Regaining the Constitutional Identity of the Finance Commission:
A Daunting Task for the Thirteenth Commission

K.K. George
K.K. Krishnakumar

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Centre for Socio-economic & Environmental Studies
Khadi Federation Building, NH By-Pass, Padivattom, Kochi – 682 024,
Kerala, India, Tel: 0484-2805107, 2805108 Email: cses@dataone.in
URL: csesindia.org

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Abstract

In the context of the ongoing work of the Thirteenth Finance Commission, this paper examines the record of the recent Finance Commissions, with a view to suggesting how best the present Commission can and should assert itself and follow a new, independent approach. The paper argues that the Thirteenth Finance Commission has got to find its own track if it does not want to remain as a pale shadow of its constitutional self. It should ignore those terms of reference which are not mandated by the Constitution as well as those which have become obsolete with the onset of recession in the economy. If it has to gain acceptance of the States, it has got to follow an equidistant attitude towards the Centre and the States. The paper argues for substantially stepping up the resource flows from the Centre to the States in view of the severe fiscal crisis of the latter and consequent inability to meet their expenditure responsibilities bestowed on them by the Constitution. The paper finds that one of the terms of reference of the Commission setting the objective of balancing the revenue account of States and the Union government and generating surpluses for capital investment has become outdated with the onset of recession in the economy. The recession calls for abandoning fiscal conservatism and embarking on increased public expenditure to build physical and social overheads as also to provide social protection to the victims of recession. The paper recommends that the grants to States must be made unconditional and free from interference.

Key Words: Finance Commission, Centre, States, Fiscal Transfers, Statutory Transfers.

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* *K.K.George is the Chairman, Centre for Socio-economic & Environmental Studies (CSES), K.K.Krishnakumar is a Fellow at CSES.*

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States in India have been plagued by recurrent and severe fiscal crisis from the middle of the eighties. Mismanagement of the finances by the State governments is the reason for the crisis, most often highlighted during the current discussions on the issue. The role of the Central government, pivotal under the existing Centre-State financial relationship, is seldom mentioned as a possible reason, though it has been well established that Indian federal state is only a semi federal one and the existing constitutional allocation of financial powers between the Centre and the States is heavily skewed in favour of the former. It is well established that the Indian Constitution places considerable constraints on the States' capacity for resource mobilisation while saddling them with enormous expenditure responsibilities. The Constitution of India, however, envisaged a rather unique fiscal transfer mechanism to transfer adequate funds from the Central government to the States, taking into account the disproportion between the financial powers and expenditure responsibilities of the two tiers of the government.

Role of Finance Commission

The provision for a Finance Commission to be appointed by the President every five years or earlier under Article 280 of the Constitution is the only difference between the Government of India Act, 1935 and the Indian Constitution with regard to the distribution of financial powers between the Central and the State governments. The Commission is visualized as a semi-judicial body and is entrusted with the twin responsibilities of apportioning Central Government revenues between the Centre and the States on the one hand and among the individual States on the other. But, over the years, the impartial arbitrator's role of the FCs is being undermined by the Central Government in a number of ways. The turf of this constitutional body had been encroached upon to a large extent, by the Planning Commission, an extra constitutional body and the Union Ministries during the plan era. The fault for allowing this encroachment lies partly with the successive Finance Commissions which abdicated their constitutional responsibilities and limited their role, on their own, in tune with the wishes of the Central government. In the context of the ongoing work of the Thirteenth Finance Commission (FC13), this paper examines the record of the recent Finance Commissions with the objective of suggesting how best the present FC can and should assert itself unlike its recent predecessors and follow a new independent approach.

