

EVALUATION OF FINANCES OF STATE OF RAJASTHAN

SUBMITTED TO
16th FINANCE COMMISSION,
GOVERNMENT OF INDIA

by

Prof. Vijay Vir Singh
Vice Chancellor
Apeejay Stya University
Gurugram

Research Team
Yashwardhan Singh
Asst. Prof., St. Xavier's College Jaipur
Dr. Boola Choudhary
Asso. Prof., Vivekananda Global University, Jaipur
Kanishka Agarwal
Research Assistant, Jaipur

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PREFACE AND ACKNOWLEDGEMENT

India has always focused on extending the benefits of development to the bottom of the pyramid by making continuous efforts to reduce the inequalities that have emerged within and between the regions of the country. Decentralization has been the principal countervailing trend to ensure governance for tackling the problems of poverty, backwardness and low human development. Rajasthan has been a pioneer in ensuring decentralisation of governance including the implementation of the Panchayati Raj Act in 1959.

Rajasthan is making efforts to balance between physical and social development along with economic growth. With the rise in the recurring expenditure burden of the State on account of the rise in population, urbanization, needs for rural development, better health & education etc., the dependency of the state on central devolution is continuously rising. The fiscal imbalances of the State are reflected in deficit, revenue, expenditure, and debt indicators. The various Central Finance Commissions have been taking care of the allocation of the Central Pool Fund. Against this background, the 16th Finance Commission needs to understand the fiscal health of the State of Rajasthan before recommending the revision in Central Pool devolution to the Government of India.

In this context, this study was proposed to me by the 16th Central Finance Commission to carry out an intensive study to trace out various issues concerning the fiscal position of the State including local bodies. The report analyses the financial performance of Rajasthan in terms of revenue, expenditure, deficit, debt etc for the 2011-12 to 2023-2024 period.

I would like to express my appreciation to 16th Finance Commission of India for believing in me and my team comprising of Mr Yashwardhan Singh, Assistant Professor, St Xavier College, Jaipur, Dr Boola Choudhary, Associate Professor, Vivekanand Global University, Jaipur, and Kanishka Agrawal, Research Fellow. I am grateful to my team members for their dedication in completing the report and deriving useful policy recommendations that will hopefully be useful for the Commission in recommending the Central Pool devolution to the state of Rajasthan.

Prof. Vijay Vir Singh
Vice Chancellor
Apeejay Stya University
Sohana, Gururam

Executive Summary

The fiscal status of Indian states over the past five years has been significantly influenced by various factors, including the COVID-19 pandemic, changing revenue dynamics, and evolving expenditure patterns. The fiscal position of Indian states has been a subject of concern, with growing deficits and rising debt burdens. While some states have managed their finances prudently, others continue to struggle with mobilizing adequate resources to fund developmental expenditures. This has led to increased dependency on central government transfers and schemes, underscoring the need for an evaluation of state finances. The purpose of the study is to critically analyze Rajasthan's overall state finances over 10 years from 2012-13 to 2023-24. The primary objective of this study is a comprehensive evaluation of Rajasthan's state finances including revenue capacities, Expenditure of the state, debt, deficits- revenue and fiscal, FRBM act, transfers to Local Bodies, Impact of State Public Enterprises finances and Power sector reforms on state's fiscal health, Subsidies given by the state, Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th FC, Determination of a sustainable debt roadmap for 2026-31 and Analysis of the overall States' finances during 2012-13 to 2023-24 and suggestions for improvement.

The important documents from which the data has been sourced include: the State Finance Audit Report of CAG, Rajasthan Budget, PRS Legislative Research, CEIC Data, Economic Review of Rajasthan, Handbook of Statistics of Indian States, RBI, and Ministry of Statistics and Programme Implementation.

Assessment of Rajasthan's taxable capacity reveals both its constraints and opportunities in enhancing revenue self-sufficiency. With a balanced approach that includes broadening the tax base, optimizing collection efficiency, and strategically increasing tax efforts, Rajasthan can improve its fiscal standing. Rajasthan's moderate Own Tax-GSDP ratio may be attributed to its unique economic landscape, which includes a mix of agriculture, tourism, and emerging industrial sectors. The state government has been implementing various strategies to enhance its fiscal health, including tax reforms and measures to improve compliance. Additionally, Rajasthan has been focusing on policies.

The own non-tax revenue sources of the state have contributed significantly to the state's overall receipts with a CAGR of 7%. However, an assessment of the performance of these non-tax revenue components reveals uneven growth and productivity across different components. While sources like interest receipts, dividends, and profits have shown a consistent decline in

their share after 2018-19, and user charges and fees have exhibited a fall in their share from 2016-17 onwards, the share of general services has been growing with fluctuations, and the share of economic services has been fluctuating between 50% and 65% throughout this period. Rajasthan's total expenditure expanded significantly, rising from ₹61,882 crore in 2011-12 to ₹1,57,084 crore in 2016-17, aligning with the state's economic growth as GSDP increased from ₹4,34,837 crore to ₹7,60,587 crore. While Revenue Expenditure continued to dominate, accounting for 86%-89% of total expenditure, Capital Expenditure showed a moderate increase, rising from ₹7,119 crore to ₹16,980 crore during the period. The ratio of total expenditure to GSDP grew from 14.2% to 20.7%, reflecting an expanding role of government spending in driving economic activity. The data reveals a progressive shift in Rajasthan's fiscal policy toward developmental spending, although the dominance of Revenue Expenditure over Capital Expenditure underscores a need for greater investment in long-term infrastructure to sustain economic growth.

The fiscal analysis of Rajasthan from 2011-12 to 2023-24 highlights a growing fiscal imbalance and the challenges of maintaining sustainability. The state has seen a transition from a revenue surplus in 2013-14 to persistent revenue deficits in subsequent years, peaking at ₹44,002 crore in 2020-21 (4.3% of GSDP) during the pandemic then moderating to ₹31,491 crore in 2022-23 (2.3% of GSDP) before again rising to ₹38,954 crore in 2023-24 (2.6% of GSDP). Revenue expenditure has consistently outpaced revenue receipts, indicating structural imbalances and reliance on borrowing to finance not just capital investments but also operational costs. The fiscal deficit has also been volatile, reaching a high of 9.3% of GSDP in 2015-16 and stabilizing around 3% - 4% in recent years, though it is projected to rise to 4.3% in 2023-24 (₹65,081 crore). This trend highlights growing fiscal stress, with public borrowing increasingly being used to finance deficits rather than developmental activities.

The state's fiscal performance has not improved in accordance with the rising GSDP, with a rise in deficits as a percentage of GSDP and per-capita deficits. The growing reliance on debt to finance revenue deficits raises concerns about long-term sustainability and intergenerational equity, as future generations may bear the burden of today's borrowing.

The analysis of debt management trends underscores the evolving dynamics of fiscal policy and public debt sustainability over the years. The sharp rise in the Public debt-GSDP ratio during periods of economic stress highlights the critical role of borrowing in mitigating fiscal shocks and sustaining public expenditure. However, the subsequent stabilization in debt indicators in recent years reflects efforts toward responsible fiscal management and an improving economic environment. The gradual decline in post-pandemic debt-GSDP ratios and

the moderation in the growth rate of outstanding public debt signal a shift towards fiscal consolidation and better debt control mechanisms.

Despite these positive developments, the consistently high ratio of interest payments to revenue receipts underscores the importance of optimizing borrowing and revenue mobilization strategies to reduce debt-servicing costs. Furthermore, the significant fluctuations in public debt repayment to receipts ratios reveal the need for more consistent and structured debt repayment plans. The financial sustainability of ULBs and PRIs is critical to ensuring effective local governance and sustainable development.

Despite the introduction of reforms, ULBs and PRIs in Rajasthan continue to rely heavily on state and central government transfers to meet their operational and developmental needs. The gap between the funds recommended by institutions like the Finance Commission and the actual funds received highlights the persistent underfunding of local bodies. Local governance institutions struggle to meet their financial needs due to limited own-source revenue and delayed or insufficient compensatory mechanisms. Challenges in assessing taxable properties, collecting user charges, and addressing tax evasion hinder revenue collection efforts.

The subsidy evaluation for Rajasthan over the years reveals a significant rise in subsidy expenditure, particularly in the power sector, which has consistently dominated the allocation. The declining ratio of subsidies to the Revenue Deficit (RD) highlights efforts toward better fiscal management, although the absolute revenue deficit remains high.

The evaluation of Rajasthan's finances, particularly in light of the recommendations made by the XIV-FC and XV-FC, highlights the significant role that central financial transfers have played in shaping the state's development trajectory. The increase in the devolution of resources to the state has provided a much-needed boost to its budget, enabling it to address various pressing development challenges, particularly in sectors like healthcare, education, rural development, and infrastructure. These financial transfers have allowed the state to pursue several initiatives aimed at improving the well-being of its population, particularly in rural and underdeveloped regions.

However, the over-reliance on these funds has highlighted a crucial concern – Rajasthan's persistent fiscal imbalance. Despite receiving increased resources, the state's fiscal health remains under pressure due to the ongoing mismatch between its revenue and expenditure. This fiscal imbalance has forced the state to depend heavily on borrowing, leading to a growing debt burden that may threaten the sustainability of its development efforts in the long term. Therefore, Rajasthan must adopt a more cautious and strategic approach to managing its finances.

Chapter 1

Introduction

1.1 Introduction

Rajasthan's state finances have experienced significant fluctuations in relation to central government funding over the past five years. These variations have been influenced by a complex interplay of factors, including changes in revenue-sharing formulas, implementation of new centrally sponsored schemes, and the impact of economic reforms. An analysis of Rajasthan's fiscal health during this period reveals the challenges and opportunities to manage its financial resources and reduce its dependence on central transfers. The dynamic nature of Rajasthan's financial relationship with the central government is particularly evident in the wake of major policy shifts. For instance, implementing the Goods and Services Tax (GST) in 2017 led to initial uncertainties in revenue collection and distribution, affecting the state's fiscal planning. Additionally, the recommendations of the 15th Finance Commission, which came into effect in 2020, introduced changes in the devolution of taxes from the centre to the states, further impacting Rajasthan's financial landscape.

Rajasthan has experienced a consistent increase in total revenue, climbing from ₹1,85,505 crore in 2021-22 to a projected ₹2,38,007 crore in 2023-24. This growth is attributed to an increase in both state-generated tax income and federal grants. Similarly, the Central Government's overall revenue has grown substantially, moving from ₹27,07,000 crore in 2021-22 to an anticipated ₹35,00,000 crore in 2023-24, demonstrating a strong national revenue-generating capacity. Rajasthan's revenue deficit reached its peak at ₹31,491 crore in 2022-23, accounting for 2.3% of its GSDP, before declining to ₹30,072 crore (1.6% of GSDP) in 2023-24. This trend suggests improved fiscal management despite ongoing economic challenges. In contrast, the Central Government's revenue deficit remains considerable but has shown slight improvement, decreasing from ₹15 lakh crore (6.7% of GDP) in 2021-22 to an estimated ₹18.5 lakh crore (5.5% of GDP) in 2023-24.

Rajasthan's fiscal deficit has remained relatively constant, with a minor increase from ₹48,238 crore in 2021-22 to an estimated ₹65,082 crore in 2023-24, hovering around 4.3% of GSDP. The Central Government's fiscal deficit exhibits a comparable pattern on a larger scale, projected to decrease from roughly ₹15 lakh crore in 2021-22 to about ₹17.5 lakh crore in

2023-24, improving its ratio from 6.9% to 5.9% of GDP. The debt-to-GDP ratio for Rajasthan rose from 33.6% in 2021-22 to approximately 36.5% in 2023-24, indicating growing debt levels in relation to economic output. In comparison, the Central Government's debt-to-GDP ratio remains notably higher but stable, ranging between 59% and 60%, reflecting persistent fiscal pressure at the national level.

The comparative analysis reveals that while Rajasthan and the Central Government face challenges related to deficits and debt levels, Rajasthan gradually enhances its fiscal indicators relative to its economic size. The Central Government manages larger absolute figures but is also working to reduce its fiscal deficit in proportion to GDP over the same period. These trends underscore the importance of sustainable fiscal policies and effective revenue generation strategies at both state and national levels to ensure long-term economic stability. Rajasthan's path to fiscal stability and reduced dependence on central transfers will likely involve a multi-pronged approach. This may include the further diversification of revenue sources, strategic investments in sectors with high growth potential, and continued fiscal discipline. The state's ability to navigate the evolving federal financial structure while addressing its unique developmental needs will be crucial to shaping its fiscal trajectory in the coming years.

The states are responsible for a large share of expenditures in the gross expenditures of the country. The financial position of state governments deteriorated following the economic slowdown and the subsequent onset of the COVID-19 pandemic. They have relied on borrowings to sustain the expenditure level during this period. This has resulted in a sharp increase in outstanding liabilities and higher deficit levels than usual. Given the higher debt levels compared to many comparable economies, fiscal consolidation has been identified as a key long-term target for India. This would necessitate recalibration of expenditure plans as well as renewed efforts towards increasing revenue in coming years. Since the introduction of GST in 2017, State GST has become the largest source of own tax revenue for States (approximately 42%). Revenue realization has been lower than in the pre-GST regime, which, according to the 15th Finance Commission, was due to both structural and operational factors. GST compensation, which guaranteed 14% growth in SGST collection, was discontinued in June 2022. This is anticipated to create a challenge for maintaining revenue levels in some states. In 2022, certain state governments announced the decision to rescind pension reforms implemented approximately two decades prior. These reforms were initiated in response to a projected substantial increase in the pension expenditure of state governments. Such decisions

may have implications for committed expenditure in the long term. An additional persistent challenge for state finances has been the financial performance of state-owned power distribution companies. These entities have continued to incur losses, necessitating state governments to provide grants and guarantee their market borrowings. Numerous centrally sponsored schemes have undergone rationalization in the preceding two years, as their implementation periods are coterminous with finance commission periods. While the quantity of such schemes has decreased, the magnitude of transfers under them remains at a comparable level to previous periods. The continuation of such schemes raises questions regarding fiscal decentralization and equity in central transfers. In this backdrop, this report analyses the finances of Rajasthan from 2011-12 to 2023-24, based on the budget documents.

1.2 Fiscal Position of Indian States

The fiscal status of Indian states over the past five years has been significantly influenced by various factors, including the COVID-19 pandemic, changing revenue dynamics, and evolving expenditure patterns. The fiscal position of Indian states has been a subject of concern, with growing deficits and rising debt burdens. While some states have managed their finances prudently, others continue to struggle with mobilizing adequate resources to fund developmental expenditures. This has led to increased dependency on central government transfers and schemes, underscoring the need for a comprehensive evaluation of state finances. Some key insights into the fiscal condition of states vis-à-vis India during this period are as follows:

- **Impact of COVID-19 on State Finances**
 - The pandemic led to a substantial increase in the fiscal deficit of states, peaking at 4% of Gross State Domestic Product (GSDP) in 2020-21. However, it decreased in the following years but is projected to rise again to 4% in 2024-25, indicating a concerning trend towards fiscal laxity. (Mundle & Gupta, 2024)
 - The Reserve Bank of India (RBI) identified states like Bihar, Kerala, Punjab, Rajasthan, and West Bengal as the most fiscally stressed due to increased expenditures on subsidies and social welfare programs exacerbated by the pandemic. (Anand, 2022)
- **Revenue Dynamics**
 - States have seen a recovery in tax revenues post-pandemic, with gross tax revenue growing at rates of 12% in 2022-23 and 13.5% in 2023-24. This

recovery has been primarily driven by personal income tax and Goods and Services Tax (GST) revenues.

- Despite this growth, many states continue to face challenges with revenue deficits. In 2023-24, eleven states budgeted for revenue deficits, indicating a reliance on grants and borrowings to maintain expenditure levels. (Chakrabarty & Vipra, 2023)

- **Expenditure Patterns**

- States have increasingly relied on revenue expenditure over capital expenditure. For instance, states like Rajasthan and West Bengal allocate about 90% of their budgets to revenue accounts, which are less effective for long-term economic growth compared to capital investments. (Surya & Chakrabarty, 2022)
- The fiscal performance has shown signs of weakening commitment to fiscal consolidation as many states are using current revenues to meet ongoing expenses rather than investing in capital projects. (Mundle & Gupta, 2024)

- **Debt Levels and Sustainability**

- The debt-GSDP ratio remains a critical concern. States like Punjab are projected to exceed a debt-GSDP ratio of 45% by 2026-27, while others such as Rajasthan and Kerala may surpass 35%. This high level of debt raises sustainability issues as it constrains future fiscal flexibility. (Anand, 2022)
- The RBI has pointed out that the growth of state debt has outpaced GSDP growth over the last five years, leading to unsustainable debt levels for several states.

