

*Finances of State Governments –2009-10: Highlights**

This article presents the highlights of the State Governments budgets for 2009-10. A detailed analysis is presented in "State Finances: A Study of Budgets of 2009-10" that was released in February 2010¹.

The period up to 2007-08 witnessed a considerable improvement in the consolidated fiscal position of State governments. States were given incentives by the Twelfth Finance Commission (TwFC) to implement their own Fiscal Responsibility Legislation (FRL) in the form of conditional debt restructuring and interest rate relief. However, the economic slowdown following the knock-on effect of the global financial crisis and the accompanying moderation in the pace of revenue growth adversely affected the finances of the States in 2008-09.

The State governments presented their budgets for 2009-10² in an environment marked by an uncertain growth scenario. It is evident that the tax revenue buoyancy achieved till 2007-08 could not be realised during 2008-09 (RE). States may also be under pressure to increase expenditure to boost demand in the economy. In addition, the impact of the implementation of the Sixth Central Pay Commission (CPC)/State

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¹ The publication "State Finances: A Study of Budgets of 2009-10" is available on the Reserve Bank's website (www.rbi.org.in).

² An analysis of the consolidated fiscal position of State governments based on the State budgets of twenty seven states for 2009-10 has been published in the Reserve Bank of India Annual Report, 2008-09. This study provides further details on the consolidated fiscal position of twenty eight State Government as also State-wise analysis covering budgetary data as well as additional information obtained from the State Governments and the Government of India. Information in respect of NCT Delhi and Puducherry are provided additionally as memo item.

ARTICLE

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Own Pay Commissions (SPCs) by many State governments had implications for their revenue expenditure during 2008-09 (RE) and 2009-10 (BE). In short, the pace of fiscal correction and consolidation witnessed during the recent past is likely to suffer a setback. States, while presenting their budgets for 2009-10, seem to have taken into account the likely impact of a slowdown in their tax collections and Central transfers. In order to deal with the slowdown, a few State governments announced dedicated fiscal stimulus packages to boost demand, while many other States announced sector specific tax reductions. However, the focus of the additional expenditure in 2009-10 appears to be through revenue expenditure as reflected in higher revenue expenditure as a ratio to gross state domestic product (GSDP) in many States, rather than capital expenditure. In fact, a majority of the State governments have budgeted a lower capital outlay as percentage to GSDP for 2009-10.

Recognising the need for reviving economic growth, the Government of India permitted the State governments to borrow an additional 0.5 per cent of their GSDP by relaxing the fiscal deficit target under FRL from 3.0 per cent to 3.5 per cent in 2008-09 and further to 4.0 per cent of their GSDP in 2009-10. In the Union Budget 2009-10, it was announced that a goods and services tax (GST) would be introduced by April 1, 2010 after due consultations with all stakeholders. The implementation of GST is, however, likely to be postponed to a future date. In order to facilitate the process of a further convergence of central excise duty rates to a mean rate (currently 8 per cent), various policy measures with regard to tax rates were proposed by reviewing the

list of items. The Reserve Bank in its role as banker, debt manager and monetary authority has also been taking various initiatives to improve the financial condition of the State governments. A non-competitive bidding facility has been introduced to State Development Loans (SDLs) since the auction held on August 25, 2009.

The policy initiatives of State Governments, the Government of India, and of the Reserve Bank of India are presented hereunder, followed by an analysis and assessment of the budgetary position of the State Governments for the year 2007-08 (Accounts), 2008-09 (Revised Estimates) and 2009-10 (Budget Estimates). As a special theme, an analysis of the 'Expenditure of State Governments : Trend and Composition' is presented. The Issues and Perspectives are provided at the end.

Policy Initiatives

State budgets for 2009-10, with a focus on economic revival, announced a number of policy initiatives aimed at directing expenditure towards welfare and developmental activities. On the taxation front, these measures include exemption/reduction in value added tax (VAT) and excise duties on certain goods while on the expenditure side, higher allocation for various welfare schemes/infrastructure and release of Pay Commission awards are proposed. Many States have announced that they will step up investments, more particularly on projects like irrigation, housing and other infrastructure projects like power generation, good road networks, airports and industrial parks. Recognising the fact that the industrial sector must

remain vibrant and growing, the States are also trying to attract private investment for the creation of infrastructure through the public-private partnership (PPP) mode. This section briefly discusses policy initiatives and schemes that have been proposed by the State governments, the Government of India and the Reserve Bank of India.

State Governments

In view of overall slowdown in economic activity, most of the States have taken proactive measures to streamline revenue generation at the State level and also simplified the procedures in general. The simplified procedures include rules, inspections, registrations and the introduction of the single window clearance system for industries and businesses to carry on their operations (Andhra Pradesh and Maharashtra). As a part of fiscal stimulus measures on taxation, the States have reduced the rate of stamp duty on sale of land/property in urban and rural areas (Haryana, Rajasthan, Uttarakhand and Kerala). In order to encourage tax compliance, VAT has been reduced on a number of items by most of the States. Besides increasing tax compliance, the other measures include early VAT refunds, recovery of profession tax, reduction in penalty under VAT, relief to hotel dealers under VAT, extension of exemption on food grains and reduction/rationalisation of luxury tax in Goa, Rajasthan, NCT Delhi and Karnataka. Furthermore, to streamline and improve the quality of services, complete e-filing of returns/computerisation of the sales tax departments have been implemented in Kerala and Uttarakhand. To compensate the loss of revenue through tax

reductions/exemptions under the fiscal stimulus package, the measures taken by the State governments include: (i) a new scheme of 'one time settlement' of tax arrears for pending under-valuation with respect to stamp duty cases in Kerala; (ii) broadening the tax net to include petty dealers in Kerala; and (iii) installation of water supply meters in Nagaland. To disclose suppressed turnover and to pay taxes thereon, the 'Voluntary Disclosure Scheme' has also been announced in Kerala. The Punjab government has formulated a comprehensive policy prescribing collection of External Development Charges (EDCs), License/Permission Fee and Change of Land Use (CLU) charges to generate sufficient revenues to provide ultra modern urban infrastructure. In Delhi, a major initiative was taken to reform the excise duty structure. Accordingly a new bill will be introduced which will incorporate a simplified duty structure.

In the backdrop of moderation in economic activities, many States have initiated fiscal stimulus packages to get the economy going by continuing all developmental and welfare programmes. Agriculture and allied activities have received top priority with a plethora of incentives, write-offs and concessions, support for organic farming and free power to farmers (Andhra Pradesh, Tamil Nadu, Karnataka, Kerala, Puducherry, Orissa, Maharashtra and West Bengal). The initiatives are focused on irrigation projects, particularly, minor irrigation (Meghalaya) and providing fertilisers, seeds and pesticides at subsidised rates (Orissa). The other initiatives include insurance schemes for crops (Himachal Pradesh and Tamil

Nadu), setting up of 'Agriclinics' in Tamil Nadu, adopting a village as a 'Model Village', developing an Agri-HUB and Agri-Processing Zone under Public Private Partnership (PPP) arrangement in Assam, 'Bio-Villages' in West Bengal, providing direct computer connectivity and establishing an 'Agriculture Knowledge Center' in Madhya Pradesh, debt relief scheme for farmers in Maharashtra and free power to farmers in some States. Some of the other measures include dairy development and milk production (Tripura, West Bengal, Tamil Nadu and Puducherry) and a novel scheme of a 'Land Bank' where land purchased from the farmers at market prices is resold for industrial use in West Bengal.

Recognising the fact that the industrial sector must remain vibrant and growing, special focus has been given to identifying a large pool of land having access to National Highways, building Special Economic Zones (SEZs) and industrial estates and making these available for development of industry through the PPP mode in many States. Almost all the States have announced policy measures to upgrade their overall infrastructure and West Bengal and Punjab have accorded priority to the development of infrastructure for clusters of industries in the small scale sector so that new small scale units can develop alongside traditional industries. Some States have proposed a 'New Industrial Policy' (Rajasthan) while others are in the process (Meghalaya), Industrial Model Towns (Haryana) and 'Economic Hubs' in select places. In order to augment their power generation capacities some States, *viz.*, Maharashtra, Tamil Nadu and Mizoram are focusing attention on the generation of power (through the PPP mode).

Many States have initiated schemes relating to education and socio-economic development and social security of Scheduled Castes (SCs), Scheduled Tribes (STs), Backward Classes, minorities and the disabled. Various States have announced measures towards the betterment of educational facilities. These include a restructured mid-day meal programme with add-ons such as providing meals beyond the elementary education level, distribution of books, including more nutritious food items, diet money for the children and mothers (Punjab), comprehensive computer education/broadband connectivity and computer labs in all schools and colleges (Andhra Pradesh, Haryana, Tamil Nadu, Puducherry, Punjab, Rajasthan and Himachal Pradesh) and upgrading the existing infrastructure of professional medical and engineering colleges or setting up new colleges through PPP model. For social change and empowerment, equitable access to education is ensured by special schemes for the welfare of children of physically and mentally challenged parents by providing them free education and accessories and financial honorariums to their parents (NCT Delhi, Haryana, Puducherry and Bihar) and skill training for self-employment in various fields for school dropouts. For the welfare of the weaker sections of society, various proposals have been announced including enhanced funds under the Scheduled Caste Component Plan and the Tribal Sub-Plan for developmental activities (Assam) and allocation of free-of-cost residential plots under a new scheme of the Mahatma Gandhi Gramin Basti Yojana to all eligible SCs, Backward Classes (A category) and Below Poverty Line (BPL) households (Haryana).

Housing too has received high priority with schemes such as loans at subsidised rates of interest, housing plots, financial assistance and building materials/repairing/renovation of old houses (Puducherry, Kerala, Punjab, Himachal Pradesh, Tamil Nadu and Haryana). In the health sector, Haryana, Punjab, Maharashtra, Puducherry, Tamil Nadu and Karnataka have proposed health insurance schemes, medical camps and upgrading government hospitals. To provide minimum basic amenities to urban people, most of the States have paid special emphasis on water supply, sewerage, transport, integrated housing and solid waste management. Recognising the growing importance of climate change, several initiatives have been taken by various State governments in this field as well. Measures towards the empowerment of women include direct loans to women entrepreneurs at very low rates of interest along with a number of other innovative developmental and welfare programmes focused on the girl child and women in States like Kerala, Tamil Nadu, Puducherry, Punjab, Rajasthan, Assam, Bihar and Haryana. Many State governments encourage 'women self-help groups (SHGs)' as a means of faster empowerment of women with schemes such as soft loans to SHGs (Tripura) and training institutes for self-employment of women (Meghalaya).

On the institutional measures, States have gradually put in place legislations with respect to various fiscal parameters such as Fiscal Responsibility Legislations (FRLs), Value Added Tax (VAT), New Pension Schemes (NPS), Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF). The progress so far has been quite

encouraging as far as the implementation of VAT is concerned as all the States have implemented VAT while Twenty Six States have enacted FRLs.

Many State governments have taken up several initiatives in the form of appointing task forces and committees/commissions. Assam proposes to set up a Water Resource Management Commission to make suggestions for the prevention of floods and erosion of land and land reclamation. Besides, two developmental councils, one each for women and youth are proposed to be set up, a Women Entrepreneurs Council are also being set up to promote women entrepreneurs. Towards the welfare of children and to protect their rights, the State Children Rights Protection Commission and a Commission for Elementary and Secondary Education to suggest a roadmap and policies for improving the quality of school education are being set up in Assam. There is also a proposal for setting up the Knowledge Commission to advise the Assam government on the overall education policy. In Haryana, a common committee, the Village Health and Sanitation Committee, has been set up to promote convergence and it is also proposed that a number of skill development centers will be established in the State. The government of Jammu and Kashmir is appointing a multi task force comprising of experts from all relevant fields to look into various aspects of mulberry culture, sericulture, weaving and the silk industry. The task force will also identify and create opportunities for employment in sectors like tourism, horticulture, floriculture, fisheries, health and sericulture. Kerala has proposed to set up an expert committee to scientifically develop an agricultural calendar to reduce the

need to close the Thanneermukkom Bund. In order to formulate a comprehensive social security scheme a committee is being set up to study the feasibility of this. The Kerala government has set up a 'Monitoring Commission for Administrative Reforms' in order to tune up the overall administrative machinery at the State government level. Assam has proposed a 'Development Council' to formulate policies and coordinate schemes for the all round development of minorities. Meghalaya has proposed to put in place a system to achieve 100 per cent registration of births and deaths in the State. The Tamil Nadu government has initiated steps to set up a 'National Center for Geriatrics Research'.

In order to promote people's participation in the formulation and implementation of Plan schemes, 'Ward Committees' in municipalities are proposed to be set up by West Bengal. The West Bengal government has also proposed to create a 'Special Assistance Fund' of Rs.100 crore to impart job-oriented training and extend other necessary assistance to those who have lost their land because of the setting up of industries. A 'Special Fund' has been created for the welfare of artists in distress and an 'Incentive Fund' to reward innovations in science and technology in Assam have also been started. The States of Himachal Pradesh, Punjab, Kerala, Tamil Nadu, Puducherry and Jammu and Kashmir have undertaken efforts to promote tourism in their respective States.

Government of India

In order to cope with the impact of the economic slowdown, State governments

have been permitted to borrow an additional 0.5 per cent of their GSDP during 2009-10 by relaxing the fiscal deficit target under FRLs from 3.5 per cent to 4.0 per cent of their GSDP. This will enable the State governments to raise additional open market borrowings of about Rs.21,000 crore in the current year.

Although immediate interim relief has been provided from the Calamity Relief Fund (CRF) for the devastation caused by Cyclone Aila on the coast of West Bengal, the Union Government has also proposed to draw up a programme for rebuilding the damaged infrastructure in the State. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) has been an important scheme for refocusing the attention of State governments on the importance of urban infrastructure. In recognition of JNNURM's role, allocation under the scheme is being stepped up. Further, in order to improve the lot of urban poor, by providing housing and basic amenities to urban poor, the provisions under the Rajiv Awas Yojana (RAY) has also been enhanced. In Maharashtra, in order to address the problem of flooding in Mumbai, the Brihan Mumbai Storm Water Drainage Project (BRIMSTOWA) was initiated in 2007 and the entire estimated cost of the project at Rs.1,200 crore is being met through Central assistance. In Assam, the capital subsidy for the Gas Cracker Project is to be provided by the Central Government. Allocations for the Rashtriya Krishi Vikas Yojana (RKVY) are also being stepped up. With a view to insulating employment-oriented export sectors in States, the Union Government had provided an interest subvention of 2 per cent on pre-shipment credit for the 7 sectors of textiles

including handlooms, handicrafts, carpets, leather, gems and jewellery, marine products and small and medium exporters. The interest subvention is being proposed to be extended up to March 31, 2010.

As Micro, Small and Medium Enterprises (MSMEs) have been severely affected by the slowdown in exports and the indirect effect of the global financial crisis on domestic demand, it is proposed to facilitate the flow of credit at reasonable rates by providing a special fund to the Small Industries Development Bank of India (SIDBI) out of the Rural Infrastructure Development Fund (RIDF). This will help State governments as it will incentivise banks and State Finance Corporations (SFCs) to lend to MSMEs by refinancing 50 per cent of incremental lending to MSMEs. The National Rural Employment Guarantee Scheme, is planned to be converged with other schemes relating to agriculture, forests, water resources, land resources and rural roads. A total of 115 pilot districts have been selected for such a convergence in the first phase.

Bharat Nirman with its six schemes, including the Pradhan Mantri Gram Sadak Yojana (PMGSY), the Rajiv Gandhi Grameen Viduytikaran Yojana (RGGVY) and the Indira Awaas Yojana (IAY) is an important initiative for bridging the gap between rural and urban areas and for improving the quality of life of the people, particularly the poor, in rural areas. The allocation for Bharat Nirman schemes will be stepped up by 45 per cent in 2009-10. To broaden the pace of rural housing, from the shortfall in the priority sector lending of commercial banks, a sum of Rs.2,000 crore for Rural Housing Fund in

the National Housing Bank (NHB) is proposed to be allocated.

