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Recent trends in Fiscal Performance of Himachal Pradesh

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ABSTRACT: The fiscal reform at the state level is important from the viewpoint of both macroeconomic stability and microeconomic allocative efficiency. The Constitution assigns a pre-eminent role to states in agricultural development, poverty alleviation, human development and co-equal position in the provision of physical infrastructure. The predominant role in allocation and cooperative role in distribution makes states fiscal operations critical for macroeconomic stabilization as well. Although the Constitution places limitations on the states' borrowing powers, in actual practice they are able to run large deficits and that makes fiscal reforms at the state level critical for achieving overall fiscal consolidation in the country. A state specific assessment of fiscal position assumes importance in view of the wide disparities that exist among the Indian states. So, the need of the hour is to frame an effective and time-bound policy measures to enhance revenues particularly non-taxes and shift in expenditure pattern towards economic growth of the state. This paper is an attempt to examine current programme options from the point of view of macro-economic stability and growth, study the public finance at state level and presents an analytical review and assessment of fiscal situation of Himachal Pradesh also examine the review of policy measures to strengthen the state finances and to bring down the fiscal deficit ratio to make a balance in the GDP, expected to lower inflation and interest rates in the economy and strengthen the sustainability of fiscal balance in the long run.

Keywords: Fiscal reforms; State public finances; Fiscal situation; State fiscal policy; GDP.

INTRODUCTION

More than a decade after the launch of the reform process, it seems that significant attention is still not paid to the fiscal reforms at state level. Despite several years of fiscal consolidation effort, large and persistent fiscal deficits remain. India's overall government spending, currently around 33% of GDP (centre and states together) will need to be brought down substantially as a proportion of national product in order for India to achieve its reform goals of macroeconomic stability and long-term rapid growth. The states' increasingly large deficits mean their fiscal policy is an important factor not only in their own performance but in India's overall fiscal sustainability. Deteriorating finances have caused state spending on critical sectors such as health, education, irrigation, and infrastructure to decline below the levels required to make further headway against poverty. Concurrently, there has been an increase in spending on loss making state enterprises and massive subsidies for power, water, irrigation, and transport. Fiscal management and position of state governments in India is certainly a cause of worry, due to the fact that by and large state finances are deteriorating. Revenue deficit has been rising, resulting in growing in debtness of the government. Interest amount on its debt is presently more than what the state government spends on all economic services like agriculture, irrigation, power, rural development etc. The structural imbalance in India's public finance system has existed right from the beginning. While the deterioration in fiscal turning points in the last decade can be related to some proximate causes like pay revision of employees or sluggish revenue growth because of a slowdown in the economy, the imbalances in the state budgets have their origin in factors that are structural in character (Anand, Bagchi and Sen, 2001). Indian economy has been among the fastest growing economies during the last two decades. Wide ranging economic reforms have taken place. It has undergone a significant structural transformation. The economy is more resilient, less vulnerable to external shocks and has opened up for more potential. But the attention on the economy is also because it has crossed one billion marks in population and almost a third of the population remains below a modestly defined poverty level. The debate on perspectives for the Indian economy is continuing. A second wave of reforms is already underway. Key determinants of higher growth path, macroeconomic stability, poverty alleviation are being redefined. This paper highlights recent trends in major macroeconomic indicators of the Indian economy with an overview of recent economic reforms as a background to the perspectives indicated in some important studies/reports covering development of the Indian Economy.

Review of literature:

Rao, M. Govinda (1981) makes a modest attempt to study and to identify the determinant of tax revenue and non plan revenue expenditure of the states towards making their medium term projections. The researcher has chosen the states of Karnataka, Kerela, Orissa and West-Bengal for the purpose in studying the time series determinant. In this study, both the political and economic determinants have been considered. The effects of various economic and political factors on the fiscal decisions of the four states are also quantified. While discussing the determinants of non-plan revenue expenditure the study summaries that in all the four states except Orissa, the growth expenditure on various services is of providing them. Only in Orissa the growth in non-plan revenue expenditure is due to increased quantity of public services. The results of the study confirm ‘Down’s Hypothesis’ that fiscal decisions are essentially guided by the desire to maximize the length of their tenure by the parties in power and are not influenced by their ideological doctrines.

