



**COMBINED FINANCE AND REVENUE
ACCOUNTS OF THE
UNION AND STATE GOVERNMENTS
IN INDIA
FOR THE YEAR 2015-16**

OVERVIEW

Comptroller and Auditor General of India

Foreword

With the coming into force of the Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971 it is no longer the statutory responsibility of the Comptroller and Auditor General of India to prepare the Combined Finance and Revenue Accounts. However, we have continued the practice under my directions as it emphasizes the federal character of Financial Administration in this country. I am sure that the data contained in this document would be of use to the Union and State Governments and to researchers and students of public finance.

The Combined Finance and Revenue Accounts is a unique document that incorporates comparable information relating to the accounts of the Union and all the States for a year, together with their balances and outstanding liabilities and other information relating to the financial health of the Union and the States. This compilation is based mainly on the figures contained in the respective Finance Accounts of the Governments concerned for the year 2015-16.



(Shashi Kant Sharma)

Comptroller & Auditor General of India

Date: 03 August 2017

Place: New Delhi

ABBREVIATIONS

CE	Capital Expenditure
FD	Fiscal Deficit
FRBM	Fiscal Responsibility and Budget Management
GCS	General Category States
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
NTR	Non-Tax Revenue
OL	Outstanding Liabilities
OTR	Own Tax Revenue
RE	Revenue Expenditure
RD	Revenue Deficit
SCS	Special Category States
TGR	Trend Growth Rate

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Combined Finance and Revenue Accounts of the Union and State Governments in India for the year 2015-16

Introductory

1.1 Combined Finance and Revenue Accounts (CFRA) were being prepared in the past under the provisions of para 12 of Audit and Accounts Order 1936 as adapted by the Government of India (Provisional Constitution) Order 1947 read with Article 149 of the Constitution of India. With the coming into force of the Comptroller and Auditor General's (DPC) Act, 1971, the Government of India (Audit and Accounts) order 1936 ceases to be in force except as anything done or any action taken there under. It is, therefore, no longer the statutory responsibility of the Comptroller and Auditor General of India to prepare the Combined Finance and Revenue Accounts. The compilation, however, continues to be prepared under the directions of the Comptroller and Auditor General of India as it is considered as useful compilation and presents the accounts of all the Governments in India on a common and comparable basis. The compilation is prepared mainly on the basis of the figures contained in the respective Finance Accounts of the Governments concerned.

1.2 Pursuant to the decisions taken on the recommendations of a Committee constituted in December 1997 to examine various Accounts in this compilation from the point of view of their utility and format this compilation has been prepared in 3 volumes: the first volume containing major-head wise summary of receipts and disbursements of various Governments from the Consolidated Fund, the Contingency Fund and the Public Account, the second volume containing Subsidiary Accounts relating to Economic Services and the third volume containing Subsidiary Accounts relating to the General, the Social Services etc. The Subsidiary Accounts give details generally by minor heads of the figures shown in the General Accounts in Volume I. Scheme wise details are available in the concerned Finance Accounts of the respective Governments. Detailed

Accounts relating to Public Account have not been given, the major head-wise details being available in General Accounts, Volume-I.

1.3 An Overview has been prepared to provide the interested reader information on some basic parameters across States and the Union. The Overview is divided into four broad sections-Receipts, Expenditure, Management of Fiscal Imbalances and Public Debt Management. It contains analysis of broad fiscal aggregates so as to enable comparison of the financial position and performance of the Union and the states over a five year period.

1.4 Chapter 1 examines composition and growth of Revenue and Capital receipts of the Union Government and States. Relative performance of major taxes, both for the Union as well as States and inter-state comparison of growth of States' own tax resources have also been examined.

1.5 The chapter on Expenditure contains analysis of the growth and structure of government expenditure. Compositional changes in terms of revenue and capital expenditure, plan and non-plan expenditure of the Union Government and State governments have been examined.

1.6 Chapter 3 deals with management of fiscal imbalances where trend of Revenue Deficit and Fiscal Deficit of the Union and States during 2009-10 to 2015-16 have been examined. Composition of fiscal deficit and sources of borrowing by the Union and States have also been looked into. In the backdrop of the fact that almost all states have passed Financial Responsibility Legislation, their fiscal consolidation efforts and whether they are on course to achieve the FRBM targets and sustain their fiscal consolidation in the long run have been examined.

1.7 The last chapter looks at issues related to management of public debt. Trends and composition of public debt of the Union Government as well as of the States have been examined. Interest profile of market borrowings of States, interest burden of States and sustainability of public debt of States have also been analysed.

2. Main Divisions of Accounts: -

2.1 The accounts of Government are kept in three parts: -

Part-I Consolidated Fund

The revenue received by the Government, all loans raised nationally and from other countries, multilateral agencies and others by the Government by issue of treasury bills, ways and means advances, market borrowings, special securities etc. recovery of loans, form the Consolidated Fund.

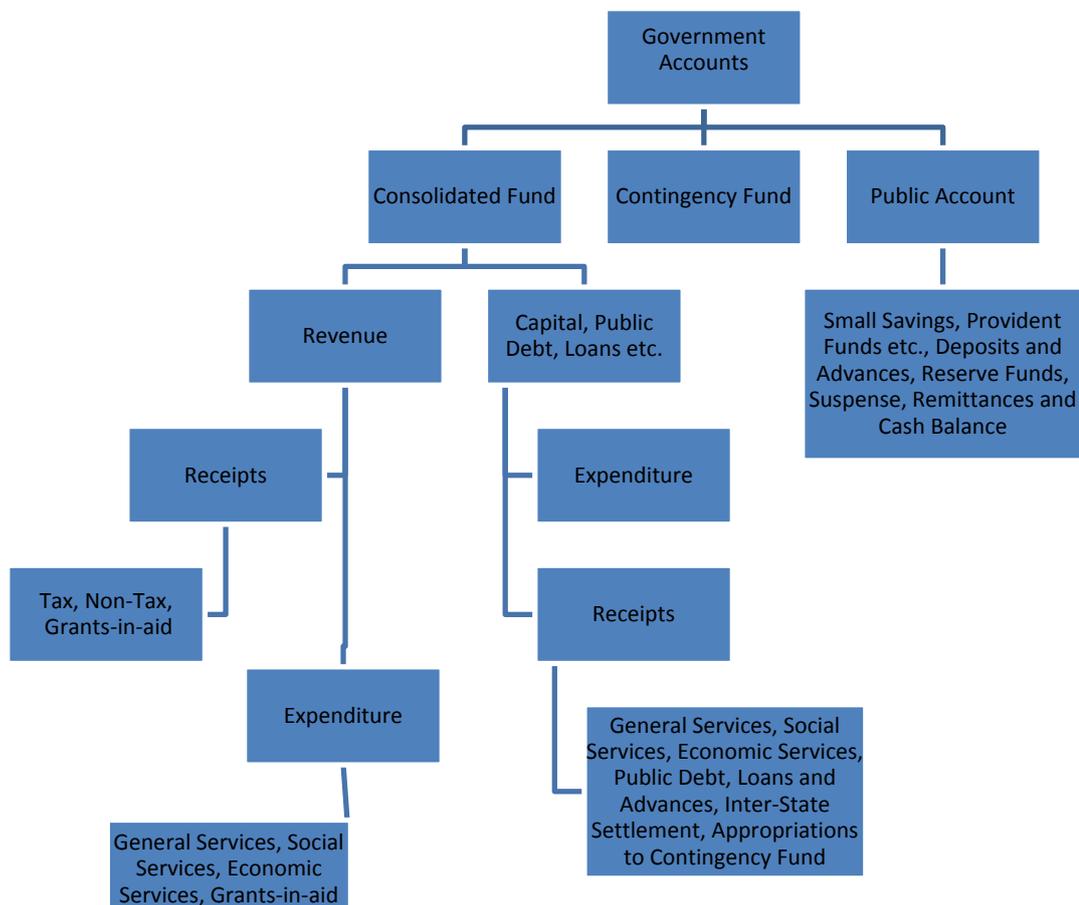
Part-II Contingency Fund

The Contingency Fund is in the nature of an imprest into which sums as determined by law shall be paid from time to time. Advances are made out of the fund for meeting unforeseen expenditure pending authorization of such expenditure by the legislature.

Part-III Public Account

All other moneys received by or on behalf of the Government forms the Public Account. Items included in such funds are Small Saving/Provident Fund, Deposits of local bodies, Reserve Funds, Suspense, Remittances and cash balance. These items are not subjected to the vote of the legislature.

Figure 1: Pictorial Representation of Structure of Government Accounts



In Part I there are two main divisions, viz.,

1. **Revenue** - consisting of sections for Receipt Heads (Revenue Account), and Expenditure Heads (Revenue Account);
2. **Capital, Public Debt, Loans, etc.** - consisting of sections for Receipt Heads (Capital Account) Expenditure Heads (Capital Account) and Public Debt, Loans and Advances, etc;

The Revenue division deals with the proceeds of taxation and other receipts classified as revenue and the expenditure met therefrom, the net result of which represent the revenue surplus or deficit for the year.

In Capital division, the section Receipts Heads (Capital Account) deals with receipts of capital nature. The section Expenditure Heads (Capital Account) deals with expenditure met usually from borrowed funds with the objective of either increasing concrete assets of material and permanent character or of reducing recurring liabilities.

The section 'Public Debt, Loans and Advance, etc.', comprises loans raised and their repayments by Government, and Loans and Advances made and their recoveries by Government. This section also includes certain special types of heads of transactions relating to 'Appropriation to the Contingency Fund' and 'Inter-State Settlement'.

2.2 In Part II of the Accounts the accounts of transactions connected with Contingency Fund established under Article 267 of the Constitution of India are recorded.

2.3 In Part III of the accounts, the transactions relating to 'Debt' (other than those included in Part I) 'Deposit', 'Advances', 'Remittances' and 'Suspense' are recorded. The transactions under 'Debt', 'Deposit', and 'Advances' in this part are those in respect of which Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid, together with the repayments of the former ('Debt' and 'Deposit') and the recoveries of the latter ('Advances'). The transactions relating to 'Remittances' and 'Suspense' in this part embrace all heads which are merely adjusting heads under which appear such transactions as remittances of cash between treasuries and currency chests, account between

different accounting circles, etc. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments either within the same circle of account or in another account circle.

3. Sectors and Heads of Accounts: -

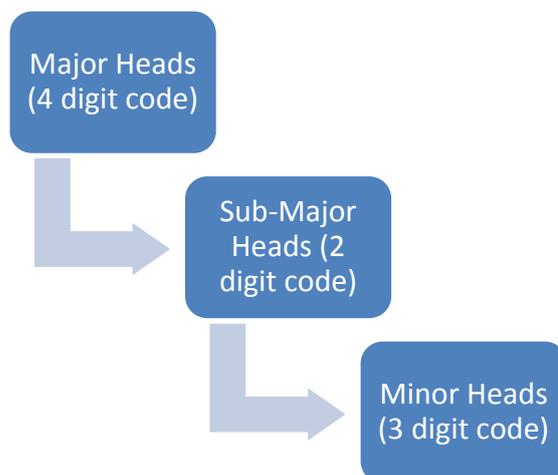
3.1 Within each section in Part I mentioned above, the transactions are grouped into sectors such as 'Tax Revenue', 'Non-Tax Revenue' and Grants-in-aid and Contributions, for the receipt heads (Revenue Account) and 'General Services', 'Social Services', 'Economic Services' and 'Grant-in-aid and contributions' for expenditure heads. Specific functions or services such as Education, Medical, Family Welfare, Housing, etc. in respect of Social Services are grouped in the sectors for expenditure heads. In part III also the transactions are grouped into sectors, such as 'Small Savings', Provident Funds' and 'Reserve Funds' etc. The sectors are sub-divided into major heads of account. In some cases the sectors are in addition, sub-divided into sub-sectors before their division into major heads of account.

3.2 The major heads are divided into minor heads, each of which has number of subordinate heads, generally known as sub heads. The sub-heads are further divided into detailed heads. Under each of these heads, the expenditure is shown distributed between charged and voted. Sometimes major heads are also divided into sub-major heads before their further division into minor heads. The Sectors and Sub Sectors, the Major Heads, Sub Major Heads, Minor Heads, Sub Heads and Object Heads constitute a six tier arrangement of the classification structure of Government Accounts. The major, minor and sub-heads prescribed for the classification of expenditure in the general accounts are not necessarily identical with the Grants, sub heads and other units of allotments, which are adopted by the Ministry of Finance/Finance Department for Demands for Grants presented to the Parliament/Legislatures, but in a general a certain degree of correlation is maintained between the Demand for Grants and the Finance Accounts.

3.3 The major heads of accounts, falling within the sectors for expenditure heads, generally correspond to functions of Government, while the minor heads, subordinate to them, identify the programmes undertaken to achieve the objectives

of the function represented by the major head. The sub-head represents scheme, the detailed head, the sub-scheme and object head, the object level of classification.

4. Coding Pattern



Major Heads

4.1 A four-digit code has been allotted to the major heads, the first digit indicating whether the major head is a Receipt head or Revenue Expenditure head or Capital Expenditure head or Loan head.

4.2 The first digit of Code for Revenue Receipt heads is either 0 or 1. If the first digit Code is 2 it indicates a Revenue Expenditure head; if it is 4, it is a Capital Expenditure head; and if it is 6, it is a Loan head of Account. For example, for a Crop Husbandry head, code 0401 represents the Receipt head; 2401, the Revenue expenditure head, 4401, the Capital Outlay head and 6401, the Loan head.

4.3 Such a pattern is, however, not relevant for those departments, which are not, operating Capital or Loan head of accounts e.g. Department of Supply. In a few cases, however, where Receipts and Expenditure are not heavy, certain major heads have been combined under a single number, the major heads themselves forming sub-major heads under that number.

Sub-Major Heads

4.4 A two-digit code has been allotted, the code starting from '01' under each major head. Where no sub-major head exists, it is allotted a code '00'.

Nomenclature 'General' has been allotted Code '80' so that even after further sub-major heads is introduced; the Code for 'General' will continue to remain the last one.

Minor Heads

4.5 Minor Heads have been allotted a three digit code, the codes starting from '001' under each sub-major/ major head (where there is no sub-major head) Code '001' and few codes from '750' to '900' have been reserved for certain standard minor heads. The coding pattern for minor heads has been designed in such a way that in respect of certain minor heads having a common nomenclature under various major/sub-major heads, as far as possible, the same three-digit code is adopted.

4.6 Under this scheme of codification, receipt major heads (revenue account) are assigned the block numbers from '0020' to '1606', expenditure major heads (revenue account) from '2011 to '3606', expenditure major heads (capital account) from '4046' to '5475', major heads under Public Debt from '6001' to '6004' and those under 'Loans and Advances'; 'Inter-State Settlement' and 'Transfer to Contingency Fund' from '6075' to '7999'. The Code number "4000" has been assigned for Capital Receipt Major Head. The only major head 'Contingency Fund' in part II, 'Contingency Fund' has been assigned the code number '8000'. The major heads in the Public Accounts are assigned the code numbers from '8001' to '8999'.

4.7 The transactions included in the compilation represent mainly the actual receipts and disbursements during the financial year 1 April 2014 to 31st March 2015 as distinguished from amounts due to or from Government during the same period. The cash basis system is however, not entirely suitable for recording the transactions and presenting the true state of affairs of Government commercial undertakings run on commercial principles. The detailed accounts of this class of undertakings are therefore, maintained outside the regular accounts in proper commercial form and are not included in this compilation.

4.8 In this compilation a specified pattern has been adopted according to which an account No. by itself say No. 25 relates to receipts under that head. If suffixed by

‘A’ (No.25A) it relates to expenditure under that head, if suffixed by ‘B’ (No. 25B) it relates to capital outlay and lastly if by ‘C’ (No. 25 C) it relates to loans.

4.9 There are separate Cash Balances of the Union and each of the State Governments, which are either held in a Government Treasury or kept with the Reserve Bank of India. As it is a difficult and complicated process to split up the balances of the ‘Consolidated Fund’ ‘Contingency Fund’ and ‘Public Account’, one single balance is shown in these accounts for all the three parts.

4.10 In this compilation, the figures in the Account Statement of summary transactions, suspense balances and Capital and Other Expenditure have been exhibited in crores of rupees and in the Other Subsidiary statements in thousands of rupees.

4.11 The Subsidiary Accounts relating to Railway, P&T and Defence have not been included. The major head-wise information relating to these accounts is available in the General Accounts, Volume I.

Assets and Liabilities

5.1 Though there is no Balance Sheet of the Government as in the case of a commercial enterprise, it is possible to construct one from the information available in the accounts in the form of its assets and liabilities or in terms of a statement of balances of resources. Assets for the Government mainly imply financial assets. Liabilities and assets of the Government include the following:

Assets	Liabilities
<ul style="list-style-type: none"> • Capital Expenditure • Loans and Advances • Cash Balance • Investment 	<ul style="list-style-type: none"> • Internal Debt • External Debt • Loans from Central Govt (in case of State Governments) • Small Savings • Reserve Funds • Other Deposits

The detailed figures corresponding to these items are indicated in Table 1

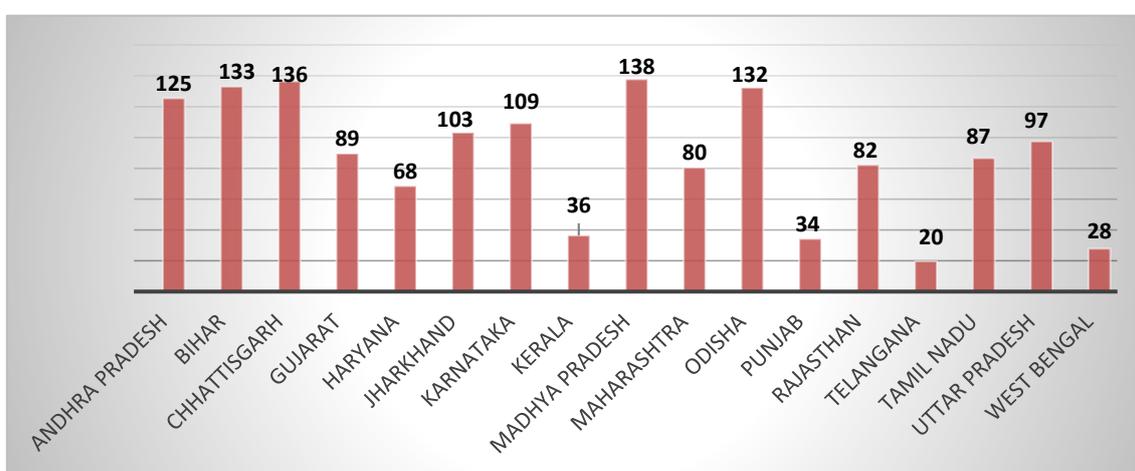
Table 1: Assets and Liabilities and the Statement of Balances (position as on 31st March 2016)

Assets	Union	States	Liabilities	Union	States
Cash	199528.58	237540.16	Borrowings (Public Debt)	5515097.55	2424497.07
Cash in treasuries and local Remittances	3.07	602.57	Internal Debt	5304835.44	2275972.70
Departmental Balance	4495.92	1262.36	External Loans	210262.11	0.00
Permanent Cash Imprest	78.34	364.88	Loans and Advances from GOI	0.00	148524.37
Cash Balance Investments	191561.37	144254.73	Non Plan Loans	0.00	2532.61
			Pre 1984-85 Loans	0.00	0.07
Deposits with Reserve Bank of India	3389.88	13912.78	Loans for State Plan Scheme	0.00	145610.74
Investment from Earmarked Funds	0.00	104968.40	Loans for Central Plan Schemes	0.00	-0.97
Capital Expenditure	1940649.27	2356352.77	Loans for Central sponsored Plan Schemes	0.00	90.62
			Other Loans	0.00	291.30
			Inter State Settlement	0.00	74.01
			Contingency Fund (corpus)	500.00	4937.50
Contingency Fund (Un recouped)	0.00	764.67	Liabilities on Public Account	499576.18	903205.16
Loans and Advances	256353.52	311664.63	Small Savings, Provident Fund etc	513095.56	367018.86
Advances with departmental officers	1330.81	3604.40	Deposits	165051.88	300247.46
Suspense and Miscellaneous Balances	0.00	9236.18	Reserve Funds	32129.79	186685.22
Remittances	0.00	8158.38	Remittances Balances	7649.58	12243.27
			Misc. Capital Receipts	42131.69	698.15
			Suspense and Miscellaneous Balances	203051.47	36057.21
Total		2927321.19	Total		3332713.74
Cumulative Excess of Liabilities over Assets		692640.67	Cumulative Excess of Assets over Liabilities	0.00	287248.12
Total		3619961.86	Total		3619961.86

5.2 Ratio of assets to liabilities of the Union and States was 54.3 per cent (38.8 percent for the Union Government and 85.8 per cent for the States). The assets of the Union government also include the loans and advances made by it to the States. This was in the nature of a contra entry as these assets of the Union Government were the liabilities of the States.

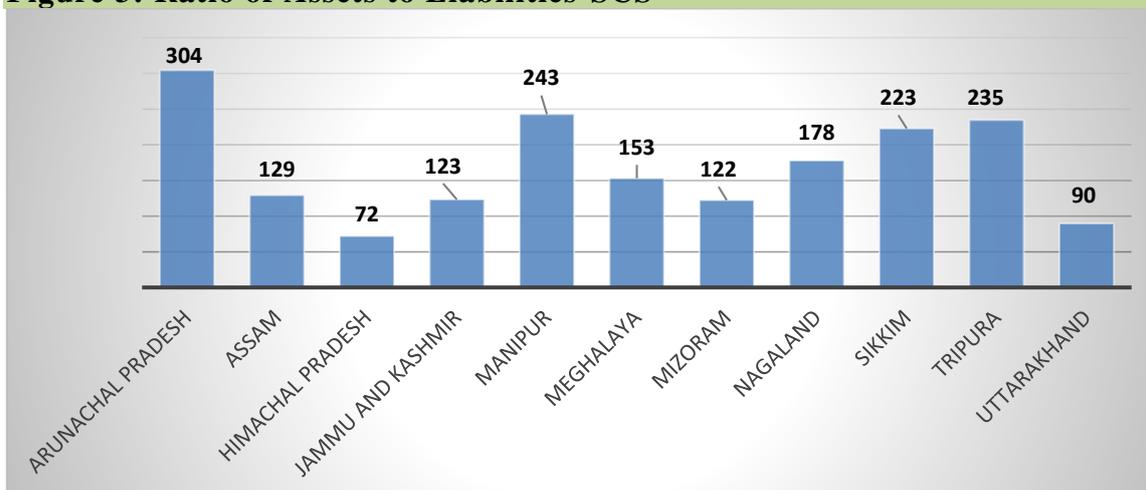
5.3A lower ratio of assets to liabilities is indicative of the extent of erosion of resources of these entities and inadequacy of their assets backup.

Figure 2: Ratio of Assets to Liabilities-GCS



5.4 The ratio of assets to liabilities in respect of six general category states was more than 100 per cent, namely Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Karnataka, Madhya Pradesh, and Odisha, whereas the ratio of assets to liabilities was less than 50 per cent in respect of Kerala, Punjab, Telangana and West Bengal.

Figure 3: Ratio of Assets to Liabilities-SCS



5.5 The ratio of assets to liabilities in respect of four special category states was more than 200 per cent namely, Arunachal Pradesh, Manipur, Sikkim, and Tripura, whereas in respect of Himachal Pradesh and Uttarakhand it was less than 100 per cent. Other states had this ratio between 100 to 200 per cent.

5.6 While the 'balance sheet' or summary of balances is the accumulated position as on 31 March 2016 and represents the stock of both assets and liabilities, it does not indicate the current performance of the government. Parameters like the states' ability to raise resources, nature of expenditure and allocative priorities of governments, revenue and fiscal deficit and net accrual of public debt liabilities cannot be gauged from the summary. Annual financial statements are the appropriate instruments for this purpose. The following sections deal with these issues in detail.

Chapter 1

Receipts

1

CHAPTER

In this chapter composition and growth of Revenue and Capital receipts of the Union Government and States have been examined. Relative performance of major taxes, both for the Union as well as States and inter-state comparison of growth of States' own tax resources have also been examined.

Table 1.1: Receipts and its Composition-Union and States (2015-16)

(Rs in crore)

	Union	States	Combined
Tax Receipts	949698.11 (net of share assigned to states)	843167.74	1792865.85
Non-tax Receipts	484581.11	151221.04	635802.15
Grants-in-aid	1881.23	325674.42	327555.65
Share of Central Taxes (for states)	0	504269.27	504269.27
Total Revenue Receipts	1436160.45	1609041.95	3045202.40
Capital Receipts	42131.69		

Resources of the Union Government

1.1 Resources of the Union government consist of revenue receipts and capital receipts. Table 1.2 presents a summary of total receipts of the Union government which amounted to Rs. 7460005.05 crore for the year 2015-16. Union government's own receipts were Rs. 2026363.48 crore, constituting 27.2 per cent of the total receipts. The remaining 72.8 per cent of receipts came through borrowings.

Table 1.2 : Resources of the Union Government

(Rs in crore)

I. Revenue Receipts (Gross)		1942353.41
State share		506192.96
Net Revenue Receipts		1436160.45
II. Capital Receipts		4400959.79
a. Miscellaneous Receipts	42131.69	
b. Recovery of Loans and Advances	41878.38	
c. Debt Receipts	4316949.72	
III. Public Account Receipts (Net)		1116691.85
Total Receipts ¹		7460005.05

Revenue Receipts: Movement of Major Aggregates

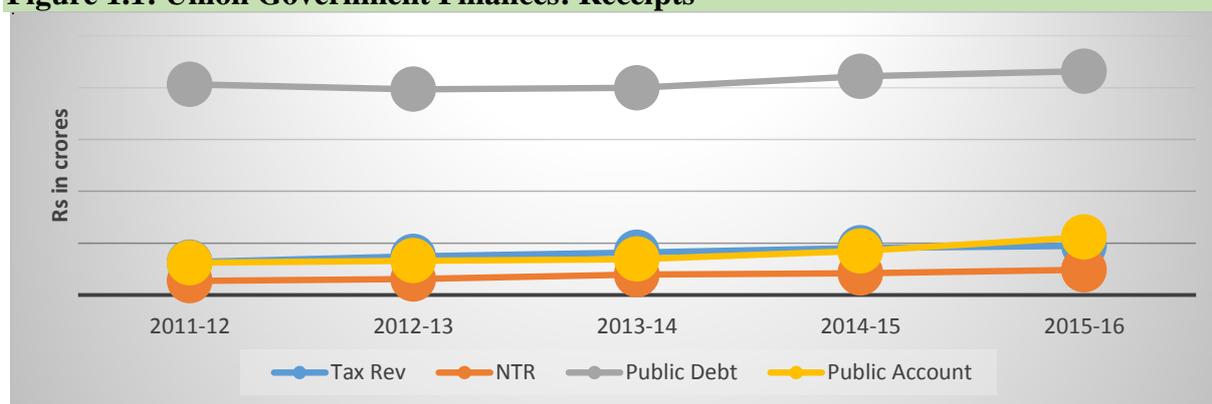
1.2 Revenue receipts accrue from both tax and non-tax sources. Tax revenue comprises proceeds of taxes and duties levied by the Union government, viz., taxes on income and expenditure, customs, Union excise duties, etc. Non-tax revenues accrue from interest

¹Includes tax share of States

receipts, dividends and profits, receipt from miscellaneous general services, broadcasting, petroleum, power, railways, post and telecommunications, and receipts from grants-in-aid and contributions.

1.3 Gross revenue receipts of the Union government declined from 14.2 per cent of GDP in 2009-10 to 13.3 per cent of the GDP in 2014-15. However, this rose to 14.3 per cent in 2015-16. Growth in 2015-16 over the previous year was around 16.9 per cent. Annual growth rate of gross revenue receipts was lowest at 1.2 per cent in 2011-12 primarily due to fall in non-tax revenue receipts during that year.

Figure 1.1: Union Government Finances: Receipts



1.4 The chart shows that receipts from public debt and public account accounted for around 85 per cent of gross receipts. Although public debt has increased in absolute terms, there has been a marginal decline in its share of GDP. Contribution of net tax revenue has remained constant at around 7 per cent during this period.

Table 1.3: Revenue Receipts: Gross and Net

(Rs in crore)

Year	Gross Tax Revenue		Share of States		Net Tax Revenue		Non-tax revenue		Net Revenue Receipts		Gross Revenue Receipts	
	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP
2009-10	624527.2	10.2	164831.56	2.7	459695.67	7.5	241685.91	4.0	704523.03	11.5	869354.59	14.2
2010-11	793307.7	10.9	219302.91	3.0	574004.75	7.9	356008.37	4.9	932685.81	12.9	1151988.72	15.9
2011-12	889118.0	10.6	255413.62	3.0	633704.37	7.6	273610.46	3.3	910277.17	10.8	1165690.79	13.9
2012-13	1036460.4	11.0	291546.61	3.1	744913.83	7.9	308666.37	3.3	1055891.01	11.2	1347437.62	14.4
2013-14	1138995.5	10.9	318229.64	3.0	820765.89	7.8	393410.26	3.8	1217794.22	11.6	1536023.86	14.7
2014-15	1245136.63	10.0	337809.33	2.7	907327.30	7.3	419981.78	3.4	1328909	10.6	1666718	13.3
2015-16	1455891.07	10.7	506192.96	3.7	94968.11	7.0	484581.11	3.6	1436160.45	10.6	1942353.41	14.3

1.5 Net tax revenue to GDP rose marginally from 7.5 per cent to 7.8 per cent during 2009-10 to 2013-14 and then declined to 7.3 per cent in 2014-15 and further to 7 per cent in 2015-16. There was a decline in non-tax revenues relative to the GDP from 4 per cent in 2009-10 to 3.6 per cent in 2015-16.

Tax Revenue: Direct and Indirect

1.6 Table 1.4 depicts the growth of direct and indirect tax receipts over the last seven years in absolute amounts as well as percentage of gross tax receipts. There is too much volatility in the growth rates of tax revenues. A steadier growth rate based on better tax administration and compliance would help reduce yearly fluctuations in growth rate.

Table 1.4: Direct and Indirect Taxes

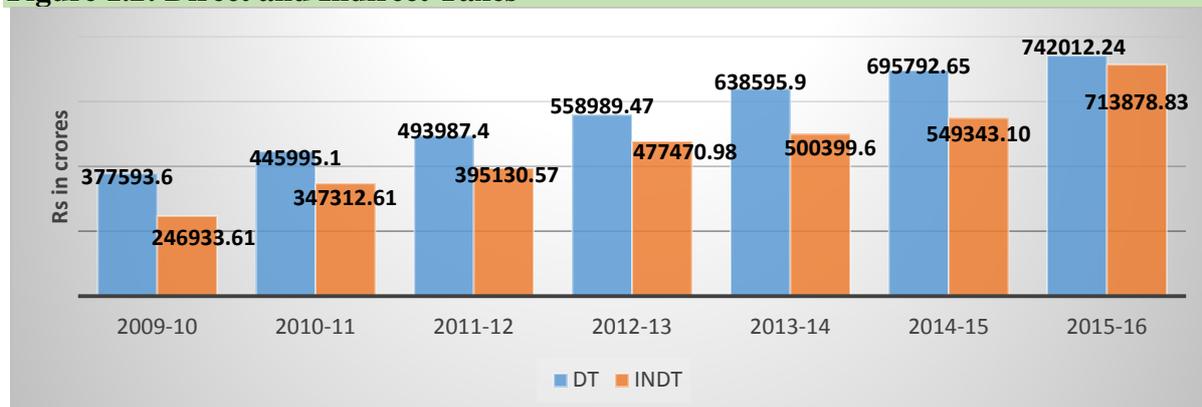
(Rs in crore)

Year	Direct taxes	% growth over previous year	Direct taxes as % to Gross tax receipts	Indirect taxes	% growth over previous year	Indirect taxes as % to Gross tax receipts	Total Gross tax	% growth over previous year
2009-10	377593.6		61.6	246933.61		40.3	613020.73	
2010-11	445995.1	18.1	56.9	347312.61	40.7	44.3	783847.76	27.9
2011-12	493987.4	10.8	56.1	395130.57	13.8	44.9	880802.19	12.4
2012-13	558989.5	13.2	54.3	477470.98	20.8	46.4	1028741.9	16.8
2013-14	638595.9	14.2	56.5	500399.6	4.8	44.2	1130905.61	9.9
2014-15	695792.65	9.0	55.9	549343.10	9.8	44.1	1245136.63	9.3
2015-16	742012.24	6.6	51.0	713878.83	30.0	49.03	1455891.07	16.9

1.7 Direct taxes as percentage of gross tax receipts declined from 61.6 percent in 2009-10 to about 55.9 per cent in 2014-15 and further to 51 per cent in 2015-16. Share of indirect taxes in gross tax receipts on the other hand registered an increase of 8.7 percentage points during the same period. Although gross tax receipt grew in absolute terms, the rate of growth has not been uniform. Growth rate was the highest at 27.9 per cent in 2010-11, after which it declined to 12.4 per cent, increased to 16.8 per cent in 2012-13 before declining to 9.3 per cent in 2014-15 and further to 6.6 per cent in 2015-16.

1.8 Indirect taxes accounted for around 49 per cent of the gross revenue receipts in 2015-16. Contribution of direct taxes was around 51 per cent during the year.

Figure 1.2: Direct and Indirect Taxes



Major Taxes: Relative Performance

1.9 The relative importance of different taxes in the overall tax profile has not changed significantly during this period as shown in Table 1.5. Corporation tax was the biggest contributor to gross tax receipts of the Union amongst the major taxes with personal income tax being next in order. However share of corporation tax in gross tax receipts has declined from 39.2 per cent in 2009-10 to 34.4 per cent in 2014-15 and 31.1 per cent in 2015-16. There has been a rise in share of income tax in gross tax receipts from 19.6 per cent in 2009-10 to 20.8 per cent in 2014-15. However in 2015-16 its share fell to 19.3 per cent of gross tax receipts. While share of Union excise duties increased by 1.1 percentage points relative to the gross tax receipts, share of customs duties increased by 3.2 percentage points and service tax showed a rise of 5.1 percentage points during this period.

Table 1.5 (A) : Components of Tax Revenue

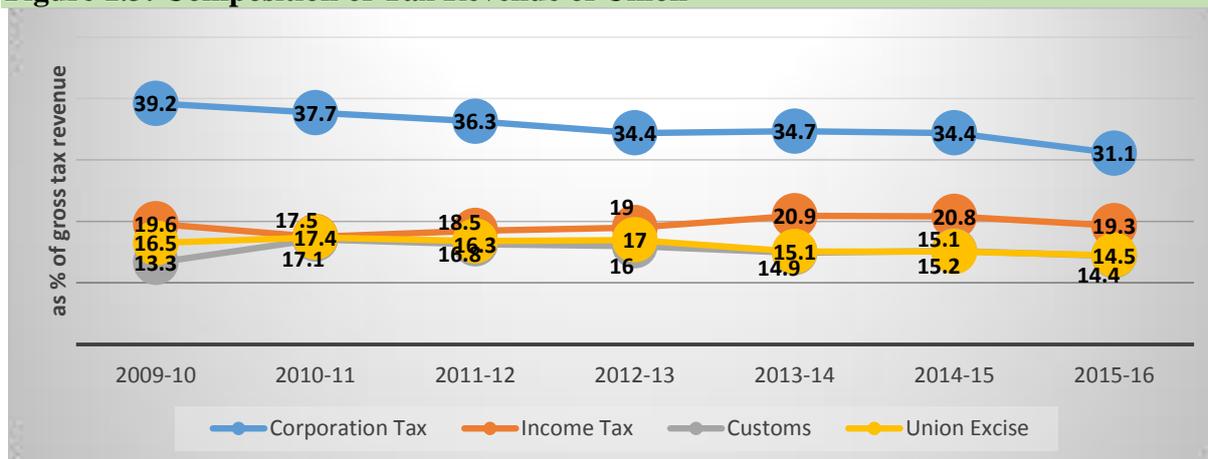
(Rs in crore)

Year	Corporation Tax	Income Tax	Customs	Union Excise	Service Tax	Other Taxes
2009-10	244725.07	122417.24	83323.71	102991.37	58422.15	12647.66
2010-11	298687.89	139102.2	135812.51	137700.94	71015.91	10988.25
2011-12	322816.17	164525.33	149327.5	144900.97	97508.96	10039.07
2012-13	356326.01	196843.5	165346.22	175844.91	132601.23	9498.53
2013-14	394677.85	237870.42	172085.42	169455.14	154780.49	10126.18
2014-15	428924.74	258374.44	188016.18	189038.48	167969.42	12813.37
2015-16	453228.33	280394.45	210338	287148.55	211414.57	13367.17

Table 1.5 (B): Components of Tax Revenue as per cent of gross tax receipts

(Rs in crore)

Year	Corporation Tax	Income Tax	Customs	Union Excise	Service Tax	Other Taxes
2009-10	39.2	19.6	13.3	16.5	9.4	2.0
2010-11	37.7	17.5	17.1	17.4	9.0	1.4
2011-12	36.3	18.5	16.8	16.3	11.0	1.1
2012-13	34.4	19.0	16.0	17.0	12.8	0.9
2013-14	34.7	20.9	15.1	14.9	13.6	0.9
2014-15	34.4	20.8	15.1	15.2	13.5	1.0
2015-16	31.1	19.3	14.4	19.7	14.5	1.0

Figure 1.3: Composition of Tax Revenue of Union**Table 1.6 : Growth Rates of Tax Revenues***Per cent Per Annum*

	Corporation Tax	Income Tax	Customs	Union Excise	Service Tax	Other Taxes
2010-11	22.1	13.6	63.0	33.7	21.6	-13.1
2011-12	8.1	18.3	10.0	5.2	37.3	-8.6
2012-13	10.4	19.6	10.7	21.4	36.0	-5.4
2013-14	10.8	20.8	4.1	-3.6	16.7	6.6
2014-15	8.7	8.6	9.3	11.6	8.5	26.5
2015-16	5.7	8.5	11.9	51.9	25.9	4.3

1.10 The annual growth rates of individual taxes also showed wide variations. During the period 2014-15 to 2015-16 Union Excise recorded the highest growth rate of 51.9 per cent followed by Service tax at 25.9 per cent. Income tax recorded a growth rate of 8.5 per cent, whereas customs duties had growth rate of about 11.9 per cent while corporation tax recorded the lowest growth rate at 5.7 per cent.

Non-Tax Revenues (NTR):

1.11 In absolute terms, the non-tax revenues increased from Rs 419981.76 crore in 2014-15 to Rs 484581.11 crore in 2015-16 registering an increase of 15.4 per cent. There was a marginal increase in the share of non-tax revenue relative to GDP from 3.4 per cent in 2014-15 to 3.6 per cent in 2015-16. Major components of non-tax revenue, which registered an increase over the previous year, were dividends (Rs 22275.34 crore) and power (Rs 11109.73 crore). Table 1.7 shows non-tax revenue of the Union during 2009-10 to 2015-16 as well as share of various components in total NTR during this period.

Table 1.7 : Growth of Non Tax Revenue*(Rs in crore)*

Year	Interest Receipts	Dividends & Profits	Misc. General Services	Power	Railway Lines Commercial	Postal	Petroleum	Police	Grants-in-aid	Others	Total NTR
2009-10	35849.38 (14.8)	50249.78 (20.8)	10093.27 (4.2)	2782.5 (1.2)	86180.31 (35.7)	6266.70 (2.6)	10331.19 (4.3)	2736.12 (1.1)	3141.45 (1.3)	49687.15 (13.8)	241685.91
2010-11	35298.92 (9.9)	47992.68 (13.5)	10323.45 (2.9)	3134.43 (0.9)	93792.28 (26.3)	6262.33 (2.0)	9026.43 (2.5)	2886.37 (0.8)	2672.69 (0.8)	158269.85 (40.6)	356008.37
2011-12	40054.16 (14.6)	50609.26 (18.5)	10521.43 (3.8)	3630.11 (1.3)	103312.40 (37.8)	7899.35 (2.9)	12580.53 (4.6)	3272.43 (1.2)	2962.34 (1.1)	56532.69 (14.2)	273610.46
2012-13	38860.20 (12.6)	53761.55 (17.4)	11096.96 (3.6)	3971.82 (1.3)	122952.91 (39.8)	9366.50 (3.0)	14805.93 (4.8)	3875.33 (1.3)	2310.80 (0.7)	67188.82 (15.5)	308666.38
2013-14	44026.68 (11.2)	90441.89 (23.0)	12774.27 (3.2)	4061.7 (1.0)	138776.43 (35.3)	10730.42 (2.7)	16524.64 (4.2)	4176.35 (1.1)	3618.07 (0.9)	90866.35 (17.5)	393410.26
2014-15	48007.25 (11.4)	89860.70 (21.4)	14998.54 (3.6)	4101.62 (1.0)	155904.05 (37.1)	11635.98 (2.8)	14480.07 (3.4)	4825.76 (1.1)	1599.88 (0.4)	76167.81 (18.1)	419981.78
2015-16	46324.89 (9.6)	112136.04 (23.1)	16588.25 (3.4)	15211.35 (3.1)	163497.01 (33.7)	12939.79 (2.7)	9491.98 (2.0)	5935.36 (1.2)	1881.23 (0.4)	100575.21 (20.8)	484581.11
TGR	5.4	16.4	9.1	22.8	12.2	14.2	3.5	13.7	(-8.1)	8.2	10.4

*Figures in parentheses indicate share in total NTR

1.12 Receipts from dividends & profits and power over the seven year period registered trend growth rates of 16.4 and 22.8per cent respectively. The TGR in the case of receipts from postal and police stood at 14.2 per cent and 13.7per cent respectively.

1.13 The composition of non-tax revenues shows that receipts from dividends and profit and receipts from railway lines (commercial) together accounted for 56.8per cent of total non-tax revenues during 2015-16. During the period 2009-10 to 2015-16 while the share of interest receipts decreased from 14.8 to 9.6 per cent, that of railway lines (commercial) witnessed a fluctuating trend. Its share was 35.7 per cent in 2009-10, declined to 26.3 per cent in 2010-11, and again reached 37.1 per cent and 33.7 per cent in2014-15 and 2015-16 respectively. The contribution of dividend and profit and power as sources of non-tax revenues has increased in 2015-16 as compared to the previous year. Share of receipts from petroleum has however declined in 2015-16 as compared to 2014-15.

Capital Receipts

1.14 Capital receipts consist of miscellaneous capital receipts and debt receipts (internal and external). Miscellaneous capital receipts are on account of partial disinvestments of central government holding in the equity capital of selected public sector enterprises. Share of capital receipts has been low, accounting for less than 0.5per cent of GDP during this period.

Table 1.8 : Share of Capital Receipts in GDP

Year	Capital Receipts	As % of GDP
2009-10	24581.43	0.4
2010-11	22846.07	0.3
2011-12	18087.63	0.2
2012-13	25889.8	0.3
2013-14	29367.89	0.3
2014-15	37739.85	0.3
2015-16	42131.69	0.3

Resources of States**Composition of Gross Receipts of States**

1.15 Revenue receipts account for 99 per cent of total receipts of state governments. Share of capital receipts in total receipts was less than 1 per cent of total receipts.

Table 1.9 : Composition of Gross Receipts of States*(Rs in crore)*

Period	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts	756129.77	928064.39	1092563.55	1246178.64	1369187.05	1377271.75	1799693.01
As % of total receipts	99.95	99.87	99.94	99.99	99.97	99.92	99.94
Capital Receipts	351.05	1241.71	665.11	100.83	360.4509	1145.53	1134.17
As % of total receipts	0.05	0.13	0.06	0.01	0.03	0.08	0.06

1.16 Revenue receipts of states consist of tax revenue (sales tax, state excise, tax on motor vehicles, land revenue), share of central taxes (income tax, central excise, customs, service tax), non-tax revenues (interests, dividends and profits, user charges, fees and fines), and grants-in-aid from the Union Government. Capital receipts comprise of debt receipts, which create future repayment obligations and non-debt receipts, which constitute proceeds from disinvestment and recoveries of loans and advances.

