CHAPTER - VI

DIVISION OF ASSETS AND LIABILITIES

The States' Reorganisation gave rise to many problems of varied nature and in particular the problems relating to finances of the new State of Karnataka were of a complex nature. Because the State of Karnataka comprises five different areas of the former Mysore, Bombay, Hyderabad, Madras and Coorg States wherein the financial position varied widely. In this connection, the Fact-Finding Committee appointed by the Government of Old Mysore under the chairmanship of Shri M. Sheshadri just before reorganisation made certain observations.

Observations of Fact-Finding Committee

The following are the observations:

"The assets of a Government fall under the following categories:

1) Cash balances;
2) Loans and Advances issued by State Government;
3) Investments in securities and shares of Joint Stock Companies;
4) Investment on Government owned Industrial concerns;"
5) Irrigation and Hydro-Electric Projects;
6) Other Civil Engineering works like Roads and Bridges financed from borrowed funds.

There are also other assets in the shape of lands, buildings, forests etc; which are financed from current revenues and these ordinarily pass to the new State without financial consideration.

The liabilities of a State Government comprise:

1) Public Debt including borrowing from Central Government;
2) Unfunded Debt such as Provident Fund, Insurance Fund, Savings Deposits etc;
3) Ear-marked Funds like Famine Relief Fund, Sugarcane Cess Fund, Road Fund etc;
4) Deposits including deposits of Local Fund, Departmental and Judicial Deposits;
5) Suspense and Remittance Accounts.

Besides, there will be always outstanding liabilities in all Departments not brought to account and these are in the nature of pending claims of different classes of expenditure incurred but not paid for.

It is not possible to assess with any degree of accuracy the extent of assets and liabilities which may
be expected to be transferred to the new State in view of the varied nature of transactions and want of reliable data regarding the efficient balances which are likely to exist in the books at a future date. In view of the tempo of expenditure in all States, it may be safely assumed that the new State cannot expect much in nature of cash balance or securities. The extent to which the new State acquires assets in the form of recoverable advances or loans also depends on the quantum of these outstanding balances in the particular areas. But considering the areas likely to be merged in the new State, these assets may not be appreciable. As against these, there will always be outstanding liabilities such as grants and other forms of assistance pending settlements. The next question is, therefore, the extent of liabilities to be taken over. It is a fundamental principle that public debt should be shared only on the basis of capital assets taken over, as these assets are generally created only from borrowed funds.

The Bombay State has an estimated debt of Rs.76.48 crores besides unfunded debt of Rs.13.0 crores at the end of 31st March 1955. The unfunded debt comprises mostly State Provident Fund and the liability depends on the staff actually taken over. Regarding Public Debt,
the actual assets in each area built out of borrowed funds are not available, but the expenditure incurred so far on Ghataprabha Project is of the order of about Rs.3 crores. The liability together with the share of Public Debt with reference to other assets may have to be taken over. The Hyderabad State has a Public Debt of Rs.68.02 crores. Figures are not available regarding other liabilities like Deposits, Funds etc. The expenditure incurred so far on: 1) Tungabhadra (Rs.14.11 crores); 2) Rajolibanda Scheme (Rs.2.24 crores); 3) Hydro-Electric Scheme (Rs.0.50 crores); is of the order of Rs.17 crores. To this extent, therefore, liability on account of Public Debt is uncertain.

Including the further expenditure to be incurred on all the above Projects, the new State is committed to the extent of Rs.36 crores. This does not take into account the liabilities to be incurred for the development of the Projects and other liabilities like Civil Deposits etc. The Hyderabad State had certain Reserve Funds to the extent of Rs.48 crores at the end of March 1954 and the exact position at a future date and liquid resources available cannot be determined but even if any liquid resources are available, they are meant for specific purposes and the share of the new State may not be much.
considering the liabilities to be taken over. While, no doubt, a Project like Tungabhadra may be treated as a national asset, the State cannot expect direct returns sufficient to cover interest and sinking fund charges on the debt to be taken over for several years to come. On the other hand, new problems may develop as has always been the case in the case of big Projects.\(^{(1)}\)

**The Views of States' Reorganisation Commission**

Similarly, the States' Reorganisation Commission headed by Syed Fazl Ali made the following observations:\(^{(2)}\)

As soon as the budgetary position and prospects of the new units have been clarified, arrangements for the division of assets and liabilities will have to be taken in hand. This question can be considered in two parts, namely; the general principles on which the assets and liabilities are to be divided and the mechanics of this division. The general principles on which assets and liabilities will have to be divided may now be said to have crystallised sufficiently in the light of such experience as the Government have had. Generally speaking, a fair basis of division will be that where the assets exceed the liabilities:

1) the movable assets of a State which is being
divided should be distributed as equitably as possible, the most satisfactory basis being the ratio of the population;

ii) each area which is being separated should take over the liabilities corresponding to the book values of the immovable assets which are located in the area and the movable assets which are claimed and where the liabilities exceed the assets: i) the movable assets should be distributed as equitably as possible; and ii) each area which is being separated from composite State should take over liabilities corresponding to the book values of the immovable assets which are located in that area and such movable assets as it is entitled to claim; and

iii) the balance of the liabilities should be divided as equitably as possible, the most satisfactory basis being the population ratio.

The Government of India will no doubt be able to formulate general principles on these or other lines. We, however, feel that the distribution of assets and liabilities should be governed by some general principles which as far as practicable be enforced.

On one point, it may be necessary to make an exception
to the general rule and to consider some special arrangements. In the case of the present Part C States, the accounts of which were merged into those of the Centre, the scheme of the reorganisation which is contemplated will necessitate a complete separation of their balances from those of the Centre. In these cases, it would be a laborious process if consolidated and public account balances, attributable to those areas were to be worked out in the light of the actual transactions. It will be convenient, therefore, if the financial settlement in the case of Part C States are not elaborate but are based on a broad review of the position as it exists today and the needs of these areas. The principles on which assets and liabilities are divided will presumably be stated in appropriate parliamentary legislation. But these principles will have to be applied to the facts of each case in the initial years after reorganisation and this will create a considerable volume of accounts work.

The difficulties involved in this process should not be underestimated. Normally, it takes a number of years for a complete and satisfactory division to be effected. The importance of the problem is not, of course, very great, for a notional division has been found to be workable for most purposes. Nevertheless,
prolonged periods during which the division of assets and liabilities remains only notional must be regarded as unsatisfactory, and we would suggest the creation, if possible, of some special machinery for expediting the final settlements."