TORs: Fetters on the FC

Binding the Commissions by larger and larger number of terms of reference (TOR) is a measure increasingly adopted by the Central Government which undermines the umpiring role of the FCs. The TORs are framed without consulting the states. It is as though the rules of the game are written by one of the teams in its favour when the game is about to be started. As late as August 2008, a new TOR was added to the Thirteenth Commission. These TORs are unnecessary as the Constitution itself has defined the TOR of the FCs. This body is to determine the allocation of Central revenues to be transferred to the States by way of sharing Central tax revenue and providing grants to the States "in need of assistance". Of course, the President can refer any other matter "in the interests of sound finance" under Article 280. In addition to the constitutional impropriety, TORs are objectionable as they are loaded heavily in favour of the Central government. The TORs give a detailed road map on how and in which direction the FCs should proceed, thus limiting the freedom and flexibility of this constitutional body.

The Thirteenth FC has been saddled with six TORs. The third TOR has ten sub TORs which include "the need to manage ecology, environment and climate change consistent with sustainable development!". No doubt, ecology, environment, climate change and sustainable development are all important. But the only doubt is how this TOR fits in with "the interest of sound finance" envisaged in the Constitution. Another sub clause asks the FC to assess the impact of the proposed implementation of Goods and Services tax with effect from 1st April 2010, including its impact on the country's foreign trade!. This TOR also does not come strictly under the purview of the FC. In fact, one can argue that the FCs should take into account the revenue loss of VAT suffered by exporting states due to Central government's insistence that the State cannot tax commodity exports not only at the point of exports but also at the penultimate stage of sale. Many of the TORs reflect the economic philosophy of the Central Government which need not necessarily be subscribed to by many states ruled by different political parties. Already some of the TORs (eg: TOR 2, TOR 3.4) have become obsolete in view of the recession creeping into the Indian economy. No doubt, the FCs are not duty bound to be tied by TORs. But no recent FCs, constituted as they are, were prepared to assert its independence from the TORs. Some of them were only too willing to be the cheer leaders for the agenda of the Central Government.

Though funds through any channel, whether it is through Finance Commission or the Planning Commission or through the different Union ministries are welcome to the States starved of funds, they prefer funds coming through the Finance Commission channel. There are two main reasons for this. Firstly, the States consider the funds coming by way of Statutory transfers as their constitutional right as the Finance Commission unlike the Planning Commission is a constitutional body. Secondly, the funds through the Finance Commission are intended to be transferred to the States unconditionally for the use by the States according to their own priorities. Funds from the FC are to be received automatically and should be free from interference from the Central government. As will be seen later, these intentions of the Constitution makers are gradually being negated by the recent Finance Commissions by making their transfers more and more conditional, linking them even to state-specific purposes and binding them to particular schemes.

The Context of the Thirteenth Finance Commission

The Thirteenth Finance Commission's working may be seen in the context of (1) the deteriorating fiscal position of the states (2) the logic of the Central government's own reforms agenda and (3) the onset of recession in the economy. The poor fiscal position of the State is too well established for any elaboration. But the implications of the Central government's economic reform agenda call for some elaboration. The reforms envisage the Governments to reduce their role in economic activities and concentrate on providing social and community services like education, health care, social security, food security etc.. Under the constitutional dispensation, almost all these services come largely under the States' or Concurrent jurisdiction. This suggests the need for increasing substantially the share of States in Centre's revenue. But what has been done by the recent FCs in this direction is at best only marginal.

The FC13 is deliberating at a time when the grip of recession on the economy is getting tighter. In the present times, some of the TORs on fiscal discipline have become outdated. They stand in the way of governments both at the Centre and States providing fiscal stimulus to the economy by running deficits in their budgets. In recessionary times, the role of the State governments becomes all the more critical as they have to shoulder the responsibility of providing unemployment relief, food security and other welfare measures for the victims of economic slow down.

