

ANNUAL REPORT

For the Year 1976 - 77

NATIONAL INSTITUTE OF PUBLIC
FINANCE AND POLICY

NEW DELHI

REPORT OF THE ACTIVITIES OF THE NATIONAL INSTITUTE
OF PUBLIC FINANCE AND POLICY DURING THE FINANCIAL
YEAR 1976-77

Establishment of the Institute The National Institute of Public Finance and Policy was registered as a society under the Indian Societies Registration Act, (XVI) of 1860 on 5th day of April, 1976, with Shri P.N. Haksar, Dr. B.K. Madan, Dr. D.T. Lakdawala, Dr. N.C. Mehta, Dr. I.S. Gulati, Mr. I.Z. Bhatti and Dr. R.J. Chelliah as Founder Members. Shri P.N. Haksar was unanimously elected as Chairman of the Society and its Governing Body.

The main objectives of the Institute are:

- a) Continuous study of the fiscal system and measurement of the effects of the budgetary policy on the economy;
- b) Training of officials of the Union, State and Local Governments; and
- c) Operational (advisory and research) work at the request of Governments.

In order to ensure objectivity and scope for the expression of independent opinion, it was decided to establish the Institute as an autonomous organisation. However, since the Institute was to be engaged mainly in work relating to the public sector, it was necessary also to ensure that it would be responsive to the needs and requirements of Governments. The constitution of the Governing Body was, therefore, so devised as to ensure a balance of interests, namely, Central and State Governments, public institutions, private sector institutions and academic opinion. The provisions relating to the composition of the Governing Body are reproduced in annexure I. The names of the present members of the Governing Body are given in Annexure IV. It would be seen that the Ministry of Finance, Government of India, the Planning Commission and Reserve Bank of India are represented on that Body, which can have a maximum of 20 members.

As regards finances, it was envisaged that while Government of India would support the activities of the Institute through an annual recurring grant of Rs. 5/- lakhs, the Institute would build up an Endowment Fund through contributions mostly from the major State Governments, public institutions and two apex bodies representing the private sector. In addition, it was expected that part of the recurring expenditure would be covered by the fees received for projects carried out at the request of different Governments.

Recruitment of Staff and Arrangement of Accommodation. Although the Institute was registered as a society early in April, the grant from the Government of India was received only towards the end of May 1976. Hence actual work could start only from June 1, 1976, on which date Dr. R.J. Chelliah was formally appointed Director of the Institute for a term of five years. During the next three months a core office staff was recruited, and rules and regulations for the functioning of the Institute were formulated and got approved by the Governing Body. Simultaneously, advertisements were placed in newspapers for professional positions.

During these months the office of the Institute was located in two rooms in Yojana Bhavan kindly made available by the Planning Commission on a purely temporary basis.

The Director carried on negotiations with the authorities of the Jawaharlal Nehru University to obtain some accommodation for the Institute for a period of two/three years in the expectation that ultimately the Institute would get affiliated to that University. However, owing to increased internal demand for additional space, the University was unable to help the Institute. As soon as this decision was known, attempts were launched to secure adequate hired accommodation in a locality not far from the Government offices. As Delhi Administration had by then banned the hiring of accommodation in residential areas by Institutes or commercial establishments, accommodation had to be found only in the so-called commercial places. Finally, in September/October 1976, around 4000 sq.ft. of space was acquired on rent in Building No. 12, in Rajendra Place on Pusa Road. The office of the Institute was shifted to this building in the middle of October 1976.

As in all these commercial places halls and flats are hired out without any electrical fittings or fixtures or any partitions, the Institute itself had to spend time and money on getting the necessary partitions erected and on buying and fixing electrical fittings like lights and fans.

About the time the Institute shifted to its present location at Rajendra Place, some professional staff members at the middle level were also recruited and plans were made for building up a Library and starting research work. By the end of October 1976, the first stage of establishing the Institute could be said to have been completed.

Corporate
Membership

Before embarking on research work on a large scale it was necessary to strengthen the Institute's link with the State Governments and other interests involved in State Govts, Municipal Corporations, public financial Institutions, commercial banks, joint stock companies and societies as institutions which are interested in the objects of the society, companies

could become its corporate members, and further that such of those State Governments as are willing to make a contribution to the endowment of the Institute amounting to a sum not less than Rs. 3 lakhs would be designated as Sponsoring Members and would be eligible for representation on the Governing Body through a system of rotation. A sustained effort was undertaken by the Chairman and the Director to enroll all the State Governments as corporate members of the Institute. It is a matter for gratification that 11 State Governments have become Sponsoring Members and all the other State Governments and most of the Union Territories have become ordinary corporate members. The list of sponsoring and corporate members is given in annexure II.

