THE 14TH FINANCE COMMISSION AWARD: GAINERS AND LOSERS

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Introduction

The Fourteenth Finance Commission has been acclaimed as a land mark report as the recommendations made by it devolves close to 50 per cent of the divisible pool to the states. The large award made by the Commission has been used by the Union Government as a ruse to impose an equally large cut in the Central assistance to state plans. Though in the aggregate the numbers seem large, the quantum of fund flow to individual states can range from large to small as the inter se share of the states have undergone changes from the previous Commission, the grants component in the total award has changed and the grant structure has also under gone a change. In this context, an understanding of the gainers and losers requires a detailed study of the resource flow to the states via the Finance Commission awards.

This study is an attempt at working out the quantum of resource flow to the States under tax assignment and grant components. It also seeks to compare the flow between the two Commissions, namely the Thirteenth and the Fourteenth. The paper is organized in 7 sections. Section 2 provides a brief description of the Fourteenth Finance Commission award. Section 3 reviews the limited literature available on the subject. Section 4 computes the tax assignment of the Fourteenth Finance Commission and compares it to the Thirteenth Finance Commission awardto all the states of India. Section 5 is a similar exercise with grants made by the Commission and Section 6 looks at the consolidated picture of resource flow. Section 7 concludes.

Recommendations of the 14th Finance Commission

In the Indian federal structure, the center has greater taxation powers and the states have larger expenditure responsibilities. Over 60% of the total revenue receipts of the central government flows to the states one way the other. Since there is a large discretionary element to these transfers, the states have been demanding larger formula based devolution by the Commissions. The Fourteenth Finance Commission, heeding to such a demand, awarded 42% of the Divisible Pool (32% by the 13th Finance Commission) as tax assignment to the states. Another 6.84% has been awarded as grants-in-aid under Article 275(I). The devolution formula has been changed to include the following indicators with weights as shown in table 1. For the first time, forest cover has come into the horizontal share formula recognizing the importance of environmental sustainability.

Table 1: Devolution formula

Criteria	Weights (%)
Population	17.5
Demographic change	10
Income distance	50
Area	15
Forest cover	7.5

Source: 14th Finance Commission report

Table 2 presents the horizontal share of the states. As can be observed, states like Bihar, Tamil, Nadu and Uttar Pradesh will be seeing a considerable decline in their share of the taxes while states like Arunachal Pradesh, Jharkhand, Kerala and Madhya Pradesh will be seeing an increase.

Table 2:Change in inter se of tax devolution from FC-XIII and FC-XIV

States	FC-XIII	FC-XIV
Andhra Pradesh *	6.937	6.742
Arunachal Pradesh	0.328	1.37
Assam	3.628	3.311
Bihar	10.917	9.665
Chhattisgarh	2.47	3.08
Goa	0.266	0.378
Gujarat	3.041	3.084
Haryana	1.048	1.084
Himachal Pradesh	0.781	0.713
Jammu and Kashmir	1.551	1.854
Jharkhand	2.808	3.139
Karnataka	4.328	4.713
Kerala	2.341	2.5
Madhya Pradesh	7.12	7.548
Maharashtra	5.199	5.521

Manipur	0.451	0.617
Meghalaya	0.408	0.642
Mizoram	0.269	0.46
Nagaland	0.314	0.498
Odisha	4.779	4.642
Punjab	1.389	1.577
Rajasthan	5.853	5.495
Sikkim	0.239	0.367
Tamil Nadu	4.969	4.023
Tripura	0.511	0.642
Uttar Pradesh	19.67	17.959
Uttarakhand	1.12	1.052
West Bengal	7.264	7.324
All States	100	100

*includes Telengana. Source: Reports of 13th and 14th Finance Commission

This Commission had brought about major changes in the grants structure. While the previous commission had many channels through which grants would flow, like sector and scheme specific grants, elementary education etc., the Fourteenth Finance Commission after reviewing them, has moved decisively away from them,arguing that there has been no continuity between Commissions, they overlap with Plan schemes, the lack of an allocation formula and lack of flexibility in use putting states in difficulties in running the schemes.The Commission found that flow of funds through these mechanisms are best identified, prioritized and financed by the respective states. Therefore, the 14th Finance Commission recommends that grants-in-aid to states flow through only three channels: i) Post-devolution revenue deficit grants ii) Disaster management grants iii) Grants to local bodies. (Table 3)

