

# Fiscal Policy-Centre but not States

**Dr. RATHIN ROY**

Director **National Institute of Public Finance and Policy**

[rathin.roy@nipfp.org.in](mailto:rathin.roy@nipfp.org.in)

19<sup>th</sup> November, 2013

## Key Fiscal Indicators

(Per cent to GDP)

Year	Primary Deficit	Revenue Deficit	Gross Fiscal Deficit	Outstanding Liabilities @
1	2	3	4	5
	<b>Centre</b>			
2011-12	2.7	4.4	5.7	51.9
2012-13 PA	1.8	3.6	4.9	51.9#
2013-14 BE	(1.9)	(3.4)	(5.1)	
2013-14 BE	1.5	3.3	4.8	51.1
	<b>States*</b>			
2011-12	0.4	-0.1	1.9	22.3
2012-13 RE	0.8	-0.2	2.3	22.0
2013-14 BE	0.6	-0.4	2.1	21.6
	<b>Combined*</b>			
2011-12	3.3	4.3	7.7	65.5
2012-13 RE	2.9	3.7	7.5	65.8
2013-14 BE	2.2	2.9	6.9	66.1

@: Includes external debt at current exchange rates.

#: Pertains to revised estimates.

\*: Data in respect of states pertains to 26 state governments, of which one is Vote on Account.

PA: Provisional Accounts. BE: Budget Estimates.

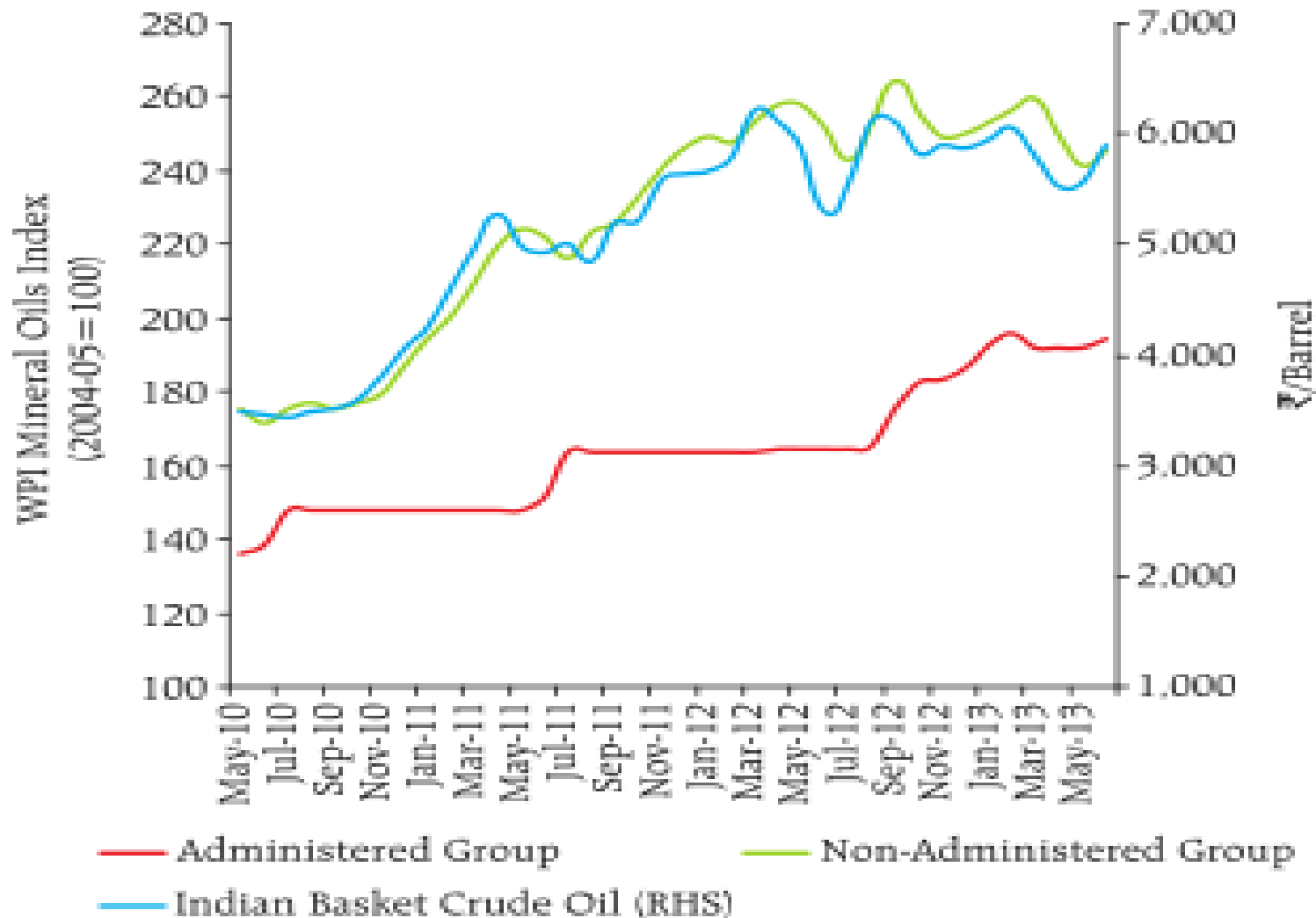
RE: Revised Estimates.

