



INTER-STATE REVENUE RECEIPTS DISPARITIES AND STATE'S DEPENDENCE ON UNION FINANCES IN INDIA

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Abstract

It is a well-recognised fact that building States' fiscal capacity can improve service delivery, and thereby address some vital developmental issues of the States and lead to reduction of regional imbalances. This study is an attempt to reveal the extent of revenue receipts disparities among States and their dependence on Union transfers in India. It seems that over the years though extent of revenue receipts disparity of low income states from highest per capita revenue receipts income state has been declined but still it is significantly high.

Key Words: *Fiscal Capacity, Revenue Disparity, Union Finances, Fiscal Federalism etc.*

Introduction

The dissimilarity in the capability to manage State finances as well as difference in volume of the inter-governmental transfers in India is the main reasons for the widening gap between the State economies. It is a well-recognised fact that building States' fiscal capacity can improve service delivery, and thereby address some vital developmental issues of the States and lead to reduction of regional imbalances. This study is an attempt to reveal the extent of revenue receipts disparities among States and their dependence on Union transfers in India. To analyse this states have been divided in two broad categories i.e. non-special category states and special category states. Special category status for states was introduced in 1969, when the Gadgil formula for sharing Plan assistance among states was devised; three states were granted special-category namely, Assam, Nagaland and Jammu & Kashmir to bring those on par with the development levels of other states. Fifth Finance Commission conferred special status to the above mentioned 3 states on the basis of harsh terrain, backwardness and social problems prevailing in these states. Gradually, this number grew to 11- the seven North-eastern states, Sikkim, Uttarakhand, J&K and Himachal Pradesh. Furthermore non-special category states have been categorised in low income, middle income and high income states.

Objectives

The main objective of the research study is to know inter-State disparities in revenue receipts and their dependence on Union for revenue. However specific objectives of the study have been mentioned below:

1. To study own revenue disparity among States.
2. To assess share of own revenue receipts in total revenue receipts of States.
3. To analyse extent of each State's dependence on Union finances.

Research Methodology

The scope of the present study is at national level, in which inter-State revenue disparities and State's Dependence on Union Finances in India during last fifteen years have been studied. This study is based on secondary data. Data have been collected from various secondary sources which include various years RBI Reports on STATE FINANCES: A STUDY OF BUDGETS, Central Statistical Organisation, Population census reports 2001 and 2011, journals, books and articles. In the study simple statistical tools, viz. averages, percentages etc. have been used for analysis. The Compound Annual Growth Rates have been calculated to estimate the year wise population. Income category wise distribution (i.e. low, middle and high income) of the states have been taken as given by the Eleventh Union Finance Commission.

Inter-State Revenue Disparities

To understand the inter-state revenue disparities performance of the each state in terms of collection of their own total revenue receipts and total revenue receipts after union transfer has been evaluated. To evaluate these items their percentages to gross state domestic product (GSDP) and per capita revenue receipts has been taken into consideration.

States Own Revenue Receipts

This section discusses the disparities in own revenue collection among states in terms of as ratio of their GSDP and per capita. The Constitution of India provides division of financial powers between Centre and States and accordingly States impose certain taxes such as taxes on commodities and services (i.e. sales tax, state excise, taxes on vehicles, taxes on goods and passengers, taxes and duties on electricity, entertainment tax etc.), taxes on property and capital transactions and taxes on income (i.e. agricultural income tax and taxes on professions, trades, callings and employment). The states also get revenue



from other than tax revenue which includes revenue from interest receipts, dividends and profits, general services (majority of which comes from state lotteries), social services, fiscal services and economic services. States own revenue receipts include both own tax revenue and own non-tax revenue.

Table 4.1: Collection of States Own Revenue Receipts (Per cent to GSDP).