A new scheme called the Pradhan Mantri Adarsh Gram Yojana (PMAGY) is being launched on a pilot basis for the integrated development of 1,000 villages across the States where the Scheduled Caste population is more than 50 per cent. Each village will be able to avail gap funding of Rs.10 lakh over and above the allocations under the Rural Development and Poverty Alleviation Schemes. The Swarna Jayanti Gram Swarozgar Yojana (SGSY) is being restructured as the National Rural Livelihood Mission to make it universal in application, focused in approach and time bound for poverty eradication by 2014-15. Apart from providing capital subsidy at an enhanced rate, it is also proposed to provide an interest subsidy to poor households for loans up to Rs. one lakh from banks. The women's SHG movement is bringing about a profound transformation in rural areas. It is aimed that at least 50 per cent of all rural women in India will be enrolled as members of SHGs over the next five years and these SHGs will be linked to banks. In recognition of Rashtriya Mahila Kosh's role as an instrument of socio-economic change and development, the corpus of the Kosh will be raised to Rs.500 crore over the next few years. A National Mission for Female Literacy, with focus on minorities, Scheduled Castes, Scheduled Tribes and other marginalised groups will be launched to reduce the current levels of female illiteracy by half in the next three years. As far as child development is concerned, the Government is committed to the universalisation of the Integrated Child Development Services (ICDS) Scheme in the

country and by March 2012 all services under ICDS to be extended, with quality, to every child under the age of 6 years.

On the education front, to enable students from economically weaker sections to access higher education, it is proposed to introduce a scheme to provide them full interest subsidy during the period of moratorium. It is estimated that over 5 lakh students will avail of this benefit. Under the Multi-Sectoral Development Programme for Minorities in selected minority concentration districts, the grant-in-aid to the Maulana Azad Education Foundation has been doubled, and provisions have been made for National Minorities Development and Finance Corporation and Pre-Matric and Post-Matric Scholarships for Minorities. Allocations have also been made for new schemes of National Fellowship for Students from the Minority Community and Grants-in-aid to Central Wakf Council for computerization of records of State Wakf Boards. In order to impart the right education and skills and to take a dynamic economic advantage, the provision under the 'Mission in Education through ICT', has been substantially increased to Rs.900 crore. Similarly, the provision for the setting up and up-gradation of polytechnics under the Skill Development Mission has been increased. The Central Government plans to have one Central University in each uncovered State by allocating funds. Separate allocation of Rs.2,113 crore for Indian Institute of Technology (IITs) and National Institute of Technology NITs including a provision of Rs.450 crore for new IITs and NITs has been made. The overall Plan budget for higher education is

proposed to be increased by Rs.2,000 crore over Interim Budget Estimates.

On the health front, the National Rural Health Mission (NRHM) is an essential instrument for achieving the goal of 'Health for All'. Allocation under this scheme is proposed to be increased by Rs.2,057 crore over and above the Rs.12,070 crore provided in the Interim Budget. Towards social security measures for the unorganised sector, the Unorganised Workers Social Security Bill, 2007 has been passed by both the Houses of Parliament. Action has been initiated to ensure that social security schemes for weavers, fishermen and women, toddy tappers, leather and handicraft workers, plantation labor, construction labor, mine workers, bidi workers and rikshaw pullers are being implemented. The Rashtriya Swasthya Bima Yojana (RSBY) was operationalised last year and the initial response to this has been very encouraging with more than 46 lakh BPL families in 18 States and UTs being issued biometric smart cards. The Government proposes to cover all BPL families under this scheme.

In line with last year's successful implementation of two mega handloom clusters in Varanasi and Sibsagar and two mega power loom clusters in Erode and Bhiwandi, it is proposed that one handloom mega cluster each in West Bengal and Tamil Nadu and one power loom mega cluster in Rajasthan will be set up. These will help preserve textile traditions in these States and generate thousands of jobs. It is also proposed that new mega clusters for carpets in Srinagar (Jammu and Kashmir) and Mirzapur (Uttar Pradesh) will be added.

Reserve Bank of India

As indicated in the Mid-Term Review of October 2008, recommendations made by the Internal Working Group (Chairman: H.R. Khan) involving the Reserve Bank such as reduction of the time gap between bid submission and declaration of auction results have already been implemented. The other recommendations of the Working Group on withdrawal of the facility of bidding in physical form and submission of competitive bids only through the Negotiated Dealing System (NDS) have been implemented since August 25, 2009. In order to widen the investor base and enhance the liquidity for State Development Loans (SDLs), a scheme for non-competitive bidding in the auction of SDLs was notified by all the State governments on July 20, 2007. Subsequent to the announcement in the Mid-Term Review of October 2008, the necessary system changes required to handle non-competitive bidding in the auction of SDLs have been carried out in the NDS auction platform developed by Clearing Corporation of India Limited (CCIL). A non-competitive bidding facility has been introduced in the SDLs since the auction held on August 25, 2009. Introduction of embedded derivative options in the issuance of SDLs is an innovative way of price discovery and reducing the States' cost of borrowings. Hence, provisions were made in the general notification issued by State governments on December 15, 2003, which enabled them to issue SDLs with call/put option in terms of Clauses 7 and 8.2 of the notification. The government of West Bengal was the first to exercise the option of issuing SDLs with put option on three tranches of auctions held during September/

October 2009, which will be exercisable by investors after the completion of four years for the first two tranches and five years for the third tranche. Under the put option, the holders of government stock will have the discretion to exercise put option after giving a notice of two months in the prescribed format for premature redemption after completion of the option tenure from the date of issuance of the government stock on any coupon payment date falling thereafter. In that event, interest shall cease to accrue on the redeemed government stock from the coupon payment date of premature redemption. Issuance of SDLs with put option, however, entails the States with premature redemption risk, which may lead to a roll-over risk.

Accounts: 2007-08

At the consolidated level, the States witnessed a marked improvement in key deficit indicators when the revised estimates of 2007-08 translated into accounts. While the surplus on the revenue account almost doubled in absolute terms, GFD declined by around 30 per cent than the revised estimates. The consolidated revenue surplus increased from 0.5 per cent of GDP in 2007-08 (RE) to 0.9 per cent of GDP in 2007-08 (Accounts). The improvement in 2007-08 (Accounts) over 2007-08 (RE) was mainly due to a decline in revenue expenditure by 0.5 per cent of GDP. The decline in developmental expenditure in 2007-08 (Accounts) over 2007-08 (RE) by Rs. 17,762 crore accounted for around 70 per cent of the total decline in revenue expenditure. Reduction in expenditure on education, sports and art and culture by 5.4 per cent mainly contributed to the decline

in development expenditure. Furthermore, around 28 per cent of the decline in revenue expenditure in 2007-08 (Accounts) over 2007-08 (RE) was contributed by the decline in non-development expenditure. Within non-development expenditure, committed expenditure comprising administrative services, pension and interest payments declined by 2.8 per cent in 2007-08 (Accounts) over 2007-08 (RE), contributing around 22.7 per cent of the total decline in revenue expenditure. On the revenue receipt side, there was a decline of 0.8 per cent in 2007-08 (Accounts) over the revised estimates which is attributed to a fall in own tax revenue and a fall in grants from the Centre. Although own tax revenue (OTR) declined by 2.3 per cent in 2007-08 (Accounts) over revised estimates, it was partly compensated for by an increase of 2.2 per cent in States' share in Central taxes. Under non-tax revenue, grants from the Centre were significantly lower by 12.9 per cent than the revised estimates. However, as per 2007-08 (Accounts), States' performances in terms of collection of own non-tax revenues (ONTRs) recorded a substantial improvement of 23.3 per cent over the revised estimates. Capital outlay in 2007-08 (Accounts) was lower to the extent of 7.4 per cent over the revised estimates. As a result of the increase in revenue surplus and decline in capital outlay, the consolidated GFD of the States declined from Rs.1,07,958 crore in 2007-08 (RE) to Rs.75,455 crore in 2007-08 (Accounts). As a ratio to GDP, GFD declined to 1.5 per cent of GDP in 2007-08 (Account) from 2.2 per cent of GDP in the revised estimates. As a result of significant decline in GFD, the States were able to generate a primary surplus of Rs. 24,376 crore in 2007-

08 (Accounts) for the second successive year (Table 1).

Revised Estimates: 2008-09

State finances in 2008-09 (RE) were impacted by the overall macroeconomic slowdown and revenue expenditure obligations arising out of the implementation of the Sixth CPC/SPCs for some State governments. As a result, increase in revenue expenditure (5.2 per cent) in 2008-09 (RE) over 2008-09 (BE) outstripped the increase in revenue receipts (2.5 per cent) which led to a decline in revenue surplus by 62.4 per cent in 2008-09 (RE) over the budget estimates. The revenue surplus as percentage to GDP squeezed from 0.5 per cent in 2008-09 (BE) to 0.2 per cent in 2008-09 (RE). On the revenue account, decline in States' own tax revenue (OTR) by 1.9 per cent in 2008-09 (RE) over 2008-09 (BE) mainly affected the revenue receipts of State governments. This decline was mainly because the States could not realise the budget estimates of stamp duty and registration fees, sales tax/VAT and taxes on vehicles, State excise duties and taxes on passengers and goods in 2008-09 (RE). On the contrary, States' collections under own non-tax revenues (ONTRs) recorded an increase of 19.1 per cent in 2008-09 (RE) over 2008-09 (BE). Increase in revenue expenditure by Rs. 35,756 crore over 2008-09 (BE) could be entirely attributed to an increase in development expenditure pertaining to power; education, sports and art and culture; relief on account of natural calamities; and transport and communication. The States were able to contain their non-development expenditure mainly committed expenditure by Rs. 7,765

Table 1: Variation in Major Items - 2007-08 (Accounts) over 2007-08 (RE)

(Amount in Rs. crore)					
Item	2007-08 (RE)	2007-08 (Accounts)	Variation		Contribution* (Per cent)
			Amount	Per cent	
1	2	3	4	5	6
I. Revenue Receipts (i+ii)	6,28,742	6,23,748	-4,994	-0.8	100.0
(i) Tax Revenue (a+b)	4,41,526	4,37,948	-3,578	-0.8	71.6
(a) Own Tax Revenue	2,93,392	2,86,546	-6,846	-2.3	137.1
<i>of which:</i> Sales Tax	1,78,198	1,73,422	-4,776	-2.7	95.6
(b) Share in Central Taxes	1,48,134	1,51,402	3,268	2.2	-65.4
(ii) Non-Tax Revenue	1,87,216	1,85,799	-1,417	-0.8	28.4
(a) States' Own Non-Tax Revenue	62,578	77,178	14,600	23.3	-292.3
(b) Grants from Centre	1,24,638	1,08,622	-16,016	-12.9	320.7
II. Revenue Expenditure	6,06,216	5,80,805	-25,411	-4.2	100.0
<i>of which:</i>					
(i) Development Expenditure	3,55,099	3,37,337	-17,762	-5.0	69.9
Education, Sports, Art and Culture	1,06,474	1,00,775	-5,699	-5.4	22.4
Power	28,599	30,729	2,130	7.4	-8.4
(ii) Non-Development Expenditure	2,34,386	2,27,235	-7,151	-3.1	28.1
<i>of which:</i>					
Administrative Services	47,694	44,866	-2,828	-5.9	11.1
Pension	56,002	56,098	96	0.2	-0.4
Interest Payments	1,02,878	99,831	-3,047	-3.0	12.0
III. Capital Receipts	1,34,635	1,41,987	7,352	5.5	100.0
<i>of which:</i>					
Non-Debt Capital Receipts	8,400	6,955	-1,445	-17.2	-19.7
IV. Capital Expenditure	1,81,273	1,71,520	-9,753	-5.4	100.0
<i>of which:</i>					
Capital Outlay	1,28,331	1,18,862	-9,469	-7.4	97.1
<i>of which:</i>					
Capital Outlay on Irrigation & Flood Control	39,128	37,005	-2,123	-5.4	21.8
Capital Outlay on Transport	25,275	23,767	-1,508	-6.0	15.5
<i>Memo Item :</i>					
Revenue Deficit	-22,526	-42,943	-20,417	90.6	
Gross Fiscal Deficit	1,07,958	75,455	-32,503	-30.1	
Primary Deficit	5,080	-24,376	-29,456	-579.8	

RE : Revised Estimates.

* : Denotes percentage share in relevant total.

Note : 1. Negative (-) sign in deficit indicators indicates surplus.

2. Capital receipts include public accounts on a net basis while capital expenditure excludes public accounts.

Source : Budget Documents of the State Governments.

crore in 2008-09 (RE) over the budget estimates. As per 2008-09 (RE), administrative services and interest payments were lower to the extent of Rs.5,761 crore and Rs.2,163 crore, respectively than their budget estimates. Most States had apparently taken into account the imminent increase in wages and salaries on account of the Sixth CPC/SPCs,

while presenting their budget estimates for 2008-09. As a result, an increase in expenditure on administrative services in 2008-09 (RE) appears to be more pronounced over 2007-08 (Accounts) rather than over 2008-09 (BE) (Table 2). Capital outlay rose by 8.3 per cent over the budget estimates of 2008-09. Accordingly, capital outlay as percentage to GDP stood at 2.8 per cent in

Table 2: Variation in Major Items – 2008-09 (RE) over 2008-09 (BE)

(Amount in Rs. crore)					
Item	2008-09 (BE)	2008-09 (RE)	Variation		Contribution* (Per cent)
			Amount	Per cent	
1	2	3	4	5	6
I. Revenue Receipts (i+ii)	7,19,835	7,37,865	18,030	2.5	100.0
(i) Tax Revenue (a+b)	5,09,957	5,03,878	-6,079	-1.2	-33.7
(a) Own Tax Revenue	3,36,810	3,30,405	-6,405	-1.9	-35.5
<i>of which: Sales Tax</i>	2,03,623	2,02,610	-1,013	-0.5	-5.6
(b) Share in Central Taxes	1,73,147	1,73,473	326	0.2	1.8
(ii) Non-Tax Revenue	2,09,878	2,33,987	24,109	11.5	133.7
(a) States Own Non-Tax Revenue	66,848	79,614	12,765	19.1	70.8
(b) Grants from Centre	1,43,030	1,54,373	11,343	7.9	62.9
II. Revenue Expenditure	6,91,409	7,27,165	35,756	5.2	100.0
<i>of which:</i>					
(i) Development Expenditure	4,02,810	4,45,889	43,080	10.7	120.5
<i>of which:</i>					
Education, Sports, Art and Culture	1,22,072	1,29,706	7,634	6.3	21.4
Transport and Communication	18,525	19,975	1,451	7.8	4.1
Power	26,270	36,715	10,445	39.8	29.2
Relief on account of Natural Calamities	5,491	10,076	4,585	83.5	12.8
(ii) Non-Development Expenditure	2,68,665	2,60,899	-7,765	-2.9	-21.7
<i>of which:</i>					
Administrative Services	62,905	57,144	-5,761	-9.2	-16.1
Pension	62,729	66,938	4,210	6.7	11.8
Interest Payments	1,08,383	1,06,220	-2,163	-2.0	-6.0
III. Capital Receipts	1,75,306	1,86,201	10,894	6.2	100.0
<i>of which:</i>					
Non-Debt Capital Receipts	15,000	5,314	-9,686	-64.6	-88.9
IV. Capital Expenditure	2,01,374	2,13,259	11,885	5.9	100.0
<i>of which:</i>					
Capital Outlay	1,45,159	1,57,254	12,095	8.3	101.8
<i>of which:</i>					
Capital Outlay on Irrigation and Flood Control	44,525	48,727	4,202	9.4	35.4
Capital Outlay on Transport	27,618	29,614	1,996	7.2	16.8
<i>Memo Item:</i>					
Revenue Deficit	-28,426	-10,701	17,725	-62.4	
Gross Fiscal Deficit	1,12,653	1,46,349	33,695	29.9	
Primary Deficit	4,270	40,128	35,858	839.7	

BE: Budget Estimates. RE: Revised Estimates. * : Denotes percentage share in relevant total.

Note : 1. Negative (-) sign in deficit indicators indicates surplus.
2. Capital receipts include public accounts on a net basis while capital expenditure excludes public accounts.

Source : Budget Documents of the State Governments.

