Wall painting as a mode of public disclosure of expenditure of a particular government program, i.e., MGNREGA
Photo Credit: Mazdoor Kisan Shakti Sangathan (MKSS)

Recent Changes in India's Fiscal Architecture

Implications for Public Provisioning in Social Sectors

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1. Context, Scope and Methodology of the Analysis

1.1 Context

India's federal fiscal architecture has witnessed a number of substantive changes over the last couple of years. Replacing the Planning Commission with NITI Aayog has changed the institutional set-up of policymaking at the national level; the recommendations of the Fourteenth Finance Commission (FFC) have led to significant changes in the domain of resource-sharing between the union (or centre) and the states; and the decision by the union government to drop the distinction between Plan and Non-plan[1] expenditures in its budgets (starting from the financial year 2017–18) is going to change the way public spending is designed, reported and carried out in the country. One of the important questions that arises in the context of such changes pertains to the impact of the same on the responsiveness of India's fiscal policy to social inclusion.

India's fiscal policy has been marked for long by a relatively low level of tax-GDP ratio and the consequent limited fiscal policy space available to the country for public expenditure. Within the comparatively lower magnitude of overall public expenditure in the country, the priority for social sectors (i.e., sectors like education, health, drinking water and sanitation, and social security measures, among others, which are primarily the areas where the poor and underprivileged sections are dependent on public provisioning of services to a much greater extent) has not been very high because of a number of reasons. As a result, the country has grappled with the problem of under-funding of public services in social sectors for decades now. In such a scenario, any assessment of India's fiscal policy from the perspective of social inclusion needs to probe the developments that are likely to affect the adequacy of public resources for social sectors, which is what this chapter is primarily concerned with.

The recommendations of the Fourteenth Finance Commission or FFC (meant for the years 2015–16 to 2019–20), which were accepted by the union government in February 2015 and adopted for implementation from financial year 2015–16 onwards, have implications for public financing of government services and interventions in a range of sectors. Based on the recommendations of the FFC, the union government is now sharing a higher magnitude of untied funds with the states, which is on account of the share of states in the divisible

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pool of central taxes being raised from 32 per cent (that had prevailed during 2010–11 to 2014–15) to 42 per cent every year. This was a quantum jump in the share of states in the divisible pool of central taxes, which had earlier hovered around the 30 per cent mark during the recommendation periods of the 10th, 11th, 12th and 13th Finance Commissions (i.e., during 1995–96 to 2014–15).

But, the considerable increase in the magnitude of untied resources transferred to states since 2015–16 has been accompanied by significant reductions in union government's financial assistance to states for their Plan spending (i.e., the Central Assistance for State Plan) and its budget outlays for a number of central schemes in different sectors. In several of the development programmes, especially the social sector schemes, the states are now expected to provide additional budgetary resources from their untied funds to compensate for the reduced budget outlays by the union government. Nonetheless, the net effect in terms of the overall quantum of funds transferred from union to state is positive for the states and, more importantly, every state government now has a much greater proportion of untied funds in its budget.

Following this kind of restructuring, there has been an intense debate on the adequacy of overall budgetary resources (i.e., taking into account both the union budget and state budget outlays) for the social sectors.

It has been argued that the ability of the poorer states to expand their fiscal space with own revenue collection is limited. Moreover, the competition for budgetary resources across sectors could be more intense in these states. However, if the social sectors are not given adequate levels of priority

Box 1: Debate following the FFC Report and Restructuring of the Union Budget since 2015–16

Following the report of the FFC and restructuring of the union budget, there has been intense debate around two objectives or priorities, viz., the objective of increasing the autonomy of the State Governments in setting the spending priorities in their budgets, and that of ensuring adequate budgetary resources for the social sectors and development programmes for the vulnerable sections of the population (taking into account both the union budget and state budget outlays for these sectors).

While a major push has been given to the first objective, i.e., greater autonomy of State Governments in setting their spending priorities, in the recommendations of the FFC and the consequent restructuring of the union budget in 2015–16, apprehensions have been raised that the second objective may get compromised in the coming years at least in some of the states with relatively poor fiscal health and lower levels of economic development.

This is largely because of the limited ability of the poorer states to expand their fiscal space with own revenue collection and the fact that they also face more acute shortages of funds for other sectors such as general administration, law and order, and infrastructure. Hence, the competition for budgetary resources could be more intense in these states and the social sectors may not be given the priority for resources that are needed; this could aggravate the problem of regional disparity in the longer run. Although, we may note here that both of the above-mentioned objectives could be pursued together if the tax-GDP ratio of the country is stepped up visibly.

for resources in these states, it could aggravate the problem of regional disparity in the country in the long run. Hence, it is pertinent to delve deeper into this debate of restructuring of union budget and state budgets from the lens of public spending on social sectors in the country.

1.2 Objective

In such a backdrop, the present chapter examines the issue of prioritization of budgetary resources for social sectors in the changed milieu, focusing on select states. The state budget expenditures/allocations for the last three financial years, viz. 2014–15 (Actuals), 2015–16 (Revised Estimates) and 2016–17 (Budget Estimates)[2], are analysed to address questions like,

- What has been the impact of the FFC recommendations and restructuring of union budget on the overall spending capacity of state governments?
- Given their increased autonomy in setting spending priorities, have the state governments reprioritized their budgets significantly in 2015–16 and 2016–17?
- If they have done so, what has happened to the priority for social sectors in the state budgets in the new scenario?
- What can we infer about the impact of the FFC recommendations and restructuring of union budget on the responsiveness of India's fiscal policy to social inclusion on the basis of the trends and patterns emerging over the last two years?

1.3 Scope of the Analysis

The analysis presented here covers 10 states, *viz.*, Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, and Uttar Pradesh. Among these, while Tamil Nadu and Maharashtra are economically more developed and hence have a stronger ability to expand their fiscal space with own tax and non-tax revenue, the other eight states are relatively more dependent on the transfer of union resources for financing their public expenditure.

Until 2013–14, the union budget outlays for a host of central schemes (like *Sarva Shiksha Abhiyan*, National Health Mission and MGNREGA, among others) were getting transferred directly to autonomous bank accounts of the agencies set up for implementing those schemes, and hence the state budget documents did not capture the complete allocations/outlays (i.e., central and state share combined) for several of the central schemes. However, since 2014–15, the central shares of outlays for all schemes are flowing through the state budgets and the budget documents of states do report the entire outlays for all central schemes. Therefore, in order to ensure comparability of the budget figures, we examine in this chapter the state budget expenditures/allocations in 2014–15 (Actual Expenditure), 2015–16 (Revised Estimates) and 2016–17 (Budget Estimates).

The data for 2014–15 are actual expenditure (AE) for that year; this is the latest financial year for which expenditure figures audited and certified by the country's supreme audit institution were available in the public domain. The data for 2015–16 are revised estimates (RE), but this was the first year of implementation of FFC recommendations and hence many states made adjustments during the course of the financial year through additional outlays for various departments and schemes in two to three Supplementary Budgets for the year. The data for the latest financial year, 2016–17, are budget estimates (BE) for the year.

It could be argued that since the figures for 2016–17 and 2015–16 are approved outlays/allocations, we should compare those with the approved outlays for 2014–15 instead of actual expenditures for that year. However, in the process of budgeting for various sectors and government interventions, state finance departments usually refer to the actual expenditures in the previous years while determining allocations for the most recent or the ensuing financial years. Hence, taking the actual expenditures for 2014–15 in the analysis enables us to clearly identify the priorities of the state finance departments for various sectors and interventions in their respective state budgets for 2015–16 and 2016–17—the first two years of implementation of the FFC recommendations, which have given the states a lot more flexibility in deciding budget priorities for different areas.

1.4 Methodology

All figures for the state budget expenditures/allocations for 2014–15 (AE), 2015–16 (RE) and 2016–17 (BE) have been taken from the latest budget documents of the respective states (i.e., state budgets for 2016–17). The figures for the Gross State Domestic Product (GSDP) of the selected states are also from the budget documents (or, in case of a few states, from publications of the RBI).

In the analysis of the sector-wise priorities within the state budgets, the total expenditure/allocation figures for different sectors are based on the allocations for one or more Departments reported in the *Detailed Demands for Grants* (which are the most detailed budget documents) in the state budgets. Annexure Table 5 explains which Demands have been clubbed together for arriving at sector-specific total allocation figures in the case of different states. A note of caution here is that the data on different sector-wise allocations might not be strictly comparable across states, since the composition of Departments/Demands is not completely uniform across states. However, for any selected state, the figures for the three years are fully comparable.

In the analysis of the sector-wise priorities in the state budgets, the chapter covers 13 different sectors, which are as listed out below:

i. Education
ii. Health
iii. Drinking Water and Sanitation
iv. Social Welfare
v. Agriculture and Allied Sectors (viz. Animal Husbandry, Dairy, Fisheries)
vi. Irrigation and Water Resources
vii. Cooperation and Food & Civil Supplies
viii. Rural Development
ix. Panchayati Raj
x. Urban Development and Housing
xi. Power and Energy
xii. Public works, and
xiii. Forest & Environment

Of these, sectors (i) to (ix) have been clubbed together in some parts of the analysis and referred to as 'Social Sectors', which is a much broader definition of social sectors than what is usually found in budget documents.

(A). Social Services– as per the union budget and state budget documents	(B). Social Sectors– as per RBI's publication State Finances: A Study of Budgets	(C). Social Sectors– in the present analysis
Education, Health & Family Welfare, Drinking Water & Sanitation, Nutrition, Social Security & Welfare, Welfare of Backward Sections, Sports, Art & Culture, etc.	Social Services as in (A), and, Rural Development, and Food Storage & Warehousing.	Social Sectors as in (B), and, Panchayati Raj, Agriculture & Allied Sectors (Animal Husbandry, Dairy, Fisheries), Irrigation & Water Resources, and Cooperation and Food & Civil Supplies.

A number of sectors other than the social sectors [i.e., sectors (x) to (xiii) in the list stated above] have been covered in the analysis in order to gauge the reprioritization (if any) in state budgets among different sectors.

1.5 Limitations

A few caveats need to be kept in mind while interpreting the findings of the analysis in this chapter, which are as stated in the following:

i. In the year 2014–15, the levels of budgetary spending on most social sector schemes administered by the union ministries had been less(in constant prices or real terms) than those in the previous couple of years, which was considered to be a kind of an outlier. One of the reasons due to which the actual expenditures (AE) in 2014–15 fell far short of the Budget Estimates (BE) for that year was the decision by the union government to contain the Fiscal Deficit (i.e., the amount of borrowing done by the union government in a financial year). What this implies for our analysis is that the baseline with which we are comparing the figures for budgetary outlays in 2015–16 and 2016–17 is itself on the lower side. And, hence, any increase in the levels of budget allocation in 2015–16 and 2016–17, as compared to 2014–15, need not indicate that the amount of public resources being allocated for a sector in the recent years is 'adequate'. In fact, this chapter focuses mainly on the trends between 2014–15 to 2016–17 and does not try to assess the 'adequacy' of total public resources allocated to any of the sectors covered.

ii. While the country's low tax-GDP ratio (around 17 per cent) seems to be at the root of the problem we are discussing, i.e., the inadequacy of overall budgetary resources for social sectors, examining the tax policy and tax administration related issues in the country is beyond the scope of this chapter.

iii. Likewise, a number of problems are there in the domain of utilization of budget outlays in the social sectors; budget 'outlays' also need to translate effectively into better 'outputs and services' on the ground, which in turn should lead to better development 'outcomes'. These issues too are not within the scope of the analysis presented here.

2. Landscape of Centre-State Fiscal Relations in India until 2014–15

2.1 Evolution of Centre-State Fiscal Relations

The issues pertaining to fiscal relations between union and state governments in India have been discussed largely around the inter-governmental allocation and transfer of funds. The evolution of fiscal relations between the union government and states had started with the system of Diarchy as per the Government of India Act, 1919.[3] During the 1920s, financial contributions used to be made by the provinces to the central government.

After independence, a quasi-federal Constitution was adopted with centralizing tendencies; the Constitution of India provides for a division of responsibilities between the union (or centre) and states with regard to various areas of governance. There is a Union List, a State List and a Concurrent List enumerating the division of power to legislate on different subjects as well as the power of revenue collection and areas of expenditure. In terms of division of powers and responsibilities, the Union List mainly covers matters of national importance such as state governments' defence, transportation, infrastructure, international trade and macroeconomic management. As per the provisions made in the State List, states are given regional matters and issues considered to be more important at the state level such as law and order, public health, sanitation, housing, irrigation, agriculture, and local governments. The Concurrent List includes sectors such as education, contracts, matters of bankruptcy and insolvency, economic and social planning, employment and labour welfare, electricity, stamp duties and any other sector which requires consensus between the union and states.

A few decades later, through the 73^{rd} and 74^{th} Constitution Amendment Acts, 1992, a major process of fiscal decentralization was initiated in the country to empower local governments in terms of their revenue and spending capacity. After these amendments, state governments evolved their own rules for devolving fiscal power to local governments and the extent of devolution was left to the states to decide according to local needs; as a result, it has varied widely across the states.

The division of the roles and responsibilities between the union government and state governments, given in the Constitution, has translated into a division of expenditure responsibilities and taxation powers between the two. The state governments have been vested with the powers to levy certain types of taxes and duties, and they mobilize their own revenues from all such sources.

