

**Growth of Revenue and Expenditures of the States in  
Indian Federation ~~A~~ Comparative Study of  
Three Indian States**

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CERTIFICATE

This is to certify that the dissertation entitled, " Growth of Revenue and Expenditures of The States in Indian Federation - A Comparative Study of The Three Indian States," submitted by Miss Madhu Bala to The Centre For The Study of Regional Development, Jawaharlal Nehru University, New Delhi, in partial fulfilment of the requirements for the Degree of Master of Philosophy, is a bonafide work. No part of this dissertation has ever been submitted for any other degree in this University or any other University.

We recommend the dissertation to be placed before the examiners for evaluation.

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## CHAPTER - I

### FEDERALISM IN GENERAL

Federations are varied to such an extent in practice that it becomes indeed difficult to make out a simple theory of federalism. That is perhaps the reason that federalism has been defined in different ways. In the classical sense, it meant a federal structure which was the outcome of the merger of a number of separate states into a single sovereign state. This type of federation is practiced by the governments of USA, Canada, Australia and Switzerland and with slight variations by such other states as India, Pakistan, Malaya, Nigeria, Central Africa and West Indies in modern times.

Federalism may also mean diffusion of powers and functions within a unitary political structure. France has considered federalism to be synonymous with this type of decentralization. Moreover, in communist states such as USSR and Yugoslavia, it seems to be the operative meaning of the term.

Yet another meaning given to the term 'federation' is the linking together of some sovereign states by a resolution or treaty for some specific economic or defence



purposes. In Europe, federalism, has been used in this very loose sense.

In brief, whatever is meant by federation the colophon is that under a federal system there are numerous layers of government which include the central government; state government and sub-divisions within the state. All these various levels of government have varying degrees of political powers to supply public services and raise revenues. These various governments relate and interact in various ways: some are formal, others informal; some are continuing, others adhoc; some involve transfer of money, other do not; some are horizontal between the governments on the same level, others are vertical; most are managed, but some are beyond control or even beyond the knowledge of governments. <sup>1</sup>

There is an interminable controversy regarding federalism. Those who criticise it are of the view that "federalism, with its divided loyalties means a weak government; the entrenchment of conservatism and hampering of state activity

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1. Werner Z. Hirsch, Economics of State and Local Governments, 1970. p. 110.

by an insufficiently flexible machinery of government".<sup>2</sup> In contrast, the defenders of federalism argue that 'it has been sufficiently fertile in expedients to get around the rigidities imposed by the constitution'.<sup>3</sup> Infact, federalism still possesses many of the merits originally claimed for it as the right form of government for people of multinational states, who wish to be united without being too much united. Rather, there are always the situations, where there can be no other alternative form of government, where a federal union with weak government is better than no political union at all.

Division of powers and functions among different layers of government is the fundamental characteristic of federalism. In fact, writers like Wheare have considered federalism in consonance with division of powers between central and regional governments in such a way that each government operates independently in its own sphere. According to him, "By federal principle, I mean a method of dividing powers so that the central and regional governments are, each within their own sphere, coordinate and independent".<sup>4</sup>

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2. A.V. Dicey(1931), Introduction to study of the law of the constitution; quoted in U.K. Hicks, Federalism and Economic Growth, 1963 p. 18.
  3. F.G. Carnell in Hicks', Ibid., p. 19
  4. K.C. Wheare, Federal Government; 3rd ed., 1953 pp. 252-60.

Birch improving upon Wheare and making it more in line with reality explains that,

" A federal system of government is one in which there is a division of powers between one general and several regional authorities; each of which in its own sphere, coordinates with others and each of which act directly on the people through its own administrative agencies." <sup>5</sup>

This allocation of functions may differ from country to country. Nevertheless, it requires that each strata of federal government, whether central, state or local should obtain those functions which it can perform properly. Accordingly, functions of national importance are generally assigned to centre while that of local or regional importance to state or regional governments.

Therefore, 'efficiency criterion' <sup>6</sup> is the best solution for optimal division of functions and responsibilities among different governments within a federal set-up.

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5. A.H. Birch, Federalism, Finance and Social Legislation in Canada, Australia and the United States, Oxford, 1955 p. 306.

6. See : David N. Hymn, Economics of Government Activity, 1973. Ch. 12, p. 279.

It follows that central government should take responsibilities of national and international importance that it can perform most efficiently relative to other levels of government such as national defence services, social insurance services, foreign trade, etc .

Similarly political process is most efficient when individuals or relatively similar preferences congregate at local or state level, where the preferences can best be satisfied, however, the decision-making powers are likely to be low at this lower levels of government. Complications can arise when the benefits of local public services produced by a particular political jurisdiction spread over the neighbouring jurisdictions. Similarly, conflicts may also arise when the benefits of local public services are obtained within the same unit but part of the costs are incurred by the neighbouring units. These .. types of conflicts require inter-governmental cooperation. But if it is not possible, then to resolve them urgently, the situation demands the intervention of some upper layer of government.

Inanut-shell, "whatever concerns the nation as a whole

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7. R.L. Watts - New Federations, p. 180.

principally external relations and inter-regional activities, should be placed under the control of the central government and that all matters which are primarily of regional rather than common interest should remain in the hands of the regional government." <sup>7</sup> In practice, however, as we know, in this inter-dependant world of functions and responsibilities of various levels of governments as well as different sub-sets themselves are not demarcated on pure economic grounds. This results in the benefits as well as the costs spilling over to the neighbouring regions. The end result of this is the misallocation of resources.

Allocation of functions give way to the allocation of resources between centre and the state governments. This is the very basis or rather the essence of federalism. However, the allocation of resources is a very difficult task, perhaps more difficult than the allocation of functions. Quite often, the functions and resources tend to overlap. Moreover, in a dynamic world of ours they go on changing.

Adarkar <sup>8</sup> lays down three principles which should govern

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8. B.P. Adarkar, Principles and Problems of Federal Finance, P.S. King, London, 1933, p.

the working of federal finance. These principles are of independence and responsibility, adequacy and elasticity, and, administrative economy and efficiency. By independence and responsibility, he meant that central and state governments, in their own independent sphere should carry out their exclusive functions. Besides this, each government should take the responsibilities of taxing, borrowing and raising resources in their respective jurisdictions for performing their respective functions.

By adequacy and elasticity is meant that the resources of central and state governments should be adequate to discharge the assigned functions and duties. Moreover, there should be elasticity in the accrual of financial resources. It means that resources should be capable of expansion or contraction according to the changing needs of the concerned governments. Another principle, that should operate for the successful centre-state financial relation, requires that administrative cost should be minimum in fulfilling the obligations laid upon them with efficiency.

But Adarkar's first two principles seem to have lost their appeal in today's world with growing inter-dependence

and growth awareness, however, third maxim has some meaning to new federations.<sup>9</sup>

When is the federalism most appropriate to follow? In other words, is it the best solution in all types of circumstances. The answer to such a question lies in the fact that the areas, characterized by the extreme cultural and ethnic diversity and by the regional economic inequalities, which have resulted from the western economic development, federalism naturally comes as a political and economic panacea.

Federalism is advocated in under developed countries on economic and political grounds. A clear distinction between them is not always easy to make. A political argument dominates where the regions are thought to be either too large or have too many cultural and ethnic diversities for the successful adoption of unitary government. That is why, it can be said that "a federal situation is a highly delicate balance of coordinating and conflicting forces,"<sup>10</sup> applicable to some peculiar circumstances.

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9. Amal Ray, Inter-Governmental Relations in India, 1961 pp. 61-62.

10. See. Carnell in Hicks, op.cit. p. 24

### Issues of Federal Finance

Federalism is an attractive solution from the point of view of developing areas. Through this, they can manage their own affairs without too much interference and still can have the advantage of common market. It is a political solution, adopted to fulfil such ends which are always partly and sometimes predominantly economic. The accomplishment of these ends will depend on the nature of the constitutional arrangements, on the policies of political leaders, and on the way with which the opportunities available are utilized. In spite of their economic performance, however, these constitutional provisions cannot be determined or judged simply by economic criteria. In fact political considerations play a large part in shaping the financial provisions of federal constitution. It is, rather a complicated subject in which much depends on the particular circumstances of each federation.

All the federations face some sort of common problems and they are very tricky indeed. Moreover, these problems are merely of the same kind as already experienced in older federations. In the newer situation each issue become more and more complicated and assumes extreme urgency. Since similar problems arising in older federations were dealt with



one by one, over a period of several decades, while they tend to arise all at once in newer federations. Thereby, making it more difficult to distinguish the urgency of one from that of the other. A few problems faced by new as well as old federations may well be "listed under six general headings : tax distribution, grant distribution; loan-coordination, social services, economic development and settlement of inter-governmental disputes." 11

In a federation there is multiplicity of taxation and spending operations, because there is multiplicity of governments. So the foremost problem that arises, as pointed out earlier, 12 is the division of functions. The reason being that the complete divisions of functions is not possible. As Bombwall pointed out, "It is no longer possible to lay down a distribution of powers in such a way as to place subjects of government action neatly into two separate boxes. Whether the straight forward dichotomy, assumed in the dualistic conception of federation, was possible even in 18th century, is doubtful. Today, it is

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11. R.L. Watts; Inter-governmental financial institution in Hicks; op. cit. p. 138.

12. ~~see~~ pp. 3-4.

out of question. <sup>13</sup> This results in the adoption of a concurrent list in modern era. However, it should be noted that adjustment in the discharge of functions in the concurrent list may be possible in the initial stage of a federation but it will be difficult at a later stage. As Birch pointed out, "The tremendous growth of concurrent powers, in the last part of the nineteenth century and during this century, has brought an overlapping of governmental functions so that it is difficult to see the various levels of government restricted to their own spheres." <sup>14</sup>

Division of functions is followed by the problem of division of resources. In most of the federations, it is seen that there is a problem of fiscal imbalance. To be more precise, it is found that the best and the most elastic taxes are often, kept with the central government. On the other hand, it has been variously pointed out that the sources of revenue of the states are pretty inelastic while they usually have to carry the most important and costly responsibilities with them. For

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13. K.R. Bombwall, Foundations of Federalism in India, 1967, p. 20.

14. A.H. Birch, op. cit. pp. 290-91

example, education is by far the most costly social service that a state is enjoined upon to provide. Moreover, the demand for education keeps on rising. " Thus authorities suitable to perform certain services do not get the fiscal capacity to perform them best." <sup>15</sup> In brief, "allocation of functions, may create problems in the allocation of resources between central and state governments corresponding to their requirements". <sup>16</sup>

Still further, the problem of fiscal imbalance aggravates as the process of development takes place. "The very process of planned development entails increased revenues to the centre and greater liabilities to states, since the growth of production in organized industry, automatically broadens the resource base of the centre while increasing the need for social services which are the liability of the states." <sup>17</sup> In this way the dependence of states on the centre for large financial assistance for carrying out their

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15. K. Venkataraman; State Financing In India, p. 20

16. B.P. Tyagi, Public Finance, thirteenth, ed. 1984 p. 622.

17. Memorandum for the fourth finance commission, Government of Madras, 1965, p. 2 in K. Venkataraman, op. cit.

allocated functions increase. It results either in the possible danger of compromise with their autonomy or may suffer from lower standards of responsibilities performed.

Then comes the problem of regional imbalance in a federation. This imbalance is the product of differences in the levels of economic development which lead to marked disparities in income and wealth of the constituent units. The inter-regional imbalance may stand in the way of attaining the welfare state. Thus, in a federation which is involved in a process of growth, the problem is of promoting inter-regional balance in such a way that it does not affect the rate of economic growth.

Finally, we have the administrative problem which has to do with the multiplicity of taxing and spending authorities in a federation. The overlapping and conflict of tax jurisdictions among the various layers of authority may lead to immense inconvenience and increase in the cost of tax administration.

So, whatever may be the degree of problems, success depends upon having stable government in the centre and in

most of the states and upon the efficient solutions of these problems, adjusted with the changes in circumstances.

### Dealing With Fiscal Imbalances.

In a federation, it is required that sufficient revenue should be provided to the states to discharge their assigned responsibilities. For that, the best possible solution is, that state governments should have the exclusive powers to levy and appropriate suitable taxes. It needs to be emphasized that the cost of tax collection should be lower at the state level than at the national level. In most situations, the above requirements are not fulfilled. Accordingly, most often, the state governments have to depend on shared taxes and grants from the federal government.

#### i) Revenue Sharing:

An alternative form of inter-governmental cooperation, is direct revenue sharing. It means federal government keeps with itself the responsibility of raising revenue and allocates the funds among state and local government on the basis of pre-determined norms which may not specify any conditions for the expenditures. This type of "unconditional revenue

sharing would not be as effective as categorical grants-in-aid. But it would increase the powers of state and local governments to supply their own public services without competitive effects of local taxation".<sup>18</sup>

Many methods<sup>19</sup> have been defined for revenue sharing. The quota of revenue shared between the states may either be based on some particular criterion such as amount of tax collection<sup>20</sup> population size etc. or through an agreement<sup>21</sup> between the federal and state governments. Moreover, the states may also be allowed to add their own percentage tax rates with federal tax rates.<sup>22</sup>

Revenue sharing has been termed both a method for solving the fiscal crisis currently faced by many states

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18. David N. Hymn op.cit. p. 295

19. See. Prest; Public Finance in Underdeveloped Countries, 1962; Lady Ursula Hicks, Federal Finance in a developing Economy, FMU occasional papers, II PA, 1971; A.C. Angrish; some issues of federal finance in Centre-State Financial Relations; Indian Economic Conference Bodh Gaya, Popular, Bombay, 1972.

20. Found in Nigeria and Canada.

21. As in India, the central government assigns a certain percentage to the units as a whole on the basis of the principles suggested by each succeeding finance commission, that assigns a certain percentage to states partly on the basis of population and partly according to other criteria.

22. Such as found in Communes of Switzerland.

and local governments and a technique for introducing a novelty into the federal system of government. This method of revenue sharing has been titled as 'The New Federalism' by Hymn.<sup>23</sup>

The most serious criticism against general revenue sharing is its limited scope for fiscal balance, for it may worsen the efficient resource allocations. That is why, federal aid to state and local governments, that have spill-over effects,<sup>24</sup> is said to be more desirable on efficiency grounds.

#### ii) Grants-in-aid

Since the regional governments are nearer to common man, grant is a step forward in reducing regional as well as income inequalities. In fact, the use of federal grants-in-aid is increasing both in numbers and in the range of public problems since world war II.

Generally, there are two types of grants - conditional and unconditional. A categorical or conditional grant is a

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23. op. cit. p. 296

24. David N. Hymn; op.cit. pp. 292-4.

transfer of funds from a higher level of government to a lower level with specified conditions for their expenditure. These federal grants require that each dollar of federal aid should carry a certain amount of locally raised revenue. Such grants are made as an inducement to state and local governments to spend on activities, in conformity with 'national goals', they are allocated on rough approximation of the needs of recipient territory.

It is significant to find that in nearly all the new federations a large proportion of the transfer of revenue is in the form of unconditional grants. Among the older and newer federations only USA has the use of conditional grants on a large scale met with relatively little opposition. However, there still remains the problem of determining the principles on which the distribution of such types of grants is based.

The demands of unconditional grants arise out of the demand for regional autonomy in federal systems and the pressure for conditional grants comes out of the wish to ensure that money, not spent by federal government on developmental activities, should be incurred by the unit governments on intended services. The provisions of grants



necessitates a time-to-time review of the recipient's requirements and the objectives of such programmes. Mrs. Dwyer,<sup>25</sup> a member of the sub-committee on government operations of house of representatives, USA ; pointed out;

" Since the federal government is only one of the partners involved in grants-in-aid programmes, the requirement of regular review of such programmes will also have the effect of requiring states and local communities involved, to reassess their own programmes in terms of the purposes and duration of such programmes, those who believe in efficiency of the grants-in-aid device have a special interest in making certain that grant programmes serve a recognised and important public purpose."

In all the federations, these grants are made on the recommendations of a constitutional agency, such as in India and Nigeria Finance Commissions make such recommendations while in Australia Commonwealth Grants Commission makes grants to poorer states.

### iii) Borrowings :

Sometimes, it may happen that rather than providing grants to correct fiscal imbalances, federal government choose to lend to the states for projects which, in terms

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25. Congressional Review of Federal Grants-in-aid  
Hearings before a sub-committee of the Committee on government operations, House of representatives, 87th Congress, First Session on H.R. 7802 identical bills, July 25 and 27th, 1961.

of broad national objectives and priorities, are considered as economically and socially essential.<sup>26</sup> However, there is a controversy regarding central loans to states. Some are of the view that it may prove financial burden upon state government while others think that it may improve the performance of states. Nevertheless, it is notable that commercially less profitable or non-profitable projects should not be loan-financed; otherwise states would unnecessarily run into debts.

#### Recent Trends in Federalism.

A look at new federations show that recently new trends have emerged. Today the trend is towards centralization. Moreover the process of planned economic development in today's context presupposes a great deal of inter-governmental cooperation rather than the older arrangements of governments operating independent of one another.

In older constitutions, when the need arose, the constitutional amendments were used to be adopted in order to fit into the changed needs. New constitutions contain

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26. It is thought that through multiplier effects in respect of such projects, existing imbalance, due to different levels of development, among various regions can be improved to a large extent.

in themselves the provisions of securing flexibility. This is why, in all the post-war federations we find a substantial list of concurrent powers.

The above defined changes signify a dynamic nature of federalism. "It seems that federalism has entered a new phase, called the phase of cooperative federalism.<sup>27</sup> For, whereas the essence of old federations was the inter-dependence of state and federal government, the essence of new federalism is the cooperation and inter-dependence among the different starta of government. As Shirraj has pointed out, " . . . The result is that, there is springing up . . . a new federalism - cooperative federalism - replacing the older federalism, in which the federal or national governments and the units went their separate ways without regard to what the others were doing." <sup>28</sup>

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27. R.N. Bhargava; The Theory and Working of Union Finance in India, 1956, P.49

28. G. Findley Shirraj - Federal Finance in Peace and War, pp. 2-3, quoted in Bhargava, Ibid p. 50

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## CHAPTER - II

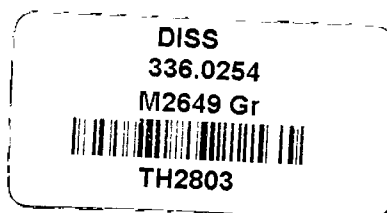
### FISCAL FEDERALISM IN INDIA

The literature on Indian Public Finance has witnessed a prolonged discussion on the nature and content of federalism in India. There are essentially two schools of thought. On the one hand, there are a number of jurists, political scientists, economists and others who take the view that Indian Constitution is federal in character. These are, among others, Alexandrowics,<sup>1</sup> Birch,<sup>2</sup> Paul H. Appleby,<sup>3</sup> former Chief Justice of India Mehar Chand Mahajan<sup>4</sup> and a veteran publicist P. Kondanda Rao.<sup>5</sup> On the other side, the federal character of the constitution has been disputed by a number of scholars such as Wheare who call Indian Constitution at best quasi-federal.<sup>6</sup> But



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1. C.M. Alexandrowics, Constitutional Developments in India, Madras, 1957, p. 169.
2. Birch, op. cit. p. 293.
3. Paul H. Appleby, Public Administration in India, Report of a survey, 1953, p. 51.
4. Unitary System of Government; the only way out, The Tribune, Ambala, 13 Sept, 1959, Magazine Section, pp. I and IV.
5. Unitary Government for India, " The National Herald, (Lucknow), 20 Feb 1955, Sunday Magazine, p. 1.
6. Modern Constitutions, London, 1951, p.29



Krishna P. Mukherji,<sup>7</sup> K.M. Munshi<sup>8</sup> and S.P. Aiyer<sup>9</sup> even deny the Semi-federal character of the Constitution; they call it a definitely unfederal or unitary constitution. These doubts about the federal character of Indian Constitution are not of recent origin; such doubts have persisted for a fairly long period of time. The above divergence in view points notwithstanding, it is essential to point out that a dissertation on the foundations of Indian federalism inevitably starts from the assumption that the term federation fits India's existing polity.<sup>10</sup>

There are a number of social political and economic factors that give rise to such an idea, e.g; a sub-continental size with large regional diversities as well as language and cultural variations, etc. However, not all aspects but only the fiscal aspect of federalism is a matter of our

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7. Is India a Federation ? Indian Journal of Political Science, Vol. XV, No.3 July - Sept. 1954, p. 177
  8. The Constitutional System of Indian Republic, Second Edition, Ambala Cantt; 1965, p. 94.
  9. Federalism and Social Change, Bombay, 1961, p. 9
  10. K.R. Bombwall; The Foundations of Indian Federalism Asia, 1967, p. 1.

concern here. Frankfurt writes, " Federal governments are not the off-springs of political science; they are the products of the economic and social pressures". <sup>11</sup>

## II. Evolution of Fiscal Federalism

Federalism in India is the product of its age of cooperative federalism and the conditions peculiar to our country. <sup>12</sup> Before the government of India Act, 1919, the financial system in the country was highly centralised. But, that was not the ideal system suitable to a country like India. As Thomas clearly, pointed out that, "of course, India was ruled by many types of governments but when the question of responsible government arises, it can only be held together under a federal system of government". <sup>13</sup>

Movement towards federalism may be traced to Lord Mayo's scheme of decentralization, introduced by the system of 'provincial settlements' in 1871. "These settlements,

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11. Quoted in, Bombwall, Ibid. p. 27

12. Ibid; p. 324

13. P.J. Thomas, The Growth of Federal Finance in India Oxford; 1970 p. 371.

to start with, were reviewed quinquennially but were later made quasi-permanent and then permanent in 1912." <sup>14</sup> These settlements gradually evolved into the arrangement of 'divided heads'. Consequently, certain expenditure heads like police, education, jails and roads were handed over to the provinces while the centre retained the entire profits of commercial undertakings.

The Government of India Act, 1919, provided for a complete separation between central and provincial heads of revenue with the presumption of large deficit in the government of India budget, it was proposed that provinces should make contributions to the central government. But this scheme invited criticism from various quarters and was finally abolished in 1928-29. <sup>15</sup>

The dearth of financial resources both at the centre and at the unit level and a search for fresh avenues of taxation led to the first systematic enquiry committee, 1924-25. The committee recommended, inter alia, the

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14. Report of the First Finance Commission, 1952, p.11

15. Ibid. p. 12

income tax as the main balancing factor, sharing of the tax was considered as against giving to the provinces power to levy and administer an income tax. In 1930, the first peel committee suggested the transfer of income tax proceeds to the provinces retaining the collection and administration in federal hands. White paper on Indian constitutional reforms 1936, set the range of the transfer of income tax other than agricultural income between 50 to 75 per cent of the net revenue from income tax.

Until the Government of India Act, 1935 was enacted, the Indian states had, except in matters of maritime customs, central excises, posts and telegraphs and railways, remained outside the fiscal and financial arrangement of the country. "The Government of India Act 1935 inaugurated provincial autonomy which gave greater political and fiscal powers to the provincial legislatures and abolished the system of dyarchy that had worked with considerable friction." 16

At the time of independence, India inherited about 500 states of varying sizes, threatening the unity of the country. So, a major task ahead was the integration of these

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16. R.N. Bhargava; op. cit. p.50



small and big states. This process, completed by January 1, 1950, gave rise to four categories of states, i.e. Nine part A states which were formerly known as the British Indian Provinces. Eight Part B states, consisting of the former princely states or their unions. Ten Part C states which were centrally administered and one part D (Andaman and Nicobar) territory.<sup>17</sup> This process of political integration was followed by financial integration and October, 1948 witnessed the appointment of the Indian State Finance Enquiry Committee under the Chairmanship of Shri V.T. Krishnamachari. The committee was asked to throw light on the various fiscal problems of the integrating states. The recommendations made by the committee were accepted.

In the absence of proper institutions for the regulation of centre - state financial relations, C.D. Deshmukh was requested to reallocate the percentages as a result of partition. The recommendations of C.D. Deshmukh are popularly called Deshmukh Award (1950). Determining the total quota available for redistribution, he distributed it largely on

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17. Ibid. p. 53

the basis of population, with small weightage in favour of weaker states. This award remained in force for two years, i.e., till 31st March, 1952.

### III Fiscal Federalism in Independent India

On the 26th January 1950, the Constitution of India was adopted. It embodied almost the same scheme of division of sources of revenue and taxation as did the Government of India Act, 1935. It was the extensive borrowing from this Act and the experience of the other classical federations, that assisted the makers of Indian Constitution to avoid the typical difficulties which old federations faced. In making its recommendations, our constitution had in mind, a few specific factors, e.g; a financially strong centre, efficient allocation of functions as well as fiscal powers, flexibility in the financial set-up, and so on.

Financial provisions are mentioned in the Seventh Schedule of the Constitution. The scheme of the division of resources makes a clearcut bifurcation of taxes to be levied by the union and the states and precludes the possibility of double taxation. "The two fiscal spheres are distinct from each other; whatever the constitution

allots to the states is withdrawn from the hands of the union; on the other hand, the states are not entitled to encroach on any fiscal matter which the Constitution has not particularly assigned to them, for, all matters, not specifically earmarked for the states by the constitution fall exclusively within the sphere of the union!"<sup>18</sup>

a) Central Vs. State Sources.

The Centre and the States derive their revenue partly from taxes and partly from the non-tax sources. The constitution spells out the division between the centre and states broadly along the following lines.

i) Tax Resources:

The Seventh Schedule of the Constitution consists of three lists of the various powers and functions viz; Union List - I (97 enteries), State List - II (66 enteries) and Concurrent List - III (47 enteries). In List - I and List - II financial powers of the respective authorities are specified. There is a total 31 sources of revenue, out of which 12 are assigned to the union and the remaining 19 to the States.

Taxing Powers of the Union

The taxing powers and avenues of the Union are spelt

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18. D.K. Sirdar Sen; A Comparative Study of the Indian Constitution, Vol. I, Calcutta : Orient Longmans, 1960, p. 240.

out in enteries 81 to 91 A of List -I. Broadly, taxation of income (other than agricultural income), custom duties (including export duties), excise duties on tobacco, corporation tax, taxes on capital value of the assets, estate duty, taxes on railway fares and freights, taxes other than stamp duties, taxes on sale and purchase of goods other than newspapers etc. fall within the purview of Union taxes (for complete specification, please see Annexure - I )

#### Financial Powers of the States

Taxing powers of the states are spelt out in enteries 45 to 63 of List- II. Broadly, land revenue, agricultural, income tax, estate duty in respect of agricultural land, taxes on minerals, excise duties on alcoholic liquors, taxes on vehicles, taxes on animals and boats, tolls, capitation taxes, taxes on professions trades, callings and employments, taxes on entertainment, stamp duties etc., fall in the purview of state taxes (for complete specification, see Annexure -II)

#### ii) Non-Tax Sources

Besides taxes of a wide variety, there are some non-tax sources of revenues earmarked for the centre as well as the individual states. The principle sources of non-tax revenue of the union are : Railways, Posts and telegraphs, broadcasting

opium, currency and mint, central industrial and commercial undertakings such as IFCI, Sindri Fertilizers Limited, Hindustan Shipyard Limited. Similarly the states receive their non-tax revenue from forests, irrigation and commercial enterprises (like electricity, roads and transport) and their respective industrial undertakings.

b) Central Transfers to State

While providing for clear cut bifurcation of the powers of the two layers of government, the constitution makers of India duly recognised the necessity of transfers of funds from the centre to the states in terms of some specified criteria. The transfers were envisaged in the form of (i) tax-sharing between the centre and the states, (ii) grants-in-aid to the states and (iii) central loans. A word about each may be in order.

1) Tax - Sharing

The Constitution of India lays down the distribution of tax revenues between the union and the states under Articles, 269, 270 and 272.

A) Duties Levied by the Union but collected and appropriated by the states:

Article 268 states :

1. such stamp duties and such duties of excise on medicinal and toilet preparation as are mentioned

in the union list shall be levied by the union, but shall be collected by the states.

2. the proceeds in any financial year in so far as leviable within their territory shall form part of the states by whom they are collected.

B) Taxes levied and collected by the Union but assigned to the states within which they are leviable:

Article 269 of the constitution lays down that the following duties and taxes shall be levied and collected by the Government of India but shall be assigned to the states in the manner provided in clause (2) namely:-

- a) duties on succession to property other than agricultural land ;
- b) estate duty in respect of property other than agricultural land ;
- c) terminal taxes on goods or passengers carried by railway, sea or air,
- d) taxes on railway fares and freights ;
- e) taxes on the sale or purchase of newspapers and on advertisements published therein;
- f) taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-state trade or commerce.
- g) taxes on inter-state consignment of goods.

c) Taxes levied and collected by the Union and distributed between Union and the States:

The Constitution stipulates that certain taxes shall be levied as well as collected by the Union and the states in a certain proportion, in order to effect an equitable division of the financial resources. There are:

- a) Taxes on income other than agricultural income  
(Article 270)-
- b) Duties of excise as are included in the Union list, excepting medicinal and toilet preparations may also be distributed, if parliament by law so provides.  
(Article 272).

Apart from these provisions, the constitution also safeguards the interests of the states in the Union taxes which are divisible. As Article 274 of the constitution states that no bill or amendment which:

- a) Varies the rate of any tax or duty in which the states are interested, or
- b) affects the principles on which moneys are distributed according to the foregoing provisions of the constitution; or
- c) imposes any surcharge on any such tax or duty for the purpose of the union :

shall be introduced or moved in Parliament except on the recommendations of the President.

However, as Article 271 lays down, the parliament can increase the rate of any such tax or duty for the purpose of the union.

ii) Grants - in - aid

The above description of tax-sharing makes it clear that not only the need for transfer of resources was recognised but provisions were also made for these transfers to take place. Even, then it was anticipated that the resources of the states may not be adequate enough for fulfilling their multi-dimensional responsibilities in respect of social welfare as well as economic services. The constitution, therefore, made provisions for central grants-in-aid. The grants are generally provided through three separate channels such as plan grants made by Planning Commission, non-plan grants made by Finance Commissions and some miscellaneous grants made by different ministries.

The rationale behind recommended grants to the states lies in the fact that they may reduce inter-state disparities and bring about a balanced development in the country. For this purpose both conditional as well as unconditional grants are given to the states alongwith shared taxes.

Finance Commission Awards.

In order to cope up with the problem of lack of resources, the constitution contains a provision for the establishment of



a quinquennial body, The Finance Commission. Rau describes it, "a quasi-arbitral body whose function is to do justice between the centre and the states".<sup>19</sup> Bhargava explains that "it acts as an impartial tribunal between the centre and the states on the one hand and the states inter-section on the other".<sup>20</sup> It, thereby, safeguards the fiscal independence of the states and ensures that the system of grants-in-aid is taken out of the arena of politics. Bombwall states that "the establishment of this rather unique institution, which is the most important body to regulate, coordinate and integrate the finances of the government of India and the state government, may indeed be described as 'India's original contribution to the theory and practice of federalism'.<sup>21</sup>

Articles 273, 275 and 280 provide for the constitution of a finance commission to recommend to the President the manner and devolution of resources from the union to the states. So far nine finance commissions have been appointed

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19. B.N. Rau; Indian Constitution in Making, Madras, 1960. PP. 334-85.

20. R.N. Bhargava; op. cit p. 119

21. K.R. Bombwall, " The Finance Commission and the Union State relations in India, " The Indian Journal of Public Administration, Vol. X, No.2, 1964, p. 278

( 1952, 1956, 1960, 1964, 1968, 1972, 1976, 1982 and 1987).

Till the constitution of the Eighth Finance Commission, the terms of reference of each commission have enjoined upon it to make recommendations to the President as to :

- a) The distributions between the union and the states of the net proceeds of taxes which are to be or may be, divided between them under this chapter and the allocation between the states of respective shares of such proceeds ;
- b) The principles which should govern the grants-in-aid of the revenues of the states out of the consolidated fund of India ;
- c) Any other matter referred to the commission by the President in the interest of the sound finance.

It is important to point out that the terms of reference of the Ninth Finance Commission are somewhat different from those of all the previous commissions. These are as follows:

In making its recommendations the commission shall:-

- i) adopt a normative approach in assessing the receipts and expenditure on the revenue account of the states

and the centre and, in doing so, keep in view the special problems of each state, if any, and the special requirements of the centre such as defence, security, debt servicing and other committed expenditure or liabilities;

- ii) have due regard to the need for providing adequate incentives for better resource mobilisation and financial discipline as well as closer linking of expenditure and revenue-raising decisions ;
- iii) take into account the need for speed, efficiency and effectiveness of government functioning and of delivery systems for government programmes; and
- iv) keep in view the objectives of not only balancing the receipts and expenditure of revenue account of both the states and the centre, but also generating surpluses for capital investment.

Thus the crucial wording used is, " In making its recommendations, the Commission shall . . . ". It almost seems that the government of India has now given a directive to the commission in regard to the manner in which it has to function in making its recommendations. <sup>22</sup>

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22. B.P.R. Vithal and M.L. Shastri, "Terms of reference of the Ninth Finance Commission; some preliminary comments", Economic and Political Weekly, July 25, 1987, pp.1248

It may be worthwhile to have a broad idea of how the eight finance commissions have been framing their recommendations. The First Finance Commission increased the share from 50.0 per cent as recommended by Niemeyer Committee in 1936, to 55 per cent of the net proceeds of income tax to be assigned to the states. Successive commissions went on increasing this share so that it was as high as 85 per cent according to the eighth finance commission. The basis of distribution was mainly population of the respective states with some weightage given to tax collections in that particular area. To a large extent, the rationale behind the selection of population as a major basis of distribution of grants was that it may give us a rough notion as to the 'needs' of a state. A state with a large population would 'ceteris paribus', contain a larger population of poor people than a state with smaller population. <sup>23</sup>

Untill 1952 states received no share of union excise duties and additional duties of excise. The Ist Finance Commission recommended 40 per cent share of the net proceeds

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23. B.P. Adarkar ; op. cit. p. 237

from union excise duties on three commodities i.e. tobacco, matches and vegetable products. Second Finance Commission reduced the share to 25 per cent on eight commodities, Third Finance Commission further reduced it to 20.0 per cent on 35 commodities. Fourth, fifth and Sixth Finance Commissions recommended the same share of 20.0 per cent, however, the number of commodities increased to 45. Then Seventh Finance Commission increased the share to 40.0 per cent and Eighth Commission to 45.0 per cent on all the commodities.

Eighth Finance Commission suggested a 'new formula' for the basis of distribution as

- a) 10 per cent of the net proceeds of the income tax will continue to be distributed among the states on the basis of assessment of income tax;
- b) 90 per cent of the net proceeds would be distributed among the states as follows:
  - 25 per cent on the basis of population ;
  - 25 per cent on the basis of inverse of per capita income multiplied by population ; and
  - 50 per cent on the basis of distance of per capita income from the highest per capita income state (viz; Punjab) multiplied by population of the state.

Another major field of recommendations of finance commissions is Estate duty, first levied in 1953. The second finance commission recommended 1 per cent share of net proceeds should be assigned to the union territories and balance to be distributed among the states. Fourth Commission increased the share of union territories to two per cent. Seventh Finance Commission laid down that its distribution should be in proportion to the gross value of all property located in each respective state.

Apart from these various types of tax sharing, the provision of grants to states through finance commissions has assumed more significance. First finance commission assigned special grants for increasing primary education facilities to eight states and general grants to seven states depending on their needs. The share of grants in the total transfers went on increasing subsequently with the increasing demands of social and economic development. However, 7th and 8th Finance Commissions stressed more on tax devolution as compared to grants-in-aid.

While making these recommendations, the finance commissions are guided by a number of considerations as, it would not cause

undue strain on the resources of the states increasing needs of the states should be taken into account so that they can perform their functions with maximum autonomy and it should attempt to reduce the inequalities.

Moreover, the recommendations of finance commission are not binding. But these recommendations are mere recommendations and it is open to the President, if he thinks fit, can depart from them. <sup>24</sup>

#### iv) Role of Planning Commission

Alongwith the Finance Commission, the financial scheme envisaged in the constitution, depend on the planning commission. It is a body, appointed by the centre under its executive powers, acting as a major channel of resource transfer from the centre to states. The transfers made under the purview of planning commission are called non-statutory transfers.

"The situation, however, is that the Planning Commission plays a much more important role, directly as well as indirectly, in total fiscal transfers from the centre to the States . . . The single most important reason for that is the withdrawal

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24. B.N. Rau ; op.cit. p. 383-84

of Finance Commissions from the sphere of plan finance".<sup>25</sup>

Non-statutory grants, i.e., grants given by planning commission are distributed on the basis of the formula : 60 per cent on the basis of population, 10 per cent on the basis of tax efforts in relation to per capita income, 10 per cent to states with per capita incomes less than the national average, 10 per cent to be allotted in proportion to commitments in respect of major continuing irrigation and power projects and the remaining 10 per cent for coping up the special problems like floods, droughts etc.<sup>26</sup>

Apart from these, both conditional grants and conditional as well as unconditional loans are made at the discretion of union ministries. Most of this assistance is provided for non-developmental programmes such as drought and food relief works, rehabilitation works etc.

