

CHAPTER 4

Review of State Finances

4.1 An evaluation of the fiscal capacity of the State is necessary to assess the extent to which transfer of funds from the State Govt. to local bodies may be made without upsetting the resource base required for the State to meet its committed liabilities and pursue socio-economic development, while not ignoring the resources that the local bodies must have for effective delivery of basic services and discharging their Constitutional responsibilities to the citizens. This requires an analysis of the finances of the State to project for the next five years Govt's own revenues from taxes, duties, etc which may be shared with the PRIs and the ULBs and also the total revenues of the State Govt. from which suitable grants both untied and tied, may be provided to the local bodies.

4.2 We have made a review of the finances of the State Govt. of the last five year period i.e. 2006-07 to 2010-11 to see the trends of revenues and expenditure, so as to project the revenues and expenditure for the coming five years i.e. 2012-13 to 2016-17, i.e. the award period of the Commission. Generally the nexus between the growth of GSDP and the revenues and expenditure of the State during the last five years has been used to arrive at the normative values of such projections. This Commission also had the benefit of the projection of revenue and expenditure made by the 13th Finance Commission (13th FC) for the period 2010-15. The Commission has looked at the actual for the years 2010-11, for 2011-12(RE) and the budget estimates for the year 2012-13, as against the projections made by the 13th FC. We have also considered the projections of revenue made by the State Govt. for the Twelfth Five Year plan, the period of which coincides with the award period of this Commission. The projections made by the Commission are broadly based on this, but to an extent moderated by the trend growth rate (TGR) of revenues and other factors. The data and information for this reviewed have been drawn from the budget documents of the Government. We have also drawn extensively on the excellent report of the C&AG of India on State Finances for the year ending 31.03.2011.

Gross State Domestic Product (GSDP)

4.3 The GSDP mirrors the economic development of a State and also serves as a proxy for the fiscal capacity of the State. Hence a brief discussion of trends in GSDP is called for. Chhattisgarh, which has completed a little more than a decade of its existence as a separate State, has recorded a high rate of growth of GSDP. The long term growth rate of GSDP of the State has been an impressive 14.52% at current prices and 8.12% at constant prices. During the last five years (2006-07 to 2010-11) the trend growth rate at current prices has been 14.35% inspite of a bad year (2009-10) in which the growth rate dipped to a low of 2.36%. The growth rate at constant prices during the same period was 7.40%. The trend of GSDP growth in the last five years is given in the table below:

Table 4.1 : Trends in GSDP Growth

At current price	2006-07	2007-08	2008-09	2009-10 (P)	2010-11 (Q)	2011-12 (A)
GSDP (Rs. in crore)	66874.89	80255.11	96972.18	99261.96	117566.74	135536.34
Growth rate (%) changing over previous year	25.28	20.10	20.83	2.36	18.44	15.28
At Constant Price						
GSDP (Rs. in crore)	58598.16	63643.77	68982.11	71221.19	79166.09	87723.17
Growth rate %	18.60	8.61	8.39	3.25	11.16	10.8

Source: Economics Survey, 2011-12, Directorate of Economics and Statistics, Govt. of C.G.
P-Provisional, Q-Quick Estimate, A-Advance Estimate

There was a drastic dip in the growth rate in the year 2009-10. This was a bad year with a drought situation in 66 blocks of 12 districts. The growth of the primary sector was marginal while there was a negative growth (-7.38%) in the secondary sector. The service sector's better growth could not compensate the failure of the other two sectors. This year may have to be treated as an aberration. The economy of the State bounced back to appreciable growth the very next year (2010-11) albeit on a lower base. Even after taking into account the bad year, the trend growth rate has been 14.35% of the five year (2006-11) period. The five year trend growth rate at constant prices works out to 7.40% which is higher than the national average. It is however, estimated that the GSDP of State at current prices in the year 2011-12 will be Rs. 1,35,536.34 crore, registering a growth of 15.28% over 2010-11. At constant prices the growth rate is likely to be 10.81%.

4.4 The sectoral growth rates of GSDP also do not reveal a clear trend. The average growth rate of the primary sector during the five year period works out to 14.85%, while it has been as high as 25% in 2007-08 and as low as 1.02% in 2010-11. Similarly, the average

growth rate of the secondary sector is 20.93%, while the fluctuations have been of the order of 51.80% in 2006-07 and (-) 7.38% in 2010-11. The growth of tertiary sector, however, has not displayed such wide variations. But, while the services sector has driven the economic growth in the country, its contribution to GSDP in Chhattisgarh is almost constant at 33 to 35%. It has registered some increase only in the last two years. At constant prices, the contribution of the services during the 11th FYP was 11.17%, more than the plan target of 8%.