However, there is a vertical imbalance between the powers of the states and the union to raise revenue through taxes and duties in comparison to their expenditure requirements. The powers of revenue mobilization vested with the states are insufficient to help them mobilize resources that would meet their total expenditure requirements. This kind of a vertical imbalance was built into the fiscal architecture of India keeping in mind the need for union government's interventions to address the horizontal imbalance, i.e., the limited ability of some of the states to mobilize adequate resources from within their state economies. In the fiscal architecture that has evolved in India, a significant amount of financial resources are transferred from the union government every year to every state government so as to enable the state governments to meet their expenditure requirements.

Box 2: Division of Taxation Powers between the Three Tiers of Governments in India

In India, the power to levy taxes and duties has been divided among the governments at the three tiers, i.e., union government, state governments, and local bodies. This division follows specific provisions in the Indian Constitution.

Union Government has been vested with the power to levy: Income Tax (except tax on agricultural income, which the state governments can levy); Customs duties; Central Excise; Sales Tax; and Service Tax.

State Governments have been vested with the power to levy: Sales Tax (a tax on intra-state sale of goods)—the system of Sales Tax levied by state governments was replaced with Value Added Tax(VAT) a decade ago; Stamp Duty (a duty on transfer of property); State Excise (a duty on manufacture of alcohol); Land Revenue (a levy on land used for agricultural/non-agricultural purposes); Duty on Entertainment; and Tax on Professions.

Local Bodies have been empowered to levy: tax on properties (buildings, etc.); Octroi (a tax on entry of goods for use/consumption within areas of the Local Bodies); Tax on Markets; and Tax/User Charges for utilities like water supply, drainage, etc.

In fact, for any State, a large part of the state government's total revenues is provided by the union government in the form of: a share in tax revenue collected by the centre, grants, and loans. A part of the **grants** are 'untied' (i.e., not tied to any specific spending programme designed by the union government), which are also known as 'block grants' or 'general purpose grants'. But, a sizable chunk of the union government's grants for a state used to be 'tied' or 'specific purpose' grants. We may note here that starting from the fiscal year 2005–6, the union government had sharply reduced 'loans' for the states, following the recommendation of the 12th Finance Commission.

Among these different types of funds which flow from the union budget into the budgets of states, the share of a state in the tax revenue collected by the centre and 'untied' grants for the state have always been based on some pre-designed formula (accepted by both centre and the states). These formula-based fund transfers from union budget to the state budget were based on recommendations of the central Finance Commission and the central Planning Commission.

A **Finance Commission** is set up once every five years to recommend on sharing of financial resources between the union and the states, a major part of which pertains to the sharing of revenue collected in the Central Tax System.[4] The most important recommendations made by the Finance Commission have been those relating to: the distribution of the tax revenue mobilized under the central tax system between the centre and the states; the allocation of the respective shares of such tax revenue among the different states; and the principles which should govern the grants-in-aid for the states to be provided out of the Consolidated Fund of India.

The **Planning Commission** is not mentioned in the Constitution of India; it was set up as an advisory and specialized institution by a resolution of the union government in March 1950. The Planning Commission had the responsibility of making an assessment of all resources of the country, augmenting deficient resources, formulating plans for effective and balanced utilization of resources and determining priorities. The most important suggestions made by the Planning Commission were those relating to: the magnitude of funds to be given from union budget to different states and union territories as 'Central Assistance for State and UT Plans', and the magnitude of funds to be given to Central Ministries/Departments for Plan expenditure on the Central Schemes. Moreover, the need for focusing on the concerns of the disadvantaged sections of population was also a core area of development planning in the country; since the 1970s, the Planning Commission had initiated several measures to provide policy-driven benefits to Scheduled Castes, Scheduled Tribes, women and religious minorities.

Both the institutions, Finance Commission and Planning Commission, played vital roles in terms of devolving funds and working towards reducing regional imbalances in the country. The Finance Commission has generally been viewed as a neutral institution with no bias either in favour of the states or the centre. However, some observers have pointed out that starting with the 10th Finance Commission, a clear tilt towards promoting the conservative fiscal policy of the centre and dominance of the centre in the overall fiscal architecture had been witnessed in the recommendations of the Finance Commissions. The Planning Commission, however, had been criticized by many observers (and several state governments) for accentuating the dominance of the centre in the country's fiscal architecture especially over the last one and a half decades. In 2015, the Planning Commission was scrapped and a new institution called National Institution for Transforming India (NITI Aayog) was created. Also, as mentioned earlier, the Five Year Planning process in the country will end with the completion of the 12th Plan by March 2017.

2.2 Issues in Centre-State Sharing of Resources

As regards centre-state fiscal relations and fund transfers to the states, a number of issues had been pointed out over the last few decades. For instance, Rao (2000) had argued that there were several anomalies in the fiscal assignments both between the Centre and states and between states and local bodies; hence, there was a need to rationalize the fiscal assignment system to enable the decentralized governments to raise revenues and incur expenditures according to the preferences and priorities in their areas. It was also argued that with multiple agencies being involved in fund transfers, it was difficult to ensure that the transfer system met the desired objectives.

It can be argued that the fiscal policies adopted in India since the early 1990s strengthened the Centre's position vis-à-vis the states in terms of control over fiscal resources. The trends in gross devolution and transfers (GDT) from the Centre to states as percentages of the country's Gross Domestic Product (GDP), as well as the trends in GDT as percentages of aggregate disbursements by state governments, showed a decline over the last two and a half decades, as demonstrated in Table 1 below.

Table 1: Sharing of Resources between Centre and States in India: Gross Devolution and Transfers from Centre to States

Year	Gross Devolution and Transfers (GDT) from Centre to States* (in Rs. Crore)	GDT as Percentage of Gross Domestic Product	GDT as Percentage of Aggregate Disbursements of States
1988–89	30,333	7.1	45.2
1989–90	32,862	6.7	42.8
1990–91	40,859	7.2	44.9
1998–99	102,268	5.8	39.1
1999–00	95,652	4.9	31.1
2000–01	106,730	5.1	31.4
2001–02	119,213	5.2	32.3
2002–03	128,656	5.2	31.4
2003–04	143,783	5.2	28.0
2004–05	160,750	5.0	29.0
2005–06	178,871	4.8	31.8
2006–07	220,462	5.1	33.5
2007–08	267,276	5.4	35.5
2008–09	297,980	5.3	33.8
2009–10	324,090	5.0	31.9
2010–11	392,460	5.0	33.9
2011–12	438,430	4.9	30.6
2012–13	497,900	5.0	30.5
2013–14	595,630	5.2	-

Source: CBGA (2013)

Note: *Gross Devolution and Transfers (GDT) include States' Shares of Central Taxes, Grants from the Centre, and Gross Loans from the Centre.

Thus, the overall volume of fiscal resources transferred from the Centre to states did not keep pace with the growth in expenditure commitments by the states. Moreover, the composition of the overall volume of fiscal resources transferred from the Centre to the states had changed in terms of the share of untied resources in total annual transfers falling in the last decade and a half. Many experts were of the opinion that India's policies in the domain of Centre-state sharing of resources over the past decade and a half had neglected the need for greater magnitudes of untied resources to be transferred to state governments; the transfers of resources tied to the conditions and guidelines of central ministries had increased during this period.

Over the past decade, the country's tax-GDP ratio—the combined figure for taxes raised by the Centre and states—has been around 17 per cent or less, which is much lower than the tax-GDP ratios of many of the other Group of Twenty (G20) countries and some of the other BRICS countries. For instance, the tax-GDP ratio for the year 2010 was just 16.3 per cent for India, while it was a much higher 33.2 per cent for Brazil and 33.8 per cent for the OECD countries on an average (Khan and Das 2014). Table 2 shows the magnitude of total tax GDP ratio, this includes both the direct tax revenue and indirect tax revenue from 1990–91 to 2014–15. It can be seen that the total tax-GDP ratio ranged from 15 per cent to 17 per cent over this period. The indirect tax revenue contributes a large share in the tax-GDP ratio. It can be said that India has followed a somewhat regressive tax policy over the years with excessive dependence on indirect tax revenue.

Thus, the overall magnitude of public resources available to the government in India has been inadequate in comparison to several other countries, mainly owing to the low magnitude of tax revenue collected in the country. This problem of limited fiscal policy space has aggravated the challenges in the domain of Centre-state sharing of resources in the country.

Table 2: Tax GDP-ratio in India (Combined Centre and States)

Years	Direct tax revenue	Indirect tax revenue	Total Tax-GDP ratio
1990–91	2.09	12.87	14.96
2000–1	3.31	10.77	14.08
2006–7	5.39	11.77	17.15
2007–8	6.39	11.06	17.45
2008–9	5.83	10.43	16.26
2009–10	5.82	9.63	15.45
2010–11	5.78	10.53	16.31
2011–12	5.57	10.73	16.29
2012–13	5.62	11.35	16.97
2013–14 (RE)	5.70	11.39	17.09
2014–15 (BE)	5.81	11.57	17.38

Source: Indian Public Finance Statistics, 2014–15, Ministry of Finance, Department of Economic Affairs, Economic Division.

2.3 Limited Fiscal Policy Space and Implications for Public Provisioning in Social Sectors

As shown in Table 3 below, India's total public expenditure as a proportion of the country's GDP has been stagnant at around 27 per cent since 1991. It also shows that in total public spending, state budgets have contributed around half of the total expenditure.

It is also the case that a much larger part of total public expenditure on social sectors in India has come from state budgets. However, over the last decade, in their attempts to eliminate the Revenue Deficits in their budgets (and show a Revenue Surplus, in some cases), many states limited their long-term expenditure commitments, particularly in social sectors, by freezing recruitment of staff on regular cadres. An analysis of the fiscal policies of states, especially those showing a Revenue Surplus in their budgets such as Odisha, Chhattisgarh, and Bihar, among others, reveals similar trends of

Table 3: Total Expenditure as a Percentage of GDP including Centre and States					
	Combined Expenditure	Union Govt. Expenditure	GDP at current prices	Combined Share in GDP	States' Share
	in Rs Crore			in Percent	
1990–91	155141	100884	586212	26.46	17.21
2000–1	552124	313011	2168652	25.46	14.43
2006–7	1086592	564934	4294706	25.30	13.15
2007–8	1243598	701985	4987090	24.94	14.08
2008–9	1519081	874831	5630063	26.98	15.54
2009–10	1814610	1013193	6477827	28.01	15.64
2010–11	2105695	1187898	7795314	27.01	15.24
2011–12	2381434	1286997	9009722	26.43	14.28
2012–13	2649263	1393577	10113281	26.20	13.78
2013–14 (RE)	3152934	1575061	11355073	27.77	13.87
2014-15 (BE)	3537504	1779442	12876653	27.47	13.82

Source: Indian Public Finance Statistics, 2014-2015, Ministry of Finance, Department of Economic Affairs, Economic Division.

freezing recruitment in regular cadre posts for a long time.

In the budgetary classification in India, government expenditure that does not lead to any increase in the physical/financial assets or a reduction in the financial liabilities of the government is reported in the Revenue Account; it is referred to as Revenue Expenditure. Consequently, large proportions of expenditure in human resource intensive sectors like education and health get reported as Revenue Expenditure. Over the last one and a half decades, the advice by fiscal policymakers to state governments for eliminating the deficit in their Revenue Account (i.e., not borrowing at all for financing Revenue Expenditure and borrowing only for Capital Expenditure) has resulted in the states trying to check the growth of expenditure in social sectors over time. This has also been due to the fact that some of the other areas of Revenue Expenditure such as interest payments, pensions, etc., are non-negotiable.

Although the long-term benefits of public provisioning of services in the social sectors are well-recognized, the entire quantum of Revenue Expenditure gets treated (in some of the literature on public finance) as expenditure meant for 'current consumption', which is debatable. One interesting example of following a better practice in this regard is from Bhutan; expenditure on training/capacity strengthening of government staff there gets reported as Capital Expenditure based on the logic that the benefits from the same would continue to flow even beyond the particular financial year in which the expenditure is incurred. But, in India, such expenditure on enhancing the skills and capacities of staff gets reported as Revenue Expenditure since it does not increase the physical/financial assets of the government. It could be argued, in this context, that there is a need for revisiting the Revenue–Capital classification in government expenditure in India.

However, the maximum impact of this approach of eliminating the Revenue Deficit by checking the growth of Revenue Expenditure has been on expenditure on staff both in regular cadres as well as contractual staff across sectors. We need to acknowledge that India is facing a dual challenge: of problems in rational deployment of government staff (i.e., higher concentration of staff in urban centres as compared to rural areas and remote habitations) and increasing levels of salaries for government staff in regular cadres (attributed largely to the recommendations of the 5th Pay Commission of the late 1990s and the 6th Pay Commission of the last decade) on the one hand, and, shortages in the overall numbers of staff available for government services and interventions on the other.

A number of studies have pointed out that staff shortage has emerged as one of the major challenges in public service delivery in India; also, the gap is more acute for skilled/technical staff positions compared to unskilled/support staff positions. In this context, it has been argued that 'acute shortage of staff, especially skilled employees, across a range of administrative units at the subnational level, which are vested with the responsibilities of planning and implementing government interventions for crucial social sectors, has resulted in poor quality of public expenditure in these sectors' (Das, 2017). As regards the availability of total staff in the expanded government sector in India (i.e., including the Central government, state governments, local bodies, and quasi-government institutions such as the public sector enterprises) as a proportion of the country's population, the evidence available shows that, as of 2010, India had approximately 1.6 government sector personnel for every 100 residents (even when we include the contractual staff in the government sector); this is relatively low when compared to the much higher figure of 5.9 government sector personnel for every 100 residents in Brazil or the figure of 3.9 government sector personnel for every 100 residents in Mexico (Das, 2017).

