each of the matters mentioned in the Order and covering a period of five years commencing on and from the 1st day of April, 1984.

3. In the light of these requirements we considered the question as to which of the matters could be covered in the interim report. We concluded that, within the limited time available, it would not be possible for us to make final recommendations on any of the matters mentioned in the Order and that, as an interim measure to be applicable provisionally for the financial year commencing on the 1st April 1984, we would have to recommend the continuance of the existing arrangements except in cases where

Comparable Estimates of Per-Capita State  
Domestic Product at current prices.

Appendix - VI

STATE	(Rs.)			
	1976-77	1977-78	1978-79	Average 1976-79
1	2	3	4	5
1. Andhra Pradesh	900	1030	1087	1006
2. Assam	896	994	990	960
3. Bihar	716	759	791	755
4. Gujarat	1502	1626	1642	1590
5. Haryana	1761	1935	1990	1895
6. Himachal Pradesh	1072	1259	1358	1230
7. Jammu & Kashmir	939	1146	1215	1100
8. Karnataka	1093	1259	1254	1202
9. Kerala	1101	1141	1243	1162
10. Madhya Pradesh	807	951	927	895
11. Maharashtra	1535	1677	1797	1670
12. Manipur	799	888	889	859
13. Meghalaya	926	1056	1156	1046
14. Nagaland	948	1100	1252	1100
15. Orissa	797	912	1046	918
16. Punjab	2050	2317	2382	2250
17. Rajasthan	1041	1153	1188	1127
18. Sikkim				1100*
19. Tamil Nadu	1066	1203	1225	1165
20. Tripura	980	1149	1117	1082
21. Uttar Pradesh	819	896	894	870
22. West Bengal	1177	1252	1312	1247
<u>All States:</u>	<u>1051</u>	<u>1162</u>	<u>1203</u>	<u>1139</u>
<u>Union Territories:</u>	<u>2731</u>	<u>3262</u>	<u>3197</u>	<u>3063</u>
<u>All India:</u>	<u>1074</u>	<u>1191</u>	<u>1230</u>	<u>1165</u>

\* Figure in respect of Nagaland adopted for Sikkim. Source: Central Statistical Organisation.

States arranged in descending order of  
Per-Capita State Domestic Product.

Appendix-VII

STATE	Per Capita SDP Average 1976-79(Rs.)	STATE	Per Capita SDP Average 1976-79(Rs.)
1	2	1	2
1. Punjab	2250	12. Nagaland	1100
2. Haryana	1895	13. Sikkim	1100
3. Maharashtra	1670	14. Tripura	1082
4. Gujarat	1590	15. Meghalaya	1046
5. West Bengal	1247	16. Andhra Pradesh	1006
6. Himachal Pradesh	1230	17. Assam	960
7. Karnataka	1202	18. Orissa	918
8. Tamil Nadu	1165	19. Madhya Pradesh	895
9. Kerala	1162	20. Uttar Pradesh	870
10. Rajasthan	1127	21. Manipur	859
11. Jammu & Kashmir	1100	22. Bihar	755

we felt that some changes would have to be made even for the limited purposes of our interim report. Consequently, we have confined our attention to modifying, for the financial year 1984-85, the existing arrangements as to the needs of States for assistance under Article 275(1) of the Constitution. For this purpose, we have made a preliminary scrutiny of the forecasts of receipts and expenditure sent to us by the Government of India and the similar forecasts of the State Governments.

4. We recommend that in respect of the matters mentioned in para 4(a), para 6 and para 10 of the Order, the existing arrangements may continue provisionally during the financial year commencing on the 1st April 1984. We would only like to add that the State of Sikkim will be entitled to a share in Union excise duties as the law imposing these duties has been extended to that State. Similarly, that State will also receive a share from the proceeds of the additional excise duty on textiles in lieu of sales tax as the levy of sales tax thereon has been withdrawn by the State. The percentage shares of all States, including Sikkim, in these two levies which have been worked out by the Seventh Finance Commission should be applied for inter-se distribution in the financial year 1984-85 excepting that Sikkim's share in the excise duty on generation of electricity would be equal to the net collection in or attributable to that State.

