

# **Fiscal crisis in the Era of Reform: A Study of Bihar**

Thesis Submitted for the award of degree of

**Doctor of Philosophy**

In the

Centre for Economic Studies and Planning

School of Social Science

Jawaharlal Nehru University

New Delhi- 110067

Supervisor:

Prof. Praveen Jha

Submitted by:

Mukesh Kumar

RECOMMENDATION FORM FOR EVALUATION BY THE EXAMINER/S

CERTIFICATE


This is to certify that the thesis titled: **Fiscal Crisis in the Era of Reform: A Study of Bihar** submitted by Mr. Mukesh Kumar in partial fulfilment of the requirements for award of degree of Ph.D of Jawaharlal Nehru University, New Delhi, has not been previously submitted in part or in full for any other degree of this university or any other university / institution.

We recommend this thesis be placed before the examiners for evaluation for the award of the degree of Ph.D.

  
Signature of Supervisor

Date: **Supervisor**  
**CESP, SSS, JNU**  
**NEW DELHI- 110067**

  
Signature of Dean / Chairperson

Date:   
अध्यक्ष / Chairperson  
आर्थिक अध्ययन और नियोजन केंद्र  
Centre for Economic Studies & Planning  
सामाजिक विज्ञान संस्थान / School of Social Sciences  
जवाहरलाल नेहरू विश्वविद्यालय / Jawaharlal Nehru University  
नई दिल्ली 110067 / New Delhi 110067

## **Dedication**

**This Thesis is dedicated to my parents:**

**Late Tara Devi**

**&**

**Late Abadhesh Kumar**

## **Acknowledgement**

This academic endeavour would have not been possible without the help of a number of people who with their cooperation, active supervision and support have made this research work a reality.

I am extremely grateful and indebted to my supervisor, Prof. Praveen Jha, whose supervision, guidance, intellectual ingenuity, scholastic, cooperation, encouragement, suggestions and inspiration helped me in completing this thesis.

I am grateful all faculties of CESP, JNU and Prof P. P. Ghosh, ADRI, Patna as they have been my constant source of inspiration.

I would like express my thanks to National Institute of Public Finance and Policy, New Delhi, Asian Development Research Institute, Patna, Ministry of Finance, Government of Bihar, Library and office staffs of Jawaharlal Nehru University who rendered me their cooperation in collection of data, literature and their services which was quiet helpful in completing research work.

I would like to express my sincere thanks to my friends Krishna, Deepak, Pankaj, Akhil, Nilachala, Neelam, Pranjal, Anil and Wansai who were always there for me for all kinds of problems and moral support.

My family have always supported me to go ahead.

I am solely responsible for any kind of shortcoming of this thesis.

**Mukesh Kumar**

## Contents

List of Tables	I – VII
List of Charts	VIII – XIV
List of Figures	XV - XVII
<b>Chapter- I</b>	
Introduction	1 – 14
Review of Literature	15 – 22
<b>Chapter- II</b>	
Own Tax Revenue Receipts: Overview of Trend, composition and Pattern	23 – 69
<b>Chapter- III</b>	
Own Non Tax Revenue Receipts: Overview of Trend, composition and Pattern	70 – 106
<b>Chapter- IV</b>	
Central Transfers: Overview of Trend, composition and Pattern	107 – 141
<b>Chapter- V</b>	
Capital receipts: Overview of Trend, composition and Pattern	142 – 178
<b>Chapter- VI</b>	
Total Expenditure: Overview of Trend, composition and Pattern	179 – 228
<b>Chapter- VII</b>	
Analysis of Fiscal Performance of Bihar	229 – 280
<b>Chapter- VIII</b>	
Summary and Conclusion	281 - 292
References	293 - 306

## List of Tables

<b>Table 1.1: Human Development Index (HDI) of Bihar and India for several years</b>	<b>2</b>
<b>Table 1.2: Literacy Rate of India and Bihar (1951 – 2011)</b>	<b>3</b>
<b>Table 1.3: Life Expectancy at Birth of India and Bihar (Years)</b>	<b>4</b>
<b>Table 1.4: Change in the Composition of the Different Sectors between Undivided and Divided Bihar, 1995-96 (Percent)</b>	<b>6</b>
<b>Table 1.5: Per Capita Net State Domestic Product at Current Prices (2004-05 Series)</b>	<b>12</b>
<b>Table 1.6: Poverty Headcount Ratio (HCR)</b>	<b>12</b>
<b>Table 1.7: Human Development Index (HDI)</b>	<b>13</b>
<b>Table 2.1: Total Revenue Receipts of the Bihar Government (Rs. Crore)</b>	<b>23</b>
<b>Table 2.2: Revenue Deficit (+)/Surplus (-) of the Bihar Government (Rs. Crore)</b>	<b>28</b>
<b>Table 2.3: Composition of Tax Revenue of the State Governments</b>	<b>29 - 30</b>
<b>Table 2.4: Composition of Own Tax Revenue- Annual Average (Percent)</b>	<b>31 - 32</b>
<b>Table 2.5: Growth rate of major components of own tax revenue- Annual Average</b>	<b>35</b>
<b>Table 2.6: Share of the components of Taxes on Property and Capital Transactions to Own Tax revenue- Annual Average (Percent)</b>	<b>36</b>
<b>Table 2.7: Growth rate of the major components of Taxes on Property and Capital Transactions- Annual Average</b>	<b>38</b>
<b>Table 2.8: Share of the components of Taxes on Commodities and Services to Own Tax Revenue- Annual Average (Percent)</b>	<b>39 - 40</b>
<b>Table 2.9: Growth rate of Sales tax- Annual Average</b>	<b>42</b>
<b>Table 2.10: Annual growth rate of Sales tax of Bihar</b>	<b>43</b>
<b>Table 2.11: Annual growth rate of major commodities of Sales tax of Bihar</b>	<b>43 - 44</b>
<b>Table 2.12: Growth Rate of State Excise- Annual Average</b>	<b>45</b>
<b>Table 2.13: Growth rate of major components of State Excise of Bihar</b>	<b>46</b>
<b>Table 2.14: Growth Rate of Taxes on Vehicles- Annual Average</b>	<b>47</b>

<b>Table 2.15: Growth Rate of Taxes on Goods and Passengers- Annual Average</b>	<b>49</b>
<b>Table 2.16: Growth Rate of Taxes and Duties on Electricity- Annual Average</b>	<b>50</b>
<b>Table 2.17: Growth rate of Entertainment Tax- Annual Average</b>	<b>51</b>
<b>Table 2.18: Contribution of Direct Tax and Indirect Tax to Own Tax Revenue- Annual Average (Percentage)</b>	<b>51</b>
<b>Table 2.19: Tax Revenue to GSDP- Annual Average (Percent)</b>	<b>53</b>
<b>Table 2.20: Components of Own Tax Revenue to GSDP- Annual Average (percent)</b>	<b>55</b>
<b>Table 2.21: Components of Taxes on Property and Capital transactions to GSDP- Annual Average (Percent)</b>	<b>57</b>
<b>Table 2.22: Components of Taxes on Commodities and Services to GSDP- Annual Average (Percent)</b>	<b>58</b>
<b>Table 2.23: Buoyancy of Important Own Tax Revenue Sources</b>	<b>61</b>
<b>Table 2.24: Per Capita Tax Revenue and its components- Annual Average (Rs.)</b>	<b>62</b>
<b>Table 2.25: Per Capita Revenue from the Components of Own Tax Revenue- Annual Average (Rs.)</b>	<b>64</b>
<b>Table 2.26: Correlation Between Per Capita Own Tax Revenue and Per Capita GSDP</b>	<b>65</b>
<b>Table 2.27: Per capita Revenue from the Components of Taxes on Property and Capital Transactions- Annual Average (Rs.)</b>	<b>66</b>
<b>Table 2.28: Per Capita Revenue from the Components of Taxes on Commodities and Services- Annual Average (Rs.)</b>	<b>67</b>
<b>Table 3.1: Composition of Non-Tax Revenue- Annual Average (Percent)</b>	<b>70</b>
<b>Table 3.2: Composition of Own Non Tax revenue- Annual Average (Percent)</b>	<b>72</b>
<b>Table 3.3: Growth rate of Interest receipts- Annual Average</b>	<b>73 - 74</b>
<b>Table 3.4: Growth rate of receipts from General services- Annual Average</b>	<b>76</b>
<b>Table 3.5: Growth rate of Social Services- Annual Average</b>	<b>78</b>
<b>Table 3.6: Share of Economic Services to Own Non Tax Revenue (Bihar &amp; Jharkhand)- Annual Average (Percent)</b>	<b>79</b>
<b>Table 3.7: Growth rate of Receipts from Economic Services- Annual Average</b>	<b>80</b>
<b>Table 3.8: Growth rate of Receipts from Economic Services (Bihar &amp; Jharkhand)- Annual Average</b>	<b>80</b>
<b>Table 3.9: Share of the Receipts from the Components of Social Services to Own Non Tax revenue- Annual Average (Percent)</b>	<b>80 - 81</b>

<b>Table 3.10: Growth rate of revenue from Education, Sports, Art and Culture- Annual Average</b>	<b>82</b>
<b>Table 3.11: Growth rate of revenue from Medical and Public Health- Annual Average</b>	<b>83</b>
<b>Table 3.12: Share of the Receipts from the Components of Economic Services to Own Non Tax revenue- Annual Average (Percent)</b>	<b>84</b>
<b>Table 3.13: Share of revenue from Industries to Own Non Tax revenue (Bihar &amp; Jharkhand)- Annual Average (Percent)</b>	<b>85</b>
<b>Table 3.14: Growth rate of revenue from Industries- Annual Average</b>	<b>86</b>
<b>Table 3.15: Industrial Units in Bihar and Jharkhand (2002-03)</b>	<b>87</b>
<b>Table 3.16: Contribution of Mining and Manufacturing sector to GSDP of Bihar (percent)</b>	<b>87</b>
<b>Table 3.17: Growth rate of revenue from Forestry and Wildlife- Annual Average</b>	<b>88</b>
<b>Table 3.18: Growth rate of revenue from Major and Medium Irrigation Projects- Annual Average</b>	<b>89</b>
<b>Table 3.19: Cost Recovery of Selected Social Services*- Annual Average (Percent)</b>	<b>91 - 92</b>
<b>Table 3.20: Cost Recovery of Selected Economic Services*-Annual Average (Percent)</b>	<b>94</b>
<b>Table 3.21: Own Non Tax revenue to GSDP- Annual Average (Percent)</b>	<b>97 - 98</b>
<b>Table 3.22: Components of Own Non Tax Revenue to GSDP- Annual Average (Percent)</b>	<b>99 - 100</b>
<b>Table 3.23: Per Capita Own Non Tax revenue- Annual Average (Rs.)</b>	<b>102</b>
<b>Table 3.24: Correlation between Per capita Own Non Tax revenue and Per capita GSDP- Annual Average</b>	<b>104</b>
<b>Table 3.25: Per Capita Revenue from the components of Own Non Tax Revenue- Annual Average (Rs.)</b>	<b>105</b>
<b>Table 4.1: Transfer of resources from Centre to States through various channels (Percent)</b>	<b>107</b>
<b>Table 4.2: Components of Finance Commission transfers as a percentage of Total transfers</b>	<b>110</b>
<b>Table 4.3: Share in Central Taxes recommended by different Finance Commissions and actual transfers of share in central taxes to Bihar as a Percentage of All States</b>	<b>112</b>



<b>Table 4.4: Share in Statutory Grants recommended by different Finance Commissions and actual transfers to Bihar as a Percentage of All States</b>	<b>114</b>
<b>Table 4.5: Pre-Devolution Non-Plan Revenue Surplus/Deficit and Post-Devolution Non-Plan Revenue Deficit for Bihar (Rs. Crore)</b>	<b>114</b>
<b>Table 4.6: Composition of Grants from the Centre to Bihar Government</b>	<b>115- 116</b>
<b>Table 4.7: Pattern of Gross Transfers of Resources from Centre to States (Percent)</b>	<b>117</b>
<b>Table 4.8: Components of the Grants from the Centre as a percentage of Gross transfers</b>	<b>119- 120</b>
<b>Table 4.9: Transfers of Resources from the Centre as a percentage of Total Revenue Receipts of the States</b>	<b>121</b>
<b>Table 4.10: Components of Finance Commission transfers as a percentage of Total Revenue Receipts of the States</b>	<b>123</b>
<b>Table 4.11: Contribution of Share in Central Taxes to Tax Revenue and Share of Grants from the Centre in Non-Tax Revenue- Annual Average (Percent)</b>	<b>124</b>
<b>Table 4.12: Components of Grants from the Centre as a percentage of Non-Tax revenue of the States- Annual Average</b>	<b>125- 126</b>
<b>Table 4.13: Growth rate of States' share in Central Taxes- Annual Average</b>	<b>126</b>
<b>Table 4.14: Growth rate of Grants from the Centre- Annual Average</b>	<b>127</b>
<b>Table 4.15: Growth rate of components of Grants from the Centre- Annual Average</b>	<b>128</b>
<b>Table 4.16: Growth rate of Loans and Advances from the Centre- Annual Average</b>	<b>129</b>
<b>Table 4.17: Growth rate of Gross transfers from the Centre to the States- Annual Average</b>	<b>130</b>
<b>Table 4.18: Pre-Devolution and Post-Devolution Resource Gap as a Percentage of GSDP of the Bihar Government- Annual Average</b>	<b>131</b>
<b>Table 4.19: Share in Central Taxes to GSDP – Annual Averages (Percent)</b>	<b>132</b>
<b>Table 4.20: Grants from the Centre to GSDP – Annual Averages (Percent)</b>	<b>133</b>
<b>Table 4.21: Components of Grants from the Centre to GSDP – Annual Averages (Percent)</b>	<b>134</b>
<b>Table 4.22: Loan and Advances from the Centre to GSDP – Annual Averages (Percent)</b>	<b>134</b>
<b>Table 4.23: Gross transfers from the Centre to GSDP – Annual Averages (Percent)</b>	<b>135</b>
<b>Table 4.24: Per capita Share in Central Taxes – Annual Averages (Rs.)</b>	<b>136</b>
<b>Table 4.25: Per Capita Grants from the Centre – Annual Averages (rupees)</b>	<b>137</b>
<b>Table 4.26: Per Capita components of Grants from the Centre – Annual Averages (rupees)</b>	<b>138</b>
<b>Table 4.27: Per Capita Loan and Advances from the Centre – Annual Averages (rupees)</b>	<b>139</b>
<b>Table 4.28: Per Capita Gross transfers from the Centre – Annual Averages (rupees)</b>	<b>140</b>

<b>Table 5.1: Composition of Capital Receipts Consolidated Fund- Annual Average (Percent)</b>	<b>142</b>
<b>Table 5.2: Share of the Components of Internal Debt to Capital Receipts Consolidated Fund- Annual Average (Percent)</b>	<b>146</b>
<b>Table 5.3: Composition of Internal Debt- Annual Average (Percent)</b>	<b>148</b>
<b>Table 5.4: Key Interest rates on State Government Borrowings from the Centre and the Market, 1990-91 to 2007-08 (in Percent Per Annum)</b>	<b>151 - 152</b>
<b>Table 5.5: Share of Public Accounts and its Components to Gross Capital Receipts- Annual Average (Percent)</b>	<b>152 - 153</b>
<b>Table 5.6: Share of the Components of Suspense and Miscellaneous to Gross Capital Receipts- Annual Average (Percent)</b>	<b>156</b>
<b>Table 5.7: Composition of Total Liabilities- Annual Average (Percent)</b>	<b>158</b>
<b>Table 5.8: Share of components of Internal Debt to Total liabilities- Annual Average (Percent)</b>	<b>159 - 160</b>
<b>Table 5.9: Share of components of Public Accounts to Total liabilities- Annual Average (Percent)</b>	<b>161</b>
<b>Table 5.10: Growth Rates of Capital Receipts Consolidated Fund and its components- Annual Average</b>	<b>163 - 164</b>
<b>Table 5.11: Growth Rates of the Components of Internal Debt- Annual Average</b>	<b>165</b>
<b>Table 5.12: Growth rate of Total liabilities- Annual Average</b>	<b>167</b>
<b>Table 5.13: Per Capita Capital Receipts Consolidated Fund and its Components- Annual Average (Rs.)</b>	<b>168</b>
<b>Table 5.14: Per Capita Receipts from the Components of Internal Debt- Annual Average (Rs.)</b>	<b>170</b>
<b>Table 5.15: Share of Per Capita Debt Receipts to Per Capita Capital Receipts Consolidated Fund- Annual Average (Percent)</b>	<b>170</b>
<b>Table 5.16: Per capita Total liabilities- Annual Average (Rs.)</b>	<b>172</b>
<b>Table 5.17: Capital Receipts Consolidated Fund to GSDP ratio- Annual Average (Percent)</b>	<b>173</b>
<b>Table 5.18: Components of Internal Debt to GSDP- Annual Average (Percent)</b>	<b>175</b>
<b>Table 5.19: Total liabilities and its components to GSDP- Annual Average (Percent)</b>	<b>177</b>
<b>Table 6.1: Composition of Total Expenditure- Annual Average (Percent)</b>	<b>179</b>
<b>Table 6.2: Share of the components of Revenue Expenditure in Total Expenditure- Annual Average (Percent)</b>	<b>181</b>

<b>Table 6.3: Share of the components of Capital Expenditure in Total Expenditure- Annual Average (Percent)</b>	<b>183 - 184</b>
<b>Table 6.4: Share of the components of Capital Outlay to Total Expenditure- Annual Average (Percent)</b>	<b>185</b>
<b>Table 6.5: Share of the components of Discharge of Public Debt to Total Expenditure- Annual Average (Percent)</b>	<b>186</b>
<b>Table 6.6: Distribution of Total Expenditure by Plan and Non-Plan Heads (Share to Total Expenditure) - Annual Average (Percent)</b>	<b>188</b>
<b>Table 6.7: Share of the components of Non-Plan Revenue Expenditure to Total Expenditure- Annual Average (Percent)</b>	<b>190</b>
<b>Table 6.8: Share of Developmental Expenditure to Total Expenditure- Annual Average (Percent)</b>	<b>191</b>
<b>Table 6.9: Share of Non-Developmental Expenditure to Total Expenditure- Annual Average (Percent)</b>	<b>194</b>
<b>Table 6.10: Pattern of Revenue Expenditure- Annual Average (Percent)</b>	<b>196</b>
<b>Table 6.11: Pattern of Capital Expenditure- Annual Average (Percent)</b>	<b>197 - 198</b>
<b>Table 6.12: Expenditure on Social Services for the Bihar Government</b>	<b>199 - 202</b>
<b>Table 6.13: Expenditure on Economic Services for the Bihar Government</b>	<b>203 - 206</b>
<b>Table 6.14 Growth Rate of Expenditure- Annual Average</b>	<b>208</b>
<b>Table 6.15: Growth Rate of the components of Revenue Expenditure- Annual Average</b>	<b>210</b>
<b>Table 6.16: Growth Rate of the capital outlay and its components- Annual Average</b>	<b>211 - 212</b>
<b>Table 6.17: Growth Rate of Developmental expenditure- Annual Average</b>	<b>213</b>
<b>Table 6.18: Growth Rates of Non-Developmental Expenditure- Annual Average</b>	<b>216</b>
<b>Table 6.19: Expenditure to GSDP- Annual Average (Percent)</b>	<b>218</b>
<b>Table 6.20: Developmental Expenditure to GSDP- Annual Average (Percent)</b>	<b>220 - 221</b>
<b>Table 6.21: Non-Developmental Expenditure to GSDP- Annual Average (Percent)</b>	<b>223</b>
<b>Table 6.22: Per Capita Expenditure- Annual Average (Rs.)</b>	<b>225</b>
<b>Table 6.23: Per Capita Developmental Expenditure- Annual Average (Rs.)</b>	<b>226</b>
<b>Table 6.24: Per Capita Total Expenditure on the components of Social services and Economic Services- Annual Average (Rs.)</b>	<b>227</b>
<b>Table 7.1: Consolidated Fund: Total Receipts Side of the Bihar Government- Annual Average (Percent)</b>	<b>229 - 230</b>
<b>Table 7.2: Composition of Total Revenue Receipts (TRR) of the Bihar Government- Annual Average (Percent)</b>	<b>232 - 233</b>

<b>Table 7.3: Consolidated Fund: Total Expenditure Side of the Bihar Government- Annual Average (Percent)</b>	<b>234 - 235</b>
<b>Table 7.4: Revenue Deficit (+)/Surplus (-) of the Bihar Government (Rs. Crore)</b>	<b>237</b>
<b>Table 7.5: Share of the Developmental Expenditure to Total Expenditure of the Bihar Government (Percent)</b>	<b>239 - 240</b>
<b>Table 7.6: Share of the Non-Developmental Expenditure to Total Expenditure of the Bihar Government (Percent)</b>	<b>241 - 243</b>
<b>Table 7.7: Expenditure on Salaries and Pensions by the Bihar Government- Annual Average</b>	<b>245</b>
<b>Table 7.8: Gross Fiscal Deficit/Surplus of the Bihar Government (Rs. Crores)</b>	<b>247</b>
<b>Table 7.9: Decomposition of Gross Fiscal Deficit of the Bihar Government- Annual Average (Percent)</b>	<b>248 - 249</b>
<b>Table 7.10: GFD and its components to GSDP of the Bihar Government (Percent)</b>	<b>250 - 251</b>
<b>Table 7.11: Financing of Gross Fiscal Deficit of the Bihar Government (Rs. Crore)</b>	<b>252 - 253</b>
<b>Table 7.12: Developmental Expenditure to GSDP of the Bihar Government (Percent)</b>	<b>253 - 254</b>
<b>Table 7.13: Non-Developmental Expenditure to GSDP of the Bihar Government (Percent)</b>	<b>255 - 256</b>
<b>Table 7.14: Interest Payment, Pensions and Discharge of Public Debt to GSDP of the Bihar Government (Percent)</b>	<b>257</b>
<b>Table 7.15: Outstanding Liabilities of the Bihar Government (Rs. Crore)</b>	<b>259 - 260</b>
<b>Table 7.16: Composition of Outstanding Public debt of the Bihar Government (Percent)</b>	<b>263 - 264</b>
<b>Table 7.17: Composition of Outstanding Liabilities on Public Account of the Bihar Government (Percent)</b>	<b>265</b>
<b>Table 7.18: Interest rates on different components of outstanding liabilities of the Bihar Government</b>	<b>266 - 267</b>
<b>Table 7.19: Utilisation of Public Debt by the Bihar Government (Rs. Crore)</b>	<b>269 - 270</b>
<b>Table 7.20: Sustainability of Debt of the Bihar Government (Rs. Crore)</b>	<b>271 - 272</b>
<b>Table 7.21: Public Debt Repayment Liabilities of the Bihar Government (Rs. Crore)</b>	<b>273 - 274</b>
<b>Table 7.22: Share of Total Revenue Receipt and its Components to Revenue Expenditure of the Bihar Government- Annual Average (Percent)</b>	<b>275</b>
<b>Table 7.23: Share of the Gross Transfers from the Centre to Revenue Expenditure of the Bihar Government (Percent)</b>	<b>277</b>
<b>Table 7.24: Share of the Developmental Revenue Expenditure and Non-Developmental Revenue Expenditure to Total Revenue Receipts of the Bihar Government- Annual Average (Percent)</b>	<b>278</b>

## List of Charts

<b>Chart 2.1: Composition of Total Revenue Receipts of the Bihar Government (%)</b>	<b>27</b>
<b>Chart. 2.2: Revenue Deficit/Revenue Surplus of the Bihar Government (Rs. Crore)</b>	<b>29</b>
<b>Chart 2.3: Own Tax Revenue to Tax Revenue (%)</b>	<b>30</b>
<b>Chart 2.4: Share in Central Taxes to Tax Revenue (%)</b>	<b>31</b>
<b>Chart 2.5: Tax on Income to Own Tax Rev (%)</b>	<b>33</b>
<b>Chart 2.6: Taxes on Property and Capital Transactions to Own Tax Revenue (%)</b>	<b>33</b>
<b>Chart 2.7: Taxes on Commodities &amp; Services to Own tax Revenue (%)</b>	<b>34</b>
<b>Chart 2.8: Composition of Own Tax Revenue of the Bihar Government during 2000-01 - 2015-16 (%)</b>	<b>34</b>
<b>Chart 2.9: Land Revenue to Own Tax Revenue (%)</b>	<b>39</b>
<b>Chart 2.10: Stamps and Registration Fees to Own Tax Revenue (%)</b>	<b>39</b>
<b>Chart 2.11: Sales Tax to Own tax Revenue (%)</b>	<b>41</b>
<b>Chart 2.12: State Excise to Own Tax revenue (%)</b>	<b>44</b>
<b>Chart 2.13: Tax on Vehicles to Own tax Revenue (%)</b>	<b>47</b>
<b>Chart 2.14: Tax on Goods and Passengers to Own Tax Revenue (%)</b>	<b>49</b>
<b>Chart 2.15: Direct Tax to Own Tax Revenue (%)</b>	<b>52</b>
<b>Chart 2.16: Indirect Tax to Own Tax Revenue (%)</b>	<b>53</b>
<b>Chart 2.17: Own Tax Revenue to GSDP (%)</b>	<b>54</b>
<b>Chart 2.18: Tax Revenue to GSDP (%)</b>	<b>55</b>
<b>Chart 2.19: Taxes on Property and Capital Transactions to GSDP (%)</b>	<b>56</b>
<b>Chart 2.20: Taxes on Commodities and Services to GSDP (%)</b>	<b>57</b>
<b>Chart 2.21: Sales Tax to GSDP (%)</b>	<b>60</b>
<b>Chart 2.22: State Excise to GSDP (%)</b>	<b>60</b>
<b>Chart 2.23: Per Capita Own Tax Revenue (Rupees)</b>	<b>63</b>

<b>Chart 2.24: Per Capita Tax Rev (Rupees)</b>	<b>63</b>
<b>Chart 2.25: Per Capita Sales Tax (Rupees)</b>	<b>68</b>
<b>Chart 2.26: Per Capita State Excise (Rupees)</b>	<b>69</b>
<b>Chart 3.1: Own Non Tax revenue to Non-Tax Revenue (%)</b>	<b>71</b>
<b>Chart 3.2: Grants from the Centre to Non-Tax Revenue (%)</b>	<b>71</b>
<b>Chart 3.3: Interest Receipts to Own Non Tax Revenue (%)</b>	<b>73</b>
<b>Chart 3.4: Receipts from General Services to Own Non Tax Revenue (%)</b>	<b>75</b>
<b>Chart 3.5: Receipts from Social services to Own Non Tax Revenue (%)</b>	<b>77</b>
<b>Chart 3.6: Receipts from Economic Services to Own Non Tax Revenue (%)</b>	<b>79</b>
<b>Chart 3.7: Receipts from Education, Sports, Art and Culture to Own Non Tax Revenue (%)</b>	<b>81</b>
<b>Chart 3.8: Receipts from Medical and Public Health to Own Non Tax revenue (%)</b>	<b>83</b>
<b>Chart 3.9: Receipts from Industries to Own Non Tax Revenue (%)</b>	<b>86</b>
<b>Chart 3.10: Receipts from Forestry and Wildlife to Own Non Tax Revenue (%)</b>	<b>88</b>
<b>Chart 3.11: Receipts from Major and Medium Irrigation Projects to Own Non Tax Revenue (%)</b>	<b>89</b>
<b>Chart 3.12: Receipts from Power Sector to Own Non Tax Revenue (%)</b>	<b>90</b>
<b>Chart 3.13: Own Non Tax Revenue to GSDP (%)</b>	<b>99</b>
<b>Chart 3.14: Non-Tax Revenue to GSDP (%)</b>	<b>99</b>
<b>Chart 3.15: Interest Receipts to GSDP (%)</b>	<b>100</b>
<b>Chart 3.16: Receipts from Economic Services to GSDP (%)</b>	<b>101</b>
<b>Chart 3.17: Per Capita Own Non Tax Revenue (Rupees)</b>	<b>103</b>
<b>Chart 3.18: Per Capita Non Tax Revenue (Rupees)</b>	<b>103</b>
<b>Chart 4.1: Transfer of Resources through Finance Commission to Total Transfers from the Centre to State Governments (%)</b>	<b>109</b>

<b>Chart 4.2: Transfer of Resources through Planning Commission to Total Transfers from the Centre to State Governments (%)</b>	<b>110</b>
<b>Chart 4.3: Share in Central Taxes to Gross Transfers from the Centre to the States (%)</b>	<b>120</b>
<b>Chart 4.4: Grants from the Centre to Gross Transfers from the Centre to States (%)</b>	<b>120</b>
<b>Chart 4.5: Loans and Advances from the Centre to Gross Transfers from the Centre to the States (%)</b>	<b>121</b>
<b>Chart 4.6: Transfers of Resources through Finance Commission to Total Revenue Receipts of the State Governments (%)</b>	<b>123</b>
<b>Chart 4.7: Transfer of Resources through Planning Commission to Total Revenue Receipts of the State Governments (%)</b>	<b>124</b>
<b>Chart 4.8: Share in Central Taxes to GSDP (%)</b>	<b>133</b>
<b>Chart 4.9: Grants from the Centre to GSDP (%)</b>	<b>134</b>
<b>Chart 4.10: Loans and Advances from the Centre to GSDP (%)</b>	<b>135</b>
<b>Chart 4.11: Gross Transfers from the Centre to GSDP (%)</b>	<b>136</b>
<b>Chart 4.12: Per Capita Share in Central Taxes (Rupees)</b>	<b>137</b>
<b>Chart 4.13: Per Capita Grants from the Centre (Rupees)</b>	<b>139</b>
<b>Chart 4.14: Per Capita Loans and Advances from the Centre (Rupees)</b>	<b>140</b>
<b>Chart 4.15: Per Capita Gross Transfers from the Centre (Rupees)</b>	<b>141</b>
<b>Chart 5.1: Internal Debt to Capital Receipt Consolidated Fund (%)</b>	<b>144</b>
<b>Chart 5.2: Loans and Advances to Capital Receipt Consolidated Fund (%)</b>	<b>145</b>
<b>Chart 5.3: Recovery of Loans and Advances to Capital Receipt Consolidated Fund (%)</b>	<b>145</b>
<b>Chart 5.4: Composition of Capital Receipt Consolidated Fund of the Bihar Government during 2000-01 - 2015-16 (%)</b>	<b>146</b>

<b>Chart 5.5: Market Loans to Capital receipt Consolidated Fund (%)</b>	<b>147</b>
<b>Chart 5.6: NSSF to Capital Receipt Consolidated Fund (%)</b>	<b>148</b>
<b>Chart 5.7: Composition of Internal Debt of the Bihar Government during 2000-01 - 2015-16 (%)</b>	<b>151</b>
<b>Chart 5.8: State Provident Funds etc. to Gross Capital receipts (%)</b>	<b>154</b>
<b>Chart 5.9: Reserve Funds to Gross Capital Receipt (%)</b>	<b>154</b>
<b>Chart 5.10: Deposits and Advances to Gross Capital Receipts (%)</b>	<b>155</b>
<b>Chart 5.11: Suspense and Miscellaneous to Gross Capital Receipt (%)</b>	<b>155</b>
<b>Chart 5.12: Public Account to Gross Capital receipt (%)</b>	<b>156</b>
<b>Chart 5.13: Internal Debt to Total Liabilities (%)</b>	<b>162</b>
<b>Chart 5.14: Loans and Advances to Total Liabilities (%)</b>	<b>162</b>
<b>Chart 5.15: Public Account to Total Liabilities (%)</b>	<b>163</b>
<b>Chart 5.16: Composition of Total Liabilities of the Bihar Government during 2001-02 - 2015-16 (%)</b>	<b>163</b>
<b>Chart 5.17: Per Capita Internal Debt (Rupees)</b>	<b>171</b>
<b>Chart 5.18: Per Capita Capital Receipt Consolidated Fund (Rupees)</b>	<b>171</b>
<b>Chart 5.19: Per Capita Market Loans (Rupees)</b>	<b>172</b>
<b>Chart 5.20: Per Capita NSSF (Rupees)</b>	<b>172</b>
<b>Chart 5.21: Per Capita Total Liabilities (Rupees)</b>	<b>173</b>
<b>Chart 5.22: Internal Debt to GSDP (%)</b>	<b>174</b>
<b>Chart 5.23: Capital Receipt Consolidated Fund to GSDP (%)</b>	<b>175</b>
<b>Chart 5.24: Market Loans to GSDP (%)</b>	<b>176</b>
<b>Chart 5.25: NSSF to GSDP (%)</b>	<b>177</b>
<b>Chart 5.26: Total Liabilities to GSDP (%)</b>	<b>178</b>
<b>Chart 6.1: Revenue Expenditure to Total Expenditure (%)</b>	<b>180</b>



<b>Chart 6.2: Capital Expenditure to Total Expenditure (%)</b>	<b>180</b>
<b>Chart 6.3: Expenditure on General Services on Revenue Account to the Total Expenditure (%)</b>	<b>182</b>
<b>Chart 6.4: Expenditure on Social Services on Revenue Account to Total expenditure (%)</b>	<b>182</b>
<b>Chart 6.5: Expenditure on Economic Services on Revenue Account to Total Expenditure (%)</b>	<b>183</b>
<b>Chart 6.6: Capital Outlay to Total Expenditure (%)</b>	<b>184</b>
<b>Chart 6.7: Discharge of public Debt to Total Expenditure (%)</b>	<b>187</b>
<b>Chart 6.8: Discharge of Internal Debt to Total Expenditure (%)</b>	<b>187</b>
<b>Chart 6.9: Repayment of Loans and Advances from the Centre to Total expenditure (%)</b>	<b>187</b>
<b>Chart 6.10: Interest Payment to Total Expenditure (%)</b>	<b>190</b>
<b>Chart 6.11: Total Developmental Expenditure to Total Expenditure (%)</b>	<b>192</b>
<b>Chart 6.12: Developmental Revenue Expenditure to Total Expenditure (%)</b>	<b>193</b>
<b>Chart 6.13: Developmental Capital Expenditure to Total Expenditure (%)</b>	<b>193</b>
<b>Chart 6.14: Total Non-Developmental Expenditure to Total Expenditure (%)</b>	<b>195</b>
<b>Chart 6.15: Non-Developmental Revenue Expenditure to Total Expenditure (%)</b>	<b>195</b>
<b>Chart 6.16: Non-Developmental Capital Expenditure to Total Expenditure (%)</b>	<b>196</b>
<b>Chart 6.17: Total Expenditure to GSDP (%)</b>	<b>219</b>
<b>Chart 6.18: Revenue Expenditure to GSDP (%)</b>	<b>219</b>
<b>Chart 6.19: Capital Expenditure to GSDP (%)</b>	<b>220</b>
<b>Chart 6.20: Developmental Revenue Expenditure to GSDP (%)</b>	<b>222</b>
<b>Chart 6.21: Developmental Capital Expenditure to GSDP (%)</b>	<b>223</b>
<b>Chart 6.22: Non-Developmental Revenue Expenditure to GSDP (%)</b>	<b>224</b>

<b>Chart 6.23: Non-Developmental Capital Expenditure to GSDP (%)</b>	<b>225</b>
<b>Chart 6.24: Per Capita Developmental Revenue Expenditure (Rupees)</b>	<b>228</b>
<b>Chart 6.25: Per Capita Developmental Capital Expenditure (Rupees)</b>	<b>228</b>
<b>Chart 7.1: Total Revenue receipts and their components to Total Receipts of Bihar Government (%)</b>	<b>231</b>
<b>Chart 7.2: Components of Capital receipts to Total Revenue receipts of Bihar Government (%)</b>	<b>231</b>
<b>Chart 7.3: Composition of Consolidated Fund-Total Receipts of the Bihar Government during 2000-01 - 2015-16 (%)</b>	<b>232</b>
<b>Chart 7.4: Composition of Total Revenue Receipts of the Bihar Government</b>	<b>234</b>
<b>Chart 7.5: Composition of Total Expenditure of the Bihar Government (%)</b>	<b>236</b>
<b>Chart 7.6: Composition of total Expenditure of the Bihar Government during the period 2000-01 - 2015-16</b>	<b>236</b>
<b>Chart 7.7: Revenue deficit (+)/ Revenue Surplus (-) of the Bihar Government (Rupees Crore)</b>	<b>239</b>
<b>Char 7.8: Developmental expenditure to Total Expenditure of the Bihar Government (%)</b>	<b>240</b>
<b>Chart 7.9: Non-Developmental Expenditure to Total Expenditure of the Bihar Government (%)</b>	<b>244</b>
<b>Chart 7.10: GFD of the Bihar Government (Rupees Crore)</b>	<b>249</b>
<b>Chart 7.11: Decomposition of GFD of the Bihar Government (%)</b>	<b>249</b>
<b>Chart 7.12: Decomposition of GFD of the Bihar Government during 2000-01 - 2015-16 (%)</b>	<b>250</b>
<b>Chart 7.13: GFD and its components to GSDP of the Bihar Government (%)</b>	<b>252</b>
<b>Chart 7.14: Developmental Expenditure to GSDP of Bihar Government (%)</b>	<b>255</b>
<b>Chart 7.15: Non-Developmental Expenditure to GSDP of Bihar Government (%)</b>	<b>258</b>
<b>Chart 7.16: Composition of Outstanding Public Debt of Bihar Government</b>	<b>265</b>

<b>Chart 7.17: Composition of Outstanding Debt on Public Account of Bihar Government</b>	<b>266</b>
<b>Chart 7.18: Average Interest Rate on the Borrowings by Bihar Government (%)</b>	<b>268</b>
<b>Chart 7.19: Total Revenue Receipt and its Components to Revenue Expenditure of the Bihar Government (%)</b>	<b>276</b>
<b>Chart 7.20: Developmental and Non-Developmental Revenue Expenditure to Total Revenue Receipts of the Bihar Government (%)</b>	<b>280</b>

## List of Figures

<b>Fig.2.1: Total Revenue Receipts of the Bihar Government (Rs. Crore)</b>	<b>27</b>
<b>Fig. 2.2: Growth Rate of Taxes on Property and Capital Transactions</b>	<b>35</b>
<b>Fig. 2.3: Growth Rate of Taxes on Commodities and Services</b>	<b>36</b>
<b>Fig. 2.4: Growth rate of Sales tax</b>	<b>42</b>
<b>Fig. 2.5: Growth Rate of State Excise</b>	<b>45</b>
<b>Fig. 2.6: Per capita gap of Own tax Revenue of All States with that of Bihar (Rupees)</b>	<b>63</b>
<b>Fig. 2.7: Per Capita GSDP (Rupees)</b>	<b>65</b>
<b>Fig. 2.8: Per Capita Own Tax Revenue (Rupees)</b>	<b>66</b>
<b>Fig. 3.1: Growth Rate of Interest Receipts</b>	<b>74</b>
<b>Fig. 3.2: Growth Rate of receipt from General Services</b>	<b>76</b>
<b>Fig. 3.3: Growth Rate of Receipts from Social services</b>	<b>78</b>
<b>Fig. 3.4: Growth Rate of Receipts from Economic Services</b>	<b>80</b>
<b>Fig. 3.5: Cost recovery of Social services (%)</b>	<b>92</b>
<b>Fig. 3.6: Cost recovery of Education (%)</b>	<b>93</b>
<b>Fig. 3.7: Cost recovery of Health (%)</b>	<b>94</b>
<b>Fig. 3.8: Cost Recovery of Economic services (%)</b>	<b>95</b>
<b>Fig. 3.9: Cost recovery of Irrigation (%)</b>	<b>96</b>
<b>Fig. 3.10: Cost recovery of Power (%)</b>	<b>96</b>
<b>Fig. 3.11: Cost recovery of Roads (%)</b>	<b>97</b>
<b>Fig. 3.12: Per Capita Own Non Tax Revenue (Rupees)</b>	<b>104</b>
<b>Fig. 3.13: Per Capita GSDP (Rupees)</b>	<b>104</b>

<b>Fig. 3.14: Per Capita Gap of Own Non Tax Revenue of All states with that of Bihar (Rupees)</b>	<b>105</b>
<b>Fig 4.1: Share in Central taxes to Total Transfers from the Centre to the state Governments (%)</b>	<b>112</b>
<b>Fig 4.2: Share in Central Taxes Recommended through Finance Commission and Actual Transfers of share in Central Taxes to the Bihar Government (%)</b>	<b>113</b>
<b>Fig 4.3: Composition of Grants from the Centre to the Bihar Government (%)</b>	<b>117</b>
<b>Fig. 4.4: Growth rate of Share in Central Taxes</b>	<b>127</b>
<b>Fig 4.5: Growth Rate of Grants from the Centre</b>	<b>129</b>
<b>Fig: 4.6: Growth Rate of Gross Transfers from the Centre</b>	<b>130</b>
<b>Fig. 4.7: Pre-Devolution and Post-Devolution Resource Gap as a Percentage of GSDP of the Bihar Government</b>	<b>132</b>
<b>Fig. 5.1: Growth Rate of Internal Debt</b>	<b>166</b>
<b>Fig. 5.2: Growth Rate of Capital Receipt Consolidated Fund</b>	<b>167</b>
<b>Fig. 5.3: Growth Rate of Total Liabilities</b>	<b>168</b>
<b>Fig. 6.1: Growth Rate of total expenditure</b>	<b>209</b>
<b>Fig. 6.2: Growth Rate of Revenue Expenditure</b>	<b>209</b>
<b>Fig. 6.3: Growth Rate of Capital Expenditure</b>	<b>210</b>
<b>Fig. 6.4: Growth Rate of Capital Outlay</b>	<b>212</b>
<b>Fig. 6.5: Growth Rate of Total Developmental Expenditure</b>	<b>214</b>
<b>Fig. 6.6: Growth Rate of Developmental Revenue Expenditure</b>	<b>215</b>
<b>Fig. 6.7: Growth Rate of Developmental Capital Expenditure</b>	<b>215</b>
<b>Fig. 6.8: Growth Rate of Total Non-Developmental Expenditure</b>	<b>216</b>
<b>Fig. 6.9: Growth Rate of Non-Developmental Revenue Expenditure</b>	<b>217</b>
<b>Fig 6.10: Growth Rate of Non-Developmental Capital Expenditure</b>	<b>218</b>

<b>Fig. 7.1: Developmental Expenditure to Total Expenditure of the Bihar Government (%)</b>	<b>241</b>
<b>Fig. 7.2: Non-Developmental Expenditure to Total Expenditure of the Bihar Government (%)</b>	<b>244</b>
<b>Fig. 7.3: Developmental Expenditure to GSDP of Bihar Government (%)</b>	<b>255</b>
<b>Fig. 7.4: Non-Developmental Revenue Expenditure to GSDP of Bihar Government (%)</b>	<b>258</b>
<b>Fig. 7.5: Outstanding Liabilities to GSDP of Bihar Government (%)</b>	<b>263</b>
<b>Fig. 7.6: Gross Transfers from the Centre to Revenue Expenditure of the Bihar Government (%)</b>	<b>278</b>

## Chapter I

### Introduction

In consonance with the patterns across the rest of India, the nature of Bihar's economy was mainly agricultural in employment and output both till 1980s. The economic growth of Bihar was substantially lower than that of national average and consequently the per capita output of Bihar in comparison to nation shows the declining trend after the mid-1980s. The per capita income of Bihar's economy was Rs. 917 i.e. 60 percent of the national average in 1980-81 and was among the poorest state in that year and has continued to remain at bottom thereafter based on the Central Statistical Organization (CSO) data. According to Planning Commission (2002), the HDI (Human Development Index) of Bihar was also lowest amongst the 15 major states of India in 1981. However, Bihar was growing at the then fastest growth rate of 5.3% during the period 1980-81 to 1984-85. Various economists have observed that Bihar couldn't able to take advantage of subsequent opening of Indian economy and thereby conclude that "... the growth rate of the Bihar economy during the post-reform era was the lowest of any of the regions of India in any of the decades." (Ghosh and Gupta, 2010)

The gap of per capita income of India and Bihar started to increase in the late 1980s and the income of Bihar on per capita basis was one-third of national average at the end of 2000. The economic indicators of Bihar speedily deviated from the national level and the per capita income of Bihar fell from Rs. 1197 in 1990-91 to Rs. 1073 in 1997-98. The CAGR of per capita income of Bihar was only 1.1% in comparison to 3.2% at national level during the period 1980-1998. Incomes of individuals at India level would become double in 22 years while in case of individuals of Bihar, it would take 63 years in doubling their income level.

The structure of the economy of Bihar remarkably changed while the economic output level remained stagnant. It became the economy, where, the services and industrial sector started to contribute substantially. The services sector's contribution in State Domestic Product (SDP) of Bihar was higher than that of the industrial sector in 1980-81 and gap between the two rose over the period. The participation of agricultural sector and the services sector was 35% in SDP of Bihar economy in 1997-98. The contribution of industrial and services sector has remarkably grown over the period and gone along with the change of trend seen at the national level. The transformation of the economy of Bihar in service led economy similar to the rest of Indian economy was in progress while the nature of output of Bihar economy was more agrarian than that of Indian economy.

This transformation of the economy during the period 1980-2000 is fascinating, because of limited growth of economic output and slight change in the structure of employment. Bihar's urbanization rate was 10.5 percent in 2010, which was one of the India's lowest urbanization rate and the rural employment has always been the main source of employment of Bihar economy. The number of males involved in agriculture sector was more than 715 out of 1000 rural employed males and the number of females engaged in agricultural sector was 845 out of 1000 rural employed females in 1999-2000 and consequently the participation of rural females and rural females in service sector was very low.

“The limited expansion in output in Bihar may be primarily attributable to the lack of expansion in the non-agricultural sector” (Ghosh and Gupta, 2010). “Agriculture in Bihar performed better than the national average in the 1980s but had begun to stagnate in the mid- to late 1990s” (Kishore, 2004); which reflects that the limited expansion of industrial and services sectors has been the main reason of backwardness of the Bihar's economy. Bihar's position was at the bottom in the HDI rank table in 1991 and also in 2008.

Table 1.1 presents the human development index of Bihar across the years.

**Table 1.1: Human Development Index (HDI) of Bihar and India for several years**

Year	Bihar	India	Ratio
1981	0.225	0.313	0.718
1991	0.298	0.375	0.794
2001	0.359	0.469	0.765
2008	0.359	0.457	0.785

Source: *National Human Development Report (HDR) 2001, Meghalaya HDR 2008 and India HDR 2011*

The malignancy of poverty in Bihar has been chronic and is perceivably rooted in the context of an agrarian economy. “The lack of land reforms in Bihar, poor agricultural productivity, land holding fragmentation over time and caste rigidities are factors that need to be ascertained to understand poverty” (Kishore, 2004). “Despite the loss due to flood, drought, a poor industrial sector and paucity of public infrastructure, the state's backwardness is more related to the iniquitous and exploitative socioeconomic structure, lack of political leadership, and almost total collapse of administrative law and order machinery – to the point that it is said that in Bihar ‘the state has withered away’” (Sharma, 1995).



The gap of literacy rate of Bihar with that of all India level was around 5 percent in 1951, which gradually expanded during 1960s and 1970s and this gap was 11 percent and 14.7 percent by 1981 and 1991 respectively but improved to 10.2 percent by 2011. In terms of male and female literacy, Bihar followed the same pattern as at all India level and female literacy has always been lower than that of male literacy. The literacy rate gap between males and females was highest in 1981 at 30.5 percent for Bihar but after that it has been falling. Table 1.2 displays the literacy rates of males, females and total persons for Bihar and India across the years.

**Table 1.2: Literacy Rate of India and Bihar (1951 – 2011)**

Year	Bihar			India		
	Persons	Males	Females	Persons	Males	Females
1951	13.0	22.1	3.9	18.1	26.9	9.2
1961	21.9	34.9	9.0	27.9	40.1	15.7
1971	22.8	34.9	10.8	34.1	45.8	22.1
1981	31.8	46.1	17.5	43.3	56.7	30.0
1991	36.9	50.8	23.0	51.8	63.9	31.9
2001	47.2	59.8	34.7	64.3	75.6	52.9
2011	63.6	72.9	54.4	73.8	82.6	64.7

Source: *Economic Survey, Ministry of Finance, GOI, several rounds*

Infant mortality and life expectancy are mainly the two indicators used as the health indicators to determine the health status. In comparison to the gap found in economic sphere, the gap based on health indicators between Bihar and all India level are small. There has been notable gender bias for life expectancy in Bihar. At the national level, life expectancy of female has been higher than that of male while the reverse trend has been observed in case of Bihar. The average life expectancy of male was 54.5 years for Bihar in comparison to 55.2 years at all India level during the period 1981-84 and the life expectancy of female was 51.5 years for Bihar in comparison to 55.7 years at all India level during the same period. The gap of female life expectancy of Bihar with that of all India level continued even during the period 1999-2003 where the life expectancy of female of Bihar was 59.7 years in comparison to 63.8 years at all India level. This gap declined during the phase 2011-15 where female life expectancy was 68.3 years in comparison to 70.0 years at all India level. Bihar follows the almost similar trend at national level for infant mortality. During the pre-bifurcation of Bihar, its infant mortality was slightly lower than the national average but after the bifurcation of Bihar, its

infant mortality rate became higher than the national average. The male and female life expectancy at birth of India and Bihar across the period has been presented in table 1.3.

**Table 1.3: Life Expectancy at Birth of India and Bihar (Years)**

Years	Males		Females	
	Bihar	India	Bihar	India
1981 - 1985	53.9	55.1	51.3	55.4
1992 - 1995	60.3	60.2	57.9	61.3
1999 - 2003	61.7	61.9	60.0	63.6
2002 - 2006	62.3	62.7	60.2	64.3
2011 - 2015	69.8	70.1	69.0	71.2

Source: *SRS data and Economic Survey, Ministry of Finance, GOI*

The performance of Bihar has been very poor on HDI indicators because of the large disparity in education and economic outcomes and little gap in the health outcome in comparison to the national average. Based on the estimation of the Planning Commission, Bihar has been found poor performing state. However, it has been improving over the period but still have a long way to go to narrow down the gap with the national average.

It may be convincingly argued that in terms of demography, Bihar was doing differently compare to national level. The pattern of population growth at the national level presents the nice example of demographic transition since the independence of India. There has been huge rise in the population at national level during the period 1950-1980s but its growth rate reduced during the phase 1991-2001 and has remarkably reduced during 2001-11. The growth rate of population of Bihar was significantly lower than that at the national level during the period 1950-1960s but it grew with the similar rate as at the national level during the phase 1970-1980s. However, there has been huge increase in the population of Bihar during the period 1991-2011 due to sharp rise in the population growth rate. Thus, the demography of Bihar is much younger in comparison to the national average, which provides the opportunity to utilize the potential demographic dividend.

There was need to set the norms to share infrastructural and financial resources between the two new states, present Bihar and Jharkhand, after the division of erstwhile Bihar in 2000. The distribution of financial liabilities was based on population while the physical resources were distributed on 'as is, where is' basis (Economic Census of Bihar). Thus, the distribution was asymmetric and favoured the newly created state, Jharkhand. Around 75 percent of all the

available resources of the undivided Bihar passed to Jharkhand but only 25 percent of all types of liabilities was shared by Jharkhand. The condition of Bihar became relatively poorer because of this division. “At the time of bifurcation, serious concerns were expressed about whether the ‘reduced’ Bihar could even form a viable state on economic grounds” (Bhattacharya 2000 and Rorabacher 2008). The industrial sector of Bihar got huge setback due to this bifurcation. It contributed 24 percent to GSDP of erstwhile Bihar but after the division of Bihar, the industrial sector contributed only 4 percent to GSDP. The present Bihar lost a large industrial units to Jharkhand and left the economy to generate the national income through agriculture and services sector.

Bihar’s economy became much more susceptible to adverse shocks like floods after its bifurcation. In case of erstwhile Bihar, 55 percent of the land area was prone to flood but after the division of Bihar, the flood-affected area increased to 73 percent. “The coefficient of variation of Net State Domestic Product (NSDP) increased from 6.2 percent in 1991-98 to 11.8 percent over the period 2000-2008. This is probably one of the key reasons that Bihar’s economic growth shows more frequent peaks and troughs after bifurcation” (Das Gupta, 2010).

There has been remarkable transformation in the economy of Bihar after its division under the Bihar Reorganization Act 2000. The contribution of industry decreased from 22.5 percent to 4.6 percent to NSDP and consequently the participation of service sector climbed from 36 percent to 50 percent just after the division of Bihar and the contribution of agriculture sector also climbed from 36.5 percent to 40.4 percent. The loss of industrial sector led to sharp fall in non-tax revenue of divided Bihar. The industrial sector of erstwhile Bihar accounted for Rs. 61,209 crore i.e. almost 10 percent of the total revenue receipts during the period 1991-1995 which marginally fell to 7 percent of total revenue receipts during the phase 1995-2000. However, the industrial sector contributed only Rs. 12,334 crore i.e. almost 1 percent of total revenue receipts of divided Bihar during the period 2000-2005 (Economic Survey, Government of Bihar, various rounds). Thus, the bifurcation reduced the fiscal space of Bihar to finance developmental purpose and poverty alleviation activities. Table 1.4 presents the structural change in 1995-96 for undivided and divided Bihar based on 1980-81 prices and 1993-94 prices respectively.

**Table 1.4: Change in the Composition of the Different Sectors between Undivided and Divided Bihar, 1995-96 (Percent)**

Sectors	Composition	
	(1980-81 Prices)	(1993-94 Prices)
Agriculture and Allied	31	46
Construction	8	3
Industry	24	4
Services	37	46
GSDP	100	100

Source: Bihar: What went wrong? And what changed?, Arnab Mukherjee and Anjan Mukherjee, 2012, pg. no. 87

Note: Constant price data for 1995-96 is available for national income series that uses 1980-81 as base year and the one that uses 1993-94 for as the base year. While the 1980-81 price series captures undivided Bihar, the 1993-94 data for the set of districts that became modern Bihar in 2000 i.e. for the divided Bihar.

The bifurcation transformed the Bihar' economy in to a service-led economy but it remains one of the poorest states of India. Though services sector started to play key role in generation the income of divided Bihar but, at the same time, there is little opportunities for agricultural labour to get employment in non-agricultural sector as 64 percent of its workforce are engaged in agriculture (NSSO, 2011). Thus, the services sector drive the GSDP of Bihar but it remained intensely rural.

The per capita income of Bihar has accelerated since 2005. The CAGR of per capita income of Bihar was 8.6 percent, above than that at all India level of 7.0 percent during the period 2005-2010. The CAGR of per capita income of Bihar further enhanced to almost 14.0 percent during the period 2010-2012. There has been an outstanding change in the economic activity level of Bihar since 2005.

### **State Finances**

The state government derives revenue from own sources and transfer of resources from the Centre. The revenue from own sources of the State government comprises of “own tax revenue” and “own non tax revenue”. The transfer of resources from the centre to states take place through three distinct channel namely Finance Commission, Planning Commission and through central government ministries. The sharing of central taxes with the states and transfer

of grants for non-plan purpose i.e. statutory grants to the states are based on Finance Commission's recommendation. Planning Commission provides the funds to the states for developmental purposes but the loans from the centre to the states have been discontinued since 2005-06 on the basis of the recommendation of 12<sup>th</sup> Finance Commission. Central government ministries transfer funds to the states to finance centrally sponsored schemes and various central projects as well. There are little discretion in the transfer of resources through Planning Commission and Finance Commission since these transfers are based on formula, while the transfers of resources through Central Ministries are mostly discretionary. "While transfers have been increasing overtime, there has been a proportionate decline over time in the fraction of transfers through formula based channels such as the Finance Commission and the Planning Commission and an increase in the discretionary transfers made by the ministries. While this in itself is not problematic, the discretionary funding allows for the possibility of large disparities in interstate transfers across states" (Rao and Singh, 2005; Rao, 2009). The share of transfer of resources to states through Finance Commission in the form of share in central taxes to Bihar as a percentage of all states declined from 14.6 during 11<sup>th</sup> Finance Commission (2000-01 – 2004-05) to 10.9 during 13<sup>th</sup> Finance Commission (2010-11 – 2015-16). It is argued that "while the Finance Commission transfers tend to have a strong equalizing effect, the transfers from discretionary sources as well as for state plan schemes do not help balance fiscal abilities across states" (Rao and Singh, 2005; Rao 2009).

The total expenditure and the expenditure under developmental head of Bihar have been much lesser than the relatively richer states. The per capita revenue of Bihar has been very low in comparison to the high income states, which, led to systematic and large differences in per capita developmental expenditure of Bihar with the rest of India. The per capita total expenditure of Bihar is almost half of the national average. The per capita developmental expenditure of Bihar rose from Rs. 943 in 2001 to Rs. 1138 in 2005, which were 30 to 40 percent of the national average per capita developmental expenditure during the period 2001-2005 and improved to 40 to 50 percent range in the 2005-2010 period. However, the expenditure under developmental heads by Bihar is almost half of the developmental expenditure at all India level which led to lack of investment in human capital and public infrastructure in future also. It is relevant to mention that whatever modest benefits the state has been able to do, has been done keeping in mind the FRBM goals. Therefore, the state transformed its revenue deficit in to moderate surplus and maintain its fiscal deficit below the 3 percent of GSDP.

The Central government passed the “Fiscal Responsibility and Management (FRBM) Act” in 2003 to contain fiscal deficit and eliminate revenue deficit. Bihar government implemented FRBM Act in year 2006 to limit the fiscal deficit at 3 percent of GSDP by 2008-09 and also committed to eliminate revenue deficit. However, Bihar started to experience the revenue surplus since 2004-05 before the implementation of FRBM Act and also maintained fiscal deficit at targeted level. The gross fiscal deficit as a percentage of GSDP of Bihar reduced from 5.3 percent during the period 2001- 2005 to 2.4 percent during 2010-2015 period. The serious impact of FRBM act is that Bihar started to experience cash surplus since 2005-06, but, were not routed to expenditure in fear of rising gross fiscal deficit.

The definition of Fiscal deficit is the difference between total receipts (excluding net borrowings) and total expenditure. This part of the expenditure is financed through public borrowings. Gross fiscal deficit is defined as “the difference between revenue receipts (net) plus non-debt capital receipts and the total expenditure including loans (net of repayments)” (State Finances: A Study of Budget, RBI). This is a measure, which captures the entire shortfall in the non-debt resources for financing the central government operations.

The government may cover the deficit either by running down its accumulated balances or by borrowing from the central bank of the country which in turn would entail creating new money or it can go in for market borrowing. For example, as per John Keynes prescribed a measure to fight great depression, in which government should create deficit budget, which may be either financed through creation of new money or through borrowings of funds which were lying idle with people and which need to be activated. Fiscal deficit therefore is of greater analytical use as compared to budgetary deficit. If net domestic lending is excluded from gross fiscal deficit remainder is net fiscal deficit. The use of a particular measure of fiscal deficit is dependent on the scope of problem being investigated or studied.

Primary Deficit may be defined as “gross fiscal deficit minus interest payments” (State Finances: A Study of Budget, RBI). Primary deficit measures the discretionary component of budget (interest payment is committed expenditure). Other items of expenditure are due to the current action of the government and are, therefore, controllable to some extent. Interest receipts are, however, due to the past contract of the government.

Therefore;

Primary Deficit = Fiscal Deficit – Interest Payment + Interest Receipts

Occasionally, for analytical use, a distinction is made between gross fiscal deficit and net fiscal deficit, and gross primary deficit and net primary deficit. While fiscal deficit could be termed as gross fiscal deficit, net fiscal deficit may be defined as fiscal deficit net of 'loans and advances' mentioned in capital account of the budget. Since 'loans and advances' are supposed to create net assets of the government and are not meant for consumption purposes they are netted out to arrive at net fiscal deficit.

Revenue Deficit is yet another measure that indicates the short fall in revenue receipts to carry out the current revenue expenditure. In other words, it is a measure that indicates as to what extent capital receipts or the borrowings, are used to finance the revenue budget.

Since revenue receipt and revenue expenditure constitute revenue budget (and the gap between two is revenue deficit / surplus) they need to be defined to understand the nature of this and other deficit measure. Generally, the revenue receipt is every receipt that doesn't carry any financial liabilities for the government. All the tax receipts and the non-tax receipts like profit from public sector enterprises and the receipts from economic services that government provides are the revenue receipts. But the proceeds from disinvestment of public sector enterprises which is though non debt incurring but is qualitatively different. Whether to include this revenue in the revenue receipt or not depends on the purposes for which the deficit measure is used. "If the term impact of the budget on aggregate demand through net borrowing is to be judged, the sale proceeds of assets could be included in revenues. Alternatively the proceeds could be netted out against capital formation expenditure." (Chelliah, 1996)

All the deficit measures mentioned above are relevant at State level also except the primary deficit as States do not have any direct influence over monetary expansion or contraction. Besides, the transfer of resources from the Central government to states, the Central government also lends the money borrowed from the different sources. Therefore it cannot be deduced with a reasonable degree of certainty that States' deficits have no monetary implications. Thus States' deficits have significant implications not only for their own finances but, as mentioned earlier, for the Union finances as well as they do affect the federal transfer liabilities of the Central government. It is probably for this reason that there is an argument for having the consolidated fiscal deficit of the Centre and States' governments. Argument seems to be valid for the reason that a considerable portion of Union government's deficit is because of the poor financial situations of States. Therefore, the study of States' finances becomes

important. If we have to get to the genesis of the imbalances, analysis of the revenue deficit could be the point to begin from. Revenue deficit indicates the quality of Fiscal deficit which in turn indicates the borrowing requirement of the government and results in public debt which has the potentiality of aggravating the revenue deficit by raising the interest liabilities of government. Composition of deficit thus becomes important.

The budget deficit can be financed through borrowing, monetisation or combination of both. Though monetisation option is not available to the States but part of monetary expansion by the Centre on account of the States' imbalances cannot be ruled out. Similarly external borrowing can be undertaken by the Centre alone. States can do this only with the concurrence of Central government as latter is required, under the provision of Indian Constitution, to write a counter guarantee on any loan the State governments may contract abroad. Therefore it is largely the market borrowings, special securities issued to the National Small Saving Funds, loans from State Provident Funds etc. that constitute the States' debt. Effects under monetisation are not considered here as monetisation of debt as it does not result directly from States' action. Debt financing may have the following effects.

As long as debt is not held externally, it doesn't create financial liabilities for any economy. The net debt liabilities of the government are exactly equal to the financial assets held by the rest of the economy in such case. But, such is not the case with States as part of the debt may be held by the agents outside the State. So, states' debt can create, in fact, they do create, vertical as well as horizontal inequity. Implications of such inequity are not confined to the particular State but for other States as well as the Centre because one of the objectives of fiscal transfers is revenue equalization.

There is need to examine as to what motivates the sub-national governments to let public debt grow knowing well the consequences that it may crowd out private investment, cause inflation and limit the manoeuvrability of the government expenditure. On top of it, debt sustainability could itself be the cause of concern. Debt may be further allowed to rise if it promotes the asset creation. Income flows from asset creation may generate return that could be greater than the interest liability. In such case, debt servicing is quite easy. Higher debt due to financing the development related expenditure by the States with low industrial base and poor infrastructural network could be justified. In such States private investments are difficult to come by as returns to the investment may not be expected to be appreciably high. Therefore States have to create



infrastructure through borrowed funds so as to attract private investments or alternatively invite investments by offering attractive fiscal concessions. In both the cases there will be fiscal strain. From long term perspective former is advisable. But judicious expenditure of borrowed funds would have to be ensured which could be judged from the enhanced revenue receipts.

### **Objectives of the Study**

The study sets the following objectives:

- To document the trends, patterns and composition of the Own Revenue Receipts and capital receipts of Bihar and compare the same with that of BIMARU States and All States of India;
- To understand and document trends, patterns and composition of the resource transfer from Center and its impact on the degree of State's dependency on the size of annual budgets and compare the same with BIMARU States and All States of India.
- To examine the growth and composition of overall expenditure priority of Bihar and its various components since 1990s and compare the same with BIMARU States and All states of India;
- To undertake a thorough analysis of the fiscal performance of the State based on the standard fiscal indicators.
- To examine the state of fiscal federal arrangement and whether the fiscal reform measures undertaken by the State helped in (dis)stabilizing the State economy.

This study compares the economic situations of Bihar with BIMARU states and all states. In the mid- 1980s, economist analyst Ashis Bose coined an acronym BIMARU which includes Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and Odisha was included in the list later. After the division of Bihar and Madhya Pradesh, Jharkhand and Chhattisgarh have also been included in BIMARU list based on their socio-economic indicators in this study. Table 1.5 shows the per capita NSDP of these states and compare with that of all India during the period 2004-05, 2009-10 and 2013-14. Per capita NSDP of these states except Rajasthan has been lower than that of all India level.

**Table 1.5: Per Capita Net State Domestic Product at Current Prices (2004-05 Series)****(Rupees)**

	2004-05	2009-10	2013-14
Bihar	7914	15457	31229
Jharkhand	18510	28223	46131
Madhya Pradesh	15442	28651	54030
Chhattisgarh	18559	34366	58297
Rajasthan	18565	35254	65098
Uttar Pradesh	12950	23671	37630
Odisha	17650	33029	54241
All India	24143	46249	74380

Source: Economic Survey, Ministry of Finance, GOI

Table 1.6 shows the poverty head count ratio of above mentioned states and all India during the period 2009-10 and 2011-12. Poverty ratio of these states except Rajasthan has been much higher than that of all India level.

**Table 1.6: Poverty Headcount Ratio (HCR)**

	2009-10	2011-12
Bihar	53.5	33.7
Jharkhand	39.1	36.9
Madhya Pradesh	36.7	31.7
Chhattisgarh	48.7	39.9
Rajasthan	24.8	14.7
Uttar Pradesh	37.7	29.4
Odisha	37.0	32.6
All India	29.8	21.9

Source: NITI Aayog (Planning Commission)

Table 1.7 displays the HDI value and HDI ranking of the above mentioned states and all states for the years 1999-00 and 2007-08. HDI value of these states has been lower than that at all India level and their HDI ranking reflect that they were ranked at the bottom of HDI table.

**Table 1.7: Human Development Index (HDI)**

	1999-00		2007-08	
	HDI Value	HDI Ranking	HDI Value	HDI Ranking
Bihar	0.292	19	0.367	21
Jharkhand	0.268	23	0.376	19
Madhya Pradesh	0.285	20	0.375	20
Chhattisgarh	0.278	21	0.358	23
Rajasthan	0.387	14	0.434	17
Uttar Pradesh	0.316	18	0.380	18
Odisha	0.275	22	0.362	22
All India	0.387		0.467	

Source: India HDR 1999-2000 and 2011

### **Data and Methodology**

The study is based on secondary data. Such data have been obtained from the publications of various government agencies. That include Handbook of Statistics on Indian Economy, State Finances A Study of Budget, all published by Reserve Bank of India. Data have also been obtained from Annual Survey of Industries, EPWRF and Economic Survey published by Ministry of Finance, Government of Bihar and Government of India. Data have also been used from “Department of Commercial Tax” and “Department of Registration, Excise and Prohibition, Government of Bihar”. The data of GSDP have been obtained from the publications of Central Statistical Organisation. Descriptive statistics (for share, growth rate and per capita) have been used to analyse the data.

The study contains eight chapters including the present introductory chapter. Chapter II discusses the trend, composition and pattern of own tax revenue receipts of Bihar and compare with BIMARU and all states. With the declining revenue from own resources and the implementation of prohibition policy in 2016 which is adversely affecting the state own revenue source, Bihar’s dependency on centre has increased over the time. The trend, composition and pattern of own non tax revenue receipt of Bihar has been studied in chapter III and has also been compared with BIMARU states and all states. The sharp decline in the contribution of “own non tax revenue” to “non-tax revenue” for divided Bihar is due to lose of revenue from large part of metal and metallurgical industries. The low cost recovery from the

different sources of own non tax revenue has also been responsible for fall in the share of own non tax revenue in non-tax revenue in case of Bihar.

The transfer of resources from the Centre to States in the form of shared taxes and grants-in-aid on the basis of the recommendation of various Finance Commissions and Planning Commissions has been discussed in chapter IV. Chapter V studies the trend, composition and pattern of capital receipts of Bihar and the same has also been compared with BIMARU states and all states. The trend, composition and pattern of total expenditure of Bihar has been analysed in chapter VI and has also been compared with BIMARU states and all states. Chapter VII analyses the fiscal performance of Bihar based on several fiscal indicators. Even, the Bihar has experienced the cash surplus since 2005-06 due to increased capital receipts in the form of borrowings- were not routed to expenditure because of fearing of rising revenue deficit and GFD. The consequence of FRBM act is detrimental to developmental expenditure as the per capita developmental expenditure of Bihar has been very much less than that of all states.

The summary of our findings and conclusions of the study have been presented in chapter VIII. The time period for the study is 1990-91 to 2015-16 and generally it has been divided in to five phases 1990-91 – 1994-95, 1995-96 – 1999-00, 2000-01 – 2004-05, 2005-06 – 2009-10 and 2010-11 – 2015-16 for study purpose.

## **Review of Literature**

The issue of fiscal reforms has been a burning topic in contemporary economic debates. It is indeed very difficult to classify the available literature in specific areas as most of them have dealt with wide ranging issues. So, we find it convenient to mention the literature in the concerned chapters to support the arguments and analysis in the chapters. However, a brief overview of the various approaches towards state finances is mentioned here. It is not only helps to understand the nature of the problem, but also provides areas to the emphasized in the study for All-State in general and Bihar in Particular.

With the changing economic policy environment, since the late 1980s, fiscal management and fiscal correction emerged as one of the important task of macroeconomic stabilization (Rangrajan:2001). Hence, we observe a quite contrary approach in the literature where federal fiscal relations are itself a function of state finances. It is important to note that earlier central government policies were considered more important for Fiscal Decentralization (distribution of resources and responsibilities to state governments) was adopted with a subsidiary approach. But as the political and economic events in country started to change rapidly, role of state governments became more important. Political events included the end of single party rule at state level and growing importance of regional parties in national politics. Economic events, precisely to say, transition to a market-oriented liberalization since the late 1980s and requirements of more open economic policies to increase the competitive advantage and productivity levels in the country. Gradually as it was required by the state governments to enhance their spending on various developmental activities, states experienced stagnant resource positions. Fiscal crisis at Central level got further aggravated because of the deteriorating state finances. Now federal transfers were governed by the state level problems and rigidities as compared to the central assessment of development problems. Thus, we find it appropriate to analyse the findings of the studies that gave priority to state specific fiscal problems.

Rao, M.G (1992); Joshi & Little (1994; 1996; 1997) assessed the public finances at state level with a viewpoint to outline the medium and long terms trends of fiscal stress across the states. Emphasizing on the economic and functional classification of state level expenditure, regression analysis has been carried out on expenditure on state government employees and expenditure on goods and services in different states during 1980s. Lahiri, A (2000); Rao, M.G

(2002) have analysed the issues in fiscal imbalances at subnational level in the context of equity and efficiency implications of fiscal operations across the states. A comprehensive study on state finances in India is by Bajaj, J.L et al (1996) and Kurien, N.J (1999) where plan financing aspects of state governments is emphasized, besides emerging imbalances in revenue and capital expenditures as well as development and non-development expenditures.

Another, comprehensive as well as interstate study with adequate analysis of Resource gaps of state governments by Patanaik, et al (1994); Tenth Plan Vol- III (GOI) in which three ratios, viz., fiscal requirements, fiscal dependency and fiscal stress were calculated to highlight the growing unsustainability in the fiscal behaviour. Bhatt, et al (1995; 2003) has empirically examined the impact of selected fiscal variables such as tax revenues, non-tax revenues, and grants, expenditures on real GSDP growth and GFCF across the states. Tenth Finance Commission onwards a similar pro-active approach rather the earlier reactive approach, can be observed in the studies focusing on specific issues of state finances.

Anand et al (2001) identify both demand and supply side factors for the poor fiscal position. It was found that the demand sides primarily adopted populist measures, while softening of the budget-constraint, implicit in constitutional restrictions on borrowings appeared on the supply side. Four factors are identified to cause softening of the hard budget constraint, viz, increased small savings, borrowing through state level public sector undertakings (PSUs), accumulation of large arrears (ALAs) by state electricity boards (SEB) of central agencies and rolling over of short-term accommodation provided by the RBI in the form of WMA.

Since 1985 the reserve Bank of India is separately compiling the budgetary trends of various states. In the backdrop lies the fact that, in the early 80's marginal deficit appeared, for the first time, for few states on the revenue account, but since 1987-88 it has become the regular feature. It presents an overall annual picture of state finances. Along with other CSO publications, at times, these have identified the emerging problem areas, such as, lack of ARM, deteriorating NTR, structural and cyclical deficits (1993), Structure of Ways and means Advances (1998, 1999, 2003), overdrafts and guarantees, fiscal mismarksmanship (2001), Debt sustainability and Surplus Cash Management (2005), Expenditure on social services and Human Development (2006). These reports also present an overall picture of reform measures adopted by different state governments. The *RBI (Reserve Bank of India) Study of State Budgets, 2002-03*, indicates about rising fiscal deficit (FD) and revenue deficit (RD) and growing debt of

states. The report has pointed towards reasons such as poor increase in tax revenues, poor contributions from public investments due to whopping PSU losses, increase in subsidy, rising salary expenses owing to new pay commissions recommendations, higher expenditure on pension etc.

Reddy, Y.V (1998) has given specific comments on the compulsory restructuring of states public finances to achieve macroeconomic stability in the country. He has tried to identify the areas for active participation of state governments. Two years later the author (2000) after reviewing the efforts taken by the state governments for fiscal restructuring, has laid down the prospects and issues for states fiscal reforms and the role of RBI in those reforms. The reform measures require in Indian Economy as macro-mesomicro economic reforms for the macroeconomic stabilisation as well as fiscal consolidation (Kelkar:2001). Rao (2002b) has identified the possible reasons for fiscal decentralization in India. The adoption of pro-market reforms since 1991 has bring about fundamental change in the role of State. Such change warrants re-examination of fiscal arrangements between centre and states, and among the states. Moving from national planning to pro-market approach for resource allocation, has given greater role to state in provisioning of variegated infrastructures. However, growing regional inequalities based on economic development has once again warrants greater and proactive role for centre. On the contrary, the centre has not shown any interest in achieving fiscal consolidation. Centre's dilly-dally towards fiscal discipline is a major concern for prudent macroeconomic management.

Ahulwalia (2000) made a comparative study of states' economic performance in post-neo liberal period taking public expenditure and investment as an important factor in states economic progress. He has outlined the crucial role of state finances in the development process. Distribution of incomes across the regions has exhibiting rising inequality in the 1990s (Rao, Shand and Kalirajan: 1998). The poverty is increasing in the post-reform period, though methodology is under scathing criticism. Poverty-alleviation programmes warrant a solution within federal set-up (Inman and Rubinfeld:1992). However, despite all the efforts for fiscal adjustment, fiscal deficits for centre and States are still a serious threat to macroeconomic stability.

Rao and Singh (2001) have attempted to examine the existing federal frameworks of India in view of reforms. They concluded that the transfer system has remained skewed that increased the interstate disparities. Chakraborty. P.(2003) opined that the fiscal transfers (FR) are regressive in nature. It is found that the aggregate tax transfers per capita (ATTPC) is positively related to the per capita income (PCI) of the states. He also found that though, the fiscal autonomy was negatively related to the grant transfers. However, it failed to eliminate horizontal inequality. Chakraborty (2011) observed Bihar's share of tax devolution has been declining consistently over the period, which is causing serious fiscal strain on State finances.

Issac and Chakraborty (2008), rule-based fiscal control at the state level at the instance of Twelfth Finance Commission. These changes in intergovernmental fiscal transfers have made the system complex and states are increasingly finding it difficult to pursue an independent state level fiscal policy. There are serious anomalies pertaining to the central government schemes. In the first instance, the schemes are fraught with drawbacks in the design, implementation process, growing magnitude of central funds (allocates for states in many of the major central schemes) bypassing the state budgets. Secondly, the proportion of states' share in central tax-proceeds has plummeted consistently over the last five Finance Commission periods (FCPs), which indicates that the approach of the Finance Commission has been tilted towards a gap filling approach. The significant rise in grants-in-aid for the states based on their Non-plan expenditure commitments, has been noticed (Jha et. al., 2011).

Ghosh (2011) observed that Centrally Sponsored Schemes are problematic since they are based on one-size-fits-all approach. Centre has monopoly to decide upon- content, structure, format and process. State governments have little say.

Issac and Chakraborty (2008) observed that per capita transfers to low income states (LISs) have been higher than the middle and high income states. However, these transfers have been a bone of contention between states and centre regarding allocation and quantum.

The variation in tax-base among the States violate the principle of equality. The horizontal imbalances can be bridged through inter-governmental transfers, from Centre to States (Buchanan, 1950).



The coupon rates of state government securities (SGSs) have been increased substantially, since mid-eighties. The interest rates on small saving borrowings have also increased since 1990-91. These rates are quite high, on the contrary, higher than the growth rate of GDP. It means it must result into financial disaster (Issac and Ramakumar, 2006). Cash surplus is a ill-outcome of FRBM Acts. Even the increased capital receipts – in the form of NSSF borrowings- were not routed to revenue expenditure because of the fear of rising revenue deficit (Issac and Ramakumar, 2011).

Goyal (2004) mentioned the higher cost of market borrowing has also been the reason for post-reform deteriorating fiscal situation of the states. Rao and Reddy (1980) have examined the extent of indebtedness of the states. The financial burden imposed on the states during 1951 to 1980 has increased. The growing indebtedness of the states to the centre led to emergence of fiscal problems.

Taxation is believed to be the best means of raising the incremental saving ratio which is one of the crucial determinants of growth (Chelliah, 1969). It is generally believed that the indirect taxation is regressive. However, I.M.D. Little who observed that the pure theoretical case against indirect taxation is an illusion. Sir Arthur Lewis (1955) had also made concurring view about indirect tax.

We need to strengthen the existing tax systems' capacity to generate more revenue. In the present scenario, it would be difficult to increase tax-rates. Therefore, tax collecting efficiency need to be made more efficient, that it may generate more revenue (Chelliah, 1966). Centre has power to influence the decisions about expenditure of states. Further, they construe that the delegation of power of taxation follows the principle of 'separation' in contrast of countries like the USA and Canada.

The study of Bernardi and Frascini (2005) has mentioned that the tax collecting powers is based on the principle of separation. It was found that majority of broad-based taxes are assigned to the centre, states have left with narrow tax-base. As a result, states are heavily dependent on centre for finance. Vertical fiscal imbalance is inevitable. Sarma and Gupta (2002) observed that the inception of fiscal reforms in 1991 by centre was a pathbreaking step, though it failed to strengthen the fiscal health of states. It was expected that it would increase revenue receipt of the government. On the contrary, states' revenue continued to decline in the

nineties. The reform initiatives initiated by the policy-makers have ignored the financial health of states.

Bird (1993) has scrutinised the tax reforms of a slew of countries. He opined that tax reform was guided by fiscal crisis. It was not a *Suo moto* step of the government. He cited the example of India as a classical case- Indian tax regime embark on the path of reforms. Chelliah (1999) was the chief architect of tax-reforms. He suggested that the structural reform is required. The reduction in tax-rates was pressing need. The rationalisation of tax rates was opined by the experts.

Muhleisen (1998) has assessed the tax reform initiated in 1991 on the ground of its performance on revenue fronts. He concluded that decline in overall revenue due to cut in tax. The tax buoyancy has not come into operation. Therefore, he suggested that the tax reform must focus on broadening of tax base, a more concerted measures are needed to shifting to VAT.

Moreover, Rao (2000) has also analysed the tax reform initiatives undertaken since 1991. His view was similar to view of Bird (1993), that the all-out reforms in the tax regime of India in 1990s are the result of the fiscal crisis of 1990s. Chandrashekhar (2011) argued that despite higher growth rate and growing inequality, the revenue has not increased in the same proportion as tax reform has initiated.

State governments' powers to raise resources are constrained by the distribution of revenue-generating powers between Centres and states, in the context of changing composition of national income. State governments are empowered to impose only certain taxes, most importantly sales taxes, and cannot impose their own taxes upon incomes including services (Ghosh, 2011). Based on the assessment of revenue impact of state level VAT in India during the period 1993-94 – 2008-09, Das Gupta, 2011, found the positive direct revenue impact i.e. VAT introduction increased states' own revenue, for two-third of sample jurisdictions. In case of Bihar, the study found that VAT had no impact on revenue performance.

Growth and buoyancy of non-tax revenue of Indian states has rather decelerated owing to low and obsolete user charges, poor price recovery, widening gap between effective price to public and actual price fixed by the government (Dholakia, 2000). Pradhan and Bohra (1993) made a startling observation about Rajasthan. The reason of poor growth of non- tax revenue was freebies in terms of public services. If charged, it was miniscule.

After the division of Bihar, there was a palpable loss of industry. It reduced the state's non-tax revenue from this sector. During 1995-2000, the industrial sector of erstwhile Bihar had contributed 7 percent to total revenue which declined to 1 percent during 2000-2005 (Mukherjee and Mukherjee, 2012). User charge will enable the state governments to pass on partially or fully the cost of provisioning public services to the public. This can save resources earned from tax revenue. The saved money may be spend on other pressing items, having greater welfare. In addition, government can also charge differential charge for public utility services, and this way government can cross-subsidise the poor (Das Gupta, 2005).

Khan and Hasan (2006) opined state finances are weak and fragile. The fiscal imbalances of states are now an open secret, as gap between revenue expenditure and revenue receipts are rising fast. Poor financial imbalances are disheartening attributed to the growth of current expenditures. It includes mainly, rising burden of wages-salaries, growing interest burden, transfers and subsidies. However, state governments are struggling to accrue requisite and enough revenue from all possible sources.

Patnaik, (2011) unequivocally states that mix of borrowing and tax-financed public spending generates national income, and hence the whole theory of crowding out hypothesis is logically flawed. Chandrasekhatr (2011) emphasized that whenever there is an increase in the fiscal deficit in the neoliberal regime, the focus of attention is not on revenue generation but on expenditure curtailment. Issac and Ramakumar (2011) argues that about 85 percent of social sector expenditure in India is spent through state government budgets, the fiscal capacity of the states play a dominant role in determining the strength of any counter-cyclical fiscal policy of the government.

Ghosh (2011) argues that despite a clear division of power and responsibilities among different tiers of government, state governments face a hard budget constraint emanating from fiscal policy decisions, unlike the central government, that puts direct limits on the capacity of state governments to spend. George and Krishnakumar (2011) highlights that the constitutional provision related to devolution of financial powers between the centre and the states is largely biased towards the centre. Therefore, states are financially dependent on centre for resources. On the contrary, states were assigned more responsibility to perform. An interesting aspect of the fiscal policy of states in the contemporary period is that they are officially alleged to be 'cash rich' and yet not spending (Chidambaram 2006) while Issac and Ramakumar (2011) didn't buy this argument and emphasized that states do not spend because there are legal constraints

on spending. The strict FRBM Act provisions are hampering the scope of the states government to spend money in their own way, as no elbow room is left for. They further pointed out that the centre is mainly responsible for deteriorating of state finances. Moreover, the various rates of interest have sharply increased after 1990-91. Since 1990-91, a new phenomenon was came into being as the central government has increased the various rates for borrowing and coupon rates on government securities of the states. The implication was that debt servicing of the borrower states would rise. The weighted average of coupon rates, increased to as many as 14 percent in 1995-96 from 11.5 percent in 1990-91. During the same period, the interest rates on small savings borrowings has also increased exorbitantly, increased from 13 percent in 1990-91 to 14.5 percent in 1992-93. Now change was noticed till 1997-98. Later, the interest rates began to fall. However, the damage has done already as financially poor states fall in the vortex of debt.

Kishore (2004) assessed the agriculture's performance in Bihar. He found the sector fared well. Till 1980s, the agriculture sector has done exceedingly well. However, the performance of agriculture began to decline with onset of late 1990s. Ghosh and Gupta's (2010) and Sharma's (1995) also found concurrent view that the poor performance of primary sector in Bihar had contagious effect on other two sectors- industry and services. Such a lacklustre performance of the core sectors of the economy in Bihar raises serious question on the viability of the policy adopted during the period. Bhattacharya, D. (2000) argued that undivided Bihar had not been doing good on various socio-economic indicators. The situation was further exacerbated after division in 2000. Jharkhand was a rich state in terms of minerals and many industrial clusters were located. Separation of Jharkhand from Bihar had direct bearing on the revenue earning of the parent state.

## **Chapter II: Own Tax Revenue Receipts: Overview of Trend, Composition and Pattern**

The revenue of State government of India is derived from two different sources:

- (i) Revenue receipts from State's own sources.
- (ii) Transfer of resources from the Centre.

“State's own revenue consists of State's own tax revenue and State's own non tax revenue. Revenue transferred from the Centre includes share in Central taxes and grants from the Centre. Grants from the Centre comprises of statutory grants, plan grants and other discretionary grants. State's own tax revenue and share in central taxes together constitute State's tax revenue while state's own non tax revenue and grants from Centre constitute State's non-tax revenue. State's tax revenue and non-tax revenue together constitutes the total revenue” (State Finances: A Study of Budget, RBI). The total revenue receipts of the Bihar government since 1990-91 to 206-17 has been presented in table 2.1.

**Table 2.1: Total Revenue Receipts of the Bihar Government**

(Rs. Crore)

<b>Year</b>	<b>Own Tax Revenue</b>	<b>Own Non Tax Revenue</b>	<b>Share in Central Taxes</b>	<b>Grants from the Centre</b>	<b>Total Revenue Reciept</b>
1990-91	1142 (26.4)	765 (17.7)	1616 (37.4)	799 (18.5)	4322 (100.0)
1991-92	1310 (27.0)	542 (11.2)	1916 (39.5)	1086 (22.4)	4854 (100.0)
1992-93	1564 (26.2)	778 13.0	2288 (38.4)	1334 (22.4)	5964 (100.0)
1993-94	1748 (26.4)	887 (13.4)	2496 (37.7)	1497 (22.6)	6629 (100.0)
1994-95	1836 (27.0)	975 (14.3)	2788 (41.0)	1199 (17.6)	6798 (100.0)
1995-96	1973 (26.7)	915 (12.4)	3485 (47.2)	1004 (13.6)	7377 (100.0)
1996-97	2251 (28.0)	1061 (13.2)	4078 (50.7)	648 (8.1)	8038 (100.0)

1997-98	2390 (27.5)	390 (4.5)	4074 (46.9)	1838 (21.1)	8693 (100.0)
1998-99	2672 (28.8)	1146 (12.4)	4441 (47.9)	1013 (10.9)	9272 (100.0)
1999-00	3638 (28.9)	1759 (14.0)	5099 (40.5)	2083 (16.6)	12579 (100.0)
2000-01	2935 (25.8)	806 (7.1)	6574 (57.7)	1070 (9.4)	11385 (100.0)
2001-02	2442 (23.9)	361 (3.5)	6168 (60.4)	1247 (12.2)	10218 (100.0)
2002-03	2765 (23.9)	323 (2.8)	6724 (58.1)	1757 (15.2)	11569 (100.0)
2003-04	3361 (24.8)	446 (3.3)	7534 (55.7)	2185 (16.2)	13525 (100.0)
2004-05	3342 (21.3)	418 (2.7)	9123 (58.1)	2832 (18.0)	15714 (100.0)
2005-06	3561 (20.0)	522 (2.9)	10421 (58.4)	3333 (18.7)	17837 (100.0)
2006-07	4033 (17.5)	511 (2.2)	13292 (57.6)	5247 (22.7)	23083 (100.0)
2007-08	5086 (18.0)	526 (1.9)	16766 (59.4)	5832 (20.7)	28210 (100.0)
2008-09	6173 (18.7)	1153 (3.5)	17693 (53.6)	7962 (24.1)	32981 (100.0)
2009-10	8090 (22.8)	1670 (4.7)	18203 (51.2)	7564 (21.3)	35527 (100.0)
2010-11	9870 (22.2)	986 (2.2)	23978 (53.8)	9699 (21.8)	44532 (100.0)
2011-12	12612 (24.6)	890 (1.7)	27935 (54.4)	9883 (19.3)	51320 (100.0)
2012-13	16253 (27.3)	1135 (1.9)	31900 (53.6)	10278 (17.3)	59567 (100.0)
2013-14	19961 (29.0)	1545 (2.2)	34829 (50.5)	12584 (18.3)	68919 (100.0)
2014-15	20750 (26.5)	1558 (2.0)	36963 (47.1)	19146 (24.4)	78418 (100.0)

2015-16	25449 (26.5)	2186 (2.3)	48923 (50.9)	19566 (20.4)	96123 (100.0)
2016-17	23742 (22.5)	2403 (2.3)	58881 (55.7)	20559 (19.5)	105585 (100.0)

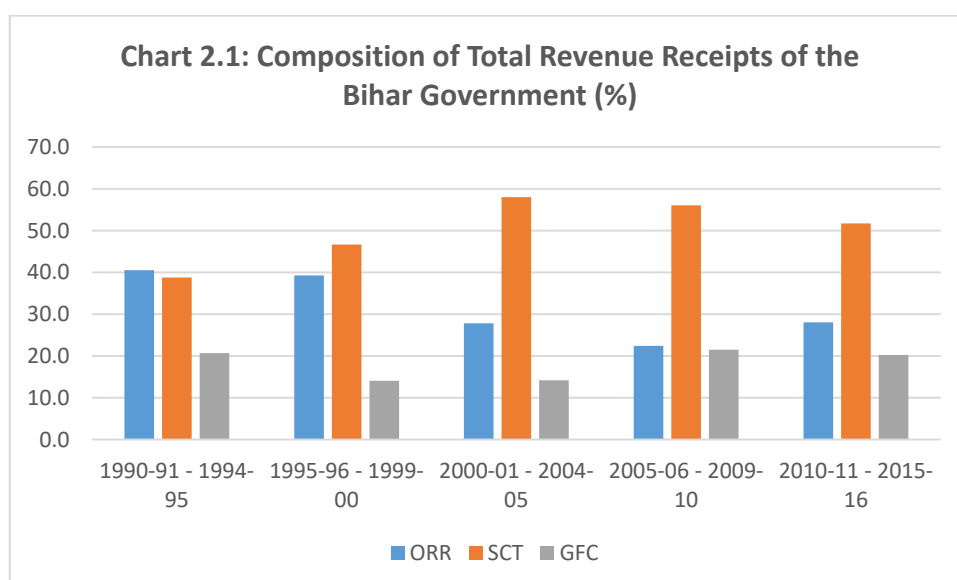
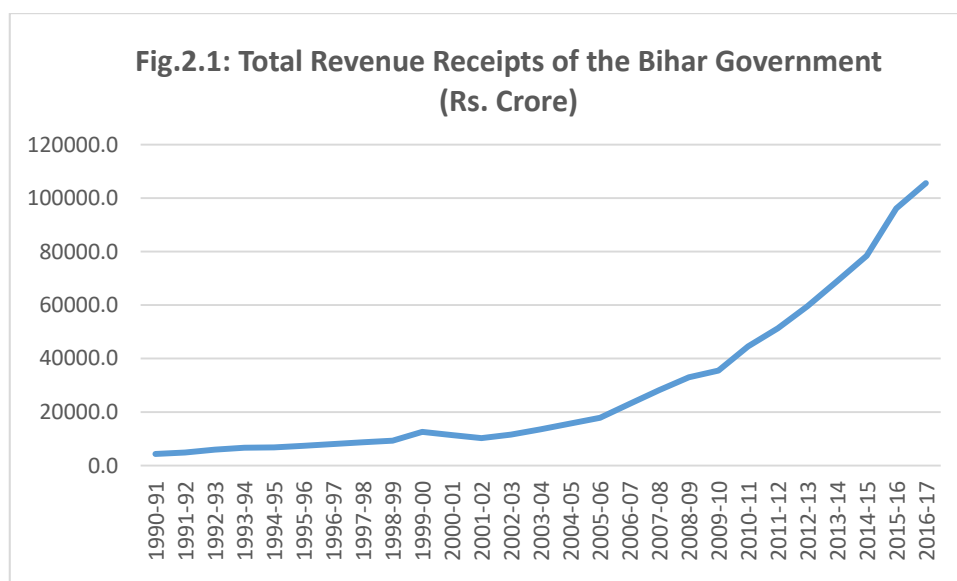
Source: Calculation from State Finances: A Study of Budget, RBI

Note: Figures in brackets are percentage share in total revenue receipts.

“Own tax revenue” of former Bihar rose from Rs. 1142 crore in 1990-91 to Rs. 2935 crore in 2000-01 grew at an annual rate of almost 10 percent while its participation in total revenue receipts came down from 26.4 percent to 25.8 percent during the same period and the receipts of tax revenue from own sources for present Bihar increased by more than 8 times to rs. 23742 crore with annual growth rate of almost 14 percent but its share fell to 22.5 percent in 2016-17. “The decline in own tax revenue in 2016-17 is due to loss of revenue from state excise and VAT because of prohibition policy of state government as Country Liquor became prohibited since January 2016 and all liquor became prohibited in April 2016. The yield from state excise came down from Rs. 3136 crore in 2015-16 to only Rs. 30 crore in 2016-17 that was collected from the arrears of previous year, while the cost of collection was three times as much, due to higher cost associated with enforcement of prohibition policy. The arrears of VAT on these prohibited commodities yielded only Rs. 37 crore in 2016-17, as against Rs. 1353 crore in previous year. Thus the total revenue loss became Rs. 4489 crore due to the prohibition policy” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 5-6). “Own non tax revenue” receipts for erstwhile Bihar marginally increased from Rs. 765 crore in 1990-91 to Rs. 806 crore in 2000-01 with wide fluctuation in the course of intervening period growing at an annual percent rate of 0.5 while its share in total revenue receipts significantly declined from 17.7 percent to 7.1 percent during this period and “own non tax revenue receipt” for divided Bihar increased to Rs. 2186 crore in 2015-16 growing at the annual percent rate of nearly 7 mainly due to improvement in its growth rate since 2012-13 while its contribution to total revenue receipts again fell to 2.3 percent in 2015-16 . The participation of the revenue receipts from own sources in total revenue receipts sharply fell from 44.1 percent in 1990-91 for undivided Bihar to 28.8 percent in 2015-16 for present Bihar mainly due to fall in the participation of “non-tax revenue” receipts from own sources while the stake of tax receipts from own sources have remained almost stagnant.

The receipt from share in central taxes for former Bihar climbed from Rs.1616 crore in 1990-91 to Rs. 6574 crore in 2000-01 grew at an annual percent rate of 15.1 and its percentage participation in total revenue receipt improved from 37.4 to 57.7 during the same period and the receipt from share in central taxes for present Bihar further increased by more than 7 times to Rs. 48923 crore while its share in total revenue receipt fell to 50.9 percent in 2015-16 due to improvement in the share of grants from the Centre as presented in table 2.1. Grants from the Centre for erstwhile Bihar improved from Rs. 799 crore in 1990-91 to Rs. 1070 crore in 2000-01 grew at an annual percent rate of 3 while its stake in total revenue receipt significantly fell from 18.5 percent to 9.4 percent during the same period and the grants from the Centre for present Bihar further increased by more than 18 times to Rs. 19566 crore in 2015-16 grew at an annual percent rate of 21.4 and its contribution total revenue receipt climbed to 20.4 percent in “due to central decision in changing pattern in the funding of Centrally Sponsored Schemes (CSS) since 2014-15. Now the entire funding of CSS takes place through the state budget rather than direct transfer to District Rural Development Agency” (State Finances A Study of Budget, RBI, 2014-15). The share of revenue transferred from the Centre in total revenue receipt has significantly increased from 55.9 percent in 1990-91 for undivided Bihar to 71.3 percent in 2015-16 for divided Bihar which shows the increased dependency on Centre. Total revenue receipt for former Bihar shoot up from Rs. 4322 crore in 1990-91 to Rs. 11385 crore in 2000-01 grew at an annual percent rate of 10.2 and it further increased to Rs. 96123 crore in 2015-16 with an annual rate of growth of 15.3 percent for present Bihar. The pattern of total revenue receipts of the Bihar government during the period 1990-91 to 2016-17 has been displayed in fig. 2.1. Chart 2.1 depicts the structure of total revenue receipts of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.





Note: ORR- Own Revenue receipt, SCT- Share in Central Taxes, GFC- Grants from the Centre

### Revenue deficit/Revenue Surplus of Bihar Government

“Revenue deficit of the state government is the difference between total revenue receipt and revenue expenditure. Revenue expenditure includes developmental expenditure, non-developmental expenditure and grants-in-aid and contributions. Developmental expenditure includes expenditure on social services and economic services and non-developmental expenditure is the expenditure on general services” (State Finances: A Study of Budget, RBI). Table 2.2 shows the revenue deficit/surplus of Bihar government since 1990-91 to 2015-16.

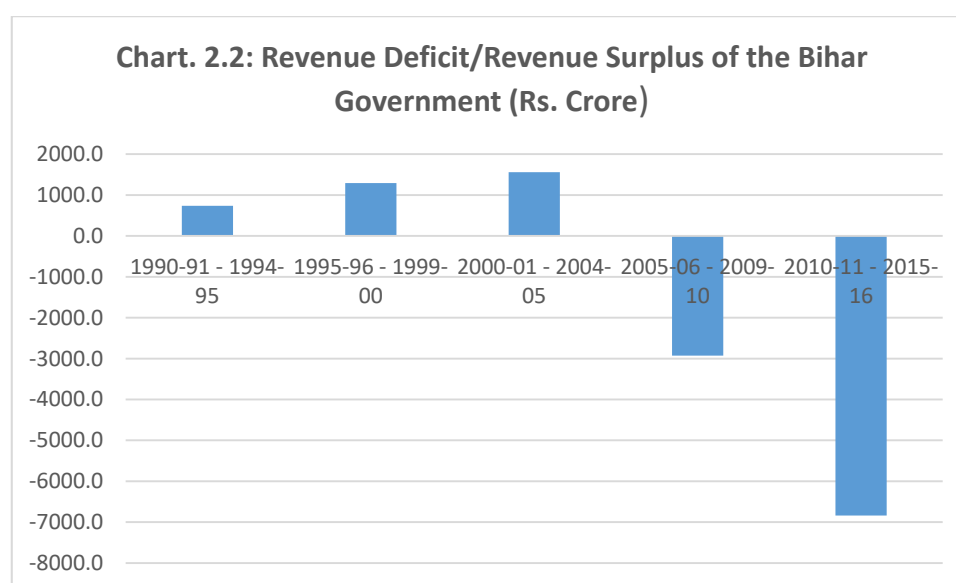
**Table 2.2: Revenue Deficit (+)/Surplus (-) of the Bihar Government (Rs. Crore)**

<b>Year</b>	<b>Total Revenue receipts 1</b>	<b>Revenue Expenditure 2</b>	<b>Revenue Deficit (+)/Revenue Surplus(-) 3 = 2-1</b>
1990-91	4321.6	4887.7	566.1
1991-92	4853.7	5738.7	885.0
1992-93	5963.6	6569.6	606.0
1993-94	6629.1	7318.6	689.5
1994-95	6797.8	7731.2	933.4
<b>Avg. (1990-91 – 1994-95)</b>	<b>5713.2</b>	<b>6449.2</b>	<b>736.0</b>
1995-96	7377.4	8456.2	1078.8
1996-97	8037.9	8253.9	216.0
1997-98	8692.6	8956.5	263.9
1998-99	9272.1	10622.5	1350.5
1999-00	12578.6	16128.3	3549.7
<b>Avg. (1995-96 – 1999-00)</b>	<b>9191.7</b>	<b>10483.5</b>	<b>1291.8</b>
2000-01	11384.7	14345.4	2960.7
2001-02	10218.5	12560.4	2341.9
2002-03	11568.8	14025.4	2456.6
2003-04	13524.9	14632.3	1107.3
2004-05	15714.2	14638.5	-1075.7
<b>Avg. (2000-01 – 2004-05)</b>	<b>12482.2</b>	<b>14040.4</b>	<b>1558.2</b>
2005-06	17836.7	17756.0	-80.7
2006-07	23083.2	20585.0	-2498.2
2007-08	28209.7	23564.9	-4644.8
2008-09	32980.7	28511.6	-4469.1
2009-10	35526.8	32584.2	-2942.7
<b>Avg. (2005-06 – 2009-10)</b>	<b>27527.4</b>	<b>24600.3</b>	<b>-2927.1</b>
2010-11	44532.3	38215.9	-6316.4
2011-12	51320.2	46499.5	-4820.7
2012-13	59566.7	54466.1	-5100.5
2013-14	68918.7	62477.2	-6441.4
2014-15	78417.5	72570.0	-5847.6
2015-16	96123.1	83615.9	-12507.2
<b>Avg. (2010-11 – 2015-16)</b>	<b>66479.7</b>	<b>59640.8</b>	<b>-6839.0</b>

Source: Calculation from State Finances A Study of Budget, RBI

The average revenue deficit for former Bihar was rs. 736 crore during the period 1990-91 – 1994-95 which increased to almost rs. 1292.0 crore during 1995-96 – 1999-00. The present Bihar started to experience “revenue surplus” since 2004-05 and the average “revenue surplus” was rs. 6839.0 crore during the period 2010-11 – 2015-16. The reason for turning of revenue deficit in to revenue surplus has been the “increase in the volume of revenue transferred from

the Centre and contraction in revenue expenditure particularly non-developmental revenue expenditure because of debt relief and interest relief under the recommendation of 12<sup>th</sup> Finance Commission” (State Finances: A Study of Budget, RBI). “The Bihar legislation passed the Fiscal Responsibility and Budget Management (FRBM) Act in 2005-06 to eliminate the revenue deficit by 2008-09 and to bring down the fiscal deficit to a level of 3 percent of GSDP by 2008-09 to avail the benefit of debt and interest relief” (State Finances: A Study of Budget, RBI, 2008-09). Chart 2.2 displays the revenue deficit/revenue surplus of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



“Tax revenue of the state government includes receipts from own tax and transfer of resource from the centre in the form of share in central taxes” (State Finances: A Study of Budget, RBI). The pattern of tax revenue receipts of Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16 has been presented in table 2.3.

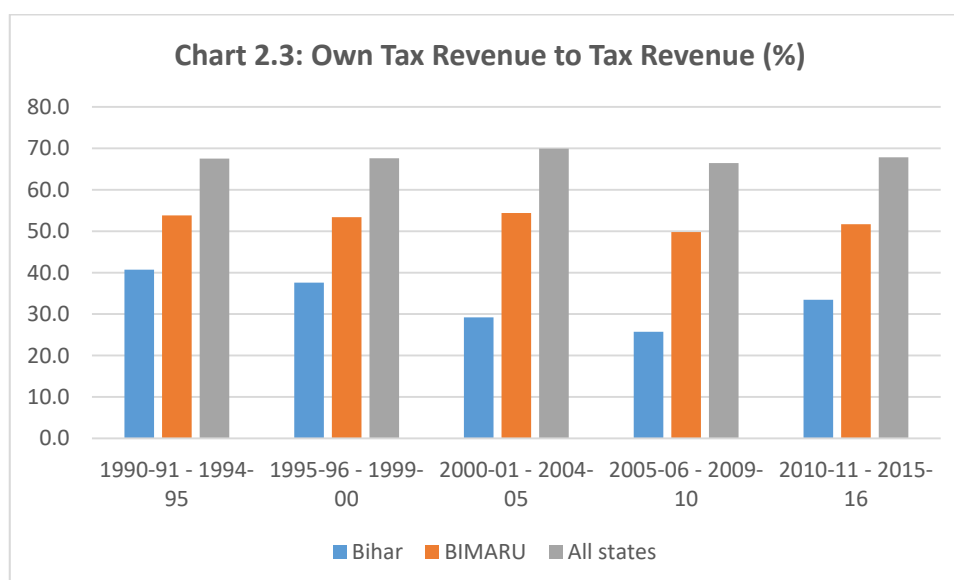
**Table 2.3: Composition of Tax Revenue of the State Governments**

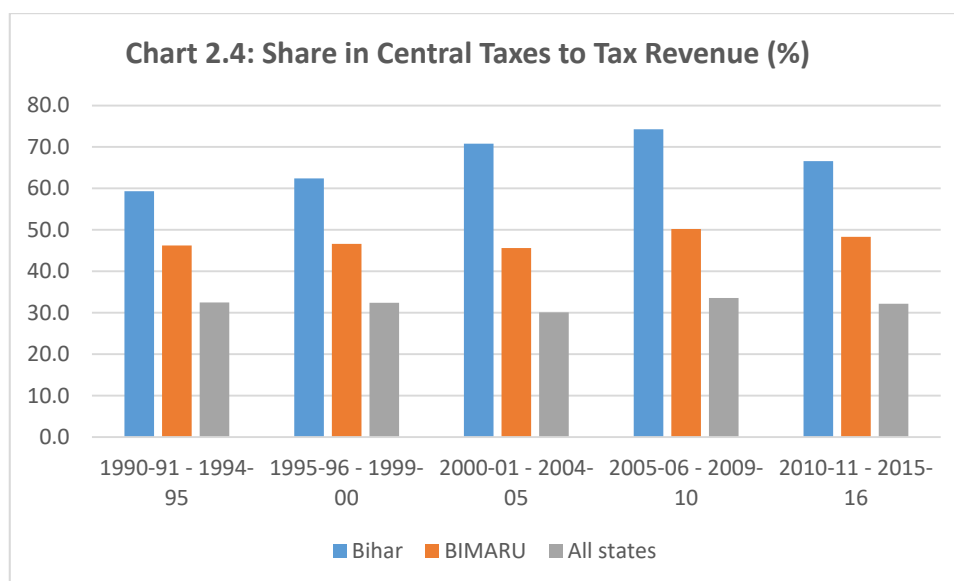
Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16
<b>1. Own Tax Revenue</b>					
Bihar	40.7	37.6	29.2	25.7	33.4
BIMARU	53.8	53.4	54.4	49.8	51.7
All states	67.5	67.6	69.9	66.4	67.8
<b>2. Share in Central Taxes</b>					
Bihar	59.3	62.4	70.8	74.3	66.6
BIMARU	46.2	46.6	45.6	50.2	48.3

All states	32.5	32.4	30.1	33.6	32.2
<b>Tax Revenue (1+2)</b>					
Bihar	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

The participation of tax receipts from own sources in tax revenue of present Bihar was 33.4 percent during the period 2010-11 – 2015 -15 against 40.7 percent for former Bihar during 1990-91 – 1994-95 and consequently the contribution of share in central taxes in tax revenue increased from 59.3 percent during the period 1990-91 – 1994-95 to 66.6 percent during 2010-11 – 2015-16. The data also indicates that the Contribution of tax receipts from own sources to tax revenue of Bihar has always been lower than that of BIMARU states and all states which shows the higher and increased dependency of Bihar on central government. The ratio of the contribution of tax revenue from own sources to tax revenue of Bihar to that of all states sharply declined from 0.60 during the period 1990-91 – 1994-95 to 0.49 during 2010-11 – 2015-16. Chart 2.3 shows the percentage contribution of tax revenue from own sources to tax revenue of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 2.4 shows the percentage share of share in central taxes to tax revenue of Bihar, BIMARU and all states during the same period.