This problem of shortage in the overall numbers of staff available for government services and interventions appears to be more acute in the social sectors. For instance, Box 3 below indicates

Box 3: Shortages in Human Resources and Infrastructure in Public Sector Healthcare in India

A: Status of Human Resources in the Health Sector in India—Select Indicators

Obstetricians & Gynecologists at CHCs shortfall (%)	Doctors at PHCs shortfall (%)	SCs without both HW (M&F) (%)	SCs without both HW (F)/ ANM (%)	Nursing Staff at PHCs and CHCs shortfall (%)	Total Specialists at CHCs (Surgeons, OB&GY, Physicians, and Pediatricians) shortfall (%)
76	12	3.3	5	7	81

B: Status of Health Infrastructure in India—Select Indicators

Sub Centres					Primary Health Centres			
With ANM living in SC Quarter	Without Regular Water Supply	Without Regular Electricity	Without All Weather Motorable Approach Road	With Labour Room	With Operation Theatre	Without Regular Electricity	Without Regular Water Supply	Without All Weather Motorable Approach Road
65.3	28.4	25.6	11.2	70.4	39	4.4	7	6.9

Source: Compiled by CBGA from Rural Health Statistics, 2015 the extent of human resource shortage in public sector healthcare in India. However, there are also shortages in infrastructure for public provisioning of some of the essential services; Box 4 presents some indicators again from the health sector.

What this makes evident is the need for urgent attention to be paid to the adequacy of the overall public resource envelope available for crucial social sectors in the country. We should also take into account the fact that it is equally important to improve public expenditure management in India so as to get better results from government spending across sectors. However, it needs reminding in this context that staff shortages, which have weakened the delivery apparatus in most sectors across states, are themselves a result of under-funding of social sectors over the years.

3. Changes in the Fiscal Architecture since 2015–16 and their Implications

As stated earlier, the landscape of fiscal policy and budgetary processes in India has witnessed a number of changes over the last two years; the recommendations of the FFC and the consequent restructuring of the union budget has led to the most noticeable changes in this sphere.

In 2015, the NITI Aayog constituted a Sub-group of Chief Ministers of states to develop, through a consultative process, a roadmap for the 'Rationalization of Centrally Sponsored Schemes'; this Sub-group (led by the Chief Minister of Madhya Pradesh) submitted its report to the union government in October 2015. The said report provided further clarity on the guiding principles for rationalization of Centrally Sponsored Schemes

Box 4: Key Recommendations of the Fourteenth Finance Commission

- The FFC has enhanced the share of states in the divisible pool of central taxes from 32 per cent to 42 per cent every year for the five year period 2015–16 to 2019–20.
- Its formula for the horizontal devolution of resources from the divisible pool has incorporated two new criteria, viz., demographic changes by 2011 (i.e., the population in 2011) and forest cover in a state; it has dropped the criterion of fiscal discipline.
- It has not recommended any sector-specific grants for states.
- The FFC recommended evolving a new institutional arrangement, with the overarching objective of strengthening cooperative federalism, for: (i) identifying the sectors in the states that should be eligible for grants from the union government, (ii) indicating criteria for inter-state distribution of these grants, (iii) helping design schemes with the appropriate flexibility being given to the states regarding implementation, and (iv) identifying and providing area-specific grants.
- It has recommended distribution of grants to states for local bodies (urban and rural) based on the 2011 population with a weight of 90 per cent and area with a weight of 10 per cent. Total size of this grant for all states is to be Rs 2,87,436 crore for period 2015–20.

Box 5: NITI Aayog Sub-Group of Chief Ministers on Rationalization of Centrally Sponsored Schemes

NITI Aayog constituted a Sub-Group of Chief Ministers on the rationalization of CSS with the objective of examining the existing CSS and recommending measures for ensuring that their implementation is streamlined and adequately flexible. The major recommendations, in its report released in October 2015, were as follows:

CSS will be divided into Core and Optional schemes.

From now onwards, the sharing pattern would be:

For Core Schemes
For the eight NE and three Himalayan states: Centre 90%: state 10%
For all other (general category) states: Centre 60 %: state 40%
For Union Territories: Centre: 100%

For Optional Schemes
For the eight NE and three Himalayan states: Centre 80%: state 20%
For all other (general category) States: Centre 50%: state 50%
For Union Territories: Centre: 100%

Funds for Optional Schemes would be allocated to states by the union Ministry of Finance as a lump sum and states would be free to choose which Optional Schemes they wished to implement.

Among the Core Schemes, those for social protection (including MGNREGA) and environment protection (e.g., wildlife conservation and greening) to form 'Core of the Core', which would have the first charge on funds available for the national development agenda.

(CSS) and the revised fund sharing pattern (between union and states) in the CSS.

3.1 Union Budget Outlays for Social Sectors

As mentioned earlier, the union government had reduced its budget allocations for a number of central schemes in the social sectors since 2015–16 (BE), as compared to the allocations made in 2014–15. The union budget 2015–16 documents did mention explicitly the premise on which such restructuring of the union government's expenditure was being pursued, which was that the states would compensate for such reductions through higher allocations of state shares in the central schemes (with the help of the greater magnitude of untied funds they would receive). In this context, apprehensions were raised with regard to the overall budget outlays (i.e., central and state share combined) for some of the major central schemes in social sectors. Union budget outlays for many of the social sector schemes, except for the *Swachh Bharat Abhiyan* and *Pradhan Mantri Gram Sadak Yojana*, have declined in 2015–16 (RE) and 2016–17 (BE) as compared to 2014–15 (BE).

The Report of the NITI Aayog Sub-group of Chief Ministers on Rationalization of the CSS has grouped and categorized the CSS into '*core of the core*', *'core', and 'optional'* (please see Box 4 above). According to some observers, this

Table 4: Union Budget Outlays for Major Social Sector Schemes (in Rs Crore)							
Schemes	2013–14 Actual	2014–15 BE	2014–15 RE	2014–15 Actual	2015–16 BE	2015–16 RE	2016-17 BE
Sarva Shiksha Abhiyan (SSA)	24802	28258	24380	24097	22000	22015	22500
Rastriya Madhyamik Shiksha Abhiyan (RMSA)	2013	5000	3480	3398	3565	3565	3700
Mid-Day-Meal (MDM)	10918	13215	6973	10523	9236	9236	9700
Integrated Child Development Services Scheme (ICDS)*	16401	18691	16967	16684	15902	15584	14863
Scheme for Empowerment of Adolescent Girls (SABLA)	603	700	630	622	438	476	460
Indira Gandhi Matritva Sahayog Yojana (IGMSY)	232	400	360	343	10	234	400
National Health Mission (NHM)*	18634	22731	18609	19751	18875	19122	19037
National Rural Drinking Water Prog. (NRDWP)	9691	11000	9250	9190	2503	4373	5000
Swachh Bharat Mission (Rural+Urban)	2244	4260	4541	3701	3625	7525	11300
Indira Awas Yojana (IAY)/ Pradhan Mantri Awas Yojana (Rural)	12982	16000	11000	11096	10025	10004	15000#
Pradhan Mantri Gram Sadak Yojana (PMGSY)	9805	14391	14200	9960	14291	15188	19000
Total	108325	134646	110390	109365	100470	107322	86960

Source: Connecting the Dots: An Analysis of union budget 2016–17, CBGA.

Note: *Includes ICDS, World Bank Assisted ICDS ISSNIP and National Nutrition Mission. Original Allocation for ICDS in 2015–16 BE was Rs 8754 crore. The balance amount was allocated in subsequent supplementary grants. #The allocation for *Indira Awas Yojana* has been discontinued from 2016–17 BE. *Pradhan Mantri Awas Yojana* (Rural), a new scheme, has been initiated for housing in rural areas.

new set-up implies that it's mainly the expenses on infrastructure (and in only specific cases, maintenance) in the programmes at the state level, which would be borne by the union government. Given the fact that Capital Expenditure by the states in most of the social sector programmes are small and they have a larger Revenue Expenditure (mainly salaries) component, which then would have to be borne by states, it does raise a concern. Thus, if the resources of the states do not increase commensurately, there is an increased possibility that important social sector programmes will suffer due to a lack of adequate resources.

3.2 Spending Capacity of State Governments

The FFC recommended a transfer of 42 per cent of the divisible pool of central taxes to the states, which amounted to an increase of 10 percentage points from the level prevailing in the Thirteenth Finance Commission period. The increased devolution also works in tandem with the spirit of strengthening fiscal federalism with more untied resources being transferred to the states. However, a deeper examination of the amount of increased devolution provides a clearer picture of

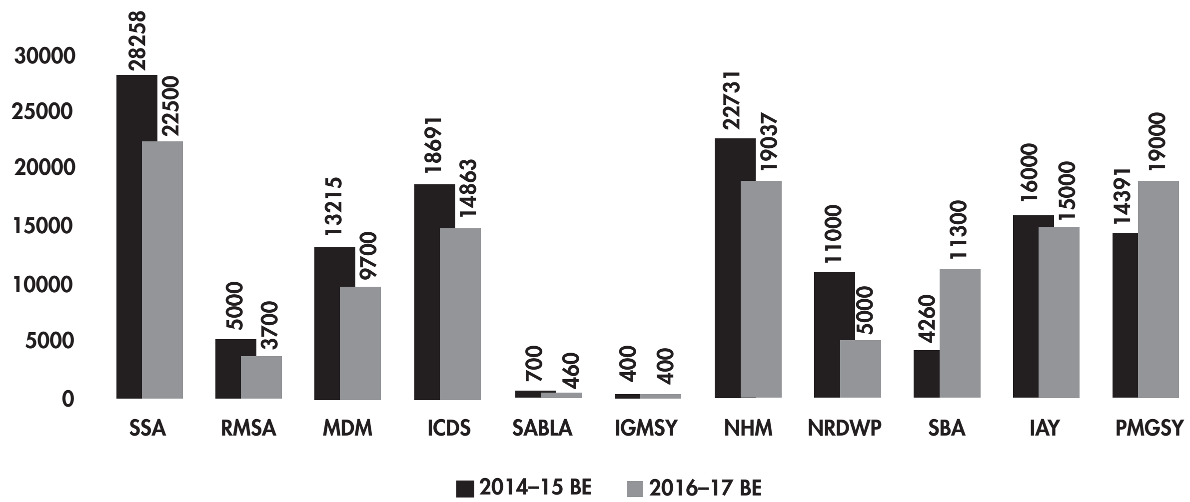

Figure 1: Union Budget Allocation for Major Social Sector Schemes: A Comparison of2014–15 and 2016–17 (in Rs Crore)

Source: Connecting the Dots: An Analysis of Union Budget 2016–17, CBGA.

Note: ICDS also includes World Bank Assisted ICDS ISSNIP and National Nutrition Mission. The allocation for *Indira Awas Yojana* has been discontinued from 2016–17 BE. *Pradhan Mantri Awas Yojana* (Rural), a new scheme, has been initiated for housing in rural areas.

the status of overall resources being transferred to the states. Table 5 below shows that in the total union resources transferred to states, both 'states' share in central taxes' and 'non-plan grants to states' show an increase in 2015–16 (RE) and further in 2016–17 (BE) from 2014–15 (Actuals), not only in absolute numbers but also as proportions of the country's GDP. However, another component of the union resources transferred to states, viz., central assistance to states for plan spending (which includes the block grants given to states for plan spending as well as the union government's

Table 5: Composition and Structure of Transfer of Resources to States (Rs crore)

	2014–15 Actual	2015–16 RE	2016–17 BE
States share of taxes and duties	337808	506193	570337
Non Plan grants and loans to states	77198	108312	118437
Central Assistance to States for Plan spending	270829	216108	241900
Total Union Resources transferred to States*	675177	821520	921201
GDP at current market prices (2011–12 series)	1248205	13567192	15065010
States share of taxes and duties as % of GDP	2.7	3.7	3.8
Non Plan grants and loans to states as % of GDP	0.6	0.8	0.8
CA to States as % of GDP	2.2	1.6	1.6
Total Union Resources transferred to States as % of GDP	5.4	6.1	6.1

Source: Compiled by CBGA from union budget documents, 2015–16 and 2016–17.

Note: *Total union resources comprise states' share in central taxes, non-plan grants, Central Assistance to States for Plan spending (including the assistance for Central schemes).

assistance to states for central schemes), shows a decline in 2016–17 (BE) as compared to 2014–15 (Actuals). On the whole, the total union resources transferred to states shows an increase from 5.4 per cent of GDP in 2014–15 (actuals) to 6.1 per cent of GDP in 2016–17 (BE).

Thus, the higher magnitude of states' share in central taxes has come partly at the cost of discontinuation of central assistance for state plans and reduced funding shares of the union government in Centrally Sponsored Schemes in a host of sectors. The total resources transferred from the union government to states in 2015–16 (RE) were higher than that in 2014–15 (Actuals) by Rs 1.46 lakh crore. This increased further to Rs 2.46 lakh crores in 2016–17 (BE). In other words, the net increase in the spending capacity of the state governments, resulting from the changes introduced in Centre-state sharing of resources in 2016–17, would be to the tune of around Rs 2.46 lakh crore for all states taken together. On an average, therefore, the net increase in union resources transferred to a states in 2015–16 would be roughly Rs 8200 crore. Given that the total magnitudes of state budgets for most of the larger states are now in the range of Rs 1.5 lakh crore to Rs 2 lakh crore, an increase of Rs 8200 crore could hardly be viewed as a substantial increase in the spending capacity of the states. Annexure Table 1 presents an assessment of the net impact (of the changes in Centre-state sharing of resources in 2015–16 and 2016–17) on the overall spending capacity of state governments.

