

CHAPTER 2

FINANCIAL RESOURCES

REVIEW OF FINANCING THE ANNUAL PLAN 1999-2000 AND THE PROPOSED SCHEME OF FINANCING THE ANNUAL PLAN 2000-01: CENTRE

The fiscal situation during 1999-2000 has not been encouraging. The realised revenue receipts and receipts from disinvestments were substantially lower than the Centre's Budget Estimates. Recoveries of loans were higher to some extent. The Non Plan Expenditure and Gross Budget Support by the Centre to the Annual Plan 1999-2000 were estimated to increase by 8 per cent and 3 per cent in the Revised Estimates over the Budget Estimates. As a result, the fiscal deficit placed at 4 per cent of GDP in the Budget Estimates was expected to increase to 5.6 per cent in the Revised Estimates. A review of the scheme of financing the Annual Plan 1999-2000 as per Revised Estimates in comparison with the Budget Estimates is brought out below in the context of the broad fiscal environment mentioned above.

2. The Gross Budgetary Support by the Centre to the Annual Plan 1999-2000 as well as the Non Plan Expenditure of the Centre increased by Rs.2395 crore and Rs.17,461 crore respectively resulting in an overall increase of Rs.19,856 crore in the total Expenditure of the Central Government in the revised estimates compared to the Budget (1999-2000) Estimates. The increase in the Gross Budget Support to the Annual Plan was on account of higher Central Assistance for the States and UTs Plan to the extent of Rs.2735 crore with a shortfall of Rs.339 crore in the Budgetary Support for the Central Plan. The details are given below in Table 2.1

TABLE 2.1
Summary of Central Government Expenditure (1999-2000)

(Rs. crore)				
Sl. No.	Item	BE	RE	Difference (RE-BE)
1	Total Expenditure	283882	303738	19856
2	Non-Plan Expenditure	206882	224343	17461
		72.88*	73.86*	
3	Plan Expenditure/Resources of which	77000	79395	2395
		27.12*	26.14*	
3.1	Central Assistance for State & UT's Plans	33000	35735	2735
		42.86@	45.01@	
3.2	Budget support for Central Plan	44000	43661	-339
		57.14@	54.99@	

Note: * Percentage to total expenditure

@Percentage to total Plan expenditure

REVISED ESTIMATES OF THE CENTRE'S ANNUAL PLAN 1999-2000

3. As stated above, the budgetary support for the Central Plan would be less by about Rs.340 crore and the level of internal and extra budgetary resources of CPSEs would be

lower by Rs.6872 crore in the revised estimates. Thus, shortfall of Rs.7212 crore is expected in the Central Plan outlay. The approved Outlay for the Centre's Annual Plan 1999-2000 and the corresponding revised estimates are given in Table 2.2.

TABLE 2.2
Centre's Plan Outlay 1999-2000

(Rs. crore)				
Sl. No.	Item	BE*	RE	Difference (RE-BE)
1	Budget support - Total	44000	43660	-340
	of which			
1a	Budget Support to CPSEs	8637	9103	-466
2	IEBR of CPSEs	59521	52649	6872
3	Plan Outlay / Investment of CPSEs (1a+2)	68158	61753	6405
4	Central Plan Outlay (1+2)	103521	96309	7212

Note: * Approved Plan Outlay

4. The lower Budget Support to the Central Plan would be inevitable due to substantial deterioration in the Balance from Current Revenues (BCR) and higher allocation of Central Assistance for financing the States' and UTs' Annual Plans (1999-2000). The estimated shortfall in generation of internal resources and borrowings by the Central Public Sector Enterprises (CPSEs) would result in lower Plan investment of these enterprises. The details are given below in Table 2.3 and in Annexure 2.1. The changes in the pattern of financing the Annual Plan 1999-2000, that took place subsequent to the presentation of the Budget, is discussed below.

TABLE 2.3
Revised Estimates Vis-À-Vis Budget Estimates Of The Scheme Of Financing The Annual Plan 1999-2000 Of The Centre

(Rs. crore)				
Sl. No.	Resources	BE	RE	Difference (RE-BE)
1	Balance from current Revenues (BCR)	-20656	-39121	-18465
2	Internal Resources & Other Resources of CPSEs*	43095	39327	-3768
3	Bonds/Debentures issued by CPSEs	10980	7878	-3102
4	Borrowings and Miscellaneous Capital Receipts (MCR)	96096	116761	20665
5	Net Inflow from Abroad	7007	7199	192
6	Aggregate Resources (1 to 5)	136521	132044	-4477
7	Assistance for State & UT's Plans	33000	35735	2735
8	Plan Outlay of the Centre (6-7)	103521	96309	-7211

Note: * Includes Internal and Other Resources i.e. Public deposits, Inter-Corporate Transfer (Net) and Loans from Financial Institutions etc.

Balance From Current Revenues (BCR)

5. The extent of the government's ability to finance Plan investment from its current revenue (receipts from Tax and Non Tax measures) depends on the surplus of revenue

receipts over the revenue expenditure. While the Plan estimates of BCR for financing the Annual Plan 1999-2000 were placed at Rs.(-)20656 crore, the revised estimates account for Rs.(-)39121 crore; indicating a shortfall of Rs.18465 crore. Thus, the disturbing trend of the Non Plan Revenue Expenditure exceeding the Revenue Receipts experienced in the first two years of the Ninth Plan continued on a bigger scale in the third year also.

6. The Revised Estimates clearly show that the deterioration in the revenue account (BCR) is both on account of the sharp increase in Non Plan Revenue Expenditure exceeding the Budget Estimates by Rs.14995 crore and the decrease in Revenue Receipts to the extent of Rs.3469 crore. In other words, the increase in the Non Plan Expenditure would be 7.4 per cent and the shortfall in the anticipated Revenue Receipts would be 2 per cent compared to the corresponding Budget Estimates of 1999-2000. This is examined below.

Revenue Receipts – Tax And Non-Tax

7. The relevant details of Tax and Non-Tax Revenues and Non-Plan Revenue expenditure have been presented in Table 2.4. Additional details are provided in Annexure 2.2.