2008-09 (RE) as compared with the budget estimate of 2.6 per cent. Increase in capital outlay was largely due to higher capital spending on irrigation and flood control and the transport sector. As a result of a decline in revenue surplus and an increase in capital outlay, consolidated GFD rose by 29.9 per

cent in 2008-09 (RE) over the budget estimates. As a ratio to GDP, GFD moved up to 2.6 per cent in 2008-09 (RE) from 2.0 per cent in the budget estimates. The primary deficit re-emerged at 0.7 per cent of GDP in 2008-09 (RE) as compared with budget estimates of 0.1 per cent after remaining in

surplus during the previous two years. The process of fiscal correction and consolidation at the State level experienced a slippage in 2008-09 on account of the overall macroeconomic slowdown following the global financial crisis. Furthermore, many of the State governments started implementing recommendations of the Sixth CPC/SPCs for their employees which had implications on their revenue expenditure. Consequently, the key deficit indicators deteriorated in 2008-09 (RE) as compared with 2008-09 (BE) as well as 2007-08 (Accounts). In order to address the overall macroeconomic slowdown, the Central Government allowed the States to increase the limit of fiscal deficit to 3.5 per cent of GDP during 2008-09 (as stated in the interim Union Budget 2009-10). Thus, the States were allowed to raise additional market borrowings to the extent of 0.5 per cent of GSDP. This additional fiscal space was to be utilised for undertaking capital investments (also see Statements 1 and 2).

Budget Estimates: 2009-10

Setback to States' fiscal position witnessed during 2008-09 is estimated to worsen further in 2009-10 as is evident from budget estimates of key deficit indicators. A few State governments announced fiscal stimulus packages envisaging higher spending and lower tax rates for certain sectors in order to boost aggregate demand. An additional factor likely to influence State finances during 2009-10 but with positive implications for aggregate demand is the implementation of the Sixth CPC/SPCs. The consolidated revenue account of State governments for 2009-10 is budgeted to turn into deficit after remaining in surplus over

the previous three years on account of a higher budgeted increase in revenue expenditure in relation to revenue receipts. The consolidated revenue deficit is budgeted at Rs.32,295 crore in 2009-10 compared to the revenue surplus of Rs.10,701 crore in 2008-09 (RE). As a ratio to GDP, at the consolidated level the revenue surplus of 0.2 per cent in 2008-09 (RE) is budgeted to turn out to a deficit of 0.5 per cent of GDP in 2009-10. The deterioration in the revenue account of State governments during 2009-10 (BE) reflects the combined impact of sluggishness in tax revenue along with higher expenditure on: (i) administrative services (ii) pensions; and (iii) interest payments. Consequent upon the revenue account turning from surplus to deficit and the higher net lending in 2009-10 (BE), the GFD at the consolidated level is budgeted to increase to 3.2 per cent of GDP as compared with 2.6 per cent of GDP in 2008-09 (RE). In absolute terms, the size of GFD is budgeted to expand by 36.3 per cent in 2009-10 (BE) over 2008-09 (RE). In line with the surging GFD, primary deficit is also likely to double from Rs. 40,128 crore in 2008-09 (RE) to Rs. 83,083 crore in 2009-10 (BE). As percentage to GDP, consolidated primary deficit has been budgeted at 1.3 per cent in 2009-10 (BE) as compared with 0.7 per cent in 2008-09 (RE) (Table 3 and Statement 1).

Re-emergence of revenue deficit after three years and the increasing size of the GFD indicate that borrowed resources would be used for current expenditures rather than capital investment during 2009-10. In 2009-10 (BE), around 16 per cent of the GFD would be used for undertaking revenue expenditure. This raises the issue of the quality of fiscal deficit and shows that this proportion of government borrowing

ARTICLE

Finances of State Governments – 2009-10: Highlights

Table 3: Variation in Major Items – 2009-10 (BE) over 2008-09 (RE)

(Amount in Rs. crore)					
Item	2008-09 (RE)	2009-10 (BE)	Variation		Contribution* (Per cent)
			Amount	Per cent	
1	2	3	4	5	6
I. Revenue Receipts (i+ii)	7,37,865	8,04,943	67,078	9.1	100.0
(i) Tax Revenue (a+b)	5,03,878	5,52,243	48,365	9.6	72.1
(a) Own Tax Revenue	3,30,405	3,66,523	36,118	10.9	53.8
<i>of which: Sales Tax</i>	2,02,610	2,25,009	22,399	11.1	33.4
(b) Share in Central Taxes	1,73,473	1,85,720	12,247	7.1	18.3
(ii) Non-Tax Revenue	2,33,987	2,52,701	18,713	8.0	27.9
(a) States Own Non-Tax Revenue	79,614	84,017	4,403	5.5	6.6
(b) Grants from Centre	1,54,373	1,68,683	14,310	9.3	21.3
II. Revenue Expenditure	7,27,165	8,37,238	1,10,074	15.1	100.0
<i>of which:</i>					
(i) Development Expenditure	4,45,889	4,92,443	46,553	10.4	42.3
<i>of which:</i>					
Education, Sports, Art and Culture	1,29,706	1,54,781	25,075	19.3	22.8
Power	36,715	32,020	-4,695	-12.8	-4.3
Rural Development	30,040	43,147	13,107	43.6	11.9
(ii) Non-Development Expenditure	2,60,899	3,21,907	61,008	23.4	55.4
<i>of which:</i>					
Administrative Services	57,144	74,389	17,245	30.2	15.7
Pension	66,938	87,220	20,282	30.3	18.4
Interest Payments	1,06,220	1,16,427	10,207	9.6	9.3
III. Capital Receipts	1,86,201	2,25,114	38,914	20.9	100.0
<i>of which:</i>					
Non-Debt Capital Receipts	5,314	2,216	-3,098	-58.3	-8.0
IV. Capital Expenditure	2,13,259	2,18,540	5,281	2.5	100.0
<i>of which:</i>					
Capital Outlay	1,57,254	1,60,247	2,993	1.9	56.7
<i>of which:</i>					
Capital Outlay on Irrigation & Flood Control	48,727	45,905	-2,821	-5.8	-53.4
Capital Outlay on Energy	18,728	15,478	-3,251	-17.4	-61.6
Capital Outlay on Transport	29,614	28,859	-755	-2.5	-14.3
<i>Memo Item:</i>					
Revenue Deficit	-10,701	32,295	42,996	-401.8	
Gross Fiscal Deficit	1,46,349	1,99,510	53,161	36.3	
Primary Deficit	40,128	83,083	42,954	107.0	
RE: Revised Estimates. BE: Budget Estimates. * : Denotes percentage share in relevant total.					
Note : 1. Negative (-) sign in deficit indicators indicates surplus.					
2. Capital receipts include public accounts on a net basis while capital expenditure excludes public accounts.					
Source: Budget Documents of the State Governments.					

would not lead to the creation of assets, which would have given returns in the future to service States' debts. However, the revenue deficit (RD)-GFD ratio of 16 per cent is significantly lower than what prevailed at around 60 per cent during 1998-99 to 2002-03. Nonetheless, this underlies a weakness that emerged in the profile of

State government finances during 2009-10 *albeit* due to subdued macroeconomic conditions and the implementation of revised wages and salaries. However, this may prove to be only a temporary aberration once the growth momentum in the economy accelerates and revenue buoyancy improves further.

The impact of the macroeconomic slowdown can be gauged from the fact that the States have budgeted only a moderate rise of 9.1 per cent in revenue receipts in 2009-10 (BE) as compared with an 18.3 per cent rise recorded in 2008-09 (RE) (Statement 3). Growth in all sources of revenue receipts (except States' ONTRs) is estimated to be moderate in 2009-10 (BE) as compared with the previous year. Accordingly, States' OTR is budgeted to rise by 10.9 per cent in 2009-10 as compared with 15.3 per cent in 2008-09 (RE), while their share in central taxes is estimated to increase by 7.1 per cent as compared with a 14.6 per cent increase in the previous year. The moderate rise in States' share in central taxes is in line with the lower growth in gross tax revenue budgeted at the Central level. Growth in the consolidated non-tax revenue of the States is budgeted to decelerate during 2009-10 mainly on account of grants from the Centre. Grants from the Centre to the States are budgeted to increase by 9.3 per cent in 2009-10 as against the rapid increase of 42.1 per cent in 2008-09 (RE) (Statement 4). However, growth in States' ONTR is budgeted to be marginally higher at 5.5 per cent during 2009-10 as compared with 3.2 per cent growth in 2008-09 (RE). Revenue receipts as percentage to GDP (RR-GDP) are budgeted to marginally decline from 13.2 per cent in 2008-09 (RE) to 13.1 per cent in 2009-10. The slowdown has affected the statutory transfer of tax revenues from the Centre to the States. States' share in Central taxes as percentage to GDP is estimated to fall from 3.1 per cent in 2008-09 (RE) to 3.0 per cent in 2009-10 (BE). However, grants-in-aid from the Centre to the States – a discretionary component of central transfers — as ratio to GDP are budgeted to decline from 2.8 per cent in 2008-09 (RE) to

2.7 per cent in 2009-10 (BE). Overall, Central transfers to the States are budgeted to fall from 5.9 per cent of GDP in 2008-09 (RE) to 5.7 per cent in 2009-10. On the States' own revenue collection front, the ratio of their OTR to GDP is budgeted to remain stagnant at 5.9 per cent during the same period. In 2009-10 (BE), revenue receipts from sales tax/VAT and land revenue as percentage to GDP are budgeted to remain the same, while the same from stamp duty and registration fees and State excise duty as percentage to GDP are estimated to be lower than 2008-09 (RE). Further, the own non-tax revenue (ONTR)-GDP ratio is budgeted to remain constant at 1.4 per cent during the same period.

Implementation of VAT across most of the States has helped them to augment their sales tax/VAT-GDP ratio in recent years. During 2009-10, sales tax/VAT are budgeted to contribute around 61 per cent of the total own tax revenue collections of States. Although sales tax/VAT as a ratio to GDP is budgeted to increase marginally from 3.6 per cent in 2008-09 (RE) to 3.7 per cent in 2009-10 (BE), growth in sales tax/VAT is estimated to decelerate from 16.8 per cent in 2008-09 (RE) to 11.1 per cent in 2009-10 reflecting the possible impact of a perceived subdued growth. Implementation of GST would be a significant step towards tax reforms. GST will replace excise duty and service tax at the Centre and VAT at the state level. A well-designed GST is supposed to lower manufacturing costs and make businesses more efficient and that the introduction of GST would introduce buoyancy in revenues both by widening the tax base and by stimulating economic growth due to lower compliance costs and lower effective tax rates on a wider base.

Within non-tax revenues, interest receipts by State governments are budgeted to decline by 21.5 per cent in 2009-10 as compared with an increase of 31.1 per cent in 2008-09 (RE), while non-tax revenue on account of economic services is budgeted to rise marginally by 4.4 per cent in 2009-10 as compared with 18.6 per cent in 2008-09 (RE). As far as the cost recovery aspect at the State level is concerned, it is estimated to be lower in 2009-10 in case of social services as compared with 2007-08. Among economic services, there has been substantial improvement in the power sector in recent years which is likely to continue in 2009-10 (BE). Similarly, the recovery rate in the road sector is also estimated to improve in 2009-10 (BE). Cost recovery in the irrigation sector recorded a steady improvement during 2006-07 to 2008-09 (RE) which, however, is likely to witness a slippage in 2009-10 (BE).

Growth in the consolidated revenue expenditure of State governments is budgeted to decelerate from 25.2 per cent in 2008-09 (RE) to 15.1 per cent in 2009-10 (BE). However, as a ratio to GDP, revenue expenditure is budgeted to increase from 13.0 per cent to 13.6 per cent during the same period. While development revenue expenditure is budgeted to increase by 10.4 per cent in 2009-10 (BE), non-development revenue expenditure would increase by 23.4 per cent. In 2009-10 (BE), increase in development revenue expenditure is budgeted to grow mainly on account of social services comprising education, sports, art and culture and medical, public health and family welfare. However, revenue expenditure on housing is budgeted to decline by 30.8 per cent in 2009-10 (BE). Among the economic services, the States

have budgeted significantly higher expenditure on rural development, irrigation and flood control. Rise in non-development expenditure would contribute around 55.4 per cent of the increase in revenue expenditure in 2009-10 (BE). Increase in budgeted expenditure on committed expenditure comprising pensions, administrative services and interest payments would contribute 78.2 per cent of the total increase in the non-development expenditure. Committed expenditure as a ratio to revenue receipts is also budgeted to increase from 31.2 per cent in 2008-09 (RE) to 34.5 per cent in 2009-10 (BE) (Statements 5 and 6).

At a consolidated level, the States have budgeted an increase of 20.9 per cent in capital receipts for 2009-10 as compared with a 31.1 per cent increase in 2008-09 (RE) mainly on account of market loans and special securities issue to National Small Savings Fund (NSSF), loans from the Centre and small saving and provident funds. During 2009-10, the States have budgeted loans from the Centre to the extent of Rs. 17,284 crore [an increase of 76.6 per cent over 2008-09 (RE)] as compared with Rs. 9,786 crore (an increase of 35.0 per cent) in the previous year. Similarly, NSSF receipts are budgeted to increase by 85.0 per cent in 2009-10 (BE). Small savings and provident fund are also estimated to increase by 48.0 per cent in 2009-10 (BE) over the previous year. However, capital receipts with respect to the recovery of loans and advances are budgeted to decline sharply by 60.2 per cent as compared with an increase of 48.9 per cent in the previous year (Statement 7).

With States' increasing dependence on market borrowings for financing their GFD

in recent years in line with the recommendations of the TwFC, there are signs of declining share of NSSF and loans from the Centre in the States' total capital receipts. However, their respective share is estimated to be higher, *albeit* marginally, in 2009-10. Deposits and advances (net), which include deposits bearing interest as well as those not bearing interest, are also budgeted to increase by 65.1 per cent in 2009-10 over 2008-09 (RE) contributing about 10 per cent to the total capital receipts. In addition, the three States of Karnataka, Uttarakhand and Haryana have budgeted to mobilise capital receipts by sale of land (disinvestment). In 2008-09, two States, which had proposed to mobilise Rs.15,000 crore through disinvestment (sale of land), were able to realise only one-third of the total budgeted amount. Non-debt capital receipts are budgeted to be lower by 58.3 per cent than 2008-09 (RE). The Centre allowed State governments to raise additional market borrowings to the extent of 0.5 per cent of GSDP in 2008-09 and further 0.5 per cent in 2009-10. The purpose of this was to encourage the States to undertake additional capital investments and boost domestic aggregate demand. However, during 2009-10 (BE), States' capital expenditure is budgeted to grow by 2.5 per cent, as compared with the sharp rise of 24.3 per cent in 2008-09 (RE). Capital expenditure as a ratio to GDP is budgeted to decline from 3.8 per cent in 2008-09 (RE) to 3.5 per cent in 2009-10 (BE). The growth in capital outlay is budgeted to decelerate to 1.9 per cent in 2009-10 as compared with 32.3 per cent in 2008-09 (RE). Capital outlay as a ratio to GDP is budgeted to fall from 2.8 per cent in 2008-09 (RE) to 2.6 per cent in 2009-10. In absolute terms, while capital

outlay on economic services is budgeted to grow by 2.2 per cent as compared with 28.9 per cent growth in 2008-09 (RE), the same on social services is budgeted to decline by 0.3 per cent in 2009-10 as against the 49.1 per cent rise in 2008-09 (RE). Similarly, loans and advances by the State governments for developmental purposes are budgeted to decline by 17.3 per cent in 2009-10 as compared with an increase of 16.9 per cent in 2008-09 (RE). The amount that the States have budgeted for repaying internal debt during 2009-10 is higher by 16.0 per cent over the previous year. Thus, the proposed capital outlay pattern of State governments during 2009-10 does not show any explicit counter-cyclical effort by the State governments to attenuate the concerns of the slowdown. In fact, during 2009-10, the consolidated capital expenditure of State governments in absolute terms is budgeted to be lower than the capital receipts. Thus, unlike in the previous three years, capital receipts are budgeted to be used for meeting revenue deficit in 2009-10. The share of social sector expenditure (SSE) in total expenditure (TE) is budgeted to be marginally higher at 39.4 per cent in 2009-10 as against 38.3 per cent in 2008-09 (RE) which is substantially higher than the average of the first half of the 2000s. Around 85.6 per cent of the total SSE would be spent in the form of revenue expenditure in 2009-10 as compared with 86.0 per cent in 2008-09 (RE) while the share of capital outlay in total SSE would be marginally higher during the same period. The share of wages and salaries in revenue expenditure of State governments is budgeted to increase from 29.3 per cent in 2008-09 (RE) to 32.6 per cent in 2009-10. A significant rise in wages and salaries as percentage to GDP in 2008-09 (RE)

as well as in 2009-10 (BE) is on account of the implementation of the Sixth CPC/SPCs by most of the major State governments.