The Plan of financing the activities of the Institute included the building up of an Endowment Fund. As already indicated, 11 State Governments have made contributions to the Fund. The Industrial Credit and Investment Corporation of India has made a contribution to the endowment of Rs. 3 lakhs with the promise that an additional Rs. 2 lakhs will be given at the end of two years. As regards the private sector, the Federation of Indian Chambers of Commerce and Industry has made a contribution of Rs. 5 lakhs, and the Associated Chambers of Commerce and Industry of India have promised a similar contribution. The total contributions to the Endowment Fund received to date amount to Rs. 43.5 lakhs.

As
and

According to the recommendation of the Finance Sub-Committee of the Governing Body, moneys received into the Endowment Fund have been invested mostly in long-term deposits with nationalised banks; a small proportion has been placed with a certain number of reputed public limited companies.

Income Tax
Exemption and
Approval under
Section 35
(1) (iii)

In order that the income of the Institute from sources other than the grant-in-aid from the Government of India may not become taxable, it was necessary to obtain the status of being exempt from income-tax. Towards this end, the Institute was first registered under Section 12-A of the Income-Tax Act as a Charitable Organisation. Meanwhile, almost all the State Governments and Union Territories became corporate members of the Institute. In view of this, we applied to the Central Board of Direct Taxes for recognition as an Institute of national importance under Section 10 (23C) (iv) of the Income-Tax Act so that the income accruing to the Institute through interest on endowment, projects fees, etc. would be exempt from taxation. This recognition was granted by the Board vide their notification No. 1419 (F. No. 197)80/76-IT (AT) dated 31 July 1976. Simultaneously we applied for approval of the Institute under Section 35 (1) (iii) of the Income-Tax Act so that donations made to the Institute may qualify for income-tax exemption. Since such approval is granted on the recommendation of the Indian Council of Social Science Research (I.C.S.S.R.), it also serves the purpose of obtaining the status of an Institution which is, in a sense, recognised by the I.C.S.S.R. The Institute has been promised a limited number of scholarships by the I.C.S.S.R., on the basis of which Ph.D. and other scholars could be admitted to the Institute for carrying on research in the area of public finance.

Professional Staff

Two Fellows, three Senior Economists and three Economists, two Econometricians and two Research Assistants are now in position. One Senior Fellow and an additional Senior Economist are expected to join shortly. With this the Institute would have recruited the core professional staff needed for carrying on its basic activities. Further recruitment would depend on growth and demand for our services. The names of the present Faculty members are given in Annexure V.

Research Activities

At the very outset, the Institute was asked to undertake work on behalf of the Indirect Taxation Enquiry Committee. Two major projects given by the Committee are: a) Measurement and analysis of the income elasticity of the major indirect taxes in India; b) Measurement of the incidence of indirect taxes on the various expenditure groups in the rural and urban areas. Work on these two projects has been progressing satisfactorily, and the first project is nearing completion. The incidence study is expected to be completed by the end of June 1977. Besides the above

two projects, the Institute has undertaken on its own a project on the Impact of Personal Income Taxation on Income Distribution. Two other projects on the anvil are on The Growth of Central Government Expenditure and a Study of the Corporation Tax in India. The latter is expected to be a full-fledged study which would result in a standard book on the subject. Concurrently, work is also being done on major issues in federal finance and on value added taxation. Publications on these two topical subjects will be brought out during the course of the year.

Work for the
State
Governments

The Institute has been in touch with several State Governments in order to gauge their needs and to invite their cooperation in building up a service centre in relation to state finances. On the basis of our discussions with the State Governments, a programme of activities in the sphere of state finances has been drawn up. Meanwhile, the Institute has received requests for assistance on tax matters. Negotiations are being conducted with the Government of Assam for a tax survey of the State. The Sales Tax Enquiry Committee appointed by the Punjab Government also has asked the Institute to help it in its work; in the first instance the Institute helped the Committee to prepare a comprehensive questionnaire.