Taking into account the net effect of both the larger quantum of union resources flowing to a state as its share in central taxes and the smaller magnitude of resources flowing as grants-in-aid to the state (which combines both non-plan and plan grants to states), we find a mixed result wherein some states like Chhattisgarh, Jharkhand and Madhya Pradesh saw a major increase in total union resources transferred to the state in 2015–16 (BE) as compared to 2014–15. On the other hand, states like Tamil Nadu, Assam, Rajasthan and Bihar got a comparatively lower increase in the resource transfer.

Thus, the changes in 2015–16 and 2016–17 seem to have led to some increase in the total quantum of resources being transferred from the union to the states; however, it has led to a change in the composition of the state budget in favour of greater autonomy or flexibility for state governments. The greater degree of autonomy or flexibility available to states (in terms of setting their expenditure priorities), combined with the reduction in the funding share of the union government in a host of Centrally Sponsored Schemes, implies that the priorities in state budgets would have a stronger role now in determining the overall allocation of budgetary resources in a range of development sectors in the country.

In order to enable state governments to increase significantly their budgetary spending on development sectors, it is necessary that either the divisible pool of central taxes increases substantially or the states increase their own tax and non-tax revenue considerably. As mentioned earlier, India's total tax revenue (i.e., central and state taxes combined) is at a relatively low level of 17 per cent of GDP (it's the lowest tax-GDP ratio among the BRICS countries); of this, the gross central taxes to GDP ratio is around 10.5 per cent. The projections for the gross central taxes to GDP ratio for the coming years are not too optimistic; hence, the size of the divisible pool of central taxes is not expected to increase substantially in the near future.

With such a backdrop, states' own tax and non-tax revenue mobilization would play an important role in determining their fiscal space for increasing public spending on social sectors in the coming years. Table 6 presents the share of states' own resources in their total budgetary expenditure. Any state can finance its total state budget expenditure from the following sources: (i) its own resources, which comprise its own tax revenue, own non-tax revenue, and non-debt capital receipts (e.g., disinvestment in state PSUs or recovery of loans given by the state government), (ii) Union resources transferred to the state, and (iii) borrowing. Thus, smaller the share of a state's own resources in its total budgetary expenditure, higher is its dependence on transfer of union resources.

Table 6: Share of States' Own Resources in their Total Budgetary Expenditure (in %)

	2014–15 AE	2015–16 RE	2016–17 BE
Bihar	25.1	20.8	22.2
Assam	29.4	…	27.5
Odisha	42	36.5	35.3
Uttar Pradesh	40.1	33.3	36.3
Madhya Pradesh	43.9	38.4	36.5
Jharkhand	36.8	34.1	40.2
Chhattisgarh	45	46.2	42.7
Rajasthan	45.4	42.9	44.7
Tamil Nadu	55.5	53.6	50.7
Maharashtra	64.9	61.6	64.3

Source: Based on data compiled by CBGA from respective state budget documents.

While we observed earlier that the changes in Centre-state sharing of resources after 2014–15 would lead to a modest increase in the overall union resources transferred to states, it would be pertinent to study what is happening to the overall scope of the state budget as compared to the size of a state's economy. In other words, we can examine the total quantum of a state budget as a proportion of the state's GSDP.

As can be seen from Table 7, except for Chhattisgarh, the total magnitude of the state budget as a proportion of the state's GSDP is showing a small increase in 2015–16 (RE) as compared to 2014–15 (AE) for all of the selected states except for Tamil Nadu which shows a marginal decline. However, in 2016–17 (BE), there is noticeable fall for all the select states except Tamil Nadu, Madhya Pradesh and Assam. This could be because of their efforts to reduce the deficits in their budgets further, instead of increasing overall expenditure.

Table 7: Total Expenditure by the States' as Proportion of GSDP (in %)

	2014–15 AE	2015–16 RE	2016–17 BE
Maharashtra	11.1	12.1	11.7
Tamil Nadu	14.4	14.1	14.5
Rajasthan	19.0	20.4	19.7
Madhya Pradesh	21.1	21.8	22.2
Jharkhand	20.3	27.5	24.4
Odisha	21.5	25.5	24.5
Bihar	23.5	27.3	25.9
Chhattisgarh	20.7	26.2	26.1
Uttar Pradesh	24.1	29.9	28.1
Assam	23.6	32.9	34.8

Source: Based on data compiled by CBGA from respective state budget documents.

However, it would be necessary to look at the per capita expenditure as there is a large difference in the economic status among the states because of which the state budget as a proportion of GSDP would be smaller for richer states like Maharashtra and higher for economically poor states like Assam or Bihar. Per capita expenditure also makes the data more comparable across states as it addresses the difference in population. Table 8 below shows that Bihar, followed by Uttar Pradesh, and Jharkhand are on the lower side of per capita expenditure by states, whereas Tamil Nadu, Chhattisgarh, Assam and Odisha showed highest per capita spending among the selected states in 2016–17.

Narrowing down, the share of social sectors (sum total of nine sectors as explained earlier), in the total expenditure by states shows that except for Jharkhand and Odisha, it has decreased for all 10 selected states in 2016–17 (BE) when compared to 2015–16 (RE).

Table 8: Per Capita Total Expenditure by the States (in Rs)			
	2014–15 AE	2015–16 RE	2016–17 BE
Bihar	8756	12139	13072
Uttar Pradesh	11208	15466	15984
Jharkhand	11659	17887	18003
Madhya Pradesh	14079	17183	20261
Rajasthan	16258	18898	20500
Maharashtra	16957	20053	21457
Odisha	15488	19513	21495
Assam	14468	20204	23623
Chhattisgarh	17390	24487	25708
Tamil Nadu	21437	24101	26656

Source: Based on data compiled by CBGA from various state budget documents.

Note: The population projection for 2014–15 and 2015–16 is based on the report of the technical group on population projections constituted by the National Commission on Population, 2006.

Table 9: Share of Combined Social Sectors' Outlays of the States as Proportion of the Total State Budget (in %)			
	2014–15 AE	2015–16 RE	2016–17 BE
Uttar Pradesh	39.2	37.4	40.3
Assam	45.4	49.8	47.3
Bihar	47.0	52.3	48.1
Tamil Nadu	45.3	48.9	48.5
Maharashtra	52.0	50.3	48.8
Madhya Pradesh	45.6	50.0	49.2
Rajasthan	49.4	48.6	50.1
Jharkhand	65.0	45.2	54.2
Chhattisgarh	53.6	57.4	55.3
Odisha	57.2	59.1	60.1

Source: Based on data compiled by CBGA from various state budget documents.

Note: Social Sector includes Education, Health, Drinking Water and Sanitation, Social Welfare, Agriculture and allied sectors (Animal Husbandry, Dairy, and Fisheries), Cooperation and Food & Civil Supplies, Water Resources and Irrigation, Rural Development, and Panchayati Raj.

In terms of per capita allocation for the combined social sectors, Chhattisgarh and Odisha stand out with the allocation of Rs 14,223 and Rs 12,921 respectively in 2016–17. On the other side, Bihar (Rs 6287) and Uttar Pradesh (Rs 6436) have the lowest per capita allocation for the social sectors.

Table10: Per Capita Allocation for Combined Social Sectors by the States (in Rs)			
	2014–15 AE	2015–16 RE	2016–17 BE
Bihar	4168	6354	6287
Uttar Pradesh	4471	5788	6436
Jharkhand	7680	8085	9755
Madhya Pradesh	6512	8591	9977
Rajasthan	8145	9186	10263
Maharashtra	8934	10091	10476
Assam	6644	11370	11184
Tamil Nadu	9958	11302	12330
Odisha	8935	11524	12921
Chhattisgarh	9436	14057	14223

Source: Based on data compiled by CBGA from various state budget documents.

Note: Social Sector defined as per Figure 2.

3.3 Sector-wise Priorities in the State Budgets for 2016–17

It would be worthwhile to examine if and how did the state governments reprioritize their Budgets in 2015–16 and 2016–17, given their increased autonomy in setting spending priorities. Since in absolute terms, the total states' budgets as well as allocation for different sectors have increased due to the practice of incremental budgeting, looking merely at budgetary allocations will not give a clear picture. Table 4 in Annexure shows, for the 10 selected states in 2014–15, 2015–16 and 2016–17, the allocations for 13 different sectors as shares of the total state budget expenditure and as proportions of the state's Gross State Domestic Product (GSDP).

To simplify it further, Figures 2.1 to 2.10 below show the pace of increase in the total expenditure of the states' and the increase in allocation for various sectors in 2016–17 from 2014–15. This analysis compares: (i) Percentage increase in the total state budget (i.e., total expenditure on all sectors) in 2016–17 (BE) over 2014–15 (Actuals); and (ii) Percentage increase in the budget (combined Central and state funds) for a specific sector in 2016–17 (BE) over 2014–15 (Actuals).

This kind of comparison of the extent of increase in the budget for a sector with that for the entire state budget over the last two years (i.e., from 2014–15 to 2016–17) has been done for 13 different sectors for each of the 10 selected states. The analysis makes the assumption that if the extent of increase in the budget for a sector is significantly higher than the extent of increase in the overall budget of the state during the two-year period, it reflects an increase in priority for the sector in the state concerned.

