



**COMBINED FINANCE AND REVENUE
ACCOUNTS OF THE
UNION AND STATE GOVERNMENTS
IN INDIA
FOR THE YEAR 2013-14**

OVERVIEW

Comptroller and Auditor General of India

Foreword

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 2013-2014.

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.



(Shashi Kant Sharma)

Comptroller & Auditor General of India

Date: 22 June 2016

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

Index

	Title	Page No
	Introduction	i
Chapter 1	Receipts	
	--Resources of the Union Government	1
	--Tax Revenue of Union: Direct and Indirect	3
	--Major Taxes of Union Govt: Relative Performance	4
	--Non Tax Revenue of Union	6
	--Capital Receipts	7
	--Composition of Gross Receipts of States	7
	--Composition of Revenue receipts of states	9
	--States' Own Tax Revenue: Composition and Trends	13
	--OTR-GSDP Ratio of states	25
	--Returns on Investments	25
Chapter 2	Expenditure	27
	-- Union Government: Expenditure and its components	27
	--Revenue Expenditure: Growth in Interest Payments	30
	--Expenditures: Plan and Non-Plan	31
	--Sectoral Expenditure of Union Government	37
	--Expenditure of States	34
	--Composition of total Expenditure-State-wise Analysis	35
	--Plan and Non-Plan Expenditure of States	38
	--Major Components of Revenue Expenditure of states	39
	--Sectoral Expenditure	40
	--Loans and Advances of States	44
Chapter 3	Management of Fiscal Imbalances	47
	--Revenue Deficit of Union Government	49
	--Fiscal Deficit of Union Government	49
	--Composition of Expenditure Financed by Borrowing	50
	--Revenue Deficit of States	51
	--Fiscal Deficit of States	53
	--Financing the Fiscal Deficit across States	54
	--Fiscal Consolidation and Achievement of FRBM Targets	65
Chapter 4	Management of Public Debt	69
	--Public Debt of the Union Government : Trends and Composition	69
	--Maturity Profile of Outstanding Govt Stock	73
	--Public Debt of States: Trends and Composition	75
	--Internal Debt of States	80
	--Interest Profile of Market Borrowings	81
	--Interest Burden of States	81
	--Debt Sustainability of States	92
	--Public Debt-GSDP Ratio of States	95
	--Interest Payments to Own Resources of States	99
	--Debt Redemption as proportion of Debt Receipts of States	103
	--Cash Reserves and Public Debt	105

Combined Finance and Revenue Accounts of the Union and State Governments in India for the year 2013-14

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 ceased to be in force except as anything done or any action taken thereunder. 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 2013-14 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.

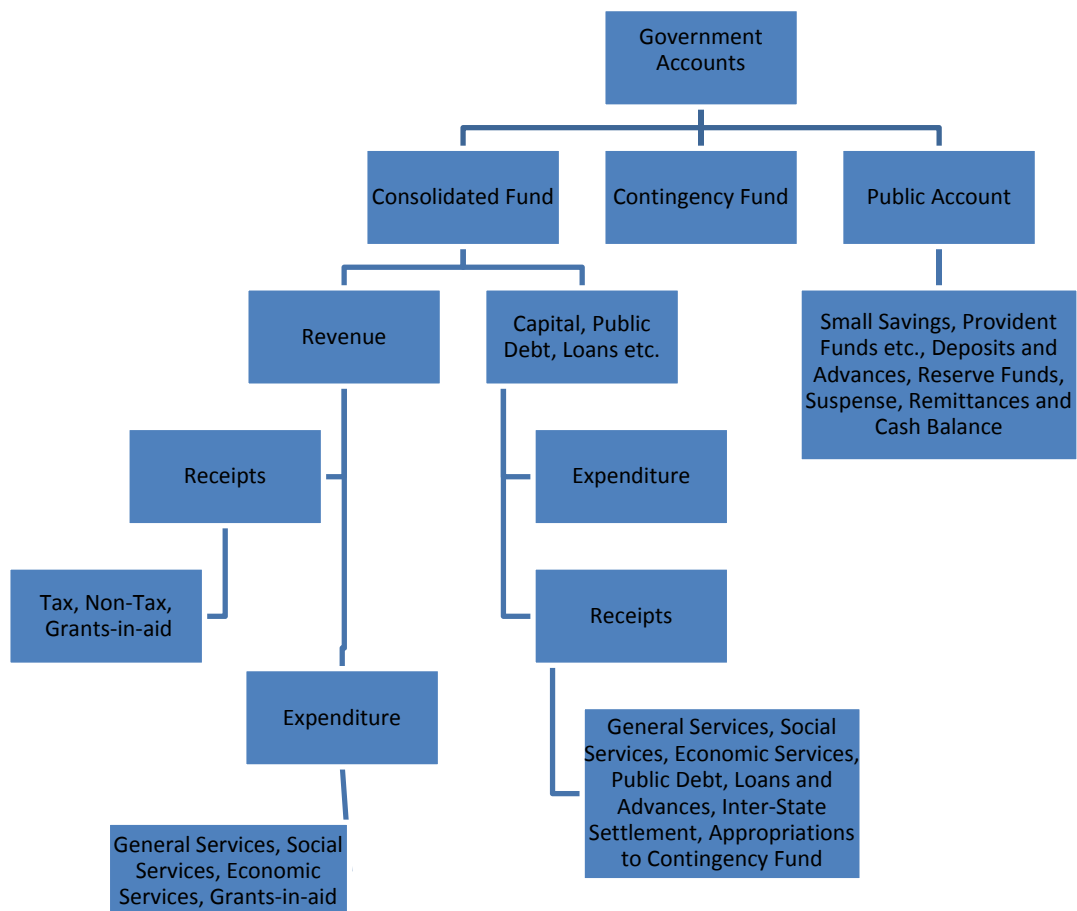
Part-II Contingency Fund

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: -

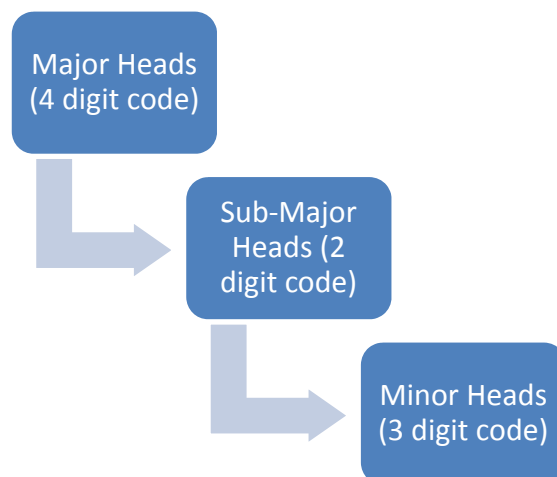
3.1 Within each section in Part I mentioned above, the transactions are grouped into sectors such as 'Tax Revenue', 'Non-Tax Revenue' and Grants-in-aid and Contributions, for the receipt heads (Revenue Account) and 'General Services', 'Social Services', 'Economic Services' and 'Grant-in-aid and contributions' 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 2013 to 31st March 2014 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
<ul style="list-style-type: none"> • Capital Expenditure • Loans and Advances • Cash Balance • Investment

Liabilities
<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

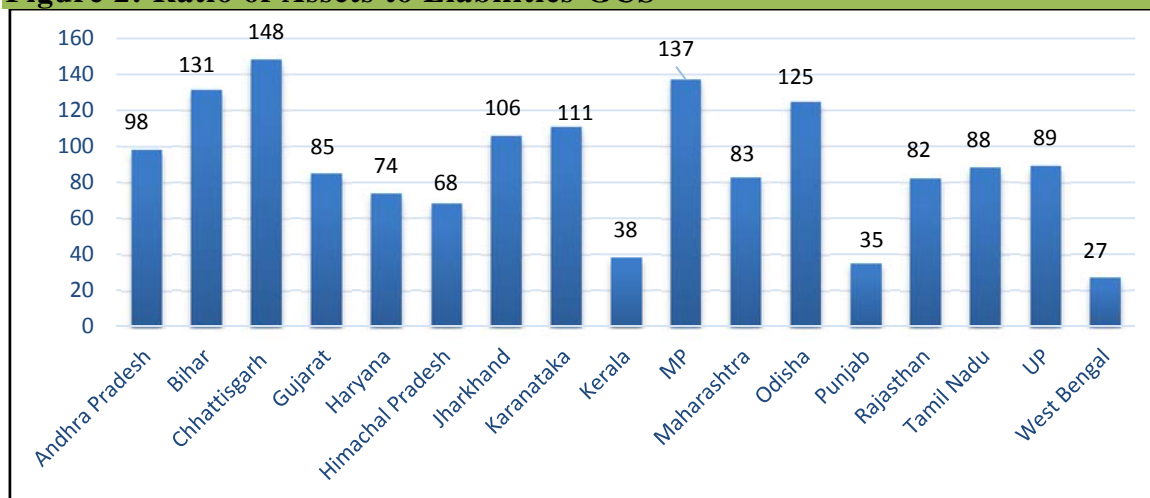
Table 1: Assets and Liabilities and the Statement of Balances
(position as on 31st March 2014)

(in crore)					
Assets	Union	States	Liabilities	Union	States
Cash	142217.31	189683.84	Borrowings (Public Debt)	4425347.66	1775097.43
Cash in treasuries and local Remittances	6.64	537.31	Internal Debt	4240766.92	1629495.59
Departmental Balance	4511.79	1337.25	External Loans	184580.74	0.00
Permanent Cash Imprest	74.05	361.31	Loans and Advances from Central Government	0.00	145601.84
Cash Balance Investments	50000.37	125625.62	Non Plan Loans	0.00	3494.70
			Pre 1984-85 Loans	0.00	0.07
Deposits with Reserve Bank of India	87624.46	-6417.70	Loans for State Plan Scheme	0.00	141425.44
Investment from Earmarked Funds	0.00	68240.05	Loans for Central Plan Schemes	0.00	258.04
Capital Expenditure	1491791.87	1737225.80	Loans for Central sponsored Plan Schemes	0.00	76.52
			Other Loans	0.00	347.08
			Inter State Settlement	0.00	74.01
			Contingency Fund (corpus)	500.00	3687.50
Contingency Fund (Un recouped)	0.00	617.73	Liabilities on Public Account	648268.09	738742.00
Loans and Advances	241189.88	217911.83	Small Savings, Provident Fund etc	488008.59	305358.30
Advances with departmental officers	1673.10	3825.81	Deposits	125708.33	238914.49
Suspense and Miscellaneous Balances	19996.43	5483.09	Reserve Funds	30442.92	156646.58
Remittances	0.00	6549.98	Remittances Balances	4108.25	8957.33
			Misc. Capital Receipts		698.15
			Suspense and Miscellaneous Balances	0.00	28167.15
Total	1896868.59	2161298.08	Total	5074115.75	2517600.94
Cumulative Excess of Liabilities over Assets	4616126.30	531993.95	Cumulative Excess of Assets over Liabilities	0.00	175691.09
Total	6512994.89	2693292.03	Total	5074115.75	2693292.03

5.2 Ratio of assets to liabilities of the Union and States was 61.6 per cent (37.4 per cent 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.

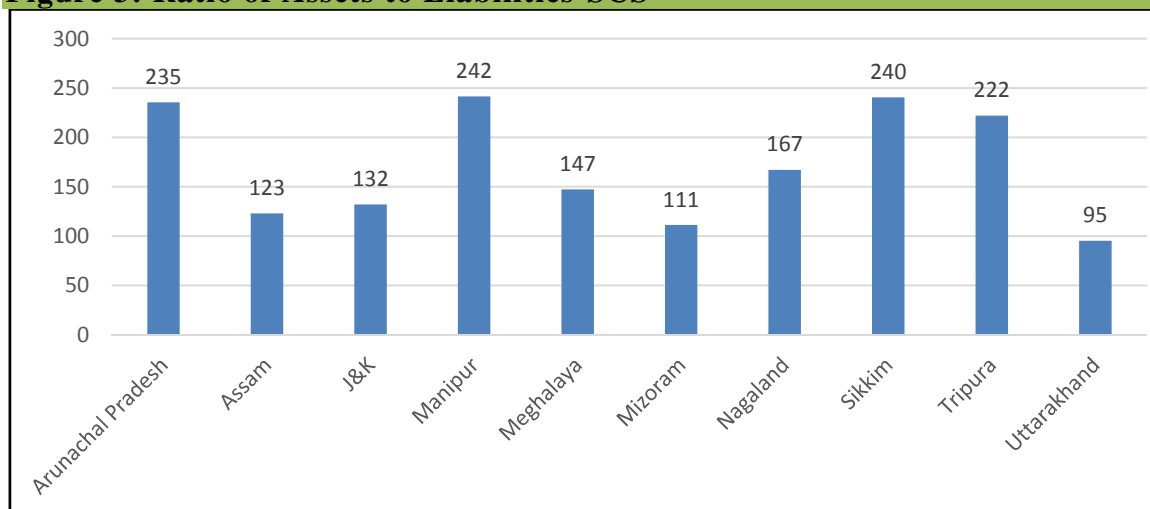
5.3 A lower ratio of assets to liabilities is indicative of the extent of erosion of resources of these entities and inadequacy of their assets backup.

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 Bihar, Chhattisgarh, Jharkhand, Karnataka, Madhya Pradesh, Odisha, whereas the ratio of assets to liabilities was less than 50 per cent in respect of Kerala, Punjab 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 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 31st March 2014 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.

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 (2013-14)

(Rs in crore)

	Union	States	Combined
Tax Receipts	820765.89 (net of share assigned to states)	716171.21	1536937.10
Non-tax Receipts	393410.26	168823.05	562233.31
Grants-in-aid	3618.07	205953.00	209571.07
Share of Central Taxes (for states)	0	318273.50	318273.50
Total Revenue Receipts	1217794.22	1409220.75	2627014.97
Capital Receipts	29367.89	360.45	29728.34

Resources of the Union Government

1.1 Resources of the Union government consist of revenue receipts and capital receipts. Table 1.1 presents a summary of total receipts of the Union government which amounted to Rs. 5623628.30 crore for the year 2013-14. Union government's own receipts (total receipts less debt receipts and public account receipts) were Rs. 15,89,940.75 crore, constituting 28.3 of the total receipts. The remaining 71.7 of receipts came through borrowings.

Table 1.2: Resources of the Union Government

(Rs in crore)

I. Revenue Receipts (Gross)		1536023.86
State share		318229.64
Net Revenue Receipts		1217794.22
II. Capital Receipts		4048883.11
a. Miscellaneous Receipts	29367.89	
b. Recovery of Loans and Advances	24549.00	
c. Debt Receipts	3994966.22	
III. Public Account Receipts (Net)		38721.33
Total Receipts*		5623628.30

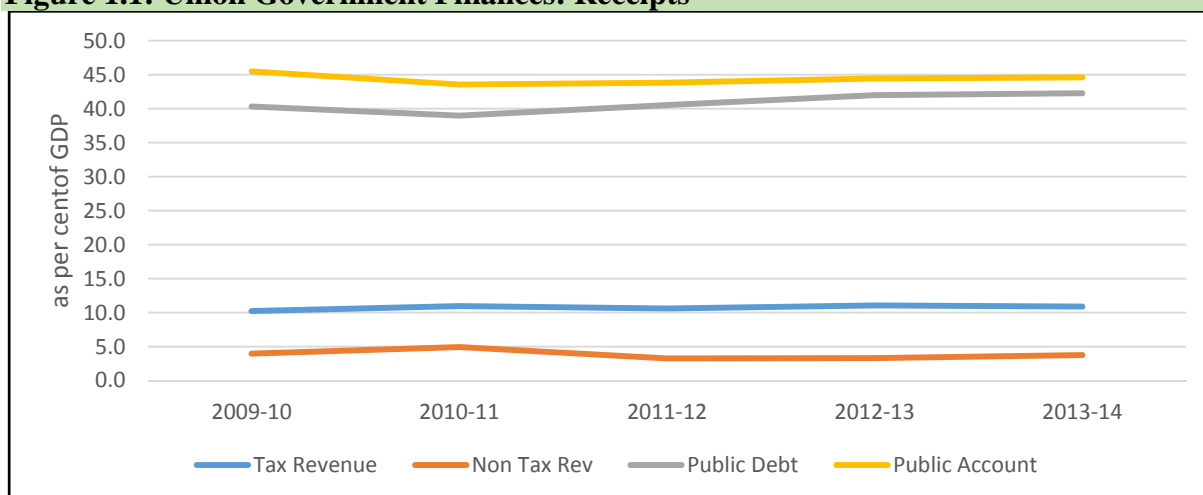
*includes share of states

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 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 rose from 14.2 percent of GDP in 2009-10 to 14.7 of the GDP in 2013-14. The Trend Growth Rate¹ (TGR) of gross revenue receipts of the Union government was 13.8 per annum during this period. Growth in 2013-14 over the previous year was 14.7 . Annual growth rate of gross revenue receipts was lowest at 13.9 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 nearly 85 percent of gross receipts. There has been a marginal increase in dependence on public debt. Contribution of tax revenue has remained constant at 10 percent during this period.

¹ The trend rate of growth is the average sustainable rate of economic growth over a period of time.

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	624527.21	10.2	164831.56	2.7	459695.64	7.5	241685.91	4.0	704523.03	11.5	869354.59	14.2
2010-11	793307.71	10.9	219302.91	3.0	574004.79	7.9	356008.37	4.9	932685.81	12.9	1151988.72	15.9
2011-12	889117.97	10.6	255413.62	3.0	633704.38	7.6	273610.46	3.3	910277.17	10.8	1165690.79	13.9
2012-13	1036460.45	11.0	291546.61	3.1	744913.84	7.9	308666.37	3.3	1055891.01	11.2	1347437.62	14.4
2013-14	1138995.47	10.9	318229.64	3.0	820765.83	7.8	393410.26	3.8	1217794.22	11.6	1536023.86	14.7

1.5 Net tax revenue to GDP rose marginally from 7.5 percent to 7.8 percent during 2009-10 to 2013-14. There was a marginal decline in non-tax revenues relative to the GDP from 4 percent in 2009-10 to 3.8 percent in 2013-14 which was partially offset by the rise in net tax revenues.

Tax Revenue: Direct and Indirect

1.6 Table 1.3 depicts the growth of direct and indirect tax receipts over the last five years in absolute amounts as well as age 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.

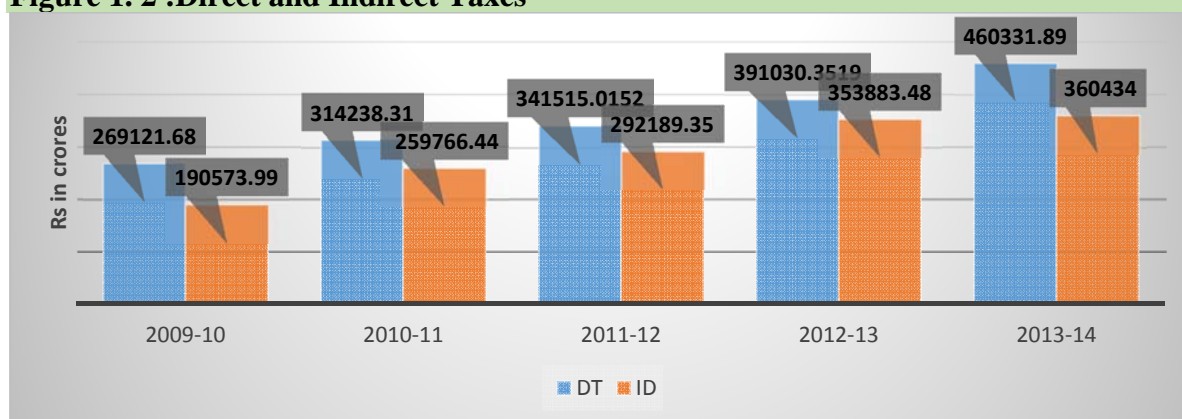
Table 1.4: Direct and Indirect Taxes*(Rs in crore)*

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	624527.21	
2010-11	445995.1	18.1	56.9	347312.61	40.7	44.3	793307.71	27.9
2011-12	493987.4	10.8	56.1	395130.57	13.8	44.9	889117.97	12.4
2012-13	558989.47	13.2	54.3	477470.98	20.8	46.4	1036460.45	16.8
2013-14	638595.9	14.2	56.5	500399.6	4.8	44.2	1138995.47	9.9

1.7 Direct taxes as age of gross tax receipts declined from 61.6 in 2009-10 to about 56.5 percent in 2013-14. Share of indirect taxes in gross tax receipts on the other hand registered an increase of 3.9 age 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 percent in 2010-11, after which it declined to 12.4 in 2011-12, increased to 16.8 percent in 2012-13 before declining to 9.9 percent in 2013-14.

1.8 Indirect taxes accounted for around 44.2 percent of the gross revenue receipts in 2013-14. Contribution of direct taxes was around 56.5 percent.

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 1.4. 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. While share of Union excise duties fell by 1.6 age points relative to the gross tax receipts, share of customs duties increased by 1.8 age points while service tax showed a rise of 4.2 age points during the period 2009-10 to 2013-14.

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

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

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

Figure 1.3: Composition of Tax Revenue of Union

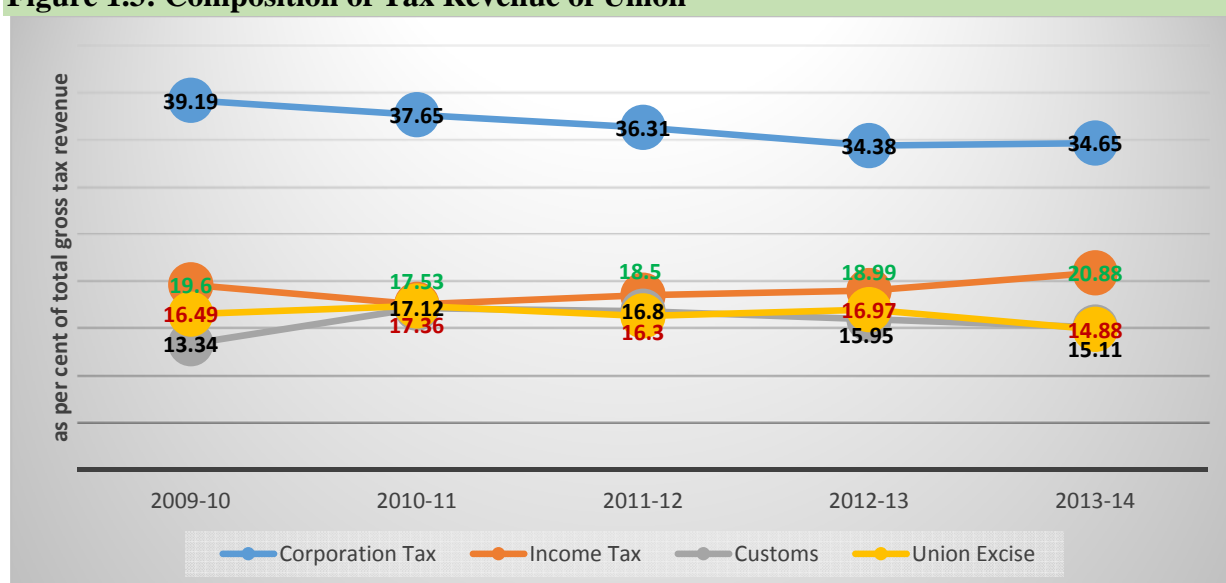


Table 1.6: Growth Rates of Tax Revenues

Percent Per Annum

Year	Corporation Tax	Income Tax	Customs	Union Excise	Service Tax	Other Taxes
2010-11	22.1	13.6	63.0	33.7	21.6	32.3
2011-12	8.1	18.3	10.0	5.2	37.3	11.3
2012-13	10.4	19.6	10.7	21.4	36.0	-0.1
2013-14	10.8	20.8	4.1	-3.6	16.7	10.0
TGR	12.0	18.2	17.9	13.2	29.3	11.3

1.11 The annual growth rates of individual taxes also showed wide variations. The trend growth rate (TGR) of service tax is the highest at 29.3 percent during 2009-10 to 2013-14. The rise in the share of service tax to total tax receipts was on account of a “negative list” approach effective from 1 July 2012. The “negative list” contained a list of services that were exempted from service tax. As against the usual approach of expanding the list of services, the Budget for 2012-13 stated that all services except those specified in the negative list are subject to service tax.

1.12 During the period 2009-10 to 2013-14 Income tax recorded a TGR of 18.2 , whereas customs duties had TGR of about 17.9 while Union excise duties recorded a TGR at 13.2 . Collections from Union excise duties have fallen in absolute terms from Rs175844.91 crores in 2012-13 to Rs169455.14 crores in 2013-14.

Non-Tax Revenues (NTR)

1.13 In absolute terms, the non-tax revenues increased from Rs3,08,666.37crore in 2012-13 to Rs3,93,410.26 crore in 2013-14registering an increase of 27.5 . However there was a marginal decline in the share of non-tax revenue relative to GDP from 4 percent in 2009-10 to 3.8 percent in 2013-14. Major components of non-tax revenue, which registered an increase over the previous year, were railway lines (Rs 15823 crore), interest receipts (Rs. 5166.48 crore), dividends and profit (Rs. 36680.34 crore), petroleum (Rs 1718.71 crore), and postal (Rs 1363.92 crore).Table 1.6 shows non-tax revenue of the Union during 2009-10 to 2013-14 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 (20.6)	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 (1.8)	9026.43 (2.5)	2886.37 (0.8)	2672.69 (0.8)	158269.85 (44.5)	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
TGR	5.2	13.8	5.6	10.4	13.0	15.9	15.4	8.3	-1.3	3.6	8.7

*Figures in parentheses indicate share in total NTR

1.14 Receipts from railway commercial lines and dividends & profits over the five year period registered trend growth rates of 13 and 13.8 percent respectively. The TGR in the case of receipts from postal and petroleum stood higher at 15.9 percent and 15.4 percent respectively.

1.15 The composition of non-tax revenues shows that receipts from dividends and profit and receipts from railway lines (commercial) together accounted for 58.3 percent of total non-tax revenues during 2013-14. During the period 2009-10 to 2013-14 while the share of interest receipts decreased from 14.8 to 11.2 , that of railway lines (commercial) witnessed a fluctuating trend. Its share was 35.7 percent in 2009-10, declined to 26.3 percent in 2010-11, and again reached 39.8 percent in 2012-13. The contribution of dividend and profit as a source of non-tax revenues has increased while share of receipts from postal, petroleum and police has remained almost constant in 2013-14 as compared to 2009-10.

Capital Receipts

1.16 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 miscellaneous capital receipts has been low, accounting for less than 0.5 percent of GDP during this period.

Table 1.8: Share of Miscellaneous Capital Receipts in GDP

Year	Misc Capital Receipts (Rs in crore)	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

Resources of States

Composition of Gross Receipts of States

1.17 Revenue receipts account for 99 percent of total receipts of state governments. Share of capital receipts in total receipts was less than 1 percent of total receipts.

Table 1.9: Composition of Gross Receipts of States

<i>(Rs in crore)</i>					
Period	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts	756129.77	928064.39	1092563.55	1246178.64	1369187.05
As % of total receipts	99.95	99.87	99.94	99.99	99.97
Capital Receipts	351.05	1241.71	665.11	100.83	360.45
As % of total receipts	0.05	0.13	0.06	0.01	0.03

1.18 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.

1.19 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 2013-14.

Table 1.10 (A): Trend Growth Rates of Revenue Receipts (2009-10 to 2013-14): GCS

Andhra Pradesh	14.15
Bihar	17.54
Chhattisgarh	15.04
Delhi	10.27
Gujarat	15.74
Haryana	10.96
Jharkhand	24.29
Karnataka	16.12
Kerala	16.35
Madhya Pradesh	14.91
Maharashtra	16.08
Odisha	11.29
Punjab	8.21
Rajasthan	18.08
Tamil Nadu	14.85
Uttar Pradesh	18.86
West Bengal	6.92
GCS average	14.68

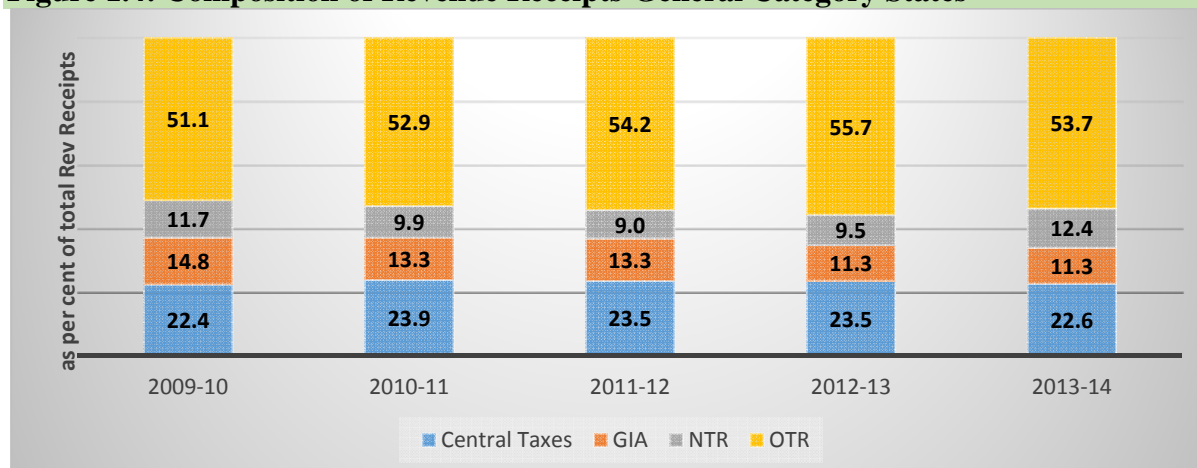
Table 1.10 (B): Trend Growth Rates of Revenue Receipts (2009-10 to 2013-14): SCS

Arunachal Pradesh	6.91
Assam	13.4
Himachal Pradesh	11
Jammu and Kashmir	10.9
Manipur	16.1
Meghalaya	15.7
Mizoram	15.2
Nagaland	14.2
Sikkim	8.2
Tripura	15.2
Uttarakhand	16.3
SCS Average	13.01

1.20 Jharkhand, Uttar Pradesh, and Rajasthan have shown highest TGR of revenue receipts over the past five years amongst the GCS. Amongst the SCS, Uttarakhand, Manipur, and Meghalaya have shown high TGRs.

Composition of Revenue Receipts

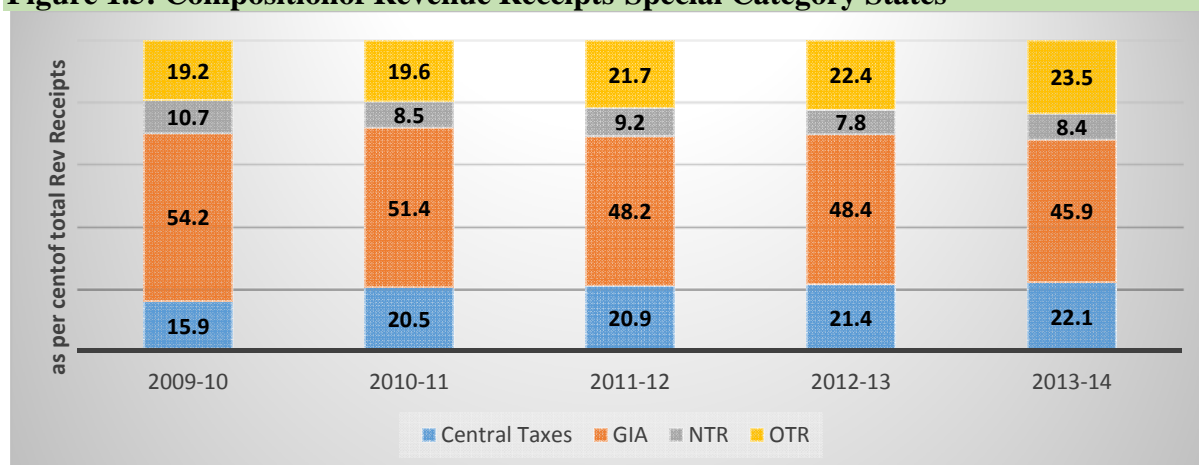
1.21 The following graphs show composition of revenue receipts for GCS and SCS over the last five years. In case of GCS tax revenue comprise bulk of revenue receipts ranging from 51.1 percent of total revenue receipts in 2009-10 to 55.7 percent in 2012-13. Share of Grants-in-aid has varied from 14.8 percent in 2009-10 and 11.3 percent in 2013-14.

Figure 1.4: Composition of Revenue Receipts-General Category States

1.22 The relative share of the components of revenue receipts are different in SCS. Here the share of states' own tax revenue has risen from 19.2 percent of total revenue receipts in 2009-10 to 23.5 percent in 2013-14. Bulk of revenue receipts of these states come from central

grants-in-aid. Share of central grants-in-aid stood at 54.2 percent in 2009-10 and decreased to 45.9 percent in 2013-14.

Figure 1.5: Composition of Revenue Receipts-Special Category States



1.23 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 of GSDP in 2009-10 to 9.6 percent of GSDP in 2013-14. In contrast gross debt receipts of GCS have shown a steady decline from 22.7 percent of GSDP in 2009-10 to 19.2 percent in 2013-14.

1.24 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 percent of GSDP in 2009-10 to 7.6 percent of GSDP in 2013-14. Gross debt receipts of SCS was lower than those of GCS since SC states receive central transfers mostly by way of grant. Debt of SCS has shown a steady decline from 5.5 percent of GSDP in 2009-10 to 3.7 percent in 2013-14 as seen in Table 1.10 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

* GSDP of all GCS taken together at current prices with 2004-05 as base year.

Table 1.11 (B): States Own Receipts and Gross Debt Receipts - Special Category States*(Rs in crore)*

Year	Own tax and non-tax receipts (1)	Non-Debt Capital receipts (2)	Total own receipts 3=(1)+(2)	Gross Debt Receipts (4)	Gross receipts (3)+(4)	GSDP**	% of total own receipt to GSDP	Gross Debt receipts to GSDP
2009-10	24884.39	28.09	24912.48	16527.69	32555.91	299039	8.3	5.5
2010-11	28304.18	645.85	28950.03	17026.83	37378.09	388350	7.5	4.4
2011-12	35745.4	42.25	35787.65	17611.85	42779.21	427591	8.4	4.1
2012-13	38643.5	31.25	38674.75	20618.85	49242.17	498028	7.8	4.1
2013-14	43153.9	180.40	43334.3	20946.15	52888.99	569536	7.6	3.7

** GSDP of all SCS taken together at current prices with 2004-05 as base year.

1.25 Bulk of revenue receipts of SCS comprise of grants-in-aid from centre. In 2013-14 out of total central grants of Rs 191641.65 crores to States, Rs 62007.38 crores (around 32 percent) went to Special Category States. Share of individual states were as follows:

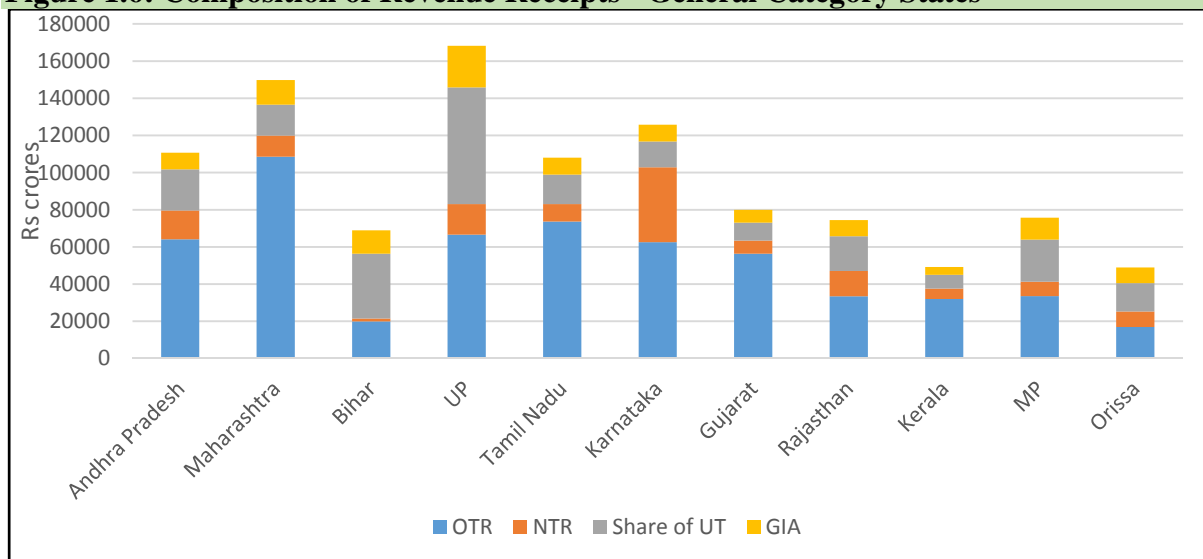
Table 1.12: Grants-in-Aid

Sl.No.	State	Amount (Rs in crores)	Percent of total Grant-in-aid to SCS
1	Arunachal Pradesh	3935.01	6.3
2	Assam	8938.31	14.4
3	Himachal Pradesh	6314.11	10.2
4	Jammu & Kashmir	13843.45	22.3
5	Manipur	5110.6	8.2
6	Meghalaya	3417.32	5.5
7	Mizoram	3482.73	5.6
8	Nagaland	4946.67	8.0
9	Sikkim	2244.41	3.6
10	Tripura	4699.5	7.6
11	Uttarakhand	5075.27	8.2
	Total	62007.38	

1.26 There were wide variations in the composition of revenue receipts amongst States. In 2013-14 amongst GCS, states' own tax receipts (OTR) contributed a sizeable share of total revenue receipts in Andhra Pradesh (57.02), Maharashtra (72.5), Gujarat (70.49), Karnataka (69.91), Punjab (69) and Tamil Nadu (68). Contribution of OTR was low in Bihar (29), UP (40), Odisha (35), Jharkhand (31). The next important contributor of revenue receipts of GCS was share of Union Taxes. Contribution of this component varied from 8.8 percent as in

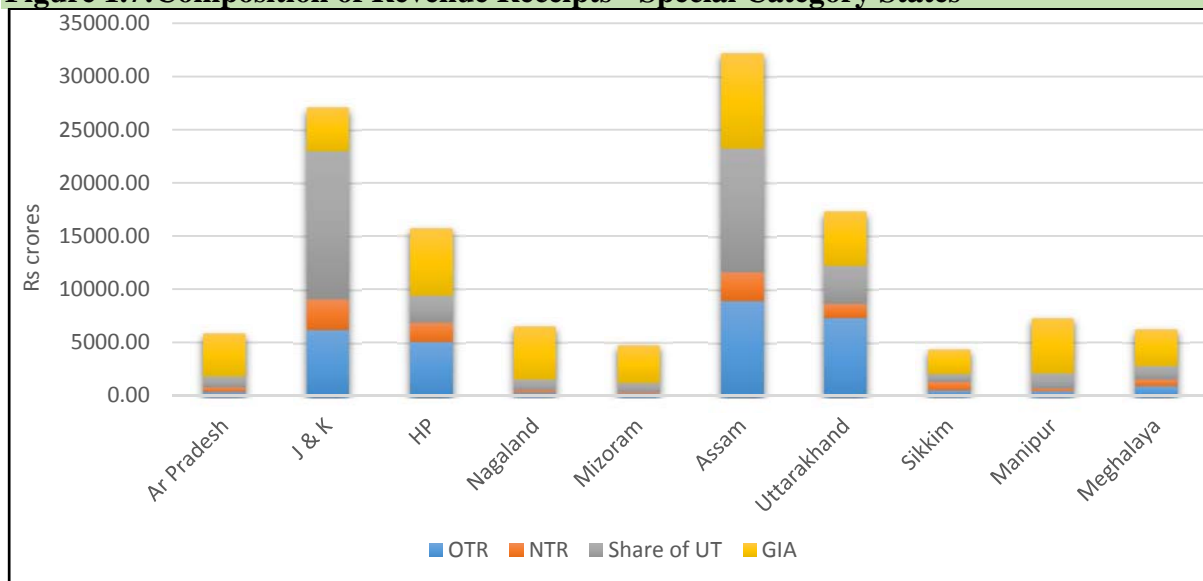
case of Haryana to as high as 50 percent in case of Bihar. Only around 10 to 12 percent of revenue receipts of GCS came from central grants.

