

State Finances in Gujarat: An Evaluation

**Report Submitted to the
Fourteenth Finance Commission
Government of India**

Yogesh Yadav

Assistant Professor (Economics)
Government Art College
Gandhinagar

Himani Baxi

Assistant Professor (Economics)
School of Liberal Studies, PDPU
Gandhinagar

Submitted by



**Gujarat Institute of Development Research
Ahmedabad**

July 2014

Acknowledgements

This report has been prepared by the Gujarat Institute of Development Research (GIDR), Ahmedabad as part of a study sponsored by the Fourteenth Finance Commission, Government of India. The research and analysis for this study have been undertaken by Dr. Yogesh Yadav of the Government Art College, Gandhinagar and Dr. Himani Baxi of the School of Liberal Studies, PDPU, Gandhinagar. Both the researchers have carried out the study in collaboration with GIDR. Ms. Arti Oza had provided research assistance in preparing the final report for the study. The authors wish to thank Professor Amita Shah and Professor Keshab Das of GIDR for their valuable support during this research work. The authors express their gratitude to Professor Archana R. Dholakia for being their mentor. GIDR records sincere appreciation for the constructive engagement of the Fourteenth Finance Commission and, particularly, Dr. Sanjay Pandey for this important opportunity to study the fiscal performance of Gujarat state.

Keshab Das
Professor and Acting Director
Gujarat Institute of Development Research
Ahmedabad 380 060

Contents

Chapter I	Introduction	4
Chapter II	Overview of Gujarat Economy	6
Chapter III	Analysis of Fiscal Performance	9
Chapter IV	Subsidies	38
Chapter V	FRBM Act	44
Chapter VI	Impact of PSUS Performance on State's Financial Health	53
Chapter VII	Conclusions	74
	References	75

List of Tables

1	Gross State Domestic Product at Factor Cost	7
2	Sectoral Contribution to GSDP at Current Price (%)	8
3	Deficit Indicators	9
4	Deficit Indicators – GSDP Ratio	10
5	Revenue – GSDP Ratio	11
6	Buoyancy Estimates	12
7	CAGR of revenue Receipts (2002-2012)	12
8	Annual Growth Rate of Tax Revenue Annual Growth Rate of Tax Revenue	14
9	Annual Growth rate of Non-Tax Revenue	15
10	Components of Taxes on Commodities and Service Components of Taxes on Commodities and Service	17
11	Components of State's Own Non- Tax Revenue	18
12	CAGR of Capital Receipts (2002-2012)	18
13	Annual Growth rate of Capital Receipts	19
14	Components of Capital Receipts	20
15	Expenditure Pattern of Gujarat	21
16	State Expenditure As a percentage of GSDP	21
17	Developmental and Non Developmental Expenditure 2002-2012	23
18	Developmental and Non Developmental Revenue Expenditure 2002-2012	23
19	Developmental and Non Developmental Capital Expenditure 2002-2012	24
20	Composition of Developmental and Non Developmental Expenditure	25
21	Expenditure on Social and Economics Services in Gujarat	26
22	Non Developmental Expenditure of Gujarat State (Revenue Account) Non Developmental Expenditure of Gujarat State (Revenue Account)	28
23	Non Developmental Expenditure of Gujarat State (Capital Account)	29
24	Components of Social Services of Revenue Accounts	30
25	Components of Social Services of Capital Accounts Components of Social Services of Capital Accounts	31

26	Components of Economic Services of Revenue Accounts Components of Economic Services of Revenue Accounts	32
27	Components of Economic Services of Capital Accounts	33
28	CAGR of Various Developmental Expenditure	34
29	CAAGR of Various Non-Developmental Expenditure	35
30	Total Subsidy in Gujarat State	39
31	Comparison of Total Subsidy	40
32	Total Guarantees of the State Government: 2002-12	41
33	Composition of Total Guarantees of the State Government: 2002-12	42
34	Debt of the State Government	43
35	Fiscal Indicators	46
36	Achievement of FRBM Targets	46
37	Performance of PSU in Gujarat	53
38	Subsidy given to PSUs in Gujarat	55
39	Electricity Installation, Generation and Consumption Electricity Installation, Generation and Consumption	58
40	Profit/Loss and Subsidy for Power Sector	60
41	Funding Pattern under JNNURM	61
42	Number of Projects sanctioned and their funding under JNNURM	64
43	JNNURM project status for Gujarat as on March 2012	64
44	List of Completed Project under UIG – City Wise Details	65
45	Actual Expenditure as per Annual Plan	66
46	Distribution of Water Resources in Gujarat	67

List of Charts

1	Components of Revenue Receipts	16
2	Components of Tax Revenue	16
3	Components of Non Tax Revenue	17

State Finances in Gujarat: An Evaluation

Yogesh Yadav^{*}
Himani Baxi[†]

Chapter I

INTRODUCTION

In the federal nation like India, the state governments have the power to take their own fiscal decisions and hence their efforts are likely to determine their fiscal as well as economic performance. Under the constitutional arrangements, states are given the power to raise revenue from clearly defined taxes and non-tax sources. The expenditure responsibilities are also allocated between states and centre government and hence there is no overlap or disputes for fiscal powers and responsibilities. Given this fiscal arrangements, it becomes important for each state to frequently evaluate its fiscal performance. The present paper is an attempt to examine the fiscal performance of Gujarat state during the period of 2002 -03 to 2011-12, and bring out some of the important issues associated with Gujarat's state finances. The paper has been developed for the study sponsored by 14th Finance Commission to evaluate the fiscal performance of Gujarat state.

We would note here that the period of fiscal year 2002 -03 to 2011-12, witnessed some important events such as introduction of VAT, removal of octroi, implementation of FRBM Act, implementation of projects under JNNURM, power sector reforms, subprime crisis and implementation of 6th pay commission etc. It is in this background that the finance of Gujarat state needs to be reviewed. An attempt is made to estimate growth rates of various fiscal

* Assistant Professor (Economics), Government Art College, Gandhinagar

† Assistant Professor (Economics), School of Liberal Studies, PDPU, Gandhinagar

indicators, analysis of individual components of revenue and expenditure is to examine the relative share of various revenue sources and expenditure components. Along with this, the paper also addresses the issue such as fiscal impact of PSU performance, JNNURM performance, power sector reforms and impact on state budget and also the performance of state under FRBM Act.

The remaining part of this report paper is divided into 6 chapters. Chapter II provides an overview of the Gujarat economy. Chapter III deals with analysis of fiscal performance, Chapter IV analyses subsidies, Chapter V addresses the issue of reforms under FRBM Act and Chapter VI discusses power sector reforms, performance of PSUs and reforms under JNNURM. Conclusions and policy suggestions have been presented in Chapter VII.

Chapter II

OVERVIEW OF THE GUJARAT ECONOMY

Gujarat state is known for its entrepreneurial population and level of industrialization across the world. It is among the top five economically developed states of India contributing to around 7.32% of India's GDP with 4.99% of India's population (State Domestic Product, GoG 2011-12).

State Profile

Gujarat was formed in 1960 with the total area of 1,96,024 sq km, and longest coastal line of 1600 km. At present it has 26 districts with 226 talukas and 18,618 villages.

Demographic Profile

As per the census 2011 the population of Gujarat is 60,383,628 (6.03 crores) which has increased from 5.07 crores in 2001. This shows an increase by 19.16% in population over a decade and 1.76% average annual growth rate. The rural population consists of 57.42% and urban population accounts for 42.58% of the total population of the state as per 2011 census.

Looking at various human development parameters, the Human Development Report – India 2011 notes that Gujarat is a poor performer as compared to the national level. The sex ratio in the state deteriorated from 920 as per 2001 census to 918 females per 1000 male as per 2011 census which is much lower than all India sex ratio 940 in 2011 census. On the health parameters, among the industrial high per capita income states, Gujarat fares the worst in terms of overall hunger and malnutrition (HDR India, 2011). Out of total 17 states selected for ranking on hunger index, Gujarat ranks 13 which is an evidence for poor health performance. Nevertheless, as per HDR India 2011, there is a marginal improvement observed in human development index from 0.466 in 1999 – 2000 to 0.527 in 2007-08. Literacy rate of the state has improved from 69.14%

in 2001 to 79.31% in 2011 which is marginally higher than that of India's average literacy rate 74.04% in 2011.

Economic Profile

The economic development scenario in Gujarat has been very dynamic. During the period of ten years from 2002-03 to 2011-12 the Gross State Domestic Product at factor cost at current price has increased from Rs. 152149 to Rs. 611767, registering a compounding annual growth of 14.93%. The GSDP at factor cost at constant price (2004-05 prices) increased from Rs. 162925 in 2002-03 to Rs. 398884 in 2011-12. The economic growth rate of Gujarat has always been higher than that of All India average growth rate. Since 2002-03, the annual growth rate of GSDP at current price has been showing double digit growth and except few years in this decade, the GSDP at constant price has also increased by more than 10%.

Table 1: Gross State Domestic Product at Factor Cost

Year	Current Price Factor Cost (Rs. Crore)	% Annual Growth Rate	Constant Price (2004- 05*) Factor Cost (Rs. Crore)	% Annual Growth Rate
2002-03	152149	-	162925	-
2003-04	180686	18.76	186995	14.77
2004-05	203373	12.56	203373	8.76
2005-06	244736	20.34	233776	14.95
2006-07	283693	15.92	253393	8.39
2007-08	329285	16.07	281273	11.00
2008-09	367912	11.73	300341	6.78
2009-10p	437912	19.03	334127	11.25
2010-11p	530430	21.13	367540	10.00
2011-12q	611767	15.33	398884	8.53

* GSDP during 2002-03 to 2004-05 is also calculated at 2004-05 price

Source: Socio Economic Review, GoG, various years

The Per Capita Income – PC NSDP at factor cost at constant price (2004-05 prices) was Rs. 57508 in 2011-12 as compared to Rs. 53789 in 2010-11 recording a growth of 6.9% during the year. As against this the PC NSDP at current prices register a growth of 13.8% during 2010-11 to 2011 -12.

Table 2: Sectoral Contribution to GSDP at Current Price (%)

Year	Primary	Secondary	Tertiary
2002-03	18.2	37.7	44.1
2003-04	20.8	37.5	41.7
2004-05	19.5	36.5	44.0
2005-06	20.6	37.1	42.3
2006-07	20.6	37.3	42.1
2007-08	20.3	37.3	42.4
2008-09	18.2	37.7	44.1
2009-10p	18.2	36.9	44.9
2010-11p	21.8	36.8	41.4
2011-12q	21.8	36.1	42.1

Source: Socio Economic Review, GoG, various years

The sectoral contribution data (table 2) indicate the significant role of service sector in GSDP at current price. However, in comparison to the sectoral contribution in India's GDP, the pattern slightly varies in case of Gujarat. For the year 2011-12, industry's share was 18.53% in India's GDP where as it was 36.8% for Gujarat's GSDP at current price. Within that, manufacturing sector alone contributed 27.3%. For India, where service sector contributed almost 63.92% to GDP in 2011-12, in Gujarat the relative share of the same was 41.4% to GSDP at current price. Thus, although service sector has the highest relative share in Gujarat's GSDP at current price throughout the period of 2002-03 to 2011-12, industrial sector also has significant role to play. Gujarat is able to establish itself as one of the economically advanced states having sound infrastructure, favoring industrialization and attracting foreign investments.

Chapter III

ANALYSIS OF FISCAL PERFORMANCE

Deficit Indicators

Gujarat state has been considered as one of the better performers in fiscal management. Although the state was experiencing increase in the revenue and fiscal deficit during 2002-03 to 2004-05, the revenue deficit–GSDP ratio was reducing during the same period and the fiscal deficit–GSDP ratio started declining after 2003-04. In 2005, Gujarat implemented Fiscal Responsibility Budgetary Management Act and was one of the first states to implement the legislation. Gujarat was not only diligently following the FRBM Act but was in fact ahead of the target before 2008-09. As per the targets, the revenue deficit was to be brought down to zero by 31st March 2008 and thereafter generate revenue surplus. Fiscal deficit which is a more comprehensive indicator of government deficit was to be brought down to not more than 3% of GSDP by 31st March 2009. Both these targets were achieved successfully within the time frame. (Table 3, Table 4)

Table 3: Deficit Indicators

Year	Revenue Deficit (-)/Surplus	Fiscal Deficit	Primary Deficit (-) /Surplus
2002-03	-3564.80	6028.30	-1079.54
2003-04	-3706.61	9143.30	-3338.45
2004-05	-4036.86	8690.54	-2611.97
2005-06	-398.62	6269.87	-126.64
2006-07	1770.09	5648.72	1283.05
2007-08	2150.34	4770.98	2713.47
2008-09	-65.75	10437.56	-2553.51
2009-10	-6965.91	15153.29	-6563.2
2010-11	-5076.38	15073.64	-5446.32
2011-12	3214.53	11027.07	-93.21

Source: State Budget Documents, various years

Post 2008-09 the deterioration in the fiscal performance is attributed to two important factors. One is the global down turn and second is the implementation of sixth pay commission. The expansionary fiscal policy was implemented both at the centre and state governments' level as an effort to revive the economic growth rate. Government of Gujarat had to resort to borrowing which increased from Rs. 8,402.07 crores in 2007-08 to Rs. 14,158.44 crores in 2009-10. Thus, the deterioration in the revenue account during 2009-10 indicated by decline in RR-GSDP ratios as well as an increase in RE-GSDP ratios (RBI, State Finance Report, 2011-12)

Table 4: Deficit Indicators – GSDP Ratio

Year	RD/GSDP	FD/GSDP	PD/GSDP
2002-03	-2.34	3.96	-0.71
2003-04	-2.05	5.06	-1.85
2004-05	-1.98	4.27	-1.28
2005-06	-0.16	2.56	-0.05
2006-07	0.62	1.99	0.45
2007-08	0.65	1.45	0.82
2008-09	-0.00	2.84	-0.69
2009-10	-1.59	3.46	-1.50
2010-11	-0.96	2.84	-1.03
2011-12	0.53	1.80	-0.02

Source: State Budget Documents, various years

With the purpose of providing some fiscal relaxation to the state government due to the pressure of economic recession and implementation of 6th pay commission, the Government of India had revised the FRBM target for Fiscal Deficit from 3% of GSDP to 3.5% in 2008-09 and further to 4% in 2009-10. Gujarat despite of the revision in the fiscal targets continued gradually reducing the revenue and fiscal deficit over a period of time. Gujarat is able to achieve fiscal discipline much before the targeted time duration.

Revenue Receipts

The average Revenue Receipt–GSDP ratio of Gujarat during the period from 2002-03 to 2011-12 has been around 10.40%. However, states like Andhra Pradesh, Karnataka, and Tamil Nadu are some of the states having higher RR-GSDP ratio as compared to that of Gujarat. With respect to Own Non-Tax Revenue–GSDP ratio, it is matter of concern as it has continuously declined from 2006-07. The low NTR–GSDP ratio and ONTR-GSDP ratio indicate that there is an untapped or unexploited source of state’s revenue. (Table 5)

Table 5: Revenue – GSDP Ratio

Year	RR/GSDP	TR/GSDP	OTR/GSDP	NTR/GSDP	ONTR/GSDP
2002-03	11.75	7.15	6.26	4.60	2.63
2003-04	10.10	7.27	6.19	2.83	1.81
2004-05	9.96	7.46	6.37	2.50	1.52
2005-06	10.24	7.79	6.41	2.45	1.37
2006-07	10.93	8.07	6.51	2.86	1.74
2007-08	10.84	8.29	6.65	2.54	1.40
2008-09	10.51	7.96	6.40	2.55	1.39
2009-10	9.52	7.45	6.11	2.06	1.24
2010-11	9.87	8.11	6.85	1.76	0.93
2011-12	10.29	8.51	7.23	1.79	0.86

Source: Calculated from state budget documents of various years

Gujarat was experiencing buoyant tax structure throughout the period with 1.09% buoyancy of tax revenue. It indicates buoyant behavior of revenue receipts with an increase in GSDP. Same is the case with state’s own tax revenue. However, non-tax revenue structure for Gujarat is not buoyant. With every 1% increment in GSDP it will lead to only 0.49% increment in Non–Tax Revenue and only 0.37% increment in Own Non Tax Revenue, raising a serious concern for the efficiency of generating revenue through profits from state owned PSUs, interest receipts and user charges from various social and economics services.

