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Subsidies in Rajasthan State Budgets

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Introduction

Fiscal imbalance in the budgets of most state governments has been a cause of concern particularly since the early nineties when the centre initiated a series of monetary and fiscal reforms. It is well known that stabilization and structural adjustment were the two major planks of reform. Stabilization required, among other things, that deficits in government budgets be reduced to levels consistent with the objective of price stability. On the revenue side however, the emphasis was on substituting a high tax rate regime with a more reasonable tax rate structure. Changes in the indirect tax structure became necessary when exchange rate devaluation and a more liberal trade regime both required the custom duty and excise rates to be restructured with lower rates of taxation. This inevitably meant that the macro tax to GDP ratio would fall at least in the short to medium term. This meant that the focus of reforms be on expenditure management and on reduction in government subsidies. Explicit and implicit subsidies have been a significantly large proportion of government expenditure. The new paradigm of market friendly development policies regards subsidies as market distortions in achieving efficiency in the allocation of resources. Therefore, eliminating or reducing them is an important component of economic reform agenda.

In this background a number of studies on the extent of subsidies in different sectors were completed in the mid- nineties. The fact that deficits at the state level are as big as the deficits in the central budgets was highlighted. The state governments faced fiscal distress of varying magnitudes especially after the implementation of pay revisions in 1997 and 1998. Since the tax revenue raising opportunities at the state level were relatively limited, it was inevitable that attention would shift to the non-tax sources of revenue. On the expenditure side, state governments are even more constrained in reducing expenditure. State expenditures are highly salary (and pensions) intensive as the sectors on which more money is spent viz. education and health are not only labour intensive but they are also skilled labour intensive. This results in a very high salary component in total expenditures. The pattern of plan financing leads to a further drain on state resources because it results in mounting debt and increasing interest burden on loans and market borrowings obtained at fairly high interest cost.

Successive Finance Commissions, the central and the state governments have been trying to address these issues in a number of ways. It is recognized that fiscal stress at both the centre and the state level cannot be tackled at the expense of either. Steps are required at both levels. One attempt has taken the form of legislative action in the form of fiscal responsibility acts (FRAs). The Government of India has passed and notified the FRA (World Bank, 2005). Five states viz. Karnataka, Kerala, Punjab,Tamil Nadu and Uttar Pradesh have passed FRAs. Three states viz. Mahrashtra, Madhya Pradesh and Orissa have drafted a bill (World Bank, 2005:13). The Rajasthan Government has also introduced a Bill in the March 2005 Assembly session. Despite some skepticism regarding FRAs, the 12th Finance Commission has also recommended a debt-restructuring plan for states that commit themselves to fiscal adjustment through a FRA. It is therefore, not surprising to find that state governments with different political and ideological orientation have passed this legislation. Details of state legislation differ. Nevertheless, all acts impose quantitative and time bound targets on revenue and fiscal deficits, and they all mandate the production of multi-year budget forecasts in line with those targets, and at least bi-annual reporting of performance against the targets.

The fiscal imbalance is reflected in the growing revenue, fiscal and primary deficits of the state governments. Of these, the persistent and increasing revenue deficit is perhaps, the most significant as it implies that the states have to borrow to meet current expenditure needs. As a result a much smaller proportion of capital receipts is spent for meeting capital expenditure needs. In 1991-92 capital expenditure was 79 per cent of capital receipts of all states. This proportion fell to only 61 per cent in 2002-03. The Gross Fiscal Deficit (GFD) of all states combined amounted to Rs. 116,636 crores in 2002-03 or about 9.5 per cent of GDP; the revenue deficit was Rs. 61,240 crores or about 5 per cent of GDP and primary deficit was Rs. 42,2448 crores or about 2.6 per cent of GDP.

It is in this background that the present note attempts to make a quick analysis of Rajasthan budgets to identify the sectors where the revenue-expenditure gaps are particularly big. This is done in the hope that a more detailed analysis would help the methods that could be adopted for reducing the gaps. Reducing the gap is seen not as an end in itself but as a means for achieving a more efficient pattern of government spending and revenue raising. It is also seen as a first step towards preparation for achieving the objectives of the FRA in the state.[2] Section I of the paper discusses the conceptual issues regarding subsidies and their estimation. Section II provides an overall review of state finances for the period 1998-99 to 2003-04. Section III provides estimates of the revenue gaps overall and by sector. Section IV examines the growth of plan expenditure on revenue account. Section V reviews the role of state enterprises and Section VI gives a summary of conclusions of the analysis.

I

Revenue Gaps or Subsidies?

Budget subsidies may be defined in several ways. Explicit subsidies are money transfers from the government to reduce the cost or price of the good/service to achieve an economic goal such as promoting exports or a social goal of equity or for promoting consumption of a desirable service/ commodity. Economists describe such subsidies as negative indirect taxes. Apart from explicit subsidies, the government also gives unintended subsidies or implicit subsidies, when the full cost of a service is not recovered from the user or the beneficiary. To be sure, not all of such measures are unintended. In fact the largest subsidies in recent years have arisen because the state has taken conscious decisions not to recover costs for many different reasons. The input subsidy regime in Indian agriculture where major inputs like water, power, fertilizer and credit are provided below cost is the result of conscious policy decisions. Even so, the view is widely shared that this method of financing social or economic services is conducive neither for efficiency of resource use nor is it fiscally viable. Selective tax exemptions are also implicit subsidies. The Ministry of Finance (MoF, 2004) in its discussion papers on subsidies uses a concept that was originally employed by Mundle and Rao (1992) and continues to be used in later studies as well (e.g. Srivastava and Sen, 1997; Rao, 2003; MoF, 2004). **This concept describes subsidies as the "difference between the cost of delivering publicly provided goods or services and the recoveries arising from such deliveries" (Rao and Mundle, 1992).** In other words a subsidy is defined as the entire unrecovered cost of providing a good/service. This definition is broader than the one given in the National Accounts in which subsidies are defined as explicit subsidies plus losses of departmental undertakings. In government budgets only explicit subsidies are defined as subsidies. In the broader definition used in the studies mentioned earlier subsidies to households implicit in the provision of social and economic services are included along with explicit subsidies.

In order to avoid any misunderstanding we prefer to use the term ***'revenue gap' or 'un-recovered cost'*** rather than 'subsidy'. The term 'subsidy' has the connotation of assistance to provide a service below cost. The entire un-recovered cost cannot be called assistance to users. This is so for two reasons. One is that the government's cost of providing a service is generally higher than what it is or might be had the same service been provided through the market. The higher cost is due to various reasons such as larger work force or higher salaries or simply inefficiency. In such cases without an efficiency indicator for comparison it may not be justified to treat the entire un-recovered cost as subsidy. The second reason is that part of the cost is financed out of central grants received either as plan or as non-plan grants. Non-plan grants cannot be allocated to individual sectors but they are legitimate receipts of the state government in the constitutional scheme of financial devolution. They are of a nature similar to the share in central income taxes or excise duties. This share is treated as part of the tax revenues in the state budget. Non-plan statutory grants are not shares in specific taxes but are shares in central revenues that are assigned to the states to bridge their revenue gaps. The gaps are the result of imbalance in revenue needs and expenditure obligations of the state governments to meet their functional responsibilities. The Finance Commission determines every five years the extent to which the gap is real or the result of fiscal profligacy. In short, whatever be the shortcomings of our scheme of fiscal federalism, it is our view that the statutory grants received by the state governments be treated as legitimate sources of revenue. Therefore, in this note both unadjusted as well as non-plan grant adjusted revenue gap has been estimated.

Public, Private and Merit Goods

Budget Expenditures are expected to finance ***public*** goods. The distinction between public and private goods is made, in the present context, to determine the issue of recovery of costs incurred in the provision of goods/services by the state.[3] There are many goods and services that lie in the intermediate range that satisfy the private good characteristic of exclusion but at the same time have significant external effects. Education, health and housing are examples. In, other cases distributive justice and equity considerations may merit that some, if not all, of such goods/services are financed through the budget and costs are not recovered. Such goods are termed ***merit*** goods. In other cases, a purely private good may be financed through budget expenditures because of other considerations including that of efficiency of provision on a large scale (e.g. road transport or drinking water supply) in a co-ordinated manner. In these cases, cost recovery is expected but may not be achieved by the government. One reason is the commonly adopted practice of cross-subsidization. This results in subsidies that are not transparent. Such goods are termed ***non-merit*** goods/services. The expansion of several public sector units at the central and the state levels would belong to this category and is the result of deliberate policy choice that may have lost its rationale both from the perspective of efficiency and of equity.

Planning and development strategies adopted in India assigned major responsibility of financing several sectors/activities from budgetary expenditures without provisions for adequate cost recovery from the users. In fact, deficit financing was treated as a legitimate form of financing a development plan. In several other cases many goods and services were consciously subsidized for achieving perceived social or economic objectives. This approach made budget financing and cost recovery into a purely political economy exercise. As a result such expenditures have proved to be sticky and difficult to change. Nevertheless, we need to identify in greater detail, sectors and activities where the problem is serious and may be amenable to change with policy modification. The objective of this note is to quantify and identify the sectors of imbalance and examine the extent to which the imbalance is justified in terms of provision of a public or merit good or service. This could then lead to a more detailed sector examination for initiating corrective action. Just as small steps taken year by year created the deficits, taking several small steps without waiting for a large correction can also make a difference. (e.g. power sector reforms may take many years but small departmental changes can result in more immediate impact).