The overall financial position of the States had shown tremendous improvement till 2007-08 (Accounts) as is evident from the key fiscal indicators (Table 4). The enactment of FRLs aided the process of fiscal consolidation at the State level (Annex 1). In addition, fiscal consolidation at the State level was achieved on the back of growing own revenues and higher resource transfers from the Central Government enabled by an overall robust growth of the economy, and falling interest rate payments of States' due to the Debt Swap Scheme and the Debt Consolidation and Relief Facility as recommended by the TwFC. However, there appears to be a temporary halt in the fiscal consolidation process in 2008-09 (RE) and 2009-10 (BE) due to subdued economic conditions in the economy.

With revenue account turning from surplus to deficit in 2009-10 (BE), there would be a compositional shift in GFD in 2009-10. While in 2008-09 (RE), surplus in the revenue account financed the GFD to the extent of 7.3 per cent, such comfort would cease to exist in 2009-10. The re-emergence of revenue deficit in 2009-10 would contribute 16.2 per cent of GFD. In 2009-10, while capital outlay would continue to dominate as a major component of GFD, its share in GFD is budgeted to decline. Increase in net lending and decline in non-debt capital receipts would also aggravate the size of GFD in 2009-10 (BE). The financing pattern of gross fiscal deficit at the State level in recent years has undergone a significant change mainly on account of : (i) the recommendations of TwFC for phasing out loans from the Centre to the State governments; and (ii) decline in collections under NSSF. As a result, market borrowings have emerged as a major

Table 4: Trends in Major Deficit Indicators of State Governments

(Amount in Rs. crore)				
Year	Revenue Deficit	Gross Fiscal Deficit	Primary Revenue Balance	Primary Deficit
1	2	3	4	5
1999-00	54,549 (2.8)	90,099 (4.6)	9,907 (0.5)	45,458 (2.3)
2000-01	55,316 (2.6)	87,923 (4.2)	4,331 (0.2)	36,937 (1.8)
2001-02	60,398 (2.7)	94,260 (4.1)	-1,198 (-0.1)	32,665 (1.4)
2002-03	57,179 (2.3)	99,726 (4.1)	-11,848 (-0.5)	30,699 (1.3)
2003-04 (Net of Power Bonds)	63,407 (2.3)	1,20,631 (4.4) 94,086 (3.4)	-16,989 (-0.6)	40,235 (1.5)
2004-05	39,158 (1.2)	1,07,774 (3.3)	-47,263 (-1.5)	21,353 (0.7)
2005-06	7,013 (0.2)	90,084 (2.4)	-77,011 (-2.1)	6,060 (0.2)
2006-07	-24,857 (-0.6)	77,508 (1.8)	-1,18,037 (-2.8)	-15,672 (-0.4)
2007-08	-42,943 (-0.9)	75,455 (1.5)	-1,42,773 (-2.9)	-24,376 (-0.5)
2008-09 (RE)	-10,701 (-0.2)	1,46,349 (2.6)	-1,16,921 (-2.1)	40,128 (0.7)
2009-10 (BE)	32,295 (0.5)	1,99,510 (3.2)	-84,132 (-1.4)	83,083 (1.3)

RE : Revised Estimates.

BE : Budget Estimates.

Note : 1. Negative (-) sign indicates surplus.

2. Figures in parentheses are percentages to GDP.

3. State Governments had issued power bonds amounting to Rs.28,984 crore during 2003-04 to CPSUs under one-time settlement scheme for dues of State Electricity Boards.

Source : Budget Documents of the State Governments.

financing item of GFD since 2007-08 as compared with dominance of borrowings from NSSF and loans from the Centre in previous years. Market borrowings, which financed more than two-third of the GFD in 2008-09 (RE), would finance around 57.9 per cent of the total GFD in 2009-10 (BE) (Table 5).

A perusal of the budgetary data provided by the Union Budget and the State budgets continue to show wide variations. In general, States over-estimate grants-in-aid and loans from the Centre and flows from

NSSF, while underestimate the share in Central taxes. In 2009-10 (BE), the State budgets however, have underestimated flows from the NSSF. In contrast, State governments seem to be expecting more on account of share in Central taxes than what the Union Budget (2009-10) has proposed. The extent of over-estimation of aggregate resources to be received from the Centre appears to be significantly higher than the previous years. For instance, if an over-estimated amount of Rs. 50,194 crore (0.8 per cent of GDP) on account of share in Central taxes and grants-in-aid, remains unrealised from the Centre, this would increase the States' consolidated revenue deficit to that extent during 2009-10 under a *ceteris paribus* condition. This will place the consolidated revenue deficit at Rs. 82,489 crore in 2009-10. Such wide variations between budget estimates of the Centre and State governments would have implications for State finances. Experience of the past two years, however, shows that the receipts on account of share in Central taxes turned out to be underestimated in 2007-08 (Accounts) and 2008-09 (RE) as compared with the State's budget estimates, while the same on account of grants-in-aid from the Centre turned out to be over-estimated. Given this, the total resources received from the Centre in the form of share in Central taxes and grants-in-aid were only marginally lower than their budgetary estimates during 2007-08 (Accounts) and 2008-09 (RE). If the same pattern continues in 2009-10, there may not be much implication for the overall revenue receipts of State governments. However, it would depend on the revenue collections of the Centre and the overall macroeconomic conditions in the economy.

Table 5: Decomposition and Financing Pattern of Gross Fiscal Deficit – 2007-08 (Accounts) to 2009-10 (BE)

(Per cent to GFD)			
Item	2007-08	2008-09 (RE)	2009-10 (BE)
1	2	3	4
Decomposition (1+2+3-4)	100.0	100.0	100.0
1. Revenue Deficit	-56.9	-7.3	16.2
2. Capital Outlay	157.5	107.5	80.3
3. Net Lending	8.6	3.5	4.6
4. Non-debt Capital Receipts	9.2	3.6	1.1
Financing (1 to 11)	100.0	100.0	100.0
1. Market Borrowings	71.5	68.6	57.9
2. Loans from Centre	-1.2	1.3	4.7
3. Special Securities issued to NSSF/Small Savings	7.8	2.1	4.5
4. Loans from LIC, NABARD, NDCD, SBI and Other Banks	8.3	6.2	4.2
5. Small Savings, P.F., etc.	16.4	10.0	10.8
6. Reserve Funds	-7.8	1.4	1.3
7. Deposits and Advances	18.0	3.9	4.7
8. Suspense and Miscellaneous	5.0	-2.2	0.2
9. Remittances	1.7	0.1	-
10. Others	-1.7	-2.5	-1.2
11. Overall Surplus (-) / Deficit (+)	-17.8	11.2	12.9

BE : Budget Estimates. RE : Revised Estimates.

Note : 1. 'Others' include Compensation and Other Bonds, Loans from Other Institutions, Appropriation to Contingency Fund, Inter-State Settlement and Contingency Fund.

Source : Budget Documents of the State Governments.

Outstanding Liabilities and Market Borrowings

The consolidated outstanding liabilities of the State governments as at end-March 1991 were placed at Rs.1,28,155 crore (22.5 per cent of GDP). The debt-GDP ratio, which was as low as 20.7 per cent as at end-March 1997, rose sharply to 32.8 per cent as at end-March 2004 on account of large and persistent revenue deficits resulting in high GFD leading to large accumulation of debt and a concomitant increase in the debt service burden during the period. Realising the sustainability issue of the high level of debt, many of the State governments have placed limits on the level of debt to be achieved within a stipulated time frame in their FRLs. The TwFC had recommended for a debt-GDP ratio of 30.8 per cent to be achieved by the States at end-March 2010. Furthermore, the TwFC had recommended an overall cap on borrowings (3.0 per cent of GSDP) to be achieved by the State governments by the end of 2009-10. The TwFC also recommended the ratio of interest payments to revenue receipts at 15 per cent to be achieved by 2009-10. The debt relief mechanism prescribed by the TwFC, incentivised by adherence to the rule-based fiscal regime by the States helped to contain the magnitude of outstanding liabilities. The structure of outstanding debt has an important bearing on interest payment as different debt instruments carry different rates of interest depending on the type of borrowing and maturity structure. It is evident that the share of market borrowings has increased sharply over the years and it would comprise almost one-third of the total outstanding liabilities as at end-March 2010. However, there has been a substantial decline

in the share of loans from the Centre. The dominance of NSSF has also declined persistently since end-March 2007 and is budgeted to contribute around one-fourth of the total outstanding liabilities as at end-March 2010. The share of high cost debt instruments, *i.e.*, public accounts items like small savings and provident fund in total outstanding liabilities which had increased marginally to 26.9 per cent at end-March 2008 from 25.5 per cent at end-March 2005, thereafter showed a declining trend. Market borrowings comprising one-third of the outstanding liabilities reflect the low cost debt segment of the States (Statement 8 and Annex 2).

The share of high cost market loans (interest rate over 10.0 per cent) of State governments declined during 2008-09. As at end-March 2009, the share of outstanding stock of market loans with interest rate of 10 per cent and above declined to 10.1 per cent from 18.4 per cent as at end-March 2008. Another encouraging trend observed in 2008-09 (RE) is the increase in the share of outstanding market loans with interest rate of less than 8 per cent. However, the share of outstanding market loans with interest rates ranging between 8-10 per cent increased from 27.3 per cent in end-March 2008 to 34.4 per cent as at end-March 2009. During 2009-10 (up to February 8, 2010), the States had raised market loans amounting to Rs.1,14,091 crore (or 96.1 per cent of the budgeted allocation) through auctions with a cut-off rate in the range of 7.04-8.49 per cent. In 2009-10 (upto February 8, 2010), the entire amount of market borrowings was raised through the auction route as was the case in the previous two years, indicating State governments intention to raise market

borrowings based on their improved financial conditions (Table 6). The weighted average interest rate on market borrowings which had declined since the mid-1990s upto 2003-04, firmed up to 8.25 per cent during 2007-08 in line with the general upward movement in interest rates. However, thereafter, the weighted average yield of State government securities issued during 2008-09 and 2009-10 (upto February 8, 2010), was lower than 2007-08, despite a significant increase in market borrowings by the States.

Based on information made available by select State governments, the outstanding

guarantees of State governments increased sharply from Rs. 1,32,029 crore (6.8 per cent of GDP) as at the end –March 2000 to Rs. 2,19,658 crore (8 per cent of GDP) as at end-March 2004. The outstanding guarantees of the State governments have declined thereafter to Rs. 1,71,058 crore (3.5 per cent of GDP) as at end-March 2008.

Liquidity Position and Cash Management

Keeping in view the cash surplus position of the State governments, the WMA limits of State governments have been left unchanged since 2006-07. Accordingly, the extant State-wise normal WMA limit was fixed at Rs.9,925 crore for 2008-09 (inclusive of Rs.50 crore for the Union Territory of Puducherry) and the limit has been retained for 2009-10 as well. The rate of interest on normal and special WMA and OD continued to be linked to the repo rate. During 2008-09, the average utilisation of normal WMA, special WMA and overdrafts by the States remained low reflecting an improvement in the overall cash position resulting in a build-up of high levels of surplus cash balances by most of the State governments. During 2008-09, six States, *viz.*, Kerala, Madhya Pradesh, Nagaland, Punjab, West Bengal and Uttarakhand resorted to WMA as against eight States, *viz.*, Kerala, Nagaland, Punjab, West Bengal, Himachal Pradesh, Manipur, Mizoram and Uttarakhand in the previous year. However, during 2009-10, the situation deteriorated as the number of States that availed WMA increased to ten comprising Andhra Pradesh, Haryana, Kerala, Madhya Pradesh, Punjab, Uttar Pradesh, West Bengal, Mizoram, Nagaland and Uttarakhand.

Table 6: Market Borrowings of State Governments#

(Rs. crore)			
Item	2007-08	2008-09	2009-10
1	2	3	4
1. Net Allocation	28,781	51,719	1,02,458 ^
2. Additional Allocation	4,454	14,326	–
3. Additional Allocation on account of NSSF shortfall	35,780	19,768	–
4. Additional Allocation towards second stimulus package		28,896	–
5. Total (1+2+3+4)	69,015	1,14,709	1,02,458
6. Repayments	11,555	14,371	16,238
7. Gross Allocation (5+6)	80,570	1,29,080	1,18,696
8. Total Amount Raised (i + ii)	67,779	1,18,138	1,14,091
(i) Tap Issues	–	–	–
(ii) Auctions	67,779	1,18,138	1,14,091 *
9. Net Amount Raised (8-6)	56,224	1,03,767	97,853
<i>Memo item:</i>			
(i) Coupon/Cut-off Yield Range (%)	7.84-8.90	8.39-9.90	7.04-8.49
(ii) Weighted Average Interest Rate (%)	8.25	7.90	8.06
(iii) Average Maturity (in years)	10.00	10.00	10.00

* : Amount raised upto February 8, 2010.

^ : Net Allocation has not been finalised for Andhra Pradesh, Jharkhand and Maharashtra.

: Includes the Union territory of Puducherry.

Note : Data on market borrowing as per RBI records may differ from that reported in the budget documents of the State Governments.

Source : Reserve Bank records.

During 2009-10 so far (February 11, 2010), Punjab availed of WMA for a maximum 93 days, followed by Nagaland (45 days) and West Bengal (15 days).

Special Theme: Expenditure of State Governments - Trend and Composition

As a special theme for the present study, an analysis of the trend and pattern of States' expenditure is presented in this section. The theme is aimed at a focused analysis of the expenditure of State governments covering the period 1980-81 to 2009-10. Trend analysis shows that the aggregate expenditure of State governments as percentage of GDP accelerated during the 1980s and decelerated during the 1990s. Aggregate expenditure as percentage of GDP moved upward during 2000-05. However, compression in the consolidated expenditure of State governments can be observed during 2005-10 mainly on account of some rationalisation of revenue expenditure during the fiscal responsibility legislation (FRL) period. This is evident from a decline in the RE-GDP ratio from 13.3 per cent in 2000-05 to 12.4 per cent during 2005-10 (Table 7).

As far as a broad composition of the total expenditure of State governments is concerned, revenue spending showed a steady increase during the 1980s and 1990s. Since the beginning of the 2000s, there has been a modest decline in the share of revenue expenditure to total expenditure. With the concomitant rise in the share of capital expenditure to total expenditure from 16.8 per cent during 1995-00 to 21.2 per cent during 2000-05, there was an increase in the

capital outlay by 0.2 percentage points during the same period (Table 7). However, the share of capital outlay in aggregate expenditure rose sharply from 9.6 per cent during 2000-05 to 15.4 per cent during 2005-10. Nevertheless, the spending patterns of State governments show persisting domination of revenue expenditure with marginal significance for their long term growth potential as they are generally considered to be consumption spending of the State governments unlike capital expenditure. Moreover, the rising share of revenue expenditure reflects structural rigidities in expenditure patterns making expenditure management of State governments difficult. Furthermore, the compound annual rate of growth (CARG) in revenue expenditure during 1980-81 to 2009-10 is found to be higher than capital expenditure.

As far as the composition of revenue expenditure is concerned, it continues to be dominated by development expenditure which mainly comprises spending by States on social and economic services. Development expenditure accounted for 71 per cent of the total revenue expenditure of

Table 7: Trend in Expenditure of the State Governments

(Per cent to GDP)				
Period	Revenue Expenditure	Capital Expenditure	of which: Capital Outlay	Total Expenditure
1	2	3	4	5
1980-85	10.6	4.5	2.0	15.1
1985-90	12.2	3.9	1.8	16.1
1990-95	12.7	3.2	1.5	15.9
1995-2000	12.4	2.5	1.4	14.9
2000-05	13.3	3.6	1.6	17.0
2005-10	12.4	3.5	2.4	15.9
CARG	14.9	12.4	14.4	14.2

CARG : Compound Annual Rate of Growth.