Table 6: Buoyancy Estimates

Revenue Resources	Buoyancy
Revenue Receipts	0.94
Tax Revenue	1.096
Own Tax Revenue	1.07
Non Tax Revenue	0.49
Own Non Tax Revenue	0.37

Source: Calculated based on data from state budget documents

The total revenue receipt has increased from Rs. 17875.33 in 2002-03 to Rs. 62958.99 in 2011-12. For the growth of the revenue receipts the contribution of growth of tax revenue is higher than that of non-tax revenue (Table7). Within the tax revenue, property and capital transaction tax and state sales tax\VAT have relatively enjoyed higher growth rate.

Table 7: CAGR of revenue Receipts (2002-2012)

Particulars	CAGR (2002-2012)
Revenue receipts	13.42
Tax revenue	16.94
State's Own Tax Revenue	16.60
Taxes on Professions, Trades & Employment	8.79
Taxes on Property and Capital Transactions	26.76
Sales Tax/VAT	17.44
State excise	4.35
Taxes On Vehicles	10.79
Taxes and Duties on Electricity	10.20
Entertainment Tax	6.67
Non Tax Revenue	4.57
State's Own Non-Tax Revenue	2.82
Interest Receipts	-9.34
Dividends and profits	11.86
General Services	-4.34
Social Services	11.61
Economic Services	8.88

Source: Calculated based on data from state budget documents

During the period 2002 to 2012 Gujarat government has introduced many reforms in the tax structure, VAT was implemented since fiscal year 2006-07, in case of stamp duty and registration fees, Government of Gujarat has simplified and rationalized the tax structure. The total incidence of stamp duty at the maximum aggregate rate was 14.80% upto 2002-03 and by 2007-08 it was reduced to 4.9% (GoG budget documents). Along with reducing the stamp duty, jantri rates have been revised frequently and registration fees on transfer of immovable property is reduced to 1%. These efforts have captured the black money transactions of reality sector and have made the tax structure more buoyant. However, this particular tax revenue has been highly fluctuating year on year, the details of which is given in Table 8. Government in the budget documents, have announced frequent reduction in the electricity duty and sales tax on electricity was abolished from 1st April 2002. Significant changes have been brought in case of vehicle taxes in terms of changes in the classification pattern of vehicle, simplification of tax structure by reducing the total number of tax rates and to provide a facility of lump sum tax payment. These efforts have been beneficial only to an extent of reducing administrative expenses but have not significantly benefited in terms of revenue collection.

Gujarat from the beginning has been focusing more on tax revenue and ignoring the scope of raising revenue through non-tax sources. More intense efforts are now required to mobilize resources through non-tax revenue. During the period of 2002 to 2012 state's own non-tax revenue has increased from Rs. 3995.58 crores to Rs. 5276.53 crores indicating CAGR of only 2.82%. Out of heterogeneous mix of sources of state's own non-tax revenue, revenue from dividends and profits (11.86%), social service (11.61%) and economics services (8.88%) have only enjoyed positive growth where as revenue from interest receipts (-9.34%) and general services (-4.34) have declined during the same period. The C&AG reports of various years have also reviewed that average return on the Government's investments is almost negligible and the cost recovery on loans and advances is very poor. Unless some important steps are taken to improve the recovery of loans and getting a reasonable value for money, this negative return on financial resources will continue to strain the economy.

The annual growth rate of various tax revenue components are given in (Table 8). The impact of 2008 global economic crisis is evident from the data as property tax, land revenue, stamp duty have suffered negative growth rate during 2008-09. Whereas growth rate of other components of tax revenue such as sales tax/VAT and vehicle tax during 2008-09 has reduced as compared to previous year. Gujarat is able to recover this reduction in the revenue which can be observed as there was almost 25% increment in the revenue receipts and 35% increment in state's own tax revenue in 2009-10.

Table 8: Annual Growth Rate of Tax Revenue (%)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue receipts	2.08	11.06	23.70	23.68	15.12	8.37	7.75	25.66	20.23
Tax revenue	20.72	15.51	25.65	20.03	19.31	7.22	11.43	31.83	20.96
State's Own Tax Revenue	17.34	15.88	21.16	17.63	18.52	7.64	13.51	35.89	21.78
Taxes on Income	4.09	33.36	-10.12	9.89	14.15	24.17	5.94	15.92	-2.65
Taxes on Property and Capital Transactions	10.51	45.78	29.21	28.79	40.62	-15.66	61.90	45.38	12.91
Land revenue	33.20	85.26	61.88	31.16	36.97	-20.44	113.6	54.05	-17.42
Stamps & Registration Fees	26.90	16.75	19.77	23.58	41.64	-14.36	47.92	43.40	27.39
Urban Immovable property tax	169.4	41.82	343.2	284.8	45.38	-9.79	22.66	5.19	22.06
Taxes on Commodities and Services	16.58	14.85	20.67	16.45	15.86	10.97	8.11	34.46	23.58
State Sales Tax/VAT	14.67	15.89	27.11	21.36	17.84	11.30	8.26	36.78	25.34
Taxes On Vehicles	15.87	13.30	8.77	3.22	9.99	5.46	11.65	29.89	12.34
Taxes and Duties on Electricity	15.06	14.88	3.86	9.90	-1.98	15.80	11.55	23.41	12.01
Entertainment Tax	3.22	23.71	-13.58	-36.30	2.06	18.60	38.61	40.00	15.47

Source: Calculated based on data from state budget documents

The annual growth rates of various components of non-tax rate are quite volatile (Table 9). A pattern of erratic growth was observed in all the components of Non Tax Revenue.

Table 9: Annual Growth Rate of Non-Tax Revenue (%)

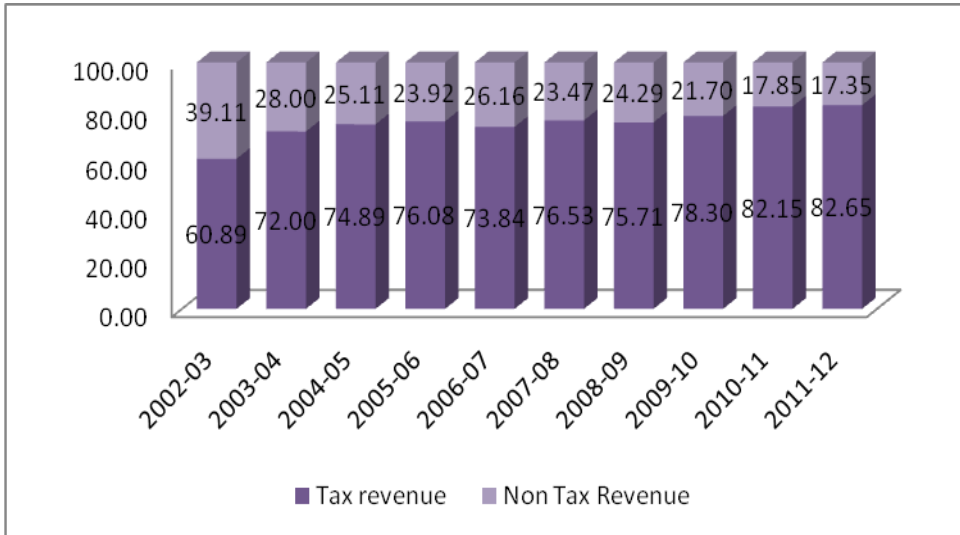
Year	Non Tax Revenue	State's Own NT revenue	Interest receipts	Dividends & Profits	General Services	Social services	Economic services	Grants from the Centre
2003-04	-26.93	-18.11	-46.75	-28.88	-46.98	-19.32	26.46	-38.69
2004-05	-0.4	-5.55	-47.64	19.84	36.48	-6.89	7.81	8.76
2005-06	17.85	8.51	-72.13	289.6	-0.15	29.58	22.28	32.32
2006-07	35.28	47.58	116.2	154.1	189.4	37.17	15.2	19.67
2007-08	3.29	-6.86	16.54	-86.59	-31.94	18.24	8.44	19.16
2008-09	12.11	10.63	72.13	3.85	23.95	71.27	-7	13.92
2009-10	-3.74	6.91	-26.13	55.3	18.24	-25.36	16.16	-16.4
2010-11	3.37	-9.84	-3.71	49.15	-68.89	38.93	1.79	23.43
2011-12	16.92	7.36	56.45	12.67	-1.19	6.92	2.27	27.52

Source: Calculated based on data from state budget documents

The composition analysis of various sources of revenue receipts during 2002 to 2012 indicates high and increasing share of Tax Revenue as compared to Non Tax Revenue. In 2002-03 the Tax Revenue constituted around 61% which increased to almost 82.65% in the span of ten years (Chart 1). The higher share of tax revenue indicates regressive tax structure, as more than 85% of state's own tax revenue is raised from indirect taxes. Lower contribution of non-tax revenue also indicates inability to recover the charges of social and economic services and inability of state's PSUs to generate profits. The inefficiency in cost recovery implies the existence of implicit subsidies as the financial burden of non-recovery is not evident in the budget. In fact for the state, it is more justified to charge individual persons who are direct beneficiary of services provided by the govt. when significant externalities or welfare motives are not involved, rather than charging the general tax payers for financing these services (Srivastava, Chattopadhyay, Jena 1999).

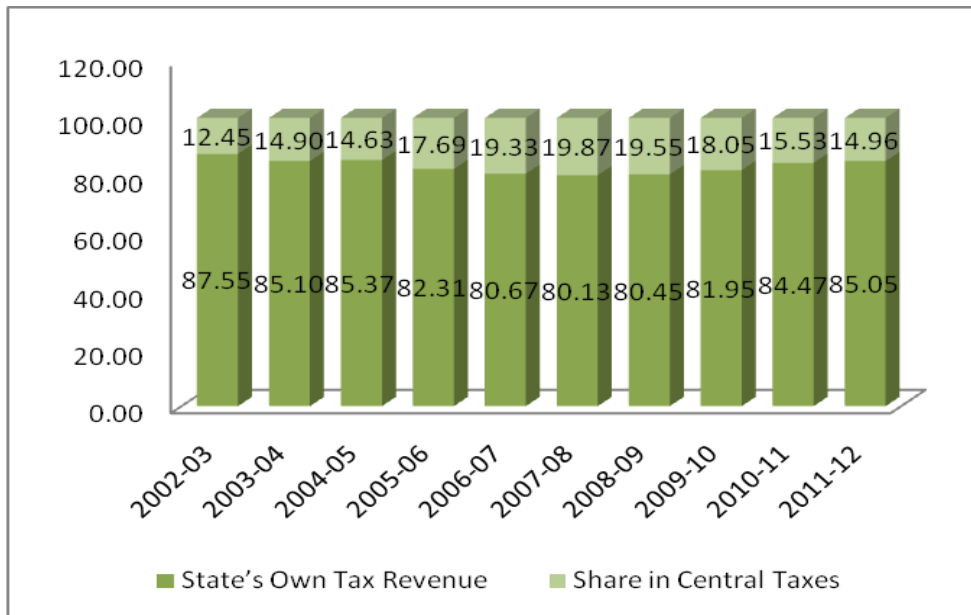
Within Tax Revenue, state is generating more than 80% of revenue from its own tax efforts. State's own tax revenue is dominated by Sales Tax/VAT and followed by electricity duty (Table 10). Entertainment tax contributes the lowest. This is an untapped resource despite of Gujarat being one of the highly urbanized states which is an indicator for the growth of entertainment industry. The concentrated tax structure indicates the failure to capture the diversity of the tax base.

Chart 1: Components of Revenue Receipts



Source: Calculated based on data from state budget documents

Chart 2: Components of Tax Revenue (%)



Source: Calculated based on data from state budget documents

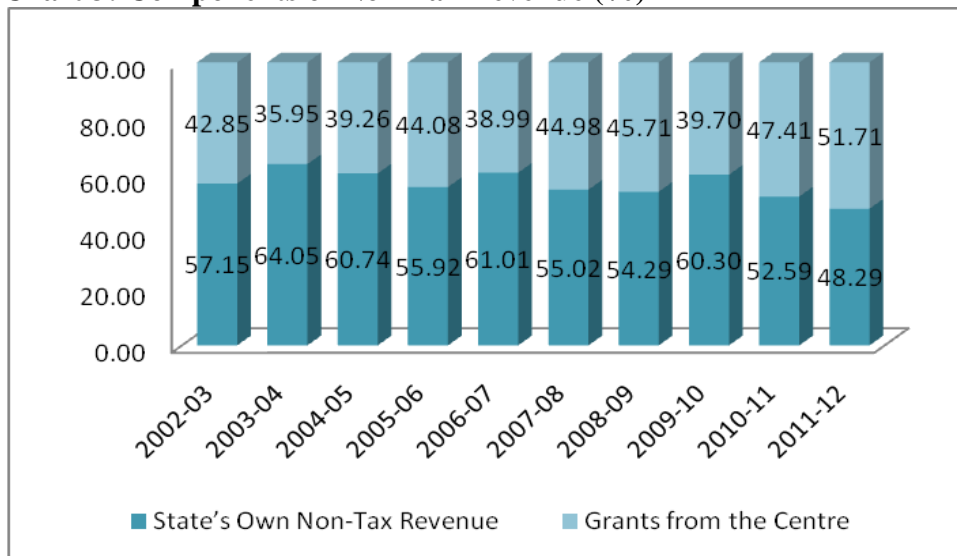
Table 10: Components of Taxes on Commodities and Service (%)

Year	Sales Tax	State Excise	Taxes on Vehicles	Taxes on Goods & passengers	Taxes & Duties on Electricity	Entertainment tax	Other Taxes & Duties
2002-03	72.03	0.54	9.31	0.13	15.94	0.46	1.68
2003-04	70.85	0.46	9.25	1.70	15.73	0.41	1.70
2004-05	71.49	0.41	9.13	1.38	15.74	0.44	1.45
2005-06	75.30	0.34	8.23	1.11	13.54	0.32	1.15
2006-07	78.48	0.26	7.29	0.04	12.78	0.17	0.98
2007-08	79.82	0.25	6.92	0.80	10.82	0.15	1.24
2008-09	80.06	0.23	6.58	0.81	11.29	0.16	0.88
2009-10	80.17	0.29	6.80	0.03	11.65	0.21	0.86
2010-11	81.55	0.21	6.56	0.02	10.69	0.22	0.75
2011-12	82.72	0.19	5.97	0.55	9.69	0.20	0.68

Source: Calculated based on data from state budget documents

State’s Non-tax Revenue is generated through its own efforts and central government transfer in the form of grants. For Gujarat state, its dependence of central transfer is relatively less as compared to its own Non Tax Revenue (Chart 3). The maximum contribution to the state’s Own Non Tax Revenue is of economic services, followed by revenue from interest receipt. However, the share of interest receipts is very unpredictable. Dividends and profit from PSUs contributes the least to own non-tax revenue. There is certainly a need for an improvement to mobilize resources and acquire the return on huge public investment.

Chart 3: Components of Non Tax Revenue (%)



Source: Calculated based on data from state budget documents

Table 11: Components of State's Own Non- Tax Revenue (%)

Year	Interest Receipts	Dividends and Profits	General Services	Social Services	Economic Services
2002-03	42.17	1.05	14.07	6.05	36.65
2003-04	27.42	0.91	9.11	5.96	56.59
2004-05	15.20	1.16	13.16	5.88	64.60
2005-06	3.90	4.16	12.11	7.02	72.80
2006-07	5.72	7.17	23.75	6.52	56.83
2007-08	7.16	1.03	17.36	8.28	66.17
2008-09	11.14	0.97	19.45	12.82	55.63
2009-10	7.69	1.41	21.51	8.95	60.44
2010-11	8.22	2.33	7.42	13.79	68.23
2011-12	11.98	2.44	6.83	13.74	65.00

Source: Calculated based on data from state budget documents

Capital Receipts

During the last ten years from 2002-03 to 2011-12 the total capital receipts have reduced from Rs. 24,624 crores in 2002 - 03 to Rs. 17710 crores in 2011-12. In the year 2006-07 the capital receipts has drastically reduced to Rs. 7748.58 crores, however, since 2007-08 onwards it has gradually increased over the next five years. Loans and advances from centre have declined as centre has discontinued extending loans to the states. Recoveries of loans and advances have improved marginally with compounded annual growth of 6.47%.

