



**COMBINED FINANCE AND REVENUE  
ACCOUNTS OF THE  
UNION AND STATE GOVERNMENTS  
IN INDIA  
FOR THE YEAR 2014-15**

**OVERVIEW**

**Comptroller and Auditor General of India**

**Date: 01 March 2017**

**Place: New Delhi**

# Foreword

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

The Combined Finance and Revenue Accounts is a unique document that incorporates comparable information relating to the accounts of the Union and all the States for a year, together with their balances and outstanding liabilities and other information relating to the financial health of the Union and the States. This compilation is based mainly on the figures contained in the respective Finance Accounts of the Governments concerned for the year 2014-15.



**(Shashi Kant Sharma)**

**Comptroller & Auditor General of India**

**Date: 01 March 2017**

**Place: New Delhi**

## **ABBREVIATIONS**

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

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## **Combined Finance and Revenue Accounts of the Union and State Governments in India for the year 2014-15**

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### **Introductory**

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

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

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

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

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

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

1.6 Chapter 3 deals with management of fiscal imbalances where trend of Revenue Deficit and Fiscal Deficit of the Union and States during 2009-10 to 2014-15 have been examined. Composition of fiscal deficit and sources of borrowing by the Union and States have also been looked into. In the backdrop of the fact that almost all states have passed Financial Responsibility Legislation, their fiscal consolidation efforts and whether they are on course to achieve the FRBM targets and sustain their fiscal consolidation in the long run have been examined.

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

## 2. Main Divisions of Accounts: -

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

### Part-I Consolidated Fund

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

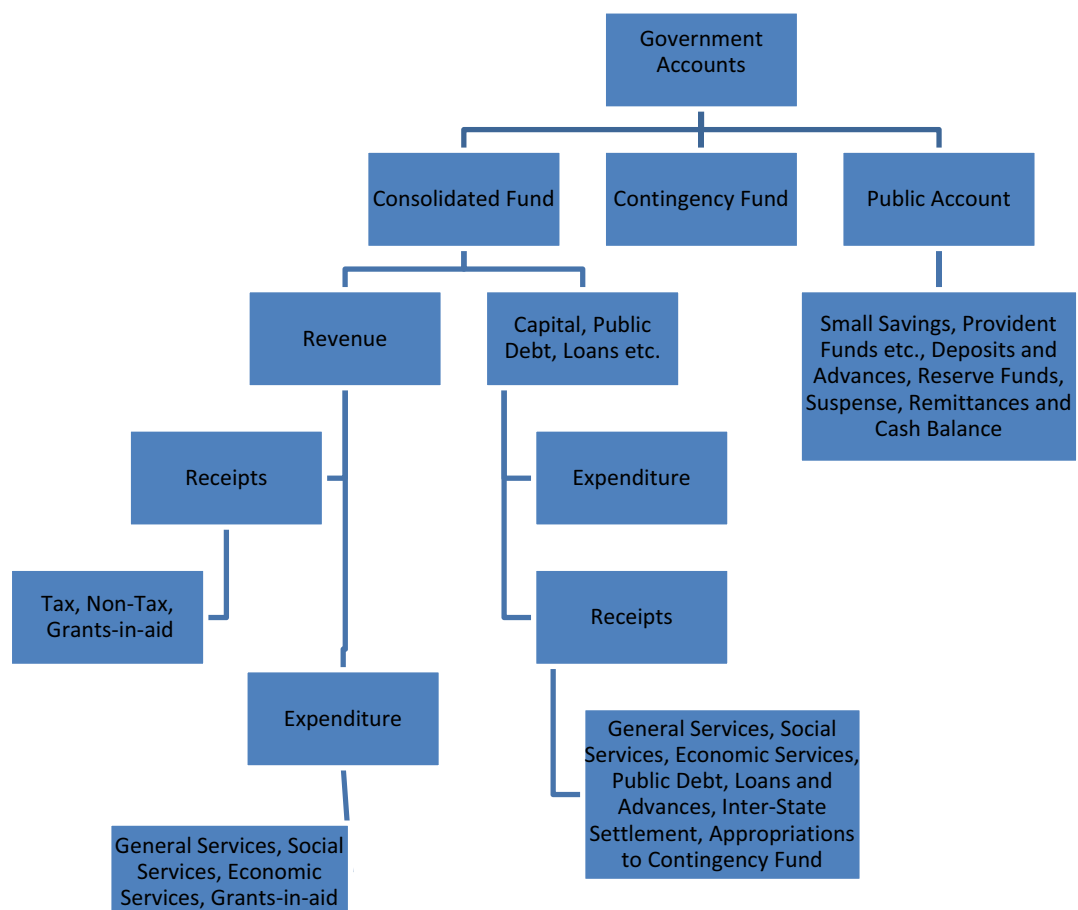
### Part-II Contingency Fund

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

### Part-III Public Account

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

**Figure 1: Pictorial Representation of Structure of Government Accounts**





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

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

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

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

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

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

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

such transactions as remittances of cash between treasuries and currency chests, account between different accounting circles, etc. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments either within the same circle of account or in another account circle.

### **3. Sectors and Heads of Accounts: -**

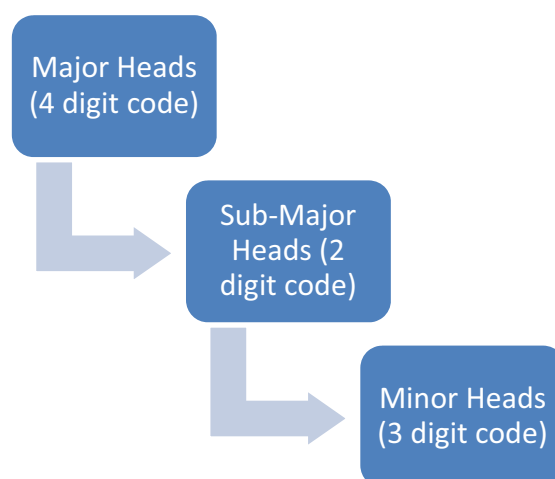
3.1 Within each section in Part I mentioned above, the transactions are grouped into sectors such as 'Tax Revenue', 'Non-Tax Revenue' and Grants-in-aid and Contributions, for the receipt heads (Revenue Account) and 'General Services', 'Social Services', 'Economic Services' and 'Grant-in-aid and contributions'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

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

3.3 The major heads of accounts, falling within the sectors for expenditure heads, generally correspond to functions of Government, while the minor heads,

subordinate to them, identify the programmes undertaken to achieve the objectives of the function represented by the major head. The sub-head represents scheme, the detailed head, the sub-scheme and object head, the object level of classification.

#### 4. Coding Pattern



#### Major Heads

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

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

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

### **Sub-Major Heads**

4.4 A two-digit code has been allotted, the code starting from '01' under each major head. Where no sub-major head exists, it is allotted a code '00'. Nomenclature 'General' has been allotted Code '80' so that even after further sub-major heads is introduced; the Code for 'General' will continue to remain the last one.

### **Minor Heads**

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

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

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

of undertakings are therefore, maintained outside the regular accounts in proper commercial form and are not included in this compilation.

4.8 In this compilation a specified pattern has been adopted according to which an account No. by itself say No. 25 relates to receipts under that head. If suffixed by 'A' (No.25A) it relates to expenditure under that head, if suffixed by 'B' (No. 25B) it relates to capital outlay and lastly if by 'C' (No. 25 C) it relates to loans.

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

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

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

### **Assets and Liabilities**

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

<b>Assets</b>
<ul style="list-style-type: none"> <li>• Capital Expenditure</li> <li>• Loans and Advances</li> <li>• Cash Balance</li> <li>• Investment</li> </ul>

<b>Liabilities</b>
<ul style="list-style-type: none"> <li>• Internal Debt</li> <li>• External Debt</li> <li>• Loans from Central Govt (in case of State Governments)</li> <li>• Small Savings</li> <li>• Reserve Funds</li> <li>• Other Deposits</li> </ul>

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

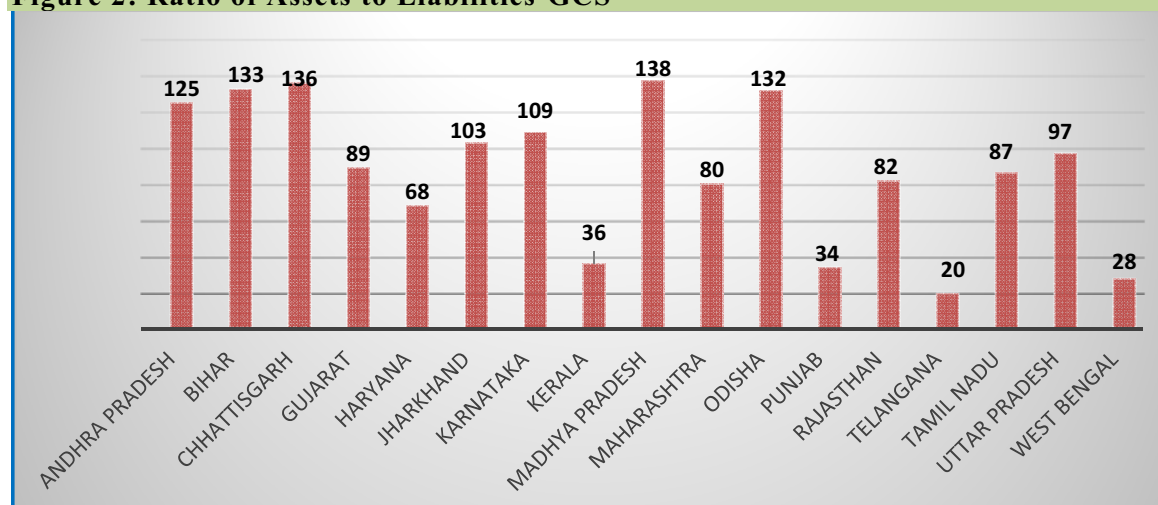
**Table 1: Assets and Liabilities and the Statement of Balances**  
(position as on 31<sup>st</sup> March 2015)

(Rs in crore)					
Assets	Union	States	Liabilities	Union	States
<b>Cash</b>	<b>172161.77</b>	<b>193852.13</b>	<b>Borrowings (Public Debt)</b>	<b>4935804.80</b>	<b>2022462.17</b>
Cash in treasuries and local Remittances	6.65	444.71	Internal Debt	4738291.03	1876074.24
Departmental Balance	5115.19	1285.35	External Loans	197513.77	0.00
Permanent Cash Imprest	76.37	364.49	<b>Loans and Advances from Central Government</b>	<b>0.00</b>	<b>146387.93</b>
Cash Balance Investments	157183.37	114252.20	Non Plan Loans	0.00	2963.51
			Pre 1984-85 Loans	0.00	0.07
Deposits with Reserve Bank of India	9780.19	9391.52	Loans for State Plan Scheme	0.00	143059.68
Investment from Earmarked Funds	0.00	86896.90	Loans for Central Plan Schemes	0.00	-0.11
<b>Capital Expenditure</b>	<b>1662780.41</b>	<b>2996804.56</b>	Loans for Central sponsored Plan Schemes	0.00	69.63
			Other Loans	0.00	295.16
			<b>Inter State Settlement</b>	<b>0.00</b>	<b>74.01</b>
			<b>Contingency Fund (corpus)</b>	<b>500.00</b>	<b>6487.50</b>
<b>Contingency Fund (Un recouped)</b>	<b>0.00</b>	<b>596.50</b>	<b>Liabilities on Public Account</b>	<b>871990.10</b>	<b>825865.34</b>
<b>Loans and Advances</b>	<b>256644.29</b>	<b>228598.01</b>	Small Savings, Provident Fund etc	482152.76	332319.43
<b>Advances with departmental officers</b>	<b>1814.66</b>	<b>3529.83</b>	Deposits	151590.53	271385.82
<b>Suspense and Miscellaneous Balances</b>	<b>158004.99</b>	<b>7694.83</b>	Reserve Funds	35451.77	172309.82
<b>Remittances</b>	<b>0.00</b>	<b>7551.52</b>	Remittances Balances	7050.20	13489.14
			Misc. Capital Receipts	37739.85	1145.54
			Suspense and Miscellaneous Balances	0.00	35215.59
<b>Total</b>	<b>2251406.12</b>	<b>2448627.38</b>	<b>Total</b>	<b>5808294.90</b>	<b>2854889.02</b>
Cumulative Excess of Liabilities over Assets	3556888.78	641227.80	Cumulative Excess of Assets over Liabilities	0.00	234966.16
<b>Total</b>	<b>5808294.90</b>	<b>3089855.18</b>	<b>Total</b>	<b>5808294.90</b>	<b>3089855.18</b>

5.2 Ratio of assets to liabilities of the Union and States was 54.3 per cent ( 38.8 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.

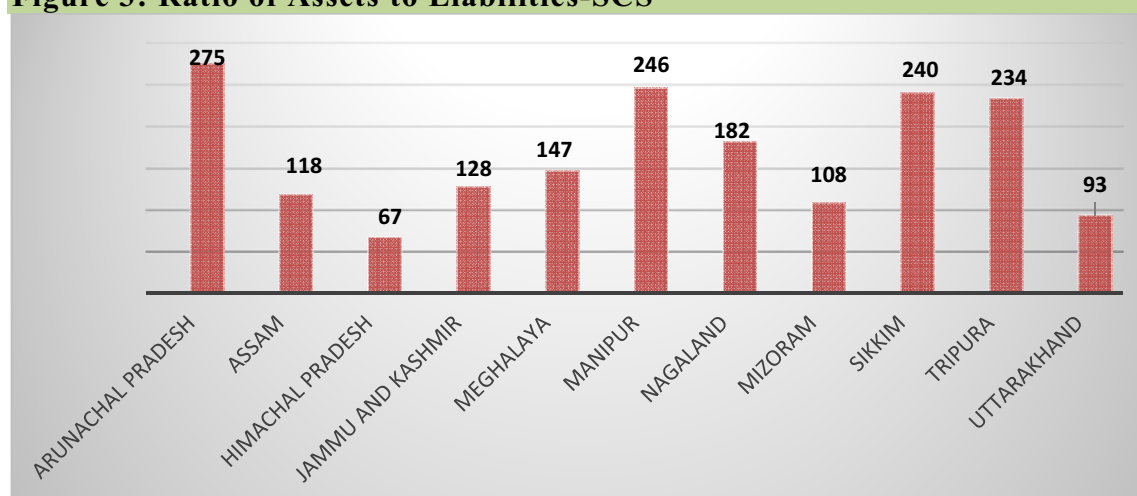
5.3A lower ratio of assets to liabilities is indicative of the extent of erosion of resources of these entities and inadequacy of their assets backup.

**Figure 2: Ratio of Assets to Liabilities-GCS**



5.4 The ratio of assets to liabilities in respect of six general category states was more than 100 per cent, namely Andhra Pradesh (for the period from 2 June, 2014 to 31 March, 2015), 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, Telangana and West Bengal.

**Figure 3: Ratio of Assets to Liabilities-SCS**



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

5.6 While the ‘balance sheet’ or summary of balances is the accumulated position as on 31 March 2015 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

*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 (2014-15)**

(Rs in crore)

	Union	States	Combined
Tax Receipts	907327.30 (net of share assigned to states)	746043.92	1653371.22
Non-tax Receipts	419981.78	134948.65	554930.43
Grants-in-aid	1599.88	323120	324719.88
Share of Central Taxes (for states)	0	328795.55	328795.55
<b>Total Revenue Receipts</b>	<b>1328908.96</b>	<b>1532908.12</b>	<b>2861817.08</b>
<b>Capital Receipts</b>	<b>37739.85</b>	<b>1145.53</b>	<b>38885.38</b>

### Resources of the Union Government

1.1 Resources of the Union government consist of revenue receipts and capital receipts. Table 1.2 presents a summary of total receipts of the Union government which amounted to Rs. 5876808.12crore for the year 2014-15. Union government's own receipts were Rs. 1731004.84crore, constituting 29.5 percent of the total receipts. The remaining 70.5 percent of receipts came through borrowings.

**TABLE 1.2 : Resources of the Union Government**

(Rs in crore)

I. Revenue Receipts (Gross)		<b>1666718.29</b>
State share		1328908.96
Net Revenue Receipts		
II. Capital Receipts		<b>4282482.85</b>
a. Miscellaneous Receipts	37739.85	
b. Recovery of Loans and Advances	26546.7	
c. Debt Receipts	4218196.3	
III. Public Account Receipts (Net)		<b>(-)72393.02</b>
Total Receipts <sup>1</sup>		<b>5876808.12</b>

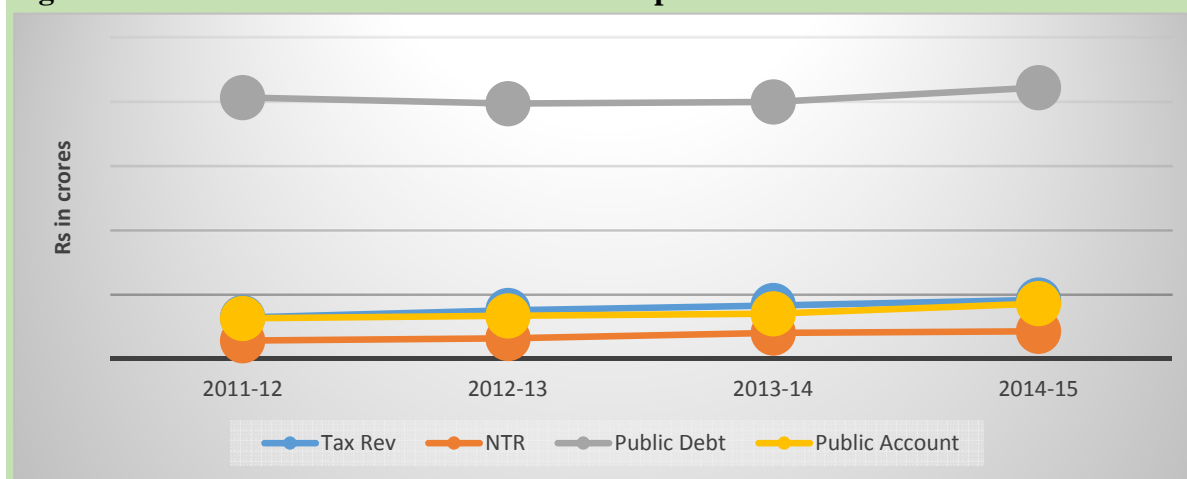
<sup>1</sup>Includes tax share of States

## 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 declined from 14.2 percent of GDP in 2009-10 to 13.3 percent of the GDP in 2014-15. Growth in 2014-15 over the previous year was around 8.5 percent. Annual growth rate of gross revenue receipts was lowest at 1.2 percent in 2011-12 primarily due to fall in non- tax revenue receipts during that year.

**Figure 1.1: Union Government Finances: Receipts**



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

**Table 1.3: Revenue Receipts: Gross and Net (Rs in crore)**

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

1.5 Net tax revenue to GDP rose marginally from 7.5 percent to 7.8 percent during 2009-10 to 2013-14 and then declined to 7.3 percent in 2014-15. There was a decline in non-tax revenues relative to the GDP from 4 percent in 2009-10 to 3.4 percent in 2014-15.

### **Tax Revenue: Direct and Indirect**

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

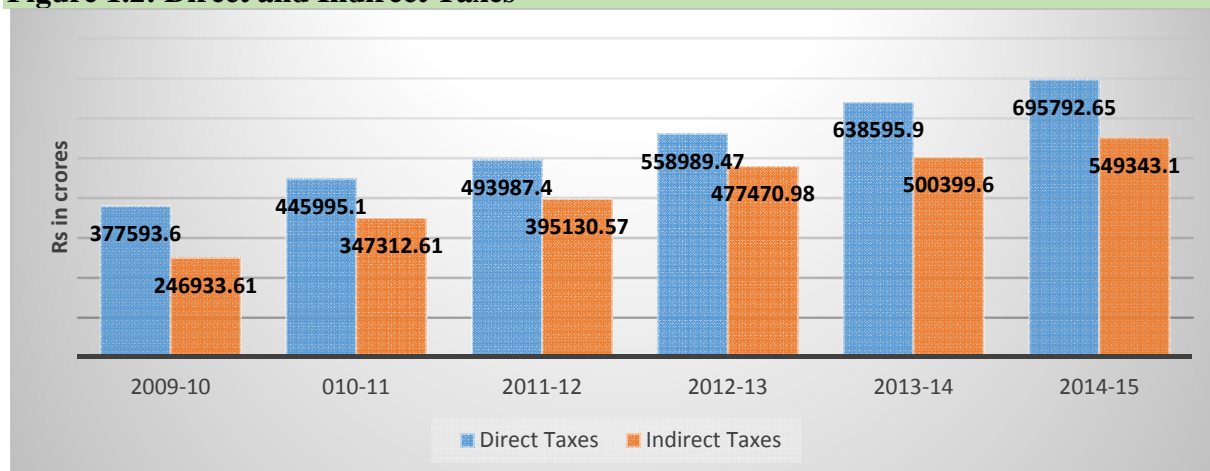
**Table 1.4: Direct and Indirect Taxes**

*(Rs in crore)*

Year	Direct taxes	% growth over previous year	Direct taxes as % to Gross tax receipts	Indirect taxes	% growth over previous year	Indirect taxes as % to Gross tax receipts	Total Gross tax	% growth over previous year
<b>2009-10</b>	377593.6		61.6	246933.61		40.3	613020.73	
<b>2010-11</b>	445995.1	18.1	56.9	347312.61	40.7	44.3	783847.76	27.9
<b>2011-12</b>	493987.4	10.8	56.1	395130.57	13.8	44.9	880802.19	12.4
<b>2012-13</b>	558989.5	13.2	54.3	477470.98	20.8	46.4	1028741.9	16.8
<b>2013-14</b>	638595.9	14.2	56.5	500399.6	4.8	44.2	1130905.61	9.9
<b>2014-15</b>	695792.65	9.0	55.9	549343.10	9.8	44.1	1245135.75	9.3

1.7 Direct taxes as percentage of gross tax receipts declined from 61.6 percent in 2009-10 to about 55.9 percent in 2014-15. Share of indirect taxes in gross tax receipts on the other hand registered an increase of 3.8 percentage points during the same period. Although gross tax receipts 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 percent, increased to 16.8 percent in 2012-13 before declining to 9.9 percent in 2013-14 and further to 9.3 percent in 2014-15.

1.8 Indirect taxes accounted for around 44.1 percent of the gross revenue receipts in 2014-15. Contribution of direct taxes was around 55.9 percent.

**Figure 1.2: Direct and Indirect Taxes****Major Taxes: Relative Performance**

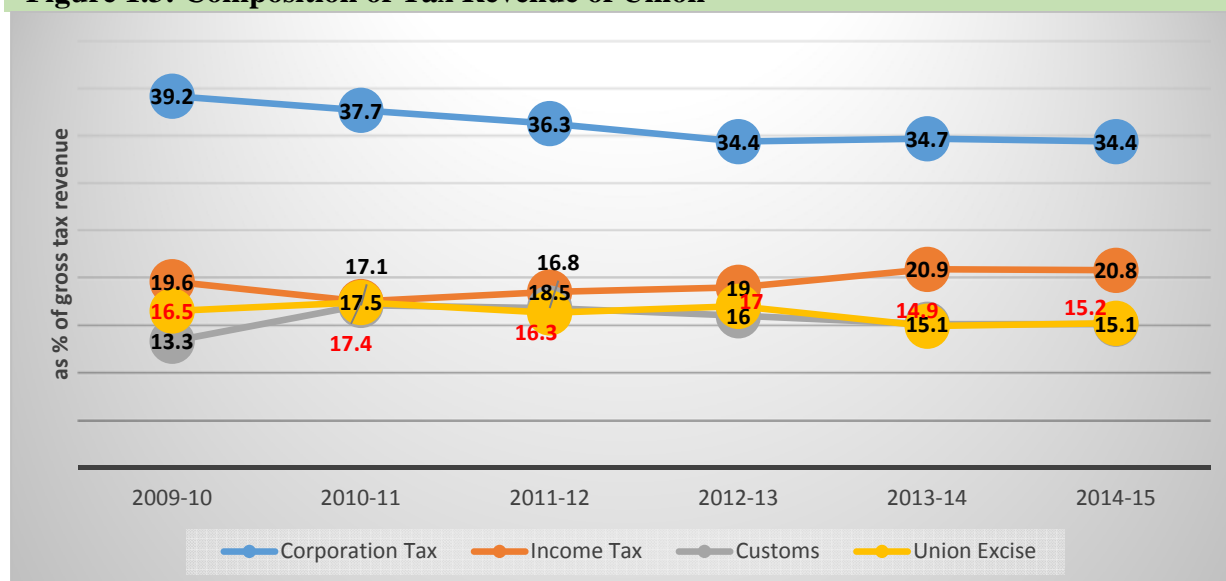
1.9 The relative importance of different taxes in the overall tax profile has not changed significantly during this period as shown in Table 1.5. Corporation tax was the biggest contributor to gross tax receipts of the Union amongst the major taxes with personal income tax being next in order. However share of corporation tax in gross tax receipts has declined from 39.2 percent in 2009-10 to 34.4 percent in 2014-15. There has been a rise in share of income tax in gross tax receipts from 19.6 percent in 2009-10 to 20.8 percent in 2014-15. While share of Union excise duties fell by 1.3 percentage points relative to the gross tax receipts, share of customs duties increased by 1.8 percentage points and service tax showed a rise of 4.1 percentage points during this period.

**Table 1.5 (A) : Components of Tax Revenue***(Rs in crore)*

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

**Table 1.5 (B): Components of Tax Revenue as percent of gross tax receipts***(Rs in crore)*

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

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

	<i>Percent Per Annum</i>					
	Corporation Tax	Income Tax	Customs	Union Excise	Service Tax	Other Taxes
2010-11	22.1	13.6	63.0	33.7	21.6	-13.1
2011-12	8.1	18.3	10.0	5.2	37.3	-8.6
2012-13	10.4	19.6	10.7	21.4	36.0	-5.4
2013-14	10.8	20.8	4.1	-3.6	16.7	6.6
2014-15	8.7	8.6	9.3	11.6	8.5	26.5
<b>TGR</b>	<b>11.3</b>	<b>17.1</b>	<b>15.0</b>	<b>11.6</b>	<b>25.4</b>	<b>-0.7</b>

1.10 The annual growth rates of individual taxes also showed wide variations. During the period 2009-10 to 2014-15 Service tax recorded the highest trend growth rate at 25.4 percent. Income tax recorded a Trend Growth Rate (TGR) of 17.1 percent, whereas customs duties had TGR of about 15 percent while corporation tax recorded the lowest TGR at 11.3 percent.

### Non-Tax Revenues (NTR):

1.11 In absolute terms, the non-tax revenues increased from Rs3,93,410.26 crore in 2013-14 to Rs 4,19,981.76 crore in 2014-15 registering an increase of 6.8 percent. However there was a marginal decline in the share of non-tax revenue relative to GDP from 3.8 percent in 2013-14 to 3.4 percent in 2014-15. Major components of non-tax revenue, which registered an increase over the previous year, were railway lines (Rs 17,127.62 crore), and postal (Rs 905.56 crore). Table 6 shows non-tax revenue of the Union during 2009-10 to 2014-15 as well as share of various components in total NTR during this period.

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

	Interest Receipts	Dividends & Profits	Misc. General Services	Power	Railway Lines Commercial	Postal	Petroleum	Police	Grant s-in-aid	Others	Total NTR
2009-10	35849.38 (14.8)	50249.78 (20.8)	10093.27 (4.2)	2782.5 (1.2)	86180.31 (35.7)	6266.70 (2.6)	10331.19 (4.3)	2736.12 (1.1)	3141.45 (1.3)	49687.15 (13.8)	<b>241685.91</b>
2010-11	35298.92 (9.9)	47992.68 (13.5)	10323.45 (2.9)	3134.43 (0.9)	93792.28 (26.3)	6262.33 (2.0)	9026.43 (2.5)	2886.37 (0.8)	2672.69 (0.8)	158269.8 5 (40.6)	<b>356008.37</b>
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)	<b>273610.46</b>
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)	<b>308666.38</b>
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)	<b>393410.26</b>
2014-15	48007.25 (11.4)	89860.70 (21.4)	14998.54 (3.6)	4101.62 (1.0)	155904.05 (37.1)	11635.98 (2.8)	14480.07 (3.4)	4825.76 (1.1)	1599.88 (0.4)	76167.81 (18.1)	<b>419981.78</b>
TGR	7.4	20.1	9.9	6.7	14	16.7	13	13.6	(-)7.9	(-) 9.4	

\*Figures in parentheses indicate share in total NTR

1.12 Receipts from dividends & profits and railway commercial lines over the six year period registered trend growth rates of 20.1 and 14 percent respectively. The TGR in the case of receipts from postal and petroleum stood at 16.7 percent and 13 percent respectively.

1.13 The composition of non-tax revenues shows that receipts from dividends and profit and receipts from railway lines (commercial) together accounted for 58.5 percent of total non-tax revenues during 2014-15. During the period 2009-10 to 2014-15 while the share of interest receipts decreased from 14.8 to 11.4 percent, 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 35.3 percent and 37.1 percent in 2013-14 and 2014-15 respectively. The contribution of dividend and profit as a source of non-tax revenues has declined in 2014-15 as compared to the previous year. Share of receipts from petroleum has also declined in 2014-15 as compared to 2013-14.

### Capital Receipts

1.14 Capital receipts consist of miscellaneous capital receipts and debt receipts (internal and external). Miscellaneous capital receipts are on account of partial disinvestments of central

government holding in the equity capital of selected public sector enterprises. Share of capital receipts has been low, accounting for less than 0.5 percent of GDP during this period.

**Table 1.8 : Share of Capital Receipts in GDP**

Year	Capital Receipts	As % of GDP
2009-10	24581.43	0.4
2010-11	22846.07	0.3
2011-12	18087.63	0.2
2012-13	25889.80	0.3
2013-14	29367.89	0.3
2014-15	37739.85	0.3

## Resources of States

### Composition of Gross Receipts of States

1.15 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**

(Rs in crore)

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

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

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



The following table gives the TGR of revenue receipts of states during the period 2009-10 to 2014-15.

**Table 1.10 (A) : Trend Growth Rates of Revenue Receipts (2009-10 to 2014-15):GCS**

Andhra Pradesh <sup>2</sup>	8.12
Bihar	16.74
Chhattisgarh	14.89
Gujarat	16.71
Haryana	14.07
Jharkhand	15.93
Karnataka	19.31
Kerala	17.09
Madhya Pradesh	15.56
Maharashtra	13.47
Odisha	15.65
Punjab	11.31
Rajasthan	19.90
Tamil Nadu	16.57
Uttar Pradesh	14.80
West Bengal	17.71
<b>GCS average</b>	<b>15.23</b>

**Table 1.10 (A) : Trend Growth Rates of Revenue Receipts (2009-10 to 2014-15): SCS**

Arunachal Pradesh	12.21
Assam	13.34
Himachal Pradesh	10.30
Jammu and Kashmir	9.40
Manipur	14.35
Meghalaya	13.55
Mizoram	14.73
Nagaland	13.71
Sikkim	7.90
Tripura	15.26
Uttarakhand	15.79
<b>SCS Average</b>	<b>12.44</b>

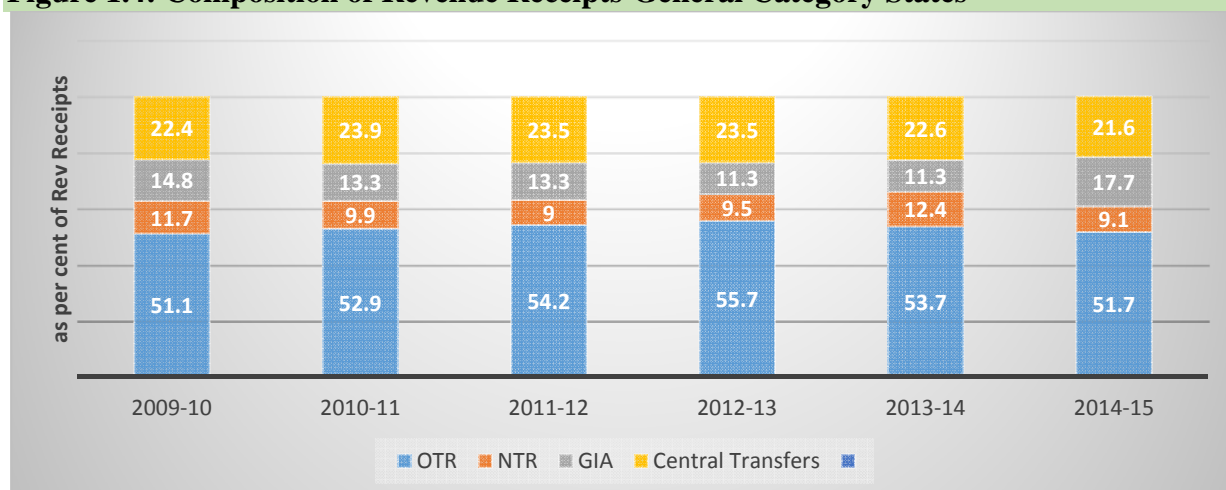
1.18 Rajasthan, Karnataka, and West Bengal have shown highest TGR of revenue receipts over the past five years amongst the GCS. Amongst the SCS, Uttarakhand, Tripura, and Mizoram have shown highest TGRs.

<sup>2</sup> The financial year 2014-15 for the successor State of Andhra Pradesh is from 2 June, 2014 to 31 , March, 2015.

## Composition of Revenue Receipts

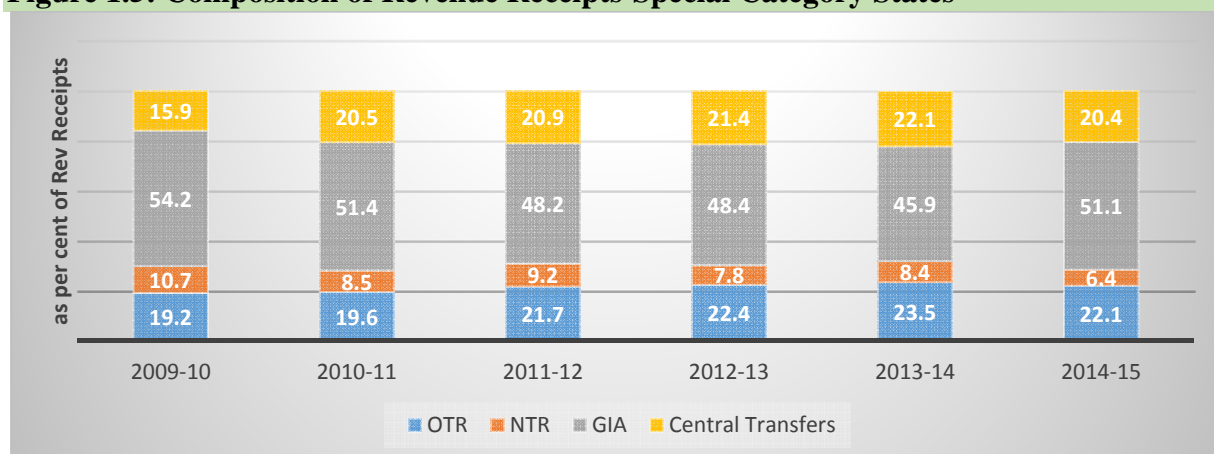
1.19 The following graphs show composition of revenue receipts for GCS and SCS over the last six years. In case of GCS tax revenue comprise bulk of revenue receipts ranging from 51.1 percent of total revenue receipts in 2009-10 to 55.7 percent in 2012-13 and 51.7 percent of total revenue receipts in 2014-15. Share of Grants-in-aid has varied from 11.3 percent in 2012-13 and 2013-14 to 17.7 percent in 2014-15.

**Figure 1.4: Composition of Revenue Receipts-General Category States**



1.20 The relative share of the components of revenue receipts are different in SCS. Here the share of states' own tax revenue has risen from 19.2 percent of total revenue receipts in 2009-10 to 23.5 percent in 2013-14 and 22.1 percent in 2014-15. 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 46 percent in 2013-14 before rising to 51.1 percent in 2014-15.

**Figure 1.5: Composition of Revenue Receipts-Special Category States**



1.21 As can be seen in Table 1.11 (A), 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 percent of GSDP in 2009-10 to 8.1 percent of GSDP in

2014-15. In contrast gross debt receipts of GCS have shown a steady decline from 22.7 percent of GSDP in 2009-10 to 18.7 percent in 2014-15.

1.22 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 most central transfers by way of grant. Debt of SCS has shown a steady decline from 5.5 percent of GSDP in 2009-10 to 4.1 percent in 2014-15 as seen in Table 1.11 (B) below.

**Table 1.11 (A): States' Own Receipts and Gross Debt Receipts: General Category States**

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

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

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

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

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

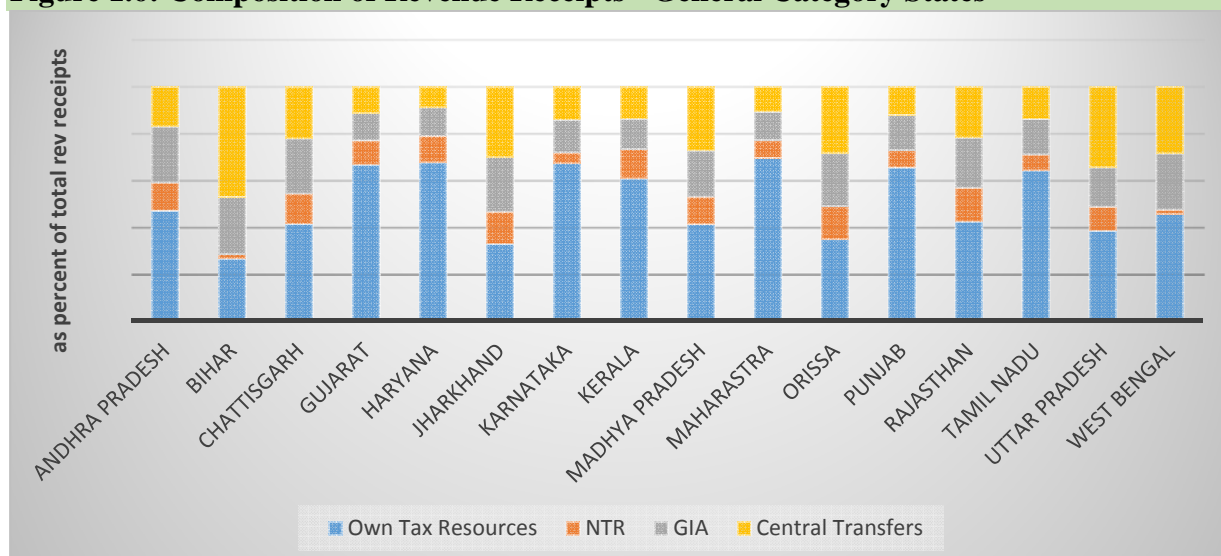
1.23 Bulk of revenue receipts of SCS comprise grants-in-aid from centre. In 2014-15 out of total central grants of Rs323120 crores to States, Rs79596.31crores (around 24.6 percent) went to Special Category States. Share of individual states were as follows:

**Table 1.12: Grants-in-Aid**

Sl. No.	State	Amount (Rs in crores)	Percent of total Grant-in-aid
1	Arunachal Pradesh	7106.27	2.2
2	Assam	14035.08	4.3
3	HP	7177.67	2.2
4	J & K	16149.36	5.0
5	Manipur	5770.82	1.8
6	Meghalaya	3764.08	1.2
7	Mizoram	4091.95	1.3
8	Nagaland	5929.04	1.8
9	Sikkim	2427.00	0.8
10	Tripura	6139.70	1.9
11	Uttarakhand	7005.34	2.2

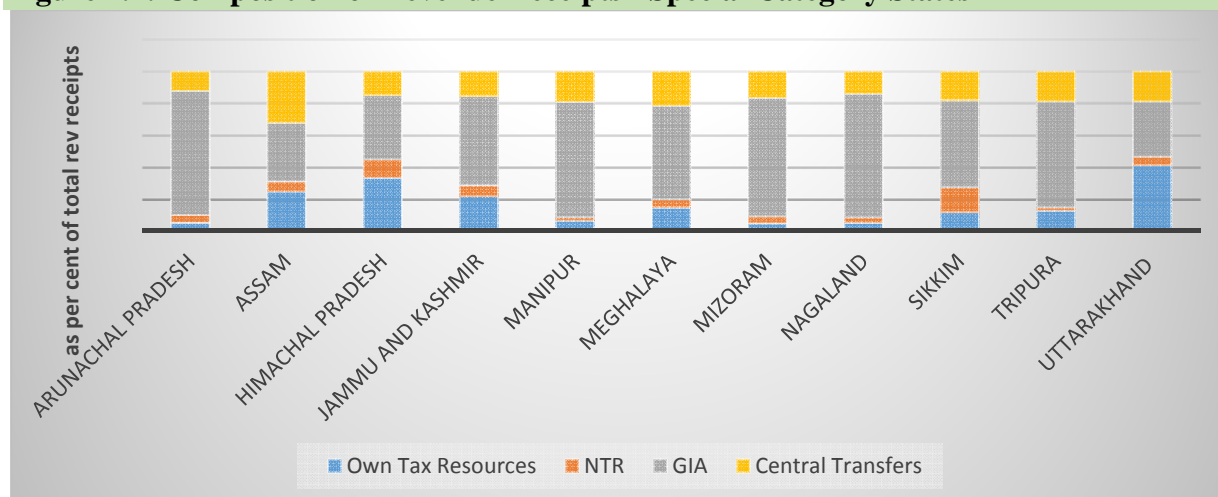
1.24 There were wide variations in the composition of revenue receipts amongst States. In 2014-15 amongst GCS, states' own tax receipts (OTR) contributed a sizeable share of total revenue receipts in Maharashtra (69.6percent), Haryana (67.7percent), Karnataka (67.4 percent), Gujarat (66.7percent), Punjab (65.5percent) and Tamil Nadu (64.3 percent). Contribution of OTR was low in Bihar (26.5percent), Jharkhand (32.8 percent), Odisha (34.8 percent) and Uttar Pradesh (38.4percent). The next important contributor of revenue receipts of GCS was share of Union Taxes. Contribution of this component varied from 8.7 percent as in case of Haryana to as high as 47.1 percent in case of Bihar. Only around 10 to 12 percent of revenue receipts of GCS came from non-tax receipts (NTR). In West Bengal and Bihar share of NTR was as low as 1.88 and 1.99 percent respectively. In Karnataka and Punjab share of NTR in total revenue receipts was 4.5 percent and 7.4 percent respectively.