5. In regard to the need for grants-in-aid under Article 275(1) of the Constitution to cover the residuary deficits on revenue account, we have felt it necessary to make as realistic an assessment as possible of such needs in the financial year 1984-85. For this purpose, a re-assessment of the revenue position in 1984-85 of all States was made on the basis of the actuals for the year 1982-83 reported to us by the States' Accountants General, after adjusting them for any unusual features. This showed that thirteen States (viz., Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh) would have a revenue surplus in 1984-85 as a result of our recommendations in the preceding para and after taking into account the considerations mentioned in para 6 below. These States do not therefore require grant-in-aid assistance in 1984-85 under Article 275(1) of the Constitution.

6. Some of the important considerations which have been taken into account in reassessing the forecasts of States for 1984-85 and in computing the grants-in-aid needed under Article 275(1) of the Constitution are as follows :-

- (a) The targets for mobilisation in 1983-84 of additional resources fixed by the Planning Commission for financing the annual plan 1983-84 have been kept in mind.
- (b) In regard to receipts from electricity supply, road transport and other similar activities, whether run departmentally or by public sector undertakings, as well as from irrigation works, certain norms have been tentatively used.
- (c) No provisions have been made for expenditure on the following two items as our recommendations thereon would be made in the final report :
  - (i) fresh proposals for upgradation of standards of administration; and
  - (ii) improvements, if any, needed for the maintenance and upkeep of capital assets.
- (d) No provision has been made, for the maintenance in 1984-85 of the Plan schemes completed by the end of 1983-84 because, according to prevailing practice, these schemes would still continue to be Plan schemes in 1984-85. Non-Plan expenditure on maintenance would have to be incurred only from 1985-86.
- (e) In estimating the emoluments of State Government employees we have, for the present, excluded from the base expenditure figures for 1982-83 the effect of all order passed after the 1st April, 1982 for revision of pay scales irrespective of the date from which such revision had been made effective.
- (f) However, we have made adequate provisions in the States' forecasts for all the instalments of additional dearness allowance which have so far been sanctioned by the Centre upto index number 496 in the All India Consumer Price Index for Industrial Workers (Base 1960 = 100).

7. Based on these consideration we have re-assessed the revenue deficits in 1984-85 of the remaining nine States. The table below gives the particulars of such deficits. We, therefore, recommend that the States mentioned in column 2 of the table be paid, in the financial year 1984-85, the sums mentioned in column 3 thereof as grants-in-aid of their revenues under Article 275(1) of the Constitution.

TABLE

Sl. No.	State	Sums to be paid as grant-in-aid (Rs. in crores)
1.	Assam	38.17
2.	Himachal Pradesh	91.15
3.	Jammu & Kashmir	114.85
4.	Manipur	56.08
5.	Meghalaya	40.27
6.	Nagaland	81.12
7.	Sikkim	11.96
8.	Tripura	53.34
9.	West Bengal	7.89
Total :		494.83

8. The other important matter referred to us is to make an assessment of the non-plan capital gap of the States and to suggest appropriate measures to deal with it. As the forecasts on revenue and capital accounts of all the States have not been fully appraised by us, we are not in a position to make any recommendation in this behalf at present. The Government of India have already passed orders of a permanent nature in respect of each State in regard to the recommendations of the Seventh Finance Commission which were accepted by them. The question whether the arrangements finalized by these orders would need any change would be considered by us when we make our final report. There is, however, one recommendation of the Seventh Finance Commission in respect of which the Government of India had passed an order which would lapse at the end of the current financial year viz. in respect of repayment of the small savings loans granted to the States. We recommend, as an interim measure, that the decision of the Government of India granting a moratorium on the repayment of these loans upto the 31st March 1984 be extended upto the 31st March, 1985 pending our final recommendations in this respect. This recommendation would cover not only the small savings loans granted upto the 31st March 1979 but also those granted after that date.

9. Having given our interim recommendations for the financial year commencing from the 1st April 1984, we would like to emphasize that these recommendations are provisional and of an interim nature and would be subject to such re-adjustments as may be necessary on the basis of our final report. The interim recommendations made in this report should therefore not be regarded as indicating our final views or recommendations or committing us in any way regarding the principles of devolution of taxes and duties or grants-in-aid under Article 275(1) of the Constitution or on any other matter referred to us in the Order.

Sd/-  
(Y. B. Chavan)  
Chairman

Sd/-  
(T. P. S. Chawla)  
Member

Sd/- Sd/-  
(C. H. Hanumantha Rao)  
Member

Sd/-  
(G. C. Baveja)  
Member

Sd/-  
(A. R. Shirali)  
Member

Sd/-  
(N. V. Krishnan)  
Secretary

Dated, the 14th November, 1983.