INTRODUCTION

An essential aspect of development planning relates to its financing. The size and nature of the plan depends on the availability of finances. Finances are the 'Motive force' which makes the economic plan 'Get-going'. The financial resources have therefore, long been recognised by economists as the pivot or the very basis of planning. The importance of this particular activity, viz., resource growth, resource appraisal and resource mobilisation need not be over emphasised. The technique of resource creation, mobilisation and investment is the dynamic know-how which moves the wheels of planning and growth in the economy.

Financial resources are estimated much earlier than the formulation of an economic plan. For in the absence of knowledge about financial resources, targets, priorities and investment criteria cannot be formed on a realistic basis. In some cases, the major cause of failure of the plan is the non-availability of sufficient financial resources. There are various sources of financing plan programmes. Taken together these sources with differing contributions, depict the pattern of financing. That pattern of financing is sound which provides adequate resources for plans, distributes equitably the

burden of development among various sections of population and does not affect adversely the price-level.

As the Royal Commission on Taxation (Carter Commission) of Canada stated "If the Government had to choose one method to the exclusion of all other methods by which it can command over resources, taxation would be preferable because it can be more equitable, can be less disruptive to the economy and can give the Government more effective control over the total demand for goods and services". Taxation is the most important source of development finance. It is primarily viewed as a means of transfer of resources from private hands to the public Exchequer, which constitutes the principal source of revenue to the Government, to be utilised for financing the development expenditure. As such, resources necessary for the development plans have to be mobilised through taxation. Goode also stated that "the way to economic development is not along the easy path of low taxation and minimum Government activity". In other words, taxation is a powerful tool which can and should be used primarily to influence the volume of economic activity through plans.

One of the important problems facing the State Governments today is the difficulty in mobilising additional/extra revenue through taxation to meet the ever increasing expenditure, particularly in the

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context of planning. As such, it is of utmost important that due attention should be paid to this aspect of planning. In this context, the present study "mobilisation of resources in Andhra Pradesh during the VII Plan" has been undertaken to examine how far the Government of Andhra Pradesh was successful in its efforts in mobilising the revenues for financing the VII Plan, emphasising the role of 'taxation' and 'additional resources' in resource mobilisation.

One of the most crucial problems of the Third world is the mobilisation of financial resources for development programmes. The economic situations, political complexions, geographic and climatic variations would suggest different approaches and solutions to the resource mobilisation problem. Generally the total revenue of State Governments consists of:

a) State's own tax revenue;
b) Non-tax Revenue of the States;
c) Share in central taxes; and
d) Grants-in-aid from the Union Government.

Whereas 'a' and 'b' indicates State's own resources and 'c' and 'd' relates to the aid from the Centre.

Of all the above said resources, State Governments generally mobilise large revenue through taxation. Andhra Pradesh Government

mobilised 51% of the total revenue of the VII Plan from taxation. The efficiency of a tax system in promoting economic development of a State depends on the tax structure it adopts. The structures do differ from State to State, because of differences in history, political systems and public attitude towards the Government. In the context of the above variations in the tax structure of developing and developed States, the present study undertakes an intensive analysis of the tax structure of Andhra Pradesh State, All-States' model and other 3 southern States viz., Karnataka, Kerala and Tamil Nadu during the VII Plan.

Mobilisation of 'Additional resources' is one of the important revenue component in resource mobilisation of State Five Year Plans. The concept of 'additional resource mobilisation' was introduced in the Fourth Plan. The fourth, fifth and sixth plan documents have outlined the broad guidelines for the States in this respect which include: (a) raising the rate of return from Electricity Boards; (b) Improving financial returns from Irrigation Projects; (c) raising the return on capital employed in industrial and commercial undertakings; (d) floating rural debentures; (d) levying agricultural income tax at progressive rates and surcharges on land revenue in a similar fashion; (f) levying commodity taxes to mop up surpluses avoid conspicuous consumption etc., with emphasis on raising rates of sales tax where they are low; (g) levying taxes on land values; (h) withdrawing of incentives in case of which purpose served by them is not commensurate with the loss of revenue to the States.  

Recently, the State Governments have been raising considerable amounts of 'additional revenues' for financing the State plans. This explains the efforts of State Governments in mobilising the resources. An examination of tax proposals for additional taxation by States during the VII Plan period shows that they have relied more on indirect taxation rather than direct taxes like agricultural income tax and other forms of direct taxation of agriculture. Most of the State Governments have been raising additional revenues by frequently increasing rates of sales tax and State excise. 59 per cent of total additional resources have been mobilised through 'additional taxation' measures during the VII Plan in Andhra Pradesh.