II

Overall Financial Status – Growth of Revenue and Expenditure

Table 1 summarizes the fiscal situation of Rajasthan since 1998-99. The Table also shows the fiscal, revenue and primary deficits in absolute rupee terms. The overall revenue gap in economic and social services that are classified as 'development expenditures' is also shown. The year on year growth is shown in Table 2. Tax revenues that include the share in central taxes show consistently rising trend although the year to year growth was only 5.1 per cent between 2000-01 and 2001-02 and a high of 21.2 per cent in the previous year (also see Figure 1). Non-tax revenues show a decline of 15.6 per cent in 2001-02.The level of non-tax revenues for the succeeding year is also lower than the earlier level for 2001-02. Non-tax revenue receipts from general services peaked in 2000-01 and the level for this year was not reached in later years. In fact there was a 50 per cent decline in receipts from general services in one year between 2000-01 and 2001-02. The rate of growth of revenue expenditure varied between 6.1 per cent in 2001-02 to 16 per cent in 1999-00. A significant feature of the trends is that the growth of non-development expenditure shows a consistently falling trend. In 1999-00 the growth was 24.7 per cent and had reduced to only 8 per cent in 2003-04. At the same time development expenditures show an annual growth of between 9 and 10 per cent. The year 2001-02 is an exception in that growth was smaller (6.1 per cent). Annual growth of expenditures on social and economic services does not follow a consistent pattern except that growth of expenditures on economic services exceeds the growth in social services with effect from 2002-03. Interest and debt service is more than 50 per cent of non-development expenditure. If this is excluded, the growth of the remaining non – development expenditure has shown a decline from 23.4 per cent in 1999-00 to 4.4 in 2003-04 compared to growth of 9.3 per cent in development expenditure (also see Figure 2). This is significant as the data presented in Table 2 is contrary to the usual perception is that growth of non-development expenditures is an important reason for the deficits in government budgets.

Table 1 : Overall Finances of the State

(Rs. lakh)

	1998-99	1999-00	2000-01	2001-02	2002-03 (RE)	2003-04 (BE)
Revenue Receipts	**857,928**	**978,961**	**1,240,178**	**1,215,329**	**1,349,574**	**1,542,500**
Tax Revenue	**590,363**	**671,574**	**813,658**	**855,353**	**954,461**	**1,074,912**
Non-Tax Revenue	**267,565**	**307,387**	**426,520**	**359,976**	**395,113**	**467,588**
Social Services	15,877	16,265	19,485	20,668	21,662	23,214
Economic Services	41,219	46,053	51,545	54,141	59,275	66,438
General Services	14,564	27,488	38,256	17,181	18,731	21,733
Grants from the Centre	132,226	150,010	257,722	209,130	232,364	287,804
Of which Non-plan grants	33234	48268	132728	100827	68165	39503
Revenue Expenditure	**1,157,557**	**1,342,955**	**1,503,536**	**1,594,898**	**1,757,056**	**1,909,779**
Developmental	**698,817**	**772,884**	**844,030**	**875,373**	**968,888**	**1,058,875**
Social Services	492,334	548,623	612,780	640,458	684,027	732,967
Economic Services	206,483	224,261	231,250	234,915	284,861	325,908
Non-Developmental	**455,888**	**568,266**	**657,780**	**717,672**	**788,151**	**850,883**
Interest and Servicing of Debt	224,292	282,521	333,926	387,799	432,152	479,311
Others	231,596	285,745	323,854	329,873	355,999	371,572
Gross Fiscal Deficit (Rs. crore)	**5,150.9**	**5,361.2**	**4,313.2**	**5,748.4**	**6,504.6**	**7,415.0**
Revenue Deficit (Rs. crore)	**2,996**	**3,640**	**2,634**	**3,796**	**4,075**	**3,673**
Primary Deficit (Rs. crore)	**2,908**	**2,536**	**974**	**1,870**	**2,183**	**2,622**
GSDP at current prices (Rs. crore)*	**73,180**	**78,554**	**79,295**	**88,422**	**85,355**	**100,094**
Revenue gap in Social and Economic Services	**641,721**	**710,566**	**773,000**	**800,564**	**887,951**	**969,223**
Social Services	476,457	532,358	593,295	619,790	662,365	709,753
Economic Services	165,264	178,208	179,705	180,774	225,586	259,470
Grants Adjusted Revenue Gap	**509,495**	**560.556**	**515,278**	**591,434**	**655,587**	**681,419**

Note: Gross Fiscal Deficit is defined as difference between aggregate disbursements net of debt repayments and recovery of loans and revenue receipts and non-debt capital receipts. Revenue Deficit is the difference between revenue expenditure and revenue receipts. Primary deficit is Gross Fiscal Deficit less interest payments.

Source: Handbook of Statistics on State Government Finances, RBI (2004). **Economic Review, Govt. of Rajasthan (2003-04).*

Table 2 : Annual Growth Rate of GSDP, Revenue Receipts and Revenue Expenditure

(%)

	1999-00	2000-01	2001-02	2002-03 (RE)	2003-04 (BE)
GSDP at Current Prices	**7.3**	**0.9**	**11.5**	**-3.5**	**17.3**
Revenue Receipts	**14.1**	**26.7**	**-2.0**	**11.0**	**14.3**
Tax Revenue	**13.8**	**21.2**	**5.1**	**11.6**	**12.6**
Non-Tax Revenue	**14.9**	**38.8**	**-15.6**	**9.8**	**18.3**
Social Services	2.4	19.8	6.1	4.8	7.2
Economic Services	11.7	11.9	5.0	9.5	12.1
Revenue Expenditure	**16.0**	**12.0**	**6.1**	**10.2**	**8.7**
Developmental Expenditure	**10.6**	**9.2**	**3.7**	**10.7**	**9.3**
Social Services	11.4	11.7	4.5	6.8	7.2
Economic Services	8.6	3.1	1.6	21.3	14.4
Non-Developmental Expenditure	**24.7**	**15.8**	**9.1**	**9.8**	**8.0**
Interest Payment and Servicing of Debt	**26.0**	**18.2**	**16.1**	**11.4**	**10.9**
Others	23.4	13.3	1.9	7.9	4.4
Revenue Gap in Economic and Social services	**10.7**	**8.8**	**3.6**	**10.9**	**9.2**
Social Services	11.7	11.4	4.5	6.9	7.2
Economic Services	7.8	0.8	0.6	24.8	15.0
Grants Adjusted Revenue Gap	**10.0**	**-8.1**	**14.8**	**10.8**	**3.9**

Source: Calculated from Table1.

Figure 1

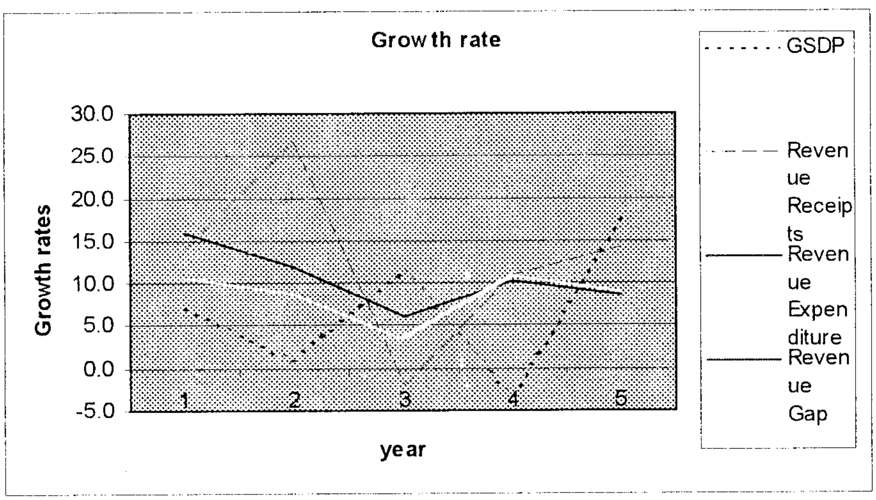
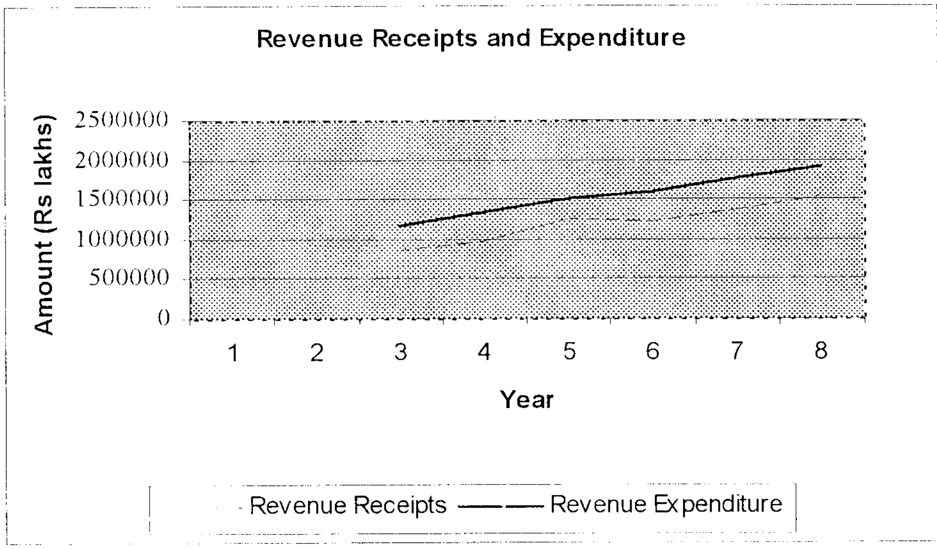


Figure 2



It is obvious that deficits or revenue gaps arise on account of expenditures increasing faster than receipts. The overall growth in expenditure on social and economic services between 1998-99 and 2003-04 was 49 and 58 per cent respectively, but even with a higher growth in revenues (61 per cent) in economic services, the gap in economic services was 56 per cent larger in 2003-04 than in 1998-99. The gap in social services was only 49 per cent higher during the same period. The annual growth in the revenue gap showed a large increase of almost 25 per cent in 2002-03 and an estimated 15 per cent in 2003-04. The table shows that between 1998-99 and 2002-03, the growth rate of the revenue gaps in the economic services has exceeded the growth rates of the gaps in social services.