Source : Budget Documents of the State Governments.

the States during 1980-85. However, its share in total revenue expenditure steadily declined till 2000-05 (54.7 per cent) before rising marginally in subsequent years (58.0 per cent during 2005-10). The share of non-development revenue expenditure in total revenue expenditure witnessed a concomitant increase till 2004-05 and a moderate decline thereafter. Development revenue expenditure continues to be dominated by social services. Social services—accounting for 57.5 per cent of the total development revenue expenditure during 1980-85—have witnessed a marginal increase in their share since 1995-2000. In contrast, the average share of economic services recorded a marginal increase during 1985-90 and 1990-95 but declined in subsequent sub-periods. Development revenue expenditure as percentage to GDP (DRE-GDP) which stood at 7.5 per cent during 1980-85, rose to 8.5 per cent during 1985-90 due to a rise in revenue spending on social as well as economic services. However, the DRE-GDP ratio has witnessed a secular decline since 1990-95 mainly due to declining revenue expenditure on economic services as percentage to GDP. Revenue expenditure on social services as percentage to GDP has also declined since 1985-90 *albeit* at a slower pace compared to economic services. The major categories of revenue expenditure on social services, *viz.*, education, sports, art and culture; medical and public health; and water supply and sanitation witnessed a decline in terms of GDP. Among the economic services, agriculture and allied activities accounted for a major decline in the DRE-GDP ratio over the years. However, the States have gradually increased their revenue spending on the energy sector from 0.1 per cent in 1980-85 to 0.7 per cent of GDP during 2000-05.

Interest payments, administrative services and pensions account for a dominant portion of the non-development revenue expenditure. These expenditures are of committed nature and has a first charge on the government's resources. Thus, such expenditure renders the expenditure management process less flexible for the State governments. Committed expenditure as percentage to GDP rose substantially from 2.3 per cent during 1980-85 to 5.0 per cent during 2000-05. This was mainly on account of a sharp increase in interest payments by State governments to service their outstanding debts comprising mainly of loans from the Centre, internal debt, small savings and provident funds. Between 1980-85 and 2000-05, around 66 per cent of the total increase in committed expenditure could be attributed to a rise in interest payments. The debt servicing burden soared with high cost borrowings financing current expenditure amidst growing fiscal imbalances, particularly during 1986-87 to 1997-98 (Table 8).

Before the initiation of the National Small Saving Fund, loans from the Centre

Table 8: Committed Expenditure and its Composition

(Per cent to GDP)				
Period	Interest Payments	Administrative Services	Pensions	Committed Expenditure
1	2	3	4	5
1980-85	0.9	1.1	0.3	2.3
1985-90	1.3	1.2	0.5	3.0
1990-95	1.7	1.2	0.6	3.5
1995-2000	2.0	1.1	0.8	3.9
2000-05	2.7	1.1	1.2	5.0
2005-10	2.1	1.0	1.2	4.3

Source : Budget Documents of the State Governments.

were a major source of financing of fiscal deficits of the States till 1998-99. Thus, interest payment on these loans remained a major component in the total interest payments of the States till 2003-04. Thereafter, there has been a significant decline in interest payment on loans from the Centre partly due to the Debt Swap Scheme (DSS) operated during 2002-05 and the Debt Consolidation and Relief Facility (DCRF) recommended by the TwFC. A similar trend has been observed in interest payment as percentage to revenue receipts (IP-RR). The IP-RR ratio moved progressively from 7.5 per cent during 1980-81 to 26.0 per cent during 2003-04. Subsequently, the IP-RR ratio declined sharply to 15.1 per cent during 2008-09. This broadly complies with the sustainability level of below 15.0 per cent prescribed with respect to the IP-RR ratio of the States by the TwFC. Interest payments as percentage of GDP also showed a secular increasing trend till 2003-04 and a declining trend thereafter. In the light of the Centre's decision to discontinue Plan loans to the States with effect from April 2005 as recommended by the TwFC, the States had to mobilise resources for funding their GFD

mainly through market borrowings and special securities issued to NSSF. Consequently, interest payments on market loans and NSSF loans have gradually risen in the recent period. Since the interest rate for NSSF loans is the highest of all the borrowings of the States, it puts enormous strain on interest payments. However, interest payment on small savings and provident funds as percentage to GDP has remained almost stable in recent years (Table 9).

Another encouraging trend that has emerged in recent years is the rising share of capital outlay in total capital expenditure of State governments. The share of capital outlay in total capital expenditure increased from 44.4 per cent in 1980-81 to 68.6 per cent during 2009-10. This reflects an increasing role of State governments in generating productive capacity and enhancing their growth potential. Although growth in capital outlay has shown fluctuating trends over the years, CARG during 1980-81 to 2009-10 was found to be higher than that of capital expenditure of State government. Capital outlay mainly comprises spending on developmental

Table 9: Trend in Interest Payments of State Governments

Item	(Per cent of GDP)					
	1980-85	1985-90	1990-95	1995-2000	2000-05	2005-10
1	2	3	4	5	6	7
Interest Payments (i to iv)*	0.9	1.3	1.7	2.0	2.7	2.1
i) Interest on Loans from the Centre	0.6	0.8	1.0	1.1	1.1	0.3
ii) Interest on Internal Debt	0.2	0.2	0.3	0.4	1.2	1.4
<i>of which:</i>						
Interest on Market Loans	0.1	0.2	0.3	0.4	0.5	0.5
Interest on NSSF					0.1	0.8
iii) Interest on Small Savings, Provident Funds, etc.	0.1	0.2	0.3	0.3	0.4	0.3
iv) Others	–	–	–	0.1	0.1	0.1

– : Nil / Negligible / Not Applicable. * : Due to rounding of figures may differ as given in other Tables.

Source : Budget Documents of the State Governments.

activities pertaining to social and economic services. Developmental capital outlay as percentage to GDP (DCO-GDP) persistently declined from 2.0 per cent during 1980-85 to 1.3 per cent during 1995-2000. However, with increasing focus of State governments on economic services pertaining to rural development, irrigation activities, energy and transport in subsequent years, the DCO-GDP ratio rose to 1.6 per cent during 2000-05 and 2.4 per cent during 2005-10. Developmental capital outlay on economic services as percentage to GDP rose from 1.1 per cent during 1995-2000 to 1.9 per cent during 2005-10. The development capital outlay of State governments on the transport sector as percentage to GDP has witnessed a considerable increase, particularly since the beginning of the 2000s. Similarly, an increase in development capital outlay on the energy sector as percentage to GDP from 0.15 per cent to 0.30 per cent during 2009-10 reflects the State governments' focus on meeting their energy requirements. Furthermore, developmental capital outlay on social services as percentage to GDP also increased from 0.3 per cent to 0.5 per cent during 1995-2000 and 2005-10. Within the social

services, capital outlay was mainly allocated in the sectors, *viz.*, water supply and sanitation followed by education, sports, art and culture and medical and public health.

A composition of aggregate expenditure by State governments showed that it has been largely spent for developmental purposes. Development expenditure as percentage of GDP (DE-GDP), in general, showed a declining trend during 1987-88 and 2004-05. However, the DE-GDP ratio rose thereafter. While development capital outlay as a percentage of GDP has shown a significant rise during 2000-05 and 2005-10, development revenue expenditure as percentage of GDP continued to show a declining trend (Table 10).

Issues and Perspectives

The fiscal correction and consolidation witnessed in State finances in the recent past is under pressure due to the economic slowdown. This has an adverse impact on the overall tax revenue of the States— both on their own tax revenue as also devolution from the Centre to States in terms of sharable taxes and grants from the Centre. The slowdown in the economy may result

Table 10 : Composition of Development Expenditure

Item	(Per cent of GDP)						
	1980-85	1985-90	1990-95	1995-2000	2000-05	2005-10	CARG
1	2	3	4	5	6	7	8
Development Expenditure (i+ii)	10.9	11.4	10.7	9.4	9.4	9.8	13.7
<i>Of which:</i>							
(i) Revenue	7.5	8.5	8.3	7.5	7.3	7.2	14.2
(ii) Capital	3.4	2.9	2.4	1.9	2.1	2.6	12.5
Non-Development Expenditure	3.1	3.7	4.3	4.8	5.9	5.0	16.1
Others	1.3	1.1	0.9	0.7	1.7	1.1	12.2
Total	15.3	16.1	15.9	14.9	17.0	15.9	14.2

Source: Budget Documents of the State Governments.

in lower revenue mobilisation for the States from VAT, stamp duty and other taxes. Incipient signs are visible in terms of a decline in States' own tax revenue during 2008-09 (RE) over budget estimates (BE). The State governments, therefore, need to reinvigorate their efforts to expand the scope and size of revenue flows into the budget so as to ensure adequate funds for development activities. The decline in the States' own tax revenues is a matter of concern. The States may need to consider expediting measures on revenue augmentation through improvements on the tax front, *viz.*, including checking undervaluation of property to improve collections under stamp duty and registration fees and phasing out exemptions under sales tax. On the non-tax front, the States' own non-tax revenue at around 10 per cent of the total revenue receipts appears to be low by international standards. The States may, therefore, make efforts to increase their reliance on non-tax revenues by levying appropriate user charges. The expenditure pattern of the State governments suffers from inherent structural rigidities from components such as subsidies, salaries and wages and interest payments. As the States have an important role in the development of social and economic infrastructure, expenditure compressions should focus on non-essential expenditure.

Many countries have embarked on a massive effort of 'government reengineering' to better target dwindling budgetary resources towards higher priority uses. This relates to both size and sectoral allocations aimed at removing inefficiencies arising from misallocation, design and implementation of schemes and delivery of services. This

process seeks to deepen reforms and strengthen capacity for an effective and efficient delivery of basic public services.

In strengthening the fiscal rule framework, the States need to keep in view that a policy rule faces important trade-offs between targets and varies widely, reflecting State specific circumstances and policy priorities. To minimise the credibility-flexibility trade-off, in practice combinations of targets are often used, but it is important to keep the rule operationally simple and transparent. Based on their experiences of FRLs, the States may consider strengthening the rule based formula by incorporating the following elements:

- A counter-cyclical fiscal policy framework which *inter alia* may include setting up of a fiscal stabilisation fund;
- A target for debt-GSDP and interest payments-revenue receipts with a view to attaining debt sustainability. In addition, a rule may be prescribed for primary revenue balance (PRB), *i.e.*, PRB should be in surplus and adequate enough to meet the interest payments of the States;
- Numerical targets with respect to certain categories of expenditure such as non-interest revenue expenditure with sub-targets for revenue expenditure on social services and on economic services;
- Institutional reforms such as common budgetary practices, transparency rules, accounting system, public expenditure management and outcome budgeting; and

- Independent audit mechanisms and transparent oversight and monitoring.

Despite the fact that most of the States have introduced FRLs, vast gaps still exist in terms of disclosure of adequate information. Therefore, States lacking disclosures and transparency standards need to gradually improve keeping in view the best benchmarks set forth by some other States.

The build-up of large cash balances at the State level in recent years raises issues regarding cash management by State governments. Since the States earn a lower rate of return on their investments, instead of over-borrowing, the States may consider using surplus cash balances to finance their GFD. Alternatively, the cash surplus may be used for repaying old high cost debt. Further, the States may make efforts towards building up capacity for better cash management. It is suggested that apart from greater coordination among the government entities required for making realistic assessments of their cash needs, the States may also attempt to avoid a build-up of cash surplus by adopting advanced forecasting and monitoring mechanisms keeping in view the best practices across advanced economies.

Keeping in view the need for spurring aggregate demand in the economy, the Central Government allowed the States to raise additional market borrowings of 0.5 per cent of Gross State Domestic Product (GSDP), thus increasing the limit of GFD to 4.0 per cent of GSDP during 2009-10 (3.5 per cent of GSDP during 2008-09). The prevailing global crisis has shifted the focus of fiscal policy to providing growth stimulus

at the State level too and accordingly some of the states have undertaken stimulus measures. In view of these, the States' fiscal position in the coming period would, however, largely hinge upon: (i) how fast the economy recovers with implications for recovery in tax collections by the States as well as the Centre; and (ii) how effectively the additional fiscal space is utilised. As soon as the Indian economy begins to recover, the State governments will need to re-affirm their commitment to fiscal responsibility and revert back to the path of fiscal consolidation.

The recommendations of the Sixth CPC have been implemented by the Central Government. A number of States have announced the implementation of the recommendations of the Sixth CPC/ SPCs in 2008-09 and 2009-10. It is difficult to gauge the precise impact of the Sixth CPC/ SPCs award as implementation has not been uniform across States. Provisioning for pay has created an additional burden for the States, thus limiting the available space for developmental expenditure.

Conclusion

An analysis of the fiscal position of the State governments indicates deterioration in key deficit indicators in 2008-09 (RE) *vis-à-vis* the budget estimates. This setback has been due to a combination of factors such as the recent economic slowdown with its corresponding decline in revenue and in turn an increase in expenditure on account of stimulus measures undertaken by many States. Incentives provided by the TwFC and budgetary rules have played a positive role in creating fiscal space for the States to

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embark on stimulus packages. As a part of counter-cyclical measures to minimise the impact of the global financial crisis and economic slowdown, the Central government allowed the States to increase the limit of fiscal deficit to 3.5 per cent of their respective GSDP during 2008-09 and further to 4.0 per cent of their GSDP in 2009-10. This additional fiscal space needs to be utilised for making capital investment. An improvement in the quality of expenditure, a reorientation of expenditure towards productive purposes may necessitate adherence to the principles of public expenditure management. Closely related to

expenditure management is the issue of monitoring and evaluation of government programmes. A fiscal strategy based on revenue maximisation would also provide the necessary flexibility to shift the pattern of expenditure towards developmental purposes. To augment the States' resources, State governments need to reinvigorate the efforts to expand the scope and size of revenue flows into the budget through improvement in tax administration and the rationalisation of user charges. The foremost concern before the State governments is to bring State finances back on the path of fiscal correction.

Statement 1: Major Deficit Indicators of State Governments

(Amount in Rs. crore)

Year	Gross Fiscal Deficit	Revenue Deficit	Conventional Deficit	Primary Deficit	Net RBI Credit to States
1	2	3	4	5	6
1990-91	18,787 (3.3)	5,309 (0.9)	-72 (-0.0)	10,132 (1.8)	420 (0.1)
1991-92	18,900 (2.9)	5,651 (0.9)	156 (0.0)	7,956 (1.2)	-340 (-0.1)
1992-93	20,891 (2.8)	5,114 (0.7)	-1,829 (-0.2)	7,681 (1.0)	176 (0.0)
1993-94	20,364 (2.4)	3,872 (0.4)	363 (0.0)	4,564 (0.5)	591 (0.1)
1994-95	27,308 (2.7)	6,706 (0.7)	-4,346 (-0.4)	7,895 (0.8)	48 0.0
1995-96	30,870 (2.6)	8,620 (0.7)	-2,680 (-0.2)	9,031 (0.8)	16 (0.0)
1996-97	36,561 (2.7)	16,878 (1.2)	7,202 (0.5)	11,175 (0.8)	898 (0.1)
1997-98	43,474 (2.8)	17,492 (1.1)	-1,803 (-0.1)	13,675 (0.9)	1,543 (0.1)
1998-99	73,295 (4.2)	44,462 (2.5)	3,268 (0.2)	37,854 (2.2)	5,579 (0.3)
1999-00	90,099 (4.6)	54,548 (2.8)	3,125 (0.2)	45,458 (2.3)	1,312 (0.1)
2000-01	87,923 (4.2)	55,316 (2.6)	-2,379 (-0.1)	36,937 (1.8)	-1,092 (-0.1)
2001-02	94,260 (4.1)	60,398 (2.7)	3,545 (0.2)	32,665 (1.4)	3,451 (0.2)
2002-03	99,726 (4.1)	57,179 (2.3)	-4,291 (-0.2)	30,699 (1.3)	-3,100 (-0.1)
2003-04	1,20,631 (4.4)	63,407 (2.3)	-526 (-0.0)	40,235 (1.5)	293 (0.0)
2004-05	1,07,774 (3.3)	39,158 (1.2)	-10,232 (-0.3)	21,353 (0.7)	-2,705 (-0.1)
2005-06	90,084 (2.4)	7,013 (0.2)	-33,947 (-0.9)	6,060 (0.2)	2,425 (0.1)
2006-07	77,508 (1.8)	-24,857 (-0.6)	-16,324 (-0.4)	-15,672 (-0.4)	640 (0.0)
2007-08	75,455 (1.5)	-42,943 (-0.9)	-13,410 (-0.3)	-24,376 (-0.5)	1,140 (0.0)
2008-09 (BE)	1,12,653 (2.0)	-28,426 (-0.5)	-2,358 (-0.0)	4,270 (0.1)	- (0.0)
2008-09 (RE)	1,46,349 (2.6)	-10,701 (-0.2)	16,357 (0.3)	40,128 (0.7)	602 (0.0)
2009-10 (BE)	1,99,510 (3.2)	32,295 (0.5)	25,721 (0.4)	83,083 (1.3)	- -

RE: Revised Estimates.