In this context, the study of additional resource mobilisation has been taken up to examine the role and importance of 'additional resources' among 'All-States' model' and southern States in general and Andhra Pradesh State in particular during the VII Plan period.

Objectives of the study

The following are the important objectives of the study:

1. To review the pattern of resource mobilisation in Andhra Pradesh during the VII Five Year Plan period i.e., 1985-1990.
2. To analyse the revenue structure and tax structure of Andhra Pradesh in particular and of All-States' model and southern States in general.
3. To undertake an intensive study of 'additional revenue mobilisation' in Andhra Pradesh in detail and a comparative study of Additional Revenue Mobilisation (ARM) of Andhra Pradesh with that of All-States' Model and other 3 southern States.
4. To observe the general features and levels of economic development in Andhra Pradesh during the VII Plan.
5. To assess the tax-efforts of Andhra Pradesh with reference to other Indian States and to find out how far the Andhra Pradesh Government was successful in its efforts to mobilise the revenues for financing the VII Plan.

6. To examine the responsiveness (Buoyancy and Elasticity) of State's own tax revenue in Andhra Pradesh in changes in State domestic product during the VII Plan.

**Period of study**

The main purpose of the study is to examine the mobilisation of resources during the VII Five Year Plan in Andhra Pradesh. Hence, the period of the study is confined to the five year period i.e., from 1985-86 to 1989-90.

**Scope of the study**

This study is mainly confined to the mobilisation of resources in Andhra Pradesh. However, to make the study as effective as possible and to facilitate comparison this study also examines the revenue structure of other three southern States and also of 'All-States' model' along with the revenue structure of Andhra Pradesh during the VII Plan. Southern States cover Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. (Eventhough Goa and the Union Territory of Pondicherry also form part of the southern region, they are excluded from this study as they differ widely in their area, population, per-capita income and other indicators of development).

**Data-base of the study**

This is a study on the mobilisation of resources in Andhra Pradesh State for a period of 5 years i.e., from 1985-86 to 1989-90. Annual budget documents of Andhra Pradesh constitute the main source
of data for this study. So this study has been made mainly on the basis of the secondary data such as:

1. Explanatory Memoranda on the budget by the Finance Secretary, Government of Andhra Pradesh.
3. Budget speech of the Finance Minister.
5. Statistical abstracts of Andhra Pradesh (Annual).

For interstate comparisons, most of the data for this study were obtained from the annual reviews of the Finances of the State Governments published in the monthly bulletins of the Reserve Bank of India.

Methodology of the study

The collected data had been analysed by employing simple statistical techniques like averages, percentages, ratios and index numbers. In addition, the Researcher also adopted statistical measures like annual compound growth rates and coefficients of buoyancy and elasticity to examine the growth and revenue significance in the tax structure of Andhra Pradesh during the VII Plan period. Annual compound growth rates are calculated by employing the regression equation of the form \( Y_t = ab^t \) and from the least square estimation of 'b' the annual compound growth rate is calculated by using the relation, \( r = (b-1)100 \). The coefficients of buoyancy and
elasticity have been calculated by employing the log-linear regression equation of the form \( \log T = \log a + b \log y \), where 'b' is the coefficient of buoyancy or elasticity.

**Review of literature**

A detailed study on the mobilisation of resources in Andhra Pradesh during the VII Five Year Plan has not been undertaken so far by any one. However, a general study on resource mobilisation for State plans and the importance of the criterion of 'tax-effort' in mobilising the revenues for State plans had been made by some individual Researchers and Institutions in their studies on 'Financing of State Plans'.

Dr. S.C. Srivastava had analysed the various sources of State revenue for development plans under two categories - Tax Revenue and Non-tax revenue - in his study on 'Financing of State Plans: Problems and Prospects'. He also examined the significant role of central assistance and tax-devolution in financing of State plans.

Dr. K.K. Sinha discussed the mobilisation of resources at local levels of Government in India - rural and urban in his study on 'Financing from below'. He also analysed the hurdles in resource mobilisation at local levels - the dependence on income value, tax on property in urban and on sharing of land revenue in rural sectors.

Prof. S.V.L.N. Row made an intensive study on mobilisation of various resources for state plans in India, in his study on 'Financing State Plans'. He also examined the problems and prospects in mobilising the revenues with particular reference to Gujarat State.

Prof. P.K. Bhargava examined the significant role of 'Additional resources' in development plans with special reference to Uttar Pradesh in his study on 'Raising additional resources for Development of Uttar Pradesh'.