Another method of assessing the trends is by estimating revenue, expenditure and deficits as a proportion of GSDP. Table 3 shows these proportions. The results in this table show mixed trends. The increase in tax revenue from about 8 per cent of SDP in 1998-99 to about 11 per cent of SDP in 5 years is a positive trend. The non-tax revenue receipts also show an increase although the magnitude is much smaller. Revenue expenditures have increased from 16 per cent of SDP to more than 20 per cent of SDP during the period. Development expenditures show a relatively stable trend in that they are about 10 per cent of SDP. Non-development expenditures have increased from about 6 per cent to about 9 per cent of SDP. The Gross Fiscal Deficit has increased, the revenue deficit is unstable and is currently about 4 to 5 per cent of SDP and the primary deficit shows a decline reflecting the increase in the interest burden in the state budget. The major cause of concern is that overall state finances do not reflect significant improvement during this period. **The size of fiscal adjustment required for eliminating deficits is between 3 to 7 per cent of SDP.**

Table 3 : Revenue Receipts, Expenditure, Deficits, and Gap in Services* as Percentage of SDP

(%)

	1998-99	1999-00	2000-01	2001-02	2002-03 (RE)	2003-04 (BE)
Revenue Receipts	**11.7**	**12.5**	**15.6**	**13.7**	**15.8**	**15.4**
Tax Revenue	8.1	8.5	10.3	9.7	11.2	10.7
Non-Tax Revenue	3.7	3.9	5.4	4.1	4.6	4.7
Revenue Expenditure	**15.8**	**17.1**	**19.0**	**18.0**	**20.6**	**19.1**
Developmental Expenditure	9.5	9.8	10.6	9.9	11.4	10.6
Non-Developmental Expenditure	6.2	7.2	8.3	8.1	9.2	8.5
Gross Fiscal Deficit	**7.0**	**6.8**	**5.4**	**6.5**	**7.6**	**7.4**
Revenue Deficit	**4.1**	**4.6**	**3.3**	**4.3**	**4.8**	**3.7**
Primary Deficit	**4.0**	**3.2**	**1.2**	**2.1**	**2.6**	**2.6**
Revenue Gap# in Services	**8.8**	**9.0**	**9.7**	**9.1**	**10.4**	**9.7**
Total Grants Adjusted Revenue Gap	**7.0**	**7.1**	**6.5**	**6.7**	**7.7**	**6.8**
Non-Plan Grants Adjusted Revenue Gap[a]	**8.3**	**8.4**	**8.1**	**7.9**	**9.6**	**9.3**

Note: *Services include both social and economic services.

#Total revenue expenditure minus total revenue receipts.

[a]Total revenue expenditure minus (revene receipts + non-plan central grants).

Source: Calculated from Table 1.

Table 4 : Total Revenue Receipts

(Rs. crore)

Year	Total	Own tax	Share in Central taxes	State's own non-tax revenue	Grants
1998-99	8579 (100.0)	3939 (45.9)	1964 (22.9)	1353 (15.8)	1322 (15.4)
1999-00	9790 (100.0)	4531 (46.3)	2185 (22.3)	1574 (16.1)	1500 (15.3)
2000-01	12402 (100.0)	5300 (42.7)	2837 (22.9)	1688 (13.6)	2577 (20.8)
2001-02	12153 (100.0)	5671 (46.7)	2882 (23.7)	1508 (12.4)	2091 (17.2)
2002-03 (RE)	13496 (100.0)	6492 (48.1)	3053 (22.6)	1627 (12.1)	2324 (17.2)
2003-04 (BE)	15425 (100.0)	7258 (47.1)	3491 (22.6)	1798 (11.7)	2878 (18.7)

Note: Figures in parentheses are percentages.

Source: Handbook of Statistics on State Government Finances, RBI (2004).

Estimated Revenue Gaps

Composition of State Revenues – Tax, Non-Tax and Grants

For further analysis of the revenue gaps, we first examine the composition of state revenues. Table 4 shows the major sources of revenue. Share of own taxes in total revenue receipts is relatively stable and has remained between 45 to 48 per cent of the total. Share in central taxes is consistently between 22 to 23 per cent of total. Non-tax revenues show a declining trend with the share falling to less than 12 per cent from a level of about 16 per cent in the beginning of the period under study. Grants constitute 18.7 per cent of total revenue receipts. Grants received are plan grants, non-plan grants and special grants. These are shown in Table 5.

Table 5 : Grants Received from the Centre

(Rs. lakh)

Items	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Grants from the Centre	**132,226**	**150,010**	**257,722**	**209,130**	**232,364**	**287,804**
State Plan Schemes	39,608	37,674	51,202	34,207	64,371	74,478
Of which: Advance release of Plan Assistance for Natural Calamities	0	0	0	0	0	0
Central Plan Schemes	5,202	4,889	5,761	5,203	0	0
Centrally Sponsored Schemes	54,182	59,179	67,956	68,893	99,828	173,823
NEC/ Special Plan Scheme	0	0	75	0	0	0
Non-Plan Grants (a to c)	**33,234**	**48,268**	**132,728**	**100,827**	**68,165**	**39,503**
a) Statutory Grants	12,460	23,948	96,356	73,757	27,117	23,019
b) Grants for relief on account of Natural Calamities	17,090	15,525	28,100	12,226	21,609	13,479
c) Others	3,684	8,795	8,272	14,844	19,439	3,005

Source: Handbook of Statistics on State Government Finances, RBI (2004).

For estimating the revenue gaps, non-development expenditure has not been considered for two reasons. One is that non- development expenditure is on organs of the state, on fiscal services and on debt service. Such expenditures are essential and committed. Even though the scope for reductions and better efficiency may exist but, in general and in macro terms, the extent to which this can be achieved may be quite small. At the same time, the need to increase several expenditures for better performance is also strong. Second reason is that the first charge on government's revenue is expenditure on 'organs of the state'. Such expenditure, as well as debt servicing is classified as non-development expenditure. At the same time, tax revenue of the government exceeds non-developmental revenue expenditures. The surplus can be treated as part of the revenue available to finance the socio-economic objectives of the government. This amount gets enhanced through grants from the centre and through non-tax receipts obtained through fees, royalties etc. On this logic Table 6 shows the total available receipts for financing development expenditure. Column 1 of the table is the surplus of tax receipts available after all non-development expenditures are met. The increase in the amount shown in this column from year to year reflects the fact that tax revenues that include share in central taxes have grown faster than non-development expenditure. The latter has grown at a rate of 8 to 9 per cent annually during the last three years. Column 2 is non-plan grants received from the centre. Column 3 is non-tax receipts excluding receipts from general services. Receipts from general services are relatively small being less than 10 per cent of total non-tax revenues. Column 6 shows the percentage of non-plan development expenditure that is financed from available receipts. The situation has shown an improvement in that 47 per cent of such expenditures are being financed out of available resources in the budget compared to 40 per cent in 1998-99. The two succeeding years are abnormal as the increase in non-plan grants was the result of adjustment made necessary on account of the Finance Commission award. The remaining 53 per cent can be regarded as the actual gap or the extent of under- recovery of costs. Had cost recovery been defined without adjusting for non-Plan grants from the Centre as is done in some studies (e.g. Srivastava and Sen, 1997), the result would have shown even worse results with a much lower cost recovery. Column 7 of Table 6 shows this. **This means that, at best, 47 per cent of costs and, at worst, 25 per cent of costs are being recovered.** Corrective action would therefore have to be taken both on the revenue side as well as on the expenditure side. It may also be noted that the gap between expenditure and receipts is bigger than the available revenues in each year. The gap is bigger than the entire revenue deficit in each year (Table 7).

Table 6 : Total Available Receipts and Total Developmental Expenditure

(Rs. crore)

Year	Tax revenue minus non-developmental expenditure	Non-plan grants	Non-tax receipts*	Total available receipts	Total non-plan developmental expenditure	Available receipts as percentage of non-plan developmental expenditure	Non-tax receipts as percentage of non-plan development expenditure
	1	2	3	4=1+2+3	5	6=(4/5)*100	7=(3/5)100
1998-99	1,344	332	570	2,246	5,550	40	23
1999-00	1,033	482	623	2,138	6,102	35	29
2000-01	1,558	1,327	710	3,595	6,569	55	20
2001-02	1,376	1,008	748	3,132	6,609	47	24
2002-03	1,663	681	809	3,153	7,164	44	26
2003-04	2,240	395	896	3,531	7,442	47	25

Note: *Non-tax receipts do not include receipts from 'general services', i.e. they include only non-tax revenue from social and economic sevices. Receipts from general services are relatively small being less than 10 per cent of non-tax revenues of the State government.

Table 7 : Revenue Gap of Development Expenditure and Revenue Deficit

(Rs. crore)

Year	Revenue gap	Revenue deficit
1998-99	3304	2996
1999-00	3964	3640
2000-01	2974	2634
2001-02	3477	3796
2002-03	4011	4075
2003-04	3911	3673

Note: Revenue Gap is calculated from Table1 as the difference between revenue receipts and revenue expenditure.

This raises the question of whether this entire gap is to be regarded as subsidies. It is here that the distinction between pubic and private goods and between merit and non-merit goods becomes relevant. Most of social services that include primarily the health and education sectors could be regarded as merit goods in the sense that the public-private good distinction is less relevant than other considerations for their provision through the budget. Until relatively recently, the entire education and health sector was regarded as a merit good. Now the view is more widely shared that only elementary education or at best, school education should be regarded as a merit good to be provided through the budget while tertiary education – vocational, professional and higher education need not be regarded as such. Post secondary school expenditures account for only about 10 per cent of the total budget on general education. This is so not because the sector is able to raise own resources through fees but because the sector, in general, is starved of funds. This leaves several essential needs to remain unfulfilled. Similarly in the health sector only some services may qualify as pure public services (preventive medicine) or as merit services (rural and public health services). On the other hand, a large part of economic services may not qualify to be categorized as merit goods or as public goods. Therefore, the justification for not recovering costs while providing them may not be entirely justified. To consider this aspect further the sectoral gaps between revenue and expenditure are examined in Tables 8 and 9. Table 8 shows the sectoral distribution of the non-plan revenue gaps in development expenditure and Table 9 shows the total – plan and non-plan – revenue gaps. A comparison of Tables 7, 8 and 9 shows the difference made in the estimates of revenue gaps as a result of adjusting for plan and non-plan grants. This can be seen in Table 10. It is our view that column 1 of the table is the correct estimate of the revenue gap. Non-plan statutory grants take care of about 75 to 100 per cent of the unadjusted gap shown in column 2 of the table. The gap becomes much bigger because of plan revenue expenditures.