Table 12: CAGR of Capital Receipts (2002-2012)

Particulars	CAGR (2002-2012)
Public Debt	-3.60
Internal Debt of State Govt.	-4.09
Central loan and advances	-23.22
Recovery of Loans & Advances	6.47
Other Receipts	7.27
TOTAL Capital Receipts	-4.49

Source: Calculated based on data from state budget documents

Table 13: Annual Growth Rate of Capital Receipts

Year	Public Debt	Internal Debt of State Govt.	Central loan and advances	Recovery of Loans & Advances	Other Receipts	TOTAL Capital Receipts
2003-04	-9.15	-16.97	127.85	5.91	-65.48	-9.16
2004-05	-26.02	-23.91	-39.48	-0.77	-67.13	-25.85
2005-06	-34.98	-31.83	-60.27	889.84	34.58	-24.91
2006-07	-34.84	-33.07	-59.18	-55.28	-66.12	-37.79
2007-08	23.93	26.28	-29.09	-73.22	3426.77	15.11
2008-09	19.68	19.96	8.49	-15.21	-78.30	17.81
2009-10	38.22	40.47	-61.97	-16.81	561.97	38.29
2010-11	17.11	16.69	84.61	87.90	-33.10	17.37
2011-12	5.12	4.99	17.99	-41.56	-89.03	3.84

Source: Calculated based on data from state budget documents

Examination of year on year growth (Table 13) of capital receipts clearly indicates after 2007-08 there is a continuous increment in the capital receipts. In case on loans from centre there is a negative growth rates except few years. This is due to the reason that Government of India has stopped giving plan loans from the FY 2005-06 to the States based on the recommendations of the 12th Finance Commission. The sharp rise in internal debt by 40.47% in 2009-10 reflects the impact of expansionary fiscal policy implemented post global financial crisis and during the same year Government of Gujarat has accepted to implement recommendations of 6th pay commission and only during the same year the revenue under miscellaneous category increased by 561.97%.

Out of total capital receipts of the state, internal debt is the major source. Although it reduced from 93.73% in 2002-03 to 85.87% in 2006-07, it further increased after that and in 2011-12 it was as high as 97.95%.

Table 14: Components of Capital Receipts

Year	Internal Debt of State Govt.	Central loan and advances	Recovery of Loans & Advances	Other Receipts
2002-03	93.74	5.35	0.70	0.21
2003-04	85.68	13.43	0.81	0.08
2004-05	87.92	10.96	1.09	0.04
2005-06	79.82	5.80	14.32	0.06
2006-07	85.87	3.80	10.29	0.03
2007-08	94.20	2.34	2.39	1.06
2008-09	95.92	2.16	1.72	0.20
2009-10	97.43	0.59	1.04	0.94
2010-11	96.87	0.93	1.66	0.53
2011-12	97.95	1.06	0.93	0.06

Source: Calculated based on data from state budget documents

Expenditure

Economic development is the main objective of any government, for which the government has to incur expenditure on various social and economic services. If we look into Table 15 we can get information about the state government's expenditure for the years 2002-03 to 2011-12. Table 15 indicates that total expenditure consists of revenue and capital expenditure. Over a period of 10 years, State Government's total expenditure has increased at compound average annual growth rate of 8% that is from Rs. 42192.51 crores in 2002-03 to Rs.79436.70 crores in 2011-12. Revenue Expenditure of Gujarat State has also increased by three times in the last ten years. Capital Expenditure has decreased from 2002 to 2008. Gujarat government should rethink over the matters of increasing revenue expenditure and decreasing capital expenditure. Composition of Revenue and Capital Expenditure in Total Expenditure easily explains this phenomenon. Over a period of time, share of revenue expenditure in total expenditure has increased and capital expenditure has decreased. In the year 2002-03 the share of revenue expenditure was 51% and share of Capital expenditure was 49% of total expenditure, whereas the share of revenue expenditure and capital expenditure in total expenditure was 75% and 25% respectively in the year 2011-12. If we talk about Compound Average Annual Growth Rate of Total Expenditure, it is 8% where as CAAGR for Revenue and Capital Expenditure in the last ten years has been 13% and -1% respectively.

Table 15: Expenditure Pattern of Gujarat

(In Rs. Crore)

Item	Revenue Expenditure	Capital Expenditure	Total Expenditure	Revenue Expenditure as % of Total Expenditure	Capital Expenditure as % of Total Expenditure
2002-03	21440.13	20752.38	42192.51	50.82	49.18
2003-04	21954.13	18192.74	40146.87	54.68	45.32
2004-05	24301.80	13727.34	38029.14	63.90	36.10
2005-06	25465.49	8791.28	34256.77	74.34	25.66
2006-07	29232.13	9989.99	39222.12	74.53	25.47
2007-08	33539.51	9164.07	42703.58	78.54	21.46
2008-09	38741.46	13178.42	51919.88	74.62	25.38
2009-10	48638.27	11719.41	60357.68	80.58	19.42
2010-11	57440.02	14189.06	71629.08	80.19	19.81
2011-12	59744.46	19692.24	79436.70	75.21	24.79

Source: *Budget in Brief*, Various Issues**Table16: State Expenditure as a Proportion of GSDP**

Item	Revenue Expenditure	Capital Expenditure	Total Expenditure
	As % GSDP FC		
2002-03	14.09	13.64	27.73
2003-04	12.15	10.07	22.22
2004-05	11.95	6.75	18.70
2005-06	10.41	3.59	14.00
2006-07	10.30	3.52	13.83
2007-08	10.19	2.78	12.97
2008-09	10.53	3.58	14.11
2009-10	11.11	2.68	13.78
2010-11	10.83	2.68	13.50
2011-12	9.77	3.22	12.98

Source: Calculated based on data from *Budget in Brief* and *Socio Economic Review*, GoG, various years.

Table 16 shows Gujarat state's expenditure as a percentage of State Income. From 2002-03 to 2011-12, Government expenditure with respect to GSDP is declining. Total expenditure to GSDP is 28% in 2002-03 which decreases to 13% in 2011-12. We can see a similar trend in

Revenue Expenditure and Capital Expenditure as % of GSDP. Revenue Expenditure and Capital Expenditure with respect to State Income are almost 14% each in the year 2002-03 which reduces to 10% and 3% of GSDP respectively, in 2011-12.

Expenditures are bifurcated into Developmental Expenditure and Non Developmental Expenditure. If developmental expenditure of any state government is increasing, it's a good sign for socio-economic development of the State. Table 17 talks about Developmental and Non Developmental Expenditure of Gujarat State for the year 2002-2012. Developmental Expenditure was Rs. 15608 crores whereas Non Developmental Expenditure was Rs. 26480 crores in the year 2002-03 which was almost double of Developmental Expenditure. The share of Development Expenditure and Non Development Expenses was 37% and 63% respectively in 2002-03. Over a period of time, the share of these expenditures has become inverse i.e. developmental expenditure being 63% and Non Developmental Expenditure being 37% of total expenditure. The CAGR for Developmental Expenditure is 15% where as for Non Developmental Expenditure it is only 1% for the years 2002-2012. We can easily see that Developmental Expenditure follows a trend of increasing over the decade and Non Developmental Expenditure on the other hand decreased over the same period of time. Development Expenditure to GSDP ratio was 10% in 2002, and almost 9% in the year 2012-13, whereas Non Development Expenditure to GSDP ratio was 17% in 2002 which declines to 4% in the year 2012-13.

Table 18 and 19 represent Developmental and Non Developmental Revenue and Capital Expenditure for the year 2002-13. It is noticed that revenue developmental expenditure increases three times in this time span whereas revenue non developmental expenditure also increased almost two and half times for the same time period. We also notice that the composition of Development and Non Development revenue expenditure in total revenue expenditure was 61:39, in the year 2002 which then became 65:35, in 2012 - 13. Capital Developmental Expenditure tremendously increased from Rs. 2500 Crores to Rs. 14217 Crores in these ten years which is almost 17%. It is also observed that capital non developmental expenditure decreases from Rs. 18252 crores to Rs. 5475 Crores in the year 2002-2013. The composition of Capital

Developmental expenditure and Non Developmental Expenditure in total development expenditure was 12:88, which changed for the good to 73:27.

Table 17: Developmental and Non Developmental Expenditure 2002-2012

(In Rs. Crore)

Item	Total Developmental Expenditure	Total Non-Developmental Expenditure	Total Expenditure	Total Developmental Expenditure	Total Non-Developmental Expenditure	Total Developmental Expenditure	Total Non-Developmental Expenditure
				AS % of Total Expenditure		AS % of GSDP	
2002-03	15608.49	26479.88	42192.51	36.99	62.76	10.26	17.40
2003-04	16321.09	23725.80	40146.87	40.65	59.10	9.03	13.13
2004-05	18538.98	19346.85	38029.14	48.75	50.87	9.12	9.51
2005-06	21495.35	12653.37	34256.77	62.75	36.94	8.78	5.17
2006-07	25283.67	13806.03	39222.12	64.46	35.20	8.91	4.87
2007-08	27022.62	15533.63	42703.58	63.28	36.38	8.21	4.72
2008-09	35952.96	15799.39	51919.88	69.25	30.43	9.77	4.29
2009-10	40418.40	19833.31	60357.68	66.96	32.86	9.23	4.53
2010-11	48279.65	23164.15	71629.08	67.40	32.34	9.10	4.37
2011-12	52924.46	26312.46	79436.70	66.62	33.12	8.65	4.30

Source: *Budget in Brief*, Gujarat State, GOG

Table 18: Developmental and Non Developmental Revenue Expenditure 2002-2012

(In Rs. Crore)

Year	Revenue Developmental Expenditure	Revenue Non Developmental Expenditure	Total Revenue Expenditure	Revenue Developmental Expenditure	Revenue Non Developmental Expenditure
				As % of Revenue Expenditure	
2002-03	13107.78	8228.21	21335.99	61.44	38.56
2003-04	12680.16	9173.99	21854.15	58.02	41.98
2004-05	14204.47	9954.02	24158.49	58.80	41.20
2005-06	14149.06	11208.38	25357.44	55.80	44.20
2006-07	17136.48	11963.23	29099.71	58.89	41.11
2007-08	19844.85	13547.33	33392.18	59.43	40.57
2008-09	25454.82	13119.11	38573.93	65.99	34.01
2009-10	32028.66	16503.64	48532.30	65.99	34.01
2010-11	37975.58	19279.16	57254.74	66.33	33.67
2011-12	38707.38	20837.30	59544.68	65.01	34.99

Source: *Budget in Brief*, Gujarat State, GOG

Table 19: Developmental and Non Developmental Capital Expenditure 2002-2012

(In Rs. Crore)

Year	Capital Developmental Expenditure	Capital Non Developmental Expenditure	Total Capital Expenditure	Capital Developmental Expenditure	Capital Non Developmental Expenditure
				As % of Capital Expenditure	
2002-03	2500.71	18251.67	20752.38	12.05	87.95
2003-04	3640.93	14551.81	18192.74	20.01	79.99
2004-05	4334.51	9392.83	13727.34	31.58	68.42
2005-06	7346.29	1444.99	8791.28	83.56	16.44
2006-07	8147.19	1842.80	9989.99	81.55	18.45
2007-08	7177.77	1986.30	9164.07	78.33	21.67
2008-09	10498.14	2680.28	13178.42	79.66	20.34
2009-10	8389.74	3329.67	11719.41	71.59	28.41
2010-11	10304.07	3884.99	14189.06	72.62	27.38
2011-12	14217.08	5475.16	19692.24	72.20	27.80

Source: *Budget in Brief*, Gujarat State, GOG

Table 20 describes the composition of Developmental Expenditure and Non Developmental Expenditure. Revenue and Capital Developmental Expenditure as percentage of Total Developmental Expenditure was 84% and 16% respectively in the year 2002. Revenue Developmental Expenditure slightly decreased and Capital Developmental Expenditure increased over a period of time to make their ratio 73:27 in the year 2013. The scenario of Non Developmental expenditure for Revenue account and that for Capital Account is quite different. Revenue Non Developmental expenditure as a percentage of Total Non Developmental expenditure was 31% where as Capital Non Developmental expenditure as a percentage of Total Non-Developmental expenditure was 69% in the year 2002 but it was 79% and 21% respectively in the year 2013. This happened due to 6th wage commission's recommendation. Total expenditure as a percentage of GSDP declined by more than 50% and major reduction was in capital non developmental expenditure during the decade.

Table 20: Composition of Developmental and Non Developmental Expenditure

(In %)

Year	Revenue Developmental Expenditure	Capital Developmental Expenditure	Revenue Non-Developmental Expenditure	Capital Non-Developmental Expenditure
	As % of Total Developmental Expenditure		As % of Total Non-Developmental Expenditure	
2002-03	83.98	16.02	31.07	68.93
2003-04	77.69	22.31	38.67	61.33
2004-05	76.62	23.38	51.45	48.55
2005-06	65.82	34.18	88.58	11.42
2006-07	67.78	32.22	86.65	13.35
2007-08	73.44	26.56	87.21	12.79
2008-09	70.80	29.20	83.04	16.96
2009-10	79.24	20.76	83.21	16.79
2010-11	78.66	21.34	83.23	16.77
2011-12	73.14	26.86	79.19	20.81

Source: Calculated based on data from *Budget in Brief*, Gujarat State, GOG

Developmental expenditure is divided in to two main heads i.e. Social Services and Economic Services Expenditures. Total Social Services expenditure was increased by 16% where as Total Economic services expenditure increased by 14% over a period of ten years. Social and Economic services expenditure as a total expenditure was almost 18% in 2002 which increased and became 32 to 35% in the year 2012 which was one of the main reasons for increasing developmental expenditure over a period of ten years. In the revenue expenditure proportion of social services expenditure was higher compared to economics services expenditure whereas it is totally reverse in the case of capital expenditure where economics services expenditure was high compare to social services.

The major expenditure of Social services is on Education, Water Supply, sewerage and sanitation, housing and urban development and on Public Health and Family Welfare. If we examine economic services, the major expenditure is on Transport, Energy, Agriculture and Allied Activities, Rural Development and Irrigation in Revenue Account over a period of ten years.

The major expenditure of social services is on Housing, Education and Medical and public Health sectors, whereas in economic services the major expenditure is on Irrigation, Transport and Energy sector in Capital Account in the year 2002-13.

Table 21: Expenditure on Social and Economics Services in Gujarat

(In Rs. Crore)

Year	Social Services			Economic Services		
	Revenue	Capital	Total	Revenue	Capital	Total
2002-03	6539.20	1018.53	7557.73	6568.58	1482.18	8050.76
2003-04	7075.67	1236.83	8312.50	5604.49	2404.10	8008.59
2004-05	7850.93	1452.68	9303.61	6353.54	2881.83	9235.37
2005-06	8272.87	1822.06	10094.93	5876.19	5524.23	11400.42
2006-07	10514.31	1607.52	12121.83	6622.17	6539.67	13161.84
2007-08	11800.66	1941.19	13741.85	8044.19	5236.58	13280.77
2008-09	14932.14	2040.01	16972.15	10522.68	8458.13	18980.81
2009-10	19605.30	2059.64	21664.94	12423.36	6330.10	18753.46
2010-11	23701.58	2705.20	26406.78	14274.00	7598.87	21872.87
2011-12	24545.8	3326.45	27872.24	14161.6	10890.6	25052.22

Source: *Budget in Brief*, Various Issues, Gujarat State

Table 22 & 23 explain the non-developmental expenditure of state both of revenue account and Capital account. In revenue account the major non developmental expenditure was on interest payments, pension and administrative services for the years 2002-03 to 2012-13. The major non developmental expenditure was on repayment of public debt in capital account for the same time period.

Table 24 and 25 represents components of Social Services of revenue and capital accounts. The major proportion of Expenditure on Social Services of revenue account was on Education (40 to 45 %) ,Public Health and Family Welfare (10 to 13%) , Water Supply, Sewerage and Sanitation, Housing and Urban Development (12 to 34%) and Social Security and Welfare (9 to 12 %) in the year 2002-12. If we talk about the major proportion of Expenditure on Social services of capital account was on Water Supply, Sewerage and sanitation, Housing and Urban Development (43 to 66%) and Social Security and Welfare (4 to 53 %), Education (1 to 24 %),Public health and Family Welfare (1 to 13%). It is also notable that capital expenditure on

education was increasing and Social Security and Welfare capital Expenditure was declining during the year 2002-12.

Table 26 and 27 represents components of Economic Services of revenue and capital accounts. The major proportion of expenditure on Economic Services of revenue account was on Energy (22 to 46 %), Transport (10 to 24%), Rural Development (8 to 14%) and Agriculture and Allied Activities (9 to 21%) in the year 2002-12. If we talk about the major proportion of Expenditure on Economic services of Capital Account was on Irrigation (41 to 77%) Transport (13 to 29 %), Energy (5 to 37).