The Provisions of States' Reorganisation Act (1956)

Similarly the States' Reorganisation Act 1956 provides for apportionment of assets and liabilities of different States. Sections 75 to 93 in Part VII and Sections 94 to 101 in Part III of the States' Reorganisation Act 1956 deal with the problem. The following is the verbatim reproduction of the provisions of the Act:\(^{(3)}\)

"Section 75: Application of Part - The provisions of this part shall apply in relation to the appointment of the assets and liabilities immediately before the appointed day of every Part A or Part B States the whole or any part of whose territories is transferred to another State or becomes a Part C State by virtue of the provisions of Part II: and the expression "existing State" shall accordingly be construed to mean any such Part A or Part B State."
Section 76: Land and Goods - 1) subject to the other provisions of this part, all land and all stores, articles and other goods belonging to an existing State shall—
a) if within the existing State, pass to the successor State in which they are situated; or b) if outside the existing State, pass to the successor State or if there be two or more successor States, to the principal successor State: Provided that where there are two or more successor States and the Central Government is of opinion that any goods or class of goods should be distributed among them otherwise than according to the situation of the goods, the Central Government may issue such directions as it may think fit for a just and equitable distribution of the goods and the goods shall pass to the successor States accordingly.

2) Any unissued stores of any class in an existing State shall pass to the successor State of if there be two or more successor States, shall be divided between them in proportion to the total indents for stores of that class made in the period of three years ending with the 31st Day of March, 1956 for the territories of the existing State included respectively in each of those successor States excluding the indents relating to the
Secretariat and offices of Heads of Departments having jurisdiction over the whole of the existing State. Provided that nothing in this sub-section shall apply to stores held for specific purposes, such as use or utilisation in particular institutions, workshops or undertakings or on particular works under construction.

3) In this Section, the expression "land" includes immovable property and the expression "goods" does not include coins, bank-notes and currency notes.

Section 77: Treasury and Bank Balances - The total of the cash balances in all treasuries of an existing State and the credit balances of that State with the Reserve Bank of India immediately before the appointed day shall pass to the successor State or if there be two or more successor States, be divided between them according to the population ratio. Provided that for the purpose of such division, there shall be no transfer of cash balances from any treasury to any other treasury and the apportionment shall be effected by adjusting the credit balances of the successor States in the books of the Reserve Bank of India on the appointed day; Provided further that if any successor State has no account with the Reserve Bank of India, the adjustment shall be made in such manner as the Central Government may by order direct.
Section 78: Arrears of Taxes - The right to recover arrears of any tax or duty on property including arrears of land revenue, shall belong to the other successor State in which the property is situated and the right to recover arrears of any other tax or duty shall belong to the successor State in whose territories the place of assessment of that tax or duty is included.

Section 79: Right to recover Loans and Advances: 1) The right to recover any loans or advances made before the appointed day by an existing State to any local body, society, agriculturist or other person in an area within the State shall belong to the successor State in which that area is included.

2) The right to recover any loans or advances made before the appointed day by existing State to any person or institution outside that State shall belong to the successor State or if there be two or more successor States, to the principal successor State: Provided that where there are two or more successor States, any sum recovered in respect of any such loan or advance shall be divided between all the successor States according to the population ratio.

Section 80: Credits in Certain Funds - The investments in the cash balance investments account, the famine relief
fund and the general fund of an existing State in the central road fund shall pass to the successor State if there be two or more successor States, be divided between them according to the population ratio; and the investments in any special fund the objects of which are confined to a local area in an existing State shall pass to the successor State in which that area is included.

Section 81: Assets and Liabilities of State Undertakings - 1) The assets and liabilities relating to any commercial or industrial undertaking of an existing State shall pass to the successor State in which the undertaking is located.

2) Where a depreciation reserve fund is maintained by the existing State for any commercial or industrial undertaking, the securities held in respect of investments made from that fund shall pass to the successor State in which the undertaking is located.

Section 82: Public Debt - 1) The Public Debt of the existing State of Hyderabad attributable to loans raised by the issue of Government securities and outstanding with the public immediately before the 31st day of October 1956 shall as from that day be the debt of the Union and
immediately on such transfer of the debt, the Central Government shall be deemed to have made a loan to that State of an amount equal to the debt so transferred on the same terms in regard to interest and repayment as are applicable to the loans so raised by that State.

2) The Public Debt of any other existing State attributable to loans raised by the issue of Government with securities and outstanding / the public immediately before the appointed day shall, as from that day, be the debt of the successor State or if there be two or more successor States, be the debt of such one of them as the Central Government may, by order, specify; and in the latter case:

   a) the other successor States shall be liable to pay to the successor State so specified their shares, of the sums due from time to time for the servicing and repayment of the debt; and

   b) for the purpose of determining the said shares, the debt shall be deemed to be divided between the successor States as if it were a debt referred to in sub-section (3).

3) The public debt of an existing State attributable to loans taken from the Central Government, the Reserve Bank
of India or any other bank before the appointed day, including in the case of Hyderabad the loan deemed to have been made by the Central Government under subsection(1), shall pass to the successor States, be divided between them in proportion to the total expenditure on all capital works and other capital outlays incurred up to the appointed day in the territories of the existing State included respectively in each of these successor States: Provided that for the purposes of such division, only expenditure on assets for which capital accounts have been kept shall be taken into accounts; Provided further that any loan taken from the Central Government by the Government of an existing State before the appointed day in connection with the construction of buildings, roads or other works for the capital of a new State or any State affected the provisions of Part II or for purposes incidental thereto shall, to the extent of the expenditure so incurred until that day, be wholly the liability of the successor State in which the capital is included.

4) Where a sinking fund or depreciation fund is maintained by an existing State for the repayment of any loan raised by it, the securities held in respect of investments made from that fund shall pass to the successor
State or if there be two or more successor States, be divided between them in the same proportions as the public debt referred to in sub-section (3).

5) In this section, the expression "Government Security" means a security created and issued by a State Government for the purpose of raising a public loan and having any of the forms specified in or prescribed under Clause (2) of Section 2 of the Public Debt Act, 1944.

Section 83: Refund of Taxes Collected in Excess: The liability of an existing State to refund any tax or duty on property, including land revenue, collected in excess shall be the liability of the successor State in which the property is situated and the liability of an existing State to refund any other tax or duty collected in excess shall be the liability of the successor State in whose territories the place of assessment of that tax or duty is included.

Section 84: Deposits - The liability of an existing State in respect of any civil deposits or local fund deposit shall, as from the appointed day, be the liability of the successor State in whose area the deposit has been made.
Section 85: Provident Funds - The liability of an existing State in respect of the Provident Fund account of a Government servant in service on the appointed day shall, as from that day, be the liability of the successor State to which that Government servant is permanently allotted.

Section 86: Pensions - The liability of the existing States in respect of pensions shall pass to or be apportioned between, the successor States in accordance with the provisions contained in the Fifth Schedule.

