

Finances of State Governments

2.49 The finances of State Governments traditionally follow a pattern similar to that of the Centre, albeit with a lag. With States' own tax receipts stagnant at around 5-6 per cent of GDP and declining transfers from Centre on the one hand and high levels of total

disbursement (around 15-19 per cent of GDP) on the other, the deterioration in revenue and fiscal deficits could not be reversed significantly. As a proportion of GDP, revenue deficit of the States shot up from 0.9 per cent of GDP in 1990-91 to 2.5 per cent in 2000-01 (Table 2.9). The proportion declined to 2.2 per cent in each of the two years 2002-03 and

Table 2.9 : Receipts and disbursements of State Governments

	1990-91	2000-01	2001-02	2002-03	2003-04	2004-05 (RE)	2005-06 (BE)
	(Rs. crore)						
I. Total receipts(A+B)	91160	349544	373886	425073	527097	588810	581684
A. Revenue receipts (1+2)	66467	237953	255675	280339	316535	384439	430270
1. Tax receipts	44586	168715	180312	198798	226999	268170	305248
<i>of which</i>							
State's own tax revenue	30344	117981	128097	142143	159921	187415	215245
2. Non-tax receipts	21881	69238	75363	81541	89536	116269	125022
<i>of which:</i>							
Interest receipts	2403	11438	9205	9502	8617	11827	8299
B. Capital receipts	24693	111591	118211	144734	210562	204371	151413
<i>of which:</i>							
Recovery of loans & advances	1501	6898	7766	3905	16414	9668	5505
II. Total disbursements(a+b+c)	91088	346971	377311	420461	526023	594129	577986
a) Revenue	71776	291522	314863	335450	377681	428741	455040
b) Capital	13556	43717	50145	70664	122429	144616	108904
c) Loans and advances	5756	11732	12303	14347	25913	20771	14041
III. Revenue deficit	5309	53569	59188	55111	61145	44302	24770
IV. Gross fiscal deficit	18797	89532	95994	102123	123070	123635	110070
	(As per cent of GDP)						
I. Total receipts(A+B)	16.0	16.6	16.4	17.4	19.1	18.9	16.5
A. Revenue receipts (1+2)	11.7	11.3	11.2	11.4	11.5	12.3	12.2
1. Tax receipts	7.8	8.0	7.9	8.1	8.2	8.6	8.6
<i>of which:</i>							
State's own tax revenue	5.3	5.6	5.6	5.8	5.8	6.0	6.1
2. Non-tax receipts	3.8	3.3	3.3	3.3	3.2	3.7	3.5
<i>of which:</i>							
Interest receipts	0.4	0.5	0.4	0.4	0.3	0.4	0.2
B. Capital receipts	4.3	5.3	5.2	5.9	7.6	6.5	4.3
<i>of which:</i>							
Recovery of loans & advances	0.3	0.3	0.3	0.2	0.6	0.3	0.2
II. Total disbursements(a+b+c)	16.0	16.5	16.5	17.2	19.1	19.0	16.4
a) Revenue	12.6	13.8	13.8	13.7	13.7	13.7	12.9
b) Capital	2.4	2.1	2.2	2.9	4.4	4.6	3.1
c) Loans and advances	1.0	0.6	0.5	0.6	0.9	0.7	0.4
III. Revenue deficit	0.9	2.5	2.6	2.2	2.2	1.4	0.7
IV. Gross fiscal deficit	3.3	4.2	4.2	4.2	4.5	4.0	3.1
Note :	<p>1. The ratios to GDP for 2005-06 (BE) are based on CSO's Advance Estimates. GDP at current market prices prior to 1999-2000 based on 1993-94 series and from 1999-2000 based on new 1999-2000 series.</p> <p>2. Capital receipts (including public account) are on a net basis.</p> <p>3. Capital disbursements exclude heads of public account.</p>						
Source :	Reserve Bank of India.						

Table 2.10 : Outstanding liabilities of States		
Year	Total liabilities (Rs crore)	Col(2)as per cent of GDP#
1	2	3
1990-91	128095	22.5
1991-92	146966	22.5
1992-93	168293	22.5
1993-94	187912	21.9
1994-95	217023	21.4
1995-96	250813	21.1
1996-97	286704	21.0
1997-98	336347	22.1
1998-99	397370	22.8
1999-2000	505009	25.8
2000-01	592743	28.1
2001-02	685474	30.0
2002-03	797684	32.6
2003-04	922263	33.4
2004-05(RE)	1040834	33.3
2005-06(BE)	1152530	32.7
<p># The ratios to GDP for 2005-06 (BE) are based on CSO's Advance Estimates. GDP at current market prices prior to 1999-2000 based on 1993-94 series and from 1999-2000 based on new 1999-2000 series.</p> <p>Note: Total liabilities have been revised by broadening its composition to include reserve funds, deposits and advances and contingency funds.</p>		
Source : Reserve Bank of India.		

2003-04 and is placed at 1.4 per cent in 2004-05 (RE). Following the TFC award, which includes a quantum jump in grants-in-aid, the position is budgeted to improve to 0.7 per cent

of GDP in 2005-06. As a proportion of GDP, fiscal deficit, after increasing from 3.3 per cent in 1990-91 to 4.5 per cent in 2003-04, declined to 4.0 per cent in 2004-05 (RE). It is budgeted at 3.1 per cent of GDP in 2005-06. The budgeted revenue and fiscal deficit as proportions of GDP are very proximate to the fiscal consolidation goals enunciated by the TFC. The outstanding liabilities of States were Rs.10,40,834 crore (33.3 per cent of GDP) in 2004-05(RE) and are placed at Rs.11,52,530 crore (32.7 per cent of GDP) in 2005-06(BE) (Table 2.10). With the TFC's debt consolidation and write-off scheme in place, the position might improve further.

2.50 While the most recent indicators of State finances show a somewhat improved picture, the causative factors of fiscal deterioration have to be addressed to sustain this progress and keep the balance at the desired level. The causative factors are: growing burden of interest payment; pension liabilities; losses of State PSUs; lack of proper user charges; and lack of buoyancy in taxes. With the successful introduction of VAT by 25 States/UTs and the TFC incentive to enact State-level FRBM legislations, the deepening of State level reforms contributed to the foundations of fiscal reform and their sustainability in the States.