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State Government Budgets for FY18: A statistical picture

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FY18 will be quite different for all state governments as their budgets would be influenced a lot by the implementation of GST which is expected to be from July 1, 2017. This is one reason as to why the state governments have not made too many changes in the indirect tax structure and the assumption is that there would be adequate compensation provided to the states for any shortfalls in revenue receipts on this count. Further the Budgets have been presented in a different manner this time in line with the Union Budget with the concept of plan and non-plan expenditure being dispensed.

Information on the Budgets of 15 state governments has been analyzed here where different headings of their revenue and expenditure statements have been put together for the purpose of comparison. The states which recently went to the polls are not included as are Maharashtra (detailed data not yet available), Tamil Nadu, Delhi etc. to name a few. The purpose here is to put the numbers together in a comparative context to derive certain trends in preferences of states. These are budgetary numbers for FY18 and are not indicative of whether or not the targets will be realized given that several states have not been able to meet their targets for FY17.

Size

Table 1 below shows that the largest size of the Budget for FY18 for the set of 15 states (sourced from CMIE) is for Karnataka, at Rs 1.86 lakh crore followed by West Bengal and Rajasthan which are also above Rs 1.8 lakh crore. MP and Gujarat are the other states with large outlays. These states put together had an outlay of Rs 19.65 lakh crore for FY18. The states with the lowest outlays were Himachal Pradesh, Jharkhand, Chattisgarh, Haryana and J & K.

The five leading states which had greater dependence on revenue receipts were Bihar, Jharkhand, Odisha, Chattisgarh and AP. Those which had capital receipts dominating the overall revenue mobilization efforts were J & K, Rajasthan, Telengana, Haryana and Kerala.

Deficits

Aggregate gross fiscal deficit of these states was Rs 2.95 lakh crore (Table 2). In value terms the largest fiscal deficits were registered by Karnataka, Telengana, Kerala, Madhya Pradesh and Rajasthan. The states with the lowest levels of fiscal deficit were HP, Jharkhand, Chattisgarh, J & K and Odisha.

9 of the 15 states are to register revenue surpluses this year, and West Bengal is working on the assumption of a zero revenue balance. The five states that would be working with revenue deficits this year are Kerala,

Rajasthan, Haryana, AP and HP. Three of these states also have a relatively higher share of capital receipts in total receipts.

Table 1: Total receipts of 15 Select states (Rs crore)

States	Total	Revenue receipts	Capital receipts	Share of revenue receipts (%)
Andhra Pradesh	155,488	125,496	29,992	80.7
Bihar	158,939	137,158	21,781	86.3
Chhattisgarh	76,945	66,094	10,851	85.9
Gujarat	171,067	131,521	39,546	76.9
Haryana	95,052	68,811	26,241	72.4
Himachal Pradesh	35,078	27,714	7,364	79.0
Jammu & Kashmir	89,685	58,068	31,616	64.7
Jharkhand	76,309	65,607	10,702	86.0
Karnataka	186,365	144,892	41,474	77.7
Kerala	125,605	93,585	32,021	74.5
Madhya Pradesh	175,049	139,116	35,933	79.5
Odisha	106,911	88,932	17,979	83.2
Rajasthan	181,816	130,162	51,654	71.6
Telangana	149,220	113,083	36,137	75.8
West Bengal	182,292	142,644	39,647	78.3

Table 2: Fiscal and revenue deficits (Rs crore)

	Gross fiscal deficit	Revenue deficit
Andhra Pradesh	23,054	416
Bihar	18,112	-14,556
Chhattisgarh	9,647	-4,781
Gujarat	23,225	-6,066
Haryana	17,610	11,125
Himachal Pradesh	4,946	1,041
Jammu & Kashmir	12,211	-9,841
Jharkhand	6,948	-7,746
Karnataka	33,434	-137
Kerala	25,793	16,043
Madhya Pradesh	25,689	-4,596
Odisha	14,435	-6,694
Rajasthan	24,778	13,528
Telangana	26,096	-4,571
West Bengal	19,351	0

Composition of Revenue receipts

The pattern of revenue receipts is provided in Table 3 below. There are broadly 4 sources of finance, of which two are those raised by the state in the form of tax and non-tax revenue which come under 'own revenue'. The other two sources come from the centre, one through devolutions as specified by the Finance Commission and the other through grants which are

mainly for carrying out the centrally sponsored schemes. Typically states which have a higher share of own income to total revenue generated would be the ones that have more buoyant structures and be less dependent on allocations from above.