- **Future Outlook**

- According to the 15th Finance Commission's recommendations, states are expected to adhere to a fiscal deficit limit of 3% of GSDP starting from 2023-24. However, many states will need to undertake significant corrective measures to stabilize their finances amidst tapering grants and rising expenditures. (Chakrabarty & Vipra, 2023)
- The ongoing reliance on subsidies, freebies and cash transfers without adequate capital investment could hinder long-term economic growth and fiscal health across states.

While there has been some recovery in state revenues post-COVID-19, the overall fiscal status remains precarious with rising deficits, high debt levels, and an increasing reliance on revenue

expenditure at the expense of capital investment. Addressing these issues will be crucial for ensuring sustainable fiscal health among Indian states.

1.3 Macroeconomic Environment

The macroeconomic environment in India has seen significant changes over the past decade, with shifting growth patterns, evolving tax structures, and emerging fiscal frameworks. These broader trends have had a profound impact on the fiscal landscape of individual states like Rajasthan, necessitating a careful review of their revenue capacities, expenditure management, and debt sustainability.

Rajasthan's fiscal health has shown both resilience and challenges over the past decade, particularly in the context of broader economic trends in India. It becomes important to evaluate and understand the impact of macroeconomic environment on the state finances, especially in the post-covid period when the state is trying for fiscal consolidation.

1.4 Objectives

The study aims to critically analyze Rajasthan's overall state finances over a 10-year period from 2012-13 to 2023-24. The primary objectives of this study on the evaluation of Rajasthan's state finances are:

- i. Estimation of revenue capacities of the State and Measures to improve the tax-GSDP ratio during the last five years. Suggestions for enhancing the revenue productivity of the tax system in the State
- ii. Analysis of the state's own non-tax revenues and suggestion to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.
- iii. Expenditure pattern and trends separately for Revenue and Capital, and major components of expenditure thereunder. Measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestions for improving efficiency in public spending.
- iv. Analysis of deficits – fiscal and revenue.
- v. The level of debt to GSDP ratio and the use of debt (i.e., whether it has been used for capital expenditure or otherwise). Composition of the state's debt in terms of market borrowing, off-budget borrowings, Central government debt (including those from bilateral/ multilateral lending agencies routed through the Central

- government), liabilities in public account (small savings, provident funds etc) and borrowings from agencies such as NABARD, LIC etc.
- vi. Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.
 - vii. Analysis of the state's transfers to urban and rural local bodies in the State. Major decentralization initiatives.
 - viii. Impact of State Public Enterprises finances on the State's financial health and measures taken to improve their performance and/or alternatives of closure, disinvestment etc.
 - ix. Impact of Power Sector Reforms on States' fiscal health. In case reforms have not been implemented, the likely outcome is on the States' fiscal health.
 - x. Analysis of contingent liabilities of the State.
 - xi. Subsidies given by the States (Other than Central subsidies), their costs and benefits, targeting and evaluation.
 - xii. Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th FC, in particular
 - (a) analysis of the flow of resources from Centre to States through various schemes, the expenditure of States in those schemes, resources of States channelled towards these schemes and the overall impact on development spending of the States;
 - (b) States' own schemes for different development objectives.
 - xiii. Determination of a sustainable debt roadmap for 2026-31, taking into account tax/non-tax trend forecasts.
 - xiv. Analysis of the overall States' finances from 2012-13 to 2023-24 and suggestions for improvement.

1.5 Recommendations of XV Central Finance Commission

The 15th Finance Commission (FFC) of India submitted its final report for the period 2021-2026 on February 1, 2021. Major Recommendations of the report are as follows:

1. Devolution of Taxes:

Share of States in Central Taxes: The Commission recommended maintaining the states' share in central taxes at 41%, a decrease from the 42% recommended by the 14th

Finance Commission. This adjustment accounts for the creation of new Union Territories from Jammu and Kashmir.

2. Criteria for Horizontal Devolution

The distribution of tax revenues among states is based on several criteria:

- Income Distance: 45%
- Population (2011 Census): 15%
- Area: 15%
- Forest and Ecology: 10%
- Demographic Performance: 12.5%
- Tax Effort: 2.5%.

3. Grants to States

- The Commission recommended state-specific grants totalling approximately ₹49,599 crore, focusing on areas such as social needs, infrastructure, and tourism.
- It also proposed revenue deficit grants amounting to about ₹3 trillion over five years to address fiscal shortfalls in certain states.

4. Fiscal Responsibility

- The FFC suggested that the central government reduce its fiscal deficit to 4% of GDP by 2025-26. For states, it recommended a phased reduction in fiscal deficits from 4% in 2021-22 to 3% by 2023-26.

5. Health Sector Funding

- States should increase health spending to more than 8% of their budgets by 2022, with a focus on primary healthcare.

6. Local Bodies and Disaster Management

- The FFC allocated around ₹90,000 crore for grants to local bodies in 2020-21, which includes funding for rural and urban local governments.
- Recommendations were made for establishing National and State Disaster Management Funds to enhance disaster preparedness and response.

The devolution formula established by the FFC emphasizes equity among states while considering demographic factors and fiscal efforts. The inclusion of demographic performance as a criterion aims to reward states that effectively manage population growth, thus promoting responsible governance. Overall, the recommendations of the 15th Finance Commission reflect a comprehensive approach to fiscal management, aiming to strengthen the financial health of both the central and state governments while promoting equitable growth across regions.

1.6 Chapter Design and Methodology

The study is structured into 15 chapters, covering a comprehensive evaluation of Rajasthan's state finances. The methodology will involve a detailed analysis of budgetary documents, reports on state finances from CAG and RBI, statistical data, and stakeholder consultations to develop a thorough understanding of the state's fiscal landscape and provide actionable recommendations.

This chapter scheme outlines a comprehensive evaluation of the state finances of Rajasthan for the 16th Central Finance Commission. The key chapters are as follows:

- Chapter 1 introduces the study, including the background, fiscal position of Indian states, macroeconomic environment, objectives, recommendations of the 15th Finance Commission, and the chapter design and methodology.
- Chapter 2 gives an overview of the Rajasthan economy, covering the sectoral growth pattern, growth performance, interstate comparison, the role of agriculture, and key parameters for growth.
- Chapters 3 and 4 analyze Rajasthan's revenue capacities, tax performance, and own non-tax revenue streams, with suggestions for improvement.
- Chapter 5 examines the expenditure pattern, including revenue, capital, plan, non-plan, developmental, and non-developmental spending, along with recommendations for fiscal efficiency.
- Chapter 6 focuses on deficit analysis and fiscal sustainability, while Chapter 7 looks at debt management and composition.
- The scheme also includes chapters on transfers to local bodies (Chapter 8), the impact of the UDAY scheme and state public enterprises (Chapters 9 and 10), an evaluation of state government subsidies (Chapter 11), and the implementation of the FRBM Act (Chapter 12).

- Finally, the last two chapters assess the outcome of state finances in the context of the 14th and 15th Finance Commission recommendations (Chapter 13) and provide a sustainable debt roadmap for 2026-31 (Chapter 14), culminating in policy recommendations (Chapter 15).

Overall, this comprehensive chapter scheme aims to provide a thorough evaluation of Rajasthan's fiscal position and offer recommendations for improving the state's financial health and sustainability.

Chapter 2

Rajasthan Economy: An Overview

Background

Rajasthan is the largest state in India in terms of geographical area, 3.42 lakh square kilometres (10.41 per cent of the country) and the 7th most populous state in the country with a projected population of 8.19 crore (5.8% of the national population) as of March 1, 2024 (Ministry of Health & Family Welfare, Government of India). The state's economy is bolstered by diverse sectors, including agriculture, mining, and tourism. Agriculture and animal husbandry are the backbone of the state's economy, as two-thirds of the rural population is largely dependent on these sectors for their livelihood (Economic Review 2023-24, GoR). The growth in horticulture and animal husbandry supplements rural incomes and further strengthens the economy. The State is rich in resources like zinc, copper, and marble, mining & minerals also play a crucial role in the state's economy. Further, the rich cultural heritage and historical sites of the State and several initiatives like promoting rural & eco-tourism, religious tourism, and regular organization of fairs & cultural festivals to attract tourists make it a strong tourist destination that not only contributes substantially to the state's GDP but also supports local crafts, hospitality services, and employment. Although the tourism and Hospitality sector has been accorded full benefits of Industry Status, which has contributed towards enhancing its industrial base and attracting investments, but lacks good infrastructure.

The development of the State since independence presents a mixed picture. Its share in India's GDP has remained relatively stable throughout 1960-61 to 2023-24, which increased marginally from 4.4 per cent in 1960-61 to 5.0 per cent in 2023-24. (Sanyal & Arora, 2024).

Rajasthan falls in the category of a less developed state in India. Key socio-economic indicators in 2023-24, like per capita income (Rs 90831 for the state & Rs 106744 for India), power consumption (167.41 GWh electricity), and access to infrastructure lag behind the national average as well as the highest performing non-special category states. Rajasthan is the most water-deficient state in the country, with only 1.16 per cent of the surface water resources of the country. The economy of the state depends upon monsoon rains. The irrigated area of the State has grown significantly from 4 lakh hectares at the time of independence to 39.03 lakh hectares currently. The per capita electricity consumption has shown substantial growth since independence, reaching 798.53 kWh in 2020-21, but remains lower than the all-India average

of 1255 kWh. The state has taken initiatives for the generation of energy through non-conventional sources with the installation of Solar, Wind, and Bio-mass based power plants. In terms of demographics, life expectancy at birth has increased, and death and birth rates have declined; even then, the State is still lagging the national average in most of the health indicators. Despite strenuous efforts, the literacy rate has improved from 60.41 per cent (census 2001) to 66.11 per cent in 2011 and remains below the national average of 73 per cent. Female literacy has improved over the last decade, although the gender disparity continues to persist.

However, the State is taking initiatives of investment in infrastructure and social sectors, particularly in healthcare and education, to improve the standard of living of people. With this background, the chapter aims to contextualize Rajasthan's current economic structure within India's larger economic framework, offering insights into its sectoral growth patterns, regional comparisons, and the factors driving its progress. This foundational analysis will enable a proper understanding of the state's fiscal policies and its status for recommendations of the Central Finance Commission.

2.1 GSDP Structure: Growth Trends and Performance

2.1.1. GSDP Growth Rates for the Last Five Years

Over the past five years (2019-20 to 2023-24), Rajasthan's GSDP growth has reflected a blend of resilience and recovery amid global and domestic challenges. The trends showcase significant fluctuations, shaped by policy initiatives, external shocks, and structural transformations within the state economy.

The 2019-20 fiscal year saw steady growth before the COVID-19 pandemic disrupted the economic landscape in 2020-21, causing a sharp contraction. During the pandemic, sectors such as manufacturing, trade, and services were severely impacted due to nationwide lockdowns and supply chain disruptions. However, agriculture emerged as a critical stabilizing force, supported by favourable monsoons and government policies aimed at rural livelihoods. By 2021-22, the economy rebounded strongly with the easing of restrictions, leading to a recovery in industrial output and a surge in consumer demand. The agriculture sector, which remained relatively insulated from pandemic shocks, continued to bolster the economy, while infrastructure development projects initiated during this period contributed significantly to growth.

In 2022-23, Rajasthan achieved a GSDP growth rate of approximately 15.2% at current prices, reflecting stabilization and a shift toward post-pandemic normalcy. This period saw a robust increase in public investments in renewable energy projects, irrigation systems, and urban infrastructure. Initiatives such as expanding the renewable energy grid and modernizing irrigation infrastructure highlighted the government's focus on long-term sustainability. The fiscal year 2023-24 marked another milestone, with an estimated GSDP growth rate of 11.5%, driven by increased government spending, higher industrial output, and progress in sectors like renewable energy and infrastructure. This growth was also supported by financial reforms aimed at improving revenue collection and fiscal efficiency.

Projections for 2024-25 suggest continued momentum, with a targeted GSDP of ₹17.81 lakh crore, reflecting a 17% growth rate. This outlook emphasizes the state's ongoing focus on diversifying its economic base, enhancing industrial capacity, and sustaining growth through large-scale investments in transport, energy, and irrigation projects.

Table 2.1: Rajasthan's GSDP Growth Trends (at current prices)

Fiscal Year	GSDP Growth Rate (%)	Key Drivers
2019-20	5.3%	Agriculture and allied sectors
2020-21	-6.11%	COVID-19 impact
2021-22	8.2%	Industry and services
2022-23	15.2%	Infrastructure, renewable energy
2023-24	11.5% (est.)	Infrastructure, fiscal reforms
2024-25	17% (proj.)	Diversification, sectoral investments

Source: Rajasthan Budget Analysis 2024-25, PRS Legislative Research

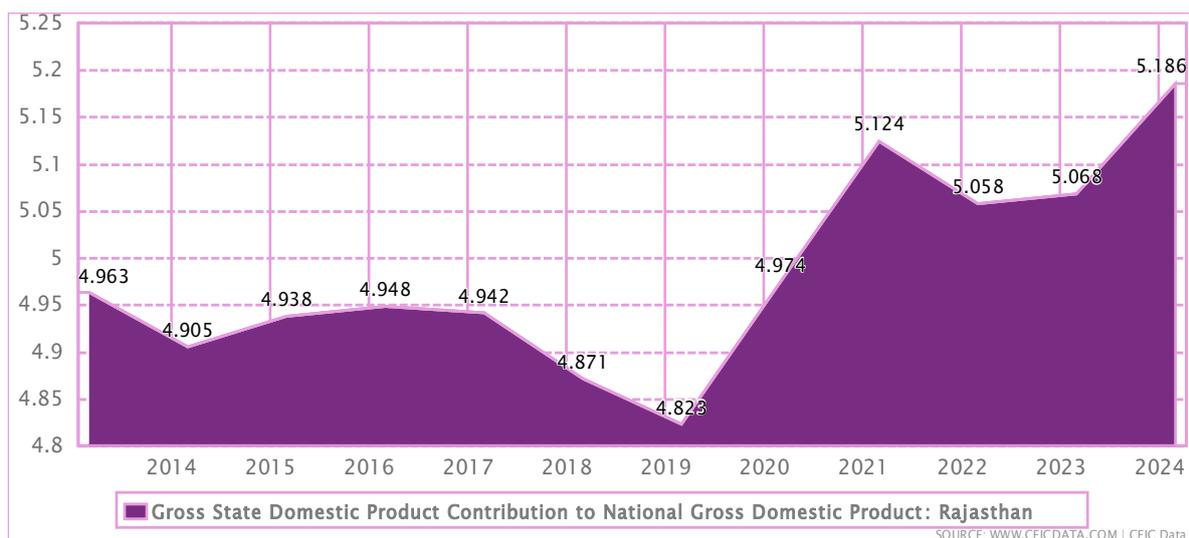
The state's growth trajectory reveals resilience in agriculture during crises and a post-pandemic surge led by infrastructure expansion of housing, roads, industries, IT & Communication, and renewable energy investments. Significant fluctuations highlight the vulnerability to external shocks but also demonstrate robust recovery mechanisms. The state reformed its policy framework to address key investment challenges and provided a supportive environment for investments through initiatives such as the One Stop Shop facility and RajNivesh, a single-window clearance system that integrates multiple departments and services. Additionally, the state empowered enterprises across sectors and of all sizes. Strategic initiatives, such as promoting renewable energy under the PM-KUSUM scheme and investments in irrigation, have positioned Rajasthan as a key contributor to India's energy and agricultural sustainability.

Initiatives such as ‘Raj-Kaj’ an integrated IT platform to enhance office productivity and streamline internal processes associated with service delivery to end users, and ‘Rajasthan Startup’, a flagship program to promote innovation, generate employment and facilitate investment in the State have contributed towards improvement in IT and innovation ecosystem in the state. A special focus on tourism has been placed by the government as a part of diversification and sectoral investments. These patterns underscore Rajasthan's evolving economic landscape, balancing short-term recovery with long-term structural transformation.

2.1.2. Rajasthan’s Contribution to India’s Overall GDP

Rajasthan contributes significantly to India's overall GDP and ranks among the top 10 states in terms of economic size. Rajasthan's contribution to India's GDP has shown a steady increase, reflecting its growing economic significance. As of 2023-24, Rajasthan's GDP per capita is reported to be 88.5% of the national average, indicating a gradual improvement in economic conditions compared to historical figures (Sanyal & Aakanksha, 2024). As of the fiscal year 2023-24, the State GSDP was estimated at approximately ₹15.28 lakh crore, representing about 5% of India’s total GDP (GoR, 2024). The state ranks 7th in terms of economic size among Indian states, showcasing its importance as a major contributor to the national economy.