**Note:** 1. Figures in parentheses are budget estimates.

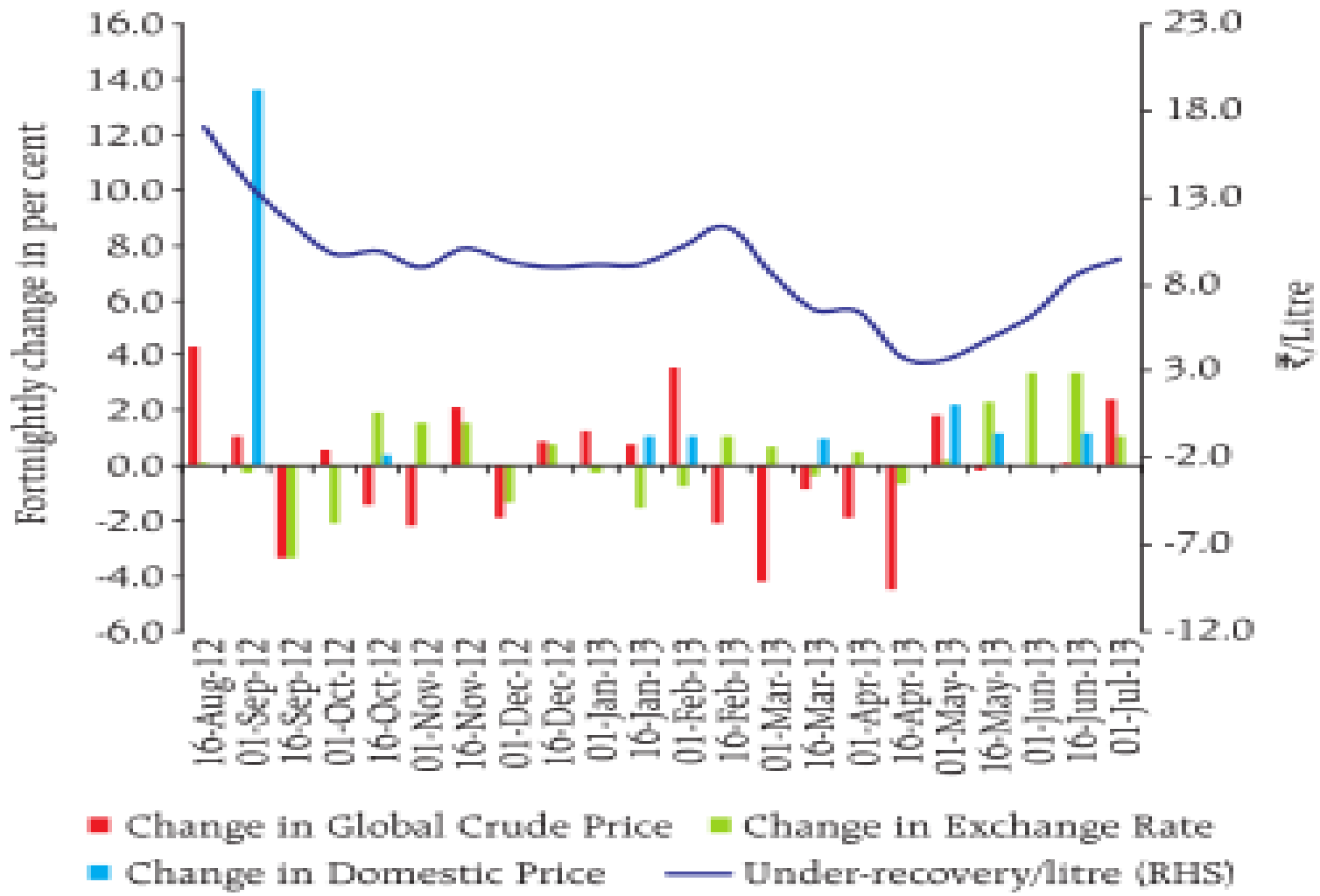
2. Combined liabilities of 2013-14 are adjusted for states' investment in Treasury Bills as on July 19, 2013.