The leading states with higher shares of own tax revenue in total revenue are Haryana, Karnataka, Gujarat, Kerala and Telangana. Haryana had a share of 63% against a median value of 39.1%. Those with less than median share were MP, Chattisgarh, Jharkhand, J & K, Bihar, Odisha and HP.

Table 3: Components of revenue receipts (%)

Share in total	Own tax revenue	Centre devolution	Non tax revenue	Grants
Andhra Pradesh	42.8	23.2	4.1	29.9
Bihar	23.3	47.6	2.1	26.9
Chhattisgarh	35.4	31.6	11.7	21.3
Gujarat	58.2	15.9	14.0	11.9
Haryana	63.0	12.2	14.7	10.2
Himachal Pradesh	28.7	17.4	5.8	48.2
Jammu & Kashmir	17.1	16.7	9.1	57.0
Jharkhand	30.3	32.1	17.2	20.4
Karnataka	62.1	22.0	4.8	11.1
Kerala	57.1	18.0	12.9	12.0
Madhya Pradesh	36.2	36.7	8.4	18.7
Odisha	30.1	35.3	10.7	23.8
Rajasthan	41.9	28.6	11.1	18.3
Telangana	55.4	15.0	5.8	23.8
West Bengal	39.1	34.7	1.6	24.6

Some of the states with lower share of own tax revenue did better with non-tax revenue such as Jharkhand, Odisha, and Chattisgarh along with Gujarat, Kerala, Rajasthan and Haryana. States such as Bihar, MP, Odisha, Chattisgarh, Jharkhand, and West Bengal have larger shares from the centre's devolutions and to that extent would be dependent on the state of the Union's finances as the divisible pool of funds has to be buoyant to allow for such flows.

Where is the revenue spent?

Revenue expenditure is broadly classified under three headings: social, economic and general - with the last category also comprising interest payments and pensions. With the median of social spending at 40.9%, J &K, Kerala and Rajasthan have relatively lower shares. Telangana, AP, West Bengal and Chattisgarh have the highest proportion of expenditure on social schemes. However, Kerala, Bengal, Gujarat, Bihar, HP have relatively lower shares of economic services.

Interest payments and its share in total revenue expenditure is indicative of the debt servicing commitments of state governments and higher proportions implies that a relatively a larger part is used for this purpose. West Bengal and Gujarat are the states with relatively higher shares followed by Haryana, Rajasthan and Kerala. The states which had less than 10% of revenue expenditure earmarked for interest payments are the relatively smaller states of Jharkhand, Chattisgarh, Odisha, along with MP and Bihar.

In case of pensions, Bihar, Kerala and HP had shares of above 15%, which is much above the median value of 10.4%. Haryana, Chattisgarh, Karnataka, Rajasthan and MP had relatively lower shares of less than 10%.

The conclusions that may be drawn are that while states have their own priorities for spending money in different buckets, the interest cost preemption and those on pensions will continue to put pressure progressively on the state finances which will prompt them to focus more on generating additional revenue so as to also adhere to the fiscal targets that have to be followed.