Some Issues in Vertical Transfer

The Twelfth Finance Commission (TFC) had stepped up the States' share in total Central taxes only marginally, to 30.5 per cent from the 29.5 per cent fixed by the Tenth and the Eleventh Finance Commissions. This is despite the strong plea made by all the States unanimously to raise their share substantially. What is more, the stipulated 30.5 per cent is not that of gross tax revenue but that of revenue after excluding Cesses and Surcharges and after deducting the cost of collection. Consequently, despite fixing the share of States in total Central Taxes at 29.5 per cent by the Tenth and Eleventh Finance Commissions, the limit was touched only in one year (1997-98) during the entire ten-year period covered by their awards. The gap between the actual ratios and the stipulated ratio has been widening during the award of the TFC as may be seen from Table 1. The exclusion of Cesses and Surcharges from the shareable pool of Central taxes and the increasing resort to these measures by the Central government are the major reasons for this shortfall. During the five-year period ended 1999-2000, Cesses and Surcharges accounted for nearly 3 per cent of the gross tax revenue. In the next two years, their share was 2.7 per cent.[1] According to the TFC's estimate, the share of Cesses and Surcharges were expected to go up steeply to about 12 per cent during their award period[2]. The FC13 should take some measures to arrest the increasing tendency of the Central government to keep a good portion of Central tax revenue out of the reach of the State government. Alternatively, the cesses and surcharges should also be made part of the divisible pool.

The TFC like its predecessor had suggested capping of the overall revenue transfers to States from the Centre's gross revenue. It fixed the States' share to 38 per cent, an increase of just half a per cent from the share stipulated by the Eleventh Finance Commission. There is no need for fixing the maximum for Central revenue transfers as there is no corresponding minimum fixed for such transfers. Secondly, the ceiling of 38 per cent proposed by the TFC was much lower than the actual States' share during the first five years of the nineties covered by the Ninth Finance Commission's Award. Thirdly, the States' share rarely reached the ceiling of 37.5 per cent during the years since 1995-96. In 2005-06 and 2006-07, the State's share exceeded the stipulated limit of 38 percent. But this was on account of the proliferation of Centrally Sponsored Schemes(CSSs), not the most preferred means of transfers to the States.

Use of Excess Funds with the Centre

Leaving too much funds with the Central Government beyond meeting its expenditure responsibilities in its own subjects and may be to a limited extent in the Concurrent List can lead to proliferation of Central plan and Centrally Sponsored Schemes. The number and variety of CSSs in the State and Concurrent subjects are increasing. Only some of the traditional CSSs now go through the State Budget. The number of CSSs bypassing the State Budget altogether and reaching the para-state agencies and local bodies directly is increasing. It is estimated that the total outlay of all these varieties of CSSs in 2005-06 represented 38 percent of the Gross Budgetary Support (GBS) for Plan, 49.4 percent of the GBS for Central Plan, 165 percent of the total GBS for State Plans and 403 percent of the Normal Central Assistance (NCA) to states (Garg, 2006). The Governments seem to have lost count of the schemes. The estimates of the number of schemes range between 155 (Expert Group of the Planning Commission, 2006) to 190 (Garg, 2006). The annual plan document of Kerala lists 200 CSSs against which funds are shown as anticipated from the Central Government.

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[1] Based on Annexure VII.3, Twelfth Finance Commission Report, p.409.
[2] Based on Annexure V.2, Twelfth Finance Commission Report, p.381.

The present tendency of the Planning Commission is to bypass the Gadgil Formula route for financing State Plans. Instead, more and more funds are now routed to the States by way of CSSs. The grant component of central assistance to states/ UTs plan in the Gross Budgetary Support(GBS) of the Eleventh Plan has decreased from what has been realized in the Tenth Plan (from 26.4 percent to 22.8 percent). On the other hand, the allocation of CSSs has increased from 1.4 percent of GDP during the Tenth Plan to 2.35 percent of the GDP in the Eleventh Plan. The projected Central assistance to the States/UTs for the Eleventh Plan under various schemes is Rs.324851 crores. Of this, normal plan assistance for all States is just Rs.111053 crores. CSSs constitute Rs.213798 crores, i.e., 65.8 percent of the total.(Isac and Chakraborty, 2008) The Finance Commission which is enjoined "to improve the quality of public expenditure to obtain better outputs and outcomes" must assess the productivity of these schemes especially after the end of each plan period when the Central funds cease to come. In addition to the issues of efficiency of CSSs, the FC must also look into the equity and autonomy dimensions of the ever expanding CSSs

