

Kerala Budget Analysis 2021-22

The Finance Minister of Kerala, Mr. K. N. Balagopal, presented the Budget for the state for the financial year 2021-22 on June 4, 2021. Note that due to the impact of COVID-19, 2020-21 was not a standard year with respect to the performance of the economy and government finances. In this note, 2021-22 budget estimates have been compared to the actuals for 2019-20 (in terms of compounded annual growth rate or CAGR). A comparison of the revised estimates for 2020-21 and budget estimates for 2021-22 has been provided in the Annexure.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Kerala for 2021-22 (at current prices) is estimated to be Rs 8,76,283 crore. This is an annual increase of 1% over the GSDP in 2019-20. As per the revised estimates, in 2020-21, GSDP is estimated to contract by 4% from the previous year. In comparison, India's GDP (at current prices) is estimated to contract by 3% in 2020-21.
- **Total expenditure** for 2021-22 is estimated to be Rs 2,14,479 crore, an annual increase of 16% over the actual expenditure in 2019-20. As per the revised estimates, total expenditure in 2020-21 is estimated to be 2% higher than the budget estimate (an increase of Rs 3,928 crore).
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 1,31,335 crore, an annual increase of 20% over the actual receipts (excluding borrowings) in 2019-20. In 2020-21, this is estimated to fall short of the budget estimate by Rs 21,537 crore (a decrease of 19%).
- **Revenue deficit** in 2021-22 is estimated to be Rs 16,910 crore, which is 1.93% of the GSDP. In 2020-21, as per the revised estimate, the state has estimated a revenue deficit of Rs 24,206 crore (2.94% of GSDP), which is higher than the budget estimate of 1.55% of GSDP.
- **Fiscal deficit** in 2021-22 is estimated to be Rs 30,698 crore (3.5% of GSDP). As per the revised estimates, in 2020-21, fiscal deficit is estimated to be 4.25% of GSDP, higher than the budget estimate (3% of GSDP).

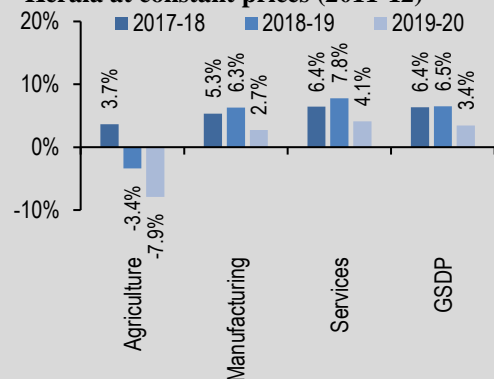
Policy Highlights

- **COVID-19 package and vaccination:** A COVID-19 package with an outlay of Rs 20,000 crore has been announced to deal with the socio-economic and health challenges due to the second wave of the pandemic. This comprises of: (i) Rs 2,800 crore for health emergencies, (ii) Rs 8,900 crore as monetary support for loss of livelihood, and (iii) Rs 8,300 crore for interest subsidy on loans. Further, an outlay of Rs 1,500 crore has been allocated for vaccination of persons above 18 years of age.
- **Taxation:** Kerala flood cess (1% of GST) will not be levied after July 2021. Further, the tax: (i) on liquid and compressed natural gas (LNG and CNG) will be reduced from 14.5% to 5%, and (ii) on newly registered electric vehicles will be reduced by 50% for next five years. For property transactions, the stamp duty will be reduced from 8% to 4% and the registration fee will be reduced from 2% to 1%.
- **Education:** The state government will constitute a high power commission to examine the state's education system. The Commission will be required to submit its report within three months with recommendations on reorganising the education system. Rs 1,000 crore will be spent on financial aid for affiliated colleges.

Kerala's Economy

- **GSDP:** In 2019-20, Kerala's GSDP (at constant prices) is estimated to grow by 3.4% over the previous year. This is less than the growth rate of 6.5% in 2018-19.
- **Sectors:** In 2019-20, the agriculture, manufacturing, and services sectors contributed to 9%, 28%, and 63% of the economy. In 2019-20, the growth rate of all three sectors declined as compared to the growth rate in 2018-19.
- **Per capita GSDP:** The per capita GSDP of Kerala in 2019-20 (at constant prices) is estimated to be Rs 1,63,216, which is 3% higher than the corresponding figure in the previous year.
- **Unemployment:** According to the Periodic Labour Force Survey (2018-19), the unemployment rate in Kerala in 2018-19 was 9%, higher than the all-India rate of 5.8%.

