

# Rajasthan Budget Analysis 2016-17

The Minister of Finance of Rajasthan, Ms. Vasundhara Raje, presented the Budget for Rajasthan for the financial year 2016-17 on March 8, 2016.

## Budget Highlights

- The **Gross State Domestic Product** of Rajasthan for 2016-17 is estimated to be Rs 7,67,167 crore. This is 13.8% higher than the estimates for 2015-16.
- **Total expenditure** for 2016-17 is estimated to be Rs 1,71,261 crore, a 5% decrease over the revised estimates of 2015-16. In 2015-16, there was an increase of Rs 42,707 crore (31%) in the revised estimates over the budget estimates.
- **Total receipts (excluding borrowings)** for 2016-17 are estimated to be 14% higher, at Rs 1,23,393 crore. In 2015-16, total receipts fell short of the budgeted target by Rs 4,033 crore.
- **Revenue deficit** for the next financial year is targeted at Rs 8,802 crore, or 1.14% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 43,147 crore (5.62% of GSDP). **Primary deficit** is targeted at Rs 25,621 crore (3.3% of GSDP).
- Allocations for the Departments of Energy and Welfare of Scheduled Caste members have increased by 64.9% and 67.4% respectively, in 2016-17. The Department of Health, on the other hand, has a 0.3% decrease.

## Policy Highlights

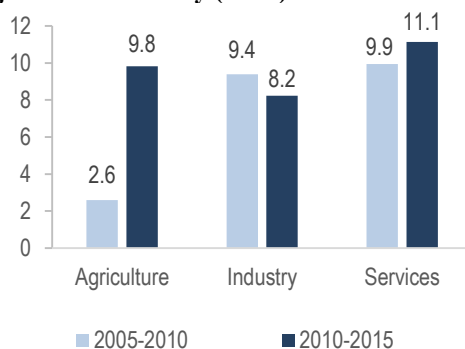
- **Energy:** Rs 20,133 crore of electricity distribution companies' debt is proposed to be taken over by the state government in 2016-17, under the UDAY scheme. In 2015-16, this amount was Rs 42,964 crore.
- 40,000 new agricultural electrical connections are proposed to be set up in 2016-17.
- **Road Transport:** The renewal of 2,500 km of non-patchable roads is proposed to be taken up in 2016-17, with an allocation of Rs 600 crore.
- **Rural Development:** 60,000 artisans are proposed to be trained in 2016-17 under the Rural Non-Farm Development Agency, with an allocation of Rs 2 crore.

## Tax Proposals

- **Value Added Tax (VAT):** VAT on cigarettes has been proposed to be increased by 15% on top of current rates. VAT on aerated drinks increased from 15% to 20%.
- **Exemption of electricity duty:** 100% exemption of electricity duty for enterprises setup in backward regions of the state has been proposed in 2016-17.

## Background: Rajasthan Economy

**Figure 1: Average growth rate of sectors of Rajasthan's economy (in %)**



Note: Average annual growth rate is 4 year Compounded Annual Growth Rate. Sources: Central Statistics Office; PRS.

Average growth in Rajasthan's economy (adjusting for inflation) witnessed an increase from 8.12% between 2005-10 to 9.5% between 2010-15.

Figure 1 shows the average annual growth rate of individual sectors in the period between 2005-10 and 2010-15.

Over 2005-15, agriculture and services witnessed an increase in growth rate, whereas growth in the manufacturing sector saw a decline.

- Growth rate in the manufacturing sector decreased from 9.4% in 2005-10 to 8.2% in 2010-15.
- Agriculture growth increased from 2.6% to 9.8%.
- In the meanwhile, services sector growth increased from 9.9% to 11.1%.