**Source:** Budget documents of central and state governments.

## Global and Domestic Fuel Prices



## Trends in Under-recovery in Diesel



State Finance of State Government: Bihar										
(Rupees in lakhs)										
Budget description / years	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013RE	2013-2014BE
<b>RECEIPTS</b>										
Total Revenue Receipts	1571414.33	1783671.08	2308318.57	2820971.85	3298068.91	3552683.17	4453232.01	5132017.5	6668183.52	8006646.97
Public Debt	762608.42	377035.63	235785.66	161189.69	592788.79	613438.52	603241.93	662795.92	1077325.1	1181941.15
Internal Debt of the State Government	597190.79	376854.42	235464.7	114364	577802.81	537006.33	525089.02	580139.47	923019.1	1039336.15
Loans and Advances from the Centre	165417.63	181.21	320.96	46825.69	14985.98	76432.19	78152.91	82656.45	154306	142605
Loans and Advances	1483.3	5086.3	739.76	2616.35	1131.69	1319.86	1186.41	2251.21	1505.17	1328.3
Miscellaneous Receipts	0	0	0	0	0	0	0	0	0	0
Tax GDP Ratio	16.0251543	16.9495591	17.1980465	19.2227799	16.7735563	16.0514363	15.8857602	16.045999	18.75200094	18.76261113
States Own Tax Revenue (% of GSDP)	4.30361566	4.317009698	4.00356979	4.4741082	4.33847455	4.93874396	4.63214478	4.9910463	6.224169686	6.662351387
<b>EXPENDITURE</b>										
Revenue Expenditure	1463841.3	1775599.81	2058504.35	2356286.79	2851157.84	3258417.46	3821592	4649948.6	6842845.986	7331332.2
Interest Payments	347390.45	364889.24	341608.55	370698.84	375294.22	368547.61	431916.03	430365.76	518965.27	588797.08
Capital Expenditure	120451.95	208390.07	521113.19	610377.68	643635.47	733209.13	919594.05	885200.93	1425181.505	1419719.86
Public Debt	308722.12	98075.94	102497.96	163185.14	168227.65	198298.83	219002.71	292246.06	306223.06	323872.5
Internal Debt of the State Government	36450.76	49290.26	70761.46	120334.68	125360.27	116932	172452.63	245697.57	259643.27	266012.79
Loans and Advances from the Centre	272271.36	48785.68	31736.5	42850.46	42867.38	81366.83	46550.08	46548.49	46579.79	57859.71
Loans and Advances	112784.4	174781.93	31531.78	27269.58	55104.94	89678.37	110263.53	190608.09	215769.7505	139438.08
Revenue Deficit (% of GSDP)	1.38	0.10	2.48	4.09	3.14	1.80	2.96	1.91	-0.66	2.15
Fiscal Deficit (% of GSDP)	-1.60	-4.49	-3.00	-1.50	-1.76	-3.22	-1.86	-2.34	-6.87	-2.81
Primary Deficit (% of GSDP)	-6.06	-8.91	-6.39	-4.76	-4.40	-5.47	-3.89	-4.04	-8.84	-4.68