Chelliah, Raja. J. (1991) in his essays says that with the era of liberalization and privatization the relative position of states has enhanced. Hence state level reforms are as important as the reforms at the Centre. Each state must set its own house in order. The reforms should include area of taxation with introduction of Value Added Tax (VAT); cut of subsidies cut of staff of general administration,. The tax reform, which was carried out in South East Asian countries, can provide the lessons for the future.

Rao, Govinda (1992) in his paper seeks to examine the present state of public finance at the state level with a view of tracing the emerging trends in the medium as well as long term. The major objective of the paper is to identify the major problem areas and indicate policy changes to tackle them. The precarious fiscal position in states calls for bold and decisive policy measures which include reduction in employment, levy of appropriate user charge on services, phase of non merit subsidies, privatization of state electricity boards, rationalization of tax system by introduction of VAT and determine the shares of states in aggregate Central taxes rather than percentage share of two taxes.

Chelliah, J. Raja, Rao, Kavita R. (2001) in their paper discusses about the rational ways of increasing the tax revenue of Central and state governments in India. According to them no serious effort has been made to modernize tax administration. The administration of all the states is manual based. A reform and modernization of the administration of the major taxes through computerization and strong deterrent action against tax evaders and corrupt taxmen are two important steps to be taken to increase revenues.

Anand, Mukesh, Bagchi. Amaresh, Sen, K. Tapas (2002) in their article has discussed about the causes of fiscal indiscipline at the state level. Weaknesses of the system of inter-governmental fiscal relations have been cited as prime caused leading to fiscal indiscipline among states, which call for corrective measures.

In a similar line Bagchi, Amaresh (2002) have observed even after a decade of correction the consolidated fiscal deficit (FD) of the government (Centre plus states) stood at about the same level at the close of decade as it is in the beginning10% of GDP. The crises in state finances have their origin in some deep-seated weakness of the fiscal system that call for structural reform. The weakness is in revenue system, budgeting system and system of inter government financial relations. If fiscal deficit is to bring down the weakness of the fiscal system noted above need to address frontally.

Objective of study:

The objective of the present study is to examine the background and to identify the major problem areas at state level. The Objective of the paper is to see fiscal reforms taken by the states for resources mobilization led to reduction in deficits .The present study level of fiscal Reforms in Himachal Pradesh is to examine that: “Fiscal Reforms have helped the state in improving its fiscal health”.

Economic Situation in Himachal Pradesh:

State Income is the single most common and comprehensive economic indicator used to measure the economic health of a State economy. In Himachal Pradesh, first estimates of State Income were released in the year 1963 covering the period 1950-51 to 1960-61. Since Himachal Pradesh underwent many territorial changes after independence and emerged as a full-fledged State in the year 1971, a new series of State Domestic Product was developed for the year 1966-67 to 1969-70 with the base year 1960-61. The third series of State domestic product prepared in the State was based on 1970-71 prices, which consisted of the estimates up to 1986-87. After the release of the new series of National Accounts Statistics by Central Statistical Organization in February 1989, Himachal Pradesh also brought out a new series of estimates based on 1980-81 prices Himachal Pradesh has emerged as leader in hill area development, horticulture revolution, and ideal destination for investment in industry, power and tourism. The competence and value systems with civilization heritage, trade liberalization and other measures to increase the competitive environment in the economy in flinching commitments towards improvement in infrastructures has lead to robust performance in the economy of the Pradesh. The economy of the state has been progressing almost at uniform pace as it is expected to achieve a growth of 7.7 percent in the current financial year which is better than the national growth of around 7 percent. This is in spite of the fact that the economy of Himachal Pradesh is dependent upon agriculture and its allied activities and any fluctuation in agricultural production affects the growth rate. A conducive macroeconomic conditions and responsive administration has induced a competitive environment in the economy in flinching commitments towards improvement in infrastructures. This has lead to a robust economic performance in the state of Himachal Pradesh. The economy of the state has been progressing at a uniform pace and it is expected to achieve a high growth rate of 9.0 percent in the current financial year which is comparatively better than the national growth of 8.6 percent.