50% of Rajasthan's economy is contributed by the services sector, followed by 30.5% by manufacturing and 19.5% by agriculture. The services sector employed 47% of the state's population, followed by the agriculture (44%) and manufacturing (8%) sectors.<sup>1</sup>

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## Budget Estimates for 2016-17

- The total expenditure in 2016-17 is targeted at Rs 1,71,261 crore. The revised estimates for the total expenditure in 2015-16 was Rs 1,80,420 crore, which is 31% (Rs 42,707 crore) more than the budgeted target of 2015-16.
- The expenditure in 2016-17 is proposed to be met through receipts (other than borrowings) of Rs 1,23,393 crore and borrowings of Rs 47,947 crore. Total receipts for 2016-17 (other than borrowings) are expected to be 14% higher than the revised estimate of 2015-16.

**Table 1: Budget 2016-17 - Key figures (in Rs crore)**

Items	2014-15 Actuals	2015-16 Budgeted	2015-16 Revised	% change from BE 2015-16 to RE 2015-16	2016-17 Budgeted	% change from RE 2015-16 to BE 2016-17
<b>Total Expenditure</b>	<b>1,16,605</b>	<b>1,37,713</b>	<b>1,80,420</b>	31.0%	<b>1,71,261</b>	-5.1%
<i>Of which: Repayment of loans</i>	4,960	4,830	4,831	0.0%	4,720	-2.3%
A. Borrowings (gross)	24,284	25,614	72,201	181.9%	47,947	-33.6%
B. Receipts (except borrowings)	92,346	1,12,273	1,08,239	-3.6%	1,23,393	14.0%
<b>Total Receipts (A+B)</b>	<b>1,16,630</b>	<b>1,37,888</b>	<b>1,80,440</b>	30.9%	<b>1,71,340</b>	<b>-5.0%</b>
<b>Revenue Deficit</b>	<b>-3,215</b>	<b>557</b>	<b>-5,232</b>		<b>-8,802</b>	
(-)/Surplus(+)	-0.52	0.08	-0.77		-1.14	
<i>As % of state GDP</i>						
<b>Fiscal Deficit</b>	<b>-19,000</b>	<b>-20,610</b>	<b>-67,350</b>		<b>-43,147</b>	
(-)/Surplus(+)	-3.12	-2.99	-9.99		-5.62	
<i>As % of state GDP</i>						
<b>Primary Deficit</b>	<b>-8,537</b>	<b>-8,648</b>	<b>-55,409</b>		<b>-25,621</b>	
(-)/Surplus(+)	-1.4	-1.25	-8.2		-3.33	
<i>As % of state GDP</i>						

Notes: BE is Budget Estimate; RE is Revised Estimate; Borrowings include Public Debt. Total receipts include borrowings and hence, total expenditure includes loan repayments. GSDP for 2016-17 taken from Budget at a glance 2016-17, as Rs 7,67,167 crore, at current prices. Sources: State Budget Documents 2016-17; PRS.

## Expenditure in 2016-17

- Government expenditures can be divided into (a) capital expenditure, which affects the assets and liabilities of the state, and (b) revenue expenditure, which includes the rest of the expenses.
- Total revenue expenditure for 2016-17 is proposed to be Rs 1,32,053 crore, which is an increase of 18% over revised estimates of 2015-16. This expenditure includes payment of salaries, administration of government programs, etc.
- Total capital expenditure is proposed to decrease by 43% to Rs 39,208 crore over the revised estimates of 2015-16. This includes expenditure which leads to creation of assets, repayment of loans, among others.

**Table 2: Expenditure budget 2016-17 (in Rs crore)**

Item	2014-15 Actuals	2015-16 Budgeted	2015-16 Revised	% change from BE 2015-16 to RE 2015-16	2016-17 Budgeted	% change from RE 2015-16 to BE 2016-17
Capital Expenditure	22,064	26,909	68,398	154.2%	39,208	-42.7%
Revenue Expenditure	94,542	1,10,805	1,12,022	1.1%	1,32,053	17.9%
<b>Total Expenditure</b>	<b>1,16,605</b>	<b>1,37,713</b>	<b>1,80,420</b>	<b>31.0%</b>	<b>1,71,261</b>	<b>-5.1%</b>
A. Interest Payments	10,463	11,962	11,941	-0.2%	17,527	46.8%
B. Loan repayment	4,960	4,830	4,831	0.0%	4,720	-2.3%
Debt servicing (A+B)	15,423	16,792	16,772	-0.1%	22,247	32.6%

Sources: State Budget Documents 2016-17; PRS. Note: Expenditure includes loan repayments.

