

GRANTS-IN-AID

13.1 Paragraph 4(b) of the President's Order enjoins us to make recommendations as to the principles which should govern the grants-in-aid of the revenues of States out of the Consolidated Fund of India. It further requires us to make recommendations in regard to 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. In making our recommendations, we have been asked to have regard, among others, to the considerations set out in paragraph 5 of the President's Order.

13.2 Grants-in-aid play an important role in the scheme of transfer of resources from the Centre to the States. The Constitution makers realised that a scheme of devolution of income tax and Union excise duties may not be adequate to cover the needs of a State. In that event, it might still require further assistance from the Centre. Therefore, Article 275 of the Constitution provides for payment of grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance and different sums may be fixed by Parliament for different States. No law has so far been enacted by Parliament, and therefore, as provided in Article 275(2), this power is exercised by the President by making an Order after considering the recommendations of the Finance Commission.

13.3 The First Finance Commission formulated a set of principles of grants-in-aid. Some of these principles related to the manner in which the budgetary needs of the States had to be assessed on a uniform basis, taking into account tax effort and the scope for economy in expenditure. In addition to merely budgetary needs, that Commission recognised that equalising the standards of basic social services in the different States was an important purpose to be served by grants-in-aid. It also thought, that grants-in-aid could be given to help a State to meet special burdens or obligations which, though falling within the State's responsibility, are of national concern, if they impose an undue strain on its finances. Apart from budgetary needs, it also thought that grants could be given to further any beneficial service of primary importance in regard to which it was in the national interest to assist the less advanced States to go forward. The Five Finance Commissions which followed, broadly endorsed those principles.

13.4 The Seventh Finance Commission, however, felt that in view of the change in the circumstances, there was a need to reformulate the principles of grants-in-aid. Accordingly, it formulated the following three principles:

- "(a) Grants-in-aid may, in the first place, be given to States to enable them to cover fiscal gaps, if any are left after devolution of taxes and duties, so as to enable them to maintain the levels of existing services in the manner considered desirable by us and built in their revenue forecasts. In this connection consideration should be given to the tax effort made by the individual States in relation to targets for the Plan, to economy in expenditure consistent with efficiency and to prudent management of public sector enterprises.
- (b) Grants-in-aid may be made as correctives intended to narrow, as far as possible, disparities in the availability of various administrative and social services between the developed and the less developed States, the object being that every citizen, irrespective of the State boundaries within which he lives, is provided with certain basic national minimum standards of such services. While the long term objective may be to provide to each citizen these services at the levels obtaining in the most advanced States, due regard should be had to the feasibility of upgrading these standards in the shorter term.
- (c) Grants-in-aid may also be given to individual States to enable them to meet special burdens on their finances because of their peculiar circumstances or matters of national concern."

The Seventh Finance Commission recommended grants to eight States on the first principle, and, under the second principle it recommended grants to seventeen States but confined the grants to non-Plan non-developmental sectors only like police, jails, etc. as indicated in its terms of reference. It excluded the developmental services as these fell within the domain of the Planning Commission. No grants were recommended to any State under the third principle.

13.5 In their Memoranda submitted to us and also during our discussions with the States, several suggestions have been made regarding the payment of grants-in-aid under Article 275(1). Andhra Pradesh, Haryana, Karnataka, Kerala, Meghalaya and West Bengal would like the role of grants-in-aid to be only residuary and have proposed that the States' requirements should by and large, be met by allocating to them adequate tax shares. Madhya Pradesh, Nagaland, Tripura and Uttar Pradesh have proposed indexation of grants so that in case of price increases the real value of grants to the State does not get eroded. Bihar, Himachal Pradesh, Kerala, Maharashtra, Orissa and Tripura would like grants to be paid to the States to cover the cost of additional instalments of dearness allowance during the forecast period which they may be compelled to pay following the increases in the rates of dearness allowance of the Central employees. Punjab has proposed that grants-in-aid may be given irrespective of the revenue position of the State. Kerala, Maharashtra and Tamil Nadu have requested for payment of grants-in-aid to cover expenditure on certain programmes considered important by those State Governments. Gujarat and Harayana have asked for grants-in-aid for relief on account of natural calamities. Manipur and Orissa have suggested that grant-in-aid may be paid to take care of their debt servicing liabilities.