Table 8 : Non-Plan Revenue Gap or Difference Between Non-Plan Expenditure and Non-tax Revenue Receipts by Sector

(Rs. lakh)

Sectors	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Social Services	**385,606**	**420,178**	**466,415**	**467,378**	**510,737**	**523,858**
Education, Sports, Art and Culture	248,124	271,740	275,786	290,941	319,011	341,951
Medical and Public Health	56,758	58,483	61,003	62,767	68,513	73,673
Water supply and Sanitation	43,234	47,026	52,868	55,940	61,441	56,339
Housing	1,663	1 362	1,687	2,283	1,784	2,095
Urban development	4,500	2,874	2,646	2,729	3,126	2,653
Labour and Labour Welfare	2,558	2,363	2,317	2,476	3,481	3,680
Social Security and Welfare	5,336	9,585	13,576	13,315	16,615	17,359
Others*	878	561	936	1531	1706	1779
Economic Services	**112,363**	**127,732**	**119,518**	**118,766**	**124,756**	**130,761**
Crop Husbandry	7,623	7,780	7,930	8,799	9,726	9,899
Animal Husbandry	8,610	8,913	9,026	8,865	9,691	10,859
Fisheries	33	-19	-59	1	122	23
Forestry and Wild Life	4,449	4,357	5,169	5,574	8,714	8,574
Plantations	0	0	0	0	0	0
Co-operation	1,438	1,410	1,181	1,387	1,436	1,770
Other Agricultural Programmes	-556	-243	-661	-593	-249	-241
Major and Medium Irrigation	49,375	49,949	53,948	59,314	61,052	62,996
Minor Irrigation	4,380	5,170	4,952	4,512	4,314	3,889
Power	29,371	47,377	34,293	28,706	27,161	31,391
Village and Small Industries	862	926	833	849	923	1,000
Industries@	-27,667	-32,282	-34,305	-38,449	-42,468	-48,305
Tourism	-66	-112	16	9	135	-168
Others +	-449	-416	-383	-668	-183	-95
Developmental Expenditure minus receipts	497,969	547,910	585,933	586,144	635,493	654,619

Notes: @ Includes Non-ferrous Mining and Metallurgical Industries and Other Industries.

* Includes receipts from dairy development, land reforms, other rural development programmes, hill area, civil aviation, inland water transport, foreign trade and export promotion, non-conventional energy sources, general economic services, civil supplies, road and bridges, etc.

\+ Includes expenditure on Foreign trade and Export Promotion, Census, Survey and Statistics and other general economic services.

Source: Handbook of Statistics on State Government Finances, RBI (2004).

Table 9 : Total Plan and Non-Plan Revenue Gap in Social and Economic Services

(Rs. lakh)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Social Services	**476,457**	**532,358**	**593,295**	**619,790**	**662,365**	**709,753**
Education, Sports, Art and Culture	276,501	308,428	321,828	339,671	349,341	401,835
Medical, Public Health and Family Welfare	64,776	68,923	71,565	74,287	76,698	86,633
Housing	3,835	3,375	2,291	5,344	3,986	5,097
Urban Development	27,749	38,411	42,080	47,473	63,241	56,717
Labour and Employment	3,483	3,255	3,301	3,423	3,609	3,893
Social Security and Welfare	6,476	10,701	14,312	14,632	17,547	18,362
Water Supply and Sanitation	43,332	47,239	53,116	56,150	61,493	56,398
Others	965	615	1,083	1,623	1,724	1,794
Economic Services	**165,264**	**178,208**	**179,705**	**180,774**	**225,586**	**259,470**
Crop Husbandry	14,941	12,243	13,475	14,048	14,616	16,550
Animal Husbandry	9,739	10,044	10,241	10,113	10,611	11,536
Fisheries	110	18	-17	73	197	78
Forestry and Wildlife	8,649	9,387	8,779	8,533	10,444	11,312
Co-operation	2,133	1,846	1,375	1,740	1,625	2,034
Other Agricultural Programmes	-556	-243	-661	-593	-249	-241
Major and Medium Irrigation projects	50,624	51,576	55,019	60,394	124,135	64,186
Minor Irrigations	4,911	5,643	5,701	4,900	4,386	3,957
Power	29,780	48,085	47,816	31,808	68,426	80,822
Petroleum	1,393	1,003	922	887	1,130	1,364
Village and Small Industries	9,561	6,222	4,505	4,096	7,085	6,569
Industries@	-12,395	-19,594	-19,082	-22,228	-31,087	-36,328
Ports and Light Houses	647	291	351	873	1,252	1,259
Road Transport	1,810	1,729	1,642	1,718	1,430	1,642
Tourism	409	25	210	700	1,152	857
Others	836	515	110	88	136	261
Total	**641,721**	**710,566**	**773,000**	**800,564**	**887,951**	**969,223**

Note: Revenue gap is total revenue expenditure minus revenue receipts. Negative values means receipts are more than the expenditure.

@Includes Non-ferrous Mining and Metallurgical Industries and Other Industries.

Source: *Handbook of Statistics on State Government Finances*, RBI (2004).

A comparison of Tables 8 and 9 shows the difference made in the estimates of revenue gaps as a result of adjusting for plan and non-plan grants. This can be seen in Table 10. It is our view that column 1 of the table is the correct estimate of the revenue gap. Non-plan statutory grants take care of about 75 to 100 per cent of the unadjusted gap shown in column 2 of the table. The gap becomes much bigger because of plan revenue expenditures.

Table 10 : Comparison of Estimated Revenue Gaps

(Rs. crore)

Year	Adjusted for non-plan grants and surplus from tax revenues*	Unadjusted for non-plan grants	Total plan and non-plan revenue gap
1998-99	3304	4980	6417
1999-00	3964	5480	7106
2000-01	2974	5859	7730
2001-02	3477	5861	8006
2002-03	4011	6355	8880
2003-04	3911	6546	9692

Note: *Non-plan development expenditure minus (non-tax revenue receipts from social and economic services plus surplus from tax revenues). Surplus from tax revenue (own taxes plus share in central taxes) is difference between tax revenues minus non-development expenditure.

Sectoral distribution of the gap shows that two sectors viz. industries (including non-ferrous mining) and other agriculture are revenue surplus sectors in non-plan as well as total. Surpluses from the mining sector have shown a consistent increase while those from 'other agriculture' show declines after 2000-01. **The largest gaps in social services are in education, health and water supply. In economic services the largest gaps are in power, irrigation and agriculture sectors.** In the water supply and sanitation sector, urban water supply shows the largest deficits. This can be seen from the Table 11. The state is subsidizing urban water supply to the extent of more than Rs. 200 crores indicating an enormous scope for higher recovery of costs. However, this is possible to achieve only through socio-political consensus and awareness. It is clearly a political economy issue that leadership can tackle. Techno-economic solutions can be identified relatively easily. What is to be noted that between 1997 and 1999 almost Rs. 200 crores were raised through increased water charges. Since then the receipts have stagnated although the average expenditure from 1999 to 2001 shows an increase.

In economic services the biggest gaps are in power, co-operatives, irrigation and road transport. The total power subsidy is not fully transparent as the interest due on loans has never been paid by the RSEB. Part of the loan has been converted into equity and as a result of accounting adjustments consequent upon the unbundling of the RSEB into separate companies for generation and distribution, some amount is now shown in the state budget as expenditure. Power sector reforms one of the major challenges before the state government. Subsidy to co-operative credit societies is fairly large although there has been some reduction in recent years. Irrigation and road transport are two other sticky areas for reform and higher cost recovery.

Table 11 : Income and Expenditure on Urban Water Supply Scheme

(Rs. lakh)

Year	Income from Water connection	Income from public taps	Total income	Direct Expenditure	Indirect Expenditure	Interest on loan & Insurance	Total Expenditure	Gap
1991-92	3707	150	3857	8454	298	384	9136	5279
1992-93	3770	150	3920	9764	733	492	10989	7069
1993-94	3903	150	4053	12296	733	986	14014	9962
1994-95	4417	150	4567	14149	719	1080	15949	11381
1995-96	5173	150	5323	17690	720	1112	19522	14199
1996-97	5362	150	5512	20685	724	1449	22857	17346
1997-98	6769	150	6919	24717	717	1600	27034	20115
1998-99	8514	225	8739	29509	720	1726	31954	23215
1999-00	8851	225	9076	31753	708	1999	34460	25383
2000-01	6545		6545	26062		1290	27351	20807

Source: State Development Report, Institute for Social Research, Rajasthan.

Cost Recovery

Estimating cost recovery ratios of individual sectors can identify sectors of revenue gaps. This can also help in setting future targets. Table 12 shows cost recovery percentages in these sectors. The results do not show consistent trends in any one direction in most sectors. This needs to be examined by the Government. There is no reason why cost recovery in housing should vary from year to year. Urban development is also similar. **For cost recovery or for expenditure control, some agreed norms may be arrived at and trends analyzed in terms of these norms. Time bound targets for cost recovery may be laid down and made known to the people likely to be affected.** It has been the experience in several cases that people are willing to pay higher amounts if they are assured of a reasonable service standard and if they are assured that the applicable rates for service delivery apply to all. Both of these are achievable objectives. They require political will and credible governance. Recovery is as low as 0.9 per cent in education and in social welfare, less than 3 per cent in agriculture and animal husbandry and 3 to 4 per cent in medical and in urban development. What is to be noted is the fact that there is no consistency in the approach to cost recovery. While social welfare may be regarded as a sector providing essential merit services, there is no reason why recovery in education especially higher and professional education should be so low. Similarly, the recovery in housing and forestry is variable. Recovery in water supply and sanitation shows a consistent pattern of 20 per cent recovery with a small increase in more recent years. The detailed tables are Annexed.