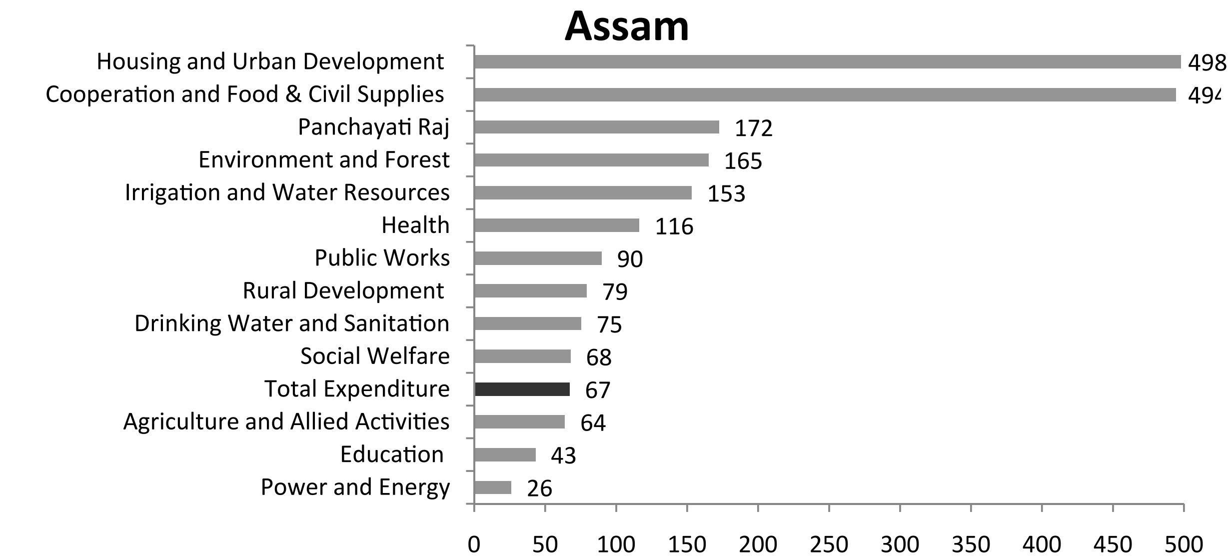

Figure 2.1: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Assam

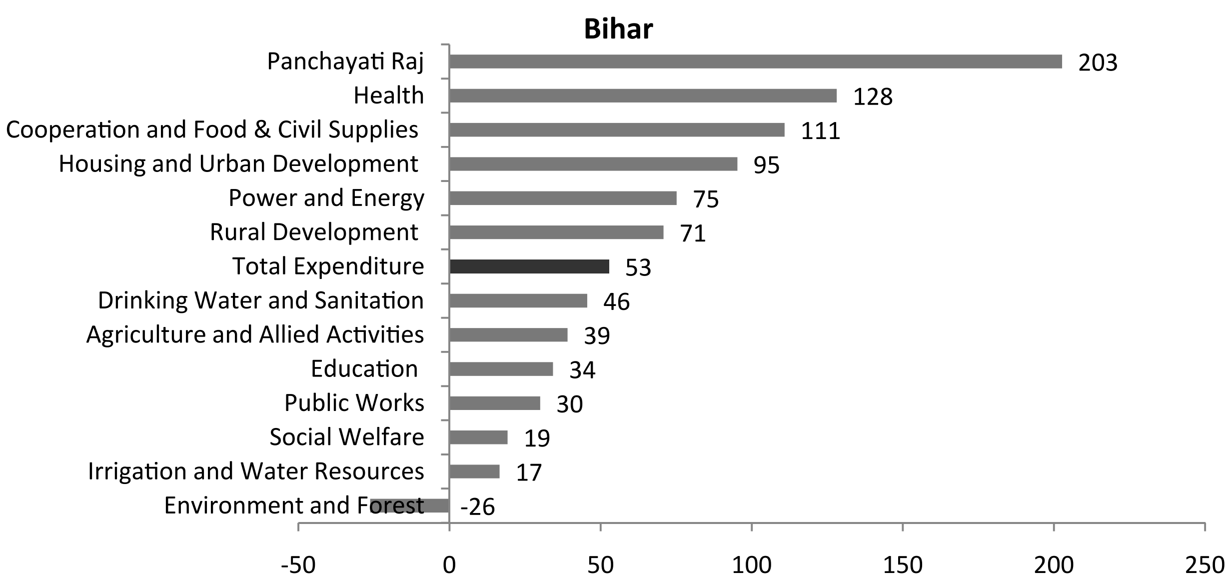

Figure 2.2: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Bihar

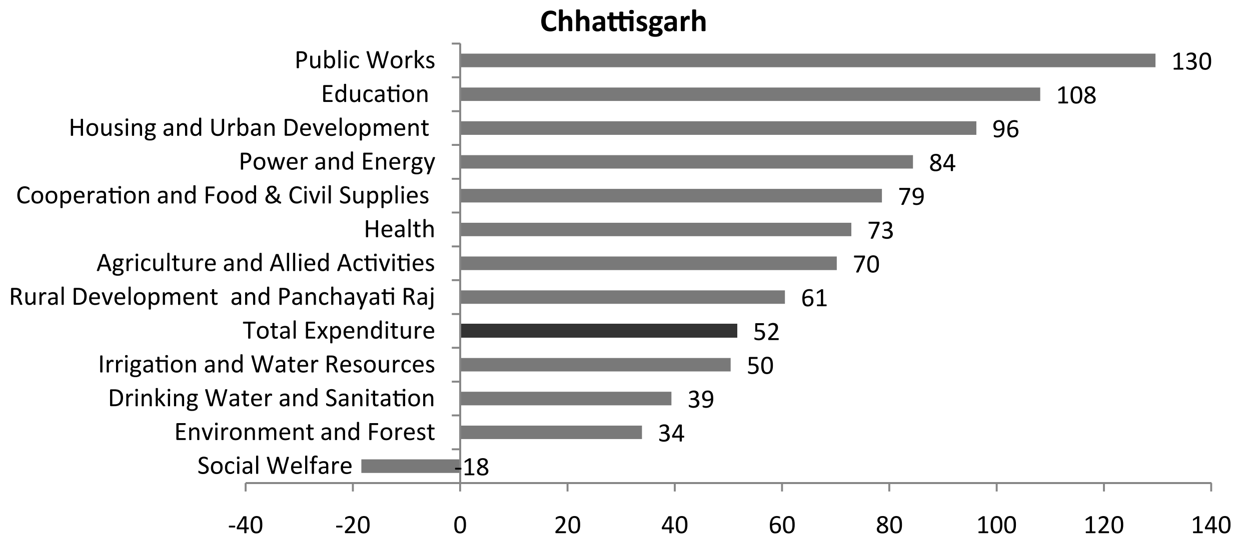

Figure 2.3: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Chhattisgarh

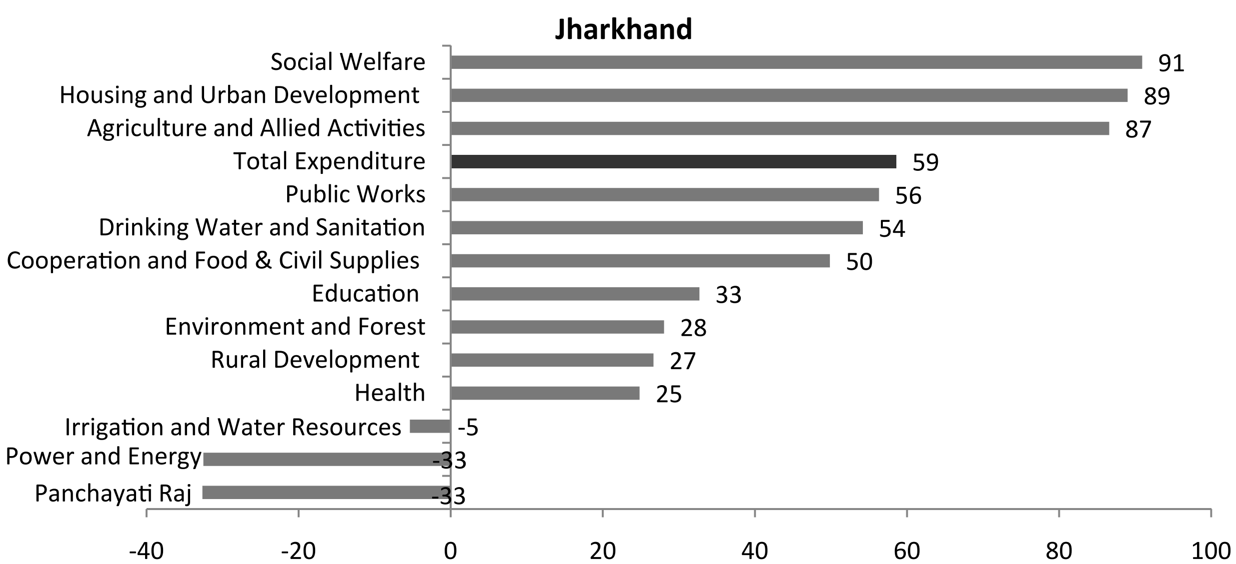

Figure 2.4: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Jharkhand

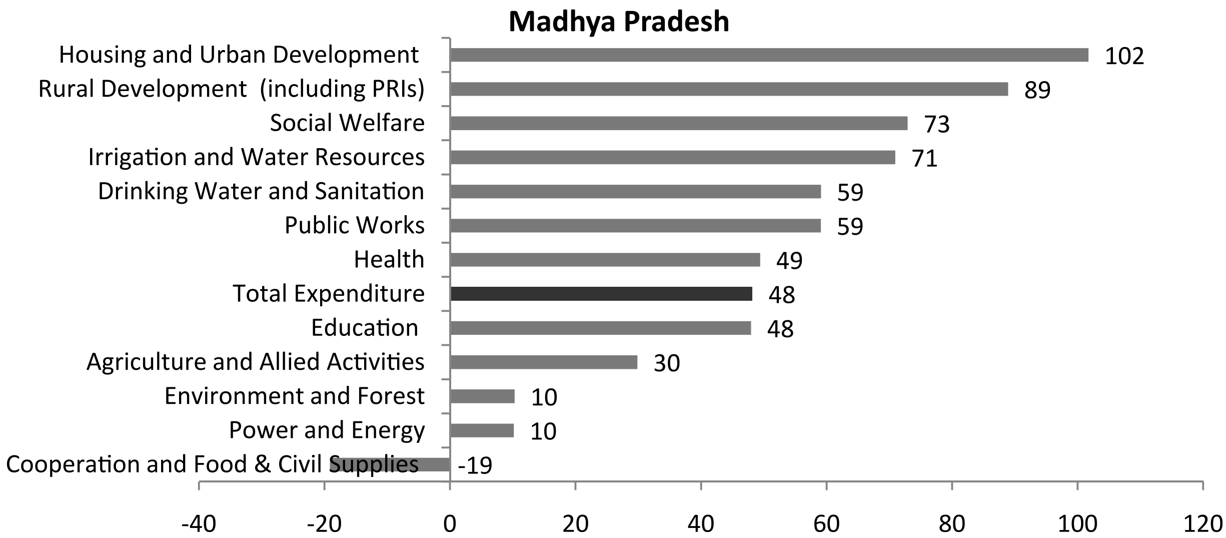

Figure 2.5: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Madhya Pradesh

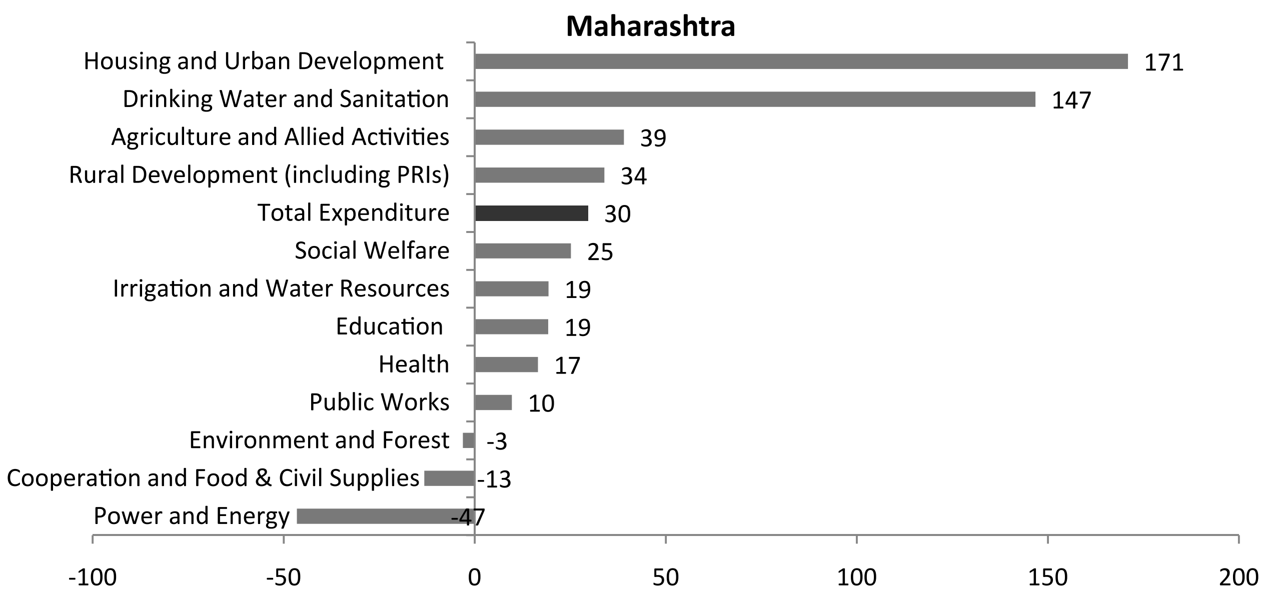

Figure 2.6: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Maharashtra

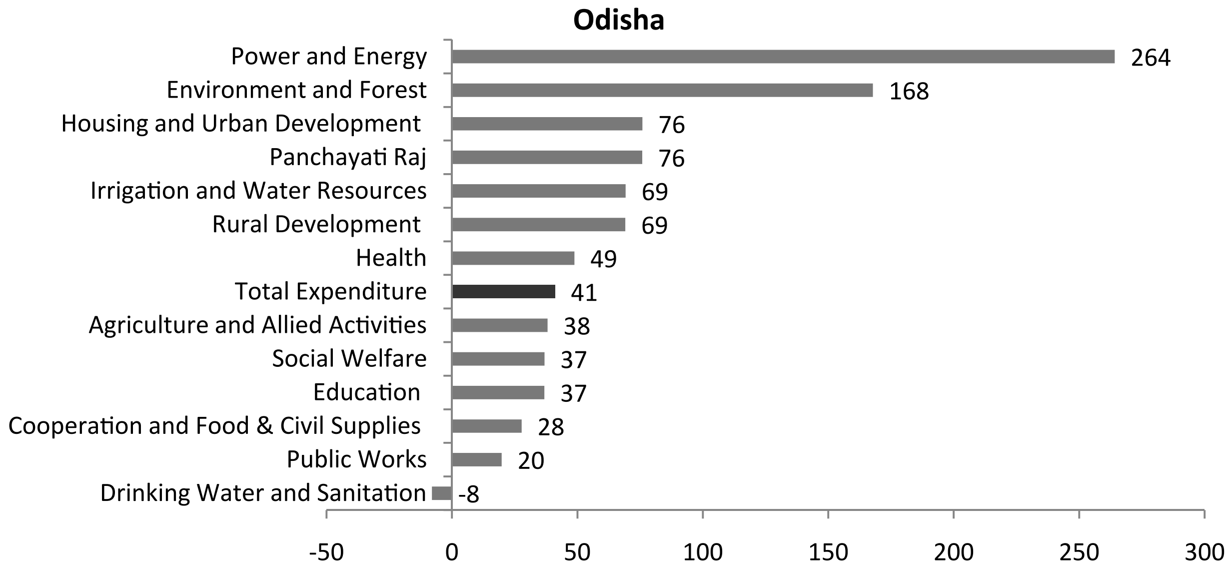

Figure 2.7: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Odisha

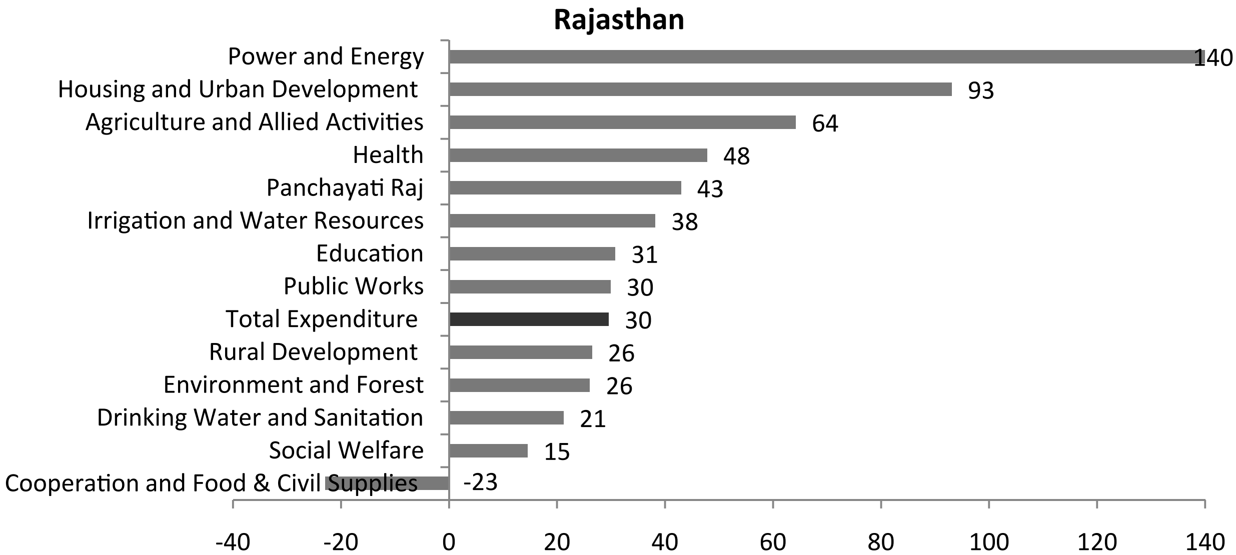

Figure 2.8: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Rajasthan

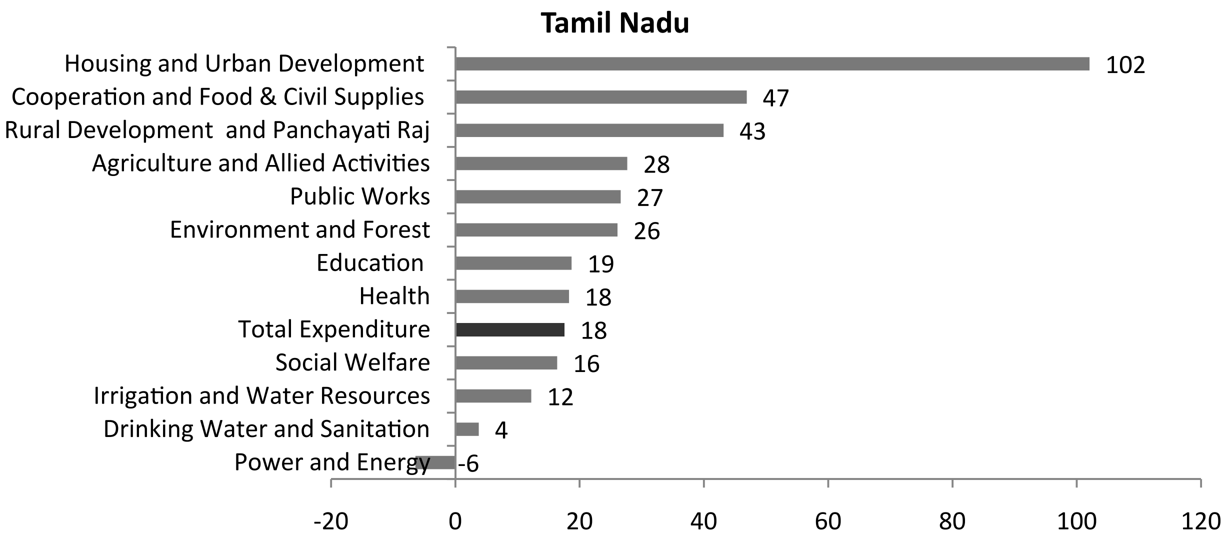

Figure 2.9: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Tamil Nadu

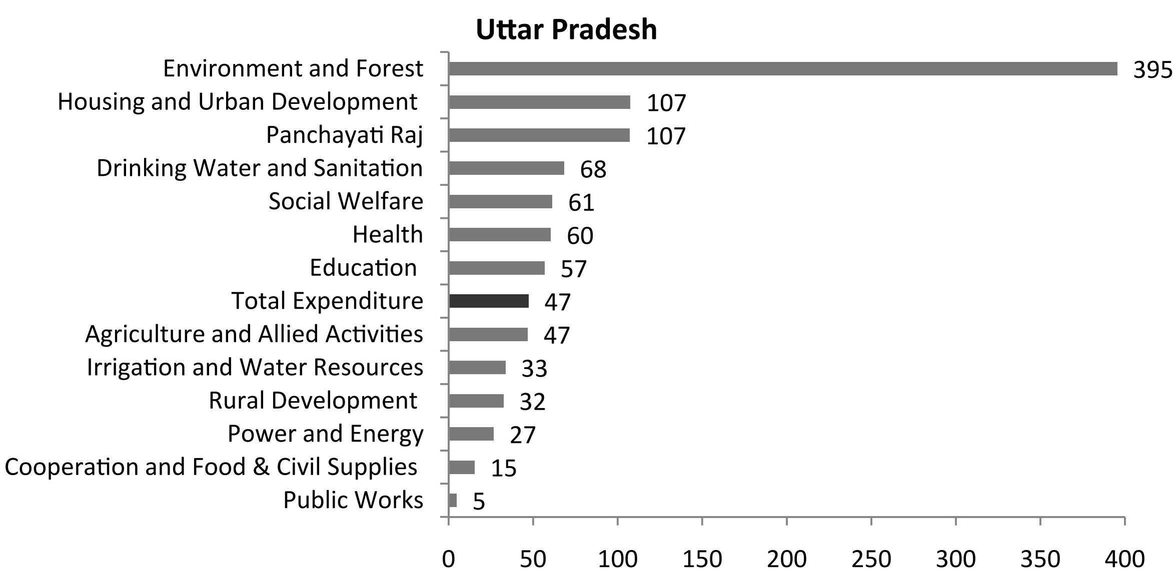

Figure 2.10: Percent Change in Budgetary Allocation for Major Sectors in 2016–17 over 2014–15 for Uttar Pradesh

Source: Based on data compiled from respective state budget documents

We find a lower priority in state budget allocation for **education** in Assam, Bihar, Madhya Pradesh, Jharkhand, Maharashtra and Odisha in 2016–17 (BE) as compared to 2014–15. On the contrary, the allocation for health has been prioritized by all states except Jharkhand and Maharashtra. The pace of allocation for social welfare is favourable (more than the total expenditure) only in Assam, Jharkhand and Madhya Pradesh; the rest of the states have not prioritized social welfare. This includes important components like allocation for women and child development, persons with disabilities and welfare of Scheduled Castes, Scheduled Tribes, Minorities, and vulnerable groups of the society. The share of Rural Development, which saw a decline in 2015–16 has been re-prioritized in 2016–17 in all states except Jharkhand, Rajasthan and Uttar Pradesh. Similarly, both Power & Energy and Public works were high on priority in 2015–16; but in 2016–17, there is a mixed trend as roughly half of the select states have prioritized these sectors.

The figures for three years indicate only a limited reprioritization of the state budgets in favour of the infrastructure sectors like energy and public works. However, some of the commentators have opined that such trends of increasing the budgetary priorities for infrastructure sectors could accentuate in the coming years as the state governments could be more receptive towards higher spending in sectors on big projects with greater and immediate visibility.

As is depicted in Table 11 above, the only two states among the 10 selected states, which have projected a Revenue Deficit (i.e., expenditure in the Revenue Account exceeding the receipts in the Revenue Account) in 2016–17 (BE) are Maharashtra and Tamil Nadu; all eight of the relatively economically weaker states have projected a surplus in their Revenue Account. What it implies is that these poorer states are trying to finance a part of their capital expenditure from their Revenue Account Surplus instead of increasing their quantum of borrowing for financing the whole of their Capital Account Expenditure. However, these economically weaker states also require stepping up their public spending on social sectors, very large proportions of which are reported in the Revenue Account of the budget. Hence, the strong tendency of these states to reduce their Fiscal Deficit (or fresh borrowing in a year) by running a surplus on the Revenue Account could be a hurdle towards increasing budgetary expenditures in social sectors.

Table 11: Revenue Deficit / Revenue Surplus (-) of States as proportion of GSDP (in %)

	2014-15 AE	2015-16 RE	2016-17 BE
Assam*	2.80	-2.74	-2.95
Bihar	-1.45	0.30	-2.62
Chhattisgarh	0.70	-1.57	-1.87
Jharkhand	0.12	-2.37	-2.69
Madhya Pradesh	-1.23	-0.07	-0.49
Maharashtra	0.68	0.47	0.17
Odisha	-1.89	-2.05	-0.96
Rajasthan	0.53	0.78	-0.03
Tamil Nadu	0.59	0.75	1.16
Uttar Pradesh	-2.29	-1.66	-2.28

Source: Based on data compiled by CBGA from respective state budget documents.

Note: *for Assam 2014–15 RE and 2015–16 BE.

Moreover, economically weaker states like Bihar and Uttar Pradesh over the years have cut down their revenue expenditure to adhere to the FRBM norms. This has wider implications as the reduction in revenue expenditure, a major chunk of which goes for salaries of regular staff, affects the quality of service delivery. Since these states were reporting revenue surplus, they also lost in terms of securing 'Revenue Deficit Grants' which were recommended under the 12th and 13th Finance Commissions. Also, with the inclusion of 'forest cover' as one of the criteria by the 14th Finance Commission, the share of states like Bihar and Uttar Pradesh in the total resource pool has declined 2015–16 onwards.

Table 12: Fiscal Deficit of States as proportion of GSDP (in %)			
Fiscal Deficit as % of GSDP	2014–15 AE	2015–16 RE	2016–17 BE
Assam*	8.8	2.4	3.0
Bihar	2.8	5.9	2.9
Chhattisgarh	3.6	2.7	3.0
Jharkhand	3.3	2.3	2.2
Madhya Pradesh	2.3	3.5	3.5
Maharashtra	1.8	1.9	1.6
Odisha	1.8	3.0	3.8
Rajasthan	3.1	3.6	3.0
Tamil Nadu	2.5	2.7	3.0
Uttar Pradesh	3.3	5.8	4.0