Figure 1: Growth in GSDP and sectors in Kerala at constant prices (2011-12)



Note: These numbers are as per constant prices which implies that the growth rate is adjusted for inflation. Sources: MoSPI; PRS.

Budget Estimates for 2021-22

- **Total expenditure** in 2021-22 is estimated to be Rs 2,14,479 crore. This is an annual increase of 16% over the actual expenditure in 2019-20. This expenditure is proposed to be met through **receipts (other than borrowings)** of Rs 1,31,335 crore and **borrowings** of Rs 76,866 crore. Receipts (other than borrowings) in 2021-22 are expected to register an annual increase of 20% over 2019-20.
- For 2021-22, the state has estimated a **fiscal deficit** of 3.5% of GSDP at Rs 30,698 crore. This is within the 4% limit allowed to states by the central government for fiscal deficit in 2021-22. For 2021-22, the state has estimated a **revenue deficit** of 1.93% of GSDP (Rs 16,910 crore). In comparison, the state had observed a revenue deficit of 1.7% of GSDP in 2019-20 (Rs 14,495 crore).
- As per the revised estimates for 2020-21, the receipts (other than borrowings) are estimated to be 19% less than the budget estimate, while the total expenditure is estimated to increase by 2%. In 2020-21, Kerala is estimated to have a revenue deficit of Rs 24,206 crore (2.94% of GSDP), as per the revised estimates. This is 59% higher than the estimate of Rs 15,201 crore (1.55% of GSDP) made at the budget stage. In 2020-21 (as per the revised estimates), fiscal deficit is estimated to be 4.25% of GSDP.

Table 1: Budget 2021-22 - Key figures (in Rs crore)

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Total Expenditure	1,58,386	1,69,143	1,73,071	2%	2,14,479	16%
A. Receipts (except borrowings)	90,547	1,14,970	93,433	-19%	1,31,335	20%
B. Borrowings	60,407	49,370	75,189	52%	76,866	13%
Total Receipts (A+B)	1,50,955	1,64,340	1,68,622	3%	2,08,201	17%
Revenue Deficit	14,495	15,201	24,206	59%	16,910	8%
<i>As % of GSDP</i>	<i>1.70%</i>	<i>1.55%</i>	<i>2.94%</i>		<i>1.93%</i>	
Fiscal Deficit	23,837	29,295	34,949	19%	30,698	13%
<i>As % of GSDP</i>	<i>2.79%</i>	<i>3.00%</i>	<i>4.25%</i>		<i>3.50%</i>	
Primary Deficit	4,623	9,445	14,663	55%	8,757	38%
<i>As % of GSDP</i>	<i>0.54%</i>	<i>0.97%</i>	<i>1.78%</i>		<i>1.00%</i>	

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Kerala Budget Documents 2021-22; PRS.

Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 66,587 crore, which is an annual increase of 11% over 2019-20. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e., expenditure which leads to the creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government. Capital outlay in 2021-22 (Rs 12,596 crore) is estimated to increase at an annual rate of 22% over 2019-20.
- **Revenue expenditure** for 2021-22 is proposed to be Rs 1,47,891 crore, which is an annual increase of 19% over 2019-20. This includes expenditure such as payment of salaries, pensions, interest, and subsidies.
- As per the revised estimates, in 2020-21, revenue expenditure is estimated to be 10% lower than the budget estimate, whereas capital outlay is estimated to be 27% less. Key sectors with comparatively higher capital outlay include: (i) transport (Rs 2,150 crore), (ii) rural development (Rs 1,708 crore), (iii) roads and bridges (Rs 1,640 crore), and (iv) water Supply, sanitation, housing, and urban development (Rs 1,336 crore).

Table 2: Expenditure budget 2021-22 (in Rs crore)

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Capital Expenditure	53,666	39,306	55,750	42%	66,587	11%
of which Capital Outlay	8,455	12,913	9,391	-27%	12,596	22%
Revenue Expenditure	1,04,720	1,29,837	1,17,322	-10%	1,47,891	19%
Total Expenditure	1,58,386	1,69,143	1,73,071	2%	2,14,479	16%
A. Debt Repayment	44,001	24,878	44,689	80%	52,446	9%
B. Interest Payments	19,215	19,850	20,286	2%	21,940	7%
Debt Servicing (A+B)	63,216	44,728	64,975	45%	74,386	8%

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Kerala Budget Documents 2021-22; PRS.

Sectoral expenditure in 2021-22

The sectors listed below account for **48%** of the total expenditure on all sectors by the state in 2021-22. A comparison of Kerala's expenditure on key sectors with that by the other states is given in Annexure 1.