States	2000-05 (Avg.)	2005-10 (Avg.)	2010-14 (Avg.)*
I. Non-Special Category			
Low Income	7.50	8.13	8.90
Bihar	5.31	5.20	5.98
Chhattisgarh	8.72	9.67	10.85
Jharkhand	8.04	7.46	7.72
Madhya Pradesh	8.96	9.33	10.35
Odisha	7.10	7.66	8.87
Rajasthan	8.34	8.44	8.75
Uttar Pradesh	6.94	8.33	9.25
Middle Income	8.65	8.71	9.20
Andhra Pradesh (united)	9.32	9.65	9.93
Karnataka	10.85	10.73	10.95
Kerala	8.75	8.38	9.65
Tamil Nadu	9.95	9.50	10.05
West Bengal	4.98	5.07	5.46
High Income	9.65	8.60	8.46
Goa	17.46	12.28	11.56
Gujarat	9.28	7.83	8.57
Haryana	10.22	9.38	8.16
Maharashtra	8.98	8.34	8.27
Punjab	11.45	10.04	9.00
Special Category states			
Arunachal Pradesh	5.80	11.54	6.77
Assam	6.14	7.98	7.77
Himachal Pradesh	6.48	9.56	8.48
Jammu & Kashmir	6.74	8.58	10.14
Manipur	2.94	4.81	5.71
Meghalaya	5.28	5.45	6.38
Mizoram	3.75	5.41	4.85
Nagaland	2.63	3.13	3.42
Sikkim	71.86	43.55	14.08
Tripura	4.47	4.12	5.20
Uttarakhand	6.81	7.08	6.88
SC Total	6.67	8.08	7.74
GC Total	8.62	8.50	8.87
All States	8.50	8.48	8.80

*Revised Estimates for 2013-14 has been considered.

Source: STATE FINANCES: ASTUDYOFBUDGETS (From 2002-03 to 2014-15), Reserve Bank of India, Central Statistical Organisation. (www.IndiaStat.com).

Table 4.1 shows the annual average ratio of state's own revenue receipts to gross state domestic product. Looking at performance of general category (GC) and special category (SC) states as given in the above table though own revenue receipts-GSDP ratio is lower in case of special category states compare to general category states but during last fifteen years special category states have shown much more improvement compare to general category states. Table also shows that there is wide range of disparities among special category and general category states. Among special category this ratio for Sikkim was very high 71.86 per cent and low 2.63 for Nagaland during 2000-05 which declined in case of Sikkim to 14.08 and increased to 3.42 in case of Nagaland during 2010-14. Whereas in case of general category states this ratio was lowest 4.98



per cent for West-Bengal and highest 17.46 per cent for Goa during 2000-05 and during 2010-14 it was lowest 4.46 per cent for West-Bengal and highest 11.56 per cent for Goa. Among general category states comparing the ratio of 2010-14 with 2000-05 it seems that low and middle income states have shown improvement respectively from 7.5 to 8.9 and 8.65 to 9.2 whereas high income states have shown decline from 9.65 to 8.46. Among the low income states except Jharkhand and all middle income states have shown improvement in own revenue-GSDP ratio whereas all high income states have shown declining trend during 2010-14 over 2000-05.

Table 4.2: Per capita Own Revenue Receipts of the State's during Eleventh to Thirteenth Finance Commission duration (in)

States	2000-05 (Avg.)	2005-10 (Avg.)	2010-15 (Avg.)*
I. Non-Special Category States			
Low Income	968.29	1852.23	3965.91
Bihar	395.90	643.86	1717.01
Chhattisgarh	1402.80	3194.25	6819.70
Jharkhand	1187.36	1921.82	3614.89
Madhya Pradesh	1340.18	2322.94	4960.05
Odisha	1047.06	2382.05	5169.51
Rajasthan	1425.33	2620.70	5829.83
Uttar Pradesh	858.29	1745.01	3587.10
Middle Income	2053.43	3912.68	7974.04
Andhra Pradesh (united)	2118.78	4305.19	8768.73
Karnataka	2553.83	4925.71	9203.49
Kerala	2502.66	4678.78	10150.21
Tamil Nadu	2627.38	4954.26	10397.29
West Bengal	1039.65	1770.41	3687.61
High Income	3050.91	5298.90	9658.85
Goa	11265.12	18204.78	34660.55
Gujarat	2646.16	4532.17	9266.11
Haryana	3496.64	6224.20	10734.68
Maharashtra	2846.34	5226.38	9456.08
Punjab	3878.53	5720.77	9041.89
II. Special Category states			
Arunachal Pradesh	1192.69	4618.57	5866.38
Assam	978.86	1994.73	3557.26
Himachal Pradesh	1997.57	5229.48	8627.97
Jammu & Kashmir	1331.62	2784.68	6197.86
Manipur	501.76	1352.27	2701.07
Meghalaya	1084.75	1973.10	4185.14
Mizoram	878.00	2092.89	3663.74
Nagaland	598.81	1331.91	2616.50
Sikkim	17263.36	24022.30	22242.85
Tripura	955.37	1445.07	3211.50
Uttarakhand	1457.54	3539.08	7313.17
SC Total	1309.87	2792.97	5121.50
GC Total	1738.69	3195.63	6347.68
All States	1711.74	3170.28	6270.42

