

Telangana Budget Analysis 2021-22

The Finance Minister of Telangana, Mr. T. Harish Rao, presented the Budget for the state for the financial year 2021-22 on March 18, 2021. 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 Telangana for 2021-22 (at current prices) is estimated to be close to Rs 11,54,608 crore. This is an annual increase of 9% over the GSDP in 2019-20. As per the revised estimates, in 2020-21, GSDP is estimated to increase by 1.3% over the previous year (as compared to a growth of 14% estimated at the budget stage).
- **Total expenditure** for 2021-22 is estimated to be Rs 2,30,826 crore, an annual increase of 13% over the actual expenditure in 2019-20. As per the revised estimates, total expenditure in 2020-21 is estimated to be 9% lower than the budget estimate (a decrease of Rs 16,186 crore).
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 1,76,177 crore, an annual increase of 31% over the actual receipts in 2019-20. In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 25,934 crore (a decrease of 18%).
- **Revenue surplus** in 2021-22 is estimated to be Rs 6,743 crore, which is 0.58% of the GSDP. In 2020-21 (revised estimate), the state has estimated a revenue deficit of Rs 16,226 crore (1.66% of GSDP).
- **Fiscal deficit** in 2021-22 is estimated to be Rs 45,510 crore (3.94% of GSDP). As per revised estimates, in 2020-21, fiscal deficit is estimated to be 4.33% of GSDP, higher than the budget estimate (3% of GSDP).

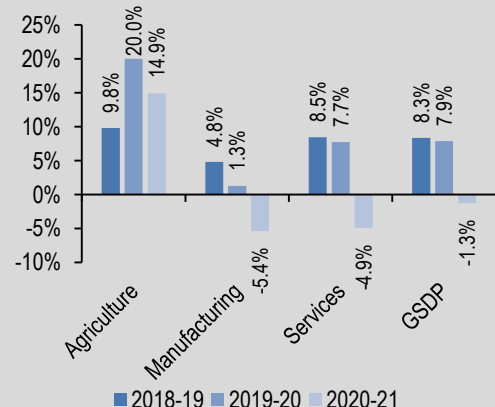
Policy Highlights

- **Education:** A new scheme will be started for the upgradation and modernisation of infrastructure in government schools. Allocation of Rs 4,000 crore is proposed towards this scheme in 2021-22.
- **CM Dalit Empowerment Programme** will be started to provide for the all-round development of persons belonging to scheduled castes. Allocation of Rs 1,000 crore is proposed towards the scheme in 2021-22.
- **Constituency Development Fund:** MLAs and MLCs are provided with three crore rupees annually for expenditure towards the development of their constituencies. This will be increased to five crore rupees.
- **Incentives for cultivation of oil palm:** To encourage farmers to take up the cultivation of oil palm, subsidy of Rs 30,000 per acre will be provided.

Telangana's Economy

- **GSDP:** In 2020-21, Telangana's GSDP (at constant prices) is estimated to contract by 1.3% over the previous year. In comparison, the national GDP is estimated to contract by 8% over the previous year in 2020-21. In 2019-20, the growth rate of Telangana's GSDP was 7.9%.
- **Sectors:** In 2020-21, the contribution of agriculture, manufacturing, and services sectors to the economy is estimated to be 21%, 18%, and 61%. In 2020-21, while manufacturing and services sectors are estimated to contract, the agriculture sector is estimated to grow by 14.9% over the previous year.
- **Per capita GSDP:** The per capita GSDP of Telangana in 2020-21 (at constant prices) is estimated to be Rs 1,64,875, 2% lower than the corresponding figure in 2019-20.
- **Unemployment:** According to the Periodic Labour Force Survey (July 2018-June 2019), the unemployment rate in the state was 8.4%, significantly higher than the all-India level (5.8%).