4.5 The long-term GSDP growth rate has been 14.52%. The 13th Finance Commission has assumed a growth rate of about 12.5% at market prices till 2015. This has been arrived at after making the necessary adjustments for bringing up the GSDP of all States to a comparable level and taking into account the growth target rate of GSDP over the same period as fixed by the Planning Commission. The GSDP of the State for 2010-11 and 2011-12 exceeds the forecast by the 13th FC, as follows:

Year	13 th FC Forecast (Rs. in Cr)	Estimated (Rs. in Cr)	
2010-11	102004	117566.74 (Q)	15.3% Higher
2011-12	114728	135536.34 (A)	18.2% Higher

4.6 As already mentioned the trend growth rate of the last five years (2006-07 to 2010-11) at current prices has been 14.35%. Considering that mining activities in the State are bound to grow given the large deposits and coal, iron-ore, bauxite etc; that a number of large power plants are likely to be commissioned; and that there is considerable growth of construction activities in the State and growth of the transport sector, it will be reasonable to assume that the State's economy will grow at a rate equal to the long-term average, if not higher. However, we have also to factor in the economy of the country, which is bound to affect the State. The growth of the economy has slowed down and the growth rate for the year 2011-12 has been scaled down to 6.50 to 7% from 9%. The overall outlook of the economy casts doubts about the 12th plan target growth being achieved. This will have its impact on the State. The forecast of GSDP growth rate at current price for the year 2011-12 at 15.28% is slightly more than the long-term average of the State. In this background, we propose to adopt, for the purpose of our evaluation of the fiscal capacity State, a growth rate of GSDP at current price, equivalent to the long term growth of 14.5% for the years 2012-17. This will be at a rate higher than the rate adopted by the 13th FC. This is also marginally different from the projections made by the State Govt. for the 12th Five Year Plan on the basis of the recommendations of the Planning Commission Working Group. These projections are

apparently based on the trend growth rate of GSDP of the State at 12.8% and as per approved plan are as under:

(Rs. in crore)				
2012-13	2013-14	2014-15	2015-16	2016-17
1,52,830	1,72,330	1,94,318	2,19,112	2,47,070

GSDP estimates for the base year (2011-12) is 15.28% higher than the previous year at Rs. 1,35,536.34 crore. For the purpose of our calculation it has been moderated to 14.5%. Thus the base year GSDP has been taken as 1,34,613 core. For the period 2012-17 the GSDP projected on the above basis is as under:

Table-4.2 : GSDP (at Current Prices)

(Rs. in crore)					
Base Year 2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	14.5%	14.5%	14.5%	14.5%	14.5%
1,34,613	1,54,132	1,76,481	2,02,072	2,31,371	2,64,920

We have assumed GSDP growth as above, during the award period of the Commission (2012-17) for all purposes.

Financial Status of the State

The financial position of the State as it was in 2006-07 and in 2010-11 i.e. over the period of last five years, as also the position in 2011-12 and as in the current year's budget, is given in the table below:

Table-4.3 : Financial Position of the State

(Rs. in crore)					
S.No	Description	2006-07 A/C	2010-11 A/C	2011-12 RE	2012-13 BE
I	Revenue Receipts (a+b)	11453.24	22719.54	27708.30	31378.64
(a)	State's Receipts	6497.06	12840.46	15031.94	17521.15
1.	Tax Revenue	5045.72	9005.14	10494.76	12175.59
2.	Non Tax Revenue	1451.34	3835.32	4537.18	5345.56
(b)	Central Receipts from centre	4956.18	9879.08	12676.36	13857.49
1.	States Share in Central Taxes	3198.77	5425.19	6517.22	7494.83
2.	Grant in Aid	1757.41	4453.89	6159.14	6362.66
II	Capital Receipts	196.53	-769.06	4488.16	5793.90
	Recovery of Loans & Advance	356.92	563.81	1253.08	1571.70
III	Total Receipts	11649.77	21950.48	32196.46	37172.54

