CHAPTER 2

PUBLIC SECTOR PLAN, CENTRE & STATES: RESOURCES POSITION

Resources Of Centre

This chapter discusses Annual Plans 1997-98, 1998-99 and 1999-2000 and prospects for raising resources in remaining two years of the Ninth Five Year Plan (1997-2002) as part of **Mid-Term Appraisal (MTA)** of the Plan. The performance of the Central Government and the States in raising resources is assessed in the light of targets set for them in the Plan.

Plan Projections

2. A Public Sector Plan Outlay of Rs.8,59,200 crore (at base year 1996-97 prices) was approved for Ninth Plan of the Centre and States. In financing this order of outlay, Public Sector Enterprises (PSEs) were expected to raise Rs.3,40,409 crore in Internal and Extra Budgetary Resources (IEBR): Rs.2,85,379 crore by PSEs at the Centre and Rs.55,030 crore by their counterparts in States. For the rest, it was estimated, the Centre, States and Union Territories (UTs) together would mobilize Rs.5,18,791crore in Budgetary Resources (BR). The total Outlay is made up of: Centre's Plan Outlay of Rs.4,89,361crore; allocation of Rs.2860 Crore to UTs without legislature and Plan Outlay of Rs.3,66,979 Crore for States and UTs with legislature. Thus, 57 per cent of the total Outlay has been allocated for the Centre (ministries & departments) and the UTs without legislature; the rest 43 per cent provided for States and the UTs with legislature. Mobilization-wise, on the other hand, the Centre is expected to raise Rs.3,74,000 crore, or 72 per cent of the aggregate Budgetary Resources of Rs.5,18,791 crore, while States and UTs with legislature will find Rs.1,44,791crore, or just 28 per cent of the total. Against this, what is assigned to the Centre is `only Rs.2,03,982 crore which is 39 per cent of the total Budgetary Resources; the rest Centre-raised 33 per cent of the total is earmarked for transfer to States and UTs as Central Assistance for financing their Plans. Including their own effort, then, the share of States and UTs in total Budgetary Resources would be 61 per cent, that is, Rs.3,14,809 crore. In other words, while the Centre was expected to raise 72 per cent of the aggregate Budgetary Resources, it would retain eventually only 39 per cent to finance its own Plan; States and UTs would raise 28 per cent but would have 61 per cent of overall Budgetary Resources to finance their Plans.

Budgetary Resources of Centre

3. The Centre provided Gross Budget Support (GBS) of Rs.2,05,290 crore in the three Annual Plans 1997-98 to 1999-2000. At comparable prices, this amounts to Rs.1,81,527 crore, showing a shortfall of Rs.17,104 crore or 8.6 per cent of Plan projections of Rs.1,98,631 crore. Details are given in the Table below:

Table 1

Budgetary Resources Raised by Centre

(Rs. in Crore at current prices)

Resources	Projections for 1997-2000	Realisation during 1997-2000	Increase/ Decrease (-) during 1997-2000
1. Balance from Current Revenues	(-)32,135	(-)94,902	(-)62,767
2. Miscellaneous Capital Receipts	(-)17,256	(-)10,991	6,265
3. Borrowings and Other Liabilities	2,74,349	3,11,183	36,834
Total	2,24,958	2,05,290	(-)19,668

The realization/ mobilisation of resources shown above includes Revised Estimates for 1999-2000. Hence, any eventual shortfall in 1999-2000 vis-à-vis the Revised Estimates taken into account in these calculations would deteriorate the position further.

Balance from Current Revenue (BCR)

4. The BCR experienced in first three years of the Plan is given in the table below:

Table 2 A

Balance from Current Revenues (BCR) of Centre

(1997-98 to 1999-2000) - PROJECTIONS

(Rs. crore at current prices)

Sl. No.	Items	1997-98	1998-99	1999-2000
1.	Gross Tax Revenue	1,42,720	1,55,711	1,97,173
2.	States' share of Tax Revenue	43,562	40,854	57,180
3	Net Tax Revenue	99,158	1,14,857	1,39,993
4	Non Tax Revenue	39,356	45,137	51,682
5	Total Revenue Receipts	1,38,514	1,59,994	1,91,675
6	Non Plan Revenue Expenditure	1,55,377	1,75,566	1,91,375
7.	BCR	- 16,863	-15,572	300

Table 2 B

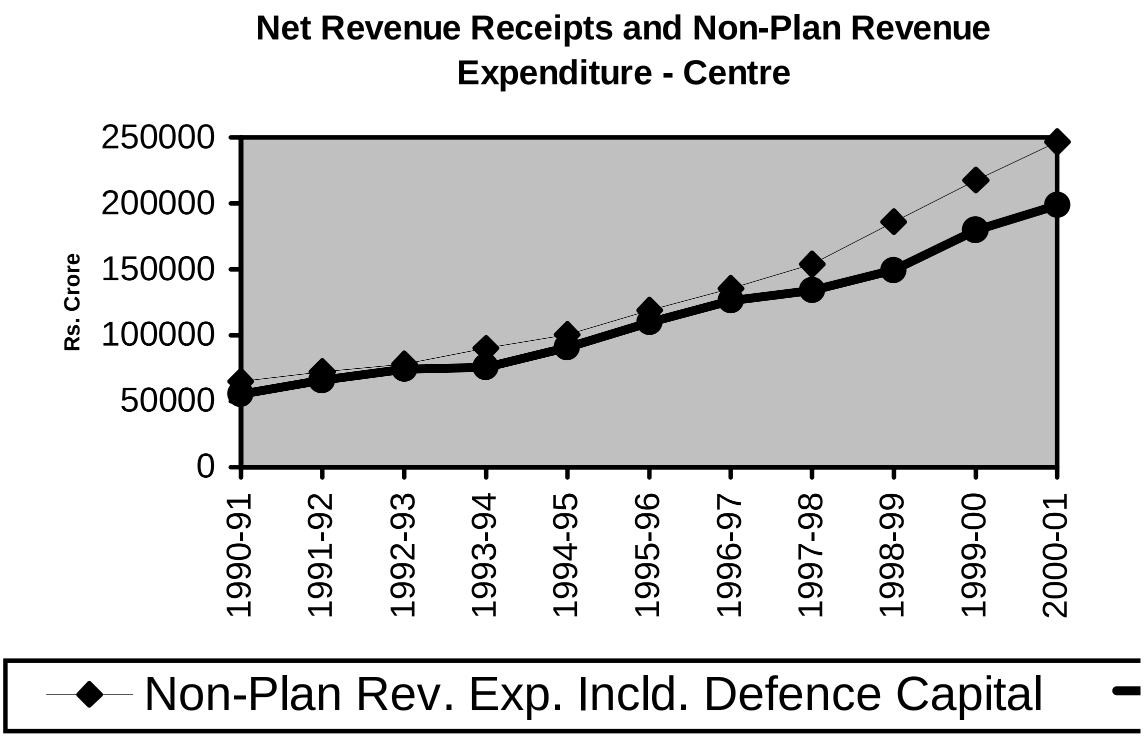
Balance from Current Revenues (BCR) of Centre

(1997-98 to 1999-2000) – REALISATION

(Rs. crore at current prices)

Sl. No.	Items	1997-98	1998-99	1999-2000
1.	Gross Tax Revenue	1,39,221	1,43,797	1,69,979
2.	States' share of Tax Revenue	43,548	39,145	43,510
3	Net Tax Revenue	95,672	1,04,652	1,26,469
4	Non Tax Revenue	38,214	44,858	53,035
5	Total Revenue Receipts	1,33,886	1,49,510	1,79,504
6	Non Plan Revenue Expenditure	1,54,265	1,86,002	2,17,535
7	BCR	- 20,379	-36,492	-38,031

5. Thus, compared to the negative balance of Rs. (–) 32,135 crore, the actuals of BCR during first three years of the Plan amounted to Rs. (-) 94,902 crore; thus, the negative balance had risen three times the projected level. The shortfall in revenue realization was to the extent of Rs. 27,283 crore and the increase in Non Plan expenditure amounted to Rs. 35,484 crore in these three years**.** In other words, the revenue expenditure increased by 6.8 per cent while gross revenue receipts decreased by 5.6 per cent vis-à-vis the projections. The following graph illustrates that the Non Plan revenue gap particularly in these years of the Ninth Plan has widened to unprecedented levels.



The factors leading to such worsening situation in Balance from Current Revenues are discussed below:

Revenue Receipts

6. The performance/ growth of the economy in general and the Non-Agricultural Gross Domestic Product (GDP) growth in particular have direct bearing on Revenue Receipts of the Government. It appears that the Tax Revenue Receipts of the Central Government in India have moved in a narrow band as in neighbouring countries in the period between 1994 and 1999 as shown in the table below:

Table 3

Central Government Tax Revenue

(As percentage of GDP)

Sl.No.	Country	1994	1995	1996	1997	1998
1	Malaysia	19.70	19.06	18.95	19.48	15.49
2	Sri Lanka	17.17	17.90	16.95	16.01	14.53
3	Pakistan	13.25	13.70	14.11	12.75	13.51
4	Indonesia	15.17	16.02	15.45	16.67	
5 (a)	India (to Gross Tax Revenue)	9.14	9.41	9.45	9.19	8.16
(b)	Indian (to Net Revenue)	6.68	6.93	6.88	6.31	5.94

7. However, in the case of India, the Tax Revenue in relation to GDP has been consistently declining during first three years of the Ninth Plan. Our past experience in this regard is summarized in the table below:

Table 4

Central Tax Revenue and Buoyancy

Average for Financial Years	Gross Tax Revenue	Corporation Tax	Personal Income	Customs Duties	Excise Duties
A. Revenue as a Percentage of Non Agricultural GDP at Factor Cost					
1989-90 to 1991-92	14.08	1.41	1.36	4.87	6.00
1994-95 to 1998-99 RE	12.00	1.84	1.63	3.66	4.37
1999-2000 BE	11.62	2.03	1.77	3.31	4.20
B. Buoyancy of Central Taxes with respect to Non Agricultural Gross Domestic Product					
1989-90 to 1991-92	0.926	1.346	1.050	0.743	0.888
1994-95 to 1998-99 RE	0.880	1.324	1.086	0.795	0.702
1999-2000 BE	1.313	0.995	1.724	1.260	1.324

8. The details given above indicate that the Gross Tax Revenue of the Centre as a percentage of Non Agricultural GDP has substantially decreased during the period between 1994-95 to 1999-2000 compared to the years between 1989-90 to 1991-92. This adverse situation as regards the Centre's tax revenue has also impacted the buoyancy of Central Taxes. The period between 1989-90 to 1991-92 had experienced buoyancy of 0.926 of Central Taxes with respect to Non Agricultural Gross Domestic Product. This buoyancy came down to 0.880 during the period 1994-95 to 1998-99. The experience with individual Central Taxes in these two periods in terms of collection as well as buoyancy has been mixed. Whereas Revenue Receipts from Corporation Tax and Personal Income Tax with reference to GDP growth have improved during 1994 to 1999, the receipts from Customs duties and Excise duties have substantially decreased. In terms of buoyancy, Corporation Tax and Excise Duties have been less elastic during this period whereas Personal Income Tax and Customs Duties showed marginal improvement in the period 1989-90 to 1991-92. The important point is that the growth in collections from Central Excise and Customs has substantial impact on overall tax revenue collection and buoyancy. This is because of their larger weightage in Gross Tax Revenue. This is further clear from the analysis of buoyancy of direct and indirect taxes and Gross Tax Revenue, shown in the table below:

Table 5

Buoyancy in Tax Revenue of Centre

Years	Non-Agri. GDP (Rs. crores)	Growth (Percent)	Buoyancy		
			Direct Taxes	Indirect Taxes	Gross Tax Revenue
1993-94	617253				
1994-95	731133	18.45	1.85	1.03	1.18
1995-96	878839	20.20	1.19	0.91	1.02
1996-97	999347	13.71	1.08	1.14	1.15
1997-98	1128201	12.89	2.06	0.03	0.63
1998-99	1303269	14.63	-0.26	0.45	0.22

9. The Budgets for the three years of Ninth Plan period included many tax reform measures. The 1997-98 Budget proposals aimed at rationalization of tax rates, widening of tax net and reduction of peak rates. It was expected that moderate tax rates would encourage savings, foster economic growth and motivate voluntary compliance. However, the decline in overall economic growth during 1997-98 including negative growth of agriculture and substantial shortfall in manufacturing growth had adverse impact on the revenue receipts of the Government. In addition, the fall in value of dutiable imports on account of lower volume and lower unit price affected customs revenue.

10. Several exemptions and incentives were included in the Budget for 1998-99. Besides, the progressive reduction in tariff and broad-banding of rates of customs duties were also continued. The impact of negative agricultural growth in the previous year and the decline in growth rate of manufacturing sector had their negative impact on revenue receipts, despite improvement in the overall GDP growth rate. The reform measures mentioned above were continued in the Budget for 1999-2000 also. However, the expected buoyancy and salutary impact of the Budget proposals covering the reform measures did not materialize in first three years of the Plan period. The table shows the deviation of tax revenues compared to Budget Estimates.

Table 6

TAX REVENUES – Budget Estimates & Actuals

Year	Corporation Tax (a)	Income Tax (b)	Customs Duties (c)	Union Excise Duties (d)	Total (a+b+c+d)	Gross Tax Rev. Receipts
1992-93	774	119	-1436	-1379	-1922	-1887
1993-94	-440	-298	-5534	-2054	-8326	-9124
1994-95	1342	1087	1589	647	4665	5158
1995-96	987	2145	6257	-2593	6796	7462
1996-97	-1033	491	-1584	-1876	-4002	-3383
1992-97	**1630**	**3544**	**-708**	**-7255**	**-2789**	**-1774**
1997-98	-1844	5021	-12357	-4238	-13418	-14426
1998-99	-2057	600	-6902	-4431	-12790	-13431
1999-2000	-1935	-556	-2569	-2865	-7925	-6881

TAX REVENUES – Budget Estimates & Actuals:
Increase (+)/ Decrease (-) Over Budget Estimates

11. The analysis of tax revenue of the Centre leads to the following inferences:

a) The Gross Tax Revenue declined in the period 1994-95 – 1999 -2000 compared to the period 1989-90 to 1991-92 in terms of gross collection as well as buoyancy in relation to non-agricultural GDP;

b) The Gross Tax Revenue receipts have moved in a narrow band of 9.14 per cent and 9.45 per cent of GDP;

c) The share of Union Excise and Customs in total tax revenue has been declining during the three years of the Ninth Plan; but still they constitute 71 per cent of Gross Tax Revenue from the four major taxes and therefore the declining trend needs to be reversed;

d) The decline in buoyancy of tax revenue, thus, is accounted also by a failure to realize even the Budget Estimates/ targets especially in the case of Union Excise and Customs;

e) The negative growth of Income Tax during 1998-99 and the marginal growth of Corporation Tax in 1997-98 substantially affected revenue receipts during the initial periods of the Plan. Incremental growth in per capita revenue collection declined with the higher growth in the number of assesses during 1996-97 and 1997-98. This supports the conclusion that lowering of tax liabilities did not result in improvement in compliance among higher income groups. Thus the question of arrears of income tax needs to be addressed in a more concerted manner; in the case of direct taxes in general, enforcement of tax compliance needs more attention. It is seen that the arrears demand as on 1.4.99 was Rs.41,827 crore with little improvement at Rs.44,861 crore a year later (on 1.4.2000).