Table 3: Sector-wise expenditure under Kerala Budget 2021-22 (in Rs crore)

Sector	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
Education, Sports, Arts, and Culture	18,771	20,862	16,487	23,662	12%
Social Welfare and Nutrition	4,010	7,790	10,180	11,058	66%
Health and Family Welfare	7,539	7,856	7,971	10,354	17%
Agriculture and allied activities	5,172	7,407	8,574	8,983	32%
Rural Development	2,158	6,389	3,369	6,893	79%
Roads and Bridges	3,708	5,084	4,340	4,883	15%
Police	3,542	3,781	3,137	4,406	12%
Welfare of SC, ST, OBC, and Minorities	2,060	3,045	2,021	3,202	25%
Urban Development	1,071	2,346	1,680	2,083	39%
Water Supply and Sanitation	606	1,440	937	1,525	59%
% of total expenditure on all sectors	43%	46%	46%	48%	-

Note: BE: Budget Estimates; RE: Revised Estimates.

Sources: Kerala Budget Documents 2021-22; PRS.

Committed expenditure: Committed expenditure of a state includes expenditure on payment of salaries, pensions, and interest. A larger proportion of the budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. As per the revised estimates in 2020-21, the state is estimated to spend 73% of its revenue receipts on committed expenditure obligations. This comprises spending on salaries (30% of revenue receipts), pension (21% of revenue receipts), and interest payments (22% of revenue receipts). On average, states spend 50% of their revenue receipts on committed expenditure in 2020-21. In 2021-22, the state is estimated to spend 65% of its revenue receipts on committed expenditure. This comprises spending of 30% of revenue receipts on salaries, 18% of revenue receipts on pension, and 17% of revenue receipts on interest payments.

Table 4: Committed Expenditure under Kerala Budget (in Rs crore)

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
Salaries	31,676	32,931	28,026	-15%	39,731	12%
Pension	19,064	20,970	19,412	-7%	23,106	10%
Interest	19,215	19,850	20,286	2%	21,940	7%
Total Committed Expenditure	69,955	73,752	67,725	-8%	84,778	10%

Note: BE: Budget Estimates; RE: Revised Estimates.

Sources: Kerala Budget Documents 2021-22; PRS.

Grants-in-aid and contributions to local governments: The state government provides compensation and assignments to local bodies and Panchayati Raj institutions. In 2021-22, this amount is estimated to be Rs 10,488 crore, which is an annual increase of 31% over 2019-20. As per the revised estimates, in 2020-21, the grants-in-aid and contributions to local governments is estimated to be Rs 6,847 crore, which is 30% lower than the budget estimate of the year (Rs 9,758 crore).

Table 5: Grants-in-aid and contributions to local governments (in Rs crore)

2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
6,064	9,758	6,847	-30%	10,488	31%

Sources: Kerala Budget Documents 2021-22; PRS.

Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 1,30,981 crore, an annual increase of 20% over the actual receipts in 2019-20. Of this, Rs 86,169 crore (66%) will be raised by the state through its **own resources**, and Rs 44,812 crore (34%) will come **from the Centre**. Resources from the Centre will be in the form of the state's share in central taxes (10% of revenue receipts) and grants (24% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes are estimated to be Rs 12,812 crore (an annual decrease of 12% over 2019-20). In 2020-21, devolution is estimated to be 53% less than the estimate made at the budget stage. This may be due to a 30% cut in the union budget for devolution to states, from Rs 7,84,181 crore at the budgeted stage to Rs 5,49,959 crore at the revised stage.
- **Grants-in-aid from centre:** In 2021-22, the grants-in-aid from centre is estimated to observe an annual increase of 69% over 2019-20. In 2020-21, as per the revised estimate, grants-in-aid from centre is estimated to be 147% higher than the budgeted estimate. This is mainly due to revenue deficit grants of Rs 15,323 crore at the revised stage. No revenue deficit grant was estimated at the budget stage.
- **State's own non-tax revenue:** Total own non-tax revenue of Kerala is estimated to be Rs 14,336 crore in 2021-22 (an annual increase of 8% over the corresponding figure in 2019-20). In 2020-21, as per the revised estimate, state's own non-tax revenue is estimated to be 37% lower than the budget estimate.
- **State's own tax revenue:** Total own tax revenue of Kerala is estimated to be Rs 71,833 crore in 2021-22, which is an annual increase of 19% over 2019-20. The growth rate for own tax revenue is estimated to be higher than the growth rate for GSDP. Hence, the own tax to GSDP ratio is estimated to increase from 5.9% in 2019-20 to 8.2% in 2021-22.