**Figure 1.6: Composition of Revenue Receipts - General Category States**



1.25 In case of SCS, grants in aid comprised 77.8 percent of revenue receipts in Arunachal Pradesh, 77.5 percent in Nagaland, 74.3 percent in Mizoram, 72.15 percent in Manipur and 66.5 percent in Tripura. OTR contributed less than 10 percent of revenue receipts in Nagaland, Mizoram, Manipur and Arunachal Pradesh. In Uttarakhand and Himachal Pradesh OTR contributed 41.8 percent and 33.3 percent respectively of revenue receipts. In Assam 32.2 percent 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.

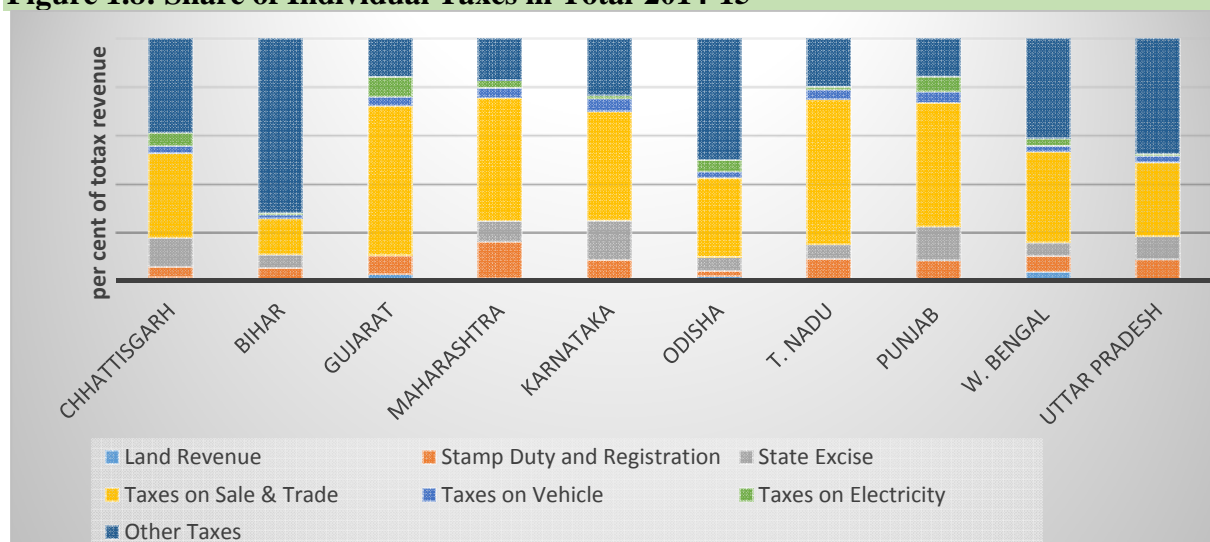
**Figure 1.7: Composition of Revenue Receipts - Special Category States**



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

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

1.27 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 govts. 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 percent). In Tamil Nadu, contribution of sales tax was as high as 72.6 percent, while that of stamp duty and registration fees was around 11 percent. 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-2014-15**

### Mobilisation of OTR

1.28 The average trend growth rate of states' OTR for GCS was 15.7. Bihar, West Bengal and Tamil Nadu have been the top performers in OTR mobilisation, while, Kerala and Maharashtra are the worst performers. TGR of Kerala, Maharashtra, and Punjab in OTR mobilisation has been below the group average.

**Table 1.13 (A): Own Tax Revenue of GCS**

State	Tax Revenue in 2013-14	Tax Revenue in 2014-15	Growth rate in 2014-15 over 20 13-14	TGR ( 2009-10 to 2014-15)
Andhra Pradesh	64123.54	42568.65	-33.6 <sup>3</sup>	6.3
Bihar	19960.68	20750.23	4.0	22.4
Chhattisgarh	14342.71	15707.26	9.5	17.2
Gujarat	56372.37	61339.81	8.8	17.6
Haryana	25566.60	27634.57	8.1	15.7
Jharkhand	13132.50	10349.81	10.3	18.1
Karnataka	62603.53	70180.21	12.1	17.9
Kerala	31995.01	35232.50	10.1	14.6
MP	33552.16	36567.12	9.0	16.1
Maharashtra	108597.95	115063.90	6.0	14.1
Odisha	16891.59	19828.29	17.4	16.4
Punjab	24079.20	25570.20	6.2	15.4
Rajasthan	33477.70	38672.94	15.5	18.4
Tamil Nadu	73718.11	78656.54	6.7	16.4
Uttar Pradesh	66582.08	74172.42	11.4	16.9
West Bengal	35830.56	39411.98	10.0	19.0
<b>GCS Average</b>				<b>15.7</b>

<sup>3</sup>Financial year 2014-15 for Andhra Pradesh is for 10 months from 2 June 2014 to 31 March 2015.



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

**Table 1.13 (B): Own Tax Revenue of SCS**

State	Tax Revenue in 2013-14	Tax Revenue in 2014-15	Growth rate in 2014-15 over 2013-14	TGR for 2009-10 to 2014-15
Arunachal Pradesh	434.51	462.16	6.4	22.2
Assam	8994.92	9449.81	5.1	13.8
Himachal Pradesh	5120.90	5940.16	16.0	16.4
J&K	6272.74	6333.95	1.0	17.6
Manipur	472.73	516.83	9.3	20.3
Meghalaya	949.30	939.19	-1.1	16.9
Mizoram	229.78	266.52	16.0	20.3
Nagaland	333.39	388.60	16.6	15.7
Sikkim	524.92	527.54	0.5	20.7
Tripura	1073.91	1174.26	9.3	18.0
Uttarakhand	7355.34	8338.47	13.4	18.5
<b>SCS Average</b>				<b>16.6</b>

### **Growth Rate of OTR: Interstate Analysis**

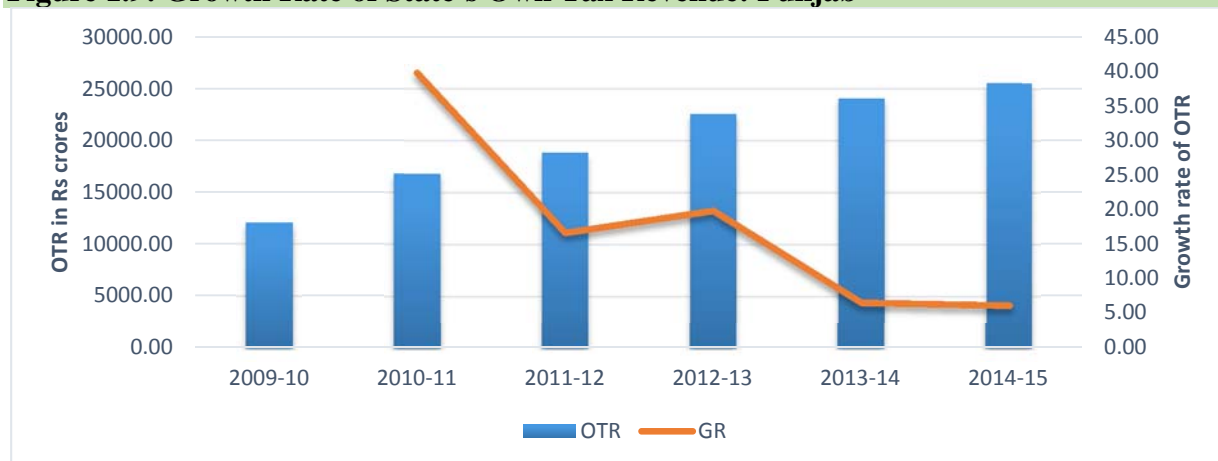
1.30 While OTR of states have increased in absolute terms, the growth rate of OTR has declined since 2010-11 in all States. However in Gujarat, Kerala, Maharashtra, Odisha, Rajasthan, Tamil Nadu, West Bengal, Himachal Pradesh and Tripura the growth rate of OTR has picked up in 2014-15 as compared to 2013-14. Manipur, Arunachal Pradesh, Mizoram and Nagaland have exhibited volatility in growth rate of OTR.

1.31 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.

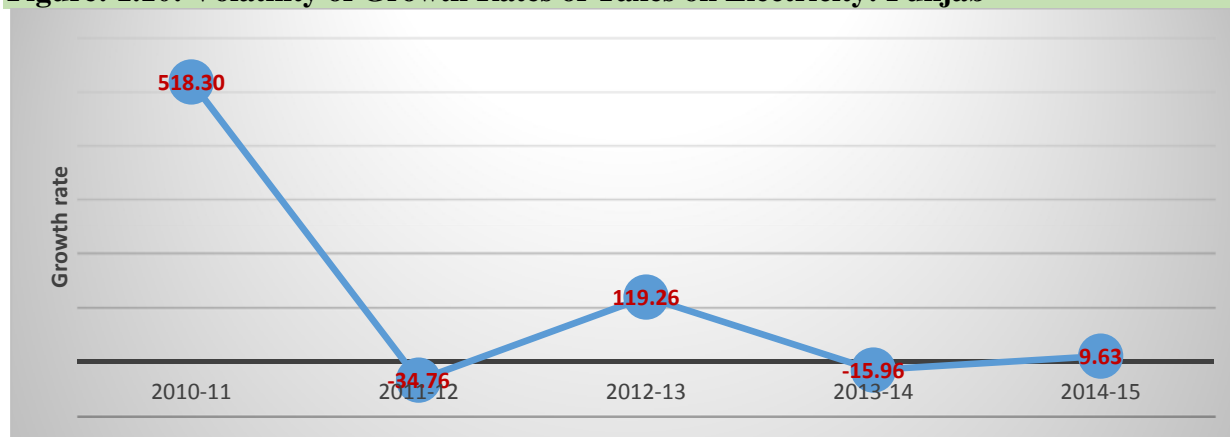
1.32 In **Punjab**, Sikkim and West Bengal growth rate of tax receipts have been volatile. In Punjab there was a fall in growth rate in OTR from 39.77 percent in 2010-11 to 16.7 percent in 2011-12. Thereafter growth rate picked up to 19.89 percent in 2012-13 and then slumped to 6.60 in 2013-14 and 6.19 percent in 2014-15. 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 percent. 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. This increased to Rs 1875.23 crore in 2014-15 which was an increase of 9.6 percent in 2014-15. 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 percent. In the following year the tax rates were increased by about 264.12 percent and then lowered by 40.95 percent in 2013-14 and in 2014-15.

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



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

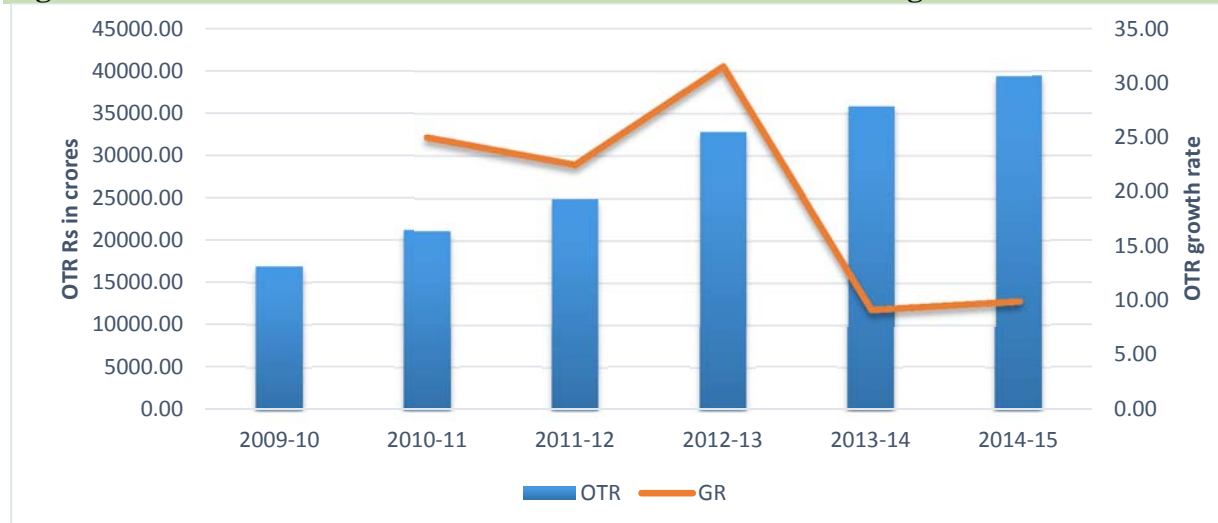


1.33 In **West Bengal** growth rate of OTR declined from 25.02 percent in 2009-10 to 22.5 percent in 2011-12, increased to 31.6 percent in 2012-13 and again dropped to 9.2 percent in 2013-14 and 10 percent in 2014-15. Volatility in growth rate of total tax collections have primarily been owing to fluctuations 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 21 percent in 2011-12. This increased to 59.5 percent in 2012-13 and then registered a decline by 7 percent in 2013-14. There was a marginal increase of 3.5 percent in collections from this source in 2014-15.

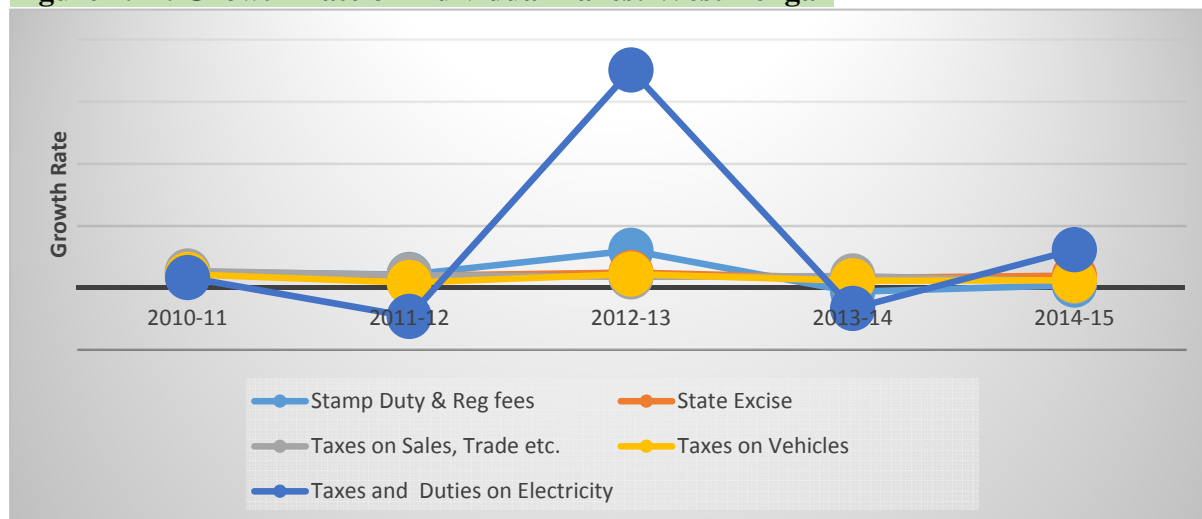


Taxes and duty on electricity increased by 15.7 percent in 2010-11. In 2011-12 there was fall of 47 percent in revenue collections from this source. In 2012-13 collections rose by nearly 350 percent before registering negative growth of 34 percent in the following year. In 2014-15 collections again registered appositve growth rate of 60.5 percent. Collections from this source have fluctuated on account of periodic decisions to waive duty on electricity as part of incentive scheme of Govt of West Bengal.

**Figure: 1.11: Growth Rate of State's Own Tax Revenue: West Bengal**



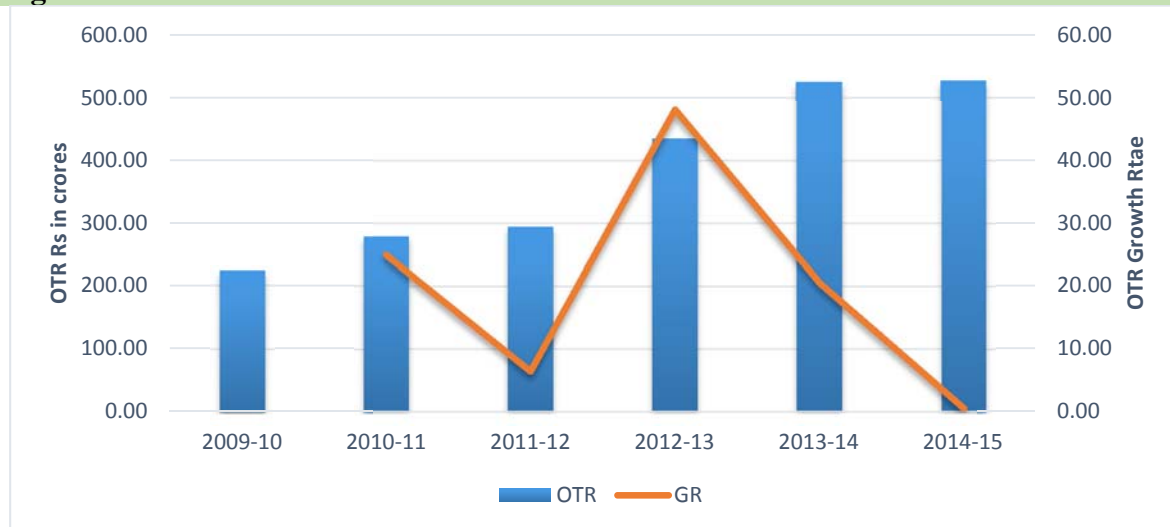
**Figure 1.12: Growth Rate of Individual Taxes: West Bengal**



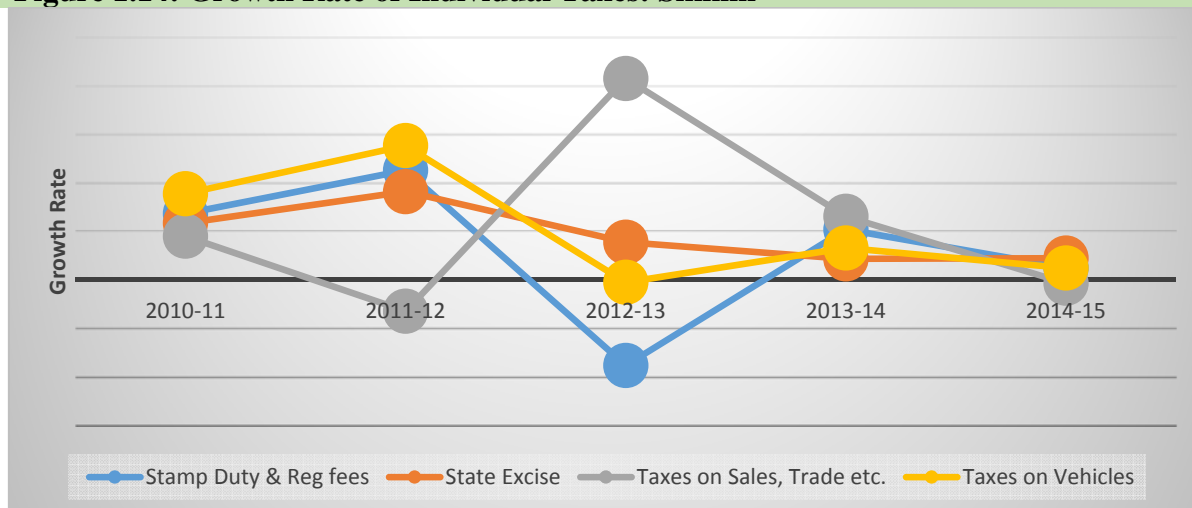
1.34 In **Sikkim** volatility in growth rate of OTR has been on account of fluctuations in growth rates of VAT and stamp duty and registration fees. VAT accounts for nearly 50 percent of tax collections in Sikkim. Collections from VAT grew at 18 percent in 2010-11. In 2011-12 collections from VAT declined by 13 percent. In 2012-13 growth rate again increased by 82.9

percent before declining to 26.1 percent in 2013-14. In 2014-15 there was decline in total collections from VAT by 1.5 percent.

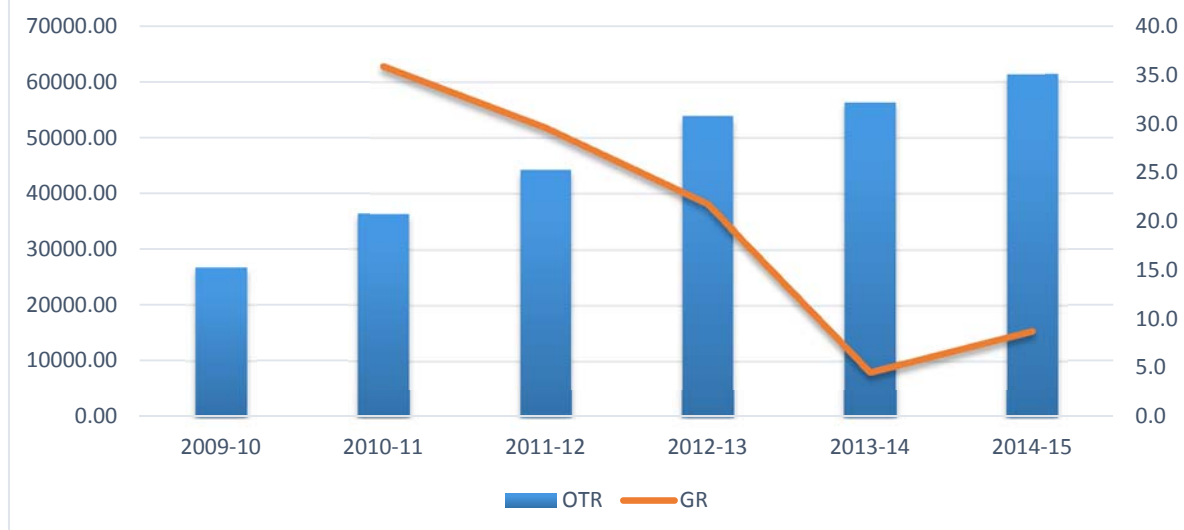
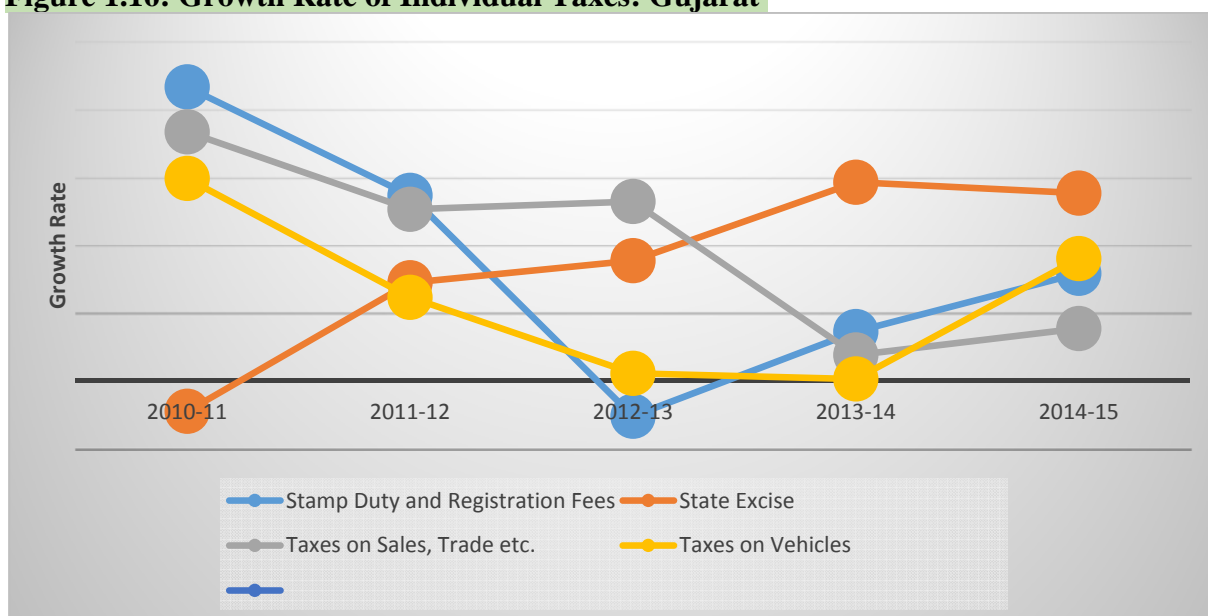
**Figure 1.13: Growth Rate of State's Own Tax Revenue: Sikkim**



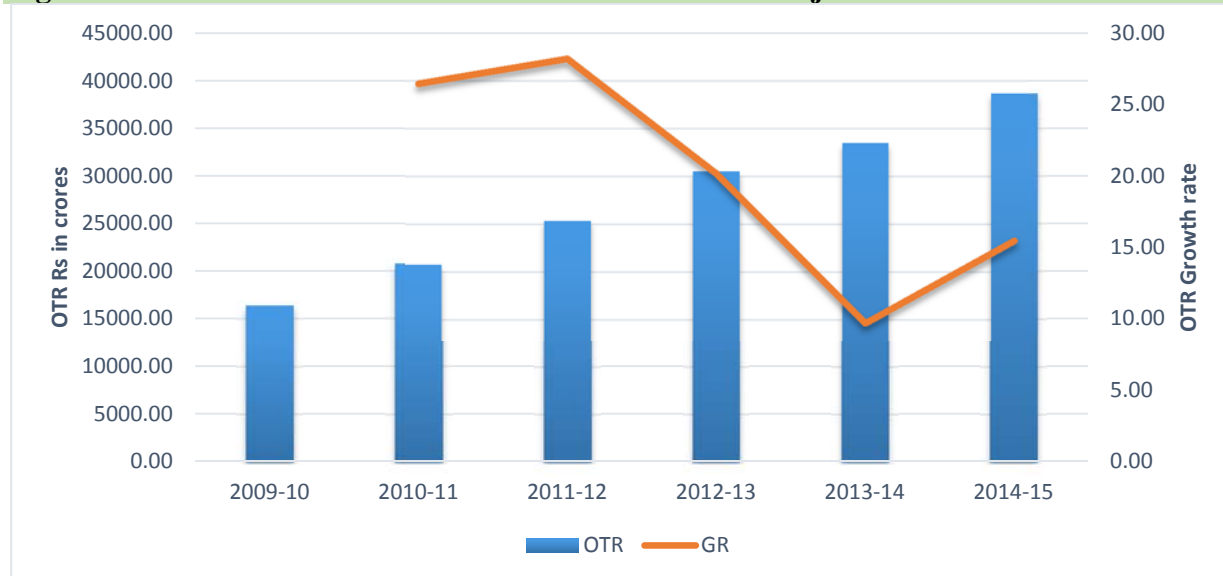
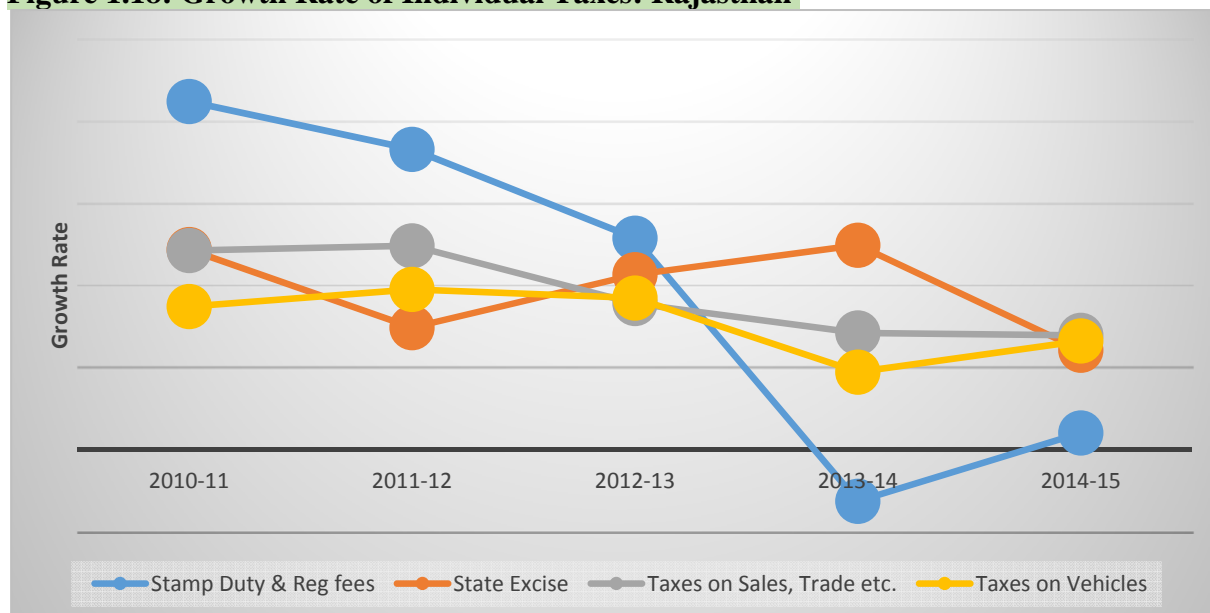
**Figure 1.14: Growth Rate of Individual Taxes: Sikkim**



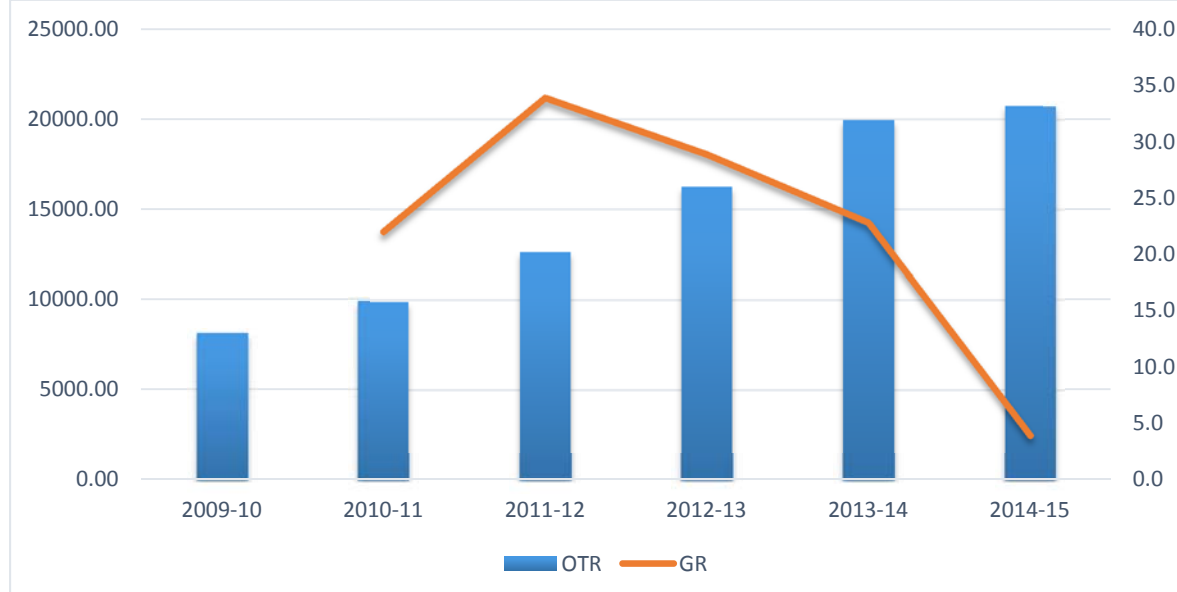
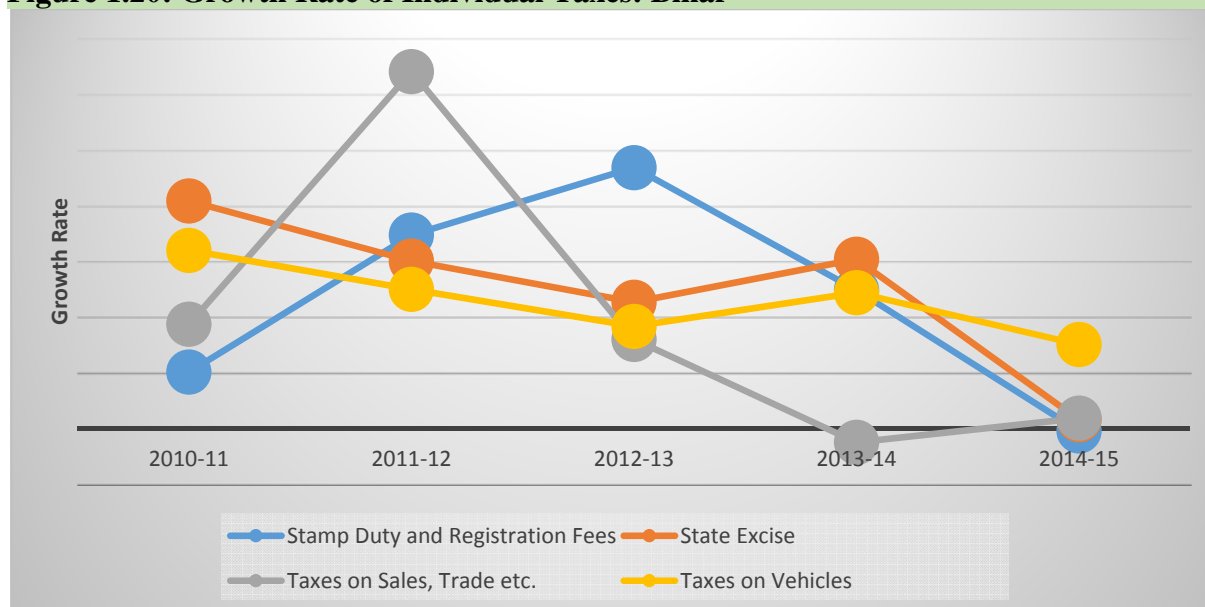
1.35 In **Gujarat** growth rate of tax collections have declined steadily from 2010-11 to 2013-14 and then increased in 2014-15. In 2014-15 growth of tax collections increased to 8.8 percent as compared to 4.6 percent the previous year. This was largely on account of increase in collections from VAT and stamp duty and registration fees. VAT accounts for more than 70 percent of tax collections of the state. Growth rate of collections from VAT has declined steadily from 36.8 percent in 2010-11 to 26.5 percent in 2012-13 and further to 4.0 percent in 2013-14. The growth rate of VAT picked up in 2014-15 and stood at 7.7 percent.

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

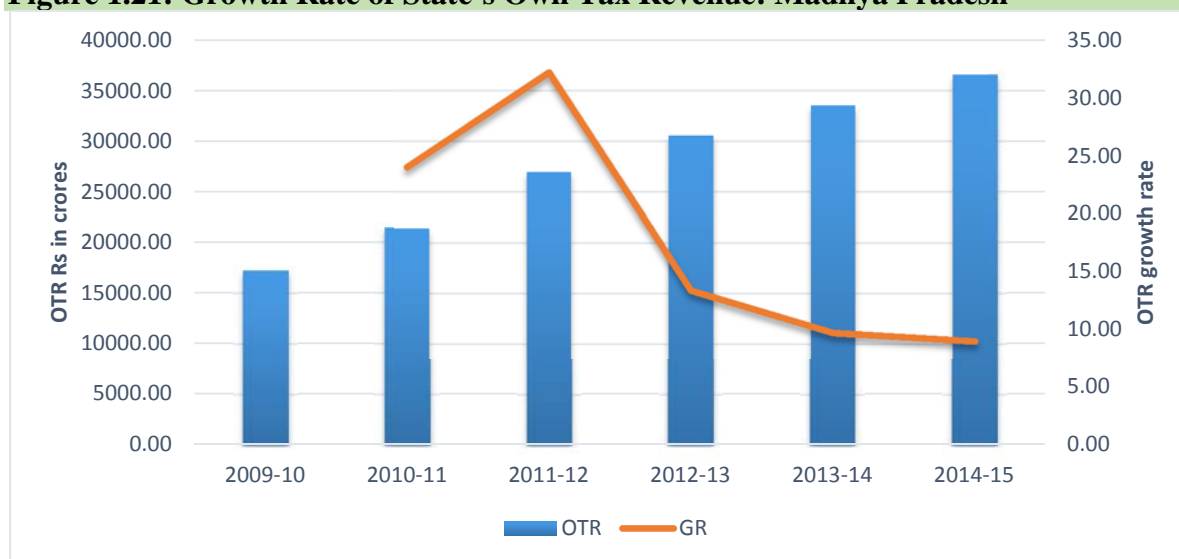
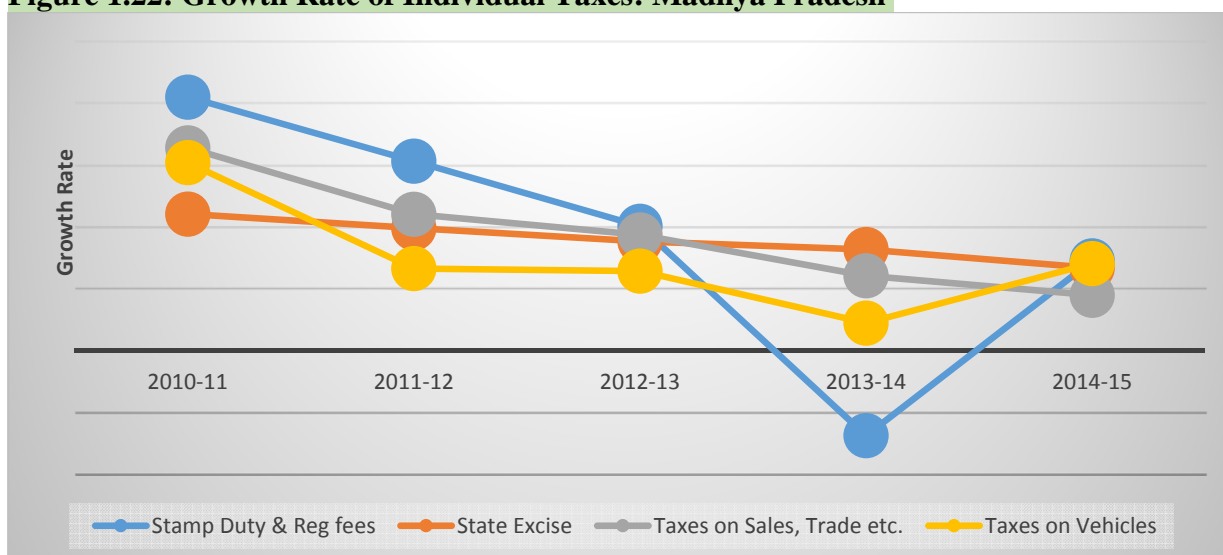
1.36 In **Rajasthan** growth rate of tax revenue rose from 26.5 percent in 2010-11 to 28.2 percent in 2011-12 after which the growth rate declined to 9.7 percent in 2013-14. In 2014-15 the growth rate picked up and reached 15.5 percent primarily on account of rise in growth rate of taxes and duties on electricity which registered a growth rate of 61.7 percent in 2014-15 as compared to a negative growth rate of 39.6 percent in the previous year. Taxes on motor vehicles and stamp duty also saw a rise in growth rate in 2014-15. However, growth rate of VAT which accounted for around 63 percent of total tax revenue saw a marginal decline in growth rate from 14.2 percent in 2013-14 to 13.9 percent in 2014-15.

**Figure 1.17: Growth Rate of State's Own Tax Revenue: Rajasthan****Figure 1.18: Growth Rate of Individual Taxes: Rajasthan**

1.37 In **Bihar** VAT accounts for over 42 percent of tax revenue. Decline in growth rate of tax revenue has primarily been on account of fluctuations in VAT which rose sharply from 18.7 percent in 2010-11 to 64.1 percent in 2011-12. In the following year the growth rate dropped to 16 percent. In 2013-14 collections from VAT decreased in absolute value from Rs 8670.8 crores in 2012-13 to Rs 8453.01 crores in 2013-14. In 2014-15 there was slight growth of 1.8 percent. Growth rate of state excise, stamp and registration duties and motor vehicle tax also fell in 2014-15 resulting in decline of overall growth rate of tax revenue in 2014-15 as compared to the previous year.

**Figure 1.19: Growth Rate of State's Own Tax Revenue: Bihar****Figure 1.20: Growth Rate of Individual Taxes: Bihar**

1.38 In **Madhya Pradesh** growth rate of tax revenue declined steadily from 32.2 percent in 2011-12 to 9.7 percent in 2013-14 and 8.99 percent in 2014-15. Growth rate of VAT which accounts for more than 50 percent of tax revenue growth has declined steadily from 32.79 percent in 2010-11 to 18.69 percent in 2012-13, and further to 8.93 percent in 2014-15. Stamp Duty and registration fees and Motor vehicle tax registered an increase in growth rate in 2014-15 as compared to the previous year. However since these account for only around 11 percent and 5 percent respectively of tax revenue, they could not offset the decline in growth rates of the other taxes.