1.17 States have been examined in two broad categories-General Category States (GCS) and Special Category States (SCS). States under special category have a low resource base and are not in a position to mobilize resources for their developmental needs. There are 11 states under this category, namely Arunachal Pradesh, Assam, Nagaland, Manipur, Mizoram, Meghalaya, Tripura, Sikkim, Himachal Pradesh, Jammu and Kashmir and Uttarakhand. The remaining are General Category states.

The following table gives the TGR of revenue receipts of states during the period 2009-10 to 2015-16.

Table 1.10 (A) : Trend Growth Rates of Revenue Receipts (2009-10 to 2015-16):GCS

Andhra Pradesh	4.90
Bihar	17.07
Chhattisgarh	15.51
Gujarat	11.47
Haryana	13.75
Jharkhand	16.01
Karnataka	17.02
Kerala	17.13
Madhya Pradesh	15.64
Maharashtra	12.79
Odisha	15.97
Punjab	10.78
Rajasthan	18.56
Tamil Nadu	14.79
Uttar Pradesh	15.06
West Bengal	18.24
GCS average	14.67

Table 1.10 (A) : Trend Growth Rates of Revenue Receipts (2009-10 to 2015-16): SCS

Arunachal Pradesh	12.21
Assam	13.34
Himachal Pradesh	10.30
Jammu and Kashmir	9.40
Manipur	14.35
Meghalaya	13.55
Mizoram	14.73
Nagaland	13.71
Sikkim	7.90
Tripura	15.26
Uttarakhand	15.79
SCS Average	12.75

1.18 Rajasthan, West Bengal, and Kerala have shown highest TGR of revenue receipts over the past six years amongst the GCS. Amongst the SCS, Uttarakhand, Tripura, and Mizoram have shown highest TGRs.

Composition of Revenue Receipts

1.19 The following graphs show composition of revenue receipts for GCS and SCS over the last seven years. In case of GCS tax revenue comprise bulk of revenue receipts ranging from 51.1 per cent of total revenue receipts in 2009-10 to 55.7 per cent in 2012-13 and 51.7 per

cent of total revenue receipts in 2014-15. However, this component declined to 49.1 per cent in 2015-16. Share of Grants-in-aid has varied from 11.3 per cent in 2012-13 and 2013-14 to 17.7 per cent in 2014-15 and 15.6 per cent in 2015-16.

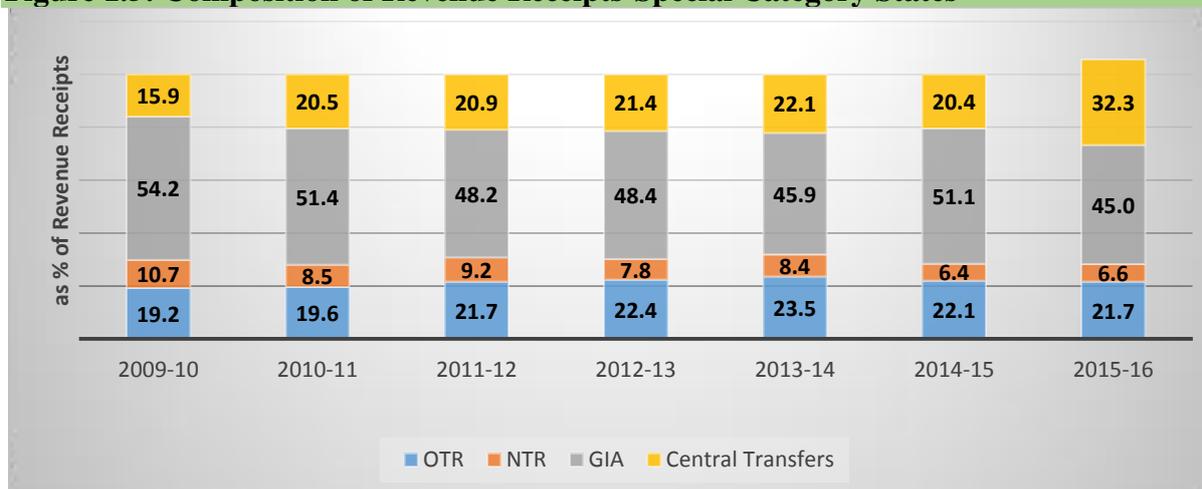
Figure 1.4: Composition of Revenue Receipts-General Category States



1.20 The relative share of the components of revenue receipts are different in SCS. Here the share of states' own tax revenue is smaller. It has risen from 19.2 per cent of total revenue receipts in 2009-10 to 23.5 per cent in 2013-14 and 21.7 per cent in 2015-16. Bulk of revenue receipts of these states come from central grants-in-aid. Share of central grants-in-aid stood at 54.2 per cent in 2009-10 and decreased to 46 per cent in 2013-14 before rising to 51.1 per cent in 2014-15. There was decline in share of grants-in-aid to 45 per cent in 2015-16.

1.21 As a result of increase in devolution of central taxes to States from 32 per cent to 42 per cent as per recommendations of the Fourteenth Finance Commission, share of central taxes in total revenue receipts of States went up from 22.6 per cent in 2014-15 to 27.7 per cent in GCS. This component went up from 20.4 per cent to 32.3 per cent during the same period.

Figure 1.5: Composition of Revenue Receipts-Special Category States



1.22 As can be seen in Table 1.11, share of states' own resources, comprising own tax receipts and non-tax receipts and non-debt capital receipts in GSDP for all GCS taken together has shown a gradual increase from 8.5 per cent of GSDP in 2009-10 to 9.6 per cent of GSDP in 2013-14. However this has declined to 8.1 per cent in 2014-15 and further to 7.7 per cent in 2015-16. In contrast gross debt receipts of GCS have shown a steady decline from 22.7 per cent of GSDP in 2009-10 to 18.7 per cent in 2013-14 and 17.7 per cent in 2015-16.

1.23 The ratio of states' own resources to GSDP for all SCS taken together was lower when compared to GCS. This ratio registered a decline from 8.3 per cent of GSDP in 2009-10 to 6.8 per cent of GSDP in 2015-16. Gross debt receipts of SCS was lower than those of GCS since SC states receive most central transfers by way of grant. Debt of SCS has shown a steady decline from 5.5 per cent of GSDP in 2009-10 to 4.7 per cent in 2015-16 as seen in Table 1.11 below.

Table 1.11 (A): States' Own Receipts and Gross Debt Receipts: General Category States
(Rs in crores)

Year	Own tax and non-tax Receipts (1)	Non-Debt Capital Receipt (2)	Total Own receipts (3)= (1)+(2)	Gross Debt receipts (4)	GSDP*	% of Total Own receipts to GSDP	Gross Debt receipts to GSDP
2009-10	425059.09	351.05	425410.14	1140639.43	5034320	8.5	22.7
2010-11	523234.73	1241.71	524476.44	1260389.60	6014862	8.7	21.0
2011-12	620778.31	665.11	621443.42	1381227.82	6873307	9.0	20.1
2012-13	733168.66	100.83	733269.49	1524794.43	7813213	9.4	19.5
2013-14	841840.3	360.45	842200.75	1690818.45	8808304	9.6	19.2
2014-15	836681.30	360.20	837041.5	1934727.70	10369501	8.1	18.7
2015-16	950751.90	1134.17	951886.07	2177881.25	12322185.60	7.7	17.7

* GSDP of all GCS taken together at current prices with 2004-05 as base year till 2013-14. For 2014-15 and 2015-16 GSDP is taken at current prices with base year 2011-12. GSDP of West Bengal is not included since CSO figures are not available.

Table 1.11 (B): States Own Receipts and Gross Debt Receipts - Special Category States

Year	Own tax and non-tax receipts (1)	Non-Debt Capital receipts (2)	Total own receipts 3=(1)+(2)	Gross Debt Receipts (4)	GSDP**	% of total own receipt to GSDP	Gross Debt receipts to GSDP
2009-10	24884.39	28.09	24912.48	16527.69	299039	8.3	5.5
2010-11	28304.18	645.85	28950.03	17026.83	388350	7.5	4.4
2011-12	35745.4	42.25	35787.65	17611.85	427591	8.4	4.1
2012-13	38643.5	31.25	38674.75	20618.85	498028	7.8	4.1
2013-14	43153.9	180.40	43334.3	20946.15	569536	7.6	3.7
2014-15	44311.27	785.33	45096.6	10104.27	699873	7.4	4.1
2015-16	50044.18	0	50044.18	34539.70	737591.92	6.8	4.7

** GSDP of all SCS taken together at current prices with 2004-05 as base year till 2013-14. For 2014-15 and 2015-16 GSDP is taken at current prices with base year 2011-12.

1.24 Bulk of revenue receipts of SCS comprise grants-in-aid from centre. In 2015-16 out of total central grants of Rs 325895.60 crores to States, Rs 69614 crores (around 21.4percent) went to Special Category States. Share of individual states were as follows:

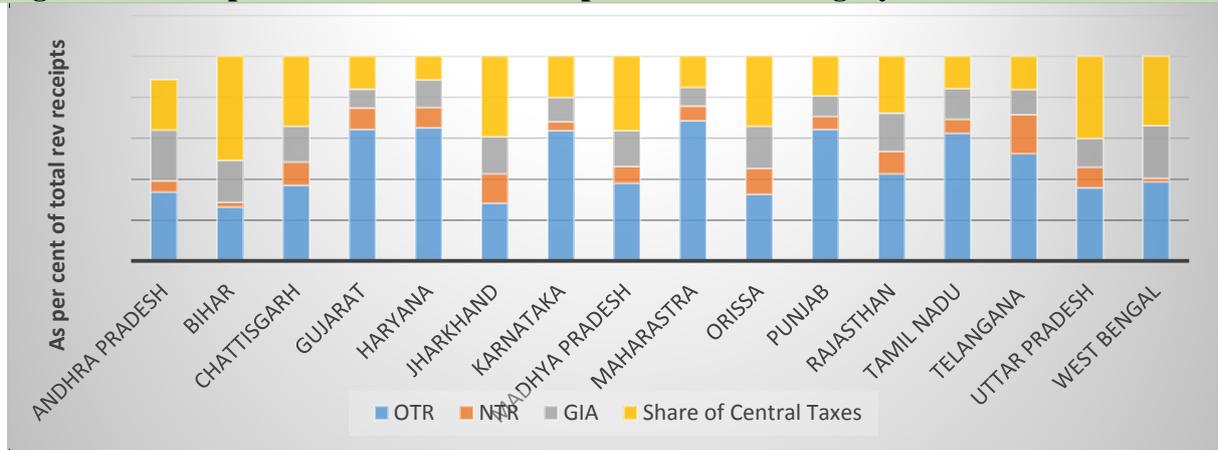
Table 1.12: Grants-in-Aid

Sl.No.	State	Amount(Rs in crores)	Per cent of total Grant-in-aid
1	Arunachal Pradesh	2550.33	0.8
2	Assam	12824.75	3.9
3	Himachal Pradesh	11296.35	3.5
4	Jammu & Kashmir	16728.14	5.1
5	Manipur	4437.76	1.4
6	Meghalaya	2481.25	0.8
7	Mizoram	3672.25	1.1
8	Nagaland	4819.36	1.5
9	Sikkim	934.20	0.3
10	Tripura	4565.87	1.4
11	Uttarakhand	5303.79	1.6

1.25 There were wide variations in the composition of revenue receipts amongst States. In 2015-16 amongst GCS, states' own tax receipts (OTR) contributed a sizeable share of total revenue receipts in Maharashtra (68.4percent), Haryana (65 per cent), Karnataka (63.6 per cent), Gujarat (64.3per cent), Punjab (64.3 per cent) and Tamil Nadu (62.4 per cent). Contribution of OTR was low in Bihar (26.5 per cent), Jharkhand (28.3 per cent), Odisha (32.7 per cent) and Uttar Pradesh (35.7 per cent). The next important contributor of revenue receipts of GCS was share of Union Taxes. Contribution of this component varied from 11.6per cent as in case of Haryana to as high as 50.9per cent in case of Bihar. Non-tax receipts (NTR) accounted for around 10per cent of revenue receipts in most GCS. In West

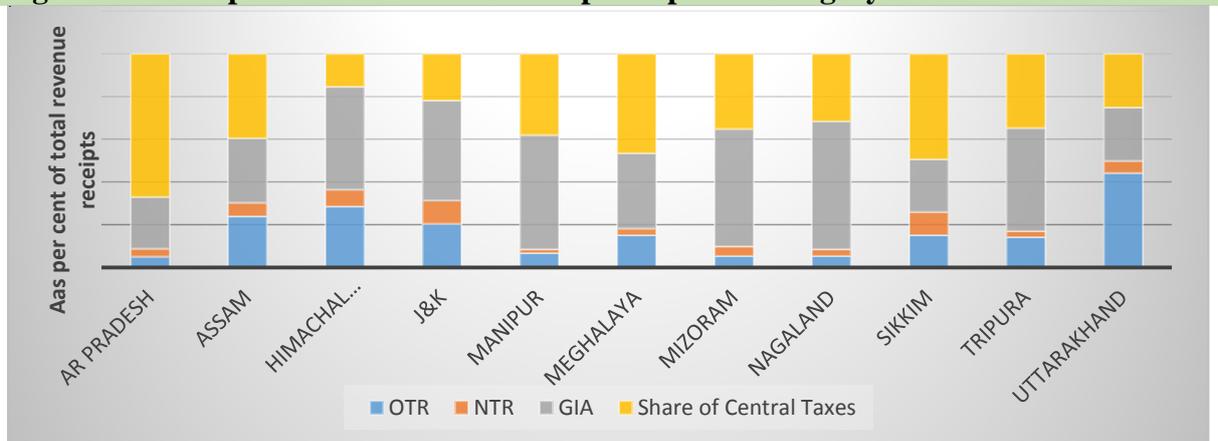
Bengal and Bihar share of NTR was as low as 1.70 and 2.27 per cent respectively. In Telangana and Jharkhand share of NTR in total revenue receipts was 18.9 per cent and 14.4 per cent respectively

Figure 1.6: Composition of Revenue Receipts - General Category States



1.26 In case of SCS, grants in aid comprised nearly 60per cent of revenue receipts in Nagaland, 55 per cent in Mizoram, 54 per cent in Manipur and 49 per cent in Tripura. OTR contributed less than 10 per cent of revenue receipts in Nagaland, Mizoram, Manipur and Arunachal Pradesh. In Uttarakhand, Himachal Pradesh and Assam OTR contributed 44.2 per cent, 28.6 per cent and 23.8 per cent respectively of revenue receipts. Share of central taxes has gone up in 2015-16 as a result of increase in devolution from central pool of taxes from 32 per cent to 42 per cent. In Meghalaya this component went up from 21.5 per cent of revenue receipts in 2014-15 to 46.5 per cent in 2015-16. In Sikkim it went up from 18.1 per cent to 49.4 per cent during the same period. In Arunachal Pradesh and Assam it increased from 12.2 per cent to 67.1 per cent and 32.3 per cent to 39.5 per cent respectively during the same period.

Figure 1.7: Composition of Revenue Receipts - Special Category States

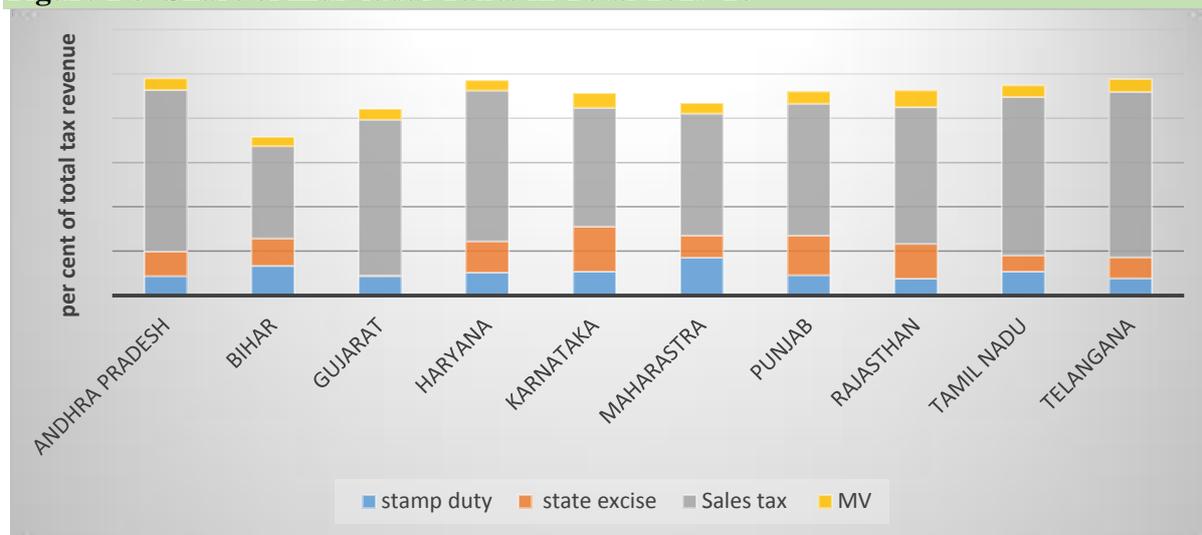


States' Own Tax Revenue (OTR): Composition and Trends

1.27 Since OTR does not contribute significantly to revenue receipts of SCS, this section examines composition and trends of OTR for some GCS only.

1.28 Sales tax (VAT), State Excise, Stamp Duty and registration fees, Motor Vehicle tax, tax on goods and passengers, and Land Revenue are the main sources of revenue for state governments. Sales tax and Stamp & registration duty account for more than 50 per cent of revenue collections of states. In Maharashtra sales tax accounted for 55 per cent of states' tax receipts, followed by stamp duty and registration fees 17.2 per cent). In Tamil Nadu, contribution of sales tax was as high as 71.5 per cent, while that of stamp duty and registration fees was around 11 per cent. In Punjab, 59.4 per cent of tax revenue came from sales tax, 18 per cent from state excise and 9.2 per cent from stamp duty and registration fees. In Karnataka sales tax contributed 53.5 per cent of tax revenue followed by state excise duty (20.3 per cent) and stamp duty and registration fees (10.9 per cent).

Figure 1.8: Share of Individual Taxes in Total-2015-16



Mobilisation of OTR

1.29 The average trend growth rate of states' OTR for GCS was 12.51. Telangana, Andhra Pradesh and Bihar, have been the top performers in OTR mobilisation, while, Gujarat, Tamil Nadu and Punjab are the worst performers. Annual growth rate of Chhattisgarh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal in OTR mobilisation has been below the group average.

Table 1.13 (A):Own Tax Revenue of GCS (2015-16)

State	Tax Revenue in 2014-15	Tax Revenue in 2015-16	Growth rate in 2015-16 over 2014-15
Andhra Pradesh	29856.87	39906.54	33.66
Bihar	20750.23	25449.18	22.65
Chhattisgarh	15707.26	17074.86	8.71
Gujarat	61339.81	62649.41	2.13
Haryana	27634.57	30929.09	11.92
Jharkhand	10349.81	11478.95	10.91
Karnataka	70180.21	75550.18	7.65
Kerala	35232.50	38995.15	10.68
MP	36567.12	40213.66	9.97
Maharashtra	115063.90	126608.11	10.03
Odisha	19828.29	22526.95	13.61
Punjab	25570.20	26690.49	4.38
Rajasthan	38672.94	42712.92	10.45
Tamil Nadu	78656.54	80476.08	2.31
Telangana	29288.30	39974.63	36.49
Uttar Pradesh	74172.42	81106.26	9.35
West Bengal	39411.98	42492.08	7.82
GCS Average			12.51

1.30 Amongst SCS, TGR of OTR has been below the group average in Assam, Himachal Pradesh, Manipur, Meghalaya, Nagaland, Sikkim and Uttarakhand. Annual growth of own tax mobilisation in 2015-16 has been the highest in Mizoram, Arunachal Pradesh and Jammu and Kashmir amongst SCS.

Table 1.13 (B):Own Tax Revenue of SCS (2015-16)

State	Tax Revenue in 2014-15	Tax Revenue in 2015-16	Growth rate in 2015-16 over 2014-15
Arunachal Pradesh	462.16	535.07	15.78
Assam	9449.81	10106.50	6.95
Himachal Pradesh	5940.16	6695.81	12.72
J&K	6333.95	7326.19	15.67
Manipur	516.83	550.44	6.50
Meghalaya	939.19	1056.82	12.52
Mizoram	266.52	358.41	34.48
Nagaland	388.60	427.10	9.91
Sikkim	527.54	566.82	7.45
Tripura	1174.26	1332.25	13.45
Uttarakhand	8338.47	9377.79	12.46
SCS Average			13.44

Growth Rate of OTR: Interstate Analysis

1.31 While OTR of states have increased in absolute terms, the growth rate of OTR has declined since 2010-11 in all States. However in Bihar, Haryana, Jharkhand, Kerala, Madhya Pradesh and Maharashtra the growth rate of OTR was higher in 2015-16 as compared to 2014-15.

1.32 Growth rates of various taxes levied by state governments have varied. Growth rate of tax receipts of states has primarily been determined by the growth rate of VAT, which is the main contributor of tax revenue of states.

1.33 In **Punjab**, there was a fall in growth rate in OTR from 39.77 per cent in 2010-11 to 11.96 per cent in 2011-12. This was because growth rate of collections from Sales and trade became less than half of growth rate of the earlier year. Thereafter growth rate picked up to 19.89 per cent in 2012-13 and then slumped to 6.19 in 2014-15 and 4.38 per cent in 2015-16. In 2012-13 collections from VAT which accounts for 60 per cent of tax collections in the State registered an increase of around 18 per cent. After that growth rate of collections from VAT fell consistently to 12.32 per cent in 2013-14, 4.10 per cent in 2014-15 and 2.60 per cent in 2015-16.

1.34 There has been a high fluctuation in collections from taxes and dues from electricity. In 2009-10 taxes collected on electricity was Rs 230.13 crores which increased to Rs 1422.90 crores in 2010-11. This was an increase of 518.3 per cent. Collections then dropped to Rs 928.28 crores in 2011-12 and then rose by 119.3 per cent to reach Rs 2035.31 crores in 2012-13. In 2013-14, total amount collected from this source was Rs 1710.46 crores, which was a decline by 16 per cent as compared to the previous year. This increased to Rs 1967.42 crore in 2015-16 which was an increase of 15 per cent in 2015-16. High fluctuations in collections from electricity dues were because of frequent and high changes in tax rates on consumption and sale of electricity. For example, in 2011-12 tax rates on electricity consumption were lowered by 64.5 per cent. In the following year the tax rates were increased by about 264.12 per cent and then lowered by 40.95 per cent in 2013-14 and in 2014-15.

Figure 1.9: Growth Rate of State’s Own Tax Revenue: Punjab

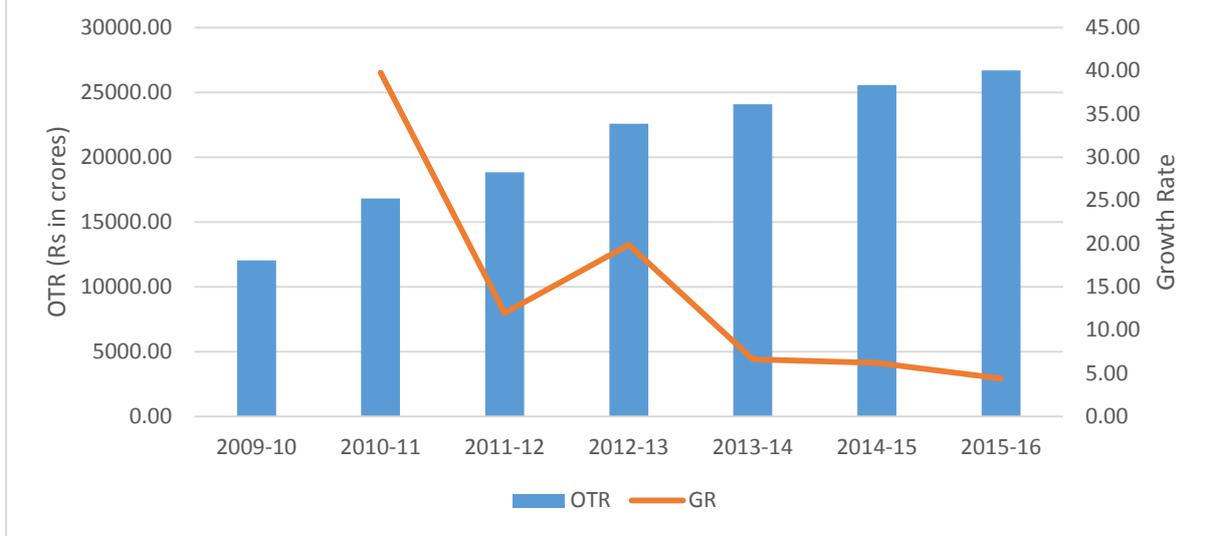
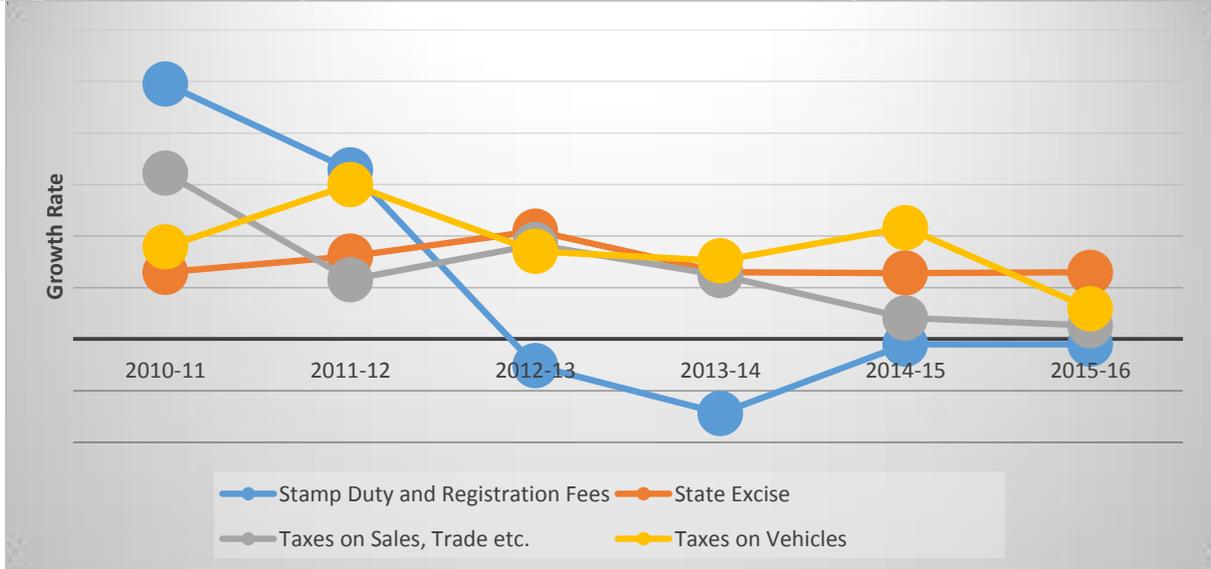
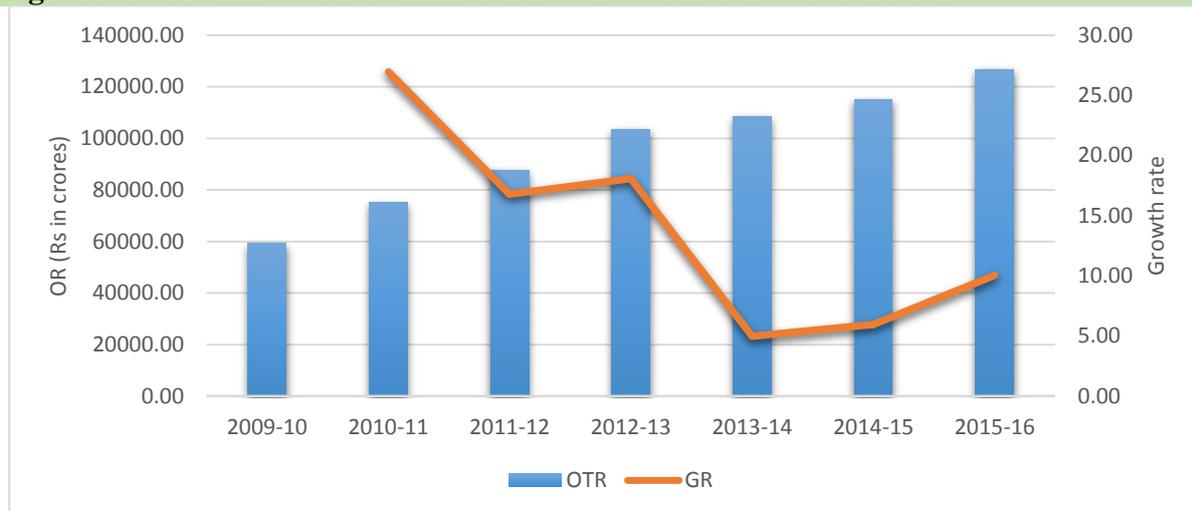
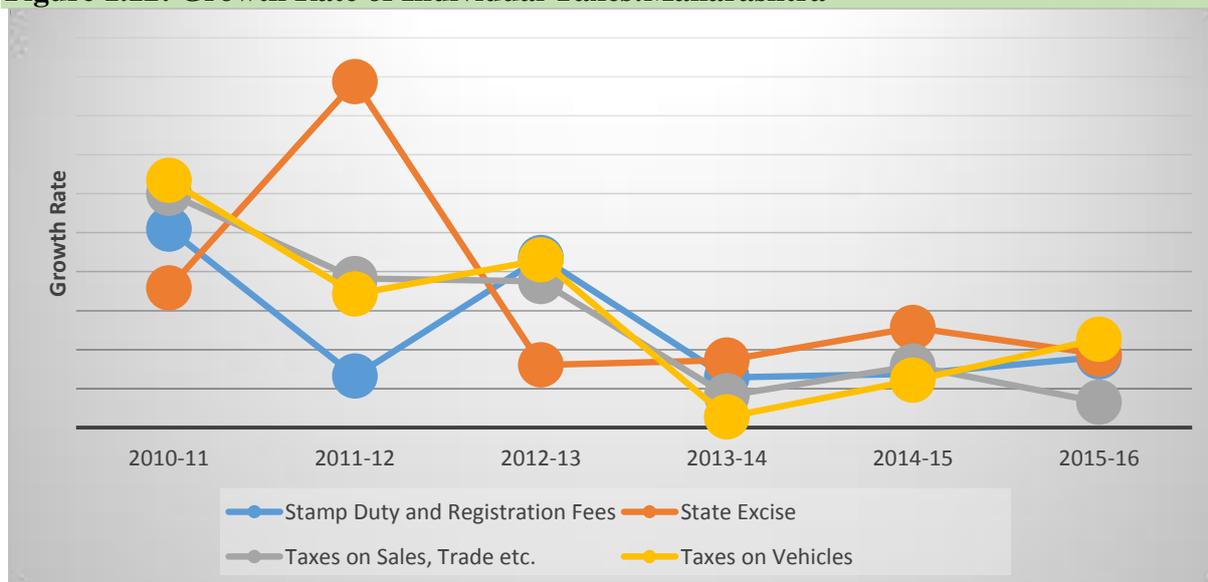


Figure: 1.10: Volatility of Growth Rates of Taxes on Electricity: Punjab



1.35 In **Maharashtra** growth rate of OTR has been declining on account of decline in growth rates of VAT. VAT accounts for 55 to 60 per cent of tax collections in **Maharashtra**. Collections from VAT grew at 30.01 per cent in 2010-11. In 2011-12 growth rate of collections from VAT declined to 19.10 per cent. In 2013-14 growth rate further dropped to 4.08 per cent before rising to 7.89 per cent in 2014-15. In 2015-16 there was decline in the growth rate to 3.25 per cent. Growth rate of OTR has declined steadily from 26.94 per cent in 2009-10 to 18.08 per cent in 2012-13 and 5.95 per cent in 2014-15. In 2015-16 growth rate rose to 10.03 per cent primarily due to increase in collections from taxes on electricity by 41,55,92.25 lakhs due to more collection of taxes on consumption and sale of electricity, which was an increase of 96 per cent as compared to the previous year.

Figure 1.11: Growth Rate of State's Own Tax Revenue: Maharashtra**Figure 1.12: Growth Rate of Individual Taxes: Maharashtra**

1.36 In **Gujarat** growth rate of tax collections have declined steadily from 2010-11 to 2013-14 and then increased in 2014-15. In 2015-16 the growth rate again declined to 2.13 per cent. This was largely on account of increase in collections from VAT and stamp duty and registration fees. VAT accounts for more than 70 per cent of tax collections of the state. Growth rate of collections from VAT has declined steadily from 36.8 per cent in 2010-11 to 26.5 per cent in 2012-13 and further to 4.0 per cent in 2013-14. The growth rate of VAT picked up in 2014-15 and stood at 7.7 per cent. However in 2015-16 collections from VAT declined by 0.12 per cent from Rs 44145.27 crores in 2014-15 to Rs 44091.05 crores in 2015-16 as a result of which growth rate of OTR declined to a low of 2.13 per cent.

Figure 1.13: Growth Rate of State's Own Tax Revenue: Gujarat

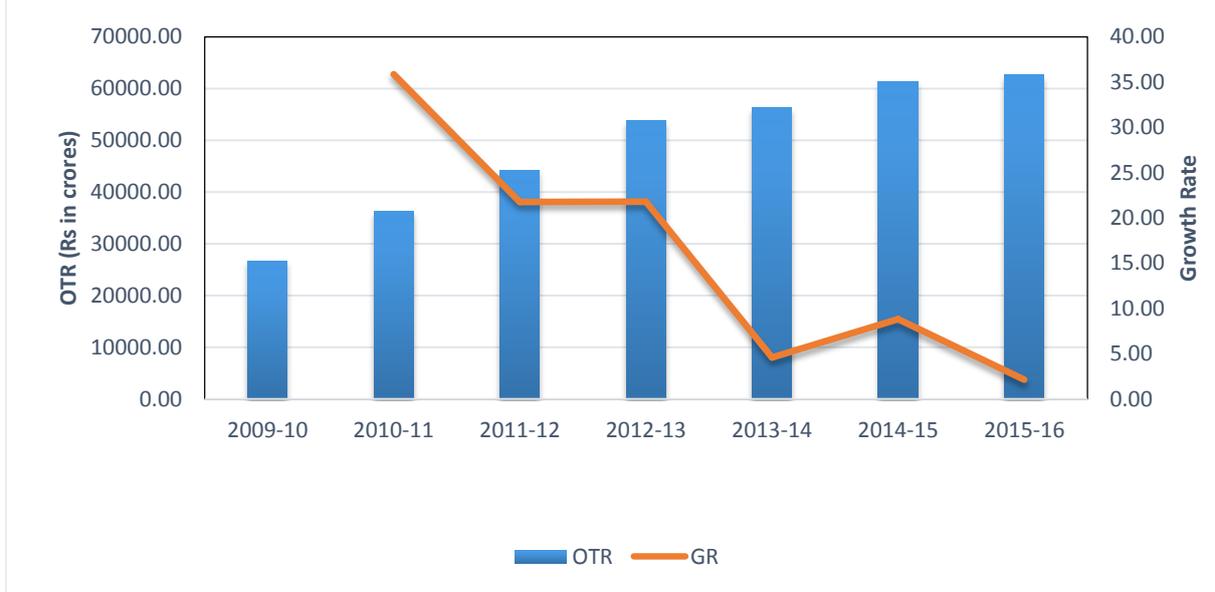
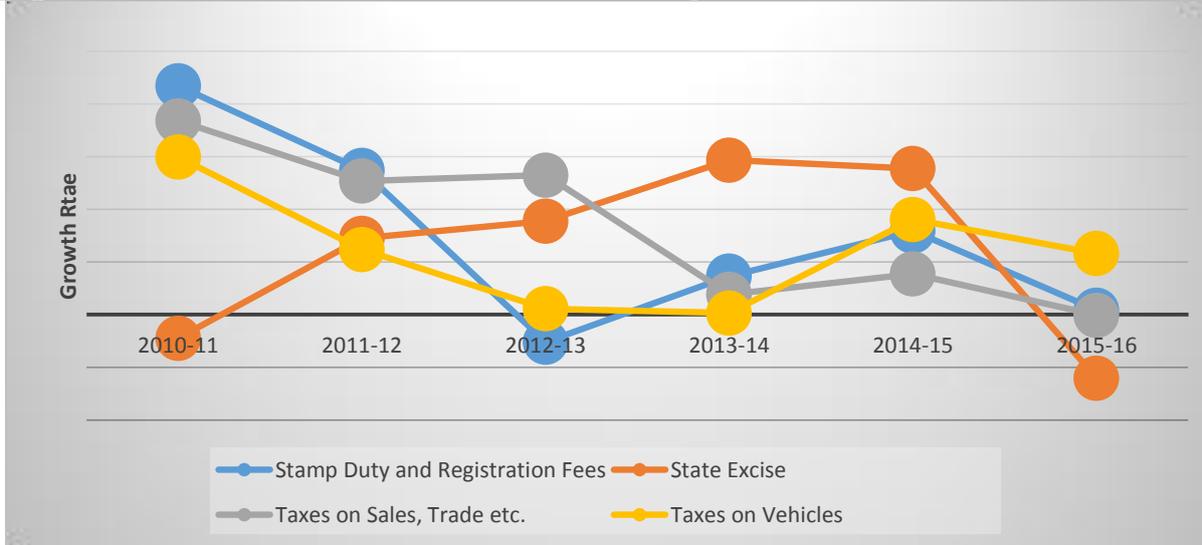
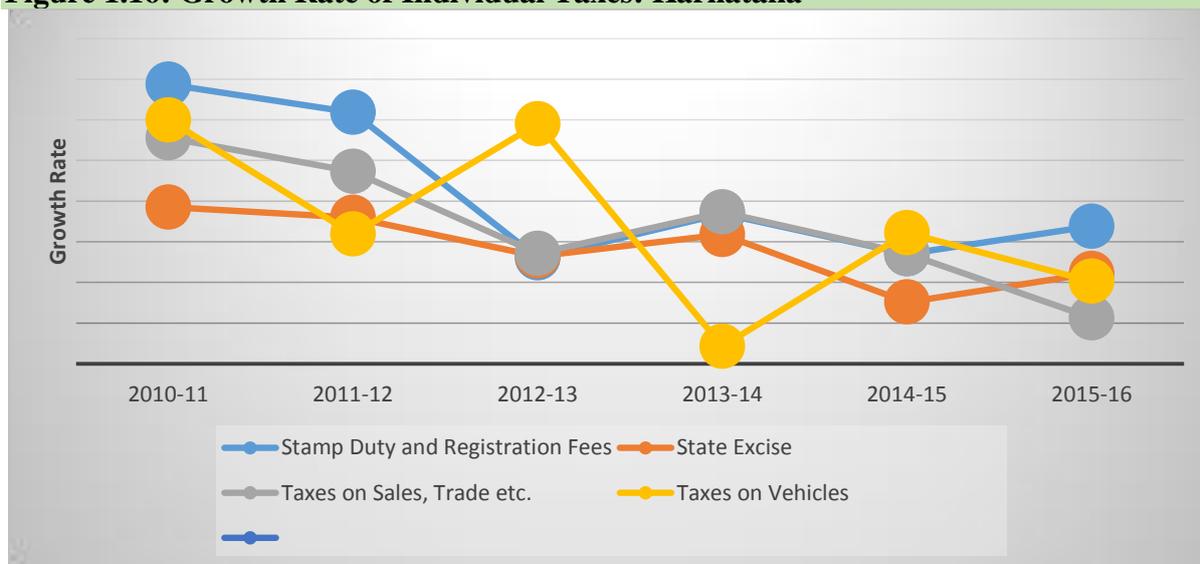


Figure 1.14: Growth Rate of Individual Taxes: Gujarat



1.37 In **Karnataka** growth rate of tax revenue declined consistently from 25.82 per cent in 2010-11 to 12.10 per cent in 2014-15 and further to 7.65 per cent in 2015-16. There was a slight increase in growth rate in 2013-14 to 16.56 per cent. This was largely on account of rise in growth rate of collections from VAT which account for more than 50 per cent of total OTR in the State. In 2013-14 collections from VAT rose to reach 16.46 per cent from 15.66 per cent the previous year. After that this component has fallen steadily from 27.80 per cent in 2010-11 to 18.67 per cent in 2013-14, 13.54 per cent in 2014-15 and further to 5.65 per cent in 2015-16 as a result of which annual growth rate of OTR has also declined steadily since 2013-14.

Figure 1.15: Growth Rate of State's Own Tax Revenue: Karnataka**Figure 1.16: Growth Rate of Individual Taxes: Karnataka**

1.38 In **Tamil Nadu** VAT accounts for over 60 to 70 per cent of tax revenue. Decline in growth rate of tax revenue has primarily been on account of decline in growth rate of collections from VAT. Growth rate of OTR fell from 30.74 per cent in 2009-10 to 3.46 per cent in 2013-14 before rising to 6.70 per cent in 2014-15. It again fell to 2.31 per cent in 2015-16. Growth rate reached a low of 3.46 per cent in 2013-14 due to fall in collections from State excise duties and motor vehicle tax during that year. In 2014-15 collections from these two sources increased. However growth rate of collections from VAT fell to 6.83 per cent from 21.55 per cent in the previous year. So OTR grew by only 6.70 per cent in 2014-15. In 2015-16 collections from VAT grew by a mere 0.58 per cent as a result of which OTR growth rate fell to an all-time low of 2.31 per cent.