Figure 2.1: India's Gross State Domestic Product Contribution to National Gross Domestic Product (GDP): Rajasthan from 2014 to 2024



Source: CEIC Data, 2024

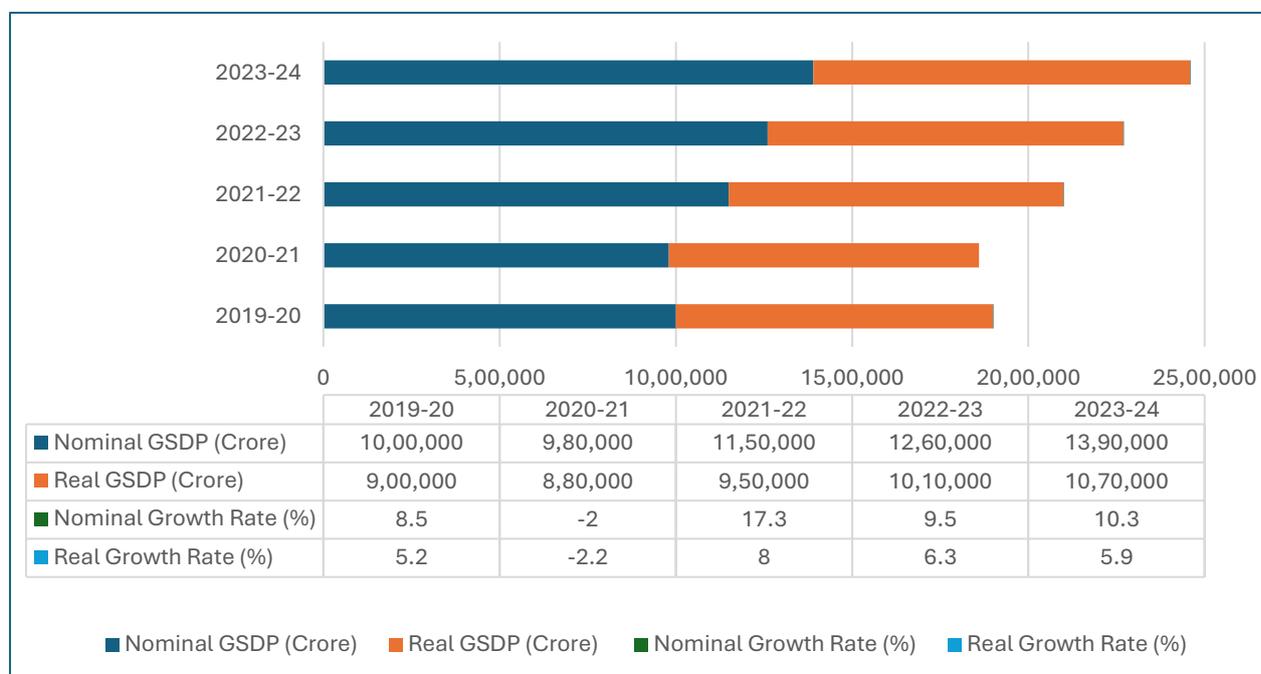
Figure 2.1 illustrates the GSDP contribution of Rajasthan to India's National GDP from 2014 to 2024. Over this period, Rajasthan's contribution exhibits a fluctuating trend, with periods of

both decline and growth. Starting in 2014 at approximately 5%, there was a slight decline over the following years, reaching around 4.9% in 2018. However, from 2019 onward, Rajasthan's contribution began to recover, with a noticeable increase leading to a significant peak of 5.1% in 2021. After a minor dip in 2022, when it dropped to about 5.05%, the contribution resumed an upward trajectory, culminating at its highest point in the period at 5.2% in 2024. This peak indicates an improvement in Rajasthan's economic performance relative to the national GDP. Overall, while the contribution has fluctuated, the general trend in recent years has been positive, with the State's economy playing an increasingly significant role in the national context.

2.1.3. Real and Nominal GSDP

Rajasthan's nominal GSDP has shown steady growth post-pandemic, with a notable recovery in FY 2021-22 following the economic downturn in FY 2020-21 due to COVID-19 disruptions. Real GSDP growth rates indicate slower recovery, especially during periods of inflationary pressures, highlighting the disparity caused by rising prices. The widening gap between nominal and real GSDP growth rates post-2021 reflects the persistent impact of inflation, especially in essential sectors like agriculture and energy.

Figure 2.2: Rajasthan's Real and Nominal GSDP



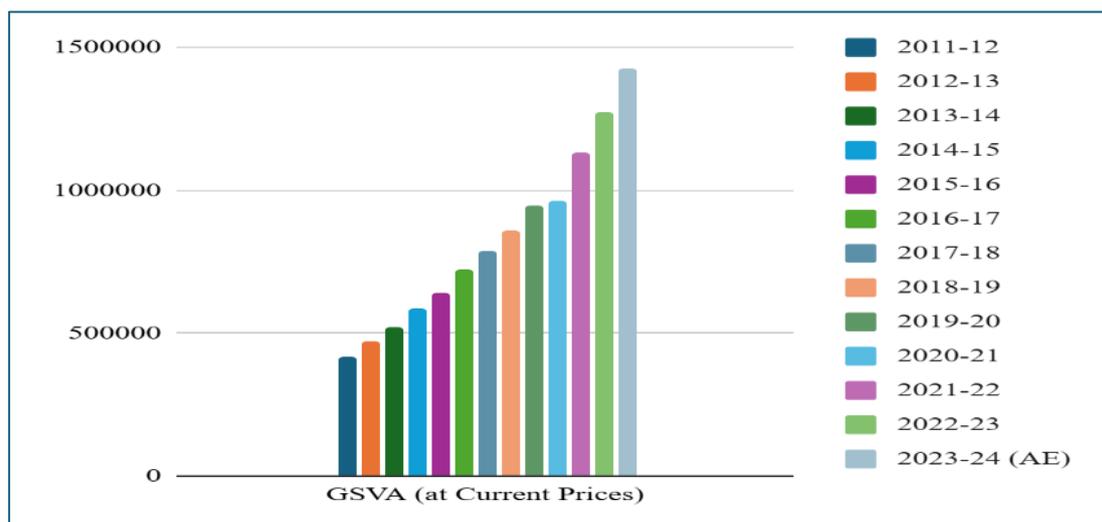
Source: GoR, Economic Review, 2024

The above figure highlights the trends in Nominal and Real GSDP from 2019-20 to 2023-24, along with their respective growth rates. Both Nominal and Real GSDP experienced a decline in 2020-21 due to the economic impact of the pandemic, with Nominal GSDP decreasing from ₹10,00,000 crore to ₹9,80,000 crore and Real GSDP dropping from ₹9,00,000 crore to ₹8,80,000 crore. This was accompanied by negative growth rates of -2% (Nominal) and -2.2% (Real). However, a robust recovery followed in 2021-22, with Nominal GSDP growing by 17.3% and Real GSDP by 8%, driven by post-pandemic economic revival. The subsequent years, 2022-23 and 2023-24, witnessed steady growth, with Nominal GSDP reaching ₹13,90,000 crore and Real GSDP ₹10,70,000 crore in 2023-24, although growth rates showed a slight tapering. The higher growth in Nominal GSDP compared to Real GSDP suggests inflationary pressures or price-level changes contributing to the nominal figures. Overall, while the economy has demonstrated resilience and recovery, the deceleration in growth rates in the later years underscores the importance of sustained policy measures to maintain economic momentum.

2.1.4 Sectoral Contributions to GSDP

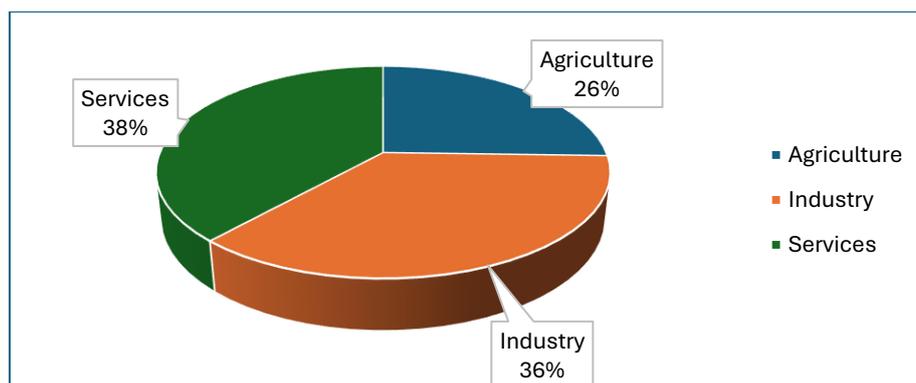
The Gross State Value Added (GSVA) of Rajasthan, at current prices, has demonstrated significant growth over the past decade, reflecting the state's expanding economic base and diverse sectoral contributions. The GSVA increased from ₹4,16,984 crore in 2011-12 to ₹14,27,982 crore in 2023-24 (AE), recording an impressive CAGR of approximately 12%. Rajasthan's economic growth is primarily driven by the Services sector, which contributes 38% to the total share, reflecting robust performance in IT, finance, healthcare, and other service-based industries. The state's economy is bolstered by diverse sectors, including agriculture, mining, and tourism. Rajasthan has made strides in enhancing its industrial base and attracting investments, although it still faces challenges related to infrastructure and governance that could hinder faster growth. As depicted in Figure 2.4, the industry sector follows closely with a 36% contribution, while the agriculture sector, which is still significant, accounts for only 26% of the share.

Figure 2.3: Rajasthan's GSVA (at current prices)



Source: GoR, Economic Review, 2024

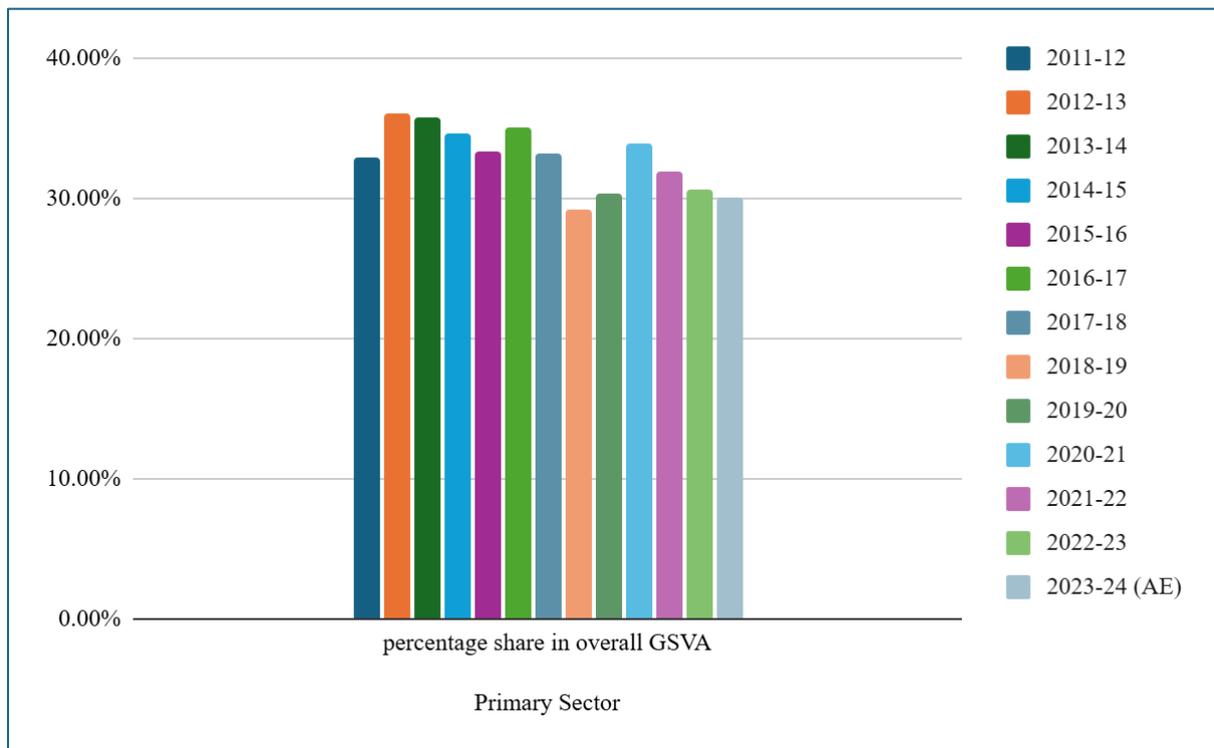
Figure 2.4: Sectoral Contributions to GSDP (Nominal Prices)



Source: GoR, Economic Review, 2024

Primary Sector (Agriculture and Allied Activities): The primary sector has long been a cornerstone of Rajasthan's economy, reflecting the state's large rural population and heavy reliance on agriculture.

Figure 2.5: Share of Primary Sector in overall GSVA (Percentage)

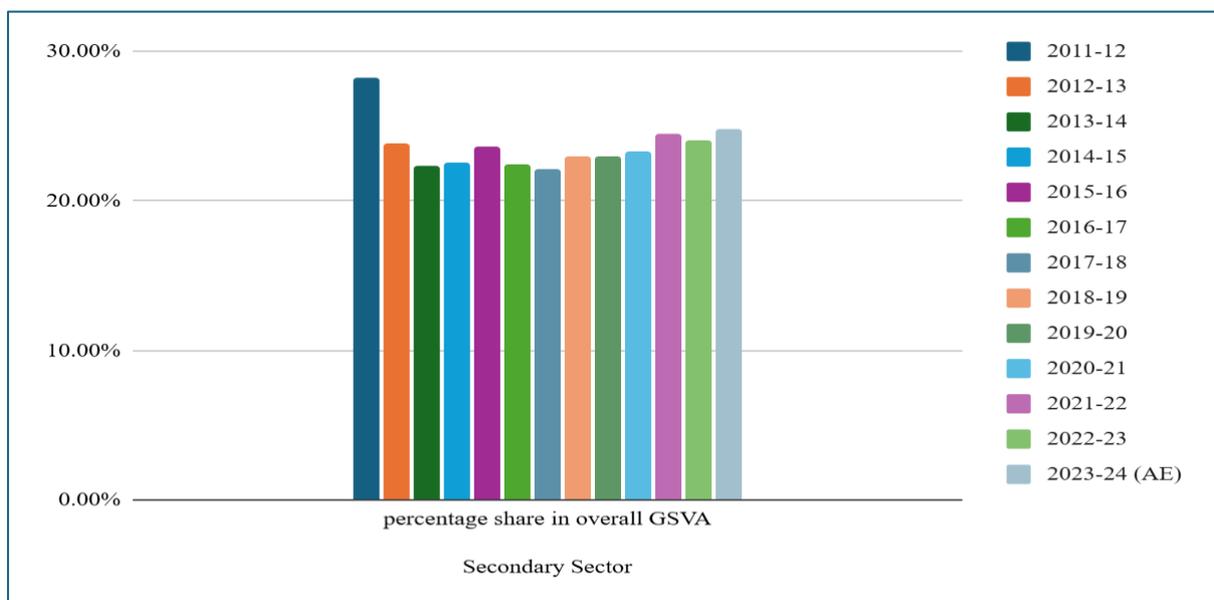


Source: GoR, Economic Review, 2024

The data in the figure above illustrates the sector's performance in terms of its absolute contribution to the GSVA and its percentage share in the overall GSVA from 2011-12 to 2023-24 (AE). In absolute terms, the sector has demonstrated steady growth, rising from ₹137,518 crore in 2011-12 to ₹429,857 crore in 2023-24 (AE), highlighting significant expansion in agriculture, forestry, and allied activities. However, its percentage share in GSVA reveals a fluctuating trend. The share peaked at 36.09% in 2012-13 but has gradually declined, reaching 30.10% in 2023-24 (AE). Despite intermittent increases, such as in 2016-17 (35.08%) and 2020-21 (33.96%), the overall decline suggests a structural shift in the economy, with secondary and tertiary sectors gaining dominance. This transformation is characteristic of a developing economy transitioning toward industrialization and service-led growth. Despite challenges like arid conditions, erratic rainfall, and climate change, agriculture and allied activities have achieved incremental growth, driven by initiatives such as PM-KUSUM, the expansion of irrigation facilities, and crop diversification. Additionally, the focus on renewable energy, particularly solar-powered pumps, has played a vital role in addressing water scarcity and enhancing agricultural productivity.

Secondary Sector (Industry and Manufacturing): The secondary sector in Rajasthan has experienced significant growth, driven by investments in infrastructure, industrial corridors, and MSME development. The Delhi-Mumbai Industrial Corridor (DMIC) has been a major catalyst, attracting investments in industrial hubs and manufacturing units. Key contributors such as cement production, mining, and textiles have further enhanced the sector's role in the state's economic landscape. Additionally, Rajasthan's renewable energy initiatives, particularly in solar and wind power, have provided a reliable and sustainable energy supply, bolstering industrial growth.