Source: Based on data compiled by CBGA from respective state budget documents.

Note: *for Assam 2014–15 RE and 2015–16 BE

4. Concluding Remarks

The analysis presented in this chapter gives a synoptic view of the changes in expenditure prioritization of states in some of the important social sectors. Post FFC recommendations, it was felt that the resources available with the states will increase and this would give them the fiscal space to spend more on some priority areas like health, education, drinking water and sanitation, nutrition and so on. However, the net increase in states' resources has not been significant as the union government has reduced the central assistance for state plans and its outlays for central schemes in social sectors.

Since the higher magnitude of states' share in central taxes has come partly at the cost of discontinuation of central assistance for state plans and reduced funding shares of the union government in Centrally Sponsored Schemes in a host of sectors, the changes in 2015–16 and 2016–17 have led only to some increase in the total quantum of resources being transferred from the union to the states. However, it has certainly led to a change in the composition of the state budget in favour of greater autonomy or flexibility for the state governments.

Except for Assam, Madhya Pradesh, Tamil Nadu, the total magnitude of the state budget as a proportion of the state's GSDP has shown a small decline in 2016–17 (BE) as compared to 2015–16 (RE) for all the selected states; this appears to be because of their efforts to reduce the deficits in their budgets further, instead of increasing their overall budgetary expenditure.

As regards the sector-wise priorities in the states, the figures for three years indicate only a limited reprioritization of the state budgets in favour of infrastructure sectors like energy and public works. However, some of the commentators are of the view that increasing the budgetary priorities for infrastructure sectors could gain momentum in the future as the state governments could re-prioritize the available resources in sectors which have an immediate impact with greater visibility on the ground.

In terms of the social sector programmes, major initiatives like *Integrated Child Development Services, SABLA, Mid-Day Meal*, and *National Rural Drinking Water Programme and National Health Mission* seem to have been adversely affected in terms of support from the union government as the funding pattern between the Centre and the state has changed after 2015–16. These programmes show a decline in their allocations when compared to 2014–15. The onus is now on the states to compensate for this reduction via a higher state share, which can become difficult for some of the poorer states as the volume of increase in resource transfer from the union government might not be sufficient to protect budgetary allocation for different social sector schemes. However, the allocation for programmes with stronger political backing, like *Swachh Bharat Abhiyan*, *Pradhan Mantri Gram Sadak Yojana* (PMGSY) and, to some extent SSA, seems to have been increased or at least protected.

It can be argued that the ability of the poorer states to expand their fiscal space with their own revenue collection is limited. Moreover, they also face greater shortages of funds for sectors such as energy and other infrastructure sectors, general administration, and law and order; hence, the competition for budgetary resources could be more intense in these states. As a consequence, the social sectors may not be given adequate levels of priority for resources. If this apprehension comes true in the coming years, it could aggravate the problem of regional disparity in the long run. The only way to achieve the twin goals of greater autonomy to states and stepping up expenditure in the social sectors would be through an increase in the tax-GDP ratio in the country.

Endnotes

1 Conventionally, in the budgeting system followed in India, all kinds of budget allocations/expenditures (whether on recurring heads like staff salaries or on capital heads like construction of infrastructure) are reported as **Plan** allocations/expenditures if they are incurred on any of the programmes/schemes that are part of the ongoing Five Year Plan (national or state-specific Five Year Plan). All other kinds of budget allocations/expenditures (whether on recurring or on capital heads), which are outside the purview of the ongoing FYP, are reported as **Non-plan**. However, after the 12th Five Year Plan, which ends with the ongoing financial year 2016–17, there would be no more Five Year Plans at the national level as per the decision of the Union Government.

2 **AE:** Actual Expenditures (AE) refer to the amounts actually spent by the government in a previous financial year, e.g., in 2014–15, which has been audited and certified by the office of C&AG of India. It usually takes the office of C&AG around eight months to audit and certify the accounts/actual expenditures reported by the government after the financial year ends. For instance, the audit of 2015–16 accounts and the subsequent certification of those would be completed around the end of November 2016. The AE for 2015–16 would be released in the Budget documents for 2017–18 in the month of February 2017. AE figures cannot change, while the BE and RE figures might change at the AE level.