Section 87: Contracts - 1) Where before the appointed day an existing State has made any contract in the exercise of its executive power for any purposes of the State, that contract shall be deemed to have been made in the exercise of the executive power:

a) If there be only one successor State - of that State;

b) If there be two or more successor States - and the purposes of contract are, as from the appointed day, exclusively purposes of any one of them - of that State; and

c) If there be two or more successor States and the purposes of the contract are, as from that day, not
exclusively purposes of any one of them - of the principal successor States; and all rights and liabilities which have accrued, or may accrue, under any such contract shall, to the extent to which they would have been rights or liabilities of the successor State or the principal successor State specified above. Provided that in any such case as is referred to in Clause (c) the initial allocation of rights and liabilities made by this subsection shall be subject to such financial adjustments as may be agreed upon between all the successor States concerned or in default of such agreement, as the Central Government may by order direct.

2) For the purposes of this Section, there shall be deemed to be included in the liabilities which have accrued or may accrue under any contract: a) any liability to satisfy an order or award made by any court or other tribunal in proceedings relating to the contract; and b) any liability in respect of expenses incurred in or in connection with any such proceedings.

3) This Section shall have effect subject to the other provisions of this part relating to the apportionment of liabilities in respect of loans, guarantees and other financial obligations; and bank balances and securities
shall not withstanding that they partake of the nature of contractual rights, be dealt with under those provisions.

**Section 88:** Liability in Respect of Actionable Wrong - Where, immediately before the appointed day, any existing state is subject to any liability in respect of an actionable wrong other than breach of contract, that liability shall:

a) if there be only one successor State, be a liability of that State;

b) if there be two or more successor States and the cause of action arose wholly within the territories which as from that day are the territories of one of them, be a liability of that successor State; and

c) in any other case, be initially a liability of the principal successor State, but subject to such financial adjustment as may be agreed upon between all the successor States concerned or in default of such agreement, as the Central Government may by order direct.

**Section 89:** Liability as Guarantor of Co-operative Society - Where, immediately before the appointed day, an existing State is liable as guarantor in respect of any
liability of a registered co-operative society, that
liability of the existing State shall:

a) if there be only one successor State, be a
liability of that State;

b) if there be two or more successor States and
the area of the society's operations is limited to the
territories which as from that day are the territories
of one of them, be a liability of that successor State; and

c) in any other case, be a liability of the
principal successor State: Provided that in any such
case as is referred to in Clause (c), the initial alloca-
tion of liabilities under this Section shall be subject
to such financial adjustment as may be agreed upon
between all the successor States or in default of such
agreement, as the Central Government may by order direct.

Section 90: Items in Suspense - If any item in
sus pense is ultimately found to affect an asset or
liability of the nature referred to, in any of the
foregoing provisions of this part, it shall be dealt
with in accordance with that provision.

Section 91: Residuary Provision - The benefit or
burden of any assets or liabilities of an existing State not dealt with in the foregoing provisions of this part shall:

a) If there be only one successor State pass to that State; and

b) If there be two or more successor States, pass to the principal successor State in the first instance, subject to such financial adjustment as may be agreed upon between all the successor States before the 1st Day of October 1957 or in default of such agreement, as the Central Government may by order direct.

Section 92: Power of the Central Government to Order Allocation or Adjustment in Certain Cases - Where by virtue of any of the provisions of this part, any of the successor States becomes entitled to any property or obtains any benefits or becomes subject to any liability and the Central Government is of opinion, on a reference made within a period of three years from the appointed day by any State that it is just and equitable that the property or those benefits should be transferred to or shared with, one or more of the successor States or that a contribution towards that
liability should be made by one or more of the other successor State, the said property or benefits shall be allocated in such manner or the other successor State or States shall make to the State primarily subject to the liability such contribution in respect thereof, as the Central Government may, after consultation with the State Governments concerned by order, determine.

Section 93: Certain Expenditure to be Charged on the Consolidated Fund - All sums payable by the Union to any State or by any State to any other State or to the Union by virtue of the provisions of this Part shall be charged on the Consolidated Fund of India or as the case may be, the consolidated Fund of the State by which such sums are payable.

Part VIII deals with apportionment of certain assets and liabilities of the Union.

Section 94: Definitions - In this Part - a) "existing State" means any of the existing Part C States of Ajmer, Bhopal, Coorg, Kutch and Vindhya Pradesh; and b) "Union Purpose" means the purposes of Government relatable to any of the matters mentioned in the Union List.
Section 95: Passing of Certain Assets and Liabilities of Union to Successor States - Subject to Other Provisions of this Part — a) such of the assets of the Union within an existing State as are immediately before the appointed day held by the Union for purposes of the governance of that State shall, as from that day, pass to the successor State, unless the purposes for which the assets are so held for Union purposes; and b) all liabilities of the Union arising out of, or in relation to, the governance of an existing State shall, as from the appointed day, be liabilities of the successor State, unless the liabilities are relatible to a Union purpose.

Section 96: Arrears of Taxes - The right to recover arrears of any tax (including land revenue) due in an existing State, being a tax enumerated in the State list, shall pass to the successor State.

Section 97: Loans and Advances - The right to recover any loans or advances made before the appointed day to any local body, society, agriculturist or other person in an existing State shall belong to the successor State unless the loan or advance was made in connection with a Union purpose.
Section 98: Debts due to Central Government - Any debt of an existing State attributable to any loan given by the Central Government on or after the first day of April 1954 and outstanding immediately before the appointed day shall be a debt due by the successor State to the Central Government.

Section 99: Provident Fund - The liability of the Union in respect of the Provident Fund Account of a Government Servant serving immediately before the appointed day in an existing State under the administrative control of the Lieutenant Governor or Chief Commissioner thereof, shall, as from that day, be the liability of the successor State; Provided that the Central Government shall transfer to the successor State funds equal to the liability of the Union as on the appointed day.

Section 100: Pensions - Where a Government servant under the administrative control of the Lieutenant Governor or Chief Commissioner of an existing State has, before the appointed day, retired or proceeded on leave preparatory to retirement, any outstanding claim in respect of his pension shall be settled by the successor State; but the liability in respect of the pension sanctioned to any such Government servant, whether before or after the appointed day, shall be the liability of the Union.
Section 101: Contracts — 1) Any contract made before the appointed day by the Union in the exercise of the executive power for purposes of the governance of an existing State shall, as from that day, be deemed to have been made in the exercise of the executive power of the successor State, unless the purposes of the contract are Union purposes; and all rights and liabilities which have accrued or may accrue under any such contract shall, to the extent to which they would have been rights and liabilities of the Union if this Act had not been passed, be rights and liabilities of the successor State.

2) The provisions of sub-section (2) and (3) of Section 87 shall apply in relation to any such contract as they apply in relation to a contract to which sub-section (1) of that Section applies."