Table 3: Grants-in-Aid to States

(inRs. Crores)

Local government	287436
Disaster management	55097
Post-devolution revenue deficit grant	194821
Total	537354

Source: 14th Finance Commission report

Relative to the Thirteenth Finance Commission, the FC-XIV has incorporated two new variables: 2011 population and forest cover; and excluded the fiscal discipline variable (Table 4). The need to take note of the conservation of forests – the costs involved the development opportunities forgone- has sounded a bell in the ears of the Commission as the horizontal devolution formula for the first time gave a weight of 7.5 per cent to the forest area.

Table 4: The variables included/excluded as well as the weights assigned to them for horizontal devolution formula in FC-XIII and FC-XIV

Variable	Weightsaccorded	
	FC-XIII	FC-XIV
Population (1971)	25	17.5
Population (2011)	0	10
Income Capacity/ Fiscal Distance	47.5	50
Area	10	15
Forest Cover	0	7.5
Fiscal Discipline	17.5	0
Total	100	100

Source: Reports of 13th and 14th Finance Commission

Literature review

It is said that the larger vertical devolution and the access of states to untied resources will increase the autonomy of states. The states can now focus on implementing priority social and economic schemes. (Karnik and Lalvani, 2015)Also, the Centrally Sponsored Schemes(CSS) were a part of the central transfers that did not have an identified and transparent formula and are 'one-size-fits-all' that is, does not take into account state specific requirements. But on the other hand, some of the sound CSSs may also get abolished with nothing to replace them and the bureaucracy involved with those CSSs will have to find other things to do.

The acceptance of the FC recommendations by the Center has been described as a half-hearted embrace as the recommendations have been accepted only in principle and not in practice. The revenue deficit grants to the 11 states were provided on the condition that the states should follow fiscal consolidation and raise revenue. This violates not only Article 275(I) of the constitution, under which the FC must provide revenue deficit grants where required, but also the spirit of the 14thFC which shunned all conditionalities unlike the 12thFC. (Editorial, Economic and Political Weekly, 28 January, 2015)

The focus of this year’s budget is on increasing investment, growth and social security and providing a boost to co-operative federalism. It is argued that the problem with using the budget as a platform to indicate the intent of the government is that the announcements tend to run far ahead of the finances and accounts of the government. Regarding the flow of funds to states, the total expenditure increased by 0.69% of GDP, budget supplement for central plan increased by 0.35% of GDP but the central assistance to the state plans decreased by 0.75% of GDP (Rs. 73,384 crores in absolute terms). On the receipt side, the 14thFC highlights the growing problem of central government taking recourse to cesses and surcharges to enhance their revenue. The share of cesses and surcharges in gross tax revenue of the Centre increased sharply to the detriment of the states as cesses and surcharges are excluded from the divisible pool.

1. 5% -7% surcharge on domestic companies (where income <Rs. 10crore) and 10%-12% (where income>Rs. 10 crore)
2. 2% Swachch Bharat cess on all or any services in addition to 14% service tax (therefore, 16% in total)
3. The conversion of existing excise duty on petrol and diesel of Rs.4 a litre into road cess for funding investment in roads and other infrastructure.
4. Clean energy cess increased by Rs. 100
5. 2% surcharge on income in lieu of the abolished wealth tax

An additional Rs. 31872 crore has been mopped up via these cesses and surcharges as compared to 2014-15 (BE). With 42% being the share of the states, this means that the states have lost out Rs. 13.3865 crore. Adding losses of receipts and loss on state plan, states lose Rs. 80,770 crore. Gain in expenditure on account of 10% hike is Rs. 141742 crore. Net gain is Rs. 60,972 which is just 43% of the net hike by the FC from higher taxdevolution, therefore watering down the magnitude of enhanced devolution recommend by FC. (Karnik and Lalvani 2015)

Increased central tax devolution

The share of the States in the divisible pool will increase on two accounts:the vertical devolution going up from 32 per cent to 42 per cent and due to increase in tax revenue accruing to the Center on account of the growth of the economy. The Center will be seeing an increase of 15.83% in tax revenue in 2015-16, i.e., Rs.198099.56 crores in absolute terms as per the 2014-15 RE and 2015-16 BE (from Rs.1251391crore in 2014-15 RE to Rs.1449490.56 crore in 2015-16 BE).If the horizontal share of the states were to remain the same as in the 13th Finance Commission report, the 10 per cent point increase would mean a 55% increase in the amount received by them. This together with the 15.83% increase due to increase in tax revenue means a total increase of 70.83%.As the horizontal shares have changed for all the States between the two Commissions (table 2) some States would gain and others would lose. Hence the net gain is a result of the two effects, the increase in the vertical devolution and the increase in the tax revenue. This can be seen in Table 5.