Table 22: Non Developmental Expenditure of Gujarat State (Revenue Account)

(In Rs. Crore)

Year	General Services	Fiscal Services	Interest Payment and Servicing of Debt	Administrative Services	Pension and Misc. General Services	Misc. General Services	Grant in aid and contribution	Non-development expenditure
2002-03	200.64	156.01	4944.93	1127.67	1588.33	210.63	104.14	8228.21
2003-04	164.99	157.81	5787.05	1125.12	1733.94	135.08	99.98	9173.99
2004-05	218.99	162.40	6073.77	1165.14	1891.60	202.12	143.31	9954.02
2005-06	180.33	183.02	6135.20	1206.17	2101.18	152.48	108.05	11208.38
2006-07	215.64	196.79	6888.62	1311.50	2396.00	154.68	132.42	11963.23
2007-08	319.82	238.54	7484.45	1521.00	2979.38	104.14	147.33	13547.33
2008-09	259.73	227.59	7884.05	1578.19	2962.81	6.74	167.53	13119.11
2009-10	466.08	308.57	8590.09	2055.65	4513.00	10.25	105.97	16503.64
2010-11	437.95	357.52	9627.32	2464.87	5779.43	112.07	185.28	19279.16
2011-12	481.30	361.87	10933.86	2542.87	6144.84	72.56	199.78	20837.30

Source: *Budget in Brief*, Gujarat State, Various Issues

Table 23: Non Developmental Expenditure of Gujarat State (Capital Account)

(In Rs. Crore)

Year	General Services	Repayment of PD	Internal Debt of State Government	Loans & Advances for Central Govt.	Loans & Advances by	Other Expenditure	Non-development expenditure
2002-03	14.25	18065.42	15555.55	2509.87	172.00	0.00	18251.67
2003-04	16.94	12556.50	7592.50	4964.00	1978.37	0.00	14551.81
2004-05	30.30	8887.56	4292.49	4595.07	474.97	0.00	9392.83
2005-06	17.15	1128.40	541.82	586.58	299.44	0.00	1444.99
2006-07	8.94	1770.90	911.71	859.19	62.96	0.00	1842.80
2007-08	4.98	1934.28	1380.35	553.93	47.04	0.00	1986.30
2008-09	3.71	2604.91	2045.86	559.05	71.66	0.00	2680.28
2009-10	7.37	3245.07	2681.26	563.81	77.23	0.00	3329.67
2010-11	6.63	3817.53	3194.20	623.33	60.83	0.00	3884.99
2010-11	129.39	5275.20	4155.74	1119.46	70.57	0.00	5475.16

Source: *Budget in Brief*, Gujarat State, Various Issues

Table 24: Components of Social Services of Revenue Accounts

(In Rs. Crore)

Year	Education, Sports, Art and Culture	Public Health and Family Welfare	Water Supply, sewerage, Sanitation, Housing and Urban Development	Information and Broadcasting	Welfare of Scheduled Castes, Scheduled	Labour and Employment	Social Security & Welfare	Others	social services
2002-03	3624	847	700	22	398	123	807	20	6539
2003-04	3683	878	988	27	503	121	855	20	7076
2004-05	3990	945	1221	23	630	120	899	23	7851
2005-06	4162	1043	1007	25	670	134	1188	43	8273
2006-07	4727	1091	1927	29	706	158	1846	31	10514
2007-08	5433	1285	2917	43	790	196	1102	35	11801
2008-09	5821	1429	5070	50	917	238	1372	36	14932
2009-10	7954	1995	6393	52	1054	293	1812	52	19605
2010-11	10988	2499	5997	77	1267	408	2413	52	23702
2011-12	11708	2657	5394	90	1522	414	2701	60	24546
Components of Social Services as % of Total Social Services									
2002-03	55.42	12.95	10.70	0.33	6.08	1.88	12.34	0.30	100.00
2003-04	52.06	12.41	13.97	0.39	7.10	1.70	12.08	0.29	100.00
2004-05	50.82	12.03	15.55	0.29	8.02	1.53	11.45	0.29	100.00
2005-06	50.31	12.61	12.18	0.30	8.10	1.62	14.37	0.52	100.00
2006-07	44.95	10.38	18.32	0.28	6.72	1.50	17.55	0.29	100.00
2007-08	46.04	10.89	24.72	0.36	6.70	1.66	9.34	0.30	100.00
2008-09	38.98	9.57	33.95	0.34	6.14	1.60	9.19	0.24	100.00
2009-10	40.57	10.18	32.61	0.27	5.37	1.50	9.24	0.27	100.00
2010-11	46.36	10.55	25.30	0.32	5.34	1.72	10.18	0.22	100.00
2011-12	47.70	10.83	21.97	0.36	6.20	1.69	11.01	0.24	100.00

Table 25: Components of Social Services of Capital Accounts

(In Rs. Crore)

Year	Education, Sports, Art and Culture	Public Health and Family Welfare	Water Supply, sewerage, Sanitation, Housing and Urban Development	Information and Broadcasting	Welfare of Scheduled Castes, Scheduled	Labour and Employment	Social Security & Welfare	Others
2002-03	10	17	442	0	5	1	544	1019
2003-04	9	9	565	0	9	6	639	1237
2004-05	12	26	851	0	13	0	550	1453
2005-06	147	26	819	0	16	6	808	1822
2006-07	260	55	1068	0	22	8	195	1608
2007-08	290	89	1063	1	43	7	449	1941
2008-09	249	173	1269	1	59	64	226	2040
2009-10	362	290	977	1	78	116	237	2060
2010-11	425	511	1374	0	70	111	214	2705
2010-11	802	671	1526	0	91	117	119	3326
Components of Social Services as % of Total Social Services								
2002-03	1.02	1.64	43.41	0.03	0.47	0.06	53.37	100.00
2003-04	0.75	0.69	45.65	0.02	0.73	0.52	51.63	100.00
2004-05	0.81	1.82	58.61	0.00	0.87	0.03	37.85	100.00
2005-06	8.08	1.45	44.95	0.00	0.89	0.31	44.32	100.00
2006-07	16.15	3.40	66.44	0.00	1.37	0.50	12.13	100.00
2007-08	14.92	4.59	54.74	0.04	2.21	0.35	23.13	100.00
2008-09	12.20	8.46	62.21	0.04	2.91	3.12	11.06	100.00
2009-10	17.57	14.06	47.43	0.03	3.79	5.64	11.49	100.00
2010-11	15.70	18.89	50.80	0.00	2.61	4.11	7.90	100.00
2011-12	24.11	20.17	45.88	0.01	2.75	3.51	3.57	100.00

Table 26: Components of Economic Services of Revenue Accounts

(In Rs. Crore)

Year	General Economics Services	Agriculture and Allied Services	Rural Development	Special Area Programmes	Irrigation and Flood Control	Energy	Industry and Minerals	Transport and Communication	Science, Technology and Environment	Economic Services
2002-03	246	631	579	25	1940	2219	267	658	4	6569
2003-04	316	746	606	28	370	2562	183	765	28	5604
2004-05	340	936	808	31	375	2623	232	957	50	6354
2005-06	328	917	787	28	372	2074	231	1093	46	5876
2006-07	472	1007	959	30	521	2003	286	1298	45	6622
2007-08	462	1479	1105	32	626	2395	360	1555	30	8044
2008-09	623	1849	1147	36	762	3528	606	1953	19	10523
2009-10	908	2341	1382	39	885	3213	790	2843	22	12423
2010-11	1178	2737	2059	45	916	3146	895	3164	133	14274
2011-12	1134	2909	1454	58	926	3359	790	3378	154	14162
Components of Economic Services as % of Total Economic Services										
2002-03	3.75	9.60	8.81	0.38	29.53	33.79	4.06	10.02	0.06	100.00
2003-04	5.63	13.32	10.82	0.49	6.61	45.71	3.26	13.66	0.51	100.00
2004-05	5.35	14.73	12.72	0.48	5.91	41.29	3.66	15.06	0.79	100.00
2005-06	5.58	15.61	13.40	0.48	6.34	35.29	3.94	18.60	0.78	100.00
2006-07	7.13	15.21	14.49	0.45	7.87	30.25	4.31	19.60	0.68	100.00
2007-08	5.75	18.39	13.74	0.40	7.78	29.77	4.48	19.33	0.37	100.00
2008-09	5.92	17.57	10.90	0.34	7.24	33.53	5.76	18.56	0.19	100.00
2009-10	7.31	18.84	11.13	0.31	7.13	25.87	6.36	22.89	0.17	100.00
2010-11	8.26	19.18	14.42	0.31	6.41	22.04	6.27	22.17	0.93	100.00
2011-12	8.00	20.54	10.27	0.41	6.54	23.72	5.58	23.85	1.09	100.00

Table 27: Components of Economic Services of Capital Accounts

(In Rs. Crore)

Year	General Economic Services	Agriculture and Allied Services	Rural Development	Special Area Programmes	Irrigation and Flood Control	Energy	Industry and Minerals	Transport & Communication	Economic Services
2002-03	24	89	0	0	848	82	11	427	1482
2003-04	41	183	0	2	1340	305	22	510	2404
2004-05	57	113	0	1	1765	249	163	532	2882
2005-06	76	161	0	1	2251	2083	110	841	5524
2006-07	94	203	0	1	3859	1402	126	856	6540
2007-08	54	152	0	1	3270	542	121	1097	5237
2008-09	91	266	0	0	6520	393	112	1077	8458
2009-10	190	291	0	0	3688	512	58	1592	6330
2010-11	255	357	0	0	3624	995	553	1816	7599
2010-11	682	681	922	7	4591	965	724	2319	10891
Components of Economic Services as % of Total Economic Services									
2002-03	1.62	6.02	0.00	0.02	57.21	5.55	0.74	28.84	100.00
2003-04	1.72	7.62	0.00	0.06	55.75	12.69	0.92	21.22	100.00
2004-05	1.99	3.93	0.00	0.04	61.26	8.63	5.67	18.47	100.00
2005-06	1.38	2.92	0.00	0.01	40.75	37.71	2.00	15.22	100.00
2006-07	1.44	3.10	0.00	0.01	59.01	21.44	1.92	13.09	100.00
2007-08	1.04	2.90	0.00	0.02	62.44	10.35	2.30	20.94	100.00
2008-09	1.07	3.14	0.00	0.00	77.08	4.64	1.32	12.74	100.00
2009-10	3.00	4.60	0.00	0.00	58.26	8.08	0.92	25.14	100.00
2010-11	3.36	4.69	0.00	0.00	47.69	13.09	7.27	23.90	100.00
2010-11	6.26	6.25	8.47	0.07	42.15	8.86	6.65	21.29	100.00

Table 28: CAGR of Various Developmental Expenditure

(In %)

Items	Revenue Exp	Capital Expenditure
Developmental Expenditure	14.18	16.47
Social Services	16.26	11.15
Education, Arts, Sport and Culture	13.82	51.33
Public Health and Family Welfare	13.61	48.46
Water Supply, Swerage, Sanitation, Housing and Urban Development	27.00	11.74
Information and Broadcasting	16.08	N.A.
Welfare of SC,ST and OBC	13.43	33.16
Labour and Labour Welfare	15.69	N.A.
Social Security & Welfare	13.06	61.53
Others	12.31	-17.31
Economic Services	11.37	18.79
General Economics Services	18.05	29.56
Agriculture and Allied Services	18.14	17.51
Rural Development	12.61	N.A.
Special Area Programmes	7.81	N.A.
Irrigation and Flood Control	3.82	17.50
Energy	4.82	17.02
Industry and Minerals	18.26	33.37
Transport and Communication	19.41	18.53
Science, Technology and Environment	22.55	N.A.

Source: Calculated based on data from various Budget Documents of GOG.

Table 29: CAGR of Various Non Developmental Expenditure

Particulars	Growth Rate (In %)
Revenue Accounts	
Non-development expenditure	10.11
General Services	12.11
Fiscal Services	10.52
Interest Payment and Servicing of Debt	8.04
Administrative Services	10.06
Pension and Misc. General Services	15.88
Misc. General Services	-21.55
Grant in aid and contribution	6.12
Capital Account	
Non-development expenditure	-14.14
General Services	0.63
Repayment of PD	-13.24
Internal Debt of State Government	-9.63
Loans & Advances for Central Govt.	-19.92
Disbursement of Loans & Advances	-27.91

Source: Calculated based on data from various Budget Documents of GOG.

Expenditure Reforms:

Public expenditure explains the quantum of government spending on social and physical infrastructure for the development of the State. The size, composition and productivity of public expenditure are important parameters to assess the effectiveness of public expenditure in accelerating the growth of the economy. The basic categorization of public expenditure is into plan and non-plan expenditure on revenue account and capital account of the budget.

The expenditure on revenue account has been increasing whereas there is a declining trend in capital expenditure of the Gujarat State for the last ten years. If one considers the compound average annual growth rate (CAAGR) of total expenditure, it is 36% whereas the CAAGR of

13% and 2% for revenue and capital expenditure for the last ten years, respectively. After 2008-09 the capital expenditure of the State has risen steadily. Gujarat shows the acceleration in developmental expenditure of the Government adding thrust to the growth process of the State. Plan expenditure has grown at an annualized growth rate of 21.93% over the period 2004-05 to 2011-12 (RE). During the same period the non-Plan expenditure has increased annually by only 7.38%. This indicates the developmental thrust of public expenditure in the State. The Government strategy is to effectively control non-developmental expenditure so as to enhance resource allocation for development activity.

While the composition of development and non-development revenue expenditure was 61:39 in 2002 it was 65:35 in 2013. Capital Developmental expenditure has risen significantly from Rs. 2500 crore to Rs. 14217 crore (about by 17%) during the last ten years. It is also observed that capital non-developmental expenditure decreased from Rs. 18252 crore to Rs. 5475 crore during 2002-13. The ratio of capital development expenditure and non-development expenditure was 12:88 which improved and became 73:27.

The State has taken a host of initiatives like pre-payment of high cost borrowings, efficient management of public debt, increased usage of e-governance by departments to improve efficiency, prioritization of spending, rationalizing the staff strength and several other economy measures. These have not only contributed to the curtailment in revenue expenditure but have also led to better outcomes. The State Government has taken measures to check its long term liabilities of non-developmental nature by undertaking revision in recruitment policies and adopting New Defined Pension Scheme. (See, *FRBM Documents*, Various Issues, GoG).

The composition of the debt stock has undergone a change during 2007-12, wherein the proportion of Central Government loans has reduced to 8.46% from 13.44%. Similarly, the share of NSSF loans has reduced to 45.65% from 56.70%, whereas the share of market loan has increased to 41.82% from 25.72% highlighting the shift towards increased reliance on market loans. The analysis of the debt portfolio of the State reveals that the bulk of the total public debt of Rs. 110873 crore has been on account of NSSF loans, which comprises 45.65% of the public debt. The average cost of debt for the State was 10.79 % in 2004-05. This has reduced to 8.74%

in 2010-11 and is expected to be 8.88% in the year 2011-12 (RE). However, the high interest rate on NSSF loans which account for 45.65% of total public debt continues to be a rising financial burden on the State Government. The interest payment on public debt as a percentage of revenue receipt was 15.63% in 2011-12 and 26.82% in 2004-05. In the FY 2012-13 care has been taken to raise the market borrowings with respect to the scheduled repayments of the following years and accordingly loans for the 4-year tenure have also been raised which has resulted in lower interest bearing loans as compared to 10 years tenure loan. This has resulted in a net marginal gain of Rs 6 crore in FY 2012-13 and the total savings of Rs 25 crore till the maturity of these loans. The Twelfth Finance Commission (TFC) had recommended a certain set of conditionalities on official performance for extending DCRF facility for the State governments. As the State fulfilled all the conditionalities it received the maximum possible benefits under DCRF which aggregated to interest savings of Rs. 1710 crore and debt waiver of Rs. 2262 crores. The 13th Finance Commission has recommended a revised fiscal consolidation framework. It has been adopted by amending the Fiscal Responsibility Legislation of the State which is a prerequisite for giving reset of interest on NSSF loans, State-specific grants and waiver of Central Plan loans. As recommended by the 13th Finance Commission, the State Government has availed the benefit of debt waiver and outstanding balances at the end of FY 2009-10 of the Central loans under the Central Plan Scheme (CPS) and Centrally Sponsored Scheme (CSS) amounting to Rs. 95 crore have been written off. Gujarat State Guarantees Act, 1963 provides the framework for fixing the limit on the executive power of the State regarding the Government Guarantees. The State Legislature decides such limits from time to time. At present (with effect from March 2001) the limit for the total outstanding guarantees is Rs. 20,000 crore. As against this limit, the outstanding Government Guarantees, as on March 31, 2012 stood at Rs. 7620 crore (See, FRBM Various Documents GOG).