IV	Non Plan Expenditure	6228.09	11299.72	13774.74	15642.42
	Revenue Expenditure (Include Interest Payments)	6194.03	11286.39	13762.68	15631.14
	Loan & Advance	1025.53	1198.37	11.27	10.47
V	Plan Expenditure	5545.30	11576.44	18972.72	21931.19
	Revenue Expenditure	2608.41	8069.36	11805.01	12788.24
	Capital Expenditure	2169.08	2950.52	5843.34	7189.08
	Loan & Advance	767.81	556.56	1324.37	1953.87
VI	Total Expenditure	11773.39	22876.16	32747.46	37573.61
VII	Revenue Expenditure	8802.44	19355.75	25567.69	28419.38
VIII	Capital Expenditure	2198.10	2951.51	5844.13	7189.89
IX	Loan & Advance	772.85	568.90	1335.64	1964.34
X	Revenue Deficit	2650.80	3363.79	2140.61	2959.26
XI	Fiscal Deficit	36.77	409.75	(-)3786.08	(-)4623.27
XII	Primary Deficit	1062.30	1608.12	(-)2531.74	(-)3280.73

Source :Basic Data, C.G. Govt., Finance Secretary's Memorandum of respective years.

During the last five years (2006-2011), the total expenditure of the State has expanded by nearly 200% from Rs. 11,773 crore to Rs. 22,878 crore and by the current year more than 300%.

The State's fiscal position in terms of GSDP (current prices) during the last five years has been as under:

S.	Description	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Average of 6 years (with RE)
No		(A/C)	(A/C)	(A/C)	(A/C)	(A/C)	(RE)	
I	Revenue Receipts (a+b)	17.13	17.29	16.15	18.29	19.32	20.44	18.10
(a)	State's Receipts	9.72	9.52	9.07	10.24	10.92	11.09	10.09
1.	Tax Revenue	7.55	7	6.80	7.18	7.66	7.74	7.32
2.	Non-tax Revenue	2.17	2.52	2.27	3.07	3.26	3.35	2.77
(b)	Central Receipts	7.41	7.78	7.08	8.05	8.4	9.35	8.01
II	Capital Receipts	0.29	0.63	1.97	2.57	(-)0.65	3.31	1.35
III	Total Receipts	17.17	17.93	18.12	20.86	18.67	23.75	19.46
IV	Total Expenditure	17.61	18.03	17.76	21.07	19.46	24.16	19.68
V	Revenue Expenditure	13.16	13.51	14.22	17.39	16.46	18.86	15.60

VI	Loans and Advance	1.16	0.63	0.51	0.91	0.48	0.99	0.78
VI I	Revenue (Surplus)	3.96	3.79	1.93	0.89	2.86	1.58	2.50
VI II	Fiscal Deficit	0.05	(-)0.16	(-)1.06	(-)1.77	0.35	(-)2.80	(-)0.89
IX	Primary Surplus/Deficit	1.59	1.26	0.05	(-)0.67	1.37	(-)1.87	0.29

4.7 The 13th Finance Commission had recommended, as part of the road map for fiscal consolidation, that States with zero revenue deficit or revenue surplus in 2007-08 should eliminate revenue deficit by 2011-12. Secondly, that such States should achieve a fiscal deficit of 3% of GSDP by 2011-12 and maintain it thereafter. The Commission had urged States to limit their borrowings. It had asked the States to amend the Fiscal Responsibilities and Budget Management (FRBM) Act to bring it in line with the above recommendations. The State Govt. has accordingly amended the FRBM Act in 2011. As per this amendment the State Govt. shall maintain the revenue deficit at 3% of GSDP during the same period. The amendment also provided, in compliance the 13th FC stipulation, that a limit on the total outstanding debts of the State as a percentage of GSDP to be within 22% in 2010-11 to 23.90% in 2014-15.

4.8 The State has adhered to these targets. The State has maintained a revenue surplus during the last five years (2006-11) and also during the year 2011-12(RE) and 2012-13(BE) which cover three years of the 13th FC award period. The fiscal deficit has also been maintained at a low level and has not exceeded the target of 3% since 2006-07. In fact, the State had a fiscal surplus in 2009-10 and 2010-11. The State's total debts as on 31.03.2011 of Rs. 13,447.74 crore which is 11.45% of the GSDP, much below the limit prescribed in the FRBM Act. Thus, the State has not only complied with the fiscal targets prescribed by the 13th FC but has maintained an overall robust fiscal position. We would, however, like the State Govt. to consider how far it is prudent, from economic development point of view, to have fiscal surplus. A new State needs large investment in infrastructure and the surplus funds could perhaps be mobilized for creative productive assets. There are also some incipient concerns in the management of finances, about which our observation and suggestions have been given later in the report.