The Gross State Domestic Product (GSDP) at factor cost at constant (2004-05) prices in 2009-10 is estimated at Rs. 35,888 crore as against Rs.33,192 crore in 2008-09 registering a growth of 8.1 percent during the year as against the growth rate of 7.4 percent during the previous year. At current prices, the GSDP is estimated at Rs.43,281 crore against Rs.38,571 crore in 2008-09 showing an increase of 12.2 percent during the year. Himachal Pradesh has won various prestigious awards and accolades at the national level. Against the estimated national GDP growth rate of 8.6% during 2010-11, the State's GSDP growth rate is likely to be 9%. Total Budget outlay for 2011-12 is Rs.16708.47 crore. Annual Plan size for 2011-12 proposed at Rs.3300 crore. State's fiscal deficit for next year projected to be 2.7% of GSDP. State expected to remain in revenue surplus for 2011-12[8].

Table1: Receipt and Expenditure of the H.P State Government(Rs. In crores)

Item	**2007-08 (Actual)**	**2008-09 (Actual)**	**2009-10 (RE)**	**2010-11 (BE)**
1.Revenue Receipts(2+3+4)	9141	9308	10536	11588
2.Tax Revenue	2752	3080	3463	4590
3.Non-Tax Revenue	1822	1756	1787	1779
4.Grant-in-aid	4567	4472	5286	5219
5.Revenue Expenditure	8292	9438	10691	12093
(a)Interest Payments	1703	1893	1983	2232
6.Revenue Deficit(1-5)	849	(-) 130	(-) 155	(-) 505
7. Capital Receipts	2673	3192	2736	3058
(a) Recovery of loans	26	21	25	26
(b) Other receipts	798	922	443	759
(c) Borrowings & liabilities	1849	2249	2268	2273

8.Capital Expenditure	2364	3054	3080	2985
9.Total Expenditure	10656	12492	13772	15078
Plan expenditure	2525	2883	3294	3132
Non-plan expenditure	8131	9609	10478	11946
As percent of GDP				
1.Revenue Receipts	26.91	24.13	24.34	22.10
2.Tax Revenue	8.10	7.98	8.00	8.75
3.Non-Tax Revenue	5.36	4.55	4.13	3.39
4.Grant-in-aid	13.45	11.59	12.21	9.95
5.Revenue Expenditure	24.41	24.47	24.70	23.07
(a)Interest Payments	5.01	4.91	4.58	4.26
6.Revenue Deficit	2.50	0.34	0.36	0.96
7.Capital Receipts	7.87	8.28	6.32	5.83
(a) Recovery of loans	0.08	0.05	0.06	0.05
(b) Other receipts	2.35	2.39	1.02	1.45
(c) Borrowings & liabilities	5.44	5.83	5.24	4.34
8.Capital Expenditure	6.96	7.92	7.12	5.69
9.Total Expenditure	31.38	32.39	31.82	28.76

Source: ECONOMIC SURVEY OF HIMACHAL PRADESH 2009-10 (Economics & Statistics Department of Himachal Pradesh.)

Table 1 indicates that revenue receipt in year 2007-08 was Rs 9141 crore which has increased to Rs 9308 crore in year 2008-09. An increasing trend in 2010 and 2011 in the revenue receipts has been there, whereas the pattern as a percentage of GDP revenue receipt goes on decreasing from year 2007-08 to 2010-11.

State Income and Public Finance:

Gross State Domestic Product: The economy of Himachal Pradesh is predominantly dependent upon agriculture and in the absence of strong industrial base; any fluctuations in the agricultural or horticultural production cause some changes in economic growth also.

Table 2: Gross State Domestic Product (Percent)

Year	H.P.	All India
2006-2007(R)	9.2	9.7
2007-2008(Q)	8.6	9
2008-2009(R)	7.4	6.8
2009-2010 (Q)	8.1	8
2010-2011(A)	9	8.6

Source: ECONOMIC SURVEY OF HIMACHAL PRADESH 2009-10 (Economics & Statistics Department of Himachal Pradesh.)