**Figure 1.21: Growth Rate of State's Own Tax Revenue: Madhya Pradesh****Figure 1.22: Growth Rate of Individual Taxes: Madhya Pradesh**

### Share of OTR in total revenue receipts of states

1.39 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 General Category States over the last six years. Figures in parentheses show percentage of OTR in total revenue receipts of states.

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

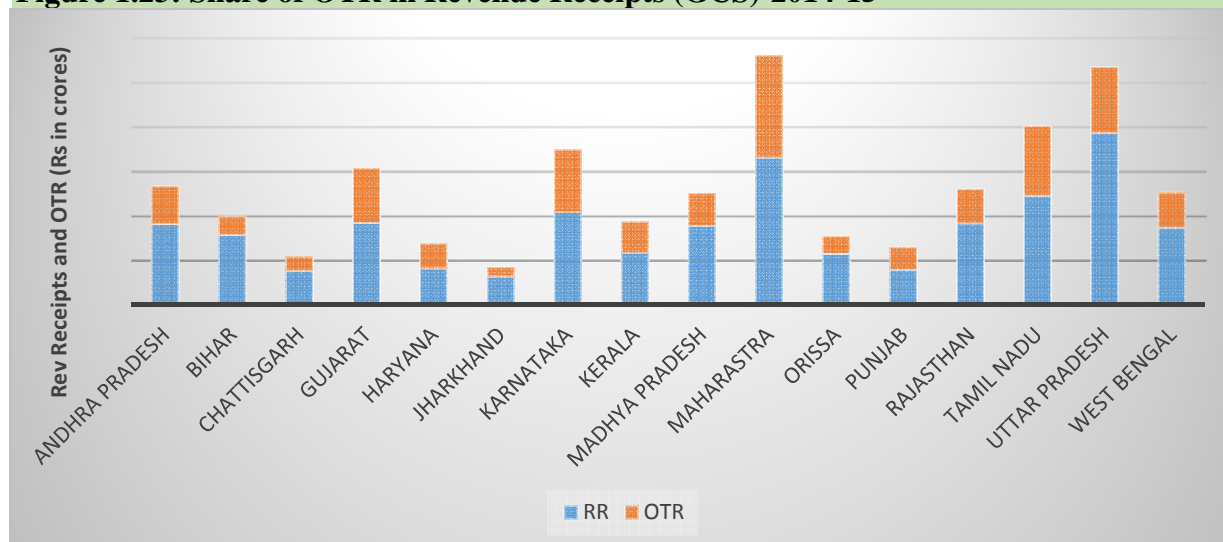
State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	35175.72 (54.39)	45139.55 (55.73)	53282.42 (56.95)	59875.05 (57.67)	64123.54 (57.92)	42568.65 <sup>4</sup> (49.65)
Bihar	8089.67 (22.77)	9869.85 (22.16)	12612.10 (24.58)	16253.08 (27.29)	19960.68 (28.96)	20750.23 (26.46)

<sup>4</sup>The Financial year 2014-15 for Andhra Pradesh is for 10 months from 2 June 2014 to 31 March 2015.

State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Chhattisgarh	7123.25 (39.24)	22719.54 (39.64)	25867 (41.41)	29578.09 (44.07)	14342.71 (44.75)	15707.26 (41.35)
Gujarat	26740.23 (64.17)	36338.63 (69.40)	62958.99 (70.29)	75228.53 (71.64)	79975.74 (70.49)	61339.81 (66.69)
Haryana	13219.50 (62.97)	25563.67 (65.68)	30557.59 (66.76)	33633.53 (70.05)	38012 (67.26)	27634.57 (67.73)
Jharkhand	4500.12 (29.77)	18781.32 (30.44)	22419.45 (31.02)	24769.56 (33.20)	9379.79 (33.94)	10349.81 (32.79)
Karnataka	30578.60 (62.21)	38473.12 (66.10)	46475.96 (66.58)	53753.55 (68.76)	89542.53 (69.91)	70180.21 (67.39)
Kerala	17625.02 (67.50)	21721.69 (70.09)	38010.36 (67.66)	44137.30 (68.14)	49176.93 (65.06)	35232.50 (60.80)
MP	17272.81 (41.73)	51854.18 (41.31)	62604.07 (43.09)	70427.28 (43.42)	75749.24 (44.29)	36567.12 (41.25)
Maharashtra	59106.34 (68.01)	105867.81 (70.87)	121286.14 (72.23)	142947.23 (72.37)	149821.80 (72.48)	115063.90 (69.56)
Odisha	8982.34 (33.99)	33276.16 (33.64)	40267.02 (33.38)	43936.91 (34.22)	48946.85 (34.51)	19828.29 (34.79)
Punjab	12039.48 (54.34)	16828.18 (60.95)	18841.01 (71.82)	22587.56 (70.47)	24079.20 (68.59)	25570.20 (65.53)
Rajasthan	16414.27 (46.39)	20758.13 (45.20)	54377.06 (44.51)	30502.65 (45.59)	33477.70 (44.95)	38672.94 (42.35)
Tamil Nadu	36546.67 (65.44)	47782.18 (68.08)	59517.31 (69.85)	71254.27 (72.10)	108036.42 (68.23)	78656.54 (64.25)
Uttar Pradesh	33877.60 (35.14)	41109.85 (36.97)	52613.43 (40.20)	58098.36 (39.82)	66582.08 (39.58)	74172.42 (38.35)
West Bengal	16899.98 (45.77)	21128.74 (44.70)	24938.16 (42.44)	32808.49 (48.04)	35830.56 (49.16)	39411.98 (45.56)

1.40 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 27 percent in 2014-15. In Jharkhand, Odisha and Uttar Pradesh share of OTR in total revenue receipts has hovered at below 40 percent.

1.41 Share of OTR in revenue receipts has risen by an average of 5 percentage points during the five year period in almost all states except Punjab. In Punjab there has been an increase of nearly 10 percentage points from 2009-10 to 2014-15. In case of Kerala, Rajasthan and West Bengal share of OTR in total revenue receipts has declined during this period.

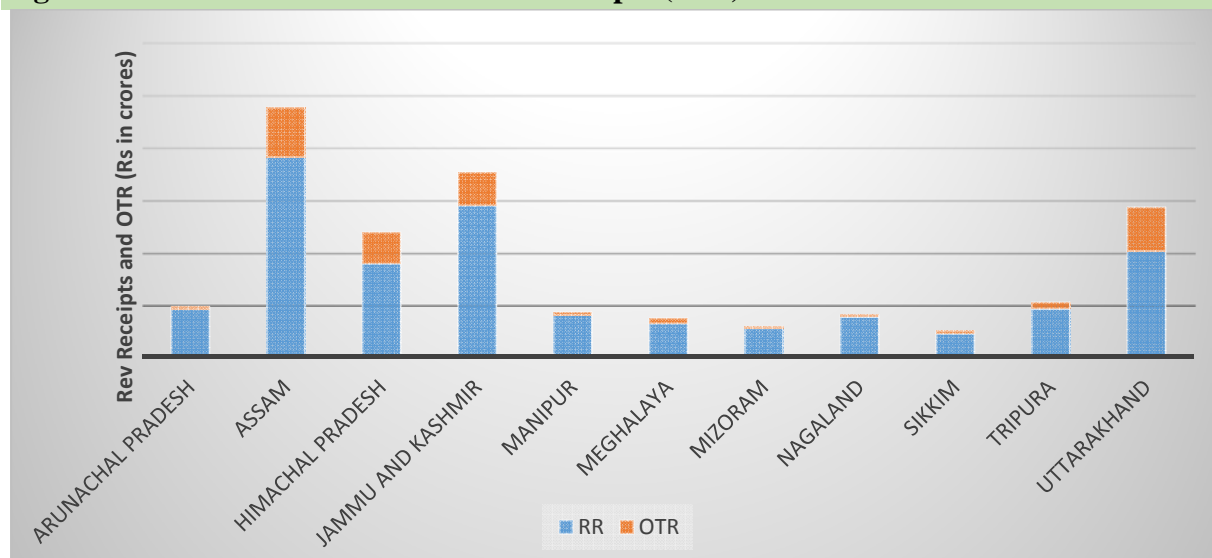
**Figure 1.23: Share of OTR in Revenue Receipts (GCS)-2014-15**

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

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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Arunachal Pradesh</b>	<b>173.44</b> <b>(4.04)</b>	<b>214.99</b> <b>(3.97)</b>	<b>317.65</b> <b>(5.78)</b>	<b>316.50</b> <b>(5.49)</b>	<b>434.51</b> <b>(7.47)</b>	<b>462.16</b> <b>(5.06)</b>
Assam	4986.72 (25.08)	5929.85 (25.78)	7638.24 (27.82)	8250.21 (26.88)	8994.92 (27.92)	9449.81 (24.75)
Himachal Pradesh	2574.52 (24.88)	3642.38 (28.66)	4107.92 (28.25)	4626.15 (29.66)	5120.90 (32.59)	5940.16 (33.29)
Jammu and Kashmir	3027.32 (17.21)	3482.58 (15.66)	4745.48 (19.15)	5832.43 (22.25)	6272.74 (23.12)	6333.95 (21.89)
<b>Manipur</b>	<b>196.04</b> <b>(5.06)</b>	<b>267.05</b> <b>(4.92)</b>	<b>368.07</b> <b>(6.51)</b>	<b>332.83</b> <b>(4.88)</b>	<b>472.73</b> <b>(6.49)</b>	<b>516.83</b> <b>(6.46)</b>
Meghalaya	444.30 (12.89)	571.45 (13.41)	697.54 (14.99)	847.73 (15.31)	949.30 (15.15)	939.19 (14.61)
<b>Mizoram</b>	<b>107.58</b> <b>(3.63)</b>	<b>130.44</b> <b>(4.57)</b>	<b>179.07</b> <b>(4.68)</b>	<b>223.14</b> <b>(4.92)</b>	<b>229.78</b> <b>(4.82)</b>	<b>266.52</b> <b>(4.84)</b>
<b>Nagaland</b>	<b>180.51</b> <b>(4.85)</b>	<b>227.32</b> <b>(4.55)</b>	<b>303.88</b> <b>(5.44)</b>	<b>339.95</b> <b>(5.48)</b>	<b>333.39</b> <b>(5.13)</b>	<b>388.60</b> <b>(5.08)</b>
Sikkim	223.65 (6.87)	279.54 (9.18)	293.92 (8)	435.48 (11.48)	524.92 (12.13)	527.54 (11.82)
Tripura	527 (11.97)	622.34 (12.04)	858.02 (13.25)	1004.65 (14.25)	1073.91 (14.04)	1174.26 (12.71)
Uttarakhand	3559.04 (18.58)	4405.47 (18.43)	5615.62 (18.63)	6414.25 (18.67)	7355.34 (20.68)	8338.47 (41.18)



**Figure 1.24: Share of OTR in Revenue Receipts (SCS)-2014-15****OTR- GSDP Ratio**

1.43OTR to GSDP ratio has declined in 2014-15 as compared to 2013-14 in Bihar and Jharkhand. Amongst the SCS in Assam, Meghalaya, Sikkim and Tripura this ratio has declined marginally in 2014-15 as compared to 2013-14.

**Table 1. 15: OTR-GSDP<sup>5</sup> Ratio**

GCS			SCS		
State	OTR/GSDP Ratio 2013-14	OTR/GSDP Ratio 2014-15	State	OTR/GSDP Ratio 2012-13	OTR/GSDP Ratio 2013-14
Andhra Pradesh <sup>6</sup>	15.57	9.57	Arunachal Pradesh	3.52	3.53
Bihar	7.40	6.81	Assam	5.82	5.67
Chhattisgarh	7.92	8.13	Himachal Pradesh	6.18	6.67
Gujarat	7.10	7.73	Jammu and Kashmir	7.29	7.44
Haryana	6.97	7.54	Manipur	3.35	3.45
Jharkhand	7.04	5.55	Meghalaya	4.58	4.47
Karnataka	8.38	9.39	Mizoram	2.54	2.77
Kerala	7.39	8.14	Nagaland	2.41	2.75
MP	8.67	9.45	Sikkim	4.33	4.10
Maharashtra	7.12	7.55	Tripura	4.71	4.68
Odisha	6.51	7.64	Uttarakhand	5.49	5.92
Punjab	7.69	8.16			
Rajasthan	6.54	7.55			
Tamil Nadu	8.19	8.73			
Uttar Pradesh	7.80	8.69			
West Bengal					

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

<sup>5</sup>GSDP at constant prices with base year 2011-12.

<sup>6</sup>Data for 2014-15 for Andhra Pradesh is for 10 months only from 2 June, 2014 to 31 March, 2015.

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

1.44 Table 1.16 shows relation between income level, OTR-GSDP ratio and incremental increase/decrease in OTR-GSDP ratio between 2013-14 and 2014-15. States with high per capita incomes do not have high OTR-GSDP ratio. Andhra Pradesh had the highest OTR-GSDP ratio in 2014-15. Madhya Pradesh had the second highest OTR-GSDP ratio. However the per capita income of these States was below the GCS average. On the other hand, Haryana, Maharashtra which were the top two States in 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 and Odisha where per capita income was below the GCS average recorded a rising trend in OTR- GSDP ratio since 2009-10.

**Table 1.16: State-wise Per Capita Income and OTR-GSDP Ratio**

State	Per Capita Income (Median Value 2011- 12 to 2014-15)	OTR-GSDP Ratio (2014-15)	Incremental change in OTR/GSDP Ratio
Haryana	129652.27	7.54	0.57
Maharashtra	118075.38	7.55	0.43
Kerala	116850.57	8.14	0.75
Tamil Nadu	110807.40	8.73	0.54
Karnataka	110483.19	9.39	1.01
Gujarat	107982.48	7.73	0.63
Punjab	99730.88	8.16	0.47
Andhra Pradesh	79609.07	9.57	
Rajasthan	66823.63	7.55	1.01
Chhattisgarh	65355.96	8.13	0.21
Odisha	55068.30	7.64	1.13
Jharkhand	48682.95	5.55	-1.49
Madhya Pradesh	48285.28	9.45	0.78
Uttar Pradesh	38071.70	7.80	0.89
Bihar	25717.80	6.81	-0.59
<b>GCS Avg</b>	<b>81413.12</b>	<b>8.04</b>	

### Inadequate Returns on Investments:

1.45 Total Investments made by GCS states during 2014-15 was Rs4,14,585.23 crore against which only Rs1,739.04 crore was received as dividend. The average return on investments was 2.07 percent. In SCS total investments were Rs15,069.42 crore against which Rs317.21 crore was received as dividend. Average return on investments in SCS was higher at 2.9 percent.

1.46 Return on investments were high in Odisha (30.71 percent), Jammu and Kashmir (23.99 percent). In Himachal Pradesh and Kerala return on investment was 6.26 percent and 1.22 percent respectively. In all other states return on investments was less than 1 percent.

**Table 1. 17: Returns on Investments**

(Rs in crores)

State	Investment the end of the year 2014-15	Dividend/interest received during the year 2014-15	Percent of return on investment
<b>GCS</b>			
Andhra Pradesh	8454.61	1.78	0.02
Bihar	7068.79	2.58	0.04
Chhattisgarh	1872.53	0.86	0.05
Gujarat	62929.27	89.54	0.14
Haryana	7500.22	5.80	0.08
Jharkhand	241.25	0.00	0.00
Karnataka	61726.92	74.84	0.12
Kerala	6050.37	73.87	1.22
Madhya Pradesh	16104.55	80.35	0.50
Maharashtra	110671.69	28.14	0.03
Odisha	3504.87	1076.44	30.71
Punjab	3977.48	1.48	0.04
Rajasthan	27909.59	63.33	0.23
Telangana	23064.65	97.13	0.42
Uttar Pradesh	52450.71	3.19	0.01
West Bengal	12652.60	5.81	0.05
<b>Total</b>	<b>406180.1</b>	<b>1605.14</b>	
<b>SCS</b>			
Assam	2403.90	16.23	0.68
Himachal Pradesh	2731.65	171.00	6.26
Jammu and Kashmir	537.17	128.88	23.99
Manipur	187.89	0.00	0.00
Meghalaya	454.99	0.13	0.03
Sikkim	97.42	0.87	0.89
Uttarakhand	6771.45	0.1079	0.01
<b>Total</b>	<b>15069.42</b>	<b>317.21</b>	

*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 below shows that revenue expenditure of the Union alone accounted for around 52 percent of the revenue expenditure of the Union and all State governments combined. However capital expenditure of the Union accounted for only 40 percent of the total capital expenditure of the Union and all the states.

**Table 2.1: Expenditure of Union and States (2014-15)**

(Rs in crore)

	Union	States	Combined
<b>Revenue Expenditure</b>	1695136.79	1543874.02	3239010.81
<b>Capital Expenditure</b>	172085.09	257340.00	429425.09
<b>Total</b>	<b>1867221.88</b>	<b>1801214.02</b>	<b>3668435.90</b>

### Expenditure of Union Government

2.2 The government applied the total resources of Rs. 65,49,516.08 crore it mobilized during 2014-15, to disbursements as shown in Table 2.2. The repayments of debt and discharge of Public Account liabilities constituted nearly 71 percent of the total resources available and amounted to Rs. 46,30,599.12 crore. After deducting the interest payments amounting to Rs. 4,25,098.26 crore, the government was left with Rs.14,93,818.70 crore which is only 23 percent of the resources available. Table 2.3 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 (2014-15)**

Description	Amount in crores	
Resources available		6461898.27
Opening Cash Balance		87617.81
<b>Total Resources</b>		<b>6549516.08</b>
<b>Application of Resources</b>		
<b>Repayment of Debt</b>		<b>3707699.65</b>
Internal	3687098.79	
External	20600.86	
<b>Discharge of liabilities on account of Public Account</b>		<b>922899.47</b>
Small Saving and Provident Fund	505401.60	
Reserve Fund	141931.65	
Deposits	103497.66	
Others	172068.56	
Balance resources available for expenditure		<b>980792.69</b>
<b>Resources applied (actual expenditure)</b>		<b>2246951.85</b>
Revenue expenditure (including interest payment of Rs425098.26 crores)	1695136.79	
Capital expenditure	172085.09	
Disbursement of loan and advances	41921.52	
State shares of Tax	337808.45	
Closing Cash Balance		9773.55

Source: Union Finance Accounts

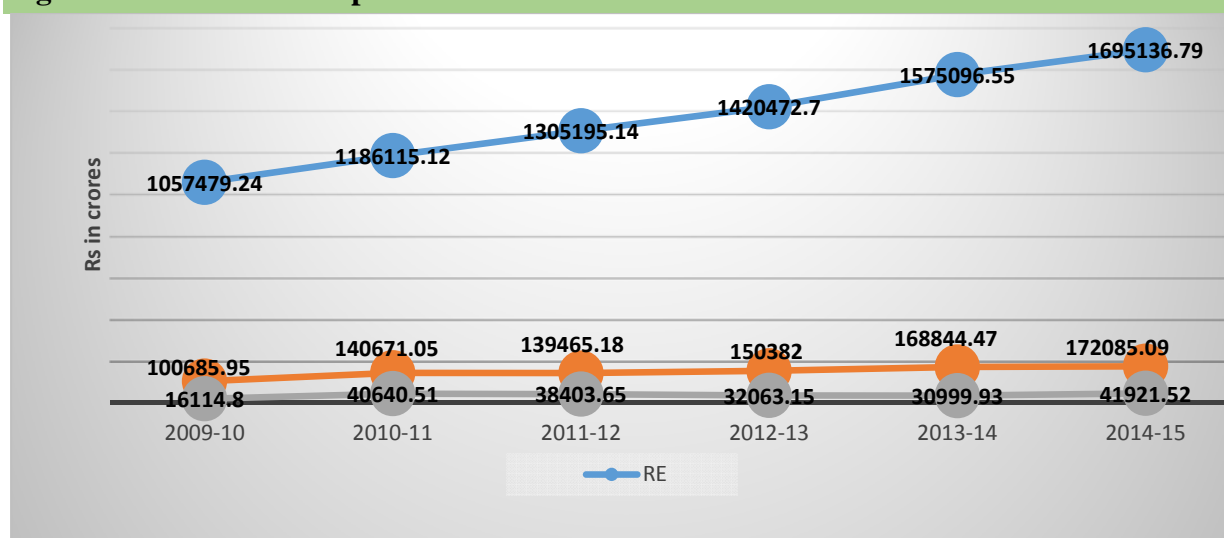
## Expenditure: Main aggregates

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 2014-15. The growth rate though has declined from 12.2 percent in 2010-11 to 8.8 percent in 2012-13 and stood at 7.6 percent in 2014-15. In contrast, growth rate of capital expenditure, i.e. expenditure that is meant for asset formation, has consistently declined from 39.7 percent in 2010-11 to 1.9 percent in 2014-15. Capital expenditure registered a negative growth rate in 2011-12. Loans and advances have increased by 160 percent, from Rs. 16,114.80 crore in 2009-10 to Rs.41,921.52 crore in 2014-15. Capital expenditure as well as loans and advances show high annual percentage variations.

**Table 2.3: Expenditure of Union Government: Growth Profile**

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

**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 16.8 percent to 15.2 percent of GDP during the period 2011-12 to 2014-15.

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

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

\* At current prices with base year 2011-12

2.5 Nearly 90 percent 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 percent in 2014-15. Share of non-plan expenditure rose marginally from 74.2 percent of total expenditure in 2009-10 to 76.7 percent in 2014-15, while the share of plan component declined from 25.9 percent to 23.3 percent during the same period.

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

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

### 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. 4,25,098.26 crore in 2014-15 registering an increase of 90 percent during this period. As shown in Table 2.6 interest payments accounted for 21.2 percent of revenue expenditure in 2009-10. This rose to 25.1 percent in 2014-15.

**Table 2.6: Growth of Interest Payments**

Year	Interest Payments Rs. in crore	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

Year	Interest Payments <i>Rs. in crore</i>	As percentage of		GDP
		Total Revenue Expenditure	Total Revenue Receipts	
2012-13	330170.69	23.2	31.3	3.5
2013-14	394512.10	25.0	32.4	3.8
2014-15	425098.26	25.1	31.9	3.4

Source: Union Finance Accounts

2.7 Interest on internal debt comprised 98 percent 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 accounted for around 31 percent during the period from 2009-10 to 2014-15. 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 2.7. Interest payment is the single biggest component of revenue expenditure of the Union. Transport and agriculture and allied services together account for nearly 21 percent of revenue expenditure of the Union.

**Table 2.7: Major components as percent of Revenue expenditure**

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

2.9 Interest payments constituted 25.1 percent of the revenue expenditure in 2014-15 and absorbed as much as 46.9 percent of the Union government's net tax revenues (i.e. exclusive of states' share of income tax and excise duties). Interest payments constitute presently about 3.4 percent of GDP<sup>1</sup>, 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. (2.7 percent of GDP).

<sup>1</sup>GDP for 2014-15 at current prices with base year 2011-12



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

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

### Sectoral Expenditure

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

2.11 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.

2.12 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.

2.13 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 2.9 shows the movement of expenditure by Govt of India in General, Social, and Economic sectors during the period 2009-10 to 2014-15.

**Table 2.9: Sectoral Expenditure of Union Government**

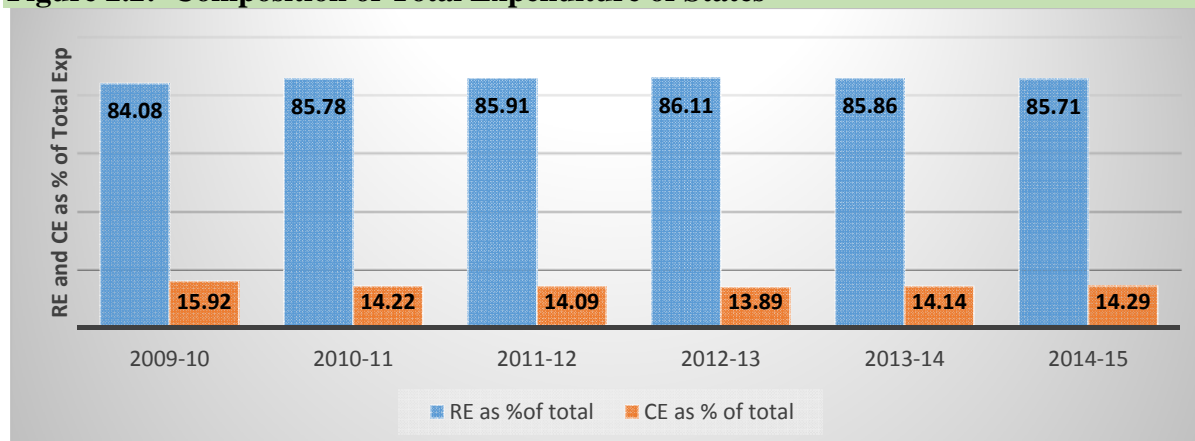
Year	General Services		Social Services		Economic Services		Total <sup>2</sup> Expenditure (Rs crores)
	Amount (Rs crores)	As % of total expenditure	Amount (Rs crores)	As % of total expenditure	Amount(Rs crores)	As % of total expenditure	
2009-10	488153.98	42.15	103894.72	8.97	423181.36	36.54	1158165.19
2010-11	525494.39	39.61	125933.77	9.49	515606.95	38.36	1326786.16
2011-12	597504.87	41.36	116160.34	8.04	551101.59	38.15	1444660.32
2012-13	666405.33	42.42	121814.19	7.75	601234.84	38.27	1570854.71
2013-14	767915.22	44.03	137794.35	7.90	638827.20	36.63	1743941.02
2014-15	843093.44	45.15	68664.06	4.40	644999.94	41.40	1556757.44

2.14 The share of general services has increased from 42.15 percent in 2009-10 to 45.15 percent of the total expenditure in 2014-15, owing mainly to the growth in interest payments and pensions. There was a sharp decline in social sector spending in 2014-15 as compared to the previous year. This component declined by 3.5 percentage points primarily due to fall in revenue expenditure in social sector by 50.2 percent in 2014-15 as compared to the previous year. There was decline in revenue expenditure under Education, Sports, Art and Culture by 55.3 percent, Health and Family Welfare by 50 percent, Water Supply, Sanitation, Housing and Urban Development by 93 percent and Social Welfare and Nutrition by 13.2 percent. Share of economic services spending increased from 36.6 percent in 2013-14 to 41.4 percent of total expenditure in 2014-15.

### Expenditure of States

#### Composition of Total Expenditure of states

2.15 Share of revenue expenditure and capital expenditure in total expenditure of all states combined is depicted in Fig 2.2.

**Figure 2.2: Composition of Total Expenditure of States**

<sup>2</sup>Total Expenditure is the sum of revenue and capital expenditure. Grants in aid and contributions of the Union Govt. which form part of revenue expenditure has not been included in the above table.

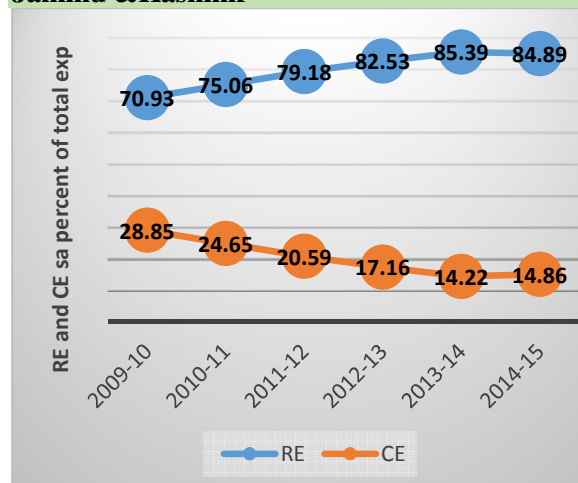
2.16 While the share of revenue expenditure increased from 84.08 percent of total expenditure in 2009-10 to 85.71 percent in 2014-15, the share of capital expenditure declined from 15.92 percent to 14.29 percent during the same period. Thus, expenditure of state governments has obtained a structure which has tilted towards non-asset forming revenue expenditure.

### State-wise Analysis

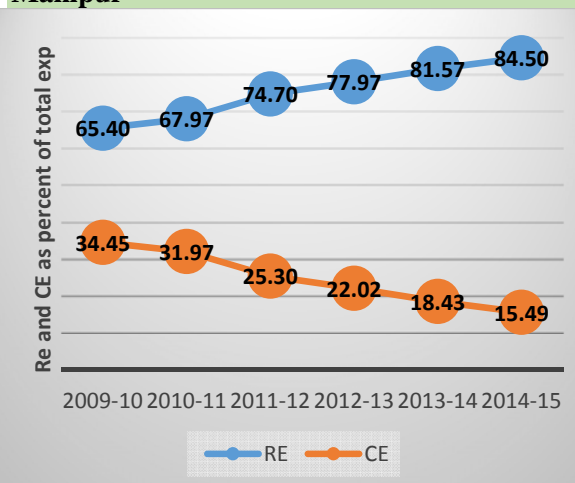
2.17 Composition of expenditure in individual states is similar to revenue expenditure registering an increasing trend and capital expenditure either remaining static or declining. Stagnation or decline in tax revenues relative to the GSDP in several states and budgetary attempts to cap fiscal deficit has mainly impacted capital expenditure. This trend is seen in Andhra Pradesh, Karnataka, Chhattisgarh, Assam, 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.

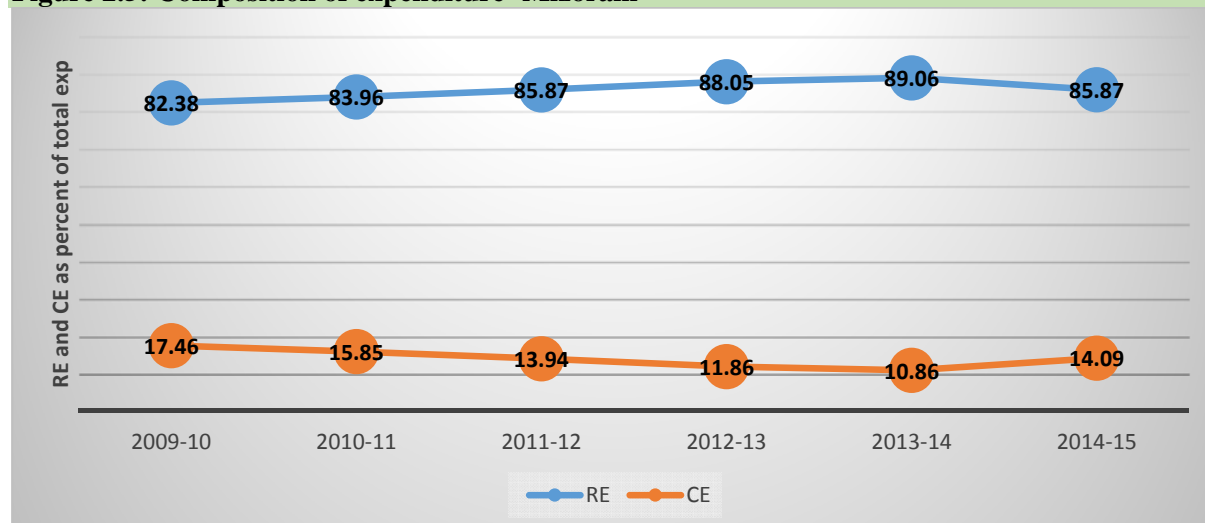
2.18 In Jammu and Kashmir, Mizoram and Manipur share of RE and CE in total expenditure saw sharp changes during this period. In J&K share of RE increased by 13.96 percentage points from 2009-10 to 2014-15, while capital expenditure declined by nearly 14 percentage points. In Manipur share of RE rose from 64.4 percent of total expenditure in 2009-10 to 84.5 percent in 2014-15, while share of capital expenditure saw a sharp decline of 18.96 percentage points from 35.4 percent in 2009-10 to 15.49 percent in 2014-15. In Mizoram share of RE increased from the already high level of 82.38 percent in 2009-10 to 85.87 percent in 2014-15, while CE declined by 3.37 percentage points from 17.5 percent to 14.09 percent during the same period.

**Figure 2.3: Composition of expenditure Jammu & Kashmir**

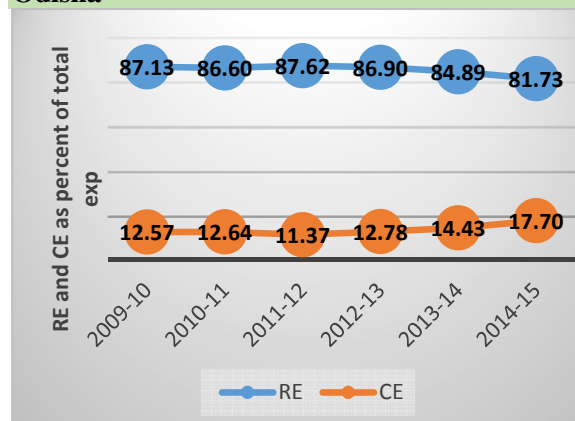
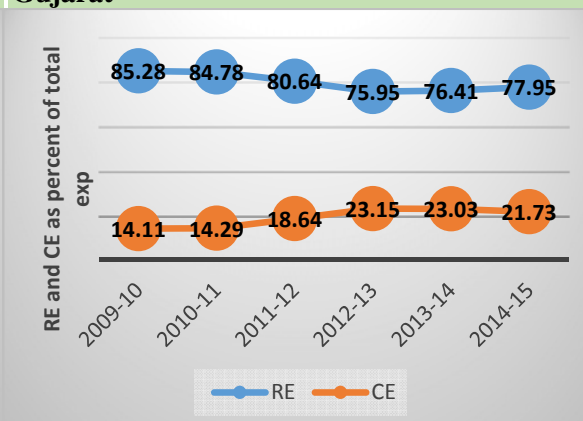


**Figure 2.4: Composition of expenditure Manipur**



**Figure 2.5: Composition of expenditure- Mizoram**

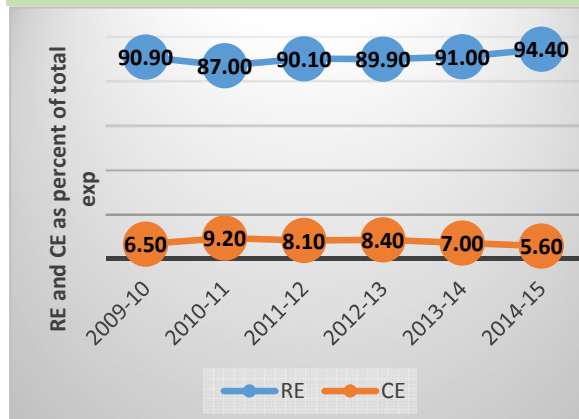
2.19 Odisha, Gujarat, Sikkim, Rajasthan have been exceptions. In Odisha share of RE declined by 5.4 percentage points from 87.13 percent in 2009-10 to 81.73 percent in 2014-15. Capital expenditure increased by 5.13 percentage points from 12.57 percent in 2009-10 to 17.70 percent in 2014-15. In Gujarat share of RE has declined by 7.33 percentage points from 85.28 percent in 2009-10 to 77.95 percent in 2014-15. Share of CE in total expenditure rose by 7.62 percentage points from 14.11 percent to 21.73 percent during this period.

**Figure 2.6: Composition of expenditure- Odisha****Figure 2.7: Composition of expenditure- Gujarat**

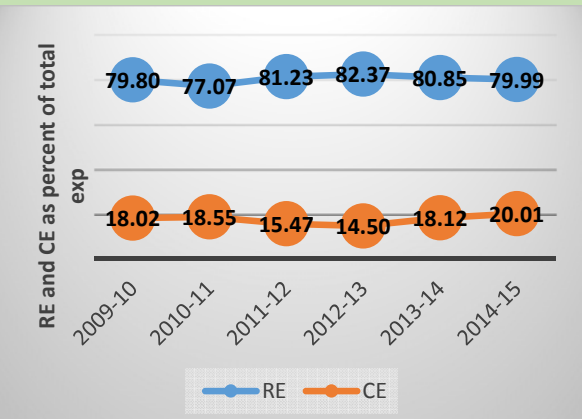
2.20 In Sikkim, share of RE has fallen marginally by 0.92 percentage point while share of CE has increased marginally by 1.84 percentage points from 18.94 percent in 2009-10 to 20.78 percent in 2014-15. In Rajasthan share of RE decreased from 87.62 percent in 2009-10 to 84.91 percent in 2014-15. Share of CE has increased from 11.3 percent to 14.46 percent during the same period.

2.21 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 2.8: Composition of expenditure- Kerala**



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



2.22 In almost all states, revenue expenditure accounted for 80 to 85 percent of total expenditure, while share of capital expenditure varied from 10 to 20 percent during 2009-10 to 2013-14. Exceptions are Punjab, Kerala and West Bengal where revenue expenditure accounted for more than 90 percent of total expenditure. In Punjab capital expenditure accounted for only 7.4 percent of total expenditure in 2009-10 which further declined to only 5.0 percent in 2013-14 before rising marginally to 6.27 percent in 2014-15. In West Bengal there was a rise in share of CE from 4.87 percent to 8.70 percent and in Kerala the CE declined from the already low level of 7 percent to 5.6 percent during this period.

### Growth of Revenue Expenditure

2.23 Although revenue expenditure of all states have grown during the period 2009-10 to 2014-15, rates of growth have varied across States. Rate of growth rate of revenue expenditure in 2014-15 has been higher than 2013-14 in all states except Chhattisgarh, Karnataka, Odisha, Sikkim and Uttar Pradesh.

2.24 The growth rate of revenue expenditure doubled in 2014-15 as compared to the previous year in Punjab, Uttarakhand, Himachal Pradesh and Gujarat. The growth was particularly high in Assam, Manipur and Nagaland where the growth rate in 2014-15 was nearly two, four and seven times respectively as compared to that of 2013-14.

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

**Table 2.10: Growth of Revenue Expenditure of States**

States	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	23.8	15.1	13.6	7.5	-28.0
Arunachal Pradesh	1.3	18.0	8.3	19.7	24.9
Assam	8.1	15.6	9.8	9.8	22.2
Bihar	17.3	21.7	17.1	14.7	16.2
Chhattisgarh	12.1	16.9	19.2	21.8	20.4
Gujarat	18.1	4.0	16.6	8.0	15.1
Haryana	12.1	13.1	18.9	10.0	17.3
Himachal Pradesh	25.1	-0.3	16.4	7.3	14.0
Jammu and Kashmir	20.5	22.8	10.7	7.7	8.4
Jharkhand	18.6	17.0	11.5	0.3	35.5
Karnataka	13.7	20.5	17.2	16.9	16.2
Kerala	11.3	32.8	16.2	13.1	18.6
Madhya Pradesh	25.4	17.1	19.5	11.0	17.9
Maharashtra	12.2	16.1	12.3	11.7	14.6
Manipur	35.3	22.8	6.2	7.6	27.1
Meghalaya	26.1	20.5	3.4	11.0	12.6
Mizoram	20.5	13.5	22.0	9.1	15.0
Nagaland	28.8	16.4	14.9	2.7	17.6
Orissa	16.1	18.0	10.3	19.3	12.1
Punjab	20.0	0.5	19.4	5.5	11.9
Rajasthan	11.8	19.6	18.3	19.0	25.2
Sikkim	6.2	11.1	-6.7	14.8	7.9
Tamil Nadu	22.8	15.0	15.8	13.1	17.3
Tripura	3.5	10.3	8.4	14.1	25.1
Uttar Pradesh	20.5	15.1	13.6	12.4	8.1
Uttarakhand	9.0	11.7	7.6	16.2	30.5
West Bengal	10.3	13.6	12.0	7.5	12.9

### Major Components of Revenue Expenditures of States

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

2.27 As in the case of Union Government, an important component of revenue expenditures of States is interest payment. Interest payments are committed expenditures. Total interest payments by all state governments combined during the period under review increased by 63.9 percent from Rs. 1,12,411.37 crore in 2009-10 to Rs. 184243.95 crore in 2014-15. Share of interest in total RE was highest in West Bengal (20.8 percent), followed by Punjab (19.2 percent) and Gujarat (17.2 percent).

