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Annexure -1

Gadgil Formula and its Variants

1. **Original Gadgil Formula approved by the NDDC in September 1968**

   (1) The requirements of Assam, Jammu and Kashmir and Nagaland should first be met out of the total pool of Central assistance.
(2) The balance of the Central assistance should then be distributed among the remaining fourteen States on the basis of the following criteria:

(i) 60 per cent on the basis of population - 1965 midyear population estimates.

(ii) 10 per cent on the basis of per capita State Domestic Product (SDP) - average of three years (1962-63 to 1964-65); assistance to go to those States only whose per capita SDPs are below the national average. Deviation method is to be used in distribution.

(iii) 10 per cent on the basis of tax efforts of States - State’s own per capita tax receipts (1967-68) as percentage of per capita SDP (average of 1962-65).

(iv) 10 per cent on the basis of spillover into the Fourth Plan, of major continuing irrigation and power projects, each costing more than Rs.20 crore and with expenditure of at least 10 per cent incurred.

(v) 10 per cent for special problems of individual States.

2. Updated Gadgil Formula

(1) Requirements of Assam, Himachal Pradesh, Jammu and Kashmir, Nagaland, Manipur, Meghalaya, Sikkim, and Tripura first to be met out of the total Central assistance.

(2) Balance to be distributed as under:

(i) 60 per cent on the basis of population – 1971 population.

(ii) 10 per cent on the basis of per capita SDP – average of 1970-73 to States below the average only.

(iii) 10 per cent on the basis of tax efforts of States - State’s own per capital tax receipts (1973-74) as percentage of per capita SDP (average of 1970-73).

(iv) 10 per cent on the basis of continuing major irrigation and power projects.

(v) 10 per cent on the basis of special problems of individual States. (Here, there is no change from the original Gadgil Formula. Only the database has been updated.)

3. Modified Gadgil Formula

(1) Lump sum amount to be set apart for eight Special Category States.
(2) Balance amount to be distributed among the remaining 14 states as under:

(i) 60 per cent – 1971 population.

(ii) 10 percent – tax effort - 1978-79 tax receipts and 1973-76 per capita SDP.

(iii) 20 per cent - average per capita SDP for 1973-76 to States below the average.

(iv) 10 per cent - special problems of States.