

REFORMS AND PERFORMANCE OF STATES

Fiscal developments

2.26 In recent years the major fiscal indicators of the State Governments have witnessed significant improvement. For the first time in about two decades, the State Governments have budgeted, for 2007-08, a consolidated surplus in their revenue account. The ratio of gross fiscal deficit (GFD) of the States to GDP has also shown a declining trend, with the 2007-08 (BE) at 2.3 per cent. The improvement is associated in many cases with the enactment of Fiscal Responsibility Legislation (FRL) by the State Governments. Other measures like imposition on ceiling on guarantee, and introduction of Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF) have also been introduced. All State/UTs Governments have implemented VAT. Some States have also initiated measures to simplify the VAT return and others have undertaken steps to evaluate its implementation. Many State Governments have taken steps for simplification and rationalization of the tax structure, which has improved tax compliance and enforcement, and reviewed user charges on power, water and transport.

2.27 The steps taken on the expenditure management, include (a) outcome oriented budgeting and use of monitorable indicators to track performance, (b) steps to contain non-plan revenue expenditure, restrict fresh recruitment and creation of new posts, (c) administrative reforms to simplify procedures and public interface, (d) comprehensive review of the functioning of State Public Sector Undertakings, including State Electricity Boards, and (e) contributory pension schemes for newly recruited staff.

2.28 The marked improvement in the consolidated fiscal position (Table 2.2), however, does not reveal the wide inter-state variations. While 20 States have presented revenue surplus budgets in 2007-08, 15 States have budgeted for higher GFD over the previous year. State-wise analysis of fiscal correction indicates that non-special category States account for 85 per cent of the correction in the revenue account and 73 per cent of the correction in GFD. At the same time, the fiscal position of some States continues to remain weak and there are concerns regarding the sustainability of high level of debt in some of these States.

Table 2.2 Key Deficit Indicators

(Per cent of GDP)

Item	2005-06 (Accounts)	2006-07 (BE)	2006-07 (RE)	2007-08 (BE)
Revenue Deficit	0.2	0.0	0.1	-0.3
Gross Fiscal Deficit	2.5	2.6	2.7	2.3
Primary Deficit	0.2	0.2	0.4	0.1

Source: Reserve Bank of India

Note: 1. data pertains to 28 State Governments

2. The ratios to GDP are at current market prices, based on CSO's 1999-2000 series.

3. Negative (-) sign indicates surplus

Social development and human well-being

2.29 Under the constitutional division of responsibility between the Centre and State Governments, the bulk of social services and most infrastructure services (except for telecommunication, civil aviation, railways and major ports) lie in the domain of State Governments. Thus, both the level of social sector expenditure at State level and its quality and effectiveness have a direct bearing on human development outcomes and overall well-being. While there has been some increase in social sector spending at State level, the Central Government has also stepped up its outlays on social sectors and rural development programmes substantially, in recent years through Centrally Sponsored Schemes. In their respective Budgets for 2007-08, several State Governments have proposed schemes for improving education, health and employment at State level. Most States have proposed setting up new or upgrading existing schools, colleges and universities with a view to improve the provisioning of basic as well as advanced education facilities to a wider section of their respective populations. Some Governments have also announced employment guarantee schemes to cover additional districts. Others have constituted high-powered missions to address issues related to employment at various levels. There is much that still needs to be done in terms of improving social sector and human development outcomes at State level (Table 2.3 and Box 2.3) which highlight inter state variation in important socio economic indicators.

2.30 The outcomes in the health sector show significant disparities across States. A successful policy framework to bridge outcome gaps in this sector would require a strategic focus on public

Box 2.3 Socio-economic profile of States**Poverty**

- Percentage of population below poverty line is the highest in Orissa, followed by Bihar, Chhattisgarh, Jharkhand and Madhya Pradesh. Punjab followed by Himachal Pradesh, Haryana, Kerala and Andhra Pradesh have low poverty.

Consumption

- During 2004-05, compared to 30 per cent at the all-India level, 57 per cent of rural population in Orissa followed by Chhattisgarh (55 per cent), Madhya Pradesh (47 per cent), Bihar & Jharkhand (46 per cent each) was living below the monthly per capita expenditure (MPCE) level of Rs. 365 or about Rs. 12 per day. As against this, 57 per cent of rural population in Kerala and 51 per cent of Punjab and 47 per cent in Haryana had MPCE of at least Rs. 690. At the all-India level this corresponds to the top 20 percentile of MPCE distribution.
- During 2004-05, as compared to 30 per cent at the all-India level, 55 per cent of Bihar and 50 per cent of Orissa's urban population was below the MPCE level of Rs. 580 or Rs. 19 per day. As against the top 20 per cent at the all-India level, 28 per cent of Kerala's and 27 per cent of Punjab's urban population were having an MPCE level of at least Rs. 1,380.

