

# CONTENTS

Page  
No.

## Foreword

## List of Abbreviations

## Chapter I: Overview

1

## Chapter II: Fiscal Position of State Governments

1. Introduction .....	3
2. Accounts: 2017-18 .....	3
3. Revised Estimates: 2018-19 .....	5
4. Budget Estimates: 2019-20 .....	10
5. Financing and Market Borrowing .....	14
6. Outstanding Liabilities of State Governments .....	20
7. Concluding Observations .....	22
Annex II.1: States' Revenue: Variability and Predictability .....	23
Annex II.2: List of State Government Health Care Schemes .....	25

## Chapter III: Debt: States' Medium-Term Fiscal Challenge

1. Introduction .....	27
2. States' Revenue .....	28
2.1 Own Tax Revenue .....	29
2.2 States' Non-Tax Revenue .....	37
2.3 Central Transfers .....	39
3. States' Liability Burden: Power Distribution .....	42
3.1 Power Distribution Utilities .....	43
3.2 Impact of Power Distribution Restructuring .....	44
4. Guarantees .....	47

	Page No.
5. Market Borrowings by States.....	50
5.1 Liquidity of State Development Loans (SDLs) .....	51
5.2 Pricing of SDLs .....	51
5.3 Maturity Profile of SDLs .....	54
5.4 Ownership Pattern of SDLs .....	55
6. Debt Sustainability .....	56
7. Concluding Observations.....	63
Annex III.1: Evolving Institutional Mechanism for GST .....	65
Annex III.2: Timeline of GST Council Meetings and Major Decisions.....	67
Annex III.3: Power Distribution – a Short History of Reforms and Government Programmes.....	75
<b>Chapter IV: Way Forward .....</b>	<b>77</b>
<b>References .....</b>	<b>79</b>
<b>Explanatory Note on Data Sources and Methodology.....</b>	<b>82</b>
<b>e-STATES Database .....</b>	<b>84</b>
 <b>LIST OF BOXES</b>	
II.1 Farm Loan Waivers and Income Support Schemes.....	7
II.2 Ayushman Bharat Programme .....	15
III.1 Tax Buoyancy at the State Level .....	32
III.2 Risks from Future Takeover of Losses under UDAY.....	48
III.3 Reissuances of SDLs and Liquidity.....	52
III.4 Elongation of Debt: Telangana Experience.....	54
III.5 Debt Sustainability of Indian States: An Empirical Assessment.....	60

## LIST OF TABLES

II.1	Major Deficit Indicators: All States and Union Territories with Legislature.....	3
II.2	Aggregate Receipts of State Governments and UTs .....	5
II.3	Expenditure Pattern of State Governments and UTs .....	6
II.4	Fiscal Position of States .....	10
II.5	Deficit Indicators of State Governments – State-wise .....	11
II.6	Variation in Major Items.....	13
II.7	Composition of Expenditure on Social Services (Revenue and Capital Accounts)..	14
II.8	Financing Pattern of Gross Fiscal Deficit .....	16
II.9	Market Borrowings of States.....	17
II.10	Maturity Profile of Outstanding State Government Securities .....	19
II.11	Investments of Surplus Cash Balances of State Governments .....	19
II.12	Investments in CSF/GRF by States.....	20
II.13	Outstanding Liabilities of State Governments and UTs.....	20
II.14	Composition of Outstanding Liabilities of State Governments .....	21
III.1	States’ Own Tax Revenue - Composition .....	30
III.2	Stamp Duty Collections.....	36
III.3	Non-Tax Revenue Composition.....	38
III.4	Trend in Central Transfers as a Ratio to Total Revenue and Expenditure of States .	40
III.5	Tax Devolution: Changing Pattern.....	40
III.6	Trend in Special Levies (Cess and Surcharges) by the Central Government .....	41
III.7	FPI in State Development Loans: Limits and Investment.....	56
III.8	States’ Debt Sustainability - Indicator-based Analysis .....	59
III.9	Key Assumption for States DSA Model.....	62
III.10	Debt Sustainability Analysis - Key Assumption and Results.....	62

## LIST OF CHARTS

II.1	Major Deficit Indicators .....	4
II.2	Fiscal Position of States: 2017-18 <i>vis-à-vis</i> 2016-17 .....	4
II.3	States’ Capital Outlay: Trends.....	6

	Page No.
II.4 Committed Expenditure .....	9
II.5 Gross Fiscal Deficit: State Governments .....	9
II.6 States-wise GFD as per cent to GSDP in 2019-20 (BE) .....	12
II.7 GST and Non-GST Collections .....	12
II.8 Social Sector Expenditure .....	14
II.9 Quality of Expenditure .....	17
II.10 Movement of SDL Yields.....	18
II.11 Maturity Profile of SDLs.....	18
II.12 Negative Carry of State Government Investments.....	18
II.13 States' Outstanding Debt and Ratio of Interest Payments to Revenue Receipt.....	21
III.1 States' Total Revenues - Key Constituents (2019-20).....	29
III.2 States' Total Revenue - Trend and Composition.....	29
III.3 States' Own Tax Revenue and Central Transfers .....	30
III.4 State-wise Tax-GSDP Ratio .....	31
III.5 SGST Collections by States - Annual and Monthly.....	33
III.6 Cross-Country Performance of Goods and Services Tax Post its Implementation .	34
III.7 Weighted Average (Effective) GST Rate .....	34
III.8 Compensation Cess for States in 2017-18 and 2018-19 RE .....	35
III.9 Distribution of States' Share of Taxes on Petroleum and Alcohol (as per cent of own tax revenue) .....	35
III.10 Trends in Non-Tax Revenues .....	37
III.11 Change in Non-tax Revenue, 2007-20.....	38
III.12 Composition of States' Revenue – Own <i>vis-à-vis</i> Central Transfers.....	39
III.13 Total Transfers from Centre to States.....	41
III.14 Composition of Central Transfers to States .....	42
III.15 Power Sector Contribution to State Finances.....	43
III.16 State Power Distribution Utilities Cost, Capital Employed and Revenue- Stylised Evidence .....	44