*Revised Estimates for 2013-14 and Budgetary Estimates for 2014-15 have been considered.

Source: STATE FINANCES: A STUDY OF BUDGETS (From 2002-03 to 2014-15), Reserve Bank of India, Population census reports 2001 and 2011.

Table 4.2 indicates the state-wise annual average per capita state's own revenue receipts during last fifteen years. It seems that annual average per capita state's own revenue receipts for general and special category states were increased respectively



from 1738.69 to 6347 and 1309.87 to 5121.5 during 2000-05 to 2010-15. Among the general category annual average per capita state's own revenue receipts for low, middle and high income states were respectively increased from 968.29 to 3965.91 (4 times more), 2053.43 to 7974 (3.88 times more), and 3050.91 to 9658 (3.16 times more) during 2000-05 to 2010-15. The per capita own revenue receipts of high income states were 3.15 times more than per capita own tax revenue of low income states during 2000-05 but this difference came down to 2.44 during 2010-15. Among the low income states Bihar's own per capita revenue receipts were less than fifty per cent of the per capita annual average of low income states during last fifteen years. It seems that there was almost a same situation for West Bengal among middle income states. Among the high income states Punjab's performance was worst in terms of per capita own revenue collection during last fifteen years. During 2000-05 none of the middle income state had high per capita own revenue receipts compare to any of the high income state but this situation was different in 2010-15, Karnataka, Kerala and Tamil Nadu surpasses the per capita own revenue receipts of Punjab not only this Kerala and Tamil Nadu overtake Gujarat and Maharashtra also during the same period. Looking at the improvement in terms of per capita own revenue receipts from 2000-05 to 2010-15 among the general category states from low, middle and high income states highest improvement have been shown respectively by Odisha (4.94 times more), Andhra Pradesh (4.14 times more) and Gujarat (3.5 times more) whereas lowest improvement have been shown respectively by Jharkhand (3.04 times more), West Bengal (3.55 times more) and Punjab (2.33 times more).

Per Capita Revenue Receipts Distance from Highest Per Capita Revenue Receipt State Before and after Union Transfer

While studying revenue receipts disparities among states it is important to see the per capita revenue receipts distance from highest per capita revenue receipt state before and after union transfer. The Union government's main intention behind the transfer is to bring equality in the resources available to states. Therefore it is interested to see at what extent union government have been succeeded to bring down the gap between high income state and lower income states.