Figure 1.17: Growth Rate of State’s Own Tax Revenue: Tamil Nadu

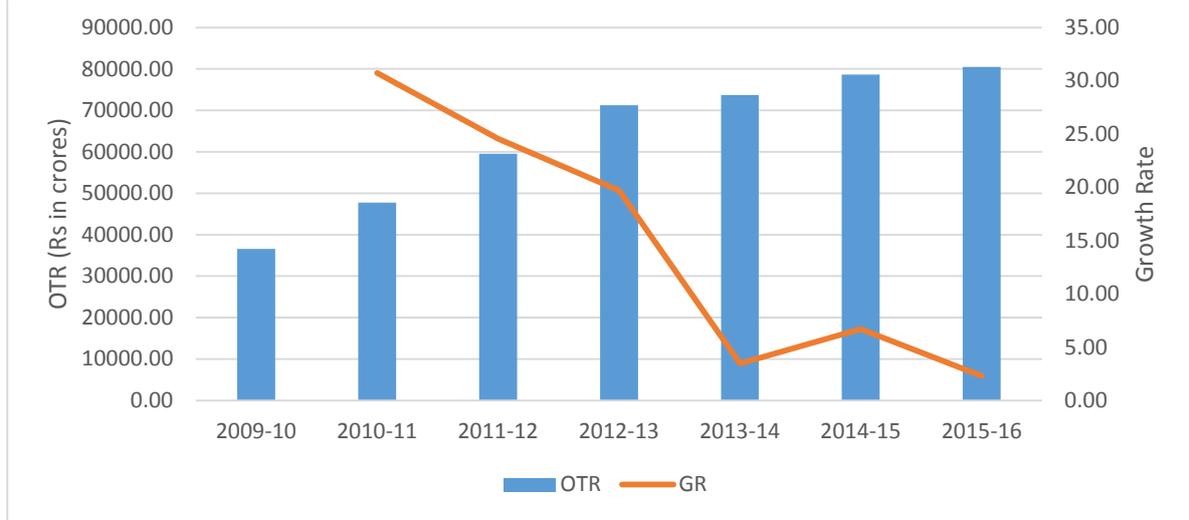
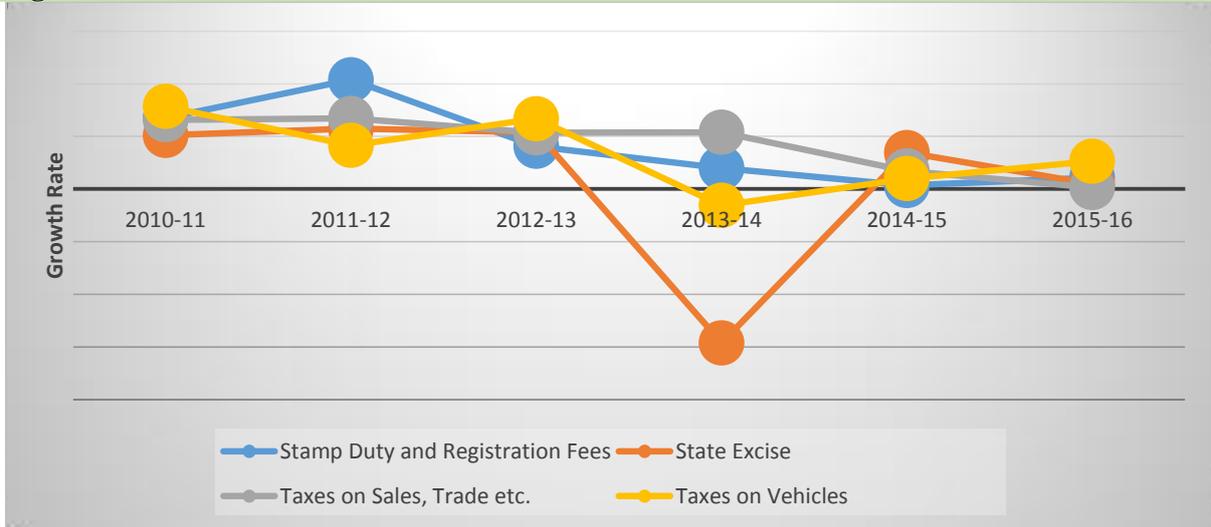


Figure 1.18: Growth Rate of Individual Taxes: Tamil Nadu



1.39 In **Kerala** growth rate of tax revenue declined from 23.24 per cent in 2009-10 to 6.38 per cent in 2013-14. The growth rate picked up to reach 10.12 per cent in 2014-15 and 10.68 per cent in 2015-16. In 2013-14 collections from stamp duty and registration fees and State excise duty declined. Growth rate of VAT collections also dipped to 10.55 per cent in 2013-14 from 18.55 per cent the previous year. Growth rate of VAT which accounts for more than 70 per cent of tax revenue of the State declined steadily from 23.98 per cent in 2010-11 to 10.13 per cent in 2015-16. Motor vehicle tax registered an increase in growth rate by 9.57 percentage points in 2015-16 as compared to the previous year. However Motor Vehicle tax accounts for only around 6 to 7 per cent of tax revenue. Hence it could not result in substantial increase in growth rate of OTR. During that year growth rate of VAT declined to

10.13 per cent as compared to 12.15 per cent the previous year. Growth rate of OTR increased by only 0.56 percentage points in 2015-16 as compared to the previous year.

Figure 1.19: Growth Rate of State's Own Tax Revenue: Kerala

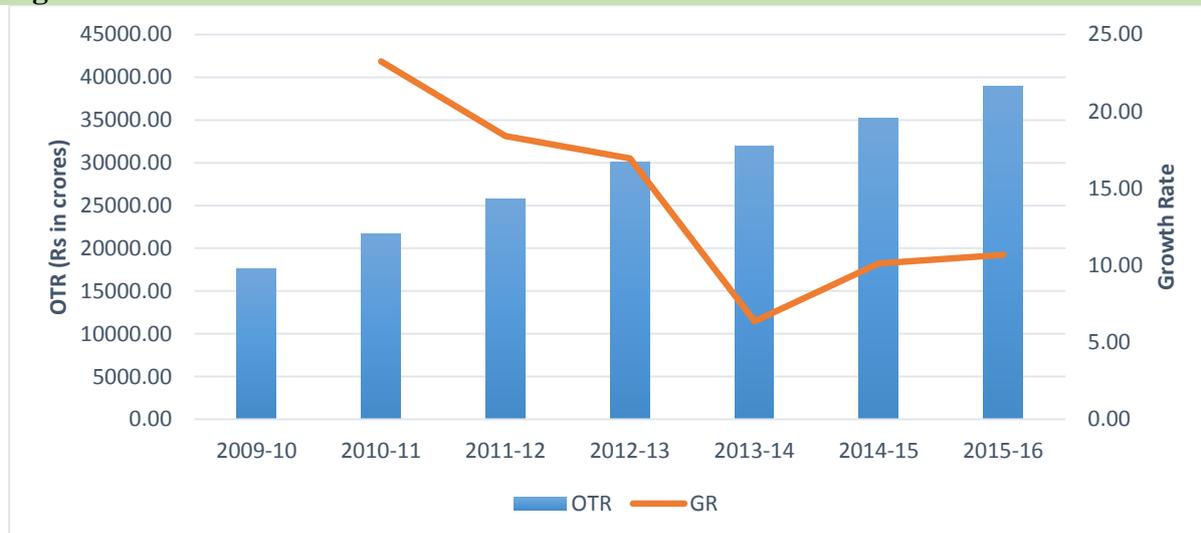
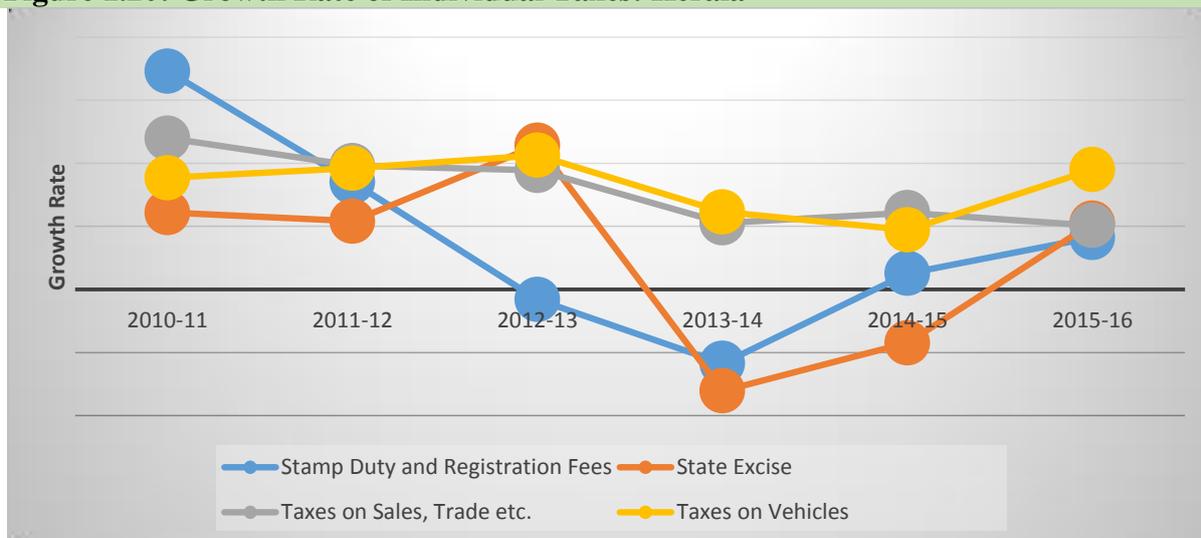


Figure 1.20: Growth Rate of Individual Taxes: Kerala



Share of OTR in total revenue receipts of states

1.40 A high proportion of OTR to total revenue receipts of states indicates higher financial self-reliance. Table 1.14 shows total own tax receipts of General Category States over the last seven years. Figures in parentheses show percentage of OTR in total revenue receipts of states.

Table 1.14 (A): OTR and Share of OTR in Total Revenue Receipts of GCS

State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Andhra Pradesh	35175.72 (54.39)	45139.55 (55.73)	53282.42 (56.95)	59875.05 (57.67)	64123.54 (57.92)	42568.65 ² (49.65)	39906.54 (45.02)
Bihar	8089.67 (22.77)	9869.85 (22.16)	12612.10 (24.58)	16253.08 (27.29)	19960.68 (28.96)	20750.23 (26.46)	25449.18 (26.48)
Chhattisgarh	7123.25 (39.24)	22719.54 (39.64)	25867 (41.41)	29578.09 (44.07)	14342.71 (44.75)	15707.26 (41.35)	17074.86 (37.06)
Gujarat	26740.23 (64.17)	36338.63 (69.40)	62958.99 (70.29)	75228.53 (71.64)	79975.74 (70.49)	61339.81 (66.69)	62649.41 (64.27)
Haryana	13219.50 (62.97)	25563.67 (65.68)	30557.59 (66.76)	33633.53 (70.05)	38012 (67.26)	27634.57 (67.73)	30929.09 (65.04)
Jharkhand	4500.12 (29.77)	18781.32 (30.44)	22419.45 (31.02)	24769.56 (33.20)	9379.79 (33.94)	10349.81 (32.79)	11478.95 (28.25)
Karnataka	30578.60 (62.21)	38473.12 (66.10)	46475.96 (66.58)	53753.55 (68.76)	89542.53 (69.91)	70180.21 (67.39)	75550.18 (63.59)
Kerala	17625.02 (67.50)	21721.69 (70.09)	38010.36 (67.66)	44137.30 (68.14)	49176.93 (65.06)	35232.50 (60.80)	38995.15 (56.49)
MP	17272.81 (41.73)	51854.18 (41.31)	62604.07 (43.09)	70427.28 (43.42)	75749.24 (44.29)	36567.12 (41.25)	40213.66 (38.11)
Maharashtra	59106.34 (68.01)	105867.81 (70.87)	121286.14 (72.23)	142947.23 (72.37)	149821.80 (72.48)	115063.90 (69.56)	126608.11 (68.42)
Odisha	8982.34 (33.99)	33276.16 (33.64)	40267.02 (33.38)	43936.91 (34.22)	48946.85 (34.51)	19828.29 (34.79)	22526.95 (32.68)
Punjab	12039.48 (54.34)	16828.18 (60.95)	18841.01 (71.82)	22587.56 (70.47)	24079.20 (68.59)	25570.20 (65.53)	26690.49 (64.28)
Rajasthan	16414.27 (46.39)	20758.13 (45.20)	54377.06 (44.51)	30502.65 (45.59)	33477.70 (44.95)	38672.94 (42.35)	42712.92 (42.59)
Tamil Nadu	36546.67 (65.44)	47782.18 (68.08)	59517.31 (69.85)	71254.27 (72.10)	108036.42 (68.23)	78656.54 (64.25)	80476.08 (62.38)
Telangana						29288.30	39974.63 (52.51)
Uttar Pradesh	33877.60 (35.14)	41109.85 (36.97)	52613.43 (40.20)	58098.36 (39.82)	66582.08 (39.58)	74172.42 (38.35)	81106.26 (35.72)
West Bengal	16899.98 (45.77)	21128.74 (44.70)	24938.16 (42.44)	32808.49 (48.04)	35830.56 (49.16)	39411.98 (45.56)	42492.08 (38.72)

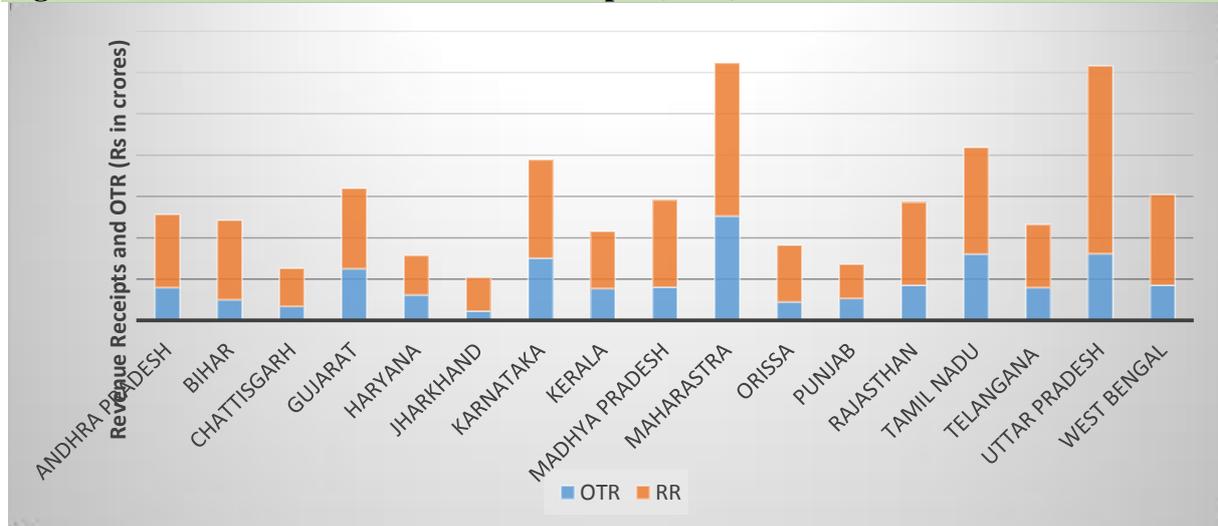
1.41 In Gujarat, Haryana, Maharashtra, Punjab, Karnataka and Tamil Nadu share of OTR in total revenue receipts is high accounting for nearly 65 to 70 per cent of total revenue receipts. Share of OTR is lowest in Bihar accounting for only around 23 per cent of total revenue receipts of the state in 2009-10. This increased only marginally to around 27 per cent in 2015-16. In Chhattisgarh, Madhya Pradesh, Odisha and Uttar Pradesh share of OTR in total revenue receipts has hovered at around 40 per cent.

1.42 Share of OTR in revenue receipts has risen by an average of 5 percentage points during the five year period in almost all states except Punjab. In Punjab there has been an increase of

²The Financial year 2014-15 for Andhra Pradesh is for 10 months from 2 June 2014 to 31 March 2015.

nearly 10 percentage points from 2009-10 to 2015-16. In case of Kerala, Rajasthan and West Bengal share of OTR in total revenue receipts has declined during this period.

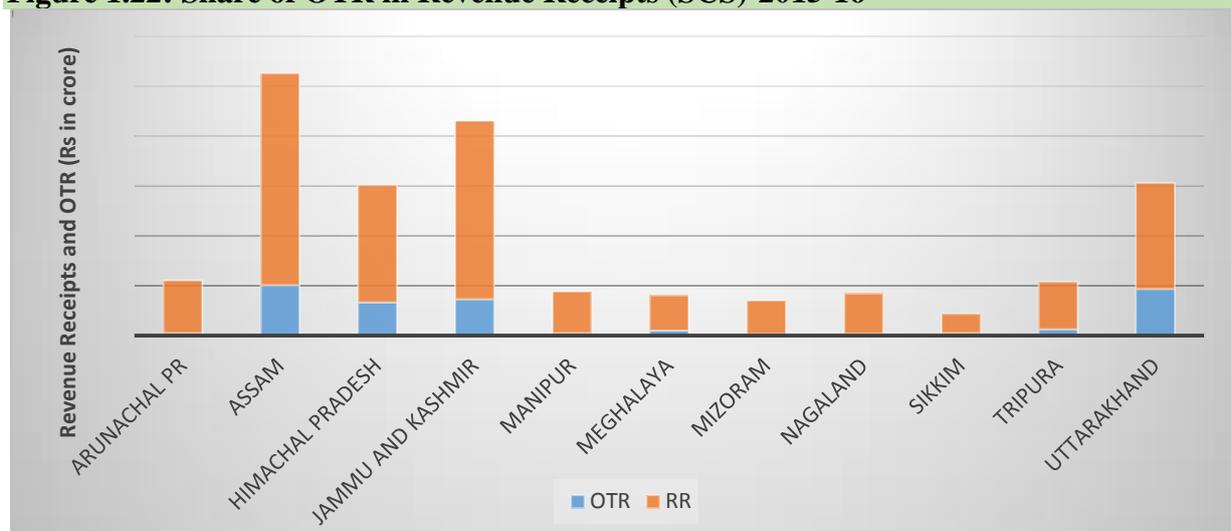
Figure 1.21 Share of OTR in Revenue Receipts (GCS)-2015-16



1.43 In all SCS states except Assam, J&K, Himachal Pradesh and Uttarakhand share of OTR in total revenue receipts was very low. In Arunachal Pradesh, Nagaland, Mizoram, Manipur, states' own tax resources accounted for less than 10 per cent of total revenue receipts.

Table 1.14 (B) : OTR and Share of OTR in Total Revenue Receipts of SCS

State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Arunachal Pr	173.44 (4.04)	214.99 (3.97)	317.65 (5.78)	316.50 (5.49)	434.51 (7.47)	462.16 (5.06)	535.07 (5.07)
Assam	4986.72 (25.08)	5929.85 (25.78)	7638.24 (27.82)	8250.21 (26.88)	8994.92 (27.92)	9449.81 (24.75)	10106.50 (23.80)
Himachal Pradesh	2574.52 (24.88)	3642.38 (28.66)	4107.92 (28.25)	4626.15 (29.66)	5120.90 (32.59)	5940.16 (33.29)	6695.81 (28.57)
Jammu and Kashmir	3027.32 (17.21)	3482.58 (15.66)	4745.48 (19.15)	5832.43 (22.25)	6272.74 (23.12)	6333.95 (21.89)	7326.19 (20.48)
Manipur	196.04 (5.06)	267.05 (4.92)	368.07 (6.51)	332.83 (4.88)	472.73 (6.49)	516.83 (6.46)	550.44 (6.65)
Meghalaya	444.30 (12.89)	571.45 (13.41)	697.54 (14.99)	847.73 (15.31)	949.30 (15.15)	939.19 (14.61)	1056.82 (15)
Mizoram	107.58 (3.63)	130.44 (4.57)	197.07 (4.68)	223.14 (4.92)	229.78 (4.82)	266.52 (4.84)	358.41 (5.37)
Nagaland	180.51 (4.85)	227.32 (4.55)	303.88 (5.44)	339.95 (5.48)	333.39 (5.13)	388.60 (5.08)	427.10 (5.31)
Sikkim	223.65 (6.87)	297.54 (9.18)	293.92 (8)	435.48 (11.48)	524.92 (12.13)	527.54 (11.82)	566.82 (14.98)
Tripura	527 (11.97)	622.34 (12.04)	858.02 (13.25)	1004.65 (14.25)	1073.91 (14.04)	1174.26 (12.71)	1332.25 (14.13)
Uttarakhand	3559.04 (18.58)	4405.47 (18.43)	5615.62 (18.63)	6414.25 (18.67)	7355.34 (20.68)	8338.47 (41.18)	9377.79 (44.16)

Figure 1.22: Share of OTR in Revenue Receipts (SCS)-2015-16**OTR- GSDP Ratio**

1.44 OTR to GSDP ratio has declined in 2015-16 as compared to 2014-15 in all States.

Table 1.15: OTR-GSDP³ Ratio

State	GCS		State	SCS	
	OTR/GSDP Ratio 2014-15	OTR/GSDP Ratio 2015-16		OTR/GSDP Ratio 2014-15	OTR/GSDP Ratio 2015-16
Andhra Pradesh ⁴	9.57	6.54	Arunachal Pradesh	3.53	2.85
Bihar	6.81	6.15	Assam	5.67	4.51
Chhattisgarh	8.13	6.55	Himachal Pradesh	6.67	6.06
Gujarat	7.73	6.30	Jammu and Kashmir	7.44	6.19
Haryana	7.54	6.37	Manipur	3.45	2.74
Jharkhand	5.55	4.74	Meghalaya	4.47	3.95
Karnataka	9.39	7.36	Mizoram	2.77	2.68
Kerala	8.14	6.63	Nagaland	2.75	2.08
MP	9.45	7.39	Sikkim	4.10	3.41
Maharashtra	7.55	6.43	Tripura	4.68	3.98
Odisha	7.64	6.59	Uttarakhand	5.92	5.09
Punjab	8.16	6.53			
Rajasthan	7.55	6.34			
Tamil Nadu	8.73	6.64			
Telangana		6.94			
Uttar Pradesh	8.69	7.03			

Note: Estimate of GSDP has not been finalised for West Bengal with base year 2011-12.

³GSDP at constant prices with base year 2011-12.

⁴Data for 2014-15 for Andhra Pradesh is for 10 months only from 2 June, 2014 to 31 March, 2015.

Inadequate Returns on Investments:

1.45 Total Investments made by GCS states during 2015-16 was Rs467678.58crore against which only Rs 1382.08 crore was received as dividend. The average return on investments was 1.4per cent. In SCS total investments were Rs 8037.92 crore against which Rs 92.87 crore was received as dividend. Average return on investments in SCS was higher at2.3 per cent.

1.46Return on investments were high in Odisha (14.3 per cent), Nagaland (13 per cent). In Assam, Telangana and Kerala return on investment was 2.9 per cent, 5.21 per cent and 1.3 per cent respectively. In all other states return on investments was less than 1 per cent.

Table 1. 16: Returns on Investments*(Rs in crores)*

State	Investment the end of the year 2015-16	Dividend/interest received during the year 2015-16	Per centof return on investment
GCS			
Andhra Pradesh	8709.08	9.38	0.11
Bihar	9940.24	14.84	0.15
Chhattisgarh	6192.22	5.73	0.09
Gujarat	70729.67	96.06	0.14
Haryana	9372.44	15.89	0.17
Jharkhand	261.71	0.47	0.18
Karnataka	61355.89	69.40	0.11
Kerala	6692.59	89.16	1.33
Madhya Pradesh	16599.57	129.64	0.78
Maharashtra	120310.97	57.27	0.05
Odisha	3881.32	553.36	14.26
Punjab	4064.56	1.46	0.04
Rajasthan	37417.62	97.41	0.26
Tamil Nadu	25725.05	155.87	0.61
Telangana	1328.55	69.24	5.21
Uttar Pradesh	71706.85	5.01	0.01
West Bengal	13390.25	11.89	0.09
Total	467678.58	1382.08	
SCS			
Assam	249.11	0.00	-
Himachal Pradesh	2404.37	70.06	2.91
Jammu and Kashmir	0.00	0.00	
Manipur	0.00	0.00	
Meghalaya	196.00	0.00	0.00
Sikkim	466.93	0.07	0.01
Uttarakhand	33.39	0.00	-
Total	290.60	4.94	

Expenditure

2 CHAPTER

This chapter contains analysis of the growth and structure of government expenditure. Compositional changes in terms of revenue and capital expenditure, plan and non-plan expenditure of the Union Government and State governments have been examined.

2.1 The three main expenditure aggregates are revenue expenditure, capital expenditure, and loans and advances. Expenditure incurred for acquiring tangible assets of a material and permanent nature or of reducing recurring liabilities is broadly defined as Capital expenditure. Expenditure incurred on maintenance, repair, upkeep and working expenses which are required to maintain the assets in running order as also all other expenses incurred for the day to day functioning of the government, including establishment and administrative expenses are classified as revenue expenditure.

2.2 Table 2.1 below shows that revenue expenditure of the Union alone accounted for around 52 per cent of the revenue expenditure of the Union and all State governments combined. However capital expenditure of the Union accounted for only 46 per cent of the total capital expenditure of the Union and all the states.

Table 2.1: Expenditure of Union and States (2015-16)

(Rs in crore)

	Union	States	Combined
Revenue Expenditure	1779529.01	1829847.07	3609376.08
Capital Expenditure	278866.36	331761.49	610627.85
Total	2058395.37	2161608.56	4220003.93

Expenditure of Union Government

2.3 The government applied the total resources of Rs 67,67,872.07 crores it mobilized during 2015-16, to disbursements as shown in Table 2.2. The repayments of debt and discharge of Public Account liabilities constituted nearly 69 percent of the total resources available and amounted to Rs. 46,58,635.25 crore. After deducting the interest payments amounting to Rs. 394512.10 crore, the government was left with Rs. 1714724.72 crore which is only 25 percent of the resources available. Table 2.1 presents a summary of the total expenditure of the Union government out of the CFI, excluding repayment of debt, during the last five years.

Table 2.2 Summary of Total expenditure of the Union Government (2015-16)

Description	Amount in crores	
Resources available		6758098.52
Opening Cash Balance		9773.55
Total Resources		6767872.07
Application of Resources		
Repayment of Debt		3737656.97
Internal	3714351.59	
External	23305.38	
Discharge of liabilities on account of Public Account		
Small Saving and Provident Fund	641513.32	
Reserve Fund	175038.97	
Deposits	123732.31	
Others	210701.05	
Balance resources available for expenditure		
Resources applied (actual expenditure)		2611860.27
Revenue expenditure (including interest payment of Rs394512.10 crores)	1779529.01	
Capital expenditure	278866.36	
Disbursement of loan and advances	47271.94	
State share of Tax	506192.96	
Closing Cash Balance		3396.52

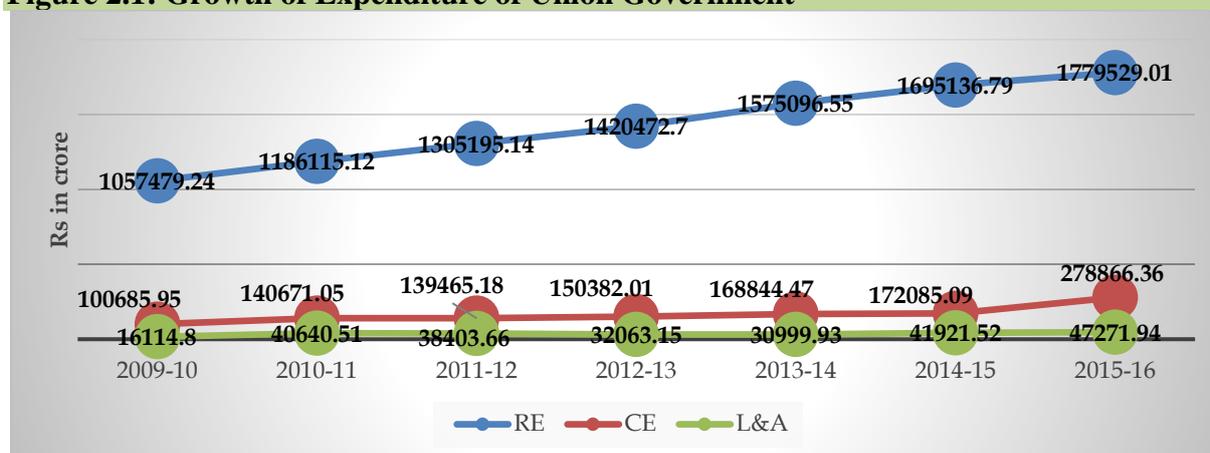
Source: Union Finance Accounts

Expenditure: Main aggregates

2.4 Growth profile of expenditure of the Union is given in Table 2.2. Revenue expenditure of the Union government has grown in absolute terms during the period 2009-10 to 2015-16. The growth rate though has declined from 12.2 per cent in 2010-11 to 7.6 per cent in 2014-15 and stood at 5.0 per cent in 2015-16. In contrast, growth rate of capital expenditure, i.e. expenditure that is meant for asset formation, has consistently declined from 39.7 per cent in 2010-11 to 1.9 per cent in 2014-15. However capital expenditure increased by 62 per cent in 2015-16 as compared to the previous year. Annual growth rate of Loans and advances dropped to 12.8 per cent in 2015-16 as compared to 35.2 per cent in 2014-15. Capital expenditure as well as loans and advances show high annual percentage variations.

Table 2.3: Expenditure of Union Government: Growth Profile

Year	Revenue expenditure		Capital expenditure		Loans and advances		Total	
	Amount (Rs.in crore)	% increase over previous year	Amount (Rs.in crore)	% increase over previous year	Amount (Rs.in crore)	% increase over previous year	Amount (Rs.in crore)	% increase over previous year
2009-10	1057479.24		100685.95		16114.80		1174280.19	
2010-11	1186115.12	12.2	140671.05	39.7	40640.51	152.2	1367427.16	16.5
2011-12	1305195.14	10.0	139465.18	-0.9	38403.65	-5.5	1483064.32	8.5
2012-13	1420472.70	8.8	150382.00	7.8	32063.15	-16.5	1602917.71	8.1
2013-14	1575096.55	10.9	168844.47	12.3	30999.93	-3.3	1774941.02	10.7
2014-15	1695136.79	7.6	172085.09	1.9	41921.52	35.2	1909143.40	7.6
2015-16	1779529.01	5.0	278866.36	62.1	47271.94	12.8	2105667.31	10.3

Figure 2.1: Growth of Expenditure of Union Government

Composition of expenditure of the Union Government

2.5 Table 2.3 presents the expenditure of the Union government as percentage of the GDP along with the corresponding figures for revenue expenditure, capital expenditure and loans and advances. The total expenditure of Union government declined from 16.8 percent to 15.2 percent of GDP during the period 2011-12 to 15.2 per cent of GDP in 2014-15 before rising to 17.4 per cent of GDP in 2015-16.

Table 2.4: Expenditure of Union Government as Percentage to GDP*

Year	Revenue Expenditure	Capital Expenditure	Loans and Advances	Total
2011-12	14.8	1.6	0.4	16.8
2012-13	14.2	1.5	0.3	16.0
2013-14	13.9	1.5	0.3	15.6
2014-15	13.5	1.4	0.3	15.2
2015-16	14.7	2.3	0.4	17.4

* At current prices with base year 2011-12

2.6 Share of revenue expenditure in total expenditure has declined steadily from around 90 per cent in 2009-10 to around 85 per cent in 2015-16. Share of capital expenditure in total expenditure rose marginally from 8.6 per cent in 2009-10 to 13.2 per cent in 2015-16. Share of non-plan expenditure rose from 74.2 per cent of total expenditure in 2009-10 to 77.6 per cent in 2015-16, while the share of plan component declined from 25.9 per cent to 22.4 per cent during the same period.

Table 2.5: Expenditure of Union Government: As percent of Total Expenditure

Year	Revenue Exp	Capital Exp	Loans and Advances	Plan	Non Plan
2009-10	90.1	8.6	1.4	25.9	74.2
2010-11	86.7	10.3	2.9	27.7	72.3
2011-12	88.0	9.4	2.6	27.8	72.2
2012-13	88.6	9.4	2.0	25.8	74.2
2013-14	88.7	9.5	1.8	25.5	74.5
2014-15	88.8	9.0	2.2	23.3	76.7
2015-16	84.5	13.2	2.2	22.4	77.6

Revenue Expenditure: Growth in Interest Payments

2.7 Total interest payments by the Union government increased from Rs. 2,23,700.84 crore in 2009-10 to Rs. 457232.16 crore in 2015-16 registering an increase of nearly 104 per cent during this period. As shown in Table 2.5 interest payments accounted for 21.2 per cent of revenue expenditure in 2009-10. This rose to 25.7 per cent in 2015-16.

Table 2.6: Growth of Interest Payments

Year	Interest Payments <i>Rs. in crore</i>	As percentage of		GDP
		Total Revenue Expenditure	Total Revenue Receipts	
2009-10	223700.84	21.2	31.8	3.7
2010-11	244623.97	20.6	26.2	3.4
2011-12	286982.10	22.0	31.5	3.4
2012-13	330170.69	23.2	31.3	3.5
2013-14	394512.10	25.0	32.4	3.8
2014-15	425098.26	25.1	31.9	3.4
2015-16	457232.16	25.7	31.8	3.8

Source: Union Finance Accounts

2.8 Interest on internal debt comprised 98 per cent of the total interest burden. The interest on internal debt increased by about 2.2 times during the period 2009-10 to 2015-16. As percentage of total revenue receipts, interest payments have accounted for around 32 per cent

during the period from 2009-10 to 2015-16. The increase in interest payment is due to the growing volume of borrowing and increase in the rate of interest on borrowed funds.

2.9 Major components of Revenue expenditure of the Union are given in Table 2.6. Interest payment is the single biggest component of revenue expenditure of the Union. Transport and agriculture and allied services together account for nearly 23 per cent of revenue expenditure of the Union.

Table 2.7: Major components as per cent of Revenue expenditure

Year	Interest payments	Administrative services	Pensions & Misc. (General services)	Defence services	Social services	Agriculture and allied services	Rural development	Industry and Mineral	Transport	GIA & Contribution
2009-10	21.2	3.3	6.2	8.9	9.5	11.1	3.6	3.5	11.1	13.5
2010-11	20.6	3.1	5.6	8.1	10.3	11.3	3.5	3.3	11.9	13.5
2011-12	22.0	3.2	5.6	8.2	8.5	10.9	2.9	2.7	11.4	13.8
2012-13	23.2	3.3	5.7	8.2	8.2	10.8	2.6	2.4	11.2	12.8
2013-14	25.0	3.4	5.6	8.2	8.5	10.1	2.5	2.6	11.1	12.7
2014-15	25.1	3.5	6.4	8.6	3.5	10.0	0.1	3.1	11.3	19.9
2015-16	25.7	3.7	6.3	8.5	5.0	11.4	0.2	3.0	11.3	17.8

2.10 Interest payments constituted 25.7 percent of the revenue expenditure in 2015-16 and absorbed as much as 48.1 percent of the Union government's net tax revenues (i.e. exclusive of states' share of income tax and excise duties). They constitute presently about 3.8 percent of GDP, which is more than the total revenue expenditure on defence services (1.3 per cent of GDP).

Table 2.8: Expenditure of Govt of India: Compositional Changes as percentage

Year	Revenue Expenditures		Capital Expenditure		Loans and Advances		Total Expenditure
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan	
2009-10	21.6	68.4	3.0	5.6	1.2	0.2	100.00
2010-11	23.0	63.8	3.4	6.9	1.4	1.5	100.00
2011-12	22.5	65.5	3.9	5.5	1.4	1.2	100.00
2012-13	20.5	68.1	4.2	5.1	1.0	1.1	100.00
2013-14	19.9	68.9	4.6	4.9	1.1	0.6	100.00
2014-15	19.2	71.6	4.1	5.1	1.5	0.8	100.00
2015-16	15.5	69.0	5.6	7.6	1.2	1.0	100.00

Sectoral Expenditure

2.11 Services provided by the government are grouped under the broad categories of general, social and economic services.

2.12 General services consist of i) organs of state ii) fiscal services iii) administrative services iv) defence services, and v) miscellaneous services. These services can be taken as public goods because they satisfy, in general, the criteria of non-rival consumption and non-excludability. The entitlement to these services is common to all citizens.

2.13 Important service categories in social sector are i) education consisting of general education, technical education, sports and youth services, and art and culture, ii) health and family welfare, iii) water supply, sanitation, housing and urban development, iv) information and broadcasting, v) labour and employment and vi) social welfare and nutrition.

2.14 Under the heading of economics services, the following are included i) agriculture and allied activities, ii) rural development, iii) special area programmes, iv) irrigation and flood control, v) energy, vi) industry and minerals, vii) transport, viii) communications, ix) science technology and environment and x) general economic services.

Table 2.12 shows the movement of expenditure by Govt of India in General, Social, and Economic sectors during the period 2009-10 to 2015-16.

Table 2.9: Sectoral Expenditure of Union Government

Year	General Services		Social Services		Economic Services		Total ¹ Expenditure (Rs crores)
	Amount (Rs crores)	As % of total expenditure	Amount (Rs crores)	As % of total expenditure	Amount (Rs crores)	As % of total expenditure	
2009-10	488153.98	42.15	103894.72	8.97	423181.36	36.54	1158165.19
2010-11	525494.39	39.61	125933.77	9.49	515606.95	38.36	1326786.16
2011-12	597504.87	41.36	116160.34	8.04	551101.59	38.15	1444660.32
2012-13	666405.33	42.42	121814.19	7.75	601234.84	38.27	1570854.71
2013-14	767915.22	44.03	137794.35	7.90	638827.20	36.63	1743941.02
2014-15	843093.44	45.15	68664.06	4.4	644999.94	41.40	1556757.44
2015-16	896485.75	50.11	100681.64	5.63	791815.69	44.26	17888983.08

2.15 The share of general services has increased from 42.15 percent in 2009-10 to 50.11 percent of the total expenditure in 2015-16, owing mainly to the growth in interest payments and pensions. Social sector spending was at an all-time low in 2014-15 as compared to the previous years. This component increased by 1.2 percentage points in 2015-16 as compared

¹Total Expenditure is the sum of revenue and capital expenditure. Grants in aid and contributions of the Union Govt. which form part of revenue expenditure has not been included in the above table.

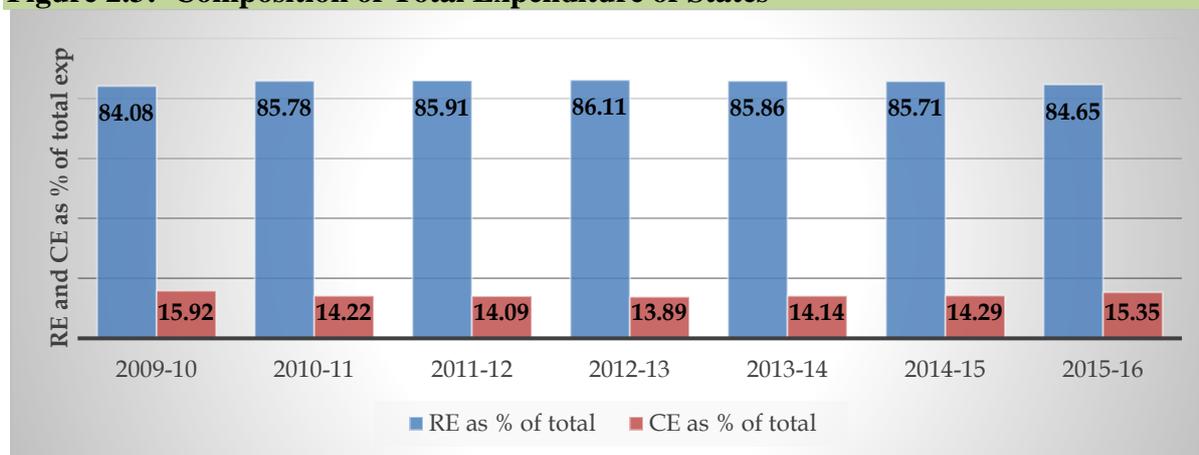
to the previous year. There was increase in revenue expenditure under Water Supply, Sanitation, Housing and Urban Development by 145 per cent, Information and Broadcasting by 380 per cent, Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes by 116 per cent, and Social Welfare and Nutrition by 83 per cent. Share of economic services spending increased from 36.6 per cent in 2013-14 to 41.4 per cent of total expenditure in 2014-15 and further to 44.26 per cent in 2015-16.

Expenditure of States

Composition of Total Expenditure of states

2.16 Share of revenue expenditure and capital expenditure in total expenditure of all states combined is depicted in Fig 2.3.

Figure 2.3: Composition of Total Expenditure of States



2.17 The share of revenue expenditure increased from 84.08 per cent of total expenditure in 2009-10 to 85.71 per cent in 2014-15. However this fell to 84.65 per cent of total expenditure in 2015-16. Concomitantly, the share of capital expenditure which declined from 15.92 per cent in 2009-10 to 14.29 per cent in 2014-15 rose by 1.06 percentage points in 2015-16. Capital expenditure accounted for 15.35 per cent of total expenditure in 2015-16.

State-wise Analysis

2.18 Composition of expenditure in individual states is similar with revenue expenditure accounting for more than 80 per cent of total expenditure in most States. In Punjab, Assam, West Bengal and Haryana Revenue expenditure accounted for more than 90 per cent of total expenditure. Stagnation or decline in tax revenues relative to the GSDP in several states and budgetary attempts to cap fiscal deficit has mainly impacted capital expenditure. This trend is seen in Andhra Pradesh, Karnataka, Chhattisgarh, Punjab, Assam, Himachal Pradesh, Maharashtra, and Madhya Pradesh. In these states share of RE has increased by an average of

5 percentage points and share of capital expenditure has declined by an average of 4 percentage points during the period 2009-10 to 2014-15. However in 2015-16 share of Capital expenditure increased in Andhra Pradesh, Maharashtra and Madhya Pradesh by 3.84, 0.78 and 1.84 percentage points respectively.

Figure 2.3: Composition of expenditure - Andhra Pradesh

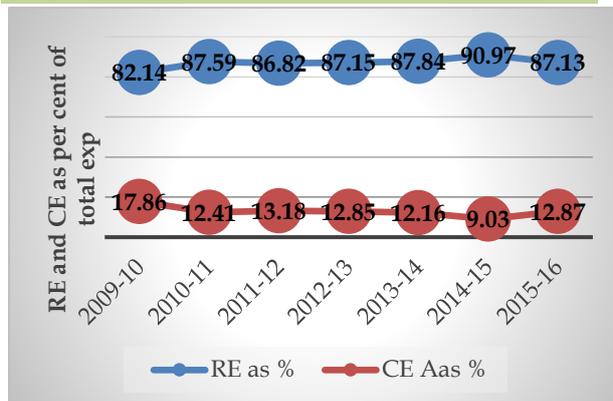
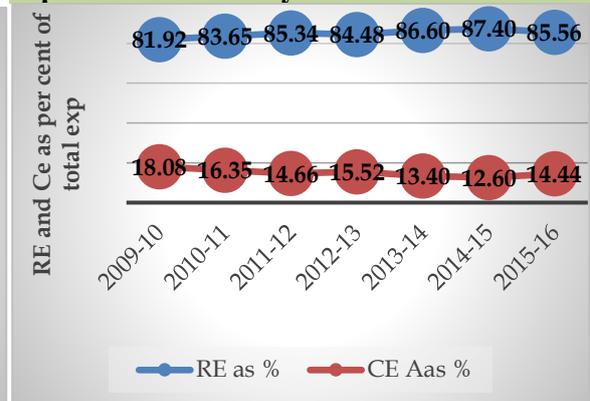


Figure 2.4: Composition of expenditure Madhya Pradesh



2.19 In Jammu and Kashmir, Mizoram and Manipur share of RE in total expenditure saw sharp increase during the period 2009-10 to 2015-16. In J&K share of RE increased by 13.96 percentage points from 2009-10 to 2014-15, while capital expenditure declined by nearly 14 percentage points. In 2015-16 there was a marginal decline in RE by 1.86 percentage points. In Manipur share of RE rose from 64.4 per cent of total expenditure in 2009-10 to 85.64 per cent in 2015-16, while share of capital expenditure saw a sharp decline of 20.14 percentage points from 35.4 per cent in 2009-10 to 14.36 per cent in 2015-16. In Mizoram share of RE increased from the already high level of 82.38 per cent in 2009-10 to 88.68 per cent in 2015-16, while CE declined by 6.17 percentage points from 17.5 per cent to 11.32 per cent of total expenditure during the same period.