Figure 1: Growth in GSDP and sectors in Telangana 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 2,30,826 crore. This is an annual increase of 13% over the actual expenditure in 2019-20. This expenditure is proposed to be met through **receipts (other than borrowings)** of Rs 1,76,177 crore and **borrowings** of Rs 49,300 crore. Total receipts for 2021-22 (other than borrowings) are expected to register an annual increase of 31% over 2019-20.
- For 2021-22, the state has estimated a **fiscal deficit** of 3.94% of GSDP. This is within the 4% limit allowed by the central government for fiscal deficit of states in 2021-22. In 2021-22, Telangana estimates a **revenue surplus** of 0.58% of GSDP (Rs 6,743 crore). In comparison, the state had observed a revenue deficit of 0.65% of GSDP in 2019-20 (Rs 6,254 crore).
- As per the revised estimates for 2020-21, the receipts (other than borrowings) are estimated to be 18% less than the budget estimate, while the total expenditure is estimated to be 9% lower. In 2020-21, Telangana is estimated to have a revenue deficit of Rs 16,226 crore (1.66% of GSDP). In comparison, the state had estimated a revenue surplus of Rs 4,482 crore (0.41% of GSDP) in 2020-21 at the budget stage. In 2020-21 (as per revised estimates), the fiscal deficit is estimated to be 4.33% of GSDP, which is lower than the 5% limit allowed by the central government for the fiscal deficit of states in 2020-21.

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	1,80,096	1,82,914	1,66,729	-9%	2,30,826	13%
A. Receipts (except borrowings)	1,02,606	1,43,202	1,17,808	-18%	1,76,177	31%
B. Borrowings	75,533	35,500	44,934	27%	49,300	-19%
Total Receipts (A+B)	1,78,139	1,78,702	1,62,742	-9%	2,25,477	13%
Revenue Balance	-6,254	4,482	-16,226	-	6,743	-
As % of GSDP	-0.65%	0.41%	-1.66%		0.58%	
Fiscal Deficit	31,751	33,191	42,400	28%	45,510	20%
As % of GSDP	3.29%	3.00%	4.33%		3.94%	
Primary Deficit	17,365	18,576	27,784	50%	27,925	27%
As % of GSDP	1.80%	1.68%	2.84%		2.42%	

Note: BE is Budget Estimates; RE is Revised Estimates. A negative Revenue Balance indicates a deficit. Total Expenditure for 2019-20 in the above table does not include inter-state settlement of Rs 7.9 crore.

Sources: Telangana Budget Documents 2021-22; PRS.

Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 61,443 crore, which is an annual decrease of 7% 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 29,047 crore) is estimated to increase at an annualised rate of 31% over 2019-20. Capital expenditure in 2021-22 includes loans and advances given by the state government worth Rs 23,256 crore. This includes loans and advances worth: (i) Rs 8,941 crore for major irrigation, (ii) Rs 7,268 crore for water supply and sanitation, and (iii) Rs 1,528 crore for housing.
- **Revenue expenditure** for 2021-22 is proposed to be Rs 1,69,383 crore, which is an annual increase of 25% over 2019-20. This includes expenditure such as payment of salaries, pensions, interest, and subsidies.
- As per revised estimates, in 2020-21, revenue expenditure is estimated to be 3% lower than the budget estimate, whereas capital outlay is estimated to be 52% less. This is primarily due to a decrease in allocation towards capital outlay in the urban development sector (from Rs 10,000 crore at the budget stage to Rs 500 crore at the revised stage).

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	71,299	44,245	32,745	-26%	61,443	-7%
of which Capital Outlay	16,859	22,061	10,561	-52%	29,047	31%
Revenue Expenditure	1,08,798	1,38,670	1,33,984	-3%	1,69,383	25%
Total Expenditure	1,80,096	1,82,914	1,66,729	-9%	2,30,826	13%
A. Debt Repayment	45,740	6,521	6,521	0%	9,139	-55%
B. Interest Payments	14,386	14,615	14,615	0%	17,584	11%
Debt Servicing (A+B)	60,126	21,137	21,137	0%	26,724	-33%

Sources: Telangana Budget Documents 2021-22; PRS.