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25. I.S. Gulati; The Indian Federal Fiscal Model, A Case Study of Increasing Centralization; The seminar on Forty Years of Independence in India, Teen Mutti House, Nov 16-18, 1987.

26. Roy W.Bahl and V.Pillai; The Allocative effects of inter-governmental flows in less developed countries; A case study of India, Public Finance/Finances Publiques Vol. 31, No. 1, 1976 pp. 73-89.



#### v) Loans to States

Indian constitution does not envisage the use of loans as an instrument of central transfers to states. However, in actual practice, loans play a major role as a means of transfer of resources to the states. Around one-third of the total resource transfers to the states takes place through the instrumentality of central loans.<sup>27</sup> This extensive borrowing from the centre or with the consent of the centre has led to the accumulation of enormous outstanding debt with the states. It was recorded that the States' total outstanding debt amounted to Rs.40,842 crores at the end of March, 1987, of this, the debt owed to the centre accounted for two thirds.<sup>28</sup>

#### IV Special Resource Problems of The States

The Constitution of India embodies a clear cut bifurcation of functions and resources between the centre and the states. This relationship proceeded smoothly for 6-7 years, till we reach mid-50s. It may be because a single party ruled over most parts of the country. The situation started changing since mid-fifties. Some new states were carved out, largely

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27. I.S. Gulati; Paper. op. cit. p. 15

28. Reserve Bank of India ; Report on Currency and Finance, 1986-87, vol. II.

on the basis of language. Also regional political parties appeared on the scene. The sixties witnessed the rise of non-congress ruling parties in the states with an ideology different from that of the centre. Many demands emerged out of the feeling of the backwardness of the respective regions. However, these demands were not of a sudden origin, rather, it was the gradual amalgamation of the difficulties faced by the states from the very beginning due to the centrist-biased fiscal system. Thus, the problems faced by the states were two-fold, i.e.; resource gap and increasing demands.

In the constitutional division of resources, out of 31 sources of revenue, 19 are placed in the state list and are the complete responsibility of the states. Therefore, it is believed, in certain quarters that the states in India have revenue, proportionately larger than the states in any other federal system.<sup>29</sup> But this arrangement has not ensured complete financial independence of the states rather' it has given them a minimum of financial autonomy which is needed to make them constitutionally self-contained .<sup>30</sup>

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29. Paul. H Appleby. op. cit p. 22

30. Alexandrowics. op.cit p. 203

Under the constitution, centre has the most elastic sources of revenue while the states have inelastic sources. With the changing conception of duties and functions of the states the demands for social and developmental services are growing. The repercussions are the growing tension between the centre and the states with the increasing resource gap. Series of constitutional amendments and various legislative measures taken in the public interest, by the central government in the course of years have tilted the balance the balance further against the states.

As explained earlier, a three-fold scheme has been adopted to bridge the resource gap. However a careful perusal of the budgetary involvement of the centre and the states tends to give an impression that the centre has made inroads in to state subjects through the financial back door. As a consequence, the separation between the state subjects and centre's subjects have become less and less clear and therefore, blurred. <sup>31</sup>

Moreover the terms of reference of the Ninth Finance Commission threw up further evidences of the tendency on

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31. K.K. Geogre and I.S. Gulati : The central inroads into the States, Economic and Political Weekly, Vol.XX, No.14 April 6, 1985.

the part of the government of India towards increasing centralisation <sup>32</sup> and aggravating the problems of the States.

Apart from this the states like West Bengal, Punjab, Maharashtra and other Southern States are agitating over the question of financial autonomy. In some quarters there is demand for abolishing the concurrent list and transferring the subjects therein to the states. With different factors and natural endowments, each state want to utilise its resources to the fullest extent. But inelastic sources assigned to them, accompanied by their own mismanagement in the collection of taxes etc; are hampering the process of growth of several states. It has created a situation of tension between the centre and the states.

#### Objectives of the Study, Data Sources and Methodology

Taking into account aforesaid problems and aspects of Indian federalism, this study is an endeavour to analyse the finances of the states in India. For this purpose, three

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32. B.P.R. Vithal and M.L. Shastri, op.cit. p. 1251

states have been chosen. These are, Gujarat, an industrially developed state; Punjab, an agriculturally developed state and Bihar, a backward state both industrially and agriculturally. It is a comparative time-series analysis of eighteen years between 1967-68 to 1984-85.

The various objectives of the study are to analyse

- The growth, pattern and composition of State taxes;
- Trends in central assistance;
- Responsiveness of state taxes to income changes i.e. ; elasticity and buoyancy ;
- Tax-efforts of the states under study
- Growth, composition and pattern of state governments' expenditure.

#### Sources of Data and Methodology:

The present study is based largely on the various issues of Reserve Bank of India: Bulletins, together with the information obtained from Estimates of State Domestic Product, CSO (Central Statistical Organisation) Publication. Census of India, General Population and Economic Tables 1971 and 1981, Plan Documents, Reports of the Finance Commissions. Report of Taxation Enquiry Commission 1953-54. Vol. I and Regional Dimensions of India's Economic Development Planning Commission Publication, 1983.

For the analysis of the data simple statistical techniques like ratio, percentages, averages etc. have been employed.

In addition the technique of regression analysis has been applied for calculating the annual rates of growth of the various taxes as well as various heads of expenditures. These growth rates were calculated by running Ordinary Least Squares (OLS) method to the semi-log model

$$\left. \begin{aligned} \text{Log } Y_t &= \text{Log } a + t \cdot \text{log } b + U_t \\ \text{Log } Y_t &= A + B \cdot t + U \dots\dots (I) \\ & \quad (t = 1 \dots\dots T) \end{aligned} \right\} \begin{aligned} \text{Log } a &= A \\ \text{Log } b &= B \end{aligned}$$

where  $Y_t = t^{\text{th}}$  observation on the variables for which growth rate is to be computed.

$t$  = time variable

$U_t$  = disturbance term at time 't'

$a$  and  $b$  are the parameters of model (I)

The compound growth rates per cent per annum is given by

$$r = (\text{Antilog } B - 1) \times 100$$

where  $B$  is the OLS estimate of  $B$  in model (I)

To estimate the buoyancy of sales tax in relation to state income, we used OLS to the double log model.

$$Y_t = aX_t^b$$

$$\text{or } \log Y_t = \log a + b \log X_t + U_t \dots\dots(2)$$

where  $Y_t$  = Revenue from taxes at time 't'.  $X_t$  = State income at time 't'. a and b are the parameters of model (2) 'b' indicate the required buoyancy.

Multiple regression analysis was employed to identify the factors governing the tax efforts of the States, under study.

Moreover in order to get the exact picture of the revenue and expenditures of the state governments, we opted for the constant series based on the year 1970-71 = 100. In the absence of proper deflator, implicit SDP deflator was selected to convert the current series into constant series.

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## CHAPTER - III

### ECONOMIC AND FINANCIAL STRUCTURE OF THE STATES UNDER STUDY

Economic structure of an economy embodies in itself the share of different sectors in total income generation and work participation rates. The latter, in turn, hinges upon the quality and quantity of population in that particular economy. Financial structure, which is an extremely important part of the total economic structure, contains in itself, the expenditure pattern of the economy under study, its various sources of income including the transfers it receives from the centre under the federal form of government. In this chapter, an endeavour is made to discuss both economic and financial structure of the states under study, viz; Bihar, Gujarat and Punjab.

#### I. Economic Structure

Describing the economic structure of an area is a tedious job primarily because the number of economic activities is very large and their nature is increasingly becoming more and more complicated, thereby, defying a simple discription. Nevertheless, depending upon the purpose of any particular study, the essentials of economic structure can be sorted out. In consonance with the nature of the



present study, we seek to describe the economic structure of the three states under study, broadly along the following lines.

i) Human Resources

The pattern in which a particular economy develops, depends upon the quality and quantity of human resources.

Human resources are reflected adequately in terms of educational and scientific standards of the people, along with the sheer number of working hands, available from time to time. Skill formation and work culture manifest themselves in the quality of work performed by human labour and are duly recognised as important components of modern production process.

Quite often, economic development is considered synonymous with the rate of growth of urbanisation. This is especially so in the countries where agriculture constitutes a preponderant portion of their total economic base, more surely at the early stages of their development. India is certainly one such country.

Table 3.1 (Statistical Appendix-I) , reveals that in 1971 only 20 per cent of the total population was living in urban areas, that increased to 23 per cent in 1981. Among the three states, under study, Bihar was the only

state where level of urbanization was below the national average both in 1971 and 1981. Despite its low level, the rates of growth of urbanization were the highest in Bihar. Levels of urbanisation improved in 1981 in all the states; however, Gujarat was leading followed by Punjab. High rates of growth of population in Gujarat justify the high rural as well as urban growth rates. However, in spite of these high rates, its density of population is the lowest among the three states. The reason for low density, despite the high population growth rates in Gujarat is expounded, inter alia; by comparatively higher vicinity of the state.

Bihar, on the contrary, comes under the densely populated states of India with a very low proportion of literates. As regards literacy percentage, both in Gujarat and Punjab, it is higher than the national average, however, the former leads followed by the latter.

#### ii) Workforce participation Rates

Labour, being a primary factor of production, its size and quality play a significant part in determining the level of economic activity in a particular economy. The proportion of working population to total population depends, to a considerable extent, on factors such as attitude towards work,

nature and availability of work, age and sex composition of population etc.

Table 3.2 (Statistical Appendix-I) reveals the absolute and relative workforce participation rates by sectors and industrial activities during 1971-81. In India, around 1/3 rd of the total population come under the purview of main workers. However, between 1971 and 1981 the number of main workers has increased by 23 per cent. In all the three states, these participation rates were less than the national average. Gujarat was leading both for the rate of change as well as the participation rates in 1971 and 1981.

Sector-wise distribution of workforce indicates that in 1981, participation rates improved in secondary as well as tertiary sectors, but declined in primary sector against 1971, all over India. Similarly the rate of change, although positive, was the lowest in the primary sector preceded by tertiary and secondary sectors respectively. The same trend is discernible in all the three states. In Bihar, since comparatively more people live in rural areas, primary sector participation rates are higher than the national figure and

the reverse is true in case of secondary and tertiary sectors.

A careful perusal of the table shows that Gujarat was much ahead of the other two states in the case of secondary sector participation rates both in 1971 and 1981. It is, however, a different matter that its rate of change was higher in Bihar. On the contrary, the primary sector participation rates were higher in Bihar and the tertiary sector participation rates were the highest in Punjab.

Looking at the various industrial categories separately, we find that cultivators and agricultural labourers together constitute around 80 per cent of the total main workers in Bihar while this proportion is around 60 in the other two states. The rate of change in the number of cultivators is the highest in Bihar followed by that in Gujarat and Punjab respectively. While it is the other way round in the case of agricultural labourers.

Under secondary sector participation rates, non-household manufacturing is the major industrial category in which

participation rates improved in 1981 against 1971 in all the three states. But Gujarat lead the other two states, not only in participation rates but also in the rate of change. Punjab is following Gujarat in the case of participation rates but the rate of change is more in Bihar compared to Punjab.

In the case of trade and commerce, Punjab is leading in participation rates succeeded by Gujarat and Bihar, however, so far as the rate of change in workforce participation is concerned, it is the other way round.

### iii) Sectoral Shares of Income

Income generated in the various sectors has been shown in Table 3.3 (Statistical Appendix-I). It shows that the share of primary sector has declined in all the three states over the years. On the contrary, the contribution of secondary and tertiary sector has gone up during the same period. Table 3.4(a) as given, indicates that secondary sector was about one-fourth of the primary sector in 1970-71 both in Bihar and Punjab, that grew to as high as 43.0 and 31.0 per cent respectively in both the states during 1984-85. In Gujarat it was already fairly high in 1970-71 and grew

further to nearly 60 per cent of the primary sector in the state. Still more interesting is to see the expansion of the

Table 3.4(a): Ratios of Secondary and Tertiary Sector over Primary Sector.

	Primary Sector	Ratio of Secondary to Primary Sector	Ratio of tertiary to Primary Sector	Per Capita Income (Rs.) at 1970-71 Prices
<u>BIHAR</u>				
1970-71	1.00	0.26	0.32	402
1980-81	1.00	0.31	0.52	441
1984-85	1.00	0.43	0.61	476
<u>GUJARAT</u>				
1970-71	1.00	0.42	0.62	829
1980-81	1.00	0.63	0.91	913
1984-85	1.00	0.56	0.95	970
<u>PUNJAB</u>				
1970-71	1.00	0.26	0.45	1070
1980-81	1.00	0.34	0.66	1383
1984-85	1.00	0.31	0.64	1566

Source : Derived From Table 3.3 (Statistical Appendix-I)

tertiary sector in relation to the primary sector, in the three states. In Gujarat it was nearly as big as the primary sector; in Bihar and Punjab, it was more than 60 per cent of the size of the primary sector. Between 1970-71 and 1984-85,

expansion has been much faster in Bihar compared with that in Punjab. In brief, in 1970-71 both Punjab and Bihar had a lower industrial base compared with Gujarat and in 1984-85, Gujarat's economy was much more industrialized and tertiarized.

Table 3.4(b) throws light on the growth experience of the three states. The growth rate for agriculture as well as industrial sector was much higher in Punjab compared with

<u>Table 3.4(b) - Growth Rates at 1970-71 Prices</u>			Percentage
	Growth in SDP	Agriculture Growth Rates	Industrial Growth Rates
<u>BIHAR</u>			
1970-71 to 1980-81	3.1	1.1	2.7
1980-81 to 1985-86	4.3	3.3	6.2
<u>GUJARAT</u>			
1970-71 to 1980-81	4.7	3.6	5.8
1980-81 to 1985-86	1.1	(-) 2.9	2.0
<u>PUNJAB</u>			
1970-71 to 1980-81	5.2	3.8	8.8
1980-81 to 1985-86	5.1	5.7	3.7

Source : Economic Times.

both Gujarat and Bihar. It is heartening that during 1980-81 to 1985-86, State Domestic Product in Gujarat grew at a creeping rate of one per cent. Still more disappointing is the fact that during the eighties, agriculture registered a declining growth pattern.

Let us revert to table 3.3, under the primary sector, agriculture and livestock plays a determinental role towards income generation. In the total income generated in the primary sector, this category constituted 99 per cent in Bihar. Mining and quarrying add sizeably to the primary sector income generation in Bihar.

Like agriculture and livestock under primary sector, registered manufacturing plays pivotal role under secondary sector income generation, especially in Gujarat, where its share is around 58 per cent in total secondary sector income generation. In Bihar only construction, while in Punjab both construction and unregistered manufacturing play an equally important part in total secondary sector income generation.

In the tertiary sector, transport storage and communications, trade hotels and restrauant and public administration



are the important segments. In 1970-71, these categories occupied nearly 70 per cent of the total income generated in the tertiary sector in Punjab. Bihar and Gujarat, followed Punjab in that order. However, the situation started changing since 1980-81 and in 1984-85, the share of above mentioned categories was maximum (76 per cent) in Bihar among all the three states succeeded by Punjab and Gujarat respectively. Since registered manufacturing plays an important role under secondary sector income generation in Gujarat, it has led to greater economic activity in the case of banking and insurance as well as real estate, ownership of dwellings and business. Consequently both these categories are contributing more to tertiary sector income generation in Gujarat compared with the other two states.

In sum, economic structure of the state, under study, highlights that Bihar is a backward economy with high density of population. Where relatively more people are illiterate and living in the countryside. This, in fact, has resulted in the relatively high primary sector participation rates. Gujarat reflects the features of an industrially developed state performing best in almost all aspects of secondary sector development. Punjab, on the other, throws

up the features of an agriculturally developed state accompanied by a relatively large tertiary sector.

## II. Financial Structure:

Economic structure of a particular economy appears hollow without a proper discussion of its financial structure. Table 3. 5 (Statistical Appendix -I) depicts, Punjab, having the maximum per capita plan outlay, not only among the three states under study, but among all the 14 non-special category states,<sup>1</sup> till the close of third five year plan. Justification for this, of course, lies in the maximum central aid received by it during the same period. From 1967-68 onwards, central transfers including Finance Commission transfers to the state started declining. However, it continued to retain its top or near top rank in terms of per capita plan outlay. It is redeeming that the states' own share in total plan outlay went on increasing remarkably fast. It is not a small achievement that the state's own share in per capita plan outlay increased from just 12.42 per cent in the first plan to as high as about 81.58 per cent in 1981-82.

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1. Punjab, Haryana, Maharashtra, Gujarat, West Bengal, Karnataka, Tamil Nadu, Kerala, Rajasthan, Andhra Pradesh, Madhya Pradesh, Uttar Pradesh, Orissa and Bihar.

Bihar offers a sharp contrast. This state continued to show the lowest or the second lowest per capita plan outlay among the 14 states. To some extent, it may be due to the low level of per capita central aid in the earlier plans. But in spite of the increased transfers to the state (e.g; Seventh Finance Commission recommended the highest central aid to Bihar), per capita plan outlay did not rise because state's own efforts were not encouraging.

Table 3.6 (Statistical Appendix-I) reveals plan priorities for the pattern of development in the three states. Since Irrigation and Power provide the basic infrastructure for agricultural and industrial development. It is quite understandable that around 50 per cent of total plan outlay was allocated to these two crucial heads of expenditure from second plan onwards in the states, under study. In Punjab, irrigation and power have been receiving the highest policy thrust consistently for the entire plan period. Although in terms of plan priorities irrigation and power has been commanding a lion's share in Bihar also. Yet in terms of addition to the infrastructural facilities, the gaps between financial allocations and actual performance have been all too glaring in the case of Bihar.

Another priority area is transport and communication to which Gujarat has given comparatively more importance than the other two states.

Among all the major sectors, least allocations are done to industry and mining. In first plan a little more than one per cent share was assigned to it. But with the introduction of Mahalanobis' model of heavy industry development strategy, it acquired some attention from the second plan onwards. Consequently, Bihar allotted comparatively more funds to it and some heavy industries were set up mostly under the auspices of central public sector. But from Fourth Plan onwards it has got comparatively more importance in Gujarat. Bihar, that was earlier investing the highest in heavy industry, dropped to the third position among all the three states. The point gets substantiated if we look at actual plan figures also so far as industry and mining sector is concerned.

In a nut-shell, Bihar reflects the broad features of a backward economy; levels of urbanisation are low, density of population is very high, comparatively more people are employed in primary sector activities and so on. A relatively higher rate of growth of urbanisation does not detract from the basic characteristics of its backwardness. To be sure,

the higher rate of growth of urban population represents a situation of economic distress on the country-side. So that the urban centres in Bihar are swelled with migrants from the countryside, in search of odd jobs, and finally ending up in low-level equilibrium trap. The urban informal sector of Bihar is reported to be quite big and the incidence of urban poverty is very high.

Gujarat stands out clearly in almost all aspects of secondary sector development such as workforce participation rates, net state domestic product originating in the secondary sector especially in the registered manufacturing, and so on. This has resulted in tremendous expansion of activities in areas such as banking and insurance, real estates, ownership of dwellings and business etc. From the Fourth Plan onwards, industry and mining is getting more funds as compared to the other two states. Although the industrial sector has not grown as fast as in Punjab, yet in terms of the relative weight of the secondary sector in the total state economy, Gujarat stands out as an important industrial state of India.

Punjab is leading in per-capita income as well as rate of growth of state domestic product. This has been largely

on the strength of its fast growing agriculture. Due to massive public and private investment in agricultural infrastructure, agriculture in Punjab has registered very impressive growth performance. While during the seventies, the secondary sector especially the manufacturing activities witnessed a high growth process. Yet in terms of the sheer size and composition of the manufacturing activities, Punjab is behind Gujarat.

In brief, the three states represent three development situations Gujarat represents the case of an industrial state. Punjab represents the case of an agriculturally growing state, and Bihar represents a scenario of an overall backward state, strong neither agriculturally nor industrially. It may be interesting to see how the three varieties of states have been organising their financial resources and patterning their expenditures. Perhaps some contrasting features are natural to expect.

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STATISTICAL APPENDIX - I

Economic Structure

Table- 3.1 : Growth of Human Resources

	YEAR	INDIA	BIHAR	GUJARAT	PUNJAB
1. Percentage of urban to total population.	1971	19.91	10.00	28.08	23.73
	1981	23.01	12.47	31.10	27.68
2. Growth rate of urbanisation	1951-61	26.41	49.03	20.07	29.06
	1961-71	37.96	43.94	41.00	25.27
	1971-81	46.23	54.76	41.42	44.51
3. Rural Growth Rates	1951-61	20.65	17.64	29.42	19.47
	1961-71	21.86	19.25	25.36	20.63
	1971-81	18.96	20.51	21.89	16.59
4. Density of population	1971	177	324	136	269
	1981	214	402	174	353
5. Decennial growth rate of population	1961-71	24.80	21.33	29.39	21.70
	1971-81	25.00	24.06	27.67	23.89
6. Percentage of literates to total population.	1971	29.5	19.90	35.80	33.70
	1981	36.23	26.20	43.70	40.86

Sources - 1. Statistical Abstract of Punjab.

2. Census of India : General Population, Tables 1971, 1981.

TABLE 3.2: Work-force Participation Rates by Sectors and Industrial Activities 1971-81

	INDIA			BIHAR			GUJRAT			PUNJAB		
	1971	1981	Change over 1971 in 1981	1971	1981	Change over 1971 in 1981	1971	1981	Change over 1971 in 1981	1971	1981	Change over 1971 in 1981
Main workers as a percentage of total population	32.90	33.45	23.36	31.03	29.68	18.06	31.45	32.22	30.84	28.87	29.35	25.97
(A) Primary Sector Participation Rates	72.56	69.33	17.87	84.70	81.49	14.17	67.99	62.65	20.55	63.63	59.28	17.33
i. Cultivators	43.34	41.58	18.35	43.34	43.57	19.29	43.12	37.45	13.65	42.56	35.88	6.17
ii. Agricultural Lab	26.33	24.94	16.87	38.92	35.50	8.24	22.48	22.65	31.78	20.11	22.16	38.75
iii. Livestock ...plantation	2.38	2.24	16.20	0.96	0.81	0.00	1.98	2.26	49.40	0.95	1.20	59.46
iv. Minings Quarrying	0.51	0.57	36.94	1.48	1.61	29.46	0.41	0.29	-8.57	0.01	0.04	3.00
(B) Secondary Sector Participation Rates	10.69	12.89	48.88	5.63	7.06	63.73	13.50	16.76	62.63	13.28	16.42	55.88
v(a) Household manufacturing	3.52	3.46	21.39	2.47	2.38	14.32	2.82	2.43	13.13	3.17	2.60	3.22
v(b) Non-Household manufacturing	5.94	7.83	62.68	2.60	3.93	79.34	9.25	12.84	81.70	8.13	11.28	74.84
vi Construction	1.23	1.60	60.95	0.56	0.75	59.18	1.43	1.49	36.67	1.98	2.54	62.34
(C) Tertiary Sector Participation Rates	16.75	17.75	30.87	9.67	11.44	40.45	18.51	20.56	45.30	23.09	24.35	32.89
vii. Trade & Commerce	5.57	6.26	38.76	3.26	4.18	52.28	6.94	7.74	45.80	8.22	8.79	34.89
viii. Transport Storage & Commun.	2.44	2.73	37.90	1.52	1.77	38.49	2.86	3.78	72.92	2.80	3.75	68.18
ix. Other Services	8.74	8.78	23.88	4.89	5.49	33.33	8.71	9.04	35.84	12.07	11.81	23.30
Total Main Workers	100.00	100.00		100.00	100.00		100.00	100.00		100.00	100.00	

Source: 1 Census of India - Union Primary Census Abstract, 1971 and 1981.



TABLE 3.3: Net SDP at Factor Cost by Sectors (Rs. Lacks) at 1970-71 Prices

	BIHAR			GUJRAT			PUNJAB		
	1970-71	1980-81	1984-85	1970-71	1980-81	1984-85	1970-71	1980-81	1984-85
PRIMARY	140941	166671	175411	107075	121192	141738	83821	114760	145572
	(62.77)	(54.59)	(48.85)	(48.91)	(39.28)	(39.82)	(58.37)	(49.86)	(51.28)
Agricultural livestock	126516	149016	156991	103341	116957	135723	83427	114076	144685
	(56.34)	(48.81)	(43.72)	(47.20)	(37.90)	(38.12)	(58.07)	(49.56)	(50.96)
Forestry & Logging	2234	2665	2557	951	699	749	295	573	729
	(0.99)	(0.87)	(0.71)	(0.43)	(0.23)	(0.21)	(0.20)	(0.25)	(0.26)
Fishing	1500	2277	2946	710	1452	1897	54	84	105
	(0.67)	(0.75)	(0.82)	(0.32)	(0.47)	(0.53)	(0.04)	(0.04)	(0.04)
Mining & Quarrying	10691	12713	12917	2073	2084	3369	45	27	53
	(4.76)	(4.16)	(3.60)	(0.95)	(0.67)	(0.95)	(0.03)	(0.01)	(0.02)
SECONDARY	37783	52249	76085	45594	77074	80101	21994	39593	45552
	(16.83)	(17.11)	(21.19)	(20.83)	(24.98)	(22.50)	(15.31)	(17.20)	(16.04)
Registered Manufacturing	16191	16138	31738	26476	44620	46405	5670	12722	16174
	(7.21)	(5.29)	(8.84)	(12.09)	(14.46)	(13.04)	(3.95)	(5.53)	(5.96)
Unregistered Manufacturing	5988	9461	11052	8473	12310	12936	5824	12351	13150
	(2.67)	(3.10)	(3.08)	(3.87)	(3.99)	(3.63)	(4.05)	(5.37)	(4.63)
Construction	13881	23886	30081	8371	14821	13738	9376	11724	12487
	(6.18)	(7.82)	(8.38)	(3.82)	(4.80)	(3.86)	(6.53)	(5.09)	(4.40)
Electricity Gas & Water Supply	1723	2764	3214	2274	5323	7022	1124	2796	3741
	(0.77)	(0.90)	(0.89)	(1.04)	(1.72)	(1.97)	(0.78)	(1.21)	(1.32)
TERTIARY	45822	86387	107605	66255	110291	134132	37801	75831	92769
	(20.41)	(28.29)	(29.96)	(30.26)	(35.74)	(37.68)	(26.32)	(32.94)	(32.68)
Transport, Storage & Communication	11936	16746	18283	10350	20603	26961	5027	9920	12305
	(5.32)	(5.48)	(5.09)	(4.73)	(6.68)	(7.57)	(3.50)	(4.31)	(4.33)
Trade, Hotels & Restaurant	13006	40730	56079	27643	45749	52162	18034	38034	43654
	(5.79)	(13.34)	(15.62)	(12.63)	(14.83)	(14.65)	(12.56)	(16.52)	(15.38)
Banking & Insurance	1856	3814	5714	4828	9725	13373	2307	5190	9285
	(0.83)	(1.25)	(1.59)	(2.20)	(3.15)	(3.76)	(1.61)	(2.25)	(3.27)
Real Estate Ownership of dwellings business	5157	6053	6433	6805	9498	10827	2299	3237	3735
	(2.30)	(1.98)	(1.79)	(3.11)	(3.08)	(3.04)	(1.60)	(1.41)	(1.32)
Public Administration	5977	7219	7784	4317	8279	11578	3166	8330	11722
	(2.66)	(2.36)	(2.17)	(1.97)	(2.68)	(3.25)	(2.20)	(3.62)	(4.13)
Other Services	7890	11825	13312	12312	16437	19231	6968	11120	12068
	(3.51)	(3.87)	(3.71)	(5.62)	(5.33)	(5.40)	(4.85)	(4.83)	(4.25)
Total NSDP	224544	305307	359101	218924	308557	355971	143616	230184	283893
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
Per Capita Income	402	441	476	829	913	970	1070	1383	1566

NOTE: Q: Quick estimates P: Provisional Estimates

Figures in parentheses are percentages to total NSDP.

Source: Estimates of state domestic product, CSO publication

TABLE.3.5: Per Capita Plan Outlay and Per Capita Central Assistance

(in Rs.)

Period	Per Capita Outlay			State's Own Share in Per Capita Plan Outlay			Per Capita Central Assistance			Index of Per Capita					
	Bihar	Gujarat	Punjab	Bihar	Gujarat	Punjab	Bihar	Gujarat	Punjab	Central Assistance to States			Finance Commission Transfers		
										Bihar	Gujarat	Punjab	Bihar	Gujarat	Punjab
First Plan (1951-56)	25.58 (XIII)	52.77 (IV)	173.88 (I)	46.60	64.83	12.42	13.63 (XII)	18.62 (VIII)	151.91 (I)	58.4 (V)	79.2 (VII)	633.3 (I)	-	-	-
Second Plan (1956-61)	40.01 (XIV)	75.26 (II)	145.54 (I)	52.24	65.99	41.72	19.01 (XII)	25.80 (VIII)	84.42 (I)	73.20 (II)	100.00 (VII)	192.5 (I)	86.4 (XI)	40.9 (XIII)	200.0 (I)
Third Plan (1961-66)	67.95 (XIV)	107.79 (II)	217.08 (I)	34.94	52.94	47.24	44.25 (XI)	50.81 (IX)	14.43 (I)	83.2 (XII)	94.5 (IX)	126.6 (IV)	75.8 (XII)	142.4 (III)	178.8 (II)
1966-67	15.11 (XII)	25.46 (III)	25.13 (II)	35.90	63.93	32.26	9.67 (XI)	9.24 (XII)	16.92 (II)						
1967-68	13.72 (XIII)	27.40 (III)	36.42 (II)	29.17	62.69	65.22	9.68 (XII)	10.24 (X)	12.64 (VIII)	55.9 (XIV)	91.1 (XI)	111.7 (VII)	66.7 (XIII)	90.9 (VIII)	87.9 (IX)
1968-69	12.45 (XIV)	31.98 (III)	34.40 (II)	20.89	62.50	65.91	9.87 (XIII)	11.98 (VII)	11.62 (VIII)						
Fourth Plan (1969-74)	84.17 (XIII)	201.70 (II)	312.93 (I)	31.73	71.74	77.10	57.44 (VIII)	57.00 (IX)	71.59 (IV)	100.0 (VII)	100.00 (VII)	123.9 (IV)	95.7 (VII)	93.5 (IX)	88.0 (III)
Fifth Plan (1974-78)	140.72 (XIV)	329.34 (IV)	473.16 (I)	52.97	77.71	80.39	65.28 (XII)	73.42 (IX)	92.76 (III)	92.0 (IX)	88.9 (XI)	113.9 (IV)	94.5 (VII)	87.4 (IX)	78.6 (XIII)
1978-79	47.83 (XIV)	114.07 (IV)	136.53 (II)	18.53	78.88	73.75	38.90 (VII)	24.06 (XIV)	35.85 (IX)						
1979-80	47.96 (XIV)	135.62 (III)	163.00 (I)	29.91	78.07	83.64	33.64 (VII)	30.03 (IX)	26.63 (XIII)	107.5** (VI)	108.0** (V)	106.1** (VII)	150.4* (I)	70.8* (XI)	38.5* (XIV)
1980-81	68.19 (XIV)	169.34 (III)	177.47 (II)	42.58	81.51	71.23	39.12 (VI)	31.34 (XI)	50.98 (II)						
1981-82	80.41 (XIV)	183.75 (III)	202.91 (II)	55.00	82.62	81.58	36.19 (VII)	31.93 (X)	37.34 (VI)						

- NOTE:
- (a) Figures in parentheses indicate ranks of the three states among the non-special category states in India.
- (b) \*\* is the 6th plan allocation; \* is the award under the 7th finance commission.
- (c) The index under column 10 to column 15 are computed by dividing the respective state figure by the average figure for the 14 non-special category states (i.e., Punjab, Haryana, Maharashtra, Gujarat, West Bengal, Uttar Pradesh, Orissa and Bihar).

Source: Government of India, Regional Dimensions of India's Economic Development, New Delhi, Planning Commission, 1983, pp. 414-21, 452-55.

TABLE 3.6: Sectoral Allocation of Total Expenditure in Five Year Plans

(Rs. Crores)

	First Five Year Plan 1951-56			Second Five Year Plan 1956-61			Third Five Year Plan 1961-66			Fourth Five Year Plan 1969-74			Fifth Five Year Plan 1974-78			Sixth Five Year Plan 1980-85		
	Bihar	Gujarat	Punjab	Bihar	Gujarat	Punjab	Bihar	Gujarat	Punjab	Bihar	Gujarat	Punjab	Bihar	Gujarat	Punjab	Bihar	Gujarat	Punjab
	Agri. & Allied.	16.04 (21.89)	17.28 (19.05)	8.42 (20.83)	54.86 (31.02)	37.96 (26.03)	25.43 (16.79)	68.97 (20.77)	46.97 (19.76)	42.95 (16.89)	89.12 (18.60)	74.26 (13.62)	50.42 (11.77)	138.67 (15.87)	144.60 (14.39)	93.13 (12.95)	615.21 (19.07)	505.50 (13.74)
Irrigation & Power	22.01 (30.04)	25.42 (28.03)	10.82 (26.76)	57.07 (32.27)	50.91 (34.91)	78.95 (52.14)	177.56 (53.52)	109.58 (46.10)	135.55 (53.32)	271.35 (56.62)	291.47 (53.48)	254.71 (59.47)	482.71 (49.07)	536.76 (53.41)	432.05 (60.07)	1808.00 (56.06)	1941.50 (52.76)	1081.23 (55.25)
Industry & Mining	1.04 (1.42)	0.68 (0.75)	0.66 (1.63)	9.08 (5.13)	4.85 (3.32)	4.67 (3.08)	10.35 (4.29)	10.21 (4.02)	10.23 (4.02)	17.31 (3.61)	19.86 (3.64)	11.26 (2.63)	36.36 (4.16)	53.37 (5.31)	37.47 (5.21)	98.65 (3.06)	161.10 (4.38)	81.68 (4.17)
Transport & Communi- cation.	10.89 (14.86)	17.79 (19.61)	5.28 (13.06)	13.64 (7.71)	23.89 (16.38)	10.35 (6.83)	17.44 (5.26)	23.31 (9.81)	14.32 (5.63)	38.42 (8.02)	45.65 (8.37)	59.30 (13.84)	88.23 (10.10)	113.44 (11.29)	63.27 (8.80)	259.75 (8.05)	337.60 (9.17)	113.25 (5.79)
Social Services	20.57 (28.08)	28.91 (31.87)	5.68 (14.05)	41.48 (23.45)	27.13 (18.60)	24.24 (16.01)	56.82 (17.13)	47.01 (19.78)	46.76 (18.39)	62.63 (13.07)	78.60 (14.42)	52.13 (12.17)	120.06 (13.74)	153.82 (15.31)	146.59 (20.38)	442.09 (13.71)	548.50 (14.90)	369.01 (18.85)
Miscellaneous	2.71 (3.70)	0.57 (0.63)	8.77 (21.69)	0.74 (0.42)	1.09 (0.75)	7.79 (5.14)	0.67 (0.20)	0.60 (0.25)	4.42 (1.74)	0.38 (0.08)	35.18 (6.45)	0.66 (0.15)	7.68 (0.88)	22.90 (2.28)	6.71 (0.93)	11.30 (0.35)	185.80 (5.05)	15.57 (0.79)
Total	73.26 (100.00)	90.70 (100.00)	40.43 (100.00)	176.87 (100.00)	145.83 (100.00)	151.43 (100.00)	331.14 (100.00)	237.68 (100.00)	254.23 (100.00)	479.21 (100.00)	545.02 (100.00)	428.47 (100.00)	873.71 (100.00)	1004.89 (100.00)	719.20 (100.00)	3225.00 (100.00)	3680.00 (100.00)	1957.00 (100.00)

NOTE: Figures in parentheses indicate the percentages

Source: 1. Government of India Regional Dimensions of India's Economic Development, New Delhi, Planning Commission, 1983.

2. Statistical abstract of India

## CHAPTER - IV

### COMPOSITION AND GROWTH OF REVENUE RESOURCES.

The financial structure of an economy is summed up in terms of two components, viz. revenue and expenditure. For understanding the financial health of an economy, one has to look into the level and the sources of revenues and the manner in which expenditures are made. It is quite vital to know, in particular which are the growing source and which others are declining sources of revenue. It is equally important to know the directions in which the expenditures by the state are moving over time. An analysis of revenue resources for the three chosen states of Bihar, Gujarat and Punjab is the subject matter of the present chapter. The changing patterns of expenditures are analysed in Chapter-V. In both chapters, the period covered is 1967-68 to 1984-85.