13.6 Karnataka has suggested that grants should be made on a reward/penalty principle, i.e., States which have ensured better financial management should be rewarded by grants so that incentives for greater efficiency are provided and conversely. It has further suggested that a portion of the grants may be set aside for being distributed among the States in accordance with the index of revenue mobilisation effort. Uttar Pradesh has proposed that the difference in per capita expenditure on certain specified services between a State and the average of such expenditure in the more advanced States should be multiplied by the population to arrive at the quantum of grant so as to provide equalisation in per capita terms. It has also proposed that the amount required for enabling the urban and rural local bodies of the State to render services at a minimum desirable level should be provided by grants-in-aid.

13.7 We consider that the principles of grants-in-aid formulated by the Seventh Finance Commission are unexceptionable and we broadly agree with them. We would, however, like to make it clear that they are not intended to be either exhaustive or inflexible. New problems will require new approach and this is probably what the Constitution intended; for, a new Finance Commission has to consider the matter every fifth year.

13.8 We now proceed to make our recommendations regarding the amounts of grants-in-aid that should be given to States in aid of their revenues. In making our recommendations we have kept in mind the views expressed by the States.

13.9 We shall first deal with grants-in-aid to cover the gaps on revenue account left after devolution. The non-Plan revenue surplus (+) or deficit (-) as reassessed by us for different States for the period 1984-89 together with the corresponding position about such surplus/deficit after taking into account the transfer of tax resources under our recommendations and based on principles of price stability during the forecast period is given in the following Table:

Table 1: Revenue Surplus/Deficit before and after devolution: 1984-89

| States | Non-Plan revenue | Revenue surplus | Revenue deficit |
|---------------------|---|--------------------------------|--------------------------------|
| | position without devolution of taxes | after devolution of taxes @ | after devolution of taxes @ |
| 1. | 2. | 3. | 4. |
| 1. Andhra Pradesh | (-) 845.98 | (+) 1908.80 | - |
| 2. Assam | (-) 1444.46 | - | (-) 192.79 |
| 3. Bihar | (-) 3152.50 | (+) 853.32 | - |
| 4. Gujarat | (+) 1034.13 | (+) 2451.31 | - |
| 5. Haryana | (+) 965.95 | (+) 1393.92 | - |
| 6. Himachal Pradesh | (-) 713.77 | - | (-) 183.08 |
| 7. Jammu & Kashmir | (-) 995.39 | - | (-) 257.18 |
| 8. Karnataka | (+) 351.71 | (+) 2064.68 | - |
| 9. Kerala | (-) 635.43 | (+) 623.51 | - |
| 10. Madhya Pradesh | (-) 801.77 | (+) 1986.34 | - |
| 11. Maharashtra | (+) 3790.48 | (+) 6407.78 | - |
| 12. Manipur | (-) 422.73 | - | (-) 123.55 |
| 13. Meghalaya | (-) 341.30 | - | (-) 98.42 |
| 14. Nagaland | (-) 484.04 | - | (-) 158.57 |
| 15. Orissa | (-) 1663.80 | - | (-) 102.20 |

@ Excluding Estate Duty and Wealth Tax on Agricultural Property.

(Rs. crores)

| States | Non-Plan revenue position without devolution of taxes | Revenue surplus after devolution of taxes @ | Revenue deficit after devolution of taxes @ |
|-------------------|---|---|---|
| 1. | 2. | 3. | 4. |
| 16. Punjab | (+) 1147.55 | (+) 1758.70 | - |
| 17. Rajasthan | (-) 1240.63 | (+) 307.25** | (-) 9.70* |
| 18. Sikkim | (-) 92.65 | - | (-) 29.13 |
| 19. Tamil Nadu | (+) 774.12 | (+) 3217.19 | - |
| 20. Tripura | (-) 502.46 | - | (-) 144.79 |
| 21. Uttar Pradesh | (-) 2113.59 | (+) 3802.01 | - |
| 22. West Bengal | (-) 3034.33 | - | (-) 213.71 |
| | (-)18484.83 | | |
| Total All States | (+) 8063.94 | (+)26774.81 | (-)1513.12 |

*For 1984-85 ** For 1985-89 @ Excluding Estimate Duty and Wealth Tax on Agricultural Property.