### Analysis of Own Tax Revenue

“State’s own tax revenue comprises taxes on income, taxes on property and capital transactions and taxes on commodities and services. The components of taxes on income are agricultural income tax and taxes on professions and trade. Land revenue, stamps and registration fees and taxes on urban immovable property are the components of taxes on property and capital transactions. Taxes on commodities and services include sales tax, state excise, taxes on vehicles, taxes on goods and passengers, taxes and duties on electricity, entertainment tax” (State Finances: A Study of Budget, RBI). The pattern of own tax revenue for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in table 2.4.

**Table 2.4: Composition of Own Tax Revenue- Annual Average (Percent)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>1. Taxes on Income</b>						
Bihar	0.0	0.0	0.0	0.0	0.2	0.05
BIMARU	0.1	0.5	0.8	0.4	0.3	0.4
All states	1.6	1.5	1.7	1.1	0.8	1.3
<b>2. Taxes on Property and Capital Transactions</b>						
Bihar	12.3	11.4	15.0	14.1	14.2	13.4
Bihar & JH			11.3	10.4	11.7	11.4
BIMARU	11.4	11.4	11.8	13.3	13.0	12.2
All states	9.6	10.4	10.9	13.4	12.7	11.5
<b>3. Taxes on Commodities and Services</b>						
Bihar	87.7	88.6	85.0	85.9	85.6	86.5
Bihar & JH			88.7	89.6	88.1	88.5
BIMARU	88.5	88.0	87.3	86.4	86.8	87.4
All states	88.7	88.1	87.4	85.5	86.6	87.2

<b>Total</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

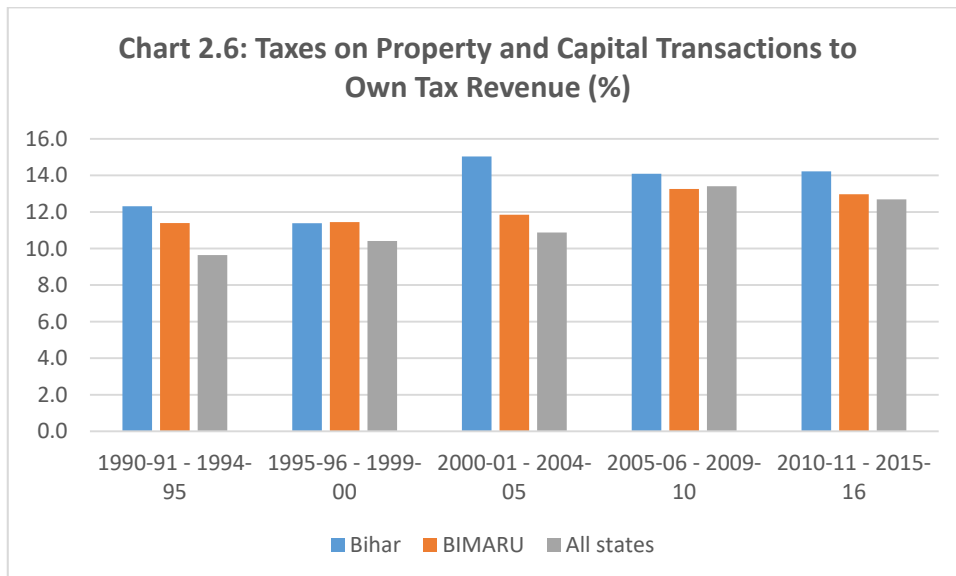
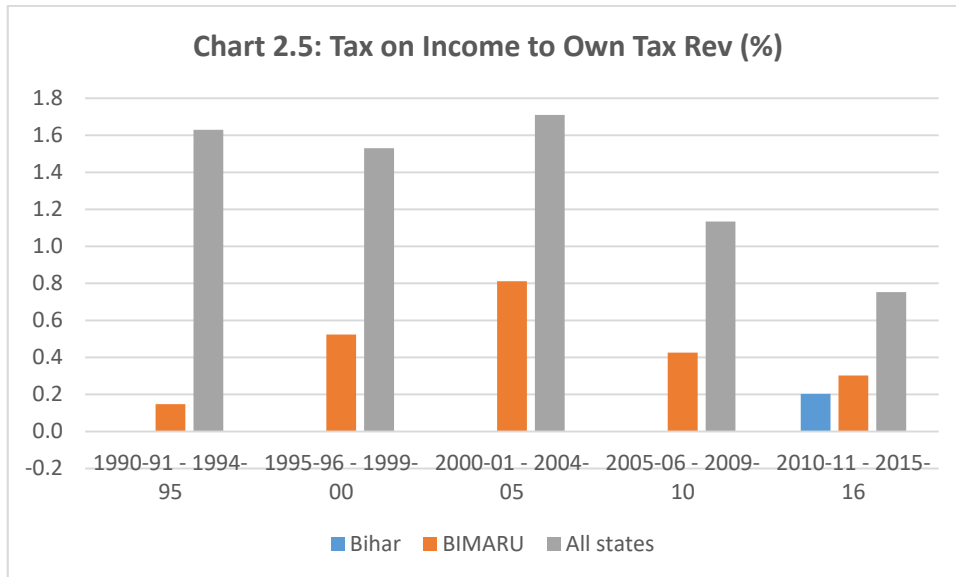
Source: Calculation from State Finances: A Study of Budget, RBI

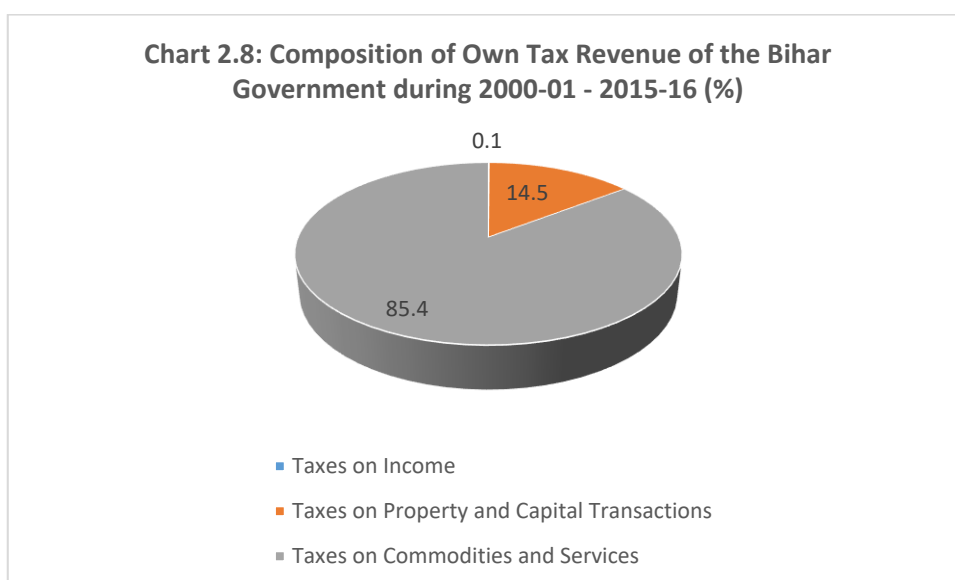
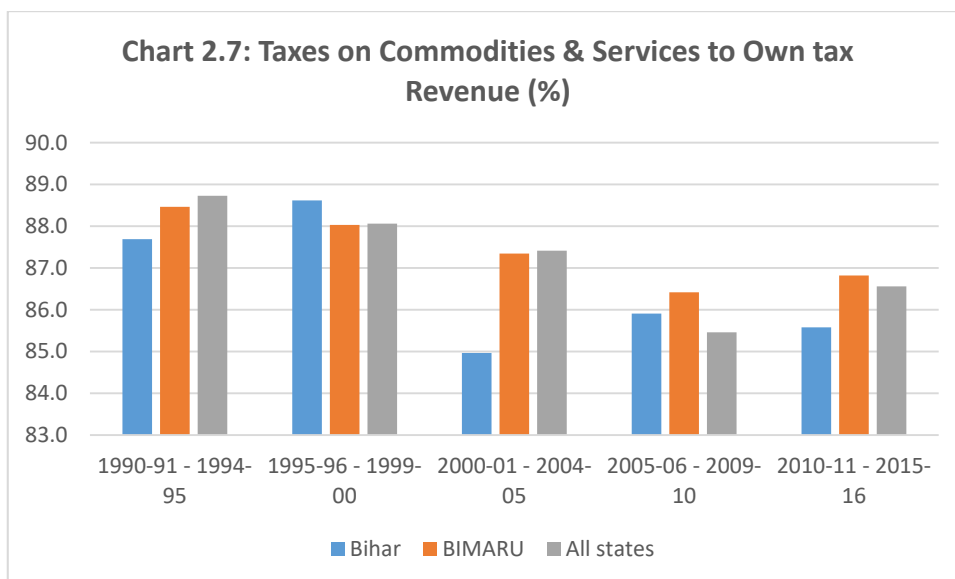
The compositions of own tax revenue have not changed over the period. The share of taxes on commodities and services has always been highest while the share of taxes on income has been negligible for Bihar, BIMARU and all states. However, the contribution of revenue receipts from “taxes on commodities and services” has declined and the participation of “taxes on property and capital transactions” in tax revenue from own sources have improved during the period 2010-11 – 2015-16 in comparison to period 1990-91 – 1994-95.

Before bifurcation, the contribution of revenue receipts from “taxes on commodities and services” of Bihar rose marginally from 87.7 percent to 88.6 percent but after its bifurcation, its share declined to 85 percent but increased marginally to 85.6 percent during 2010-11 – 2015-16. If Bihar and Jharkhand were together, its share would have been gradually improved over the period except for the last phase where it decreased as presented in table 2.4. In case of BIMARU states, its share was 88.5 percent in the initial phase which declined to 86.8 percent during 2010-11 – 2015-16 with alternatively increase and decrease in the intervening period. At all states level, it has continuously decreased from 88.7 in the initial phase to 85.5 percent during 2005-06 – 2009-10 but improved to 86.6 percent in the last phase.

The contribution of receipts from “taxes on property and capital transactions” of Bihar decreased from 12.3 percent to 11.4 percent during pre-bifurcation but its relative share increased to 15 percent during the period 2000-01 – 2004-05 but again it declined to 14.1 percent in the next phase and marginally improved to 14.2 percent in the last phase. If Bihar and Jharkhand were together, its relative share would have been decreased except for the last phase where it improved as displayed in table 2.4. In case of BIMARU states, its share has been remained stagnant at 11.4 percent initially but improved to 13.0 percent in the last phase. At all states level, its percentage contribution has continuously increased from 9.6 during 1990-91 – 1994-95 to 13.4 during the period 2005-06 – 2009-10. The percentage contribution of receipts from tax on income to tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been presented in chart 2.5. Chart 2.6 displays the percentage participation of receipts from tax on property and capital transactions to tax revenue from own sources of Bihar, BIMARU and all states during the

period 1990-91 – 1994-95 to 2010-11 – 2015-16 and chart 2.7 displays the percentage contribution of receipts from tax on commodities and services to own tax revenue of Bihar, BIMARU and all states during the same period. Chart 2.8 depicts the pattern of tax revenue from own sources of Bihar during the phase 2000-01 – 2015-16.





The rate of growth of receipts from “tax on property and capital transactions” and “taxes on commodities and services” have been presented in table 2.5 below. In case of Bihar, the rate of growth of receipts from “tax on property and capital transactions” has continuously decreased from 27.6 percent in the initial phase to 3.1 percent during the phase just after its bifurcation but after that it started to improve and reached to 25.1 percent in the last phase. For BIMARU states its growth rate came down from 15.1 percent in the initial phase to 12.7 percent in the next phase but after that it gradually improved to 17.6 percent in the last phase as presented in table 2.5. At all states level, its growth rate significantly decreased from 23.1 percent in the initial phase to 9.2 percent in the next phase which improved to 17.9 percent during the period 2000-01 – 2004-05 but it again shows the declining trend in the later phase.

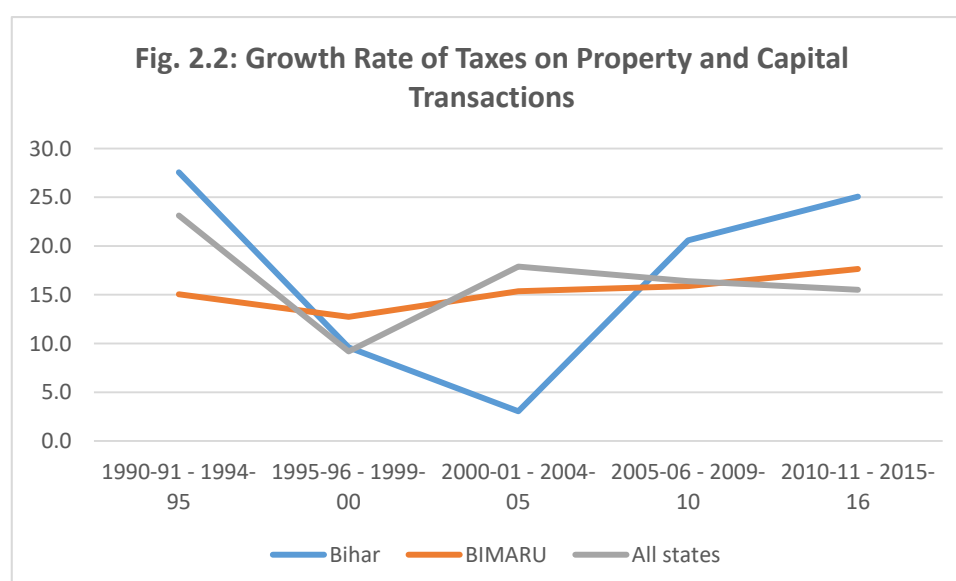


The growth rate of receipts from tax on commodities and services of present Bihar has gradually improved over the period except the phase just after its division i.e. 2000-01 – 2004-05 where it experienced the negative growth rate of 0.8 percent. Had Bihar and Jharkhand been together, its growth rate would have 12.6 percent during the period 2000-01 – 2004-05 as shown in table 2.5. For BIMARU states, it also shows the improvement over the period from 12.6 percent in the initial phase to 16.3 percent in the last phase except during the period 2000-01 – 2004-05 where it has decreased. The data also indicates that at all states level, it has continuously decreased from 14.9 percent in the initial phase to 12.5 percent during the period 2000-01 – 2004-05 after that it started to improve and reached to 15.5 percent in the last phase. The rate of growth of receipts from “tax on property and capital transactions” of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in fig. 2.2 and Fig. 2.3 shows the growth rate of receipts from “tax on commodities and services” of Bihar, BIMARU and all states during the same period.

**Table 2.5: Growth rate of major components of own tax revenue- Annual Average**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>2. Taxes on Property and Capital Transactions</b>						
Bihar	27.6	9.6	3.1	20.6	25.1	17.1
Bihar & JH			8.5	20.5	22.9	17.6
BIMARU	15.1	12.7	15.4	15.9	17.6	15.4
All states	23.1	9.2	17.9	16.4	15.5	16.1
<b>3. Taxes on Commodities and Services</b>						
Bihar	10.9	16.2	-0.8	19.7	20.7	13.7
Bihar & JH			12.6	19.0	17.6	15.5
BIMARU	12.6	14.4	12.2	16.9	16.3	14.6
All states	14.9	13.3	12.5	14.7	15.5	14.2

Source: Calculation from State Finances A Study of Budget, RBI



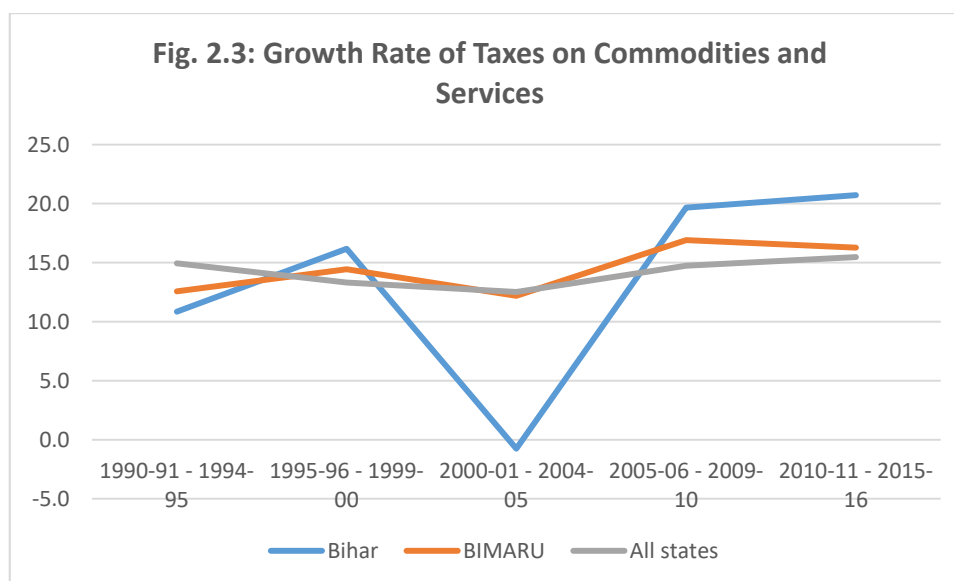


Table 2.6 presents the percentage contribution of the components of receipts from “tax on property and capital transactions” to the tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Within the components of receipts from “tax on property and capital transactions”, “stamps and registration fees” has been main contributor to own tax revenue.

**Table 2.6: Share of the components of Taxes on Property and Capital Transactions to Own Tax revenue- Annual Average (Percent)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>1. Land Revenue</b>						
Bihar	1.4	1.2	1.6	1.6	1.5	1.5
BIMARU	1.7	1.1	1.0	1.6	1.5	1.4
All states	1.8	1.5	1.3	1.4	1.3	1.5
<b>2. Stamps and Registration fees</b>						
Bihar	10.9	10.2	13.4	12.5	12.7	12.0
BIMARU	9.6	10.2	10.8	11.6	11.2	10.7
All states	7.8	8.8	9.5	11.9	11.2	9.9
<b>3. Urban Immovable Property Tax</b>						
Bihar	—	—	—	—	—	—
BIMARU	0.1	0.1	0.1	0.1	0.4	0.2
All states	0.0	0.0	0.0	0.1	0.2	0.1

Source: Calculation from State Finances: A Study of Budget, RBI

The contribution of land revenue to tax revenue from own sources has always been less than 2 percent for Bihar, BIMARU and all states. In case of undivided Bihar, it decreased from 1.4 percent during the period 1990-91 – 1994-95 to 1.2 percent during 1995-96 – 1999-00 and after the division of Bihar, it marginally declined from 1.6 percent during the phase 2000-01 –

2000-05 to 1.5 percent during 2010-11 – 2015-16. The contribution of land revenue of BIMARU states continuously decreased from 1.7 percent in the initial phase to 1.0 percent during 2000-01 – 2004-05 which improved to 1.6 percent during 2005-06 – 2009-10 and again marginally declined to 1.5 percent in the last phase. At all states level, the relative share of land revenue shows the declining trend from 1.8 percent in the phase to 1.3 percent during 2010-11 – 2015-16.

Table 2.7 provides the information about the growth rate of the components of receipts from “tax on property and capital transactions”. The growth rate of land revenue for Bihar improved from 11.7 percent to 20 percent before its division due to increase in land revenue from rs. 24.68 cr. in 1998-99 to rs. 50 cr. in 1999-00. Bihar experienced the lowest growth rate of land revenue during the period just after its bifurcation while its growth rate has been quite impressive in the later phase. In case of BIMARU states, the growth rate of land revenue was negative in the initial phase due to significantly decrease in the land revenue of Odisha from rs. 82 cr. in 1990-91 to rs. 24.7 cr. in 1991-92 and from rs. 60 cr. in 1992-93 to rs. 47 cr. in 1993-94 of Uttar Pradesh after that its growth rate improved but it doesn't show any definite trend. At all states level, the growth rate of land revenue was 19.1 percent in the initial phase which experienced negative growth rate of -0.6 percent in the next phase which significantly improved to 19.3 percent during the period 2000-01 – 2004-05 but again started to decline and reached to 14.5 percent in the last phase as shown in table 2.7.

The percentage contribution of receipts from “stamps and registration fees” to tax revenue from own sources of undivided Bihar decreased from 10.9 during the phase 1990-91 – 1994-95 to 10.2 during 1995-96 – 1999-00. After the division of Bihar, its share was 13.4 percent during the period 2000-01 – 2004-05 which decreased to 12.7 percent in the last phase as presented in table 2.6. In case of BIMARU states, the relative contribution of receipts from stamps and registration fees to tax revenue from own sources continuously improved from 9.6 percent in the initial phase to 11.6 percent during 2005-06 – 2009-10 but marginally declined to 11.2 percent in the last phase. At all states level, its share also gradually increased from 7.8 percent in the initial phase to 11.9 percent during 2005-06 – 2009-10 but marginally declined to 11.2 percent in the last phase. The data also indicate that the relative share of stamps and registration fees of Bihar has always been higher than that of BIMARU and all states.

The growth rate of “stamps and registration fees” for Bihar has significantly declined from 30.7 in the initial phase to 3.6 percent during the period just after its bifurcation but in the later phase

the growth rate has been impressive as shown in table 2.7. In the later phase, its growth rate improved

Bihar experienced the impressive growth rate of stamps and registration fees in the later phase due to several initiatives taken by Bihar Government. “The registration rates of Bihar was very high and they have been brought down in 2006-07 to improve compliance. It has been reduced from 15.4 percent to 8 percent in urban and from 8.4 percent to 6 percent in rural areas. Initiatives taken by the Registration department to motivate the people for registration of their flats after Bihar Apartment Ownership Act, 2006, came in to force. A liberal rate of stamp duty of 0.5 percent on lease of houses/buildings payable during the whole lease period has been fixed recently to promote registration of rent agreement of houses/flats. A record number of promotions were also given to the officers and employees of the Registration Department to boost their morale” (Economic survey, Govt. of Bihar, 2008-09, 273 and 282).

Urban immovable property tax doesn't contribute in own tax revenue of Bihar while in case of BIMARU states and all states its share has been negligible as shown in table 2.6. The percentage participation of land revenue to tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in chart 2.9 and the percentage participation of receipts from stamps and registration fees to tax revenue from own sources of Bihar, BIMARU and all states has been depicted during the same period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been depicted in chart 2.10.

**Table 2.7: Growth rate of the major components of Taxes on Property and Capital Transactions- Annual Average**

Items	1990-91 1994-95	-	1995-96 1999-00	-	2000-01 2004-05	-	2005-06 2009-10	-	2010-11 2015-16
<b>1. Land revenue</b>									
Bihar	11.7		20.0		1.4		31.2		40.3
BIMARU	-2.1		11.5		9.8		35.8		14.0
All states	19.1		-0.6		19.3		15.5		14.5
<b>2. Stamps and Registration fees</b>									
Bihar	30.7		8.9		3.6		20.1		23.7
BIMARU	19.1		13.0		16.4		13.9		18.4
All states	24.3		11.1		17.9		16.5		15.6

Source: Calculation from State Finances: A Study of Budget, RBI

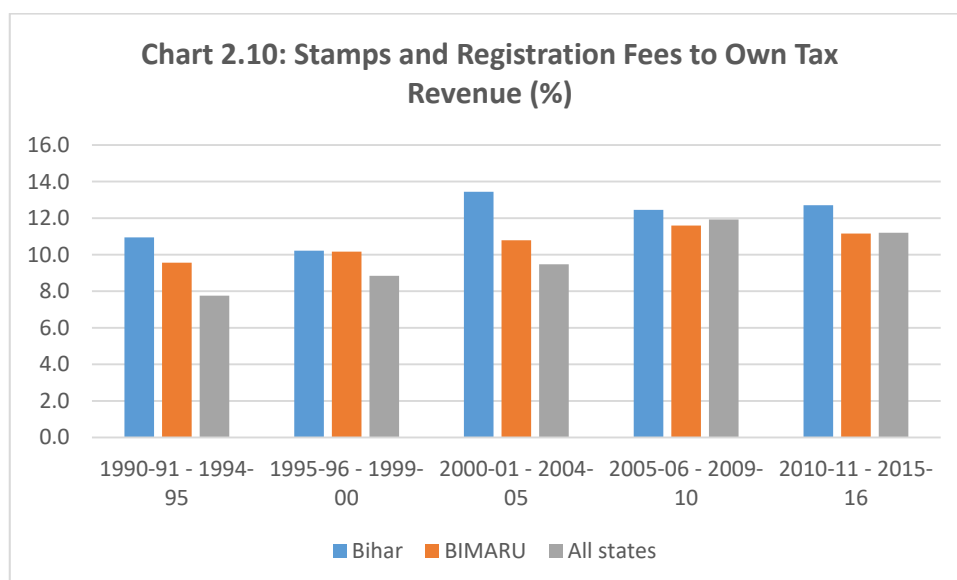
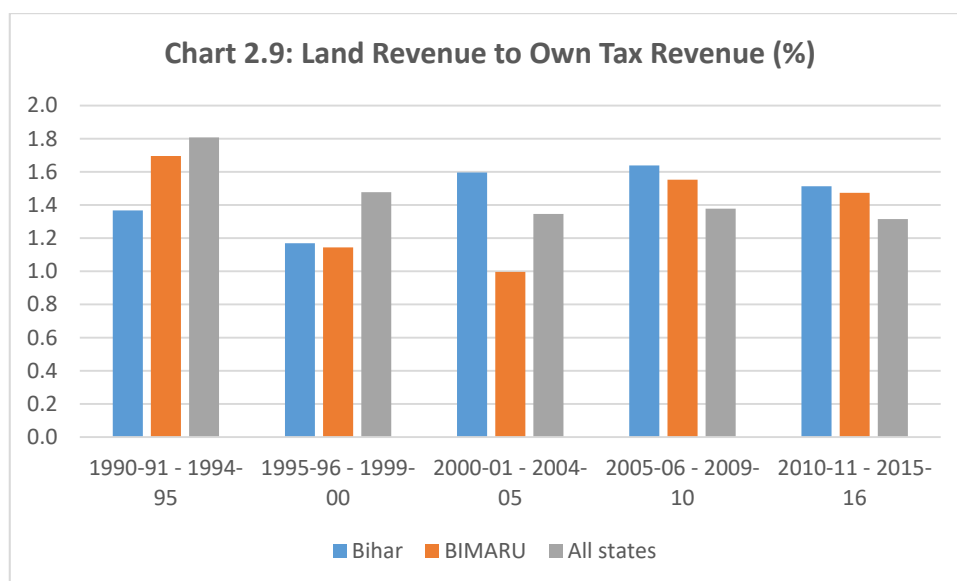


Table 2.8 presents the share of the components of receipts from “tax on commodities and services” to own tax revenue for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Within the components of receipts from “taxes on commodities and services”, the relative contribution of “sales tax” to tax revenue from own sources has always been highest for Bihar, BIMARU states and all states. Receipts from “sales tax”, “state excise”, “tax on vehicles” and “tax on goods and passengers” together constitute more than 80 percent share in own tax revenue.

**Table 2.8: Share of the components of Taxes on Commodities and Services to Own Tax Revenue- Annual Average (Percent)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>1. Sales tax</b>						

Bihar	66.8	65.9	60.1	49.3	47.4	57.5
Bihar & JH			64.7	60.8	57.6	62.9
BIMARU	53.7	50.0	55.8	57.6	57.6	55.0
All states	58.8	59.2	60.6	60.9	62.3	60.4
<b>2. State Excise</b>						
Bihar	8.9	9.9	9.2	10.6	15.0	10.9
BIMARU	18.5	18.6	15.7	14.0	15.3	16.4
All states	15.2	13.7	12.9	12.3	12.2	13.2
<b>3. Taxes on Vehicles</b>						
Bihar	8.6	7.1	6.8	5.5	4.4	6.4
BIMARU	6.1	6.4	7.0	5.9	5.4	6.1
All states	5.4	5.9	6.0	5.3	5.2	5.6
<b>4. Taxes on Goods and Passengers</b>						
Bihar	0.3	1.9	7.2	19.1	17.7	9.6
BIMARU	3.4	3.1	3.6	4.8	4.7	4.0
All states	3.2	2.4	2.6	2.7	2.5	2.7
<b>5. Taxes and Duties on Electricity</b>						
Bihar	1.9	2.5	0.9	1.0	0.9	1.4
BIMARU	5.2	4.8	4.3	3.6	3.3	4.2
All states	4.1	4.0	3.8	3.3	3.4	3.7
<b>6. Entertainment tax</b>						
Bihar	0.9	1.0	0.6	0.3	0.2	0.6
BIMARU	0.9	1.0	0.6	0.2	0.3	0.6
All states	1.1	0.8	0.6	0.3	0.3	0.6
<b>7. Other Taxes and Duties</b>						
Bihar	0.2	0.2	0.1	0.02	0.03	0.1
BIMARU	0.6	4.2	0.3	0.2	0.09	1.0
All states	0.9	2.0	0.9	0.7	0.7	1.0

Source: Calculation from State Finances: A Study of Budget, RBI

The relative share of sales tax of Bihar has continuously decreased over the period. Its share was 66.8 percent in the initial phase which decreased to 65.9 percent during 1995-96 – 1999-00. During the phase just after its bifurcation, its share was 60.1 percent which continuously declined to 47.4 percent in the last phase. If Bihar and Jharkhand were together, the contribution of sales tax to tax revenue from own sources would have been 64.7 percent during the phase 2000-01 – 2004-05, the phase just after the division of Bihar.

In 2005-06, the State Government undertook a number of reform measures of the tax system. “Bihar shifted to VAT regime from April 2005 by substituting the sales tax with VAT. VAT rates were substantially reduced from 12.5 to 4 percent in respect of LPG, tea, coffee diesel, tractor, plastic appliances etc. VAT rates have been substantially reduced in respect of as many as 150 items and in respect of all food grains, VAT rate has been reduced to 1 percent from 4 percent. These measures were expected to improve efficiency, boost industrial production and growth and are expected to generate additional resources for the State Government” (Economic survey, Govt. of Bihar 2008-09, pg. no. 273).

The relative average share of sales tax of BIMARU states shows the increasing trend i.e. from 53.7 percent in the initial phase to 57.6 percent during the period 2010-11 – 2015-16 except the period 1995-96 – 1999-00 where it decreased to 50 percent. “This is mainly on account of reporting of sales tax revenue in respect of UP for 1995-96 under ‘other tax and duties’ due to absence of complete details in the budget document” (State Finances A Study of Budget, RBI, 1996-97, pg. no.4). Table 1.10 also provides the information that the relative average share of sales tax at all states level has continuously improved over the period. The percentage contribution of receipts from sales tax to tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in chart 2.11.

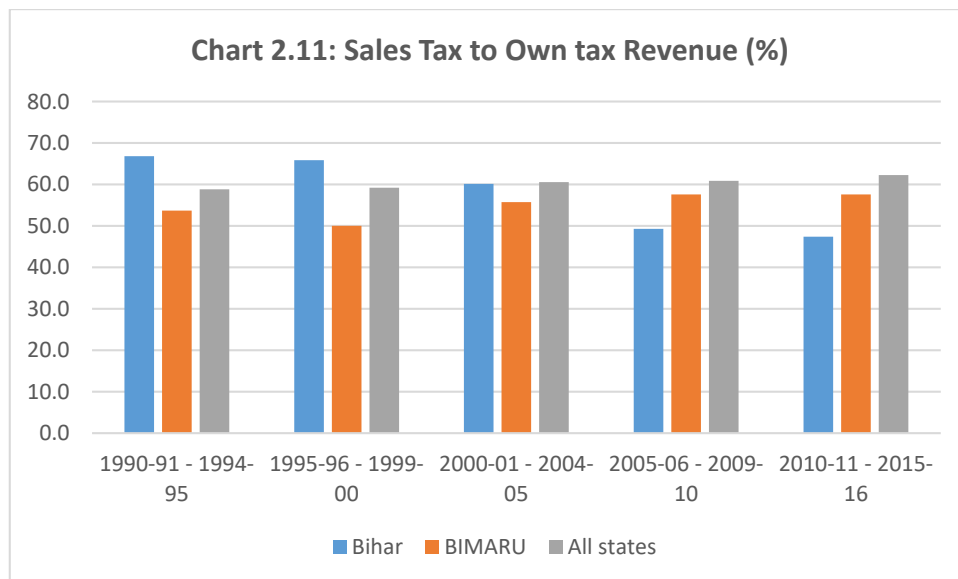


Table 2.9 presents the growth rate of sales tax for Bihar, BIMARU and all states. Bihar experienced negative growth rate of sales tax during the phase just after bifurcation but its growth accelerated in the next phase and reached to 20.2 percent during 2010-11 – 2015-16. The data also indicates that if Bihar and Jharkhand were together, the growth rate of sales tax would have been 12.0 percent during the phase 2000-01 – 2004-05 where Bihar experienced negative growth rate due to its division. The growth rate of sales tax of BIMARU states improved from 12.3 percent in the initial phase to 16.1 percent during 2010-11 – 2015-16 with alternatively increase and decrease in the intervening period. At all states level, its growth rate continuously decreased from 15.9 percent in the initial phase to 13.3 percent during the period 2000-01 – 2004-05 but after that it started to improve and reached to 15.9 percent in the last

phase. The growth rate of receipts from “sales tax” of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been depicted in fig. 2.14.

**Table 2.9: Growth rate of Sales tax- Annual Average**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>1. Sales tax</b>					
Bihar	9.0	15.4	-2.1	16.0	20.2
Bihar & JH			12.0	17.2	16.7
BIMARU	12.3	19.9	13.6	17.1	16.1
All states	15.9	13.6	13.3	14.6	15.9

Source: Calculation from State Finances: A Study of Budget, RBI

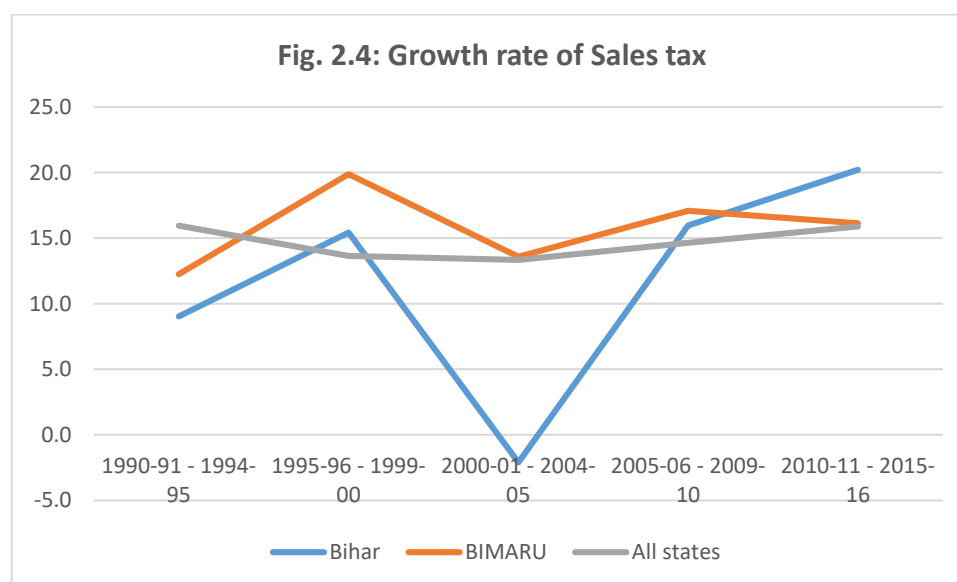


Table 2.10 provides the information that the annual rate of growth of receipts from “sales tax” of Bihar was negative during the phase 2000-01, 2001-02 and 2004-05 which led to its negative average growth rate during the phase 2000-01 – 2004-05. The growth rate of sale tax increased abruptly to 64.1 percent in 2011-12 “due to increase the rates of sales tax of various items as well as price increased” (Economic survey, Govt. of Bihar, 2012-13, pg. no. 394) but after that in the next two period its growth rate declined drastically due to economic downturn.



**Table 2.10: Annual growth rate of Sales tax of Bihar**

Item	2000-01	2001-02	2004-05	2005-06	2006-07	2009-10	2011-12	2013-14	2014-15	2015-16
<b>Sales tax</b>										
Bihar	-14.4	-25.7	-5.2	-8.3	20.1	27.3	64.1	-2.5	1.8	23.2

Source: Calculation from State Finances: A Study of Budget, RBI

The growth rate of receipts from major commodity of sales tax of Bihar has been presented in table 2.11. “Petro-products have always been the highest contributor to sales tax and other important contributors are cement, coal, crude oil, electrical goods, country liquor, foreign liquor (IMFL), FMCG, iron & steel, drugs & medicines and automobiles” (Economic survey, Govt. of Bihar). The accelerated growth rate of revenue from crude oil, electrical goods, FMCG, IMFL, iron & steel and petro products have been responsible for impressive growth rate of sales tax during 2010-11 – 2015-16.

**Table 2.11: Annual growth rate of major commodities of Sales tax of Bihar**

Items	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Auto mobiles</b>	95	28	12	57	23	39	22	-5	8	13
<b>Cement</b>	44	20	23	64	14	17	44	16	-1	9
<b>Coal</b>	34	66	13	26	27	38	45	34	-41	17
<b>Country Liquor</b>	27	68	33	64	26	14	10	28	31	33
<b>Crude oil</b>	20	17	22	-11	28	17	27	159	-22	112
<b>Drugs &amp; Medicine</b>	52	15	12	17	17	42	21	14	13	2
<b>Electrical goods</b>	-4	10	-3	36	8	23	66	61	44	39
<b>FMCG</b>	32	16	22	16	13	37	28	19	6	18
<b>IMFL</b>	46	1	60	56	34	22	41	27	4	28

<b>Iron &amp; Steel</b>	39	25	19	33	36	14	65	18	4	14
<b>Petro products</b>	13	17	19	14	21	26	15	8	4	33

Source: Department of Commercial Tax, Govt. of Bihar

Table 2.8 depicts that the relative share of state excise of undivided Bihar was 8.9 percent in the initial phase and increased to 9.9 percent during 1995-96 – 1999-00. Its share was 9.2 percent during the phase just after the division of Bihar and gradually improved to 15.0 percent in the last phase. In case of BIMARU states its share has decreased from 18.5 percent in initial phase to 14 percent during the period 2005-06 – 2009-10 but improved to 15.3 percent in the last phase. The data also indicates that at all states level, the relative average share of state excise continuously declined from 15.2 percent in the initial phase to 12.2 percent during the period 2010-11 – 2015-16. The percentage contribution of receipts from state excise to tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in chart 2.12.

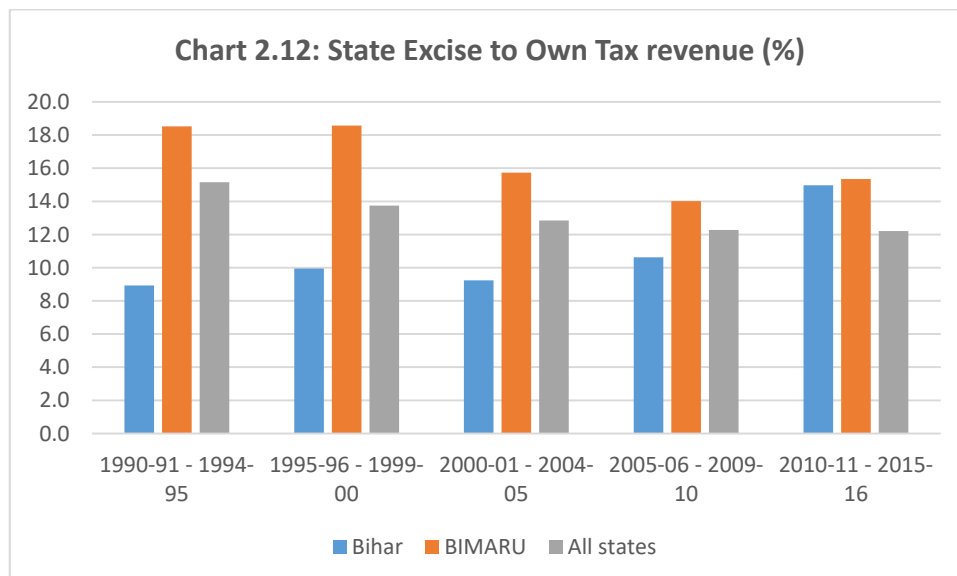


Table 2.12 presents the growth rate of “state excise” of Bihar, BIMARU and all states. Bihar experienced the negative The growth rate of receipts from state excise for Bihar was negative during the phase 2000-01 – 2004-05 but it significantly improved to 32.6 percent during the

period 2005-06 – 2009-10 and again decreased to 20.5 percent in the last phase. The data also indicates that if Bihar and Jharkhand were not separated, the growth rate of state excise would have been 4.0 percent during the phase 2000-01 – 2004-05, the phase just after the division of Bihar.

**Table 2.12: Growth Rate of State Excise- Annual Average**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>State Excise</b>					
Bihar	11.0	25.8	-7.8	32.6	20.5
Bihar & JH			4.0	32.4	17.5
BIMARU	14.1	14.2	6.2	18.2	17.8
All states	11.7	14.6	7.9	18.1	13.3

Source: Calculation from State Finances: A Study of Budget, RBI

The impressive growth rate of state excise for Bihar in the later phase is due to the several steps taken by Bihar Government. “In 2006, Bihar Government has taken some steps to raise the revenue under State excise. Bihar State Beverage Corporation has been constituted under the excise policy of the state government, which is to act as the only wholesale outlet of country/spiced country/foreign liquor in the state. This has been done keeping in the mind cabinet’s decision to generate huge increase in revenue. Till October 2006, about 1,21,21,267 country and foreign liquor shops and 789 spiced liquor shops have been set up against a target of doubling the number of shops” (Economic Survey, Govt. of Bihar, 2006-07, pg. no. 218). Fig. 2.5 shows the growth rate of state excise of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

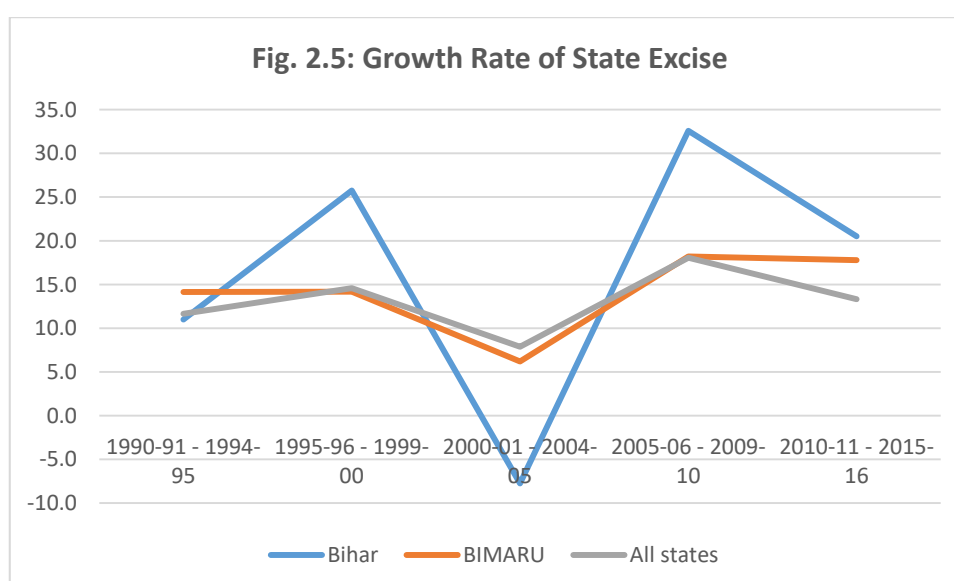


Table 2.13 provides the information about the annual growth rate of two major components of “state excise” i.e. country spirits and foreign liquor and spirits. The accelerating growth rate of these two components led to enhancing the growth rate of state excise of Bihar since 2005-06. However, they experience negative growth rate in 2015-16 “due to imposition of prohibition on alcohol in 2016” (Economic Survey, Govt. of Bihar, 2016-17, pg. no.53). The lower and negative growth rate of these two components after 2014 led to the lower growth rate of state excise of Bihar during the phase 2010-11 – 2015-16. Infact, the yield from state excise decreased from Rs. 3136 crore in 2015-16 to only Rs. 30 crore in 2016-17 that was collected from the arrears of previous year, while the cost of collection was three times as much, due to higher cost associated with enforcement of prohibition policy.

**Table 2.13: Growth rate of major components of State Excise of Bihar**

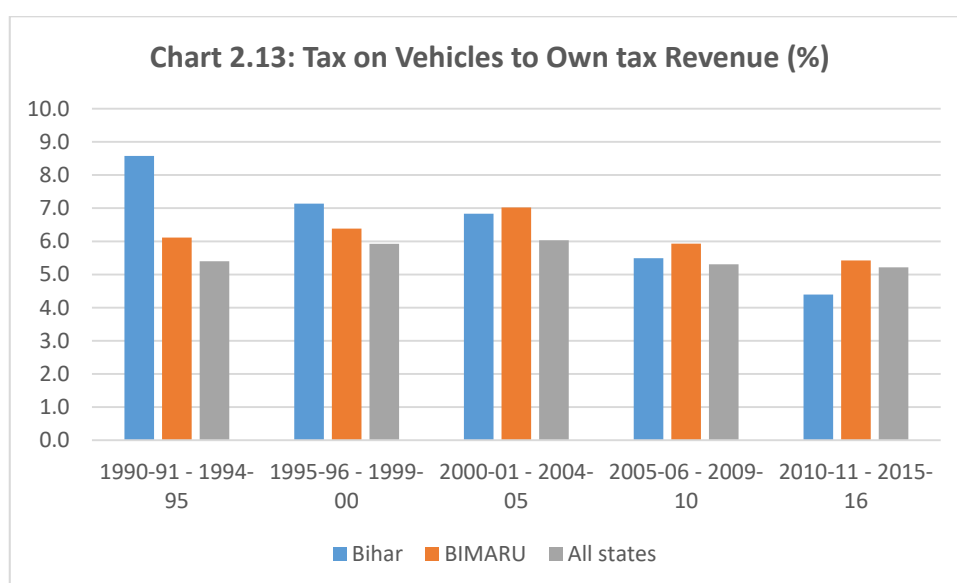
Item	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Country liquor and spirits	12.6	74.7	14.7	4.7	27.6	24.5	57.4	8.3	-10.6
Foreign liquor and spirits	51.6	10.8	120.2	68.2	30.8	22.0	17.4	-4.2	-7.4

Source: Department of Registration, Excise and Prohibition

Table 2.8 also present the contribution of receipts from “taxes on vehicles” to tax revenue from own sources for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. In case of Bihar, its share was 8.6 percent in the initial phase and decreased to 7.1 percent during the period 1995-96 – 1999-00. After the division of Bihar, its share was 6.8 percent during the phase 2000-01 – 2004-05 which continuously declined to 4.4 percent in the last phase. “In 2006, Bihar government reduced road taxes for buses, maxis, jeeps and auto rickshaws. Road taxes for buses, which ranged between 74 thousands to 144 thousands has been reduced to Rs. 26124. Road tax for maxi has been reduced from Rs. 24,208 to Rs. 9572. Road tax for jeep has been reduced from Rs. 12000 to Rs. 3888. Road tax for autorickshaw has been reduced from Rs. 2184 to Rs. 992” (Economic Survey, Govt. of Bihar, 2006-07, pg. no. 218).

The relative share of tax on vehicles of BIMARU states was 6.1 percent in the initial phase and increased to 7.0 percent during the period 2000-01 – 2004-05 but after that it starts to decline

and reached to 5.4 percent in the last phase. The share of taxes on vehicles at all states level has improved from 5.4 percent in the initial phase to 6 percent during the period 2000-01 – 2004-05 but after that it continuously decreased to 5.2 percent in the last phase as depicted in table 2.8. The percentage contribution of receipts from tax on vehicles to tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in chart 2.13.



The average rate of growth of receipts from “taxes on vehicles” shows the declining trend for Bihar, BIMARU and all states since the initial phase to the period 2000-01 – 2004-05 as shown in table 2.14 below. Since 2005, Bihar, BIMARU and all states shows the increasing trend in growth rate of “taxes on vehicles”. The improvement in its rate of growth is due to measures taken at state level to enhance/restructure vehicle tax. “Bihar Government raised motor vehicle tax in 2012-13. Rajasthan imposed ‘Green Tax’ on old vehicles” (State Finance: A Study of Budget, RBI, 2012-13, pg. no.7).

**Table 2.14: Growth Rate of Taxes on Vehicles- Annual Average**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>Taxes on Vehicles</b>					
Bihar	27.6	10.1	0.3	15.5	21.1
BIMARU	21.0	16.7	11.6	12.3	16.0
All states	17.8	15.0	12.2	12.5	15.5

Source: Calculation from State Finances: A Study of Budget, RBI

Table 2.8 also provides the information about the percentage contribution of receipts from “taxes on goods and passengers to tax revenue from own sources of Bihar, BIMARU and all states. “Tax on goods and passengers comprises collections from tolls on roads, collection from passenger tax and goods tax, wherever they are levied, tax on entry of goods into local area for consumption, use or sale of goods therein and inter-state transit duties. In Bihar, the entire collection against this tax is from entry of goods into local areas for consumption” (Economic survey, Govt. of Bihar, 2009-10, pg. no. 345).

The relative share of tax on goods and passengers for erstwhile Bihar was very low in the initial phase and improved to 1.9 percent during the period 1994-95 – 1999-00. After the division of Bihar, its relative share was 7.2 percent during 2000-01 – 2004-05 which significantly improved to 19.1 percent in the next phase but declined to 17.7 percent in the last phase.

Tax on goods and passengers gained importance in the later phase due to several initiatives taken by Bihar Government. “The rules Bihar Tax on Entry of Good into Local Areas for Consumption have been amended in 2006 to widen the scope of taxation on electrical, related items and devices and fittings used in generation, distribution and use of electricity. Section 3 of Bihar Tax on Entry of Goods into local areas has been amended for consumption, use or sale of paddy, rice, wheat, pulses, flour, atta, maida, sujji, and besan, as listed under schedule no. 25 to impose a 4% rate of entry tax” (Economic Survey, Govt. of Bihar, 2006-07, pg. no. 217-18). “In 2010-11, Bihar proposed of making entry tax rate consistent with VAT rate and exempted the entry tax for raw materials for industry” (State Finance: A Study of Budget, RBI, 2010-11, pg. no. 78).

In case of BIMARU states, the contribution of receipts from tax on goods and passengers rose from 3.4 percent during the period 1990-91 – 1994-95 to 4.7 percent in 2010-11 – 2015-16. “Rajasthan rationalised the entry tax in 2005 and Chhattisgarh rationalised in 2006. Jharkhand set up integrated check post at nine places in 2007 to make the tax collection process more systemic and transparent. In 2010 Chhattisgarh exempted state entry tax on output of small industries and MP reduced the entry tax rate from 2 percent to 1 percent on the use of iron and steel to make automobile industry competitive” (State Finances: A Study of Budget, RBI). “In 2011, Odisha revised the entry tax rate to make it consistent with VAT rate and exempted entry tax for certain primary food items” (State Finances: A Study of Budget, RBI, 2010-11). “In 2012, Jharkhand has imposed an entry tax on 63 commodities to protect industries in the state” (State Finances: A Study of Budget, RBI, 2011-12). At all states level, its share shows the

declining trend i.e. 3.2 percent in the initial phase to 2.5 percent during the period 2010-11 – 2015-16. The percentage contribution of receipts from tax on goods and passengers to tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been presented in chart 2.14.

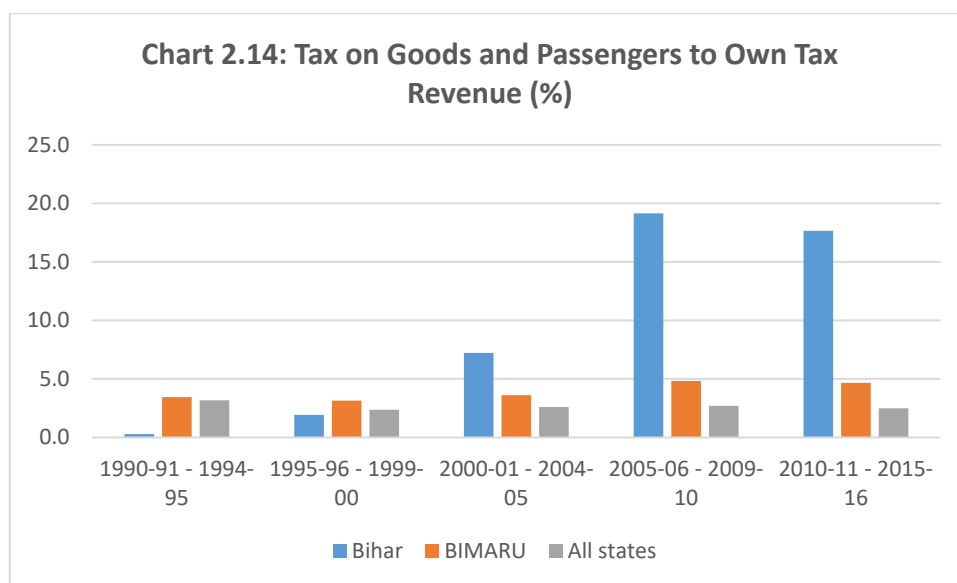


Table 2.15 depicts the growth rate of receipts from “taxes on goods and passengers” for Bihar, BIMARU and all state during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Bihar registered a very high annual average growth rate of 103.4 percent during 1995-96 – 1999-00 as shown in table 1.17. It is due to increase in its revenue from Rs. 6.1 cr. in 1995-96 to Rs. 30 cr. in 1996-97 and again increased to Rs. 87 cr. in 1997-98.

**Table 2.15: Growth Rate of Taxes on Goods and Passengers- Annual Average**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
Bihar	9.1	103.4	47.2	27.9	43.9
BIMARU	7.3	11.9	24.2	21.3	18.3
All states	8.9	7.4	22.9	14.1	16.0

Source: Calculation from State Finances: A Study of Budget, RBI

Table 2.8 reflects that the percentage participation of receipts from “taxes and duties on electricity” of Bihar was 1.9 during the phase 1990-91 – 1994-5 and increased to 2.5 percent during 1995-96 – 1999-00. After the bifurcation of Bihar, its share significantly declined to 0.9

percent during 2000-01 – 2004-05 and slightly improved to 1 percent in the next phase but again reached to 0.9 percent in the last phase. In case of BIMARU states, its relative share continuously decreased from 5.2 percent in the initial phase to 3.3 percent during 2010-11 – 2015-16. At all states level, its relative share has continuously decreased from 4.1 percent initially to 3.3 percent during the period 2005-06 – 2009-10 but slightly improved in the last phase to 3.4 percent as shown in table 2.8. The rate of growth of receipts from “taxes and duties on electricity” for Bihar, BIMARU and all states has been depicted in table 2.16 below. Bihar experienced the negative growth rate of 31.9 percent during the phase just after its bifurcation.

**Table 2.16: Growth Rate of Taxes and Duties on Electricity- Annual Average**

Items	1990-91 1994-95	1995-96 1999-00	2000-01 2004-05	2005-06 2009-10	2010-11 2015-16
Bihar	24.9	17.7	-31.9	68.7	42.0
BIMARU	8.2	14.1	16.6	18.5	13.8
All states	18.2	10.6	15.0	11.4	17.8

Source: Calculation from State Finances: A Study of Budget, RBI

The contribution of receipts from “entertainment tax” of Bihar to tax revenue from own sources has been negligible. It was 0.9 percent initially and marginally improved to 1 percent during the period 1995-96 – 1999-00 as shown in table 2.8. After the bifurcation of Bihar, its share was 0.6 percent during 2005-06 – 2009-10 and further declined to 0.2 percent in the last phase.

“In 2006-07, Bihar Government provided concessions on entertainment tax to attract investment in construction of multiplexes and cinema. The rate of entertainment tax has been specified at 50 percent. Theatres with modern sound system and infrastructure have been exempted from paying entertainment tax for two years provided they make an incremental capital investment of minimum Rs. 1 crore. up to 31/03/2010. Similar exemption to New Twin Digital Cinema Centres making a capital investment of minimum of Rs. 1.5 crore.” (Economic Survey, Govt. of Bihar, 2006-07, pg. no. 217-18).

In case of BIMARU states, its percentage contribution came down from 0.9 during the phase 1990-91 – 1994-95 0.3 during 2010-11 – 2015-16 as shown in table 2.8. Table 2.8 also depicts that its percentage share to tax revenue from own sources of all states level, also continuously decreased from 1.1 percent in the initial phase to 0.3 percent during 2010-11 – 2015-16.



Table 2.17 presents the rate of growth of “entertainment tax” for Bihar, BIMARU and all states. Bihar experienced the negative growth rate during the phase just after its division and during the period 2005-06 – 2009-10 but shows the significant growth rate in the last phase.

**Table 2.17: Growth rate of Entertainment Tax- Annual Average**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
Bihar	6.7	23.5	-1.5	-1.3	31.0
BIMARU	24.6	52.6	4.6	41.5	26.8
All states	2.5	14.1	2.9	8.9	17.1

Source: Calculation from State Finances: A Study of Budget, RBI

“Direct tax includes tax on property and capital transactions, tax on vehicles, tax and duties on electricity and tax on income, the last one being rather insignificant while indirect tax includes sales tax, state excise and tax on goods and passengers” (Economic Survey, Govt. of Bihar, 2011-12, pg. no. 388). Table 2.18 shows that indirect tax steadily gained importance and correspondingly the share of direct tax has declined over the period for Bihar and BIMARU states. “It also indicates that the process of fiscal reform of the state government is yet to be reflected in the structure of its taxation” (Economic Survey, Govt. of Bihar, 2011-12, pg. no. 390-91).

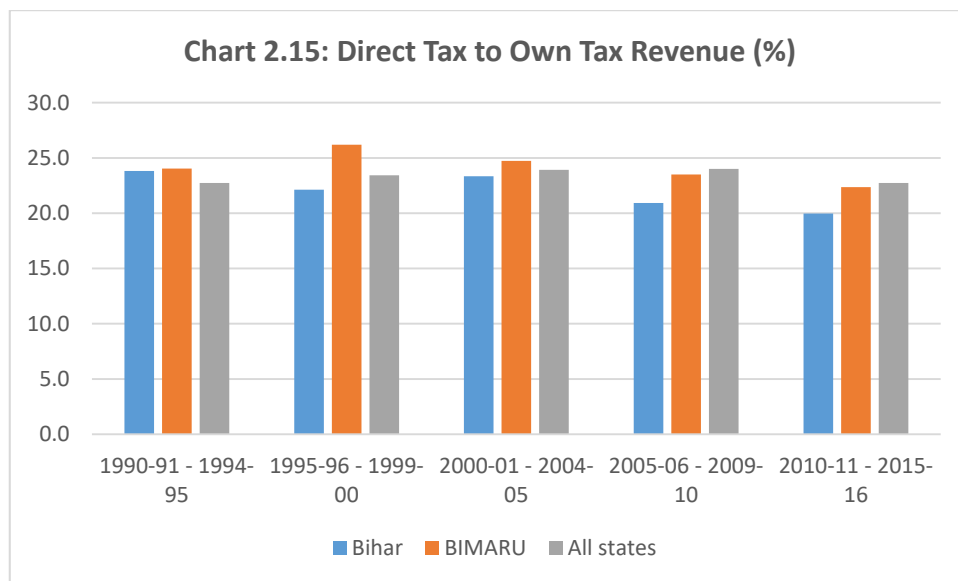
**Table 2.18: Contribution of Direct Tax and Indirect Tax to Own Tax Revenue- Annual Average (Percentage)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Contribution of Direct Taxes to Own Tax Revenue</b>						
Bihar	23.8	22.1	23.4	20.9	20.0	22.0
BIMARU	24.0	26.2	24.7	23.5	22.4	24.1
All states	22.0	23.4	23.1	24.0	22.7	23.3
<b>Contribution of Indirect Direct Taxes to Own Tax Revenue</b>						
Bihar	76.2	77.9	76.6	79.1	80.0	78.0
BIMARU	76.0	73.8	75.3	76.5	77.6	75.9
All states	78.0	76.6	76.9	76.0	77.3	76.7
<b>Total</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

In case of undivided Bihar, the contribution of direct tax to tax revenue from own sources was 23.8 percent during the phase 1990-91 – 1994-95 and decreased to 22.1 percent during the period 1995-96 – 1999-00. After the division of Bihar, its share was 23.4 percent during the period 2000-01 – 2004-05 which continuously declined to 20.0 percent in the last phase. The participation of direct tax in tax revenue from own sources of BIMARU states has shown some

improvement initially from 24.0 percent in the initial phase to 26.2 percent during the period 1995-96 – 1999-00 but after that it has gradually decreased to 22.4 percent in the last phase. The data also indicates that at all states level, it has improved from 22.0 percent in the initial phase to 22.7 percent in the last phase with alternatively increase and decrease in the intervening phase. “This skewed structure is due to the high yielding direct taxes like income tax or corporation tax are administered only by the central government” (Economic Survey, Govt. of Bihar, 2011-12, pg. no. 391). The percentage contribution of direct tax to tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in chart 2.15 and Chart 2.16 presents the percentage share of indirect to own tax revenue of Bihar, BIMARU and all states during the same period.



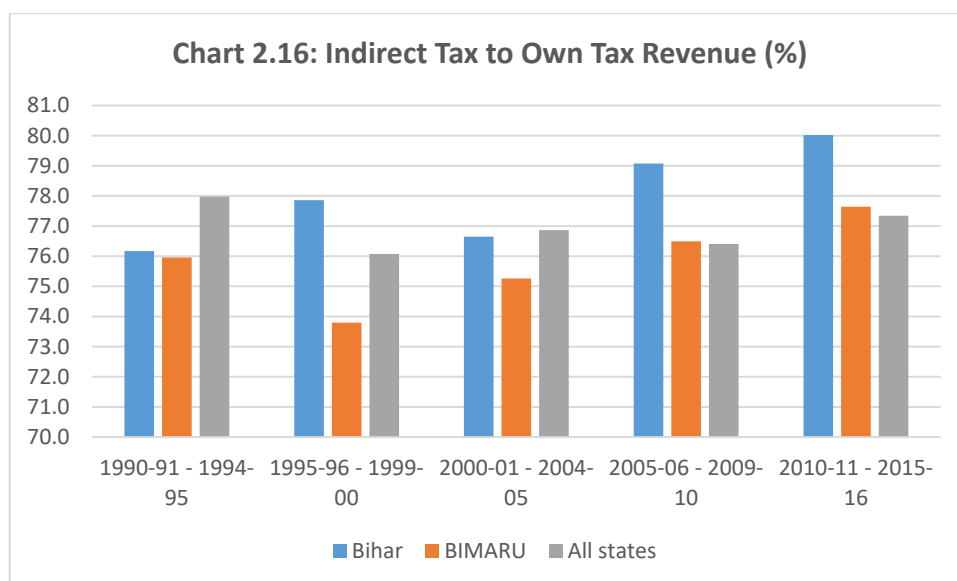


Table 2.19 shows the ratio of tax revenue and its components to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15. The proportion of tax revenue to GSDP of state government “measure of its capacity to raise resources and state tax proceeds to GSDP has been accepted as an indices of tax effort of a state” (State Finances, A Study of Budget, RBI).

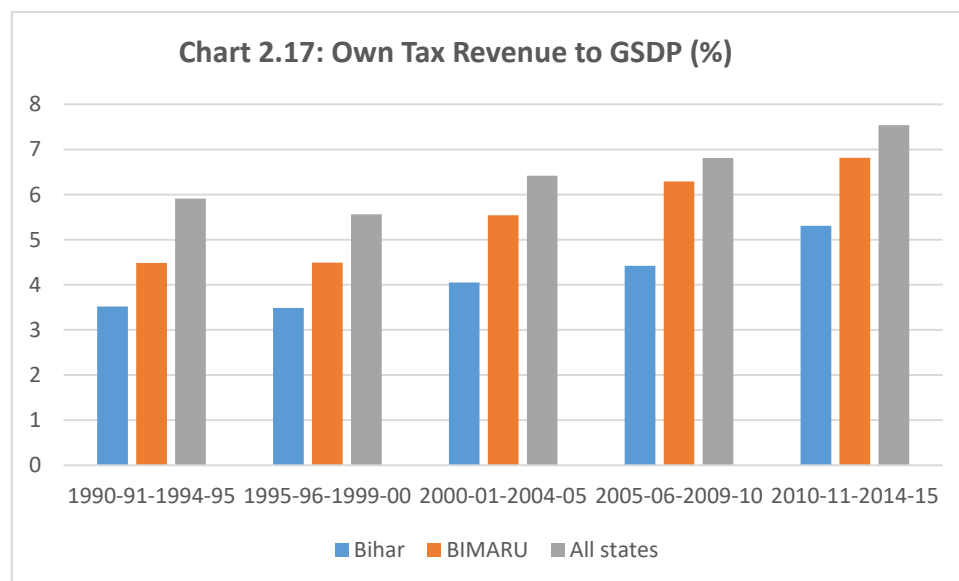
**Table 2.19: Tax Revenue to GSDP- Annual Average (Percent)**

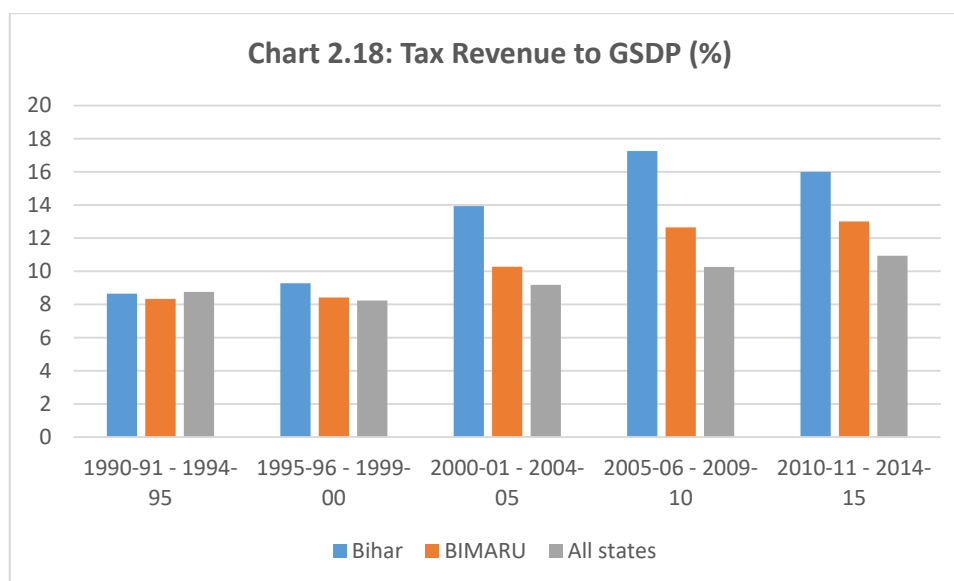
Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2014-15
<b>Own Tax Revenue</b>					
Bihar	3.5	3.5	4.1	4.4	5.3
BIMARU	4.5	4.5	5.5	6.3	6.8
All states	5.9	5.6	6.4	6.8	7.5
<b>Share in Central Taxes</b>					
Bihar	5.1	5.8	9.9	12.8	10.7
BIMARU	3.9	3.9	4.7	6.4	6.2
All states	2.8	2.7	2.8	3.4	3.4
<b>Tax Revenue</b>					
Bihar	8.6	9.3	13.9	17.3	16.0
BIMARU	8.3	8.4	10.3	12.6	13.0
All states	8.8	8.2	9.2	10.3	10.9

Source: Calculation from State Finances: A Study of Budget, RBI

Before the bifurcation of Bihar, the percentage contribution of tax revenue from own sources to its GSDP was stagnant at 3.5 but after its division, the ratio was 4.1 during the period 2000-01 – 2004-05 which has risen slowly to 5.3 percent during the phase 2010-11 – 2014-15. In

case of BIMARU states, the contribution of tax revenue from own sources to GSDP was 4.5 percent during the phase 1990-91 – 1994-95 and gradually increased over the period and reached to 6.8 percent during 2010-11 – 2014-15. At all states level, its ratio was 5.9 percent during 1990-91 – 1994-95 and rose to 7.5 percent during 2010-11 – 2014-15. The own tax revenue to GSDP of Bihar has been lower than that of BIMARU states and all states. The ratio of tax revenue to GSDP of Bihar improved from 3.5 percent during the phase 1990-91 – 1994-95 to 5.3 percent during 2010-11 – 2014-15. The contribution of tax revenue to GSDP of Bihar improved from 13.9 percent during the phase 2000-01 – 2004-05 to 16.0 percent during 2010-11 – 2014-15. The contribution of tax revenue to GSDP of Bihar has been higher than that of BIMARU and all states due to higher ratio of share in central to GSDP. Chart 2.17 shows the ratio of own tax to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15 and Chart 2.18 shows the ratio of tax revenue to GSDP of Bihar, BIMARU and all states during the same period.





The percentage participation of the receipts from the components of tax revenue from own sources to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15 has been displayed in table 2.20.

**Table 2.20: Components of Own Tax Revenue to GSDP- Annual Average (percent)**

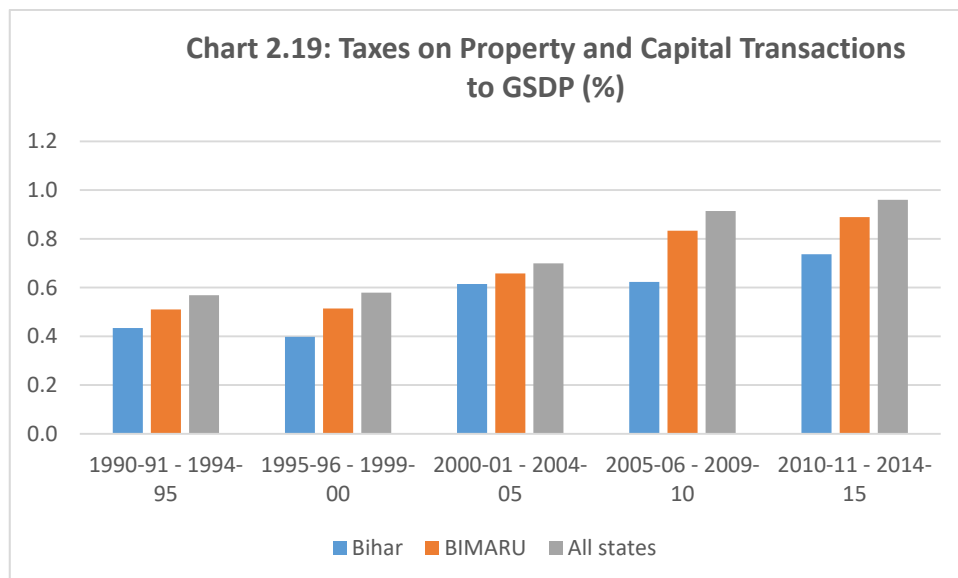
Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2014-15
<b>1. Taxes on Income</b>					
Bihar	0.0	0.0	0.0	0.0	0.0
BIMARU	0.0	0.0	0.0	0.0	0.0
All states	0.0	0.0	0.0	0.0	0.0
<b>2. Taxes on Property and Capital Transactions</b>					
Bihar	0.4	0.4	0.6	0.6	0.7
BIMARU	0.5	0.5	0.7	0.8	0.9
All states	0.6	0.6	0.7	0.9	0.9
<b>3. Taxes on Commodities and Services</b>					
Bihar	3.1	3.1	3.4	3.8	4.6
BIMARU	4.0	4.0	4.8	5.4	5.9
All states	5.2	4.9	5.6	5.8	6.5

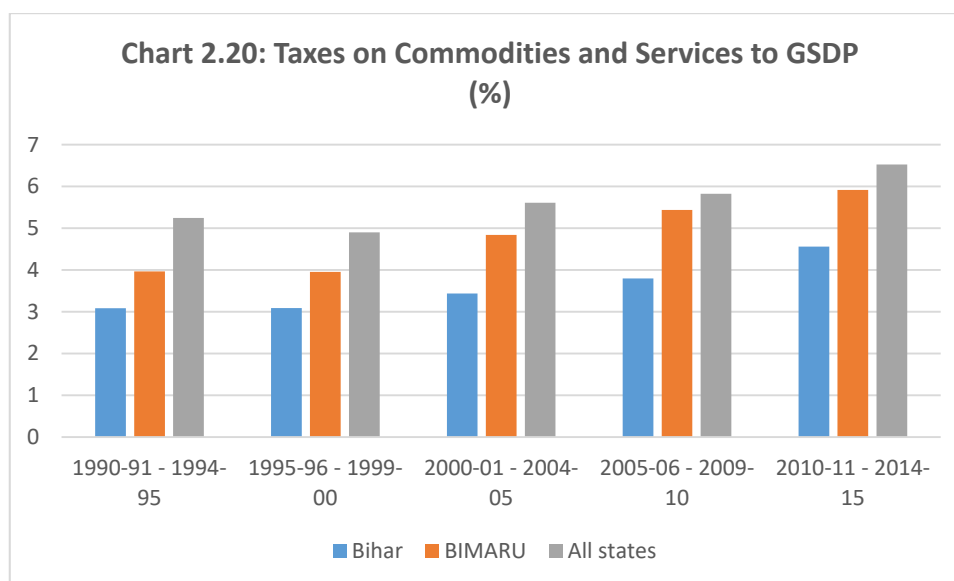
Source: Computation from State Finances: A study of Budget, RBI and CSO

Within own tax revenue, the contribution of receipts from “taxes on commodities and services” to GSDP has been highest for Bihar, BIMARU and all states. This ratio was stagnant at 3.1 percent for undivided Bihar but after its division, this ratio was 3.4 percent during the period 2000-01 – 2004-05 which gradually improved to 4.6 percent in the last phase. In case of BIMARU states, this ratio was 4.0 percent initially which has risen to 5.9 percent during the period 2010-11 – 2014-15. At all states level, this ratio was 5.2 percent in the initial phase which declined to 4.9 percent in the next phase but after that gradually increased over the period

and reached to 6.5percent during the period 2010-11 – 2014-15. The data also indicates that its contribution in GSDP has always been lower for Bihar than that of BIMARU and all states.

The ratio of “taxes on property and capital transactions” to GSDP has always been lower than 1.0 percent and slowly increased over the period for Bihar and BIMARU and all states. The percentage contribution of receipts from tax on property and capital transactions to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15 has been displayed in chart 2.19 and Chart 2.20 displays the percentage contribution of receipts from tax on commodities and services to GSDP of Bihar, BIMARU and all states during the same period.





Within the receipts from tax on property and capital transactions, stamps and registration fees has been the highest contributor to its GSDP of Bihar, BIMARU and all states as presented in table 2.21.

**Table 2.21: Components of Taxes on Property and Capital transactions to GSDP- Annual Average (Percent)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2014-15
<b>1. Land revenue</b>					
Bihar	0.05	0.04	0.07	0.07	0.07
BIMARU	0.08	0.05	0.06	0.1	0.1
All states	0.1	0.08	0.09	0.09	0.1
<b>2. Stamps and Registration fees</b>					
Bihar	0.4	0.4	0.5	0.6	0.7
BIMARU	0.4	0.5	0.6	0.7	0.8
All states	0.5	0.5	0.6	0.8	0.8
<b>3. Urban Immovable Property Tax</b>					
Bihar	—	—	—	—	—
BIMARU	0.0	0.0	0.0	0.0	0.0
All states	0.0	0.0	0.0	0.0	0.01

Source: Computation from State Finances: A study of Budget, RBI and CSO

The ratio of revenue from “stamps and registration fees” to GSDP was stagnant at 0.4 percent for undivided Bihar but after its bifurcation, this ratio was 0.5 percent during the period 2000-01 – 2004-05 and has slowly risen to 0.7 percent in the last phase. For BIMARU states, this ratio was 0.4 percent initially which gradually improved to 0.8 percent during the period 2010-11 – 2014-15. At all states level, this ratio was stagnant at 0.5 percent initially which has slowly increased to 0.8 percent during the period 2010-11 – 2014-15.

Table 2.21 also provides the information that the ratio of land revenue to GSDP for Bihar has always been lower than that of BIMARU states and all states except during the period 2000-01 – 2004-05 where the ratio was marginally higher than that of BIMARU states.

Within the receipts from the components of “taxes on commodities and services”, the ratio of receipts from “sales tax” to GSDP has been highest for Bihar, BIMARU and all states as shown in table 2.22. Apart from Sales tax, the ratio of other components of taxes on commodities and services to GSDP have always been lower than 1 percent reflects the lower tax effort.

**Table 2.22: Components of Taxes on Commodities and Services to GSDP- Annual Average (Percent)**

Items	1990-91 1994-95	-	1995-96 1999-00	-	2000-01 2004-05	-	2005-06 2009-10	-	2010-11 2014-15
<b>Sales tax</b>									
Bihar	2.3		2.3		2.4		2.2		2.6
BIMARU	2.4		2.2		3.1		3.6		3.9
All states	3.5		3.3		3.9		4.1		4.7
<b>State Excise</b>									
Bihar	0.3		0.4		0.4		0.5		0.8
BIMARU	0.8		0.8		0.9		0.9		1.0
All states	0.9		0.8		0.8		0.8		0.9
<b>Taxes on Vehicles</b>									
Bihar	0.3		0.2		0.3		0.2		0.2
BIMARU	0.3		0.3		0.4		0.4		0.4
All states	0.3		0.3		0.4		0.4		0.4
<b>Taxes on Goods and Passengers</b>									
Bihar	0.01		0.07		0.3		0.8		0.9
BIMARU	0.2		0.1		0.2		0.3		0.3
All states	0.2		0.1		0.2		0.2		0.2
<b>Taxes and Duties on Electricity</b>									
Bihar	0.07		0.1		0.03		0.05		0.04
BIMARU	0.2		0.2		0.2		0.2		0.2
All states	0.2		0.2		0.2		0.2		0.3
<b>Entertainment Tax</b>									
Bihar	0.03		0.03		0.02		0.01		0.01
BIMARU	0.04		0.05		0.03		0.01		0.02
All states	0.07		0.05		0.04		0.02		0.02
<b>Other Taxes and Duties</b>									
Bihar	0.009		0.008		0.005		0.001		0.001
BIMARU	0.02		0.2		0.02		0.01		0.06
All states	0.05		0.1		0.06		0.05		0.05

Source: Computation from State Finances: A study of Budget, RBI and CSO

The ratio of “sales tax” to GSDP was stagnant at 2.3 percent for undivided Bihar but after its bifurcation, this ratio was 2.4 percent during the period 2000-01 – 2004-05 which decreased to 2.2 percent in the next phase but again improved to 2.6 percent in the last phase. In case of BIMARU states, this ratio was 2.4 percent in the initial phase which marginally decreased to



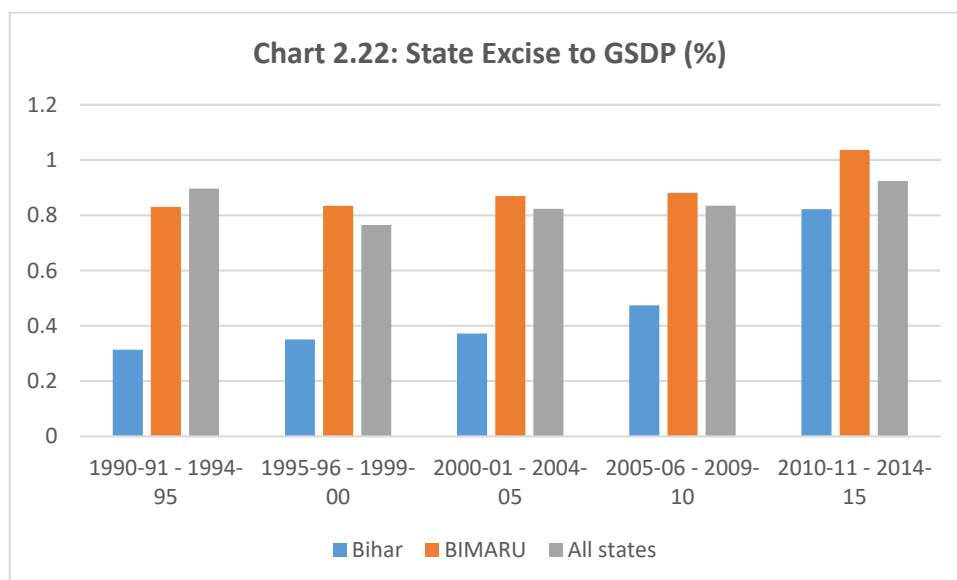
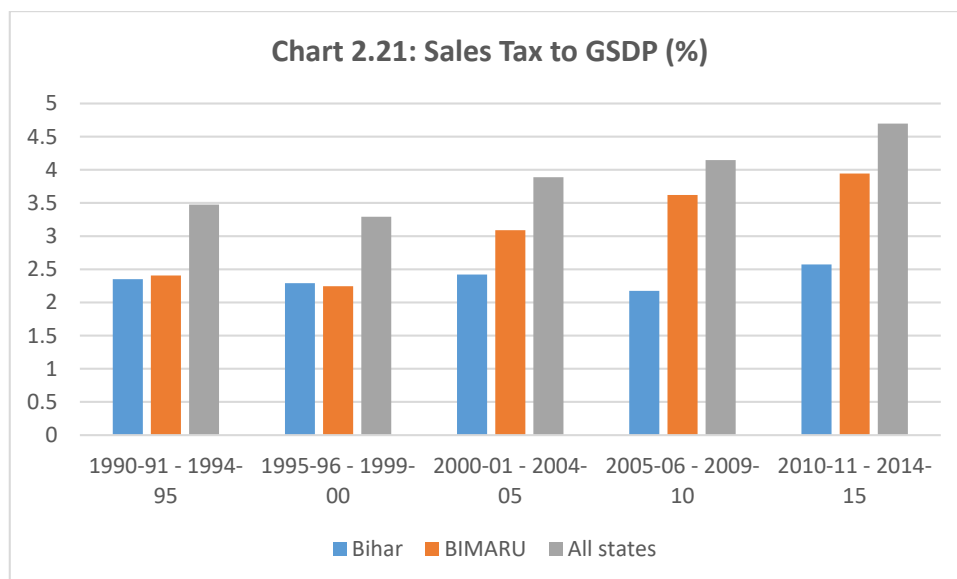
2.2 percent in the next phase but after that it gradually improved to 3.9 percent during the period 2010-11 – 2014-15. At all states level, this ratio also declined initially from 3.5 percent to 3.3 percent but after that it shows the gradual improvement and reached to 4.7 percent during the period 2010-11 – 2014-15. For divided Bihar, this ratio has always been lower in comparison to BIMARU and all states. The improvement in this ratio has also been much slower than that of BIMARU and all states.

Table 2.22 also presents that the ratio of state excise to GSDP for undivided Bihar was 0.3 percent in the initial phase which marginally improved to 0.4 percent during 1995-96 – 1999-00. After the division of Bihar, this ratio was 0.9 percent during the period 2000-01 – 2004-05 which has slowly risen to 0.8 percent in the last phase. For BIMARU and all states, this ratio has remained almost stagnant over the period but it has always been lower for Bihar in comparison to BIMARU and all states.

The ratio of taxes on vehicle to GSDP for undivided Bihar was 0.3 percent in the initial phase and marginally increased to 0.4 percent during 1995-96 – 1999-00. This ratio shows the declining trend for divided Bihar i.e. from 0.3 percent during the period 2000-01 – 2004-05 to 0.2 percent in the last phase. In case of BIMARU and all states, this ratio has been stagnant at 0.3 percent initially and marginally improved to 0.4 percent in the later period.

The ratio of taxes on goods and passengers to GSDP has been negligible for undivided Bihar but after its bifurcation this ratio was 0.3 percent during the period 2000-01 – 2004-05 and significantly improved to 0.9 percent in the last phase. In case of BIMARU states, this ratio improved from 0.2 percent during the phase 1990-91 – 1994-95 to 0.3 percent during 2010-11 – 2014-15. At all states level, this ratio has always been stagnant at 0.2 percent except during the period 1995-96 – 1999-00 where it decreased to 0.1 percent. This ratio has always been higher for divided Bihar in comparison to BIMARU and all states.

The ratio of taxes on duties and electricity to GSDP has always been negligible for Bihar while for BIMARU and all states, this ratio has been stagnant at 0.2 percent. The percentage contribution of receipts from entertainment tax to GSDP has always been negligible for Bihar, BIMARU and all states. Chart 2.21 shows the ratio of sales tax to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15 and Chart 2.22 displays the ratio of state excise to GSDP of Bihar, BIMARU and all states during the same period.



The “buoyancy” of State tax may be defined as “the ratio of increase in tax yield to increase in state income. It may be expressive as the responsiveness of tax yield to increase in GSDP” (State Finances: A Study of Budget, RBI). Table 2.23 displays the buoyancy of important oen tax revenue sources for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

**Table 2.23: Buoyancy of Important Own Tax Revenue Sources**

Items	1990-91 1994-95	–	1995-96 1999-00	–	2000-01 2004-05	–	2005-06 2009-10	–	2010-11 2014-15
<b>Sales Tax</b>									
Bihar	0.7		1.4		-0.3		1.0		1.0
BIMARU	0.9		1.6		1.7		1.1		1.1
All states	0.9		1.1		1.5		0.9		1.6
<b>Stamps and Registration Fees</b>									
Bihar	2.5		0.8		0.5		1.2		1.2
BIMARU	1.4		1.1		2.1		0.9		1.3
All states	1.4		0.9		2.0		1.1		1.5
<b>Taxes on Goods and Passengers</b>									
Bihar	0.8		9.6		6.0		1.7		2.3
BIMARU	0.5		1.0		3.0		1.4		1.2
All states	0.5		0.6		2.5		0.9		1.4
<b>State Excise</b>									
Bihar	0.9		2.4		-1.0		2.0		1.3
BIMARU	1.0		1.2		0.8		1.2		1.2
All states	0.7		1.1		0.9		1.2		1.3
<b>Taxes on Vehicles</b>									
Bihar	2.3		0.9		0.04		1.0		1.2
BIMARU	1.5		1.4		1.4		0.8		1.1
All states	1.0		1.2		1.3		0.8		1.5
<b>Land Revenue</b>									
Bihar	0.8		0.9		0.2		0.8		0.9
BIMARU	-0.2		1.0		1.2		2.4		0.8
All states	1.1		-0.05		2.1		1.0		1.2
<b>Taxes &amp; Duties on Electricity</b>									
Bihar	2.1		1.6		-4.0		4.3		2.7
BIMARU	0.6		1.2		2.1		1.2		1.0
All states	1.1		0.8		1.6		0.7		1.6
<b>Own Tax Revenue</b>									
Bihar	1.1		1.4		-0.05		1.2		1.1
BIMARU	0.9		1.2		1.6		1.1		1.1
All states	0.9		1.0		1.4		1.0		1.5

Source: Computation from State Finances: A study of Budget, RBI and CSO

“Taxes on goods and passengers”, “state excise” and “taxes and duties on electricity” have been more buoyant than the own tax revenue receipt of the Bihar government. Buoyancy of sale tax was 1.4 during the period 1995-96 – 1999-00 but fell to 1.0 during the phase 2010-11 – 2014-15. Buoyancy of land revenue has always been less than 1 for Bihar. Buoyancy of own tax revenue receipt of Bihar government decreased from 1.4 during the period 1995-96 – 1999-00 to 1.1 during 2010-11 – 2014-15 because of the fall in the buoyancy of “sales tax”, “state excise” and “taxes on goods and passengers” during the same period.

Table 2.24 presents the per capita tax revenue and its components for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 2.24: Per Capita Tax Revenue and its components- Annual Average (Rs.)**

Items	1990-91 1994-95	-	1995-96 1999-00	-	2000-01 2004-05	-	2005-06 2009-10	-	2010-11 2015-16
<b>1. Own Tax Revenue</b>									
Bihar	223		334		341		549		1570
BIMARU	272		459		753		1423		3155
All states	465		808		1331		2482		5275
<b>2. Share in Central Taxes</b>									
Bihar	325		548		829		1562		3070
BIMARU	235		398		649		1437		2965
All states	224		386		572		1271		2532
<b>3. Per Capita Tax revenue</b>									
Bihar	548		882		1170		2111		4640
BIMARU	507		856		1403		2860		6120
All states	689		1194		1903		3753		7806

Source: Calculation from State Finances: A Study of Budget, RBI

The Per capita tax revenue from own sources and per capita share in Central taxes were Rs. 1570 and Rs. 3070 respectively for present Bihar during the period 2010-11 – 2015-16 against Rs. 223 and Rs. 325 respectively for former Bihar during 1990-91 – 1994-95. Per capita own tax revenue of Bihar has always been lower while per capita share in central taxes for Bihar has always been higher than that of BIMARU and all states which reflects the higher dependency of Bihar government on Centre. The average ratio of per capita tax revenue from own sources of Bihar to that of all states declined from 0.47 during the period 1990-91 – 1994-95 to 0.29 during 2010-11 – 2015-16 and the average ratio of per capita tax revenue of Bihar to that of all states fell from 0.79 to 0.59 during the same period. The per capita gap of own tax revenue of all states with that of Bihar increased from Rs. 990 during the phase 2000-01 – 2004-05 to Rs. 3705 during 2010-11 – 2015-16. Chart 2.23 shows the per capita own tax revenue of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 2.24 shows the per capita tax revenue of Bihar, BIMARU and all states during the same period. Fig. 2.6 displays the per capita gap of own tax revenue of all states with that of Bihar during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

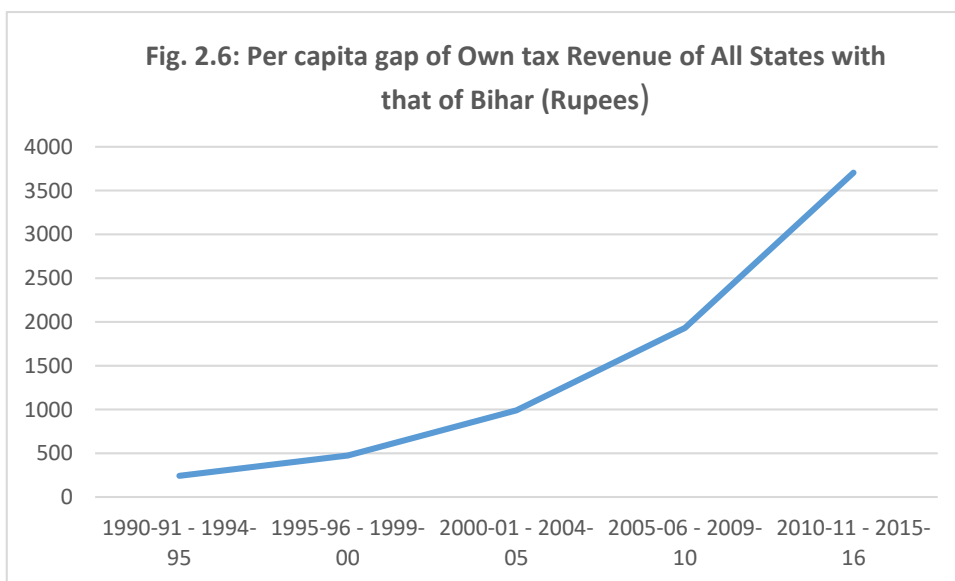
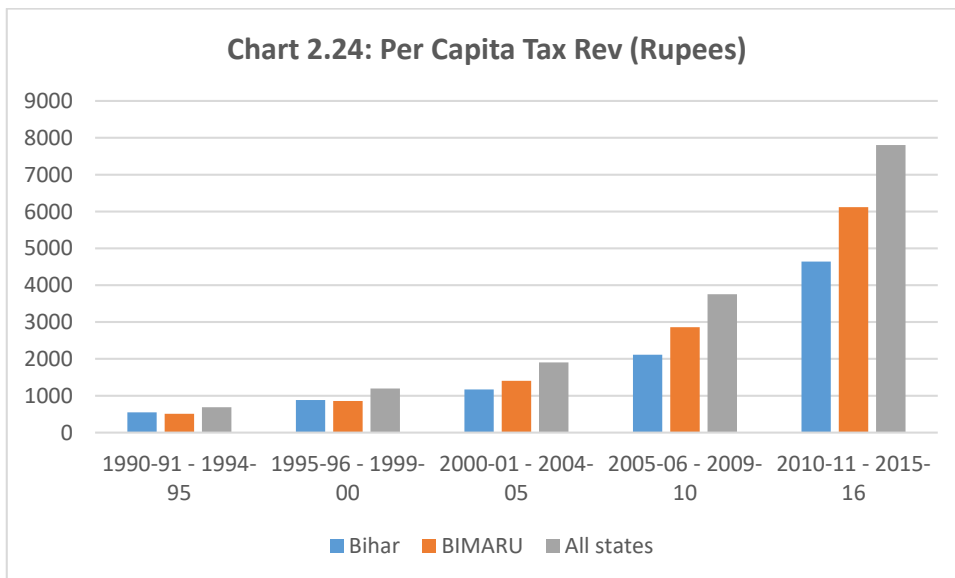
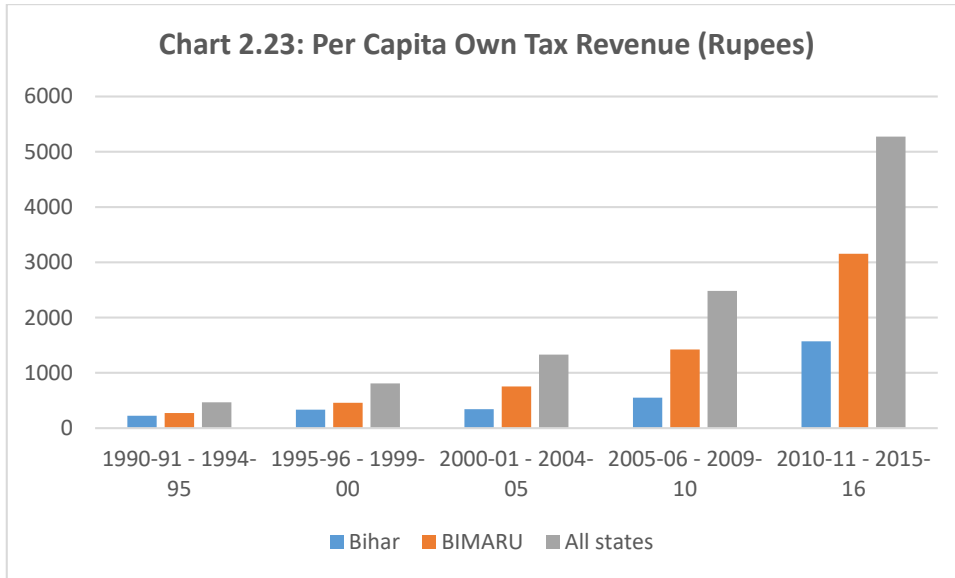


Table 2.25 presents the per capita revenue from the components of own tax revenue for Bihar, BIMARU and all states during the period 1990-91-1994-95 to 2010-11-2015-16. The data indicates that the average per capita of tax revenue from own sources of Bihar has always been lower than that of BIMARU states and all states.

**Table 2.25: Per Capita Revenue from the Components of Own Tax Revenue- Annual Average (Rs.)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>1. Taxes on Income</b>					
Bihar	0	0	0	0	3
BIMARU	0	3	6	6	9
All states	7	13	22	28	39
<b>2. Taxes on Property and Capital Transactions</b>					
Bihar	28	38	51	77	228
BIMARU	31	52	90	188	407
All states	45	83	146	331	666
<b>3. Taxes on Commodities and Services</b>					
Bihar	195	296	290	472	1339
BIMARU	241	404	657	1231	2740
All states	412	712	1162	2122	4570

Source: Calculation from State Finances: A study of Budget, RBI

For erstwhile Bihar, per capita tax revenue from own sources was Rs. 223 in the initial phase which increased to Rs. 334 in the next phase. After the division of Bihar, it was Rs. 341 during the period 2000-01 – 2004-05 and significantly increased to Rs. 1570 in the last phase. In case of BIMARU states, it was Rs. 272 in the initial phase which grew over the period and increased to Rs. 3155 in the last phase. At all states level, it has also increased significantly from Rs. 465 in the initial phase to Rs. 5275 in the last phase. The data also indicates that there has been profound increase in per capita tax revenue from own sources for Bihar, BIMARU and all states during the period 2010-11 – 2015-16. It is on account of significant improvement in per capita revenue receipt from the “taxes on commodities and services” and “taxes on property and capital transactions” both during this period.

Per capita receipt from the tax on property and capital transactions has also shown improvement over the period while per capita taxes on income has been negligible for Bihar, BIMARU and all states.

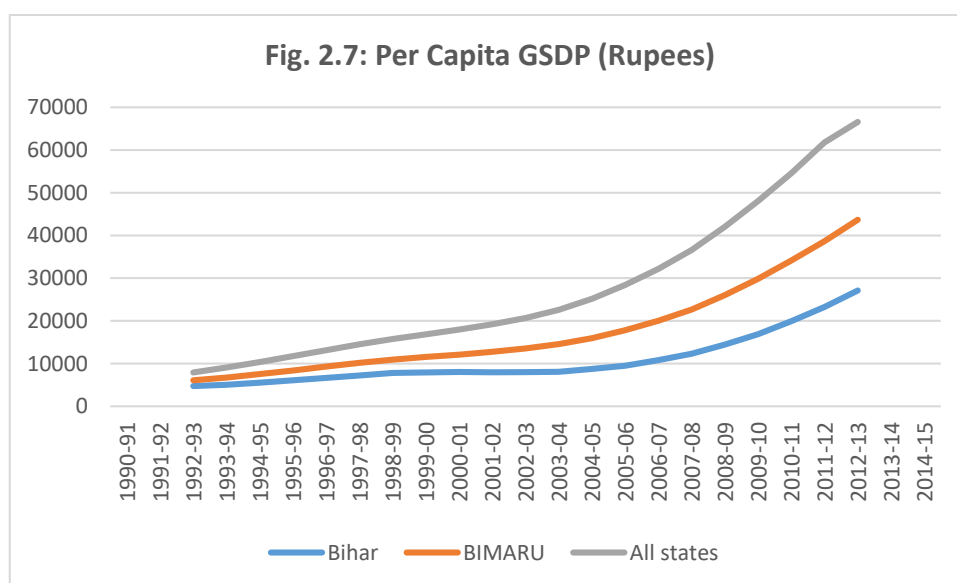
Table 2.26 displays the correlation between per capita tax revenue from the own sources and per capita GSDP for Bihar, BIMARU and all states. It shows the strong correlation between them. However, for Bihar, it has been weaker during the period 2000-01 – 2004-05 but after

that it became stronger. Due to strong correlation, the trend of per capita GSDP influences the trend of per capita own tax revenue. Fig. 2.7 presents the trend of per capita GSDP while Fig. 2.8 shows the trend of per capita own tax revenue of Bihar, BIMARU and all states. **Fig.2.7** presents that per capita GSDP for Bihar has always been lower than that of BIMARU and all states which has been responsible for lower per capita own tax revenue for Bihar in comparison to BIMARU and all states as displayed in Fig. 2.8.

**Table 2.26: Correlation Between Per Capita Own Tax Revenue and Per Capita GSDP**

Items	1990-91 1994-95	1995-96 1999-00	2000-01 2004-05	2005-06 2009-10	2010-11 2014-15
Bihar	0.9	0.8	0.7	1.0	1.0
BIMARU	1.0	1.0	1.0	1.0	1.0
All states	1.0	1.0	1.0	1.0	0.9

Source: Computation from State Finances: A study of Budget, RBI and CSO



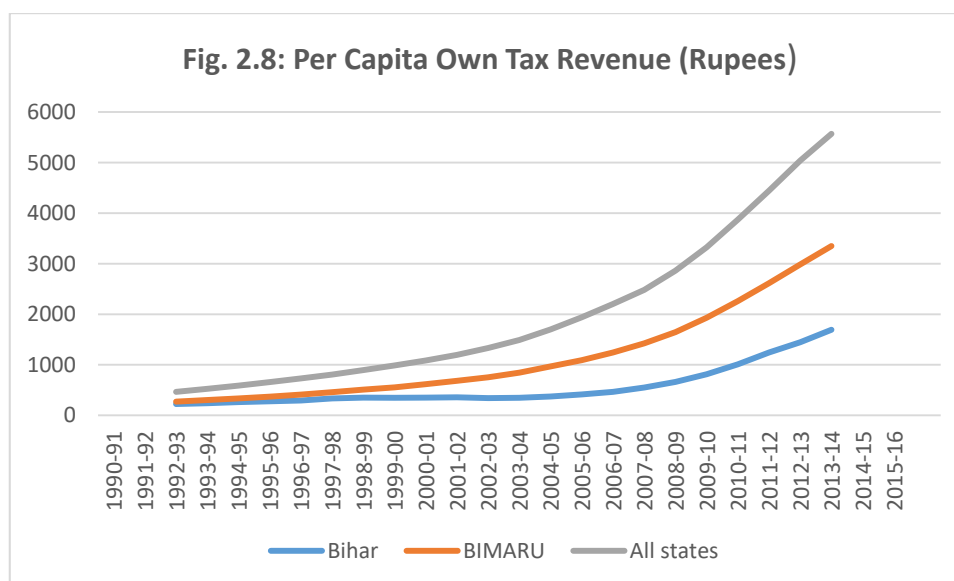


Table 2.27 shows the per capita revenue from the components of “taxes on property and capital transactions” for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16. Per capita receipt from “stamps and registration fees” has always been highest among the per capita receipt from other components of “taxes on property and capital transactions”.

**Table 2.27: Per capita Revenue from the Components of Taxes on Property and Capital Transactions- Annual Average (Rs.)**

Items	1990-91 1994-95	1995-96 1999-00	2000-01 2004-05	2005-06 2009-10	2010-11 2015-16
<b>1. Land revenue</b>					
Bihar	3	4	5	9	25
BIMARU	4	5	7	23	45
All states	8	12	18	34	68
<b>2. Stamps and Registration fees</b>					
Bihar	25	34	46	68	203
BIMARU	26	47	82	163	352
All states	37	71	127	294	588
<b>3. Urban Immovable Property Tax</b>					
Bihar	0	0	0	0	0
BIMARU	0	1	0	2	12
All states	0	1	1	3	9

Source: Calculation from State Finances: A study of Budget, RBI

Per capita receipt from “stamps and registration fees” was Rs. 25 for former Bihar during the period 1990-91 – 1994-95 which climbed to Rs. 203 for present Bihar during 2010-11 – 2015-16 but it has always been lower than that of BIMARU and all states. Per capita land revenue was Rs. 25 for divided Bihar during the period 2010-11 – 2015-16 as against only Rs. 3 for



undivided Bihar during 1990-91 – 1994-94 but it has also been always lower than that of BIMARU and all states.

Table 2.28 displays the per capita revenue from the components of “taxes on commodities and services” for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16. Per capita “sales tax” revenue has always been highest and per capita revenue from “taxes on goods and passengers” has significantly improved since 2005-06 – 2009-10 and exceeded the per capita revenue from “state excise” and “taxes on vehicles” for Bihar.