BE: Budget Estimates (BE) refer to the amounts of expenditure ‘projected’ by the government for the ongoing/approaching financial year. For instance, as of now, we have only BE figures for 2016–17 for Union and State Budgets. Last year, the government had ‘projected’ expenditures for 2015–16 and hence released BEs for 2015–16.

RE: After the initial projection of expenditure for an ensuing financial year, the government revises those projections after six months of the concerned financial year are over. These ‘revised projections’ are known as Revised Estimates (RE). The RE for 2016–17 would be prepared by the Union and State Governments after September 2016, which would be modifications of the projections made in BE figures for 2016–17. These RE for 2016–17 would be released in the Budget documents for 2017–18 in the month of February 2017.

3 The Act had provided a dual form of government for the major Provinces in the country then. In each such Province, control of some areas of government (e.g., Agriculture, supervision of local government, Health, Education, etc.) were given to a government of ministers answerable to the Provincial Council. However, all other areas of government (e.g., Defence, Foreign Affairs, and Communications, etc.) remained under the control of the Viceroy.

4 The total amount of revenue collected from all Central taxes—excluding the amount collected from cesses, surcharges and taxes of Union Territories, and an amount equivalent to the cost of collection of Central Taxes—is considered as the shareable/divisible pool of Central tax revenue. In the recommendation period of the 13th Finance Commission (2010–11 to 2014–15), 32 per cent of the shareable/divisible pool of Central tax revenue used to be transferred to states every year and the Centre retained the remaining amount for the Union Budget.

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ANNEXURES

Table 1: Transfer of Resources from the Centre to the States (in Rs crore)			
Assam	**2014–15 RE**	**2015–16 BE**	**2016–17 BE**
State Share in Central Taxes (1)	13889	16667	18938
Grants-in-Aid from Centre (2)	19696	23179	25761
Net Devolution (1+2)	33586	39846	42712
Bihar	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
State Share in Central Taxes (1)	36963	50748	58360
Grants-in-Aid from Centre (2)	19146	21785	34142
Net Devolution (1+2)	56109	72532	92502
Chhattisgarh	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
State Share in Central Taxes (1)	8363	16213	18650
Grants-in-Aid from Centre (2)	8988	12416	13392
Net Devolution (1+2)	17351	28630	32042
Jharkhand	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
State Share in Central Taxes (1)	9487	16499	18479
Grants-in-Aid from Centre (2)	7393	11000	11802
Net Devolution (1+2)	16880	27499	30281
Madhya Pradesh	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
State Share in Central Taxes (1)	24107	39706	43676
Grants-in-Aid from Centre (2)	17591	20808	24437
Net Devolution (1+2)	41698	60513	68114
Maharashtra	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
State Share in Central Taxes (1)	17604	28106	31627
Grants-in-Aid from Centre (2)	20141	24982	24964
Net Devolution (1+2)	37744	53087	56591
Odisha	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
State Share in Central Taxes (1)	16181	23574	26568
Grants-in-Aid from Centre (2)	12918	17295	18536
Net Devolution (1+2)	29099	40869	45104
Rajasthan	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
State Share in Central Taxes (1)	19817	27916	31478
Grants-in-Aid from Centre (2)	19607	21333	24389
Net Devolution (1+2)	39424	49249	55866
Tamil Nadu	**2014–15 RE**	**2015–16 RE**	**2016–17 BE**
State Share in Central Taxes (1)	16824	21150	23018
Grants-in-Aid from Centre (2)	18589	16377	24741
Net Devolution (1+2)	35413	37527	47759
Uttar Pradesh	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
State Share in Central Taxes (1)	66622	94313	105637
Grants-in-Aid from Centre (2)	32692	44220	50421
Net Devolution (1+2)	99314	138533	156058

Source: Based on data compiled from respective state budget documents.

Table 2: Classification of Centrally Sponsored Schemes (CSS)		
Classification of CSS	Distribution of original 66 CSS	Remarks
(A) Schemes to be implemented un-altered	17	Some of these schemes are reformulated with addition of new components, or taken up in Central Sector
(B) Schemes to be implemented with a changed sharing pattern	33	
(C) Schemes delinked from Union support: States may decide to continue from their own resources	8	
(D) Other schemes which are part of devolution to the States or have been re-structured in (A), (B) and (C) above.	8	
Total	66	

Source: Reproduced from the Report of the Subcommittee of Chief Ministers on Restructuring the CSS. For detail of schemes under various categories please refer to the report.

Table 3: Total Expenditure by the States as Proportion of Gross Stated Domestic Product (GSDP)

	Total Expenditure (INR Crore)			Total Expenditure as % of GSDP		
State	2014–15 AE	2015–16 RE	2016–17 BE	2014–15 AE	2015–16 RE	2016–17 BE
Assam	46811	66142	78253	23.6	32.9	34.8
Bihar	94698	132849	144696	23.5	27.3	25.9
Chhattisgarh	46207	65898	70059	20.7	26.2	26.1
Jharkhand	40042	62253	63503	20.3	27.5	24.4
Madhya Pradesh	107086	132647	158713	21.1	21.8	22.2
Maharashtra	198217	237327	256992	11.1	12.1	11.7
Odisha	66680	84695	94053	21.5	25.5	24.5
Rajasthan without UDAY	116605	137456	151128	19.0	20.4	19.7
Tamil Nadu	157438	177971	197883	14.4	14.1	14.5
Uttar Pradesh	235609	330430	346935	24.1	29.9	28.1

Source: Based on data compiled from respective state budget documents

Table 4: Outlays for Different Sectors as Proportion of Total State Budget and GSDP (in per cent)

Table 4.1: Assam

	Share of Budget Exp. (%)			Share of GSDP (%)		
Assam (% of Total Exp.)	2014–15 AE	2015–16 RE	2016–17 BE	2014–15 AE	2015–16 RE	2016–17 BE
Agriculture and Allied Activities	2.7	3.5	2.6	0.7	1.3	0.9
Cooperation and Food & Civil Supplies	0.3	0.6	1.1	0.1	0.2	0.4
Rural Development	5.9	6.6	6.4	1.6	2.5	2.2
Panchayati Raj	1.6	1.7	2.6	0.4	0.6	0.9
Power and Energy	1.9	1.6	1.5	0.5	0.6	0.5
Public Works	4.2	4.9	4.8	1.1	1.8	1.7

Irrigation and Water Resources	3.1	4.7	4.7	0.8	1.8	1.6
Environment and Forest	2.3	3.7	3.6	0.6	1.4	1.3
Housing and Urban Development	0.5	1.2	1.8	0.1	0.5	0.6
Social Welfare	4.7	6.1	4.7	1.2	2.3	1.6
Health	3.7	5.6	4.8	1.0	2.1	1.7
Education	21.0	17.5	17.9	5.5	6.5	6.3
Drinking Water and Sanitation	2.4	3.5	2.5	0.6	1.3	0.9

Table 4.2: Bihar

	Share of Budget Exp. (%)			Share of GSDP (%)		
Bihar (% of Total Exp.)	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
Agriculture and Allied Activities	2.5	2.6	2.3	0.7	0.7	0.6
Cooperation and Food & Civil Supplies	1.4	2.5	1.9	0.4	0.7	0.5
Rural Development	7.8	10.9	8.7	2.2	3.0	2.3
Panchayati Raj	2.5	3.4	5.0	0.7	0.9	1.3
Power and Energy	8.7	7.5	9.9	2.4	2.0	2.6
Public Works	5.4	4.3	4.6	1.5	1.2	1.2
Irrigation and Water Resources	2.6	2.6	2.0	0.7	0.7	0.5
Environment and Forest	0.3	0.3	0.2	0.1	0.1	0.0
Housing and Urban Development	1.8	2.0	2.4	0.5	0.5	0.6
Social Welfare	7.9	6.8	6.2	2.2	1.9	1.6
Health	3.8	3.8	5.7	1.1	1.0	1.5
Education	17.2	18.5	15.1	4.8	5.1	3.9
Drinking Water and Sanitation	1.3	1.3	1.2	0.4	0.3	0.3

Table 4.3: Chhattisgarh

	Share of Budget Exp. (%)			Share of GSDP (%)		
Chhattisgarh (% of Total Exp.)	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
Agriculture and Allied Activities	3.5	3.4	3.9	0.8	0.9	1.0
Cooperation and Food & Civil Supplies	6.1	11.3	7.2	1.4	3.0	1.9
Rural Development and Panchayati Raj	7.4	8.7	7.9	1.7	2.3	2.0
Power and Energy	3.0	5.7	3.6	0.7	1.5	0.9
Public Works	6.4	6.8	9.7	1.4	1.8	2.5
Irrigation and Water Resources	4.2	3.4	4.2	0.9	0.9	1.1
Environment and Forest	1.7	1.4	1.5	0.4	0.4	0.4
Housing and Urban Development	4.2	4.9	5.5	0.9	1.3	1.4
Social Welfare	12.5	10.8	6.7	2.8	2.8	1.7

Health	5.0	5.2	5.7	1.1	1.4	1.5
Education	13.4	13.4	18.5	3.0	3.5	4.8
Drinking Water and Sanitation	1.4	1.4	1.3	0.3	0.4	0.3

Table 4.4: Jharkhand

	Share of Budget Exp. (%)			Share of GSDP (%)		
Jharkhand (% of Total Exp.)	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
Agriculture and Allied Activities	3.5	2.3	4.1	0.8	0.6	1.0
Cooperation and Food & Civil Supplies	2.7	1.7	2.5	0.6	0.5	0.6
Rural Development	14.5	10.3	11.6	3.4	2.8	2.8
Panchayati Raj	5.3	2.0	2.2	1.2	0.5	0.5
Power and Energy	8.4	16.1	3.6	2.0	4.4	0.9
Public Works	7.8	6.4	7.7	1.8	1.8	1.9
Irrigation and Water Resources	6.1	2.7	3.7	1.4	0.7	0.9
Environment and Forest	1.2	0.8	0.9	0.3	0.2	0.2
Housing and Urban Development	3.2	2.6	3.8	0.7	0.7	0.9
Social Welfare	6.8	6.4	8.2	1.6	1.8	2.0
Health	6.1	4.7	4.8	1.4	1.3	1.2
Education	17.7	13.4	14.8	4.1	3.7	3.6
Drinking Water and Sanitation	2.3	1.8	2.3	0.5	0.5	0.6

Table 4.5: Madhya Pradesh

	Share of Budget Exp. (%)			Share of GSDP (%)		
Madhya Pradesh (% of Total Exp.)	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
Agriculture and Allied Activities	3.4	3.9	2.9	0.8	0.8	0.7
Cooperation and Food & Civil Supplies	2.7	2.8	1.5	0.6	0.6	0.3
Rural Development (including PRIs)	12.1	13.9	15.4	2.9	3.0	3.4
Power and Energy	17.0	9.1	12.7	4.0	2.0	2.8
Public Works	4.2	4.5	4.5	1.0	1.0	1.0
Irrigation and Water Resources	3.7	4.4	4.3	0.9	1.0	0.9
Environment and Forest	2.1	1.8	1.6	0.5	0.4	0.4
Housing and Urban Development	5.4	7.9	7.4	1.3	1.7	1.6
Social Welfare	8.0	10.4	9.4	1.9	2.3	2.1
Health	4.3	3.9	4.3	1.0	0.9	1.0
Education	10.1	9.5	10.1	2.4	2.1	2.2
Drinking Water and Sanitation	1.3	1.2	1.4	0.3	0.3	0.3

Table 4.6: Maharashtra						
	Share of Budget Exp. (%)			Share of GSDP (%)		
Maharashtra (% of Total Exp.)	2014–15 AE	2015–16 RE	2016–17 BE	2014–15 AE	2015–16 RE	2016–17 BE
Agriculture and Allied Activities	2.8	3.0	3.0	0.3	0.4	0.3
Cooperation and Food & Civil Supplies	4.3	3.3	2.9	0.5	0.4	0.3
Rural Development	5.6	5.9	5.7	0.7	0.7	0.7
Power and Energy	6.1	4.4	2.5	0.7	0.5	0.3
Public Works	4.7	4.7	4.0	0.6	0.6	0.5
Irrigation and Water Resources	5.0	4.9	4.6	0.6	0.6	0.5
Environment and Forest	4.8	4.1	3.6	0.6	0.5	0.4
Housing and Urban Development	3.4	5.2	7.1	0.4	0.6	0.8
Social Welfare	8.7	7.2	8.4	1.0	0.9	1.0
Health	4.0	4.4	3.6	0.5	0.5	0.4
Education	20.9	20.2	19.2	2.5	2.4	2.2
Drinking Water and Sanitation	0.7	1.5	1.4	0.1	0.2	0.2