Figure 1.6: Composition of Revenue Receipts - General Category States



1.27 In case of SCS, grants in aid comprised 73 percent of revenue receipts in Mizoram, 76 percent in Nagaland, 68 percent in Arunachal Pradesh, 54 percent in Meghalaya and 70 percent in Manipur. OTR contributed less than 10 percent of revenue receipts in Nagaland, Mizoram, Sikkim, Meghalaya, Manipur and Arunachal Pradesh. In Assam OTR contributed around 28 percent of revenue receipts. In J&K and Assam 51 percent and 35 percent respectively of revenue receipts came from share of central taxes while in the other Special category states this component was between 15 to 20 percent of total revenue receipts.

Figure 1.7: Composition of Revenue Receipts - Special Category States

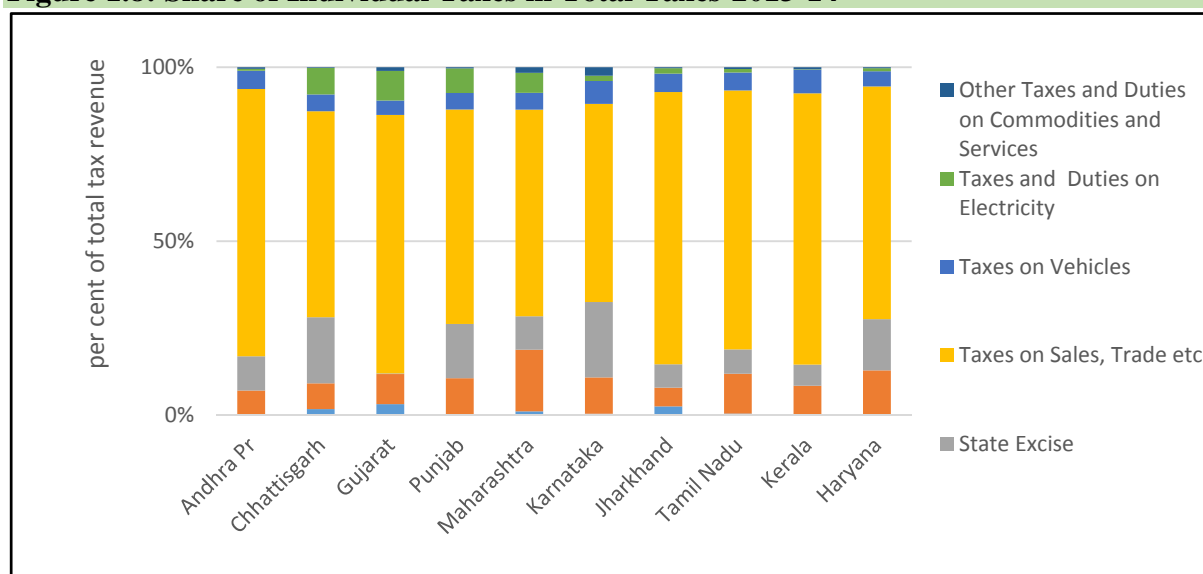


States' Own Tax Revenue (OTR): Composition and Trends

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 percent of revenue collections of states. In Maharashtra, sales tax accounted for 59 percent of states' tax receipts, followed by stamp duty and registration fees (18). In Tamil Nadu, contribution of sales tax was as high as 72.6 , while that of stamp duty and registration fees was around 11 . In Punjab, 61.8 percent of tax revenue came from sales tax, 15.7 percent from state excise and 10.41 percent from stamp duty and registration fees. In Karnataka sales tax contributed 62.3 percent of tax revenue followed by state excise duty (23.7 percent) and stamp duty and registration fees (11.4 percent).

Figure 1.8: Share of Individual Taxes in Total Taxes-2013-14



Mobilisation of OTR

1.29 The average trend growth rate of states' OTR for GCS was 19.1. Bihar, West Bengal and Gujarat have been the top performers in OTR mobilisation, while Andhra Pradesh, Kerala and Maharashtra are the worst performers. TGR of Punjab, Odisha, Madhya Pradesh, Haryana in OTR mobilisation has been below the group average.

Table 1.13 (A): Own Tax Revenue of GCS

State	Tax Revenue in 2012-13	Tax Revenue in 2013-14	Growth rate in 2013-14 over 2012-13	TGR (2009-10 to 2013-14)
Andhra Pradesh	59875.05	64123.54	7.1	16.0
Bihar	16253.08	19960.68	22.8	25.9
Chhattisgarh	13034.21	14342.71	10.0	19.4
Gujarat	53896.69	56372.37	4.6	20.8
Haryana	23559.00	25566.60	8.5	18.0
Jharkhand	8223.58	13132.50	14.1	20.1
Karnataka	53753.55	62603.53	16.5	19.3
Kerala	30076.61	31995.01	6.4	16.4
MP	30581.70	33552.16	9.7	18.3
Maharashtra	103448.58	108597.95	5.0	16.6
Odisha	15034.13	16891.59	12.4	16.9
Punjab	22587.56	24079.20	6.6	18.3
Rajasthan	30502.65	33477.70	9.8	19.8
Tamil Nadu	71254.27	73718.11	3.5	19.8
Uttar Pradesh	58098.36	66582.08	14.6	18.5
West Bengal	32808.49	35830.56	9.2	21.5
GCS Average				19.1

1.30 Amongst SCS, TGR of OTR has been below the group average in Assam, Himachal Pradesh, Nagaland and Uttarakhand. Sikkim and Arunachal Pradesh have been top performers in OTR mobilisation in SCS.

Table 1.13 (B) :Own Tax Revenue of SCS

State	Tax Revenue in 2012-13	Tax Revenue in 2013-14	Growth rate in 2013-14 over 2012-13	TGR for 2009-10 to 2013-14
Arunachal Pradesh	316.50	434.51	37.29	24.9
Assam	8250.21	8994.92	9.03	16.3
Himachal Pradesh	4626.15	5120.90	10.69	17.5
J&K	5832.43	6272.74	7.55	21.8
Manipur	332.83	472.73	42.03	21.9
Meghalaya	847.73	949.30	11.98	21
Mizoram	223.14	229.78	2.98	22.8
Nagaland	339.95	333.39	-1.93	17.7
Sikkim	435.48	524.92	20.54	24
Tripura	1004.65	1073.91	6.89	21
Uttarakhand	6414.25	7355.34	14.67	20.1
SCS Average				20.8

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 Andhra Pradesh, Gujarat, Tamil Nadu, Haryana, Madhya Pradesh,

Maharashtra, Rajasthan, Karnataka, Kerala, Mizoram, Meghalaya, Nagaland, Jharkhand, Odisha. Assam, Bihar, Punjab, Sikkim, Manipur, Arunachal Pradesh, Uttar Pradesh and West Bengal have exhibited volatility in growth rate of OTR.

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 **Andhra Pradesh** tax growth rate has declined steadily from 28.43 percent in 2010-11 to 12.24 percent in 2012-13 and further to 7.45 percent in 2013-14. As seen in the Fig 1.9 and Fig 1.10 below growth rates of all major taxes declined after 2010-11. However the rate of decline was the highest in state excise which registered a negative growth in 2012-13 and 2013-14. Total collections from state excise declined from Rs 9612.36 crores in 2011-12 to Rs 9129.41 crores in 2012-13 and further to Rs 6250.26 crores in 2013-14. The decline was about 35 percent between 2011-12 and 2013-14.

Figure 1.9: Growth rate of States own Tax Revenue –Andhra Pradesh

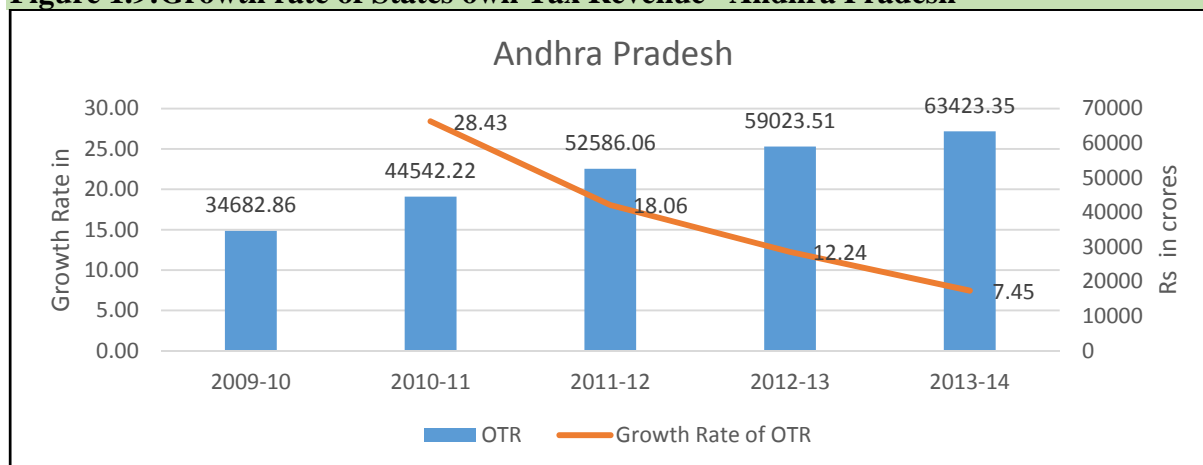
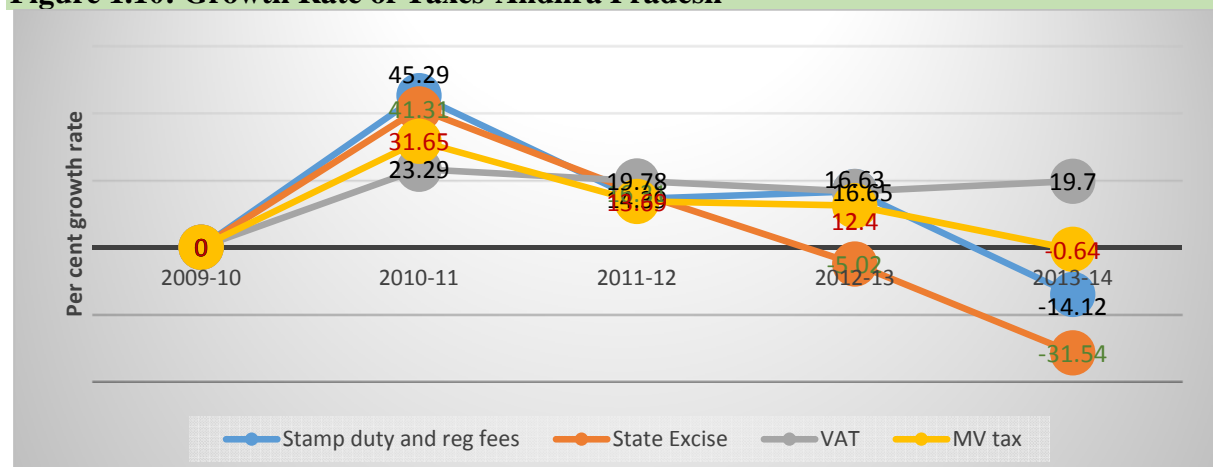


Figure 1.10: Growth Rate of Taxes-Andhra Pradesh



1.34 In **Haryana** growth rate of tax receipts has declined steadily from 27.01 percent in 2010-11 to 21.49 percent in 2011-12, 15.49 percent in 2012-13 and 8.52 percent in 2013-14. This was because of decline in growth rate of collections from stamp duty and registration fees and motor vehicle tax. Collections from stamp duty and registration fees grew at 79.29 percent in 2010-11 which declined to 19.09 percent in 2012-13. In 2013-14 collections from this source declined by 3.7 percent. Growth rate of motor vehicle tax declined from 65.1 percent in 2010-11 to 23.4 percent in 2013-14.

Figure 1.11: Haryana

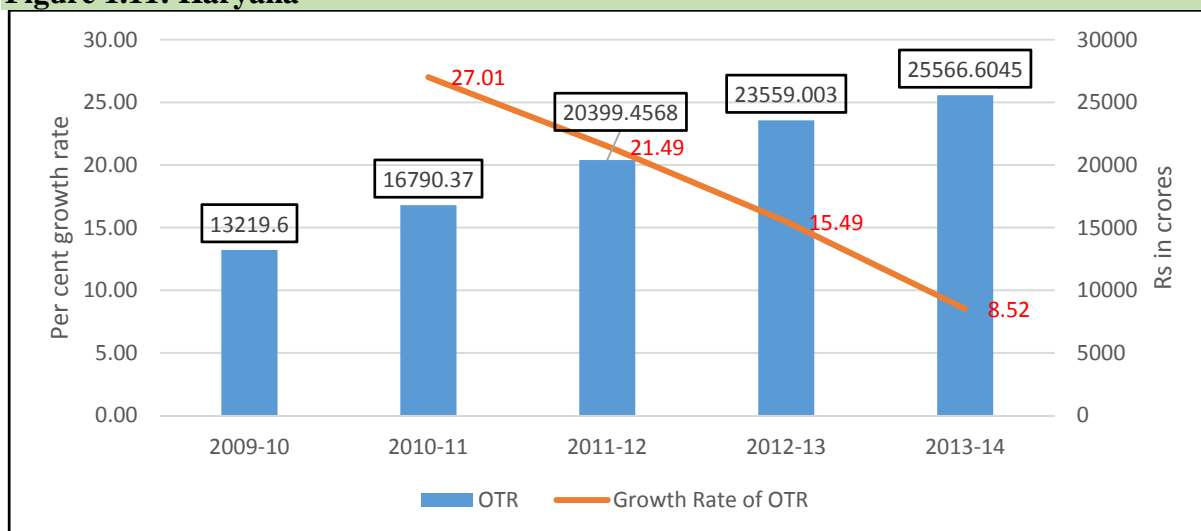
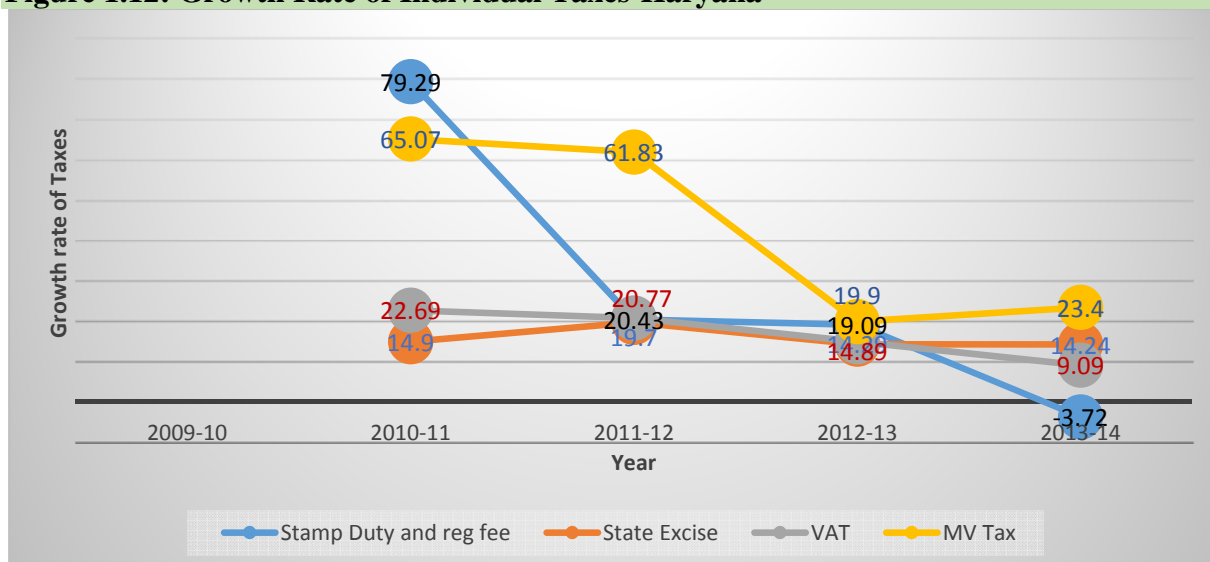
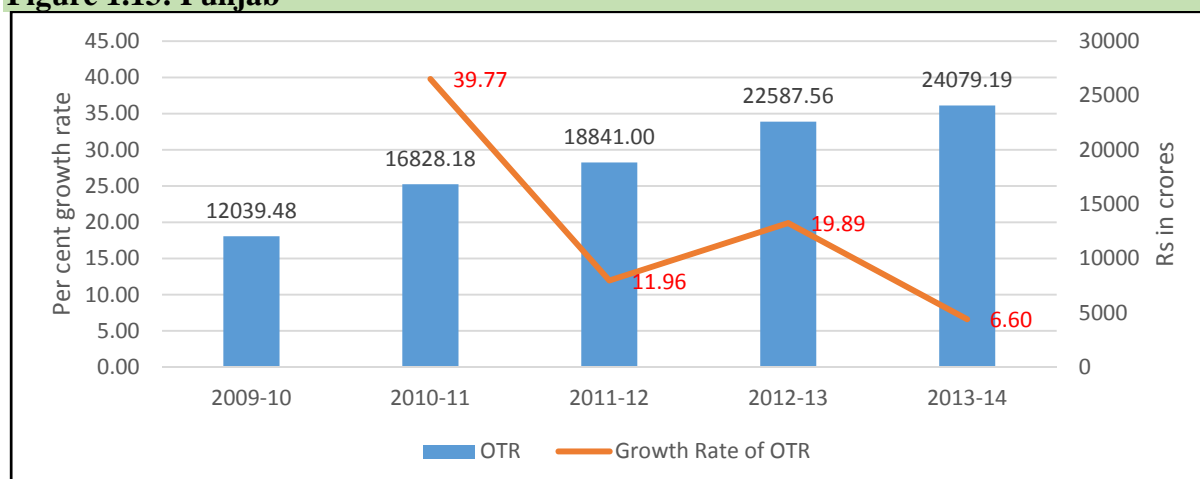


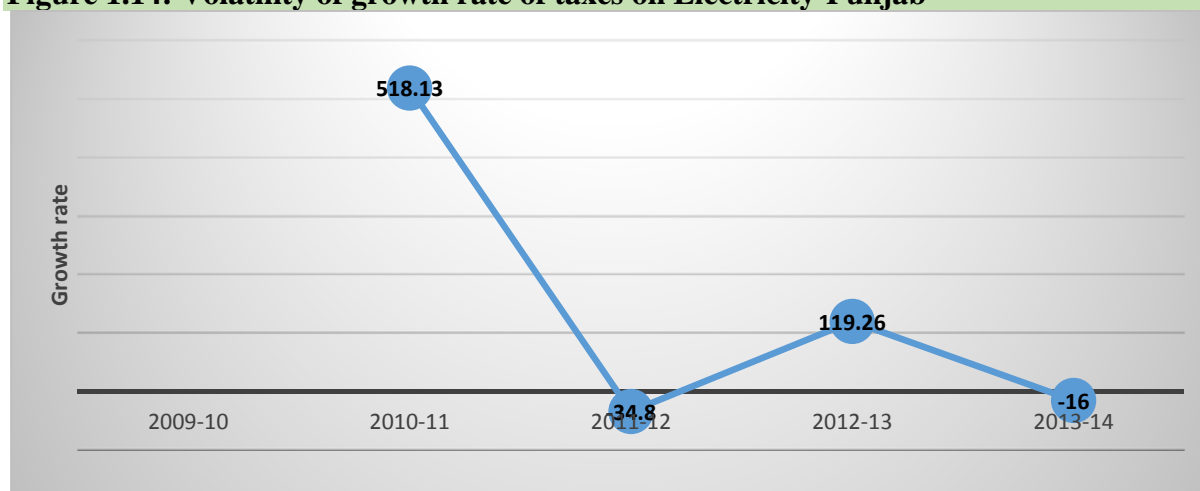
Figure 1.12: Growth Rate of Individual Taxes-Haryana



In Punjab, Sikkim and West Bengal growth rate of tax receipts have been volatile.

Figure 1.13: Punjab

1.35 In **Punjab** there was a fall in growth rate in OTR from 39.77 percent in 2010-11 to 11.96 percent in 2011-12. Thereafter growth rate picked up to 19.89 percent in 2012-13 and then slumped to 6.60 in 2013-14. Volatility in growth rate was primarily due to high fluctuations 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 . Collections then dropped to Rs 928.28 crores in 2011-12 and then rose by 119.3 percent 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 percent as compared to the previous year. 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 . In the following year the tax rates were increased by about 264.12 percent and then lowered by 40.95 percent in 2013-14.

Figure 1.14: Volatility of growth rate of taxes on Electricity-Punjab

1.36 In **West Bengal** growth rate of OTR declined from 25.41percent in 2009-10 to 18.18percent in 2011-12, increased to 32.02percent in 2012-13 and again dropped to 9.29percent in 2013-14. Volatility in growth rate of total tax collections have primarily been owing to fluctuations in stamp duty and registration fees and also due to large fluctuations in collections from taxes on electricity due to large changes in tax rates. Total collections from stamp and registration duties increased by 20percent in 2011-12. This increased to 59.5 percent in 2012-13 and then registered a negative growth rate of 7 percent in 2013-14.

1.37 Taxes and duty on electricity increased by 15.7 percent in 2010-11. In 2011-12 there was fall of 47 percent in revenue collections from this source. In 2012-13 collections rose by nearly 350 before registering negative growth of 34 percent in the following year. Collections from this source has fluctuated on account of periodic decisions to waive duty on electricity as part of incentive scheme of Govt of West Bengal.

Figure 1.15: West Bengal

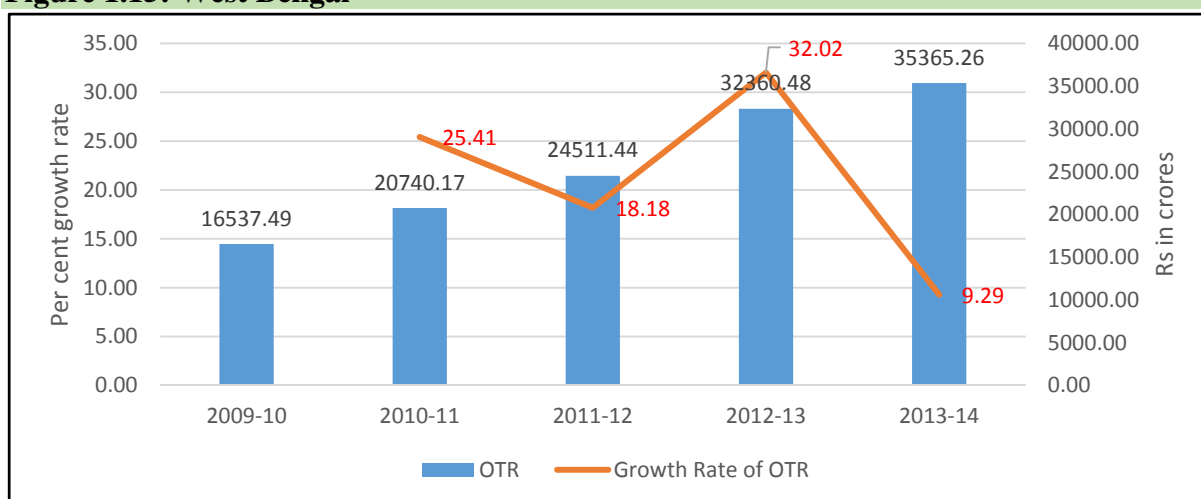


Figure 1.16: Growth Rate of Taxes-West Bengal

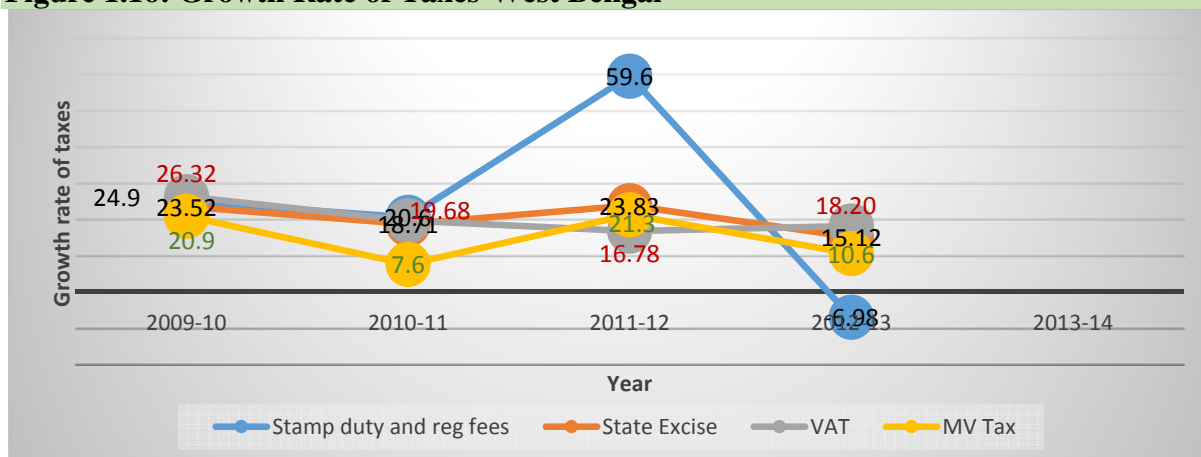
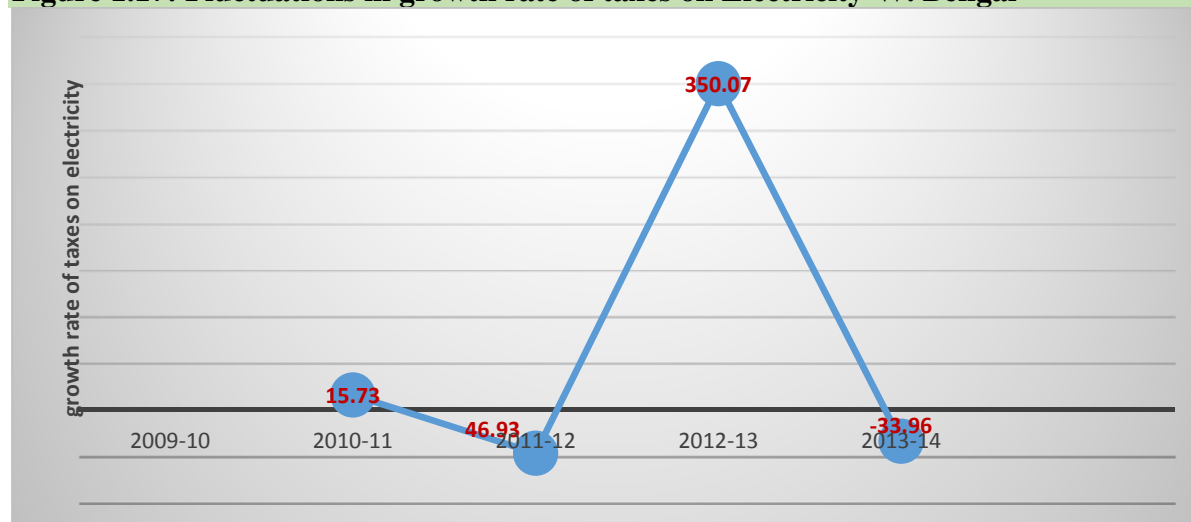
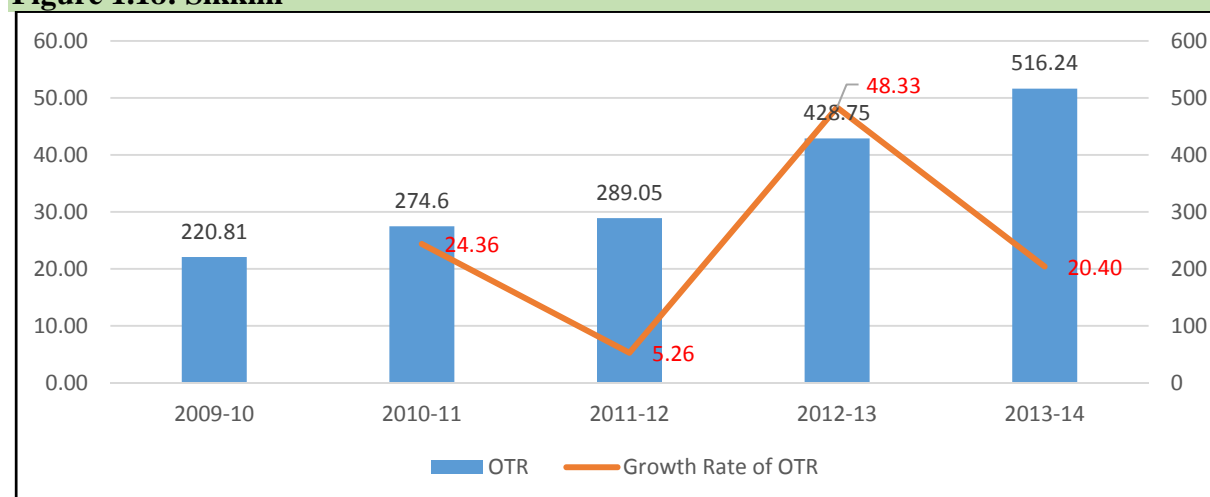


Figure 1.17: Fluctuations in growth rate of taxes on Electricity-W. Bengal

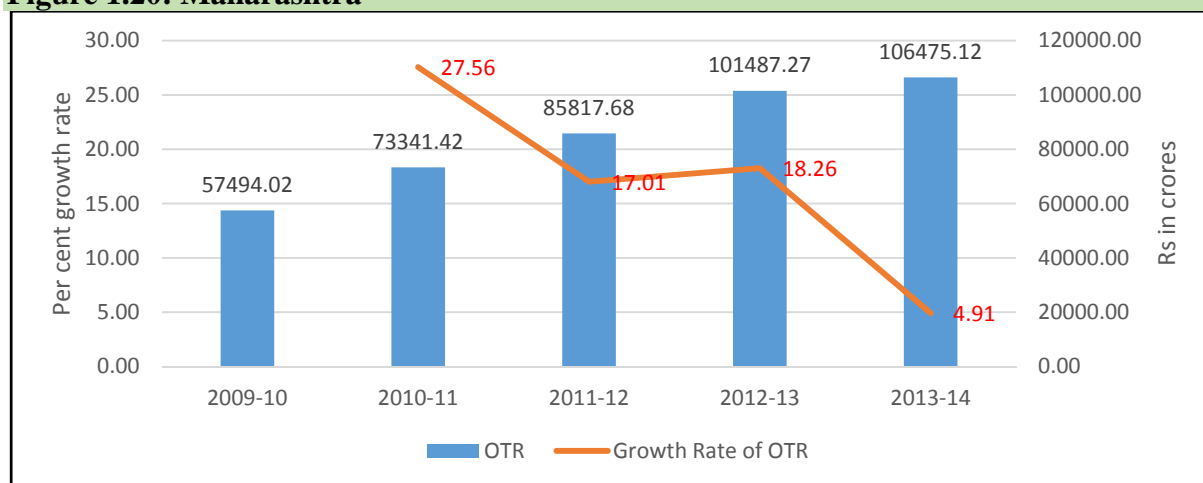
1.38 In **Sikkim** volatility in growth rate of OTR has been on account of fluctuations in growth rates of VAT and stamp duty and registration fees. VAT accounts for nearly 50 percent of tax collections in Sikkim. Collections from VAT grew at 17 percent in 2010-11. In 2011-12 collections from VAT declined by 13 . In 2012-13 growth rate again increased by 82.9 percent before declining to 26.1 percent in 2013-14.

Figure 1.18: Sikkim

1.39 In **Maharashtra** growth rate of tax collections have declined steadily from 2010-11. There have been fluctuations in tax collections from electricity charges. However this component accounts for only 6 to 7 percent of total tax collections. Hence although tax collections from this source saw increase in 2010-11 and 2012-13 it could not offset the decline in tax collections from VAT which accounts for more than 50 percent of tax collections of the states. Growth rate of collections from VAT has declined steadily from 30

percent in 2010-11 to 18.74 percent in 2012-13 and further to 4.08 percent in 2013-14. Collections from stamp duty and motor vehicle tax have also declined during this period.

Figure 1.20: Maharashtra



1.40 Annual growth rate of OTR of states during the period 2009-10 to 2013-14 is given as Annexure.

Variability of yield of major taxes

1.41 Revenue collections from taxes are generally expected to be stable if tax rates remain unchanged. Stable yields are also considered desirable by policy makers since it helps in forecasting revenue collections from individual taxes and also helps in fixing tax rates for revenue generation.

1.42 Variability of revenue across states generated by Stamp and registration fees, state excise, VAT and Motor Vehicle tax over five years (2009-10 to 2013-14) has been analysed and the results are given in the table below:

1.43 It is desirable that yields from taxes should have low variability. This enables prudent policy decisions in fixing tax rates and also facilitates better predictions of revenue generation from individual taxes.

Variability of some taxes have been calculated using standard deviation.

Table 1.14: Variability of tax yield

State Name	Stamp Duty	State Excise	VAT	MV Tax
Andhra Pradesh	824.7	1515.0	8761.1	12842.5
Bihar	655.9	722.8	2014.2	270.1
Chhattisgarh	144.1	550.0	1489.7	120.3

State Name	Stamp Duty	State Excise	VAT	MV Tax
Delhi	894.8	469.2	5428.4	6679.1
Gujarat	823.0	17.1	8629.4	704.8
Haryana	719.1	587.7	2806.3	357.0
Jharkhand	100.1	114.0	1324.8	155.0
Karnataka	1250.5	2060.2	6225.8	1218.7
Kerala	390.1	267.4	4377.2	376.5
Madhya Pradesh	754.7	1045.6	3180.2	244.7
Maharashtra	2843.3	1954.0	10617.2	914.8
Odisha	88.0	322.4	1914.4	81.5
Punjab	537.1	610.8	2520.1	216.1
Rajasthan	736.9	929.9	3969.0	414.6
Tamil Nadu	1747.8	2470.6	10948.0	689.2
Uttar Pradesh	1812.2	2134.8	6857.0	744.2
West Bengal	995.9	565.4	3981.9	205.1

Note: Standard deviation is used to quantify the amount of variation or dispersion of a set of data values. A low standard deviation indicates that the data points tend to be close to the mean (also called the expected value) of the set, while a high standard deviation indicates that the data points are spread out over a wider range of values.

1.44 In Andhra Pradesh and Jharkhand, stamp duty and registration fees have shown least divergence while in most states tax on motor vehicles have shown least variance. In Delhi, Goa, Gujarat and Kerala, state excise has shown least variability. Divergence has been high in collections from VAT in almost all states.

Share of OTR in total revenue receipts of states

1.45 A high proportion of OTR to total revenue receipts of states indicates higher financial self-reliance. Table 1.14(A) shows total own tax receipts of states over the last five years. Figures in parentheses show proportion of OTR in total revenue receipts of states.

Table 1.15 (A): OTR and Share of OTR in Total Revenue Receipts of GCS

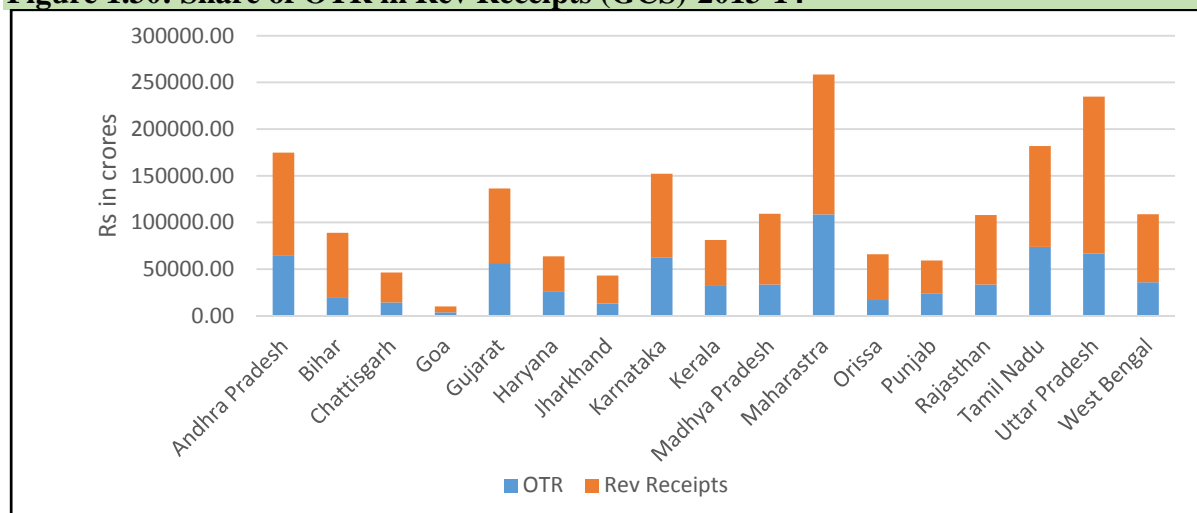
State	2009-10	2010-11	2011-12	2012-13	2013-14
Andhra Pradesh	35175.72 (54.39)	45139.55 (55.73)	53282.42 (56.95)	59875.05 (57.67)	64123.54 (57.92)
Bihar	8089.67 (22.77)	9869.85 (22.16)	12612.10 (24.58)	16253.08 (27.29)	19960.68 (28.96)
Chhattisgarh	7123.25 (39.24)	22719.54 (39.64)	25867 (41.41)	29578.09 (44.07)	14342.71 (44.75)
Gujarat	26740.23 (64.17)	36338.63 (69.40)	62958.99 (70.29)	75228.53 (71.64)	79975.74 (70.49)

State	2009-10	2010-11	2011-12	2012-13	2013-14
Haryana	13219.50 (62.97)	25563.67 (65.68)	30557.59 (66.76)	33633.53 (70.05)	38012 (67.26)
Jharkhand	4500.12 (29.77)	18781.32 (30.44)	22419.45 (31.02)	24769.56 (33.20)	29889.51 (43.94)
Karnataka	30578.60 (62.21)	38473.12 (66.10)	46475.96 (66.58)	53753.55 (68.76)	89542.53 (69.91)
Kerala	17625.02 (67.50)	21721.69 (70.09)	38010.36 (67.66)	44137.30 (68.14)	49176.93 (65.06)
MP	17272.81 (41.73)	51854.18 (41.31)	62604.07 (43.09)	70427.28 (43.42)	75749.24 (44.29)
Maharashtra	59106.34 (68.01)	105867.81 (70.87)	121286.14 (72.23)	142947.23 (72.37)	149821.80 (72.48)
Odisha	8982.34 (33.99)	33276.16 (33.64)	40267.02 (33.38)	43936.91 (34.22)	48946.85 (34.51)
Punjab	12039.48 (54.34)	16828.18 (60.95)	18841.01 (71.82)	22587.56 (70.47)	24079.20 (68.59)
Rajasthan	16414.27 (46.39)	20758.13 (45.20)	54377.06 (44.51)	30502.65 (45.59)	33477.70 (44.95)
Tamil Nadu	36546.67 (65.44)	47782.18 (68.08)	59517.31 (69.85)	71254.27 (72.10)	108036.42 (68.23)
Uttar Pradesh	33877.60 (35.14)	41109.85 (36.97)	52613.43 (40.20)	58098.36 (39.82)	66582.08 (39.58)
West Bengal	16899.98 (45.77)	21128.74 (44.70)	24938.16 (42.44)	32808.49 (48.04)	35830.56 (49.16)

Note: Figures in parentheses are share of OTR in total receipts (in %)

1.46 In Gujarat, Haryana, Kerala, Maharashtra, Karnataka and Tamil Nadu share of OTR in total revenue receipts is high accounting for nearly 65 to 70 percent of total revenue receipts. Share of OTR is lowest in Bihar accounting for only around 23 percent of total revenue receipts of the state in 2009-10. This increased only marginally to around 29 percent in 2013-14. In Odisha and Uttar Pradesh share of OTR in total revenue receipts has hovered at below 40 .