13.10 The year-wise revenue deficits of States after devolution of taxes, as recommended by us, are given in the following table:

Table 2 : Revenue deficits of the States as reassessed

| States | (Rs. crores) | | | | | |
|------------------|---------------|---------|---------|---------|---------|---------|
| | Total 1984-85 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| Assam | 192.79 | 63.63 | 50.14 | 37.66 | 29.67 | 11.69 |
| Himachal Pradesh | 133.08 | 51.70 | 45.95 | 38.25 | 31.17 | 16.01 |
| Jammu & Kashmir | 257.18 | 77.27 | 66.41 | 52.78 | 41.04 | 19.68 |
| Manipur | 123.55 | 34.85 | 30.87 | 25.83 | 21.10 | 10.90 |
| Meghalaya | 98.42 | 27.87 | 24.64 | 20.56 | 16.74 | 8.61 |
| Nagaland | 158.57 | 44.19 | 39.64 | 33.30 | 27.36 | 14.08 |
| Orissa | 102.20 | 46.07 | 32.51 | 16.17 | 6.87 | 0.58 |
| Rajasthan | 9.70 | 9.70 | - | - | - | - |
| Sikkim | 29.13 | 8.29 | 7.31 | 6.08 | 4.93 | 2.52 |
| Tripura | 144.79 | 40.99 | 36.29 | 30.24 | 24.68 | 12.59 |
| West Bengal | 213.71 | 95.40 | 64.88 | 35.35 | 17.55 | 0.53 |
| Total | 1513.12 | 499.96 | 398.64 | 296.22 | 221.11 | 97.19 |

It may be seen that Rajasthan also shows deficit in 1984-85, though over the remaining forecast period it would have surplus.

13.11 The main grievance of States in regard to grants is that, unlike shares in taxes, these grants are fixed sums and not buoyant. In order to confer on these deficit States the advantage of buoyancy we have decided to provide for an annual growth of 5 per cent in respect of the amount of grants payable in each year of the forecast period commencing from 1984-85. Accordingly, we recommend that the amounts shown in the table below be paid in each of the five years 1984-85 to 1988-89 as grants-in-aid of the revenues of the States mentioned in column (1) of the table under Article 275 (1) of the Constitution of India.

Table 3 : Revenue gap grants-in-aid to States

| States | (Rs. crores) | | | | | |
|------------------|---------------|---------|---------|---------|---------|---------|
| | Total 1984-89 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| Assam | 215.48 | 66.81 | 55.15 | 43.31 | 35.60 | 14.61 |
| Himachal Pradesh | 206.24 | 54.29 | 50.55 | 43.99 | 37.40 | 20.01 |
| Jammu & Kashmir | 288.73 | 81.13 | 73.05 | 60.70 | 49.25 | 24.60 |
| Manipur | 139.20 | 36.59 | 33.96 | 29.70 | 25.32 | 13.63 |
| Meghalaya | 110.85 | 29.26 | 27.10 | 23.64 | 20.09 | 10.76 |
| Nagaland | 178.72 | 46.40 | 43.60 | 38.29 | 32.83 | 17.60 |
| Orissa | 111.70 | 48.37 | 35.76 | 18.60 | 8.24 | 0.73 |
| Rajasthan | 10.19 | 10.19 | - | - | - | - |
| Sikkim | 32.81 | 8.71 | 8.04 | 6.99 | 5.92 | 3.15 |
| Tripura | 163.10 | 43.04 | 39.92 | 34.78 | 29.62 | 15.74 |
| West Bengal | 233.91 | 100.17 | 71.37 | 40.65 | 21.06 | 0.66 |
| Total | 1690.93 | 524.96 | 438.50 | 340.65 | 265.32 | 121.49 |

A total grant of Rs. 1690.93 crores would be payable as against the nominal deficit of Rs. 1513.12 crores, the difference being due to the annual growth of 5 per cent assigned by us.

13.12 As stated already, Rajasthan requires grants in 1984-85 only*, and not thereafter. In the case of all other States, the requirements of grants show a decline from year to year. There are two main reasons for this phenomenon. The first is that, on an average, the rates of growth of revenue receipts that we have worked out on the basis of past trends and price stability are higher than the corresponding rates of growth of revenue expenditure which have also been worked out similarly. In view of this, the revenue deficits before devolution tend to get reduced from year to year. While this is true of States which have a reasonably strong revenue base, we have noticed that in the case of the hill States whose own revenues cover only a small portion of their non-Plan revenue expenditure, the revenue deficits before devolution tend to increase over the forecast period. For, the growth of the small amount of revenue, albeit at a relatively larger rate, is not sufficient to cover the growth in expenditure at a relatively smaller rate. The second reason is that in our scheme of devolution 5 per cent of the net proceeds of shareable excise duties, which are buoyant, has been allocated exclusively to deficit States.