The table 2 shows the growth of economy of Himachal Pradesh vis-a-vis All- India during the last five years Gross State Domestic Product (GSDP) or state income is the most important indicator for measuring the economic growth of a state. As per advanced estimates, the growth rate of GSDP during

2008-09 was 7.4 percent against 6.8 percent at the national level. The growth rate of GSDP during 2010-11 will be anticipated 9.0 percent against 8.6 percent at the national level.

Major Fiscal Indicators:

The deterioration in State finances during 2008-09 and 2009-10 resulting from countercyclical fiscal stimulus measures, a cyclical slowdown in growth of tax revenues mirroring the economic scenario (particularly in 2008-09) and the implementation of the Sixth CPC/SPCs led to a considerable departure from the targets envisaged under the FRLs of States during these two years. However, given the robust growth outlook for 2010-11, the States' fiscal position is expected to improve. The commitment of the States towards reverting to the fiscal consolidation path is evident from the budget estimates of key fiscal indicators for 2010-11.

Table 3 below, reflects the major fiscal indicator of all states of India. In Himachal Pradesh revenue deficit/gross fiscal deficit in year in 2008-09 was 5.7 percent which increased to 6.8 percent in year 2009-10 and further to 20.7 percent in year 2010-11. The capital outlay/gross fiscal deficit in year 2008-09 was 91.3 percent which increased to 92.1 percent in year 2009-10 and it has decreased to 72.2 percent in year 2010-11 .The Net Lending/Gross Fiscal Deficit in year 2008-09 was 3.0 per cent which decreased to 1.2 percent in year 2009-10, but in year 2010-11 it has increased to 7.1 percent. The Non-Development Expenditure/ Aggregate Disbursement in year 2008-09 was 31.9 percent which increased to 32.0 percent in year 2009-10 and in year 2010-11 it has further increased to 34.8 percent .

Table3: Major Fiscal Indicators (percent)												
State	Revenue Deficit/ Gross Fiscal Deficit			Capital Outlay/ Gross Fiscal Deficit			Net Lending/Gross Fiscal Deficit			Non-Development Expenditure/ Aggregate Disbursement		
	2008-09 (Accounts)	2009-10 (RE)	2010-11 (BE)	2008-09 (Accounts)	2009-10 (RE)	2010-11 (BE)	2008-09 (Accounts)	2009-10 (RE)	2010-11 (BE)	2008-09 (Accounts)	2009-10 (RE)	2010-11 (BE)
1	2	3	4	5	6	7	8	9	10	11	12	13
I. Non-Special Category												
1. Andhra Pradesh	-8.1	-20.6	-27.3	83.6	112.1	110.4	24.5	8.5	16.9	23.3	22.8	25.7
2. Bihar	-178.3	-1.8	-142.7	256.7	97.3	227.1	21.5	4.5	15.6	28.9	29.0	29.5
3. Chhattisgarh	-182.1	5.1	-27.0	286.4	95.9	127.9	-4.2	-1.0	-0.9	20.9	18.5	20.4
4. Goa	-12.6	18.3	–	110.3	80.1	99.6	2.3	1.6	0.5	27.3	27.6	30.5
5. Gujarat	0.6	34.5	29.7	97.9	64.1	67.9	1.7	1.4	2.4	26.0	28.0	29.3
6. Haryana	31.8	43.8	44.7	68.6	47.5	39.9	-0.3	8.9	15.6	24.0	24.6	26.4
7. Jharkhand	-16.7	-146.6	-527.2	104.1	210.4	568.0	12.7	36.1	59.1	28.0	29.3	27.5
8. Karnataka	-18.7	-4.8	-5.2	113.0	96.9	121.3	7.7	8.2	12.7	23.6	23.1	24.2
9. Kerala	58.5	60.9	42.5	26.7	29.0	48.5	14.9	10.2	9.1	39.1	38.7	36.8
10. Madhya Pradesh	-91.6	-80.5	-19.7	151.4	122.6	100.3	40.8	57.9	19.5	25.7	24.1	26.9
11. Maharashtra	-39.8	41.2	31.5	134.8	55.4	67.0	5.1	3.4	1.5	27.5	27.4	30.5
12. Orissa	-1023.8	28.0	17.9	1131.4	76.9	80.2	-7.6	-4.9	1.9	27.1	31.5	32.1
13. Punjab	57.6	63.3	62.1	42.7	55.0	39.7	-0.4	-18.3	-1.9	49.5	46.4	45.6
14. Rajasthan	11.9	40.3	13.0	84.6	55.8	87.8	3.6	3.9	-0.8	29.8	30.7	31.9
15. Tamil	-17.0	39.0	20.9	106.5	66.9	75.7	10.5	-6.0	3.3	27.8	28.8	29.8

