PART III

PROPOSALS FOR REORGANISATION

CHAPTER I

BASIC PATTERN OF THE COMPONENT UNITS

236. The States constituting the Union of India are very unequal in size, population and resources. As we have observed earlier, they are also unequal before the law. The present classification of States into three categories known as Part A, Part B and Part C States was adopted essentially as a transitional expedient and was not intended to be a permanent feature of the constitutional structure of this country. A preliminary but essential point to consider, therefore, is how far there is any justification for maintaining the existing constitutional disparity between the different constituent units of the Indian Union.

237. Public opinion, both within and without the Part B and Part C States, has been severely critical of the present anomalous arrangement which, it has been argued, offends against the principle of equal rights and opportunities for the people of India. We are impressed by the weight of the public sentiment on this matter. The only rational approach to the problem, in our opinion, will be that the Indian Union should have primary constitutent units having equal status and a uniform relationship with the Centre, except where, for any strategic, security or other compelling reasons, it is not practicable to integrate any small area with the territories of a full-fledged unit. If the States of the Union are to be treated on a footing of equality and if the status of the present Part A States is accepted as the standard, then the Part B and Part C States must disappear. Such a step would be justified on its own merits. Now that a reorganisation of the States has to be proposed on a rational basis, the regrouping of territories cannot be undertaken by categories. The existing distinctions cannot, therefore, be maintained.

238. If the States of the Union are to enjoy a uniform status, it is necessary that each State should be inherently capable of survival as a viable administrative unit. It should have the resources, financial, administrative and technical, to maintain itself as a modern State. It should normally be able to establish and maintain institutions to educate, train and equip its people for its administrative, technical and professional requirements. And finally,

it should be able not only to meet the day-to-day needs of the administration but also to expand its social services and other development activities.

239. It may be recalled that most of the former princely States lost their separate existence because they were not considered capable of maintaining the institutions of a modern democratic government. In the circumstances in which the integration of these States took place, this principle, however, could not be uniformly applied. It would be unfair to concede any prescriptive right in favour of any of the existing units on the mere ground that it escaped the sweep of political developments in the country owing to some favourable turn in the events or some such factor as a political concession, its geographical isolation, location on the border or economic backwardness.

Part B States

240. The problem of abolishing the distinction between Part B States and Part A States would not present any serious difficulty. There are three factors, apart from certain minor transitory provisions of the Constitution, which distinguish the Part B States from Part A States:

(a) certain agreements in consequence of their financial integration;

(b) the general control vested in the Government of India by Article 371; and

(c) the institution of the Rajpramukh.

Of these, the agreements mentioned in (a), to the extent they are still operative, can be suitably adjusted. The Constitution provides for a review of these agreements at the end of five years and a revision is now due.

241. So far as Article 371 is concerned, with the establishment of properly constituted legislatures in Part B States, the exercise of central control over these States has been gradually falling into desuetude. Even in the past, Article 371 operated in actual practice only as a constitutional sanction behind the informal advice given by the Government of India to governments of the Part B States from time to time. A formal directive under Article 371 was issued only on one occasion and that too was withdrawn. The institution of advisers to State Governments who were appointed either by the Government of India or at their instance has also

been abolished. Bearing this in mind and the fact that the present territorial complexion of the Part B States will be radically affected by the recommendations which we make in subsequent chapters, the provisions contained in Article 371 will no longer be required.

242. The position and the role of the Rajpramukhs in Part B States are more or less the same as those of the Governors of Part A States, both being constitutional heads. While the Governor of a State is appointed by the President, the Rajpramukh has been defined in relation to Hyderabad and Mysore as the person who for the time being is recognised as the Nizam or the Maharaja, and in relation to any other state as the person recognised by the President as such. Likewise, while a Governor can be removed from office by the President, recognition can be withdrawn from a Rajpramukh.

243. The institution, however, has a political aspect and large sections of public opinion view its continuance with disfavour on the ground that it ill accords with the essentially democratic framework of the country. There are, in our opinion, some weighty considerations against the continuance of this institution. In the first place, we feel that the constitutional head of a State should not, generally speaking, be a resident of that State. The Rajpramukh being *ex-hypothesi* a person having deep-rooted local interests and influence, his position as the constitutional head of a State is altogether anomalous.

244. In view of the past associations of the Rajpramukhs with the territories of which they were hereditary rulers, it is doubtful if they can effectively discharge the essential functions of the constitutional head of a State either from the point of view of the Government of India or from that of the State Government concerned. Besides, apart from its undemocratic character, the institution of Rajpramukh tends to maintain, even where it does not create, loyalties which, in our opinion, are undesirable. We would, therefore, recommend that this institution be abolished.