Table 5: Gain in tax assignment by states, 2014-15 RE and 2015-16BE

States	**Central transfers from the divisible pool, 2014-15 RE (FC-XIII) ** (in Rs. Crores)**	**Central transfers from the divisible pool, 2015-16 BE (FC-XIV) ** (in Rs. Crores)**	**Gain in transfers over the two years (in Rs. Crores)**	**Gain in transfers over the two years (%)**
	1	2	3 = 2-1	4
Andhra Pradesh *	23487.87	35461.25	11973.38	50.98
Arunachal Pradesh	1108.95	7231.74	6122.79	552.13
Assam	12283.71	17400.90	5117.18	41.66
Bihar	36963.12	50747.61	13784.49	37.29
Chhattisgarh	8363.05	16213.36	7850.32	93.87
Goa	900.53	1981.44	1080.91	120.03

Gujarat	10296.36	16236.07	5939.72	57.69
Haryana	3548.09	5685.85	2137.76	60.25
Himachal Pradesh	2644.18	3743.72	1099.54	41.58
Jammu and Kashmir	4452.68	8087.87	3635.19	81.64
Jharkhand	9504.25	16498.81	6994.56	73.59
Karnataka	14654.29	24789.78	10135.49	69.16
Kerala	7926.29	13121.77	5195.48	65.55
Madhya Pradesh	24107.03	39705.41	15598.38	64.70
Maharashtra	17602.98	29061.96	11458.98	65.10
Manipur	1526.96	3238.09	1711.13	112.06
Meghalaya	1381.71	3370.83	1989.12	143.96
Mizoram	910.67	2413.72	1503.05	165.05
Nagaland	1062.67	2613.70	1551.03	145.96
Odisha	16181.24	24411.63	8230.38	50.86
Punjab	4702.98	8273.35	3570.37	75.92
Rajasthan	19817.16	28924.85	9107.69	45.96
Sikkim	809.33	1924.68	1115.35	137.81
Tamil Nadu	16824.05	21149.90	4325.85	25.71
Tripura	1730.13	3369.08	1638.94	94.73
Uttar Pradesh	66602.90	94313.50	27710.60	41.61
Uttarakhand	3792.31	5526.08	1733.77	45.72
West Bengal	24594.96	38461.56	13866.61	56.38
All States	337784.32	523958.51	186174.19	55.12

*includes Telengana. Source: Reports of the 13th and 14th Finance Commissions

**As service tax is not collected in Jammu and Kashmir, the service tax inter se varies accordingly for each state. Computations have been done accordingly.

Had there been no change in the inter se shares of the states, every state would have got an increase of 55%. Thus any deviation from 55%, would point to gains or losses of the states. The states that that receive less than the average of 55% are the losers. It can be seen from table 5 that the largest gain has been made by Goa and the north eastern states with the exception of Assam. Tamil Nadu at the other endis the worst hit with an increase of only 26%. Based on the last column of table 5, states have been classified as losers and gainers (see table 6)

Table 6: Classification of states based on change in tax assignment

Per cent of tax gain	States
25-35	Tamil Nadu
35-45	Assam,Bihar, Uttar Pradesh
45-55	Andhra Pradesh, Himachal Pradesh, Odisha, Rajasthan, Uttarakhand
55-65	Gujarat, Haryana, West Bengal
65-75	Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra
75-85	Jammu and Kashmir, Punjab
85-95	Chhattisgarh, Tripura
95-100	-
above 100	Arunachal Pradesh, Goa, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim

As is evident from table 6, high income states like Maharashtra, Karnataka and Punjab seem to be gaining more and most of the low income states exceptMadhya Pradesh, are losers.