Nadu												
16. Uttar Pradesh	-9.1	-8.3	-2.4	108.9	105.7	100.9	0.1	2.7	1.6	29.3	33.8	35.3
17. West Bengal	108.5	83.9	73.7	27.3	14.3	24.2	-35.8	1.8	2.1	34.3	39.7	36.0
Total I	**-0.6**	**25.6**	**16.2**	**97.2**	**69.8**	**79.7**	**3.6**	**4.6**	**5.7**	**28.6**	**29.7**	**30.7**
II. Special Category												
1. Arunachal Pradesh	-297.9	-853.4	-1557.7	390.5	951.1	1657.0	7.4	2.2	0.8	19.3	21.1	32.1
2. Assam	272.5	52.8	64.0	-168.7	46.7	35.5	-3.8	0.4	0.5	30.9	35.4	27.3
3. Himachal Pradesh	**5.7**	**6.8**	**20.7**	**91.3**	**92.1**	**72.2**	**3.0**	**1.2**	**7.1**	**31.9**	**32.0**	**34.8**
. Jammu and Kashmir	-144.7	-200.0	-265.0	243.1	297.1	361.0	1.5	3.0	4.0	33.0	34.0	35.9
5. Manipur	-576.5	-475.8	-467.5	676.3	574.2	625.9	0.2	1.6	5.2	26.1	25.5	29.6
6. Meghalaya	-29.4	-35.5	-88.2	122.0	132.1	184.3	7.3	3.4	3.8	28.9	24.6	25.0
7. Mizoram	-360.0	-66.5	-816.4	467.9	167.8	928.4	-7.9	-1.3	-12.0	28.9	27.3	30.4
8. Nagaland	-150.1	-45.0	-334.3	250.4	142.9	433.5	-0.3	2.1	0.8	37.9	34.6	36.2
9. Sikkim	-161.4	-184.1	-147.6	261.4	272.6	246.7	-0.1	11.5	0.9	48.2	44.1	40.3
10. Tripura	-351.0	-12.0	-80.2	445.5	110.7	177.9	5.5	1.3	2.2	33.9	32.6	39.7
11. Uttarakhand	-13.0	28.7	-9.3	109.3	73.8	114.8	3.7	5.2	3.1	30.1	28.4	28.6
Total II	**-170.1**	**-12.3**	**-27.7**	**266.0**	**111.6**	**127.3**	**4.2**	**1.9**	**2.3**	**31.5**	**32.2**	**31.8**
All States (I+II)	**-9.4**	**21.6**	**12.3**	**106.0**	**74.2**	**84.0**	**3.6**	**4.3**	**5.3**	**28.9**	**30.0**	**30.9**
Memo item:												
1. NCT Delhi	-162.5	-188.8	-221.1	141.5	137.1	155.6	121.0	151.6	165.6	23.2	24.7	24.3
2. Puducherry	30.2	51.3	25.4	70.4	53.2	74.8	-0.6	-0.4	-0.3	24.2	24.0	16.5

Avg.: Average. RE: Revised Estimates.
RD: Revenue Deficit. GFD: Gross Fiscal Deficit.
PD: Primary Deficit..
Note: Negative (-) sign indicates surplus.
Source: Based on Budget Documents of the State Governments.
(http://www.rbi.org.in/scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets**)**