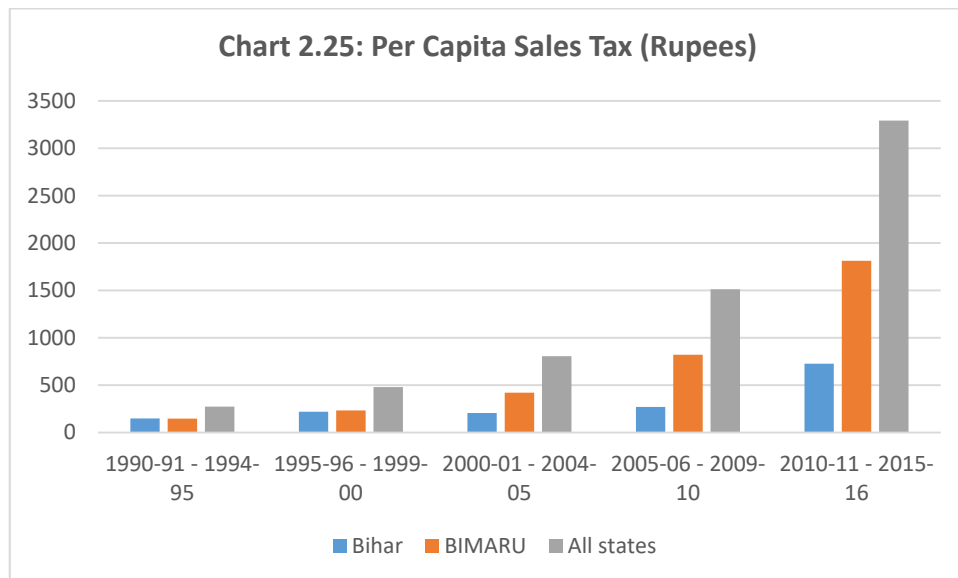
**Table 2.28: Per Capita Revenue from the Components of Taxes on Commodities and Services- Annual Average (Rs.)**

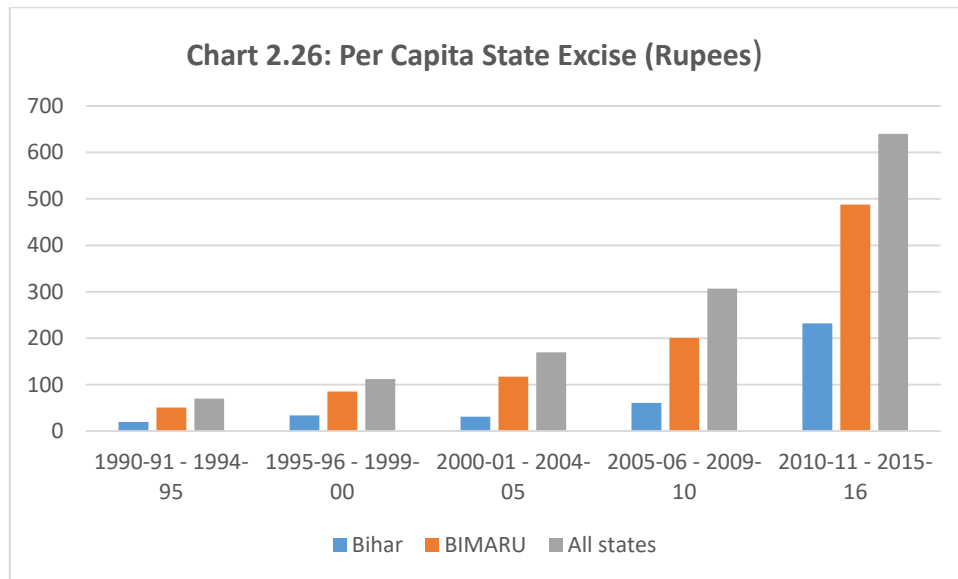
Items	1990-91 1994-95	1995-96 1999-00	2000-01 2004-05	2005-06 2009-10	2010-11 2015-16
<b>1. Sales tax</b>					
Bihar	148	219	205	269	727
BIMARU	146	233	420	820	1813
All states	274	480	806	1511	3292
<b>2. State Excise</b>					
Bihar	20	34	31	61	232
BIMARU	51	85	117	201	488
All states	70	112	170	307	640
<b>3. Taxes on Vehicles</b>					
Bihar	20	24	23	29	69
BIMARU	17	29	53	83	171
All states	25	48	80	131	275
<b>4. Taxes on Goods and Passengers</b>					
Bihar	1	7	25	106	292
BIMARU	9	14	28	69	149
All states	15	19	35	66	132
<b>5. Taxes and Duties on Electricity</b>					
Bihar	4	8	3	6	15
BIMARU	14	22	33	51	105
All states	19	32	51	81	179
<b>6. Entertainment Tax</b>					
Bihar	2	3	2	1	4
BIMARU	2	5	4	3	11
All states	5	7	8	8	16
<b>7. Other Taxes and Duties</b>					
Bihar	1	1	0	0	1
BIMARU	2	15	3	2	3
All states	4	15	12	18	35

Source: Calculation from State Finances: A study of Budget, RBI

The per capita receipt from “sales tax” was Rs. 727 for present Bihar during the period 2010-11 – 2015-16 against Rs. 148 during 1990-91 – 1994-95 for former Bihar while per capita receipt from “state excise” climbed from Rs. 20 during 1990-91 – 1994-95 to Rs. 232 during the period 2010-11 – 2015-16. Per capita revenue from “taxes on goods and passengers” for

present Bihar was Rs. 292 during the phase 2010-11 – 2015-16 against only re. 1 for erstwhile Bihar during 1990-91 – 1994-95 while per capita revenue from “taxes on vehicles” improved from Rs. 20 during the period 1990-91 – 1994-5 to Rs. 292 during 2010-11 – 2015-16. Per capita receipt from “taxes and duties on electricity” and “entertainment tax” has been negligible for Bihar. The data also indicates that per capita revenue from all the components of taxes on commodities and services for Bihar has always been lower than that of BIMARU and all states. Chart 2.25 shows the per capita revenue from sales tax of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 2.26 displays the per capita revenue from state excise of Bihar, BIMARU and all states during the same period.





With the declining revenue from own resources and the implementation of prohibition policy in 2016 which is adversely affecting the state own revenue source, Bihar's dependency on centre has increased over the time. As the revenue transferred from the centre and several relief measures by the central government to the state governments has been linked with rule based fiscal reform at state level on the recommendation of 12<sup>th</sup> Finance Commission, Bihar legislation enacted FRBM act in 2006 to eliminate revenue deficit and maintain GFD at targeted level. On the one hand, the contribution of revenue from Bihar government's own resources is shrinking and on the other hand, dependency on reform linked central transfers is increasing, it is creating the strain on state expenditure which is detrimental to developmental expenditure.

### **Chapter III: Own Non Tax Revenue Receipts: Overview of Trend, Composition and Pattern**

“Non-tax revenue of the state government includes own non tax revenue and grants from the centre. The own non tax revenues are classified in to interest receipts from loan and advances to various government companies, public sector, quasi-commercial undertakings and other bodies, dividends and profits from them, receipts from various services (general, social and fiscal) and from economic services” (State Finances: A Study of Budget, RBI). Table 3.1 presents the composition of non-tax revenue for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

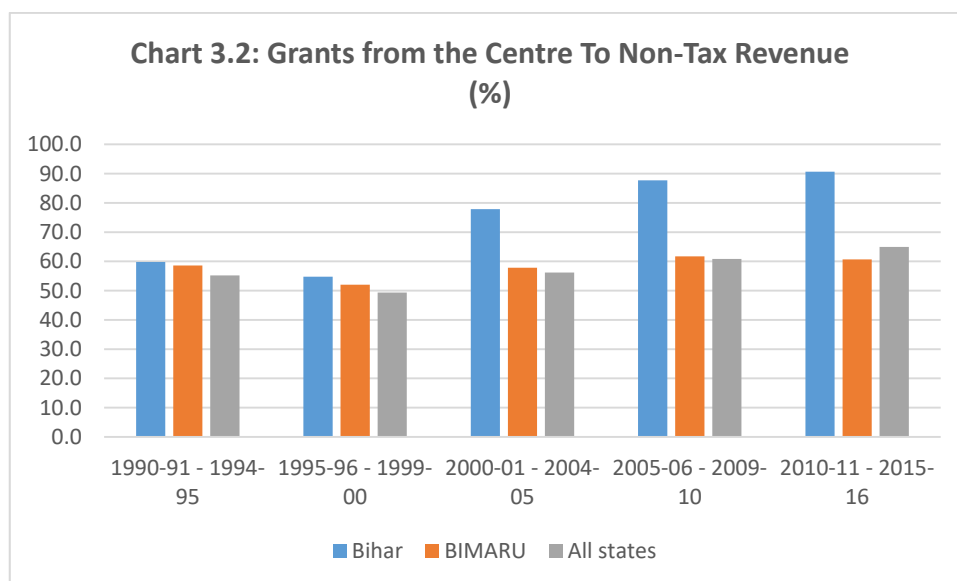
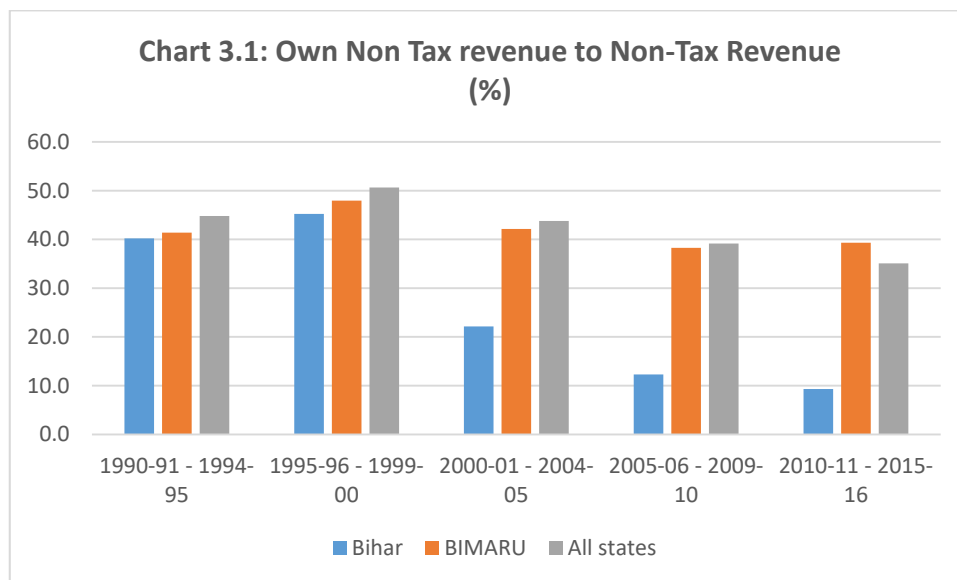
**Table 3.1: Composition of Non-Tax Revenue- Annual Average (Percent)**

Items	1990-91 1994-95	1995-96 1999-00	2000-01 2004-05	2005-06 2009-10	2010-11 2015-16
<b>1. Own Non Tax Revenue</b>					
Bihar	40.2	45.2	22.1	12.3	9.3
BIMARU	41.4	48.0	42.1	38.3	39.3
All states	44.8	50.6	43.8	39.2	35.1
<b>2. Grants from the Centre</b>					
Bihar	59.8	54.8	77.9	87.7	90.7
BIMARU	58.6	52.0	57.9	61.7	60.7
All states	55.2	49.4	56.2	60.8	64.9
<b>Non-Tax Revenue</b>					
Bihar	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A study of Budget, RBI

The contribution of “non-tax revenue” from own sources to non-tax revenue shows the sharp decline for Bihar after its division. Its contribution came down from 40.2 percent during the period 1990-91 – 1994-95 to 9.3 percent during 2010-11 – 2015-16. The reason for sharp fall in the contribution of “own non tax revenue” to “non-tax revenue” of divided Bihar is the “large part of mining and metallurgical industries went to Jharkhand, which was the important source of own non tax revenue” (Economic Survey, Govt. of Bihar, 2006-07, pg. no. 54) and consequently the contribution of grants from the centre to “non-tax revenue” of Bihar increased over the period. The participation of grants from the centre in non-tax revenue climbed from 59.8 percent during the period 1990-91 – 1994-95 to 90.7 percent during 2010-11 – 2015-16. Chart 3.1 displays the percentage contribution of “own non tax revenue” to “non-tax revenue” of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16

and the percentage contribution of grants from the centre to “non-tax revenue” of Bihar, BIMARU and all states during the same period has been presented in chart 3.2.



### **Analysis of Own Non Tax Revenue**

Table 3.2 depicts the pattern of “own non tax revenue” of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. The Economic service has always been the highest contributor to non-tax revenue from own sources, while in case of Bihar, it shows the declining trend after its division. The contribution of interest receipts to “non-tax revenue” gained importance since 2005 while the contribution of general services shows the wide fluctuation over the period in case of Bihar. The participation of receipts from “social services” in “own non tax revenue” has been lowest among the major components of own non tax

revenue while its share shows improvement during the period 2000-01 – 2004-05 due to sharp decline in the contribution of receipts from “economic services” to “own non tax revenue” of Bihar.

**Table 3.2: Composition of Own Non Tax revenue- Annual Average (Percent)**

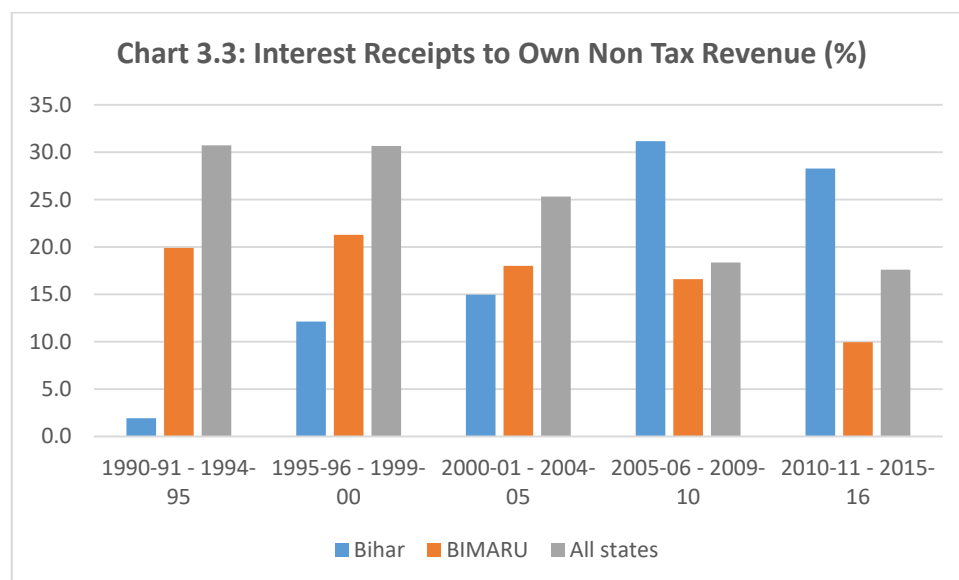
Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Interest Receipts</b>						
Bihar	1.9	12.1	15.0	31.2	28.3	18.1
BIMARU	19.9	21.3	18.0	16.6	9.9	16.9
All states	30.7	30.7	25.3	18.4	17.6	24.3
<b>General Services</b>						
Bihar	2.5	11.2	27.4	23.5	6.1	13.9
BIMARU	23.3	16.6	12.0	22.3	15.8	17.9
All states	20.1	25.0	23.7	28.5	17.4	22.8
<b>Social Services</b>						
Bihar	3.7	7.9	15.8	9.5	5.0	8.2
BIMARU	5.8	7.2	9.7	11.3	17.2	10.5
All states	5.9	6.3	8.0	10.1	16.1	9.5
<b>Economic Services</b>						
Bihar	91.8	67.7	41.7	35.8	60.4	59.5
BIMARU	50.8	54.2	59.0	48.7	55.8	53.8
All states	42.8	37.4	42.2	42.1	47.8	42.7
<b>Others*</b>						
Bihar	0.0	1.1	0.0	0.0	0.3	0.3
BIMARU	0.2	0.7	1.3	1.2	1.3	0.9
All states	0.5	0.6	0.7	1.0	1.1	0.8
<b>Total</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A study of Budget, RBI

Note: \* includes dividends and profits and receipts from fiscal services

Before the bifurcation of Bihar, the participation of interest receipts to “own non tax revenue” was 1.9 percent during the phase 1990-91 – 1994-95 and increased to 12.1 percent during the period 1995-96 – 1999-00. After bifurcation, its relative share was 15.0 percent during the period 2000-01 – 2004-05 which significantly increased to 31.2 percent in the next phase but again declined to 28.3 percent in the last phase. In case of BIMARU states, its relative share was 19.9 percent in the initial phase and increased to 21.3 percent during the period 1995-96 – 1999-00 due to decline in the relative share of general services but after that it continuously declined over the period and reached to 9.9 percent in the last phase. At all states level, its share was 30.7 percent initially which continuously declined to 17.6 percent in the last phase as shown in Table 3.2. The percentage stake of interest receipts to “own non tax revenue” of

Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16 has been displayed in chart 3.3.



The rate of growth of interest receipts of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in table 3.3 below. The data indicates that Bihar experienced negative rate of growth of interest receipts during the period 2000-01 – 2004-05 just after its division. The improvement in growth rate for Bihar, BIMARU and all states during the period 2005-06 – 2009-10 is mainly from the “investment of surplus cash balance in Cash Balance Investment Account” (Economic Survey, Govt. of Bihar, 2008-09, pg. no. 271). In the last phase, its growth rate declined because interest income from surplus cash balances came down. However, there was “higher collection of interest receipt in case of Bihar, due to contra-adjustment of Rs 268 cr. on account of interest on loan given to the Bihar State Electricity Board, against its outstanding dues payable by water resource department” (Economic Survey, Govt. of Bihar, 2012-13, pg. no. 397). Fig. 3.1 shows the trend of growth rate of interest receipts of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16.

**Table 3.3: Growth rate of Interest receipts- Annual Average**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>Interest Receipts</b>					
Bihar	87.4	80.5	-1.3	52.1	32.7

BIMARU	23.0	10.6	2.6	18.7	6.1
All states	32.1	12.3	0.6	12.9	4.6

Source: Calculation from State Finances: A study of Budget, RBI

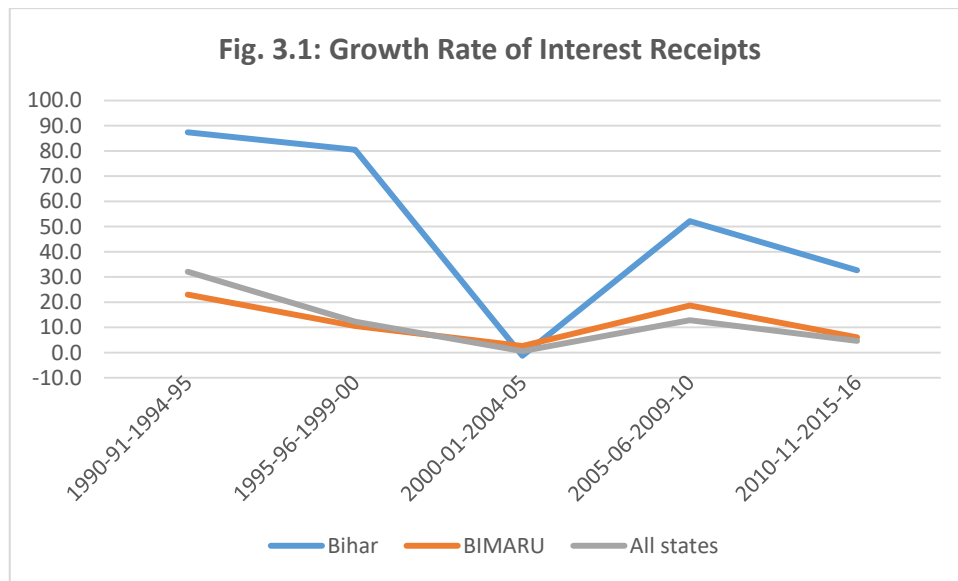


Table 3.2 indicates that the contribution of receipts from general services for Bihar before its bifurcation was 2.5 percent initially and increased to 11.2 percent during the period 1995-96 – 1999-00. After its division, the relative share was 27.4 percent during the period 2000-01 – 2004-05 and decreased continuously over the period and reached to 6.1 percent in the last phase. In case of BIMARU states, its relative share decreased continuously from 23.3 percent in the initial phase to 12.0 percent during 2000-01 – 2004-05 but improved in the next phase to 22.3 percent and again declined to 15.8 percent in the last phase. At all states level, its relative share was 20.1 percent in the initial phase and decreased to 17.4 percent during the period 2010-11 – 2015-16 with alternatively increase and decrease in the intervening period. The percentage contribution of receipts from “general services” to “own non tax revenue” of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16 has been displayed in chart 3.4.



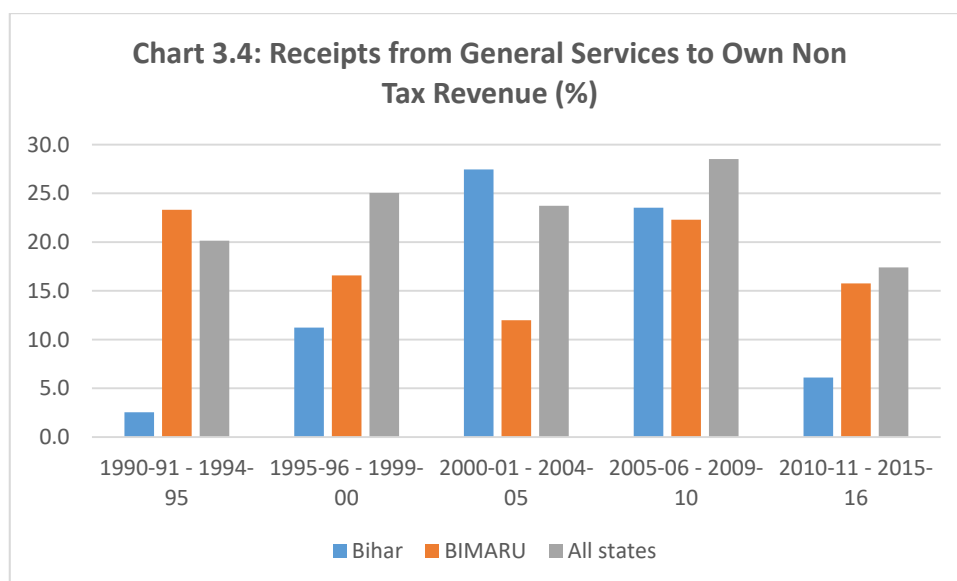


Table 3.4 presents the growth rate of General services for Bihar, BIMARU and all states. Bihar experienced impressive growth rate of general services during the period 1995-96 – 1999-00 and 2005-06 – 2009-10. The impressive growth rate of general services for Bihar during the period 1995-96 – 1999-00 is due to “increase in the revenue from general services from Rs 20.7 cr. in 1996-97 to Rs 131.6 cr. 1997-98 under the debt relief from the centre on the basis of recommendations of the Tenth Finance Commission” (State Finances A Study of Budget, RBI, 2000-01). The significant growth during the period 2005-06 – 2009-10 is because of “debt relief from the Central government on the recommendation of the Twelfth Finance Commission under Miscellaneous General Service account. Bihar government received the debt relief of rs. 385 cr. in 2008-09 for the earlier year of 2005-06 and Rs. 770 cr. received in 2009-10 for the combined relief of 2006-07 and 2007-08” (Economic Survey, Govt. of Bihar, 2010-11, pg. no. 417). In the last phase, the negative growth rate is due to “withdrawal of debt relief which was available till 2009-10 and recovery of Rs. 384 cr. as the amount which was sanctioned as a debt waiver in 2009-10 was found to be in excess” (Economic Survey, Govt. of Bihar, 2012-13, pg. no. 360).

In case of BIMARU states, the rate of growth of receipts from general services was 19.6 percent during the period 1990-91 – 1994-95 and decreased to 2.2 percent during the period 2000-01 – 2004-05 but significantly improved to 93.6 percent during the phase 2005-06 – 2009-10 because of debt relief and shows the drastic decline during the period 2010-11 – 2015-16 because of withdrawal of debt relief which was available till 2009-10.

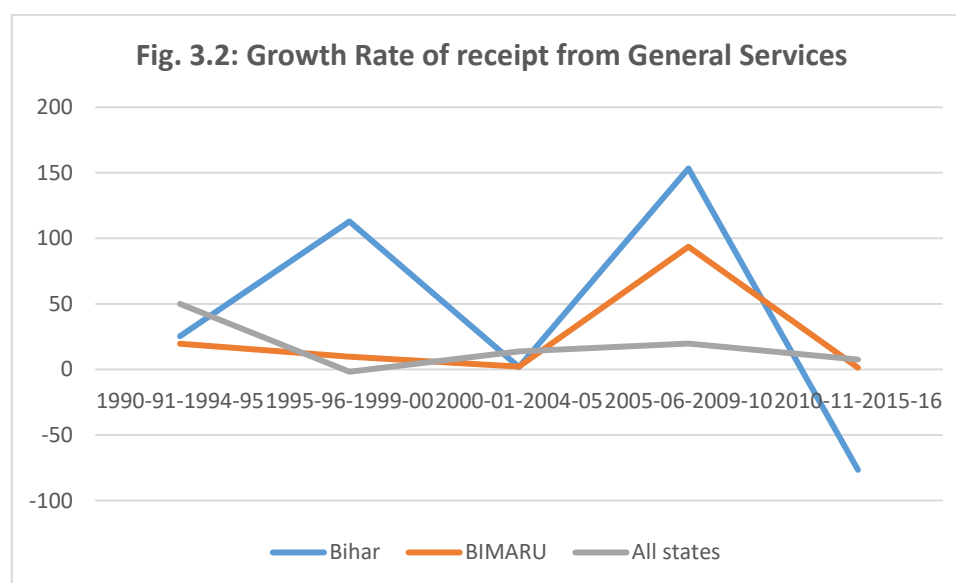
At all states level, the general services registered growth rate 50 percent in the initial phase but experienced negative growth rate of 1.7 percent during 1995-96 – 1999-00 is because of

“discontinuation of lottery system by many states” (State Finances: A Study of Budget, RBI, 1996-97). Its growth rate improved to 19.8 percent during 2005-06 – 2009-10 because of “debt relief to states by Central government on the Twelfth Finance Commission’s recommendation but again declined to 7.5 percent in the last phase with the withdrawal of debt relief scheme” (State Finances: A Study of Budget, RBI, 2010-11). Fig. 3.2 displays the rate of growth of receipts from general services of Bihar, BIMARU and all states during 1990-91 – 1994- 95 to 2010-11 – 2015-16.

**Table 3.4: Growth rate of receipts from General services- Annual Average**

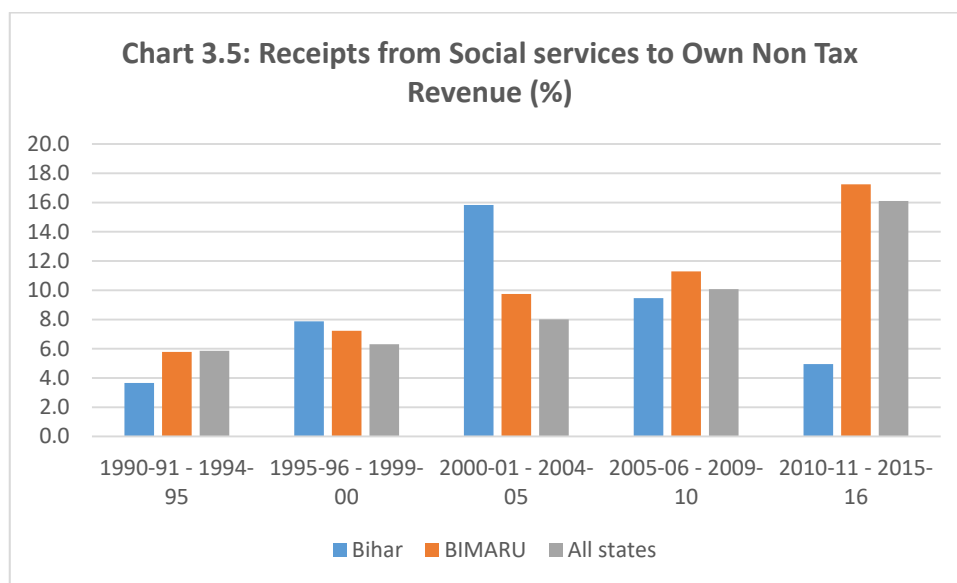
Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>General Services</b>					
Bihar	25.4	112.9	1.8	153.3	-76.6
BIMARU	19.6	9.7	2.2	93.6	1.3
All states	50.0	-1.7	13.7	19.8	7.5

Source: Calculation from State Finances: A study of Budget, RBI



“State government receives revenue from imposing user charges on different social services. Social services consists of education (includes sports, art and culture), medical and public health, employment, social security and welfare, water supply, urban development etc.” (State Finances: A Study of Budget, RBI). The contribution of receipts from “social service” for Bihar before its bifurcation was 3.7 percent initially and increased to 7.9 percent during the period 1995-96 – 1999-00 as shown in table 3.2. Its relative share was 15.8 percent during the phase just after the division of Bihar and after that it experienced continuous decline over the period

and reached to 5.0 percent in the last phase. In case of BIMARU states, its relative share was 5.8 percent in the initial phase which shows the continuous increase over the period and achieved to 17.2 percent during the period 2010-11 – 2015-16. At all states level, its relative share of has continuously improved from 5.9 percent during the phase 1990-91 – 1994-95 to 16.1 percent during the period 2010-11 – 2015-16. Chart 3.5 shows the percentage participation of receipts from “social services” to “own non tax revenue” of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16.

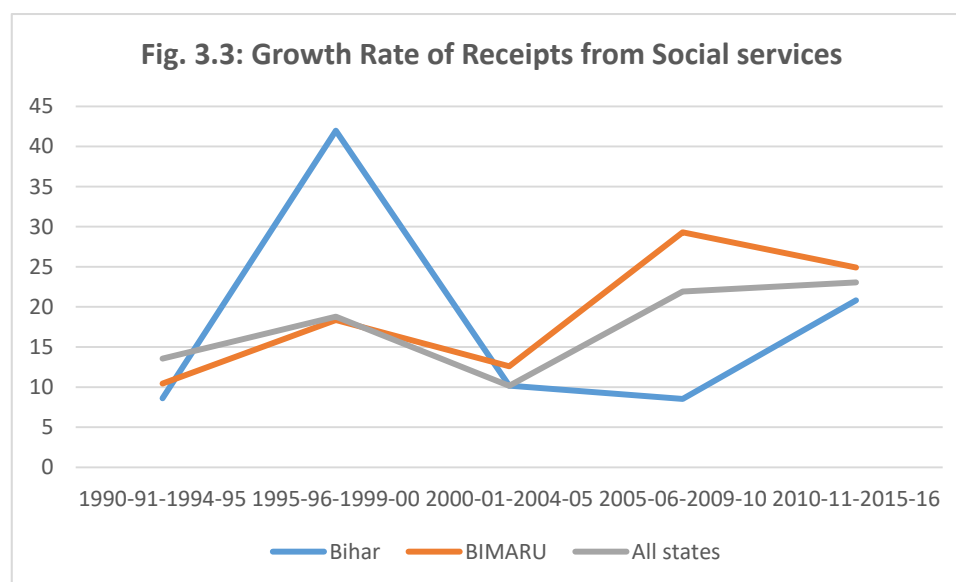


The growth rate of receipts from social services for Bihar, BIMARU and all states has been presented in table 3.5 below. In case of Bihar, it shows the declining trend after its separation. The significant improvement in growth rate during the period 1995-96 – 1999-00 is due to increase in the revenue from social services (particularly due in increase in the revenue from “education, sports art and culture”) from Rs. 24 cr. in in 1996-97 to Rs. 92 cr. in 1997-98. The growth rate of social services for BIMARU states has improved from 10.4 percent in the initial phase to 24.9 percent in the last phase with alternatively increase and decrease in the intervening period. The data also indicates that the growth rate of social services at all states level, has also improved from 13.6 percent in the initial phase to 23.0 percent during the period 2010-11 – 2015-16. Fig. 3.3 shows the growth rate of receipts from social services of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16.

**Table 3.5: Growth rate of Social Services- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16
Bihar	8.6	42.0	10.2	8.5	20.8
BIMARU	10.4	18.4	12.6	29.3	24.9
All states	13.6	18.8	10.2	21.9	23.0

Source: Calculation from State Finances: A study of Budget, RBI

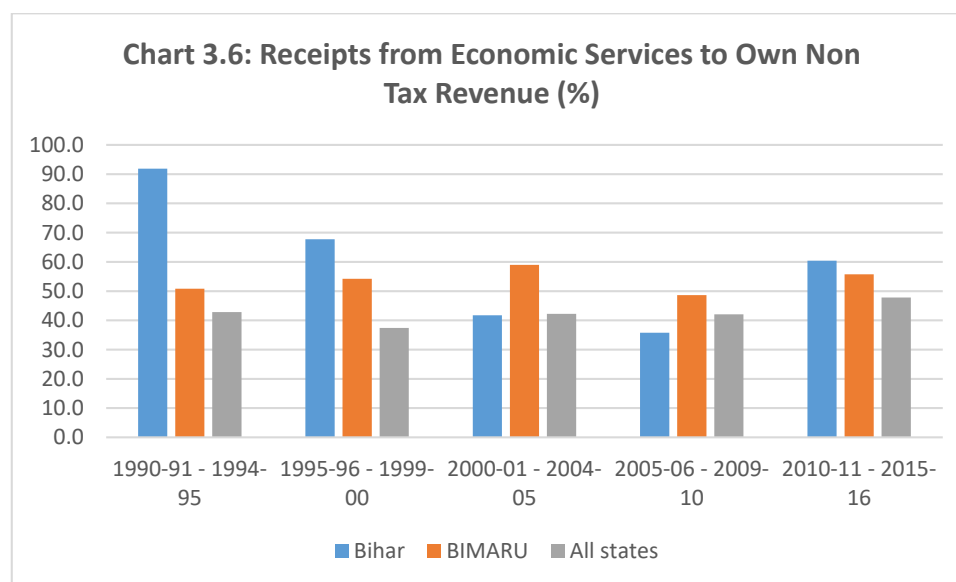


The contribution of receipts from economic services of Bihar before its bifurcation was 91.8 percent in the initial phase which decreased to 67.7 percent during 1995-96 – 1999-00 as presented in table 3.2. After the division of Bihar, its relative share was 41.7 percent during the period 2000-01 – 2004-05 which declined to 35.8 percent in the next phase but again improved to 60.4 percent in the last phase due to decrease in the relative share of general services. Table 3.6 displays that if Bihar and Jharkhand were not separated, the relative share of economic services would have been improved from 67.7 percent during the period 1995-96 – 1999-00 to 71.4 percent during the phase 2000-01 – 2004-05. In case of BIMARU states, its relative share was 50.8 percent initially which continuously increased to 59.0 percent during the period 2000-01 – 2004-05 but fell to 48.7 percent during 2005-06 – 2009-10 and again rose to 55.8 percent during the phase 2010-11 – 2015-16. At all states level, its relative share was 42.8 percent initial phase which improved to 47.8 percent in the last phase with alternatively increase and decrease in the intervening period as shown in table 2.2. Chart 3.6 displays the percentage contribution of receipts from “economic services” to “own non tax revenue” of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16.

**Table 3.6: Share of Economic Services to Own Non Tax Revenue (Bihar & Jharkhand)- Annual Average (Percent)**

Item	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Economic Services</b>	91.8	67.7	71.4	72.1	80.5	76.9

Source: Calculation from State Finances: A study of Budget, RBI



The average growth rate of receipts from economic services of Bihar, BIMARU and all states have been displayed in table 3.7 below. The undivided Bihar registered the whopping growth rate of economic services during the phase 1995-96 – 1999-00 due to steep fall in the receipts from economic services from rs. 903.3 cr. in 1996-97 to rs. 78.1 cr. in 1997-98 and again improved to rs. 829.1 cr. in 1998-99. After the division of Bihar, it experienced negative growth of 22.2 percent during 2000-01 – 2004-05 but after that it improved to 17.2 percent in the last phase. Table 3.8 indicates that if Bihar were not divided then the growth rate of revenue from economic services would have been 15.9 percent. In case of BIMARU states, its growth rate was 17.6 percent in the initial phase which declined to 14.9 percent during the period 2010-11 – 2015-16 with alternatively decrease and increase in the intervening period as shown in table 2.7. At all states level, its growth rate was 17.0 percent in the initial phase which improved to 14.6 percent during the period 2000-01 – 2004-05 but after that it started to decline and reached to 10.0 percent in the last phase. Fig. 3.4 shows the growth rate of receipts from economic services of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 3.7: Growth rate of Receipts from Economic Services- Annual Average**

Item	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16
Bihar	8.7	183.5	-22.2	25.4	17.2
BIMARU	17.6	10.2	16.5	12.9	14.9
All states	17.0	9.1	14.6	12.0	10.0

Source: Calculation from State Finances: A study of Budget, RBI

**Table 3.8: Growth rate of Receipts from Economic Services (Bihar & Jharkhand)- Annual Average**

Item	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16
<b>Economic Services</b>	8.7	183.5	15.9	18.8	12.9

Source: Calculation from State Finances: A study of Budget, RBI

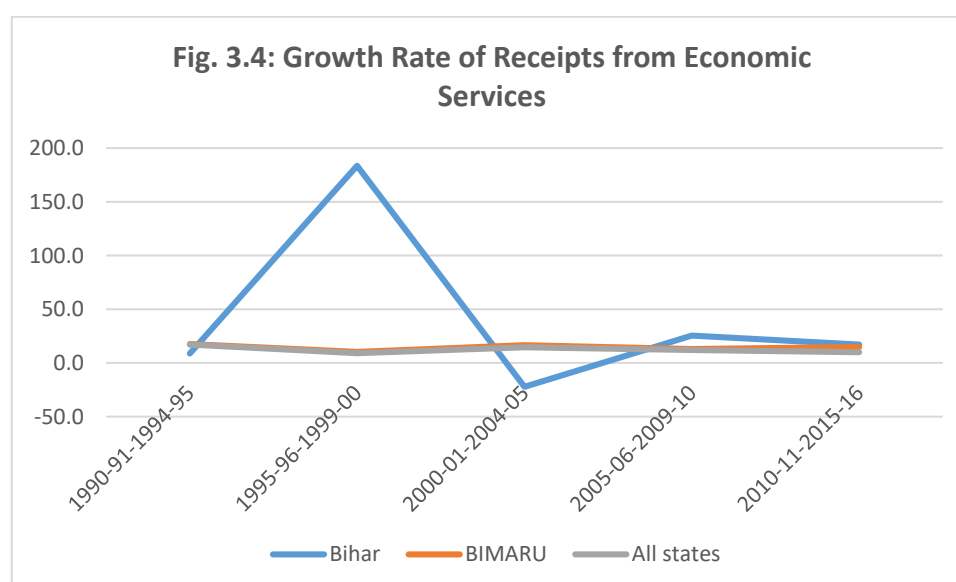


Table 3.9 provides the information about the share of the receipts from the components of social services to own non tax revenue for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 3.9: Share of the Receipts from the Components of Social Services to Own Non Tax revenue- Annual Average (Percent)**

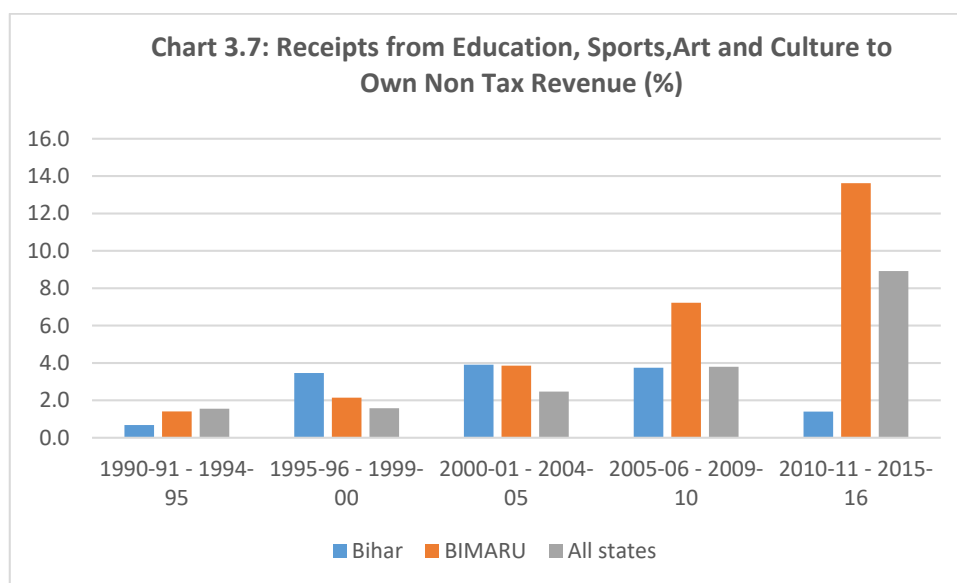
Items	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Education, Sports, Art and Culture</b>						
Bihar	0.7	3.5	3.9	3.7	1.4	2.6
BIMARU	1.4	2.1	3.9	7.2	13.6	6.0
All states	1.6	1.6	2.5	3.8	8.9	3.9
<b>Medical and Public Health</b>						

Bihar	1.3	1.4	4.7	2.5	2.3	2.4
BIMARU	1.1	1.1	1.3	1.3	0.8	1.1
All states	1.8	1.6	1.7	1.3	1.7	1.6
<b>Others*</b>						
Bihar	1.7	3.0	7.2	3.2	1.3	3.2
BIMARU	3.3	3.9	4.6	2.8	2.9	3.5
All states	2.5	3.2	3.8	5.0	5.5	4.1

Source: Calculation from State Finances: A study of Budget, RBI

Note: \* includes “housing”, “urban development”, “social security and welfare”, “labour and employment”, “water supply and sanitation” etc.

The relative share of revenue from education etc. was 0.7 percent for erstwhile Bihar in the initial phase which significantly improved to 3.5 per cent during 1995-96 – 1999-00. After the bifurcation of Bihar, its relative share was 3.9 per cent during 2000-01 – 2004-05 which continuously declined over the period and reached to 1.4 per cent in the last phase. In case of BIMARU states, the relative share has continuously improved from 1.4 percent in the initial phase to 13.6 per cent during the period 2010-11 – 2015-16. At all states level, it also shows the significant increase from 1.6 percent in the initial phase to 8.9 per cent during the period 2010-11 – 2015-16. The percentage contribution of receipts from “education, sports, art and culture” to “own non tax revenue” of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16 has been presented in chart 3.7.



The growth rate of revenue from education etc. has been presented in table 3.10 below. Erstwhile Bihar registered impressive growth rate of 293.9 percent during the period 1995-96 – 1999-00 due to rise in receipts from Rs. 3.2 cr. in 1996-97 to Rs. 56.6 cr. in 1997-98. The divided Bihar experienced the whopping growth rate of 312.4 percent during the phase 2000-

01 – 2004-05 due to improvement in the revenue from Rs.4 cr. in 2002-03 to Rs. 58.3 cr. in 2003-04 and after that its growth rate declined to 63.3 percent in the last phase. For BIMARU states, its growth rate increased continuously from 9.5 percent in the initial phase to 43.8 percent during the period 2005-06 – 2009-10 but decreased to 27.5 percent in the last phase. The data also indicates that, at all states level, its growth rate improved from 8.0 percent in the initial phase to 25.0 percent during the period 2010-11 – 2015-16 with alternatively increase and decrease in the intervening period.

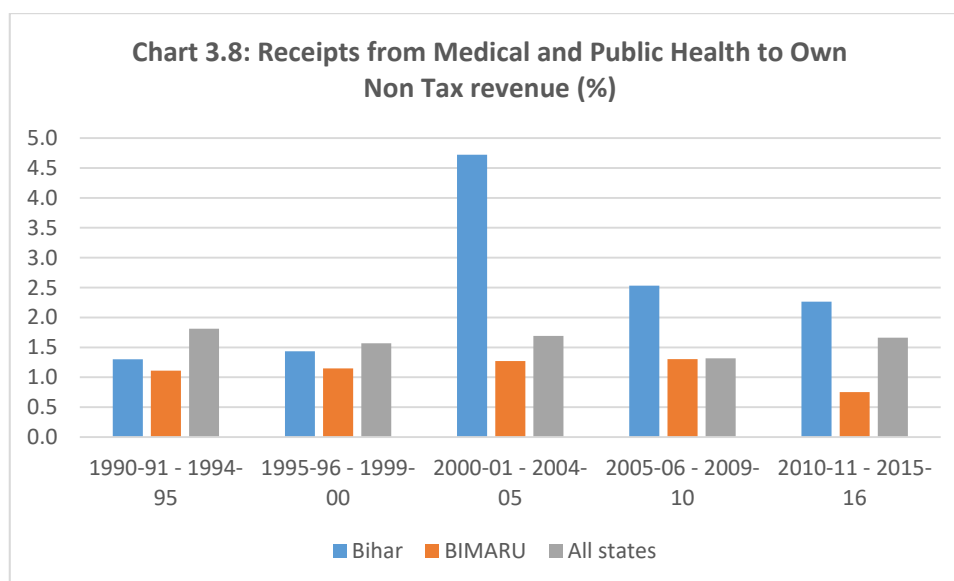
**Table 3.10: Growth rate of revenue from Education, Sports, Art and Culture- Annual Average**

	<b>1990-91 - 1994-95</b>	<b>1995-96 – 1999-00</b>	<b>2000-01 – 2004-05</b>	<b>2005-06 – 2009-10</b>	<b>2010-11 – 2015-16</b>
<b>Bihar</b>	0.9	293.9	312.4	58.2	63.3
<b>BIMARU</b>	9.5	27.7	31.0	43.8	27.5
<b>All states</b>	8.0	23.9	15.9	31.9	25.0

Source: Calculation from State Finances: A study of Budget, RBI

The contribution of receipts from “medical and public health” to non-tax revenue from own sources of Bihar before its bifurcation was 1.3 percent during the phase 1990-91 – 1994-95 and marginally improved to 1.4 percent during the period 1995-96 – 1999-00. After the bifurcation of Bihar, its contribution continuously decreased from 4.7 percent during 2000-01 – 2004-05 to 2.3 percent during 2010-11 – 2015-16 as presented in the table 3.9. In case of BIMARU states, its contribution improved from 1.1 percent in the initial phase to 1.3 percent during the period 2005-06 – 2009-10 but again decreased to 0.8 percent in the last phase. At all states level, its share marginally decrease from 1.8 percent in the initial phase to 1.7 percent during the phase 2010-11 – 2015-16 with alternatively decrease and increase in the intervening period. Chart 3.8 shows the percentage share of receipts from “medical and public health” to “own non tax revenue” of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.





The growth rate of revenue from medical and public health has been depicted in table 3.11 below. For erstwhile Bihar, its growth rate improved from 9.9 percent in the initial phase to 14.2 percent during the period 1995-96 – 1999-00. After the bifurcation of Bihar, it registered the negative rate of growth of 3.8 percent during the phase 2000-01 – 2004-05 because of continuous fall in the revenue from medical and public health from Rs. 27 cr. in 2001-02 to Rs. 12.6 cr. in 2004-05 but shows the impressive growth rate of 24 percent in the last phase. In case of BIMARU states, its growth rate improved from 7.6 percent in the initial phase to 20.4 percent in the last phase with alternatively increase and decrease in the intervening period as presented in table 3.11. At all states level, its growth rate declined from 12.6 percent in the initial phase to 9.3 percent during the period 2005-06 – 1009-10 but shows the significant improvement of 21.8 percent growth rate in the last phase.

**Table 3.11: Growth rate of revenue from Medical and Public Health- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16
<b>Bihar</b>	9.9	14.2	-3.8	3.8	24.0
<b>BIMARU</b>	7.6	15.7	4.9	57.6	20.4
<b>All states</b>	12.6	13.0	9.8	9.3	21.8

Source: Calculation from State Finances: A study of Budget, RBI

Table 3.9 also provides the information about the contribution of revenue from other sources (include “labour and employment”, “social security and welfare”, “water supply and sanitation”, “housing”, “urban development” etc.) to non-tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. In case of erstwhile Bihar, its share improved from 1.7 percent during the phase 1990-91 – 1994-95 to 3.0 percent during 1995-96 – 199-00. After the division of Bihar, its share was 7.2 percent

during the phase 2000-01 – 2004-05 which continuously decreased to 1.3 percent in the last phase. For BIMARU states, its contribution climbed from 3.3 percent during the phase 1990-91 – 1994-95 to 4.6 percent during 2000-01 – 2004-05 but declined to 2.9 percent in the last phase. At all states level, its share has continuously rose from 2.5 percent during the phase 1990-91 – 1994-95 to 5.5 percent during 2010-11 – 2015-16.

Table 3.12 provides the information about the contribution of the receipts from the components of economic services to non-tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Among the components of economic services, industries have been the highest contributor to own non tax revenue.

**Table 3.12: Share of the Receipts from the Components of Economic Services to Own Non Tax revenue- Annual Average (Percent)**

Items	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Forestry and Wildlife</b>						
Bihar	9.1	1.7	3.7	1.0	1.3	3.3
BIMARU	16.0	11.3	8.7	6.5	3.9	9.0
All states	9.9	6.7	5.0	3.8	3.3	5.6
<b>Major and Medium Irrigation Projects</b>						
Bihar	1.5	4.5	5.7	1.9	1.6	3.0
BIMARU	2.7	2.7	3.8	2.7	2.8	2.9
All states	2.3	1.8	2.4	2.5	3.3	2.5
<b>Power</b>						
Bihar	0.0	0.1	0.1	0.0	0.0	0.05
BIMARU	0.6	1.3	4.6	3.0	1.8	2.2
All states	1.9	2.4	4.4	6.1	4.9	4.0
<b>Petroleum</b>						
Bihar	0.0	0.0	0.0	0.0	0.0	0.0
BIMARU	0.0	0.01	0.04	0.1	7.5	1.8
All states	1.9	1.2	1.6	2.1	4.6	2.4
<b>Industries</b>						
Bihar	77.3	57.2	22.5	25.0	47.6	46.0
BIMARU	26.6	32.7	34.9	32.4	35.7	32.6
All states	14.7	15.2	17.1	19.1	24.4	18.4
<b>Road Transport</b>						
Bihar	0.0	0.8	0.02	0.007	0.01	0.2
BIMARU	0.003	0.2	0.8	0.03	0.01	0.2
All states	2.5	2.2	2.2	1.2	1.1	1.8
<b>Others*</b>						
Bihar	3.9	3.3	9.8	7.8	9.9	7.0
BIMARU	5.0	6.1	6.3	4.0	4.1	5.1
All states	9.7	8.1	9.5	7.4	6.3	8.1

Source: Calculation from State Finances: A study of Budget, RBI

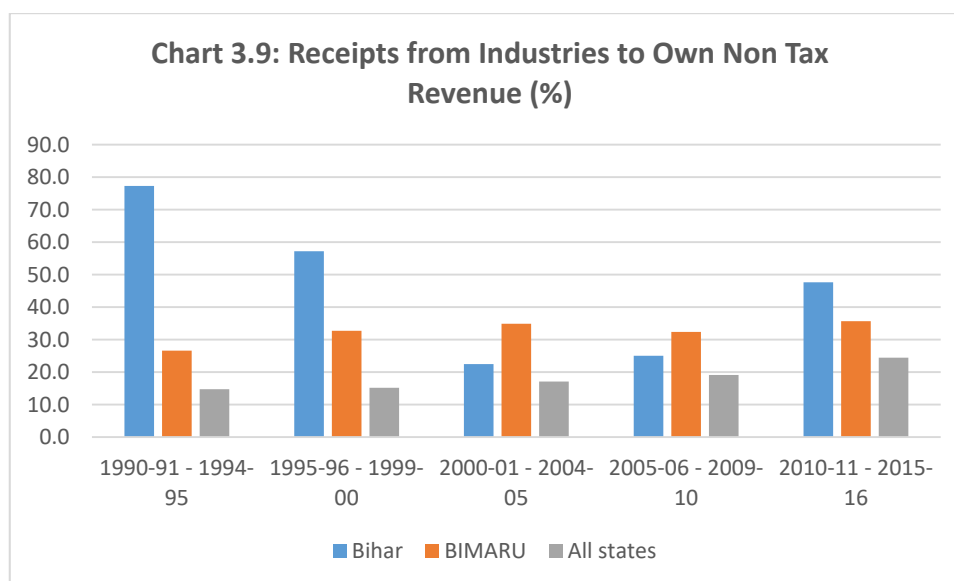
Note: \* includes “crop husbandry”, “animal husbandry”, “fisheries”, “plantations”, “ports”, “tourism”, “co-operation”, “village and small industries” etc.

“The most important source of revenue from industries is the royalty from mines and minerals. In Bihar mining is is governed by Bihar Minor Mineral Concession Rules, 1972 and Mineral Concession rules, 1960 which was framed under the Mines and Minerals (Regulation and Development) Act, 1957” (Economic Survey, Govt. of Bihar, 2013-14, pg. no. 370). “Though undivided Bihar possessed nearly 25 percent of the total minerals deposits in the country, after bifurcation the state is left with only 1 percent of total deposits. Only two minerals, viz., limestones and pyrite are found in sufficient quantity in present Bihar” (Economic Survey, Govt. of Bihar, 2006-07, pg. no. 54). Table 3.12 presents that the relative share of revenue from industries for undivided Bihar was 77.3 percent and decreased to 57.2 percent during the period 1995-96 – 1999-00 because of fall in the receipts from Rs. 820 cr. in 1996-97 to Rs. 0.3 cr. in 1997-98. After the bifurcation of Bihar, its relative share was 22.5 percent during the period 2005-06 – 2009-10 and improved to 47.6 percent in the last phase. The data also shows that the contribution of industries to own non tax revenue for erstwhile Bihar has always been higher than that of BIMARU and all states. If Bihar and Jharkhand were together, the share of industries to own non tax revenue would have been 62.0 percent during the phase 2000-01 – 2004-05 as presented in table 3.13 below. For BIMARU states, its share has continuously increased from 26.6 percent in the initial phase to 35.7 percent in the last phase except the period 2005-06- 2009-10 during which it shows marginal decline as shown in table 3.12. At all states level, its share shows the continuous improvement from 14.7 percent in the initial phase to 24.4 percent during the period 2010-11- 2015-16. Chart 3.9 shows the percentage share of receipts from industries to “own non tax revenue” of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16.

**Table 3.13: Share of revenue from Industries to Own Non Tax revenue (Bihar & Jharkhand)- Annual Average (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Industries</b>	77.3	57.2	62.0	63.8	72.2	66.7

Source: Calculation from State Finances: A study of Budget, RBI



The growth rate of revenue from industries has been depicted in table 3.14 below. It registered the whopping growth rate of 49407 percent during the period 1995-96 – 1999-00 for undivided Bihar, due to increase in the revenue from Rs. 0.3 cr. in 1997-98 to Rs. 741.5 cr. in 1998-99. Bihar experienced negative growth rate of 20.3 percent during the phase just after its bifurcation but improved in the later phase. If Bihar and Jharkhand were not separated its growth rate would have been 21.5 percent during the phase 2000-01 – 2004-05 as presented in table 3.14. In case of BIMARU states, its growth rate continuously declined from 22.2 percent in the initial phase to 9.6 percent during the period 2000-01 – 2004-05 but shows the improvement in the later phase. The data also indicates that at all states, its growth rate significantly declined from 26.6 percent in the initial phase to 9.2 percent in the next phase after that it started to improve and reached to percent during the period 2005-06 – 2009-10 but again decreased to 13.1 percent in the last phase.

**Table 3.14: Growth rate of revenue from Industries- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16
<b>Bihar</b>	9.4	49407.0	-20.3	35.3	20.4
<b>Bihar &amp; Jharkhand</b>			21.5	17.4	14.5
<b>BIMARU</b>	22.2	12.1	9.6	18.5	16.1
<b>All states</b>	26.6	9.2	12.4	17.8	13.1

Source: Calculation from State Finances: A study of Budget, RBI

“The division of state pushed present Bihar into still lower level of industrialisation. In terms of value added, the share of divided Bihar was only 17.9 percent as against 82.1 percent of Jharkhand during 2002-03. With nearly all the minerals remaining with Jharkhand, the contribution of mining and manufacturing sector to GSDP has dropped” (Economic Survey,

Govt. of Bihar, 2009-10, pg. no. 71). As is revealed from the table 3.16, the contribution of mining and manufacturing sector to GSDP decreased considerably after bifurcation of the state.

**Table 3.15: Industrial Units in Bihar and Jharkhand (2002-03)**

Characteristics	Bihar	Jharkhand	Total
No. of Units	1388 (50.2)	1376 (49.8)	2764 (100.0)
Net Value Added (Rs. Lakh)	125090 (17.9)	572580 (82.1)	697670 (100.0)

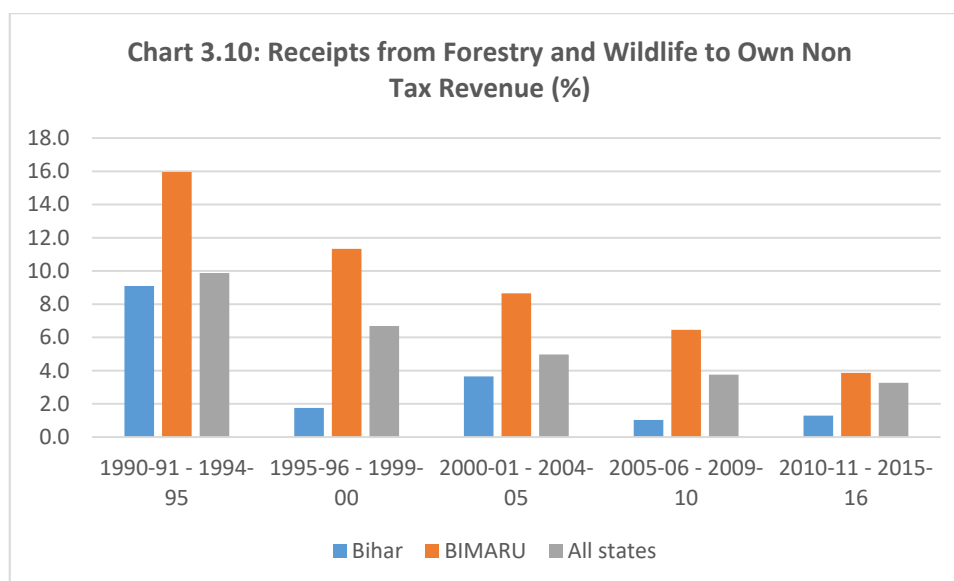
Source: Economic Survey: 2006-07, Government of Bihar, Finance Department,

**Table 3.16: Contribution of Mining and Manufacturing sector to GSDP of Bihar (percent)**

Sectors	1999-00	2004-05	2008-09
i. Mining	0.19	0.07	0.08
ii. Manufacturing	7.20	5.34	4.69

Source: Economic Survey, Government of Bihar, Finance Department, various rounds

Table 3.12 also reveals that the share of “forestry and wildlife” to “own non tax revenue” for undivided Bihar decreased from 9.1 percent in the initial phase to 1.7 percent during the period 1995-96 – 1999-00. After the division of Bihar, its share was 3.7 percent during the period 2000-01 – 2004-05 which declined to 1.3 percent in the last phase. In case of BIMARU states, its contribution continuously fell from 16.0 percent in the initial phase to 3.9 percent in the last phase. At all states, its share also shows the significant fall from 9.9 per cent in the initial phase to 3.3 per cent during 2010-11 -2015-16. Chart 3.10 shows the percentage share of receipts from forestry and wildlife to own non tax revenue of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16.



The growth rate of revenue from forestry and wildlife can be observed from table 3.17 below. For erstwhile Bihar, its growth rate was 4.0 percent in the initial phase but experienced the negative growth of 5.8 per cent during 1995-96 – 1999-00. After the bifurcation of Bihar, its growth rate was 32.9 percent during the phase 2000-01 – 2004-05 which significantly fell to 0.6 percent in the next phase but shows the improvement of 28.7 percent in the last phase. In case of BIMARU states, its growth rate was 6.1 percent in the initial phase but experienced the negative rate of growth of 4.8 percent in the next phase after that it started to improve and reached to 10.6 percent during the period 2005-06 – 2009-10 and again declined to 7.0 percent in the last phase. At all states, it has continuously decreased from 9.8 percent in the initial phase to 3.6 percent during the period 2000-01 – 2004-05 but improved to 6.4 percent in the last phase.

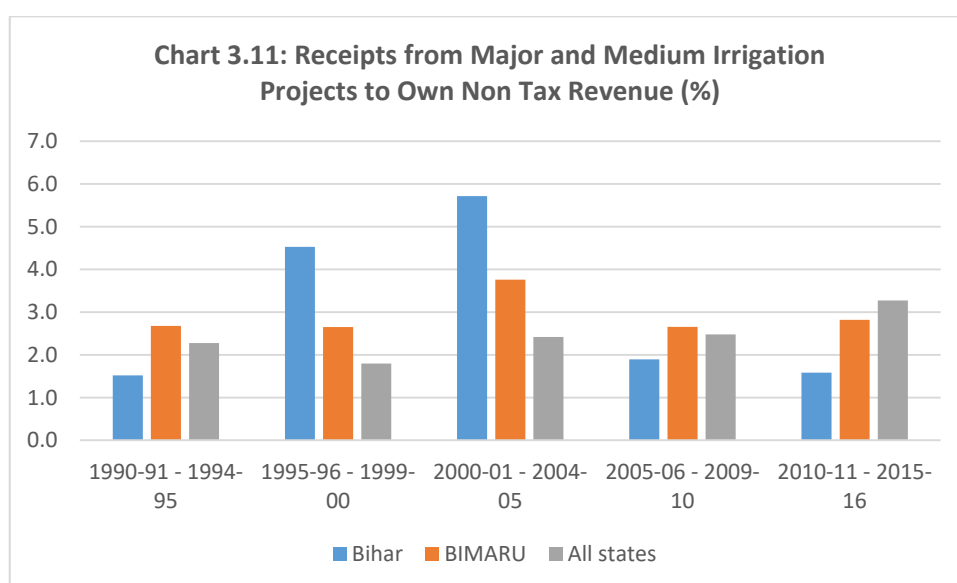
**Table 3.17: Growth rate of revenue from Forestry and Wildlife- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16
<b>Bihar</b>	4.0	-5.8	32.9	0.6	28.7
<b>BIMARU</b>	6.1	-4.8	10.3	10.6	7.0
<b>All states</b>	9.8	5.6	3.6	8.2	6.4

Source: Calculation from State Finances: A study of Budget, RBI

The contribution of revenue from irrigation projects to non-tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 can be observed in table 3.12. Its share for erstwhile Bihar was 1.5 percent in the initial phase which increased to 4.5 percent during the period 1995-96 – 1999-00. After the division of Bihar, its share was 5.7 percent during the phase 2005-06 – 2009-10 which continuously decreased to 1.6 percent in the last phase. In case of BIMARU states, its share has been almost stagnant at

2.7 percent except the period 2000-01 – 2004-05 where it shows improvement.. At all states level, its share was 2.3 percent in the initial phase which decreased to 1.8 percent during the period 1995-96 – 1999-00 after that it started to improve and reached to 3.3 percent in the last phase. Chart 3.11 shows the percentage share of receipts from major and medium irrigation projects to own non tax revenue of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



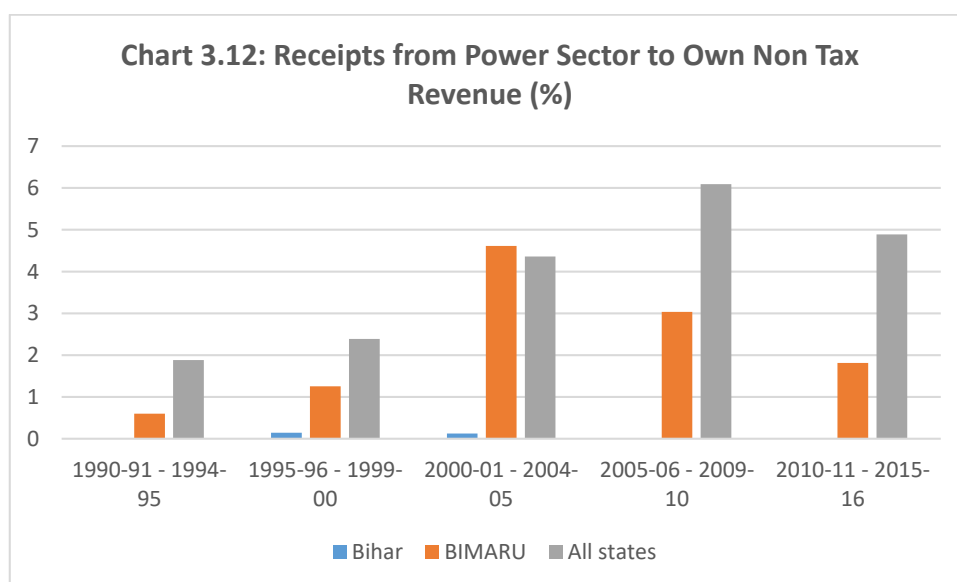
The growth rate of revenue from irrigation projects for Bihar, BIMARU and all states has been presented in table 3.18 below. In case of undivided Bihar, its growth rate was 25.6 percent in the initial phase which improved to 27.5 percent during the period 1995-96 – 1999-00. The present Bihar experienced the negative growth rate of 3.4 percent during 2000-01 -2004-05 but improved to 7.9 percent in the last phase. For BIMARU states, its growth rate declined from 27.7 percent in the initial phase to 22.2 percent in the last phase with alternatively decrease and increase in the intervening period. At all states level, its growth rate also came down from 22.6 percent during the phase 1990-91 – 1994-95 to 20.1 percent during 2010-11 – 2015-16 with alternatively decrease and increase in the intervening period.

**Table 3.18: Growth rate of revenue from Major and Medium Irrigation Projects- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16
<b>Bihar</b>	25.6	27.5	-3.4	0.1	7.9
<b>BIMARU</b>	27.7	8.2	28.6	10.6	22.2
<b>All states</b>	22.6	1.9	25.3	14.2	20.1

Source: Calculation from State Finances: A study of Budget, RBI

The contribution of revenue from power project to non-tax revenue from own sources has been negligible for Bihar as can be seen in table 3.12. In case of BIMARU states, its share was 0.6 percent during the phase 1990-91 -1994-95 and gradually improved to 4.6 percent during 2000-01 – 2004-05 but after that it started to fall and reached to 1.8 percent in the last phase. The data also revealed that at all states level, its share shows the continuous improvement from 1.9 percent in the initial phase to 6.1 percent during the period 2005-06 – 2009-10 but declined to 4.9 percent in the last phase. Chart 3.12 shows the percentage share of receipts from power sector to own non tax revenue of Bihar, BIMARU and all states during the period 1990-91 – 1994- 95 to 2010-11 – 2015-16.



In case of Bihar, revenue from petroleum doesn't contribute to "own non tax revenue" as displayed in table 3.12. For BIMARU states, its share significantly improved from 0.01 percent initially to 7.5 percent during the period 2010-11 – 2015-16. At all states level, its share has also improved from 1.9 percent in the initial phase to 4.6 percent during the period 2010-11 – 2015-16.

Table 3.12 also reveals that the share of revenue from road transport to own non tax revenue has been negligible for Bihar and BIMARU states while at all states level, its contribution decreased from 2.5 percent during the phase 1990-91 – 1994-95 to 1.1 percent during 2010-11 – 2015-16.



The share of others, which include crop husbandry, animal husbandry, fisheries, co-operation, agricultural programmes, tourism etc., to non-tax revenue from own sources of Bihar, BIMARU and all states can be observed in table 3.12. In case of Former Bihar, its share was 3.9 percent in the initial phase and decreased to 3.3 percent during the period 1995-96 – 1999-00. After the division of Bihar, its share was 9.8 percent during the phase 2000-01 2004-05 which fell to 7.8 percent in the next phase but again improved in the last phase to 9.9 percent. For BIMARU states, its share shows the improvement from 5.0 percent in the initial phase to 6.3 percent during the period 2000-01 – 2004-05 but after that it declined to 4.1 percent in the last phase. At all states level, its share decreased from 9.7 percent in the initial phase to 6.3 percent during the period 2010-11 – 2015-16.

### **Analysis of Cost Recovery**

“State government receives revenues from user charges imposed on different social and economic services. It is argued that levying of user charges ensures that only those who benefit from the service have to pay for it. If the public services are tax financed all taxpayers share the burden of the providing the service irrespective of whether they benefit from it or not.. However, in the case of services characterised by externalities or merit goods like education and health it is not only the direct consumers who benefit. So subsidised provision of these services financed by taxation is justified” (Das-Gupta and Arindam, 2005).

“The ratio of non-tax revenue to non-plan revenue expenditure could be taken as a proxy measure of the extent of cost recovery from these services. This ratio provides a rough measure of the extent of recovery of the maintenance expenditure from various public services” (State Finances: A study of Budget, RBI, 2004-05, pg. no. 22). Table 3.19 displays the cost recovery of social services and the components education and health for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 3.19: Cost Recovery of Selected Social Services\*- Annual Average (Percent)**

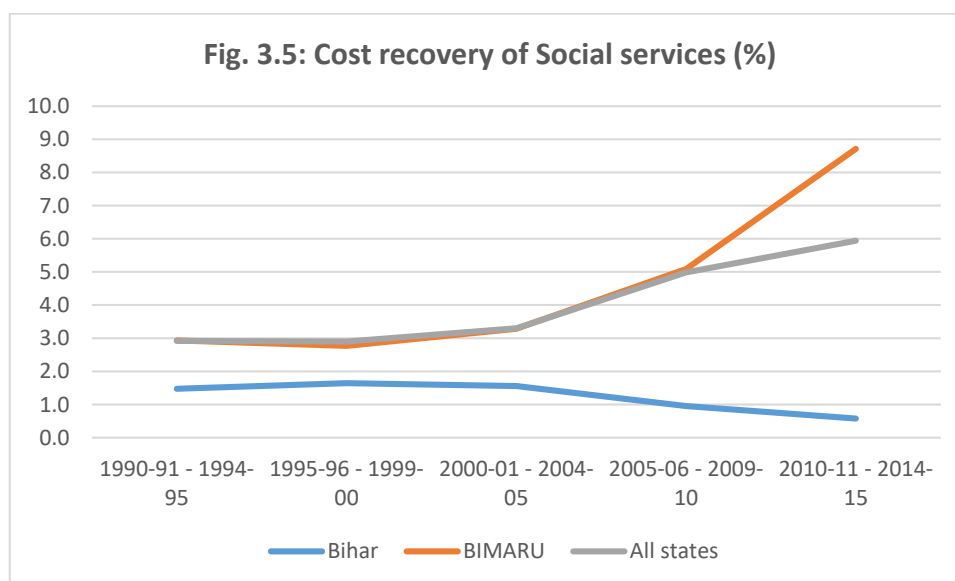
Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Social Services</b>						
Bihar	1.5	1.6	1.6	1.0	0.6	1.2
BIMARU	2.9	2.8	3.3	5.1	8.7	4.6
All states	2.9	2.9	3.3	5.0	5.9	4.0
<b>Education</b>						
Bihar	0.4	0.7	0.6	0.6	0.2	0.5
BIMARU	1.1	1.2	2.1	5.3	10.7	4.1
All states	1.2	1.1	1.6	2.9	5.1	2.4
<b>Health</b>						

Bihar	4.0	3.0	4.0	1.8	1.8	2.9
BIMARU	4.0	3.2	3.2	4.1	2.7	3.5
All states	6.1	5.2	5.5	4.9	4.8	5.3

Source: Calculation from State Finances: A study of Budget, RBI

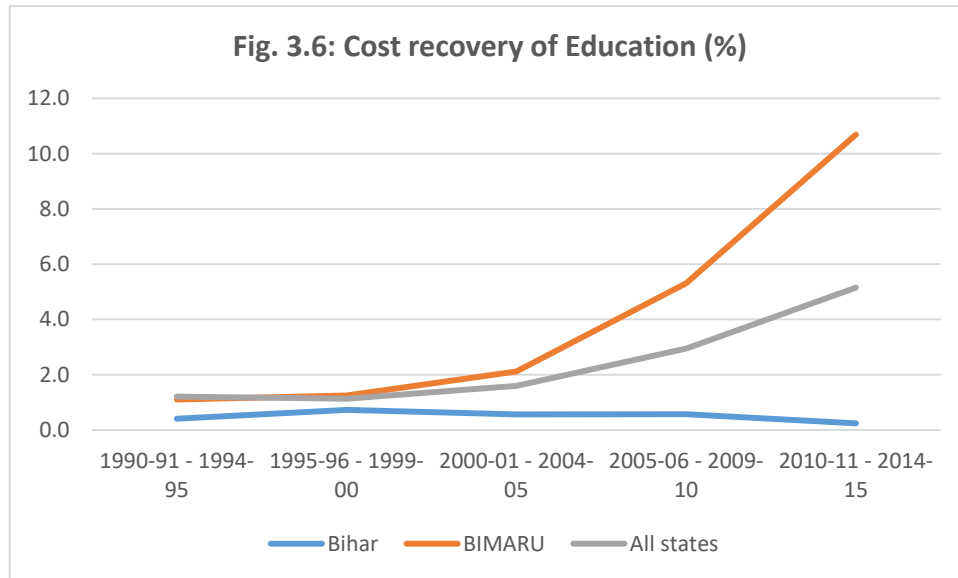
\*: Ratio of “Non-Tax Revenue” to “Non-Plan Revenue Expenditure”

The undivided Bihar could recover 1.5 percent of total non-plan revenue expenditure on social services in the initial phase which marginally improved to 1.6 percent during the period 1995-96 – 1999-00. After the division of Bihar, the cost recovery from social services was 1.6 percent during the period 2000-01 – 2004-05 which significantly declined to 0.6 percent in the last phase. In case of BIMARU states, it has significantly improved from 2.9 percent in the initial phase to 8.7 percent during the period 2010-11 – 2015-16. At all states level, it has also shown the improvement from 2.9 percent in the initial phase to 5.9 percent in the last phase. The data also indicates that the cost recovery for social services of Bihar has always been lower than that of BIMARU and all states. Fig. 3.5 shows the cost recovery of social services for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



Within social services, the cost recovery from education sector was 0.4 percent in the initial phase for former Bihar which improved to 0.7 percent during the period 1995-96 – 1999-00. The present Bihar could recover 0.6 percent of total non-plan revenue expenditure on education sector during the period 2000-01 – 2004-05 which significantly declined to 0.2 percent in the last phase as presented in table 3.19. The cost recovery on education of BIMARU states has significantly increased from 1.1 percent in the initial phase to 10.7 percent in the last phase. At all states level, it also shows the improvement from 1.2 percent in the initial phase to 5.1 percent during the period 2010-11 to 2015-16. The cost recovery on education for Bihar has always

been lower than that of BIMARU and all states. Fig. 3.6 shows the cost recovery of education for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The undivided Bihar could recover 4.0 percent of total non-plan revenue expenditure on health sector in the initial phase which decreased to 3.0 percent during the period 1995-96 – 1999-00. After the bifurcation of Bihar, the cost recovery on health was 4.0 percent during the phase 2000-01 -2004-05 which drastically declined to 1.8 percent in the last phase as depicted in table 3.19. In case of BIMARU states, it was 4.0 percent in the initial phase which shows the significant decline in the last phase to 2.7 percent. At all states level, the cost recovery on health was 6.1 percent in the initial phase which also significantly decreased to 4.8 percent during the period 2010-11 – 2015-16. Fig. 3.7 shows the cost recovery of health for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

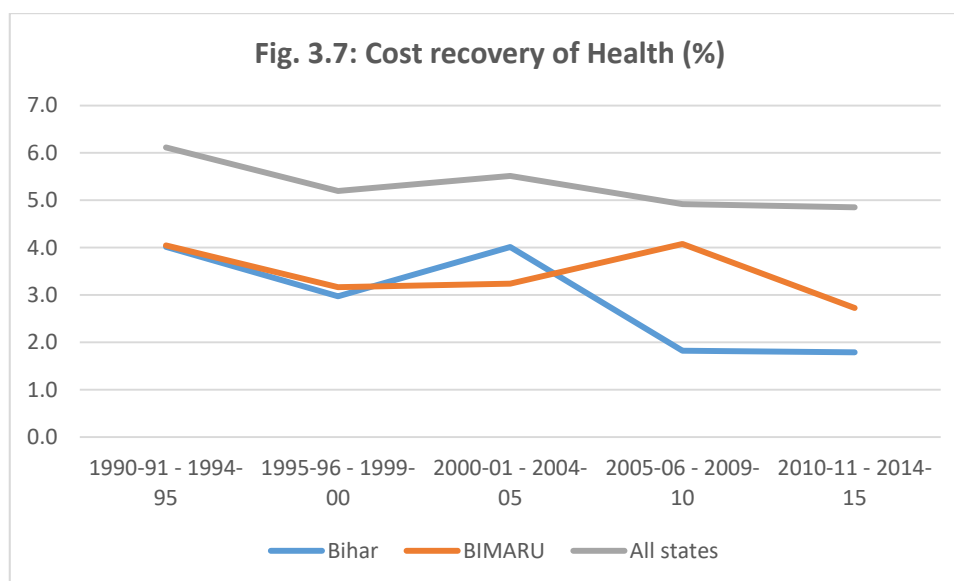


Table 3.20 depicts the cost recovery of economic services and the components irrigation, power and roads for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 3.20: Cost Recovery of Selected Economic Services\*-Annual Average (Percent)**

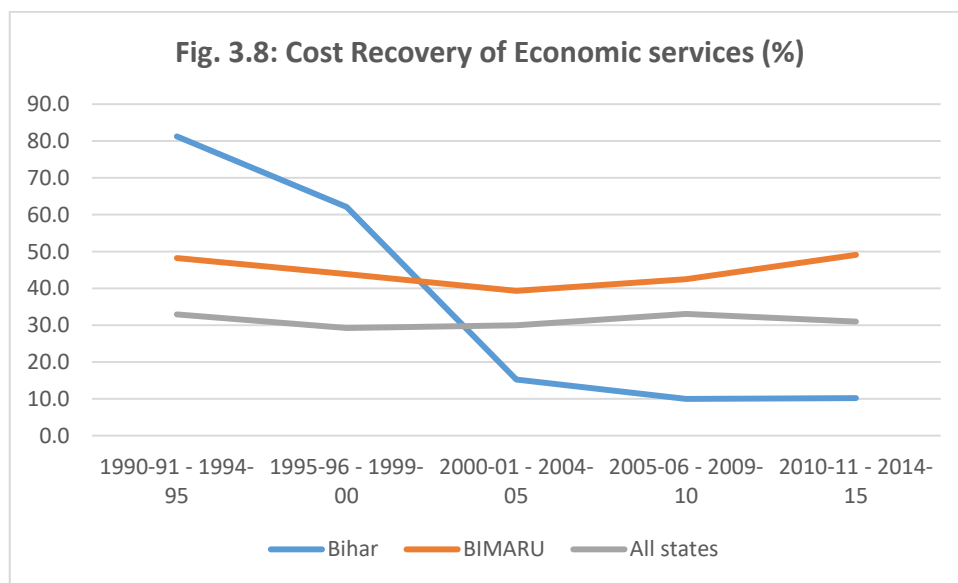
Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Economic Services</b>						
Bihar	81.2	62.1	15.2	10.0	10.2	35.8
BIMARU	48.2	43.9	39.3	42.5	49.1	44.6
All states	32.9	29.2	30.0	33.0	31.0	31.2
<b>Irrigation</b>						
Bihar	9.3	16.7	7.4	2.7	1.9	7.6
BIMARU	9.3	7.9	11.7	12.4	16.3	11.5
All states	7.9	5.9	9.9	13.5	14.8	10.4
<b>Power</b>						
Bihar	0.0	0.0	0.0	0.0	0.0	0.0
BIMARU	3.7	7.0	17.5	12.8	5.5	9.3
All states	16.1	10.8	11.4	16.4	10.7	13.1
<b>Roads</b>						
Bihar	0.0	5.5	0.0	0.0	0.0	1.1
BIMARU	0.0	0.9	4.0	0.2	0.1	1.0
All states	15.0	15.1	17.5	7.5	6.0	12.2

Source: Calculation from State Finances: A study of Budget, RBI

\*: Ratio of “Non-Tax revenue” to “Non-Plan Revenue Expenditure”

The former Bihar could recover 81.2 percent of total non-plan revenue expenditure on economic services in the initial phase which decreased to 62.1 percent during the period 1995-96 – 1999-00. After the division of Bihar, its cost recovery from economic services was 15.2 percent during the phase 2000-01 – 2004-05 which fell to 10.2 percent in the last phase. In case

of BIMARU states, the cost recovery from economic services declined from 48.2 percent in the initial phase to 39.3 percent during the period 2000-01 – 2004-05 but after that it started to improve and achieved to 49.1 percent in the last phase. At all states level, it has improved from 32.9 percent in the initial phase to 33.0 percent during the phase 2005-06 – 2009-10 but again fell to 31.0 percent in the last phase. The data also indicates that the cost recovery from economic services for present Bihar has always been lower than that of BIMARU and all states. Fig. 3.8 shows the cost recovery of economic services for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



Within economic services, the cost recovery from irrigation sector for erstwhile Bihar improved from 9.3 percent in the initial phase to 16.7 percent during the period 1995-96 – 1999-00. After the bifurcation of Bihar, the cost recovery was 7.4 percent during the phase 2000-01 – 2004-05 which drastically declined to 1.9 percent in the last phase as displayed in table 3.20. The cost recovery from irrigation for BIMARU states shows the continuous increase from 9.3 percent in the initial phase to 16.3 percent in the last except during the period 1995-96 – 1999-00 where it shows decline. At all states level, it also shows the continuous improvement from 7.9 percent in the initial phase to 14.8 percent in the last phase except during the period 1995-96 – 1999-00 where it has declined. The data also indicates that the cost recovery from irrigation for divided Bihar has always been lower than that of BIMARU and all states. Fig. 3.9 shows the cost recovery of irrigation for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

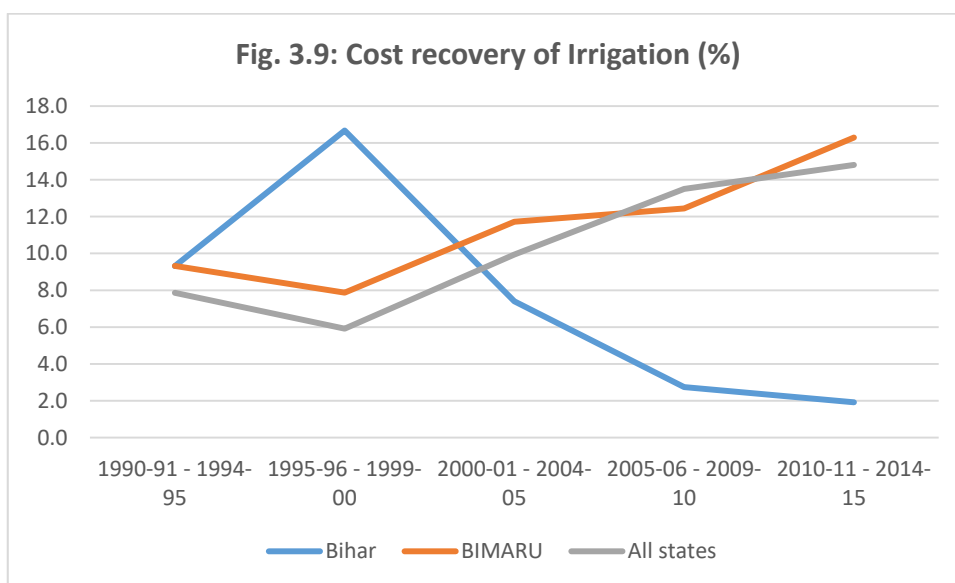
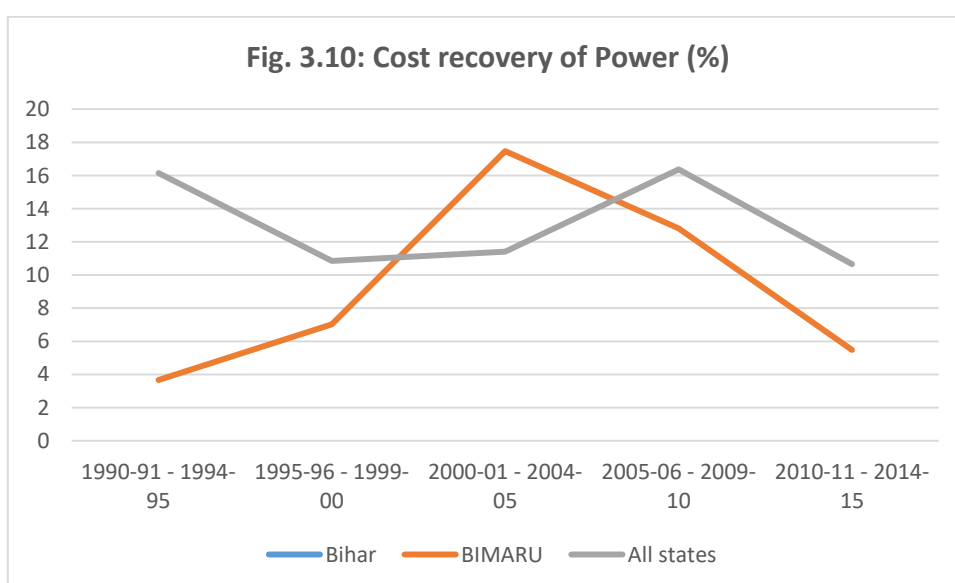


Table 3.20 also presents that the cost recovery from power sector for Bihar has been zero while BIMARU states could recover 3.7 percent of total non-plan revenue expenditure on power which increased to 17.5 percent during the period 2000-01 – 2004-05 but after that it significantly declined to 5.5 percent in the last phase. At all states level, the cost recovery from power sector marginally improved from 16.1 percent in the initial phase to 16.4 percent during the period 2005-06 – 2009-10 but again fell to 10.7 percent in the last phase. Fig. 3.10 shows the cost recovery of power sector for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The former Bihar has been able to recover 5.5 percent of total revenue expenditure on revenue account from roads during the period 1995-96 – 1999-00 only while the present Bihar has not been able to recover from non-plan revenue expenditure on roads as depicted in table 3.20. In case of BIMARU states, the cost recovery from roads was zero in the initial phase and have been able to recover 0.9 percent of total non-plan revenue expenditure on roads during the period 1995-96 – 1999-00 which declined to 0.1 percent in the last phase. At all states level, it has improved from 15.0 percent in the initial phase to 17.5 percent during the phase 2000-01 – 2004-05 but after that it drastically decreased to 6.0 percent in the last phase. Fig. 3.11 shows the cost recovery of roads for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

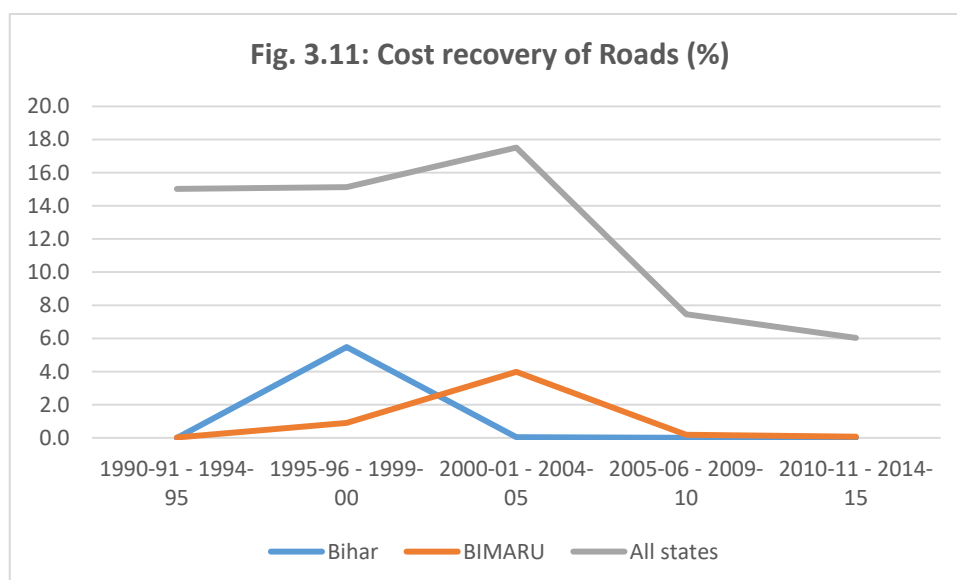


Table 3.21 provides the information about own non tax revenue to GSDP ratio for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 3.21: Own Non Tax revenue to GSDP- Annual Average (Percent)**

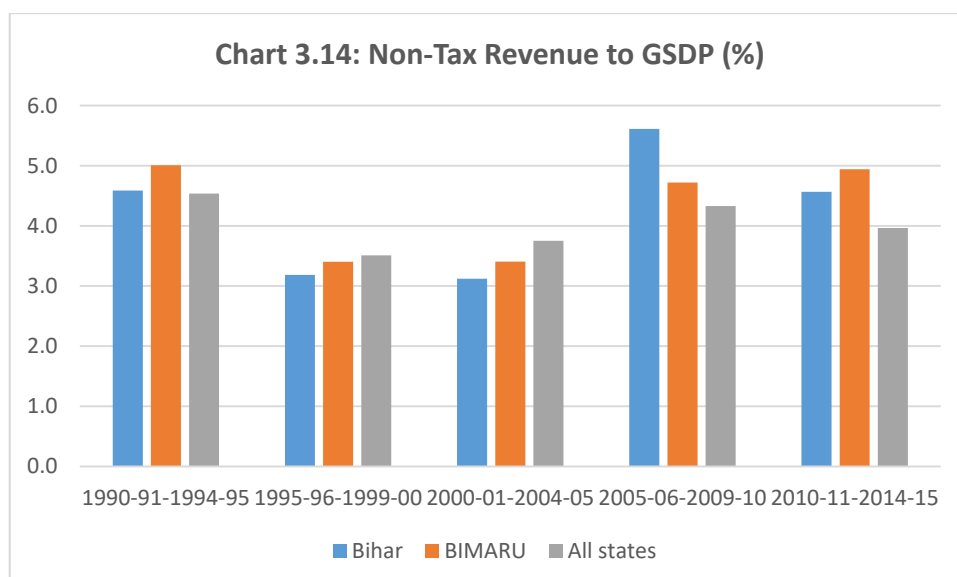
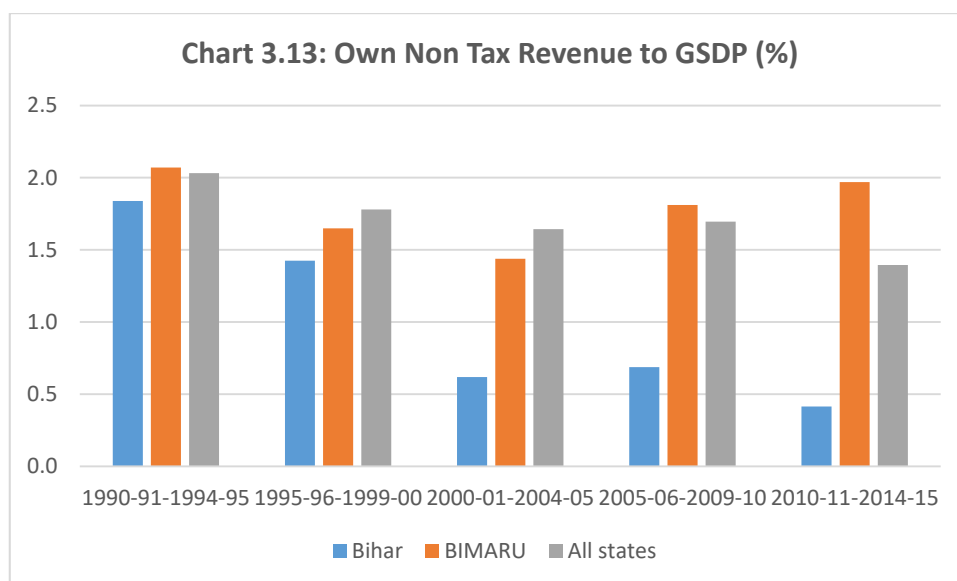
Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2014-15
<b>Own Non Tax Revenue</b>					
Bihar	1.8	1.4	0.6	0.7	0.4
BIMARU	2.1	1.6	1.4	1.8	2.0
All states	2.0	1.8	1.6	1.7	1.4

<b>Grants from the Centre</b>					
Bihar	2.7	1.8	2.5	4.9	4.1
BIMARU	2.9	1.8	2.0	2.9	3.0
All states	2.5	1.7	2.1	2.6	2.6
<b>Non-Tax Revenue</b>					
Bihar	4.6	3.2	3.1	5.6	4.6
BIMARU	5.0	3.4	3.4	4.7	4.9
All states	4.5	3.5	3.8	4.3	4.0

Source: Computation from State Finances: A study of Budget, RBI, CSO

The contribution of non-tax revenue from own sources to GSDP of undivided Bihar was 1.8 percent during the phase 1990-91 – 1994-95 and came down to 1.4 percent during 1995-96 – 1999-00. After the division of Bihar, the ratio was 0.6 percent during the phase 2000-01 – 2004-05 and gradually declined to 0.4 percent in the last phase. In case of BIMARU states, it decreased from 2.1 percent in the initial phase to 1.4 percent during the period 2000-01 – 2004-05 after that it started to improve and achieved to 2.0 percent in the last phase. At all states level, it has continuously decreased from 2.0 percent in the initial phase to 1.4 percent in the last phase. The data also displays that the ratio of non-tax revenue from own sources to GSDP of Bihar has always been lower than that of BIMARU and all states. The ratio of non-tax revenue GDSP of Bihar improved from 3.1 percent during the period 2000-01 – 2004-05 to 4.6 percent during 2010-11 – 2014-15 due to “increase in the volume of grants from the centre to states with the phase out of central loans since 2005-06 in pursuance of the recommendation of 12<sup>th</sup> Finance Commission” (State Finances A Study of Budget, RBI). The percentage contribution of non-tax revenue from own sources to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15 has been displayed in chart 3.13 and chart 3.14 presents the percentage contribution of non-tax revenue to GSDP of Bihar, BIMARU and all states during the same period.





**Table 3.22: Components of Own Non Tax Revenue to GSDP- Annual Average (Percent)**

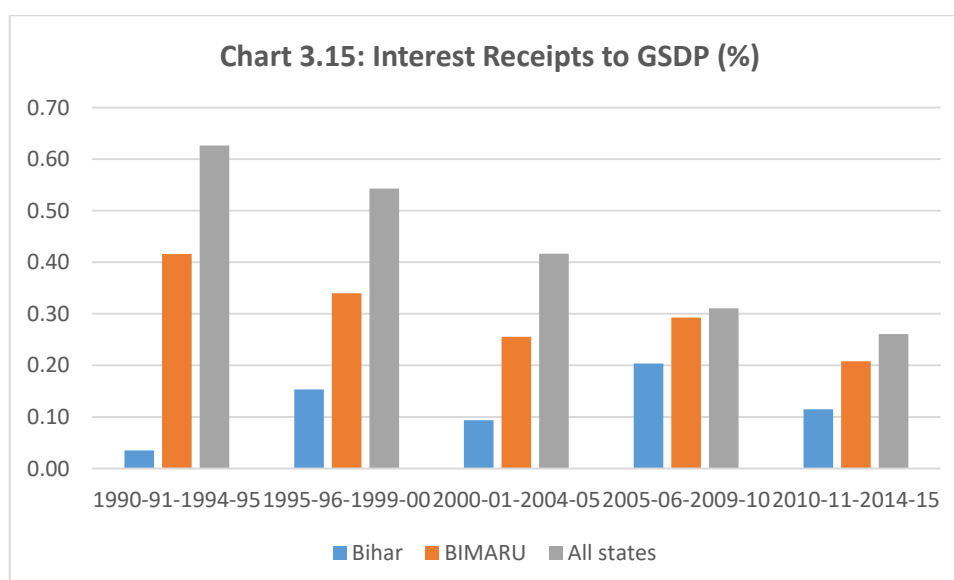
Items	1990-91 1994-95	1995-96 1999-00	2000-01 2004-05	2005-06 2009-10	2010-11 2014-15
<b>Interest Receipts</b>					
Bihar	0.04	0.2	0.1	0.2	0.1
BIMARU	0.4	0.3	0.3	0.3	0.2
All states	0.6	0.5	0.4	0.3	0.3
<b>General Services</b>					
Bihar	0.05	0.1	0.2	0.2	0.02
BIMARU	0.5	0.3	0.2	0.4	0.3
All states	0.4	0.5	0.4	0.5	0.2
<b>Social Services</b>					
Bihar	0.07	0.07	0.1	0.1	0.02

BIMARU	0.1	0.1	0.1	0.2	0.3
All states	0.1	0.1	0.1	0.2	0.2
<b>Economic Services</b>					
Bihar	1.7	1.1	0.3	0.2	0.3
BIMARU	1.1	0.9	0.9	0.9	1.1
All states	0.9	0.7	0.7	0.7	0.7
<b>Others*</b>					
Bihar	0.0	0.0	0.0	0.0	0.0
BIMARU	0.003	0.01	0.02	0.02	0.03
All states	0.009	0.01	0.01	0.02	0.02

Source: Computation from State Finances: A study of Budget, RBI, CSO

Note: \* includes “dividends and profits” and “fiscal services”.

Within own non tax revenue, the share of interest receipts to GSDP for former Bihar was 0.04 percent in the initial phase which improved to 0.2 percent during the period 1995-96 – 1999-00 as shown in table 3.22. After the bifurcation of Bihar, its share was 0.1 percent during the phase 2000-01 – 2004-05 which marginally improved to 0.2 percent in the next phase but again fell to 0.1 percent in the last phase. In case of BIMARU states, its share was 0.4 percent in the initial phase but after that that it remained stagnant at 0.3 percent and declined to 0.2 percent in the last phase. At all states level, its share has gradually decreased from 0.6 percent in the initial phase to 0.3 percent in the last phase. Chart 3.15 shows the ratio of interest receipts to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

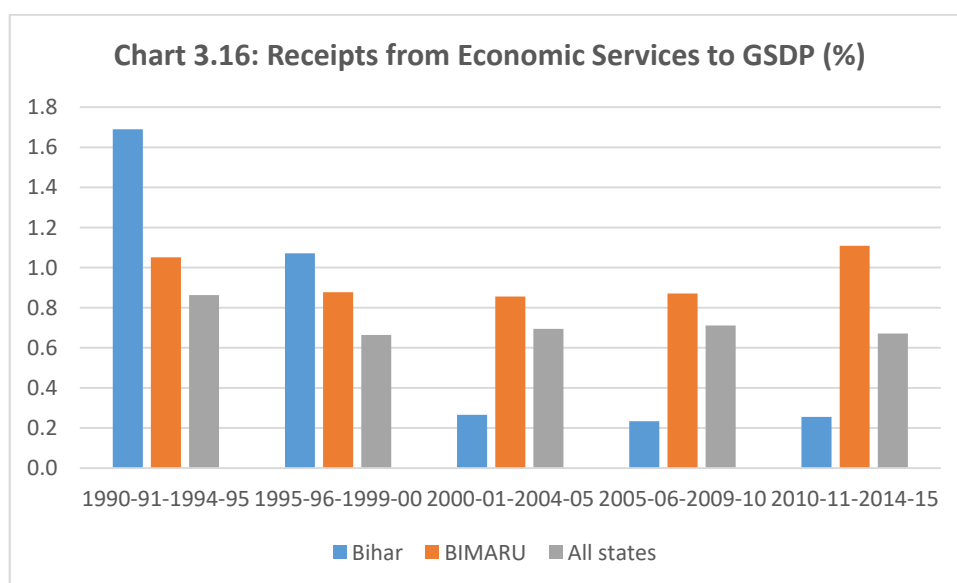


The share of general services to GSDP for undivided Bihar was 0.05 percent in the initial phase and improved to 0.1 percent during the period 1995-96 – 1999-00 as shown in table 2.22. Its

share was 0.2 percent during the phase just after the division of Bihar which fell to 0.02 percent during the period 2010-11 – 2015-16. For BIMARU states, its share came down from 0.5 percent in the initial phase to 0.2 percent during the period 2000-01 – 2004-05 and marginally improved to 0.3 percent in the last phase. At all states level, its share was almost stagnant at 0.5 percent which decreased to 0.2 percent in the last phase.

Table 3.22 also represents that the share of social services to GSDP for erstwhile Bihar was stagnant at 0.07 percent. After the division of Bihar, its share was 0.1 percent during the period 2000-01 – 2004-05 which declined to 0.02 percent in the last phase. In case of BIMARU states, its share has been stagnant at 0.1 percent and improved to 0.3 percent in the last phase. Its share for all states has also been stagnant at 0.1 percent and marginally improved to 0.2 percent in the later phase.

The contribution of economic services to GSDP for undivided Bihar was 1.7 percent in the initial phase and declined to 1.1 percent during the period 1995-96 – 1999-00 as displayed in table 3.22. After the division of Bihar, its share has been remained almost stagnant at 0.3 percent. In case of BIMARU states, its share was 1.1 percent in the initial phase and after that it remained stagnant at 0.9 percent which again reached to 1.1 percent in the last phase. At all states level, its share was 0.9 percent in the initial phase after that it remained stagnant at 0.7. Chart 3.16 displays the ratio of receipts from economic services to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.



The share of others components, which include “dividends and profits” and “fiscal services”, to GSDP has been negligible for Bihar, BIMARU and all states.

Table 3.23 depicts the per capita non-tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 3.23: Per Capita Own Non Tax revenue- Annual Average (Rs.)**

Items	1990-91 1994-95	1995-96 1999-00	2000-01 2004-05	2005-06 2009-10	2010-11 2015-16
<b>Own Non Tax Revenue</b>					
Bihar	87	102	50	89	124
BIMARU	127	164	197	419	898
All states	162	255	340	620	971
<b>Grants from the Centre</b>					
Bihar	174	170	207	611	1215
BIMARU	177	178	268	672	1419
All states	196	249	436	968	1839
<b>Non-Tax revenue</b>					
Bihar	289	306	262	700	1339
BIMARU	305	342	464	1091	2317
All states	359	505	776	1588	2809

Source: Calculation from State Finances: A study of Budget, RBI

Per capita receipts of non-tax revenue from own resources of erstwhile Bihar was Rs. 87 in the initial phase which increased to Rs. 102 during the period 1995-96 – 1999-00. After the division of Bihar, it was Rs. 50 during the phase 2000-01 – 2004-05 which rose to Rs. 124 in the last phase. In case of BIMARU states, it has climbed from Rs. 127 in the initial phase to Rs. 898 in the last phase. At all states level, it has also increased from Rs. 162 in the initial phase to Rs. 971 during the period 2010-11 – 2015-16. The data also displays that per capita receipts of non-tax revenue from own sources of Bihar has always been lower than that of BIMARU and all states. The ratio of per capita receipts of non-tax revenue from own sources of Bihar to that of all states fell from 0.53 during the phase 1990-91 – 1994-95 to 0.12 during 2010-11 – 2015-16 while the proportion of per capita “non-tax revenue” of Bihar to that of all states decreased from 0.80 to 0.47 during the same period. Chart 3.17 shows the per capita own non tax revenue of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 3.18 displays the per capita non tax revenue of Bihar, BIMARU and all states during the same period.

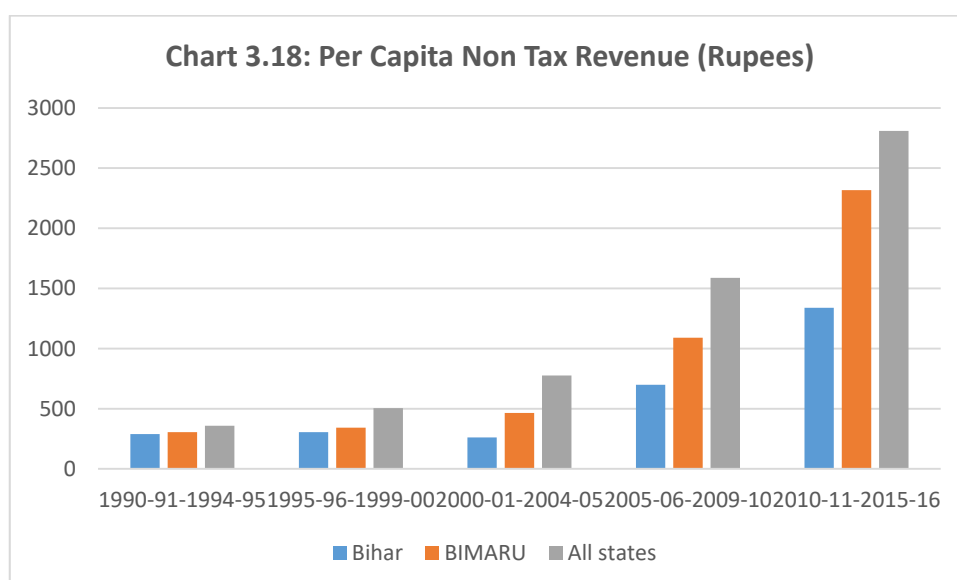
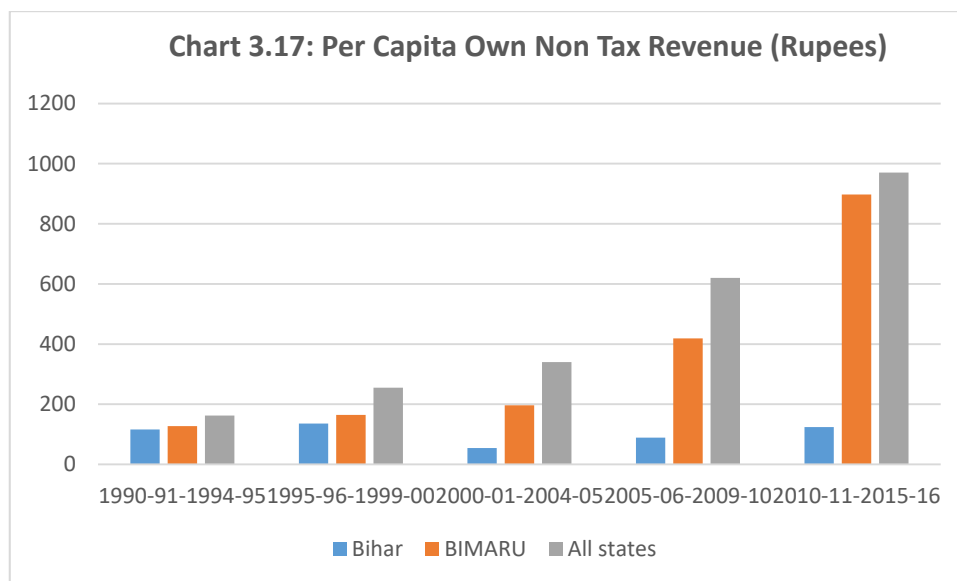
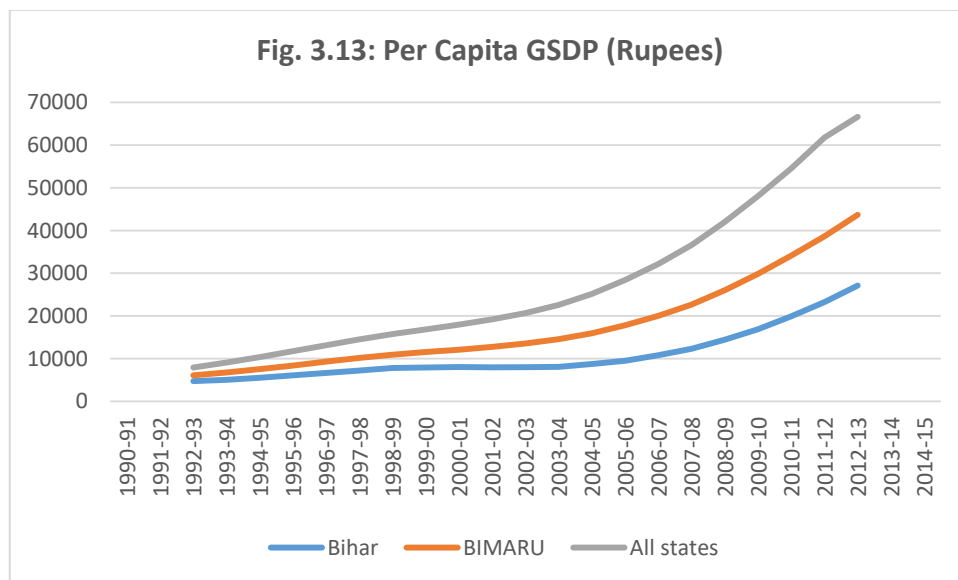
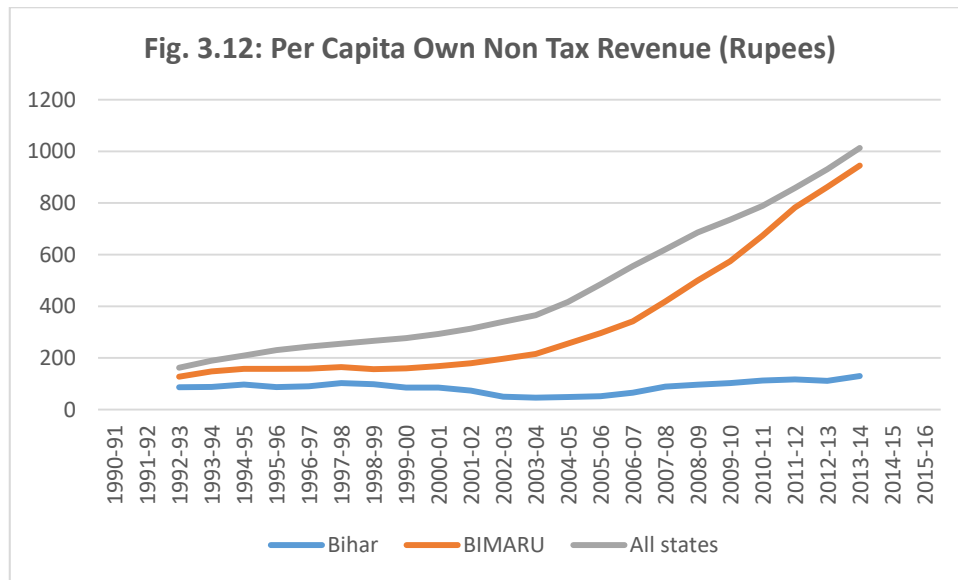


Table 3.24 shows the strong correlation between per capita receipts of non-tax revenue from own sources and per capita GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. The lower per capita GSDP has also been responsible for the lower per capita receipts of non-tax revenue from own sources of Bihar in comparison to BIMARU and all states. Fig. 3.12 displays the trend of per capita receipts of non-tax revenue from own sources of Bihar, BIMARU and all states during the period 1990-91 to 2015-16 and Fig. 3.13 displays the trend of per capita GSDP of Bihar, BIMARU and all states during the period 1990-91 to 2014-15.