State Finance of State Government: Gujarat										
(Rupees in lakhs)										
Budget description / year	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013RE	2013-2014BE
<b>Receipts</b>										
Total Revenue Receipts	2026494.4	2506686.71	3100222	3568985	3867570.7	4167236.6	5236364.2	6295899	7579075	8575204
Tax GDP Ratio	7.4626409	7.79229059	8.068784	8.294231	7.9592099	7.6320367	8.382762	8.505297	8.855413	8.8085147
States Own Tax Revenue (% of GSDP)	6.37	6.41	6.51	6.65	6.40	6.25	7.08	7.23	7.43	7.44
Public Debt	1640099.6	1066318.67	694829.7	861110.3	1030611	1424469.2	1668133.6	1753476	2211001	2600987
Internal Debt of the State Government	1458287.7	994090.56	665350	840206.8	1007933.2	1415844	1652211.1	1734689	2136400	2575500
Loans and Advances from the Centre	181811.93	72228.11	29479.72	20903.47	22677.74	8625.19	15922.55	18786.92	74601	25487
Loans and Advances	18020.44	178368.95	79758.74	21360.08	18110.61	15066.62	28309.94	16544.21	22175.55	22175.75
Miscellaneous Receipts	589.53	793.93	269.1	9487.4	2059.77	13630.29	9117.67	1000	0	0
<b>Expenditure</b>										
Revenue Expenditure	2430180.2	2546548.67	2923213	3353951	3874145.6	4863827.7	5744001.6	5974446	7189376	8115037.6
Interest Payments	607857.15	614322.67	693177.2	748444.9	788405.19	859009.47	962732.17	1093386	1223607	1365944.5
Capital Expenditure	410020.53	695865.58	784543.8	680103.3	1021976.2	804673.23	968354.58	1381170	2137837	2439756
Public Debt	888756.04	112840.35	177089.9	193428.2	260491.22	324507.7	381752.67	527519.2	653767	621784
Internal Debt of the State Government	429248.57	54182.62	91171.36	138034.9	204585.8	268126.39	319419.78	415573.6	579557	556358
Loans and Advances from the Centre	459507.47	58657.73	85918.57	55393.29	55905.42	56381.31	62332.89	111945.6	74210	65426
Loans and Advances	73957.37	70422.19	37365.44	42876	35375.26	42760.32	68799.13	60534.02	93143.31	92140.45
<b>Revenue Deficit (% of GSDP)</b>	-1.98	-0.16	0.62	0.65	-0.02	-1.63	-0.99	0.53	0.56	0.58
<b>Fiscal Deficit (% of GSDP)</b>	-4.27	-2.56	-1.99	-1.45	-2.84	-3.54	-2.94	-1.80	-2.61	-2.57
<b>Primary Deficit (% of GSDP)</b>	-1.28	-0.05	0.45	0.82	-0.69	-1.54	-1.06	-0.02	-0.85	-0.86

## Contribution of Demand Components to GDP in China (%)

Year	Domestic Demand				External Demand			Total Demand (GDP)
	C	I	G	Total	X	M	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (5) +(8)
1991	55.7	19.2	25.9	100.7	13.4	14.1	-0.7	100
1992	65.8	28.5	18.1	112.5	10.8	23.3	-12.5	100
1993	46.8	52.8	14.3	113.9	9.5	23.4	-13.9	100
1994	33.6	38.1	9.5	81.3	30.7	12.0	18.7	100
1995	53.3	56.8	-4.4	105.8	14.5	20.3	-5.8	100
1996	58.8	30.8	12.8	102.4	18.7	21.1	-2.4	100
1997	42.3	20.3	14.5	77.0	45.0	22.0	23.0	100
1998	57.2	27.2	19.3	103.7	16.9	20.6	-3.7	100
1999	61.9	20.4	19.9	102.2	27.0	29.2	-2.2	100
2000	50.7	16.7	17.3	84.7	57.8	42.5	15.3	100
2001	43.8	43.6	15.9	103.3	24.5	27.8	-3.3	100
2002	31.5	34.8	8.1	74.4	52.3	26.7	25.6	100
2003	32.2	56.9	6.5	95.6	68.8	64.4	4.4	100
2004	36.4	50.4	7.8	94.6	79.9	74.5	5.4	100
2005	28.9	29.7	11.9	70.5	58.2	28.7	29.5	100
2006	30.2	33.2	9.6	73.0	58.1	31.1	27.0	100
2007	31.8	34.8	9.3	75.9	50.8	26.7	24.1	100
2008	33.0	36.7	9.5	79.2	30.6	9.8	20.8	100
2009	54.3	113.6	10.7	178.6	-61.8	16.9	-78.6	100
<b>Period Average</b>								
1990-95	51.0	39.1	12.7	102.8	15.8	18.6	-2.8	100
1996-99	55.1	24.7	16.6	96.3	26.9	23.2	3.7	100
2000-03	39.6	38.0	12.0	89.5	50.9	40.4	10.5	100
2004-07	31.8	37.0	9.7	78.5	61.8	40.3	21.5	100
2008-09	43.7	75.2	10.1	128.9	-15.6	13.4	-28.9	100

Source: Computation based on data from World Bank (2011).