State's Revenue Receipts:

4.9 The revenue receipts of the State, including State's own revenue, comprising tax and non-tax revenues, the Central tax transfers and grant-in-aid increased at a rate of 18.7%

during the last five years (2006-11). The CAGR of revenue receipts of the State during the period 2001-10 was 19.46% as against 15.20% for all General Category States in the country. The above growth rate has, however, come down to 13.3% in 2012-13 (BE). While nearly 57% of the revenue receipts in the year 2010-11 came from the State's own resources, the Central transfers and grant-in aid together contributed 43%. The trend in revenue receipts relative to GSDP and the revenue buoyancy with respect to GSDP, are given in the table below:

	2006-07	2007-08	2008-09	2009-10	2010-11	CAGR	2011-12(RE)	2012-13(BE)
Revenue Receipts (RR) (Rs. In crore)	11453	13879	15663	18154	22720	18.7	27708	31379
Rate of growth of RR (percent)	29.6	21.2	12.86	15.9	25.15	-	21.9	13.3
RR/GSDP (percent)	17.7	17.48	16.2	18.3	19.3	-	20.4	19.11
Revenue Buoyancy with respect to GSDP	1.17	1.06	0.62	6.74	1.36	-	1.43	0.63

The revenue receipts increased from Rs. 11,453 crore in 2006-07 to Rs. 27,708 crore in 2011-12 (RE). The buoyancy of revenue has been more than 1 during the last three years but is likely to be lower at a 0.63 in the current year.

State's own Revenue Receipts (SOTR):

4.10 The States performance in mobilizing internal resources has been quite good. The tax administration costs in C.G have been relatively lower than the national average, showing greater effectiveness in tax collection. The trend of collection of tax and non-tax revenue in the State, during the last five years (2006-11), has been as under:

Table-4.6 : State's Own Revenue

(Figures in Crores)

HEADS	YEARS							
	2006-07	2007-08	2008-09	2009-10	2010-11	CAGR	2011-2012 (RE)	2012-13(BE)
Tax Revenue (SOTR)	5046	5618	6594	7123	9005		10,494.76	12175.60
Rate of Growth (%)	24.53	11.34	17.37	8.03	26.42	15.6	16.54	16.02
Non-Tax Revenue	1451	2021	2202	3043	3835		4537.18	5345.60
Rate of Growth (%)	18.06	39.28	8.96	38.19	26.03	27.5	18.30	17.82

State's Own Revenue Receipt(Tax+ Non-Tax)	6497.06	7638.52	8795.9	10166.3	12840.5		15031.94	17521.15
As percentage of total Receipts	55.8	53.09	50.06	49.1	58.5		46.69	47.13

While the State's own revenues have grown substantially in terms of percentage of total receipts, the percentage is less in the years 2011-12 (RE) and in 2012-13 (BE) mainly because of higher Central Tax transfers following the 13th Finance Commission award.

The actual receipts under the tax and non-tax revenues have, however, been more than the assessment made by the 13th Finance Commission, as under:

Table-4.7 : 13th Finance Commission Forecast of Revenues

Year	13 th Finance Commission Forecast		Actual	
	Tax Revenue	Non-Tax Revenue	Tax Revenue	Non-Tax Revenue
2010-11	8946.59	2389.38	9005.14	3835.36
2011-12(RE)	10062.56	2516.25	10494.76	4537.18
2012-13(BE)	11320.38	2652.46	12175.59	5345.56

Tax Revenue:

4.11 The tax revenue of the State (SOTR) has had a CAGR of 15.6% during the last five years (2006-11). The CAGR of OTR during 2001-02 to 2009-10 was 17.26% as against 14.53% of the General Category States. However, the growth rate has not been consistent and ranged between 8% and 26% and is about 16% in 2011-12 (RE) and in the budget estimates of the current year.