Table 12 : Cost Recovery or Receipts as Percentage of Non-Plan Expenditure

Items	Receipts as percentage of non-plan expenditure in 2003-04	Change since 1998-99
Social Services	**4.2**	**No change**
Education, Sports, Art and Culture	0.9	Increase from 0.3 per cent
Medical and Public Health	3.0	Increase from 2.6 per cent
Water supply and Sanitation	23.2	Shows an increase but has been close to 20 per cent
Housing	13.6	Fluctuating,increased upto 24.6 per cent in 2002-03
Urban development	4.2	Increased from 1.2 per cent
Labour and Labour Welfare	5.5	Decreased from 7-8 per cent
Social Security and Welfare	0.9	Decreased from 2.4 per cent
Others*	7.9	Decreased from 47 per cent
Economic Services	**33.7**	**Increased from 26.8 per cent**
Crop Husbandry	2.8	Fluctuating, declined from 4.2 per cent
Animal Husbandry	2.6	Generally around 2.6 per cent, declined to 0.8 per cent in 2001-02
Fisheries	96.4	Variable
Forestry and Wild Life	30.0	Variable
Plantations		
Co-operation	32.8	Increased from 26.8 per cent
Other Agricultural Programmes	185.8	Declined from 308.2 per cent
Major and Medium Irrigation	5.0	Variable
Minor Irrigation	35.5	Variable
Power	0.0	
Village and Small Industries	3.8	Variable, decreased from 11
Industries@	1234.7	Increased from 1083 per cent
Tourism	171.8	Variable
Others +	107.4	Variable
Developmental Expenditure-receipts	**12.0**	Increased from 10.3 per cent

Notes: @ Includes Non-ferrous Mining and Metallurgical Industries and Other Industries.

* Includes recipts from dairy development, land reforms, other rural development programmes, hill area, civil aviation, inland water transport, foreign trade and export promotion, non-conventional energy sources, general economic services, civil supplies, road and bridges, etc.

+ Includes expenditure on Foreign trade and Export Promotion, Census, Survey and Statistics and other general economic services.

Source: Handbook of Statistics on State Government Finances, RBI (2004).

Plan Expenditure on Revenue Account

Plan expenditures are for all new schemes /projects. It is expected that a large part of this expenditure will be on capital account although revenue account plan expenditures cannot be ruled out especially on activities like rural employment programmes. Nevertheless, there are some components of plan revenue expenditures that become committed liabilities at the end of the Plan. Therefore important as it is to keep a check on non-plan expenditures, in the medium to long term it is only by checking the growth of plan revenue expenditures, can we hope that the growth of revenue expenditures will be kept in check. With this in view, the growth of Plan expenditures during the period is examined. Ideally, this should have been done from one Plan period to the next. However, in the first instance, we have taken the six year period of our study. Table 13 shows the growth in annual plan revenue expenditures and Table 14 shows the share of such expenditure in total revenue expenditure. It can be seen that the growth of plan revenue expenditure is higher than the growth in total revenue expenditures. As a result the share of such expenditure has increased from a little over 20 per cent to almost 30 per cent in six years in the case of development expenditure and from 12.5 per cent to 16.6 per cent in case of total revenue expenditure.

Table 13 : Growth Rate of Plan Revenue Expenditure

(%)

	1999-00	2000-01	2001-02	2002-03	2003-04
Social Services	**23.5**	**13.1**	**20.1**	**-0.5**	**22.6**
Education, Sports, Art and Culture	29.3	25.5	5.8	-37.8	97.4
Medical and Public Health	30.2	1.2	9.1	-28.9	58.3
Family Welfare	-1.6	-6.8	43.1	-22.0	18.0
Water supply and Sanitation	117.3	16.4	-15.3	-75.2	13.5
Housing	-7.3	-70.0	406.8	-28.1	36.3
Urban development	52.9	11.0	13.5	34.4	-10.1
Welfare of SCs, STs and Other Backward Classes	-12.8	31.7	27.2	19.6	15.0
Labour and Labour Welfare	-3.6	10.3	-3.8	-86.5	66.4
Social Security and Welfare	-2.1	-34.1	78.9	-29.2	7.6
Nutrition	-9.9	43.9	76.9	78.3	3.1
Others	-37.9	172.2	-37.4	-80.4	-16.7
Economic Services	**-4.6**	**19.2**	**3.0**	**62.6**	**27.6**
Agriculture and Allied Activities	-13.4	-1.9	-6.9	-24.9	44.2
Crop Husbandry	-39.0	24.2	-5.3	-6.8	36.0
Soil and Water Conservation	-7.3	0.8	-7.7	-23.0	73.3
Animal Husbandry	0.2	7.4	2.7	-26.3	-26.4
Fisheries	-51.9	13.5	71.4	4.2	-26.7
Forestry and Wild Life	19.8	-28.2	-18.0	-41.5	58.3
Agricultural Research and Education	4.5	23.0	1.4	-65.7	6.1
Co-operation	-37.3	-55.5	82.0	-46.5	39.7

	1999-00	2000-01	2001-02	2002-03	2003-04
Rural Development	23.3	-1.6	60.5	10.5	35.2
Irrigation and Flood Control	8.8	-13.9	-8.7	-58.2	20.3
of which : Major and Medium Irrigation	30.3	-34.2	0.8	5741.0	-98.1
Minor Irrigation	-10.9	58.4	-48.2	-81.4	-5.6
Energy	52.0	1584.5	-76.7	1207.1	19.7
of which : Power	73.1	1810.0	-77.1	1230.3	19.8
Industry and Minerals	-48.4	-44.6	-33.0	138.1	-11.3
Village and Small Industries	-48.6	18.3	-39.3	72.8	74.2
Industries	-48.3	-50.1	-31.7	150.2	-22.2
Science, Technology and Environment	-55.2	10.9	-18.0	-32.0	37.3
General Economic Services	-33.6	10.1	132.4	52.7	28.0
Secretariat – Economic Services	-7.4	150.1	90.5	113.3	43.1
Tourism	-71.2	41.6	256.2	47.2	0.8
Civil Supplies	200.0	-66.7	51900.0	25.4	-4.1
Others	-27.5	-47.0	53.3	-57.8	11.6
Developmental Expenditure	**13.2**	**15.0**	**14.6**	**17.7**	**24.6**
TOTAL REVENUE EXPENDITURE	**13.8**	**14.8**	**16.0**	**19.0**	**21.8**

Source: Calculated from the plan revenue expenditure of the State government as given in *Handbook of Statistics on State Government Finances*, RBI (2004).

Table 14 : Plan Revenue Expenditure as a Percentage of Total Revenue Expenditure

Items	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Social Services	**18.5**	**20.4**	**20.7**	**23.8**	**22.2**	**25.4**
Education, Sports, Art and Culture	10.2	11.9	14.2	14.2	8.6	14.8
Medical and Public Health	12.1	14.9	14.4	15.0	10.4	14.6
Family Welfare	96.8	95.5	95.4	96.9	86.1	87.7
Water supply and Sanitation	0.2	0.4	0.4	0.3	0.1	0.1
Housing	53.3	55.5	23.3	54.1	48.2	55.3
Urban development	83.6	92.4	93.5	94.3	94.9	95.1
Welfare of SCs, STs and Other Backward Classes	74.7	69.0	74.3	75.8	74.6	76.7
Labour and Labour Welfare	25.2	26.1	28.1	26.0	3.4	5.2
Social Security and Welfare	17.3	10.3	5.1	8.9	5.3	5.4
Nutrition	100.0	100.0	100.0	100.0	99.6	99.6
Others*	5.0	3.3	7.7	5.1	1.0	0.8
Economic Services	**25.6**	**22.5**	**26.0**	**26.4**	**35.4**	**39.5**

Items	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Agriculture and Allied Activities	39.2	35.3	32.8	29.7	21.8	27.8
Crop Husbandry	47.9	35.6	39.8	36.7	32.9	39.5
Soil and Water Conservation	81.4	79.9	79.0	78.4	67.9	78.3
Animal Husbandry	11.2	11.0	11.6	12.3	8.5	5.7
Fisheries	12.1	6.3	7.1	10.7	10.8	7.9
Forestry and Wild Life	40.2	43.0	28.9	22.7	12.5	18.3
Agricultural Research and Education	20.9	20.6	22.8	19.9	7.1	7.5
Co-operation	26.1	19.0	9.2	14.6	7.6	9.1
Other Agricultural Programmes	0.0	0.0	0.0	0.0	0.0	0.0
Rural Development	77.3	74.5	76.1	81.0	71.5	75.9
Irrigation and Flood Control	8.3	8.6	7.0	6.2	2.6	2.9
of which : Major and Medi irrigation	2.4	2.9	1.8	1.7	49.5	1.8
Minor Irrigation	7.9	7.2	9.5	5.7	1.1	1.1
Energy	1.8	1.7	28.4	9.9	60.3	61.2
of which : Power	1.4	1.5	28.3	9.8	60.3	61.2
Industry and Minerals	66.4	51.4	37.0	27.3	40.3	36.4
Village and Small Industries	38.5	24.9	29.9	20.1	28.9	39.3
Industries@	70.9	56.8	39.0	29.2	42.5	35.6
Science, Technology and Environment	70.8	49.7	52.6	46.9	32.3	38.3
General Economic Services	38.0	30.4	30.4	50.8	58.3	62.0
Secretariat – Economic Services	31.6	30.7	54.0	71.9	82.6	86.6
Tourism	73.4	47.1	55.3	79.2	81.2	81.4
Civil Supplies	0.1	0.2	0.1	23.1	25.8	23.4
Others +	59.0	53.8	30.0	44.0	22.3	21.7
Developmental Expenditure	**20.6**	**21.0**	**22.2**	**24.5**	**26.1**	**29.7**
Total Revenue Expenditure	**12.5**	**12.2**	**12.5**	**13.7**	**14.8**	**16.6**

Notes: *Includes expenditure on Information and Publicity, Secretariat-social services, other social services, etc.

@Includes Non-ferrous Mining and Metallurgical Industries and Other Industries.

+Includes expenditure on Foreign trade and Export Promotion, Census, Survey and Statistics and other general economic services.

Source: Handbook of Statistics on State Government Finances, RBI (2004).

The impact of growth of revenue expenditure can be seen in the fact that capital expenditures are growing more slowly and the total capital expenditure is less than the revenue deficit financed by capital receipts. This can be seen in Table 15.