Fifth Schedule

The fifth Schedule to the States' Reorganisation Act 1956 deals with the provisions for apportionment of liability in respect of pensions. The following is the text of the Schedule:

"1) Subject to the adjustments mentioned in paragraph 3, the successor State or each of the successor States shall, in
respect of pensions granted before the appointed day by an existing State, pay the pensions drawn in its treasuries.

2) Subject to the said adjustments, the liability in respect of pensions of officers serving in connection with the affairs of an existing State who retire or proceed on leave preparatory to retirement before the appointed day, but whose claims for pensions are outstanding immediately before that day, shall be the Liability of the successor State or if there be two or more successor States, of such one of them as the Central Government may by order specify.

3) In any case where there are two or more successor States, there shall be computed, in respect of the period commencing on the appointed day and ending on the 31st day of March 1957 and in respect of each subsequent financial year, the total payments made in all the successor States in respect of the pensions referred to in paragraphs 1 and 2. That total representing the liability of the existing State in respect of pensions shall be apportioned between the successor States in the population ratio and any successor State paying more than its due share shall be reimbursed the excess amount by the successor State or States paying less.
4) A) The liability in respect of the pension of any officer serving immediately before the appointed day in connection with the affairs of an existing State and retiring on or after that day, shall be that of the successor State granting the pension; but the portion of the pension attributable to the service of any such officer before the appointed day in connection with the affairs of that existing State shall, if there be two or more successor States, be allocated between them in the population ratio and the Government granting the pension shall be entitled to receive from each of the other successor States its share of this liability.

B) If any such officer was serving after the appointed day in connection with the affairs of more than one successor State, the successor State or States other than the one granting the pension shall reimburse to the Government by which the pension is granted an amount which bears to the portion of the pension attributable to his service after the appointed day under that successor State bears to the total qualifying service of such officer after the appointed day reckoned for the purposes of pension;

C) In reckoning the said qualifying service, any
service of such officer, before the appointed day in connection with the affairs of Union under the administrative control of the Lieutenant Governor, or Chief Commissioner in any of the existing States of Ajmer, Bhopal, Coorg, Ketch and Vindhye Pradesh shall be added as if the said service had been service after the appointed day in connection with the affairs of the successor State to that existing State."

Directions and Instructions

Under the above provisions of the States' Reorganisation Act 1956, several instructions and directions were issued both by the Central Government and the Government of Karnataka from time to time laying down certain principles in the distribution of assets and liabilities. The following are certain instructions:

I) In exercise of the powers conferred by the Clause (K) of Section 2 of the States' Reorganisation Act 1956, the Central Government directed: "The ratio in which the population of an existing State specified in the first column of the statement below is distributed territorially among the several successor States shall be the ratio specified against that existing State in the second column thereof." (5)
### STATEMENT

<table>
<thead>
<tr>
<th>Name of the existing State</th>
<th>Population ratio in relation to successor States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bombay</td>
<td>Bombay, Mysore, Rajasthan</td>
</tr>
<tr>
<td>2 Hyderabad</td>
<td>Andhra Pradesh, Mysore, Bombay</td>
</tr>
<tr>
<td>3 Madhya Pradesh</td>
<td>Madhya Pradesh, Bombay</td>
</tr>
<tr>
<td>4 Madhya Bharat</td>
<td>Madhya Pradesh, Rajasthan</td>
</tr>
<tr>
<td>5 Madras</td>
<td>Madras, Kerala, Mysore, The Union</td>
</tr>
<tr>
<td>6 Rajasthan</td>
<td>Rajasthan, Madhya Pradesh</td>
</tr>
<tr>
<td>7 Travancore</td>
<td>Kerala, Madras, Cochin</td>
</tr>
</tbody>
</table>

Source: Statement furnished by the General Administration Department (Integration) Karnataka Government Secretariat, Vidhana Soudha, Bangalore.

II) Note on the allocation of public debt under Section 82 of the States' Reorganisation Act 1956 issued by the Central Government:
The Scheme set out in this note is subject to the condition that if in respect of any item all the successor States concerned agree on any other method of allocation including an ad-hoc allocation the item may be dealt with as agreed. It is also subject to any special agreement in force as e.g. in the case of the Tungabhadra Project;

1) Determination of Debt to be allocated:

a) Subject to sub-para (b) below, the total outstanding debt of the former States as on 31-10-1956 shall be allocated among the successor States in accordance with Section 82(3) of the Act.

b) When a loan has been taken for the specific purpose of being relent to a local body, authority or institution or to displaced persons from Pakistan, the liability for the loan should be that of the State which has the right to recover the loan under Section 79 of the States' Reorganisation Act, 1956.

2) Allocation of Capital Outlays and expenditure on capital works:

a) No part of capital outlay met from revenue or debited within the revenue account shall be allocated.
b) The capital outlay under the various heads in the Section "Capital-Account outside the Revenue Account" should be allocated among the successor States with reference to the location of the work or assets created by the capital expenditure. For this purpose expenditure on establishment, tools and plant, miscellaneous items and recoveries or transfers to revenue taken in lump in reduction of expenditure should be distributed among the individual works in proportion of work outlay.

c) As far as possible, the expenditure allocated to the various States should be based on the expenditure as it is recorded in the accounts. Where such direct allocation is not possible, as for example on a transmission covering more than one successor State, the expenditure of such items should be distributed among the successor States on the basis of location. Thus the value of canals may be allocated by mileage and transmission systems by the length of lines and so on. The value of movable as it should be allocated on the basis of their location on the appointed day, any subsequent transfers by agreements between the States concerned be taken into account as if they have occurred on the appointed day. The accounts of the works under construction should be closed as on
the 31st October 1956 and upto date costs distributed. Any outstanding liability met after the appointed day or assets realised relating to the pre-reorganisation period, should be allocated among the successor States. The latter process will not affect the debt allocation.

d) The scheme of allocation explained above will cover capital outlay under the following heads:

65-A Capital outlay on forest. 68 Construction of irrigation, navigation etc., works. 70 Capital outlay on improvement of public health. 71 Capital outlay on schemes of agricultural improvement and research. 72 Capital outlay on minor ports. 79 Expenditure on capital at Chandigarh. 80 Bombay Development Scheme. 81 Capital outlay on multipurpose river scheme. 81-A Capital outlay on electricity schemes. 82 Capital Accounts of other works outside the revenue account. 82-A Capital outlay on rail-road construction schemes outside the revenue Accounts. 82-B Capital outlay on road water transport schemes.

e) Capital outlay, under the following heads, raise special points which are dealt with below:

1) 65 Payments of compensation for Zamindari. These
do not create any assets and may be ignored.

2) 83 Payments of commuted value of pensions. These do not also create any assets and may be ignored.

3) 85 Payments of retrenched personnel. Those do not also create any assets and may be left out.

4) 85-A Capital Outlay on schemes of Government Trading - The debt balance under this head will represent the value of stock in hand and the unadjusted net profits or losses. Only the balance representing the value of stocks located in their territories on the appointed day.