Non-Tax Revenue

12. The share of Non Tax Revenue in Centre's revenue receipts was hovering around 20 per cent during the period from 1991-92 to 1996-97. An upward trend has been observed during the three years of the Ninth Plan when the percentage of Non Tax Revenue in revenue receipts increased to 21.5 per cent in 1997-98 and to about 24 per cent in the subsequent two years due to increases from interest receipts, receipts from other general services and dividends and profits. Nevertheless, these are lower than the Plan projections. Interest receipts constituted a major 66 per cent of Non Tax Revenue for the Centre since 1994-95. Of the total interest receipts, interest receipts from Plan and Non Plan loans advanced to States constitute 75 per cent. There is not much scope for further improvement in interest receipts due to the limits indicated by the Finance Commission. Thus, the improvement in Non Tax Revenue has to be realized through dividends and profits accruing to the Government. Dividends and profits from the Reserve Bank of India, the commercial banking sector, other financial institutions and public sector enterprises constituted about 14 per cent of the Non Tax Revenues in 1997-98, up from 6.6 per cent in 1991-92 to around 12 per cent till 1996-97. In absolute terms, dividends and profits increased from Rs.3,248 crore in 1995-96 to Rs. 9,410 crore in 1998-99. As regards dividends from Central PSUs to the Central Government, the position as of 1998-99 is follows:

Table 7

Dividends from PSEs

Year	Total Number	PSEs earning profit	PSEs paying dividends	Dividend paid (Rs. crore)
1996-97	236	129	80	2836
1996-97	236	134	88	3609
1998-99	235	127	83	4932

13. To sum up, improvement in the Non Tax Revenue of the Centre would be possible only if efficiency of the Public Sector Undertakings improves across the board resulting in higher dividend income to the Government. In addition, service charges in Social Services sector also need to be raised commensurate with increase in Plan investment. At present, the contribution from Social Services to Non Tax Revenue is less than half a percent, constituting around 0.4 per cent during 1994-95 to 1997-98 and declining to 0.32 per cent subsequently. Interest receipts may not increase substantially. It is possible and necessary to raise Non Tax Revenue above 3 per cent of GDP realized now.

Non-Plan Revenue Expenditure

14. Trends in the growth of Non Plan Expenditure over the decade 1990-91 to 2000-01 are given below:

Table 8

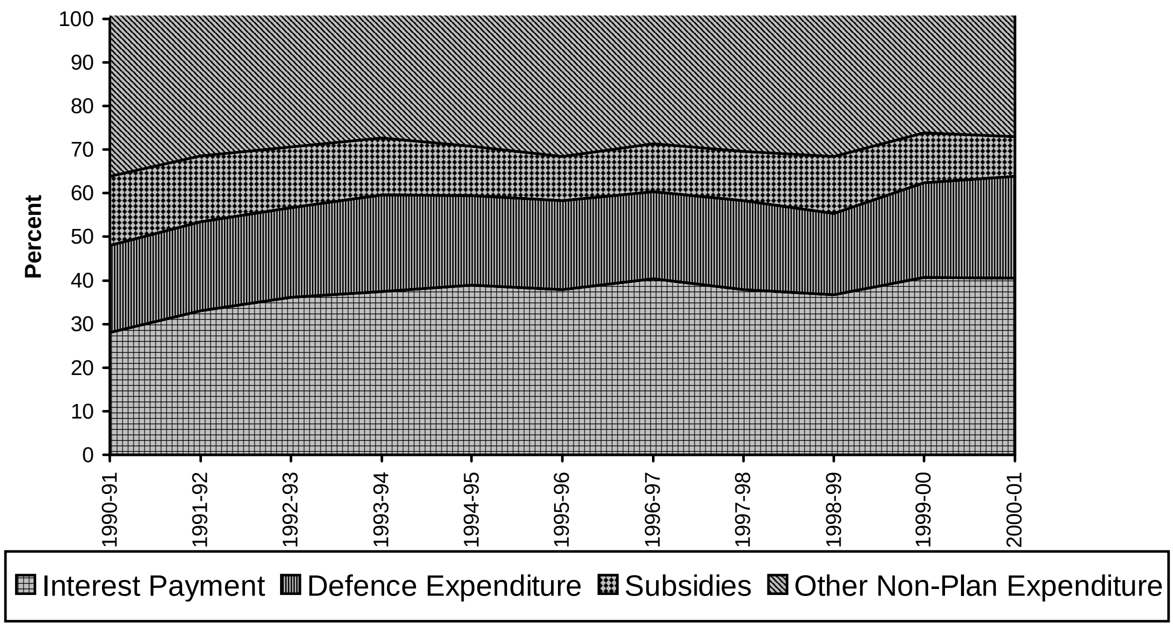
Trends in Non Plan Expenditure: Centre

(Rs. in crore)

Sr. No	ITEMS	1990-91 Actuals	1991-92 Actuals	1992-93 Actuals	1993-94 Actuals	1994-95 Actuals	1995-96 Actuals	1996-97 Actuals	1997-98 Actuals	1998-99 Actuals	1999-00 RE	2000-01 Budget
1	Interest Payments	21498	26596	31075	36741	44060	50045	59478	65637	77882	91425	101266
	Growth over prev. year		23.71	16.84	18.23	19.92	13.58	18.85	10.36	18.66	17.39	10.76
2	Defence Expenditure	15426	16347	17582	21845	23245	26856	29505	35278	39897	48504	58587
	Growth over prev. year		5.97	7.55	24.25	6.41	15.53	9.86	19.57	13.09	21.57	20.79
3	Subsidies	12158	12253	11995	12682	12932	13372	16364	19505	24786	25692	22800
	Growth over prev. year		0.78	-2.11	5.73	1.97	3.40	22.38	19.19	27.08	3.66	-11.26
4	Grants to States & UT Govts.	3982	3921	2645	2405	2334	5967	6230	4420	4923	6582	17676
	Growth over prev. year		-1.53	-32.54	-9.07	-2.95	155.66	4.41	-29.05	11.38	33.70	168.55
5	Other Non-Plan Revenue Expenditure	11310	11692	13709	15198	17306	21739	23275	28255	37094	43810	44757
	Growth over prev. year		3.38	17.25	10.86	13.87	25.62	7.07	21.40	31.28	18.11	2.16
6	Loans & Advances to State & UT Govts	7606	5532	4728	6264	9753	10538	10606	15817	23893	30047	32183
	Growth over prev. year		-27.27	-14.53	32.49	55.70	8.05	0.65	49.13	51.06	25.76	7.11
7	Small Savings to States & UTs	7026	5481	4264	5000	9675	9990	10671	15732	23788	26937	32000
8	Loans & Advances to States & UTs excluding Small Savings	580	51	464	1264	78	548	-65	85	105	3110	183
	Total (1 to 6)NPE incl SS	71980	76341	81734	95135	109630	128517	145458	153095	184582	246060	277269
	Growth over previous Year		6.06	7.06	16.40	15.24	17.23	13.18	5.25	20.57	33.31	12.68
	Total (1 to 6)NPE excl. SS	64954	708260	77470	90135	99955	118527	134787	137363	160794	219123	245269
	Growth over previous Year		9.09	9.33	16.35	10.89	18.58	13.72	1.91	17.06	36.28	11.93

Interest payments, defence expenditure (including capital outlay on defence) and subsidies constituted between 68 per cent and 70 per cent of total Non Plan expenditure of the Centre since 1991-92. In 1997-98 these constituted 69.52 per cent. The interest liability alone accounted for 33.06 per cent in 1991-92 and thereafter moved higher to remain in the range of 36 per cent to 40 per cent. The graph below illustrates this trend. Hence reduction of interest liability is critical in any scheme of reducing the Non Plan Revenue Expenditure.

Share (percent) of Subsidies, Defence Expenditure & Interest Payment in Non-Plan Expenditure



The increase in interest burden is a result of rising debt liability of the Government and the market -related interest rate that the Government pays on its domestic borrowing. The weighted average of interest rates on Central Government securities rose from 7.03 per cent in 1980-81 to 11 percent in 1985-86 and continued to remain below 12 per cent up to 1991-92. Thereafter, it exceeded 12 per in the years 1995-96 and 1996-97 to reach 13.75 per cent and 13.69 per cent but came down to 12.01 per cent (1997-98) and to 11.86 per cent (1998-1999). The interest liability on other important constituents of domestic debt of the Government sector --- mainly small savings and provident funds -- has also been rising. The average implicit interest rates on such liabilities which stood at 7.22 per cent in 1980-81 also moved to 10.81 per cent in 1990-91 and further to 12.15 per cent in 1997-98.

15. The assessment of resources for the Plan was based on the assumption that the interest burden of Central Government during a year would be at an average rate of 9.5 per cent payable on additional debt to be incurred by it in the preceding year as measured by Gross Fiscal Deficit. However, due to the market-related rate of interest on Government’s domestic borrowings, Centre’s interest liability exceeded the projections substantially by Rs.10,000 crore in first three years of the Plan. Though the marginal reduction effected during 1999-2000 in interest on small savings instruments of public provident fund and general provident fund could be considered as a timely and appropriate measure, a lasting and sustainable solution to the mounting interest burden in a regime of market -related interest rates lies in substantial reduction of fiscal deficit.

16. Defence Expenditure declined to 18.77 per cent of the total Non Plan Expenditure in 1998-99 from around 20 per cent during the period from 1990-91 to 1997-98. However, this proportion of defence expenditure was likely to increase to 21.6 per cent in 1999-2000

and the trend may continue due to our commitment to enhance the quality of defence preparedness.

17. The Plan projections for other Non Plan Revenue Expenditure excluding salaries and wages were based on the assumption of a nominal growth rate of 7.5 per cent and the real value remaining at the level attained in 1998-99. A growth rate of 2.5 per cent per annum in real terms and nominal growth rate of 10 per cent in respect of salaries and wages was considered on the expectation that Centre’s annual average burden in implementing Fifth Pay Commission’s recommendations would be less onerous in 1997-98 than in later years of the Plan. As against this assumption, the situation that emerged was quite different. From Rs.20,396 crore in 1996-97, the expenditure on pay and allowances for Central civilian regular employees including employees of the Union Territories increased to Rs.27,430 crore in 1997-98, a sharp 34.5 per cent surge over the previous year, mainly due to the Pay Commission award. The increase in 1998-99 was moderate at Rs.30,095 crore, which is 9.7 per cent higher compared to 1997-98. However, the revised estimates for 1999-2000 --- at Rs.38,659 crore -- represent an increase of 28.45 per cent. Thus, the enormous rise in this category has resulted in the overall increase in the category “ Other Non Plan Revenue Expenditure” as shown below:

Table 9

Other Non Plan Revenue Expenditure

Year	Total Other Non Plan Revenue Expenditure (Rs. in crore)	Annual Growth (%)
1996-97	23275	
1997-98	28255	21.40
1998-99	37094	31.28
1999-2000(RE)	43810	18.11

18. It appears that the growth in other Non Plan Revenue expenditure will be considerably lower in the coming two years of the Ninth Plan. For instance, the 2000-01 Budget Estimates of this outlay at Rs.44,757 crore represents only 2.16 per cent growth over 1999-2000. However, a substantial reduction in Central civilian staff strength is not likely in the coming two years. There is not much scope, then, for further reduction in the growth of revenue expenditure on pay and allowances over the Budget Estimates for 2000-01. Thus, with expenditure on defence and other Non Plan Revenue expenditure increasing at rates higher than experienced during the Eighth Plan period, a reduction in subsidies remains very critical for bringing down Non Plan expenditure in coming years. The explicit subsidy including subsidies on food, fertilizer (indigenous, imported and decontrolled) provided by the Central Government increased at phenomenal rates in the years 1996-97 – 1998-99 as shown below:

Table 10

Expenditure on Subsidy

Year	Amount of Subsidy (Rs. crore)	Annual Growth (%)
1995-96	13372	
1996-97	16364	23.38
1997-98	19505	19.19
1998-99	24786	27.08
1999-2000(RE)	25692	3.66

19. It is worth mentioning that the actual expenditure on subsidies far exceeds the Budget Estimates. Food subsidy and subsidy on indigenous fertilizer are expected to increase by Rs.1, 000 crore and Rs.670 crore at the Revised Estimates over Budget Estimates for 1999-2000 even when the overall increase in subsidies was expected to be very low at 3.66 per cent over the previous year. Besides these explicit subsidies, there are implicit subsidies incurred by the Government by way of providing budgetary support to loss-making Departmental Undertakings and writing-off of equity in loss-making public sector banks, which need special mention. An analysis carried out by Comptroller & Auditor General (CAG) on cost incurred in and revenue generated from 20 postal services shows that the department incurred a net loss of Rs.895 crore in 1998-99; an increase of 30 per cent over the Rs.688 crore loss by 18 services during 1997-98. A similar analysis has been made on losses by nationalised banks. The Government has written off these losses. Whereas only Rs.425 crore was the loss by the nationalised banks in 1994-95, the loss jumped to Rs.1,532 crore in 1996-97 and further to Rs.2,574 crore in 1998-99. It would thus appear that the budgetary support provided to meet losses by those banks and by the postal department was more than the Rs.3,135-crore plan outlay provided by the Centre for Health and Family Welfare in 1998-99.

20. Thus, the Non Plan Expenditure in first three years of the Plan far exceeded the Plan projections (except for defence in first two years). The following table captures the widening gap between revenue receipts and Non-Plan Revenue Expenditure of the Centre.

Table 11

Non Plan Revenue Gap

Sr. No.	ITEMS	1990-91 Actuals	1991-92 Actuals	1992-93 Actuals	1993-94 Actuals	1994-95 Actuals	1995-96 Actuals	1996-97 Actuals	1997-98 Actuals	1998-99 Actuals	1999-00 RE	2000-01 Budget
1	Total Non-Plan Revenue Expenditure (Inc. Def.Cap)	65447	72122	78398	90188	100665	118846	135806	154265	186002	217535	246692
	Total Tax Revenue (Gross)	57576	67361	74637	75743	92294	111224	128762	139220	143797	169979	193384
2	(2-1)	-7871	-4761	-3761	-14445	-8371	-7622	-7044	-15045	-42205	-47556	-53308
	Total Revenue Receipts (gross)	69552	83322	94721	97747	115923	139415	161340	177450	188655	223013	250848
3	(3-1)	4105	11200	16323	7559	15258	20569	25534	23185	2653	5478	4156
	Tax Revenue (Net)	42978	50069	54044	53449	67454	81939	93701	95673	104652	126469	141323
4	(4-1)	-22469	-22053	-24354	-36739	-33211	-36907	-42105	-58592	-81350	-91066	-105369
5	Total Revenue Receipts (Net)	54954	66030	74128	75453	91083	110130	126279	133901	149510	179503	198787
	(5-1)	-10493	-6092	-4270	-14735	-9582	-8716	-9527	-20364	-36492	-38032	-47905

21. Along with expenditure on defence and on Government establishment, the interest liability is likely to remain well above Plan projections in remaining two years of the Plan as well despite the reductions in rates introduced recently. Therefore, the option available is limited to a substantial selective reduction in subsidies in conjunction with a higher growth in Revenue receipts through widening of the tax base and plugging of tax evasion. Serious and sustained efforts in both areas are required to maintain Plan investment even at the present level in real terms.

