The Final Report of the Ninth Finance Commission : A Preliminary Examination

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This note is confined to a preliminary examination of the Ninth Finance Commission's scheme of transfers to the 14 major (i.e. non-special category) States to meet the deficits in their non-Plan and Plan revenue accounts during 1990-5. We concentrate on the logic of the scheme with particular reference to the allocation of Plan deficit grants. We show that the pattern of this allocation, *inter-se* among the States, is irrational and inequitable within the framework of the Ninth Finance Commission's own procedures and assumptions and within the constraint of the sum available to finance these deficits. We also indicate two alternatives which would have resulted in rational and equitable solutions.

The Ninth Finance Commission's scheme of transfers from the Centre to the States for 1990-5 on the revenue account (vide Table 1) is based on the following sequence of steps:

1. Estimation, on a so-called normative basis, of tax revenues, non-tax revenues, and non-Plan revenue expenditures for each State.
2. Deriving therefrom the 'normative' non-Plan revenue surplus or deficit for each State.
3. Adjusting the above deficit in the case of States in which the combined effect of the normative estimates of revenues (tax and non-tax) and of

non-Plan revenue expenditures represents an improvement over corresponding "conventional" estimates based on trend projections i.e., in cases where the adoption of normative estimates results in an increase (reduction) to the non-Plan revenue surplus (deficit), or a turn - around of deficit to surplus with reference to the figures obtained on the basis of the "conventional" estimates. The adjustment amounts to reducing (increasing) the surplus (deficit), arrived at on the normative basis, by an amount equal to 50 per cent of the improvement. No adjustment is made in the case of four States in which both the normative and conventional estimates result in deficit but the normative estimates result in a larger deficit vis-a-vis conventional estimates.

4. Devolution of income tax and basic Union excise duties and grants in lieu of the tax on railway passenger fares on the basis set forth in Chapter V of the Report.

5. Adding (2), (3) and (4) above, the post-devolution net non-Plan revenue surplus or deficit is arrived at for each State. The amount of the deficit is covered in full through a "non-Plan deficit grant" under Article 275 in the case of States which are left with a post-devolution net non-Plan revenue deficit.

6. With the post-devolution non-Plan revenue position being settled on the above basis, the Ninth Finance Commission proceeds to work out a Plan deficit grant in the following manner:

   i. The minimum per capita Plan revenue expenditure is estimated for each State as set forth in Appendix 7 to the Report and on that basis, the share of each State in the total minimum Plan revenue expenditure of all 14 major States in 1990-5 is worked out assuming that this total will be Rs 40,000 crore.

ii. The following resources are assumed to be available in each State towards meeting the minimum Plan revenue expenditure as computed above:

   a. (no more than) 40 per cent of the non-Plan revenue surplus from each of the States having such surpluses.

   b. A grant on the basis of the Gadgil formula (with certain adjustments) as applicable during the Seventh Plan period assuming that the total amount of such grants for all 14 States will be Rs 10,000 crore during 1990-5.

iii. The Plan deficit grant is determined as 50 per cent of the deficit that remains after deducting the amounts at (1) and (b) above from the minimum Plan revenue expenditure to States which have such 'Plan deficits'

The procedures and assumptions used in the Ninth Finance Commission's estimation of so-called normative tax revenues and non-Plan revenue expenditures involve statistical strategems (e.g., the modified representative tax system method for estimating tax revenues), assumptions relating to returns from non-tax revenues, ad-hoc assumptions relating to specific non-Plan revenue expenditures (e.g., interest payments), procedures for estimating expenditures on general services and social and economic services on a normative basis, procedures for adjustment of pay scales and the use of ad-hoc rates of growth of projecting revenues and expenditure during 1990-5. The data base involved and the logic, reasonableness and realism of these procedures and assumptions will no doubt be debated in detail at a technical level while lay politicians and civil servants (who are also required to understand the implications of the Report) may feel one with Justice Qureshi, Member of the Commission, when he says: 'The normative estimates derived from the econometric models is a mystery'. They may also be inclined to agree with him that' .... life is not all law or logic. It is not susceptible to algebraic equations, econometric models or any other theoretical formula. Life is full of contradictions, conflicts and compulsions. Hence, things have to be seen realistically and not theoretically'!