## Contribution of Demand Components to GDP in India (%)

Year	Domestic Demand				External Demand			Total Demand (GDP)
	C	I	G	Total	X	M	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (5) + (8)
1991	-62.6	191.0	0.9	129.2	-29.3	-0.1	-29.2	100
1992	60.0	68.1	13.1	141.2	11.2	52.4	-41.2	100
1993	72.2	28.6	13.9	114.7	19.7	34.4	-14.7	100
1994	44.2	71.4	2.3	117.8	14.0	31.7	-17.8	100
1995	67.8	29.7	12.7	110.2	37.5	47.7	-10.2	100
1996	80.0	-2.0	7.7	85.7	9.3	-5.0	14.3	100
1997	52.6	60.8	24.8	138.2	-4.7	33.6	-38.2	100
1998	102.2	0.6	28.3	131.1	25.6	56.7	-31.1	100
1999	42.8	37.6	13.6	94.1	15.2	9.2	5.9	100
2000	88.8	-52.0	4.8	41.6	80.2	21.7	58.4	100
2001	73.1	18.1	5.4	96.6	13.3	9.9	3.4	100
2002	29.1	50.5	-0.8	78.8	50.2	29.0	21.2	100
2003	67.9	59.4	5.3	132.6	15.0	47.6	-32.6	100
2004	31.6	54.9	2.6	89.0	35.7	24.7	11.0	100
2005	56.8	50.4	9.2	116.5	43.2	59.7	-16.5	100
2006	52.3	51.1	3.9	107.3	42.7	50.0	-7.3	100
2007	52.1	51.7	8.1	111.9	9.6	21.6	-11.9	100
2008	153.8	-33.1	30.6	151.4	116.0	167.4	-51.4	100
2009	43.4	40.0	12.4	95.8	-11.4	-15.6	4.2	100
<b>Period Average</b>								
1991-95	36.3	77.8	8.6	122.6	10.6	33.2	-22.6	100
1996-99	69.4	24.3	18.6	112.3	11.4	23.6	-12.3	100
2000-03	64.7	19.0	3.7	87.4	39.7	27.1	12.6	100
2004-07	48.2	52.0	6.0	106.2	32.8	39.0	-6.2	100
2008-09	98.6	3.5	21.5	123.6	52.3	75.9	-23.6	100

*Source:* Computation based on data from WDI (2011).





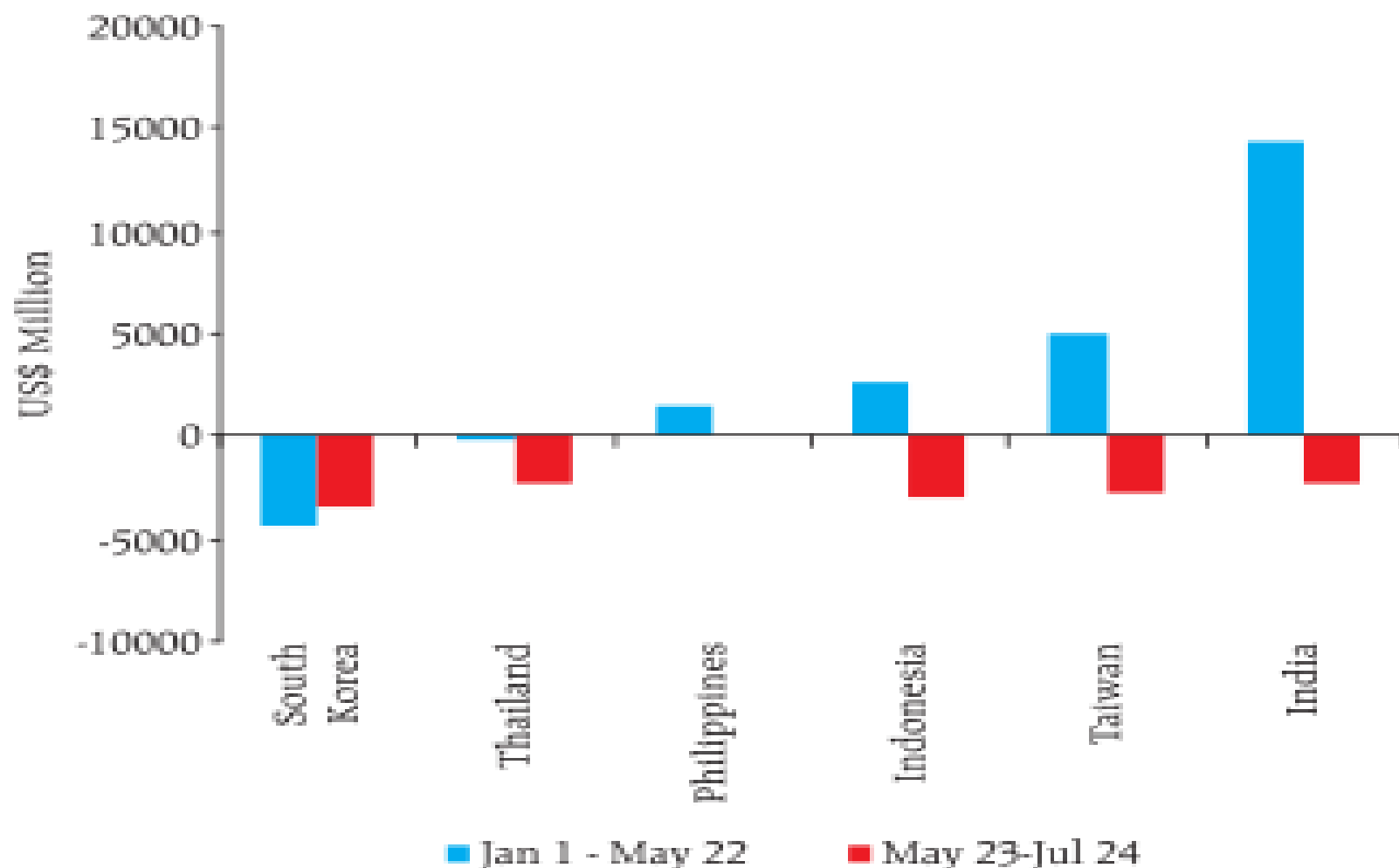
# India: Inclusive Growth Targets: 2007-12