245. We do not propose to go into the question of the commitments which the Government of India might have made to the holders of this office. It appears, however, that privy purses as well as most of their privileges and rights have been guaranteed to them as former rulers of their respective States, although some emoluments and amenities are also enjoyed by them by virtue of their office as Rajpramukhs. In the event of the abolition of the institution of Rajpramukh, therefore, the rights and privileges enjoyed by the rulers who hold office as Rajpramukhs at present will not for the most part be affected.

Part C States

246. We next proceed to consider the position of the Part C States, which have to undergo more radical changes in order to be brought on a par with the Part A States.

247. The governments of the Part C States have pressed, from time to time, their claim to the same status as that enjoyed by Part A and Part B States. It has been repeatedly argued on behalf of these States that there is no reason why democratic government should not function in them in the same manner as in the other States.

248. There is little that Part C States, as a category of States, have in common with each other. Separated from each other by long distances, they have greater economic, linguistic and cultural affinities with the neighbouring States than with each other. Politically, economically and educationally, they are in varying phases of development. Even in the constitutional field, they do not follow a uniform pattern in that some of them have legislatures and ministries and others only advisory councils. Two are administered through Lt. Governors and the remaining through Chief Commissioners.

249. Since these States differ so much from each other, it is hardly possible to make out a common case for their continued existence. However, some measure of community of interests has developed in political circles in these States since the commencement of the Constitution, and particularly since the appointment of this Commission. Representatives of these States have assembled together in more than one conference and have tried to impress on this Commission as well as on the country at large that, financially, the Part C States are viable; that, from a broader point of view, the experiment of democratic administration in their areas, since it was introduced in 1951, has proved to be a great success; and that any material change in their boundaries will run counter to the wishes of the people, and dislocate the implementation of their development plans.

250. That the existing position is unsatisfactory is now generally admitted. The views put forward and the resolutions passed at the recent conferences of the representatives of the Part C States make it clear, if they do nothing else, that radical changes in the existing pattern are needed. There is difference of opinion only regarding the nature of the change which is proposed and not as regards the need for the change itself.

251. Public opinion all over the country seems to favour the merger of these States in the adjoining units as the best means of eliminating the present anomaly. It may also be recalled that, in an additional note appended to the report of the Committee appointed by the Constituent Assembly to recommend suitable constitutional changes in the administrative systems of the Chief Commissioners' provinces, the representatives of Ajmer and Coorg expressed the view that "the special problems arising out of smallness of area, geographical position, scantiness of resources, attended with what may be called administrative difficulties of many a complex nature may, at no distant future, necessitate the joining of each of these areas with a contiguous unit".[1] We do not consider that the reforms introduced by the Act of 1951 could have so radically changed the whole context that the very cogent arguments advanced in favour of the merger of these States have lost their validity.

252. There is a great deal to be said in favour of the amalgamation of these States with the adjoining States. Of the nine Part C States, six have legislatures and ministries; and of these only one, namely, Coorg, has been in a position to carry on so far a reasonable system of administration without central assistance. The other five States have been increasingly subsidised by the Centre through the payment of revenue gap grants-in-aid; and these revenue gap payments (in the case of Delhi, Bhopal, Vindhya Pradesh, Ajmer and Himachal Pradesh) as estimated in the latest budget of the Central Government amount to about ten rupees *per capita*. In the case of the three remaining States, namely, Kutch, Manipur and Tripura, the budgets are still merged in that of the Government of India, but the *per capita* deficits on revenue account as now estimated are already so heavy that, if the 1951 Act were extended to these States and if revenue gap grants-in-aid from the Centre became payable to them, such grants would amount to about twenty rupees *per capita*.

253. These heavy subsidies from the Government of India compare with fixed revenue gap grants-in-aid in the case of three Part B States (Mysore, Travancore-Cochin and Saurashtra) of nine crores of rupees which works out to about four rupees *per capita*. What is more significant, the payments in the case of the Part B States are fixed or are intended to be reduced according to a sliding scale, while in the case of the Part C States the subsidies are steadily increasing.

254. The Part C States have claimed that if Article 264(b) of the Constitution did not debar the payment to them of appropriate shares

[1]. Reports of the Committees of the Constituent Assembly of India, Third Series, P.120.

from out of the divisible pools of income-tax and central excise, and if *ad hoc* grants as in the case of the other States were also payable to them for development and other purposes they would become self-sufficient in respect of their normal expenditure.