Table 4: Share in total revenue expenditure

	Social	Economic	General	Of which:		
				Interest	Pension	Grants
Andhra Pradesh	45.2	23.7	31.0	12.3	11.0	0.0
Bihar	43.5	22.6	33.9	8.4	16.2	0.0
Chhattisgarh	44.6	29.2	24.5	5.3	8.5	1.8
Gujarat	40.9	19.5	39.4	17.0	10.7	0.3
Haryana	39.3	29.7	30.5	14.1	8.3	0.5
Himachal Pradesh	39.3	22.7	38.0	12.2	17.2	0.0
Jammu & Kashmir	30.1	30.3	39.6	10.8	10.4	0.0
Jharkhand	39.9	32.0	28.1	8.1	10.0	0.0
Karnataka	38.6	30.2	26.3	10.0	9.1	5.0
Kerala	34.5	14.4	43.6	12.4	16.6	7.5
Madhya Pradesh	41.9	25.2	27.3	8.6	9.2	5.6
Odisha	42.0	26.3	30.2	6.1	13.8	1.4
Rajasthan	36.7	32.7	30.6	13.7	9.9	0.0
Telangana	45.3	25.9	28.7	10.4	10.4	0.0
West Bengal	44.1	18.8	36.8	18.4	11.3	0.4

Capital receipts

Table 5: Structure of capital receipts (Rs cr)

	Total	Internal debt	Loans: centre	Recoveries	Others	Share of borr
Andhra Pradesh	29,992	28,520	-	440	1,032	95.1
Bihar	21,781	21,703	2,160	18	(2,100)	99.6
Chhattisgarh	10,851	9,460	600	291	500	87.2
Gujarat	39,546	32,997	678	286	5,585	83.4
Haryana	26,241	18,594	770	5,964	914	70.9
Himachal Pradesh	7,364	6,085	61	19	1,200	82.6
Jammu & Kashmir	31,616	23,975	12	5,305	2,325	75.8
Jharkhand	10,702	9,215	500	66	921	86.1
Karnataka	41,474	35,422	1,671	60	4,321	85.4
Kerala	32,021	25,590	1,519	224	4,688	79.9
Madhya Pradesh	35,933	26,998	940	5,150	2,846	75.1
Odisha	17,979	15,003	2,000	130	846	83.4
Rajasthan	51,654	29,171	2,899	15,134	4,450	56.5
Telangana	36,137	28,280	1,000	5,807	1,050	78.3
West Bengal	39,647	46,134	2,783	804	(10,074)	116.4

Total capital receipts of these 15 states would be around Rs 4.32 lakh crore of which Rs 3.57 lakh crore would be through market borrowings. Borrowings from the centre is very low at around Rs 0.17 lakh crore and the balance would come from small savings, other deposits, reserve funds etc. (from public account). The largest borrower would be West Bengal at Rs 0.46 lakh crore followed by Karnataka with Rs 0.35 lakh crore and Gujarat with Rs 0.33 lakh crore. Gujarat would also be drawing the most from the 'others' category followed by Kerala and Karnataka.

Capital outlays

Table 6: Total capital outlays (Rs crore) and shares in total (%)

	Total	Capex	Repayments	Loans
Andhra Pradesh	29,588	74.2	22.0	3.8
Bihar	37,483	85.9	12.8	1.3
Chhattisgarh	15,712	92.0	6.3	1.7
Gujarat	45,372	63.8	34.8	1.4
Haryana	14,894	74.7	16.4	8.9
Himachal Pradesh	7,028	49.5	44.2	6.4
Jammu & Kashmir	30,501	86.1	10.3	3.6
Jharkhand	17,812	71.5	17.1	11.4
Karnataka	41,806	76.6	19.6	3.8
Kerala	16,455	55.0	39.4	5.6
Madhya Pradesh	40,981	76.6	13.5	9.8
Odisha	24,674	84.2	13.8	2.0
Rajasthan	38,064	67.3	30.7	2.0
Telangana	41,034	75.4	11.1	13.5
West Bengal	39,652	48.4	49.2	2.5

Capex of states is an important indicator of contribution to capital formation by the state governments. While the major portion of funds is used for revenue purposes, capital expenditure is normally incurred on creating infrastructure in both the social and economic fields.

Gujarat, Karnataka, Telangana and MP have the highest capital outlays with above Rs 40,000 crore. The lowest outlays are in HP followed by Haryana, Kerala and Chattisgarh.

The states which allocated over 75% of their capital outlay for capital expenditure on projects were Chattisgarh, J & K, Bihar, Odisha, MP, Karnataka, Telangana and Haryana. Gujarat, Kerala, HP and West Bengal have been working towards lowering their debt which is indicated by the relatively larger shares of loan repayment under the capital outlays heading.