EXTERNAL ASSISTANCE – Increase in Repayment Liability

22. The Ninth Plan envisaged that the External Assistance routed through Budget to finance Plan projects of Government Departments (Central, States and UTs) would be of the order of Rs.60,018 crore. As against this, the inflow of External Assistance in first three years of the Plan amounted to Rs. 30,343 crore at current prices as shown below:

Table 12

External Assistance

(Rs. Crore)

	Ninth Plan Projections (1997-2000) at 1996-97 prcies	Actuals (at current prices)		
		1997-98	1998-99	1999-2000 (RE)
Loans	48856	7859	10015	9616
Grants	10062	1018	987	848
Total	60018	8877	11002	10464

23. The inflow of External Assistance works out to Rs.26,903 crore at 1996-97 prices, accounting for 44.82 per cent of Plan Projections. Though some improvement in gross External Assistance took place in 1998-99 and 1999-2000 compared to the base year, the net inflow of external borrowings has been declining very fast as shown below:

Table 13

External Assistance (Net) (Rs. crore)

	1996-97	1997-98	1998-99	1999-2000
Gross External Borrowings	9534	7859	10015	9616
Repayments	6547	6768	8095	8710
Assistance (Net)	2989	1091	1920	906

The net inflow of External Assistance (borrowings), according to the 2000-01 Budget Estimates, would deteriorate further to negative inflow of Rs – 44 crore.

24. The following table shows details of actual State-wise utilization of External Assistance during first three years of Ninth Plan.

Table 14

Utilization of External Assistance by States (Rs.crores)

Sl. No.	State	1997-98	1998-99	*1999-2000*	1997-2000 (3+4+5)	Percent to Total	Rank
1	2	3	4	5	6	7	8
1	Andhra Pradesh	832.53	1028.98	1519.30	3380.81	22.22	1
2	Assam	6.23	29.31	51.04	86.58	0.57	14
3	Bihar	67.90	134.70	126.01	328.61	2.16	12
4	Gujarat	200.46	290.00	503.71	994.17	6.53	7
5	Haryana	113.69	167.08	203.22	483.99	3.18	11
6	Himachal Pradesh	4.56	22.12	10.37	37.05	0.24	16
7	Karnataka	173.10	301.61	420.91	895.62	5.89	8
8	Kerala	3.77	26.85	38.55	69.17	0.45	15
9	Madhya Pradesh	54.16	92.05	590.01	736.22	4.84	9
10	Maharashtra	646.11	583.53	151.11	1380.75	9.08	4
11	Manipur	0.00	7.38	6.19	13.57	0.09	17
12	Meghalaya	0.00	0.00	0.62	0.62	0.00	18
13	Orissa	264.37	348.85	457.00	1070.22	7.03	6
14	Punjab	63.32	110.98	33.33	207.63	1.36	13
15	Rajasthan	204.79	221.14	207.93	633.86	4.17	10
16	Tamil Nadu	305.42	321.93	586.73	1214.08	7.98	5
17	Uttar Pradesh	540.98	487.62	369.59	1398.19	9.19	3
18	West Bengal	560.46	957.08	765.48	2283.02	15.01	2
	TOTAL	4041.85	5131.21	6041.10	15214.16	100.00	

There have been perceptible changes in the utilization of External Aid by States. The number of States availing External Assistance and implementing Externally Aided Projects (EAPs) has increased from 15 in Eighth Plan period to 18 during 1997-98 – 1999-2000. Assam which had not availed External Assistance previously has started implementing EAPs from 1997-98 onwards. Manipur and Meghalaya have also initiated EAPs from 1998-99 and 1999-2000 respectively. In magnitude of external assistance availed during 1997-98 – 1999-2000, Andhra Pradesh ranks first followed by West Bengal, Uttar Pradesh, Maharashtra and Tamil Nadu. Maharashtra which availed the maximum assistance during the Eighth Plan period now occupies the fourth place. Jammu & Kashmir continues to be unable to avail external aid. Bihar is at the rear end still though its size and economy warrant a much higher order of External Assistance. There are two main inhibiting factors for such low utilization: resource constraint to provide matching contribution from domestic resources to avail External Aid and perception of the donors.

Miscellaneous Capital Receipts

25. Two main items of Miscellaneous Capital Receipts are recoveries of loans and advances and proceeds from disinvestments. The actual receipts from recoveries of loans and advances have exceeded Plan targets by Rs.1,397 crore during first three years of the Plan.

Disinvestment

26. The scheme of financing Ninth Plan proposed that "the receipts from disinvestments" may have to be substantially improved in the three years 1999-2002 of the Plan so that such receipts add up to at least Rs.23,895 crore (at 1995-96 prices) during the Plan period. Though the achievement in first two years of the Plan accords with the projections, the expected improvement has not taken place in 1999-2000. The actual realization from disinvestments against the Plan targets is given below:

Table 15

Disinvestment

(Rs. crore)

	1997-98	**1998-99**	**1999-2000**	**2000-01**
Plan Projections	906	5000	7000	8000
Realisation/ Estimates	912	5874	2600 (RE)	10000(BE)

27. The shortfall in realization from disinvestments in first three years of the Plan amounted to Rs. 3,520 crore while estimates for the next two years amount to Rs.17,000

crore. Unless the disinvestment programme is expedited, it would be difficult to realize the Plan estimates in this regard.

Gross Fiscal Deficit

28. In the scheme of financing the Plan the Fiscal Deficit was expected to decline from 6.1 per cent to 4.1 per cent of GDP during the Plan period. Because of the substantial shortfall in the revenue receipts and receipts from disinvestments and of the phenomenal increase in Non Plan Revenue Expenditure compared to Plan projections as brought out above, it was inevitable for the Government to take recourse to a higher order of Gross Fiscal Deficit to finance its expenditure (Plan and Non Plan). Details giving trends in Gross Fiscal Deficit of the Centre is given below:

Table 16

Fiscal Deficit – GDP Ratio

(Rs.crore/Percent)

Sl. No.	ITEMS	1990-91 Actuals	1991-92 Actuals	1992-93 Actuals	1993-94 Actuals	1994-95 Actuals	1995-96 Actuals	1996-97 Actuals	1997-98 Actuals	1998-99 Actuals	1999-2000 RE
1	Fiscal Deficit - conventional	44632	36324	40174	60257	58233	61278	66808	88937	113766	135836
2	Small Savings to States & UTs	7026	5481	4264	5000	9675	9990	10671	15732	23788	26937
3	Fiscal Deficit - New method(1-2)	37606	30843	35910	55257	48558	51288	56137	73205	89978	108899
4	G D P at current market prices Base : 1980-81	535534	616799	705918	810749	963492	1118964	1276974	1432964	1666455	1826434
5	Fiscal Deficit (conventional) / GDP-cmp (1980-81) ratio(1/4)	8.33	5.89	5.69	7.43	6.04	5.48	5.23	6.28	7.1	7.5
6	Fiscal Deficit (new method) / GDP-cmp (1980-81) ratio(3/4)	7.02	5	5.09	6.82	5.04	4.58	4.4	5.17	5.61	6.01
7	GDP at current market prices Base 1993-94	582574	670977	767924	859220	1009906	1181961	1361952	1515616	1762609	1931819
8	Fiscal Deficit (conventional) / GDP-cmp (1993-94) ratio(1/7)	7.66	5.41	5.23	7.01	5.77	5.18	4.91	5.87	6.45	7.03
9	Fiscal Deficit (new method) / GDP-cmp (1993-94) ratio(3/7)	6.46	4.6	4.68	6.43	4.81	4.34	4.12	4.83	5.1	5.44

Table 17

Fiscal Deficit – Central Government Total Expenditure Ratio

(Rs. in crore)

Sl. No.		1990-91 Actuals	1991-92 Actuals	1992-93 Actuals	1993-94 Actuals	1994-95 Actuals	1995-96 Actuals	1996-97 Actuals	1997-98 Actuals	1998-99 Actuals	1999-2000 RE	2000-01 Budget
1	Non Plan Expenditure	76933	80453	85958	98191	113361	131901	147473	172976	212547	224343	250387
2	Plan Expenditure	28365	30961	36660	43662	47378	46374	53534	59077	66818	79395	88100
3	Total Expenditure(1+2)	105298	111414	122618	141853	160739	178275	201007	232053	279365	303738	338487
4	Fiscal Deficit - conventional	44632	36324	40174	60257	58233	61278	66808	88937	113766	135836	148160
5	Ratio (4/3)	0.42	0.33	0.33	0.42	0.36	0.34	0.33	0.38	0.41	0.45	0.44
6	Fiscal Deficit - New method	37606	30843	35910	55257	48558	51288	56137	73205	89978	108899	116160
7	Ratio (6/3)	0.36	0.28	0.29	0.39	0.3	0.29	0.28	0.32	0.32	0.36	0.34

Table 16 above would show that the fiscal deficit-GDP ratio has been rising during first three years of the Ninth Plan. The actual ratio has been substantially higher than Plan projections as shown below:

Table 18

GROSS FISCAL DEFICIT

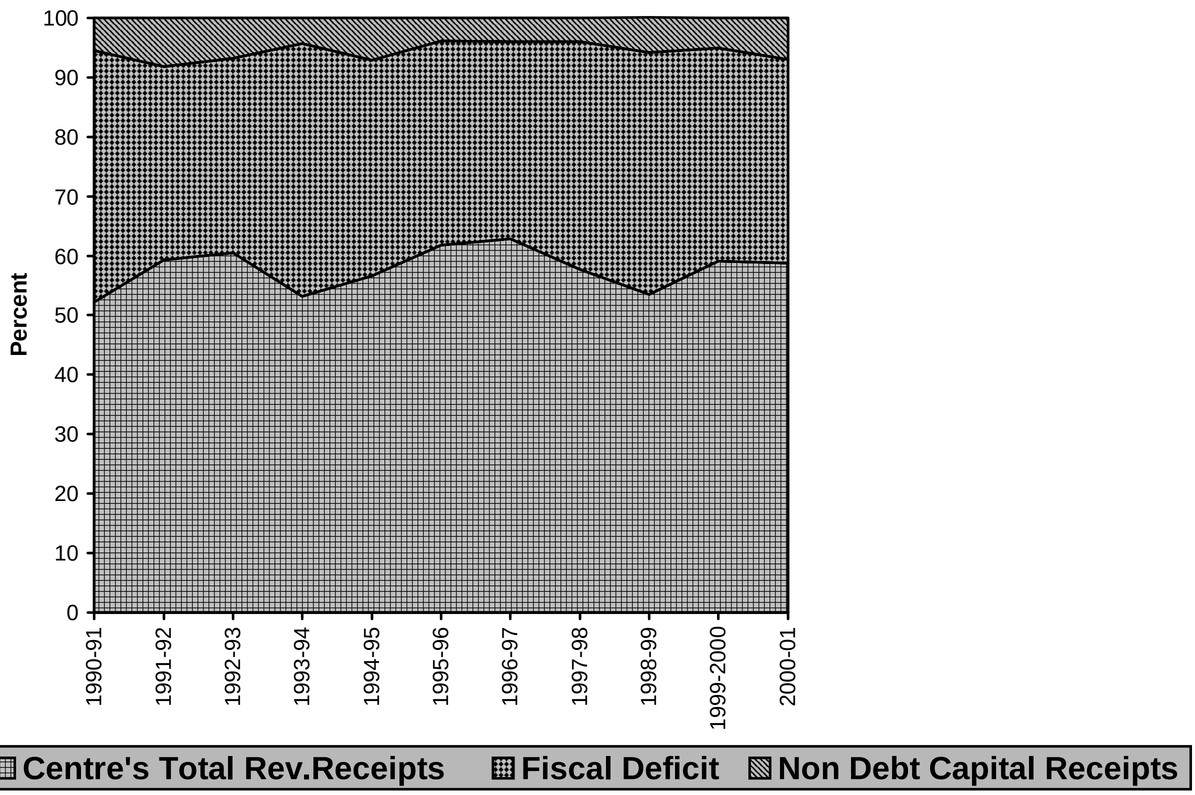
(Rs. in crore at current prices)

Year	Plan Projections	Actuals
1997-98	86,347 (6.14)	88,937 (5.87)
1998-99	91,928 (5.74)	1,13,766 (6.45)
1999-2000	96,074 (5.24)	1,35,836 (7.03)

Figures in brackets indicate the Gross Fiscal Deficit as percentage of GDP

It would be also clear from Table 17 above that fiscal deficit accounted for 32 per cent of the total Central Government expenditure in the years 1997-98 and 1998-99, which is higher than the ratio for the base year 1996-97. The position has deteriorated further during 1999-2000 when 36 per cent of the Central Government expenditure would be financed through recourse to fiscal deficit. The relationship between Government expenditure, revenue receipts, non-debt capital receipts and fiscal deficit is shown in the graph below:

Financing of Central Government Expenditure (Plan & Non-Plan)



Gross Budgetary Support to Central Plan and Central Assistance to States and UTs

29. Annexures I and II contain details of Gross Budget Support to Centre's Annual Plans and Central Assistance to States' and UTs' Annual Plans. It may be seen that despite resource constraint, the Central Government provided Central Assistance to States and U.Ts according to the pattern envisaged in Ninth Plan.

Financing of Plan Investment of Central Public Sector Enterprises

CPSEs – An Overview

30. There are 240 Central Public Sector Enterprises (CPSEs) as on 31.3.99 (excluding 6 insurance companies and 2 financial institutions) out of which 235 are in operation and 5 under construction. Among those in operation, 160 are manufacturing/ producing goods and 75 are rendering services. The investment in all 240 enterprises amounted to Rs.2,30,140 crore as on 31.3.99. Besides the Central Government which holds a major share of the investment, some State Governments, holding companies (which are themselves Public Sector Undertakings), financial institutions, banks and private parties have also stakes in these enterprises as shareholders. Of the 235 operating enterprises, according to the Public Enterprises Survey, 127 earned profit; 106 incurred loss and 2 neither earned profit nor incurred any loss during 1998-99. These enterprises as a whole have earned a net profit (profit after tax) of Rs.13,235 crore after setting off loss of loss-incurring enterprises, giving a return of 14.5 per cent on capital employed (profit before interest and tax to capital employed).