Table 4.3: Per Capita Revenue Receipts Gap of Non-Special Category States from Highest Per Capita Revenue Receipt State Before and after Union Transfer (Except Goa) (in)						
States	Gap Before Union Transfer			Gap After Union Transfer		
	2000-05 (Avg.)	2005-10 (Avg.)	2010-15 (Avg.)	2000-05 (Avg.)	2005-10 (Avg.)	2010-15 (Avg.)
I. Non-Special Category	Gap from Punjab	Gap from Haryana	Gap from Haryana	Gap from Punjab	Gap from Haryana	Gap from Haryana
Low Income	2910.24	4371.97	6768.77	2475.83	3617.13	5159.87
Bihar	3482.63	5580.34	9017.67	2990.17	4760.89	7424.61
Chhattisgarh	2475.73	3029.95	3914.98	2133.32	1930.76	1253.77
Jharkhand	2691.17	4302.38	7119.79	1909.89	3345.27	5252.39
Madhya Pradesh	2538.35	3901.26	5774.63	2118.81	3167.73	3805.09
Odisha	2831.47	3842.15	5565.17	2114.8	2379.34	2528.31
Rajasthan	2453.2	3603.5	4904.85	2015.71	3075.23	3678.65
Uttar Pradesh	3020.24	4479.19	7147.58	2717.4	3900.35	6004.74
Middle Income	1825.1	2311.52	2760.64	1477.39	1794.97	1770.72
Andhra Pradesh (united)	1759.75	1919.01	1965.95	1340.66	1217.99	229.63
Karnataka	1324.7	1298.49	1531.19	982.7	694.58	523.21
Kerala	1375.87	1545.42	584.47	1035.52	1070.4	170.1
Tamil Nadu	1251.15	1269.94	337.39	997.08	832.11	184.35
West Bengal	2838.88	4453.79	7047.07	2478.92	4090.3	5881.68
High Income	827.62	925.3	1075.83	815.88	831.26	1082.01
Gujarat	1232.37	1692.03	1468.57	1067.67	1580.94	1517.52
Haryana	381.89	0	0	425.94	0	0
Maharashtra	1032.19	997.82	1278.6	1097.09	920.51	1350.74
Punjab	0	503.43	1692.79	0	401.15	1615.05

Source: STATE FINANCES: A STUDY OF BUDGETS (From 2002-03 to 2014-15), Reserve Bank of India, Population census reports 2001 and 2011.



Table 4.3 indicates the position of per capita revenue receipts of each individual from the state having highest per capita revenue receipt before and after union transfer i.e. per capita revenue receipts gap of non-special category states from highest per capita revenue receipt state before and after union transfer (except Goa) in rupees. This table also gives us an idea about the extent of disability in resources of each state compare to highest per capita revenue receipt state. The states which had highest per capita revenue receipts before and after union transfer during 2000-05, 2005-10 and 2010-15 were respectively Punjab, Haryana and Haryana. If we measure the gap of each state from these states in terms per capita in rupees it seems that absolute gap of low and middle income states have been increased over the last fifteen years before union transfers. This gap has been declined significantly for middle income states compare to low income states. Looking at individual states among the different income categories it seems that from low income states per capita gap for Bihar, Jharkhand and Uttar Pradesh, from middle income states West Bengal and from high income states Gujarat, Maharashtra and Punjab had more gap compare to the overall gap of income category from which they belong.

States	Gap Before Union Transfer			Gap After Union Transfer		
	2000-05 (Avg.)	2005-10 (Avg.)	2010-15 (Avg.)	2000-05 (Avg.)	2005-10 (Avg.)	2010-15 (Avg.)
I. Non-Special Category	Gap from Punjab	Gap from Haryana	Gap from Haryana	Gap from Punjab	Gap from Haryana	Gap from Haryana
Low Income	75.03	70.24	63.06	55.93	47.66	37.97
Bihar	89.79	89.66	84.01	67.55	62.73	54.63
Chhattisgarh	63.83	48.68	36.47	48.19	25.44	9.23
Jharkhand	69.39	69.12	66.33	43.14	44.07	38.65
Madhya Pradesh	65.45	62.68	53.79	47.86	41.74	28.00
Odisha	73.00	61.73	51.84	47.77	31.35	18.60
Rajasthan	63.25	57.89	45.69	45.53	40.52	27.07
Uttar Pradesh	77.87	71.96	66.58	61.39	51.39	44.19
Middle Income	47.06	37.14	25.72	33.37	23.65	13.03
Andhra Pradesh (united)	45.37	30.83	18.31	30.29	16.05	1.69
Karnataka	34.15	20.86	14.26	22.20	9.15	3.85
Kerala	35.47	24.83	5.44	23.39	14.10	1.25
Tamil Nadu	32.26	20.40	3.14	22.52	10.96	1.36
West Bengal	73.19	71.56	65.65	56.00	53.89	43.28
High Income	21.34	14.87	10.02	18.43	10.95	7.96
Gujarat	31.77	27.18	13.68	24.12	20.83	11.17
Haryana	9.85	0.00	0.00	9.62	0.00	0.00
Maharashtra	26.61	16.03	11.91	24.78	12.13	9.94
Punjab	0.00	8.09	15.77	0.00	5.29	11.88

Source: STATE FINANCES: A STUDY OF BUDGETS (From 2002-03 to 2014-15), Reserve Bank of India, Population census reports 2001 and 2011.