Sectoral expenditure in 2021-22

The sectors listed below account for **71%** of the total expenditure on sectors by the state in 2021-22. A comparison of Telangana's expenditure on the key sectors with that by other states can be found in Annexure 1.

Table 3: Sector-wise expenditure under Telangana 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)	Budget provisions 2021-22
Agriculture and Allied Activities	15,558	25,305	25,305	26,822	31%	<ul style="list-style-type: none"> Rs 14,800 crore has been allocated towards the Rythu Bandhu scheme. Rs 5,225 crore has been allocated towards the waiver of crop loans.
Social Welfare and Nutrition	14,425	17,387	17,387	18,997	15%	<ul style="list-style-type: none"> Rs 11,728 crore has been allocated towards the Aasara pension.
Welfare of SC, ST, OBC, and Minorities	10,334	10,756	10,756	15,729	23%	<ul style="list-style-type: none"> Rs 1,602 crore has been allocated towards minority welfare.
Education, Sports, Arts, and Culture	12,532	11,897	11,908	13,498	4%	<ul style="list-style-type: none"> Rs 3,975 crore and Rs 3,579 crore have been allocated as assistance to local bodies for primary education and secondary education, respectively.
Housing	472	10,591	5,891	11,151	386%	<ul style="list-style-type: none"> Rs 11,000 crore has been allocated towards the Double Bedroom Housing Scheme.
Energy	7,222	10,111	10,111	10,663	22%	<ul style="list-style-type: none"> Rs 7,665 crore has been allocated towards assistance to the Transmission Corporation of Telangana Limited for agricultural and allied subsidy.
Urban Development	2,166	13,053	3,553	10,555	121%	<ul style="list-style-type: none"> Rs 942 crore has been allocated towards AMRUT Mission. Rs 765 crore has been allocated towards the Smart Cities Mission.
Irrigation and Flood Control	9,833	4,704	4,704	7,979	-10%	<ul style="list-style-type: none"> Rs 6,937 crore has been allocated towards the capital outlay on irrigation and flood control.
Rural Development	4,753	6,038	6,038	6,728	19%	<ul style="list-style-type: none"> Rs 1,025 crore has been allocated towards the MGNREGS scheme.
Transport	1,800	1,943	1,943	6,123	84%	<ul style="list-style-type: none"> Rs 4,031 crore has been allocated towards the capital outlay on roads and bridges.
Police	5,884	5,461	5,461	6,049	1%	<ul style="list-style-type: none"> Rs 3,036 crore has been allocated towards the district police.
Health and Family Welfare	6,182	5,666	5,665	5,868	-3%	<ul style="list-style-type: none"> Rs 1,010 crore has been allocated towards the National Health Mission.
% of total expenditure on all sectors	73%	76%	75%	71%	-	

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

Sources: Telangana 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. Estimates for allocation towards salaries in 2021-22 is not available. As per revised estimates in 2020-21, the state is estimated to spend 43% of its revenue receipts on committed expenditure obligations. This comprises spending on salaries (22% of revenue receipts), pension (9% of revenue receipts), and interest payments (12% of revenue receipts). On average, states spend 50% of their revenue receipts on committed expenditure. In 2021-22, the state is estimated to spend 6.5% of revenue receipts on pension and 10% of revenue receipts on interest.

Table 4: Committed Expenditure under Telangana 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	24,446	-	25,447	-	-	-
Pension	11,833	10,066	10,066	0%	10,831	-4%
Interest	14,386	14,615	14,615	0%	17,584	11%
Total Committed Expenditure	50,665	-	50,128	-	-	-

Note: BE: Budget Estimates; RE: Revised Estimates. Estimates for salaries not available for 2020-21 BE and 2021-22 BE.