## Department expenditure in 2016-17

**Table 3: Department-wise plan outlay for Rajasthan Budget 2016-17 (in Rs crore)**

Department	Budgeted 2015-16	Budgeted 2016-17	% change from BE 2015-16 to BE 2016-17	Budget provisions for 2016-17
Electricity	14,837	24,472	64.9%	<ul style="list-style-type: none"> <li>A provision of Rs 24,471 crore has been allocated to the electricity department in 2016-17. This allocation includes grants and loans given to distribution companies (DISCOMS) under the UDAY scheme.</li> <li>40,000 new agricultural connections are proposed to be set up in 2016-17.</li> <li>Rs 25 crore has been allocated for electrification of unelectrified villages through solar energy.</li> </ul>
Education	19,796	20,922	5.7%	<ul style="list-style-type: none"> <li>Rs 4,531 crore has been allocated for Sarva Shiksha Abhiyan, and Rs 1,538 crore for Rashtriya Madhyamik Shiksha Abhiyan in 2016-17.</li> <li>A new scheme, the Jansahbhagita School Development Scheme has been announced with an allocation of Rs 25 crore.</li> </ul>
Welfare of SC persons (includes related programs falling under other Departments)	9,280	15,538	67.4%	<ul style="list-style-type: none"> <li><i>Energy:</i> Rs 2,989 crore has been allocated for supplying electricity to areas inhabited by Scheduled Caste members. 33% of this allocation is on building infrastructure for the same.</li> <li><i>Education:</i> Rs 1,891 crore has been allocated for education programmes for the welfare of Scheduled Caste persons.</li> </ul>
Welfare of ST persons (includes related programs falling under other Departments)	9,368	13,780	47.1%	<ul style="list-style-type: none"> <li><i>Energy:</i> Rs 1,260 crore has been allocated for supplying electricity to areas inhabited by Scheduled Caste members.</li> <li><i>Rural Employment:</i> Rs 1,264 crore been allocated for programmes for rural employment among Scheduled Tribes.</li> </ul>
Health	7,189	7,165	-0.3%	<ul style="list-style-type: none"> <li>Rs 1,716 crore has been allocated to the National Health Mission.</li> <li>Rs 1,525 crore has been allocated for medical education, including Rs 562 crore for a new medical college, and Rs 93 crore for a grant to the Jhalawar Hospital and Medical College society.</li> <li>In 2016-17, the government aims to build 54 sub-centres buildings, 9 Public Health Centres and 2 Community Health Centres.</li> </ul>

Sources: Volume 1, State Budget 2016-17; Plan Outlay 2016-17, Budget at a Glance, Rajasthan State Budget 2016-17; Press Note, Budget 2016-17, Finance Department, Government of Rajasthan; PRS.

### Other budgetary allocations

#### Agriculture and allied services

- Rs 3,072 crore has been allocated to the Agriculture Department in 2016-17, as opposed to Rs 2,151 crore (43% increase) in the budgeted estimates of 2015-16.
- Rs 650 crore has been allocated to Rashtriya Krishi Vikas Yojana and Rs 676 crore to the Pradhan Mantri Fasal Bima Yojana, in 2016-17.

#### Rural Development schemes

- Rs 3,800 crore is allocated to MGNREGS, Rs 2,011 crore for Swachh Bharat Mission (Rural) and Rs 831 crore for Indira Awas Yojana, in 2016-17.
- Six new schemes are proposed to be launched through convergence- including the Mukhya Mantri Swachh Gram Yojana (Rs 125 crore), a scheme for the development of angandwadi centres (Rs 140 crore), etc.