Major Fiscal deficit Indicators:
In the past two years, the consolidated fiscal position of the States deteriorated significantly. Key fiscal indicators suffered a setback in 2008-09 and 2009-10 as States implemented the recommendations of the Sixth Central/State(s) Pay Commissions (CPC/ SPCs) and also undertook various discretionary fiscal measures to moderate the impact of the overall macroeconomic slowdown. The progress in terms of fiscal consolidation till 2007-08 had created a space for the expansionary fiscal stance at the State level. Further, additional market borrowings up to 0.5 per cent of States' GSDP each in 2008-09 and 2009-10 were allowed by the Centre. Due to the moderation in economic growth during 2008-09, revenue buoyancy suffered a setback and aggregate expenditure shot up. Consequent upon these developments, the revenue surplus declined sharply in 2008-09 as growth in revenue expenditure surpassed that in revenue receipts. The deterioration in State finances persisted in 2009-10 (RE), resulting in the re-emergence of revenue deficit of 0.7 per cent of GDP after a gap of three years. These developments in revenue account were also reflected in a rise in GFD-GDP ratios in 2008- 09 (Accounts) and 2009-10 (RE). However, a significant turnaround is anticipated in the fiscal position of State governments in 2010-11 (BE) as evident from their key fiscal indicators

Fiscal deficit:
The difference between total revenue and total expenditure of the government is termed as fiscal deficit. It is an indication of the total borrowings needed by the government. While calculating the total revenue, borrowings are not included. Generally fiscal deficit takes place due to either revenue deficit or a major hike in capital expenditure. Capital expenditure is incurred to create long-term assets such as factories, buildings and other development. A deficit is usually financed through borrowing from either the central bank of the country or raising money from capital markets by issuing different instruments like treasury bills and bonds.

Revenue deficit:
A mismatch in the expected revenue and expenditure can result in revenue deficit. Revenue deficit arises when the government's actual net receipts is lower than the projected receipts. On the contrary, if the actual receipts are higher than expected one, it is termed as revenue surplus. A revenue deficit does not mean actual loss of revenue.

Primary deficit:
Primary deficit is the gross deficit which is obtained by subtracting interest payments from budget deficit of any country of a particular year. We need to know the value of primary deficit, while calculating the fiscal deficit.

Alternative Definition of Primary Deficit is that it corresponds to the net borrowing, which is required to meet the expenditure excluding the interest payment.

Primary Deficit = (Fiscal Deficit – Interest Payment) [9]

Item	**1990-95** Average	**1995-00 Average**	**2000-05** Average	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10 (BE)**	**2009-10 (RE)**	**2010-11 (BE)**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Gross Fiscal Deficit	(2.8)	(3.4)	(4.0)	90,084 (2.4)	77,508 (1.8)	75,455 (1.5)	1,34,589 (2.4)	1,99,510 (3.0)	2,16,101 (3.3)	1,98,539 (2.5)
Revenue Deficit	(0.7)	(1.7)	(2.2)	7,013 (0.2)	-24,857	-42,943	-12,672	32,295 (0.5)	46,663 (0.7)	24,370 (0.3)

					(-0.6)	(-0.9)	(-0.2)			
Primar y Deficit	(1.1)	(1.4)	(1.3)	6,060 (0.2)	- 15,67 2 (-0.4)	- 24,37 6 (-0.5)	31,63 4 (0.6)	83,083 (1.3)	100,197 (1.5)	69,883 (0.9)

Table 4: Major Deficit Indicators of State Governments (amount in crore)

BE: Budget Estimates. RE: Revised Estimates.
Note: 1. Negative (–) sign indicates surplus.
2. Figures in parentheses are percentages to GDP.
3. The ratios to GDP at current market prices starting with 2004-05 are based on CSO's National Accounts 2004-05 series. Data on GDP for earlier years
relate to 1999-2000 series.
Source: State Finances : A Study of Budgets of 2010-11
http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/STF28032011.pdf

Table 4 reveals that the major deficit indicators of state government are gross fiscal deficit (GFD), Revenue deficit (RD) and primary deficit (PF). The GFD was more in year 2009-10 and less in year 2007-08, whereas revenue deficit was negative in the year 2007-08, which means extra surpluses were given by government. But the primary deficit was also negative in the year 2006-07 and 2007-08.