Resource Mobilisation by CPSEs in Ninth Plan

31. The investment by Central enterprises constitutes an important and major component of the Centre's Plan Outlay. The Ninth Plan projections include plan investment of Rs.3,23,379 crore by CPSEs which is 66 per cent of the estimated total Plan Outlay of Rs.4,89,361 crore allocated for the Centre. The financial resource for this investment comes from two sources, namely, Budgetary Support (BS) from the Government and Internal and Extra Budgetary Resources (IEBR) raised by each enterprise. The quantum of budgetary support for the Plan outlay of CPSEs was about 50 per cent during the 'eighties. This declined to about 15 per cent during the Eighth Plan and has been projected to be 11.75 per cent in the Ninth Plan. In other words, 88 per cent of Plan outlays of the Central enterprises other than those in the Infrastructure Sector and loss-making enterprises in the manufacturing sector was to be funded through IEBR. The declining Budgetary Support to and an increasing dependence on IEBR by the enterprises in financing their investment is a result of limited budgetary resources available with the Government, which is primarily allocated to take care of needs of social and economic sectors in the Plan. It also reflects the policy shift to ensure that these enterprises in due course emerge as commercially viable independent units capable of generating sufficient resources not only for maintaining current levels of production but also for modernization and expansion. Thus, in view of the

shrinking Budgetary Support to CPSEs, resources generated within the enterprises (Internal Resources comprising retained profit and depreciation reserves) and their domestic and external borrowings become critical for achieving targeted investment of the enterprises.

32. For the purpose of estimating resources for the Plan and Plan investment by CPSEs, the functioning of 155 and 162 enterprises coming under the administrative control of Central Ministries/ Departments was examined at the time of formulation of Centre's Annual Plans 1999-2000 and 2000-01 respectively. (The similar number examined during preparation of Annual Plans 1997-98 and 1998-99 was 153 and 155 respectively). In the three years of Plan period (1997-2000) the enterprises received 56.52 per cent of the estimated Plan Budgetary Support and raised IEBR to the extent of 47 per cent of the Plan projections. The Budgetary Support received was 13.9 per cent of the investment while the share of IEBR was 86.1 per cent of the investment. Thus, even in the lower order of investment, the IEBR share has been less than Plan projections. Details are given in the following Table:

Table 19

Plan Investment of CPSEs

(Ninth Plan Projections and Revised Estimates for 1999-2000)

(Rs. Crore)

Sl. No.	Item	IX Plan Projection	97-2000 (RE)	Col. (4) as % of Col. (3)
1	2	3	4	5
I	Budgetary Support	38000	21478	56.52
II	IEBR (IIA + IIB)	285379	133403	46.75
IIA	Internal Resources	161524	79082	48.96
IIB	Borrowings/ EBR	123855	54321	43.86
III	Plan Outlay of CPSEs (I + II)	323379	154881	47.89

Note: Col. 4 is the sum of Revised estimates in the respective Annual Plans.

* The Ninth Plan Document contains projections only for BS and IEBR. The break- up into its EBR and IR is based on a report of the Working Group on Resources for the Centre for the Ninth Plan.

Figures are at constant 1996-97 prices

33. The difficulty faced by the enterprises in generating internal resources and mobilizing loan capital from the market is evident from the fact that the Revised Estimates of IEBR have been substantially lower than Budget Estimates as brought out in the Table below and in Annexure III.

Table 20

Financing Pattern of Plan Investment 1997-2000

(Rs. Crore)

Sl. No.	Item	97-2000 (BE)	97-2000 (RE)	Shortfall	Contribution to shortfall (%)
1	2	3	4	5	6
I	Budgetary Support	22,106	21,478	628	2.48
	Equity	14,760	15,321	-562	-2.22
	Loan	7,346	6156	1,190	4.70
II	IEBR (IIA + IIB)	1,58,091	1,33,403	24,688	97.52
IIA	Internal Resources	95,603	79,082	16,521	65.26
IIB	Borrowings/ EBR	62,488	54,321	8,167	32.26
	Bonds/ Debentures	30,812	23,479	7,333	28.97
	ECB	14,635	12,477	2,159	8.53
	Others	17,041	18,365	-1,325	-5.23
III	Plan Outlay of CPSEs(I + II)	1,80,197	1,54,881	25,316	100.00
Note: Col. 3 & 4 are the sum of the BE and RE in the respective Annual Plans (taken at constant 1996-97 prices)					

34. The shortfall in Budgetary Support compared to Budget Estimates was only 2.48 per cent whereas the shortfall in IEBR accounted for 97.52 per cent of the overall shortfall in Plan investment of these enterprises in the three years 1997-2000. That clearly showed the difficulty faced by the enterprises to raise internal resources and to borrow from the market. It would be clear that the operational efficiency of enterprises must be improved to a great extent, given the magnitude of shortfall in generating internal resources compared to Plan projections/ Budget Estimates. It is also pertinent that the capacity to generate internal resources determines to a certain extent the ability to tap the market in terms of credit rating of the enterprise concerned. On the other hand, the availability of funds through borrowings provides sufficient working capital and capital for investment. Thus, the lower generation of internal resources and shortfall in borrowings mutually affect the resources position of the enterprises. At present most of CPSE bonds are privately placed with banks and financial institutions. This captive market exists mainly due to the high degree of safety associated with those bonds. In spite of government guarantee, the enterprises have not been able to tap the market to the extent required during 1997-98 and 1998-99 mainly on account of primary and secondary markets remaining subdued. Similarly, the uncertainties in international markets also affected the External Commercial Borrowings. The only source of borrowing that was fully tapped during these three years was the issue of tax-free bonds (by specified CPSEs). Details of resources raised through such `tax-free bonds over the years are provided in Annexure – IV. In view of the Government's decision to phase out tax-free bonds, the CPSEs may not have further scope for this facility. For the Annual Plan 2000-01, the

Government has accorded sanction for issue of tax-free bonds to the extent of Rs. 600 crore only as against the allocation of Rs. 950 crore for the Annual Plan 1999-2000. The request for allocation of tax-free bonds for higher amounts continues. It appears that the capacity of enterprises to generate resources through borrowings from the markets is mainly determined in the short run by the prevailing interest rates.

35. The IEBR raised by the Public Sector Enterprises during the first three years of the Ninth Plan amounts to Rs.1,33,403 crore as against projected Rs.2,85,379 crore at comparable prices, accounting for 46.75 per cent of the Plan estimates. With the Gross Budgetary Support of Rs.99,997 crore (at 1996-97 prices) so far provided to the Central Plan, the total Plan Outlay of the Centre in the first three years of the Ninth Plan works out to 47.7 per cent of the five-year estimate of Rs. 4,89,361 crore.

36. The Ninth Plan projections of IEBR are mostly accounted for (80 per cent) by enterprises coming under major sectors of Petroleum and Natural Gas (27.5%), Telecommunications (16.3%), Railways (11.8%), Power (10.7%), Coal (5.9%) and Steel (5.7%). The Table below provides relevant details regarding budget estimates and revised estimates of the resources raised by these enterprises.

Table 21

IEBR of Central Ministries during 1997-2000

(Rs. Crore)

Sl. No	**Ministry/ Department**	**1997-2000 (BE)**	**1997-2000 (RE)**	**Shortfall Col 3-4**	**Contribution to Shortfall (%)**
1	2	3	4	5	6
2.	Telecommunications	39,861	34,941	4,919	20
1.	Petroleum & Natural Gas	36,353	32,342	4,011	16
3	Power	15,840	12,479	3,361	14
4.	Steel	7,765	5,121	2,644	11
6.	Fertilizers	4,608	2,483	2,125	9
5	Coal	8,858	7,092	1,766	7
8	Surface Transport	5,563	3,816	1,746	7
7.	Mines	2,904	1,818	1,086	4
10.	Railways	18,580	17,242	1,338	5
9.	Civil Aviation	5,494	4,422	1,072	4
11.	Others	12,266	1,21,756	628	3
	Total	**1,58,092**	**1,33,403**	**24,696**	**100**

Figures are at constant 1996-97 prices

37. Hence, realization of the projected level of investment for the Ninth Plan in respect of CPSEs depends upon the success with which the enterprises are able to mobilize the resources. In general, two of the measures introduced to improve functioning of the Public Sector Enterprises in general need to be mentioned. Professionalisation of the Boards of enterprises is one of the areas. Adequate numbers of non-official directors are being appointed on those. The MOU system being followed on the recommendations of Arjun Sen Gupta Committee's Report is another endeavour to provide proper balance between accountability and autonomy. During the years 1997-98 and 1998-99, 108 PSEs and 109 PSEs signed MOU with the respective administrative Ministries and Departments with the objective of improving functioning of the enterprises.

Resources of States:

38. The aggregate plan resources of states can be broadly classified into two groups i.e. States' Own Resources and Central Assistance. While the former consists of States Own Funds and Borrowings of States, Central Assistance includes Central Assistance (Domestic) and Central Assistance for Externally Aided Projects. Ten states (eight in North East Region, Jammu & Kashmir ((J&K) and Himachal Pradesh) are classified as Special Category States (SCS) due to their hilly terrain and overall economic backwardness; the remaining fifteen states are classified as Non-Special Category States (NSCS). The mid-term appraisal of financial resources of the states is based on their performance during first three years of the Ninth Five Year Plan vis-à-vis Plan projections, as reflected in estimates of states' financial resources for 1997-98 (Actuals), 1998-99 (Pre-actuals) and 1999-2000 (LE). The combined scheme of financing of all States with Ninth Plan projections and realisation at 1996-97 prices is at *Annexure-IV*. Details of Balance from Current Revenues (BCR) are at *Annexure–V* and that of Additional Resource Mobilisation (ARM) is at *Annexure-VI*.

39. The aggregate Ninth Plan resources for States were projected at Rs.3,54,664.29 crore (at 1996-97 prices) which comprised Rs.1,68,775.00 crore of Central Assistance (47.6 per cent) , Rs.1,82,075.10 crore of Borrowings of States (51.3 per cent) and Rs.3,814.19 crore (1.1 per cent) of Own Funds of the States. (Similar Eighth Plan projections of states -- Rs.1,75,485 crore (at 1991-92 prices) -- comprised Rs.85,981.01 crore of Central Assistance (49 per cent, Rs.86,919.51 crore of borrowings of states (49.53 per cent and Rs.2,584.50 crore (1.47 per cent) of own funds of States). As against these projections, States have been able in first three years of the Ninth Plan to mobilise only 44.4 per cent of aggregate plan resources at constant prices. Though the realisation level of Total Central Assistance is 45.1 per cent and of Borrowings of States 88.4 per cent, the achievement in mobilizing Own Funds of the States is extremely low i.e. (-) 33.5 per cent. On the other hand, in first three years of the Eighth Plan the States were able to mobilize 45.34 per cent of aggregate plan resources at constant prices. The realisation level of total Central Assistance was 43.99 per cent and of Borrowings of States 52.67 per cent. The achievement in mobilisation of Own Funds of States was very low i.e. (-) 156.40 per cent. In general, these trends indicate the very low level of States Own Resources and the high level of borrowings. A detailed analysis of the realisation of various items of financial resources is given below.

Own Funds of States :

40. The Own Funds of States include Balance from Current Revenues (BCR), Contribution of State Level Public Enterprises (SLPEs), Miscellaneous Capital Receipts (MCR), Special Plan Grants of the Tenth Finance Commission (TFC), Additional Resource Mobilisation (ARM), Adjustment of Opening Balance and Net Surplus from Local Bodies. In Ninth Plan projections, Own Funds of States were approved at Rs.3,814.19 crore (i.e. 1.1 per cent of aggregate plan resources); against this the actual realisation was as low as (-) Rs.79,597.68 crore. The Own Funds of States corresponding to Eighth Plan were projected at Rs.2,584 crore (i.e. 1.47 per cent of aggregate plan resources) against which the actual realisation during first three years was Rs.(-)4,042.06 crore. The low level of Own Funds is a reflection of low BCR, MCR, ARM and unsatisfactory performance of SLPEs. The Own Funds are observed to be very low for U.P. Andhra Pradesh and Madhya Pradesh, followed by Rajasthan, Maharashtra, Haryana, Punjab, Bihar, Orissa and Tamil Nadu. The low level results in excessive dependence on borrowings and Central Assistance for Plan financing. The projection and realisation level of States' Own Funds are summarised in the Table below:

Table – 22

Own Funds of State (At 1996-97 prices)

(Rs. Crore)

Items	Ninth Plan Projections	Realisation (1997-2000)	% Realisation of Ninth Plan Projections
All States	3,814.19	(-) 79,597.68	(-) 2,086.88
Of which			(-)(156.40)
i) Special Category States (SCS)	(-) 5,627.32	(-) 16,106.93	(-) 286.23 (52.45)
ii) Non Special Category (NSCS)	9,441.51	(-) 63,490.75	(-) 672.46 (19.74)

***** Figures in parentheses indicate % realisation during Eighth Plan

Borrowings of States:

41. Borrowings of states comprise State Provident Funds, Loans against Small Savings, (SLR Based) Open Market Borrowings , Negotiated Loans from LIC, GIC, NABARD, etc. and Bonds/Debentures. In Eighth Plan projections, such borrowings were approved at Rs.86,919.51 crore against which the states could realise (during first three years of the Eighth Plan) only Rs.45,783.06 crore ,i.e. 52.67 per cent. Borrowings constituted about 49.53 per cent of aggregate plan resources in the Eighth Plan projections. In the Ninth these were approved at Rs.1,82,075.10 crore; against this States borrowed in first three years Rs.1,61,044.62 crore, i.e. about 88.45 per cent of the projections. Though projected at only 51.3 per cent of aggregate plan resources in the Ninth Plan, the borrowings surged

to 102.16 percent during first three years. This trend is a matter of serious concern; any alarming rise in dependence on borrowed funds for plan financing has serious implications on debt position of the states. If the present trend continues, it will only push their debt liability to unsustainable levels in remaining two years of Ninth Plan and subsequent period. However, while controlling the borrowings levels, the state governments have also to curb diversion of borrowed funds for financing revenue expenditure. The investment of these funds in socio-economic sectors which are vital for overall development of the state may be necessary and the debt burden can be offset through future income generation from these remunerative investments. The rising trend in State borrowings is mirrored in the Table below:-

Table – 23

Borrowings of States (At 1996-97 prices)

(Rs. Crore)

Items	Ninth Plan Projections	Realisation (1997-2000)	% Realisation to Ninth Plan Projections
All States	1,82,075.10	1,61,044.62	88.45
Of which			(52.67)
i) Special Category	13,009.91	9,512.09	73.11
			(60.42)
ii) Non Special Category States	1,69,065.19	1,51,532.52	89.63 (52.21)

*Figures in parentheses indicate % realisation during Eighth Plan

Central Assistance

42. Central Assistance includes broadly two categories i.e. Central Assistance (Domestic) and Central Assistance for Externally Aided Projects. The first one comprises Normal (Formula – based) Central Assistance and Central Assistance for Area Programmes. The Formula–based allocation is based on Gadgil/Mukherjee Formula as approved by National Development Council (NDC) in 1991,. The other Central Assistance for Area Programmes includes a variety of Special Area Programmes: Basic Minimum Services (BMS), Slum Development Scheme(SDS) , Accelerated Irrigation Benefit Programme (AIBP), Tribal Sub Plan (TSP), Hill Area Development Programme (HADP), Western Ghats Development Programme (WGDP), Border Area Development Programme (BADP), etc.