Grants-in-aid

As discussed earlier, the grants awarded by the 14th Finance Commission have been confined to just three areas: local governments (53.49 per cent), financing disaster management (10.25 per cent) and revenue deficit (36.26). The local government grants are formula based with 90 per cent of the weight being carried by population and ten per cent by performance.The 90 per cent weight for population makes the award criterion simple and equitable without unnecessarily complicating it with indices of decentralization and so on.

The total increase in grants between the 13th and 14th Finance commissions is Rs. 218773crores (for five years) which is an increase from Rs. 318581 crores in the 13th Finance Commission to Rs. 537352 crores in the 14th Finance Commission. For the 13th Finance Commission, this is inclusive of Rs. 60000 crores as GST compensation (that was not disbursed) and the performance grants to state and local governments in various sectors. For the 14th Finance Commission, the amount shown above includes performance grants.

It may be seen from table 7 that among the states**,** Uttarakhand, Sikkim, Meghalaya, Goa and Arunachal Pradeshhave received lesser amounts from FC-XIV in comparison with FC-XIII. As the all-state average shows an increase of 95%, states that gain a lesser percentage increase are losers and those that receive above it are gainers. Tripura has gained the least among all the gainers with an increase of just 38 crores (0.68% increase), despite being one of the 11 states that have received post- devolution revenue deficit grant, followed by Chhattisgrah, Karnataka and Jharkhand which have received less than 30% increase. Himachal Pradesh tops the list for gainers with an increase in grants of 322% compared to FC-XIII (see table 7).

Table 7: Grants-in-aid to states by the 13thand the 14th Finance Commissions

States	Grants-in-aid to states by FC-XIII (In Rs. Crores)	Grants-in-aid to states by FC-XIV (In Rs. Crores)	Gain/loss in GIA from FC-XIII to FC-XIV (In Rs. Crores)	Gain/loss in GIA from FC-XIII to FC-XIV (%)
Andhra Pradesh *	13532.3	44310.19	30777.89	227.44
Arunachal Pradesh	4348.2	1220.15	-3128.05	-71.94
Assam	5212.1	11571.35	6359.25	122.01
Bihar	14602.8	23648.04	9045.24	61.94
Chhattisgarh	6175.5	7319.05	1143.55	18.52
Goa	516.2	316.27	-199.93	-38.73
Gujarat	9682.9	16790.17	7107.27	73.40

Haryana	4270.8	6858.12	2587.32	60.58
Himachal Pradesh	10364.4	43719.24	33354.84	321.82
Jammu and Kashmir	20255.9	65235.87	44979.97	222.06
Jharkhand	7238.4	8983.71	1745.31	24.11
Karnataka	11601.4	14572.29	2970.89	25.61
Kerala	6371.5	17087.33	10715.83	168.18
Madhya Pradesh	13324.5	21189.99	7865.49	59.03
Maharashtra	16302.8	31657.4	15354.6	94.18
Manipur	7026.3	10656.6	3630.3	51.67
Meghalaya	3923.9	1929.22	-1994.68	-50.83
Mizoram	4904	12372.17	7468.17	152.29
Nagaland	9191.3	18631.98	9440.68	102.71
Odisha	9658.8	13513.26	3854.46	39.91
Punjab	5540.3	7797.37	2257.07	40.74
Rajasthan	12949.8	21974.77	9024.97	69.69
Sikkim	1058.8	345.56	-713.24	-67.36
Tamil Nadu	11366.9	18236.54	6869.64	60.44
Tripura	5716.1	5754.59	38.49	0.67
Uttar Pradesh	26742.9	44127.27	17384.37	65.01
Uttarakhand	4063	3505.08	-557.92	-13.73
West Bengal	12638.7	32698.41	20059.71	158.72
TOTAL	258580.5	506021.99**	247441.49	95.69

*includes Telengana, ** exclusive of performance grants to the local governments

If we were to look at the year wise distribution of Finance Commission grants, the increase in 2015-16 is,Rs. 38063.77 crores in absolute terms (Rs. 52031.74 crores in 2014-15to Rs.90095.51crores in 2015-16). As mentioned earlier, the total of the 13th Finance Commission grants does not include GST compensation, performance and improvement incentive grants to states as well as local governments in various sectors. The total of the 14th Finance Commission grants does not include the GST compensation grants.The distribution of these amounts among the states is shown in table 8.