However, for the limited purposes of this notice, we shall assume as given the Ninth Finance Commission's normative estimates of revenues and non-Plan revenue expenditures and (resulting therefrom) the 'normative' non-Plan revenue surplus or deficit. We shall treat these as "prescriptive" estimates rather than as "normative" estimates so that they are not taken, without further analysis, to imply any valid value judgement that the States should endeavour to manage their fiscal affairs in accordance with the Ninth Finance Commission's presumptions, assumptions, and projections.

Proceeding to the next step, the logic of the adjustments made by the Ninth Finance Commission to these normative estimates will require some discussion. For this purpose we have rearranged in Table 2 the data in Annexure III.19 of the Report in order to bring out the typologies of various States: in the 5 States in Category I (Bihar, Gujarat, Haryana, Maharashtra and Punjab) normative tax revenues are higher than trend-based 'conventional' tax revenues while normative non-Plan revenue expenditures are lower than corresponding conventional estimates. In the case of Tamil Nadu (Category II), both normative tax revenues and normative non-Plan revenue expenditure are higher than corresponding conventional estimates but the two taken together result in a net improvement. While making adjustments in these 6 cases, the Ninth Finance Commission's implicit assumption is that these States can be reasonably expected to bridge only 50 per cent of the net improvement entailed in raising additional revenues and in reducing (Category I) or upgrading (Category II) expenditures. Let us accept this broad judgement and the adjustments made accordingly.

Category III consists of Orissa and Uttar Pradesh. Their situation is the same as that of Tamil Nadu in that both normative tax revenues and non-Plan revenue expenditures are higher than the corresponding conventional estimates except that the resultant net position in these two States is a worsening of the deficit rather than an improvement. Nevertheless, by the same logic as that applied to the 6 States in Categories I and II, the worsening can also be expected to take place only to the extent of 50 per cent of the difference between the normative and conventional estimates. There is no reason, therefore, why a similar adjustment should not be made to the normative estimates in these two States as well.

It will be seen that in all the 6 States in Category IV (Andhra Pradesh, Karnataka, Kerala, West Bengal, Madhya Pradesh), and Category V (Rajasthan), normative tax revenues are lower than conventional tax revenues which means that the adoption of anything less than the conventional estimates for tax revenues will imply a sacrifice of revenue realisable on trend projections. In other words, on the tax revenue side, no 'adjustment' is required from these States; they just have to safeguard existing revenues. In this view, it will be appropriate to adopt the conventional estimates for tax revenues in the case of all these 6 States and to confine the 50 per cent allowance to expenditure-related improvement (Category IV) or worsening (Category V).

On the basis of the foregoing discussion we have indicated the appropriate adjustments to be made to the (strictly) normative estimates of the post- devolution non-Plan revenue surplus or deficits of the 14 States and the modified normative estimates that result. With reference to the Ninth Finance Commission's modified normative estimates, our reckoning does not involve any change in respect of 6 States (Categories I and II). Orissa, Rajasthan and Uttar Pradesh continue to be post-devolution non-Plan deficit States but their combined deficit decreases somewhat, from Rs 1363.57 crore (assumed by the Ninth Finance Commission) to Rs 1162.44 crore. The remaining 5 States (Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, West Bengal) end up in our reckoning with larger post devolution non-Plan revenue surplus vis-a-vis the Ninth Finance Commission's estimates.

We shall now turn to our main concern viz., the procedures followed by the Ninth Finance Commission to arrive at their Plan deficit grants. It must be pointed out at the outset that these procedures, besides being highly arbitrary, seriously invade the jurisdiction of the National Development Council and of the Planning Commission since the Ninth Finance Commission has proceeded to (a) estimate Plan revenue expenditures during the Eighth Plan and (b) provide grants to various States by way of assistance to State Plans in significant deviation from the Gadgil formula approved by the Ninth Finance Commission[1]. The fact that its terms of reference could be interpreted to permit the Ninth Finance Commission to take into account the requirements of States on their Plan revenue account as well does not mean that the Ninth Finance Commission, on its own, should have arrogated to itself the task of estimating the minimum Plan revenue expenditure for each State. Pending the finalisation of the Eighth Plan, the Ninth Finance Commission could have adopted either of two alternatives consistent with due recognition of, and respect for, the role of the Planning Commission. One would have been to arrive at such estimates on the basis of a formal consultation with the Planning Commission. The other would have been to place at the disposal of the Planning Commission the total quantum of Plan deficit grants for allocation to the States having regard to their revenue Plan outlays in the Eighth Plan, after they are finalised, according to a formula to be approved by the National Development Council in modification of the existing Gadgil formula. Without considering these options, the Ninth Finance Commission has blatantly transgressed into the domain of the NDC and the Planning Commission. Not only that, the Ninth Finance Commission has proceeded to estimate minimum Plan revenue expenditures following an arbitrary and artificial method. In arriving at the Plan financing deficits as well, the Ninth Finance Commission has made the arbitrary assumption that only 40 per cent of the post-devolution non-

Plan revenue surplus of the surplus States will be available towards financing the Plan revenue component[2].