4.12 The main tax revenues of the State are taxes on sales, trade, etc (VAT), State excise, taxes on vehicles and stamps and registration fees. The sector-wise components of tax-revenue for the period 2006-11, as also for the year 2011-12 (RE) and 2012-13 (BE), were as under:

Table-4.8 : Sector-wise components of Tax Revenue

(Rs. in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12(RE)	2012-13(BE)
Taxes on Sales, Trade, etc.	2,843	3,024	3,611	3,712	4,841	6,000	7,200
State Excise	707	843	964	1,188	1,506	1,550	1,650
Taxes on Vehicles	253	277	314	352	428	475	550
Stamps and Registration Fees	390	463	496	583	786	875	1,000
Land Revenue	61	88	359	160	247	250	275
Taxes on Goods and Passengers	302	511	421	696	675	700	805
Other Taxes	490	412	429	432	522	645	696
Total	5,046	5,618	6,594	7,123	9,005	10,495	12,176
Growth Rate (in %)	24.53	11.34	17.37	8.03	26.42	17	16

Source : Finance Secretary's Memorandum of respective years.

4.13 VAT constitutes nearly 60% of the total tax revenues of the State, although VAT is likely to be replaced by Goods and Services Tax (GST) with effect from 01.04.2013, and that may impact on the revenues from this source, there are doubts about the GST being introduced so soon and, in any case, GST will be revenue-neutral for five years in so far as the States are concerned. We have not, therefore, taken into account GST impact on the State's own-tax revenue.

4.14 Generally, as the GSDP grows the State's tax revenue should also grow. This has not been the case in the State. The buoyancy of SOTR with reference to GSDP has not been consistent and as may be seen in the table below:

Table-4.9 : Buoyancy of OTR with respect to GSDP

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Growth of GSDP	25.28%	20.01%	20.83	2.36%	18.44%	15.28%
SOTR Buoyancy	0.97	0.57	0.83	0.34	1.43	1.08

Generally tax revenue has grown at a rate lower than that of GSDP.

The tax-GSDP ratio during the last five year (2006-11) has been as under:

Table-4.10

(Figures in Crores)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (RE)
State's Own Tax Revenue	5045.72	5618.07	6593.72	7123.27	9005.14	10494.76
GSDP	66874.89	80255.11	96972.18	99261.96	117566.74	135536.34
Tax-GSDP Ratio(%)	7.50%	7.00%	6.80%	7.20%	7.70%	7.70%

The State's tax revenue in relation to GSDP (ratio) has been around 7 to 8% and the average of the last five years (upto 2010-11) comes to about 7.25%. The 13th Finance Commission, on the basis of their calculations, adopted a tax-GSDP ratio of 8.77 for the State for the period 2010-15. As we have shown the SOTR has been higher than the projection by the 13th FC during the last two year (2010-12). We propose to adopt GSDP ratio of 8 for projection of own tax revenue of the State for the period 2012-17, on the basis of the GSDP as projected by us.

4.15 The projected SOTR of the State for the period 2012-17 on the above basis which is closer to 12th Plan estimates are as under :

Table-4.11 : Projection of State's Own Tax Revenue

	2012-13	2013-14	2014-15	2015-16	2016-17
Estimates of State Govt. for 12 th V Yr. Plan	12719.48	14338.28	16446.01	18863.57	21636.51
13 th Finance Commission projections	11320.38	12735.43	14327.36	-	-
2nd CGSFC projections	12175.60	14118.50	16165.80	18509.70	21193.60
Tax GSDP ratio	8	8	8	8	8

The tax revenues are lower than what has been projected by the State Govt. for the 12th V Yr. Plan, but higher than the estimation of the 13th FC. Our projections as above are marginally different from those made by the State Govt. from the 12th Five Year Plan. The Plan projections are based on the growth rate of 14.7%, but as may be seen the projections for the year 2012-13 is already off the mark, the budgeted figures being Rs. 12,175.59 core. The Commission feels that the projections on the basis of GSDP will be more accurate. As per our projection the SOTR shall be a total of Rs. 82163 core over the 2012-17 five year period.

Non-Tax Revenue

4.16 The non-tax revenue of the State constitutes more than 20% of its own revenues. The compounded annual growth rate of non-tax revenues of the State during the 2001-02 to 2009-10 was 19.69% as against 13.87% of all General Category States. The CAGR of the last five years (2006-2011) has been 27.5%. The growth rate during these years, however, was not consistent and ranged between 8.96% in 2008-09 to 39.28% in 2007-08. The increase in non-tax revenue in the last two years has been mainly on account of increase in mining receipts (mineral, concession fees, royalties and other receipts), which is one of the major