In addition to CSSs routed through the State Governments and other bodies, the Central government, flush with funds is entering the State and the Concurrent subjects through its own institutions. There has been instances of cash rich Central Government taking over many of the institutions developed by the State from its own funds, avowedly to make them centres of excelence. The recent attempts to take over the Cochin University of Science and Technology and the Bengal Engineering and Science University and to convert them into IIESTs are examples of Central Government taking over some of the institutions of the States, made first to starve for funds due to in adequate transfers by both the Finance and Planning Commissions. There are numerous other proposals now on the anvil to start heavily funded educational institutions in the Central sector while the State institutions are getting debilitated due to paucity of funds with the State Government. A classic case is the proposal of the Central government for starting sixteen Central Universities, fourteen "World Class" Universities, eight IITs and five IISERs. There is also the proposal to start universities in every district which does not have a university at present.

Shortfall in Centres's Revenue Collection: Implications for the States

The Finance Commissions had been wielding a big stick for disciplining the States by limiting the volume of grants barely enough to meet their deficits in non-plan revenue account, determined normatively by them. But no such stick is used in the case of the Central government. All FCs had failed to discipline the Centre by linking the States' minimum share to the Central revenue <u>determined normatively</u> by the Commission for the next five years and not to what is <u>actually collected</u> by the Centre. This is evident from Table 2, which shows the revenue normatively estimated by the Eleventh Finance Commission and the actual revenue collected by the Centre. There was considerable shortfall in actual revenue mobilization by the Centre from what was envisaged by the Finance Commission in its normative estimates. The States lost heavily as a result of this laxity of the Central government which upset the finances of the States very badly. There seems to be a welcome reversal of the trend during the award period of the TFC.

The FC should take note of how the magnanimity of the Central Government in granting tax concession for the corporates is at the expense of the states. The Union Finance Minister had confessed that his "endeavour to increase the effective rate of corporate tax paid by the corporations are not entirely successful because of the demand for continuing exemptions or for introducing new exemptions"(The Hindu, April 4, 2008). According to the statement of revenue forgone, tabled along with the Budget documents of 2007-08, the provisional tax expenditure in 2005-06 was estimated to be Rs.2,06,700 crore. For

2006-07, the estimate is still higher at Rs.2,35,191 crore. Some studies have shown that the effective corporate tax rate is only 20.6 percent as against the statutory tax rate of 33.66 percent. Besides, the *de facto* tax rates are regressive in nature. While the smaller companies pay tax at the rate of 25.4 percent, the larger companies pay at the rate of 19 percent. For the public sector companies, the rates are more than for the large private sector companies. It may also be noted that the booming ITES and BPO industries pay at the rate of 7.36 percent only. Software development companies pay at a still lower tax rate of 6.38 percent. (V.Sridhar, 2008).

Increasing Conditionalities of Debt Relief and Grants

In their debt relief recommendations, both the EFC and the TFC had violated the spirit of the Constitution by making debt relief conditional and linking it to fiscal reforms as conceived by the Centre. The rescheduling of loans was subject to the enactment of the Fiscal Responsibility Act. The quantum of write off was linked to the amount by which revenue deficit is reduced during the award period. Going by the track record of most of the States in containing revenue deficit despite accepting the Medium Term Fiscal Reform Programme, it is quite unlikely that many states will be able to gain substantially from the debt relief schemes of the TFC. It may be noted that states had been able to avail of only two yearly installments of the Incentive Fund constituted as per the recommendations of the Eleventh Finance Commission.