Figure 2.5: Composition of expenditure- Manipur

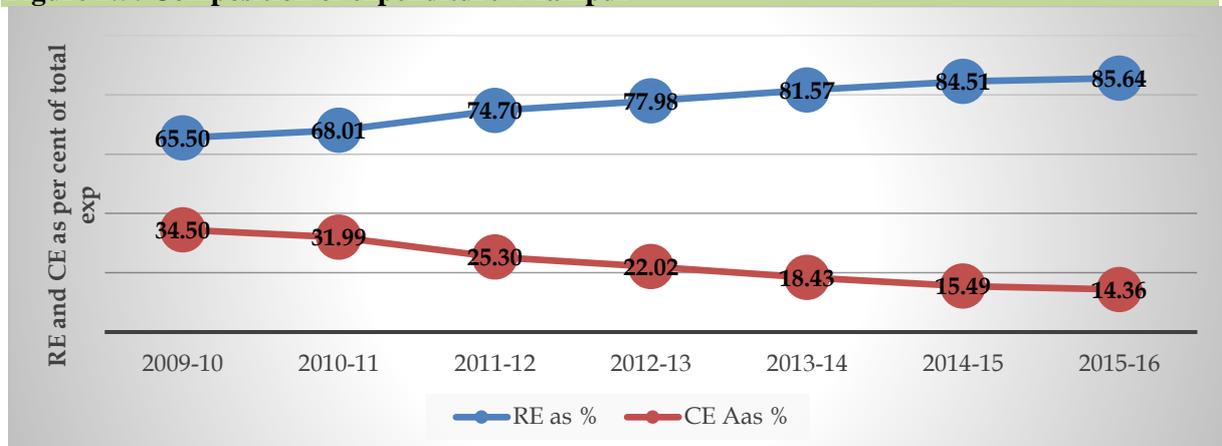
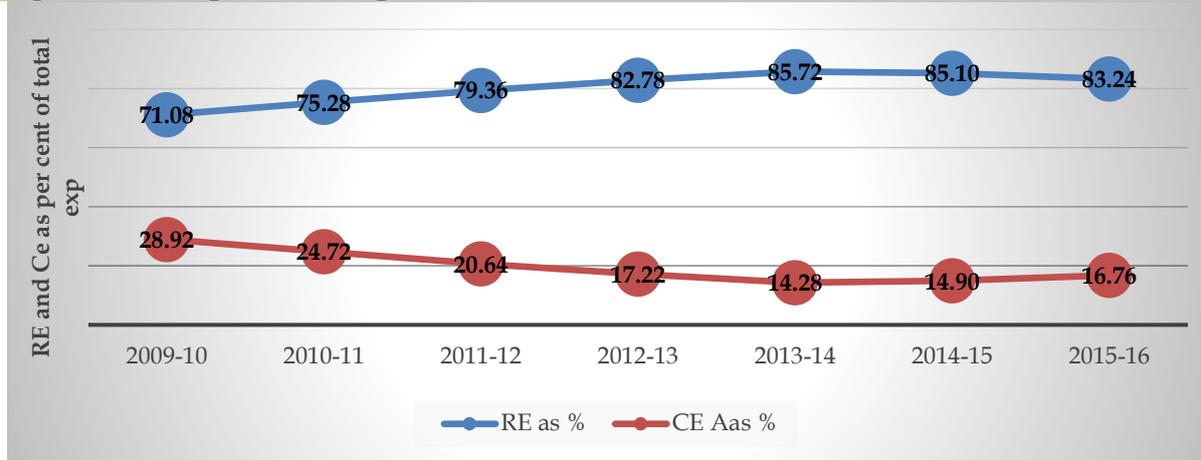


Figure 2.5: Composition of expenditure- Jammu and Kashmir



2.20 Odisha, Gujarat, Bihar, Tripura, Uttar Pradesh and Rajasthan have been exceptions. In Odisha share of RE declined by 5.4 percentage points from 87.13per cent in 2009-10 to 77.48 per cent in 2015-16. Capital expenditure increased consistently from 12.57per cent in 2009-10 to 22.52 per cent in 2015-16. In Gujarat share of RE has declined by 5.95 percentage points from 85.80 per cent in 2009-10 to 79.85per cent in 2015-16. Share of CE in total expenditure rose by 5.95 percentage points from 14.11per cent to 20.15per cent during this period. However CE declined marginally by 1.65 percentage points in 2015-16 as compared to the previous year. In Uttar Pradesh share of RE declined marginally from 78.08 per cent of total expenditure in 2009-10 to 76.76 per cent in 2015-16, while share of capital expenditure increased from 21.92 per cent to 23.24 per cent during this period. However in Uttar Pradesh there was rise in RE during 2010-11 to 2012-13, after there was steady decline in RE. In Rajasthan share of RE in total expenditure declined from 87.62 per cent in 2009-10 to 82.85 per cent in 2015-16 and share of CE increased from 11.3 per cent to 17.15 per cent during this period.

Figure 2.6: Composition of expenditure- Rajasthan

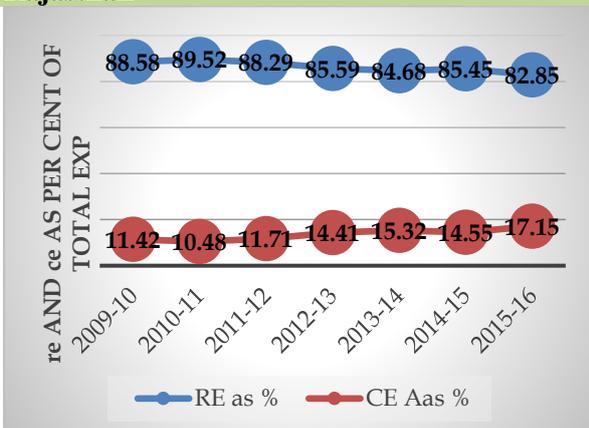
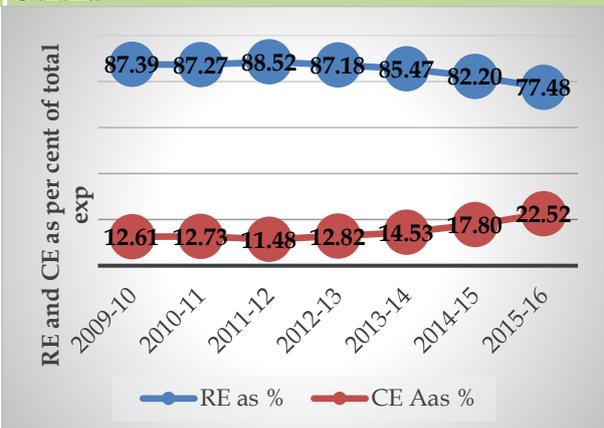


Figure 2.7: Composition of expenditure - Odisha



2.21 In West Bengal share of CE in total expenditure has consistently increased from 4.90 per cent in 2010-11 to 9.46 per cent in 2015-16. In Punjab, Kerala and Assam RE has accounted for more than 90 per cent of expenditure. In Punjab and Assam there has been a consistent rise in the share of RE in total expenditure. However in Kerala RE has declined and CE has increased by 3.1 percentage points in 2015-16 as compared to 2014-15.

Figure 2.6: Composition of expenditure- Assam

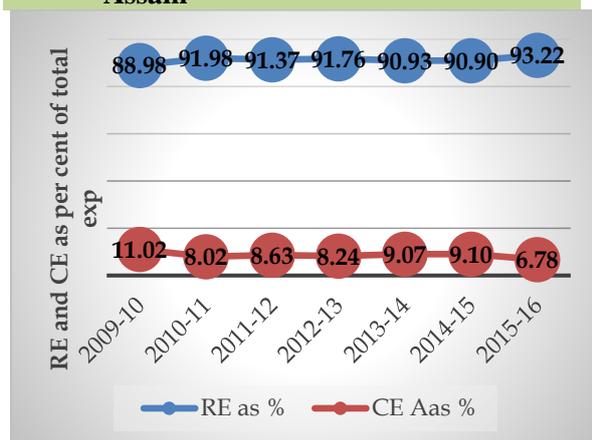
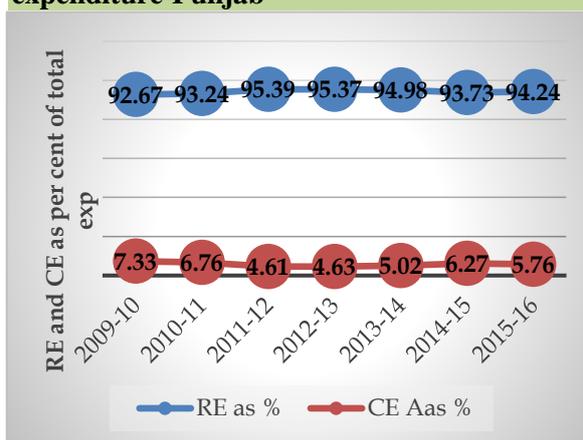


Figure 2.7: Composition of expenditure-Punjab



Growth of Revenue Expenditure

2.23 Rates of growth of Revenue expenditure have varied across States. Rate of growth rate of revenue expenditure in 2015-16 has been lower than 2014-15 in all states except Haryana, Jammu and Kashmir, Madhya Pradesh, Odisha and Uttar Pradesh. In Jammu and Kashmir and Uttar Pradesh growth rate in 2015-16 was almost three times that of 2014-15.

2.24 The growth rate of revenue expenditure was negative in 2015-16 in Assam, Mizoram and Sikkim which means that total revenue expenditure declined in absolute terms in 2015-16 as compared to the earlier year in these States.

2.25 There has been volatility in growth rate in respect of Arunachal Pradesh, Assam, Gujarat, Himachal Pradesh, Jharkhand, Manipur, Mizoram, Nagaland, Punjab and Sikkim.

Table 2.10: Annual Growth Rate of Revenue Expenditure of States

States	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Andhra Pradesh ²	23.8	15.1	13.6	7.5	-28.0	20.7
Arunachal Pradesh	1.3	18.0	8.3	19.7	24.9	16.9
Assam	8.1	15.6	9.8	9.8	22.2	-5.3

²Financial Year for 2014-15 was for 10 months from 2 June, 2014 to 31 March, 2015.

States	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Bihar	17.3	21.7	17.1	14.7	16.2	15.2
Chhattisgarh	12.1	16.9	19.2	21.8	20.4	10.5
Gujarat	18.1	4.0	16.6	8.0	15.1	10.5
Haryana	12.1	13.1	18.9	10.0	17.3	20.6
Himachal Pradesh	25.1	-0.3	16.4	7.3	14.0	12.7
Jammu and Kashmir	20.5	22.8	10.7	7.7	8.4	24.2
Jharkhand	18.6	17.0	11.5	0.3	35.5	15.0
Karnataka	13.7	20.5	17.2	16.9	16.2	12.9
Kerala	11.3	32.8	16.2	13.1	18.6	9.7
Madhya Pradesh	25.4	17.1	19.5	11.0	17.9	21.1
Maharashtra	12.2	16.1	12.3	11.7	14.6	7.2
Manipur	35.3	22.8	6.2	7.6	27.1	1.6
Meghalaya	26.1	20.5	3.4	11.0	12.6	1.5
Mizoram	20.5	13.5	22.0	9.1	15.0	-1.4
Nagaland	28.8	16.4	14.9	2.7	17.6	12.1
Odisha	16.1	18.0	10.3	19.3	12.1	15.0
Punjab	20.0	0.5	19.4	5.5	11.9	7.4
Rajasthan	11.8	19.6	18.3	19.0	25.2	12.4
Sikkim	6.2	11.1	-6.7	14.8	7.9	-2.3
Tamil Nadu	22.8	15.0	15.8	13.1	17.3	9.4
Tripura	3.5	10.3	8.4	14.1	25.1	5.7
Uttar Pradesh	20.5	15.1	13.6	12.4	8.1	24.4
Uttarakhand	9.0	11.7	7.6	16.2	30.5	9.1
West Bengal	10.3	13.6	12.0	7.5	12.9	14.6
Telangana ³						

Major Components of Revenue Expenditures of States

2.26 The government incurs revenue expenditure for the normal day to day running of their departments and committed liabilities like interest charges on its incurred debt, pension, salary, subsidies, etc. Revenue expenditure is an expenditure that does not normally result in creation of assets.

2.27 As in the case of Union Government, an important component of revenue expenditures of States is interest payment. Interest payments are committed expenditures. Total interest payments by all state governments combined during the period under review increased by 71 per cent from Rs. 1,12,411.37 crore in 2009-10 to Rs. 1,92,453.70 crore in 2015-16. Share of interest in total RE was highest in West Bengal (20.8 per cent), followed by Punjab (19.2 per cent) and Gujarat (17.2 per cent).

³ Financial Year for 2014-15 was for 10 months from 2 June, 2014 to 31 March, 2015.

Table 2.11: Share of pensions, salary and interest payment as percent of revenue expenditure in states in 2015-16

State	Salary		Pension		Interest	
	Amount (in crores)	as % of RE	Amount (in crores)	as % of RE	Amount (in crores)	as % of RE
Andhra Pradesh	18941.48	19.7	11248.66	11.7	9848.49	10.3
Arunachal Pradesh	3098.2	37.0	555.25	6.6	415.64	5.0
Assam	17539.1	47.4	5985.23	16.2	2618.44	7.1
Bihar	14923.73	17.8	11850.36	14.2	7097.69	8.5
Chhattisgarh	10298.50	23.6	3518.58	8.1	2148.91	4.9
Gujarat	7806.43	8.2	9962.73	10.4	16300.13	17.0
Haryana	8194.04	13.8	5413.28	9.1	8284.05	14.0
Himachal Pradesh	7950.27	35.6	3836.44	17.2	3154.99	14.1
Jammu and Kashmir	15038.33	41.3	3781.37	10.4	3719.34	10.2
Jharkhand	8218.46	22.5	3990.01	10.9	3320.08	9.1
Karnataka	5453.74	4.7	11250.80	9.6	10746.37	9.2
Kerala	23524.42	29.9	13062.86	16.6	11110.62	14.1
Madhya Pradesh	19390.23	19.4	7818.69	7.8	8090.88	8.1
Maharashtra	41254.33	21.7	15336.45	8.1	25771.41	13.5
Manipur	2853.39	38.7	920.17	12.5	516.23	7.0
Meghalaya	2130.25	33.6	589.44	9.3	465.88	7.3
Mizoram	2201.39	39.5	616.30	11.1	369.27	6.6
Nagaland	3688.50	48.6	1028.80	13.6	586.45	7.7
Odisha	13777.07	23.4	6346.22	10.8	3343.29	5.7
Punjab	17163.32	34.3	7832.83	15.6	9781.77	19.5
Rajasthan	25424.06	23.9	10864.03	10.2	12008.3	11.3
Sikkim	1357.66	37.3	402.35	11.0	262.07	7.2
Tamil Nadu	15648.34	11.1	17235.25	12.2	17391.01	12.3
Telangana	14730.57	19.4	8217.24	10.8	729.39	1.0
Tripura	3628.51	46.1	1025.31	13.0	729.39	9.3
Uttar Pradesh	39914.82	18.8	24149.57	11.4	2971.11	1.4
Uttarakhand	3764.32	16.3	2627.82	11.4	2405.61	11.4
West Bengal	12188.30	10.3	12860.31	11.7	7557.54	6.4

Capital Expenditure

2.28 Assam, Manipur, Meghalaya, Mizoram, Punjab, Sikkim and Uttarakhand registered negative growth rate in capital expenditure in 2015-16 indicating that quantum of capital expenditure has declined in 2015-16 in these states as compared to the previous year. In Chhattisgarh, Gujarat, Himachal Pradesh, Karnataka, Tripura, Uttar Pradesh and West Bengal the growth rate of capital expenditure declined in 2015-16 as compared to 2014-15. Growth rate of capital expenditure in 2015-16 was more than double the growth rate of the previous year in Arunachal Pradesh, Andhra Pradesh, Haryana, Jammu and Kashmir, Jharkhand,

Kerala, Madhya Pradesh, Maharashtra, Nagaland and Rajasthan, Haryana recorded the highest growth rate of capital expenditure at 85.9 per cent in 2015-16.

Table 2.12 : Growth Rate of Capital Expenditure

States	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Andhra Pradesh ⁴	-19.4	23.4	10.4	0.9	-25.4	24.3
Arunachal Pradesh	60.1	25.3	-41.6	39.2	-11.7	34.4
Assam	-23.9	25.2	4.4	21.9	22.7	-31.2
Bihar	25.4	-3.7	8.3	46.1	29.6	32
Chhattisgarh	7.5	37.4	21.3	-7.0	43.1	21.4
Gujarat	20.3	42.6	53.7	6.8	6.5	0.05
Haryana	-22.8	33.3	7.3	-31.7	-5.6	85.9
Himachal Pradesh	-7.9	1.2	8.0	-5.1	33.2	15.8
Jammu and Kashmir	-2.7	-2.7	-11.4	-13.7	13.9	42.8
Jharkhand	-1.4	18.6	33.5	11.9	17.4	47.2
Karnataka	10.0	16.1	-0.2	9.5	15.8	5.6
Kerala	63.3	14.5	19.5	-6.7	-0.9	76.3
Madhya Pradesh	11.0	2.9	27.7	-6.5	9.9	41.7
Maharashtra	3.1	-0.5	-2.7	15.1	-2.5	16.7
Manipur	20.8	-11.6	-11.4	-14.0	3.1	-7.1
Meghalaya	19.4	48.8	8.5	15.8	4.0	-0.7
Mizoram	7.3	-2.3	1.2	-1.3	54.7	-23.3
Nagaland	13.5	11.3	0.5	-3.8	-15.2	3.5
Odisha	17.5	4.9	25.0	38.0	42.8	54.3
Punjab	10.0	-33.0	19.9	14.9	41.7	-1.9
Rajasthan	1.5	35.6	50.1	27.9	17.8	36.5
Sikkim	-30.4	36.5	36.8	8.3	7.5	-35.4
Tamil Nadu	45.1	31.4	-10.8	17.9	3.7	6.7
Telangana ⁵						62.3
Tripura	-20.6	32.0	6.2	10.6	72.6	12.6
Uttar Pradesh	-19.2	6.4	10.5	37.9	62.2	20.9
Uttarakhand	12.6	24.9	52.9	4.8	33.1	-14.6
West Bengal	-26.1	24.2	64.5	52.3	42.6	25.7

Analysis of Sectoral Expenditure of States

2.29 Services provided by the government are grouped under three broad categories- general, social and economic services.

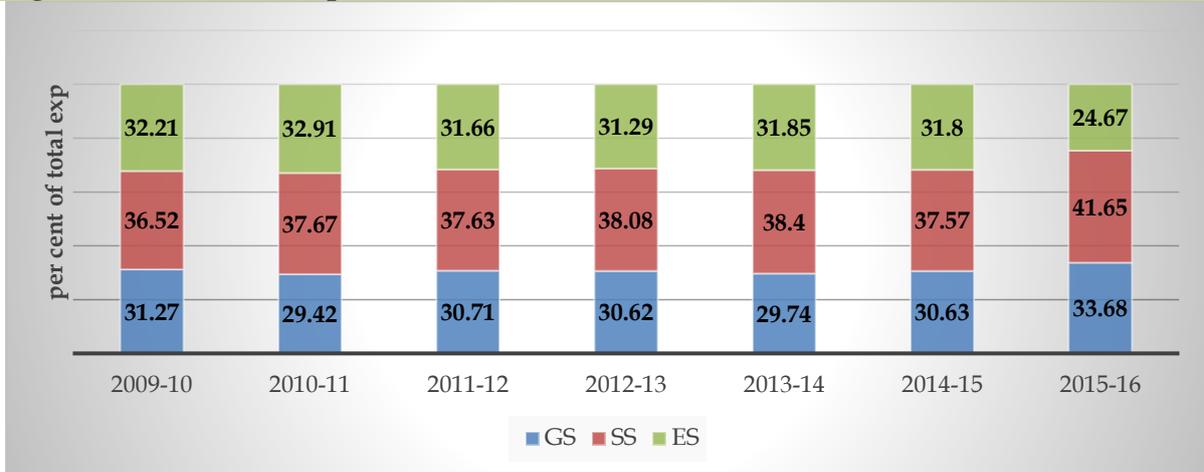
2.30 Share of expenditure in General, Social and Economic sectors of all states taken together have remained by and large constant during 2009-10 to 2014-15 although the share of social sector has consistently remained higher than the other two sectors as shown in Fig

⁴ Financial Year for 2014-15 was for 10 months from 2 June, 2014 to 31 March, 2015

⁵ Financial Year for 2014-15 was for 10 months from 2 June, 2014 to 31 March, 2015

2.31 However in 2015-16 share of spending in economic sector has declined by 7.13 percentage points and that of social sector spending has increased by 4.08 percentage points.

Figure 2.10: Sectoral expenditure of States



2.31 Salaries account for a large portion of social sector spending. Hence increase in share of social services expenditure does not, therefore, necessarily represent any betterment in the supply of merit goods and services like health and education. States' spending on health and education is examined in the next section.

2.32 Share of expenditure in General sector was highest amongst the three sectors in Punjab, Kerala, Sikkim, Himachal Pradesh, Manipur, Nagaland and Jammu and Kashmir during 2015-16. This was largely due to high spending on pension and interest payments. In Kerala, Punjab and Himachal Pradesh pension payments was higher than the all-India average of 11percent of total revenue expenditure. Pension payments accounted for nearly 16.6per cent of total revenue spending in Kerala, 15.6per cent in Punjab and 17.2per cent in Himachal Pradesh. In Sikkim salarypayments were largely responsible for high spending in the General sector.

2.33 Spending in the economic sector was lowest among the three sectors in Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Mizoram, Nagaland, Punjab, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand and West Bengal.

2.34 In Arunachal Pradesh, spending on economic services was highest among the three sectors during 2015-16.

2.35 Social sector spending was the dominant component of expenditure in Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra,

Meghalaya, Mizoram, Odisha, Rajasthan, Tamil Nadu, Tripura Uttar Pradesh, Uttarakhand and West Bengal.

2.36 However, expenditure on health, water supply and housing in these states has been low. In 2015-16 these states spent an average of 5 to 6 per cent of total revenue outlay on medical and public health, between 1 to 2 per cent on water supply and sanitation, and around 1 per cent on housing. Expenditure on education has varied between 15 to 20 per cent of total revenue expenditure with Assam and Bihar spending 29 per cent and 22 per cent of revenue outlay respectively on education.

Revenue Expenditure-Sectoral Analysis

2.37 Since revenue expenditure accounts for more than 75 per cent of total expenditure in all states, the sectoral break-up of revenue expenditure by and large follows the same pattern as sectoral break-up of total expenditure. Share of the social sector in total revenue expenditure is the highest followed by the General sector. Economic services have the lowest share although this has increased from 21.62 per cent in 2009-10 to 25.27 per cent in 2014-15. However its share declined to 24.90 per cent in 2015-16.

2.38 Although the above sectoral break-up applies to almost all states, in Himachal Pradesh, Jammu and Kashmir, Kerala, Manipur, Nagaland, Punjab, Sikkim, revenue expenditure has been the highest in the General sector. This was followed by the share of the Social Sector.

2.39 Share of the economic sector in total revenue expenditure has shown a rising trend during the period 2009-10 to 2015-16 in Arunachal Pradesh, Bihar, Chhattisgarh, Karnataka, Odisha, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, and West Bengal. In Jharkhand share of economic sector showed a rising trend till 2014-15 after which its share declined in 2015-16. In Manipur share of economic sector spending has shown a rising trend since 2013-14.

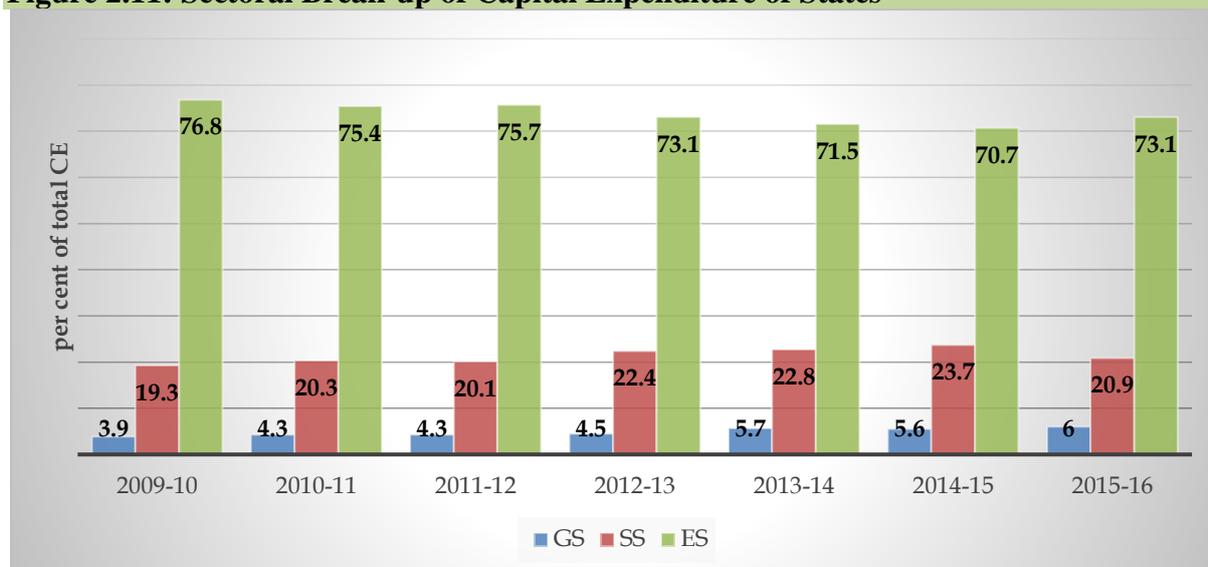
Share of Social Sector in total Revenue Expenditure in 2015-16	
More than 40 per cent	Andhra Pradesh, Assam, Bihar, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand, West Bengal, Telangana
Between 30 to 40 per cent	Arunachal Pradesh, Chhattisgarh, Haryana, Himachal Pradesh, Jammu and Kashmir, Kerala, Meghalaya, Mizoram, Punjab, Sikkim
Between 20 to 30 per cent	Manipur, Nagaland

Share of Economic Sector in total Revenue Expenditure in 2015-16	
Between 30 to 40 per cent	Arunachal Pradesh, Chhattisgarh, Haryana, Jammu and Kashmir, Karnataka, Manipur, Odisha, Rajasthan, Sikkim
Between 20 to 30 per cent	Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Meghalaya, Mizoram, Nagaland, Tamil Nadu, Uttar Pradesh, West Bengal, Telangana
Less than 20 per cent	Assam, Kerala, Punjab, Uttarakhand

Capital Expenditure-Sectoral Analysis

2.40 Contrary to the sectoral break-up of revenue expenditure where social sector accounts for the largest share, there is preponderance of the economic sector in total capital expenditure. However, during the period 2009-10 to 2015-16 there has been an increase in share of capital expenditure on general sector and social sector, while the share of economic sector has declined in all states taken as a whole. Share of general sector has risen from 3.1 per cent per cent of total capital expenditure in 2009-10 to 6 per cent in 2015-16. Share of social sector has risen from 19.3 per cent of total capital expenditure in 2009-10 to 20.9 per cent in 2015-16, while share of economic sector has declined from 76.8 per cent of total capital expenditure in 2009-10 to 73.1 per cent in 2015-16.

Figure 2.11: Sectoral Break-up of Capital Expenditure of States



2.41 There are variations in sectoral allocation of capital expenditure across states. Share of general sector in total capital expenditure was below 10 per cent in all states except

Arunachal Pradesh, Bihar, Jammu and Kashmir, Manipur and Sikkim during 2015-16. In these states share of general sector has been between 10 and 20 per cent of total capital expenditure. Share of economic sector in total capital expenditure has increased in Rajasthan (from 51.3 per cent in 2009-10 to 70.7 per cent in 2015-16), Jharkhand (from 65.3 per cent in 2009-10 to 80.5 per cent in 2015-16), Odisha (from 79.7 per cent in 2009-10 to 80.4 per cent in 2014-15), Punjab (from 61.9 per cent in 2009-10 to 64.6 per cent in 2015-16), Kerala (from 79.1 per cent in 2009-10 to 82.8 per cent in 2015-16), Tripura (from 50.4 per cent to 73.5 per cent in 2015-16), Nagaland (from 51.6 per cent in 2009-10 to 62.9 per cent in 2015-16) and Chhattisgarh (from 68 per cent to 72.7 per cent). In Meghalaya capital expenditure on economic sector started increasing from 2013-14.

Share of Economic Sector in total capital expenditure in 2015-16	
80 to 90 per cent	Andhra Pradesh, Jharkhand, Kerala, Maharashtra, Odisha, Telangana
70 to 80 per cent	Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Madhya Pradesh, Rajasthan, Tripura, Uttar Pradesh, Uttarakhand
60 to 70 per cent	Arunachal Pradesh, Himachal Pradesh, Karnataka, Meghalaya, Mizoram, Nagaland, Tamil Nadu
50 to 60 per cent	West Bengal, Manipur, Sikkim
Below 50 per cent	Jammu and Kashmir

2.42 There has been significant decline in capital expenditure in the economic sector in 2015-16 as compared to 2009-10 in Andhra Pradesh (94.7 per cent to 69.6 per cent), West Bengal (65 per cent to 57 per cent), Arunachal Pradesh (79 per cent to 62 per cent), Jammu and Kashmir (70 per cent to 48.4 per cent), Uttarakhand (86.8 per cent to 76.9 per cent), Manipur (58.3 per cent to 55.5 per cent), Assam (80 per cent to 75 per cent), Uttar Pradesh (78.8 per cent to 73.7 per cent), Madhya Pradesh (83.6 per cent to 78.8 per cent) and Bihar (80.9 per cent to 73.5 per cent).

2.43 In Rajasthan, Punjab, Manipur and Jammu and Kashmir there have been wide fluctuations in the sectoral share of capital expenditure. In Andhra Pradesh, there has been changes in the sectoral share since 2013-14.

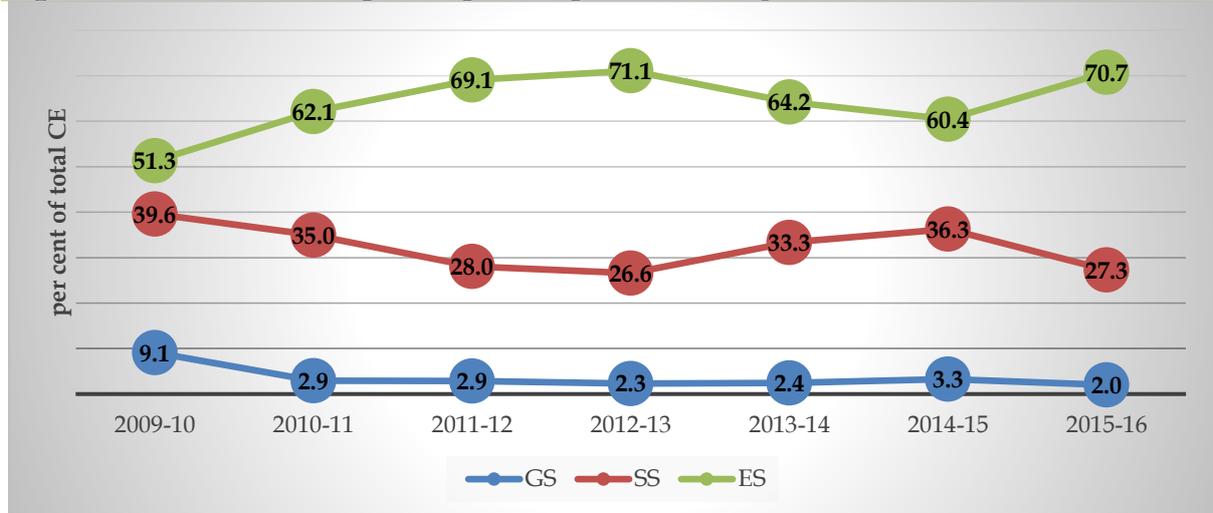
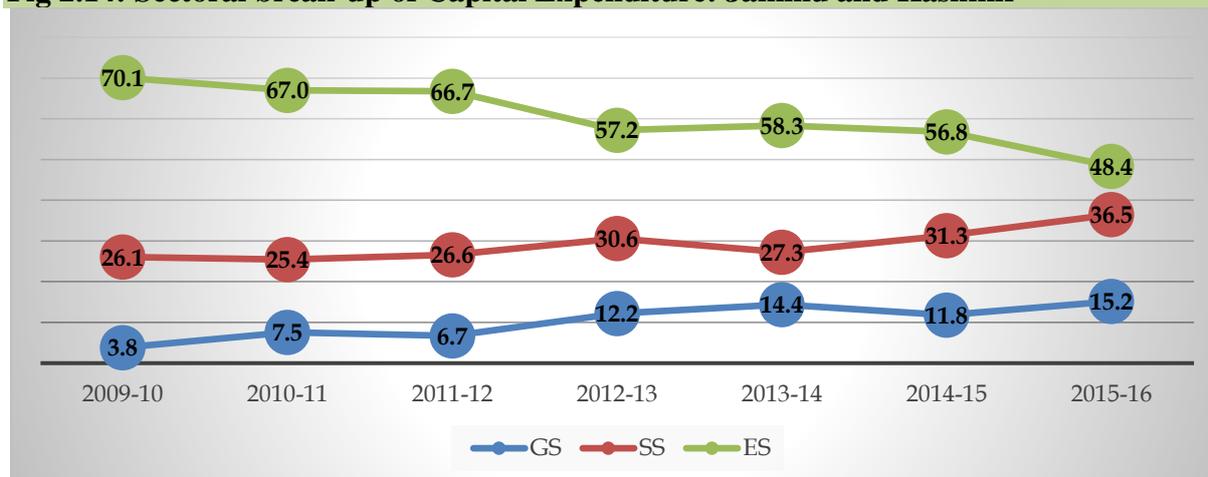
Fig 2.12: Sectoral break-up of Capital Expenditure: Rajasthan**Fig 2.13: Sectoral break-up of Capital Expenditure: Punjab****Fig 2.14: Sectoral break-up of Capital Expenditure: Manipur**

Fig 2.14: Sectoral break-up of Capital Expenditure: Jammu and Kashmir

2.44 Share of social sector in total capital expenditure has declined in 2015-16 as compared to 2014-15 in Haryana (23.4 per cent), Meghalaya (20.3 per cent), Tripura (16.9 per cent), Manipur (30 per cent), Mizoram (33 per cent).

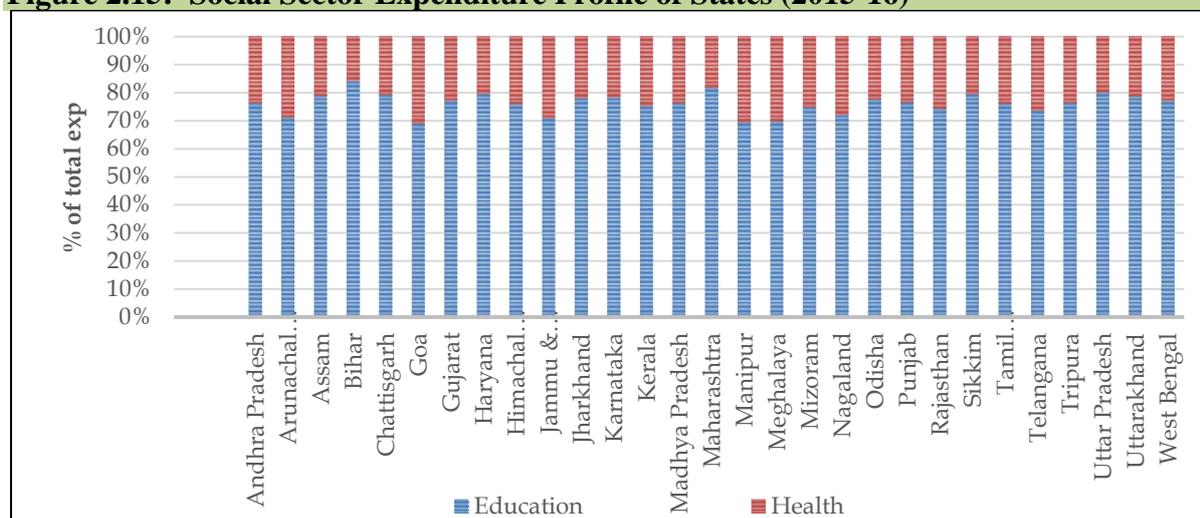
Share of Social Sector in total capital expenditure in 2015-16	
Above 30 per cent	Manipur, Sikkim, West Bengal, Jammu and Kashmir
25 to 30 per cent	Gujarat, Himachal Pradesh, Karnataka, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Tamil Nadu
20 to 25 per cent	Arunachal Pradesh, Assam, Chhattisgarh, Haryana, Tripura, Uttarakhand
15 to 20 per cent	Andhra Pradesh, Madhya Pradesh, Odisha, Telangana, Uttar Pradesh
10 to 15 per cent	Bihar, Jharkhand, Kerala, Maharashtra

Social Sector Expenditure of States

2.45 Expenditure on health and family welfare, education, drinking water and sanitation and housing as percentage of total spending during 2010-11, 2012-13, 2014-15 and 2015-16 is depicted in Table 2.16. In Haryana, Rajasthan, Uttarakhand and West Bengal there has been consistent decline in share of spending on these sectors. In Arunachal Pradesh, Assam, Chhattisgarh, Jammu and Kashmir, Meghalaya, Mizoram, Nagaland, Odisha, Punjab, Sikkim, Tripura and Uttar Pradesh share of spending on these sectors has shown an increase during this period.

Table 2.13: Expenditure on Health, Education, Drinking Water and Housing as per cent of total expenditure during 2010-11, 2012-13, 2014-15 and 2015-16

State	2010-11	2012-13	2014-15	2015-16
Andhra Pradesh	20.06	19.84	19.39	24.33
Arunachal Pradesh	19.02	21.07	23.67	24.99
Assam	33.39	31.22	35.08	41.12
Bihar	24.65	28.46	25.52	28.78
Chhattisgarh	25.24	23.28	28.45	29.01
Gujarat	24.73	23.76	25.22	26.48
Haryana	26.47	24.21	26.32	23.37
Himachal Pradesh	29.78	30.41	30.17	28.51
Jammu and Kashmir	21.32	20.68	22.79	25.51
Jharkhand	25.13	22.08	22.57	25.60
Karnataka	23.35	23.85	23.13	25.25
Kerala	25.03	24.73	23.53	24.67
Madhya Pradesh	22.36	21.53	25.40	24.65
Maharashtra	27.65	27.64	26.07	28.75
Manipur	20.94	18.96	23.33	20.41
Meghalaya	27.30	26.89	29.11	30.93
Mizoram	24.04	24.12	26.13	29.18
Nagaland	20.84	20.61	22.84	23.01
Odisha	25.78	23.07	24.66	27.92
Punjab	16.92	22.37	22.11	23.74
Rajasthan	30.35	26.75	29.25	28.78
Sikkim	24.69	26.51	27.10	28.19
Tamil Nadu	25.88	23.91	24.35	24.67
Telangana				20.25
Tripura	24.48	25.38	26.18	29.04
Uttar Pradesh	22.75	25.17	24.51	26.77
Uttarakhand	32.30	30.99	29.14	28.80
West Bengal	27.96	26.27	25.80	23.85

Figure 2.15: Social Sector Expenditure Profile of States (2015-16)

2.46 Education accounted for the biggest component of expenditure in all states followed by health. Assam had the highest share (28.7 per cent of total revenue expenditure) followed by Maharashtra (22.8 per cent) and Bihar (22.8 per cent). In all states expenditure on health was less than 10 per cent of total revenue expenditure. Expenditure on water supply was less than 5 per cent of total revenue expenditure in all states. Arunachal Pradesh had the highest allocation (4.4 per cent of revenue expenditure) in 2015-16. Housing accounted for less than 3 per cent of total expenditure except Karnataka where it accounted for 3.1 of total revenue expenditure.

Subsidies

2.47 A subsidy is a form of financial aid or support extended to any activity generally with the aim of promoting economic and social policy.

2.48 Subsidies account for a significant share of government expenditures and are generally advocated when the social benefits of a particular service or commodity extend beyond the immediate beneficiaries. Examples of activities with such extended benefits are health, basic education, sanitation, and protection of environment. Because of the gap between the private valuation of the benefits of such services and their true value to society, normal market mechanisms do not adequately ensure an appropriate spread of such services. In such cases, subsidies provide the necessary corrective.

2.49 Subsidies provide economic benefits (such as tax rebate or tax waiver) or financial aid (such as a cash grant or soft loan) to reduce the market price of an item below its cost of production. The general impact of a subsidy is to lower the price of a commodity or service since the government bears the extra cost. The government could provide subsidy to the consumer or the producer or it could provide a service subsidy on the inputs going in to the production of a commodity.

Expenditure on Subsidies of the Union

2.50 The bulk of expenditure under subsidies is towards food, fertilizer and petroleum subsidies. The total expenditure on subsidy has increased marginally by 1.5 per cent from Rs 254745 crores in 2013-14 to Rs 258471 crores in 2015-16. Subsidies on food and urea grew by 52 per cent and 33 per cent respectively over this period. Subsidies on petroleum witnessed negative growth of 50 per cent in 2015-16 over the previous year. The share of expenditure on subsidies in total revenue expenditure of the Union had gone up from 12.27

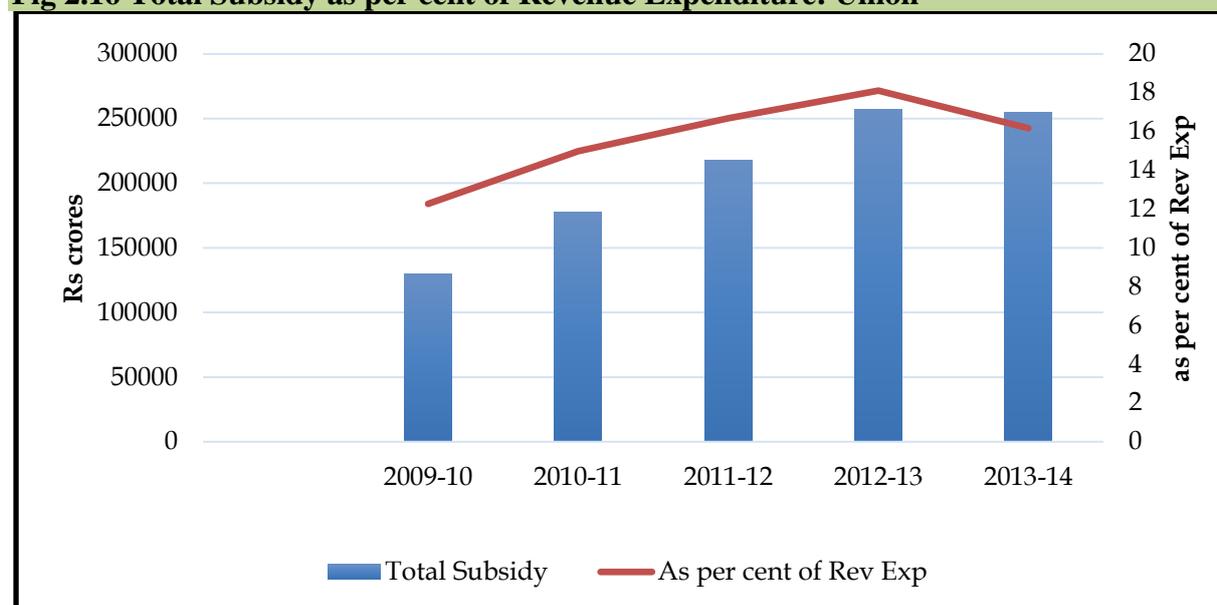
per cent in 2009-10 to 18.11 per cent in 2012-13. This has declined to 16.17 per cent in 2013-14, 15.24 per cent in 2014-15 and further to 14.52 per cent in 2015-16.

Table 2.14: Expenditure on Subsidies of the Union

Year	Food (Rs in crores)	Fertiliser (Urea) (Rs in crores)	Fertiliser (Decontrolled) (Rs in crores)	Petroleum (Rs in crores)	Others (Rs in crores)	Total Subsidy(Rs in crores)	As per cent of Rev Exp
2009-10	58443	22184	39452	2951	6692	129722	12.27
2010-11	63844	24337	41500	38371	9695	17747	14.99
2011-12	728.22	33924	36108	68481	6567	217902	16.69
2012-13	85000	35132	30576	96880	9591	257179	18.11
2013-14	92000	38038	29427	85378	9902	254745	16.17
2014-15	117671	50423	20667	60269	9269	258299	15.24
2015-16	139419	50478	21938	29999	16637	258471	14.52

Source: Report of the CAG on Union Finance Accounts

Fig 2.16 Total Subsidy as per cent of Revenue Expenditure: Union



Growth of Subsidies in States

2.51 Expenditure on subsidies have increased in absolute terms and as percentage of revenue expenditure in all states during the period 2009-10 to 2015-16. However share of expenditure on subsidies in total revenue expenditure has varied across states. States fall into the following broad categories depending on the share of subsidies in total revenue expenditure.