**Table 2.11: Share of pensions, salary and interest payment as percent of revenue expenditure in states in 2014-15**

State	Salary		Pension		Interest	
	Amount (in crores)	as % of RE	Amount (in crores)	as % of RE	Amount (in crores)	as % of RE
Andhra Pradesh	19030.20	16.6	9971.88	8.7	10007.22	8.7
Arunachal Pradesh	2853.24	39.9	480.71	6.7	350.88	4.9
Assam	17579.82	45.0	5237.02	13.4	2333.74	6.0
Bihar	14496.91	20.0	11344.51	15.6	6128.75	8.4
Chhattisgarh	9339.82	23.6	3249.52	8.2	1726.62	4.4
Gujarat	7331.31	8.5	9185.23	10.6	14945.53	17.2
Haryana	13758.52	28.0	4602.00	9.4	6928.27	14.1
Himachal Pradesh	8195.49	41.4	2914.49	14.7	2849.14	14.4
Jammu and Kashmir	11624.34	39.6	3686.14	12.6	3532.88	12.0
Jharkhand	7381.55	23.2	3462.53	10.9	2929.15	9.2
Karnataka	8901.44	8.6	10118.24	9.8	9403.98	9.1
Kerala	21343.50	29.7	11252.67	15.7	9769.59	13.6
Madhya Pradesh	18489.66	22.4	6836.48	8.3	7071.25	8.6
Maharashtra	21942.76	12.4	14258.41	8.0	23964.74	13.5
Manipur	2700.47	37.2	934.32	12.9	473.19	6.5
State	Salary	Pension	Interest			
	Amount (in crores)	as % of RE	Amount (in crores)	as % of RE	Amount (in crores)	as % of RE
Mizoram	2051.47	36.3	545.26	9.6	305.83	5.4
Nagaland	3274.16	48.4	905.15	13.4	555.34	8.2
Odisha	12433.86	24.3	6416.62	12.5	2810.27	5.5
Punjab	16003.80	34.3	7249.21	15.6	8960.48	19.2
Rajasthan	23019.87	24.3	9629.08	10.2	10462.90	11.1
Sikkim	1236.37	33.1	333.08	8.9	239.55	6.4
Tamil Nadu	15525.83	12.1	17348.98	13.5	14549.74	11.3
Tripura	3121.98	41.9	837.18	11.2	681.68	9.2
Uttar Pradesh	32676.30	19.1	22304.61	13.0	18864.54	11.0
Uttarakhand	7308.98	34.5	2451.91	11.6	2405.61	11.4
West Bengal	11878.74	11.5	12128.21	11.7	21587.99	20.8

### Capital Expenditure

2.28 Andhra Pradesh, Arunachal Pradesh, Haryana, Maharashtra and Nagaland registered negative growth rate in capital expenditure in 2014-15 indicating that quantum of capital expenditure has declined in 2014-15 in these states as compared to the previous year . In Bihar, Gujarat, Meghalaya, Rajasthan, Sikkim, Tamil Nadu and West Bengal the growth rate of capital expenditure declined in 2014-15 as compared to 2013-14. Growth rate of capital expenditure in 2014-15 was more than double the growth rate of the previous year in Chhattisgarh, Himachal Pradesh, Mizoram, Punjab, Tripura, Uttar Pradesh, and Uttarakhand.

**Table 2.12 : Growth Rate of Capital Expenditure**

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

**Analysis of Sectoral Expenditure of States**

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

2.30 Share of expenditure in General, Social and Economic sectors of all states taken together have remained by and large constant during 2009-10 to 2014-15 although the share of social sector has consistently remained higher than the other two sectors as shown in Fig 2.13.



**Figure 2.10: Sectoral expenditure of States**

2.31 Salaries account for a large portion of social sector spending. Hence increase in share of social services expenditure from 36.52 percent to 37.57 percent 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 2014-15. 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 percent of total expenditure. Pension payments accounted for nearly 16 percent of total spending in Kerala, 14 percent in Punjab and 15 percent in Himachal Pradesh. In Sikkim interest payments were largely responsible for high spending in the General sector.

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 percent of total spending during the six 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 percent in 2009-10 to 27.9percent in 2014-15, Himachal Pradesh from 32 percent to 29.6percent. In Uttar Pradesh there was a rise in spending on the economic sector from 30 percent in 2009-10 to 33.5 percent in 2014-15. The other five states in this category spent around 24 to 27 percent 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 six year period. During 2014-15 it accounted for 38.2percent of total spending in Karnataka, 37percent in Madhya Pradesh and 34percent in Meghalaya.

Rajasthan has steadily increased spending on economic services from 26 percent to 35 percent during the six year period.

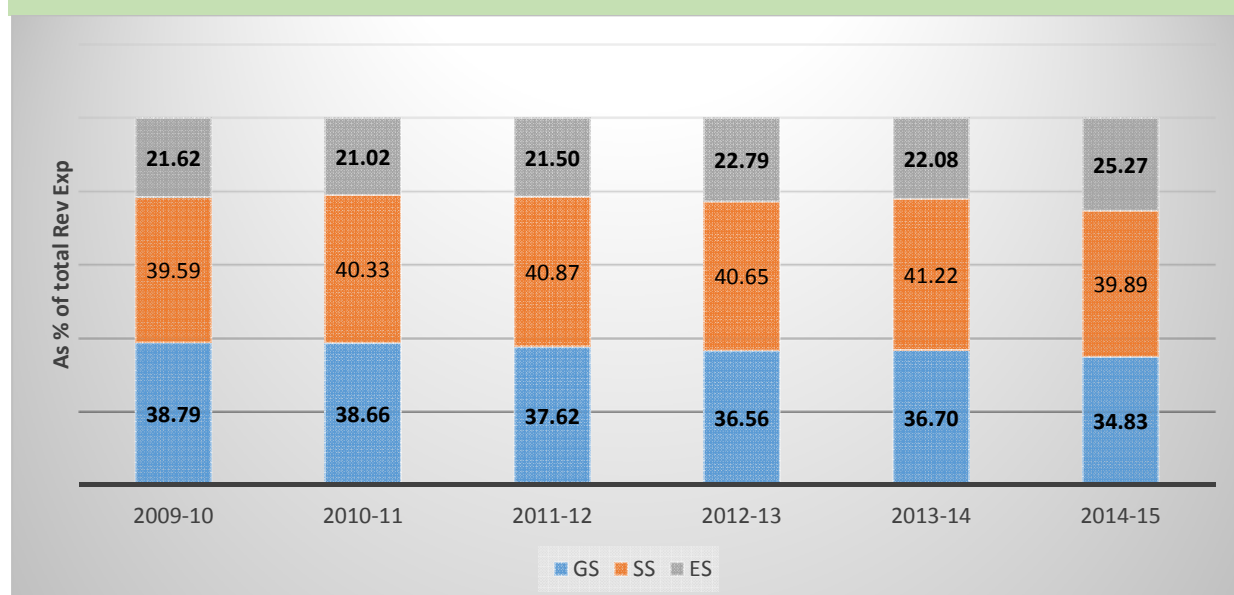
2.35 Social sector spending was the dominant component of expenditure in Andhra Pradesh, Assam, Bihar, Chhattisgarh, West Bengal, Maharashtra, Tamil Nadu, Gujarat, Rajasthan, Haryana, Odisha and Tripura. These states spent an average of 38 to 41 percent of total expenditure in the Social sector.

2.36 However, expenditure on health, water supply and housing in these states has been low. In 2014-15 these states spent an average of 10 to 13 percent of total social sector outlay on medical and public health, between 1 to 4 percent on water supply and sanitation, and between 1 to 2 percent on housing. Expenditure on education has varied between 40 to 50 percent of total spending on social sector with Assam spending 62 percent of social sector outlay on education.

### Revenue Expenditure-Sectoral Analysis

2.37 Since revenue expenditure accounts for more than 75 percent of total expenditure in all states, the sectoral break-up of revenue expenditure by and large follows the same pattern as sectoral break-up of total expenditure. Share of the social sector in total revenue expenditure is the highest followed by the General sector. Economic services have the lowest share although this has increased from 21.62 percent in 2009-10 to 25.27 percent in 2014-15. This is shown in Fig 2.11 below:

**Figure 2.11: Sectoral break-up of Revenue Expenditure of States**



2.38 Although the above sectoral break-up applies to almost all states, in Himachal Pradesh, Jammu and Kashmir, Jharkhand, Kerala, Manipur, Nagaland, Punjab, Sikkim, Tripura, Uttar

Pradesh and West Bengal, revenue expenditure has been the highest in the General sector. This was followed by the share of the Social Sector.

2.39 Share of the economic sector in total revenue expenditure has shown a rising trend during the period 2009-10 to 2013-14 in Andhra Pradesh, Arunachal Pradesh, Chhattisgarh, Jharkhand, Karnataka, Kerala, Mizoram, Odisha, Rajasthan, Sikkim, Uttar Pradesh, Uttarakhand and West Bengal.

<b>Share of Social Sector in total Revenue Expenditure in 2014-15</b>	
More than 40 percent	Assam, Bihar, Gujarat, Karnataka, Tripura, Tamil Nadu, Odisha, Maharashtra, Madhya Pradesh, Uttarakhand
Between 30 to 40 percent	Andhra Pradesh, Arunachal Pradesh, Chhattisgarh, Meghalaya, Kerala, Haryana, Himachal Pradesh, Jharkhand, Mizoram, Rajasthan, Sikkim, Uttar Pradesh, West Bengal
Between 20 to 30 percent	Jammu and Kashmir, Manipur, Nagaland, Punjab

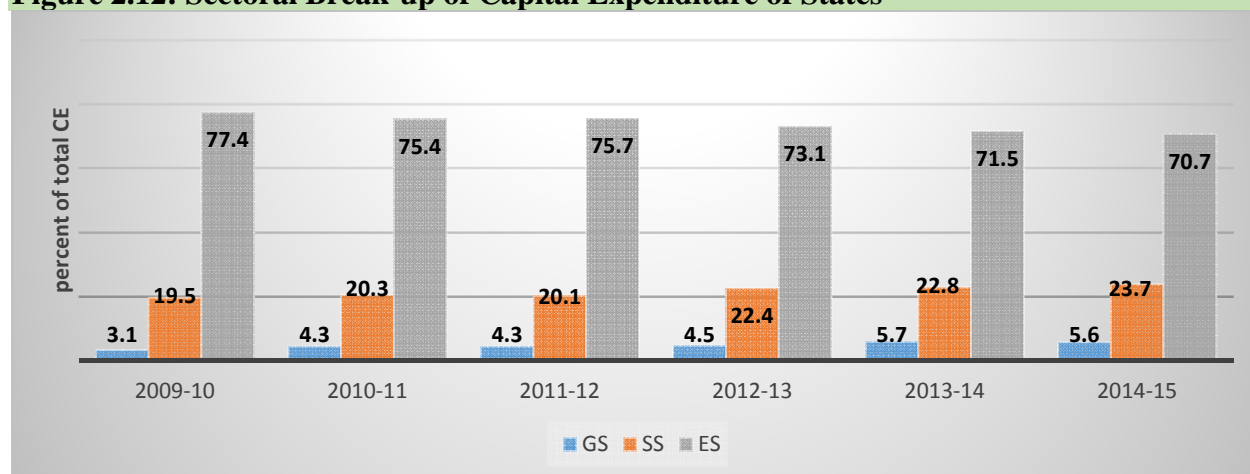
<b>Share of Economic Sector in total Revenue Expenditure in 2014-15</b>	
Between 30 to 40 percent	Arunachal Pradesh, Karnataka, Mizoram, Rajasthan
Between 20 to 30 percent	Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Manipur, Maharashtra, Meghalaya, Nagaland, Odisha, Punjab, Sikkim, Tamil Nadu, Uttar Pradesh
Less than 20 percent	Assam, Bihar, Kerala, Tripura, Uttarakhand, West Bengal

### **Capital Expenditure-Sectoral Analysis**

2.40 Contrary to the sectoral break-up of revenue expenditure where social sector accounts for the largest share, there is preponderance of the economic sector in total capital expenditure. However, during the period 2009-10 to 2014-15 there has been an increase in share of capital expenditure on general sector and social sector, while the share of economic sector has declined in all states taken as a whole. Share of general sector has risen from 3.1 percent percent of total capital expenditure in 2009-10 to 5.6 percent in 2014-15. Share of social sector has risen from 19.5 percent of total capital expenditure in 2009-10 to 23.7 percent in 2014-15, while share of

economic sector has declined from 77.4 percent of total capital expenditure in 2009-10 to 70.7 percent in 2014-15.

**Figure 2.12: Sectoral Break-up of Capital Expenditure of States**



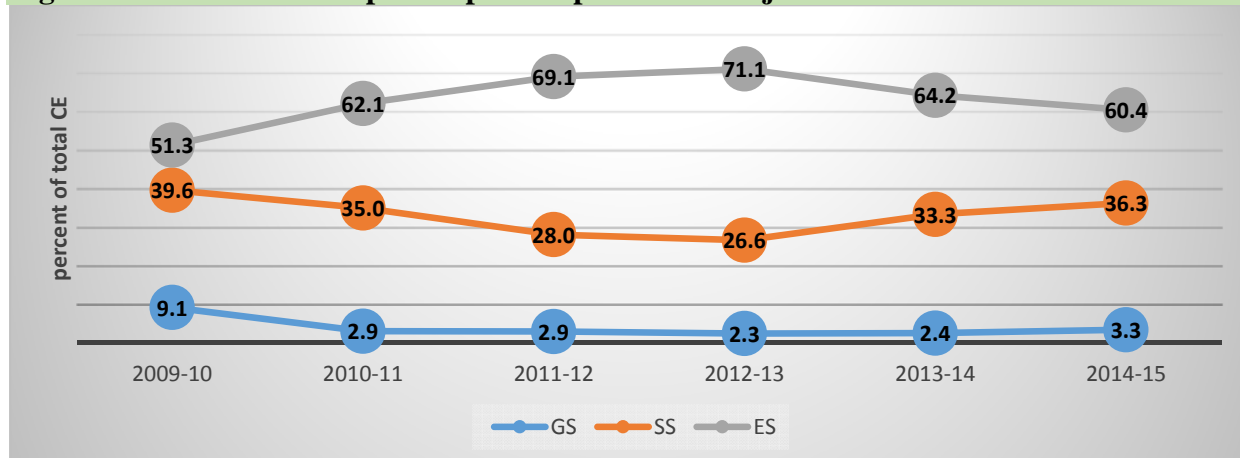
2.41 There are variations in sectoral allocation of capital expenditure across states. Share of general sector in total capital expenditure was below 10 percent in all states except Tripura, Jammu and Kashmir, Nagaland and Manipur. In these states share of general sector has been between 10 and 20 percent of total capital expenditure. Share of economic sector in total capital expenditure has increased in Himachal Pradesh (from 65.4 percent in 2009-10 to 75.5 percent in 2014-15) and Jharkhand (65.3 percent in 2009-10 to 77.7 percent in 2014-15).

Share of Economic Sector in total capital expenditure in 2014-15	
80 to 90 percent	Maharashtra, Bihar, Madhya Pradesh, Assam
70 to 80 percent	Andhra Pradesh, Himachal Pradesh, Tamil Nadu, Odisha, Karnataka, Kerala, Uttarakhand
60 to 70 percent	Gujarat, , Uttar Pradesh, Rajasthan, Punjab, Meghalaya, Arunachal Pradesh
50 to 60 percent	West Bengal, Jammu and Kashmir, Tripura, Nagaland, Mizoram
Below 50 percent	Haryana, Manipur

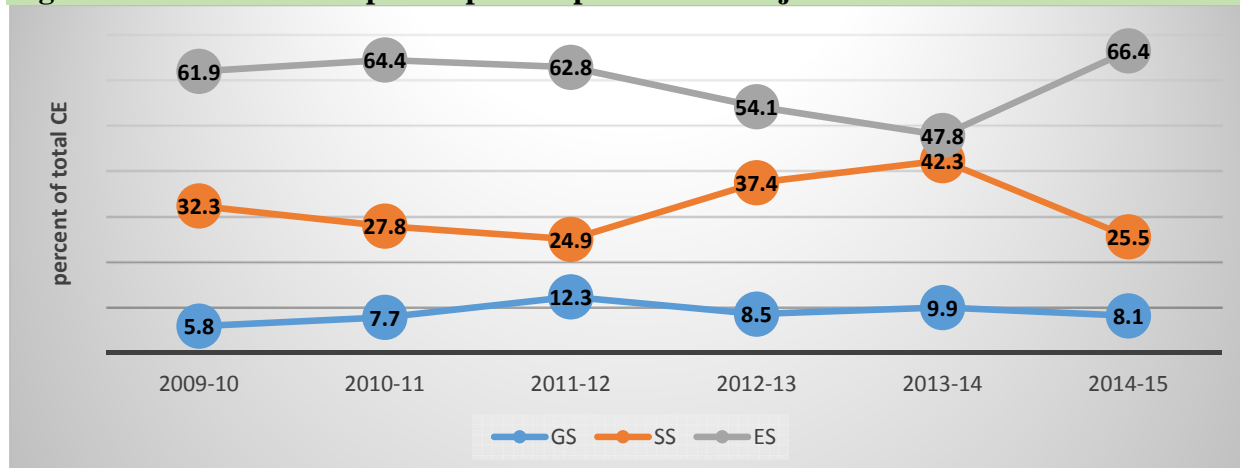
2.42 There has been decline in capital expenditure in the economic sector in 2014-15 as compared to 2009-10 in West Bengal (65 percent to 53 percent), Haryana (76 percent to 41 percent), Jammu and Kashmir (70 percent to 56.8 percent), Uttarakhand (86.8 percent to 70.8 percent), Manipur (58.3 percent to 43.2 percent), Arunachal Pradesh (79 percent to 62 percent), Uttar Pradesh (78.8 percent to 68.5 percent), Mizoram (69.2 percent to 58.1 percent) and Andhra Pradesh (94.7 percent to 74.9 percent).

2.43 In Rajasthan, Punjab and Manipur there have been wide fluctuations in the sectoral share of capital expenditure.

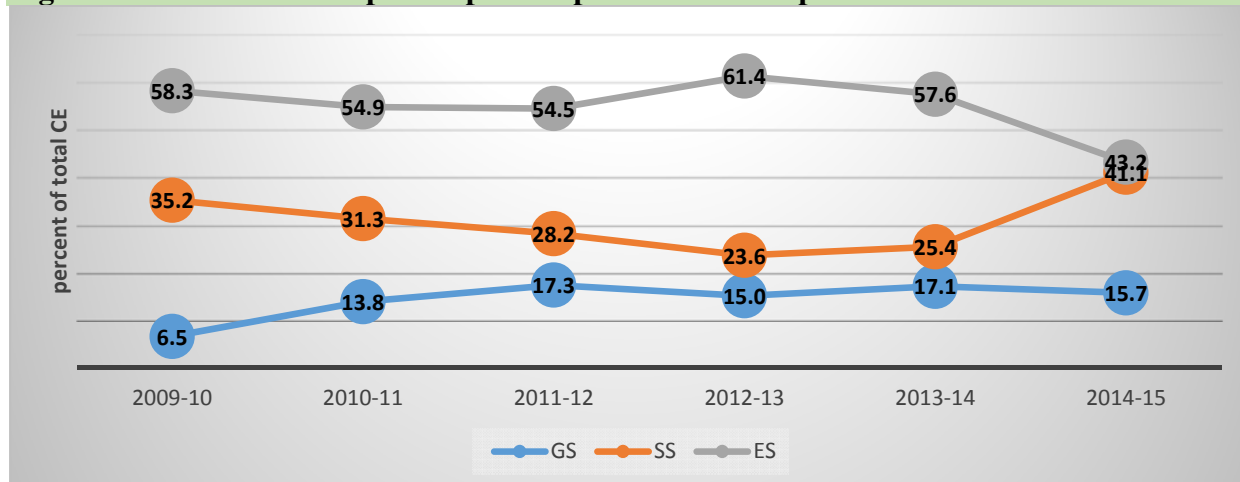
**Fig 2.13: Sectoral break-up of Capital Expenditure: Rajasthan**



**Fig 2.14: Sectoral break-up of Capital Expenditure: Punjab**



**Fig 2.15: Sectoral break-up of Capital Expenditure: Manipur**



2.44 Share of social sector in total capital expenditure has been above 30 percent in Haryana, Rajasthan, West Bengal, Jammu and Kashmir, Mizoram, Meghalaya, Nagaland and Manipur, between 20 to 30 percent in Andhra Pradesh, Gujarat, Himachal Pradesh, Punjab, Tamil Nadu, Tripura, Uttar Pradesh,

Odisha, Chhattisgarh, Kerala, Karnataka, Arunachal Pradesh and Uttarakhand. In Haryana capital expenditure in the social sector has nearly doubled in the last two years. In Manipur social sector spending has increased by nearly 62 percent. In Punjab capital expenditure in the social sector has declined by 40 percent in 2014-15.

Share of Social Sector in total capital expenditure in 2014-15	
Above 30 percent	Rajasthan, West Bengal, Haryana, Jammu and Kashmir, Mizoram, Meghalaya, Nagaland, Manipur
25 to 30 percent	Gujarat, Punjab, Tripura, Arunachal Pradesh
20 to 25 percent	Andhra Pradesh, Himachal Pradesh, Tamil Nadu, Uttar Pradesh, Odisha, Chhattisgarh, Kerala, Karnataka, Uttarakhand
15 to 20 percent	Madhya Pradesh, Jharkhand
10 to 15 percent	Maharashtra, Assam
5 to 10 percent	Bihar

### Social Sector Expenditure of States

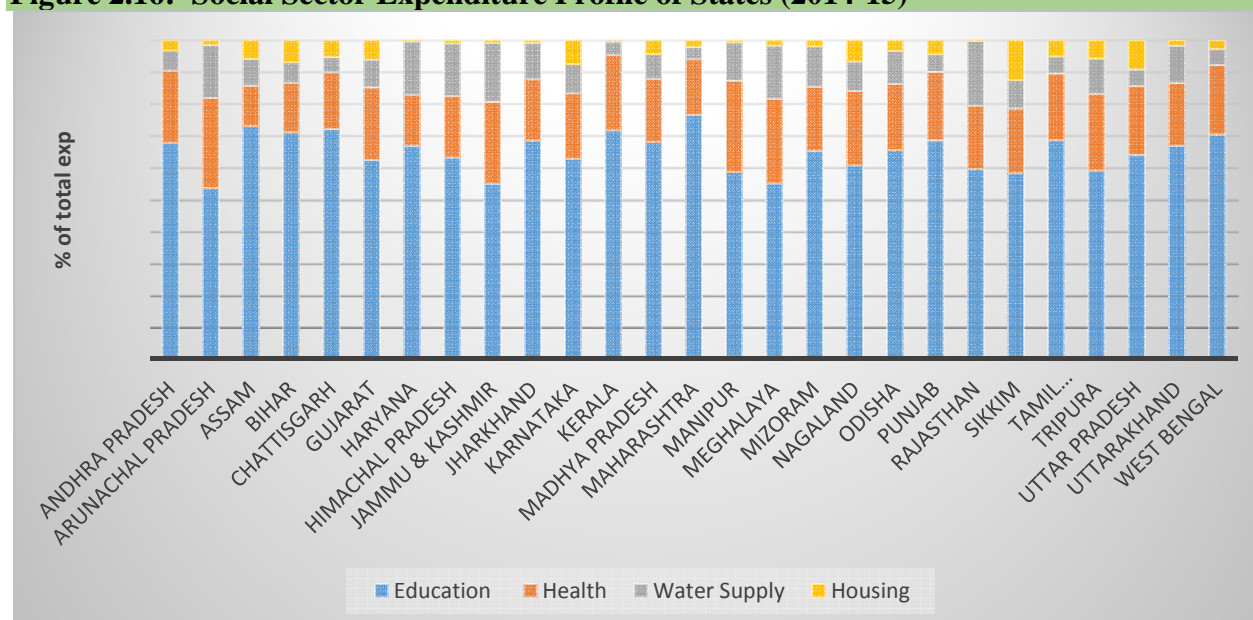
2.45 Expenditure on health and family welfare, education, drinking water and sanitation and housing as percentage of total spending during 2010-11, 2012-13 and 2014-15 is depicted in Table 2.16. In Andhra Pradesh, Kerala, Maharashtra, Uttarakhand and West Bengal there has been consistent decline in share of spending on these sectors. In Jharkhand, Odisha, Rajasthan and Tamil Nadu although the share of spending on these sectors increased in 2014-15 as compared to 2012-13, it is still less than that of 2010-11.

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

State	2010-11	2012-13	2014-15
Andhra Pradesh	20.06	19.84	19.39
Arunachal Pradesh	19.02	21.07	23.67
Assam	33.39	31.22	35.08
Bihar	24.65	28.46	25.52
Chhattisgarh	25.24	23.28	28.45
Gujarat	24.73	23.76	25.22
Haryana	26.47	24.21	26.32
Himachal Pradesh	29.78	30.41	30.17
Jammu and Kashmir	21.32	20.68	22.79
Jharkhand	25.13	22.08	22.57

State	2010-11	2012-13	2014-15
Karnataka	23.35	23.85	23.13
Kerala	25.03	24.73	23.53
Madhya Pradesh	22.36	21.53	25.40
Maharashtra	27.65	27.64	26.07
Manipur	20.94	18.96	23.33
Meghalaya	27.30	26.89	29.11
Mizoram	24.04	24.12	26.13
Nagaland	20.84	20.61	22.84
Odisha	25.78	23.07	24.66
Punjab	16.92	22.37	22.11
Rajasthan	30.35	26.75	29.25
Sikkim	24.69	26.51	27.10
Tamil Nadu	25.88	23.91	24.35
Tripura	24.48	25.38	26.18
Uttar Pradesh	22.75	25.17	24.51
Uttarakhand	32.30	30.99	29.14
West Bengal	27.67	26.25	25.71

**Figure 2.16: Social Sector Expenditure Profile of States (2014-15)**



2.46 Education accounted for the biggest component of expenditure in all states followed by health. Assam had the highest share (25.6 percent of total expenditure) followed by Chhattisgarh (20.5 percent) and Maharashtra (20 percent). In all states expenditure on health was less than 10



percent of total expenditure. Expenditure on water supply was less than 5 percent of total expenditure in all states except Rajasthan and Himachal Pradesh where they accounted for 5.9 percent and 5 percent of total expenditure respectively. Housing accounted for less than 3 percent of total expenditure except Sikkim where it accounted for 3.4 of total expenditure.

### **Subsidies**

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

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

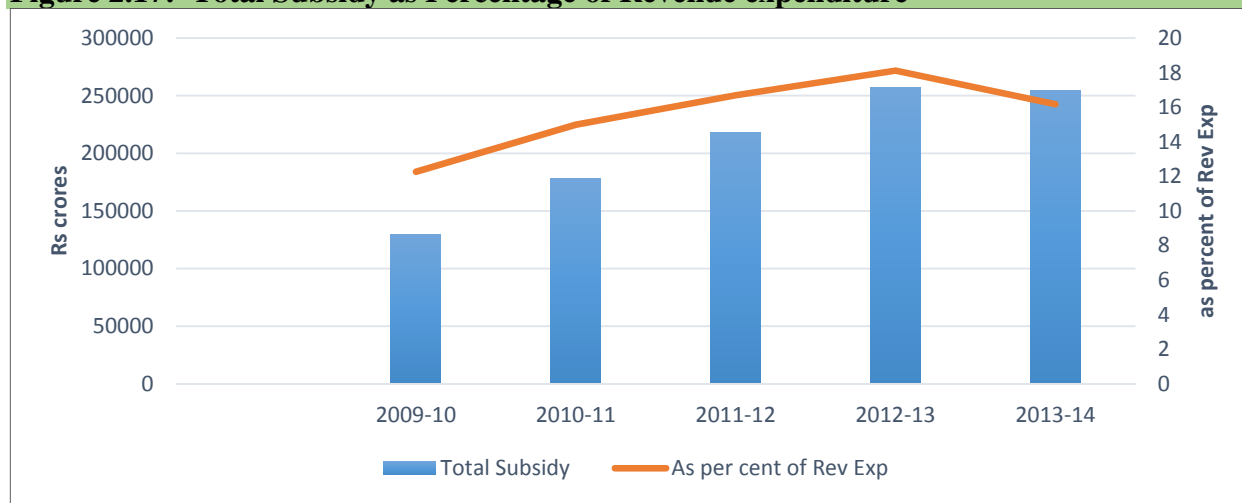
### **Expenditure on Subsidies of the Union**

2.49 The bulk of expenditure under subsidies is towards food, fertilizer and petroleum subsidies. The total expenditure on subsidy has increased marginally by 1.4 percent from Rs 254745 crores in 2013-14 to Rs 258299 crores in 2014-15. Subsidies on food and urea grew by 28 percent and 33 percent respectively over this period. Subsidies on decontrolled fertiliser and petroleum witnessed negative growth of 30 percent and 29 percent respectively in 2014-15 over the previous year. The share of expenditure on subsidies in total revenue expenditure of the Union had gone up from 12.27 percent in 2009-10 to 18.11 percent in 2012-13. This declined to 16.17 percent in 2013-14 and further to 15.24 percent in 2014-15.



**Table 2.14: Expenditure on Subsidies of the Union**

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

**Figure 2.17: Total Subsidy as Percentage of Revenue expenditure**

### Growth of Subsidies

2.50 Expenditure on subsidies have increased in absolute terms and as percentage of revenue expenditure in all states during the period 2009-10 to 2014-15. However share of expenditure on subsidies in total revenue expenditure has varied across states. States fall into the following broad categories depending on the share of subsidies in total revenue expenditure.

Expenditure on Subsidies as percent of Revenue Expenditure	States
< 1 percent	Arunachal Pradesh, Assam, Manipur, Jharkhand, Mizoram, Uttarakhand
1 to 5 percent	Kerala, Bihar, Meghalaya, Odisha, West Bengal, Himachal Pradesh, Uttar Pradesh, Tripura.
5 to 10 percent	Andhra Pradesh, Bihar, Rajasthan, Gujarat, Chhattisgarh, Maharashtra, Madhya Pradesh
10 to 15 percent	Haryana, Tamil Nadu, Karnataka

### Sectoral Analysis of Subsidies of States:

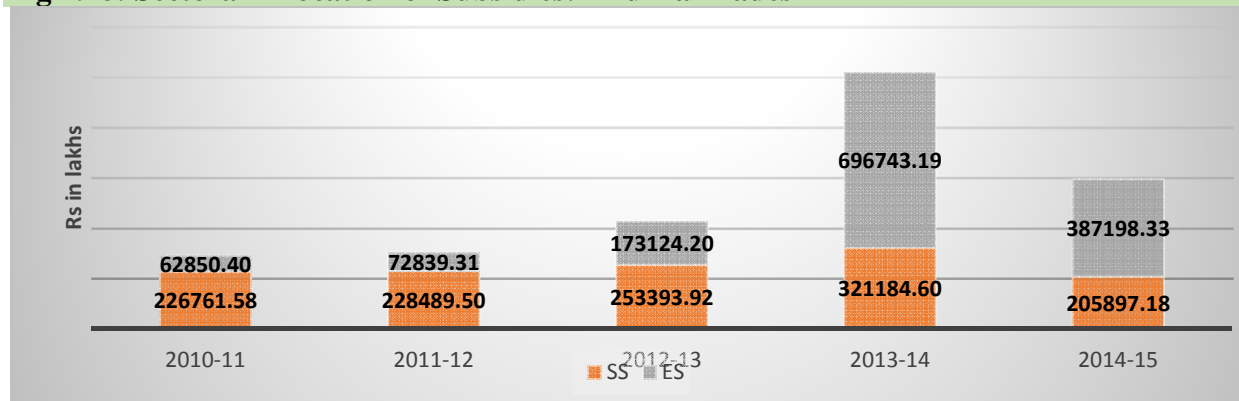
2.51 Share of economic sector has been the highest in almost all states ranging from 45.13 percent of total subsidies in West Bengal to 99.9 percent in Manipur during 2014-15. The share of economic sector has shown a rising trend in all states except Odisha, Mizoram, Madhya Pradesh, Bihar, and Gujarat.

2.52 All states except Maharashtra, Meghalaya, Madhya Pradesh and Tamil Nadu had little or no subsidies in the general sector. In Maharashtra subsidies on general sector accounted for 8 to 10 percent of total subsidies during 2009-10 to 2014-15. In Arunachal Pradesh, Uttarakhand, Tripura, Jharkhand, Uttar Pradesh and Mizoram subsidies were given only in Economic sector.

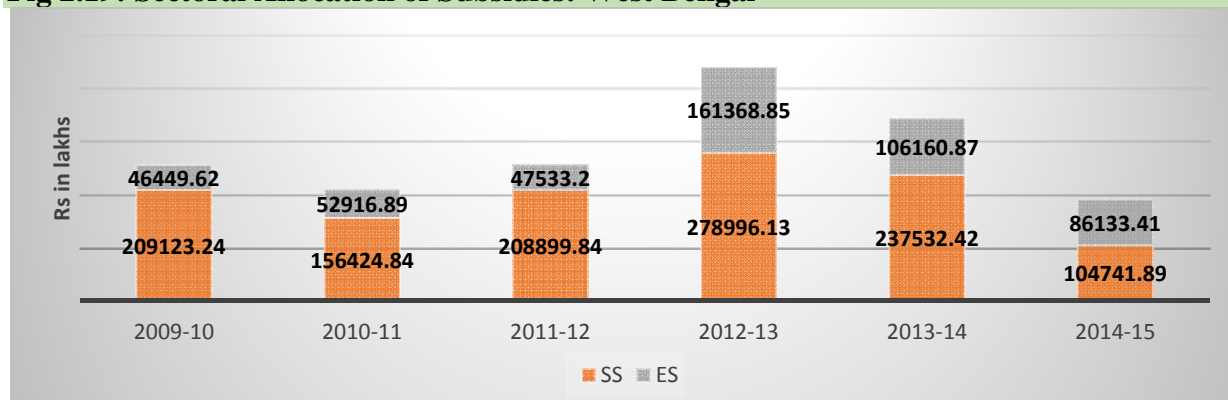
2.53 Subsidies on the social sector was high in Andhra Pradesh (35 percent), West Bengal (55 percent), Odisha (15 percent) and Tamil Nadu (9 percent) during 2014-15. However except in Odisha there has been decline in share of social sector subsidies in these states. In Andhra Pradesh social sector subsidies declined sharply from 78 percent of total subsidies in 2009-10 to 35 percent in 2014-15. In West Bengal it declined from 82 percent to 55 percent and in Tamil Nadu it declined from 14 percent to 9 percent during this period. In Odisha social sector subsidies increased from 6 percent in 2009-10 to 15 percent in 2014-15.

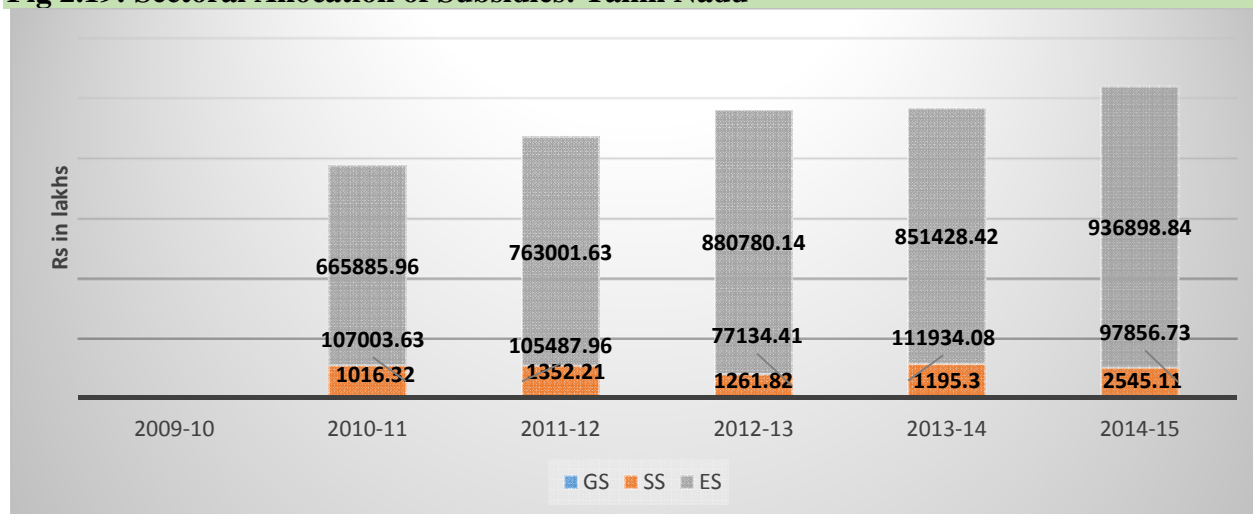
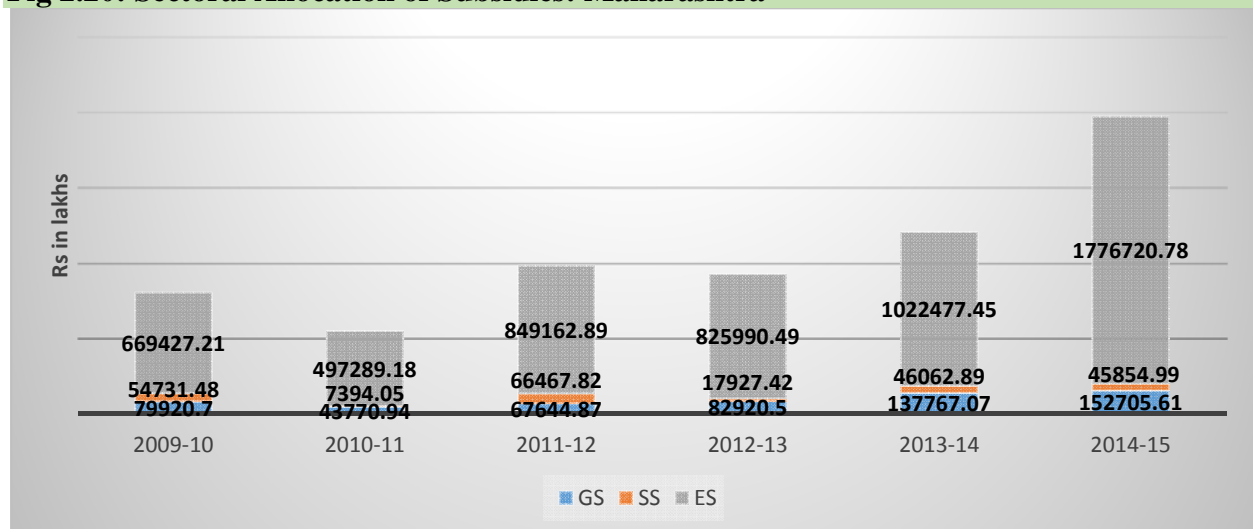
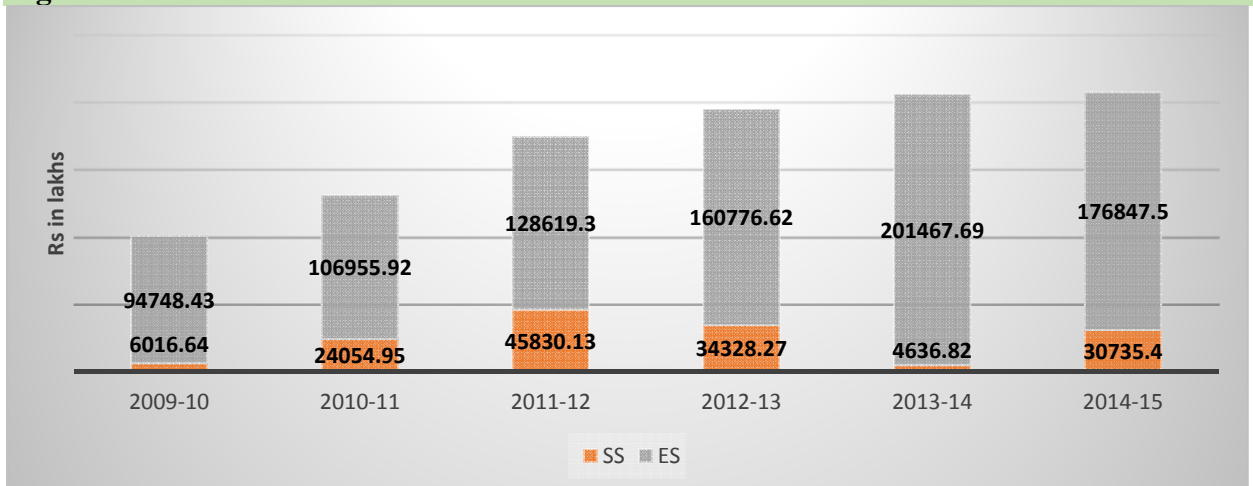
Sectoral allocation of subsidies of few states are depicted below:

**Fig 2.18: Sectoral Allocation of Subsidies: Andhra Pradesh**



**Fig 2.19: Sectoral Allocation of Subsidies: West Bengal**

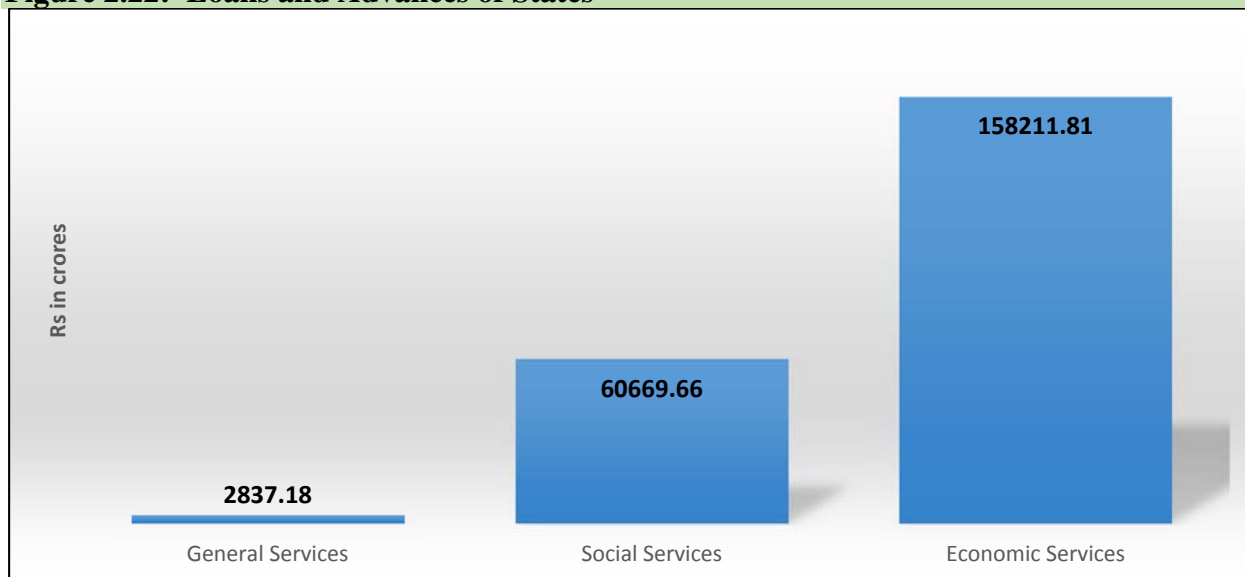


**Fig 2.19: Sectoral Allocation of Subsidies: Tamil Nadu****Fig 2.20: Sectoral Allocation of Subsidies: Maharashtra****Fig 2.21: Sectoral Allocation of Subsidies: Odisha**

## Loans and Advances

2.54 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 2014-15. Over 74 percent of loans were disbursed to Economic sector, followed by the Social sector (25.7 percent).