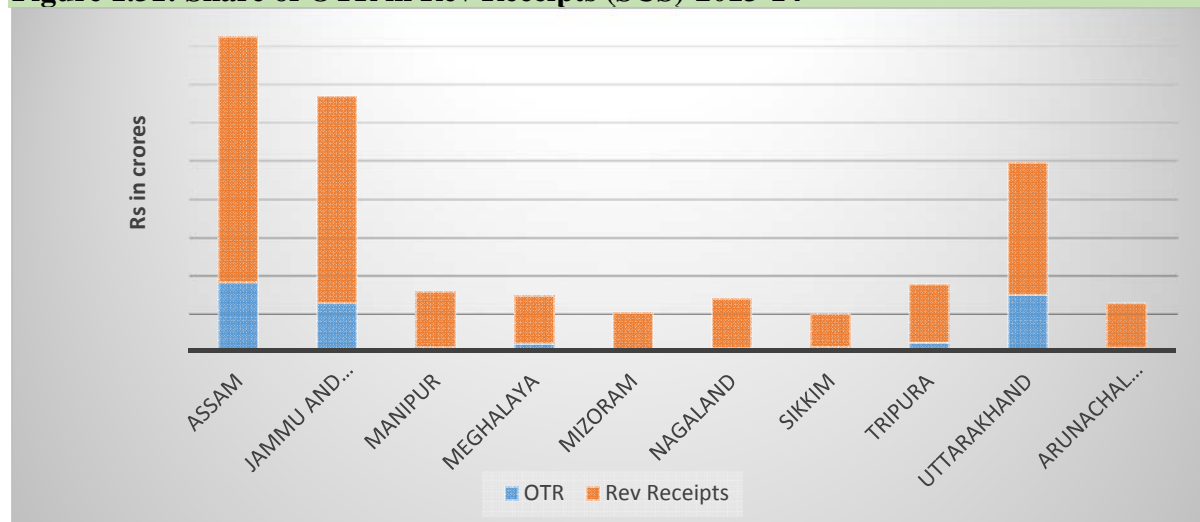
1.47 Share of OTR in revenue receipts has risen by an average of 5 age points during the five year period in almost all states except Punjab and Jharkhand. In Jharkhand Punjab there has been an increase of nearly 14 and 15 age points respectively from 2009-10 to 2013-14. In case of Kerala and Rajasthan share of OTR in total revenue receipts has declined during this period.

Figure 1.30: Share of OTR in Rev Receipts (GCS)-2013-14

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

Table 1.15 (B): OTR and Share of OTR in Total Revenue Receipts of SCS

State	2009-10	2010-11	2011-12	2012-13	2013-14
Arunachal Pradesh	173.44 (4.04)	214.99 (3.97)	317.65 (5.78)	316.50 (5.49)	434.51 (7.47)
Assam	4986.72 (25.08)	5929.85 (25.78)	7638.24 (27.82)	8250.21 (26.88)	8994.92 (27.92)
Himachal Pradesh	2574.52 (24.88)	3642.38 (28.66)	4107.92 (28.25)	4626.15 (29.66)	5120.90 (32.59)
Jammu and Kashmir	3027.32 (17.21)	3482.58 (15.66)	4745.48 (19.15)	5832.43 (22.25)	6272.74 (23.12)
Manipur	196.04 (5.06)	267.05 (4.92)	368.07 (6.51)	332.83 (4.88)	472.73 (6.49)
Meghalaya	444.30 (12.89)	571.45 (13.41)	697.54 (14.99)	847.73 (15.31)	949.30 (15.15)
Mizoram	107.58 (3.63)	130.44 (4.57)	179.07 (4.68)	223.14 (4.92)	229.78 (4.82)
Nagaland	180.51 (4.85)	227.32 (4.55)	303.88 (5.44)	339.95 (5.48)	333.39 (5.13)
Sikkim	223.65 (6.87)	279.54 (9.18)	293.92 (8.00)	435.48 (11.48)	524.92 (12.13)
Tripura	527 (11.97)	622.34 (12.04)	858.02 (13.25)	1004.65 (14.25)	1073.91 (14.04)
Uttarakhand	3559.04 (18.58)	4405.47 (18.43)	5615.62 (18.63)	6414.25 (18.67)	7355.34 (20.68)

Figure 1.31: Share of OTR in Rev Receipts (SCS)-2013-14

OTR- GSDP Ratio

1.49 OTR to GSDP ratio has declined in 2013-14 as compared to 2012-13 in Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Kerala, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu and West Bengal.

Table 1.16: OTR-GSDP Ratio**(A). GCS****(B). SCS**

State	OTR/GSDP Ratio 2012-13	OTR/GSDP Ratio 2013-14	State	OTR/GSDP Ratio 2012-13	OTR/GSDP Ratio 2013-14
Andhra Pradesh	14.6	13.8	Arunachal Pradesh	2.7	3.2
Bihar	5.5	5.8	Assam	6.0	5.6
Chhattisgarh	7.9	7.7	Himachal Pradesh	7.5	7.2
Gujarat	8.2	7.4	Jammu and Kashmir	7.5	7.2
Haryana	6.9	6.6	Manipur	2.6	3.3
Jharkhand	5.4	5.4	Meghalaya	4.5	4.3
Karnataka	10.4	10.7	Mizoram	2.7	2.2
Kerala	8.6	8.1	Nagaland	2.2	1.9
MP	8.5	7.7	Sikkim	4.2	4.2
Maharashtra	7.8	7.4	Tripura	4.4	4.0
Odisha	6.0	6.2	Uttarakhand	5.9	6.0
Punjab	7.9	7.6			
Rajasthan	6.5	6.5			
Tamil Nadu	9.6	8.6			
Uttar Pradesh	7.4	7.7			
West Bengal	5.4	5.1			

1.50 Amongst the SCS in Assam, Himachal Pradesh, Jammu and Kashmir, Meghalaya, Mizoram, Nagaland and Tripura this ratio has declined marginally in 2013-14 as compared to 2012-13.

Per Capita Income and OTR-GSDP Ratio of States: An Analysis

1.51 Table 1.17 shows relation between income level, OTR-GSDP ratio and incremental increase/decrease in OTR-GSDP ratio between 2012-13 and 2013-14. States having per capita income above GCS average have all shown decline in OTR-GSDP ratio. Also, states with high per capita incomes do not have high OTR-GSDP ratio. Andhra Pradesh had the highest OTR-GSDP ratio in 2013-14. However its per capita income was below the GCS average of Rs80949.08. On the other hand, Haryana which had the second highest per capita income had OTR-GSDP ratio lower than that of Uttar Pradesh, Chhattisgarh and Madhya Pradesh whose per capita income was much below the GCS average. Uttar Pradesh, Bihar, Jharkhand, Karnataka and Odisha where per capita income was below the GCS average recorded a rising trend in OTR- GSDP ratio since 2012-13.

Table 1.17: State-wise Per Capita Income and OTR-GSDP Ratio

State	Per Capita Income (Median Value 2009- 10 to 2013-14) in Rs	OTR-GSDP Ratio (2013-14)	Incremental change in OTR/GSDP Ratio
Haryana	117818.80	6.57	-0.33
Maharashtra	104599.00	7.36	-0.45
Gujarat	99071.65	7.36	-0.82
Kerala	93598.88	8.07	-0.58
Tamil Nadu	92478.00	8.63	-0.94
Punjab	92409.00	7.59	-0.33
Karnataka	74508.52	10.74	0.39
Rajasthan	60421.00	6.47	0.00
West Bengal	57881.00	5.07	-0.37
Chhattisgarh	56414.52	7.72	-0.15
Odisha	52553.00	6.19	0.21
Andhra Pradesh	42828.29	14.00	-1.00
Madhya Pradesh	42017.00	7.72	-0.75
Jharkhand	41111.15	5.43	0.01
Uttar Pradesh	34307.00	7.72	0.28
Bihar	23368.90	5.81	0.27
GCS Avg	80949.08		

Inadequate Returns on Investments

1.52 Total Investments made by GCS states during 2013-14 was Rs3,75,260.03 crore against which only Rs1,460.62 crore was received as dividend. The average return on investments was 1.80 percent. In SCS total investments were Rs10,894.50 crore against which Rs245.32 crore was received as dividend. Average return on investments in SCS was higher at 2.56 percent.

1.53 Return on investments was high in Odisha (13.67), Jammu and Kashmir (24.17 percent), Jharkhand (7.96). In Himachal Pradesh, Madhya Pradesh and Kerala return on investment was between 1.5 to 3.5 . In all other states return on investments was less than 1 .

Table 1.18: Returns on Investments

(Rs in crores)

GCS			
State	Investment the end of the year 2012-13	Dividend/interest received during the year 2013-14	of return on investment
Andhra Pradesh	6384.61	60.41	0.95
Bihar	2867.18	2.53	0.09
Chhattisgarh	1866.44	14.21	0.76
Jharkhand	226.22	18.0	7.96
Punjab	3862.16	1.46	0.04
Haryana	7378.87	6.49	0.09
Gujarat	55058.43	277.44	0.50
Rajasthan	23518.00	24.60	0.10
Uttar Pradesh	60925.44	0.20	0.00
Madhya Pradesh	15275.10	378.72	2.48
Maharashtra	101867.20	19.68	0.02
Karnataka	55047.99	55.49	0.10
Kerala	5592.40	100.35	1.79
Tamil Nadu	19723.59	39.66	0.20
Odisha	3308.79	452.40	13.67
West Bengal	12357.60	8.97	0.07
Total	375260.03	1460.62	

SCS			
State	Investment the end of the year 2013-14	Dividend/interest received during the year 2013-14	percent of return on investment
Arunachal Pradesh	245.05	0.00	
Assam	2282.19	12.05	0.53
Himachal Pradesh	3024.83	103.42	3.42
Nagaland	270.01	0.00	0.00
Manipur	181.06	0.00	0.00
Mizoram	22.28	0.00	0.00
Meghalaya	429.78	0.13	0.03
Jammu and Kashmir	533.27	128.88	24.17
Uttarakhand	2676.50	0.30	0.01
Tripura	1229.54	0.00	0.00
Total	10894.50	245.32	

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.

Table 2.1 : Expenditure of Union and States ((2013-14)

(Rs in crore)

	Union	States	Combined
Total Revenue Expenditure	1575096.55	1379808.80	2954905.35
Capital Expenditure	168844.47	219518.47	388362.94
Total	1743941.02	1600335.49	3344276.51

Expenditure of Union Government

2.2 The government applied the total resources of Rs. 62,77,866.95 crore it mobilized during 2013-14, to disbursements as shown in Table 2.1. The repayments of debt and discharge of Public Account liabilities constituted 66 percent of the total resources available and amounted to Rs. 41,65,529.97 crore. After deducting the interest payments amounting to Rs. 3,94,512.10crore, the government was left with Rs.17,17,824.88 crore which is only 27 percent of the resources available for expenditure. Table 2.2 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

Description	Amount in crores	
Resources available		6277866.95
Opening Cash Balance		68451.42
Total Resources		6346318.37
Application of Resources		

Description	Amount in crores	
Repayment of Debt		3511291.32
Internal	3493167.02	
External	18124.3	
Discharge of liabilities on account of Public Account		654238.65
Small Saving and Provident Fund	389826.25	
Reserve Fund	124057.05	
Deposits	101027.76	
Others	39327.59	
Balance resources available for expenditure		2112336.98
Resources applied (actual expenditure)		2093170.59
Revenue expenditure (including interest payment of Rs394512.10)	1575096.55	
Capital expenditure	168844.47	
Disbursement of loan and advances	30999.93	
State shares of Tax		318229.64
Closing Cash Balance		19166.39

Source: Union Finance Accounts

Expenditure: Main aggregates

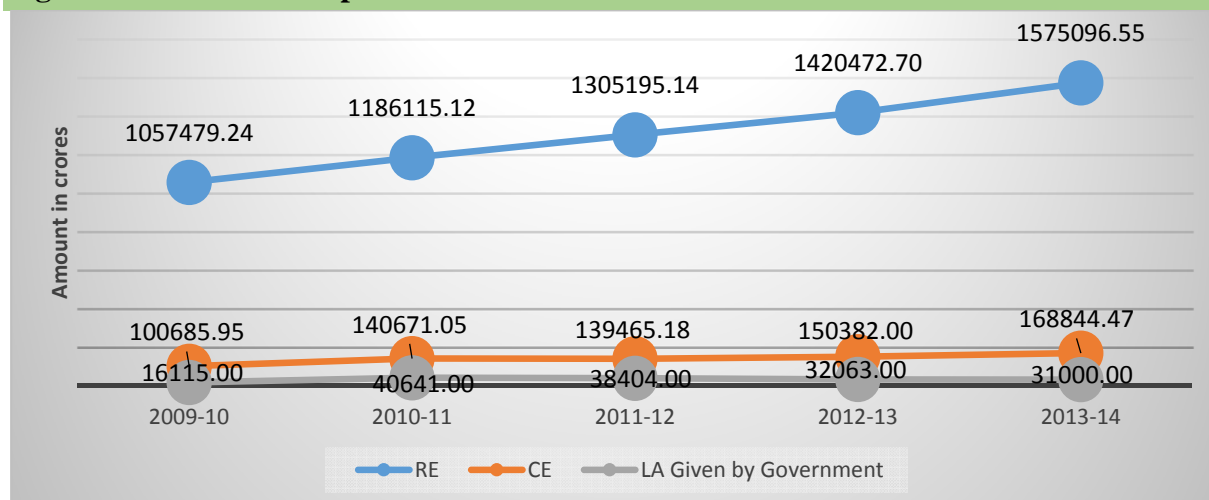
2.3 Growth profile of expenditure of the Union is given in Table 2.3. Revenue expenditure of the Union government has grown in absolute terms during the period 2009-10 to 2013-14. The growth rate though has declined from 12.2 per cent in 2010-11 to 8.8 per cent in 2012-13 and stood at 10.9 per cent in 2013-14. 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 12.3 per cent in 2013-14. Capital expenditure registered a negative growth rate in 2011-12. Loans and advances have increased by 92 per cent, from Rs. 16,114.80 crore in 2009-10 to Rs. 30999.93 crore in 2013-14. 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

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
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

Figure 2.1 Growth of Expenditure of Union Government



Composition of expenditure of the Union Government

2.4 Table 2.4 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 19.2 percent to 16.9 percent of GDP during the period 2009-10 to 2013-14.

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

Year	Revenue Expenditure	Capital Expenditure	Loans and Advances	Total
2009-10	17.3	1.6	0.3	19.2
2010-11	16.4	1.9	0.6	18.9
2011-12	15.6	1.7	0.5	17.7
2012-13	15.1	1.6	0.3	17.1
2013-14	15.0	1.6	0.3	16.9

* At current prices with base year 2004-05

2.5 Nearly 90 per cent of expenditure of the Union comprised of revenue expenditure. Share of capital expenditure in total expenditure rose marginally from 8.6 percent in 2009-10 to 9.5 per cent in 2013-14. Share of non-plan expenditure rose marginally from 74.2 per cent of total

expenditure in 2009-10 to 74.5per cent in 2013-14, while there has been a decline in the share of plan component from 25.9per cent to 25.5per cent during the same period.

Table2.5: 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

Revenue Expenditure: Growth in Interest Payments

2.6 Total interest payments by the Union government increased from Rs. 2,23,700.84 crore in 2009-10 to Rs. 3,94,512.10 crore in 2013-14 registering an increase of 76.4 percent during this period. As shown in Table 2.5 interest payments accounted for 21.2 percent of revenue expenditure in 2009-10. This rose to 25.0 percent in 2013-14.

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

Source: Union Finance Accounts

2.7 Interest on internal debt comprised 98per cent of the total interest burden. The interest on internal debt increased by about 1.9 times during the period 2009-10 to 2013-14. As percentage of total revenue receipts, interest payments have increased from 31.8 percent to 32.4 percent over the period from 2009-10 to 2013-14. The increase in interest payment is due to the growing volume of borrowing and increase in the rate of interest on borrowed funds.

2.8 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 22 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	25.1	3.4	5.6	8.2	8.5	10.1	2.5	2.6	11.1	12.7

2.9 Interest payments constituted 25 percent of the revenue expenditure in 2013-14 and absorbed as much as 46.08 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 3.6 percent of GDP, which is more than the total revenue expenditure on defence services (1.2 percent of GDP) and also net transfer of resources to the states/UTs. (3.06 percent of GDP).

Expenditures: Plan and Non-Plan

2.10 Plan expenditure normally relates to development expenditure, and involves both revenue and capital expenditures. Non-plan expenditure, on the other hand, is normally devoted to maintaining the levels of services already achieved. It is desirable that the share of capital expenditure should be high in plan expenditure. While in Plan expenditure there has been a decline in revenue component from 83.7 percent in 2009-10 to 77.8 percent in 2013-14 and rise in capital component from 11.5 percent in 2009-10 to 18.1 percent in 2013-14, the reverse trend is seen in non-plan expenditure. Revenue component of non-plan expenditure has risen from 90.8 per cent to 92.5 per cent, while capital expenditure has fallen from the already low level of 7.4 per cent to 6.6 per cent during this period.

Table 2.8: Composition of Plan Expenditure

Year	RE (Rs in crore)	% of total	CE (Rs in crore)	% of total	Loans and Advances (Rs in crore)	% of total
2009-10	254087.17	83.7	35002.80	11.5	14503.35	4.8
2010-11	314232.21	82.9	46240.74	12.2	18591.99	4.9
2011-12	333746.00	80.9	58541.75	14.2	20105.60	4.9
2012-13	329205.34	79.6	68028.11	16.4	16394.14	4.0
2013-14	352732.21	77.8	81920.78	18.1	18674.35	4.1

Table 2.9: Composition of Non-Plan Expenditure

Year	RE (Rs in crore)	% of total	CE (Rs in crore)	% of total	Loans and Advances (Rs in crore)	% of total
2009-10	803392.07	90.8	65683.14	7.4	1611.45	1.8
2010-11	871882.91	88.2	94430.31	9.6	22048.52	2.2
2011-12	971449.14	90.7	80923.43	7.6	18298.05	1.7
2012-13	1091267.36	91.8	82353.90	6.9	15669.01	1.3
2013-14	1222364.34	92.5	86923.69	6.6	12325.58	0.9

Table 2.10 presents the growth and composition of plan expenditure of the Union government.

Table 2.10: Plan Expenditure of Union Government: Growth Profile

Year	RE (Rs in crore)	% incre ase	CE	% incre ase	Loans and Advances (Rs. in crore)	% incre ase	Total (Rs. in crore)	% incre ase
2009-10	254087.17		35002.80		14503.35		303593.37	
2010-11	314232.21	23.7	46240.74	32.1	18591.99	28.2	379064.95	24.9
2011-12	333746.00	6.2	58541.75	26.6	20105.60	8.1	412393.35	8.79
2012-13	329205.34	-1.4	68028.11	16.2	16394.14	-18.5	413627.59	0.30
2013-14	352732.21	7.2	81920.78	20.4	18674.35	13.9	453327.34	9.6
TGR		7.3		23.2		3.9		9.3

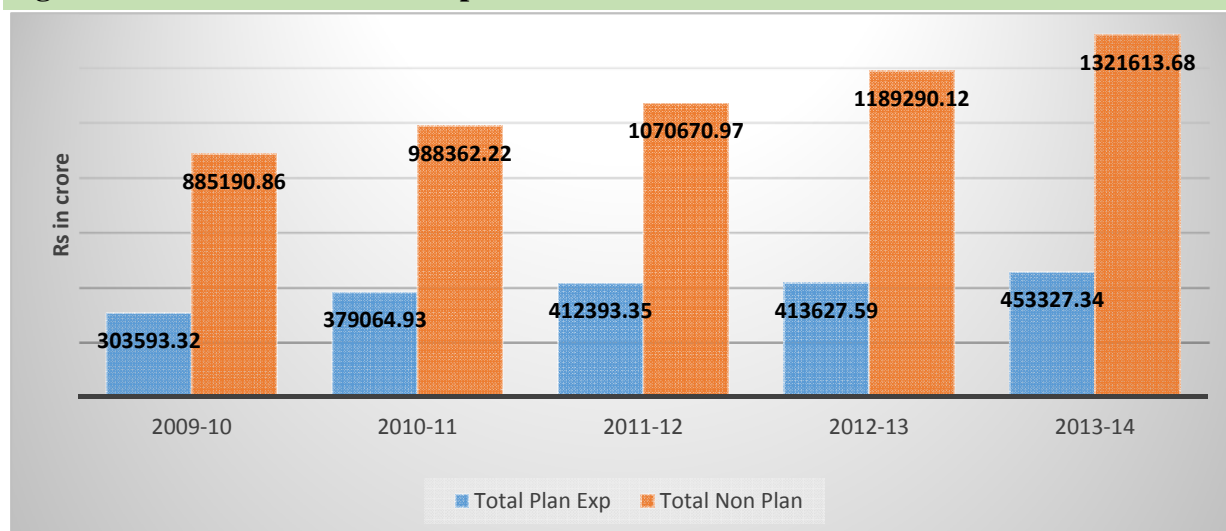
2.11 The TGR of Plan expenditure during the period was 9.3 percent. Trend Growth Rate of revenue component was 7.3 per cent per annum, while that of capital component was much higher at 23.2 per cent. Growth rate of plan expenditure reached an all-time low of 0.3 per cent in 2012-13 primarily because of fall in quantum of plan loans and advances from Rs 20,105.6 crore in 2011-12 to Rs 16,394.14 crore in 2012-13.

2.12 In non-plan expenditure, there has been an overall TGR of 10.7 percent per annum during this period. As shown in Table 2.10 the TGRs of non-plan revenue expenditures was 11.2 percent, and that of non-plan capital expenditure was 4.3 percent.

Table 2.11: Non-Plan Expenditure of Union Government: Growth Profile

Year	RE	% increase	CE	% increase	Loans and Advances	% increase	Total	% increase
2009-10	803392.07		65683.14		1611.45		870686.66	
2010-11	871882.91	8.5	94430.31	43.8	22048.52	1268.2	988361.74	13.5
2011-12	971449.14	11.4	80923.43	-14.3	18298.05	-17.0	1070670.62	8.3
2012-13	1091267.36	12.3	82353.90	1.8	15669.01	-14.4	1189290.27	11.1
2013-14	1222364.34	12.0	86923.69	5.5	12325.58	-21.3	1321613.61	11.1
TGR		11.2		4.3		45.2		10.7

The Fig 2.2 shows the Plan and Non-Plan expenditure of the Union for the period 2009-10 to 2013-14.

Figure 2.2: Plan and Non Plan expenditure of Government of India

2.13 Considering the major categories of revenue and capital expenditures of the Govt of India sub-divided into plan and non-plan expenditure, the relative importance and compositional changes are examined in Table 2.11. The financial year 2013-14 saw an overwhelming share of non-plan revenue expenditure (68.9 percent) in total expenditure. Plan capital expenditure had a low share although it exhibited a rising trend.

Table 2.12: 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

Sectoral Expenditure

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

2.15 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.

2.16 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.

2.17 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 2.13 shows the movement of expenditure by Govt of India in General, Social, and Economic sectors during the period 2009-10 to 2013-14.

Table 2.13: Sectoral Expenditure of Union Government

Year	General Services		Social Services		Economic Services		Total 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	47.73	108173.36	10.58	426446.94	41.70	1022774.27
2010-11	525494.39	43.91	130866.52	10.94	540293.03	45.15	1196653.94
2011-12	597504.87	46.25	119952.77	9.29	574370.97	44.46	1291828.61
2012-13	666405.33	47.42	124725.63	8.87	614304.54	43.71	1405435.49
2013-14	767915.22	49.14	142427.01	9.11	652314.40	41.74	1562656.63

2.18 The share of general services has increased from 47.73 percent in 2009-10 to 49.14 percent of the total expenditure in 2013-14, owing mainly to the growth in interest payments and pensions. The share of social services expenditure declined from 10.58 per cent in 2009-

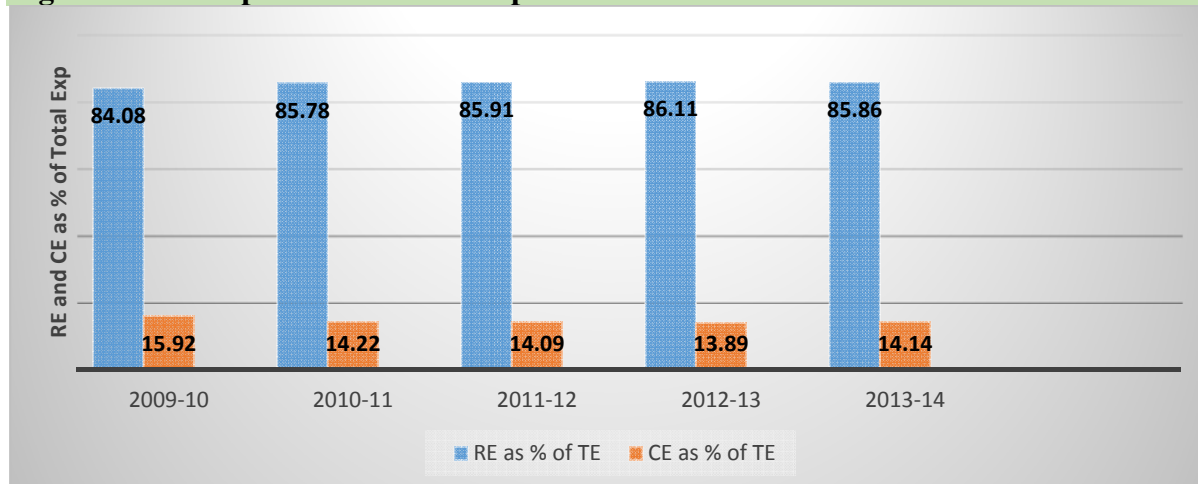
10 to 9.11 per cent in 2013-14. Share of economic services spending rose from 41.70 per cent in 2009-10 to 45.15 per cent in 2010-11 and declined thereafter to 41.74 per cent of total expenditure in 2013-14.

Expenditure of States

Composition of Total Expenditure of states

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



2.19 While the share of revenue expenditure increased from 84.08 per cent of total expenditure in 2009-10 to 85.9 per cent in 2013-14, the share of capital expenditure declined from 15.9 per cent to 14.1 per cent during the same period. Thus, expenditure of state governments has obtained a structure which has steadily tilted towards non-asset forming revenue expenditure.

State-wise Analysis

2.20 Composition of expenditure in individual states is similar with revenue expenditure registering an increasing trend and capital expenditure either remaining static or declining. 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, Assam, Haryana, Himachal Pradesh, Maharashtra, and Uttar 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.

2.21 In Jammu and Kashmir, Mizoram and Manipur share of RE and CE in total expenditure saw sharp changes during this period. In J&K share of RE increased by 14.5

percentage points from 2009-10 to 2013-14, while capital expenditure declined by 14.6 percentage points. In Manipur share of RE rose from 64.4 per cent of total expenditure in 2009-10 to 80.7 per cent in 2013-14, while share of capital expenditure saw a sharp decline of 16.7 percentage points from 35.4 per cent in 2009-10 to 19.4 per cent in 2013-14. In Mizoram share of RE increased from the already high level of 82.3 per cent in 2009-10 to 89.1 per cent in 2013-14, while CE declined by 6.6 percentage points from 17.5 per cent to 10.9 per cent during the same period.

Figure 2.4: Composition of expenditure Jammu & Kashmir

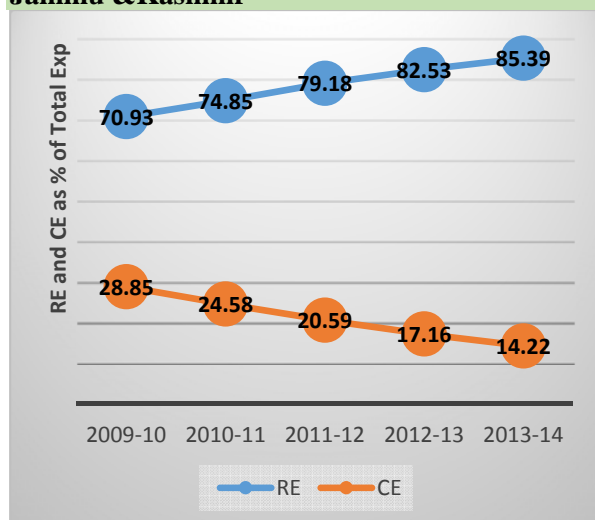


Figure 2.5: Composition of expenditure Manipur

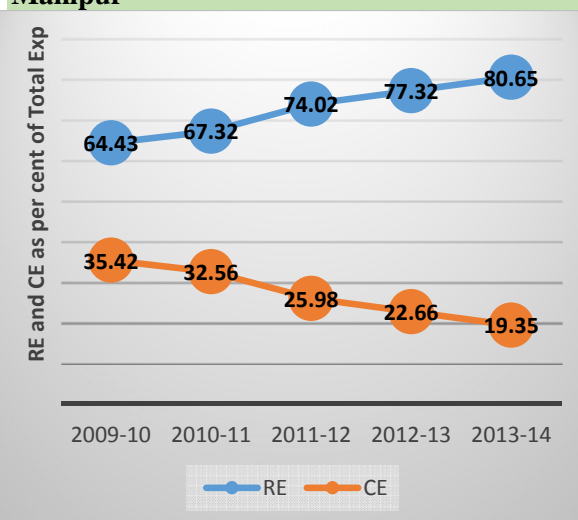
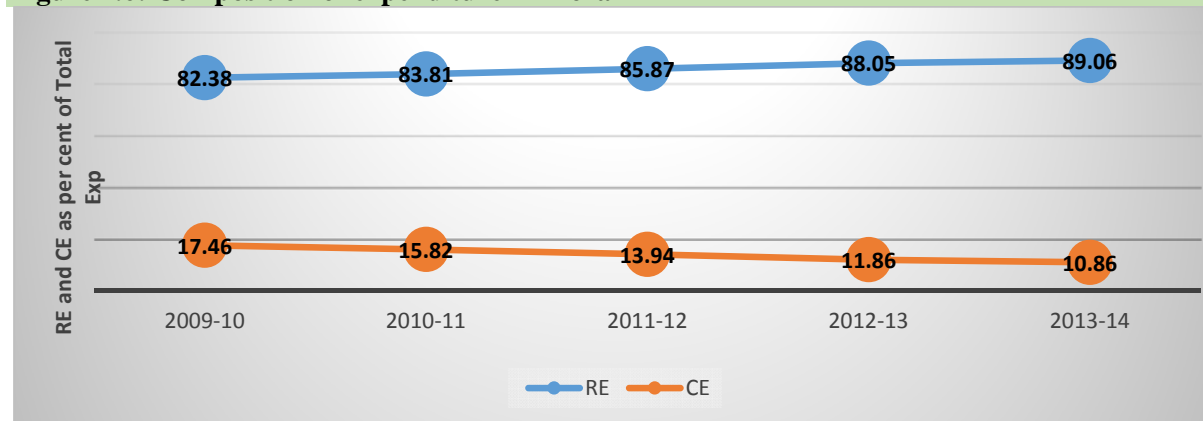
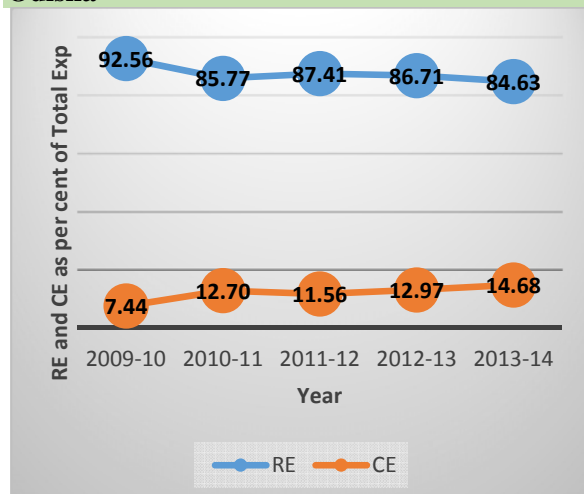
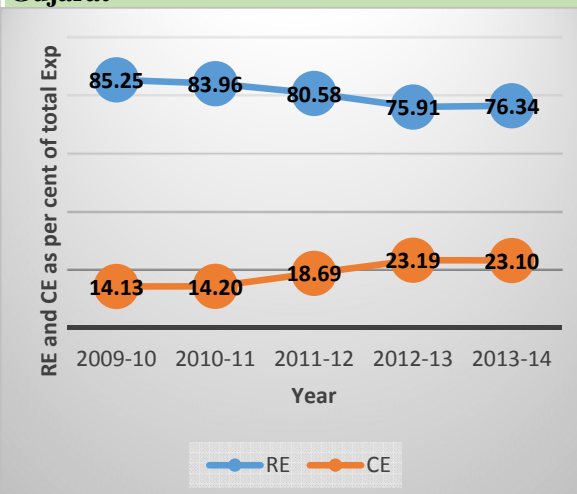


Figure 2.6: Composition of expenditure- Mizoram

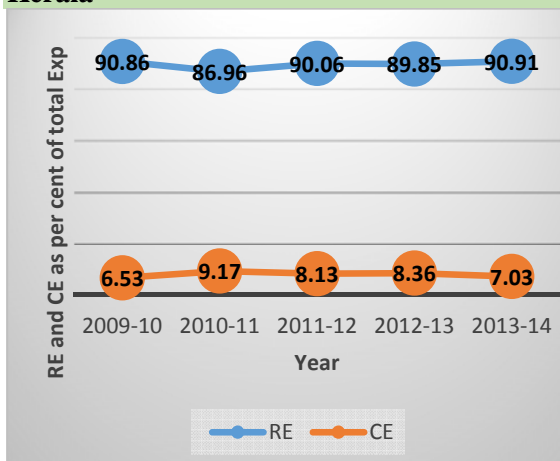


2.22 Odisha, Gujarat, Sikkim, Rajasthan have been exceptions. In Odisha share of RE declined by 8 percentage points from 92.6 per cent in 2009-10 to 84.6 per cent in 2013-14. Capital expenditure increased by 7.3 percentage points from 7.4 per cent in 2009-10 to 14.7 per cent in 2013-14. In Gujarat share of RE has declined by 9 percentage points from 85.3 per cent in 2009-10 to 76.3 per cent in 2013-14. Share of CE in total expenditure rose by 9 percentage points from 14.1 per cent to 23.1 per cent during this period.

Figure 2.7: Composition of expenditure-Odisha**Figure 2.8: Composition of expenditure-Gujarat**

2.23 In Sikkim, share of RE has fallen marginally by 1 percentage point while share of CE has increased marginally by 2.1 percentage points from 18.9 per cent in 2009-10 to 21 per cent in 2013-14. In Rajasthan share of RE decreased from 87.6 per cent in 2009-10 to 83.9 per cent in 2013-14. Share of CE has increased from 11.3 per cent to 15.2 per cent during the same period.

2.24 In Kerala and Bihar the share of RE and CE in total expenditure has remained almost the same between 2009-10 and 2013-14.

Figure 2.9: Composition of expenditure-Kerala**Figure 2.10: Composition of expenditure-Bihar**

2.25 In almost all states, revenue expenditure accounted for 80 to 85 per cent of total expenditure, while share of capital expenditure varied from 10 to 20 per cent during 2009-10 to 2013-14. Exceptions are Punjab, Kerala and West Bengal where revenue expenditure accounted for more than 90 per cent of total expenditure. In Punjab capital expenditure

accounted for only 7.4 per cent of total expenditure in 2009-10 which further declined to only 5.0 per cent in 2013-14. In West Bengal there was rise in share of CE from 4.87 per cent to 7.0 per cent and in Kerala the rise in CE from 6.5 percent to 7 percent during this period was marginal.

Expenditure: Plan and Non-Plan

2.26 While it is seen that revenue expenditure accounts for more than 80 per cent of total expenditure, it is the non-plan component which accounts for 70 percent or more of revenue expenditure in all states except Arunachal Pradesh, Chhattisgarh, Gujarat, Odisha, Sikkim, Meghalaya and Mizoram. Tables 2.13 and 2.14 below show composition of revenue expenditure of states into plan and non-plan components during 2013-14:

Table 2.14: Composition of Revenue Expenditure (2013-14): Plan and Non-Plan

State	Plan		Non Plan	
	Amount (Rs in crore)	% of total	Amount (Rs in crore)	% of total
Andhra Pradesh	24137.29	21.9	86237.21	78.1
Arunachal Pradesh	1773.81	30.9	3957.59	69.1
Assam	7027.65	22.0	24962.24	78.0
Bihar	19096.2	30.6	43381.03	69.4
Chhattisgarh	13749.77	41.8	19109.8	58.2
Gujarat	23893.39	31.7	51365.15	68.3
Haryana	10152.09	24.2	31735.01	75.8
Himachal Pradesh	2386.99	13.8	14965.50	86.2
Jammu & Kashmir	1838.52	6.8	25219.25	93.2
Jharkhand	6287.48	26.8	17184.41	73.2
Karnataka	24819.44	27.8	64370.13	72.2
Kerala	7073.66	11.7	53411.84	88.3
Madhya Pradesh	18664.64	26.7	51205.12	73.3
Maharashtra	25801.88	16.7	129100.54	83.3
Manipur	1121.52	19.6	4597.31	80.4
Meghalaya	1848.78	33.3	3702.82	66.7
Mizoram	1796.85	36.5	3120.13	63.5
Nagaland	846.02	14.7	4904.33	85.3
Odisha	15007.69	32.9	30610.06	67.1
Punjab	3135.35	7.5	38505.32	92.5
Rajasthan	17115.83	22.7	58393.76	77.3
Sikkim	1053.13	30.5	2404.83	69.5
Tamil Nadu	25686.25	23.4	84138.42	76.6
Tripura	1399.94	23.5	4549.02	76.5
Uttar Pradesh	31657.40	20.0	126489.47	80.0
Uttarakhand	2766.972	17.1	13449.44	82.9
West Bengal	20757.25	22.6	71040.02	77.4

2.27 In capital expenditure share of plan component was much higher than the non-plan component in all the states. This is shown in Table 2.14 below:

Table 2.15: Composition of Capital Expenditure (2013-14): Plan and Non-Plan

State	Plan		Non-Plan	
	Amount (Rs in crore)	% of total	Amount (Rs in crore)	% of total
Andhra Pradesh	15279.97	100.0	0.17	0.0
Arunachal Pradesh	1673.49	99.6	6.21	0.4
Assam	3088.59	96.8	100.65	3.2
Bihar	13904.37	99.0	141.01	1.0
Chhattisgarh	4574.92	100.0	0.74	0.0
Goa	998.15	99.0	10.08	1.0
Gujarat	22510.69	99.3	167.42	0.7
Haryana	2802.48	71.2	1132.12	28.8
Himachal Pradesh	1814.62	97.8	41.24	2.2
Jammu & Kashmir	4378.29	97.1	128.56	2.9
Jharkhand	4706.69	99.7	15.81	0.3
Karnataka	16620.11	98.1	327.02	1.9
Kerala	3497.62	81.4	796.72	18.6
Madhya Pradesh	10769.96	99.6	42.56	0.4
Maharashtra	17681.42	88.3	2339.03	11.7
Manipur	1291.90	100.0	0.03	0.0
Meghalaya	1074.77	99.9	0.71	0.1
Mizoram	485.04	80.9	114.36	19.1
Nagaland	1187.97	98.4	19.10	1.6
Odisha	7598.60	98.0	157.81	2.0
Punjab	2011.08	91.4	189.53	8.6
Rajasthan	13676.89	99.7	36.25	0.3
Sikkim	911.95	100.0	0.00	0.0
Tamil Nadu	16871.99	98.1	322.08	1.9
Tripura	1646.95	99.3	11.08	0.7
Uttar Pradesh	30608.12	93.1	2254.53	6.9
Uttarakhand	3138.27	84.5	573.75	15.5
West Bengal	6881.80	99.3	45.14	0.7

Major Components of Revenue Expenditures of States

2.28 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.