Table 4.4 indicates the per capita revenue receipts gap of non-special category states from highest per capita revenue receipt state before and after union transfer (except Goa) in per cent i.e. this table gives us an idea about the extent of disability in resources of each state compare to highest per capita revenue receipt state or in other words we can say that this table shows the extent of inequality in availability of resources in per cent. Figures in the table for gap before union transfers if declines it shows states contribution (success of efforts) in increasing per capita revenue receipts, whereas from the figures of gap after union transfer we can get an idea about the extent of union government's success in bringing equality among states. The states which had highest per capita revenue receipts before and after union transfer during 2000-05, 2005-10 and 2010-15 were respectively Punjab, Haryana and Haryana. If we measure the gap of each state from these states in terms per capita revenue receipts in per cent it seems that gap of low, middle and high income states have been decreased over the last fifteen years before and after union transfers. The gap for low, middle and high income states were respectively declined before union transfer from 75, 47 and 21 to 63, 25.7 and 10 per cent during 2000-05 to 2010-15. Whereas this gap after union



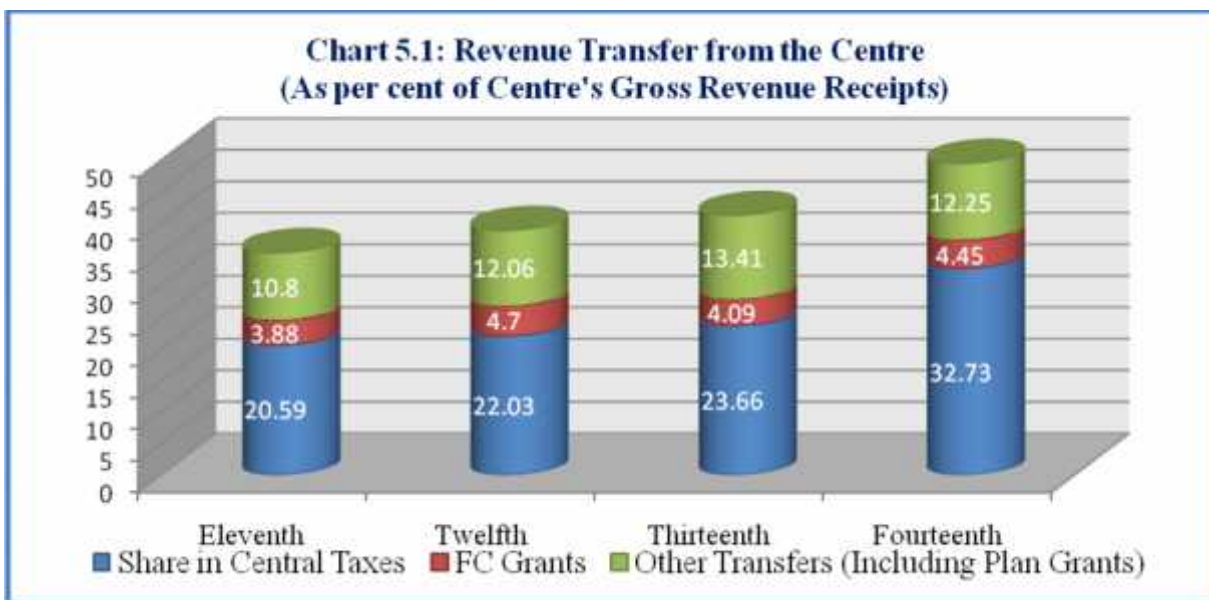
transfer was respectively declined for low, middle and high income states from 55.9, 33.4 and 18.4 to 38, 13 and 8 during 2000-05 to 2010-15. This gap has been declined significantly for middle income states compare to low income states. Looking at individual states among the different income categories it seems that from low income states per capita gap for Bihar, Jharkhand and Uttar Pradesh, from middle income states West Bengal and from high income states Gujarat, Maharashtra and Punjab had more gaps compare to the overall gap of income category from which they belong. Looking at gap before union transfer for states like Chhattisgarh, Madhya Pradesh, Odisha and Uttar Pradesh among low income category, from middle income category all states except West Bengal and from high income category all states except Punjab shown improvement in increasing own revenue receipts. States like Bihar, Jharkhand and West Bengal should learn the lesson from Kerala and Tamil Nadu to bringing down the own revenue receipts gap. Some of the positive impacts of union transfers we can mention that the figures of gap after union transfer certainly have been declined significantly compare to values of gap before union transfer for same duration and over a period of time in case of low income states. Surprisingly from middle income states except West Bengal all states had lowest gap compare to other states. But still for current duration 2010-15 average per cent gap after union transfer for states like Bihar, Uttar Pradesh and West Bengal were significantly high.