BE: Budget Estimates.

'-' : Not Available.

Note : 1. Negative (-) sign indicates surplus in deficit indicators.

2. Conventional deficit represents the difference between aggregate disbursements and aggregate receipts. Aggregate receipts include: (i) revenue receipts; (ii) capital receipts excluding Ways and Means Advances and Overdraft from RBI, and (iii) net receipts under Public Account excluding withdrawals from Cash Balance Investment Account and deposit with RBI. Aggregate disbursements include: (i) revenue expenditure and (ii) capital disbursements excluding repayments of Ways and Means Advances and Overdraft from RBI.

3. Revenue deficit is the difference between revenue expenditure and revenue receipts.

4. Gross fiscal deficit is aggregate disbursements (net of debt repayments) less revenue receipts, non-debt capital receipts and recovery of loans and advances.

5. Primary deficit is gross fiscal deficit less of interest payments.

6. Figures in brackets are as percentage to GDP.

7. Figures in respect of Jammu and Kashmir from 1990-91 to 2007-08 and for Jharkhand from 2001-02 to 2007-08 relate to Revised Estimates.

8. The net RBI credit to State Governments refers to variations in loans and advances given to them by the RBI net of their incremental deposits with the RBI.

Source : Budget Documents of the State Governments and the Reserve Bank records.

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Statement 2: Consolidated Budgetary Position at a Glance

(Amount in Rs. crore)

Item	2007-08 (Accounts)	2008-09 (Budget Estimates)	2008-09 (Revised Estimates)	2009-10 (Budget Estimates)	Variation					
					Col.4 over Col.2		Col.4 over Col.3		Col.5 over Col.4	
					Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11
I. Revenue Account										
A. Receipts	6,23,748	7,19,835	7,37,865	8,04,943	1,14,118	18.3	18,030	2.5	67,078	9.1
B. Expenditure	5,80,805	6,91,409	7,27,165	8,37,238	1,46,360	25.2	35,756	5.2	1,10,074	15.1
C. Surplus(+)/Deficit(-) (IA-IB)	42,943	28,426	10,701	-32,295						
II. Capital Account*										
A. Receipts	1,41,987	1,75,306	1,86,201	2,25,114	44,213	31.1	10,894	6.2	38,914	20.9
B. Disbursements	1,71,520	2,01,374	2,13,259	2,18,540	41,739	24.3	11,885	5.9	5,281	2.5
C. Surplus(+)/Deficit(-) (IIA-IIB)	-29,532	-26,068	-27,058	6,575						
III. Aggregate Receipts	7,65,735	8,95,141	9,24,066	10,30,057	1,58,331	20.7	28,925	3.2	1,05,991	11.5
IV. Aggregate Disbursements	7,52,324	8,92,783	9,40,423	10,55,778	1,88,099	25.0	47,640	5.3	1,15,355	12.3
V. Overall Surplus(+)/Deficit(-) (III-IV)	13,410	2,358	-16,357	-25,721						
VI. Financing of Overall Surplus(+) Deficit(-) [V=VI(A+B+C)]										
A. Increase (+)/Decrease (-) in Cash Balances (Net)	-8,793	1,547	-13,371	-15,499						
B. Additions to (+)/Withdrawals from (-)Cash Balance Investment Account (Net)	22,160	901	-3,027	-8,751						
C. Repayment of (+)/Increase in (-)Ways and Means Advances and Overdrafts from RBI (Net)	43	-90	40	-1,470						

* : Excluding (i) WMA from RBI, (ii) Purchase/Sale of Securities from Cash Balance Investment Account, and (iii) Deposit with RBI. Capital Receipts include Public Accounts on a net basis while Capital Expenditure are given exclusive of Public Accounts.

Note : 1. Figures for 2007-08 (Accounts) in respect of Jammu and Kashmir and Jharkhand relate to Revised Estimates.

2. Also see Notes to Appendices. Source : Budget Documents of the State Governments

Source : Budget Documents of the State Governments.

Statement 3: Revenue Receipts										
(Amount in Rs. crore)										
Item	2007-08 (Accounts)	2008-09 (Budget Estimates)	2008-09 (Revised Estimates)	2009-10 (Budget Estimates)	Variation					
					Col.4 over Col.2		Col.4 over Col.3		Col.5 over Col.4	
					Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11
Total Revenue (I+II)	6,23,748	7,19,835	7,37,865	8,04,943	1,14,118	18.3	18,030	2.5	67,078	9.1
I. Tax Revenue (A+B)	4,37,948	5,09,957	5,03,878	5,52,243	65,930	15.1	-6,079	-1.2	48,365	9.6
A. Revenue from States' Taxes (i to iii)	2,86,546	3,36,810	3,30,405	3,66,523	43,859	15.3	-6,405	-1.9	36,118	10.9
(i) Taxes on Income (a+b)	3,318	3,362	3,338	3,804	21	0.6	-24	-0.7	466	13.9
(a) Agricultural Income Tax	26	13	22	34	-4	-14.0	9	65.2	11	50.6
(b) Tax on Professions, Trades, Callings and Employment	3,292	3,349	3,316	3,771	24	0.7	-32	-1.0	454	13.7
(ii) Taxes on Property and Capital Transactions (a to c)	41,460	49,295	45,978	48,218	4,518	10.9	-3,316	-6.7	2,240	4.9
(a) Stamps and Registration Fees	37,162	44,629	40,875	42,937	3,713	10.0	-3,754	-8.4	2,062	5.0
(b) Land Revenue	3,969	4,351	4,624	4,780	655	16.5	273	6.3	156	3.4
(c) Urban Immovable Property Tax	329	315	479	500	150	45.6	164	52.2	21	4.5
(iii) Taxes on Commodities and Services (a to g)	2,41,768	2,84,153	2,81,088	3,14,501	39,320	16.3	-3,064	-1.1	33,412	11.9
(a) Sales Tax*	1,73,422	2,03,623	2,02,610	2,25,009	29,189	16.8	-1,013	-0.5	22,399	11.1
(b) State Excise Duties	34,127	39,463	39,167	45,961	5,040	14.8	-296	-0.8	6,794	17.3
(c) Taxes on Vehicles	15,143	17,905	16,834	18,695	1,691	11.2	-1,071	-6.0	1,860	11.1
(d) Taxes on Passengers and Goods	6,808	8,910	8,463	9,552	1,655	24.3	-448	-5.0	1,089	12.9
(e) Electricity Duties	9,239	10,713	10,704	11,745	1,465	15.9	-10	-0.1	1,041	9.7
(f) Entertainment tax	1,083	831	777	869	-306	-28.2	-54	-6.5	92	11.8
(g) Other taxes and duties	1,946	2,706	2,533	2,669	587	30.1	-173	-6.4	136	5.4
B. Share in Central Taxes	1,51,402	1,73,147	1,73,473	1,85,720	22,070	14.6	326	0.2	12,247	7.1
II. Non-tax Revenue (C + D)	1,85,799	2,09,878	2,33,987	2,52,700	48,188	25.9	24,109	11.5	18,713	8.0
C. Grants from the Centre	1,08,622	1,43,030	1,54,373	1,68,683	45,752	42.1	11,343	7.9	14,310	9.3
D. States' Own Non-Tax Revenue (a to f)	77,178	66,848	79,614	84,017	2,436	3.2	12,765	19.1	4,403	5.5
(a) Interest Receipts	12,637	12,686	16,572	13,010	3,935	31.1	3,886	30.6	-3,562	-21.5
(b) Dividends and Profits	570	442	477	497	-92	-16.2	35	8.0	20	4.2
(c) General Services	26,397	14,106	20,547	26,706	-5,850	-22.2	6,441	45.7	6,159	30.0
<i>of which:</i>										
State Lotteries	5,130	5,998	5,213	5,860	83	1.6	-785	-13.1	647	12.4
(d) Social Services	7,889	5,861	6,785	7,055	-1,104	-14.0	924	15.8	269	4.0
(e) Economic Services	29,684	33,754	35,210	36,749	5,526	18.6	1,456	4.3	1,539	4.4
(f) Fiscal Services	—	—	22	—	22	—	22	—	-22	—

* : Comprises General Sales Tax/VAT, Central Sales Tax, Sales Tax on Motor Spirit and Purchase Tax on Sugarcane, etc.

— : Negligible/Nil.

Notes : Figures for 2007-08 (Accounts) in respect of Jammu and Kashmir and Jharkhand relate to Revised Estimates.

Source : Budget Documents of the State Governments.

ARTICLE

Finances of State Governments – 2009-10: Highlights

Statement 4: Devolution and Transfer of Resources from the Centre

(Amount in Rs. crore)

Item	2007-08 (Accounts)	2008-09 (Budget Estimates)	2008-09 (Revised Estimates)	2009-10 (Budget Estimates)	Variation					
					Col.4 over Col.2		Col.4 over Col.3		Col.5 over Col.4	
					Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11
I. States' Share in Central Taxes	1,51,402	1,73,147	1,73,473	1,85,720	22,070	14.6	326	0.2	12,247	7.1
II. Grants from the Centre (1 to 5)	1,08,622	1,43,030	1,54,373	1,68,683	45,752	42.1	11,343	7.9	14,310	9.3
1. State Plan Schemes	49,548	66,624	68,880	82,807	19,333	39.0	2,256	3.4	13,927	20.2
2. Central Plan Schemes	2,274	6,830	7,288	6,889	5,014	220.5	458	6.7	-399	-5.5
3. Centrally Sponsored Schemes	21,871	31,215	34,964	35,956	13,093	59.9	3,749	12.0	992	2.8
4. NEC/Special Plan Schemes	621	1,052	1,084	927	463	74.5	32	3.1	-158	-14.5
5. Non-Plan Grants (a to c)	34,309	37,309	42,157	42,105	7,848	22.9	4,848	13.0	-52	-0.1
a) Statutory Grants	19,792	16,525	17,175	16,642	-2,617	-13.2	650	3.9	-533	-3.1
b) Grants for Natural Calamities	2,639	2,904	4,277	2,866	1,638	62.1	1,373	47.3	-1,411	-33.0
c) Non-Plan Non-Statutory Grants	11,878	17,880	20,705	22,597	8,827	74.3	2,825	15.8	1,892	9.1
III. Gross Loans from the Centre (i+ii)	7,252	15,348	9,786	17,284	2,535	35.0	-5,562	-36.2	7,498	76.6
i) Plan Loans	7,235	14,975	9,736	16,877	2,501	34.6	-5,240	-35.0	7,142	73.4
ii) Non-Plan Loans*	17	373	50	407	34	203.4	-322	-86.5	356	-
IV. Gross Transfer (I+II+III)	2,67,276	3,31,525	3,37,633	3,71,688	70,357	26.3	6,108	1.8	34,055	10.1
V. Repayment of Loans and Interest Payments Liabilities (a+b)	19,977	21,089	20,340	20,591	363	1.8	-750	-3.6	251	1.2
a) Repayment of Loans to the Centre	8,185	8,406	7,865	7,993	-320	-3.9	-541	-6.4	128	1.6
b) Interest Payments on the Loans from the Centre	11,792	12,683	12,475	12,598	683	5.8	-209	-1.6	124	1.0
VI. Net Transfer of Resources from the Centre (IV-V)	2,47,299	3,10,436	3,17,293	3,51,097	69,994	28.3	6,857	2.2	33,804	10.7

* : Include Ways and Means Advances from the Centre. NEC : North Eastern Council.

Note : Figures for 2007-08 (Accounts) in respect of Jammu and Kashmir and Jharkhand relate to Revised Estimates.

Source: Budget Documents of the State Governments

Statement 5: Developmental Expenditure - Major Heads							
(Amount in Rs. crore)							
Item	2007-08 (Accounts)	2008-09 (Budget Estimates)	2008-09 (Revised Estimates)	2009-10 (Budget Estimates)	Percentage Variation		
					Col.4 over Col.2	Col.4 over Col.3	Col.5 over Col.4
1	2	3	4	5	6	7	8
I. Development Expenditure (Revenue and Capital) (A + B)	4,50,922	5,41,822	5,96,963	6,45,967	32.4	10.2	8.2
A. Social Services (1 to 11)	2,26,756 (48.8)	2,84,772 (51.1)	3,10,317 (50.6)	3,44,106 (52.2)	36.9	9.0	10.9
1. Education, Sports, Art and Culture	1,04,136	1,26,707	1,35,417	1,59,164	30.0	6.9	17.5
2. Medical and Public Health and Family Welfare	28,908	36,961	38,579	43,848	33.5	4.4	13.7
3. Water Supply and Sanitation	19,158	21,223	22,098	22,961	15.3	4.1	3.9
4. Housing	5,026	8,177	8,625	7,046	71.6	5.5	-18.3
5. Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes	16,471	20,766	23,125	22,015	40.4	11.4	-4.8
6. Labour and Labour welfare	2,351	3,013	3,222	3,586	37.0	6.9	11.3
7. Social Security and Welfare	18,129	24,358	28,269	32,556	55.9	16.1	15.2
8. Nutrition	6,178	8,594	9,061	13,784	46.7	5.4	52.1
9. Relief on account of Natural Calamities	6,657	5,491	10,076	5,540	51.4	83.5	-45.0
10. Urban development	16,676	26,267	28,277	30,205	69.6	7.7	6.8
11. Others*	3,065	3,215	3,569	3,401	16.4	11.0	-4.7
B. Economic Services (1 to 9)	2,24,166 (48.3)	2,57,051 (46.1)	2,86,647 (46.8)	3,01,861 (45.8)	27.9	11.5	5.3
1. Agriculture and Allied Activities	35,741	40,693	48,529	47,533	35.8	19.3	-2.1
2. Rural Development	27,932	36,416	36,601	61,558	31.0	0.5	68.2
3. Special Area Programmes	2,743	4,502	5,224	4,752	90.4	16.0	-9.0
4. Irrigation and Flood Control	53,373	64,386	69,223	68,294	29.7	7.5	-1.3
5. Energy	44,801	43,173	55,665	47,701	24.3	28.9	-14.3
6. Industry and Minerals	7,764	7,981	8,685	8,823	11.9	8.8	1.6
7. Transport and Communications	41,170	46,186	49,632	49,129	20.6	7.5	-1.0
8. Science, Technology and Environment	374	610	646	576	72.9	6.0	-10.9
9. General Economic Services	10,268	13,105	12,442	13,495	21.2	-5.1	8.5
II. Loans and Advances by State Governments for Development Purposes (A+B)	13,542	15,294	16,048	13,106	18.5	4.9	-18.3
A. Social Services (1 to 7)	6,180 (1.3)	8,018 (1.4)	7,393 (1.2)	5,839 (0.9)	19.6	-7.8	-21.0
1. Education, Sports, Art and Culture	19	11	14	15	-22.8	29.3	3.1
2. Medical and Public Health	108	180	143	67	32.3	-20.7	-53.4
3. Family Welfare	-	2	2	-	-	0.1	-75.0
4. Water Supply and Sanitation	1,165	1,439	1,125	1,858	-3.5	-21.8	65.3
5. Housing	3,282	4,015	3,867	608	17.8	-3.7	-84.3
6. Government Servants (Housing)	455	663	696	780	53.1	5.0	12.0
7. Others @	1,151	1,708	1,546	2,511	34.3	-9.5	62.4
B. Economic Services (1 to 10)	7,362 (1.6)	7,275 (1.3)	8,655 (1.4)	7,267 (1.1)	17.6	19.0	-16.0
1. Crop Husbandry	152	47	149	63	-1.9	220.0	-58.1
2. Soil and Water Conservation	4	6	-	-	-	-	-
3. Food Storage and Warehousing	1,343	1,287	1,274	1,280	-5.1	-1.1	0.5
4. Co-operation	404	402	572	352	41.7	42.4	-38.4
5. Major and Medium Irrigation, etc.	-	-	1	4	-	-	-
6. Power Projects	3,010	3,785	4,595	3,778	52.7	21.4	-17.8
7. Village and Small Industries	122	95	117	86	-4.0	23.7	-26.4
8. Other Industries and Minerals	873	606	662	474	-24.2	9.2	-28.3
9. Rural Development	3	4	6	81	118.7	43.9	-
10. Others+	1,453	1,044	1,279	1,149	-11.9	22.6	-10.2
III. Total Development Expenditure (I + II)	4,64,464 (100.0)	5,57,116 (100.0)	6,13,011 (100.0)	6,59,073 (100.0)	32.0	10.0	7.5

'-' : Nil/Negligible. * : Include expenditure on information and publicity.