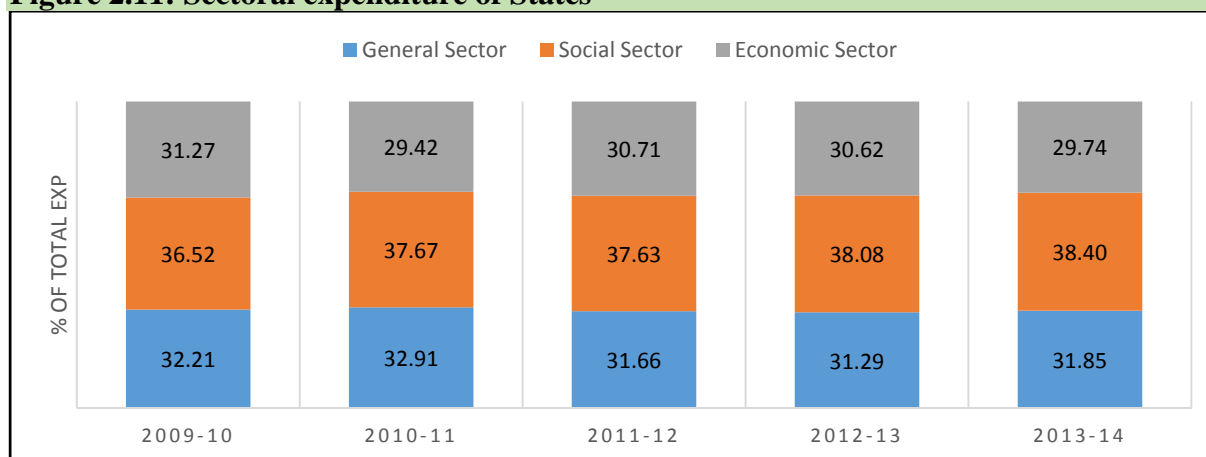
2.29 As in the case of Union Government, an important component of revenue expenditures of States is interest payment. Interest payments are committed expenditures. Total interest payments by all state governments combined during the period under review increased by 46.9 percent from Rs. 1,12,411.37 crore in 2009-10 to Rs. 1,65,127.69 crore in 2013-14.

Table 2.16: Share of pensions, salary and interest payment as percent of revenue expenditure in states in 2013-14.

State	Salary		Pension		Interest	
	Amount (in crores)	as % of RE	Amount (in crores)	as % of RE	Amount (in crores)	as % of RE
Andhra Pradesh	22980.0	20.9	13682.31	12.4	12910.64	11.7
Arunachal Pradesh	2548.9	44.5	398.40	7.0	312.51	5.5
Assam	15618.8	49.4	4264.13	13.5	2198.45	7.0
Bihar	14036.7	22.5	9481.73	15.2	5459.04	8.7
Chhattisgarh	8558.7	26.8	2751.87	8.6	1350.53	4.2
Gujarat	7209.2	9.6	8269.99	11.0	13332.02	17.8
Haryana	41750.9	16.7	4169.35	10.0	5849.77	14.0
Himachal Pradesh	7323	42.2	2855.08	16.5	2480.86	14.3
Jammu and Kashmir	11605.0	42.9	3591.54	13.3	3000.92	11.1
Jharkhand	6956.8	29.6	3484.31	14.8	2614.44	11.1
Karnataka	8064.7	9.6	9151.82	10.9	7837.32	9.3
Kerala	19341.0	34.8	9971.27	18.0	8265.38	14.9
Madhya Pradesh	17333.3	26.5	5931.74	9.1	6391.32	9.8
Maharashtra	21476.6	14.1	12977.69	8.5	21207.04	13.9
Manipur	2575.2	47.8	771.48	14.3	444.92	8.3
Meghalaya	1785.5	32.2	450.87	8.1	371.50	6.7
Mizoram	1908.22	38.8	524.58	10.7	284.50	5.8
Nagaland	2940.8	51.1	695.11	12.1	493.85	8.6
Odisha	11617.64	26	5935.17	13.3	2888.22	6.5
Punjab	14591	35.5	6277.26	15.3	7820.21	19.0
Rajasthan	1093.9	32	7801.45	10.4	9063.20	12.0
Sikkim	1093.88	32	260.63	7.6	209.16	6.1
Tamil Nadu	15189.9	15.1	14860.30	14.8	12404.78	12.3
Tripura	2687.7	46.3	677.25	11.7	591.96	10.2
Uttar Pradesh	30084.02	20.3	19521.21	13.1	17412.44	11.7
Uttarakhand	3457	22.2	2130.67	13.7	2056.04	13.2
West Bengal	11734.2	12.9	11637.57	12.7	20756.81	22.6

Sectoral Expenditure

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 2013-14 although the share of social sector has consistently remained higher than the other two sectors as shown in Fig 2.11. There are however, inter-state variations.

Figure 2.11: Sectoral expenditure of States

2.31 Salaries account for a large portion of social sector spending. Hence increase in share of social services expenditure from 36.5 per cent to 38.4 per cent does not, therefore, 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 and Uttar Pradesh during the five year period 2009-10 to 2013-14. 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 10.9 per cent of total expenditure. Pension payments accounted for nearly 16 per cent of total spending in Kerala, 14 per cent in Punjab and 15 per cent in Himachal Pradesh. In Sikkim interest payments were largely responsible for high spending in the General sector.

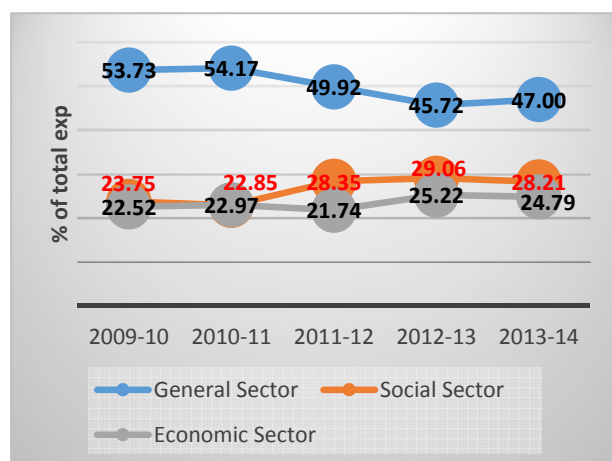
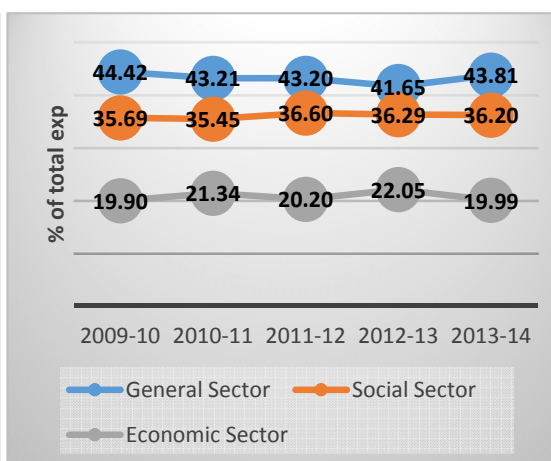
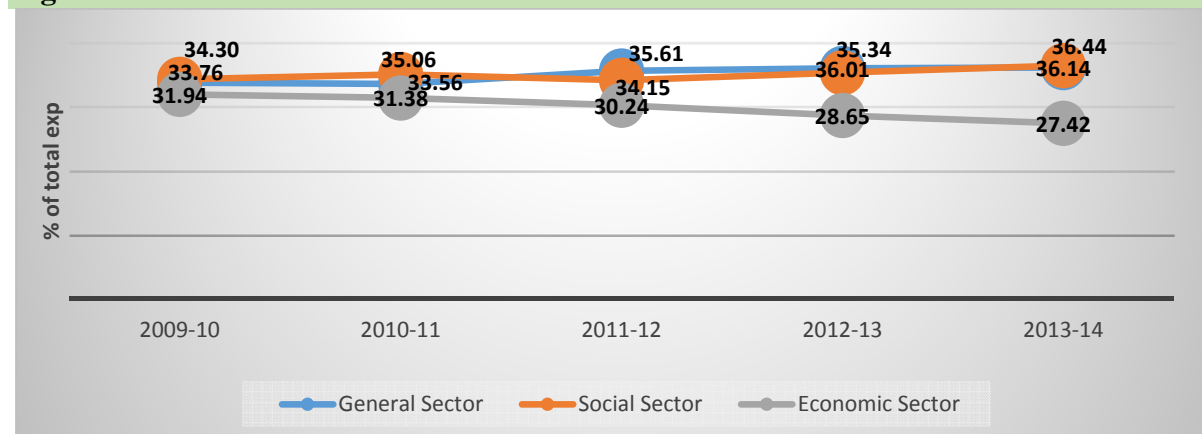
Figure 2.12: Sectoral expenditure-Punjab**Figure 2.13: Sectoral expenditure-Kerala**

Figure 2.14: Sectoral expenditure-Sikkim**Figure 2.15: Sectoral expenditure-UP****Figure 2.16: Himachal Pradesh**

2.33 Spending in the economic sector was lowest among the three sectors in Punjab, West Bengal, Maharashtra, Tamil Nadu, Kerala, Assam, Sikkim, Himachal Pradesh and Uttar Pradesh. Spending on economic services was lowest of all states in West Bengal, accounting for an average of only 17 per cent of total spending during the five year period. Kerala spent an average of 20 percent on the Economic sector during this period. There was a decline in total spending in Economic sector spending in Maharashtra from 32 per cent in 2009-10 to 26 per cent in 2013-14, Himachal Pradesh from 32 per cent to 27 per cent and Uttar Pradesh 30 per cent to 27 per cent. The other five states in this category spent around 24 to 27 per cent on economic services during this period.

2.34 In Karnataka, Madhya Pradesh and Meghalaya spending on Economic services was highest among the three sectors during the five year period. It accounted for 40 per cent of total spending in Karnataka, 38 per cent in Madhya Pradesh and 36 per cent in Meghalaya.

Rajasthan has steadily increased spending on economic services from 26 per cent to 33 per cent during the five year period.

2.35 Social sector spending was the dominant component of expenditure in Andhra Pradesh, Assam, Bihar, Chhattisgarh, West Bengal, Maharashtra, Tamil Nadu, Gujarat, Rajasthan, Haryana, Odisha and Tripura. These states spent an average of 38 to 41 per cent of total expenditure in the Social sector.

2.36 However, expenditure on health, water supply and housing in these states has been low. In 2013-14 these states spent an average of 10 to 13 per cent of total social sector outlay on medical and public health, between 1 to 4 per cent on water supply and sanitation, and between 1 to 2 per cent on housing. Expenditure on education has varied between 40 to 50 per cent of total spending on social sector with Assam spending 62 per cent of social sector outlay on education.

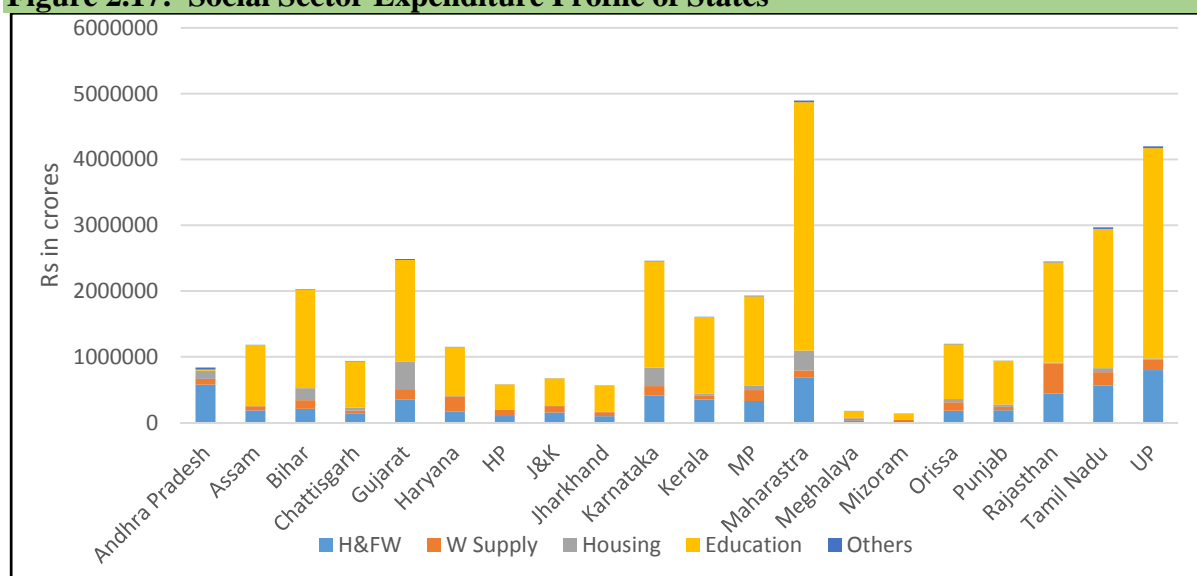
Expenditure on Social Sector

Expenditure on health and family welfare, education, drinking water and sanitation and housing as percentage of total spending on Social sector is depicted in Table 2.16.

Table 2.17: Expenditure Health, Education, Drinking Water and Housing as per cent of total spending on social sector

State	Health and Family Welfare	Education	Drinking Water and Sanitation	Housing
Andhra Pradesh	12.8	40.5	1.5	1.4
Arunachal Pradesh	17.6	40.7	15.1	1.4
Assam	12.6	62.6	3.5	0.1
Bihar	8.0	54.0	2.6	3.4
Chhattisgarh	10.0	47.5	2.8	1.5
Gujarat	10.7	44.0	0.6	6.5
Haryana	11.0	47.0	8.0	0.1
Himachal Pradesh	14.9	53.5	11.2	0.7
Jammu and Kashmir	19.6	45.1	10.6	0.7
Jharkhand	11.9	47.1	3.6	0.2
Karnataka	12.5	48.2	1.6	4.3
Kerala	16.7	54.6	2.8	0.5
Madhya Pradesh	11.8	48.4	3.3	1.3
Maharashtra	9.6	53.1	1.5	2.1
Manipur	18.5	51.5	3.7	0.4
Meghalaya	17.9	51.7	8.0	1.7
Mizoram	13.6	49.3	7.5	0.4
Nagaland	16.9	57.4	3.1	0.9

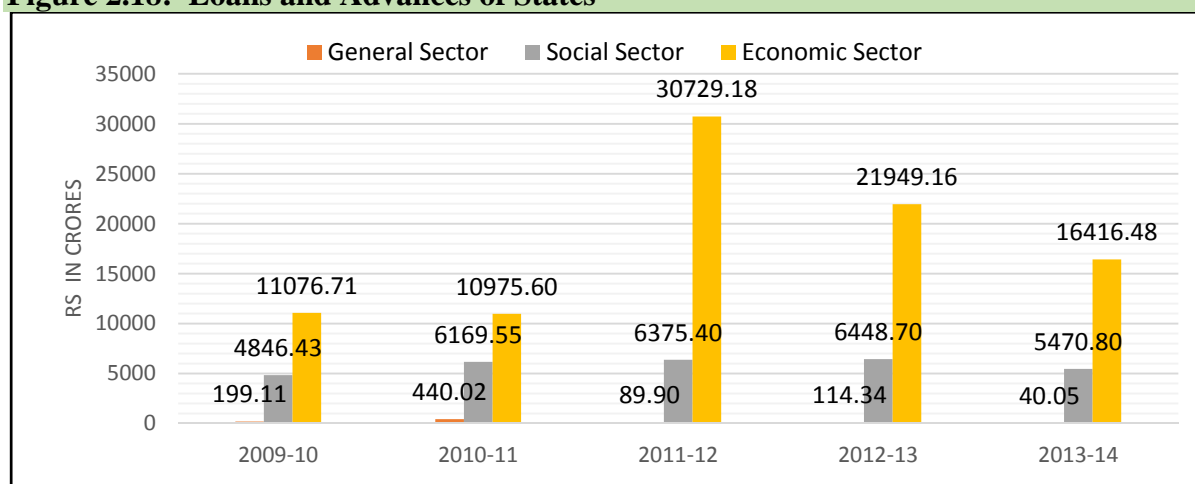
State	Health and Family Welfare	Education	Drinking Water and Sanitation	Housing
Odisha	9.7	43.6	3.8	1.3
Punjab	16.7	55.6	2.7	1.6
Rajasthan	14.0	48.1	5.8	0.2
Sikkim	12.6	49.4	1.7	13.3
Tamil Nadu	12.0	46.0	1.4	0.7
Tripura	12.6	45.2	3.6	0.1
Uttar Pradesh	13.2	51.4	0.2	0.1
Uttarakhand	12.3	54.9	6.5	0.0
West Bengal	11.2	46.0	2.7	0.5

Figure 2.17: Social Sector Expenditure Profile of States

2.37 Although total spending on Education has been high in all states, share of plan component (both revenue and capital) in total spending on education has been below 30 per cent. In Maharashtra plan expenditure on Education has been as low as 4.8 per cent. However in some states share of plan component of expenditure on Education has been high- Chhattisgarh (61.5 per cent), Jharkhand (43.8 per cent), Bihar (39 per cent), Mizoram (66.1 per cent) and Sikkim (54 per cent).

Loans and Advances

2.38 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 the five year period. Most loans were disbursed to Economic sector, followed by the Social sector:

Figure 2.18: Loans and Advances of States

2.39 There are inter-state variations with regard to disbursements of loans between the two sectors. Andhra Pradesh, Chhattisgarh, Karnataka, Manipur, and Mizoram did not follow the general trend. In these states disbursements of loans and advances was greater in Social sector than the Economic sector. Disbursement of loans and advances for the last five years for individual states is detailed in Table 2.18:

Table 2.18: Sectoral break-up of Loans and Advances

State	2009-10		2010-11		2011-12		2012-13		2013-14	
	% on SS	% on ES	% on SS	% on ES	% on SS	% on ES	% on SS	% on ES	% on SS	% on ES
Andhra Pradesh	65.6	33.2	67.9	31.1	66.2	32.4	69.1	30.0	70.7	27.5
Arunachal Pradesh	2.1	85.2	1.9	84.5	1.6	84.0	1.6	83.6	13.3	74.8
Assam	10.3	87.7	10.2	88.8	10.3	89.1	9.1	90.5	7.5	92.2
Bihar	3.1	96.5	2.9	96.7	2.6	97.0	2.4	97.3	2.3	97.4
Chhattisgarh	45.7	46.8	49.3	42.6	53.2	37.8	60.0	32.3	55.7	34.4
Gujarat	17.6	1.6	16.4	1.5	15.3	81.0	13.4	81.9	12.8	83.2
Haryana	22.7	57.5	26.9	55.5	24.2	57.2	23.0	57.9	20.1	61.4
Himachal Pradesh	4.4	79.5	3.2	86.7	2.3	93.1	1.5	95.5	1.2	96.7
Jammu & Kashmir	7.7	90.4	9.7	88.6	11.0	87.1	8.8	89.8	8.2	90.5
Jharkhand	7.5	92.4	7.3	92.7	7.3	92.8	7.0	93.1	7.1	93.1
Karnataka	57.6	42.4	63.2	36.8	68.0	31.2	69.2	30.3	69.4	30.4
Kerala	35.9	63.1	34.7	63.9	36.7	60.8	38.2	58.5	38.3	57.4
Madhya Pradesh	1.5	74.1	13.8	79.1	10.1	85.0	8.6	87.3	7.2	89.3
Maharashtra	19.3	75.5	20.3	74.5	20.1	74.7	19.7	74.8	19.2	75.1
Manipur	77.1	17.4	76.0	18.8	76.0	18.9	75.0	19.1	75.5	19.2

State	2009-10		2010-11		2011-12		2012-13		2013-14	
	% on SS	% on ES	% on SS	% on ES	% on SS	% on ES	% on SS	% on ES	% on SS	% on ES
Meghalaya	1.3	89.5	1.2	91.6	1.1	93.1	1.1	94.4	1.1	95.3
Mizoram	75.4	13.8	68.0	14.2	62.3	13.9	56.8	14.0	52.0	14.1
Nagaland	0.3	74.8	0.2	81.9	0.1	89.6	0.1	91.6	0.1	93.2
Odisha	14.2	73.9	14.5	73.8	16.9	70.4	16.5	72.1	15.5	76.4
Punjab	5.2	90.7	6.4	90.0	6.2	91.7	6.1	92.7	6.0	93.7
Rajasthan	4.3	95.7	9.0	91.0	10.8	89.2	13.7	86.3	16.9	83.1
Sikkim	4.9	93.9	8.6	90.3	12.5	129.6	17.0	82.4	24.6	74.6
Tamil Nadu	45.6	49.1	40.6	54.2	37.9	57.1	31.8	63.5	29.7	64.8
Tripura	22.1	58.2	22.4	60.4	19.4	67.4	30.7	59.1	38.3	53.0
Uttar Pradesh	18.5	70.6	20.5	65.7	22.3	63.9	23.2	63.0	27.1	59.8
Uttarakhand	5.7	91.3	5.9	91.8	4.8	93.6	8.6	92.3	4.5	94.3
West Bengal	7.6	91.9	8.5	91.0	9.0	90.7	9.3	90.5	10.1	89.8

Management of Fiscal Imbalances

Trend of Revenue Deficit and Fiscal Deficit of the Union and States during 2009-10 to 2013-14 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 borrowing of the past.

Deficits: Scenario of Union Govt 2013-14

3.5 Table 3.1 presents the break-up of the deficit during 2013-14. There was a deficit in the CFI amounting to Rs. 19554.94 crore and surplus in the Public Account amounting to Rs 38721.38 crore. Fiscal deficit at Rs 503229.84 crore amounted to 4.8 percent of the GDP. Revenue deficit was Rs 357302.33 crore amounting to 3.4 percent of the GDP. Revenue deficit was 71 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,

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 (2013-14)

(Rs in crores)

Receipt		Amount			Disbursement	Amount
Consolidated Fund						
Revenue	1217794.22		Revenue deficit	357302.33	Revenue	1575096.55
Miscellaneous capital receipts (including disinvestment)	29367.89				Capital	168844.47
Recovery of loans & advances	24549				Loans & advances disbursement	30999.93
Sub total CFI (other than public debt)	1271711.11				Sub total CFI (other than Public Debt)	1774940.95
Public debt	3994966.22		Fiscal deficit	503229.84	Public debt repayment	3511291.32
Total (CFI)	5266677.33		A: Deficit in CFI	19554.94		5286232.27
PUBLIC ACCOUNT						
Small savings, provident funds etc.	407540.83				Small savings, provident funds etc.	389826.25
Deposits and advances	151607.4				Deposits and advances	126062.78
Reserve funds	127519.96				Reserve funds	124057.05
Suspense & miscellaneous	2744.08				Suspense & miscellaneous	13110.29
Remittances	3547.71				Remittances	1182.28
Total Public Account	692959.98		C: Surplus in Public Account: 38721.33			654238.65

Revenue Deficit of Union

3.7 Revenue deficit declined by 0.5 percentage points in 2013-14 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 3.4 per cent in 2013-14.

Table 3.2 : Trends in Revenue Deficit and percentage of GDP

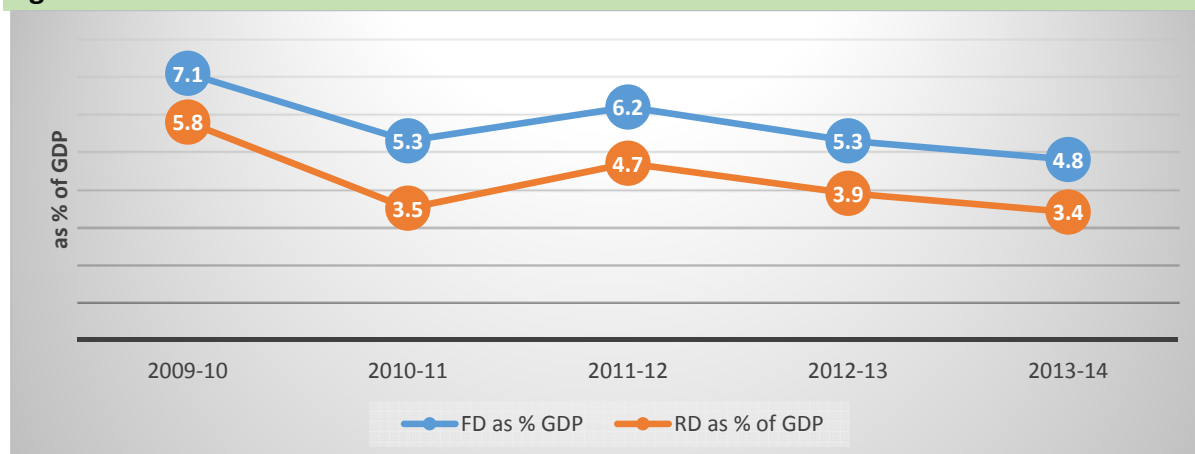
Year	Revenue Receipt	Revenue Expenditure	Actual Revenue Deficit	RD as % of GDP
2009-10	704523.03	1057479.24	352956.21	5.8
2010-11	932685.81	1186115.11	253429.30	3.5
2011-12	910277.17	1305195.14	394917.97	4.7
2012-13	1055891.01	1420472.70	364581.69	3.9
2013-14	1217794.22	1575096.55	357302.33	3.4

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 5.3 per cent of GDP in 2012-13 and further to 4.8 per cent in 2013-14.

Table 3.3 : Trends in Fiscal Deficit and percentage of GDP

Year	Fiscal Deficit	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

Figure 3.1 : Revenue Deficit and Fiscal Deficit**Composition of Expenditure Financed by borrowing**

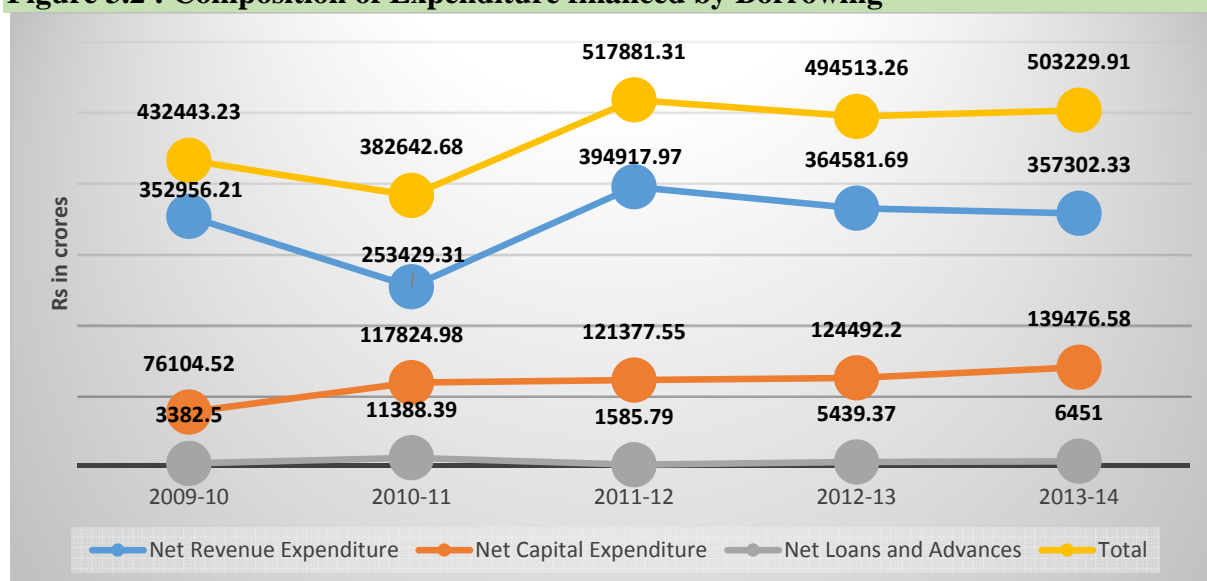
3.9 Ideally, capital expenditure of the government should be financed from revenue surplus. If such a surplus is not available, fiscal deficit may be used for financing capital expenditure so that assets are created to match the addition to the liabilities.

3.10 Table 3.4 indicates that major proportion of borrowed funds have been deployed for revenue expenditure. Revenue deficit accounted for 81.6 per cent of fiscal deficit in 2009-10. However there has been a decline of around 10 percentage points in the share of revenue deficit in total fiscal deficit during the five year period. Capital expenditure financed by borrowed funds has gradually increased from 17.6 per cent in 2009-10 to 27.7 percent in 2013-14.

Table 3.4: Composition of Expenditure Financed by borrowing

Year	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs crore)	Per cent	Amount (Rs crore)	Per cent	Amount (Rs crore)	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

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 2013-14. 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.

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 and further to 4.8 per cent of GDP in 2013-14. 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, by 2009-10 additional liabilities should not have exceeded 4 per cent of GDP. However additional liabilities of the Union Government was 5.1 per cent of GDP in 2010-11. This increased to 7.4 per cent in 2011-12 before declining to 5.9 per cent and 5.3 per cent of GDP in 2012-13 and 2013-14 respectively.

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 five years is given in Table3.6:

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
1	Andhra Pradesh	0.45	0.77	0.87	0.27	0.07
2	Arunachal Pradesh	8.02	18.60	10.03	8.24	0.66
3	Assam	-1.40	0.05	0.74	1.12	0.14
4	Bihar	1.81	3.10	1.98	1.74	1.87

Sl.No	State	2009-10	2010-11	2011-12	2012-13	2013-14
5	Chhattisgarh	0.89	2.82	2.25	1.57	-0.44
7	Gujarat	-1.62	-0.97	0.54	0.85	0.62
8	Haryana	-1.91	-1.05	-0.49	-1.30	-1.00
9	Himachal Pradesh	-1.67	-2.15	0.99	-0.78	-1.99
10	Jammu and Kashmir	4.68	6.49	3.08	1.42	0.08
11	Jharkhand	-0.01	0.66	1.05	0.90	3.71
12	Karnataka	0.48	1.02	1.03	0.36	0.06
13	Kerala	-2.17	-1.39	-2.57	-2.69	-2.85
14	Madhya Pradesh	2.42	2.60	3.25	2.06	1.35
15	Maharashtra	-0.94	-0.06	-0.19	0.32	-0.34
16	Manipur	10.40	14.80	5.83	11.84	10.92
17	Meghalaya	2.08	1.70	-1.05	2.82	3.26
18	Mizoram	4.96	-6.28	1.85	0.33	-1.48
19	Nagaland	4.44	6.91	5.13	3.84	4.21
20	Orissa	0.70	1.98	2.54	2.27	1.22
21	Punjab	-2.66	-2.34	-2.66	-2.60	-2.06
22	Rajasthan	-1.79	0.31	0.81	0.73	-0.20
23	Sikkim	8.42	1.88	4.97	7.46	7.02
24	Tamil Nadu	-0.74	-0.47	0.20	0.24	-0.21
25	Tripura	1.22	4.53	8.35	8.10	6.35
26	Uttar Pradesh	1.35	0.58	1.02	0.66	1.17
27	Uttarakhand	-1.66	-0.02	0.73	0.23	0.90
28	West Bengal	-5.41	-3.75	-2.76	-2.28	-2.68

3.16 Among the GCS Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Orissa and Uttar Pradesh had revenue surplus in all the years. In Andhra Pradesh and Madhya Pradesh ratio of revenue surplus to GSDP declined by 0.38 percentage points and 1.07 percentage points respectively between 2009-10 and 2013-14. In Bihar and Orissa revenue surplus as proportion of GSDP increased by 0.06 and 0.52 percentage points respectively during this period. Gujarat and Jharkhand had revenue deficit in 2009-10, but thereafter these states had revenue surplus.

3.17 Haryana, Kerala, Punjab and West Bengal had revenue deficit in all the years. Revenue deficit was the highest in Kerala in 2013-14. Revenue deficit increased by 0.68 percentage point of GSDP and 98.9 percent in nominal terms during this period in Kerala. The revenue deficit decreased by 2.73 percentage point of GSDP and 12.33 percent in nominal terms in West Bengal in 2013-14 as compared to 2009-10. In Punjab the revenue deficit decreased by 0.60 percentage point of GSDP and 24.49 percent in nominal terms during the five year period.

3.18 Amongst the SCS, Mizoram and Uttarakhand had revenue deficit in two out of five years. Assam had revenue deficit only in 2009-10. The other SC states had revenue surplus in

all the years except Himachal Pradesh which had a revenue deficit in all years except 2011-12.

Fiscal Deficit of States

Trends in FD as percentage of GSDP for GCS and SCS over the past five years is given in Table 3.6:

Table 3.6: Fiscal Deficit as per cent of GSDP

	State	2009-10	2010-11	2011-12	2012-13	2013-14
1	Andhra Pradesh	5.13	3.69	4.25	4.27	3.89
2	Arunachal Pradesh	5.7	0.28	9.19	1.96	11.9
3	Assam	4.21	1.77	1.31	1.1	2.4
4	Bihar	3.2	2.0	2.4	2.3	2.4
5	Chhattisgarh	1.8	0.34	0.6	1.6	2.7
6	Goa	4.2	1.7	2.0	2.7	2.2
7	Gujarat	3.5	2.9	1.8	2.5	2.4
8	Haryana	4.5	2.8	2.4	3.0	2.1
9	Himachal Pradesh	5.7	4.4	2.5	4.0	2.0
10	Jammu and Kashmir	8.2	4.1	5.4	5.4	5.2
11	Jharkhand	3.0	1.7	1.4	2.2	1.3
12	Karnataka	3.2	2.6	2.7	2.8	2.9
13	Kerala	3.4	2.9	4.1	4.3	4.3
14	Madhya Pradesh	2.7	2.0	1.9	2.6	2.3
15	Maharashtra	3.1	1.8	1.7	1.0	1.8
16	Manipur	8.9	6.2	9.4	.01	1.9
17	Meghalaya	1.8	2.3	6.2	2.1	1.7
18	Mizoram	5.9	16	6.9	6.9	7.3
19	Nagaland	5.0	2.7	3.9	4.2	2.6
20	Odisha	1.4	0.3	0.3	0.01	1.7
21	Punjab	3.1	3.2	3.3	3.3	2.8
22	Rajasthan	3.9	1.2	0.9	1.8	2.9
23	Sikkim	2.8	4.3	2.0	0.6	0.4
24	Tamil Nadu	2.5	2.8	2.6	2.2	2.4
25	Tripura	7.5	1.4	1.3	1.5	0.2
26	Uttar Pradesh	3.6	2.9	2.3	2.5	2.7
27	Uttarakhand	3.9	2.2	1.8	1.5	2.2
28	West Bengal	6.3	4.2	3.4	3.2	3.6

3.19 Fiscal Deficit as proportion of GSDP has, by and large declined in all states, barring Kerala, Odisha and Chhattisgarh amongst GCS and Arunachal Pradesh and Mizoram amongst SCS. All states except Andhra Pradesh, Kerala, Arunachal Pradesh, Mizoram and West Bengal have 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.

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 adds to productive capacity of the economy.

Financing the Fiscal Deficit across states

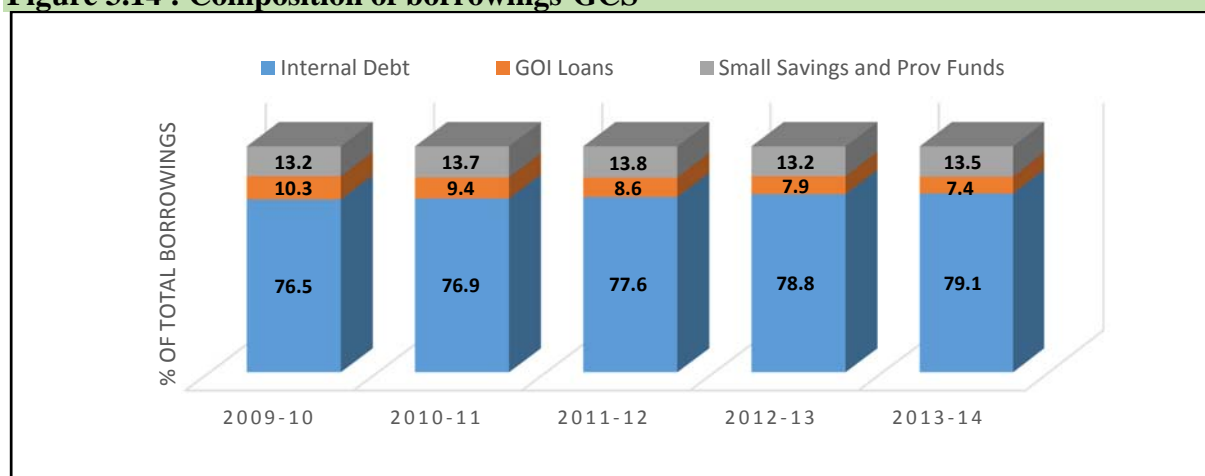
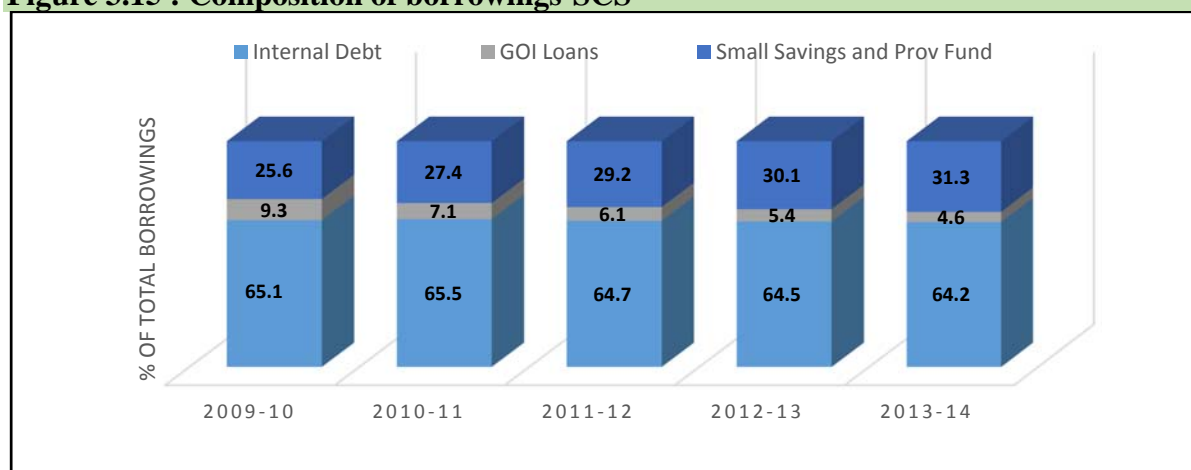
3.21 States finance their FD by market borrowings, NSSF, loans from Central Government provident fund, etc. The sources of borrowing have also undergone a change during 2009-10 and 2013-14. State governments have been veering towards internal debt from the other two sources, viz., central loans and advances, and small savings and provident funds, etc. Different sources of borrowing are summarized in Table 3.7:

Table 3.7 A: Composition of Sources of Borrowing: GCS

Year	Internal debt		GOI Loans and advances		Small savings provident fund, etc.	
	Amount (Rs in crores)	per cent of total borrowings	Amount (Rs in crores)	per cent of total borrowings	Amount (Rs 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

Table 3.7 B: Composition of Sources of Borrowing: SCS

Year	Internal debt		GOI Loans and advances		Small savings provident fund, etc.	
	Amount (Rs in crores)	per cent of total borrowings	Amount (Rs in crores)	per cent of total borrowings	Amount (Rs 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

Figure 3.14 : Composition of borrowings-GCS**Figure 3.15 : 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 upto 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. It is desirable to reduce fiscal deficit by reducing revenue deficit or by increasing revenue surplus, rather than by cutting down on capital expenditure. **In Andhra Pradesh, Haryana, Kerala, Himachal Pradesh, West Bengal, Maharashtra and Mizoram reduction in fiscal deficit has been brought about through reduction in capital 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 2013-14 is analysed in section below.

