

STATES UNDER PRESSURE

Implementation of GST has reduced States' autonomy in revenue matters and some States may come under pressure following farm loan waivers. **By Ramesh Chakrapani**

States have limited flexibility on their revenues after the implementation of goods and services tax (GST), and some States may come under fiscal pressure following implementation of the 7th Pay Commission and waiver of farm loans, according to a report titled "State of State Finances" by Roopal Suhag and Suyash Tiwari of PRS India, a think tank based in New Delhi.

The report said that the proposed use of population data from Census 2011 by the 15th Finance Commission could hit the devolution share of Tamil Nadu, Kerala and Andhra Pradesh, and boost the share of Uttar Pradesh.

Rajasthan and Bihar.

According to the report, States are expected to spend 72 per cent more than the Central government in 2018-19, up from 46 per cent more in 2014-15.

On GST, it said that the tax reduces States' flexibility on receipts, as the decision-making power of States will be limited to 35 per cent of their revenues.

Farm loan waivers by eight States, amounting to Rs.1,77,241 crore, may lead to higher borrowings by them, the report said. States' share in net proceeds of Union taxes and duties is estimated at Rs.7,68,413 crore in 2018-19.

PART 1 OF A SERIES

KEY STATISTICS

States **expected to spend 72%** more than the Central government in 2018-19, up from 46% in 2014-15

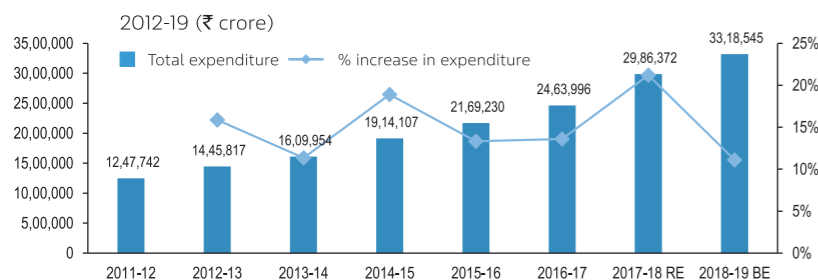
GST **reduces States' flexibility** on receipts--decision-making power of States to be limited to 35% of their revenue.

Farm loan waivers by eight States, amounting to `1,77,241 crore, may **lead to higher borrowings** by them.

States' share in net proceeds of Union taxes and duties estimated at **₹7,68,413 crore** in 2018-19.

Use of 2011 population data by 15th Finance Commission could **hit devolution share** of Tamil Nadu, Kerala, and Andhra Pradesh, boost share of Uttar Pradesh, Rajasthan, and Bihar.

Total expenditure of States has increased at an average rate of 15%



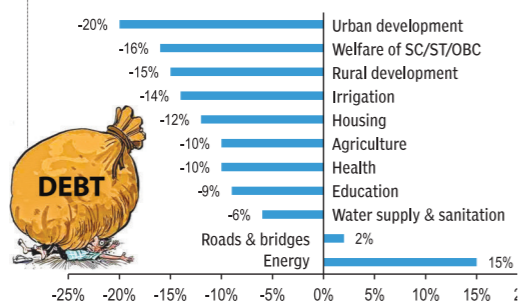
RE: Revised estimate BE: Budget estimate

GST compensation grants (expected by States in 2018-19)

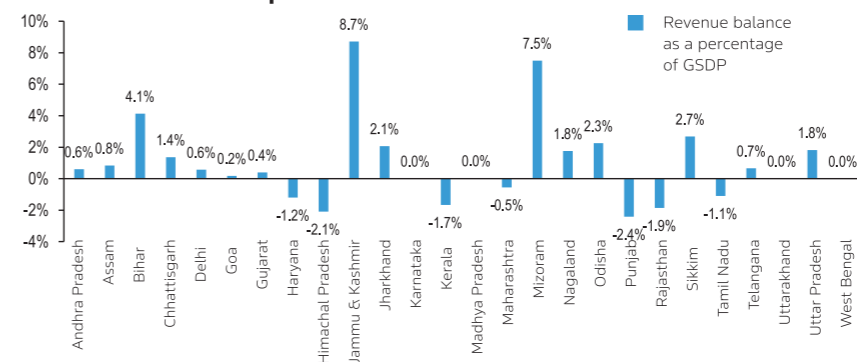
(Rs. crore)

| | |
|-------------|--------|
| Karnataka | 10,800 |
| Gujarat | 10,296 |
| West Bengal | 9,876 |
| U.P. | 5,942 |
| Rajasthan | 4,500 |
| Odisha | 4,074 |
| Bihar | 3,698 |
| J&K | 3,175 |
| M.P. | 2,600 |
| A.P. | 2,000 |
| Tamil Nadu | 1,698 |
| Telangana | 1,500 |
| Assam | 1,000 |

Maximum underspending seen in urban development; highest overspending in energy (2011-2017)

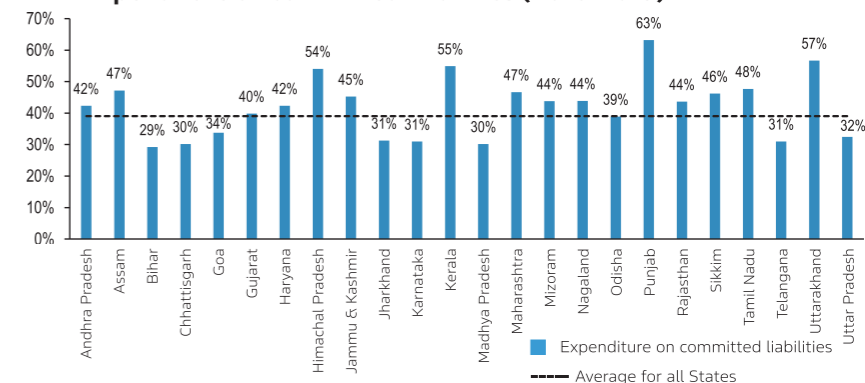


Seven States expect their revenue to be in deficit in 2018-19

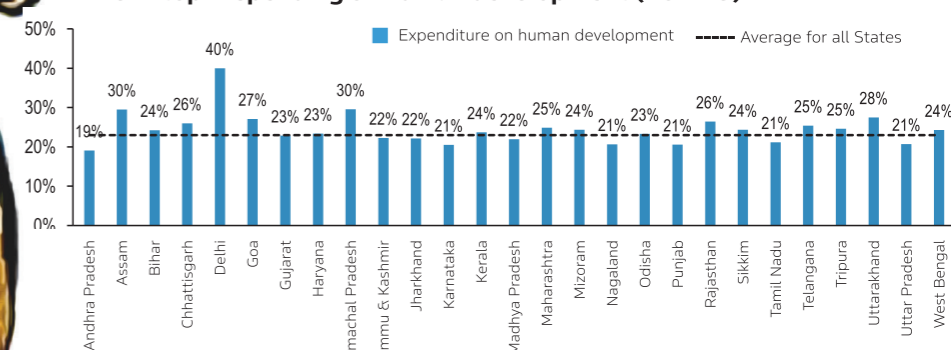


Source: State Budget documents: PRS

Expenditure on committed liabilities (2016-2019)



Delhi top in spending on human development (2011-19)



Telangana top in spending on economic development, infrastructure (2011-19)