13.13 In the previous Chapter we have considered the requirements of States for upgradation of standards of administration as well as for meeting their special problems. Ten States namely, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Orissa, Sikkim, Tripura and West Bengal which have not been left with any surpluses after devolution cannot meet the requirements of upgradation without further assistance. We, therefore, recommend that their requirements on this account be met by grants-in-aid. The States of Andhra Pradesh, Bihar, Kerala, Madhya Pradesh, Rajasthan and Uttar Pradesh have surpluses after devolution. These States are relatively less developed, and, one factor which could have perhaps, contributed to their surplus is the low level of expenditure incurred by them on a number of services. A part of the revenue surplus, we have left them with, would have to be utilised to cover the non-Plan capital gap which we are leaving uncovered, as indicated in the next Chapter. We are of the view that, at least, the remaining surplus should be available for developmental purposes. We have, therefore, decided to recommend grants-in-aid to them also. Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Tamil Nadu are left with sufficiently a large surpluses before devolution of taxes. They should normally incur optimum levels of non-Plan expenditure on various services. We, nevertheless, notice that they are lagging behind in this respect in some sectors/services where we feel that the expenditure incurred by them is less than what is otherwise required. We have also quantified these requirements. In our view, it should be possible for these six States to meet these requirements without any further assistance from the Centre.

The grants-in-aid recommended by us on this account are shown in the Table below:

Table 4 : Grants-in-aid for 1984-85 to 1988-89 for upgradation of services
(Year-wise phasing based on para 12.71)

| States | (Rs. crores) | | | | | |
|------------------|---------------|---------------|---------------|---------------|---------------|--------------|
| | Total 1984-89 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| Andhra Pradesh | 80.49 | 13.09 | 28.50 | 16.74 | 16.72 | 5.44 |
| Assam | 58.35 | 9.49 | 20.66 | 12.14 | 12.12 | 3.94 |
| Bihar | 130.27 | 21.18 | 46.13 | 27.10 | 27.06 | 8.80 |
| Himachal Pradesh | 15.76 | 2.56 | 5.58 | 3.28 | 3.27 | 1.07 |
| Jammu & Kashmir | 46.07 | 7.49 | 16.31 | 9.58 | 9.57 | 3.12 |
| Kerala | 16.81 | 2.73 | 5.95 | 3.50 | 3.49 | 1.14 |
| Madhya Pradesh | 147.69 | 24.01 | 52.30 | 30.72 | 30.68 | 9.98 |
| Manipur | 20.30 | 3.30 | 7.19 | 4.22 | 4.22 | 1.37 |
| Meghalaya | 18.20 | 2.96 | 6.44 | 3.79 | 3.78 | 1.23 |
| Nagaland | 10.81 | 1.76 | 3.83 | 2.25 | 2.24 | 0.73 |
| Orissa | 74.84 | 12.17 | 26.50 | 15.57 | 15.54 | 5.06 |
| Rajasthan | 43.48 | 7.07 | 15.40 | 9.04 | 9.03 | 2.94 |
| Sikkim | 3.14 | 0.51 | 1.11 | 0.66 | 0.65 | 0.21 |
| Tripura | 13.79 | 2.24 | 4.88 | 2.87 | 2.87 | 0.93 |
| Uttar Pradesh | 108.18 | 17.59 | 38.31 | 22.50 | 22.47 | 7.31 |
| West Bengal | 126.37 | 20.55 | 44.75 | 26.28 | 26.25 | 8.54 |
| Total | 914.55 | 148.70 | 323.84 | 190.24 | 189.96 | 61.81 |

* Subject to paras 13.16, 13.19 and Annexure XIII-2.