TABLE 2.4
Central Government's Revenue Receipts And Non Plan Revenue Expenditure During 1999-2000 (BE & RE)

(Rs. crore)				
Sl. No.	Item	BE	RE	Difference (RE-BE)
I	Revenue Receipts			
a.	Tax Revenues (Net)	132365	126469	-5896
b.	Non-tax Revenue	49760	52186	2426
	Total - I (Revenue Receipts)	182125	178655	-3470
II.	Non-Plan Revenue Expenditure			
a.	Interest	88000	91425	3425
b.	Defence	45694	48505	2811
c.	Subsidies	23798	25692	1894
d.	Others	45289	52154	6865
	Total II (Non-Plan Revenue Expenditure)	202781	217776	14995
III	BCR	-20656	-39121	-18465

8. The available details of Gross tax revenue for the first three years of the Ninth Plan suggest slight improvement in the share of revenue from direct taxes. During 1997-98 and 1998-99, the two major direct taxes viz. the corporate income tax and taxes on income other than corporate income accounted for 26 and 31 per cent respectively of the Gross tax revenue (GTR) of the Centre. This position has marginally improved in 1999-2000, when the revenue from these two taxes accounted for 33 per cent of the GTR in the revised estimates as compared to 32 per cent in budget estimates. The revenue from two major indirect taxes viz. customs and union excise duties accounted for 63 per cent and 65 per cent of the GTR during 1997-98 and 1998-99. The Revised Estimates of receipts from these indirect taxes would be in line with the Budget estimates at 64 per cent of the GTR. Thus, the predominance of indirect taxes in the overall revenue receipts continues.

9. Receipt from both the direct and indirect taxes are lower by about 2 per cent and 5 per cent respectively in the Revised Estimates compared to the Budget/Annual Plan Estimates of 1999-2000. In view of the dominance of indirect tax revenue as mentioned above, a 5 per cent shortfall in the expected receipts from indirect taxes is a matter of concern. In absolute terms, the shortfall of revenue realisation in case of customs amounts to Rs.2569 crore and in the case of union excise duties the receipt would be lower by Rs.2865 crore (net – Rs.2315 crore). Lower receipt from customs duties is due to low growth in dollar value of non-oil imports. The shortfall in union excise duties receipts is on account of low inflation in respect of manufactured products for most of the year. Overall, the estimated decrease in revenue receipt is Rs.6884 crore. Hence, the States' share of income tax and union excise duties would be also less by Rs.985 crore (2.2 per cent).

10. The Revised Estimates of non-tax revenue is however expected to increase by Rs.2560 crore (5.2 per cent) over the Budget Estimates. Broadly, interest receipts would be higher by Rs.1110 crore. Interest receipts on loans advanced to public sector enterprises, port trusts and other statutory bodies, cooperatives, Government servants etc., as well as in respect of capital outlay on Departmental Commercial Undertakings are expected to increase by about Rs.1216 crore. On the other hand, the expected interest receipts would be lower by Rs.105 crore in respect of loans advanced to States and UTs.

11. It is expected that there would be shortfall of Rs.172 crore in respect of dividends and profits on the whole. Dividends from public sector enterprises are estimated to increase by Rs.988 crore and share of profits from LIC, IDBI and other financial institutions and nationalised banks would be higher by Rs.62 crore. However, there would be substantial shortfall in receipts from surplus profit of Reserve Bank of India to the extent of Rs.1221 crore. In view of the lower collections from tax measures to the extent of Rs.5896 crore at the stage of revised estimates, revenue receipt is expected to be less by Rs.3336 crore compared to budget estimates, inspite of the improvement in non tax revenues.

Non Plan Revenue Expenditure

12. Every major item of Non Plan Revenue Expenditure is expected to exceed the Budget Estimates to a large extent. Thus, higher liability in terms of interest payments (Rs.3425 crore), larger extended ways and means advances to States (Rs.3000 crore), increase in food subsidy (Rs.1000 crore), increase in interest subsidy (Rs.1300 crore), higher liability in respect of payment of pension (Rs.4173 crore) resulted in enormous increase in Non Plan expenditure to the extent of Rs.14995 crore during 1999-2000 compared to the budget estimates. The increase in interest subsidy relate to waiver of Government of India loans (Rs.958 crore) and interest subsidy to Bharat Bhari Udyog Nigam Ltd. (Rs.330 crore).

13. A closer examination of the trend in Non Plan expenditure suggest that the deviation between the budget estimates and revised estimates would be substantially less with a more realistic estimate of revenue expenditure at the stage of budget estimates especially in respect of interest payments, payment of pension and food subsidy. Such an exercise would facilitate a more reliable estimate of the overall resources for the Plan and changes in the Plan outlay during the course of the year can be avoided to a great extent.

Internal And Extra Budgetary Resources (IEBR) Of Central Public Sector Enterprises 1999-2000 - Revised/Latest Estimates

14. The total Plan investment of Central Public Sector Enterprises (CPSEs) for 1999-2000 was placed at Rs.68158 crore in the budget estimates; to be financed through budgetary support of Rs.8637 crore, internal resources of Rs.38614 crore and domestic and external borrowings amounting to Rs.20907 crore. According to the revised estimates, the Internal Resources (IR) generation by these enterprises is expected to be lower to the extent of Rs.11,233 crore. Market borrowing also may not materialise as envisaged in the Annual Plan/Budget Estimates. Hence, the Revised Estimates place market borrowings lower by Rs.3102 crore. The budgetary support in the revised estimates is however higher to the extent of Rs.466 crore only. As a result, the enterprises had to take recourse to higher draft of public deposits, inter-corporate transfers and short-term borrowings from financial institutions to the extent of Rs.7455 crore. This partly compensated for lower receipt from internal resources and market borrowings through bonds/debentures. The Pattern of financing of the Plans of Central PSEs for 1999-2000 is given in Table 2.5.

TABLE 2.5
Financing Of Central Public Sector Enterprises' Annual Plan 1999-2000

(Rs. crore)

Sl. No	Source of finance	BE	RE	Difference RE-BE
I.	Budget Support (I+ii)	8637	9103	466
i.	Equity	5754	6918	1164
ii.	Loan	2883	2186	-698
II.	Internal Resources	38614	27391	-11223
III.	Borrowings (i+ii+iii)	20907	25259	4351
i.	Bonds /Debentures	10980	7878	-3102
ii.	ECB/Suppliers' Credit	5446	5444	-2
iii.	Others*	4481	11937	7455
IV.	Total Plan Outlay (I+II+III)	68158	61753	-6405

Note: *Public Deposits, Inter-Corporate Transfers etc.

15. That the performance of the Public Sector Enterprises is fast deteriorating is reflected in the shortfall of about 30 per cent in the estimated Internal Resources generation. Their failure to attract the market for raising resources through issue of bonds and debentures also reflect the market perception about the efficiency and credit rating of these enterprises. In view of the overall shortfall in the resources, the Plan investment of the enterprises is expected to be lower by 9 per cent during 1999-2000.