255. The validity of this claim can be questioned. If the Part C States are to be treated like other units they will have to surrender to a greater or lesser extent the very heavy revenue subsidies which they now receive, in return for reimbursements of revenue and other payments from the Centre, which, together, cannot make up for this loss.

256. *Prima facie,* therefore, the claim that these States are financially in no worse position than the other States, that they will be able to cover their ordinary non-development expenditure if they are treated like the other States, and that they can continue to exist as independent entities, without being an undue burden on the Centre, cannot be accepted.

257. An amendment to the Government of Part C States Act, 1951, has recently been passed to enable the Legislatures of these States, where they exist, to discuss and vote the demands on account of capital expenditure within the Consolidated Fund. This amendment was intended to meet the demand for an extension of the authority of the State legislatures. The result in actual practice has been that, since October, 1954, the States have had to borrow heavily from the Government of India; and when the liability for the repayment of these loans and of the amounts which they may have to borrow in future is also taken into account, their prospective financial position can hardly be described as satisfactory.

258. On the other hand, it can be said with much more justification that the present administrative and financial arrangements have not been deliberately planned, but have been devised to meet the needs of the situation as it was found to exist after the Government of India's decision to introduce a measure of responsible government in these areas. As an *ad hoc* arrangement, the existing position is all the more unsatisfactory and cannot be continued indefinitely. The existing arrangement commits the Government of India, in effect, to a growing but uncertain liability, both on revenue and on capital accounts, and has also led to an increase in the burden of unproductive expenditure.

259. When the Government of Part C States Bill, 1951, was debated in Parliament in 1951, the extra cost of democratic administration was estimated at about half a crore of rupees. It was believed then that

this would be a reasonable price to pay for a more efficient and satisfactory form of government. In the light of such experience as we have had of the working of the 1951 Act, it is doubtful whether either of the two hopes that were then entertained, namely, that the extra cost would be inconsiderable and that the administration would become appreciably more efficient, can now be regarded as having been fulfilled. The increase in the cost of general administration, which has taken place, is already very considerably in excess of half a crore of rupees; and if the progress of the five year plan is an index of the level of administrative efficiency, the Part C States have, generally speaking, fared rather poorly.

260. The Part C States have urged that the paralysing control which is exercised by the Government of India must be held to account for this poor performance. Considering the ultimate responsibility of the Government of India to Parliament in respect of the administration of these States, Central control over them cannot be completely eliminated. But the main reason for the relatively slow progress of the plan in the Part C States is not the nature or the extent of the control exercised by the Central Government.

261. The administrative services in the Part C States have not been and are not likely to be properly manned, the main reason being that service in these States offers inadequate opportunities. Reasonably efficient state services cannot be created individually in each of these States or jointly for all of them, so long as these States, situated as they are, cannot attract or retain talent. The inadequacies of the administrative system are also shown by the existence of administrative anomalies such as the combination of offices and concentration of authority. There are instances, for example, of the head of the State functioning as the head of many other departments and of the Chief Secretary exercising the powers of the highest revenue authority. One advantage of the merger of these States in larger units will, therefore, be a general improvement of their administrative system.

262. One other reason why a merger may be desirable is that the Part C States, being in most cases unplanned enclaves, continue to have close economic links with the surrounding areas. It is not necessary to elaborate the point at this stage. We deal later with the economic affiliations of the individual States in the Chapters

dealing with the proposed new units. For the purpose of this general discussion, however, it is necessary to point out that the case for merger is reinforced, if the formulation and orderly implementation of major development plans in or near the Part C States are taken into consideration.

263. An argument often cited in support of the claim of the Part C States to separate existence is that popular government can be a reality only if the States are as small as possible consistently with the principle of self-sufficiency. We have discussed earlier the merits and demerits of the smaller states. It is true that smaller states make possible a closer personal touch between the administration and the people, but there is a point beyond which personal touch degenerates into personal rule with all that it implies. The governments of smaller areas, not having enough work in the field of policy-making, tend to undertake detailed and direct administration. When the lowest appointments are made at the highest level and those charged with the responsibility of shaping major policies assume the role of district authorities or subordinate administrative agencies, the services must lose initiative, drive and a sense of responsibility. Democratic institutions function properly, only if the respective role of each organ and agency of the state is clearly understood. Disregard of this basic principle must impede the growth of impersonal administration which is as vital for working democratic institutions as close contact between the people and the administration.