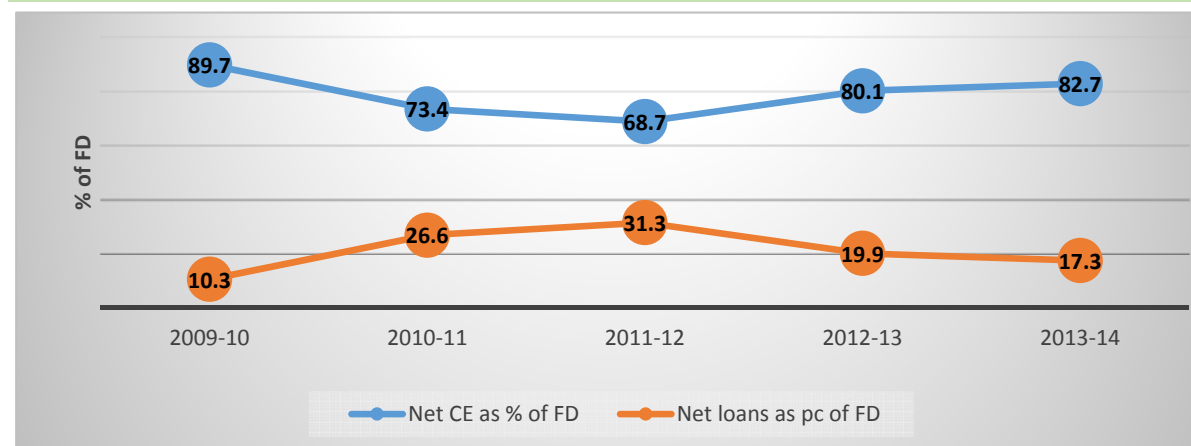
Andhra Pradesh

3.24 Andhra Pradesh achieved revenue surplus in 2009-10 and maintained it thereafter although ratio of revenue surplus to GSDP has declined from 0.87 per cent in 2011-12 to 0.07 per cent in 2013-14. Fiscal deficit, on the other hand, has come down from 5.1 per cent of GSDP in 2009-10 to 3.9 per cent in 2013-14. This reduction in FD was achieved through reduction in capital expenditure. In 2009-10 net capital expenditure contributed nearly 90 per cent to FD. This declined to 73 per cent in 2010-11 and further to 68.7 per cent in 2011-12 before reaching 83 per cent in 2013-14. Contribution of net loans given by the state govt to Fiscal Deficit has steadily increased from 10 per cent in 2009-10 to 31 per cent in 2011-12 and then declined to 17 per cent in 2013-14. Capital expenditure incurred and loans and advances met out of borrowed funds are given in Table 3.8:

Table 3.8: Composition of Expenditure Financed by Borrowing

	Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	12563.07	89.7	1446.91	10.3
2010-11	8661.87	73.4	3145.32	26.6
2011-12	10583.64	68.7	4818.29	31.3
2012-13	14020.93	80.1	3487.09	19.9
2013-14	14927.21	82.7	3114.26	17.3

Figure 3.3: Composition of FD-Andhra Pradesh



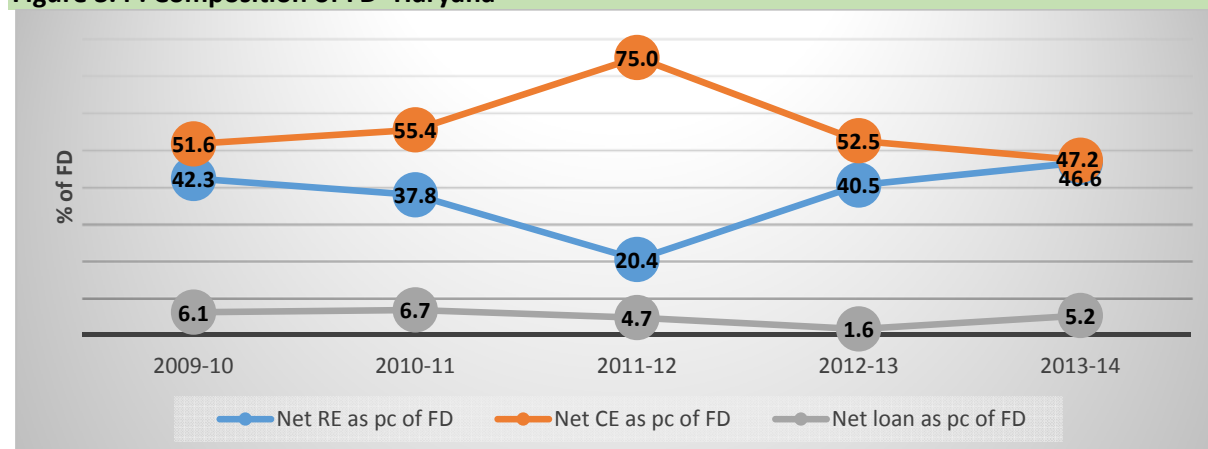
Haryana

3.25 In Haryana there has been revenue deficit in each year since 2009-10 to 2013-14. RD came down by 0.9 percentage points between 2009-10 and 2013-14. Fiscal deficit came down from 4.5 per cent of GSDP in 2009-10 to 3.0 per cent in 2012-13 and further to 2.1 per cent of GSDP in 2013-14. Contribution of net revenue expenditure to FD has risen from 42.3 per cent in 2009-10 to 46.6 per cent in 2013-14 and that of net capital expenditure has come down from 55.4 per cent in 2010-11 to 47.2 per cent in 2013-14. Thus reduction of FD has been achieved at the cost of capital expenditure.

Table 3.9: 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	4264.72	42.3	5209.09	51.6	616.85	6.1
2010-11	2746.52	37.8	4023.1	55.4	488.82	6.7
2011-12	1457.3	20.4	5363.1	74.9	332.94	4.7
2012-13	4438.19	40.5	5751.03	52.5	172.61	1.6
2013-14	3875.02	46.6	3924.71	47.2	400	5.2

Figure 3.4 : Composition of FD- Haryana

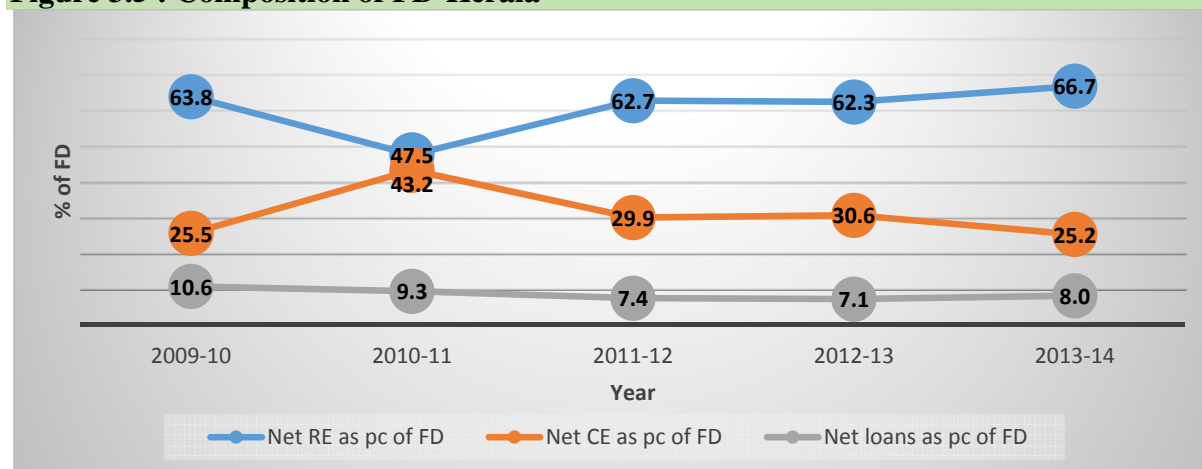


Kerala

3.26 Kerala had revenue deficit in each year during 2009-10 to 2013-14. Share of net revenue expenditure in FD has increased from 63.8 per cent in 2009-10 to 66.7 per cent in 2013-14, 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 25.2 per cent in 2013-14. There has been marginal decrease of 2.6 percentage points in share of net loans and advances from 2009-10 to 2013-14.

Table 3.10: 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	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

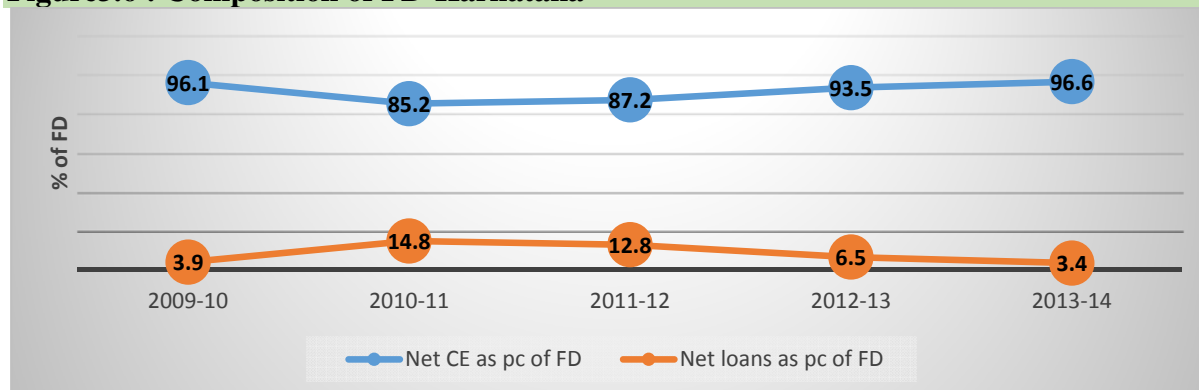
Figure 3.5 : Composition of FD-Kerala

Karnataka

3.27 Karnataka has been a revenue surplus state during 2009-10 to 2013-14. Revenue surplus has risen from 0.5per cent of GSDP in 2009-10 to 1.0per cent in 2011-12 before reducing to 0.1per cent in 2013-14. FD has fallen from 3.2 per cent of GSDP to 2.9 per cent of GSDP in 2013-14. Nearly 97 per cent of FD in Karnataka has been on account of net capital expenditure during 2009-10 and 2013-14.

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	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

Figure 3.6 : Composition of FD-Karnataka

Orissa

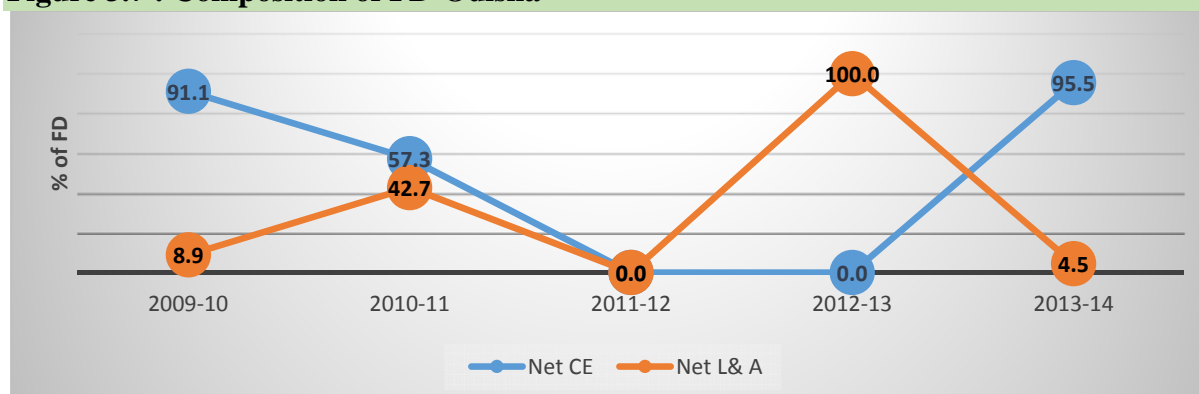
3.28 In Orissa there has been revenue surplus in each year during 2009-10 to 2013-14. Fiscal deficit which was 1.4 per cent of GSDP in 2009-10 declined to 0.01 per cent of GSDP in 2012-13, then rose to 1.7 per cent in 2013-14.

3.29 Revenue surplus increased by almost 45.8 per cent from Rs 3908.21 crore to 5699.35 crore between 2010-11 and 2012-13. Hence in 2011-12 and 2012-13 entire capital expenditure was met from revenue surplus. During this period fiscal deficit was almost nil. In 2013-14 capital expenditure increased by nearly 38 per cent over the previous year. Around Rs 4427.27 crores (57 per cent) was financed by borrowing.

Table 3.12: 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	0.00*	0.0	0	0.0
2012-13	0.00*	0.0	3.62	100.0
2013-14	4427.27	95.5	206.37	4.5

*Revenue Surplus years

Figure 3.7 : Composition of FD-Odisha

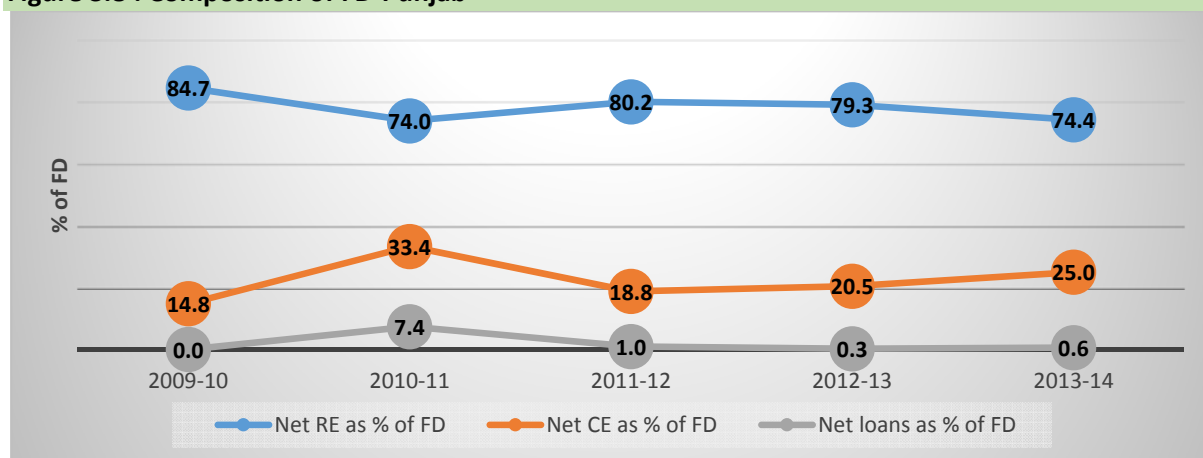
Punjab

3.30 Punjab had revenue deficit in each year during 2009-10 to 2013-14. FD reduced from 3.1 per cent in 2009-10 to 2.8 per cent in 2013-14. In 2009-10 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. However in 2013-14 share of net revenue expenditure in FD reduced to 74.4 per cent while that of net capital expenditure increased to 25 per cent.

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	5251.36	84.7	918.78	14.8	0	0
2010-11	5288.71	64.5	2383.65	29.1	529.05	6.5
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

Figure 3.8 : Composition of FD-Punjab



Himachal Pradesh

3.31 Himachal Pradesh had revenue deficit ranging from 1.7 per cent to 2.0 per cent of GSDP during 2009-10 to 2013-14 in all years except 2011-12 when the state had revenue surplus of 1.0 per cent. The FD has fallen from 5.7 per cent of GSDP in 2009-10 to 2.0 per cent of GSDP in 2013-14. This reduction in FD has been achieved at the cost of capital expenditure. Share of net revenue expenditure in FD rose from 28.9 per cent in 2009-10 to 40.9 per cent in 2013-14. Share of net capital expenditure declined from 69.8 per cent in

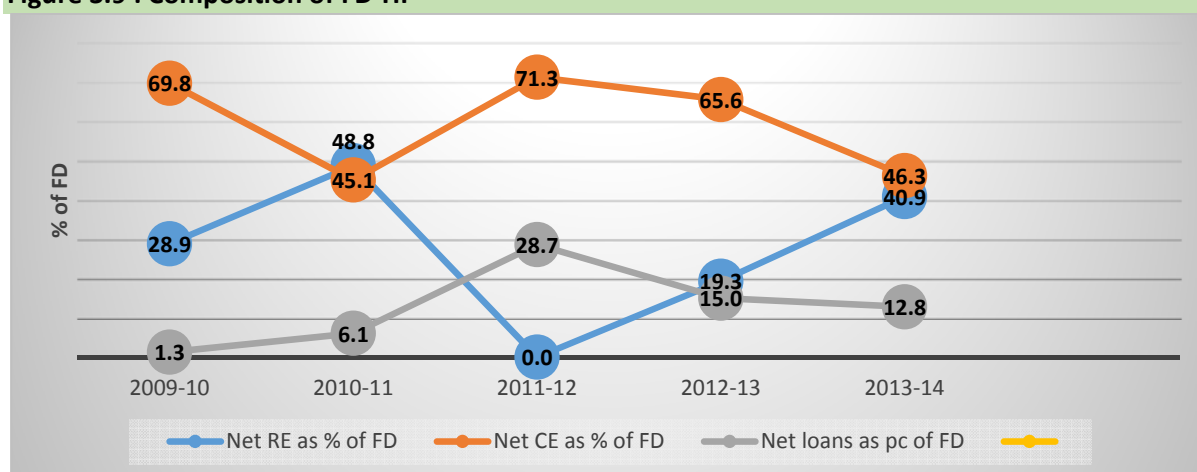
2009-10 to 46.3 per cent in 2013-14. Share of net loans and advances rose from 1 per cent in 2009-10 to nearly 13 per cent in 2013-14.

Table 3.14: 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	804.65	28.9	1943.44	69.8	35.82	1.3
2010-11	1235.44	48.8	1143.14	45.1	153.97	6.0
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

** indicates a Revenue Surplus year

Figure 3.9 : 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 (from Rs 15323.89 crore to Rs 27057.77 crore) as compared to 54.2 per cent increase in revenue receipts (from Rs 17587.82 crore to Rs 27127.98 crore) during this period.

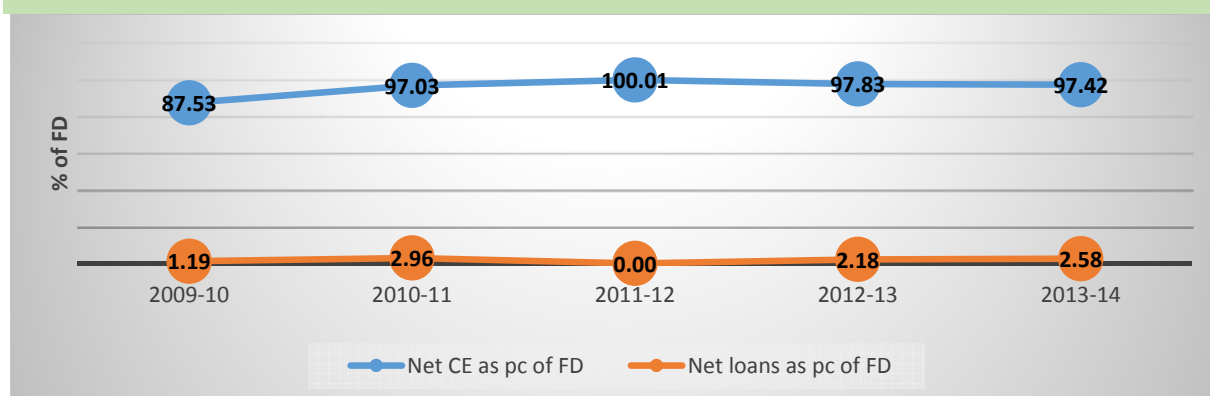
3.33 FD has declined from 8.2 per cent of GSDP in 2009-10 to 5.4 per cent in 2011-12 and further to 5.2 per cent in 2013-14. This reduction in FD has been achieved by cutting down on capital expenditure which has steadily declined from Rs 6233.77 crores in 2009-10 to Rs 5898.83 crores in 2011-2 and further to Rs 4506.85 crores in 2013-14, which is a decline by nearly 28 per cent over five years.

3.34 In 2009-10, 87.5 per cent of capital expenditure was financed by borrowed funds. From 2010-11 to 2013-14 almost entire capital expenditure was financed by borrowing.

Table 3.15: Composition of Expenditure Financed by Borrowing

	Net Capital Expenditure		Net Loans and Advances	
	Amount(Rs in crores)	percent	Amount(Rs in crores)	percent
2009-10	3491.75	98.7	47.5	1.3
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

Figure 3.10 : Composition of FD-J & K



Mizoram

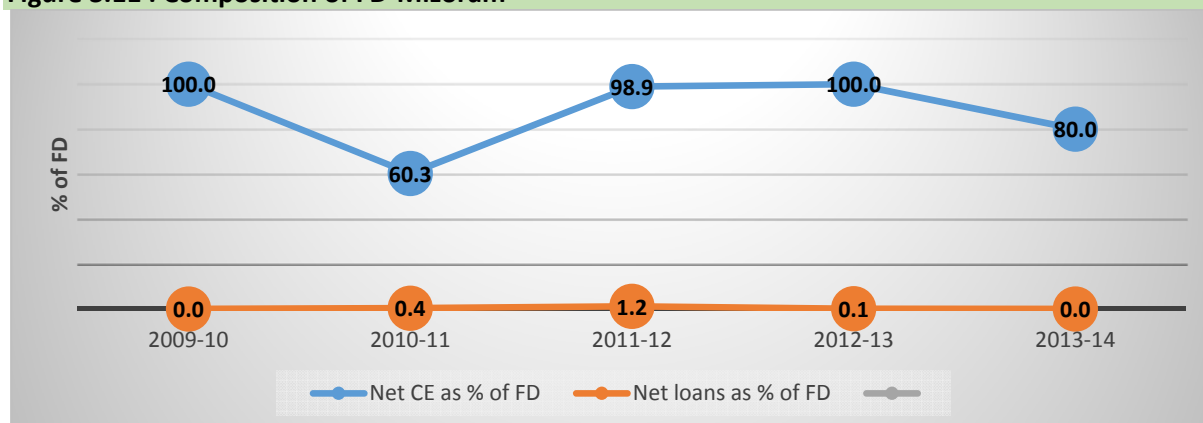
3.35 In Mizoram, there was revenue surplus of 4.96 per cent in 2009-10. In the following year revenue receipts dropped by 3.7 per cent due to non-receipt of net proceeds of central taxes amounting to Rs 130.12 crores. The amount was received in the next year. This coupled with increase in revenue expenditure by nearly 20.5 per cent resulted in fiscal 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 7.3 per cent in 2013-14.

3.36 In 2010-11 and 2013-14 the state had revenue deficit. During these years share of net revenue expenditure in FD was 40 per cent and 20 per cent respectively. During these years net capital expenditure accounted for 60 per cent and 80 per cent respectively of fiscal deficit. Net capital expenditure financed by borrowing decreased by nearly 20 percentage points in 2013-14.

Table 3.16: 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	0.003
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

** indicates a Revenue Surplus year

Figure 3.11 : Composition of FD-Mizoram

Maharashtra

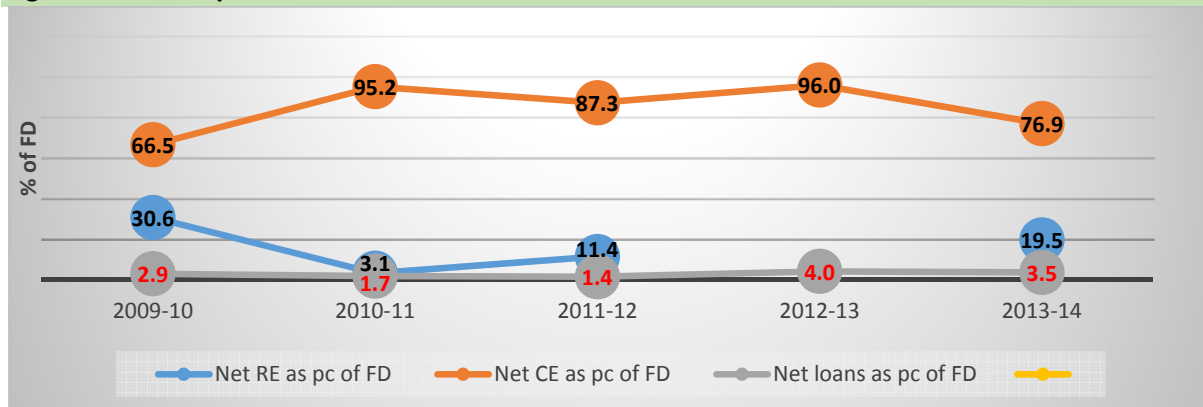
3.37 Maharashtra had revenue deficit ranging from 0.94 per cent in 2009-10 to 0.34 per cent in 2013-14. There was revenue surplus of 0.32 per cent in 2012-13. FD declined from 3.1 per cent of GSDP in 2009-10 to 1.8 per cent in 2013-14.

3.38 Reduction in FD has been achieved through reduction in net revenue expenditure as well as net capital expenditure. In 2009-10, 30.6 per cent of FD was on account of net revenue expenditure. This declined to 19.5 per cent in 2013-14. Share of net capital expenditure in FD has declined from 69.4 per cent in 2012-13 to 80.5 per cent in 2013-14.

Table 3.17: 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

** indicates a Revenue Surplus year

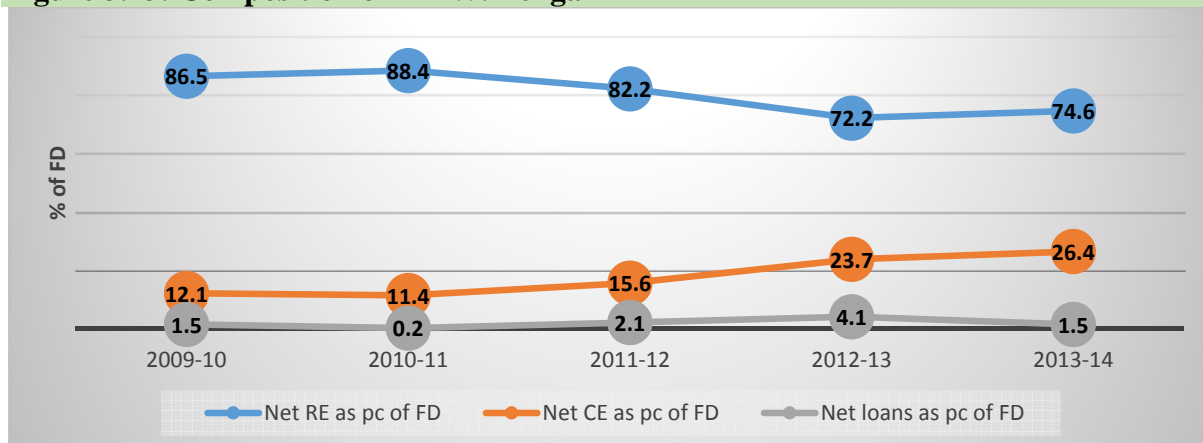
Figure 3.12 : Composition of FD-Maharashtra

West Bengal

3.39 In West Bengal revenue deficit declined from 5.41 per cent in 2009-10 to 2.28 per cent in 2012-13. This increased to 2.68 per cent in 2013-14. 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. 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 75 per cent in 2013-14. In contrast share of net capital expenditure which was only 12 per cent of FD in 2009-10 increased to around 26 per cent in 2013-14.

Table 3.18: 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

Figure 3.13: 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.

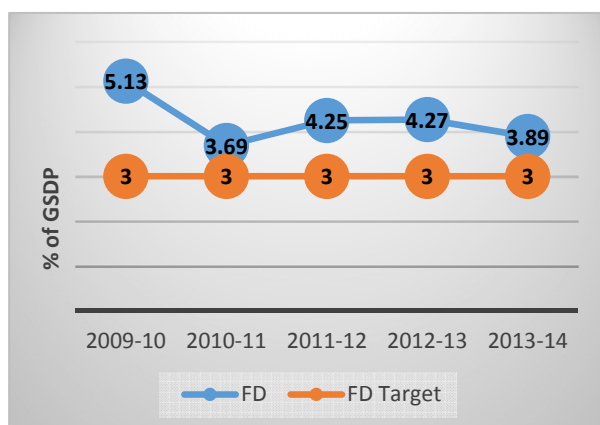
3.41 The Government notified FRBM rules in July 2004 to specify the annual reduction targets for fiscal indicators. The FRBM rule specifies reduction of fiscal deficit to 3% of the GDP by 2008-09 with annual reduction target of 0.3% of GDP per year by the Central government. Similarly, revenue deficit has to be reduced by 0.5% of the GDP per year with complete elimination to be achieved by 2008-09.

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.

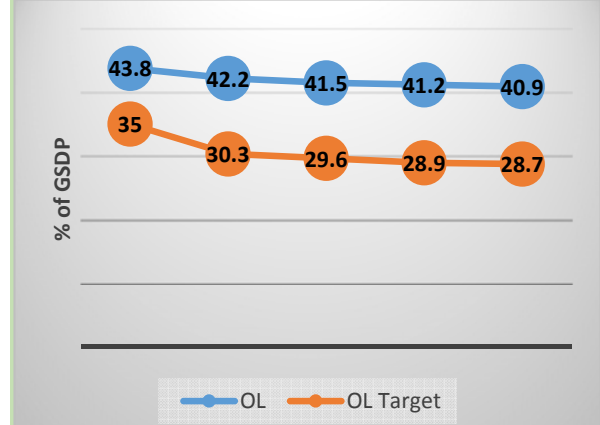
Fiscal performance of some states vis-à-vis FRBM targets are analysed in the following section.

Figure 3.14: Andhra Pradesh

**(A): FRBM Targets and Achievements-
FD/GSDP**



**(B): FRBM Targets and achievements-
OL/GSDP**

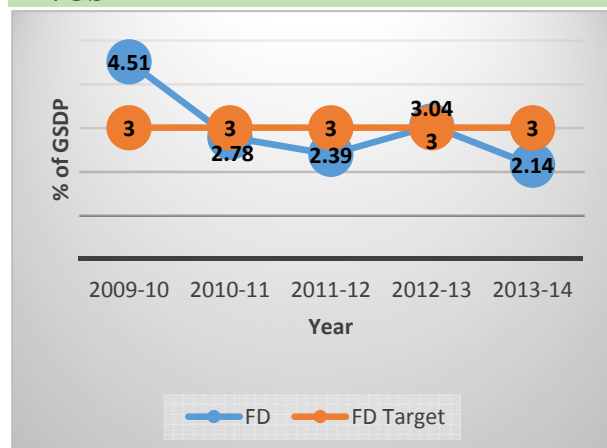


3.43 Andhra Pradesh has achieved revenue surplus in 2009-10 and maintained it thereafter till 2013-14. Although ratio of Fiscal Deficit to GSDP has declined in Andhra Pradesh from 2009-10 to 2013-14 it is still above 3 per cent of GSDP. The ratio of OL to GSDP has

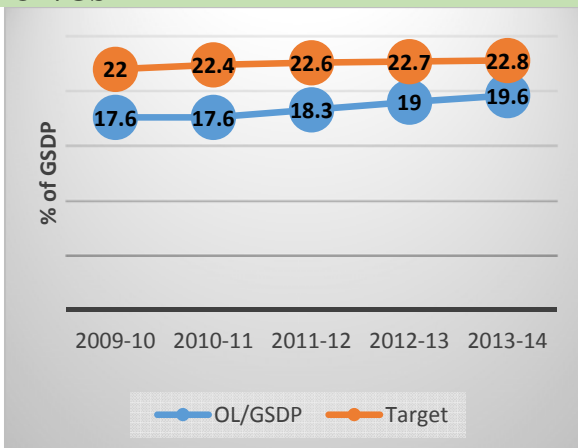
consistently been above the target during the last five years. Against the target of 28.7 per cent, the ratio of OL to GSDP was 40.9 per cent in 2013-14.

Figure 3.15: Haryana

**(A): FRBM Targets and Achievements-
FD/GSDP**



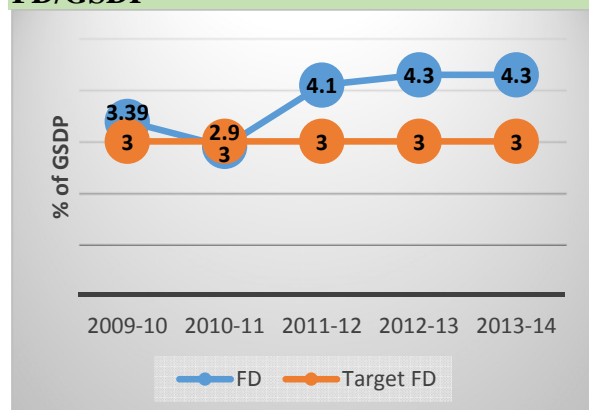
**(B): FRBM Targets and achievements-
OL/GSDP**



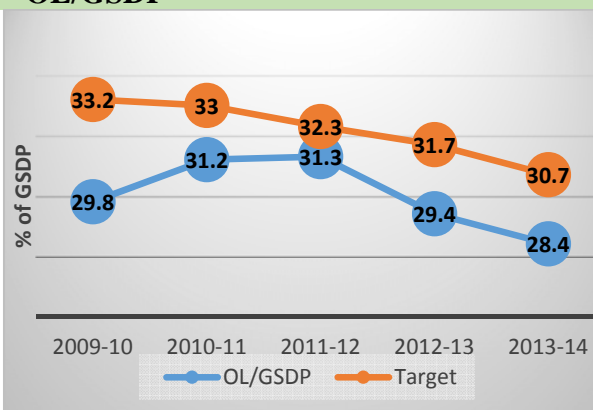
3.44 Haryana could not eliminate revenue deficit by 2013-14. It had revenue deficit in each year during the five year period. Fiscal deficit has consistently declined from 2009-10 and has remained below 3 per cent since 2010-11. Ratio of outstanding liabilities has consistently remained below the target which indicates prudent debt management.

Figure 3.16: Kerala

**(A): FRBM Targets and Achievements-
FD/GSDP**



**(B): FRBM Targets and achievements-
OL/GSDP**

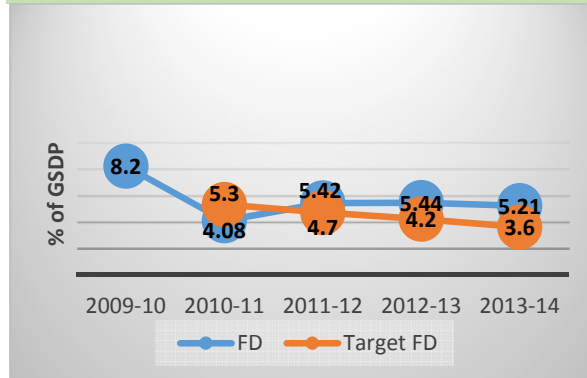


3.45 Kerala was a revenue deficit state and the ratio of revenue deficit to GSDP increased from 2.17 percent to 2.85 percent during this period. Fiscal Deficit has shown a rising trend since 2009-10 and has always remained above 3 per cent except in 2010-11 when it fell marginally below 3 per cent. As per FRBM target ratio of OL to GSDP was to reach 29.8 per

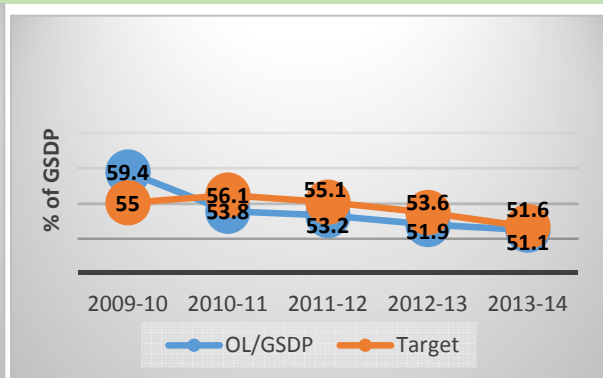
cent by 2014-15. This ratio has remained below the upper limit fixed and the state had already achieved the target by 2012-13.

Figure 3.17: Jammu and Kashmir

**(A): FRBM Targets and Achievements-
FD/GSDP**



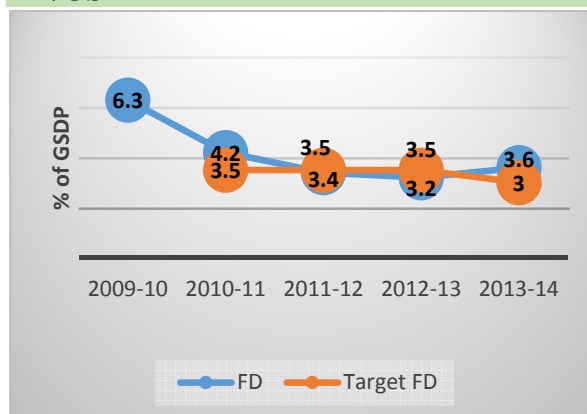
**(B) :FRBM Targets and achievements-
OL/GSDP**



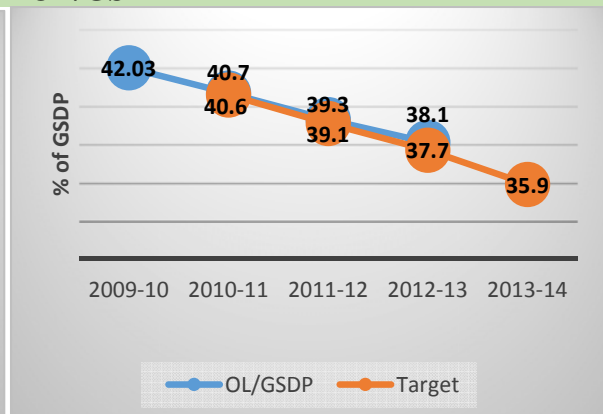
3.46 In J&K revenue deficit was eliminated and the state had revenue surplus during 2009-10 to 2013-14 although the revenue surplus as ratio of GSDP declined during this period. Fiscal Deficit as ratio of GSDP has always remained higher than the target except in 2010-11 when it fell below the target fixed for that year. Ratio of outstanding liabilities to GSDP has always remained within the upper limits fixed for each year.

Figure 3.18: West Bengal

**(A): FRBM Targets and Achievements-
FD/GSDP**



**(B) :FRBM Targets and achievements-
OL/GSDP**

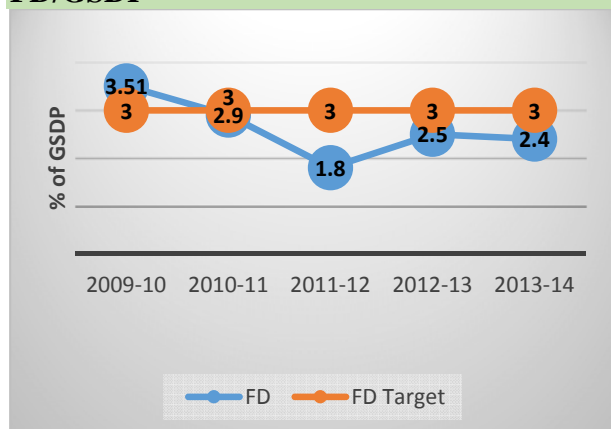


3.47 West Bengal could not eliminate revenue deficit by 2008-09. It had revenue deficit during 2009-10 to 2013-14 although there was decline in the ratio of revenue deficit to GSDP during this period. Ratio of Fiscal Deficit to GSDP has declined from a high value of 6.3 per cent to 3.2 per cent in 2012-13 and then risen to 3.6 per cent in 2013-14 which is above the

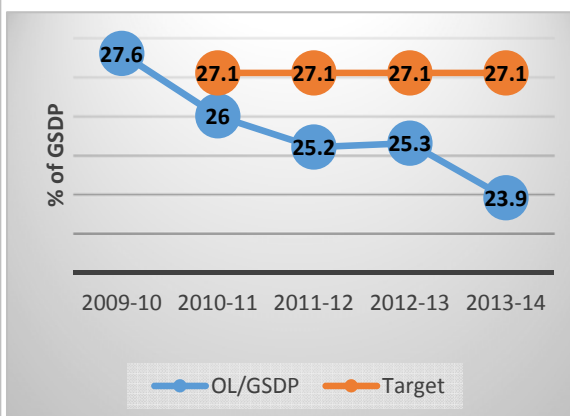
target of 3 per cent fixed for that year. Ratio of outstanding liabilities to GSDP has remained within upper limits fixed each year.

Figure 3.19: Gujarat

**(A): FRBM Targets and Achievements-
FD/GSDP**



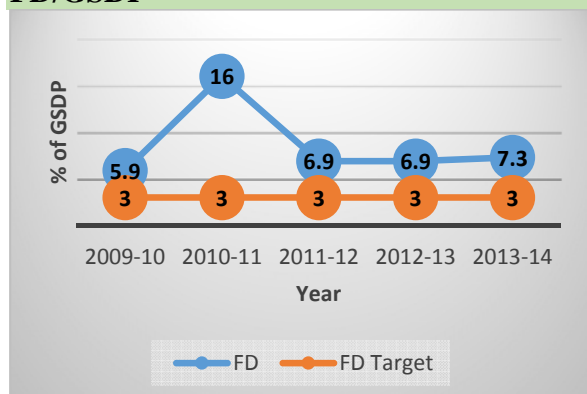
**(B): FRBM Targets and achievements-
OL/GSDP**



3.48 Gujarat eliminated revenue deficit in 2011-12 and maintained revenue surplus till 2013-14. Ratio of FD to GSDP fell below 3 per cent of GSDP in 2010-11 and has remained below 3 per cent of GSDP, although the ratio has risen by 0.6 percent points from 2011-12. Ratio of outstanding liabilities to GSDP has remained below the upper limits fixed by the FRBM Act of the state.