State's Dependence on Union Finances

Total revenue receipts of the State's constitute tax revenue and non-tax revenue. Tax revenue includes the State's own tax revenue and share in Central taxes. Similarly, non-tax revenue includes the State's own tax revenue and share in Centre's Grants. This section discusses the extent of states dependence on union finances through analysing revenue transfer from Centre and ratio of states own revenue receipts to total revenue receipts.

Revenue Transfers from the Union

In India multiplicity of agencies dispensing federal funds to states are the Finance Commission, the Planning Commission and the Union ministries. While the constitution of India envisaged the Finance Commission to be the prime channel for routing the flow of central revenue to states, right from the beginning, nearly 40 percent of the transfers have taken place through other channels, mainly Planning Commission (PC) and the Ministry of Finance and other central agencies.



Source: STATE FINANCES: A STUDY OF BUDGETS, (2014-15) Reserve Bank of India.

Chart 5.1 shows revenue transfer from the centre to states (actual during last three Finance Commissions duration i.e. 2000-2014 and proposed fourteenth Finance Commission duration i.e. 2015-20) as per cent of Centre's gross revenue receipts. Revenue transfers over the last fifteen years have been increased but, the projections made by the Finance Commission XIV for the award period indicate a significant increase in the share of revenue transfers from the centre relative to centre's gross revenue receipts. However, since the CSS funds, which were earlier given directly to implementing agencies, are being routed through state budgets from 2014-15 onwards, these direct transfers were added to state plan grants for the period 2010-14 to make a like-to-like comparison. This indicates that the share of revenue transfers in gross revenue receipts of the centre at 48.9 per cent during the Finance Commission-XIII award period was only marginally lower than that projected for the



Finance Commission-XIV period (49.4 per cent). One thing is to be noted that statutory transfers i.e. Finance Commission transfers during last fifteen years remained around 68 per cent to total union transfer among that share of states in taxes were steadily increased and significantly recommended increase by fourteenth Finance Commission.

Share of States Own Revenue Receipts in Total Revenue Receipts

To understand the extent of each state's dependence on union transfer in this section contribution of each state's own total resources in their total revenue receipts has been discussed.

Table 5.1: per cent share of State's Own Revenue Receipts in Total Revenue Receipts