16. As in the previous years, the Central Public Sector Enterprises were permitted to raise resources through tax-free bonds also. Within the targeted amount of Rs.10980 crore to be raised through bonds and debentures, the CPSEs in the Power sector including Atomic Energy and Non-Conventional Energy, Road Transport, Railways, Urban Development sectors were allowed to raise resources through tax-free bonds to the extent of Rs.950 crore. The prevailing interest rates on these bonds are in the band of 9.5 – 10.5 per cent as against the interest rates on taxable bonds moving in the range of 12 – 15 per cent. As per the latest

information received, the CPSEs concerned availed this facility and raised resources to the full extent of allocation.

17. The details of the Budget Estimates and Revised Estimates for 1999-2000 and BE for 2000-01 in respect of different sources of financing of Plan investment by CPSEs are given in Annexure 2.4 'A', 2.4 'B' and 2.4 'C'. The details with regard to Public Sector bonds are given in the Annexure 2.3.

Debt—Creating Capital Receipts - Market Borrowings, Small Savings, Provident Funds Etc.

18. The expected increase in the Non Plan expenditure, as per the revised estimates for 1999-2000 was of the order of Rs.17,461 crore. On the other hand the revenue receipts were expected to be lower by Rs.3,336 crore. Further, as against the target of Rs.10,000 crore in respect of disinvestments receipts, the revised estimates in this regard would be only Rs.2,600 crore (lower by Rs.7,400 crore). The receipt from recovery of loans is expected to improve by Rs.1649 crore only. Thus, overall, the non debt receipts of the Central Government was less by Rs.9087 crore. Therefore, it became necessary to have recourse to higher market borrowings and other debt creating capital receipts to the extent of Rs.26548 crore to meet the above mentioned increase in Non Plan expenditure and also to compensate for the shortfall in revenue receipts. Since the gross budgetary support to the Plan was also raised by Rs.2395 crore, the overall borrowings and other liabilities were expected to be stepped up to the extent of Rs.28943 crore.

19. Thus, the revised estimates of market borrowings placed at Rs.77065 crore is 34 per cent higher than the budget estimates of Rs.57461 crore and 12 per cent higher than the actual market borrowings during 1998-99.

20. The recourse to State Provident Funds would be larger by Rs.750 crore over the budget estimate of Rs.6000 crore. The revised estimates of small savings is marginally higher by Rs.65 crore over the budget estimate of Rs.8000 crore for 1999-2000. Special Deposits are expected, however, to be lower by Rs.534 crore. In addition, draw-down on cash balance to the extent of Rs.3469 crore and increase in other sundry capital receipts of the order of Rs.5528 crore were expected.

Miscellaneous Capital Receipts (Net)

21. Recoveries of loans and advances to the States and UTs Governments, foreign governments, public sector enterprises and Government servants, receipts from Disinvestment of equity in Public Sector Enterprises, Special Deposits, and other sundry capital receipts constitute Miscellaneous Capital Receipts. Non Plan Loans to the States and UT Governments, foreign Governments, public enterprises, and Government servants, Non Plan Capital Outlay in terms of financial investment in PSEs, contribution to international financial institutions and expenditure on construction of office buildings and government residential accommodation are treated as Non Plan Capital Expenditure. The surplus of miscellaneous capital receipts over the Non Plan capital expenditure explained above is also a source of financing the Plan. In the scheme of financing the Annual Plan 1999-2000, such surplus (MCR net) was estimated at Rs.24636 crore, against which the revised estimates have been placed at Rs.24881 crore. Substantial shortfall of Rs.7400 crore occurred in respect of

receipts from disinvestments. However, recoveries of loan would improve by Rs.1649 crore. Recourse to sundry deposits also was higher to the extent of Rs.5530 crore. Thus, the shortfall in receipts from disinvestments and higher non-plan expenditure was met by improvement in recoveries of loans and recourse to higher order of debt creating capital receipts.

Net Inflow From Abroad

22. While the External Commercial Borrowings and Suppliers' Credit contribute to the Plan Investment of the CPSEs, external assistance in terms of external grants and loans from multilateral and bilateral agencies contribute towards financing the plan projects and schemes implemented directly by the Central Ministries and Departments.

23. The scheme of financing the Centre's Annual Plan 1999-2000, included an estimated receipt of Rs.1561 crore in respect of external grants and loans (net of repayments). Gross receipts from external loans improved by Rs.615 crore compared to the Budget/Plan Estimates of Rs.9001 crore. Repayment liability also was higher than the budget estimates to the extent of Rs.554 crore, resulting in net improvement of Rs.61 crore only in respect of external loans. External grants in the revised estimates are expected to be higher than the Budget/Plan Estimates by about Rs.133 crore. Thus, the overall improvement in external assistance would be Rs.194 crore compared to the Budget Estimates. The details are given in Table 2.6.

TABLE 2.6
Net Inflow From Abroad During 1999-2000 (Govt. Sector)

		(Rs.crore)			
Sl. No.	Item	1999-2000 BE	1999-2000 RE	Difference (RE-BE)	
1	External Loans	9001	9616	615	
2	Repayment of Loans	8156	8710	554	
3	Net Receipts of Loans	845	906	61	
4	External Grants	715	849	133	
5	Total Inflow from abroad	1561	1754	194	

An Overview Of The Revised Estimates Of Financial Resources For The Annual Plan 1999-2000

24. According to the revised estimates, the receipts from customs and union excise duties (net) would be lower by Rs.2569 crore and Rs.2315 crore respectively during 1999-2000. The expected shortfall in corporation tax and income tax is of the order of Rs.935 crore and Rs.226 crore. Thus the estimated tax revenue receipt is expected to be lower by Rs.6045 crore compared to the budget estimates in respect of the four major taxes. The estimated improvement of Rs.2560 crore that is 5.1 per cent of the budget estimates from Non Tax Revenue Receipts partly compensated for the revenue loss in tax receipts. Thus, the shortfall in overall revenue receipts is estimated at Rs.3336 crore. Receipts from disinvestments would be substantially lower to the extent of Rs.7600 crore. This is offset only marginally by an improvement of Rs.1649 crore in recoveries of loans.