43. The Gadgil Mukherjee Formula provides for assistance to States in the Grant/Loan ratio of 90:10 for SCS and 30:70 for the NSCS. Thus it is important to note that Central Assistance also consists of certain proportion of loans which adds to the debt burden of State Governments.

44. Total Central Assistance for Ninth Plan was projected at Rs.1,68,775.00 crore against which the actual realisation in first three years was Rs.76,187.85 crore i.e. about 45 per cent of the projections. SCS could realise about 59 per cent of the projected level of Central Assistance and NSCS only 42 per cent of it because of low utilisation of Central Assistance for Externally Aided Projects (EAPs). NSCS' utilisation percentage of EAPs was as low as 26 per cent and of SCS 23 per cent of the projections showing hurdles in the progress of EAPs in the states. The Eighth Plan projected Central Assistance at Rs.85,981.01 crore against which the actual realisation in first three years of that Plan was Rs.37,824.03 crore i.e. about 43.99 per cent of the projections. SCs could realise only 36.47 per cent and NSCS 47.35 per cent of Central Assistance projected for the Eighth Plan .

45. In Ninth Plan projections, Central Assistance made up 43.2 per cent of the aggregate plan resources of NSCS and about 82 per cent for SCS. In actual realisation, it constituted 39 per cent for NSCS and 151.5 per cent for SCS. This ishows the extent of increasing dependence of SCS on Central Assistance because of very low level of States' own resources for plan financing. Since Normal Central Assistance is not project- based and includes a loan component (i.e. 70 per cent for NSCS and 10 per cent for SCS), there is a need to reduce diversion of these funds for non-plan, non-development expenditure. Trends in the realisation of Central Assistance vis-à-vis projections are illustrated in the Table below:

Table – 24
Total Central Assistance (At 1996-97 prices)

(Rs. Crore)

Item	Ninth Plan Projections	Realisation (1997-2000)	% Realisation to Ninth Plan Projections
All States	1,68,775.00	76,187.85	45.14 (43.99)
Of which			
i) Special Category	33,100.87	19,411.49	58.64 (36.47)
ii) Non-Special Category	1,35,674.13	56,776.36	41.85 (47.35)

* Figures in parentheses indicate % realisation during Eighth Plan

46. In continuation of foregoing discussion on the three broad sub-heads of aggregate plan resources i.e. States Own Funds, Borrowings of States and Central Assistance, a detailed analysis of each of the components is given below:

Balance from Current Revenues (BCR):

47. The emerging scenario of Balance from Current Revenue (BCR) indicates serious deviations from Ninth Plan projections. The BCR over first three years of Plan period is more than four times the projection which is already a very high negative figure. The fact that the realised BCR has far exceeded the projection for 5 years within only three years of the Plan shows the extent of financial crisis States are caught up in. States with such

performance are Haryana, Andhra Pradesh, Kerala, Goa, Maharashtra and Arunachal Pradesh. The deviation in BCR from the projections has been due to a combined impact of slow growth in current revenues in contrast to a fast increase in non-Plan revenue expenditure, necessitating greater dependence on borrowings for financing the Plan. The deterioration in BCR and the consequent increase in dependence on borrowings can be seen from *Annexure-IV*.

48. The realisation of Revenue Receipts in first three years of Ninth Plan is 53.3 per cent of the projected target for 5 years. The statewise analysis of Revenue Receipts can be seen in the Table given below. The highest revenue realisation as a percentage of projected targets during first three years of the Plan period has been for Punjab (69.8 per cent) while the lowest has been Goa (38.59 per cent). The revenue receipts of States consist of mainly Tax and Non Tax Revenue and Non-Plan grants from Centre. The tax revenue realisation for all States is about 52.5 per cent of the projected target.

Table 25

Realisation levels of Revenue Receipts and Expenditure

S.No.	Revenue Receipts			Revenue Expenditure		
States	High *	Medium **	Low***	High*	Medium **	Low***
NSC	Punjab	Karnataka, Kerala, Maharashtra, Orissa, Tamil Nadu, U.P., M.P., Rajasthan, Andhra, Pradesh, Haryana	Bihar, Gujarat, W.Bengal, Goa	Andhra, Haryana, Karnataka, Orissa, Punjab, Rajasthan, UP, W. Bengal	Gujarat, Maharashtra, M.P., Tamil Nadu, Kerala	Goa, Bihar
SC	Assam	Himachal Pradesh, Sikkim	Arunachal, J&K, Manipur, Meghalaya, Mizoram, Nagaland, Tripura	Arunachal, Manipur, Assam, Mizoram, Sikkim, J&K, Tripura, Himachal Pradesh	Nagaland, Meghalaya	None

*Note: * State with realisation levels of 60% or more of Ninth Plan target*
*** State with realisation level of 50% to 60% of Ninth Plan target.*
**** State with realisation level of 50% or less of Ninth Plan target.*

49. At a disaggregate level, there is considerable variation among the states in realisation of Tax Revenue and Non Tax Revenue. The Tax Revenue ranges from 76.7 per cent of Ninth Plan target in Haryana to 40.6 per cent in Bihar among NSC states. Among SC States it ranges from 58.7 per cent in Assam to 44 per cent in J&K. For Non Tax Revenue the figure ranges from 258.8 per cent of target in Punjab to 15.9 per cent in

Goa.among NSC states and 163.7 per cent in Tripura to (-)344% in Nagaland among SC states.

50. The State efforts may be better understood by a look at realisation of the State taxes in the Table below. States with a high realisation are Haryana, Madhya Pradesh, Assam, Himachal Pradesh and Sikkim and with low realisation Gujarat, Kerala, West Bengal, Bihar, Arunachal Pradesh and Mizoram. The low-realisation states have to take special measures to increase the realisation of State taxes like widening the tax net by imposing taxes on agricultural income, tax rationalization and better tax administration.

Table 26
Realisatlion level of State Taxes

States	High*	Medium**	Low***
NSC	Haryana, M.P.	Goa, Karnataka, Andhra Pradesh, Maharashtra, U.P., Orissa, Punjab, Rajasthan, T.N.	Gujarat, Kerala,W.Bengal Bihar
SC	Assam, Himachal, Sikkim	J&K, Meghalaya, Manipur, Nagaland, Tripura	Arunachal Pradesh, Mizoram

*Note: * State with realisation levels of 60% or more of Ninth Plan target*
*** State with realisation level of 50% to 60% of Ninth Plan target.*
**** State with realisation level of 50% or less of Ninth Plan target.*

51. The trend in non plan Revenue expenditure of States can be seen in *Annexure-V*. It is evident from this data that realisation of the expenditure in first three years of Ninth Plan is about 60 per cent of the projected target. This is a warning signal for the States. The state wise realisation levels can be seen in the Table 26 above. The non-Plan Revenue Expenditure broadly consists of Non Plan Non Development, Non Plan Development and Provision for revision of DA and Pay scales.

52. The Non-Plan Non-development expenditure for all States in first three years of the Plan is 66.4 per cent of the Plan target. Debt services, one of the main components of this, has been growing at about 9.8 per cent in 1998-99 (Pre-actuals) over the previous year and at 19 per cent in 1999-2000 (LE) over the previous year. Table 27 below shows the debt service levels of States.

Table 27
Debt Service Level of States

2Stat	High *	Medium **	Low ***
NSC	Goa , Haryana, Karnataka, Maharashtra, Punjab, UP, MP	Andhra , Bihar Gujarat, Kerala, Orissa, Rajasthan, Tamil Nadu, West Bengal	Bihar
SC	Mizoram, Sikkim, Tripura J&K	Arunachal Pradesh, Manipur Himachal Pradesh, Meghalaya, Nagaland, Assam	None

*Note: * State with realisation levels of 60% or more of Ninth Plan target*
*** State with realisation level of 50% to 60% of Ninth Plan target.*
**** State with realisation level of 50% or less of Ninth Plan target.*

53. The interest payment, one major component of debt servicing, also has been growing at the same 9.8 per cent in 1998-99 (Pre-actuals) over the previous year and at 19 per cent in 1999-2000 (LE) over the previous year. As against this, the revenue receipts have been growing only at the rate of (-) 4.29 per cent in 1998-99 (Pre-Actuals), and 9.1 per cent in 1999-2000 (LE) (growth taken vis-à-vis the previous year). Debt accumulation while state resources are still unable to cope with debt repayment could be alarming. The other important component of non Plan Non Development expenditure is 'Other Non-Development Expenditure' and mainly consists of administrative services, fiscal services, pensions and other retirement benefit. This also is a steadily growing component of states' expenditure and calls for fiscal discipline to contain growing deterioration of Non-Plan Non-Development Expenditure. What worsens matters is populist policy decisions to revise DA/Pay scales of state government employees to keep pace with Central Government pay hike after the Fifth Pay Commission award. Already state resources are unable to meet existing Non-Plan Revenue Expenditure. In first three years of Ninth Plan, the expenditure on revision of DA/Pay scales by states has soared to Rs.5,996.8 crore. The States' potential deficit will grow further when Central wage settlements filter down to state public enterprises.

54. The Non-Plan development expenditure of states has been 67.5 percent of Ninth Plan projection in first three years of the Plan. *Annexure-V* would show that expenditure responsibilities of the State outstrip their own resources.

55. Given relatively hard budget constraints, no fiscal reforms and rising interest bills, the states may be forced to cut down spending in important areas like investment in irrigation, power and transport and in education and health. Very few states have been able to maintain their spending in these sectors.

56. The debt service payment as a percentage of Ninth Plan targets has reached high levels in States like Goa, Haryana, Karnataka, Punjab, U.P., Madhya Pradesh, Tripura,

Mizoram, Sikkim, J&K, and Maharashtra – so high that even if they impose a total freeze on Non-Plan Revenue Expenditure, the BCR would remain a matter of serious concern.

57. The basic problem of States' BCR has been that the growth in revenue receipts has been substantially less than non-Plan revenue expenditure, thus leaving a large uncovered balance on current revenue. This uncovered balance has been growing to make the BCR scenario unsustainable.

58. The States have immediately to curb Non-Plan Non-Development Expenditure and prioritise Non-Plan Development Expenditure. The goal should be growth in Revenue Receipts to match growth in non-Plan Revenue Expenditure. To begin with, they should ensure that growth in Revenue is able to finance at least the extra addition to a negative BCR in successive years.

Contribution of State Level Public Enterprises (SLPEs)

59. The SLPEs included in Ninth Plan projections are mainly State Electricity Boards (SEB) and State Road Transport Corporations (SRTC). In Eighth Plan the actual realisation of SLPEs was 24.34 per cent for all states, 36.22 per cent for SCs and 18.88 per cent for NSCs. For all states, the actual Eighth Plan realisation during first three years was (-) 117.33 per cent. In Ninth Plan, as against a projected Rs.1,353.18 crore, the actual realisation has been (-) Rs.17,398.53 crore , showing how huge is the financial burden imposed by SLPEs on state finances. However, the performance of SLPEs of SCS was relatively satisfactory; against the projections of (-) Rs.2,404.48 crore, the actual realisation improved to (-) Rs.2,319.83 crore. Enterprises in NSCS saw a deterioration from the projected Rs.3,757.66 crore to (-) Rs.15,078.70 crore during 1997-2000. NSCS with low-contributing SLPEs are Andhra Pradesh, Rajasthan, Bihar, Maharashtra, Punjab and Madhya Pradesh. However, the SLPEs of Gujarat and Karnataka offered positive contribution to Plan. An analysis of the financial contribution to Plan by the SEBs and SRTCs follows.

State Electricity Boards (SEB)

60. SEBs were projected to contribute (-) Rs.1,024.02 crore to the plan financing of states during the Ninth Plan, but their actual contribution dipped alarmingly low to (-) Rs.16,810.10 crore. A very low level of ARM realization during first three years added to their huge losses and managerial inefficiency. The SEBs were to mobilize Rs.38,346 crore as ARM while the actual achievement was only Rs.2,704.78 crore i.e. about 7.05 per cent . of the projections. If this trend is maintained, the ARM realisation would be only 29 per cent during the entire period of the Plan.

61. There is a need for urgent policy initiatives: review of power tariff policy and state subsidy, revamp of SEBs including downsizing of staff, reduction `in transmission and distribution (T&D) losses, economy in expenditure and removal of managerial and administrative inefficiency. Also, involvement of private sector in transmission and distribution of power needs to be explored.

State Road Transport Corporations (SRTCs)

62. SRTCs were projected to contribute Rs.326.41 crore for plan financing of states during the Ninth Plan against which the actual contribution has deteriorated to (-) Rs.1,902.92 crore. While ARM by SRTCs was projected at Rs.5,905.85 crore, the actuals add up to only Rs.936.56 crore. It appears unlikely that SRTCs would mobilise the balance ARM in the next two years of Plan.

63. In the case of SCS with SRTCs, the Ninth Plan target was (-) Rs.500.87 crore and the actual realization during first three years of the Plan improved to (-) Rs.163.70 crore. The SRTCs have so far realised an ARM of only Rs.0.47 crore. Therefore, the fresh ARM and buoyancy in remaining two years of the Plan should be very high to realise the ARM target of Rs.160.85 crore.

Other SLPEs

64. In addition to SEBs and SRTCs, certain other SLPEs have also contributed to Ninth Plan. The actual contribution of SLPEs to Plan has been Rs.1,314.49 crore as against Plan projections of Rs.2,050.79 crore, or a realisation of 64 per cent of target in first three years of the Ninth Plan,. Projections of SLPEs vis-à-vis actual contribution to Plan is illustrated in Table below:

Table – 28
Contribution of State Level Public Enterprises to Plan (SEB, SRTC and Others)
(At 96-97 prices)

(Rs. Crore)

Items Realisation	Ninth Plan Projections	Realisation (1997-2000)	Percentage to Ninth Plan Projections
1. Contribution of SLPEs to Plan – All States (Total) Of which	1,353.18	(-) 17,398.53	(-) 1,285.75 (24.34)
(i) State Electricity Boards(SEB) All States	(-)1,024.02	(-)16,810.10	(-)1,641.58 (17.07)
(ARM)	(38,345.85)	(2,704.78)	7.05
(ii) State Road Transport Corporations (SRTC) (All States)	326.41	(-)1,902.92	(-)582.98 (-117.33)
(ARM)	5,905.85	936.56	15.86 (458.11)
iii) Other SLPEs	2,050.79	1,314.49	64.10
(ARM)	0.00	(0.00)	

* Figures in parentheses indicate % realisation during Eighth Plan

65. The dismal performance of SLPEs calls for urgent measures: total revamping including disinvestment and privatization, re-structuring, tariff revisions, downsizing of

staff and reduction of administrative expenditure. Fiscal discipline and accountability of SLPEs needs to be improved through appropriate policies. Avoidance of populism and a strong political will also promote effectiveness and success of SLPE reforms.