State Governments in general have agreed that the Institute should be a depository for State tax laws and rules and notifications relating to the laws. We are requesting all the State Governments to make arrangements for the automatic despatch of all amendments to laws and notifications to the Institute. On the basis of the information so collected, the Institute would publish a bi-annual newsletter on State taxes. *Six monthly*

The Institute also plans to act as a forum for the exchange of information and experiences among State Governments. In this connection, the Institute is shortly organising a workshop on computerisation of sales tax data, the object being to make available the experiences of the States that have already introduced computerisation to other States and to promote uniformity in input forms and the nature of computer output.

Specialised
Public
Finance
Library

One of the important objectives of the Institute is to build up a specialised public finance library in the country. Data on the entire public sector including the finances of the Central, State and Local Governments would be brought together for use by Governments as well as individual scholars. Besides, the Institute would build up a collection of standard books on public finance and taxation published in India as well as abroad. Leading public finance and tax journals in the world will also be obtained for the Library. The list of journals to which the Institute is subscribing is given in annexure III. Orders have also been placed for back numbers of some of these journals dating from the year 1960. For obtaining books published abroad without undue delay, the Institute has obtained an import licence and has entered into arrangements with the Economists' Bookshop in London.

Conclusion

The Governing Body wishes to place on record its sincere appreciation of the advice and help extended by the Chairman, Shri P.N. Haskar, and of the devoted work put in by the staff. We must not fail to mention here the significant contribution made by the Director in the establishment of the Institute. He has not only provided sound academic leadership but has also worked tirelessly in other areas in order to build the necessary infra-structure for future growth. We wish to thank the Central and State Governments and other corporate members for their goodwill and co-operation. We hope that they would agree with us that the past year has been one of solid achievements.

For and on behalf of the
Governing Body Members

Sd/-

(P.N. Haskar)
Chairman

Sd/-

(H.N. Ray)
Member

Sd/-

(B.K. Madan)
Member

Sd/-

(H.P. Nanda)
Member

Sd/-

(S.K. Rau)
Member

Sd/-

(R.J. Chelliah)
Member-Secretary

RJC/ad

New Delhi
26.4.72

COMPOSITION OF THE GOVERNING BODY

- (i) Two nominees of the Ministry of Finance, Government of India;
- (ii) One nominee of the Reserve Bank of India;
- (iii) One nominee of the Planning Commission, Government of India;
- (iv) Three nominees of sponsoring State Governments; if the total number of sponsoring State Governments should exceed three, the sponsoring State Governments to be represented shall be chosen in rotation bi-annually in the order in which they become members;
- (v) One nominee of a municipal corporation to be chosen in rotation annually from among such corporations who have become corporate members and have made a contribution of at least Rs.1 lakh to the endowment of the Institute, in the order in which they become members;
- (vi) One nominee of the Industrial Credit and Investment Corporation of India;
- (vii) Two nominees of other institutions who contribute not less than Rs.5 lakhs to the endowment of the Institute. If there are more than two such institutions, their nominees will hold membership of the Governing Body in rotation every two years;
- (viii) Three eminent economists, taxation experts or researchers/professors in the field of public finance;
- (ix) Not more than three representatives of collaborating, or affiliating, learned and scientific societies including research institutions to be co-opted by the Governing Body;
- (x) One member to be co-opted by the Governing Body; and
- (xi) The Director of the Institute (ex-officio) who will be the Secretary of the Governing Body;
- (xii) Chairman of the Society who will also be the Chairman of the Governing Body.

ANNEXURE - II

LIST OF SPONSORING AND ORDINARY CORPORATE
MEMBERS

A. Sponsoring Members

States

1. Andhra Pradesh
2. Assam
3. Gujarat
4. Karnataka
5. Kerala
6. Maharashtra
7. Orissa
8. Punjab
9. Rajasthan
10. Uttar Pradesh
11. West Bengal

Others

1. Associated Chambers of Commerce & Industry of India
2. Federation of Indian Chambers of Commerce and Industry
3. Industrial Credit and Investment Corporation of India Limited

4

B. Ordinary Members

States/Union Territories

1. Arunachal Pradesh
2. Bihar
3. Chandigarh
4. Delhi
5. Goa, Daman & Diu
6. Haryana

7. Himachal Pradesh
8. Jammu & Kashmir
9. Madhya Pradesh
10. Meghalaya
11. Manipur
12. Nagaland
13. Pondicherry
14. Sikkim
15. Tamil Nadu
16. Tripura