The increasing conditionality of statutory transfers is becoming evident in the way the grants were provided by the TFC. TFC had raised the share of grants in total transfers to 19 per cent from 13.5 per cent under the Eleventh Finance Commission and 9 per cent under the award of the Tenth Finance Commission. Of the grants, the normatively determined unconditional deficit grants formed only 40 per cent. More than a quarter of the grants were made for meeting specific purposes, most of them conditional and some of them very discretionary. Grants were extended for meeting specific purposes like health, education, maintenance of roads and bridges, maintenance of public buildings, maintenance of forests and heritage conservation. The Commission should have realized that there are a number of CSSs operating already in all these areas. This leads to duplication, overlapping and conflict of jurisdiction. All the criticisms against CSSs are equally valid for FC sponsored schemes. Besides, not all grants had a strong equitable bias.(Table 3)

In some cases, as in the case of grants for meeting State specific needs, the Commission's discretion bordered on arbitrariness or mere caprice or whims. Sometimes, TFC went overboard and went into minor details regarding how the schemes financed by the grants should be utilised. Take this sample-

> *"In the case of the urban local bodies we have already stressed the importance of public-private partnership to enhance the service delivery in respect of solid waste management. The Municipalities should concentrate on collection, segregation and transportation of solid waste. The State governments may require the Municipalities…to prepare a comprehensive scheme including composting and waste to energy programmes to be undertaken in the private sector for appropriate funding from the grants-in-aid recommended by us. Grants-in-aid shall, however be available to support the cost of collection, segregation and transportation only, as the activities to be taken up by the private sector should be commercially viable once the Municipality is able to discharge its role effectively."*

The largesses of the TFC can be seen in the sanctioning of a zoological park in one State and a botanical garden in another. In fact, TFC went to the extent of providing for multi-gym complexes and sports complexes at *Taluk* headquarters in Karnataka, by no means a fiscally disabled State. Such schemes involve capital expenditure. In these matters, the TFC was making provision for new schemes, which normally find a place under the State plans.(See Annexure)

As noted earlier, according to the spirit of Article 275 of the Constitution, the Statutory grants through the Finance Commissions should be mostly automatic and unconditional. No doubt, it was envisaged that in exceptional cases, the grants could be directed to broad but well-defined purposes. But the TFC had distorted the spirit of this constitutional scheme and allotted more than one-third of the grants on conditional basis. The TFC had imposed its own priorities on the States. Besides, many 'one size fits all' schemes applicable to all parts of the country, which do not take the local specificities, distort the States' priorities. Perhaps, the Commission could have learnt from the pre-1969 experience of linking Central plan financing to Centrally designed individual schemes. This practice of linking plan finance to individual plan schemes was replaced by the Gadgil formula only because of its complexity, cumbersomeness, red-tapeism, inefficiency and arbitrariness. The FC13 must steer clear of the past approach of the FCs in tying up statutory transfers to specific purposes and schemes.

Finance Commission Awards and the State Plans

As noted earlier, the FC13 had been enjoined by the Central Government that it should have regard to the "demands on the resources of the Central Government, in particular on account of the projected Gross Budgetary Support(GBS) to the Central and the State plan……………". But FC13, instead of providing funds to the Central Government for GBS to state plans can provide such support directly as its own, by providing adequate non-plan surpluses giving larger tax shares and grants. Of course, the distribution of surpluses to States. It is the policy of the Finance Commission with regard to tax sharing and grants that largely determines the surpluses in the non-plan account. But the FCs leave little or no surplus in the non plan account of many states after devolution and gap grants and they start with an initial handicap with regard to balance on current revenue, the nucleus for plan financing for the states(Table 4).

For the States as a whole the actual surpluses were less than the FC estimates except in the case of the Sixth FC. During the Seventh and the Eighth FCs, the shortfalls from the FC estimates of surpluses were quite large. From the Ninth FC onwards, the FC surpluses actually turned out to be deficits. This implies that the States as a whole started with negative balance of current revenues to finance their plans.