13.14 The other matter referred to in the previous Chapter relates to the special problems of States. These fall into two categories. Firstly, there are some problems of a special nature, even though purely within the States' sphere of activities, in regard to which requests have been received from the concerned States. Secondly, there are some problems of national importance. We have decided that grants-in-aid may be given to deal with these special problems regardless of whether a State has a revenue surplus before devolution or not. Accordingly, we recommend grant of Rs. 52.78 crores to the following States:—

Table 5: Grants-in-aid for special problems

| States | (Rs. crores) | | | | | |
|------------------|---------------|--------------|--------------|--------------|--------------|--------------|
| | Total 1984-89 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| Assam | 5.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Himachal Pradesh | 0.50 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| Jammu & Kashmir | 2.48 | 0.49 | 0.50 | 0.50 | 0.50 | 0.49 |
| Madhya Pradesh | 10.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Manipur | 2.00 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Meghalaya | 1.00 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| Punjab | 20.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Rajasthan | 10.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Sikkim | 1.00 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| Tripura | 0.80 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 |
| Total | 52.78 | 10.55 | 10.56 | 10.56 | 10.56 | 10.55 |

13.15 We have already stated in the Chapter relating to financing of relief expenditure that the Centre should also contribute to the margin money of the States shown in the Table in para 11.33 of that Chapter to the extent of 50 per cent. We recommend that an amount of Rs. 120.375 crores may also be paid each year to the States as grants-in-aid under Article 275 as shown in the following table subject to the observations made in that Chapter as to the manner of their disbursement to the States.

Table 6 : Centres' contribution to margin money

| States | 1984-85 | | Total 1984-89 | States | 1984-85 | | Total 1984-89 |
|------------------|---------|--------|---------------|---------------|----------------|----------------|---------------|
| | 1. | 2. | | | 1. | 2. | |
| Andhra Pradesh | 12.250 | 61.250 | | Meghalaya | 0.125 | 0.625 | |
| Assam | 3.625 | 18.125 | | Nagaland | 0.125 | 0.625 | |
| Bihar | 16.875 | 84.375 | | Orissa | 13.125 | 65.625 | |
| Gujarat | 14.375 | 71.875 | | Punjab | 3.000 | 15.000 | |
| Haryana | 2.250 | 11.250 | | Rajasthan | 8.375 | 41.875 | |
| Himachal Pradesh | 0.875 | 4.375 | | Sikkim | 0.125 | 0.625 | |
| Jammu & Kashmir | 0.750 | 3.750 | | Tamil Nadu | 4.375 | 21.875 | |
| Karnataka | 3.000 | 15.000 | | Tripura | 0.375 | 1.875 | |
| Kerala | 2.500 | 12.500 | | Uttar Pradesh | 16.250 | 81.250 | |
| Madhya Pradesh | 2.375 | 11.875 | | West Bengal | 11.875 | 59.375 | |
| Maharashtra | 3.625 | 18.125 | | | | | |
| Manipur | 0.125 | 0.625 | | Total | 120.375 | 601.875 | |

13.16 It may be recalled that we have not taken into account, while reassessing the revenue forecast of States, the requirements to meet the interest liability arising out of fresh borrowings by States during the forecast period. Since this liability would impose a substantial burden, we recommend that grants under Article 275 should be paid by the Centre to the ten deficit States to which grants-in-aid are being paid to cover the revenue gaps during each of the last four years of the forecast period. The manner in which this additional liability should be computed has been indicated in Annexure XIII-1. Following the computations made on the basis indicated in Annexure XIII-1 the President should be moved to increase, to the extent required, the grants recommended by us under Article 275 of the Constitution to the ten States mentioned in paragraph 13.11 above. Rajasthan will be entitled to such assistance in 1985-86, in respect of the fresh transactions that may take place in 1984-85 as it will have deficits in that year as shown in para 13.19. In the case of the remaining States, the net interest liability computed should be set off against the surplus as assessed by us, after devolution, and the net deficit, if any, should be given as grants-in-aid by President's Order under Article 275.

13.17 We have referred to two other categories of contingent liabilities in Chapter III. The first relates to the payments which the hill States would have to make to Government of India as cost of the deployment of the Central Police Forces in their States. We have been informed that the rate for the recovery of the cost for the use of the Central Police Forces in the States has been substantially increased recently. It would not be possible for us to estimate with any degree of certainty the amounts which these States would have to pay to the Centre for the use of the Central Police Forces, because this is a matter entirely dependent on the law and order situation prevailing in States from time to time. We, therefore, thought it best to leave out this provision and recommend that such needs should be provided for separately. Accordingly, we recommend that in the event of the use of the Central Police Forces during the forecast period, the Centre may either write off the recovery on such account or in the alternative, provide grants-in-aid to these States to enable them to make such payments.