For sustaining the process of economic development, there is an ever-expanding need for raising financial resources. The resource structure of a growing economy has to undergo a change in such a way, that more and more revenue accrue to the state exchequer in an uninterrupted manner. The possibility of generating more and more

revenue depends on the one hand, upon the degree of built in-flexibility of the tax structure, and, on actual efforts to raise tax revenues, on the other.

For obvious reasons, these characteristics vary from state to state. In a federal set up, apart from differences in resource mobilization at the local level, transfers from centre also differ from state to state. The differences manifest themselves more pronouncedly in terms of the level of development of individual states. In this chapter, an attempt is made to analyse these important aspects of resource mobilization by the three chosen states of India.

There are mainly two types of revenue resources available to the states in India - tax and non-tax. Being a federation, central transfers also play a vital role in the financial structure of the states. In our analysis, these central transfers are included appropriately under-tax and non-tax revenues of the states.

#### Growth of Revenue Resources

Table 4.1 (Statistical Appendix-II), sets out the time profile of total revenue, tax and non-tax revenues

as well as state domestic product in the three states under study. The table throws up a few important features. Firstly, the total revenue resources of the three states increased three to four-fold during the period 1967-68 to 1984-85, roughly at annual compound rates of 7-8 per cent. The Bihar state recorded the highest increase while the Punjab, showed the lowest, among the three states. The most crucial aspect to underline is that the three - to four-fold increase in revenue resources far outstripped the two-fold increase in state domestic product (SDP) recorded in each of the three states. The SDP in Punjab recorded the highest annual rate of growth of five per cent; Gujarat and Bihar with 4.5 and 3 per cent annual compound rates of growth at constant (1970-71 = 100) prices followed Punjab in that order.

Secondly, in 1967-68, total revenue was contributing around 9 per cent of the SDP both in Gujarat and Punjab and about 7 per cent in Bihar. This share, however, continued to increase in all the three states so that in 1984-85, total revenue made up about 16.0 per cent of SDP both in Bihar and Gujarat and about 12.5 per cent in Punjab.

Thirdly, in per capita terms, income increased much more rapidly in Punjab. The per capita income of Bihar was about one-half of that of Gujarat and about one-third of that of Punjab, throughout the whole period of our study.<sup>1</sup> It is, therefore, not surprising that in 1967-68, per capita revenue raising efforts were the highest in Punjab, followed by Gujarat and Bihar, and this pattern reinforced itself over time. In 1984-85 per capita revenue contribution was Rs.196 in the Punjab Rs.161 in Gujarat and only Rs.80 in Bihar against Rs.87, Rs.67, and Rs.27, respectively for the three states in 1967-68.

It may be useful to look into the two constituents of revenue, viz; tax and non-tax revenue. It is important to note that while total revenue increased the fastest in Bihar ( Table - 4.1), it was Gujarat where the increase in tax revenue was the highest. In 1967-68, it was occupying nearly 2/3rd of the total revenue receipts in all the three states. This proportion increased continuously in the following years. In 1984-85 both in Gujarat and Punjab, tax revenue constituted 73 per cent of total

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1. See Table - 4.4 (Statistical Appendix - II).

revenue. However, Bihar's picture shows a mixture of up and down trends; a upward growth between 1967-68 and 1971-72 followed by a decline upto 60.0 per cent in 1978-79, followed by a steep increase and then a modest decline in 1984-85, resulting in 62.0 per cent share of tax revenue in total revenue.

In 1967-68, -out of the total SDP, tax revenue was contributing 5 per cent in Bihar, while in the other two states this contribution was slightly higher at about 6 per cent. Like total revenue, the share of tax revenue in SDP doubled over the years except in Punjab, where it grew nearly 1.5 times.

Non-tax revenue increased from Rs.49 crores, in real terms, to Rs.229 crores during 1967-68 to 1984-85 in Bihar - an increase by 5 times in absolute real terms giving 9.68 per cent annual compound rate of growth. This growth rate was the highest among the three states. Gujarat and Punjab with 7 and 6 per cent annual compound rates of growth followed Bihar in that order.

The non-tax revenue occupied about one-third of total



revenue in 1967-68, in all the three states. Both in Gujarat and Punjab, this proportion got reduced in the succeeding years, while in Bihar, it showed a fluctuating trend; a decline between 1967-68 and 1971-72, followed by an increase upto 40.0 per cent in 1978-79, followed by a steep decline and meek recovery, in 1984-85. Notwithstanding, these up and down swings, in 1984-85, non-tax revenue was contributing 38 per cent of total revenue in Bihar. This share was 27 per cent in Gujarat and only 26 per cent in Punjab.

The comparative picture of the three states clearly shows that in an agriculturally or industrially expanding economy, non-tax revenue lose its relative importance over time. On the other hand, a slow growing economy, Bihar in our case, keep on its dependence on non-tax revenue resources primarily because tax resources are not possible to be exploited in any significant manner. Significantly, the total of revenue resources, tax and non-tax put together, are also quite low on per capita basis in Bihar, compared with the other two states.

#### States' own efforts towards Resource Mobilization

Total tax and non-tax revenue of the states do not portray the exclusive outcome of their own efforts towards

resource mobilization. Some amount of transfers from centre is contained in both tax as well as non-tax revenue sources while states raise financial resources through their own network of taxes, some tax proceeds collected by the centre are also shared by them, as provided for under the constitution. Similarly a part of states' non-tax revenue resources come from centre in the form of grants-in-aid and other contributions. It is, therefore, in the fitness of things to have a look at the states' exclusive efforts at raising tax and non-tax revenue resources since 1967-68.

Table 4.2 (Statistical Appendix-II) highlights that unlike total revenue, mobilized revenue of the state (states' own total revenue) grew rapidly in Gujarat. During the period 1967-68 to 1984-85, it rose four-fold in absolute real terms at 8.68 per cent annual rate of growth. Punjab followed Gujarat with a slightly low growth rate of 7.58 per cent per annum, while Bihar has shown the lowest growth rate of 6.6 per cent per annum.

Between 1967-68 and 1984-85, the proportion of states' total revenue raised through its own efforts, decreased

from 57 to 45 per cent in Bihar while it increased in Gujarat and Punjab from 68 to 74 per cent and 76 to 80 per cent, respectively. In other words, while the fast growing state of Punjab and to a slightly lower extent the state of Gujarat, have gradually created internal dynamism in resource mobilization to an extent that in 1984-85, not more than 20.0 per cent of total revenue resources in Punjab and not more than 25.0 per cent in Gujarat come through central transfers. On the other hand, the sluggish performance of the Bihar economy forbids it from raising adequate resources on its own, so that since 1967-68, states' own revenue resources as a proportion of total revenue resources kept on declining for a fairly long time, only to gain a marginal recovery beyond 1981-82 or so. The figures are indeed revealing. In 1967-68, Bihar's own revenue resources made up 57.35 per cent of states' total revenue resources. The figure fell as low as 37.0 per cent in 1979-80/1980-81 and rose marginally to 44.73 per cent in 1984-85. It is thus evident that in terms of insulating the resource position of individual states from central transfers, the Punjab has been doing the best. Gujarat did the second best and Bihar fared rather poorly.

In per capita real terms, <sup>2</sup> states' own total revenue was Rs.16 in Bihar in 1967-68. It was more than double (Rs.39) in Gujarat and more than tripple the figure (Rs.55) in Punjab compared with Bihar. Over the years, per capita yield from states' own total revenue doubled in Bihar. It rose three-fold in Gujarat while a little more than two-fold in Punjab. While the poor resource mobilization record of Bihar is quite understandable, it is revealing to note that the Gujarat economy, although not growing as fast as the Punjab, has demonstrated better resource mobilization capabilities, primarily because of its expanding industrial base. On the contrary, the agricultural-orientation of the Punjab economy has yielded less revenue resources, on per capita basis, during the post-1967 development years. The intrinsic strength of an expanding industrial economy towards resource generation is to be accepted as a hard reality of the development experience.

Like total tax revenue, mobilized tax revenue of the state grew more rapidly in Gujarat roughly at 9 per cent per annum (Table-4.2). Punjab and Bihar followed Gujarat in that order. The share of states' own tax revenue in total revenue remained almost stable(50 per cent) in

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2. See Table - 4.4(Statistical Appendix-II)

Gujarat over the years. It declined in Bihar from 43.0 per cent in 1967-68 to 26.0 per cent in 1984-85. In Punjab it varied between 51 to 63 per cent during the same period.

Mobilized non-tax revenue of the states increased from Rs.20 crores in constant prices to Rs.113 crores in Bihar during 1967-68 to 1984-85. The increase was nearly six-fold, giving a 10 per cent annual rate of growth. In Gujarat, it increased nearly four-fold and in Punjab nearly three-fold showing 8 to 6 per cent annual rates of growth respectively.

Comparing the three states, it emerges that a relatively less developed economy of Bihar has shown increasing dependence on central transfers. In the declining efforts of the state towards resource mobilization, a continuously declining share of tax revenue is the main factor. To some extent, it may be the outcome of the proverbial inefficiency of Bihar in tax-collecting effort. It seems that, not to speak of exploring new sources, Bihar tax authorities are unable to optimally exploit even the existing tax sources. It has resulted in the increasing role played by non-tax sources of revenue. In terms of

per capita total resource generation of the state it is also performing very poorly compared with the developed states.

On the other hand, industrially and agriculturally developed economies of Gujarat and Punjab respectively have shown that with the development dependence of the states on central transfers gets reduced, while the role played by the states' own tax sources increases. Moreover, in an agriculturally growing, economy, with relatively large unexploited sources of tax, the potential for revenue raising is available to a greater extent compared with an industrially growing economy. This is, indeed revealed by both the states. While states' own tax revenue has increased much more fastly in Gujarat in real absolute terms, it is Punjab, where its relative importance in total revenue has increased rapidly.

#### Transfers from Centre

In spite of the fact that, states have been striving to make their own resource efforts within the spheres assigned to them under the constitution, almost since the inception of planning process in India, they have been facing financial constraints. These constraints have

widened over time. Given the federal policy of our economy, individual states have to resort to central transfers for their development programmes. Resources transfers either take the form of tax sharing or grants and loans, both under statutory and non-statutory transfers. In our analysis, different types of central transfers are mainly classified into sharing of tax revenue of the centre and grants-in-aid and other contributions.

As shown in table 4.3 (Statistical Appendix-II), total central transfers play a vital role in the total revenue yield of Bihar. In absolute real terms, these central transfers increased more than five-fold from Rs.60 crores in 1967-68 to Rs.333 crores in 1984-85. This growth was three-fold, both in Gujarat and Punjab.

Transfers through share in central taxes showed nearly seven-fold increase in Bihar, five-fold in Gujarat and only four-fold in Punjab. In absolute terms, therefore, the central tax sharing has been going in favour of Bihar, followed by Gujarat and Punjab respectively. In terms of total revenues of the state, transfers through central taxes figured quite significantly in Bihar; as much as 22.0 per cent of the total revenues of the state came through

such transfers in 1967-68, and the figure increased to 36.0 per cent in 1984-85. In sharp contrast, during 1967-68, it was only 12.26 per cent in Gujarat and 9.54 per cent in Punjab. In 1984-85, it rose to 17.30 per cent and 13.0 per cent in Gujarat and Bihar respectively. Thus the increasing reliance on domestic tax efforts signified the Punjab and the Gujarat models of development a continuing dependence on transfers through central taxes etc; characterized the sluggish nature of Bihar economy.

Grants-in-aid are the other type of central transfers. The table highlights, that in 1967-68, it was only Rs.28 crores at constant prices in Bihar, that rose four-fold to Rs.115 crores in 1984-85. This was twice the amount in other two states throughout the years. It is, indeed, very important to note that grants-in-aid have become relatively less important in total revenue position of individual states. For example, grants-in-aid as a proportion of total revenue of Bihar state fell from 19.86 in 1967-68 to 16.16 per cent in 1983-84; .In Gujarat, it fell from 15.90 per cent to 8.55 per cent, while in Punjab it fell from 12.10 per cent to 8.42 per cent during the same period. It may be because of the increasing reliance placed on the share in central taxes compared with grants-in-aid under statutory transfers.



The foregoing analysis reveals that the transfers from the centre to the states are following the policy of the central government i.e; the more backward a state is, the more it will receive from the centre by way of various transfers. Consequently, Bihar the relatively backward economy is receiving the highest central transfers compared with the industrially and agriculturally expanding state.

#### Growth of States' own revenue resources.

States fulfil their development needs through various tax and non-tax sources assigned to them under the constitution. Taxes of the state governments incorporate both direct and indirect taxes. These direct and indirect taxes can be broadly classified into three categories:

1) Taxes on income, (2) Taxes on property and capital transactions, and (3) Taxes on commodities and services.

Taxes on income and taxes on property and capital transaction, taken together, constitute direct taxes of the state while taxes on commodities and services are known as indirect taxes.

Taxes on income consists of professional tax and agricultural income tax. The former is enlisted in the

state list of the Constitution as 'Taxes on Professions, trades callings and employment' (entry 60).<sup>3</sup> It is a tax on all professions, all employment and all trades. As table 4.6(Statistical Appendix-II) shows, Gujarat is the only state, among the three selected states of our study, where this tax contributed to the states' total tax proceeds although, a very small amount of rupees two to five crores in real terms during the period 1976-77 to 1984-85.

Similarly, entry 46<sup>4</sup> of the state list given in the Constitution, empowers the state governments to tax agricultural incomes. Bihar was the first state in India to levy a tax on agricultural incomes. However, as the table shows, this tax was adding a very insignificant amount to the state treasury and that too declined in the following years and finally became zero in 1979-80. Gujarat and Punjab never introduced this tax in their economies.

Thus it is obvious, that taxes on income did not contribute to the states' total tax proceeds in any significant manner, both in Bihar and Gujarat. In Punjab

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3. See. Annexure-II.

4. Ibid.

these taxes were never levied during the period of our study.

Having discussed the relatively insignificant role of the taxes on income, we are left only with taxes on property and capital transactions, as far as direct taxes are concerned. It is through these taxes that the states are raising funds to finance their development plans. Stamps and registration duty, land revenue, tax on urban immovable property and surcharge on cash crops come under the purview of taxes on property and capital transactions. However, only two of these taxes viz., stamps and registration and land revenue are noticeably playing some role in our chosen states.

Indirect taxes or the taxes on commodities and services are other significant component of the tax revenue of the states. These taxes are levied to achieve the following objectives:

- i) to raise revenue especially from those who cannot be reached through direct the taxes,
- ii) to curtail the consumption of luxuries, and
- iii) to restrain a rapid increase in mass consumption of non-necessaries.<sup>5</sup>

Sales-tax state excise duties, taxes on goods and

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5. R.J. Chelliah, Fiscal Policy in Underdeveloped Countries, Allen and Unwin, London, 1960, p. 280

passengers, motor vehicles tax, entertainment tax, electricity duties etc., are the main constituents of these taxes.

Table 4.6 (Statistical Appendix-II) sets out the time profile of these direct and indirect taxes of the states. It highlights that the share of indirect taxes in the total tax revenue of the states increased continuously in all the three states. Such taxes were contributing around 92 per cent to the states' total tax revenue in 1984-85 as against 83 per cent share in 1967-68. In a developing economy, characterized by low personal incomes and preponderance of small producers and petty traders, heavy reliance on commodity taxation is quite understandable.

In absolute real terms, these indirect taxes registered a two and half to five-fold increase in the three states compared with around one and half-fold increase in direct taxes. Gujarat recorded the highest growth of 9.54 per cent per annum in indirect taxes followed by Punjab 8.28 per cent and Bihar 6.43 per cent. On the other hand, Punjab registered the highest growth of 4.62 per cent per annum in direct taxes followed by Gujarat 2.90 per cent and Bihar just with 0.22 per cent annual rate of growth.

Three states, taken together shows that the growth in indirect taxes was relatively high compared with direct taxes. It reflects that the economies of all the three states are characterized by low income people and petty producers and traders. Notwithstanding the fast growth of revenue contributed by commodity taxes and services, revenue from taxes levied on property and capital transactions has grown at a relatively higher speed in Punjab signifying, thereby, a comparatively fast increasing direct tax base. A part of the explanation comes from relatively higher per capita income level of Punjab, constantly for the whole period of our analysis. Gujarat indicates a marginally fast growing revenue from indirect taxes compared with Punjab signifying the preponderance of small producers and traders. Bihar is far behind both Punjab and Gujarat as far as the growth in tax - direct and indirect - proceeds are concerned, however, indirect taxes have established their base compared with direct taxes.

It will be more useful to know which particular taxes were playing the important role in each chosen state's tax revenue. In particular, we should probe into

the question: Is there any striking change in the composition of tax structure over the years; if so, what is the nature of this change in each of the three chosen states.

a) Growth and trends in direct taxes.

Direct tax is one which is paid entirely by person on whom it is levied. Within the category of direct taxes, as already explained, two taxes stamps and registration and land revenue are the main contributors. Table 4.8 (Statistical Appendix-II) clearly shows that the share of both these taxes in the total tax proceeds of the states declined in the period 1967-68 to 1984-85.

For example, in Bihar, these two tax categories put together contributed about 17.0 per cent of states own total revenue in 1967-68 and only about 11.0 per cent in 1984-85; in Gujarat, the corresponding figures for 1967-68 and 1984-85 were 17.0 per cent and 6.0 per cent respectively, and in Punjab, 16.0 per cent and 7.0 per cent, respectively. Although, their contribution steadily declined since 1967-68, yet their absolute figures witnessed sizeable increases, especially for stamps and registration duty.

For example the yield from stamps and registration increased from about one and half to three-fold during 1967-68 to 1984-85. Gujarat registered the highest increase of 7.0 per cent per annum followed by Punjab (6.0 per cent). Bihar registered a modest annual rate of growth of 1.4 per cent.

Although the expanding trend was witnessed by all the three states, the manner in which these taxes outstripped the receipts from land revenue, differed. While in Punjab, it occurred from the very first year of our study, in the other two states, it captured the dominant position after an initial relatively low position.

On the other hand, during 1967-68 to 1984-85 not only the absolute real receipts but also the share of land revenue in total tax proceeds of the states declined except Bihar. In Punjab, its contribution to total tax revenue was as low as 0.5 per cent in 1979-80. Declining relative importance of land revenue compared with stamps and registration can be attributed to its relatively inelastic and regressive nature on the one hand and increasing level of economic activity resulting in fast growth of revenue receipts from stamps and registration, on the other.

b) Growth and trends in indirect taxes.

When the state governments have to mobilize resources for financing their development plans and the masses are poor, the scope of direct taxation becomes limited. That is perhaps the reason that individual states in India, have placed more and increasing reliance on indirect taxes.

There are mainly six types of such taxes:

- 1) Sales tax, (2) State excise duties, (3) Taxes on vehicles, (4) Taxes on goods, and passengers, (5) Electricity duties; and (6) Entertainment tax.

As is evident from table 4.9( Statistical Appendix-II ) out of all these indirect taxes, sales tax occupies an important place in all the three states. It is a tax on the sale or exchange of goods or services, which is proportional to the value of quantities of the things purchased.<sup>6</sup>

It is interesting to note that the contribution of sales tax alone was much more than that of all other types

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6. E.H. Plank, " Public Finance, Richardson, D. Irwin Inc; Illionois, 1953, p. 321.



of direct and indirect taxes, taken together. In 1967-68, the contribution of sales tax to the total tax proceeds of the state was 57 per cent in Gujarat, 55 per cent in Bihar and a comparatively low 36 per cent in Punjab. These proportions continued to increase and the year 1981-82 witnessed as high as 70.0 per cent of the states' total tax revenue coming through sales tax both in Gujarat and Bihar. However, this percentage was around 45.0 per cent in Punjab during the same year.

Therefore, sales tax has become the base of the tax structure of the states. As Bhargava has also written that, " in the state sector, sales tax has emerged as the most elastic and productive source of revenue. The yield from it having increased from Rs.60 crores in 1950-51 to Rs.494 crores or at 8½ times in 1967-68 (Budget)."<sup>7</sup>

During the period 1967-68 to 1984-85, it increased three-to-four and half-fold, roughly at annual compound growth rates of about 8-10 per cent per annum in the three

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7. R.B. Bhargava, "Indian Public Finance" B.D.Bhargava and Sons., Chandausi, 1976 p. 383

states. Gujarat recorded the highest rate of growth of 9.78 per cent per annum. Punjab with 9.0 per cent and Bihar with 8.0 per cent annual rate of growth were not far too behind either.

Both industrially as well as agriculturally growing economies have registered the higher rates of growth of receipts from sales tax. However, Gujarat, the industrially expanding economy, recorded a marginally higher rate of growth. Justification for this phenomenon lies in the exchange of producer as well as consumer goods. It is the relatively more exchange of producer goods in Gujarat that leads to higher growth in sales tax revenue against the relatively more exchange of consumer goods in the agriculturally expanding economy of Punjab.

The second major source of tax revenue, is the state excise duties. Excise duties refer to taxes on commodities produced within the country, in order to reduce their consumption. In India, excise duties fall into two categories: (i) those which are levied at the time of production of the commodities for the purpose of revenue collection and (ii) those which are levied for the purpose of restricting consumption of commodities, which are considered

to be harmful. The state governments in India, levy excise duties of the latter type. Entry 51 of the state list, under the seventh schedule of the constitution of India, empowers the state governments to levy excise duties (for details see Annexure-II).

As table 4.9 (Statistical Appendix-II) reveals, state excise duties on alcoholic liquor, continued to be the second most important among the various sources of tax revenue in the states with the exception of Gujarat, where the phenomenon of total prohibition was in force until the end of 1971. On the other, both Bihar and Punjab come under that category of the States which have been declared as dry areas. Consequently, the revenue from state excise duties contributed largely both in Punjab and Bihar. However, their share was comparatively more in the former state. For reasons explained above, it was constituting a rather negligible proportion of the tax revenue of Gujarat. In 1967-68, these duties were bringing 30.0 per cent to the total tax revenue of Punjab and 17.0 per cent in Bihar. Over the years, this proportion declined in Bihar; however, it remained stable in Punjab.

In absolute real terms, Bihar witnessed a zero annual rate of growth for this tax category. The relatively declining share of excise duties and absolutely zero growth rates may be because of the problem of tax evasion and avoidance. Punjab registered the highest annual rate of growth of 7.38 per cent per annum, implying excessive alcoholism, especially after Green Revolution and consequent prosperity. In Gujarat, in spite of the very low initial revenue from these duties, it increased after mid-seventies and registered 6.59 per cent annual rate of growth, thereby, registering the new and emerging patterns towards alcoholism.

Compared with these two types of major indirect taxes, other taxes were playing a relatively less important role in the states' total tax revenue. In Gujarat the contribution of electricity duties, entertainment tax recorded an increase in their share in total tax proceeds of the state, while the share of taxes on vehicles declined over the period 1967-68 to 1984-85. Both in Bihar and Punjab the share of the revenue from these taxes on vehicles increased. Other taxes viz., electricity duties and entertainment tax witnessed a reduction in their share in total tax revenue in both the states.

In spite of the declining share of taxes on vehicles in the tax revenue of Gujarat, it has registered a two-fold growth in revenue receipts in absolute real terms at 5.0 per cent annual rate of growth. Bihar with 11.6 and Punjab with 12.6 per cent annual compound rates of growth preceeded Gujarat in that order.

In the case of taxes on goods and passengers, electricity duties and entertainment tax (as Table 4.10, Statistical Appendix-II indicates), Gujarat recorded the highest annual rate of growth. Electricity duties were growing at a higher rate both in Gujarat and Punjab. However, the former witnessed 11.86 per cent and the latter 7.99 per cent annual rates of growth.

The growth in electricity duties in Gujarat, were followed by the growth in entertainment tax(10.23 per cent) and the growth in taxes on goods and passengers(7.24 per cent) On the other hand, the sequence changed in Punjab as the growth in electricity duties were followed by taxes on goods and passengers(6.75 per cent) and entertainment tax (6.50 per cent). Bihar registered zero annual rate of growth both in electricity duties and taxes on goods

and passengers. While the proceeds from entertainment tax grew at a nominal rate of 1.87 per cent per annum.

As we know, direct and indirect taxes, taken together constitute the tax structure of the states. In order to know, the changes in the composition of their tax structure over time, Table 4.11(Statistical Appendix-II) has been derived from Tables 4.8 and 4.9 at three different points of time. The table highlights that the sales tax has retained its top position, through out the years, as far as its contribution to states' total tax revenue is concerned. In Punjab, state excise duties, stamps and registration and taxes on goods and passengers come next to sales tax in that order; entertainment tax retained its old, i.e.; 7th position almost throughout the years. Taxes on vehicles improved their relative position while land revenue and electricity duties lost their positions over the years.

In Bihar, state excise duties and stamps and registration were sharing total tax proceeds after sales tax throughout the years. Like Punjab, taxes on vehicles improved while duties and taxes on goods and passengers declined over the years. It will be noteworthy here that unlike the other

two states, land revenue was playing its part, though not predominantly, in the total tax revenue of the state.

Gujarat witnessed many ups and downs in its tax structure. Land revenue witnessed a steep fall from the second highest to the second lowest position. Similarly the share of taxes on vehicles declined over the years. The share of electricity duties improved remarkably; from the sixth position it became the second highest source of tax revenue in 1984-85. Entertainment tax and stamp duties and registration fees also improved their positions.

Comparing the three states, it emerges, how much the states depend upon the general masses of the people for their finance. Thus the tax revenues of the states are predominantly regressive and falling heavily upon the middle and lower income groups. However, an agriculturally developed economy of Punjab has shown a tendency towards direct taxes. A comparatively backward economy of Bihar is far behind as far as the growth of direct and indirect taxes is concerned.

Land revenue has lost its importance especially, in

the developed states of Gujarat and Punjab. Stamps and registration has emerged as a major direct tax levied by the states.

Among the various indirect taxes, sales tax has brought the largest revenue to the states followed closely by the state excises in Bihar and Punjab. Electricity duties and entertainment tax are increasingly contributing the total tax revenue in Gujarat.

#### Non-tax Revenue

Apart from the various types of tax resources, state governments acquire funds for their development plans from non-tax source of revenue also. These source include: interest receipts, dividends, social and community development services, economic services, and miscellaneous sources of non-tax revenue.<sup>8</sup>

Table 4.12 (Statistical Appendix-II) highlights some important features of the states' total non-tax revenue. In 1967-68, the commencing year of our study, revenue

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8. For details see Annexure - III.



receipts from economic services were negative both in Punjab and Gujarat. While the receipts from interest and social and community development services together brought maximum revenue to the states. Both these sources, taken together, were contributing a very high share (ranging between 77 per cent and 93 per cent) to the total non-tax revenue of the states. In Gujarat, their share was the highest (93.44 per cent) followed by Punjab (87.68 per cent) and Bihar (76.62 per cent).

A careful perusal of the table indicates that both in Gujarat and Punjab, interest receipts has been a major source of revenue. However, in Bihar, it were social and community development services, the revenue from which were contributing more compared with that from the interest receipts. It implies that in the agriculturally and industrially developed economies, with the increase in the level of economic activity, the loans granted by state governments to various individual, local governments as well as to commercial departments and public sector undertakings increases. Consequently receipts from interest grow upwards. In a backward economy of Bihar revenue from services like education, medical and health services etc., dominated. In the following years, the share of both these sources declined in Bihar and Punjab.

In Gujarat after a continuous decline upto 1974-75, the share of interest receipts went up in the following years.

The terminal year of our study 1984-85 witnessed 64 per cent of the total non-tax revenue coming from interest receipts and social and community development services in Gujarat. Out of which interest receipts were contributing 57 per cent of the total non-tax revenue of the state. In Punjab, both these sources were contributing 37 per cent and the share of interest receipts was 31 per cent. Bihar recorded a considerable decline to 4.67 per cent in 1984-85 as against 76.62 per cent in 1967-68 and here social and community development services were sharing the larger part.

It is interesting to note that the receipts from social and community development services declined both in relative as well as absolute terms and registered a zero rate of growth in all the three states. However, interest receipts registered the highest annual rate of growth of 8.35 per cent per annum in Gujarat.

Apart from these two sources, the revenue from economic services that was negative in the initial years, slowly shot up in importance. In 1973-74, out of the total non-tax revenue of the states, the share of economic services was 59 per cent in Bihar, 45 per cent in Punjab

and 37 per cent in Gujarat. In 1984-85, their share was as high as 91 per cent in Bihar, followed <sup>by</sup> 43 per cent in Punjab. In Gujarat, it came down to 24 per cent in 1984-85.

Revenue from economic services, which include revenue from forests; agriculture and cooperation; industries; royalties, minerals and mineral concession fees; multi-purpose river valley projects; irrigation navigation etc., increased remarkably in Bihar. Punjab and Gujarat followed Bihar in that order. The highest growth in economic services can be attributed to the increased share of royalties, minerals and mineral concession fees as indicated by Table 4.13 (Statistical Appendix-II), 76 per cent of the total non-tax revenue of the state was coming from this source in 1984-85 compared with 15 per cent share in 1967-68. It implies that local development is taking place in Bihar based largely on the availability of natural resources.

A comparison of the three states indicates that in the developed economies interest receipts play their part, while in backward economies more revenue come from social

and community development services. Even if the growth in economic services takes place in a backward economy like Bihar, it largely hinges upon the natural endowments of the state.

### Growth and trends in Central transfers

Total central transfers are classified, as explained earlier, into share in central taxes and grants-in-aid and other contributions. In the following section, these two types of major central transfers are analysed by dividing them further into suitable sub-heads.

#### 1. Share in Central taxes:-

There are mainly three types of taxes, the yields of which are shared with the states - estate duty, income tax and union excise duties. Under Article 269(1) of the constitution, 'the estate duty in respect of property other than agriculture land' is levied and collected by union government, but whole of the net proceeds are assigned to the states, according to the law made by the Parliament, based on the recommendations of the Finance Commission. Out of the total revenue transferred through share in central taxes, revenue from estate duty constituted a very

negligible portion in all the three states. Therefore, we are left mainly with two types of central taxes - income tax and union excise duties - that are transferred to the states.

To start with, in 1967-68, revenue from the share in income tax was contributing more compared with union excise duties both in Punjab and Gujarat (Table 4.14 (Statistical Appendix-II)). The latter outstripped the former in early seventies and since then increased continuously. In 1984-85, the share in union excise duties were contributing around 2/3rds of the total share in central taxes both in Punjab and Gujarat. In Bihar, this trend appeared from the very first year of our study; however, over the years, the difference got widened. In 1967-68, the share of union excise duties in total share in central taxes was 52.26 per cent compared with 47.74 per cent share of income tax. These shares were 81.85 per cent and 18.15 per cent respectively. It is, thus, obvious that as far as the share in central taxes is concerned, indirect taxes were increasingly getting importance over direct taxes.

## 2. Grants-in-aid and other contributions:

The well conceived distribution of tax powers have made

states extremely dependent on union government. Hence to remove the inadequacy of the state resources and in order to cope up with the manifold responsibilities, provisions have been made under the constitution for central grants-in-aid. Grants are classified as plan and non-plan grants, allocated to the states under the recommendations of planning as well as Finance Commissions, respectively.

Plan grants include allocations under state plan schemes and centrally planned schemes as well as centrally sponsored schemes. Non-plan grants include, statutory transfers, grants for natural calamities and some miscellaneous grants. Table 4.15 (Statistical Appendix-II) highlights that in all the three states, the share of non-plan grants was more than plan grants in 1967-68 but from 1968-69 onwards, the latter outstripped the former in all the three states. Moreover, the share of the non-plan grants declined over the year. In 1984-85, Bihar was the largest recipient with 10.41 per cent share of total grants-in-aid. Punjab with 6.07 per cent and Gujarat with 2.89 per cent followed Bihar in that order.

The table reveals that the share of centrally planned as well as sponsored schemes were more compared with the allocations made under state plan schemes, both in Gujarat and Punjab. In 1984-85, the share of the grants under centrally sponsored schemes was 63.0 per cent in both the states compared with 54.0 per cent (Gujarat) and 26.0 per cent (Punjab) shares in 1974-75. It shows that the relatively more funds were transferred to the Punjab by way of centrally planned and centrally sponsored schemes during 1974-75 to 1984-85.

In Bihar, as the table indicates, grants-in-aid under state plan schemes were more compared with centrally planned as well as sponsored schemes with a few exceptions. However, the gap has narrowed down over time between the share of grants allocated under both the schemes. In 1967-68, out of the total plan grants, 86.0 per cent funds were allotted under state plan schemes that got reduced to 51.0 per cent in 1983-84.

In brief, the role of Finance Commissions appears to have got reduced over the years compared with the role of the Planning Commission. Bihar, a backward economy in

our case, is the largest recipient of the statutory grants-in-aid. Moreover, out of the total plan grants, relatively developed states of Gujarat and Punjab are getting more funds under centrally planned as well as sponsored schemes, while Bihar has been assigned more funds under state plan schemes. As explained earlier the grants-in-aid and other contributions have lost their relative importance. But whatever allocation were made under these grants, the centre was inter-ferring more in developed states through various centrally planned and centrally sponsored schemes, and a backward economy of Bihar received more assistance for the schemes planned by the state government itself.

Central transfers are made with the objective of reducing the regional disparities. But the foregoing analysis presents a contradictory picture. Total central transfers as analysed earlier shows a different picture compared with the analysis of its separate components seems that the process of transfers through grants-in aid to the states has contributed towards widening the inter-state disparities with relatively more developed states receiving more assistance from the centre.

#### Responsiveness of State Taxes:

Responsiveness of taxes, is a general expression to



show changes in income at central state or local levels and is defined as tax elasticity and tax buoyancy. These two are the important segments of modern tax theory. "By disaggregating the tax system into major tax groups and these major tax groups into individual taxes and by computing the elasticity coefficients of various individual taxes and tax groups, it can be ascertained as to which types of taxes are contributing to rapid revenue growth".<sup>9</sup>

The growth in tax revenue may take place either through the automatic changes in tax yields with the changes in income or through the imposition of parameters like new taxes, revision of tax rate structure, etc. Tax elasticity refers to the change in the tax yield in response to a change in state income without changing the tax base. Buoyancy, on the other hand, refers to the change in the tax yield in relation to the change in state income, irrespective of the fact, whether the change in the tax yield is due to a change in the coverage of tax or its rate structure or both.<sup>10</sup>

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9. M.M.Sury : 'Elasticity of tax revenue; Some measurement problems;' Indian Economic Journal, Vol. 26, No.1, 1978, pp. 18-27.
  10. G.S. Sahota; Indian tax structure and economic development, Asia Publishing House, New Delhi, 1961.

Generally the following exponential relationship is used to calculate the buoyancy of a given tax, i.e.,  $y = ax^b$ . where 'Y' denotes the revenue from particular tax or tax group, 'X' denotes the state income 'a' and 'b' are the two parameters. If 'b' coefficient turns out to be more than one, the buoyancy or the relevant elasticity of the tax will be relatively high and vice-versa. Such buoyancies are given and compared in Table 4.16 (Statistical Appendix-II).

The buoyancy of the total tax revenue is found to be the highest in Bihar 1.38. It means one per cent change in state income results in 1.38 per cent change in tax yield. Gujarat with 1.31 and Punjab 1.23 tax buoyancy followed Bihar. Unlike total tax revenue, buoyancy of states' own tax revenue is found to be the highest in Gujarat (1.33) followed by Punjab (1.23) and Bihar (1.18) It is thus evident that buoyancies of total as well as states' own tax revenue turn out to be fairly high in all the three states.

Dividing the tax system into major tax groups, it emerges that buoyancy of taxes on property and capital

transactions is relatively low in all the three states. In spite of the relatively low buoyancies, taxes on property and capital transactions are comparatively more responsive to the changes in income in Punjab followed by Gujarat and Bihar respectively. It shows that in Punjab direct taxes have established their base with increase in the per capita income of the people. On the other hand, buoyancies of taxes on commodities and services were relatively high. Here Gujarat is found leading with an elasticity coefficient of 1.37 followed by Bihar (1.28) and Punjab (1.26) respectively.

Among individual taxes, sales tax and taxes on vehicles were the two major taxes where buoyancies were relatively high in all the three states. Bihar is found leading in both these taxes. On the other hand, land revenue is one such major tax where regression coefficient is less than one in all the three states. Again Bihar is leading here followed by Gujarat and Punjab respectively.