The distribution of non-plan surpluses among states after devolution and grants shows a regressive trend. For instance, the per capita non-plan revenue surplus of Assam, Bihar, Orissa, Rajasthan, Uttar Pradesh and Madhya Pradesh under the award of the TFC was much less than that of Haryana, Karnataka, Gujarat, Tamil Nadu, Maharashtra and Andhra Pradesh.(Table 5) Thus, the relatively backward States face a major handicap with respect to their plan financing as a result of the TFC's award.

Conclusion

If the Thirteenth Finance Commission does not want to remain as a pale shadow of its constitutional self, it has got to assert itself and follow its own track. It should not go by the beaten track of its predecessors. It should also ignore those terms of reference which are not mandated by the Constitution. If it has to gain the acceptance of the States, it has to follow an equidistant attitude towards the Centre and the States.

Table 1
Share of States in Central Government Revenue

(Figures in percentages)

Year	Share of Tax Share of States in Gross Tax Revenue of Centre	Share of Total Revenue Transfers to Gross Revenue of Centre
1989-90	25.73	--
1990-91	25.35	41.10
1991-92	25.67	40.84
1992-93	27.50	40.46
1993-94	29.36	43.85
1994-95	26.91	38.95
1995-96	26.33	36.65
1996-97	27.23	36.51
1997-98	31.28	37.57
1998-99	27.22	34.56
1999-2000	25.32	32.62
2000-01	27.41	37.27
2001-02	28.25	37.60
2002-03	25.95	35.04
2003-04	25.86	34.47
2004-05	25.77	35.08
2005-06	25.78	38.60
2006-07	25.41	40.11

Source: 1. EPW Research Foundation, "Finances of Government of India", Economic and Political Weekly (EPW), Different Issues.
2. RBI, State Finances 2007-08
3. RBI, "Union Budget 2007-08 Review and Assesment", RBI Bulletin, May 2007
4. RBI, "Union Budget 2008-09 Review and Assesment", RBI Bulletin, May 2008

Table 2
Central Finances as per 11th and 12th Finance Commissions' Assessment and Actuals

(Rs. in Crores)

		2000-01	2001-01	2002-03	2003-04	2004-05	2005-06	2006-07
Tax Revenue	FC Estimate	198226	230961	269185	313833	366002	343703	393140
	Actual	188603	187060	216266	254348	306021	366152	473512
	Difference	**-9623**	**-43901**	**-52919**	**-59485**	**-59981**	**22449**	**80372**
Non-tax Revenue	FC Estimate	57464	67201	78499	91599	106778	70135	80205
	Actual	55947	67774	72290	76896	75100	77198	83205
	Difference	**-1517**	**573**	**-6209**	**-14703**	**-31678**	**7063**	**3000**
Total Revenue Receipts	FC Estimate	255690	298162	347684	405432	472780	413838	473345
	Actual	244550	254834	288556	331244	381121	443350	556717
	Difference	**-11140**	**-43328**	**-59128**	**-74188**	**-91659**	**29512**	**83372**
Non-plan Revenue Expenditure	FC Estimate	228768	248788	270718	294732	321018	310676	326122
	Actual	226782	239954	268074	283502	296396	327903	372191
	Difference	**-1986**	**-8834**	**-2644**	**-11230**	**-24622**	**17227**	**46069**
Revenue Deficit	FC Estimate	77425	71785	63369	51552	35593	65202	48684
	Actual	85234	100162	107880	98262	78338	92299	80222
	Difference	**7809**	**28377**	**44511**	**46710**	**42745**	**27097**	**31538**

Source: 1. Reports of the Eleventh and Twelfth Finance Commissions.

2. EPW Research Foundation, "Finances of Government of India", *Economic and* Political Weekly (EPW), July 30-August 5, 2005.

3. For 2005-06 to 2007-08, "Union Budget 2008-09: Review and Assessment", RBI Bulletin, May 2008

Table 3
Per-capita Grants-in-aid to Major States recommended by the Twelfth Finance Commission

(Figures in Rs.)