13.18 The second relates to the additional burden from 1985-86 on account of the committed expenditure in respect of Plan schemes completed in 1984-85. In this connection reference may be made to para 3.127 of Chapter III. As mentioned therein, grants would have to be paid to the deficit States whose targets of additional resource mobilisation through budgetary measures in 1984-85 may be less than the increase in the committed liability in 1985-86 over the provisions made by us, based on schemes completed by 1983-84. We recommend that the requirements, if any, of grants on this account for such deficit States, may be met by the Government of India for the four years from 1985-86 to 1988-89. The methodology to compute the grants payable to such States is explained in Annexure XIII-2.

13.19 About ten days before we were to submit this Report to the President, the Union Finance Minister made an announcement in Parliament that three instalments of dearness allowance which had already become due upto 1st November, 1983 were being released to the Central Government employees. These cover the 12-monthly average of All India Consumer Price Index Number for Industrial Workers (Base 1960=100) upto 520. It would be recalled that one of the objective criteria we have adopted in Chapter III is that provisions should be made for payment of dearness allowance to employees of State Governments and of dearness relief to pensioners to compensate for increases in cost of living to the same extent as has been done by the Centre so far. At this late stage it has not been possible for us to incorporate provisions for this purpose in the forecasts of the States. We have estimated to what extent there will be an increase in the deficits of the States shown in the Table in para 13.10. We, therefore, recommend that, in addition to the grants to cover the revenue gap as mentioned in para 13.11, the amounts shown in the Table below may be given as grants-in-aid of the revenues of the States to cover the additional deficits arising out of these provisions.

Table 7 : Grants to cover increases in revenue gaps on account of additional provisions for dearness allowance

| | | (Rs. crores) | | | | | |
|---------------------|---------------|---------------|---------------|--------------|--------------|--------------|--|
| State | Total 1984-89 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 | |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | |
| 1. Assam | 58.85 | 11.77 | 11.77 | 11.77 | 11.77 | 11.77 | |
| 2. Himachal Pradesh | 16.80 | 3.36 | 3.36 | 3.36 | 3.36 | 3.36 | |
| 3. Jammu & Kashmir | 40.45 | 8.09 | 8.09 | 8.09 | 8.09 | 8.09 | |
| 4. Manipur | 7.75 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | |
| 5. Meghalaya | 8.30@ | 1.56 | 1.66 | 1.66 | 1.66 | 1.66 | |
| 6. Nagaland | 11.80 | 2.36 | 2.36 | 2.36 | 2.36 | 2.36 | |
| 7. Orissa | 95.90 | 19.18 | 19.18 | 19.18 | 19.18 | 19.18 | |
| 8. Rajasthan | 32.44 | 24.06 | 8.38* | - | - | - | |
| 9. Sikkim | 3.35 | 0.67 | 0.67 | 0.67 | 0.67 | 0.67 | |
| 10. Tripura | 23.95 | 4.79 | 4.79 | 4.79 | 4.79 | 4.79 | |
| 11. West Bengal | 209.70 | 41.94 | 41.94 | 41.94 | 41.94 | 41.94 | |
| Total | 509.29 | 119.43 | 103.75 | 95.37 | 95.37 | 95.37 | |

@ Based on cost of one instalment by assuming Rs.162 as the cost per employee per annum. 7.8 per cent of the amount so worked out has been allowed for relief to pensioners.

* After adjusting for marginal surplus in 1985-86.

The surpluses left with some States as shown in para 13.9 will also get reduced on this account. The extent of reduction can be computed with the help of the data given in Chapter III.

13.20 The following Table shows the position regarding total amounts of grants-in-aid to be paid annually during the forecast period.