25. The Non Plan expenditure of the Central Government is expected to increase by Rs.17461 crore during 1999-2000, that is, an increase of 8.5 per cent over the budget estimates. This is mainly on account of the unexpected expenditure on national defence, election, natural calamities and residual impact of Fifth Pay Commission. The gross budget support to the Annual Plan including Central Assistance to the States' and UTs' Plans also would increase by Rs.2395 crore. Thus, the shortfall in revenue receipts (Rs.3336 crore) and in non-debt capital receipts (Rs.5751 crore) along with increase of Rs.17461 crore in Non Plan expenditure and Rs.2395 crore in budgetary support to the Plan necessitated higher borrowings to the extent of Rs.28943 crore in the revised estimates for 1999-2000. Hence, the cumulative effect of lower revenue receipts and shortfall in non debt capital receipts along with phenomenon increase in non plan expenditure increased the fiscal deficit to 5.6 per cent of GDP as against the budget target of 4 per cent.

26. The Central Plan Outlay including the budgetary support to the Central Plan and Internal & Extra Budgetary Resources of the Central Public Sector Enterprises, according to the revised estimates would be lower at Rs.96310 crore compared to the Budget/Annual Plan estimates of Rs.103521 crore, that is, a shortfall of Rs.7211 crore or about 7 per cent of the budget estimates. Since the Non Plan expenditure of the Central Government increased by 8 per cent, the Central Plan expenditure would be lower despite recourse to larger fiscal deficit. In short, the pattern of receipt and expenditure observed in the previous years, that is, revenue collections falling short more often and non plan expenditure exceeding the budget estimates resulting in lower budgetary support to the Plan, continued in the year 1999-2000 also.

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27. The concern of the Government to maintain reasonable level of Plan investment in 2000-01 was overwhelming especially in view of the fact that the Plan expenditure in the first three years of the Ninth Plan was less than the Plan projections. However, there is not much scope to contain the Non Plan expenditure. The larger fiscal deficit during 1999-2000 would result in higher interest payment liability. Our commitment to fully meet the defence needs and the expected additional transfers to the States under the interim award of the Eleventh Finance Commission would substantially add the Non Plan expenditure of the Centre. The budgetary support for the Annual Plan 2000-01 and the fiscal measures envisaged in this year's Budget reflect the attempt towards reconciliation of the competing demands for Plan investment and Non Plan expenditure, continuing with the process of fiscal correction at the same time.

SUMMARY OF GOVERNMENT EXPENDITURE

28. The Budget proposals for 2000-01 provide for increase of the Non Plan and Plan expenditure by about 11.6 per cent and 11 per cent respectively over the revised estimates of 1999-2000. In absolute terms, the Plan expenditure (Gross Budgetary Support to the Annual Plan) is placed at Rs.88100 crore and the Non Plan expenditure is estimated to be Rs.250387 crore. Central Assistance to States' and UTs' Plans and the Budget Support to the Central Plan have been placed at Rs.36824 crore and Rs.51275 crore reflecting an increase of 3 per cent and 17 per cent respectively over the revised estimates for 1999-2000. The substantial increase in budgetary support to the Central Plan reflects the priority placed on basic human development needs including education, health care, social welfare, housing and water supply. The estimated Internal and Extra Budgetary Resources of the Central Public Sector

Enterprises is Rs.66058 crore. Thus, the total Plan Outlay of the Centre for the year 2000-01 would be Rs.117334 crore; an increase of 21 per cent over the revised estimates and 13 per cent over the Plan/Budget Estimates for 1999-2000. The following Table 2.7 contains the details and the scheme of financing the Centre's Annual Plan 2000-01 is explained below:

TABLE 2.7
Centre's Plan Outlay Annual Plan 2000-01

(Rs. crore)				
Sl. No.	Item	2000-01 BE*	99-2000 RE	Increase (col. 3-4)
1	2	3	4	5
1	Budgetary support - Total of which	51276	43661	7615
1a	Budgetary Support to CPSEs	10370	9103	1266
2	IEBR of CPSEs	66058	52649	15409
3	Plan Outlay/Investment of CPSEs (1a + 2)	78428	61753	16675
4	Central Plan Outlay (1+2)	117334	96310	21024

Note: * Approved Plan outlay

Balance From Current Revenues

29. The resource mobilisation envisaged in the Budget and the expected buoyancy of revenue during 2000-01 aim at bringing down the fiscal deficit from 5.6 per cent of GDP for 1999-2000 to 5.1 per cent of GDP. Implicit in this target is an estimated tax revenue receipts of Rs.1,46,209 crore (net to the Centre). In view of the Non Plan expenditure of the magnitude mentioned above, the Balance from Current Revenues (BCR) works out to Rs.(-)43963 crore for 2000-01 against Rs.(-)39121 crore arrived at in the revised estimates for 1999-2000, resulting in larger Non Plan revenue gap of the Centre. This is examined below.

Revenue Receipts – Tax And Non-Tax

30. The Budget proposals for 2000-01 aim at an increase of Rs.24,169 crore, that is, 13.5 per cent over the Revised Estimates for 1999-2000 in respect of revenue receipts. In absolute terms, the estimated gross revenue receipts of Rs.2,57,752 crore for the year 2000-01 represent 16.6 per cent growth over the revised estimates for 1999-2000. Tax revenue receipts placed at Rs.200288 crore would account for 82 per cent of the expected increase in total revenue receipts. The tax revenues include additional resource mobilisation of Rs.6904 crore as shown below:

TABLE 2.8
Additional Resource Mobilisation During 2000-01

(Rs. crore)			
Tax Measures	Share to the States	Share to the Centre	Total ARM
Corporation Tax	N/A	5,000	5,000
Personal Income tax	200	880	1,080
Interest tax	N/A	(-) 1,000	(-)1,000
Customs	N/A	(-) 1,428	(-)1,428

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Tax Measures	Share to the States	Share to the Centre	Total ARM
Union Excise Duties	1,819	1,433	3,252
Total	2,019	4,885	6,904

Note: N/A – not applicable

31. The gross tax revenue of the Centre mentioned above for 2000-01 is an increase of 17.8 per cent over the revised estimates for 1999-2000. After allowing for the States' share in Central taxes, the net tax revenue for the Centre would be Rs.146209 crore, implying tax-GDP ratio of 9.2 per cent compared to 8.7 per cent in the revised estimates of the previous year.

32. The non-tax receipt (excluding external grant of Rs.729 crore) placed at Rs.56735 crore implies an increase of 8.7 per cent over the revised estimates for 1999-2000. The increase of Rs.4549 crore is mainly due to increase in interest receipts to the extent of Rs.2577 crore, higher dividend and profits by Rs.1894 crore. The transfer from Reserve Bank of India by way of net profit alone account for Rs.1,700 crore in the total increase in dividends and profits.