Revenue Deficit /Surplus:

Table 5: Revenue Deficit /Surplus

(` crore)

State	**2008-09 (Accounts)**			**2009-10 (Revised Estimates)**			**2010-11 (Budget Estimates)**		
	Revenue Receipts	**Revenue Expenditure**	**Revenue Surplus (-)/ Deficit(+)**	**Revenue Receipts**	**Revenue Expenditure**	**Revenue Surplus (-)/ Deficit(+)**	**Revenue Receipts**	**Revenue Expenditure**	**Revenue Surplus (-)/ Deficit(+)**
1	**2**	**3**	**4=3-2**	**5**	**6**	**7=6-5**	**8**	**9**	**10=9-8**
I. Non-Special Category									
1. Andhra Pradesh	62,858	61,854	-1,004	78,406	75,464	-2,942	90,648	87,100	-3,548
2. Bihar	32,981	28,512	-4,469	37,869	37,696	-173	47,235	40,678	-6,557
3. Chhattisgarh	15,663	13,794	-1,869	18,576	18,734	158	20,526	19,667	-860
4. Goa	3,528	3,425	-103	4,266	4,540	274	5,003	5,003	-1
5. Gujarat	38,676	38,741	66	43,449	47,805	4,357	49,477	53,979	4,502
6. Haryana	18,452	20,535	2,082	23,002	26,664	3,662	24,541	28,483	3,942
7. Jharkhand	16,107	15,479	-628	19,841	17,227	-2,614	20,102	16,551	-3,551
8. Karnataka	43,291	41,659	-1,631	46,406	45,868	-538	53,639	53,138	-500
9. Kerala	24,512	28,224	3,712	26,526	30,608	4,082	31,181	34,810	3,630
10. Madhya Pradesh	33,577	29,514	-4,063	43,284	37,977	-5,308	43,444	41,863	-1,581
11. Maharashtra	81,271	75,694	-5,577	88,498	1,01,22	12,730	97,044	1,04,69	7,655

					9			8	
12. Orissa	24,610	21,190	-3,420	27,678	29,242	1,564	31,445	32,482	1,037
13. Punjab	20,713	24,569	3,856	25,452	29,604	4,152	28,617	33,405	4,788
14. Rajasthan	33,469	34,296	827	37,207	41,200	3,993	42,463	43,562	1,098
15. Tamil Nadu	55,043	53,590	-1,452	54,290	59,310	5,020	63,092	66,488	3,396
16. Uttar Pradesh	77,831	75,969	-1,862	98,124	96,137	-1,988	1,11,621	1,11,066	-554
17. West Bengal	36,904	51,613	14,709	39,416	62,470	23,054	47,572	64,014	16,441
II. Special Category									
1. Arunachal Pradesh	3,856	2,872	-984	5,702	4,006	-1,696	5,101	3,342	-1,759
2. Assam	18,077	14,243	-3,834	24,485	29,816	5,331	26,409	32,369	5,960
3. Himachal Pradesh	**9,308**	**9,438**	**130**	**10,536**	**10,691**	**155**	**11,589**	**12,093**	**505**
4. Jammu and Kashmir	15,811	12,447	-3,364	19,553	15,100	-4,453	22,662	17,456	-5,207
5. Manipur	3,873	2,622	-1,250	4,714	3,190	-1,525	5,368	4,050	-1,318
6. Meghalaya	2,811	2,683	-128	3,806	3,588	-218	4,394	4,062	-332
7. Mizoram	2,653	2,314	-339	3,214	2,957	-257	3,254	2,912	-342
8. Nagaland	3,401	2,890	-511	3,953	3,534	-419	5,354	4,365	-989
9. Sikkim	2,671	2,294	-378	3,500	2,851	-649	3,585	3,053	-532
10. Tripura	4,077	3,129	-947	4,680	4,478	-202	5,513	4,722	-790
11. Uttarakhand	8,635	8,395	-240	10,952	12,066	1,114	12,159	11,997	-162
All States	**6,94,657**	**6,81,985**	**-12,672**	**8,07,388**	**8,54,051**	**46,663**	**9,13,038**	**9,37,408**	**24,370**
Memo item:									
1 NCT Delhi	16,352	11,763	-4,590	21,236	14,515	-6,721	21,770	14,879	-6,891
2 Puducherry	2,458	2,570	112	2,890	3,303	412	3,241	3,498	257
Note: Figures for Jammu and Kashmir and Jharkhand for the year 2008-09 (Accounts) relate to Revised Estimates.									
Source: Budget Documents of the State Governments. http://www.rbi.org.in/scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets									

