

NOTE ON LOW ALLOCATION OF CENTRAL FUNDS TO PUNJAB

Punjab because of its relative prosperity and early economic development has been consistently discriminated against in the devolution of central taxes as well as allocation of funds under Government of India's different flagship programmes.

The criterion for the devolution of funds from centre to states gives 50 % weightage to income distance (preference to low per capita income states), which is unfavourable to high per capita income states like Punjab. SC population is not given any weightage.

The flagship schemes also focus on creation of new infrastructure and little or no priority is given to maintenance of already created infrastructure. States like Punjab which have relatively well developed infrastructure in the areas of education, irrigation, roads and electricity received comparatively less allocation. This is illustrated as is given below.

1. Devolution of Funds from Centre to States

- 30% of all Central Taxes are distributed among the States. The devolution of Central Taxes to Punjab within the devolved amount is only 1.30% as per formula devised by the 12th Finance Commission. The 13th Finance Commission has not made any major changes.

(in Rs. Crore)

Year	Total Collection of Central Taxes	Total Devolution to States	% Devolution of States	Devolution to Punjab	% of Taxes devolved to Punjab of States Share
2006-07	467,848	120,377	25.72%	1566	1.30%
2007-08 (BE)	548,122	142,450	25.99%	1853	1.30%
2008-09 (BE)	586,114	178,765	30.5%	2325	1.30%

- The devolution of funds from Central Government to States determined by Finance Commission appointed by Central Government is based on the following formula:

Criterion	Population	Income Distance	Area	Tax Effort	Fiscal Discipline
% Weightage	25.0	50.0	10.0	7.5	7.5

- Punjab suffers as 50 % weightage in the devolution is given to *income distance criterion* i.e. based upon the difference between the per capita income of a State from the average of the per capita income of the top three States of the country. Punjab has been taken in the top 3 States by the 12th Finance Commission and, therefore, receives only negligible grant on this account which is due to the State placed next at No. 4. Since the weightage given to this criteria is 50 % of the total devolution of Central Taxes, high income states like Punjab are being grossly deprived of their legitimate share in Central Taxes merely on account of their being relatively well developed.
- No weightage is given in the said formula for percentage of population of Scheduled Castes and Scheduled Tribes. Punjab has a highest percentage of Scheduled Castes in the country i.e. 29 % but this is ignored completely by the Centre while devolving taxes to the States.
- We strongly urge the GOI to review the existing formula in two ways – one, to increase the overall share of States in devolution of Central taxes from present 26% to at least 40-45%. Two, the Finance Commission formula needs revision so that Punjab, which contributes over 50% to central food pool, may get higher allocation.

2. **BPL Families**

- Definition of BPL families is not suitable for the State of Punjab.
- BPL families are defined in minimalistic terms i.e. families who can not afford daily food worth 2100 calories (in urban areas) and 2400 calories (in rural areas).

This definition is suited to poorer States and not favorable to the State of Punjab where there is no extreme hunger or problem of food security.

- GoI on the basis of a survey put a cap of 3.26 lac on BPL families in rural areas (on the basis of annual family income roughly of Rs.20,000/-). The survey for identification of BPL families was last conducted in 2002. As per that survey there were 3.44 lac BPL families in rural areas and 1.79 lac BPL families in urban areas i.e. a total number of BPL families in Punjab today is 5.23 lac out of 46 lac families.
- BPL population in Punjab is only 11% where as SC population alone is about 29 % in the State. Even states with equal or higher per capita income have higher BPL percentages - like Maharashtra (30.8%), Gujarat (16.8%), Delhi (14.7%), Haryana (14.0%) and Goa (13.8%).
- We have requested the Planning Commission and Government of India that a new definition for BPL should be framed and accordingly a new survey be conducted. A pan-Indian definition of poverty is not suitable in a large country like India with major variations in socio-economic conditions. There are about 17 lac Atta Dal families in the state (families having annual income upto Rs 30000 per annum).
- Government of India gives substantial grant for poverty alleviation programme like Swarnajayanti Gram Swarozgar Yojana (SGSY), Sampurna Gram Rozgar Yojana (SGRY) and Indira Awas Yojana (IAY) based upon BPL population of a State. As a result of less number of BPL families Punjab is put to great disadvantage.