Sources: Telangana Budget Documents 2021-22; PRS.

Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 1,76,127 crore, an annual increase of 31% over the actual receipts in 2019-20. Of this, Rs 1,23,467 crore (70%) will be raised by the state through its **own resources**, and Rs 52,660 crore (30%) will come **from the Centre**. Resources from the Centre will be in the form of the state's share in central taxes (8% of revenue receipts) and grants (22% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes are estimated to be Rs 13,990 crore, an annual decrease of 6% over 2019-20. In 2020-21, devolution is estimated to be 30% less than budgeted. 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.
- **State's own non-tax revenue:** Total own non-tax revenue of Telangana is estimated to be Rs 30,557 crore in 2021-22, about four times the actuals in 2019-20. A significant increase is estimated in the revenue from the sale of land and property (from Rs 416 crore in 2019-20 to Rs 16,000 crore in 2021-22). In 2020-21, state's own non-tax revenue is estimated to be 37% lower than the budget estimate. This is mainly due to lower revenue estimated from the sale of land and property at the revised stage as compared to the budget stage (Rs 3,000 crore as compared to the budget estimate of Rs 14,294 crore).
- **State's own tax revenue:** Total own tax revenue of Telangana is estimated to be Rs 92,910 crore in 2021-22, an annual increase of 17% over 2019-20. The growth rate for own tax revenue is estimated to be higher than the growth rate for GSDP (9%). Hence, the own tax to GSDP ratio is estimated to increase from 7% in 2019-20 to 8% in 2021-22.

Table 5: Break up of state government 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	67,597	85,300	76,196	-11%	92,910	17%
State's Own Non-Tax	7,360	30,600	19,306	-37%	30,557	104%
Share in Central Taxes	15,988	16,727	11,731	-30%	13,990	-6%
Grants-in-aid from Centre	11,598	10,525	10,525	0%	38,670	83%
Total Revenue Receipts	1,02,544	1,43,152	1,17,758	-18%	1,76,127	31%
Borrowings	75,533	35,500	44,934	27%	49,300	-19%
Other receipts	62	50	50	0%	50	-10%
Total Capital Receipts	75,595	35,550	44,984	27%	49,350	-19%
Total Receipts	1,78,139	1,78,702	1,62,742	-9%	2,25,477	13%

Note: BE is Budget Estimates; RE is Revised Estimates.
Sources: Telangana Budget 2021-22; PRS.

- In 2021-22, SGST collection is estimated to be Rs 31,000 crore, an annual increase of 15% over the actual SGST collected in 2019-20. SGST is estimated to be the largest source of the state's own tax revenue (33%) in 2021-22. In 2020-21, SGST is estimated to be 14% lower than the budget estimate.
- In 2021-22, Telangana is estimated to generate Rs 26,500 crore through Sales Tax and VAT, an annual increase of 13% over 2019-20. In 2021-22, stamps duty and registration fees, and state excise duty are estimated to increase at an annual rate of 37% and 19% over 2019-20, respectively.

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 in their GST revenue, failing which compensation grants are provided to states to meet the shortfall. These grants are funded through the GST compensation cess levied by the centre. As the cess collection is not sufficient to meet the compensation requirement of states in 2020-21, a part of their requirement will be met through loans from the centre (which will be repaid using future cess collection). Estimates for GST compensation to Telangana in 2019-20, 2020-21, and 2021-22 are not available in the budget documents. Estimates for GST compensation loans to Telangana in 2020-21 are also not available in the budget. However, as per a press release by the Union Finance Ministry on March 8, 2021, Rs 2,197 crore has been provided to Telangana as loans in lieu of GST compensation.