5) 85-B Transfer to Contingency Fund - In most of the States affected by the Reorganisation, the old contingency funds will disappear and therewith the balances under this head in the accounts of the former States. In the other States, no asset is created by the expenditure and this should be left out.

6) 72 Capital Outlay on industrial development. Where a direct investment has been made the location of the industry should be the determining factor. Where shares have been purchased and such purchases are not treated as investments of the cash balances, the share
holding may be treated as occurring to the successor State in which the principal seat of business of the company is located.\(6\)

III) Note on the allocation of the Capital Expenditure upto 31st October 1956 in the accounts of the existing States: "The procedure to be followed in allocation of capital outlay for the purpose of division of public debt of the existing States among the successor States, should, unless otherwise provided for, be the same as taking over the capital expenditure in the books of the successor States.

So far as the capital expenditure which have created concrete assets are concerned the progressive capital outlay of the existing States upto 31-10-1956 should be allocated among the successor States in the manner indicated in para II in the note appended No. F 21(7)-E/56 dated 8th February 1957. Where the capital outlay outside the Reserve Account met from borrowed funds have not created any concrete or tangible assets, the balance need not be allocated and carried forward to the books of the successor States. Since proportionate liability for the public debt contracted for the capital expenditure not creating any tangible assets has already been taken over
by the various successor States, there would be no justification for burdening further the revenue accounts of those Governments by writing back such capital expenditure to revenue spread over a number of years.\(^{(7)}\)

IV) Allocation of Recoveries of Advances of pay and Travelling Allowances etc; granted by former States to Government servants before 1st November: "The Government of Karnataka directed that the advances of pay and of travelling allowances, if any, granted by an existing State to its employees who had been transferred consequent on reorganisation shall be wholly retained by the Government of the State which recovered these advances, without any adjustment with other successor States, irrespective of the fact whether those Government servants were allotted to that State provisionally or permanently.\(^{(3)}\)

V) Procedure for settlement of Arrear Claims relating to Pre-reorganisation period: The following decision was taken at the Inter-State Conference held on 9th November 1959 at Bangalore regarding the settlement of claims relating to the pre-reorganisation period: "It was agreed that the present practice of claims relating to specific areas being met by the State in which the area is included may continue. Claims which cannot be
related to any specific area and relate generally to the
pre-reorganisation State will be met by the principal
successor State subject to reimbursement by the other
successor States according to the population basis. As
far as possible, the principal successor State will
address the other successor State before making any
payment of claims which will lead to reimbursement.
If no comments are sent within 30 days, the principal
successor State may presume concurrence of the other
States. It was agreed that the Government of India
should be addressed by the principal successor State,
regarding arrear claims incidental to and arising from
police action in respect of arrear claims relating to
Ex-Hyderabad State."(3)

VI) Instructions regarding stores, articles etc.,
lying within integrated areas: "The attention of the
Heads of the Departments was invited to the provisions
of the Section 76 of the States' Reorganisation Act 1956,
according to which all stores, articles and other goods
belonging to an existing State, shall, if within the
existing State, pass to the successor State in which
they are situated. No movable property, which was in
the areas transferred to this State on 1st November 1956
should be sent outside the State except under specific orders of Government. (10)

VII) Principles to be followed in the distribution of assets and liabilities of the former District Boards:

"A) Cash Balance: The cash balance of the District Boards should be distributed to Taluka Boards pro-rata on the basis of population. The same basis will be adopted for the distribution of the assets in the shape of investment etc., as also the distribution of loans and other dues to Government.

B) Head Office Buildings: Government will take over the Head Office Buildings only at the market price fixed by the Executive Engineer. The allocation of this amount to the Taluka Boards will be made on population basis.

C) Recoverable Advances: The Deputy Commissioners will collect the outstanding advances and allocate them as and when received on population basis. In respect of employees treated as Government servants the right of recovery shall vest in Government.

D) Movable Properties: The movable properties not attached to particular institutions like Travellers'
Bungalows, Dispensaries etc., will be evaluated on the book value and the amount arrived at distributed to the Taluka Boards, the Taluka Boards being given the option to take the articles themselves in lieu of the amount which goes to their share in the distribution.

3) Bonds and Buildings: i) The lands and buildings attached to the institutions like Schools, Dispensaries, Travellers' Bungalows etc., together with their movable properties will pass on to the successor Taluka Boards according to the area of their location.

ii) It was found in the course of the scrutiny that some District Boards held properties in agricultural non-agricultural lands as well as buildings which are not attached to any particular institution. The value of this varies from Taluka to Taluka. The Government will take over these properties at the price agreed upon as in the case of Head Office Buildings and the proceeds will be distributed to the Taluka Boards on population basis. As in the case of Head Office Buildings, the market value will be adopted for these properties also and the total amount in the case of buildings will be distributed to the Taluka Boards on population basis. Discretion will, however, vest in the Government to allocate such properties to the Taluka Boards on payment of their pro-rata value.
F) Dues to Government Departments: The total amount due to the Government by the District Boards will be distributed as a liability to each Taluka Board on population basis. Where the amount due is in respect of a particular institution, such as a Local Fund Dispensary, it will be allocated to the concerned Taluka Board.

G) Loans due to Government: The procedure outlined above will also be adopted in the matter of distribution of the liabilities on account of loans due to Government by the former District Boards.\(11\)

Thus the Report of the States' Reorganisation Commission, the States' Reorganisation Act, the Instructions of the Central Government and the Government of Karnataka laid down the basic principles governing the division of assets and liabilities, but the actual details to be worked out involved examination of thousands of items and agreements between the successor States.

Actual Details of Assets and Liabilities

The former Governments of Mysore, Coorg, Madras, Bombay and Hyderabad indicated the distribution of expenditure during the Second Plan Period for the areas to be transferred to the new State of Karnataka. The
following statement\(^{(12)}\) indicates the expenditure on Revenue and Capital Account in respect of the five integrated areas:

<table>
<thead>
<tr>
<th>States</th>
<th>Revenue Account</th>
<th>Capital Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ex-Mysore</td>
<td>35.25</td>
<td>45.35</td>
</tr>
<tr>
<td>2 Ex-Coorg</td>
<td>1.69</td>
<td>02.02</td>
</tr>
<tr>
<td>3 Ex-Madras</td>
<td>2.68</td>
<td>02.42</td>
</tr>
<tr>
<td>4 Ex-Bombay</td>
<td>23.83</td>
<td>12.64</td>
</tr>
<tr>
<td>5 Ex-Hyderabad</td>
<td>7.82</td>
<td>11.96</td>
</tr>
</tbody>
</table>

**Total:** 71.27 74.39

= (145.66)