Special Plan Grants of Tenth Finance Commission (TFC)

66. Plan Grants awarded to States by TFC comprises mainly Upgradation Grants, Grant for Special Problems and Grants for Local Bodies. In Ninth Plan these Grants were projected at Rs.9,417.96 crore, against which the actual realisation during first three years was Rs.4,600.85 crore, i.e. 48.85 per cent of projections. The realization of TFC Grants by SCS was 46.55 per cent at Rs.532.64 crore against a Plan projection of Rs.1,144.19 crore and by NSCS 49 per cent i.e. Rs.4,068.21 crore against a projection of Rs.8,273.77 crore. NSCS which could not utilise TFC grants to a satisfactory level are Goa, Karnataka, Madhya Pradesh, Maharashtra, Andhra Pradesh, Punjab, Rajasthan and West Bengal .

i) Grants for Special Problems, Upgradation Grant and Grants for Local Bodies

67. Among the various Plan Grants, the Grants for Special Problems show the highest rate of realisation (53.44 per cent). As against projections of Rs.1,393.06 crore, the actual realisation was Rs.744.42 crore. SCS could realize 37.19 per cent at Rs.156.41 crore against a projected Rs.420.54 crore and NSCS 60.5 per cent i.e. Rs.588 crore against a projection of Rs.972.52 crore.

68. States utilized Upgradation Grants to the extent of 55 per cent of Plan targets by realizing Rs.842.77 crore against a projected Rs.1,529.50 crore. SCS realized about 72 per cent and NSCS 50 per cent.

69. The lowest realisation is observed in Grants for Local Bodies, i.e. 46.4 per cent. Against the projection of Rs.6,495.40 crore, the actual realisation was only Rs.3,013.16 crore. SCS realized 30 per cent while NSCS 47 per cent. SCS projection was Rs.341.46 crore and the actual realisation Rs.102.57 crore; for NSCS, the projection was Rs.6,153.94 crore and realisation Rs.2,911.09 crore. NSCS need to provide necessary support to increase the utilisation of these grants because of the importance of local bodies under 73rd and 74th amendments to the Constitution. Table 29 shows the projections of TFC Grants in Ninth Plan and the actual realisation .

Table - 29
Special Grants under Tenth Finance Commission (TFC)

(Rs. Crore)

Item	Ninth Plan Projections	Realisation (1997-2000)	% Realisation to Ninth Plan Projections
I. Total TFC Plan Grants (All States) of which	**9,417.96**	**4,600.85**	**48.85**
i) Special Category States	1,144.19	532.64	46.55
ii) Non-Special Category States	8,273.77	4,068.21	49.17
II. Upgradation Grant (All States) of which	**1,529.50**	**842.77**	**55.10**
i) Special Cat. States	382.19	273.66	71.6
ii) Non-Spl. Cat. States	1,147.31	569.11	49.6
III. Grants for Special Problems (All States) Of which	**1,393.06**	**744.42**	53.44
i) Special Cat. States	420.54	156.41	37.19
ii) Non. Spl. Cat. States	972.52	588	60.46
IV. Grants for Local Bodies (All States)	**6,495.45**	**3,013.66**	**46.40**
i) Spl. Cat. States	341.46	102.57	30.04
ii) Non-Spl. Cat. States	6,153.94	2,911.09	47.30

Additional Resource Mobilisation (ARM)

70. The ARM projected for Ninth Plan stood at Rs.1,14,451.07 crore which comprises Rs.29,610.98 crore from budgetary measures, Rs.38,345.85 crore from SEBs Rs.5,905.85 crore from SRTCs and Rs.40,588.39 crore from various other measures of which two-thirds would be due to BCR improvements and the balance on account of various ARM measures by SLPEs. As against these projections, the actual ARM realisation during first three years was Rs.13,487.11 crore: Rs.8,906.33 crore from budgetary measures, Rs.2,704.78 crore from SEBs, Rs.936.56 crore from SRTCs and Rs.939.44 crore from others. The overall realisation of fresh ARM by states in the three years is estimated to be about 11.78 per cent of targets. If the buoyancy of ARM measures built into the estimates

under the relevant items is also taken into account, the total ARM is likely to be only about 20 per cent. States with a lower ARM realisation would have to take urgent measures for substantial ARM in the remaining two years of the Ninth Plan.

Borrowings of States:

71. As mentioned earlier, the States borrow from State Provident Funds, Loans against Small Savings, (SLR Based) Open Market Borrowings (net) , Negotiated Loans and Bonds/Debentures. An analysis of realisation of each of these items vis-à-vis the projections for Ninth Plan is given below:

State Provident Fund

72. State Provident Fund, a social security net provided by state government to its employees, is a major source of plan finance for the state. As per Ninth Plan projections, states were to mobilise Rs.37,053.87 crore, which constituted about 20 per cent of their own resources and about 10 per cent of aggregate plan resources. They realised Rs,32,223.18 crore, i.e. 87 per cent of projections, mainly by impounding arrears of revised pay and DA of staff. The realisation during the corresponding Eighth Plan period was 67.66 per cent. Unless there is a reasonably long lock-in period for Provident Fund deposits of the arrears, withdrawals and releases of Provident Funds could neutralise effectiveness of the impounding.

73. Among NSCS which mobilised resources through Provident Funds, the highest realisation in terms of projected levels is observed in West Bengal, followed by Tamil Nadu, Gujarat and Punjab. The realisation level was very low for Kerala . For SCS, the comparative mobilisation by Mizoram, Manipur and Assam was much higher than projected. The realisation was the lowest for Himachal Pradesh followed by Nagaland, Arunachal Pradesh and Tripura..

74. A statement of the realisation of State Provident Funds against Ninth Plan projections is given in Table 30 separately for SCSs and N-SCs.

Table – 30

State Provident Funds (at 1996-97 prices)

(Rs. Crore)

Item	Ninth Plan Projections	Realisation (1997-2000)	% Realisation to Ninth Plan Projections
1. All States (Total) of which	37,053.87	32,223.18	86.96 (67.66)
i) Special Category States	3,721.24	2,850.59	76.60 (69.32)
ii) Non-Special Cat. States	33,332.63	29,372.60	88.12 (67.52)

* Figures in parentheses indicate % realisation during Eighth Plan

Loans against Small Savings

75. Loans against small savings have been a major source of plan finance; state governments are entitled to loans from the Centre to the extent of 75 per cent of net small savings collections. According to Ninth Plan projections, loans against small savings were to contribute Rs.54,221.35 crore for plan financing, or about 29 per cent of states' own resources and about 15 per cent `of aggregate state plan resources. During first three years of Ninth Plan, there has been a high level of realisation i.e. 99.6 per cent of the projected level mainly because of depressed conditions in the capital market, attractive tax incentives of small savings instruments and low interest rates of bank deposits. (The Eighth Plan realisation during corresponding three-year period stood at only 39.39 per cent). The highest realisation is observed for Goa, followed by Rajasthan, Bihar, Maharashtra, West Bengal , Madhya Pradesh and Karnataka. Among SCS, the realisation is high for Nagaland and Arunachal Pradesh. States of Kerala, Orissa, Tamil Nadu, Andhra Pradesh, Mizoram, Assam, Himachal Pradesh, Meghalaya and Jammu & Kashmir have had relatively low realisation. Small savings also involve a debt liability to the states and the states need to curb excessive dependence on these savings. Instead of using loans against the savings for non-plan non-development expenditure .they could be invested in projects with potential for development of infrastructure, promote employment and boost state revenues. A statement showing projection and actual realisation of loans against small savings is given in Table 31.

Table 31

Loans against Small Savings (Net) (at 1996-97 prices)

(Rs. Crore)

Item	Ninth Plan Projection	Realisation (1997-2000)	% Realisation to Ninth Plan Projections
All States (Total)	54,221.35	53,988.64	99.57 (39.39)
Of which			
i) Special Category States	4,149.73	2,170.65	52.31 (59.86)
ii) Non-Special Category	50,071.62	51,817.99	103.49 (38.43)

- **Figures in parentheses indicate % realisation during Eighth Plan**

(SLR Based) Open Market Borrowings (Net)

76. SLR –Based Open Market Borrowings make for another major source of plan financing for States. Ninth Plan projects these borrowings at Rs.35,671.76 crore i.e about 19 per cent the states' own resources and about 10 per cent of aggregate plan resources of state governments. Against these projections, the realisation during first three years was about 71 per cent ; SCS about 84 per cent and NSCS about 70 per cent. For corresponding period in Eighth Plan, the realisation was very low i.e. 55.34 per cent for all states, 59.72 per cent for SCs and 55.05 per cent for NSCs.

77. SLR Based Open Market Borrowings have exceeded Ninth Plan targets in Goa, Karnataka, Himachal Pradesh and Tripura. The realisation is also very high for Andhra Pradesh and Rajasthan. and --among SCS – for Assam, Meghalaya, Mizoram, Nagaland and Sikkim. The high level performance stems the low level of BCR, low contributions of SLPEs to Plan and low level of other states' own funds for Plan. Also, constrained for Normal Central Assistance by the Gadgil Mukherjee Formula, states with low own funds have to depend more on borrowings of this nature. Table 32 shows Ninth Plan projections for these borrowings and the actual realisation:

Table 32

SLR Based Open Market Borrowings (Net) (1996-97 prices)

(Rs. Crore)

Item	Ninth Plan Projections	Realisation (1997-2000)	% Realisation to Ninth Plan
All States (Total)	35,671.76	25,374.54	71.13
Of which			(55.34)
i) Special Category States	2,467.24	2 ,083.95	84.46
			(59.72)
ii) Non Special Category	33,204.52	23,290.59	70.14
States			(55.05)

* Figures in parentheses indicate % realisation during Eighth Plan

Negotiated Loans

78. Negotiated loan for plan financing is an enabling provision by which states are entitled to negotiate project- based loans for plan schemes from development finance institutions like LIC, GIC, NABARD, REC, IDBI and others. The project- based assistance are channeled into a wide variety of sectors ranging from power and housing to transport and rural infrastructure. This source of finance has gained in importance because of its potential for generating employment, revenue, and infrastructure development. Being a project-based assistance, there is little possibility of diverting the funds for non-plan non-developmental expenditure.

79. Negotiated loans were projected to contribute Rs.36,427.91 crore for plan financing during the Ninth Plan. This constitutes about 20 per cent of states' own resources and 10 per cent of aggregate plan resources of state governments. As against these projections, states realised about 73 per cent during first three years of the Plan. (In Eighth Plan negotiated loans made up about 12 per cent of States' Own Resources and 6.3 per cent of the aggregate plan resources; actual realisation was 55 per cent of the projections during first three years of the Plan). SCS realised about 62 per cent of Ninth Plan projections and NSCS 74 per cent of it. (During the corresponding Eighth Plan period the actual realisation for SCs was 45.74 per cent and for NSCs 55.06 per cent). States exceeding projected levels of negotiated loans are West Bengal, Punjab, Andhra Pradesh, Rajasthan, Mizoram, and Himachal Pradesh. Realisation levels have remained very low for Orissa, Madhya Pradesh, Haryana, Goa, Karnataka, Meghalaya, Assam and Arunachal Pradesh.

80. Among financial institutions, states could realize 59 per cent of projected level of negotiated loans from LIC/GIC, 47 per cent from NABARD, 61 per cent from IDBI, 57

per cent from REC and 133 per cent from others**.** A statement indicating realisation levels of various institutions is given in Table 33:-

Table – 33

Negotiated Loans – Ninth Plan Projections v/s Institution-wise Realisation during 1997-2000 (at 1996-97 prices)

Item	Realisation Level (In per cent)		
	SCS	NSCS	Total
Negotiated Loans	**61.9**	**74.0**	**73.2**
of which	(45.74)	(55.06)	(54,.52)
i) LIC/GIC	71.5	58.3	59.4
	(21.65)	(50.62)	(49.00)
ii) NABARD	62.3	46.2	47.4
	(96.86)	(31.71)	(37.06)
iii) REC	35.6	61.9	56.9
	(51.31)	(48.70)	(49.02)
iv) IDBI	15.5	62.0	60.9
	(57.40)	(63.89)	(63.69)
v) Others	130.8	133.3	133.2
	(-)	(73.40)	(75.83)

*** Figures in parentheses indicate % realisation during Eighth Plan**

Bonds and Debentures

81. Project based bonds and debentures have emerged as an innovative source of resource mobilisation with high potential. As against Rs.18,700.21 crore projected under this item for the Ninth Plan, the actual realisation has been Rs.22,809.38 crore i.e. about 122 per cent of the Plan target. Some states have exceeded the projections, among them Kerala, Maharashtra, Punjab, Rajasthan and Tamil Nadu. However, Haryana, West Bengal, Goa and Uttar Pradesh have not had satisfactory performance in this regard.

82. Among the borrowed funds, it is clear from the analysis above, priority should be more for Negotiated Loans and Bonds/Debentures; they cannot be diverted and they directly contribute to developing social and economic infrastructure of the state, despite a certain element of debt liability. At the same time there has to be a progressive re-orientation of non-project based borrowings (i.e. SLR-based open market borrowings, State Provident Funds and Loans against Small Savings) towards project-specific borrowings.

Central Assistance

83. As mentioned earlier, Central Assistance (CA) broadly consists of Central Assistance (Domestic) and Central Assistance for Externally Aided Projects (EAPs). The realisation of Central Assistance (Domestic) has been about 56% during the first three years

of the Ninth Plan while only 26% of the projections could be realised under Central Assistance for EAPs. Projected Central Assistance (Domestic) for Ninth Plan was Rs.1,06,338.16 crore of which Rs.31,678.45 crore (i.e. about 30%) was for the SCS and the balance of 70% i.e. Rs.74,659.71 crore was for the NSCS. During the first three years of the Ninth Plan, the SCS realised about 60% of the projected level while the NSCS realised 55%. The Eighth Plan projections indicate that the realisation of Central Assistance (Domestic) was about 44.07% during the first three years of Eighth Plan and for EAPs the actual realisation was 43.74%. The projected Central Assistance (Domestic) for Eighth Plan was Rs.64259.72 crore of which Rs.25983.52 crore was for SCs (around 40%) and Rs.38276.20 crore was for NSCs (around 60% of the total (domestic) Central Assistance). During the first three years of the Eighth Plan, the SCs realised about 36% of the projected level while the NSCs realised 49%.

84. As mentioned earlier, the Area Programmes (i.e. BMS, SDS, HADP, WGDP, BADP, TSP etc.) which are scheme/project based constituted about 24% to 27% of total Central Assistance during the first three years of the Ninth Plan. The Annual Plan allocation for Area Programmes was Rs.6,968 crore in 1997-98, Rs.8,739 crore in 1998-99 and Rs.9,698 crore in 1999-2000. During 1997-98(Actuals), the utilisation of CA for Area Programmes was very unsatisfactory i.e. 57% of Annual Plan allocation. In 1998-99 (Pre-actuals) however, the utilisation of CA for Area Programmes improved to 67% of Annual Plan allocations and in 1999-2000(LE) the utilisation of Central Assistance for Area Programme improved to 99.5%. The share of Area Programme in total Central Assistance also increased considerably in 1998-99 (PA) over the previous years i.e. from 16% to 22%. However, in 1999-2000 (LE), there was an improvement in the share of Area Programmes to total Central Assistance, since it constituted 28% of the total Central Assistance. The allocation for Area Programmes in 1998-99 was 25% higher than that of the previous year. However, in 1999-2000, the allocation for Area Programmes was stepped up only by 11% over the previous year. During first three years of the Ninth Plan, the states realized 67% of the Annual Plan allocation whereas SCs realized 81% of the Annual Plan allocation and NSCS realized 62% of the AP allocations. Since Area Programmes are project based, Central Assistance for Area Programmes cannot be diverted for non-plan non-development expenditure and thus it directly contributes to the development of social and economic infrastructure of the State Governments. Hence in the next two years of the Ninth Plan, an increasing share of the budgetary resources of total Central Assistance for State and UT Plans needs to be earmarked for the Area Programmes.