Variable	Target	Achieved
GDP growth rate	9%	8.2%
Agriculture GDP Growth	4%	3.3-3.5%
Employment generation	58 million	20 million
Unemployment reduction	Less than 5%	2%
Literacy rate	85%	74%
Gender Gap in literacy	10 percentage points	16.6 %
Infant Mortality Rate (IMR) per 1000 live births	28	44

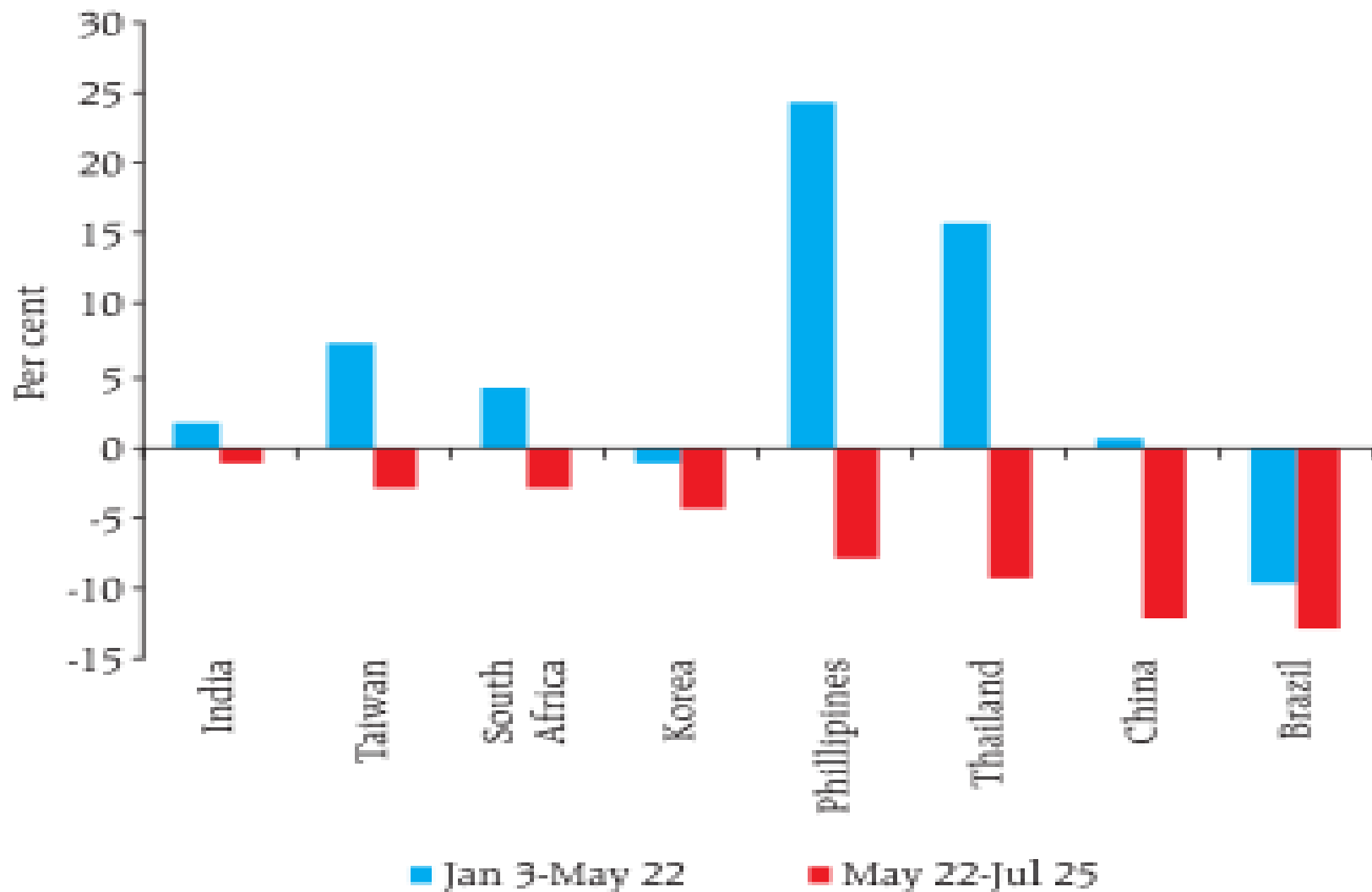
Variable	Target	Achieved
Sex Ratio (age group 0-6)	935	914
Infrastructure 1	All weather roads- New connectivity	88%
Infrastructure 2	To connect every village by telephone and broad band facility	Not Achieved
Forest Cover	20.64% of geographical area	21.05% of geographical area
Environment	Attain WHO standards of air quality	50% achieved by 2010