Figure 3.20: Mizoram

**(A): FRBM Targets and Achievements-
FD/GSDP**



**(B): FRBM Targets and achievements-
Outstanding Liabilities**



3.48 Mizoram had revenue surplus in three out of five years. It had revenue deficit in 2010-11 and 2013-14. Fiscal Deficit has been consistently higher than the targets fixed at 3 per cent of GSDP. Ratio of total outstanding liabilities to GSDP has been below the upper limits fixed as per State FRBM Act.

Management of Public Debt

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 and its Composition- Union and States (2013-14)

(Rs in crores)

	Union	States	Combined
Internal Debt	4240766.92	1571993.31	5812760.23
Loans from Govt of India (in case of State Govt)	0	146510.24	146510.24
External Debt (in case of Union Govt)	184580.75	0	184580.75
Total	4425347.66	1718503.55	6143851.22

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 44,25,347.66 crore in 2013-14 (external debt calculated at historical exchange rates), which is an increase of 79.7 percent. Internal debt constitutes around 95 percent 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, although the Union budget gives external debt at historical exchange rates.

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
Public Debt (1) + (2)	2462422.04	2824753.91	3400709.83	3941854.82	4425347.66
1. Internal Debt (a + b)	2328338.89	2667114.82	3230622.22	3764566.01	4240766.92
a. Marketable Securities (i)+(ii)	1957978.66	2283719.89	2860805.26	3360931.50	3853593.62
(i) Dated Securities	1823436.67	2148851.14	2593770.49	3061126.50	3514459.32
(ii) Treasury Bills	134541.99	134868.75	267034.77	299805.00	339134.30
b. Non-Marketable Securities	370360.23	383394.93	369816.96	403634.51	387173.30
(a) 14 days Treasury Bills	95667.77	103100.18	97800.22	118380.19	86815.77
(b) Securities against small savings	207252.07	218485.29	208182.80	216808.32	229164.00
(c) Compensation and other Bonds	38419.04	30692.89	18705.06	13822.93	13614.16
(d) Securities Issued to International Financial Institutions	24482.60	29314.81	29625.59	32226.11	35181.06
(e) Others	163108.16	1801.76	161634.16	186826.19	158009.3
2. External Debt*	134083.15	157639.10	170087.61	177288.81	184580.75

* at historical exchange rates

4.5 Total public debt of the Union Government was Rs 44,25,347.66 crore at historical exchange rates at the end of 2013-14. Total public debt grew at a TGR of 16.2 percent during this period. Internal debt has risen fastest at a TGR of 16.7 percent whereas external debt (at historical rate) has risen at a comparatively lower TGR of 7.9 percent.

Table 4.3: Public Debt of the Union Government: Trends

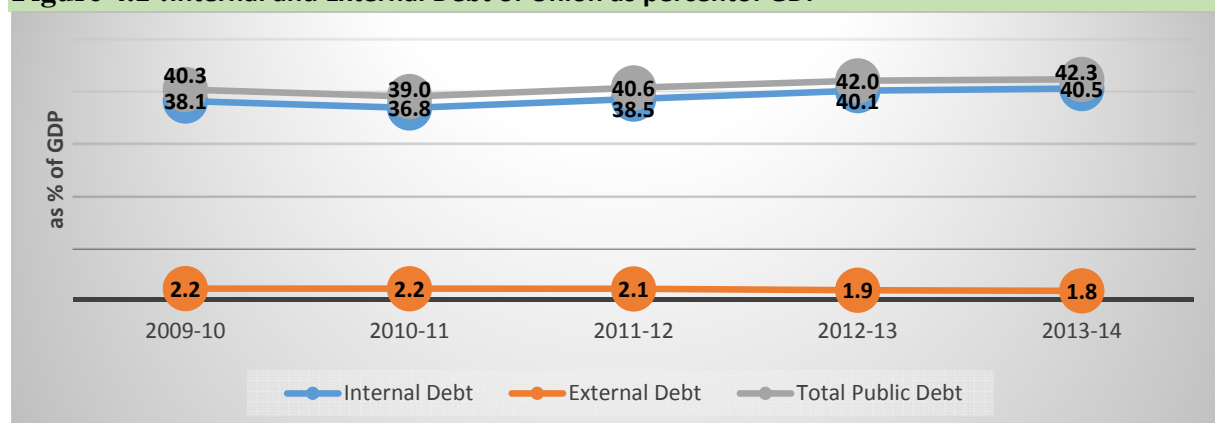
(Rs in crore)

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
TGR	16.7	7.9	10.4	16.2	16.1

Source: Union Finance Accounts

4.6 Total public debt as percent of GDP (calculated at current prices with 2004-05 as base) has risen from 40.3 percent in 2009-10 to 42.3 percent in 2013-14. While internal debt as percent of GDP increased from 38.1 percent in 2009-10 to 40.5 percent in 2013-14, ratio of external debt to GDP declined from 2.2 percent in 2009-10 to 1.8 percent in 2013-14.

Figure 4.1 : Internal and External Debt of Union as percent 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 4.4 presents the growth of internal debt of the Union government during 2009-10 to 2013-14.

Table 4.4: Growth of Internal Debt

(₹ 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	38.5
2012-13	3230622.21	3944729.15	3410785.35	533943.8	3764566.01	16.5	40.1
2013-14	3764383.95 ²	3969549.99	3493167.02	476382.97	4240766.92	12.6	40.5

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

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

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 five years.

Table 4.5: Composition of Internal Debt

(As percent 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

Source: Union Finance Accounts

4.10 Dated securities which comprise market loans and securities issued in conversion of special securities account for around 80 percent of total internal debt. Market loans account for nearly 90 percent 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 2013-14 were Rs 5,95,146.94 crore and Rs 4,57,551.84 crore respectively. An amount of Rs 1,37,595.10 crore Govt securities matured during 2013-14. During 2013-14, while gross market borrowings were higher than previous year's gross market borrowings (Rs 5,58,000 crore) by 6.66 per cent, net market borrowings were lower than the previous year (4,67,384.96 crore) by 2.1 percent reflecting higher repayments during 2013-14.

Table 4.6: Issuance of Market Loans

(Rs crore)

	2011-12	2012-13	2013-14
Gross Amount	510000.00	558000.00	595146.94
Repayments	73583.15	90615.04	137595.10
Net Issuance	436416.85	467384.96	457551.84

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 2012-13 was Rs 8,02,830.39 crore which was an increase of 27.3 percent over gross issuance of Rs 630786.16 crore in 2011-12. However net issuance in 2012-13 declined by 75.2 percent as compared to 2011-12 reflecting higher repayments in 2012-13.

4.13 Gross issuance in 2013-14 amounted to Rs 854564.11 crore, while total repayments amounted to Rs 8,15,192.97 crore resulting in net issuance of Rs 39,371.14 crore. This was an increase of 20.14 percent in net issuance in 2013-14 as compared to net issuance of Rs 32,770.24 crore in 2012-13.

Table 4.7: Issuance of Treasury Bills

(Rs crore)

	2011-12	2012-13	2013-14
Gross Amount	630786.16	802830.39	854564.11
Repayments	498619.59	770060.15	815192.96
Net Issuance	132166.57	32770.24	39371.14

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 three years as well as the maturity dynamics of outstanding securities.

Table 4.8: Maturity Profile of Market Loans

(Rs crore)

	2011-12	Per cent	2012-13	Per cent	2013-14	Per cent
Less than 1 yr	164202.12	6.5	70735.23	2.4	105025.90	3.1
1-5 yrs	864286.82	34.3	1022786.27	34.3	1029896.68	29.9
6-10 yrs	862544.29	34.3	763170.29	25.6	1070892.93	31.1
11-20 yrs	396192.17	15.7	657711.76	22.0	745711.8	21.7
Above 20 yrs	356993.64	9.1	469905.00	15.7	490113.69	14.2
Total	2516952.55	100	2984308.55	100	3441641.00	100

Source: Union Finance Accounts

4.15 The proportion of govt securities maturing in less than 1 year decreased from 6.5 percent in 2011-12 to 2.4 percent in 2012-13 and increased thereafter to 3.1 percent in 2013-14. Debt maturing within 1-5 years decreased from 34.3 percent in 2011-12 and 2012-13 to 29.9 percent in 2013-14. Thus the proportion of debt maturing in less than 5 years decreased from 40.8 percent of total debt in 2011-12 to 33 percent in 2013-14. The proportion

of outstanding debt maturing in 6 to 10 years was also lower at 31percentin 2013-14 than 34.3percentin 2011-12 although this proportion was higher than in 2012-13 (25.6per cent). The proportion of debt maturing in more than 10 years has increased from 24.8percentin2011-12 to 37.7percentin 2012-13 and 35.9 percent in 2013-14.

4.16 Elongation of maturity of debt instruments helps in mitigating rollover risk and is an indicator of prudent debt management. This strategy is achieved by increasing issuance in 10-11 years tenure which sees robust demand from banks and financial institutions.

4.17 Overall 33percentof outstanding stock has a residual maturity of up to 5 years in 2013-14, which implies that over the next five years, on an average, around 7 percent of outstanding stock needs to be rolled over every year. Thus the rollover risk is low.

4.18 The weighted average maturity of market loans increased from 9.12 years in 2011-12 to 9.57 years in 2012-13 and further to 10.13 years in 2013-14. Over the same period the weighted average coupon of govt securities increased marginally from 7.92 percent to 7.99 percent in 2013-14.

Table 4.9: 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

Source: Union Finance Accounts

External Debt of the Union Government

4.19 Table 4.10 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 2013-14 was by a margin of 1.8 percent of GDP.

Table 4.10 : Growth of External Debt*(Rs in crores)*

Year	Opening Balance	Addition	Repayment of Principal	Net addition	Closing Balance at Historical Rates	As % to GDP 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

Source: Union Finance Accounts

Public Debt of States: Trends and Composition

4.20 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 2013-14 shows preponderance of Internal Debt over the other components. In GCS Internal Debt comprised 91.4 percent of total public debt, while loans from Govt of India accounted for only 8.6 percent of total public debt. Position was similar in case of Special Category states (SCS) where Internal Debt and loans from Central Government comprised 93.4 percent and 6.6 percent of total public debt respectively.

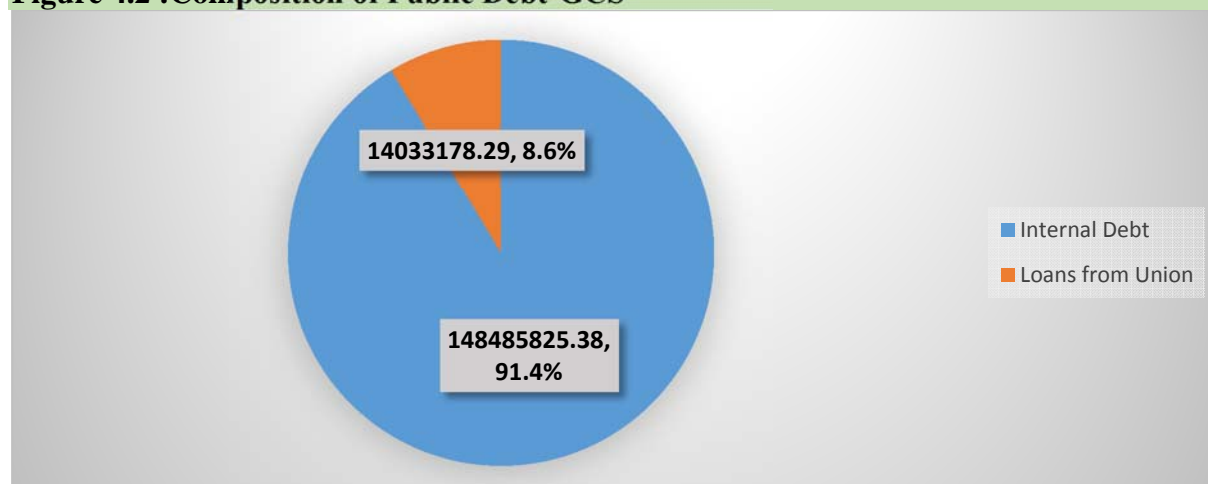
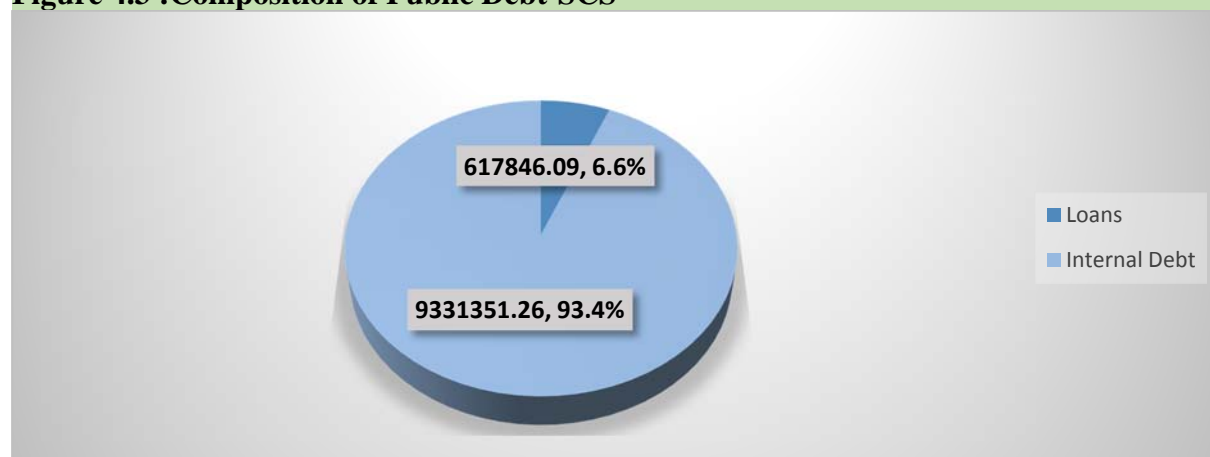
Figure 4.2 :Composition of Public Debt-GCS

Figure 4.3 :Composition of Public Debt-SCS

Growth of Public Debt

4.21 Total public debt of states from 2009-10 to 2013-14 have increased. While TGR of public debt in GCS was 9.3 percent over the last five years, growth rate of components of public debt have varied. TGR of Internal Debt was 10.40 and that of Central Loan and advances was only 0.90 for all GCS taken together. There have been inter-state variations as seen in the table below:

Table 4.11 :Inter-state variations amongst GCS

State	TGR of Internal Debt	TGR of Loans and Advances from GOI
Andhra Pradesh	13.20	4.44
Bihar	11.88	2.14
Chhattisgarh	9.24	-3.81
Gujarat	12.54	-5.70
Haryana	21.58	0.51
Himachal Pradesh	7.68	1.15
Jharkhand	8.95	-1.83
Karnataka	13.90	5.14
Kerala	15.55	1.52
Madhya Pradesh	8.54	5.33
Maharashtra	9.91	0.04
Odisha	-2.41	-3.03
Punjab	10.90	-0.01
Rajasthan	8.44	-2.57
Tamil Nadu	15.67	9.28
Uttar Pradesh	8.26	-5.78
West Bengal	10.92	1.51
GCS Average	10.42	0.90

4.22 TGR of Internal Debt in Kerala, Andhra Pradesh, Bihar, Karnataka, Tamil Nadu and West Bengal was higher than the GCS average in respect of both Internal Debt as well as Loans from Union Govt. In Odisha, Chhattisgarh, Jharkhand, Rajasthan, UP the TGR of both Internal Debt and Loans from Union Govt was lower than the GCS average. In case of Odisha the TGR in respect of Internal Debt was negative and substantially lower than the group average.

4.23 The TGR of Public Debt in SCS taken together was 6.90. TGR of Internal Debt was 8.6. TGR of loans from Union Govt was -8.1 indicating a declining trend in amount received as loans and advances from Union.

Table 4.12 : Inter-state variations amongst SCS

State	TGR of Internal Debt	TGR of Loans and Advances from GOI
Arunachal Pradesh	6.06	-7.27
Assam	1.32	-4.51
Jammu and Kashmir	12.58	-11.68
Manipur	6.40	-8.45
Meghalaya	11.83	-9.21
Mizoram	8.33	-9.92
Nagaland	10.09	-7.07
Sikkim	8.14	-19.32
Tripura	12.29	-8.21
Uttarakhand	10.70	1.81
SCS Average	8.6	-8.1

In J &K, Meghalaya, Nagaland, Tripura and Uttarakhand TGR of Internal Debt was higher than the SCS group average. In all SCS states except Uttarakhand loans from Union has decreased over the last five years.

Interest Profile of Market Borrowings

4.24 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.

4.25 In Punjab, Haryana, Kerala, Bihar and Gujarat ratio of interest payments to own resources was high and the TGR of internal debt in these states was higher than the GCS average. These states had borrowed from market at high interest rates. For example, in Punjab and Haryana 76 percent and 82 percent respectively of market borrowings carried interest rate above 8 per cent. In Kerala market borrowings at higher than 8 percent interest rate was as high as 77 per cent. In Bihar and Gujarat 76percentand80 percent of market

borrowings respectively carried interest rate above 8 per cent. In Chhattisgarh ratio of interest to state's own resources is low despite 77 percent of market borrowing being at high interest rates. This is because quantum of public debt is low in Chhattisgarh.

4.26 On the other hand in Odisha, 68 percent of market borrowings were at low interest rate of 5 to 6.99 per cent. 32 percent of market borrowings were at interest rates of 7 to 7.99 per cent. The state had no market borrowings at interest rates higher than 8 per cent. Therefore the ratio of interest to the state's own resources was low in Odisha.

Figure 4.4: Interest Profile-Market Loans Punjab

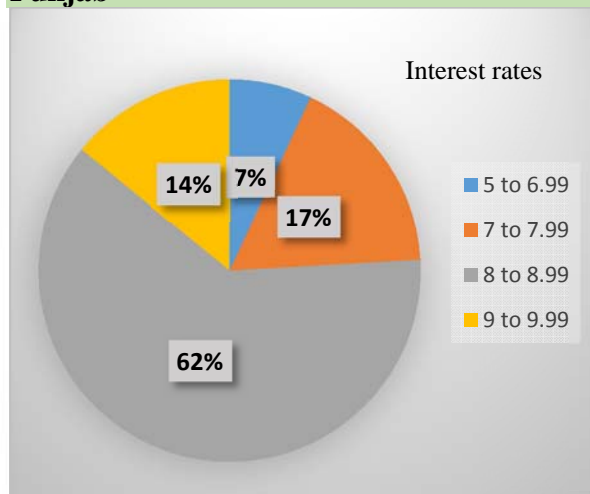


Figure 4.5: Interest Profile-Market Loans Kerala

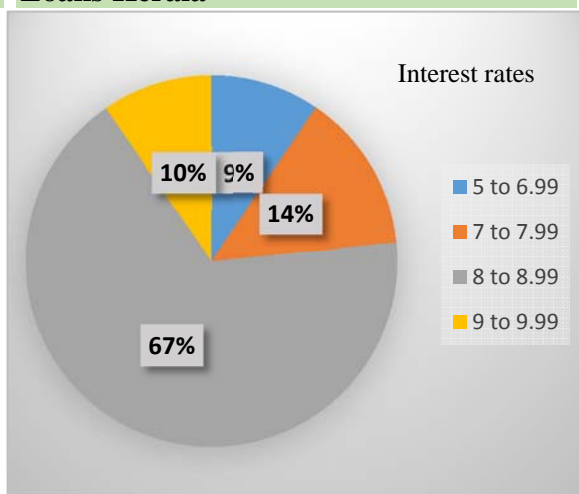


Figure 4.6: Interest Profile-Market Loans Bihar

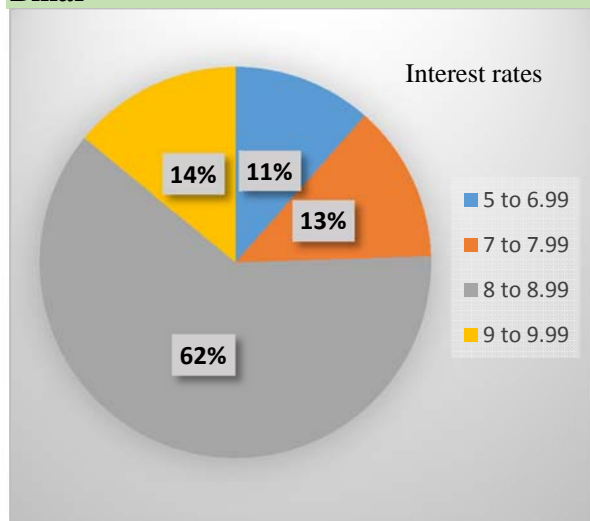
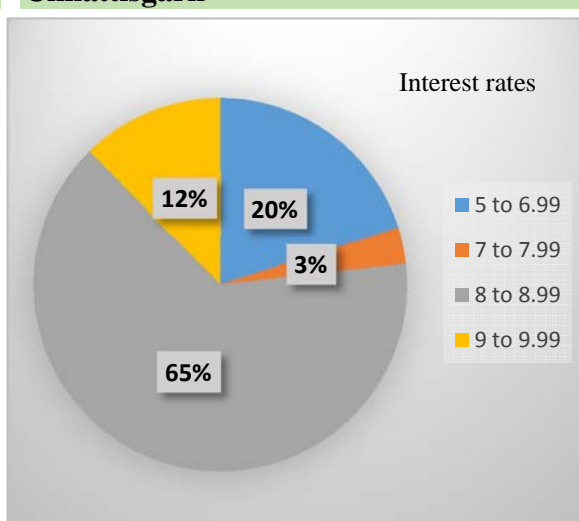
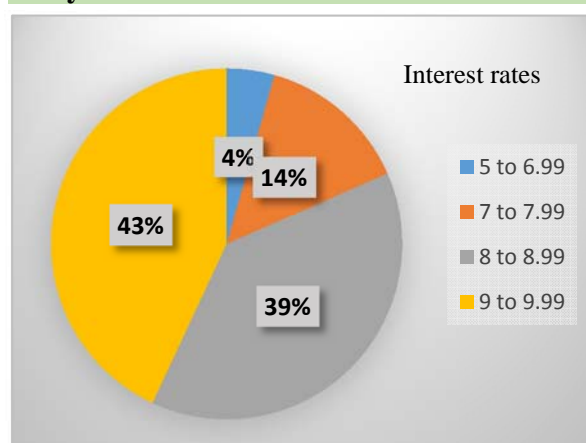


Figure 4.7: Interest Profile-Market Loans Chhattisgarh



4.8:Interest Profile-Market Loans Haryana



4.9: Interest Profile-Market Loans Gujarat

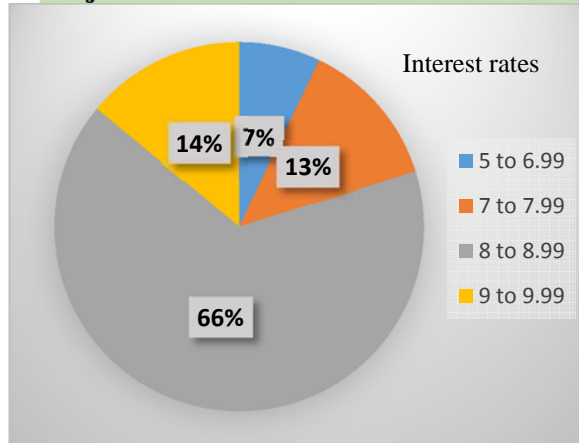
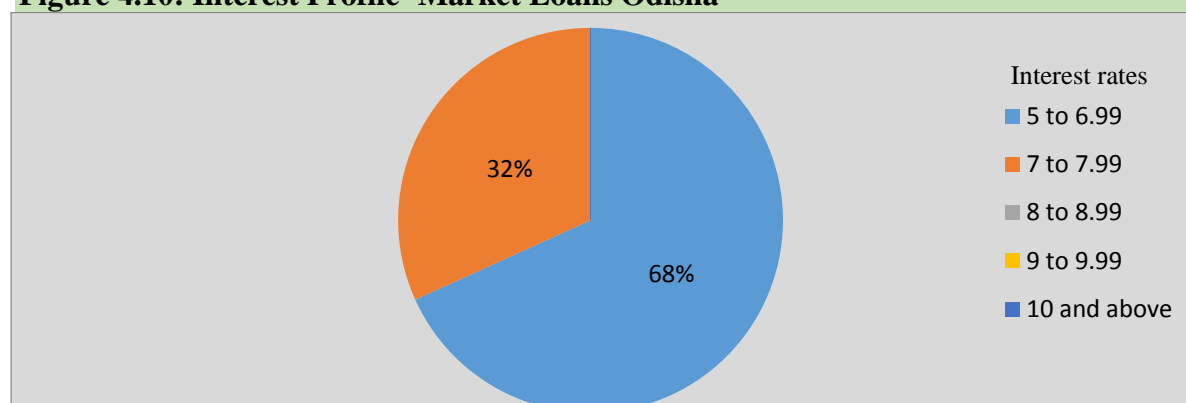


Figure 4.10: Interest Profile- Market Loans Odisha



4.27 Amongst the SCS Mizoram borrowed 75percentof loans from market at above 8 per cent. Only 11.55 percent of market borrowings carried low interest rate of 5 to 6.99 per cent. In Manipur 68percentof market loans were contracted at interest rates above 8 percent and only 7 percent of market loans were contracted at low interest rates varying from 5 to 6.99 per cent.

Figure 4.11: Interest Profile-Market Loans Mizoram

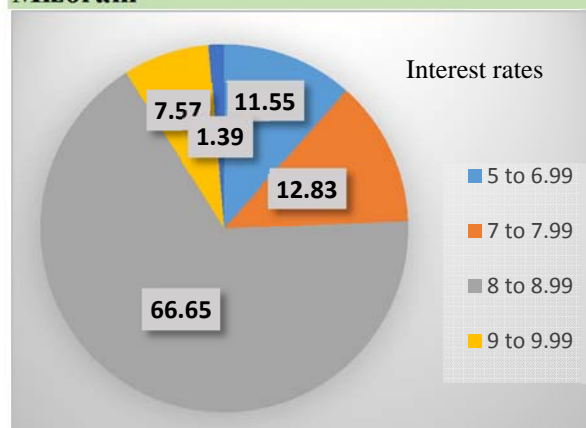
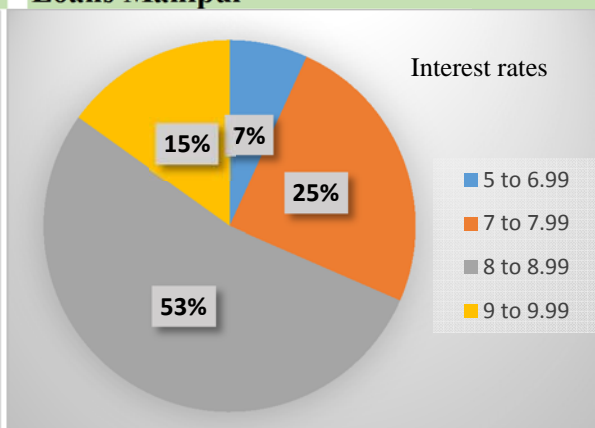


Figure 4.12: Interest Profile-Market Loans Manipur



Internal Debt of States-Analysis of Composition and Trends

4.28 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 percent to 10 per cent. On the other hand, securities issued to NSSF carry much higher interest burden varying from 10 percent to 14 per cent.

4.29 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, Andhra Pradesh) or remained stable (Himachal Pradesh, Mizoram). Exceptions are Assam and Odisha. In these two states market borrowings have shown a declining trend, while borrowings from NSSF have increased over the last five years, both in absolute terms as well as in terms of share in total internal debt. In Odisha borrowings from NSSF increased from 47 percent to 56 percent of total internal debt during 2009-10 to 2013-14. In Assam it rose from 28 percent to 41 percent during this period.

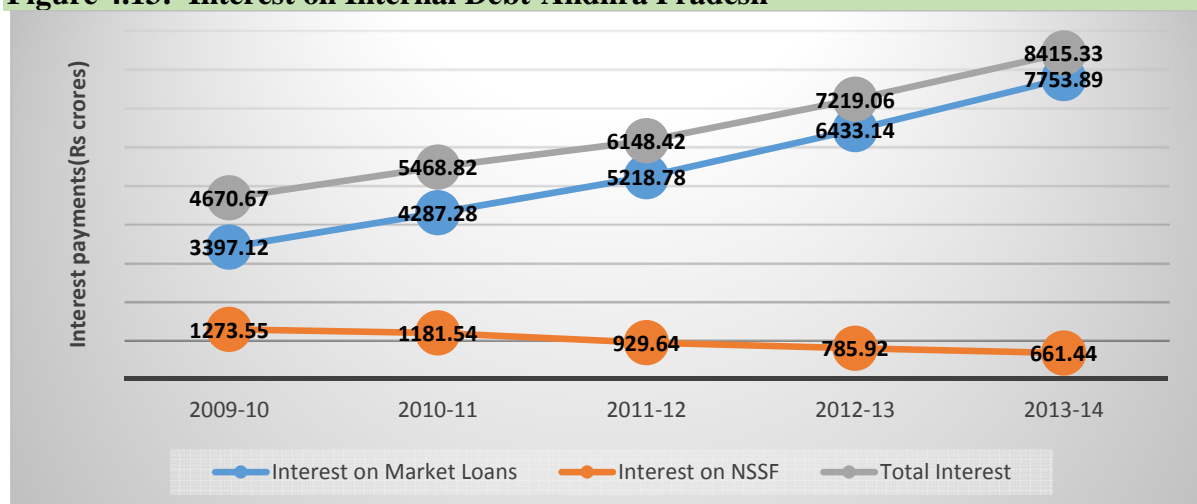
4.30 In Bihar borrowings from NSSF was as high as 47 percent of total internal debt in 2009-10. This declined to 35 percent in 2013-14. In Karnataka this ratio was around 43 percent in 2009-10 and came down to 25 percent in 2013-14. In West Bengal share of NSSF borrowings came down from 45 percent in 2009-10 to 37 percent in 2013-14. In Punjab, this ratio declined from 44 percent in 2009-10 to around 28 percent in 2013-14. In Himachal Pradesh and Mizoram it hovered at 26 percent and 10 percent respectively during 2009-10 and 2013-14. 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.

4.31 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.

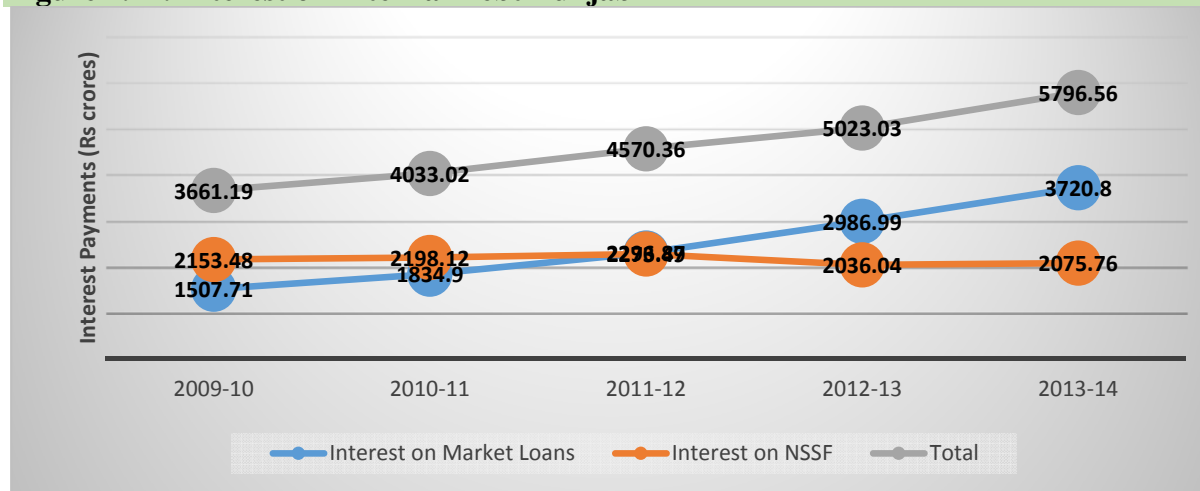
4.32 In Andhra Pradesh annual growth rate of market loans was around 21 percent from 2009-10 to 2013-14. Market loans increased from Rs 51622.94 crores in 2009-10 to Rs 1,11,373.6 crores in 2013-14. Interest liabilities on account of market loans also more than

doubled from Rs 3,397.12 crores in 2009-10 to Rs 7,753.89 crores in 2013-14. Borrowings from NSSF showed a consistent decline since 2010-11. It declined from Rs 27,444.31 crores in 2010-11 to Rs 25,350.3 crores in 2013-14, as a result of which interest obligations on account of borrowings from NSSF also declined by 44 percent from Rs 1,181.54 crores in 2010-11 to Rs 661.44 crores in 2013-14. However this decline in interest liabilities on account of decrease in borrowings from NSSF was partially offset by increased interest liability on account of market loans. Total interest liabilities increased by 80.2 percent from Rs 4,670.67 crores in 2009-10 to Rs 8,415.33 crores in 2013-14.

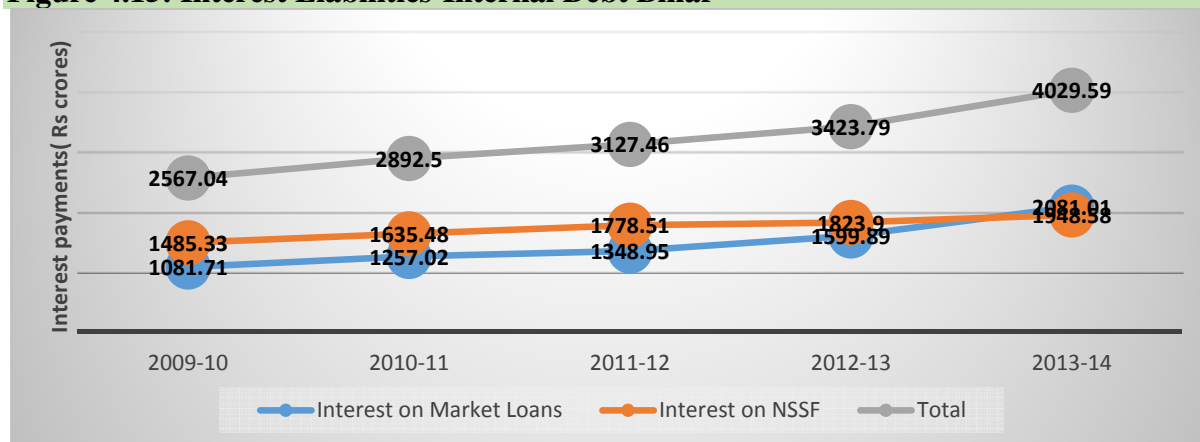
Figure 4.13: Interest on Internal Debt-Andhra Pradesh



4.33 In Punjab market loans have shown a rising trend, although the rate of growth has varied over the years. Growth rate of market loans was highest in 2011-12 when it grew at 28.9 per cent. Thereafter market loans grew at 24.8 percent and 16.9 percent in 2012-13 and 2013-14 respectively. Interest payments on market loans increased by 146.8 percent from Rs 1507.71 crores in 2009-10 to Rs 3720.8 crores in 2013-14. Borrowings from NSSF on the other hand, have declined by 4.8 percent since 2010-11 from Rs 22453.2 crores in 2009-10 to Rs 21,379.54 crores in 2013-14. Resultantly, interest on borrowings through NSSF has declined by 3.6 percent from Rs 2153.48 crores in 2009-10 to Rs 2075.76 crores in 2013-14. The net effect has been increase of total interest liabilities by 58.3 percent from Rs 3,661.19 crores in 2009-10 to Rs 5,796.56 crores in 2013-14.

Figure 4.14: Interest on Internal Debt-Punjab

4.34 In Bihar interest on market loans have risen by 92 percent from Rs1,081.71 crores in 2009-10 to Rs 2,081.01 crores in 2013-14. Interest liabilities on NSSF rose by 31.19 per cent, resulting in net increase in total interest liabilities by 57 percent between 2009-10 and 2013-14.

Figure 4.15: Interest Liabilities-Internal Debt Bihar

4.35 In Karnataka, market loans have risen by 126.7 percent from Rs 23527.18 crores in 2009-10 to Rs 53,326.91 crores in 2013-14 resulting in rise in interest liability by 121.2 percent during this period. Borrowings from NSSF remained almost constant registering a rise of only 0.67 per cent. Interest on NSSF borrowings rose by a mere 3 per cent. The net effect was increase by 55.8 percent in total interest liabilities which rose from Rs 3,410.58 crores in 2009-10 to Rs 5,314.6 crores in 2013-14.

4.36 In Odisha there was decline in market loans by 52.6 percent from Rs 6160.15 crores in 2009-10 to Rs2,921.19 crores in 2013-14. Interest liabilities on market loans also declined by

60.3 percent during this period. On the other hand interest on borrowings from NSSF increased by 19.6 percent during this period. This increase was more than offset by the decline in interest liabilities from market loans, as a result of which total interest liabilities declined by 16.4 percent from Rs 1210.45 crore in 2009-10 to Rs 1011.82 crore in 2013-14.