Table 8 : Total Grants-in-aid under Article 275: 1984-89

| State | (Rs. crores) | | | | (Rs. crores)* | |
|---------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| | Total 1984-89 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| 1. Andhra Pradesh | 141.74 | 25.34 | 40.75 | 28.99 | 28.97 | 17.69 |
| 2. Assam | 355.81 | 92.70 | 92.21 | 71.85 | 64.11 | 34.94 |
| 3. Bihar | 214.65 | 38.06 | 63.01 | 43.98 | 43.93 | 25.67 |
| 4. Gujarat | 71.87 | 14.37 | 14.37 | 14.37 | 14.38 | 14.38 |
| 5. Haryana | 11.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 |
| 6. Himachal Pradesh | 243.68 | 61.19 | 60.47 | 51.61 | 45.00 | 25.41 |
| 7. Jammu & Kashmir | 381.48 | 97.95 | 98.70 | 79.62 | 68.16 | 37.05 |
| 8. Karnataka | 15.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 9. Kerala | 29.31 | 5.23 | 8.45 | 6.00 | 5.99 | 3.64 |
| 10. Madhya Pradesh | 169.57 | 28.39 | 56.68 | 35.10 | 35.05 | 14.35 |
| 11. Maharashtra | 18.12 | 3.62 | 3.62 | 3.62 | 3.63 | 3.63 |
| 12. Manipur | 169.87 | 41.96 | 43.22 | 35.99 | 31.62 | 17.08 |
| 13. Meghalaya | 138.98 | 34.20 | 35.52 | 29.42 | 25.86 | 13.98 |
| 14. Nagaland | 201.95 | 50.64 | 49.91 | 43.02 | 37.56 | 20.82 |
| 15. Orissa | 348.06 | 92.85 | 94.57 | 66.47 | 56.08 | 38.09 |
| 16. Punjab | 35.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| 17. Rajasthan | 137.99 | 51.70 | 34.16 | 19.42 | 19.40 | 13.31 |
| 18. Sikkim | 40.93 | 10.21 | 10.14 | 8.65 | 7.57 | 4.36 |
| 19. Tamil Nadu | 21.87 | 4.38 | 4.38 | 4.37 | 4.37 | 4.37 |
| 20. Tripura | 203.51 | 50.60 | 50.12 | 42.97 | 37.82 | 22.00 |
| 21. Uttar Pradesh | 189.43 | 33.84 | 54.56 | 38.75 | 38.72 | 23.56 |
| 22. West Bengal | 629.36 | 174.54 | 169.94 | 120.75 | 101.12 | 63.01 |
| Total | 3769.43 | 924.02 | 997.03 | 757.20 | 681.59 | 409.59 |

* Rounded off to nearest lakh.

13.21 Shri A.R. Shirali has suggested that the States' shares of income-tax, Union excise duties, etc., may continue to be determined and distributed in 1984-85 in accordance with the recommendations of this Commission in its Interim Report submitted in November, 1983. He has also differed from the majority in regard to the States' shares of income-tax and Union excise duties during the period 1985-89. The consequential changes which he considers necessary in the determination of the grants-in-aid etc. are contained in his Note of Dissent.

13.22 A comparative picture regarding total estimated resources transferred to the States on the basis of the recommendations of the Seventh Finance Commission for the period 1979-84 and on our recommendations for the period 1984-89 is given in the following Table:

Table 9 : Transfers from Centre to the States by way of share of Taxes and Duties and Grants-in-aid under Article 275 of the Constitution.

(Rs. in Crores)