Inequality

- In urban areas, inequality in consumption, as measured by Lorenz Ratio is the highest in Chhattisgarh followed by Kerala, Madhya Pradesh, Punjab and West Bengal. Inequality is low in urban Gujarat followed by Assam and Himachal Pradesh. Inequality in rural India is lower than urban India in all major States. In rural India, inequality is the highest in Kerala, followed by Haryana, Tamil Nadu and Maharashtra. Assam has the lowest inequality followed by Bihar, Jharkhand and Rajasthan in rural India.

Employment

- Regular employment is the major engagement of working urban households in most of the major States. About (48 per cent) of urban households in Maharashtra followed by Haryana (47 per cent), Chhattisgarh (46 per cent), Gujarat (45 per cent) and Punjab and Assam (44 per cent each), depend on regular employment. Percentage of self-employed households in urban areas is higher in U.P. (49 per cent) and Bihar (47 per cent). The proportion of casual labour households was higher in urban areas for Kerala (25 per cent) and Himachal Pradesh (24 per cent) than in other major States.

Table 2.3 Socio-economic profile of major States

Item	A.P.	Assam	Bihar	Gujarat	Haryana	H.P.	Karnataka	Kerala
Poverty and Growth related								
%age of population below p.l. (2004-05)	15.8	19.7	41.4	16.8	14	10	25	15
Average MPCE (2004-05)								
Rural	586	543	417	596	863	798	508	1013
Urban	1019	1058	696	1115	1142	1390	1033	1291
Inadequate Food(2004-05) (% Households)	0.5	5	2.7	0.2	0.1	0	0.2	2.3
Lorenz Ratio(2004-05)								
Rural	0.288	0.197	0.208	0.268	0.323	0.295	0.264	0.341
Urban	0.37	0.314	0.339	0.304	0.361	0.318	0.365	0.4
Health related								
Life Expectancy at birth (2001-05)*	64.1	58.7	61.4	63.9	65.9	66.8	65.1	73.9
Infant Mortality Rates (2006)	56	67	60	53	57	50	48	15
Births assisted by a doctor/ nurse/LHV/ANM/ other health personnel (%)	74.2	31.2	30.9	64.7	54.2	50.2	71.3	99.7
Institutional births (%)	68.6	22.7	22	54.6	39.4	45.3	66.9	99.5
Facilities at PHCs - (%) (as on March, 2006)								
With Labour Room	100	NA	13	67	71	NA	100	14
With Operation Theatre	87	NA	13	67	71	36	NA	12
With 24 Hrs. Delivery Facility	30	NA	14	5	51	NA	24	7
Education related								
GER(6-14 years) (2004-05) Total	87.0	92.0	65.2	101.7	80.0	108.7	98.8	95.4
GER(14-16 years) (2004-05) Total	53.1	49.4	22.5	55.3	53.0	134.9	59.0	93.2
GER(16-18 years) (2004-05) Total	42.2	14.4	9.8	21.8	34.2	127.7	33.9	27.9
Basic Amenities related								
% of Households having Electricity(2005-06)	88.4	38.1	27.7	89.3	91.5	98.4	89.3	91
% of Households having access to toilet facility (2005-06)	42.4	76.4	25.2	54.6	52.3	45.6	46.5	96
% of Households having safe drinking water facilities (2001)	80.1	58.8	86.6	84.1	86.1	88.6	84.6	23.4

Source: Compiled based on the data obtained from Planning Commission, NSSO, NHP-2006, RHS-2006, Ministry of HRD,

*U.P. includes Uttarakhand.

- In rural areas, self-employment was more important in many of the major States. The proportion was high in UP (68 per cent) followed by Rajasthan and Assam (66 per cent each), Himachal Pradesh (57 per cent) and MP (56 per cent).

Health

- Life expectancy is highest in Kerala followed by Punjab, Maharashtra, Himachal Pradesh and Tamil Nadu. It was least in Madhya Pradesh followed by Assam, Orissa, UP and Bihar.
- As on March 2006, 100 per cent of Primary Health Centres (PHCs) had labour room in Andhra Pradesh, Karnataka and Tamil Nadu while it was low in UP, Bihar, Kerala and MP.
- As on March 2006, proportion of PHCs with operation theatres was 87 per cent in Andhra Pradesh followed by Rajasthan (83 per cent), Maharashtra (74 per cent), Haryana (71 per cent) and Gujarat (67 per cent). It was low in UP, West Bengal, Chhattisgarh, Kerala and Bihar.