Figure 2.6: Share of Secondary Sector in overall GSVA (Percentage)



Source: GoR, Economic Review, 2024

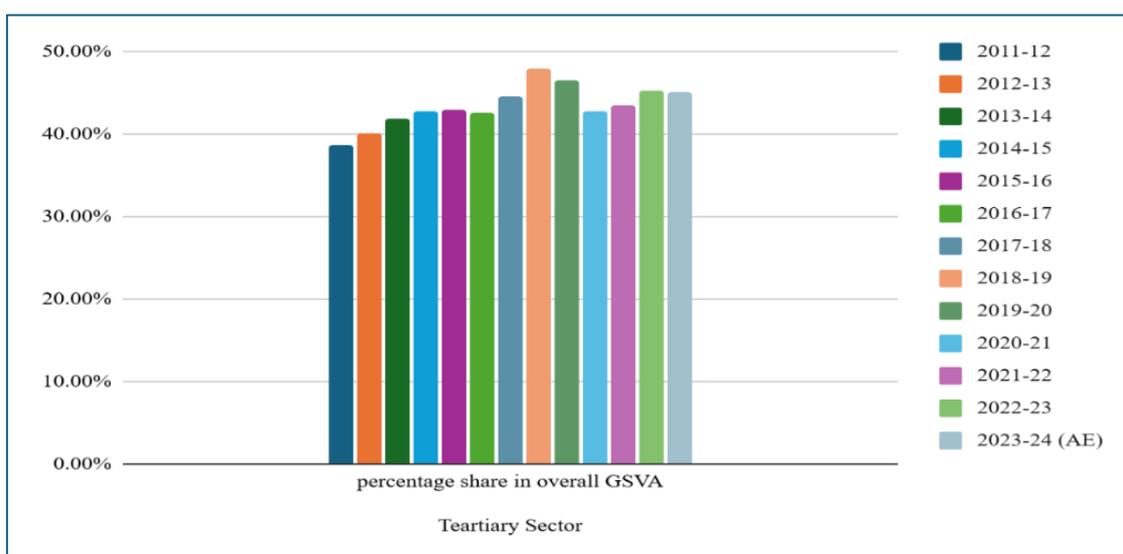
The figure above highlights the secondary sector's performance in terms of its absolute contribution to the GSVA and its percentage share in the overall GSVA from 2011-12 to 2023-24 (AE). The sector's absolute contribution has grown steadily from ₹117,890 crore in 2011-12 to ₹354,493 crore in 2023-24 (AE), reflecting the expansion of industries, manufacturing, and construction activities. While its percentage share in GSVA has shown relative stability with minor fluctuations, starting at 28.27% in 2011-12, dipping to 22.30% in 2013-14, and gradually recovering to 24.82% in 2023-24 (AE), this trend underscores the resilience and revival of the sector.

This recovery can be attributed to increased industrial investments, infrastructure advancements, and policy support under initiatives like Make in India. Despite challenges such as industrial slowdowns and fluctuating demand, the sector's consistent growth in absolute

terms and its gradual rise in percentage share reflect its strengthening role in the state's balanced and diversified economic development.

Tertiary Sector (Services): The tertiary sector has emerged as the largest contributor to Rajasthan's GSVA, driven by rapid urbanization, tourism, and IT-enabled services. Tourism, a key driver of employment and revenue, has flourished due to the state's rich cultural heritage and enhanced infrastructure. Additionally, improvements in financial services due to the expansion of banking facilities in rural and semi-urban areas have contributed to an increase in total deposits and credits, as well as the expansion of direct benefit transfers. On the other hand, trade has grown, with cities like Jaipur and Jodhpur emerging as major warehousing hubs for North India. Furthermore, the growing exports of handicrafts, gems, and jewellery from the state have significantly augmented the sector's share in the economy.

Figure 2.7: Share of Tertiary Sector in overall GSVA (Percentage)



Source: GoR, Economic Review, 2024

2.1.5 Impact of External Factors

The economic growth of Rajasthan in recent years has been significantly influenced by external factors such as the COVID-19 pandemic, global economic slowdowns, and rising energy costs. The pandemic caused widespread disruptions, particularly in the services sector, where tourism, hospitality, and retail trade faced sharp contractions due to lockdowns and travel restrictions. Similarly, the industrial sector experienced supply chain disruptions and labour shortages, leading to declines in manufacturing and construction activities. Although agriculture remained relatively resilient due to favourable monsoons and its essential status, it

too faced increased input costs. The global economic slowdown further impacted Rajasthan's export-driven industries, such as textiles and handicrafts, due to declining demand from major markets. Additionally, rising energy costs, fuelled by geopolitical tensions, created challenges for energy-intensive industries and agriculture, where higher fuel prices increased operational expenses. However, targeted government initiatives such as tourism revival programs, industrial reforms under Make in Rajasthan, and renewable energy investments, particularly in solar power through schemes like PM KUSUM, have helped mitigate these impacts. While nominal GSDP figures have rebounded post-pandemic, real GSDP growth remains constrained by inflationary pressures and rising costs. Despite these challenges, Rajasthan's strategic focus on diversifying its economic base and reducing dependence on costly energy imports positions it for sustainable recovery and long-term growth.

2.2 Interstate Comparison

2.2.1 Growth Comparison Among Peer States: Rajasthan, Gujarat, Madhya Pradesh, and Haryana

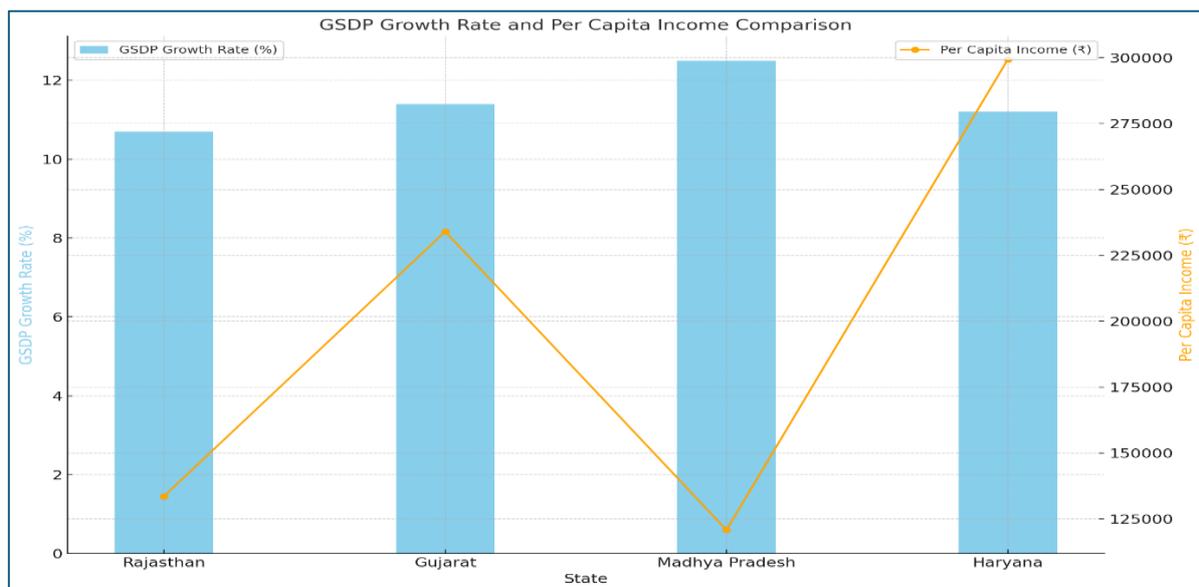
Rajasthan's GSDP at current prices grew at a CAGR of approximately 10.7% from 2017-18 to 2022-23, compared to Gujarat's 11.4%, Madhya Pradesh's 12.5%, and Haryana's 11.2%. As of 2022-23, Rajasthan's per capita income is estimated at ₹86,134 at constant (2011-12) prices, which is about 89.3% of the national average. This marks an improvement from earlier years but still highlights a gap that needs addressing. In per capita income, Rajasthan stood at ₹1,33,600 in 2023-24, significantly below Haryana (₹2,99,300) and Gujarat (₹2,34,000) but closer to Madhya Pradesh (₹1,20,800) (RBI, 2023).

Rajasthan's economic growth trajectory reveals both strengths and challenges when compared to neighbouring states like Gujarat, Madhya Pradesh, and Haryana. Over the past five years, Rajasthan has maintained a compound annual GSDP growth rate of 10.7%, marginally lagging behind Gujarat (11.4%) and Madhya Pradesh (12.5%). This reflects steady progress but highlights the need for accelerated growth to compete with high-performing states. Per capita income figures also underscore the disparity, with Rajasthan at ₹1,33,600 in 2023-24, significantly trailing Haryana's ₹2,99,300 and Gujarat's ₹2,34,000, though it remains comparable to Madhya Pradesh at ₹1,20,800. Sectoral contributions further illuminate this gap; while agriculture constitutes 25% of Rajasthan's GSDP, its slower growth compared to Madhya Pradesh's robust 45.5% signals untapped potential in agri-tech and irrigation infrastructure.

Similarly, the industrial sector’s 30% contribution in Rajasthan is overshadowed by Gujarat’s 37%, driven by Gujarat's dominance in manufacturing and exports (RBI, 2023).

On fiscal indicators, Rajasthan faces challenges with a debt-GSDP ratio of 34.5%, the highest among its peers, reflecting fiscal stress despite moderate revenue growth through GST collections. Its fiscal deficit of 3.2% aligns closely with national trends but highlights expenditure pressures from social schemes. Social indicators, including education, healthcare, and employment, reveal mixed progress. Rajasthan’s literacy rate of 66.1% lags significantly behind Haryana and Gujarat, emphasizing the need for targeted educational reforms. In healthcare, the state has made strides with the Right to Health Act, reducing maternal mortality to 113 from 164 per 100,000 live births between 2018 to 2020, but it still trails Gujarat’s 105. Employment metrics show improvement, with unemployment falling to 5.2% in 2023 due to MSME initiatives, yet labour participation rates remain lower than in Haryana.

Figure 2.8: GSDP Growth Rate and Per Capita Income Comparison



Source: Handbook of Statistics on Indian States, RBI, 2023

Figure 2.8 compares the GSDP growth rates and per capita income across four states: Rajasthan, Gujarat, Madhya Pradesh, and Haryana. While all four states exhibit similar GSDP growth rates of around 10-12%, Rajasthan and Madhya Pradesh show relatively lower per capita income levels, with Madhya Pradesh lagging behind at below ₹150,000. In contrast, Haryana stands out with the highest per capita income, surpassing ₹300,000, indicating a more prosperous economy with higher individual income levels. Gujarat, though showing strong GSDP growth, ranks second in per capita income, slightly behind Haryana. This suggests that

despite strong economic growth, Rajasthan and Madhya Pradesh may face challenges in translating growth into equitable income distribution due to relatively high population and more than half of the workforce engaged in agriculture and the informal sector, whereas Haryana's higher per capita income reflects its more industrialized and developed economic structure.

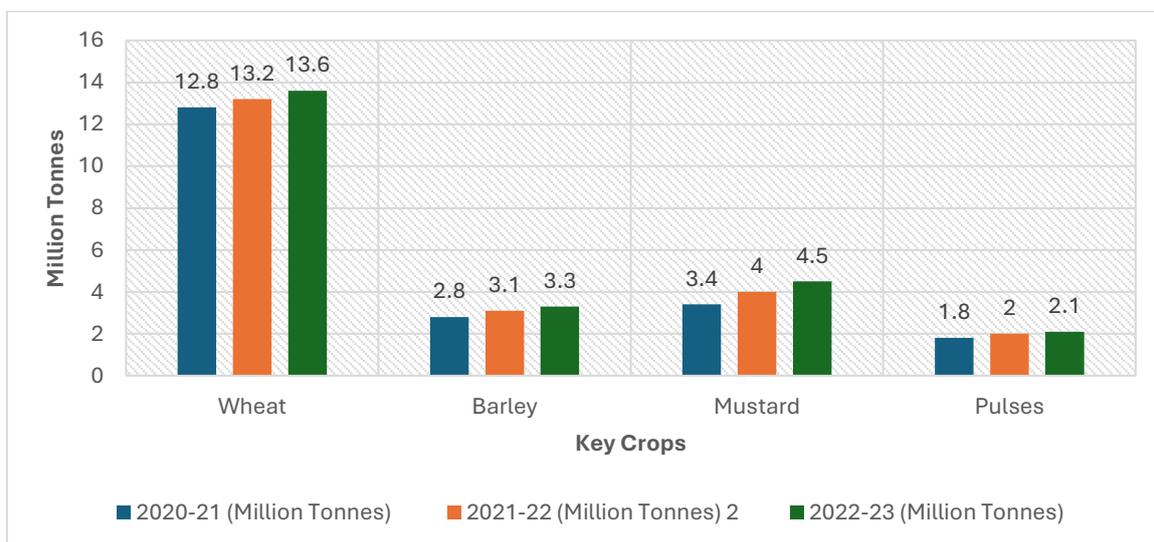
2.3 Agriculture in Rajasthan: Trends, Schemes, and Challenges

Agriculture is the backbone of Rajasthan’s economy, contributing around 25% to its GSDP in 2023-24 and employing nearly 62% of the workforce. Rajasthan’s unique agro-climatic diversity, ranging from arid zones in western regions to semi-arid conditions in the east, shapes its agricultural output. However, the state faces challenges such as water scarcity, low rainfall dependency, and soil degradation.

2.3.1 Agricultural Trends and Performance

Over the past five years, Rajasthan's agriculture sector has experienced mixed growth, with a CAGR of 4.2%. Production data from the Economic Review of Rajasthan 2023-24 highlights key crops in the figure below.

Figure 2.9: Production of Key Crops in Rajasthan



Source: GoR, Economic Review, 2024

As per Economic Review 2024, Livestock, a significant contributor, grew at 5.8% annually. Rajasthan leads in milk production (14.2 million tonnes in 2022-23) and has the largest population of camels and goats. The state's agro-climatic zones allow diverse crop cultivation, but production variability remains due to uneven rainfall.

2.3.3 Government Schemes and Support

Government initiatives like PM-KUSUM have transformed Rajasthan's agricultural landscape by promoting renewable energy use for irrigation. As of 2023, over 1.5 lakh solar pumps were installed, reducing diesel dependence and cutting irrigation costs by 25% (Economic Review 2023-24, GoR).

Crop insurance programs under the Pradhan Mantri Fasal Bima Yojana (PMFBY) have mitigated farmers' risks, providing ₹4,200 crore in compensation between 2019 and 2023. Subsidies for micro-irrigation (₹1,800 crore allocated for 2022-23) have led to a 12% increase in irrigated land, enhancing productivity. Organic farming initiatives covering 1.2 million hectares under the Paramparagat Krishi Vikas Yojana (PKVY) reflect Rajasthan's push toward sustainable agriculture (Economic Review 2023-24, GoR).

Rajasthan's agricultural sector demonstrates resilience through diversification and policy support, but requires structural improvements. Prioritizing water-efficient practices such as drip irrigation, expanding solar-powered irrigation, and increasing investment in agro-processing industries can enhance productivity and sustainability. The state must also address climate change impacts through research in drought-resistant crops and adaptive technologies.

By leveraging government support, agro-climatic diversity, and renewable energy potential, Rajasthan can transition its agricultural sector into a model of sustainable and inclusive growth.

2.4 Key Parameters for Growth in Rajasthan

Rajasthan's growth trajectory has been shaped by investments in infrastructure, education, industrial development, tourism, and fiscal sustainability. These parameters form the backbone of the state's socioeconomic development, enabling it to leverage its natural and human resources effectively.

2.4.1 Infrastructure Development

Investments in physical infrastructure have significantly boosted Rajasthan's economic growth. Over the past five years, the state has allocated approximately ₹12,000 crore annually to road and railway development. Rajasthan now boasts a road network of over 265,000 km, including national highways and rural roads under the PM Gram Sadak Yojana (PMGSY). Additionally, railway projects, such as the Dedicated Freight Corridor (DFC) under the Delhi-Mumbai Industrial Corridor (DMIC), have enhanced connectivity and freight efficiency.

In the renewable energy sector, Rajasthan leads India with a solar capacity of 17.5 GW as of 2023, contributing 25% to the nation's total solar energy production. Flagship projects like the Bhadla Solar Park, spanning over 14,000 acres, highlight the state's commitment to renewable energy. Wind energy also plays a role, with a capacity of 4.6 GW. Together, solar and wind power have attracted investments exceeding ₹1.5 lakh crore in the last decade (Economic Review 2023-24, GoR).

2.4.1.1 Education and Skill Development

Education and skill development remain pivotal for Rajasthan's progress. According to the Economic Review 2023-24, the literacy rate has improved to 69.7%, though it still lags behind the national average of 77.7%. Enrolment in higher education has increased, with 32% of youth aged 18-23 pursuing tertiary education in 2023 compared to 27% in 2018.

Skill development programs such as the Rajasthan Skill and Livelihoods Development Corporation (RSLDC) have trained over 2 million individuals since 2015, focusing on industries like construction, healthcare, and IT. Partnerships with industries under initiatives like the Apprenticeship Embedded Degree Program ensure that skills align with economic priorities, addressing the employability gap.