sources of non-tax revenue receipts of the State. This alone constituted 64% of the non-tax revenue receipts during the year 2010-11 as compared to 55% on 2009-10. This increase was mainly because royalty on coal has been revised. The initial growth in mining revenue, however, would taper off. Hence the growth rate of non-tax revenue in 2011-12 (RE) the last year is 18.3%, while it is estimated to be only 17.8% in the BE for 2012-13. Increase in mining revenue is likely with new mining activity, in the State, particularly of coal. But the higher receipts expected under two heads on account of major and minor irrigation in the years 2011-12 (RE) of Rs.277cr and Rs. 717cr respectively, and further increase in 2012-13 (BE) are unlikely to be achieved. We may therefore assume for our purpose an increase of 18% in non-tax revenue in the years 2011-12 over 2010-11 and an annual compounded growth rate of 16% during 2012-17.

4.17 The non-tax revenue of the State projected on the above basis (CAGR of 16%) is given below; alongside are the projections made by the 13th FC. We have, however, projected non-tax revenue on the basis 3% of GSDP, that being on an average the ratio of this revenue in relation to GSDP.

Table-4.12 : Non-tax Revenue Projections

Projections	2011-12 Base year	2012-13	2013-14	2014-15	2015-16	2016-17
At 16% CAGR	4425.7	5249.81	6089.78	7064.15	8194.41	9505.52
13 th FC Projections	2516.25	2652.46	2811.44	2982.90	-	-
State Govt. Projections	4348.76	5145.29	5653.47	6211.27	6823.45	7495.19
At 3% of GSDP	4038.40	4624.00	5294.40	6062	6941.00	7948
Actual	4537.00(RE)	5345.56(BE)	-	-	-	-

The revenues in 2011-12 (RE) and 2012-13 (BE) far exceeded the 13th FC projections, by as much as more than 100%. The 13th FC projections are also far below the projections on the basis of CAGR (which is the highest) and also 3% of GSDP. We have projected SOTR on the basis of tax-GSDP ratio and hence propose to follow the same in case of non-tax revenue. At 3% of GSDP the non-tax revenue projections appear the most realistic. In the projections of non-tax revenue, again we have not gone back the State Govt. projections for the 12th Five Year Plan. The difference between the two is, in any case very small.

4.18 As per our projections, own revenues of the State, both tax and non-tax, during the award period of the Commission are likely to be as under:

Table-4.13 : Projected Own Revenue of State

	2012-13	2013-14	2014-15	2015-16	2016-17	Total
1. OTR	12175.6	14118.5	16165.8	18509.7	21193.6	82163.2
2. SONTR	4,624.00	5,294.40	6,062.60	6941.00	7948.00	30869.40
3. Total own revenue	16799.60	19412.90	22227.80	25450.7	29141.60	113032.60

Expenditure

4.19 We have made an analysis mainly of the revenue expenditure of the State over the last five years to arrive at projected committed non-plan revenue expenditure over the coming five years. The objective is to assess to what extent the State's own revenue meets these liabilities. Devolution of funds to local bodies to an extent has been leveraged on the surplus.

4.20 The total expenditure of the State Govt. and its composition during the five years 2005-11 is given in the table below:

Table-4.14 : Total Expenditure and its Composition

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (RE)
Total Expenditure	11,773	14,473	17,226	20,910	22,876	32,748
Rate of Growth	26.71	22.93	19.02	21.39	9.4	43.15
Revenue Expenditure	8,802 (75)	10840 (75)	13,794 (80)	17265 (83)	19,356 (85)	25,568 (78)
Of which, Non-Plan Revenue Expenditure	6,194	7,264	8,373	10,448	11,287	13,763
Capital Expenditure	2,198 (19)	3,131 (22)	2,940 (17)	2,745 (13)	2,952 (13)	5,844 (17.8)
Loans and Advances	773 (07)	502 (04)	492 (03)	900 (04)	569 (02)	1,336 (04)

Figures within bracket are percentage of total expenditure.

The compounded annual growth rate of total expenditure of the State during 2001-02 to 2009-10 was 18.16% as against 13.53% of the General Category State. However, the growth rate ranged from 9% (2010-11), which is not a typical year to 26% (2006-07) and 43.15% in 2011-12 (RE).