Hunger and Inadequate Food

- Prevalence of hunger as measured in months in which any member of the household had inadequate food is unusually high in West Bengal. It is also high in Orissa, Assam and Bihar, but lower in Himachal Pradesh, Rajasthan, Haryana, Gujarat, Karnataka and Tamil Nadu (Table 2.5).

Education

- In 2004-05, Gross Enrolment Ratios (GER) for elementary education, i.e., I-VIII Class (6-14 years) was highest in Madhya Pradesh (114.1 per cent), followed by Tamil Nadu (114 per cent) and Chhattisgarh (112.6 per cent). It was lowest in Bihar (65.2 per cent) followed by Punjab (72.6 per cent) and Jharkhand (75.8 per cent).
- GER for Secondary education (IX-X Class) was high in Himachal Pradesh (134.9 per cent) followed by Kerala (93 per cent), and Tamil Nadu (80.7 per cent). It was lowest in Bihar (22.5 per cent), Jharkhand (26.5 per cent) and West Bengal (41.5 per cent). For Senior Secondary level (XI-XII Class), GER was least at 2.5 per cent in Jharkhand followed by 9.8 per cent in Bihar and highest at 127.7 per cent for Himachal Pradesh followed by 43.9 per cent in Tamil Nadu.

Basic Amenities

- Himachal Pradesh, Punjab, Haryana, Kerala, Karnataka, Gujarat, Tamil Nadu and Andhra Pradesh have much larger percentage of households having electricity than is the case in Bihar, Assam, Jharkhand, U.P. and Orissa.
- Households having access to toilet facilities are high in Kerala, Assam and Punjab and low in Chhattisgarh, Jharkhand, Bihar and Madhya Pradesh.

	M.P.	Maharashtra	Orissa	Punjab	Rajasthan	Tamil Nadu	U.P.	W. Bengal	Chhattisgarh	Jharkhand	All-India
	38.3	30.7	46.4	8.4	22.1	22.5	32.8	24.7	40.9	40.3	27.5
	439.06	567.76	398.89	846.75	590.83	602.17	532.63	562.11	425.1	425.3	559
	903.68	1148.27	757.31	1326.09	964.02	1079.65	857.05	1123.61	989.97	985.43	1052
	1.6	0.8	5.3	0.7	0	0.3	1.5	9	2.2	0.6	1.9
	0.269	0.31	0.302	0.278	0.248	0.315	0.287	0.273	0.305	0.231	0.297
	0.397	0.371	0.355	0.393	0.367	0.358	0.37	0.376	0.439	0.354	0.373
	57.7	66.9	59.2	69.2	61.7	66	59.8	64.6			63.2
	74	35	73	44	67	37	71	38	61	49	57
	37.1	70.7	46.4	68.6	43.2	93.2	29.2	45.7	44.3	28.7	48.2
	29.7	66.1	38.7	52.5	32.2	90.4	22	43.1	15.7	19.2	40.7
	19	68	64	39	83	100	0	44	20	NA	—
	63	74	33	33	83	27	0	0	10	NA	—
	NA	99	9	17	NA	19	NA	11	100	NA	—
	114.1	105.7	108.5	72.6	102.7	114.0	87.0	94.7	112.6	75.8	93.5
	45.7	68.9	53.7	51.5	43.9	80.7	48.9	41.5	43.9	26.5	51.7
	25.3	42.3	32.9	27.9	21.6	43.9	22.9	21.1	30.4	2.5	27.8
	71.4	83.5	45.4	96.3	66.1	88.6	42.8	52.5	71.4	40.2	67.9
	27	53	19.3	70.8	30.8	42.9	33.1	59.5	18.7	22.6	44.5
	68.4	79.8	64.2	97.6	68.2	85.6	87.8	88.5	70.5	42.6	77.9

NFHS-3, O/o RGI

goods like vector borne and epidemic diseases, public health education (including awareness about quacks and shaman) and drainage (as flooding affects everybody, whether in city or village. It would require addressing the shortfalls in the availability of quasi-public goods like clean drinking water, sanitation and sewerage, and garbage collection

and disposal. Finally, making health insurance (a private good) affordable to a large segment of the vulnerable sections of the population. In respect of the Government health services, numerous studies have highlighted the critical role of governance in improving the delivery of services to the public.