2.4.1.2 Industrial Growth and MSMEs

Rajasthan has witnessed substantial growth in its industrial sector, with over 45,000 registered MSMEs contributing approximately 30% of the state's GSDP. Industrial hubs in cities like Jaipur, Bhilwara, and Kota house textile, cement, and engineering industries, while Alwar and Neemrana are emerging as key nodes under the DMIC. The corridor, backed by investments worth ₹1.2 lakh crore, has created opportunities in logistics, electronics, and the automobile sectors, further boosting Rajasthan's industrial base.

2.4.1.3 Tourism

Tourism is a critical driver of Rajasthan's economy, accounting for approximately 12% of the state's GSDP. In 2023, Rajasthan recorded 52 million domestic tourist arrivals and 1.8 million foreign arrivals, generating revenue of ₹65,000 crore and directly employing over 1.5 million people. Iconic heritage sites like Jaipur, Udaipur, and Jaisalmer, along with annual festivals, continue to attract global attention. Investments in eco-tourism and rural tourism are further diversifying offerings, boosting sustainable tourism practices.

2.4.2 Fiscal Sustainability

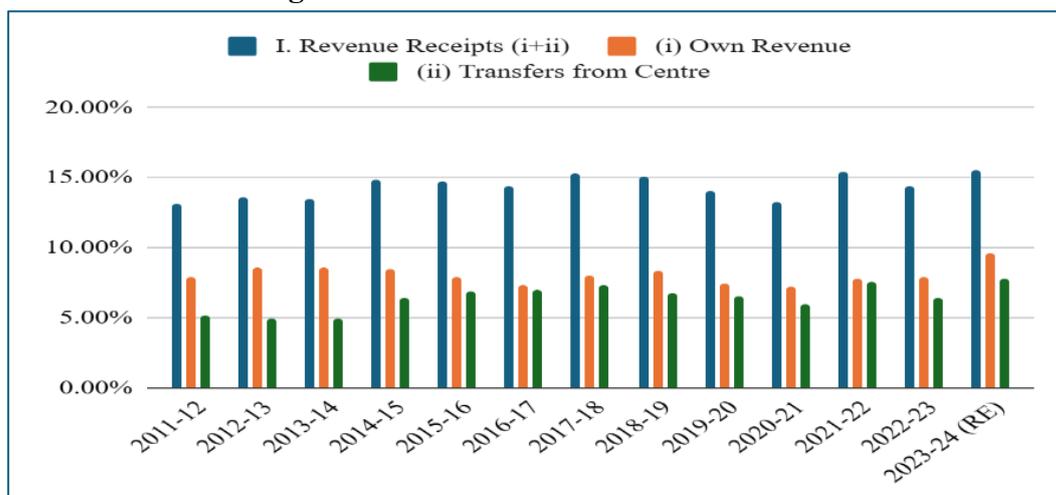
Rajasthan’s fiscal health has shown mixed trends over the last five years. The fiscal deficit as a percentage of GSDP stood at 3.8% in 2023-24, within the recommended limit of 4%. However, the debt-to-GSDP ratio remains a concern at 35.4%, higher than the national average of 31%. Tax revenue collection improved, growing at a CAGR of 6.5%, supported by reforms in GST compliance and digitization. Despite these efforts, expenditure pressures, particularly on social schemes and subsidies, challenge fiscal consolidation.

Rajasthan’s balanced growth across multiple sectors demonstrates its potential as a diversified economy. Investments in infrastructure, renewable energy, and industrial growth have fuelled economic expansion, while education and skill development aim to bridge gaps in human capital. Tourism and MSMEs remain crucial for employment generation and economic resilience. However, challenges in fiscal sustainability and literacy underscore the need for targeted policy interventions.

2.4.2.1 Overview of State Finances of Rajasthan (2011-12 to 2023-24)

The financial landscape of Rajasthan has undergone significant transformation over the last decade, characterized by consistent growth in revenue receipts, increased public expenditure, and expanding fiscal liabilities. While the state government has prioritized development through robust investment in infrastructure, social sectors, and economic activities, persistent challenges such as mounting fiscal deficits and rising debt levels highlight the need for fiscal prudence and innovative resource mobilization.

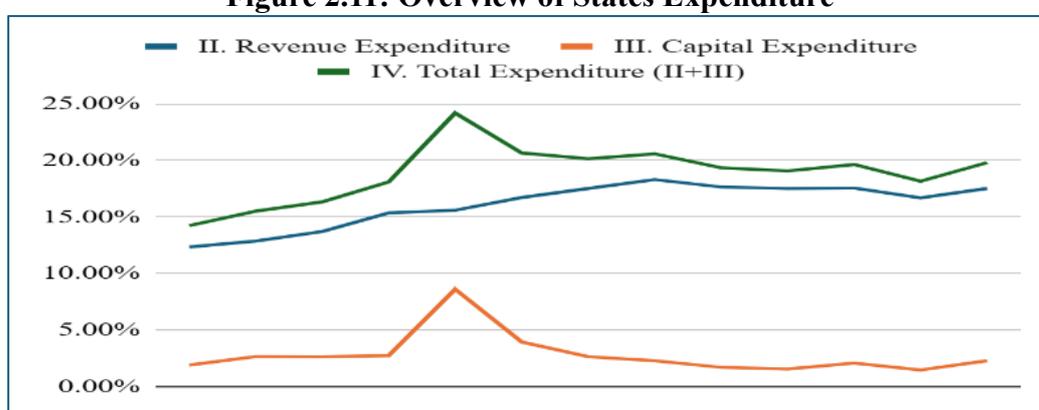
Figure 2.10: Overview of States Revenue



Source: Budget Study, Government of Rajasthan

Rajasthan’s revenue receipts have grown remarkably, increasing from ₹57,011 crore in 2011-12 to ₹2,37,672 crore in 2023-24 (RE), reflecting a CAGR of approximately 13.2%. This growth has been driven by both own revenue and transfers from the Centre, with a significant portion attributed to the state’s improved tax administration and central government allocations. Own revenue, which includes tax and non-tax income, rose from ₹34,552 crore in 2011-12 to ₹1,31,248 crore in 2023-24, contributing over 55% to total revenue in the latest year (SFAR 2024). Central transfers, comprising grants and the state’s share in central taxes, grew from ₹22,459 crore to ₹1,06,424 crore during the same period, showcasing Rajasthan's dependence on federal support for resource augmentation.

Figure 2.11: Overview of States Expenditure



Source: Budget Study, Government of Rajasthan

On the expenditure front, Rajasthan has consistently prioritized development, with total expenditure climbing from ₹61,882 crore in 2011-12 to ₹3,02,587 crore in 2023-24. Revenue expenditure, which encompasses routine government operations, subsidies, and welfare schemes, constitutes the lion's share of spending, increasing from ₹53,654 crore to ₹2,67,744 crore. This rise reflects the state’s focus on strengthening healthcare, education, agriculture, and social welfare. However, the growing burden of interest payments, which surged from ₹7,892 crore in 2011-12 to ₹34,561 crore in 2023-24, highlights the challenges posed by debt servicing. Simultaneously, capital expenditure, which funds infrastructure projects and asset creation, increased unevenly from ₹8,228 crore in 2011-12 to ₹34,843 crore in 2023-24, with notable peaks in years like 2015-16 when it reached ₹58,588 crore. This expenditure has been pivotal in expanding critical infrastructure such as roads, renewable energy projects, and irrigation facilities.

Despite the robust growth in revenues, Rajasthan’s fiscal health faces significant stress, as evidenced by the widening fiscal deficit. The fiscal deficit increased from ₹3,626 crore in 2011-

12 to ₹65,081 crore in 2023-24, reflecting a sharp rise in borrowing requirements to finance developmental activities. The fiscal deficit as a percentage of the GSDP stood at 4.3% in 2023-24, slightly breaching the threshold prescribed by the FRBM Act. Meanwhile, the outstanding fiscal liabilities, which include public debt and other financial obligations, ballooned from ₹1,06,560 crore in 2011-12 to ₹5,70,645 crore in 2023-24, representing a fivefold increase. This rising debt burden underlines the state's reliance on borrowings to meet its financial commitments and developmental aspirations.

Rajasthan's economic performance, measured through its GSDP, has shown strong growth during this period, increasing from ₹4,34,837 crore in 2011-12 to ₹15,28,385 crore in 2023-24, with a CAGR of 11.5%. This growth has translated into a higher per capita income, which rose from ₹57,192 to ₹1,67,964 over the same period, reflecting improvements in the standard of living for its residents. However, regional disparities and vulnerabilities to economic shocks, such as those posed by the COVID-19 pandemic, remain areas of concern. (RBI, 2023)

The state's developmental strategy also includes a focus on fiscal decentralization, infrastructure modernization, and social welfare expansion. However, the growing gaps between revenue and expenditure, coupled with the rising cost of debt servicing, necessitate a re-evaluation of fiscal strategies. To ensure long-term sustainability, Rajasthan must explore avenues for enhancing non-tax revenue, rationalizing subsidies, and leveraging public-private partnerships for infrastructure development.

While Rajasthan has made significant progress in revenue generation, economic growth, and developmental spending, challenges in fiscal management, high deficits, and rising debt underline the need for prudent financial planning and efficient resource utilization. The state's ability to maintain a balance between development and fiscal sustainability will be critical in shaping its economic future.

2.4.3 Rajasthan's Path to Sustainable Growth and Economic Diversification

Rajasthan's evolving economic structure underscores its strategic efforts to reduce reliance on agriculture by fostering growth in industrial and service sectors. Investments in renewable energy, industrial zones, and skill development have significantly enhanced productivity and employment, establishing the state as a key hub for green energy and manufacturing. At the same time, Rajasthan has effectively leveraged its rich cultural heritage and tourism potential, ensuring consistent contributions from the tertiary sector.

Despite commendable growth in GSVAs, the state faces challenges such as water scarcity, infrastructure, skill gaps, and regional disparities. Addressing these hurdles through innovative approaches, including technology adoption in agriculture, strengthening MSMEs, and infrastructure enhancement, can unlock further opportunities for growth. Furthermore, sustained investments in education, healthcare, and digital infrastructure will be critical for fostering balanced and inclusive development.

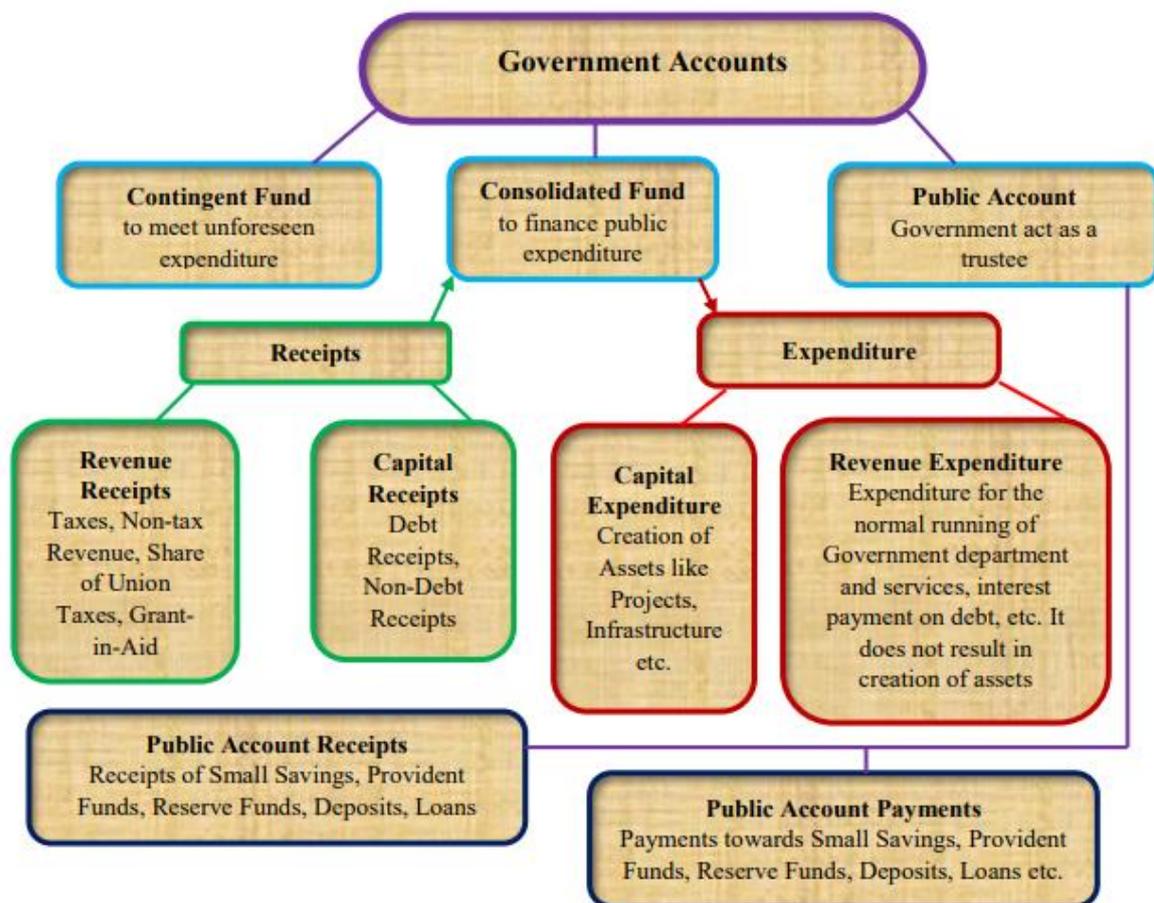
The steady rise in Rajasthan's GSVAs reflects its commitment to economic progress and diversification. By building on its strengths in renewable energy, tourism, and industrial development, while actively resolving existing challenges, the state is poised to sustain its growth trajectory and achieve its long-term economic goals.

Chapter 3

Revenue Capacities and Tax Performance

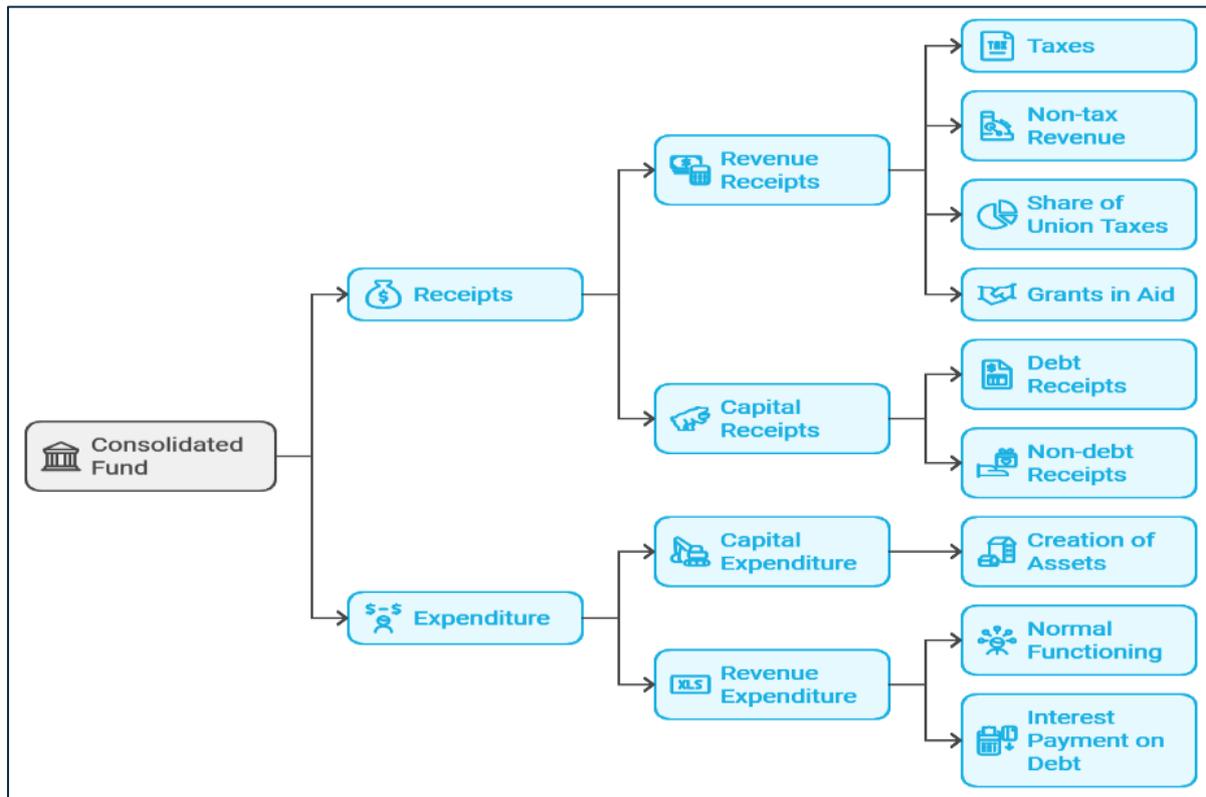
This chapter examines the estimation of Rajasthan's revenue generation capacities and evaluates measures to improve the Tax-GSDP ratio over the 2011-12 to 2023-24 period, offering recommendations to enhance the revenue productivity of the state's tax system. Before moving forward to the revenue analysis, the chapter explains the structure of government accounts and consolidation fund through diagram 3.1 and 3.2.