Autar S. Dhesi and B.S. Ghuman also analysed the various methods of evaluating the tax performance while discussing the revenue mobilisation for State plans with reference to Punjab State in his study on 'Aspects of Financing State Plans'.

Prof. D.M. Najnundappa in his book on 'Inter Governmental Financial Relations in India' attempted to measure the tax-effort of State Governments in mobilising the revenues for development plans.

Prof. K.N. Reddy in his article on "Inter-State Tax-effort" emphasised the importance of the criterion of tax-effort in mobilising the revenues for State plans.

10. Ibid., pp 102-111.
11. Ibid., pp 112-143.
Prof. G. Thimmaiah estimated the revenue potential of the four southern States of India and Union Territory of Pondicherry, in one of the research studies sponsored by the Planning Commission.  

The National Institute of Public Finance and Policy (Prof. Raja J. Chellaiah and Narain Sinha) undertook a study of the 'Measurement of Tax-effort of State Governments' in India for a period of 1973-76 at the request of the I.B.R.D. and the results have been published in the form of a book.

Prof. Dr. K. Khadye examined the tax-effort of State Governments for a period of 1960-79 in India, in his study on "The Responsiveness of Tax-Revenues to National Income in India" (1960-61 to 1978-79).  

Dr. G. Sugunamma, interalia made an intensive study on the Revenue structure, tax structure and Tax-effort of Andhra Pradesh for a period of 24 years i.e., from 1957 to 1981 in her study on "Tax structure in Andhra Pradesh" in the context of the vital linkage between tax structure and economic development.

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Prof. M.L. Kantha Rao, M.D. Bavaiah and G. Nagendra Prasad have examined the Tax/SDP ratios of Andhra Pradesh Government for a period of 30 years i.e. from 1957 to 87 and compared the revenue-structure of Andhra Pradesh with that of the All-States' Model for a period of 8 years i.e., from 1980 to 88 in an article on 'Resource Mobilisation for the Five Year plans of Andhra Pradesh',\(^{18}\).

However, no serious efforts have been made to analyse the mobilisation of resources in Andhra Pradesh during the VII Five Year Plan and no comparative analysis of the revenue structure, tax structure and 'additional resources' of Andhra Pradesh with that of All-States' model, Karnataka, Kerala and Tamil Nadu States has been made so far. In this context, the present study assumes importance.

Limitations

Given the nature and scope of the subject, the study has to be based mainly on the secondary data, collected from the official records. Because of financial constraint, it was not possible to have detailed interviews and discussions with the persons connected with the mobilisation of revenues. As such, several aspects of the Tax structure which could have been studied in detail, could not be undertaken for reasons of time and other resources. For instance, detailed and independent studies on the incidents of different taxes and tax potential of the State Government could not be undertaken.

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 Similarly, as taxation and expenditure are the two sides of the same coin, a study of how the tax-money (money that is taxed) is spent would have been a useful complement. However, this study also could not be undertaken for the reasons stated above.

**Chapter layout**

The report of the research work is presented in six chapters.

The first chapter presents the introduction.

The chapter examines briefly the following aspects:

- Importance of the "Resources mobilisation" in financing the Five Year plans;
- The objectives of the study;
- The period and scope of the study;
- Methodology of the study;
- Review of literature on the subject and, finally,
- Limitations of the study undertaken.

The second chapter deals with the geographical features of Andhra Pradesh in general and levels of economic development in Andhra Pradesh during the VII Five Year plan in particular.

The third chapter provides a detailed assessment of the total revenues of Andhra Pradesh i.e., States' own tax-revenue, non-tax revenue and the transfers from the Centre which includes share in Central taxes and grants-in-aid from the Centre during the VII Plan period. It also makes a comparative analysis of the revenue structure
of Andhra Pradesh with that of All-States' model and other three southern States viz., Karnataka, Kerala and Tamil Nadu during the same period.

Chapter four makes an inquiry into the role and significance of 'additional resources' in mobilisation of resources during the VII Plan in Andhra Pradesh in particular; in All-States' Model and other 3 southern States in general. It also examines the 'deficit budgets' of Andhra Pradesh, All-States' model and other 3 southern States during the same period.

The fifth chapter attempts to measure the tax-effort in relation to State income of 15 Major States of Indian Union including Andhra Pradesh at macro-level during the VII Plan. At the micro-level the responsiveness of SOTR to change in State income of Andhra Pradesh is examined in terms of the well-known techniques elasticity and buoyancy.

The Summary and Conclusions of the study are presented in the Sixth i.e., last chapter.