| STATE | Estimated transfer during 1979-84 as recommended by Seventh Finance Commission | | | | | Estimated transfer during 1984-89 as recommended by Eighth Finance Commission | | | | | |
|---------------------|--|----------------|---------------|-----------------|---------------------------------|---|-------------------|-------------------|--------------------|-----------------|-----------------------------------|
| | Taxes and Duties* | Art.275 Grant | | Total | Percentage to total in Column 5 | Taxes and Duties** | Article 275 Grant | | | Total | Percentage to total in Column 11. |
| | | Revenue Gap | Upgradation | | | | Revenue Gap@ | Upgradation Grant | Margin Money Grant | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1. Andhra Pradesh | 1502.89 | .. | 19.60 | 1522.49 | 7.31 | 2754.78 | .. | 80.49 | 61.25 | 2896.52 | 7.34 |
| 2. Assam | 496.94 | .. | 21.71 | 518.65 | 2.49 | 1251.67 | 274.33 | 63.35 | 18.13 | 1607.48 | 4.07 |
| 3. Bihar | 2149.85 | .. | 63.02 | 2212.87 | 10.62 | 4005.82 | .. | 130.27 | 84.38 | 4220.47 | 10.70 |
| 4. Gujarat | 963.87 | .. | .. | 963.87 | 4.63 | 1417.18 | .. | .. | 71.87 | 1489.05 | 3.77 |
| 5. Haryana | 308.57 | .. | .. | 308.57 | 1.48 | 427.97 | .. | .. | 11.25 | 439.22 | 1.11 |
| 6. Himachal Pradesh | 110.26 | 207.07 | 7.74 | 325.07 | 1.56 | 530.69 | 223.04 | 16.26 | 4.38 | 774.37 | 1.96 |
| 7. Jammu & Kashmir | 159.05 | 199.56 | 18.28 | 376.89 | 1.81 | 738.21 | 329.18 | 48.55 | 3.75 | 1119.69 | 2.84 |
| 8. Karnataka | 1005.00 | .. | .. | 1005.00 | 4.82 | 1712.97 | .. | .. | 15.00 | 1727.97 | 4.38 |
| 9. Kerala | 766.16 | .. | 4.18 | 770.34 | 3.70 | 1258.94 | .. | 16.81 | 12.50 | 1288.25 | 3.27 |
| 10. Madhya Pradesh | 1533.88 | .. | 63.58 | 1597.46 | 7.67 | 2788.11 | .. | 157.69 | 11.88 | 2957.68 | 7.50 |
| 11. Maharashtra | 1714.06 | .. | .. | 1714.06 | 8.22 | 2617.30 | .. | .. | 18.12 | 2635.42 | 6.68 |
| 12. Manipur | 37.76 | 146.32 | 9.95 | 194.03 | 0.93 | 299.18 | 146.95 | 22.30 | 0.62 | 469.05 | 1.19 |
| 13. Meghalaya | 36.68 | 92.61 | 4.86 | 134.15 | 0.64 | 242.88 | 119.15 | 19.20 | 0.63 | 381.86 | 0.97 |
| 14. Nagaland | 17.91 | 218.35 | 4.33 | 240.59 | 1.15 | 325.47 | 190.52 | 10.81 | 0.62 | 527.42 | 1.34 |
| 15. Orissa | 815.27 | 136.92 | 32.26 | 984.45 | 4.72 | 1561.60 | 207.60 | 74.84 | 65.62 | 1909.66 | 4.84 |
| 16. Punjab | 419.53 | .. | .. | 419.53 | 2.01 | 611.15 | .. | 20.00 | 15.00 | 646.15 | 1.64 |
| 17. Rajasthan | 883.52 | .. | 19.29 | 902.81 | 4.33 | 1538.18 | 42.63 | 53.48 | 41.88 | 1676.17 | 4.25 |
| 18. Sikkim | 0.48 | 35.72 | 0.65 | 36.85 | 0.18 | 63.52 | 36.16 | 4.14 | 0.63 | 104.45 | 0.27 |
| 19. Tamil Nadu | 1476.39 | .. | 27.21 | 1503.60 | 7.21 | 2443.07 | .. | .. | 21.87 | 2464.94 | 6.25 |
| 20. Tripura | 59.66 | 136.57 | 3.61 | 199.84 | 0.96 | 357.67 | 187.05 | 14.59 | 1.87 | 561.18 | 1.42 |
| 21. Uttar Pradesh | 3202.72 | .. | 112.02 | 3314.74 | 15.90 | 5915.60 | .. | 108.18 | 81.25 | 6105.03 | 15.47 |
| 22. West Bengal | 1572.60 | .. | 24.51 | 1597.11 | 7.66 | 2820.62 | 443.61 | 126.37 | 59.38 | 3449.98 | 8.74 |
| TOTAL | 19233.05 | 1173.12 | 436.80 | 20842.97 | 100.00 | 35682.58 | 2200.22 | 967.33 | 601.88 | 39452.01 | 100.00 |

* Includes share of Grants in lieu of Railway Passenger Fares Tax amounting to Rs.81.25 crores but excludes Rs. 64 crores in respect share in Estate Duty and receipt on account of Wealth Tax on Agri. Property.

** Includes Share of Grants in lieu of Railway Passenger Fares Tax amounting to Rs.475 crores but excludes Rs.103 crores in respect of Share in Estate Duty and receipt on account of Wealth Tax on Agri. Property.

@ Revenue Gap Grants in Table 3 and Table 7.