Expenditure on Subsidies as per cent of Revenue Expenditure	States
< 1 per cent	Arunachal Pradesh, Assam, Jammu and Kashmir, Mizoram, Sikkim, Uttarakhand
1 to 5 per cent	Jharkhand, Kerala, Manipur, Meghalaya, Odisha, Uttar Pradesh, West Bengal
5 to 10 per cent	Andhra Pradesh, Gujarat, Himachal Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Telangana
10 to 15 per cent	Bihar, Chhattisgarh, Haryana, Karnataka, Madhya Pradesh, Punjab

Sectoral Analysis of Subsidies of States:

2.52 Share of economic sector has been the highest in almost all states ranging from 28.20 per cent of total subsidies in West Bengal to 99.9 per cent in Sikkim during 2015-16. The share of economic sector has shown a rising trend in all states except Mizoram, Bihar, and Gujarat. In Arunachal Pradesh, Assam, Jharkhand, Mizoram, Sikkim, Tripura and Uttarakhand there were no subsidies in general and social sectors.

2.53 All states except Maharashtra, Meghalaya, Madhya Pradesh and Tamil Nadu had little or no subsidies in the general sector. In Maharashtra subsidies on general sector accounted for 8 to 10 per cent of total subsidies during 2009-10 to 2015-16 although there was a fall by 26.9 per cent in this component in 2015-16 as compared to the previous year.

2.54 Subsidies on the social sector was high in Andhra Pradesh (38.7per cent), West Bengal (71.8 per cent), Odisha (28.9 per cent), and Telangana (19.4 per cent) during 2015-16. In West Bengal social sector subsidies increased sharply from 55 per cent of total subsidies in 2014-15 to nearly 72 per cent in 2015-16. In Odisha social sector subsidies increased from 14.8 per cent in 2014-15 to nearly 28 per cent in 2015-16. Sectoral allocation of subsidies of few states are depicted below:

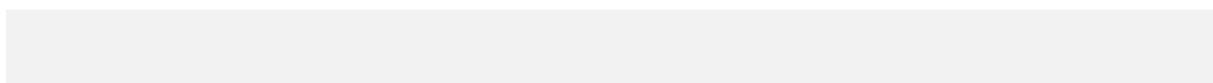


Fig 2.17: Sectoral Allocation of Subsidies: Karnataka



Fig 2.18: Sectoral Allocation of Subsidies: Gujarat



Fig 2.19: Sectoral Allocation of Subsidies: Punjab

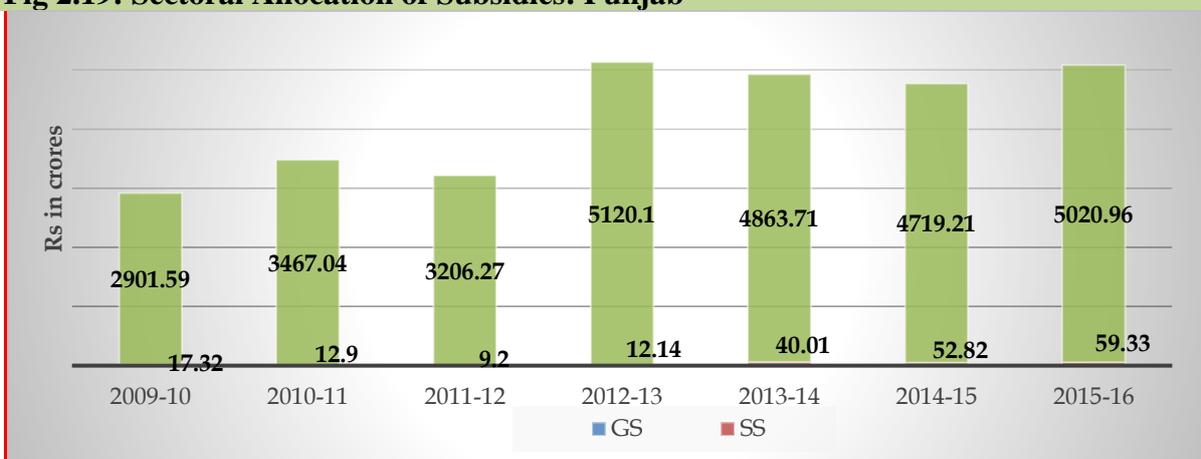


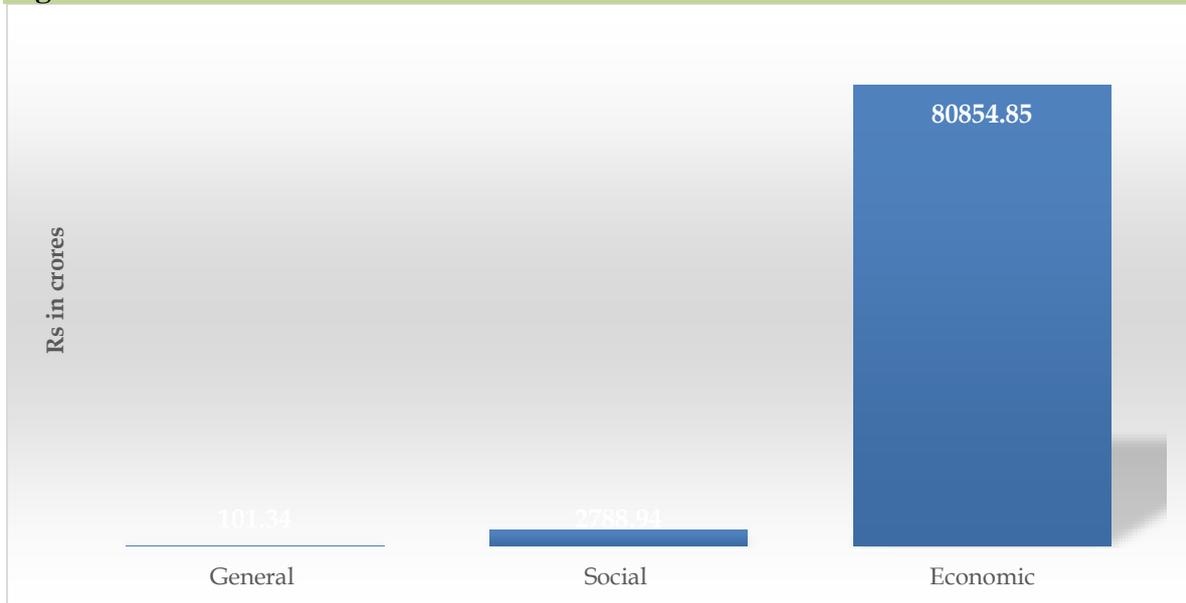
Fig 2.20: Sectoral Allocation of Subsidies: Madhya Pradesh



Loans and Advances

2.55 Loans and Advances are disbursed by state governments to government corporations, non-government institutions, local bodies and others. Disbursements to the General sector have been nil in almost all states during 2015-16. Over 96.5 per cent of loans were disbursed to Economic sector, followed by the Social sector (3.3 per cent).

Figure 2.21: Loans and Advances of States



Management of Fiscal Imbalances

Trend of Revenue Deficit and Fiscal Deficit of the Union and States during 2009-10 to 2015-16 have been examined. Composition of fiscal deficit and sources of borrowing by the Union and States have also been looked into. In the backdrop of the fact that almost all states have passed Financial Responsibility Legislation, their fiscal consolidation efforts and whether they are on course to achieve the FRBM targets and sustain their fiscal consolidation in the long run have been examined.

3.1 The annual budget indicates three types of deficits, viz., revenue, fiscal and primary.

3.2 Revenue Deficit (RD) refers to the excess of revenue expenditure over revenue receipts. It indicates the extent to which revenue expenditure is met out of borrowed funds and represents shift to present consumption.

3.3 Fiscal Deficit of the government is the excess of its total expenditure including loans net of recovery over revenue receipts and non-debt capital receipts.

3.4 Primary deficit is measured by subtracting the interest payments from fiscal deficit. It is a measure of current year's fiscal operation after excluding the liability of interest of the past.

Deficits: Scenario of Union Govt 2015-16

3.5 Table 3.1 presents the break-up of the deficit during 2015-16. There was a deficit in the CFI amounting to Rs. 6204.04 crore and in the Public Account amounting to Rs 6966.03 crore. Fiscal deficit at Rs 585496.79 crore amounted to 4.3 percent of the GDP¹. Revenue deficit was Rs 343368.56 crore amounting to 2.5 percent of the GDP. Revenue deficit was 58.6 percent of fiscal deficit. Thus, not only fiscal deficit was unduly high, it was necessitated for the wrong reasons, as borrowing was mostly for current use.

3.6 Proper management of fiscal imbalance requires consideration of some important facets of fiscal deficit. Short-term imbalances result from cash flow mismatches between receipts and outflows. More important are the structural imbalances. Actual fiscal deficit may also have cyclical components that are expected to even out over a period. Structural imbalances,

¹ GDP at current prices with base year 2011-12.

however, are more difficult to overcome as they arise from structural features driving revenue receipts as well as expenditures.

Table 3.1 : Summary of Receipts and Disbursements (2015-16)

(Rs in crores)

Receipt	Amount		Disbursement	Amount
Consolidated Fund				
Revenue	1436160.45	Revenue deficit	Revenue	1779529.01
Miscellaneous capital receipts (including disinvestment)	42131.69			278866.36
Recovery of loans & advances	41878.38		Loans & advances disbursement	47271.94
Sub total CFI (other than public debt)	1520170.52		Sub total CFI (other than Public Debt)	2105667.31
Public debt	4316949.72	Fiscal deficit	Public debt repayment	3737656.97
Total (CFI)	5837120.24	A: Deficit in CFI	5843324.28	
		6204.04		
PUBLIC ACCOUNT				
Small savings, provident funds etc.	672456.12		Small savings, provident funds etc.	505401.60
Deposits and advances	181543.38		Deposits and advances	168082.11
Reserve funds	171716.98		Reserve funds	175038.97
Suspense & miscellaneous	2702.36		Suspense & miscellaneous	50151.09
Remittances	88273.01		Remittances	88872.39
Total Public Account	1116691.85	C: Deficit in Public Account:	1123657.88	
		6966.03		

Revenue Deficit of Union

3.7 Revenue deficit declined by 0.5 percentage points in 2014-15 as compared to the previous year. There has been a gradual decline in revenue deficit as per cent of GDP from 5.8 per cent in 2009-10 to 2.9 per cent in 2014-15.

Table 3.2 : Trends in Revenue Deficit and percentage of GDP

Year	Revenue Receipt	Revenue Expenditure	Actual Revenue Deficit	RD as % of GDP
2009-10	704523.03	1057479.24	352956.21	5.8
2010-11	932685.81	1186115.11	253429.30	3.5
2011-12	910277.17	1305195.14	394917.97	4.7
2012-13	1055891.01	1420472.70	364581.69	3.9
2013-14	1217794.22	1575096.55	357302.33	3.4
2014-15	1328908.96	1695136.79	366227.83	2.9
2015-16	1436160.45	1779529.01	343368.56	2.5

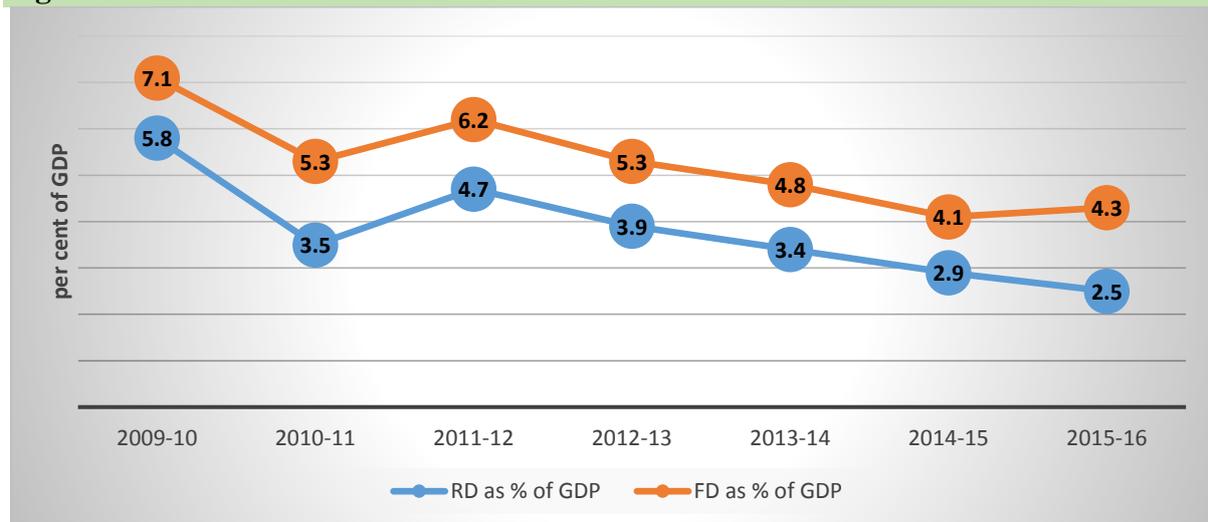
Fiscal Deficit of Union:

3.8 Fiscal deficit as a proportion of the GDP (Table 3) witnessed a sharp fall by 1.8 percentage points from 7.1 in 2009-10 to 5.3 in 2010-11 in terms of GDP. It rose again to 6.2 in 2011-12, which was brought down to 4.8 per cent of GDP in 2013-14 and further to 4.1 per cent in 2014-15. In 2015-16 there was a marginal increase to 4.3 per cent.

Table 3.3: Trends in Fiscal Deficit and percentage of GDP

Year	Fiscal Deficit (Rs in crores)	As % of GDP
2009-10	432443.23	7.1
2010-11	382642.67	5.3
2011-12	517881.31	6.2
2012-13	494513.27	5.3
2013-14	503229.91	4.8
2014-15	515947.89	4.1
2015-16	585496.79	4.3

Figure 3.1 : Revenue Deficit and Fiscal Deficit



Composition of Expenditure Financed by borrowing

3.9 Ideally, capital expenditure of the government should be financed from revenue surplus. If such a surplus is not available, fiscal deficit may be used for financing capital expenditure so that assets are created to match the addition to the liabilities.

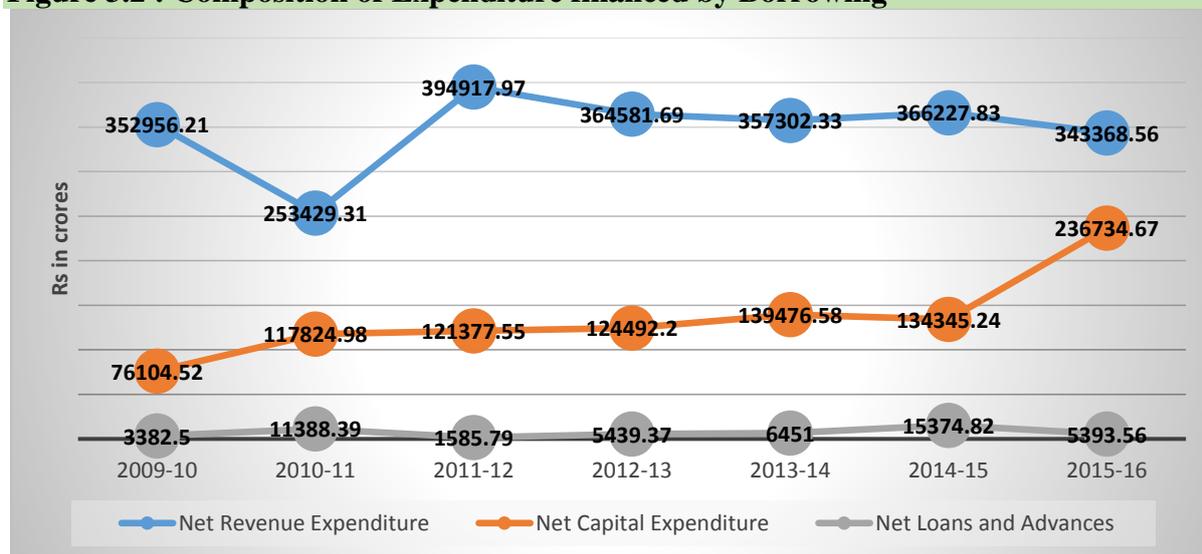
3.10 Table 3.4 indicates that major proportion of borrowed funds have been deployed for revenue expenditure. Revenue deficit accounted for around 81 per cent of fiscal deficit in 2009-10. However there has been a decline of around 23 percentage points in the share of revenue deficit in total fiscal deficit during the seven year period. Capital expenditure

financed by borrowed funds has gradually increased from 17.6 per cent in 2009-10 to 26 per cent in 2014-15 and further to 40.4 per cent in 2015-16.

Table 3.4: Composition of Expenditure Financed by borrowing

Year	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
2009-10	352956.21	81.6	76104.52	17.6	3382.5	0.8
2010-11	253429.31	66.2	117824.98	30.8	11388.39	3.0
2011-12	394917.97	76.3	121377.55	23.4	1585.79	0.3
2012-13	364581.69	73.7	124492.20	25.2	5439.37	1.1
2013-14	357302.33	71.0	139476.58	27.7	6451.00	1.3
2014-15	366227.83	70.9	134345.24	26.0	15374.82	3.1
2015-16	343368.56	58.6	236734.67	40.4	5393.56	0.9

Figure 3.2 : Composition of Expenditure financed by Borrowing



Achievement of FRBM Targets

3.11 The Fiscal Responsibility and Budget Management (FRBM) Act was enacted in August 2003 to provide for the responsibility of the Central Government to ensure fiscal discipline and long-term macro-economic stability. Some of the major targets FRBM Act were:

- Revenue Deficit to be not more than 2 per cent of GDP by 31 March 2015 which has been shifted to March 2018.
- Reduction of Fiscal Deficit by an amount equivalent to 0.5 per cent or more of the GDP beginning with the FY 2013-14 so that the FD is brought down to not more than 3 per cent of GDP by March 2017.

- The Government shall not assume additional liabilities (including external debt at current exchange rate) in excess of 9 per cent of GDP for the FY 2004-05 and in each subsequent financial year, the limit of 9 per cent of GDP shall be progressively reduced by at least one percentage point.

3.12 Revenue Deficit was above 2 per cent of GDP in each year during the period 2009-10 to 2015-16. The RD increased to 4.7 per cent in 2011-12 as compared to 3.5 per cent in 2010-11 due to rise in revenue expenditure by nearly 56 per cent from Rs 253429.31 crores in 2010-11 to Rs 394917.97 crore in 2011-12. Since then it has steadily declined from 3.9 per cent in 2012-13 to 3.4 per cent in 2013-14, 2.9 per cent in 2014-15 and 2.5 per cent in 2015-16.

3.13 Fiscal deficit has also steadily declined from 6.2 per cent of GDP in 2011-12 to 5.3 per cent in 2012-13, 4.1 per cent of GDP in 2014-15. This ratio rose marginally to 4.3 per cent in 2015-16. However it is still much higher than the targeted 3 per cent of GDP.

3.14 Going by the FRBM target of limiting additional liabilities to 9 per cent of GDP by 2004-05, and progressively reducing it by at least one percentage point in each subsequent year, by 2009-10 additional liabilities should not have exceeded 4 per cent of GDP. This target was achieved in all the years during the period 2009-10 to 2014-15. In 2015-16 incremental public debt was 4.3 of GDP.

Fiscal Imbalances in States

Revenue Deficit of States

3.15 Trends in Revenue Surplus(+) /Revenue Deficit (-) of states as percentage of their GSDP over the past seven years is given in table below:

Table 3.5: Revenue Deficit/Revenue Surplus as per cent of GSDP

Sl. No	State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1	Andhra Pradesh	0.45	0.77	0.87	0.27	0.07	-2.3	-1.2
2	Arunachal Pradesh	8.02	18.60	10.03	8.24	0.66	12.70	11.7
3	Assam	-1.40	0.05	0.74	1.12	0.14	-0.49	2.4
4	Bihar	1.81	3.10	1.98	1.74	1.87	1.45	3.0
5	Chhattisgarh	0.89	2.82	2.25	1.57	-0.44	-0.75	0.9
7	Gujarat	-1.62	-0.97	0.54	0.85	0.62	0.62	0.2
8	Haryana	-1.91	-1.05	-0.49	-1.30	-1.00	-1.91	-2.4
9	Himachal Pradesh	-1.67	-2.15	0.99	-0.78	-1.99	-2.03	1.0
10	Jammu and Kashmir	4.68	6.49	3.08	1.42	0.08	-0.44	-0.5

Sl. No	State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
11	Jharkhand	-0.01	0.66	1.05	0.90	3.71	- 0.12	1.7
12	Karnataka	0.48	1.02	1.03	0.36	0.06	0.08	0.2
13	Kerala	-2.17	-1.39	-2.57	-2.69	-2.85	- 3.06	-1.6
14	Madhya Pradesh	2.42	2.60	3.25	2.06	1.35	1.23	1.1
15	Maharashtra	-0.94	-0.06	-0.19	0.32	-0.34	- 0.72	-0.3
16	Manipur	10.40	14.80	5.83	11.84	10.92	4.53	4.5
17	Meghalaya	2.08	1.70	-1.05	2.82	3.26	0.70	2.6
18	Mizoram	4.96	-6.28	1.85	0.33	-1.48	- 1.36	8.3
19	Nagaland	4.44	6.91	5.13	3.84	4.21	4.42	2.2
20	Odisha	0.70	1.98	2.54	2.27	1.22	1.89	3.0
21	Punjab	-2.66	-2.34	-2.66	-2.60	-2.06	- 2.17	-2.1
22	Rajasthan	-1.79	0.31	0.81	0.73	-0.20	- 0.56	-0.9
23	Sikkim	8.42	1.88	4.97	7.46	7.02	5.04	26.4
24	Tamil Nadu	-0.74	-0.47	0.20	0.24	-0.21	- 0.71	-1.0
25	Telangana						0.09	0.04
26	Tripura	1.22	4.53	8.35	8.10	6.35	5.81	4.7
27	Uttar Pradesh	1.35	0.58	1.02	0.66	1.17	2.29	1.2
27	Uttarakhand	-1.66	-0.02	0.73	0.23	0.90	- 0.66	-1.0
28	West Bengal	-5.41	-3.75	-2.76	-12.76	-2.68	- 2.14	

3.16 Among the GCS Bihar, Karnataka, Madhya Pradesh, Odisha and Uttar Pradesh had revenue surplus in all the years. In Madhya Pradesh and Uttar Pradesh ratio of revenue surplus to GSDP declined by 0.13 and 1.09 percentage points percentage points respectively between 2014-15 and 2015-16. In Bihar, Karnataka, Odisha and revenue surplus as proportion of GSDP increased by 1.55, 0.12, and 1.11 percentage points respectively during this period. Gujarat had revenue deficit in 2009-10, but thereafter it had revenue surplus.

3.17 Haryana, Kerala, Punjab and West Bengal had revenue deficit in all the years. Revenue deficit was the highest in Haryana in 2015-16. The revenue deficit decreased by 3.27 percentage point of GSDP in West Bengal in 2014-15 as compared to 2009-10. In Haryana the revenue deficit increased by 0.5 percentage point of GSDP, while in Punjab and Kerala this ratio declined by 0.56 and 0.54 percentage points respectively during the seven year period.

3.18 Amongst the SCS, Arunachal Pradesh, Manipur, Nagaland, Sikkim and Tripura had revenue surplus in all the years during the seven year period. Uttarakhand had revenue deficit in four out of seven years. Jammu and Kashmir had revenue deficit in the two years. Assam which had a revenue deficit in 2014-15 had revenue surplus in 2015-16. Himachal Pradesh which had a revenue surplus in 2015-16.

Fiscal Deficit of States

Trends in FD as percentage of GSDP for GCS and SCS over the past seven years is given in table below:

Table 3.6: Fiscal Deficit as per cent of GSDP

	State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1	Andhra Pradesh	5.1	3.7	4.3	4.3	3.9	4.7	3.7
2	Arunachal Pradesh	5.7	0.28	9.19	1.96	11.9	(-)3.3	(-)1.0
3	Assam	4.21	1.77	1.31	1.1	2.4	3.0	(-)1.3
4	Bihar	3.2	2.0	2.4	2.3	2.4	2.8	2.9
5	Chhattisgarh	1.8	0.34	0.6	1.6	2.7	3.8	2.1
7	Gujarat	3.5	2.9	1.8	2.5	2.4	2.1	2.3
8	Haryana	4.5	2.8	2.4	3.0	2.1	2.9	2.9
9	Himachal Pradesh	5.7	4.4	2.5	4.0	2.0	4.4	1.9
10	Jammu and Kashmir	8.2	4.1	5.4	5.4	5.2	6.4	8.8
11	Jharkhand	3	1.7	1.4	2.2	1.3	3.3	4.8
12	Karnataka	3.2	2.6	2.7	2.8	2.9	2.9	2.6
13	Kerala	3.4	2.9	4.1	4.3	4.3	4.1	3.0
14	Madhya Pradesh	2.7	2.0	1.9	2.6	2.3	2.2	2.5
15	Maharashtra	3.1	1.8	1.7	1.0	1.8	1.9	1.4
16	Manipur	8.9	6.2	9.4	.01	1.9	3.7	1.7
17	Meghalaya	1.8	2.3	6.2	2.1	1.7	3.9	2.0
18	Mizoram	5.9	16	6.9	6.9	7.3	10.0	3.1
19	Nagaland	5	2.7	3.9	4.2	2.6	0.7	2.9
20	Odisha	1.4	0.3	0.3	0.01	1.7	1.8	2.1
21	Punjab	3.1	3.2	3.3	3.3	2.8	3.1	2.9
22	Rajasthan	3.9	1.2	0.9	1.8	2.9	3.3	3.4
23	Sikkim	2.8	4.3	2.0	0.6	0.4	1.9	3.1
24	Tamil Nadu	2.5	2.8	2.6	2.2	2.4	3.0	2.7
25	Telangana						2.2	3.2
26	Tripura	7.5	1.4	1.3	1.5	0.2	3.4	4.9
27	Uttar Pradesh	3.6	2.9	2.3	2.5	2.7	3.3	5.1
28	Uttarakhand	3.9	2.2	1.8	1.5	2.2	4.2	3.3

Note: GSDP of West Bengal has not yet been finalised for the new series with base year 2011-12 by CSO for 2015-16.

3.19 Fiscal Deficit as proportion of GSDP has decreased in Andhra Pradesh, Chhattisgarh, Haryana, (where it has remained constant), Karnataka, Maharashtra, Punjab, Tamil Nadu and Uttarakhand amongst GCS and Himachal Pradesh, Manipur, Meghalaya, Mizoram and Uttarakhand amongst SCS. Jammu and Kashmir, Jharkhand, Mizoram, Rajasthan, Sikkim, Telangana, Tripura, Uttar Pradesh and Uttarakhand have not managed to bring down fiscal deficit to below 3 per cent of GSDP as per target set by Fiscal Responsibility Budget Management (FRBM) Act and also as per XIII Finance Commission recommendations. Kerala had fiscal deficit equal to 3 per cent of GSDP in 2015-16. Arunachal Pradesh and Assam had fiscal surplus of 1 per cent and 1.3 per cent of GSDP in 2015-16.

3.20 However while reduction of FD may be desirable, it is important to examine whether this reduction has been achieved as a result of increase in receipts or by reduction in expenditure. In case of the latter, reduction may have been in revenue expenditure, or capital expenditure or a combination of both. It is desirable to achieve reduction in FD by compressing revenue expenditure which are incurred for meeting current consumption. In case reduction in FD has been achieved through compression in capital expenditure, it is not considered desirable since capital expenditure add to productive capacity of the economy.

Financing the Fiscal Deficit across states

3.21 States finance their FD by market borrowings, NSSF, loans from Central Government provident fund, etc. The sources of borrowing have also undergone a change during 2009-10 and 2015-16. State governments of GCS have been veering towards internal debt from the other two sources, viz., central loans and advances, and small savings and provident funds, etc. In SCS also the largest contributor of borrowings is internal debt. Its share in total debt has increased by nearly 8 percentage points in 2015-16 as compared to the previous year. Different sources of borrowing are summarized below:

Table 3.7 A: Composition of Sources of Borrowing: GCS

Year	Internal debt		GOI Loans and advances		Small savings provident fund, etc.	
	Amount (₹ in crores)	per cent of total borrowings	Amount (₹ in crores)	per cent of total borrowings	Amount (₹ in crores)	per cent of total borrowings
2009-10	1005221.53	76.5	135417.9	10.3	173546.34	13.2
2010-11	1123600.56	76.9	136789.02	9.4	199339.87	13.7
2011-12	1243902.11	77.6	137325.71	8.6	221186.33	13.8
2012-13	1385428.23	78.8	139366.21	7.9	232255.93	13.2
2013-14	1484858.25	79.1	140331.78	7.4	252627.49	13.5
2014-15	1791008.38	80.8	143719.32	6.5	282490.96	12.7
2015-16	2044985.32	81.5	132895.94	5.3	332163.50	13.2

Table 3.7 B: Composition of Sources of Borrowing: SCS

Year	Internal debt		GOI Loans and advances		Small savings provident fund, etc.	
	Amount (₹ in crores)	per cent of total borrowings	Amount (₹ in crores)	per cent of total borrowings	Amount (₹ in crores)	per cent of total borrowings
2009-10	62228.8	65.1	8918.04	9.3	24520.3	25.6
2010-11	69195.8	65.5	7528.45	7.1	28896.2	27.4
2011-12	74782.41	64.7	7051.06	6.1	33693.8	29.2
2012-13	80187.94	64.5	6740.99	5.4	37374.4	30.1
2013-14	87135.05	64.2	6178.46	4.6	42451.6	31.3
2014-15	95433.30	63.1	5609.39	3.7	50290.92	33.2
2015-16	139733.11	71.5	6398.69	3.3	49422.46	25.3

Figure 3.3 : Composition of borrowings-GCS

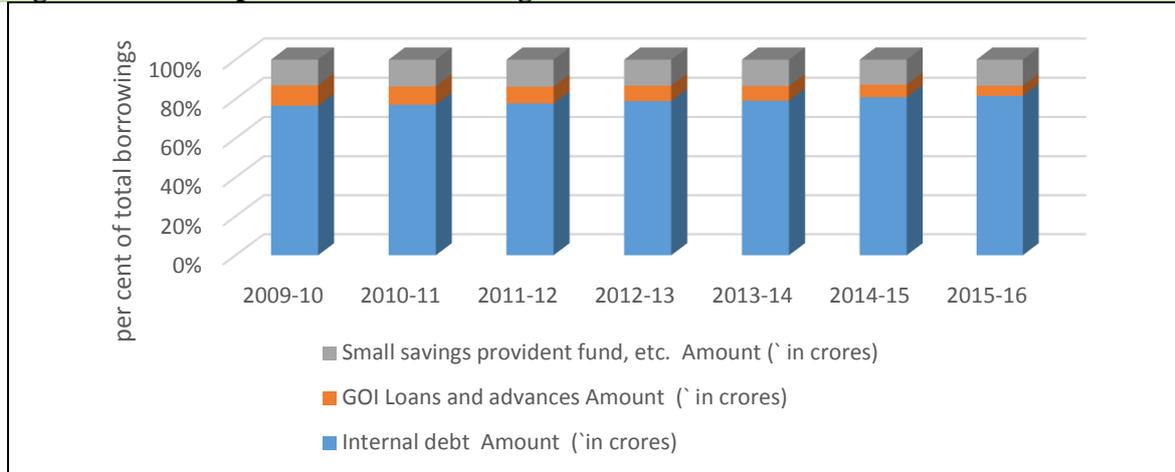
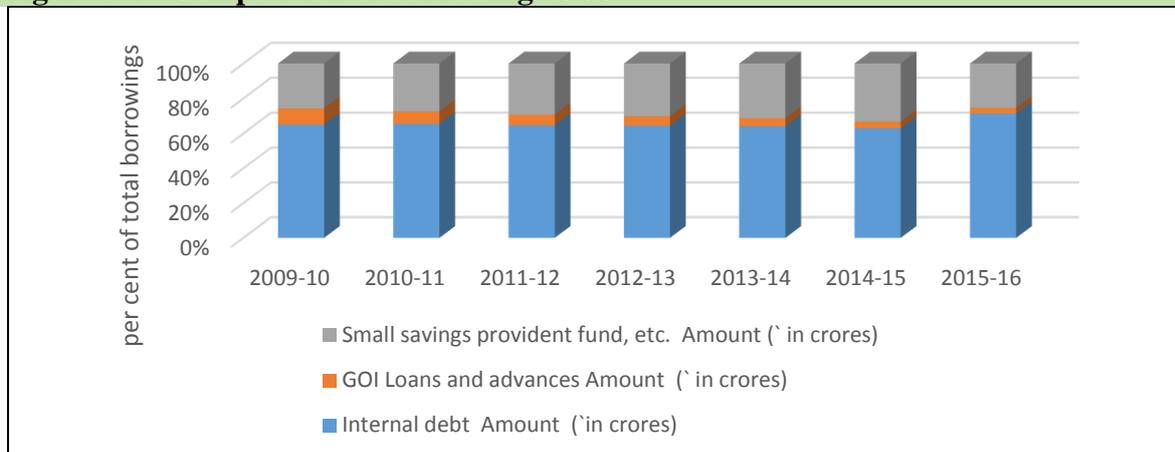


Figure 3.4 : Composition of borrowings-SCS



Decomposition of Fiscal Deficits

3.22 The nature of expenditure that contribute to FD is an important indicator of the fiscal health of the state. If bulk of FD is attributable to capital expenditure, such deficits may be considered desirable up to a point since such expenditure may be self-sustaining either through user charges/ return on investment, or may increase the income generating capacity of the economy and enlarge the tax base. However, if FD arises primarily on account of current expenditure, it is considered less desirable.

3.23 Composition of FD shows diverse trends across the GCS and SCS. **In most states reduction in fiscal deficit has been brought about through reduction in revenue expenditure. In Kerala and Punjab share of net revenue expenditure in fiscal deficit is much higher than that of net capital expenditure.** Composition of FD of some states into revenue deficit, net capital outlay and net lending by the Union and state governments during 2009-10 to 2015-16 is analysed in section below.

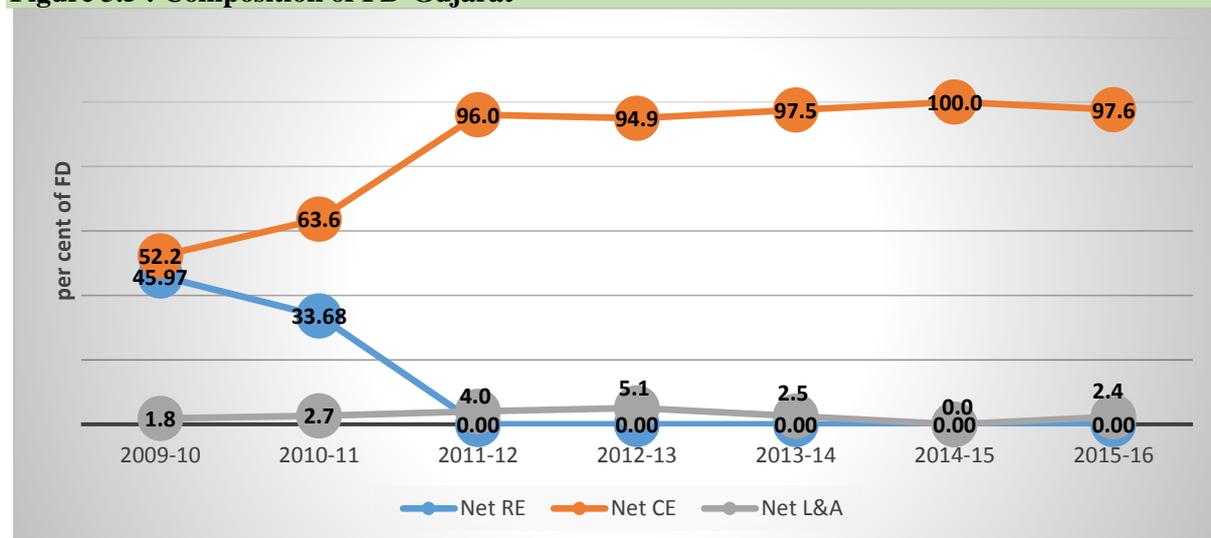
Gujarat

3.24 In Gujarat there was revenue deficit in 2009-10 and 2010-11 after which the State has had revenue surplus. Fiscal deficit has also been continually on the decline during the period 2009-10 and 2014-15. Fiscal deficit came down from 3.5 per cent of GSDP² in 2009-10 to 2.4 per cent in 2013-14 and further to 2.3 per cent of GSDP in 2015-16. Contribution of net revenue expenditure to FD has fallen from 45.97 per cent in 2009-10 to 33.68 per cent in 2010-11. From 2011-12 Gujarat has been a revenue surplus state. Share of net capital expenditure to FD has consistently increased from 52.2 per cent in 2009-10 to 100 per cent in 2014-15 before declining marginally to 98 per cent in 2015-16.

Table 3.8: Composition of Expenditure Financed by Borrowing

	Net Revenue Expenditure ³		Net Capital Expenditure ⁴		Net Loans and Advances ⁵	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	6965.91	45.97	7910.43	52.20	276.94	1.83
2010-11	5076.38	33.68	9592.36	63.64	404.89	2.69
2011-12	0	0.00	10587.17	96.01	439.9	3.99
2012-13	0	0.00	15656.49	94.93	835.35	5.07
2013-14	0	0.00	17960.17	97.49	462.54	2.51
2014-15	0	0.00	18319.22	100.00	0	0.00
2015-16	0	0.00	22465.36	97.61	549.73	2.39

Figure 3.5 : Composition of FD-Gujarat



² CSO figures of GSDP at current prices with base year 2011-12 have been used.

³ Difference of revenue receipt and revenue expenditure

⁴ Difference of capital receipt and capital expenditure

⁵ Difference of loans and advances given and amount recovered.

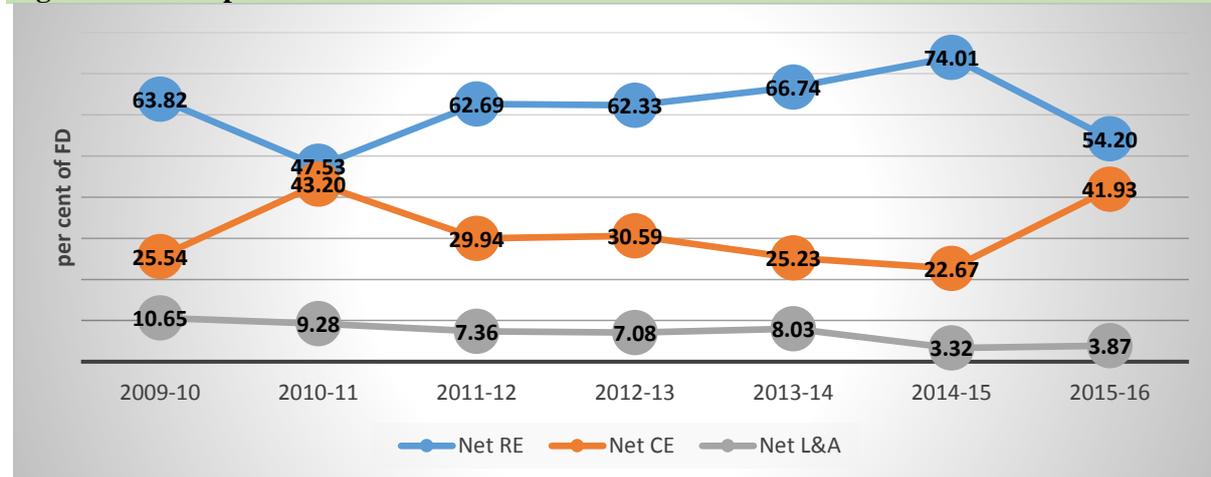
Kerala

3.25 Kerala had revenue deficit in each year during 2009-10 to 2015-16. Share of net revenue expenditure in FD has increased from 63.8 per cent in 2009-10 to 74 per cent in 2014-15, while that of net capital expenditure has declined from 43.2 per cent of FD in 2010-11 to 30.6 per cent in 2012-13 and further to 22.7 per cent in 2014-15. However in 2015-16 share of net revenue expenditure in 2015-16 declined to 54.2 per cent, while that of net capital expenditure increased to 41.9 per cent. There has been decrease of 6.7 percentage points in share of net loans and advances from 2009-10 to 2015-16.

Table 3.9: Composition of Expenditure Financed by Borrowing

	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	Percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	5022.98	63.8	2010.43	25.5	838.21	10.6
2010-11	3673.86	47.5	3339.08	43.2	717.51	9.3
2011-12	8034.26	62.7	3836.87	29.9	943.64	7.4
2012-13	9351.44	62.3	4588.48	30.6	1062.54	7.1
2013-14	11308.57	66.7	4275.14	25.2	1360.42	8.0
2014-15	13795.96	74.0	4226.42	22.7	619.35	3.3
2015-16	9656.81	54.2	7471.96	41.9	689.69	3.9

Figure 3.6 : Composition of FD-Kerala

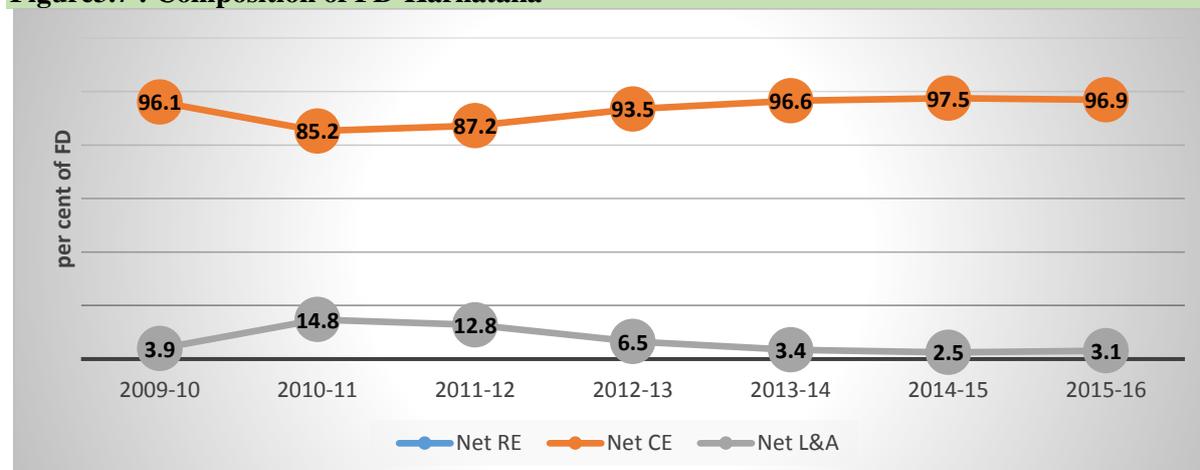


Karnataka

3.26 Karnataka has been a revenue surplus state during 2009-10 to 2015-16. Revenue surplus has risen from 0.5 per cent of GSDP in 2009-10 to 1.0 per cent in 2011-12 before reducing to 0.2 per cent in 2015-16. FD has fallen from 3.2 per cent of GSDP to 1.9 per cent of GSDP in 2015-16. Nearly 95 of FD in Karnataka has been on account of net capital expenditure during 2015-16.