Anomalies follow aggression and arbitrariness. Even taking the minimum Plan revenue expenditures (as arrived at by the Ninth Finance Commission) as the basis, it can be shown that their scheme of Plan deficit grants is irrational and inequitable. For this purpose, we reasonably assume that the entire non-Plan revenue surplus of the States (and not just 40 per cent of it) will be available, along with the Gadgil formula grant assumed by the Ninth Finance Commission for financing the Plan revenue outlay. This will mean that in the case of 3 out of the 10 States for which the Ninth Finance Commission has provided Plan deficit grants, viz., Andhra Pradesh, Punjab and Tamil Nadu, no Plan deficit grants will be required since their non-Plan revenue surpluses, if fully deployed for the purpose, along with the Gadgil grant would be more than adequate to finance their Plan revenue outlays. In the case of Andhra Pradesh, for instance, 48 per cent of the post-devolution non-Plan revenue surplus would be sufficient to meet the bill; in the case of Punjab the required proportion will be 44 per cent; and in the case of Tamil Nadu it will be only 41 per cent.

In the case of the other 7 States for which Plan deficit grants have been provided by the Ninth Finance Commission, Table 1 shows the deficit on the Plan revenue account (after netting out the post-devolution non-Plan surplus in full and the Gadgil grant) and the percentage of the deficit that is met in each case by the Ninth Finance Commission's Plan deficit grant. It will be seen that with reference to the deficits on the Plan revenue account, the incidence of the Plan deficit grants is highly skewed. The percentage of deficit financing is 74.79 for Bihar, 95.27 for West Bengal, 77.11 for Madhya Pradesh, 50.08 for Kerala and 50 per cent each for the 3 post-devolution non-Plan revenue deficit States namely, Orissa, Rajasthan, and Uttar Pradesh. There is thus a patent lack of equity in the Ninth Finance Commission's determination of Plan deficit grants.

In Table 3, we present two alternative schemes for arriving at Plan deficit grants which would have been more equitable. For this purpose, we assume that (a) post devolution non-Plan revenue surplus or deficits will be on the basis of the appropriate adjustments to strictly normative estimates as worked out in Table 2 (b) minimum Plan revenue expenditures are as worked out by the Ninth Finance Commission (c) the entire post-devolution non-Plan revenue surplus along with the Gadgil Plan grant will be available for meeting the Plan revenue outlay and (d) the total quantum of Article 275 grants for meeting non-Plan and Plan deficits provided by the Ninth Finance Commission will be maintained without any change.

The Ninth Finance Commission's scheme involves Rs. 1363.57 crore by way of non-Plan deficit grants and Rs. 8673.62 crore by way of Plan deficit grants adding upto a total sum of Rs. 10037.19 crore by way of Article 275 deficit grants. On the basis of the adjustments we have made (vide Table 2) non-Plan deficit grants required will be only Rs. 1162.44 crore. A balance of Rs. 8874.65 crore will accordingly be available for being allocated towards meeting deficits on the Plan account without any increase to the total quantum of Article 275 deficit grants on the non-Plan and Plan accounts.

The first alternative would be to fully apply this "sum available" of Rs. 8874.65 crore for meeting the "Plan deficits" of the 5 States (Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh) having such deficits and to distribute it among them in proportion to their Plan deficits. In this alternative, the Plan deficit grant will meet 81.96 per cent of the Plan deficit uniformly in each of the 5 States, this being the proportion of the sum available (Rs. 8874.65 crore) to the total of the Plan deficits (Rs. 10827.90 crore). This will be a strictly equitable solution.