33. The fiscal measures relating to direct taxes introduced in the Budget for 2000-01 aim at ensuring stability, economic growth, rationalisation and simplification of the tax system and indirect taxes would carry forward the process of restructuring the tax rates and simplification of procedures. The changes proposed in customs duties are expected to improve India's competitiveness. Some of the new fiscal measures included in the Budget for 2000-01 are given in Annexure 2.5.

Non-Plan Revenue Expenditure

34. The non-plan revenue expenditure, which, *inter-alia*, include defence capital and outlay on border roads is expected to increase by 13.4 per cent during 2000-01 over the revised estimates of 1999-2000. In absolute terms, this increase amounts to Rs.29131 crore. The interest payments liability alone would be higher to the extent of Rs.9841 crore. Defence outlay, grants to States and UTs and other Non Plan expenditure are expected to increase by Rs.10082 crore, Rs.11096 crore and Rs.995 crore respectively. The Government's decision to initiate the process of reducing subsidies, is reflected in a reduction of Rs.2892 crore in the outlay on subsidies. Overall, the Balance from Current Revenues is expected to be Rs.(-)43963 crore as compared to Rs.(-) 39121 in the RE for 1999-2000. The details are given in Annexure 3.2.

Resources For Plan Investment By Central Public Sector Enterprises– Annual Plan/Budget Estimates (2000-01)

35. The Centre's Annual Plan for 2000-01 envisages Plan investment of Rs.76428 crore by CPSEs. This is an increase of 12 per cent compared to the budget estimates for 1999-2000. Budgetary support to the enterprises would be about 14 per cent of their Plan investment which is marginally lower compared 14.7 per cent in the revised estimates for 1999-2000. However, in absolute terms the budgetary support for 2000-01 would be Rs.1,267 crore higher than the revised Estimates. However, Internal Resources would account for higher proportion at 51 per cent compared to 44 percent in the Revised Estimates for 1999-2000. This requires substantial improvement in the operational efficiency of the

enterprises in view of the fact that the revised estimates of internal resources have been consistently lower compared to the budget estimates in the preceding three years to the extent of 10 per cent, 12 per cent and 29 per cent.

36. Total borrowings would constitute 35 per cent of the investment by the CPSEs during 2000-01 as against 30 per cent in the revised estimates for 1999-2000. Thus, increase in the market borrowings of the enterprises to the extent of Rs.1518 crore would be required to fulfil the targeted Plan investment. Out of the total domestic borrowings of Rs.26777 crore, the enterprises have been permitted to mobilise Rs.600 crore through tax-free bonds. The pattern of financing of the Annual Plan of CPSEs for the year 2000-01 is given in Table 2.9.

TABLE 2.9
Financing Of Central Public Sector Enterprises' Annual Plan 2000-01

(Rs. crore)			
Sl. No.	Source of finance	2000-01 BE	Percentage Share
I.	Budget Support (i+ii)	10370	13.57
i.	Equity	8303	10.86
ii.	Loan	2067	2.70
II.	Internal Resources	39281	51.40
III.	Borrowings	26777	35.04
i.	Bonds /Debentures	7769	10.17
ii.	ECB/Suppliers' Credit	6222	8.14
iii.	Others (Public Deposits, inter-corporate Transfers etc.)	12785	16.73
I V	Total Plan Outlay (I + II + III)	76428	100

Debt-Creating Capital Receipts

37. The trends in Non Debt Receipts (revenue and capital), total expenditure (Plan and Non Plan) and debit creating capital receipts show that the Non Debt Receipts, though expected to meet substantially higher proportion of total expenditure of the Central Government in the budget estimates for 1999-2000 compared to the actuals of 1998-99, this proportion has declined at the stage of revised estimates. In the budget estimates for 2000-01 the Non Debt Receipts would meet only marginally higher proportion of total expenditure as shown below:

TABLE 2.10
Non-Debt Receipts, Plan And Non-Plan Expenditure

Receipt and Expenditure	(Rs. crore)			
	1998-99 (Actual)	1999-2000		2000-01
		(BE)	(RE)	(BE)
Revenue Receipts	149510	182840	179504	203673
Recovery of Loans	10633	11087	12736	13539
Disinvestment	5874	10000	2600	10000
Total Non Debt Receipts	166017 (59.43)	203927 (71.84)	194840 (64.15)	227212 (67.13)

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Receipt and Expenditure	1998-99	1999-2000		2000-01
	(Actual)	(BE)	(RE)	(BE)
Non Plan Expenditure	212548	206882	224343	250387
Plan Expenditure	66818	77000	79395	88100
Total Expenditure	279366	283882	303738	338487

Note: Figures in brackets relate to the proportion (per cent) of total expenditure met out of Non Debt Receipts.

38. The Non Debt Receipts meeting 64 per cent of the total expenditure in the RE for 1999-2000 compared to 59 per cent in 1998-99 is mainly on account of the revenue receipts improving by Rs.30,000 crore. The marginal improvement shown in the budget estimates for 2000-01 over the revised estimates would mainly depend on full realisation of the disinvestments receipts estimated at Rs.10,000 crore, besides an increase in Revenue Receipts to the extent of about Rs.24,000 crore. The Debt Creating Capital Receipts are expected to increase by Rs.2377 crore only in 2000-01 because of the anticipated improvements mentioned above. Unless these improvements take place, the fiscal slippage which occurred during the course of 1999-2000 (between BE and RE), is likely to be repeated at the end of 2000-01 also. Recourse to many of the debt creating capital receipts namely, market borrowings, external loan, small savings and special deposits would be lower during the year by amounts ranging from Rs.65 crore to Rs.950 crore. The Central Government also has decided to increase the share against the net collection under small savings scheme from 75 per cent to 80 per cent with effect from 1st April, 2000. However, draft from other funds including relief bonds, railway reserve fund etc. would be more to the extent of about Rs.7000 crore. Recourse to draw down on cash balance would be nil against Rs.3469 crore availed during 1999-2000 as per revised estimates. Thus, the composition of financing fiscal deficit would be different during 2000-01 compared to the previous year. In addition to the moderate increase in the fiscal deficit in absolute terms proposed in the Budget, the reduction in interest rates on small savings instruments, public provident fund and general provident fund by about one per cent effected at the end of 1999-2000 and in the Budget for 2000-01, is likely to reduce the interest liability of the Central Government.