Similarly, the Governments of Bombay, Madras, Coorg, Hyderabad, Old Mysore intimated the break-up of the Second Five Year Plan outlay for the areas to be transferred to the new State of Karnataka. The size of the Second Five Year Plan of the new State was about Rs.145.44 crores as per the details\(^{(13)}\) indicated below:
<table>
<thead>
<tr>
<th>States</th>
<th>Rupees in crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex-Mysore</td>
<td>80.06</td>
</tr>
<tr>
<td>Ex-Bombay</td>
<td>36.47</td>
</tr>
<tr>
<td>Ex-Hadras</td>
<td>05.11</td>
</tr>
<tr>
<td>Ex-Coorg</td>
<td>03.76</td>
</tr>
<tr>
<td>Ex-Hyderabad</td>
<td>19.05</td>
</tr>
</tbody>
</table>

The following statement (vide next page) indicates the distribution of expenditure under different sectors for the different areas:
<table>
<thead>
<tr>
<th>Sectors (In Lakhs)</th>
<th>Old Mysore</th>
<th>Ex-Bombay</th>
<th>Ex-Madras</th>
<th>Ex-Coorg</th>
<th>Ex-Hyderabad</th>
<th>New State</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Agriculture and National Extension</td>
<td>1393.51</td>
<td>995.13</td>
<td>156.37</td>
<td>98.79</td>
<td>380.00</td>
<td>3023.80</td>
</tr>
<tr>
<td>Service and Community Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Irrigation and Power</td>
<td>3790.75</td>
<td>1145.59</td>
<td>84.00</td>
<td>62.70</td>
<td>644.50</td>
<td>6331.54</td>
</tr>
<tr>
<td>3 Industries and Mining</td>
<td>684.50</td>
<td>216.92</td>
<td>56.08</td>
<td>25.58</td>
<td>85.50</td>
<td>1048.58</td>
</tr>
<tr>
<td>4 Transport and Communications</td>
<td>475.00</td>
<td>310.75</td>
<td>55.74</td>
<td>53.20</td>
<td>64.20</td>
<td>959.89</td>
</tr>
<tr>
<td>5 Education</td>
<td>729.44</td>
<td>174.78</td>
<td>63.78</td>
<td>52.25</td>
<td>110.00</td>
<td>1130.35</td>
</tr>
<tr>
<td>6 Health</td>
<td>413.41</td>
<td>503.25</td>
<td>45.84</td>
<td>30.88</td>
<td>92.50</td>
<td>1085.88</td>
</tr>
<tr>
<td>7 Housing</td>
<td>285.00</td>
<td>118.27</td>
<td>11.92</td>
<td>10.45</td>
<td>60.00</td>
<td>485.64</td>
</tr>
<tr>
<td>8 Other Social Services</td>
<td>237.45</td>
<td>63.47</td>
<td>26.81</td>
<td>27.13</td>
<td>22.80</td>
<td>377.66</td>
</tr>
<tr>
<td>9 Miscellaneous</td>
<td>50.94</td>
<td>158.88</td>
<td>10.06</td>
<td>14.73</td>
<td>6.40</td>
<td>241.01</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8060.00</strong></td>
<td><strong>3647.05</strong></td>
<td><strong>510.60</strong></td>
<td><strong>375.71</strong></td>
<td><strong>1950.00</strong></td>
<td><strong>14548.36</strong></td>
</tr>
</tbody>
</table>

Or 145.44 Crores only.
The opening cash balance (15) on 1st November 1956 was Rs.3,74,45 thousands including the cash in the treasuries of the erstwhile States of Bombay, Hyderabad, Madras and Coorg which merged with Old Mysore on 1st November 1956 as well as the share of the Mysore Government of the balances of those States in the Reserve Bank of India on 31st October 1956 allocated among the successor States. During the course of the debates of the Mysore Legislative Assembly, on 7th November 1956 to Question No. 887 raised by Shri B.Rachaiah pertaining to the revenue deficits brought in by the integrated areas, Shri T.Mariappa, the then Finance Minister, replied to him "All units except Coorg brought in only deficits." (16) The Minister, to his further supplementary on the exact extent of regionwise deficits, replied to him "Former State of Mysore brought in a deficit of Rs.427,755 lakhs, Bombay-Karnataka Rs.258.53 lakhs, Hyderabad-Karnataka Rs.21.67 lakhs, Madras-Karnataka Rs.37.31 lakhs. For Coorg we have mentioned as Rs.14.63 lakhs because there the expenditure was more than the income. Actually, at the time of integration, it resulted in a small deficit." (17) These are the debts passed on to the new State of Karnataka after integration. Shri F.H.Mohsin raised a supplementary "Will the Government request the Government of India to
meet the heavy deficit?" Shri T. Mariappa replied:

"May I answer in one word that the Government of India has been over generous so far as the new State of Karnataka is concerned. On several occasions, I have stated in this House that we must be grateful to the Finance Commission for seeing things in their proper perspective and recommending a very handsome and ad hoc grant of Rs. 6 crores, the largest ever given to any State in the new set up." The Government of India directed allocation of Public Debt and Loans taken from the Centre on a population basis. The figures in the following statement indicate the liability on account of Public debt transferred from different areas:

<table>
<thead>
<tr>
<th>Areas</th>
<th>Public Debt (Lakhs)</th>
<th>Government of India Loans (Lakhs)</th>
<th>Total (Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex-Mysore</td>
<td>2510.88</td>
<td>2408.37</td>
<td>4919.25</td>
</tr>
<tr>
<td>Ex-Bombay-Karnataka</td>
<td>605.38</td>
<td>677.37</td>
<td>1282.75</td>
</tr>
<tr>
<td>Ex-Hyderabad-Karnataka</td>
<td>--</td>
<td>1036.22</td>
<td>1036.22</td>
</tr>
<tr>
<td>Ex-Madras-Karnataka</td>
<td>195.96</td>
<td>270.80</td>
<td>466.76</td>
</tr>
<tr>
<td>Ex-Coorg</td>
<td>--</td>
<td>33.72</td>
<td>33.72</td>
</tr>
</tbody>
</table>
Soon after the reorganisation, the Government of Karnataka took certain steps for the division of assets and liabilities. A Special Secretary was appointed for this purpose. At the later stage, a Committee consisting of Secretaries was appointed to deal with this problem. According to the suggestions made by Shri K. Hanumanthaiah, another Committee at the Ministerial level consisting of nominees of Madras, Hyderabad and Bombay was formed. This Committee met periodically, exchanged ideas and information, discussed the vexed problem of division of assets and liabilities. Altogether the Committee had six interstate Conferences, at Hyderabad on the following dates:

- 30th April and 1st May 1956
- 8th August 1956
- 6th February 1957
- 16th January 1958
- 18th November 1959
- and 11th and 12th September 1967.