The second alternative we have explored is also equitable but in a broader sense. It takes into account the fact that but for the Ninth Finance Commission's ingress into specific Plan deficit grants, all States could have benefited from shares in the sum available in accordance either with the formula for excise-sharing or the Gadgil formula, depending on whether the sum available is disposed of under the aegis of the Ninth Finance Commission or the Planning Commission. At the same time, the 5 Plan deficit States deserve special treatment. Combining these two considerations, our second alternative is based on distributing a portion of the sum available of Rs. 8874.65 crore to all 14 States with reference to their shares in basic union excise duties and allocating the balance as Plan deficit grants to the 5 Plan-deficit States such that in their case the total Plan-related transfer, secured through the extra excise-sharing and Plan deficit grants is a uniform percentage of the deficits on the Plan revenue account. As the calculations in the Annexure will show, the uniform percentage of Plan deficit financing that can be realised will be 59 per cent, a distinct improvement compared to only 50 per cent in the Ninth Finance Commission's dispensation for the most needy States viz., Orissa, Rajasthan and Uttar Pradesh. At the same time, this alternative ensures that the 9 surplus States do not go without any benefit at all. At the same time again, they altogether benefit only to the extent of 27.7 per cent of the sum available while they could have hoped to get 46 per cent under excise-sharing and 48.6 per cent under the Gadgil grant[3].

To sum up, the basic devolution scheme formulated by the Ninth Finance Commission is flawed in many respects. First, because the Commission has pre-empted and prejudiced the role of the National Development Council and the Planning Commission. Second, because the Ninth Finance Commission has not provided any convincing rationale from the planning point of view for arriving at its estimates of minimum Plan revenue expenditures. Third, because it has arbitrarily taken into account only 40 per cent of post-devolution non-Plan revenue surpluses as being available for Plan financing from the States. Fourth, because the Plan deficit grants recommended by the Ninth Finance Commission bear no rational or equitable relation to the deficits which they are designed to cover in part. These criticisms would hold good apart from, and in addition to, questions that could well be raised about the Ninth

Finance Commission's normative estimates of revenues and non-Plan expenditures, its determination of vertical tax sharing, and its criteria for the horizontal sharing of shareable taxes inter-se among the States.

In his remarkably forthright note of dissent, Justice A.S. Qureshi has referred to "the extreme casualness on the part of the Union government" towards the functioning of the Commission with reference to the delay in constituting it, the initial appointment of the Member-Secretary, his replacement at an advanced stage of the Commission's work and in leaving a Member's post unfilled for as many as ten months towards the end of the Commission's term[4]. The "casual attitude" seems to have persisted on the part of both the Union government and the Union Planning Commission despite the change in their composition. Otherwise, it is difficult to understand why they should have swallowed this Report (hook, line, and sinker) despite its patent infirmities involving both principles and procedures without subjecting it to a careful and critical examination. It will be interesting now to watch whether the Planning Commission and the Union government will be able to fit the dimensional magnitudes of the Eighth Plan within the procrustean framework laid down by the Ninth Finance Commission.

Notes

1. In this connection, the following extract from the speech of the Chief Minister of Tamil Nadu to the NFC (Madras, 24 February 1989) is highly relevant:

   "The terms of reference for your Commission have broken new ground in that you have been asked to assess the requirements of the States in their entire revenue account, both non-Plan and Plan. We are however not clear as to how you propose to take into account the Plan revenue expenditures of the States during the Eighth Plan period. These requirements will have to be derived with reference to the size of the Eighth Plan, the distribution of outlays between the Centre and various States and the scheme of financing in each case. On all these matters it has been the past practice for the States to be individually consulted by the Planning Commission and for the Centre to collectively consult them at the National Development Council. Pending such consultations, we believe that the Finance Commission should not include ad-hoc provisions for Plan revenue expenditures on the basis of its own exercises or even on the basis of exercises which it might undertake in collaboration with the Planning Commission at the official level. Moreover, at present, Central assistance for State Plans is being provided on the basis of the Gadgil formula which was approved as far back as 1968 in the National Development Council. This formula should not be set aside or modified as a by-product of the Finance Commission's report without the States being given a full opportunity to understand and to react to all the implications that might be involved".