**Figure 2.22: Loans and Advances of States**



## Management of Fiscal Imbalances

*Trend of Revenue Deficit and Fiscal Deficit of the Union and States during 2009-10 to 2014-15 have been examined. Composition of fiscal deficit and sources of borrowing by the Union and States have also been looked into. In the backdrop of the fact that almost all states have passed Financial Responsibility Legislation, their fiscal consolidation efforts and whether they are on course to achieve the FRBM targets and sustain their fiscal consolidation in the long run have been examined.*

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

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

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

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

### Deficits: Scenario of Union Govt 2014-15

3.5 Table 3.1 presents the break-up of the deficit during 2014-15. There was a deficit in the CFI amounting to Rs. 5,451.24 crore and surplus in the Public Account amounting to Rs 72,393.02 crore. Fiscal deficit at Rs 5,15,947.89 crore amounted to 4.1 percent of the GDP<sup>1</sup>. Revenue deficit was Rs 3,66,227.83 crore amounting to 2.9 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,

<sup>1</sup> GDP at current prices with base year 2011-12.

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

**Table 3.1 : Summary of Receipts and Disbursements (2014-15)**

(Rs in crores)

Receipt	Amount		Disbursement	Amount	
Consolidated Fund					
Revenue	1328908.96	Revenue deficit	366227.83	Revenue	1695136.79
Miscellaneous capital receipts (including disinvestment)	37739.85			Capital	172085.09
Recovery of loans & advances	26546.7			Loans & advances disbursement	41921.52
Sub total CFI (other than public debt)	1393195.51			Sub total CFI (other than Public Debt)	1909143.4
Public debt	4218196.3	Fiscal deficit	515947.89	Public debt repayment	3707699.65
Total (CFI)	5611391.81	A: Deficit in CFI	5451.24		5616843.05
PUBLIC ACCOUNT					
Small savings, provident funds etc.	499554.88			Small savings, provident funds etc.	505401.60
Deposits and advances	173422.44			Deposits and advances	145877.39
Reserve funds	147040.63			Reserve funds	141931.65
Suspense & miscellaneous	28484.40			Suspense & miscellaneous	116526.29
Remittances	2004.11			Remittances	13162.55
Total Public Account	850506.46	C: Surplus in Public Account:	72393.02		922899.48

### Revenue Deficit of Union

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

**Table 3.2 : Trends in Revenue Deficit and percentage of GDP**

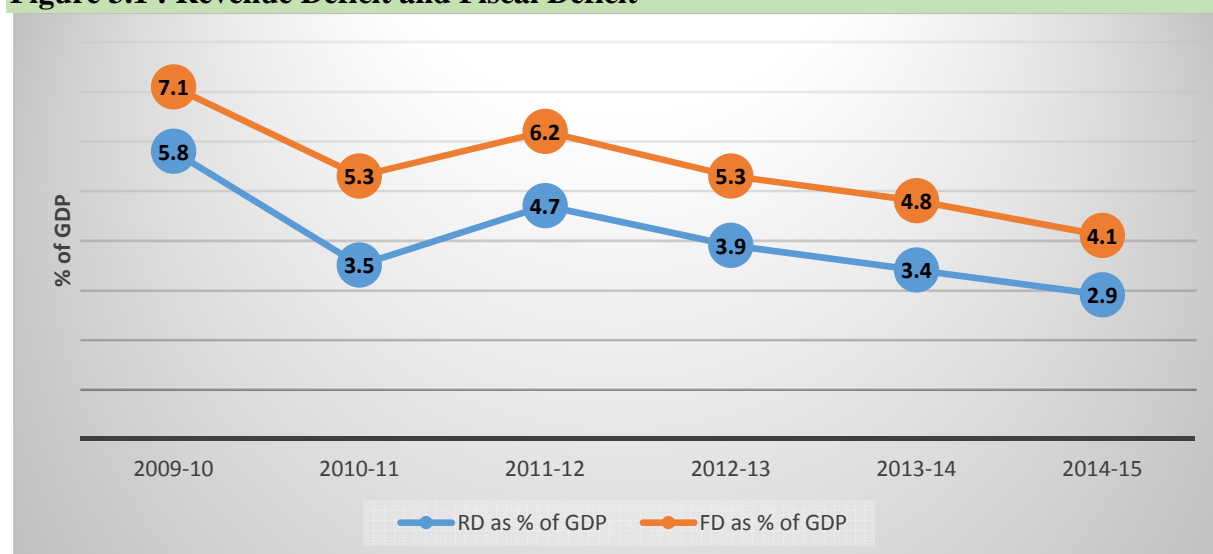
Year	Revenue Receipt	Revenue Expenditure	Actual Revenue Deficit	RD as % of GDP
2009-10	704523.03	1057479.24	352956.21	5.8
2010-11	932685.81	1186115.11	253429.30	3.5
2011-12	910277.17	1305195.14	394917.97	4.7
2012-13	1055891.01	1420472.70	364581.69	3.9
2013-14	1217794.22	1575096.55	357302.33	3.4
2014-15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

**Fiscal Deficit of Union:**

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

**Table 3.3 : Trends in Fiscal Deficit and percentage of GDP**

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

**Figure 3.1 : Revenue Deficit and Fiscal Deficit**

### Composition of Expenditure Financed by borrowing

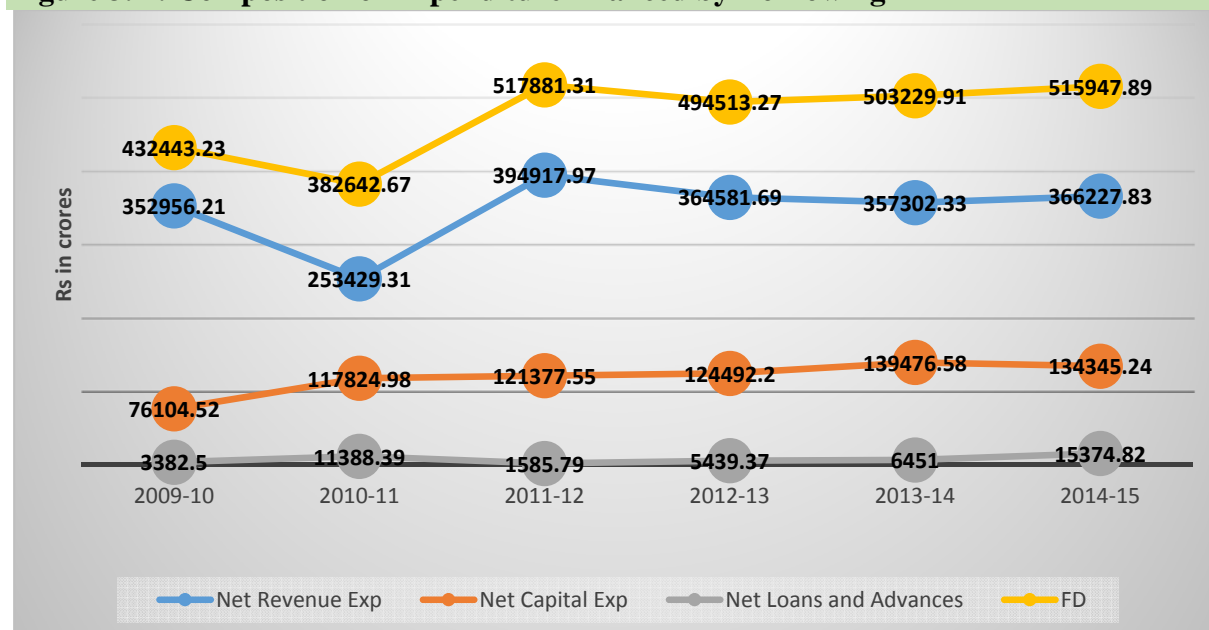
3.9 Ideally, capital expenditure of the government should be financed from revenue surplus. If such a surplus is not available, fiscal deficit may be used for financing capital expenditure so that assets are created to match the addition to the liabilities.

3.10 Table 3.4 indicates that major proportion of borrowed funds have been deployed for revenue expenditure. Revenue deficit accounted for around 81 percent 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 six year period. Capital expenditure financed by borrowed funds has gradually increased from 17.6 percent in 2009-10 to 26 percent in 2014-15.

**Table 3.4: Composition of Expenditure Financed by borrowing**

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

**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 percent of GDP by 31 March 2015 which has been shifted to March 2018.
- Reduction of Fiscal Deficit by an amount equivalent to 0.5 percent or more of the GDP beginning with the FY 2013-14 so that the FD is brought down to not more than 3 percent of GDP by March 2017.
- The Government shall not assume additional liabilities (including external debt at current exchange rate) in excess of 9 percent of GDP for the FY 2004-05 and in each subsequent financial year, the limit of 9 percent of GDP shall be progressively reduced by at least one percentage point.

3.12 Revenue Deficit was above 2 percent of GDP in each year during the period 2009-10 to 2014-15. The RD increased to 4.7 percent in 2011-12 as compared to 3.5 percent in 2010-11 due to rise in revenue expenditure by nearly 56 percent 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 percent in 2012-13 to 3.4 percent in 2013-14 and 2.9 percent in 2014-15.

3.13 Fiscal deficit has also steadily declined from 6.2 percent of GDP in 2011-12 to 5.3 percent in 2012-13 and further to 4.1 percent of GDP in 2014-15. However it is still much higher than the targeted 3 percent of GDP.

3.14 Going by the FRBM target of limiting additional liabilities to 9 percent of GDP by 2004-05, by 2009-10 additional liabilities should not have exceeded 4 percent of GDP. This target was achieved in all the years during the period 2009-10 to 2014-15.

### 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 six years is given in table below:

**Table 3.5: Revenue Deficit/Revenue Surplus as percent of GSDP**

Sl.No	State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1	Andhra Pradesh	0.45	0.77	0.87	0.27	0.07	-2.3
2	Arunachal Pradesh	8.02	18.60	10.03	8.24	0.66	12.70
3	Assam	-1.40	0.05	0.74	1.12	0.14	- 0.49

Sl.No	State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
4	Bihar	1.81	3.10	1.98	1.74	1.87	1.45
5	Chhattisgarh	0.89	2.82	2.25	1.57	-0.44	- 0.75
7	Gujarat	-1.62	-0.97	0.54	0.85	0.62	0.62
8	Haryana	-1.91	-1.05	-0.49	-1.30	-1.00	- 1.91
9	Himachal Pradesh	-1.67	-2.15	0.99	-0.78	-1.99	- 2.03
10	Jammu and Kashmir	4.68	6.49	3.08	1.42	0.08	- 0.44
11	Jharkhand	-0.01	0.66	1.05	0.90	3.71	- 0.12
12	Karnataka	0.48	1.02	1.03	0.36	0.06	0.08
13	Kerala	-2.17	-1.39	-2.57	-2.69	-2.85	- 3.06
14	Madhya Pradesh	2.42	2.60	3.25	2.06	1.35	1.23
15	Maharashtra	-0.94	-0.06	-0.19	0.32	-0.34	- 0.72
16	Manipur	10.40	14.80	5.83	11.84	10.92	4.53
17	Meghalaya	2.08	1.70	-1.05	2.82	3.26	0.70
18	Mizoram	4.96	-6.28	1.85	0.33	-1.48	- 1.36
19	Nagaland	4.44	6.91	5.13	3.84	4.21	4.42
20	Odisha	0.70	1.98	2.54	2.27	1.22	1.89
21	Punjab	-2.66	-2.34	-2.66	-2.60	-2.06	- 2.17
22	Rajasthan	-1.79	0.31	0.81	0.73	-0.20	- 0.56
23	Sikkim	8.42	1.88	4.97	7.46	7.02	5.04
24	Tamil Nadu	-0.74	-0.47	0.20	0.24	-0.21	- 0.71
25	Telangana						0.09
26	Tripura	1.22	4.53	8.35	8.10	6.35	5.81
27	Uttar Pradesh	1.35	0.58	1.02	0.66	1.17	2.29
27	Uttarakhand	-1.66	-0.02	0.73	0.23	0.90	- 0.66
28	West Bengal	-5.41	-3.75	-2.76	-12.76	-2.68	- 2.14

3.16 Among the GCS Bihar, Karnataka, Madhya Pradesh, Odisha and Uttar Pradesh had revenue surplus in all the years. In Bihar and Madhya Pradesh ratio of revenue surplus to GSDP declined by 0.42 and 0.38 percentage points respectively between 2009-10 and 2014-15. In Karnataka, Odisha and Uttar Pradesh revenue surplus as proportion of GSDP increased by 0.02, 0.67 and 1.12 percentage points respectively during this period. Gujarat had revenue deficit in 2009-10, but thereafter it had revenue surplus.

3.17 Haryana, Kerala, Punjab and West Bengal had revenue deficit in all the years. Revenue deficit was the highest in Kerala in 2014-15. The revenue deficit decreased by 3.27 percentage point of GSDP in West Bengal in 2014-15 as compared to 2009-10. In Punjab the revenue deficit decreased by 0.49 percentage point of GSDP during the six year period. In Kerala, revenue deficit increased by 0.89 percentage point of GSDP during this period.

3.18 Amongst the SCS, Arunachal Pradesh, Manipur, Nagaland, Sikkim and Tripura had revenue surplus in all the years during the six year period. Mizoram and Uttarakhand had revenue deficit in three out of six years. Assam and Jammu and Kashmir had revenue deficit in 2014-15. Himachal Pradesh had a revenue deficit in all years except during 2011-12.

### Fiscal Deficit of States

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

**Table 3.6: Fiscal Deficit as percent of GSDP**

	State	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1	Andhra Pradesh	5.1	3.7	4.3	4.3	3.9	4.7
2	Arunachal Pradesh	5.7	0.28	9.19	1.96	11.9	(-)3.3
3	Assam	4.21	1.77	1.31	1.1	2.4	3.0
4	Bihar	3.2	2.0	2.4	2.3	2.4	2.8
5	Chhattisgarh	1.8	0.34	0.6	1.6	2.7	3.8
7	Gujarat	3.5	2.9	1.8	2.5	2.4	2.1
8	Haryana	4.5	2.8	2.4	3.0	2.1	2.9
9	Himachal Pradesh	5.7	4.4	2.5	4.0	2.0	4.4
10	Jammu and Kashmir	8.2	4.1	5.4	5.4	5.2	6.4
11	Jharkhand	3	1.7	1.4	2.2	1.3	3.3
12	Karnataka	3.2	2.6	2.7	2.8	2.9	2.9
13	Kerala	3.4	2.9	4.1	4.3	4.3	4.1
14	Madhya Pradesh	2.7	2.0	1.9	2.6	2.3	2.2
15	Maharashtra	3.1	1.8	1.7	1.0	1.8	1.9
16	Manipur	8.9	6.2	9.4	.01	1.9	3.7
17	Meghalaya	1.8	2.3	6.2	2.1	1.7	3.9
18	Mizoram	5.9	16	6.9	6.9	7.3	10.0
19	Nagaland	5	2.7	3.9	4.2	2.6	0.7
20	Odisha	1.4	0.3	0.3	0.01	1.7	1.8
21	Punjab	3.1	3.2	3.3	3.3	2.8	3.1
22	Rajasthan	3.9	1.2	0.9	1.8	2.9	3.3
23	Sikkim	2.8	4.3	2.0	0.6	0.4	1.9
24	Tamil Nadu	2.5	2.8	2.6	2.2	2.4	3.0
25	Telangana						2.2
26	Tripura	7.5	1.4	1.3	1.5	0.2	3.4
27	Uttar Pradesh	3.6	2.9	2.3	2.5	2.7	3.3
28	Uttarakhand	3.9	2.2	1.8	1.5	2.2	4.2
29	West Bengal	6.3	4.2	3.4	3.2	3.6	3.4

3.19 Fiscal Deficit as proportion of GSDP has, by and large increased in all states, barring Gujarat, Karnataka (where it has remained constant), Kerala, Madhya Pradesh and West Bengal amongst GCS and Nagaland amongst SCS. Andhra Pradesh, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Kerala, Manipur, Mizoram, Punjab, Tripura, Uttar Pradesh, Uttarakhand and West Bengal have not managed to bring down fiscal deficit to below 3 percent of GSDP as per target set by Fiscal Responsibility Budget Management (FRBM) Act and also as per XIII Finance Commission recommendations. Assam and Tamil Nadu had

fiscal deficit equal to 3 percent of GSDP in 2014-15. Arunachal Pradesh had a fiscal surplus of 3.3 percent of GSDP in 2014-15.

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

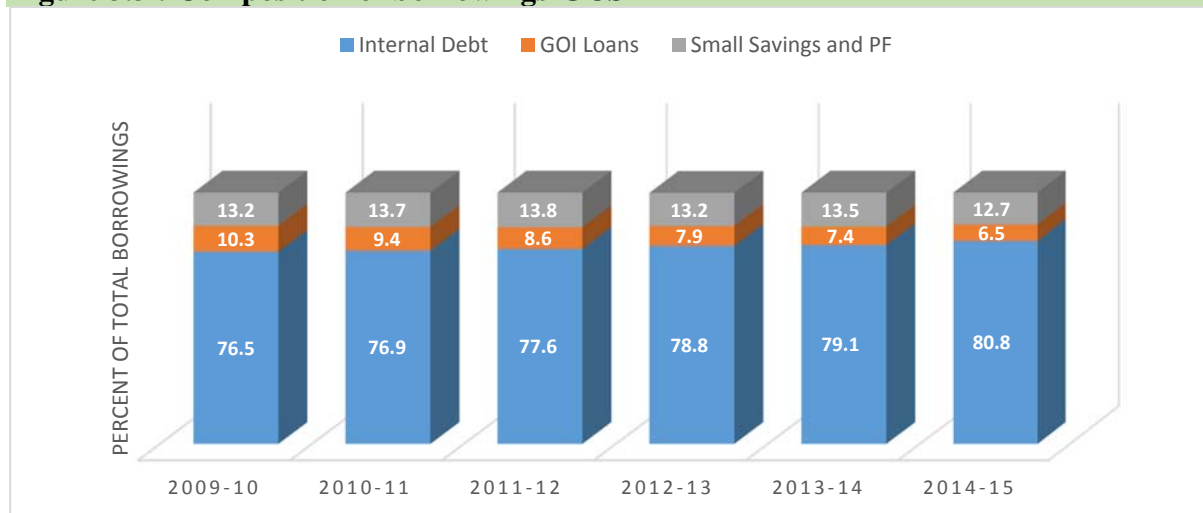
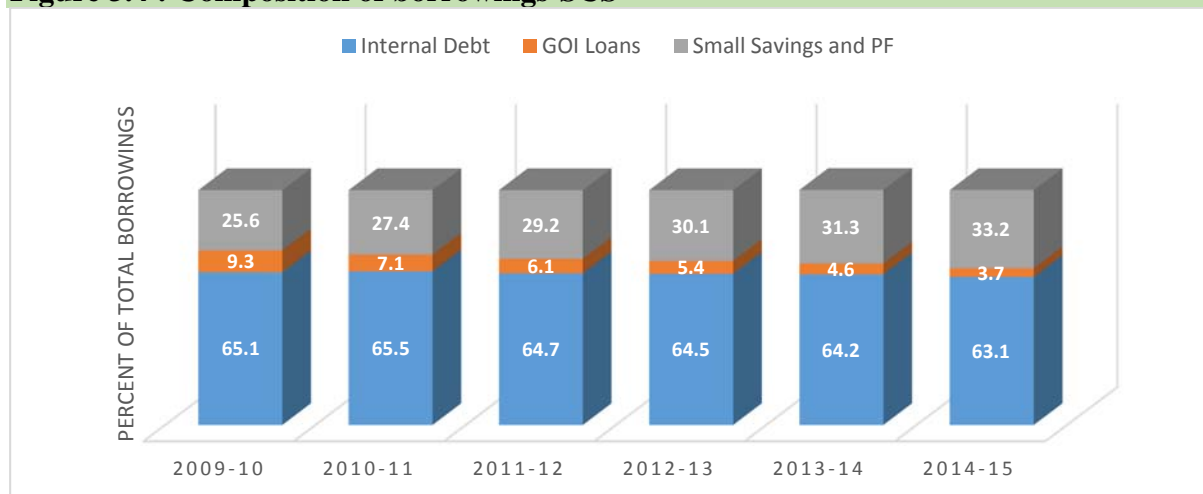
3.21 States finance their FD by market borrowings, NSSF, loans from Central Government provident fund, etc. The sources of borrowing have also undergone a change during 2009-10 and 2014-15. State governments of GCS have been veering towards internal debt from the other two sources, viz., central loans and advances, and small savings and provident funds, etc. In SCS also the largest contributor of borrowings is internal debt although its share in total debt has declined marginally in 2014-15 as compared to the previous year. Different sources of borrowing are summarized below:

**Table 3.7 A: Composition of Sources of Borrowing: GCS**

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

**Table 3.7 B: Composition of Sources of Borrowing: SCS**

Year	Internal debt		GOI Loans and advances		Small savings provident fund, etc.	
	Amount (₹in crores)	percent of total borrowings	Amount (₹in crores)	percent of total borrowings	Amount (₹in crores)	percent of total borrowings
2009-10	62228.8	65.1	8918.04	9.3	24520.3	25.6
2010-11	69195.8	65.5	7528.45	7.1	28896.2	27.4
2011-12	74782.41	64.7	7051.06	6.1	33693.8	29.2
2012-13	80187.94	64.5	6740.99	5.4	37374.4	30.1
2013-14	87135.05	64.2	6178.46	4.6	42451.6	31.3
2014-15	95433.30	63.1	5609.39	3.7	50290.9	33.2

**Figure 3.3 : Composition of borrowings-GCS****Figure 3.4 : Composition of borrowings-SCS**

### Decomposition of Fiscal Deficits

3.22 The nature of expenditure that contributes to FD is an important indicator of the fiscal health of the state. If bulk of FD is attributable to capital expenditure, such deficits may be

considered desirable up to a point since such expenditure may be self-sustaining either through user charges/ return on investment, or may increase the income generating capacity of the economy and enlarge the tax base. However, if FD arises primarily on account of current expenditure, it is considered less desirable.

3.23 Composition of FD shows diverse trends across the GCS and SCS. **In Chhattisgarh, Haryana, Kerala, Himachal Pradesh, 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 2014-15 is analysed in section below.

### Gujarat

3.24 In Gujarat there was revenue deficit in 2009-10 and 2010-11 after which the State has had revenue surplus. Fiscal deficit has also been continually on the decline during the period 2009-10 and 2014-15. Fiscal deficit came down from 3.5 percent of GSDP in 2009-10 to 2.4 percent in 2013-14 and further to 2.1 percent of GSDP in 2014-15. Contribution of net revenue expenditure to FD has fallen from 45.97 percent in 2009-10 to 33.68 percent in 2010-11. From 2011-12 Gujarat has been a revenue surplus state. Share of net capital expenditure to FD has consistently increased from 52.2 percent in 2009-10 to 100 percent in 2014-15.

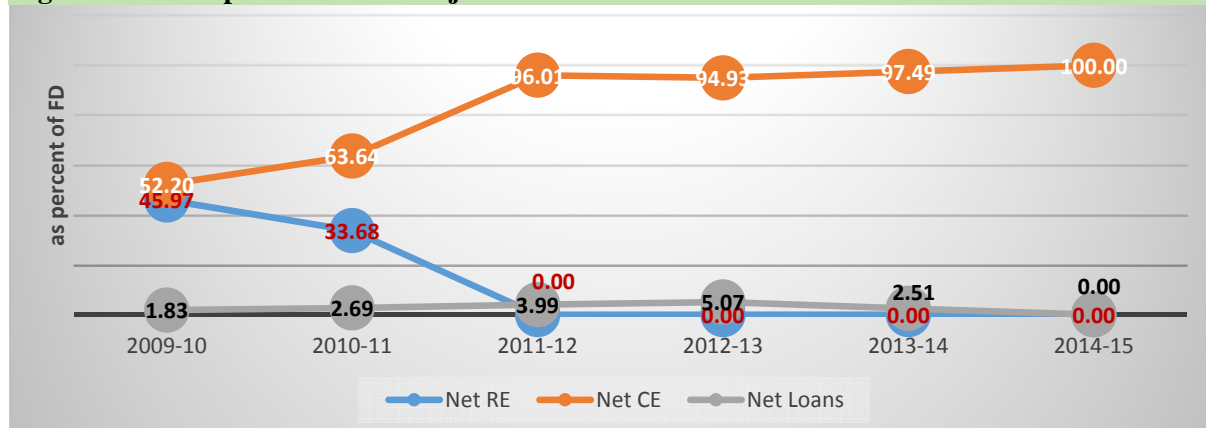
**Table 3.8: Composition of Expenditure Financed by Borrowing**

	Net Revenue Expenditure <sup>2</sup>		Net Capital Expenditure <sup>3</sup>		Net Loans and Advances <sup>4</sup>	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	6965.91	45.97	7910.43	52.20	276.94	1.83
2010-11	5076.38	33.68	9592.36	63.64	404.89	2.69
2011-12	0	0.00	10587.17	96.01	439.9	3.99
2012-13	0	0.00	15656.49	94.93	835.35	5.07
2013-14	0	0.00	17960.17	97.49	462.54	2.51
2014-15	0	0.00	18319.22	100.00	0	0.00

<sup>2</sup> Difference of revenue receipt and revenue expenditure

<sup>3</sup> Difference of capital receipt and capital expenditure

<sup>4</sup> Difference of loans and advances given and amount recovered.

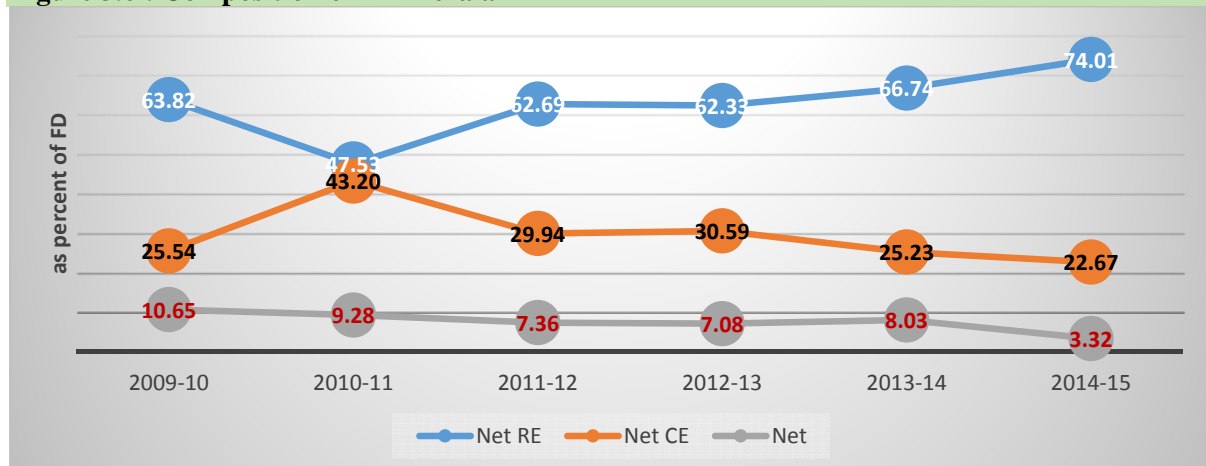
**Figure 3.5 : Composition of FD-Gujarat**

## Kerala

3.25 Kerala had revenue deficit in each year during 2009-10 to 2014-15. Share of net revenue expenditure in FD has increased from 63.8 percent in 2009-10 to 74 percent in 2014-15, while that of net capital expenditure has declined from 43.2 percent of FD in 2010-11 to 30.6 percent in 2012-13 and further to 22.7 percent in 2014-15. There has been marginal decrease of 7.3 percentage points in share of net loans and advances from 2009-10 to 2014-15.

**Table 3.9: Composition of Expenditure Financed by Borrowing**

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

**Figure 3.6 : Composition of FD-Kerala**

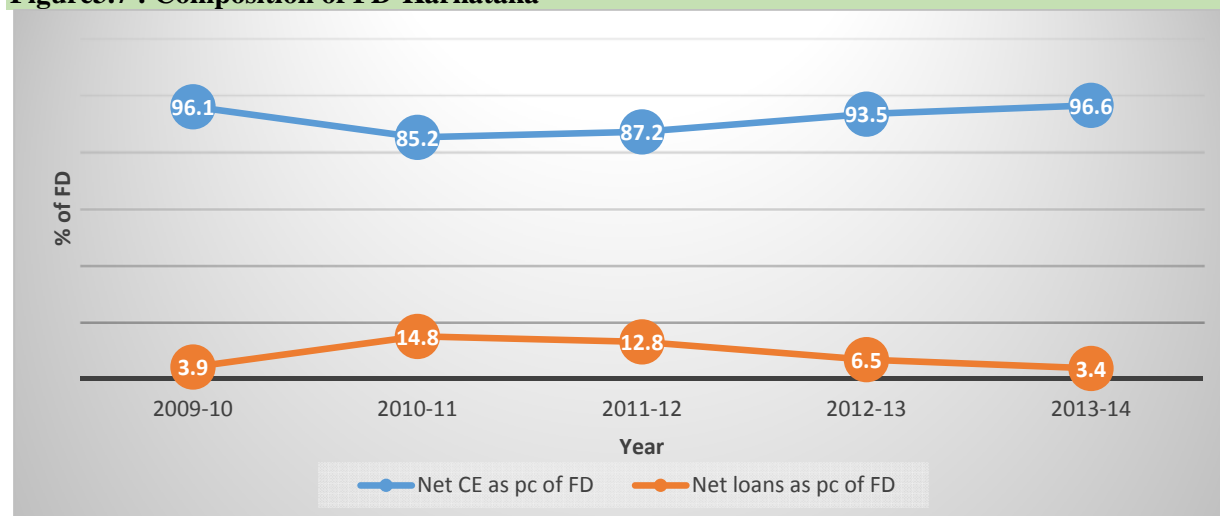
## Karnataka

3.26 Karnataka has been a revenue surplus state during 2009-10 to 2014-15. Revenue surplus has risen from 0.5 percent of GSDP in 2009-10 to 1.0 percent in 2011-12 before reducing to 0.08 percent in 2014-15. FD has fallen from 3.2 percent of GSDP to 2.9 percent of GSDP in 2014-15. Nearly 98 of FD in Karnataka has been on account of net capital expenditure during 2014-15.

**Table 3.10 : 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	10448.11	96.1	426.22	3.9
2010-11	9110.97	85.2	1576.56	14.8
2011-12	10725.26	87.2	1575.15	12.8
2012-13	13562.47	93.5	944.76	6.5
2013-14	16505.96	96.6	586.15	3.4
2014-15	19084.75	97.5	492.32	2.5

**Figure 3.7 : Composition of FD-Karnataka**



## Chhattisgarh

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



## Odisha

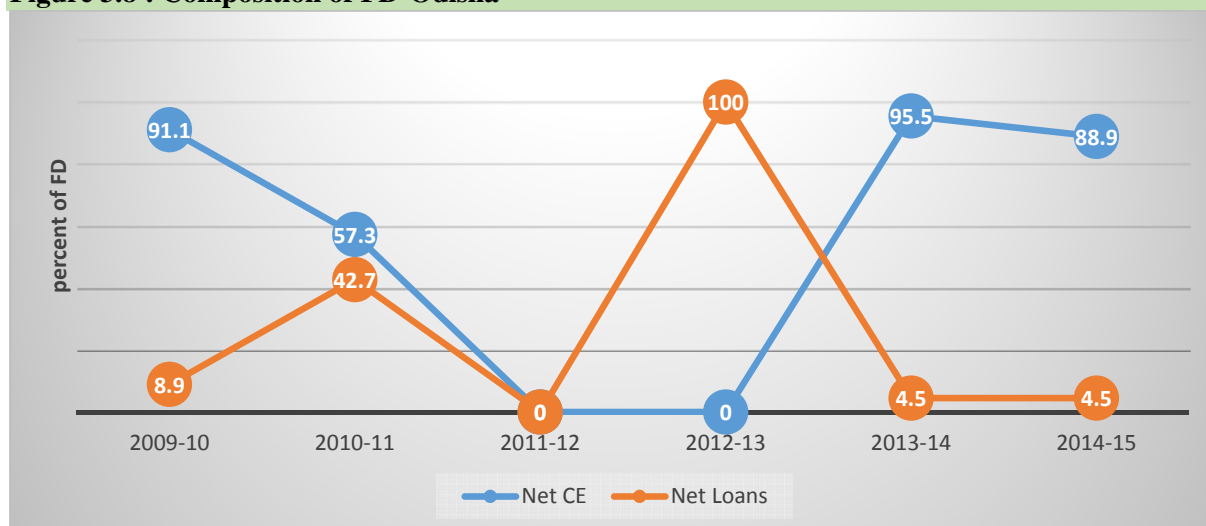
3.28 In Odisha there has been revenue surplus in each year during 2009-10 to 2014-15. Fiscal deficit which was 1.4 percent of GSDP in 2009-10 declined to 0.01 percent of GSDP in 2012-13, then rose to 1.8 percent in 2014-15.

3.29 Revenue surplus increased by almost 45.8 percent between 2010-11 and 2012-13. Hence in 2011-11, 2012-13 entire capital expenditure was met from revenue surplus. During this period fiscal deficit was almost nil. In 2014-15 capital expenditure increased by nearly 43 percent over the previous year. Around Rs 5212.48 crores (47 percent) was financed by borrowing.

**Table 3.11: 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	2509.26	91.1	243.88	8.9
2010-11	376.89	57.3	280.87	42.7
2011-12	0	0.0	0	0.0
2012-13	0	0.0	3.62	100.0
2013-14	4427.27	95.5	206.37	4.5
2014-15	5212.48	88.9	266.13	4.5

**Figure 3.8 : Composition of FD-Odisha**



## Punjab

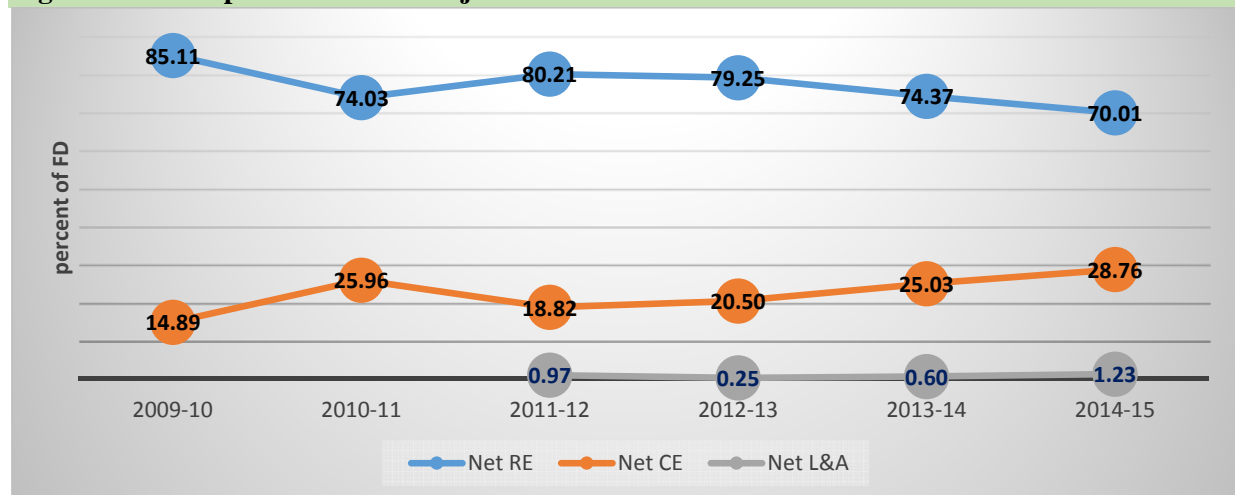
3.30 Punjab had revenue deficit in each year during 2009-10 to 2013-14. FD reduced from 3.1 percent of GSDP in 2009-10 to 2.8 percent in 2013-14 and rose to 3.1 percent in 2014-15. 85 percent of FD was on account of net revenue expenditure as compared to only 15 percent

on account of net capital expenditure. However in 2014-15 share of net revenue expenditure in FD reduced to 70 percent while that of net capital expenditure increased to nearly 29 percent.

**Table 3.12: Composition of Expenditure Financed by Borrowing**

	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	5251.36	84.7	918.78	14.8	0	0
2010-11	5288.71	74.0	2383.65	33.4	529.05	7.4
2011-12	6810.91	80.2	1597.88	18.8	82.11	0.9
2012-13	7406.8	79.3	1915.61	20.5	23.44	0.3
2013-14	6537.13	74.4	2200.1	25.0	52.83	0.6
2014-15	7590.64	70.01	3117.92	28.76	133.13	1.23

**Figure 3.9 : Composition of FD-Punjab**

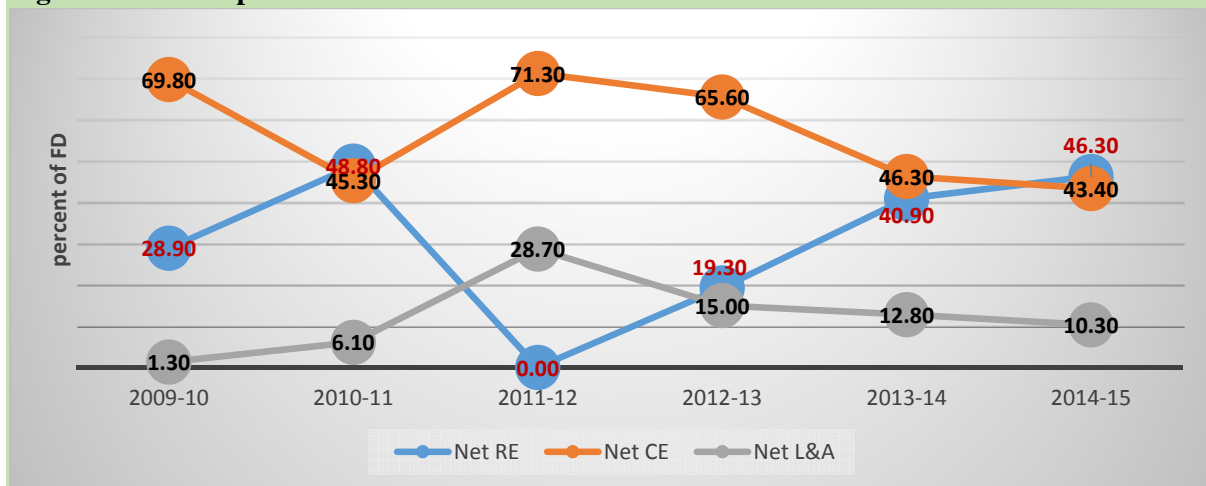


### Himachal Pradesh

3.31 Himachal Pradesh had revenue deficit ranging from 1.7 percent to 2.0 percent of GSDP during 2009-10 to 2014-15 in all years except 2011-12 when the state had revenue surplus of 1.0 percent. The FD has fallen from 5.7 percent of GSDP in 2009-10 to 4.4 percent of GSDP in 2014-15. This reduction in FD has been achieved at the cost of capital expenditure. Share of net revenue expenditure in FD rose from 28.9 percent in 2009-10 to 46.3 percent in 2014-15. Share of net capital expenditure declined from 69.8 percent in 2009-10 to 43.4 percent in 2014-15. Share of net loans and advances rose from 1 percent in 2009-10 to more than 10 percent in 2014-15.