Chapter IV

SUBSIDIES

Subsidy word is generally used as converse of an Indirect Tax. Subsidies constitute an important fiscal instrument for modifying market determined outcomes. Generally, taxes reduce the disposable income of an individual which in turn reduce demand for goods and services while subsidies inject money into circulation. Subsidies affect the economy through the commodity market by lowering the price of the subsidized commodity and try to increase its demand in economy. Basically subsidies are used to modify market inequalities and correct externalities. Taxes appear on the revenue side of Government budgets and subsidies are mentioned on the expenditure side.

Subsidies have major impact on welfare of the society. If subsidies are poorly designed and ineffectively administered, it will create a cost burden for the society. Many times subsidies are identified as an iceberg, only 1/3 portion of this is visible and rest of the portion is invisible. There are two types of subsidies in the country i.e. explicit subsidy and implicit subsidy. Explicit subsidy is easily visible in the budget documents where as implicit subsidy is invisible in the budget documents. National Institute of Public Finance and Policy (NIPFP) has given the methodology for calculating implicit subsidy.

Here we are discussing only explicit subsidy which is available in the budget documents. Table 30 represents the total subsidy of Gujarat State. Total Subsidy for the year 2002- 03 was Rs. 2878 Crore which was increased and became Rs. 3953 Crore in the year 2011-12. The compound average annual growth rate (CAAGR) of total subsidy is 2.30 percentages for last ten years. If we consider yearly growth rate, we can see the negative growth for three years i.e 2005-06, 2009-10 and 2010-11. The yearly increment was high in the year 2011-12 compared to previous year. The proportion of this subsidy with respect to total expenditure of the state was almost 5 to 9 percentage for the year 2002-12. The subsidy / total expenditure ratio was quite high in the year 2003-05. After 2004-05 this ratio was declining. Subsidy / GSDP ratio was 1 to 2

percentages over a period of time. The Subsidy / GSDP ratio was 1.89 % which was declining throughout the period of 2002-12 and became 0.65%. If we talk about the composition of total subsidy we can find the proportion of energy and petrochemical subsidy and port & transport subsidy was very high i.e almost 52 to 83 % and 5 to 17 % respectively. But if we talk about CAAGR for energy and petrochemical subsidy was almost 3% where as CAAGR for port and transport subsidy was almost 15% for the period of ten years.

Table 30: Total Subsidy in Gujarat State

(In Rs. Crore)

Year	Agriculture and Cooperation	Energy and Petro-chemicals	Food and Civil Supply	Ports and Transport	Other	Total Subsidy
2002-03	76	2177	107	143	451	2878
2003-04	140	2461	171	180	504	3316
2004-05	238	2056	193	310	777	3336
2005-06	183	2053	138	356	31	2761
2006-07	195	1873	130	356	597	3151
2007-08	408	1781	141	362	730	3422
2008-09	74	2941	144	362	12	3533
2009-10	55	2702	140	502	55	3454
2010-11	39	2532	152	501	62	3286
2011-12	0	3030	161	704	58	3953
Year	Agriculture and Cooperation	Energy and Petro-chemicals	Food and Civil Supply	Ports and Transport	Other	Total Subsidy
2002-03	2.64	75.64	3.72	4.97	15.67	100.00
2003-04	4.22	74.22	5.16	5.43	15.20	100.00
2004-05	7.13	61.63	5.79	9.29	23.29	100.00
2005-06	6.63	74.36	5.00	12.89	1.12	100.00
2006-07	6.19	59.44	4.13	11.30	18.95	100.00
2007-08	11.92	52.05	4.12	10.58	21.33	100.00
2008-09	2.09	83.24	4.08	10.25	0.34	100.00
2009-10	1.59	78.23	4.05	14.53	1.59	100.00
2010-11	1.19	77.05	4.63	15.25	1.89	100.00
2011-12	0.00	76.65	4.07	17.81	1.47	100.00

Source : FRBM Act Documents of Government of Gujarat , Various Issues .

Table 31: Comparison of Total Subsidy

(In %)

Year	Yearly Growth Rate	Total Subsidy as a % of Total Expenditure	Total Subsidy as % of GSDP
2002-03		6.82	1.89
2003-04	15.22	8.26	1.84
2004-05	0.60	8.77	1.64
2005-06	-17.24	8.06	1.13
2006-07	14.13	8.03	1.11
2007-08	8.60	8.01	1.04
2008-09	3.24	6.80	0.96
2009-10	-2.24	5.72	0.79
2010-11	-4.86	4.59	0.62
2011-12	20.30	4.98	0.65

Source: Calculated

State Total Guarantees

Table 32 describes the Total Guarantees of the State Government for the year 2002-03 to 2011-12. The amount of Total Guarantees was Rs. 19001 crores which declined over a period of 10 years and became Rs. 7620 crores in the year 2011-12. Total Guarantees was almost 1.25 % of GSDP in 2011-12 which was earlier 12.49 % in the year 2002-03. The compound Average Annual Growth Rate of total guarantees was negative and it was almost 10 % which indicates Government efforts to reduce total guarantees. Total Guarantees was declining and hence its share in total expenditure was also declining. 45 % of total expenditure was on total guarantees in the year 2002-03, which was declined and only 10 % of total expenditure was incurred on guarantees in the year 2011-12. Table 33 describes the composition of total guarantees. Energy and petro chemical department's guarantees share in total guarantees was almost 38.63% in the year 2002-03 which continuously declining and became only 16% in the year 2011-12. Whereas Narmada water resources department guarantees share was 34 % which increased over a period of time and became 54 % in the year 2011-12. If we talk about Agriculture and Cooperation Department guarantees in total guarantees it was almost 8 to 10 % over a period of ten years.

Table 32: Total Guarantees of the State Government: 2002-12

Year	Total Guarantees (In Rs. Crore)	Yearly Growth	As a % of Total Expenditure	As a % to GSDP
2002-03	19001	1.48	45.03	12.49
2003-04	17625	-7.24	43.90	9.75
2004-05	15683	-11.02	41.24	7.71
2005-06	14079	-10.23	41.10	5.75
2006-07	12701	-9.79	32.38	4.48
2007-08	11561	-8.98	27.07	3.51
2008-09	10340	-10.56	19.92	2.81
2009-10	9980	-3.48	16.53	2.28
2010-11	8824	-11.58	12.32	1.66
2011-12	7620	-13.64	9.59	1.25

Source: FRBM Act documents, GOG Various Issues

Table 33: Composition of Total Guarantees of the State Government: 2002-12

(In %)

Sr No.	Sector	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	Agriculture and Cooperation	8.32	8.21	7.84	8.3	10.41	11.39	12.62	13.08	10.49	10.81
2	Industries and Mines	4.7	4.81	4.81	5.11	5.67	6.11	6.64	6.64	7.51	8.65
3	Panchyat and Rural Housing	0.73	0.72	0.02	0.02	0.03	0.03	0.03	0.03	0.04	0.05
4	Urban Development and Urban Housing	4.16	4.11	1.84	2.05	2.26	2.49	2.74	2.84	3.2	3.7
5	Ports and Transport	0.03			2.43						
6	Narmada Water Resources	35.49	36.19	40.71	47.31	50	51.84	52.24	54.13	54.16	54.36
7	Home Department	3.44	3.39	3.74	0.07	2.77	1.83	2.04	2.12	2.4	2.77
8	Energy and Petrochemicals	38.63	38.82	39.97	33.69	27.74	24.81	21.76	18.92	19.34	16.23
9	Forest and Environment	0.04	0.04	0.05	0.06	0.06	0.07	0.08	0.08	0.09	0
10	Food, Civil Supplies and Consumer Affairs	0.02									
11	Social Justice and Empowerment	0	0	0.82	0.75	0.83	1.16	1.54	1.85	2.09	2.62
12	Tribal Development	0	0	0.16	0.18	0.2	0.22	0.24	0.25	0.62	0.72
13	Women and Child Development	0.56	0.55	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
14	Roads and Building	2.36	2.33	0.03	0.03	0.03	0.04	0.04	0.04	0.05	0.06
	Total Gaurantees	19001	17625	15683	14079	12701	11561	10340	9980	8824	7620

Source : FRBM Act documents , GOG Various Issues

State Public Debt

Table 34 provides total amount of public debt of the state government. Total public debt was Rs. 40794 crores in 2002-03 which increased by 11% and became Rs. 123406 crores in the year 2011-12. The proportion of Market Borrowing was high and it has increased over a period of 10 years. Total proportion of Market borrowing in total public debt was 61 % in 2002-03 which increased to 93 % in the 2011-12. Loan from the center in total public debt was declining over a 10 years, it was 40 % of public debt in 2002-03 which decreased to 7 % in the year 2011-12. The compound Average Annual Growth rate of Market Borrowing and Centre's loan is 15 % and – 6 % during 2002-12. We can see the negative growth for centre's loan which describes that the amount of Centers' loan was declining , and it was 16168 crore in 2002-03 which became Rs. 8452 crore in the year 2011-12. Debt GSDP ratio was 27 % in the year 2002-03 which was decreased and became 20 % in the year 2011-12.

Table 34: Debt of the State Government

Year	Market Borrowing (In Rs. Crore)	Centre Loan (In Rs. Crore)	Total Public Debt (In Rs. Crore)	As % GSDP	Yearly Growth	% Share of Market Borrowing	% Central Loan
2002-03	24626.07	16168.32	40794.39	26.81		60.37	39.63
2003-04	36198.38	14208.36	50406.74	27.90	23.56	71.81	28.19
2004-05	46488.77	11431.41	57920.18	28.48	14.91	80.26	19.74
2005-06	55887.85	11567.11	67454.96	27.56	16.46	82.85	17.15
2006-07	61629.64	11002.72	72632.36	25.60	7.68	84.85	15.15
2007-08	68651.36	10657.82	79309.18	24.09	9.19	86.56	13.44
2008-09	76684.83	10325.55	87010.38	23.65	9.71	88.13	11.87
2009-10	88162.00	9847.99	98009.99	22.38	12.64	89.95	10.05
2010-11	101489.10	9383.87	110873.00	20.90	13.12	91.54	8.46
2011-12	114954.10	8452.29	123406.40	20.17	11.30	93.15	6.85

Source: Finance Accounts , CAG Reports, Various Issues.

Chapter V

FRBM ACT

Gujarat Fiscal Responsibility Act, 2005 and Gujarat Fiscal Responsibility Rules, 2005 have been framed by the Government of Gujarat to make the State Government accountable for ensuring prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations and conduct of fiscal policy in a medium term frame work. As per section 3 of the Act, the State Government shall lay, in every financial year, before the State Legislature, the Medium Term Fiscal Policy Statement and the Fiscal Policy Strategy Statement along with the budget. The Medium Term Fiscal Policy Statement and the Fiscal Policy Strategy Statement set forth the fiscal objectives, strategic priorities of the State Government and a three years rolling target for fiscal management.

The salient provisions of the Act are:

- Reduce the revenue deficit to zero within a period of three years commencing from the 1st April, 2005 and ending on the 31st March, 2008 and maintain at that level or generate revenue surplus thereafter,
- Reduce the revenue deficit in each of the financial year commencing from 1st of April, 2005 in a manner so as to achieve the desired goal.
- Reduce fiscal deficit to not more than three per cent, of the estimated Gross State Domestic Product within a period of four years commencing from 1st April, 2005 and ending on the 31st March, 2009;
- Reduce the fiscal deficit in each of the financial year commencing from the 1st of April, 2005 in a manner so as to achieve the desired goal.
- Cap within a period of three years commencing from the 1st April, 2005 and ending on the 31st March, 2008, the total public debt of the State Government at thirty percent of the estimated Gross State Domestic Product for that year;
- Cap outstanding guarantees within the limit provided in the Gujarat State Guarantees Act, 1963;
- Disclosures in the forms prescribed in the rules at the time of presentation of the budget.

In wake of the global financial crisis, Government of India relaxed the fiscal deficit target for FY2008-09 and FY 2009-10 by 0.5% and 1% of GSDP, respectively. This was to spur

infrastructural development and employment generation by undertaking capital expenditure. In addition, the Debt Consolidation and Relief Facility (DCRF) requirement of maintaining Revenue Deficit at zero was also relaxed for 2008-09 and 2009-10. Government of India had suggested the States to amend their Fiscal Responsibility Legislations (FRLs) accordingly.

The Bill seeking amendment to the said Act was introduced in the Assembly in June 2009 wherein it was mentioned that the revenue deficit and fiscal deficit may exceed the limits specified under Section 5 of FRBM Act 2005 due to grounds of unforeseen demands on the finances of the State Government arising out of internal disturbance or natural calamity or due to any other exceptional ground specified by the State Government. (See, FRBM Documents).

Table 35 represents the fiscal indicators as per the FRBM Act 2005. The main objective of the FRBM Act is to reduce revenue deficit and make a revenue surplus state. Gujarat became a revenue surplus state in the year 2006-08 and 2011-12. Fiscal Deficit as percentage of GSDP was also less than 3 % of State GSDP. It was 2.85 % in the year 2005-06 which became 1.80 % of GSDP in the year 2011-12. Total Public debt of the state was very high and almost 30 % in the year 2005-06 which decreased and became 20% in 2011-12. If we talk about revenue receipt as a percentage of revenue expenditure is almost 1 % during 2005-12. Interest payment as a % of revenue receipt was declining and it was 22 % which became 16 % during 2005-12. Salary expenditure and Pension payment as a proportion of Revenue receipt was also increasing during last seven years.

Table 35: Fiscal Indicators

Sr No	Items	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	Revenue Deficit / Revenue Surplus	-399	1770	2150	-66	-6966	-5076	3215
2	Fiscal Deficit	-6270	-5649	-4771	-10437	-15133	-15073	-11027
3	Public Debt	66926	72154	79309	87010	98009	110873	123406
4	GSDP	219780	254533	303734	367745	429356	530430	611767
5	Revenue Deficit / Revenue Surplus as a percentage of GSDP	0.18	0.70	0.71	0.02	1.62	-0.96	0.53
6	Fiscal Deficit as a percentage of GSDP	2.85	2.22	1.57	2.84	3.53	2.84	1.80
7	Public Debt as a percentage of GSDP	30.45	28.35	26.11	23.66	22.83	20.90	20.17
8	Revenue Receipt as a percentage of Revenue Expenditure	0.98	1.06	1.06	1.00	0.86	0.91	1.05
9	Capital Outlay as a percentage of Gross Fiscal Deficit	140.00	177.00	143.00	76.80	55.92	68.81	130.74
10	Interest Payment as a percentage of Revenue Receipt	21.75	19.97	18.71	18.27	18.48	16.35	15.63
11	Salary Expenditure as a Percentage of Revenue Receipt	26.63	21.96	22.40	22.56	30.39	30.31	27.73
12	Pension Payment as a percentage of Revenue Receipt	8.38	7.73	7.38	7.66	10.39	11.04	9.00
13	Total Direct Subsidy	2761	3151	34	3533	3454	3286	3953

Source: FRBM Act, GoG document from various years

Table 36: Achievement of FRBM Targets

Item	2008-09		2009-10		2010-11		2011-12	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
Revenue Deficit / Revenue Surplus	RD Allowed	-66	RD Allowed	-6966	RD Allowed	-5076	0	3215
Fiscal Deficit / GSDP	3.50%	2.84%	4.00%	3.54%	No Target	2.94%	3.00%	1.80%
Public Debt / GSDP	30%	24%	30%	23%	No Target	22%	27.10%	20%
Outstanding Guarantees	16000	10340	16000	9980	16000	8824	16000	7620

Source: FRBM Documents, GOG, Various Issues

Items	Target	Achievements
Revenue Deficit	Zero by 2007-08	Achieved in 2006-07
Fiscal Deficit / GSDP	3 % by 2008-09	Achieved in 2006-07
Public Debt / GSDP	30 % by 2007-08 27.1 % by 2011-12	Achieved in 2006-07 Achieved in 2011-12
Outstanding Guarantees	Rs. 16000 Crore by 2007-08	Achieved in 2006-07

Source: FRBM Documents, GOG, Various Issues

To maintain a stable and sustainable fiscal environment consistent with equitable growth, the 13th Finance Commission has recommended a fiscal consolidation roadmap for each State. States are required to enact/amend their Fiscal Responsibility Legislations (FRLs). The Fiscal Consolidation roadmap for Gujarat requires the State to reduce the revenue deficit to zero by FY 2011-12, reduce fiscal deficit to not more than 3% of the estimated GSDP of the year beginning FY 2011-12, to cap the total public debt of the State Government from the level of 28.8% in FY 2011-12 to 27.1% at the end of FY 2014-15 of estimated GSDP for the FY beginning 1st April, 2011 and ending on 31st March, 2015 and to cap the outstanding guarantee within the limit provided in the Gujarat State Guarantees Act, 1963. (See, FRBM, 2012-13.)