@ : Include urban development, social security and welfare, etc.

+ : Include forest, fisheries, animal husbandry, road and water transport services, etc.

Note : 1. Figures in brackets are percentage to total development expenditure.

2. Figures for 2007-08 (Accounts) in respect of Jammu and Kashmir and Jharkhand relate to Revised Estimates.

Source : Budget Documents of the State Governments.

ARTICLE

Finances of State Governments – 2009-10: Highlights

Statement 6: Non-Developmental Expenditure: Major Heads

(Amount in Rs. crore)

Item	2007-08 (Accounts)	2008-09 (Budget Estimates)	2008-09 (Revised Estimates)	2009-10 (Budget Estimates)	Percentage Variation		
					Col.4 over Col.2	Col.4 over Col.3	Col.5 over Col.4
1	2	3	4	5	6	7	8
I. Non-Development Expenditure (General Services) on Revenue Account (i to vi)	2,27,235	2,68,665	2,60,899	3,21,907	14.8	-2.9	23.4
i. Organs of State	5,154	6,220	7,030	9,215	36.4	13.0	31.1
ii. Fiscal Services	8,565	10,285	11,001	12,868	28.4	7.0	17.0
iii. Interest Payments and Servicing of Debt (1+2)	1,06,886	1,15,186	1,12,910	1,25,078	5.6	-2.0	10.8
1. Appropriation for reduction or avoidance of Debt	7,056	6,803	6,689	8,651	-5.2	-1.7	29.3
2. Interest Payments	99,831	1,08,383	1,06,220	1,16,427	6.4	-2.0	9.6
iv. Administrative Services (1 to 5)	44,866	62,905	57,144	74,389	27.4	-9.2	30.2
1. Secretariat- General Services	3,239	4,896	4,099	6,640	26.6	-16.3	62.0
2. District Administration	4,679	5,667	6,031	7,274	28.9	6.4	20.6
3. Police	26,645	30,297	32,979	39,592	23.8	8.9	20.1
4. Public Works	4,645	4,873	5,450	6,734	17.3	11.8	23.5
5. Others *	5,659	17,171	8,585	14,149	51.7	-50.0	64.8
v. Pension	56,098	62,729	66,938	87,220	19.3	6.7	30.3
vi. Miscellaneous General Services	5,664	11,341	5,876	13,137	3.7	-48.2	123.6
II. Non-Development Expenditure on Capital Account (1+2)	5,998	6,944	6,810	7,408	13.5	-1.9	8.8
1. Non-Developmental (General Services)	5,278	6,146	6,180	6,721	17.1	0.6	8.8
2. Loans for Non-Development Purposes (a+b)	721	798	630	687	-12.6	-21.1	9.0
a) Government Servants (other than housing)	309	536	437	460	41.5	-18.5	5.3
b) Miscellaneous	412	262	193	226	-53.1	-26.3	17.2
III. Total Non-Development Expenditure (I + II)	2,33,233	2,75,609	2,67,709	3,29,315	14.8	-2.9	23.0
IV. III as percentage of Aggregate Receipts	30.5	30.8	29.0	32.0			
V. III as percentage of Aggregate Disbursements	31.0	30.9	28.5	31.2			

@ Include expenditure on Public Service Commission, Treasury and Administration, Jails, etc.

Note : Figures for 2007-08 (Accounts) in respect of Jammu and Kashmir and Jharkhand relate to Revised Estimates.

Source : Budget Documents of the State Governments.

Statement 7: Capital Receipts

(Amount in Rs. crore)

Item	2007-08 (Accounts)	2008-09 (Budget Estimates)	2008-09 (Revised Estimates)	2009-10 (Budget Estimates)	Variations					
					Col.4 over Col.2		Col.4 over Col.3		Col.5 over Col.4	
					Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11
Total Capital Receipts (1 to 10)	1,41,987	1,75,306	1,86,201	2,25,114	44,213	31.1	10,894	6.2	38,914	20.9
1. Internal Debt *	94,643	1,22,535	1,40,594	1,66,845	45,951	48.6	18,059	14.7	26,251	18.7
of which:										
(i) Market Loans (Gross)	66,513	76,027	1,12,805	1,29,005	46,293	69.6	36,779	48.4	16,200	14.4
(ii) Special Securities issued to NSSF@	11,094	29,484	10,204	18,882	-890	-8.0	-19,280	-65.4	8,677	85.0
2. Loans from the Centre@	7,252	15,348	9,786	17,284	2,535	35.0	-5,562	-36.2	7,498	76.6
3. Recovery of Loans and Advances	7,770	5,172	11,568	4,609	3,798	48.9	6,397	123.7	-6,960	-60.2
4. Small Savings, Provident Funds, etc. (net)	12,338	13,001	14,602	21,617	2,264	18.3	1,601	12.3	7,015	48.0
5. Contingency Fund (net)	549	165	207	200	-341	-62.2	42	25.6	-7	-3.5
6. Reserve Funds (net)**	-5923	1,203	2,028	2,554	7,951	-134.2	825	68.6	526	25.9
7. Deposits and Advances (net)***	13,581	4,813	5,665	9,354	-7,916	-58.3	852	17.7	3,690	65.1
8. Appropriation to Contingency Fund (net) -170	-165	-415	—	-245	144.1	-250	151.5	415	-100.0	
9. Remittances (net)	1,254	85	130	3	-1,124	-89.6	44	52.0	-127	-98.0
10. Others #	10,693	13,149	2,035	2,649	-8,658	-81.0	-11,114	-84.5	614	30.2

'-': Negligible/Nil.

* : Includes market loans, special securities issued to NSSF, land compensation bonds, cash credits and loans from State Bank of India and other banks (net) as also loans from National Rural Credit (Long-term Operations) Fund of the NABARD, National Co-operative Development Corporation, Life Insurance Corporation of India, Khadi and Village Industries Commission, etc. but excludes Ways and Means Advances and Overdrafts from the Reserve Bank of India.

@ : With the change in the system of accounting with effect from 1999-2000, States' share in small savings which was included earlier under loans from the Centre is included under internal debt and shown as special securities issued to NSSF of the Central Government.

** : Reserve funds (net) includes reserve funds bearing interest (like the depreciation reserve funds of Government Commercial Undertakings) as well as those not bearing interest (like sinking funds, famine relief fund and roads and bridges funds).

*** : Deposits and advances (net) include deposits bearing interest (like deposits of local funds) as well as those not bearing interest (like defence and postal deposits and civil advances).

: Includes Suspense and Miscellaneous (net) and Inter-State Settlement (net) and Miscellaneous Capital Receipts.

Note : 1. Figures for 2007-08 (Accounts) in respect of Jammu and Kashmir and Jharkhand relate to Revised Estimates.

2. Capital receipts include Public Accounts on a net basis. Also see Notes to Appendices.

Source : Budget Documents of the State Governments.

ARTICLE

Finances of State Governments – 2009-10: Highlights

Statement 8: Composition of Outstanding Liabilities of State Governments

(As at end-March)

(Rs. crore)

Year	Market Loans	Power Bonds	Compensation and Other Bonds	NSSF	WMA from RBI	Loans from LIC	Loans from GIC	Loans from NABARD	Loans from SBI and Other banks	Loans from NCDC
1	2	3	4	5	6	7	8	9	10	11
1991	15.652	–	60	–	1.050	718	241	278	303	630
1992	19.008	–	64	–	1.288	775	267	151	604	812
1993	22.480	–	72	–	1.073	894	295	25	733	885
1994	26.119	–	79	–	1.306	1,044	380	-85	807	893
1995	31.200	–	77	–	608	1,135	421	-79	943	1,071
1996	37.088	–	76	–	1.894	1,257	501	288	1,175	1,101
1997	43.602	–	74	–	2,557	1,418	–	821	1,183	1,108
1998	50.847	–	77	–	630	1,684	–	2,038	1,396	1,107
1999	61.477	–	66	–	4,858	2,203	–	3,147	2,057	1,204
2000	75.427	–	65	25,251	7,328	3,102	–	4,372	3,177	1,345
2001	86.767	–	62	56,352	6,559	4,216	–	6,501	4,390	1,439
2002	1,04,027	–	59	90,226	9,419	5,085	–	8,969	7,139	1,622
2003	1,33,066	–	63	1,39,193	2,512	6,621	–	11,546	7,896	1,611
2004	1,79,917	28,984	82	1,98,454	3,375	8,967	1,008	11,285	8,222	3,071
2005	2,13,480	29,883	83	2,82,200	1,498	11,994	990	8,226	9,486	1,577
2006	2,28,925	31,581	82	3,65,933	407	12,609	989	11,654	9,680	1,195
2007	2,42,777	26,051	82	4,25,309	299	12,197	971	15,622	9,176	1,118
2008	2,98,508	23,143	80	4,30,879	255	11,534	927	20,867	9,295	1,175
2009 (RE)	4,01,924	21,691	80	4,31,915	215	10,868	927	30,778	8,724	1,645
2010 (BE)	5,17,408	18,784	80	4,40,942	1,685	10,096	927	40,347	8,127	1,907

Year	Loans from Other Institutions	Loans from Banks and FIs	Total Internal Debt	Loans and Advances from Centre	Provident Funds, etc.	Reserve Fund	Deposit and Advances	Contingency Fund	Total Outstanding Liabilities
1	12	13=sum (7 to 12)	14=sum (2 to 6)+13	15	16	17	18	19	20=sum (14 to 19)
1991	343	2,513	19,274	73,521	16,861	4,734	12,769	995	1,28,155
1992	301	2,910	23,270	82,979	19,790	5,519	14,502	969	1,47,030
1993	396	3,228	26,853	91,626	23,515	6,698	18,911	762	1,68,365
1994	391	3,429	30,933	1,01,122	27,972	8,180	19,009	658	1,87,875
1995	499	3,989	35,875	1,15,238	32,894	9,013	22,963	489	2,16,473
1996	517	4,838	43,895	1,29,264	38,216	10,577	26,654	929	2,49,535
1997	575	5,106	51,338	1,46,168	44,095	12,350	31,436	511	2,85,898
1998	1,510	7,734	59,289	1,68,656	50,843	14,498	36,609	921	3,30,816
1999	2,178	10,789	77,190	1,99,007	63,256	17,320	42,357	445	3,99,576
2000	5,114	17,110	1,26,346	2,30,331	80,523	19,769	52,193	1,533	5,09,529
2001	12,667	29,213	1,81,623	2,38,655	93,629	22,868	59,328	714	5,94,147
2002	18,078	40,894	2,49,069	2,49,551	1,03,815	27,389	64,325	1,042	6,90,747
2003	23,524	51,198	3,33,753	2,49,179	1,13,678	32,188	65,036	314	7,86,430
2004	33,407	65,960	4,76,772	1,92,981	1,21,841	42,217	69,116	246	9,03,174
2005	35,648	67,921	5,95,064	1,60,045	1,30,828	52,311	75,290	527	10,14,067
2006	35,718	71,845	6,98,773	1,57,004	1,40,806	63,120	86,691	1,322	11,47,717
2007	30,253	69,338	7,63,855	1,46,653	1,49,920	78,761	1,01,068	1,319	12,41,576
2008	27,640	71,438	8,24,304	1,45,098	1,61,972	78,265	1,16,591	2,073	13,28,302
2009 (RE)	25,567	78,509	9,34,333	1,47,019	1,76,574	80,293	1,22,256	2,280	14,62,755
2010 (BE)	24,664	86,068	10,64,965	1,56,311	1,98,190	82,846	1,31,610	2,480	16,36,403

RE : Revised Estimates.

BE : Budget Estimates.

'–' : Not applicable/Not available/Negligible.

Note : 1. From 1997 to 2003, 'Loans from Other Institutions' also includes 'Other Loans' and 'Loans from GIC'. From 2004, 'Loans from Other Institutions' includes 'Other Loans'.

2. As detailed break-up of Discharge of Internal Debt for Arunachal Pradesh [2008-09 (RE) and 2009-10 (BE)] and Jammu and Kashmir [2008-09 (RE) and 2009-10 (BE)] were not available, the same has been included under 'Loans from Other Institutions'.

Source : 1. Combined Finance and Revenue Accounts of the Union and State Governments in India, CAG.

2. Ministry of Finance, Government of India.

3. Reserve Bank Records.

4. Budget Documents of the State Governments.

5. Finance Accounts of the Union Government, CGA, Government of India.

Annex 1: Major Fiscal Indicators									
(Per cent)									
State	Revenue Deficit/ Gross Fiscal Deficit			Capital Outlay/ Gross Fiscal Deficit			Net Lending/ Gross Fiscal Deficit		
	2007-08 (Accounts)	2008-09 (RE)	2009-10 (BE)	2007-08 (Accounts)	2008-09 (RE)	2009-10 (BE)	2007-08 (Accounts)	2008-09 (RE)	2009-10 (BE)
1	2	3	4	5	6	7	8	9	10
I. Non-Special Category									
1. Andhra Pradesh	-1.8	-19.8	-14.9	145.4	131.4	111.3	31.1	36.4	3.6
2. Bihar	-272.3	-45.8	-165.7	357.9	136.2	254.8	14.5	9.6	10.9
3. Chhattisgarh	-2379.6	-46.5	-31.4	2451.6	153.6	139.2	49.2	-7.1	-7.7
4. Goa	-30.7	-9.3	25.1	127.3	107.2	73.2	3.4	2.0	1.7
5. Gujarat	-45.1	-2.6	32.2	142.5	101.5	65.9	4.5	1.1	1.9
6. Haryana	-176.0	-1.5	39.5	271.1	101.3	46.4	5.7	0.6	14.2
7. Jharkhand	23.9	-16.7	6.6	60.3	104.1	83.4	15.8	12.7	10.0
8. Karnataka	-70.8	-8.2	-13.6	162.2	100.8	125.0	13.2	9.5	11.0
9. Kerala	62.0	59.1	53.0	24.2	26.8	30.1	13.9	14.2	17.0
10. Madhya Pradesh	-182.8	-59.0	-26.4	245.5	123.9	105.5	37.7	35.2	20.9
11. Maharashtra	524.8	-26.3	26.8	-407.3	120.1	70.8	-17.5	6.2	2.3
12. Orissa	320.7	-29.7	39.5	-214.9	127.3	59.9	-5.8	2.4	0.7
13. Punjab	83.0	55.6	64.5	47.6	68.0	36.8	-30.6	-23.6	-1.3
14. Rajasthan	-48.5	4.3	16.7	192.3	91.4	81.5	-43.8	4.3	1.7
15. Tamil Nadu	-123.3	-0.1	8.7	202.5	96.2	85.2	20.9	3.8	6.2
16. Uttar Pradesh	-25.0	-20.0	-6.8	122.9	118.5	103.9	2.1	1.5	2.9
17. West Bengal	71.5	99.9	78.1	23.6	33.7	18.3	5.0	-33.6	3.7
Total I	-46.5	-0.1	18.7	147.5	100.4	77.4	8.8	3.5	5.0
II. Special Category									
1. Arunachal Pradesh	4684.5	-75.8	31.3	-4581.2	173.2	68.6	-3.3	2.6	0.1
2. Assam	326.6	-86.6	57.1	-213.7	182.3	42.6	-13.0	4.3	0.3
3. Himachal Pradesh	-154.1	-17.8	-16.1	256.3	113.3	117.0	-2.2	4.5	-0.9
4. Jammu and Kashmir	-84.9	-144.7	-210.3	183.4	243.1	307.4	1.5	1.5	2.8
5. Manipur	1190.3	-238.7	-233.0	-1084.7	337.4	331.6	-5.6	1.3	1.4
6. Meghalaya	-87.6	-416.8	-35.5	182.9	487.7	132.1	4.8	29.0	3.4
7. Mizoram	-33.5	-64.3	-83.9	139.0	167.2	186.2	-5.5	-2.9	-2.3
8. Nagaland	-106.7	-51.0	-125.2	206.8	150.5	225.9	-0.1	0.5	-0.7
9. Sikkim	-546.1	-171.6	-92.4	646.7	271.1	188.0	-0.6	0.5	4.4
10. Tripura	-5451.6	-98.4	-27.2	5569.6	194.5	125.5	-17.9	3.9	1.6
11. Uttarakhand	-36.5	-38.5	10.3	128.3	143.4	94.5	8.3	1.5	9.7
Total II	-201.6	-89.9	-4.6	296.4	187.9	104.4	5.2	2.8	1.6
All States (I+II)	-56.9	-7.3	16.2	157.5	107.5	80.3	8.6	3.5	4.6
<i>Memo item:</i>									
1. NCT Delhi	-251.9	-85.3	-186.7	184.5	96.4	151.0	167.5	88.9	135.7
2. Puducherry	19.6	64.1	14.1	83.1	36.2	84.0	-2.7	-0.2	1.9

(Contd.)