Miscellaneous Capital Receipt (Net)

39. The composition of Miscellaneous Capital Receipt has been explained in para 21 above. In the scheme of financing the Annual Plan 2000-01, the accrual from Miscellaneous Capital Receipt (Net) has been placed at Rs.39495 crore as against the Revised Estimates of Rs.24881 crore. This level of improvement to the extent of Rs.14614 crore is mainly on account of a targeted receipt of Rs.10000 crore from disinvestment of equity holdings (improvement of Rs.7400 crore over RE of 1999-2000). Recoveries of loans would be more by Rs.803 crore compared to RE of 1999-2000. The budget estimates for 2000-01 do not include draw down of cash balance.

40. Non-Plan loans to States and UTs is expected to decline by Rs.2927 crore while loans to public enterprises will be brought down marginally by about Rs.614 crore. Other Non Plan Capital Outlay is however estimated to increase by about Rs.300 crore. Thus, adjusting for this marginal increase in expenditure, the MCR (Net) is expected to increase by Rs.14614 in the BE for 2000-01 over RE for 1999-2000 as mentioned above.

Net Inflow From Abroad 2000-01

41. The net inflow during the year 2000-01 of External Loans and Grants for financing the Centre's Annual Plan is expected to be of the order of Rs.685 crore which is Rs.1069 crore lower than the anticipated inflow taken into account in the revised estimates for 1999-2000. The details are presented in Table 2.11.

TABLE 2.11
Net Inflow From Abroad During 2000-01 (Government Sector)

Sl. No.	Item	(Rs. crore)	
		1999-2000 RE	2000-01 BE
1	External Loans	9616	9129
2	Repayment of Loans	8710	9173
3	Net Receipts of Loans	906	-44
4	External Grants	849	729
5	Total Inflow from abroad	1754	685

42. The utilisation of external loans during the year 1999-2000 (upto 31.3.2000), according to the latest information available, was Rs.10001.17 crore as against the revised estimates of Rs.9615.71 crore. Grants to the extent of Rs.1064 crore were availed as against the revised estimates of Rs.849 crore. Hence, the total external assistance availed by the Centre and the States (Government Sector) amounts to Rs.11066 crore. The estimated receipt of external assistance for the year 2000-01 at Rs.9858 crore would be substantially lower compared to the previous year, calling for full utilisation of the estimated receipts.

Overview Of Financial Resources For The Annual Plan 2000-01

43. The Centre's Budget for 2000-01 provides Gross Budgetary Support (GBS) of Rs.88100 crore for this year's Annual Plan. This marks an increase of 14.4 per cent over the corresponding GBS of Rs.77,000 crore for the Annual Plan 1999-2000. The Non Plan expenditure of the Centre estimated at Rs.250387 crore for the year is an increase of 21 per cent over the provision made for 1999-2000. In order to meet the estimated total expenditure of Rs.338487 crore it is proposed to raise total revenue receipt of Rs.203673 crore. The tax revenue (Gross) collection by the Centre is proposed to be stepped up by 17.8 per cent to realise Rs.200288 crore over the revised estimates of Rs.169979 crore for 1999-2000. The corresponding increase in Non Tax revenue receipts is 8.7 per cent. Considering the growth of 18 per cent in respect of gross revenue receipts and non-tax revenue in the revised estimates of 1999-2000 over the actuals of 1998-99, the budget estimates are reasonable and attainable. The Government has outlined an unambiguous policy in the Budget 2000-01 for Public Sector restructuring in order to realise Rs.10000 crore from disinvestments. With the realisation of revenue receipts, receipts from disinvestments and recovery of loan of Rs.13539 crore, the fiscal deficit would amount to Rs.111275 crore (5.1 per cent of GDP) in 2000-01 to fully meet the total expenditure of the Centre.

44. The Plan expenditure (Gross Budgetary Support by the Centre to the Annual Plan) according to the Budget Estimates for 2000-01 constitutes 73 per cent of the total expenditure; the same proportion as in the revised estimates for 1999-2000 and lower than the proportion of 76 per cent and 75 per cent realised in the years 1998-99 and 1997-98

respectively whereas the non plan expenditure in 1999-2000 (RE) and 2000-01 (BE) would be 27 per cent of the total expenditure reflecting its increasing share compared to the actuals of 1998-99 and 1997-98 when the corresponding proportion was only 24 per cent and 25 per cent.

45. Within Non Plan Expenditure, the share of interest payments is expected to increase to 41 per cent and 40 per cent in the years 1999-2000 and 2000-01 from 38 per cent and 37 per cent in 1997-98 and 1998-99 respectively. Similarly, defence expenditure will account for 22 per cent and 23 per cent of the total Non Plan Expenditure as against 20 per cent and 19 per cent in the previous years (1997-98 and 1998-99). The share of subsidies will come down to 9 per cent in 2000-01 from 13 per cent and 11 per cent in 1998-99 and 1999-2000. The impact of increase in fiscal deficit would be obvious from the fact that interest payments constituted 49 per cent of the net revenue receipts of the Central Government in 1997-98 and 1998-99. This is estimated to increase to 60.73 per cent in 1999-2000. The corresponding share in the Budget Estimates for 2000-01 would be 51 per cent.

46. The Annual Plan Outlay of the Centre estimated at Rs.117334 crore is an increase of 13 per cent over the Plan Outlay for 1999-2000. The resources of the Central Public Sector Enterprises placed at Rs.66058 crore and the Budget Support for Central Plan at Rs.51276 crore represent increase of 11 per cent and 16.5 per cent in nominal terms over the corresponding outlays provided for the Annual Plan 1999-2000. The resources of the CPSEs was 12 per cent less in the revised estimates over the budget estimates, though the budgetary support to the Central Plan was only one per cent less in the revised estimates compared to the budget estimates. Thus, full realisation of IEBR, especially internal resource generation and domestic borrowings, would be crucial for achieving the approved Annual Plan Outlay in 2000-01.

ANNUAL PLAN: STATES

ANNUAL PLAN 1999-2000: REVIEW

47. The approved Plan outlay for the year 1999-2000 of all the States was fixed at Rs.84,650 crore. This includes Rs.46,517 crore of States' Own Resources (SOR) and Rs.38,133 crore of Central Assistance. As against this, the latest estimate of the resources for the States' Annual Plan stood at Rs.60,702 crore indicating a shortfall of over 28 per cent compared to the approved Plan outlay. States' Own Resources fall short of the approved Annual Plan by over 43 per cent while Central Assistance was lower by almost 10 per cent in the latest estimate. The lower resource position of the States in the latest estimate is contributed, mainly by the continued deterioration in the non-borrowed components of States' Own Resources (SOR) namely, Balance from Current Revenues, contribution of State Level Public Enterprises and the inability of States to mop up the ARM Committed by them at the time of Deputy Chairman-Chief Ministers level discussions. On the Central Assistance front, year after year States have failed to absorb large part of the fund allocated for EAPs. Keeping with the past trend, there has been 29 per cent shortfall in Central Assistance for EAPs in the latest estimate over the approved Annual Plan (Annexure 2.8).