**Table 3.24: Correlation between Per capita Own Non Tax revenue and Per capita GSDP-Annual Average**

Items	1990-91 1994-95	1995-96 1999-00	2000-01 2004-05	2005-06 2009-10	2010-11 2014-15
Bihar	0.7	0.4	0.6	0.9	0.9
BIMARU	1.0	-0.2	0.9	0.9	1.0
All states	1.0	0.7	1.0	1.0	0.9

Source: Calculation from State Finances: A study of Budget, RBI and CSO



Per Capita gap of receipts of non-tax revenue from the own sources of all states with that of Bihar shoot up from rs. 46 during the period 1990-91 – 1994-95 to rs. 846 during 2010-11 – 2015-16. Fig. 3.14 shows the trend of per capita gap of receipts of non-tax revenue from own

sources of all states with that of Bihar during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

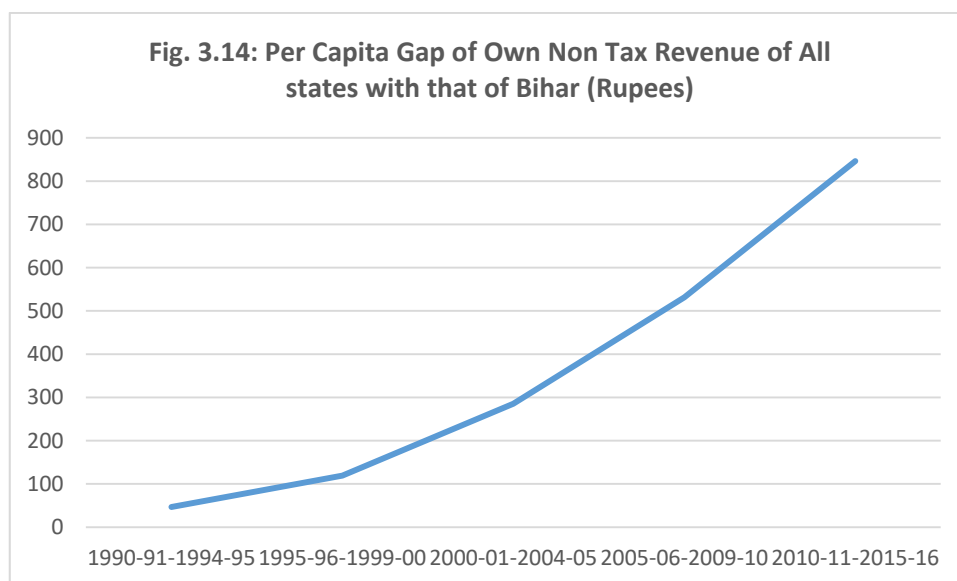


Table 3.25 shows the per capita revenue from the components of own non tax for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 3.25: Per Capita Revenue from the components of Own Non Tax Revenue- Annual Average (Rs.)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>Interest Receipts</b>					
Bihar	2	16	8	25	33
BIMARU	26	34	34	66	88
All states	49	78	84	113	169
<b>General Services</b>					
Bihar	3	11	14	28	12
BIMARU	30	29	23	102	139
All states	35	63	81	178	169
<b>Social Services</b>					
Bihar	4	7	8	6	6
BIMARU	7	12	19	47	159
All states	9	16	27	63	160
<b>Economic Services</b>					
Bihar	106	100	24	30	73
BIMARU	64	88	118	199	499
All states	68	96	145	260	461
<b>Others*</b>					
Bihar	0.02	2	0.007	0.1	0.4
BIMARU	0.2	1	3	5	12
All states	0.7	1	2	6	11

Source: Calculation from State Finances: A study of Budget, RBI

Note: \* includes “dividends and profits” and “fiscal services”.

Per capita receipts from economic services has always been highest for Bihar, BIMARU and all states among the components of own non tax revenue, however, it shows the sharp decline in case of Bihar after its division and again improved during the period 2010-11 – 2015-16. Per capita revenue from interest receipts shows the improvement since 2005 since the state governments received the higher interest receipt from cash surplus as explained earlier. Per capita revenue from general services shows the wide fluctuation for Bihar while for BIMARU and all states, it has significantly improved since 2005. Per capita revenue from social services significantly improved for BIMARU and all states since 2005 but it has been negligible for Bihar.

The sharp decline in the contribution of “own non tax revenue” to “non-tax revenue” for divided Bihar is due to lose of large part of metal and metallurgical industries to Jharkhand. The low cost recovery from the different sources of own non tax revenue has also been responsible for fall in the share of own non tax revenue in non-tax revenue in case of Bihar, which is the matter of concern.



#### **Chapter IV: Central Transfers: Overview of Trend, Composition and Pattern**

“Total transfers include the transfers from Finance Commission i.e. share in central taxes and statutory grants, transfers from Planning Commission i.e. central assistance to states, centrally sponsored schemes of Central Ministries which require the approval and clearance from Planning Commission and other transfers i.e. specific purpose grants under the recommendation of Finance Commission, grants for relief on account of natural calamities and discretionary grants through Central Ministries on non-plan head” (State Finances: A Study of Budget, RBI). The resources transferred from centre to states through Finance commission, Planning commission and Central ministries for Bihar, BIMARU and all states during the period 1990-91 – 1995-96 to 2010-11 – 2015-16 has been presented in table 4.1.

**Table 4.1: Transfer of resources from Centre to States through various channels (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>A. Finance Commission</b>						
Bihar	74.2	78.9	81.3	75.7	77.1	77.4
BIMARU	60.9	72.0	73.0	73.6	73.3	70.7
All states	59.0	65.0	64.5	64.7	65.3	63.8
<b>B. Planning Commission</b>						
Bihar	24.8	15.5	17.2	19.1	22.1	19.8
BIMARU	36.3	23.4	23.6	22.5	24.4	26.0
All states	37.9	30.7	30.1	28.6	30.0	31.4
<b>C. Other Transfers*</b>						
Bihar	1.0	5.6	1.4	5.2	0.8	2.7
BIMARU	2.9	4.7	3.4	3.9	2.3	3.4
All states	3.1	4.3	5.4	6.7	4.7	4.8
<b>Total (A to C)</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes specific purpose grants under the recommendation of Finance commission, grants for relief on account of natural calamities and discretionary grants through Central ministries.

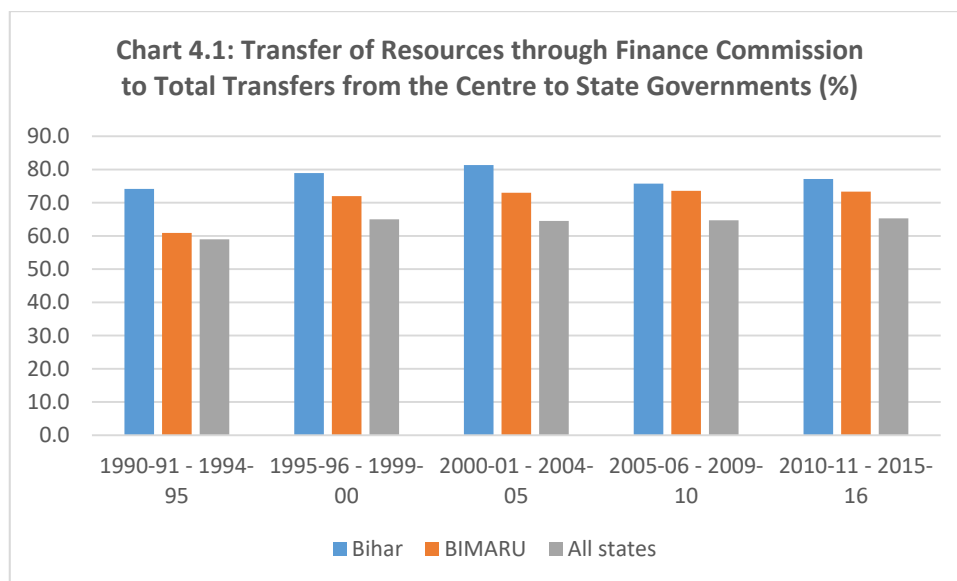
Finance commission transfers include share in central taxes and statutory grants, based on gaps between non-plan revenue expenditure on non-plan head of the state government and revenue receipts after tax devolution from the centre. In case of undivided Bihar, the share of transfer from Finance commission was 74.2 percent during the period 1990-91 – 1995-96 (FC 9) which increased to 78.9 percent during FC 10 (1995-96 – 1999-00). After the division of Bihar, its share was 81.3 percent during the period 2000-01 – 2004-05 (FC 11) which declined to 75.7

percent during FC 12 (2005-06 – 2009-10) but again improved to 77.1 percent during the period 2010-11 – 2015-16. “The declining share of devolution for present Bihar consistently over the award period of Finance commissions creating serious fiscal strain on state finances” (Chakraborty P., Implication of Finance Commission’s transfer to lower income states: A study of Bihar, pg.19). The share of transfer from Finance commission for BIMARU states shows the continuous increase from 60.9 percent during FC 9 to 73.3 percent during FC 12 but marginally declined to 73.3 percent in the last phase as shown in the table 4.1. At all states level, its share increased from 59.0 percent during FC 9 to 65.0 percent during FC 10 after that it decreased to 64.7 percent during FC 12 but again improved to 65.3 percent in the last phase.

The transfers through Planning Commission include the grants for the purpose of state plan schemes, central plan schemes and centrally sponsored schemes. Its share was 24.8 percent in the initial phase for erstwhile Bihar which declined to 15.5 percent during the period 1995-96 – 1999-00. After the bifurcation of Bihar, its share was 17.2 percent during the phase 2000-01 – 2004 -05 and continuously increased to 22.1 percent in the last phase. For BIMARU states, its share was 36.3 percent in the initial phase which decreased to 22.5 percent during the period 2005-06 – 2009-10 but improved in the last phase to 24.4 percent. At all states level, its share gradually declined from 37.9 percent in the initial phase to 28.6 percent during the period 2005-06 – 2009-10 but increased to 30.0 percent in the last phase.

Table 4.1 also displays the share of other transfers, which include specific purpose grants under the recommendation of Finance commission, natural calamities relief grants and discretionary grants through Central ministries. Its share was 1.0 percent for the former Bihar in the initial phase which significantly increased to 5.6 percent during the period 1995-96 -1999-00 due to provision of grants for upgradation and special problems under the recommendation of FC 10. After the division of Bihar, its share was 1.4 percent during the period 2000-01 – 2004-05 which rose to 5.2 percent in the next phase due to introduction of equalisation principle to provide grants for education and health under the recommendation of FC12 but its share again declined to 0.8 percent in the last phase. In case of BIMARU states, its share increased from 2.9 percent to 4.7 percent initially but after that it decreased to 2.3 percent in the last phase. At all states level, its share gradually rose from 3.1 percent during the phase 1990-91 – 1994-95 to 6.7 percent during the period 2005-06 – 2009-10 but decreased to 4.7 percent in the last phase.

The share of transfers from Finance Commission in total transfers from the centre, which are unconditional, has declined while the contribution of transfers under the approval of Planning Commission in total transfers from the centre, which are mostly conditional and matching contributions are required from states to spend, has increased for present Bihar. On the other hand, the declining receipt from own resources create strain on the expenditure side of the Bihar government. “While the Finance Commission transfers tend to have a strong equalizing effect, the transfers from discretionary sources as well as for state plan schemes do not help balance fiscal abilities across states” (Rao and Singh, 2005). The percentage contribution of transfer of resources through finance commission to total resource transferred from the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in chart 4.1 and Chart 4.2 presents the percentage contribution of transfer of resources through planning commission to total resources transferred from the centre to Bihar, BIMARU and all states during the same period.



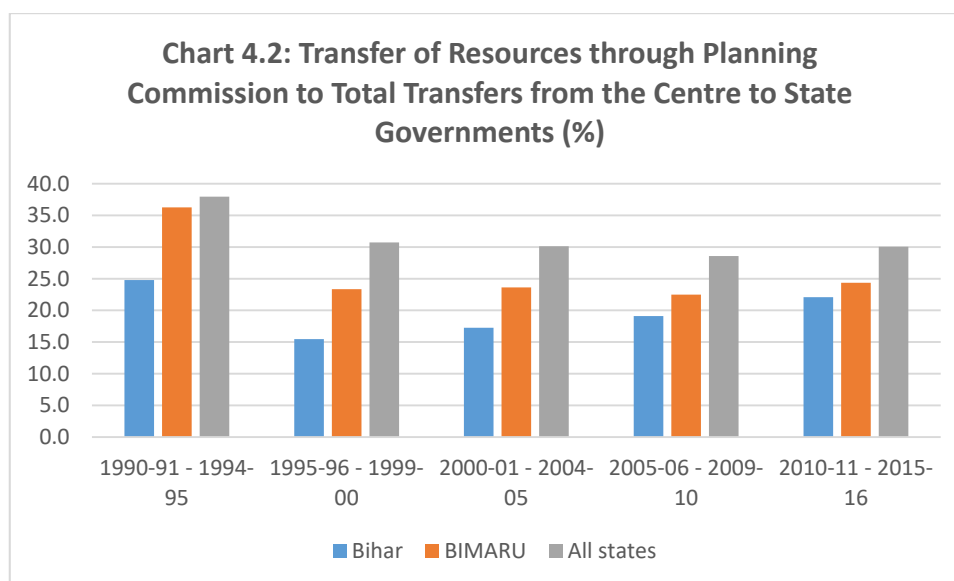


Table 4.2 provides the information about the share of the components of Finance commission transfer to total transfers for Bihar, BIMARU and all states since 1990-1991 – 1994-95 to 2010-11 – 2015-16.

**Table 4.2: Components of Finance Commission transfers as a percentage of Total transfers**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Share in Central Taxes</b>						
Bihar	65.3	77.1	80.5	72.3	71.9	73.3
BIMARU	56.8	69.2	70.1	68.6	67.8	66.6
All states	53.2	60.7	56.7	56.7	58.0	57.1
<b>Statutory Grants</b>						
Bihar	8.9	1.9	0.9	3.5	5.2	4.1
BIMARU	4.1	2.8	2.9	5.0	5.5	4.1
All states	5.8	4.3	7.8	8.1	7.3	6.7

Source: Calculation from State Finances: A Study of Budget, RBI

In case of undivided Bihar, the percentage contribution of central taxes in total transfers was 65.3 during the period FC IX and improved to 77.1 during FC X. The FC IX and FC X recommended 11.0 percent and 11.3 percent contribution of central tax transfer respectively for former Bihar and the actual share in central tax devolution for erstwhile Bihar was 11.2 percent and 11.3 percent during FC IX and FC X respectively as displayed in table 4.3 below. “The increase in the share of central tax devolution for former Bihar during FC X due to inclusion of infrastructure index and enhancement of the weightage of distance of the per capita income for horizontal distribution” (Economic Survey of Bihar, 2006-07). After the division

of Bihar, the contribution of central tax in total transfers shows the declining trend as shown in table 4.2. It was 80.5 percent during FC XI (2000-01 – 2004-05). FC XI recommended 14.6 percent share in central tax devolution for Bihar while the actual share has been 11.9 percent as presented in table 4.3. “The decline in actual transfer in central tax devolution for Bihar is due to the inclusion of fiscal discipline as a criterion for horizontal distribution under the fiscal reform programme of FC XI” (Economic Survey, Govt. of Bihar, 2006-07) . “The commission adopted the improvement in the ratio of own revenue receipts of a state to its total revenue expenditure as a criterion for measurement of fiscal discipline. The ratio so computed is used to measure the improvement in the index of fiscal discipline in a reference period in comparison to a base period. For the base period, the commission took the average for the three year period from 1990-91 to 1992-93. For the reference period, it took the three years from 1996-97 to 1998-99” (Sharma, 2005, pg. no. 25). The contribution of share in central taxes to total transfer for present Bihar decreased to 72.3 percent during the phase 2005-06 – 2009-10 (FC XII) as presented in table 4.2. FC12 recommended 14.6 percent share in central taxes for Bihar while the actual share has been 10.5 percent as shown in table 4.3. “The decline in share of central taxes for Bihar was because of lowering of the weights of equalising factors and enlargement of the efficiency indicators during FC XII” (Srivastava and Rao, 2009, pg.no.7). The weightage of efficiency indicators, fiscal discipline and tax effort, together constitute 12.5 percent during FC XI and increased to 15.0 percent during FC XII while the weightage of income distance was 62.5 percent under FC XI which has been reduced to 50.0 percent during FC XII. The contribution of central taxes transfers to total resource transferred by the centre to Bihar further reduced to 71.9 percent during the period 2010-11 – 2015-16. The recommended and actual share in central taxes for Bihar was 10.9 percent during FC XIII as depicted in table 4.3. The decline in the recommended share in central taxes for Bihar during FC XIII was due to increase in the weight to fiscal discipline indicator. FC XIII enhanced the weight of fiscal discipline indicator to 17.5 percent from 15.0 percent under FC XII. “If the index of fiscal discipline index was dropped then Bihar’s share in central taxes devolution would have been 12.6 percent during FC XIII” (Chakraborty P., Implication of Finance Commission’s transfer to lower income states: A study of Bihar, pg. no. 7). In case of BIMARU states, the percentage contribution of central tax transfers to total transfers was 56.8 in the initial phase (FC IX) and climbed to 70.1 percent during the period 2000-01 – 2004-05 (FC XI) but after that it fell to 67.8 percent during the phase 2010-11 – 2015-16. At all states level, its contribution was 53.2 in the initial phase (FC IX) which increased to 60.7 percent during the period 1995-96 – 1999-00 but after that it decreased to 56.7 percent during the phase 2005-06 – 2009-10 and again

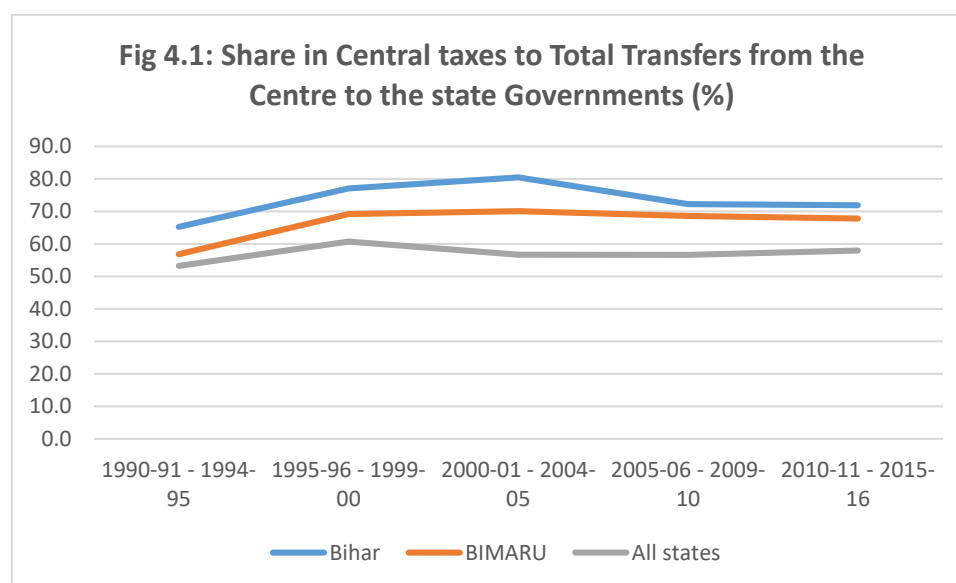
improved to 58.0 percent in the last phase as shown in table 4.2. The percentage contribution of central tax transfers to total resources transferred by the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in fig. 4.1. Fig. 4.2 displays the share in central taxes recommended by different finance commissions and actual transfer of share in central taxes for Bihar as a percentage to all states.

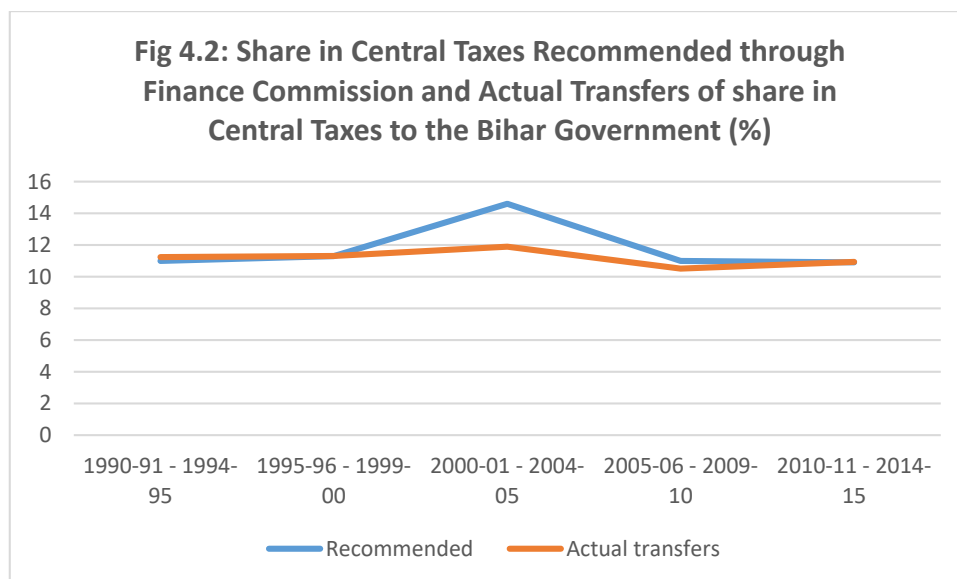
**Table 4.3: Share in Central Taxes recommended by different Finance Commissions and actual transfers of share in central taxes to Bihar as a Percentage of All States**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15
<b>Share in Central Taxes (recommended by different FCs)</b>					
Bihar	11.0	11.3	14.6	11.0	10.9
<b>Share in Central Taxes (Actual Transfers)</b>					
Bihar	11.2	11.3	11.9	10.5	10.9

Source: 1. Calculation from State Finances: A Study of Budget, RBI

2. Report of different Finance Commissions.





“Apart from tax devolution from centre to states, Finance commission also recommends for statutory grants for states which mainly target towards achieving a degree of equalisation. The recommendation of statutory grants is based on projected gaps between non-pan revenue expenditure and post-tax devolution revenue receipts assessed by Finance commission” (Economic Survey, Govt. of Bihar, 2006-07, pg. no. 9). The share of statutory grants in total transfer for erstwhile Bihar was 8.9 percent in the initial phase (FC IX) which significantly decreased to 1.9 percent during the period 1995-96 – 1999-00 (FC X) as shown in table 4.2. The decline in the share of statutory grants during the phase 1995-96 – 1999-00 is because of lower transfer of statutory grants to former Bihar under the recommendation of FC X. FC X reduced the share in statutory grants for undivided Bihar from 9.2 percent under FC IX to 4.4 percent under FC X while the actual share was 15.1 percent during the period FC IX which decreased to 2.3 percent during the period FC X as displayed in table 4.4. After the bifurcation of Bihar, the contribution of statutory grants in total transfers was 0.9 percent during the phase 2000-01 – 2004-05 (FC XI) which increased to 5.2 percent in the last phase as presented in table 4.2. Bihar gets nothing in the recommended share of statutory grants since FC XI to FC XIII as displayed in table 4.4 because of surplus on account of post devolution non-plan revenue expenditure evaluated by different Finance commissions as presented in table 4.5. In case of BIMARU states, the contribution of statutory grants in total transfers was 4.1 percent in the initial phase which reduced to 2.9 percent during the period 2000-01 – 2004-05 (FC XI) after that its share increased to 5.5 percent in the last phase as displayed in table 4.2. At all states level, its contribution was 5.8 percent in the initial phase which rose to 8.1 percent during the period 2005-06 – 2009-10 but declined to 7.3 percent in the last phase.

**Table 4.4: Share in Statutory Grants recommended by different Finance Commissions and actual transfers to Bihar as a Percentage of All States**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15
<b>Share in Statutory Grants (recommended by different FCs)</b>					
Bihar	9.2	4.4	0.0	0.0	0.0
<b>Share in Statutory Grants (Actual transfers)</b>					
Bihar	15.1	2.3	1.0	3.9	6.5

Source: 1. Calculation from State Finances: A Study of Budget, RBI

2. Report of different Finance Commissions.

**Table 4.5: Pre-Devolution Non-Plan Revenue Surplus/Deficit and Post-Devolution Non-Plan Revenue Deficit for Bihar**

(Rs. Crore)

	<b>FC XII (2000-01 – 2004-05)</b>	<b>FC XII (2005-06 – 2009-10)</b>	<b>FC XIII (2010-11 – 2014-15)</b>
<b>Pre-Devolution Non-Plan Revenue Surplus/Deficit(-)</b>			
Bihar	-37639.15	-46214.02	-89165.0
<b>Post-Devolution Non-Plan Revenue Surplus/Deficit(-)</b>			
Bihar	17295.76	21457.02	69177.0

Source: Calculation from State Finances: A Study of Budget, RBI

“Grants from the Centre to states include central assistance to state plan through Planning Commission and centrally sponsored schemes (CSS) through central ministries under the approval and clearance of Planning Commission. Apart from these, states also receive statutory grants and some specific purpose grants through Finance Commission and discretionary grants through central ministries under non-plan head. Central assistance to state plans has three components, viz., normal central assistance (NCA), additional central assistance for externally added projects (ACA for EAP) and assistance for programmes based on specific criteria and guidelines. Normal central assistance is only untied grants, while ACA for EAP and programme linked assistance are both tied. In 2002-03 nearly 65 percent of all the central assistance was in the form of ‘tied’ assistance which increased to almost 78 percent in 2013-14. Over the years, the central government has introduced several CSS in areas of national priority such as health, education, agriculture, skill development, employment, urban development and rural infrastructure. The CSS are operationalized by the central ministries based on scheme-specific guidelines and are largely funded by the central government, with state government having to make a defined contribution” (State Finances: A Study of Budget,



RBI, 2013-14, pg. no. 5-6).. With the depleting own resources of Bihar government, as has been mentioned in Chapter 1, it creates fiscal strain on state to utilise the funds provided through centre under CSS which is detrimental to developmental expenditure, as the detailed analysis has been done in Chapter 5. Table 4.6 shows the composition of grants from the centre to Bihar government since 2002-03 to 2015-16.

**Table 4.6: Composition of Grants from the Centre to Bihar Government**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>1. Plan Grants</b>	92.4	92.6	80.0	63.8	67.9	74.2	68.0
<b>a. State Plan Schemes</b>	52.1	61.7	80.0	46.6	46.6	50.0	45.2
<b>b. Central Plan Schemes</b>	1.4	0.7	0.0	2.7	2.7	0.9	1.7
<b>c. Centrally Sponsored Schemes</b>	38.9	30.2	0.0	14.6	18.6	23.3	21.1
<b>2. Non-Plan Grants</b>	7.6	7.4	20.0	36.2	32.1	25.8	32.0
<b>a. Statutory Grants</b>	4.2	4.8	2.1	0.2	0.5	19.5	16.0
<b>b. Others*</b>	3.4	2.7	17.9	36.0	31.6	6.3	16.0
<b>Total (1+2)</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

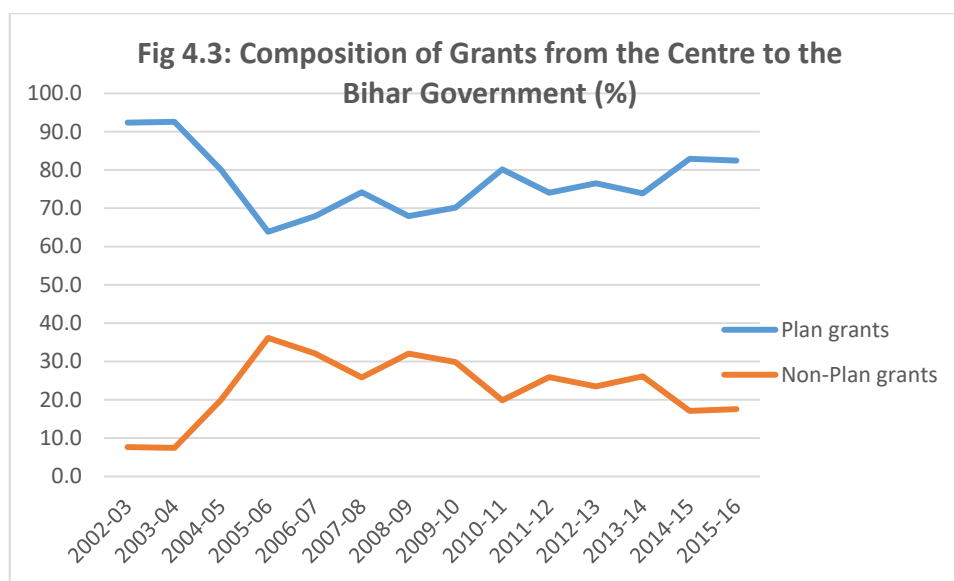
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>1. Plan Grants</b>	70.2	80.2	74.1	76.5	73.9	82.9	82.4
<b>a. State Plan Schemes</b>	49.2	56.3	51.3	49.2	49.6	78.0	71.0
<b>b. Central Plan Schemes</b>	1.8	1.8	1.0	0.3	1.1	0.6	10.7
<b>c. Centrally Sponsored Schemes</b>	19.2	22.1	21.8	27.0	23.2	4.3	0.8
<b>2. Non-Plan Grants</b>	29.8	19.8	25.9	23.5	26.1	17.1	17.6

<b>a. Statutory Grants</b>	24.7	14.9	25.0	19.9	22.4	15.9	14.7
<b>b. Others*</b>	5.2	4.9	1.0	3.6	3.7	1.2	2.9
<b>Total (1+2)</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes grants from relief on account of natural calamities, specific purpose grants under the recommendation of Finance Commission and discretionary grants through Central Ministries on non-plan side.

The percentage contribution of plan grants to the grants through the centre to Bihar government came down from 92.4 in 2002-03 to 67.9 in 2006-07 but after that it started to rise and climbed to 82.4 in 2015-16. From 2007-08 onwards, “the plan grants portion of the assistance has been significantly enhanced in pursuance of the recommendation of FC XII with the phase out of central loan for plan purpose and states raise market borrowing for the loan portion of the state plan schemes” (State Finances: A Study of Budget, RBI). The data also shows that the share of CSS in grants from the centre has significantly declined since 2014-15 due to “delinking of 8 CSS from central support and under the restructured scheme, the entire financial assistance to the states for CSS fund has been routed through their consolidated fund and not directly to district rural development agencies or other independent agencies from 2014-15 onwards” (State Finances: A Study of Budget, RBI, 2015-16, pg. no. 34), which has been reflected in state plan scheme head. On the other hand, the percentage contribution of grants through the centre on non-plan account of the Bihar government to grants through the centre improved from 7.6 in 2002-03 to 32 in 2008-09 but came down to 17.6 in 2015-16. Within the non-plan grants, the constitutionally mandate unconditional statutory grants has gained importance since 2007-08 where its share in grants from the centre was 19.5 percent and climbed to 22.4 percent in 2013-14 with varied fluctuation during the intervening period but significantly declined to 14.7 percent in 2015-16. The contribution of other grants, which is also conditional grants, in grants from the centre shows the wide fluctuation since 2002-03 to 2015-16. Its share was 2.9 percent in 2015-16 against the share of 36.2 percent in 2005-06. Fig. 4.3 displays the pattern of grants through the centre to Bihar government during the period 2002-03 to 2015-16.



“The gross transfers of resources from the centre to state governments include share in central taxes, grants from the centre and loans and advances from the centre” (State Finances: A Study of Budget, RBI). Table 4.7 provides the information about the pattern of gross transfers from the centre, which includes contribution of central taxes to state governments, grants through the centre and loans and advances from the centre for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 4.7: Pattern of Gross Transfers of Resources from Centre to States (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>A. Share in Central Taxes</b>						
Bihar	49.8	58.9	68.7	71.5	70.8	64.2
BIMARU	42.7	49.8	57.2	67.1	66.9	57.1
All states	38.0	42.6	46.2	55.0	56.8	48.1
<b>B. Grants from the Centre</b>						
Bihar	26.5	17.7	16.8	27.4	27.7	23.4
BIMARU	32.5	22.3	24.3	30.7	31.7	28.4
All states	33.4	27.7	35.2	42.1	41.2	36.1
<b>C. Loans and Advances from the Centre</b>						
Bihar	23.6	23.4	14.5	1.1	1.5	12.4
BIMARU	24.8	27.9	18.5	2.2	1.4	14.5
All states	28.6	29.6	18.6	2.9	2.0	15.8
<b>Gross transfers (A to C)</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

Share in central taxes has always been highest contributor to gross transfers of resources through the centre to states and presents the increasing trend over the period while “loans and

advances from the centre declined in the later phase due to phase out of plan loans from centre to states under the recommendation of FC XII” (State Finances: A Study of Budget, RBI).

The percentage contribution of share of central taxes to gross transfers was 49.8 in the initial phase (FC IX) and rose to 58.9 during the period 1995-96 – 1999-00 (FC X) for former Bihar. After the division was Bihar its contribution was 68.7 percent during the period 2000-01 – 2004-05 (FC XII) and improved to 70.8 percent in the last phase as displayed in table 4.7. In case of BIMARU states, its percentage contribution gradually improved from 42.7 in the initial phase to 66.9 during the period 2010-11 – 2015-16. At all states level, its contribution climbed from 38.0 percent in the initial phase to 56.8 percent during the last phase.

For erstwhile Bihar, the percentage contribution of grants through the centre to gross transfers through the centre to state fell from 26.5 in the initial phase to 17.7 percent during the period 1995-96 – 1999-00. After the bifurcation Bihar, its share increased from 16.8 percent during 2000-01 – 2004-05 to 27.7 percent in the last phase because of fall in the contribution of loans and advances through the centre to gross transfers as presented in table 4.7. In case of BIMARU states and all states, its share declined from 1990-91 – 1994-95 to 1995-96 – 1999-00 but after that it shows the increasing trend because of phase out of plan loans from the centre. At all states level, its share increased from 33.4 percent in the initial phase to 41.2 percent during the period 2010-11 – 2015-16.

Within the grants from the centre, the percentage contribution of plan grants, comprise of grants for the purpose of central plan schemes, state plan schemes and centrally sponsored schemes (CSS), to gross transfers came down from 19.0 in the initial phase to 12.0 during the period 1995-96 – 1999-00 for former Bihar as depicted in table 4.8 below. After the division of Bihar, its share was 14.8 percent during the phase 2000-01 – 2004-05 which gradually increased to 21.8 percent in the last phase. In case of BIMARU states, its share declined from 27.3 percent in the initial phase to 24.0 percent during the period 2010-11 – 2015-16 while at all states level, its contribution has improved from 27.2 percent during the phase 1990-91 – 1994-95 to 29.4 percent in the last phase as presented in table 4.8. “The increase in the share of plan grants in last phase is due to the entire financial assistance to the states for CSS has been routed thorough state budget since 2014-15 and not directly to “District Rural Development agencies (DRDAs)” or through other independent agencies in line with the recommendation of B.K.Chaturvedi committee and National Development council” (State Finances: A Study of Budget, RBI 2014-15, pg.no. 19).

“The non-plan grants include statutory grants (unconditional grants through the recommendation of Finance Commissions) and others (discretionary grants through Central Ministries, grants for relief on account of natural calamities and specific purpose grants through Finance Commissions)” (State Finances: A Study of Budget, RBI). The contribution of statutory grants shows the increasing trend for present Bihar as displayed in table 4.7. The share of non-plan grants to gross transfers declined from 7.6 percent in the initial phase to 5.7 percent during the period 1995-96 – 1999-00 due to decrease in the share of statutory grants for undivided Bihar. After the division of Bihar, its share was 2.0 percent during the phase 2000-01 – 2004-05 which significantly increased to 8.6 percent on account of rise in share of statutory grants and others both during the period 2005-06 – 2009-10 while its share reduced to 5.9 percent in the last phase because of fall in the contribution of “others” components to gross transfers while the participation of statutory grants has improved during this phase as presented in table 4.8. In case of BIMARU states, the share of non-plan grants to gross transfers increased from 5.2 percent in the initial phase to 8.7 percent during the period 2005-06 – 2009-10 but fell to 7.7 percent in the last phase because of fall in the share of others to gross transfers. At all states level, its share has also improved from 6.3 percent in the initial phase to 14.3 percent during the period 2005-06 – 2009-10 but declined to 11.7 percent in the last phase due to decrease in the share of statutory grants and others to gross transfers as shown in table 4.8. Chart 4.3 displays the percentage contribution of share in central taxes to gross transfers through the centre to Bihar, BIMARU and all states during the phase 1990-91 – 1994-95 to 2010-11 – 2015-16. Chart 4.4 displays the percentage contribution of grants through the centre to gross transfers by the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and chart 4.5 shows the percentage contribution of loans and advances by the centre to gross transfers through the centre to Bihar, BIMARU and all states during the same period.

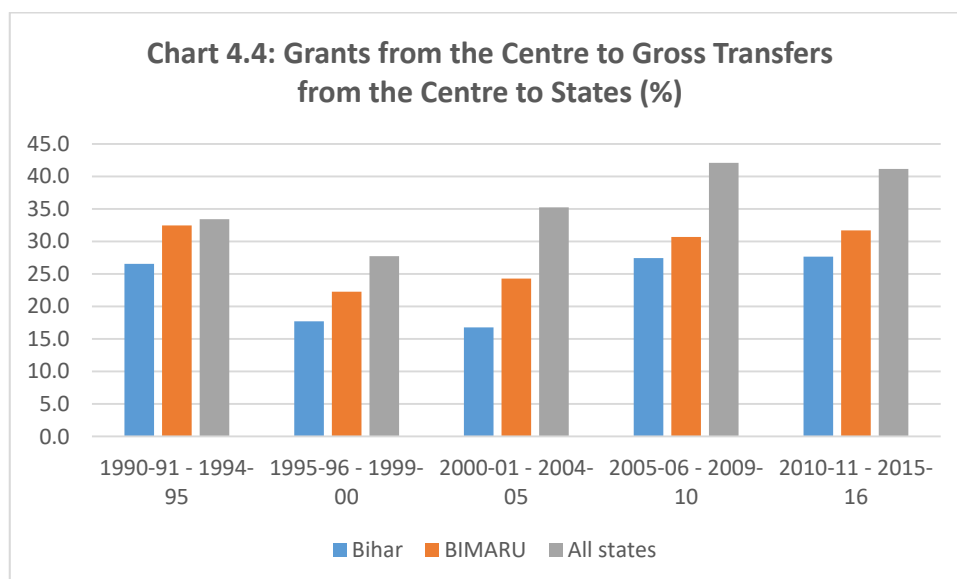
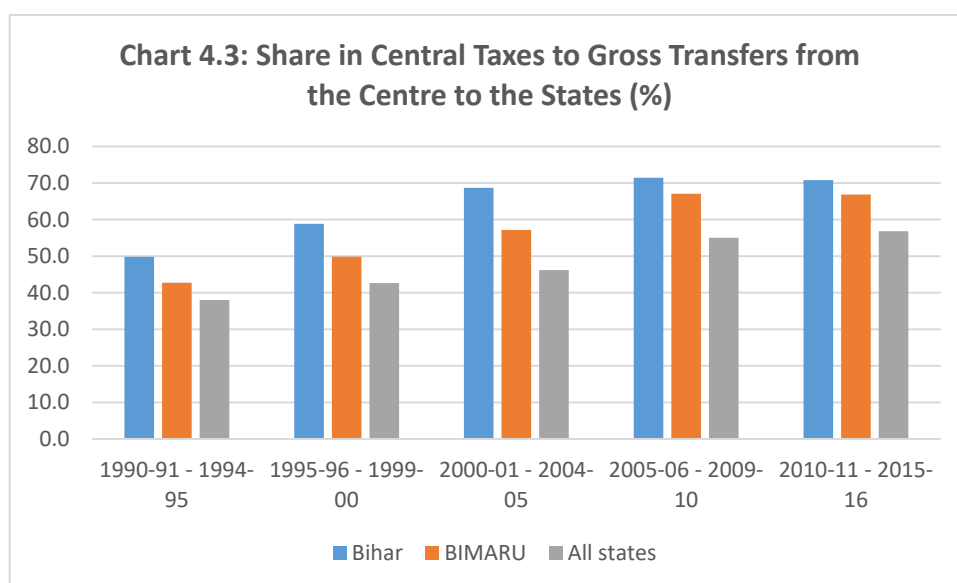
**Table 4.8: Components of the Grants from the Centre as a percentage of Gross transfers**

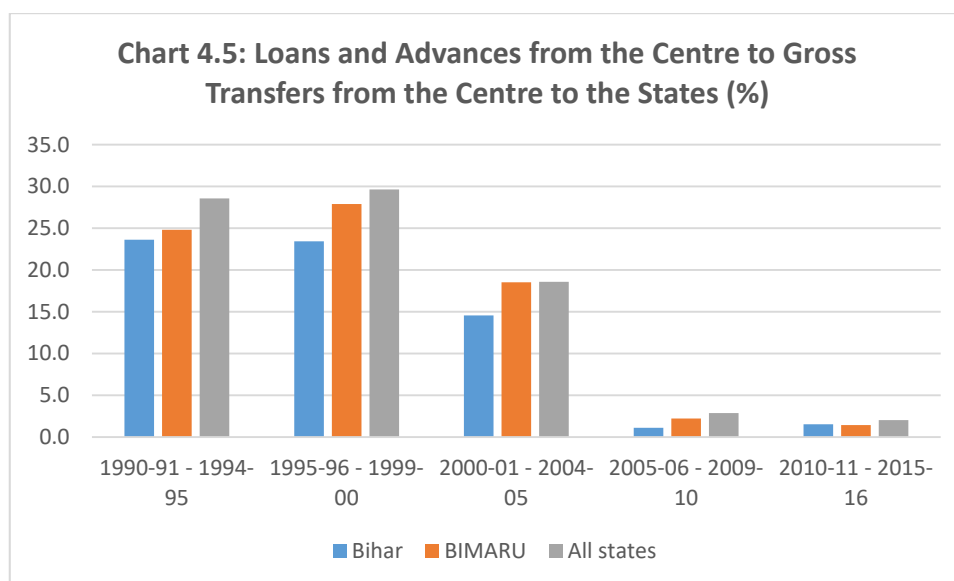
	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>A. Plan Grants</b>						
Bihar	19.0	12.0	14.8	18.9	21.8	17.5
BIMARU	27.3	16.8	19.2	22.0	24.0	22.0
All states	27.2	21.6	24.5	27.8	29.4	26.2
<b>B. Non-Plan Grants (1 and 2)</b>						
Bihar	7.6	5.7	2.0	8.6	5.9	5.9
BIMARU	5.2	5.4	5.1	8.7	7.7	6.5
All states	6.3	6.1	10.7	14.3	11.7	9.9
<b>1. Statutory Grants</b>						

Bihar	6.8	1.5	0.7	3.4	5.1	3.6
BIMARU	3.0	2.1	2.3	4.9	5.4	3.6
All states	4.1	3.0	6.3	7.8	7.2	5.7
<b>2. Others*</b>						
Bihar	0.8	4.2	1.2	5.1	0.8	2.4
BIMARU	2.1	3.4	2.8	3.9	2.3	2.9
All states	2.2	3.1	4.4	6.5	4.6	4.2

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes grants from relief on account of natural calamities, specific purpose grants under the recommendation of Finance Commission and discretionary grants through Central Ministries.





“Total revenue receipts of the state government include own revenue receipt of state government, share in central taxes and grants from the centre” (State Finances: A Study of Budget, RBI). The percentage contribution of transfers of resources through the Centre to total revenue receipts of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been presented in table 4.9.

**Table 4.9: Transfers of Resources from the Centre as a percentage of Total Revenue Receipts of the States**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>A. Finance Commission</b>						
Bihar	44.1	47.8	58.6	58.7	55.5	53.0
BIMARU	30.9	34.6	34.8	39.2	37.9	35.6
All states	23.7	24.3	24.3	27.3	26.7	25.3
<b>B. Planning Commission</b>						
Bihar	14.8	9.3	12.5	14.8	15.9	13.6
BIMARU	18.4	11.2	11.1	12.0	12.6	13.1
All states	15.3	11.5	11.3	12.1	12.3	12.5
<b>C. Others*</b>						
Bihar	0.6	3.6	1.0	4.0	0.6	1.9
BIMARU	1.5	2.3	1.6	2.1	1.2	1.7
All states	1.2	1.6	2.0	2.8	1.9	1.9
<b>Total Transfers (A to C)</b>						
Bihar	59.5	60.7	72.2	77.6	72.0	68.5
BIMARU	50.9	48.1	47.5	53.3	51.8	50.4
All states	40.2	37.5	37.7	42.2	40.9	39.7

Source: 1. Calculation from State Finances: A Study of Budget, RBI

Note: \* includes grants from relief on account of natural calamities, specific purpose grants under the recommendation of Finance Commission and discretionary grants through Central Ministries on non-plan side.

The percentage contribution of total transfers through the centre to total revenue receipts was 59.5 in the initial phase and rose to 60.7 during the phase 1995-96 – 1999-00 for undivided Bihar. After the division of Bihar, its share was 72.2 percent during the phase 2000-01 – 2004-05 which rose to 77.6 percent in the next phase but declined to 72.0 percent during the period 2010-11 – 2015-16. In case of BIMARU states, its share decreased from 50.9 percent in the initial phase to 47.5 percent during the period 2000-01 – 2004-05 but increased to 51.8 percent in the last phase. At all states level, its share also reduced from 40.2 percent in the initial phase to 37.7 percent during the period 2000-01 – 2004-05 but improved to 40.9 percent in the last phase. The data also presents that the contribution of total transfers of resources through the centre to total revenue receipts of divided Bihar is much higher than that of BIMARU states and all states represents the much higher dependency of Bihar on centre.

For erstwhile Bihar, the share of transfers from Finance commission to total receipts increased from 44.1 percent in the initial phase (FC9) to 47.8 percent during the period 1995-96 – 1999-00 (FC10). After the division of Bihar, its share reduced from 58.6 percent during the phase 2000-01 – 2004-05 (FC11) to 55.5 percent in the last phase as presented in table 4.9. Out of the components of resource transferred through the Finance Commission, the percentage contribution of share in central taxes to total revenue receipts decreased from 58.0 to 51.7 and the corresponding share of statutory grants improved from 0.6 percent to 3.7 percent during the period 2000-01 – 2004-05 to 2010-11 – 2015-16 for divided Bihar as displayed in table 4.10 below. In case of BIMARU states, the share of Finance Commission transfers increased from 30.9 percent in the initial phase to 37.9 percent in the last phase. At all states level, its share has also increased from 23.7 percent in the initial phase to 26.7 percent in the last phase as presented in table 4.9. The data from table 4.9 also indicates that the contribution of share in central taxes in gross revenue receipts for Bihar has always been higher than that of BIMARU and all states. It reflects Bihar's higher dependency on centre and subject to the vulnerability of the conditions at central level.

The share of planning commission transfers in total revenue receipts decreased from 14.8 percent in the initial phase to 9.3 percent during the period 1995-96 – 1999-00 for former Bihar while its share improved from 12.5 percent to 15.9 percent during 2000-01 – 2004-05 to 2010-11 – 2015-16 for present Bihar as displayed in table 4.9. In case of BIMARU states, its share has declined from 18.4 percent in the initial phase to 12.6 percent during the period 2010-11 – 2015-16. At all states level, its share has also decreased from 15.3 percent in the initial phase to 12.3 percent during the phase 2010-11 – 2015-16. The percentage contribution of transfer



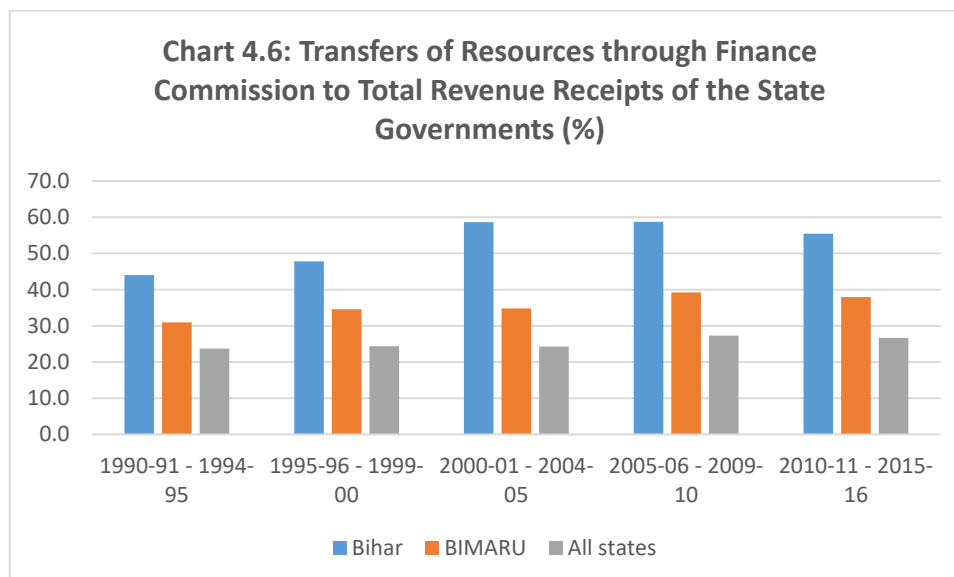
of resources through Finance Commission to total revenue receipts of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been presented in chart 4.6 and chart 4.7 depicts the percentage contribution of transfer of resources through Planning Commission to total revenue receipts of Bihar, BIMARU and all states during the same period.

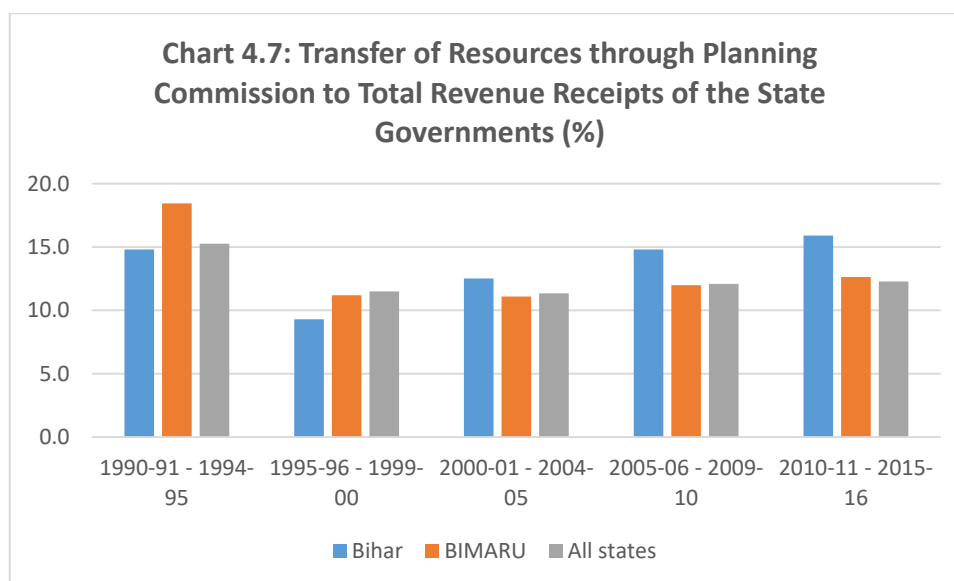
**Table 4.10: Components of Finance Commission transfers as a percentage of Total Revenue Receipts of the States**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Share in Central Taxes</b>						
Bihar	38.8	46.7	58.0	56.1	51.7	50.3
BIMARU	28.9	33.3	33.5	36.6	35.1	33.5
All states	21.4	22.7	21.4	23.9	23.7	22.7
<b>Statutory Grants</b>						
Bihar	5.3	1.1	0.6	2.7	3.7	2.7
BIMARU	2.1	1.3	1.3	2.6	2.8	2.1
All states	2.3	1.6	2.9	3.4	3.0	2.7

Source: 1. Calculation from State Finances: A Study of Budget, RBI

Note: \* includes grants from relief on account of natural calamities, specific purpose grants under the recommendation of Finance Commission and discretionary grants through Central Ministries on non-plan side.





The percentage contribution of share in central taxes to tax revenue and grants through the centre to non-tax revenue of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been presented in table 4.11.

**Table 4.11: Contribution of Share in Central Taxes to Tax Revenue and Share of Grants from the Centre in Non-Tax Revenue- Annual Average (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>1. Share in Central Taxes/States' Tax revenue (Percent)</b>						
Bihar	59.3	62.4	70.8	74.3	66.6	66.7
BIMARU	46.2	46.6	45.6	50.2	48.3	47.4
All states	32.5	32.4	30.1	33.6	32.2	32.1
<b>2. Grants from the Centre/States' Non-Tax revenue (Percent)</b>						
Bihar	59.8	54.8	77.9	87.7	90.7	74.8
BIMARU	58.6	52.0	57.9	61.7	60.7	58.3
All states	55.2	49.4	56.2	60.8	64.9	57.6

Source: 1. Calculation from State Finances: A Study of Budget, RBI

The percentage contribution of central taxes to tax revenue of undivided Bihar climbed from 59.3 in the initial phase (FC IX) to 62.4 during the period 1995-96 – 1999-00 (FCX) while after the division of Bihar, its contribution improved from 70.8 percent during the phase 2000-01 – 2004-05 (FC XI) to 74.3 percent during 2005-06 – 2009-10 (FC XII) but fell to 66.6 percent in the last phase. In case of BIMARU states, its share increased from 46.2 percent in the initial phase to 50.2 percent during the period 2005-06 – 2009-10 but decreased to 48.3 percent in the last phase. At all states level, its contribution came down from 32.5 percent to 30.1 percent during the period 1990-91 -1994-95 to 2000-01 – 2004-05 but improved to 32.2 percent in the

last phase. The data also displays that the contribution of share in central taxes to tax revenue for Bihar has always been higher than that of BIMARU states and all states.

Table 4.11 also presents the contribution of grants through the centre to non-tax revenue reduced from 59.8 percent in the initial phase to 54.8 percent during the period 1995-96 – 1999-00 for erstwhile Bihar. After the division of Bihar, its share improved from 77.9 percent during the period 2000-01 – 2004-05 to 87.7 percent during 2005-06 – 2009-10. This improvement in the contribution is because of improvement in the participation of non-plan grants in non-tax revenue from 9.0 percent during the phase 2000-01 – 2004-05 to 27.3 percent during 2005-06 – 2009-10 while the contribution of plan grants fell during the same period as depicted in table 4.12 below. Out of the grants through the centre on non-plan account, the percentage contribution of statutory grants to non-tax revenue climbed from 3.6 to 10.5 and the contribution of transfers through “others” components rose from 5.5 percent to 16.8 percent during the period 2000-01 – 2004-05 to 2005-06 – 2009-10, because of increase in transfer for specific purpose grants under the recommendation of FC XII. The contribution of grants through the centre to non-tax revenue of the Bihar government rose to 90.7 percent during the period 2010-11 – 2015-16 due to “increase in the share of plan grants as the entire financial assistance to the states for CSS has been routed through state budget since 2014-15 on the basis of the recommendation of B.K.Chaturvedi committee and National Development council” (State Finances: A Study of Budget, RBI 2014-15, pg.no. 19) while the share of non-plan transfers declined during this phase because of fall in the share of other transfers in non-tax revenue as displayed in table 4.12. The percentage contribution of grants through the centre to non-tax revenue of BIMARU states rose from 58.6 in the initial phase to 60.7 during the period 2010-11 -2015-16 as presented in table 4.11. At all states level, its share has also increased from 55.2 percent in the initial phase to 64.9 percent in the last phase.

**Table 4.12: Components of Grants from the Centre as a percentage of Non-Tax revenue of the States- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>A. Plan Grants</b>						
Bihar	42.7	35.7	68.8	60.4	71.0	56.3
BIMARU	49.2	39.5	45.9	44.2	45.9	45.0
All states	44.7	38.7	39.1	40.2	46.3	42.0
<b>B. Non-Plan Grants (1 and 2)</b>						
Bihar	17.0	19.1	9.0	27.3	19.6	18.5
BIMARU	9.4	12.6	12.0	17.5	14.8	13.3
All states	10.5	10.7	17.1	20.7	18.6	15.6
<b>1. Statutory Grants</b>						

Bihar	15.3	4.6	3.6	10.5	17.0	10.5
BIMARU	5.5	4.4	5.3	9.7	10.3	7.2
All states	6.8	5.2	10.1	11.3	11.4	9.1
<b>2. Others*</b>						
Bihar	1.8	14.5	5.5	16.8	2.6	8.0
BIMARU	3.9	8.2	6.6	7.8	4.4	6.1
All states	3.7	5.4	7.0	9.4	7.3	6.6

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes grants from relief on account of natural calamities, specific purpose grants under the recommendation of Finance Commission and discretionary grants through Central Ministries on non-plan side.

Table 4.13 depicts the growth rate of share in central taxes for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 -2015-16.

**Table 4.13: Growth rate of States' share in Central Taxes- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
Bihar	14.7	13.1	13.0	15.3	18.3	15.0
BIMARU	14.6	12.7	20.1	16.8	20.4	17.2
All states	15.1	12.4	12.4	19.5	18.6	15.8

Source: Calculation from State Finances: A Study of Budget, RBI

The growth rate of contribution of central taxes came down from 14.7 percent in the initial phase to 13.1 percent during the period 1995-96 – 1999-00 for former Bihar while its growth rate improved from 13.0 percent during the phase 2000-01 – 2004-05 to 18.3 percent in the last phase for present Bihar. In case of BIMARU states, its growth rate improved from 14.6 percent in the initial phase to 20.4 percent during the period 2010-11 – 2015-16 with increase and decrease in the intervening period. At all states level, its growth rate has also improved from 15.1 percent in the initial phase to 18.6 percent during the period 2010-11 – 2015-16. Fig 4.4 displays the growth rate of contribution of central taxes for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

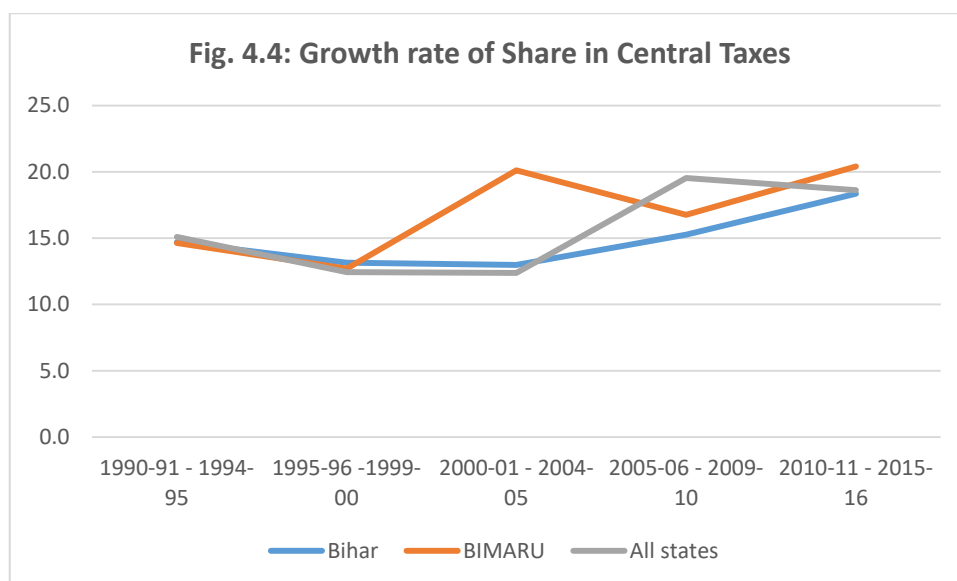


Table 4.14 presents the growth rate of grants through the centre for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 4.14: Growth rate of Grants from the Centre- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
Bihar	12.8	38.6	12.6	23.6	18.5	21.4
BIMARU	9.7	7.4	12.2	25.3	16.6	14.5
All states	12.6	9.1	13.4	22.0	15.3	14.6

Source: Calculation from State Finances: A Study of Budget, RBI

The growth rate of grants through the centre significantly improved from 12.8 percent in the initial phase to 38.6 percent during the period 1995-96 – 1999-00 for erstwhile Bihar. The significant improvement in the rate of growth of grants through the centre is due to impressive growth rate of plan grants as well as non-plan grants during the period 1995-96 – 1999-00 as shown in table 4.15 below. Out of the components of non-plan grants, statutory grants experiences extra-ordinary rate of growth of 2242.1 percent during the period 1995-96 – 1999-00 due to increase in the transfer under this head from rs.0.1 crore in 1997-98 to rs.11.5 crore in 1998-99. After the division of Bihar, the growth rate of grants from the centre improved from 12.6 percent during the period 2000-01 – 2004-05 to 23.6 percent during 2005-06 – 2009-10 but fell to 18.5 percent in the last phase. The improvement in the rate of growth of the grants through the centre during the phase 2000-01 – 2004-05 to 2005-06 – 2009-10 is because of improvement in the rate of growth of plan grants while non-plan grants experienced the fall in growth rate due to lower growth rate of transfers of resources through “others” components during the same period as presented in table 4.15. Out of the components of non-plan grants,

statutory grants experienced whopping rate of growth of 827.9 percent during the period 2000-01 – 2004-05 due to increase in the transfer under this head from rs.2.0 crore in 1999-00 to rs.85.0 crore in 2000-01 and it again grew at the rate of 1002.4 percent during the period 2005-06 – 2009-10 due increase in transfer under this head from rs.23.7 crore in 2006-07 to rs.1137.9 crore in 2007—08. The fall in growth rate of grants through the centre for present Bihar during the period 2010-11 – 2015-16 is due to fall in the growth rate of non-plan grants particularly the growth rate of statutory grants during this period. The rate of growth grants through the centre improved from 9.7 percent in the initial phase to 25.3 percent during the period 2005-06 – 2009-10 but fell to 16.6 percent in the last phase for BIMARU states. At all states level, its growth rate also improved from 12.6 percent in the initial phase to 22.0 percent during the period 2005-06 – 2009-10 but decreased to 15.3 percent in the last phase. Fig 4.5 displays the growth rate of grants through the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 4.15: Growth rate of components of Grants from the Centre- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>A. Plan Grants</b>						
Bihar	16.8	40.8	9.9	21.2	23.1	22.6
BIMARU	13.8	4.3	13.8	22.0	20.2	15.1
All states	17.3	7.9	11.7	20.4	16.6	14.7
<b>B. Non-Plan Grants (1 and 2)</b>						
Bihar	9.2	57.6	60.8	40.0	8.9	35.3
BIMARU	-7.9	41.6	6.6	42.8	15.1	20.6
All states	-5.4	30.9	26.9	32.4	17.9	21.5
<b>1. Statutory Grants</b>						
Bihar	12.7	2242.1	827.9	1002.4	11.9	819.3
BIMARU	-1.7	30.5	29.2	70.4	13.3	28.9
All states	-4.6	11.4	74.4	34.3	18.0	27.6
<b>2. Others*</b>						
Bihar	-19.8	309.5	145.4	55.0	58.4	112.9
BIMARU	-14.3	81.8	8.9	30.6	29.1	29.0
All states	-5.2	67.6	13.5	31.1	19.4	26.3

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes grants from relief on account of natural calamities, specific purpose grants under the recommendation of Finance Commission and discretionary grants through Central Ministries.

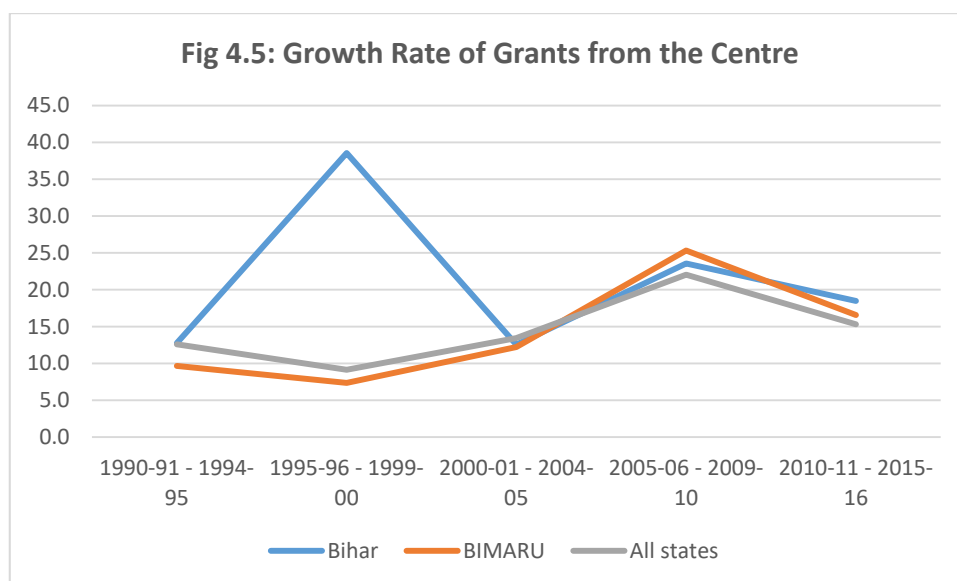


Table 4.16 presents the rate of growth of loans and advances through the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11- 2015-16.

**Table 4.16: Growth rate of Loans and Advances from the Centre- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
Bihar	2.2	13.8	3.9	2961.3	3.7	597.0
BIMARU	9.6	10.3	5.4	-7.9	11.7	5.9
All states	8.5	7.7	4.9	-11.8	7.7	3.4

Source: Calculation from State Finances: A Study of Budget, RBI

The rate of growth of loans and advances through the centre improved from 2.2 percent during the period 1990-91 – 1994-95 to 13.8 percent during 1995-96 – 1999-00 for undivided Bihar. It expanded at the rate of 3.9 percent during the period 2000-01 – 2004-05 and experienced the whopping rate of 2961.3 percent during 2005-06 – 2009-10 due to rise in the loans and advances through the centre from rs.3.2 crores in 2006-07 to rs.468.2 crores in 2007-08 but its growth rate fell to 3.7 percent in the last phase for present Bihar. In case of BIMARU states, its growth rate improved from 9.6 percent in the initial phase to 11.7 percent during the period 2010-11 – 2015-16. At all states level, its growth rate declined from 8.5 percent in the initial phase to 7.7 percent in the last phase.

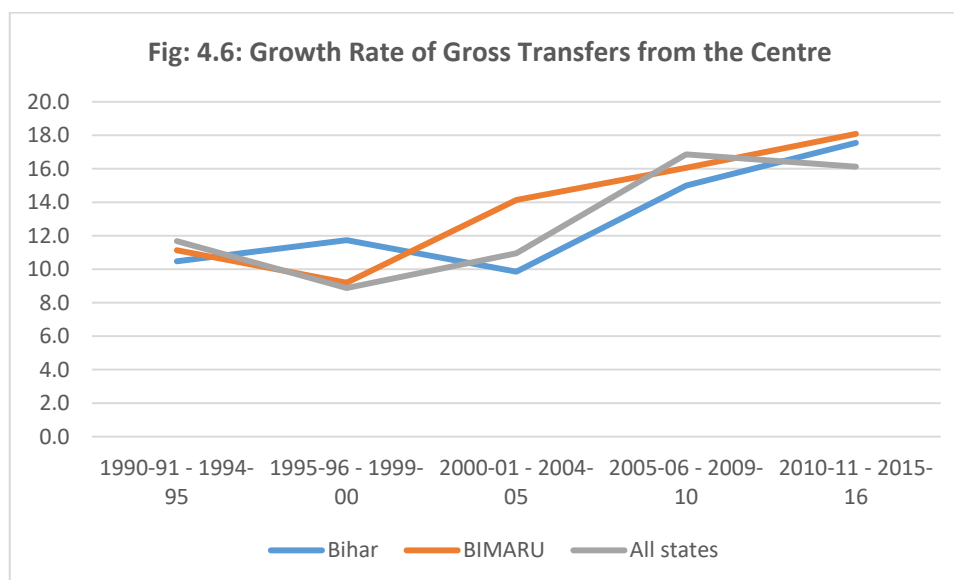
Table 4.17 depicts the rate of growth of gross transfers of resources through the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 4.17: Growth rate of Gross transfers from the Centre to the States- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
Bihar	10.5	11.7	9.9	15.0	17.5	13.2
BIMARU	11.1	9.2	14.1	16.1	18.1	14.0
All states	11.7	8.9	11.0	16.9	16.1	13.1

Source: Calculation from State Finances: A Study of Budget, RBI

The growth rate of gross transfers climbed from 10.5 percent in the initial phase to 11.7 percent during the period 1995-96 – 1999-00 for former Bihar and in case of present Bihar, its growth rate improved from 9.9 percent during the period 2000-01 – 2004-05 to 17.5 percent in the last phase. Its growth rate rose from 11.1 percent in the initial phase to 18.1 percent during the period 2010-11 – 2015-16 for BIMARU states. At all states level, its growth rate also improved from 11.7 percent in the initial phase to 16.1 percent in the last phase. Fig 4.6 displays the growth rate of gross transfers through the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



“The pre-devolution resource gap is defined as the difference between receipt from state’s own resources and state government expenditure. The post-devolution resource gap is defined as the difference between state’s total revenue receipts including transfers and the state expenditure” (T M Thomas Issac and Chakraborty P., 2008, pg. no. 88). Table 4.18 shows the pre-devolution and post-devolution resource gap as a percentage contribution to GSDP of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.



**Table 4.18: Pre-Devolution and Post-Devolution Resource Gap as a Percentage of GSDP of the Bihar Government- Annual Average**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15
<b>Pre-Devolution Resource Gap</b>					
Bihar	-12.3	-11.4	-19.6	-21.8	-18.3
<b>Post-Devolution Resource Gap</b>					
Bihar	-4.4	-3.8	-7.2	-4.0	-3.5

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

“The increasing vertical imbalance is sharply depicted in the pre-devolution resource gap of the state government. The post-devolution resource gap is much lower than the pre-devolution resource gap indicating the role of transfers in financing state government expenditure” (T M Thomas Issac and Chakraborty P., 2008, pg. no. 88). The percentage ratio of pre-devolution resource gap to GSDP of undivided Bihar came down from (-)12.3 to (-)11.4 while after the division of Bihar, it climbed from (-)19.6 percent during the period 2000-01 – 2004-05 to (-) 21.8 percent during 2005-06- 2009-10 but this gap came down to -18.3 percent in the last phase. The post-devolution resource gap reduced from (-)4.4 percent of GSDP to (-)3.8 percent for undivided Bihar. After the bifurcation of Bihar, it has decreased from (-)7.2 percent of GSDP during 2000-01 – 2004-05 to (-)3.5 percent during 2010-11 – 2014-15. The much lower post-devolution as a percentage of GSDP than the pre-devolution-GSDP ratio shows the increased dependency of Bihar on centre. The decline in post-devolution resource gap for divided Bihar is mainly due to higher transfer through grants since the contribution of share in central taxes in total transfers of resources through fell. Fig 4.7 displays the trend of pre-devolution and post-devolution resource gap as a percentage contribution to GSDP of Bihar Government during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

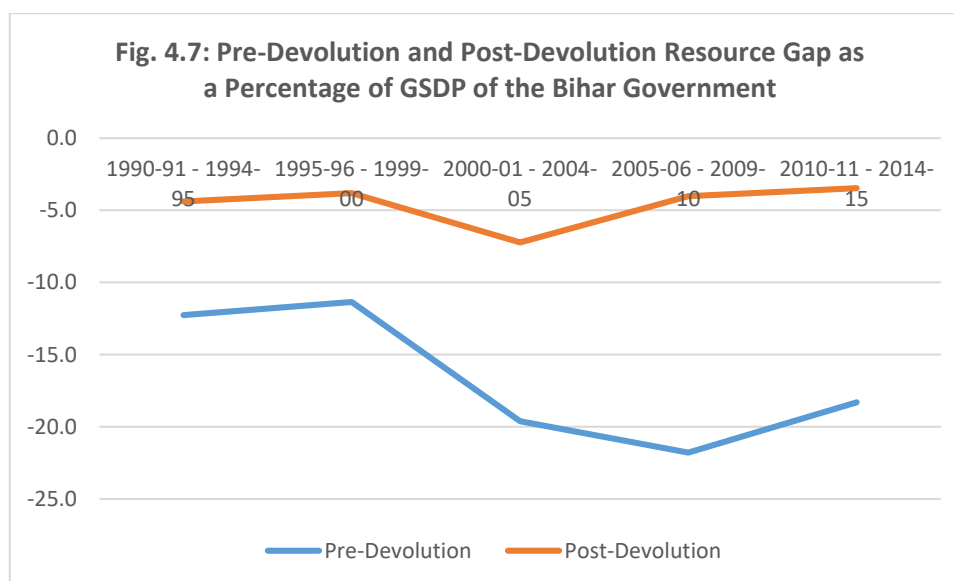


Table 4.19 depicts the contribution of share in central taxes to GSDP of Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2014-15.

**Table 4.19: Share in Central Taxes to GSDP – Annual Averages (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15	1990-91 – 2014-15
Bihar	5.1	5.8	9.9	12.8	10.7	8.9
BIMARU	3.9	3.9	4.7	6.4	6.2	5.0
All states	2.8	2.7	2.8	3.4	3.4	3.0

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

The contribution of transfer of central taxes to GSDP of erstwhile Bihar rose from 5.1 percent to 5.8 percent. In case of present Bihar, its contribution increased from 9.9 percent during 2000-01 – 2004-05 to 12.8 percent during the period 2005-06 – 2009-10 but decreased to 10.7 percent in the last phase. For BIMARU states, its contribution climbed from 3.9 percent in the initial phase to 6.2 percent during the period 2010-11 – 2014-15. At all states level, it has also rose from 2.8 percent in the initial phase to 3.4 percent during the period 2010-11 – 2014-15. The data also indicates that the contribution of transfer of central taxes to GSDP of Bihar has always been higher than that of BIMARU states and all states which reflects the much higher dependency of Bihar on centre. Chart 4.8 presents the percentage contribution of the transfer of central taxes to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

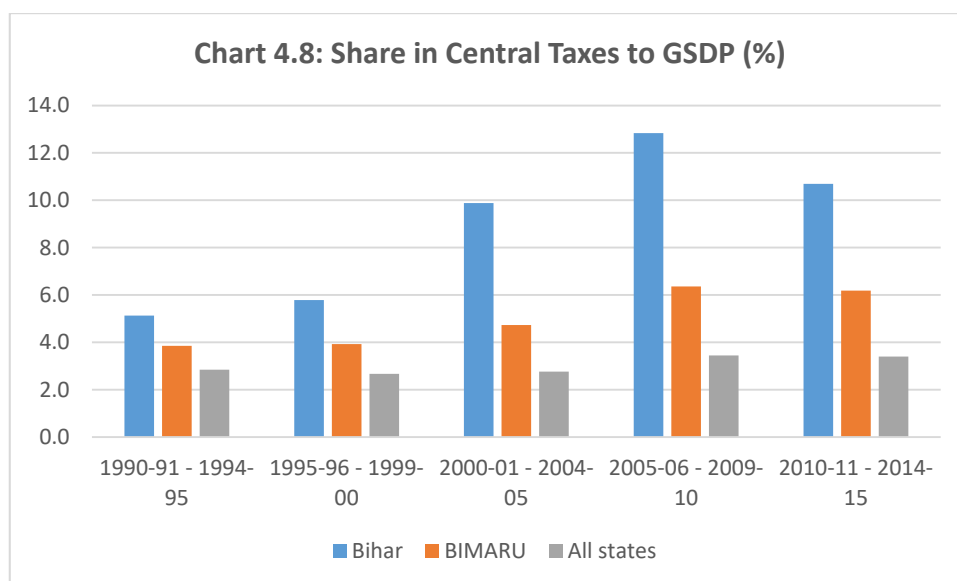


Table 4.20 presents the contribution of grants from the centre to GSDP of Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2014-15

**Table 4.20: Grants from the Centre to GSDP – Annual Averages (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15	1990-91 – 2014-15
Bihar	2.7	1.8	2.5	4.9	4.1	3.2
BIMARU	2.9	1.8	2.0	2.9	3.0	2.5
All states	2.5	1.7	2.1	2.6	2.6	2.3

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

The percentage contribution of grants through the centre in GSDP came down from 2.7 percent to 1.8 percent in case of undivided Bihar while after the division of Bihar, its share improved from 2.5 percent during the period 2000-01 – 2004-05 to 4.1 percent during 2010-11 – 2014-15. The increase in share of grants from the centre to GSDP is due to rise in contribution of grants through the centre on plan and non-plan accounts both plan but the participation of plan grants has always been higher than non-plan grants for divided Bihar as presented in table 4.21. In case of BIMARU states, the share of grants from the centre to GSDP has marginally increased from 2.9 percent in the initial phase to 3.0 percent during the period 2010-11 – 2014-15 as shown in table 4.20. At all states level, its percentage contribution also marginally improved from 2.5 in the initial phase to 2.6 during the period 2010-11 – 2014-15. Chart 4.9 presents the percentage contribution of grants through the centre to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

**Table 4.21: Components of Grants from the Centre to GSDP – Annual Averages (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15	1990-91 – 2014-15
<b>A. Plan Grants</b>						
Bihar	2.0	1.2	2.2	3.4	3.2	2.4
BIMARU	2.5	1.3	1.6	2.1	2.3	1.9
All states	2.0	1.3	1.5	1.7	1.9	1.7
<b>B. Non-Plan Grants (1 and 2)</b>						
Bihar	0.8	0.6	0.3	1.5	0.9	0.8
BIMARU	0.5	0.4	0.4	0.8	0.7	0.6
All states	0.5	0.4	0.6	0.9	0.7	0.6
<b>1. Statutory Grants</b>						
Bihar	0.7	0.1	0.1	0.6	0.8	0.5
BIMARU	0.3	0.2	0.2	0.5	0.5	0.3
All states	0.3	0.2	0.4	0.5	0.4	0.4
<b>2. Others*</b>						
Bihar	0.1	0.4	0.2	0.9	0.1	0.3
BIMARU	0.2	0.3	0.2	0.4	0.2	0.2
All states	0.2	0.2	0.3	0.4	0.3	0.3

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

Note: \* includes grants from relief on account of natural calamities, specific purpose grants under the recommendation of Finance Commission and discretionary grants through Central Ministries.

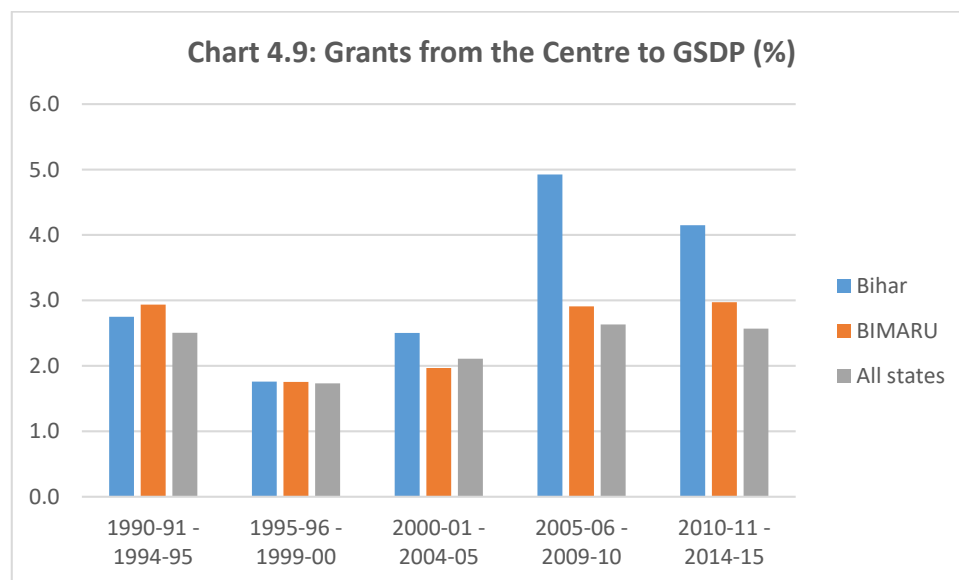


Table 4.22 depicts the percentage contribution of loans and advances through the centre to GSDP of Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2014-15.

**Table 4.22: Loan and Advances from the Centre to GSDP – Annual Averages (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15	1990-91 – 2014-15
Bihar	2.4	2.3	2.0	0.2	0.2	1.4
BIMARU	2.2	2.2	1.5	0.2	0.1	1.3
All states	2.1	1.9	1.1	0.2	0.1	1.1

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

The percentage contribution of loans and advances through the centre to GSDP of undivided Bihar marginally decreased from 2.4 to 2.3 while after its division, the share sharply fell from 2.0 to 0.2 “due to phase out of central loans in the line with the recommendation of FC12” (State Finances: A Study of Budget, RBI). Its percentage contribution for BIMARU states decreased from 2.2 in the initial phase to 0.1 during the period 2010-11 – 2014-15. At all states level, its percentage contribution also fell from 2.1 in the initial phase to 0.1 during the period 2010-11 – 2014-15. Chart 4.10 displays the percentage contribution of loans and advances through the centre to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

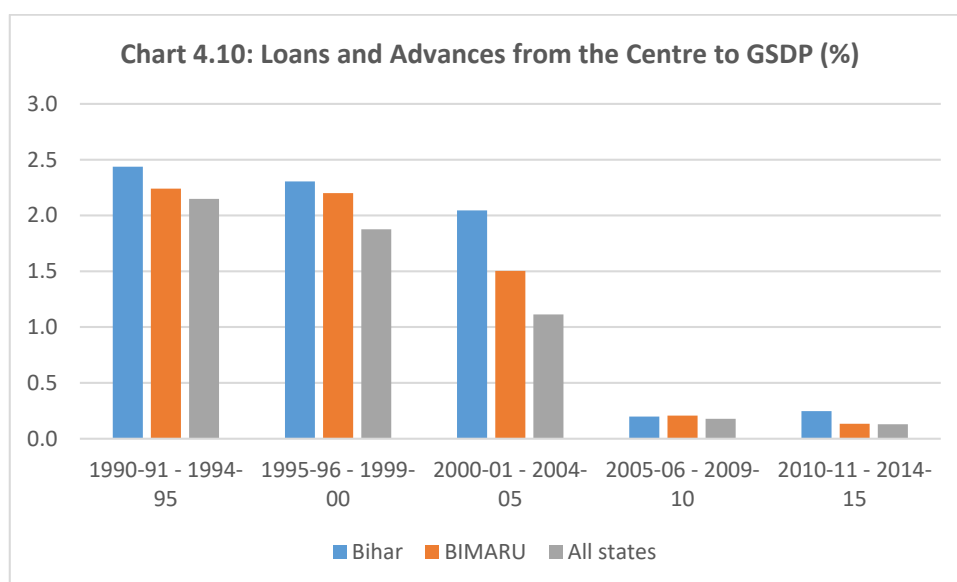


Table 4.23 displays the percentage contribution of gross transfers of resources through the centre to GSDP of Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 4.23: Gross transfers from the Centre to GSDP – Annual Averages (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15	1990-91 – 2014-15
Bihar	10.3	9.9	14.4	18.0	15.1	13.5
BIMARU	9.0	7.9	8.2	9.5	9.3	8.8
All states	7.5	6.3	6.0	6.3	6.1	6.4

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

The contribution of gross transfers through the centre to GSDP reduced from 10.3 percent to 9.9 percent in case of undivided Bihar while after its bifurcation, the share increased form 18.0

percent during the period 2000-01 – 2004-05 to 18.0 percent during 2005-06 – 2009-10 but declined to 15.1 percent in the last phase. In case of BIMARU states, its share has marginally improved from 9.0 percent in the initial phase to 9.3 percent during the period 2010-11 – 2014-15. At all states level, its percentage contribution fell from 7.5 in the initial phase to 6.1 during the period 2010-11 – 2014-15. The data also displays that the percentage contribution of gross transfers of resources through the centre to GSDP of Bihar has always been higher than that of BIMARU states and all states indicating the higher dependency of Bihar on centre. Chart 4.11 displays the percentage contribution of gross transfer of resources through the centre to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

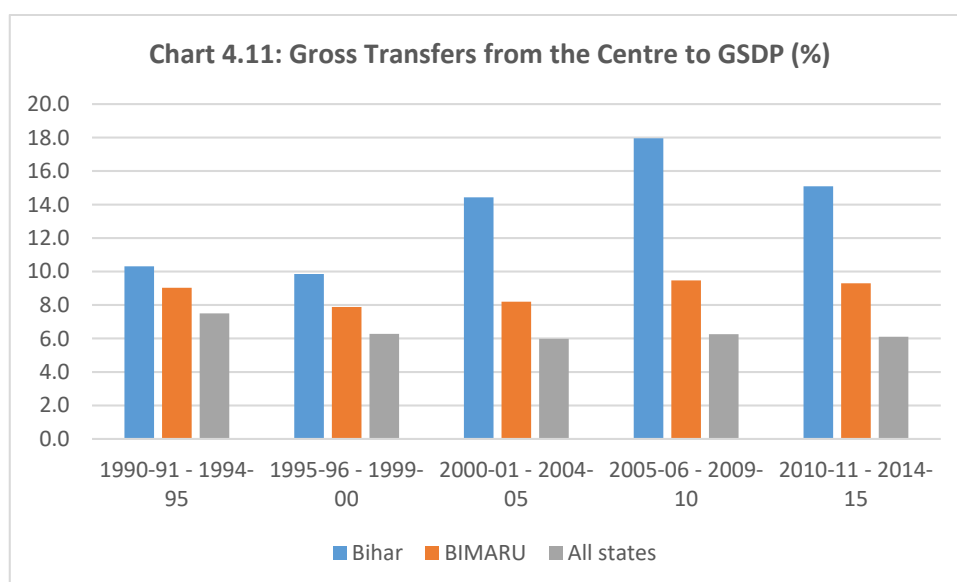


Table 4.24 presents the per capita central tax devolutions to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Per capita transfer of central taxes significantly improved during the period 2005-06 – 2009-10 and 2010-11 – 2015-16 for Bihar, BIMARU and all states due to increase in central tax devolution under the recommendation of FC XII and FC XIII.

**Table 4.24: Per capita Share in Central Taxes – Annual Averages (Rs.)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
Bihar	244	413	790	1562	3070	1287
BIMARU	235	398	649	1437	2965	1207
All states	224	386	572	1271	2532	1056

Source: Calculation from State Finances: A Study of Budget, RBI

Per capita central tax devolutions to divided Bihar significantly improved from Rs. 790 during the period 2000-01 – 2004-05 (FC11) to Rs. 3070 during 2010-11 – 2015-16 while it was only Rs. 244 for former Bihar during the phase 1990-91 – 1994-95 (FC9). The data also indicates that per capita share in central taxes for Bihar has always been higher than that of BIMARU and all states. Chart 4.12 displays the per capita central tax devolutions to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

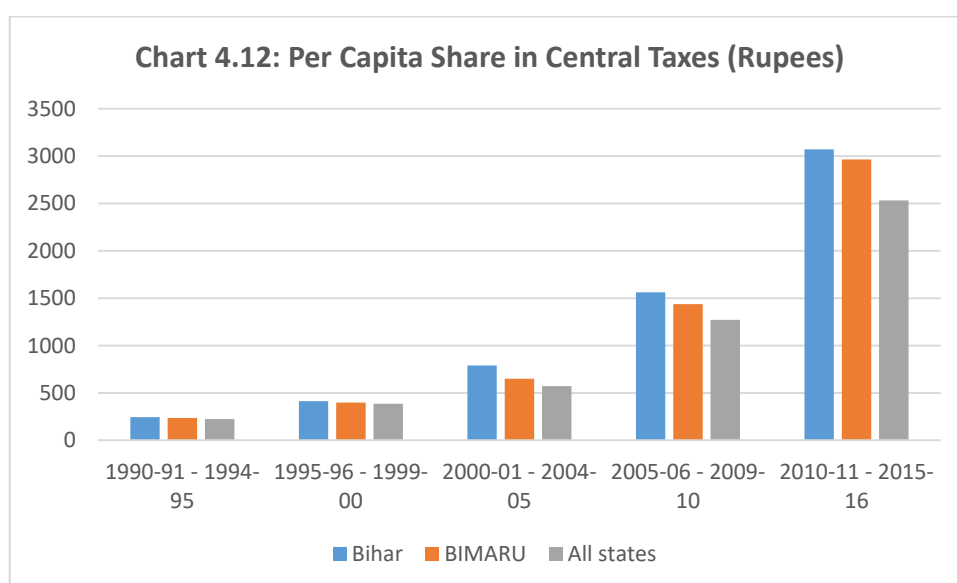


Table 4.25 presents the per capita grants through the centre to Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16. Per capita grants through the centre significantly improved since 2005 due increase in the volume of grants from the centre with the phase out of central loans for plan purpose under the recommendation of FC XII.

**Table 4.25: Per Capita Grants from the Centre – Annual Averages (rupees)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
Bihar	130	128	201	611	1215	486
BIMARU	177	178	268	672	1419	576
All states	196	249	436	968	1839	780

Source: Calculation from State Finances: A Study of Budget, RBI

Per capita grants through the centre to undivided Bihar climbed from Rs. 201 during the period 2000-01 – 2004-05 to Rs. 1215 during 2010-11 – 2015-16 while it was only Rs. 130 for former Bihar during the phase 1990-91 – 1994-95. The significant rise in per capita grants through the centre to divided Bihar during the period 2005-06 – 2009-10 to 2010-11 – 2015-16 is because of significant improvement in per capita plan grants from Rs. 423 to Rs. 961 while per capita

grants through the centre on non-plan account rose only from Rs. 188 to Rs. 254 during this period as shown in table 4.26. Within non-plan grants, per capita statutory grants improved from Rs. 86 during the period 2005-06 – 2009-10 to Rs. 221 during 2010-11 – 2015-16 while per capita grants from the centre under other components declined from Rs. 102 to Rs. 33 for present Bihar. The data in table 4.26 also indicates that the share of per capita plan grants to per capita grants from the centre is much higher than the share of per capita non-plan grants to per capita grants from the centre for Bihar. The ratio of per capita plan grants to per capita grants from the centre to Bihar increased from 0.69 during the period 2005-06 – 2009-10 to 0.79 percent during 2010-11 – 2015-16 and the ratio of per capita non-plan grants to per capita plan grants from the centre to Bihar fell from 0.31 to 0.21 during the same period. The grants from the centre under plan head are mostly the conditional grants and states are required to match the contribution to spend. The decline in revenue from own resources and enactment of FRBM Act by Bihar government, due to the linkage of central transfers with fiscal reforms at state level, create constraint on state expenditure and leave less space to use the grants, detrimental to developmental expenditure. Chart 4.13 depicts the per capita grants through the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 4.26: Per Capita components of Grants from the Centre – Annual Averages (rupees)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>A. Plan Grants</b>						
Bihar	93	87	176	423	961	372
BIMARU	150	135	213	483	1079	437
All states	161	196	305	647	1312	554
<b>B. Non-Plan Grants (1 and 2)</b>						
Bihar	37	40	25	188	254	114
BIMARU	27	43	54	189	341	139
All states	36	54	131	321	527	226
<b>1. Statutory Grants</b>						
Bihar	33	9	8	86	221	77
BIMARU	16	15	23	107	236	85
All states	23	26	77	175	319	131
<b>2. Others*</b>						
Bihar	4	32	16	102	33	37
BIMARU	11	28	31	82	105	53
All states	12	28	54	146	208	94

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes grants from relief on account of natural calamities, specific purpose grants under the recommendation of Finance Commission and discretionary grants through Central Ministries.



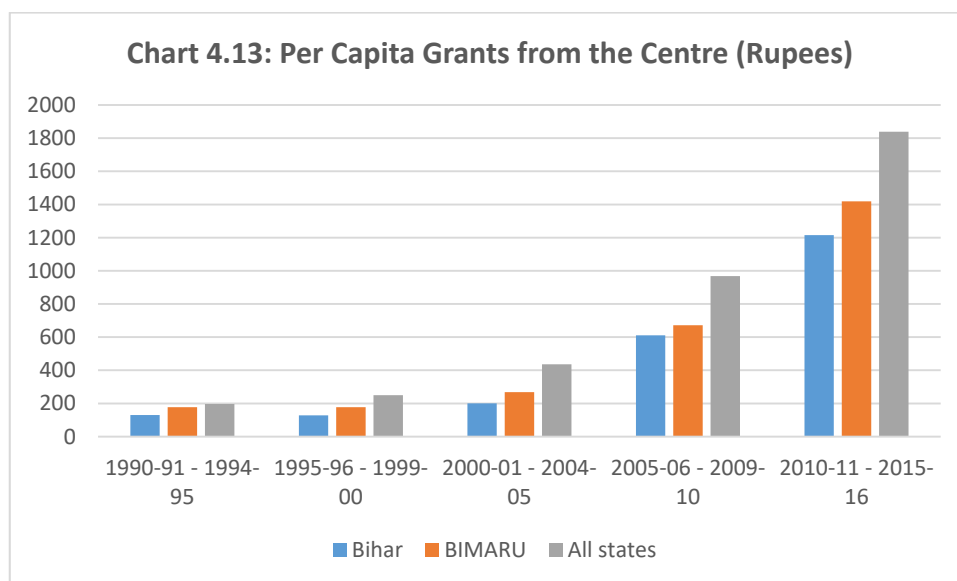


Table 4.27 displays the per capita loans and advances through the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Per capita loans and advances through the centre sharply fell since 2005 because of phase out of central loans for plan purpose under the recommendation of FC XII.

**Table 4.27: Per Capita Loan and Advances from the Centre – Annual Averages (rupees)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
Bihar	113	167	164	28	64	105
BIMARU	135	225	203	46	63	132
All states	166	272	229	63	87	160

Source: Calculation from State Finances: A Study of Budget, RBI

Per capita loans and advances through the centre to divided Bihar came down from Rs. 164 during the period 2000-01 – 2004-05 to Rs. 64 during 2010-11 – 2015-16 while it was Rs. 113 during the phase 1990-91 – 1994-95 for former Bihar. **Chart 4.14** presents per capita loans and advances through the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

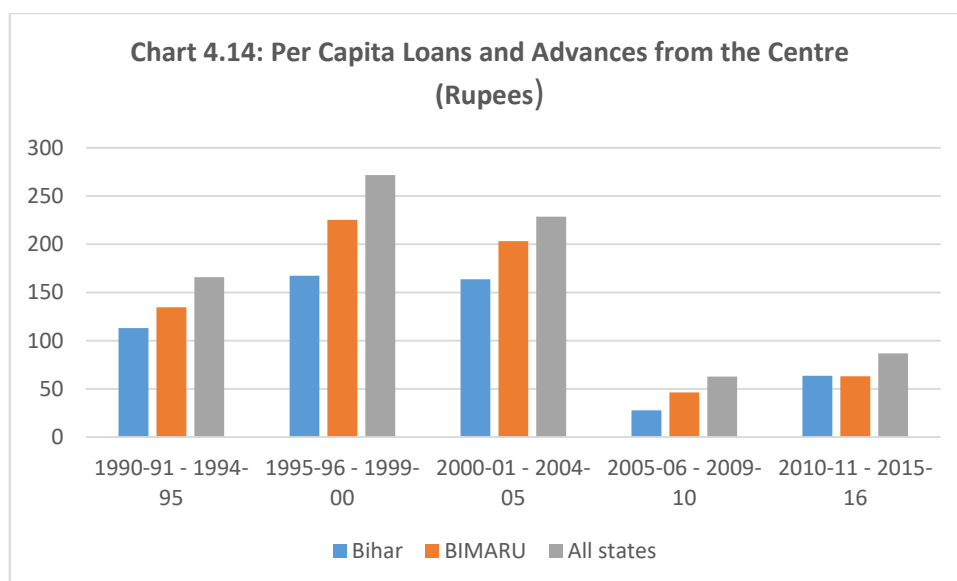


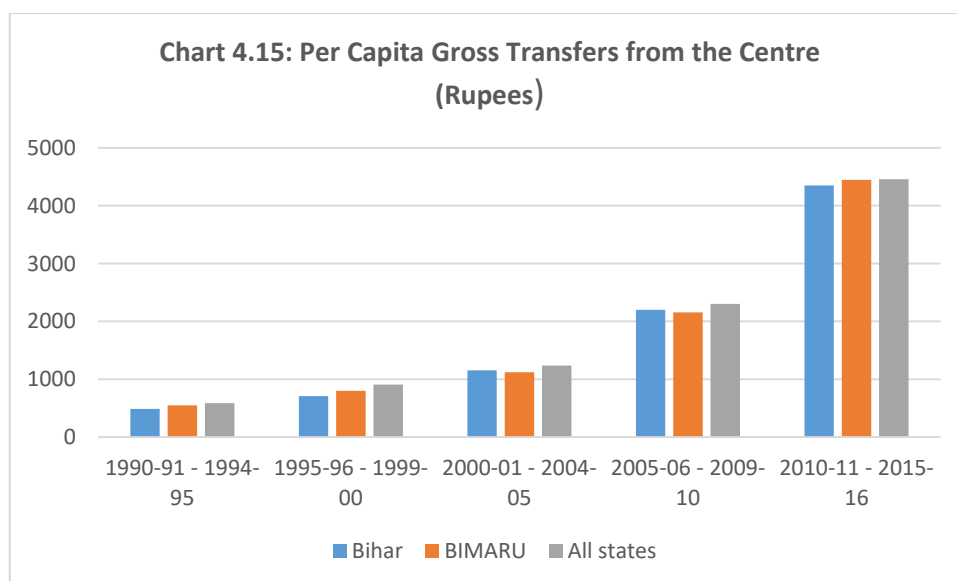
Table 4.28 depicts the per capita gross transfer of resources through the centre to Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 4.28: Per Capita Gross transfers from the Centre – Annual Averages (rupees)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
Bihar	487	708	1155	2200	4349	1879
BIMARU	547	801	1120	2155	4447	1915
All states	586	908	1237	2302	4457	1996

Source: Calculation from State Finances: A Study of Budget, RBI

Per capita gross transfer of resources through the centre to divided Bihar climbed from Rs. 1155 during the period 2000-01 – 2004-05 to Rs. 4349 during 2010-11 – 2015-16 while it was only Rs. 487 during the phase 1990-91 – 1994-95 for erstwhile Bihar. The data also indicates that the per capita gross transfer of resources through the centre to divided Bihar has always been higher than that of BIMARU and all states reflecting the higher dependency of Bihar on the centre.



The transfers of resource through Finance Commission to Bihar, which is unconditional in nature, declined from 81.3 percent during the period 2005-06 – 2009-10 to 77.1 percent during 2010-11 – 2015-16 while the transfer of resources through Planning Commission, which is mostly conditional in nature and state is required to contribute to use the resources, increased from 17.2 percent during the period 2005-06 – 2009-10 to 22.1 percent during 2010-11 – 2015-16. The actual transfer of share in central taxes through Finance Commission to Bihar as a percentage to all states declined from 11.2 during the period 1990-91 – 1994-95 (FC9) to 10.9 percent during 2010-11 – 2014-15 (FC13). Within the grants from the centre to states, the contribution of plan grants, which is mostly conditional grants, increased from 70.2 percent during the period 2009-10 to 82.4 percent in 2015-16 while the share of non-plan grants, which is mostly unconditional grants, decreased from 29.8 percent during 2009-10 to 17.6 percent in 2015-16 for Bihar. On the one hand, Bihar’s dependency on centre has increased over the period due to decline in the revenue receipt from own resources and on the other hand, central transfers has been linked with fiscal reform at state level. Bihar government enacted FRBM act in 2006 to maintain GFD at targeted level which creates serious strain on state expenditure.

## **Chapter V: Capital Receipts: Overview of Trend, Composition and Pattern**

Gross capital receipts of state government comprise of “internal debt, loans and advances from the Centre, recovery of loans and advances, state provident funds, reserve funds, deposits and advances, suspense and miscellaneous, remittances and contingency fund. Internal debt, loans and advances from the Centre and recovery of loans and advances together constitute the consolidated fund of capital receipts while state provident funds, reserve fund, deposits and advances, suspense and miscellaneous and remittances are the component of Public account of the state government” (Economic Survey, 2011-12, Govt. of Bihar, pg. no. 353-354). Table 5.1 presents the composition of Capital Receipts Consolidated Funds (CRCF) for Bihar, BIMARU and All States for 1990-91 to 2015-16. The composition of CRCF changed since 2000 as the internal debt gained importance, while loans and advances through the Centre lost its importance since 2005-06.

**Table 5.1: Composition of Capital Receipts Consolidated Fund- Annual Average (Percent)**

<b>Heads</b>	<b>1990-91 - 1994-95</b>	<b>1995-96 - 1999-00</b>	<b>2000-01 - 2004-05</b>	<b>2005-06 - 2009-10</b>	<b>2010-11 - 2015-16</b>	<b>1990-91 - 2015-16</b>
<b>1. Internal Debt</b>						
Bihar	28.2	34.6	70.3	90.5	90.7	63.9
BIMARU	26.2	34.8	69.1	86.2	87.7	61.8
All states	22.9	32.5	74.0	88.3	92.0	63.1
<b>2. Loans and Advances from the Centre</b>						
Bihar	69.4	64.0	29.0	8.7	7.6	34.7
BIMARU	64.6	57.3	24.5	6.6	4.7	30.5
All states	65.0	57.7	19.6	5.3	4.1	29.3
<b>Debt Receipts (1 + 2)</b>						
Bihar	97.7	98.6	99.2	99.3	98.2	98.6
BIMARU	90.8	92.2	93.6	92.7	92.4	92.3
All states	87.9	90.2	93.6	93.6	96.1	92.4
<b>3. Recovery of Loans and Advances</b>						
Bihar	2.3	1.4	0.8	0.7	1.8	1.4
BIMARU	9.2	7.8	6.4	7.3	7.6	7.7
All states	12.1	9.8	6.4	6.4	3.9	7.6
<b>Capital Receipt Consolidated Fund (1 + 2 + 3)</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All States	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

The contribution of internal debt of undivided Bihar climbed from 28.2 to 34.6 percent and after the division of Bihar, its contribution rose from 70.3 percent during the phase 2000-01 – 2004-05 to 90.7 percent during 2010-11 to 2015-16. The percentage contribution of borrowings through internal sources by BIMARU states was 26.2 percent during 1990-91 – 1994-95 but

has increased to 87.7 percent during 2010-11 – 2015-16. At All states level, the contribution was 22.9 percent initially which has gone up to 92.0 percent in the last phase.

The contribution of loans and advances through the Centre to CRCF has continuously decreased during the period. The percentage contribution decreased from 69.4 to 64.0 for undivided Bihar while it sharply fell from 29.0 during the period 2000-01 – 2004-05 to 7.6 during the last phase 2010-11 to 2015-16. Its contribution for BIMARU states was 64.6 percent during the initial phase and fell to 4.7 percent in the last phase. At all states level, its participation was 65.0 percent initially and decreased to 4.1 percent in the last phase.