Table 3.10 : Composition of Expenditure Financed by Borrowing

Year	Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	Percent	Amount (Rs in crores)	percent
2009-10	10448.11	96.1	426.22	3.9
2010-11	9110.97	85.2	1576.56	14.8
2011-12	10725.26	87.2	1575.15	12.8
2012-13	13562.47	93.5	944.76	6.5
2013-14	16505.96	96.6	586.15	3.4
2014-15	19084.75	97.5	492.32	2.5
2015-16	5212.48	95.14	266.13	4.86

Figure 3.7 : Composition of FD-Karnataka

Chhattisgarh

3.27 Chhattisgarh was a revenue surplus year from 2009-10 to 2012-13. Loans and advances net of recoveries were also positive during these years. So the entire fiscal deficit was on account of net capital expenditure. During 2013-14 and 2014-15 the state had revenue deficit amounting to 0.4 and 0.7 per cent of GSDP respectively. Net revenue expenditure contributed 15.1 and 19.6 per cent to FD respectively during these years and net capital expenditure contributed 84.9 per cent and 80.4 per cent respectively to FD during these years. The State had a revenue surplus in 2015-16. Loans and advances net of recoveries was also positive during these years. So the entire fiscal deficit was on account of net capital expenditure.

Odisha

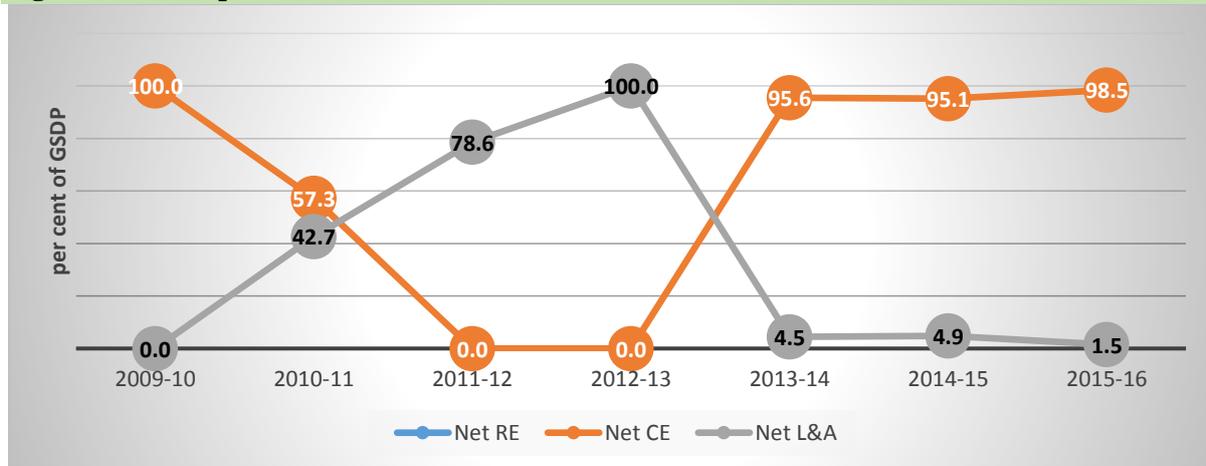
3.28 In Odisha there has been revenue surplus in each year during 2009-10 to 2015-16. Fiscal deficit which was 1.4 per cent of GSDP in 2009-10 rose to 1.8 and 2.1 per cent of GSDP in 2014-15 and 2015-16 respectively.

3.29 Revenue surplus increased by almost 45.8 per cent between 2010-11 and 2012-13. Hence in 2010-11, 2012-13 entire capital expenditure was met from revenue surplus. There was fiscal surplus in 2012-13 in Odisha. In 2015-16 capital expenditure increased by nearly 33 per cent over the previous year. Around Rs 6954.77 crores (41 per cent) was financed by borrowing.

Table 3.11: Composition of Expenditure Financed by Borrowing

Year	Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	2509.26	91.1	243.88	8.9
2010-11	376.89	57.3	280.87	42.7
2011-12	0	0.0	0	0.0
2012-13	0	0.0	0	100.0
2013-14	4427.27	95.5	206.37	4.5
2014-15	5212.48	88.9	266.13	4.5
2015-16	6954.77	98.5	108.08	1.5

Figure 3.8 : Composition of FD-Odisha

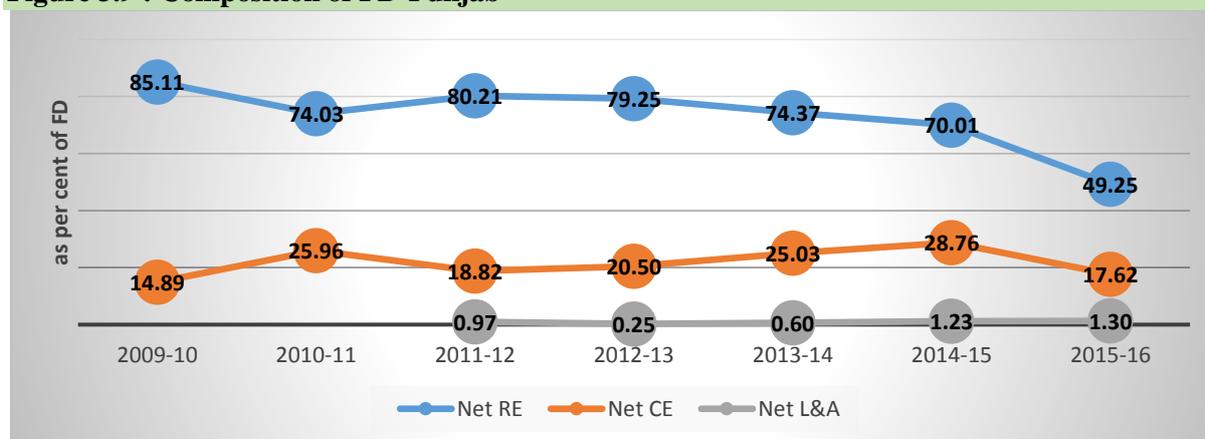


Punjab

3.30 Punjab had revenue deficit in each year during 2009-10 to 2015-16. FD reduced from 3.1 per cent of GSDP in 2009-10 to 2.9 per cent in 2015-16. 85 per cent of FD was on account of net revenue expenditure as compared to only 15 per cent on account of net capital expenditure in 2009-10. However in 2015-16 share of net revenue expenditure in FD reduced to around 73 per cent while that of net capital expenditure increased to nearly 26 per cent.

Table 3.12: Composition of Expenditure Financed by Borrowing

	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	5251.36	84.7	918.78	14.8	0	0
2010-11	5288.71	74.0	2383.65	33.4	529.05	7.4
2011-12	6810.91	80.2	1597.88	18.8	82.11	0.9
2012-13	7406.8	79.3	1915.61	20.5	23.44	0.3
2013-14	6537.13	74.4	2200.1	25.0	52.83	0.6
2014-15	7590.64	70.0	3117.92	28.8	133.13	1.2
2015-16	8550.11	72.69	3059.16	26.01	153.07	1.3

Figure 3.9 : Composition of FD-Punjab

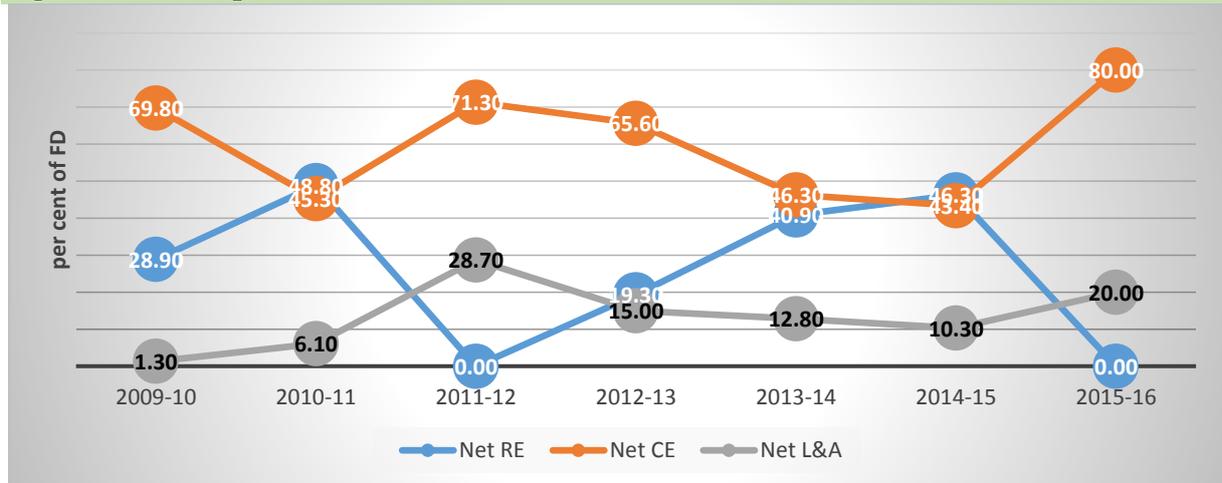
Himachal Pradesh

3.31 HP had revenue deficit ranging from 1.7 per cent to 2.0 per cent of GSDP during 2009-10 to 2014-15 in all years except 2011-12 and 2015-16 when the state had revenue surplus of 1.0 per cent of GSDP. The FD has fallen from 5.7 per cent of GSDP in 2009-10 to 2 per cent of GSDP in 2015-16. Share of net capital expenditure in the FD has risen to nearly 80 per cent in 2015-16.

Table 3.13: Composition of Expenditure Financed by Borrowing

	Net revenue Expenditure		Net Capital Expenditure		Net loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	804.65	28.9	1943.44	69.8	35.82	1.3
2010-11	1235.44	48.8	1143.14	45.1	153.97	6.01
2011-12**		0	1164.94	71.3	468.11	28.7
2012-13	576.13	19.3	1954.8	65.6	447.48	15.0
2013-14	1641.42	40.9	1855.86	46.3	514.3	12.8
2014-15	1943.60	46.3	1822.89	43.4	433.63	10.3
2015-16**		0	1726.82	79.8	437.27	20.2

** indicates a Revenue Surplus year

Figure 3.10 : Composition of FD-HP


Jammu and Kashmir

3.32 In Jammu and Kashmir there has been revenue surplus in all the years from 2009-10 to 2013-14. However revenue surplus has declined from 4.68 per cent of GSDP in 2009-10 to 0.08 per cent in 2013-14 due to rise in revenue expenditure by 76.6 per cent as compared to 54.2 per cent increase in revenue receipts during this period. The state had a revenue deficit of 0.4 per cent in 2014-15.

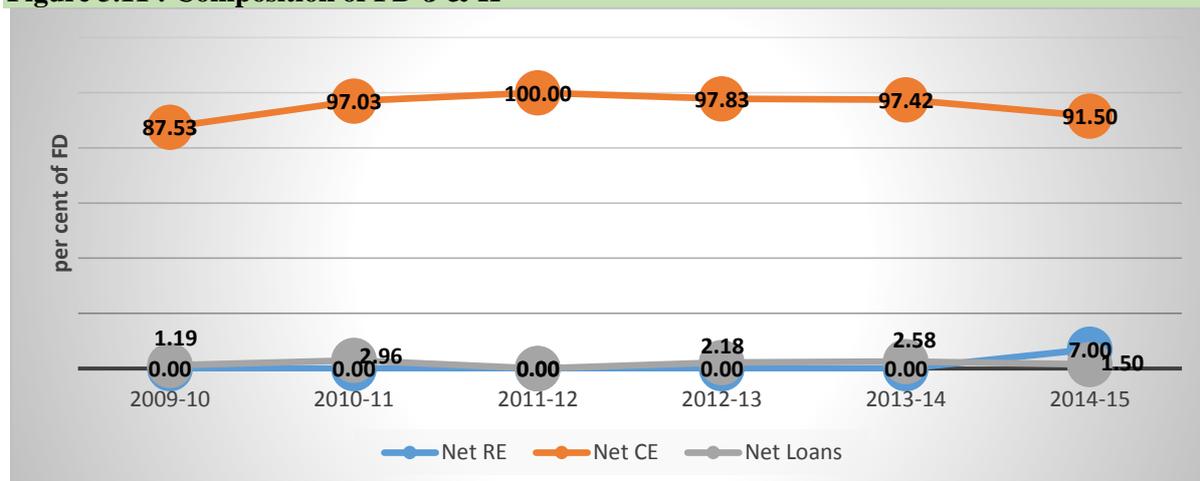
3.33 FD has declined from 8.2 per cent of GSDP in 2009-10 to 6.4 per cent in 2014-15. This reduction in FD has been achieved by cutting down on capital expenditure which has steadily declined from Rs 6233.77 crores in 2009-10 to Rs 5898.83 crores in 2011-2 and further to Rs 5134.20 crores in 2014-15, which is a decline of nearly 18 per cent over six years.

3.34 In 2009-10, 88 per cent of capital expenditure was financed by borrowed funds. From 2010-11 to 2013-14 almost entire capital expenditure was financed by borrowing. In 2014-15 91.5 per cent of capital expenditure was financed by borrowing.

Table 3.14: Composition of Expenditure Financed by Borrowing

	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10* ⁶			3491.75	87.5	47.5	1.2
2010-11*			2296.67	97.0	70.14	3
2011-12*			3693.48	100	0	0
2012-13*			4124.4	97.8	91.85	2
2013-14*			4436.64	97.4	117.29	2.6
2014-15	390.43	7.00	5134.20	91.50	84.11	1.50

⁶ Revenue Surplus years

Figure 3.11 : Composition of FD-J & K

Mizoram

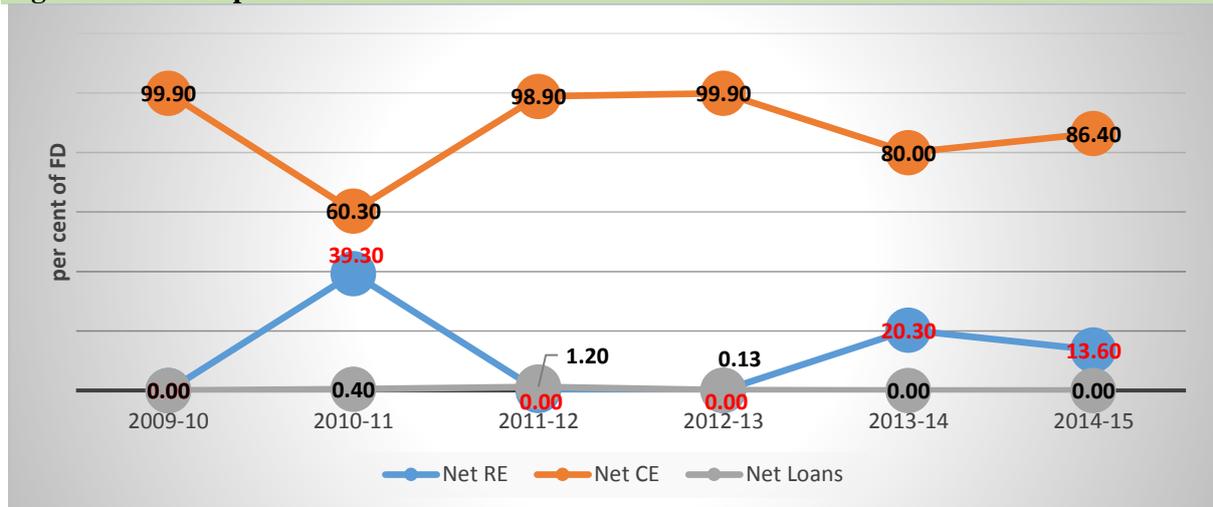
3.35 In Mizoram, there was revenue surplus of 4.96 per cent in 2009-10. In the following year revenue receipts dropped by 3.7 per cent due to non-receipt of net proceeds of central taxes amounting to Rs 130.12 crores. The amount was received in the next year. This coupled with increase in revenue expenditure by nearly 20.5 per cent resulted in revenue deficit of 16 per cent of GSDP in 2010-11 which was an all time high. FD gradually reduced to 6.9 per cent in 2012-13 then rose to 10 per cent in 2014-15. The state had a fiscal surplus of 3.1 per cent of GSDP in 2015-16.

3.36 In 2010-11, 2013-14 and 2014-15 the state had revenue deficit. During these years share of net revenue expenditure in FD was 40 per cent, 20 per cent and 13.6 per cent respectively. During these years net capital expenditure accounted for 60 per cent, 80 and 86.4 per cent respectively of fiscal deficit.

Table 3.15: Composition of Expenditure Financed by Borrowing

Year	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10**			311.9	99.9	0.01	0.0
2010-11	400.87	39.3	614.71	60.3	3.9	0.4
2011-12**			472.7	98.9	5.72	1.2
2012-13**			579.72	99.9	0.77	0.13
2013-14	152.13	20.3	599.4	80.0	0	0
2014-15	141.34	13.6	898.31	86.4	0	0

** indicates a Revenue Surplus year

Figure 3.12 : Composition of FD-Mizoram


Maharashtra

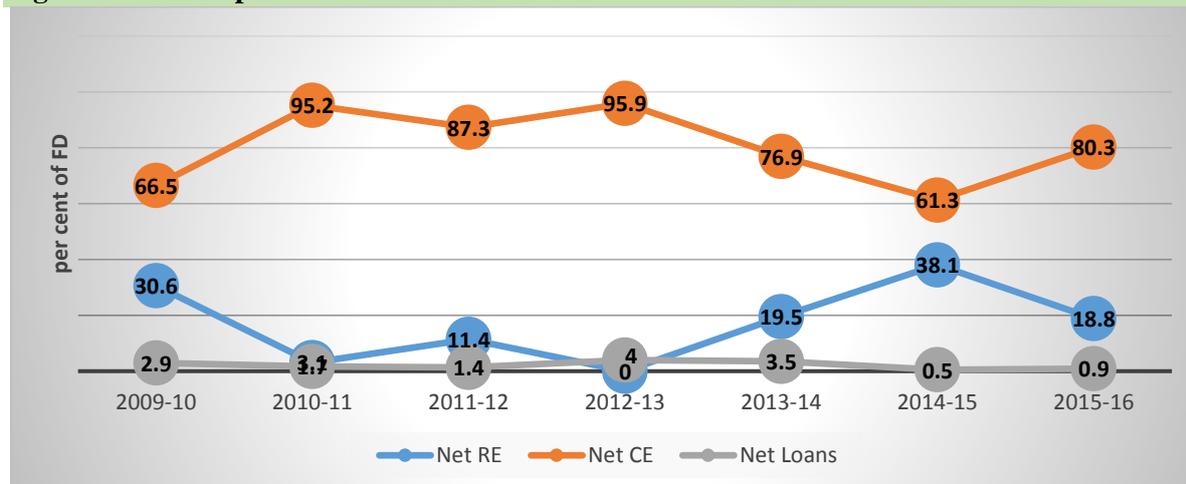
3.37 Revenue deficit in Maharashtra declined from 0.94 per cent in 2009-10 to 0.72 per cent in 2014-15 and 0.3 per cent in 2015-16. There was revenue surplus of 0.32 per cent in 2012-13. FD declined from 3.1 per cent of GSDP in 2009-10 to 1.9 per cent in 2014-15 and further to 1.4 per cent in 2015-16.

3.38 In 2009-10, 30.6 per cent of FD was on account of net revenue expenditure. This increased to 18 per cent in 2015-16. Share of net capital expenditure in FD has declined from 95.9 per cent in 2012-13 to 61.3 per cent in 2014-15. However this rose to over 80 per cent in 2015-16.

Table 3.16: Composition of Expenditure Financed by Borrowing

	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	8005.68	30.6	17403.6	66.5	746.23	2.9
2010-11	591.56	3.1	17946.09	95.2	318.99	1.7
2011-12	2268.05	11.4	17423.71	87.3	277.55	1.4
2012-13**			13186.73	95.9	553.09	4.0
2013-14	5080.62	19.5	20020.45	76.9	917.07	3.5
2014-15	12137.66	38.1	19523.47	61.3	165.46	0.5
2015-16	5338.37	18.8	22776.26	80.30	249.52	0.9

** indicates a Revenue Surplus year

Figure 3.13 : Composition of FD-Maharashtra

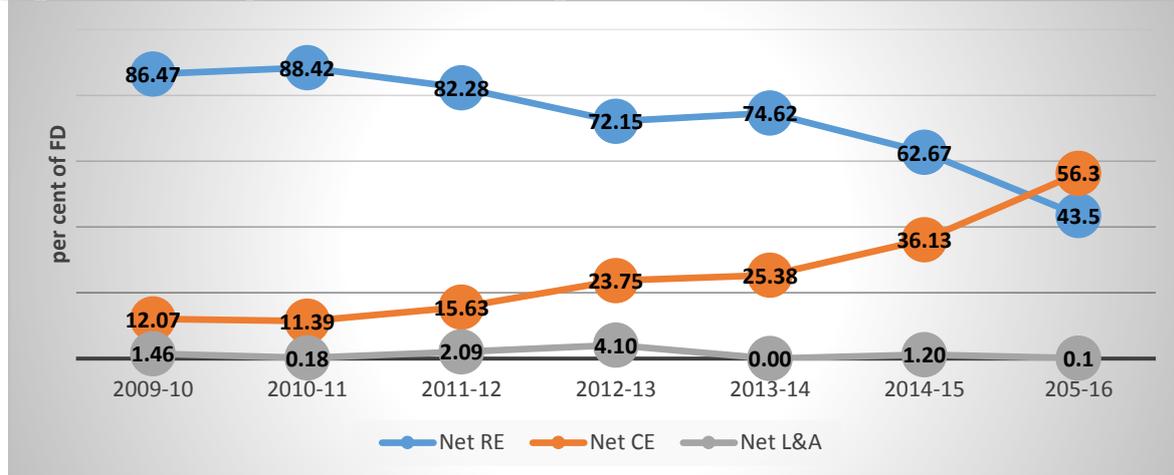
West Bengal

3.39 West Bengal had revenue deficit ranging from 5.41 per cent in 2009-10 to 12.76 per cent in 2012-13. This reduced to 2.68 per cent in 2013-14 and further to 0.87 of GSDP⁷ in 2015-16. Fiscal deficit came down from 6.3 per cent of GSDP in 2009-10 to 3.4 per cent in 2011-12 and then rose to 3.6 per cent in 2013-14 before declining to 3.4 per cent in 2014-15. FD declined to 2 per cent of GSDP in 2015-16. Most of FD was on account of net revenue expenditure. It contributed as much as 86.5 per cent to FD in 2009-10 which came down to 63 per cent in 2014-15 and further to 43.5 per cent in 2015-16. In contrast share of net capital expenditure was only 12 per cent of FD in 2009-10. This increased to around 56 per cent in 2015-16. Share of net loans and advances has remained around 1 per cent in all years except in 2012-13 when it contributed around 4 per cent to the FD. During 2015-16 this share fell to only 0.1 per cent.

Table 3.17: Composition of Expenditure Financed by Borrowing

	Revenue Expenditure		Capital Expenditure		Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	21578.23	86.5	3011.06	12.1	365.34	1.5
2010-11	17273.96	88.4	2225.75	11.4	35.24	0.2
2011-12	14551.23	82.2	2763.75	15.6	369.8	2.1
2012-13	13815.13	72.2	4547.3	23.7	784.2	4.1
2013-14	18915.48	74.6	6702.94	26.4	368.2	1.5
2014-15	17137.4	62.7	9878.62	36.1	329.28	1.2
2015-16	9095.05	43.5	11767.18	56.3	28.46	0.1

⁷ GSDP of W. Bengal for 2015-16 is not available from CSO. The advance figure for GSDP was Rs 10,39,923.30 crores as per Economic Review published by Govt of West Bengal.

Figure 3.14: Composition of FD-W. Bengal

Fiscal Consolidation and achievement of FRBM targets

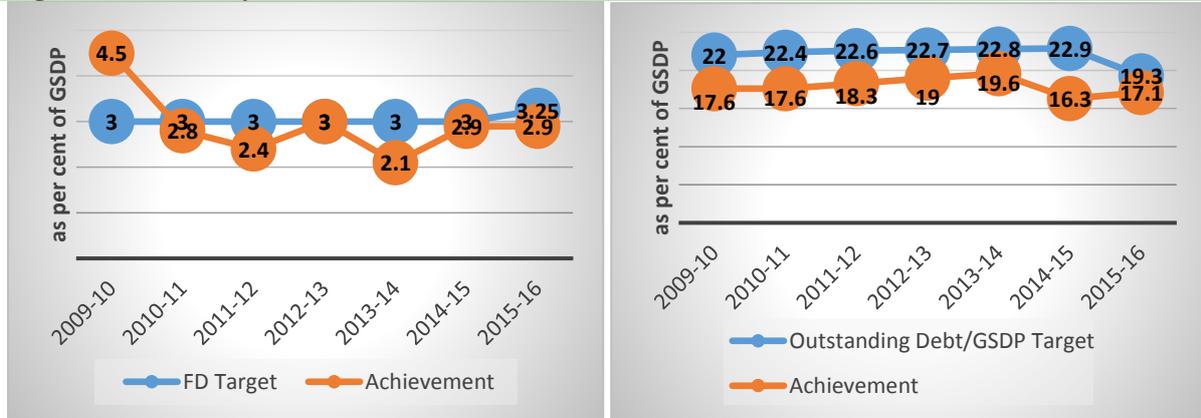
3.40 The Union Government introduced FRBM Act in 2003. The objective of the Act is to ensure inter-generational equity in fiscal management, long run macroeconomic stability, better coordination between fiscal and monetary policy, and transparency in fiscal operation of the Government.

3.41 After enactment of the FRBM Act by Government of India in August 2003, most States passed the FRBM Act during 2003-06 to make the State Governments accountable for ensuring prudence in fiscal management and to ensure fiscal stability by progressive elimination of revenue deficit, sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations and to chart the course of fiscal policy reforms. Given the exceptional circumstances of 2008-09 and 2009-10, the fiscal consolidation process of the States was disrupted. The States were expected to get back to their fiscal correction path by 2011-12. In compliance with recommendation of XIII Finance Commission all States amended the FRBM Act in 2011 to provide for, among other things a Medium Term Fiscal Policy (MTFP) to enable the States to adhere to the fiscal reform path and attain fiscal targets stipulated by the Finance Commission.

3.42 FRBM Act provides a legal institutional framework for fiscal consolidation. To impart fiscal discipline at the state level, the Twelfth Finance Commission gave incentives to states through conditional debt restructuring and interest rate relief for introducing Fiscal Responsibility Legislations (FRLs). All the states have implemented their own FRLs which set targets for fiscal deficit and total outstanding liabilities (OL) as percentage of GSDP and

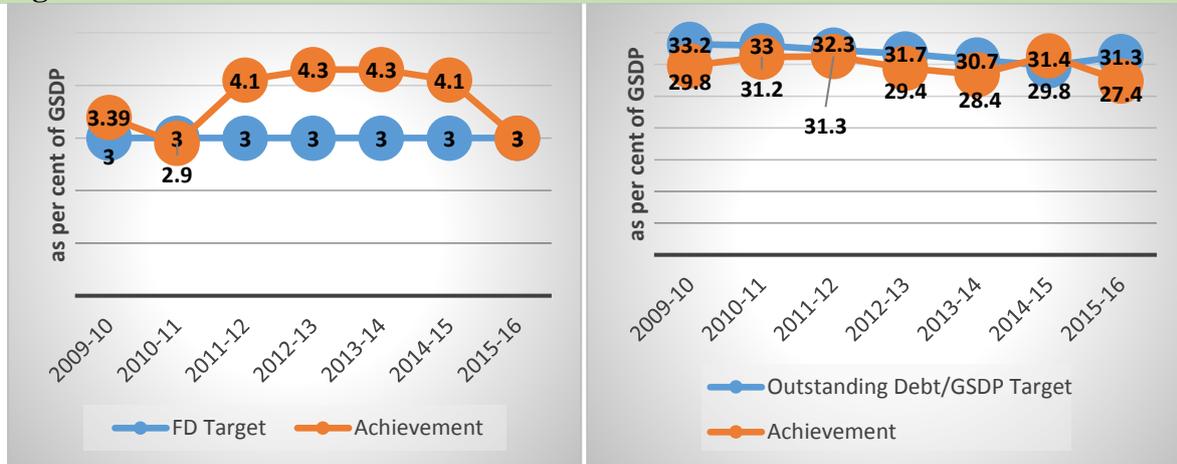
also for eliminating revenue deficit. Fiscal performance of some states vis-à-vis FRBM targets are analysed in the following section.

Figure 3.15 : Haryana



3.43 Haryana had revenue deficit in each year during the period 2009-10 to 2015-16. Fiscal deficit has declined from 4.5 per cent in 2009-10 to 2.9 per cent in 2015-16. Fiscal Deficit has remained below 3 per cent since 2010-11. Ratio of outstanding liabilities has consistently remained below the target although it increased by 0.8 percentage points in 2015-16 as compared to the previous year.

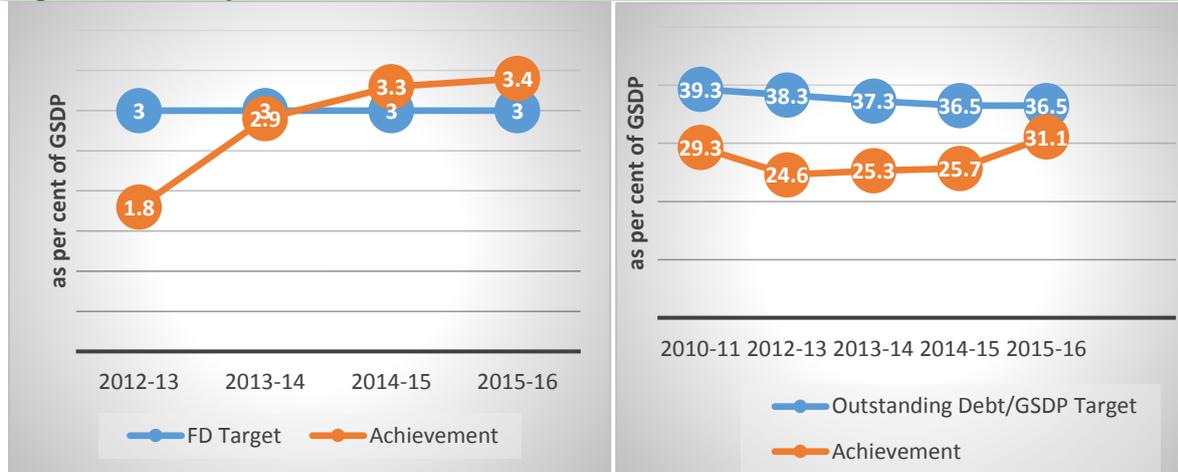
Figure 3.16 : Kerala



3.44 Kerala has been a revenue deficit state during 2009-10 to 2015-16 and the ratio of revenue deficit to GSDP increased from 2.17 percent in 2009-10 to 3.06 percent in 2014-15. This declined to 1.65 per cent in 2015-16. Fiscal Deficit has shown a rising trend up to 2014-15 and has always remained above 3 per cent except in 2010-11 when it fell marginally below 3 per cent. Fiscal Deficit declined in 2015-16 to 3.04 per cent. As per FRBM target

ratio of debt stock to GSDP was to be lower than 31.3 per cent in 2015-16. This target was achieved in 2015-16 as the ratio of outstanding debt to GSDP was 27.4 per cent.

Figure 3.17 : Rajasthan



3.45 In Rajasthan revenue deficit was to be eliminated by 2011-12. The State had revenue surplus in 2011-12 and 2012-13. However there was revenue deficit in 2013-14, 2014-15 and 2015-16. In 2016-16 the state had revenue deficit of 0.88 per cent of GSDP. Fiscal Deficit as ratio of GSDP was higher than the target of 3 per cent in 2014-15 and 2015-16. Fiscal deficit increased to 3.41 per cent of GSDP in 2015-16 from 3.31 per cent in 2014-15. Ratio of outstanding liabilities to GSDP has remained within the upper limits fixed for each year up to 2015-16.

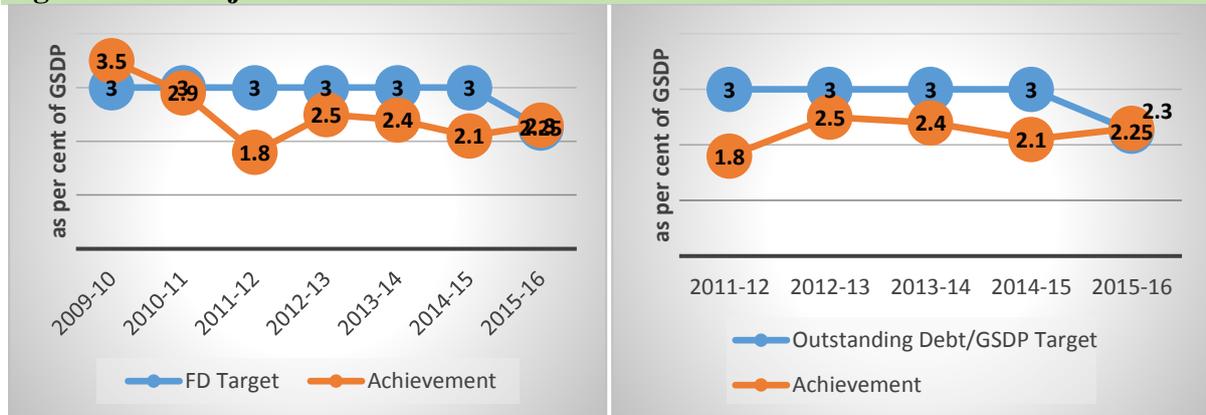
Figure 3.18: West Bengal



3.46 West Bengal had revenue deficit during 2009-10 to 2015-16 although there was decline in the ratio of revenue deficit to GSDP during this period. Ratio of Fiscal Deficit to GSDP has declined from a high value of 6.3 per cent to 3.4 per cent in 2014-15 and further to 2.01 per cent in 2015-16 which is above the target of 1.74 per cent fixed for that year. Ratio of outstanding liabilities to GSDP has remained within upper limits fixed for each year except

2014-15 when this ratio (34.7 per cent) marginally exceeded the target fixed at 34.3 per cent. In 2015-16 this ratio was 29.4 per cent which was less than the target of 32.6 per cent fixed for the year.

Figure 3.19 : Gujarat



3.47 Gujarat eliminated revenue deficit in 2011-12 and maintained revenue surplus till 2014-15. Ratio of FD to GSDP fell below 3 per cent of GSDP in 2010-11 and has remained below 3 per cent of GSDP. Fiscal deficit was 2.3 per cent of GSDP in 2015-16 which was higher than the target of 2.25 per cent fixed for the year. Ratio of outstanding liabilities to GSDP has remained below the upper limits fixed by the FRBM Act of the state.

3.48 Assam had revenue surplus in five out of seven years under review. It had revenue deficit in 2009-10 and 2014-15. Fiscal Deficit has been consistently lower than the targets fixed at 3 per cent of GSDP except during 2009-10. In 2015-16 it had fiscal surplus. Ratio of total outstanding liabilities to GSDP has been below the upper limits fixed as per FRBM Act.

Management of Public Debt

4

CHAPTER

In this chapter trends and composition of public debt of the Union Government as well as of the States have been examined. Interest profile of market borrowings of States, interest burden of States and sustainability of public debt of States have also been analysed.

4.1 Debt management entails decisions regarding raising of funds through different instruments to meet resource requirements for repayment of debt, discharge of liabilities on Public Account, capital expenditure and any other resource requirement that is not met by receipts of the government.

4.2 Efficient debt management calls for proper assessment of the magnitude and timing of debt instruments, and entails use of borrowed funds for productive purposes.

Table 4.1 Public Debt of Union and States (2015-16)

(Rs in crores)

	Union	States	Combined
Internal Debt	5304835.44	2184718.43	7489553.87
Loans from Govt of India (in case of State Govt)	0	139294.63	139294.63
External Debt (in case of Union Govt)	210262.11	0	210262.11
Total	5515097.55	2324013.06	7839110.61

Public Debt of Union: Trends and Composition

4.3 Public Debt of the Union Govt is comprised of internal debt (treasury bills, dated government securities, compensation bonds, securities against small savings) and external debt. Total public debt increased from Rs 24,62,422.04 crore in 2009-10 to Rs 55,15,097.56 crore in 2015-16 (external debt calculated at historical exchange rates), which is an increase of nearly 124 per cent. Internal debt constitutes around 96 per cent of total public debt.

4.4 Table 4.2 presents internal debt and external debt reckoned at the current rate of exchange and historical rate of exchange at the end of the financial year during the last five years. A distinction needs to be made between external debt at current exchange rates and external debt at historical exchange rates. The former gives a correct picture of the outstanding liabilities in rupee terms.

Table 4.2: Trends and Composition of Public Debt of Union Govt*(Rs in crores)*

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Public Debt (1) + (2)	2462422.04	2824753.91	3400709.83	3941854.82	4425347.66	4935804.80	5515097.56
1. Internal Debt (a + b)	2328338.89	2667114.82	3230622.22	3764566.01	4240766.92	4738291.03	5304835.45
a. Marketable Securities (i)+(ii)	1957978.66	2283719.89	2860805.26	3360931.50	3853593.62	4309003.02	4729614.96
(i) Dated Securities	1823436.67	2148851.14	2593770.49	3061126.50	3514459.32	3959551.99	4364920.08
(ii) Treasury Bills	134541.99	134868.75	267034.77	299805.00	339134.30	349451.03	364694.88
b. Non-Marketable Securities	370360.23	383394.93	369816.96	403634.51	387173.30	429288.01	575220.49
(a) 14 days Treasury Bills	95667.77	103100.18	97800.22	118380.19	86815.77	85678.37	121127.23
(b) Securities against small savings	207252.07	218485.29	208182.80	216808.32	229164.00	261391.19	313856.15
(c) Compensation and other Bonds	38419.04	30692.89	18705.06	13822.93	13614.16	13426.44	11114.29
(d) Securities Issued to International Financial Institutions	24482.60	29314.81	29625.59	32226.11	35181.06	46395.06	106726.17
(e) Others	163108.16	1801.76	161634.16	186826.19	158009.3	22383.10	22396.65
2. External Debt*	134083.15	157639.10	170087.61	177288.81	184580.75	197513.77	210262.11

* at historical exchange rates

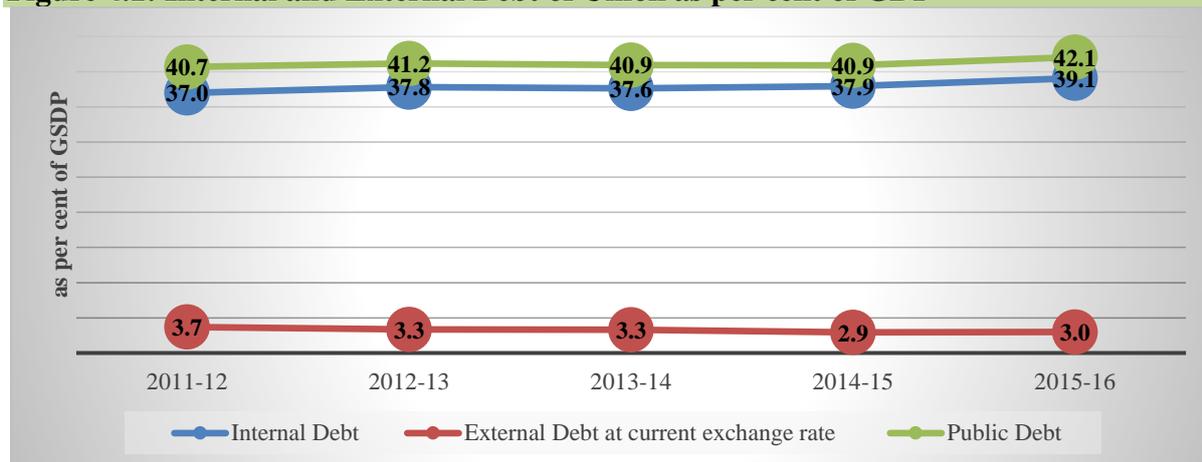
4.5 Total public debt of the Union Government was Rs 55,15,097.56 crore at historical exchange rates at the end of 2015-16. Total public debt increased by 11.8 per cent in 2015-16 as compared to the previous year. Internal debt has risen faster at 12 per cent whereas external debt (at historical rate) has risen at a comparatively lower rate of 6.5 per cent.

Table 4.3: Public Debt of the Union Government: Trends*(Rs in crore)*

Year	Internal Debt	External Debt at historical exchange rate	External Debt at Current exchange rate	Total Public Debt at historical exchange rate	Total Public Debt at current exchange rate
2009-10	2328338.89	134083.15	249305.73	2462422.04	2577644.62
2010-11	2667114.82	157639.09	278877.35	2824753.91	2945992.17
2011-12	3230622.22	170087.61	322896.59	3410609.83	3553518.81
2012-13	3764566.01	177288.81	332003.70	3941854.82	4096569.71
2013-14	4240766.92	184580.74	374483.34	4425347.66	4615250.26
2014-15	4738291.03	197513.77	366384.10	4935804.80	5104675.13
2015-16	5304835.45	210262.11	406588.95	5515097.55	5711424.39

Source: Union Finance Accounts

4.6 Total public debt as per cent of GDP (calculated at current prices with 2011-12 as base) has risen from 40.7 per cent in 2011-12 to 42.1 per cent in 2015-16. While internal debt as per cent of GDP increased from 37 per cent in 2011-12 to 39.1 per cent in 2015-16, ratio of external debt (at current exchange rate) to GDP increased from 3.7 per cent in 2011-12 to 3 per cent in 2015-16.

Figure 4.1: Internal and External Debt of Union as per cent of GDP

Internal Debt of the Union

4.7 Internal debt of the Union includes marketable securities and non-marketable securities. Marketable securities are treasury bills and dated securities. Non-marketable securities are primarily comprised of 14 day treasury bills, compensation and other bonds, securities issued to international financial institutions, securities against small savings, and special securities issued to NSSF.

4.8 Table 4.3 presents the growth of internal debt of the Union government during 2009-10 to 2014-15.

Table 4.4: Growth of Internal Debt

(Rs in crores)

Year	Opening balance	Addition	Repayment of principal	Net addition during the year	Closing balance	% growth over previous year	Closing balance as % to GDP
2009-10	2019841.17	3383149.97	3074652.25	308497.72	2328338.89		38.1
2010-11	2328338.90 ¹	3141775.81	2802999.89	338775.92	2667114.82	14.6	36.8
2011-12	2675822.81	4037142.23	3482342.82	554799.41	3230622.21	21.1	36.6
2012-13	3230622.21	3944729.15	3410785.35	533943.8	3764566.01	16.5	37.7
2013-14	3764383.95 ²	3969549.99	3493167.02	476382.97	4240766.92	12.6	37.4
2014-15	4240727.41 ³	4184662.41	3687098.79	497563.62	4738291.03	11.7	37.8
2015-16	4738291.03	4280896	3714351.59	566544.41	5304835.44	12.0	39.0

4.9 Table 4.5 presents the changes in the composition of internal debt, comprising various instruments, viz. dated securities, treasury bills, compensation and other bonds, securities issued against small savings, etc during the last seven years.

¹Includes adjustment of misclassification of Rs 8707.99 crore of earlier years

²Includes adjustment of misclassification of Rs -182.06 crore of earlier years

³Includes adjustment of misclassification of Rs 39.51 crore of earlier years

Table 4.5: Composition of Internal Debt**(As per cent of Internal Debt)**

Year	Dated Securities	Treasury Bills	Securities issued to Int Financial Institutions	Compensation and other bonds	Securities against small savings	14 day Treasury Bills
2009-10	78.3	5.8	1.1	1.7	8.9	4.1
2010-11	80.6	5.1	1.1	1.2	8.2	3.9
2011-12	80.3	8.3	0.9	0.6	6.4	3.0
2012-13	81.3	8.0	0.9	0.4	5.8	3.1
2013-14	82.9	8.0	0.8	0.3	5.4	2.0
2014-15	83.6	7.4	1.0	0.3	5.5	1.8
2015-16	82.3	6.9	2	0.2	5.9	2.3

Source: Union Finance Accounts

4.10 Dated securities which comprise market loans and securities issued in conversion of special securities account for more than 80 per cent of total internal debt. Market loans account for nearly 90 per cent of dated securities issued by the Central Government. Issuance details, maturity profile, weighted average coupon rate and weighted average maturity of market loans are examined in the following section.