Table 6: Some of the major state's own tax revenue sources (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	23,517	27,600	23,600	-14%	31,000	15%	18%
Sales Tax/ VAT	20,674	26,400	25,296	-4%	26,500	13%	15%
State Excise	11,992	16,000	16,000	0%	17,000	19%	10%
Stamps Duty and Registration Fees	6,671	10,000	6,000	-40%	12,500	37%	7%
Taxes on Vehicles	3,935	4,300	4,300	0%	5,000	13%	3%
Taxes and Duties on Electricity	17	33	33	0%	30	32%	0%
Land Revenue	1	7	7	0%	6	153%	0%

Sources: Telangana Budget Documents 2021-22; PRS.

Deficits, Debts, and FRBM Targets for 2021-22

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

Revenue Balance: 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 reduces its liabilities. Once the revenue deficit is accounted for, only then the borrowings can be used for capital investments. 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 surplus of Rs 6,743 crore (0.58% of the GSDP) in 2021-22. In comparison, the state had observed a revenue deficit of Rs 6,254 crore in 2019-20 (0.65% of GSDP).

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. In 2021-22, the fiscal deficit is estimated to be Rs 45,510 crore (3.94% of GSDP). This is within the 4% limit allowed by the central government for the fiscal deficit of states in 2021-22. States have been allowed a higher fiscal deficit in 2021-22 than the usual 3% limit under the FRBM Act for undertaking increased expenditure to support economic recovery.

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 February 19, 2021, Telangana has completed the following reforms: (i) one nation one ration card, (ii) ease of doing business, and (iii) urban local body/utility. Telangana is eligible to borrow Rs 7,524 crore as a result of these reforms.

Outstanding liabilities: Outstanding liabilities are the accumulation of total borrowings (including any liabilities on public accounts) at the end of a financial year. The outstanding liabilities of the state are estimated to increase from 20.25% of GSDP in 2018-19 to 24.84% of GSDP in 2021-22.

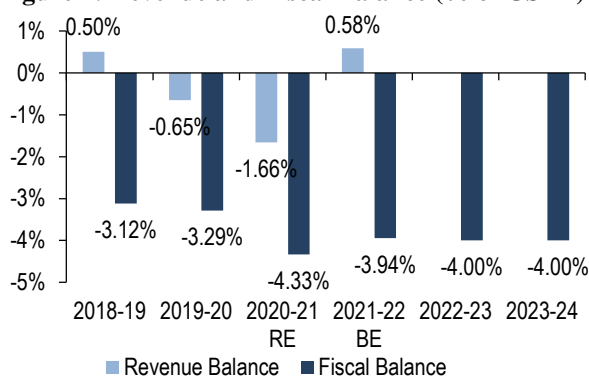
Outstanding government guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. At the end of 2020-21, government guarantees are estimated to be Rs 1,05,007 crore (10.7% of GSDP as per revised estimates).

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 estimates that this path will enable Telangana to bring down its total liabilities from 29.5% of GSDP in 2020-21 to 29% 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.

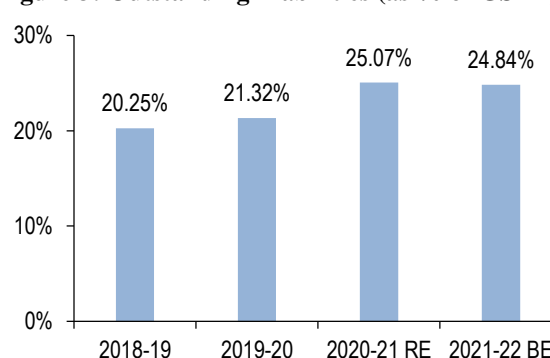
Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: RE is Revised Estimates; BE is budget estimates. 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. Revenue Balance projections (as % of GSDP) are not available for 2022-23 and 2023-24.

Sources: Telangana Budget Documents 2021-22; PRS.