Table 4.7: Odisha						
	Share of Budget Exp. (%)			Share of GSDP (%)		
Odisha (% of Total Exp.)	2014–15 AE	2015–16 RE	2016–17 BE	2014–15 AE	2015–16 RE	2016–17 BE
Agriculture and Allied Activities	4.7	4.5	4.6	1.1	1.2	1.1
Cooperation and Food & Civil Supplies	3.3	2.7	3.0	0.8	0.7	0.7
Rural Development	5.8	7.9	6.9	1.4	2.0	1.7
Panchayati Raj	7.2	9.9	9.0	1.7	2.5	2.2
Power and Energy	1.2	1.9	3.0	0.3	0.5	0.7
Public Works	5.7	6.2	4.8	1.4	1.6	1.2
Irrigation and Water Resources	6.4	7.1	7.7	1.5	1.8	1.9
Environment and Forest	2.7	5.7	5.2	0.7	1.4	1.3
Housing and Urban Development	2.2	1.9	2.7	0.5	0.5	0.7
Social Welfare	8.3	6.9	8.0	2.0	1.8	2.0
Health	4.8	4.6	5.1	1.2	1.2	1.3
Education	15.4	14.3	15.0	3.7	3.7	3.7
Drinking Water and Sanitation	1.3	1.0	0.9	0.3	0.3	0.2

Table 4.8: Rajasthan						
	Share of Budget Exp. (%)			Share of GSDP (%)		
Rajasthan (% of Total Exp.)	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**
Agriculture and Allied Activities	2.5	2.4	3.2	0.5	0.5	0.6
Cooperation and Food & Civil Supplies	1.3	0.7	0.8	0.3	0.1	0.2
Rural Development	4.1	4.2	4.0	0.9	0.9	0.8
Panchayati Raj	5.6	6.5	6.2	1.2	1.3	1.2
Power and Energy	11.7	33.4	19.1	2.5	8.9	4.3
Public Works	3.8	3.4	3.8	0.8	0.7	0.7
Irrigation and Water Resources	2.6	2.4	2.7	0.5	0.5	0.5
Environment and Forest	1.5	2.7	1.4	0.3	0.6	0.3
Housing and Urban Development	2.9	3.6	4.4	0.6	0.7	0.9
Social Welfare	5.8	5.4	5.1	1.2	1.1	1.0
Health	5.5	5.9	6.2	1.2	1.2	1.2
Education	16.4	16.0	16.5	3.5	3.3	3.3
Drinking Water and Sanitation	5.6	5.1	5.3	1.2	1.0	1.0

Table 4.9: Tamil Nadu						
	Share of Budget Exp. (%)			Share of GSDP (%)		
Tamil Nadu (% of Total Exp.)	**2014–15 AE**	**2015–16 RE**	**2016–17 BE**	**2014V15 AE**	**2015–16 RE**	**2016–17 BE**
Agriculture and Allied Activities	4.4	4.9	4.8	0.7	0.7	0.7
Cooperation and Food & Civil Supplies	3.7	3.8	4.6	0.6	0.5	0.6
Rural Development and Panchayati Raj	9.2	10.3	11.2	1.5	1.4	1.5
Power and Energy	6.2	4.9	4.9	1.0	0.7	0.7
Public Works	4.7	4.6	5.0	0.8	0.6	0.7
Irrigation and Water Resources	1.9	1.6	1.8	0.3	0.2	0.2
Environment and Forest	1.1	2.2	1.2	0.2	0.3	0.2
Housing and Urban Development	1.4	1.8	2.3	0.2	0.2	0.3
Social Welfare	5.7	6.8	5.7	0.9	0.9	0.8
Health	4.8	5.0	4.8	0.8	0.7	0.7
Education	14.6	15.3	14.7	2.4	2.1	2.0
Drinking Water and Sanitation	1.0	1.2	0.9	0.2	0.2	0.1

Table 4.10: Uttar Pradesh						
	Share of Budget Exp. (%)			Share of GSDP (%)		
Uttar Pradesh (% of Total Exp.)	2014–15 AE	2015–16 RE	2016–17 BE	2014–15 AE	2015–16 RE	2016–17 BE
Agriculture and Allied Activities	2.5	2.9	2.5	0.7	0.9	0.7
Cooperation and Food & Civil Supplies	3.1	3.1	2.4	0.9	0.9	0.7
Rural Development	4.3	3.8	3.9	1.2	1.1	1.1
Panchayati Raj	1.8	2.1	2.5	0.5	0.6	0.7
Power and Energy	11.0	15.6	9.5	3.1	4.7	2.7
Public Works	7.8	4.9	5.5	2.2	1.5	1.5
Irrigation and Water Resources	4.1	3.3	3.7	1.1	1.0	1.0
Environment and Forest	0.5	2.3	1.8	0.2	0.7	0.5
Housing and Urban Development	1.8	2.1	2.6	0.5	0.6	0.7
Social Welfare	4.5	4.8	4.9	1.3	1.4	1.4
Health	4.7	4.4	5.1	1.3	1.3	1.4
Education	13.7	12.5	14.5	3.8	3.7	4.1
Drinking Water and Sanitation	0.6	0.7	0.7	0.2	0.2	0.2

Source: Based on data compiled from respective state budget documents

Table 5: Composition of Various Sectors as per Detailed Demand for Grants from Respective State Budget Books					
	Assam	Bihar	Chhattisgarh	Jharkhand	Madhya Pradesh
1. Education	Education (higher education)	Education	School education	Higher Education	School Education
	Education (Elementary, secondary)		Higher Education	Secondary Education	Higher Education
			Technical Education and manpower planning	Primary and Public Education	Technical Education and skill development
					Technical Education and Training-EAPs
					School Education - EAPs

	Assam	Bihar	Chhattisgarh	Jharkhand	Madhya Pradesh
2. Health and Family Welfare	Medical and Public Health	Health	Public Health and Family Welfare Department	Health, Medical Education and Family Welfare	Public Health and Family Welfare
			Medical Education Department		AAYUSH
					Medical Education
3. Drinking Water & Sanitation	Water Supply and Sanitation	Public Health Engineering	Public Health Engineering	Drinking Water and Sanitation	Public Health Engineering
4. Social Welfare	Welfare of SC/ ST and OBC	Backward Community and MBC Welfare	Tribal, Scheduled Caste & Backward Classes Department	Minorities Welfare	Tribal Welfare
	Social Services	Minorities Welfare	Social welfare Department	Social Welfare, Women and Child Development	Social Justice
	Social Security, Welfare and Nutrition	SC & ST Welfare	SC welfare		Women and Child Welfare
	Relief and Rehabilitation/ Social Security & Welfare	Social Welfare	OBC and Minority Welfare		Scheduled Caste Welfare
			Women and Child Welfare		Minority Welfare
					Backward Classes Welfare
					Vimukt, Ghumakkad & Ardha Ghumakkad Welfare
5. Agriculture and Allied Sectors	Agriculture	Agriculture	Agriculture Department	Agriculture and Sugarcane Development	Farmer Welfare & Agriculture Development

	Assam	Bihar	Chhattisgarh	Jharkhand	Madhya Pradesh
	Soil and water conservation	Animal and Fisheries Resource	Animal Husbandry	Animal Husbandry	Animal Husbandry
	Animal Husbandry		Fisheries	Fishery	Fisheries
	Dairy Development		Agriculture Research and Education	Dairy	Horticulture and Food Processing
	Fisheries				Agricultural Research and Education
	Sericulture and weaving				
	Horticulture				
6. Irrigation & Water Resources	water resources	Water Resources	Water Resources Department	Water Resources	Water Resources
	Irrigation	Minor Water Resources	Water Resources-*Aayakat*	Minor Irrigation	Water Resources-*Aayakat*
			Micro Irrigation works		Micro Irrigation works
			Water Resources-EAPs		Water Resources-EAP
			Water Resources-NABARD assisted projects		
7. Cooperation and Food & Civil Supplies	Food Storage, Warehousing and civil	Food and Consumer Protection	Food Civil Supplies Department	Food, Public Distribution and Consumer Affairs	Food and Civil Supplies
	Co-operation	Co-operative	Co-operation Department	Co-operative	Cooperation
8. Rural Development	Other special area programmes	Rural Works	Financial Aid to PRIs under SCSP	Rural Development	SCSP-Financial aid to PRIs

	Assam	Bihar	Chhattisgarh	Jharkhand	Madhya Pradesh
	Rural Development	Rural Development	Panchayat and Rural Development Department	Rural Works	Rural Development
	cottage industries		Village Industry		TSP-Financial aid to PRIs
			PRIs and Rural development-EAPs		Village Industries
			District Projects		Rural Development-EAPs
			Financial Aid to PRIs		District Projects Exp.
			Financial Aid to PRIs under TSP		Bundelkhand Package
					Panchayat
					Financial Aid to PRIs
9. Panchayati Raj	Rural Development (panchayat)	Panchayati Raj	Included in Rural Development	Panchayati Raj and N.R.E.P. (Special Division)	Included in Rural Development
	Compensation and assignment to local bodies and PRIs				
10. Urban Development & Housing	Urban Development (T&CP)	Urban Development and Housing	Housing and Environment Department	Urban Development	Urban Administration and Development
	Housing Schemes		Urban Admin and development-Urban Bodies	Housing	TSP-Financial aid to ULBs
	Urban Development (MAD)		SCP-aid to ULBs		Financial Aid to ULBs

	Assam	Bihar	Chhattisgarh	Jharkhand	Madhya Pradesh
	Urban Development (GDD)		Urban Admin and development-urban welfare		
			Financial Aid to ULBs		
			Financial Aid to ULBs under TSP		
11. Power and Energy	Power (electricity)	Energy	Energy Department	Energy	Energy
12. Public Works	Roads and Bridges	Road Construction	Public works-roads and bridges	Road Construction	Public Works-Roads and Bridges
			SCP-Public works (roads and bridges)		TSP-Public works-roads and bridges
			Public works-buildings		Public Works-buildings
			TSP-Public works (buildings)		
			Public works-EAPs		
13. Forest & Environment	Forestry and Wildlife	Environment and Forest	Forest	Forest and Environment	Forest

	Maharashtra	Odisha	Rajasthan	Tamil Nadu	Uttar Pradesh
1. Education	School Education and Sports	School and Mass Education	school education	Higher Education	Education-Technical Education
	Higher and Technical Education	Higher Education	Higher Education	School Education	Education-Commercial
		Employment and Technical Education & Training	Technical Education		Education-Primary
			Sanskrit Education		Education-Secondary

	Maharashtra	Odisha	Rajasthan	Tamil Nadu	Uttar Pradesh
					Education-Higher
					Education (Institution and Training)
2. Health and Family Welfare	Public Health	Health and Family Welfare	Medical and Health	Health and family welfare	Medical Health, Education and Training
	Medical Edu. and Drugs		Health Education		Health (Allopathy)
					Health (Ayurveda & Unani)
					Health (Homeopathy)
					Health(Family Welfare)
					Health (Public Health)
3. Drinking Water & Sanitation	Water Supply and Sanitation	Relevant heads from Housing and Urban Dev. Department	Public Health Engineering	Relevant heads from Housing and Urban Dev. Department	Relevant heads from Housing and Urban Dev. Department
4. Social Welfare	Social Justice and Social Assistance	SC,ST, OBC and Minority Welfare	Social justice and empowerment	*Adi-dravidar* and tribal welfare	Minority Welfare
	Minority Welfare	Women and Child Dev.	Minorities Affair	Welfare of differently abled persons	Social Welfare (Disability)
	Women and Child Dev.		Women and Child Dev.	Special programme implementation	Social Welfare (SC Welfare)
				Social welfare and nutritious meal programme	Social Welfare (Tribal Welfare)
					Women and Child Dev.

	Maharashtra	Odisha	Rajasthan	Tamil Nadu	Uttar Pradesh
5. Agriculture and Allied Sectors	Agriculture, Animal Husbandry, Dairy Development & Fisheries	Agriculture	Department of Agriculture	Agriculture	Agriculture and related -Horticulture and sericulture
		Fisheries and Animal Resources Dev.	Department of Animal Husbandry	Animal husbandry	Agriculture and related-Agriculture
			Horticulture	Fisheries	Agriculture and related -Animal Husbandry
				Dairy development	Agriculture and related-Milk Development
					Agriculture and related-Fisheries
					Sugarcane development (sugarcane)
					Sugarcane development (sugar industry)
6. Irrigation & Water Resources	Water Resources-Irrigation	Water Resources	Irrigation	Demand 40 irrigation (public works department)	Agriculture and related-land development and water sources
			Water Resources		Irrigation (construction works)
			IG Canal		Irrigation *(Adhisthaan)*
7. Cooperation and Food & Civil Supplies	Food Civil Supplies and Consumer Protection	Food Supplies and Consumer Welfare	Food supply and public distribution	Food and consumer protection	Food and Civil Supplies
	Cooperation	Co-operation	Co operative	Co-operation	Agriculture and related -Cooperation

	Maharashtra	Odisha	Rajasthan	Tamil Nadu	Uttar Pradesh
8. Rural Development	Rural Dev. and Water Conservation	Rural Dev.	Rural Development	Khadi, village industries and handicrafts	Industries -Khadi and village industries
			cottage and khadi industry	Rural dev. and panchayat raj department	Agriculture and related- Rural Development
9. Panchayati Raj	Included in Rural Dev.	Panchayati Raj	Panchayati Raj	Included in Rural Dev.	Agriculture and related- Panchayati Raj
10. Urban Development & Housing	Urban Development	Housing and Urban Dev.	Urban Dev.	Housing and urban Dev.	Housing
	Housing			Municipal administration and water supply	Urban Development
11. Power and Energy	Energy	Energy	Energy	Energy	Energy
12. Public Works	Public Works	Works	Public Works	Highways and minor ports	Public Works (*Adhisthan*)
				Buildings (public works department)	Public Works (buildings)
					Public Works (communication and bridges)
					Public Works (communication and roads)
					Public Works (directorate)
13. Forest & Environment	Forest and Environment	Forest and Environment	Environment	Environment	Environment
			Forests	Forests	