**Table 3.13: Composition of Expenditure Financed by Borrowing**

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

**Figure 3.10 : Composition of FD-HP**

### Jammu and Kashmir

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

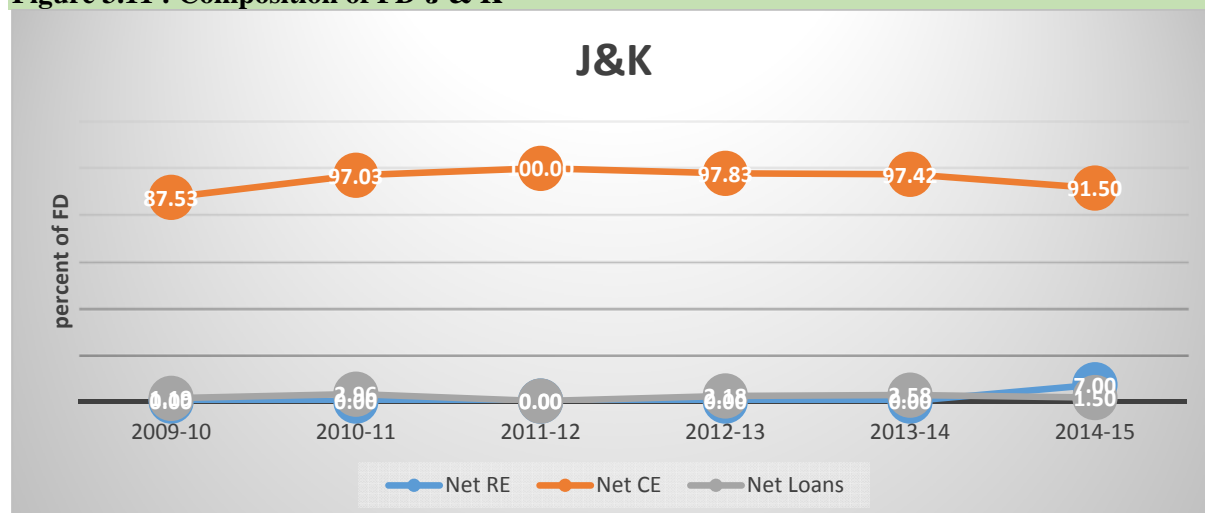
3.33 FD has declined from 8.2 percent of GSDP in 2009-10 to 6.4 percent in 2014-15. This reduction in FD has been achieved by cutting down on capital expenditure which has steadily declined from Rs 6233.77 crores in 2009-10 to Rs 5898.83 crores in 2011-2 and further to Rs 5134.20 crores in 2014-15, which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

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

**Table 3.14: Composition of Expenditure Financed by Borrowing**

	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10* <sup>5</sup>			3491.75	87.5	47.5	1.2
2010-11*			2296.67	97.0	70.14	3.0
2011-12*			3693.48	100	0	0
2012-13*			4124.40	97.8	91.85	2.0
2013-14*			4436.64	97.4	117.29	2.6
2014-15	390.43	7.00	5134.20	91.5	84.11	1.50

**Figure 3.11 : Composition of FD-J & K**



### Mizoram

3.35 In Mizoram, there was revenue surplus of 4.96 percent in 2009-10. In the following year revenue receipts dropped by 3.7 percent 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 percent resulted in revenue deficit of 16 percent of GSDP in 2010-11 which was an alltime high. FD gradually reduced to 6.9 percent in 2012-13 then rose to 10 percent in 2014-15.

<sup>5</sup> Revenue Surplus years

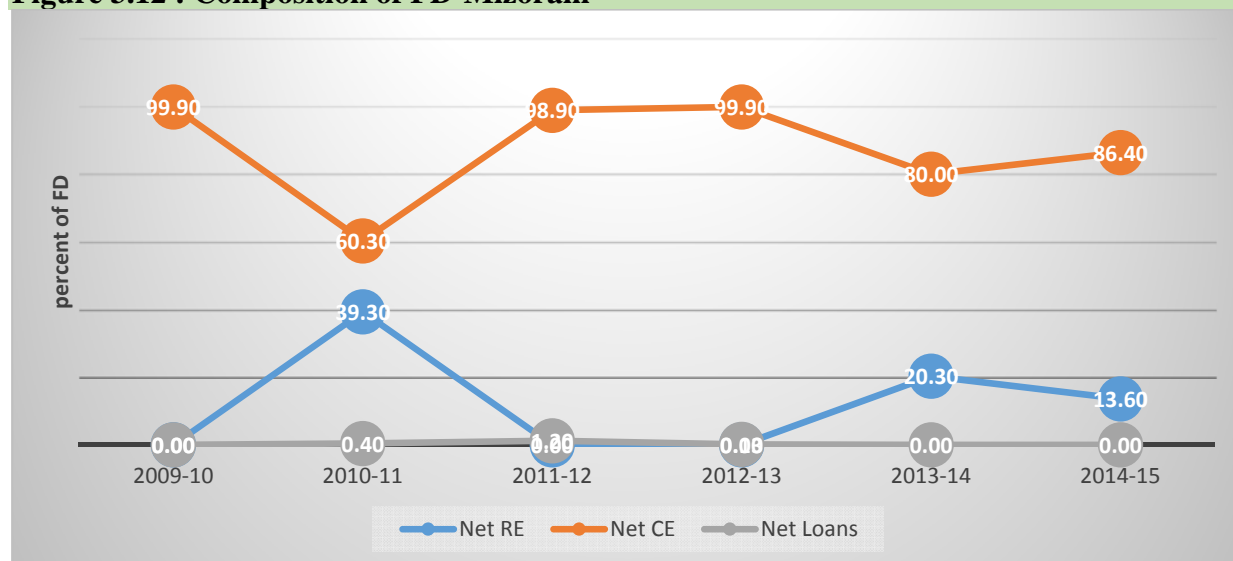
3.36 In 2010-11, 2013-14 and 2014-15 the state had revenue deficit. During these years share of net revenue expenditure in FD was 40 percent, 20 percent and 13.6 percent respectively. During these years net capital expenditure accounted for 60 percent, 80 and 86.4 percent respectively of fiscal deficit.

**Table 3.15: 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**			311.9	99.9	0.01	0.0
2010-11	400.87	39.3	614.71	60.3	3.9	0.4
2011-12**			472.7	98.9	5.72	1.2
2012-13**			579.72	99.9	0.77	0.13
2013-14	152.13	20.3	599.4	80.0	0	0
2014-15	141.34	13.6	898.31	86.4	0	0

\*\* indicates a Revenue Surplus year

**Figure 3.12 : Composition of FD-Mizoram**



## Maharashtra

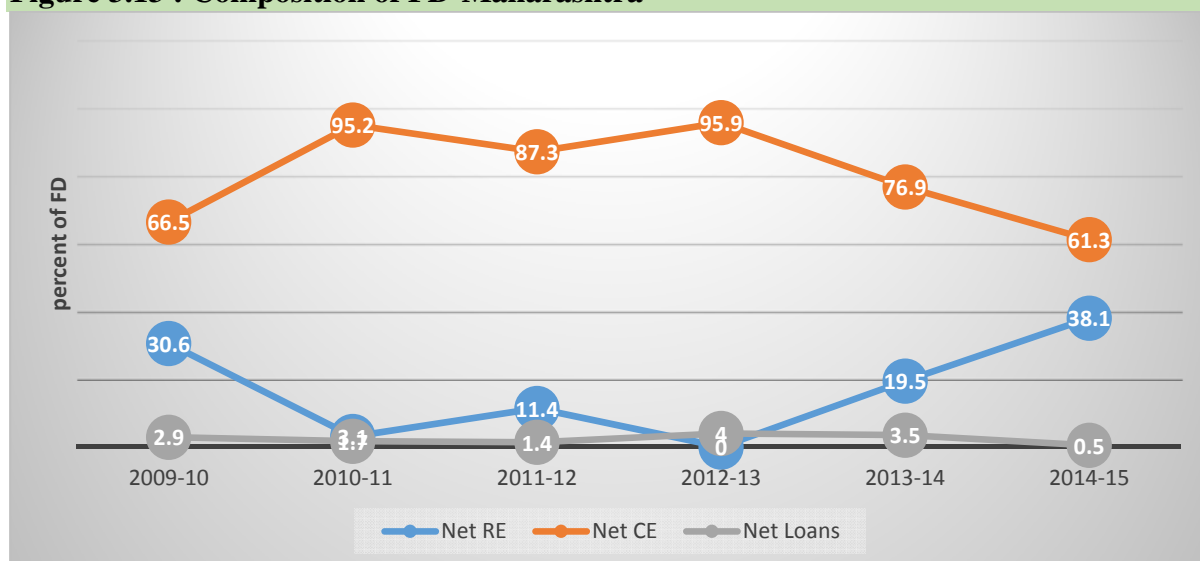
3.37 Maharashtra had revenue deficit ranging from 0.94 percent in 2009-10 to 0.72 percent in 2014-15. There was revenue surplus of 0.32 percent in 2012-13. FD declined from 3.1 percent of GSDP in 2009-10 to 1.9 percent in 2014-15.

3.38 In 2009-10, 30.6 percent of FD was on account of net revenue expenditure. This increased to 38.1 percent in 2014-15. Share of net capital expenditure in FD has declined from 95.9 percent in 2012-13 to 61.3 percent in 2014-15.

**Table 3. 16: Composition of Expenditure Financed by Borrowing**

	Net Revenue Expenditure		Net Capital Expenditure		Net Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	8005.68	30.6	17403.60	66.5	746.23	2.9
2010-11	591.56	3.1	17946.09	95.2	318.99	1.7
2011-12	2268.05	11.4	17423.71	87.3	277.55	1.4
2012-13**			13186.73	95.9	553.09	4.0
2013-14	5080.62	19.5	20020.45	76.9	917.07	3.5
2014-15	12137.66	38.1	19523.47	61.3	165.46	0.5

\*\* indicates a Revenue Surplus year

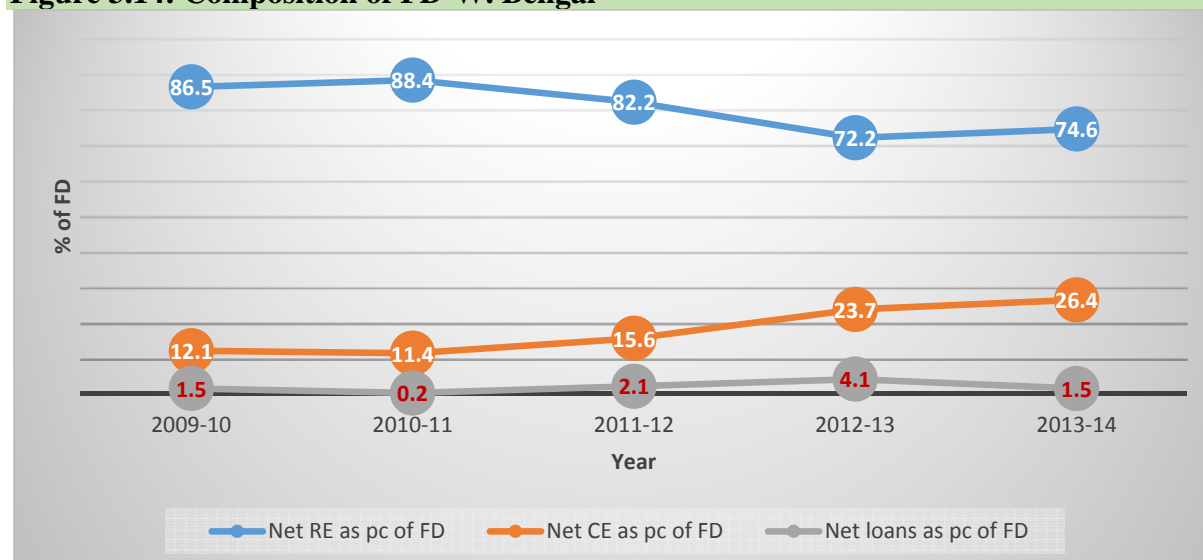
**Figure 3.13 : Composition of FD-Maharashtra**

### West Bengal

3.39 West Bengal had revenue deficit ranging from 5.41 percent in 2009-10 to 12.76 percent in 2012-13. This reduced to 2.14 percent in 2014-15. Fiscal deficit came down from 6.3 percent of GSDP in 2009-10 to 3.4 percent in 2011-12 and then rose to 3.6 percent in 2013-14 before declining to 3.4 percent in 2014-15. Most of FD was on account of net revenue expenditure. It contributed as much as 86.5 percent to FD in 2009-10 which came down to 63 percent in 2014-15. In contrast share of net capital expenditure was only 12 percent of FD in 2009-10. This increased to around 36 percent in 2014-15. Share of net loans and advances has remained around 1 percent in all years except in 2012-13 when it contributed around 4 percent to the FD.

**Table 3.17: Composition of Expenditure Financed by Borrowing**

	Revenue Expenditure		Capital Expenditure		Loans and Advances	
	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent	Amount (Rs in crores)	percent
2009-10	21578.23	86.5	3011.06	12.1	365.34	1.5
2010-11	17273.96	88.4	2225.75	11.4	35.24	0.2
2011-12	14551.23	82.2	2763.75	15.6	369.80	2.1
2012-13	13815.13	72.2	4547.3	23.7	784.20	4.1
2013-14	18915.48	74.6	6702.94	26.4	368.20	1.5
2014-15	17137.40	62.7	9878.62	36.1	329.28	1.2

**Figure 3.14: Composition of FD-W. Bengal**

### Fiscal Consolidation and achievement of FRBM targets

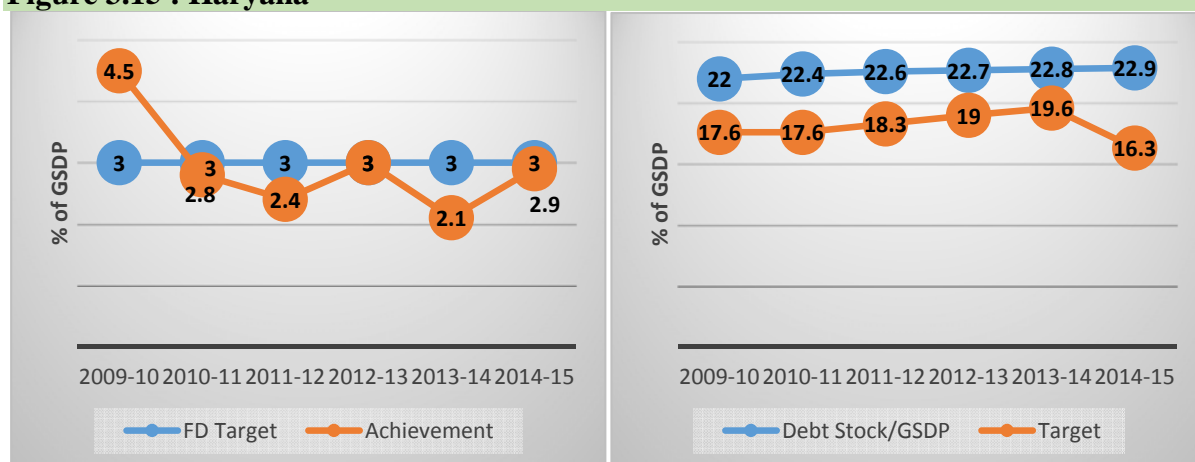
3.40 The Union Government introduced FRBM Act in 2003. The objective of the Act is to ensure inter-generational equity in fiscal management, long run macroeconomic stability, better coordination between fiscal and monetary policy, and transparency in fiscal operation of the Government.

3.41 After enactment of the FRBM Act by Government of India in August 2003, most States passed the FRBM Act during 2003-06 to make the State Governments accountable for ensuring prudence in fiscal management and to ensure fiscal stability by progressive elimination of revenue deficit, sustainable debt management consistent with fiscal stability,

greater transparency in fiscal operations and to chart the course of fiscal policy reforms. Given the exceptional circumstances of 2008-09 and 2009-10, the fiscal consolidation process of the States was disrupted. The States were expected to get back to their fiscal correction path by 2011-12. In compliance with recommendation of XIII Finance Commission all States amended the FRBM Act in 2011 to provide for, among other things a Medium Term Fiscal Policy (MTFP) to enable the States to adhere to the fiscal reform path and attain fiscal targets stipulated by the Finance Commission.

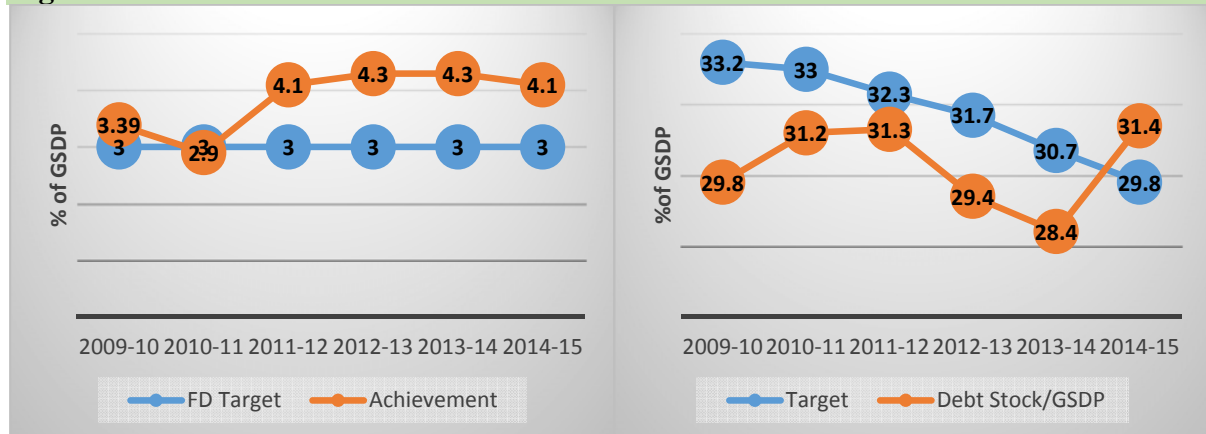
3.42 FRBM Act provides a legal institutional framework for fiscal consolidation. To impart fiscal discipline at the state level, the Twelfth Finance Commission gave incentives to states through conditional debt restructuring and interest rate relief for introducing Fiscal Responsibility Legislations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

**Figure 3.15 : Haryana**

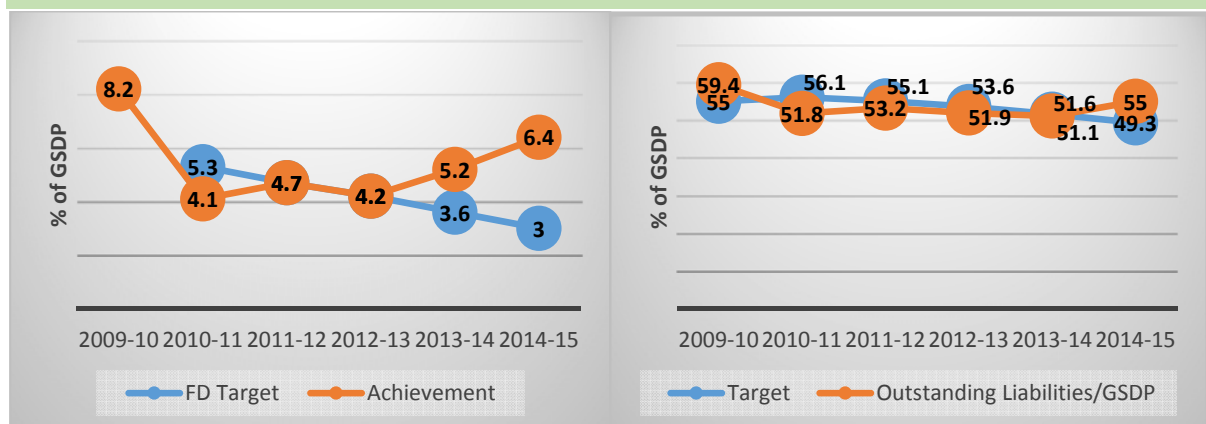


3.43 Haryana had revenue deficit in each year during the period 2009-10 to 2014-15. Fiscal deficit has declined from 4.5 percent in 2009-10 to 2.9 percent in 2014-15. Fiscal Deficit has remained below 3 percent since 2010-11. Ratio of outstanding liabilities has consistently remained below the target and has declined by 3.3 percentage points in 2014-15 as compared to the previous year.

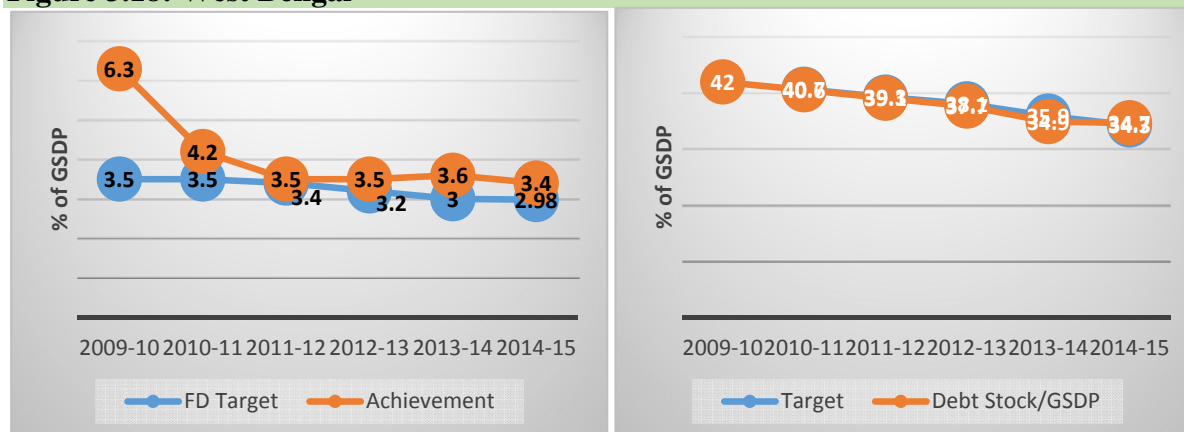


**Figure 3.16 : Kerala**

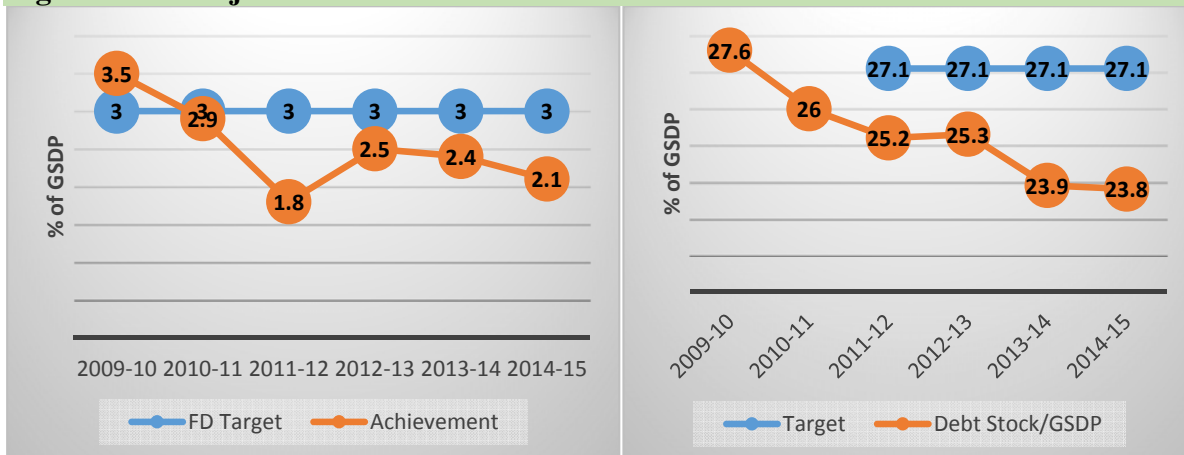
3.44 Kerala has been a revenue deficit state during 2009-10 to 2014-15 and the ratio of revenue deficit to GSDP increased from 2.17 percent to 3.06 percent during this period. Fiscal Deficit has shown a rising trend since 2009-10 and has always remained above 3 percent except in 2010-11 when it fell marginally below 3 percent. As per FRBM target ratio of debt stock to GSDP was to be lowered to 29.8 percent by 2014-15. This ratio which remained below the upper limit fixed till 2013-14 had exceeded the target in 2014-15.

**Figure 3.17 : Jammu and Kashmir**

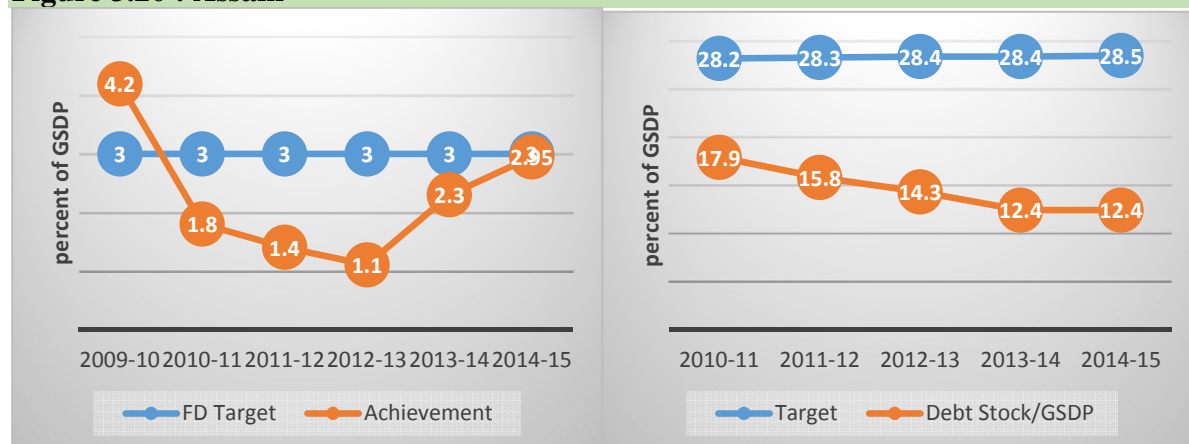
3.45 In J&K revenue deficit was eliminated and the state had revenue surplus during 2009-10 to 2013-14 although the revenue surplus as ratio of GSDP declined during this period. In 2014-15 the state had revenue deficit of 1.4 percent. Fiscal Deficit as ratio of GSDP has always remained higher than the target except in 2010-11 when it fell below the target fixed for that year. Ratio of outstanding liabilities to GSDP has remained within the upper limits fixed for each year up to 2013-14. However this ratio was 55 percent against the target of 49.3 percent.

**Figure 3.18: West Bengal**

3.46 West Bengal had revenue deficit during 2009-10 to 2014-15 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 percent to 3.1 percent in 2012-13 and then risen to 3.4 percent in 2014-15 which is above the target of 2.9 percent fixed for that year. Ratio of outstanding liabilities to GSDP has remained within upper limits fixed each year till 2013-14. However in 2014-15 this ratio at 34.7 percent marginally exceeded the target fixed at 34.3 percent.

**Figure 3.19 : Gujarat**

3.47 Gujarat eliminated revenue deficit in 2011-12 and maintained revenue surplus till 2014-15. Ratio of FD to GSDP fell below 3 percent of GSDP in 2010-11 and has remained below 3 percent of GSDP. This fell to 2.1 percent in 2014-15 as compared to 2.4 percent in the previous year. Ratio of outstanding liabilities to GSDP has remained below the upper limits fixed by the FRBM Act of the state.

**Figure 3.20 : Assam**

3.48 Assam had revenue surplus in four out of six years under review. It had revenue deficit in 2009-10 and 2014-15. Fiscal Deficit has been consistently lower than the targets fixed at 3 percent of GSDP except during 2009-10. Ratio of total outstanding liabilities to GSDP has been below the upper limits fixed as per 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 of Union and States (2014-15)**

(Rs in crores)

	Union	States	Combined
Internal Debt	4738291.03	1806280.68	6544571.71
Loans from Govt of India (in case of State Govt)	0	138929.89	138929.89
External Debt (in case of Union Govt)	197513.77	0	197513.77
<b>Total</b>	<b>4935804.80</b>	<b>1945210.45</b>	<b>6881015.25</b>

### 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 Rs24,62,422.04 crore in 2009-10 to Rs 45,06,516.79 crore in 2014-15 (external debt calculated at historical exchange rates), which is an increase of 83 percent. Internal debt constitutes round 96 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.

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

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

\* at historical exchange rates

4.5 Total public debt of the Union Government was Rs 45,06,516.79 crore at historical exchange rates at the end of 2014-15. Total public debt increased by 11.5 percent in 2014-15 as compared to the previous year. Internal debt has risen faster at 11.7 percent whereas external debt (at historical rate) has risen at a comparatively lower rate of 7 percent.

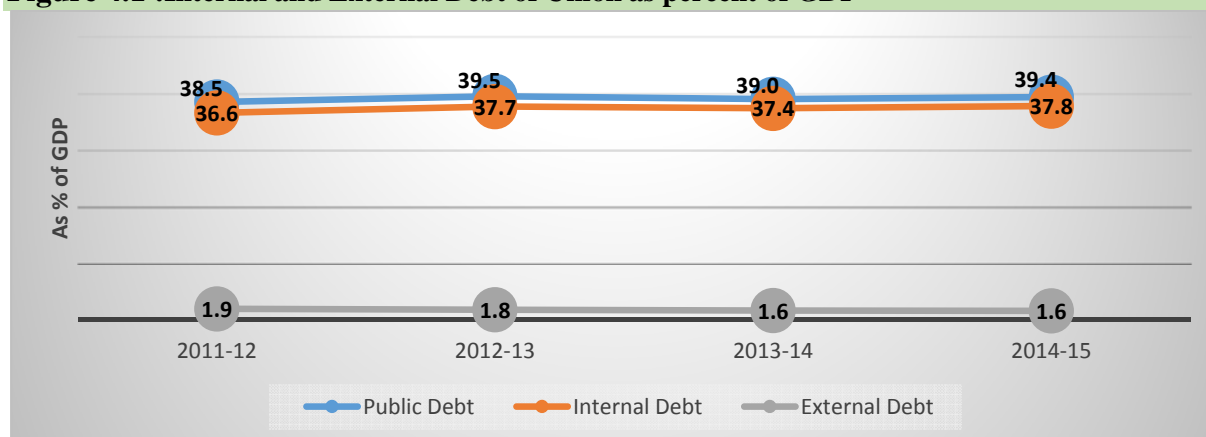
**Table 4.3: Public Debt of the Union Government: Trends***(Rs in crore)*

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
2014-15	4738291.03	197513.77	366384.10	4935804.80	5104675.13

Source: Union Finance Accounts

4.6 Total public debt as percent of GDP (calculated at current prices with 2011-12 as base) has risen from 38.5 percent in 2011-12 to 39.4 percent in 2014-15. While internal debt as percent of GDP increased from 36.6 percent in 2011-12 to 37.8 percent in 2014-15, ratio of external debt to GDP declined from 1.9 percent in 2011-12 to 1.6 percent in 2014-15.

**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 2014-15.

**Table 4.4: Growth of Internal Debt**

(Rs in crores)

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

<sup>1</sup>Includes adjustment of misclassification of Rs 8707.99 crore of earlier years

<sup>2</sup>Includes 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 six 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
2014-15	83.6	7.4	1.0	0.3	5.5	1.8

Source: Union Finance Accounts

4.10 Dated securities which comprise market loans and securities issued in conversion of special securities account for more than 80 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 2014-15 were Rs 6,29,373.75 crore and Rs 4,50,271.91 crore respectively. An amount of Rs 1,79,101.84 crore Govt securities matured during 2014-15. During 2014-15, while gross market borrowings were higher than previous year's gross market borrowings (Rs 5,95,146.94 crore) by 5.8 percent, net market borrowings were lower than the previous year (Rs 4,57,551.84 crore) by 1.6 percent reflecting higher repayments during 2014-15.

**Table 4.6: Issuance of Market Loans**

(Rs crore)

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

Source: Union Finance Accounts

<sup>3</sup>Includes adjustment of misclassification of Rs 39.51 crore of earlier years

### Issuance Details of Treasury Bills

4.12 Gross amount raised through treasury bills (91, 182 and 364 day treasury bills) during 2013-14 was Rs8,54,564.11crore which was an increase of 6.4 percent over gross issuance of Rs8,02,830.39 crore in 2012-13. Net issuance in 2013-14 increased by 20.1 percent as compared to 2012-13.

4.13 Gross issuance in 2014-15 amounted to Rs9,67,121.85crore, while total repayments amounted to Rs9,56,805.12crore resulting in net issuance of Rs10316.72crore. This was a decrease of 73.7 percent in net issuance in 2014-15 as compared to net issuance of Rs39,371.14crore in 2013-14 reflecting higher repayments in 2014-15.

**Table 4.7: Issuance of Treasury Bills**

(Rs crore)

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

Source: Union Finance Accounts

### Average Coupon Rate and Maturity Profile of Market Loans

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

4.15 The weighted average maturity of market loans increased from 9.12 years in 2011-12 to 9.57 years in 2012-13, 10.13 years in 2013-14 and further to 13.8 years in 2014-15. Over the same period the weighted average coupon of govt securities increased from 7.92 percent to 8.12 percent in 2014-15.

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

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

Source: Union Finance Accounts

### External Debt of the Union Government

4.16 Table 4.9 indicates the growth pattern of outstanding external debt at the close of the financial year's current exchange rates and historical rates. The Union Finance Accounts



depict external debt at historical rates. Since repayments of principal and payment of interest is made at the current rates of exchange, it is appropriate to evaluate external debt at these rates. Evaluation of external debt at historical exchange rates understates the outstanding debt of the government of India. The extent of this understatement in 2013-14 was by a margin of 1.8 percent of GDP.

**Table 4.9: Growth of External Debt**

(Rs in crores)

Year	Opening Balance	Addition	Repayment of Principal	Net addition	Closing Balance at Historical Rates	As % to GDP at historical rates	Closing Balance at Current Rate of Exchange	As % to GDP at Current Rate of Exchange
2009-10	123045.60	22177.20	11139.65	11037.55	134083.15	2.2	249305.73	4.1
2010-11	134083.15	35330.17	11774.23	23555.94	157639.09	2.2	278877.35	3.8
2011-12	157639.09	26034.39	13585.88	12448.51	170087.61	2.0	322896.59	3.8
2012-13	170087.61	23308.79	16107.59	7201.2	177288.81	1.9	332003.70	3.5
2013-14	177288.81	25416.23	18124.3	7291.93	184580.74	1.8	374483.34	3.6
2014-15	184580.75	33533.89	20600.86	12933.03	197513.77	1.6 <sup>4</sup>	366384.10	2.9 <sup>5</sup>

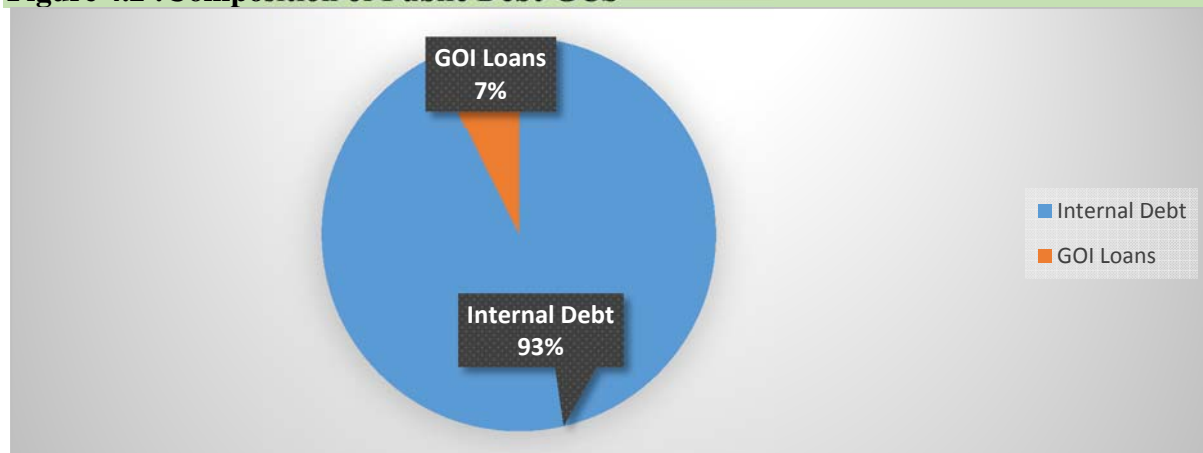
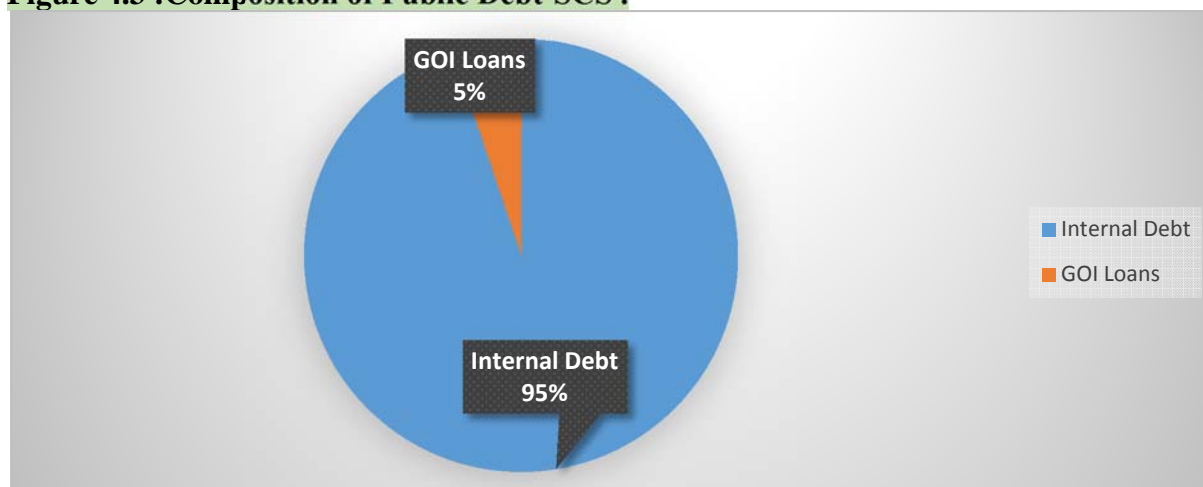
Source: Union Finance Accounts

### Public Debt of States: Trends and Composition

4.17 Public debt of states comprise Internal Debt, and loans from Central Government. Analysis of break-up of public debt of General Category States (GCS) during 2014-15 shows preponderance of Internal Debt over the other components. In GCS Internal Debt comprised 93 percent of total public debt, while loans from Govt of India accounted for only 7 percent of total public debt. Position was similar in case of Special Category states (SCS) where Internal Debt and loans from Central Government comprised 95 percent and 5 percent of total public debt respectively.

<sup>4</sup>GDP at current prices with base year 2011-12.

<sup>5</sup>GDP at current prices with base year 2011-12.

**Figure 4.2 :Composition of Public Debt-GCS****Figure 4.3 :Composition of Public Debt-SCS .**

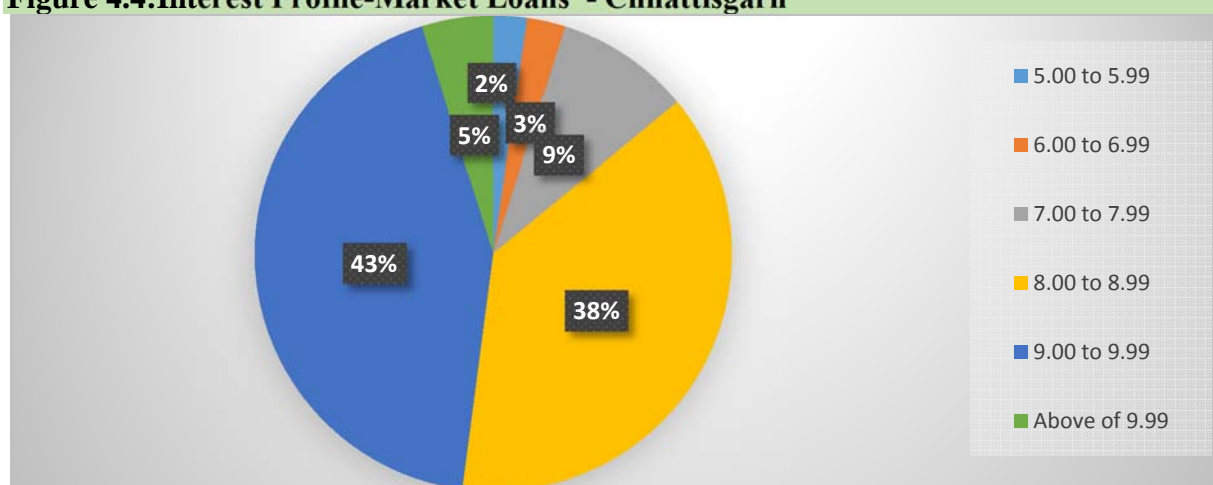
### Interest Profile of Market Borrowings

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

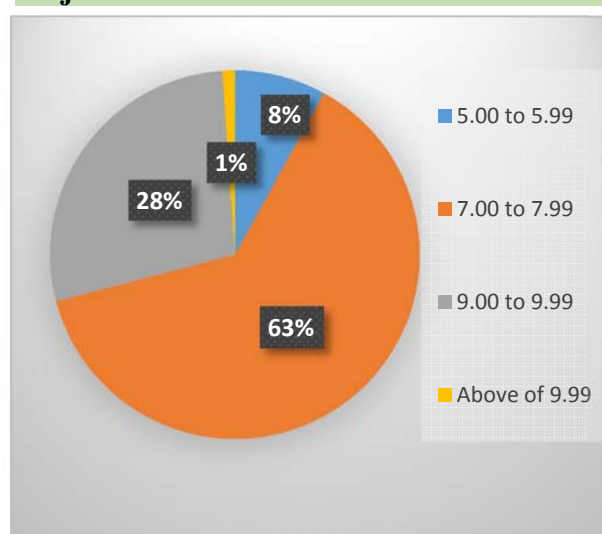
4.19 Chhattisgarh had the highest differential between growth rate of public debt and growth rate of GSDP. The State borrowed from market at high interest rates. Nearly 90 percent of its market borrowings were at rates of interest higher than 8 percent and only 5 percent of market loans were taken at below 7 percent interest rate. In Gujarat and Bihar on the other hand, growth rate of public debt was lower than the growth rate of GSDP. In Gujarat, only 29 percent of market borrowings at rates of interest exceeding 8 percent. Nearly 72 percent of borrowings were at interest rates below 7 percent. In Bihar nearly 47 percent of market borrowings at interest rates below 6 percent and only 9 percent of market loans were taken at interest rates exceeding 9 percent.