State	Non-plan Revenue Deficit Grants	Specific Purpose Grants	Grants for State Specific needs	Grants for Local Bodies	Grants for Calamity Relief	Total Grants
Andhra Pradesh	0.00	165.07	62.17	243.81	177.29	648.34
Assam	105.37	928.73	44.81	200.28	264.71	1543.90
Bihar	0.00	574.42	44.04	194.43	65.22	878.10
Gujarat	0.00	245.16	245.38	185.99	185.99	676.52
Haryana	0.00	152.56	43.40	207.89	223.71	627.57
Karnataka	0.00	314.99	106.88	215.72	84.64	722.23
Kerala	140.12	237.07	148.95	337.81	105.55	969.50
MadhyaPradesh	0.00	270.37	44.91	302.99	151.39	769.65
Maharashtra	0.00	147.28	28.82	266.46	88.74	531.30
Orissa	124.97	642.43	43.53	232.25	307.11	1350.29
Punjab	1205.99	225.12	36.96	190.56	232.97	1891.59
Rajasthan	0.00	163.61	72.08	232.26	275.90	743.85
TamilNadu	0.00	233.97	45.97	220.96	132.77	633.67
UttarPradesh	0.00	535.20	43.51	187.37	64.02	830.11
WestBengal	354.95	121.36	103.75	193.98	108.84	882.88
All States	519.14	344.08	64.83	228.27	146.09	1302.41

Source: Report of the 12th Finance Commission

Table 4
Non-Plan Revenue Surplus/Deficit of All States (1978-2010)
Finance Commission's Forecasts and Actuals

(Rs. in Crores)

Finance Commission	Non-Plan Revenue Surplus(+)/Deficit(-) before devolution of tax shares			Non-Plan Revenue Surplus(+)/Deficit(-) after devolution of tax shares		
	All States			All States		
	F.C.Est. 1	Actual 2	Variance 3(2-1)	F.C.Est. 4	Actual 5	Variance 6(5-4)
VI	-6594.3	-5531.3	1063.0	505.0	2734.7	2229.7
VII	-6823.8	-13457.4	-6633.6	12409.3	7264.0	-5145.3
VIII	-10420.8	-36385.0	-25964.2	25261.7	1858.6	-23403.1
IX (1989-90)	-5567.6	-13543.1	-7975.5	6218.0	-455.8	-6673.8
IX (1990-95)	-55866.0	-121548.0	-65682.0	32016.0	-22598.9	-54614.9
X (1995-2000)	-122325.5	-290722.5	-168397.0	84017.5	-102683.6	-186701.1
XI (2000-04)	-151051.5	-450923.3	-299871.9	125252.6	-226022.1	-351274.7
XII (2005-06)	-63883.0	-108162.0	-44279.0	27492.0	-14138.0	-41630.0
XII (2006-07)	-52129.0	-121660.0	-69531.0	52482.0	-5923.0	-58405.0

* Figures for 2006-07 are Revised Estimates

Source: 1. George K.K., *Limits to Kerala Model of Development, Centre for Development Studies, Thiruvananthapuram 1999.*

2. Computed from Reserve Bank of India (RBI), *State Finances*, for various years

Table 5
Non-plan Revenue Surpluses after all Transfers under the Award of the 12th Finance Commission