85. Regarding the Central Assistance for EAPs, as against the projected level of Rs.62,436.84 crore for the Ninth Plan, the states realised only 25.9% of the projected level i.e. Rs.16,157.64 crore in the first three years of the Ninth Plan. The states which showed very low level of realisation are : Kerala, Goa, Punjab, Rajasthan, Gujarat, Tamil Nadu, Uttar Pradesh Bihar, Maharashtra, Sikkim, West Bengal, Tripura, Himachal Pradesh, Manipur, Mizoram and Meghalaya. As against the projected level of Rs.21721.25 crore for the Central Assistance for EAPs for the Eighth Plan, the states could realise only Rs.9501.93 crore i.e. 43.74% was actually realised. The SCS could realise 25.74% of the projected level while the NSCs could realise 44.25% of the same.

Conclusion

86. The foregoing analysis underlines the grim scenario of state finances marked by a very low level of States' Own Funds co-existing with high level of borrowings. This trend

can be reversed only through vigorous ARM efforts supplemented by effective expenditure management. Besides, policy initiatives are required from States and Centre for reforming SLPEs, avoidance of populism, progress in project implementation and overall improvement in administrative and managerial efficiency of state finances. Though in general the states have realised about 44 per cent of the projected level of aggregate Ninth Plan resources, the performance in several of those states on this front leaves much to be desired.

87. The state governments of Bihar, U.P, Goa, Rajasthan, Orissa, Punjab, Haryana, Madhya Pradesh, Nagaland, Arunachal Pradesh, Assam, J&K, Meghalaya and Sikkim lag far behind in realising Ninth Plan target of aggregate plan resources. Haryana, Kerala, Orissa, U.P., Arunachal Pradesh, Meghalaya, Nagaland, J&K and Assam may need to restrict their level of borrowings. Despite the debt liability, Negotiated Loans, Bonds and Debentures and Central loans for Area Programmes need to be stepped up because these are project-specific. At the same time, an increasing share of non project-specific borrowings such as SLR-based borrowings, loans against small savings and resources through State Provident Funds will have to be redirected and earmarked for projects and schemes relating to social and economic infrastructure. The diversion of non project-specific borrowed funds for non-development expenditure and, more particularly, to non-plan non-development expenditure should be progressively reduced through efficient monitoring mechanism at state level. The only alternative to improve the state income and thereby the revenue mobilizing capacity of the state is to redirect funds from non-plan non-development expenditure to income generating assets in socio-economic sectors. Above all, state finances need to be managed with the paramount objective to achieve poverty alleviation, employment generation and high and sustainable levels of economic growth and development rather than as a source of funds for financing salary and administrative expenditure of the state government.

88. To conclude, in the next two years of the Ninth Plan both the Centre and the States will have to focus attention on areas of shortfall in plan financing and adopt suitable policy reforms to ensure the realisation of Plan projections to a reasonable level. Items such as Non-Plan Revenue Expenditure (NPRE) and borrowings may have to be made consistent with Plan projections since an excessive high growth in these areas will have serious adverse impact on the finances of States, the Centre and the entire economy. Further, since financial resources constitute a key determinant of Plan effectiveness, the extent of realisation of all projections, strategies and policy goals for all sectors would be largely determined by the efficiency of financial resource management for Plan financing in the next two years by both the Central and the State Governments.

Annexure-1

GROSS BUDGETARY SUPPORT

Rs. Crore

S.No.	Ministry/Department	At 1996-97 prices	**At current prices**			
		1997-2002	1997-98 ***Actuals***	1998-99 ***Actuals***	1999-2000 ***RE***	2000-2001 ***BE***
1	*2*	*3*	*4*	*5*	*6*	7
1	**AGRICULTURE**	**14876.41**	**1736.38**	**1927.65**	**2206.00**	**2879.55**
	Agriculture & Cooperation	*9153.82*	1280.47	1337.40	1477.00	1950.00
	Agriculture Research & Ed.	*3376.95*	331.14	421.94	504.00	629.55
	Anmal Husbandary & Diary	*2345.64*	124.77	168.31	225.00	300.00
2	**CHEM. & FERT**	**1214.38**	**237.49**	**226.73**	**180.00**	**237.00**
	Chemicals & PetroChemicals	*171.00*	37.08	37.93	30.00	40.00
	Fertilzers	*1043.38*	200.41	188.80	150.00	197.00
3	**CIVIL AVIATION**	**495.07**	**21.07**	**41.74**	**37.40**	**55.00**
4	**FOOD & CONSUMER AFFAIRS**	**284.12**	**50.88**	**52.08**	**68.61**	**68.00**
	Consumer Affairs	*28.37*	8.31	7.59	14.00	10.00
	Food & Civil Supplies	*216.27*	41.60	41.10	48.00	50.00
	Sugar & Edible Oils	*39.48*	0.97	3.39	6.61	8.00
5	**COAL**	**2459.59**	**275.40**	**161.05**	**545.01**	873.00
6	**COMMERCE**	**1478.14**	**290.16**	**302.09**	**312.00**	**388.82**
	Commerce	**1455.95**	288.54	300.11	310.00	385.00
	Supply	*22.19*	1.62	1.98	2.00	3.82
7	**COMMUNICATIONS**	**551.29**	**77.48**	**80.14**	**103.11**	**136.05**
	Posts	*507.25*	72.27	73.69	96.01	120.00
	Telecommunication	*44.04*	5.21	6.45	7.10	16.05
8	**ENVIRONMENT & FORESTS**	**3013.84**	**412.25**	**497.83**	**610.00**	**850.00**
9	**EXTERNAL AFFAIRS**		**60.00**	**309.42**	**400.00**	575.00
10	**FINANCE**	**2559.40**	**637.28**	**479.32**	**578.61**	**715.43**
	Economic Affairs	2544.08	635.33	476.71	575.92	711.45
	Expenditure	*11.11*	1.67	2.16	2.06	2.98
	Revenue	*4.21*	0.28	0.45	0.63	1.00
11	**FOOD PROCESSING INDUSTRIES**	**235.04**	**32.02**	**29.79**	**40.00**	**50.00**
12	**HEATH & FAMILY WELFARE**	**20504.74**	**2571.34**	**3206.67**	**4182.00**	**4897.86**
	Health	*5118.19*	716.15	814.2	1010.00	1277.86
	Family Welfare	*15120.20*	1822.15	2342.45	3120.00	3520.00
	I S M & H	*266.35*	33.04	50.02	52.00	100.00

Rs. Crore

S.No.	Ministry/Department	At 1996-97 prices	At current prices			
		1997-2002	1997-98	1998-99	1999-2000	2000-2001
			Actuals	***Actuals***	***RE***	***BE***
1	*2*	*3*	*4*	*5*	*6*	7
13	**HOME AFFAIRS**	**443.92**	**80.97**	**129.45**	**137.15**	**170.70**
14	**HUMAN RESOURCES DEV.**	**29938.56**	**4396.46**	**5400.83**	**5943.07**	**7286.29**
	El Education & Literacy	*20381.64*	3269.74	3987.49	2931.28	3728.75
	Youth Affairs & Sports	*826.09*	117.50	156.41	180.00	215.00
	Culture	*920.41*	115.58	125.09	128.25	162.25
	Women & Child Development	*7810.42*	893.64	1131.84	1249.86	1460.00
	Sec Education & Hr. Edu.				1453.68	1720.29
15	**INDUSTRY**	**6261.60**	**1182.49**	**1224.78**	**918.67**	**1379.55**
	ID & IPP	*1923.75*	433.12	537.53	322.15	470.00
	Heavy Industry	*551.00*	116.80	102.54	80.00	138.00
	SS & Agro Rural Industries	*3786.85*	632.57	584.71	516.38	771.55
	Public Enterprises				0.14	
16	**INFORMATION & BROADCASTING**	**680.05**	**82.44**	**84.52**	**204.28**	**270.00**
17	**LABOUR**	**899.12**	**76.39**	**104.88**	**89.43**	**98.00**
18	**LAW & JUSTICE**	**306.31**	**52.00**	**63.98**	**73.68**	**75.00**
19	**NON-CONVENTIONAL ENERGY**	**2122.14**	**220.44**	**278.59**	**314.50**	**439.00**
20	**PERSONNEL & PG & PENSIONS**	**64.36**	**10.64**	**13.61**	**10.20**	**19.33**
21	**PETROLEUM & NATURAL GAS**	**0.00**	**0.00**	**0.00**	**100.00**	**0.00**
22	**PLANNING**	**732.49**	**196.87**	**178.00**	**169.74**	**180.00**
	Planning	*577.12*	136.81	151.21	142.74	20.00
	Statictics	*155.37*	60.06	26.79	27.00	160.00
23	**POWER**	**14943.05**	**2670.21**	**2583.10**	**2770.00**	**2640.97**
24	**RURAL AREAS & EMPLOYMENT**	42277.80	**8465.90**	**7529.66**	**7220.00**	**6760.00**
	Rural Development	12437.97	2030.59	7529.66	7220.00	6760.00
	R E & P A	*29395.90*	6368.78			
	Wasteland Development	*443.93*	66.53			
	Land Resources	***0.00***		**261.49**	**324.00**	**900.00**
	Drinking Water Supply	***0.00***		**1675.72**	**1807.00**	**2100.00**
25	**SCIENCE & TECHNOLOGY**	**3499.83**	**583.88**	**556.20**	**665.60**	**832.00**
	Science & Techonology	*1497.35*	276.78	227.83	276.53	352.00
	Science & Industrial Research	*1327.48*	220.52	223.91	272.20	355.00
	Bio-Techonology	*675.00*	86.58	104.46	116.87	125.00

Rs. Crore

S.No.	Ministry/Department	At 1996-97 prices	At current prices			
		1997-2002	1997-98	1998-99	1999-2000	2000-2001
			Actuals	*Actuals*	*RE*	*BE*
1	*2*	*3*	*4*	*5*	*6*	7
26	**STEEL & MINES**	**930.46**	**149.10**	**147.88**	**340.57**	**265.00**
	Mines	*844.96*	131.60	133.38	328.07	250.00
	Steel	*85.50*	17.50	14.50	12.50	15.00
27	**SURFACE TRANSPORT**	**12069.82**	**1809.91**	**2272.03**	**4625.68**	**5181.50**
28	**TEXTILES**	**1414.51**	**237.37**	**233.52**	**260.45**	**457.00**
29	**TOURISM**	**485.75**	**98.14**	**110.26**	**110.00**	**135.00**
30	**URBAN DEVELOPMENT**	**4931.22**	**739.34**	**611.61**	**681.12**	**900.43**
31	**URBAN Empl % Pov Allevition**	**0.00**		**255.80**	**285.00**	**379.50**
32	**WATER RESOURCES**	**2291.25**	**275.97**	**346.78**	**370.00**	**475.42**
33	**SOCIAL JUSTICE & EMPOWERMENT**	**6608.13**	**801.36**	**763.74**	**1159.32**	**1350.00**
34	**TRIBAL AFFAIRS**	**0.00**		**145.00**	**184.25**	**210.00**
35	**ATOMIC ENERGY**	**5700.00**	**742.10**	**1312.81**	**1363.52**	**1554.00**
36	**ELECTRONICS**	**542.37**	**142.80**	**0**	**0.00**	**0.00**
37	**INFORMATION TECHNOLOGY**	**300.00**		**123.63**	**170.00**	**365.20**
38	**OCEAN DEVELOPMENT**	**510.62**	**83.85**	**87.55**	**86.00**	**135.00**
39	**SPACE**	**6511.72**	**838.72**	**1165.85**	**1474.61**	**1700.00**
40	**RAILWAYS**	**11791.33**	**1991.83**	**2185.10**	**2540.00**	**3291.00**
		53.57				
A	**Total GBS to Central Plan**	**203982.00**	**32330.93**	**37160.88**	**43660.58**	**51275.00**
	Percentage to C : Agreegate	54.54	54.73	55.57	54.99	58.20
B	**Central Assistance to States' & Uts**	**170018.00**	**26745.87**	**29710.00**	**35734.00**	**36824.00**
	Percentage to C : Agreegate	45.46	45.27	44.43	45.01	41.80
C	**Aggreegate GBS to the Plan**	**374054.54**	**59131.53**	**66926.45**	**79449.57**	**88157.20**

Annexure-II

Financing pattern of the Plan of CPSEs

(Revised Estimates)

(Rs Crores)

YEAR	**Budgetary Support** *Equity*	*Loan*	**Internal Resources**	**Other Resources** *Bonds/ Debentures*	*ECB*	*Others*	**EBR** *Total (5 to 7)*	**IEBR** *Total (4 to 7)*	**BS** *Total (2+3)*	**OUTLAY** *Total (8+9)*
1	2	3	4	5	6	7	8	9	10	11
1985-86	NA	NA	NA	NA	NA	NA	NA	6863	6368	13231
1986-87	NA	NA	5368	1364	1144	957	3465	8833	7792	16625
1987-88	NA	NA	5700	2108	576	2272	4956	10656	7190	17846
1988-89	4469	3382	7181	2476	1056	2682	6214	13395	7851	21246
1989-90	4955	3441	9685	4494	1922	1384	7799	17484	8396	25880
1990-91	5118	2477	10721	4933	2553	2251	9737	20459	7595	28054
1991-92	4185	2735	12007	5722	1854	2919	10494	22501	6920	29421
1992-93	4173	2403	16129	6291	3746	3919	13956	30085	6576	36661
1993-94	3379	4072	18853	6237	4136	7215	17589	36441	7451	43892
1994-95	4592	3613	24153	7234	4977	4017	16229	40382	8205	48587
1995-96	3200	3218	29083	7789	4192	4700	16681	45764	6418	52182
1996-97	3878	2956	25249	8444	9176	4544	22165	47414	6834	54249
1997-98	5005	2550	27970	9491	4279	5665	19434	47404	7555	54959
1998-99	5415	2161	33514	8923	4371	3411	16705	50219	7576	57796
99-2000	6918	2186	27391	7878	5444	11937	25259	52649	9103	61753
2000-01*	8303	2067	39281	7769	6222	12785	26777	66058	10370	76428

* figures for 2000-01 refer to the Budget Estimates

Annexure-II (Contd)

Financing pattern of the Plan of CPSEs

(Budget Estimates)