4.20 In Karnataka where the differential between rates of growth of public debt and GSDP was high, nearly 57 percent of market borrowings were at interest rates higher than 9 percent. There were no market borrowings at interest rates below 7 percent. In Uttar Pradesh and Tamil Nadu also there were no market borrowings at interest rates below 7 percent. Nearly 75 percent and 55 percent of market borrowings were at interest rate of 7 to 8 percent in Uttar Pradesh and Tamil Nadu respectively. 25 percent and 45 percent of market borrowings were at high interest rates exceeding 9 percent in these two states respectively. In Haryana and Telangana nearly 61 percent and 63 percent of borrowings respectively were at interest rates exceeding 9 percent.

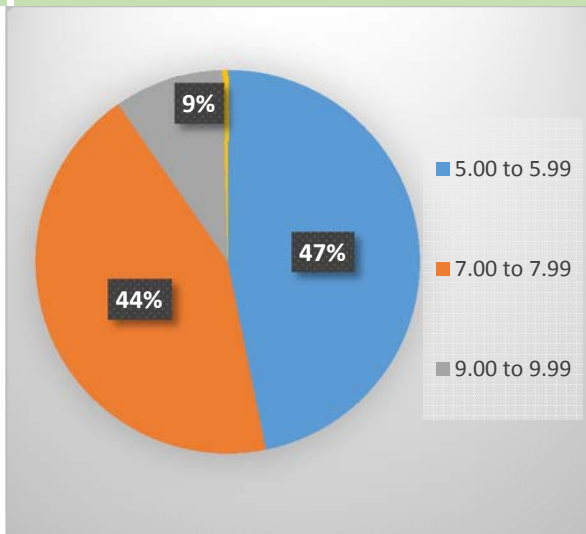
**Figure 4.4: Interest Profile-Market Loans - Chhattisgarh**



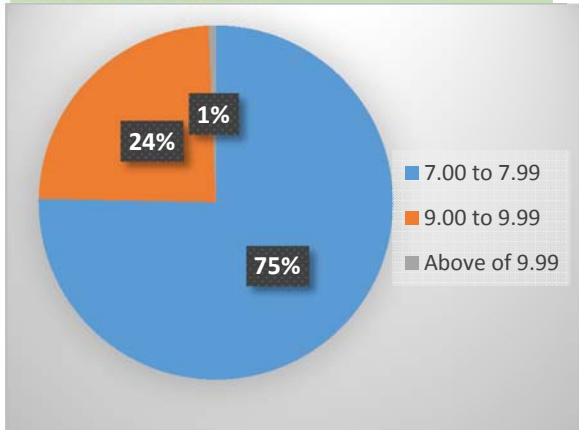
**Figure 4.5: Interest Profile-Market Loans Gujarat**



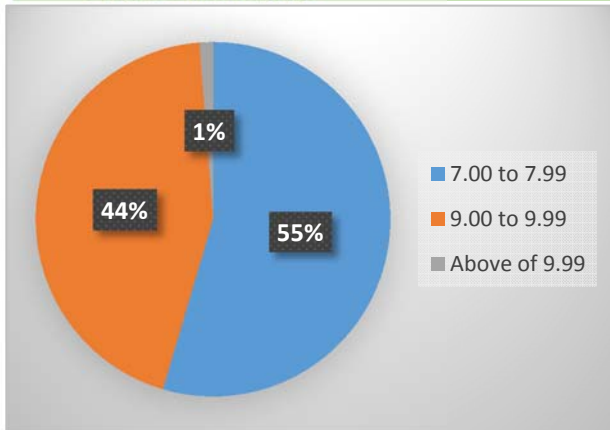
**Figure 4.6: Interest Profile- Market Loans Bihar**



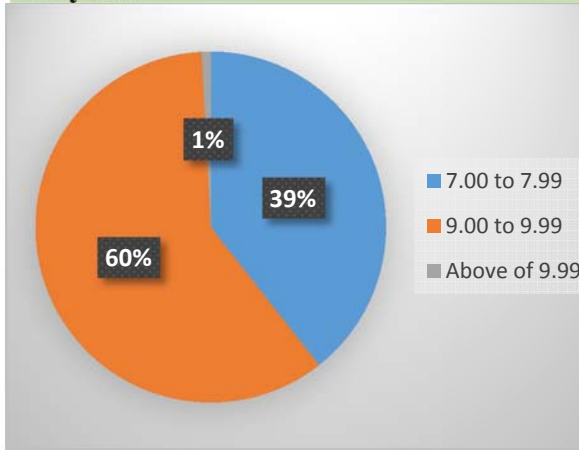
**Figure 4.7: Interest Profile-Market LoansUttar Pradesh**



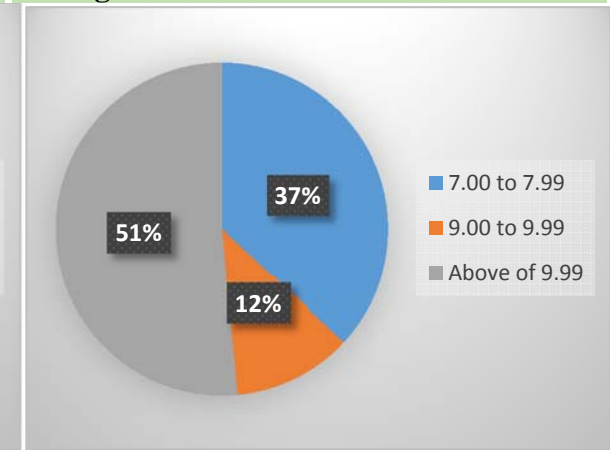
**Figure 4.8: Interest Profile –Market LoansTamil Nadu**



**Figure 4.9:Interest Profile- Market Loans Haryana**

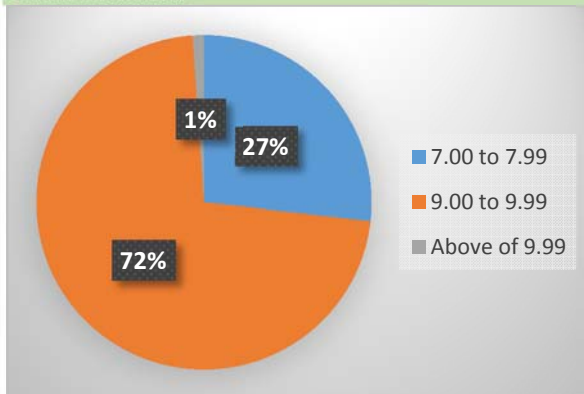


**Figure 4.10: Interest Profile-Market Loans Telangana**

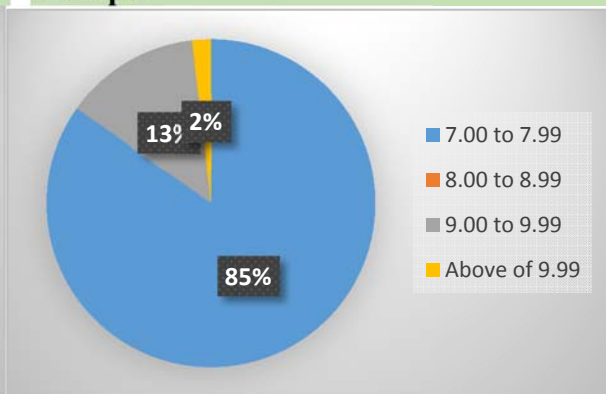


4.21 Amongst the SCS Uttarakhand and Nagaland respectively borrowed 73 percent and 96 percent of loans from market at above 9 percent. In Manipur and Tripura 85 percent and 69 percent of market loans respectively were contracted at interest rates between 7 and 8 percent. None of these States borrowed at rates of interest between 5 to 7 percent.

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



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



**Table 4.10 (A) Interest Liabilities on account Internal Debt of General Category States**

<i>(Rs crore)</i>						
<b>Andhra Pradesh</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Interest on Market Loans	3397.12	4287.28	5218.78	6433.14	7753.89	4979.65
Interest on NSSF	1273.55	1181.54	929.64	785.92	661.44	1255.42
<b>Total Interest on Internal Debt</b>	<b>7040.87</b>	<b>7928.98</b>	<b>8813.61</b>	<b>9818.44</b>	<b>10941.22</b>	<b>6522.70</b>
<b>Bihar</b>						
Interest on Market Loans	1081.71	1257.02	1348.95	1599.89	2081.01	2644.69
Interest on NSSF	1485.33	1635.48	1778.51	1823.90	1948.58	1933.79
<b>Total Interest on Internal Debt</b>	<b>2783.78</b>	<b>3119.62</b>	<b>3367.88</b>	<b>3480.62</b>	<b>4225.72</b>	<b>4951.85</b>
<b>Chhattisgarh</b>						
Interest on Market Loans	172.61	200.68	178.02	142.38	306.14	564.19
Interest on NSSF	462.65	475.94	510.70	477.62	481.98	516.21
<b>Total Interest on Internal Debt</b>	<b>680.65</b>	<b>708.59</b>	<b>731.14</b>	<b>665.22</b>	<b>849.87</b>	<b>1190.03</b>
<b>Gujarat</b>						
Interest on Market Loans	2269.71	2896.13	3890.14	5285.72	6219.45	7601.81
Interest on NSSF	4342.30	4597.03	4926.23	4626.40	4690.62	4640.38
<b>Total Interest on Internal Debt</b>	<b>6889.45</b>	<b>7794.99</b>	<b>9125.57</b>	<b>10252.49</b>	<b>11322.31</b>	<b>12716.75</b>
<b>Haryana</b>						
Interest on Market Loans	624.04	150.00	1404.05	1900.10	2707.63	3653.11
Interest on NSSF	1026.36	1078.15	1162.22	1129.00	1109.93	1122.61
<b>Total Interest on Internal Debt</b>	<b>2058.54</b>	<b>2541.28</b>	<b>3131.27</b>	<b>3845.83</b>	<b>4837.08</b>	<b>5887.22</b>
<b>Jharkhand</b>						
Interest on Market Loans	529.70	609.23	618.65	687.76	948.19	1230.42
Interest on NSSF	888.64	894.01	985.67	970.22	925.76	935.59
<b>Total Interest on Internal Debt</b>	<b>1791.64</b>	<b>1835.53</b>	<b>1941.20</b>	<b>2018.33</b>	<b>2229.18</b>	<b>2530.62</b>
<b>Karnataka</b>						
Interest on Market Loans	1522.99	1796.05	1863.66	2567.31	3369.40	4827.24
Interest on NSSF	1887.59	1908.28	2080.11	1997.14	1945.20	1909.73
<b>Total Interest on Internal Debt</b>	<b>3674.54</b>	<b>3928.25</b>	<b>4185.55</b>	<b>4823.41</b>	<b>5597.74</b>	<b>7023.53</b>

(Rs crore)						
<b>Kerala</b>						
Interest on Market Loans	1722.21	2006.61	2484.74	3295.78	4233.56	5418.48
Interest on NSSF	1148.98	1134.50	1136.87	1089.52	1091.50	1087.84
<b>Total Interest on Internal Debt</b>	<b>3353.17</b>	<b>3637.81</b>	<b>4118.96</b>	<b>4867.90</b>	<b>5781.64</b>	<b>6963.70</b>
<b>Madhya Pradesh</b>						
Interest on Market Loans	1488.26	1804.07	1660.40	1694.32	2579.72	3155.36
Interest on NSSF	1381.64	1426.40	1474.76	1769.91	1639.01	1754.79
<b>Total Interest on Internal Debt</b>	<b>3201.89</b>	<b>3567.27</b>	<b>3567.09</b>	<b>3864.63</b>	<b>4661.73</b>	<b>5367.44</b>
<b>Maharashtra</b>						
Interest on Market Loans	3718.90	4746.89	5709.54	7355.00	8896.18	11028.99
Interest on NSSF	7158.65	7409.30	7887.65	7191.90	7217.73	7436.91
<b>Total Interest on Internal Debt</b>	<b>11479.51</b>	<b>12763.26</b>	<b>14219.86</b>	<b>15145.18</b>	<b>16679.94</b>	<b>19000.82</b>
<b>Odisha</b>						
Interest on Market Loans	545.73	489.27	426.79	321.58	216.85	175.08
Interest on NSSF	664.72	721.76	818.02	791.29	794.97	875.66
<b>Total Interest on Internal Debt</b>	<b>1433.18</b>	<b>1458.50</b>	<b>1514.17</b>	<b>1376.00</b>	<b>1277.34</b>	<b>1364.24</b>
<b>Punjab</b>						
Interest on Market Loans	1507.71	1834.90	2296.87	2986.99	3720.80	4459.52
Interest on NSSF	2153.48	2198.12	2273.49	2036.04	2075.76	2089.22
<b>Total Interest on Internal Debt</b>	<b>4022.90</b>	<b>4350.61</b>	<b>4847.24</b>	<b>5265.58</b>	<b>6004.65</b>	<b>776.68</b>
<b>Rajasthan</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	
Interest on Market Loans	2029.60	2468.57	2755.92	3181.91	3713.36	4524.60
Interest on NSSF	2346.45	2288.33	2230.79	1937.84	1870.81	1965.62
<b>Total Interest on Internal Debt</b>	<b>4598.23</b>	<b>4994.89</b>	<b>5268.85</b>	<b>5445.15</b>	<b>5972.47</b>	<b>7146.26</b>
<b>Tamil Nadu</b>						
Interest on Market Loans	2350.05	3399.16	4029.98	5347.90	6727.63	8661.75
Interest on NSSF	2386.92	2410.37	2554.37	2355.13	2252.79	2317.62
<b>Total Interest on Internal Debt</b>	<b>5227.57</b>	<b>6282.41</b>	<b>7041.53</b>	<b>8176.11</b>	<b>9768.72</b>	<b>12130.17</b>
<b>Uttar Pradesh</b>						
Interest on Market Loans	3668.19	5137.52	5612.43	6592.99	6945.27	7563.66
Interest on NSSF	2904.03	4702.10	5208.62	4946.53	5155.18	5795.48
<b>Total Interest on Internal Debt</b>	<b>8443.86</b>	<b>10305.07</b>	<b>11331.05</b>	<b>12177.78</b>	<b>12735.65</b>	<b>13992.77</b>

<i>(Rs crore)</i>						
<b>West Bengal</b>						
Interest on Market Loans	3831.02	4899.08	5838.96	7454.89	10345.48	10825.79
Interest on NSSF	6077.75	6711.52	7658.58	7448.14	7474.99	7669.81
<b>Total Interest on Internal Debt</b>	<b>10702.35</b>	<b>12415.03</b>	<b>14124.60</b>	<b>15341.66</b>	<b>18326.78</b>	<b>18942.49</b>

**Table 4.10 (B) Interest Liabilities on account of Internal Debt of Special Category States**

<i>(Rs crore)</i>						
<b>Arunachal Pradesh</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Interest on Market Loans	47.47	62.85	50.50	51.28	63.18	89.88
Interest on NSSF	0.00	219.26	62.20	62.14	64.04	67.06
<b>Total Interest on Internal Debt</b>	<b>77.22</b>	<b>312.18</b>	<b>145.58</b>	<b>147.03</b>	<b>158.42</b>	<b>192.33</b>
<b>Assam</b>						
Interest on Market Loans	792.15	900.55	925.33	874.22	809.98	797.45
Interest on NSSF	485.10	465.02	545.79	557.13	677.66	723.80
<b>Total Interest on Internal Debt</b>	<b>1352.49</b>	<b>1420.08</b>	<b>1531.52</b>	<b>1490.96</b>	<b>1553.04</b>	<b>1597.74</b>
<b>Himachal Pradesh</b>						
Interest on Market Loans	592.50	678.40	706.56	849.54	974.03	1183.46
Interest on NSSF	377.17	414.41	475.72	487.41	514.11	561.15
<b>Total Interest on Internal Debt</b>	<b>1479.03</b>	<b>1408.43</b>	<b>1480.64</b>	<b>1636.86</b>	<b>1722.33</b>	<b>1949.83</b>
<b>Jammu and Kashmir</b>						
Interest on Market Loans	234.15	227.71	924.25	1178.20	1288.89	1574.39
Interest on NSSF	438.42	386.24	364.76	329.03	321.61	357.89
<b>Total Interest on Internal Debt</b>	<b>1583.60</b>	<b>1649.31</b>	<b>1612.10</b>	<b>1872.25</b>	<b>1972.47</b>	<b>2281.96</b>
<b>Manipur</b>						
Interest on Market Loans	102.71	145.99	167.79	181.34	191.46	218.93
Interest on NSSF	84.29	84.00	83.40	82.14	80.56	78.48
<b>Total Interest on Internal Debt</b>	<b>203.48</b>	<b>245.71</b>	<b>266.47</b>	<b>286.18</b>	<b>294.68</b>	<b>322.36</b>
<b>Meghalaya</b>						
Interest on Market Loans	117.33	128.91	141.72	159.09	189.53	217.99
Interest on NSSF	28.73	43.00	34.51	47.43	54.10	61.41
<b>Total Interest on Internal Debt</b>	<b>167.41</b>	<b>185.98</b>	<b>209.17</b>	<b>230.65</b>	<b>268.54</b>	<b>302.82</b>



<i>(Rs crore)</i>						
<b>Mizoram</b>						
Interest on Market Loans	133.29	66.91	151.40	163.39	156.88	179.14
Interest on NSSF	0	0	0	15.97	19.43	19.30
<b>Total Interest on Internal Debt</b>	<b>147.09</b>	<b>81.35</b>	<b>168.27</b>	<b>179.57</b>	<b>177.34</b>	<b>200.18</b>
<b>Nagaland</b>						
Interest on Market Loans	200.59	228.98	246.23	280.19	319.77	374.02
Interest on NSSF	11.06	11.32	12.95	12.38	13.31	12.96
<b>Total Interest on Internal Debt</b>	<b>290.35</b>	<b>324.76</b>	<b>347.54</b>	<b>384.38</b>	<b>426.01</b>	<b>479.18</b>
<b>Sikkim</b>						
Interest on Market Loans	77.81	100.27	97.59	100.66	106.44	130.32
Interest on NSSF	13.91	18.28	20.61	23.10	26.07	16.33
<b>Total Interest on Internal Debt</b>	<b>102.81</b>	<b>129.32</b>	<b>137.18</b>	<b>138.06</b>	<b>147.47</b>	<b>174.29</b>
<b>Tripura</b>						
Interest on Market Loans	93.26	113.81	131.13	148.40	185.51	242.19
Interest on NSSF	121.21	118.08	119.20	123.70	111.04	104.25
<b>Total Interest on Internal Debt</b>	<b>235.99</b>	<b>261.36</b>	<b>295.85</b>	<b>308.76</b>	<b>347.09</b>	<b>415.22</b>
<b>Uttarakhand</b>						
Interest on Market Loans	458.69	497.93	578.70	743.04	714.71	921.25
Interest on NSSF	484.14	547.35	634.24	113.65	137.85	779.78
<b>Total Interest on Internal Debt</b>	<b>1041.06</b>	<b>1149.23</b>	<b>1326.14</b>	<b>1485.93</b>	<b>1534.97</b>	<b>1853.26</b>

### Internal Debt of States-Analysis of Composition and Trends

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

4.23 While market borrowings have shown an increasing trend in almost all states, borrowings from NSSF as proportion of total internal debt has either declined (Punjab, Kerala, Bihar, Karnataka, West Bengal, Uttar Pradesh, Madhya Pradesh) or remained stable

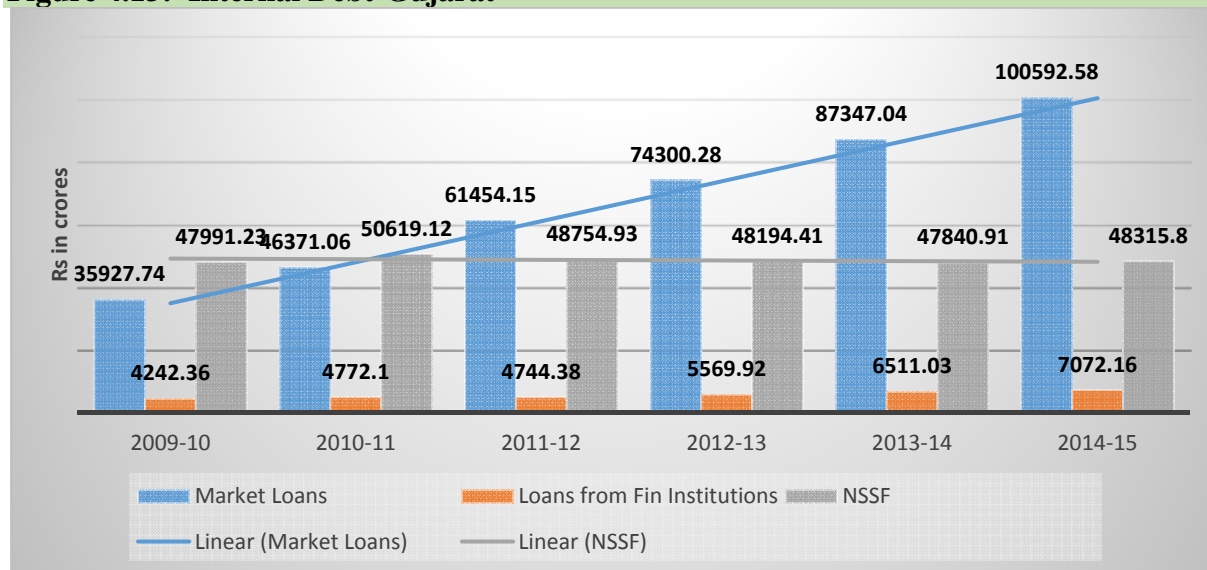
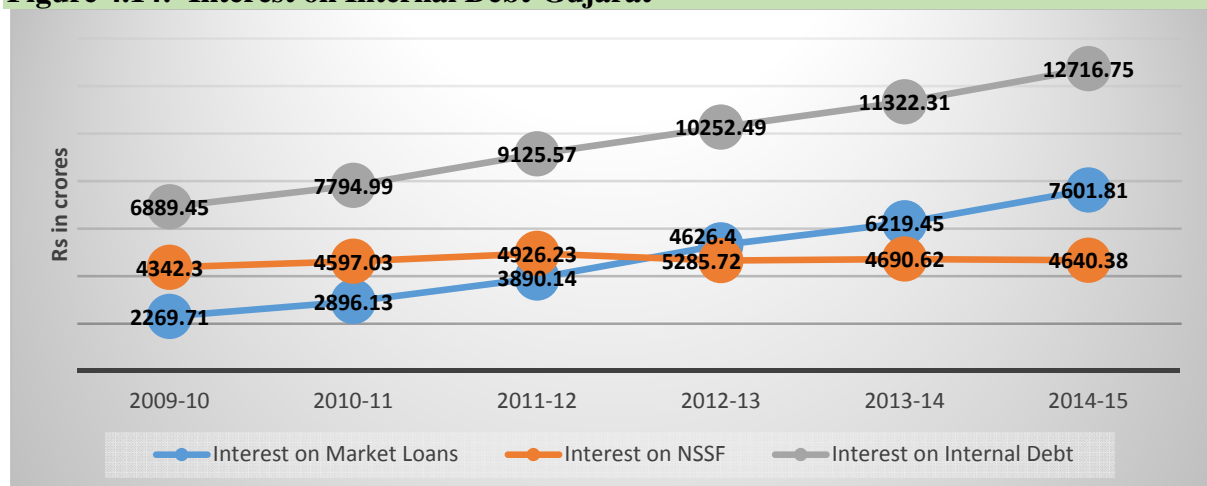


(Himachal Pradesh, Mizoram). Exceptions are Assam and Odisha. In these two states market borrowings have shown a declining trend, while borrowings from NSSF have increased over the last six years, both in absolute terms as well as in terms of share in total internal debt. In Odisha borrowings from NSSF increased from 47 percent to 56 percent of total internal debt during 2009-10 to 2013-14 before declining to 51 percent in 2014-15. In Assam it rose from 28 percent to 40 percent during this period.

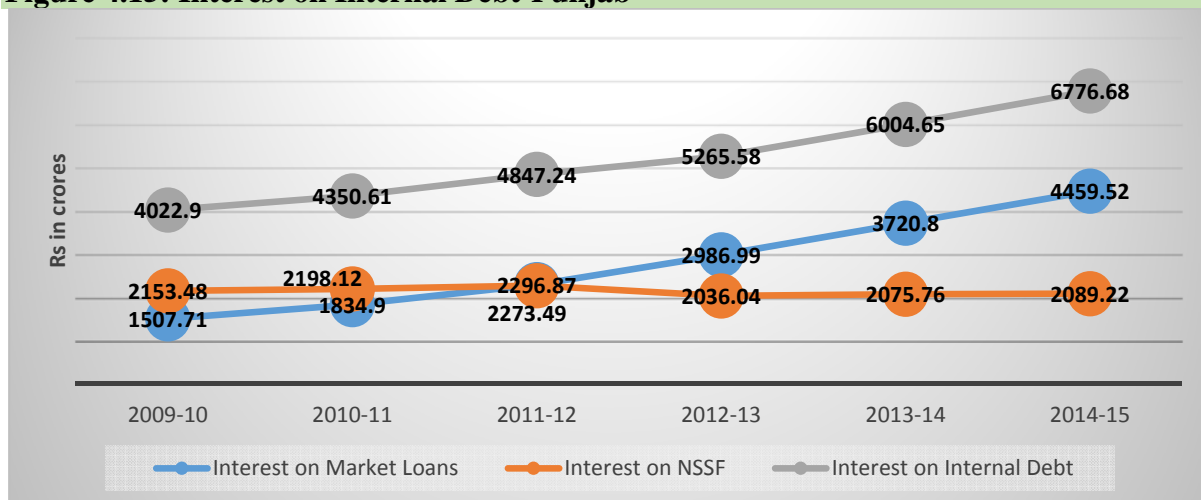
4.24 In Bihar borrowings from NSSF was as high as 47 percent of total internal debt in 2009-10. This declined to 35 percent in 2014-15. In Karnataka this ratio was around 43 percent in 2009-10 and came down to 22 percent in 2014-15. In West Bengal share of NSSF borrowings came down from 45 percent in 2009-10 to 36 percent in 2014-15. In Punjab, this ratio declined from 44 percent in 2009-10 to around 27 percent in 2014-15. In Himachal Pradesh and Mizoram it hovered at 26 to 27 percent and 10 percent respectively during 2009-10 and 2014-15. 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.

4.25 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.

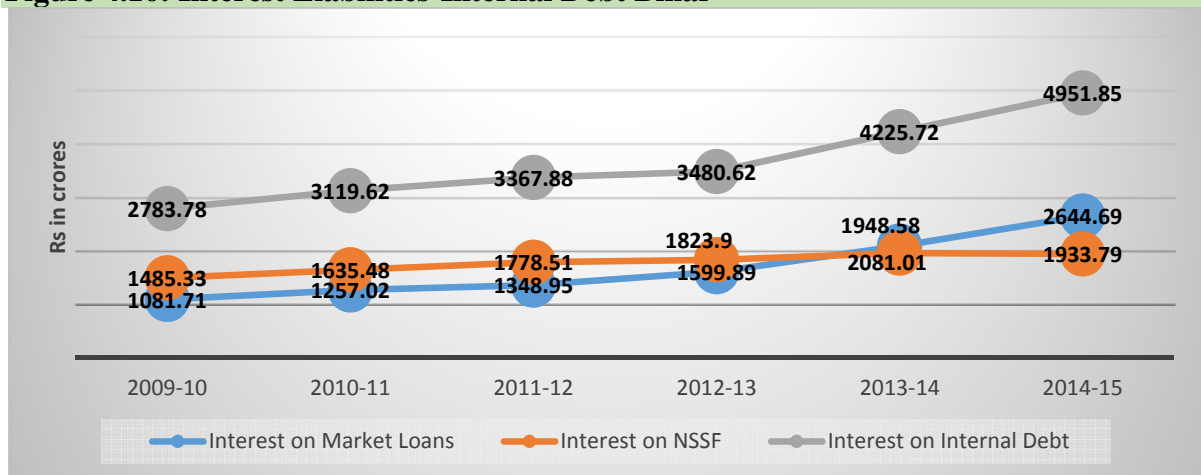
4.26 In Gujarat annual growth rate of market loans varied from 29 percent in 2010-11 to 32.5 percent in 2011-12 and 15 percent in 2014-15. Market loans increased from Rs35927.74 crores in 2009-10 to Rs100592.58 crores in 2014-15. Interest liabilities on account of market loans also more than tripled from Rs2269.71 crores in 2009-10 to Rs7601.81 crores in 2014-15. Borrowings from NSSF showed a consistent decline since 2011-12 till 2013-14. It declined from Rs48754.93 crores in 2011-12 to Rs47840.91 crores in 2013-14 before rising marginally to Rs 48315.80 crores in 2014-15. Interest obligations on account of borrowings from NSSF also declined by around 6 percent from Rs4926.23 crores in 2011-12 to Rs4640.38 crores in 2014-15. However this decline in interest liabilities on account borrowings from NSSF was partially offset by increased interest liability on account of market loans. Total interest liabilities increased by 76.9 percent from Rs88162 crores in 2009-10 to Rs155981.10 crores in 2014-15.

**Figure 4.13: Internal Debt-Gujarat****Figure 4.14: Interest on Internal Debt-Gujarat**

4.27 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 percent. Thereafter market loans grew at 16.9 percent and 15.3 percent in 2013-14 and 2014-15 respectively. Interest payments on market loans increased by 195.8 percent from Rs 1507.71 crores in 2009-10 to Rs 4459.52 crores in 2014-15. Borrowings from NSSF on the other hand, have declined by 3.6 percent since 2010-11 from Rs 23146.38 crores in 2010-11 to Rs 22305.12 crores in 2014-15. Resultantly, interest on borrowings through NSSF has declined by around 5 percent from Rs 2198.12 crores in 2010-11 to Rs 2089.22 crores in 2014-15. The net effect has been increase of total interest liabilities by 68.5 percent from Rs 4022.90 crores in 2009-10 to Rs 6776.68 crores in 2014-15.

**Figure 4.15: Interest on Internal Debt-Punjab**

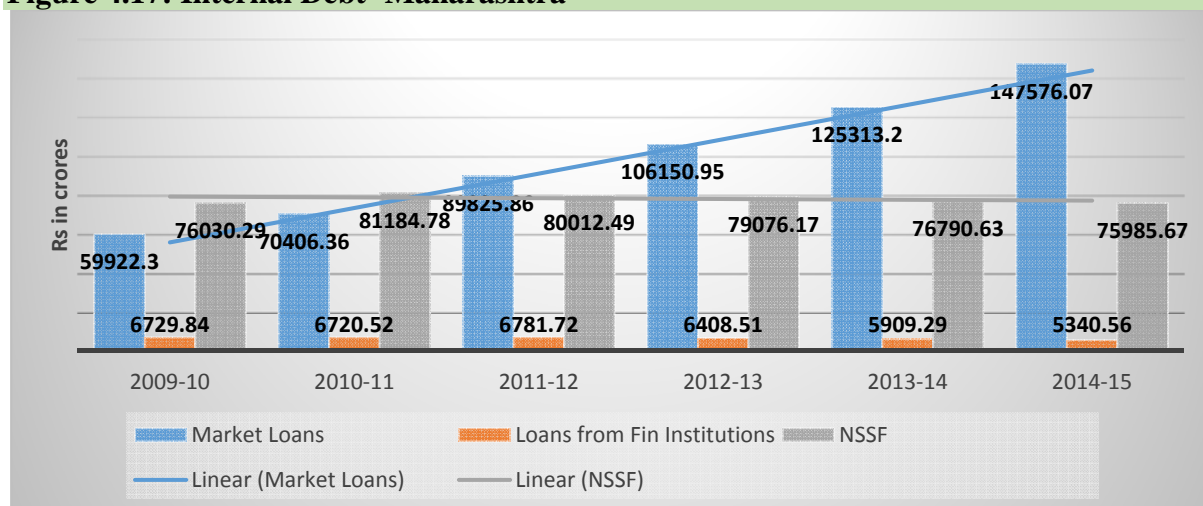
4.28 In Bihar interest on market loans have risen by 144.5 percent from Rs1,081.71 crores in 2009-10 to Rs2644.69 crores in 2014-15. Interest liabilities on NSSF rose by 30.2 percent, resulting in net increase in total interest liabilities by nearly 78 percent between 2009-10 and 2014-15.

**Figure 4.16: Interest Liabilities-Internal Debt Bihar**

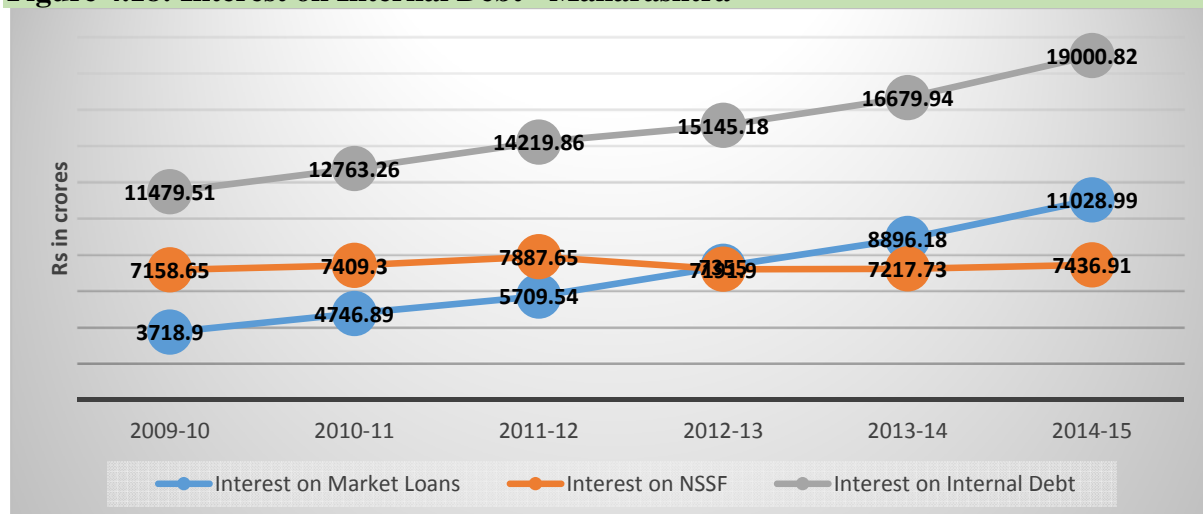
4.29 In Karnataka, market loans have risen by 126.7 percent from Rs 23527.18 crores in 2009-10 to Rs 53,326.91 crores in 2013-14 resulting in rise in interest liability by 121.2 percent during this period. Borrowings from NSSF remained almost constant registering a rise of only 0.67 percent. Interest on NSSF borrowings rose by a mere 3 percent. 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.

4.30 In Maharashtra there was increase in market loans by nearly 146 percent from Rs 59922.3 crores in 2009-10 to Rs 147576.07 crores in 2014-15. Interest liabilities on market loans increased by nearly 197 percent during this period. Interest on borrowings from NSSF increased by 3.9 percent during this period. Total interest liabilities increased by nearly 66 percent from Rs11479.51 crore in 2009-10 to Rs19000.82 crore in 2014-15.

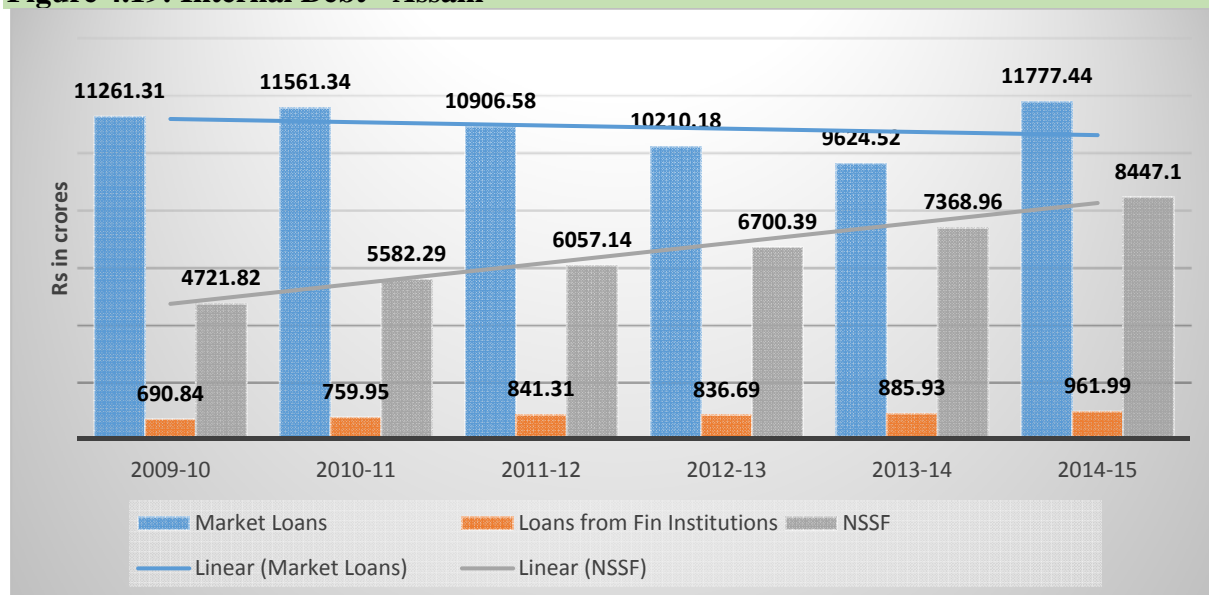
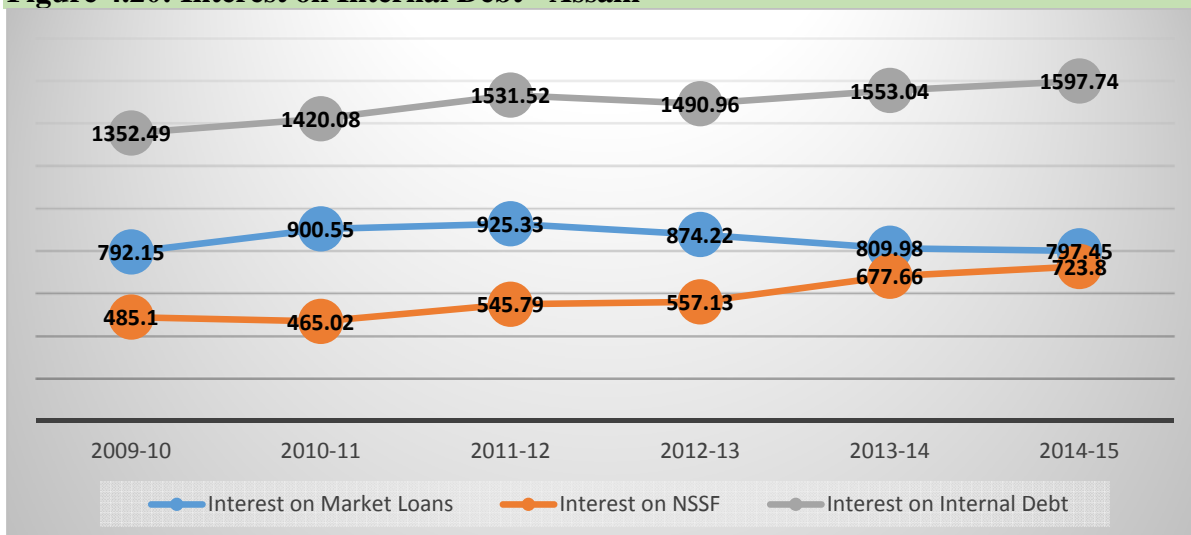
**Figure 4.17: Internal Debt- Maharashtra**



**Figure 4.18: Interest on Internal Debt - Maharashtra**



4.31 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 before rising by 22.4 percent to Rs 1777.44 crores in 2014-15. However borrowings from NSSF increased by 78.9 percent during this period. Interest on market borrowings rose marginally due to shift of greater proportion to borrowings at higher interest bracket. In 2014-15 around 40 percent of market loans carried interest above 8 percent. Interest on NSSF borrowings increased by 49.2 percent and total interest liabilities rose by 18.1 percent during the period 2009-10 to 2014-15.

**Figure 4.19: Internal Debt - Assam****Figure 4.20: Interest on Internal Debt - Assam**

4.32 In Chhattisgarh market loans increased by 259.8 percent, while borrowings from NSSF increased by around 16.4 percent during 2009-10 to 2014-15. Total interest liabilities on internal debt rose by 74.8 percent during this period.

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

### Debt Sustainability

4.34 Debt sustainability is defined as the ability of the state to maintain a declining or constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to

service its debt. It refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings with returns from such borrowings.

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

4.36 **Growth of debt stock** of a state at a higher rate than that of its GSDP indicates a worsening debt position. Table 4.11(A) and (B) show the total public debt in 2014-15 and growth rate over the previous year of each state. This rate has been compared with the growth rate of GSDP of states. Amongst the GCS except Bihar and Gujarat, growth of debt stock has been faster than growth rate of GSDP in all the states indicating a worsening debt position. Differential in the growth rates of total debt and GSDP has been the highest in Chhattisgarh followed by Karnataka, Haryana, Tamil Nadu and Uttar Pradesh. The successor state of Andhra Pradesh came into being on 2 June 2014. So the public debt figure for 10 months is not comparable with that of the previous year.