Figure 4.16: Internal Debt- Odisha

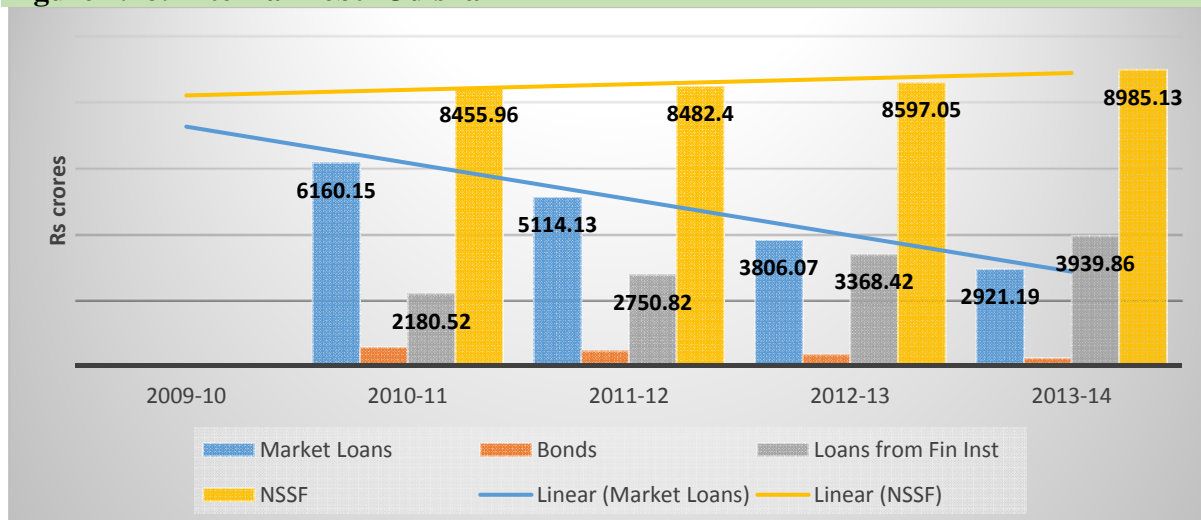
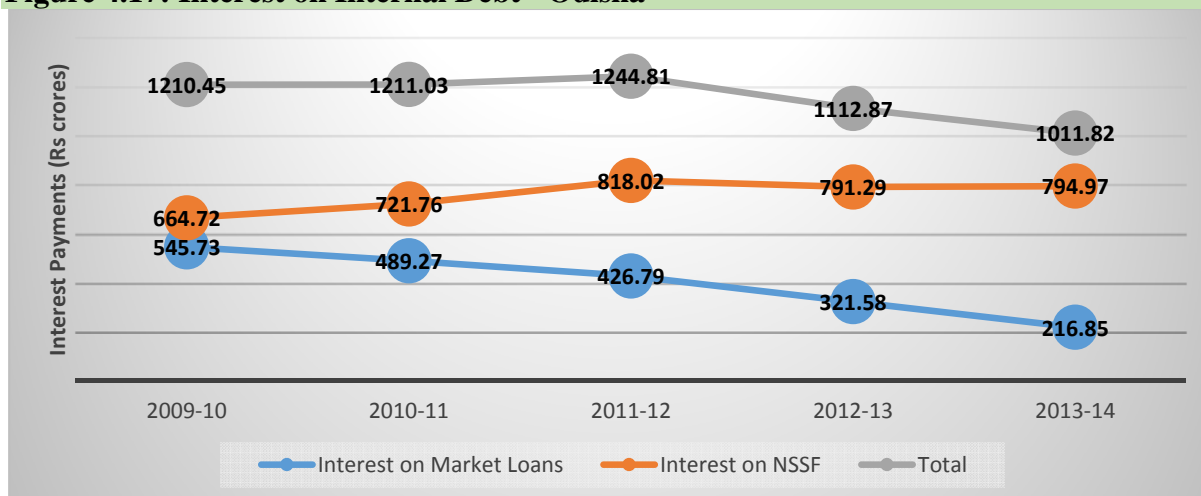
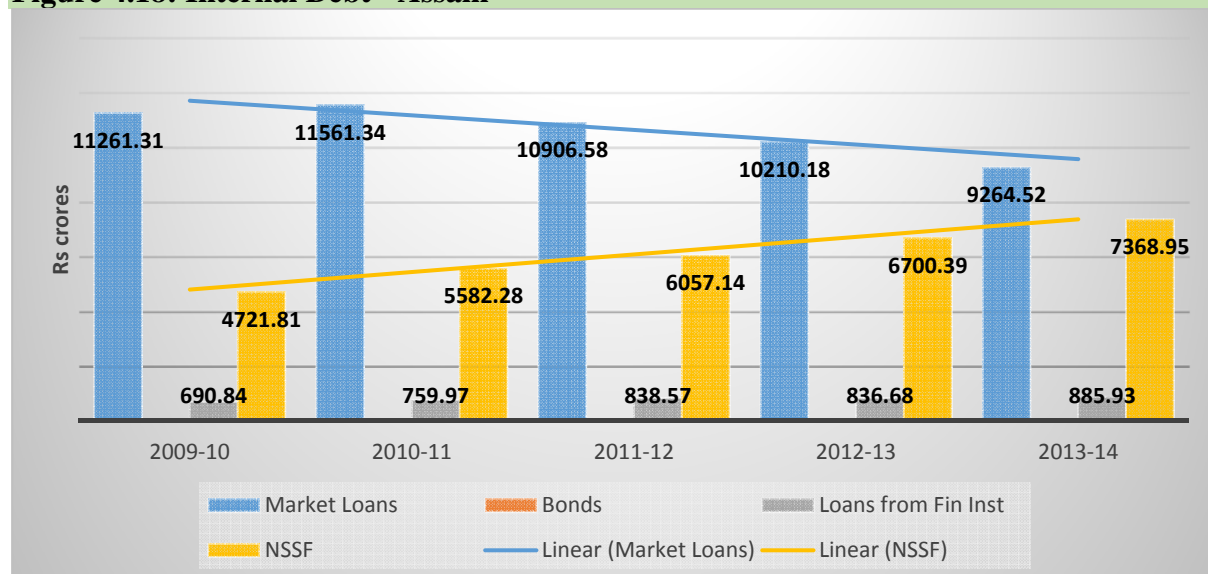
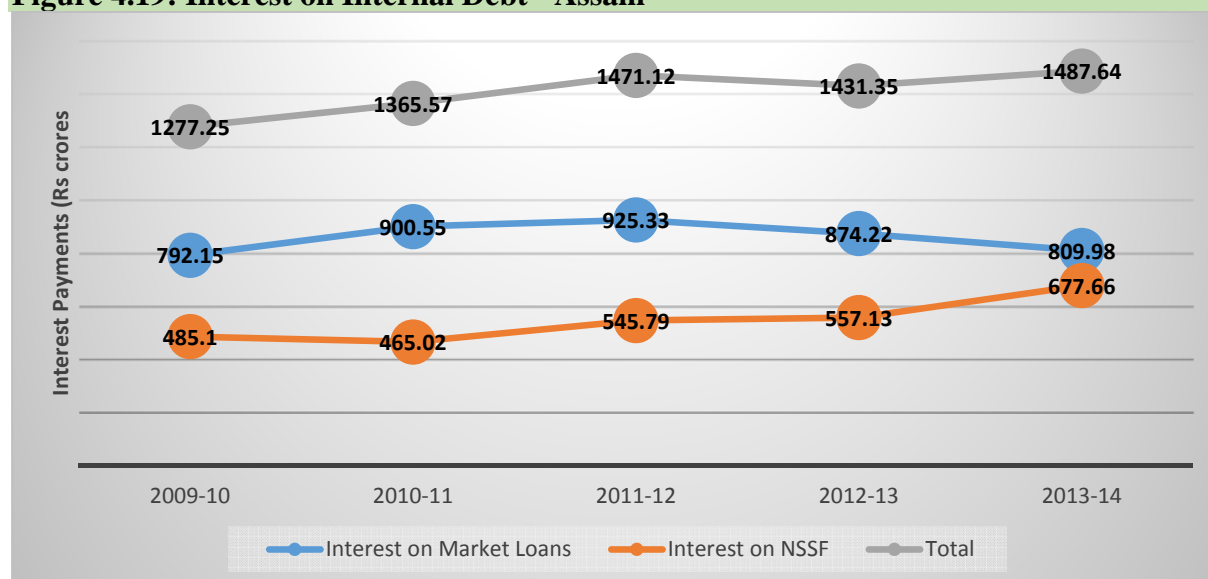


Figure 4.17: Interest on Internal Debt - Odisha



4.37 In Assam market loans declined by 17.7 percent from Rs 11,261.31 crores in 2009-10 to Rs 9,264.52 crores in 2013-14. However borrowings from NSSF increased by 56.1 percent during this period. Despite decline in quantum of market borrowings, interest on market borrowings rose marginally due to shift of greater proportion to borrowings at higher interest bracket. In 2013-14 around 71 percent of market loans carried interest of 8 to 8.99 per cent. Interest on NSSF borrowings increased by 39.7 per cent and total interest liabilities rose by 16.5 per cent.

Figure 4.18: Internal Debt - Assam**Figure 4.19: Interest on Internal Debt - Assam**

4.38 In Kerala market loans increased by 131.7 per cent, while borrowings from NSSF declined by around 4 per cent during 2009-10 to 2013-14. Fall in interest liabilities from NSSF borrowings by 5 per cent was more than offset by rise in interest liabilities from market loans by 145.8 per cent. Total interest liabilities on internal debt rose by 85.5 per cent during this period.

Table 4.13 shows year-wise interest burden of individual states accruing on account of market borrowings and through securities issued to NSSF.

Table 4.13 (A) General Category States

<i>(Rs crore)</i>					
Andhra Pradesh	2009-10	2010-11	2011-12	2012-13	2013-14
Interest on Market Loans	3397.12	4287.28	5218.78	6433.14	7753.89
Interest on NSSF	1273.55	1181.54	929.64	785.92	661.44
Total Interest	4670.67	5468.82	6148.42	7219.06	8415.33
Bihar					
Interest on Market Loans	1081.71	1257.02	1348.95	1599.89	2081.01
Interest on NSSF	1485.33	1635.48	1778.51	1823.90	1948.58
Total	2567.04	2892.50	3127.46	3423.79	4029.59
Chhattisgarh					
Interest on Market Loans	172.61	200.68	178.02	142.38	306.14
Interest on NSSF	462.65	475.94	510.70	477.62	481.98
Total	635.26	676.62	688.72	620.00	788.12
Gujarat					
Interest on Market Loans	2269.71	2896.13	3890.14	5285.72	6219.45
Interest on NSSF	4342.30	4597.03	4926.23	4626.40	4690.62
Total	6612.01	7493.16	8816.37	9912.12	10910.07
Haryana					
Interest on Market Loans	624.04	150.00	1404.05	1900.10	2707.63
Interest on NSSF	1026.36	1078.15	1162.22	1129.00	1109.93
Total	1650.40	1228.15	2566.27	3029.10	3817.56
Jharkhand					
Interest on Market Loans	529.70	609.23	618.65	687.76	948.19
Interest on NSSF	888.64	894.01	985.67	970.22	925.76
Total	1418.34	1503.24	1604.32	1657.98	1873.95
Karnataka					
Interest on Market Loans	1522.99	1796.05	1863.66	2567.31	3369.40
Interest on NSSF	1887.59	1908.28	2080.11	1997.14	1945.20
Total	3410.58	3704.33	3943.77	4564.45	5314.60
Kerala					
Interest on Market Loans	1722.21	2006.61	2484.74	3295.78	4233.56
Interest on NSSF	1148.98	1134.50	1136.87	1089.52	1091.50
Total	2871.19	3141.11	3621.61	4385.30	5325.06

<i>(Rs crore)</i>					
Madhya Pradesh					
Interest on Market Loans	1488.26	1804.07	1660.40	1694.32	2579.72
Interest on NSSF	1381.64	1426.40	1474.76	1769.91	1639.01
Total	2869.90	3230.47	3135.16	3464.23	4218.73
Maharashtra					
Interest on Market Loans	3718.90	4746.89	5709.54	7355.00	8896.18
Interest on NSSF	7158.65	7409.30	7887.65	7191.90	7217.73
Total	10877.55	12156.19	13597.19	14546.90	16113.91
Odisha					
Interest on Market Loans	545.73	489.27	426.79	321.58	216.85
Interest on NSSF	664.72	721.76	818.02	791.29	794.97
Total	1210.45	1211.03	1244.81	1112.87	1011.82
Punjab					
Interest on Market Loans	1507.71	1834.90	2296.87	2986.99	3720.80
Interest on NSSF	2153.48	2198.12	2273.49	2036.04	2075.76
Total	3661.19	4033.02	4570.36	5023.03	5796.56
Rajasthan	2009-10	2010-11	2011-12	2012-13	2013-14
Interest on Market Loans	2029.60	2468.57	2755.92	3181.91	3713.36
Interest on NSSF	2346.45	2288.33	2230.79	1937.84	1870.81
Total	4376.05	4756.90	4986.71	5119.75	5584.17
Tamil Nadu					
Interest on Market Loans	2350.05	3399.16	4029.98	5347.90	6727.63
Interest on NSSF	2386.92	2410.37	2554.37	2355.13	2252.79
Total	4736.97	5809.53	6584.35	7703.03	8980.42
Uttar Pradesh					
Interest on Market Loans	3668.19	5137.52	5612.43	6592.99	6945.27
Interest on NSSF	2904.03	4702.10	5208.62	4946.53	5155.18
Total	6572.22	9839.62	10821.05	11539.52	12100.45
West Bengal					
Interest on Market Loans	3831.02	4899.08	5838.96	7454.89	10345.48
Interest on NSSF	6077.75	6711.52	7658.58	7448.14	7474.99
Total	9908.77	11610.60	13497.54	14903.03	17820.47

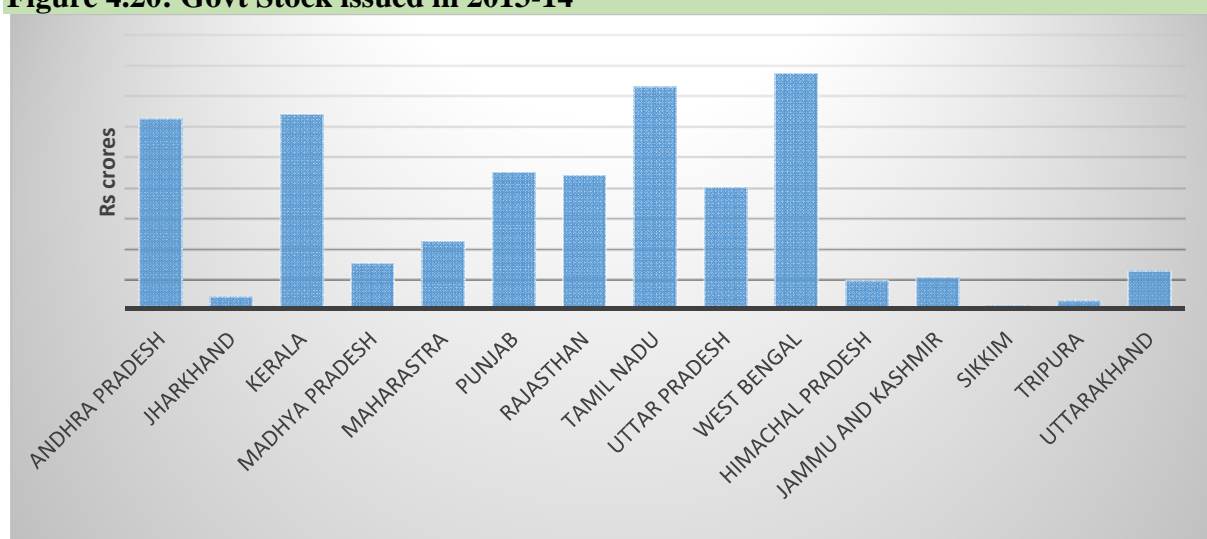
Table 4.13 (B) Special Category States

<i>(Rs crore)</i>					
Arunachal Pradesh	2009-10	2010-11	2011-12	2012-13	2013-14
Interest on Market Loans	47.47	62.85	50.50	51.28	63.18
Interest on NSSF	0.00	219.26	62.20	62.14	64.04
Total	47.47	282.11	112.70	113.42	127.22
Assam					
Interest on Market Loans	792.15	900.55	925.33	874.22	809.98
Interest on NSSF	485.10	465.02	545.79	557.13	677.66
Total	1277.25	1365.57	1471.12	1431.35	1487.64
Himachal Pradesh					
Interest on Market Loans	592.50	678.40	706.56	849.54	974.03
Interest on NSSF	377.17	414.41	475.72	487.41	561.15
Total	969.67	1092.81	1182.28	1336.95	1535.18
Jammu and Kashmir					
Interest on Market Loans	234.15	227.71	924.25	1178.20	1288.89
Interest on NSSF	438.42	386.24	364.76	329.03	321.61
Total	672.57	613.95	1289.01	1507.23	1610.50
Manipur					
Interest on Market Loans	102.71	145.99	167.79	181.34	191.46
Interest on NSSF	84.29	84.00	83.40	82.14	80.56
Total	187.00	229.99	251.19	263.48	272.02
Meghalaya					
Interest on Market Loans	117.33	128.91	141.72	159.09	189.53
Interest on NSSF	28.73	43.00	34.51	47.43	54.10
Total	146.06	171.91	176.23	206.52	243.63
Mizoram					
Interest on Market Loans	133.29	66.91	151.40	163.39	156.88
Interest on NSSF	0	0	0	15.97	19.43
Total	133.29	66.91	151.40	179.36	176.31
Nagaland					
Interest on Market Loans	200.59	228.98	246.23	280.19	319.77
Interest on NSSF	11.06	11.32	12.95	12.38	13.31
Total	211.65	240.30	259.18	292.57	333.08
Sikkim					

<i>(Rs crore)</i>					
Interest on Market Loans	77.81	100.27	97.59	100.66	106.44
Interest on NSSF	13.91	18.28	20.61	23.10	26.07
Total	91.72	118.55	118.20	123.76	132.51
Tripura					
Interest on Market Loans	93.26	113.81	131.13	148.40	185.51
Interest on NSSF	38.48	36.51	41.02	40.93	43.01
Total	131.74	150.32	172.15	189.33	228.52
Uttarakhand					
Interest on Market Loans	458.69	497.93	578.70	743.04	714.71
Interest on NSSF	484.14	547.35	634.24	113.65	137.85
Total	942.83	1045.28	1212.94	856.69	852.56

4.39 State governments also borrow through issue of govt stock in the open market. Chhattisgarh, Gujarat, Haryana, Odisha, Arunachal Pradesh, Assam, Nagaland and Manipur did not issue any fresh stock during 2013-14.

Figure 4.20: Govt Stock issued in 2013-14



Debt Sustainability

4.40 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.

4.41 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.

4.42 **Growth of debt stock** of a state at a higher rate than that of its GSDP indicates a worsening debt position. Table 4.13(A) and (B) show the total public debt in 2013-14 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 in case of Chhattisgarh, Haryana, Karnataka, Kerala, Rajasthan, and Tamil Nadu growth of debt stock has been faster than GSDP growth indicating a worsening debt position. Differential in the growth rates of total debt and GSDP has been the highest in Chhattisgarh followed by Karnataka, Haryana, Rajasthan and Tamil Nadu. Andhra Pradesh, Bihar, Gujarat, Jharkhand, Odisha, Maharashtra, Madhya Pradesh, Uttar Pradesh and West Bengal registered improvement in their debt position.

Amongst the SCS, all states except Uttarakhand showed improvement in their debt position.

Table 4.14 (A): Growth Rate of Public Debt and GSDP - GCS

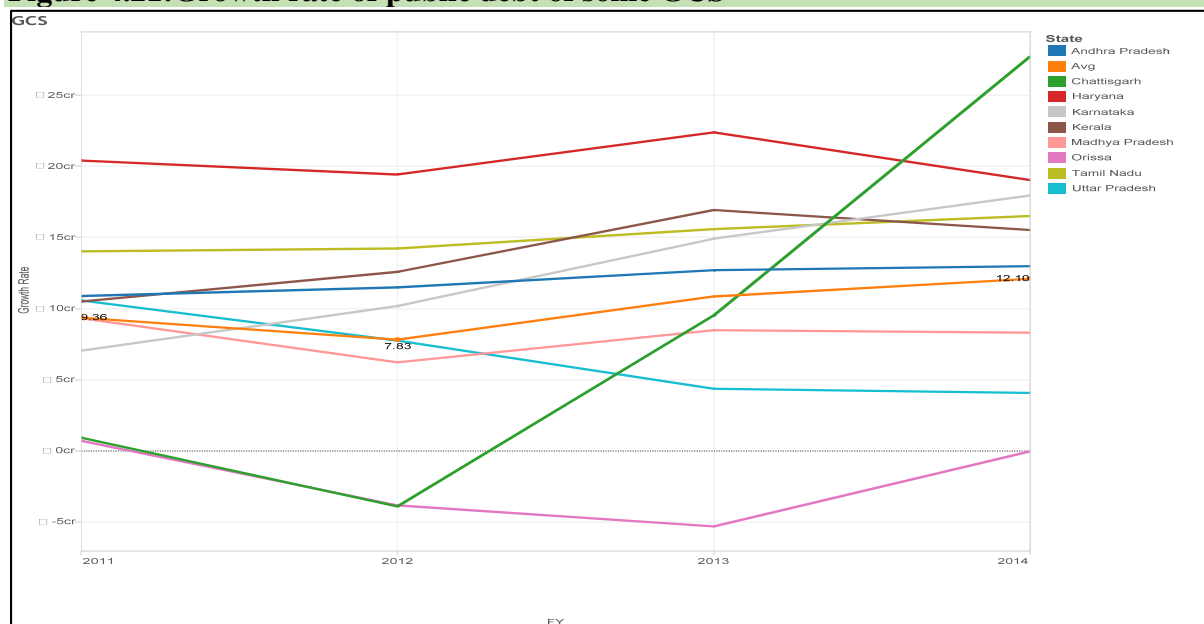
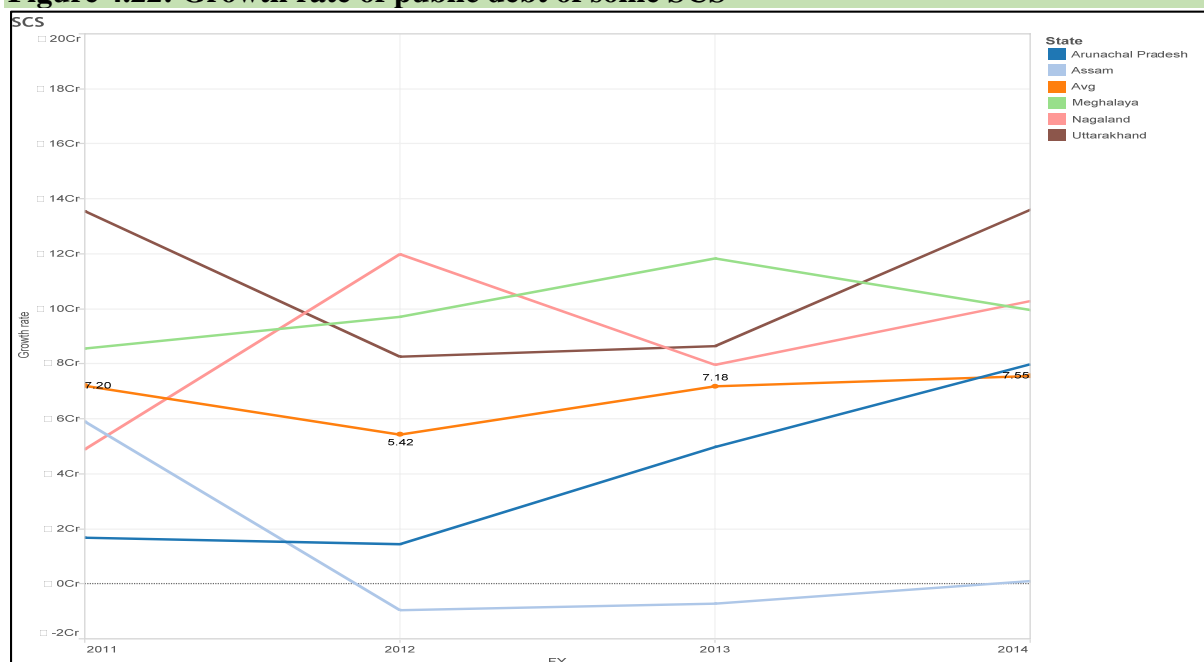
State	Public Debt 2012-13	Public Debt 2013-14	Growth rate of Public Debt	GSDP 2012-2013	GSDP 2013-14	Growth rate of GSDP
Andhra Pradesh	138736.79	156743.48	13.0	757150	855935	13.1
Bihar	57474.35	64261.88	11.8	293616	343663	17.1
Chhattisgarh	11704.00	14946.23	27.7	165641	185682	12.1
Gujarat	136367.04	149506.16	9.6	658540	765638	16.3
Haryana	50658.28	60293.96	19.0	343151	388917	13.9
Jharkhand	27326.13	30032.11	9.9	151655	172773	13.9
Karnataka	75052.48	88522.45	18.0	519109	582754	12.3
Kerala	72250.19	83466.56	15.5	347841	396282	13.9
Madhya Pradesh	66577.14	72113.32	8.3	361270	434730	20.3
Maharashtra	200466.64	216909.20	8.2	1323768	1476233	11.5
Odisha	23317.39	23314.42	-0.01	251220	272980	8.7
Punjab	71211.64	78669.20	10.5	285165	317054	11.2
Rajasthan	76953.95	87329.77	13.5	470178	517615	10.1
Tamil Nadu	120204.68	140041.80	16.5	744859	854238	14.7
Uttar Pradesh	164810.41	171,54,4.12	4.1	780399	862746	10.6
West Bengal	202847.53	220977.82	8.9	603311	706561	17.1

Table 4.14 (B): Growth Rate of Public Debt and GSDP - SCS

State	Public Debt 2012-13	Public Debt 2013-14	Growth rate of Public Debt	GSDP 2012-13	GSDP 2013-14	Growth rate of GSDP
Arunachal Pradesh	2319.17	2504.24	8.0	11836	13545	14.4
Assam	19804.19	19823.03	0.1	138401	159460	15.2
Jammu and Kashmir	24635.16	26490.35	7.5	77558	87319	12.6
Himachal Pradesh	20765.02	23111.45	11.3	73710	82585	12.0
Manipur	4041.08	4163.69	3.0	12697	14324	12.8
Meghalaya	3352.58	3686.38	10.0	19009	21922	15.3
Mizoram	2265.29	2263.87	-0.06	8363	10297	23.1
Nagaland	5247.47	5786.85	10.3	15676	17749	13.2
Sikkim	1977.96	2185.51	10.5	10473	12377	18.2
Tripura	4487.37	5054.44	12.6	22697	26810	18.1
Uttarakhand	18798.76	21355.12	13.6	108250	122897	13.5

*Source: CSO. GSDP calculated at market price with base 2004-05.

4.43 The average growth rate of public debt of GCS was 12.16 percent in 2013-14. The growth rate of public debt in Chhattisgarh, Tamil Nadu, Haryana, Kerala, Rajasthan and Karnataka whose debt position has worsened in the current year as compared to the previous year was higher than the average GCS public debt growth rate. In Andhra Pradesh the growth rate of public debt was higher than the GCS average but marginally lower than the growth rate of GSDP. The average growth rate of public debt of SCS was 7.9 percent in 2013-14. In Himachal Pradesh, Meghalaya, Arunachal Pradesh, Nagaland, Sikkim, Tripura and Uttarakhand the growth rate of public debt was higher than the SCS group average. In Assam, Jammu and Kashmir, Manipur, and Mizoram, the growth rate of public debt was lower than the SCS average. In Assam public debt has declined since 2011-12.

Figure 4.21: Growth rate of public debt of some GCS**Figure 4.22: Growth rate of public debt of some SCS**

Ratio of Public Debt to GSDP-Trend Analysis

4.44 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 4.15 (A): Ratio of public debt to GSDP in 2013-14 - GCS

State	PD/GSDP (per cent)
Andhra Pradesh	18.3
Bihar	18.7
Chhattisgarh	8.1
Goa	18.5
Gujarat	19.5
Haryana	15.5
Jharkhand	17.4
Karnataka	18.3
Kerala	21.1
Madhya Pradesh	16.6
Maharashtra	14.7
Odisha	8.5
Punjab	24.8
Rajasthan	16.9
Tamil Nadu	24.0
Uttar Pradesh	19.9
West Bengal	31.3

4.45 Chhattisgarh had the lowest ratio of public debt to GSDP at 8.1 percent followed by Odisha at 8.5 per cent. West Bengal had the highest ratio (31.3 per cent) followed by Punjab (24.8 per cent) and Tamil Nadu (24 per cent).

Table 4.15 (B): Ratio of public debt to GSDP in 2013-14 - SCS

State	PD/GSDP (per cent)
Arunachal Pradesh	18.5
Assam	12.4
Jammu and Kashmir	30.3
Himachal Pradesh	28.0
Manipur	29.1
Meghalaya	16.8
Mizoram	22.0
Nagaland	32.6
Sikkim	17.7
Tripura	18.9
Uttarakhand	17.4

4.46 Amongst the SCS Nagaland had the highest ratio of public debt to GSDP at 32.6 percent followed by Jammu and Kashmir at 30.3 per cent. Assam had the lowest ratio at 12.4 per cent.

4.47 Amongst the GCS all states except Chhattisgarh, Kerala, Karnataka, Tamil Nadu and Haryana have shown a declining trend in Public Debt to GSDP ratio. In Chhattisgarh this ratio had a declining trend till 2012-13, where after it started rising due to increase in market

loans by 142 percent from Rs 2,512.72 crore in 2010-11 to Rs 6,080.04 crores in 2013-14. In Karnataka this ratio had declined till 2010-11, after which it remained more or less static and then registered an increase in 2013-14. In Kerala this ratio started rising from 2011-12. In Kerala the rise was due to increase in quantum of market borrowings from Rs 30,743.62 crores in 2010-11 to Rs 38,239.38 crores in 2011-12, Rs 48,809.91 crores in 2012-13 and Rs 60,183.38 crores in 2013-14. Thus market loans increased by nearly 96 percent from 2010-11 to 2013-14. Similarly in Tamil Nadu, market loans rose by 95 percent from Rs 49,723 crores in 2010-11 to Rs 97,182.74 in 2013-14. In Haryana the ratio of public debt to GSDP has consistently shown a rising trend because of increase in market borrowings from Rs 15,089.21 crores in 2010-11 to Rs 40,279.84 crores in 2013-14 registering an increase of 167 per cent.

4.48 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 4.23: Debt servicing requirements of states as a proportion of non-debt receipts of some GC states during 2013-14.

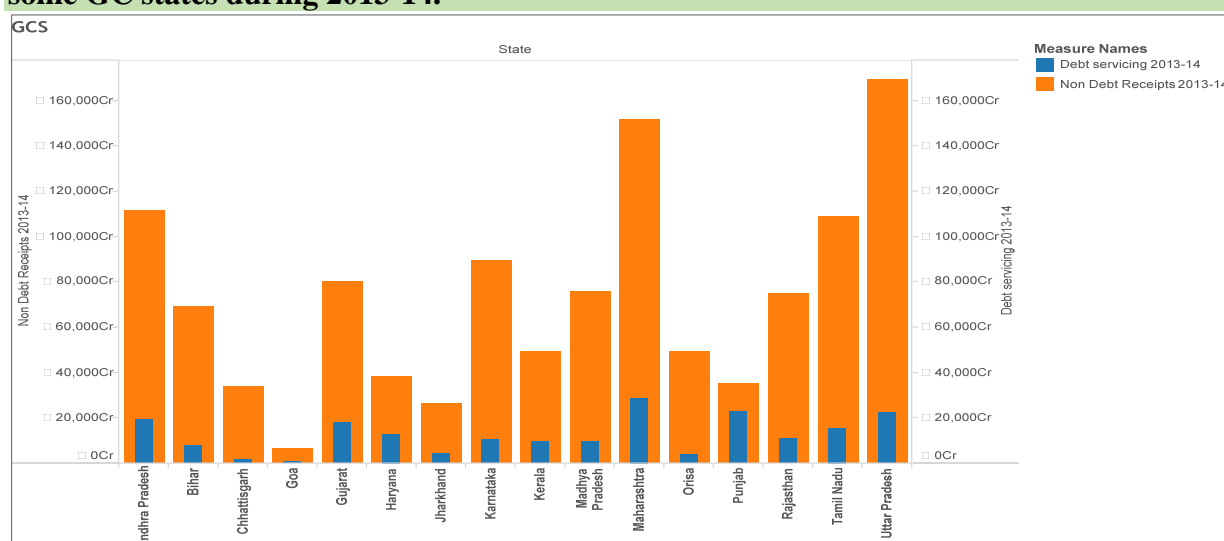
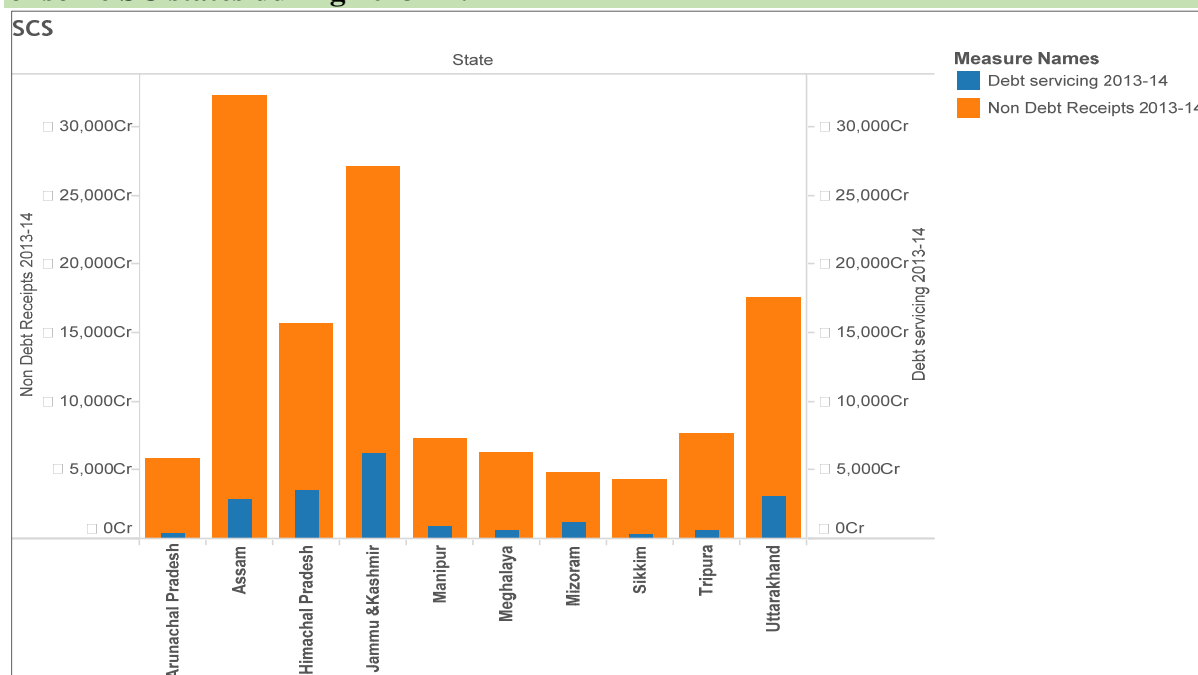


Figure 4.24: Debt servicing requirements of states as a proportion of non-debt receipts of some SC states during 2013-14.



4.49 Debt servicing requirements for GCS account for substantial proportion of non-debt receipts of some GCS. In Punjab debt servicing accounted for 65 percent of non-debt receipts of the state during 2013-14. In Haryana and Gujarat debt servicing accounted for 34 percent and 23 percent respectively of the state's total non-debt receipts. In Maharashtra it accounted for 18.9 per cent, in Tamil Nadu it accounted for 14 per cent. In some states this ratio is small as in case of Chhattisgarh and Odisha where debt servicing requirements account for only 5 percent and 8 percent respectively of total non-debt receipts.

4.50 In case of SCS the ratio of debt servicing to non-debt receipts was as high as 23 percent in case of J&K and 22 percent in Himachal Pradesh. In Assam this ratio was only 9 per cent. This is because there has been a decline in public debt in Assam during 2009-10 to 2012-13 with only marginal increase in 2013-14. Mizoram had a high ratio of debt servicing to non-debt receipts at 24 per cent. This can be attributed to the fact that proportion of borrowings through NSSF carrying high interest rates has not declined, unlike most other states which have shown declining share of borrowings through NSSF. Ratio of debt servicing as a ratio of non-debt receipts was low in Arunachal Pradesh (6 per cent), Meghalaya (9 per cent), Sikkim (5 per cent) and Tripura (7 per cent).

Interest payments to own resources of states

4.51 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 4.16: Ratio of Interest Payments to State's own Resources during 2013-14
(in percentage)

State	Interest Payments (1)	Own Tax Revenue (2)	Own Non-Tax Revenue (3)	Total Own Resources (4)=(2)+(3)	Ratio (in %) (1)/(4)*100
GCS					
Andhra Pradesh	12910.64	64123.54	15472.86	79596.40	16.22
Bihar	5459.04	19960.68	1544.83	21505.51	25.38
Chhattisgarh	1350.53	14342.71	5101.17	19443.88	6.95
Gujarat	13332.02	56372.37	7018.31	63390.68	21.03
Haryana	5849.77	25566.60	4975.06	30541.66	19.15
Jharkhand	2614.44	9379.79	3752.71	13132.50	19.91
Karnataka	7837.32	62603.53	4031.90	66635.43	11.76
Kerala	8265.38	31995.01	5575.03	37570.04	22.00
Madhya Pradesh	6391.32	33552.16	7704.99	41257.15	15.49
Maharashtra	21207.04	108597.95	11351.98	119949.90	17.68
Odisha	2888.22	16891.59	8378.60	25270.19	11.43
Punjab	7820.21	24079.20	3191.49	27270.69	28.68
Rajasthan	9063.20	33477.70	13575.25	47052.95	19.26
Tamil Nadu	12404.78	73718.11	9343.27	83061.38	14.93
Uttar Pradesh	17412.44	66582.08	16449.80	83031.88	20.97
GCS (Average)	8987.09	42749.53	7831.15	50580.68	18.06
SCS					
Assam	2198.45	8994.92	2705.04	11699.96	18.79
Himachal Pradesh	2480.86	5120.90	1784.53	6905.43	35.93
Jammu and Kashmir	3000.92	6272.74	2869.69	9142.43	32.82
Manipur	444.92	472.73	260.67	733.40	60.67
Meghalaya	371.50	949.30	598.15	1547.45	24.01
Mizoram	284.50	229.78	194.26	424.04	67.09
Nagaland	493.85	333.39	216.57	549.96	89.80
Sikkim	209.16	524.92	794.49	1319.41	15.85
Tripura	590.96	1073.91	246.52	1320.43	44.76
Uttarakhand	2056.04	7355.34	1316.54	8671.88	23.71
SCS (Average)	1213.12	3132.79	1098.65	4231.44	41.34

Figure 4.25:Interest Payments as part of States own resources of some GC states during 2013-14.

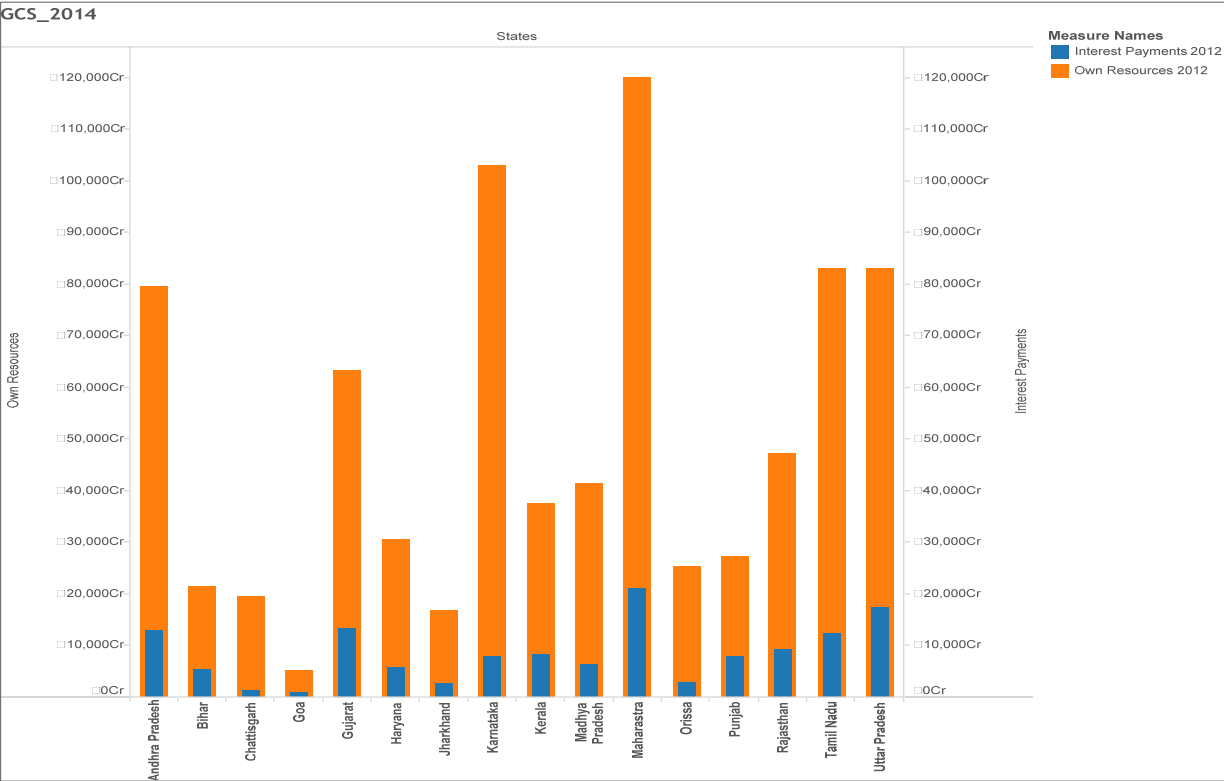
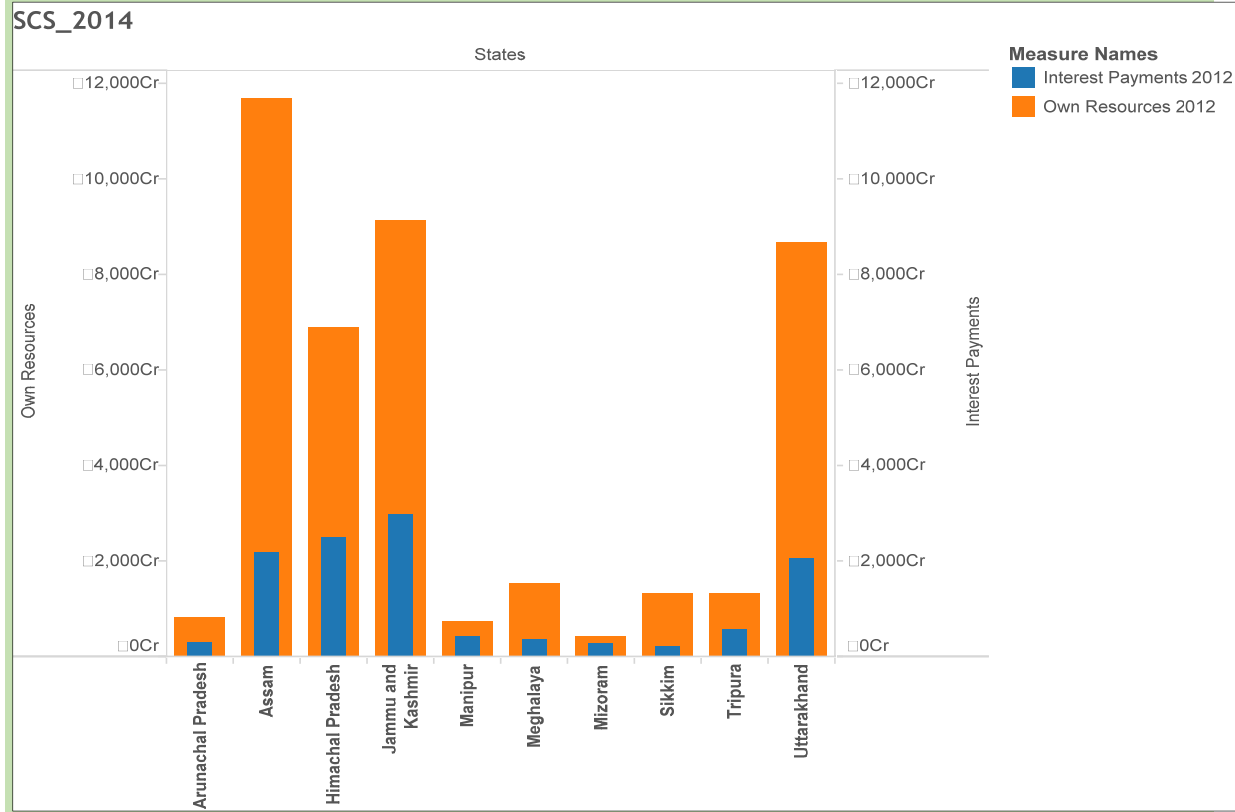


Figure 4.26:Interest Payments as part of States own resources of some SC states during 2013-14.