Table 15 : Capital Expenditure and Receipts of Rajasthan

(Rs. lakh)

Year	Capital Receipts	Capital Expenditure
1998-99	4,638	2,739
1999-00	6,917	2,827
2000-01	5,469	2,459
2001-02	6,236	3,046
2002-03 (RE)	9,396	4,780
2003-04 (BE)	8,247	5,400

Source: Handbook of Statistics on State Government Finances, RBI (2004).

V

State Enterprises

The impact of state enterprises on the budget is an important matter. Accumulated losses of the state enterprises have been commented upon frequently. In case they receive explicit budgetary support their impact is direct. Indirectly, however, losses incurred by them imply a loss of revenue to the government. Some part of these losses, although quantified, is not accounted for. This happens in the case of interest due on government loans that are not paid to the government. We have not explored the details of individual enterprises but would like to make a few general comments arising out of the analysis of the data presented in the Profile of State Enterprises 2000-01 brought out by the Bureau of State Enterprises. According to the report, Accumulated losses in 2000-01 stood at Rs. 339 crores. In that year there were 29 state enterprises of which 7 are statutory corporations, 20 are companies and 2 are departmental undertakings. A committee of the state government (Raj Singh Nirwan Committee) suggested the closure of 7 continuously loss making units and privatization/disinvestment and re-structuring of others. The report of the Bureau of State Enterprises provides comprehensive financial data but uses concepts in a manner that does not make the situation transparent. Of the summary results that are presented in the report for 2000-01, we would like to comment on the following:

1. Capital invested in State enterprises was Rs. 12367 crores and return on investment defined as earnings before interest and tax was reported as 7.6 per cent. Two points need to be remembered in interpreting this rate. One is 'capital invested' includes paid up capital, reserves and term loans but excludes accumulated losses and long term liabilities. Secondly,

return on investment does not account for interest, financial charges and taxes. Later tables show that interest on term loans and other loans had increased to an annual amount of Rs. 1226 crore in 2000-01 even though part of the loans to RSEB were converted to share capital. This reduced the interest burden of the Board by about 70 per cent (from Rs. 1150 crores to Rs. 361 crores). The financial charges of Rs. 1226 crores imply a rate of more than 10 per cent on capital if the intangible assets (accumulated losses) of Rs. 376 crores are deducted from the capital invested. In other words, actual rate of return on capital is minus 2.5 per cent. This amounts to more than Rs. 300 crores. This is a clear revenue loss for the State.

2. Contribution to the exchequer in the form of royalty and central and state taxes has gone down by more than Rs.100 crores in one year.

3. Total accumulated loss has gone up Rs. 76 crores in one year and stood at Rs. 339 crores in 2000-01 plus Rs. 39 crores of other intangibles.

4. The percentage of 'Intangible Assets' to sources of funds has gone up. This means that accumulated losses have gone up. They are called assets on account of the financial accounting procedures. This becomes obvious only when one examines the definitions used in presenting the ratios.

5. Percentage of operating cost to operating revenue has come down although it continues to be above 100 per cent.

6. The percentage of 'public profit' to capital employed has decreased by almost 7 per cent points (from about 13 per cent to 6 per cent). Once again, the definition of 'public profit' shows how the negative performance is reported as a positive performance. Public profit includes all taxes and financial charges except in the case of RSEB that is not able to meet them in any case. In point i.) above financial charges are excluded when reporting 'returns' and included when reporting 'public profits'. This method of presenting the financial accounts does not explicitly mention the dues that the enterprises owe to the government but are not able to meet. Transparency requires that the numbers be explicitly reported so that they may be monitored for policy corrections.

Table 16 below shows the operating cost to revenue ratio of state enterprise. This may be taken as a quick indicator of the level of efficiency of state enterprises. The high cost to revenue ratios of the Housing Board, Hotel Corporation and Transport Corporation are difficult to justify as more efficient alternatives to provide these services are easily available. Although steps to close some of the enterprises have been initiated, yet, there is considerable scope of earning revenue even if it be as one time receipt to the exchequer through privatisation of activities such as hotels, government rest houses, circuit houses and dak bungalows. State transport and power sector are the two principal drain on the exchequer. Here the merit considerations may be identified and accounted for specifically so that the unintended or undeserved subsidies may be cut down. Cross subsidization in a non-transparent manner cannot be a substitute for explicit merit subsidies.

Table 16 : Ratio of Cost to Value of Production of State Public Enterprises

(%)

S. No.	State Enterprise	Operating Cost to Value of Production/Services (2000-01)	Comments
1	RSEB	114.3	
2	RSRTC	109.3	
3	RFC	92.1	
4	RSWC	42.8	
5	RHB	108.3	Always above 100. Was 151% in 1999-2000
6	RLDC	0.3	On the verge of closure
7	RSAHB	83.7	
8	RVPN	103.2	
9	RRVUN	76.9	
10	JVVM	124.5	
11	AVVN	115.5	
12	Jodhpur VVN	114.1	
13	RSGSML	90.8	
14	RSMML	85.7	
15	RIICO	96	
16	RSMDC	66.9	
17	RSICO	91.4	
18	RSHC	115.9	Costs have increased sharply since 1999-2000
19	RTDC	89.8	
20	RSCL	79.2	
21	RSACL	168.8	
22	RSRDCCL	93	
23	RSHDC	166.5	Costs have gone up sharply. Closing down
24	RJVN	66.9	
25	RSPC	0	New
26	REIL	0	Closing
27	RSTDCL	0	Closing
28	RSCWD	0	Closing
29	RGSWD	0	Closing

Note: See Table 6A in Annexure for Abbreviations.

Source: Public Enterprises Profile 2000-2001, Bureau of Public Enterprises, State Enterprises Department Jaipur (Rajasthan).

Conclusions

Even though revenue gaps are large in many sectors, they cannot be called subsidies as the element of assistance to producers/consumers varies among sectors. Many expenditures are incurred in pursuit of legitimate state objectives/functions and are financed through taxes, statutory grants and plan grants.

The overall revenue gap has been estimated in three ways viz. unadjusted revenue gap, non-plan revenue gap adjusted for statutory grants and total revenue gap adjusted for statutory non-plan as well as plan grants used for financing plan revenue expenditure. Sectoral revenue gaps cannot account for statutory grants as such because grants are not specifically assigned to sectors. Plan revenue expenditures are an important factor in explaining the **total** sectoral revenue gaps. Budgetary impact of plan expenditures is:

- Larger deficits
- More borrowing or increase in public debt
- Higher interest burden
- Smaller capital outlays

If some schemes get terminated and if they are not included in the next plan the expenditures are wasted as such expenditure does not result in positive outcomes.

Sectors with large gaps are education, health, water supply and urban development among social services sector and power and irrigation in economic services. These are the big ticket items. However the smaller gaps in several other sectors such as hotels, road transport, tourism, village industries and co-operation add up to a sizable total.

Cost recovery, in general is low but the scope for increasing the rate of recovery needs to be examined in detail and targets worked out to facilitate a smooth transition towards better cost recovery. An implicit subsidy of Rs. 300 crores is being given to State enterprises in the form of interest or return foregone on capital investment of about Rs. 13,000 crores. This is over and above the power sector subsidy. Restructuring and privatization programme should be taken up. Changes introduced so far are incomplete and slow.

Budgetary impact of tax concessions and relief is not always estimated at the time of budget presentation. This must be done for better administration and greater transparency.

End Notes

1. The authors express their gratitude to the Director, Dr. Sarthi Acharya for his support in completing this work. Dr. Vidya Sagar offered critical comments that helped in clarifying conceptual issues. We are grateful to him.

2. State budget analysis is not easy for the reason that reporting in state budgets does not always give a complete picture of the fiscal situation. Some practices enable the states to conceal the deficits considerably. For example, some borrowing by the states is off- budget borrowing. Servicing of this debt is reported as capital expenditure. The World Bank (World Bank, 2005) study shows that 50 per cent of Karnataka's reported budgetary capital expenditure was actually debt servicing of off budget. In the case of power sector, less than half the losses are covered by budgetary subsidies. In Rajasthan the expenditure in excess of budgetary receipts is carried forward as expenditure for the next year. WB Report gives several other

questionable practices. For example some states show imputed interest as expenditures credited/debited to Finance Department. In other case, debt reporting is not comprehensive e.g. bonds issued by the RBI to take over the power utility dues to central undertakings are not treated as debt. Some states show gross receipts from lotteries as revenue. In Maharashtra, the EGS account showes a surplus of Rs. 54 billion in 2004 or 2 per cent of GSDP. The government borrows from this account and the borrowings are large – as much as 10 per cent of deficit financing - but no clear liability that can be included in state debt is created. Delaying payments and increase in arrears is a familiar stratagem of state finance departments. Another strategy adopted by many states including Rajasthan is to transfer funds to a Public Account for creating a surplus in the Fund to meet expenditures elsewhere.

3. In economic theory, public and private goods are distinguished on the basis of the characteristic *of **exclusion*** and of the presence or absence of ***external effects***. Public goods do not have the characteristic of exclusion in the sense that if such a good is provided to one it is available at the same time to all irrespective of whether he/she has contributed towards its provision. For this reason a market for such goods/services does not exist. Law and order, security – internal as well as external are the obvious examples of pure public goods. Such services also have significant external effects.