Figure 3: Outstanding Liabilities (as % of GSDP)



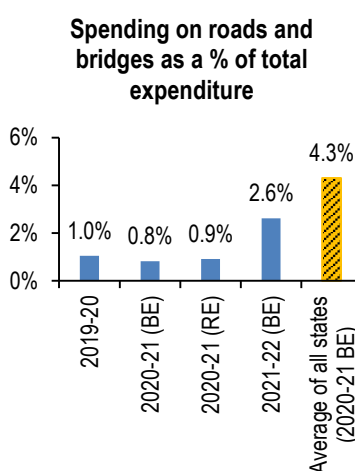
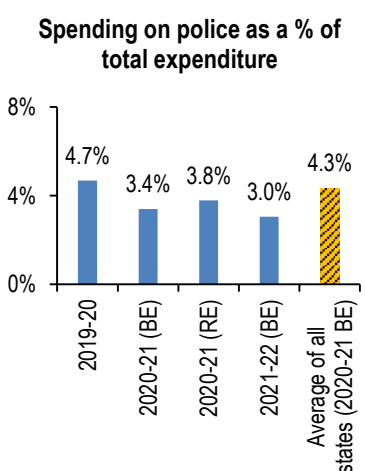
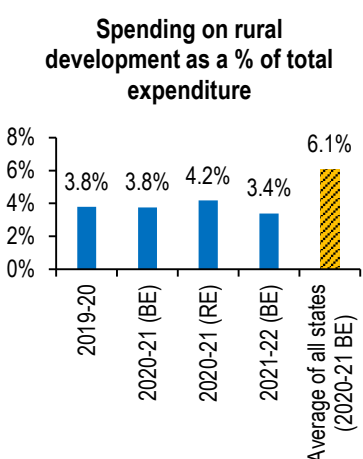
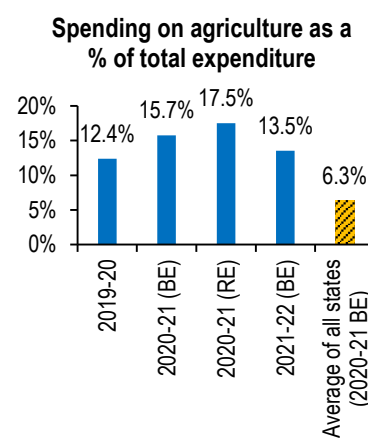
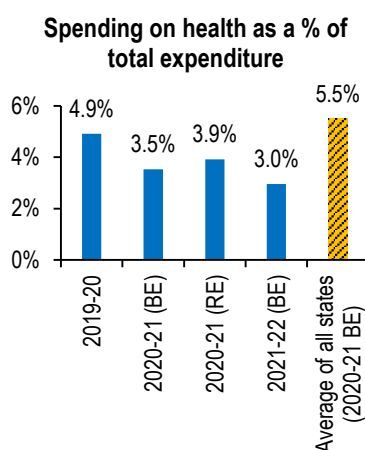
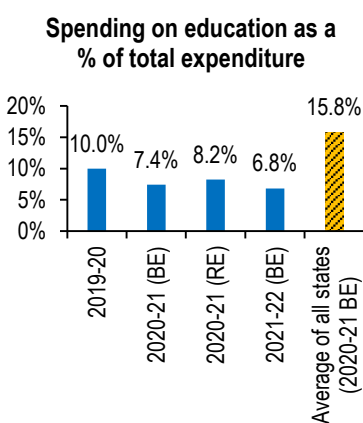
Note: RE is Revised Estimates; BE is budget estimates. Numbers for 2018-19 and 2019-20 are actuals.

Sources: Telangana Budget in Brief 2021-22; PRS.

Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Telangana'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 in that sector by 30 states (including Telangana) as per their budget estimates of 2020-21.¹

- **Education:** Telangana has allocated 6.8% of its total expenditure for education in 2021-22. This is significantly lower than the average allocation (15.8%) for education by all states (2020-21 BE).
- **Health:** Telangana has allocated 3% of its total expenditure on health, which is lower than the average allocation for health by states (5.5%).
- **Agriculture:** The state has allocated 13.5% of its total expenditure towards agriculture and allied activities. This is significantly higher than the average allocation for agriculture by states (6.3%).
- **Rural development:** Telangana has allocated 3.4% of its expenditure on rural development. This is lower than the average allocation for rural development by states (6.1%).
- **Police:** Telangana has allocated 3% of its total expenditure on police, which is lower than the average expenditure on police by states (4.3%).
- **Roads and bridges:** Telangana has allocated 2.6% 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 Telangana. Sources: Telangana 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 2021-26 period, Telangana will have a 0.86% 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, Telangana will receive Rs 0.86.

Table 7: Share of states in the divisible pool of central taxes under the 14th and 15th FC periods

State	14 th FC	15 th FC	15 th 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 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 Telangana include: (i) 13,111 crore as grants for local bodies, (ii) Rs 2,483 crore as disaster management grants, and

Table 8: Grants recommended for 2021-26 (Rs crore)

Grants	Total	Telangana
Revenue deficit grants	2,94,514	0
Local governments grants	4,36,361	13,111*
Sector-specific grants	1,29,987	3,024 [#]
Disaster management grants	1,22,601	2,483
State-specific grants	49,599	2,362
Total	10,33,062	20,980

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 2,362 crore as state-specific grants for purposes including operation and maintenance of Mission Bhagiratha and revamping the infrastructure of Administrative Staff College of India.

Table 9: 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 10: 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)	1,62,742	2,25,477	39%
Receipts except Borrowings	1,17,808	1,76,177	50%
1. Revenue Receipts (a+b+c+d)	1,17,758	1,76,127	50%
a. Own Tax Revenue	76,196	92,910	22%
b. Own Non-Tax Revenue	19,306	30,557	58%
c. Share in central taxes	11,731	13,990	19%
d. Grants-in-aid from the Centre	10,525	38,669	267%
2. Capital Receipts	44,984	49,350	10%
a. Borrowings	44,934	49,300	10%
Expenditure (3+4)	1,66,729	2,30,826	38%
3. Revenue Expenditure	1,33,984	1,69,383	26%
4. Capital Expenditure	32,745	61,443	88%
i. Capital Outlay	10,561	29,047	175%
ii. Debt Repayment	6,521	9,139	40%
Revenue Balance	-16,226	6,743	-
Revenue Balance (as % of GSDP)	-1.66%	0.58%	-
Fiscal Deficit	42,400	45,510	7%
Fiscal Deficit (as % of GSDP)	4.33%	3.94%	-

Note: A negative revenue balance indicates a deficit.

Source: Telangana Budget Documents 2021-22; PRS.

Table 11: 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	23,600	31,000	31%
Sales Tax/VAT	25,296	26,500	5%
State Excise Duty	16,000	17,000	6%
Taxes on Vehicles	6,000	12,500	108%
Stamps Duty and Registration Fees	4,300	5,000	16%
Taxes and Duties on Electricity	33	30	-9%
Land Revenue	7	6	-9%

Source: Telangana Budget Documents 2021-22; PRS.

Table 12: Allocation towards Key Sectors (in Rs crore)

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Agriculture and Allied Activities	25,305	26,822	6%
Social Welfare and Nutrition	17,387	18,997	9%
Welfare of SC, ST, OBC, and Minorities	10,756	15,729	46%
Education, Sports, Arts, and Culture	11,908	13,498	13%
Housing	5,891	11,151	89%
Energy	10,111	10,663	5%
Urban Development	3,553	10,555	197%
Irrigation and Flood Control	4,704	7,979	70%
Rural Development	6,038	6,728	11%
Transport	1,943	6,123	215%
Police	5,461	6,049	11%
Health and Family Welfare	5,665	5,868	4%

Source: Telangana Budget Documents 2021-22; PRS.

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