Balance From Current Revenues

Chapter 2: Financial Resources

48. The approved scheme of financing of all the 25 States together, for their Annual Plan 1999-2000 included BCR of Rs.(-)30,359 crore comprising of Rs.(-)5,043 crore for Special Category States and Rs.(-)25,316 crore for Non-Special Category States (Annexure 2.10). The BCR of all States together provided for an ARM of Rs.5,519 crore which excludes Rs.3,570 crore of ARM committed by States Chief Ministers in the Deputy Chairman level meetings (Annexure 2.8 and 2.11). The balance from current revenues of States deteriorated sharply from 1998-99 because of revenue outgo on account of pay revision and the failure of States to enhance revenue receipt. The latest estimate of resources for the Annual Plan 1999-2000 indicated a further deterioration in the BCR to the extent of Rs.14,705 crore as compared to the Annual Plan projection (Annexure 2.10). It is observed that in the latest estimate, of the 25 States only the State of Gujarat has been able to maintain positive BCR. An analysis of the BCR statement for the non-special category States (Annexure 2.9) indicates a shortfall in the realised revenue receipt in the latest estimate to the tune of 3 per cent as compared to the Annual Plan estimate. On the other hand, non-plan revenue expenditure exceeds Annual Plan projection by 4 per cent in the latest estimate.

TABLE- 2.12
Financing Of Annual Plan 1999-2000

States	States Own Resources		Central Assistance		Total	
	AP	LE	AP	LE	AP	LE
Special Category States	-220.29	-2906.52	8325.29	8316.03	8105.00	5409.51
Non-Special Category States	46737.64	29230.03	29807.55	26062.09	76545.19	55292.12
Total	46517.35	26323.51	38132.84	34378.122	84650.19	60701.63

(Rs. crore)

Additional Resource Mobilisation (ARM)

49. The total ARM of all States for the Annual Plan 1999-2000 was estimated at Rs.13,378 crore of which ARM of non-special category States constitute Rs.12,511 crore (Annexure 2.11). The total ARM includes budgetary ARM of Rs.5,519 crore, Rs.3,570 crore of ARM committed by Chief Ministers (Annexure 2.8 and 2.11) which, in the latest estimate integrate with respective heads like BCR and contribution of SLPEs, and Rs.4,288 crore of ARM by SLPEs. The ARM realised by non-special category States, as per the latest estimate of resources was Rs.7,302 crore, while special category States could mobilised only Rs.144 crore (Annexure 2.11). The ARM table at Annexure 2.11 indicates that States realised 61 per cent of budgetary ARM, 34 per cent of ARM by SEBs and 182 per cent of ARM by RTCs in the latest estimate of resources for the Annual Plan 1999-2000. The inability of States to mobilise the ARM committed by them is a major reason for the short fall in their plan resources. A major hurdle to revenue mobilisation is the competitive sales tax reduction by States to attract investment. The proposed uniform floor rates of sales tax by States and UTs from 2000 is expected to bring about increased sales tax revenue which accounted for almost 60 per cent of States' own tax revenue prior to this.

State Level Public Enterprises

50. The contribution of State Electricity Boards and State Transport Corporation together has been estimated at Rs.(-)3,329 crore for the Annual Plan 1999-2000. This included a contribution of Rs.(-)2,436 crore (Annexure 2.12) from State Electricity Boards and an amount of Rs.(-)893 crore (Annexure 2.13) from State Road Transport Corporations. The combined contribution of these two main State Government Undertakings to financing the Annual Plan further worsen in the latest estimate to Rs.(-)7,983 crore (Annexure 2.12 and 2.13). The contribution of SEBs deteriorated by over 3 times the Annual Plan projection while the contribution of RTCs improved by about 31 per cent in the latest estimate. Only few States like Karnataka, Kerala, and Uttar Pradesh have benefited from positive contribution of State Electricity Boards to the plan resources at the latest estimate stage (Annexure 2.12). The Table 2.13 below presents a comparable picture of the resources forecast vis-à-vis latest estimate of resource mobilisation for the Annual Plan 1999-2000 under BCR, contribution of SLPEs and ARM committed by Chief Ministers.

TABLE – 2.13
Estimates Of BCR & SLPEs Contribution During Annual Plan 1999-2000

(Rs.crore)		
Item	Annual Plan	Latest Estimate
BCR	-30359.11	-45064.36
Contribution from SLPEs	-2647.65	-6944.20
ARM agreed by CM	3570.21	961.13
Total	-29436.55	51047.43

State Provident Funds

51. State Government Employees provident funds has become an important component of financing Annual Plan, particularly from 1998-99 with the revision of pay scales and the impounding of arrears. The approved Annual Plan 1999-2000 projected Rs.17,379 crore as state provident funds which, in the latest estimate has gone up to Rs.18,067 crore. The borrowings under this head and from small savings not being project-linked they have become the most favourite sources of financing the plans by the States.

Small Savings

52. Loans against net collections from Small Savings constitute an important component of States Own Resources. The projection for Annual Plan under this head was Rs.25,699 crore, which constitute 55 per cent of States Own Resources and about 30 per cent of the aggregate resource for the plan. As against this projection, the latest estimate of resources by the States indicated an amount of Rs.24,594 crore as the net loans against small savings (Annexure 2.8). This accounted for a whopping 93 per cent of States Own Resources and 41 per cent of the aggregate resource in the latest estimate. Faced with worsening non-borrowed funds position States are increasingly relying on small savings to finance their Annual Plan thereby exposing themselves to the danger of raising their liability beyond sustainable limit.

Market Borrowings And Negotiated Loans

53. The financing pattern for Annual Plan 1999-2000 included Rs.10,966 crore (Annexure 2.8) of Open Market Borrowing (SLR based). The latest estimate of resource position indicated a slight increase to Rs.10,970 crore under market borrowing. Negotiated loans and other finances include loans from LIC, GIC, NABARD, REC, IDBI and other financial institutions. The Annual Plan 1999-2000 projected Rs.12,177 crore under this head of which the amount realised as per the latest estimate was Rs.13,780 crore. Since loans under this head are meant for specific developmental projects like housing, rural roads, sanitation, drinking water supply etc., it reflected the funds available for the developmental works of the States.