Table 6: Break-up of the state government's receipts (in Rs crore)

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
State's Own Tax	50,323	67,420	45,272	-33%	71,833	19%
State's Own Non-Tax	12,265	14,587	9,121	-37%	14,336	8%
Share in Central Taxes	16,401	20,935	9,844	-53%	12,812	-12%
Grants-in-aid from Centre	11,235	11,694	28,878	147%	32,000	69%
Total Revenue Receipts	90,225	1,14,636	93,115	-19%	1,30,981	20%
Borrowings	60,407	49,370	75,189	52%	76,866	13%
Other receipts	323	334	318	-5%	354	5%
Total Capital Receipts	60,730	49,704	75,507	52%	77,220	13%
Total Receipts	1,50,955	1,64,340	1,68,622	3%	2,08,201	17%

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Kerala Budget Documents 2021-22; PRS.

- In 2021-22, state's GST (SGST) collection is estimated to be Rs 36,922 crore, an annual increase of 34% over the actual collection in 2019-20. SGST is estimated to be the largest source of the state's own tax revenue (51%) in 2021-22. In 2020-21, SGST is estimated to be 41% lower than the budget estimate.
- In 2021-22, Kerala is estimated to generate Rs 23,101 crore through Sales Tax and VAT, an annual increase of 8% over 2019-20. Sales Tax and VAT are estimated to be the highest source (18%) of the total revenue receipts after SGST (28%).

GST Compensation

The GST (Compensation to States) Act, 2017 guarantees states compensation for five years (till 2022) for any revenue loss arising due to GST implementation. The Act guarantees states a 14% annual growth on their revenue which was subsumed under GST. If the GST revenue of a state does not match the guaranteed growth, compensation grants are provided to meet the shortfall. GST compensation grants are funded through a GST compensation cess levied by the centre. Due to inadequate cess collection in 2020-21, a portion of GST compensation requirement of states for that year was funded through loans by the centre to states.

As per the revised estimate of 2020-21, the state is expected to receive GST Compensation Grants of Rs 7,429 crore. This is 33% higher than the corresponding figure in 2019-20 (Rs 5,575 crore).

Table 7: Major sources of state's own tax revenue (in Rs crore)

Head	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	% of Revenue Receipts in 2021-22
State GST	20,447	32,388	19,000	-41%	36,922	34%	28%
Sales Tax/ VAT	19,650	23,263	16,998	-27%	23,101	8%	18%
Taxes on Vehicles	3,721	3,968	3,367	-15%	4,179	6%	3%
Stamps Duty and Registration Fees	3,615	4,306	3,062	-29%	4,156	7%	3%
State Excise	2,255	2,801	2,200	-21%	2,701	9%	2%
GST Compensation Grants	5,575	-	7,429	-	-	-	-

Sources: Kerala Budget Documents 2021-22; PRS.

Deficits, Debts, and FRBM Targets for 2021-22

The Kerala Fiscal Responsibility Act, 2003 (FRBM) provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

Revenue Deficit: It is the difference between revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance its expenses which do not increase its assets or reduce its liabilities. A revenue surplus implies that the revenue receipts of the state are sufficient to meet the revenue expenditure requirements. The state has estimated a revenue deficit of Rs 16,910 crore (1.93% of GSDP) in 2021-22, which is higher than the revenue deficit of Rs 14,495 crore in 2019-20 (1.7% of GSDP). Kerala is estimated to receive revenue deficit grants of Rs 15,323 crore in 2020-21 and Rs 19,891 crore in 2021-22. The 15th Finance Commission recommended that the Kerala should receive revenue deficit grants of Rs 19,891 crore, Rs 13,174 crore, and Rs 4,749 crore in 2021-22, 2022-23 and 2023-24, respectively. The Commission also recommended that the state eliminate its revenue deficit by 2023-24.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities of the state. In 2021-22, the fiscal deficit is estimated to be Rs 30,698 crore (3.5% of GSDP). This is within the 4% limit allowed to states by the central government for the fiscal deficit in 2021-22. States have been allowed a higher fiscal deficit than the usual 3% limit under the FRBM Act to undertake increased expenditure to support economic recovery, in light of the COVID-19 pandemic.