264. The analogy of some other federations where small units function along with bigger ones is inapplicable to the States of the Indian Union. The constituent units in Switzerland and the U.S.A. were pre-existing sovereign States. The States of the Indian Union on the other hand, cannot claim to have possessed that status at least in recent history. They cannot, therefore, claim any territorial inviolability. Besides, financial resources of any of the Part C States bear no comparison with the much greater resources of the relatively small units in the U.S.A., Australia, Canada or Switzerland.

265. To sum up, the position is that there is a general consensus of opinion that the existing set-up of the Part C States is unsatisfactory. The solution suggested by the official representatives of the Part C States, namely, a constitutional status which is identical with that of the Part A States, will remove only the constitutional anomalies. These small units will still continue to be economically unbalanced, financially weak and administratively and politically unstable.

266. The democratic experiment in these States, wherever it has been tried, has proved to be more costly than was expected or intended and this extra cost has not been justified by increased administrative efficiency or rapid economic and social progress. Quite obviously, these States cannot subsist as separate administrative units without excessive dependence on the Centre, which will lead to all the undesirable consequences of divorcing the responsibility for expenditure from that for finding the resources.

267. Political institutions as well as political consciousness have been of a relatively recent origin in most of the Part C States. The choice of leadership, therefore, is necessarily limited. Besides, the smaller the forum for political activity the greater the inter-play of personal ambitions and jealousies. On the administrative side, they give rise to all kinds of anomalies and difficult situations and the size of these units is such that it does not even admit the enforcement of the salutary convention that district officers should not normally serve in their home towns.

268. Taking all these factors into consideration, we have come to the conclusion that there is no adequate recompense for all the financial, administrative and constitutional difficulties which the present structure of these States presents and that, with the exception of two, to be centrally administered, the merger of the existing Part C States with the adjoining States is the only solution of their problems.

Safeguards for the transitional phase

269. Fears are entertained in some of the economically backward Part C States that, if they join the more advanced adjoining States, their development will be impeded. The mere fact that a particular area has been economically undeveloped does not provide adequate reason for constituting or continuing it as a separate administrative unit. In fact, the consolidation of undeveloped areas into separate units will retard the constitution of States with balanced economies. However, it would be only fair to the people of those States which were placed under the Centre for the specific purpose of their economic development, if the Centre does not divest itself of responsibility for their development, until a stage has been reached when they could be left entirely to the care of the State Governments concerned.

270. This would necessitate the retention by the Central Government of some kind of supervisory power over State Governments

in respect of the development of the economically backward areas constituting some of the existing Part C States. The areas over which the Central Government's supervision may be desirable, in our opinion, are:

(a) Himachal Pradesh;
(b) Kutch; and
(c) Tripura.

271. Central authority need not be exercisable over the whole range of the administration of these areas but may be confined to matters connected with their economic development. As compared, therefore, with the provisions of Article 371 of the Constitution, which place Part B States under the general control of the Government of India, the provision made in the event of our recommendation being accepted, will be of a restricted nature. The arrangements we have proposed may be terminated either after a specified period or after the President is satisfied that the areas concerned have made sufficient progress to be on equal footing with the more developed areas.

272. The Government of India might make special allotments for the development of these areas and also exercise under the proposed arrangements, control over the disbursement of these allotments for specified purposes. The Government of India might also constitute in consultation with the Governments of the States concerned development boards consisting of officials and non-officials to look after the economic and social development of these areas.

273. Such an arrangement, while enabling the merger of a number of Part C States with the adjoining larger units, would ensure that the Centre's care and aid would be available to safeguard their legitimate interests.

274. As for the other areas, *e.g.*, Bhopal and Ajmer, we trust that the State Governments will take appropriate steps to ensure that the present pace of economic development in these areas is maintained.

275. One of the arguments advanced in favour of the maintenance of the *status quo* in the existing Part C States has been that the laws of the adjoining larger States are unsuitable in the conditions which now prevail in some of the smaller States. While there is a tendency to overstate this case, it is desirable that the laws of the larger States should be extended to the merged units with due regard to the

special needs of the people of these units. We suggest, therefore, that one of the urgent tasks of the Governments of those States into which the smaller units are to be merged should be a comprehensive examination of the existing laws in the merged units. The objective should be that the wholesale application of new laws in all the territories of the merged States does not follow as a matter of course, and old laws may be continued, to the extent that a disparity in the application of laws is desirable in the interests of the merged units, or is based on good grounds which justify such differentiation in law.

Future of remaining centrally-administered areas

276. If the existing Part C States are to be joined with larger contiguous units to the extent practicable, the question arises what the constitutional position should be of areas which, for security and other imperative considerations, might still have to be placed under the direct administration of the Centre.