The decisions were reached at these Conferences and ratified by the respective Governments. The following is the progress of implementation of the division of assets and liabilities in respect of the integrated areas. But Old Mysore and Ex-Coorg did not have any problem of assets and liabilities. The Committee on Government Assurances in their first report of 1959 has added the following note:  

\[(20)\]
I) Ex-Hyderabad

Section 76(2) Unissued Stores: Unissued stores of the following departments have been apportioned and transferred as per recommendations of the Chavan Committee:

1) Police Department;
2) Stationery and Printing;
3) Settlement and Land Records;
4) Excise;
5) Information and Public Relations;
6) Medical and Health;
7) Veterinary.

Section 77: Treasury and Bank Balance - Cash Balance in the Reserve Bank have been apportioned on the population basis. The Andhra Pradesh Government issued to the Accountant General Andhra Pradesh to pay the rupee equivalent of our share in the sum of £28,950-0-0 held with the State Bank of India, London. A sum of Rs.2,17,218-9-7 was held in nine departmental accounts maintained with the State Bank of Hyderabad. The Andhra Pradesh Government sent a note on an equitable basis for division of the seven funds.
Section 80: Credits and Funds - The balances in the following funds have been apportioned and transferred as recommended by the Chavan Committee:

1) Police Department:
   a) Widow Pension Fund;
   b) Education Fund;
   c) Sports Fund;
   d) Chanda Fund;

2) Education Department - Victoria Scholarship Fund;

3) Jail Department employees widows' welfare fund.

Section 81: Assets and Liabilities of State Undertakings - As decided at the inter-State meeting, the shares in concerns outside the Ex-Hyderabad State have been apportioned among the three successor States in the population ratio and the shares in Hatti Gold Mines were transferred to Karnataka. Our share of dividends were passed on. Necessary financial adjustments in respect of excess shares retained by Andhra Pradesh Government in 26 concerns in Telangana have been done.

II) Ex-Bombay

Section 75(2): Unissued Stores - Unissued stores of
all Departments except Road Transport Department have been apportioned and transferred.

Section 87: Treasury and Bank Balances - The balance on 31st October 1956 with the Reserve Bank has been divided on population ratio and transferred out of Rs.12,64,13,000 set aside out of the Treasury Bills, a sum of Rs.10,56,25,000 has also been transferred. Karnataka Government agreed to retain the balance in the sinking fund of Rs.43,40,000 and afford a corresponding reduction in the public debt liability of this Government.

Section 82: Public Debt - Investments of Ex-Savanur State in the Cattle Breeding Fund have been transferred.

III) Ex-Madras

The cash balance in the Reserve Bank has been apportioned on population ratio. The Government of Madras sent nil statement of unissued stores in respect of some departments. In respect of Inter-State Corporation Bodies, our share of assets of the following Inter-State Corporate Bodies has been transferred:

1) Bombay Charity Commissioner;
2) Bombay Khar Lands Development Board;
3) Bombay Council and Faculty of Ayurvedic and Unani Medicine;
4) Bombay Village Industries Board;
5) Bombay and Hyderabad Khadi and Village Industries Board;
6) Bombay S.S.C. Board.

Transfer of properties under charitable Endowments Acts: Endowment properties of Ex-Bombay and Madras Governments relating to transferred areas have been transferred to the Treasurer of Charitable Endowments in Mysore.

Education Facilities: Karnataka agreed to bear the cost of continuance of scholarships and free studentships to students of transferred areas continuing their studies in institutions in Bombay, Madras and Kerala States. Madras and Kerala States agreed to bear similar expenditure incurred on students of their states studying in Karnataka State Institutions.

Assets and Liabilities of Road Transport Undertakings

With regard to the division of assets and liabilities of the Road Transport Undertakings of Bombay and Hyderabad, the Inter-State Conference of the representatives of Bombay, Hyderabad and Karnataka were held from time to
time and the following principles were evolved at these Conferences:

I) Division of Assets and Liabilities of the Bombay State Road Transport Corporation:

Minutes(21) of meeting held on 26th September 1956 at Sachivalaya, Bombay in the room of Shri V.L.Gidwani, ICS:

A) "The Debentures Floated by the Corporation: The liability for principal as well as interest should continue to remain with the Bombay State Corporation. The sinking fund accumulations should also be retained by it. The net amount of the liability including accrued interest up to the appointed day minus the sinking accumulations inclusive of interest should be allocated between the two organisations on a suitable basis and the share of Karnataka should be adjusted by modifying its share of other assets or liabilities or cash balance as may be suitable or by a financial adjustment between the two Governments. The basis of allocation of the share of liability should not be the proportion of capital assets as the debentures were raised mainly for providing working capital. It was felt that broadly speaking the total value of stores including building materials allocated to the two organisations may be a suitable basis.
B) The Unspent capital remaining with the Corporation: This should be allocated to the two organisations firstly to the extent necessary for completing the works actually in progress on the appointed day and secondly to meet the firm commitments for orders placed or other liabilities already incurred up to the appointed day. In case of the unspent capital not covering the whole of such liabilities, it may be divided in proportion on a pro-rata basis. If any surplus unspent capital remains, it may be divided in the ratio of the amount of the budget provision for words and other capital expenditure for the year 1956-57 which remain to be utilised in the two respective regions.

C) Cash Balance: It was felt that it is not feasible to settle the basis for division of cash balances at this stage. After the other assets and liabilities have been allocated, it would be possible to divide the cash balances equitably as a balancing factor so as to ensure the allocation of the net surplus of assets over liabilities in the same proportion as the total assets allocated to the two organisations.

D) Working Fund required by Karnataka Organisation immediately on separation: Until the cash balances are
actually divided a suitable advance payment to cover day
to day requirements of the Karnataka Organisation if
desired by the Karnataka Government. Alternatively,
Karnataka Government should advance a temporary loan to
the Corporation which is proposed to be established by
it."

II) Assets and Liabilities of Road Transport
Department of the erstwhile Hyderabad State:

The allocation of the assets and liabilities of the
Road Transport Department of the erstwhile Hyderabad
State among the three successor States of Andhra Pradesh,
Bombay and Karnataka is governed by the following
principles\(^{(22)}\) agreed upon at the Inter-State Conference
of the representatives of the respective Governments on
30th April and 1st May 1956.

\(\text{A) All fixed assets and vehicles should be allotted to the areas within which they are at present situated or operating. As far as vehicles are concerned, the book value should be apportioned on population ratio and to the extent a region does not get vehicles equivalent in value, necessary financial adjustments should be made.}\)

\(\text{B) As regards vehicles that are not yet in operation, they should be allocated according to the needs of the}\)
different regions and the book value of those vehicles as on 1-10-1956 i.e. the amount already paid in respect of those vehicles, shall be subject to financial adjustment as under (a) above.