ARTICLE

Finances of State Governments – 2009-10: Highlights

Annex 1: Major Fiscal Indicators (Contd.)

(Per cent)

State	Non-Developmental Expenditure/ Aggregate Disbursement			Interest Payment/ Revenue Expenditure			State's Own Tax Revenue/ Revenue Expenditure		
	2007-08 (Accounts)	2008-09 (RE)	2009-10 (BE)	2007-08 (Accounts)	2008-09 (RE)	2009-10 (BE)	2007-08 (Accounts)	2008-09 (RE)	2009-10 (BE)
	11	12	13	14	15	16	17	18	19
I. Non-Special Category									
1. Andhra Pradesh	24.4	21.7	22.6	14.1	12.3	11.9	53.3	52.9	53.1
2. Bihar	30.0	25.8	27.8	15.7	11.5	11.7	21.6	19.3	20.5
3. Chhattisgarh	20.9	20.0	19.8	10.5	7.0	6.0	51.8	40.2	38.9
4. Goa	26.6	28.2	33.0	16.1	14.7	12.8	48.9	46.7	41.5
5. Gujarat	32.2	26.6	30.0	22.3	20.1	18.6	65.3	61.4	55.7
6. Haryana	24.8	24.2	25.1	13.4	10.8	11.6	66.3	65.9	56.7
7. Jharkhand	27.4	28.0	31.5	15.1	13.8	13.3	27.1	32.8	33.2
8. Karnataka	23.3	26.3	24.8	12.1	11.4	11.8	69.5	68.4	69.3
9. Kerala	42.7	39.2	38.9	17.4	16.7	17.0	54.9	55.3	58.5
10. Madhya Pradesh	26.7	25.9	28.3	16.4	14.1	13.0	46.9	44.1	42.0
11. Maharashtra	30.5	26.9	29.7	18.8	15.7	14.9	73.4	63.7	53.0
12. Orissa	32.7	31.1	35.7	17.9	16.6	15.9	38.7	29.5	28.4
13. Punjab	49.2	43.4	47.6	19.6	18.2	17.6	42.9	43.2	46.4
14. Rajasthan	31.5	30.6	29.7	20.4	18.0	17.0	45.6	43.7	42.2
15. Tamil Nadu	29.5	29.0	31.3	14.2	10.9	10.7	68.9	62.3	65.1
16. Uttar Pradesh	31.1	28.4	34.6	16.6	13.9	12.6	38.3	36.0	36.0
17. West Bengal	40.6	33.4	39.9	29.7	23.1	21.9	34.3	30.3	32.3
Total I	30.8	28.3	30.9	17.5	14.9	14.3	52.4	48.4	47.0
II. Special Category									
1. Arunachal Pradesh	21.1	18.6	20.1	6.9	7.8	7.0	4.3	3.4	3.0
2. Assam	32.8	27.3	35.6	11.9	8.9	7.2	26.4	18.9	13.8
3. Himachal Pradesh	32.9	31.6	33.4	20.5	19.4	20.0	23.6	23.7	26.4
4. Jammu and Kashmir	35.0	33.0	32.2	17.4	12.9	11.7	19.7	21.6	20.4
5. Manipur	28.0	24.8	38.8	13.0	11.2	11.0	6.4	5.7	6.0
6. Meghalaya	29.3	23.6	24.6	8.4	7.2	6.9	14.2	12.1	11.2
7. Mizoram	25.8	26.0	29.3	10.9	9.3	8.5	4.1	3.8	4.1
8. Nagaland	37.4	35.2	38.7	10.5	10.8	12.0	5.1	4.8	4.9
9. Sikkim	57.8	42.8	45.3	5.0	5.9	6.6	8.4	6.8	6.9
10. Tripura	37.0	33.2	40.4	14.2	11.4	9.1	13.3	13.1	12.8
11. Uttarakhand	28.6	32.7	30.8	15.1	15.8	13.5	37.8	37.4	31.6
Total II	33.0	30.0	33.7	14.1	11.9	10.6	20.7	18.9	16.9
All States (I+II)	31.0	28.5	31.2	17.2	14.6	13.9	49.3	45.4	43.8
<i>Memo item:</i>									
1. NCT Delhi	24.2	22.9	22.9	25.6	20.3	20.0	120.6	101.0	99.1
2. Puducherry	22.2	19.5	19.7	9.9	8.3	9.4	29.7	23.0	28.4

Annex 1: Major Fiscal Indicators (Concl.)

(Per cent)						
State	State's Own Non-Tax Revenue/ Revenue Expenditure			Gross Transfers/ Aggregate Disbursement		
	2007-08 (Accounts)	2008-09 (RE)	2009-10 (BE)	2007-08 (Accounts)	2008-09 (RE)	2009-10 (BE)
	20	21	22	23	24	25
I. Non-Special Category						
1. Andhra Pradesh	13.1	12.4	16.9	25.6	29.6	27.6
2. Bihar	2.2	1.3	1.5	73.1	64.9	74.5
3. Chhattisgarh	18.6	12.8	15.2	42.3	43.1	41.2
4. Goa	37.5	34.0	30.1	17.8	17.6	20.1
5. Gujarat	13.7	11.0	10.7	22.0	21.6	20.3
6. Haryana	29.1	17.6	13.9	14.1	13.7	14.8
7. Jharkhand	12.2	14.2	16.9	35.2	42.8	38.3
8. Karnataka	9.0	4.5	4.5	26.3	23.2	23.9
9. Kerala	4.9	4.5	4.7	23.2	26.4	28.5
10. Madhya Pradesh	10.7	9.9	10.3	46.7	45.3	44.7
11. Maharashtra	26.2	13.3	14.4	19.2	22.5	21.2
12. Orissa	15.0	10.0	7.8	54.9	57.1	52.8
13. Punjab	22.8	25.3	17.9	17.0	14.9	13.9
14. Rajasthan	13.9	11.1	13.3	36.8	36.5	33.8
15. Tamil Nadu	7.7	10.2	5.7	27.6	24.1	25.0
16. Uttar Pradesh	8.9	10.3	6.1	43.8	44.1	46.3
17. West Bengal	3.8	10.0	4.5	34.8	31.0	29.2
Total I	13.1	11.0	10.1	32.5	32.8	32.5
II. Special Category						
1. Arunachal Pradesh	29.1	10.4	8.8	73.5	68.2	62.9
2. Assam	16.7	10.5	7.0	64.5	64.9	48.9
3. Himachal Pradesh	22.0	14.7	15.8	51.0	48.9	47.1
4. Jammu and Kashmir	8.4	9.1	8.3	65.3	64.0	67.6
5. Manipur	7.2	6.9	6.9	86.1	76.1	80.0
6. Meghalaya	8.8	6.2	6.7	69.5	78.7	69.2
7. Mizoram	6.8	6.6	6.4	72.0	76.9	78.5
8. Nagaland	4.6	5.2	5.2	76.7	71.4	75.3
9. Sikkim	60.2	49.9	45.7	38.8	47.8	46.4
10. Tripura	4.1	3.9	3.7	83.8	70.6	64.4
11. Uttarakhand	9.2	8.1	12.8	45.1	46.8	43.4
Total II	14.9	10.8	9.9	62.7	62.3	56.9
All States (I+II)	13.3	10.9	10.0	35.5	35.9	35.2
<i>Memo item:</i>						
1. NCT Delhi	18.6	17.6	18.8	7.2	6.2	12.8
2. Puducherry	28.4	18.5	31.5	36.5	32.6	31.3

RE : Revised Estimates. BE : Budget Estimates. '-' : Nil/Negligible/Not applicable.

Note : 1. Negative (-) sign indicates surplus in deficit indicators.

2. Figures for Jammu and Kashmir and Jharkhand for the year 2007-08 (Accounts) relate to Revised Estimates.

Source : Budget Documents of the State Governments.

ARTICLE

Finances of State Governments – 2009-10: Highlights

Annex 2: Total Outstanding Liabilities of State Governments								
(As at end-March)								
(Rs. crore)								
State	1991	1995	1996	1997	1998	1999	2000	2001
1	2	3	4	5	6	7	8	9
I. Non-Special Category								
1. Andhra Pradesh	8,150	15,224	17,778	20,201	23,313	28,301	34,829	41,809
2. Bihar	10,633	16,701	18,695	20,752	23,584	27,109	32,866	29,942
3. Chhattisgarh	–	–	–	–	–	–	–	6,967
4. Goa	903	1,183	1,275	1,402	1,568	1,936	2,510	2,822
5. Gujarat	8,076	12,999	14,889	17,006	20,419	25,068	34,190	42,781
6. Haryana	3,076	5,036	6,171	7,004	8,110	10,250	13,810	14,650
7. Jharkhand	–	–	–	–	–	–	–	8,448
8. Karnataka	5,898	9,952	11,074	12,739	14,697	17,455	21,045	25,301
9. Kerala	4,983	9,280	10,719	12,314	14,469	17,333	22,214	26,259
10. Madhya Pradesh	7,777	12,165	13,891	15,948	17,975	21,957	25,933	22,127
11. Maharashtra	12,878	21,979	26,379	30,602	37,052	44,264	58,813	67,601
12. Orissa	5,156	8,914	10,295	11,996	13,636	16,281	20,614	24,220
13. Punjab	7,071	12,454	14,040	15,618	17,904	21,823	26,610	30,763
14. Rajasthan	6,580	11,866	14,137	16,742	19,229	24,136	31,684	35,541
15. Tamil Nadu	7,044	13,541	15,134	17,257	19,512	23,189	29,568	34,541
16. Uttar Pradesh	19,760	34,253	38,998	45,630	52,428	62,103	77,934	83,098
17. West Bengal	8,857	15,128	17,716	21,114	25,173	32,192	44,042	54,929
II. Special Category								
1. Arunachal Pradesh	280	319	397	480	477	566	735	739
2. Assam	4,341	5,228	6,326	6,402	6,469	6,765	8,666	10,227
3. Himachal Pradesh	1,329	2,556	3,267	3,661	4,298	6,383	7,840	8,705
4. Jammu and Kashmir	3,358	4,448	4,628	5,294	5,736	6,429	7,739	9,101
5. Manipur	390	607	676	721	1,040	1,328	1,614	1,870
6. Meghalaya	218	450	490	475	658	862	1,117	1,388
7. Mizoram	330	444	538	574	771	842	1,178	1,375
8. Nagaland	409	624	781	753	876	1,063	1,389	1,604
9. Sikkim	142	263	292	228	260	415	593	852
10. Tripura	517	856	948	986	1,163	1,525	1,993	2,384
11. Uttarakhand	–	–	–	–	–	–	–	4,106
All States	1,28,155	2,16,473	2,49,535	2,85,898	3,30,816	3,99,576	5,09,529	5,94,148
<i>Memo item:</i>								
1. NCT Delhi	–	627	1,354	2,205	3,081	3,788	6,348	7,924
2. Puducherry	–	–	–	–	–	–	–	–

(Contd.)

Annex 2: Total Outstanding Liabilities of State Governments (Concl.)

(As at end-March)

(Rs. crore)

State	2002	2003	2004	2005	2006	2007	2008	2009 (RE)	2010 (BE)
1	10	11	12	13	14	15	16	17	18
I. Non-Special Category									
1. Andhra Pradesh	48,637	56,030	65,251	75,418	83,282	90,456	99,875	1,11,383	1,27,581
2. Bihar	34,135	38,254	39,999	43,183	47,290	49,846	52,807	56,461	60,617
3. Chhattisgarh	8,121	9,592	10,825	12,133	13,190	14,042	14,647	15,342	17,620
4. Goa	3,746	3,503	3,885	4,417	5,126	5,841	6,642	7,227	8,039
5. Gujarat	47,919	55,175	62,307	71,334	83,024	90,956	1,00,328	1,08,726	1,20,759
6. Haryana	17,726	19,948	22,450	24,900	26,979	29,308	29,911	33,061	40,324
7. Jharkhand	9,979	11,887	10,036	13,090	16,924	19,049	21,342	23,352	25,741
8. Karnataka	31,337	36,020	39,959	44,345	49,587	58,079	60,555	68,387	76,762
9. Kerala	29,536	34,312	39,151	43,695	47,883	52,318	58,503	64,989	70,761
10. Madhya Pradesh	26,043	29,882	37,967	44,586	49,647	52,731	54,909	60,254	67,190
11. Maharashtra	78,541	89,952	1,06,838	1,24,554	146,228	1,60,741	1,62,013	1,82,326	2,07,810
12. Orissa	28,161	30,869	33,850	36,982	40,724	42,938	42,975	44,547	48,619
13. Punjab	35,730	40,125	42,819	47,071	51,140	51,009	55,794	61,462	67,721
14. Rajasthan	41,634	47,534	53,109	59,968	66,239	71,173	77,166	84,156	90,972
15. Tamil Nadu	39,069	44,471	51,759	55,968	63,848	68,561	73,887	84,422	95,232
16. Uttar Pradesh	95,822	1,05,126	1,24,063	1,36,273	1,54,061	1,67,776	1,79,741	1,97,501	2,21,106
17. West Bengal	66,396	78,325	89,472	97,342	1,14,419	1,24,153	1,36,422	1,48,702	1,68,684
II. Special Category									
1. Arunachal Pradesh	790	966	1,736	2,069	2,412	2,371	2,837	3,083	3,363
2. Assam	11,988	13,099	15,688	17,043	18,401	19,490	20,192	22,644	25,053
3. Himachal Pradesh	10,055	12,228	14,379	16,483	17,390	18,142	19,482	21,186	22,619
4. Jammu and Kashmir	9,624	10,528	14,728	15,877	18,427	19,673	22,102	24,233	26,179
5. Manipur	1,870	1,890	2,444	3,239	4,062	4,185	4,529	4,763	4,967
6. Meghalaya	1,528	1,820	2,123	2,410	2,610	2,819	3,218	3,480	3,853
7. Mizoram	1,713	1,967	2,606	2,922	3,154	3,354	3,951	4,246	4,583
8. Nagaland	1,884	2,385	2,389	2,638	3,006	3,225	3,577	4,065	4,625
9. Sikkim	929	989	1,010	1,150	1,289	1,409	1,705	1,981	2,338
10. Tripura	2,817	3,278	4,057	4,853	5,358	4,625	4,542	4,585	5,069
11. Uttarakhand	5,018	6,274	8,273	10,123	12,017	13,308	14,650	16,191	18,216
All States	6,90,747	7,86,427	9,03,174	10,14,067	11,47,717	12,41,576	13,28,302	14,62,755	16,36,403
<i>Memo item:</i>									
1. NCT Delhi	9,777	12,494	14,149	15,836	21,567	25,569	25,339	25,382	24,646
2. Puducherry	–	–	1,310	1,549	1,818	2,169	2,923	4,009	4,979

RE: Revised Estimates. BE: Budget Estimates. '–': Not available/Not applicable.

Note : See 'Explanatory notes on Data Sources and Methodology'.

Source : Same as in Statement 26.