States	Post- Tax Devolution Non-Plan Revenue Surplus/ Deficit (Rs.crores) 1	Total Grants in Aid (Rs.crores) 2	Total Revenue surplus after all transfers (Rs. Crores) 3 (1+2)	Per capita Revenue Surplus after all transfers (Rs.) 4
Andhra Pradesh	37779.30	5214.58	42993.88	5346
Assam	1866.72	4478.71	6345.43	2187
Bihar	21457.02	7975.79	29432.81	3240
Gujarat	35635.54	3708.28	39343.82	7178
Haryana	25379.85	1445.98	26825.83	11643
Karnataka	58910.94	4054.40	62965.34	11216
Kerala	3884.87	3254.51	7139.38	2127
MadhyaPradesh	33924.41	5141.37	39065.78	5848
Maharashtra	57979.91	5531.06	63510.97	6101
Orissa	2580.79	5273.30	7854.09	2011
Punjab	-1395.90	4913.59	3517.69	1354
Rajasthan	11748.87	4643.91	16392.78	2626
TamilNadu	42506.22	4135.39	46641.61	7147
UttarPradesh	60981.48	15262.00	76243.48	4147
WestBengal	9802.11	7573.37	17375.48	2026
All States	387474.37	142639.60	530113.97	4840

Source:Report of the 12 th Finance Commission 2005-10

Note: Population projection by Census of India for 2006 is used for percapita calculations.

Annexure

Grants-in-Aid recommended by the Twelfth Finannce Commission for State Specific Needs

State	State-specific Needs	Grants-in-Aid (Rs.Crores)
Andhra Pradesh	Drinking water supply to fluoride affected areas	325
	Improving the socio-economic conditions of the people living in the remote areas	175
Arunachal Pradesh	Treasury Buildings	10
Assam	Development of urban areas	121
	Health infrastructure	9
Bihar	Technical education	50
	Establishment of Administrative Training Institute	50
	e-Governance	40
	Construction of homes under Juvenile Justice Act and improvement of remand home, after-care home and residential school for the handicapped	20
	Improvement of urban water supply and drainage	180
	Fire services	10
	Construction of residential schools and hostels for SC/ST/OBC	50
Chhattisgargh	Development of the state capital at Raipur	200
	Improving the police infrastructure	100
Goa	Health infrastructure	10
Gujarat	Salinity ingress	200
Haryana	Water logging/salinity and declining water table	100
Himachal Pradesh	Development of urban areas	50
Jammu and Kashmir	Tourism related schemes	90
	Construction of Public Service Commission building in Jammu	10
Jharkhand	Development of the state capital at Ranchi	200
	Special needs of the police force	130
Karnataka	General administration	250
	Youth services and sports facilities	100
	Improvement of police administration	100
	Improvement of health services	150
Kerala	Inland waterways and canals	225
	Coastal zone management	175
	Improvement of quality of school education	100

Madhya Pradesh	Development of tourism	67
	Development of road infrastructure	208
	Development of urban areas	25
Maharashtra	Infrastructure for women and child development programme	50
	Coastal and eco- tourism	250
Manipur	Secretariat complex	3.5
	Sports complex	15
	Loktak lake	11.5
Meghalaya	Zoological Park	30
	Botanical garden	5
Mizoram	Bamboo flowering	40
	Sports complex	25
Nagaland	Health facilities	15
	Assembly secretariat	30
Orissa	Consolidation and strengthening eco-restoration work in the Chilika lake	30
	Severage system for Bhubaneswar	140
Punjab	Stagnant agriculture	96
Rajasthan	Indira Gandhi Nahar Pariyojana	300
	Meeting drinking water scarcity in border and desert district	150
Sikkim	Construction of airport	100
Tamil Nadu	Development of urban areas	250
	Sea erosion and coastal area protection works	50
Tripura	Construction of capital complex	28
	Establishment of a 150 bedded hospital for Dhalai district at Kulai	11
	Construction of a model prison at Bishalgarh	10
Uttar Pradesh	Renovation of more than 100 year old collectorate buildings	60
	Accelerating development of Bundelkhand and eastern regions	700
	Development of urban areas	40
Uttaranchal	Development of the state capital	200
	Promotion of tourism	35
	Health infrastructure	5
West Bengal	Arsenic contamination of ground water	600
	Problms relating to erosion by Ganga-Padma river in Malda and Murshidabad districts	190
	Development of Sudarbans Region	100
Total for all States		7100

Source:Derived from the Report of the 12 th Finance Commission.

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