Table 5.1 also provides the information about the percentage contribution of recovery of loans and advances to CRCF for the period. It can be seen that the contribution of recovery loan and advances to CRCF of undivided Bihar decreased from 2.3 percent to 1.4 percent between 1990-91 – 1994-95 to 1995-96 – 1999-00, while it has increased later, from 0.8 percent to 1.8 percent in the last phase for divided Bihar. For BIMARU states, its contribution was 9.2 percent initially which decreased to 7.3 percent during the period 2005-06 – 2009-10 but slightly improved to 7.6 percent in the last phase. At all states level, its contribution continuously fell from 12.1 percent initially to 3.9 percent during the last phase. In case of Bihar, its share has always been less than that of BIMARU and all states.

The significant change in the compositions of CRCF is due to the following reasons:

“(i) The institution of National Small Savings Fund (NSSF) w.e.f April 1, 1999.

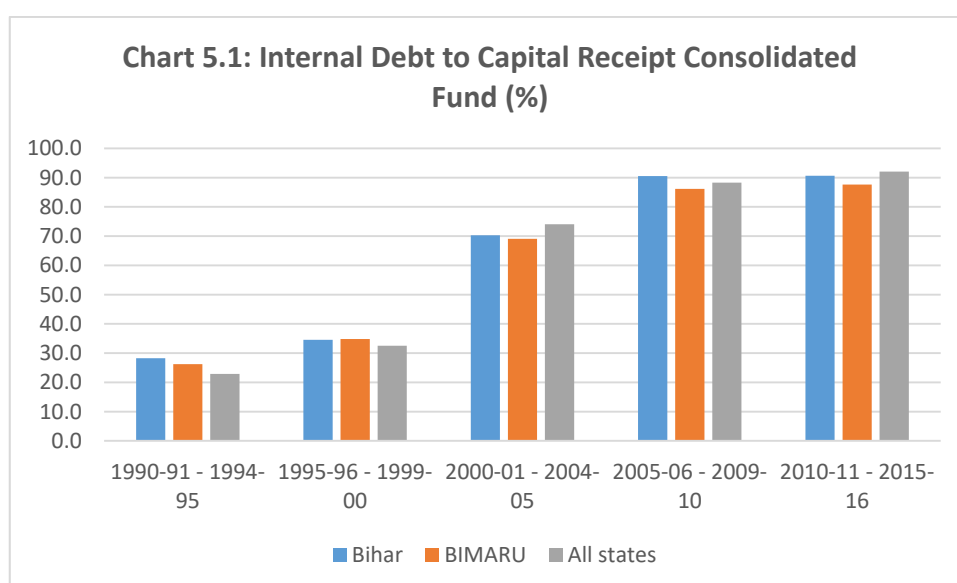
(ii) Implementation of Debt Swap Scheme (DSS) during the period 2002-2005

(iii) Disintermediation of Plan loan from April 1, 2005 in accordance with the recommendation of Finance Commission XII (TFC)” (State Finances: A study of Budget, RBI).

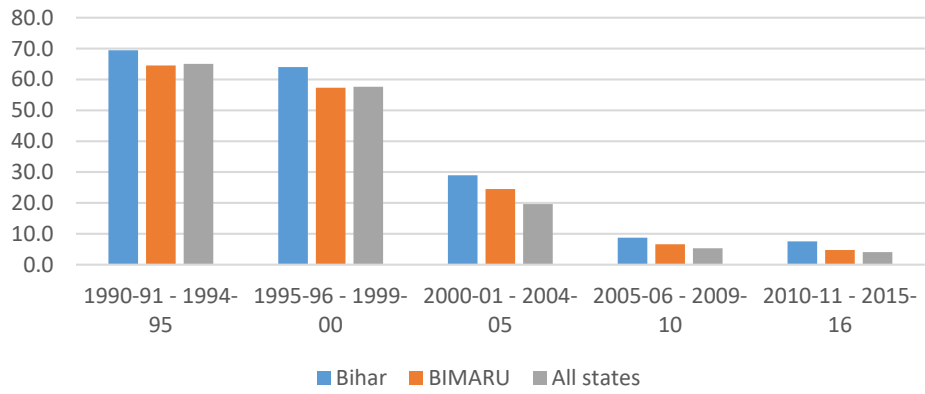
Before the institution of NSSF, small savings were treated as loans from Centre to states. After its establishment, small “savings collections are channelized through NSSF’s investment in state government securities, instead of being intermediated by the Centre and became the part of internal debt of state government” (State Finances: A Study of Budget, RBI, 2012-13, pg. no. 61). The DSS enabled states to “prepay high cost loans contacted from the Central government through low cost market borrowings and proceeds from small savings. This reduced the contribution of fresh loans from the Centre but increased the share of internal debt” (State Finances: A Study of Budget, RBI, 2012-13, pg. no. 65).

The fall in the importance of loans and advances through the Centre reflects discontinuance of plan loans since April 1, 2005 on the basis of the recommendation of TFC. States would borrow directly from the market to finance their annual plans. The “method of issuance of market loans migrated from the administratively controlled system to an auction based system since 2006-07” (State Finances: A Study of Budget, RBI, 2006-07; pg. no. 46-47). However, TFC recommended that Centre could raise loans for fiscally weaker states, who are unable borrow sufficiently from the market.

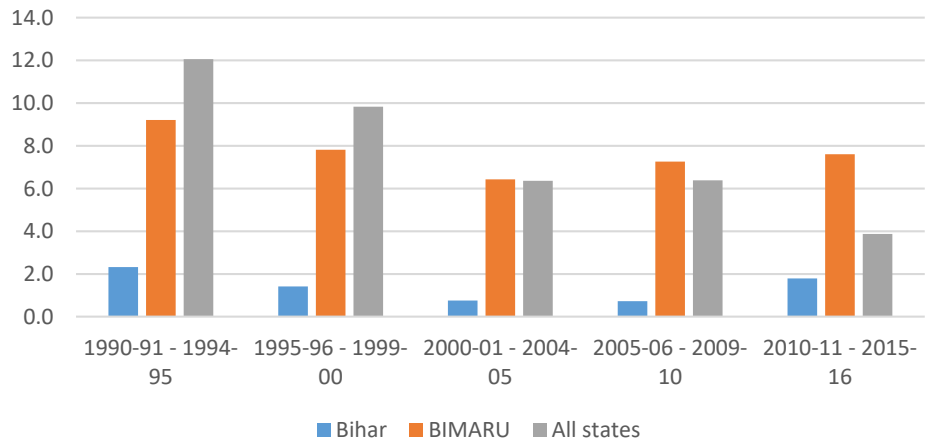
The total borrowings through the internal sources and loans and advances through the Centre together constitute debt receipts of capital receipts consolidated fund of the state governments. In case of erstwhile Bihar, its contribution rose from 97.7 percent to 98.6 percent while its percentage contribution came down from 99.2 to 98.2 for divided Bihar as presented in Table 5.1. For BIMARU states, its percentage contribution improved from 90.8 initially to 92.4 during 2010-11 – 2015-16. At all states level, it has significantly increased from 87.9 percent in the initial phase to 96.1 percent during the last phase. Chart 5.1 depicts the percentage contribution of internal debt to CRCF of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Chart 5.2 displays the percentage participation of loans and advances through the centre to CRCF of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and chart 5.3 presents the percentage contribution of recovery of loans and advances to CRCF of Bihar, BIMARU and all states during the same period. Chart 5.4 displays the pattern of CRCF of the Bihar government during the period 2000-01 – 2015-16.

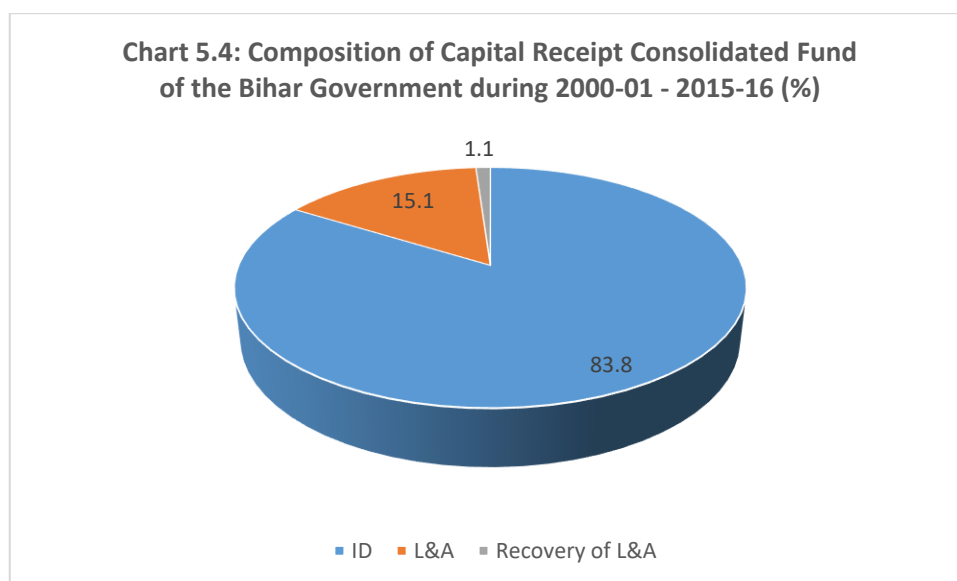


**Chart 5.2: Loans and Advances to Capital Receipt Consolidated Fund (%)**



**Chart 5.3: Recovery of Loans and Advances to Capital Receipt Consolidated Fund (%)**





Note: ID- Internal Debt, L&A- Loans and Advances.

Within the total borrowings through internal sources, market borrowings and special securities provided to NSSF together constitute more than 70 percent share in capital receipts consolidated fund since 2005 as presented in table 5.2.

**Table 5.2: Share of the Components of Internal Debt to Capital Receipts Consolidated Fund- Annual Average (Percent)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Market Loans</b>						
Bihar	26.9	25.2	22.8	29.0	59.7	33.8
BIMARU	21.1	24.2	23.8	44.8	52.8	34.1
All states	16.1	19.5	22.1	47.3	67.9	35.9
<b>Loans from Banks and Financial Institutions</b>						
Bihar	0.8	1.1	4.5	9.4	9.9	5.3
BIMARU	1.3	3.1	4.2	9.4	9.8	5.7
All states	2.7	3.4	4.7	6.8	6.1	4.8
<b>Special Securities issued to NSSF*</b>						
Bihar	-	38.0	38.7	41.4	19.7	21.4
BIMARU	-	30.7	35.4	27.6	15.0	16.7
All states	-	35.9	38.6	29.4	12.7	17.4
<b>Others</b>						
Bihar	0.5	0.7	4.2	10.7	1.4	3.4
BIMARU	3.8	1.5	5.7	4.4	10.1	5.3
All states	4.1	2.5	8.7	4.8	5.3	5.1

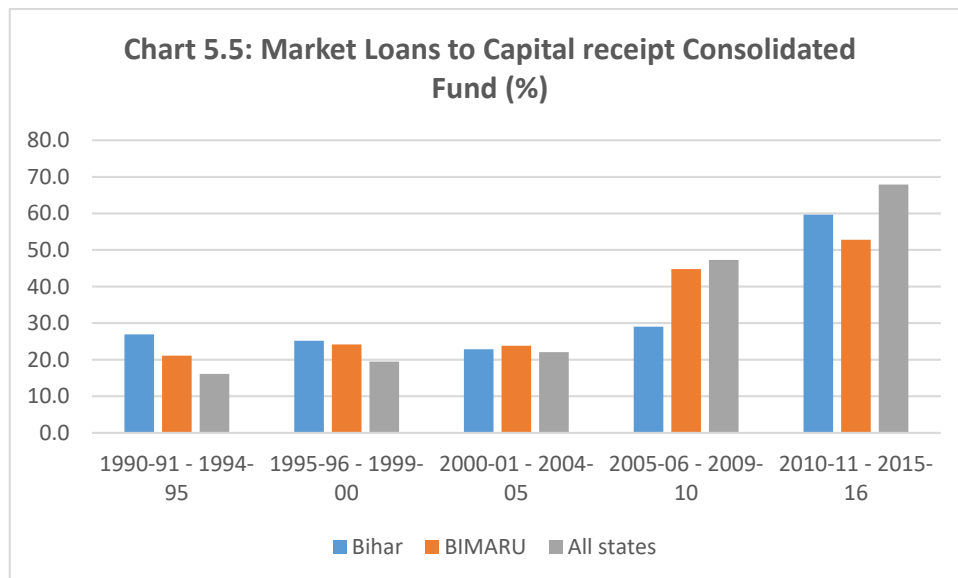
Source: Calculation from State Finances A Study of Budget, RBI

Note: \* indicates only for the year 1999-2000.

In case of Bihar, the contribution of market loan was 26.9 percent initially but there has been significant increase in its share from 29.0 percent during the period 2005-06 – 2009-10 to 59.7 percent in the last phase due decline in the relative share of NSSF from 41.4 percent to 19.7



percent. For BIMARU states, the share of market loans was 21.1 percent in the initial phase which increased to 44.8 percent during the period 2005-06 – 2009-10 and again significantly rose to 52.8 percent in the last phase while the relative contribution of NSSF came down from 35.4 percent in 2000-01 – 2004-05 to 15.0 percent in the last phase. At all states level, the market loans contributed 16.1 percent in capital receipt consolidated fund initially which increased to 47.3 percent during the period 2005-06 – 2009-10 and again significantly increased to 67.9 percent in the last phase while the percentage contribution of NSSF fell from 38.6 during 2000-01 – 2004-05 to 12.7 in the last phase. Chart 5.5 shows the percentage contribution of market loans to CRCF for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 5.6 displays the percentage contribution of NSSF to CRCF for Bihar, BIMARU and all states during the same period.



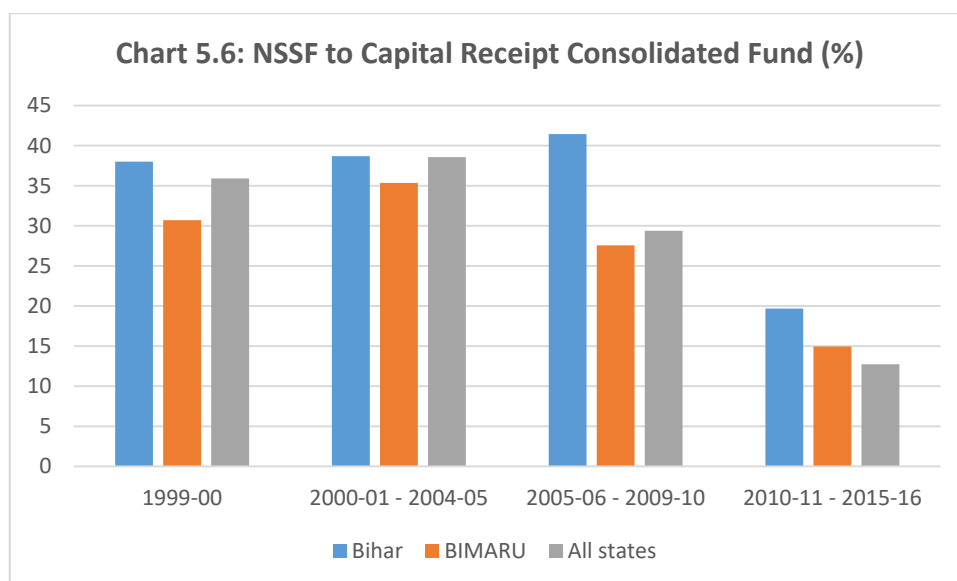


Table 5.3 provides the information about the pattern of internal debt of Bihar, BIMARU and all states during the period 1990-91–1994-95 to 2010-11–2015-16. Before the institution of NSSF, market borrowings were the most important source of internal debt but were administered by the Centre and regulated by the RBI. “States may not, without the consent of central government, raise any loan if they are indebted to the central government (Art 293)”. With the institution of NSSF effective April 1, 1999, contribution of market loans declined, but it again gained importance in the later phase as the states were permitted to borrow directly from the market by auction route since 2006-07.

**Table 5.3: Composition of Internal Debt- Annual Average (Percent)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Market Loans</b>						
Bihar	95.4	83.6	32.6	31.0	65.6	61.8
BIMARU	82.3	76.4	34.6	51.7	61.3	61.3
All states	71.3	69.6	29.6	53.3	73.9	60.1
<b>Loans from Banks and Financial Institutions</b>						
Bihar	2.7	2.0	6.6	11.2	10.9	6.9
BIMARU	5.4	9.5	6.0	10.9	11.4	8.8
All states	11.5	11.7	6.5	7.8	6.6	8.7
<b>Special Securities issued to NSSF*</b>						
Bihar	-	62.5	55.4	47.0	22.0	27.2
BIMARU	-	50.1	51.2	32.1	16.9	21.9
All states	-	55.2	52.1	33.5	13.8	21.8
<b>Others*</b>						
Bihar	1.8	1.9	5.4	10.8	1.5	4.2
BIMARU	12.3	4.0	8.2	5.3	10.4	8.1
All states	17.2	7.7	11.8	5.5	5.7	9.4

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes “land compensation bonds”, “loans from Khadi and Village Industries Commission” etc.

The contribution of market loans to internal debt of divided Bihar significantly rose from 32.6 percent during the period 2000-01 – 2004-05 to 65.6 percent during 2010-11 – 2015-1 because of fall in the contribution of NSSF. For BIMARU states, the contribution of market loans to internal debt was 82.3 percent initially and continuously decreased to 34.6 percent during 2000-01-2004-05 but after that it started to improve and reached to 61.3 percent in the last phase due to decline in the share of NSSF. At all states level, the contribution of market loans to internal debt was 71.3 percent in the initial phase which continuously declined to 29.6 percent during the period 2000-01-2004-05 but after that it again gained importance and reached to 73.9 percent in the last phase due to decrease in the relative share of NSSF.

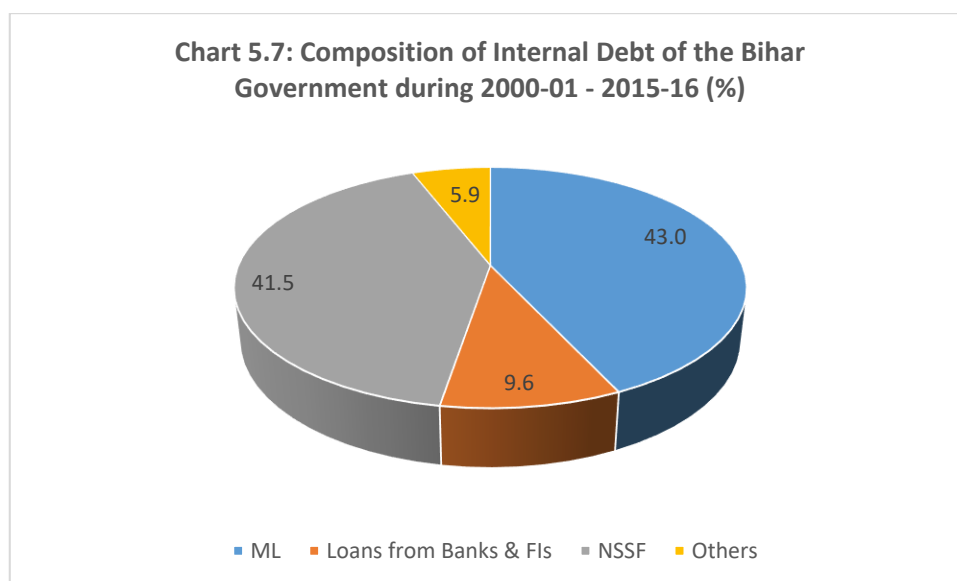
As per Economic Survey of Bihar (2014-15) the “collections under the small saving schemes, net of withdrawals, are the source of funds for the NSSF. The NSSF invests the net collections of small savings in the Special State Government Securities (SSGS) and Special Central Government Securities (SCGS), as per the sharing formula decided by the central government” (pg. no. 345). According to Rangarajan and Prasad (2012) the NSSF borrowings are “inherently inflexible as they are based on their availability and collections within the geographical territory of the state than the borrowing requirement of the state. The NSSF is an autonomous source of fund as the state governments cannot determine either the quantum or cost of these borrowings” (State Finances: A Study of Budget, RBI 2012-13, pg. no. 61). In the context “borrowings from NSSF versus market borrowings, there are trade-offs between lower interest rate of market borrowings and longer maturity and stability of NSSF” (State Finances: A Study of Budget, RBI, 2005-06, pg. 50). The maturity period of market borrowings has been 10 years and average interest rate has been 6.5 percent while the maturity period of NSSF has been 25 years and interest rate, which is determined by central government varied between 9.5 percent and 10.5 percent.

In case of Bihar, the share of NSSF in internal debt was 55.4 percent during the period 2000-01 – 2004-05 after that it started to decline and reached to 22.0 percent during 2010-11–2015-16 as shown in Table 5.3. For BIMARU states, its share was 51.2 percent during the period 2000-01 – 2004-05 after that it continuously declined to 16.9 percent in the last phase. At all states level, its share was 52.1 percent during the period 2000-01 – 2004-05 after it has also shown the declining trend and reached to 13.8 percent in the last phase.

The share of NSSF has been highest during the period 2000-01 – 2004-05 for Bihar, BIMARU and all states. It is due to the “entire net collections credited to NSSF were passed on to the states against the issues of SSGS under the DSS” (State Finances: A Study of Budget, RBI, 2007-08). The declining role of NSSF contribution in the later phase “can be attributed to three factors: (i) volatility in net collections under small saving schemes (ii) revision in norms relating to sharing of net collections between the centre and the states (iii) redemption of SSGS” (State Finances: A Study of Budget, RBI, 2013-14, pg. no. 10).

“As per recommendation of the Committee on Comprehensive Review of the NSSF, interest rates on small saving instruments have been made more market-aligned since December 2011. Although, they are revised at annual intervals, they cannot respond to market signals as quickly as other instruments of savings” (State Finances: A Study of Budget, RBI, 2013-14, pg. no. 10). The fluctuation of NSSF’s contribution is also related to the revisions of norms associated with sharing of net collections from small savings between the centre and the states. “The sharing between the centre and the states was in the ratio of 20:80 between 1999-2000 and 2001-02; 0:100 between 2002-03 and 2006-07; and 20:80 between 2007-08 and 2011-12. From 2012-13 onwards, state government have been given the options of availing either the entire net small saving collections within the state or only 50 percent of the net collections. 16 states including Bihar opted for a 50 percent share of net small saving collections as state governments have had funds in excess of their financial requirement” (State Finances: A Study of Budget, RBI, 2013-14, pg. no. 10).

Table 5.3 also provides the information about the percentage contribution of loans from banks and financial institutions to internal debt of Bihar, BIMARU and all states during the period 1990-91 – 1994-995 to 2010-11 – 2015-16. Its contribution was 10.9 percent during the phase 2010-11 – 2015-16 for divided Bihar against 2.7 percent during 1990-91 – 1994-95 for undivided Bihar. For BIMARU states, it has also shown the increasing trend i.e. 5.4 percent in the initial phase to 11.4 percent during the period 2010-11 – 2015-16. However, at all states level, it has significantly fall from 11.5 percent initially to 6.6 percent in the last phase. Chart 5.7 displays the pattern of internal debt of the Bihar government during the period 2000-01 – 2015-16.



Note: ML- Market Loans, FIs- Financial Institutions.

The central government’s role has been critical for deterioration of the state finances. “The rates of interest on borrowings were gone up after 1990-91. The coupon rates of state’s government securities were pulled harshly by the RBI from 1990-91 onwards. The weighted average of coupon rates, which was 11.5 percent in 1990-91, reached to 14 percent in 1995-96. However, the interest rates on small borrowings by states increased from 13 percent to 14.5 percent between 1990-91 and 1992-93, and remained stable after that till 1997-98” (T M Thomas Issac and R. Ramakumar, 2011, pg. no. 191). However, the interest rate started to decline thereafter but the financial burden of high interest rates of these periods has been notable (table 5.4).

**Table 5.4: Key Interest rates on State Government Borrowings from the Centre and the Market, 1990-91 to 2007-08 (in Percent Per Annum)**

Year	Coupon rates on state government securities (weighted average)	Interest rates on small savings borrowings by states	Interest rates on plan and non-plan loans from the centre
1990-91	11.5	13.0	10.3
1991-92	11.8	13.5	10.8
1992-93	13.0	14.5	11.8
1993-94	13.5	14.5	12.0
1994-95	12.5	14.5	12.0

1995-96	14.0	14.5	13.0
1996-97	13.8	14.5	13.0
1997-98	12.8	14.5	13.0
1998-99	12.4	14.0	12.5
1999-00	11.9	13.5	–
2000-01	11.0	12.5	–
2001-02	9.2	11.0	–
2002-03	7.5	10.5	–
2003-04	6.1	9.5	–
2004-05	6.4	9.5	–
2005-06	7.6	9.5	–
2006-07	8.1	9.5	–
2007-08	8.3	9.5	–

Source: RBI (2005c; 2005d, 2006); EPWRF (2004)

Gross capital receipts of the state government include capital receipts from consolidated fund and capital receipts from public account. “Public Account includes state provident fund etc., reserve funds, deposits and advances (like the earnest money deposits taken from the contractors for public works etc.), suspense and miscellaneous accounts where amounts are as an interim measure pending their final adjustments in the books of accounts and remittances” (Economic Survey of Bihar, 2006-07, pg. no. 203). As per the Economic Survey of Bihar (2014-15) “liability from Public Account constitutes a significant part of the total liabilities of the state government, though it is not a debt in the strict sense of the term. But the resources are indeed used by the state government, and there is a liability to pay back the outstanding balances in these accounts, which form a part of cash balance of the state” (pg. no. 365) Table 5.5 presents the share of public account and its components to gross capital receipts over the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 5.5: Share of Public Accounts and its Components to Gross Capital Receipts- Annual Average (Percent)**

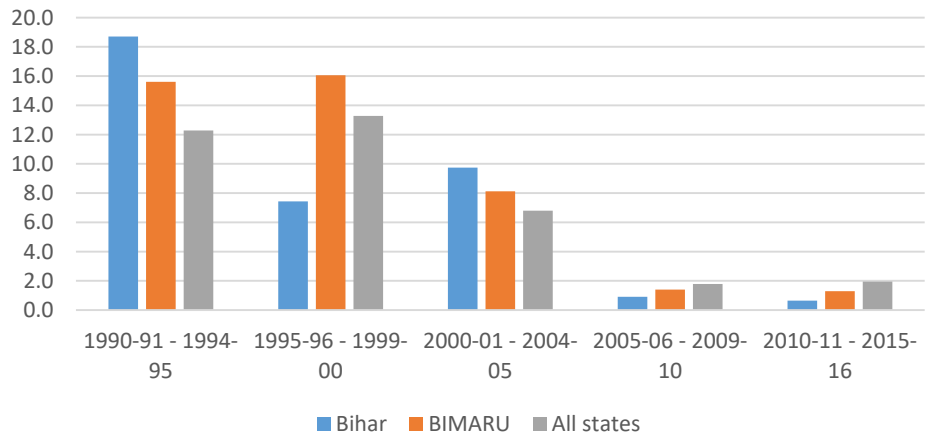
Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>1. State Provident Funds, e.t.c</b>						
Bihar	18.7	7.4	9.7	0.9	0.6	7.2
BIMARU	15.6	16.1	8.1	1.4	1.3	8.2
All states	12.3	13.3	6.8	1.8	1.9	7.0
<b>2. Reserve Funds</b>						

Bihar	0.0	-0.1	0.0	0.4	0.5	0.2
BIMARU	3.8	4.6	3.3	0.8	0.9	2.6
All states	4.8	4.5	2.6	0.9	0.9	2.7
<b>3. Deposits and Advances</b>						
Bihar	-0.3	5.4	7.2	3.6	9.7	5.3
BIMARU	8.2	8.7	9.5	9.8	9.2	9.1
All states	6.8	8.1	7.4	8.8	9.2	8.1
<b>4. Suspense and Miscellaneous</b>						
Bihar	0.0	-0.5	15.2	87.3	77.1	37.4
BIMARU	1.4	-0.7	18.5	79.7	80.1	37.5
All states	2.9	2.1	20.4	77.2	76.6	37.4
<b>5. Remittances</b>						
Bihar	-0.6	29.3	0.7	4.7	6.1	8.0
BIMARU	-1.1	-13.1	1.7	4.2	4.0	-0.7
All states	-1.0	-3.2	2.5	4.8	4.5	1.6
<b>Public Account (1 to 5)</b>						
Bihar	17.8	41.6	32.8	97.0	94.1	58.1
BIMARU	28.0	15.4	41.2	96.0	95.5	56.8
All states	25.8	24.8	39.8	93.5	93.1	56.8

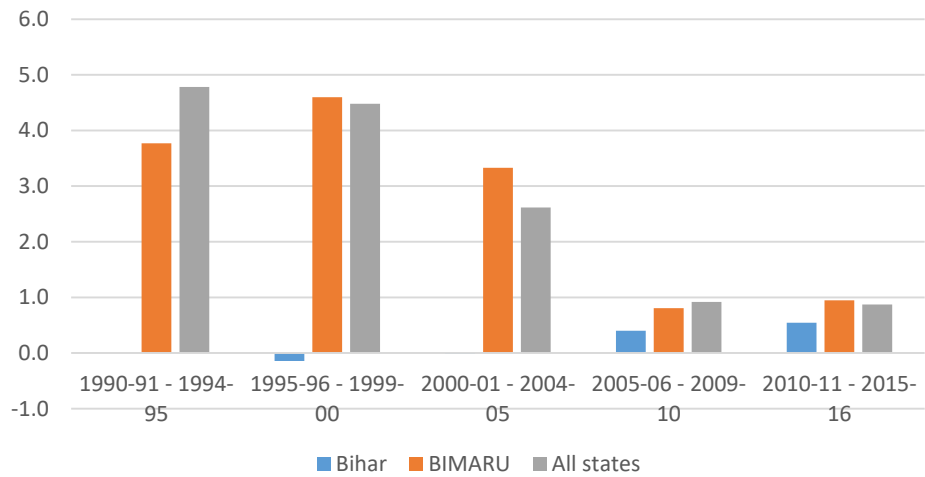
Source: Calculation from State Finances: A Study of Budget, RBI

The contribution of public account to gross capital receipts rose from 17.8 percent during the phase 1990-91 – 1994-95 for undivided Bihar to 94.1 percent during 2010-11 – 2015-16 for divided Bihar. For BIMARU states, its contribution was 28.0 percent in the initial phase and climbed to 95.5 percent in the last phase. At all states level, its contribution also improved significantly from 25.8 percent initially to 93.1 percent during the last phase. The contribution of suspense and miscellaneous has been responsible for the significant rise in the contribution of public account. Chart 5.8 presents the percentage contribution of state provident fund etc. to gross capital receipt of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 5.9 displays the percentage contribution of reserve funds to gross capital receipt of Bihar, BIMARU and all states during the same period. Chart 5.10 depicts the percentage contribution of deposits and advances to gross capital receipt of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 5.11 displays the percentage contribution of suspense and miscellaneous to gross capital receipt of Bihar, BIMARU and all states during the same period and Chart 5.12 shows the percentage contribution of public accounts to gross capital receipt of Bihar, BIMARU and all states during the same period.

**Chart 5.8: State Provident Funds etc. to Gross Capital receipts (%)**

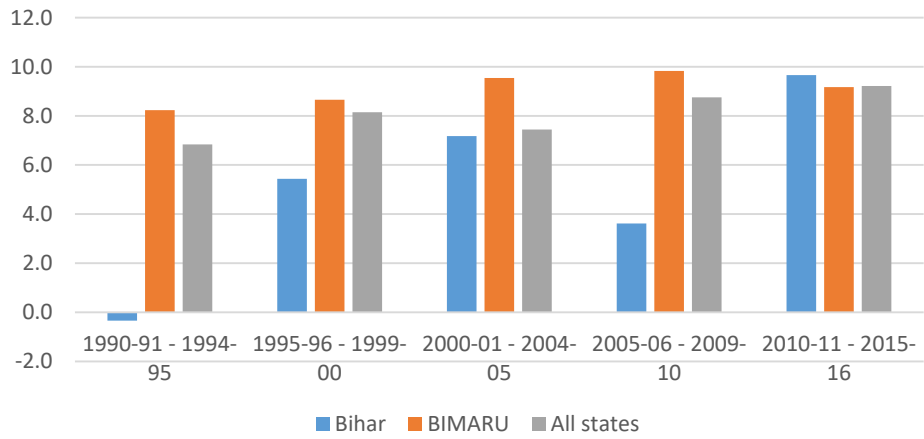


**Chart 5.9: Reserve Funds to Gross Capital Receipt (%)**

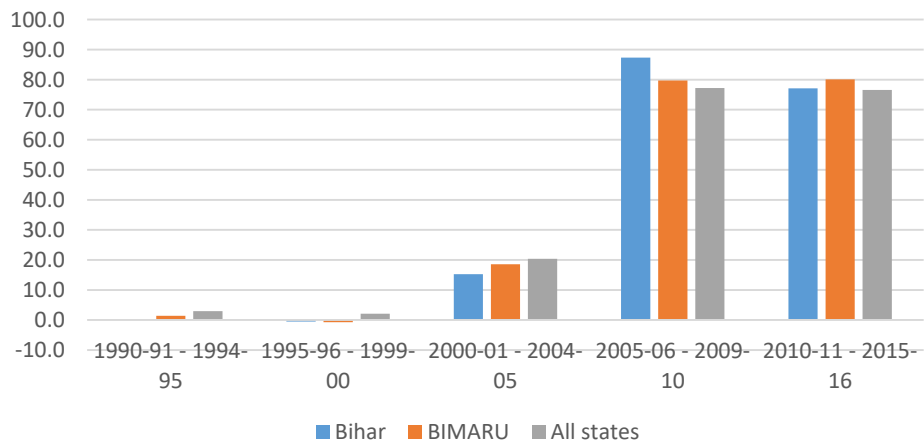




**Chart 5.10: Deposits and Advances to Gross Capital Receipts (%)**



**Chart 5.11: Suspense and Miscellaneous to Gross Capital Receipt (%)**



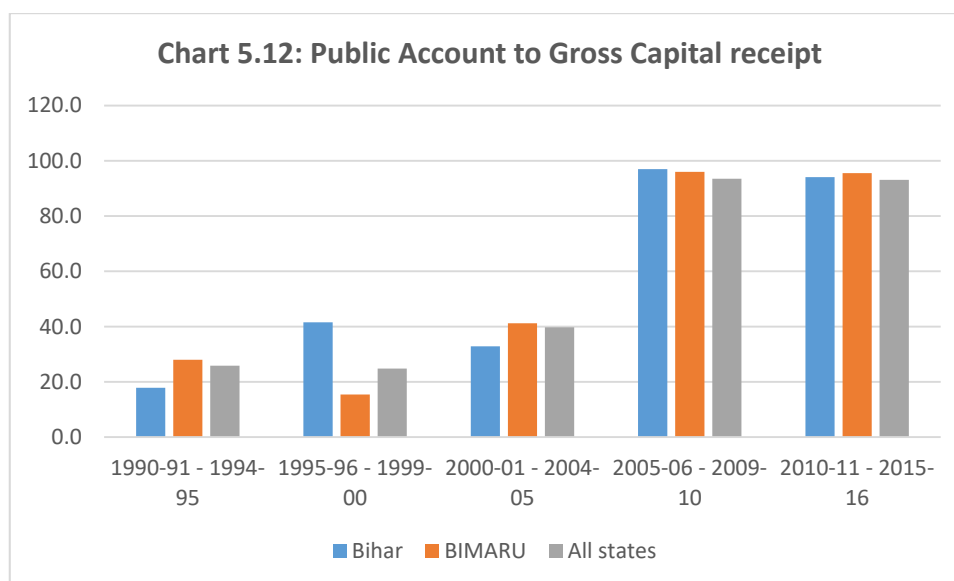


Table 5.6 depicts the percentage contribution of the components of suspense and miscellaneous to gross capital receipts of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Within the components of suspense and miscellaneous, cash balance investment accounts has been the main contributor to gross capital receipts.

**Table 5.6: Share of the Components of Suspense and Miscellaneous to Gross Capital Receipts-Annual Average (Percent)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Cash Balance Investment Accounts</b>						
Bihar	0.0	0.0	15.5	87.0	76.7	37.4
BIMARU	0.0	0.0	5.8	47.4	42.5	20.0
All states	0.0	0.0	6.8	51.1	48.8	22.4
<b>Deposits with RBI</b>						
Bihar	0.0	0.0	0.0	0.0	0.0	0.0
BIMARU	0.0	0.0	9.3	25.7	26.0	12.7
All states	0.0	0.0	8.4	16.3	14.9	8.2
<b>Others*</b>						
Bihar	0.0	-0.5	-0.3	0.3	0.4	0.0
BIMARU	1.4	-0.7	3.4	6.6	11.6	4.7
All states	2.9	2.1	5.1	9.8	12.9	6.8

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes suspense etc.

In case of Bihar, the share of cash balance investment account was 15.5 percent during the period 2000 -01 – 2004-05 which significantly increased to 87.0 percent in the next phase but decreased to 76.7 percent in the last phase. During 2000-01 – 2004-05, its share was 5.8 percent for BIMARU states which increased to 47.4 percent in the next phase while it experienced

decline in the last phase to 42.5 percent as. At all states level, its share was 6.8 percent during the period 2000-01 – 2004-05 which increased to 51.1 percent in the next phase but declined to 48.8 percent in the last phase. Other than cash balance investment account, deposits with RBI also played the important role in gross capital receipts for BIMARU states and all states.

There has been a sharp accumulation of the surplus cash balance of state governments since the beginning of the fiscal 2005-06. This is probably because of the following reasons: “(i) containment of expenditure by the state governments particularly, non-interest revenue expenditure and stagnant capital outlay after the enactment of Fiscal Responsibility Legislation (ii) adherence to the fiscal restructure plan of the TFC to avail of debt relief in terms of debt write-off and rescheduling of loans from the centre (iii) higher central transfers in the light of TFC recommendations and higher economic growth (iv) buoyant receipts under various small saving schemes (v) entire small savings collection (net of repayment) accrue to the states under DSS (vi) better liquidity management by the states. States invest their temporary surplus cash balances in 14-Day Intermediate Treasury Bills with the rate of return of 5.0 percent. The states earned a negative spread on the reverse flow of resources from the centre since the surpluses are funded by the borrowings mobilised at a significantly higher cost” (State Finances: A Study of Budget RBI, 2005-06, pg. no. 5). “Even the BIMARU states, with a track record of abysmally low provision of basic needs, have joined the rich states’ club with large amounts of surpluses” (T M Thomas Issac, R Ramakumar, 2006, pg. no. 1). “Even the increased capital receipts- in the form of NSSF borrowings- were not routed to revenue expenditure because of fearing of rising revenue deficit. The cash surplus phenomenon, thus is a perverse outcome of the FRBM Act” (T M Thomas Issac, R Ramakumar, 2011, pg. no. 203).

Within the components of public account, the contribution of small savings, provident funds, etc. in gross capital receipts was significant initially but its relative share declined since 2005 due to increase in the share of suspense and miscellaneous as shown in table 5.5.

“According to Indian Government Accounting Standard (IGAS) and broad definition of Finance Commission, total liabilities of state government include internal debt, loans and advances from the centre, public accounts (include only state provident funds etc., reserve funds and deposits and advances) and contingency fund” (State Finances: A Study of Budget, RBI, 2012-13, pg. no. 58).

Table 5.7 displays the pattern of total liabilities of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Its composition has changed over the period

as the loans and advances from the centre was the major component earlier but its contribution sharply fell in the later phase because of phase out Central loans for plan purpose from April 1, 2005 on the basis of the recommendation of TFC and the institution of NSSF effective from April 1, 1999 while Public Account became the major component of total liabilities in the later phase.

**Table 5.7: Composition of Total Liabilities- Annual Average (Percent)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>1. Internal debt</b>						
Bihar	23.5	30.1	54.6	36.1	32.8	35.3
BIMARU	20.5	27.6	51.9	21.1	24.3	28.9
All states	19.3	25.7	58.5	32.1	33.8	33.9
<b>2. Loan and Advances from the Centre</b>						
Bihar	57.9	56.4	21.7	2.6	2.8	27.3
BIMARU	50.5	45.2	16.7	1.5	1.2	22.2
All states	54.0	46.4	14.4	1.7	1.2	22.7
<b>3. Public Accounts*</b>						
Bihar	18.5	13.5	23.0	61.3	64.4	37.3
BIMARU	29.6	27.4	31.5	76.8	74.3	48.9
All states	26.8	27.6	27.2	65.8	64.7	43.3
<b>4. Contingency fund</b>						
Bihar	0.0	0.0	0.6	0.0	0.0	0.1
BIMARU	-0.6	-0.2	-0.1	0.5	0.2	-0.1
All states	-0.1	0.2	-0.1	0.5	0.3	0.2
<b>Total</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes state provident funds etc., deposits and advances, reserve funds and remittances.

The percentage contribution of loans and advances to total liabilities of undivided Bihar was 57.9 during the phase 1990-91 – 1994-95 and continuously decreased to 2.8 during 2010-11 – 2015-16 for divided Bihar. In case of BIMARU states, its percentage contribution was 50.5 initially and fell to 1.2 in the last phase. At all states level, its contribution decreased from 54.0 percent initially to 1.2 percent in the last phase.

Table 5.7 also presents that the percentage contribution of internal debt to total liabilities of undivided Bihar was 23.5 percent during the phase 1990-91 – 1994-95 and significantly rose to 54.6 during the period 2000-01 – 2004-05 for divided Bihar after that it started to fall and reached to 32.8 percent in the last phase. In case of BIMARU states, its share also increased significantly from 20.5 percent initially to 51.9 percent during the period 2000-01 – 2004-05 but again decreased to 24.3 percent in the last phase. At all states level, its share also shows the

significant rise from 19.3 percent in the initial phase to 58.5 percent during 2000-01 – 2004-05 but again declined to 33.8 percent in the last phase.

Within the internal debt, market loan was the major component of total liabilities earlier but its relative share declined in the later phase due to the institution of NSSF as shown in table 5.8 below. The percentage contribution of internal debt to total liabilities has been highest during the period 2000-01 – 2004-05 as shown in table 4.7 due to significant rise in the contribution of NSSF in CRCF.

The contribution of borrowings from the market loans to total liabilities of undivided Bihar was 22.5 percent in phase 1990-91 – 1994-95 and continuously decreased to 12.3 percent during the period 2005-06 – 2009-10 for divided Bihar but improved to 21.3 percent in the last phase as presented in table 5.8. Its share was 16.5 percent initially for BIMARU states which significantly decreased to 9.8 percent during 2005-06 – 2009-10 but again increased to 13.8 percent in the last phase. While at all states level, after the improvement in its share from 13.4 percent in the initial phase to 15.4 percent during the period 1995-96 – 1999-00, it decreased to 14.6 percent during 2005-06 – 2009-10 but again improved to 20.6 percent in the last phase as presented in table 5.8. The share of market loan shows the improvement in the last phase due to decline in the share of NSSF in CRCF and states were permitted to borrow from the market directly through auction route by 2006-07.

The percentage contribution of loans from Banks and FIs to total liabilities improved significantly from 0.6 during 1990-91 – 1994-95 for undivided Bihar to 3.6 during 2010-11 – 2015-16 for divided Bihar as observed in table 5.7. For BIMARU states, its contribution was 1.0 percent in the initial phase which increased to 3.0 percent during the period 2005-06 – 2009-10 but decreased to 2.5 percent in the last phase. At all states level, its share improved from 2.4 percent initially to 4.4 percent during the period 2000-01 – 2004-05 and then declined to 2.3 percent in the last phase.

**Table 5.8: Share of components of Internal Debt to Total liabilities- Annual Average (Percent)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>1. Market Loan</b>						
Bihar	22.5	22.5	17.0	12.3	21.3	19.2
BIMARU	16.5	18.9	15.2	9.8	13.8	14.8
All states	13.4	15.4	14.6	14.6	20.6	15.9
<b>2. Special securities issued to NSSF</b>						
Bihar	0	29.0*	28.1	15.0	7.4	11.1
BIMARU	0	4.7	22.8	6.8	3.8	7.5

All states	0	5.1	26.0	9.7	3.9	8.7
<b>3. Loans from Banks and FIs</b>						
Bihar	0.6	1.2	3.4	3.1	3.6	2.4
BIMARU	1.0	2.8	3.3	3.0	2.5	2.5
All states	2.4	3.3	4.4	2.6	2.3	3.0
<b>4. Others**</b>						
Bihar	0.5	0.6	6.2	5.7	0.5	2.6
BIMARU	3.0	1.2	10.6	1.6	4.2	4.1
All states	3.5	1.9	13.5	5.3	6.9	6.2

Source: Calculation from State Finances: A Study of Budget, RBI

Note: 1. \* indicates only for the year 1999-00.

2. \*\* includes land compensation bonds, loans from Khadi and Village Industries Commission etc.

Table 5.7 also provides the information that the percentage contribution of public accounts to total liabilities of Bihar, BIMARU and all states during 1990-91 – 1994-95 to 2010-11 – 2015-16. The percentage contribution of public account to total liabilities was 18.5 during 1990-91 – 1994-95 for undivided Bihar and significantly rose over the period and reached to 64.4 during the period 2010-11 – 2015-16 for divided Bihar. Its contribution was 29.6 percent in the initial phase for BIMARU states which increased to 76.8 percent during the period 2005-06 – 2009-10 but decreased slightly to 74.3 percent in the last phase. At all states level, its share improved from 26.8 percent initially to 65.8 percent during the period 2005-06 – 2009-10 but decreased to 64.7 percent in the last phase.

Within the public accounts, the collection under small savings has been volatile. In later phase its share in total liabilities declined probably due to “better returns on alternate instruments of savings” (state Finances: A study of Budget, RBI) as displayed in table 5.9 below. Since December 2011, as per the recommendation of Shyamala Gopinath committee “interest rates on small savings instruments have been made more market-aligned, but as they are revised at annual intervals, they cannot respond to market signals as quickly as other instruments of savings” (State Finances: A Study of Budget, RBI, 2011-12, pg. no. 50) . Its contribution was 18.9 percent during 1990-91 – 1994-95 for undivided Bihar and significantly decreased to 4.1 percent during the period 2010-11 – 2015-16 for divided Bihar. Its share was 16.7 percent for BIMARU states in the initial phase which continuously declined over the period and reached to 8.5 percent in the last phase. At all states level, its share was 13.7 percent initially which continuously decreased and reached to 8.9 percent during the period 2000-01 – 2004-05 after that its relative started to increase and reached to 10.5 percent in the last phase.

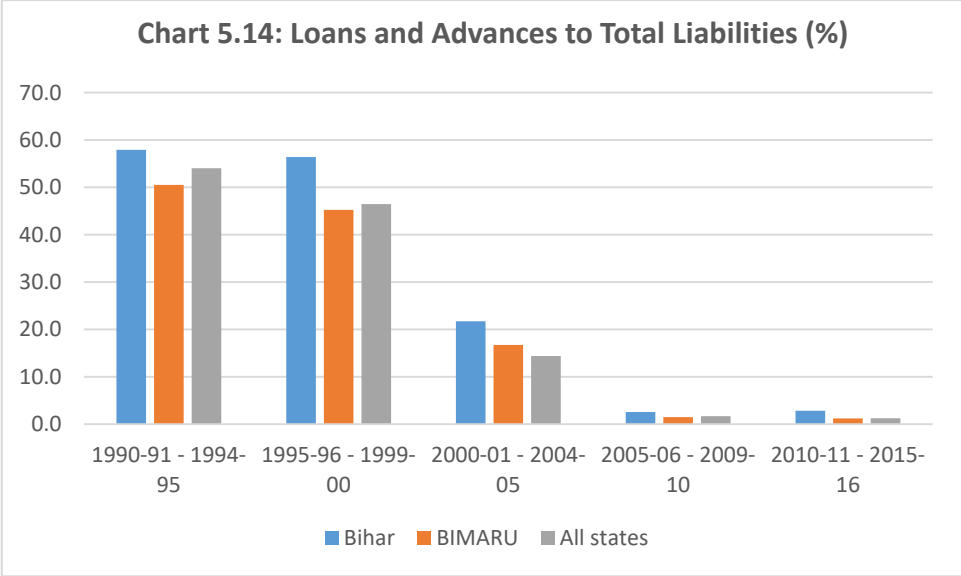
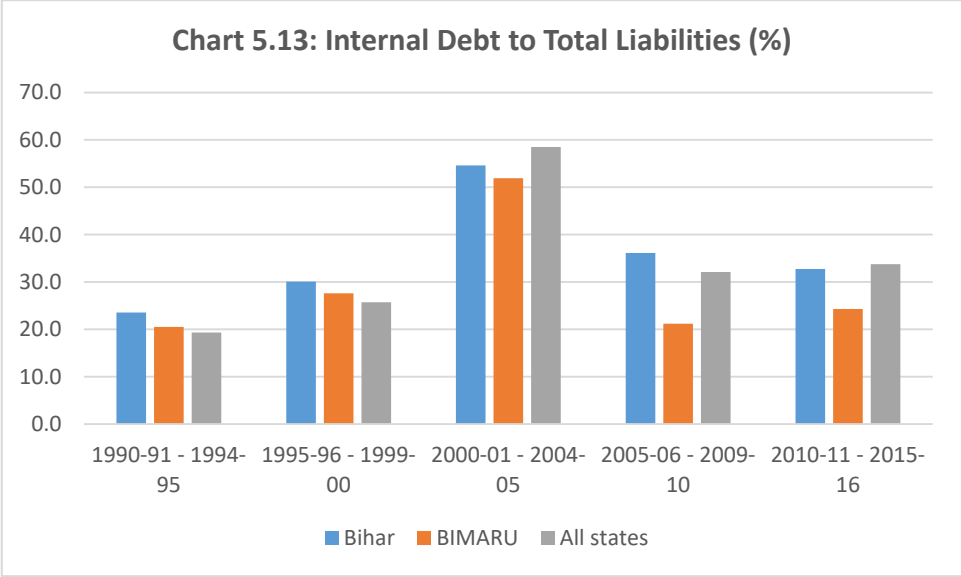
Within the public account, deposits and advances have been the main contributor to total liabilities as shown in table 5.9. Its contribution was negative during 1990-91 – 1994-95 for

undivided Bihar and significantly improved to 57.0 percent during 2010-11 – 2015-16 for divided Bihar. Its share was 8.9 percent initially for BIMARU states, which continuously increased over the period and reached to 62.7 percent during the period 2005-06 – 2009-10 but decreased in the last phase to 59.7 percent. At all states level, its share improved significantly from 7.7 percent in the initial phase to 50.3 percent during the period 2005-06 – 2009-10 but declined to 49.6 percent in the last phase. Chart 5.13 shows the percentage share of internal debt to total liabilities for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Chart 5.14 displays the percentage contribution of loans and advances through the centre to total liabilities for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 5.15 displays the percentage share of public account to total liabilities for Bihar, BIMARU and all states during the same period. Chart 5.16 shows the composition of total liabilities of the Bihar government during the period 2001-02 – 2015-16.

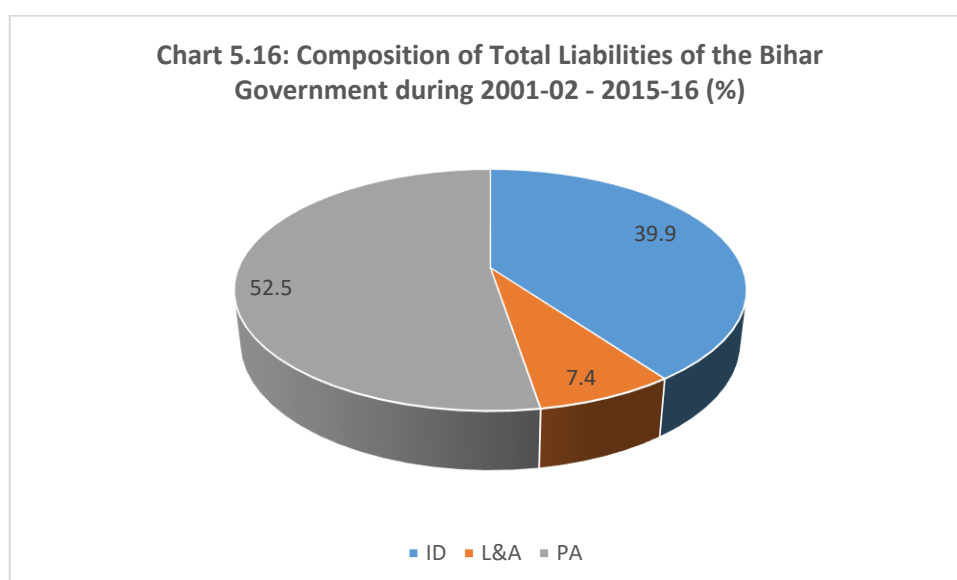
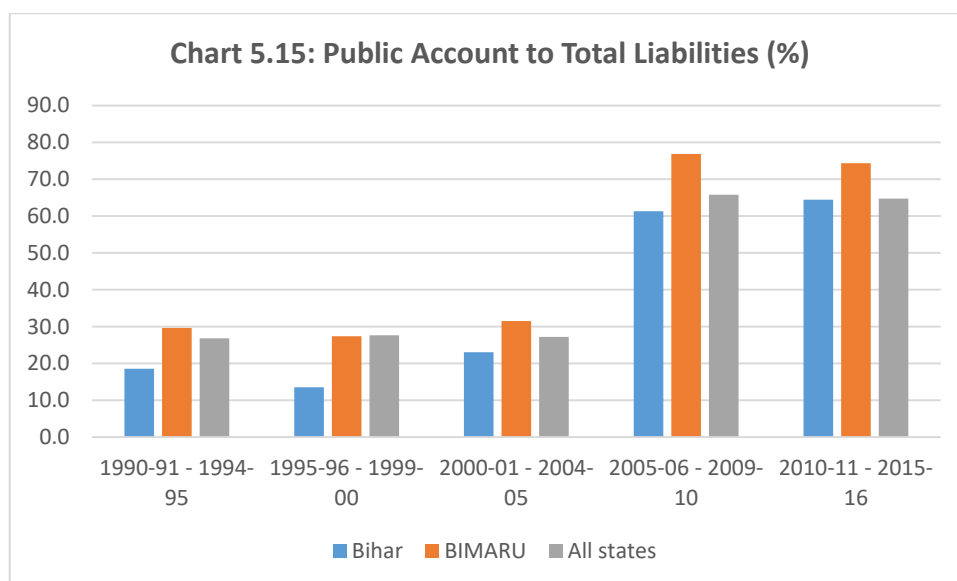
**Table 5.9: Share of components of Public Accounts to Total liabilities- Annual Average (Percent)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>State Provident Funds etc.</b>						
Bihar	18.9	9.9	11.3	11.6	4.1	10.9
BIMARU	16.7	15.2	9.7	8.9	8.5	11.7
All states	13.7	14.2	8.9	10.2	10.5	11.5
<b>Reserve Funds</b>						
Bihar	—	-0.2	0.2	4.8	3.3	1.7
BIMARU	4.0	4.3	4.0	5.2	6.2	4.8
All states	5.4	4.8	3.6	5.2	4.7	4.7
<b>Deposits and Advances</b>						
Bihar	-0.3	3.8	11.5	45.0	57.0	24.7
BIMARU	8.9	7.9	17.8	62.7	59.7	32.5
All states	7.7	8.7	14.8	50.3	49.6	27.1

Source: Calculation from State Finances: A Study of Budget, RBI







Note: ID- Internal Debt, L&A- Loans and Advances, PA- Public Accounts.

Table 5.10 presents the growth rate of capital receipts consolidated funds and its components for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 5.10: Growth Rates of Capital Receipts Consolidated Fund and its components- Annual Average**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>1. Internal Debt</b>						
Bihar	8.3	63.8	19.2	54.5	23.6	34.5
BIMARU	26.1	46.2	23.5	8.9	32.4	27.7
All states	30.5	53.8	27.7	8.1	19.1	27.4
<b>2. Loans and Advances from the Centre</b>						
Bihar	2.2	13.8	3.9	2961.3	3.7	597.0
BIMARU	9.6	10.3	5.4	-7.9	11.7	5.9

All states	8.5	7.7	4.9	-11.8	7.7	3.4
<b>3. Recovery of Loans and Advances</b>						
Bihar	7.1	479.8	-37.5	74.2	1630.9	495.8
BIMARU	53.5	16.0	414.5	69.5	130.1	139.8
All states	54.8	-3.5	72.6	2.8	42.5	33.3
<b>Capital Receipts Consolidated Fund</b>						
Bihar	3.8	23.7	13.4	29.5	21.8	19.1
BIMARU	15.0	19.6	19.9	4.5	30.0	18.4
All states	16.4	17.5	22.0	5.4	18.0	15.9

Source: Calculation from State Finances: A Study of Budget, RBI

The growth rate of CRCF was 3.8 percent during 1990-91 – 1994-95 for undivided Bihar and climbed to 21.8 percent during 2010-11 – 2015-16 for divided Bihar with increase and decrease in the intervening period. Its growth rate was 15.0 percent initially for BIMARU states which continuously improved to 19.9 percent during 2000-01 – 2004-05 but experienced the drastic decline of 4.5 percent in the next phase again improved to 30.0 percent in the last phase. At all states level, its growth rate improved from 16.4 percent initially to 22.0 percent during the period 2000-01 – 2004-05 but it significantly decreased to 5.4 percent in the next phase but again rose to 18.0 percent in the last phase.

The data also indicates that within CRCF, internal debt was growing at the rate of 8.3 percent initially for undivided Bihar and climbed to 23.6 percent during 2010-11 – 2015-16 for divided Bihar with rise and fall in the intervening period. For BIMARU states, internal debt experienced the improvement in growth rate from 26.1 percent in the initial phase to 46.2 percent in the next phase after that it gradually declined and reached to 8.9 percent during the period 2005-06 – 2009-10 and again improved to 32.4 percent in the last phase. At all states level, its growth rate also experienced the same trend as that of BIMARU states with increase from 30.5 percent initially to 53.8 percent in the next phase after that it gradually decreased and reached to 8.1 percent during the period 2005-06 – 2009-10 and again improved to 19.1 percent in the last phase.

Within internal debt, Bihar experienced negative growth rate of market loan i.e. 64.2 percent during the period 2005-06 – 2009-10 as shown in table 5.11 due to its not participation in market borrowing during the period 2006-07 and 2007-08 but its growth rate improved in the last phase to 28.9 percent. The growth rate of loans from banks and FIs in case of Bihar has always been significant except during the last phase. It experienced the remarkable growth rate of 3784.9 percent during the period 1995-96 – 1999-00 due to its sudden increase from rs. 14.8 cr. in 1998-99 to rs. 228.2 cr. in 1999-00. The rate of growth of NSSF was 9.5 percent 2000-

01 – 2004-05 and significantly improved to 29.4 percent in the next phase but again decreased to 26.8 percent in the last phase.

The growth rate of market loan of BIMARU states was 5.2 percent in the initial phase and climbed to 21.3 percent during the period 2010-11 – 2015-16 with increase and decrease in between the period as shown in table 5.11. It experienced the negative growth rate of loans from banks and FIs in the initial phase which improved to 67.2 percent in the next phase after it gradually declined to 13.7 percent in the last phase. The rate of growth of NSSF was 21.0 percent during the period 2000-01 – 2004-05 which decreased to 18.0 percent in the next phase but again improved to 27.2 percent in the last phase.

At all states level, market loan was growing at the rate of 13.1 percent in the initial phase which significantly increased to 51.9 percent during the period 2005-06 – 2009-10 with increase and decrease in between the period but again declined to 16.7 percent in the last phase as presented in table 5.11. The growth rate of loans from banks and FIs gradually fell from 128.6 percent initially to 16.5 percent during the period 2005-06 – 2009-10 but slightly improved in the last phase to 17.1 percent. The data also indicates that the growth rate of NSSF at all states level gradually increased from 27.6 percent during the period 2005-06 – 2009-10 to 34.8 percent in the last phase.

**Table 5.11: Growth Rates of the Components of Internal Debt- Annual Average**

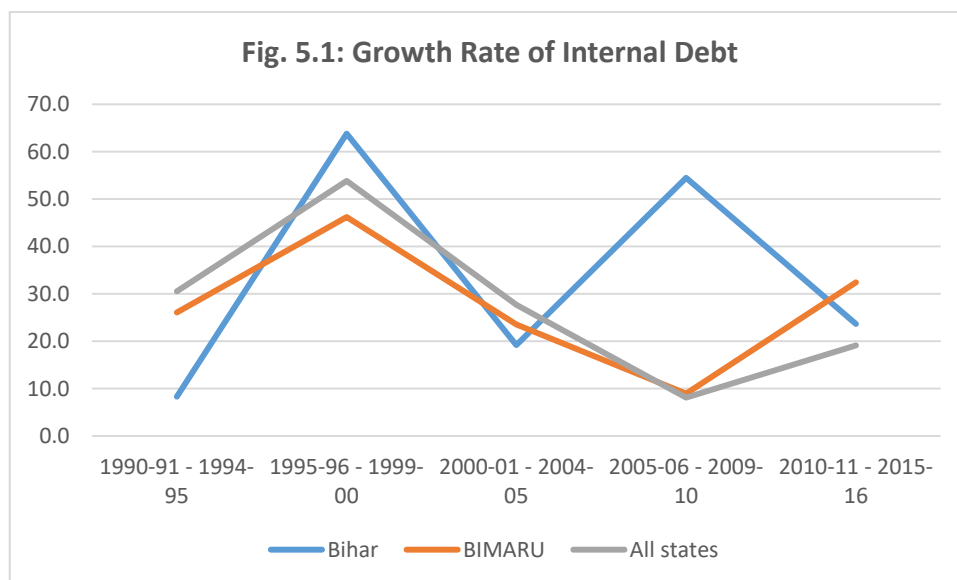
Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Market Loans</b>						
Bihar	6.9	11.6	25.9	-64.2	28.9	8.5
BIMARU	5.2	39.8	20.1	36.3	21.3	25.2
All states	13.1	30.0	29.5	51.9	16.7	28.4
<b>Loans from Banks and Financial Institutions</b>						
Bihar	92.4	3784.9	113.1	70.6	17.8	688.9
BIMARU	-7.7	67.2	20.0	17.6	13.7	23.0
All states	128.6	22.5	17.5	16.5	17.1	36.0
<b>Special Securities issued to NSSF</b>						
Bihar	-	-	9.5	29.4	26.8	22.2
BIMARU	-	-	21.0	18.0	27.2	22.4
All states	-	-	27.6	31.6	34.8	31.6

Source: Calculation from State Finances: A Study of Budget, RBI

Table 5.10 also presents the drastic fall in the rate of growth of loans and advances through the Centre to Bihar, BIMARU and all states during the period 2000-01 – 2004-05 due to the institution of NSSF effective April, 1 1999. There has been impressive growth rate of loans and advances through the centre in case of Bihar during the period 2005-06 – 2009- 10 due to

increase in loans from rs. 321 cr. in 2006-07 to rs. 46825 cr. in 2007-08 while BIMARU and all states experienced the negative growth rate during this period because of discontinuation of central loan for plan purpose since 2005 in line with the recommendation of FC XII. Bihar was provided the central loan under the recommendation of FC XII as it didn't participate in raising funds from market during 2006-07 and 2007-08.

The growth rate of recovery of loans and advances has been volatile over the period for Bihar, BIMARU and all states as shown in table 5.10. The data also indicates that the Bihar experienced the impressive growth rate of recovery of loans and advances during the period 1995-96 – 1999-00 and 2010-11 – 2015-16. It was due to increase in the recovery from power projects from rs. 0.2 crore in 1998-99 to rs. 163.0 crore in 1999-00 and there was also sudden recovery of rs. 1475 crore from power project in 2014-15. Fig. 5.1 presents the trend of the growth rate of internal debt for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Fig. 5.2 displays the trend of the growth rate of CRCF for Bihar, BIMARU and all states during the same period.



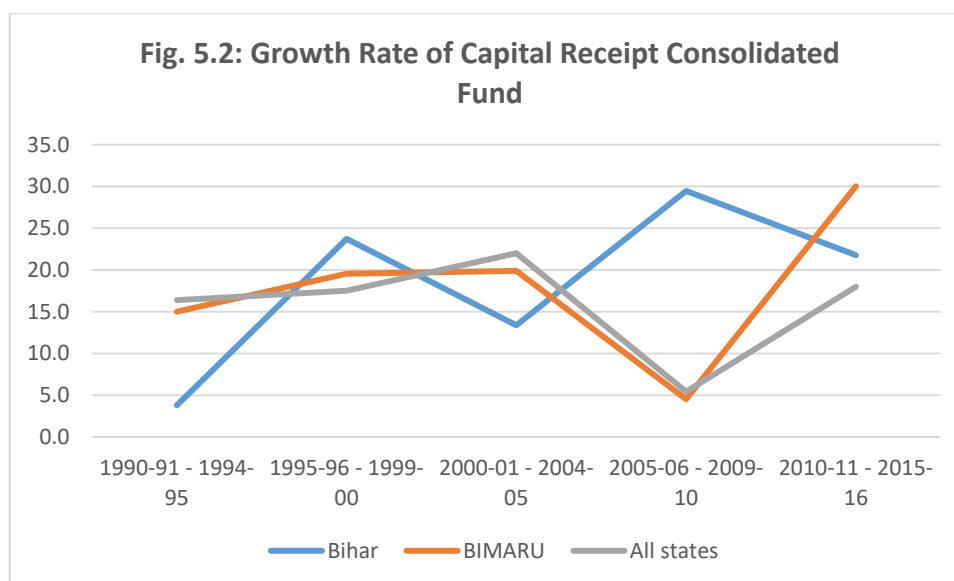


Table 5.12 presents the growth rate of total liabilities for Bihar, BIMARU and all states during 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 5.12: Growth rate of Total liabilities- Annual Average**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
Bihar	2.3	31.5	23.4	12.1	27.6
BIMARU	13.2	20.7	63.0	8.1	15.6
All states	13.4	22.5	55.6	7.3	15.5

Source: Calculation from State Finances: A Study of Budget, RBI

The growth rate of total liabilities was 2.3 percent during 1990-91 – 1994-95 for undivided Bihar and shoot up to 31.5 percent in the next phase after that it started to fall and reached to 12.1 percent during the period 2005-06 – 2009-10 for divided Bihar but again climbed to 27.6 percent during 2010-11 – 2015-16. For BIMARU states, its growth rate increased from 13.2 percent in the initial phase to 63.0 percent during the period 2000-01 – 2004-05 but significantly declined to 8.1 percent in the next phase and again rose to 15.6 percent in the last phase. At all states level, its rate of growth shoot up from 13.4 percent in the initial phase to 55.6 percent during the period 2000-01 – 2004-05 but significantly fell to 7.3 percent in the next phase and again increased to 15.5 percent in the last phase. Fig. 5.3 depicts the trend of the growth rate of total liabilities for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

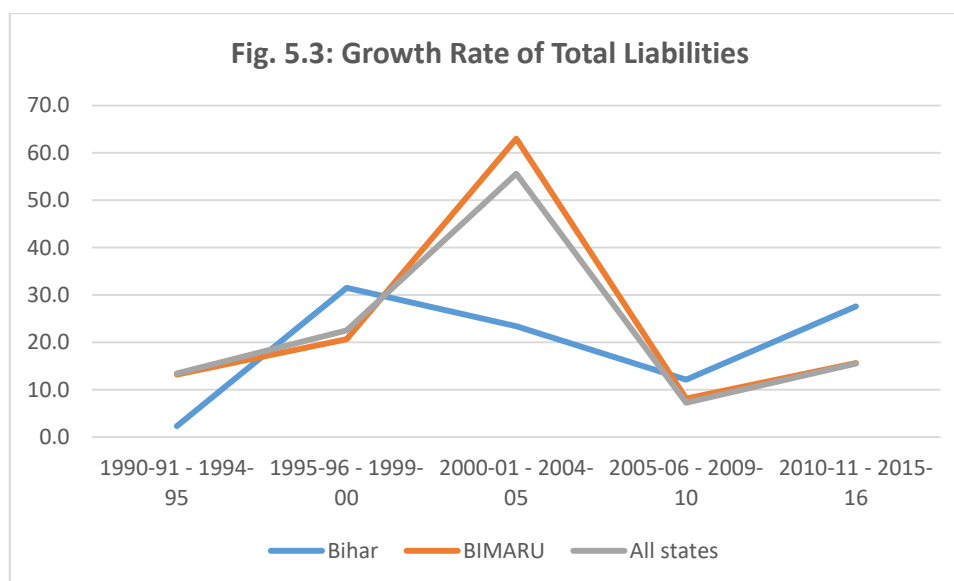


Table 5.13 presents the per capita capital receipts consolidated fund and its components for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 5.13: Per Capita Capital Receipts Consolidated Fund and its Components- Annual Average (Rs.)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>1. Internal Debt</b>						
Bihar	61	135	437	376	897	401
BIMARU	56	154	625	621	1377	598
All states	60	177	946	1082	2126	926
<b>2. Loans and Advances from the Centre</b>						
Bihar	151	222	174	28	64	125
BIMARU	135	225	203	46	63	132
All states	166	272	229	63	87	160
<b>Debt Receipts (1 + 2)</b>						
Bihar	212	358	611	404	961	526
BIMARU	191	380	829	668	1440	730
All states	226	449	1175	1144	2213	1087
<b>3.Recovery of Loans and Advances</b>						
Bihar	5	7	4	2	23	9
BIMARU	20	30	73	48	94	55
All states	32	44	79	75	82	63
<b>Capital Receipts Consolidated Fund (1 to 3)</b>						
Bihar	217	365	615	406	984	535
BIMARU	210	409	902	716	1534	784
All states	258	493	1254	1220	2295	1150

Source: Calculation from State Finances: A Study of Budget, RBI

The per capita CRCF was Rs. 217 during 1990-91 – 1994-95 for undivided Bihar and gradually rose to Rs. 615 during 2000-01 – 2004-05 for divided Bihar but decreased to Rs. 406 in the next phase and significantly increased to Rs. 984 during 2010-11 – 2015-16. The per capita

CRCF of BIMARU states was Rs. 210 initially which continuously increased over the period and reached to Rs. 902 during 2000-01 – 2004-05 but declined to Rs. 716 in the next phase and again significantly increased to Rs. 1534 in the last phase. At all states level, per capita CRCF increased from Rs. 258 initially to Rs. 1254 during 2000-01 – 2004-05 but marginally declined to Rs. 1220 in the next phase and again significantly increased to Rs. 2295 in the last phase. The decline in per capita CRCF during the period 2005-06 – 2009-10 for Bihar, BIMARU and all states is due to significant fall in per capita loans and advances through the centre during this period with the discontinuation of central loans for plan purpose since 2005 while it significantly increased in the last phase because of increase in per capita internal debt.

The per capita internal debt in case of undivided Bihar was Rs. 61 during 1990-91 – 1994-95 and continuously rose to Rs. 437 during 2000-01 – 2004-05 for divided Bihar but decreased to Rs. 376 in the next phase and again significantly increased to Rs. 897 during 2010-11 – 2015-16. The per capita internal debt of BIMARU states was Rs. 56 initially which continuously increased over the period and reached to Rs. 625 during 2000-01 – 2004-05 but marginally declined to Rs. 621 in the next phase and again significantly increased to Rs. 1377 in the last phase as shown in table 5.13. At all states level, the per capita borrowings through internal sources was Rs. 60 initially and continuously rose over the period and reached to Rs. 2126 in the last phase.

The significant rise in per capita internal debt for Bihar, BIMARU and all states during the period 2000-01 – 2004-05 is because of per capita NSSF which became the part of internal debt since its institution effective April 1, 1999 as shown in table 5.14 below. Per capita internal debt also shows the significant increase in the last phase due to the rise in per capita market loans as the states started to participate directly in market borrowings through auction route since 2007-08.

The per capita borrowings through internal sources and per capita loans and advances through the centre together constitute per capita debt receipts of CRCF. It shows the increasing trend from initial phase to 2000-01 – 2004-05 but fell during the period 2005-06 – 2009-10 due to decrease in both per capita internal debt and per capita loans and advances and again significantly increased in the last phase due to rise in per capita internal debt particularly per capita market loan for Bihar, BIMARU and all states as shown in table 5.13.

**Table 5.14: Per Capita Receipts from the Components of Internal Debt- Annual Average (Rs.)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
<b>Market Loans</b>						
Bihar	58	85	140	167	593	223
BIMARU	43	98	215	336	760	308
All states	41	96	289	611	1536	554
<b>Loans from Banks and Financial Institutions</b>						
Bihar	2	6	27	33	91	34
BIMARU	3	13	35	66	130	52
All states	8	18	56	82	137	63
<b>Special Securities issued to NSSF</b>						
Bihar	-	210*	235	133	191	188
BIMARU	-	182	307	191	205	230
All states	-	250	486	334	281	355
<b>Others**</b>						
Bihar	1	3	35	43	22	21
BIMARU	10	7	69	28	281	87
All states	11	13	115	55	172	77

Source: Calculation from State Finances: A Study of Budget, RBI

Note: 1. \* indicates only for the year 1999-00.

2. \*\* includes land compensation bonds, loans from Khadi and Village Industries Commission etc.

Table 5.13 also displays that the per capita recovery of loans and advances of Bihar, which has always been negligible and only shows some improvement during 2010-11 – 2015-16 while for BIMARU and all states it has improved over the period. The participation of per capita recovery of loans and advances in per capita CRCF has been negligible as can be observed in table 5.15 below. The contribution of per capita debt receipts to per capita CRCF for Bihar has always been higher than that of BIMARU and all states.

**Table 5.15: Share of Per Capita Debt Receipts to Per Capita Capital Receipts Consolidated Fund- Annual Average (Percent)**

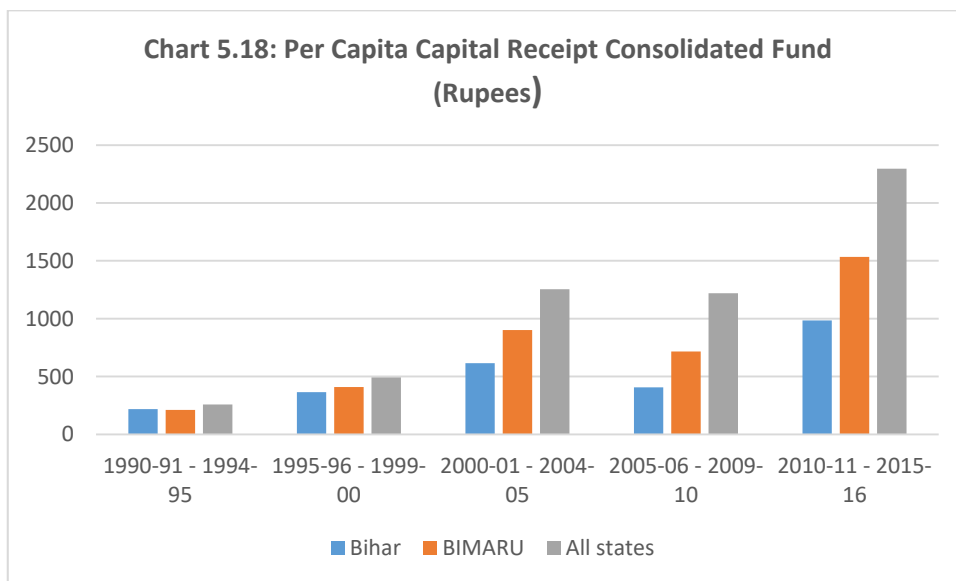
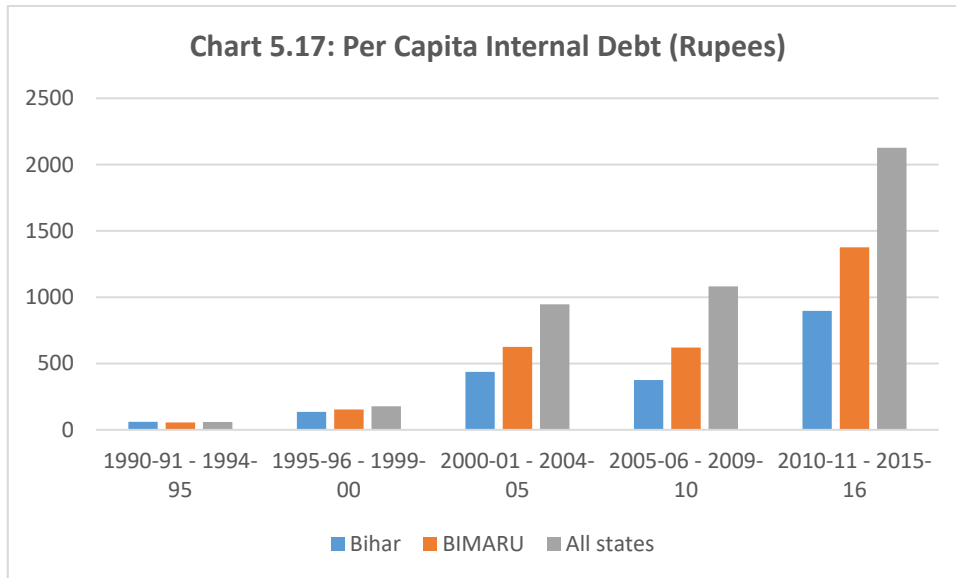
	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16	1990-91 - 2015-16
Bihar	97.7	98.1	99.3	99.4	97.6	98.3
BIMARU	90.6	92.7	91.9	93.3	93.8	93.0
All states	87.5	91.2	93.7	93.8	96.4	94.5

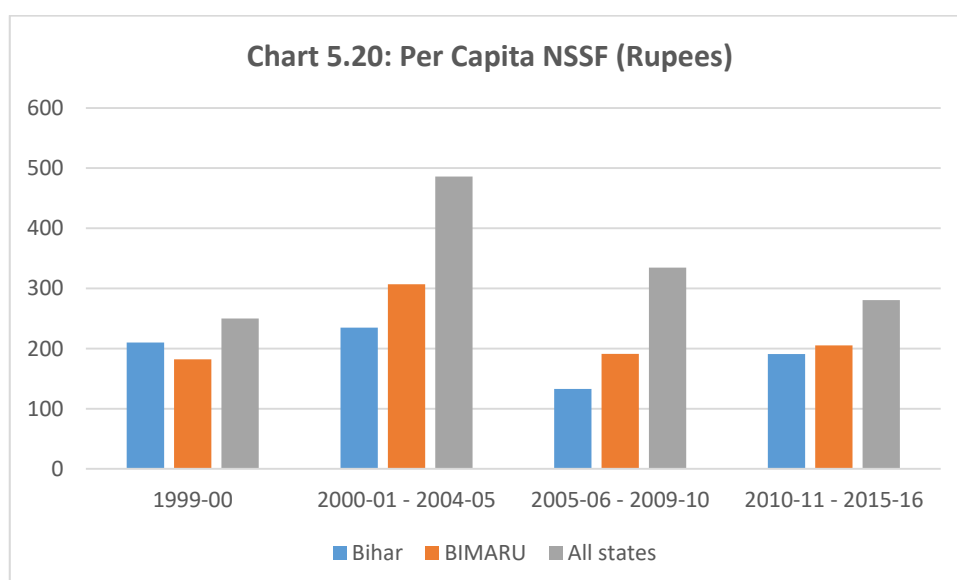
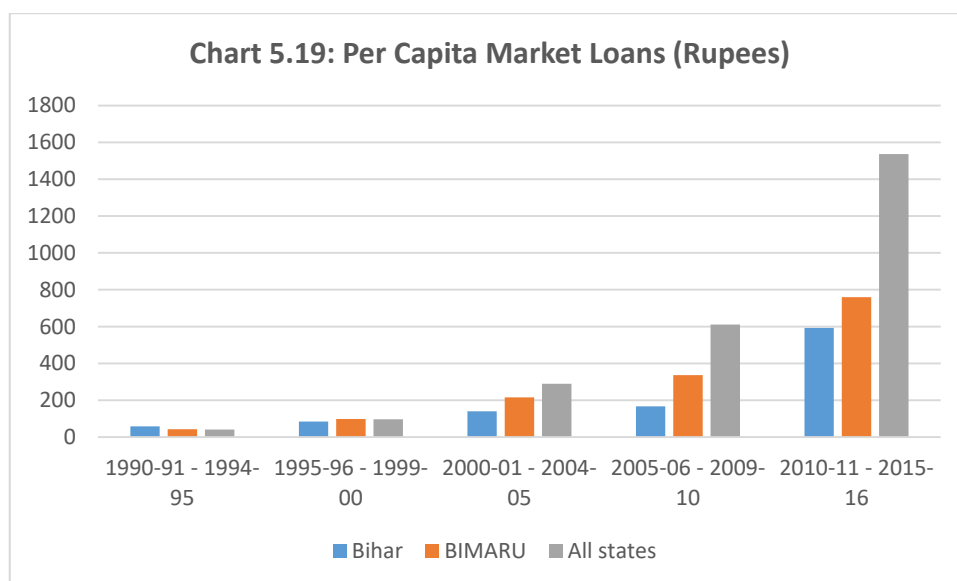
Source: Calculation from State Finances: A Study of Budget, RBI

The per capita internal debt of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been depicted in Chart 5.17 and Chart 5.18 displays the per capita CRCF of Bihar, BIMARU and all states during the same period. Chart 5.19 presents the per capita market loans for Bihar, BIMARU and all states during the period 1990-91 – 1994-



95 to 2010-11 – 2015-16 and Chart 5.20 displays the per capita NSSF for Bihar, BIMARU and all states during the same period.





The per capita total liabilities of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been presented in table 5.16.

**Table 5.16: Per capita Total liabilities- Annual Average (Rs.)**

Items	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
Bihar	260	445	908	1028	2792
BIMARU	268	523	1858	3163	5341
All states	309	633	2344	3870	7359

Source: Calculation from State Finances: A Study of Budget, RBI

The per capita total liabilities of undivided Bihar was Rs. 260 during 1990-91 – 1994-95 and continuously rose over the period and reached to Rs. 2792 during 2010-11 – 2015-16 for divided Bihar. In case of BIMARU states, it has continuously increased from Rs. 268 in the initial phase to Rs. 5341 during 2010-11 – 2015-16. At all states level, it has also continuously

increased from Rs. 309 initially to Rs. 7359 in the last phase. Chart 5.21 displays the per capita total liabilities of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

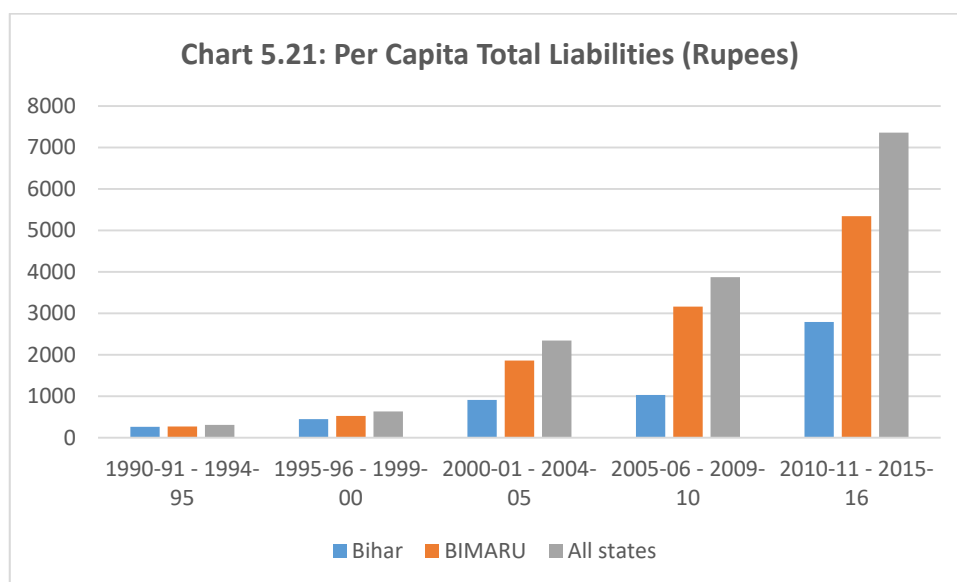


Table 5.17 presents the CRCF and its components to GSDP ratio for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

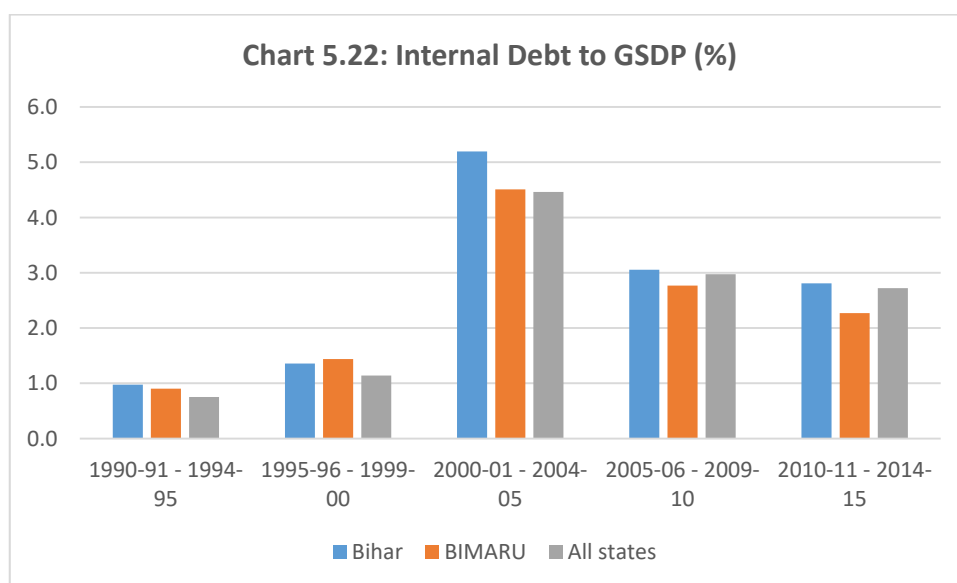
**Table 5.17: Capital Receipts Consolidated Fund to GSDP ratio- Annual Average (Percent)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2014-15	1990-91 - 2014-15
<b>1. Internal Debt</b>						
Bihar	1.0	1.4	5.8	3.1	2.8	2.8
BIMARU	0.9	1.5	6.5	3.0	2.3	2.8
All states	0.8	1.2	6.0	3.4	3.3	2.9
<b>2. Loans and Advances from the Centre</b>						
Bihar	2.4	2.3	2.0	0.2	0.2	1.4
BIMARU	2.2	2.2	1.5	0.2	0.1	1.3
All states	2.1	1.9	1.1	0.2	0.1	1.1
<b>Debt Receipts (1 + 2)</b>						
Bihar	3.4	3.7	7.8	3.3	3.0	4.2
BIMARU	3.1	3.7	8.0	3.2	2.4	4.1
All states	2.9	3.1	7.1	3.6	3.4	4.0
<b>3.Recovery of Loans and Advances</b>						
Bihar	0.1	0.1	0.0	0.0	0.1	0.1
BIMARU	0.3	0.3	0.5	0.2	0.2	0.3
All states	0.4	0.3	0.4	0.2	0.1	0.3
<b>Capital Receipts Consolidated Fund (1 to 3)</b>						
Bihar	3.5	3.8	7.8	3.3	3.1	4.3
BIMARU	3.4	4.0	8.5	3.4	2.6	4.4
All states	3.3	3.4	7.5	3.8	3.5	4.3

Source: Calculation from State Finances: A Study of Budget, RBI

The percentage contribution of CRCF to GSDP rose from 3.5 during 1990-91 – 1994-95 for undivided Bihar to 7.8 during 2000-01 – 2004-05 for divided Bihar after that it started to fall and reached to 3.1 during 2010-11 – 2014-15. For BIMARU states, its ratio was 3.4 percent in the initial phase and gradually increased to 8.5 percent during the period 2000-01 – 2004-05 but shows the declining trend after that and reached to 2.6 percent in the last phase. At all states level, its contribution improved from 3.3 percent in the initial phase to 7.5 percent during 2000-01 – 2004-05 after that it also started to decrease and reached to 2.9 percent in the last phase. The data also indicates that the significant increase in contribution of CRCF to GSDP during the period 2000-01 – 2004-05 is because of rise in the contribution of total borrowings through internal sources to GSDP during the same period. Since 2005, due to fall in the percentage contribution of internal debt and loans and advances through the centre to GSDP, the contribution of CRCF to GSDP also experienced the declining trend.

The percentage contribution of debt receipt to GSDP decreased since 2005 for Bihar, BIMARU and all states because of fall in the contribution of internal debt and loans and advances through the centre to GSDP as presented in table 5.17. Chart 5.22 depicts the percentage contribution of internal debt to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 5.23 displays the percentage contribution of CRCF to GSDP of Bihar, BIMARU and all states during the same period.



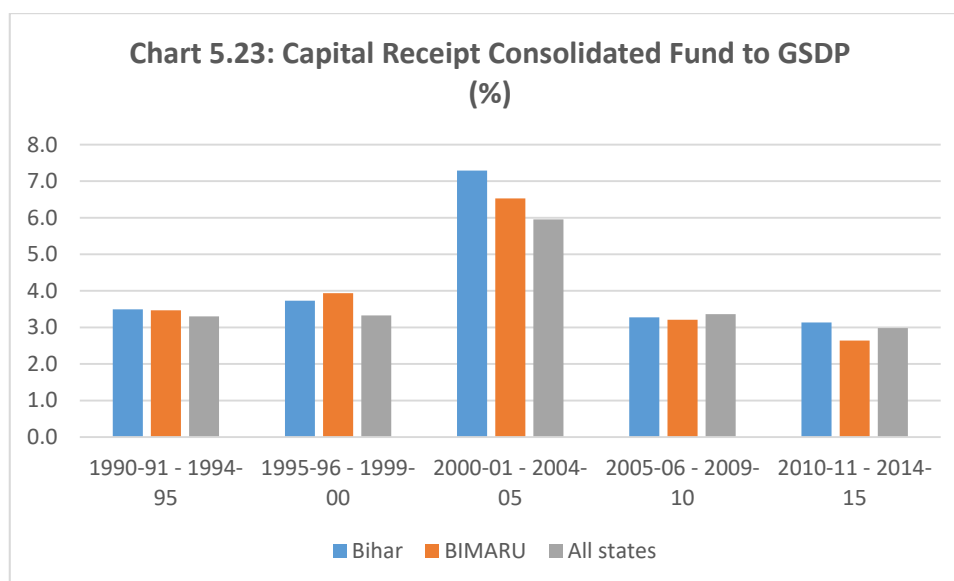


Table 5.18 displays the percentage contribution of the components of internal debt to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

**Table 5.18: Components of Internal Debt to GSDP- Annual Average (Percent)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2014-15	1990-91 - 2014-15
<b>Market Loans</b>						
Bihar	0.9	0.9	1.7	1.2	1.8	1.3
BIMARU	0.7	0.9	1.6	1.4	1.5	1.2
All states	0.5	0.6	1.4	1.5	2.1	1.2
<b>Loans from Banks and Financial Institutions</b>						
Bihar	0.0	0.1	0.3	0.2	0.3	0.2
BIMARU	0.0	0.1	0.3	0.4	0.3	0.2
All states	0.1	0.1	0.4	0.3	0.2	0.2
<b>Special Securities issued to NSSF</b>						
Bihar	-	1.9*	2.8	1.1	0.6	1.5
BIMARU	-	1.5	2.2	1.0	0.4	1.2
All states	-	1.5	2.3	1.0	0.4	1.3
<b>Others**</b>						
Bihar	0.0	0.0	0.4	0.5	0.0	0.2
BIMARU	0.1	0.1	0.5	0.1	0.1	0.2
All states	0.1	0.1	0.5	0.2	0.1	0.2

Source: Calculation from State Finances: A Study of Budget, RBI

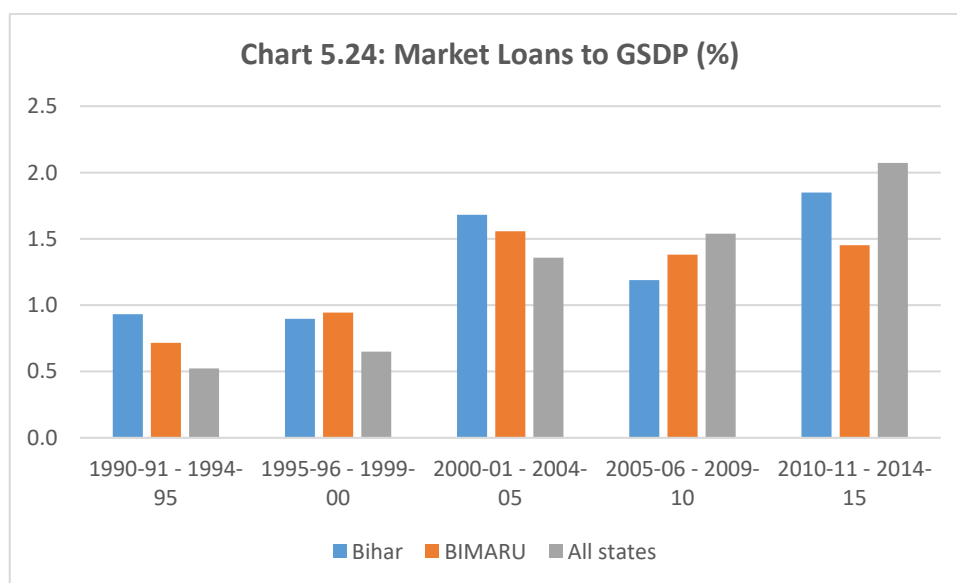
Note: 1. \* indicates only for the year 1999-00

2. \*\* includes land compensation bonds, loans from Khadi and Village Industries Commission etc.

Within internal debt, the percentage contribution of market loans to GSDP presents the increasing trend over the period from 0.9 during 1990-91 – 1994-95 for undivided Bihar to 1.8 percent during 2010-11 – 2014-15 for divided Bihar except during the period 2005-06 – 2009-10 where it experienced the decline. Similarly for BIMARU states, it has increased from 0.7

percent in the initial phase to 1.5 percent in the last phase, however, it also experienced the decline during the period 2005-06 – 2009-10. At all states level, it has continuously improved over the period from 0.5 percent initially to 2.1 percent during the period 2010-11 – 2014-15.

Table 5.18 also provides the information that the ratio of NSSF to GSDP for Bihar, BIMARU and all states has continuously declined over the period. In case of Bihar, it was 2.8 in 2000-01 -2004-05 and significantly decreased to 0.6 percent in the last phase. For BIMARU states, it has decreased from 2.2 percent during the period 2000-01 – 2004-05 to 0.4 percent in the last phase. At all states level, it has also continuously declined from 2.3 percent in 2000-01 – 2004-05 to 0.4 percent in the last phase. The ratio of NSSF to GSDP of Bihar has always been higher than that of BIMARU and all states. The fall in the ratio of NSSF to GSDP has been responsible for the decrease in the contribution of internal debt to GSDP in the later phase. Chart 5.24 presents the ratio of market loans to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 5.25 displays the ratio of NSSF to GSDP of Bihar, BIMARU and all states during the same period.



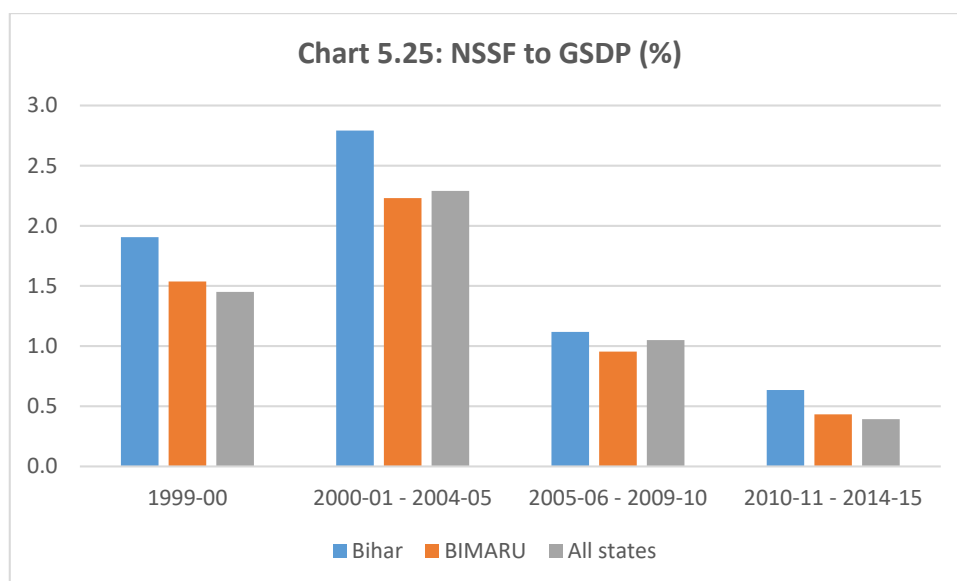


Table 5.19 presents the ratio of total liabilities and their components to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-5 to 2010-11 – 2014-15.

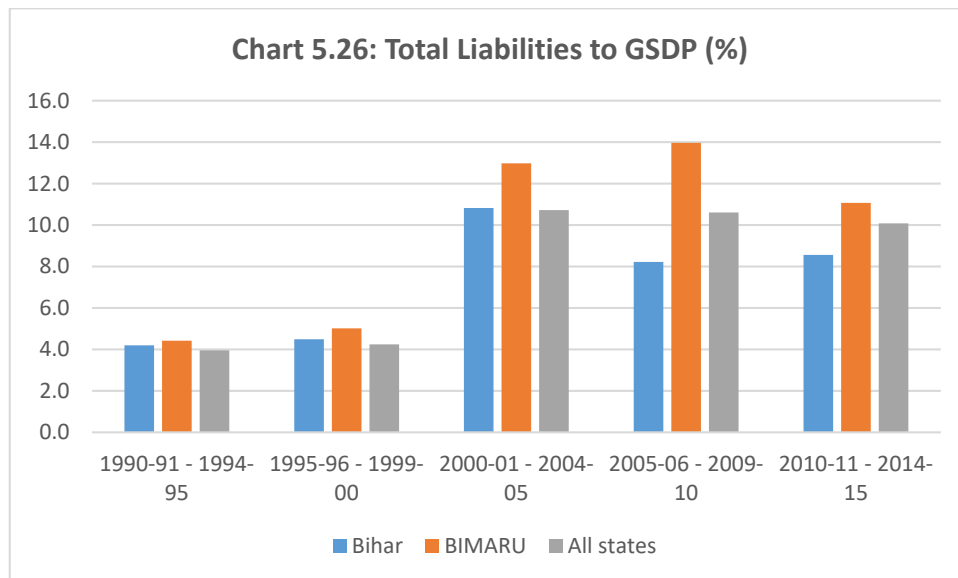
**Table 5.19: Total liabilities and its components to GSDP- Annual Average (Percent)**

Heads	1990-91 1994-95	1995-96 1999-00	2000-01 2004-05	2005-06 2009-10	2010-11 2014-15
<b>1. Debt receipts (Capital receipts consolidated funds)</b>					
Bihar	3.4	3.7	7.8	3.3	3.0
BIMARU	3.1	3.7	8.0	3.2	2.4
All states	2.9	3.1	7.1	3.6	3.4
<b>2. Public Accounts</b>					
Bihar	0.8	0.8	2.9	5.0	5.5
BIMARU	1.3	1.4	5.0	10.7	8.6
All states	1.1	1.2	3.6	7.0	6.6
<b>Total liabilities (1 + 2)</b>					
Bihar	4.2	4.5	10.8	8.2	8.6
BIMARU	4.4	5.0	13.0	14.0	11.1
All states	4.0	4.2	10.7	10.6	10.1

Source: Calculation from State Finances: A Study of Budget, RBI

The percentage contribution of total liabilities to GSDP climbed from 4.2 in the during 1990-91 – 1994-5 for undivided Bihar to 10.8 during the period 2000-01 – 2004-05 for divided Bihar after that it fell to 8.6 during 2010-11 – 2014-15. For BIMARU states, it has climbed from 4.4 initially to 14.0 during the period 2005-06 – 2009-10 but fell in the last phase to 11.1. At all states level, it continuously rose from 4.0 in the initial phase to 10.7 during the period 2000-01 – 2004-05 after that it decreased to 10.1 in the last phase. The fall in the contribution of total liabilities to GSDP is due to decrease in the ratio of debt receipts of CRCF to GSDP. Debt receipts and GSDP of undivided Bihar grew at an annual rate of 13.5 percent and 11.2 percent

respectively during the period 1990-91 to 1999-00 while debt receipts and GSDP of divided Bihar grew at an annual rate of 7.8 percent and 10.9 percent respectively during the period 2000-01 to 2014-15. Chart 5.26 displays the percentage contribution of total liabilities to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.