2. It may be pointed out while adopting the NFC's estimates, that the 40 per cent limitation on the States' own contribution to Plan financing from its post-devolution non-Plan surplus has no practical implication in the case of 7 States. These consist of (a) 4 States viz., Gujarat, Haryana, Karnataka and Maharashtra whose surpluses are so large that they do not in any case qualify for Plan deficit grants and (b) the post-devolution non-Plan deficit States viz., Orissa, Rajasthan and Uttar Pradesh who have no surpluses whatever to contribute. It also makes only a marginal difference in the case of 3 other States viz., Punjab and Tamil Nadu (which have relatively large surpluses) and Kerala (because of its negligible surplus). Only 4 States viz., Andhra Pradesh, Bihar, Madhya Pradesh and West Bengal stand to gain with the extent of gain being: Bihar Rs 1545.09 crores; West Bengal Rs 949.06 crores; Madhya Pradesh Rs 736.79 crores; and Andhra Pradesh Rs 341.25 crores.

3. The logic of this alternative is the same as that of compensatory discrimination formulae in favour of 'backward classes' in educational and employment opportunities which combine reser-

vations for the disadvantaged with a measure of opportunities available to all under 'open competition'.

4. In the history of Finance Commissions, vacancies have arisen on three occasions in the past and were promptly filled up in each case: V.P. Menon on his resignation was replaced by V.L. Mehta (First Commission); G. Swaminathan replaced P.C. Bhattacharyya on the latter's death and added a supplementary minute to the report (Fifth Commission); Justice T.P.S. Chawla replaced Justice Sabyasachi Mukherjee, when he resigned to become a judge of the Supreme Court and contributed a minute of dissent along with G.C. Baveja (Eighth Commission). In the case of the Ninth Finance Commission, R. Keishing (former Chief Minister of Manipur) was appointed to replace Lal Thanhawla 10 months after the latter's resignation and served the Commission for less than a month before its winding up. Although Justice Qureshi has pointed out that it is humanly impossible for a person to understand the problems of the Centre and twenty-five States and take a decision thereon within such a short time "it is to Keishing's credit that he has left his imprint by securing the Ninth Finance Commission's endorsement for special assistance to Manipur for preserving and improving the Netaji/INA memorial in Moirang (Manipur) and for tackling jhoom cultivation in his State" (p. 14 of the report).

Annexure

x represents the portion of the sum available to be distributed on the basis of excise-sharing..

p_i (i=1 to 5) are the Plan grants to the 5 States, di are their Plan deficits and ei are their excise shares. Then the equations to be solved for the 5 States are di-x(ei)-pi = k(di) where k is a constant subject to $x + \Sigma pi$=sum available and p_i's having to be non-negative.

The actual equations will be:

1.	Bihar	$1203.45-x(.1330)-p_1 = k(1203.45)$
2.	Madhya Pradesh	$821.65-x(.0871)-p_2 = k(821.65)$
3.	Orissa	$1109.00-x(.0646)-p_3 = k(1109.80)$
4.	Rajasthan	$1920.80-x(.0666)-p_4 = k(1920.80)$
5.	Uttar Pradesh	$5773.00-x(.1885)-p_5 = k(5773.00)$
6.	$x+\Sigma pi = 8874.65$	

For p_i's to be non-negative, p_1 for Bihar (the State with the largest excise share in relation to its deficit) will have to be zero. The remaining 6 unknowns (x,k,p_2,p_3,p_4 and p_5) can then be solved from the 6 equations to yield x = 5356.71, k = .4080, p_2 = 19.53, p_3 = 310.46, p_4 = 780.31 and p_5 = 2407.75.

Table 1

Ninth Finance Commission's Scheme for Financing Deficits on Plan Revenue Account

(Rs crore)

States	Post devolution non-Plan surplus or deficit	Non-Plan deficit grant	Plan revenue grant (Gadgil basis)	Initial resources for revenue Plan financing	Minimum Plan revenue expenditure	Initial surplus or deficit	Plan deficit grant	Final surplus or' deficit	Proportion of initial deficit met by Plan deficit grant (per cent)
1. Andhra Pradesh	4289.22		947.00	5236.22	3345.20	1891.02	341.25	2232.27	
2. Gujarat	3957.94		435.00	4392.94	1779.20	2613.74	-	2613.74	
3. Haryana	2505.06		218.00	2723.06	844.40	1878.66	-	1878.66	
4. Karnataka	4670.09		476.00	5146.09	2206.40	2939.69	-	2939.69	
5. Maharashtra	11525.56		753.00	12278.56	3555.60	8722.96	-	8722.96	
6. Punjab	1400.45		258.00	1658.45	926.00	732.45	53.91	786.36	
7. Tamil Nadu	4296.04		648.00	4944.04	2454.00	2490.04	43.79	2533.83	
	32644.36		3735.00	36379.36	15110.80	21268.56	438.95	21707.51	

(Table 1 contd.)