The State Government undertook a number of steps to move forward on the path of fiscal correction and achieved all parameters of GFR Act well before its stipulated timeline. The process of fiscal reforms has been carried forward by efficient debt management which has led to decline in the weighted average interest on the debt stock from 10.79 % in 2004-05 to 8.88% as at the end of March 2012. The State has also been augmenting its Consolidated Sinking Fund (CSF), set up to meet the outstanding liability which has resulted in an accumulated balance of Rs. 6775 crore as on 31st December 2012. The contingent liabilities of the State Government, as defined in terms of its outstanding guarantees, have shown significant reduction over the last few years. The total outstanding guarantees have come down to Rs.7620 crore as on end March 2012 as compared to Rs. 12701 crore as at the beginning of 11th Five Year Plan. The Guarantee Redemption Fund (GRF) has been steadily augmented and aggregated to Rs.1958 crore as on 31st December 2012. The State Government has initiated a number of measures to institutionalize the path of fiscal correction. These measures have been both on processes and policy framework. In the area of policy, measures such as rationalization of tax structure, ceiling on Guarantees, introduction of VAT, New Pension Scheme etc. have been taken and at the same

time, process improvement like introduction of Integrated Financial Management System (IFMS), online budget making and process reforms in VAT administration through widespread usage of E-governance tools have led to better fiscal management. To ensure that adequate fiscal stimulus was provided to the economy, in the aftermath of global financial crisis, State Governments were allowed to relax their FRLs targets for the Financial Years of 2008-09 and 2009-10. Thereafter the 13th Finance Commission has recommended a revised fiscal reform path to consolidate the finances of the Governments from the financial year 2011-12 onwards. The State Government is committed to adhere to the revised roadmap of fiscal consolidation. The State has successfully adhered to GFR Act targets despite the impact of exogenous shocks on the State's economy and Government's finances. The 2012-13(RE) reveals a revenue surplus of Rs. 3897 crore despite the constraints of non receipt of royalty on mineral oil, CST compensation dues from Central Government and the financial impact of the implementation of the Sixth Pay Commission recommendations. In the coming year, the general slowdown in the national economy will also be a significant factor that could have an impact on the economic condition and state revenue. This factor and the weak monsoon in year 2012 have also been taken into consideration. In keeping with the requirement of fiscal transparency, which is considered to be the cornerstone of good governance, the current budgetary process involves placing all financial statements and underlying information and assumptions on the table of the House. The accompanying statements and an assessment of future outlook is to further the objectives of Gujarat Fiscal Responsibility Act, 2005. (See, FRBM, 2012-13.)

Strategy Statement of Fiscal Policy

State Government is focused on promoting an inclusive growth model. Aim of fiscal policy is to support and facilitate higher economic growth by optimally tapping the resource base and prioritizing expenditure so as to generate maximum social and economic return. The Government's long-term fiscal objectives is to attain a revenue surplus across the economic cycle to ensure that government revenues and expenditure are in broad balance through an appropriate level of taxation and spending and that public debt is contained at a prudent level. The strategy aims at increasing capital expenditure to ensure higher investments in social and economic infrastructure. This would be possible through maximizing revenue receipts of the

State while concurrently containing revenue expenditure. The Government's endeavor continues to widen the tax base thereby improving the revenues. This has been possible through a strategy of evolving a robust broad-based tax system that aims at collecting taxes in a manner that is equitable and efficient. The emphasis of the Government has been to increase outlays in social sector expenditure so as to ensure better service delivery and provide impetus to equitable growth and improve quality of life. (See, FRBM Documents, 2012-13)

Tax Policy

The State continues to simplify and rationalize its tax structure to improve upon tax efficiency and to ensure effective mobilization of resources. The taxation policy of the State focuses on streamlining the tax structure and administration for better tax compliance and greater transparency. Financial delegation of certain taxation powers to the local bodies has led to better resource mobilization. Introduction of VAT resulted in better tax compliance and increase in tax revenue. VAT Information System (VATIS) has facilitated electronic payment and effective monitoring of the VAT. Taxation reforms during the ensuing year would aim at increasing the number of tax payers, improving tax compliance and making tax administration more efficient and fair. The process is expected to yield an increased tax base and faster growth in tax revenue. (See, FRBM Documents, 2012-13)

Levy of User Charges

Prudent fiscal management requires that durable fiscal consolidation is attempted through fiscal empowerment, i.e., by expanding the scope and size of revenue flows. The State is exploring ways to augment resources mobilization from non-tax resources through appropriate user charges, cost recovery from social and economic services and restructuring of State PSUs. (See, FRBM Documents, 2012-13)

Borrowings and Other Liabilities

Declining level of Public Debt to GSDP ratio indicates that the borrowings are primarily being utilized for fostering economic growth of State. The State has been very conscious of the magnitude and composition of its outstanding liabilities and a number of steps have been taken to contain the growth of its liabilities. It is observed that better financial management of the State was being recognized by the market and the State was able to raise money at most competitive rates. The increased confidence of the State Government in dealing with the market participants was also evident from the fact that none of these borrowing exercises were underwritten, further bringing down the cost of borrowings. With the setting up of Debt Management Office within the Finance Department, the Government intends to have greater market orientation for its borrowing programmes. The Consolidated Debt Sinking Fund which has been set up would continue to be augmented to take care of pay-outs at the time of maturity of market borrowings. (See, FRBM Documents, 2012-13)

Expenditure Policy

With bulk of the responsibilities pertaining to public expenditure on social services placed in the domain of State Governments, it is widely recognized that the level of social sector expenditure has important implications for the level of human development. State Government is adopting a wide variety of methods including placing limits on certain expenditures, prioritization of expenditure, and greater decentralization of executive functions, improved cash management and greater accountability in the delivery of services against specified targets. The adoption of these principles is expected to facilitate a qualitatively superior process of fiscal consolidation. In the Eleventh Five Year Plan, the State Government has laid out its goal of attaining “Faster and More Inclusive Growth” by setting out certain priorities. The Government aims to allocate more resources to health, education, and agriculture and poverty alleviation - in line with the strategy of achieving significant improvement in the State’s Human Development Index by; (i) Containing non-developmental expenditure; (ii) Improving the quality of expenditure by better targeting of subsidies and focusing on outcomes rather than outlays; (iii) Making available additional resources for social and infrastructural sectors like education, health, irrigation, power

etc. For containing non-plan expenditure, the vacant posts in the Government have been abolished. State is contemplating several measures to carry forward the expenditure reforms and make it more effective. These include introduction of performance budgeting, rationalization of approval processes, better delegation of powers, improved expenditure MIS and introduction of a public investment approval mechanism that seeks to cut down delays, improve quality of project appraisal and ensure better targeting. Further the State has established information technology based solutions (IFMS), in the form of “Online Budget – Grant Release and Expenditure Monitoring”, so as to achieve strong monitoring of quantum and quality of expenditure. (See, FRBM Documents, 2012-13).

Contingent and Other Liabilities

The contingent liabilities of the State Government, as defined in terms of its outstanding guarantees, have shown significant improvement over last few years. The current level of outstanding is far below the level of ceiling of Rs.20000 crores fixed as per the Gujarat State Guarantee Act, 1963. A Guarantee Redemption Fund (GRF) has been set up to take care of any contingent liabilities arising out of the State Government guarantees. The GRF has been steadily augmented and aggregated to Rs.1812 crores as at end December, 2011, which has attained the level considered necessary to meet the contingency. The State government will ensure that new guarantees will be given subject to vacation of guarantees. (See, FRBM Documents, 2012-13)

Strategic Priorities for the Ensuing Year

The State would continue to endeavor to leverage its high GSDP growth to improve its revenues with better tax buoyancy and to maintain a prudent and sustainable level of public debt. Application of resources is being done keeping in view the overarching objective of achieving the Inclusive growth focusing on HDI improvements. For this Government has conceptualized, planned, implemented and monitored the progress of several initiatives aimed at improved health and education, eradication of poverty and unemployment leading to equitable growth and sustainable development. Going forward the State will continue with its proactive governance to catalyze the inclusive economic growth. (See, FRBM Documents, 2012-13)

Rationale for Policy Changes

The State has been enjoying a very high and consistent level of economic growth in last five years. The average GSDP growth at current prices has been 16.47% over a period of 2004-05 to 2011-12(AE). Although public finances have improved over the last few years, major challenge for the State Government would be the management of impact of the Sixth Pay Commission award. The fiscal space available to Government is limited, since essential items of expenditure like salaries, pensions and interest payment absorb a major share in total expenditure. Policies will be driven to address the challenges by achieving effective and credible expenditure rationalization and additional resource mobilization. (See, FRBM Documents, 2012-13)

Financial Disclosure

Fiscal transparency, which is considered to be one of the cornerstones of good governance, has been gaining critical importance in the recent period in the context of prudent fiscal management and attainment of macroeconomic balance. Fiscal transparency requires providing comprehensive and reliable information about past, present, and future activities of economic policy decisions. It is in this context that the State has initiated measures to put as much of information, as practically possible, in the public domain. The current budgetary process involves placing all financial statements and underlying information and assumptions on the table of the House. (See, FRBM Documents, 2012-13)

Policy evaluation

The assumptions underlying the Medium Term Fiscal Policy Statement and Fiscal Strategy Policy are based on the available data and projections of the State Government. All necessary disclosure statements have been provided. The State shall review the trends in receipts and expenditure in relation to the budget and enunciate remedial measures required to be taken to achieve budget targets. (See, FRBM Documents, 2012-13).

Chapter VI

IMPACT OF PSUS PERFORMANCE ON STATE'S FINANCIAL HEALTH

Gujarat is one of the most efficient states in terms of performance in public sector enterprises. In Gujarat, state PSUs play an important role with maximum number of PSUs established in the strategic sectors such as finance, infrastructure, petroleum & energy sector. Almost 32.41 % of the total capital employed in the PSUs consist of only power sector (2011-12), indicating the high concentration of activities in this sector. The total number of working PSUs – including statutory corporation in the state has increased from 39 in 2002-03 to that of 66 in 2011-12 (Table 37).

Table 37: Performance of PSUs in Gujarat

(In Rs Crore)

Year	No of working PSUs	Net Profit and Loss	Total Capital Employed	Turnover	Man Power
2002-03	39	-1,181	10,382	10356	1,34,719
2003-04	40	-755	33,761	14015	1,32,474
2004-05	52	-1966	30,274	16756	1,16,138
2005-06	49	198	28,878	8557	1,18,241
2006-07	50	906	44,918	37239	1,15,206
2007-08	56	1171	58,629	40631	1,14,590
2008-09	57	2366	111,093	50,289	1,16,174
2009-10	58	6804	88,198	58,522	1,13,122
2010-11	60	7195	96,312	63,078	1,09,234
2011-12	66	9242	97,925	79,642	1,12,214

Notes:

- Source: CAG reports of various years, Commercial, GoG
- Net profit here has been calculated without accumulating Interest and Depreciation from both working and non-working PSUs.
- Figures given in Man power are to be considered in absolute figures.
- No. of PSUs here include working PSUs along with Government statutory bodies.

Looking at the Table 37, one can observe that the number of working PSUs have increased over the last ten years, one of the important reasons for this is with the implementation of power sector reforms in the year 2003, the Gujarat Electricity Board was split into seven companies in the area of generation, transmission and distribution.

The total turnovers of the PSUs have increased from Rs. 10,356 crore in 2002-03 to Rs. 79,642 crore. The share of PSUs in the State Domestic Product thus has increased from 6.81 % to 13 % during the same year.

The total capital employed in the year 2011-12 is Rs. 97,925 crore in the PSU. However, while analyzing the sectoral composition, it is observed that almost 32.41 % of the total capital is invested only in the power sector followed by manufacturing sector 13.24 %, finance 2.12 % and merely 0.18 % in infrastructure. This implies, PSU sector in Gujarat is dominated by the power sector and the process of privatization is not accelerated. Another area of concern is the percentage of return on capital employed from working PSUs and statutory board was 6.34 % in 2006-07 which reduced to merely 3.95 % in 2008-09 and marginally increased to around 7 % in the year 2011-12. (CAG report, GoG 2011-12)

During the year 2011-12, out of 66 working PSUs, 41 PSUs earned profit of 4,326.53 crores and ten PSUs incurred loss of Rs. 397.84 crore. The major contributors to the profit were companies mainly from power sector which include Gujarat State Petroleum Corporation Limited (Rs. 941.71 crore), Gujarat State Petronet Limited (Rs. 769.02 crore) and Gujarat Mineral Development Corporation Limited (Rs. 717.72 crore). Heavy losses were incurred by Gujarat State Financial Corporation (Rs. 208.68 crore) and Gujarat State Road Transport Corporation (Rs. 159.74 crore). However, there is a gradual improvement in the net profit earned from the PSU after the fiscal year 2005-06. Till 2005-06, the state Govt. is seen to have finished all its pending liabilities for the complete closure of those PSUs which had been disinvested earlier or which were in restructuring process. Also through various increments in Investment and Capital Employed in the right project helped the State Govt. to suddenly have profits and positive dividends from PSUs rather than incurring losses. While examining the pattern of capital invested and the source of net profit from the PSU it can be inferred that there is a high

concentration of government resources in only one sector of the enterprises while others are ignored. The inference further gets support while looking at the subsidy data.

Table 38: Subsidy Given to PSUs in Gujarat

(In Rs. Crore)

Year	Subsidies from State	Total Subsidy (including centre)	Percentage of State Subsidy
2002-03	1587	1669	95.09
2003-04	1593	1629	97.84
2004-05	2146	2239	95.85
2005-06	2432	2680	90.75
2006-07	2567	2933	87.52
2007-08	3403	3783	89.94
2008-09	4955	5396	91.83
2009-10	5438	5525	98.42
2010-11	5350	5461	97.97
2011-12	4518	4815	93.83

Source: Various CAG reports, GoG.

The PSU sector in Gujarat though having relatively greater share in GSDP relies heavily on the subsidy provided by state and central government. During the ten years period of time from 2002 to 2012, the state subsidy had increased by 184.6 times from Rs. 1587.42 crores to Rs. 4517.76 crores with state contributing to almost 93 % of the total subsidy to PSUs. Out of the total state subsidy, almost 50 % of the subsidy is allocated to power sector followed by service sector 21.9 % and then agriculture 14.32 %. Infact, the power sector was enjoying almost 72.9 % of the state subsidy in the year 2008-09, 61.75 % in the year 2009-10 and 58.44 % in 2010-11. This shows a much skewed distribution of state financial resources as the welfare sector is highly neglected in allocation of state financial resources.

As per the recommendation of the 13th finance commission, states were asked to restructure the PSUs by way of disinvestment and privatization of sick PSUs. In case of Gujarat, during the period of 2005-06 to 2011-12 neither disinvested nor did privatization of PSUs take place. Government did not formulate any policy for dividends regarding the minimum return expected

on the paid up capital invested by state government. Out 41 PSUs that earn the profit in the year 2011-12, only seven of them declared the dividend of Rs. 207,39 crores.

The reforms measures in the PSU sector of Gujarat were concentrated to power sector only whereas as road transportation, agriculture sectors etc are highly neglected.