**Chapter VI: Total Expenditure: Overview of Trend, Composition and Pattern**

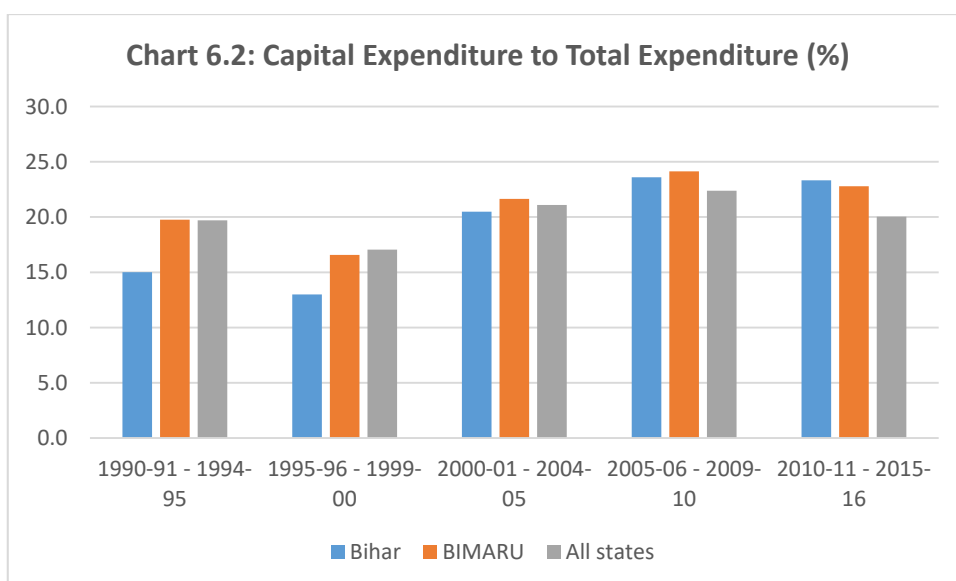
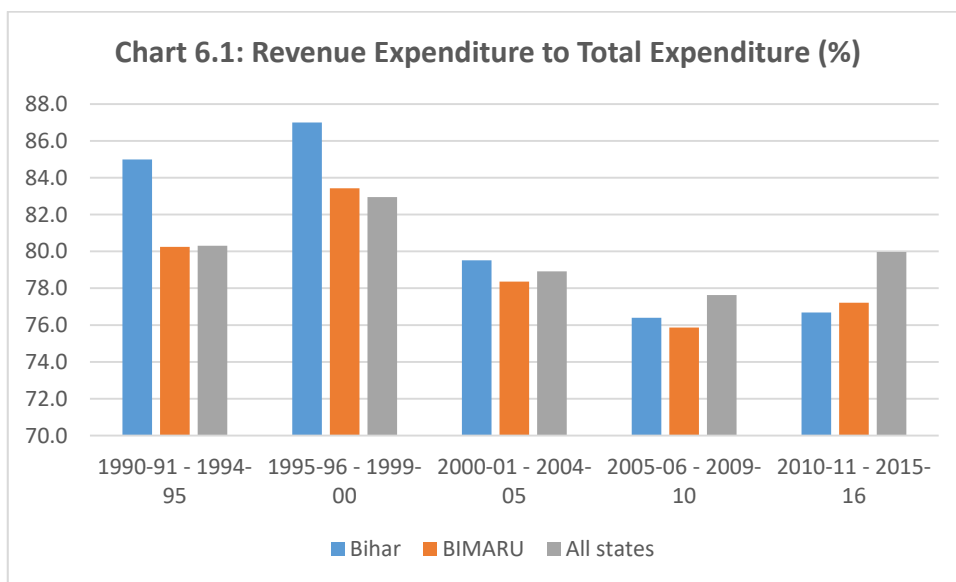
“The expenditure of state government is classified under three major categories- General services, Social services and Economic services. Apart from revenue expenditure and capital outlay on these services, the other areas of spending are repayment of loans and advances on the capital account and grants to local bodies and autonomous institutions as well as to the public undertakings of the state government on the revenue account” (State Finances A Study of Budget, RBI). “The state government also gives loans for various purposes to its public sector undertakings, local bodies, urban and rural both, Panchayati Raj Institutions and to its own employees as well as for various purposes. Expenditure on social and economic services constitute the developmental expenditure while the expenditure on general services is non-developmental expenditure of the state government. Social services include expenditure on education, health, urban development, social security etc. Economic services include expenditure on agriculture and allied activities, forestry, irrigation, urban development etc. The interest payment is made from the revenue account of expenditure under General services. Apart from this, the repayments of principal amounts of loans from the capital account is also considered to be the part of non-developmental expenditure of the state government” (Economic Survey, Govt. of Bihar). Table 6.1 shows the composition of total expenditure for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.1: Composition of Total Expenditure- Annual Average (Percent)**

<b>Expenditure Heads</b>	<b>1990-91 - 1994-95</b>	<b>1995-96 – 1999-00</b>	<b>2000-01 – 2004-05</b>	<b>2005-06 – 2009-10</b>	<b>2010-11 – 2015-16</b>	<b>1990-91 – 2015-16</b>
<b>Revenue Expenditure</b>						
Bihar	85.0	87.0	79.5	76.4	76.7	80.8
BIMARU	80.2	83.4	78.4	75.9	77.2	79.0
All states	80.3	82.9	78.9	77.6	80.0	80.0
<b>Capital Expenditure</b>						
Bihar	15.0	13.0	20.5	23.6	23.3	19.2
BIMARU	19.8	16.6	21.6	24.1	22.8	21.0
All states	19.7	17.1	21.1	22.4	20.0	20.0
<b>Total Expenditure</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

The participation of “revenue expenditure” in total expenditure decreased from 79.5 percent to 76.7 percent while the contribution of “capital expenditure” in total expenditure rose from 20.5 percent to 23.3 percent for present Bihar. In case of BIMARU states, the share of revenue expenditure fell from 80.2 percent to 77.2 percent and the participation of capital expenditure in total expenditure improved from 19.8 percent to 22.8 percent. At all states level, the share of revenue expenditure decreased from 80.3 percent to 80.0 percent and the contribution of capital expenditure in total expenditure increased from 19.7 percent to 20.0 percent. Chart 6.1 and chart 6.2 shows the share of revenue expenditure total expenditure and the share of capital expenditure to total expenditure respectively for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



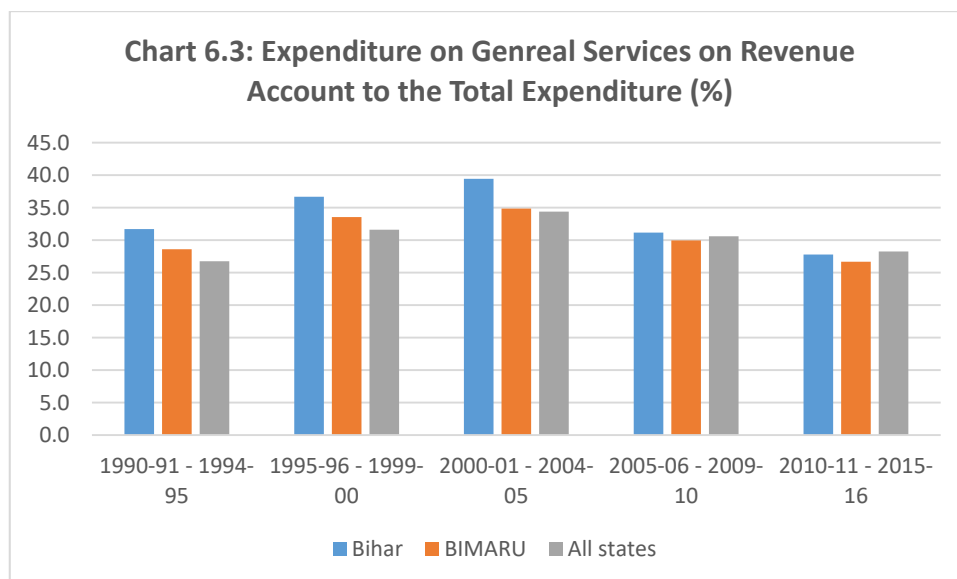
“Revenue expenditure of the state government includes expenditure on general services, social service, economic services and grants-in-aid and contributions to local bodies and public undertakings”, (State Finances: A Study of Budget, RBI). Table 6.2 presents the contribution of the components of Revenue expenditure to total expenditure for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.2: Share of the components of Revenue Expenditure in Total Expenditure- Annual Average (Percent)**

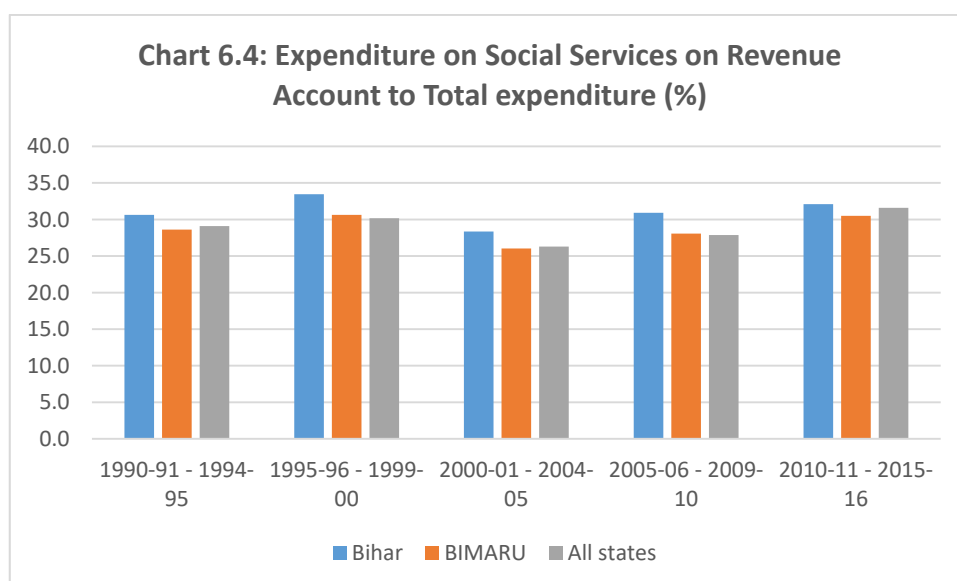
Expenditure Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>1. General Services</b>						
Bihar	31.7	36.7	39.4	31.2	27.8	33.1
BIMARU	28.6	33.5	34.8	30.0	26.7	30.6
All states	26.7	31.6	34.4	30.6	28.3	30.2
<b>2. Social Services</b>						
Bihar	30.6	33.4	28.4	30.9	32.1	31.1
BIMARU	28.6	30.6	26.0	28.1	30.5	28.8
All states	29.1	30.2	26.3	27.9	31.6	29.1
<b>3. Economic Services</b>						
Bihar	22.6	16.9	11.7	14.3	16.8	16.5
BIMARU	22.1	17.9	15.9	15.6	17.7	17.9
All states	23.6	20.0	16.9	17.1	17.8	19.1
<b>4. Grants-in-Aid and Contributions</b>						
Bihar	0.1	0.0	0.0	0.1	0.0	0.0
BIMARU	0.9	1.3	1.6	2.2	2.3	1.7
All states	0.9	1.1	1.3	2.0	2.3	1.6

Source: Calculation from State Finances: A Study of Budget, RBI

Within revenue expenditure, the contribution of expenditure on general services (include expenditure on “interest payments”, “pensions”, “fiscal services”, “administrative services” etc.) in total expenditure increased from 31.7 percent to 36.7 percent for former Bihar while it has declined from 39.4 percent to 27.8 percent for present Bihar. For BIMARU states, its share increased from 28.6 percent in the initial phase to 34.8 percent during the period 2000-01 – 2004-05 but after that it continuously decreased to 26.7 percent in the last phase. At all states level, its share also increased from 26.7 percent in the initial phase to 34.4 percent during the period 2000-01 – 2004-05 and after that it declined to 28.3 percent in the last phase. Chart 6.3 shows the contribution of expenditure on “general services” on revenue account to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

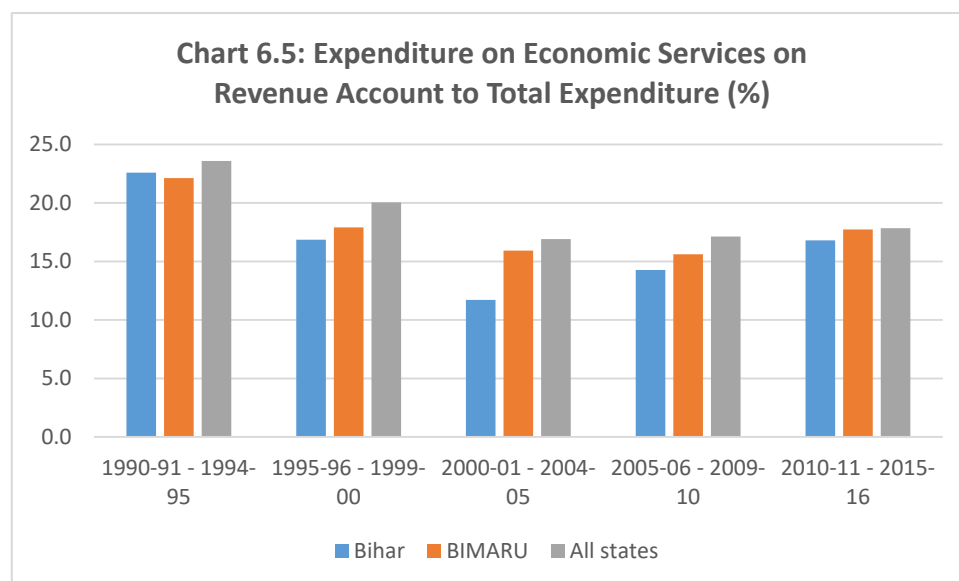


The share of expenditure on social services (include expenditure on “education”, “health”, “water supply and sanitation”, “urban development” etc.) in total expenditure improved from 30.6 percent to 33.4 percent for the erstwhile Bihar and after its division, the share has improved from 28.4 percent to 32.1 percent as presented in table 6.2. In case of BIMARU states, the contribution rose from 28.6 percent to 30.5 percent over the period. At all states level, the share also improved from 29.1 percent in the initial phase to 31.6 percent during the period 2010-11 – 2015-16. Chart 6.4 shows the participation of expenditure on “social services” on revenue account to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The contribution of expenditure on “economic services” (include expenditure on “agriculture and allied activities”, “rural development”, “irrigation”, “transport” etc.) in total expenditure

has sharply decreased from 22.6 percent to 16.9 percent for former Bihar while its contribution rose from 11.7 percent to 16.8 percent for present Bihar as displayed in table 6.2. For BIMARU states, its share decreased from 22.1 percent in the initial phase to 17.7 percent during the period 2010-11 – 2015-16. At all states level, its share also fell from 23.6 percent in the initial phase to 17.8 percent during the period 2010-11 – 2015-16. Chart 6.5 shows the contribution of expenditure on “economic services” on revenue account to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The contribution of grants-in-aid (mainly the grants to local bodies) to total expenditure has been negligible for Bihar while for BIMARU states and at all states level, its share has increased from 0.9 percent to 2.3 percent over the period.

“Capital expenditure of the state government includes capital outlay (expenditure on general services, social services and economic services), discharge of public debt (discharge of internal debt and repayment of loans and advances to the centre) and disbursement of loans and advances to the public sector undertakings” (State Finances: A Study of Budget, RBI). Table 6.3 shows the share of the components of capital expenditure in total expenditure for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

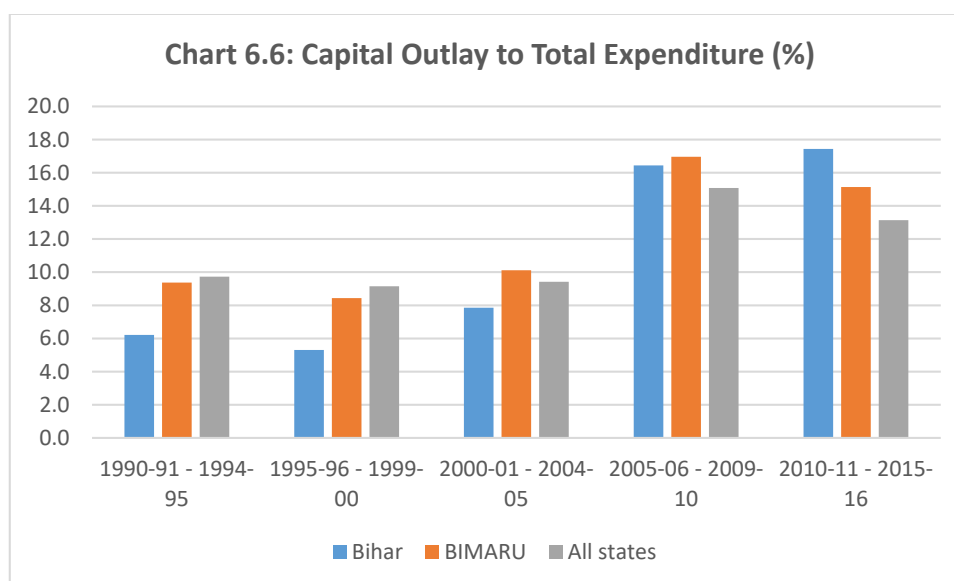
**Table 6.3: Share of the components of Capital Expenditure in Total Expenditure- Annual Average (Percent)**

Expenditure Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Capital Outlay</b>						
Bihar	6.2	5.3	7.9	16.4	17.4	10.9
BIMARU	9.4	8.4	10.1	17.0	15.1	12.1

All states	9.7	9.1	9.4	15.1	13.1	11.4
<b>Discharge of Public Debt</b>						
Bihar	4.7	4.5	7.5	4.5	4.2	5.0
BIMARU	4.4	4.2	8.5	5.0	4.3	5.3
All states	4.4	3.7	8.7	5.3	4.7	5.3
<b>Disbursement of Loans &amp; Advances</b>						
Bihar	4.1	3.2	5.1	2.7	1.7	3.3
BIMARU	6.0	3.9	3.0	2.2	3.3	3.7
All states	5.6	4.2	3.0	2.0	2.2	3.4

Source: Calculation from State Finances: A Study of Budget, RBI

Within capital expenditure of the contribution of “capital outlay” (includes expenditure on “general services”, “social services” and “economic services”) in to total expenditure fell from 6.2 percent to 5.3 percent for undivided Bihar while its share increased from 7.9 percent to 17.4 percent for divided Bihar. In case of BIMARU states, its contribution has increased from 9.4 percent in the initial phase to 15.1 percent during the period 2010-11 – 2015-16. At all states level, its share has also improved from 9.7 percent in the initial phase to 13.1 percent during the period 2010-11 -2015-16. Chart 6.6 displays the share of capital outlay to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The improvement in the percentage contribution of capital outlay in total expenditure is due to rise in the contribution of social services, economic services and general services over the period for Bihar, BIMARU and all states as shown in table 6.4 below. The contribution of expenditure on economic services in total expenditure has always been highest for Bihar, BIMARU and all states. The participation of “general services” in total expenditure was 0.1 percent for former Bihar while its share increased from 0.3 percent to 1.6 percent for present Bihar. In case of BIMARU states, its share has increased from 0.2 percent in the initial phase

to 0.9 percent during the period 2010-11 – 2015-16. At all states level, its share has also increased from 0.3 percent in the initial phase to 0.7 percent in the last phase.

The contribution of expenditure on “social services” in total expenditure fell from 1.3 percent to 1.0 percent for erstwhile Bihar while its share improved from 1.1 percent to 2.0 percent for divided Bihar. In case of BIMARU states, its share has improved from 1.6 percent to 3.2 percent over the period and at all states level, its share has also improved from 1.4 percent in the initial phase to 2.8 percent in the last phase.

The percentage share of expenditure on economic services in total expenditure decreased from 4.9 to 4.2 for former Bihar while it shows the remarkable improvement from 6.4 to 13.9 for present Bihar. For BIMARU states, its share has improved from 7.6 percent to 11.1 percent over the period. At all states level, its contribution has also increased from 8.1 percent in the initial phase to 11.6 percent during the period 2005-06 – 2009-10 but fell to 9.6 percent in the last phase.

**Table 6.4: Share of the components of Capital Outlay to Total Expenditure- Annual Average (Percent)**

Expenditure Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>1. General Services</b>						
Bihar	0.1	0.1	0.3	0.6	1.6	0.6
BIMARU	0.2	0.3	0.3	0.6	0.9	0.5
All states	0.3	0.3	0.4	0.6	0.7	0.5
<b>2. Social Services</b>						
Bihar	1.3	1.0	1.1	2.1	2.0	1.5
BIMARU	1.6	1.6	1.7	3.6	3.2	2.4
All states	1.4	1.5	1.8	2.9	2.8	2.1
<b>3. Economic Services</b>						
Bihar	4.9	4.2	6.4	13.8	13.9	8.8
BIMARU	7.6	6.5	8.1	12.8	11.1	9.3
All states	8.1	7.3	7.3	11.6	9.6	8.8

Source: Calculation from State Finances: A Study of Budget, RBI

Table 6.3 also indicates that the percentage contribution of “discharge of public debt” (include “discharge of internal debt” and “repayment of loans to the centre”) in total expenditure has declined in the later phase for Bihar, BIMARU and all states. This decline is due to the “fall in the share of repayment of loans to the centre in total expenditure with the discontinuation of plan loans from centre to states under the recommendation of FC12” (State Finances: A Study of Budget, RBI). The share of repayment of loans to the centre decreased from 4.2 percent to 3.8 percent for former Bihar and it has sharply declined form 4.6 percent to 0.7 percent for the present Bihar as shown in table 6.5 below. In case of BIMARU states, its share has reduced

from 3.8 percent in the initial phase to 0.7 percent during the period 2010-11 -2015-16. At all states level, its share has also decreased from 3.6 percent in the initial phase to 0.6 percent in the last phase.

The contribution of discharge of internal debt in total expenditure has marginally increased from 0.5 percent to 0.7 percent for undivided Bihar and after its division, the share increased from 2.9 percent to 3.4 percent as presented in table 6.5. For BIMARU states, its share has increased from 0.6 percent in the initial phase to 3.6 percent during the period 2010-11 – 2015-16. At all states level, its share has also risen from 0.8 percent in the initial phase to 4.1 percent in the last phase. The rise in the contribution of discharge of internal debt in total expenditure in later phase is due to institution of NSSF. Chart 6.7 displays the share of the discharge of public debt to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Chart 6.8 shows the share of discharge of internal debt to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 and Chart 6.9 shows the contribution of “repayment of loans and advances from the centre” to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

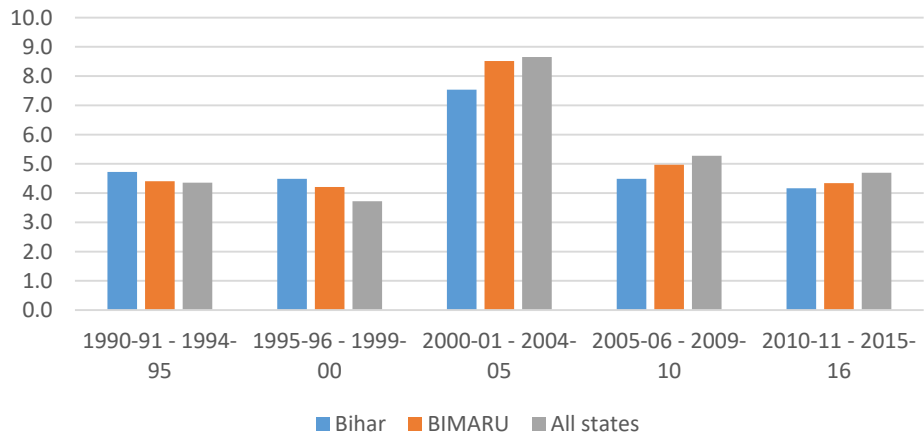
**Table 6.5: Share of the components of Discharge of Public Debt to Total Expenditure- Annual Average (Percent)**

<b>Expenditure Heads</b>	<b>1990-91 - 1994-95</b>	<b>1995-96 – 1999-00</b>	<b>2000-01 – 2004-05</b>	<b>2005-06 – 2009-10</b>	<b>2010-11 – 2015-16</b>	<b>1990-91 – 2015-16</b>
<b>Internal Debt</b>						
Bihar	0.5	0.7	2.9	3.0	3.4	2.2
BIMARU	0.6	0.9	4.0	3.5	3.6	2.6
All states	0.8	0.6	4.2	4.0	4.1	2.8
<b>Repayment of Loans to the Centre</b>						
Bihar	4.2	3.8	4.6	1.5	0.7	2.9
BIMARU	3.8	3.3	4.5	1.5	0.7	2.7
All states	3.6	3.1	4.4	1.3	0.6	2.5

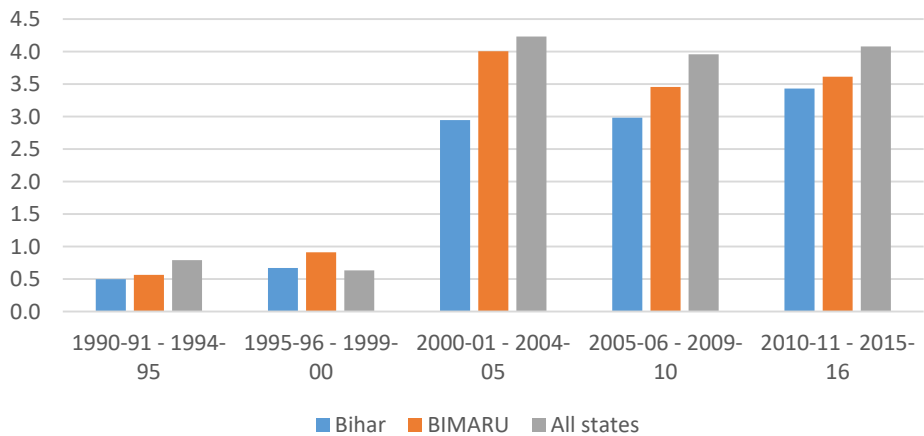
Source: Calculation from State Finances: A Study of Budget, RBI



**Chart 6.7: Discharge of public Debt to Total Expenditure (%)**



**Chart 6.8: Discharge of Internal Debt to Total Expenditure (%)**



**Chart 6.9: Repayment of Loans and Advances from the Centre to Total expenditure (%)**

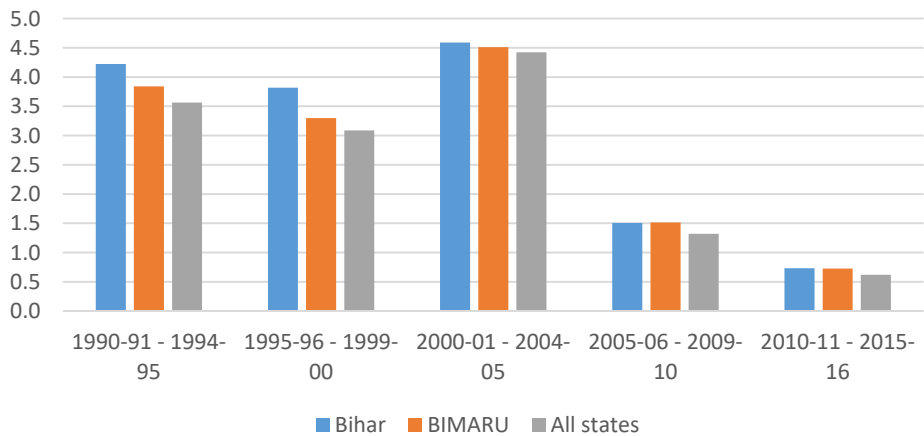


Table 6.3 also presents that the percentage share of “loans and advances” by the state government for “developmental” and “non-developmental” purposes in total expenditure reduced from 4.1 percent to 3.2 percent for former Bihar and its share sharply declined from 5.1 percent to 1.7 percent for present Bihar. In case of BIMARU states, its share decreased from 6.0 percent in the initial phase to 3.3 percent during the period 2010-11 – 2015-16. At all states level, its share also reduced from 5.6 percent in the initial phase to 2.2 percent in the last phase.

Table 6.6 displays the share of “plan” and “non-plan expenditure” on revenue and capital account, in total expenditure for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.6: Distribution of Total Expenditure by Plan and Non-Plan Heads (Share to Total Expenditure) - Annual Average (Percent)**

Expenditure Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15	1990-91 – 2014-15
<b>A. Plan Expenditure</b>						
<b>1. Revenue Account</b>						
Bihar	16.3	11.4	8.4	15.5	23.4	15.0
BIMARU	16.5	13.8	11.3	16.1	20.9	15.7
All states	14.8	13.4	11.2	14.8	18.5	14.5
<b>2. Capital Account</b>						
Bihar	9.5	6.4	8.1	14.0	18.3	11.2
BIMARU	13.4	10.8	9.7	16.1	15.2	13.0
All states	13.5	11.5	9.5	14.8	13.3	12.5
<b>Total</b>						
Bihar	25.8	17.8	16.5	29.5	41.7	26.3
BIMARU	29.9	24.6	21.0	32.2	36.1	28.8
All states	28.3	24.9	20.7	29.6	31.8	27.0
<b>B. Non Plan Expenditure</b>						
<b>1. Revenue Account</b>						
Bihar	68.7	75.6	71.1	60.8	53.7	66.0
BIMARU	63.8	69.6	67.0	59.7	57.4	63.5
All states	65.5	69.5	67.7	62.8	61.9	65.5
<b>2. Capital Account</b>						
Bihar	5.5	6.6	12.4	9.6	4.6	7.7
BIMARU	6.4	5.8	11.9	8.0	6.5	7.7
All states	6.2	5.6	11.6	7.6	6.3	7.5
<b>Total</b>						
Bihar	74.2	82.2	83.5	70.4	58.3	73.7
BIMARU	70.1	75.4	78.9	67.7	63.9	71.2
All states	71.7	75.1	79.3	70.4	68.2	73.0
<b>Total Expenditure</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

The percentage contribution of total non-plan expenditure in total expenditure has always been higher than that of total plan expenditure in total expenditure for Bihar, BIMARU and all states but it shows the declining trend in the later phase. The share of total plan expenditure declined from 25.8 percent to 17.8 percent for undivided Bihar while its percentage participation has remarkably improved from 16.5 to 41.7 for divided Bihar. In case of BIMARU states, its percentage share has increased from 29.9 in the initial phase to 36.1 during the period 2010-11 – 2015-16. At all states level, its share has also improved from 28.3 percent in the initial phase to 31.8 percent in the last phase.

The improvement of the share of total plan expenditure in the later phase is due to rise in the share of plan expenditure on revenue and capital account both. The share of plan expenditure on revenue account in total expenditure reduced from 16.3 percent to 11.4 percent for the former Bihar while its share increased from 8.4 percent to 23.4 percent for the present Bihar. For BIMARU states, its percentage share rose from 16.5 in the initial phase to 20.9 during the period 2010-11 – 2015-16. At all states level, its share has also increased from 14.8 percent in the initial phase to 18.5 percent in the last phase. The contribution of “plan expenditure on revenue account” in total expenditure has been higher than that of BIMARU and all states during the period 2010-11 – 2015-16. The participation of “plan expenditure on capital account” in total expenditure declined from 9.5 percent to 6.4 percent for undivided Bihar while after its division, the share increased from 8.1 percent to 18.3 percent. In case of BIMARU states, its share improved from 13.4 percent in the initial phase to 15.2 percent during the period 2010-11 – 2015-16. At all states level, its percentage participation rose from 13.5 in the initial phase to 14.8 during the period 2005-06 – 2009-10 but declined to 13.3 in the last phase.

Table 6.6 also indicates that the percentage contribution of “non-plan expenditure on revenue account” in total expenditure increased from 68.7 to 75.6 for erstwhile Bihar while it has sharply declined from 71.1 to 53.7 for present Bihar. In case of BIMARU states, its share fell from 63.8 percent in the initial phase to 57.4 percent during the period 2010-11 – 2015-16. At all states level, its share has also decreased from 65.5 percent in the initial phase to 61.9 percent in the last phase. Within non-plan revenue expenditure, the share of interest payment in total expenditure shows the declining trend in the later phase as shown in table 6.7 below. The share of interest payment in total expenditure marginally increased from 15.4 percent to 15.6 percent for erstwhile Bihar while its share drastically declined from 17.1 percent to 7.1 percent for present Bihar. “This decline is due to debt swap schemes (2002 - 2005) of the central

government and debt and interest relief from the centre to Bihar government under the recommendation of FC12 and shifting away from expensive source of borrowing through NSSF” (State Finances: A Study of Budget, RBI). For BIMARU states, its share fell from 12.6 percent in the initial phase to 8.2 percent during the period 2010-11 – 2015-16. At all states level, its share declined from 10.9 percent in the initial phase to 10.0 percent in the last phase. Chart 6.10 shows the share of interest payment to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.7: Share of the components of Non-Plan Revenue Expenditure to Total Expenditure- Annual Average (Percent)**

Expenditure Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15	1990-91 – 2014-15
<b>Interest Payments</b>						
Bihar	15.4	15.6	17.1	11.8	7.1	13.4
BIMARU	12.6	15.4	17.1	12.4	8.2	13.1
All states	10.9	13.3	16.0	13.0	10.0	12.7
<b>Others*</b>						
Bihar	53.3	60.1	54.0	49.0	46.7	52.6
BIMARU	50.7	54.3	49.9	47.4	49.2	50.3
All states	54.4	56.2	51.8	49.8	51.9	52.8

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes non-plan revenue expenditure on “social services”, “economic services”, “fiscal services”, “administrative services”, “pensions” and “grants-in-aid and contributions”.

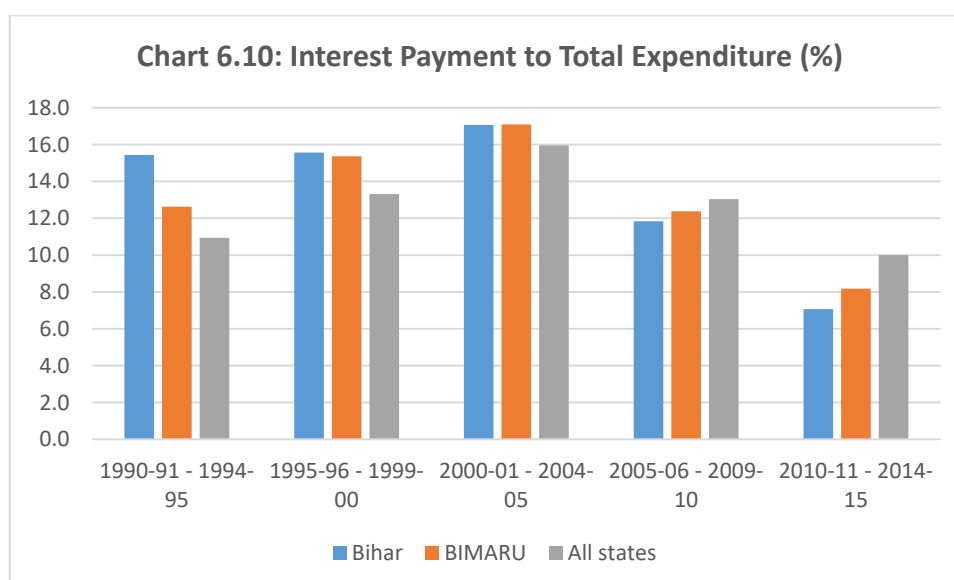


Table 6.6 also displays that the percentage contribution of “non-plan expenditure on capital account” in total expenditure has increased from 5.5 to 6.6 for undivided Bihar but after its division, the percentage share declined from percent to 4.6. In case of BIMARU states, its

contribution increased from 6.4 percent in the initial phase to 11.9 percent during the period 2000-01 – 2004-05 and after that it gradually declined to 6.5 percent in the last phase. At all states level, its share also rose from 6.2 percent in the initial phase to 11.6 percent during the period 2000-01 – 2004-05 but after that it continuously decreased to 6.3 percent in the last phase.

“Total developmental expenditure includes developmental expenditure on revenue account and capital account both. The developmental revenue expenditure comprises of revenue expenditure on social services, economic services and grants-in-aid and contributions. The developmental capital expenditure includes the capital expenditure on social services, economic services and loans and advances by state governments for developmental purposes” (State Finances: A Study of Budget, RBI).

Table 6.8 presents the percentage contribution of “developmental revenue expenditure”, “developmental capital expenditure” and “total developmental expenditure” in total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

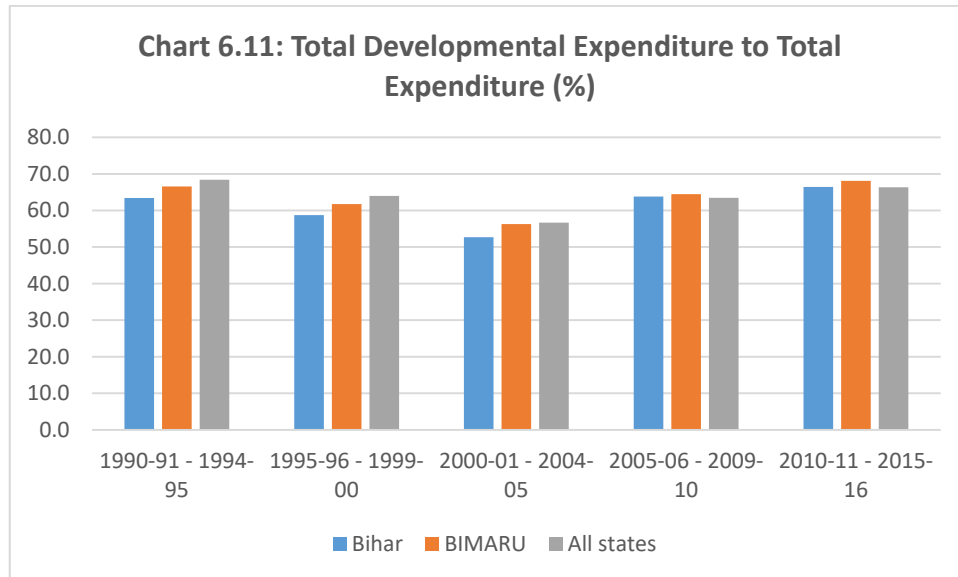
**Table 6.8: Share of Developmental Expenditure to Total Expenditure- Annual Average (Percent)**

Expenditure Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2014-15
<b>Developmental Revenue Expenditure</b>						
Bihar	53.3	50.3	40.1	45.2	48.9	47.6
BIMARU	51.7	49.9	43.5	45.9	50.5	48.4
All states	53.6	51.3	44.5	47.0	51.7	49.7
<b>Developmental Capital Expenditure</b>						
Bihar	10.1	8.4	12.6	18.5	17.5	13.6
BIMARU	14.9	11.9	12.8	18.6	17.6	15.2
All states	14.8	12.7	12.1	16.4	14.6	14.2
<b>Total Developmental Expenditure</b>						
Bihar	63.4	58.7	52.7	63.8	66.4	61.2
BIMARU	66.5	61.7	56.3	64.5	68.1	63.6
All states	68.4	64.0	56.7	63.5	66.3	63.9

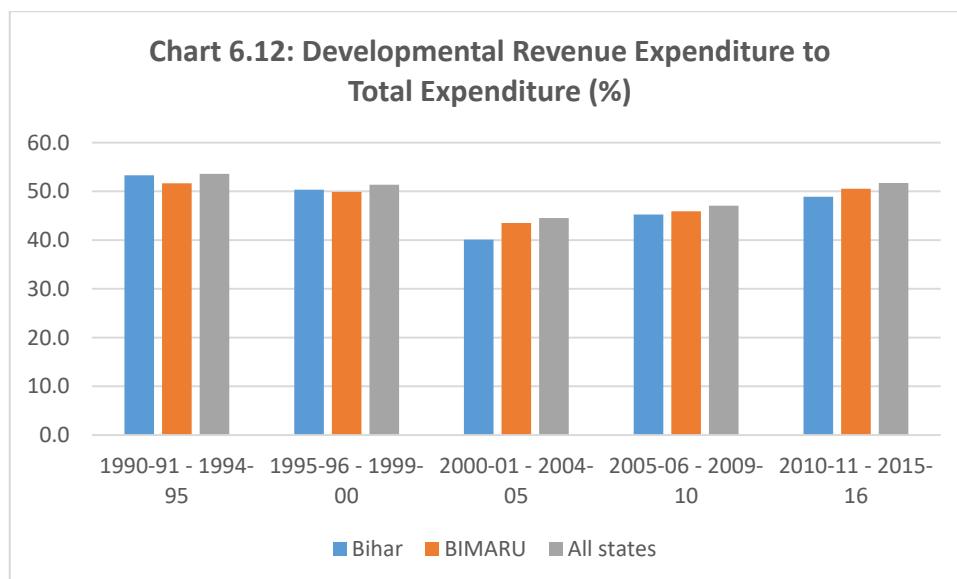
Source: Calculation from State Finances: A Study of Budget, RBI

The percentage contribution of total developmental expenditure in total expenditure shows the increasing trend in the later phase for Bihar, BIMARU and all states. Its share declined from 63.4 percent to 58.7 percent for undivided Bihar while its share improved from 52.7 percent to 66.4 percent for divided Bihar. In case of BIMARU states, its share fell from 66.5 percent to 56.3 percent during the period 2000-01 – 2004-05 but after that it gradually improved to 68.1 percent in the last phase. At all states level, its share also reduced from 68.4 percent in the

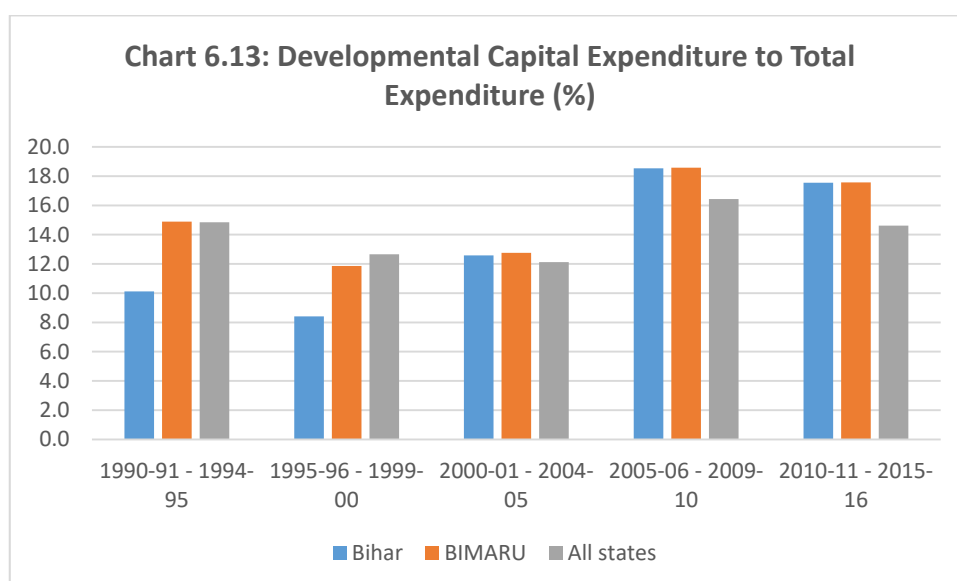
initial phase to 56.7 percent during the period 2000-01 – 2004-05 and after that it continuously increased to 66.3 percent in the last phase. Chart 6.11 displays the share of total developmental to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



Within total developmental expenditure the percentage contribution of developmental revenue expenditure in total expenditure shows the declining trend over the period. Its share decreased from 53.3 percent to 50.3 percent for former Bihar while its share improved from 40.1 percent to 48.9 percent for present Bihar. For BIMARU states, its share fell from 51.7 percent in the initial phase to 43.5 percent during the period 2000-01 2004-05 and after that it gradually improved to 50.5 percent in the last phase. At all states level, its share also declined from 53.6 percent in the initial phase to 44.5 percent during the period 2000-01 – 2004-05 but after that it improved to 51.7 percent in the last phase. Chart 6.12 shows the share of developmental revenue expenditure to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The percentage contribution of developmental capital expenditure in total expenditure decreased from 10.1 to 8.4 for erstwhile Bihar while it has improved from 12.6 to 17.5 for present Bihar. In case of BIMARU states, its contribution increased from 14.9 percent in the initial phase to 17.6 percent during the period 2010-11 – 2015-16. At all states level, its share continuously declined from 14.8 percent in the initial phase to 12.1 percent during the period 2000-01 – 2004-05 but improved to 16.1 percent during the period 2005-06 – 2009-10 and again decreased to 14.6 percent in the last phase. Chart 6.13 displays the share of developmental capital expenditure to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



“Total non-developmental expenditure includes non-developmental expenditure on revenue account and capital account both. Non-developmental revenue expenditure is the revenue expenditure on general services and non-developmental capital expenditure comprise of capital expenditure on general services, discharge of public debt and loans and advances by the state government on non-developmental purposes” (State Finances: A Study of Budget, RBI). Table 6.9 shows the share of non-developmental revenue expenditure, non-developmental capital expenditure and total non-developmental expenditure of Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.9: Share of Non-Developmental Expenditure to Total Expenditure- Annual Average (Percent)**

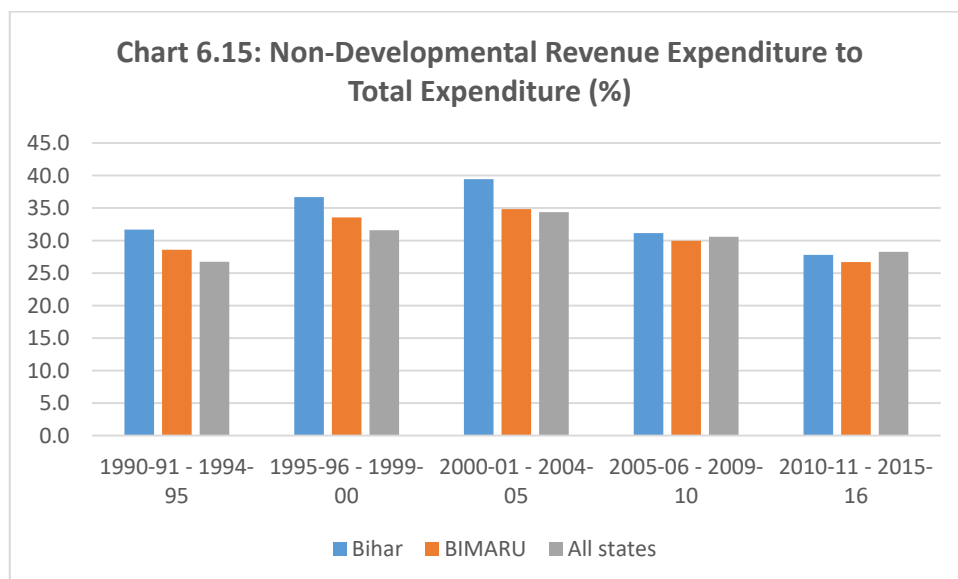
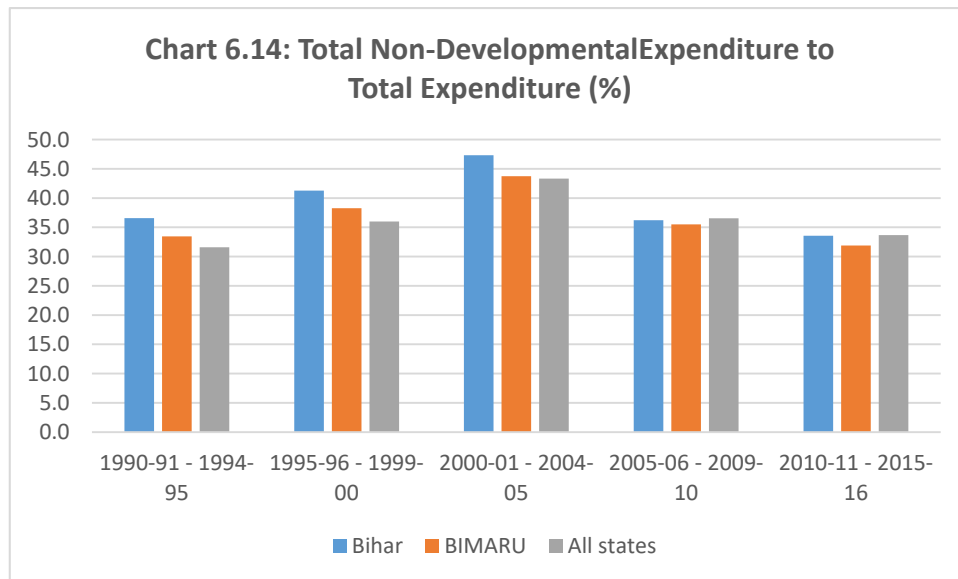
<b>Expenditure Heads</b>	<b>1990-91 - 1994-95</b>	<b>1995-96 – 1999-00</b>	<b>2000-01 – 2004-05</b>	<b>2005-06 – 2009-10</b>	<b>2010-11 – 2015-16</b>	<b>1990-91 – 2015-16</b>
<b>Non-Developmental Revenue Expenditure</b>						
Bihar	31.7	36.7	39.4	31.2	27.8	33.1
BIMARU	28.6	33.5	34.8	30.0	26.7	30.6
All states	26.7	31.6	34.4	30.6	28.3	30.2
<b>Non-Developmental Capital Expenditure</b>						
Bihar	4.9	4.6	7.9	5.1	5.8	5.6
BIMARU	4.9	4.7	8.9	5.6	5.2	5.8
All states	4.8	4.4	9.0	5.9	5.4	5.9
<b>Total Non-Developmental Expenditure</b>						
Bihar	36.6	41.3	47.3	36.2	33.6	38.8
BIMARU	33.5	38.3	43.7	35.5	31.9	36.4
All states	31.6	36.0	43.3	36.5	33.7	36.1

Source: Calculation from State Finances: A Study of Budget, RBI

The contribution of total non-developmental expenditure in total expenditure shows the declining trend in later phase for Bihar, BIMARU and all states. It climbed from 36.6 percent to 41.3 percent for former Bihar while it has decreased from 47.3 percent to 33.6 percent for present Bihar. “The decline in the share of interest payment in total expenditure due to interest relief to the Bihar government from central government under the recommendation of FC12 and shifting way from expensive source of borrowing through NSSF by Bihar government and decline in the share of repayment of loans and advances to the centre in total expenditure with the phase out of central loans for plan purpose in the pursuance of FC12 have been the responsible for decline in the share of total non-developmental expenditure in total expenditure for Bihar” (State Finances: A Study of Budget, RBI). In case of BIMARU states, its percentage participation rose from 33.5 in the initial phase to 43.7 during the period 2000-01 – 2004-05 but after that it continuously decreased to 31.9 in the last phase. At all states level, its share also rose from 31.6 percent in the initial phase to 43.3 percent during the period 2000-01 – 2004-05 and after that it continuously declined to 33.7 percent in the last phase. Chart 6.14



displays the share of total non-developmental expenditure to total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. Chart 6.15 and chart 6.16 show the share of non-developmental revenue expenditure to total expenditure and the share of non-developmental capital expenditure to total expenditure of Bihar, BIMARU and all states respectively during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



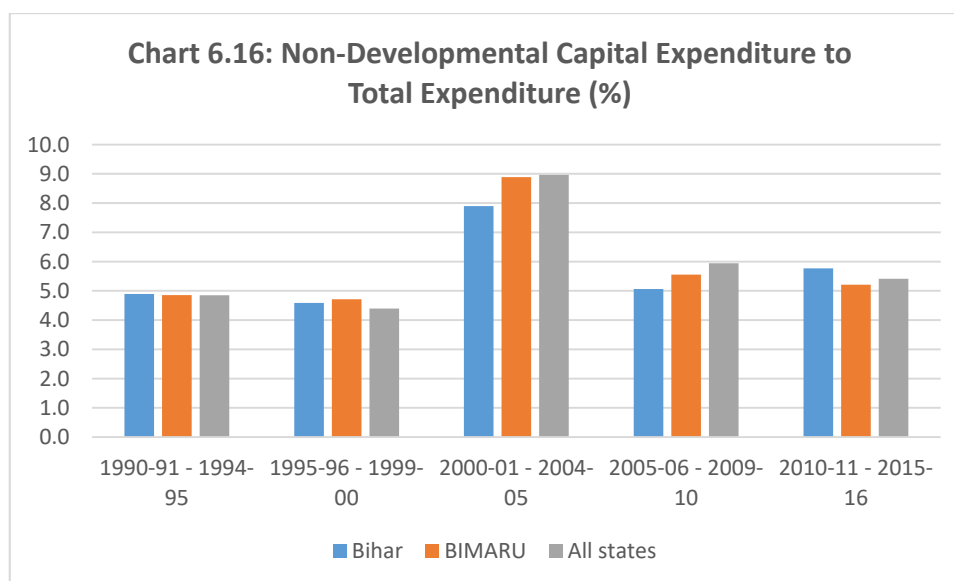


Table 6.10 shows the pattern of revenue expenditure for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.10: Pattern of Revenue Expenditure- Annual Average (Percent)**

Expenditure Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>1. General Services</b>						
Bihar	37.2	42.2	49.7	40.7	36.2	41.0
BIMARU	35.6	40.2	44.5	39.5	34.5	38.7
All states	33.3	38.1	43.6	39.4	35.3	37.8
<b>2. Social Services</b>						
Bihar	36.1	38.4	35.6	40.5	41.9	38.6
BIMARU	35.7	36.7	33.1	37.0	39.5	36.5
All states	36.2	36.4	33.2	35.9	39.5	36.4
<b>3. Economic Services</b>						
Bihar	26.6	19.4	14.7	18.7	21.9	20.3
BIMARU	27.6	21.5	20.4	20.6	23.0	22.6
All states	29.4	24.2	21.4	22.1	22.3	23.8
<b>4. Grants-in-Aid and Contributions</b>						
Bihar	0.1	0.0	0.0	0.1	0.0	0.0
BIMARU	1.1	1.6	2.0	2.9	3.0	2.2
All states	1.1	1.4	1.7	2.6	2.9	2.0
<b>Total</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

Within revenue expenditure, the percentage contribution of expenditure on “social services” and “economic services” show the increasing trend while the contribution of expenditure on “general services” reflects the decreasing trend in the later phase. The percentage contribution of revenue expenditure on general services increased from 37.2 to 42.2 for erstwhile Bihar

while it has sharply declined from 49.7 to 36.2 for present Bihar. For BIMARU states, its share continuously increased from 35.6 percent in the initial phase to 44.5 percent during the period 2000-01 – 2004-05 but after that it decreased to 34.5 percent in the last phase. At all states level, it has also increased from 33.3 percent in the phase to 43.6 percent during the period 2000-01 – 2004-05 and after that it has continuously declined to 35.3 percent in the last phase.

The percentage contribution of expenditure on “social services” in revenue expenditure rose from 36.1 to 38.4 for undivided Bihar and after its division, it rose from 35.6 to 41.9. In case of BIMARU states, its share continuously improved from 35.7 percent in the initial phase to 39.5 percent in the last phase except during the period 2000-01 – 2004-05 where it has declined. At all states level, its share fell from 36.2 percent to 33.2 percent during the period 2000-01 – 2004-05 but after that it started to improve and reached to 39.5 percent in the last phase.

The share of expenditure on economic services in revenue expenditure sharply declined from 26.6 percent to 19.4 percent for former Bihar while it has improved from 14.7 percent to 21.9 percent for present Bihar. For BIMARU states, its share continuously decreased from 27.6 percent in the initial phase to 20.4 percent during the period 2000-01 – 2004-05 but after that it gradually improved to 23.0 percent in the last phase. At all states level, its share also continuously declined from 29.4 percent in the initial phase to 21.4 percent during the period 2000-01 – 2004-05 after that it started to improve and reached to 23.0 percent in the last phase.

The role of grants-in aid in revenue expenditure has been negligible for Bihar while in case of BIMARU states it has increased from 1.1 percent in the initial phase to 3.0 percent in the last phase and at all states level, it has also increased from 1.1 percent in the initial phase to 2.9 in the last phase.

Table 6.11 displays the pattern of capital expenditure for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.11: Pattern of Capital Expenditure- Annual Average (Percent)**

<b>Expenditure Heads</b>	<b>1990-91 - 1994-95</b>	<b>1995-96 – 1999-00</b>	<b>2000-01 – 2004-05</b>	<b>2005-06 – 2009-10</b>	<b>2010-11 – 2015-16</b>	<b>1990-91 – 2015-16</b>
<b>1. Capital Outlay</b>						
Bihar	41.1	39.5	40.0	69.0	74.5	53.6
BIMARU	47.4	50.8	48.0	70.2	66.5	57.0
All states	49.5	53.5	46.6	67.4	65.7	56.9
<b>2. Discharge of Public Debt</b>						
Bihar	33.6	36.4	34.5	19.0	18.0	27.9
BIMARU	22.3	25.5	37.5	20.6	19.4	24.9
All states	22.1	21.9	38.7	23.6	23.5	25.9

<b>3. Disbursement of Loans and Advances</b>						
Bihar	25.3	24.2	25.5	11.9	7.5	18.5
BIMARU	30.2	23.7	14.4	9.2	14.1	18.2
All states	28.4	24.6	14.7	9.0	10.8	17.2
<b>Total</b>						
Bihar	100.0	100.0	100.0	100.0	100.0	100.0
BIMARU	100.0	100.0	100.0	100.0	100.0	100.0
All states	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

Within capital expenditure, capital outlay has always been the highest contributor for Bihar, BIMARU and all states. The share of “capital outlay” declined from 41.1 percent to 39.5 percent for undivided Bihar but its share increased remarkably from 40.0 percent to 74.5 percent for divided Bihar. In case of BIMARU states, its share increased from 47.4 percent in the initial phase to 66.5 percent in the last phase with alternatively increase and decrease in the intervening period. At all states level, its percentage participation also rose from 49.5 in the initial phase to 65.7 in the last phase with alternatively increase and decrease in the intervening period.

The share of the discharge of public debt in capital expenditure increased from 33.6 percent to 36.4 percent for erstwhile Bihar while it has sharply declined from 34.5 percent to 18.0 percent for present Bihar. In case of BIMARU states, its share continuously increased from 22.3 percent in the initial phase to 37.5 percent during the period 2000-01 – 2004-05 but after that it has decreased to 19.4 percent in the last phase. At all states level, it has also continuously rose from 22.1 percent in the initial phase to 38.7 percent during the period 2000-01 – 2004-05 and after that it started to decline and reached to 23.5 percent in the last phase.

The share of loans and advances by state governments in revenue expenditure shows the declining trend for Bihar, BIMARU and all states. It has decreased from 25.3 percent to 24.2 percent for former Bihar and it has sharply declined from 25.5 percent to 7.5 percent for present Bihar. For BIMARU states, its share fell from 30.2 percent in the initial phase to 14.1 percent in the last phase. At all states level, its share also declined from 28.4 percent in the initial phase to 10.8 percent in the last phase.

### **Pattern of Sectoral Expenditure of the Bihar Government**

“Providing better access to basic education, health services, safe drinking water, sanitation, housing etc. is important to establish a linkages between economic growth and welfare of human beings. The expenditure on social services is essential for judging the overall improvement in the quality of life” (Evaluation of State Finances in Bihar, ADRI, 2018). Table

6.12 shows the expenditure on social services and its components on revenue and capital account and their share in total expenditure for Bihar since 2002-03 to 2015-16.

**Table 6.12: Expenditure on Social Services for the Bihar Government**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Education, Sports, Art and Culture</b>							
<b>Total Expenditure (Rs. Crore)</b>	3260	3607	3160	4423	5359	5553	6882
<b>Revenue Expenditure (Rs. Crore)</b>	3181	3547	3142	4394	5253	5496	6706
<b>a. Salary component (in Percent)</b>	64	75	68	53	45	45	43
<b>b. Non-Salary component (in Percent)</b>	36	25	32	47	55	55	57
<b>Capital Outlay (Rs.Crore)</b>	79	60	18	29	106	57	176
<b>Capital Outlay (in Percent)</b>	2	2	1	1	2	1	3
<b>Health and Family Welfare</b>							
<b>Total Expenditure (Rs. Crore)</b>	748	730	629	1015	1153	1387	1291
<b>Revenue Expenditure (Rs. Crore)</b>	743	702	607	877	985	1141	1193
<b>a. Salary component (in Percent)</b>	54	89	76	71	60	53	61
<b>b. Non-Salary component (in Percent)</b>	46	11	24	29	40	47	39
<b>Capital Outlay (Rs.Crore)</b>	5	28	22	138	168	246	98
<b>Capital Outlay (in Percent)</b>	1	4	4	14	15	18	8
<b>Water supply, Sanitation and Urban Development</b>							
<b>Total Expenditure (Rs. Crore)</b>	373	426	321	532	766	1052	1600
<b>Revenue Expenditure (Rs. Crore)</b>	245	247	251	407	514	713	1413

<b>a. Salary component (in Percent)</b>	25	36	29	20	18	16	10
<b>b. Non-Salary component (in Percent)</b>	75	64	71	80	82	84	90
<b>Capital Outlay (Rs.Crore)</b>	128	179	70	125	252	339	187
<b>Capital Outlay (in Percent)</b>	34	42	22	23	33	32	12
<b>Total (Social Services)</b>							
<b>Total Expenditure (Rs. Crore)</b>	4917	5480	4932	7190	8513	10667	12892
<b>Revenue Expenditure (Rs. Crore)</b>	4704	5209	4795	6862	7917	9868	12252
<b>a. Salary component (in Percent)</b>	56	71	60	49	40	35	32
<b>b. Non-Salary component (in Percent)</b>	44	29	40	51	60	65	68
<b>Capital Outlay (Rs.Crore)</b>	213	271	137	328	596	799	640
<b>Capital Outlay (in Percent)</b>	4	5	3	5	7	8	5

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>Education, Sports, Art and Culture</b>							
<b>Total Expenditure (Rs. Crore)</b>	7750	8244	10213	14444	15047	16531	19155
<b>Revenue Expenditure (Rs. Crore)</b>	7416	8101	10157	14080	14344	16267	18605
<b>a. Salary component (in Percent)</b>	48	45	44	36	34	29	23
<b>b. Non-Salary component (in Percent)</b>	52	55	56	64	66	71	77

<b>Capital Outlay (Rs.Crore)</b>	336	143	56	364	703	264	550
<b>Capital Outlay (in Percent)</b>	4	2	1	3	5	2	3
<b>Health and Family Welfare</b>							
<b>Total Expenditure (Rs. Crore)</b>	1508	1667	2125	2398	2574	3604	4571
<b>Revenue Expenditure (Rs. Crore)</b>	1388	1502	1804	1836	2134	3288	3481
<b>a. Salary component (in Percent)</b>	66	73	73	80	75	51	40
<b>b. Non-Salary component (in Percent)</b>	34	27	27	20	25	49	60
<b>Capital Outlay (Rs.Crore)</b>	120	165	321	562	440	316	1091
<b>Capital Outlay (in Percent)</b>	8	10	15	24	18	9	24
<b>Water supply, Sanitation and Urban Development</b>							
<b>Total Expenditure (Rs. Crore)</b>	1903	2327	2045	2587	3605	4542	4518
<b>Revenue Expenditure (Rs. Crore)</b>	1438	1698	1713	2304	2967	3639	3694
<b>a. Salary component (in Percent)</b>	11	10	12	9	8	7	5
<b>b. Non-Salary component (%)</b>	89	90	88	91	92	93	95
<b>Capital Outlay (Rs.Crore)</b>	465	629	332	283	638	903	824
<b>Capital Outlay (in Percent)</b>	24	27	16	11	18	20	18
<b>Total (Social Services)</b>							
<b>Total Expenditure (Rs. Crore)</b>	14309	16162	19536	24438	28253	33386	38684
<b>Revenue Expenditure (Rs. Crore)</b>	13186	15089	18729	23107	26395	31713	35943

<b>a. Salary component (in Percent)</b>	38	34	34	31	27	22	18
<b>b. Non-Salary component (in Percent)</b>	62	66	66	69	73	78	82
<b>Capital Outlay (Rs.Crore)</b>	1123	1073	807	1331	1858	1673	2741
<b>Capital Outlay (in Percent)</b>	8	7	4	5	7	5	7

Source: Economic Survey, Government of Bihar, Finance Department, various rounds.

Total expenditure on social services improved by more than 9 times from Rs. 4917 crore in 2002-03 to Rs. 38684 crore in 2015-16. Within total expenditure, the revenue expenditure on social services also rose by more than 9 times from Rs. 4704 crore in 2002-03 to Rs. 35943 crore in 2015-16. The expenditure on “social services on capital account” of the Bihar government rose by more than 13 times from Rs. 213 crore in 2002-03 to Rs. 2741 crore in 2015-16. The expenditure on “education on revenue account” of the Bihar government climbed by almost 6 times from Rs. 3181 crore in 2002-03 to Rs. 18605 crore in 2015-16. The expenditure on “health services on revenue account” of the Bihar government rose by more than 4 times from Rs. 743 crore in 2002-03 to Rs. 3481 crore in 2015-16 and the expenditure on “water supply and sanitation on revenue account” climbed by more than 17 times from Rs. 245 crore to Rs. 3694 crore during the same period. The expenditure on “education on capital account” of the Bihar government shoot up by almost 6 times from Rs. 79 crore in 2002-03 to Rs. 550 crore in 2015-16 and the expenditure on “water supply and sanitation on capital account” rose by more than 2 times from Rs. 373 crore to Rs. 824 crore during the same period. The expenditure on “health services on capital account” climbed from Rs. 5 crore in 2002-03 to Rs. 316 crore in 2014-15 and shoot up to Rs. 1091 crore in 2015-16. The contribution of expenditure on “social services on capital account” of the Bihar government has always been less than 10 percent of total expenditure during the period 2002-03 to 2015-16. Its contribution in expenditure on education marginally improved from 2 percent in 2002-03 to 4 percent in 2009-10 but declined to 3 percent in 2015-16. The percentage contribution of expenditure on health services on capital account of the Bihar government rose from 1 in 2002-03 to 8 in 2009-10 and again significantly improved to percent in 2015-16 and its percentage contribution on water supply and sanitation fell from 34 to 24 and again declined to 18 during the same period.



The contribution of salary portion of expenditure on “social services on revenue account” of the Bihar government fell from 56 percent in 2002-03 to 18 percent in 2015-16 and consequently the contribution of non-salary portion of expenditure on revenue account “(the amount spent on the maintenance of assets already created)”, (Economic Survey, Govt. of Bihar) climbed from 44 percent to 82 percent during the same period. The contribution of non-salary portions of expenditure on “education on revenue account” rose from 36 percent in 2002-03 to 77 percent in 2015-16 and participation in health services climbed from 46 percent to 60 percent during the same period and its contribution on water supply and sanitation also rose from 75 percent to 95 percent during the same period.

Table 6.13 displays the expenditure on economic services and its components on revenue and capital account and their share in total expenditure for Bihar since 2002-03 to 2015-16.

**Table 6.13: Expenditure on Economic Services for the Bihar Government**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Agriculture and Allied Activities</b>							
<b>Total Expenditure (Rs. Crore)</b>	384	362	407	504	596	759	1284
<b>Revenue Expenditure (Rs. Crore)</b>	379	341	397	410	585	737	1273
<b>a. Salary component (in Percent)</b>	51	70	44	47	39	31	21
<b>b. Non-Salary component (in Percent)</b>	49	30	56	53	61	69	79
<b>Capital Outlay (Rs.Crore)</b>	5	21	10	94	11	22	11
<b>Capital Outlay (in Percent)</b>	1	6	2	19	2	3	1
<b>Irrigation and Flood Control</b>							
<b>Total Expenditure (Rs. Crore)</b>	1046	1125	916	1074	1067	1450	1845
<b>Revenue Expenditure (Rs. Crore)</b>	394	395	473	483	435	562	704
<b>a. Salary component (in Percent)</b>	53	78	51	55	68	63	58
<b>b. Non-Salary</b>	47	22	49	45	32	37	42

<b>component (in Percent)</b>							
<b>Capital Outlay (Rs.Crore)</b>	652	730	443	591	632	888	1141
<b>Capital Outlay (in Percent)</b>	62	65	48	55	59	61	62
<b>Energy</b>							
<b>Total Expenditure (Rs. Crore)</b>	104	4	28	303	1514	841	1123
<b>Revenue Expenditure (Rs. Crore)</b>	104	4	2	1	1080	726	723
<b>a. Salary component (in Percent)</b>	0	0	0	0	0	0	0
<b>b. Non- Salary component (in Percent)</b>	100	100	100	100	100	100	100
<b>Capital Outlay (Rs.Crore)</b>	0	0	26	302	434	115	400
<b>Capital Outlay (in Percent)</b>	0	0	94	100	29	14	36
<b>Transport and Communications</b>							
<b>Total Expenditure (Rs. Crore)</b>	354	354	369	560	2076	2713	2982
<b>Revenue Expenditure (Rs. Crore)</b>	227	231	225	285	414	408	493
<b>a. Salary component (in Percent)</b>	98	42	37	38	25	29	28
<b>b. Non- Salary component (in Percent)</b>	2	58	63	62	75	71	72
<b>Capital Outlay (Rs.Crore)</b>	127	123	144	275	1662	2305	2489
<b>Capital Outlay (in Percent)</b>	36	35	39	49	80	85	84
<b>Total (Economic Services)</b>							
<b>Total Expenditure (Rs. Crore)</b>	3542	3480	3035	4051	8481	9520	11316

<b>Revenue Expenditure (Rs. Crore)</b>	2185	2027	2036	2367	4021	4438	5726
<b>a. Salary component (in Percent)</b>	33	53	34	34	23	22	22
<b>b. Non-Salary component (in Percent)</b>	67	47	66	66	77	78	78
<b>Capital Outlay (Rs.Crore)</b>	1357	1453	999	1684	4460	5082	5590
<b>Capital Outlay (in Percent)</b>	38	42	33	42	53	53	49

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>Agriculture and Allied Activities</b>							
<b>Total Expenditure (Rs. Crore)</b>	1505	2035	2032	3262	3670	3615	4120
<b>Revenue Expenditure (Rs. Crore)</b>	1504	2018	1914	3170	3193	3431	3515
<b>a. Salary component (in Percent)</b>	26	20	24	15	15	14	15
<b>b. Non-Salary component (in Percent)</b>	74	80	76	85	85	86	85
<b>Capital Outlay (Rs.Crore)</b>	1	17	118	92	477	184	605
<b>Capital Outlay (in Percent)</b>	0	1	6	3	13	5	15
<b>Irrigation and Flood Control</b>							
<b>Total Expenditure (Rs. Crore)</b>	2246	2678	3275	2854	2838	2444	2836
<b>Revenue Expenditure (Rs. Crore)</b>	897	1311	1311	914	1039	1020	1151
<b>a. Salary component (in Percent)</b>	69	53	47	66	56	58	57
<b>b. Non-Salary component (in Percent)</b>	31	47	53	34	44	42	43
<b>Capital Outlay (Rs.Crore)</b>	1349	1367	1964	1670	1799	1424	1685

<b>Capital Outlay (in Percent)</b>	60	51	60	68	63	58	59
<b>Energy</b>							
<b>Total Expenditure (Rs. Crore)</b>	1244	2223	2270	3374	5133	7948	8945
<b>Revenue Expenditure (Rs. Crore)</b>	868	1216	2168	3200	3236	3773	6151
<b>a. Salary component (in Percent)</b>	0	0	0	0	0	0	0
<b>b. Non-Salary component (in Percent)</b>	100	100	100	100	100	100	100
<b>Capital Outlay (Rs.Crore)</b>	376	1007	102	174	1897	4175	2794
<b>Capital Outlay (in Percent)</b>	30	45	5	5	37	53	31
<b>Transport and Communications</b>							
<b>Total Expenditure (Rs. Crore)</b>	3748	4706	4852	4138	5471	5194	6130
<b>Revenue Expenditure (Rs. Crore)</b>	690	634	789	826	1381	996	1712
<b>a. Salary component (in Percent)</b>	23	26	23	25	15	23	14
<b>b. Non-Salary component (in Percent)</b>	77	74	77	75	85	77	86
<b>Capital Outlay (Rs.Crore)</b>	3058	4072	4063	3312	4090	4198	4418
<b>Capital Outlay (in Percent)</b>	82	87	84	80	75	81	72
<b>Total (Economic Services)</b>							
<b>Total Expenditure (Rs. Crore)</b>	13023	15564	17475	20246	24871	29173	37305
<b>Revenue Expenditure (Rs. Crore)</b>	7088	7836	10037	12710	14060	14445	19696
<b>a. Salary component (in Percent)</b>	25	20	19	15	15	15	11
<b>b. Non-Salary component (in Percent)</b>	75	80	81	85	85	85	89
<b>Capital Outlay (Rs.Crore)</b>	5935	7728	7438	7536	10811	14728	17609
<b>Capital Outlay (in Percent)</b>	46	50	43	37	44	51	47

Source: Economic Survey, Government of Bihar, Finance department, various rounds.

Total expenditure on “economic services” of the Bihar government, “which is meant to create additional productive capacity in the economy” (Evaluation of State Finances in Bihar, ADRI, 2018), rose by more than 10 times from Rs. 3542 crore in 2002-03 to Rs. 37305 crore in 2015-16. Within total expenditure, the expenditure on “economic services on revenue account” of the Bihar government shoot up by more than 9 times from Rs. 2185 crore in 2002-03 to Rs. 19696 crore in 2015-16 and the expenditure on “economic services on capital account” of the Bihar government improved by more than 12 times from Rs. 1357 crore to Rs. 17609 crore during the same period. The spending on “agriculture and allied activities on revenue account” of the Bihar government shoot up by more than 9 times from Rs. 379 crore in 2002-03 to Rs. 3515 crore in 2015-16 and the spending on “irrigation and flood control on revenue account” rose by almost 3 times from Rs. 394 crore to Rs. 1151 crore during the same period. The spending on “energy and power on revenue account” improved by more than 36 times from Rs. 104 crore in 2002-03 to Rs. 6151 crore in 2015-16 and the spending on “transport and communications on revenue account” of the Bihar government climbed by more than 7 times from Rs. 227 crore to Rs. 1712 during the same period. The spending on “agriculture and allied activities on capital account” of the Bihar government climbed from Rs. 5 crore in 2002-03 to Rs. 605 crore in 2015-16. The spending on “irrigation and flood control on capital account” rose by more than 2 times from Rs. 652 crore to Rs. 1685 crore during the same period. The spending on “energy and power on capital account” improved by more than 107 times from Rs. 26 crores in 2004-05 to Rs. 2794 crore in 2015-16 and the spending on “transport and communications on capital account” shoot up by more than 34 times from Rs. 127 crore to Rs. 4418 crore during the same period.

The total spending on “economic services on capital account” of the Bihar government has been more than 44 percent. The participation of spending on agricultural and allied activities on capital account has been marginal. Its contribution on irrigation and flood control has been remained stationary at 60 percent. The percentage spending on transport and communications on capital account rose from 36 in 2002-03 to 72 in 2015-16.

The participation of salary portion of spending on “economic services on revenue account” of the Bihar government fell from 33 percent in 2002-03 to 11 percent in 2015-16 and consequently the contribution of non-salary portion of spending on economic services on revenue account rose from 67 percent to 89 percent during the same period. The participation of non-salary portion of spending on agricultural and allied activities on revenue account climbed from 49 percent in 2002-03 to 85 percent in 2015-16 and its contribution in irrigation

and flood control on revenue account fell from 47 percent to 43 percent during the same period. The percentage participation of non-salary portion of spending on energy and power on revenue account has been 100 percent during the period 2002-03 to 2015-16 and its percentage contribution in transport and communications on revenue account shoot up from 58 percent in 2003-04 to 86 percent in 2015-16.

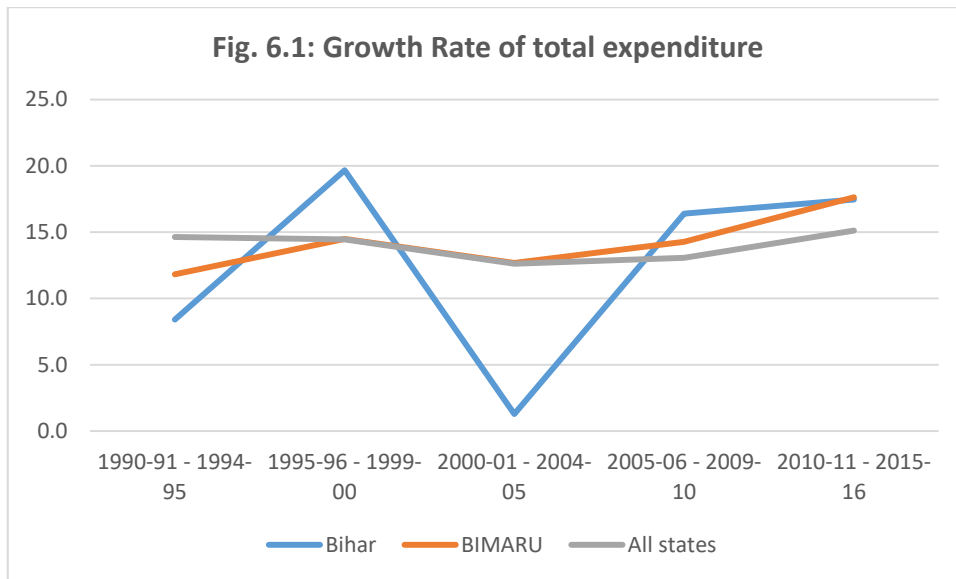
Table 6.14 depicts the growth rate of total expenditure of Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.14 Growth Rate of Expenditure- Annual Average**

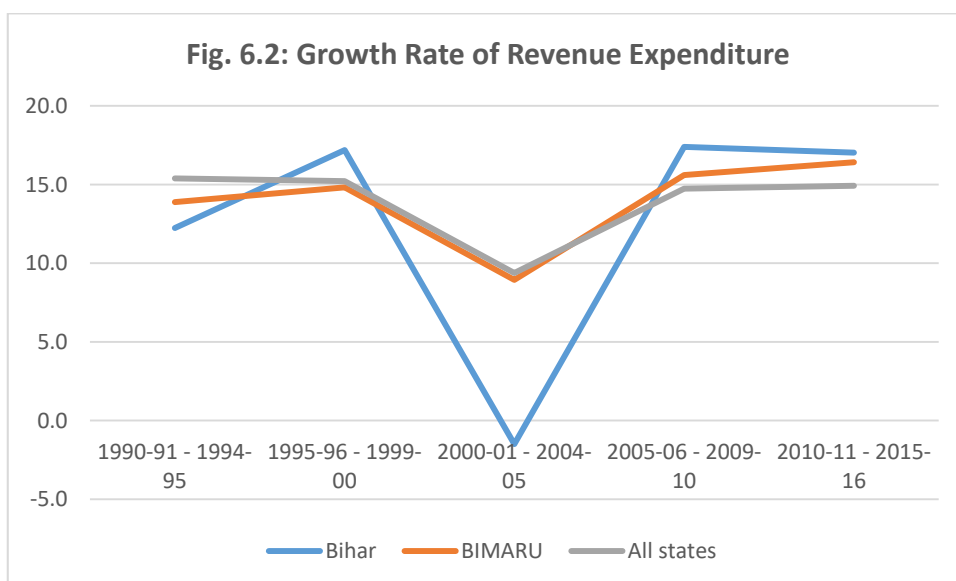
Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Revenue Expenditure</b>						
Bihar	12.2	7.2	-1.5	17.4	17.0	12.7
BIMARU	13.9	14.8	8.9	15.6	16.4	14.0
All states	15.4	15.2	9.4	14.7	14.9	13.9
<b>Capital Expenditure</b>						
Bihar	-10.2	37.9	13.5	14.7	19.1	16.2
BIMARU	3.8	9.0	28.2	11.3	22.1	16.5
All states	11.7	9.8	27.2	8.5	16.3	15.2
<b>Total Expenditure</b>						
Bihar	8.4	19.7	1.3	16.4	17.5	13.0
BIMARU	11.8	13.6	12.7	14.3	17.6	14.4
All states	14.6	14.2	12.6	13.1	15.1	14.0

Source: Calculation from State Finances: A Study of Budget, RBI

The growth rate of total expenditure rose from 8.4 percent to 19.7 percent for former Bihar and its growth rate rose from 1.3 percent to 17.5 percent for present Bihar. The divided Bihar experienced lowest growth rate of total expenditure during the period 2000-01 – 2004-05 due to negative growth rate of revenue expenditure and sharp decline in the growth rate of capital expenditure during this phase. In case of BIMARU states, the growth rate of total expenditure improved from 11.8 percent in the initial phase to 17.6 percent in the last phase. At all states level, its growth rate declined from 14.6 percent in the initial phase to 12.6 percent during 2000-01 – 2004-05 but after that it increased to 15.1 percent in the last phase. Fig. 6.1 shows the growth rate of total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The growth rate of revenue expenditure fell from 12.2 percent to 7.2 percent for undivided Bihar but after its division the present Bihar experienced negative growth rate of 1.5 percent during the period 2000-01 – 2004-05 which improved to 17.0 percent in the last phase. For BIMARU states, its growth rate declined from 13.9 percent in the initial phase to 8.9 percent during 2000-01 – 2004-05 and that it improved to 16.4 percent in the last phase. At all states level, its growth rate also fell from 15.4 percent in the initial phase to 9.4 percent during 2000-01 – 2004-05 but after that it improved to 14.9 percent in the last phase. . Fig. 6.2 shows the growth rate of revenue expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The undivided Bihar experienced the negative growth rate of 10.2 percent for capital expenditure during the period 1990-91 – 1994-95 which improved to 37.9 percent in the next phase as displayed in table 6.19. The growth rate of capital expenditure continuously improved from 13.5 percent to 19.1 percent for divided Bihar. In case of BIMARU states, its growth rate improved from 3.8 percent in the initial phase to 22.1 percent in the last phase. At all states level, its growth rate rose from 11.7 percent in the initial phase to 16.3 percent in the last phase with alternatively decrease and increase in the intervening period. Fig. 6.3 displays the growth rate of total expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

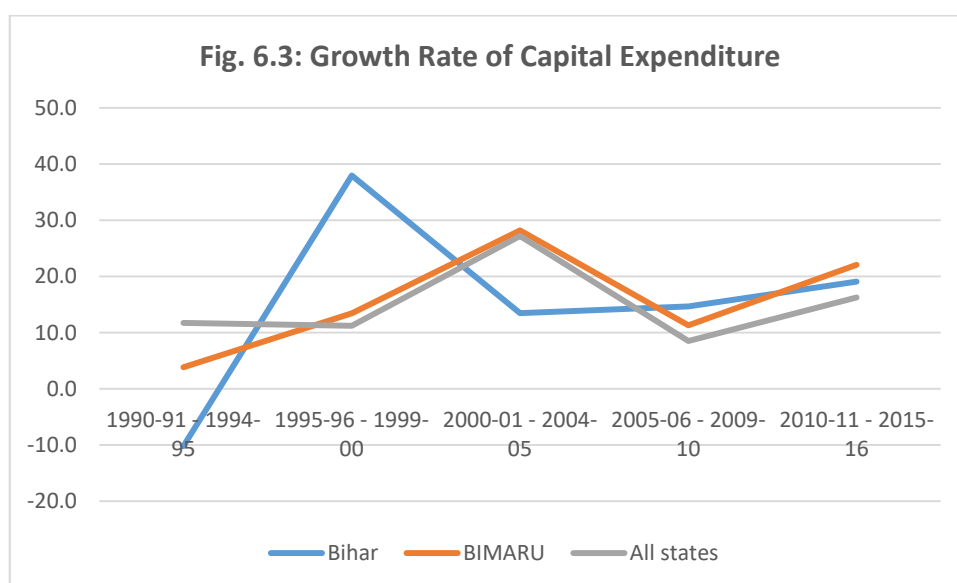


Table 6.15 presents the growth rate of the components of revenue expenditure for Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.15: Growth Rate of the components of Revenue Expenditure- Annual Average**

Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>General Services</b>						
Bihar	15.4	18.1	2.9	9.5	15.1	12.2
BIMARU	18.7	15.9	11.5	11.8	11.6	13.7
All states	21.3	16.8	11.8	10.8	12.4	14.3
<b>Social Services</b>						
Bihar	10.1	19.1	-4.3	23.0	18.3	13.6
BIMARU	11.4	16.1	5.6	20.0	17.4	14.3
All states	12.1	16.4	6.6	19.1	15.7	14.1
<b>Economic Services</b>						
Bihar	12.4	13.3	-6.3	29.9	19.2	13.9
BIMARU	11.6	10.6	13.6	17.1	22.4	15.4
All states	13.3	10.7	9.2	15.1	17.8	13.4

Source: Calculation from State Finances: A Study of Budget, RBI



Within revenue expenditure, the growth rate of general services increased from 15.4 percent to 18.1 percent for former Bihar and its growth rate rose from 2.9 percent to 15.1 percent for present Bihar. In case of BIMARU states, its growth rate declined from 18.7 percent in the initial phase to 11.6 percent in the last phase. At all states level, its growth rate continuously fell from 21.3 percent in the initial phase to 10.8 percent during 2005-06 – 2009-10 but increased to 12.4 percent in the last phase.

The growth rate of social expenditure improved from 10.1 percent to 19.1 percent for undivided Bihar but after its division the present Bihar experienced the negative growth rate of 4.3 percent during the period 2000-01 – 2004-05 which improved to 18.3 percent in the last phase. For BIMARU states, its growth rate rose from 11.4 percent in the initial phase to 17.4 percent in the last phase with alternatively increase and decrease in the intervening period. At all states level, its growth rate also increased from 12.1 percent in the initial phase to 15.7 percent in the last phase with alternatively increase and decrease in the intervening period.

The growth rate of economic services improved from 12.4 percent to 13.3 percent for erstwhile Bihar but its bifurcation, the present Bihar experienced negative growth rate of 6.3 percent during 2000-01 – 2004-05 which improved to 19.2 percent in the last phase. In case of BIMARU states, its growth rate improved from 11.6 percent in the initial phase to 22.4 percent in the last phase. At all states level, its growth rate rose from 13.3 percent in the initial phase to 17.8 percent in the last phase.

Table 6.16 shows the growth rate of capital outlay and its components for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.16: Growth Rate of the capital outlay and its components- Annual Average**

Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Capital Outlay</b>						
Bihar	-12.1	71.8	-3.3	51.9	23.0	27.6
BIMARU	5.1	14.4	22.3	23.7	20.1	17.5
All states	17.8	8.4	19.9	20.2	14.6	16.0
<b>General Services</b>						
Bihar	-21.3	198.3	237.7	38.2	56.6	105.0
BIMARU	3.8	38.7	22.6	16.4	61.9	30.2
All states	13.1	23.1	22.8	18.5	23.8	20.5
<b>Social Services</b>						
Bihar	1.3	25.4	-1.4	62.0	21.5	22.6
BIMARU	14.4	6.5	24.4	29.9	17.0	18.6
All states	15.7	14.0	22.9	20.8	15.7	17.8
<b>Economic Services</b>						

Bihar	-14.7	103.9	-3.9	52.7	21.2	33.3
BIMARU	3.2	16.1	22.6	22.7	19.9	17.3
All states	18.5	7.3	19.5	20.3	13.8	15.6

Source: Calculation from State Finances: A Study of Budget, RBI

The capital outlay grew at the negative rate of 12.1 percent for undivided Bihar during the period 1990-91 – 1994-95 which improved to 71.8 percent in the next phase and after the division of Bihar, it again experienced the negative growth rate of 3.3 percent during the phase 2000-01 – 2004-05 which improved to 51.9 percent during 2005-06 – 2009-10 but fell to 23.0 percent in the last phase. In case of BIMARU states, its growth rate continuously rose from 5.1 percent in the initial phase to 23.7 percent during 2005-06 – 2009-10 but declined to 20.1 percent in the last phase. At all states level, its growth rate improved from 17.8 percent in the initial phase to 20.2 percent during 2005-06 – 2009-10 but fell to 14.6 percent in the last phase. Fig. 6.4 shows the growth rate of capital outlay of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

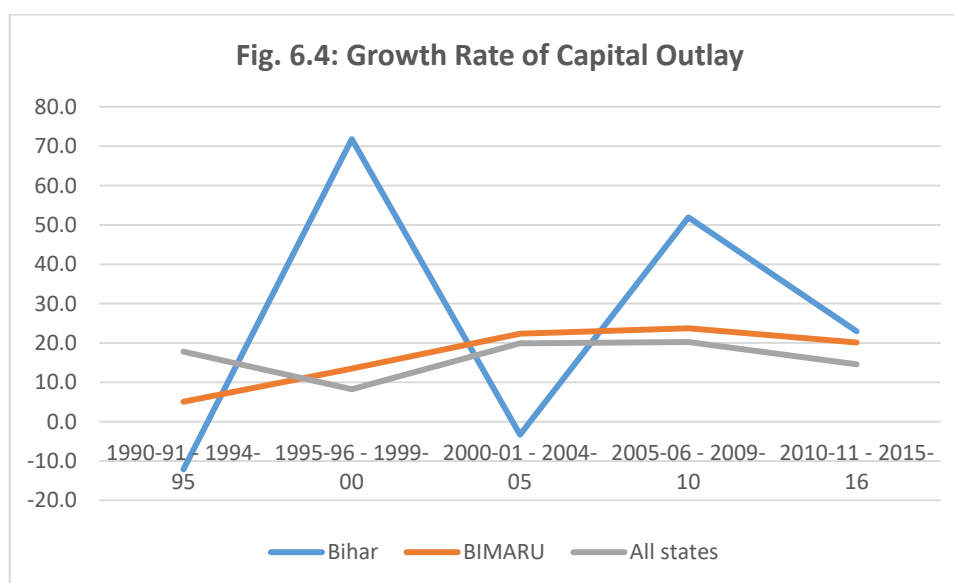


Table 6.16 also presents that within capital outlay, the undivided Bihar experienced the negative growth rate of 21.3 percent for general services during 1990- 91 – 1994-95 which enormously increased to 198.3 percent in the next phase. After the division of Bihar, there was huge growth rate of 237.7 percent for general services during 2000-01 – 2004-05 which declined to 56.6 percent in the last phase. For BIMARU states, the growth rate of general services rose from 3.8 percent in the initial phase to 61.9 percent in the last phase. At all states level, its growth rate increased from 13.1 percent in the initial phase to 23.8 percent in the last phase.

The growth rate of “capital expenditure on social services” improved from 1.3 percent to 25.4 percent for erstwhile Bihar. The present Bihar experienced the negative growth rate of 1.4 percent for social services during 2000-01 – 2004-05 which increased to 62.0 percent during 2005-06 – 2009-10 but fell to 21.5 percent in the last phase. For BIMARU states, its growth rate improved from 14.4 percent in the initial phase to 17.0 percent in the last phase. At all states level, its growth rate rose from 15.7 percent in the initial phase to 22.9 percent during 2000-01 – 2004-05 but declined to 15.7 percent in the last phase.

The capital expenditure on economic services grew at the negative rate of 14.7 percent during 1990-91 – 1994-95 which enormously improved to 103.9 percent in the next phase for undivided Bihar. After the division of Bihar, it again experienced the negative growth rate of 3.9 percent during 2000-01 – 2004-05 which increased to 52.7 percent during 2005-06 – 2009-10 but declined to 21.2 percent in the last phase. In case of BIMARU states, the growth rate of economic services continuously improved from 3.2 percent in the initial phase to 22.7 percent during 2005-06 – 2009-10 but fell to 19.9 percent in the last phase. At all states level, its growth rate rose from 18.5 percent in the initial phase to 20.3 percent during 2005-06 – 2009-10 but declined to 13.8 percent in the last phase.

Table 6.17 presents the growth rate of developmental expenditure of Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

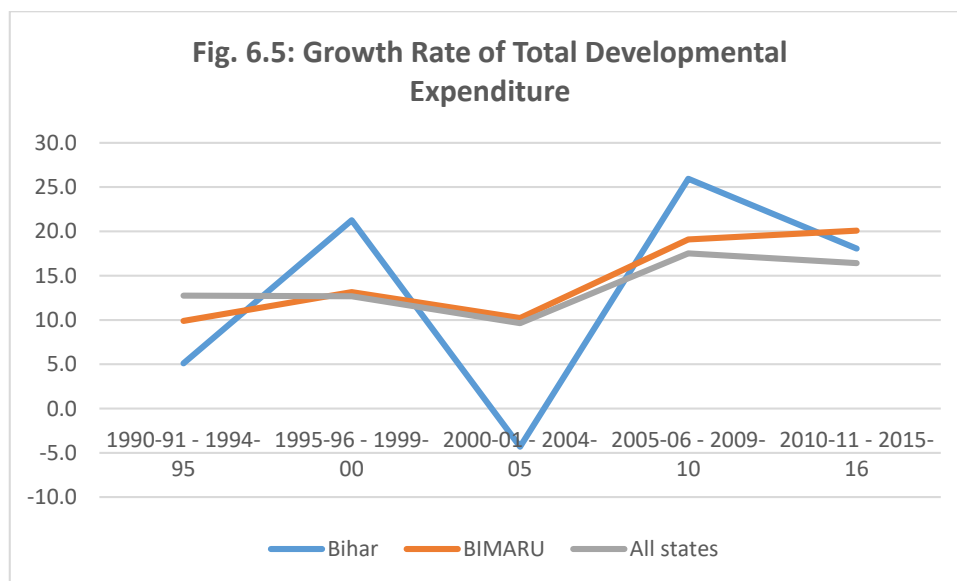
**Table 6.17: Growth Rate of Developmental expenditure- Annual Average**

Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Developmental Revenue Expenditure</b>						
Bihar	10.4	16.6	-5.1	24.7	18.3	13.3
BIMARU	11.4	14.2	7.3	18.8	19.0	14.4
All states	12.5	14.2	7.7	17.7	16.3	13.8
<b>Developmental Capital expenditure</b>						
Bihar	-18.0	52.8	-0.4	30.2	17.9	17.9
BIMARU	5.7	9.0	20.8	19.8	23.8	17.0
All states	14.1	7.1	18.1	17.1	17.3	15.0
<b>Total Developmental Expenditure</b>						
Bihar	5.1	21.3	-4.3	25.9	18.1	13.7
BIMARU	9.9	12.9	10.2	19.1	20.1	14.9
All states	12.8	12.6	9.6	17.5	16.4	13.9

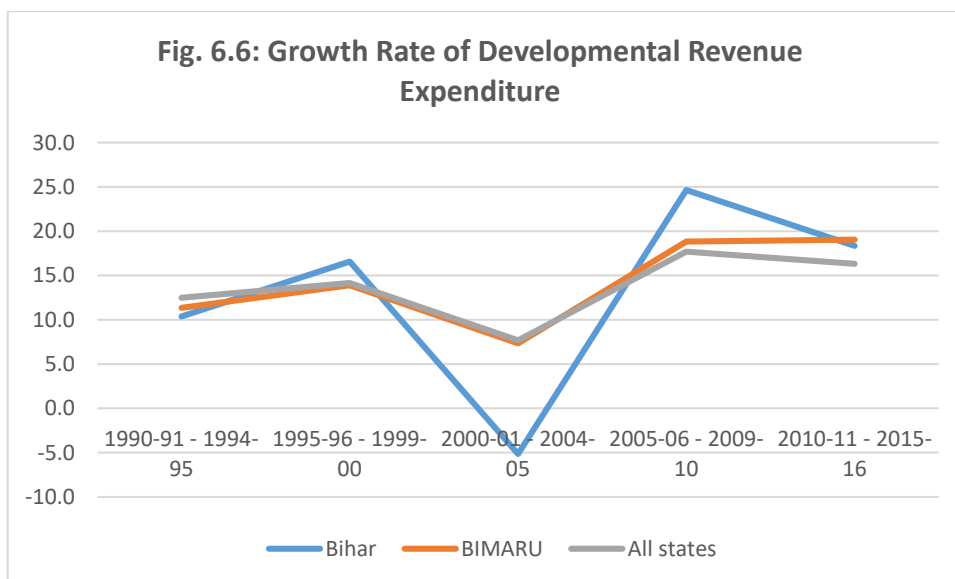
Source: Calculation from State Finances: A Study of Budget, RBI

The growth rate of total developmental expenditure improved from 5.1 percent to 21.3 percent for former Bihar. After the division of Bihar, the developmental expenditure grew at the

negative rate of 4.3 percent during 2000-01 – 2004-05 which increased to 25.9 percent during 2005-06 – 2009-10 but fell to 18.1 percent in the last phase. In case of BIMARU states, its growth rate rose from 9.9 percent in the initial phase to 20.1 percent in the last phase. At all states level, its growth rate increased from 12.8 percent in the initial phase to 16.4 percent in the last phase. Fig. 6.5 shows the growth rate of total developmental expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



Within total developmental expenditure, the growth rate of developmental revenue expenditure improved from 10.4 percent to 16.6 percent for undivided Bihar after its division, the growth rate was negative at 5.1 percent during 2000-01 – 2004-05 which increased to 24.7 percent during 2005-06 – 2009-10 but declined to 18.3 percent in the last phase. For BIMARU states, its growth rate improved from 11.4 percent in the initial phase to 19.0 percent in the last phase. At all states level, its growth rate rose from 12.5 percent in the initial phase to 16.3 percent in the last phase. Fig. 6.6 displays the growth rate of developmental revenue expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The growth rate of developmental capital expenditure for erstwhile Bihar was negative at 18.0 percent during 1990-91 – 1994-95 which improved to 52.8 percent in the next phase. The present Bihar experienced the negative growth rate of 0.4 percent during 2000-01 – 2004-05 for developmental capital expenditure which rose to 30.2 percent during 2005-06 – 2009-10 but fell to 17.9 percent in the last phase. In case of BIMARU states, its growth rate improved from 5.7 percent in the initial phase to 23.8 percent in the last phase. At all states level, its growth rate rose from 14.1 percent in the initial phase to 17.3 percent in the last phase. Fig. 6.7 shows the growth rate of developmental capital expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

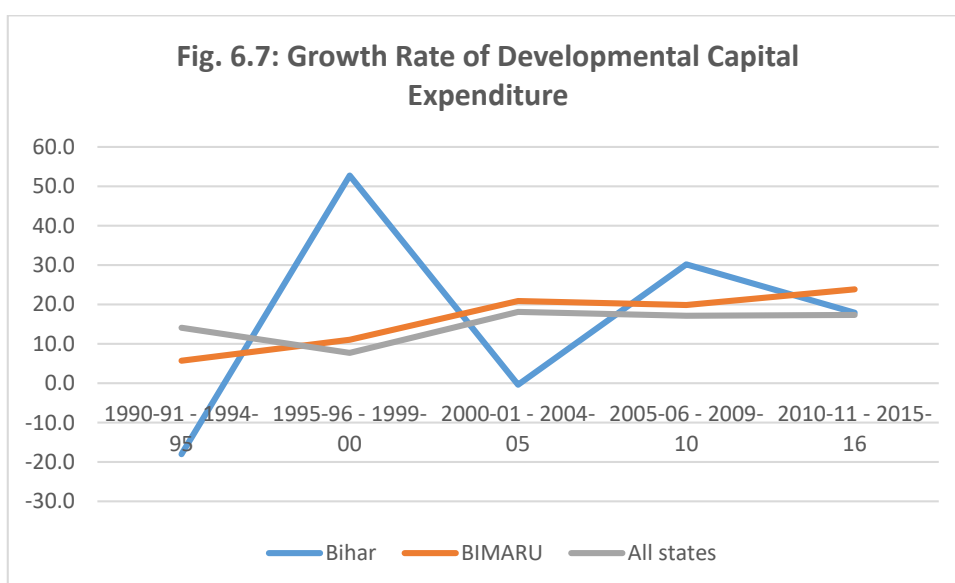


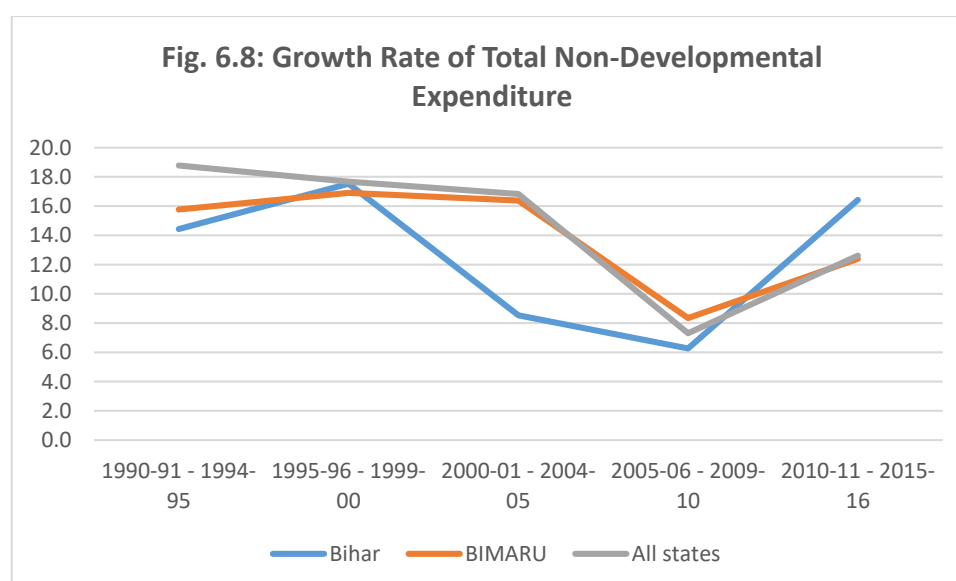
Table 6.18 displays the growth rate of non-developmental expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.18: Growth Rates of Non-Developmental Expenditure- Annual Average**

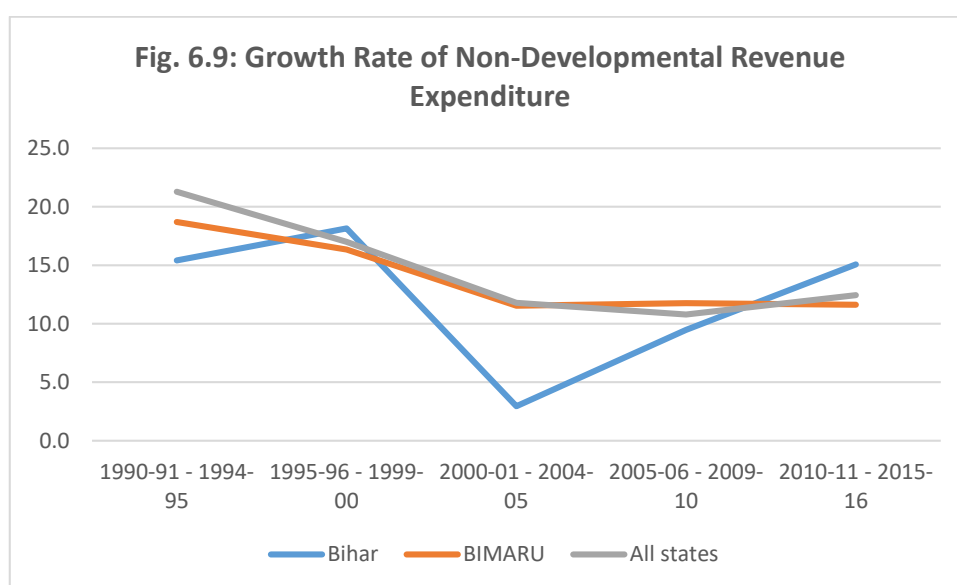
Heads	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16	1990-91 – 2015-16
<b>Non-Developmental Revenue Expenditure</b>						
Bihar	15.4	18.1	2.9	9.5	15.1	12.2
BIMARU	18.7	15.9	11.5	11.8	11.6	13.7
All states	21.3	16.8	11.8	10.8	12.4	14.3
<b>Non-Developmental Capital expenditure</b>						
Bihar	8.7	12.8	45.1	4.8	23.5	19.6
BIMARU	1.4	9.7	43.1	1.2	16.6	17.4
All states	5.5	18.2	45.8	-0.7	13.6	17.7
<b>Total Non-Developmental Expenditure</b>						
Bihar	14.4	17.5	8.5	6.3	16.4	12.7
BIMARU	15.8	14.7	16.4	8.3	12.4	13.8
All states	18.8	17.0	16.8	7.3	12.6	14.4

Source: Calculation from State Finances: A Study of Budget, RBI

The growth rate of total “non-developmental expenditure” rose from 14.4 percent to 17.5 percent for erstwhile Bihar and its growth rate rose from 8.5 percent to 16.4 percent for present Bihar. In case of BIMARU states, its growth rate continuously declined from 15.8 percent in the initial phase to 8.3 percent during 2005-06 – 2009-10 but increased to 12.4 percent in the last phase. At all states level, its growth rate also continuously fell from 18.8 percent in the initial phase to 7.3 percent during 2005-06 – 2009-10 but rose to 12.6 percent in the last phase. Fig. 6.8 displays the growth rate of total non-developmental expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



Within total non-developmental expenditure, the growth rate of non-developmental revenue expenditure increased from 15.4 percent to 18.1 percent for undivided Bihar and after its division the growth rate from 2.9 percent to 15.1 percent. For BIMARU states, its growth rate declined from 18.7 percent in the initial phase to 11.6 percent in the last phase. At all states level, its growth rate continuously fell from 21.3 percent in the initial phase to 10.8 percent during 2005-06 – 2009-10 but increased to 12.4 percent in the last phase. Fig. 6.9 shows the growth rate of non-developmental revenue expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The growth rate of “non-developmental capital expenditure” rose from 14.4 percent to 17.5 percent for former Bihar while growth rate drastically declined from 45.1 percent during 2000-01 – 2004-05 to 4.8 percent during 2005-06 – 2009-10 but rose to 23.5 percent in the last phase for present Bihar. In case of BIMARU states, its growth rate increased from 1.4 percent in the initial phase to 43.1 percent during 2000-01 – 2004-05 but fell to 23.5 percent in the last phase. At all states level, its growth rose from 5.5 percent in the initial phase to 45.8 percent during 2000-01 – 2004-05 but declined to 13.6 percent in the last phase. Fig. 6.10 shows the growth rate of non-developmental capital expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

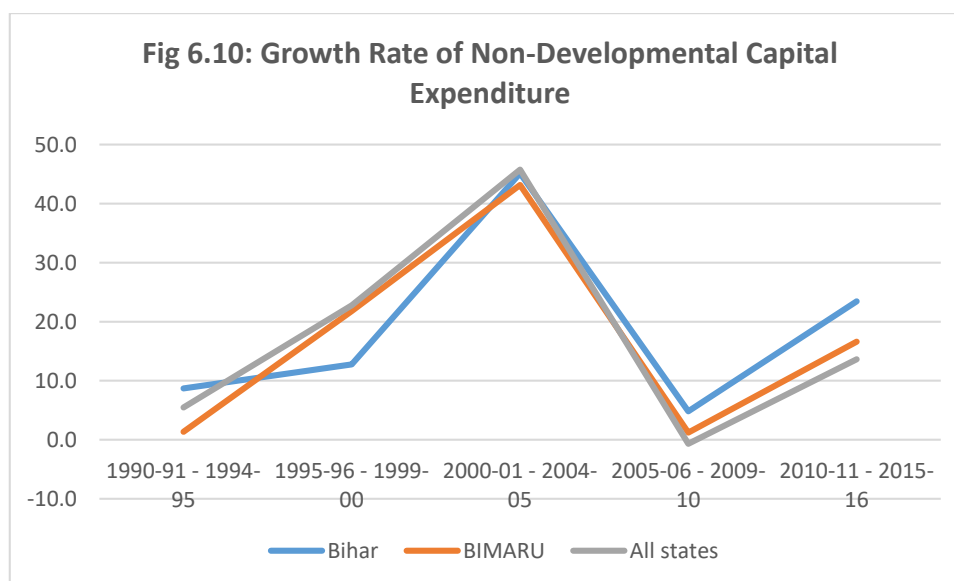


Table 6.19 shows the ratio of total expenditure to GSDP for Bihar, BIMARU and all states since 1990-1991 – 1994-95 to 2010-11 – 2014-15.

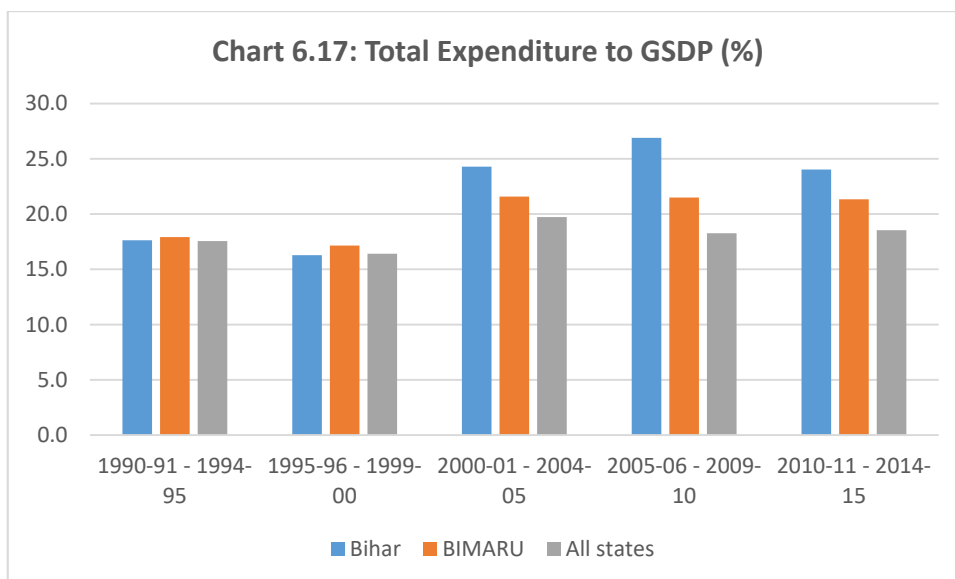
**Table 6.19: Expenditure to GSDP- Annual Average (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15
<b>Revenue Expenditure</b>					
Bihar	15.0	14.1	19.2	20.5	18.5
BIMARU	14.4	14.3	16.8	16.3	16.7
All states	14.1	13.6	15.5	14.2	14.9
<b>Capital Expenditure</b>					
Bihar	2.7	2.2	5.1	6.3	5.5
BIMARU	3.5	2.8	4.8	5.2	4.6
All states	3.5	2.8	4.2	4.1	3.6
<b>Total Expenditure</b>					
Bihar	17.6	16.3	24.3	26.9	24.0
BIMARU	17.9	17.2	21.6	21.5	21.3
All states	17.5	16.4	19.7	18.3	18.5

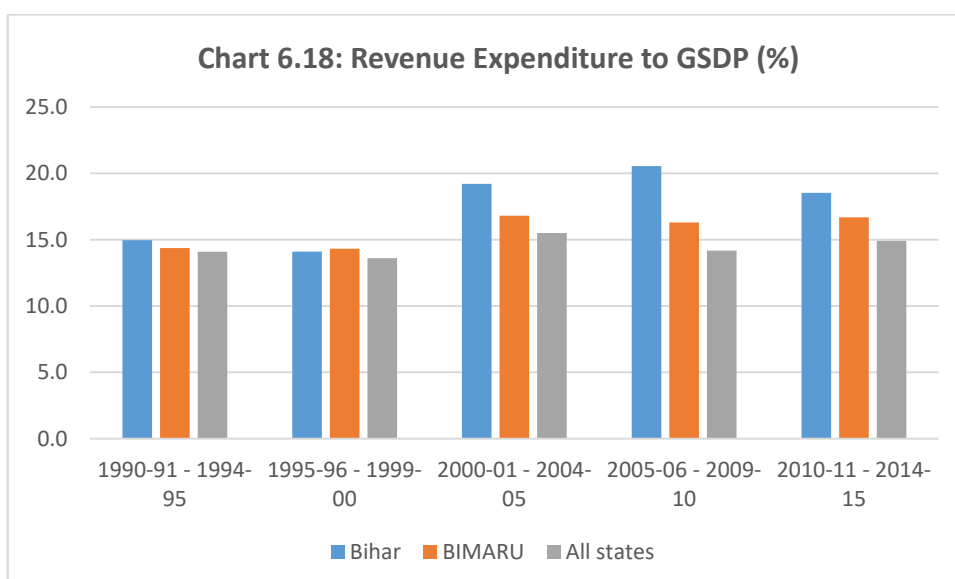
Source: Calculation from State Finances: A Study of Budget, RBI and CSO

Total expenditure to GSDP ratio declined from 17.6 percent to 16.3 percent for former Bihar while after its division, the ratio improved from 24.3 percent during 2000-01 – 2004-05 to 26.9 percent during 2005-06 – 2009-10 but fell to 24.0 percent in the last phase. In case of BIMARU states, the ratio improved from 17.9 percent in the initial phase to 21.3 percent in the last phase. At all states level, the ratio rose from 17.5 percent in the initial phase to 18.5 percent in the last phase with decrease and increase in the intervening period. The data also indicates that total expenditure to GSDP ratio has always been higher for present Bihar than that of BIMARU and all states. Chart 6.17 shows the ratio of total expenditure to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.