(Rs crore)

States	Post devolution non-Plan surplus or deficit	Non-Plan deficit grant	Plan revenue grant (Gadgil basis)	Initial resources for revenue Plan financing	Minimum Plan revenue expenditure	Initial surplus or deficit	Plan deficit grant	Final surplus or' deficit	Proportion of initial deficit met by Plan deficit grant (per cent)
8. Bihar	2575.15		1267.00	3842.15	5045.60	-1203.45	1374.27	170.82	114.19
9. Kerala	2.29		486.00	488.29	1312.00	-823.71	412.54	-411.17	50.08
10. Madhya Pradesh	1227.98		942.00	2169.98	3528.80	-1358.82	1047.81	-311.01	77.11
11. West Bengal	1581.77		634.00	2215.77	3264.00	-1048.23	998.65	-49.85	95.27
	5387.19		3329.00	8716.19	13150.40	-4434.21	3833.27	600.94	86.45
12. Orissa	-528.48	528.48	493.00	493.00	1602.00	-1109.00	554.50	-554.50	50.00
13. Rajasthan	-486.49	486.49	552.00	552.00	2472.80	-1920.80	960.40	-960.40	50.00
14. Uttar Pradesh	-348.60	348.60	1891.00	1891.00	7664.00	-5773.00	2886.50	-2886.50	50.00
	-1363.57	1363.57	2936.00	2936.00	11738.80	-8802.80	4401.40	-4401.40	50.00
Total for 14 States	**36667.98**	**1363.57**	**10000.00**	**48031.55**	**40000.00**	**8031.55**	**8673.62**	**16705.17**	**62.21**

Table 2

Adjustments to Strictly Normative Estimates of Post Devolution

(Rs. crore)

States	NFC's modified estimates	Revenue improvement	Expenditure improvement	Total net improvement = (3+4)	NFC's adjustment	Strictly normative estimates = (2+6)	Appropriate adjustment	Appropriately adjusted Normative Estimatives (7 + 8)	Basis for appropriate adjust ment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Category I									
1. Bihar	2575.15	43.84	184.89	228.73	114.35	2689.50	-114.35	2575.15	No change with reference to NFC
2. Gujarat	3957.94	61.73	156.79	218.52	109.25	4067.19	-109.25	3957.94	-do-
3. Haryana	2505.06	179.32	154.05	333.37	166.70	2671.76	-166.70	2505.06	-do-
4. Maharashtra	11525.56	512.39	2523.24	3035.43	1517.70	13043.26	-1517.70	11525.56	-do-
5. Punjab	1400.45	273.57	924.84	1198.41	599.20	1999.65	-599.20	1400.45	-do-
Category II									
6. Tamil Nadu	4296.04	797.92	-342.01	455.91	227.95	4523.99	-227.95	4296.04	-do-

Table 2(Cont.)

(Rs. crore)

States	NFC's modified estimates	Revenue improvement	Expenditure improvement	Total net improvement = (3+4)	NFC's adjustment	Strictly normative estimates = (2+6)	Appropriate adjustment	Appropriately adjustted Normative Estimatives (7 + 8)	Basis for appropriate adjust ment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Category III									
7. Orissa	-528.48	68.07	-113.27	-45.20	-	-528.48	+22.60	-505.88	Add 50% of 45.20
8. Uttar Pradesh	-348.60	801.30	-959.76	158.45	-	-348.60	+79.23	-269.37	Add 50% of 158.45
Category IV									
9. Andhra Pradesh	4289.22	-295.94	1031.66	735.72	367.85	4657.07	+811.77	5468.84	Add 295.94 and 50% of 1031.66
10. Karnataka	4670.09	-28.08	258.73	230.65	115.35	4785.44	+157.45	4942.89	Add 28.08 and 50% of 258.73
11. Kerala	2.29	-363.43	720.77	357.34	178.70	180.99	+723.82	904.81	Add 363.43 and 50% of 720.77
12. Madhya Pradesh	1227.98	-462.26	150.81	-311.45	-	1227.98	+537.67	1765.65	Add 462.26 and 50% of 150.81
13. West Bengal	1581.77	-296.12	917.44	621.32	310.65	1892.42	+754.84	2647.26	Add 296.12 and 50% 917.44
Category V									
14. Rajasthan	-486.49	-296.87	-395.16	-692.03	-	-486.49	+99.29	-367.19	Add 296.87 and 50% of (-395.16)