4.52 The average ratio of interest payments to states own resources for GCS states was 18.06. In Bihar, Gujarat, Haryana, Jharkhand, Kerala, Punjab, Rajasthan and Uttar Pradesh this ratio was higher than the group average. Amongst the GCS, Chhattisgarh had the lowest ratio at 6.95 while Punjab had the highest ratio at 28.68.

4.53 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 (89.80) followed by Mizoram (67.09) had very high ratios which means that only 10-30 % of its own resources are available for meeting expenditure in these states.

Ratio of Debt Redemption to Debt Receipts

4.54 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 4.17: Debt Redemption Ratio during 2013-14

State	Debt Receipt 2013-14	Debt Repayment			Total Debt Repayment/Debt Receipt (Ratio)
		Principal 2013-14	Interest 2013-14	Total	
Union Government	3994966.22	3511291.32	365086.04	3876377.36	0.97
Andhra Pradesh	25292.12	7285.44	11818.28	19103.72	0.76
Arunachal Pradesh	354.15	169.08	184.77	353.85	1.00
Assam	1196.07	1177.23	1676.01	2853.24	2.39
Bihar	9907.09	3119.56	4669.04	7788.60	0.79
Chhattisgarh	3931.89	689.65	1090.34	1779.99	0.45
Goa	1348.78	385.06	750.44	1135.50	0.84
Gujarat	19343.04	6203.91	12601.98	18805.89	0.97
Haryana	17712.95	8077.26	4977.88	13055.14	0.74
Himachal Pradesh	4050.70	1704.27	1802.06	3506.33	0.87
Jammu and Kashmir	6002.10	4146.91	2109.92	6256.83	1.04
Jharkhand	4702.90	1996.92	2378.48	4375.40	0.93
Karnataka	17286.81	3816.84	6352.68	10169.52	0.59
Kerala	14461.18	3244.81	6162.95	9407.76	0.65

State	Debt Receipt 2013-14	Debt Repayment			Total Debt Repayment/Debt Receipt (Ratio)
		Principal 2013-14	Interest 2013-14	Total	
Madhya Pradesh	9540.82	4004.64	5545.28	9549.92	1.00
Maharashtra	27887.13	11414.19	17598.25	29012.44	1.04
Manipur	657.20	534.59	335.72	870.31	1.32
Meghalaya	632.51	298.71	290.69	589.40	0.93
Mizoram	955.24	956.66	200.50	1157.16	1.21
Nagaland	1976.41	1436.92	444.93	1881.85	0.95
Odisha	2290.26	2293.21	1688.90	3982.11	1.74
Punjab	24140.49	16682.94	6493.66	23176.60	0.96
Rajasthan	14491.44	4115.62	6594.73	10710.35	0.74
Sikkim	296.31	88.74	159.23	247.97	0.84
Tamil Nadu	24814.56	4977.43	10417.19	15394.62	0.62
Tripura	786.98	219.91	376.59	596.50	0.76
Uttar Pradesh	14900.45	8166.74	14026.23	22192.97	1.49
Uttarakhand	4038.48	1482.12	1603.04	3085.16	0.76
West Bengal	50949.74	32819.45	19171.51	51990.96	1.02

4.55 It is seen that states whose debt position had improved in 2013-14 as compared to the earlier year namely, Madhya Pradesh, Maharashtra, Odisha, Uttar Pradesh, Assam and West Bengal also had debt redemption ratio greater than 1 thereby implying that total debt repayment in these states is higher than fresh debts contracted. In Maharashtra the gross accrual to public debt during 2013-14 was Rs.27887.13 crores. Total repayment was Rs29012.44 crores resulting in net decrease in public debt liabilities amounting to Rs 1125.31 crores. In Odisha, UP, Assam and West Bengal there was net decline in public debt liabilities to the tune of Rs 1691.85 crores, Rs7292.52 crores, Rs 1657.17 crores and Rs 1041.22 crores respectively.

4. 56 On the other hand, states whose debt position has worsened in 2013-14 as compared to the previous year, namely Chhattisgarh, Haryana, Karnataka, Kerala and Tamil Nadu 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. The debt redemption ratio was lowest in Chhattisgarh (0.45). In Chhattisgarh gross accrual and net accrual to public debt liabilities during 2013-14 were Rs 3931.89 crores and Rs 1779.99 crores respectively. In Haryana gross accrual to public debt was Rs 17712.95 crores, while there was net accrual of Rs 13055.14 crores. Net accrual of public debt in Karnataka, Kerala

and Tamil Nadu were Rs 7117.29 crores, Rs 5053.42 crores, and Rs 9419.94 crores respectively.

Figure 4.27: GCS ratio

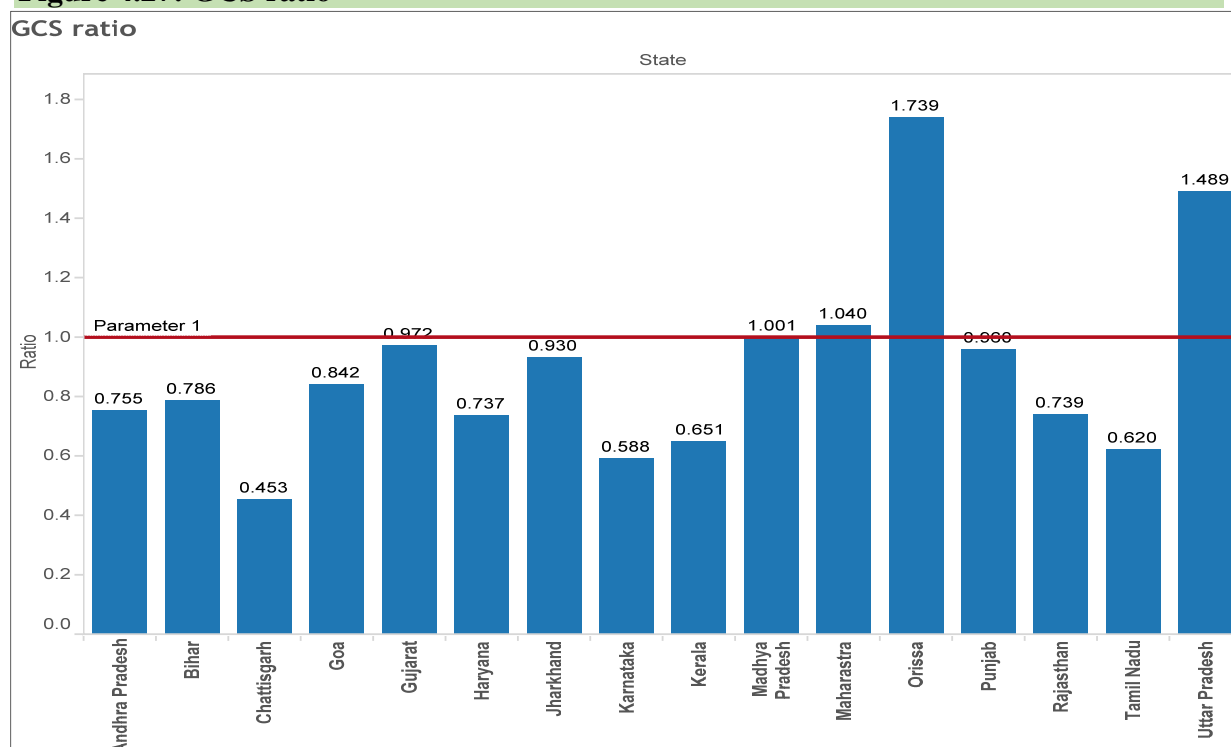
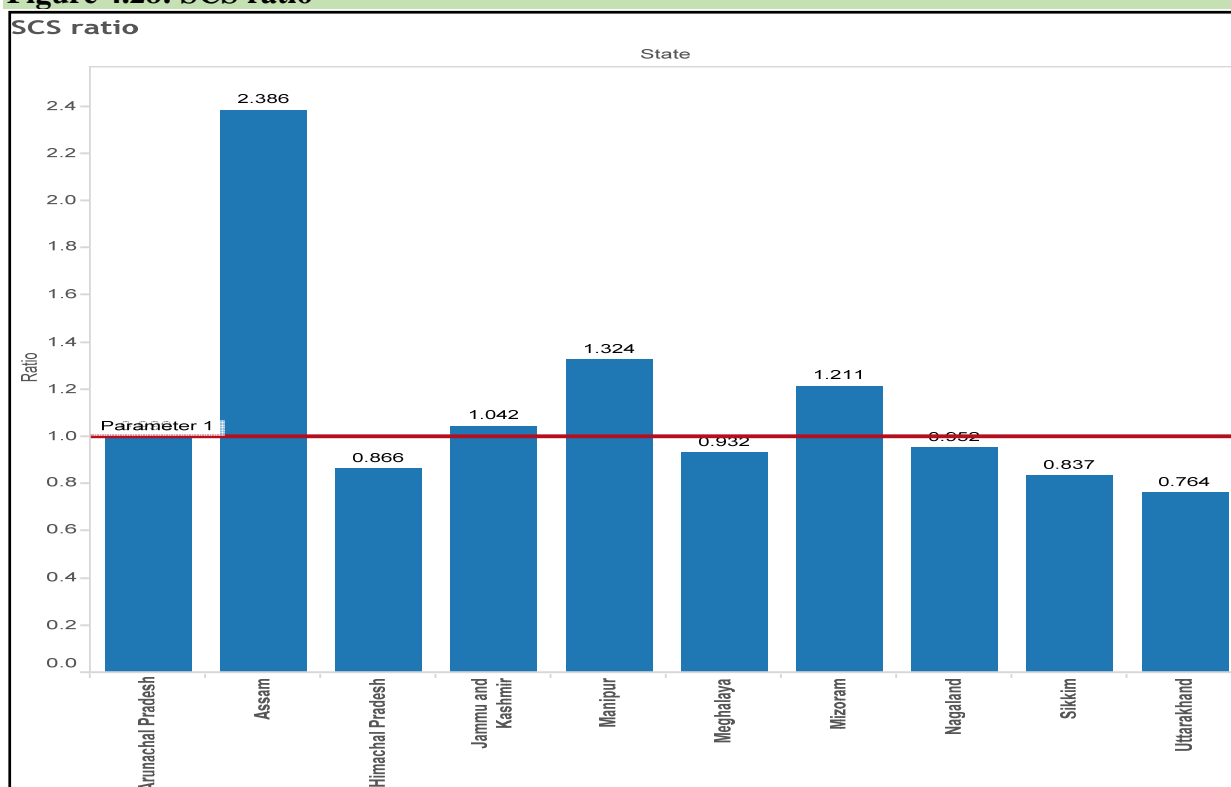


Figure 4.28: SCS ratio



4.57 Amongst the SCS Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Mizoram had ratio greater than 1. The debt position of these states had improved in 2013-14 as compared to the earlier year. Uttarakhand whose debt position of had worsened in 2013-14 as compared to the earlier year had the lowest ratio at 0.76.

Cash Reserves and Public Debt

4.58 Most states have surplus cash balances. The magnitude of these balances is not uniform across states. Although some corpus is necessary for steady spending at the implementation level, or to tide over year end delay in release of funds by central government, holding cash reserves beyond a point may be inefficient. The following graphs show that states have resorted to borrowing despite having cash reserves during 2013-14. This is an indication of sub-optimal debt management since borrowing has an attendant interest burden obligation which seems avoidable given the size of cash balance of almost all states.

4.59 States should adopt the practice of borrowing based on requirement rather than on availability. As surplus cash balances are mostly invested in treasury bills of GOI carrying a low interest rate than the weighted average interest rate of market borrowings contracted by state governments, it would be prudent for states to finance their fiscal imbalance by reducing their surplus cash balances.

4.60 The primary reason for the accumulation of cash balances is borrowing in excess of actual requirement. In Chhattisgarh during 2012-13 net increment to public debt was Rs 1018.44 crores and there was cash surplus of Rs 2116.94 crores. In 2013-14, the state had a cash surplus of Rs 2735.29 crores and its increment to public debt during that year was Rs 3242.23 crores. In 2010-11 Gujarat's incremental borrowing of Rs 12863.81 crore was more than its cash reserves of Rs 11524.31 crore. The same trend is visible in Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh during 2010-11 to 2013-14 when increment to public debt was consistently less than cash reserves of the state.

4.61 Amongst SCS Sikkim, Tripura, and Meghalaya consistently borrowed more than its cash reserves during 2010-11 and 2013-14. Resorting to borrowing despite having cash reserves is indicative of sub-optimal debt management. FC XIII has recommended utilisation of these balances before resorting to fresh borrowing. States should adopt a needs based approach to borrowing and adopt a policy of meeting resource gap by utilising its cash reserves before contracting public debt.

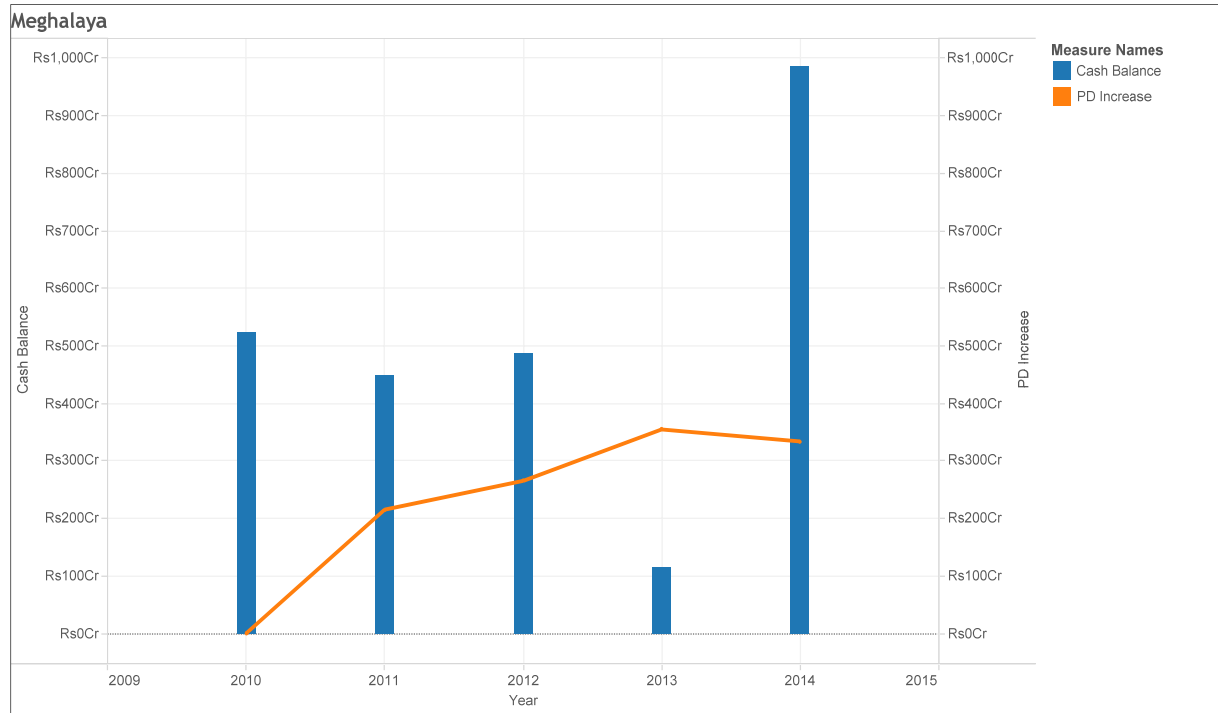
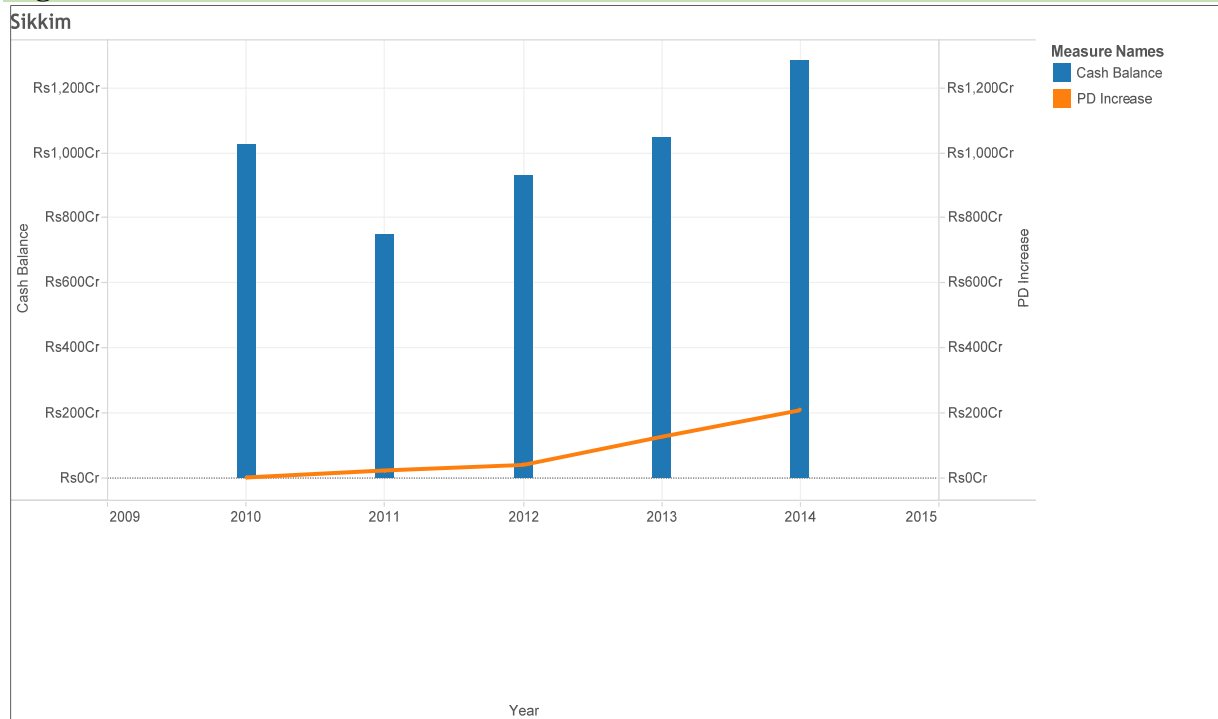
Figure 4.29: Meghalaya**Figure 4.30: Sikkim**

Figure 4.31: Tripura

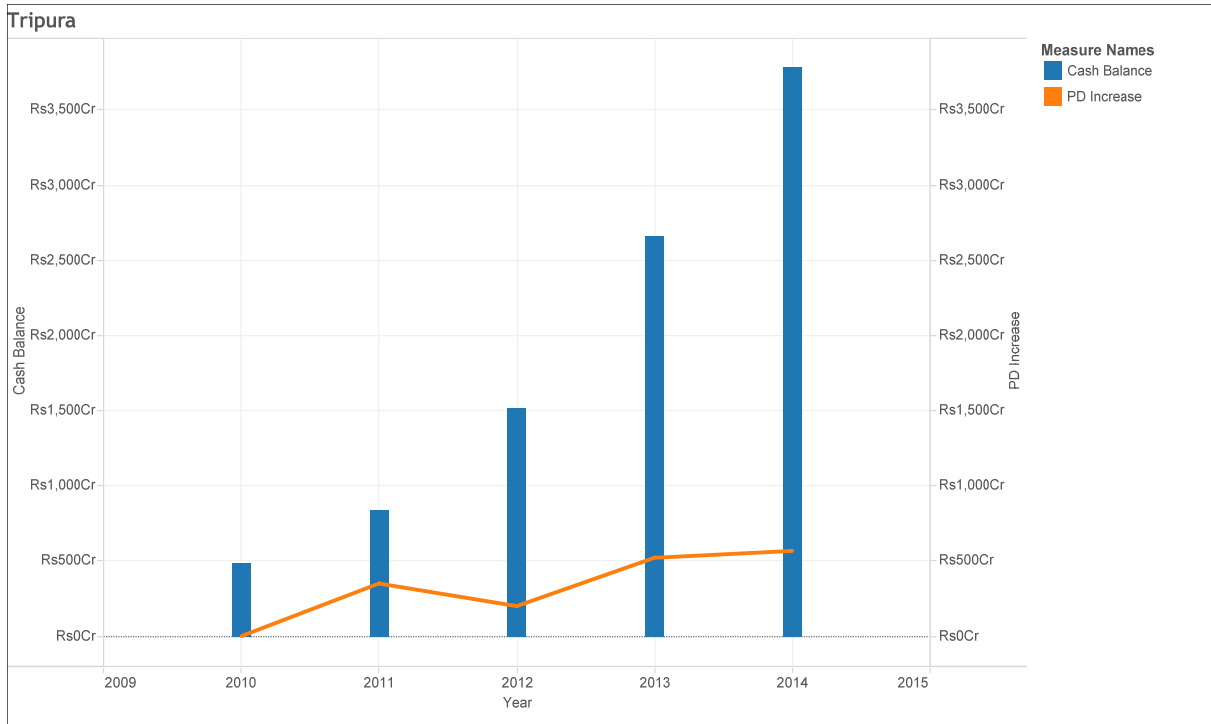


Figure 4.32: Uttarakhand

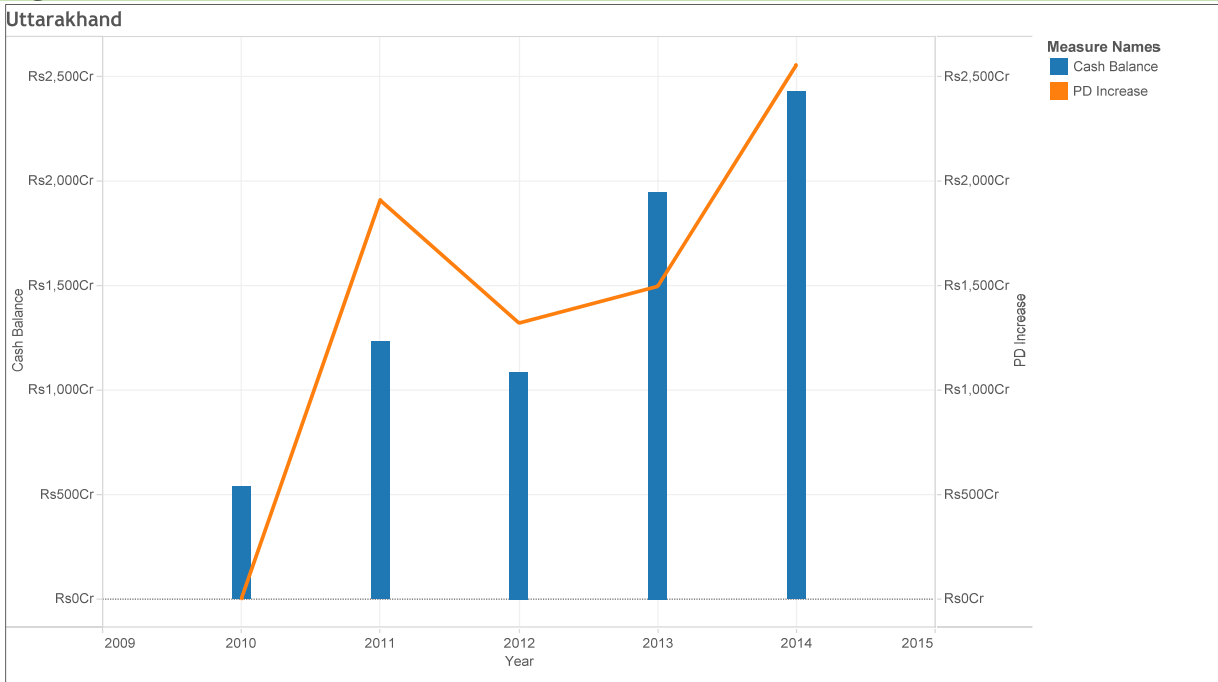


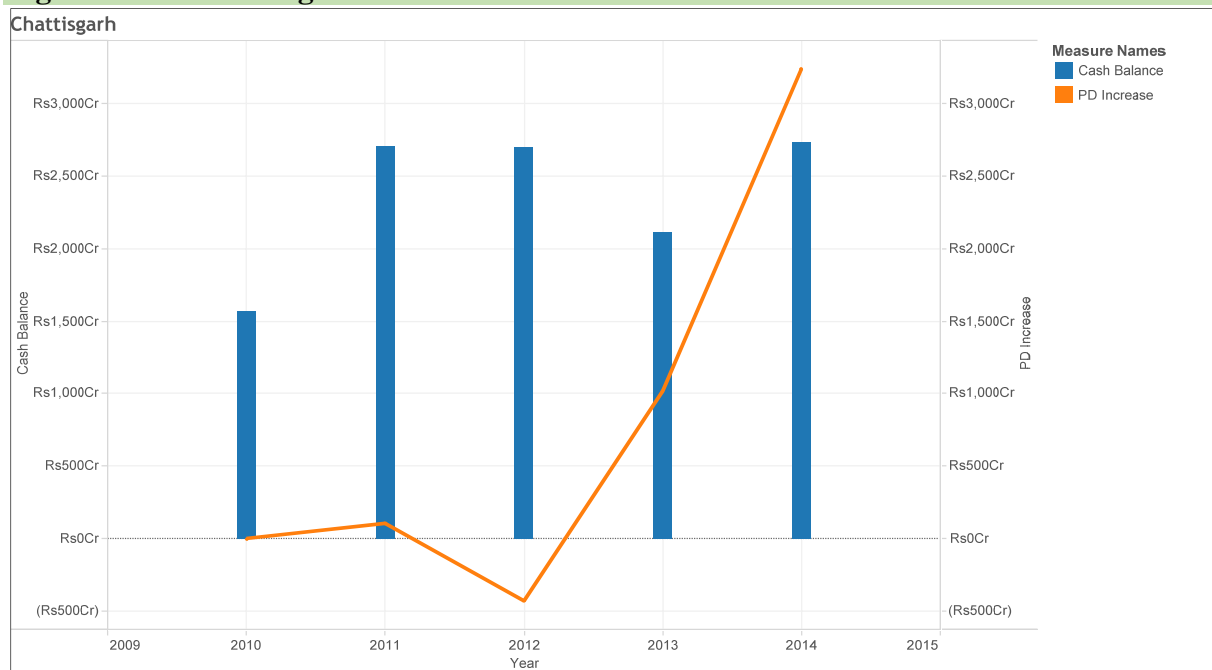
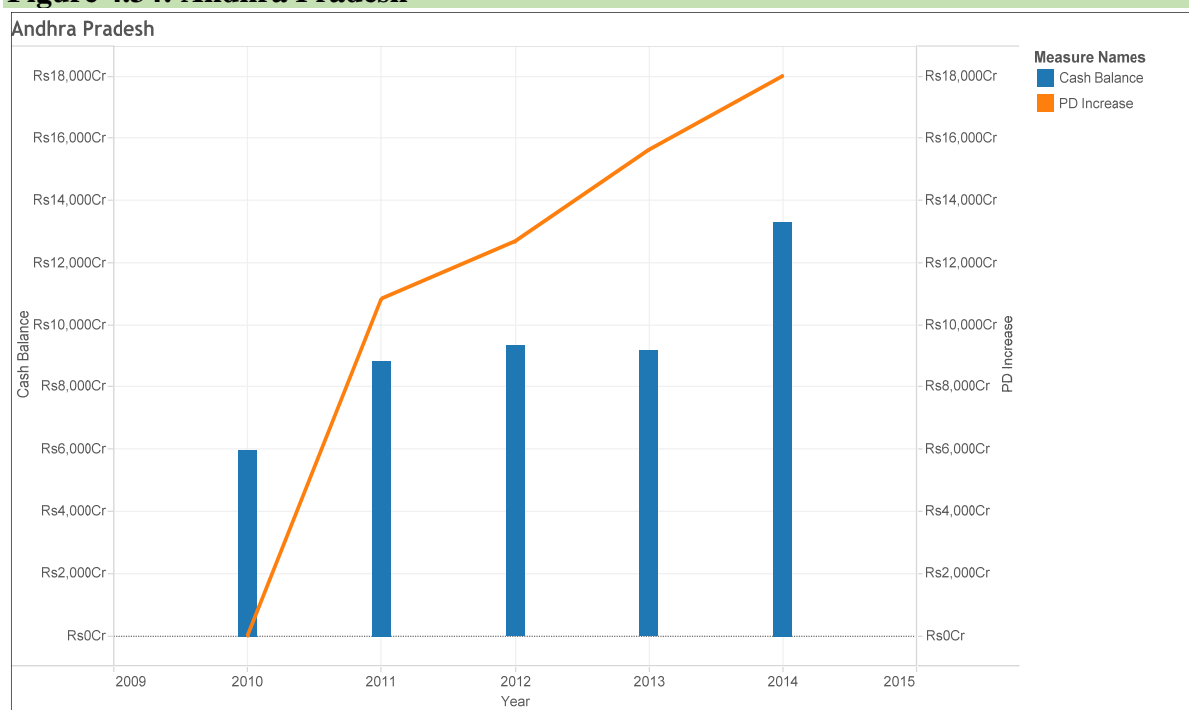
Figure 4.33: Chhattisgarh**Figure 4.34: Andhra Pradesh**

Figure 4.35: Karnataka

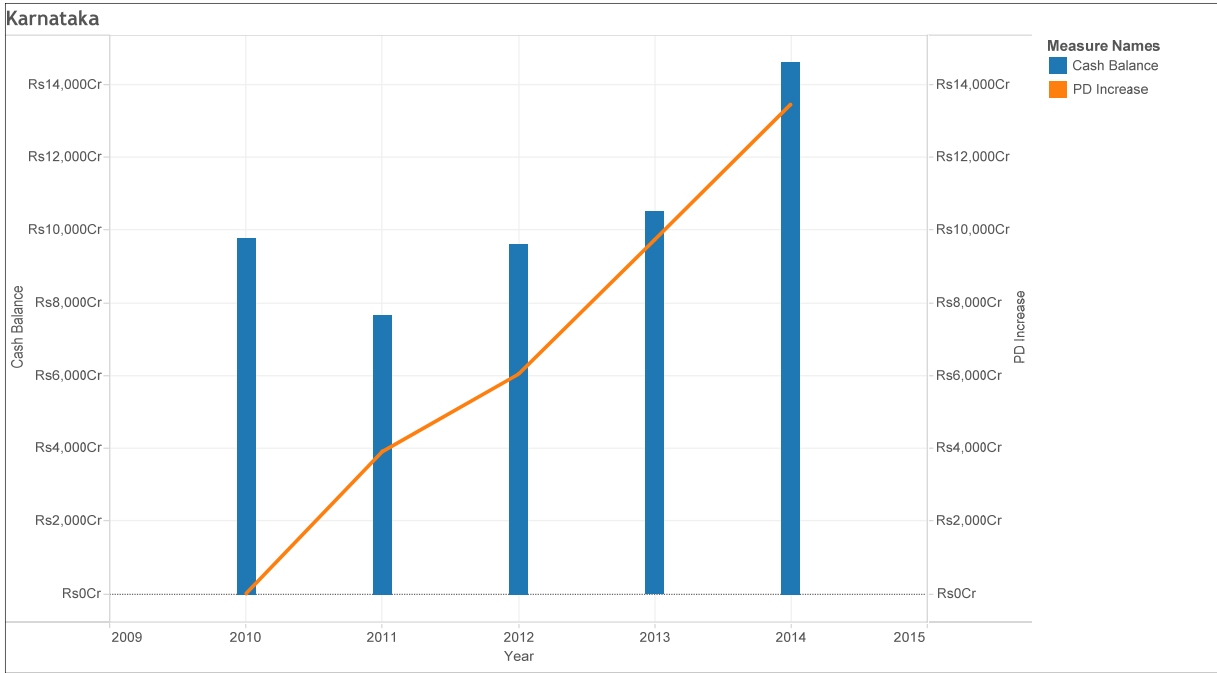


Figure 4.36: Tamil Nadu

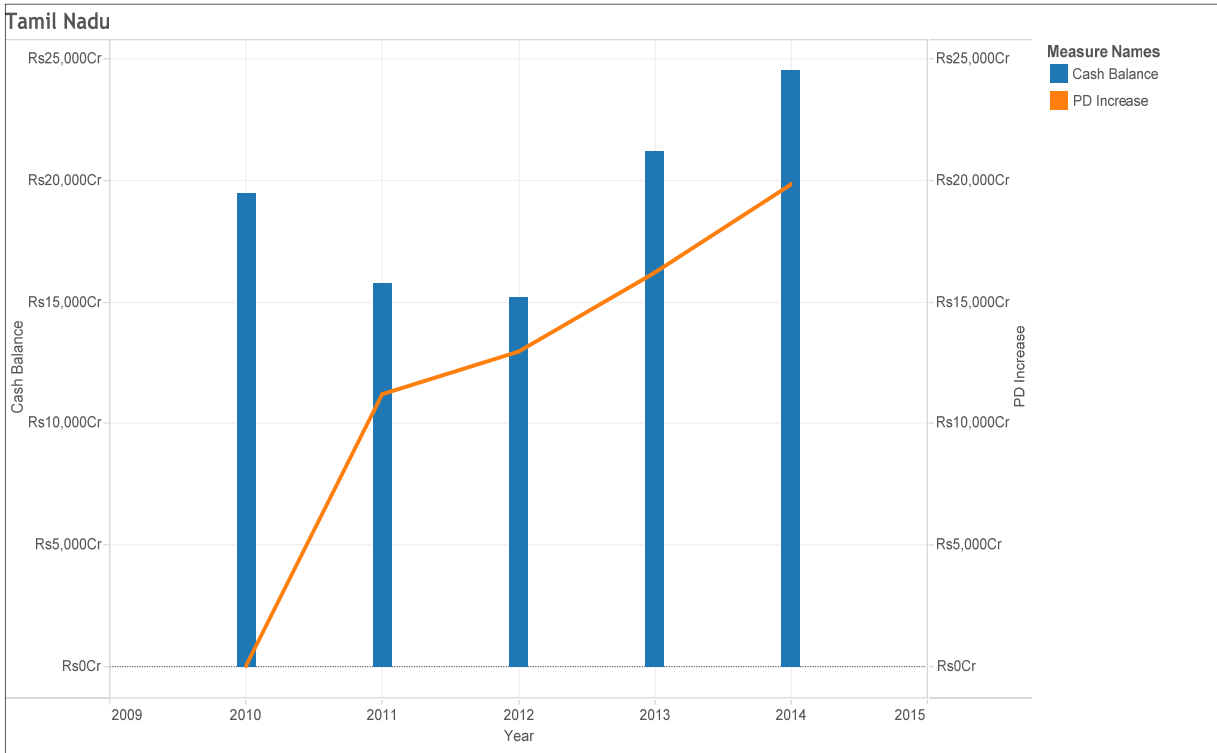
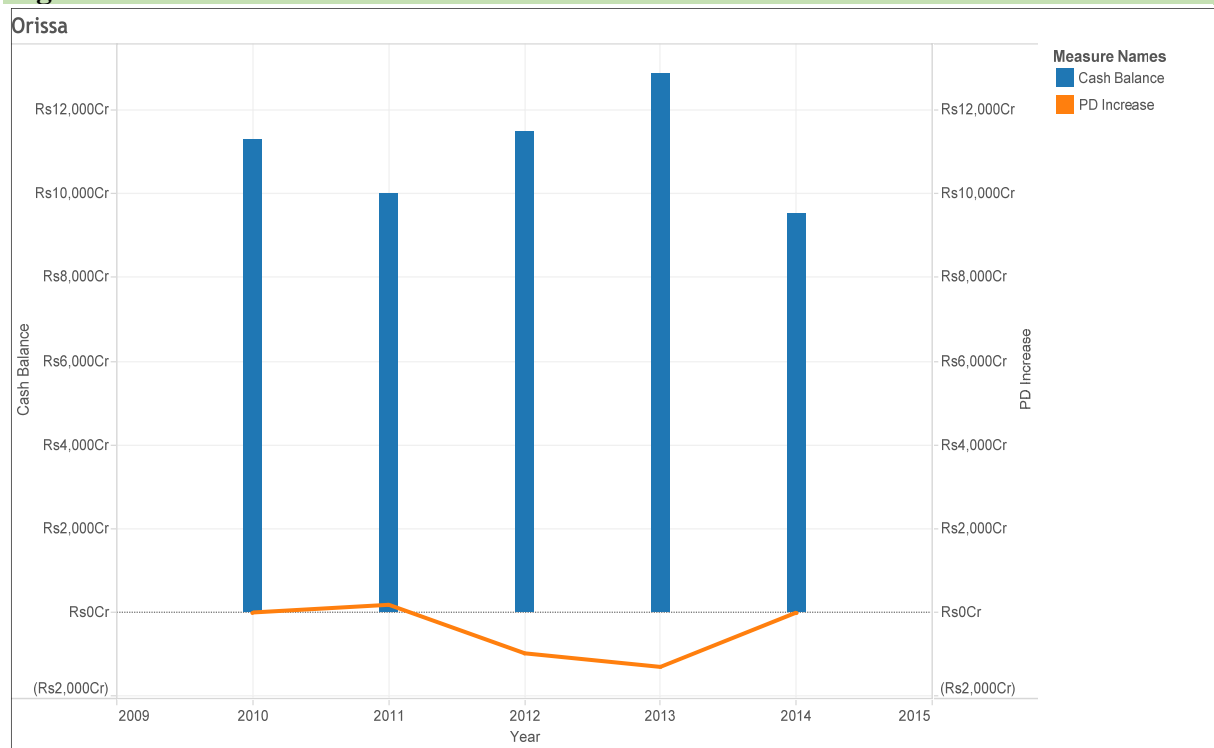


Figure 4.37: Odisha**Figure 4.38: Assam**