Figure 3.1: Structure of Government Accounts



Source: State Finance Audit Report (SFAR), Rajasthan, CAG, 2020-21.

Figure 3.2: Overview of Consolidated Fund



3.1 State's Taxable Capacity Assessment

3.1.1 Overview of Taxable Capacity

The taxable capacity of a state is a measure of its economic potential to generate revenue through taxation, based on its economic activities, population size, and income levels. Given Rajasthan's economic profile—marked by a significant agricultural sector and limited industrial base—tax capacity is shaped by the unique constraints and potentials of the state's economy. The following key factors shape Rajasthan's taxable capacity:

1. **Economic Base and Sectoral Composition:** Rajasthan's GSDP is heavily influenced by agriculture, which limits the tax base, given that agricultural income is largely exempted from state taxes. The service sector contributes a substantial share of the GSDP and has shown steady growth, particularly through tourism and trade. The state's industrial base is relatively narrow but has shown growth potential, particularly in mining and minerals.

2. **Population Dynamics and Income Levels:** Rajasthan's population density (200 per sq km) and income (Rs 90831 at constant prices) levels are below the national average (382 and Rs 106744 respectively), affecting the demand and purchasing power that drive indirect tax revenue, such as GST and excise taxes. Low per capita income reduces the state's ability to generate higher tax revenues from consumption taxes, thus limiting overall tax mobilization.
3. **Urbanization and Infrastructure Development:** The relatively low rate of urbanization in Rajasthan (24.9% as compared to 31.2% in India) impacts the state's ability to generate revenue from urban-based economic activities, which are typically more tax revenue generating capacity. Infrastructure development, though progressing, remains uneven and impacts the flow of goods and services that contribute to the state's revenue base.

3.1.2 Tax Efforts and Trends

Rajasthan has implemented several initiatives to improve its tax revenue generation and the Tax-GSDP ratio. These include a reduction in VAT rates on commodities like petrol and diesel, adjustments to certain taxes to simplify structures (like amendments to the motor vehicle tax regulations, including exemptions for certain types of vehicles such as those powered by LPG, CNG, or solar energy, and amendments in the GST rules, which may lead to changes in tax collection practices), stamp duty reforms, and a new investment policy to promote local production. The state has also introduced online portals for tax benefits, and enhanced compliance monitoring. These efforts are expected to result in a 13% increase in total own tax revenue for 2024-25, reaching approximately ₹1,25,525 crore. Rajasthan's approach aims to balance economic growth stimulation with improved fiscal health through a combination of tax reductions and enhanced compliance measures. (Singh, 2024)

Overall, Rajasthan's own tax-to-GSDP ratio reflects a recovery trajectory influenced by economic growth and improved tax collection efforts post-pandemic, despite some fluctuations due to shocks like COVID-19. The state aims to enhance its revenue mobilization strategies further to ensure fiscal sustainability and reduce reliance on central transfers and grants (Sixth State Finance Commission Report, 2023).

3.1.3 Comparative Analysis: Tax Capacity and Effort Relative to Other States

When benchmarked against other states, Rajasthan’s tax effort—measured by the ratio of actual tax collections to its taxable capacity—lags behind high-performing states like Maharashtra, Madhya Pradesh, and Tamil Nadu (Niti Aayog Fiscal Health Index, 2025).

Table 3.1: Estimated Tax Capacity for Some States for 2022-23

State	Estimated Taxable Capacity (₹ Crore)	Actual Tax Revenue (₹ Crore)	Tax Effort Index (%)
Rajasthan	1,16,000	87,346	75.3
Madhya Pradesh	99,000	1,05,000	106.1
Maharashtra	2,34,000	2,56,000	109.4
Tamil Nadu	1,56,000	1,53,000	98.1

Source: Authors’ calculation from RBI Study of State Finance 2023

The relatively low tax effort of Rajasthan may be due to structural challenges or tax compliance and the relatively narrow tax base of the State. However, Rajasthan has made gains in certain areas, such as mineral royalties and excise duties, which have become substantial contributors to the revenue stream. States with similar or lower per capita GSDP like Orissa and Madhya Pradesh have improved their tax efforts by diversifying their tax bases and enforcing tax compliance more robustly. Rajasthan can look into these examples for policy adaptations like use of technology and better compliance mechanisms could enhance tax mobilization without significantly raising tax rates.

3.1.4 Challenges to Expanding Taxable Capacity

Several structural challenges limit Rajasthan’s tax capacity:

- **Agricultural Predominance:** With a significant portion of the population reliant on agriculture, which remains largely outside the tax ambit, Rajasthan's taxable base is inherently constrained.
- **Informal Sector Dominance:** The large informal economy, with small and unregistered businesses, contributes minimally to tax revenue. This sector is difficult to monitor and tax effectively, leading to revenue gaps.
- **Reliance on Central Transfers:** High dependency on central government transfers, including grants and shared taxes, signifies a lack of self-sufficiency in revenue

mobilization. This reliance may also impact Rajasthan’s fiscal autonomy and responsiveness to its specific development needs.

3.2 Structure of Revenue Receipts

The revenue receipt structure of Rajasthan provides insights into the financial health and self-reliance of the state. Revenue receipts comprise both tax and non-tax revenues, along with transfers from the central government. Analysis of the structure and trend of these components is crucial for understanding the state's fiscal stability and identifying opportunities for enhancement. The major sources of revenue from own sources for the state are given in the table 3.2.

Table 3.2: Sources of State Tax and Non-Tax Revenue (Highest to Lowest)

S. No.	Tax Revenue Sources	Non-Tax Revenue Sources	
1	State Goods and Services Tax	1. Economic Services	<i>Minor irrigation</i>
2	Sales Tax		<i>Forestry and wildlife</i>
3	State Excise Duty		<i>Industries village and small industries</i>
4	Stamps & Registration		<i>Major and medium irrigation projects</i>
5	Tax on Vehicles		<i>Non-ferrous mining & metallurgical industries</i>
6	Taxes & Duties on Electricity		<i>Others</i>
7	Land Revenue		<i>Petroleum</i>
8	Tax on Immovable Properties		<i>Minor irrigation</i>
9	Tax on Goods and Passengers	2. General Services	--
10	Other Taxes	3. Interest Receipts, Dividend and Profit	--
		4. Social Services	Education, arts & culture
			Medical, health & family welfare
			Water supply, urban development
		Other	

Source: Budget Study, Government of Rajasthan, 2024

3.2.1 Composition of Revenue Receipts

Total Receipts of state comprise Revenue receipts and Capital receipts. Revenue receipts comprise both tax and non-tax revenues, along with intergovernmental transfers from the

central government. The Revenue receipts of the state increased more than fourfold from ₹57011 crores in 2011-12 to ₹203276 crores in 2023-24. The revenue exhibited an average annual growth of 11.2% during this period.

The state's own revenue consists of tax and non-tax revenue. Own revenue has demonstrated an average annual increase of 10.4%. It has consistently risen from ₹34552 crores in 2011-12 to ₹112764 crores in 2023-24, except for the COVID-19 pandemic years, during which a marginal decrease of 1.35% was observed. The state's own tax revenue serves as the primary component in generating economic resources. On average, tax revenue increased by 13% annually. Tax revenue has steadily increased from ₹25377 crores in 2011-12 to ₹94085 crores in 2023-24, albeit with inconsistent annual growth rates. During the global pandemic, tax revenue increased in absolute terms, but the annual growth rate decreased significantly. The proportion of own tax revenue in total revenue was highest at 45.6% in 2012-13 and lowest at 39.7% in 2017-18 before reaching its peak at 46.3% in 2023-24.

Non-Tax Revenue of the state increased by a modest 7% annually. Although non-tax revenue has more than doubled from 2011-12 to 2023-24, the growth has been inconsistent. The most substantial decline in annual non-tax revenue was observed in 2015-16, where it decreased from ₹13229 crores in 2014-15 to ₹10928 crores in 2015-16 due to a 50% decline in revenue from petroleum as compared to the previous year. The share of non-tax revenue in the total revenue receipts has been declining consistently from 16.1% in 2011-12 to 9.2% in 2023-24 with some fluctuations. From 2014-15, the government increasingly relied on transfers from the centre, which include grants and a share in central taxes. Overall, the grants have increased more than fivefold from ₹7482 crores in 2011-12 to ₹36326 crores in 2021-22, before falling sharply to ₹22447 crores in 2023-24, with an average annual increase of 15%. Its share in total revenue has been fluctuating between 10.7% in 2012-13 and 21.5% in 2014-15, although it has been consistently falling thereafter.

As per the recommendations of the Fifteenth Finance Commission, Rajasthan's share in the divisible pool of taxes of the central government is 6.026%. Corporation tax, income tax, and Central GST are the taxes that generate the maximum revenue for the centre and consequently for the states. The share in central taxes of Rajasthan has increased by 13.5% on average from 2011-12 to 2023-24, which exceeds the growth rate of own tax revenue (11.5%). Tax share as a proportion of total revenue receipts was highest in 2016-17 at 30.8% before reaching its peak at 33.5% in 2023-24, before which it has been consistently below 30%.

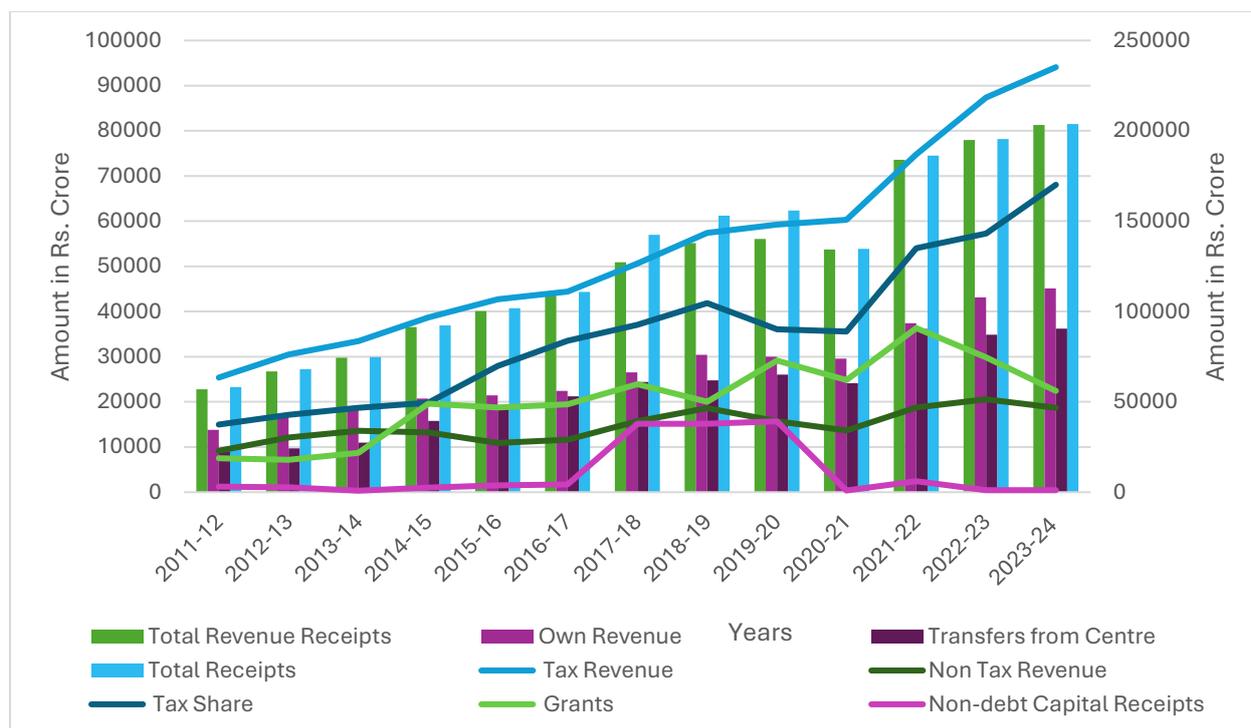
The Non-debt Capital Receipts from 2011-12 to 2023-24 exhibit significant volatility and a downward trend, as evidenced by the negative CAGR of -8.6%. The data shows a relatively stable pattern in the initial years (2011-15) ranging between ₹325.8-1,235 crores, followed by a moderate increase to ₹1,741.37 crores by 2016-17. There is a surge during 2017-20, where receipts peaked at ₹15,690 crores in 2019-20 on account of loans given to DISCOMs under the UDAY Scheme during 2015-16 and 2016-17 converted into equity and grant during this period. However, this was followed by a sharp decline to ₹387.60 crores in 2020-21, with subsequent years showing significantly lower values, barring a brief spike to ₹2,405 crores in 2021-22. The current estimate of ₹419 crores for 2023-24 represents a substantial fall from both the peak period and the initial years, indicating settlement of UDAY loans given by the state government during 2015-18. The share of non-debt capital receipts in total receipts has been below 2% mostly during this period, except for the 2017-18 to 2019-20 period where it had gone up to 10%.

Table 3.3: Total Revenue Receipts, Own Tax Revenue and Non-tax Revenue (Rs. in crores)

Year	Own Tax Revenue	Own Non-Tax Revenue	Own Revenue	Share in Central Taxes	Grants-in-aid	Transfers from Centre	Total Revenue Receipts	Non-debt Capital Receipts	Total Receipts
1	2	3	4=2+3	5	6	7=5+6	8=4+7	9	10=8+9
2011-12	25377	9175	34552	14977	7482	22459	57011	1235.00	58245.76
2012-13	30503	12134	42636	17103	7174	24277	66913	1109.68	68022.68
2013-14	33478	13575	47053	18673	8745	27418	74471	325.80	74796.82
2014-15	38673	13229	51902	19817	19608	39425	91327	1019.01	92346.42
2015-16	42713	10928	53641	27916	18728	46644	100285	1471.67	101756.79
2016-17	44372	11615	55987	33556	19483	53039	109025	1741.37	110766.80
2017-18	50605	15734	66339	37028	23940	60968	127307	15150.00	142457.18
2018-19	57380	18603	75983	41853	20037	61890	137874	15178.00	153051.67
2019-20	59245	15714	74959	36049	29106	65155	140114	15690.00	155803.81
2020-21	60283	13653	73936	35576	24796	60371	134308	387.60	134695.48
2021-22	74808	18755	93563	54031	36326	90357	183920	2405.00	186325.05
2022-23	87346	20564	107910	57231	29846	87077	194987	436.00	195422.78
2023-24	94085	18679	112764	68063	22447	90510	203276	419.00	203693.00
CAGR	11.54%	6.10%	10.36%	13.45%	9.59%	12.32%	11.18%	-8.61%	11%

Source: SFAR, CAG, Ministry of Statistics and Programme Implementation, and State Budget 2025-26

Figure 3.3: Total Revenue Receipts, Own Tax Revenue and Non-tax Revenue (Rs. in crores)



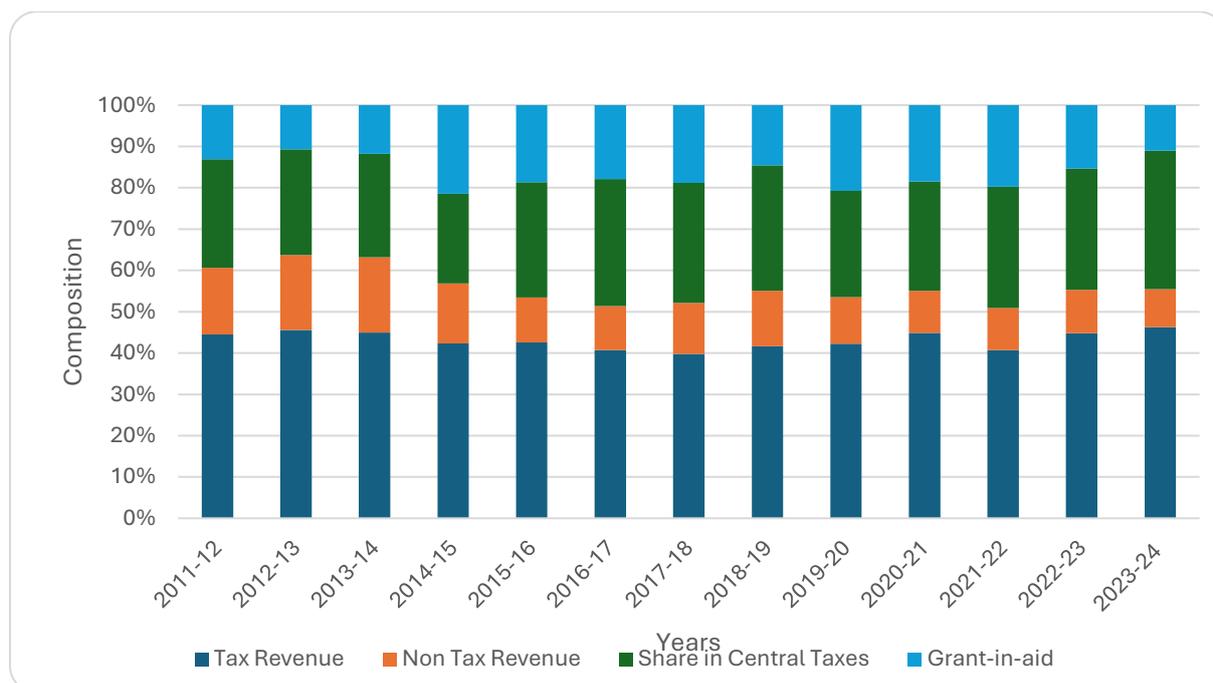
Source: Authors' calculations based on data in Table 3.2. Note: The figures for bars are on the secondary axis on the right and for lines on the primary axis on the left.