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Annexures

Table 1A : Sectoral Share of Total Revenue Expenditure

(%)

Items	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Social Services	**42.5**	**40.9**	**40.8**	**40.2**	**38.9**	**38.4**
Education, Sports, Art and Culture	24.0	23.0	21.6	21.5	20.0	21.2
Medical, Public Health and family welfare	5.7	5.2	4.9	4.8	4.5	4.7
Housing	0.4	0.3	0.2	0.4	0.3	0.3
Urban development	2.4	2.9	2.8	3.0	3.6	3.0
Labour and Labour Welfare	0.3	0.3	0.2	0.2	0.2	0.2
Social Security ana Welfare	0.6	0.8	1.0	0.9	1.0	1.0
Water supply and Sanitation	4.8	4.5	4.5	4.4	4.4	3.8
Others	0.2	0.1	0.1	0.1	0.1	0.1
Economic Services	**17.8**	**16.7**	**15.4**	**14.7**	**16.2**	**17.1**
Crop Husbandry	1.3	0.9	0.9	0.9	0.8	0.9
Animal Husbandry	0.9	0.8	0.7	0.6	0.6	0.6
Fisheries	0.1	0.0	0.0	0.0	0.0	0.0
Forestry and Wild Life	0.9	0.9	0.8	0.8	0.8	0.8
Plantations	0.0	0.0	0.0	0.0	0.0	0.0
Co-operation	0.2	0.2	0.1	0.2	0.1	0.2
Other Agricultural Programmes	0.0	0.0	0.0	0.0	0.0	0.0
Major and Medium Irrigation	4.6	4.1	3.9	3.9	7.2	3.5
Minor Irrigation	0.6	0.5	0.5	0.4	0.4	0.3
Power 2.6	3.6	3.2	2.0	3.9	4.2	
Village and Small Industries	0.1	0.1	0.1	0.1	0.1	0.1
Industries	0.8	0.5	0.3	0.3	0.4	0.3
Roads and Bridges	1.6	1.1	1.2	1.2	0.9	0.9
Tourism	0.1	0.0	0.0	0.1	0.1	0.1
Others	0.2	0.1	0.1	0.1	0.1	0.1
Developmental expenditure	**60.4**	**57.6**	**56.1**	**54.9**	**55.1**	**55.4**
Interest Payment and Servicing of Debt	19.4	21.0	22.2	24.3	24.6	25.1
(as percentage of non-development expenditure)	49.2	49.7	50.8	54.0	54.8	56.3
Non-developmetal Expenditure	**39.4**	**42.3**	**43.7**	**45.0**	**44.9**	**44.6**

Note: Share is a percentage of total revenue expenditure.

Source: Calculated from the details of the revenue receipts from the *Handbook of Statistics on State Government Finances*, RBI (2004);

Table 2A : Sectoral Share of Total Revenue Receipts

(%)

Items	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Social Services	1.9	1.7	1.6	1.7	1.6	1.5
Education, Sports, Art and Culture	0.1	0.1	0.2	0.3	0.2	0.2
Medical, Public Health and Family Welfare	0.2	0.1	0.1	0.2	0.2	0.1
Housing	0.0	0.0	0.0	0.0	0.0	0.0
Urban Development	0.0	0.0	0.0	0.0	0.0	0.0
Labour and Employment	0.0	0.0	0.0	0.0	0.0	0.0
Social Security and Welfare	0.0	0.0	0.0	0.0	0.0	0.0
Water Supply and Sanitation	1.4	1.3	1.1	1.2	1.1	1.1
Others	0.1	0.1	0.1	0.0	0.0	0.0
Economic Services	4.8	4.7	4.2	4.5	4.4	4.3
Crop Husbandry	0.0	0.0	0.0	0.0	0.0	0.0
Animal Husbandry	0.0	0.0	0.0	0.0	0.0	0.0
Fisheries	0.1	0.1	0.0	0.0	0.0	0.0
Forestry and Wildlife	0.2	0.2	0.3	0.4	0.2	0.2
Plantations	0.0	0.0	0.0	0.0	0.0	0.0
Co-operation	0.1	0.0	0.1	0.1	0.1	0.1
Other Agricultural Programmes	0.1	0.1	0.1	0.1	0.0	0.0
Major and Medium Irrigation projects	0.3	0.4	0.3	0.2	0.2	0.2
Minor Irrigation	0.2	0.1	0.2	0.2	0.2	0.1
Power	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum	0.0	0.0	0.0	0.0	0.0	0.0
Village and Small Industries	0.0	0.0	0.0	0.0	0.0	0.0
Industries	3.6	3.6	3.0	3.4	3.4	3.4
Ports and Light Houses	0.0	0.0	0.0	0.0	0.0	0.0
Road Transport	0.0	0.0	0.0	0.0	0.0	0.0
Tourism	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.2	0.1	0.1	0.1	0.1	0.1
Total 6.7	6.4	5.7	6.2	6.0	5.8	

Source: Calculated from the details of the revenue receipts from the *Handbook of Statistics on State Government Finances*, RBI (2004).

Table 3A : Sectoral Share of the Revenue Gap

(%)

Sectors	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Education, Sports, Art and Culture	49.2	49.0	48.9	49.8	42.4	48.2
Medical, Public Health and Family Welfare	11.5	11.0	10.9	10.9	9.3	10.4
Housing	0.7	0.5	0.3	0.8	0.5	0.6
Urban Development	4.9	6.1	6.4	7.0	7.7	6.8
Labour and Employment	0.6	0.5	0.5	0.5	0.4	0.5
Social Security and Welfare	1.2	1.7	2.2	2.1	2.1	2.2
Water Supply and Sanitation	7.7	7.5	8.1	8.2	7.5	6.8
Crop Husbandry	2.7	1.9	2.0	2.1	1.8	2.0
Animal Husbandry	1.7	1.6	1.6	1.5	1.3	1.4
Forestry and Wildlife	1.5	1.5	1.3	1.3	1.3	1.4
Co-operation	0.4	0.3	0.2	0.3	0.2	0.2
Other Agricultural Programmes	-0.1	0.0	-0.1	-0.1	0.0	0.0
Major and Medium Irrigation projects	9.0	8.2	8.4	8.9	15.1	7.7
Minor Irrigations	0.9	0.9	0.9	0.7	0.5	0.5
Power	5.3	7.6	7.3	4.7	8.3	9.7
Petroleum	0.2	0.2	0.1	0.1	0.1	0.2
Village and Small Industries	1.7	1.0	0.7	0.6	0.9	0.8
Ports and Light Houses	0.1	0.0	0.1	0.1	0.2	0.2
Road Transport	0.3	0.3	0.2	0.3	0.2	0.2
Tourism	0.1	0.0	0.0	0.1	0.1	0.1
Others (social + economic)	0.3	0.2	0.2	0.3	0.2	0.2

Source: Calculated from the revenue gap as defined in the text.

Table 4A : Growth Rate of Revenue Expenditure

	Items	1999-00/ 1998-99	2000-01/ 1999-00	2001-02/ 2000-01	2002-03/ 2001-02	2003-04/ 2002-03
I.	**Developmental Expenditure (A + B)**	**10.6**	**9.2**	**3.7**	**10.7**	**9.3**
A.	**Social Services (1 to 12)**	**11.4**	**11.7**	**4.5**	**6.8**	**7.2**
1	Education, Sports, Art and Culture	11.5	4.9	5.8	2.6	15.0
2	Medical and Public Health	5.9	4.3	4.9	2.9	12.6
3	Family Welfare	-0.3	-6.8	41.0	-12.3	15.9
4	Water supply and Sanitation	7.8	12.0	4.7	9.8	-4.7
5	Housing	-11.1	-28.4	118.1	-19.3	18.8
6	Urban development	38.3	9.6	12.5	33.5	-10.3
7	Welfare of SCs, STs and Other Backward Classes	-5.6	22.4	24.7	21.6	11.7
8	Labour and Labour Welfare	-6.8	2.7	3.7	4.8	7.8
9	Social Security and Welfare	64.7	32.5	2.1	19.8	4.9
10	Nutrition	-9.9	43.9	76.9	78.9	3.1
11	Relief on account of Natural Calamities	15.5	126.5	-39.1	-9.4	-37.5
12	Others	-6.2	15.1	-5.7	4.6	4.1
B.	**Economic Services (1 to 9)**	**8.6**	**3.1**	**1.6**	**21.3**	**14.4**
1	Agriculture and Allied Activities (i to xii)	-3.7	5.7	2.6	2.4	13.4
(i)	Crop Husbandry	-18.0	11.1	2.8	3.8	13.4
(ii)	Soil and Water Conservation	-5.6	2.0	-7.1	-11.1	50.4
(iii)	Animal Husbandry	2.0	2.1	-2.7	6.8	8.7
(v)	Fisheries	-7.5	0.5	13.7	3.7	0.4
(vi)	Forestry and Wild Life	11.9	6.8	4.3	6.1	8.5
(viii)	Food Storage and Warehousing	-13.3	-58.3	-100.0		
(ix)	Agricultural Research and Education	6.3	10.9	16.5	-4.6	0.6
(xi)	Co-operation	-13.9	-8.0	14.8	3.1	16.2
(xii)	Other Agricultural Programmes	-1.5	0.0	-1.5	5.4	2.9
2	Rural Development	27.9	-3.6	50.7	25.2	27.4
3	Special Area Programmes	-39.9	33.6	-100.0		
4	Irrigation and Flood Control	4.6	5.7	3.5	-0.2	6.2
(i)	of which : Major and Medium Irrigation	5.1	5.4	6.1	104.6	-47.0

Items		1999-00/ 1998-99	2000-01/ 1999-00	2001-02/ 2000-01	2002-03/ 2001-02	2003-04/ 2002-03
(ii)	Minor Irrigation	-2.9	19.8	-13.3	-4.3	-6.5
5	Energy	61.1	-0.6	-33.5	114.9	18.1
	of which : Power	61.5	-0.5	-33.5	115.1	18.1
6	Industry and Minerals	-33.4	-23.0	-9.1	61.1	-1.6
(i)	Village and Small Industries	-20.4	-1.6	-10.0	20.5	27.9
(ii)	Industries	-35.5	-27.3	-8.9	72.1	-7.1
7	Transport and Communications	-14.9	17.0	6.4	-19.2	4.9
(i)	Roads and Bridges	-14.9	17.0	6.4	-19.2	4.9
8	Science, Technology and Environment	-36.2	4.8	-8.0	-1.3	15.8
9	General Economic Services (i to iv)	-16.8	9.8	39.3	32.9	20.5
(i)	Secretariat - Economic Services	-4.8	42.3	43.1	85.6	36.6
(ii)	Tourism	-55.0	20.6	148.7	43.4	0.6
(iii)	Civil Supplies	-5.4	0.2	47.5	12.3	5.9
(iv)	Others	-20.6	-5.0	4.6	-16.8	14.8
II.	**Non-Developmental Expenditure (General services)**	**24.7**	**15.8**	**9.1**	**9.8**	**8.0**
A.	Organs of State	3.6	-13.4	13.6	8.4	-0.3
B.	Fiscal Services (i to iii)	13.8	0.6	6.0	7.7	2.9
(i)	Collection of Taxes and Duties	10.8	-1.4	-3.1	9.7	3.8
(iii)	Other Fiscal Services	30.8	10.0	44.9	2.2	0.2

Source: Calculated from the details of the revenue expenditure from the *Handbook of Statistics on State Government Finances*, RBI (2004).

