

CHAPTER - IV

UNION LOANS TO STATES IN INDIA DURING 1951 to 1986.

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UNION LOANS TO STATES IN INDIA DURING 1951 - 1986.

4.1 INTRODUCTION :

The magnitude of states' borrowing from the Union Government has increased rapidly during the last 35 years. It may be mentioned that the magnitude of states' borrowings increased only after the introduction of economic planning under which the states have been assisted by the Union Government largely in the form of loans for the plan purposes. For instance, the total outstanding debt of the former provincial Governments to the then Government of India increased from Rs. 43.97 crores on 15th August, 1947 to Rs. 195.41 crores on 15th March, 1951 and the number of outstanding loans was only 220. But during the period of First Five year Plan from 1st April, 1951 to 31st March, 1956, the number of outstanding loans increased to 2570 and their outstanding debt to Union Government rose to Rs. 900 crores.¹

4.2 UNION LOANS TO STATES IN INDIA DURING 1951 - 1986. :

GROSS RECEIPTS AND NET RECEIPTS :

It will be clear from Table 4.1 that between 1951-52 and 1983-1984 gross loans from the Union Government to the States increased by Rs. 4828.64 crores and between 1951- 1952 and

1985-1986 it increased by Rs. 5906.64 crores (Budget), while net loans from the Union Government increased by Rs. 2968.71 crores and by Rs. 3917.21 crores between the period 1951-1952 and 1983-1984 and 1951-52 and 1985- 1986 (budget) respectively.

The increasing trend in the absolute amount of loans from the Union Government has been continuing from one plan to the other successive plan periods. For instance, the gross loans from the Union Government increased from a total of Rs. 767.74 crores during the First Plan period to Rs. 1416.96 crores during the Second Plan period and to Rs. 3091.71 crores during the Third Plan period and it further increased from Rs. 2639.90 crores during Three Annual Plan period to Rs. 6730.30 crores during the Fourth Plan period. While it further increased from a total of Rs. 9035.40 crores during the Fifth Plan period and to Rs. 21701.7 crores during the Sixth Plan period. However, the net loans from the Union Government increased from a total of Rs. 695.37 crores during the First Plan period to Rs. 1051.76 crores, Rs. 2077.53 crores, Rs. 3063.75 crores, Rs. 5341.5 crores and to Rs. 13180.1 crores during the Second, Third, Fourth, Fifth and Sixth Plan periods respectively.

Their proportion to the total capital receipts, total capital outlay and total capital disbursements should be examined. States' gross loans from the Union Government as proportion of

States' total capital receipts fluctuated between 49.52% and 119.23% with a mean average of 65.41% and as proportion of states' total capital disbursements they fluctuated between 36.78% and 103.92% with a mean average of 60.84%.

States' net loans from the Union Government as proportion of states' total capital receipts fluctuated between 19.44% and 109.29% with a mean average of 60.72%, as proportion of states' total capital outlay they fluctuated between 40.01% and 175.11% with a mean average of 70.36% and as proportion of States' capital disbursement they fluctuated between 16.11% and 95.26% with a mean average of 44.42%.

It is interesting to note that the share of States' gross loans from the Union Government in the total resources transferred from the Union Government to the States has been more or less stable around 50% (See table 4.2). However, the net loans from the Union Government to the states as a proportion of total resources have been declining gradually from 41.90% in 1951-1952 to 27.72% in 1983-1984. This implies that an increasing proportion of fresh gross loans from the Union Government has been used by the States for repayment of earlier loans.

"The foregoing analysis of the trends of Union loans to the states and their relative importance in the total resources transferred brings out that the gross as well as net loans have

been increasing in absolute terms, whereas their relative importance has been gradually declining in the total resources transferred from the Union Government to the States." ²

4.3 MAHARASHTRA'S GROSS RECEIPTS AND NET RECEIPTS :

Details about Maharashtra's gross and net borrowings from the Union Government are presented in the table 4.3. It will be clear from this table, that between 1951-1952 to 1983-1984 gross loans from the Union Government to the Maharashtra increased by Rs.563.26 crores and between 1951-1952 to 1985-1986 (budget) it increased by Rs. 637.84 crores, while net loans from the Union Government increased by Rs. 417.95 crores and by Rs. 496.93 crores between the period 1951-1952 and 1983-1984 and between 1951-1952 and 1985-1986 (budget) respectively.

As the volume of public sector investment under Indian Plans came to be stepped up, the loans given to states' as Plan assistance by the Centre swelled in volume. For instance, the gross loans from the Union Government to Maharashtra increased from a total of Rs. 56.83 crores during the First Plan period to Rs. 155.84 crores during the Second Plan period and to Rs.232.86 crores during the Third Plan period. They further amounted to Rs. 569.30 crores, Rs. 657.53 crores and to Rs. 2384.34 crores during the Fourth, Fifth and Sixth Plan periods respectively. However, the net loans from the Union Government to Maharashtra increased from a total of Rs. 50.06 crores during the First Plan

period to Rs. 122.62 crores and to Rs. 175.82 crores during the Second and the Third plan periods respectively. They further increased upto a total of Rs. 282.08 crores, 319.50 crores and of Rs. 1808.42 crores during the Fourth, Fifth and Sixth Five Years Plan periods respectively.

Furthermore, the gross loans as proportion of capital receipts have been declining in the case of certain economically better off states like west Bengal, Tamil Nadu, Gujrat, Punjab, and Maharashtra. In the case of Maharashtra, gross loans from the Union Government as proportion of total capital receipts fluctuated between 26.31% to 66.19% during the period 1961-1962 to 1985-1986.

However, net loans as proportion of capital receipts have been declining in the case of most of the states. Net loans from Union Government to Maharashtra as proportion of total capital receipts fluctuated between 6.18% to 48.89% during the period 1961-1962 to 1985-1986.

