

## Impact of Fourteenth Finance Commission's recommendations on the Rajasthan State Finances and Social Sector Schemes

### Budget Analysis Rajasthan Centre

The Fourteenth Finance Commission recommendation of increasing the share of the state governments in the divisible pool of central taxes from 32% to 42% is considered to be a very significant change and has been highlighted by the union government as well. The Union government has accepted the recommendations made by the 14<sup>th</sup> Finance commission and has increased states' shares but the overall transfer to the states from the union government has not increased significantly (CBGA, 2015). This is because the share of states in central taxes has been increased but other transfers like grant to the state governments has been slashed by the union government. How has this impacted the total revenue collection and total income of the government of Rajasthan? The table below gives Rajasthan government income from various sources:

**Table 1: Receipts of Govt. of Rajasthan (Rs. Crores)**

S.No.	Head	2014-15 BE	2014-15 RE	2015-16 BE
<b>1</b>	<b>Revenue Receipts (2+3+4)</b>	<b>106124.67</b>	<b>96668.33</b>	<b>111361.66</b>
<b>2</b>	Tax Revenue (Total of 2(i) + 2(ii))	63410.50	59604.02	76020.88
<b>2 (i)</b>	Share of Central Taxes	22755.55	19817.15	28924.84
<b>2(ii)</b>	State's own Taxes	40654.95	39786.86	47096.03
<b>3</b>	Non-tax Revenue	14938.61	13468.49	15496.00
<b>4</b>	Grant in aid	27775.56	23595.82	19844.79
<b>5</b>	<b>Capital Receipts (6+7+8+9+10)</b>	<b>22151.33</b>	<b>29546.05</b>	<b>26526.03</b>
<b>6</b>	Receipts in Capital Account	8.00	8.00	8.00
<b>7</b>	Receipts from public debt	19029.17	18411.39	22157.00
<b>8</b>	Borrowings & other receipts	151.43	1020.66	903.54
<b>9</b>	Net receipts from public account	2962.73	9806.00	3457.50
<b>10</b>	<b>Total Receipts (1 + 5)</b>	<b>128276.00</b>	<b>126214.38</b>	<b>137887.69</b>

**Source: Rajasthan Govt Budget Books**

The table above presents the composition of total receipts by the Rajasthan government. The share in central taxes and grant in aid show the transfer from the union to the state government. As it can be seen in the table above, the Revenue receipts of the state government which was estimated to be 106.12 lakh crore (cr.) in 2014-15 has been revised in the 2015-16 budget and have decreased in total by **Rs. 9456.34 cr.** This happened majorly because the revised estimates show a decline in the share of state in central taxes and in grant in aid from the centre to the state.

In the case of tax revenue, share of state in central taxes was Rs. 22755.55 cr. which was later decreased by the amount of **Rs. 2938.4 cr.** to Rs.19817.15 cr. in revised estimate. The grant in aid provided by the central government was estimated to be 27775.56 cr. which was later decreased by **Rs. 4179.74 cr.** to Rs. 23595.82. As the table shows there is not much decline in states own taxes and not tax revenue. The decline in revenue receipts due to changes in revised estimates of the central government is 75.27% of total decline.

The Fourteenth Finance Commissions recommendations came in effect in 2015-16 and we can see its impact on the increase in share of the state in the central taxes. Since there is a huge variation in the 2014-15 BE and RE figures increase is even sharper compared to 2014-15 RE. However it does not have much impact on the total revenue receipts of the state government. The total of revenue receipts of state government have increased in total by Rs. 5236.95 cr. i.e. from Rs.106124.67 cr. (2014-15 BE) to Rs.111361.66 cr. (2015-16 BE). Even though the share of state government in central taxes has increased by a large amount of Rs. 6169.29 cr. the decline in grant to the state government has decreased by an even bigger amount of **Rs.7930.77 cr.**

Due to decline in receipts to the state government there has been a significant decline in expenditure pattern of the state government which is also clearly visible from the data.