277. The problem is not peculiar to India. Countries with a federal constitution do contain some centrally-administered areas besides constituent units of the federation. These are firstly, the seats of federal governments such as Washington, D.C., in the U.S.A. and Canberra in Australia, and secondly, other administered territories consisting mostly of sparsely-populated and geographically-isolated areas.

278. In the U.S.A., only the forty-eight States are treated as units of the federation and are given seats in the Federal Upper House. Alaska and Hawaii are incorporated territories not yet admitted into the federation of States. They send "delegates" only to the Lower House of Congress and the "delegates" have no votes. In Canada and Australia also, territories are treated differently from the provinces and the states in the matter of representation in the federal legislature.

279. The Part C States of the Indian Union also are centrally-administered but have certain special features of their own. Firstly, notwithstanding the fact that these states are not autonomous in the sense in which the other states are, they have been given the status of constituent units of the Indian Union and as such have full representation in both the Houses of Parliament. Secondly, they are called States. While there may be scope for difference of opinion as to other units of the Union being called States or Provinces, it is anomalous to call the areas administered by the Centre on a unitary

basis as States. The fact that these units have been called States has stood in the way of their constitutional relationship with the Centre being viewed in correct perspective.

280. The present position is that the Central Government is, for legal purposes, the repository of all power and is responsible for the entire administrative field so far as the Part C States are concerned. At the same time, in several of these States, there are local ministries responsible to their respective legislatures in the State field of administration. Conflict and blurring of responsibility are inherent in this constitutional relationship.

281. The main arguments advanced in favour of giving the Part C States a form of responsible government were:

(a) the political rights enjoyed by the people of other parts of the country had to be granted to the people of these areas also; and

(b) it was necessary to initiate the people in the principle of responsible government at the state level.

282. If the majority of Part C States are merged, the problem would be greatly simplified. However, speaking on the merits of the case, it seems to us that undue emphasis has been laid on these two points.

283. There is little justification for the assumption that if, for certain valid reasons, the Centre under a federal system of government itself administers an area, this will involve an infraction of the democratic rights of the people of the area. In fact, the people of Part C States have a clear advantage over the centrally-administered territories in other countries in that these States get representation in both the Chambers of the Union Parliament and their representatives are full members with the right to vote. The Union Parliament, representing the people of India as a whole, legislates in the wide field of Union and Concurrent items. Legislation by this body in the state field also in regard to small areas placed under the Centre's direct care should not be treated as a denial of political rights to the people of these areas. If this kind of meticulous evaluation of democratic rights is carried to its logical extreme, it would appear that the people in Part C States having legislatures and ministries are enjoying superior political rights as compared to the more populous States, in that while a State like

Coorg, with a population of 2,29,405 has a legislature and a ministry providing one representative in the legislature of the State for every 9,559 people and one minister for every 1,14,703 people, in the Uttar Pradesh there is one member in the State legislature for every 1,47,013 people and one minister for every 3,327,114 people. Judged by the criterion of absolute equality of democratic rights of the people, is it fair to the people of a district like Malabar, with a population of 4·8 millions to be treated merely as a district unit, when Coorg, with a population approximating to about one-twentieth of the population of this district enjoys the status of a State with a legislature and a ministry?

284. As for the requirements of training in public life, it is doubtful if the establishment of legislatures or of ministries responsible to them would be justified in very small areas for the mere purpose of initiating the people of these areas in the principles of responsible government.

285. Taking all the facts into consideration, we recommend that the component units of the Indian Union be classified into two categories:

(a) "States" forming primary constituent units of the Indian Union having a constitutional relationship with the Centre on a federal basis. These units should cover virtually the entire country.

(b) "Territories" which, for vital strategic or other considerations, cannot be joined to any of the States and are, therefore, centrally-administered.

286. These "territories" should be represented in the Union legislature, but there should be no division of responsibility in respect of them. Democracy in these areas should take the form of the people being associated with the administration in an advisory rather than a directive capacity. The "territories" may, therefore, have advisory bodies suitable to their requirements. If people of these areas seek a fully democratic form of government, they should be prepared to merge themselves in larger areas which can provide the full normal legislative and administrative machinery of a State.

287. The "territories" may include the existing Part C States which are not to be merged and Part D territories. Provision may be made on the lines of Sections 94 to 96 of the Government of India Act, 1935, for the President to exercise regulation-making power

in respect of some of the "territories". As stated earlier, this is the main distinction existing between the Part C States and other territories and a provision to that effect will enable the central executive to deal with these areas in an appropriate manner.