In the case of stamps and Registration fees, electricity duties and entertainment tax, Gujarat was leading followed by Punjab. In both these states buoyancies are found to be relatively high; however they are relatively low in

Bihar. Punjab is leading in case of state excise duties and taxes on goods and passengers. Here again, the buoyancies are relatively low in Bihar but it is the other way round in the other two states. Relatively low buoyancies in Bihar imply that except sales tax and taxes on vehicles, all other major taxes are responsible for lagging states' own tax revenue growth. However relatively high growth in total tax revenue in Bihar indicate the revenue collected by way of central taxes, transferred to the state played the major part.

Resource mobilization in a particular economy depends not only upon the ability of government to levy taxes and the capacity of the people to pay taxes but also on the efficiency of tax collecting authority or efforts on the part of tax collecting machinery. Therefore, tax effort shows the extent to which a given state makes use of its fiscal or taxable capacity. It means the ratio of actual tax collection to the fiscal potential. A proper study of the tax efforts of units in a federation helps in forming a suitable criterion for resource transfers from centre to state. For this purpose, the finance commissions of India have mentioned from time to

time, the relevance of measuring tax efforts. <sup>11</sup>

A number of measures have been employed to determine the tax efforts of the states. Generally, the attention is focused on the ratio of tax revenue to national income. It, therefore, signifies that total income of a state is important determinant of taxable capacity. In fact, distribution and structure of income accompanied by per capita income alongwith the other factors also plays an important role. <sup>12</sup>

The choice of a measure of tax effort is a tedious task. Different criteria have been proposed for measuring and comparing tax efforts of the states. But "the success of the tax effort criterion depends upon its precise measurement and its application". <sup>13</sup> These different measures can be put under the following categories:

- a) Per capita tax revenue, but this measure will rank a state very high even if the tax rates and coverage is low, just because the state is sparcely populated.

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11. See Reports of Finance Commissions, 1952, Para 18 Ch. CII; 1957, Para 64; 1961, p.29; 1965, pp. 46-47 etc.,.

12. For detailed reasoning see Henery J. Frank; 'Measuring tax burdens', National Tax Journal Vol. XII. No.2, 1959, pp. 179-85

13. Hemlata Rao; Centre-State Financial Relations, Allied Publishers Pvt Ltd. New Delhi, 1981, p.116.

b) Tax-income ratio, Economists like Frank <sup>14</sup> and Bird <sup>15</sup> have used this ratio of tax to income. Both the above indices consider income alone as a capacity factor and do not incorporate the influence of other possible capacity factors.<sup>16</sup>

Apart from these two measures incremental tax income ratio (ratio of increase in state tax revenue to state income) and income elasticity of tax revenue proportionate change in income are the other methods used for measuring tax efforts. These measures are in fact modifications over the ratio of tax to income and suffers from the same deficiencies as the tax-income ratio.

A more acceptable statistical technique for measuring tax effort is the multiple regression analysis. This technique is often suggested for inter-state comparison.

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14. Henry J. Frank; op.cit.

15. Richard Bird; "A note on the tax sacrifice comparison," National Tax Journal, vol XVII, 1964, pp.303-308

16. K.N. Reddy, "Inter-State tax effort," Economic and Political Weekly, Vol. 10, Dec. 13, 1975, p. 1922.

Economists like Lotz and Morss<sup>17</sup> and Bahl Roy,<sup>18</sup> R.J. Chelliah<sup>19</sup> have made use of this technique. But the problem with this technique is the appropriate selection of variables for meaningful measurement of tax efforts.

In case of state governments, their fiscal potential depends not only on the total income but also on a host of other important factors such as the level of per capita income, the share of non-agricultural incomes to total income(SDP) the degree of urbanization,<sup>20</sup> and so on. In our analysis, depending upon the availability of the data, we have used the following model for measuring the tax efforts of the three states, under study over the years :-

$$T/y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + U$$

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17. J.R. Lotz and E.R. Morss, " Measuring Tax Efforts in Developing Countries", Staff Papers(IMF), Vol. XIV 1967 pp. 478-99.
18. W.Bahl Roy, " A Regression approach to Tax-efforts and tax ratio, " Staff Papers(IMP) Vol. XVIII, July 1971, pp 570-612.
19. R.J. Chelliah, " Tax Ratios and tax efforts in developing countries, 1969-71" Staff Papers(IMF) May 2, 1974
20. National Institute of Public Finance and Policy; Sales tax system in Bihar, Somaiya Publication Pvt Ltd, Bombay, 1981, p.15

where  $T/y$  represents the ratio of states' own tax revenue to its income ' $x_1$ ' is state's per capita income,  $x_2$  is urban population as a per cent of total population and  $x_3$  is the percentage share of non-agricultural sector in SDP.  $U$  is error term with usual sets of assumptions. The whole analysis is at constant prices. Comparing the estimated tax ratios, with the actual tax ratios we have obtained the performance of the three states in different years.

The statistical values of all the three states' tax performance are given below in Table 4.17 (Statistical Appendix-II). It is found that all the three factors together explain 93 per cent of variation in Punjab, 89 per cent in Gujarat, and just 26 per cent in Bihar. Per Capita income is influencing tax efforts in all the three states. Apart from this, in Gujarat, percentage of urban to total population as well as share of non-agricultural sector, both these factors are affecting the tax efforts. In Bihar, it is only the former factor while in Punjab the latter factor is more influential. What is important to note that coefficient of variable  $x_1$  (per capita income) is very low, though significant, in all the three states.



It is because that this is the same factor which entered into the dependent variable as a denominator in the ratio.<sup>21</sup>

The expected as well as actual tax-income ratios and the index of tax effort of all the three states in different years is given in Table 4.18 (Statistical Appendix-II) More than one index of tax effort implies states' efforts are satisfactory and vice-versa.

A careful perusal of the table shows that among the three states, Punjab is the only state, that acquired satisfactory tax effort, from the very beginning of the period under study. Gujarat follows Punjab closely. Bihar, understood to be the least tax effort state, was not able to raise the resources upto the capacity in initial years of the study. However, from the mid-70's it seemed to be raising more resources than its capacity. Table 4.18 depicts that the Punjab excelled the other two states almost for every year. Nevertheless the years, 1975-76, 1976-77, 1978-80 show a commendable effort on

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21. K.N. Reddy; op.cit. p. 1923

the part of Bihar state when it was raising the highest sources among the three states as compared to its capacity.

**CONCLUSION:**

Before we began the analysis of the fiscal structure of the states (with different models of development), we thought that some distinct contrasts would emerge. However, to our surprise, we did not discover extraordinary differences among the three states of our study. Nevertheless, the following are some of the important features that can be interpreted as mutual contrasts; Firstly, the revenue resources of each of the three states have increased fast compared with its SDP. Secondly, unlike the expanding economies of Punjab and Gujarat, a backward economy of Bihar, rely more on non-tax resources as well as on central transfers.

Thirdly, the comparatively large growth of non-tax resources in Bihar is more because of its bountiful endowments of natural resources and the consequent receipt of royalties, minerals and mineral concession fees.

Fourthly, while the total as well as mobilized tax

revenue registered the highest growth in Gujarat, it will be interesting to note that the changes to total tax revenue is more buoyant to the changes in income in Bihar. Fifthly, even if there is increasing reliance on indirect taxes, the agriculturally developed economy of Punjab has nurtured a growing base of direct taxes. The industrially growing economy of Gujarat, on the other, has recorded the highest growth in indirect taxes. These indirect taxes are also relatively more buoyant to changes in income in Gujarat.

Sixthly, among the different types of commodity taxes, sales tax is playing an important role in all the three states. Sales tax along with taxes on vehicles not only grew rapidly but was found more responsive to changes in income in Bihar. Electricity duties, entertainment tax have registered relatively fast growth in Gujarat while state excise duties increased rapidly in Punjab.

Seventhly, as far as the central transfers are concerned, share in central taxes has recorded a comparatively faster growth in the three states. However, Bihar has been the biggest beneficiary. Out of the total share in central taxes,

income tax that figured significantly during the initial years, lost its relative importance in the subsequent years, lost its relative importance in the subsequent years, compared with union excise duties. It is transfers through grants-in-aid that present a contradictory picture. It has been found that with the rising pace of development, the centre interferes more by way of grants given under different centrally sponsored and centrally planned schemes. In this regard, the relatively more developed states seem to have received more assistance than the backward states.

Lastly, if we take into account the tax effort on the part of the three states, it is found that Punjab did the best and Gujarat the second best, among the three states, in realizing satisfactory tax effort compared with the other two states.

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STATISTICAL APPENDIX - II

TABLE 4.1: Growth of Revenue Resources at Constant (1970-71 = 100) Prices

(Rs. Crores)

S.No.	Heads of Revenue	Year																		Annual Compound Growth Rate
		1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
I BIHAR																				
1.	Tax Revenue	93.63	119.73	141.25	163.37	186.76	179.88	157.55	155.72	219.18	233.53	236.50	228.44	302.55	327.45	353.01	326.85	367.93	372.97	7.67
2.	Non-Tax Revenue	48.66	42.84	50.58	50.57	56.05	89.06	63.70	54.11	87.80	81.28	110.23	155.11	124.91	134.50	147.10	150.07	168.41	229.03	9.88
3.	Total Revenue	142.29	162.57	191.83	213.94	242.81	268.94	214.60	209.83	306.98	314.81	346.73	383.55	427.46	461.96	500.12	476.92	536.33	602.01	8.27
4.	1 as % of 3	65.58	73.65	73.63	76.36	76.91	66.88	73.41	74.21	71.40	74.18	68.21	59.56	70.78	78.88	70.59	68.53	68.60	61.95	
5.	2 as % of 3	34.42	26.35	26.37	23.64	23.09	33.12	26.59	25.79	28.60	25.82	31.79	40.44	29.22	29.12	29.41	31.47	31.40	38.05	
6.	SDP	1982.57	2032.83	2088.62	2245.44	2309.29	2299.85	2260.44	2376.09	2536.36	2650.18	2788.66	2853.43	2650.89	3053.07	3152.35	3079.42	3381.93	3591.01	3.33
7.	3 as % of 6	7.20	8.00	9.18	9.53	10.51	11.69	9.49	8.83	12.12	11.88	12.43	13.44	16.12	15.13	15.87	15.49	15.86	16.76	
8.	1 as % of 6	4.72	5.89	6.76	7.28	8.09	7.82	6.97	6.55	8.65	8.81	8.48	8.01	11.41	10.73	11.20	10.61	10.88	10.39	
9.	2 as % of 6	2.45	2.11	2.42	2.25	2.43	3.87	2.82	2.28	3.47	3.07	3.95	5.44	4.71	4.41	4.67	4.87	4.98	6.38	
II GUJARAT																				
1.	Tax Revenue	106.43	117.56	130.92	145.87	173.38	165.68	145.83	166.45	210.78	233.93	244.99	275.85	319.82	335.70	367.99	371.10	386.81	430.11	8.64
2.	Non-Tax Revenue	55.26	51.11	60.86	63.05	74.43	82.91	87.92	69.95	88.59	91.17	112.59	120.24	110.17	141.75	123.16	142.89	160.70	161.60	6.90
3.	Total Revenue	161.69	168.67	191.78	208.92	247.91	248.59	233.75	236.40	299.37	325.10	357.57	397.27	430.00	477.45	491.15	514.00	547.51	591.71	8.12
4.	1 as % of 3	65.82	69.70	68.27	69.82	69.97	66.65	69.39	70.41	70.41	71.96	68.51	69.44	74.38	70.31	74.92	72.20	70.65	72.69	
5.	2 as % of 3	34.18	30.30	31.73	30.18	30.03	33.35	37.61	29.59	29.59	28.04	31.49	30.56	25.62	29.69	25.08	27.80	29.35	27.31	
6.	SDP	1843.11	1694.92	1874.70	2189.24	2256.18	1800.50	2202.22	1898.07	2439.19	2597.38	2760.47	2921.55	2924.49	3085.57	3421.05	3250.69	3485.89	3359.71	4.53
7.	3 as % of 6	8.77	9.95	10.23	9.54	10.96	13.81	10.61	12.46	12.27	12.50	12.95	13.60	14.70	15.47	14.36	15.81	15.71	16.62	
8.	1 as % of 6	5.77	6.94	6.98	6.66	7.68	9.20	6.62	8.77	8.64	9.00	8.88	9.44	10.94	10.88	10.76	11.42	11.10	12.08	
9.	2 as % of 6	3.00	3.02	3.25	2.86	3.30	4.60	3.99	3.69	3.63	3.51	4.08	4.12	3.77	4.59	3.60	4.40	4.61	4.54	

TABLE 4.1 contd.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
	PUNJAB																			
1.	Tax Revenue	73.10	86.03	100.84	104.26	111.40	119.55	110.98	123.72	143.83	148.75	164.06	184.64	200.02	223.24	247.53	260.54	263.02	262.63	7.90
2.	Non-Tax Revenue	36.73	32.24	40.49	48.49	38.21	70.94	59.60	47.61	63.69	83.09	76.19	99.33	71.62	70.75	74.67	84.75	89.58	93.07	5.91
3.	Total Revenue	109.83	118.28	141.33	152.75	149.61	190.49	170.59	171.34	207.52	231.84	240.25	283.97	271.64	293.99	322.19	347.28	352.60	355.69	7.32
4.	1 as % of 3	66.56	72.74	71.35	68.26	74.46	62.76	65.06	72.21	69.31	64.16	68.29	65.02	73.63	75.93	76.83	75.02	74.59	73.84	
5.	2 as % of 3	33.44	27.26	28.65	31.74	25.54	37.24	34.94	27.79	30.69	35.84	31.71	34.98	26.37	24.07	23.17	24.98	25.41	26.16	
6.	SDP	1268.74	1322.69	1415.13	1436.16	1484.29	1533.32	1577.49	1630.82	1771.67	1885.75	2043.76	2195.46	2207.06	2301.84	2483.07	2631.79	2656.05	2838.93	4.97
7.	3 as % of 6	8.66	8.88	99.99	10.64	10.08	12.42	10.81	10.51	11.71	12.29	11.76	12.93	12.31	12.77	12.98	13.20	13.28	12.53	
8.	1 as % of 6	5.76	6.46	7.13	7.26	7.51	7.80	7.03	7.59	8.12	7.89	8.03	8.41	9.06	9.70	9.97	9.90	9.90	9.25	
9.	2 as % of 6	2.90	2.42	2.86	3.38	2.57	4.63	3.78	2.92	3.59	4.41	3.73	4.52	3.25	3.07	3.01	3.30	3.37	3.28	

Source: 1. Bulletins: Reserve Bank of India for various years

2. Estimates of State Domestic Product, CSO Publication, 1985, 1986.

TABLE 4.2: States Own Efforts to Total Revenue at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	BIHAR						GUJARAT						PUNJAB					
	SOTLR	% of TR	SOTR	% of TR	SONTR	% of TR	SOTLR	% of TR	SOTR	% of TR	SONTR	% of TR	SOTLR	% of TR	SOTR	% of TR	SONTR	% of TR
1. 1967-68	81.87	57.35	61.56	43.12	20.31	14.23	109.63	67.80	80.09	49.53	29.54	18.27	83.82	76.32	60.38	54.98	23.44	21.34
2. 1968-69	95.53	58.77	74.50	45.83	21.03	12.94	115.74	68.65	87.29	51.75	28.50	16.90	97.38	82.24	75.69	63.99	21.69	18.34
3. 1969-70	94.62	49.33	74.85	39.02	19.77	10.31	134.88	70.32	98.04	51.12	36.83	19.20	112.64	79.70	84.18	59.56	28.46	20.14
4. 1970-71	98.14	45.88	79.17	37.01	18.97	8.87	147.31	70.51	108.08	51.71	39.23	18.78	120.30	78.75	86.02	56.31	34.28	22.44
5. 1971-72	102.19	42.09	85.56	35.24	16.63	6.85	173.34	59.95	125.88	50.80	47.46	19.15	107.20	71.65	89.26	59.66	17.94	11.99
6. 1972-73	127.26	47.33	87.50	32.54	39.76	14.79	169.47	68.17	120.37	48.42	49.10	19.75	134.23	70.47	96.74	50.79	37.49	19.68
7. 1973-74	106.72	49.73	76.59	35.69	30.13	14.04	153.65	65.73	105.05	44.94	48.60	20.79	123.90	72.64	90.15	52.85	33.75	19.79
8. 1974-75	104.97	50.02	82.76	39.44	22.20	10.58	174.48	73.81	126.52	53.52	47.96	20.29	138.63	80.91	103.90	60.64	34.73	20.27
9. 1975-76	154.37	50.29	116.22	37.86	38.15	12.43	213.16	71.20	155.85	52.06	57.31	19.14	160.07	77.14	117.80	56.77	42.27	20.37
10. 1976-77	164.12	52.13	126.59	40.21	37.53	11.92	245.98	75.66	181.08	55.70	64.90	19.96	172.19	74.27	124.40	53.66	47.79	20.61
11. 1977-78	174.09	50.21	126.14	36.38	47.95	13.83	268.26	75.03	191.07	53.44	77.19	21.59	184.59	76.83	139.09	57.89	45.50	18.94
12. 1978-79	160.60	41.87	113.99	29.72	46.61	12.15	291.76	73.44	218.85	55.09	72.91	18.35	231.20	81.41	157.67	55.52	73.53	25.89
13. 1979-80	159.45	37.30	114.70	26.83	44.76	10.47	309.16	71.90	23.73	53.66	78.43	18.24	216.30	79.63	161.65	59.51	54.65	20.12
14. 1980-81	173.90	37.65	129.29	27.99	44.61	9.66	333.79	69.91	247.35	51.81	86.43	18.10	228.60	76.76	180.66	61.45	47.94	16.31
15. 1981-82	213.22	42.64	145.77	29.15	67.45	13.49	359.67	73.23	279.84	56.98	79.83	16.25	258.21	80.14	203.99	63.31	54.22	16.83
16. 1982-83	208.46	43.71	137.95	28.93	70.51	14.78	384.04	74.72	290.67	56.55	93.37	18.17	281.67	81.11	216.70	62.40	64.97	18.71
17. 1983-84	239.13	44.59	157.40	29.35	81.73	15.24	409.70	74.83	307.50	56.16	102.20	18.67	280.15	79.68	218.24	61.89	62.72	17.79
18. 1984-85	269.29	44.73	155.76	25.87	113.53	18.86	438.73	74.15	327.12	55.39	111.01	18.76	279.33	78.54	216.21	60.79	63.12	17.75
Annual Compound Rate of Growth	6.69		5.36		10.22		8.68		8.96		7.92		7.59		7.83		6.92	

NOTE:- SOTLR - States own total revenue  
 SOTR - States own tax revenue  
 TR - Total revenue  
 SONTR - States own non-tax revenue

Source: Bulletins: Reserve Bank of India for various years

TABLE 4.3: Central Transfer to States at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	BIHAR						GUJARAT						PUNJAB					
	TCT	% of TR	SCT	% of TR	GIA	% of TR	TCT	% of TR	GIA	% of TR	TCT	% of TR	SCT	% of TR	GIA	% of TR		
1. 1967-68	60.42	42.32	32.07	22.46	28.35	19.86	28.16	19.83	12.26	25.71	15.90	23.77	22.58	10.48	9.54	13.29	12.10	
2. 1968-69	73.05	41.24	45.23	27.82	21.81	13.42	31.36	30.27	17.95	22.61	13.41	20.88	17.67	10.34	8.75	10.54	8.92	
3. 1969-70	97.21	50.67	66.40	34.61	30.81	16.06	56.90	29.67	32.87	17.14	24.03	12.53	28.68	20.30	16.66	11.79	12.02	8.51
4. 1970-71	115.80	54.13	84.20	39.36	31.60	14.77	61.61	29.49	37.79	18.09	23.82	11.40	32.45	21.24	18.24	11.94	14.21	9.30
5. 1971-72	241.81	57.92	101.19	41.68	39.43	16.24	74.47	30.05	47.50	19.17	26.97	10.88	42.41	28.35	22.14	14.80	20.27	13.55
6. 1972-73	141.26	52.52	91.96	34.19	49.30	18.33	79.12	31.83	45.31	18.23	33.81	13.60	56.10	29.46	22.81	11.98	33.29	17.48
7. 1973-74	114.54	53.37	80.96	37.72	33.58	15.65	80.09	34.26	40.77	17.44	39.32	16.82	46.68	27.36	20.83	12.21	25.85	15.15
8. 1974-75	104.87	49.98	72.96	34.77	31.91	15.21	61.92	26.19	39.93	16.89	21.99	9.30	32.70	19.09	19.82	11.57	12.88	7.52
9. 1975-76	152.62	49.72	102.96	33.54	49.66	16.18	86.20	28.80	54.92	18.35	31.28	10.45	47.45	22.86	26.03	12.54	21.42	10.32
10. 1976-77	150.69	47.87	106.94	33.97	43.75	13.90	79.12	24.34	52.85	16.26	26.27	8.08	59.65	25.73	24.35	10.50	35.30	15.23
11. 1977-78	172.64	49.79	110.36	31.83	62.28	17.96	89.31	24.98	53.91	15.08	35.40	9.90	55.65	23.16	24.97	10.39	30.68	12.77
12. 1978-79	222.95	58.13	114.45	29.84	108.50	28.29	104.33	26.27	56.99	14.35	47.34	11.92	52.77	18.59	26.97	9.50	25.80	9.09
13. 1979-80	268.00	62.70	187.85	43.95	80.15	18.75	120.84	28.10	89.09	20.72	31.75	7.38	55.34	20.37	38.36	14.12	16.98	6.25
14. 1980-81	288.06	62.36	198.16	42.90	89.90	19.46	176.27	36.91	88.35	18.50	87.92	18.41	65.38	22.24	42.57	14.48	22.81	7.76
15. 1981-82	286.90	57.37	207.25	41.44	79.65	15.93	131.48	26.77	88.15	17.95	43.33	8.82	63.95	19.86	43.54	13.51	20.45	6.35
16. 1982-83	268.45	56.29	188.90	39.61	79.55	16.68	129.95	25.28	80.44	15.65	49.51	9.63	65.61	18.89	43.84	12.62	21.77	6.27
17. 1983-84	296.61	55.41	210.53	39.25	86.68	16.16	137.80	26.16	79.30	14.48	58.50	10.68	71.64	20.32	44.78	12.70	26.86	7.62
18. 1984-85	332.72	55.27	217.21	36.08	115.51	19.19	152.89	25.85	102.39	17.30	50.59	8.55	76.36	21.47	46.42	13.05	29.94	8.42

NOTE: TCT: Total Central transfers, SCT: Share in Central taxes  
 GIA: Grants-in-aid TR : Total Revenue

Source: Bulletines: Reserve Bank of India for various years.





Table-4.5: Comparison of Annual Rates of Growth of Aggregates. (1967-68 to 1984-85)

		(Percentage)								
	States	State dome- stic product	Total Reve- nue	Tax Reve- nue	Non- Tax Reve- nue	States' own total revenue	States' own tax revenue	States' own non- tax revenue	Share in central taxes	Grants-in-aid
At current prices.	Bihar	10.68	15.98	15.33	17.48	14.29	12.86	18.06	17.92	17.01
	Gujarat	12.70	16.57	17.14	15.27	17.18	17.48	16.36	16.64	14.01
	Punjab	12.41	14.93	15.55	13.42	15.22	15.47	14.50	16.41	11.49
At constant (1970-71) prices	Bihar	3.33	8.27	7.67	9.68	6.69	5.36	10.22	10.08	9.24
	Gujarat	4.53	8.12	8.64	6.90	8.68	8.96	7.92	8.18	5.74
	Punjab	4.97	7.32	7.90	5.91	7.59	7.83	6.92	8.70	4.11

Source : Same as in Table 4.1

TABLE 4.6: Growth of States Own Tax Revenue at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	Annual Compound Growth Rate
<b>TAXES ON INCOME</b>																			
BIHAR	0.16	0.14	0.23	0.29	0.24	0.16	0.13	0.08	0.09	0.09	0.03	0.04	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of SOTLR	N	N	N	N	N	N	N	N	N	N	N	N	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of SOTR	N	N	N	N	N	N	N	N	N	N	N	N	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GUJARAT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.21	2.58	3.78	3.66	3.69	3.88	4.15	4.59	5.34	
% of SOTLR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N	N	N	N	N	N	N	N	N	N
% of SOTR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N	N	N	N	N	N	N	N	N	N
PUNJAB	0.18	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of SOTLR	N	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of SOTR	N	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TAXES ON PROPERTY AND CAPITAL TRANSACTIONS</b>																			
BIHAR	10.57	20.05	18.53	15.92	16.83	18.17	16.19	16.18	24.21	22.37	24.91	16.98	14.56	12.09	14.62	15.58	19.46	17.79	0.22
% of SOTLR	12.91	21.00	19.59	16.22	16.47	14.28	15.17	15.42	15.69	13.63	14.31	10.57	9.13	6.95	6.86	7.47	8.14	6.16	
% of SOTR	17.17	26.92	24.76	20.11	19.67	20.77	21.14	19.55	20.84	17.67	19.75	14.89	12.69	9.35	10.03	11.29	12.36	11.42	
GUJARAT	13.38	12.88	14.61	15.90	19.11	12.31	11.33	9.98	15.06	12.41	15.60	16.90	17.86	19.95	22.32	20.04	19.78	20.50	2.90
% of SOTLR	12.20	11.12	10.83	10.79	11.02	7.27	7.38	5.72	7.07	5.05	5.82	5.79	5.78	5.98	6.21	5.22	4.83	4.67	
% of SOTR	16.71	14.75	14.90	14.71	15.18	10.23	10.79	7.88	9.67	6.85	8.17	7.72	7.74	8.07	7.98	6.89	6.43	6.26	
PUNJAB	10.39	11.19	11.70	11.63	11.27	11.37	10.10	13.35	14.61	12.06	14.19	17.87	17.17	19.81	23.57	23.63	19.07	16.72	4.62
% of SOTLR	12.40	11.49	13.39	9.67	10.52	8.48	8.15	9.63	9.12	7.00	7.68	7.73	7.94	8.67	9.13	8.39	6.79	5.99	
% of SOTR	17.21	14.78	13.90	13.52	12.63	11.76	11.21	12.86	12.41	9.69	10.20	11.34	10.62	10.96	11.56	10.91	8.74	7.73	
<b>TAXES ON COMMODITIES AND SERVICES</b>																			
BIHAR	50.83	54.30	56.12	62.96	68.49	69.17	60.28	66.50	91.92	104.13	101.19	96.97	100.13	117.20	131.16	122.38	157.94	137.97	6.43
% of SOTLR	62.09	56.84	59.32	64.15	67.02	54.35	56.48	63.35	59.54	63.44	58.12	60.38	62.80	67.40	61.52	58.70	57.69	51.23	
% of SOTR	82.58	72.89	74.98	79.53	80.04	79.05	78.70	80.35	79.09	82.26	80.22	85.07	87.31	90.65	89.98	88.71	87.64	88.58	
GUJARAT	66.71	74.42	83.44	92.18	106.77	108.06	93.72	116.55	141.19	166.46	172.89	198.17	209.21	223.70	253.64	266.48	283.12	301.88	9.54
% of SOTLR	60.85	64.27	61.86	62.58	61.60	63.76	61.00	66.80	66.23	67.67	64.45	67.92	67.67	67.02	70.52	69.39	69.11	68.81	
% of SOTR	83.29	85.25	85.10	85.29	84.82	89.77	89.21	92.12	90.59	91.92	90.48	90.55	90.67	90.44	90.64	91.68	92.07	92.11	
PUNJAB	49.81	64.47	72.48	74.39	77.98	85.36	80.04	90.54	103.18	112.34	124.90	139.79	144.48	160.85	180.42	193.06	199.17	199.87	8.28
% of SOTLR	59.42	66.21	64.34	61.34	72.75	63.60	64.60	65.31	64.46	65.24	67.66	60.47	66.80	70.36	69.87	68.54	70.89	71.55	
% of SOTR	82.49	85.19	86.10	86.48	87.37	88.24	88.79	87.14	87.59	90.31	89.90	88.66	89.38	89.04	88.44	89.09	91.26	92.44	

NOTE: N: Negligible SOTLR: States own total revenue SOTR: States own tax revenue

Source: Bulletins: Reserve Bank of India for various years

Table - 4.7 : Comparison of Annual Compound Rates of Growth (1967-68 to 1984-85) of Major Sources of Revenue.

		(percentage)						
	State	Taxes on Property and capital Transactions	Taxes on commodities services	Interest Receipts	Dividends	Social and community development services	Economic services.	Others
At current Prices	Bihar	7.35	14.00	0.00	0.00	6.44	33.43	6.78
	Gujarat	10.95	18.11	16.80	7.11	5.83	9.82	11.92
	Punjab	12.04	15.95	7.66	12.49	6.80	12.25	8.08
At constant Prices .70-71	Bihar	0.22	6.43	0.00	0.00	0.00	25.11	0.00
	Gujarat	2.90	9.54	8.35	0.00	0.00	2.48	3.82
	Punjab	4.62	8.28	0.53	5.04	0.00	5.45	0.93

Source: Same as Table 4.2

TABLE 4.8: Classification of Direct Taxes at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
<b>STAMPS AND REGISTRATIONS</b>																		
BIHAR	8.25	7.62	7.77	8.94	9.27	9.30	8.52	9.27	10.64	9.73	10.98	8.54	8.81	6.78	7.39	11.21	12.15	12.15
% of SOTLR	13.40	10.23	10.38	11.29	10.84	10.63	11.13	11.20	9.16	7.69	8.70	7.49	7.68	5.25	5.07	8.12	7.72	7.80
% of TPCT	78.04	37.99	41.93	56.16	55.11	51.18	52.65	57.29	43.96	43.51	44.06	50.28	60.54	56.11	50.58	71.96	62.43	68.31
GUJARAT	5.39	5.96	6.37	6.91	8.02	7.33	5.84	5.96	8.94	7.84	10.09	12.77	13.26	13.73	15.96	14.63	13.95	14.67
% of SOTLR	6.74	6.82	6.50	6.39	6.37	6.09	5.56	4.71	5.74	4.33	5.28	5.84	5.75	5.55	5.71	5.03	4.54	4.48
% of TPCT	40.33	46.25	43.61	43.46	41.97	59.57	51.50	59.77	59.34	63.16	64.63	75.60	74.24	68.81	71.52	73.00	70.51	71.55
PUNJAB	7.47	7.81	8.87	9.31	9.69	10.05	9.25	12.09	12.60	10.64	12.72	16.33	15.78	18.55	22.07	22.14	18.05	14.96
% of SOTLR	12.37	10.31	10.54	10.82	10.85	10.39	10.26	11.64	10.69	8.56	9.15	10.36	9.77	10.27	10.82	10.22	8.27	6.93
% of TPCT	71.87	69.76	75.81	80.05	85.92	88.28	91.52	90.51	86.19	88.25	89.70	91.39	91.93	93.67	93.61	93.70	94.68	89.61
<b>LAND REVENUE</b>																		
BIHAR	2.32	12.44	10.72	6.98	7.55	8.87	7.67	6.91	13.57	12.64	13.93	8.44	5.74	5.31	7.22	4.37	7.31	5.64
% of SOTLR	3.77	16.69	14.33	8.82	8.83	10.14	10.01	8.35	11.68	9.98	11.05	7.40	5.01	4.10	4.96	3.17	4.64	3.62
% of TPCT	21.96	62.01	57.86	43.84	44.89	48.82	47.35	42.71	56.04	56.49	55.94	49.72	39.46	43.89	49.42	28.04	37.57	31.69
GUJARAT	7.98	6.92	8.24	8.99	11.09	4.98	5.50	4.01	5.73	4.57	5.49	4.05	4.52	6.02	6.15	5.19	5.67	5.69
% of SOTLR	9.97	7.93	8.40	8.32	8.81	4.14	5.23	3.17	3.67	2.53	2.28	1.85	1.96	2.43	2.20	1.78	1.85	1.74
% of TPCT	59.67	53.75	56.39	56.54	58.03	40.43	48.50	40.23	40.64	36.84	35.37	24.40	25.76	31.19	27.55	25.89	28.68	27.76
PUNJAB	2.23	2.14	1.91	1.69	1.17	0.93	0.79	0.90	0.73	0.75	0.83	0.80	0.80	1.25	1.50	1.49	1.01	1.35
% of SOTLR	3.69	2.32	2.27	1.96	1.29	1.21	0.92	0.76	0.76	0.58	0.54	0.52	0.50	0.69	0.71	0.69	0.46	0.63
% of TPCT	21.41	19.10	16.32	14.53	10.21	10.32	8.19	5.90	6.16	6.03	5.30	4.61	4.66	6.35	6.35	6.50	5.32	10.38
<b>OTHERS</b>																		
BIHAR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of SOTLR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of TPCT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GUJARAT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.21	0.22	0.16	0.14
% of SOTLR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.07	0.08	0.04	0.04
% of TPCT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.93	1.11	0.81	0.69
PUNJAB	0.70	1.27	0.92	0.63	0.43	0.16	0.03	0.48	1.12	0.69	0.71	0.71	0.59	0.0	0.0	0.0	0.0	0.0
% of SOTLR	1.15	1.55	1.09	0.74	0.49	0.16	0.03	0.46	0.96	0.55	0.51	0.46	0.35	0.0	0.0	0.0	0.0	0.0
% of TPCT	6.72	11.34	7.87	5.42	3.86	1.40	0.29	3.59	7.65	5.72	5.00	4.00	3.41	0.0	0.0	0.0	0.0	0.0

NOTE:- N: Negligible SOTLR: States own total revenue TPCT: Taxes on Property and capital transactions.

Source: Bulletins: Reserve Bank of India for various years.

