ADR/NEW State Budget Analysis for Uttar Pradesh

By

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Introduction

Uttar Pradesh is a densely populated state with several developmental concerns such as high poverty rates, high infant mortality, low literacy rates and lesser life expectancy rates compared to other states in the country. The state experiences lower economic growth in the past decade as the compound annual growth rate of its Gross Domestic Product for 2000-01 to 2008-09 has been 10.8% compared to 13.4% in other General Category states.

Key Financial Indicators

Table 1 summarizes the main financial indicators for the Uttar Pradesh State Budget from 2005-2010. The points to be noted are as follows:

- Revenue expenditure increased by 18% in 2009-10, and significantly exceeded the assessment made by the government in the Fiscal Correction Path
- Capital expenditure also increased by 12% in 2009-10, mainly due to capital outlay on rural development programmes and procurement of food grains.

All figures in Rs. Crore	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Receipts	45,349	60,600	68,672	77,831	96,421
Revenue Expenditure	46,617	55,699	65,223	75,969	89,374
Revenue Deficit	-1,268	4,901	3,449	1,862	7,047
Capital Accounts Receipts	14,842	12,067	9,528	17,538	22,782
Capital Expenditure	8,711	13,984	16,950	22,346	25,091
Fiscal Deficit	-10,078	-9,615	-13,794	-20,513	-18,693

Table 1: Key Financial Indicators for Uttar Pradesh

Revenue Receipts

Table 2 gives the break-up of Revenue Receipts for the State government, indicating that more than 50% of the revenue income of the State comes from central sources in the shape of either grants from the Government of India or share of Union Taxes.

It should be noted that the Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies for the implementation of various schemes/programmes in social and economic sectors recognized as critical. These funds are not routed through the State Budget/State Treasury System. The CAG has pointed out the direct transfer to state implementing agencies run the risk of poor oversight of utilization of funds.

All figures in Rs. Crore	2005-06	2006-07	2007-08	2008-09	2009-10
Total revenue receipt	45,349	60,600	68,672	77,831	96,421
Tax receipt of State	18,858	22,998	24,959	28,659	33,878
Non-Tax receipt of State	2,930	6,533	5,816	6,767	13,601
Share of Union Taxes	18,203	23,218	29,288	30,906	31,797
Grants from Government of India	5,358	7,851	8,609	11,499	17,146
% of revenue receipt from Central sources	**52%**	**51%**	**55%**	**54%**	**51%**

Table 2: Break-up of Revenue Receipts

Committed Expenditure

Table 3 gives the amounts for the committed expenditure of the State as a percentage of its revenue expenditure. Committed expenditure is defined by the Comptroller and Auditor General as the expenditure on interest payments, salaries and wages, pensions and subsidies. The points to be noted are –

- In 2009-10, salaries, interests and pensions payments together comprise of 59% of all revenue expenditure.
- Salary Bill in 2009-10 as a percentage of revenue expenditure (net of interest payments and pensions) was 50%, while the Twelfth Finance Commission norm was 35%

- Pension payments have risen by 177% from Rs. 3991 crore in 2005-06 to Rs. 11,007 crore in 2009-10. Pension payments in 2009-10 exceeded the projection of the Twelfth Finance Commission by 66%. The Government has introduced a Contributory Pension Scheme to mitigate impact of rising pension liabilities
- In 2009-10, major sectors given subsidy were energy (38%), rural development (28%), agriculture (20%) and irrigation and flood control (4%)

All figures in Rs. Crore	2005-06	2006-07	2007-08	2008-09	2009-10
Salaries and Wages	15,653	17,956	19,352	23,857	33,347
Interest Payments	9,098	10,477	10,820	11,375	11,988
Pensions	3,991	4,850	6,136	6,926	11,074
Subsidies	--	--	--	3,819	4,275
Total	**28,742**	**33,283**	**36,308**	**45,977**	**60,684**
% of revenue receipt	**63%**	**55%**	**53%**	**59%**	**63%**

Table 3: Committed Expenditure for Uttar Pradesh

Appendix

Definitions

Term	Definition
Revenue Receipt	Revenue receipt consists of state tax receipts + state non-tax receipts + share of Union taxes + grants from Government of India
Capital Receipt	Capital receipts consist of borrowing and other liabilities as well as recoveries of loans. Capital receipts create liabilities or reduce assets
Revenue Expenditure	Expenditure that does not result in the creation of long term assets, but is instead used in the day-to-day running of the government
Capital Expenditure	Any expenditure other than operating expenditure, the benefits of which extend over a period of time exceeding one year. It is expenditure on the creation of assets.
Revenue Deficit	Revenue Deficit denotes the difference between revenue receipts and revenue expenditure
Gross Fiscal Deficit	A fiscal deficit is the total accumulated amount by which government expenditure exceeds receipts. It is defined by the CAG as Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Miscellaneous Capital Receipts
Net Fiscal Deficit	Gross fiscal deficit less net lending of the Central Government.
Planned expenditure	Expenditure on programs/projects recommended by the Planning Commission
Non-plan expenditure	All expenditures by the Government not included in the Plan, mainly consisting of interest payments and subsidies