States	2000-05 (Avg.)	2005-10 (Avg.)	2010-11	2011-12	2012-13	2013-14 (RE)	2014-15 (BE)	2010-15 (Avg.)
I. Non-Special Category								
Low Income	49.63	46.62	47.18	48.65	50.15	48.47	43.04	47.05
Bihar	27.56	22.76	24.39	26.31	29.19	29.36	28.20	27.85
Chhattisgarh	61.17	56.44	56.56	57.10	59.67	57.23	49.56	55.28
Jharkhand	47.18	45.27	45.27	44.57	47.47	44.53	38.62	43.36
Madhya Pradesh	58.07	52.53	52.34	55.04	53.36	52.26	44.20	50.69
Odisha	45.29	45.72	47.99	49.38	52.60	45.68	41.53	46.74
Rajasthan	59.12	58.05	58.90	60.61	63.72	62.06	52.39	58.82
Uttar Pradesh	50.21	47.30	47.25	47.96	48.71	49.02	44.71	47.29
Middle Income	69.62	67.52	68.58	68.15	71.30	68.76	62.86	67.47
Andhra Pradesh (united)	68.65	67.56	68.97	69.46	73.08	68.75	55.20	65.63
Karnataka	74.15	71.43	71.87	72.43	73.83	69.36	66.95	70.44
Kerala	73.80	71.76	76.31	74.48	77.66	74.87	75.27	75.64
Tamil Nadu	76.61	73.31	74.70	76.52	78.73	78.09	78.44	77.56
West Bengal	53.37	50.59	49.74	44.73	50.85	50.53	44.73	47.84
High Income	84.49	78.40	79.00	79.22	79.93	77.62	72.55	77.22
Goa	88.95	83.96	81.04	84.15	81.65	79.88	79.80	81.15
Gujarat	78.78	75.42	78.80	78.67	79.64	79.20	70.43	76.76
Haryana	87.40	82.00	79.06	82.21	83.94	76.03	75.99	78.99
Maharashtra	85.48	78.36	78.65	78.97	79.35	77.71	73.26	77.26
Punjab	87.62	79.58	80.27	77.15	78.68	75.20	69.64	75.51
Special Category states								
Arunachal Pradesh	11.06	19.12	13.65	12.34	10.43	14.38	13.62	13.01
Assam	37.30	37.58	36.08	38.26	34.94	29.27	29.69	32.69
Himachal Pradesh	32.68	40.07	42.01	41.42	38.49	37.54	40.72	39.91
Jammu & Kashmir	18.73	22.51	20.55	27.22	30.49	32.73	28.19	28.25
Manipur	8.37	9.98	9.76	12.02	8.28	11.48	10.25	10.36
Meghalaya	20.37	21.61	20.42	22.90	24.07	15.98	16.95	19.10
Mizoram	7.28	9.56	8.30	8.64	9.61	8.80	9.34	8.99
Nagaland	6.95	8.64	8.20	9.61	8.82	7.91	6.21	7.92
Sikkim	59.36	54.91	46.60	36.45	32.75	29.55	26.11	32.69
Tripura	15.46	12.83	14.51	16.55	16.79	18.09	14.53	16.09
Uttarakhand	43.96	43.52	43.85	49.31	50.91	41.61	40.17	44.43
SC Total	27.06	29.50	27.95	30.81	30.20	27.93	26.58	28.45
GC Total	66.68	62.57	62.83	63.18	65.22	62.89	56.79	61.66
All States	62.30	58.91	59.06	59.76	61.65	59.16	53.63	58.17

*For 2013-14 Revised Estimates and for 2014-15 Budgetary Estimates of Revenue Receipts and Revenue Expenditure have been considered for calculation.

Source: STATE FINANCES: A STUDY OF BUDGETS (From 2002-03 to 2014-15), Reserve Bank of India.



Table 5.1 indicates the state-wise share of own revenue receipts to state's revenue receipts during last fifteen years. In other words this table gives us an idea that how much each state could contribute to their total revenue receipts i.e. extent of each state dependence for revenue receipt on Central government. If the ratio of own revenue receipts to total revenue receipts increases it indicates the less dependence of states on union finances. Looking at all state averages it seems that the ratio which was 62.3 during 2000-05 declined to 58.17 during 2010-15. It seems that ratio of own tax revenue to revenue receipts were not had similar trend for all individual states, but among the general category for overall income category average seems similar trend, for low income, middle income and high income states this ratio had been decreased respectively from 49.63, 69.62 and 84.49 to 47.05, 67.47 and 77.22 during 2000-05 to 2010-15, whereas during the same period this ratio for special category states slightly increased from 27.06 to 28.45 and for general category states it decreased from 66.68 to 61.66. It means that dependence of general category states during last fifteen years had been increased. Among the general category states though all income categories overall average have been come down but high income states overall average has come down significantly compare to low income and middle income states. Looking at individual states it seems great extent of variations among the general and special category states.

Conclusion

Despite fiscal reforms, there are serious shortcomings in the resource transfer mechanism from the centre to the states. On the basis of own revenue-GSDP ratio it seems that the States are also not making enough effort to mobilise their own resources. As a result these things there exists a wide range of per capita revenue receipts gap among States to match up the highest per capita revenue receipts State. Low income category States are still depended for approximately fifty per cent for revenue receipts on Union transfers. Therefore, there is urgent need to bring institutional and governance reforms, if the issue of inter-regional inequity is to be seriously addressed.

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