Issuance Details of Market Loans

4.11 Gross and net market borrowing of the Union during 2015-16 were Rs 6,24,618.16 crore and Rs 4,08,368.08 crore respectively. An amount of Rs 450,271.91 crore Government securities matured during 2015-16. During 2015-16, gross market borrowings were lower than previous year's gross market borrowings (Rs 6,29,373.75 crore) by 0.75 per cent. Net market borrowings were also lower than the previous year (4,50,271.91) by 9.3 per cent reflecting higher repayments during 2015-16.

Table 4.6: Issuance of Market Loans**(Rs in crore)**

	2011-12	2012-13	2013-14	2014-15	2015-16
Gross Amount	510000.00	558000.00	595146.94	629373.75	624618.16
Repayments	73583.15	90615.04	137595.10	179101.84	216250.08
Net Issuance	436416.85	467384.96	457551.84	450271.91	408368.08

Source: Union Finance Accounts

Issuance Details of Treasury Bills

4.12 Gross amount raised through treasury bills (91, 182 and 364 day treasury bills) during 2015-16 was Rs 10,02,888.52 crore which was an increase of 3.7 per cent over gross issuance of Rs 9,67,121.85 crore in 2014-15. Repayments as proportion of gross issuance was 98.4 per

cent during 2015-16 as compared to 98.9 per cent during the previous year. Net issuance in 2015-16 increased by nearly 48 per cent as compared to 2014-15.

Table 4.7: Issuance of Treasury Bills

(Rs in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
Gross Amount	630786.16	802830.39	854564.11	967121.85	1002888.52
Repayments	498619.59	770060.15	815192.96	956805.12	987644.66
Net Issuance	132166.57	32770.24	39371.14	10316.72	15243.86

Source: Union Finance Accounts

Average Coupon Rate and Maturity Profile of Market Loans

4.14 The composition of debt in terms of various maturity buckets reflects the maturity structure of securities issued in the last four years as well as the maturity dynamics of outstanding securities.

4.15 The weighted average maturity of market loans increased from 9.12 years in 2011-12 to 10.13 years in 2013-14, 13.8 years in 2014-15, and further to 15.8 years in 2015-16. Over the same period the weighted average coupon of govt securities increased from 7.92 per cent to 8.11 per cent in 2015-16.

Table 4.8: Weighted Average Maturity and Weighted Average Coupon of Central Govt Market Loans

Year	Weighted Avg Coupon Rate (%)	Weighted Average Maturity (yrs)
2011-12	7.92	9.12
2012-13	7.92	9.57
2013-14	7.99	10.13
2014-15	8.12	13.80
2015-16	8.11	15.80

Source: Union Finance Accounts

External Debt of the Union Government

4.16 Table 4.9 indicates the growth pattern of outstanding external debt at the close of the financial year's current exchange rates and historical rates. The Union Finance Accounts depict external debt at historical rates. Since repayments of principal and payment of interest is made at the current rates of exchange, it is appropriate to evaluate external debt at these rates. Evaluation of external debt at historical exchange rates understates the outstanding debt of the government of India. The extent of this understatement in 2015-16 was by a margin of 1.4 per cent of GDP.

Table 4.9: Growth of External Debt

(Rs in crores)

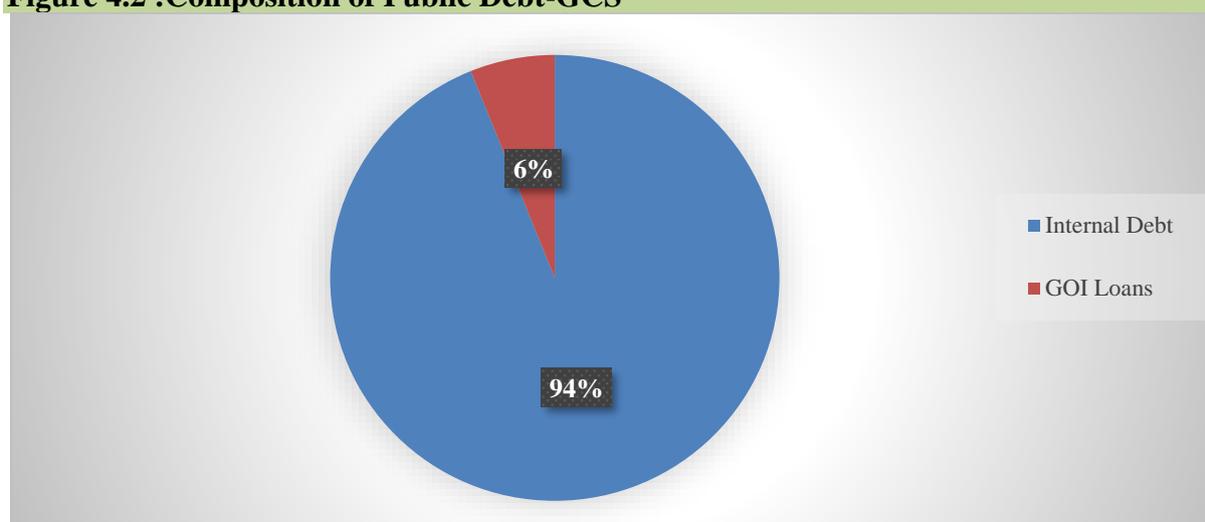
Year	Opening Balance	Addition	Repayment of Principal	Net addition	Closing Balance at Historical Rates	As % to GDP ⁴ at historical rates	Closing Balance at Current Rate of Exchange	As % to GDP at Current Rate of Exchange
2009-10	123045.60	22177.20	11139.65	11037.55	134083.15	2.2	249305.73	4.1
2010-11	134083.15	35330.17	11774.23	23555.94	157639.09	2.2	278877.35	3.8
2011-12	157639.09	26034.39	13585.88	12448.51	170087.61	2.0	322896.59	3.8
2012-13	170087.61	23308.79	16107.59	7201.2	177288.81	1.9	332003.70	3.5
2013-14	177288.81	25416.23	18124.3	7291.93	184580.74	1.8	374483.34	3.6
2014-15	184580.75	33533.89	20600.86	12933.03	197513.77	1.6	366384.10	2.9
2015-16	197513.77	36053.72	23305.38	12748.34	210262.11	1.5	406588.95	3.0

Source: Union Finance Accounts

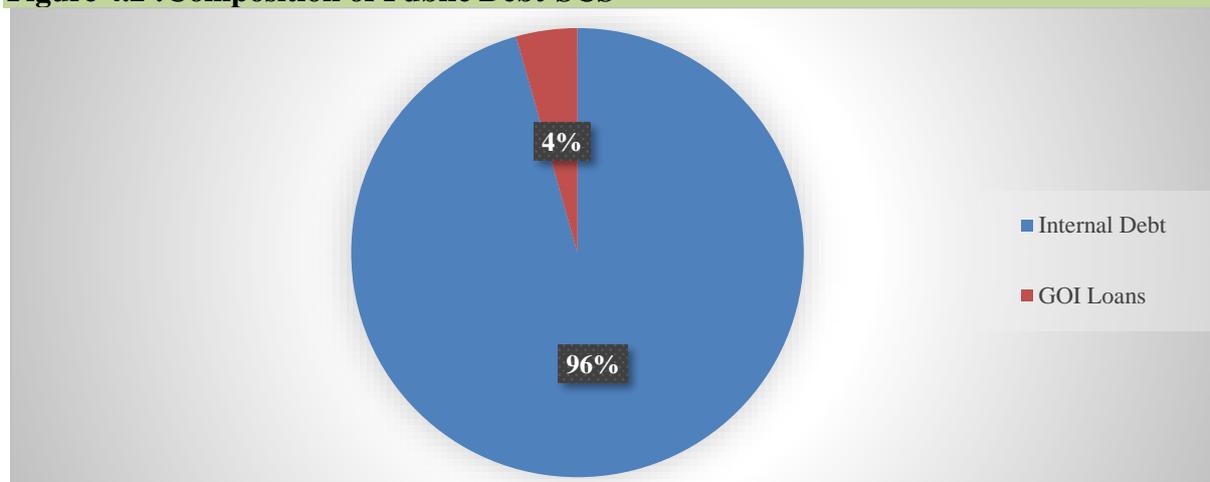
Public Debt of States: Trends and Composition

4.17 Public debt of states comprise Internal Debt, and loans from Central Government. Analysis of break-up of public debt of General Category States (GCS) during 2015-16 shows preponderance of Internal Debt over the other components. In GCS Internal Debt comprised 94 per cent of total public debt, while loans from Govt of India accounted for only 6 per cent of total public debt. Position was similar in case of Special Category states (SCS) where Internal Debt and loans from Central Government comprised 96 per cent and 4 per cent of total public debt respectively.

Figure 4.2 : Composition of Public Debt-GCS



⁴ GDP at current prices with base year 2011-12

Figure 4.2 :Composition of Public Debt-SCS

Interest Profile of Market Borrowings

4.18 Out of the two main instruments of internal debt namely market borrowings and borrowings through NSSF, rise in market borrowings has been primarily responsible for worsening debt burden in many states.

4.19 Chhattisgarh had the lowest ratio of interest payments to the State's own resources (9.64 per cent) during 2015-16 although the State borrowed at high interest rates. This is because the quantum of public debt was low as indicated by its low debt to GSDP ratio (9.99 per cent) which was the lowest amongst all GC States during 2015-16. Odisha had no market borrowings at interest rates above 9 per cent. The ratio of interest payments to the State's own resources was only 10.7 per cent during 2015-16 which is one of the lowest. West Bengal had the highest ratio of interest payments to State's own resources (52.11 per cent) followed by Punjab (33.34 per cent). In West Bengal 23 per cent of market borrowings were contracted at interest rates exceeding 9 per cent and 64 per cent were taken at interest rates between 8 to 9 per cent. The corresponding figures in Punjab are 19 per cent and 69 per cent respectively. Less than 2 per cent of market borrowings were contracted at interest rates lower than 7 per cent in these States.

4.20 Bihar, Haryana and Kerala also had high ratios of interest payments to own resources of the States. In Haryana of market borrowings at rates above 9 per cent were as high as 32 per cent. In Bihar and Kerala the corresponding figures are 16 per cent and 22 per cent respectively. In Haryana only 0.21 per cent of market borrowings were taken at interest rates below 7 per cent. In Madhya Pradesh around 82 per cent of market loans were contracted at

interest rates of 8 to 9 per cent and only 12 per cent of market loans had interest rates exceeding 9 per cent.

Figure 4.4: Interest Profile-Market Loans Chhattisgarh

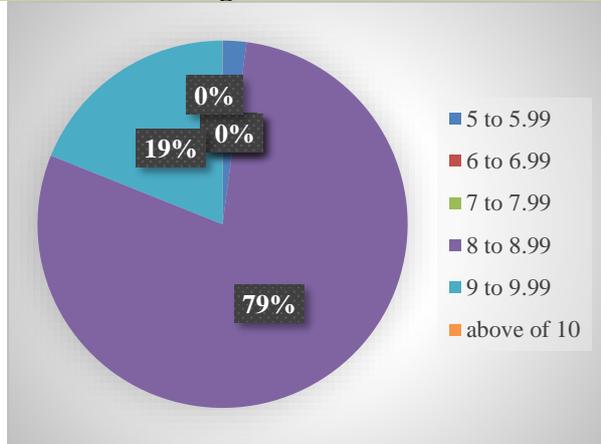


Figure 4.5 Interest Profile-Market loans-MP

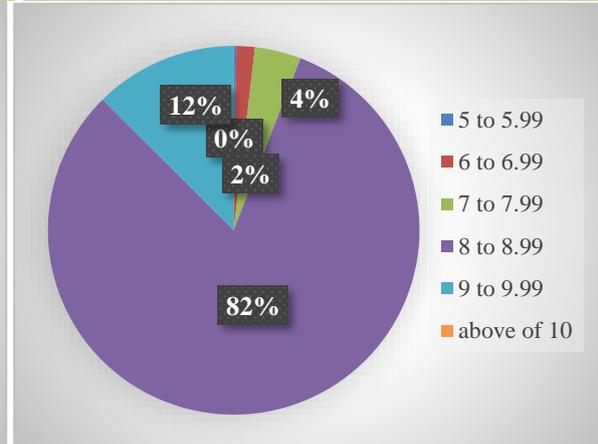


Figure 4.5: Interest Profile-Market Loans Bihar

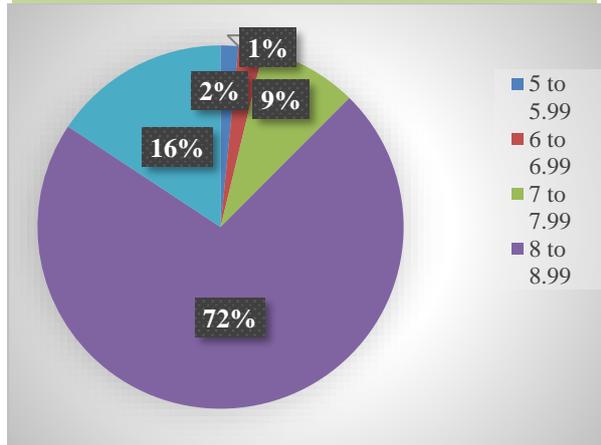


Figure 4.6: Interest Profile- Market Loans Punjab

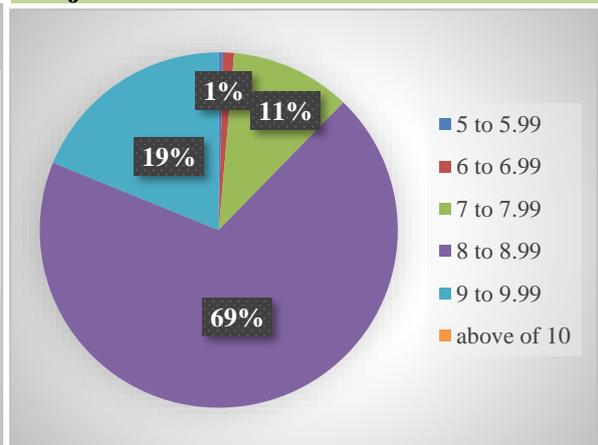


Figure 4.7: Interest Profile-Kerala

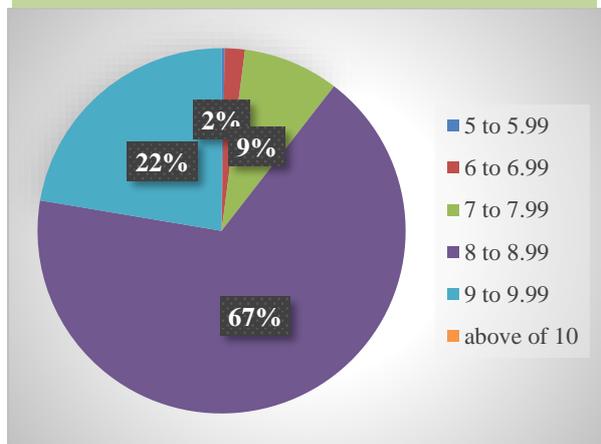
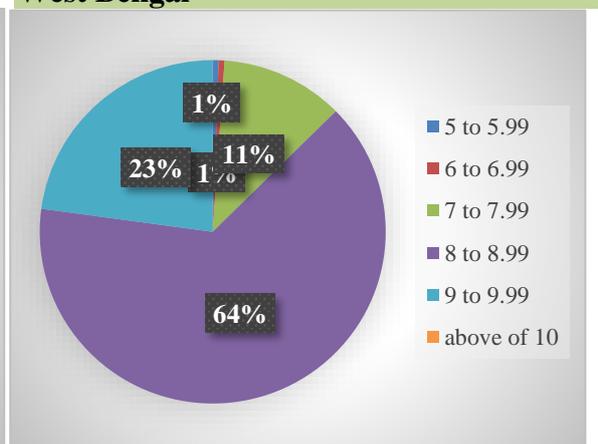
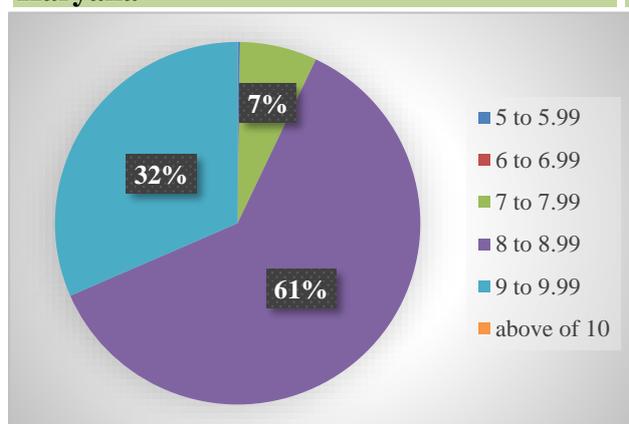
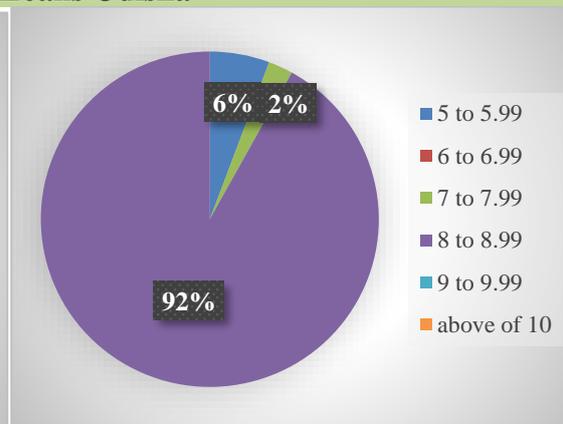
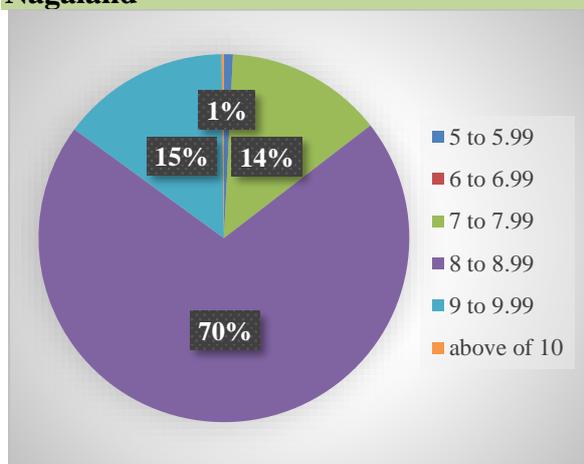
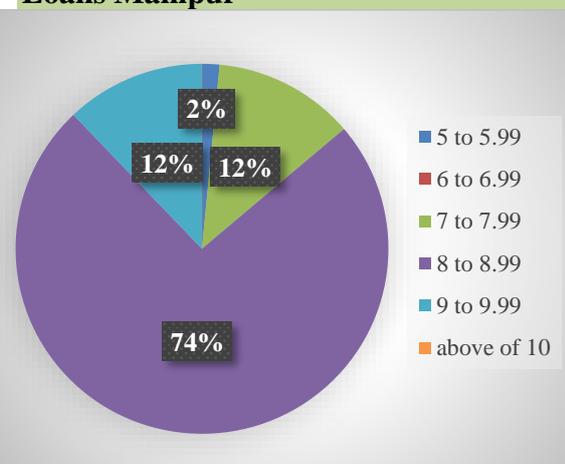


Figure 4.8: Interest Profile-Market Loans West Bengal



**Figure 4.9: Interest Profile-
Haryana**

**Figure 4.10: Interest Profile Market
Loans Odisha**


4.21 Amongst the SCS Nagaland and Manipur respectively borrowed 15 per cent and 12 per cent of loans from market at above 9 per cent. In Nagaland less than 1 per cent market loans were contracted at interest rates below 7 per cent. In Manipur less than 2 per cent of market borrowings were taken at interest rates below 2 per cent.

**Figure 4.11: Interest Profile-Market Loans
Nagaland**

**Figure 4.12: Interest Profile-Market
Loans Manipur**


Internal Debt of States-Analysis of Composition and Trends

4.22 Table 4.10 shows year-wise interest burden of individual states accruing on account of market borrowings and through securities issued to NSSF.

Table 4.10 (A) General Category States

	<i>(Rs in crore)</i>						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Andhra Pradesh							
Interest on Market Loans	3397.12	4287.28	5218.78	6433.14	7753.89	4979.65	7139.29
Interest on NSSF	1273.55	1181.54	929.64	785.92	661.44	1255.42	1464.15
Total Interest on	7040.87	7928.98	8813.61	9818.44	10941.22	6522.70	

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Internal Debt							8929.04
Bihar							
Interest on Market Loans	1081.71	1257.02	1348.95	1599.89	2081.01	2644.69	3281.11
Interest on NSSF	1485.33	1635.48	1778.51	1823.90	1948.58	1933.79	2214.27
Total Interest on Internal Debt	2783.78	3119.62	3367.88	3480.62	4225.72	4951.85	5881.68
Chhattisgarh							
Interest on Market Loans	172.61	200.68	178.02	142.38	306.14	564.19	864.95
Interest on NSSF	462.65	475.94	510.70	477.62	481.98	516.21	552.21
Total Interest on Internal Debt	680.65	708.59	731.14	665.22	849.87	1190.03	2559.33
Gujarat							
Interest on Market Loans	2269.71	2896.13	3890.14	5285.72	6219.45	7601.81	8748.29
Interest on NSSF	4342.30	4597.03	4926.23	4626.40	4690.62	4640.38	4677.57
Total Interest on Internal Debt	6889.45	7794.99	9125.57	10252.49	11322.31	12716.75	13965.17
Haryana							
Interest on Market Loans	624.04	150.00	1404.05	1900.10	2707.63	3653.11	4953.18
Interest on NSSF	1026.36	1078.15	1162.22	1129.00	1109.93	1122.61	1142.29
Total Interest on Internal Debt	2058.54	2541.28	3131.27	3845.83	4837.08	5887.22	6465.94
Jharkhand							
Interest on Market Loans	529.70	609.23	618.65	687.76	948.19	1230.42	1628.40
Interest on NSSF	888.64	894.01	985.67	970.22	925.76	935.59	966.58
Total Interest on Internal Debt	1791.64	1835.53	1941.20	2018.33	2229.18	2530.62	2968.19
Karnataka							
Interest on Market Loans	1522.99	1796.05	1863.66	2567.31	3369.40	4827.24	5965.26
Interest on NSSF	1887.59	1908.28	2080.11	1997.14	1945.20	1909.73	2012.82
Total Interest on Internal Debt	3674.54	3928.25	4185.55	4823.41	5597.74	7023.53	8268.66
Kerala							
Interest on Market Loans	1722.21	2006.61	2484.74	3295.78	4233.56	5418.48	6444.29
Interest on NSSF	1148.98	1134.50	1136.87	1089.52	1091.50	1087.84	1135.98
Total Interest on Internal Debt	3353.17	3637.81	4118.96	4867.90	5781.64	6963.70	8022.55
Madhya Pradesh							
Interest on Market Loans	1488.26	1804.07	1660.40	1694.32	2579.72	3155.36	3890.54
Interest on NSSF	1381.64	1426.40	1474.76	1769.91	1639.01	1754.79	1853.81
Total Interest on Internal Debt	3201.89	3567.27	3567.09	3864.63	4661.73	5367.44	6275.69
Maharashtra							
Interest on Market Loans	3718.90	4746.89	5709.54	7355.00	8896.18	11028.99	12964.72
Interest on NSSF	7158.65	7409.30	7887.65	7191.90	7217.73	7436.91	7349.34

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Total Interest on Internal Debt	11479.51	12763.26	14219.86	15145.18	16679.94	19000.82	20780.18
Odisha							
Interest on Market Loans	545.73	489.27	426.79	321.58	216.85	175.08	319.42
Interest on NSSF	664.72	721.76	818.02	791.29	794.97	875.66	976.67
Total Interest on Internal Debt	1433.18	1458.50	1514.17	1376.00	1277.34	1364.24	1704.87
Punjab							
Interest on Market Loans	1507.71	1834.90	2296.87	2986.99	3720.80	4459.52	5201.26
Interest on NSSF	2153.48	2198.12	2273.49	2036.04	2075.76	2089.22	2218.09
Total Interest on Internal Debt	4022.90	4350.61	4847.24	5265.58	6004.65	6776.68	7622.75
Rajasthan							
Interest on Market Loans	2029.60	2468.57	2755.92	3181.91	3713.36	4524.60	5327.71
Interest on NSSF	2346.45	2288.33	2230.79	1937.84	1870.81	1965.62	1970.51
Total Interest on Internal Debt	4598.23	4994.89	5268.85	5445.15	5972.47	7146.26	8398.71
Tamil Nadu							
Interest on Market Loans	2350.05	3399.16	4029.98	5347.90	6727.63	8661.75	10774.81
Interest on NSSF	2386.92	2410.37	2554.37	2355.13	2252.79	2317.62	2333.29
Total Interest on Internal Debt	5227.57	6282.41	7041.53	8176.11	9768.72	12130.17	14210.79
Uttar Pradesh							
Interest on Market Loans	3668.19	5137.52	5612.43	6592.99	6945.27	7563.66	9060.99
Interest on NSSF	2904.03	4702.10	5208.62	4946.53	5155.18	5795.48	6332.57
Total Interest on Internal Debt	8443.86	10305.07	11331.05	12177.78	12735.65	13992.77	16542.70
West Bengal							
Interest on Market Loans	3831.02	4899.08	5838.96	7454.89	10345.48	10825.79	12346.72
Interest on NSSF	6077.75	6711.52	7658.58	7448.14	7474.99	7669.81	8057.99
Total Interest on Internal Debt	10702.35	12415.03	14124.60	15341.66	18326.78	18942.49	20739.33
Telangana⁵							
Interest on Market Loans						3632.31	5179.69
Interest on NSSF						897.22	1046.40
Total Interest on Internal Debt						4847.46	6496.66

⁵Data is for 10 months for 2014-15 from 2 June 2014 to 31 March 2015

Table 4.10 (B) Special Category States

(Rs in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Arunachal Pradesh							
Interest on Market Loans	47.47	62.85	50.50	51.28	63.18	89.88	111.47
Interest on NSSF	0.00	219.26	62.20	62.14	64.04	67.06	72.21
Total Interest on Internal Debt	77.22	312.18	145.58	147.03	158.42	192.33	223.46
Assam							
Interest on Market Loans	792.15	900.55	925.33	874.22	809.98	797.45	987.83
Interest on NSSF	485.10	465.02	545.79	557.13	677.66	723.80	795.50
Total Interest on Internal Debt	1352.49	1420.08	1531.52	1490.96	1553.04	1597.74	1857.88
Himachal Pradesh							
Interest on Market Loans	592.50	678.40	706.56	849.54	974.03	1183.46	1313.41
Interest on NSSF	377.17	414.41	475.72	487.41	514.11	561.15	643.68
Total Interest on Internal Debt	1479.03	1408.43	1480.64	1636.86	1722.33	1949.83	2159.53
Jammu and Kashmir							
Interest on Market Loans	234.15	227.71	924.25	1178.20	1288.89	1574.39	1638.56
Interest on NSSF	438.42	386.24	364.76	329.03	321.61	357.89	396.86
Total Interest on Internal Debt	1583.60	1649.31	1612.10	1872.25	1972.47	2281.96	2360.84
Manipur							
Interest on Market Loans	102.71	145.99	167.79	181.34	191.46	218.93	259.08
Interest on NSSF	84.29	84.00	83.40	82.14	80.56	78.48	78.11
Total Interest on Internal Debt	203.48	245.71	266.47	286.18	294.68	322.36	361.92
Meghalaya							
Interest on Market Loans	117.33	128.91	141.72	159.09	189.53	217.99	259.72
Interest on NSSF	28.73	43.00	34.51	47.43	54.10	61.41	68.69
Total Interest on Internal Debt	167.41	185.98	209.17	230.65	268.54	302.82	352.18
Mizoram							
Interest on Market Loans	133.29	66.91	151.40	163.39	156.88	179.14	172.94
Interest on NSSF	0	0	0	15.97	19.43	19.30	22.38
Total Interest on Internal Debt	147.09	81.35	168.27	179.57	177.34	200.18	263.62
Nagaland							
Interest on Market Loans	200.59	228.98	246.23	280.19	319.77	374.02	404.13

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Interest on NSSF	11.06	11.32	12.95	12.38	13.31	12.96	13.81
Total Interest on Internal Debt	290.35	324.76	347.54	384.38	426.01	479.18	505.73
Sikkim							
Interest on Market Loans	77.81	100.27	97.59	100.66	106.44	130.32	149.27
Interest on NSSF	13.91	18.28	20.61	23.10	26.07	16.33	18.45
Total Interest on Internal Debt	102.81	129.32	137.18	138.06	147.47	174.29	195.44
Tripura							
Interest on Market Loans	93.26	113.81	131.13	148.40	185.51	242.19	250.57
Interest on NSSF	121.21	118.08	119.20	123.70	111.04	104.25	132.82
Total Interest on Internal Debt	235.99	261.36	295.85	308.76	347.09	415.22	441.68
Uttarakhand							
Interest on Market Loans	458.69	497.93	578.70	743.04	714.71	921.25	1214.40
Interest on NSSF	484.14	547.35	634.24	113.65	137.85	779.78	888.09
Total Interest on Internal Debt	1041.06	1149.23	1326.14	1485.93	1534.97	1853.26	2298.16

4.23 Internal Debt comprises of Market Borrowings, Ways and Means Advances from RBI, Bonds, Loans from Financial Institutions, Special Securities issued to NSSF and other miscellaneous loans. The main instruments of internal debt are market borrowings followed by Special Securities issued to NSSF. Market loans carry interest rates varying from 5 per cent to 10 per cent. On the other hand, securities issued to NSSF carry much higher interest burden varying from 10 per cent to 14 per cent.

4.24 While market borrowings have shown an increasing trend in almost all states, borrowings from NSSF as proportion of total internal debt has either declined (Punjab, Kerala, Bihar, Karnataka, West Bengal, Uttar Pradesh, Madhya Pradesh) or remained stable (Himachal Pradesh, Mizoram). In Assam it rose from 28 per cent of total internal debt in 2009-10 to around 40 per cent in 2015-16.

4.25 In Bihar borrowings from NSSF was as high as 47 per cent of total internal debt in 2009-10. This declined to 31 per cent in 2015-16. In Karnataka this ratio was around 43 per cent in 2009-10 and came down to around 20 per cent in 2015-16. In West Bengal share of NSSF borrowings came down from 45 per cent in 2009-10 to 34 per cent in 2015-16. In Punjab, this ratio declined from 44 per cent in 2009-10 to around 24 per cent in 2015-16. In

Himachal Pradesh and Mizoram it hovered at 26 to 28 per cent and 10 per cent respectively during 2009-10 and 2015-16. Amongst GCS interest liabilities on account of borrowings from NSSF declined in Andhra Pradesh, Kerala, Odisha, Punjab, Rajasthan, Tamil Nadu and amongst SCS in Jammu and Kashmir, Manipur and Uttarakhand.

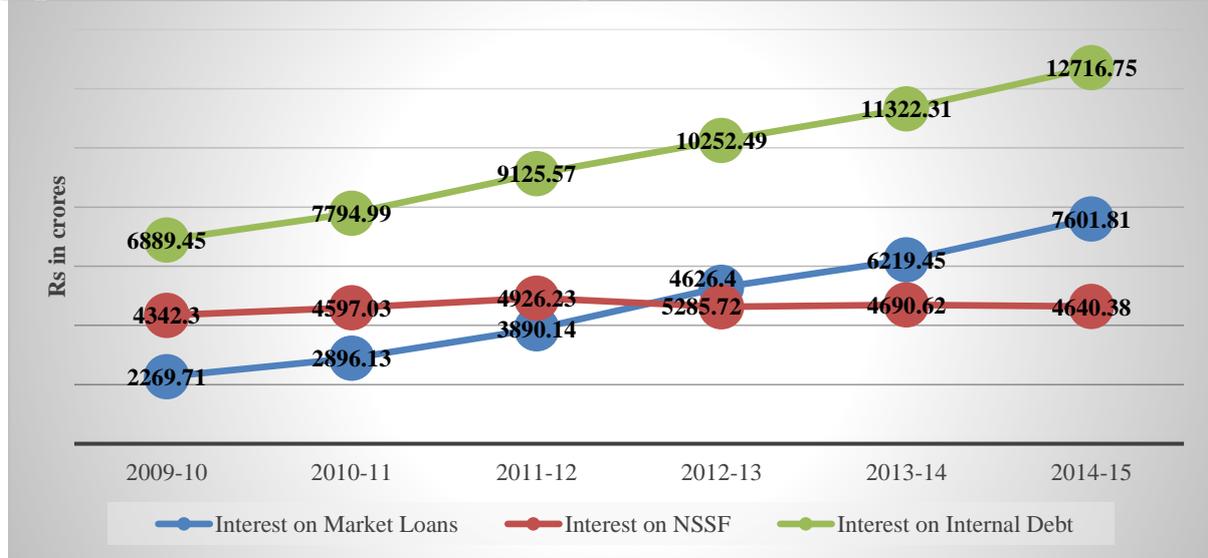
4.26 Thus, most states have reduced their borrowing from NSSF which has concomitantly reduced interest burden to some extent. However decline in interest liabilities on account of NSSF has been offset by rise in market loans in almost all states. Interest liabilities of few states are examined in detail below.

4.27 In Rajasthan annual growth rate of market loans declined from 44.69 per cent in 2010-11 to 8.75 per cent in 2011-12. The growth rate increased to 19.47 per cent per cent in 2014-15 and 22.49 per cent in 2015-16. Market loans increased from Rs 24499.58 crores in 2009-10 to Rs 75192.99 crores in 2015-16. Interest liabilities on account of market loans also more than doubled from Rs 2029.6 crores in 2009-10 to Rs 5327.71 crores in 2015-16. Borrowings from NSSF showed a decline since 2009-10 till 2015-16. It declined from Rs 23768.90 crores in 2009-10 to Rs 20039.79 crores in 2015-16. Interest obligations on account of borrowings from NSSF also declined by around 16 per cent from Rs 2346.45 crores in 2009-10 to Rs 1970.51 crores in 2015-16. However this decline in interest liabilities on account borrowings from NSSF was partially offset by increased interest liability on account of market loans. Total interest liabilities on internal debt increased by 82.6 per cent from Rs 4598.23 crores in 2009-10 to Rs 8398.71 crores in 2015-16.

Figure 4.13: Internal Debt-Rajasthan



Figure 4.14: Interest on Internal Debt-Rajasthan

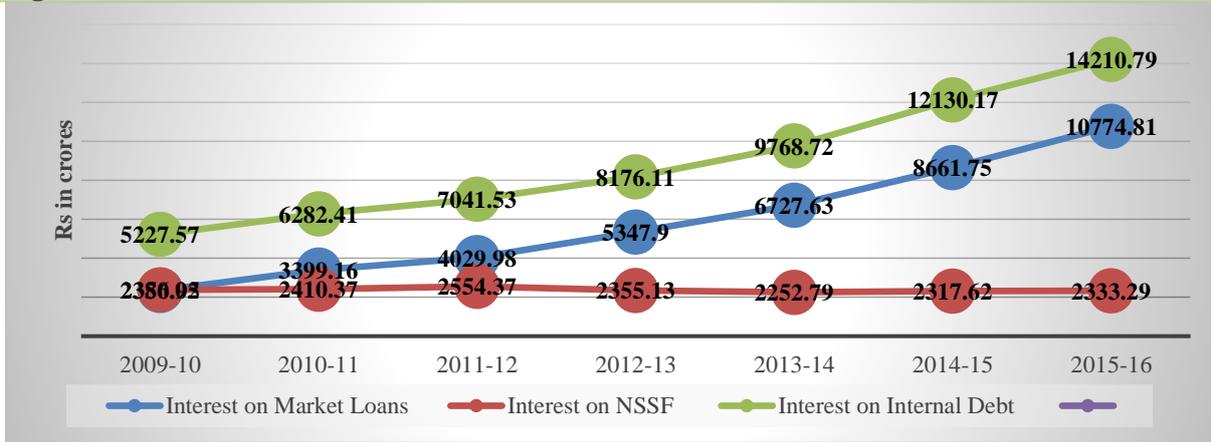


4.28 In Tamil Nadu market loans have increased at around 23 per cent per year during the period 2009-10 and 2015-16. It increased from Rs 41019.84 crores in 2009-10 to Rs 147949.63 crores in 2015-16. Quantum of loans from NSSF has remained almost same during this period. Interest on market loans have risen from Rs 2350.05 crores in 2009-10 to Rs 10774.81 crores in 2015-16. Although there was marginal decline in interest liabilities on NSSF, net increase in total interest liabilities on account of internal debt rose by nearly 172 per cent between 2009-10 and 2015-16 from Rs 5227.57 crores to Rs 14210.79 crores.

Figure 4.15: Internal Debt-Tamil Nadu



Figure 4.16: Interest on Internal Debt-Tamil Nadu



4.29 In Karnataka, market loans have risen by 258 per cent from Rs 23527.18 crores in 2009-10 to Rs 84333.54 crores in 2015-16 resulting in four fold rise in interest liability on market loans during this period. Borrowings from NSSF registered a rise of only 11 per cent during this period. The net effect was increase by 125 per cent in total interest liabilities on internal debt which rose from Rs 3674.54crores in 2009-10 to Rs 8268.66 crores in 2015-16.

Figure 4.17: Internal Debt-Karnataka

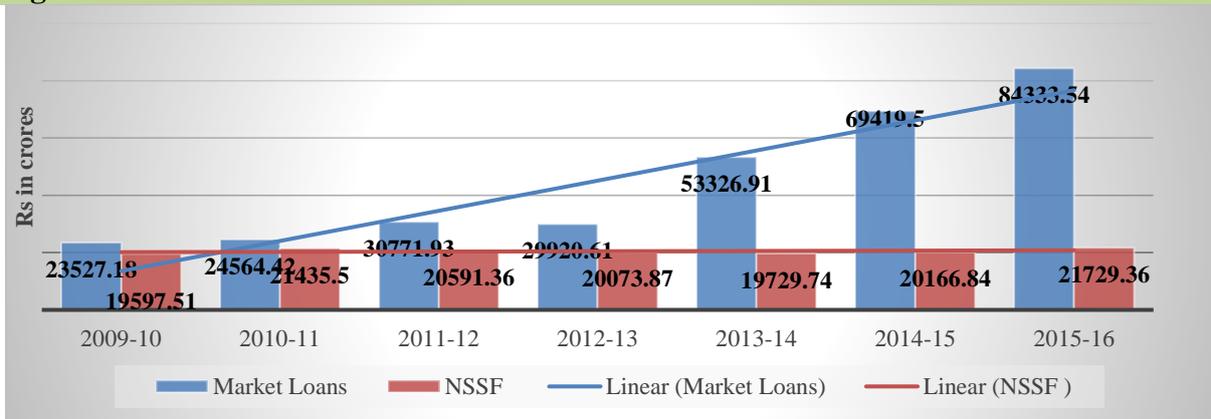
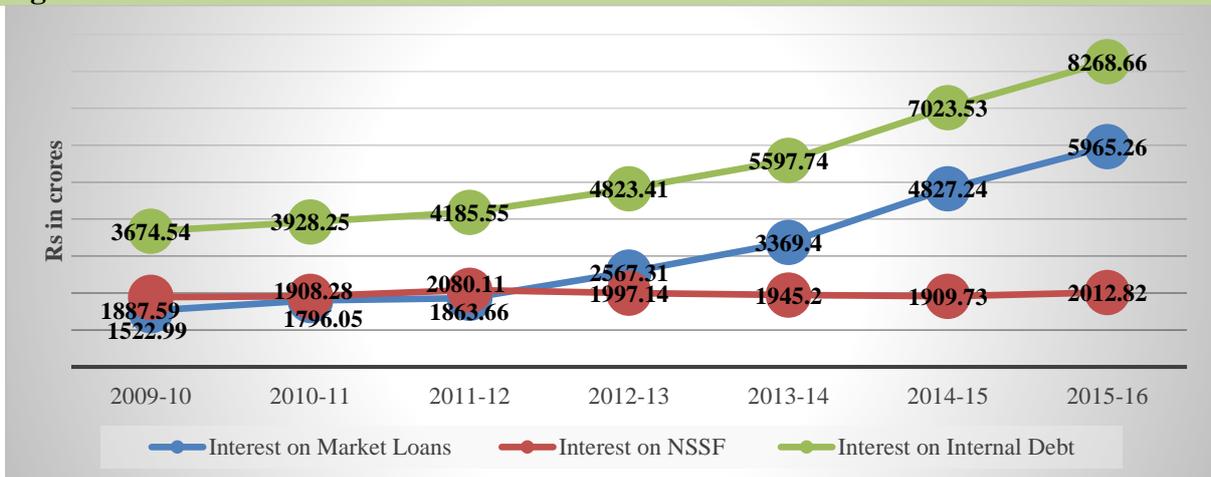


Figure 4.18: Interest on Internal Debt-Karnataka



4.31 In Kerala there was increase in market loans by nearly 227 per cent from Rs 25973.10 crores in 2009-10 to Rs84845.76 crores in 2015-16. Interest liabilities on market loans increased by nearly 274 per cent during this period. Interest on borrowings from NSSF declined from Rs 1148.98 crores to Rs 1135.97 crores during this period. Total interest liabilities on internal debt increased by nearly 139 per cent from Rs 3353.17 crore in 2009-10 to Rs 8022.55 crore in 2015-16.

Figure 4.19: Internal Debt- Kerala

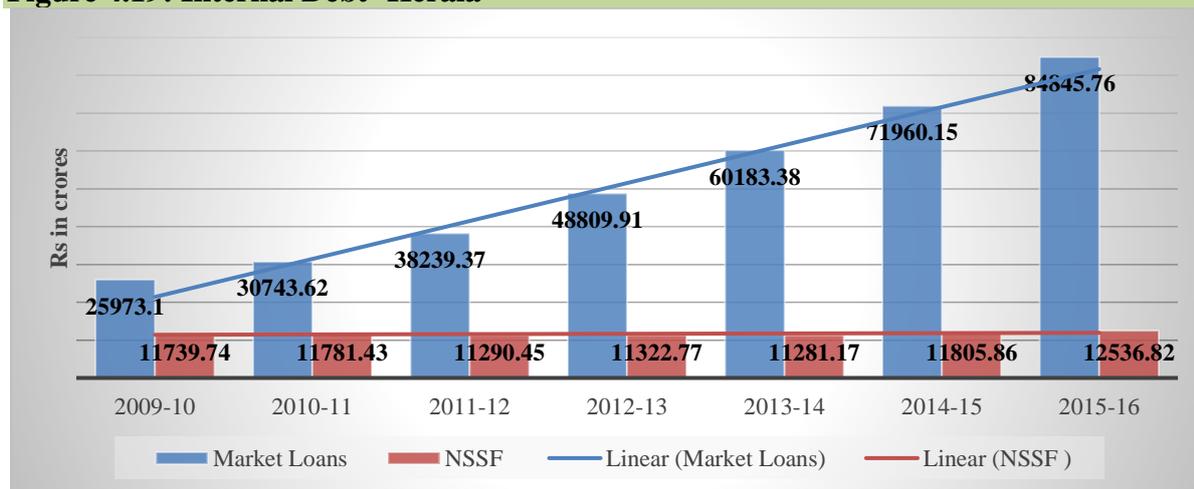


Figure 4.20: Interest on Internal Debt - Kerala



4.32 In Tripura market loans increased by 124 per cent from Rs 1443.93 crores in 2009-10 to Rs 3247.94 crores in 2015-16. Borrowings from NSSF increased by nearly 36 per cent during this period. Interest on market borrowings rose sharply in 2013-14. In 2015-16 interest on market loans was Rs 250.57 crores which was an increase of nearly 169 per cent from Rs 93.26 crores in 2009-10. Interest on NSSF borrowings declined in 2013-14 and 2014-15 after

which it increased in 015-16. Total interest liabilities on internal debt rose by 87 per cent during the period 2009-10 to 2015-16.