TABLE 4.9: Classification of Commodity Taxes and Services at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	Annual Compound Rate of Growth
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
SALES TAX																			
BIHAR	33.60	34.02	34.63	38.14	41.31	40.61	34.84	40.86	59.19	70.74	71.71	73.02	76.33	90.59	103.50	95.38	106.39	107.46	8.39
% of SOTR	54.58	45.67	46.28	48.17	48.29	46.42	45.49	49.38	50.93	55.88	56.85	64.06	66.55	70.07	71.00	69.14	67.59	68.99	
% of CT	66.10	62.66	61.72	60.58	60.33	58.72	57.80	61.45	64.39	67.94	70.87	75.30	76.23	77.29	78.91	77.94	77.12	77.89	
GUJARAT	45.51	51.47	57.57	63.83	74.09	74.95	65.30	84.61	102.93	120.45	122.99	138.17	148.74	164.82	195.84	191.99	194.10	203.79	9.78
% of SOTR	56.82	58.96	58.72	59.06	58.85	62.01	62.15	66.88	66.04	66.52	64.37	63.14	64.46	66.64	70.00	66.05	63.12	62.19	
% of CT	68.22	69.16	69.00	69.24	69.39	69.08	69.67	72.60	72.91	72.36	71.13	69.73	71.10	73.68	77.23	72.05	68.56	67.51	
PUNJAB	21.73	28.40	34.06	37.28	36.47	40.69	38.44	43.41	49.87	59.20	63.60	70.43	67.88	80.75	90.54	97.17	102.41	100.59	9.03
% of SOTR	35.98	37.53	40.50	43.34	40.86	42.06	42.64	41.78	42.34	47.59	45.73	44.67	42.00	44.70	44.38	44.84	46.92	46.52	
% of CT	43.62	44.05	47.04	50.11	46.77	47.67	48.02	47.95	48.34	52.70	50.92	50.38	46.99	50.20	50.18	50.33	51.42	50.33	
STATE EXCISE DUTIES																			
BIHAR	10.41	11.22	10.86	11.88	12.36	11.66	11.92	13.05	16.15	15.19	14.28	10.91	1.81	8.37	10.74	10.32	12.41	14.26	0.0
% of SOTR	16.90	15.06	14.51	15.01	14.45	13.32	15.56	15.77	13.89	12.00	11.32	9.57	1.58	6.48	7.37	7.49	7.92	9.16	
% of CT	20.47	20.66	19.34	18.87	18.05	16.85	19.78	19.63	17.57	14.59	14.12	11.25	1.81	7.15	8.19	8.44	9.03	10.34	
GUJARAT	0.72	0.82	0.89	0.93	0.83	0.61	0.62	0.61	0.83	1.53	1.47	1.61	1.62	1.61	1.68	1.87	1.84	1.52	6.59
% of SOTR	0.90	0.94	0.90	0.86	0.66	0.51	0.60	0.48	0.53	0.85	0.77	0.74	0.70	0.65	0.60	0.64	0.60	0.46	
% of CT	1.08	1.10	1.06	1.01	0.77	0.57	0.67	0.52	0.59	0.92	0.85	0.81	0.78	0.72	0.66	0.70	0.65	0.50	
PUNJAB	18.23	25.07	25.00	22.83	26.04	27.72	25.35	27.33	31.02	30.21	36.85	39.18	46.15	48.23	54.77	60.34	60.44	69.17	7.38
% of SOTR	30.19	30.13	29.70	26.54	29.17	28.65	28.12	26.30	26.33	24.28	26.50	24.85	28.55	26.69	26.85	27.84	27.49	31.99	
% of CT	36.59	38.89	34.49	30.69	33.39	32.47	31.67	30.18	30.06	26.89	29.51	28.02	31.94	29.98	30.36	31.25	30.12	34.61	
TAXES ON VEHICLES																			
BIHAR	0.31	2.40	3.17	3.68	4.38	4.31	3.72	3.44	5.21	4.83	4.96	2.18	8.16	1.60	5.63	9.51	11.11	10.44	11.59
% of SOTR	0.52	3.23	4.24	4.65	5.12	4.93	4.85	4.16	4.49	3.82	3.93	1.92	7.12	4.33	3.86	6.89	7.08	6.70	
% of CT	0.63	4.43	5.65	5.84	6.39	6.24	6.17	5.18	5.67	4.64	4.90	2.25	8.15	4.78	4.29	7.77	8.06	7.57	
GUJARAT	5.51	6.18	6.62	6.99	7.50	7.30	6.16	6.79	7.69	8.39	8.69	10.24	10.28	10.37	11.21	11.87	12.40	13.07	4.93
% of SOTR	6.88	7.08	6.76	6.47	5.96	6.07	5.87	5.36	4.92	4.63	4.55	4.68	4.46	4.19	4.01	4.09	4.03	3.99	
% of CT	8.26	8.30	7.94	7.58	7.02	6.76	6.58	5.82	5.44	5.04	5.02	5.17	4.91	4.64	4.42	4.46	4.38	4.33	
PUNJAB	1.15	1.42	1.60	1.74	1.85	2.55	2.38	3.84	3.88	3.92	4.31	5.39	5.40	5.58	7.68	7.53	8.42	7.58	12.58
% of SOTR	1.91	1.87	1.90	2.02	2.07	2.64	2.64	3.70	3.30	3.15	3.10	3.42	3.34	3.09	3.76	3.48	3.86	3.51	
% of CT	2.32	2.20	2.21	2.34	2.37	2.99	2.97	4.25	3.77	3.49	3.45	3.86	3.74	3.47	4.26	3.90	4.23	3.79	

Table 4.9 cont.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
TAXES ON GOODS AND PASSENGERS																			
BIHAR	0.78	1.15	1.20	1.75	1.41	1.12	2.33	2.34	3.07	4.02	2.86	2.93	4.68	5.24	4.78	0.79	0.23	0.06	0.0
% of SOTR	1.27	1.54	1.60	2.21	1.64	1.28	3.05	2.83	2.64	3.18	2.27	2.57	4.08	4.05	3.28	0.58	0.15	0.04	
% of CT	1.54	2.11	2.14	2.78	2.06	1.62	3.87	3.52	3.34	3.86	2.83	3.03	4.67	4.47	3.65	0.65	0.17	0.04	
GUJARAT	5.82	6.76	7.34	8.72	10.38	-	8.94	10.77	12.95	13.95	14.34	16.66	16.81	15.84	6.84	20.53	29.54	22.47	7.24
% of SOTR	7.27	7.75	7.49	8.07	8.25	-	8.51	8.52	8.31	7.70	7.51	7.61	7.29	6.40	2.44	7.06	9.61	6.86	
% of CT	8.73	9.09	8.80	9.46	9.73	-	9.53	9.24	9.17	8.38	8.30	8.41	8.04	7.08	2.70	7.71	10.44	7.44	
PUNJAB	4.53	5.03	6.48	7.36	8.05	8.55	8.27	8.93	9.91	10.04	11.19	12.65	12.11	13.64	15.36	15.71	14.53	13.06	6.75
% of SOTR	7.59	6.64	7.70	8.56	9.02	8.83	9.18	8.59	8.41	8.07	8.05	8.02	7.49	7.55	7.53	7.25	6.66	6.04	
% of CT	9.20	7.80	8.94	8.98	10.32	10.01	10.33	9.86	9.61	8.94	8.96	9.05	8.38	8.48	8.52	8.14	7.30	6.54	
ELECTRICITY DUTIES																			
BIHAR	4.20	3.57	3.94	4.80	5.08	5.70	5.09	4.50	5.26	4.57	4.33	4.57	5.38	4.58	4.00	3.58	4.72	2.38	0.0
% of SOTR	6.82	4.79	5.27	6.06	5.94	6.51	6.65	5.44	4.53	3.61	3.43	4.01	4.69	3.54	2.74	2.60	3.00	1.53	
% of CT	8.26	6.58	7.03	7.62	7.42	8.24	8.45	6.78	5.73	4.39	4.28	4.72	5.37	3.91	3.05	2.93	3.42	1.72	
GUJARAT	5.31	5.17	6.26	6.71	7.47	-	6.75	6.79	7.77	11.40	13.21	17.45	17.71	16.87	21.72	23.77	28.14	36.18	11.86
% of SOTR	6.64	5.92	6.38	6.21	5.93	-	6.43	5.37	4.99	6.29	6.91	7.97	7.68	6.82	7.76	8.18	9.15	11.04	
% of CT	7.97	6.95	7.50	7.28	6.99	-	7.21	5.83	5.51	6.85	7.64	8.81	8.47	7.54	8.56	8.92	9.94	11.99	
PUNJAB	2.69	2.79	3.31	3.07	3.01	3.37	3.21	3.29	4.23	4.93	4.96	7.49	8.48	7.78	7.25	7.37	9.90	6.50	7.99
% of SOTR	4.46	3.68	3.93	3.57	3.37	3.49	3.57	3.17	3.59	3.97	3.56	4.75	5.25	4.31	3.56	3.40	4.54	3.01	
% of CT	5.41	4.33	4.56	4.13	3.86	3.95	4.01	3.63	4.10	4.39	3.97	5.36	5.87	4.84	4.02	3.82	4.97	3.25	
ENTERTAINMENT TAX																			
BIHAR	1.53	1.94	2.31	2.71	3.94	5.76	2.37	2.29	2.92	4.77	3.02	3.32	3.77	2.74	2.51	2.68	3.03	3.37	1.87
% of SOTR	2.48	2.60	3.09	3.42	4.60	6.58	3.10	2.77	2.51	3.77	2.39	2.91	3.28	2.12	1.72	1.94	1.92	2.16	
% of CT	3.01	3.57	4.12	4.30	5.75	8.33	3.94	3.44	3.18	4.58	2.98	3.42	3.76	2.34	1.92	2.19	2.19	2.44	
GUJARAT	2.88	3.03	3.34	3.77	4.97	-	4.75	5.49	6.62	7.47	8.36	9.80	9.55	9.90	11.99	12.27	13.33	13.61	10.23
% of SOTR	3.59	3.47	3.41	3.49	3.95	-	4.52	4.34	4.25	4.13	4.38	4.48	4.14	4.00	4.29	4.22	4.34	4.15	
% of CT	4.31	4.07	4.01	4.09	4.66	-	5.06	4.71	4.69	4.49	4.84	4.95	4.57	4.42	4.73	4.60	4.71	4.51	
PUNJAB	1.37	1.69	2.00	2.09	2.53	2.48	2.39	3.73	4.23	4.04	3.92	4.65	4.45	4.55	4.46	-	-	2.79	6.50
% of SOTR	2.27	2.23	2.37	2.43	2.84	2.56	2.65	3.59	3.59	3.25	2.82	2.95	2.75	2.52	2.19	-	-	1.29	
% of CT	2.75	2.62	2.76	2.81	3.25	2.91	2.98	4.31	4.10	3.60	3.14	3.33	3.08	2.83	2.47	-	-	1.40	

NOTE: SOTR: States own tax-revenue CT: Commodity taxes

Source: Bulletins: Reserve Bank of India for various years

**Table - 4.10: Comparison of Annual Rates of Growth of Major Individual Taxes (1967-68 to 1984-85)**

		(percentage)							
	State	Sales Tax	State Excise duties	Taxes on vehicles.	Taxes on goods and passenger	Electricity duties.	Entertainment tax	Stamp duties and registration fees	Land Revenue
At current Prices	Bihar	16.10	5.84	19.60	3.62	5.92	9.12	8.62	6.25
	Gujarat	18.37	14.93	13.13	15.60	20.59	18.82	16.00	4.98
	Punjab	16.76	15.00	20.56	14.32	15.64	14.08	13.65	4.21
At constant Prices(1970-71)	Bihar	8.39	0.00	11.59	0.00	0.00	1.87	1.40	0.00
	Gujarat	9.78	6.59	4.93	7.24	11.86	10.23	6.84	0.00
	Punjab	9.03	7.38	12.58	6.75	7.99	6.50	6.13	0.00

Source : Same at Table 4.2



Table 4.11 - Changing Composition of States' own tax revenue 1967-68 to 1984-85 Percenta

Taxes	BIHAR			GUJARAT			PUNJAB		
	1967-68	1973-74	1984-85	1967-68	1973-74	1984-85	1967-68	1973-74	1984-85
1. Sales tax	54.58 (1)	45.49 (1)	68.99 (1)	56.82 (1)	62.15 (1)	62.19 (1)	35.98 (1)	42.64 (1)	46.52 (1)
2. State Excise duties	16.90 (2)	15.56 (2)	9.16 (2)	0.90 (8)	0.60 (8)	0.46 (8)	30.19 (2)	28.12 (2)	31.99 (2)
3. Taxes on vehicles	0.52 (8)	4.85 (6)	6.70 (4)	6.88 (4)	5.87 (4)	3.99 (6)	1.91 (8)	2.64 (7)	3.51 (5)
4. Taxes on goods and passengers	1.27 (7)	3.05 (8)	0.04 (8)	7.27 (3)	8.51 (2)	6.86 (3)	7.59 (4)	9.18 (4)	6.04 (4)
5. Electricity duties	6.82 (4)	6.65 (5)	1.53 (7)	6.64 (6)	6.43 (3)	11.04 (2)	4.46 (5)	3.57 (5)	3.01 (6)
6. Entertainment tax	2.48 (6)	3.10 (7)	2.16 (6)	3.59 (7)	4.52 (7)	4.15 (5)	2.27 (7)	2.65 (6)	1.29 (7)
7. Stamps and Registration	13.40 (3)	11.13 (3)	7.80 (3)	6.74 (5)	5.56 (5)	4.48 (4)	12.37 (3)	10.26 (3)	6.93 (3)
8. Land Revenue	3.77 (5)	10.01 (4)	3.62 (5)	9.97 (2)	5.23 (6)	1.74 (7)	3.69 (6)	0.92 (8)	0.63 (8)

Note :- Figures in the parentheses shows the ranks.

Source - Derived from table 4.8 and 4.9.

TABLE 4.12: Growth of States' Own Non-tax Revenue at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	Annual Compound Rate of Growth	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
<b>INTEREST RECEIPTS</b>																				
BIHAR	5.71	6.72	4.63	9.68	10.01	-	6.97	0.46	0.67	1.19	1.13	1.72	0.51	0.62	3.66	0.88	0.21	0.28	0.0	
% of SOTLR	6.98	7.04	4.89	9.86	9.79	-	6.53	0.44	0.44	0.73	0.65	1.07	0.32	0.35	1.72	0.42	0.09	0.10		
% of SONIR	28.14	31.98	23.41	51.03	60.20	-	23.13	2.07	1.77	3.17	2.35	3.68	1.15	1.38	5.43	1.25	0.25	0.25		
GUJARAT	15.22	14.18	17.31	21.47	20.26	-	16.73	15.64	20.68	24.23	32.18	23.22	36.15	44.14	32.83	48.63	54.06	63.36	8.35	
% of SOTLR	13.89	12.24	12.84	14.57	11.69	-	10.89	8.96	9.71	9.85	12.00	7.96	11.69	13.23	9.13	12.66	13.20	14.44		
% of SONIR	51.53	49.74	47.01	54.73	42.68	-	34.43	32.60	36.12	37.34	41.70	31.85	46.09	51.07	41.13	52.09	52.90	57.08		
PUNJAB	14.39	14.58	20.95	24.11	12.64	11.49	7.85	7.14	8.53	15.72	7.45	32.11	18.89	10.25	11.18	16.72	16.64	19.49	0.53	
% of SOTLR	17.17	14.98	18.60	24.04	11.79	8.56	6.33	5.15	5.33	9.13	4.04	13.89	8.73	4.48	4.43	5.94	5.92	6.98		
% of SONIR	61.40	67.23	73.60	70.33	70.44	30.66	23.25	20.56	20.17	32.90	16.38	43.67	34.56	21.38	20.63	25.74	26.53	30.88		
<b>DIVIDENDS</b>																				
BIHAR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of SOTLR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of SONIR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GUJARAT	1.17	1.26	2.06	2.63	2.69	-	1.97	1.34	2.52	3.19	2.63	2.77	1.46	1.68	0.93	1.08	1.93	2.00	0.0	
% of SOTLR	1.07	1.08	1.53	1.79	1.55	-	1.28	0.77	1.18	1.30	0.98	0.95	0.47	0.50	0.26	0.28	0.47	0.46		
% of SONIR	3.97	4.41	5.59	6.70	5.66	-	4.05	2.79	4.40	4.91	3.41	3.80	1.87	1.94	1.16	1.16	1.89	1.80		
PUNJAB	0.11	0.11	0.31	0.62	0.48	0.68	0.39	0.61	1.12	0.68	0.69	0.67	0.68	0.71	1.10	0.71	0.50	0.13	5.04	
% of SOTLR	0.13	0.12	0.28	0.52	0.45	0.51	0.31	0.44	0.70	0.39	0.37	0.29	0.31	0.31	0.43	0.25	0.18	0.05		
% of SONIR	0.46	0.53	1.09	1.81	2.70	1.81	1.15	1.76	2.66	1.42	1.51	0.91	1.24	1.49	2.03	1.09	0.79	0.20		
<b>SOCIAL AND COMMUNITY DEVELOPMENT SERVICES</b>																				
BIHAR	9.84	9.27	5.03	4.86	5.50	-	2.29	2.23	6.11	5.05	6.52	5.00	5.84	4.85	5.18	7.87	5.79	5.01	0.0	
% of SOTLR	12.03	9.71	5.31	4.95	5.38	-	2.14	2.12	3.96	3.08	3.74	3.11	3.66	2.79	2.43	3.78	2.42	1.86		
% of SONIR	48.48	44.09	25.43	25.62	33.10	-	7.59	10.03	16.02	13.46	13.60	10.72	13.04	10.88	7.68	11.16	7.08	4.42		
GUJARAT	12.38	11.55	11.86	12.70	21.49	-	4.69	5.39	6.84	5.98	6.43	8.66	8.35	9.55	8.98	11.61	10.21	8.18	0.0	
% of SOTLR	11.29	9.98	8.79	8.62	12.40	-	3.05	3.09	3.21	2.43	2.40	2.97	2.70	2.86	2.50	3.02	2.49	1.86		
% of SONIR	41.91	40.54	32.20	32.37	45.29	-	9.65	11.24	11.94	9.22	8.33	11.87	10.65	11.05	11.25	12.44	9.99	7.37		
PUNJAB	6.16	5.85	5.25	4.65	4.69	5.65	4.00	5.46	4.77	4.67	4.14	5.29	4.88	5.53	5.45	6.12	5.25	4.20	0.0	
% of SOTLR	7.35	6.01	4.66	3.87	4.38	3.76	3.23	3.94	2.98	2.71	2.24	2.29	2.26	2.42	2.11	2.17	1.87	1.51		
% of SONIR	26.28	26.98	18.45	13.56	26.16	13.47	11.86	15.73	11.29	9.77	9.10	7.20	8.93	11.54	10.06	9.42	8.36	6.66		

Table 4.12 cont.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
ECONOMIC SERVICES																			
BIHAR	1.48	1.62	5.39	-0.85	-4.18	-	17.76	17.30	26.05	27.55	36.20	35.04	33.27	35.55	52.99	58.22	73.57	103.73	25.11
% of SOTLR	1.81	1.70	5.70	-0.86	-4.09	-	16.64	16.48	16.87	16.79	20.79	21.82	20.86	20.44	24.85	27.93	30.76	38.52	
% of SONIR	7.29	7.72	27.26	-4.48	-25.16	-	58.95	77.92	68.29	73.40	75.49	75.19	74.35	79.70	78.57	82.56	90.02	91.37	
GUJARAT	-2.40	-3.34	-0.23	-3.39	-3.89	-	18.03	21.45	21.52	25.78	30.50	33.01	26.25	25.03	30.15	23.94	26.38	27.00	2.48
% of SOTLR	-2.19	-2.88	-0.17	-2.30	-2.24	-	11.73	12.29	10.09	10.48	11.37	11.31	8.49	7.50	8.38	6.23	6.44	6.55	
% of SONIR	-8.13	-11.73	-0.63	-8.64	-8.21	-	37.10	44.72	37.56	39.73	39.52	45.28	33.48	28.96	37.07	25.61	25.81	24.33	
PUNJAB	-4.98	-6.54	-5.58	-4.58	-6.22	16.23	15.16	17.84	23.66	23.13	28.21	30.40	25.04	27.01	31.99	31.65	28.46	27.35	5.45
% of SOTLR	-5.94	-6.71	-4.95	-3.81	-5.80	12.09	12.23	12.87	14.78	13.43	15.28	13.15	11.58	11.81	12.39	11.24	10.13	9.79	
% of SONIR	-21.25	-30.14	-19.62	-13.36	-34.68	43.31	44.94	51.36	55.97	48.40	61.99	41.35	45.82	56.34	59.00	48.72	45.37	43.33	
OTHER NON-TAX REVENUE																			
BIHAR	3.27	3.41	4.72	5.28	5.30	-	3.11	2.21	5.31	3.73	4.11	4.85	5.12	3.56	5.61	3.54	2.16	4.50	0.0
% of SOTLR	3.99	3.57	4.99	5.38	5.18	-	2.92	2.11	3.44	2.28	2.36	3.02	3.21	2.05	2.63	1.70	0.90	1.67	
% of SONIR	16.10	16.21	23.89	27.83	31.86	-	10.33	9.98	13.93	9.95	8.57	10.44	11.43	7.98	8.32	5.02	2.64	3.96	
GUJARAT	3.17	4.83	5.83	5.82	6.62	-	7.18	4.14	5.72	5.71	5.44	5.24	6.21	6.02	6.93	8.09	9.61	10.46	3.82
% of SOTLR	2.89	4.17	4.33	3.95	3.82	-	4.67	2.38	2.68	2.32	2.03	1.80	2.01	1.80	1.93	2.11	2.35	2.38	
% of SONIR	10.72	16.96	15.84	14.84	13.95	-	14.77	8.64	9.98	8.81	7.05	7.19	7.92	6.96	8.69	8.67	9.40	9.43	
PUNJAB	7.76	7.68	7.54	9.48	6.35	4.18	6.35	3.68	4.19	3.59	5.02	5.05	5.16	4.43	5.43	9.76	11.88	11.94	0.93
% of SOTLR	9.26	7.89	6.69	7.88	5.92	3.92	5.12	2.65	2.61	2.09	2.72	2.19	2.39	1.94	2.10	3.47	4.23	4.28	
% of SONIR	33.11	35.41	26.48	27.65	35.38	11.16	18.80	10.60	9.90	7.51	11.02	6.87	9.45	9.25	10.02	15.03	18.94	18.92	

NOTE: SOTLR - State's own total revenue, SONIR - State's own non-tax revenue (-) not available

Source: Bulletines: Reserve Bank of India for various years.

TABLE 4.13: Growth of Economic Services at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
FORESTS																		
BIHAR	1.70	2.35	2.14	2.67	2.78	-	1.48	6.30	7.50	9.22	10.02	10.13	7.24	7.31	7.96	7.00	13.03	10.42
% of ECOS	115.03	145.00	39.75	-314.12	-66.59	-	30.70	36.43	28.80	33.48	27.68	28.90	21.75	20.57	15.03	12.03	17.91	10.04
% of SONIX	8.38	11.19	21.69	14.07	16.75	-	18.10	28.39	19.67	24.58	20.90	21.73	16.17	16.39	11.80	9.93	15.94	9.18
GUJARAT	1.01	1.12	2.18	1.33	1.59	-	2.54	2.96	3.64	2.99	3.39	3.55	3.38	2.79	3.80	3.31	5.12	5.70
% of ECOS	-42.03	-33.56	-940.91	-39.23	-40.83	-	14.07	13.81	16.91	11.59	11.13	10.76	12.86	11.16	12.60	13.84	19.43	21.11
% of SONIX	3.42	3.93	5.93	3.39	3.35	-	5.22	6.18	6.35	4.31	4.40	4.87	4.31	3.23	4.76	3.55	5.01	5.12
PUNJAB	-0.42	-0.58	0.03	-	0.01	0.68	0.63	0.70	0.80	0.80	0.95	1.17	1.50	2.12	2.14	2.69	1.92	1.63
% of ECOS	8.45	8.92	-0.60	-	-0.16	4.19	4.15	3.92	3.37	3.44	3.38	3.86	5.97	7.84	6.70	8.50	6.77	5.96
% of SONIX	-1.80	-2.69	0.12	-	0.05	1.80	1.86	2.01	1.89	1.66	2.09	1.60	2.74	4.42	3.95	4.14	3.07	2.58
AGRICULTURE AND CO-OPERATION																		
BIHAR	-	-	-	-	-	-	0.13	0.13	0.11	0.08	0.77	0.27	0.59	0.38	0.09	0.46	0.10	1.30
% of ECOS	-	-	-	-	-	-	9.55	14.90	16.28	10.71	9.28	5.73	6.99	10.24	5.07	4.86	3.87	1.53
% of SONIX	-	-	-	-	-	-	0.44	0.59	0.28	0.21	1.61	0.58	1.33	0.85	0.13	0.65	0.13	1.15
GUJARAT	-	-	-	-	-	-	0.20	0.46	0.26	0.29	0.27	0.26	0.32	0.31	0.38	0.77	0.29	0.26
% of ECOS	-	-	-	-	-	-	8.79	5.92	5.80	4.22	4.51	4.95	7.42	6.16	4.37	4.88	6.55	8.59
% of SONIX	-	-	-	-	-	-	0.41	0.96	0.45	0.45	0.34	0.35	0.41	0.35	0.48	0.83	0.29	0.23
PUNJAB	-	-	-	-	-	0.30	0.31	0.28	0.37	0.63	0.43	0.41	0.82	0.32	0.58	0.36	0.35	0.31
% of ECOS	-	-	-	-	-	7.34	9.03	7.99	4.98	10.04	4.01	4.95	4.67	5.81	3.62	3.80	2.61	3.36
% of SONIX	-	-	-	-	-	0.80	0.93	0.81	0.87	1.33	0.95	0.55	1.49	0.67	1.06	0.56	0.56	0.50
INDUSTRIES																		
BIHAR	-	-	-	-	-	-	1.70	2.58	4.24	2.95	3.36	2.01	2.33	3.64	2.69	2.83	2.85	1.58
% of ECOS	-	-	-	-	-	-	0.75	0.76	0.41	0.29	2.13	0.77	1.79	1.07	0.16	0.79	0.14	1.26
% of SONIX	-	-	-	-	-	-	-	5.63	11.61	11.12	7.01	4.30	5.20	8.16	3.98	4.01	3.48	1.39
GUJARAT	-	-	-	-	-	-	1.58	1.27	1.25	1.09	1.37	1.63	1.95	1.54	1.32	1.17	1.73	2.32
% of ECOS	-	-	-	-	-	-	1.12	2.14	1.20	1.13	0.88	0.78	1.21	1.23	1.28	3.23	1.11	0.95
% of SONIX	-	-	-	-	-	-	3.26	2.65	2.18	1.67	1.78	2.24	2.48	1.78	1.65	1.25	1.69	2.09
PUNJAB	-	-	-	-	-	1.19	1.37	1.43	1.18	2.32	1.13	1.50	1.16	1.57	1.16	0.20	0.74	0.99
% of ECOS	-	-	-	-	-	1.85	2.08	1.58	1.56	2.74	1.53	1.34	3.26	1.19	1.80	1.14	1.24	1.14
% of SONIX	-	-	-	-	-	3.17	4.05	4.10	2.79	4.86	2.48	2.65	2.12	3.27	2.13	1.85	1.18	1.46

Table 4.13 cont.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
ROYALTY, MINERALS AND MINERAL CONCESSION FEES																		
BIHAR	3.12	4.13	6.95	6.46	7.06	-	6.04	5.25	9.79	11.29	16.54	17.36	18.39	19.66	37.48	41.45	51.64	86.65
% of ECOS	211.11	254.37	128.98	-760.00	-168.69	-	34.03	30.33	37.59	40.97	45.69	49.53	55.26	55.30	70.72	71.19	70.19	83.53
% of SONIX	15.38	19.63	70.37	34.05	42.44	-	20.06	23.62	25.67	30.08	34.49	37.24	41.09	44.07	55.56	58.78	63.18	76.33
GUJARAT	3.25	3.97	5.72	4.66	4.91	-	3.60	5.45	5.48	5.60	13.95	12.28	8.49	8.84	11.59	10.03	11.26	10.71
% of ECOS	-135.27	-118.79	-2463.64	-137.46	-126.10	-	19.96	25.43	25.44	33.35	45.74	37.20	32.34	35.30	38.44	41.89	42.67	39.67
% of SONIX	11.00	13.93	15.53	11.85	10.35	-	7.41	11.37	9.55	13.25	18.07	16.85	10.83	10.22	14.52	10.74	11.01	9.65
PUNJAB	-	-	0.05	0.09	0.03	0.04	0.03	0.02	0.03	0.02	0.04	0.02	0.02	0.05	0.13	0.16	0.09	0.06
% of ECOS	-	-	-0.99	-1.97	-0.47	0.22	0.19	0.12	0.12	0.11	0.13	0.06	0.08	0.19	0.40	0.52	0.32	0.22
% of SONIX	-	-	0.20	0.26	0.16	0.09	0.09	0.06	0.06	0.05	0.08	0.02	0.04	0.11	0.24	0.25	0.15	0.10
MULTIPURPOSE RIVER VALLEY PROJECTS																		
BIHAR	-2.28	-4.09	-2.52	-8.03	-10.64	-	0.96	0.91	0.97	0.61	1.50	0.80	0.93	1.29	0.71	1.36	1.66	0.92
% of ECOS	-154.25	-251.87	-46.82	944.71	254.44	-	5.43	5.28	3.71	2.20	4.14	2.30	2.80	3.62	1.35	2.34	2.25	0.88
% of SONIX	-11.23	-19.44	-25.54	-42.33	-64.02	-	3.20	4.11	2.53	1.62	3.12	1.73	2.08	2.88	1.06	1.93	2.03	0.81
GUJARAT	-1.88	-2.93	-3.90	-4.72	-5.38	-	-	0.01	0.29	0.07	0.62	0.08	0.06	0.28	0.16	0.27	0.31	0.26
% of ECOS	78.26	87.58	1681.82	139.23	138.24	-	-	0.03	1.35	0.28	2.04	0.23	0.23	1.12	0.52	1.13	1.18	0.98
% of SONIX	63.63	-10.27	-10.60	-12.03	-11.34	-	-	0.01	0.51	0.11	0.80	0.10	0.08	0.32	0.20	0.29	0.30	0.24
PUNJAB	-2.76	-4.40	-3.71	-3.35	-3.51	0.80	0.64	0.55	0.75	0.64	0.66	0.64	0.57	0.58	0.74	0.97	0.75	1.96
% of ECOS	55.31	67.31	66.40	73.14	56.45	4.95	4.25	3.11	3.17	2.77	2.33	2.10	2.30	2.17	2.30	3.06	2.64	7.17
% of SONIX	-11.75	-20.28	-13.03	-9.77	-19.58	2.13	1.91	1.60	1.77	1.34	1.44	6.87	1.05	1.22	1.36	1.49	1.20	3.11
IRRIGATION, NAVIGATION ETC.																		
BIHAR	-1.07	0.74	-1.18	-1.97	-3.50	-	1.66	2.54	4.20	2.72	3.11	1.60	2.15	3.61	2.41	2.33	2.61	1.43
% of ECOS	-72.55	-45.62	-21.91	231.76	83.64	-	9.36	14.66	16.11	9.87	8.60	4.58	6.45	10.17	4.56	4.00	3.54	1.38
% of SONIX	-5.28	3.52	-11.95	-10.38	-21.05	-	5.52	11.43	11.00	7.25	6.49	3.44	4.79	8.10	3.58	3.30	3.19	1.26
GUJARAT	-4.50	-5.18	-4.36	-4.62	-4.63	-	3.73	1.86	2.22	2.70	2.31	2.69	2.55	2.62	3.17	2.86	2.99	2.77
% of ECOS	187.44	155.03	1877.27	136.28	118.86	-	20.69	8.65	10.31	10.46	7.57	8.15	9.71	10.48	10.51	11.93	11.35	10.28
% of SONIX	-15.24	-18.18	-11.83	-11.78	-9.75	-	7.68	3.87	3.87	4.15	2.99	3.69	3.25	3.03	3.97	3.06	2.93	2.50
PUNJAB	-2.36	-2.50	-2.71	-2.47	-3.20	3.23	3.03	3.09	4.84	4.46	4.77	4.67	4.31	4.39	4.28	4.00	2.99	4.07
% of ECOS	47.34	38.29	48.51	53.93	51.48	19.90	19.98	17.33	20.46	19.28	16.90	15.36	17.23	16.24	13.40	12.63	10.51	14.87
% of SONIX	-10.06	-11.54	-9.52	-7.20	-17.85	8.58	8.98	8.90	11.45	9.33	10.48	6.35	7.90	9.15	7.90	6.15	4.77	6.44
OTHERS																		
BIHAR	0.01	0.0	0.0	0.02	0.12	-	0.56	1.10	2.10	2.30	2.78	2.79	2.77	2.72	3.50	4.04	3.14	2.53
% of ECOS	0.65	0.0	0.0	-2.35	-2.80	-	3.14	6.37	8.04	8.35	7.69	7.96	8.32	7.65	6.61	6.93	4.26	2.44
% of SONIX	0.05	0.0	0.0	0.11	0.70	-	1.85	4.96	5.49	6.13	5.80	5.98	6.19	6.10	5.19	5.72	3.84	2.22
GUJARAT	-0.27	-0.32	0.13	-0.04	-0.38	-	6.38	9.44	8.39	1.53	8.58	12.52	9.51	8.66	11.68	5.51	4.67	4.97
% of ECOS	11.59	9.73	-54.55	1.18	9.82	-	35.38	44.02	39.00	5.93	28.14	37.93	36.22	34.61	38.74	23.00	17.70	18.41
% of SONIX	-0.94	-1.14	0.34	-0.10	-0.81	-	13.12	19.68	14.65	2.36	11.12	17.17	12.12	10.02	14.63	5.90	4.57	4.48
PUNJAB	0.55	0.95	0.74	1.15	0.48	9.99	9.15	11.77	15.70	14.25	20.23	21.99	16.65	17.97	22.02	22.27	21.60	18.40
% of ECOS	-11.11	-14.51	-13.32	-25.11	-7.31	61.56	60.33	65.96	66.35	61.62	71.73	72.33	66.49	66.56	68.84	70.36	75.91	67.67
% of SONIX	2.36	4.38	2.61	3.35	2.53	26.55	27.11	33.88	37.14	29.82	44.46	29.91	30.46	37.50	40.61	34.28	34.44	29.15

NOTE:

(-) not available ECOS: Economic Services SONIX: States own non-tax revenue

TABLE 4.14: Growth and Trends in Share in Central Taxes at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
<b>I. BIHAR</b>																		
Income Tax	15.31	17.89	27.58	35.24	44.11	35.03	31.74	28.25	44.00	38.06	38.26	37.96	40.51	44.66	41.95	39.05	39.85	39.42
% of SCT	47.74	39.56	41.54	41.85	43.59	38.10	39.21	38.73	42.73	35.59	34.67	33.17	21.57	22.54	20.24	20.67	18.93	18.15
Estate Duty	0.0	0.26	0.74	0.56	0.75	0.38	0.46	0.81	0.50	0.57	0.56	0.58	0.15	0.04	0.38	0.14	0.27	0.0
% of SCT	0.0	0.58	1.12	0.67	0.74	0.41	0.57	1.09	0.48	0.53	0.51	0.51	0.08	0.02	0.19	0.07	0.13	0.0
Union Excise Duty	16.76	27.07	38.07	48.40	56.32	56.54	48.75	43.90	58.46	68.30	71.53	75.90	147.19	153.46	164.92	149.71	170.40	177.79
% of SCT	52.26	59.86	57.34	57.48	55.67	61.49	60.22	60.17	56.78	63.87	64.82	66.32	78.35	77.44	79.58	79.25	80.94	81.85
<b>II. GUJARAT</b>																		
Income tax	9.98	11.57	15.93	18.52	23.97	36.21	18.90	17.88	26.91	21.98	21.76	23.03	26.49	27.92	25.79	25.63	21.14	24.64
% of SCT	50.32	38.24	48.46	49.01	50.34	79.93	46.36	44.79	48.99	41.59	40.36	40.42	29.74	31.61	29.26	31.86	26.66	24.07
Estate Duty	0.13	0.33	0.35	0.33	0.35	0.38	0.60	0.31	0.28	0.29	0.28	0.29	0.52	0.31	1.30	0.91	0.48	0.62
% of SCT	0.64	1.07	1.06	0.87	0.74	0.87	1.48	0.77	0.51	0.55	0.53	0.52	0.59	0.35	1.47	1.14	0.60	0.60
Union Excise duty	8.91	18.37	16.59	18.94	23.23	58.44	21.26	21.74	27.74	30.58	31.87	33.67	62.08	60.12	61.02	53.90	57.68	77.13
% of SCT	44.94	60.69	50.48	50.12	48.92	19.20	52.16	54.44	50.51	57.85	59.12	59.07	69.68	68.04	69.27	67.00	72.74	75.33
<b>III. PUNJAB</b>																		
Income tax	4.44	5.34	8.24	9.05	11.21	10.88	9.74	9.65	13.76	11.04	10.98	7.99	12.27	14.12	13.64	13.58	12.76	12.75
% of SCT	42.37	51.60	49.43	49.62	50.66	47.68	46.77	48.70	52.88	45.36	43.99	29.66	32.00	83.17	31.33	30.97	28.48	27.48
Estate Duty	0.16	0.17	0.20	0.18	0.24	0.31	0.26	0.21	0.17	0.20	0.22	0.29	0.17	0.35	0.24	0.94	0.48	0.75
% of SCT	1.49	1.66	1.20	0.99	1.09	1.35	1.26	1.04	0.65	0.83	0.90	1.07	0.45	0.81	0.56	2.15	1.07	1.61
Union Excise Duty	4.53	4.83	8.22	9.01	10.68	11.63	10.83	9.96	12.09	13.10	13.76	17.69	25.91	28.11	29.65	29.30	31.54	32.91
% of SCT	43.28	46.74	49.37	49.40	48.25	50.97	51.97	50.26	46.46	53.81	55.11	69.26	67.55	66.01	68.10	66.84	70.44	70.91

NOTE: SCT - Share in central taxes

Source: Bulletins: Reserve Bank of India for various years.