Table 5A : Growth Rate of Revenue Receipts

(Rs. lakh)

	1999-00/ 1998-99	2000-01/ 1999-00	2001-02/ 2000-01	2002-03/ 2001-02	2003-04/ 2002-03
Social Services (i to viii)	**2.44**	**19.80**	**6.07**	**4.81**	**7.16**
Education, Sports, Art and Culture	-5.86	218.16	39.71	-20.60	8.38
Medical, Public Health and Family Welfare	-16.64	29.91	53.21	-7.33	0.00
Housing	3.72	21.51	4.59	82.76	-43.57
Urban Development	-9.26	73.47	-122.35	-657.89	9.43
Labour and Employment	-12.57	29.38	4.35	-6.02	5.91
Social Security and Welfare	38.93	-38.46	-15.18	8.42	48.54
Water Supply and Sanitation	3.38	10.48	0.68	10.85	9.68
Others	30.59	-21.20	-79.73	-11.52	4.11
Economic Services (i to xvii)	**11.73**	**11.93**	**5.04**	**9.48**	**12.08**
Crop Husbandry	-13.25	54.17	-42.79	-9.84	25.76
Animal Husbandry	-33.44	6.64	-68.44	270.42	8.37
Fisheries	8.37	6.67	-1.48	-16.53	24.40
Forestry and Wildlife	28.31	61.10	21.07	-24.83	8.96
Co-operation	-15.56	64.72	-7.37	28.13	-0.57
Other Agricultural Programmes	-38.52	82.61	-7.79	-38.73	0.00
Major and Medium Irrigation projects	74.70	-10.76	-49.48	73.09	3.70
Minor Irrigations	-50.24	134.71	-11.17	11.38	0.19
Petroleum	37.70	24.21	-28.12	-6.67	66.67
Village and Small Industries	-84.11	94.12	18.18	-23.08	33.33
Industries@	14.76	5.99	11.60	12.53	12.89
Tourism	11.76	-46.99	22.70	-42.20	302.00
Others*	-9.47	26.19	6.40	-20.61	6.72

Source: Calculated from the details of the revenue receipts from the *Handbook of Statistics on State Government Finances*, RBI (2004).

Table 6A : Abbreviations of the State Enterprises

RSEB	Rajasthan State Electricity Board
RSRTC	Rajasthan State Road Transport Corporation
RFC	Rajasthan Fianancial Corporation
RSWC	Rajasthan State Warehousing Corporation
RHB	Rajasthan Housing Board
RLDC	Rajasthan Land Development Corporation
RSAHB	Rajasthan State Agriculture Marketing Board
RVPN	Rajasthan Rajya Vidyut Prasaran Nigam Ltd.
RRVUN	Rajasthan Rajya Vidyut Utpadan Nigam Ltd.
JVVM	Jaipur Vidyut Vitran Nigam Ltd.
AVVN	Ajmer Vidyut Vitran Nigam Ltd.
Jodhpur VVN	Jodhpur Vidyut Vitran Nigam Ltd.
RSGSML	Rajasthan State Ganganagar Sugar Mills Ltd.
RSMML	Rajasthan State Mines and Minerals Ltd.
RIICO	Rajasthan State Industrial Development and Investment Corporation Ld.
RSMDC	Rajasthan State Mineral Development Corporation
RSICO	Rajasthan Small Industries Corporation Ltd.
RSHC	Rajasthan State Hotels Corporation Ltd.
RTDC	Rajasthan Rajya Paryatan Vikas Nigam Ltd.
RSCL	Rajasthan Seeds Corporation Ltd.
RSACL	Rajasthan State Agro Industries Corporation Ltd.
RSRDCCL	Rajasthan State Road Development and Construction Corporation Ltd.
RSHDC	Rajasthan State Handloom Development Corporation Ltd.
RJVN	Rajasthan Jal Vikas Nigam Ltd.
RSPC	Rajasthan State Power Corporation Ltd.
REIL	Rajasthan Electronics Ltd.
RSTDCL	Rajasthan State Tungsten Development Corporation Ltd.
RSCWD	Rajasthan State Chemical Works, Didwana (SSW)
RGSWD	Rajasthan Government Salt Works, Didwana

Table 7A : Receipts as Percentage of Nonplan Expenditure (Rs. lakh)

Items	1998-99			1999-00			2000-01			2001-02			2002-03			2003-04		
	Non-Plan	Receipts	%	Non-Plan	Receipts	%	Non-Plan	Receipts	%	Non-Plan	Receipts	%	Non-Plan	Receipts	%	Non-Plan	Receipts	%
Social Services	**401,483**	**15,877**	**4.0**	**436,443**	**16,265**	**3.7**	**485,900**	**19,485**	**4.0**	**488,046**	**20,668**	**4.2**	**532,399**	**21,662**	**4.1**	**547,072**	**23,214**	**4.2**
Education, Sports, Art and Culture	248,943	819	**0.3**	272,511	771	0.3	278,239	2,453	0.9	294,368	3,427	1.2	321,732	2,721	0.8	344,900	2,949	0.9
Medical and Public Health	58,254	1,496	2.6	59,730	1,247	2.1	62,623	1,620	2.6	65,249	2,482	3.8	70,813	2,300	3.2	75,973	2,300	3.0
Water supply and Sanitation	55,395	12,161	22.0	59,598	12,572	21.1	66,757	13,889	20.8	69,923	13,983	20.0	76,941	15,500	20.1	73,339	17,000	23.2
Housing	1,905	242	12.7	1,613	251	15.6	1,992	305	15.3	2,602	319	12.3	2,367	583	24.6	2,424	329	13.6
Urban development	4,554	54	1.2	2,923	49	1.7	2,731	85	3.1	2,710	-19	-0.7	3,232	106	3.3	2,769	116	4.2
Labour and Labour Welfare	2,741	183	6.7	2,523	160	6.3	2,524	207	8.2	2,692	216	8.0	3,684	203	5.5	3,895	215	5.5
Social Security and Welfare	5,467	131	2.4	9,767	182	1.9	13,688	112	0.8	13,410	95	0.7	16,718	103	0.6	17,512	153	0.9
Others*	1,669	791	47.4	1,594	1,033	64.8	1,750	814	46.5	1,696	165	9.7	1,852	146	7.9	1,931	152	7.9
Economic Services	**153,582**	**41,219**	**26.8**	**173,785**	**46,053**	**26.5**	**171,063**	**51,545**	**30.1**	**172,907**	**54,141**	**31.3**	**184,031**	**59,275**	**32.2**	**197,199**	**66,438**	**33.7**
Crop Husbandry	7,955	332	4.2	8,068	288	3.6	8,374	444	5.3	9,053	254	2.8	9,955	229	2.3	10,187	288	2.8
Animal Husbandry	8,927	317	3.6	9,124	211	2.3	9,251	225	2.4	8,936	71	0.8	9,954	263	2.6	11,144	285	2.6
Fisheries	559	526	94.1	551	570	103.4	549	608	110.7	600	599	99.8	622	500	80.4	645	622	96.4
Forestry and Wild Life	6,240	1,791	28.7	6,655	2,298	34.5	8,871	3,702	41.7	10,056	4,482	44.6	12,083	3,369	27.9	12,245	3,671	30.0
Plantations	0	0		0	0		0	0		0	0		0	0		0	0	
Co-operation	1,965	527	26.8	1,855	445	24.0	1,914	733	38.3	2,066	679	32.9	2,306	870	37.7	2,635	865	32.8
Other Agricultural Programmes	267	823	308.2	263	506	192.4	263	924	351.3	259	852	329.0	273	522	191.2	281	522	185.8
Major and Medium Irrigation	51,715	2,340	4.5	54,037	4,088	7.6	57,596	3,648	6.3	61,157	1,843	3.0	64,242	3,190	5.0	66,304	3,308	5.0
Minor Irrigation	6,227	1,847	29.7	6,089	919	15.1	7,109	2,157	30.3	6,428	1,916	29.8	6,448	2,134	33.1	6,027	2,138	35.5
Power	29,371	0	0.0	47,377	0	0.0	34,303	10	0.0	28,708	2	0.0	27,165	4	0.0	31,395	4	0.0
Village and Small Industries	969	107	11.0	943	17	1.8	866	33	3.8	888	39	4.4	953	30	3.1	1,040	40	3.8
Industries@	2,813	30,480	1083.5	2,697	34,979	1,297.0	2,770	37,075	1,338.4	2,927	41,376	1,413.6	4,092	46,560	1,137.8	4,257	52,562	1234.7
Tourism	172	238	138.4	154	266	172.7	157	141	89.8	182	173	95.1	235	100	42.6	234	402	171.8
Others +	892	1,341	150.3	798	1,214	152.1	1,149	1,532	133.3	962	1,630	169.4	1,111	1,294	116.5	1,286	1,381	107.4
Developmental Expenditure-receipts	**555,065**	**57,096**	**10.3**	**610,228**	**62,318**	**10.2**	**656,963**	**71,030**	**10.8**	**660,953**	**74,809**	**11.3**	**716,430**	**80,937**	**11.3**	**744,271**	**89,652**	**12.0**

Notes: @Includes Non-ferrous Mining and Metallurgical Industries and Other Industries.

*Includes receipts from dairy development, land reforms, other rural development programmes, hill area, civil aviation, inland water transport, foreign trade and export promotion, non-conventional energy sources, general economic services, civil supplies, road and bridges, etc.

+Includes expenditure on Foreign trade and Export Promotion, Census, Survey and Statistics and other general economic services

Source: Handbook of Statistics on State Government Finances, RBI (2004).