Table 3
Alternative Schemes for changing Plan Deficits

(Rs. Crores)

States	Post devolution Non-Plan surplus or deficit 1/	Non-Plan deficit grant	Plan revenue grant (Gadgil)	Initial resources for revenue Plan financing	Minimum Plan revenue expenditures	Initial surplus or deficit	Alternative I [2/] Plan deficit grant	Alternative I [2/] Final surplus or deficit	Alternative I [2/] Excise shares	Alternative II [3/] Plan deficit grant	Alternative II [3/] Total assistance for Plan	Alternative II [3/] Final surplus or deficit
(1)	(2)	(3)	(4)	(5) (2+3+4)	(6)	(7) (5-6)	(8)	(9) (7+8)	(10)	(11)	(12) (10+11)	(13) (7+12)
1. Andhra Pradesh	5468.84		947.00	6415.84	3345.20	3070.64	-	3070.64	462.82	-	462.82	3533.46
2. Gujarat	3957.94		435.00	4392.94	1779.20	2613.74	-	2613.74	205.69	-	205.69	2819.43
3. Haryana	2505.06		218.00	2723.06	944.40	1878.66	-	1878.66	71.24	-	71.24	1949.90
4. Karnataka	4942.89		476.00	5418.89	2206.40	3212.49	-	3212.49	265.16	-	265.16	3477.65
5. Kerala	904.81		486.00	1390.81	1312.00	78.81	-	78.81	199.27	-	199.27	276.08
6. Maharashtra	11525.06		753.00	12278.06	3555.60	8722.46	-	8722.46	334.80	-	334.80	9057.26
7. Punjab	1400.45		258.00	1658.45	926.00	732.45	-	732.45	87.85	-	87.85	820.30
8. Tamil Nadu	4296.04		648.00	4944.04	2454.00	2490.04	-	2490.04	411.93	-	411.93	2901.97
9. West Bengal	2647.26		634.00	3281.26	3264.00	17.26	-	17.26	426.40	-	426.40	443.66
	37648.35		4855.00	42503.35	19686.80	22816.55		22816.55	2465.16	-	2465.16	25281.71

Table 3(Cont..)

	States	Post devolution Non-Plan surplus or deficit	Non-Plan deficit grant	Plan revenue grant (Gadgil)	Initial resources for revenue Plan financing	Minimum Plan revenue expenditures	Initial surplus or deficit	Plan deficit grant	Final surplus or deficit	Excise shares	Plan deficit grant	Total assistance for Plan	Final surplus or deficit
	(1)	(2)	(3)	(4)	(5) (2+3+4)	(6)	(7) (5-6)	(8)	(9) (7+8)	(10)	(11)	(12) (10+11)	(13) (7+12)
10.	Bihar	2575.15		1267.00	3842.15	5045.60	-1203.45	986.40	-217.05	712.44	-	712.44	-491.01
11.	Madhya Pradesh	1765.15		942.00	2707.65	3528.80	-821.65	673.05	-148.60	466.57	19.53	486.10	-335.55
12.	Orissa	-505.88	505.88	493.00	493.00	1602.00	-1109.00	908.99	-200.01	346.04	310.46	656.50	-452.50
13.	Rajasthan	-387.19	387.19	552.00	552.00	2472.80	-1920.80	1574.38	-346.42	356.76	780.31	1137.07	-783.73
14.	Uttar Pradesh	-269.37	269.37	1891.00	1891.00	7664.00	-5773.00	4731.83	-1041.17	1009.74	2407.75	3417.49	-2355.51
		3177.86	1162.44	5145.00	9485.30	20313.20	40827.90	8874.65	-1953.25	2891.55	3518.05	6409.60	-4418.30
Total for all 14 states		40826.2	11162.44	10000.00	51988.65	40000.00	11988.65	8874.65	20863.30	5356.71	3518.05	8874.76 4/	20863.41

1/ Based on Col. (9) of Table 2.

2/ Vide para 12 of the note.

3/ Vide para 13 of the note and the Annexure.

4/ Differs slightly from total in Col. (8) due to rounding off.