TABLE 4.15: Trends in Grants-in-aid at Constant (1970-71=100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
<b>I. BIHAR</b>																		
State Plan Scheme	12.47	13.67	17.03	17.89	18.18	-	15.71	11.81	22.41	18.79	24.45	45.75	37.25	44.10	36.89	36.47	39.16	34.90
% of GIA	43.98	62.70	55.30	56.61	47.40	-	46.81	37.00	45.13	42.96	39.27	42.17	46.47	49.06	46.32	45.85	45.18	41.47
Centrally plan as well as sponsored schemes	1.88	3.42	7.46	6.50	7.11	-	9.19	4.95	8.24	11.82	14.39	31.57	36.70	31.12	39.53	30.35	37.51	55.58
% of GIA	6.62	15.67	24.20	20.57	19.16	-	27.39	15.52	16.60	27.03	23.10	29.04	45.79	34.62	49.63	38.15	43.27	48.11
Non-plan Grants	14.00	4.72	6.31	7.21	13.18	-	8.66	15.15	19.00	13.13	23.43	31.23	6.20	14.67	3.23	12.73	10.01	12.03
% of GIA	49.40	21.63	20.49	22.82	33.44	-	25.80	47.47	38.26	30.01	37.62	28.79	7.74	16.33	4.05	16.00	11.55	10.41
<b>II. GUJARAT</b>																		
State plan Scheme	11.63	12.98	8.83	15.32	9.36	-	8.23	7.33	9.44	11.57	15.74	16.69	15.53	16.56	12.50	14.72	18.50	17.22
% of GIA	45.26	57.39	36.74	64.32	34.70	-	20.92	33.32	30.19	45.04	44.46	35.25	48.92	18.84	28.86	29.73	31.64	34.04
Centrally plan as well as sponsored schemes	0.77	0.37	7.04	0.43	14.69	-	12.68	11.98	17.75	12.38	17.33	26.33	12.07	23.41	29.04	12.16	28.46	31.91
% of GIA	3.02	1.64	29.28	1.81	54.48	-	32.25	54.46	56.74	47.13	48.95	55.62	38.02	26.63	67.03	24.57	48.65	63.07
Non-plan Grants	13.39	9.26	8.16	8.07	2.92	-	18.41	2.69	4.09	2.32	2.33	4.32	4.14	15.31	1.78	22.63	11.53	1.46
% of GIA	51.71	40.97	33.98	33.88	10.82	-	46.83	12.21	13.07	8.83	6.59	9.13	13.03	17.42	4.12	45.70	19.71	2.89
<b>III. PUNJAB</b>																		
State plan Scheme	-	-	-	-	-	5.55	-	4.22	5.24	5.39	11.64	10.26	6.92	9.61	8.99	-	-	9.35
% of GIA	-	-	-	-	-	16.68	-	32.77	24.47	15.29	37.96	39.79	40.79	42.13	43.99	-	-	31.21
Centrally plan as well as sponsored schemes	-	-	-	-	-	27.74	-	3.42	5.70	7.01	9.97	12.90	8.96	10.50	10.28	-	-	18.78
% of GIA	-	-	-	-	-	83.32	-	26.54	26.61	19.87	32.49	50.02	52.80	46.04	50.29	-	-	62.72
Non-plan Grants	-	-	-	-	-	0.00	25.85*	5.24	10.48	22.89	9.07	2.63	1.09	2.70	1.17	-	-	1.82
% of GIA	-	-	-	-	-	0.00	100.0	40.69	48.92	64.84	29.55	10.18	6.41	11.83	5.72	-	-	6.07

NOTE : (1) (-) Not available \* Breakups not available GIA - Grants-in-aid

Source: Bulletins Reserve Bank of India for various years.

Table 4.16 : Estimates of buoyancy of aggregate sources of revenue, Major Tax groups and Major individual taxes from 1967-68 to 1984-85

	BIHAR			GUJARAT			PUNJAB		
	Intercept	Reg. Coefficient.	t-values	Intercept	Reg. Coefficient	t-values	intercept	Reg. Coefficient.	t-values
<b>I. Aggregate Source</b>									
1.Total Tax Revenue	-7.37	1.38	22.20*	-6.39	1.31	34.20*	-5.41	1.23	51.57*
2.States' own tax Revenue	-5.56	1.18	29.94*	-6.99	1.33	35.24*	-5.54	1.23	54.91*
<b>II. Major tax Groups</b>									
1.Taxes on property and capital transactions.	-1.06	0.69	7.15*	-3.37	0.87	17.21*	-4.47	0.97	19.55*
2.Taxes on commodities & services	-7.02	1.28	33.04*	-7.65	1.37	32.97*	-6.11	1.26	55.40*
<b>III. Major Individual Taxes.</b>									
1.Stamp and Registration.	-3.37	0.82	11.75*	-7.79	1.17	22.91*	-6.13	1.09	20.80*
2.Land Revenue.	-0.18	0.56	2.86*	1.40	0.42	5.25*	0.82	0.35	2.70*
3.Sales Tax	-9.70	1.46	26.23*	-8.24	1.39	31.00*	-6.11	1.26	55.40*
4.State excise duties	-0.41	0.61	2.90*	-9.84	1.16	15.16*	-7.58	1.32	43.57*
5.Taxes on vehicles	-15.30	1.68	6.51*	-5.93	1.02	30.27*	-6.26	1.19	33.98*
6.Taxes on goods and passengers	3.02	0.19	0.38 NS	-8.05	1.21 <sup>a</sup>	10.23*	-13.76	1.60	31.13*
7.Electricity duties	-0.59	0.55	6.15*	-12.87	1.58 <sup>a</sup>	26.86*	-7.02	1.14	24.24*
8.Entertainment tax	-4.39	0.81	6.11*	-11.75	1.45 <sup>a</sup>	38.13*	-8.99	1.24 <sup>b</sup>	19.51*

Note - 1. \* Significant at 1 per cent level of significance.  
NS. Not significant.

2. <sup>a</sup> No of observations is seventeen instead of eighteen.  
<sup>b</sup> No of observations is sixteen instead of eighteen

Source - Same as table -4.2.



TAX EFFORT

TABLE -4.17 : Statistical Relations between tax income and selected variables.

Sl.No.	States	Dependent Variable	Constant term	Per Capita Income	Percentage of urban to total population	Share of non-agriculture sector	Co-efficient of multiple determination adjusted for degrees of freedom
				X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	
1.	Bihar	T/y	-0.0392	0.0002 *** (1.913)	-0.0025 (-0.756) *	0.00046 (0.514)	0.261
2.	Gujarat	T/y	-0.1178	-0.0000 (-0.095) *	0.0048 ( 2.319) **	+0.0007 (1.013) ****	0.891
3.	Punjab	T/y	-0.0231	0.00002 (0.848)	0.00036 (0.295)	0.00133 (2.678) *	0.926

1. Figures in parentheses indicates t value.

Note - \* Significant at 1 percent level of significance.

\*\* Significant at 2.5 per cent level of significance.

\*\*\* Significant at 5 per cent level of significance.

\*\*\*\* Significant at 20 per cent level of significance.

Source - 1. RBI Bulletins for different years.

2. Census of India, population Tables 1971, 1981.

3. Estimates of State domestic product. CSO Publication, 1985, 1986.

Table - 4.18 ; Index of tax Effort of States

Year	BIHAR			GUJARAT			PUNJAB		
	Actual tax Ratio	Expected Ratio	Index of tax effort	Actual tax Ratio	Expected Ratio	Index of tax effort	Actual Tax Ratio	Expected Ratio	Index of tax effort
1967-68	3.105	3.680	0.84	4.345	4.686	0.93	4.759	5.409	0.88
1968-69	3.665	3.715	0.99	5.150	5.266	0.98	5.679	5.644	1.01
1969-70	3.586	4.123	0.87	5.230	5.218	1.00	5.949	5.717	1.04
1970-71	3.526	4.071	0.87	4.937	4.939	1.00	5.990	5.839	1.03
1971-72	3.705	4.082	0.91	5.579	5.086	1.10	6.014	5.949	1.01
1972-73	3.805	3.840	0.99	6.685	6.343	1.05	6.309	6.250	1.01
1973-74	3.389	3.510	0.97	4.771	6.056	0.79	5.714	6.255	0.91
1974-75	3.483	3.662	0.95	6.666	6.870	0.97	6.371	6.161	1.03
1975-76	4.588	3.972	1.16	6.390	6.220	1.03	6.649	6.590	1.01
1976-77	4.777	4.225	1.13	6.972	6.496	1.07	6.597	6.881	0.96
1977-78	4.523	4.391	1.03	6.922	6.793	1.02	6.806	7.063	0.96
1978-79	3.995	4.393	0.91	7.491	7.039	1.06	7.182	7.211	1.00
1979-80	4.327	3.612	1.20	7.889	7.344	1.07	7.324	7.391	0.99
1980-81	4.235	4.478	0.95	8.016	8.007	1.00	7.849	7.828	1.00
1981-82	4.624	4.625	1.00	8.180	8.270	0.99	8.215	7.887	1.04
1982-83	4.480	4.118	1.09	8.942	8.990	0.99	8.234	8.038	1.02
1983-84	4.654	4.568	1.02	8.821	9.024	0.98	8.217	7.982	1.03
1984-85	4.337	4.935	0.88	9.206	9.353	0.98	7.616	7.906	0.96

Source : Same as Table 4.17.

## CHAPTER - V

### PATTERN OF PUBLIC EXPENDITURE

Peacock and Wiseman<sup>1</sup> examining the Wagner's law of increasing state activities found that this law is still working but it is the expenditure which grew as a result of the increase in revenues rather than the other way round. In this context Prest pointed out that "in developed countries, it may be that expenditure grow because of increasing revenue, but in developing countries, expenditures grow and revenues are made to grow. The pressure of expenditure in such countries tends to increase because of growth of population, emergence of strong local and emergence of strong world opinion".<sup>2</sup>

In any case, the community as a whole looks into the size and composition of government expenditure in return to the taxes paid by them. The 1953-54 Taxation Enquiry Commission pointed out that there is a need for "the most effective utilization of existing tax resources

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1. A.T. Peacock and Jack Wiseman, The Growth of Public Expenditure in United Kingdom, George Allen and Unwin, London. 1967.
  2. A.R. Prest, Public Finance In Underdeveloped Countries, Allied, Bombay, 1962. pp. 14-15

for promoting the community's welfare and development before new and higher burdens are imposed on the people".<sup>3</sup> In fact in a federal financial set-up, public expenditure can play an effective role in promoting economic growth, reducing disparities in income and wealth and achieving the goal of welfare state. The present chapter deals with the patterns, growth and general trends of expenditure in the three selected states of Bihar, Gujarat and Punjab during the period 1967-68 to 1984-85.

#### Growth in Total Direct Expenditure

For accounting purposes, public expenditure is conventionally divided into two broad categories - revenue and capital account. When the expenditures are met from the revenue receipts of the government and are spent on the items of recurring nature, it is called expenditure on revenue account. On the other hand, when the outlays are met from the central or the market loans and are incurred on the construction or the acquisition of capital assets, repayment and discharge of debts etc., it is called capital outlay. Hence, the total direct expenditure of the states

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3. Report of Taxation Enquiry Commission, 1953-54  
Vol. 1, p. 34.

constitutes revenue expenditure alongwith capital outlay.<sup>4</sup>

Table 5.1 (Statistical Appendix-III) presents a chronological classification of the total direct expenditure, revenue expenditure and capital outlay over the period 1967-68 to 1984-85. The table pinpoints some important features of the growth in expenditure. Firstly, the volume of total direct expenditure of the states, under study, increased considerably during 1967-68 to 1984-85. It increased in absolute real term from about three to six-fold roughly at an annual compound growth rate of 7 to 8 per cent. Gujarat state recorded the highest and Bihar the lowest rates of growth. The most interesting aspect to note is that similar to the growth in revenue resources, the increase in total direct expenditure outstripped nearly two-fold increase in state domestic product (SDP) in each of the three states. It was the Punjab which recorded the highest growth rate in SDP followed by Gujarat and Bihar

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4. Capital outlay differs from Capital disbursements since the latter is a wider concept. Capital outlay (development plus non-development) alongwith repayment of market and central loans and advances to other local institutions make the total capital disbursements.

respectively. These disparities in income, in fact, are considered the main cause of the differences in the expenditures of the government. Solomon Fabricant emphasized the inter-state income disparities as the primary cause of the inter-state spending differences.<sup>5</sup>

Thirdly, if we go by per capita terms, as is evident from table 5.3 (Statistical Appendix-III) Punjab outstripped the other two states not only in per capita income but in per capita expenditure also. Gujarat and Bihar followed Punjab in that order. This pattern reinforced itself over time. In 1984-85, per capita expenditure was Rs.248 in Punjab, Rs.185 in Gujarat and only Rs.92 in Bihar, against Rs.101, Rs.43 and Rs.39 in 1967-68, for the three states respectively.

Growth in total direct expenditure does not appear of much use unless we look into the contours of state governments' expenditure, viz; revenue and capital outlay. Reverting to Table 5.1, it appears that similar to the

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5. From Suresh A. Desai, "Determinants of Inter-state, Government Expenditure Differentials in India: 1960-61" Indian Journal of Economics, Vol. 56, No.223, April, 1976, pp. 435-442.

growth in total direct expenditure, increase in revenue expenditure was the fastest in Gujarat with 9.0 per cent annual rate of growth. However, Punjab recorded the highest increase in capital outlay at about 12.0 per cent annual rate of growth. It reveals that expenditure on revenue and capital account increased quite fast in the developing states. It is in Punjab, the agriculturally expanding state in our case, capital outlay increased rapidly. On the other hand, industrially expanding state of Gujarat registered the highest growth in the expenditure incurred on revenue account. In other words, it signifies that while an industrially expanding economy incurs more expenditure of the recurring nature, it is agriculturally expanding economy of Punjab where expenditure is incurred on repayment or advances of loans and acquisition of capital assets.

Notwithstanding, the highest growth in expenditure on revenue account, its share in total expenditure was relatively low (56.0 per cent) in Gujarat compared with (about 77.0 per cent) in the other two states. Over the years these proportions increased and in 1984-85, about 4/5th of total direct expenditure was spent on revenue account in all the

three states. This is, however, surprising since with the rapidly increasing plan expenditure, capital outlay would have been stepped up the revenue expenditure.

A comparative picture of the three states shows that the total direct expenditure of the state governments increased both in absolute as well as relative terms. It is, however, important to underline that the levels of government expenditure are much higher in rapidly growing states of Gujarat and Punjab compared with the relatively backward state of Bihar. This in fact, proves Wagner's law of increasing state activities as development takes place<sup>6</sup> and brings thereby the concept of welfare state as a prime concern to modern governments. Moreover, an industrially expanding economy incurs more expenditure of recurring nature

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6. Wagner's law of increasing state activities:-

"Comprehensive comparisons of different countries at different times show that, among progressive peoples, with which alone we are concerned, an increase regularly takes place in the activity of both the central and the local governments. This increase is both extensive and intensive ; the central and local governments constantly undertake new functions, while they perform both old and new functions more efficiently and completely. In this way the economic needs of the people, to an increasing extent and in a more satisfactory fashion, are satisfied by the central and local governments".  
(quoted in Translation in C.J. Bullock, Selected Readings in Public Finance, 3rd ed., Ginn. New York, 1924, p.32)



It is agriculturally expanding economy of Punjab where the expenditure is incurred, <sup>more</sup> on the acquisition of capital assets, repayment of market loans etc.

Development and Non-development Expenditures.

Public expenditure on revenue and capital account can be further classified into plan and non-plan expenditure as well as development and non-development expenditure. Plan expenditure consists of expenditure on all schemes and projects provided for in the plan currently in operation and the residual is non-plan expenditure. On the other hand, development expenditure may be broadly defined to include all those activities that promote economic development and social welfare, all other expenditures fall under the category of non-development expenditure. Therefore, development expenditure is a broader concept than plan expenditure, while non-plan expenditure is often loosely termed as non-development expenditure.

Actually, the distinction between plan and non-plan expenditure is of no great significance except in relation to a discussion of resources available for financing the plan. The level of non-plan expenditure continuously rises

when more and more new schemes come under operation and the already existing schemes are transferred to the realm of non-plan expenditure. According to an opinion " plan and non-plan expenditure tells us nothing significant about the disposition of government funds. One should really concentrate one's attention on the distinction between development and non-development expenditure, in order to be able to judge the trends in expenditure and the ways in which increasing revenues are utilized by government".<sup>7</sup> Moreover, by avoiding this distinction of plan and non-plan expenditure, not only better planning of public expenditure is possible but also through a careful study, non-productive expenditure can be curtailed. As Pande has pointed out, " The distinction between plan and non-plan expenditure should be eliminated under the development heads. After-all, the GNP is the result of both types of expenditure. If the totality of expenditure is taken into account and its effects on national income is calculated, it will lead to better planning, minimise distortions, maintain assets and cut-down

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7. S.Bhalla(et.al.,) Budgetary Resource Planning, Training of Personnel for Development Administration. Centre for the Study of Regional Development, Jawaharlal Nehru University. p. 9.

non-productive schemes".<sup>8</sup> Therefore, our main focus in this chapter is development and non-development expenditure rather than plan and non-plan expenditure. In other words, an attempt should be made to see if expenditures on revenue as well as capital accounts have resulted in more of development or of non-development activities.

Table 5.2 (Statistical Appendix-III) presents an outline of the total development and non-development (revenue and capital accounts combined) expenditure of the three states. The table throws up that the expenditure on development items dominated in all the three states. Moreover, the expanding gap between the two, over the period under study, indicates a shift towards development expenditure in all the three states. Broadly speaking, in 1967-68, about 50.0 per cent of the total expenditure was incurred for development purposes, which increased continuously in the subsequent years so that the year 1984-85 witnessed around 72.0 to 80.0 per cent of the total

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8. B.D. Pande, "Why distinguish between plan and non-plan expenditure", Commerce : 140; April 5, 1980. P. 596

direct expenditure for development purposes in the three states. Gujarat spending the highest (80.0 per cent) and Punjab the lowest (72.0 per cent) for such development purposes.

Percentages sometimes fail to reveal the real differentials across the spatial units, especially when the levels of absolute figures differ strikingly from one another. It will, therefore, be more meaningful to know the relative position of the three states in terms of per capita development expenditure. It is the Punjab, as indicated by Table 5.3 (Statistical Appendix-III) that is way ahead of the other two states in terms of per capita development expenditure throughout the period. In 1984-85 the expenditure on development heads was Rs.179 in Punjab, Rs.148 in Gujarat and only Rs.68 in Bihar against Rs.57, Rs.23 and Rs.19 only respectively for the three states in 1967-68.

In spite of the highest absolute per capita development expenditure, as table 5.4 (Statistical Appendix-III) indicates, its proportion to per capita income was comparatively low in Punjab in 1984-85 preceded by Bihar and Gujarat respectively.

Again Gujarat was leading with 15.26 per cent of per capita income incurred on development purposes in 1984-85. However, it must be conceded that not to speak of other states, even in Gujarat, this proportion was not quite satisfactory. Since "in most advanced countries, the governments spend about one-fourth or more of their national income for development purposes" <sup>9</sup>

On the other hand, non-development expenditure cannot always be recognized as second class expenditure. It has its own importance for the economy. Reasons for the growth of non-development expenditure can be attributed to particular circumstances like natural calamities, steady increase in the emoluments of government servants necessiated by the increase in prices, to meet the increasing planning needs and growing trend of interest charges. Returning to table 5.3, it becomes clear that in spite of its relatively declining share in total direct expenditure, expenditure under non-development heads registered a growth in real absolute terms. Punjab recorded the highest annual

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9. R.N. Bhargava, Indian Public Finance, George Allen and Unwin Ltd; London, 1962, pp.12-13.

rate of growth of 5.91 per cent per annum followed by Gujarat 4.37 per cent and Bihar 2.95 per cent.

However, if we go by absolute per capita terms Punjab was leading both in development and non-development expenditure during the period 1967-68 to 1984-85. Gujarat and Bihar were following Punjab in that order. In 1984-85, development expenditure was Rs.179 in Punjab, Rs.148 in Gujarat and Rs.68 in Bihar against Rs.57, Rs.23 and Rs.19 respectively in 1967-68 for all the three states. Similarly, non-development expenditure in 1984-85 was Rs.68 in Punjab Rs.37 in Gujarat and Rs.23 in Bihar against Rs.43, Rs.16 and Rs.17 respectively in 1967-68 for all the three states.

In brief, it can be said that in spite of the common phenomenon of shifting the expenditure in favour of development items, there still arises differences in three states under study. It was Gujarat, the industrially expanding state, where development expenditure was increasing the fastest. Where as in Punjab, the agriculturally expanding economy, expenditure incurred on non-development purposes increased rapidly. But going along the lines of per capita development and per capita non-development expenditure, Punjab

was way ahead the other two states. Bihar, a relatively backward economy in our case, recorded relatively lower growth both in development as well as non-development expenditures.

I Development and Non-development Expenditure on Revenue Account.

Having delineated total development and non-development expenditure (both capital and revenue account combined) in all the three states. Let us see the trends in the increase in revenue account only. For this purpose, revenue expenditure has been classified into three categories viz., development expenditure, non-development expenditure and expenditure on transfers to local bodies.

As is evident from Table 5.6 (Statistical Appendix-III) similar to the total development expenditure, development expenditure on revenue account increased at a faster rate than non-development expenditure in the three states under review. Development expenditure increased the fastest around twenty-fold in Gujarat at 13.98 per cent annual rate of growth during 1967-68 to 1984-85. Bihar with 10.78 per cent and Punjab with 9.25 per cent annual rate of growth followed

Gujarat. Non-development expenditure recorded an increase of about two to four and half fold at around 3 to 5 per cent annual rates of growth during the period 1967-68 to 1984-85. Here again Gujarat was leading the scene in development expenditure and Punjab in non-development expenditure.

Similar to the total development and non-development expenditure, here also the resources have recorded a shift towards development expenditure. In 1983-84, the ratio between the two (development and non-development expenditure) was 70:29 in Bihar, 71:29 in Punjab and 77:22 in Gujarat <sup>10</sup> against 39:51, 53:47 and 36:48 respectively for the three states in 1967-68.

#### 1. Pattern of Development Expenditure:

After examining that the funds had been increasingly spend on development activities, it will be more to meaningful to examine its composition and growth over time. Development

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10. The rest is the transfer to local bodies.



expenditure includes social and community development service and economic services. The former include education, medical and public health, labour and employment and miscellaneous social and community development services. Expenditure on economic services consists of expenditure general economic services, agriculture and allied, industries and minerals, water and power development and transport and communication. It is thus, clear that as far as development activities of state governments are concerned, they are more or less of social service nature or of creation of infra-structure of the economy than the direct productive expenditure on which they cannot rely for a feed back income to a great extent.<sup>11</sup>

Table 5.7 (Statistical Appendix-III) presents an outline of the development expenditure classified into social and community development services and economic services. It is evident from the table that Gujarat was leading the other two states as far as the rate of growth of both social and community development as well as economic services is concerned. The growth in the expenditure on

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11. Rajendra Jain, State Finances in India, Progress, Bhopal, 1978. p. 34

economic services was as high as 19.22 per cent per annum in Gujarat followed by Punjab (13.28 per cent) and Bihar (11.57 per cent.) On the other hand, the growth in the expenditure on social and community development services was the highest (11.58 per cent per annum) in Gujarat followed by Bihar (10.49 per cent) and Punjab (7.25 per cent).

The proposition of development expenditure on social and community development services outstripped the proportion of expenditure on economic services in all the three states from the very first year of our study. It signifies that the states in India are playing predominantly the role of a welfare state. In 1967-68, the ratio between the two was 57:43 in Bihar, 64.36: in Gujarat and 73:27 in Punjab respectively. It shows that the more developed a state is, the higher is the expenditure incurred on welfare activities. By 1970-71, the state were incurring more on such welfare activities, Gujarat was the first with 4/5th and Punjab with 3/4th of the development outlay incurred on these welfare services. Bihar also registered an increase in its welfare activities. But from 1970-71 onwards, the trend reversed and expenditure incurred on economic services

attracted the government resources 1984-85, the terminal year of our study witnessed a ratio of 60:40 in Bihar followed by 58:42 both in Punjab and Gujarat. It shows that the units in Indian federation, under study, were playing the role of welfare states till about the beginning of the Fourth Five Year Plan. Perhaps, the responsibility for launching and sustaining the process of economic development was not clearly owned by the states. While the provision of welfare services was to be the main thrust of the states' financial budgeting, building of economic services to initiate the process of development was no less important. The wisdom to pay adequate attention on economic services depend upon them when financial stringencies at the centre started showing themselves up and more and more political commitments were sought from below. The states came under increasing political assessment by their masses in terms of what was done on the economic development. Hence larger and continuing preoccupation with economic services since the advent or 1970 or so. Let us now examine in detail both aspects of development expenditure )

a) Social and Community Development Services:

Social and community development services confer a positive effect on the community. The more developed these

services are, the happier and better off would be the people in the country. As explained earlier, these social and community development services occupy a sizeable proportion of the total development expenditure. These services include education, art, culture, scientific, service and research; medical, health and family planning; labour and employment; natural calamities etc.

It is said that "large scale improvements in health, education and training expand productive capacity by increasing the stamina and strength of the workers on the one hand and enlarging their fund of knowledge and skills on the other".<sup>12</sup> Therefore individual states in Indian federation provide free primary education, facilities for high technical and vocational education; free medical facilities etc. Consequently, expenditure incurred on both of these categories from a major part of the total social and community development services.

Table 5.8 (Statistical Appendix-III) depicts that in

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12. Walter W. Heller, "Fiscal Policies for Underdevelopment Countries", Readings in Taxation, Hopkins, 1964, p. 7

1967-68, the expenditure incurred on these items was around 20.0 per cent of the total development outlay both in Bihar and Gujarat, however, in the agriculturally expanding state of Punjab this percentage was more than double (48.54 per cent). These proportions increased both in Bihar and Gujarat in the following years, while Punjab witnessed a declining trend.

In absolute real terms, Gujarat recorded the highest increase of around thirtyfive-fold at an annual rate of growth of 14.11 per cent per annum followed by Bihar (12.90 per cent) and Punjab (7.23 per cent).

On the other hand money spent on medical, family planning and public health that recorded the highest annual rate of growth in Gujarat and increased around thirteen-fold from Rs.3.68 crores in 1967-68 to Rs.49.86 crores in 1984-85 at constant prices. Punjab and Bihar followed Gujarat in that order. In relative terms, the share of the development expenditure on medical health and family planning ranged roughly between 11 to 14 per cent in the three states.

Expenditure on provision of labour and employment and measures of social security and welfare are the other welfare

activities of the states. Gujarat recorded the highest growth in the expenditure incurred on the provision of labour and employment. It is because of its wide spread industrial base that can absorb more people compared with the agriculture based economy. However, the backward economy of Bihar recorded the highest expansion in the expenditure on social security and welfare measures which include unemployment allowance, old age pensions etc. Expenditure on natural calamities and relief, that was once considered non-development expenditure is now included in the development outlay with the thinking that, such expenditure will facilitate in providing the congenial environment to the masses so that they can engage themselves in various development activities. In any case, expenditure on such items is not a regular phenomenon and it forms a very significant portion of the total development expenditure.

b) Economic Services:

Expenditure on economic services consists of expenditure on general economic services, agriculture and allied services, industries and minerals, water and power development and transport and communication. Agriculture is the most

important economic activity in the country, engaging nearly 3/4th of the total workforce. Large outlays on it are, therefore, for pushing through the phenomenon of general economic development. As Table 5.9(Statistical Appendix-III) indicates, expenditure incurred on agriculture and allied services was the highest among all the economic services in the three states, under study. Expenditure on it includes spending on agriculture; minor irrigation, soil and water conservation and area development; dairy development; forests and community development etc.

In absolute real terms, expenditure on agriculture and allied services increased the fastest around twelve-fold in with an annual growth rate of 17.33 per cent while Punjab the lowest 8.62 per cent per annum. It is surprising to note that Punjab, known to be an agriculturally expanding state, government allocated less amount for agricultural development after 1967-68 compared with the other states. However, Gujarat, an industrially expanding state, assigned funds at an increasingly higher rate towards agriculture and allied services.

Apart from this, expenditure on water and power

development, consisting of multipurpose river valley projects, Irrigation, navigation and drainage and flood control projects, power projects water and power development schemes (Please see Annexure-IV). This head of expenditure while constituting small proportion of total development - expenditure, recorded absolutely a commendable growth of 25.19 per cent per annum in Gujarat during 1967-68 to 1984-85. Bihar with 19.48 per cent and Punjab with 19.34 per cent annual growth rates followed Gujarat. Other heads such as general economic services, transportation and communication and industries and minerals were sharing a very insignificant proportion of the total development expenditure, practically in each of the three states.

In absolute real terms, Gujarat recorded the highest annual rates of growth in all the major heads of expenditure, i.e., water and power development, transportation and communication, and industries and minerals, compared with the other two states.

Comparing both social and community development as well as economic services, under the development expenditure



on revenue account, almost the same pattern has come out across the three states. Expenditure on education, art culture, scientific service and research and expenditure on agriculture and allied services are the two major heads, towards which most of the development outlays are directed. Moreover, it is also apparent that most of these expenditures, though productive in nature, belong to the category of infra-structure, which directly does not add to the resources of the state governments.

2. Pattern of Non-development Expenditure.

Non-development expenditure comprises organs of state, fiscal services, debt services and interest payments, administrative services and Pension and miscellaneous general services.

Table 5.10 (Statistical Appendix-III) sets out the time profile of non-development expenditure of the states. It highlights that debt services and interest payments along with administrative services, occupied the major portion of the total non-development expenditure. Debt services and interest payments include appropriation for reduction or avoidance of debt and interest payments on

loans from centre and interest payments on other internal loans, while administrative services include administration police functioning at various levels, and so on.

In 1967-68, around 70.0 per cent of the non-development expenditure and nearly 35.0 per cent of the revenue expenditure was incurred on these two major heads of expenditure both in Punjab and Gujarat while this proportion was somewhat low 56.0 per cent of total non-development expenditure and about 28.0 per cent of the revenue expenditure in Bihar.

However, debt services and interest payments continued to occupy position of pre-eminence. It is a different matter, however, that the proportion of the expenditure incurred on these services registered a continuously declining trend upto 1978-79 in Gujarat and looked up afterwards. From about 30.0 per cent in 1967-68 this proportion came down to 21.0 per cent in 1978-79, followed by an increase to 36.0 per cent in 1984-85. Other two states recorded up and down swings. On the other hand the proportion of expenditure on administrative services, remained almost stable in Bihar while it witnessed a reduction

in the other two states. Nevertheless, it was occupying around 30.0 to 40.0 per cent portion of the non-development expenditure. This is, in fact, a very high percentage to be incurred on administrative services. It is partly because of the expenditure on police administration.

In absolute real terms debt services recorded a two and half-to six-fold increase during 1967-68 to 1984-85 Punjab registering the highest 5.53 per cent annual rate of growth and Bihar the lowest 0.41 per cent. Expenditure on administrative services increased from three to four-fold during the same period with Gujarat leading the scene followed by Bihar and Punjab respectively.

Apart from these two major items of non-development outlay proportion of expenditures incurred on organs of state, fiscal services and pension and miscellaneous general services, taken together, was very low to begin with and went down further in the following years in all the three states.

However, in real absolute terms, the expenditure on

fiscal services, which includes money spent on the collection of taxes and duties as well as expenditure on organs of state increased at a relatively higher rate of growth of 4.05 per cent and 11.65 per cent per annum (Table 5.11 (Statistical Appendix-III) respectively in Bihar. It implies that in the backward economy of Bihar cost of collection of taxes has been relatively high showing, thereby inefficiency on the part of the government.

In brief, similar to the pattern of development expenditure, the pattern of non-development expenditure did not highlight many significant differentials across the three states. Yet a contrast that stands out clearly in our analysis is that the agriculturally expanding economy of Punjab, has been spending increasingly more on the debt services and interest payments and the industrially expanding economy of Gujarat had been incurring increasingly more on administrative services. It implies that the expanding industrial base and consequently the increasing urbanisation necessitates the maintenance of law and order and the provision of the other civic amenities, requiring increasingly higher expenditure on administrative services.

The relatively backward economy of Bihar presents a picture of the increasingly high expenditure incurred on the collection of taxes and duties, which in fact violates the principle of economy, operating in a federation while demarcating the functions and resources between the centre and the states.

## II Trends in Capital Disbursements.

Capital expenditure of the state which is normally financed through loans from the centre or financial institutions or from the market, has been assumed to be a crucial aspect of state finances ever since the inception of planning. It consists of capital outlay (development and non-development expenditure) of the state the loan repayments of the centre as well as of other autonomous bodies viz., Life Insurance Corporation, State Bank of India etc. In the earlier section of this chapter, we took into account only the capital outlay in order to obtain the total direct expenditure of the states. In this section, capital outlay as well as repayment of loans and advances to other local governments have been taken into account.

Table 5.12, (Statistical Appendix-III) indicates

the broad trends in capital disbursements incurred by the state governments during 1967-68 to 1984-85. In absolute terms, the expenditure on account of capital disbursements increased the highest - three and half-fold- in Punjab followed by Gujarat and Bihar respectively. Moreover, though the quantum of capital expenditure shows tremendous growth, the basic structural change in expenditure is not very remarkable. In 1969-70, its proportion to total expenditure was 31.14 per cent in Punjab, followed by 27.36 per cent in Bihar and about 24.0 per cent in Gujarat. This proportion however, increased in the following years and in the late seventies it was around 40.0 per cent in all the three states. However, in the eighties, the position changed again so that in 1984-85, it was 45.0 per cent in Punjab followed by about 31.0 per cent in Gujarat and 30.0 per cent in Bihar.

The main components of expenditure, on account of capital disbursements, from 1967-68 to 1984-85 are given in Table 5.13 (Statistical Appendix-III) The main items of expenditure on capital disbursements are development outlays, non-development outlays discharge of internal debt,

repayment of loans to centre and loans and advances by state governments. Non-development outlays were almost insignificant in total capital disbursements in all the three states.

Development outlays on capital account were the largest item both in Gujarat and Bihar followed by loans and advances granted by state governments. It was the other way round in the case of Punjab. The former includes predominantly water and power development schemes (comprising multipurpose river valley scheme; Irrigation, Navigation etc.), Agriculture and allied services and transport and communication. Loans and advances on the other hand, include, loans to municipalities and other local bodies cultivators, private sector industrial units, housing, public sector undertakings, state electricity boards and cooperatives etc.,.

As is evident from the table development expenditure on capital disbursements was ranging between around 40 to 50 per cent both in Bihar and Gujarat. In Punjab, this proportion ranged between 15 to 30 per cent throughout the

period under study. Capital expenditure on loans and advances by state governments almost declined to half from around 42.0 to 19.0 per cent in Bihar and comparatively slowly from 49 to 34 per cent in Punjab during 1967-68 to 1984-85. However, this proportion doubled in Gujarat from around 20.0 to 40.0 per cent during the same period. It reveals that with the expanding industrial base Gujarat increased the allocation of funds for local development over the years. Punjab and Bihar reduced this allocation of advances for local development. However, it was the latter which witnessed the relatively sharp decline.

The other major item of capital disbursement is the repayment of central as well as market loans. Expenditure on both these items, taken together was almost one-fourth of the total capital disbursements in Bihar and Gujarat. This share was around 16.0 per cent in Punjab during 1967-68. In the following years capital expenditure on account of repayment of loans increased in Punjab. However, the other two states registered a decline. This reduction was more in case of Gujarat than in Bihar.

The three states, taken together, show that the



agriculturally growing state of Punjab presents different trends than the other two states. Moreover the composition of capital disbursements changes in the state during the period under study. As far as the increase in total capital disbursements is concerned, Punjab has been in the lead. However, classifying these total capital disbursements into their individual components, we discover that in the earlier years of the study, capital expenditure on development outlays was playing the major role in Gujarat followed by Bihar. In Punjab, it was the expenditure on loans and advances granted to local bodies which dominated the scene. In later years, however, it acquired importance in the industrially expanding state of Gujarat. On the other hand, capital expenditure on account of repayment of loans (central as well as market), acquired importance in agriculturally expanding economy of Punjab while their share declined in the industrially expanding economy of Gujarat. Therefore, while the backward economy of Bihar did not reflect any changes in the composition, the two fast growing states moved in the opposite direction. While one head of expenditure acquired importance in the agriculturally expanding state of Punjab, it lost its relative importance in the other industrially developing economy of Gujarat and

so on.

CONCLUSION:

After analysing the whole pattern of public expenditure as a whole as also its individual components, the scenario that emerges, is not strikingly different, among the states with different models of development. Nevertheless, a few important features that need to be pointed out are as follows:

1. In response to rising economic and welfare commitments of the states, expenditure has increased manifold during the past two decades or so. In a broad sense, therefore, the Wagner's law of increasing state activities entailing increasing quantum of expenditure is corroborated.
2. Expenditure on revenue as well as capital account increased fastest in the two developing states of Gujarat and Punjab. Agriculturally expanding state of Punjab was incurring the highest expenditure on capital account while the industrially expanding economy of Gujarat was spending more on revenue account. However, in the backward state of Bihar these levels

- of expenditure have been typically of a lower magnitude.
3. As regards the division of total state expenditures, expenditure on development activities has been occupying larger proportions in all the three states. However, these proportions are very low. In terms of growth of expenditure, it was non-development expenditure that increased at a comparatively fast rate in Punjab while it was Gujarat, where development expenditure was growing the fastest.
  4. Notwithstanding the fact, that spending on economic services increased quite fast, the states under study, were largely playing the role of welfare states.
  5. Classifying development expenditure into various sub-components, it emerged that expenditure on education, art,..... Culture and scientific research; Medical public health and family planning as well as expenditure on agriculture and allied services was dominating the total development expenditure. However, the backward economy of Bihar was incurring relatively high expenditure on the social security and welfare measures, providing thereby, the base for development.

6. Under non-development expenditure it was the expenditure on debt services and interest charges that had been growing fast in Punjab while Gujarat recorded the highest growth in the non-development expenditure on administrative services. In Bihar, the growth in the spending on the cost of collection of taxes and duties has been the highest among the three states showing lower effective yield of the taxes. The state tax administration clearly needs to be toned up.
7. The pattern of capital disbursements changed in both the fast growing states of our study. In the initial years, expenditure on loans and advances was playing the major role in Punjab followed by expenditure on repayment of loans. This situation changed and the more funds were diverted on repayment of loans pushing back the expenditure on loans and advances.