Table 3.4: Share in Total Revenue Receipts (in percentage)

Year	Own Tax Revenue		Own Non-Tax Revenue		Share in Central Taxes		Grants-in-aid		Total Revenue Receipts		Non-debt Capital Receipts
	as % of TRR	as % of GSDP	as % of TRR	as % of GSDP	as % of TRR	as % of GSDP	as % of TRR	as % of GSDP	as % of TR	as % of GSDP	as % of TR
2011-12	44.51%	5.84%	16.09%	2.11%	26.27%	3.44%	13.12%	1.72%	97.88%	13.11%	2.12%
2012-13	45.59%	6.18%	18.13%	2.46%	25.56%	3.47%	10.72%	1.45%	98.37%	13.56%	1.63%
2013-14	44.95%	6.08%	18.23%	2.46%	25.07%	3.39%	11.74%	1.59%	99.56%	13.51%	0.44%
2014-15	42.35%	6.28%	14.49%	2.15%	21.70%	3.22%	21.47%	3.18%	98.90%	14.83%	1.10%
2015-16	42.59%	6.27%	10.90%	1.60%	27.84%	4.10%	18.68%	2.75%	98.55%	14.72%	1.45%
2016-17	40.70%	5.83%	10.65%	1.53%	30.78%	4.41%	17.87%	2.56%	98.43%	14.33%	1.57%
2017-18	39.75%	6.08%	12.36%	1.89%	29.09%	4.45%	18.80%	2.88%	89.37%	15.29%	10.63%
2018-19	41.62%	6.30%	13.49%	2.04%	30.36%	4.59%	14.53%	2.20%	90.08%	15.13%	9.92%
2019-20	42.28%	5.92%	11.22%	1.57%	25.73%	3.60%	20.77%	2.91%	89.93%	14.01%	10.07%
2020-21	44.88%	5.92%	10.17%	1.34%	26.49%	3.49%	18.46%	2.44%	99.71%	13.19%	0.29%
2021-22	40.67%	6.26%	10.20%	1.57%	29.38%	4.52%	19.75%	3.04%	98.71%	15.39%	1.29%
2022-23	44.80%	6.43%	10.55%	1.51%	29.35%	4.21%	15.31%	2.20%	99.78%	14.36%	0.22%
2023-24	46.28%	6.16%	9.19%	1.22%	33.48%	4.45%	11.04%	1.47%	99.79%	13.30%	0.14%

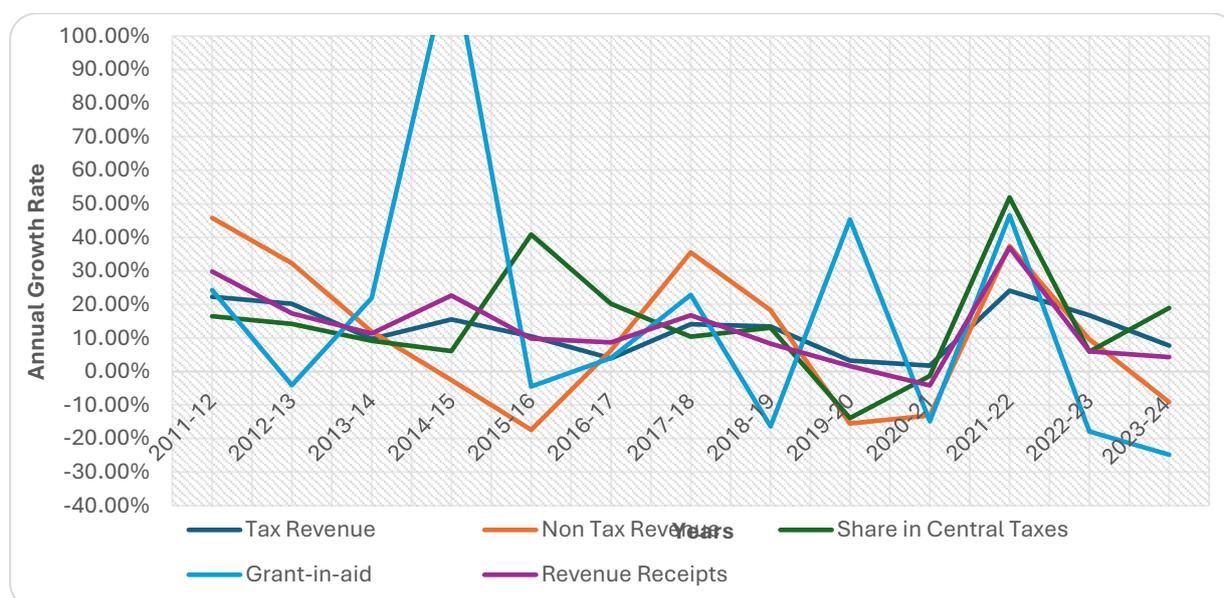
Source: Authors' calculations based on data in table 3.3.

Figure 3.4: Composition of Revenue Receipts (in percentage)



Source: Authors' calculations based on data in Table 3.4.

Figure 3.5: Annual Growth Rate of Various Components of Revenue Receipts (in percentage)



Source: Authors' calculations based on data in Appendix Table A3.1.

3.2.2 Own Revenue Receipts

The trends in Own Revenue Receipts (ORR), Tax Revenue (TR), Non-Tax Revenue (NTR), and their contributions to Total Revenue Receipts (RR) from 2011-12 to 2023-24, with

averages for the period are shown in table 3.5. The ORR, as a percentage of Total Revenue Receipts, has shown a declining trend, averaging 55.88%, with the highest proportion recorded in 2012-13 (63.72%) and the lowest in 2021-22 (50.87%) owing to Covid-19 pandemic. Tax Revenue constitutes the bulk of ORR, averaging 77.47% over the years, with a notable increase from 71.15% in 2013-14 to a peak of 83% in 2023-24. In contrast, NTR, which averaged 22.53%, has seen a steady decline, dropping from 28.46% in 2012-13 to 17% in 2023-24, reflecting stagnation or limited growth in revenue streams such as fees, royalties, or interest income. However, the declining ORR as a share of Total Revenue Receipts indicates an increasing reliance on external revenue sources, such as central transfers or grants, highlighting the need for a balanced revenue strategy.

The rising fiscal pressures on the state to expand welfare and infrastructure programs, particularly post-GST implementation, has shifted the balance towards central grants. On the other hand, the introduction of the GST in 2017 restructured the tax system, leading to an increase in the share of Tax Revenue (TR) in ORR. The State has benefitted from higher GST revenue allocations due to compensation provisions for post-GST revenue losses.

Table 3.5: Share of ORR, Tax Revenue and Non-Tax Revenue in Total Revenue Receipts
(Rs. in Crore and in percentage)

Year	Own Revenue Receipts (ORR)		Tax Revenue		Non-Tax Revenue		Total Revenue Receipts
	ORR	as % of RR	TR	as % of ORR	NTR	as % of ORR	
2011-12	34552	60.61%	25377	73.45%	9175	26.55%	57011
2012-13	42636	63.72%	30503	71.54%	12134	28.46%	66913
2013-14	47053	63.18%	33478	71.15%	13575	28.85%	74471
2014-15	51902	56.83%	38673	74.51%	13229	25.49%	91327
2015-16	53641	53.49%	42713	79.63%	10928	20.37%	100285
2016-17	55987	51.35%	44372	79.25%	11615	20.75%	109026
2017-18	66339	52.11%	50605	76.28%	15734	23.72%	127307
2018-19	75983	55.11%	57380	75.52%	18603	24.48%	137873
2019-20	74959	53.50%	59245	79.04%	15714	20.96%	140114
2020-21	73936	55.05%	60283	81.53%	13653	18.47%	134308
2021-22	93563	50.87%	74808	79.95%	18755	20.05%	183920
2022-23	107910	55.34%	87346	80.94%	20564	19.06%	194987
2023-24	112764	55%	94085	83%	18679	17%	203276
Average		55.9%		77.4%		22.6%	

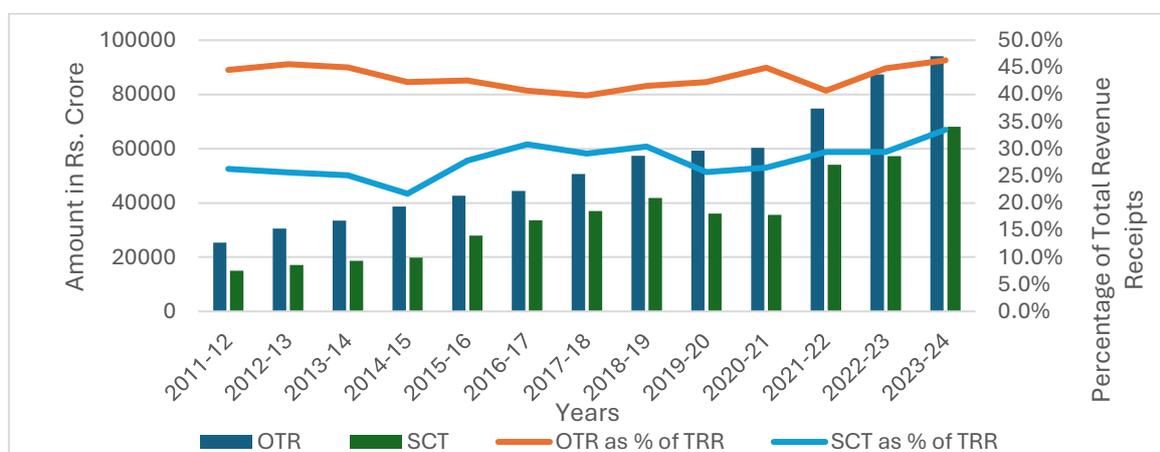
Source: Authors' calculations based on data in Table 3.3.

3.2.3 Tax Revenue Analysis

Tax revenue forms the backbone of Rajasthan’s revenue receipts, contributing significantly to its financial resources. It consists of state own tax revenue and the state's share of central taxes. Own Tax revenue constitutes a significant portion of revenue receipts, averaging 43.17% during 2011-12 to 2023-24. The highest share was recorded in 2023-24 at 46.28%, amounting to ₹94085 crores. The proportion hit its lowest points in 2016-17 and 2017-18 at 40.7% and 39.75% respectively. Notably, during the pandemic, this share decreased by only 4.21% from 44.88% in 2020-21 to 40.67% in 2021-22. The annual growth rate of own tax revenue showed considerable fluctuation, declining from 20% in 2012-13 to 9.75% in 2013-14. After brief improvements, it fell to 3.8% in 2016-17, followed by historic lows of 3.25% in 2019-20 and 1.75% in 2020-21, primarily due to COVID-19. The rate recovered to 24% in 2021-22, though this is largely attributed to the lower base effect.

The state's share of Union taxes and duties (second-largest revenue source after own tax revenue) in revenue receipts fluctuated between 21.7% and 33.5%, averaging 27.8% during 2011-12 to 2023-24. The highest share was recorded in 2023-24 at 33.5%, considering enhanced devolution percentage of 6.025% for Rajasthan under the 15th Finance Commission, while it was 5.495% under the 14th Finance Commission. The annual growth rate surged from 6.13% in 2014-15 to 40.18% in 2015-16, followed by a 20% decline the subsequent year. After experiencing negative growth during the pandemic, it recovered to 18.9% in 2023-24. Share in Central Taxes has grown with a CAGR of 13.5% while Own Tax Revenue has grown with a CAGR of 11.5% during this period.

Figure 3.6: Components of Tax Revenue of State (in percentage and in Rs. Crore)



Source: Authors’ calculations based on data in Table 3.4. Note: The figures for lines are on the secondary axis on the right and for bars on the primary axis on the left.

Table 3.6: Composition of State's Tax Revenue (Rs. in Crore and in percentage)

YEAR	Own Tax Revenue (OTR)				Share in Central Taxes (SCT)				Total Tax Revenue
	OTR	OTR as % of TRR	OTR as % of TTR	Annual Growth Rate	SCT	SCT as % of TRR	SCT as % of TTR	Annual Growth Rate	
2011-12	25377	44.5%	62.9%		14977	26.3%	37.1%		40354
2012-13	30503	45.6%	64.1%	20.2%	17103	25.6%	35.9%	14.2%	47605
2013-14	33478	45.0%	64.2%	9.8%	18673	25.1%	35.8%	9.2%	52151
2014-15	38673	42.3%	66.1%	15.5%	19817	21.7%	33.9%	6.1%	58490
2015-16	42713	42.6%	60.5%	10.4%	27916	27.8%	39.5%	40.9%	70629
2016-17	44372	40.7%	56.9%	3.9%	33556	30.8%	43.1%	20.2%	77928
2017-18	50605	39.8%	57.7%	14.0%	37028	29.1%	42.3%	10.3%	87633
2018-19	57380	41.6%	57.8%	13.4%	41853	30.4%	42.2%	13.0%	99233
2019-20	59245	42.3%	62.2%	3.2%	36049	25.7%	37.8%	-13.9%	95294
2020-21	60283	44.9%	62.9%	1.8%	35576	26.5%	37.1%	-1.3%	95859
2021-22	74808	40.7%	58.1%	24.1%	54031	29.4%	41.9%	51.9%	128839
2022-23	87346	44.8%	60.4%	16.8%	57231	29.4%	39.6%	5.9%	144577
2023-24	94085	46.3%	58.6%	7.8%	68063	33.5%	42%	18.9%	162148

Source: Authors' calculation based on data in Table 3.3.

3.2.3.1 Composition of State's Own Tax Revenue

The State's Own Tax Revenue comprises State Goods and Services Tax (SGST), Taxes on Sales and Trade, State Excise, Stamp and Registration Fees, Taxes on Vehicles, Taxes and Duties on Electricity, Land Revenue, Taxes on Immovable Properties, Taxes on Goods and Passengers, and Other Taxes.

The data on the State's Own Tax Revenue (OTR) highlights significant trends and changes in the composition of revenue sources over time. The overall OTR has grown at a compound annual growth rate (CAGR) of 11.5% from 2011-12 to 2023-24, showcasing robust growth in the state's tax collections. A major contributor to this growth has been the introduction of SGST in 2017-18. SGST has steadily become the largest component of OTR, with its share increasing from 24% in 2017-18 to 40.4% in 2023-24. It recorded the highest CAGR among all revenue sources, at 15.7%, underlining its central role in the state's fiscal health after the implementation of GST.

Before the introduction of SGST, Taxes on Sales, Trade, etc., were the dominant source of revenue, contributing 62.13% in 2011-12. However, their relative share has declined sharply to 25% in 2023-24, with a modest growth at a CAGR of 3.4% due to its replacement under the GST regime. Similarly, other pre-GST revenue sources like Taxes on Goods and Passengers and Other Taxes have also seen sharp declines, with their contributions becoming negligible in recent years.

State Excise has been a stable and significant source of revenue, with a compound annual growth rate (CAGR) of 12.3%. Its share fluctuated between 12.95% and 16.34% of the overall tax revenue (OTR) and then declined continuously from 2021-22 onwards during the period. Although it remains a key pillar of the state's fiscal resources, revenue from this head has been stagnant in the last two years. Taxes on Vehicles have grown moderately at a compound annual growth rate (CAGR) of 11%, contributing approximately 7.12% of the overall tax revenue (OTR) in 2023-24, reflecting the growth in vehicle ownership and urbanisation.

Stamp and Registration Fees have shown healthy growth at a CAGR of 11%, with their share in OTR increasing marginally over time. This reflects active real estate markets and improvements in property registration processes. However, revenue from Taxes and Duties on Electricity, though growing at a CAGR of 8.52%, has seen a decline in its share from 4.31% in 2011-12 to 3.1% in 2023-24, possibly due to tariff revisions and subsidies. Similarly, Land Revenue has grown modestly at 7% CAGR, but its share in OTR has declined, reflecting limited scope for significant revenue growth from this source.