Table 8: gain/loss in grants-in-aid to states year wise, 2014-15 RE and 2015-16 BE

States	FC Grants in 2014-15**	FC Grants in 2015-16	Gain/loss in FC Grants over the two years	Gain/loss in FC Grants over the two years
	In Rs. Crores			%
1	2	3	4 = 3-2	5
Andhra Pradesh *	2774.15	9538.83	6764.68	243.85
Arunachal Pradesh	808.73	163.94	-644.79	-79.73
Assam	1033.58	3358.94	2325.36	224.98
Bihar	3080.32	3324	243.68	7.91
Chhattisgarh	1316.58	959.57	-357.01	-27.12
Goa	110.22	39.54	-70.68	-64.13
Gujarat	2125.31	2252.16	126.85	5.97
Haryana	1940.98	926.89	-1014.09	-52.25
Himachal Pradesh	965.81	8459.75	7493.94	775.92
Jammu and Kashmir	2795.08	10646.26	7851.18	280.89
Jharkhand	1550.37	1200.57	-349.8	-22.56
Karnataka	2368.01	1840.93	-527.08	-22.26
Kerala	1378.01	5610.42	4232.41	307.14
Madhya Pradesh	3786.52	2837.4	-949.12	-25.07
Maharashtra	3306.33	4297.56	991.23	29.98
Manipur	322.91	2123.82	1800.91	557.71
Meghalaya	814.93	645.03	-169.9	-20.85
Mizoram	1005	2168.54	1163.54	115.78
Nagaland	1883.39	3225.23	1341.84	71.25
Odisha	2142.57	1872.62	-269.95	-12.60

Punjab	1251.26	1067.11	-184.15	-14.72
Rajasthan	2875.88	3008.07	132.19	4.60
Sikkim	194.89	51.82	-143.07	-73.41
Tamil Nadu	2454.3	2416.69	-37.61	-1.53
Tripura	879.15	1177.65	298.5	33.95
Uttar Pradesh	5531.81	5476.2	-55.61	-1.01
Uttarakhand	670.68	491.55	-179.13	-26.71
West Bengal	2664.97	10914.42	8249.45	309.55
TOTAL	52031.74	90095.51	38063.77	73.15

The difference in grant amounts received by each state in 2015-16 is huge. It ranges from -79% (Arunachal Pradesh) to 775.92% (Himachal Pradesh). Table 9 shows the classification of states based on percentage gain/lossin grants over the two years.

Table 9: Classification of states on the basis of grants received in 2014-15 and 2015-16

Per cent change in Grants received	States
less than 0	Arunachal Pradesh, Chhattisgarh, Goa, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Meghalaya, Odisha, Punjab, Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhnad
0-10	Bihar, Gujarat, Rajasthan
20-30	Maharashtra
30-40	Tripura
70-80	Nagaland
above 100	Andhra Pradesh, Assam, Himachal Pradesh, Jammu and Kashmir, Kerala, Manipur, Mizoram, West Bengal

Meghalaya falls in the less than zero % or negative increase in grants over the two years even after being awarded a revenue deficit grant of Rs. 618 crores in 2015-16. The average is 73.15%

and majority of the states have received less than that. An alarming number of 14 states incur negative gains.Three of the north eastern states have incurred negative gain ingrants with Arunachal Pradesh and Sikkim topping the losers list. Part of such reduction for most of the north eastern states is because the 14th Finance Commission has gone in favour of tax assignments rather than grants.

Grants in aid and tax devolution

Following the discussion of tax devolution and grants in the previous two sections, this section seeks to examine the combined effect of the two on the states so that a comprehensive view of the 14th Finance Commission award can be made. Table 10 has been constructed for this purpose. Column 2 of table 10 is a sum of the entries of column 2 of table 5 and 8. Similarly, column 3 of table 10 is a sum of entries of column 3 of table 5 and 8. The average increase of tax share and grants at the all-states level is 57.52%.

Table 10:Flow of tax share and grants to the states between 13th and 14th FC.