On the contrary, in the industrially expanding state of Gujarat, the expenditure on loans and advances outstripped the expenditure on repayment of loans in the later years of our study.

In brief, it is found that the states under study were largely playing the role of welfare states. Gujarat and Punjab pose some contrasting features which in fact fit into their respective development models. The backward economy of Bihar, on the other, was far behind both the states practically in each aspect, especially per capita development expenditure.

Gujarat, witnessed the highest growth in revenue expenditure while the Punjab recorded the highest growth in capital expenditure. It shows that in an industrially growing economy of Gujarat more expenditures of recurring nature, which are met from the revenue receipts of the state, are incurred. In the agriculturally growing economy of Punjab the expenditures of recurring nature are relatively less important and more outlays, which are met from the capital receipts of the state, are incurred on repayment of debts, acquisition of capital assets etc.,.

Moreover, a careful perusal of the expenditure of the states over time reveals that the states have been engaged predominantly in creating the infrastructural

facilities. Their expenditure pattern were such as could not generate revenues in turn and consequently resource gaps widened over time. This became all the more glaring since resource requirements for initiating fresh development activities increased tremendously over time and the revenue raising potentials of the states could not keep pace with the requirements. Consequently, the states have been increasingly looking for funds from the centre. Therefore, a careful revision of the functions performed by the states is required to fit into the increasing development needs of the states.

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STATISTICAL APPENDIX - III

TABLE 5.1: Total Expenditure, State Domestic Product Revenue and Capital Expenditure at Constant (1970-71 = 100) Prices

(Rs. Crores)

S.No.	Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	Annual Compound Growth Rate
		3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
BIHAR																				
1.	Revenue Exp.	156.85	156.68	225.53	233.69	277.64	275.90	228.76	199.44	246.52	249.98	270.08	317.27	314.28	434.11	503.15	490.56	510.62	566.22	7.00
2.	Capital Exp.	47.46	44.48	46.91	58.46	41.30	50.76	56.89	51.17	57.49	81.06	89.69	119.22	92.39	120.35	417.76	111.44	115.53	125.84	7.51
3.	Total Exp.	204.31	201.16	272.44	292.15	318.95	326.67	285.65	250.62	314.02	331.04	359.78	436.50	406.67	554.47	630.91	602.00	626.14	692.04	7.08
4.	1 as % of 3	76.77	77.89	82.78	79.99	87.05	84.46	80.08	79.58	78.51	78.51	75.07	72.69	77.28	78.29	79.25	81.49	85.55	81.82	
5.	2 as % of 3	23.23	22.11	17.22	20.01	12.95	15.54	19.92	20.42	21.49	24.49	24.93	27.31	22.72	21.71	20.25	18.51	18.45	18.18	
6.	SDP	1982.57	2032.83	2088.62	2245.44	2309.29	2299.85	2260.44	2376.09	2533.36	2650.18	2788.66	2853.43	2650.89	3053.07	3152.35	3079.42	3381.93	3591.01	3.33
7.	3 as % of 6	10.31	9.90	13.04	13.01	13.81	14.20	12.64	10.55	12.40	12.49	12.90	15.30	15.34	18.16	20.01	19.55	18.55	19.27	
8.	1 as % of 6	7.91	7.71	10.80	10.41	12.02	12.00	10.12	8.39	9.73	9.43	9.69	11.12	11.86	14.22	15.96	15.93	15.10	15.77	
9.	2 as % 6	2.39	2.19	2.25	2.60	1.79	2.21	2.52	2.15	2.66	3.06	3.22	4.18	3.49	3.94	4.05	3.62	3.42	3.50	
GUJARAT																				
1.	Revenue Exp.	58.69	170.89	254.21	206.39	213.06	249.69	233.95	221.09	251.74	290.35	285.80	354.37	382.55	420.74	440.19	488.75	498.87	568.89	9.01
2.	Capital Exp.	45.21	40.24	31.80	35.23	38.50	45.24	34.84	57.36	41.18	62.99	73.45	74.07	82.64	94.39	99.62	115.89	108.86	110.97	8.12
3.	Total Exp.	103.90	211.14	286.01	241.62	251.56	294.94	268.79	278.46	292.93	353.34	359.25	428.45	465.24	515.13	539.81	604.64	607.73	679.86	8.53
4.	1 as % of 3	56.49	80.94	88.88	85.42	84.69	84.66	87.04	79.40	85.94	82.17	79.55	82.71	82.23	81.66	81.55	80.33	82.09	83.68	
5.	2 as % of 3	43.51	19.06	11.12	14.58	15.31	15.34	12.96	20.60	14.06	17.86	20.45	17.29	17.77	18.32	18.45	19.17	17.91	16.32	
6.	SDP	1843.11	1694.92	1874.70	2819.24	2256.18	1800.50	2202.22	1898.07	2439.19	2597.38	2760.47	2921.55	2924.49	3085.57	3421.05	3250.69	3485.89	3559.71	4.52
7.	3 as % of 6	5.64	12.46	15.26	11.04	11.15	16.38	12.21	14.67	12.01	13.59	13.01	14.67	15.91	16.69	15.78	18.60	17.43	19.10	
8.	1 as % of 6	3.18	10.08	13.56	9.43	9.44	13.87	10.62	11.65	10.32	11.16	10.35	12.13	13.08	13.64	12.87	15.04	14.31	15.98	
9.	2 as % 6	2.45	2.37	1.70	1.61	1.71	2.51	1.58	3.02	1.69	2.42	2.66	2.54	2.83	3.06	2.91	3.56	3.12	3.12	

TABLE 5.1 contd.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
PUNJAB																				
1. Revenue Exp.		98.14	109.94	118.23	118.48	134.18	167.03	164.49	150.92	189.70	212.79	202.80	228.21	231.11	284.60	292.64	302.00	328.02	359.26	7.75
2. Capital Exp.		28.24	3.04	9.10	11.24	12.04	22.63	31.08	25.68	24.55	52.96	21.87	19.42	68.95	45.43	54.21	33.76	47.91	90.98	12.27
3. Total Exp.		126.37	112.98	127.33	129.72	146.22	189.65	195.57	176.60	214.25	265.85	224.67	224.63	299.63	325.02	346.84	335.77	376.73	450.24	8.11
4. 1 as % of 3		77.66	97.31	92.85	91.34	91.77	88.07	84.11	85.46	88.54	80.07	90.27	92.16	77.13	87.56	84.37	89.94	87.28	79.79	
5. 2 as % of 3		22.34	2.69	7.15	8.66	8.23	11.93	15.89	14.54	11.46	19.93	9.73	7.84	22.87	12.44	15.63	10.06	12.72	20.01	
6. SDP		1268.74	1332.69	1415.13	1436.16	1484.29	1533.32	1577.49	1630.82	1771.61	1885.75	2043.76	2195.46	2207.06	2301.84	2488.07	2631.79	2656.05	2838.93	4.97
7. 3 as % of 6		9.96	8.48	9.00	9.03	9.85	12.37	12.39	10.83	12.09	14.09	10.99	11.28	13.85	14.12	13.97	12.76	14.18	15.86	
8. 1 as % of 6		7.73	8.25	8.35	8.25	9.04	10.89	10.42	9.25	10.71	11.28	9.92	10.39	10.47	12.36	11.79	11.48	12.38	12.65	
9. 2 as % 6		2.23	0.23	0.64	0.78	0.81	1.48	1.97	1.57	1.39	2.81	1.07	0.88	3.10	1.76	2.18	1.28	1.80	3.20	

Source: 1. Bulletins: Reserve Bank of India for various years.

2. Estimates of state domestic product, CSO publication, 1985, 1986.



TABLE. 5.2: Total Development and Non-development Expenditure at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	BIHAR				GUJARAT				PUNJAB			
	Development Exp.	% of total Exp.	Non-dev- elopment Exp.	% of total Exp.	Development Exp.	% of total Exp.	Non-dev- elopment Exp.	% of total Exp.	Development Exp.	% of total Exp.	Non-dev- elopment Exp.	% of total Exp.
1. 1967-68	101.03	49.45	88.21	43.17	55.14	53.07	39.80	38.21	71.86	56.86	54.51	43.14
2. 1968-69	105.80	52.59	71.79	35.69	91.92	43.54	64.89	30.74	83.06	73.52	29.92	26.48
3. 1969-70	144.00	52.85	101.17	37.13	128.00	44.76	102.46	35.82	77.16	60.60	49.27	38.69
4. 1970-71	163.55	55.89	128.60	44.02	151.70	62.78	89.92	37.22	87.17	67.20	42.55	32.80
5. 1971-72	182.26	57.14	136.69	42.86	164.06	65.22	87.50	34.78	93.97	64.27	52.24	35.73
6. 1972-73	221.98	67.95	103.54	31.69	224.51	76.12	69.58	23.59	140.35	74.00	48.94	25.81
7. 1973-74	191.83	67.16	92.59	32.41	193.72	72.07	71.61	26.64	148.23	75.79	47.05	24.06
8. 1974-75	179.91	71.78	69.81	27.86	213.23	76.58	62.47	22.43	131.98	74.73	44.31	25.09
9. 1975-76	225.43	71.79	87.53	27.87	214.58	73.25	75.69	25.84	160.97	75.13	52.97	24.72
10. 1976-77	236.83	71.54	92.08	27.82	267.06	75.58	84.27	23.85	192.92	72.59	54.20	20.39
11. 1977-78	269.63	74.94	104.99	29.18	268.51	74.74	105.58	29.39	167.73	74.66	56.55	25.17
12. 1978-79	333.36	76.37	100.93	23.12	317.82	74.18	108.06	25.22	185.86	75.05	61.15	24.69
13. 1979-80	316.78	77.90	88.32	21.72	355.56	76.42	106.14	22.81	238.06	79.45	60.78	20.29
14. 1980-81	411.27	74.17	138.40	24.96	398.38	77.33	114.09	22.15	243.83	75.02	80.63	24.81
15. 1981-82	491.26	77.86	137.50	21.79	427.72	79.24	109.01	20.19	257.28	74.18	89.05	25.67
16. 1982-83	464.78	77.21	135.24	22.46	489.26	80.92	112.39	18.59	238.62	71.07	95.82	28.54
17. 1983-84	471.04	75.23	151.75	24.23	491.41	80.86	113.51	18.67	280.13	74.36	95.93	25.46
18. 1984-85	514.87	74.40	175.52	25.36	542.82	79.84	134.05	19.72	224.39	72.05	123.28	27.38
Annual Compound Rate of Growth	9.88		2.95		11.73		4.37		9.14		5.91	

NOTE: Dev. Exp.—Development Expenditure, N.Dev. Exp.—Non-Development Expenditure

Source: Bulletins: Reserve Bank of India for various years.

TABLE 5.3: Per Capita Expenditure at Constant Prices (1970-71 = 100)

(in Rupees)

Year		1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
BIHAR																			
1.	Per capita income	378	382	393	402	406	396	381	392	409	412	432	432	391	441	445	446	458	476
2.	Per capita total exp.	39	38	50	52	56	56	48	41	50	51	55	65	59	80	89	89	85	92
3.	Per capita revenue exp.	30	29	41	42	49	47	38	32	39	39	41	47	45	63	71	68	69	75
4.	Per capita capital exp.	9	9	9	10	7	9	10	9	11	12	14	18	14	17	18	15	16	17
5.	Per capita total dev. exp.	19	20	26	29	32	38	32	29	36	37	41	49	46	59	69	64	64	68
6.	Per capita total N.dev. exp.	17	18	19	23	24	18	15	11	14	14	16	15	13	20	19	19	21	23
GUJARAT																			
1.	Per capita income	757	679	731	829	832	650	775	652	818	851	882	913	899	913	992	924	968	970
2.	Per capita total exp.	43	85	112	92	93	106	94	95	97	114	112	130	138	152	156	172	169	185
3.	Per capita revenue exp.	24	69	99	78	79	90	82	75	83	93	89	108	113	124	128	139	139	155
4.	Per capita capital exp.	19	16	13	14	14	16	12	20	14	21	23	22	25	28	28	33	30	30
5.	Per capita total dev. exp.	23	37	50	57	60	81	68	72	71	86	84	97	105	118	124	139	137	148
6.	Per capita total N.dev. exp.	16	26	40	34	32	25	25	21	25	27	33	33	31	34	32	32	32	37

Table 5.3 cont.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
PUNJAB																				
1. Per capita income		1002	1032	1074	1070	1084	1098	1107	1120	1192	1244	1320	1388	1365	1383	1461	1515	1497	1566	
2. Per capita total exp.		101	88	97	97	106	135	136	120	142	172	142	153	181	195	204	193	212	248	
3. Per capita revenue exp.		78	86	90	88	98	119	114	102	126	138	128	141	139	171	172	174	185	198	
4. Per capita capital exp.		23	2	7	9	8	16	22	18	16	34	14	12	42	24	32	19	27	50	
5. Per capita total dev. exp.		57	65	59	65	68	100	103	89	107	125	106	115	143	147	151	137	158	179	
6. Per capita total N.dev. exp.		43	23	38	32	38	35	33	30	35	35	36	38	37	48	52	55	54	68	

NOTE: exp. — Expenditure, dev. — Development, N.dev. — Non-development

Source: 1. Bulletin: Reserve Bank of India for various years.

2. Census of India: Population tables 1971, 1981.

**Table-5.4 : Per Capita development expenditure as percentage of per capita state income at constant (1970-71 = 100) Prices**

YEAR	BIHAR	GUJARAT	PUNJAB
1967-68	5.03	3.04	5.69
1968-69	5.23	5.45	6.30
1969-70	6.62	6.84	5.49
1970-71	7.21	6.87	6.07
1971-72	7.88	7.21	6.27
1972-73	9.60	12.46	9.11
1973-74	8.40	8.77	9.30
1974-75	7.40	11.04	7.95
1975-76	8.80	8.68	8.98
1976-77	8.83	10.10	10.05
1977-78	9.49	9.52	8.03
1978-79	11.34	10.62	8.28
1979-80	11.76	11.68	10.48
1980-81	13.38	12.92	10.63
1981-82	15.50	12.50	10.33
1982-83	15.02	15.04	9.04
1983-84	13.97	14.15	10.55
1984-85	14.28	15.26	11.43

NOTE : Calculated by row 5 taken as percentage of row 1 in all the three states of table no. 5.3.

SOURCE-See table 5.3

Table 5.5 : Annual Compound rates of Growth of total expenditure and other major headings both at constant and current prices.

		(Percentage)							
	States	State Domestic product.	Total expenditure	Revenue expenditure	Capital expenditure	Development	Non-Development	Social and Community development.	Economic Services
At current prices	BIHAR	10.68	14.70	14.62	15.16	17.69	10.27	18.94	16.79
	GUJARAT	12.70	17.01	17.54	16.58	20.46	12.53	21.00	20.70
	PUNJAB	12.41	15.78	15.39	20.24	16.88	13.41	15.33	18.75
At Constant prices (1970-71=100)	BIHAR	3.33	7.08	7.00	7.51	9.88	2.95	11.04	9.03
	GUJARAT	4.52	8.53	9.01	8.12	11.73	4.37	12.21	11.94
	PUNJAB	4.97	8.11	7.75	12.27	9.14	5.91	7.70	10.87

Source : As in table 5.1.

TABLE 5.6: Classification of Revenue Expenditure into Development, Non-development and Transfer to Local Bodies at Constant (1970-71=100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	Annual Compound Rate of Growth (Percent)
DEVELOPMENT EXPENDITURE																			
BIHAR	61.91	61.49	99.08	111.86	138.36	171.61	135.03	129.63	159.21	156.96	180.97	215.09	224.81	294.16	365.16	354.55	356.74	389.52	10.78
% of total Rev.Exp.	39.47	39.25	43.93	47.87	49.83	62.20	59.03	64.99	64.58	62.79	67.01	67.79	71.53	67.76	72.58	72.28	69.86	68.80	
GUJARAT	21.34	48.05	92.18	112.20	120.98	179.28	159.30	156.48	173.89	204.58	195.92	244.78	274.10	306.58	330.05	375.38	383.99	433.43	13.98
% of total Rev.Exp.	36.36	28.12	36.26	54.36	56.78	71.80	68.09	70.78	69.07	70.46	68.55	69.07	71.65	72.86	74.98	76.80	76.97	76.19	
PUNJAB	52.35	59.72	67.97	71.20	77.53	121.16	122.70	106.20	136.87	140.39	146.65	167.43	170.74	204.69	204.21	206.07	233.85	234.78	9.25
% of total Rev.Exp.	53.34	54.32	57.49	60.09	57.78	72.54	74.59	70.37	72.15	65.97	72.31	73.37	73.88	71.92	69.78	68.23	71.12	65.35	
NON-DEVELOPMENT EXPENDITURE																			
BIHAR	79.87	71.62	99.18	121.83	139.28	103.14	92.49	68.92	86.26	90.88	103.95	99.97	87.89	137.96	135.83	134.02	150.53	175.03	3.15
% of total Rev.Exp.	50.92	45.71	43.98	52.13	50.17	37.38	40.43	34.55	34.99	36.36	38.49	31.51	27.97	31.78	27.00	27.32	29.48	30.91	
GUJARAT	28.39	68.53	106.49	94.19	92.06	69.58	71.20	61.84	75.21	83.76	104.72	107.73	104.91	111.50	107.06	110.39	112.06	132.46	4.62
% of total Rev.Exp.	48.38	40.10	41.89	45.64	43.22	27.87	30.43	27.97	29.88	28.85	36.64	30.20	27.42	26.50	24.32	22.59	22.46	23.28	
PUNJAB	45.79	50.22	49.36	47.28	56.65	45.50	41.51	44.41	52.52	53.76	55.76	60.16	59.58	79.34	87.92	94.61	94.31	121.92	5.17
% of total Rev.Exp.	46.66	45.68	41.75	39.91	42.22	27.24	25.23	29.42	27.69	25.27	27.50	26.36	25.78	27.88	30.04	31.33	28.68	33.94	
TRANSFERS TO LOCAL BODIES																			
BIHAR	15.07	23.57	27.28	0.00	0.00	1.16	2.57	0.90	1.06	2.13	1.07	2.22	1.57	1.99	2.15	1.99	3.34	1.65	0.00
% of total Rev.Exp.	9.61	15.05	12.09	0.00	0.00	0.42	1.12	0.45	0.43	0.85	0.40	0.70	0.50	0.46	0.43	0.41	0.65	0.29	
GUJARAT	8.96	54.32	55.54	0.00	0.00	0.84	3.45	2.76	2.65	2.01	2.56	2.56	3.54	2.67	3.07	2.98	2.82	2.99	0.00
% of total Rev.Exp.	15.26	31.78	21.85	0.00	0.00	0.34	1.48	1.25	1.05	0.69	0.90	0.72	0.93	0.63	0.70	0.61	0.56	0.53	
PUNJAB	0.00	0.00	0.90	0.00	0.00	0.44	0.28	0.31	0.31	0.42	0.39	0.63	0.79	0.56	0.51	1.33	0.67	2.56	7.90
% of total Rev.Exp.	0.00	0.00	0.76	0.00	0.00	0.26	0.17	0.21	0.17	0.20	0.19	0.27	0.34	0.20	0.18	0.44	0.20	0.71	

NOTE: Exp. Expenditure, Rev. Revenue

Source: Bulletin: Reserve Bank of India for various years.

TABLE 5.7: Classification of Development Expenditure into Major Expenditure Heads at Constant (1970-71 = 100) Price

(Rs. Crores)

Year	BIHAR					GUJARAT					PUNJAB							
	SOCDS Rev. Exp.	% of total Exp.	% of dev. Services	Economic Rev. Exp.	% of total Exp.	SOCDS Rev. Exp.	% of total Exp.	% of dev. Services	Economic Rev. Exp.	% of total Exp.	SOCDS Rev. Exp.	% of total Exp.	% of dev. Services	Economic Rev. Exp.	% of total Exp.			
1967-68	35.20	22.44	56.86	26.71	17.03	43.14	13.69	23.33	64.17	7.65	13.03	35.83	38.18	38.91	72.95	14.16	14.43	27.05
1968-69	39.84	25.43	64.80	21.65	13.82	35.20	38.85	22.73	80.86	9.20	5.38	19.14	45.45	41.33	76.10	14.27	12.98	23.90
1969-70	73.65	32.65	74.33	25.43	11.27	25.67	72.66	28.58	78.83	19.52	7.68	21.17	53.00	44.83	77.97	14.98	12.67	22.03
1970-71	83.62	35.78	74.75	28.24	12.08	25.25	89.70	43.46	79.95	22.50	10.90	20.05	53.21	44.91	74.73	17.99	15.18	25.27
1971-72	93.97	33.84	67.91	44.39	15.99	32.09	97.84	45.92	80.87	23.15	10.86	19.13	55.14	41.09	71.12	22.39	16.69	28.88
1972-73	100.10	36.28	58.33	71.51	25.92	41.67	119.59	47.89	66.71	59.69	23.90	33.29	65.22	39.05	53.83	55.94	33.49	46.17
1973-74	79.24	34.64	58.68	55.79	24.39	41.32	102.79	43.93	64.52	56.51	24.16	35.48	71.34	43.37	58.14	51.36	31.22	41.86
1974-75	81.92	41.08	63.40	47.71	23.92	36.80	96.84	43.80	61.88	59.65	26.98	38.12	60.07	39.80	56.57	46.13	30.56	43.43
1975-76	102.34	41.51	64.28	56.87	23.07	35.72	124.80	49.57	71.77	49.09	19.50	28.23	75.63	39.87	55.26	61.23	32.28	44.74
1976-77	96.86	38.75	61.71	60.10	24.04	38.29	133.71	46.05	65.35	70.88	24.41	34.65	81.63	38.36	50.15	58.75	27.61	41.85
1977-78	117.84	43.63	65.12	63.13	23.37	34.88	123.25	43.12	62.91	72.67	25.43	37.09	80.77	39.83	55.07	65.88	32.49	44.93
1978-79	137.58	43.36	63.96	77.51	24.43	36.04	143.84	40.59	58.77	100.93	28.48	41.23	94.95	41.60	56.71	72.48	31.76	43.29
1979-80	148.21	47.16	65.93	76.60	24.37	34.07	168.34	44.00	61.42	105.76	27.64	38.58	92.78	40.14	54.34	77.96	33.73	45.66
1980-81	186.02	42.85	63.24	108.15	24.91	36.76	167.60	39.83	54.67	138.98	33.03	45.33	118.50	41.64	57.89	86.19	30.29	42.11
1981-82	235.12	46.73	64.39	130.04	25.85	35.61	176.62	40.12	53.51	153.43	34.86	46.49	114.94	39.28	56.29	89.26	35.50	43.71
1982-83	227.07	46.29	64.05	127.48	29.99	35.95	217.33	44.47	57.90	158.05	32.34	42.10	115.77	38.33	56.18	90.29	29.90	43.82
1983-84	222.02	43.48	62.24	134.72	26.38	37.76	211.20	42.34	55.00	172.78	34.64	45.00	131.85	40.10	56.38	101.99	31.02	43.62
1984-85	234.36	41.39	60.17	155.16	27.40	39.83	249.81	43.91	57.63	183.63	32.28	42.37	135.18	37.63	57.58	99.60	27.72	42.42
Annual Compound Rate of Growth	10.49		11.57			11.58		19.22		7.25		13.28						

NOTE: SOCDS - Social and Community Development Services, EXP. - Expenditure  
Rev. - Revenue Dev. - Development

Source: Bulletins: Reserve Bank of India, for various years

TABLE 5.8: Trends in Social and Community Development Services at Constant (1970-71 = 100) Price

(Rs. Crores)

Year	BIHAR					GUJARAT					PUNJAB				
	(1967-68)	(1973-74)	(1978-79)	(1984-85)	A.C.R.G	(1967-68)	(1973-74)	(1978-79)	(1984-85)	A.C.R.G	(1967-68)	(1973-74)	(1978-79)	(1984-85)	A.C.R.G
	1. Education, art, culture scientific service and research	12.32 (19.90)	52.24 (38.69)	84.00 (39.05)	144.60 (37.12)	12.90	4.21 (19.73)	41.64 (26.14)	85.12 (34.77)	139.48 (32.18)	14.11	25.41 (48.54)	34.74 (28.31)	52.77 (31.50)	81.64 (34.77)
2. Medical, family planning public health and water supply	8.33 (13.45)	15.80 (11.70)	25.33 (11.78)	42.54 (10.92)	8.25	3.68 (17.24)	18.75 (11.77)	34.47 (14.08)	49.86 (11.50)	10.17	7.21 (13.77)	14.60 (11.90)	21.49 (12.83)	33.59 (14.31)	9.03
3. Labour and employment	0.0	1.59 (1.18)	10.94 (5.09)	5.91 (1.52)	19.80	0.0	0.91 (0.57)	2.67 (1.09)	13.24 (3.05)	26.74	0.0	2.22 (1.81)	3.68 (2.20)	3.34 (1.42)	5.04
4. Social security & welfare	0.0	6.40 (4.74)	9.66 (4.49)	31.22 (8.01)	22.46	0.0	71.21 (4.53)	13.16 (5.38)	26.81 (6.19)	13.58	0.0	17.51 (14.27)	8.83 (5.27)	11.75 (5.00)	1.19
5. Natural calamities & relief	0.0	2.25 (1.67)	4.70 (2.18)	6.11 (1.57)	0.0	0.0	31.30 (19.65)	2.68 (1.09)	6.76 (1.56)	0.0	0.0	0.88 (0.72)	5.76 (3.44)	1.86 (0.79)	16.81
6. Others*	14.55** (23.50)	0.95 (0.70)	2.95 (1.37)	3.97 (1.02)	0.0	5.80** (27.18)	+2.97 (1.86)	5.74 (2.34)	13.65 (3.15)	0.0	5.57** (10.64)	+1.38 (1.12)	2.41 (1.54)	3.00 (1.28)	0.0

- NOTE: 1. \* includes housing  
 \*\* includes other civil works  
 2. figures in parentheses indicate percentages to development expenditure  
 3. A.C.R.G Annual Compound Rate of Growth

Source: Bulletins: Reserve Bank of India, for various years



TABLE 5.9: Trends in Economic Services at Constant (1970-71 = 100) Price

(Rs. Crores)

Year	BIHAR					GUJARAT					PUNJAB				
	(1967-68)	(1973-74)	(1978-79)	(1984-85)	A.C.R.G	(1967-68)	(1973-74)	(1978-79)	(1984-85)	A.C.R.G	(1967-68)	(1973-74)	(1978-79)	(1984-85)	A.C.R.G
	1. General Economic Services	1.93 (3.12)	3.17 (2.35)	5.55 (2.58)	5.29 (1.36)	8.91	1.01 (4.37)	3.95 (2.48)	8.06 (3.29)	9.30 (2.15)	13.55	1.06 (2.02)	2.11 (1.72)	3.87 (2.31)	3.95 (1.68)
2. Agricultural and Allied	22.72 (36.70)	34.45 (25.51)	53.11 (24.69)	116.85 (30.00)	10.92	4.93 (23.10)	17.71 (11.12)	51.44 (21.01)	73.59 (16.98)	17.33	9.42 (17.99)	14.25 (11.61)	20.11 (12.01)	37.06 (15.78)	8.62
3. Industries and Minerals	1.44 (2.33)	3.56 (2.64)	4.77 (2.22)	10.66 (2.74)	11.69	1.03 (4.83)	1.45 (0.91)	6.81 (2.78)	10.66 (2.46)	15.44	2.48 (4.74)	1.84 (1.50)	2.15 (1.28)	4.27 (1.82)	2.86
4. Water and Power Development	0.62 (1.00)	9.01 (6.67)	9.46 (4.40)	12.45 (3.20)	19.48	0.67 (3.14)	19.50 (12.24)	25.88 (10.57)	12.45 (2.87)	25.19	1.20 (2.29)	10.55 (8.43)	16.96 (10.13)	21.21 (9.03)	19.34
5. Transport and Communication	*	5.62 (4.16)	4.62 (2.15)	3.36 (0.86)	7.28	*	13.91 (8.73)	8.75 (3.57)	9.91 (2.28)	14.31	*	22.79 (18.08)	29.39 (17.55)	33.11 (14.10)	11.70

NOTE: Figures in the parentheses indicates percentages to development expenditure.

\* Separate expenditure for this head of expenditure was not available for 1957-58

A.C.R.G Annual Compound Rate of Growth

Source: Bulletins: Reserve Bank of India, for various years

TABLE 5.10: Classification of Non-Development Expenditure into Major Expenditure Heads at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	Annual Compound Growth Rate 20
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
ORGANS OF STATE																			
BIHAR	-	-	-	-	-	-	3.50	3.04	4.20	6.88	7.88	4.62	10.43	11.65	7.48	6.88	7.96	16.42	11.65
% of Rev. Exp.	-	-	-	-	-	-	1.53	1.53	1.70	2.75	2.92	1.46	3.32	2.68	1.49	1.40	1.56	2.90	
% of N.Dev. Exp.	-	-	-	-	-	-	3.78	4.41	4.87	7.57	7.58	4.62	11.87	8.45	5.50	5.13	5.29	9.38	
GUJARAT	-	-	-	-	-	-	1.99	2.26	3.18	3.66	2.97	3.12	4.89	4.32	3.52	3.69	4.72	6.15	7.80
% of Rev. Exp.	-	-	-	-	-	-	0.85	1.02	1.26	1.26	1.04	0.88	1.28	1.03	0.80	0.76	0.95	1.08	
% of N.Dev. Exp.	-	-	-	-	-	-	2.79	3.65	4.22	4.36	2.84	2.91	4.66	3.87	3.29	3.34	4.21	4.64	
PUNJAB	-	-	-	-	-	1.77	1.40	1.93	2.44	2.20	2.43	2.64	2.78	3.26	2.97	3.17	3.16	3.13	6.20
% of Rev. Exp.	-	-	-	-	-	1.06	0.85	1.28	1.29	1.04	1.20	1.16	1.20	1.14	1.01	1.05	0.96	0.87	
% of N.Dev. Exp.	-	-	-	-	-	3.90	3.39	4.34	4.65	4.10	4.36	4.39	4.66	4.11	3.38	3.35	3.36	2.56	
FISCAL SERVICES																			
BIHAR	5.49	5.82	7.84	10.15	9.70	32.50	8.26	7.14	8.53	8.65	10.73	10.75	10.22	11.93	14.73	13.72	14.48	15.05	4.05
% of Rev. Exp.	3.50	3.72	3.48	4.34	3.50	11.78	3.61	3.58	3.46	3.46	3.97	3.39	3.25	2.75	2.93	2.80	2.84	2.66	
% of N.Dev. Exp.	6.88	8.13	7.90	8.33	6.97	31.51	8.93	10.36	9.89	9.52	10.33	10.75	11.63	8.65	10.84	10.24	9.62	8.60	
GUJARAT	2.72	9.91	10.57	11.05	14.15	18.32	13.27	14.01	15.71	19.74	23.04	31.60	29.26	19.66	6.72	6.94	7.60	8.19	1.68
% of Rev. Exp.	4.63	5.80	4.16	5.35	6.64	7.34	5.67	6.34	6.24	6.80	8.06	8.92	7.65	4.67	1.53	1.42	1.52	1.44	
% of N.Dev. Exp.	9.56	14.47	9.93	11.73	15.37	26.33	18.63	22.65	20.88	23.57	22.00	29.52	27.89	17.63	6.27	6.29	6.78	6.18	
PUNJAB	2.56	6.67	3.31	3.05	2.98	3.67	3.06	2.90	3.32	3.21	3.32	3.75	3.68	4.85	4.98	5.00	5.19	5.18	2.58
% of Rev. Exp.	2.61	6.07	2.80	2.57	2.22	2.20	1.86	1.92	1.75	1.51	1.64	1.64	1.59	1.77	1.70	1.66	1.58	1.44	
% of N.Dev. Exp.	5.60	13.29	6.70	6.45	5.26	8.07	7.37	6.53	6.32	5.98	5.95	6.23	6.17	6.12	5.66	5.29	5.51	4.24	
DEBT SERVICES AND INTEREST PAYMENTS																			
BIHAR	24.23	33.17	57.96	68.42	69.75	52.08	46.60	24.20	34.54	34.46	39.61	38.98	17.64	50.09	42.14	45.02	53.32	60.31	0.41
% of Rev. Exp.	15.44	21.17	25.70	29.28	25.12	18.88	20.37	12.13	14.01	13.78	14.29	12.29	5.61	11.54	8.37	9.18	10.44	10.65	
% of N.Dev. Exp.	30.33	46.32	58.44	56.16	50.08	50.50	50.38	35.12	40.04	37.90	37.14	39.00	20.07	36.31	31.02	33.59	35.42	34.46	
GUJARAT	8.60	26.33	28.25	27.11	29.80	20.11	24.65	14.32	24.45	21.85	22.99	27.63	23.00	31.93	34.62	38.01	41.04	48.94	4.88
% of Rev. Exp.	14.65	15.41	11.11	13.14	13.99	8.05	10.54	6.48	9.71	7.53	8.04	7.80	6.01	7.59	7.86	7.78	8.23	8.60	
% of N.Dev. Exp.	30.28	38.43	26.53	28.78	32.36	28.90	34.62	23.16	32.51	26.09	21.96	25.81	21.92	28.64	32.33	34.43	36.62	36.95	
PUNJAB	20.02	20.81	20.80	19.64	21.35	17.74	16.02	16.78	22.29	24.75	26.43	27.47	22.92	34.43	36.87	38.43	37.11	58.94	5.53
% of Rev. Exp.	20.40	18.93	17.60	16.58	15.91	10.62	9.74	11.12	11.75	11.63	13.03	12.04	9.92	12.10	12.60	12.73	11.29	16.41	
% of N.Dev. Exp.	43.72	41.44	42.15	41.54	37.68	39.00	38.61	37.79	42.45	46.04	47.40	46.67	38.47	43.40	41.94	40.62	39.35	48.35	

Table 5.10 cont.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
ADMINISTRATIVE SERVICES																			
BIHAR	21.00	24.99	24.89	29.96	33.44	-	32.15	31.73	34.76	35.51	41.56	40.77	44.77	59.48	64.19	58.55	62.30	68.41	6.73
% of Rev.Exp.	13.39	15.95	11.04	12.82	12.04	-	14.06	15.91	14.01	14.20	15.39	12.85	14.25	13.70	12.76	11.93	12.20	12.08	
% of N.Dev.Exp.	26.30	34.90	25.10	24.59	24.01	-	34.76	46.04	40.30	39.07	39.98	40.78	50.94	43.12	47.26	43.69	41.39	39.09	
GUJARAT	11.60	20.30	21.52	22.96	25.23	-	25.66	27.46	26.81	31.85	30.60	35.73	38.46	45.24	49.44	44.66	43.11	49.99	6.92
% of Rev.Exp.	19.77	11.88	8.47	11.12	11.84	-	10.97	12.42	10.65	10.97	10.71	10.08	10.05	10.75	11.23	9.14	8.64	8.79	
% of N.Dev.Exp.	40.87	29.62	20.21	24.38	27.40	-	36.04	44.41	35.65	38.03	29.22	33.39	36.66	40.58	46.18	40.45	38.47	37.74	
PUNJAB	13.71	15.27	16.51	15.58	16.86	19.75	18.99	19.20	21.41	20.82	20.13	21.81	25.66	31.60	34.71	36.47	35.71	37.54	6.08
% of Rev.Exp.	13.98	13.89	13.96	13.15	12.56	11.82	11.54	12.72	11.29	9.78	9.93	9.56	11.11	11.10	11.86	12.08	10.86	10.45	
% of N.Dev.Exp.	29.95	30.41	33.45	32.95	29.76	43.40	45.75	43.24	40.77	38.72	36.10	36.26	43.08	39.88	39.48	38.54	37.86	30.79	
PENSION AND MISCELLANEOUS GENERAL SERVICES																			
BIHAR	29.15	7.63	7.91	13.30	26.39	-	1.99	2.81	4.23	5.40	5.14	4.84	4.85	4.80	7.30	9.84	12.48	14.84	0.0
% of Rev.Exp.	18.58	4.87	3.51	5.69	9.51	-	0.87	1.41	1.72	2.16	1.90	1.53	1.54	1.11	1.45	2.01	2.44	2.62	
% of N.Dev.Exp.	36.49	10.65	7.98	10.92	18.95	-	2.15	4.07	4.90	5.94	4.94	4.84	5.50	3.48	5.38	7.34	8.29	8.48	
GUJARAT	5.48	11.98	46.14	33.07	22.90	-	5.63	3.79	5.06	6.59	7.71	8.95	9.30	10.35	12.76	17.09	15.59	19.19	0.0
% of Rev.Exp.	9.33	7.01	18.15	16.02	10.75	-	2.41	1.72	2.01	2.27	2.70	2.53	2.43	2.46	2.90	3.50	3.13	3.37	
% of N.Dev.Exp.	19.29	17.48	43.33	35.11	24.87	-	7.92	6.13	6.74	7.87	7.36	8.36	8.86	9.28	11.92	15.48	13.91	14.49	
PUNJAB	9.38	7.46	8.73	9.01	15.46	2.48	2.03	3.60	3.33	2.77	3.45	4.48	4.54	5.20	8.39	11.54	13.13	17.14	2.05
% of Rev.Exp.	9.56	6.79	7.39	7.60	11.52	1.49	1.23	2.38	1.75	1.30	1.70	1.96	1.83	2.97	3.82	3.99	4.77		
% of N.Dev.Exp.	20.49	14.86	17.70	19.06	27.30	5.45	4.89	8.10	6.33	5.16	6.19	7.45	7.62	6.55	9.55	12.19	13.92	14.06	