**Table 2: Total Expenditure of State Govt. (Rs. Crores)**

<b>Non plan Expenditure (13+14)</b>	<b>74311.63</b>	<b>74600.38</b>	<b>80390.62</b>
From Revenue account	69301.75	69268.27	75560.73
From Capital Account	5009.88	5032.12	4829.89
<b>Plan Expenditure (19+20)</b>	<b>57115.26</b>	<b>51511.25</b>	<b>57322.77</b>
From Revenue account	36085.44	31619.67	35244.12
From Capital Account	21029.83	19891.58	22078.65
<b>Total Expenditure (12+18+24)</b>	<b>131426.89</b>	<b>126111.63</b>	<b>137713.39</b>
<b>Total revenue expenditure</b>	<b>105387.19</b>	<b>100887.94</b>	<b>110804.85</b>
<b>Total capital Expenditure</b>	<b>26039.70</b>	<b>24923.69</b>	<b>26908.54</b>

**Source: Rajasthan Govt Budget Books**

The decline in the revenue receipts of the state government in 2014-15 from BE to RE have had an impact on mainly the Plan expenditure (both revenue and capital plan expenditures has declined). Non planned expenditure in totality has increased in revised estimate marginally by Rs. 288.75 cr. but the planned expenditure has decreased from Rs. 57115.26 cr. to Rs.51511.25 cr. i.e. there is a decline in planned expenditure by a large amount of Rs. 5604.01 cr.

**However, if we compare the expenditure estimates for the 2015-16, we see that there is an increase in non-plan expenditure by Rs. 6078.96 cr. compared 2014-15 BE to whereas the**

planned expenditure has increased barely by Rs.207.51 cr. The increase if any is visible only if we compare the figures of 2015-16 BE with 2014-15 RE as 2014-15 RE was reduced considerably.

### Impacts on the Social Sector and Major Social Sector Schemes

#### Sector wise allocations by the Rajasthan government:

The decline in the government expenditure mainly in Plan expenditure of the state government is visible in total allocation to some of the social sector allocations as well. The table below gives allocation to major sectors by the state government.

**Table 3: Sector wise allocation of funds by the Rajasthan govt. (Rs. Crores)**

Sector	2014-15 BE	2014-15 RE	2015-16 BE
Health and Family Welfare	8703	7444	9416
Education	22873	20573	23824
Welfare of SC/ST OBC (including minority)	1542	1340	1471
Social Welfare and Nutrition	6567	6493	7592
Nutrition (included in above)	(1954)	(1470)	(1695)
Agriculture and allied services	5469	5260	5232
Irrigation	3379	3184	3466
Energy	14957	13977	15999
Rural Development	13904	12320	12968

**Source: Rajasthan government budget books**

As the table above suggests, there is an increase in the allocations to sectors like health and education, though the increase is not much compared to 2014-15 BE. But there is a visible decline in sectors like Welfare of SC, ST, OBCs and Minority, Nutrition, Agriculture and Allied Services and Rural Development.

### Impact on various Social Sector Schemes

In 2015-16 budget, the Indian government has decreased its allocation to major centrally sponsored schemes (CSS) arguing that since the state governments are now receiving increased fund due to the 14<sup>th</sup> Finance Commission's recommendations. The CSSs have been grouped in three categories in 2015-16 union budget. Some of the CSSs have been scrapped, while the ratio of centre state share has been changed for some other, while for some CSSs the union government has said that those would continue as earlier. The third category of CSSs includes those schemes which are aimed at development of the weaker sections of the society or for which the government has legal or constitutions obligations. However, as the table below shows the allocation to schemes like SSA for which the Indian government has legal obligation have also been slashed. The table below gives figures for selected CSSs.