4.21 Revenue expenditure is incurred primarily to maintain the current level of services, for maintenance of assets and for interest payments. The revenue expenditure during the last 3 years has been more than 80% of the total expenditure. The non-plan component of the revenue expenditure (NPRE) has been about 60%. Although the share of total NPRE in

revenue expenditure declined from 70% in 2006-07 to 58% in 2010-11, the volume has gone up by 100% in these five years. The NPRE for the last two years (2010-12) has far exceeded the normative projection of the 13th FC and same is the position for the current year (2012-13), as under:

Table-4.15 : NPRE 13th FC Forecast and Actual

Year	Forecast by 13 th FC	Actual	Difference in percentage
2010-11	8901.89	11286.39	27%
2011-12	9670.30	13762.68 (RE)	42.3%
2012-13	12959.42	15631.14 (BE)	20.6%

The main components of NPRE which are committed expenditure of the Govt. are salaries and wages, expenditure on pensions, interest payments and subsidies have increased consistently over the years.

- 1. Expenditure on salaries and wages:** The CAGR of salaries and wages of the State during 2001-02 to 2009-10 was 15.15% as against 11.45% of General Category States. The expenditure on non-plan salaries and wages in 2010-11 was more by 22% than the assessment made by the 13th FC. Similar has been the trend in 2011-12 and 2012-13. In fact, salaries and wages (both plan and non-plan) constituted almost 30% of the Revenue receipts of the State during 2006-11.
- 2. Expenditure on pension** has also been increasing substantially. It was 9% of revenue expenditure and 16% of NPRE and accounted for nearly 8% of the revenue receipt of the State during 2001-10. The expenditure on pension payment far exceeded the projections made by the 13th FC by 84% in 2010-11 and is likely to increase by 90% in 2011-12 (RE) and almost 100% in 2012-13 (BE).
- 3. Interest Payment** of (Rs. 1198 crore), however, was within the projection made by 13th FC (Rs 1578 crore) for the year 2010-11. Interest payment, similarly is expected to be much lower at Rs 1254 crore and Rs.1343 crore in 2011-12 and 2012-13 as against 13th FCs projection of Rs. 1836 crore and 2126 crore respectively, for the years and 2012-13 respectively. This reflects borrowings on a lower scale by the Govt.
- 4. Subsidies:** The expenditure by way of various subsidies including social security and welfare has increased from Rs. 361 crore in 2006-07 to Rs 1764 crore in 2010-11, an increase of nearly 500%. In 2010-11 subsidies constituted 9% of revenue

expenditure. The major recipients of subsidies were agriculture and allied activities including food storage (Rs. 622.54 crore), electricity (Rs.202 crore) and social welfare and nutrition (Rs. 887 crore). The rising subsidy bill of the State should be a matter of concern for the State.

4.22 The growth of non-plan revenue expenditure (NPRE) during the last five years has been as under:

Table-4.16 : Non-Plan Revenue Expenditure

Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (RE)
Non-Plan Revenue Expenditure	6194	7264	8373	10448	11287	13763
Rate of Growth	13.68	17.27	15.27	24.78	8.03	21.94
% of GSDP	9.3	9.1	8.6	10.5	9.6	10.2

The CAGR of NPRE has been 16% during the years 2006-11. It was high at 21.94% in 2011-12, but has come down to about 14% in 2012-13 (BE). During the five year period 2006-11 NPR has been on an average 9.5% of GSDP. It increase to 10.02% in 2011-12 (RE) but again has come down to 9.5% in the BE of 2012-13. On the basis of 9.5% of GSDP for the first three years i.e. 2012-15 and 10% of the remaining of the remaining two years 2015-17 NPR is projected to be as follows during the period 2012-13 to 2016-17.

Table-4.17

	2012-13	2013-14	2014-15	2015-16	2016-17
Projected GSDP	154132	176481	202072	231371	264920
Projected NPRE at 9.5/10%	(9.5%)	(9.5%)	(9.5%)	(10%)	(10%)

The projected NPRE is more than the State's projected own tax revenue for these years, but is less than the State's own revenues, tax and non-tax as may be seen in the table below.

Table-4.18 : Projected Own Revenue of State & NPRE

	2012-13	2013-14	2014-15	2015-16	2016-17	Total
Total own revenue	16799.6	19412.9	22227.8	25450.7	29141.6	113032.6
NPRE	14642.5	16765.7	19196.8	23137.1	26492	100234.1
Difference Surplus/Deficit	2157.1	2647.2	3031	2313.6	2649.6	12798.5

The total own revenue of the State is likely to be more than NPRE during the next five years. We have taken this position into account while recommending devolution of funds to local bodies.