Gujarat Power Sector Reforms

Power is an important factor contributing to the economic and human development of an economy. Based on the study of Central Electricity Authority, although the Per Capita Consumption of Electricity in India has been growing by about 7.3 % per annum, India is far behind as compared to developed economies. In 2008-09 India was at 733 kwh/year per capita consumption of electricity, whereas during the same year Canada was at 18347 kwh/year, USA 13647 kwh/year and even China at 2456 kwh/year per capita consumption of electricity. (Annual Report on the Working of State Power Utilities & Electricity Department, 2011-12)

With the enactment of Electricity Act 1948, the State Electricity Boards were set up with the responsibility of supply of electricity in the region in coordination with generating companies. The Gujarat Electricity Board (GEB) was established with the formation of state in 1960. Each SEB in India was expected to earn 3 % of the return on net capital invested as per the provision of the Electricity Act 1948, but this target was never achieved by GEB. The low tariff rates of electricity which were determined mostly by political influence rather than the market principles, cross subsidization of agriculture sector, not aiming for profit or revenue maximization, non-revision of tariffs for long time despite of the increase in the cost of power, inefficient management are some of the reasons responsible for the GEB to experience heavy financial losses and relying on the subsidies provided by government. This created a heavy fiscal burden on the state budget. Despite of all the operational and financial problems that GEB was facing, with the continuous efforts of GEB, Gujarat was the first state to achieve almost 100 % electrification as per the 1991 census.

The Government of India passed an Ordinance as the Electricity Regulatory Commissions Act 1998 and as an outcome; the Central Electricity Regulatory Commission was set up. The primary intention for setting up of regulatory commissions was to ensure that tariffs were determined according to economic principles and that the entire process be free from any political interference. The role of the Government was only that of a facilitator and catalyst which would lay down broad principles of policy (Annual Report on the Working of State Power Utilities & Electricity Department, 2011-12). Based on this act, government of Gujarat also set up Gujarat Electricity Regulatory Commission (GERC) in 1999 as an autonomous body.

Gujarat initiated reform process in the year 2000, after the structural reforms were implemented by some of the state such as Orissa, Haryana, and Andhra Pradesh etc. Gujarat implemented few measures to improve the revenue of GEB and reduce power theft. Some of the measures taken by the GEB are: making the employees accountable for the revenue collection, performance based monetary reward to the field officer, organizing monthly meeting with chief engineers at zonal level and making them aware of the problem etc. To reduce the power theft GoG worked through the law and order. GEB undertook a drive against power theft and nonpayment of bill by individuals and company. The retired army officers were appointed, vigilance department was established to catch the fraud cases and take legal actions against them if the fine is not paid. Dedicated police station at Surat, Vadodara, Sabarmati, Rajkot and Bhavanagar were set up to deal with the cases of power theft. The reward scheme was also launched for the people who would come forward to register the complaint of power theft. As an outcome, by the year 2004-05 GUVNL had sealed 13.89 lakh connections and recovered Rs. 16 crores power theft.

The Per Capita Consumption of electricity in Gujarat has been higher than that of all India average. Since year 2005 the Per Capita Consumption of electricity in Gujarat is higher than 1000 kwh and has reached to 1642 kwh by the year 2012. Gujarat enjoys surplus electricity with total electricity generation has been always higher than the total consumption. (Table 39). Out of total consumption of electricity in the year 2011-12, industrial sector accounted for the largest share of electricity consumption (43 percent) followed by agriculture sector (22 percent) and domestic sector (16 percent) (Socio Economic Review, 2012-13, GoG). The only concern that arises is that the total installed capacity during 2002 to 2012 has increased by average annual

growth rate of 5.87 % whereas the growth in the total electricity generation lagged behind with average annual growth rate of only 4.62 %. This may be considered as a sign of lack of efficiency in the power sector.

Table 39: Electricity Installation, Generation and Consumption

Year	Total Installed Capacity (MW)	Total Generation (million units)	Total Consumption (million units)	Per Capita Consumption (KWH)
2002	8651	50069	34797	963
2003	8606	55127	33860	944
2004	8712	54727	34145	932
2005	8722	58209	34418	1321
2006	8974	58724	38358	1313
2007	9561	61543	45862	1354
2008	9827	65656	53473	1424
2009	9864	68962	55610	1446
2010	12008	69883	55005	1491
2011	13134	71256	58670	1512
2012	15306	78651	63715	1642

Note: Per Capita Consumption for the year 2004-05 onwards is based on generation of electricity as per the guideline of Central Electricity Authority.

Source: *Socio Economic Review, 2012-13*, GoG

As a part of Power Reform Process, the Electricity Act, 2003, was passed by the Central Government in June 2003. This Act repealed all the existing electricity laws in India. After 2003, electricity board functions were mandated to be separated between generation, transmission and distribution. Government of Gujarat also passed ‘Gujarat Electricity Industry (Re-organization & Regulation) Act 2003, with the aim to improve efficiency in management and delivery of services to consumers. This Act paved the way for organizational restructuring of the GEB (Gujarat Urja Vikas Nigam Limited official website).

As proposed under the Gujarat Electricity Industry (Reorganization and Regulation) Act, 2003, the Gujarat Electricity Boards was split into seven companies as one holding company, one each for generation and transmission and four distribution companies, all became fully functional

from the year 2005. These companies are: Gujarat Urja Vikas Nigam Limited (GUVNL) became the holding company; Gujarat State Electricity Corporation Ltd. (GSECL) was responsible for Generation and purchase of power from other power companies. Gujarat Energy Transmission Corporation Ltd. (GETCO) is required to take care of the transmission of power to all the distribution companies and four companies were set up as power distribution companies in various parts of state which are; Uttar Gujarat Vij Company Ltd. (UGVCL), Dakshin Gujarat Vij Company Ltd. (DGVCL), Madhya Gujarat Vij Company Ltd. (MGVCL) and Paschim Gujarat Vij Company Ltd. (PGVCL).

The state government implemented decentralization in decision making, independent boards, operational efficiency and individual accountability in each of the seven units of GEB to improve the financial performance of these companies. Although GEB has been unbundled, the distribution companies (DISCOM) are the part of public sector companies. Government of Gujarat has not taken initiative to privatize the DISCOM except companies like Torrent Power Limited in Ahmedabad and Surat cities.

As noted by GUNL, the restructuring of GEB has resulted into gradual improvement in the financial and technical performance of the power sector. The T&D loss has reduced from 20.44% in 2011-12 as compared to 34.20% in 2001-02.

As a part of efforts to improve financial health of power sector, GoG prepared a Financial Restructuring Plan where the DISCOM may start with the clean balance sheet; the losses of GEB were transferred to GUVNL. The debt of Rs. 623 crores was converted into equity shares in GUVNL. GoG also sanctioned a capital grant of Rs. 250 crores per annum from fiscal year 2005-06 to 2010-11 with the objective of strengthening the power sector. Pricing policy was modified and the average tariff was raised from Rs. 2.20 per unit in the year 2001 to Rs. 3.98 per unit by 2011 to strengthen the revenue generation capacity of the SPUs.

Table 40: Profit/Loss and Subsidy for Power Sector

(Rs. Crores)

Year	Profit/Loss of Power sector*	Subsidy by State Govt.
2002-03	(-) 622.03	1198.00
2003-04	(-) 475.81	1056.28
2004-05	(-) 1931.80	1445.62
2005-06	106.07	1620.88
2006-07	628.59	2010.29
2007-08	11.06	1256.71
2008-09	164.61	3613.72
2009-10	428.3	3357.65
2010-11	773.31	3126.43
2011-12	1,107.25	2230.55

*Note: Net profit before tax. The profit/loss data from CAG do not tally with that PFC report, however since PFC reports have not mentioned the sources of the data, for this study we will be relying on the CAG profit/loss data for respective years.

Source: CAG report of various years

It is evident from table 40 that the power sector performance has improved from 2005-06 and the state is able to generate positive net profit since then. However, the concern here is the magnitude of subsidy provided to the power sector. It is observed that out of total subsidy provided by state government to the PSUs, almost 73 % of the subsidy was given to power sector companies in the year 2008-09 which then reduced to 49.4 % in 2011-12 which is still higher. The total state subsidy to power sector has increased by 6.41 % with an average annual growth rate during 2002 to 2012. The profit generated from power sector is much less than the subsidy/grants provided to them which is a indication that power sector in Gujarat has yet not achieve financial independence of commercial feasibility.

The initial efforts of the GEB and than the GUVNL were towards achieving 100 % electrification and reduction in the power theft through some innovative institutional and administrative efforts which is highly appreciated. Gujarat government now need to focus on achieving the financial sustainability of the power sector companies by various measures such as frequent revision of purchase policy, tariff rates, privatization of DISCOM and many others.

The agriculture power and power subsidy has always been a cause of concern for India. With the objective of improving the quality of power and continuity of power in the agriculture, Government of Gujarat initiated Jyotigram Yojana, an innovative project to solve the issue of agriculture power. The scheme was launched in 2003 with the pilot project with 8 districts and then was implemented across the state by 2005. Under the Jyotigram Yojana, the feeders in the rural areas were bifurcated into two separate lines – one for supply of electricity for agricultural purposes with 440 volts for eight hours and the other for supply to rural homes and other non-agricultural purposes with 220 volts for 24 hours all the days. The investment cost of Rs 1,200 crore was funded by state government and other funding requirement was met by respective DISCOM, ADB fund and through other schemes. The direct benefit of Jyotigram Yojana is to be able to bring down the distribution losses and provide uninterrupted power to rural area. The other indirect benefits are improving the standard of living of rural people, reduction in wastage of ground water in agriculture sector, promoting small scale industries in rural area etc.

Electricity generation through renewable energy is another area of exploration for India to meet the raising need of power both in urban and rural area and improve the per capita consumption of electricity. Government of Gujarat has initiated efforts to promote solar and wind energy considering the geographical conditions of the state.

JNNURM Implementation in Gujarat

The process of urbanization in India has been very slow with only 31.16 % of the population living in urban areas as per 2011 census. The need was felt to focus on the development of urban areas in terms of infrastructure facilities, achieving functional autonomy, improving the quality of governance in the urban areas of the country and implement the practices of the 74th Constitutional Amendment. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM), launched in December 2005 for the period of seven years (2005 – 2012) is one of the key drivers for the development of urban local bodies in India. The JNNURM has selected 63 cities across India to provide financial and technical assistance to set up basic amenities and development infrastructure facilities in the cities. Four broad areas of programs were identified under the mission for these cities; (i) Urban Infrastructure and Governance (UIG) and (ii) Basic

Services to the Urban Poor (BSUP). For the remaining small and medium towns (iii) Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and (iv) Integrated Housing and Slum Development Programme (IHSDP).

For the implementation of the mission projects three layers of massive financial resources were provided from central, state and local bodies. The financial resources from central will be allotted through implementing agencies of each state based on the proposals submitted by each state and the implementation of the reforms. However, the financial assistance provided by the central government is in the form of Additional Central Assistance (ACA). The table below provides the proportion of ACA, State funding and ULB's contribution under two sub-missions.

Table 41: Funding Pattern under JNNURM

(In %)

Categories of cities	UIG			BSUP	
	Central Share	State Share	ULB share/Loans from FI	Central Share	State/ULB share including beneficiary contribution
More than 4 million population (2001 census)	35	15	50	50	50
Cities with more than one million but less than 4 million population	50	20	30	50	50
Cities other than mentioned above	80	10	10	20	20

Source JNNURM

For the UIDSSMT projects, funding was in the ratio of 80:10 between Central Government and State Government and the remaining 10 per cent was to be raised by the nodal/implementing agencies. In respect of IHSDP projects, it was in the ratio of 80:20 between Central Government and State Government/ ULBs/Parastatal/beneficiary contribution. (JNNURM overview). The thrust of the JNNURM is to ensure improvement in urban governance and service delivery so that ULBs become financially sound and sustainable for undertaking new programmes. (JNNURM Overview, GOI).

As per the guidelines provided by JNNURM, there are two levels of reforms that the state and local bodies need to implement. The mandatory reforms area; implementation of decentralization measures as per the provision of 74th CAA, adoption of modern, accrual- based double entry book keeping system, reform in rent control, implementation of e-governance like GIS and MIS in ULBs, rationalizing the user charges by ULBs, budget allocation for basic services to urban poor, rationalization of stamp duty and reduce upto 5 %, enactment of community participation law and public disclosure law. The ULBs level reforms consist of E-governance, shift to double entry, 85 % coverage of property tax and improving the collection efficiency to 90 %, 100 % cost recovery of O&M for water supply, 100 % cost recovery of solid waste management etc. The optional reforms consist of abolition of Urban Land Ceiling and Regulation Act, Bye -laws for water harvesting and reuse and recycled water, introduction of property tax certification system under ULBs, allocate 20-25 % of developed land for lower income group of economically weaker section category, computerized registration of land and property, encourage PPP etc.

Performance of Gujarat under JNNURM

Gujarat is one of the highly urbanized states in India with 42.58 % of urban population (2.57 crore as per 2011 census) ranked third after Tamil Nadu and Maharashtra. There are five cities selected from Gujarat for implementation of JNNURM projects viz; Ahmedabad, Rajkot, Surat, Vadodara and Porbandar. Out of these, Ahmedabad, Vadodara, Surat and Rajkot have population above one million each which consist of around 55.01 % of urban population. Projects under UIG and BSUP were implemented in these five cities, whereas IHSDP was implemented in 45 cities, 52 cities/towns were selected for implementation of UIDSSMT. There are 19 cities/ towns which common across both IHSDP and UIDSSMT. Thus, under JNNURM mission, 196 (in some documents the figure is 197) projects were sanctioned upto March 2012 in total 84 cities. The total project cost estimated and the approved funding pattern is given in Table 42. The total funding sanctioned was Rs. 8,627.40 crore with GOI share of Rs. 4,094.24 crore and state share of Rs. 1,761.73 crore.

Table 42: Number of Projects sanctioned and their funding under JNNURM

(Rupees in Crores)

Sr. No.	Sub Mission	No. off Projects	Approved Cost	GOI share	State Share	ULB Share
1	UIG	72	5,625.09	2,492.58	990.74	2,141.77
2	BSUP	27	2,032.92	1,015.47	423.11	599.29
3	UIDSSMIT	52	4,343.87	348.32	43.58	43.48
4	HSDP	45	534.52	237.87	304.40	89.40
	Total	196	8,627.40	4,094.24	1,761.73	2,893.94

Source: CAG India report for Urban Local Bodies for Government of Gujarat, 2012

The details regarding status of the completion of projects are given in table 43 As on March 2012, only 38 projects out 71 under UIG and 20 out of 52 projects under UIDSSMT were completed which is only 52 % of the approved projects. States like Arunachal Pradesh, Andhra Pradesh and Tamil Nadu were ahead of Gujarat. However, in terms of implementation of reforms Gujarat has achieved almost 90 % of the targets which was the highest among all the states (JNNURM, Comparative table of projects and reforms in states, 2012). The implementation process became faster after March 2012 and it could complete 51 projects under UIG striking a completion rate of 72%, which is highest in the country (Public Policy Research Centre, New Delhi, 2014). An important achievement for Gujarat is the Ahmedabad BRTS – Janmarg which has won National Award for Best Mass Transit Project in India by the Ministry of Urban Development, Government of India for 2008-09. It also won the ‘International Award for “Sustainable Transport Award – 2010” at Washington DC, USA; International Award for “Outstanding Innovations in Public Transportation – 2010” from UITP, Germany, among others. (JNNURM State report)

Table 43: JNNURM project status for Gujarat as on March 2012

Mission	Project Sanctioned	Project completed	Project in Progress	Project not started	Project abandoned
UIG	72	38	34	0	1
UIDSSMT	52	20	32	0	0
BSUP	27	5	22	0	0
IHSDP	45	0	13	26	6
Total	196	63	101	26	7

Source: CAG India report for Urban Local Bodies for Government of Gujarat, 2012

To discuss in details the performance of UIG, where Gujarat has been one of the best performer, it is evident from table 44 that maximum number of projects have been implemented in Ahmedabad followed by Surat. Porbandar was not selected for UIG mission and Rajkot could get only 3 UIG projects. Thus, since Ahmedabad city has been highly active (CEPT the agency located in Ahmedabad) could manage to get higher number of projects. However, this is the area where state intervention could have been done to normally distribute the projects across all the cities. The Ahmedabad BRTS – Janmarg has won National Award for Best Mass Transit Project in India by the Ministry of Urban Development, Government of India for 2008-09. It also won the ‘International Award for “Sustainable Transport Award – 2010” at Washington DC, USA; International Award for “Outstanding Innovations in Public Transportation – 2010” from UITP, Germany, among others.