The different states of India there is an increase in revenue expenditure from year 2008 to 2011 (BE). The consolidated revenue deficit, therefore, re-emerged in 2009-10 after a gap of three years and GFD was higher in the revised estimates compared with budget estimates. The deterioration in the revenue account occurred as the marginal increase in total revenue receipts was more than offset by a surge in revenue expenditures of the States in 2009-10 (RE) over 2009-10 (BE) (table 5). The revenue deficit as a ratio to GDP (RD-GDP) at 0.7 per cent in 2009-10 (RE) was marginally higher than 0.5 per cent in 2009-10 (BE). In Himachal Pradesh the revenue receipt was Rs 9308 crore in the year 2008-09 and increased to Rs 10536 crore in the year 2009-10. The revenue receipts have further increased to Rs 11589 crore in the year 2010-11. The revenue expenditure in year 2008-09 was Rs 9438 crore, increased to Rs 10691 crore in the year 2009-10 and further to Rs 12093 crore in the year 2010-11 . Revenue deficit in year 2008-09 was Rs 130 crore , increased to Rs. 505 crore in the year 2010-11, showing nearly 4 times increase.

CONCLUSION

A major concern that emerges from the budget estimates of State governments is with regard to lower growth in development expenditure vis-a-vis non development expenditure in both revenue and capital accounts. Given the resource requirements for development and the need to undertake fiscal consolidation, States have to actively pursue reforms in terms of (i) efficient allocation of expenditure; (ii) exploring other avenues of non-tax revenues, such as adequate tariff policies in low cost recovery sectors; and (iii) examining the commercial viability of State public enterprises. An analysis of State finances during 2008- 09 to 2010-11 shows that finances in most States were adversely affected by the implementation of the recommendations of the Sixth/ State(s) Pay Commission during 2008-09 and 2009-10. Besides, many States initiated expansionary fiscal measures in the form of tax concessions and exemptions and increased expenditure, particularly in 2009-10, in order to moderate the impact of the overall macroeconomic slowdown. Revenue receipts were significantly impacted in the case of many nonspecial category States, while the impact was quite modest in the finances of special category States. Reflecting the higher RD-GSDP ratio, most of nonspecial category States recorded higher GFD, GSDP ratios in 2009-10 (RE). The revenue account was adversely impacted in 18 States and the number of States with a revenue surplus decreased from 21 in 2008-09 to 14 in 2009-10 (RE). If we see the revenue deficit of special category state there is only H.P which does not need surpluses from the govt. because it already shows revenue deficit in positive and do not need extra surpluses (from table 5). The major constrain facing Himachal Pradesh –with about 65 per cent of its expenditure committed to salaries, pension and interest payment, and a debt stock of about 74 per cent of GSDP- is needed to enhance fiscal space to finance development, while improving fiscal sustainability. Fiscal reform and measures to strengthen public financial management will improve fiscal sustainability, while in fiscal space and efficiency of public expenditure. Support to environmentally sustainable development will help to manage the state's precious natural resource base, from which it derives its comparative advantages in sector like hydropower and tourism. Improvements in governance and administrative effectiveness, combined with growth-enabling reforms will lead to increased private investment and productive job opportunities along with expanded access to improved basic services, particularly for remote areas [10].Further, the implementation of 6th pay Commission pay package will put further pressure on state finance. It is estimated that after implementation of pay package 20 percent increase in wage bill of the states will take place. Thus, there will be a hike in non-developmental revenue expenditure. In case of nonproportional increase in revenue, curtailment will be there in developmental capital outlay, which will result in reduction in growth of GSDP. This will further add-up to the observed declining trend in growth rate of GSDP in all states in 2005-09. However with corresponding equal increase in central inflow to meet the enhanced salary burden and no compression in capital outlay then, growth rate can be increased by one percentage point. Thus, the process is vicious and we are to make alternative presumptions on the parameters.

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