Bonds/Debentures Issued By State Level Public Enterprises

54. The amount of Rs.12,481 crore (Annexure 2.8) was provided in the funding pattern for the Annual Plan 1999-2000 of States under the head "bonds and debentures" to be raised by their corporations. The amount realised as per the latest estimate was Rs.12,989 crore. Since State Governments are providing guarantee to these instruments, the contingent liability of the States is fast rising. As these corporations are often unable to make profits to pay off interest and instalments, the debt service liability may ultimately fall upon the States. This may further exacerbate the stress on fiscal position of State.

Central Assistance

55. As per the budget estimates of the Central Government an amount of Rs.31,918 crore (Annexure 2.7) has been provided for States Plan in the 1999-2000 budget including Rs.3,055 crore for area programmes. The normal Central Assistance budgeted at Rs.16,540 crore has been revised to Rs.15,417 crore while Central Assistance for EAPs was enhanced from Rs.5,500 crore to Rs.6,200 crore in the revised estimate. The revised estimate indicated Rs.34,527 crore of Central Assistance for States Plan, about 8 per cent higher than the BE (This also includes Central Assistance for the NEC Plan).

56. Two programmes, namely, Basic Minimum Services (BMS) and Slum Development were introduced in 1996-97. The allocation for BMS was done on the basis of Adjusted Gadgil Formula, wherein the weights for performance and Special Problems under Gadgil Formula were added on to per capita income criterion. The allocation for Slum Development Scheme was done on the basis of pro-rata slum population of each State in 1991. However, the loan-grant ratio continued to follow the normal pattern.

Central Assistance For Externally Aided Projects

57. The approved scheme of financing the Annual Plan of States indicated Rs.12,861 crore (Annexure 2.8) as Central Assistance for Externally Aided Projects. The Central Government's budget of 1999-2000 on the other hand, provided Rs.5,500 crore for this purpose keeping in view the micro-scenario of external assistance which are already firmed up as well as those in the pipeline. The revised estimate for EAPs by the Central Government indicates an enhancement to Rs.6,200 crore (Annexure 2.7) while the latest estimate of resources by States shows a decline to Rs.9,075 crore (Annexure 2.8). While it is necessary for States to expedite better utilisation of funds under EAPs, so as to attract more funds under the head, it is also necessary to provide sufficient budgetary provision to meet local cost of the projects.

Plan Funding Of Union Territories

58. Plans of the Union Territories without legislatures are fully funded through Central Plan Assistance. The plan outlay of UTs with legislatures for 1999-2000 was fixed at Rs.3,312 crore, comprising of Rs.3,000 crore for NCT of Delhi and Rs.312 crore for Pondicherry. BCR, ARM and loans against Small Savings form a major portion of the Own Resources of the UTs of NCT of Delhi and Pondicherry. Total Central Assistance as per the approved scheme of financing the Annual Plan 1999-2000 of these two UTs has been estimated at Rs.610 crore. As per the latest estimate these two UTs together realised an aggregate resource of Rs.2,812 crore for the Annual Plan 1999-2000.

Special Category States

59. Funding pattern of all Special Category States (7 N.E. States, Himachal Pradesh, Sikkim and Jammu & Kashmir) was formulated on the same pattern as that of non-Special Category States (i.e., inclusive of a negative States Own Resources). The approved Annual Plan allocation for these States for the year 1999-2000 was estimated at Rs.8,105 crore (Table 2.12) out of which Central Assistance accounted for about 103 per cent. The latest estimate of resource place aggregate resource at Rs.5,410 crore, about 33 per cent lower as compared to Annual Plan estimate. As a result of further deterioration in SOR, Central Assistance in the latest estimate accounted for about 154 per cent of aggregate resource for the annual plan.

Progress Of Ninth Five Year Plan

60. The approved Ninth Five Year Plan 1997-2002 for all the States projected aggregate resource of Rs.3,54,664 crore. This includes States Own Resource of Rs.1,85,889 crore and Central Assistance of Rs.1,68,775 crore. The realisation during the first three years (1997 to 2000) of the Ninth Plan at constant prices works out to Rs.1,57,635 crore, which is just about 44 per cent of the projection. While the realisation of SOR was Rs.81,447 crore, an amount of Rs.76,188 crore has been realised under Central Assistance.

TABLE – 2.14
Realisation During The First Three Years Of The Ninth Plan

Item	Ninth Plan Projection	Realisation 1997-99	Percentage Realisation as against Ninth Plan Projection
States' Own Funds	3814.19	-79597.68	-2086.88
Borrowings of States	182075.10	161044.62	88.45
Central Assistance	168775.00	76187.85	45.14
Aggregate Resources	354664.29	157634.79	44.45

61. In the above table (Table 2.14) the aggregate resources for the plan is presented in terms of States' Own Funds which includes non-borrowed components of SOR, States' Own Borrowings and Central Assistance. It is quite evident that as compared to the Ninth Plan projection, there has been substantial deterioration of the non-borrowed funds position of States. On the other hand, States have already exhausted 88 per cent of the projected

borrowings within the first three years of the Ninth Plan. The low realisation of the projected Central Assistance is mainly because of the low absorption of Central Assistance for EAPs.

Areas Of Concern

62. The major areas of concern in financing the plan are (a) continuous existence of wide gap between resource projection committed for funding the Plan and the actual realisation; (b) the growing revenue deficit and deterioration in the BCR of States; (c) deterioration in the functioning of State Level Public Enterprises; (d) increasing and over dependence on loans against small savings for plan finance; and (e) slow implementation of Externally Aided Projects resulting in low absorption and failure to attract more external assistance. The additional resource mobilisation through budgetary measures have mostly fallen short of the original commitment resulting in deterioration in the BCRs. Most of the States are financing their Plan through borrowings which has resulted in increasing burden of debt services which has reached an alarming proportion. It is necessary for States to raise their own resources through innovative tax and non-tax measures. The States are expected to increase the mobilisation of their own resources through tax reform measures, rationalisation of power tariff and water rates, improvement in the functioning of SLPEs and curtailing wasteful public expenditure. While it is imperative that borrowing has to be resorted to funding of capital investment, State Governments should take utmost care in making the investment decision so that capital so created earns enough returns to service the debt. Last but not the least, States should ensure expeditious implementation of EAPs and make efforts to attract more external funding which are forthcoming with the advent of economic liberalisation.