Enhanced borrowing limit in 2020-21: Given the situation due to COVID-19, the central government permitted states to increase their fiscal deficit up to 5% of GSDP in 2020-21. All states are allowed to increase their fiscal deficit up to 4% of GSDP. The remaining 1% of GSDP is conditional on the implementation of reforms by states in the following areas (0.25% of GSDP for each reform): (i) one nation one ration card, (ii) ease of doing business, (iii) urban local body/utility, and (iv) power distribution. As of March 2021, Kerala has completed the following reforms: (i) one nation one ration card, and (ii) ease of doing business. Kerala is eligible to borrow Rs 4,522 crore as a result of these reforms.

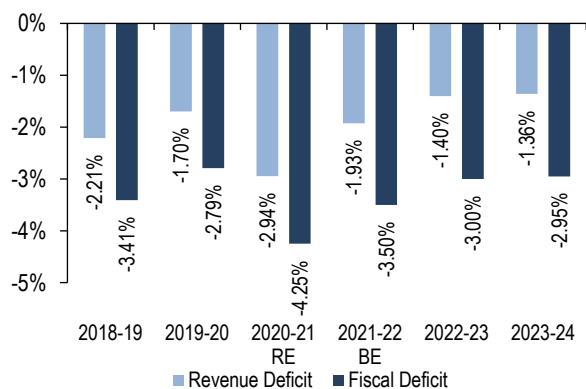
Outstanding debt: Outstanding debt is the accumulation of borrowings taken by the state government over the years. At the end of the year 2021-22, the state's outstanding debt is expected to be 37.39% of GSDP, which is higher than the revised estimate of 36.11% of GSDP at the end of 2020-21. Outstanding debt is estimated to further decrease from 37.39% of GSDP at the end of 2021-22 to 35.21% of GSDP at the end of 2023-24.

Fiscal Roadmap for 2021-26

The 15th Finance Commission recommended the following fiscal deficit targets for states for the 2021-26 period (as a % of GSDP): (i) 4% for 2021-22, (ii) 3.5% for 2022-23, and (iii) 3% for 2023-26. The Commission estimated that this path will enable Kerala to bring down its outstanding debt from 35.9% of GSDP at the end of 2020-21 to 32% of GSDP at the end of 2025-26.

If a state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilised borrowing amount in subsequent years (within the 2021-26 period). An additional borrowing worth 0.5% of GSDP will be allowed each year for the first four years (2021-25) upon undertaking certain power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue.

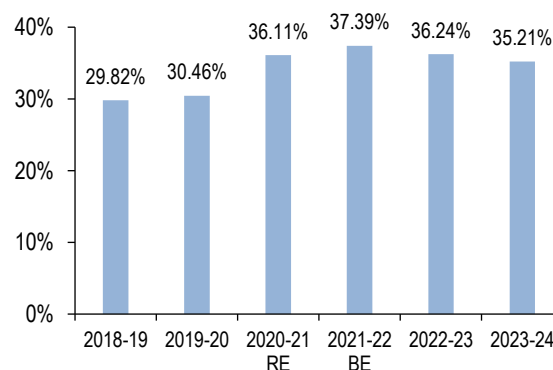
Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: RE is Revised Estimate; BE is Budget Estimate. Negative sign indicates a deficit; positive sign indicates a surplus. Numbers for 2018-19 and 2019-20 are actuals. Numbers for 2022-23 and 2023-24 are projections.

Sources: Kerala Budget Documents 2021-22; PRS.

Figure 3: Outstanding Debt (as % of GSDP)