States	Tax+ Grants in 2014-15	Tax + Grants in 2015-16	Net gain	Net gain in %
1	2	3	4 = 3-2	5
Andhra Pradesh*	26262.02	45000.08	18738.06	71.35
Arunachal Pradesh	1917.68	7395.68	5478.00	285.66
Assam	13317.29	20759.84	7442.54	55.89
Bihar	40043.44	54071.61	14028.17	35.03
Chhattisgarh	9679.63	17172.93	7493.31	77.41
Goa	1010.75	2020.98	1010.23	99.95
Gujarat	12421.67	18488.23	6066.57	48.84
Haryana	5489.07	6612.74	1123.67	20.47
Himachal Pradesh	3609.99	12203.47	8593.48	238.05
Jammu and Kashmir	7247.76	18734.13	11486.37	158.48

Jharkhand	11054.62	17699.38	6644.76	60.11
Karnataka	17022.30	26630.71	9608.41	56.45
Kerala	9304.30	18732.19	9427.89	101.33
Madhya Pradesh	27893.55	42542.81	14649.26	52.52
Maharashtra	20909.31	33359.52	12450.21	59.54
Manipur	1849.87	5361.91	3512.04	189.85
Meghalaya	2196.64	4015.86	1819.22	82.82
Mizoram	1915.67	4582.26	2666.59	139.20
Nagaland	2946.06	5838.93	2892.87	98.19
Odisha	18323.81	26284.25	7960.43	43.44
Punjab	5954.24	9340.46	3386.22	56.87
Rajasthan	22693.04	31932.92	9239.88	40.72
Sikkim	1004.22	1976.50	972.28	96.82
Tamil Nadu	19278.35	23566.59	4288.24	22.24
Tripura	2609.28	4546.73	1937.44	74.25
Uttar Pradesh	72134.71	99789.70	27654.99	38.34
Uttarakhand	4462.99	6017.63	1554.64	34.83
West Bengal	27259.93	49375.98	22116.06	81.13
All States	389816.06	614054.02	224237.96	57.52

As can be seen from the table above, the percentage change ranges from 22.24% for Tamil Nadu to 285% for Arunachal Pradesh. Confining to the major states, the variation is from 22.25% for Tamil Nadu to 101% for Kerala.

Table 11: Classification ofstates on the basis of total gain/loss from the FC-XIV award

Per cent (over all FC award)	**States**
15-25	Haryana,Tamil Nadu
25-35	Uttarakhand
35-45	Bihar, Odisha, Rajasthan, Uttar Pradesh
45-55	Gujarat, Madhya Pradesh

55-65	Assam, Jharkhand, Karnataka, Maharashtra, Punjab
65-75	Andhra Pradesh, Tripura
75-85	Chhattisgarh , Meghalaya, West Bengal
85-95	-
95-105	Goa, Nagaland, Sikkim
above 105	Arunachal Pradesh, Himachal Pradesh, Jammu and Kashmir, Kerala, Manipur, Mizoram

Except for Haryana and Tamil Nadu (table 11) for which the increase in the tax share and grant is below 25%, mostly the low income states report below average increases. Kerala stands along with the North Eastern states, Himachal Pradesh and Jammu and Kashmir receiving and increase of over 100% in resource transfer.

It may be pertinent to note that four states have seen a decline in their share of tax assignment as well as grant receipt. While Tamil Nadu andUttar Pradesh see a relatively large decline in their horizontal shares, Odishaand Uttarakhand see a sizeable reduction in the amount of grants received.

Conclusion

Following acceptance of the recommendations of the 14^{th} Finance Commission and the quantum jump in vertical devolution, the Prime Minister spoke of ‘empowering states with finances’. The implicit view is that the states would be receiving larger quantum of resources. What is missing in this view is the determining role of horizontal share and restructuring of grants.This paper, made an attempt to fill this gap in our understanding.

Considering that gross tax revenue of the center has been budgeted to grow at 16%, the gain of Tamil Nadu, Haryana and Uttarakhand between 15% and 35% cannot be considered empowering. At the other end, the north eastern states along with Kerala, Himachal Pradesh, Jammu and Kashmir and Goa have been empowered with finances. But the variation is indeed very great.

In order to get a full picture of the resource flow to the states, one has to compare the Finance Commission awards with the reduction in central assistance for state plans as well as Centrally Sponsored Schemes. The worst case scenario is one where the states which receive low share in the Finance Commission award also receivereduced central assistance. The more balanced scenario is one where the low Finance Commission awards get compensated by a slightly higher central assistance for the plans of these states.

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