	Page No.
III.17 Fiscal Impact of UDAY Programme.....	45
III.18 Financial Performance of DISCOMs in Post-UDAY Period and Contributing Factors.....	46
III.19 State-wise Performance of DISCOMs Post UDAY: ACS- ARR Gap and AT & C Losses .....	47
III.20 Expected Fiscal Impact on States from UDAY .....	47
III.21 Outstanding Dues of Power Utilities to Central Power Sector Undertakings .....	49
III.22 Outstanding Guarantees .....	49
III.23 Sectoral Distribution of Outstanding Guarantees .....	49
III.24 State-wise Guarantees' Growth and Guarantees Outstanding (per cent of GSDP).	50
III.25 SDLs Liquidity Metrics Compared to GoI Securities.....	51
III.26 SDLs Ownership Pattern and FPI Interest.....	55
III.27 Debt and Real GDP Growth .....	57
III.28 Debt Indicators: All states .....	57
III.29 Debt Dynamics of States.....	58
III.30 Cross-Country Subnational Government Debt (End-2018).....	58
III.31 Contribution to Changes in States Debt to GDP Ratio .....	63

#### **LIST OF APPENDIX TABLES FOR STATES' BUDGETS 2019-20**

1. Major Deficit Indicators of State Governments .....	87
2. Devolution and Transfer of Resources from the Centre .....	88
3. Development and Non-Development Expenditure: Aggregate .....	90
4. Development Expenditure - Major Heads .....	91
5. Non-Development Expenditure - Major Heads .....	92
6. Development and Non-Development Expenditure.....	93
7. Composition of Social Sector Expenditure .....	94
8. Decomposition of Gross Fiscal Deficit .....	96
9. Financing of Gross Fiscal Deficit .....	97
10. Financing of Gross Fiscal Deficit - As Per cent to Total .....	98

	Page No.
11. Composition of Outstanding Liabilities of State Governments .....	99
12. Composition of Outstanding Liabilities of State Governments - As Proportion to Total .....	100
13. State Government Market Borrowings.....	101

## **LIST OF STATEMENTS AND APPENDICES FOR STATES' BUDGETS 2019-20**

### **LIST OF STATEMENTS**

1. Major Fiscal Indicators .....	107
2. Revenue Deficit/Surplus .....	109
3. Gross Fiscal Deficit/Surplus .....	110
4. Decomposition of Gross Fiscal Deficit .....	111
5. Financing of Gross Fiscal Deficit – 2017-18 (Accounts).....	112
6. Financing of Gross Fiscal Deficit – As per cent to Total – 2017-18 (Accounts).....	113
7. Financing of Gross Fiscal Deficit – 2018-19 (RE) .....	114
8. Financing of Gross Fiscal Deficit – As per cent to Total – 2018-19 (RE) .....	115
9. Financing of Gross Fiscal Deficit – 2019-20 (BE) .....	116
10. Financing of Gross Fiscal Deficit – As per cent to Total – 2019-20 (BE) .....	117
11. Development Expenditure .....	118
12. Non-Development Expenditure .....	119
13. Interest Payments.....	120
14. Tax Revenue .....	121
15. Non-Tax Revenue .....	122
16. Loans from the Centre.....	123
17. Devolution and Transfer of Resources from the Centre .....	124
18. Composition of Outstanding Liabilities .....	125
19. Total Outstanding Liabilities of State Governments .....	129
20. Total Outstanding Liabilities - As percentage of GSDP .....	130
21. Market Borrowings of State Governments.....	131
22. State Government Market Loans .....	132
23. Maturity Profile of Outstanding State Government Securities .....	168

	Page No.
24. Maturity Profile of Outstanding State Government Securities - As Percentage to Total .....	169
25. Investment Outstanding in Treasury Bills .....	170
26. Expenditure on Education - As Ratio to Aggregate Expenditure .....	171
27. Expenditure on Medical and Public Health and Family Welfare - As Ratio to Aggregate Expenditure .....	172
28. Outstanding Guarantees of State Governments .....	173
29. Expenditure on Wages and Salaries.....	174
30. Expenditure on Operations and Maintenance.....	175
31. Social Sector Expenditure .....	176
32. Social Sector Expenditure to Total Disbursement.....	177
33. Revenue Receipts of State Governments and UTs .....	178
34. Revenue Expenditure of State Governments and UTs .....	179
35. Development Expenditure: Select Indicators .....	180
 <b>APPENDICES</b>	
I. Revenue Receipts of States and Union Territories with Legislature.....	183
II. Revenue Expenditure of States and Union Territories with Legislature.....	217
III. Capital Receipts of States and Union Territories with Legislature .....	251
IV. Capital Expenditure of States and Union Territories with Legislature .....	268
 <b>NOTES TO APPENDICES</b> .....	 319