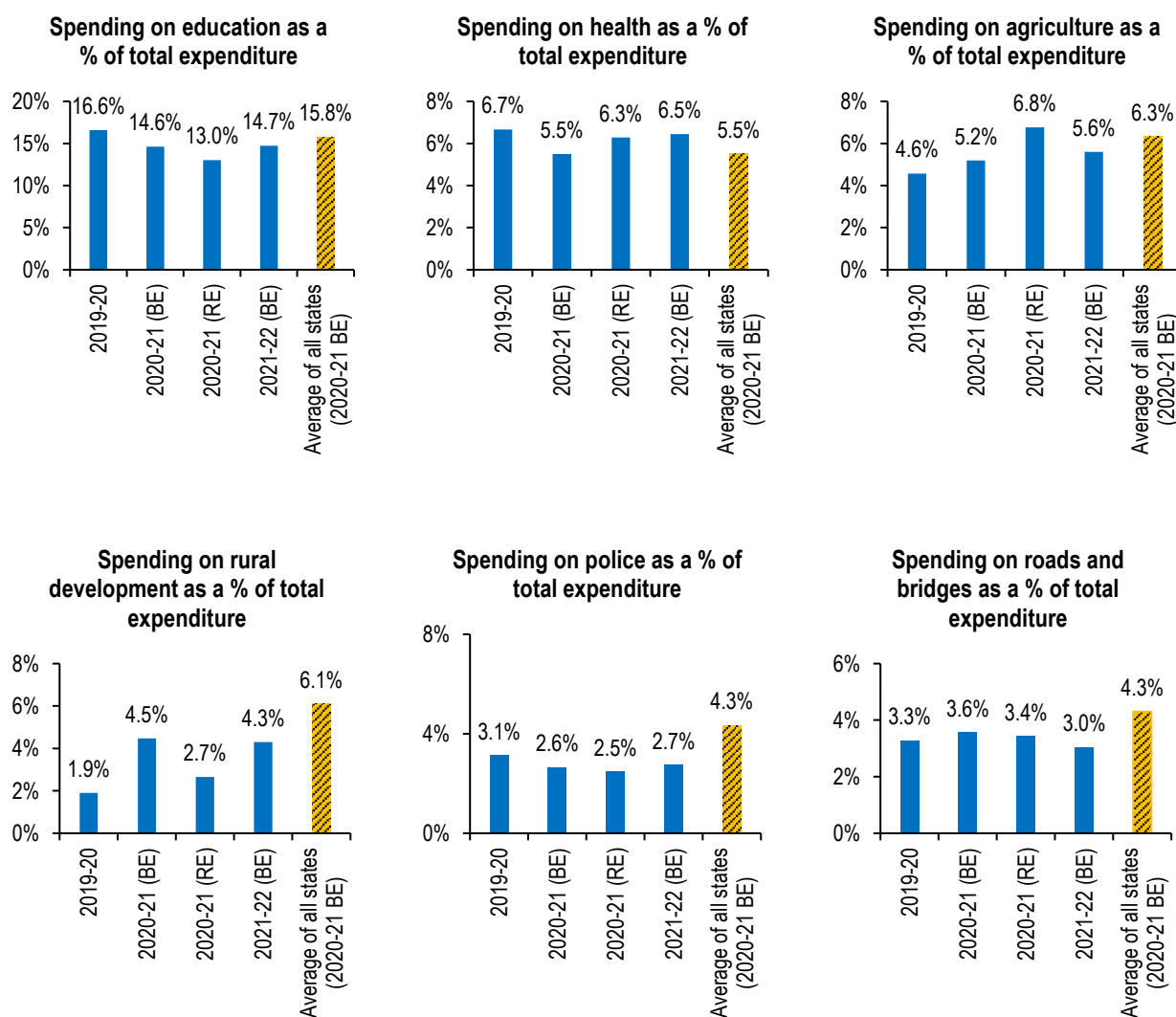
Note: RE is Revised Estimate; BE is budget estimate. Numbers for 2018-19 and 2019-20 are actuals. Numbers for 2022-23 and 2023-24 are projections.

Sources: Kerala Budget Documents 2021-22; PRS.

Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Kerala's expenditure on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure on that sector by 30 states (including Kerala) as per their budget estimates of 2020-21.¹

- **Education:** Kerala has allocated 14.7% of its total expenditure for education in 2021-22. This is lower than the average allocation (15.8%) for education by all states (2020-21 BE).
- **Health:** Kerala has allocated 6.5% of its total expenditure on health, which is higher than the average allocation for health by states (5.5%).
- **Agriculture:** The state has allocated 5.6% of its total expenditure towards agriculture and allied activities. This is lower than the average allocation for agriculture by states (6.3%).
- **Rural development:** Kerala has allocated 4.3% of its total expenditure on rural development. This is lower than the average allocation for rural development by states (6.1%).
- **Police:** Kerala has allocated 2.7% of its total expenditure on police, which is lower than the average allocation for police by states (4.3%).
- **Roads and bridges:** Kerala has allocated 3% of its total expenditure on roads and bridges, which is lower than the average allocation by states (4.3%).



Note: 2019-20, 2020-21 (BE), 2020-21 (RE), and 2021-22 (BE) figures are for Kerala.
Sources: Kerala Budget Documents 2021-22; various state budgets; PRS.

¹ The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

Annexure 2: Recommendations of the 15th Finance Commission for 2021-26

The 15th Finance Commission's (FC) report for the 2021-26 period was released on February 1, 2021. For the 2021-26 period, the Commission has recommended the share of states in the divisible pool of central taxes to be 41%, same as that for 2020-21 (also recommended by the 15th FC in its report for 2020-21). This is 1% point lower than the 42% share recommended by the 14th FC (for the 2015-20 period) to separately provide funds for the newly formed union territories of Jammu and Kashmir and Ladakh. The 15th FC proposed revised criteria for determining the share of individual states (different from 14th FC).