Revenue expenditure to GSDP ratio declined from 15.0 percent to 14.1 percent for erstwhile Bihar while its ratio improved from 19.2 percent during 2000-01 – 2004-05 to 20.5 percent during 2005-06 – 2009-10 but decreased to 18.5 percent in the last phase for present Bihar. For BIMARU states, the ratio improved from 14.4 percent in the initial phase to 16.7 percent in the last phase with decrease and increase in the intervening period. At all states level, its ratio also increased from 14.1 percent in the initial phase to 14.9 percent in the last phase with decrease and increase in the intervening period. The data also displays that revenue expenditure to GSDP ratio for divided Bihar has always been higher than that of BIMARU and all states. Chart 6.18 displays the ratio of revenue expenditure to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The participation of capital expenditure to GSDP decreased from 2.7 percent to 2.2 percent for undivided Bihar while after its division, the ratio rose from 5.1 percent during 2000-01 – 2004-05 to 6.3 percent during 2005-06 – 2009-10 but declined to 5.5 percent in the last phase. In case of BIMARU states, the ratio improved from 3.5 percent in the initial phase to 4.6 percent in the last phase. At all states level, the ratio rose from 3.5 percent in the initial phase to 4.2 percent during 2000-01 – 2004-05 but after that it continuously fell to 3.6 percent in the last phase. The data also indicates that capital expenditure to GSDP ratio for present Bihar has always been higher than that of BIMARU and all states. Chart 6.19 shows the ratio of capital expenditure to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

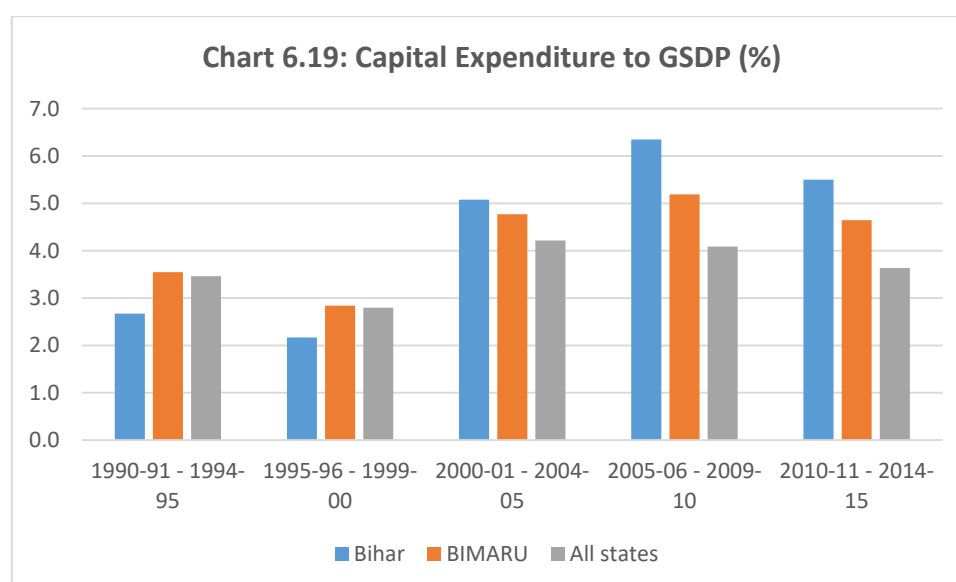


Table 6.20 presents the ratio of developmental expenditure to GSDP for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.20: Developmental Expenditure to GSDP- Annual Average (Percent)**

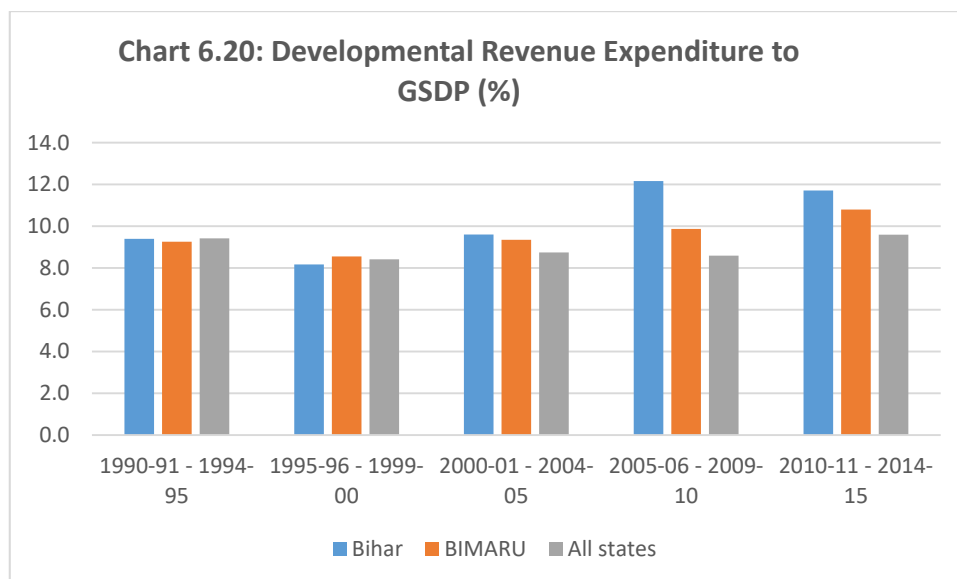
	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15
<b>Developmental Revenue Expenditure</b>					
Bihar	9.4	8.2	9.6	12.2	11.7
BIMARU	9.3	8.6	9.4	9.9	10.8
All states	9.4	8.4	8.7	8.6	9.6
<b>Developmental Capital Expenditure</b>					
Bihar	1.8	1.4	3.1	5.0	4.2
BIMARU	2.7	2.0	2.8	4.0	3.5
All states	2.6	2.1	2.4	3.0	2.6
<b>Total Developmental Expenditure</b>					

Bihar	11.2	9.6	12.7	17.1	15.9
BIMARU	11.9	10.6	12.1	13.9	14.3
All states	12.0	10.5	11.1	11.6	12.2

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

The participation of total developmental expenditure to GSDP decreased from 11.2 percent in the to 9.6 percent for former Bihar while its ratio improved from 12.7 percent during 2000-01 – 2004-05 to 17.1 percent during 2005-06 – 2009-10 but declined to 15.9 percent in the last phase for present Bihar. In case of BIMARU states, its ratio rose from 11.9 percent in the initial phase to 14.3 percent in the last phase. At all states level, its ratio fell from 12.0 percent in the initial phase to 11.1 percent during 2000-01 – 2004-05 but after that it improved to 12.2 percent in the last phase. The data also depicts that total developmental expenditure for present Bihar has always been higher than that of BIMARU and all states.

Within total developmental expenditure, “developmental revenue expenditure” to GSDP ratio decreased from 9.4 percent to 8.2 percent for erstwhile Bihar while its ratio improved from 9.6 percent during 2000-01 – 2004-05 to 12.2 percent during 2005-06 – 2009-10 but fell to 11.7 percent in the last phase for present Bihar. For BIMARU states, its ratio improved from 9.3 percent in the initial phase to 10.8 percent in the last phase. At all states level, its ratio marginally improved from 9.4 percent in the initial phase to 9.6 percent in the last phase with decrease and increase in the intervening period. The data also presents that developmental revenue expenditure to GSDP ratio for present Bihar has always been higher than that of BIAMRU and all states. Chart 6.20 shows the ratio of developmental revenue expenditure to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The participation of “developmental capital expenditure” to GSDP decreased from 1.8 percent to 1.4 percent for undivided Bihar while after its division, the ratio improved from 3.1 percent during 2000-01 – 2004-05 to 5.0 percent during 2005-06 – 2009-10 but fell to 4.2 percent in the last phase. In case of BIMARU states, its ratio rose from 2.7 percent in the initial phase to 3.5 percent in the last phase. At all states level, its ratio increased from 2.6 percent in the initial phase to 3.0 percent during 2005-06 – 2009-10 but fell to 2.6 percent in the last phase. The data also displays that developmental capital expenditure to GSDP ratio for present Bihar has always been higher than that of BIMARU and all states. Chart 6.21 shows the ratio of developmental capital expenditure to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. “Bihar is experiencing the cash surplus since 2005-06 but were not routed to expenditure because of fear of rising GFD” (T M Thomas Issac and R Ramakumar, 2011, pg. no. 203)

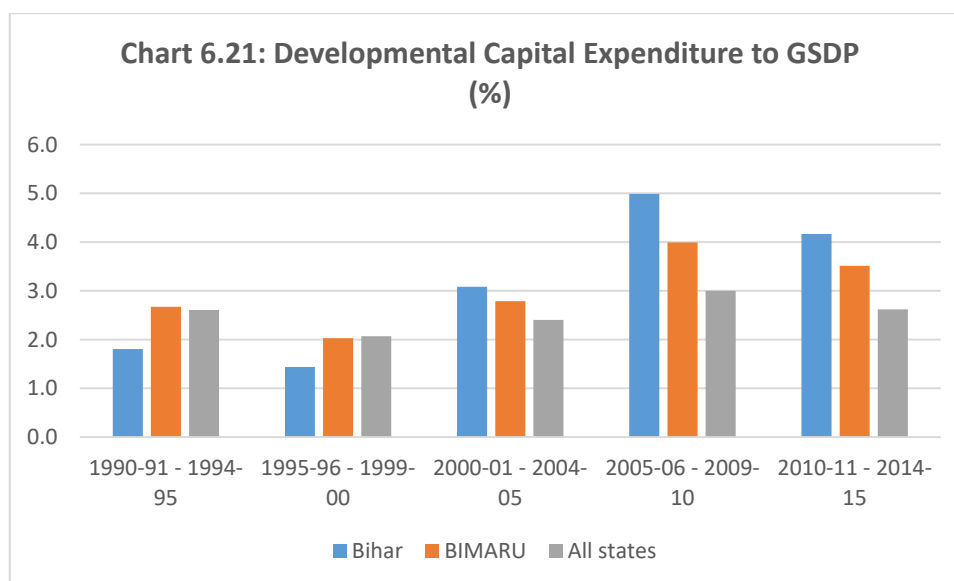


Table 6.21 displays the ratio of non-developmental expenditure to GSDP for Bihar, BIMARU and all states since 1990-91 – 1994-95 to 2010-11 – 2015-16.

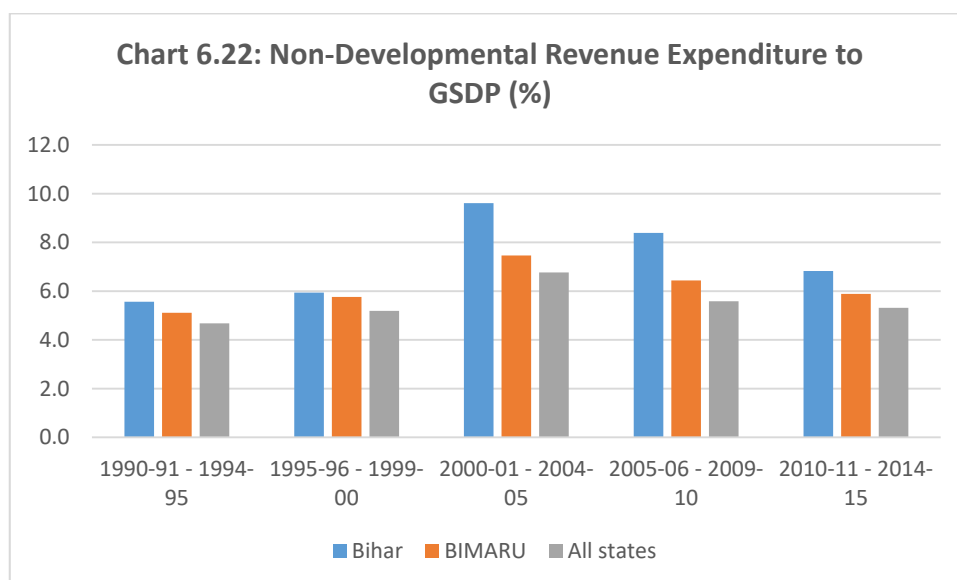
**Table 6.21: Non-Developmental Expenditure to GSDP- Annual Average (Percent)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2014-15
<b>Non-Developmental Revenue Expenditure</b>					
Bihar	5.6	5.9	9.6	8.4	6.8
BIMARU	5.1	5.8	7.5	6.4	5.9
All states	4.7	5.2	6.8	5.6	5.3
<b>Non-Developmental Capital Expenditure</b>					
Bihar	0.9	0.7	2.0	1.4	1.3
BIMARU	0.9	0.8	2.0	1.2	1.1
All states	0.9	0.7	1.8	1.1	1.0
<b>Total Non-Developmental Expenditure</b>					
Bihar	6.4	6.7	11.6	9.8	8.2
BIMARU	6.0	6.6	9.4	7.6	7.0
All states	5.5	5.9	8.6	6.7	6.3

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

Total non-developmental expenditure to GSDP ratio increased from 6.4 percent to 6.7 percent for undivided Bihar while after its bifurcation, the ratio continuously declined from 11.6 percent during 2000-01 – 2004-05 to 8.2 percent in the last phase. In case of BIMARU states, its ratio rose from 6.0 percent in the initial phase to 9.4 percent during 2000-01 – 2004-05 but after that it continuously fell to 7.0 percent in the last phase. At all states level, its ratio also rose from 5.5 percent in the initial phase to 8.6 percent during 2000-01 – 2004-05 but after that it continuously declined to 6.3 percent in the last phase. The data also depicts that total non-developmental expenditure to GSDP ratio for present Bihar has always been higher than that of BIMARU and all states.

Within total non-developmental expenditure, non-developmental revenue expenditure to GSDP ratio rose from 5.6 percent to 5.9 percent for erstwhile Bihar while its ratio continuously declined from 9.6 percent to 6.8 percent for present Bihar. For BIMARU states, its ratio increased from 5.1 percent in the initial phase to 7.5 percent during 2000-01 – 2004-05 but after that it continuously fell to 5.9 percent in the last phase. At all states level, its ratio also rose from 4.7 percent in the initial phase to 6.8 percent during 2000-01 -2004-05 but after that it continuously decreased to 5.3 percent in the last phase. The data also displays that the ratio of “non-developmental revenue expenditure” to GSDP of Bihar has always been higher than that of BIMARU and all states. Chart 6.22 displays the ratio of non-developmental revenue expenditure to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



The ratio of “non-developmental capital expenditure” to GSDP decreased from 0.9 percent to 0.7 percent for former Bihar and its ratio continuously decreased from 2.0 percent to 1.3 percent for present Bihar. In case of BIMARU states, its ratio increased from 0.9 percent in the initial phase to 2.0 percent during 2000-01 – 2004-05 but after that it continuously declined to 1.1 percent in the last phase. At all states level, its ratio also rose from 0.9 percent in the initial phase to 1.8 percent during 2000-01 – 2004-05 but after that it shows the continuous decline and reached to 1.0 percent in the last phase. Chart 6.23 shows the ratio of non-developmental capital expenditure to GSDP of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

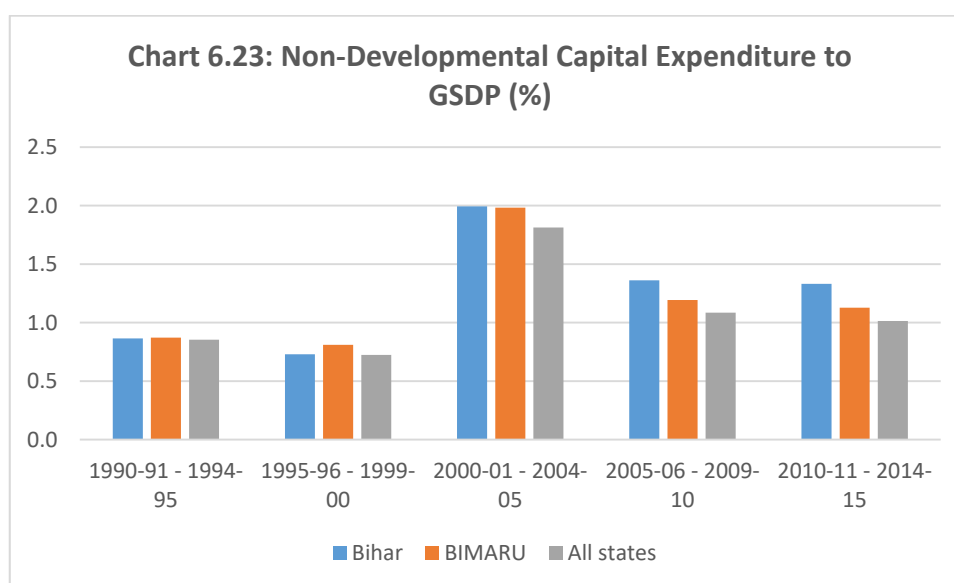


Table 6.22 shows the per capita expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.22: Per Capita Expenditure- Annual Average (Rs.)**

	1990-91 - 1994-95	1995-96 – 1999-00	2000-01 – 2004-05	2005-06 – 2009-10	2010-11 – 2015-16
<b>Revenue Expenditure</b>					
Bihar	708	1017	1531	2513	5364
BIMARU	876	1464	2279	3700	7867
All states	1108	1987	3198	5189	10632
<b>Capital Expenditure</b>					
Bihar	122	161	408	781	1642
BIMARU	212	290	666	1180	2395
All states	270	407	900	1491	2681
<b>Total Expenditure</b>					
Bihar	830	1178	1940	3294	7006
BIMARU	1087	1754	2945	4880	10262
All states	1378	2394	4098	6680	13312

Source: Calculation from State Finances: A Study of Budget, RBI

The per capita total expenditure increased from Rs. 830 to Rs. 1178 for former Bihar and it increased from Rs. 1940 to Rs. 7006 for present Bihar. In case of BIMARU states, it has increased from Rs. 1087 in the initial phase to Rs. 10262 in the last phase. At all states level, it also rose from Rs. 1378 in the initial phase to Rs. 13312 in the last phase. The data also presents that per capita total expenditure for Bihar has always been lower than that of BIMARU and all states.

Within total expenditure, per capita revenue expenditure increased from Rs. 708 to Rs. 1017 for erstwhile Bihar and it rose from Rs. 1531 to Rs. 5364 for present Bihar. For BIMARU states, it increased from Rs. 876 in the initial phase to Rs. 7867 in the last phase. At all states it also rose from Rs. 1108 in the initial phase to Rs. 10632 in the last phase. The data also displays that per capita revenue expenditure for Bihar has always been lower than that of BIMARU and all states.

Per capita capital expenditure increased from Rs. 122 to Rs. 161 for undivided Bihar and it increased from Rs. 408 to Rs. 1642 for divided Bihar. In case of BIMARU states, it rose from Rs. 212 in the initial phase to Rs. 2395 in the last phase. At all states level, it has also increased from Rs. 270 in the initial phase to Rs. 2681 in the last phase. The data also indicates that per capita capital expenditure for Bihar has always been lower than that of BIMARU and all states.

Table 6.23 displays the per capita developmental expenditure of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.23: Per Capita Developmental Expenditure- Annual Average (Rs.)**

	<b>1990-91 - 1994-95</b>	<b>1995-96 – 1999-00</b>	<b>2000-01 – 2004-05</b>	<b>2005-06 – 2009-10</b>	<b>2010-11 – 2015-16</b>
<b>Developmental Revenue Expenditure</b>					
Bihar	443	588	766	1506	3441
BIMARU	562	874	1267	2250	5200
All states	735	1226	1799	3164	6909
<b>Developmental Capital Expenditure</b>					
Bihar	81	109	246	613	1231
BIMARU	160	207	385	910	1866
All states	204	299	504	1099	1966
<b>Total Developmental Expenditure</b>					
Bihar	525	697	1012	2119	4672
BIMARU	721	1081	1653	3160	7066
All states	939	1525	2303	4263	8875

Source: Calculation from State Finances: A Study of Budget, RBI

The per capita “developmental expenditure” for Bihar, BIMARU and all states has increased over the period. Per capita total developmental expenditure for former Bihar was Rs. 525 during the period 1990-91 – 1994-95 which increased to Rs. 4672 during 2010-11 – 2015-16 for present Bihar but it is much lower than that of BIMARU and all states. Within per capita total developmental expenditure, per capita developmental revenue expenditure was Rs. 3441 during the phase 2010-11 – 2015-16 for present Bihar against Rs. 443 during 1990-91 – 1994-95 for erstwhile Bihar and per capita developmental capital expenditure was Rs. 1231 during the period 2010-11 – 2015-16 for divided Bihar against Rs. 81 during the phase 1990-91 –

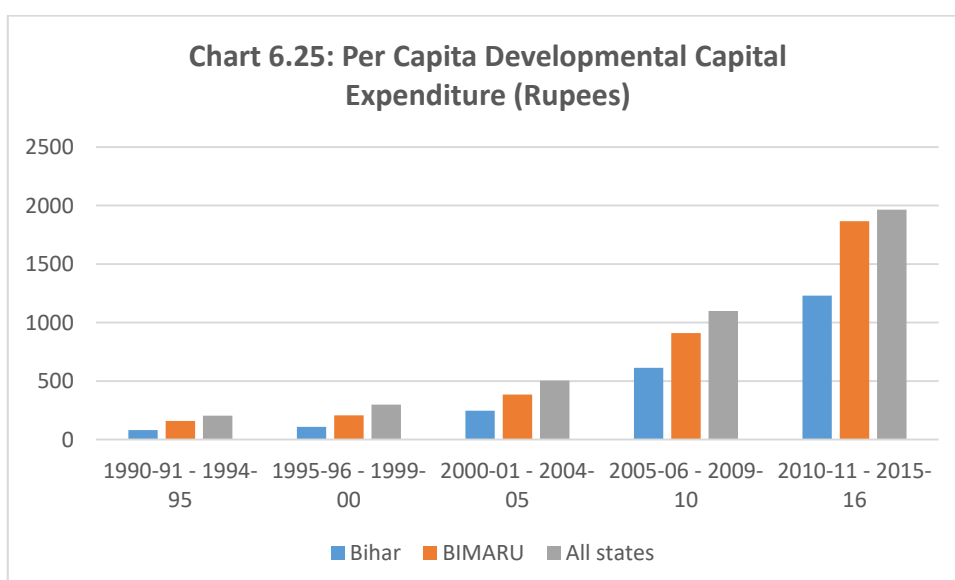
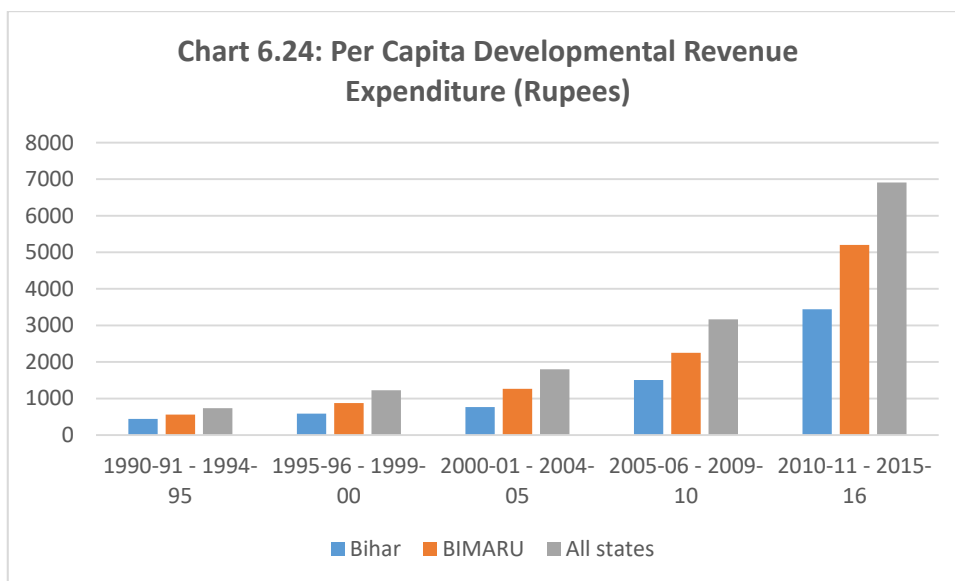


1994-95 for undivided Bihar but both have always been lower than that of BIMARU and all states. Per capita total expenditure on education, health, agriculture and allied activities and rural development has been shown in table 6.24 which indicates that per capita expenditure on these heads for Bihar has always been lower than that of BIMARU and all states. Chart 6.24 and chart 6.25 show the per capita “developmental revenue expenditure” and per capita “developmental capital expenditure” of Bihar, BIMARU and all states during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 6.24: Per Capita Total Expenditure on the components of Social services and Economic Services- Annual Average (Rs.)**

	<b>1990-91 - 1994-95</b>	<b>1995-96 – 1999-00</b>	<b>2000-01 – 2004-05</b>	<b>2005-06 – 2009-10</b>	<b>2010-11 – 2015-16</b>
<b>Education, Sports, Art and Culture</b>					
Bihar	154	263	371	613	1254
BIMARU	178	313	420	736	1636
All states	225	408	594	962	2142
<b>Medical and Public Health</b>					
Bihar	46	64	83	130	253
BIMARU	57	87	114	213	447
All states	69	116	159	264	594
<b>Agriculture and Allied Activities</b>					
Bihar	42	41	43	94	281
BIMARU	66	91	124	228	503
All states	97	139	177	324	683
<b>Rural Development</b>					
Bihar	74	95	145	289	597
BIMARU	73	88	144	275	639
All states	71	93	135	246	588

Source: Calculation from State Finances: A Study of Budget, RBI



As the central transfers and debt and interest relief from the centre to states have been linked with fiscal reform, Bihar Government implemented FRBM act in 2005-06 to keep GFD and outstanding debt at targeted level which create constrains on expenditure. Even if Bihar experienced cash surplus (mentioned in chapter 5) but not able to spend in the fear of rising gross fiscal deficit.

**Chapter VII: Analysis of Fiscal Performance of Bihar**

“Total receipts of the state consolidated fund include revenue receipts and capital receipts consolidated fund. Internal debt, loans and advances from the centre and recovery of loans and advances by the state government together constitute the capital receipts consolidated fund” (Economic Survey, Govt. of Bihar, 2011-12, pg. no. 353). Table 7.1 shows the pattern of total receipts side of consolidated fund for Bihar since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 7.1: Consolidated Fund: Total Receipts Side of the Bihar Government- Annual Average (Percent)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>1. own tax revenue</b>	21.0	21.5	16.8	16.9	22.4
<b>Own tax revenue (Bihar &amp; JH)</b>			19.1	19.6	23.7
<b>2. Share in central taxes</b>	30.7	36.0	40.7	49.1	44.7
<b>3. Tax revenue (1+2)</b>	51.7	57.6	57.5	66.1	67.1
<b>4. Own non tax revenue</b>	11.0	8.7	2.7	2.6	1.8
<b>Own non tax revenue (Bihar &amp; JH)</b>			5.3	5.7	4.9
<b>5. Grants from the centre</b>	16.4	10.8	9.9	18.8	17.4
<b>6. Non tax rev (4+5)</b>	27.4	19.5	12.7	21.5	19.2
<b>7. Own revenue (1+4)</b>	32.1	30.2	19.5	19.6	24.2
<b>Own revenue (Bihar &amp; JH)</b>			24.4	25.3	28.6
<b>8. Total Transfers (2+5)</b>	47.1	46.8	50.6	68.0	62.1
<b>9. TRR (7+8)</b>	79.1	77.0	70.1	87.5	86.3
<b>TRR (Bihar &amp; JH)</b>			72.3	84.6	85.6
<b>10. Internal Debt</b>	5.8	8.0	21.0	11.6	12.5
<b>11. L &amp; A from centre</b>	14.6	14.6	8.6	0.8	1.0

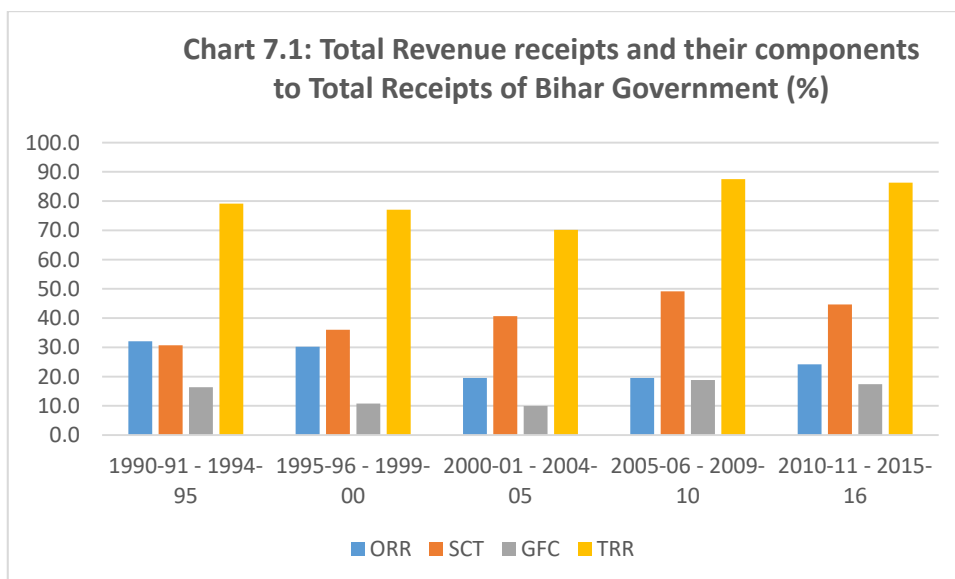
<b>12. Recovery of Loan &amp; Advance</b>	0.5	0.4	0.2	0.1	0.3
<b>13. Capital receipts (sum 10 to 12)</b>	20.9	23.0	29.9	12.5	13.7
<b>14. Total receipt (9+13)</b>	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

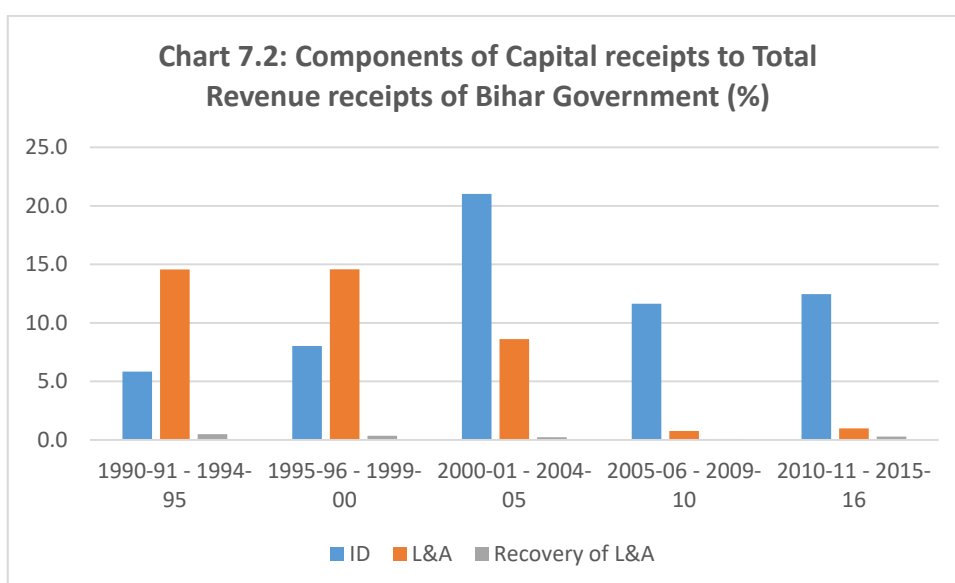
Total revenue receipts participated more than 70.0 percent in total receipts which increased in the later phase. The contribution of total revenue receipts in total receipts declined from 79.1 percent in the initial phase to 70.1 percent during the phase 2000-01 – 2004-05 just after the division of Bihar but it increased to 86.3 percent in the last phase while the participation of capital receipts increased from 20.9 percent in the initial phase to 29.9 percent during the phase 2000-01 – 2004-05 but it fell to 13.7 percent in the last phase.

Within total revenue receipts, the share of revenue receipts from own sources in total receipts came down from 32.1 percent during the period 1990-91 – 1994-95 to 19.6 percent during the phase 2005-06 – 2009-10 but improved to 24.2 percent during 2010-11 – 2015-16 while the participation of total transfers of resources from the centre in the form of share in central taxes and grants in total receipts rose from 47.1 percent in the initial phase to 62.1 percent in the last phase which shows the increased dependency of Bihar on Centre. The reduction in the contribution of revenue receipts from own sources in total receipts is because of fall in the share of both own tax revenue and own non tax revenue (Table 7.1). The share of own tax revenue in total receipts fell from 21.0 percent in the initial phase to 16.9 percent during the phase 2005-06 – 2009-10 but improved to 22.4 percent in the last phase while the participation of own non tax revenue declined drastically from 11.0 percent in the initial phase to 1.8 percent during the period 2010-11 – 2015-16.

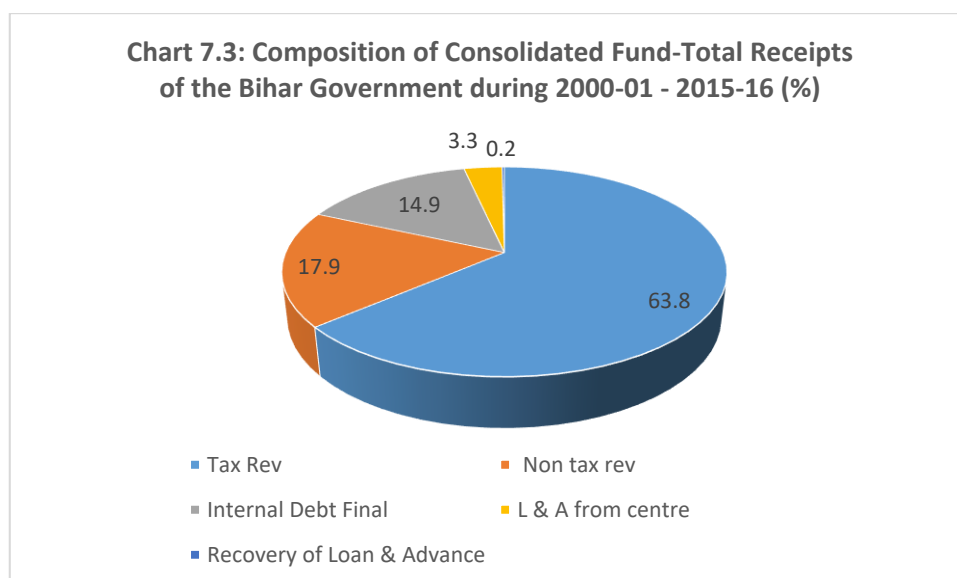
The data also indicates that the fall in the contribution of capital receipts in total receipts in the later phase is due to decrease in the share of internal debt and loans and advances from the centre while the participation of recovery of loans and advances in total receipts has been negligible for Bihar. Chart 7.1 and Chart 7.2 shows the percentage contribution of total revenue receipts and their components to total receipts and the percentage contribution of the components of capital receipts to total receipts of Bihar government respectively during the period 1990-91 – 1994-95 to 2010-11 – 2015-16. The pattern of total receipts of Bihar government during the period 2000-01 to 2015-16 has been displayed in chart 7.3.



Note: ORR- Own Revenue Receipt, SCT- Share in Central Taxes, TRR- Total Revenue Receipt



Note: ID- Internal Debt, L&A- Loans and advances from the Centre



“Total revenue receipts of the state government include the receipts from own resources and resources transferred from the centre. The revenue receipts from own tax and own non tax together constitute the receipts from own sources while the resources transferred from the centre include share in central taxes and grants from the centre” (State Finances: A Study of Budget, RBI). Table 7.2 displays the trend of total revenue receipts of Bihar government since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 7.2: Composition of Total Revenue Receipts (TRR) of the Bihar Government- Annual Average (Percent)**

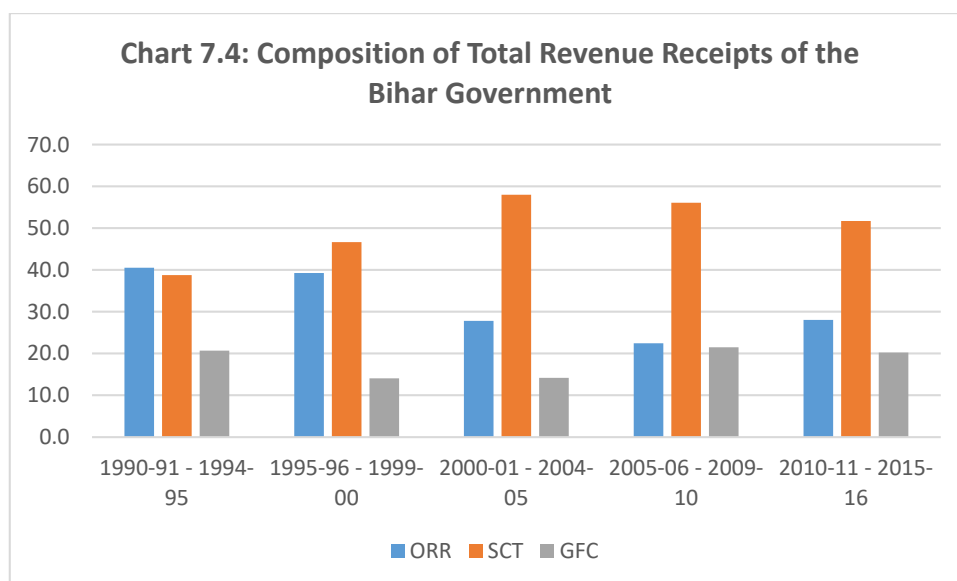
Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>1. Own tax revenue</b>	26.6	28.0	23.9	19.4	26.0
<b>Own tax revenue (Bihar &amp; JH)</b>			26.4	23.1	27.7
<b>2. Share in central taxes</b>	38.8	46.7	58.0	56.1	51.7
<b>3. Tax revenue (1+2)</b>	65.4	74.7	81.9	75.5	77.7
<b>4. own non tax revenue</b>	13.9	11.3	3.9	3.0	2.1
<b>Own non tax revenue (Bihar &amp; JH)</b>			7.3	6.8	5.7
<b>5. Statutory grants</b>	5.3	1.1	0.6	2.7	3.7
<b>6. Others*</b>	15.4	12.9	13.6	18.8	16.5
<b>7. Non Tax rev (4+5+6)</b>	34.6	25.3	18.1	24.5	22.3

<b>8. Own revenue (1+4)</b>	40.5	39.3	27.8	22.4	28.0
<b>Own revenue (Bihar &amp; JH)</b>			33.7	29.9	33.4
<b>9. Total transfers (2+5+6)</b>	59.5	60.7	72.2	77.6	72.0
<b>10. TRR (8+9)</b>	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances A Study of Budget, RBI

Note: \* includes plan grants and grants for relief on account of natural calamities and transfer of grants through central ministries.

The share of revenue receipts from own sources in total revenue receipts came down from 40.5 percent to 39.3 percent for former Bihar while in case of present Bihar, its share almost remained stagnant from 27.8 percent during the phase 2000-01 – 2004-05 to 28.0 percent during the phase 2010-11 – 2015-16. Had Bihar and Jharkhand together the share of own revenue in total revenue receipts would have been declined from 40.5 percent during 1990-91 – 1994-95 to 33.4 percent during the phase 2010-11 – 2015-16. The improvement in the contribution of revenue receipts from own resources in total revenue receipts during the period 2010-11 – 2015-16 is because of rise in the participation of own tax revenue while the contribution of non-tax revenue receipts from own sources reduced during this phase. The contribution of total transfers in total revenue receipts improved from 59.5 percent to 60.7 percent for erstwhile Bihar and in case of present Bihar its contribution increased from 72.2 percent during the phase 2000-01 – 2004-05 to 77.6 percent during the phase 2005-06 – 2009-10 but decreased to 72.0 percent in the last phase. The data also indicates that the decline in the participation of total transfers from the centre in total revenue receipts in the last phase is because of decline in the contribution of share in central taxes, statutory grants and other grants in total revenue receipts. Within total transfers, the contribution of share in central taxes in total revenue receipts continuously declined from 58.0 percent during the phase 2000-01 – 2004-05 to 51.7 percent in the last phase while the share of statutory grants improved from 0.6 percent during the phase 2000-01 -2004-05 to 3.7 percent in the last phase. The pattern of total revenue receipts of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in chart 7.4.



Note: ORR- Own Revenue Receipt, SCT- Share in Central Taxes, GFC- Grants from the Centre

“Total expenditure from consolidated fund of state government includes revenue expenditure and capital expenditure from consolidated fund of the state government. Capital outlay, discharge of internal debt, repayment of loans and advances from the centre and loans and advances by the state government together constitute the capital expenditure from consolidated fund of the state government” (State Finances A Study of Budget, RBI). Table 7.3 presents the trend of total expenditure from consolidated fund of Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 7.3: Consolidated Fund: Total Expenditure Side of the Bihar Government- Annual Average (Percent)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>1. Revenue Expenditure</b>	85.0	87.0	79.5	76.4	76.7
<b>2. Interest Payment</b>	15.4	15.6	17.1	11.8	6.9
<b>3. Pensions</b>	3.3	7.3	11.3	9.7	11.9
<b>4. Capital Outlay</b>	6.2	5.3	7.9	16.4	17.4
<b>5. Discharge of Internal Debt</b>	0.5	0.7	2.9	3.0	3.4
<b>6. Repayment of Loans to Centre</b>	4.2	3.8	4.6	1.5	0.7
<b>7. Discharge of Public Debt (5+6)</b>	4.7	4.5	7.5	4.5	4.2

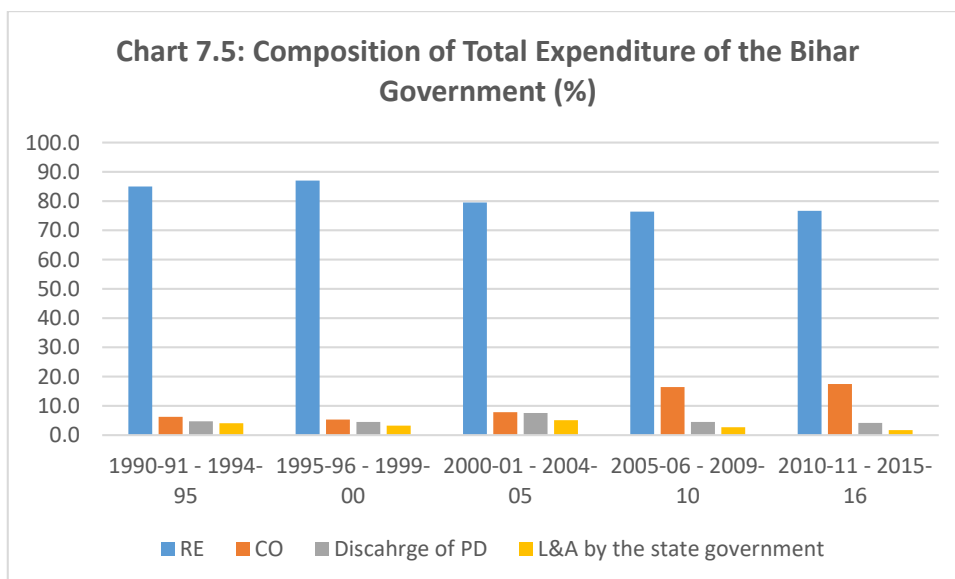


<b>8. Loan &amp; Advances by state government</b>	4.1	3.2	5.1	2.7	1.7
<b>9. Capital Expenditure (4+7+8)</b>	15.0	13.0	20.5	23.6	23.3
<b>10. Total expenditure (1+9)</b>	100.0	100.0	100.0	100.0	100.0

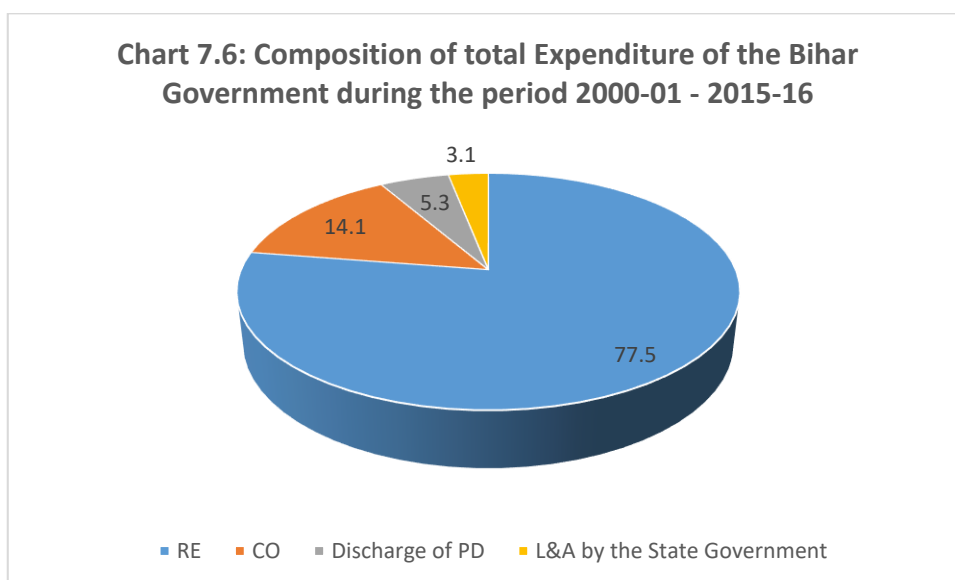
Source: Calculation from State Finances: A Study of Budget, RBI

The contribution of expenditure on revenue account in total expenditure came down from 85.0 percent in the initial phase to 79.5 percent during the phase 2000-01 – 2004-05 just after the bifurcation of Bihar which further decreased to 76.7 percent in the last phase while the participation of the expenditure on capital account in total expenditure rose from 15.0 percent in the initial phase for former Bihar to 23.3 percent in the last phase for present Bihar. Within the expenditure on revenue account, the contribution of interest payment in total expenditure was 15.4 percent in the initial phase which shows the declining trend for present Bihar while the share of pensions has significantly increased from increased from 3.3 percent in the initial phase for erstwhile Bihar to 11.9 percent in the last phase for divided Bihar.

Within capital expenditure, the contribution of capital outlay in total expenditure was 6.2 percent in the initial phase for undivided Bihar which shows the increasing trend for divided Bihar i.e. from 7.9 percent during the phase 2000-01 – 2004-05 to 17.4 percent in the last phase. The contribution of discharge of public debt fell from 7.5 percent to 4.2 percent for present Bihar because of fall in the contribution of repayment of loans from the centre in total expenditure. The contribution of loans and advances by the state government in total expenditure reduced from 5.1 percent to 1.7 percent for present Bihar. The pattern of total expenditure of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been displayed in chart 7.5. The pattern of total expenditure of the Bihar government during the period 2000-01 – 2015-16 has been depicted in chart 7.6.



Note: RE- Revenue Expenditure, CO- Capital Outlay, PD- Public Debt, L&A- Loans and Advances



Note: RE- Revenue Expenditure, CO- Capital Outlay, PD- Public Debt, L&A- Loans and Advances

“Revenue deficit is the difference between total revenue receipts and revenue expenditure of the state government” (State Finances: A Study of Budget, RBI). The trend of revenue deficit/revenue surplus of the Bihar government during the period 1990-91 to 2015-16 has been presented in table 7.4.

**Table 7.4: Revenue Deficit (+)/Surplus (-) of the Bihar Government (Rs. Crore)**

<b>Year</b>	<b>Total Revenue receipts 1</b>	<b>Revenue Expenditure 2</b>	<b>Revenue Deficit (+)/Revenue Surplus(-) 3 = 2-1</b>
1990-91	4321.6	4887.7	566.1
1991-92	4853.7	5738.7	885.0
1992-93	5963.6	6569.6	606.0
1993-94	6629.1	7318.6	689.5
1994-95	6797.8	7731.2	933.4
<b>Avg. (1990-91 – 1994-95)</b>	<b>5713.2</b>	<b>6449.2</b>	<b>736.0</b>
1995-96	7377.4	8456.2	1078.8
1996-97	8037.9	8253.9	216.0
1997-98	8692.6	8956.5	263.9
1998-99	9272.1	10622.5	1350.5
1999-00	12578.6	16128.3	3549.7
<b>Avg. (1995-96 – 1999-00)</b>	<b>9191.7</b>	<b>10483.5</b>	<b>1291.8</b>
2000-01	11384.7	14345.4	2960.7
2001-02	10218.5	12560.4	2341.9
2002-03	11568.8	14025.4	2456.6
2003-04	13524.9	14632.3	1107.3
2004-05	15714.2	14638.5	-1075.7
<b>Avg. (2000-01 – 2004-05)</b>	<b>12482.2</b>	<b>14040.4</b>	<b>1558.2</b>
2005-06	17836.7	17756.0	-80.7
2006-07	23083.2	20585.0	-2498.2
2007-08	28209.7	23564.9	-4644.8
2008-09	32980.7	28511.6	-4469.1
2009-10	35526.8	32584.2	-2942.7
<b>Avg. (2005-06 – 2009-10)</b>	<b>27527.4</b>	<b>24600.3</b>	<b>-2927.1</b>
2010-11	44532.3	38215.9	-6316.4
2011-12	51320.2	46499.5	-4820.7
2012-13	59566.7	54466.1	-5100.5
2013-14	68918.7	62477.2	-6441.4
2014-15	78417.5	72570.0	-5847.6
2015-16	96123.1	83615.9	-12507.2
<b>Avg. (2010-11 – 2015-16)</b>	<b>66479.7</b>	<b>59640.8</b>	<b>-6839.0</b>

Source: Calculation from State Finances: A Study of Budget, RBI

The average revenue deficit for former Bihar increased from Rs. 736.0 crore to Rs. 1291.8 crore while the present Bihar experienced the average revenue surplus of Rs. 2927.1 crore and Rs. 6839.0 crore during the phase 2005-06 – 2009-10 and 2010-11 – 2015-16 respectively. The reasons for revenue surplus are rise in the contribution of total revenue receipts in total receipts on the one hand and decline in the contribution of revenue expenditure in total expenditure on the other hand. The increase in the contribution of resources transferred from the centre in the

form of share in central taxes and grants in total receipts has been responsible for rise in the share of total revenue receipts while the participation of own revenue receipts in total receipts has declined. The fall in the contribution of revenue expenditure in total expenditure is mainly due to reduction in the contribution of interest payment. The fall in share of interest payment in total expenditure is because of “interest relief under debt consolidation and relief fund on the basis of recommendation of different Finance Commissions, shifting from expensive NSSF to market borrowing and decline of interest payment on loans from the centre” (State Finances: A Study of Budget, RBI).

“12<sup>th</sup> Finance Commission adopted a two pronged approach to debt relief: (i) a general scheme of debt relief applicable to all states and (ii) a write-off scheme linked to fiscal performance with a view to providing an incentive for achievement of revenue balance by 2008-09. Under the general scheme of debt relief, all central loans to the states contracted till March 31, 2004 and outstanding on March 31, 2005 have been consolidated and interest rate thereon has been fixed at 7.5 percent along with a uniform tenor of 20 years. This will subject to state enacting Fiscal Responsibility Legislation (FRL). Under the debt write-off scheme, repayments due from 2005-06 – 2009-10 on central loans contracted up to March 31, 2004 will be eligible for write-off subject to the quantum of write-off of repayment being linked to the absolute amount by which the revenue deficit is reduced in each successive year during the award period and fiscal deficit of the state being contained at the level of 2004-05. The enactment of FRL would be a necessary pre-condition for availing the debt relief under this scheme. The state legislation passed the Fiscal Responsibility and Budget Management (FRBM) Act in 2005-06 to eliminate the revenue deficit by 2008-09 and to bring down the fiscal deficit to a level of 3 percent of GSDP by 2008-09” (State Finances A Study of Budget, RBI, 2005-06, pg. no. 11-12). Bihar has already started the experience of revenue surplus since 2004-05 and maintained the fiscal deficit under the prescribed norms. “Bihar received the debt relief of amount rs. 770 crore and interest relief of amount rs. 1270 crore during the period 2005-06 – 2009-10” (Study of State Budget, RBI, 2012-13 pg. no. 68). The revenue deficit/revenue surplus of Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been presented in chart 7.7.

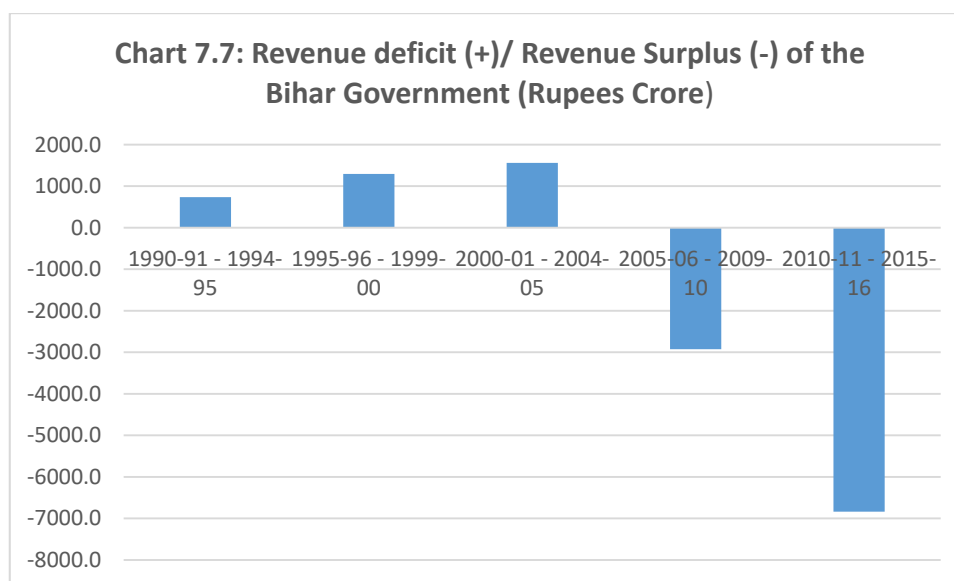


Table 7.5 presents the pattern of the share of developmental expenditure in total expenditure of Bihar Government since 1990-91 to 2015-16.

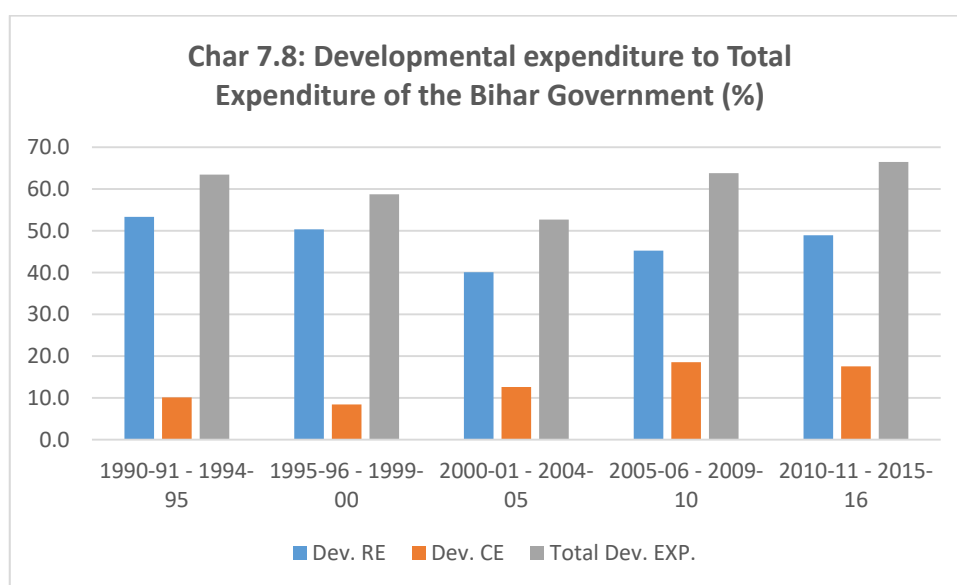
**Table 7.5: Share of the Developmental Expenditure to Total Expenditure of the Bihar Government (Percent)**

Year	Developmental Revenue Expenditure 1	Developmental Capital Expenditure 2	Total Developmental Expenditure 3 = 1+2
1990-91	50.5	16.8	67.3
1991-92	53.7	10.9	64.7
1992-93	53.5	9.7	63.2
1993-94	54.6	7.9	62.5
1994-95	54.2	5.2	59.4
<b>Avg. (1990-91 – 1994-95)</b>	<b>53.3</b>	<b>10.1</b>	<b>63.4</b>
1995-96	53.3	5.3	58.6
1996-97	50.9	7.2	58.1
1997-98	50.4	7.1	57.5
1998-99	49.3	8.5	57.8
1999-00	47.6	14.1	61.7
<b>Avg. (1995-96 – 1999-00)</b>	<b>50.3</b>	<b>8.4</b>	<b>58.7</b>
2000-01	48.0	11.6	59.6
2001-02	41.7	11.4	53.1
2002-03	38.8	13.5	52.3
2003-04	37.8	15.1	52.9
2004-05	34.1	11.3	45.4
<b>Avg. (2000-01 – 2004-05)</b>	<b>40.1</b>	<b>12.6</b>	<b>52.7</b>
2005-06	40.9	16.7	57.6
2006-07	44.0	19.8	63.8
2007-08	45.3	19.5	64.8
2008-09	48.4	18.2	66.6
2009-10	47.6	18.6	66.2

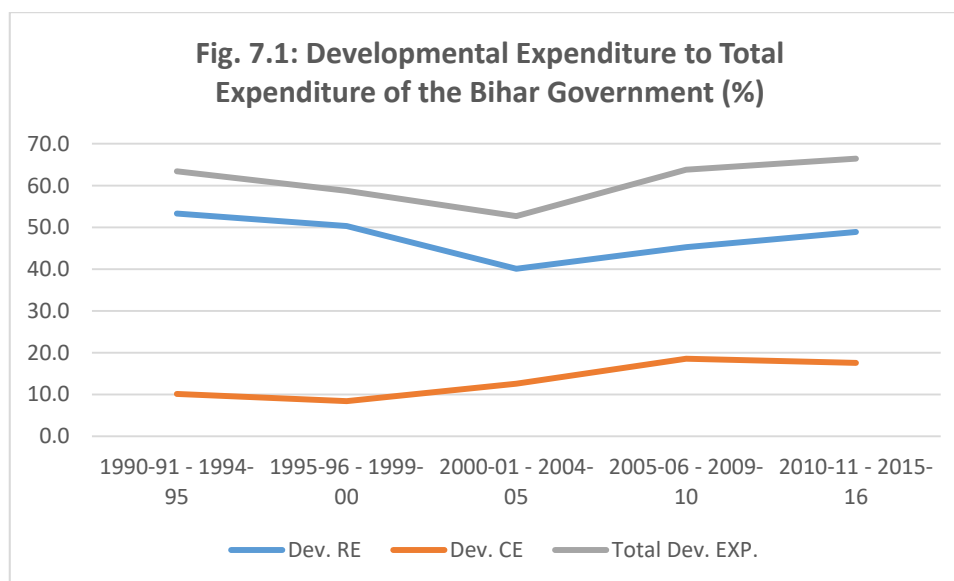
<b>Avg. (2005-06 – 2009-10)</b>	<b>45.2</b>	<b>18.5</b>	<b>63.8</b>
2010-11	45.2	19.5	64.7
2011-12	47.8	16.8	64.7
2012-13	51.8	15.8	67.6
2013-14	50.3	16.8	67.1
2014-15	48.7	17.7	66.4
2015-16	49.5	18.7	68.2
<b>Avg. (2010-11 – 2015-16)</b>	<b>48.9</b>	<b>17.5</b>	<b>66.4</b>

Source: Calculation from State Finances: A Study of Budget, RBI

The average share of total developmental expenditure declined from 63.4 percent during the phase 1990-91 – 1994-95 to 58.7 percent during 1995-96 – 1999-00 for former Bihar while it has improved from 52.7 percent during the phase 2000-01 – 2004-05 to 66.4 percent during 2010-11 – 2015-16 for present Bihar. The average contribution of developmental expenditure on revenue account in total expenditure decreased from 53.3 percent during the phase 1990-91 – 1994-95 to 50.3 percent during 1995-96 – 1999-00 for erstwhile Bihar while it has increased from 40.1 percent during the phase 2000-01 – 2004-05 to 48.9 percent during 2010-11 – 2015-16. The contribution of developmental expenditure on capital account in total expenditure fell from 10.1 percent during the phase 1990-91 – 1994-95 to 8.4 percent during 1995-96 – 1999-00 for undivided Bihar while it has improved from 12.6 percent during the phase 2000-01 – 2004-05 to 17.5 percent during 2010-11 – 2015-16. The percentage contribution of developmental revenue expenditure and that of developmental capital expenditure to total developmental expenditure of Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 have been presented in chart 7.8 and fig. 7.1.



Note: Dev. RE- Developmental Revenue Expenditure, Dev. CE- Developmental Capital Expenditure. Exp.- expenditure



Note: Dev. RE- Developmental Revenue Expenditure, Dev. CE- Developmental Capital Expenditure. Exp.- expenditure

The trend of the contribution of non-developmental expenditure in total expenditure of the Bihar government during the period 1990-91 to 2015-16 has been presented in table 7.6.

**Table 7.6: Share of the Non-Developmental Expenditure to Total Expenditure of the Bihar Government (Percent)**

Year	Non-Developmental Revenue Expenditure 1	Interest Payment 2	Non Developmental Capital Expenditure 3	Discharge of Internal Debt 4	Repayment of Loans to Centre 5	Discharge of Public Debt 6 = 4+5	Total Non-Developmental Expenditure 7 = 1+3
1990-91	28.1	12.1	4.6	0.2	4.0	4.2	32.7
1991-92	30.6	14.8	4.7	0.1	4.4	4.5	35.3
1992-93	31.3	16.0	5.5	1.0	4.4	5.4	36.8
1993-94	32.2	16.0	5.3	0.8	4.3	5.1	37.5
1994-95	36.2	18.2	4.4	0.4	3.9	4.3	40.6
<b>Avg. (1990-91 - 1994-95)</b>	<b>31.7</b>	<b>15.4</b>	<b>4.9</b>	<b>0.5</b>	<b>4.2</b>	<b>4.7</b>	<b>36.6</b>
1995-96	36.5	17.7	4.9	1.2	3.7	4.9	41.4

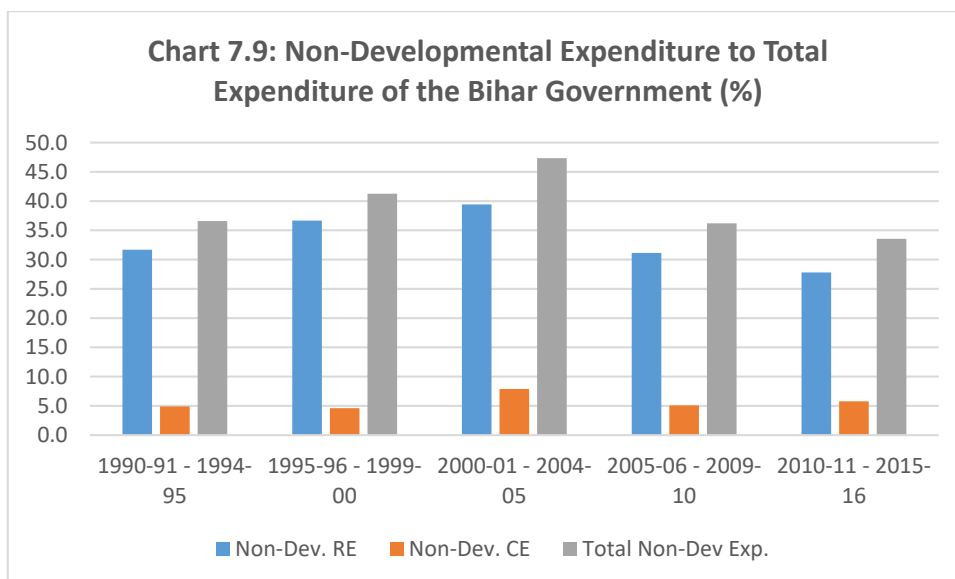
1996-97	36.8	15.1	5.1	1.1	4.0	5.0	41.9
1997-98	37.2	15.0	5.3	0.6	4.6	5.2	42.5
1998-99	38.0	15.4	4.2	0.1	4.1	4.2	42.2
1999-00	34.9	14.6	3.4	0.4	2.7	3.2	38.3
<b>Avg. (1995-96 – 1999-00)</b>	<b>36.7</b>	<b>15.6</b>	<b>4.6</b>	<b>0.7</b>	<b>3.8</b>	<b>4.5</b>	<b>41.3</b>
2000-01	36.7	14.0	3.8	0.3	3.3	3.6	40.4
2001-02	42.8	18.5	4.1	0.8	3.3	4.1	46.9
2002-03	40.2	18.1	7.5	0.8	6.1	7.0	47.7
2003-04	38.6	17.4	8.4	5.0	2.7	7.7	47.1
2004-05	38.9	17.3	15.7	7.8	7.6	15.4	54.6
<b>Avg. (2000-01 – 2004-05)</b>	<b>39.4</b>	<b>17.1</b>	<b>7.9</b>	<b>2.9</b>	<b>4.6</b>	<b>7.5</b>	<b>47.3</b>
2005-06	37.8	16.2	4.7	2.4	2.0	4.3	42.4
2006-07	31.9	12.6	4.4	2.6	1.2	3.8	36.2
2007-08	29.3	11.7	5.9	3.8	1.4	5.2	35.2
2008-09	28.3	10.1	5.1	3.4	1.2	4.5	33.4
2009-10	28.5	8.6	5.3	2.7	1.9	4.6	33.8
<b>Avg. (2005-06 – 2009-10)</b>	<b>31.2</b>	<b>11.8</b>	<b>5.1</b>	<b>3.0</b>	<b>1.5</b>	<b>4.5</b>	<b>36.2</b>
2010-11	30.1	8.5	5.1	3.4	0.9	4.3	35.3
2011-12	29.5	7.2	5.9	4.1	0.8	4.9	35.3
2012-13	26.9	6.4	5.5	3.7	0.7	4.4	32.4



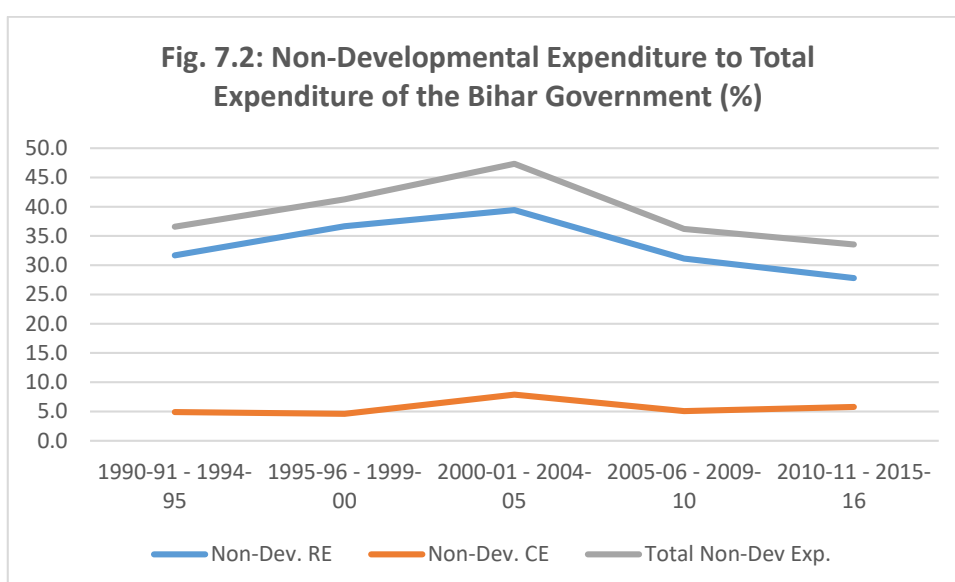
2013 -14	27.4	6.8	5.5	3.2	0.7	3.9	32.9
2014 -15	27.9	6.5	5.7	3.1	0.7	3.8	33.6
2015 -16	24.9	6.3	6.9	3.0	0.6	3.7	31.8
<b>Avg. (201 0-11 – 2015 -16)</b>	<b>27.8</b>	<b>6.9</b>	<b>5.8</b>	<b>3.4</b>	<b>0.7</b>	<b>4.2</b>	<b>33.6</b>

Source: Calculation from State Finances: A Study of Budget, RBI

The average share of total non-developmental increased from 36.6 percent during the phase 1990-91 – 1994-95 to 41.3 percent during 1995-96 – 1999-00 for former Bihar while it has sharply declined from 47.3 percent during the phase 2000-01 – 2004-05 to 33.6 percent during 2010-11 – 2015-16 for present Bihar. Within total non-developmental expenditure, the average share of non-developmental revenue expenditure in total expenditure rose from 31.7 percent during the phase 1990-91 – 1994-95 to 36.7 percent during 1995-96- 1999-00 for erstwhile Bihar while in case of present Bihar, it decreased from 39.4 percent during the phase 2000-01 – 2004-05 to 27.8 percent during 2010-11 – 2015-16 due to decrease in share of interest payment in total expenditure. The average share of interest payment in total expenditure sharply declined from 17.1 percent to 6.9 percent for divided Bihar. The average contribution of non-developmental expenditure on capital account in total expenditure marginally decreased from 4.9 percent during the phase 1990-91 – 1994-95 to 4.6 percent during 1995-96 – 1999-00 for undivided Bihar and in case of present Bihar, it has declined from 7.9 percent during the phase 2000-01 – 2004-05 to 5.8 percent during 2005-06 – 2009-10 mainly due to fall in the contribution of repayment of loans to the centre in total expenditure. The average contribution of repayment of loans to centre fell from 4.6 percent during the phase 2000-01 – 2004-05 to 0.7 percent during 2010-11 – 2015-16. The percentage contribution of the non-developmental expenditure to total expenditure of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been presented in chart 7.9 and fig. 7.2.



**Note: Non-Dev. RE- Non-Developmental Revenue Expenditure, Non-Dev. CE- Non-Developmental Capital Expenditure, Total Non-Dev. Exp.- Total Non-Developmental Expenditure**



**Note: Non-Dev. RE- Non-Developmental Revenue Expenditure, Non-Dev. CE- Non-Developmental Capital Expenditure, Total Non-Dev. Exp.- Total Non-Developmental Expenditure**

“The expenditure on salary and pension are both committed expenditure and constitute the two important items of expenditure for state government” (Economic Survey, Govt. of Bihar, 2010-11, pg. no. 439). Table 7.7 presents the trend of expenditure on salaries and pensions of Bihar government since 1990-91 – 1994-95 to 2010-11 – 2014-15.

**Table 7.7: Expenditure on Salaries and Pensions by the Bihar Government- Annual Average**

<b>Heads</b>	<b>1990-91 - 1994-95</b>	<b>1995-96 - 1999-00</b>	<b>2000-01 - 2004-05</b>	<b>2005-06 - 2009-10</b>	<b>2010-11 - 2014-15</b>
<b>Expenditure on Salaries</b>					
<b>Salaries as a percentage of GSDP</b>	6.9	6.6	7.4	6.0	4.6
<b>Salaries as a percentage of TRR</b>	52.1	53.1	45.4	26.3	22.2
<b>Salaries as a percentage of RE</b>	46.1	47.4	39.3	29.1	24.7
<b>Expenditure on Pensions</b>					
<b>Pensions as a percentage of GSDP</b>	0.6	1.2	2.8	2.6	2.9
<b>Pensions as a percentage of TRR</b>	4.3	9.5	16.1	11.4	14.3
<b>Pensions as a percentage of RE</b>	3.8	8.4	14.2	12.7	15.8
<b>Expenditure on Salaries and Pensions</b>					
<b>Salaries and Pensions as a percentage of GSDP</b>	7.5	7.8	10.2	8.6	7.5
<b>Salaries and Pensions as a percentage of TRR</b>	56.5	62.5	61.5	37.8	36.5
<b>Salaries and Pensions as a percentage of RE</b>	49.9	55.8	53.5	41.8	40.5

Source: Economic Survey, Government of Bihar, Finance Department, various rounds.

Salary expense as a percentage of total revenue receipts was above 50.0 percent in case of former Bihar while this proportion significantly declined from 45.4 percent to 22.2 percent for present Bihar. Salary expense alone accounted for more than 45.0 percent of revenue expenditure in case of erstwhile Bihar while this proportion decreased from 39.3 percent to 24.7 percent for present Bihar. “Despite the implementation of higher pay, recommended by

sixth pay commission which was effective from January 2007, with arrears being disbursed in parts during 2008-09, 2009-10 and 2010-11, the share of salary expense in total revenue receipts declined due significant increase in total revenue receipts. Salary expenses are within the norms of 35.0 percent of revenue expenditure, as recommended by Twelfth Finance Commission” (Economic Survey, Govt. of Bihar, 2010-11, pg. no. 440). The percentage contribution of salary to GSDP fell from 6.9 to 6.6 for undivided Bihar and this proportion declined from 7.4 to 4.6 for divided Bihar.

“Bihar government implemented the new contributory pension scheme on the pattern of the central government to reduce the long term liabilities on pension account. This scheme is applicable to employees joining on or after 1 September 2005” (Economic Survey, Govt. of Bihar, 2007-08, pg. no. 250). The percentage contribution of pension expense in total revenue receipts increased from 4.3 to 9.5 for former Bihar while this proportion declined from 16.1 to 14.3 in case of present Bihar. The percentage contribution of expenditure on pension to the expenditure on revenue account climbed from 3.8 to 8.4 for erstwhile Bihar and this proportion increased from 14.2 during the phase 2000-01 – 2004-05 to 15.8 during 2010-11 – 2014-15 for present Bihar. The share of pension expense in GSDP rose from 0.6 percent to 1.2 percent for undivided Bihar and in case of divided Bihar, this share marginally increased from 2.8 percent during the phase 2000-01 – 2004-05 to 2.9 percent 2009-10.

The contribution of expenditure on salaries and pension together in total revenue receipts increased from 56.5 percent to 62.5 percent for former Bihar while this share sharply declined from 61.5 percent to 36.5 percent in case of present Bihar. The proportion of salary and pension expense together to revenue expenditure increased from 49.9 percent to 55.8 percent for erstwhile Bihar while this proportion decreased from 53.5 percent to 40.5 percent for present Bihar. For undivided Bihar, the share of salary and pension expense together in GSDP marginally increased from 7.5 percent to 7.8 percent while this share declined from 10.2 percent to 7.5 percent. “However this decline is not due to decrease in absolute terms in expenditure on salary and pension, but because of phenomenally expansion of GSDP” (Economic Survey, Govt. of Bihar, 2015-16, pg. no. 71).

“GFD is the difference between GFD expenditure and GFD receipts of the state government. GFD expenditure includes revenue expenditure, capital outlay and loans and advances net of recoveries (net lending) by the state government while revenue receipts and miscellaneous capital receipts together constitute GFD receipts of the state government” (State Finances: A

Study of Budget, RBI, 2011-12, pg. no. 119). The trend of GFD of Bihar government during the period 1990-91 to 2015-16 has been presented in table 7.8.

**Table 7.8: Gross Fiscal Deficit/Surplus of the Bihar Government (Rs. Crores)**

Year	Expenditure 1	Receipts 2	Deficit (+)/Surplus(-) 3 = 1-2	GFD /GFE (Percent)
1990-91	5916.3	4321.6	1594.6	27.0
1991-92	6470.8	4853.7	1617.0	25.0
1992-93	7294.5	5963.6	1331.0	18.2
1993-94	7968.4	6629.1	1339.3	16.8
1994-95	8139.9	6797.8	1342.1	16.5
<b>Avg. (1990-91 – 1994-95)</b>	<b>7158.0</b>	<b>5713.2</b>	<b>1444.8</b>	<b>20.2</b>
1995-96	8948.0	7377.4	1570.6	17.6
1996-97	8928.5	8037.9	890.6	10.0
1997-98	9674.0	8692.6	981.4	10.1
1998-99	11651.0	9272.1	2378.9	20.4
1999-00	18686.3	12578.6	6107.7	32.7
<b>Avg. (1995-96 – 1999-00)</b>	<b>11577.5</b>	<b>9191.7</b>	<b>2385.8</b>	<b>20.6</b>
2000-01	16269.1	11384.7	4884.3	30.0
2001-02	14228.8	10218.5	4010.3	28.2
2002-03	16480.2	11568.8	4911.4	29.8
2003-04	17632.2	13524.9	4107.3	23.3
2004-05	16956.0	15714.2	1241.8	7.3
<b>Avg. (2000-01 – 2004-05)</b>	<b>16313.2</b>	<b>12482.2</b>	<b>3831.0</b>	<b>23.5</b>
2005-06	21536.9	17836.7	3700.1	17.2
2006-07	26104.1	23083.2	3020.9	11.6
2007-08	29915.2	28209.7	1705.5	5.7
2008-09	35487.7	32980.7	2507.0	7.1
2009-10	40799.8	35526.8	5273.0	12.9
<b>Avg. (2005-06 – 2009-10)</b>	<b>30768.7</b>	<b>27527.4</b>	<b>3241.3</b>	<b>10.5</b>
2010-11	48502.6	44532.3	3970.3	8.2
2011-12	57235.1	51320.2	5914.9	10.3
2012-13	66111.9	59566.7	6545.3	9.9
2013-14	77270.6	68918.7	8351.9	10.8
2014-15	89596.0	78417.5	11178.5	12.5
2015-16	108184.7	96123.1	12061.6	11.1
<b>Avg. (2010-11 – 2015-16)</b>	<b>74483.5</b>	<b>66479.7</b>	<b>8003.7</b>	<b>10.7</b>

Source: Calculation from State Finances: A Study of Budget, RBI

Note: 1. GFD receipts include revenue receipts and miscellaneous capital receipts.

2. GFD expenditure includes revenue expenditure, capital outlay and loans and advances net of recoveries.

The average gross fiscal deficit for former Bihar rose from Rs. 1444.8 crore during the phase 1990-91 – 1994-95 to Rs. 2385.8 crore during 1995-96 – 1999-00 and it significantly climbed

from Rs. 3831.0 crore during the phase 2000-01 to Rs. 8003.7 crore during 2010-11 – 2015-16. Out of the average GFD, the average GFD expenditure surged from Rs. 7158.0 crore to Rs. 11577.5 crore for erstwhile Bihar and it climbed from Rs. 16313.2 crore to Rs. 74483.5 crore for present Bihar while the average GFD receipts rose from Rs. 5713.2 crore to Rs. 9191.7 crore for undivided Bihar and it rose from Rs. 12482.2 crore to Rs. 66479.7 crore for divided Bihar. The average GFD was 20.2 percent of GFD expenditure which marginally increased to 20.6 percent for former Bihar while for present Bihar, it drastically declined from 23.5 percent during the phase 2000-01 – 2004-05 to 10.7 percent in the last phase. Within GFD, revenue deficit contributed 51.4 percent in the initial phase which declined to 46.9 percent for erstwhile Bihar while for present Bihar, its contribution was 21.9 percent during the phase 2000-01 – 2004-05 but it turned in to revenue surplus during the phase 2005-06 – 2009-10 and 2010-11 – 2015-16 as shown in table 7.9 below. “The revenue surplus has been financing more than half its capital outlay. This has allowed the state government to increase the capital outlay substantially, which accounted for its increased share in GFD. Capital outlay now accounts for almost the entire GFD, after exhausting the revenue surplus, indicates that it is now being utilised for building the much-needed social and physical infrastructure in Bihar” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 148). The participation of capital outlay in GFD marginally rose from 31.2 during the phase 1990-91 – 1994-95 percent to 31.7 percent during 1995-96 – 1999-00 for erstwhile Bihar while for present Bihar, it significantly increased from 45.4 percent during the phase 2000-01 – 2004-05 to 176.1 percent during 2010-11 – 2015-16. The share of net lending rose from 17.5 percent to 21.4 percent for undivided Bihar while it continuously declined from 32.7 percent to 15.9 percent. Chart 7.10 shows the GFD of the Bihar government and the decomposition of GFD of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16 has been present in chart 7.11. The decomposition of GFD of the Bihar Government during the period 2000-01 – 2015-16 has been depicted in Chart 7.12.

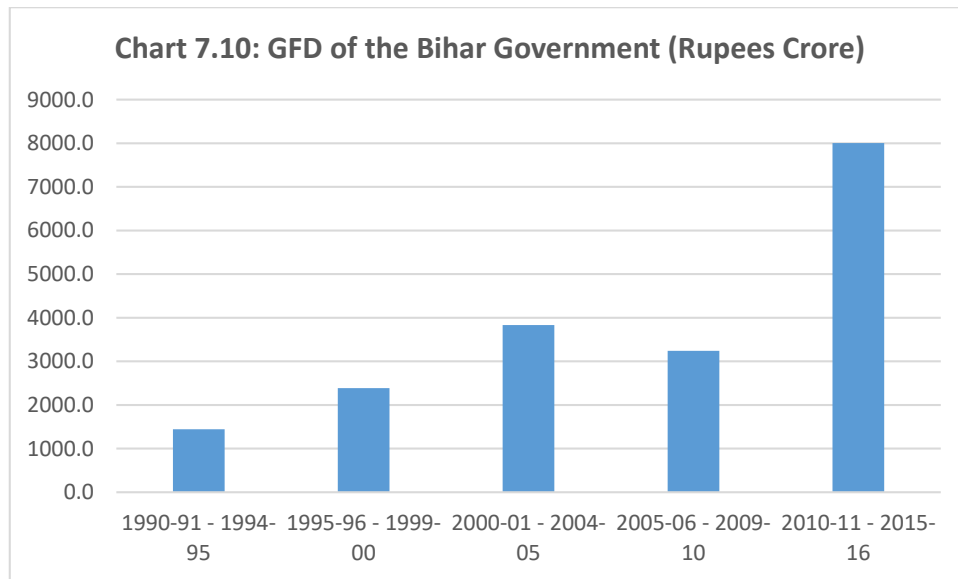
**Table 7.9: Decomposition of Gross Fiscal Deficit of the Bihar Government- Annual Average (Percent)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>1. Revenue Deficit(+)/Revenue Surplus(-)</b>	51.4	46.9	21.9	-118.3	-91.9
<b>2. Capital Outlay</b>	31.2	31.7	45.4	196.5	176.1
<b>3. Net Lending</b>	17.5	21.4	32.7	21.8	15.9

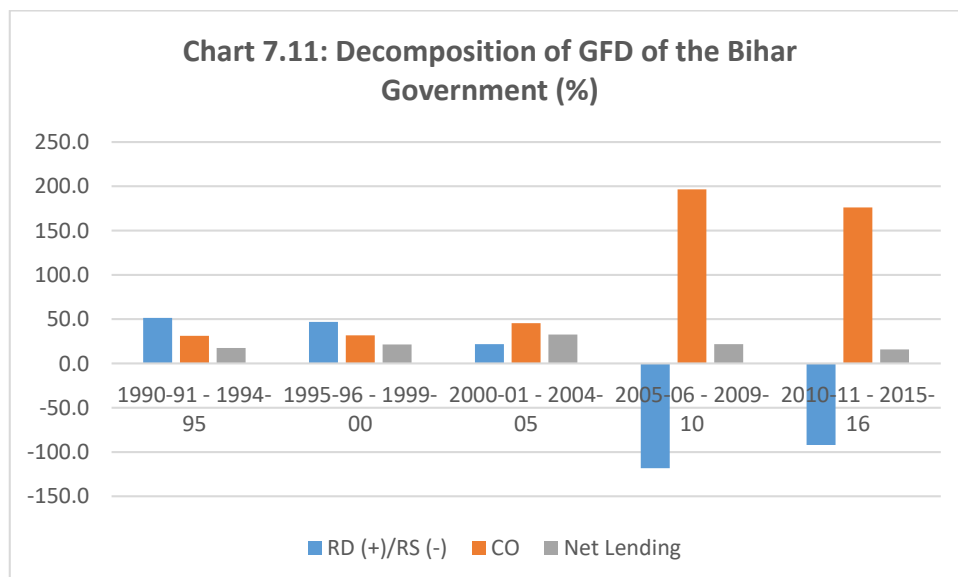
<b>4. Non Debt Capital receipt (Miscellaneous Capital receipt)</b>	0.0	0.0	0.0	0.0	0.0
<b>5. GFD (Sum 1 to 4)</b>	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

Note: Net lending- Loans and advances net of recoveries

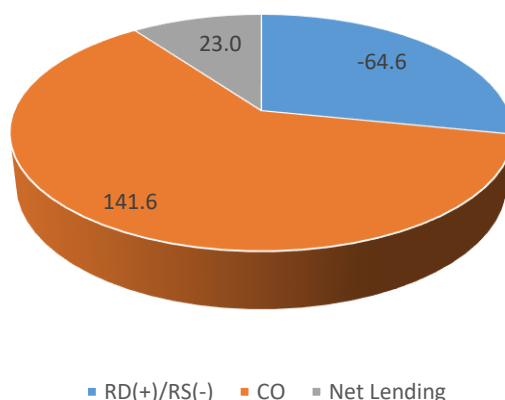


Note: GFD- Gross Fiscal deficit



Note: RD/RS- Revenue Deficit/Revenue Surplus, CO- Capital Outlay

**Chart 7.12: Decomposition of GFD of the Bihar Government during 2000-01 - 2015-16 (%)**



**Note:** RD/RS- Revenue Deficit/Revenue Surplus, CO- Capital Outlay

Table 7.10 presents the trend in the ratio of GFD and its components to GSDP of Bihar government since 1990-91 to 2014-15.

**Table 7.10: GFD and its components to GSDP of the Bihar Government (Percent)**

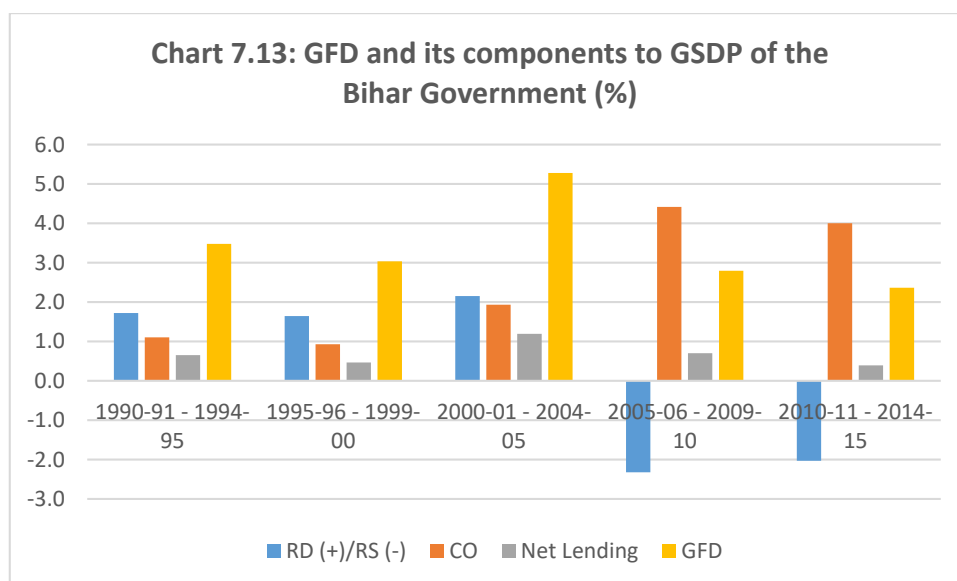
Year	RD(+)/RS(-)	Capital Outlay	Net Lending	GFD
1990-91	1.7	1.7	1.3	4.7
1991-92	2.3	1.3	0.7	4.2
1992-93	1.5	1.1	0.7	3.2
1993-94	1.4	0.8	0.5	2.8
1994-95	1.7	0.6	0.1	2.5
<b>Avg. (1990-91 – 1994-95)</b>	<b>1.7</b>	<b>1.1</b>	<b>0.7</b>	<b>3.5</b>
1995-96	2.0	0.7	0.2	2.9
1996-97	0.3	0.7	0.3	1.4
1997-98	0.4	0.3	0.7	1.3
1998-99	1.6	0.8	0.4	2.8
1999-00	4.0	2.1	0.7	6.8
<b>Avg. (1995-96 – 1999-00)</b>	<b>1.6</b>	<b>0.9</b>	<b>0.5</b>	<b>3.0</b>
2000-01	3.1	1.2	0.8	5.2
2001-02	3.8	1.8	0.9	6.6
2002-03	3.6	2.4	1.2	7.2
2003-04	1.6	2.7	1.6	5.9
2004-05	-1.4	1.5	1.4	1.6
<b>Avg. (2000-01 – 2004-05)</b>	<b>2.2</b>	<b>1.9</b>	<b>1.2</b>	<b>5.3</b>
2005-06	-0.1	2.5	2.1	4.5
2006-07	-2.5	5.2	0.3	3.0
2007-08	-4.1	5.4	0.2	1.5
2008-09	-3.1	4.5	0.4	1.8
2009-10	-1.8	4.5	0.5	3.2



<b>Avg. (2005-06 – 2009-10)</b>	<b>-2.3</b>	<b>4.4</b>	<b>0.7</b>	<b>2.8</b>
2010-11	-3.1	4.5	0.5	2.0
2011-12	-2.0	3.6	0.8	2.4
2012-13	-1.7	3.3	0.7	2.2
2013-14	-1.9	4.1	0.2	2.4
2014-15	-1.5	4.5	-0.3	2.8
<b>Avg. (2010-11 – 2014-15)</b>	<b>-2.0</b>	<b>4.0</b>	<b>0.4</b>	<b>2.4</b>

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

For erstwhile Bihar, the average GFD to GSDP ratio declined from 3.5 percent during the phase 1990-91 – 1994-95 to 3.0 percent during 1995-96 – 1999-00 and in case of present Bihar, this ratio decreased from 5.3 percent during the phase 2000-01 – 2004-05 to 2.4 percent during 2010-11 – 2014-15. Bihar government managed to keep the GFD to GSDP ratio below 3.0 percent with the implementation of FRBM act in 2006. The decline in GFD to GSDP ratio is due to revenue surplus experienced by present Bihar. The average revenue deficit to GSDP ratio decreased from 1.7 percent during the phase 1990-91 – 1994-95 to 1.6 percent during 1995-96 – 1999-00 for erstwhile Bihar. In case of present Bihar, this ratio was 2.2 percent during the phase 2000-01 – 2004-05 but after that the present Bihar experienced the revenue surplus and revenue surplus to GSDP ratio decreased from 2.3 percent during the phase 2005-06 – 2009-10 to 2.0 percent during 2010-11 – 2015-16. This revenue surplus has allowed the state government to raise the contribution of capital outlay to GSDP of the Bihar government. The average contribution of capital outlay to GSDP was around 1.0 percent for former Bihar while this ratio significantly improved from 1.9 percent to 4.0 percent for present Bihar. The average net lending to GSDP ratio was below 1.0 percent for undivided Bihar and in case of divided Bihar, this ratio declined from 1.2 percent to 0.4 percent. Chart 7.13 shows the ratio of GFD and its components to GSDP of Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.



**Note:** RD/RS- Revenue Deficit/Revenue Surplus, CO- Capital Outlay, GFD- Gross Fiscal deficit.

“The net borrowings from internal debt, loans and advances from centre and public account together finance GFD of the state government. The cash surplus takes place if the net borrowings from internal debt, loans and advances from the centre and net receipts from public account exceed GFD of the state government” (Economic Survey, Govt. of Bihar). The pattern of financing of GFD of Bihar government during the period 2002-03 to 2015-16 has been depicted in table 7.11.

**Table 7.11: Financing of Gross Fiscal Deficit of the Bihar Government.**

(Rs Crore)

Amounts	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Net Borrowing</b>	3748	3776	4539	2790	1333	-20	4246
<b>Net Public Account</b>	-1209	250	-3974	1209	1785	352	-81
<b>Increase(+)/Decrease (-) in Cash Balance</b>	-1030	-81	-676	299	97	-1372	1660
<b>GFD</b>	4911	4107	1242	3700	3021	1703	2507
<b>Percentage Composition</b>							
<b>Net Borrowing</b>	119.5	51.9	365.4	75.4	44.1	-1.1	169.3
<b>Net Public Account</b>	-40.4	52.2	-319.9	32.6	59.0	20.6	-3.2
<b>Increase(+)/Decrease (-) in Cash Balance</b>	-34.4	-1.8	-54.4	8.1	3.2	-80.5	66.2

Amounts	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Net Borrowing</b>	4151	3842	3706	6484	6788	10309	14258
<b>Net Public Account</b>	-675	2237	2469	343	1606	551	-1983
<b>Increase(+)/Decrease (-) in Cash Balance</b>	-1796	2108	333	281	42	-319	214
<b>GFD</b>	5272	3971	5915	6545	8352	11179	12062

Percentage Composition							
<b>Net Borrowing</b>	78.7	96.8	62.6	99.1	81.3	92.2	118.2
<b>Net Public Account</b>	-12.8	56.4	41.7	5.2	19.2	4.9	-16.4
<b>Increase(+)/Decrease (-) in Cash Balance</b>	-34.7	53.1	5.6	4.3	0.5	-2.9	1.8

Source: Economic Survey, Government of Bihar, Finance Department, various rounds.

“The net borrowing mainly consisted of internal borrowing of the state government as well as central loans, the latter constituting a small proportion of the total public debt of the state government since 2005” (State Finances: A Study of Budget, RBI). The internal borrowing mainly finances its GFD. “Apart from the internal borrowing, net public account receipts from small saving, provident fund, reserve funds, civil deposits, suspense and miscellaneous and remittances balance also contribute to financing of the GFD. Bihar experienced the increase in cash balance particularly since 2005-06 as the net receipts from internal borrowing and public account exceeds the GFD. This is the kind of distortion that happens where the state government borrows at a higher rate from the market to increase the cash balance which earns a lesser rate of interest from investment in the treasury bills” (Economic Survey, Govt. of Bihar, 2016-17 pg. no. 41).

Table 7.12 presents the trend of the ratio of developmental expenditure to GSDP for Bihar government since 1990-91 to 2014-15.

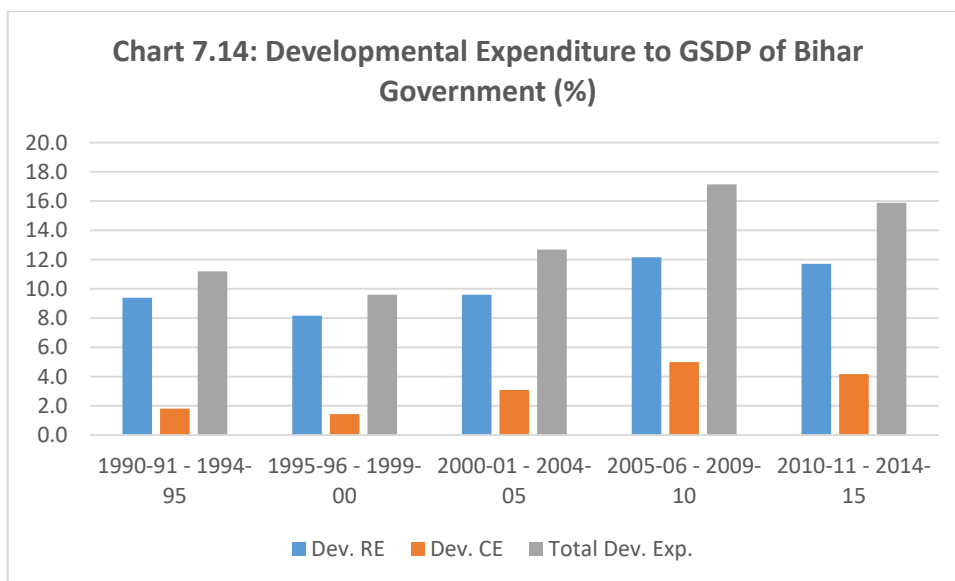
**Table 7.12: Developmental Expenditure to GSDP of the Bihar Government (Percent)**

Year	1. Developmental Revenue Expenditure	2. Developmental Capital Expenditure	3. Total Developmental Expenditure (1+2)
1990-91	9.2	3.0	12.2
1991-92	9.6	1.9	11.5
1992-93	10.0	1.8	11.8
1993-94	9.6	1.4	11.0
1994-95	8.6	0.8	9.4
<b>Avg. (1990-91 – 1994-95)</b>	<b>9.4</b>	<b>1.8</b>	<b>11.2</b>
1995-96	9.3	0.9	10.2
1996-97	7.3	1.0	8.3
1997-98	6.8	1.0	7.8
1998-99	7.0	1.2	8.2
1999-00	10.4	3.1	13.5
<b>Avg. (1995-96 – 1999-00)</b>	<b>8.2</b>	<b>1.4</b>	<b>9.6</b>
2000-01	8.6	2.1	10.7
2001-02	10.2	2.8	13.0
2002-03	10.0	3.5	13.5
2003-04	10.4	4.1	14.5
2004-05	8.8	2.9	11.7

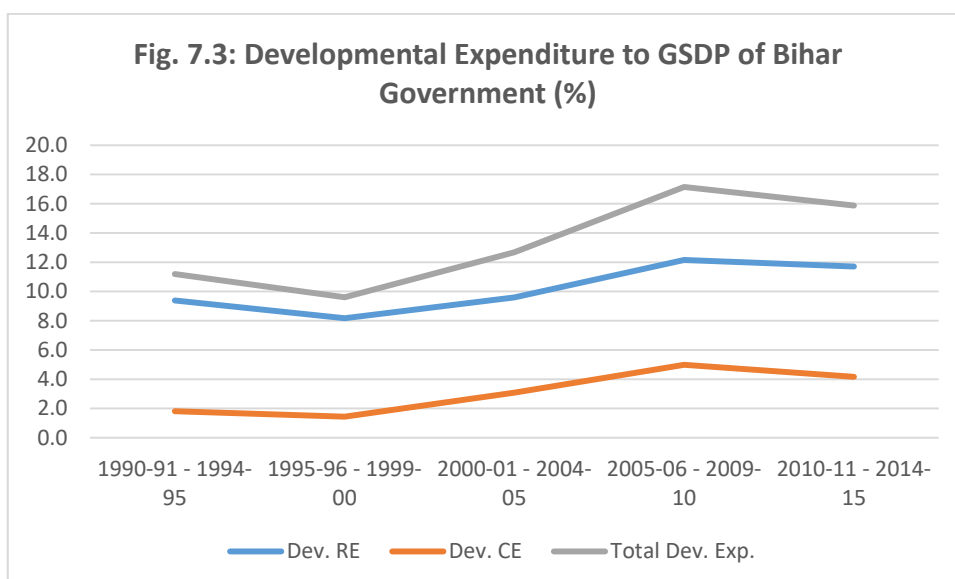
<b>Avg. (2000-01 – 2004-05)</b>	<b>9.6</b>	<b>3.1</b>	<b>12.7</b>
2005-06	11.2	4.6	15.7
2006-07	11.9	5.3	17.2
2007-08	12.6	5.4	18.0
2008-09	12.6	4.8	17.4
2009-10	12.5	4.9	17.4
<b>Avg. (2005-06 – 2009-10)</b>	<b>12.2</b>	<b>5.0</b>	<b>17.1</b>
2010-11	11.3	4.9	16.1
2011-12	11.8	4.2	16.0
2012-13	12.2	3.7	15.9
2013-14	11.8	3.9	15.7
2014-15	11.5	4.2	15.6
<b>Avg. (2010-11 – 2014-15)</b>	<b>11.7</b>	<b>4.2</b>	<b>15.9</b>

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

The average developmental revenue expenditure to GSDP ratio decreased from 9.4 percent during 1990-91 – 1994-95 to 8.2 percent during the period 1995-96 – 1999-00 for undivided Bihar while after the division of Bihar, it has improved from 9.6 percent during 2000-01 – 2004-05 to 12.2 percent during the period 2005-06 – 2009-10 but declined to 11.7 percent during 2010-11 – 2014-15. The contribution of average developmental capital expenditure in GSDP came down from 1.8 percent during 1990-91 – 1994-95 to 1.4 percent during the period 1995-96 – 1999-00 for former Bihar while it rose from 3.1 percent during 2000-01 – 2004-05 to 5.0 percent during the period 2005-06 – 2009-10 but declined to 4.2 percent during 2010-11 – 2014-15. Infact, the contribution of total developmental expenditure in GSDP of the Bihar government came down from 18 percent in 2007-08 to 15.6 percent in 2014-15. The percentage share of developmental revenue expenditure in GSDP of the Bihar Government reduced from 12.6 in 2007-08 to 11.7 in 2014-15 and the percentage share of developmental capital expenditure in GSDP of the Bihar government came down from 5.4 percent to 4.2 percent during the same period. “Even the increased capital receipts- in the form of borrowings, which led to cash surplus for Bihar- were not routed to expenditure because of the fearing of rising GFD. This is the perverse outcome of FRBM Act” (T M Thomas Issac and R. Ramakumar, 2011, pg. no. 203). Chart 7.14 and fig. 7.3 show the ratio of developmental expenditure to GSDP of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.



**Note: Dev. RE- Developmental Revenue Expenditure, Dev. CE- Developmental Capital Expenditure, Dev. Exp.- Developmental Expenditure.**



**Note: Dev. RE- Developmental Revenue Expenditure, Dev. CE- Developmental Capital Expenditure, Dev. Exp.- Developmental Expenditure.**

Table 7.13 displays the pattern of the ratio of non-developmental expenditure to GSDP for Bihar government since 1990-91 to 2014-15.

**Table 7.13: Non-Developmental Expenditure to GSDP of the Bihar Government (Percent)**

Year	1. Non-Developmental Revenue Expenditure	2. Non-Developmental Capital Expenditure	3. Total Non-Developmental Expenditure (1+2)
1990-91	5.1	0.8	5.9
1991-92	5.4	0.8	6.3
1992-93	5.9	1.0	6.9

1993-94	5.7	0.9	6.6
1994-95	5.7	0.7	6.4
<b>Avg. (1990-91 – 1994-95)</b>	<b>5.6</b>	<b>0.9</b>	<b>6.4</b>
1995-96	6.3	0.9	7.2
1996-97	5.3	0.7	6.0
1997-98	5.1	0.7	5.8
1998-99	5.4	0.6	6.0
1999-00	7.6	0.7	8.4
<b>Avg. (1995-96 – 1999-00)</b>	<b>5.9</b>	<b>0.7</b>	<b>6.7</b>
2000-01	6.6	0.7	7.3
2001-02	10.4	1.0	11.4
2002-03	10.4	1.9	12.3
2003-04	10.6	2.3	12.9
2004-05	10.0	4.1	14.1
<b>Avg. (2000-01 – 2004-05)</b>	<b>9.6</b>	<b>2.0</b>	<b>11.6</b>
2005-06	10.3	1.3	11.6
2006-07	8.6	1.2	9.8
2007-08	8.1	1.6	9.8
2008-09	7.4	1.3	8.7
2009-10	7.5	1.4	8.9
<b>Avg. (2005-06 – 2009-10)</b>	<b>8.4</b>	<b>1.4</b>	<b>9.8</b>
2010-11	7.5	1.3	8.8
2011-12	7.3	1.5	8.7
2012-13	6.4	1.3	7.6
2013-14	6.4	1.3	7.7
2014-15	6.6	1.3	7.9
<b>Avg. (2010-11 -2014-15)</b>	<b>6.8</b>	<b>1.3</b>	<b>8.2</b>

Source: Calculation from State Finances: A Study of Budget, RBI and CSO

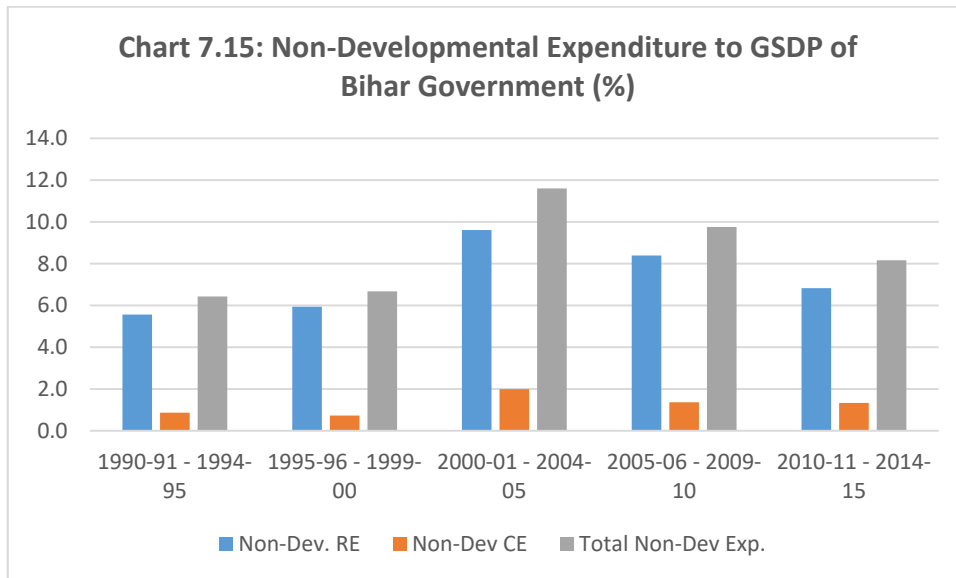
For erstwhile Bihar, the percentage share of average non-developmental revenue expenditure in GSDP marginally rose from 5.6 percent during 1990-91 to 5.9 percent during the phase 1995-96 – 1999-00 while in case of present Bihar, its ratio continuously declined from 9.6 percent during the period 2000-01 – 2004-05 to 6.8 percent during the phase 2010-11 – 2014-15. The decline in the contribution of non-developmental expenditure on revenue account to GSDP for present Bihar is mainly due to due to significant fall in the ratio of interest payment to GSDP as shown in table 7.14 below. The average non-developmental capital expenditure to GSDP ratio marginally declined from 0.9 percent during the phase 1990-91 – 1994-95 to 0.7 percent during 1995-96 – 1999-00 for undivided Bihar and after its division, the ratio fell from 2.0 percent during the period 2000-01 – 2004-05 to 1.3 percent during 2010-11 – 2014-15. The decline in the contribution of non-developmental capital expenditure to GSDP is because of fall in the ratio of discharge of public debt to GSDP particularly due to decline in the ratio of

repayment of loans to centre to GSDP as displayed in table 7.14 below. Chart 7.15 and fig. 7.4 show the ratio of non-developmental expenditure to GSDP of Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2014-15.