C) All consumable general stores as well as spare parts will be apportioned on the basis of number and type of vehicles allotted to the respective areas, and

D) All outstanding liabilities in respect of purchase of stores and spare parts will be shared in proportion to the extent of spare parts and general stores made over to each state."

The Road Transport Department of Andhra Pradesh pointed out that "a rational method of division of unissued stores could be only according to the total book value of unissued stores held by the Department as on 31-5-1956. (23) It was found difficult to suggest a division of the considerable quantity of unissued stores held by the Department on the basis of the indents prescribed in sub-section 2 of Section 76, it was decided that these stores should be divided in proportion to the number of vehicles allotted to each region. Various types of unissued stores were held by
each bus depot in each region of the State, in order to meet urgent requirements for minor repairs and maintenance. The stores charged in this manner were transferred completely along with the vehicles stationed at each depot in the region to the successor State Government. The division of the unissued stores held by the Department was completed and the value of stores transferred to Maharashtra and Karnataka was Rs.16,95,095.88 P and Rs.14,91,083.45 P respectively.

Although, a Conference of the representatives of the Governments of Andhra Pradesh, Maharashtra and Karnataka was held at Hyderabad on 7-10-1960 to discuss and finalise the outstanding issues, no final decisions could be taken and it was proposed to hold another Conference later. An Inter-State Conference of the representatives of the three States Governments was held at Hyderabad on 24th and 25th June 1963, when all the outstanding issues were considered and certain conclusions arrived at. In view of the decision arrived at the Inter-State Conference held on 24th and 25th June 1963, with regard to financial adjustment to be made by Andhra Pradesh in favour of the Governments of Maharashtra and Karnataka with respect to vehicles, the Chief Executive Officer, Andhra Pradesh Road Transport Corporation suggested that the loss of Rs.4,34,621 on account of major assemblies might also be allocated among the three successor States as indicated in the statement below.(24)
<table>
<thead>
<tr>
<th>Value of Vehicles</th>
<th>Total Rs.</th>
<th>Andhra Pradesh Rs.</th>
<th>Maharashtra Rs.</th>
<th>Karnataka Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value of vehicles as per Balance Sheet on 31-10-1956</td>
<td>2,34,04,675</td>
<td>1,34,90,455</td>
<td>65,04,159</td>
<td>34,10,061</td>
</tr>
<tr>
<td>Less Major Assemblies included in the above but written off subsequently</td>
<td>4,34,821</td>
<td>2,50,631</td>
<td>1,20,637</td>
<td>63,353</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>2,29,69,854</strong></td>
<td><strong>1,32,39,824</strong></td>
<td><strong>63,83,322</strong></td>
<td><strong>33,46,708</strong></td>
</tr>
<tr>
<td>Value of Vehicles actually transferred</td>
<td>2,34,04,675</td>
<td>1,65,11,932</td>
<td>53,84,075</td>
<td>15,08,668</td>
</tr>
<tr>
<td>Extent of financial adjustment</td>
<td>4,34,821</td>
<td>32,72,108</td>
<td>9,99,247</td>
<td>18,38,040</td>
</tr>
</tbody>
</table>
But no agreement could be reached in regard to the financial adjustments of the Governments of Maharashtra and Karnataka which they had to make in favour of Andhra Pradesh in respect of London stores and the funds of the Road Transport Corporation, at the Inter-State Conference held on 24th and 25th June 1963.

In regard to further action taken by Government of Karnataka on Question No. 887 dated 7th November 1958, supplementary by Shri J.B. Mallaradhy, asking whether the assets and liabilities transferred to the State from the integrated areas are finalised and if not when it would be finalised, Government stated: "The final audited accounts are awaited from the Andhra Pradesh Road Transport Corporation, that the matter is under correspondence with that authority and the latest position is known to GAD (Integration)."(25)

On enquiry with the authorities of the General Administration Department (integration), (Government of Karnataka), it is learnt that several items of the division of assets and liabilities have not yet been settled since that time and that the Inter-State Conference held at Hyderabad on 11th and 12th September 1967 was the last meeting. The pending problems pertaining to the division of assets and liabilities have been discussed in the concluding chapter of the Thesis.
FOOT NOTES


4) Ibid., pp.68-69.

5) Notification No. F 26/6/56 SRI dated 17th October 1956, issued by the Deputy Secretary to the Government of India, Ministry of Home Affairs, New Delhi - File No. CAD 3 AH/64 kept at the General Administration Department (Integration), Karnataka Government Secretariat, Vidhana Soudh, Bangalore.

6) Notification No. F 21(7)-B/56, 8th February 1956 issued by the Deputy Secretary to the Government of India, Ministry of Finance, New Delhi - File No. CAD 3 AH/64 kept
at the General Administration Department (Integration), Karnataka Government Secretariat, Vidhana Soudha, Bangalore.

7) **Letter No. 1533 - AC/55-57 dated 7th March 1957**
addressed by the Comptroller and Auditor-General of India to the Chief Secretaries of all the State Governments - File No. GAD 3 AH/64 kept at the General Department (Integration), Karnataka Government Secretariat, Vidhana Soudha, Bangalore.

8) **Memo No. GAD 2x 2 AH/64 dated 7th February 1959**

9) **No. GAD 27 I AH 59 dated 3rd December 1959**
10) O.M. No. GAD 11-8/AIB/57 dated 23rd April 1957
issued by the Government of Mysore - File No. GAD 3 AH/64
kept at the General Administration Department (Integration),
Karnataka Government Secretariat, Vidhana Soudh, Bangalore.

11) Letter No. LIH 21 BAD-60 dated 10th March 1960,
published in the Important Orders of Government issued
during the year 1960, printed at the Government Press,
Bangalore, 1965, p.43.

12) Proceedings of the meetings of the Inter-State
Committee of Ministers and of the Inter-State Committee
of Officers, printed at the Government Press, Bangalore,


14) Ibid., p.158.

15) Report on the Administration of Mysore for the
year 1956-57, printed at the Government Press, Bangalore,
1958, p.9.

16) Official Report of the Proceedings of the Ninth
day of the Fifth Session of the Mysore Legislative Assembly
Debates, held on 7th November, 1958, printed at the

18) Ibid., p.413.


22) *Note for Inter-State Conference*, prepared by Andhra State Road Transport Corporation on the Assets and Liabilities of Road Transport Department of Erstwhile Hyderabad State - File No. GAD 3 AH/64 kept at the General Administration Department (Integration), Karnataka Government Secretariat, Vidhana Soudha, Bangalore, p.2.
23) Note for Inter-State Conference, prepared by Andhra State Road Transport Corporation on the Assets and Liabilities of Road Transport Department of Erstwhile Hyderabad State — File No. GAD 3 AH/64 kept at the General Administration Department (Integration), Karnataka Government Secretariat, Vidhana Soudha, Bangalore, p.5.

24) Ibid., p.8.