



### **Rajasthan Budget 2015-16: Focus on industry and trade at what cost?**

Rajasthan state budget 2015-16, as expected, gives lots of emphasis on providing facilities for industry and trade, making the tax process easier, developing basic infrastructure and on developing skills. However the chief minister mentioned in her budget speech that development of human resources, social infrastructure and water conservation are also necessary along with developing economic infrastructure.

But a greater part of the budget speech is devoted to e-governance, measure for making tax processes easier, attracting more investment in the state, development of road network in the state etc. In last budget (in July 2014) the government announced to built 20,000 km of roads in coming five years and again the government announced 10,000 km of roads during the year 2015-16. Most of the announcements related to e-governance focus only on making the tax collection process easier for the traders and industry.

As for the social sectors are concerned, there are some good announcements in the budget in education, like opening a higher secondary school in every gram panchayat and formation of a District School Board in every district which will ensure quality education and also bring out a report on the status of education in every district. Also, the 63 model schools announced last year would now be opened in coming three years for which the state government will provide Rs. 237.90 crore the three years. Also, the existing models school buildings will be improved over the three years periods. For higher education also a state higher education plan will be implemented over eight years also a science and humanities research foundation will be constituted to promote higher education and research.

For providing drinking water to all, 12 unfinished projects from total 52 identified unfinished projects are to be completed this year. Last year also the government had announced completion of 12 such projects, on which we have no information so far. The budget also announced some new projects for drinking water.

However, there is not much increase in the allocations made for sectors like agriculture, rural development, education and health and on welfare of women, children, dalits, tribals and minorities. In fact allocation to agriculture and allied sectors remained same at Rs. 5200 crore in 2015-16 (BE) compared to 2014-15 (RE). It is notable the agricultural growth rate has been sluggish during the last 3-4 years and this year also it is just 2.5% per annum.

### **Financial status of the status**

As for the financial status of the state, the revenue income of the state has declined during the year 2014-15 compared to the budget estimates for the year because of decline in both state's own revenue collection as well as grants and taxes shares received from the centre. This has led to revenue deficit as per the revised estimates during the current year in contrast to the revenue surplus as reported in Modified Budget 2014-15 presented in July 2014.



### **Increased deficit in current year 2014-15**

The revenue deficit during 2014-15 has led to increased loan by about Rs. 10,000 crores taken by the government during the year 2014-15 compared to the budget estimates. Not only this, it has also led to decline in both plan and capital expenditure during the current year 2014-15 as per revised estimates compared to budget estimates. The plan expenditure declined by Rs. 6,000 crores from Rs. 57115 crores (2014-15 RE) to Rs. 51511 crores (2015-16 BE).

### **Changes in devolution from Union government in 2015-16**

The changes in resource allocation from centre to the state is also visible as the state share in central taxes increased almost by Rs. 9,000 crores from Rs. 19817 crore (2014-15 RE) to Rs. 28924 crores (2015-16 BE) and grants from the centre declined by more than Rs. 3,000 crores from Rs. 23595 crores (2014-15 RE) to Rs. 19844 crores (2015-16 BE). The budget estimates for year 2015-16 suggest that plan expenditure in coming year will remain virtually same as last budget estimates for 2014-15 and will increase by 11 percent compared to 2014-15 RE. The capital expenditure in 2015-16 is also going to be almost same as current year's budget estimates and increase by 8% compared to current years revised estimates. There is increase in revenue expenditure as well as non-plan expenditure in coming year (2015-16) compared to both budget and revised estimates for the year 2014-15.

This way the government has targeted at a revenue surplus of about Rs. 500 crores in 2015-16 and a fiscal deficit of just 2.99% of GSDP compared to current year's 4.52%. However, achievement of these fiscal targets will depend on the success of the tax reforms announced in the budget and tax collection efforts.

### **In conclusion....**

The first full fledged budget of the current government gives higher priority to infrastructure and industrial growth and announces many measures for the "ease of doing business" like e-governance and tax reforms, it fails to adequately focus on agriculture and social sectors. The stagnated allocation to agriculture will do no good for already slower agricultural growth and may also affect the prospect of higher growth in GSDP