## CONTENTS

Acknowledgements                                      i - ii  
Preface                                             iii – iv  
List of Abbreviations                                v  
List of Tables used in the Text                      vi – vii  
List of Figures                                      viii  
List of Annexures                                    ix  

### Chapter 1. Introduction 1-19

1.1 States’ Expenditure                                4  
1.2 Revenue of State Governments                       7  
1.3 Central Transfers                                  7  
1.4 Fiscal Deficit and its Measurements                11  
1.5 Deficits of States                                 13  
1.6 Objective of the Study                             17  
1.7 Hypothesis                                        17  
1.8 Data and Methodology                               18  
1.9 Limitations of the Study                          18  

### Chapter 2. Review of Literature 20 - 44

2.1 Deficit Financing – Some issues                   21  
2.2 Studies of Fiscal Federalism in India              25  
2.3 Empirical Studies on the Central and States’ Fiscal Imbalances 31

### Chapter 3. Fiscal Federalism in India: An Analysis of Fiscal Transfers to States 45 - 75

3.1 Introduction                                      45  
3.2 Constitutional Provision for Fiscal Federalism    46  
3.3 Finance Commission Transfers                      50  
3.4 Planning Commission Transfers                     59  
3.5 Central Ministry Transfers                        63  
3.6 Federal Transfers and Vertical Imbalance          65  
3.7 Attempted Corrections in the System of Federal Transfers 69
Chapter 4. Financial Imbalances in Major States of India: A Macro View 76 - 95

4.1 Introduction 76
4.2 Fiscal Deterioration in the States 78
4.3 Fiscal Deficits in States 81
4.4 Revenue Deficits in States 85
4.5 Primary Deficits in States 88

Chapter 5. Revenue and Expenditure of Major States in India 96 - 123

5.1 Introduction 96
5.2 Total Expenditure of States 97
5.3 Receipts of the Government 111
5.4 Central Transfers 119

Chapter 6. Fiscal Scenario of the State of Uttar Pradesh 124 - 156

6.1 Introduction 124
6.2 Deficits of State; A Time Profile 124
6.3 Expenditure of the State 129
6.4 Receipts of the State government 138
6.5 Tax Revenue of the State 139
6.6 Transfers from the Centre 147
6.7 Attempted Fiscal Corrections 149
6.8 Fiscal Reforms in the Medium Term 151

Chapter 7. Conclusions and Policy Imperatives 157 - 163

Bibliography 164 - 173

Annexure 174 - 187