3. **Sarva Shiksha Abhiyan (SSA)**

- Sarva Shiksha Abhiyan is Centre's flagship programme started in 2002-03 in which presently Centre contributes 60 % and State contributes 40 % funds. The main thrust of the programme is upgradation of elementary education by opening of new elementary schools where there are no such schools and provision of payment of salaries to the teachers to be recruited in these schools.
- Since Punjab had set up primary schools as per national norms (1 school within 1 km of habitation) much before the SSA started, therefore, Punjab did not get any amount under this component. The State Government has repeatedly argued that

salary for 13755 new teachers recruited by PRIs and local bodies recently should be allowed under SSA by Government of India as these were pertaining to those schools which were lying effectively defunct on account of severe shortage of teachers in the State. It is a matter of regret that the Centre is yet to concede to this legitimate demand of the State.

- Other components of SSA are construction of additional Class Rooms, Drinking Water, Toilet Facilities, consumable articles, Teachers training, etc.
- Total expenditure under SSA in 2007-08 is Rs. 137.20 crore of which Central Share is Rs. 82.68 crore and Rs. 44.52 crore is State Share.
- An expenditure of Rs.261.02 crore (Central share Rs.169.65 and State share Rs. 91.36 crore) has been incurred during 2008-09.
- The Annual Work Plan and Budget approved by GoI is Rs.369.12 crore (Central share Rs. 221.47 crore + State share Rs.147.65 crore) for the year 2009-10.

4. **Rashtriya Krishi Vikas Yojna (RKVY)**

- Rs. 25,000 crore programme spread over 5 years.
- Under present criteria, Punjab got only Rs. 37 crore (Out of total Rs. 1500 crore) in the year 2007-08, Rs. 87 crore in 2008-09 (Out of total Rs. 3500 crore) and Rs. 43 crore in 2009-10 (Out of total Rs. 3100 crore in the year 2009-10).
- Share of Punjab is very low because the criteria is not favorable to the State. 20 % of the funds are allocated to the State in proportion to the un-irrigated area in the State. Since Punjab has hardly any un-irrigated area (less than 2%), we do not get more than Rs. 1 crore on the basis of this criteria. Punjab has been put to disadvantage for having created extensive irrigation facilities. No weightage is given to the requirement of maintenance of huge irrigation infrastructure.
- The State Government has requested that there is lot of demand for funds for maintenance and upgradation of century-old canal infrastructure and, therefore, at least 50 % of the funds should be allocated for this. The request is yet to be accepted by Government of India.

5. **Prime Minister Gramin Sadak Yojna (PMGSY)**

- Two components under this scheme for improving rural connectivity.
- Under first component, villages having population of 1000 are to be provided village link roads. Punjab does not get any amount under this component because all our village habitations were provided village link roads long back by the State Government through its own efforts.
- Under second component, State gets some funds from GOI for upgradation of existing rural roads. However, State Government is also required to spend its own funds for acquisition of land for widening of existing rural roads. Since land in Punjab is cultivated and expensive, we have been repeatedly requesting GoI to include the cost of land acquisition under PMGSY but the proposal has not been accepted.
- Punjab has been allocated Rs. 250 crore in 2009-10 against All India allocation of Rs. 12000 crore.
- Here also, we are being excluded from central funds on account of having achieved national target of providing road connectivity to all villages through our own efforts.

6. **Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY)**

- The main first component of this scheme is to connect un-electrified villages with electric supply. Since Punjab had extended electric supply to all its villages long back, we do not get any money under this component.
- The second priority is given by Government of India to provide single bulb connection to BPL families. The number of BPL families is less in the state. The state has been sanctioned a project of Rs. 184 crore out of which Rs. 57 crore has been received since the inception of the scheme in 2005-06. The All India allocation in the year 2009-10 is Rs. 7000 crore. Here also, we are being excluded from central funds on account of having achieved national target of electrifying all villages through our own efforts and relatively less number of BPL families.

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