Others

1. Coal India Limited
2. Hindustan Lever Limited
3. Indian Overseas Bank
4. Silk and Art Silk Association
5. State Bank of India
6. Visvesvaraya Centre for Management Studies

LIST OF JOURNALS IN THE INSTITUTE'S LIBRARY

INDIAN

1. Anvesak
2. Artha Vijnan
3. Economic & Political Weekly
4. Indian Economic Journal
5. Indian Economic Review
6. Journal of Income & Wealth
7. Prajnan
8. Reserve Bank of India Bulletin
9. Sankhya in 3 series
10. Taxation

FOREIGN

11. American Economic Review
12. British Tax Review
13. Bulletin for International Fiscal Documentation
14. Canadian Tax Journal
15. Economic Journal
16. IMF Staff Papers
17. Journal of Economic Literature
18. Journal of Public Economics
19. National Tax Journal
20. Public Finance
21. Public Finance Quarterly
22. Review of Income & Wealth
23. African Tax system
24. Corporate Taxation in Latin America
25. Taxation of Companies in Europe
26. Value Added Taxation in Europe

] Loose leaf service

Annexure IV

National Institute Of Public Finance and Policy

Members of the Governing Body
as on 31.3.77

- | | |
|---|----------|
| 1. Shri P.N. Haksar
Deputy Chairman
Planning Commission
Yojana Bhavan
New Delhi-110 001. | Chairman |
| 2. Prof. D.T. Lakdawala
Department of Economics
University of Bombay
Vidyanagar
C.S.T. Road
Kalina
Bombay-400 029 | Member |
| 3. Dr. L.S. Gulati
Fellow
Centre for Development Studies
Trivandrum-11 (Kerala) | Member |
| 4. Dr. B.K. Madan
Chairman
Management Development Institute
A-21, Palam Marg
Vasant Vihar
New Delhi-110 057. | Member |
| 5. Shri H.N. Ray
Finance Secretary
Ministry of Finance
Government of India
North Block
New Delhi-110 001. | Member |
| 6. Dr. Manmohan Singh
Secretary
Department of Economic Affairs
Ministry of Finance, Government of India
North Block
New Delhi-110 001. | Member |

7. Dr. K.S. Rau
Secretary
Planning Commission
Yojana Bhavan
New Delhi-110 001. Member
8. Shri I.Z. Bhatt
Deputy Director-General
National Council of Applied
Economic Research
Parisila Bhavan
11, Indraprastha Estate, New Delhi-110 001. Member
9. President
Federation of Indian Chambers
of Commerce and Industry
Federation House
New Delhi-110 001. Member
10. Shri H.P. Nanda
President
Associated Chambers of Commerce
and Industry
Allahabad Bank Building
Parliament Street
New Delhi-110 001. Member
11. Shri S.P. Bagla
Secretary to Government
Punjab Finance Department
Punjab Government
Punjab Civil Secretariat
Chandigarh Member
12. Shri M.S. Sadasivan
Financial Commissioner
Government of Rajasthan
Rajasthan Secretariat
Jaipur. Member
13. Shri B.B. Tandon
Commissioner and Secretary
Finance Department
Government of Uttar Pradesh
Lucknow. Member

National Institute Of Public Finance and Policy

List of Faculty Members

Annexure V

Sl No.	Name	Qualifications	Designation
1.	R.J.Chelliah	M.A. Ph. D	Director
2.	V.D.Lal	M.A. Ph. D	Senior Fellow
3.	Anupam Gupta	M.A. Ph. D	Fellow
4.	M.C. Purohit	M.A. Ph. D	Fellow
5.	R.N. Lal	M.Com. Ph. D	Senior Economist
6.	P.B. Nayak	M.A. Ph. D	Senior Economist
7.	Shyam Nath	M.A. Ph. D	Senior Economist
8.	K.K. Atri	M.A.	Econometrician
9.	J.V.M. Sarma	M.A.	Econometrician
10.	Pawan kumar Aggarwal	M.Sc.	Economist
11.	Miss Ranjana Ghoshal	M.A.	Economist
12.	Miss Sushama Shende	M.A.	Economist
13.	S. Gopalakrishnan	M.A.	Research Assistant
14.	Miss Sumita Sengupta	M.A.	Research Assistant