Based on the 15th FC's recommendations for the period 2021-26, Kerala will have a 0.79% share in the divisible pool of central taxes. This implies that out of every Rs 100 of revenue in the divisible pool during the 2021-26 period, Kerala will receive Rs 0.79.

Table 8: Share of states in the divisible pool of central taxes under the 14th and 15th FC periods

State	14th FC	15th FC	15th FC	% change	
	2015-20	2020-21	2021-26	2015-20 to 2021-26	2020-21 to 2021-26
Andhra Pradesh	1.81	1.69	1.66	-8.2%	-1.6%
Arunachal Pradesh	0.58	0.72	0.72	25.2%	-0.2%
Assam	1.39	1.28	1.28	-7.8%	-0.1%
Bihar	4.06	4.13	4.12	1.6%	0.0%
Chhattisgarh	1.29	1.40	1.40	8.0%	-0.3%
Goa	0.16	0.16	0.16	-0.3%	0.0%
Gujarat	1.30	1.39	1.43	10.1%	2.4%
Haryana	0.46	0.44	0.45	-1.6%	1.0%
Himachal Pradesh	0.30	0.33	0.34	13.6%	3.9%
Jammu & Kashmir	0.78	-	-	-	-
Jharkhand	1.32	1.36	1.36	2.8%	-0.2%
Karnataka	1.98	1.50	1.50	-24.5%	0.0%
Kerala	1.05	0.80	0.79	-24.8%	-0.9%
Madhya Pradesh	3.17	3.23	3.22	1.5%	-0.5%
Maharashtra	2.32	2.52	2.59	11.7%	3.0%
Manipur	0.26	0.29	0.29	13.3%	-0.3%
Meghalaya	0.27	0.31	0.31	16.6%	0.3%
Mizoram	0.19	0.21	0.21	6.1%	-1.2%
Nagaland	0.21	0.24	0.23	11.5%	-0.7%
Odisha	1.95	1.90	1.86	-4.8%	-2.2%
Punjab	0.66	0.73	0.74	11.9%	1.1%
Rajasthan	2.31	2.45	2.47	7.1%	0.8%
Sikkim	0.15	0.16	0.16	3.2%	0.0%
Tamil Nadu	1.69	1.72	1.67	-1.0%	-2.6%
Telangana	1.02	0.88	0.86	-15.8%	-1.5%
Tripura	0.27	0.29	0.29	7.7%	-0.1%
Uttar Pradesh	7.54	7.35	7.36	-2.5%	0.0%
Uttarakhand	0.44	0.45	0.46	3.7%	1.3%
West Bengal	3.08	3.08	3.08	0.3%	0.1%
Total	42.00	41.00	41.00		

Note: Although the 15th FC recommended the same criteria for the 2020-21 and 2021-26 periods, the reference period for computation on some underlying indicators are different. This is why the share in the divisible pool in 2020-21 and 2021-26 differ for states. % share in the divisible pool has been rounded off up to two decimal places.

Sources: Reports of 14th and 15th Finance Commissions; PRS.

The 15th FC has recommended grants worth Rs 10.3 lakh crore for states over five years (see Table 8). A portion of these grants will be conditional. 17 states will receive revenue deficit grants during this period. Sector-specific grants include grants for sectors such as health, agriculture, and education. Grants to local governments include: (i) Rs 1.2 lakh crore for urban local bodies, (ii) Rs 2.4 lakh crore for rural local bodies, and (iii) health grants worth Rs 70,000 crore through local bodies for healthcare infrastructure.

Grants recommended for Kerala include: (i) Rs 12,554 crore as grants for local bodies, (ii) Rs 1,738 crore as disaster management grants, and

Table 9: Grants recommended for 2021-26 (Rs crore)

Grants	Total	Kerala
Revenue deficit grants	2,94,514	37,814
Local governments grants	4,36,361	12,554*
Sector-specific grants	1,29,987	2,412#
Disaster management grants	1,22,601	1,738
State-specific grants	49,599	1,100
Total	10,33,062	55,618

Note: This does not include competition-based grants including *grants for incubation of new cities (part of local bodies grants), and #grants for school education, and aspirational districts and blocks.

Source: Report of 15th FC; PRS.

(iii) Rs 1,100 crore as state-specific grants for forest conservation, waste disposal, cleaning of water bodies, and replanting of coconut.