Figure 4.21: Internal Debt - Tripura

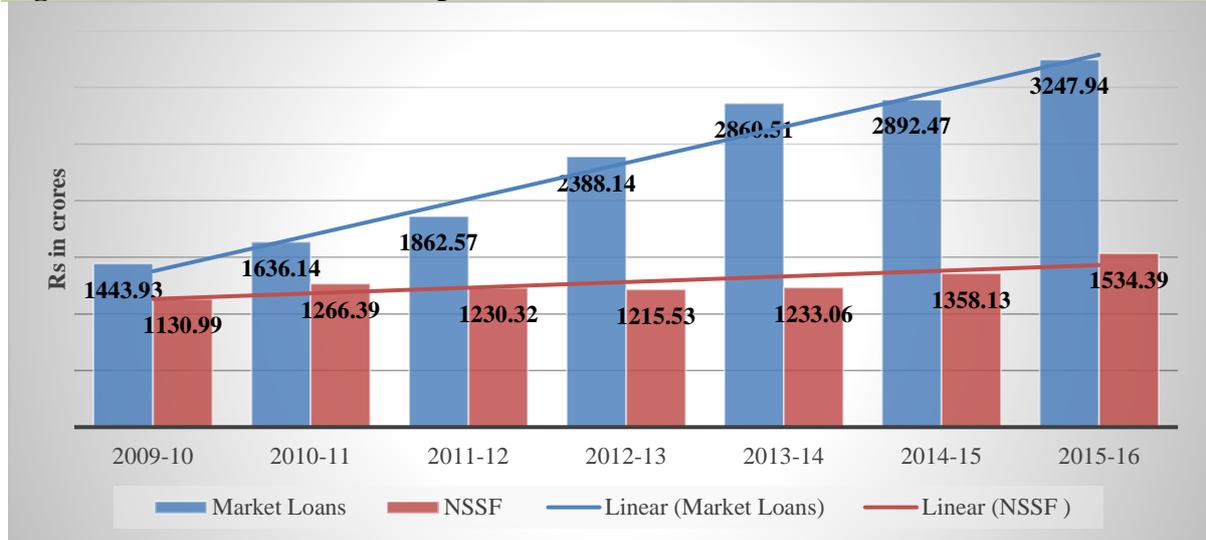
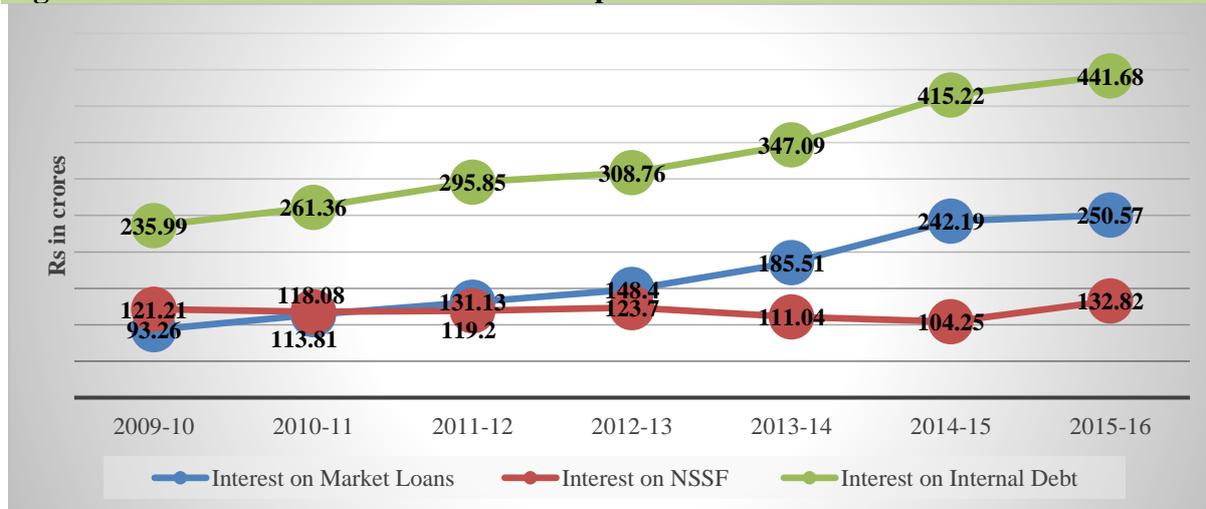


Figure 4.22: Interest on Internal Debt - Tripura



Debt Sustainability

4.34 Debt sustainability is defined as the ability of the state to maintain a declining or constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. It refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings with returns from such borrowings.

4.35 Debt sustainability of few states have been assessed in the subsequent paragraphs on the basis of few parameters like growth rate of public debt vis-à-vis growth rate of GSDP, debt servicing requirements as proportion of state's non-debt receipts, proportion of interest payments to states' own resources and ratio of debt redemption to fresh debts.

4.36 **Growth of debt stock** of a state at a higher rate than that of its GSDP indicates a worsening debt position. Table 4.11(A) and (B) show the total public debt in 2015-16 and growth rate over the previous year of each state. This rate has been compared with the growth rate of GSDP of states. Amongst the GCS except Gujarat and Maharashtra, growth of debt stock has been faster than growth rate of GSDP in all the states indicating a worsening debt position. Differential in the growth rates of total debt and GSDP has been the highest in Rajasthan followed by Haryana, Jharkhand, Odisha, Chhattisgarh, and Uttar Pradesh. The successor state of Andhra Pradesh came into being on 2 June 2014. So the public debt figure for 10 months is not comparable with that of the previous year.

Amongst the SCS, Himachal Pradesh, Jammu and Kashmir, Manipur, and Mizoram showed improvement in their debt position. Differential in the growth rates of total debt and GSDP has been the highest in Nagaland followed by Sikkim and Uttarakhand. In Arunachal Pradesh there was decline in public debt by around 22 per cent in 2015-16 as compared to the previous year.

Table 4.11 (A): Growth Rate of Public Debt and GSDP⁶ - GCS

State	Public Debt 2014-15	Public Debt 2015-16	Growth rate of Public Debt	GSDP 2014-2015	GSDP 2015-16	Growth rate of GSDP
Andhra Pradesh	109505.89 ⁷	124662.11	13.84	526466	609934	15.85
Bihar	74570.47	88828.62	19.12	373920	413503	10.59
Chhattisgarh	20049.17	26050.14	29.93	234982	260776	10.98
Gujarat	163450.88	180742.82	10.58	895027	994316	11.09
Haryana	70925.30	101709.05	43.40	437462	485184	10.91
Jharkhand	34842.35	45841.06	31.57	217107	241955	11.45
Karnataka	105584.84	122546.98	16.06	921788	1027068	11.42
Kerala	96132.96	109730.97	14.15	526002	588337	11.85
Madhya Pradesh	82261.50	97386.44	18.39	481982	543975	12.86
Maharashtra	237454.71	265388.02	11.76	1686695	1969184	16.75

⁶GSDP figures are as per CSO with base year 2011-12 in respect of all States except Himachal Pradesh, Maharashtra, Manipur, Mizoram, Nagaland, Punjab, Rajasthan and Uttar Pradesh. In these states GSDP has been taken from Directorate of Economics and Statistics of State Govts.

⁷Data is for 10 months from 2, June 2014 to 31, March 2015.

Odisha	26848.59	33757.06	25.73	321971	341887	6.19
Punjab	86818.03	103194.93	18.86	349826	408815	16.86
Rajasthan	100510.54	156549.67	55.75	574549	674137	17.33
Tamil Nadu	164634.46	194095.65	17.89	1092564	1212668	10.99
Telangana⁸				511178	575631	12.61
Uttar Pradesh	197653.19	254494	28.76	1043371	1153795	10.58
West Bengal	244490.21	270058.5	10.45	800868		

Table 4.11 (B): Growth Rate of Public Debt and GSDP - SCS

State	Public Debt 2014-15	Public Debt 2015-16	Growth rate of Public Debt	GSDP 2014-15	GSDP 2015-16	Growth rate of GSDP
Arunachal Pradesh	2990.74	2325.4	-22.25	16761	18784	12.07
Assam	22778.26	26307.35	15.49	198098	224234	13.19
Himachal Pradesh	25728.52	27909.99	8.48	95587	110511	15.61
Jammu and Kashmir	28200.80	32030.71	13.58	100404	118387	17.91
Manipur	4379.85	4859.56	10.95	16122.73	20067.74	24.47
Meghalaya	4210.68	4710.26	11.86	24408	26745	9.57
Mizoram	2457.71	2470.5	0.52	10413.89	13373.83	28.42
Nagaland	5895.65	6736.24	14.26	20099	20524	2.11
Sikkim	2510.30	2969.05	18.27	15209	16637	9.39
Tripura	5290.32	5976.43	12.97	30922.12	33495.66	8.32
Uttarakhand	25034.65	29836.32	19.18	161985	184091	13.65

*Source: CSO. GSDP calculated at market price with base 2011-12.

4.37 The average growth rate of public debt of GCS was 23.49 per cent in 2015-16. The growth rate of public debt in Chhattisgarh, Haryana, Jharkhand, Odisha, Rajasthan and Uttar Pradesh was higher than the average GCS public debt growth rate. The average growth rate of public debt of SCS was 9.39 per cent in 2015-16. In Assam, Jammu and Kashmir, Manipur, Meghalaya, Nagaland, Sikkim, Tripura and Uttarakhand the growth rate of public debt was higher than the SCS group average.

4.38 Growth rates of public debt of GCS⁹ during 2011-12 to 2015-16 are depicted in Table 4.12 (A).

Table 4.12 (A) : Growth Rate of Public Debt -GCS

State	2011-12	2012-13	2013-14	2014-15	2015-16
Bihar	7.84	12.72	11.81	16.04	19.12
Chhattisgarh	-3.88	9.53	27.70	34.14	29.93
Gujarat	11.30	10.50	9.64	9.33	10.58

⁸Data is for 10 months from 2, June 2014 to 31, March 2015.

⁹ The successor state of Andhra Pradesh came into existence on 2 June 2014. Public debt of composite state of Andhra Pradesh has not been apportioned fully between the successor states of Andhra Pradesh and Telangana.

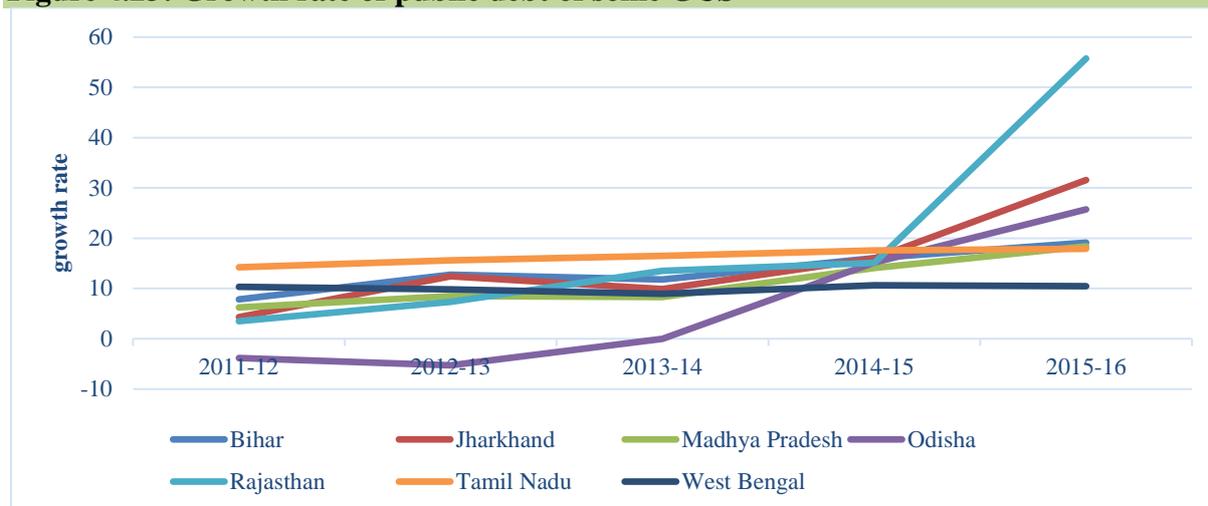
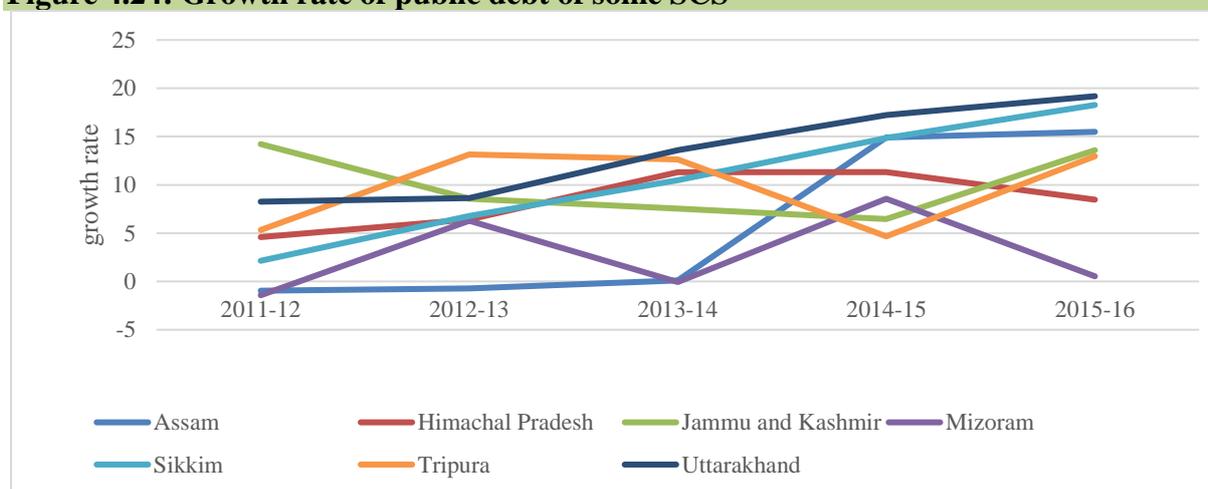
Haryana	19.41	22.37	19.02	17.63	43.40
Jharkhand	4.3	12.4	9.9	16	31.57
Karnataka	10.19	14.91	17.95	19.27	16.06
Kerala	12.58	16.92	15.52	15.18	14.15
Madhya Pradesh	6.23	8.48	8.32	14.07	18.39
Maharashtra	10.75	8.13	8.20	9.47	11.76
Odisha	-3.81	-5.28	-0.01	15.16	25.73
Punjab	10.17	10.99	10.47	10.36	18.86
Rajasthan	3.50	7.32	13.48	15.09	55.75
Tamil Nadu	14.22	15.58	16.50	17.56	17.89
Uttar Pradesh	7.76	4.38	4.09	15.22	28.76
West Bengal	10.31	9.83	8.94	10.64	10.46

4.39 Growth rates of public debt has shown an increasing trend in Bihar, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, and Rajasthan, during 2011-12 to 2015-16. In Odisha there was negative growth rate of public debt till 2013-14. In 2015-16 public debt grew by nearly 26 per cent in Odisha. In West Bengal the growth rate has hovered around 10 per cent during this period. In Punjab, Rajasthan, Uttar Pradesh, Haryana, Jharkhand and Odisha the growth rate of public debt in 2015-16 has been substantially higher than the previous year. The growth rate in 2015-16 has been the highest in Rajasthan.

Table 4.12 (B) : Growth Rate of Public Debt -SCS

State	2011-12	2012-13	2013-14	2014-15	2015-16
Arunachal Pradesh	1.44	4.97	7.98	19.43	-22.25
Assam	-0.96	-0.72	0.10	14.91	15.49
Himachal Pradesh	4.59	6.43	11.30	11.32	8.48
Jammu and Kashmir	14.22	8.56	7.53	6.46	13.58
Manipur	3.56	4.35	3.03	5.19	10.95
Meghalaya	9.71	11.83	9.96	14.22	11.86
Mizoram	-1.43	6.30	-0.06	8.56	0.52
Nagaland	11.99	7.96	10.28	1.88	14.26
Sikkim	2.14	6.79	10.49	14.86	18.27
Tripura	5.32	13.15	12.64	4.67	12.97
Uttarakhand	8.26	8.64	13.60	17.23	19.18

4.40 Amongst the SCS in Jammu and Kashmir growth rate of public debt has declined consistently till 2014-15. However the growth rate picked up in 2015-16 to 13.58 per cent. In Mizoram, Assam, Arunachal Pradesh, and Nagaland growth rates have fluctuated widely. In Assam, Manipur, Sikkim and Uttarakhand growth rates of public debt have shown an increasing trend.

Figure 4.23: Growth rate of public debt of some GCS**Figure 4.24: Growth rate of public debt of some SCS**

Ratio of Public Debt to GSDP-Trend Analysis

4.41 The **ratio of total debt to the GSDP** of a state indicates the financial leverage of the economy. A low debt-to-GDP ratio indicates that the economy has access to a larger proportion of its resources which it can utilise as per its allocative priorities. Concomitantly, it means that it has to set aside less resources for servicing its debt obligations.

Table 4.13 (A): Ratio of public debt to GSDP in 2015-16 - GCS

State	PD/GSDP (per cent)
Andhra Pradesh ¹⁰	20.44
Bihar	21.48
Chhattisgarh	9.99
Gujarat	18.18
Haryana	20.96

¹⁰Figures are for 10 months (2 June, 2014 to 31 March, 2015).

State	PD/GSDP (per cent)
Jharkhand	18.95
Karnataka	11.93
Kerala	18.65
Madhya Pradesh	17.90
Maharashtra	13.48
Odisha	9.87
Punjab	25.24
Rajasthan	23.22
Tamil Nadu	16.01
Telangana	15.98
Uttar Pradesh	22.06
West Bengal	25.97

4.42 Odisha had the lowest ratio of public debt to GSDP at 9.87 per cent followed by Chhattisgarh at 9.99 per cent. West Bengal had the highest ratio (25.97 per cent) followed by Punjab (25.24 per cent), and Rajasthan (23.22 per cent).

Table 4.13 (B): Ratio of public debt to GSDP in 2015-1 - SCS

State	PD/GSDP (per cent)
Arunachal Pradesh	12.38
Assam	11.73
Jammu and Kashmir	25.26
Himachal Pradesh	27.06
Manipur	24.22
Meghalaya	17.61
Mizoram	18.47
Nagaland	32.82
Sikkim	17.85
Tripura	17.84
Uttarakhand	16.21

4.43 Amongst the SCS Nagaland had the highest ratio of public debt to GSDP at 32.82 per cent followed by Himachal Pradesh at 27.06 per cent. Assam had the lowest ratio at 11.73 per cent.

4.44 Amongst the GCS Chhattisgarh, Jharkhand, Kerala, Karnataka, Tamil Nadu and Haryana have shown an increasing trend in Public Debt to GSDP ratio. In Chhattisgarh and Jharkhand this ratio had a declining trend till 2012-13, where-after it started rising due to increase in market loans from Rs 2,199.58 crore in 2011-12 to Rs 14554.43 crores in 2015-16 in Chhattisgarh and from Rs 8,630.56 crore in 2011-12 to Rs 23554.79 crore in 2015-16 in case of Jharkhand. In Karnataka this ratio had declined till 2013-14, after which it registered an increase of 58 per cent in 2015-16. In Kerala this ratio started rising from 2012-13. In

Kerala the rise was due to increase in quantum of market borrowings from Rs 38,239.37 crores in 2011-12 to Rs 48,809.91 crores in 2012-13, Rs 71,960.15 crores in 2014-15 and Rs 84,845.76 crores in 2015-16. Thus market loans increased by nearly 122 per cent from 2011-12 to 2015-16. Similarly in Tamil Nadu, market loans rose by 135 per cent from Rs 62,832.48 crore in 2011-12 to Rs 97,182.74 crore in 2013-14 and Rs 147,949.63 crores in 2015-16. In Haryana the ratio of public debt to GSDP has consistently shown a rising trend because of increase in market borrowings from Rs 21084.10 crores in 2011-12 to Rs 65821.12 crores in 2015-16 registering an increase of nearly 212 per cent.

4.45 However, it is generally felt that debt/GSDP ratio may not be an appropriate indicator for the magnitude and sustainability of public debt liabilities. An important aspect of debt sustainability is liquidity of the government which can be assessed as a ratio of **debt servicing requirements to the total non-debt receipts of the government**. This is a better indicator of debt sustainability. It is desirable that this ratio should be low. If this ratio is high, it would imply that the government's total receipts (revenue receipts + non-debt capital receipts) are not sufficient for repaying principal and interest obligations, thereby necessitating further borrowing for servicing its debt. The debt position of such states is unsustainable in the long run.

Figure 4.25: Debt servicing requirements of states as a proportion of non-debt receipts of GC states during 2015-16.

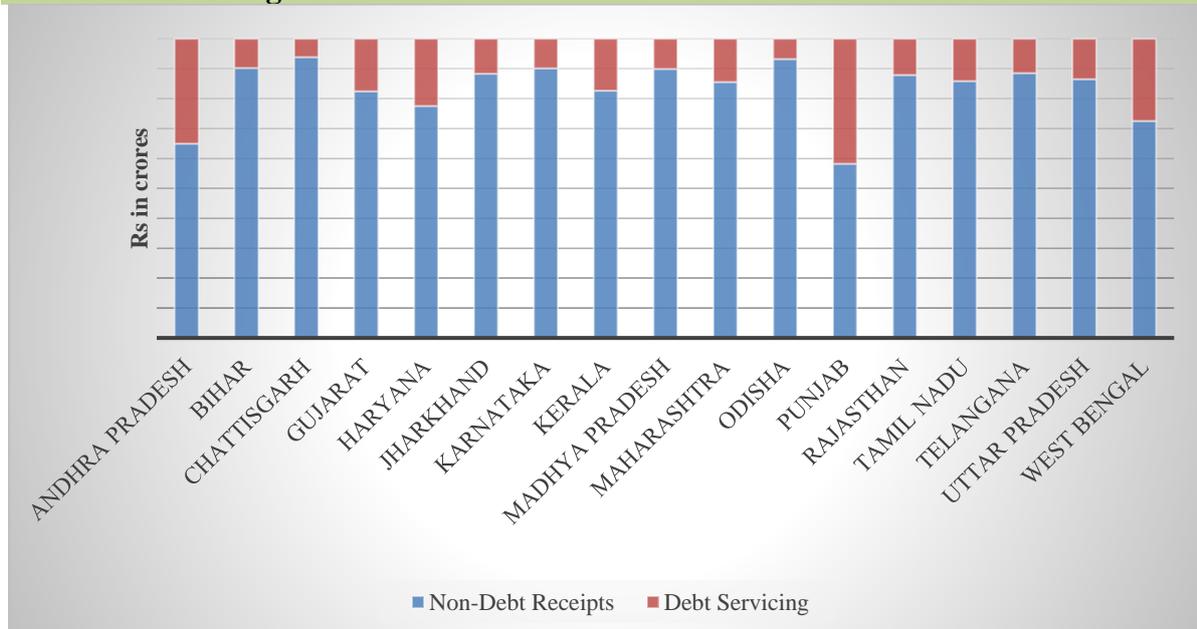


Figure 4.26: Debt servicing requirements of states as a proportion of non-debt receipts of SC states during 2015-16.



4.46 Debt servicing requirements for GCS account for substantial proportion of non-debt receipts of some GCS. In Punjab debt servicing accounted for 72 per cent of non-debt receipts of the state during 2015-16. In West Bengal and Haryana debt servicing accounted for nearly 38 per cent and 29 per cent respectively of the state's total non-debt receipts. In Kerala it accounted for around 21 per cent. In some states this ratio is small as in case of Chhattisgarh, and Odisha where debt servicing requirements account for around 6 to 7 per cent of total non-debt receipts during 2015-16.

4.47 In case of SCS all states except Uttarakhand debt servicing requirement as proportion of non-debt receipts of the States was below 10 per cent. In Uttarakhand this ratio was around 11 per cent.

Interest payments to own resources of states

4.48 Interest payments are a major drag on the states' own revenue (tax and non-tax revenue). The ratio of interest payments to the states' own resources measures the ability of that government to meet past and present debt obligations out of its own resources. A higher ratio indicates that the state has less leverage to finance the other components of current expenditure and makes it more dependent on central transfers or borrowings. This ratio is an important indicator of fiscal sustainability.

Table 4.14: Ratio of Interest Payments to State's own Resources during 2015-16

State	Interest Payments (Rs crores) (1)	Own Tax Revenue (Rs crores) (2)	Own Non-Tax Revenue (Rs crores) (3)	Total Own Resources (Rs crores) (4)=(2)+(3)	Ratio (in %) (1)/(4)*100
GCS					
Andhra Pradesh	9848.49	39906.54	4920.01	44826.55	21.97
Bihar	7097.69	25449.18	2185.64	27634.82	25.68
Chhattisgarh	2148.91	17074.86	5214.79	22289.65	9.64
Gujarat	16300.13	62649.41	10193.51	72842.92	22.38
Haryana	8284.05	30929.09	4752.48	35681.57	23.22
Jharkhand	3320.08	11478.95	5853.01	17331.96	19.16
Karnataka	10746.37	75550.18	5355.04	80905.22	13.28
Kerala	11110.62	38995.15	8425.29	47420.44	23.43
Madhya Pradesh	8090.88	40213.66	8568.79	48782.45	16.59
Maharashtra	25771.41	126608.11	13423.01	140031.12	18.40
Odisha	3343.3	22526.95	8711.24	31238.19	10.70
Punjab	9781.77	26690.49	2650.27	29340.76	33.34
Rajasthan	12008.3	42712.92	10927.87	53640.79	22.39
Tamil Nadu	17391.01	80476.08	8918.31	89394.39	19.45
Telangana	7557.54	39974.63	14414.36	54388.99	13.90
Uttar Pradesh	21447.87	81106.26	23134.65	104240.91	20.58
West Bengal	23114.92	42492.08	1861.79	44353.87	52.11
GCS (Average)	11609.6082	804834.54	139510.06	55549.68	21.54
SCS					
Arunachal Pradesh	415.64	535.07	392.12	927.19	44.83
Assam	2618.44	10106.50	2741.57	12848.07	20.38
Himachal Pradesh	3154.99	6695.81	1837.15	8532.96	36.97
Jammu and Kashmir	3719.34	7326.19	3912.79	11238.98	33.09
Manipur	516.23	550.44	149.48	699.92	73.76
Meghalaya	465.88	1056.82	228.60	1285.42	36.24
Mizoram	369.27	358.41	297.63	656.04	56.29
Nagaland	586.45	427.10	256.39	683.49	85.80

State	Interest Payments (Rs crores) (1)	Own Tax Revenue (Rs crores) (2)	Own Non-Tax Revenue (Rs crores) (3)	Total Own Resources (Rs crores) (4)=(2)+(3)	Ratio (in %) (1)/(4)*100
Sikkim	262.07	566.82	412.99	979.81	26.75
Tripura	729.39	1332.25	262.60	1594.85	45.73
Uttarakhand	2971.11	9377.79	1219.66	10597.45	28.04
SCS (Average)	1208.95	3484.84	1064.63	4549.47	41.34

Figure 4.27: Interest Payments as part of States own resources of GC states during 2015-16.

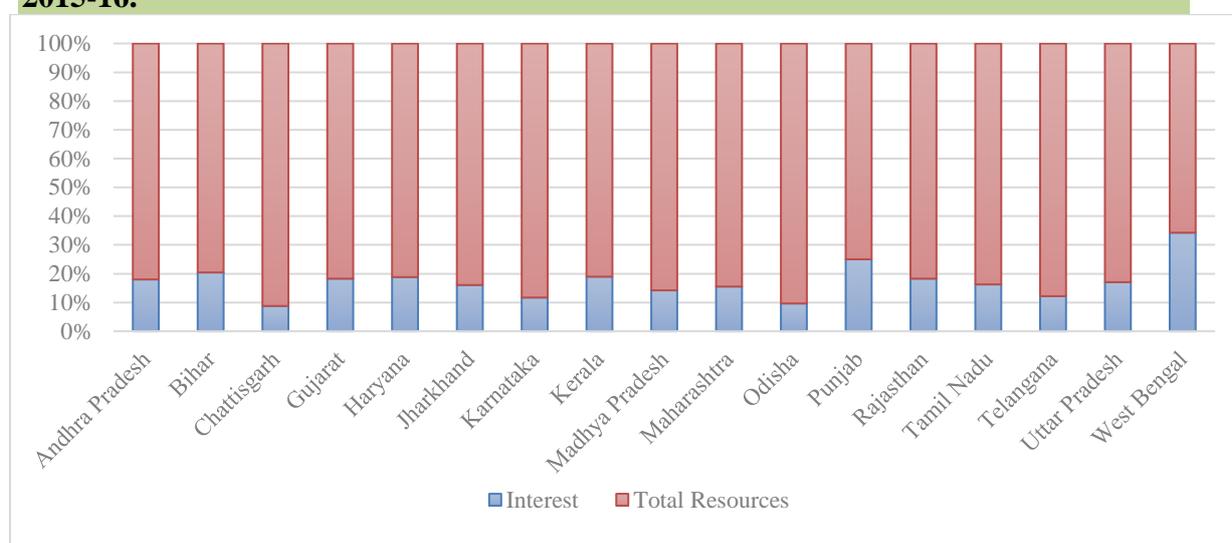
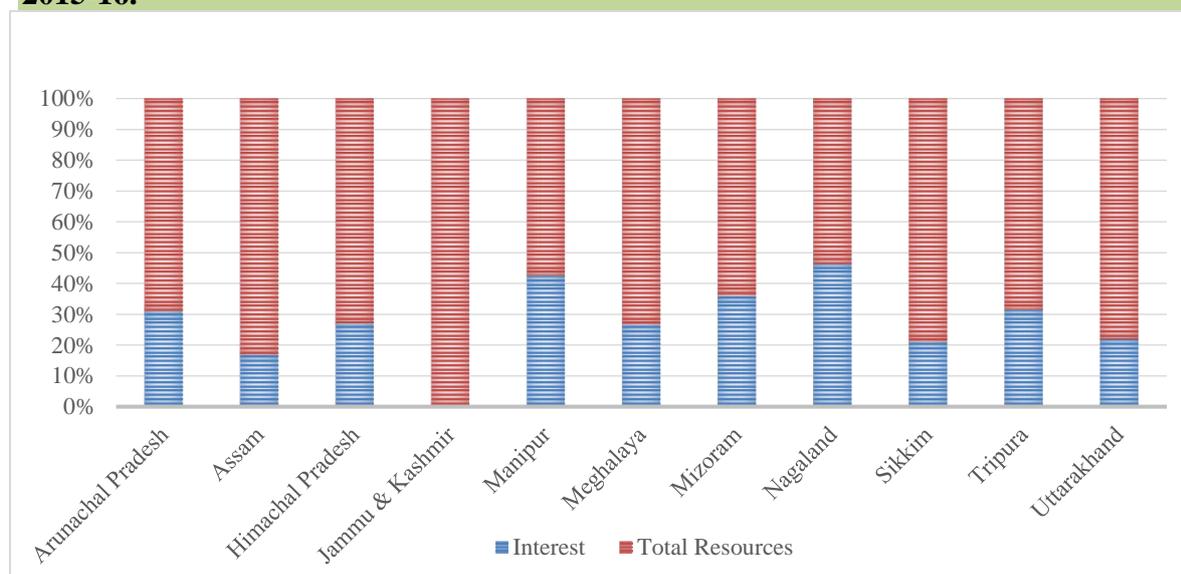


Figure 4.28: Interest Payments as part of States own resources of SC states during 2015-16.



4.49 The average ratio of interest payments to states own resources for GCS states was 21.54 in 2015-16. In Andhra Pradesh, Bihar, Gujarat, Haryana, Kerala, Punjab, Rajasthan and West Bengal this ratio was higher than the group average. Amongst the GCS, Chhattisgarh had the lowest ratio at 9.64 while West Bengal had the highest ratio at 52.11.

4.50 The average ratio for SCS was much higher at 41.34 indicating that most of these states' own resources were being used for meeting interest obligations, thereby limiting availability of resources for meeting other expenditure components. Amongst SCS Nagaland (85.80 per cent) followed by Manipur (73.76 per cent) had very high ratios which means that only 15-30 % of its own resources are available for meeting expenditure in these states.

Ratio of Debt Redemption to Debt Receipts

4.51 Another issue in debt sustainability is the ratio of debt redemption to total debt receipts. A high debt redemption ratio would indicate that debt repayments are higher than debt receipts and there is less net accrual of liabilities. If the ratio is unity, it means that debt receipts are equal to the amount of debt repayment including interest accrued thereon and there is no net accrual of liabilities. If the ratio exceeds unity, it means that repayment towards discharge of past obligations is more than debt receipts during the year. This is an indicator of prudent debt management.

Table 4.15: Debt Redemption Ratio during 2015-16

(Rs in crores)

State	Debt Receipt 2014-15	Debt Repayment			Total Debt Repayment/Debt Receipt (Ratio)
		Principal 2014-15	Interest 2014-15	Total	
Andhra Pradesh	53681.8	38444.5	9413.49	47857.99	0.89
Arunachal Pradesh	621.1	1286.44	243.51	1529.95	2.46
Assam	5497.99	1968.9	1969.45	3938.35	0.72
Bihar	18383.00	4124.85	6259.22	10384.07	0.56
Chhattisgarh	7251.15	1250.18	1723.63	2973.81	0.41
Gujarat	23486.19	6194.26	14479.66	20673.92	0.88
Haryana	37998.43	7214.68	6565.83	13780.51	0.36
Himachal Pradesh	6129.21	3947.73	2244.45	6192.18	1.01
Jammu and Kashmir	14644.99	10815.08	2463.08	13278.16	0.91

State	Debt Receipt 2014-15	Debt Repayment			Total Debt Repayment/Debt Receipt (Ratio)
		Principal 2014-15	Interest 2014-15	Total	
Jharkhand	13244.65	2245.93	3091.12	5337.05	0.40
Karnataka	21072.33	4110.2	8949.1	13059.3	0.62
Kerala	19658.75	6060.74	8358.11	14418.85	0.73
Madhya Pradesh	19985.3	4860.36	6884.43	11744.79	0.59
Maharashtra	37976.41	10043.1	21270.31	31313.41	0.82
Manipur	925.79	446.08	395.99	842.07	0.91
Meghalaya	836.93	337.34	369.91	707.25	0.85
Mizoram	563.07	550.27	284.83	835.1	1.48
Nagaland	3545.94	2705.35	522.69	3228.04	0.91
Odisha	9789.82	2881.37	2065.54	4946.91	0.51
Punjab	38428.04	22051.13	7780.62	29831.75	0.78
Rajasthan	60998.17	4959.03	8847.71	13806.74	0.23
Sikkim	654.88	196.12	67.89	264.01	0.40
Tamil Nadu	36066.54	6605.34	14681.45	21286.79	0.59
Telangana	17497.59	2845.24	7021.79	9867.03	0.56
Tripura	1119.79	447.28	466.73	914.01	0.82
Uttar Pradesh	74513.57	17672.76	17566.85	35239.61	0.47
Uttarakhand	6998.48	2196.81	2339.57	4536.38	0.65
West Bengal	45747.33	20179.04	21524.14	41703.18	0.91

4.52 It is seen that Arunachal Pradesh, Himachal Pradesh and Mizoram had debt-redemption ratio greater than 1 implying thereby that total debt repayment in these states was higher than fresh debts contracted.

4.53 None of the general category States had debt-redemption ratio equal to or greater than 1. Some of these States whose debt position had worsened during 2015-16 as compared to the previous year and where the differential between growth rate of public debt and growth rate of GSDP was high namely Rajasthan, Haryana, Jharkhand, Odisha, Chhattisgarh, and Uttar Pradesh also had low debt redemption to debt receipt ratios implying thereby that not only were they contracting more debt, but they were not servicing their past debt obligations adequately. Rajasthan had the lowest debt-redemption ratio (0.23). The State received debt receipts of Rs 60998.17 crores and repaid Rs 13806.74 crores including interest during 2015-16. Its debt position has worsened during

2015-16 as compared to the earlier and it is also the state with the highest differential between growth rate of debt stock and growth rate of GSDP.

4.54 The debt redemption ratio was second lowest in Haryana (0.36). In Haryana gross accrual and net accrual to public debt liabilities during 2015-16 were Rs 37998.43 crores and Rs 24217.92 crores respectively.

Figure 4.29: GCS ratio

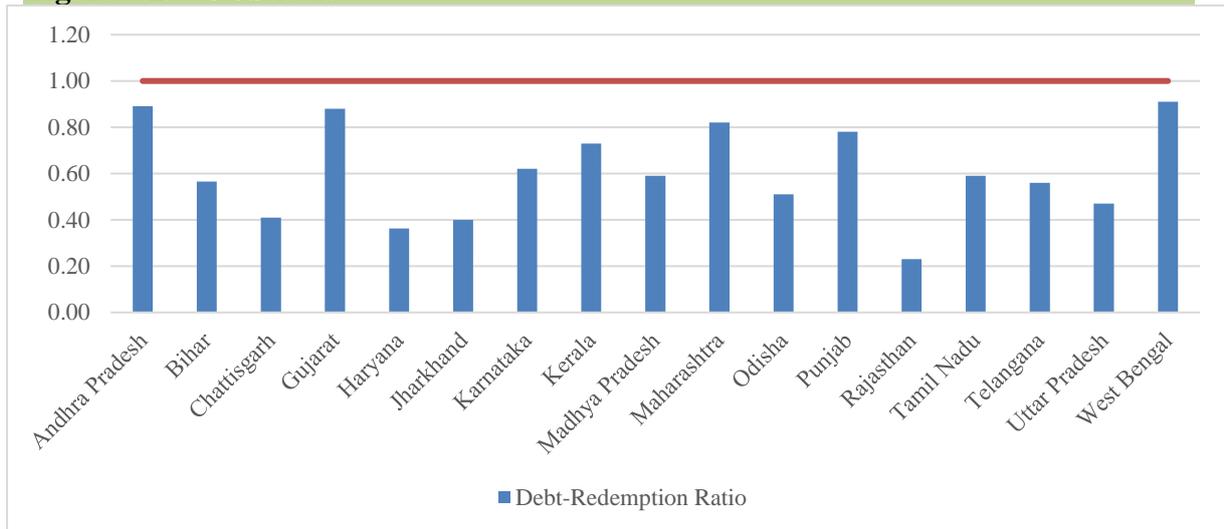
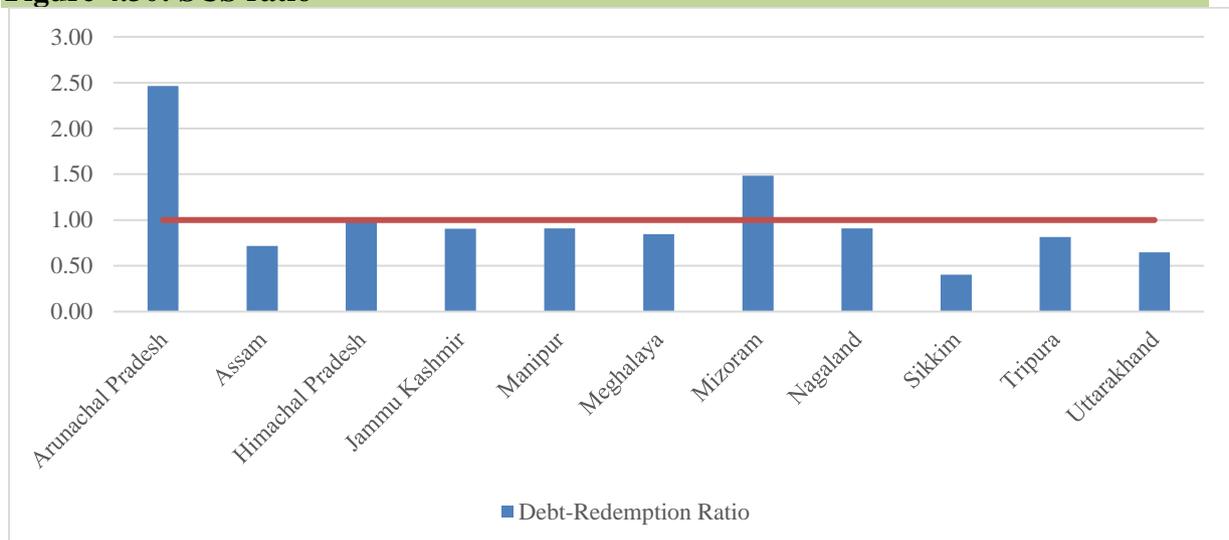


Figure 4.30: SCS ratio



4.55 Amongst the SCS Arunachal Pradesh, Himachal Pradesh, and Mizoram had ratio greater than 1. The debt position of Himachal Pradesh, Jammu and Kashmir, Manipur, and Mizoram had improved in 2015-16 as compared to the earlier year. Sikkim whose debt position had worsened in 2015-16 as compared to the earlier year had the lowest ratio at 0.40.

Fiscal Deficit and Borrowings of States

4.56 States finance their fiscal deficit by market borrowings, borrowing from NSSF, Central Govt, small savings and Provident funds, etc. Comparison of public debt of each state accrued during the year with their fiscal deficit indicates that all states have borrowed in excess of their fiscal deficit during 2015-16. In West Bengal, Jharkhand and Maharashtra public debt exceeded fiscal deficit by 12, 11 and 9 times respectively. In all States public debt exceeded FD by more than 100 per cent. Amongst SCS in Manipur, Himachal Pradesh and Nagaland public debt was nearly 14, 12, and 11 times respectively of FD.

Figure 4.31: GCS

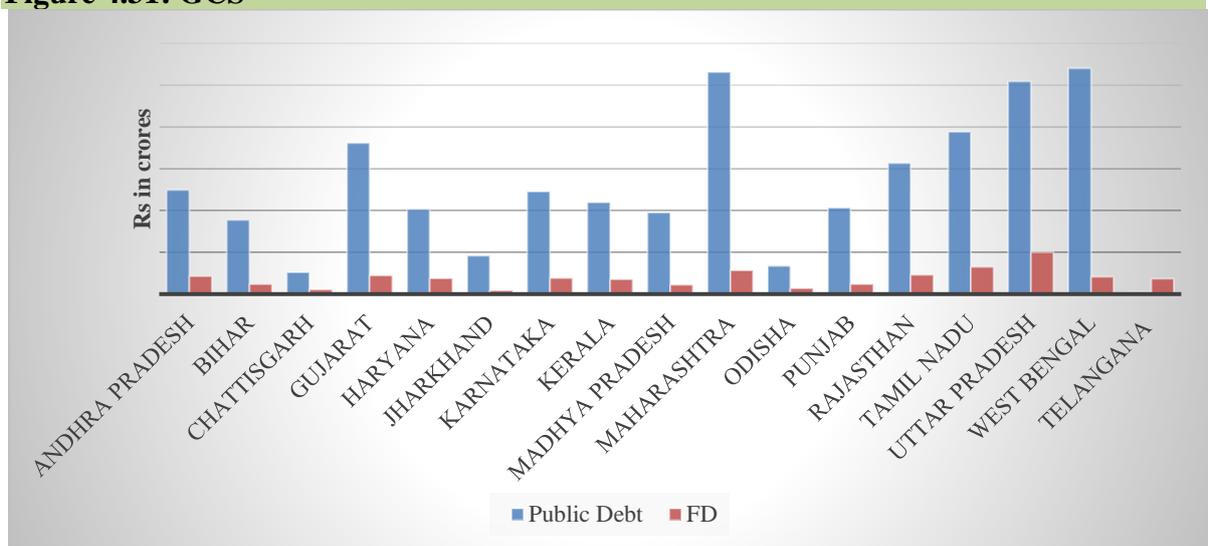


Figure 4.32: SCS