Amongst the SCS, Manipur, Nagaland and Tripura showed improvement in their debt position. Differential in the growth rates of total debt and GSDP has been the highest in Mizoram followed by Uttarakhand and Arunachal Pradesh.

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

State	Public Debt 2013-14	Public Debt 2014-15	Growth rate of Public Debt	GSDP 2013-2014	GSDP 2014-15	Growth rate of GSDP
<b>Andhra Pradesh</b>	138736.79	109505.89 <sup>6</sup>	-30.14	468494	532922	13.75
<b>Bihar</b>	64261.88	74570.47	16.04	317101	373920	17.92
<b>Chhattisgarh</b>	14946.24	20049.17	34.14	206786	236318	14.28
<b>Gujarat</b>	149506.16	163450.88	9.33	807623	895927	10.93
<b>Haryana</b>	60293.96	70925.30	17.63	395748	441864	11.65
<b>Himachal Pradesh</b>	23111.45	25728.52	11.32	94764	104369	10.14
<b>Jharkhand</b>	30032.11	34842.35	16.02	188567	217107	15.14
<b>Karnataka</b>	88522.44	105584.84	19.27	818167	920061	12.45

<sup>6</sup>Data is for 10 months from 2, June 2014 to 31, March 2015.

State	Public Debt 2013-14	Public Debt 2014-15	Growth rate of Public Debt	GSDP 2013-2014	GSDP 2014-15	Growth rate of GSDP
<b>Kerala</b>	83466.56	96132.96	15.18	465040	526774	13.28
<b>Madhya Pradesh</b>	72113.31	82261.50	14.07	435790	484538	11.19
<b>Maharashtra</b>	216909.20	237454.71	9.47	1647506	1792122	8.78
<b>Odisha</b>	23314.42	26848.59	15.16	277271	309807	11.73
<b>Punjab</b>	78669.20	86818.03	10.36	334714	368011	9.95
<b>Rajasthan</b>	87329.77	100510.54	15.09	549701	612194	11.37
<b>Tamil Nadu</b>	140041.80	164634.46	17.56	971090	1092564	12.51
<b>Uttar Pradesh</b>	171544.12	197653.19	15.22	944146	1043371	10.51
<b>West Bengal <sup>7</sup></b>	NA	NA	NA	NA	NA	NA

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

State	Public Debt 2013-14	Public Debt 2014-15	Growth rate of Public Debt	GSDP 2013-14	GSDP 2014-15	Growth rate of GSDP
<b>Arunachal Pradesh</b>	2504.24	2990.74	19.43	14607	16389	12.20
<b>Assam</b>	19823.03	22778.26	14.91	177745	198098	11.45
<b>Jammu and Kashmir</b>	26490.35	28200.80	6.46	97400	102681	5.42
<b>Manipur</b>	4163.69	4379.85	5.19	16626	17975	8.11
<b>Meghalaya</b>	3686.38	4210.68	14.22	22938	24065	4.91
<b>Mizoram</b>	2263.87	2457.71	8.56	10293	11021	7.07
<b>Nagaland</b>	5786.85	5895.65	1.88	16612	18414	10.85
<b>Sikkim</b>	2185.54	2510.30	14.86	13862	15209	9.72
<b>Tripura</b>	5054.44	5290.32	4.67	25593	29667	15.92
<b>Uttarakhand</b>	21355.12	25034.65	17.23	149817	161985	8.12

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

4.37 The average growth rate of public debt of GCS was 15.41 percent in 2014-15. The growth rate of public debt in Bihar, Chhattisgarh, Tamil Nadu, Haryana, Jharkhand, and Karnataka was higher than the average GCS public debt growth rate. The average growth rate of public debt of SCS was 10.74 percent in 2014-15. In Assam, Meghalaya, Arunachal Pradesh, Sikkim, and Uttarakhand the growth rate of public debt was higher than the SCS group average.

<sup>7</sup>The GSDP estimates for West Bengal have not been finalised by CSO for new series with base year 2011-12.



4.38 Growth rates of public debt of GCS <sup>8</sup> during 2011-12 to 2014-15 are depicted in Table 4.12 (A).

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

State	2011-12	2012-13	2013-14	2014-15
Bihar	7.84	12.72	11.81	16.04
Chhattisgarh	-3.88	9.53	27.70	34.14
Gujarat	11.30	10.50	9.64	9.33
Haryana	19.41	22.37	19.02	17.63
Himachal Pradesh	4.59	6.43	11.30	11.32
Karnataka	10.19	14.91	17.95	19.27
Kerala	12.58	16.92	15.52	15.18
Madhya Pradesh	6.23	8.48	8.32	14.07
Maharashtra	10.75	8.13	8.20	9.47
Odisha	-3.81	-5.28	-0.01	15.16
Punjab	10.17	10.99	10.47	10.36
Rajasthan	3.50	7.32	13.48	15.09
Tamil Nadu	14.22	15.58	16.50	17.56
Uttar Pradesh	7.76	4.38	4.09	15.22
West Bengal	10.31	9.83	8.94	10.64

4.39 Growth rates of public debt has shown an increasing trend in Bihar, Chhattisgarh, Himachal Pradesh, Karnataka, Madhya Pradesh, Rajasthan, Tamil Nadu during 2011-12 to 2014-15. In Odisha there was negative growth rate of public debt till 2013-14. In 2014-15 public debt grew by more than 15 percent. In Punjab and West Bengal the growth rate has hovered around 10 percent during this period. Gujarat, Haryana and Maharashtra have registered decline in growth rates of public debt during this period. The growth rate in 2014-15 has been the highest in Chhattisgarh.

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

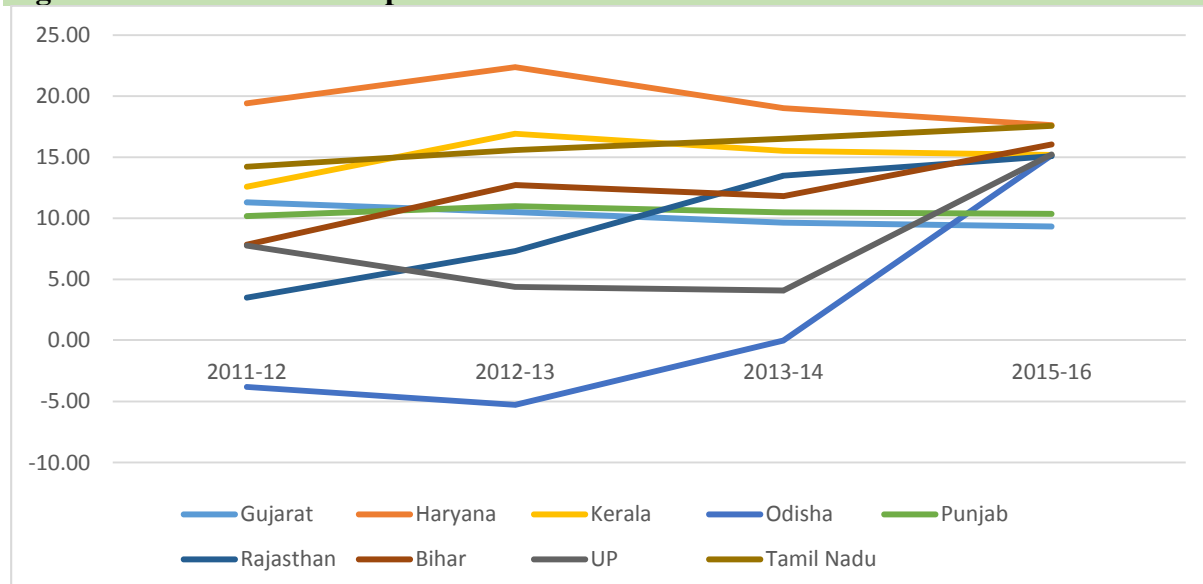
State	2011-12	2012-13	2013-14	2014-15
Arunachal Pradesh	1.44	4.97	7.98	19.43
Assam	-0.96	-0.72	0.10	14.91
Jammu and Kashmir	14.22	8.56	7.53	6.46
Manipur	3.56	4.35	3.03	5.19
Meghalaya	9.71	11.83	9.96	14.22
Mizoram	-1.43	6.30	-0.06	8.56
Nagaland	11.99	7.96	10.28	1.88
Sikkim	2.14	6.79	10.49	14.86
Tripura	5.32	13.15	12.64	4.67
Uttarakhand	8.26	8.64	13.60	17.23

<sup>8</sup>The successor state of Andhra Pradesh came into existence on 2 June 2014. Public debt of composite state of Andhra Pradesh has not been apportioned fully between the successor states of Andhra Pradesh and Telangana.

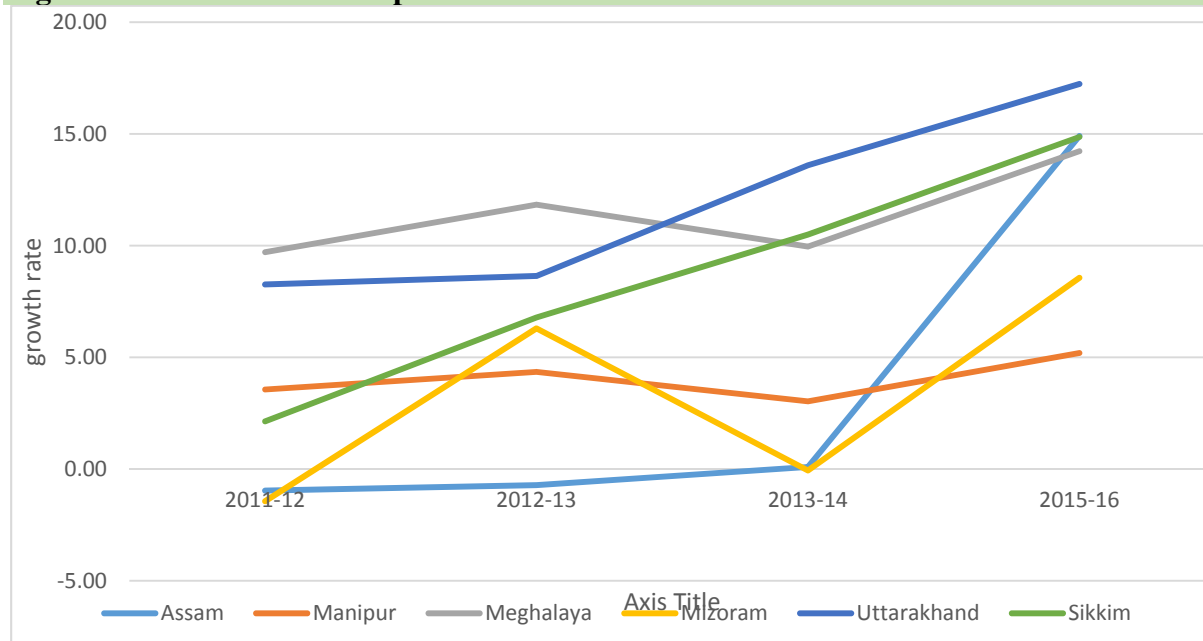


4.40 Amongst the SCS in Jammu and Kashmir growth rate of public debt has declined consistently during 2011-12 and 2014-15. In Mizoram, Meghalaya and Nagaland growth rates have fluctuated widely. In Arunachal Pradesh, Assam, Manipur, Sikkim and Uttarakhand growth rates of public debt have shown an increasing trend.

**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

4.41 The **ratio of total debt to the GSDP** of a state indicates the financial leverage of the economy. A low debt-to-GDP ratio indicates that the economy has access to a larger

proportion of its resources which it can utilise as per its allocative priorities. Concomitantly, it means that it has to set aside less resources for servicing its debt obligations.

**Table 4.13 (A): Ratio of public debt to GSDP in 2014-15 - GCS**

State	PD/GSDP <sup>9</sup> (percent)
Andhra Pradesh <sup>10</sup>	20.55
Bihar	19.94
Chhattisgarh	8.48
Gujarat	18.24
Haryana	16.05
Jharkhand	16.05
Karnataka	11.48
Kerala	18.25
Madhya Pradesh	16.98
Maharashtra	13.25
Odisha	8.67
Punjab	23.59
Rajasthan	16.42
Tamil Nadu	15.07
Telangana	14.81
Uttar Pradesh	18.94
West Bengal <sup>11</sup>	NA

4.42 Chhattisgarh had the lowest ratio of public debt to GSDP at 8.48percent followed by Odisha at 8.67 percent. Punjab had the highest ratio (23.59 percent) followed by Bihar (19.94 percent) and Uttar Pradesh (18.94 percent).

**Table 4.13 (B): Ratio of public debt to GSDP in 2014-15 - SCS**

State	PD/GSDP (percent)
Arunachal Pradesh	16.52
Assam	11.50
Jammu and Kashmir	24.65
Himachal Pradesh	27.46
Manipur	24.37
Meghalaya	17.50
Mizoram	22.30
Nagaland	32.02
Sikkim	16.51
Tripura	17.83
Uttarakhand	15.45

<sup>9</sup>GSDP with base year 2011-12 prices.

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

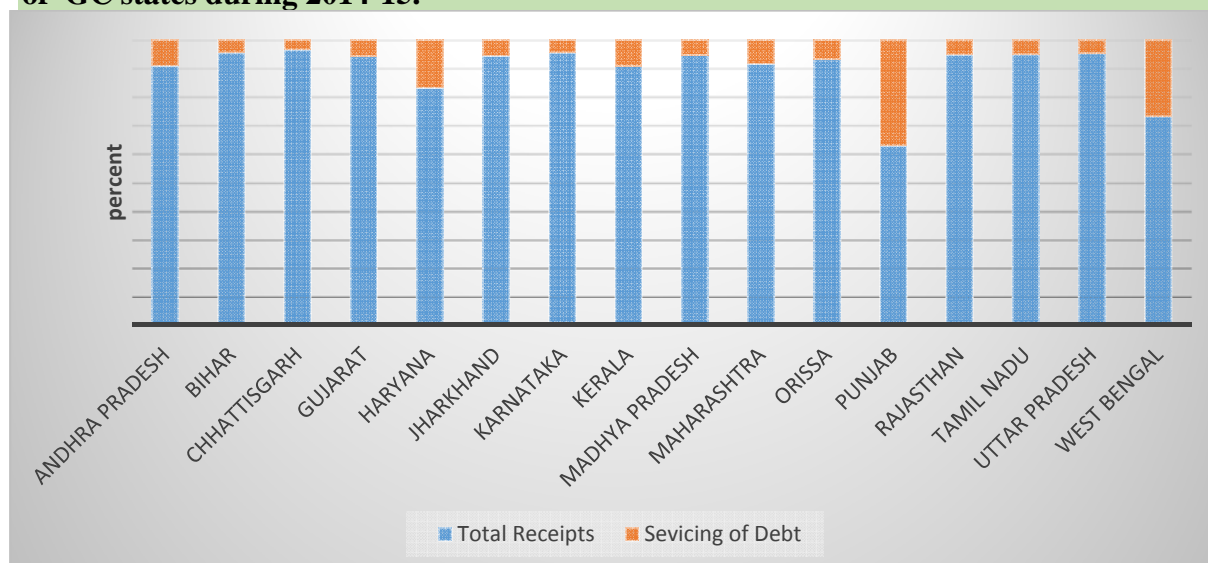
<sup>11</sup>GSDP at 2011-12 prices has not been worked out for West Bengal.

4.43 Amongst the SCS Nagaland had the highest ratio of public debt to GSDP at 32.02 percent followed by Himachal Pradesh at 27.46 percent. Assam had the lowest ratio at 11.5 percent.

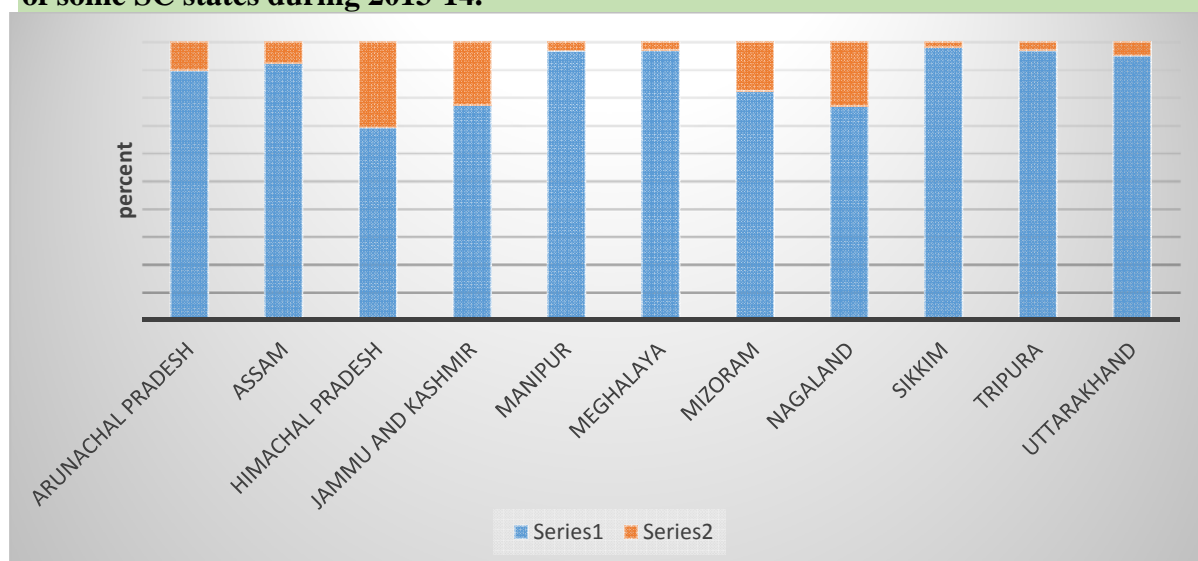
4.44 Amongst the GCS Chhattisgarh, Jharkhand, Kerala, Karnataka, Tamil Nadu and Haryana have shown an increasing trend in Public Debt to GSDP ratio. In Chhattisgarh and Jharkhand this ratio had a declining trend till 2012-13, where after it started rising due to increase in market loans by nearly 350 percent from Rs2,199.58 crore in 2011-12 to Rs9,887.68 crores in 2014-15 in Chhattisgarh and by 118 percent from Rs 8,630.56 crore in 2011-12 to Rs 18,799.46 crore in 2014-15 in case of Jharkhand. In Karnataka this ratio had declined till 2013-14, after which it registered an increase of 30.18 percent in 2014-15. In Kerala this ratio started rising from 2012-13. In Kerala the rise was due to increase in quantum of market borrowings from Rs38,239.37 crores in 2011-12 to Rs48,809.91 crores in 2012-13, Rs60,183.38 crores in 2013-14 and Rs71,960.15 crores in 2014-15. Thus market loans increased by nearly 88 percent from 2011-12 to 2014-15. Similarly in Tamil Nadu, market loans rose by 92 percent from Rs 62,832.48 crore in 2011-12 to Rs 78,502.01 crore in 2012-13, Rs 97,182.74 crore in 2013-14 and Rs 1,20,326.62 crores in 2014-15. In Haryana the ratio of public debt to GSDP has consistently shown a rising trend because of increase in market borrowings from Rs21084.10 crores in 2011-12 to Rs52652.83 crores in 2014-15 registering an increase of nearly 150 percent.

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

**Figure 4.23: Debt servicing requirements of states as a proportion of non-debt receipts of GC states during 2014-15.**



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



4.46 Debt servicing requirements for GCS account for substantial proportion of non-debt receipts of some GCS. In Punjab debt servicing accounted for 59 percent of non-debt receipts of the state during 2014-15. In West Bengal and Haryana debt servicing accounted for nearly 37 percent and 20 percent respectively of the state's total non-debt receipts. In Kerala and Andhra Pradesh it accounted for around 10 percent. In some states this ratio is small as in case of Chhattisgarh, Bihar, Karnataka and Uttar Pradesh where debt servicing requirements account for less than 5 percent of total non-debt receipts.

4.47 In case of SCS the ratio of debt servicing to non-debt receipts was as high as nearly 45 percent in case of Himachal Pradesh and 30 percent in Jammu and Kashmir and Nagaland. In Assam this ratio was only around 8 percent. 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 and 2014-15. Mizoram had a high ratio of debt servicing to non-debt receipts at nearly 22 percent. 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 Uttarakhand (5.3 percent), Manipur (3.4 percent), Meghalaya (3.2 percent), Sikkim (2 percent) and Tripura (3.3 percent).

### Interest payments to own resources of states

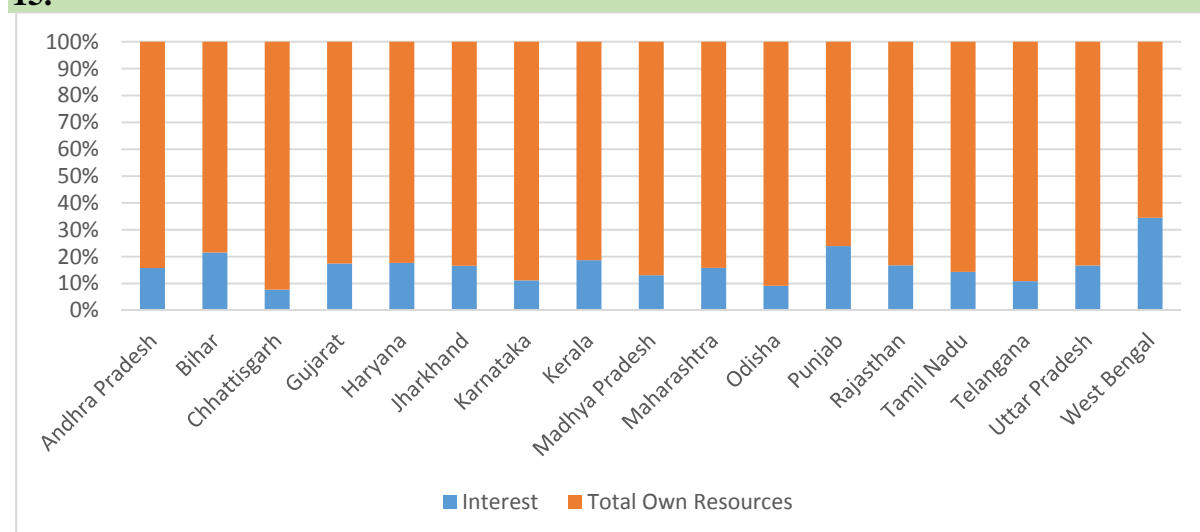
4.48 Interest payments are a major drag on the states' own revenue (tax and non-tax revenue). The ratio of interest payments to the states' own resources measures the ability of that government to meet past and present debt obligations out of its own resources. A higher ratio indicates that the state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

**Table 4.14: Ratio of Interest Payments to State's own Resources during 2014-15 (in percentage)**

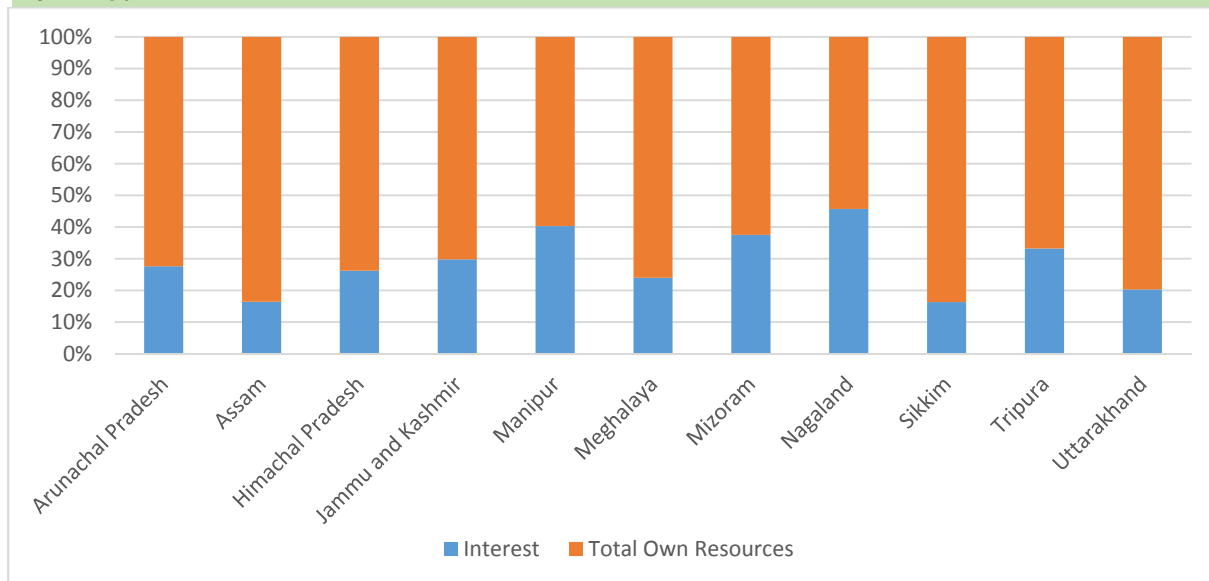
State	Interest Payments (1)	Own Tax Revenue (2)	Own Non-Tax Revenue (3)	Total Own Resources (4)=(2)+(3)	Ratio (in %) (1)/(4)*100
<b>GCS</b>					
Andhra Pradesh	10007.22	42568.65	10975.98	53544.63	18.69
<b>Bihar</b>	6128.75	20750.23	1557.98	22308.21	27.47
Chhattisgarh	1726.62	15707.26	4929.91	20637.17	8.37
<b>Gujarat</b>	14945.53	61339.81	9542.61	70882.42	21.08
<b>Haryana</b>	6928.27	27634.57	4613.12	32247.69	21.48
<b>Jharkhand</b>	2929.15	10349.81	4335.06	14684.87	19.95
Karnataka	9403.98	70180.21	4688.24	74868.45	12.56
<b>Kerala</b>	9769.59	35232.50	7283.69	42516.19	22.98
Madhya Pradesh	7071.25	36567.12	10375.23	46942.35	15.06
Maharashtra	23964.74	115063.90	12580.89	127644.79	18.77
Odisha	2810.27	19828.29	8070.87	27899.16	10.07

State	Interest Payments (1)	Own Tax Revenue (2)	Own Non-Tax Revenue (3)	Total Own Resources (4)=(2)+(3)	Ratio (in %) (1)/(4)*100
Punjab	8960.48	25570.20	2879.73	28449.93	31.50
Rajasthan	10462.90	38672.94	13229.50	51902.44	20.16
Tamil Nadu	14549.74	78656.54	8350.60	87007.14	16.72
Telangana	5226.86	36313.67	6446.82	42760.49	12.22
Uttar Pradesh	18864.54	74172.42	19934.80	94107.22	20.05
West Bengal	21587.99	39411.98	1626.66	41038.64	52.60
<b>GCS (Average)</b>	<b>10313.99</b>	<b>44001.18</b>	<b>7730.69</b>	<b>51731.87</b>	<b>20.57</b>
<b>SCS</b>					
Arunachal Pradesh	350.88	462.16	457.64	919.80	38.15
Assam	2333.74	9449.81	2412.89	11862.70	19.67
Himachal Pradesh	2849.14	5940.16	2081.45	8021.61	35.52
Jammu and Kashmir	3532.88	6333.95	1978.05	8312.00	42.50
Manipur	473.19	516.83	183.73	700.56	67.54
Meghalaya	405.10	939.19	343.29	1282.48	31.59
Mizoram	305.83	266.52	241.96	508.48	60.15
Nagaland	555.34	388.60	270.61	659.21	84.24
Sikkim	239.55	527.54	698.08	1225.62	19.55
Tripura	681.68	1174.26	195.64	1369.90	49.76
Uttarakhand	2405.61	8338.47	1110.44	9448.91	25.46
<b>SCS (Average)</b>	<b>1284.81</b>	<b>3121.59</b>	<b>906.71</b>	<b>4028.30</b>	<b>43.10</b>

**Figure 4.25: Interest Payments as part of States own resources of GC states during 2014-15.**



**Figure 4.26: Interest Payments as part of States own resources of SC states during 2014-15.**



4.49 The average ratio of interest payments to states own resources for GCS states was 20.57. In Bihar, Gujarat, Haryana, Kerala, Punjab, and West Bengal this ratio was higher than the group average. Amongst the GCS, Chhattisgarh had the lowest ratio at 8.37 while West Bengal had the highest ratio at 52.60.

4.50 The average ratio for SCS was much higher at 41.10 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 (84.24 percent) followed by Manipur (67.54 percent) had very high ratios which means that only 15-30 % of its own resources are available for meeting expenditure in these states.

### Ratio of Debt Redemption to Debt Receipts

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

**Table 4.15:Debt Redemption Ratio during 2013-14***(Rs in crores)*

State	Debt Receipt 2014-15	Debt Repayment			Total Debt Repayment/Debt Receipt (Ratio)
		Principal 2014-15	Interest 2014-15	Total	
Union Government	4218196.30	3707699.65	37518.59	3745218.24	0.89
Andhra Pradesh	21480.79	9098.82	7299.61	16398.43	0.76
Arunachal Pradesh	1540.41	1053.91	219.55	1273.46	0.83
Assam	61.45	31.90	1715.08	4905.30	0.80
Bihar	13917.54	3608.95	5353.59	8962.54	0.64
Chhattisgarh	6439.66	1336.73	1353.31	2690.04	0.42
Gujarat	19453.94	5509.21	13259.45	18768.66	0.96
Haryana	18858.75	8227.41	5999.45	14226.86	0.75
Himachal Pradesh	10876.88	8259.81	2029.05	10288.86	0.95
Jammu and Kashmir	10258.95	8548.50	2388.23	10936.73	1.07
Jharkhand	6690.12	1879.88	2662.56	4542.44	0.68
Karnataka	21874.63	4812.23	7730.85	12543.08	0.57
Kerala	18509.17	5842.77	7300.74	13143.51	0.71
Madhya Pradesh	15068.71	4920.52	5971.23	10891.75	0.72
Maharashtra	35726.18	15180.68	19499.17	34679.85	0.97
Manipur	489.40	273.24	359.89	633.13	1.29
Meghalaya	726.96	202.66	321.69	524.35	0.72
Mizoram	1383.08	1189.24	221.83	1411.07	1.02
Nagaland	2414.87	2306.08	495.81	2801.89	1.16
Odisha	7645.63	4111.45	1745.19	5856.64	0.77
Punjab	31223.54	23074.72	6940.99	30015.71	0.96
Rajasthan	18140.82	4960.04	7607.91	12567.95	0.69
Sikkim	411.79	87.03	185.33	272.36	0.66
Tamil Nadu	31080.36	6487.70	12616.71	19104.41	0.61
Telangana	9580.49	1727.29	4847.46	6574.75	0.69
Tripura	537.27	300.00	441.89	741.89	1.38
Uttar Pradesh	35520.28	8166.74	1125.01	10536.22	0.30
Uttarakhand	4753.58	1482.12	1891.20	2965.25	0.62
West Bengal	55192.92	32819.45	19796.97	51477.50	0.93

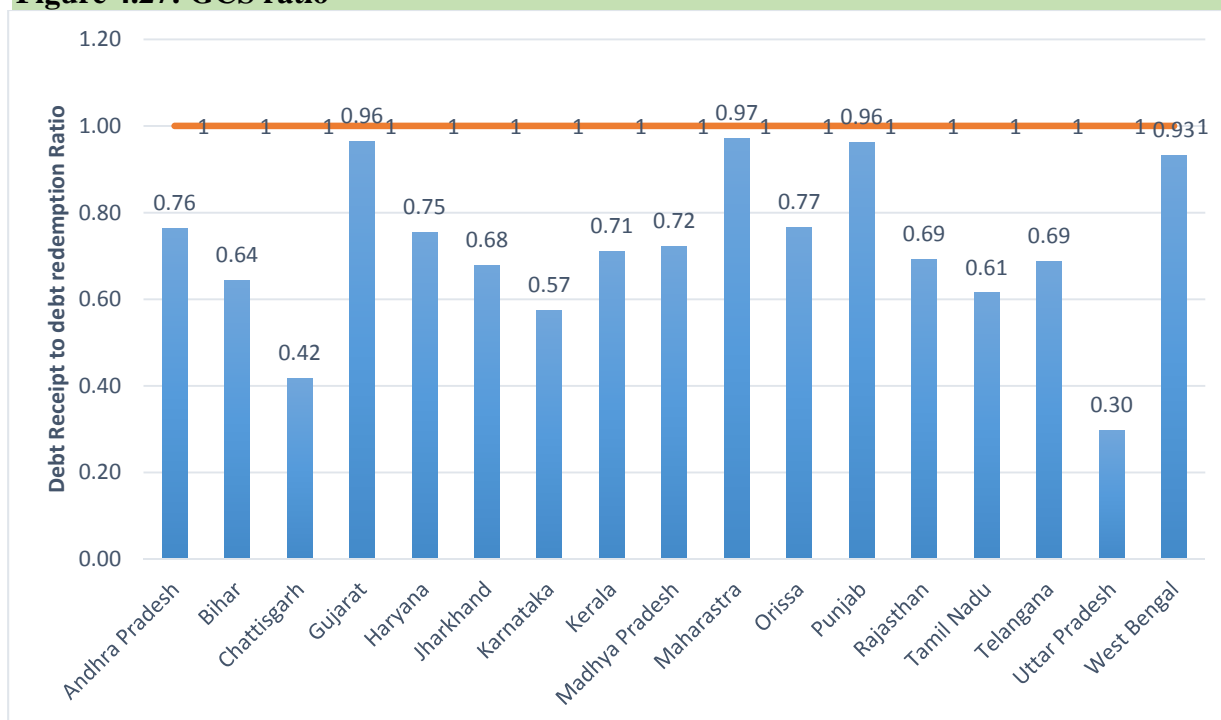


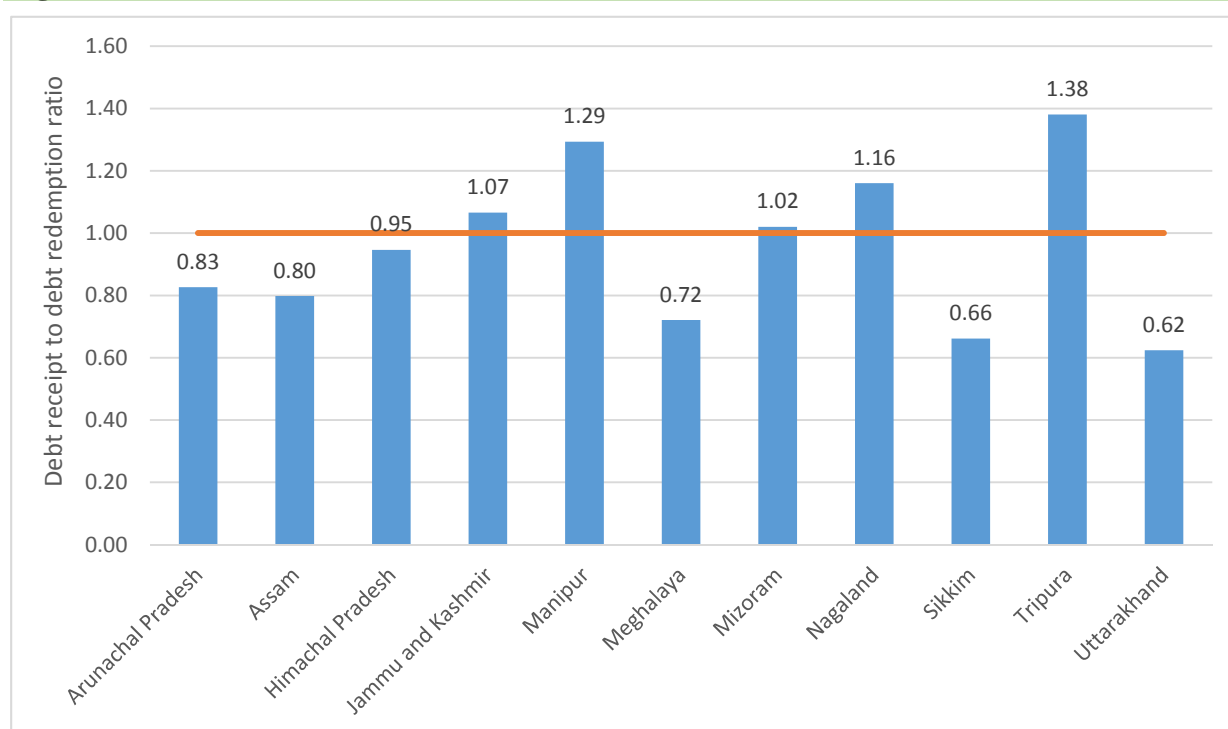
4.52 It is seen that Jammu and Kashmir, Manipur, Mizoram, Nagaland and Tripura had debt-redemption ratio greater than 1 implying thereby that total debt repayment in these states was higher than fresh debts contracted. In Maharashtra and Punjab the ratio was almost equal to 1 meaning that debt repayments were almost equal to debts received during the year.

4.53 None of the general category States had debt-redemption ratio equal to or greater than 1. Some of these States whose debt position had worsened during 2014-15 as compared to the previous year and where the differential between growth rate of public debt and growth rate of GSDP was high namely Chhattisgarh, Karnataka and Uttar Pradesh also had low debt redemption to debt receipt ratios implying thereby that not only were they contracting more debt, but they were not servicing their past debt obligations adequately. Uttar Pradesh had the lowest debt-redemption ratio (0.30). In Uttar Pradesh the gross accrual to public debt during 2014-15 was Rs.35520.28 crores. Total repayment was Rs 10536.22 crores resulting in net increase in public debt liabilities amounting to Rs26109.07 crores.

4.54 The debt redemption ratio was second lowest in Chhattisgarh (0.42). In Chhattisgarh gross accrual and net accrual to public debt liabilities during 2014-15 were Rs6439.67 crores and Rs5102.94 crores respectively.

**Figure 4.27: GCS ratio**



**Figure 4.28: SCS ratio**

4.55 Amongst the SCS Jammu and Kashmir, Manipur, Mizoram, Nagaland and Tripura had ratio greater than 1. The debt position of Manipur, Nagaland and Tripura had improved in 2014-15 as compared to the earlier year. Uttarakhand whose debt position had worsened in 2014-15 as compared to the earlier year and where the differential between growth rate of public debt and growth rate of GSDP was the highest in 2014-15 had the lowest ratio at 0.62.

### **Fiscal Deficit and Borrowings of States**

4.56 States finance their fiscal deficit by market borrowings, borrowing from NSSF, Central Govt, small savings and Provident funds, etc. Comparison of liabilities of each state accrued during the year with their fiscal deficit indicates that all states have borrowed in excess of their fiscal deficit during 2014-15. In Kerala, Odisha, Punjab and West Bengal borrowings have exceed FD by more than 100 percent. Amongst SCS In Himachal Pradesh, Jammu and Kashmir, Nagaland, Mizoram and Sikkim, borrowings exceed fiscal deficits by more than 100 percent.

Figure 4.29: GCS

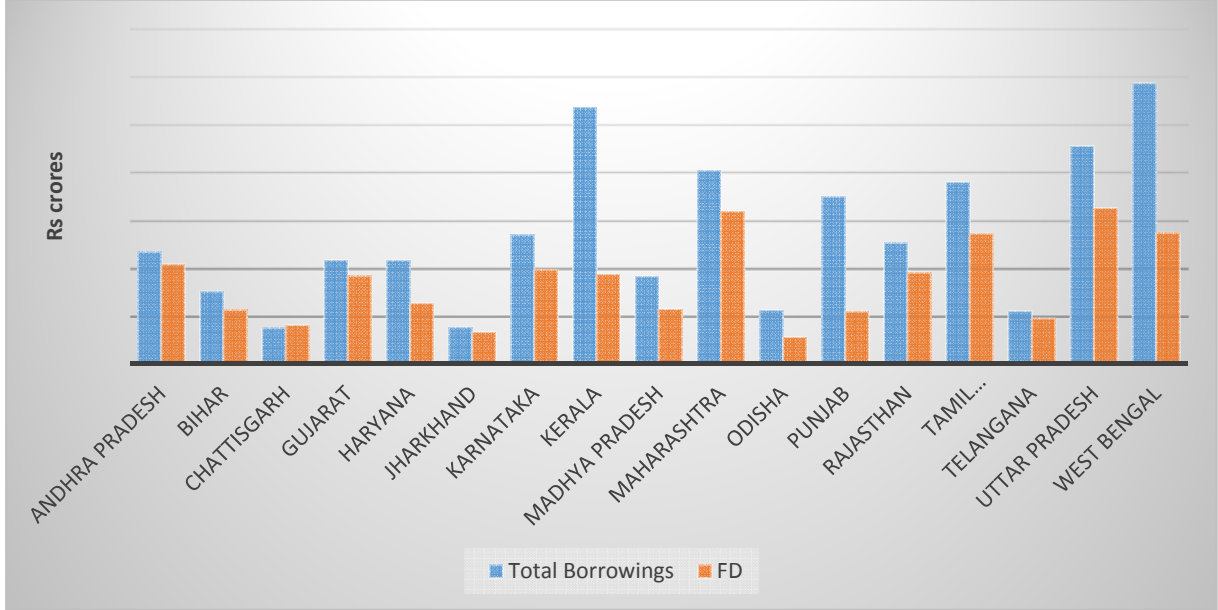


Figure 4.30: SCS