NOTE: (-) not available

Exp. - Expenditure, Rev. - Revenue N.dev. - Non-development

Source: Bulletins: Reserve Bank of India, for various years

**Table 5.11 : (Revenue Expenditure only) Comparison of annual compound Rates of Growth**

		(percentage)									
	States	Devel- opment expen- diture	Non- Devel- opment expen- diture	Transfer to local bodies	Social and Commu- nity expen- diture	Eco- nomic Servi- ces.	Organ, of State	Fis- cal servi- ces.	debt serv- ces and Int. payme- nts.	Admin- strati- ve. services	Pension and misc. economic services.
At current prices.	BIHAR	18.67	10.49	0.00	18.36	19.51	18.97	11.46	7.55	14.27	4.85
	GUJARAT	22.90	12.80	0.00	20.31	28.54	15.52	9.63	13.09	15.26	7.58
	PUNJAB	17.00	12.63	15.29	14.86	21.31	13.05	9.86	13.02	13.61	9.28
At constant prices (1970-71 = 100)	BIHAR	10.78	3.15	0.00	10.49	11.57	11.65	4.05	0.41	6.73	0.00
	GUJARAT	13.98	4.62	0.00	11.58	19.22	7.80	1.68	4.88	6.92	0.00
	PUNJAB	9.25	5.17	7.90	7.25	13.28	6.20	2.58	5.53	6.08	2.05

Source : Same as table 5.2

Table-5.12 Trends in Capital Disbursements At constant(1970-71 = 100)Prices  
Rs. crores)

Year	BIHAR			GUJARAT			PUNJAB		
	Capital Disbursement	Total Expenditure	1 as % age of 2	Capital Disbursement	Total Expenditure	4 as % of 5	Capital Disbursement	Total Expenditure	7 as % age of 8
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1967-68	148.94	305.79	48.71	87.46	146.15	59.84	81.47	179.61	45.36
1968-69	103.75	260.43	39.84	82.83	253.72	32.65	66.45	176.39	37.67
1969-70	84.95	310.49	27.36	80.14	334.35	23.97	53.47	171.70	31.14
1970-71	102.60	336.29	30.51	106.03	312.42	33.94	70.83	189.31	37.41
1971-72	116.99	394.63	29.65	94.49	307.55	30.72	78.35	212.53	36.87
1972-73	108.44	384.34	28.21	107.11	356.80	30.02	92.21	259.24	35.57
1973-74	136.18	364.94	37.32	81.13	315.08	25.75	61.63	226.12	27.26
1974-75	102.25	301.69	33.89	122.12	343.21	35.58	90.57	241.49	37.50
1975-76	176.36	422.88	41.70	131.64	383.38	34.34	92.25	281.95	32.72
1976-77	195.86	445.84	43.93	150.72	441.07	35.17	136.98	349.77	39.16
1977-78	193.59	463.67	41.75	168.97	454.77	37.16	103.11	305.91	33.71
1978-79	202.19	519.46	38.92	174.57	529.94	33.00	119.96	348.17	34.45
1979-80	186.88	501.16	37.29	193.39	575.94	33.58	145.31	376.42	38.60
1980-81	403.04	837.15	48.14	251.05	671.79	31.37	138.46	423.06	32.73
1981-82	303.29	806.44	37.61	222.59	662.78	33.58	177.38	470.02	37.74
1982-83	210.88	701.44	30.06	253.80	742.55	34.18	193.58	495.58	39.06
1983-84	253.63	764.25	33.19	263.08	761.95	34.53	246.42	575.24	42.84
1984-85	241.95	808.15	29.94	254.83	823.72	30.94	299.47	658.73	45.46

Source:- Same as in table-5.2

TABLE 5.13: Classification of Capital Disbursements at Constant (1970-71 = 100) Prices

(Rs. Crores)

Year	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
<b>BIHAR</b>																		
Development Expenditure	39.12 (26.26)	44.31 (42.71)	44.92 (52.88)	51.69 (50.38)	43.89 (37.52)	50.36 (46.44)	56.80 (41.71)	50.28 (49.17)	66.22 (37.55)	79.86 (40.77)	88.66 (45.80)	118.26 (58.49)	91.97 (49.21)	119.91 (54.33)	126.10 (41.58)	110.23 (52.27)	114.31 (45.07)	125.35 (51.81)
Non-development Expenditure	8.34 (5.60)	0.17 (0.16)	1.99 (2.34)	6.77 (6.60)	-2.59 (-2.21)	0.40 (0.37)	0.09 (0.07)	0.90 (0.88)	1.27 (0.72)	1.20 (0.61)	1.04 (0.54)	0.96 (0.47)	0.42 (0.22)	0.44 (0.20)	1.67 (0.55)	1.22 (0.58)	1.21 (0.48)	0.49 (0.20)
Discharge of Internal Debts	2.91 (1.95)	2.43 (2.34)	6.92 (8.13)	5.39 (5.25)	4.66 (3.98)	3.09 (2.85)	3.04 (2.23)	2.40 (2.35)	0.81 (0.46)	3.25 (1.66)	3.15 (1.63)	2.43 (1.20)	3.43 (1.83)	1.80 (0.82)	3.57 (1.18)	2.42 (1.15)	3.16 (1.25)	7.62 (3.15)
Repayment of Loans to Centre	36.26 (24.34)	33.57 (32.36)	19.06 (22.44)	23.69 (23.09)	37.30 (31.88)	22.12 (20.40)	54.65 (40.13)	20.96 (20.50)	50.58 (28.68)	66.93 (34.17)	65.43 (33.80)	36.93 (18.26)	25.46 (13.62)	29.70 (13.41)	33.45 (11.03)	41.70 (19.77)	50.12 (19.76)	61.52 (25.43)
Loans and Advances by State Government	62.31 (41.84)	23.27 (22.43)	12.07 (14.21)	15.06 (14.68)	33.72 (28.82)	32.51 (29.98)	21.60 (15.86)	27.71 (27.10)	57.49 (32.60)	44.62 (22.78)	28.82 (14.89)	43.61 (21.57)	65.60 (35.10)	68.85 (31.20)	62.29 (17.24)	37.23 (17.65)	31.35 (12.36)	46.97 (19.41)
<b>GUJARAT</b>																		
Development Expenditure	33.80 (38.65)	43.88 (52.98)	35.83 (44.71)	39.50 (37.25)	43.08 (45.59)	45.24 (42.24)	34.42 (42.43)	56.74 (46.46)	40.70 (30.92)	62.48 (41.45)	72.59 (42.96)	73.04 (41.84)	81.46 (42.12)	91.80 (36.57)	97.67 (43.88)	113.88 (44.87)	107.42 (40.83)	109.39 (42.93)
Non-development Expenditure	11.45 (13.09)	-3.63 (-4.38)	-4.03 (-5.03)	-4.27 (-4.03)	-4.57 (-4.84)	0.00 (0.00)	0.42 (0.52)	0.62 (0.51)	0.48 (0.36)	0.52 (0.35)	0.86 (0.51)	1.03 (0.59)	1.23 (0.64)	2.59 (1.03)	1.94 (0.87)	2.00 (0.79)	1.44 (0.55)	1.59 (0.62)
Discharge of Internal Debts	2.09 (2.39)	1.70 (2.05)	-6.71 (8.37)	2.11 (1.99)	2.44 (2.58)	5.15 (4.81)	0.83 (1.02)	4.09 (3.35)	0.77 (0.58)	5.25 (3.48)	5.08 (3.01)	5.84 (3.34)	6.80 (3.52)	8.20 (3.27)	8.88 (3.99)	6.20 (2.44)	5.95 (2.26)	10.61 (4.16)
Repayment of Loans to Centre	20.31 (23.22)	23.25 (28.07)	22.82 (28.47)	26.78 (25.26)	26.72 (28.27)	21.08 (19.68)	25.86 (31.87)	15.95 (13.06)	44.00 (33.42)	17.84 (11.84)	28.31 (16.75)	29.35 (16.81)	9.87 (5.10)	21.13 (8.42)	32.21 (14.47)	30.24 (11.91)	24.22 (9.21)	25.10 (9.87)
Loans and Advances by State Government	19.85 (22.70)	17.63 (21.28)	18.82 (23.48)	41.91 (39.53)	26.94 (28.51)	35.65 (33.28)	30.02 (37.00)	44.72 (36.62)	39.09 (29.69)	52.50 (34.83)	62.13 (36.77)	65.30 (37.41)	94.02 (48.62)	94.72 (37.73)	81.89 (36.79)	78.62 (30.98)	97.81 (37.18)	103.13 (40.47)
<b>PUNJAB</b>																		
Development Expenditure	19.51 (23.95)	23.34 (35.12)	9.19 (17.19)	15.97 (22.54)	16.44 (20.98)	19.18 (20.80)	25.53 (41.42)	25.77 (28.45)	24.10 (26.12)	52.53 (38.35)	21.08 (20.44)	18.48 (15.40)	67.32 (46.33)	39.14 (28.27)	53.07 (29.92)	32.56 (16.82)	46.28 (18.78)	89.61 (29.92)
Non-development Expenditure	8.72 (10.70)	-20.30 (-30.55)	-0.09 (-0.17)	-4.73 (-6.68)	-4.40 (-5.62)	3.44 (3.73)	5.55 (9.01)	-0.09 (-0.10)	0.45 (0.49)	0.44 (0.32)	0.79 (0.77)	0.99 (0.83)	1.20 (0.83)	1.28 (0.92)	1.13 (0.64)	1.21 (0.62)	1.62 (0.66)	1.37 (0.46)
Discharge of Internal Debt	0.47 (0.58)	2.78 (4.18)	0.56 (1.05)	0.84 (1.18)	2.90 (3.70)	3.80 (4.12)	1.44 (2.34)	3.36 (3.71)	1.03 (1.12)	1.02 (0.74)	3.90 (3.78)	3.40 (2.83)	2.53 (1.74)	1.76 (1.27)	4.88 (2.75)	3.67 (1.90)	4.07 (1.65)	6.77 (2.26)
Repayment of Loans to Centre	12.26 (15.05)	23.27 (35.12)	24.01 (44.90)	16.30 (23.01)	13.55 (17.29)	13.00 (14.10)	11.28 (18.30)	18.35 (20.26)	19.49 (21.13)	26.55 (19.38)	43.34 (42.03)	39.34 (32.79)	15.64 (10.76)	25.24 (18.32)	40.89 (23.05)	50.23 (25.95)	94.56 (38.37)	99.59 (33.25)
Loans and Advances by State Government	40.51 (49.72)	37.36 (56.22)	19.80 (37.03)	42.45 (59.93)	41.06 (52.41)	52.78 (57.24)	17.10 (27.75)	39.75 (43.89)	47.17 (51.13)	56.44 (41.20)	33.98 (32.95)	55.54 (46.30)	58.72 (40.41)	64.31 (46.45)	77.40 (43.66)	105.92 (54.72)	99.88 (40.53)	102.12 (34.10)

 NOTE: Figures in the parentheses indicates percentages to total <sup>capital</sup> expenditure.

Source: Bulletins: Reserve Bank of India, for various years

## CHAPTER-VI

### CONCLUSIONS

In the federal structure of India, individual states are important organs of political and administrative setup of the country. Despite differences in their geographical size, population, factor endowments, socio-economic conditions and political ideologies, they are the basic link in India's regional development. The Constitution of India has assigned them the same range of functions and the same sources of resources. These financial powers of the states are mentioned in the State List of the Seventh Schedule of the Constitution. It includes 19 sources of revenue e.g; land revenue; agricultural income tax; taxes on professions, trade, callings and employments etc. Moreover, realizing the weakness of the states regarding the access to resources relative to responsibilities, the Constitution has also made provisions under various articles for financial transfers to the states in order to bridge the resource gap. These transfers include both statutory as well as non-statutory transfers.

In view of these provisions made under the Constitution, the states were given some responsibilities such as : to give primacy to agricultural development, to generate employment

on a widespread basis by stimulating the growth of small scale industries, to recognize the place of organised and large scale industry, to control inflation and bring commodities within the reach of common man, to remove inter-regional and inter-personal disparities, and so on.

To achieve these objectives, efforts are required to strengthen the socio-economic infrastructure of the economy and create employment opportunities within it, which in turn, incorporate the schemes for minor irrigation; soil conservation; construction of roads, residential houses etc. This approach needs active local participation which largely hinges upon the initiatives of the State Governments. Moreover, to prevent inflation, mass production and public distribution of essential commodities are required. For this, increasingly significant role has to be assumed by the State Governments. Besides, provision of basic elementary facilities like primary education, public health, sanitation, drinking water etc. also demand appropriate organisational frameworks at the state level.

All this primarily implies the need for effective mobilization of resources at the state level. In other words,



the crucial question is how available resources can effectively be mobilized and used for furthering the process of economic development. So much has been the increase in the degree of developmental responsibilities and political accountability at the grass-root level that, of late, practically every state has been groaning under increasing resource gap. No wonder, therefore, a sort of tension has been generated between the centre and the states. It is not a mere accident, that the states, one after the other, have been demanding a degree of fiscal autonomy as if this would help them tide over the resource gaps at the local level.

The present study is an attempt to look into the fiscal and financial structure of the three important states of India, purposely chosen. The chosen states represent three 'development models' and accordingly our belief was that each state should throw up its own peculiarities in terms of the pattern of resource mobilization and expenditures. Our choice fell on Punjab, Gujarat and Bihar. While Punjab represents a model of rapid rural transformation and high agricultural growth and prosperity sustained for a fairly long time, Gujarat has its strength in terms of its secondary

sector, particularly its expanding industrial base. Bihar unluckily lags behind both Punjab and Gujarat; notionally, it represents a situation of both agricultural as well as industrial backwardness.

Although we have gathered lots of data for nearly two decades since 1967-68, yet the analysis could not go beyond a preliminary level partly because of paucity of time and partly because the full picture on economic health of a state cannot be condensed routinely in sources of revenue and expenditure. There are many details which we have had to leave out and discuss the sources of revenues and the patterns of expenditure in a simple manner. Some of the conclusions are as under:-

The revenue resources as well as expenditures of the states have increased much faster compared with the increase in their state income. Nevertheless, in spite of the striking increases over time, their ratios to GDP are still very low in all the three states. These low ratios are, in a way the symbols of poor redistribution effect of the public finance operations in the states in as much as it is generally accepted that, say, a high ratio of public expenditure to state domestic product promote general welfare of the

people and serves well to effect resource transfer from the relatively well-off to the relatively poorer sections.

Unlike the growing economies of Gujarat and Punjab, which depend upon tax resources for their internal resource mobilization; a relatively backward economy of Bihar rely relatively more on non-tax revenue resources. These non-tax revenue resources of Bihar are, in fact, its large natural endowments and the resultant receipts from the minerals and mineral concession fees. In 1984-85, as high as 76.0 per cent of the total non-tax revenue was coming from this source alone. This low revenue from tax sources in Bihar is an indicator of the low tax effort on the part the state. On the other hand, greater reliance on non-tax revenue of which royalties and mineral concession fees being a predominant component, shows a very lop sided development pattern. In fact, it is a pointer towards a society which is living more on the strength of its natural endowments, and less on the basis of its current production efforts. The natural resources are exhaustible and so, the prospects of deriving revenues from such sources get more and more depleted as time passes. It almost seems that the current backwardness of Bihar is paving its way for

bigger backwardness in the future. Natural resources have potential for diverse uses; the Bihar model does not comment happily as regards their use from the point of view of long term development gains.

Analysing only tax resources of the state, it was found, that the state governments increasingly depend upon the masses for their resources. Consequently, the revenue from indirect taxes is getting an edge over direct taxes and the gap between the two has been increasing over time. This trend, however, is more conspicuous in the industrially expanding economy of Gujarat, due to the relatively high exchange of producer goods. Agriculturally developing economy of Punjab, on the other hand, witnesses an increasing direct tax base.

Among the various taxes, sales tax is contributing a lion's share in all the three states. In 1984-85, it was contributing as high as 70.0 per cent of the states' total tax revenue both in Bihar and Gujarat and comparatively low percentage (46.0 per cent) was witnessed in Punjab. These shares were around 55.0 per cent and 36.0 per cent respectively in 1967-68. The importance of sales tax in Gujarat is quite

understandable. In the first place it represents a faster exchange of goods and services as also a much bigger volume of goods and services especially producer goods, that are transacted upon. For industrially growing economy, this is bound to be so because the quantum of goods and services to be sold and purchased must be, by definition larger per unit of time, compared with an agriculturally growing economy, where a relatively slow exchange of goods and services take place due to the transaction of consumer goods. On the other hand relatively high share of sales tax in Bihar in total tax revenue can be attributed to highest buoyancy of the sales tax among the three states. In the Punjab, next to sales tax, revenues were coming from state excise, duties on liquors implying excessive alcoholism, especially after green-revolution prosperity.

Compared with the rising and preponderant position of sales tax in Gujarat it is the receipts from land revenue that were contributing in a significant manner in Bihar, implying, thereby the sluggish nature of the economy and an eroding tax base.

The study reveals that with development, states become more capable of additional taxation. There is considerable scope for new taxes with the development such as, taxes on

vehicles, electricity duties , entertainment tax etc. While the traditionally important taxes like land revenue loose their importance.

Comparing the buoyancy of various taxes in the three states, we discover that the states' own tax revenue is more buoyant to changes in income in Gujarat, while the total tax revenue is more buoyant to changes in income in Bihar. It shows that central transfers play a significant role in Bihar. Among the major taxes, sales tax has recorded the highest buoyancy in Bihar inspite of its relatively higher rate of growth in Gujarat. Electricity duties, entertainment tax have registered the highest buoyancy in Gujarat. AS far as the state excise duties are concerned, Punjab recorded the highest responsiveness to the changes in income.

If we take into account the tax effort on the part of the states, it is found that Punjab did the best among the three states in realizing a satisfactory tax effort. Gujarat did the second best while Bihar recorded rather low levels of tax effort, with some stray exceptions, notwithstanding.

Moreover, in order to reduce the regional inequalities

and fulfil the resource gap of the states, the Union Government transfers funds through various ways. While transferring the funds, the policy of the Centre is that the more backward a state is, the more assistance it will receive by different ways - statutory as well as non-statutory - , so that it can perform its obligations in a better way. Taking into account the total funds transferred to the states, the picture, that emerges, is in conformity with the policy of the Centre. Consequently, Bihar is the largest recipient of central transfers during the period under review.

Classifying the total central transfers into two components, the trend has changed in favour of the tax-sharing component, which are statutory transfers to the states. Analysing the process more carefully, we find that, even this process is in consonance with the policy of the government regarding central transfers.

Grants-in-aid and other contributions, which include both plan and non-plan grants, reveal that grants through Planning Commission have outstripped the grants through the Finance Commissions. It, therefore, signifies that the Planning Commission has pushed the Finance Commission to a secondary position. But what is important to note, is that

with the rising pace of development states are receiving more grants under various centrally sponsored and centrally planned schemes. On the contrary, Bihar has received more grants under state plan schemes. It signifies <sup>that</sup> that with development the Central Plan aid to the states will increase.

Analysing the other side of the coin, namely the patterns of state expenditures, it is found that the expenditure has increased manifold over time in all the three states corroborating, thereby, the Wagner's law of increasing state activities.

Moreover, ever since the inception of the planning, it has been found that capital expenditure of the states (and of the centre) has been mounted up. However, in spite of this phenomenon, more funds are being allocated to the revenue expenditure in the states, under study. Notwithstanding, the Punjab was incurring the highest expenditure on capital account while the industrially expanding economy of Gujarat was incurring more expenditure of recurring nature. In Bihar these levels of expenditure have been of a lower magnitude, in spite of the relatively more and increasing central transfers.



Notwithstanding the fact, that non-development expenditure has acquired a rate of growth of its own, there is shift from non-development to development expenditure. In terms of growth in development expenditure, Gujarat was leading the other two states and the growth in non-development expenditure was the highest in Punjab.

The reason for the growth in development expenditure can be attributed to the welfare role played by the states. Consequently, they are providing social and community development services like education, medical, public health; labour and employment etc. and economic services like agriculture and allied services, industries etc. Similarly growth in non-development expenditure can be attributed to the debt services and mounting interest charges on the loans from the centre as well as administrative services. It was found that in the agriculturally expanding economy of Punjab, more funds were assigned to the debt services and interest charges and in Gujarat, with relatively strong industrial base, more funds were incurred on making law and order and providing other civil services, in order to cope up with the problems of urbanisation as a consequence of rising industrialization. In Bihar, the main reason for the

growth in non-development expenditure is the increasing cost of collection of taxes and duties. It necessitates the overhauling of the state tax administration.

In analysing the expenditure of the states, apart from revenue expenditure the other side is the capital disbursements. These capital disbursements also registered a growth over time in the three states. However, Punjab led the other two states. Loans and advances to the other local governments and loan repayments to the centre and other autonomous bodies like Life Insurance Corporation and State Bank of India etc. are the main factors leading to the growth in capital disbursements. It may be mentioned here that these capital expenditures of the states are not productive. Moreover increasing amount on the repayment of loans indicates a burden of central loans on the states. The magnitude of capital expenditure is, therefore, required to be checked in order to avoid the undue burden of loans and interest payments on the state.

In brief, Bihar presents a picture of a sluggish economy that depends increasingly on non-tax revenue resources, e.g, on the natural endowments of the state. Tax efforts

are low compared with the other states. Even the relatively higher levels of central assistance have not been able to gear up the relatively low levels of expenditures. Higher cost of collection of taxes compared with the other two states, accompanied by decreasing tax yields have aggravated the sluggish nature of the economy. There is an urgent need for the the improvement in the functioning of the state tax authorities. Because, existing tax resources are needed to be properly and optimally exploited. Moreover, a search for new tax avenues is necessary in order to reduce the dependence on the centre.

Gujarat, the industrially expanding economy has presented the picture of an economy with highest internal resource mobilization, contributed by the highest indirect tax resources. Sales tax has recorded the highest contribution. New taxes like electricity duties entertainment tax are also contributing significantly to the tax resources. The Government is allocating the highest funds towards development expenditure.

The Punjab has emerged as an economy where direct taxes are acquiring a wide base. Among the major taxes, apart from sales tax, state excise duties are contributing to the state exchequer significantly. However, the government has recorded

more expenditure on non-development activities and capital disbursements caused by mounting interest charges and repayment of the loans to the centre. Higher expenditure on such non-developmental activities need to be curbed which can be curbed by giving more of grants rather than giving loans to the states.

Finally, the analysis reveals that the current trends will continue unless steps were taken to stop them if not reversed. It shows that new tax sources will emerge with the rising pace of development. However, more and more burden will be born by the masses. The funds will continue to shift from non-development to development expenditure with their usual role of welfare states. And the proportion of central aid is expected to increase more and more.

Development requires the additional resource mobilization on the part of the states. The nature of the services provided by the states are of infra-structural type. It demands a change in the composition of the expenditure of the states in such a way that more and more productive activities are performed. Moreover, the funds for development purposes are still very low, therefore, more funds for these development

purposes should be incurred. But while making changes the basic one argument of federalism should be kept in mind that the central, state and local financial systems remain integrated in such a way that each layer of government can play the role expected of it.

STATISTICAL APPENDIX- IV

Table - 1: Implicit SDP Deflator

S. No.	Year	Bihar	Gujarat	Punjab
1.	1967-68	103.40	86.18	83.12
2.	1968-69	98.58	89.16	87.49
3.	1969-70	105.00	94.79	90.08
4.	1970-71	100	100	100
5.	1971-72	102.31	99.37	103.34
6.	1972-73	121.04	117.11	113.27
7.	1973-74	150.40	143.91	136.60
8.	1974-75	174.21	158.98	145.92
9.	1975-76	160.35	151.41	146.69
10.	1976-77	164.67	164.67	162.36
11.	1977-78	169.64	172.32	169.04
12.	1978-79	178.89	170.26	169.39
13.	1979-80	203.66	194.55	191.19
14.	1980-81	213.89	214.68	193.09
15.	1981-82	231.96	236.07	211.86
16.	1982-83	276.53	262.51	226.34
17.	1983-84	280.49	285.87	249.33
18.	1984-85	297.99	299.04	262.02

Source :- Estimates of State Domestic Product.  
1985.1986.

Table- 2 Population in thousands

S.No.	Year	Bihar	Gujarat	Punjab
1.	1967-68	52320	24146	12564
2.	1968-69	53459	24875	12843
3.	1969-70	54623	25626	13128
4.	1970-71	55812	26400	13419
5.	1971-72	57157	27131	13740
6.	1972-73	58534	27883	14068
7.	1973-74	59945	28655	14404
8.	1974-75	61390	29449	14748
9.	1975-76	62869	30265	15101
10.	1976-77	64384	31103	15462
11.	1977-78	65936	31965	15831
12.	1978-79	67525	32850	16210
13.	1979-80	69152	33760	16597
14.	1980-81	69242	33800	16640
15.	1981-82	70810	34500	17000
16.	1982-83	72346	35200	17368
17.	1983-84	73889	36000	17744
18.	1984-85	75456	36700	18129

Source : Census of India Population tables, 1961, 1971, 1981.

**Table -3.**

Dependent and Independent Variables for Estimating Tax Effort.

Year	(T/Y) Dependant variables)			Independent Variables								
	Bihar	Gujarat	Punjab	Bihar			Gujarat			Punjab		
				X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>
1. 1967-68	3.105	4.345	4.759	378	9.41	36.42	757	27.39	54.17	1002	23.71	39.31
2. 1968-69	3.665	5.150	5.679	382	9.63	36.50	679	27.71	60.20	1032	23.79	40.68
3. 1969-70	3.586	5.230	5.949	393	9.68	41.34	731	28.05	57.28	1074	23.88	40.69
4. 1970-71	3.526	4.937	5.990	402	10.09	37.23	829	28.39	51.09	1070	23.97	41.63
5. 1971-72	3.705	5.579	6.014	406	10.40	37.26	832	28.77	50.54	1084	24.45	42.16
6. 1972-73	3.805	6.685	6.309	396	10.71	38.43	650	29.15	65.86	1098	24.94	44.12
7. 1973-74	3.389	4.771	5.714	381	11.03	40.13	775	29.54	59.35	1107	25.44	43.91
8. 1974-75	3.483	6.666	6.371	392	11.36	39.99	652	29.93	68.18	1120	25.95	42.90
9. 1975-76	4.588	6.390	6.649	409	11.70	40.49	818	30.33	56.28	1192	26.47	45.10
10. 1976-77	4.777	6.972	6.597	419	12.05	43.14	851	30.74	57.69	1244	27.00	46.50
11. 1977-78	4.523	6.922	6.806	431	12.41	42.53	882	31.15	59.39	1320	27.55	46.78
12. 1978-79	3.995	7.491	7.182	432	12.78	44.56	913	31.56	60.32	1388	28.10	46.90
13. 1979-80	4.327	7.889	7.324	391	13.17	49.19	899	31.98	61.80	1365	28.67	48.39
14. 1980-81	4.235	8.016	7.849	441	13.87	48.05	913	33.27	62.49	1383	29.87	51.14
15. 1981-82	4.624	8.180	8.215	445	14.31	51.72	992	33.94	62.05	1461	30.53	50.43
16. 1982-83	4.480	8.942	8.234	426	14.77	52.24	924	34.64	67.48	1515	31.22	50.71
17. 1983-84	4.654	8.821	8.217	458	15.25	49.44	968	35.27	63.61	1497	31.91	50.33
18. 1984-85	4.337	9.206	7.616	476	15.75	51.56	970	36.03	63.02	1566	32.63	48.70

NOTE: X<sub>1</sub> Per capita income, X<sub>2</sub> Percentage of urban to total population,

X<sub>3</sub> Share of non-agriculture sector in total/NSDP. T/Y: Ratio of tax revenue to income.

Source: 1. Bulletins: Reserve Bank of India for various years

2. Estimates of NSDP 3. Census of India: Population tables 1971-81.



Table - 4 : Correlation Matrices in the three states

	BIHAR				GUJARAT				PUNJAB			
	T/y	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	T/y	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	T/y	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>
T/y	1.00				1.00				1.00			
X <sub>1</sub>	.561	1.00			0.669	1.00			0.947	1.00		
X <sub>2</sub>	.416	.868	1.00		0.932	0.821	1.00		0.943	0.983	1.00	
X <sub>3</sub>	.370	.757	.948	1.00	0.679	0.049	0.562	1.00	0.955	0.937	0.937	1.00

Source - See table 3

ANNEXURE -I

Union List -I

Entry No.

81. Taxes on income other than agricultural income.
82. Duties of custom including export duties.
83. Duties of excise on tobacco and other goods manufactured or produced in India except
  - a) alcoholic, liquors for human consumption;
  - b) Opium, Indian hemp and other narcotic drugs and narcotics,
84. Corporation tax.
85. Taxes on the capital value of the assets, exclusive of agricultural land, of individuals and companies; taxes on the capital of companies.
86. Estate duty in respect of property other than agricultural land
87. Duties in respect of succession to property other than agricultural land.
88. Terminal taxes on goods or passengers, carried by railways, sea or air; taxes on railway fares and freights.
89. Taxes other than stamp duties on transactions in stock-exchanges and futures markets.
90. Rates of stamp duty in respect of the bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.
91. Taxes on the sale or purchase of newspapers and on advertisements published therein.

91 A

Taxes on the sale or purchase of goods,  
other than newspapers, where such sale or  
purchase takes place in the course of  
inter-state trade or commerce.

ANNEXURE - II

List -II

Financial Powers of the States

Entry No.

45. Land revenue including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights and alienation of revenues.
46. Taxes on agricultural incomes.
47. Duties in respect of succession to agricultural land.
48. Estate duty in respect of agricultural land.
49. Taxes on lands and buildings.
50. Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral developments.
51. Duties on excise on the following goods manufactured or produced in the state and countervailing duties at the same or lower rates on similar goods, manufactured or produced elsewhere in India.
- a) alcoholic liquors for human consumption
  - b) opium, Indian hemp and other narcotic drugs and narcotics.
52. Taxes on the entry of goods into a local area, for consumption use or sale therein.
53. Taxes on the consumption or sale of electricity.
54. Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of entry 91A of List-I.

55. Taxes on advertisements other than advertisements published in the newspapers and advertisements broadcaste by radio or television.
56. Taxes on goods and passengers carried by road or inland waterways.
57. Taxes on vehicles, whether mechanically propelled or not, suitable for use on roads, including tramcars subject to the provisions of entry 35 of List -III
58. Taxes on animals and Boats.
59. Tolls.
60. Taxes on professions, trades, callings and employments.
61. Capitation taxes.
62. Taxes on luxuries including taxes on entertainment, amusements, betting and gambling.
63. Rates of stamp duty in respect of documents other than those specified in the provisions of List-I (entry 90) with regard to stamp-duty.

ANNEXURE - III

Classification of total revenue of the states

- Total Revenue (I+II)
- I. Tax Revenue (A+B)
  - A. States' Own Tax Revenue (1+2+3)
    - 1. Taxes on Income (i+ii)
      - i) Agricultural Income tax
      - ii) Professional tax.
    - 2. Taxes on Property and Capital Transaction (i to iv)
      - i) Stamps and Registration
      - ii) Land Revenue
      - iii) Surcharge on Cash Crops
      - iv) Urban Immovable Property tax.
    - 3. Taxes on Commodities and Services (i to viii)
      - i) Sales tax ( a to d)
        - a) General Sales tax
        - b) Central sales tax
        - c) Sales tax on motor spirit
        - d) Purchase tax on Sugarcane.
      - ii) State Excise duties
      - iii) Taxes on Vehicles
      - iv) Taxes on Goods and Passengers
      - v) Electricity duties.
      - vi) Entertainment tax
      - vii) Surcharge on Sugarcane
      - viii) Other taxes and duties.

B. Share in Central taxes (1+2+3)

1. Income tax.
2. Estate duty
3. Union Excise duties.

II Non-tax Revenue (A+B)

A. States' Own Non-tax Revenue (1 to 5)

1. Interest Receipts (i to v)
  - i) Departmental and Commercial undertakings
  - ii) Public Sector Undertakings.
  - iii) Cultivators
  - iv) Local bodies.
  - v) Others.
2. Dividends. (i + ii)
  - i) Public undertakings
  - ii) Other investments
3. General Services
  - including State Lotteries.
4. Social and Community development services
5. Economic Services ( i to xi)
  - i) Forests
  - ii) Industries
  - iii) Cooperation
  - iv) Royalty in minerals and mineral concession fee

- v) Multipurpose river valley projects
- vi) Agriculture
- vii) Irrigation Navigation etc.
- viii) Power projects
- ix) Road and Water transport service
- x) Dairy development
- xi) Others.

B. Grants-in-aid and other Contributions (1 to 4)

- 1. State Plan Schemes.
- 2. Centrally sponsored schemes
- 3. Central Plan schemes
- 4. Non-Plan grants ( a to c )
  - a) Statutory grants
  - b) Grants for natural Calamities
  - c) Others



ANNEXURE - IV

Total Revenue Expenditure (I+II+III)

- I Development Expenditure (A+B)
  - A. Social and Community Development Services.
    - 1. Education, art, culture, scientific service and research.
    - 2. Medical, family planning health and water supply.
    - 3. Labour and employment.
    - 4. Social security and welfare.
    - 5. Natural calamities and relief.
    - 6. Others.
  - B. Economic Services.
    - 1. General economic services (cooperation + others)
    - 2. Agriculture and Allied.
      - i) Agriculture.
      - ii) Minor Irrigation, soil and water conservation and area development.
      - iii) Dairy development (including food and nutrition)
      - iv) Forests.
      - v) Community development.
      - vi) Others.
    - 3. Industry and Minerals.
      - Large scale industries.
      - Village and small scale industries.
      - Others.

4. Water and Power Development.

- Multipurpose river valley projects.
- Irrigation, navigation, drainage and flood control projects.
- Power projects and water and power development service.

5. Transport and Communication.

- Roads and bridge.
- Others.

II Non-development Expenditure.

1. Organs of State.

2. Fiscal services.

- Collection of taxes and duties
- Others.

3. Debt Services and Interest Payments (a+b)

a) Appropriation for reduction or avoidance of debt

b) Interest Payments

- Interest on loans from centre
- Interest on internal debt and small savings provident fund.
- Others.

4. Administrative Services.

- District administration
- Police
- Others

5. Pension and Miscellaneous General Services.

III. Compensation and Assignments to Local Bodies and Panchayati Raj Institutions.

Total Disbursements ( I to V )

I Total Capital Outlay (1+2)

1. Developmental (a+b)

a) Social and Community Development Services.

- i) Education, art culture, scientific research.
- ii) Medical family planning public health etc.
- iii) Housing.
- iv) Others.

b) Economic Services.

- i) General Economic Services.
- ii) Agriculture and Allied
  - Agriculture
  - Minor irrigation, soil conservation and area development.
  - Food and Nutrition.
  - Forests
  - Dairy development
  - Others.
- iii) Industry and Minerals.
  - Industrial research and development

- village and small scale industries
- Machinery and engineering goods industries
- Consumer industries
- Others.

iv) Water and Power Development

- Multipurpose river schemes
- Irrigation, navigation etc.
- Power projects
- Others

v) Transportation and Communication

- Roads and bridges
- Others.

2. Non-developmental Capital Outlay

II. Discharge of Internal Debt

i) Discharge of permanent debt

ii) Repayment of Loans to Autonomous Bodies

- National Cooperative Development Corporation (NCDC)
- Life Insurance Corporation (LIC)
- State Bank of India (SBI)
- Others.

III. Repayment of Loans to Centre

iv) Loans and Advances by State Governments.

v) Appropriation to Contingency Fund.

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