TABLE 4.2

RELATIVE SIGNIFICANCE OF UNION LOANS IN THE TOTAL RESOURCES
TRANSFERRED FROM THE UNION TO THE STATES.

Year	Gross Loans (Rs.in Crores)	Net Loans (Rs.in Crores)	Total Resources Transferred (Rs.in Crores.)	Col.2 as % of Col. 4	Col.3 as % of Col. 4
1	2	3	4	5	6
1951- 52	74.00	62.60	149.40	49.53	41.90
1961- 62	451.35	302.00	695.20	64.94	43.45
1966- 67	918.12	626.10	1406.00	65.30	44.53
1968- 69	863.93	309.70	1293.80	66.80	23.94
1972- 73	1950.22	1260.60	3253.65	59.94	38.75
1978- 79	3229.70	2361.40	6276.00	51.46	37.63
1979- 80	2668.50	1865.90	6780.00	39.40	27.52
1980- 81	3021.80	1563.60	7188.30	42.04	21.75
1981-82	3372.50	1999.80	8109.90	41.58	24.66
1982-83	4165.40	2735.40	9736.60	42.78	28.09
1983- 84	4902.60	3031.30	10935.80	44.83	27.72
1984- 85 R.E.	6239.40	3850.00	12973.40	48.09	29.68

R.E. : Revised Estimate.

Source : 1) Thimmaiah G., Burden of Union Loans on the
States, Sterling Publishers, Pvt. Ltd., New Delhi,
1977.

2) Reserve Bank of India Bulletins.

TABLE 4.3

THE MAGNITUDE OF GROSS AND NET LOANS FROM THE UNION GOVERNMENT TO
MAHARASHTRA (Rs. In Crores)

Year	Gross Loans	Net Loans	Total Capital Receipts	Col.2 as % of Col 4	Col 3 as % of Col 5
1	2	3	4	5	6
1951 - 52	5.91	4.33	27.79	21.26	15.58
1952 - 53	5.56	4.50	8.62	64.50	52.20
1953 - 54	10.36	9.10	23.42	44.24	38.86
1954 - 55	18.86	17.68	11.16	169.00	158.42
1955 -56	16.14	14.45	37.45	43.10	38.58
I Plan Total	56.83	50.06			
I Plan Average	11.36	10.01		68.42	60.72
1956 - 57	19.50	17.10	27.93	69.82	61.22
1957 - 58	27.09	20.89	52.19	51.91	40.03
1958 - 59	41.36	34.14	48.21	85.79	70.82
1959 - 60	36.33	26.56	55.14	65.87	48.13
1960 - 61	31.56	23.95	53.57	58.91	44.71
II Plan Total	155.84	122.62			
II Plan Average	31.16	24.52		66.46	52.98

TABLE 4.3 (Contd...)

1	2	3	4	5	6
1961 - 62	41.02	31.22	70.60	55.27	44.22
1962 - 63	34.96	27.25	80.79	43.27	33.73
1963 - 64	56.74	42.01	104.05	54.53	40.37
1964 - 65	48.87	39.63	81.06	60.29	48.89
1965 - 66	53.27	35.71	93.32	57.08	38.27
III Plan					
Total	232.86	175.82			
Average	46.57	35.16		54.08	41.09
1966 - 67	47.57	25.02	129.32	36.78	19.35
1967 - 68	43.76	17.79	148.64	29.44	11.97
1968 - 69	65.67	34.49	178.93	36.70	19.28
Annual Plan					
Total	157.00	77.30			
Average	52.33	25.76		34.40	16.86
1969 - 70	48.51	9.46	153.18	31.67	6.18
1970 - 71	66.23	29.59	188.68	35.01	15.68
1971 - 72	105.53	59.07	235.38	44.83	25.10
1972 - 73	188.36	121.55	284.57	66.19	42.71
1973 - 74	155.23	57.08	332.48	44.00	17.09
IV Plan					
Total	569.30	282.08			
Average	111.86	56.42		44.34	21.35

TABLE 4.3 (Contd...)

1	2	3	4	5	6
1974-75 R.E.	78.59	30.79	298.74	26.31	10.34
1975-76	94.86	24.92	344.77	27.51	7.22
1976-77	119.61	43.82	294.78	40.58	14.87
1977-78	124.23	69.34	377.95	32.87	18.35
1978-79	240.24	150.63	538.81	44.59	27.96
V Plan Total	657.53	319.50			
V Plan Average	131.51	63.90		34.37	15.75
1979-80	257.77	223.35	526.34	48.97	42.43
1980-81	312.00	265.73	544.18	57.33	48.83
1981-82	358.27	264.68	700.19	51.17	37.80
1982-83	453.95	341.06	805.09	56.39	42.36
1983-84	569.17	422.28	954.19	59.65	44.26
1984-85 R.E.	690.95	514.67	1304.32	52.97	39.46
VI Plan Total	2384.34	1808.42			
VI Plan Average	476.87	361.68		555.50	42.54
1985-86	643.75	501.26	1170.75	54.99	42.82

R.E. Revised Estimate, B.E. Budget Estimate,

Source : 1) Thimmaiah G., Burden of Union Loans on the States'

2) Reserve Bank of India Bulletins : Sept.1975, Nov.1977, Sept.1978, Sept.Oct.1979, Oct.1980, Aug.1981, Sept.1982, Sept. 1983, Oct.,1984, and Nov.1985.

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1. Report of the Second Finance Commission, (New Delhi, Government of India), 1957, PP.52 - 53.
 2. Thimmaiah G., Burden of Union Loans on the States ,Sterling Publishers Pvt. Ltd., New Delhi, 1977, P. 16.
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