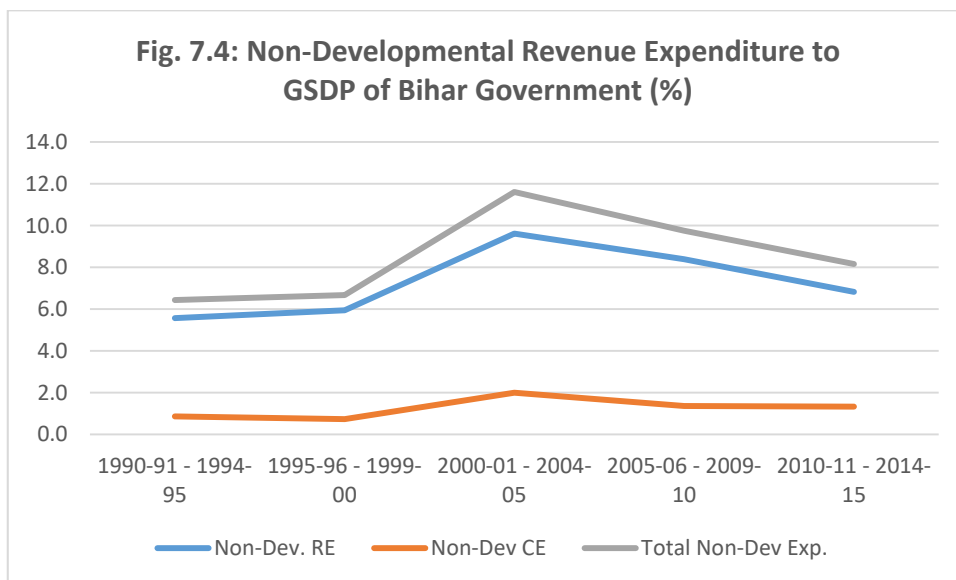
**Table 7.14: Interest Payment, Pensions and Discharge of Public Debt to GSDP of the Bihar Government (Percent)**

Year	1. Interest Payment	2. Pensions	3. Discharge of Internal Debt	4. Repayment of Loans to Centre	5. Discharge of Public Debt (3+4)
1990-91	2.2	0.5	0.0	0.7	0.8
1991-92	2.6	0.6	0.0	0.8	0.8
1992-93	3.0	0.6	0.2	0.8	1.0
1993-94	2.8	0.5	0.1	0.8	0.9
1994-95	2.9	0.6	0.1	0.6	0.7
<b>Avg. (1990-91 – 1994-95)</b>	<b>2.7</b>	<b>0.6</b>	<b>0.1</b>	<b>0.7</b>	<b>0.8</b>
1995-96	3.1	1.0	0.2	0.6	0.8
1996-97	2.2	1.1	0.2	0.6	0.7
1997-98	2.0	1.0	0.1	0.6	0.7
1998-99	2.2	1.2	0.0	0.6	0.6
1999-00	3.2	1.6	0.1	0.6	0.7
<b>Avg. (1995-96 – 1999-00)</b>	<b>2.5</b>	<b>1.2</b>	<b>0.1</b>	<b>0.6</b>	<b>0.7</b>
2000-01	2.5	1.7	0.1	0.6	0.6
2001-02	4.5	2.9	0.2	0.8	1.0
2002-03	4.7	3.0	0.2	1.6	1.8
2003-04	4.8	3.1	1.4	0.7	2.1
2004-05	4.5	3.0	2.0	1.9	4.0
<b>Avg. (2000-01 – 2004-05)</b>	<b>4.2</b>	<b>2.8</b>	<b>0.8</b>	<b>1.1</b>	<b>1.9</b>
2005-06	4.4	3.0	0.6	0.5	1.2
2006-07	3.4	2.5	0.7	0.3	1.0
2007-08	3.3	2.5	1.1	0.4	1.4
2008-09	2.6	2.4	0.9	0.3	1.2
2009-10	2.3	2.7	0.7	0.5	1.2
<b>Avg. (2000-01 – 2004-05)</b>	<b>3.2</b>	<b>2.6</b>	<b>0.8</b>	<b>0.4</b>	<b>1.2</b>
2010-11	2.1	3.0	0.8	0.2	1.1
2011-12	1.8	3.2	1.0	0.2	1.2
2012-13	1.5	2.8	0.9	0.2	1.0
2013-14	1.6	2.8	0.7	0.2	0.9
2014-15	1.5	2.8	0.7	0.2	0.9
<b>Avg. (2010-11 – 2014-15)</b>	<b>1.7</b>	<b>2.9</b>	<b>0.8</b>	<b>0.2</b>	<b>1.0</b>

Source: Calculation from State Finances: A Study of Budget, RBI



**Note: Non-Dev. RE- Non-Developmental Revenue Expenditure, Non-Dev. CE- Non-Developmental Capital Expenditure, Non-Dev. Exp.- Non Developmental Expenditure.**



**Note: Non-Dev. RE- Non-Developmental Revenue Expenditure, Non-Dev. CE- Non-Developmental Capital Expenditure, Non-Dev. Exp.- Non Developmental Expenditure.**

“The total outstanding liability is composed of the liability of the state government on account of public debt which is routed through the Consolidate Fund and other liabilities which pertain



to some elements of its Public Account - these are liabilities are on account of Small Savings, Provident Fund and Other Accounts, Deposits and Advances, and Reserve Funds” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 144). Table 7.15 shows the pattern of outstanding debt liabilities of Bihar government (excluding guarantees) during the period 2002-03 to 2015-16.

**Table 7.15: Outstanding Liabilities of the Bihar Government**

(Rs. crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>1. Internal Debt</b>	12472	16299	21906	25182	26829	26769	31293
<b>2. Central Loans</b>	11665	10105	9037	8551	8237	8277	7998
<b>3. Total Public Debt (1+2)</b>	24137	26404	30943	33732	35065	35046	39292
<b>4. Other Liabilities</b>	11354	11239	11680	12899	14164	15748	15489
<b>5. Total Outstanding Liabilities (3+4)</b>	35491	37643	42623	46631	49229	50794	54781
<b>6. GSDP</b>	64965	66174	77781	83549	103317	113680	142279
<b>7. Outstanding Liability as a percentage of GSDP</b>	55	57	55	56	48	45	39

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	CAGR
<b>1. Internal Debt</b>	35494	39020	42364	48826	55624	65848	79990	14.2
<b>2. Central Loans</b>	7949	8264	8625	8649	8638	8722	8838	-2.0
<b>3. Total Public Debt (1+2)</b>	43442	47284	50990	57474	64262	74570	88829	9.8
<b>4. Other Liabilities</b>	15053	15379	16626	18833	22482	24290	27554	6.5
<b>5. Total Outstanding Liabilities (3+4)</b>	58495	62663	67616	76308	86744	98860	116382	8.9
<b>6. GSDP</b>	162923	203555	247144	282368	317101	342951	381501	13.5
<b>7. Outstanding</b>	36	31	27	27	27	29	31	-----

<b>Liability as % of GSDP</b>								
-----------------------------------	--	--	--	--	--	--	--	--

Source: 1. Calculation from State Finances: A Study of Budget, RBI

2. Economic Survey, Government of Bihar, Finance Department, various rounds.

The outstanding debt of the Bihar government had piled up to Rs. 116,382 crore at the end of 2015-16, expanding unwaveringly at an annual rate of 8.9 percent throughout the period 2002-03 to 2015-16. Public Debt accounted for nearly 77 percent of the total outstanding debt of the Bihar government at the end of 2015-16, as against 68 percent in 2002-03. Borrowings from Public Account thus accounted for 23.0 percent of the total liability of the state government at the end of 2015-16, as against 32.0 percent in 2002-03, however it is not a liability in the literal sense of the term. “Borrowings from Public Accounts of the state government are composed of the state government's liabilities to the Provident Fund, Small Savings and other Accounts, Deposits and Advances and Reserve Funds” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 144), details about which has been discussed in table 7.17 below. “While most of these liabilities are interest bearing, some of these liabilities under the Reserve Funds and Deposits and Advances are also non-interest bearing; here the state government only holds the public money in trust with an obligation to repay” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 144).

“The Public Debt is composed of Internal Debt of the state government and Loans and Advances from the Centre. After the recommendations of the 12<sup>th</sup> Finance Commission, the share of central loans in total public debt had sharply declined for all the states” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 144). It accounted for only 10.0 percent of the total public liabilities of the Bihar government at the close of 2015-16 in contrast to 48.3 percent in 2002-03. The Internal debt had grown at an annual rate of 14.2 percent during the period, compared to (-) 2.0 percent for Central loans. “The Internal debt is raised by the state government by floating Bonds, by issuing special securities to the National Small Savings Fund (NSSF) of the Central government and from the financial institutions like LIC/GIC, NABARD, NCDC and others” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 144-145) . The features of outstanding liabilities on public debt account of the Bihar government has been presented in table 7.16 below. “In contrast, the balances of the Public Account, being part of the Cash Balance of the state government, is automatically available to the state government and here borrowing depends on availability rather than need, and is beyond the control of the state government. It is to be noted that the interest on interest-bearing public account funds are paid out of the Consolidated Fund of the state government while the funds themselves are

outside the Consolidated Fund and hence lack the usual financial and legislative controls applicable in respect of the latter. The state government also has no role to play in respect of accumulation of money in most of these funds which come from private sources – like the provident fund contributions” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 145).

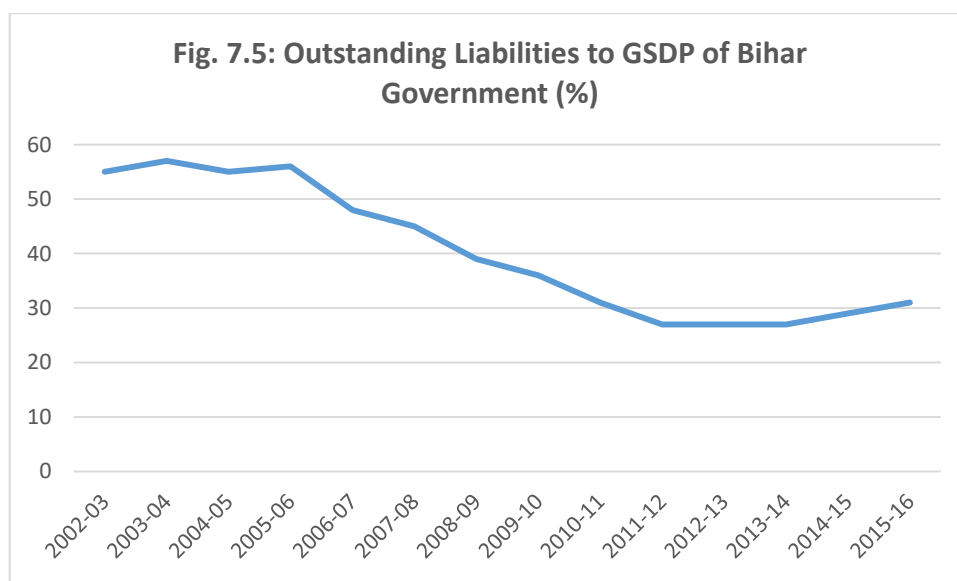
“The new Indian Government Accounting Standard (IGAS) 10 has introduced a distinction between the receipts of debt into the Consolidated Fund and the liabilities that accrue to the state government automatically by virtue of its Public Account. Earlier, the total debt of the state government comprised its internal debt, loans from the central government, and loans from small savings and provident fund account. While the first two are part of the borrowings against the Consolidated Fund, the small savings and provident fund account share is maintained in its Public Account. As per the new accounting standard, public debt now comprises the borrowings from the Consolidated Fund only, while the three major public account balances constitute the ‘Other Liabilities’ of the state government, since they all stand merged into the cash balance of the state government. The ‘Other Liabilities’ include Provident Fund and Other Accounts, Reserve Funds, and Deposits and Advances” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 145).

“The structure of debt has undergone a significant change since 2002-03. This occurred first by swapping of the high-cost central government loans with low-cost market loans and then, as a result of the recommendations of the Twelfth Finance Commission, by consolidation and rescheduling of all central government loans for payment over a 20-year period at 7.5 percent rate of interest. The Commission also recommended that, if the state governments want to raise loans, they should get it from the market and the central government’s help should be limited to only grants. As a result, the proportion of central government loans diminished substantially” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 145).

“The Small Saving schemes have always been an important component of household savings in India. Following the Report of the Committee on Small Savings in February 1999, a 'National Small Savings Fund' (NSSF) was established in the Public Account of India with effect from April, 1999. All deposits under small savings schemes are credited to NSSF and all withdrawals by the depositors are made out of accumulations in the Fund. The NSSF invests the net collections of small savings in the Special State Government Securities (SSGS), as per the sharing formula decided by the central government” (Evaluation of State Finances in Bihar,

ADRI, 2018, pg. no. 145). “From 2012-13 onwards, state government have been given the options of availing either the entire net small saving collections within the state or only 50 percent of the net collections. 16 states including Bihar opted for a 50 percent share of net small saving collections as state governments have had funds in excess of their financial requirement” (State Finances: A Study of Budget, RBI, 2013-14, pg. no. 10). “The Fourteenth Finance Commission had recommended to exclude the states from the operations of the NSSF scheme and recommended that the involvement of the state governments in the NSSF scheme may be limited only for the purpose of discharging the debt obligations already incurred by them until that date. To that effect, the Union Finance ministry had asked all state governments to give their opinions on these recommendations. Bihar has preferred to opt out of the NSSF loans” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 146).

The ratio of outstanding liability to GSDP of the Bihar government had diminished remarkably from 55.0 percent in 2002-03 to 31.0 percent in 2015-16 because of the higher growth of GSDP at an annual rate of greater than 13.5 percent in contrast to to an annual growth rate of 8.9 percent for outstanding debt at the same time. “The major factors that contributed to the lower growth of outstanding liability of the state government included the State’s enactment of the FRBM Act in 2005-06 and its complete elimination of deficit in the revenue account, enabling it to get the full benefits of debt waiver recommended by the 12<sup>th</sup> Finance Commission during the period 2005-10” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 146). However, the ratio of outstanding liability to GSDP had reached a much lower level of 27 percent in 2011-12 and remained at that level till 2013-14; it has since been rising again but it is still lower than the targeted level of 41.6 percent by 2014-15 under the amended FRBM act (2010-11) by Bihar government in the pursuance of the recommendation of 13<sup>th</sup> Finance Commission. The outstanding debt to GSDP ratio of the Bihar government during the period 2002-02 to 2015-16 has been presented in Fig. 7.5.



The pattern of outstanding public debt of the Bihar government during the period 2002-03 - 2015-16 has been presented in table 7.16.

**Table 7.16: Composition of Outstanding Public debt of the Bihar Government (Percent)**

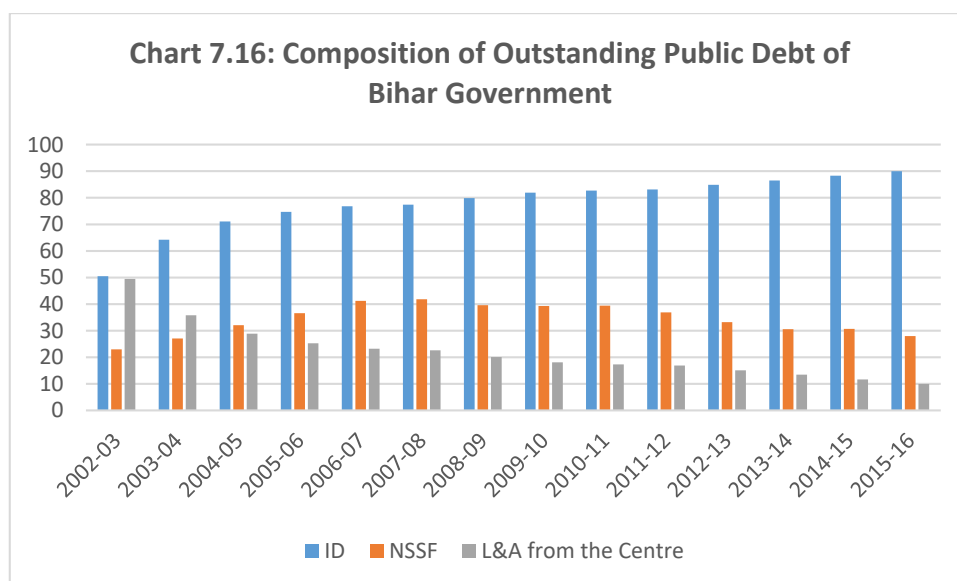
Nature of Borrowings	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>1. Internal Debt, of which</b>	50.5	64.2	71.1	74.7	76.8	77.4	79.9
<b>a. Market Loans</b>	24.6	31.0	33.2	31.4	29.1	29.2	33.5
<b>b. Bonds</b>	0.0	5.6	5.1	6.1	5.3	4.6	3.9
<b>c. Loans from Financial Institutions</b>	3.0	0.5	0.7	0.6	1.2	1.9	2.8
<b>d. Special Securities Issued to NSSF</b>	23.0	27.1	32.1	36.6	41.2	41.8	39.6
<b>2. Loans and Advances from Central Government</b>	49.5	35.8	28.9	25.3	23.2	22.6	20.1
<b>Total Public Debt (1+2)</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Nature of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16

<b>1. Internal Debt, of which</b>	81.9	82.7	83.1	84.9	86.5	88.3	90.0
<b>a. Market Loans</b>	36.0	36.7	39.6	45.1	48.6	50.9	54.2
<b>b. Bonds</b>	3.1	2.2	1.6	1.1	0.9	0.3	1.8
<b>c. Loans from Financial Institutions</b>	3.6	4.3	4.9	5.4	6.4	6.4	6.0
<b>d. Special Securities Issued to NSSF</b>	39.3	39.4	36.9	33.2	30.6	30.7	28.0
<b>2. Loans and Advances from Central Government</b>	18.1	17.3	16.9	15.1	13.5	11.7	10.0
<b>Total Public Debt (1+2)</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

Borrowings by the Bihar government through internal loans have the greater participation in outstanding public debt at the close of 2015-16 while loans and advances from the central government contributed only 10.0 percent. However, the percentage contribution of internal debt and loans and advances from the centre in outstanding public debt of the Bihar government were 50.5 and 49.5 respectively in 2002-03. Thus, “the composition of outstanding debt has undergone a structural change over the years, with the share of Central loans coming down substantially mostly because of the recommendations of the 12<sup>th</sup> Finance Commission” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 149). The constitution of outstanding public debt of the Bihar government during the period 2002-03 to 2015-16 has been presented in chart 7.16.



**ID- Internal Debt, NSSF- National Small Saving Fund, L&A- Loans and Advances**

The pattern of outstanding debt on Public Account of the Bihar government during the period 2002-03 – 2015-16 has been depicted in table 7.17.

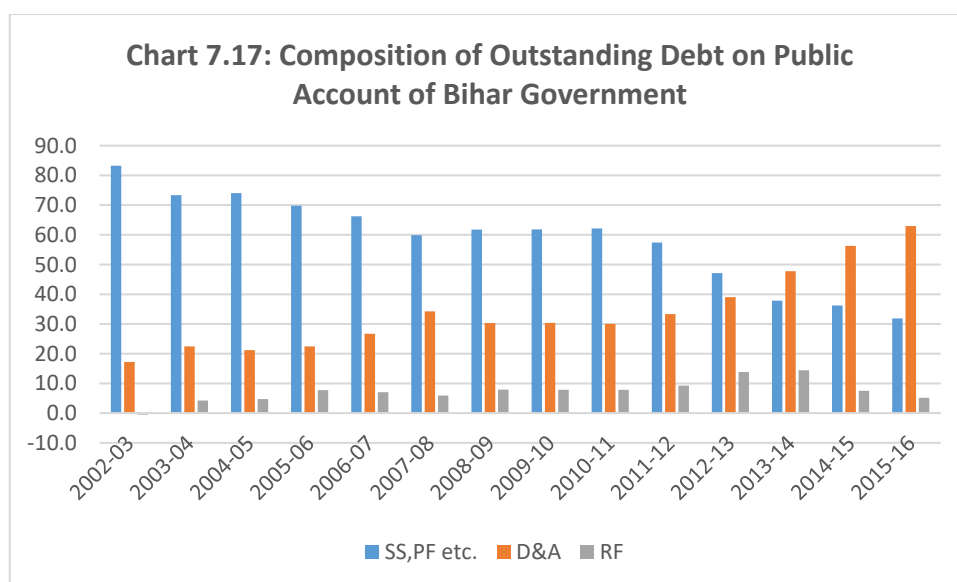
**Table 7.17: Composition of Outstanding Liabilities on Public Account of the Bihar Government (Percent)**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Small Savings, Provident Fund and Other Accounts</b>	83.3	73.3	74.1	69.8	66.2	59.9	61.8
<b>Deposits and Advances</b>	17.2	22.4	21.2	22.5	26.7	34.2	30.3
<b>Reserve Funds</b>	-0.5	4.2	4.7	7.8	7.1	5.9	7.9
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Small Savings, Provident Fund and Other Accounts</b>	61.8	62.1	57.4	47.1	37.8	36.2	31.9
<b>Deposits and Advances</b>	30.3	30.0	33.3	39.0	47.7	56.3	63.0
<b>Reserve Funds</b>	7.8	7.9	9.2	13.9	14.4	7.5	5.2
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculation from State Finances: A Study of Budget, RBI

The outstanding debt on Public Account of the Bihar government has grown slowly at an annual rate of 6.5 percent throughout the period 2002-03 to 2015-16 as can be seen in table 6.15. The contribution of state provident funds and other accounts in total debt on public account came down from 83.3 percent in 2002-03 to 31.9 percent in 2015-16 and the contribution of Deposits and advances shoot up from 17.2 percent to 63.0 percent during the same period. The participation of Reserve Funds in outstanding debt on public account has marginally increased from a 4.2 percent in 2003-04 to 5.2 percent in 2015-16. Chart 7.17 shows the composition of outstanding debt on public account of Bihar government during the period 2002-03 to 2015-16.



Note: SS,PF- Small Savings, Provident Fund, D&A- Deposits and Advances, RF- Reserve Funds

Table 7.18 presents the interest rate on different components of outstanding liabilities of Bihar government during the period 2005-06, 2009-10 and 2015-16.

**Table 7.18: Interest rates on different components of outstanding liabilities of the Bihar Government**

**2005-06**

	Amount Outstanding (Rs. Crore)	Percentage share in total liability	Interest paid (Rs. Crore)	Average Interest rate (%)
<b>1. Internal Debt</b>	25,689	54.7	1992	7.8
<b>a. Market Loans</b>	10,811	23.0	943	8.7
<b>b. NSSF</b>	12,591	26.8	1035	8.2
<b>c. Others</b>	02,287	4.9	14	0.6
<b>2. Central Loans</b>	8,687	18.5	1024	11.8



<b>3. Public Account</b>	12,564	26.8	633	5.0
<b>Total</b>	46,940	100.0	3650	7.8

### 2009-10

	<b>Amount Outstanding (Rs. Crore)</b>	<b>Percentage share in total liability</b>	<b>Interest paid (Rs. Crore)</b>	<b>Average Interest rate (%)</b>
<b>1. Internal Debt</b>	36,120.0	61.1	2784	7.7
<b>a. Market Loans</b>	15,870.0	26.8	1082	6.8
<b>b. NSSF</b>	17,310.0	29.3	1485	8.6
<b>c. Others*</b>	2,940.0	5.0	217	7.4
<b>2. Central Loans</b>	7,980.0	13.5	586	7.3
<b>3. Public Account</b>	15,060	25.5	315	2.1
<b>Total</b>	59,160.0	100.0	3685	6.2

### 2015-16

	<b>Amount Outstanding (Rs. Crore)</b>	<b>Percentage share in total liability</b>	<b>Interest paid (Rs. Crore)</b>	<b>Average Interest rate (%)</b>
<b>1. Internal Debt</b>	79,960.0	68.7	5900	7.4
<b>a. Market Loans</b>	48,180.0	41.4	3281	6.8
<b>b. NSSF</b>	24,890.0	21.4	2214	8.9
<b>c. Others*</b>	6,890.0	5.9	405	5.9
<b>2. Central Loans</b>	8,870.0	7.6	378	4.3
<b>3. Public Account</b>	27590	23.7	821	3.0
<b>Total</b>	1,16,420.0	100.0	7098	6.1

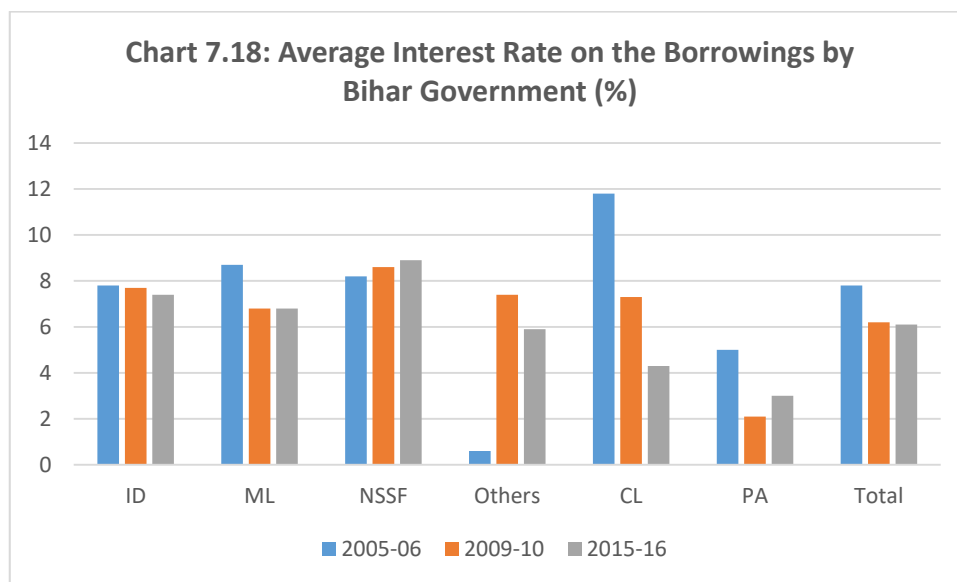
Source: Calculation from State Finances: A Study of Budget, RBI

Note: 1. Average interest rate is percentage ratio of amount of interest paid to outstanding amount.

2. \* includes loans from banks FIs and bonds.

“Average interest rate is the percentage ratio of amount of interest paid to outstanding amount of the different components of outstanding liabilities” (Evaluation of State Finances in Bihar, ADRI, 2018). The average interest rate on internal debt has marginally come down from 7.8 percent in 2005-06 to 7.4 percent in 2015-16 while its share in total outstanding liabilities climbed from 54.7 percent to 68.7 percent at the same time. Within internal debt, the average interest rate on market loan fell from 8.7 percent in 2005-06 to 6.8 percent in 2015-16 while the contribution of market loans in total outstanding liabilities climbed from 23.0 percent to 41.4 percent at the same time period. On the other hand, the average interest rate on NSSF rose from 8.2 percent in 2005-06 to 8.9 percent in 2015-16 while its share in total outstanding liabilities came down from 26.8 percent to 21.4 percent at the same time period. The average interest rate on central loan came down from 11.8 percent in 2005-06 to 4.3 percent in 2015-

16 and its contribution in total outstanding liabilities also diminished from 18.5 percent to 7.6 percent during this period due to 12<sup>th</sup> Finance Commission recommendation. The average interest rate on public account has been much lower and fell from 5.0 percent in 2005-06 to 3.0 percent in 2009-10. Chart 7.18 displays the average interest rate on the borrowings by the Bihar government during the period 2005-06, 2009-10 and 2015-16.



**Note:** ID- Internal Debt, ML- Market Loans, NSSF- National Small saving Fund, CL- Central Loans, PA- Public Account.

### Utilisation of Public Debt by the Bihar Government

“The public debt can be a powerful instrument of economic growth, if it is utilised for the creation of productive assets. The ratio of capital outlay to capital receipts reflects the extent to which the debt funds is productively used by the state government. Also, the state government has a debt service obligation to discharge every year that comprises the instalments of the principal amounts of past loans as well as the interest due on these. Since interest is to be paid out of revenue account (under General Services), it is expected that the revenue account would generate the necessary resources to pay off the interest” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 147). Table 7.19 shows the pattern of the utilisation of public debt by the Bihar government during the period 2002-03 to 2015-16.

**Table 7.19: Utilisation of Public Debt by the Bihar Government**

(Rs. Crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>1. Public Debt</b>							
<b>a. Receipts</b>	4986	7247	7626	3771	2358	1612	5928
<b>b. Repayments</b>	1237	3471	3087	981	1025	1632	1682
<b>3. Availability of Debt Funds (a-b)</b>	3749	3776	4539	2790	1333	-20	4246
<b>4. Net Loans/Advances Disbursed</b>	800	1139	1113	1697	308	247	540
<b>5. Net Interest Paid</b>	2993	3313	3399	3433	3240	3536	3448
<b>6. Net Debt Funds Available (3-4-5)</b>	-44	-676	27	-2340	-2215	-3803	258
<b>7. Capital Outlay</b>	1655	1860	1205	2084	5211	6104	6436
<b>8. Net Debt Available/Total Debt Received (%)</b>	-1	-9	0	-62	-94	-236	4
<b>9. Capital Outlay/Capital Receipts (%)</b>	33	35	16	55	220	373	108
<b>10. Capital Outlay/Net Debt Available (%)</b>	-3794	-275	4463	-89	-235	-161	2495

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>1. Public Debt</b>							
<b>a. Receipts</b>	6134	6033	6628	9554	9907	13918	18383
<b>b. Repayments</b>	1983	2190	2922	3070	3120	3609	4125
<b>3. Availability of Debt Funds (a-b)</b>	4151	3843	3706	6484	6787	10309	14258
<b>4. Net Loans/Advances Disbursed</b>	884	1091	1884	2061	792	-1124	603
<b>5. Net Interest Paid</b>	3332	4081	3730	4261	5190	5784	6514
<b>6. Net Debt Funds Available (3-4-5)</b>	-65	-1329	-1908	162	805	5649	7141
<b>7. Capital Outlay</b>	7332	9196	8852	9585	14001	18150	23966
<b>8. Net Debt Available/Total Debt Received (%)</b>	-1	-22	-29	2	8	41	39

<b>9. Capital Outlay/Capital Receipts (%)</b>	119	152	133	100	141	118	130
<b>10. Capital Outlay/Net Debt Available (%)</b>	-11280	-691	-464	5917	1739	321	336

Source: Economic Survey, Government of Bihar, Finance Department, various rounds.

“The debt resources could not be utilised much by the state government for creating productive assets till 2011-12, when they were mostly used to discharge the existing debt obligations. Since then, however, there has been steady increase in net accrual to the state exchequer out of the total borrowing” (Economic Survey, Govt. of Bihar, 2016-17, pg. no. 45). The capital outlay to capital receipts ratio had reached a peak of 373 percent in 2007-08, dropped sharply in 2008-09 but it had always hovered above 100 percent (except in 2012-13 when capital outlay was just a little above capital receipts), “reflects that the public debt were actually utilised for capital outlay purposes” (Evaluation of State Finances in Bihar, ADRI, 2018).

“With the state government's financial health being restored after the reliefs given by the 12<sup>th</sup> Finance Commission and its increasing revenue surpluses, it was able to generate substantial sums on its own for making capital investments” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 148). As can be seen from table 7.19, capital outlay was substantially higher than the net debt available during the entire period. In 2015-16, the debt receipts exceeded the total debt servicing charges by more than Rs 7000 crore.

### **Sustainability of Debt**

“The debt sustainability is defined as the ability of the state government to maintain a reasonably low Debt-GSDP ratio over a period of time and reflects its ability to service its debt. The high debt ratios are costly and eventually become unsustainable. The fiscal sustainability is also linked to the concept of solvency and liquidity; while solvency refers to the government’s ability to service its debt obligations without explicitly defaulting on them, liquidity refers to government’s ability to roll-over its maturing liabilities with its liquid assets and available financing. The vulnerability to such problems is related to structure of debt, in terms of short- and long-term debts as well as internal and external debts” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 152).

“The sustainability of debt refers to the sufficiency of current assets to meet current or committed obligations and the capacity to balance the cost of additional borrowings with

returns from such borrowings. Debt sustainability measures the ability of the State to maintain a constant debt-GSDP ratio over a period of time. It indicates the ability of the State to maintain a balance between the costs of additional borrowings with return from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. The borrowings are necessary to bridge the resource gap or fiscal deficit; debt sustainability then implies that increase in fiscal deficit should be accompanied by an enhanced ability to service the additional debt burden” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 152).

“The basic Domar condition implies that the debt-GDP ratio is stable if growth of the economy exceeds the interest rate on government debt” (State Finances A Study of Budget, RBI, 2000-01, pg. no. 24). “The debt-GSDP ratio is likely to be stable, provided there is a sustained primary surplus (at least not a continued substantial deficit in the primary account). This is known as the 'Solvency Condition'. The stock of public debt could increase so long as it does not increase faster than the real interest rate. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (debt stock multiplied by the rate spread), debt sustainability condition states that if quantum spread together with primary balance is zero, Debt-GSDP ratio would be stable and debt would be sustainable. On the other hand, if it is negative, the Debt-GSDP ratio would continue to rise and in case it is positive, Debt-GSDP ratio would eventually fall” (Evaluation of State Finances in Bihar, ADRI, 2018, pg. no. 152-153). Table 7.20 displays the sustainability of debt of the Bihar government during the period 2002-03 to 2015-16 and it reflects that solvency condition is not satisfied in case of Bihar.

**Table 7.20: Sustainability of Debt of the Bihar Government**

**(Rs. Crore)**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Weighted Interest rate on Loans (%)</b>	9.0	9.6	9.3	8.7	7.6	7.4	7.1
<b>Growth rate of GSDP (%)</b>	12.7	1.9	17.5	7.4	23.7	12.0	25.2
<b>Interest rate Spread (in Percent)</b>	3.7	-7.7	8.2	-1.3	16.1	4.6	18.1
<b>Outstanding Debt</b>	35491	37643	42623	46631	49229	50794	54781

<b>Quantum Spread</b>	1313	-2899	3495	-606	7926	2337	9915
<b>Primary Balance</b>	-1696	-784	2232	-51	395	2002	1246
<b>Quantum Spread + Primary Balance</b>	-383	-3683	5727	-657	8321	4339	11161
<b>Net Availability of Borrowed Funds</b>	-44	-676	27	-2340	-2215	-3803	258
<b>Outstanding Debt/GSDP (%)</b>	55	57	55	56	48	45	39

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>Weighted Interest rate on Loans (%)</b>	6.5	7.1	6.6	6.2	6.7	6.6	6.6
<b>GSDP Growth rate (%)</b>	14.5	24.9	21.4	14.3	12.3	8.2	11.2
<b>Interest rate Spread (in Percent)</b>	8.0	17.8	14.8	8.1	5.6	1.6	4.6
<b>Outstanding Debt</b>	58495	62663	67616	76308	86744	98860	116382
<b>Quantum Spread</b>	4680	11154	10007	6181	4858	1582	5354
<b>Primary Balance</b>	-1588	349	-1611	-2117	-2893	-5050	-4964
<b>Quantum Spread + Primary Balance</b>	3092	11503	8396	4064	1965	-3468	390
<b>Net Availability of Borrowed Funds</b>	-65	-1329	-1908	162	805	5649	7141
<b>Outstanding Debt/GSDP (%)</b>	36	31	27	27	27	29	31

Source: Economic Survey, Government of Bihar, Finance Department, various rounds.

Even though the growth rate of GSDP of the Bihar government exceeded that of its outstanding liability, but there is a deficit in its primary account since 2011-12 which has been continuously increasing. As a result, the contribution of outstanding liabilities to GSDP of the Bihar government has been increasing after falling from 55 percent to 27 percent and stood at 31

percent at the end of 2015-16. This trend is likely to continue, putting strain in the servicing of debt in future, since the non-debt receipts would not be sufficient to bridge the resource gap together with the net borrowed funds available. The liabilities might then become unsustainable in the long run if this trend continues unchecked.

Table 7.21 displays the repayment liabilities of the Bihar government since 2000-01 to 2015-16.

**Table 7.21: Public Debt Repayment Liabilities of the Bihar Government**

(Rs Crore)

Amounts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>1. Discharge of Internal Debt</b>	5919	152	3273	365	493	708	1203	1254
<b>2. Repayment of Loans to Centre</b>	528	1381	2380	2723	488	317	429	429
<b>3. Discharge of Other Liabilities</b>	710	768	869	795	723	617	817	1009
<b>4. Total Repayment (1+2+3)</b>	7157	2302	6522	3882	1703	1642	2449	2691
<b>5. Total Interest Payment</b>	2629	3022	3343	3474	3649	3416	3707	3753
<b>6. Total Debt Service Burden (4 + 5)</b>	9786	5324	9865	7536	5352	5058	6156	6444
<b>Total Debt Service Burden as a percentage of GSDP</b>	16.1	7.8	14.1	9.7	6.5	5.0	5.4	4.5

Amounts	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>1. Discharge of Internal Debt</b>	1169	1725	2457	2585	2559	2975	3423

<b>2. Repayment of Loans to Centre</b>	814	465	465	485	561	634	702
<b>3. Discharge of Other Liabilities</b>	970	586	1034	1512	1370	1287	1277
<b>4. Total Repayment (1+2+3)</b>	2953	2776	3956	4582	4490	4895	5402
<b>5. Total Interest payment</b>	3685	4319	4304	4428	5459	6129	7098
<b>6. Total Debt Service Burden (4+5)</b>	6639	7095	8260	9010	9949	11024	12500
<b>Total Debt Service Burden as a percentage of GSDP</b>	4.1	3.5	3.4	3.1	2.9	2.7	-

Source: Economic Survey, Government of Bihar, Finance Department, various rounds.

The total repayment of liabilities by the Bihar government came down from Rs. 7157 crore in 2000-01 to Rs. 3882 crore in 2004-05 because of sharp fall in the discharge of internal debt from Rs. 5919 crore to Rs. 365 crore, however, the loans and advances repayment to the centre climbed from Rs. 528 crore to Rs. 2723 crore at the same time period. The interest payment by the Bihar government surged from Rs. 2629 crore in 2000-01 to Rs. 3474 crore in 2004-05 while the burden of total debt service came down from Rs. 9786 crore to Rs. 7536 crore at the same time period. Total percentage contribution of debt service burden to GSDP also came down from 16.1 in 2000-01 to 9.7 in 2004-05. Total repayment of liabilities by the Bihar government climbed to Rs. 2953 crore in 2009-10 as against Rs. 1703 crore in 2005-06 because of rise in disburse of internal debt while loans and advances repayment to the centre has lesser role during this period. Total interest payment has marginally rose to Rs. 3685 crore in 2009-10 as against Rs. 3649 crore in 2005-06, however, the total debt service surged from Rs. 5352 crore in 2005-06 to Rs. 6639 crore in 2009-10. The total debt service to GSDP of the Bihar government came down from 6.5 percent in 2005-06 to 4.1 percent in 2009-10 due to significant expansion of GSDP. Bihar government's total repayment of liabilities climbed to Rs. 5402 crore in 2015-16 as against Rs. 2776 crore in 2010-11 mainly because of increase in discharge of internal debt and other liabilities and the total interest payment by the state



government also significantly climbed to Rs. 7098 crore in 2015-16 as against Rs. 4319 crore in 2010-11 because of “considerable past borrowings by the Bihar government” (Evaluation of State Finances in Bihar, ADRI, 2018). The total debt service burden of the Bihar government also climbed to Rs. 12500 crore in 2015-16 as against Rs. 7095 crore in 2010-11 expanding at an annual rate of 11.2 percent. The percentage ratio of debt service to GSDP of the Bihar government fell from 3.5 in 2010-11 to 2.7 in 2014-15 due to remarkable expansion of GDSP during the same period.

Table 7.22 presents the trend of the share of total revenue receipt and its components to revenue expenditure of the Bihar government since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 7.22: Share of Total Revenue Receipt and its Components to Revenue Expenditure of the Bihar Government- Annual Average (Percent)**

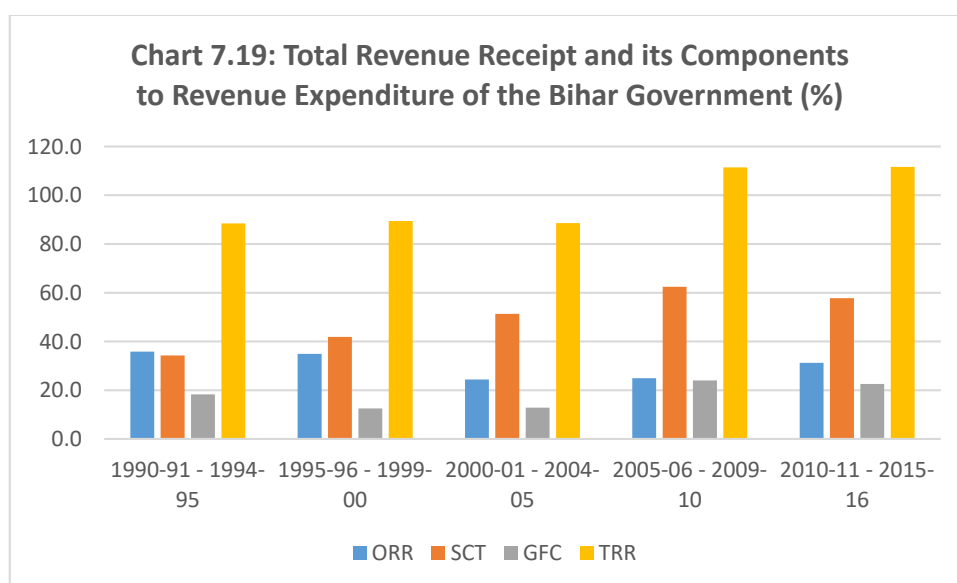
Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>1. Own tax revenue</b>	23.5	25.0	21.1	21.5	29.0
<b>2. Share in Central taxes</b>	34.3	41.9	51.3	62.5	57.8
<b>3. Tax revenue (1+2)</b>	57.8	66.9	72.4	84.0	86.7
<b>4. Own non tax revenue</b>	12.3	9.9	3.3	3.4	2.3
<b>5. Statutory grants</b>	4.7	1.0	0.5	3.0	4.2
<b>6. Others*</b>	13.6	11.5	12.3	21.0	18.4
<b>7. Non-tax revenue (4+5+6)</b>	30.6	22.5	16.2	27.4	24.9
<b>8. Own revenue (1+4)</b>	35.9	34.9	24.4	24.9	31.3
<b>9. Total transfers (2+5+6)</b>	52.6	54.4	64.2	86.5	80.3
<b>10. Total revenue receipt (8+9)</b>	88.5	89.4	88.6	111.4	111.6

Source: Calculation from State Finances: A Study of Budget, RBI

Note: \* includes plan grants, grants for relief on account of natural calamities and transfer of grants through central ministries.

The percentage contribution of total revenue receipts in revenue expenditure increased from 88.5 during the phase 1990-91 – 1994-95 to 89.4 during 1995-96 – 1999-00 for former Bihar

and it increased from 88.6 during the phase 2000-01 – 2004-05 to 111.6 during 2010-11 – 2015-16 for present Bihar which reflects the revenue surplus in the later phase. The rise in the participation of total revenue receipts in expenditure on revenue account is because of rise in the contribution of total resource transferred from the centre in revenue expenditure as can be seen in table 7.22. Within total revenue receipts, the contribution of own revenue receipts in revenue expenditure declined from 35.9 during the phase 1990-91 – 1994-95 percent to 34.9 percent during 1995-96 – 1999-00 for undivided Bihar while in case of divided Bihar, it has climbed from 24.4 percent to 31.3 percent during the same period. The contribution of total resource transferred from the centre in revenue expenditure rose from 52.6 percent to 54.4 percent for erstwhile Bihar and it significantly increased from 64.2 percent during the phase 2000-01 – 2004-05 to 86.5 percent during 2005-06 – 2009-10 but declined to 80.3 percent during the period 2010-11 – 2015-16 for present Bihar. The participation of tax revenue in revenue expenditure increased from 57.8 percent to 66.9 percent for former Bihar and it rose from 72.4 percent to 86.7 percent for present Bihar. The share in central taxes has been the major contributor in revenue expenditure of the Bihar government. The contribution of non-tax revenue receipts in revenue expenditure of the Bihar government climbed from 16.2 percent during the period 2000-01 – 2004-05 to 24.9 percent during 2010-11 – 2015-16 mainly because of rise in the share of statutory grants and other grants from the centre in revenue expenditure while the contribution of own non tax revenue in revenue expenditure has declined over the period. Chart 7.19 shows the share of total revenue receipt and its components to revenue expenditure of Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



Note: ORR- Own Revenue Receipt, SCT- Share in Central Taxes, GFC- Grants from the Centre, TRR- Total Revenue Receipt.

“Gross transfers from the centre includes share in central taxes, grants from the centre and loans and advances from the centre to the state government” (State Finances A Study of Budget, RBI). Table 7.23 presents the pattern of the share of gross transfers by the central government to revenue expenditure of the Bihar government during the period 1990-91 to 2015-16.

**Table 7.23: Share of the Gross Transfers from the Centre to Revenue Expenditure of the Bihar Government (Percent)**

Year	Gross transfers
1990-91	69.9
1991-92	72.1
1992-93	69.4
1993-94	68.0
1994-95	65.3
<b>Avg. (1990-91 – 1994-95)</b>	<b>68.9</b>
1995-96	66.7
1996-97	73.5
1997-98	86.0
1998-99	77.8
1999-00	53.9
<b>Avg. (1995-96 -1999-00)</b>	<b>71.6</b>
2000-01	65.2
2001-02	68.9
2002-03	71.5
2003-04	75.9
2004-05	93.0
<b>Avg. (2000-01 – 2004-05)</b>	<b>74.9</b>
2005-06	77.5
2006-07	90.1
2007-08	97.9
2008-09	90.5
2009-10	81.4
<b>Avg. (2005-06 – 2009-10)</b>	<b>87.5</b>
<b>2010-11</b>	90.2
<b>2011-12</b>	83.1
<b>2012-13</b>	78.4
<b>2013-14</b>	76.8
<b>2014-15</b>	78.3
<b>2015-16</b>	82.9
<b>Avg. (2010-11 – 2015-16)</b>	<b>81.6</b>

Source: Calculation from State Finances: A Study of Budget, RBI

Note: Gross transfers include share in central taxes, grants from the centre and loans and advances from the centre.

The average share of gross transfers in revenue expenditure increased from 68.9 percent during the phase 1990-91 – 1994-95 to 71.6 percent during 1995-96 – 1999-00 for erstwhile Bihar and in case of present Bihar its share significantly increased from 74.9 percent during the phase

2000-01 – 2004-05 to 87.5 percent during 2005-06 – 2009-10 but declined to 81.6 percent during 2010-11 – 2015-16. The significantly increase in the participation of gross transfers from the centre in revenue expenditure reflects the increased dependency of Bihar on centre. Within gross transfers of resources from the centre, the share in central taxes and grants from the centre mainly contribute in revenue expenditure while the contribution of loans and advances from the centre in revenue expenditure diminished since 2005 with the discontinuation of central loan for plan purpose on the basis of the recommendation of TFC. Fig. 7.6 shows the trend of percentage share of gross transfers from the centre to revenue expenditure of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.

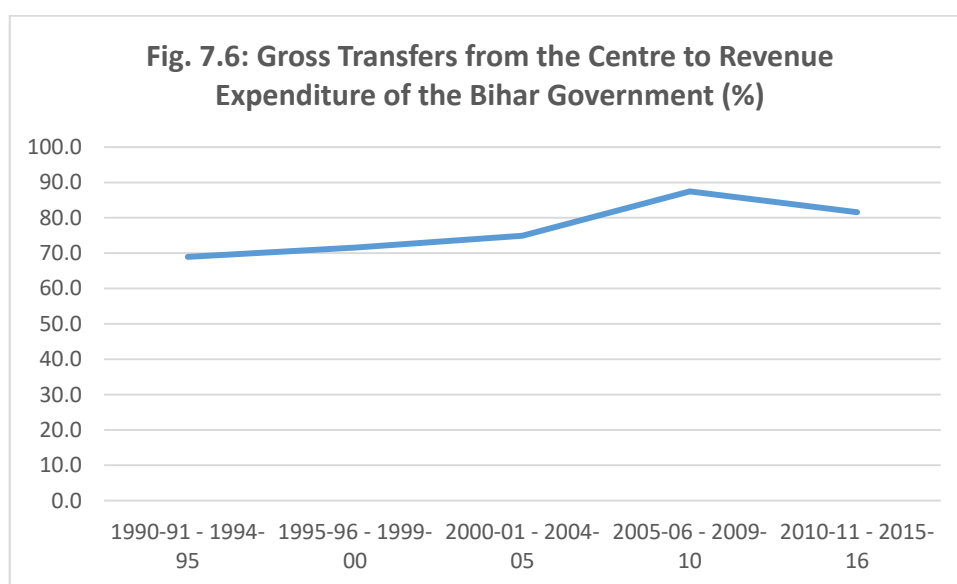


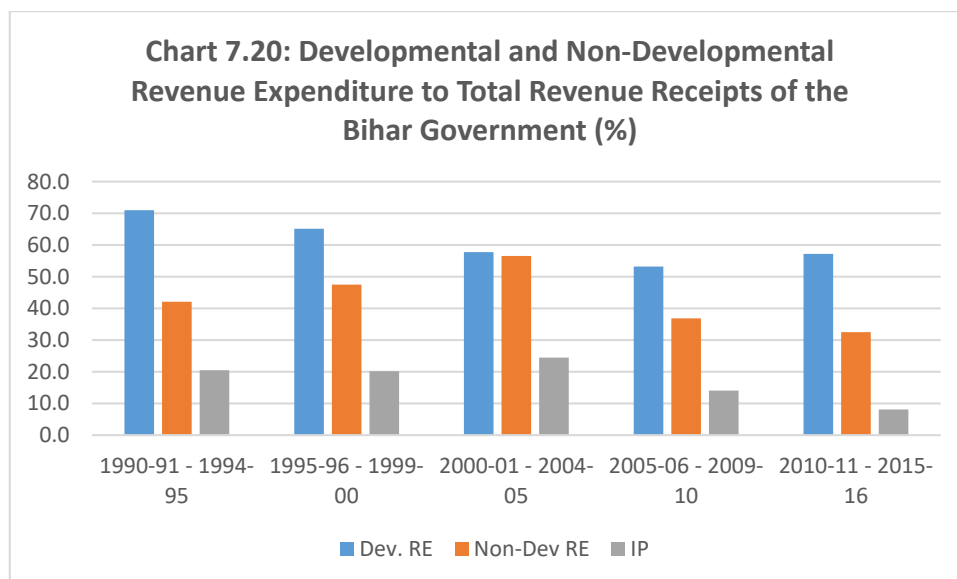
Table 7.24 shows the trend of share of the developmental and non-developmental revenue expenditure to total revenue receipts of the Bihar government since 1990-91 – 1994-95 to 2010-11 – 2015-16.

**Table 7.24: Share of the Developmental Revenue Expenditure and Non-Developmental Revenue Expenditure to Total Revenue Receipts of the Bihar Government- Annual Average (Percent)**

Heads	1990-91 - 1994-95	1995-96 - 1999-00	2000-01 - 2004-05	2005-06 - 2009-10	2010-11 - 2015-16
<b>Developmental Revenue Expenditure</b>	71.0	65.1	57.7	53.2	57.2
<b>Non-Developmental Revenue Expenditure</b>	42.1	47.5	56.6	36.9	32.5
<b>Interest Payment</b>	20.5	20.2	24.5	14.0	8.1

Source: Calculation from State Finances: A Study of Budget, RBI

“The developmental expenditure and non-developmental expenditure on revenue account together constitute the total expenditure on revenue account of the state government” (State Finances: A Study of Budget, RBI). The contribution of developmental expenditure and non-developmental expenditure on revenue account together in total revenue receipts of former Bihar constitute 113.1 percent during the period 1990-91 – 1994-95 and sharply declined to 89.7 percent for present Bihar during 2010-11 – 2015-16. The contribution of developmental revenue expenditure in total revenue receipts of the state government was 57.2 percent during the period 2010-11 – 2015-16 against 71.0 percent during 1990-91 – 1994-95 while the participation of non-developmental expenditure on revenue account in total revenue receipts was 32.5 percent during the period 2010-11 – 2015-16 against 42.5 percent during 1990-91 – 1994-95. The sharp decline in the share of non-developmental expenditure particularly after 2005-06 in total revenue receipts is because of fall in the share of interest payment in total revenue receipts since Bihar government availed the benefit of debt and interest relief from the central government. Total revenue receipts of the state government couldn't be fully exhausted for the expenditure on developmental revenue expenditure and non-developmental revenue expenditure together during the phase 2005-06 – 2009-10 and 2010-11 – 2015-16 and consequently Bihar government experienced revenue surplus. Bihar government enacted FRBM act in 2006 to eliminate revenue deficit and to maintain GFD at targeted level. But the cost of revenue surplus is the decline in the share of developmental revenue expenditure in total revenue receipts of the state government. Chart 7.20 displays the percentage share of developmental and non-developmental revenue expenditure to revenue expenditure of the Bihar government during the period 1990-91 – 1994-95 to 2010-11 – 2015-16.



Note: Dev. RE- Developmental Revenue Expenditure, Non-Dev. RE- Non-Developmental Revenue Expenditure, IP- Interest Payment.

On the one hand, Bihar government's dependency on central transfers has increased due to decline in the revenue receipts from own resources over the period and on the other hand, Bihar enacted FRBM act, to maintain the revenue deficit and GFD at targeted level, with the linkage of central transfers with fiscal reform at the state level. The share of own revenue receipts in total revenue receipts for Bihar declined from 32.9 percent in 2000-01 to 28.8 percent in 2015-16 and further fell to 24.8 percent in 2016-17 due to loss of revenue from state excise and VAT from liquor with the implementation of prohibition policy by the state government in 2016. Within the central transfers, the contribution of resources transferred from Finance Commission, include share in central taxes and statutory grants, in total transfers for Bihar declined from 84.0 percent in 2001-02 to 75.6 percent in 2015-16 while the share of plan grants, which is mostly conditional and states are require to match the contributions to spend, in total central transfers significantly increased from 15.3 percent in 2001-02 to 23.6 percent in 2015-16. Even, the Bihar has experienced the cash surplus since 2005-06 due to increased capital receipts in the form of borrowings- were not routed to expenditure because of fearing of rising revenue deficit and GFD. The consequence of FRBM act is detrimental to developmental expenditure as the per capita developmental expenditure of Bihar has been very much less than that of all states.

## **Chapter VIII: Summary and Conclusion**

This chapter summarises the major findings and conclusions reported in earlier chapters. The study was primarily based on analysis of receipt and expenditure data of Bihar between 1990-91 and 2015-16 and the same have been compared with that of BIMARU states and all states taken together.

### **Own Tax Revenue Receipts**

The receipts of tax revenue from own sources climbed from Rs. 1142 crore in 1990-91 to Rs. 3638 crore in 1999-2000 of undivided Bihar and after its bifurcation, the receipt from own tax rose from Rs. 2935 in 2000-01 to Rs. 25449 crore in 2015-16 but declined to Rs. 23742 crore in 2016-17. The contribution of receipts of tax revenue from own sources in total revenue receipts rose from 26.4 percent in 1990-91 to 28.9 percent in 1999-00 but fell to 22.5 percent in 2016-17 for Bihar. The decline in own tax revenue in 2016-17 is due to loss of revenue from state excise and VAT because of prohibition policy of state government. Bihar prohibited production and sale of country liquor with effect from January 2016 and all liquor with effect from April 2016. As a result, the yield from state excise fell drastically from Rs. 3136 crore in 2015-16 to only Rs. 30 crore in 2016-17. The latter figure is the arrears of the previous year. The arrears of VAT on these prohibited commodities yielded only Rs. 37 crore in 2016-17 against Rs. 1353 crore in previous year. Thus the loss of total revenue receipts was Rs. 4489 crore in 2016-17 due to the prohibition policy by the Bihar government.

The contribution of receipts of tax revenue from own sources of tax revenue receipts of Bihar has always been lower than the average for BIMARU states and also for all states. The average ratio of the contribution of receipts of tax revenue from own sources to tax revenue of Bihar to that of all states sharply declined from 0.60 during the period 1990-91 – 1994-95 to 0.49 during 2010-11 – 2015-16 which shows the higher and increased dependency of Bihar on central government. Within own tax revenue, receipts from taxes on commodities and services have been the highest contributor followed by receipts from taxes on property and capital transactions. The receipt from taxes on property and capital transactions for Bihar registered higher growth rate since 2005-06 due to improvement in the growth rate of receipt from stamps and registration fees because of several initiatives taken by the state government in this regard in 2005-06.

The receipts from sales tax, state excise, taxes on vehicles and taxes on goods and passengers together constitute more than 80 percent share in own tax revenue of the Bihar government. Bihar experienced negative growth of revenue from sales tax during the phase 2000-01 – 2004-05 just after its division but the growth rate of sale tax significantly improved since 2005-06 due to the accelerated growth rate of revenue from crude oil, electrical goods, FMCG, IMFL, iron & steel and petro products. However, the contribution of sales tax in own tax revenue of Bihar sharply declined from 60.1 percent during the period 2000-01 – 2004-05 to 47.4 percent during 2010-11 – 2015-16 because of significant improvement in the share of revenue from taxes of goods and passengers in own tax revenue. The revenue from state excise of Bihar also registered negative growth rate during the phase 2000-01 – 2004-05 but its growth rate significantly improved to 32.6 percent during 2005-06 – 2009-10 but again declined to 20.5 percent during the phase 2010-11 – 2015-16 due to prohibition policy of the state government. In 2006, Bihar Government had taken some steps to raise the revenue under State excise. Bihar State Beverage Corporation was constituted under the excise policy of the state government. It was to act as the only wholesale outlet of country/spiced country/foreign liquor in the state. This was done keeping in the mind cabinet's decision to generate huge increase in revenue. Till October 2006, about 1,21,21,267 country and foreign liquor shops and 789 spiced liquor shops were set up against a target of doubling the number of shops. But the revenue from state excise reduced from Rs. 3141.8 crore in 2015-16 to only Rs.. 30 crore in 2016-17 because of prohibition policy of Bihar government in 2016. The receipts from taxes on goods and passengers of Bihar gained importance since 2005-06 due to several initiatives taken by state government in 2006.

The ratio of own tax revenue to GSDP improved from 3.5 percent for undivided Bihar during the period 1990-91 – 1994-95 to 5.3 percent for present Bihar during 2010-11 – 2014-15 but it has always been lower than that of BIMARU and all states. Per capita own tax revenue improved from Rs. 223 for former Bihar during the period 1990- 1994-95 to Rs. 1570 for present Bihar during 2010-11 – 2015-16 but it has always been lower than that of BIMARU states and all states. The per capita gap of own tax revenue of Bihar with BIMARU and all states has surged over the period. The ratio of per capita own tax revenue of Bihar to that of all states sharply declined from 0.48 during the phase 1990-91 – 1994-95 to 0.29 during 2010-11 – 2015-16.



## **Own Non Tax Revenue Receipts**

The receipts of non-tax revenue from own sources increased from rs. 765 in 1990-91 to rs. 1759 in 1999-00 for former Bihar but sharply declined to rs. 418 in 2004-05 after the division of Bihar due to loss of revenue from metal and metallurgical industries as the large part of mineral deposits has gone to Jharkhand. The receipt from own non tax improved from rs. 522 in 2005-06 to rs. 2186 in 2015-16 mainly due to increase in the interest receipt from investment of cash surplus and availing of benefit of debt relief from central government under general service account by Bihar government. The contribution of receipts non-tax revenue from own sources to total revenue receipt sharply came down from 17.7 percent in 1990-91 to 2.7 percent in 2004-05 and further fell to 2.3 percent in 2015-16.

The receipts of non-tax revenue from own sources of Bihar has always been less than the average for BIMARU states and for all states which reflects the higher dependency of Bihar on centre. The contribution of receipts of non-tax revenue from own sources in non-tax revenue fell from 40.2 percent during the period 1990-91 – 1994-95 to 22.1 percent during 2000-01 – 2004-05 and again reduced to 9.3 percent during 2010-11 – 2015-16 and consequently the share of grants from the centre in non-tax revenue gradually increased from 59.8 percent during the period 1990-91 – 1994-95 to 90.7 percent during 2010-11 – 2015-16 for Bihar which shows the increased dependency of Bihar government on centre. The ratio of share of own non tax revenue in non-tax revenue of Bihar to that of all states sharply declined from 0.89 during the phase 1990-91 – 1994-95 to 0.26 during 2010-11 – 2015-16.

Interest receipts and the receipts from industries under economic service account together constitute more than 80.0 percent share in own non tax revenue of Bihar. The growth rate of interest receipt of Bihar has been fluctuating and it registered a growth rate of 52.1 percent during the phase 2005-06 – 2009-10 but fell to 32.7 percent during 2010-11 – 2015-16. Bihar experienced a negative growth rate of 76.6 percent on general service account during 2010-11 – 2015-16 due to withdrawal of debt relief which was available till 2009-10 and retrieval of excess amount of Rs. 384 cr. as which was accredited as a debt waiver in 2009-10. The contribution of receipt on economic service account in non-tax revenue drastically declined from 91.8 percent during the period 1990-91 – 1994-95 to 41.7 percent during 2000-01 – 2004-05 but improved to 60.4 percent during 2010-11 – 2015-16 mainly due to fall in the share of receipt on general service account for Bihar. The reduction in the contribution of revenue from industries in non-tax revenue, after the division of Bihar, has been responsible for decline in

the contribution of receipt on economic service account in non-tax revenue. Undivided Bihar possessed nearly 25 percent of the total mineral deposits in the country but after its bifurcation, the state is left with only 1 percent of total deposits.

The ratio of receipts from non-tax revenue to non-plan revenue expenditure of state government has been used as a proxy for the cost recovery of economic services and social services. The cost recovery from social services for Bihar has always been lower than that of BIMARU states and all states. The ratio of cost recovery from education service of Bihar to that of all states declined from 0.33 during the period 1990-91 – 1994-95 to 0.04 during 2010-11 – 2015-16. The ratio of cost recovery from health service of Bihar to that of all states declined from 0.65 during the period 1990-91 – 1994-95 to 0.36 during 2010-11 – 2015-16. The cost recovery from economic services of undivided Bihar has been higher than that of BIMARU states and all states but after the division of Bihar, it has not only sharply declined but became lower than that of BIMARU and all states. The ratio of cost recovery from economic services of Bihar to that of all states declined from 2.47 during the period 1990-91 – 1994-95 to 0.32 during 2010-11 – 2015-16. The declining and lower cost recovery from various services for Bihar has also been responsible for the lower participation of receipts on non-tax revenue from own sources in non-tax revenue than that of BIMARU states and all states.

The average ratio of receipts on non-tax revenue from own sources to GSDP declined from 1.8 percent for undivided Bihar during the period 1990-91 – 1994-95 to 0.7 percent for present Bihar during 2010-11 – 2014-15 and it has always been lower than that of BIMARU and all states. Per capita own non tax revenue marginally improved from rs. 89 for during the period 1990-91 – 1994-95 to rs. 89 during 2010-11 – 2015-16 for Bihar and it has always been lower than that of BIMARU states and all states. The per capita gap of own non tax revenue of Bihar with BIMARU and all states has surged over the period. The ratio of per capita own non tax revenue of Bihar to that of all states sharply declined from 0.53 during the phase 1990-91 – 1994-95 to 0.14 during 2010-11 – 2015-16.

### **Transfer of Resources from the Centre**

The share of transfer of resources through Finance Commission in the form of share in central taxes and statutory grants in total transfer of resources from the centre for Bihar declined from 81.3 percent during the period 2000-01 – 2004-05 to 77.1 percent during 2010-11 – 2015-16. On the other hand, the share of transfer of resources under the approval of Planning

Commission in total transfer of resources from the centre for Bihar increased from 17.2 percent during the period 2000-01 – 2004-05 to 22.1 percent during 2010-11 – 2015-16. The contribution of transfer of resources through Finance Commission in total transfers from the centre has always been higher than that of BIMARU and all states. The actual transfer of share in central taxes to Bihar as a percentage of all states declined from 11.9 percent during the period 200-01 – 2004-05 (FC 11) to 10.9 percent during 2010-11 -2014-15 (FC13) due to increase in the weightage of efficiency indicators like fiscal discipline and tax effort of the state government. . If the index of fiscal discipline index was dropped from the formula Bihar's share in central taxes devolution would have been 12.6 percent during the period 2010-11 – 2014-15 (FC13). From 2007-08 onwards, the portion of plan grants in total grants from the centre significantly raised on the basis of the recommendation of FC 12 with the phase out of central loan for plan purpose and states have to borrow for the loan part of the state plan scheme. The contribution of plan grants in total grants from the centre to Bihar climbed from 67.9 percent in 2006-07 to 82.4 percent in 2015-16 and consequently the share of non-plan grants in total grants from the centre declined from 32.1 percent in 2006-07 to 17.6 percent in 2015-16.

The transfer of resources from the centre as a percentage of total revenue receipts of Bihar has always been higher than that of BIMARU states and all states which reflects the higher dependency of Bihar on centre. The share of the transfer of resources through Finance Commission in total revenue receipts declined from 58.6 percent during the period 2000-01 – 2004-05 to 55.5 percent during 2010-11 – 2015-16 mainly due to fall in the contribution of share in central taxes in total revenue receipts of Bihar. While, the contribution of grants from the centre under the approval of Planning Commission in total revenue receipts of Bihar increased from 12.5 percent during the period 2000-01 – 2004-05 to 15.9 percent during 2009-10.

The increasing vertical imbalance is sharply depicted in the pre-devolution resource gap of the state government. The post-devolution resource gap is much lower than the pre-devolution resource gap indicating the role of transfers in financing state government expenditure. The pre-devolution resource gap as a percentage of GSDP of Bihar marginally declined from (-) 19.6 percent during the period 2000-01 – 2004-05 to (-) 18.3 percent during 2010-11 – 2015-16 while the post-devolution resource gap sharply declined from (-) 7.2 percent to (-) 3.5 percent during the above said period. The much lower post-devolution gap as a percentage of

GSDP than the pre-devolution gap-GSDP ratio shows the increased dependency of Bihar on centre.

The ratio of gross transfers from the centre to GSDP of Bihar has always been higher than that of BIMARU states and all states. The ratio of share in central taxes to GSDP for Bihar increased from 9.9 percent during the period 2000-01 – 2004-05 to 10.7 percent during 2010-11 – 2014-15 and has been higher than that of BIMARU states and all states. The ratio of grants from the centre to GSDP of Bihar rose from 2.5 percent during the period 2000-01 – 2004-05 to 4.1 percent during 2010-11 – 2014-15 and has been higher than that of BIMARU and all states. The ratio of loans and advances from the centre GSDP declined since 2005-06 with the phase out of central loans for plan purpose under the recommendation of FC12.

Per capita gross transfers from the centre of present Bihar has always been higher than that of BIMARU states and all states. The ratio of per capita gross transfers of Bihar to that of all states increased from 0.93 during the period 2000-01 – 2004-05 to 0.97 during 2010-11 – 2015-16. The per capita share in central taxes for Bihar has always been higher than that of BIMARU states and all states but the ratio of per capita share in central taxes of Bihar to that of all states declined from 1.38 during the period 2000-01 – 2004-05 to 1.21 during 2010-11 – 2015-16.

The share of per capita plan grants is much higher than the share of per capita non-plan grants in per capita grants from the centre for Bihar. The ratio of per capita plan grants to per capita grants from the centre to Bihar increased from 0.69 during the period 2005-06 – 2009-10 to 0.79 percent during 2010-11 – 2015-16 and consequently the ratio of per capita non-plan grants to per capita plan grants from the centre to Bihar fell from 0.31 to 0.21 during the above said period. The grants from the centre under plan head are mostly the conditional grants and states are required to match the contribution to spend. The decline in revenue from own resources and enactment of FRBM Act by Bihar government, due to the linkage of central transfers with fiscal reforms at state level, create constraint on state expenditure and leave less space to use the grants.

### **Capital Receipts**

The composition of capital receipt consolidated fund of the state government has changed since 2000 due to:

- (i) The institution of National Small Savings Fund (NSSF) effective from April 1, 1999.
- (ii) Enactment of Debt Swap Scheme (DSS) during the phase 2002-2005
- (iii) Discontinuation of Plan loan since April 1, 2005 on the basis of the recommendation of Finance Commission XII (TFC).

The share of borrowings from internal sources and loans and advances from the centre in CRCF has been more than 98.0 percent and the role of recovery of loans and loans and advances from the centre in CRCF has been negligible for Bihar. The contribution of recovery of loans and advances in CRCF of Bihar has been much lower than that of BIMARU states and all states. The role of market borrowings in internal debt of the state government gained importance since 2005-06 with the phase out of central loans in pursuance of the recommendation of TFC. The contribution of market borrowings in the internal debt of Bihar significantly increased from 32.6 during the period 2000-01 – 2004-05 to 65.6 percent during 2010-11 – 2015-16. The share of NSSF in internal debt of Bihar has been highest i.e. 55.4 percent during the period 2000-01 2004-05 due to the entire net collections credited to NSSF were passed on to the states against the issues of SSGS under the DSS but its share declined to 22.0 percent during 2010-11 – 2015-16. The declining role of NSSF contribution in the later phase can be assigned to three factors: (i) fluctuation of net collections from small saving schemes (ii) revision of norms associated with the sharing of net collections from small savings between the centre and the states (iii) repurchase of SSGS. The fluctuation of NSSF's contribution is also related to the revisions of norms associated with sharing of net collections from small savings between the centre and the states. The sharing between the centre and the states was in the ratio of 20:80 between 1999-2000 and 2001-02; 0:100 between 2002-03 and 2006-07; and 20:80 between 2007-08 and 2011-12. State governments have been given the alternative of using either the entire net small saving collections within the state or only 50 percent of the net collections since 2012-13. 16 states including Bihar chose for a 50 percent share of net small saving collections as state governments have had funds in excess of their financial requirement.

The central government's role has been critical for deterioration of the state finances. The interest rate on borrowings by the state governments were sharply enhanced after 1990-91. RBI had raised the coupon rates of state government securities since 1990-91. The weighted average of coupon rates climbed from 11.5 percent in 1990-91 to 14.0 percent in 1995-96. The interest rates on borrowings by state governments through small savings also raised from 13.0 percent in 1990-91 to 14.5 percent in 1992-93 and remains stagnant till 1997-98. However, the interest

rate started to decline thereafter but the financial burden of high interest rates of these periods has been notable.

The capital receipts from the public account of the state governments include the receipts from state provident fund etc., reserve funds, deposits and advances, suspense and miscellaneous and remittances. The contribution of public account to gross capital receipts of the state government significantly increased since 2005-06 due to increase in the share of cash balance investment account, component of suspense and miscellaneous, in gross capital receipts. The share of public account in the gross capital receipts of Bihar increased from 32.8 percent during the period 2000-01 – 2004-05 to 94.1 percent during 2010-11 – 2015-16. The contribution of cash balance investment account in gross capital receipts of Bihar significantly increased from 15.5 percent during the period 2000-01 – 2004-05 to 76.7 percent during 2010-11 – 2015-16. The state governments' receipts from cash balance investment account of gained importance due to the sharp accumulation of the surplus cash balance of state governments since the beginning of the fiscal 2005-06. This could be assigned to various factors (i) containment of revenue expenditure by the state government and stationary capital outlay after the enactment of Fiscal Responsibility Legislation (ii) adherence to the fiscal restructure plan of the TFC to avail of debt relief in terms of debt write-off and rescheduling of loans from the centre (iii) larger transfer of resources from the centre on the basis of the recommendation of TFC recommendations (iv) increase in receipts through several small saving schemes (v) entire small savings collection (net of repayment) accrue to the states under DSS. The Bihar government is not able to spend the cash surplus because of the fear of rising GFD, which is detrimental to developmental expenditure.

Internal debt, loans and advances from the centre and state provident fund etc., reserve funds and deposits and advances of public account together constitute the total debt of the state government. The contribution of borrowings from internal sources and loans and advances from the centre in total liabilities of Bihar started to decline while the role of public account in total liabilities gained importance since 2005-06. The decline in the share of internal debt in total liabilities mainly due to fall in the share of NSSF in total liabilities of Bihar.

Per capita total liabilities of Bihar was rs. 2792 during the period 2010-11 – 2015-16 against rs. 908 during 2000-01 – 2004-05 and it has always been lower than that of BIMARU states and all states. The ratio of total liabilities to GSDP of Bihar declined from 10.8 percent during the period 2000-01 – 2004-05 to 8.6 percent during 2010-11 – 2014-15. This decline is due to

fall in the contribution of internal debt to GSDP of the Bihar government. Debt receipts and GSDP of present Bihar was growing at the annual rate of 7.8 percent and 10.9 percent respectively during the period 2000-01 to 2014-15 while total liabilities grew at the annual rate of 14.6 percent during the same period.

### **Total Expenditure of the State Government**

The contribution of expenditure on revenue account to total expenditure of the Bihar government came down from 79.5 percent during the phase 2000-01 – 2004-05 to 76.7 percent during 2010-11 – 2015-16 and consequently the participation of expenditure on capital account in total expenditure increased from 205.5 percent to 23.3 percent during the same period. Revenue expenditure and capital expenditure of Bihar grew at the annual rate of 12.3 percent and 16.5 percent respectively during the period 2000-01 – 2014-15 while GSDP of the Bihar government grew at the annual rate of almost 11 percent during the same period. The share of capital outlay in total expenditure of Bihar significantly improved from 7.9 percent during the period 2000-01 – 2004-05 to 17.4 percent during 2010-11 – 2015-16 and the capital outlay was growing at an annual rate of 22.5 percent during the phase 2000-01 – 2015-16. The significant increase in expenditure on energy on the capital account of Bihar has been the main reason for improvement in capital outlay. The contribution of capital outlay to total expenditure of the Bihar government has been lower than the average of all states. The share of discharge of public debt in total expenditure of Bihar fell from 7.5 percent during the period 2000-01 to 4.2 percent during 2010-11 – 2015-16 because of fall in the contribution of repayment of loans and advances from the centre in total expenditure.

The percentage contribution of expenditure on non-plan account in total expenditure has always been higher than that of plan expenditure in total expenditure for Bihar, BIMARU states and all states during the period 1990-91 to 2014-15. The contribution of non-plan expenditure on revenue account in total expenditure of Bihar decreased from 71.1 percent during the period 2000-01 – 2004-05 to 53.7 percent during 2010-11 – 2014-15 mainly because of fall in the participation of interest payment in total expenditure of the Bihar government from 17.1 percent to 7.1 percent during the same period. This decline is due to debt swap schemes of the central government and interest relief from the centre to Bihar government under the recommendation of FC12 and shifting away from expensive source of borrowing through NSSF.

The percentage contribution of total expenditure on developmental head to total expenditure of the Bihar government improved from 52.7 during the period 2000-01 – 2004-05 to 66.4 during 2010-11 – 2015-16 due to fall in the contribution of non-developmental expenditure to total expenditure of the Bihar government. Developmental expenditure of Bihar grew at an annual average rate of 14.5 percent during the phase 2000-01 – 2015-16. The contribution of developmental expenditure on revenue account to total expenditure of the Bihar government rose from 48.0 percent in 2000-01 to 51.8 percent in 2012-13 but fell to 49.5 percent in 2015-16. The percentage contribution of developmental expenditure on capital account to total expenditure of the Bihar government improved from 11.6 in 2000-01 to 19.5 in 2010-11 but fell to 18.7 in 2015-16. The contribution of developmental expenditure on revenue account to total expenditure of present Bihar has been lower than the average for BIMARU states. The contribution of non-developmental expenditure to total expenditure of the Bihar government sharply decreased from 2000-01 to 2015-16. The reduction in the participation of interest payment in total expenditure due to interest relief to the Bihar government from central government under the recommendation of FC12 and shifting way from expensive source of borrowing through NSSF by the Bihar government and fall in the contribution of repayment of loans and advances to the centre in total expenditure with the phase out of central loans for plan purpose in the pursuance of FC12 have been the responsible for fall in the contribution of non-developmental expenditure in total expenditure of the Bihar government.

Per capita developmental expenditure of Bihar is not only lower than that of BIMARU states and all states but per capita gap of developmental expenditure of Bihar with BIMARU states and all states since 2000-01 – 2004-05 to 2010-11 – 2015-16. Per capita social sector expenditure of Bihar has also been lower than that of BIMARU and all states. The ratio of developmental expenditure to GSDP of Bihar improved from 12.7 percent during the period 2000-01 – 2004-05 to 15.9 percent during 2010-11 – 2014-15 due to improvement in both developmental revenue expenditure and developmental capital expenditure to GSDP ratio during the same period. But the ratio of developmental expenditure to GSDP in case of Bihar government fell from 18 percent in 2007-08 to 15.6 percent in 2014-15 due to decrease in the ratio of both developmental expenditure on revenue account and developmental expenditure on capital account to GSDP during the same period. This is serious impact of FRBM act on state expenditure as Bihar experienced cash surplus but were not used for expenditure due to fear of rising GFD.



## **Analysis of Fiscal Performance of Bihar**

Bihar started to experience revenue surplus since 2004-05 before the implementation of FRBM act in 2006. The revenue surplus of Bihar government climbed from rs. 1075.7 crore in 2004-05 to rs. 12507.2 crore in 2015-16. The ratio of revenue surplus to GSDP of Bihar increased from 1.4 percent in 2004-05 to 3.1 percent in 2010-11 after that it declined to 1.5 percent in 2014-15 and the ratio of GFD to GSDP of Bihar fell from 4.5 percent in 2005-06 to 2.0 percent in 2010-11 but after that it increased to 2.8 percent in 2014-15 but still lower than the targeted level of 3 percent of GFD to GSDP ratio under the FRBM act. Net receipts from borrowings and public account of Bihar government exceeds GFD amount which caused cash surplus of rs. 299 crore in 2005-06 which increased to rs. 2108 crore in 2010-11 after that it declined to rs. 214 crore in 2015-16.

The percentage contribution of outstanding debt to GSDP of the Bihar government came down from 55.0 in 2002-03 to 31.0 in 2015-16 because of the higher growth rate of GSDP in contrast to the growth rate of outstanding debt during the same period. The main reason for lower growth of outstanding liabilities implementation of FRBM act in 2006 and absolute eradication of revenue deficit since 2004-05 by the Bihar government, enabling it to receive the benefit of debt waiver by the central government on the basis of the recommendation of 12<sup>th</sup> Finance Commission. However, the ratio of outstanding liability to GSDP had reached a much lower level of 27 percent in 2011-12 and remained at that level till 2013-14; it has since been rising again but it is still lower than the targeted level of 41.6 percent by 2014-15 under the amended FRBM act (2010-11) by Bihar government in the pursuance of the recommendation of 13<sup>th</sup> Finance Commission.

The contribution of developmental expenditure and non-developmental expenditure on revenue account to total revenue receipts of former Bihar constitute 113.1 percent during the period 1990-91 – 1994-95 and sharply declined to 89.7 percent during 2010-11 – 2015-16 of present Bihar. The contribution of developmental revenue expenditure in total revenue receipts of the state government was 57.2 percent during the period 2010-11 – 2015-16 against 71.0 percent during 1990-91 – 1994-95 while the contribution of non-developmental expenditure on revenue account to total revenue receipts was 32.5 percent during the period 2010-11 – 2015-16 against 42.5 percent during 1990-91 – 1994-95. The sharp decline in the contribution of non-developmental expenditure to total revenue receipts, particularly after 2005-06, is because of fall in the share of interest payment in total revenue receipts because of availing the benefit of interest relief from the central government. Total revenue receipts of the state

government couldn't be fully exhausted for the expenditure on developmental revenue expenditure and non-developmental revenue expenditure together during the phase 2005-06 – 2009-10 and 2010-11 – 2015-16 and consequently Bihar government experienced revenue surplus. Bihar government enacted FRBM act in 2006 to eliminate revenue deficit and to maintain GFD at targeted level. But the cost of revenue surplus is the fall in the contribution of developmental expenditure on revenue account in total revenue receipts of the Bihar government.

On the one hand, Bihar government's dependency on central transfers has increased due to decline in the revenue receipts from own resources over the period and on the other hand, Bihar enacted FRBM , to maintain the revenue deficit and GFD at targeted level, with the linkage of central transfers with fiscal reform at the state level. The contribution of revenue receipts from own sources to total revenue receipts of the Bihar government came down from 32.9 percent in 2000-01 to 28.8 percent in 2015 -16 and further fell to 24.8 percent in 2016-17 due to loss of revenue from state excise and VAT from liquor with the implementation of prohibition policy by the state government in 2016. The contribution of resources transferred from Finance Commission, in the form of share in central taxes and statutory grants, to total transfers from the centre to the Bihar government diminished from 84.0 percent in 2001-02 to 75.6 percent in 2015-16 while the share of plan grants, which is mostly conditional and states are require to match the contributions to spend, in total central transfers significantly increased from 15.3 percent in 2001-02 to 23.6 percent in 2015-16. Even, Bihar has experienced the cash surplus since 2005-06 due to rise in capital receipts in the form of borrowings but it has not been used for expenditure purpose due to fear of rising GFD. The consequence of FRBM act is detrimental to developmental expenditure as the per capita developmental expenditure of the Bihar government has been very much less than that of all states level.

## **References:**

Abheek, B. and Verma, S., (2005): " State Economies: A Portfolio Approach", CRISIL Centre for Economic Research, Discussion Paper Series June Vol 04-05.

Acharya, S., (2002): "India's Macroeconomic Management in the 1990s", Indian Council of Research in International Economic Relations, New Delhi.

Acharya, S., (2005) "Thirty Years of Tax Reforms in India", *Economic and Political Weekly*, May 14,1995.

Adishesiah, M., (1999): "The Economies of the States of the Indian Union", in *Union and the States*, Observer Research Foundation, New Delhi.

Ahluwalia, M., (1999): "Economic Reforms: A Policy Agenda for Future", 13th Jawahar Lai Nehru Memorial Lecture

Aiyar, S. and Mody, A., (2011): "The Demographic Dividend: Evidence from the Indian States", *IMF Working Papers* WP/11.

Anand et. al (2002): "Fiscal Discipline at the State level: Perverse Incentives and Paths to Reform", Working Paper No. 1, January, NIPFP.

Bagchi, A., (1995): "Tenets of Tenth Finance Commission: A Critique", *Economic and Political Weekly* Vol. No. 30, Issue No.31-32.

Bagchi, A., (2001): "Perspectives on Correcting Fiscal Imbalance in the Indian Economy", *ICRA Bulletin, Money and Finance*, Jan-June 2001.

Bagchi, A., (2005): "Role of the States issues in Public Finance in a Globalising World", Working Paper, NIPFP, 2005.

Bagchi, A. and Chakraborty P., (2004): "Towards a Rational System of Centre-State Revenue Transfers in India: An Exploration", *Economic and Political Weekly*, Vol. 39, No. 26 (Jun. 26 - Jul. 2, 2004), pp. 2737-2747.

Bagchi, A. and S. Nicholas, S., (eds.) (1994): "Tax Policy and Planning in Developing Countries", Oxford University Press, Delhi.

Bagchi, A. and Sen, T. K., (1996): "Budgetary Trends in Plan Financing", in Bajaj J. L. et al (ed) *State Finances in India*, Vikas Publishing House.

Bahl, R., (1984): "Financing State and Local Governments in the 1980s", Oxford University Press.

Bajaj, J. L., (1999): "Impact of Pay Revision on State Governments' Finances", *Economic and Political Weekly*, May 29, 1999.

Bajpai, N. and Sachs, J. D., (1999): "Fiscal Policy in India's Economic Reforms", in Jeffery D. Sachs, et.al (eds.) *India in the Era of Reforms*, Oxford University Press, New Delhi.

Banerjee, D., (2000): "The Political Economy of Imbalances across Indian States" in K.D.Gaur (ed.) *Regional Dimensions of the Indian Economy*, Ashish Publishing House New Delhi.

Banerji, R., (2011): "Challenging Bihar on primary education", *Economic and Political Weekly XLVI* (11), 33–39.

Bansal, R. K., (1988): *Raising Additional Resources in the States*, Atlantic Publishers and Distributors.

Barro (1974): "Are Government Bond Net Wealth", *Journal of Political Economy*, Vol. 82(6).

Basu, A., (1999): "Public Expenditure Decision Making", Sage Publications, New Delhi.

Bhargava, P.K., (1984): "Centre State Resource Transfers in India", Academic Press, New Delhi.

Bhargava, P.K., (2000): "Deteriorating State Finances: Need for Resource Mobilisation", in 'Fiscal Deficit of States in India', (eds.) by Janak Raj Gupta, 2001.

Bhargava, P.K., (2003): "Deteriorating Fiscal Health of the States in India: Need for Resource Mobilisation", Indian Journal of Economics, Vol. No.332.

Bhatt et. al (1991): " Causality between Tax Revenue and Expenditure of Indian States", Artha Vijnana, Vol. N. 33, Issue No.4.

Bhatt, K. and Varalakshmi, S., (1994): "The Impact of Political Economy on Public Expenditure in Indian States", Indian Journal of Economics, Vol. No. 74, Issue No.295.

Bhatt, V. V., (1972):"Taxation and Economic Development", Economic & Political Weekly, Vol. 7, No. 26.

Bhatt, N.S., (1994): "Development expenditure and Public Debt in India: An empirical analysis" in Economic Policy and Tax Reform in India (ed) by K.Putaswamaiah, Indus Publishing Company, New Delhi.

Bhatt, S., (1996): "Political Economy of Public Expenditure and Tax Revenue in India", Indian Economic Journal, Vol. No. 44, Issue No. 1.

Bhatt, S. K., (1995): "Fiscal Variables and Economic Growth", Indian Journal of Economics, Vol. No.75, Issue No.298.

Bhattacharya, D., (2000): "Bihar after Bifurcation: A Challenging Future", Economic and Political Weekly 35 (43/44), 3800–3804.

Bnru, S., (2002): "Strategic Consequences of India's Economic Performance", Economic Political Weekly, June.

Buchanan et. al (1978): "The Consequences of Mr Keynes", The Institute of Economic Affairs, 1978.

Chakraborty, P., (1998): "Growing Imbalances in Federal Fiscal Relationship", Economic and Political Weekly, February 14, 1998.

Chakraborty, P., (1999): "Recent Trends in State Government Finances- A Comment" Economic and Political Weekly, Issuc-34, No.44.

Chakraborty, P., (2011): "Recommendations of Thirteenth Finance Commission: Implications for Bihar", IGC Working Paper 11/0094. March.

Chakraborty, P. and Rao, M. G., (2006): "Multilateral Adjustment Lending to States: Hastening Fiscal Correction or Softening the Budget Constraint"?, Journal of International Trade and Economic Development.

Chandrashekhar, S., (1993): "Fiscal Discipline at the level of State Government", Journal of Fiscal Economics, Vol-1, No. 1, July.

Chatterjee, B., (1997): "Tax Performance of Indian States-A Comparative Study", Mittal Publications.

Chatterjee, D. and Ganguly, S., (2002): "State Finances in India", CII.

Chaudhuri, S., (2000): "Fiscal Management: An Alternative View of the Circumstances", Money and Finance, vol 2, no. 2, July-September.

Chelliah, R. J., (1991): "The Growth of Indian Public Debt-Dimensions of Problem and Corrective Measures", IMF Working Paper WP/91/72.

Chelliah, R. J., (2001): "The Nature of the Fiscal Crisis in the Indian Federation & Calibrating Fiscal Policy", Money & Finance, ICRA Bulletin, and Jan.-June 2001.

Das, A. N., (1992): "The Republic of Bihar", Penguin Books India, Delhi.

Dasgupta, A., (1987): "Keynesian economies and Underdeveloped Countries Again", Economic and Political Weekly, Sep.19, 1987.

Das Gupta, A. (2005): “Non Tax Revenue in Indian States: Principles and Case Studies”, Paper prepared for Asian Development Bank, ‘Policy Research Networking to Strengthen Policy Reform’.

Dasgupta, A., (2007): “Floods and Poverty Traps: Evidence from Bangladesh”, Economic and Political Weekly, Vol. 42, No. 30 (Jul. 28 – Aug. 3), pp. 3166-3171.

Das Gupta, C., (2010): “Unravelling Bihar’s growth miracle”, Economic and Political Weekly, XLV(52), 50–62.

Dholakia, R. H., (2003): “Measurement Issues in Comparing Fiscal Performance of States”, Economic and Political Weekly Vol. No, 38, Issue No. 10.

Domar, E. D., (1957): “The Burden of the Debt and National Income”, in Essays in the Theory of Economic Growth, New York: Oxford University Press, 1957.

Economic Survey, Finance Department, Government of Bihar, various rounds.

Economic Survey, Ministry of Finance, Government of India, various rounds.

Eichengreen, B. and Gupta, P., (2011): “The Service Sector: India’s Road to Economic Growth?”, NBER Working Paper No. 16757.

EPWRF (2004): “Finances of State Governments”, Economic and Political Weekly; May, page No. 1841 & 1941.

EPWRF (2001): “Finances of State Governments: A Time Series Presentation”, Economic and Political Weekly, Vol XXXVI, No 20, May. 19.

Evaluation of State Finances in Bihar, Submitted to Fifteenth Finance Commission, GOI, Asian Development Research Institute, December 2018.

Feldstein, M., (1999): "Budget Deficit' and National Debt", L.K. Jha Memorial Lecture, Reserve Bank of India, Mumbai, January.

Feldstein, M., (2004): "Budget Deficit and Public Debt", L.K. Jha Memorial Lecture, Reserve Bank of India, Mumbai, January.

Ghosh, P. P. and Gupta S., (2010): "Economic growth and human development in Bihar", in Shovon Ray (Ed.) Backwaters of development: Six deprived states of India. OUP: India.

Rao, M. G. and Amar Nath H. K., (2000): "Fiscal Correction: Illusion and Reality", Economic and Political Weekly Vol. No, 35, issue No.32.

Goyal, A., (2001): "The Political Economy of Revenue Deficit", India Development Report.

Goyal et. al (2004): "Is India's Public Finance Unsustainable? Or, Are the Claims Exaggerated", Journal of Policy Modelling, Volume 26, pp. 401-20.

"Growth in Indian States ", Indian Journal of Economics, Vol. No.73, Issue No.290.

Guhan, S., (1984): "Devolution Criteria of Finance Commission and Planning Commission", in Centre State Budgetary Transfers, I.S.Gulati, (ed),Oxford University Press, New Delhi.

Guhan, S., (1997): "Centre-State Fiscal Transfers Beyond the Tenth Finance Commission", Economic and Political Weekly, Feb. 15, 1997.

Gulati and George (1978): "Interstate Redistribution through the Budget", Economic and Political weekly, Vol-No.13, Issue No.31-33.

Gupta, A. P., (1978): "On Recasting the Fiscal Structure", Economic and Political weekly, Vol. XIII, Issue No. 4-5.

Guruswamy, M., (2007): "Centrally planned inequality. The Paradox that is Bihar: A Symposium on the State's Efforts at Overcoming a Troubled Past", *Seminar*. 580. December.



Gurumurthi, S., (1993): "Towards an Alternative System of Tax-Sharing in India", Economic and Political Weekly, March 20-27, 1993.

Gurumurthi, S., (1997): "Sales Taxation: Evolution and Reform Lessons from Tamil Nadu", Economic and Political Weekly, January 18, 1997.

Gurumurthi, S., (2002): "Twelfth Finance Commission and States' Debt Burden", Economic and Political Weekly, October 5, 2002.

Hirschman, A. O., (1958): "The Strategy of Economic Development", Yale University Press, New Haven, CT.

Hyman, D., (1992): "Public Finance- Theory and Practice", Blacwell Publishing.

ICISA (2003): " State Finances: A Critical appraisal", International Centre for -Information System Audit, Research Paper.

Isaac, T. and Ramakumar, R., (2006): "Why do the States Not Spend? An Exploration of the Phenomenon of Cash Surpluses and the FRBM Legislation, Economic and Political Weekly, Vol.XLI, No.48 December.

Issac, T. and Ramakumar, R. (2011): "Challenges to Fiscal Policy in India in the era of reforms", edited in "Progressive Fiscal Policy in India" by Praveen Jha, Sage Publication.

Jha et. al (2011): "Centrally Sponsored Schemes: Are They the Solution or the Problem?", edited in "Progressive Fiscal Policy in India" by Praveen Jha, Sage Publication.

Joshi, D., (2005): "Dynamics of State Debt — A Tough Balancing Act Ahead", Economic and Political Weekly Vol. No 40 Issue No.7.

Kishore, A., (2004): "Understanding agrarian impasse in Bihar", Economic and Political Weekly. Vol. 39, No. 31 (Jul. 31 - Aug. 6, 2004), pp. 3484-3491

Kishore, A., (2007): "Indian Subnational Finances: Recent Performance", IMF Working Paper, August 2007.

Kletzler, K. and Singh, N., (1997): “The political economy of Indian fiscal federalism”, in Public Finance: Policy Issues for India, ed. Sudipto Mundle, 259–298. New Delhi: Oxford University Press.

Kumar, D., (1982): “The Fiscal System. In Dharma Kumar (ed.)”, The Cambridge Economic History of India, Volume 2: c1757-1970, pp. 905–912. Cambridge University Press.

Kumar, R. and Soumya, A. “Fiscal policy for the India after the Global Financial Crisis”, (2008-2010); Asian Development Bank Institute.

Kurian, N.J., (1999): “State Government Finances- A Survey of Recent Trends”, Economic and Political Weekly, May 8, 1999.

Kurien, N.J. and Hajela, J. D., (2002): "State Government Finances- An Overview", paper presented at Workshop on Fiscal Responsibility of Government, Faridabad.

Lahiri, A.K., (2000): “Sub-National Public Finance in India”, Economic and Political Weekly, April 29, 2000.

Lahiri, A. K., (2009): “A tale of two states: Maharashtra and West Bengal”, Review of Economic Dynamics, 12, 523–542 .

Lahiri, A. K. and Kannan, R., (2002): “India’s Fiscal Deficits and Their Sustainability in Perspective”, Discussion paper no.5, NIPFP, New Delhi, 2002.

Mathew, S. and Moore, M., (2011): “State incapacity by design: Understanding the Bihar story”, IDS Working Paper No. 366, May.

Mukherjee R, et. al (2001): "Relative Tax Performances — Analysis for Selected States in India", Economic and Political Weekly, Vol. No. 36, Issue No. 40.

Mukhopadhyay, S., (2003): "Kelkar Committee on Indirect Taxes – A Critique of the Final Report", Economic and Political Weekly, Vol. No. 38, Issue No. 1.

Mundle, S. and Rao, M. G., (1992): "Issues in Fiscal Policy", Working Paper No. 12, National Institute of Public Finance and Policy, New Delhi, 1992.

Mundle, S., (1997): "Public Finance and Policy Issues in India", (ed) Oxford University Press, New Delhi.

Murthy, G.V. S. N., (1991): "The Changing Structure of Expenditure in India" Anveshak, Vol.No.21, Issue No.2.

Musgrave, R. A., (1959): "The Theory of Public Finance", McGraw-Hill, New York.

Musgrave, R. A., (1997): "Reconsidering the Fiscal Role of Government", American Economic Review, 1999.

Nagaraj, R. and Rahman, A., (2010): "Booming Bihar: Fact or Fiction", Economic and Political Weekly, 20 February.

Oates, W. E.,(1977 ): "The Political Economy of Fiscal Federalism", Ch. 1, Lexington Books.

Panadikar,V.A.P., 1998): "The Political Economy of Centre State Relations", in India's Economic Reforms and Development (ed) M.S. Ahluwalia& Joshi &Little, O U F , New Delhi.

Pattanaik et. al (1994): "Resource Gap of the State Government: Measurement and Analysis", RBI Occasional Papers, Vol-15, No.4, December.

Planning Comission (1997): "A Background Note on Gadgil Formula for distribution of Central Assistance for State Plans".

Planning Commission (2002): "National Human Development Report", Technical report, Government of India, New Delhi.

Planning Commission (2012): "State-Specific Poverty Lines, Number and Percentage of Population below the poverty line by States- 2004-5-2009-10".

Prasad et. al (2004): "States Debt and Debt Relief", Economic and Political Weekly, June 26, 2004.

Prasad, K. N., (1997): "Bihar Economy: Through the plans (In comparison with All-India and other States)", Northern Book Center: New Delhi.

Prakash, A., (2001): "Jharkhand: Politics of Development and identity:", Sangam Books Ltd.

Purohit, M., (1978): "Buoyancy and Income - Elasticity of State Taxes in India", Artha Vijnana, Vol. No. 20, Issue No. 3.

Rajaraman, I., et.al (1999): "State Fiscal Study: Punjab", National Institute of Public Finance and Policy, New Delhi.

Rajaraman I., et.al (2001): "Time Series Properties of State Level Public Expenditure", Discussion paper No.4, January, NIPFP.

Rajaraman, I., et.al (2005): "A Study of Debt Sustainability at State Level in India", (Mumbai: Reserve Bank of India).

Rajmal (2006): "State Finances and Effectiveness of Policy Measures: An Analysis of Indian States", RBI Occasional Papers, VOL No.27, Issue No.2.

Rangarajan, C. and Srivastava, D., (2003): "Dynamics of Debt Accumulation in India: Impact of Primary Deficit, Growth and Interest Rate", Economic and Political Weekly, November 15, Volume 38, pp. 4851-58

Rangarajan, C, Srivastava D., (2005): "Fiscal Deficits and Government Debt Implications for Growth and Stabilisation", Economic and Political Weekly Vol. No 40, Issue No.27.

Rangrajan, C., (2001): "Economic reforms, Some issues and concerns for the 21st Century", lecture delivered in Indian Economic Association Conference.

Rangrajan, C., (2004): "Some Aspects of Fiscal Federalism in Econometric Models: Theory and Applications", (ed) D.M. Nachane et.al, Allied Publishers, New Delhi.

Rao, M.G., (1979): "Economic & Political Determinants of states tax revenues: A study of four states", Economic Political Weekly, November 14, 47.

Rao, M. G., (1992): "Proposals for State-Level Budgetary Reforms", Economic and Political Weekly, Feb.1, 1992.

Rao, M. G., (2000): "State Finance in India: Issues and Challenges", Economic and Political weekly, Aug. 3: pp 3261-71.

Rao, M. G., (2009): "Reform of Intergovernmental Fiscal Arrangements of Balanced Regional Development in a Globalizing Environment", in M. G. Rao and A. Shah (Ed.) States' Fiscal Management and Regional Equity: An Overview, Oxford University Press.

Rao M. G. and Singh, N., (2002),: "Fiscal Transfers in a Developing Country: The Case of India", paper presented at University of Birmingham conference on comparative federalism, January, 2002.

Rao, M. G. and Singh, N., (2005): "The Political Economy of Federalism in India", Oxford/University Press, New Delhi.

Rao, M. G. and Chelliah, R. J., (1996): "Fiscal Federalism in India", Indian Council of Social Science Research, New Delhi.

Rao, M. G. and Sarma, J. V. M., (1997): "Value Added Taxation in the States- Challenges Ahead", Economic and Political Weekly, Feb. 1, 1997, Vol. No.32, Issue No.5.

Rao, M. G. and Mandal, S., (2009): "Resource Endowments, Fiscal Flows, and Regional Equity in Indian Federalism", in M. G. Rao and A. Shah (Ed.) States' Fiscal Management and Regional Equity: An Overview, Oxford University Press.

Rao, M.G. and Sen, T. K., (1996): "Fiscal Federalism in India- Theory and Practice", Macmillan, Delhi.

Rao R K., (2004): “Impact of VAT on Central and State Finances”, Economic and Political Weekly Vol. No 39, Issue No. 26.

Rastogi, A., (2004): “Restructuring Public Finances”, Economic and Political Weekly Vol. No 39 Issue No. 26.

Reddy, Y.V., (1998): “State Finances and RBI Initiatives”, RBI Bulletin. Vol. No.52, Issue 4.

Sabyasachi, S. K. and Sakthivel, S., (2004): "Regional Divergence in India during the Era of Liberalisation: A Sectoral Decomposition", working paper series, No.E/242, Institute of Economic Growth.

Reserve Bank of India: State Finances-A Study of Budgets, Bulletin, various issues.

Rorabacher, J. A., (2008): “Gerrymandering, Poverty and Flooding: A Perennial Story of Bihar”, Economic and Political Weekly, 43 (7), 45-53. February 16th.

Sarma, J.V.M., (1997): “Federal Fiscal Relations in India-Issue of Horizontal Transfers”, Economic and Political Weekly, July 12, 1997.

Saxena, N.C., (1999): “Medium Term Fiscal Reform strategy for States”, Strategy Paper, Planning Commission, Government of India.

Sebastian, J., (1993): "Sales tax Efforts of States: Some empirical findings and policy issues", Artha Vijgna, Vol. No. 32, Issue No. 3.

Sen, T.K., (2003): "The States and Social Expenditures", India Infrastructure Report.

Sen, T. K. et. al (2001): “Fiscal Discipline at the State Level: Perverse Incentives and Path to reform”, Discussion Paper, NIPFP, May 2001.

Seshan, A., (1987): “The Burden of Domestic Public Debt in India”, RBI Occasional Papers, June 1987

Shah, A., (1994): "The reform of intergovernmental Fiscal Relations in Developing and Emerging Market Economies", Washington, DC: World Bank Research Series.

Shah, A., (1998): "Fiscal Federalism and Macroeconomic Governance: For Better or For Worse?", Policy Research Working Paper, The World Bank, Washington D.C.

Sharma, K. L., (1976): "Jharkhand Movement in Bihar", Economic and Political Weekly, XI (1/1), 37–43. January.

Sharma, A. N., (1995). Political Economy of Poverty in Bihar, Economic and Political Weekly, Vol. 30, No. 41/42 Oct. 14-21, 1995

Sharma, A. N., (2005): "Agrarian Relations and Socio-Economic Change in Bihar", Economic and Political Weekly, 43 (46), 40–42. November 15th.

Shome, P., (1997): "A Critical Assessment of the Public Finances and a future Agenda for Reform", in Ashok Desai (eds) Economic Reforms: The Next Step, Vol.1, Rajiv Gandhi Institute for Contemporary Studies, New Delhi.

Singh, N., (2004): "Some Economic Consequences of India's Institutions of Governance: A Conceptual Framework", India Review, April, 2004.

Srinivasan, T.N., (2000): "Eight Lectures on India's Economic Reforms", Oxford University Press, New Delhi.

Srinivasan, V.K., (2000): "Finance Commission Recommendations Some Predicaments", Yojana, November 2000.

Srivastava, D.K., (2002): "Study of State Finances-Uttar Pradesh Development Report", NIPFP.

Srivastava, D.K. and Nath, H. K., (2001): "Central Budgetary Subsidies in India, National Institute of Public Finance and Policy", New Delhi.

Srivastava, D.K. and Narimhulu, M., (2006): "State Level Fiscal Reforms in the Indian Federalion", (ed) The Indian Economic Association, Deep & Deep Publication Pvt. Ltd.

Stephen, H. et. al (2003): "State-level Reforms in India Towards More Effective Government", Macmillan India Ltd., 2003.

Subbarao, et. al (1993): "Financial Restructuring at the state level", Economic Political Weekly Vol. No.29, Issue 53.

Vittal, B.P.R. and Sastry, M. L., (2000): "Fiscal Federalism in India", Oxford University Press, New Delhi.

Vyas et. al (2012): "Towards Accelerated Agricultural Development in Bihar: Report of the Steering Group on Vision of Agriculture Development in Bihar", Government of Bihar.

Walliach, C., (1988): "State Finances in India", World Bank staff Working Paper, No. 523.

World Bank (1994), World Bank Report 1994: "Infrastructure for Development", Oxford University Press: New York.

World Bank (2005): "State Fiscal Reforms in India: Progress and Prospects", A World Bank Report, New Delhi: Macmillan India.

Yellen, J. L., (1989): "Symposium on the Budget Deficit", Journal of Economic Perspectives, Vol. 3, No.2-Spring 1989.