# Trends in the Equity and FII Flows to Select EMDEs

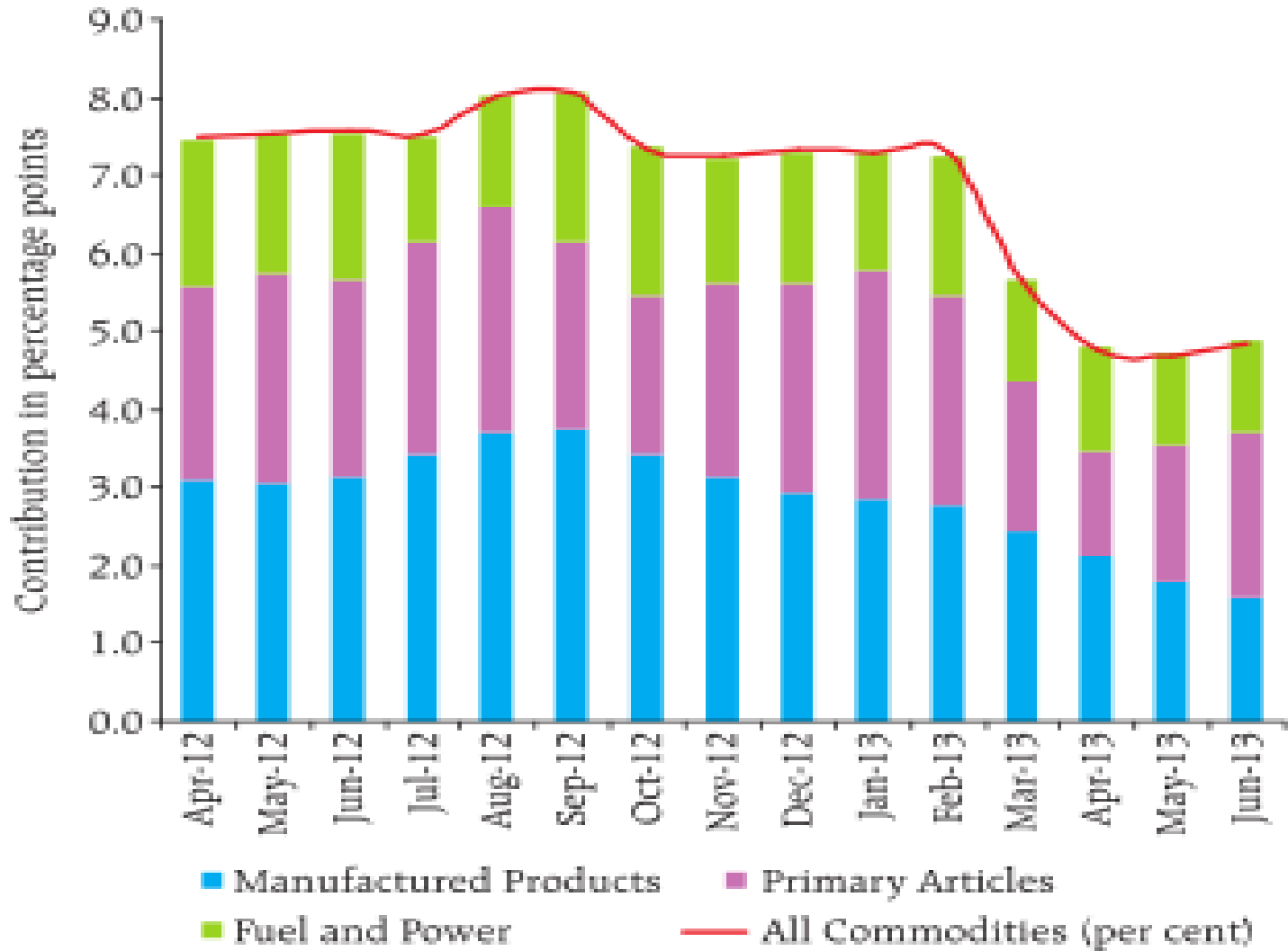
a: FII Flows to Select EMEs



