

**GOVERNMENT OF INDIA
PLANNING
LOK SABHA**

STARRED QUESTION NO:134
ANSWERED ON:14.08.2013
GADGIL MUKHERJEE FORMULA
Meghwal Shri Arjun Ram ;Ramshankar Dr.

Will the Minister of PLANNING be pleased to state:

- (a) whether the Government allocates funds to the States as per the Gadgil- Mukherjee formula;
- (b) if so, the details thereof including the details of the of the revised Gadgil formula;
- (c) whether the Central assistance to the States as per the said formula has led to equal and balanced growth in the States;
- (d) if so, the details thereof and if not, the reasons therefor; and
- (e) whether the Government proposes to review the formula and if so, the details thereof?

Answer

MINISTER OF STATE FOR PARLIAMENTARY AFFAIRS AND PLANNING (SHRI RAJEEV SHUKLA)

(a)to (e) A Statement is laid on the Table of the House.

Statement referred to in reply to Part (a) to (e) of Lok Sabha Starred Question No. 134 by Shri Arjun Meghwal & Prof. Ram Shankar regarding 'Gadgil-Mukherjee Formula' to be answered on 14.08.2013

(a) & (b) The Gadgil- Mukherjee formula is used for allocation of Normal Central Assistance amongst the States. Until 2004-05, the overall amount of Normal Central Assistance (NCA) inclusive of loan and grant, was divided as 30% for Special Category States (SCS) and 70% for General Category States (GCS). SCS got 90% of Central Assistance as grant and 10% as loan. GCS got only 30% of NCA as grant and 70% as loan. The inter se distribution among the SCS is on the basis of respective shares that have been used in the past. The distribution within the GCS is based on Gadgil- Mukherjee formula approved by the National Development Council (NDC) in 1991. Up to 2004-05, both the loan and the grant portion of the NCA used to be provided from the budget of the Government of India. However, following the acceptance of recommendations of the 12th Finance Commission, the Government of India stopped giving loans as a part of NCA to States. Since only the grant portion of NCA is now provided from the budget, it is divided between SCS or GCS in the same proportion as resulting from the earlier method in which different proportions of grant were applied to the share of the two categories. Thus the 30% share of SCS was 90% grant whereas the 70% share of GCS was only 30% grant. Thus after setting apart the share of UTs, the NCA, which is now given to States in the form of a block grant, is distributed among SCS and GCS in the ratio of 9:7. Thus 11 Special Category States get 56.25% of the NCA grant and 17 General Category States get 43.75% of the NCA grant.

The various criteria and weights for allocation of NCA to the General Category States as per Gadgil-Mukherjee formula (1991) are as under:

Criteria	Weights(%)
1. Population (1971)	60
2. Per Capita Income	25
a) 'Deviation' method-covering States with per capita SDP below the national average	20
b) Distance method-covering all States	5
3. Performance	7.5
a) Tax effort	2.5
b) Fiscal management	2.0
c) National Objective	3.0
i) Population control	1.0
ii) Elimination of illiteracy	1.0
iii) On-time completion of Externally Aided projects	0.5
iv) Land Reforms	0.5
4. Special Problems	7.5

(c) & (d) Central assistance to States on the Plan side comprises two components: (i) Central assistance to State Plan (ii) Centrally Sponsored Schemes (Central Plan)

Normal Central Assistance, which is distributed among States as per Gadgil- Mukherjee formula, formed only about 8.6% of total plan assistance to States in 2011-12. However, a major proportion of Plan assistance is provided through several flagship schemes in different social and infrastructural sectors such as Sarva Shiksha Abhiyan (SSA), Mid Day Meal Scheme (MDM) , National Rural Health Mission (NRHM), Accelerated Irrigation Benefit Programme (AIBP), Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Backward Regions Grant Fund (BRGF), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Indira Awas Yojana (IAY), Rashtriya Krishi Vikas Yojana (RKVY), Prime Minister's Gram Sadak Yojana (PMGSY), National Rural Drinking Water Supply Programme (NRDWSP), Integrated Child Development Scheme (ICDS) and National Social Assistance Programme (NSAP).

Plan assistance to States as a whole has supported the process of inclusive growth in States. During the 11th Plan, most States including Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Rajasthan, Odisha & Uttar Pradesh have shown improved growth performance.

(e) There is no proposal at present to review the Gadgil-Mukherjee formula.