Table 10: Taxes devolved to states as per Union Budget 2021-22 (in Rs crore)

State	2019-20	2020-21 Revised	2021-22 Budget
Andhra Pradesh	29,421	22,611	26,935
Arunachal Pradesh	9,363	9,681	11,694
Assam	22,627	17,220	20,819
Bihar	66,049	55,334	66,942
Chhattisgarh	21,049	18,799	22,676
Goa	2,583	2,123	2,569
Gujarat	21,077	18,689	23,148
Haryana	7,408	5,951	7,275
Himachal Pradesh	4,873	4,394	5,524
Jammu & Kashmir	12,623	-38	-
Jharkhand	21,452	18,221	22,010
Karnataka	32,209	20,053	24,273
Kerala	17,084	10,686	12,812
Madhya Pradesh	51,584	43,373	52,247
Maharashtra	37,732	33,743	42,044
Manipur	4,216	3,949	4,765
Meghalaya	4,387	4,207	5,105
Mizoram	3,144	2,783	3,328
Nagaland	3,403	3,151	3,787
Odisha	31,724	25,460	30,137
Punjab	10,777	9,834	12,027
Rajasthan	37,554	32,885	40,107
Sikkim	2,508	2,134	2,582
Tamil Nadu	27,493	23,039	27,148
Telangana	16,655	11,732	13,990
Tripura	4,387	3,899	4,712
Uttar Pradesh	1,22,729	98,618	1,19,395
Uttarakhand	7,189	6,072	7,441
West Bengal	50,051	41,353	50,070
Total	6,83,353	5,49,959	6,65,563

Note: Actuals for 2019-20 and Revised Estimates for 2020-21 have been reported in the Union Budget after adjusting for excess or less devolution in previous years.

Source: Union Budget Documents 2021-22; PRS.

Annexure 3: Comparison of 2020-21 Revised and 2021-22 Budget Estimates

The following tables compare the budget estimates for 2021-22 with the revised estimates for 2020-21.

Table 11: Overview of Revised Estimates for 2020-21 and Budget Estimates for 2021-22 (in Rs crore)

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Receipts (1+2)	1,68,622	2,08,201	0
Receipts except Borrowings	93,433	1,31,335	0
1. Revenue Receipts (a+b+c+d)	93,115	1,30,981	0
a. Own Tax Revenue	45,272	71,833	1
b. Own Non-Tax Revenue	9,121	14,336	1
c. Share in central taxes	9,844	12,812	0
d. Grants-in-aid from the Centre	28,878	32,000	0
2. Capital Receipts	75,507	77,220	2%
a. Borrowings	75,189	76,866	2%
Expenditure (3+4)	1,73,071	2,14,479	24%
3. Revenue Expenditure	1,17,322	1,47,891	26%
4. Capital Expenditure	55,750	66,587	19%
i. Capital Outlay	9,391	12,596	34%
ii. Debt Repayment	44,689	52,446	17%
Revenue Deficit	24,206	16,910	-30%
Revenue Deficit (as % of GSDP)	0	0	0%
Fiscal Deficit	34,949	30,698	-12%
Fiscal Deficit (as % of GSDP)	0	0	0%

Source: Kerala Budget Documents 2021-22; PRS.

Table 12: Key Components of State's Own Tax Revenue (in Rs crore)

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
SGST	19,000	36,922	94%
Sales Tax/VAT	16,998	23,101	36%
Taxes on Vehicles	3,367	4,179	24%
Stamps Duty and Registration Fees	3,062	4,156	36%
State Excise Duty	2,200	2,701	23%
Land Revenue	440	440	0%
Taxes and Duties on Electricity	60	77	28%

Source: Kerala Budget Documents 2021-22; PRS.

Table 13: Allocation towards Key Sectors (in Rs crore)

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	16,487	23,662	44%
Social Welfare and Nutrition	10,180	11,058	9%
Health and Family Welfare	7,971	10,354	30%
Agriculture and allied activities	8,574	8,983	5%
Rural Development	3,369	6,893	105%
Transport	5,430	5,659	4%
of which Roads and Bridges	4,340	4,883	13%
Police	3,137	4,406	40%
Welfare of SC, ST, OBC, and Minorities	2,021	3,202	58%
Urban Development	1,680	2,083	24%
Water Supply and Sanitation	937	1,525	63%
Irrigation and Flood Control	807	1,213	50%
Energy	910	420	-54%
Housing	172	147	-14%

Source: Kerala Budget Documents 2021-22; PRS.

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