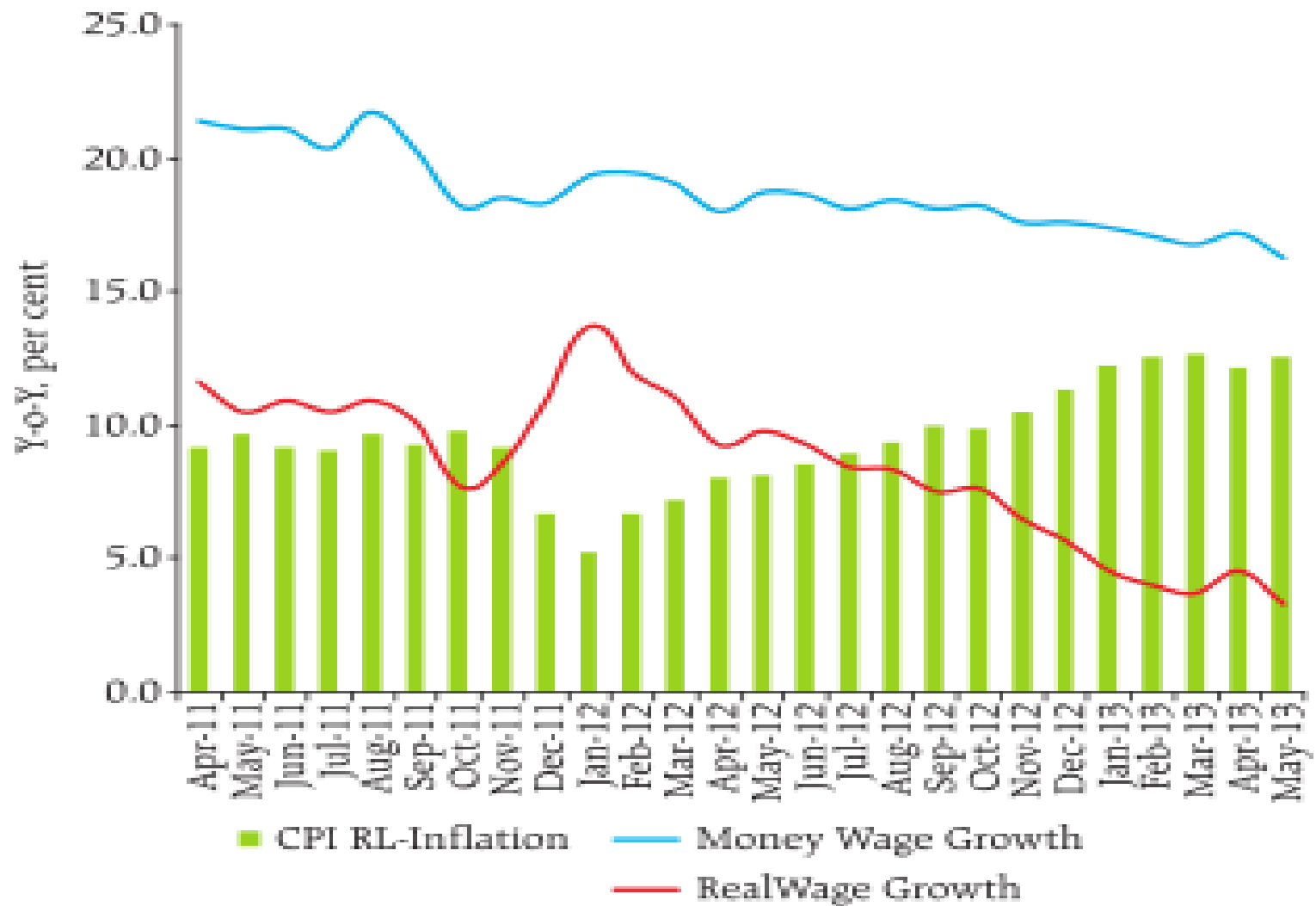
## b: Equity Markets for Select EMDEs



## Drivers of WPI Inflation



## Rural Wages and Inflation



Thank you