**Table: Allocation to various CCSs in Union Budget 2015-16 (Rs. Crore)**

S. No.	Scheme	2014-15 (BE)	2014-15 (RE)	2015-16 (BE)
1.	Sarva Shiksha Abhiyan	28258	24380	22000
2.	MGNREGA	33989		34699
3.	Samekit Bal Sanrakshan Yojana (ICPS)	400	450	402.2
4.	Integrated Child Development Scheme	18391		8449
5.	Multi-sectoral Development Programme (MSDP)		769.72	1232
6.	Mid Day Meal (MDM)	13215	6973	7811
7.	Indira Awas Yojana	16000		10025
8.	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	5000	1560	2157
12.	National Rural Livelihood Mission (NRLM)	4000		2382.8
13.	National Health Mission (NHM)	22731.0	18609.03	18875.3
14.	Krishi Vikas Yojana (KVY)		8444	4500

Source: CBGA, Response to Union Budget

As we can see in the above table there has been major cut in allocation to some of the important social sector schemes by the union government. SSA, RMSA, ICDS, MDM, IAY, NRLM, NHM, RKVY have all seen major decline in their allocation in 2015-16 compared to 2014-15.

The slashes in these schemes by the union government are supposed to be compensated by the increase to the state governments, as they are now supposed to get increased amount from the union government. But as we saw above there is no real increase in total transfer from the union to the state government. In that case it is of interest to see that how has the Rajasthan government treated the various Centrally Sponsored Schemes in 2015-16 budget. The table below shows the allocation by the state government to select schemes.

### Schemes (Rajasthan State)

S.No.	Scheme	Item	2014-15 (BE)	2014-15 (RE)	2015-16 (BE)
1.	Sarva Shiksha Abhiyan	Total	4341.57	4191.55	4987.34
		Central share	2874.02	2858.91	1296.71
2.	MGNREGA	Total	4849.86	3313.57	4349.78
		Central share	4500.00	3000.00	4000.00
3.	Samekit Bal Sanrakhan Yojana (ICPS)	Total	36.10	50.5	60
		Central share	25	37	44.5
4.	Multi-sectoral Development Programme (MSDP)	Total	0.0003	7.604	10.2274
		Central share	0.0001	5.728	7.7474
5.	Mid Day Meal	Total	765.00	600.00	659.45
		Central share	600.00	450.00	217.01
6.	Indira Awas Yojana	Total	859.55	755.43	814.83
		Central share	644.66	549.25	583.45
7.	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Total	1155.54	551.57	1086.48
		Central share	685.07	301.18	814.86
8.	National Rural Livelihood Mission (NRLM)	Total	200.00	150.00	129.60
		Central share	150.00	112.50	97.20
9.	National Rural Livelihood Project (NRLP)	Total	-	-	31.19
		Central share	-	-	23.39
10.	Swachh Bharat Abhiyan	Total	-	-	50.00
		Central share	-	-	10.00
11.	Rashtriya Gramin	Total	280.41	245.21	245.10



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	<b>Payjal Yojana</b>	<b>Central share</b>	84.12	245.21	245.10
12.	Samanvit Jal Grahan Vikas Karyakram	Total	500.00	711.00	629.87
		Central share	450.00	639.08	314.93

**Source: State government budget books**

As we can see in the table above the Rajasthan government is able to maintain the increased allocation in some of the important schemes like SSA, MGNREGA, ICPS and MSDP; the allocation to some other crucial schemes like MDM, IAY, RSMA, NRLM, and drinking water schemes have declined compared in 2015-16 BE compare to 2014-15 BE or have increased marginally compared to 2014-15 RE.

So considering the changes in government's income and expenditure patterns and allocations to various sectors and major social sector schemes, it seems, the overall impact of the changes in total transfer of the union government and slashes in various centrally sponsored schemes in the name of 14<sup>th</sup> Finance Commission's recommendations are not very positive. There is visible decline in allocation by the state government in some of the crucial sectors like Welfare of SC, ST, OBCs and Minority, Nutrition, Agriculture and Allied Services and Rural Development and schemes like MDM, IAY, RSMA, NRLM, and drinking water schemes.