## Receipts in 2016-17

- The total revenue receipts for 2016-17 are estimated to be Rs 1,23,251 crore, an increase of 15.4% over the revised estimates of 2015-16. The tax to GSDP ratio is targeted at 6.94% in 2016-17, which is higher than the revised estimates of 6.77% in 2015-16. The increase in the tax to GDP ratio implies that tax collection grew at a higher rate than the economy itself.
- Tax revenue is expected to increase by 16.7% (Rs 7,630 crore) in 2016-17 over the revised estimates of 2015-16. Non-tax revenue is estimated to increase by 18.6% (Rs 2,212 crore).
- Grants from the centre are expected to increase by 14.3%, from Rs 21,333 crore in 2015-16, to Rs 24,389 crore in 2016-17. State's share in central taxes, is estimated to increase by 12.7%, to Rs 31,478 crore in 2016-17.

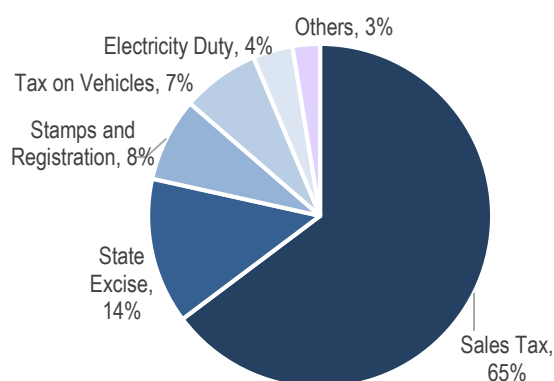
**Table 4: Break up of state government receipts (in Rs crore)**

Item	2014-2015 Actuals	2015-2016 Budgeted	2015-2016 Revised	% change from BE 2015-16 to RE 2015-16	2016-2017 Budgeted	% change from RE 2015-16 to BE 2016-17
State's Own Tax	38,673	47,096	45,670	-3.0%	53,300	16.7%
State's Own Non Tax	13,229	15,495	11,872	-23.4%	14,084	18.6%
State's share in Central Taxes	19,817	28,925	27,916	-3.5%	31,478	12.8%
Grants-in-aid from Centre	19,607	19,845	21,333	7.5%	24,389	14.3%
<b>Total Revenue Receipts</b>	<b>91,327</b>	<b>1,11,362</b>	<b>1,06,790</b>	<b>-4.1%</b>	<b>1,23,251</b>	<b>15.4%</b>
Recovery of Loans and Advances	1,004	903	1,439	59.4%	133	-90.8%
Borrowings (gross)	24,284	25,614	72,201	181.9%	47,947	-33.6%
<b>Total Capital Receipts</b>	<b>25,303</b>	<b>26,526</b>	<b>73,649</b>	<b>177.7%</b>	<b>48,089</b>	<b>-34.7%</b>
<b>Total Receipts</b>	<b>1,16,630</b>	<b>1,37,888</b>	<b>1,80,440</b>	<b>30.9%</b>	<b>1,71,340</b>	<b>-5.0%</b>

Sources: State Budget Documents 2016-17; PRS.

Revenue receipts for 2015-16 fell short of its budgeted estimates by Rs 4,572 crore. This is on account of lower collection of taxes and royalties on petroleum production in the state.

**Figure 2: Composition of Tax Revenue in 2016-17 (BE)**



Sources: Budget at a Glance, State Budget Documents 2016-17; PRS.

- **Tax Revenue:** Total tax revenue of Rajasthan is estimated to be Rs 53,300 crore in 2016-17. The composition of the state's tax revenue is shown in Figure 2.
- Sales tax is the largest component of various tax sources of the state. Sales tax levied on the sale of goods in the state is expected to generate Rs 34,515 crore (65% of tax revenue) in 2016-17.
- The state is expected to generate Rs 7,310 crore (14%) through levy of excise duty on production of various forms of alcohol.
- In addition, revenue will be generated through levy of taxes on vehicles, stamp duties, registration charges on real estate transactions and electricity duties, among others.
- **Non Tax Revenue:** Rajasthan has expected to generate Rs 14,084 crore through non-tax sources in the year. Mining is the largest non-tax revenue source, which is expected to generate Rs 5,200 crore, an increase of 22.3% over the revised estimates of 2015-16.
- Revenue from petroleum, including royalties on production and exploration is expected to be Rs 3,500 crore, an increase of 25% over the revised estimates of 2015-16.
- Others sources of non-tax revenue include receipts from supply of water, interest charged on loans provided by the government, among others.