YEAR	Budgetary Support		Internal Resources	Other Resources		Others	EBR	IEBR	BS	OUTLAY
	Equity	*Loan*		*Bonds/ Debentures*	*ECB*		*Total (5 to 7)*	*Total (4 to 7)*	*Total (2+3)*	*Total (8+9)*
1	2	3	4	5	6	7	8	9	10	11
1985-86	NA	NA	NA	NA	NA	NA	NA	6753	4994	11747
1986-87	NA	NA	NA	NA	NA	NA	NA	8683	6833	15516
1987-88	NA	NA	6139	1500	484	1576	3560	9699	6992	16691
1988-89	4188	3216	8311	2039	617	1747	4403	12714	7404	20118
1989-90	4343	3181	11299	3115	1112	1957	6183	17482	7525	25007
1990-91	4897	1947	13138	3942	1466	3439	8848	21985	6843	28829
1991-92	4540	2289	13705	5869	2001	2379	10249	23954	6829	30783
1992-93	4367	2477	15084	6058	5922	2842	14822	29906	6844	36750
1993-94	3680	2860	19062	6882	5177	9574	21633	40695	6540	47235
1994-95	3664	3537	22931	7464	7166	5303	19933	42863	7201	50064
1995-96	3389	3624	28867	8354	6260	6374	20987	49855	7013	56868
1996-97	3675	3195	30530	10235	7201	6406	23843	54373	6870	61243
1997-98	4830	2771	31154	11819	5517	7218	24555	55708	7601	63310
1998-99	6067	2608	38167	11784	5482	7290	24556	62723	8675	71398
1999-2000	5754	2883	38614	10980	5446	4481	20907	59521	8637	68158
2000-01	8303	2067	39281	7769	6222	12785	26777	66058	10370	76428

Percentage Variation between Budget and Revised Estimates

YEAR	Budgetary Support		Internal Resources	Other Resources		Others	EBR	IEBR	BS	OUTLAY
	Equity	*Loan*		*Bonds/ Debentures*	*ECB*		*Total (5 to 7)*	*Total (4 to 7)*	*Total (2+3)*	*Total (8+9)*
1	2	3	4	5	6	7	8	9	10	11
1985-86	NA	NA	NA	NA	NA	NA	NA	1.63	27.51	12.63
1986-87	NA	NA	NA	NA	NA	NA	NA	1.73	14.03	7.14
1987-88	NA	NA	92.85	140.56	118.96	144.15	139.21	9.87	2.83	6.92
1988-89	6.71	5.17	-13.60	21.41	71.32	53.51	41.14	5.35	6.04	5.61
1989-90	14.08	8.16	-14.29	44.27	72.87	-29.27	26.14	0.01	11.58	3.49
1990-91	4.52	27.25	-18.39	25.14	74.10	-34.54	10.05	-6.94	10.99	-2.69
1991-92	-7.82	19.48	-12.39	-2.51	-7.35	22.67	2.39	-6.07	1.33	-4.42
1992-93	-4.44	-2.97	6.93	3.84	-36.75	37.93	-5.84	0.60	-3.91	-0.24
1993-94	-8.18	42.38	-1.10	-9.37	-20.10	-24.63	-18.69	-10.45	13.93	-7.08
1994-95	25.33	2.15	5.33	-3.08	-30.55	-24.24	-18.58	-5.79	13.94	-2.95
1995-96	-5.57	-11.22	0.75	-6.76	-33.04	-26.26	-20.52	-8.21	-8.49	-8.24
1996-97	5.53	-7.48	-17.30	-17.50	27.43	-29.06	-7.04	-12.80	-0.52	-11.42
1997-98	3.63	-7.99	-10.22	-19.70	-22.45	-21.53	-20.85	-14.91	-0.61	-13.19
1998-99	-10.74	-17.15	-12.19	-24.28	-20.27	-53.21	-31.97	-19.93	-12.67	-19.05
1999-2000	20.23	-24.20	-29.06	-28.25	-0.03	166.36	20.81	-11.54	5.40	-9.40

Annexure-III

Allocation of Tax-Free Bonds

Figures in Rs. Crore

Parent Ministry/Organisation	Atomic Energy	DNES	Power	Railways	Railways	Surface Transport	URBAN DEV	URBAN DEV	Welfare	RBI	RBI	Total
PSU->	***NPC***	***IREDA***	***@***	***IRFC***	***KRC***	***NHAI***	***HUDCO***	***NCRB***	***SC-STFDL***	***NABARD***	***NHB***	*col(1to 11)*
	1	2	3	4	5	6	7	8	9	10	11	12
1990-91	0.00	25.00	593.00	1170.00	0.00	0.00	575.00	0.00	0.00	0.00	0.00	2363.00
1991-92	100.00	0.00	600.00	1500.00	150.00	0.00	300.00	0.00	0.00	0.00	0.00	2650.00
1992-93	100.00	0.00	600.00	900.00	0.00	0.00	300.00	0.00	0.00	300.00	200.00	2400.00
1993-94	100.00	0.00	600.00	550.00	400.00	0.00	300.00	0.00	0.00	0.00	0.00	1950.00
1994-95	100.00	50.00	550.00	500.00	450.00	0.00	300.00	0.00	0.00	0.00	0.00	1950.00
1995-96	100.00	30.00	550.00	500.00	370.00	0.00	300.00	0.00	50.00	0.00	0.00	1900.00
1996-97	200.00	100.00	550.00	500.00	0.00	40.00	100.00	0.00	50.00	150.00	0.00	1690.00
1997-98	200.00	100.00	550.00	400.00	100.00	40.00	100.00	85.00	0.00	100.00	200.00	1875.00
1998-99	125.00	90.00	350.00	200.00	160.00	0.00	165.00	60.00	0.00	50.00	200.00	1400.00
1999-2000	100.00	50.00	200.00	200.00	100.00	0.00	150.00	0.00	0.00	0.00	150.00	950.00

Note : The figures of Allocation for NABARD for 1992-93 also includes Rs 100 crore for SIDBI

Tax Free Bonds Raised by PSUs *

Figures in Rs. Crore

Parent Ministry/Organisation	Atomic Energy	DNES	Power	Railways	Railways	Surface Transport	URBAN DEV	URBAN DEV	Welfare	RBI	RBI	Total
PSU->	***NPC***	***IREDA***	***@***	***IRFC***	***KRC***	***NHAI***	***HUDCO***	***NCRB***	***SC-STFDL***	***NABARD***	***NHB***	*col(1to 11)*
	1	2	3	4	5	6	7	8	9	10	11	12
1990-91	0.00	25.00	550.00	1170.00	0.00	0.00	575.00	0.00	0.00	0.00	0.00	2320.00
1991-92	5.00	0.00	437.00	1500.00	111.64	0.00	300.00	0.00	0.00	0.00	0.00	2353.64
1992-93	0.00	0.00	0.00	0.00	10.50	0.00	0.00	0.00	0.00	0.00	0.00	10.50
1993-94	0.00	0.00	384.50	390.71	446.00	0.00	204.50	0.00	0.00	0.00	0.00	1425.71
1994-95	100.00	50.00	369.00	206.50	697.75	0.00	174.00	0.00	0.00	0.00	0.00	1597.25
1995-96	0.00	30.00	155.21	97.41	180.25	0.00	273.50	0.00	0.00	0.00	0.00	736.37
1996-97	58.18	90.00	444.00	401.00	251.00	0.00	100.00	0.00	0.00	150.00	0.00	1494.18
1997-98	350.02	100.00	512.50	193.50	114.00	0.00	100.00	70.00	0.00	100.00	200.00	1740.02
1998-99	125.00	90.00	375.00	257.00	160.00	0.00	165.00	60.00	0.00	0.00	200.00	1432.00
1999-2000 **(P)**	100.00	50.00	200.00	200.00	100.00	0.00	150.00	0.00	0.00	0.00	150.00	950.00

Source: Compiled from the internal documents of the Planning Commission,

and information provided by the M/o Finance and other Central Ministries /PSUs.

***** Inclusive of Bonds raised out of untillized allocation of the previous year(s)

@' Details of Allocation / Utillization of Bonds for PSUs under M/o Power provided separately

(P) Provisional

Annexure-IV

Mid Term Appraisal of 9th Five Year Plan – States' Financial Resources

Item	TOTAL (25 States)			
	Projections Ninth Plan	Realisation 1997-98 (Actuals) - 1999-2000 (LE)	%age Realisation	%age Realisation during First three years of 8th Plan 1992-97
A. STATE's OWN RESOURCES (1 to 12)	**185,889.29**	**81,447.02**	**43.81%**	**46.64%**
1. Balance from Current Revenues	**-15,389.86**	**-64,633.33**	**-419.97%**	**-39.06%**
- Of which ARM	(29,610.98)	(8,906.33)	(30.08%)	
2. Contribution of Public enterprises	**1,353.18**	**-17,398.53**	**-1285.75%**	**24.34%**
a) State Electricity Board	-1,024.02	-16,810.10	-1641.58%	17.07%
- Of which ARM	(38,345.85)	(2,704.78)	(7.05%)	
b) State Road Transport Corporation	326.41	-1,902.92	-582.98%	-117.33%
- Of which ARM	(5,905.85)	(936.56)	(15.86%)	
c) Others (Specify)	2,050.79	1,314.49	64.10%	458.11%
- Of which ARM	(0.00)	(0.00)		
3. State Provident Funds	**37,053.87**	**32,223.18**	**86.96%**	**67.66%**
4. Miscellaneous Capital Receipts (Net)	**-32,560.36**	**-3,632.52**	**11.16%**	**20.20%**
5. Special Grants under TFC (a+b+c)	**9,417.96**	**4,600.85**	**48.85%**	**107.37%**
a) Upgradation	1,529.50	842.77	55.10%	
b) Special Problems	1,393.06	744.42	53.44%	
c) Local Bodies	6,495.40	3,013.66	46.40%	
6. Loans against net small savings	**54,221.35**	**53,988.64**	**99.57%**	**39.39%**
7. Open Market Borrowings (Net) (SLR Based)	**35,671.76**	**25,374.54**	**71.13%**	**55.34%**
8. Negotiated Loans (a to f) and other Finances	**36,427.91**	**26,648.87**	**73.16%**	**54.52%**
a) LIC / GIC	9,353.66	5,551.85	59.35%	49.00%
b) NABARD	12,281.36	5,824.66	47.43%	37.06%
c) REC	3,312.72	1,883.53	56.86%	49.02%
d) IDBI	2,637.60	1,606.13	60.89%	63.69%
e) Others	8,842.57	11,782.70	133.25%	75.83%
9. Bonds / Debentures (Non-SLR Based)	**18,700.21**	**22,809.38**	**121.97%**	
10. ARM agreed at DC - CM Discussions	**40,588.39**	**939.44**	**2.31%**	
11. Adjustment of Opening balance	**404.88**	**442.89**	**109.39%**	**-750.41%**
B. CENTRAL ASSISTANCE (13 and 14)	**168,775.00**	**76,187.85**	**45.14%**	**43.99%**
13 Domestic Central Assistance	106,338.16	60,030.21	56.45%	44.07%
14 Assistance for Externally Aided Projects	62,436.84	16,157.64	25.88%	43.74%
C. AGGREGATE PLAN RESOURCES (A+B)	**354,664.29**	**157,634.87**	**44.45%**	**45.34%**

Annexure - V

Balance from Current Revenues (BCR) : Ninth Plan Projections and Realisation (All States)

(At 1996-97 Prices)

(Rs.crore)

Item	Ninth Plan Projections	Realisation (1997-2000)	% Realisation to IX Plan Targets
I. Revenue Receipts			
1. Tax Revenues	643,914.40	338,340.03	52.54%
1.1 Share of Central Taxes	224,522.21	111,512.05	49.67%
1.2 State Tax Revenue at base level rates	419,392.19	226,827.98	54.08%
2. Non-Tax Revenue at base level rates	**69,147.72**	**36,489.26**	**52.77%**
3. Grants from Centre (Non-Plan)			
a. Revenue Gap Grant	2,951.81	955.44	32.37%
b. Grants for Natural Calamities	1,486.26	3,078.51	207.13%
c. Grants in lieu of tax on Railway fare	1,897.37	1,034.32	54.51%
d. Agricultural Wealth Tax	74.05	0.01	0.01%
e. Others, if any	5,184.41	6,008.50	115.90%
Total 3: (a to e)	**11,593.90**	**11,076.79**	**95.54%**
4. Transfer from funds	**1,165.75**	**812.88**	**69.73%**
Total - I (Revenue Receipts)	**725,821.77**	**386,718.97**	53.28%
II. Non-Plan Revenue Expenditure			
1. Non-Plan Non-development (Total a+b)	337,137.50	223,686.86	66.35%
a) Debt Services (Total i+ii)	161,643.22	98,386.83	60.87%
i) Interest Payment	157,272.66	96,312.91	61.24%
ii) Appropriation for reduction or Avoidance of Debt	4,370.56	2,073.92	47.45%
b) Other Non Development	175,494.28	125,300.03	71.40%
2. Non-Plan development	334,952.45	225,947.70	67.46%
3. Transfer to Funds	18,309.49	4,307.63	23.53%
4. Total provision for Revision of DA and Pay Scales, bonus etc. not included under above items (in respect of non-plan expd) of which a) Provision for Implementation of Fifth Pay Commission/State Pay Commission. b) Provision for Arrears in respect of Revision of DA and pay scales, bonus etc., in 1998-99 following the implementation of the Fifth Pay Commission/State Pay Commission	74,302.83	5,996.78	8.07%
5. Eighth Plan Maintenance Expenditure	292.82	157.96	53.94%
6. Committed Liability	4,663.69	0.00	0.00%
Total-II (Non-Plan Revenue Expenditure)	**769,658.78**	**460,096.94**	**59.78%**
III. Balance from Current Revenues (I-II)	-43,837.01	-73,377.96	-167.39%
IV. Budgetary ARM *	29,610.98 (1163.83)	8,906.33 (161.68)	30.08%
V. BCR with ARM	**-15,389.86**	**-64,633.32**	**-419.97%**

*Figures in parenthesis indicate the ARM already included in the respective items.

Annexure - VI

Aggregate Fresh Additional Resource Mobilisation (ARM) (At 1996-97 Prices)

(Rs. Crore)

Item	Ninth Plan Projections	Realisation 1997-98 (Actuals) to 1999-2000 (LE)	%age Realisation to IX Plan Projections
Special Category States			
Total ARM	**9,443.93**	**400.53**	**4.24%**
Of which			
a) Budgetary	100.73	173.48	172.22%
b) SEB	1,227.82	78.13	6.36%
c) RTC	160.85	0.47	0.29%
d) Others	7,954.53	148.45	1.87%
Non Special Category States			
Total ARM	**105,007.14**	**13,086.58**	**12.46%**
Of which			
a) Budgetary	29,510.25	8,732.84	29.59%
b) SEB	37,118.03	2,626.66	7.08%
c) RTC	5,745.00	936.09	16.29%
d) Others	32,633.86	790.99	2.42%
All States			
Total ARM	**114,451.07**	**13,487.11**	**11.78%**
Of which			
a) Budgetary	29,610.98	8,906.33	30.08%
b) SEB	38,345.85	2,704.78	7.05%
c) RTC	5,905.85	936.56	15.86%
d) Others	40,588.39	939.44	2.31%