One more area of concern which is also realized by the many of the reviewers of JNNURM projects, is majority of focus was given to only urban infrastructure such as roads and bridges and Sewerage but solid waste management and transport system (except Ahmedabad), Heritage area development or redevelopment of old city have been totally neglected. In addition to this, the PPP model adopted by Gujarat to implement JNNURM project, it is noted by RBI that Gujarat PPP is concentrated to road sector where states like AP PPP covers education, energy, forestry, health, IT, minor ports, tourism etc. (RBI state finance, 2011-12)

Table 44: List of Completed Project under UIG – City Wise Details

(Data as on 17-09-2013)

Sector	Ahmedabad	Surat	Vadodara	Rajkot	Sector wise total
Roads/Flyovers/RoB	10	5	3	1	19
Water Supply	1	3	2	1	7
Sewerage	5	7	1	0	13
Drainage/storm water drains	4	3	1	0	8
Solid Waste Management	0	1	0	0	1
Mass Rapid Transport System	2	0	0	1	3
Other Urban Transport	0	0	0	0	0
Development of Heritage Areas	0	0	0	0	0
Total projects in the city	22	19	7	3	Total - 51
Approved Cost (Rs. Crores)	1473.59	671.76	408.36	220.43	

(Compiled from <http://jnnurm.nic.in/wp-content/uploads/2013/09/Gujarat1.pdf>)

As per the audit information of CAG India, for Urban Local Bodies for Government of Gujarat, 2012, the GOI and State Government released only 72 per cent and 65 per cent respectively of their committed share up to March 2012. The GOI and State Government released Rs. 2,956.68 crore (72 per cent) and Rs. 1,145.67 crore (65 per cent) as of March 2012 as against their committed share of Rs. 4,094.24 crore and Rs. 1,761.73 crore respectively.

The CAG India, for Urban Local Bodies for Government of Gujarat, has audited only 28 projects out of 197, hence the only data base available in the compiled and comparable format is the state budget documents publication (35), development programmes. The actual expenditure as per annual plan for centrally sponsored schemes for each year from central share and state share have been obtained. The data is compiled in the table 45. The concern raised here is that despite of only 63 projects completed out of 196 sanctioned as per JNNURM, the total expenditure on the scheme during 2005 to 2012, have been overshooting. As per the state budget documents the actual expenditure incurred with central and state share is Rs. 9085.25 crores.

Table 45: Actual Expenditure as per Annual Plan

(In Rs. Crore)

Year	Central Share	State Share
2006-07	-	-
2007-08	522.55	210.11
2008-09	663.54	248.46
2009-10	689.27	262.40
2010-11	280.00	5975.09
2011-12	51.63	182.19
Total	2206.99	6878.26
Total Expenditure	9085.25	

(GoG, State budget documents, various issues)

As far as implementation of reforms at state and ULBs level is concern, Gujarat has achieved almost 90 % of the reform implementation and as per JNNURM Reforms Calibrated Milestones & Scores; Gujarat has achieved 92 % of the score. The 74th CAA has been implemented in Gujarat, Rationalization of stamp duty, abolition of Urban Ceiling & Regulation Act, Enactment of Public Disclosure Law and Community Participation Law have been implemented, ULBs have now higher financial autonomy and sustainability, ULBs are adopting E-governance,

profession tax have been introduced which is kept 100 % by the municipalities, property tax restructuring has taken place.

During the study period it was realized that at a state level, audit and impact assessment are very essential. Although Gujarat has performed well in terms of project completion and reform implementation, consolidation of data and project outcome comparable across concerned agencies can be done. Overall, there is an improvement in the governance and financial conditions of ULBs in Gujarat. The only area of concern is the inability to implement reforms of Rent Control Act, GIS, property title certification, etc. Scope exists to develop equal level of competency among all the ULBs in Gujarat rather than concentrating efforts in only few cities.

State’s Initiative to Improve Water Supply and Irrigation Systems

Gujarat is a water scarce state and experiences highly erratic rainfall. There exists wide regional disparity in the availability of water resources with 80% of the State’s surface water resources concentrated in the central and southern regions and the remaining three-quarters of the state have only 20% (Gupta, 2011). The main source of water for Gujarat is surface water. Table 46 provides details of available quota of water in the State. Southern and central Gujarat, Saurashtra and Kutch have water resources of 89%, 9% and 2%, respectively. Out of the total available surface and groundwater nearly 80% quota is used for agricultural purposes, in which irrigation also plays an important role.

Table 46: Distribution of Water Resources in Gujarat

(Million Cubic Mtrs)

Area	Total Water Quota	Surface Water	Underground Water	Storage capacity of existing reservoirs *
Central & South Gujarat	105	750	55	400
North Gujarat	42	00	42	00
Saurashtra	23	00	23	50
Kutch	38	0	8	0
Total	608	100	508	000

Source: Department of Agriculture, GoG 2013.

* Except Sardar Sarovar Yojana

Irrigation and Water Supply Condition in the State

The total cultivable area of the state in 2011-12 was about 131 lakh hectares out of the 196 lakh hectares of total geographical area. The ultimate irrigation potential through the surfaced water is assessed at 39.40 lakh hectares including 18.00 lakh hectares through Sardar Sarovar (Narmada) Project. The irrigation potential through groundwater is estimated to be about 25.48 lakh hectares. However, till June 2012, the maximum utilization was only up to 23.79 lakh hectares in case of surface water and 1.20 lakh hectares through ground water (GoG, *Socio-Economic Review 2012-2013*). In Gujarat, groundwater remains the source for most domestic use and more than three-quarter of the irrigation water. Over utilization and exploitation of groundwater has led to serious problems as reduction in the groundwater level along with increasing salinity of the ground water. There was an urgent need to address the problem of depletion of groundwater level.

In case of urban water supply, 87% of urban water supply was through groundwater Hirway (2005). Gujarat being one of the highly urbanized states had to address the issue of water supply and sanitation and provide sustainable solutions.

Initiatives of the State Government

The Government of Gujarat has taken various initiatives to improve water supply for urban and rural residents as also irrigation needs. The efforts encompass diversified strategies such as building canal network, check dams, promoting water harvesting, etc. Various government, semi government agencies and NGOs also have played a key role in the implementation of various schemes. To provide a summary of the efforts, the state had implemented 19 major and 70 medium irrigation projects and more than 1000 minor irrigation projects. The state government also released a *Water Policy 2004* which gives priority to drinking water availability and equal distribution of water to all sectors.

The details of some of the key projects and schemes of the state government are provided here based on the government reports.

Sardar Sarovar Project

Sardar Sarovar Project is a lifeline for the water supply and irrigation facility in Gujarat. The project will provide annual irrigation benefits to an area of about 18.45 lakh hectares through the main canal and a large network of channels emanating from it. The Narmada Main Canal which is 458 km long has been completed and 30 out of the total 38 branch canals are under construction.

Under this project up to March 2012 a total of 131 towns and 9633 villages of 17 districts have been covered for drinking water facilities in the State. For the irrigation purpose a total of 3112 villages of 73 talukas of 15 districts have been covered with a cultivable command area (CCA) of 18.46 lakh hectares. Out of the total targeted area of 18.45 lakh hectares to provide irrigation, the work of distribution system in 5.63 lakh hectares under minor irrigation have been completed. The work for the distribution system in the additional 9.88 lakh hectares area is under progress.

Check Dam Programme of Gujarat

Gujarat has one of the largest community based check-dam programmes in the country. The state has taken an initiative to construct low cost dams at the village level. This initiative, known as the Sardar Patel Participatory Water Conservation Scheme, was started in January 2000. Under this scheme the Government funds 80% of the cost while community contributes the rest through labour, material and cash. To facilitate the activity of check dam constructions, the irrigation department was restructured, application procedures were simplified and the approval was given with a basic technical guidance. By June 2012, about 1,53,249 check dams had been constructed under different schemes by different departments.

In case of the non-availability of suitable locations for the construction of check dams, deepening of existing ponds/tanks with financial contribution of 90:10 (Government: Beneficiaries) are implemented in a big way to store and conserve water through recharging during monsoon. More than 23000 ponds/tanks have been deepened by different departments. (GoG, *Socio-Economic*

Review 2012-2013). About 1,22,035 boribundhs and 2,61,785 khet talawadis have been completed by various departments for water conservation and ground water recharging.

Participatory Irrigation Management

Participatory Irrigation Management (PIM) has been implemented in the entire state on a large scale for all the major and medium irrigation projects through the "Gujarat Cooperatives and Water Users Participatory Irrigation Management Act, 2007'. Under the provisions of this Act, Water Users' Association (WUA) is formed from amongst the beneficiary farmers in command area of an irrigation project. Whereas 90% of cost for community mobilization is borne by the Government the WUA contributes 10% of the rehabilitation cost. Under this scheme approximately 429263 ha. area has been covered with the formation of more than 1500 WUAs upto July, 2012. However, the success of the PIM system varies widely across districts and villages.

Sagar Khedu Sarvangi Vikas Yojana

The scheme "Sagarkhedu Sarvangi Vikas Yojana" was initiated for 38 blocks across 13 districts in coastal regions of the State to address problems such as salinity ingress, deterioration of soil fertility, and deterioration of the water quality, etc. The Water Resources Department has planned to execute various works like Bandharas, Tidal Regulators, Recharge Tanks, Spreading Channels, Anti Sea Erosion Works and Irrigation Schemes etc. Total expenditure incurred till March 2014 is Rs. 37676.16 lakh and an area of 79755 hectares has benefitted through this scheme.

Sujalam Suphalam Yojana

The State Government has identified 10 worst water scare districts of north Gujarat, central Gujarat, Saurashtra and Kachchh which have been covered under the Sujalam Suphalam Yojana (SSY). The work of 332 km. long Sujalam Suphalam Spreading Canal passing through seven districts from Mahi to Banas river includes diversion of surplus flood water of Kadana Reservoir

and Narmada to the water deficit areas. In all, 32 schemes covering 4904 villages at a cost of about Rs. 2431.27 crore have been taken up under the SSY. Under this scheme, 214 km. bulk water transmission pipeline has been completed, 3686 villages and 26 towns have been covered as on December 2012.

Saurashtra-Narmada Avataram Irrigation Yojana (SAUNI Yojana)

The Saurashtra-Narmada Avataram Irrigation (SAUNI) Yojana with an estimated cost of Rs. 10,000 crore has been launched to divert 1 MAft excess over-flowing flood water of Narmada allocated to Saurashtra Region. Excess over-flowing flood water of Narmada will be brought to Dholidhaja Dam near Surendranagar and will be distributed to 115 reservoirs of seven districts of Saurashtra through a total of 1115 km long four link canals benefitting 10,22,589 acre land.

Micro Irrigation System

In 2005-06 the Government of Gujarat has established the Gujarat Green Revolution Company Ltd. which acts as a nodal agency to implement a uniform scheme for Micro Irrigation System (MIS) in the state. The beneficiary farmer in the state is entitled to get 50% of total MIS cost or Rs. 60,000 per ha whichever is less for adopting MIS under this Scheme. Till March 2013, it has been accessed by 3,70,690 farmers covering an area of 6,00,000 ha.

Community Managed In-Village Water Supply Schemes

The Government of Gujarat had established the Water and Sanitation Management Organization (WASMO), a Special Purpose Vehicle (SPV) in the year 2002 with an objective of implementing drinking water distribution activities at rural level with the active participation of village communities. NGOs are being involved to facilitate process of creating Pani Samitis at village level which are responsible for supplying drinking water to individual households in the project villages, collecting the water charges from beneficiary households and paying their share of water charges to the GWSSB on volumetric basis.

State Wide Drinking Water Grid

The creation of a State Wide Water Supply (SWWS) Grid aims to supply drinking water to 75% population of the State by laying bulk water transmission pipelines, water treatment plant service reservoirs, distribution pipeline network and allied structures. A total of 334 projects are planned under the SWWS Grid, out of which 175 projects are being implemented under both the Sardar Sarovar Canal Based Water Supply Project program and SSY whereas 159 projects are being implemented under the Rural Water Supply Program. The Grid covers 3.80 crore population in 11,003 villages and 127 towns. Bulk pipelines of 2,240 km. and more than 1,19,380 km. of distribution lines are used for transporting up to 2,800 million liters of water on a daily basis for ensuring water security in water scarce regions of the State.

Swarna Jayanti Mukhya Mantri Shaheri Vikas Yojana (SJMMSVY)

The scheme aims to provide water through Narmada canal wherever possible and ensure adequate sources of water supply to meet the norms of 100 lpcd of water for all ULBs. Adequate funds have been allocated to meet these goals.

Kalpsar Yojana

The Gulf of Khambhat Development Project – Kalpsar Yojana is a proposed water resources project involving creation of fresh water reservoir in the Gulf of Khambhat. It is an ambitious project with the idea of storing 10,000 MCM (million cubic metre) additional rainwater by developing a freshwater reservoir in the Gulf of Khambhat. Nearly 10.54 ha. land in 39 talukas of 6 districts of Saurashtra region will be provided with irrigation facilities. However, the project is at the stage of survey and feasibility study and no concrete work has begun.

The state seems to have made significant moves towards a long-term and sustainable supply infrastructure to solve the problem of water scarcity in the state. However, it has not been as forceful and persistent in its efforts at addressing some crucial problems of water quality, excess use of water in a few regions. It has also been observed that the engagement of multiple agencies

by the government only to handle these projects has resulted in overlapping of their roles. The CAG reports also noted the excess of the expenditure incurred in implementation of some schemes. Despite of some limitations observed these efforts there has been a notable improvement in the water resource availability of the state.

Chapter VII

CONCLUSIONS

Gujarat has been successful in meeting the targets defined under the FRBM Act 2005 and is one among the better fiscal performers even recognized by 13th Finance Commission. This implies that Gujarat has strategically met the necessary conditions for being fiscally fit state. In terms of PSU performance, JNNURM implementation and even power sector reforms Gujarat has been one of the better performer states.

What now needs to be done is meeting the sufficient condition for improving fiscal health of the state to achieve the sustainability of fiscal health in the long run and improve the fiscal performance with equal distribution of financial resources rather than skewed allocation of resources in selected sectors and regions.

Although state has drastically reduced the revenue deficit and has estimated to have revenue surplus in fiscal year 2011-12, has reduced fiscal deficit and debt burden, sustaining the fiscal health and further improving the same in various internal and external shock is going to be one major challenge where state has to work upon.

References

- Asher, Mukul and Takalkar, Nimeesha (2012): *Gujarat's Power Reforms: Fostering Inclusive Growth; Think Tank*, July.
- Dholakia, Archana (2004): 'Fiscal Expenditure and Revenue Growth in Gujarat - A Pre-reform and Post Reform Comparison', Working paper presented at M S University.
- Government of Gujarat (2013): *Report of CAG of India on Public Sector Undertakings for the year ended 31 March 2012: Report No. 1*.
- Government of Gujarat: *Report of Comptroller and Auditor General of India, Audit Report (Commercial)*. Various issues.
- Government of Gujarat, (2010): *Report on Statewide Water Supply Grid in Gujarat*.
- Government of Gujarat (2013): *State Domestic Product Gujarat State 2011-12*; Directorate of Economic and Statistics.
- Government of Gujarat: *Statements under the Gujarat Fiscal Responsibility Act 2005*; Finance Department. Various issues.
- Government of Gujarat: *Socio Economic Review*; Directorate of Economic and Statistics. Various issues.
- Government of India (2009): *Report of the Thirteenth Finance Commission*, November.
- Government of India (2011): *Report on the Performance of State Power Utilities for the years 2007-08 to 2009-10*, Power Finance Corporations Limited.
- Government of India (2011): *Annual Report on the Working on State Power Utilities & Electricity Department; 2011-12*; Power & Energy Division, Planning Commission.
- Government of India (2013): *Report on the Performance of State Power Utilities for the years 2009-10 to 2011-12*; Power Finance Corporations Limited.
- Gupta, Rajiv (2011): 'The Role of Water Technology in Development: A Case Study of Gujarat State', UN-Water International Conference, Zaragaza, Spain – Water in the Green Economy in Practice: Towards Rio+20.
- Hirway Indira, (2005): 'Ensuring Drinking Water to All: A Study in Gujarat' Paper prepared for the 4th IWMI-TATA Annual Partners Research Meet, 24-26 February 2005.
- Infrastructure Development Finance Company Limited (2012): *Evolving Perspectives in the Development of Indian Infrastructure; Volume I*.
- Public Policy Research Centre (2014): *Performance Evaluation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in BJP Ruled States*, March.
- Reserve Bank of India (2012): *State Finances - Study of Budget of 2011-12*.
- Srivastava, D. K., Chattopadhyay, Saumen and Jena, Pratap Ranjan (1999): *State Fiscal Studies Kerala*; NIPFP New Delhi.