## Deficits, Debts and FRBM Targets for 2016-17

The Rajasthan Fiscal Responsibility and Budget Management (FRBM) Act, 2005 provides annual targets to progressively reduce the outstanding public debt, revenue deficit and fiscal deficit of the state government.

**Revenue deficit:** It is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow for expenses which do not create assets. The government has estimated a revenue deficit of Rs 8,802 crore in 2016-17. This is driven by: i) increased interest payment obligations, and ii) grants provided to electricity distribution companies (DISCOMS), both under the UDAY scheme.

In 2015-16, the government had estimated a revenue *surplus* of Rs 557 crore. However, the revised estimate shows a *deficit* of Rs 5,232 crore. The increase in deficit is on account of the reduced revenue collection on the government's tax sources and royalties and fees on Petroleum production.

**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 government. The government had projected a fiscal deficit of 2.99% of GDP in 2015-16, which increased to 9.99% in the revised estimates of 2015-16 and is estimated to decline to 5.62% in 2016-17. The increase in fiscal deficit is on account of the government taking over the debt of DISCOMS under the UDAY scheme.

**Outstanding Liabilities:** It is the accumulation of borrowings over the years. In 2016-17, the outstanding public debt is expected at 33.2% of the state GDP. According to revised estimates of 2015-16, the outstanding public debt is expected to be 31.3% of the state GDP, which is higher than the budget estimates of 24.3%.

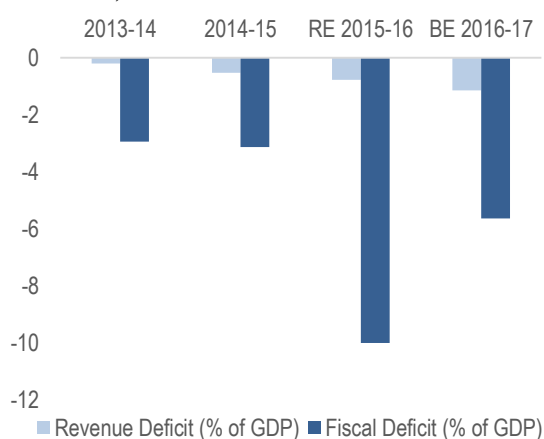
**Table 5: Budget targets for deficits for the state of Rajasthan (% of GSDP)**

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Public Debt
2013-14	-0.20	-2.93	25.10
2014-15	-0.52	-3.12	24.11
RE 2015-16	-0.77	-9.99	31.33
BE 2016-17	-1.14	-5.62	33.16

Source: Medium Term Fiscal Policy Statement 2016-17; Budget at a Glance; PRS.

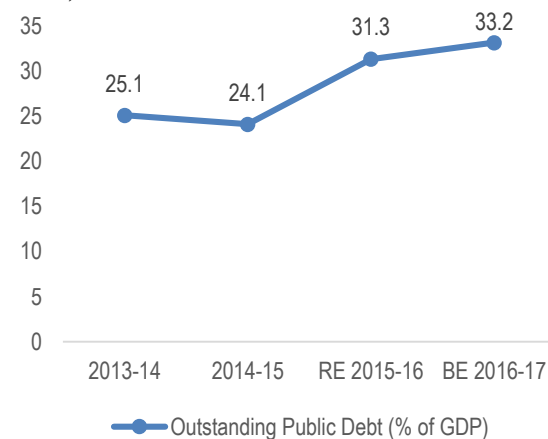
Figures 3 and 4 show the trend in deficits and outstanding public debt from 2013-14 to 2016-17:

**Figure 3: Fiscal and revenue deficits (as % of state GDP)**



Sources: Rajasthan State Budget Documents; PRS.

**Figure 4: Outstanding public debt (as % of state GDP)**



Sources: Rajasthan State Budget Documents; PRS

<sup>1</sup> Fourth Annual Employment-Unemployment Survey, Labour Bureau, Government of India.

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