How is capex distributed?

With the exception of Bihar all states had over 90% of their capex in the form of development expenditure. Bihar had a ratio of 89%. This is a positive feature as such outlays help in both creating structures for future economic development as well as address the pressing needs of the people through investment in social infrastructure such as water, health, education, rural development etc.

Table 7: Capex (Rs crore)

States	Total	Social and economic	General
Andhra Pradesh	21,959	21,486	474
Bihar	32,196	28,830	3,366
Chhattisgarh	14,454	13,980	474
Gujarat	28,927	27,818	1,109
Haryana	11,122	10,501	622
Himachal Pradesh	3,475	3,337	138
Jammu & Kashmir	26,265	24,312	1,954
Jharkhand	12,738	12,048	690
Karnataka	32,033	31,046	988
Kerala	9,057	8,748	309
Madhya Pradesh	31,412	30,490	922
Odisha	20,774	20,309	464
Rajasthan	25,603	24,705	898
Telangana	30,930	29,192	1,737
West Bengal	19,184	18,079	1,104

(Details of the distribution across states is provided in the Appendices below)

Where does Economic capex go?

Appendix 1: Distribution of capex in economic areas

	Agriculture	Rural	Irrigation	Energy	Industry	Transport
Andhra Pradesh	1.8	7.3	72.4	0.1	2.3	12.1
Bihar	1.3	37.6	13.1	23.2	0.8	23.4
Chhattisgarh	1.4	6.1	24.5	5.5	0.7	59.5
Gujarat	5.9	6.2	47.7	15.8	0.6	20.7
Haryana	-2.6	19.4	13.5	24.7	0.2	35.7
Himachal Pradesh	2.3	0.1	16.2	9.7	2.9	62.7
Jammu & Kashmir	7.1	12.8	7.4	33.5	1.2	6.7
Jharkhand	6.9	20.6	20.5	0.0	0.2	51.0
Karnataka	1.0	0.7	55.5	3.7	3.5	28.8
Kerala	11.1	7.8	10.7	0.0	8.2	36.2
Madhya Pradesh	1.9	10.4	39.6	23.9	0.4	23.4
Odisha	1.4	0.0	45.0	8.9	0.0	42.5
Rajasthan	3.1	3.8	17.1	35.3	0.4	32.9
Telangana	2.0	18.6	64.0	0.0	0.9	8.8
West Bengal	12.7	0.1	29.4	11.0	5.2	26.9

The three major areas of allocation have been irrigation, energy and transport. Rural development and agriculture come later.

Appendix 2: Capex in social areas

	Education	Health	Water etc	Housing	Urban dev	SC/ST	Social security
Andhra Pradesh	14.9	9.3	11.1	0.1	19.3	23.4	3.2
Bihar	32.7	15.9	34.9	4.6	0.0	3.2	3.7
Chhattisgarh	25.8	14.4	13.9	2.0	26.7	13.4	2.1
Gujarat	20.2	19.7	35.4	8.4	3.1	5.1	0.2
Haryana	15.8	15.5	33.4	3.1	23.1	0.3	4.5
Himachal Pradesh	31.4	13.0	45.8	6.7	0.2	1.7	1.1
Jammu & Kashmir	29.8	14.0	7.8	0.9	16.3	0.9	22.9
Jharkhand	24.0	22.7	19.3	7.6	2.0	17.8	3.2
Karnataka	13.5	8.6	7.3	3.2	27.7	35.8	1.9
Kerala	18.6	20.1	31.6	4.6	0.0	10.7	4.9
Madhya Pradesh	29.0	17.7	25.9	0.8	5.7	16.3	2.9
Odisha	19.2	23.4	32.1	6.6	2.9	10.0	1.1
Rajasthan	8.9	13.5	56.7	0.4	13.0	3.2	0.4
Telangana	5.4	3.8	53.9	4.4	0.0	31.1	0.9
West Bengal	11.0	13.2	1.6	13.3	34.0	1.5	22.5

Education, health and water and sanitation are the major sectors which are worked on by state governments.

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