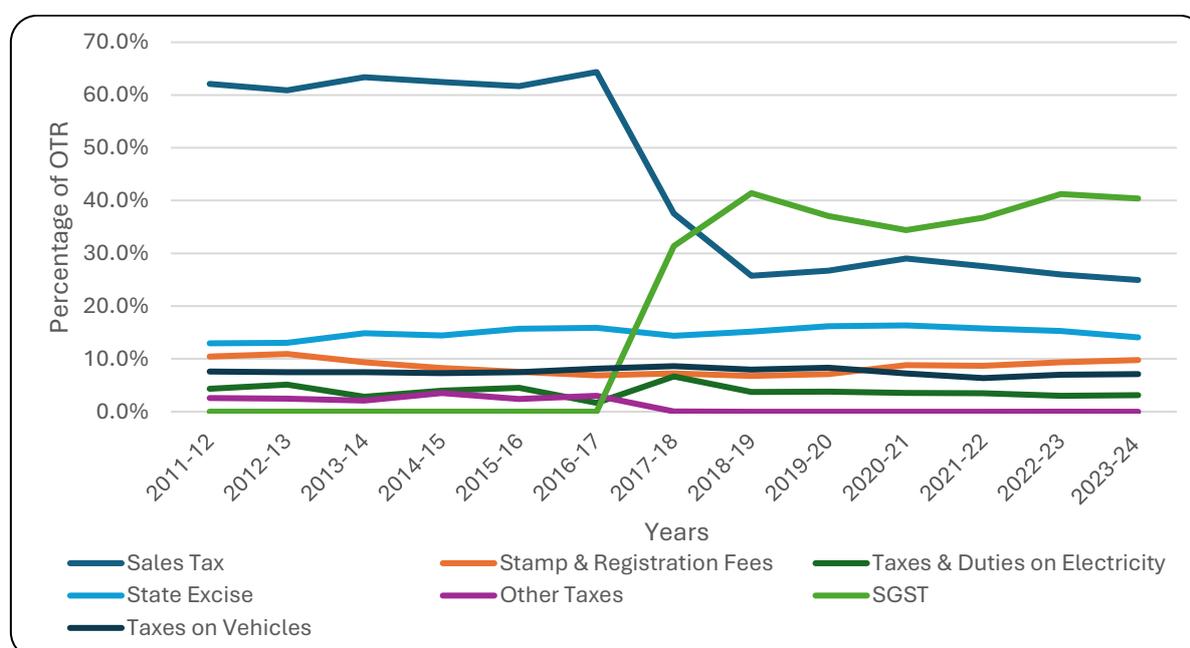
Table 3.7: Composition of State's Own Tax Revenue (Rs. in Crore and in percentage)

Years →	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR (%)
State's Own Tax Revenue	25377	30503	33478	38673	42713	44372	50605	57380	59245	60283	74808	87346	94085	11.54
1. SGST	-	-	-	-	-	-	12137	22938	21954	20755	27502	33790	38015	15.67
<i>as a percent of OTR</i>	-	-	-	-	-	-	23.98	39.98	37.06	34.43	36.76	38.69	40.40	4.31
2. Taxes on Sales, Trade etc	15766	18575	21216	24170	26345	28558	19008	14791	15843	17479	20605	22727	23473	3.37
<i>as a percent of OTR</i>	62.13	60.90	63.37	62.50	61.68	64.36	37.56	25.78	26.74	28.99	27.54	26.02	24.95	-7.32
3. State Excise	3287	3988	4982	5586	6713	7054	7276	8694	9592	9853	11807	13326	13225	12.30
<i>as a percent of OTR</i>	12.95	13.07	14.88	14.44	15.72	15.90	14.38	15.15	16.19	16.34	15.78	15.26	14.06	0.66
4. Stamp and	2651	3335	3125	3189	3234	3053	3675	3886	4235	5297	6492	8189	9181	10.9

Registration Fees															
<i>as a percent of OTR</i>	10.45	10.93	9.34	8.25	7.57	6.88	6.76	6.68	7.15	8.79	8.68	9.14	9.76	-0.57	
5. Taxes on Vehicles	1927	2283	2499	2830	3199	3623	4363	4576	4951	4368	4759	6128	6703	10.95	
<i>as a percent of OTR</i>	7.59	7.49	7.46	7.32	7.49	8.16	8.62	7.98	8.36	7.25	6.36	7.02	7.12	-0.53	
6. Taxes and Duties on Electricity	1094	1570	949	1535	1921	738	3377	2148	2263	2142	2606	2625	2918	8.52	
<i>as a percent of OTR</i>	4.31	5.15	2.83	3.97	4.50	1.66	6.67	3.74	3.82	3.55	3.48	2.96	3.10	-2.71	
7. Land Revenue	209	305	338	289	272	315	364	290	364	279	631	484	469	6.97	
<i>as a percent of OTR</i>	0.82	1.00	1.01	0.75	0.64	0.71	0.72	0.51	0.62	0.46	0.84	0.55	0.50	-4.1	
8. Taxes on Immovable Properties	179	151	13	4	8	7	1	1	1	63	223	68	99	-4.81	
<i>as a percent of OTR</i>	0.70	0.49	0.08	0.15	0.26	0.29	0.08	0.01	0.00	0.10	0.31	0.08	0.11	-14.66	
9. Taxes on Goods and Passengers	220	249	288	957	848	803	341	51	41	45	171	8	0	-100	
<i>as a percent of OTR</i>	0.87	0.81	0.86	2.47	1.98	1.81	0.67	0.09	0.07	0.07	0.23	0.01	0.0	-100	
10. Other Taxes	42.66	48.38	54.58	62.30	69.89	98.02	23.77	0.88	0.89	1.13	0.61	0.65	1.22	-30.96	
<i>as a percent of OTR</i>	0.17	0.16	0.16	0.16	0.16	0.22	0.04	0.002	0.002	0.002	0.001	0.001	0.001	-38.1	

Source: SFAR, CAG, Ministry of Statistics and Programme Implementation, and State Budget 2025-26

Figure 3.7: Share of Components of Tax Revenue of State (in percentage)



Source: Authors' calculations based on data in Table 3.7.

State's OTR grew from ₹25,377 crore to ₹94,085 crore, marking a nearly 4 times increase during 2011-12 and 2023-24. This growth is driven by significant contributions from key tax components such as SGST, State Excise, and Stamp and Registration Fees. The introduction of SGST in 2017-18 led to a paradigm shift, with SGST becoming a major revenue source, rising to ₹38,015 crore in 2023-24 and contributing approximately 40.4% of the OTR. SGST's annual growth has been robust, peaking at 49.7% in 2018-19 and maintaining a healthy annual growth trend of more than 10% post-COVID-19.

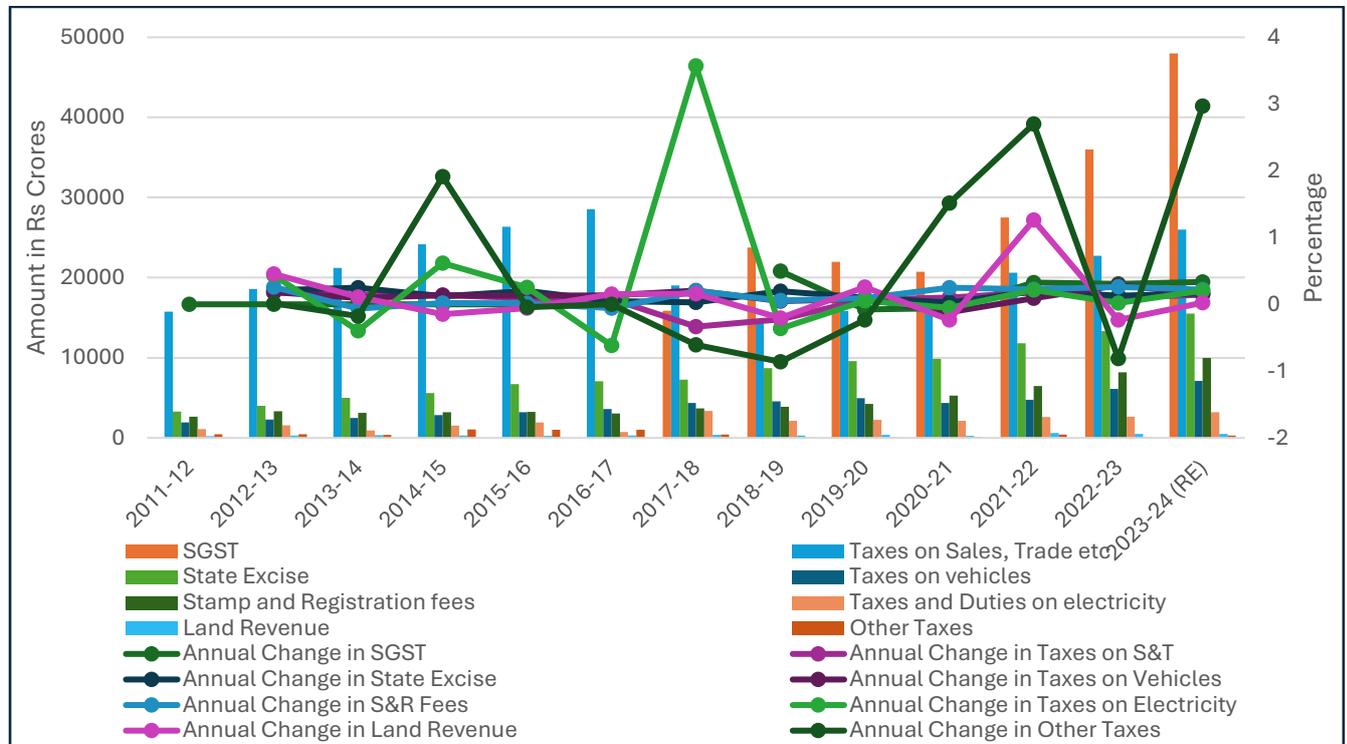
Taxes on Sales, Trade, etc., which dominated the pre-GST era, peaked at ₹28,558 crore in 2016-17 before declining sharply after GST implementation. These revenues have since stabilized at ₹23,473 crore in 2023-24, with a moderate annual growth rate of 14% recorded in the same year. Similarly, State Excise has emerged as a steady contributor, growing from ₹3,287 crore in 2011-12 to ₹13,325 crore in 2023-24. It has displayed consistent growth rates, with significant spikes such as 19.83% in 2021-22, attributed to improved enforcement and increased consumption. Taxes on Vehicles have also shown a strong upward trajectory, growing from ₹1,927 crore in 2011-12 to ₹6,703 crore in 2023-24, supported by double-digit growth rates, especially in 2022-23 when it recorded a 28.77% increase.

Stamp and Registration Fees grew steadily from ₹2,651 crore in 2011-12 to ₹9,181 crore in 2023-24, benefiting from rising real estate transactions. Despite occasional slowdowns, this revenue stream rebounded with a strong 26% growth in 2022-23. Taxes and Duties on Electricity, however, exhibited significant volatility. While the revenue increased from ₹1,094 crore in 2011-12 to ₹2,918 crore in 2023-24, sharp fluctuations were observed, including a major surge of 357.4% in 2017-18 and declines in subsequent years. Land Revenue remained marginal, contributing ₹469 crore in 2023-24, with highly irregular annual growth patterns, including a significant spike of 126.08% in 2021-22. The category of Other Taxes, which includes Taxes on Immovable Properties, Goods and Passengers, and miscellaneous taxes, declined from ₹441.66 crore in 2011-12 to ₹99.5 crore in 2023-24. This category has been characterized by extreme volatility.

Overall, Rajasthan's tax revenue trends highlight the growing reliance on SGST and other stable sources like State Excise and Stamp Duties, while legacy taxes, including Sales Tax and Electricity Duties, have exhibited reduced significance due to structural reforms and external factors. Despite pandemic-induced setbacks in 2020-21, key revenue components have shown strong recovery. Moving forward, the state's revenue strategy needs to focus on further

strengthening SGST collections and optimizing other stable sources like Excise Duty and Stamp Duties while addressing the declining contributions of electricity duties and land revenue.

Figure 3.8: Annual Growth of the Components of Tax Revenue of State (in percentage)



Source: Authors' calculation based on data in Table 3.6. Note: The figures for lines are on the secondary axis on the right and for bars on the primary axis on the left.

Rajasthan derives significant revenue from three key sectors: Minerals, Petroleum, and Transport. The transport sector, primarily generating revenue through state vehicle taxes, demonstrated remarkable growth, averaging 11% annually. Revenue increased steadily from ₹1,927 crores in 2011-12 to ₹3,623 crores in 2016-17. The upward trend continued, reaching ₹4,368 crores in 2020-21 and further climbing to ₹6,703 crores in 2023-23. Petroleum revenue, primarily sourced from royalties on crude oil production in the Barmer-Sanchore basin, showed minimal growth at 0.15%. Peak revenue generation was recorded in 2013-14 at ₹5,954 crores, following a strong performance in 2012-13 with ₹5,070 crores. The minerals sector exhibited impressive growth, averaging 10% over the years. Revenue increased substantially from ₹2,366 crores in 2011-12 to ₹4,522 crores in 2016-17, further expanding to ₹7,460 crores by 2023-24. However, the annual growth rate showed significant volatility, declining from 19% in 2012-13 to 4% in 2015-16, further dropping to -13% during 2019-20, before reaching an all-time high of 28% in 2021-22.

Table 3.8: Revenue from Growth Sectors (Rs. in Crores)

Sectors	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Minerals	2366	2839	3089	3636	3782	4234	4522	5302	4579	4966	6395	7213	7460	10.04%
Petroleum	3436	5070	5954	4850	2342	2332	2579	3883	3320	1905	3995	4889	3425	-0.03%
Transport	1927	2283	2499	2830	3199	3623	4363	4576	4951	4368	4759	6128	6703	10.95%

Source: SFAR, CAG, and State Budget 2025-26, Rajasthan. Note: Petroleum revenue from royalties on crude oil produced in Barmer-Sanchor basin and revenue from transport includes revenue generation from vehicle tax.

3.2.3.2 Composition of States's Share in Central Taxes

The Indian Constitution's Article 280 mandates the central government to share taxes with state governments based on a criterion which includes population, area, forest cover, and income distance. This includes the state's allocated share of taxes collected by the central government, such as income tax, corporation tax, customs duties, and GST. The central government's devolution of taxes under the Finance Commission recommendations plays a critical role in Rajasthan's fiscal structure.

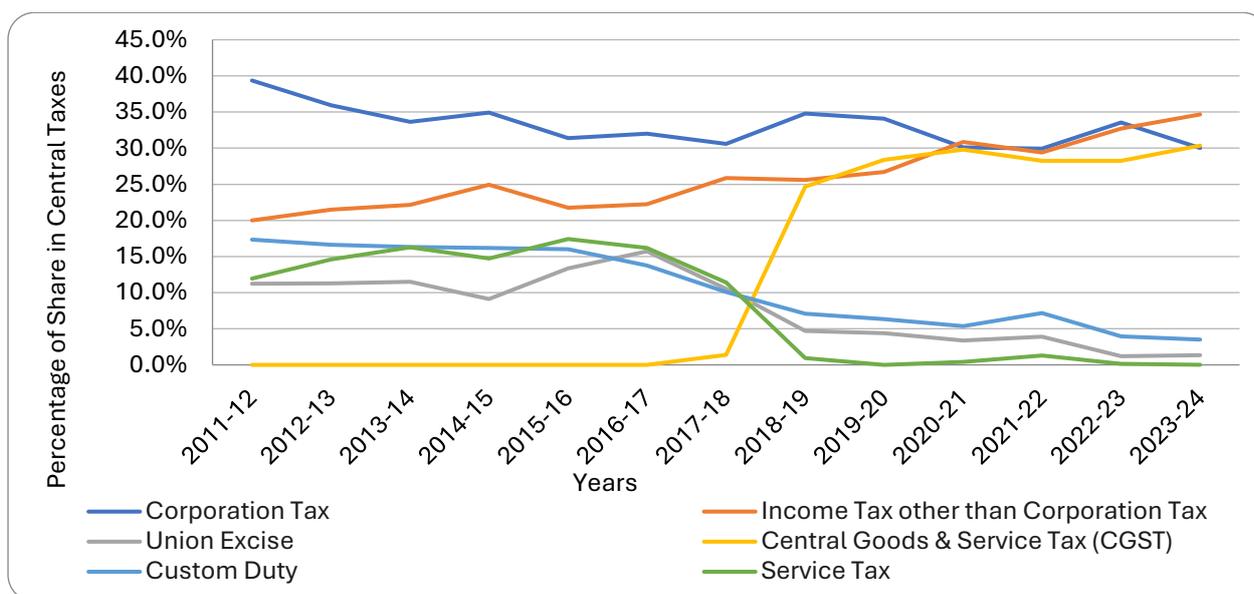
The data shows the trends in the Share of Central Taxes allocated to Rajasthan between 2011-12 and 2023-24, with an overall CAGR of 13%, growing from ₹14,977 crore to ₹68,063 crore. The major sources of central tax revenue shared with Rajasthan state are income tax, corporation tax, and central goods and services tax (CGST) following the GST reforms. Within this, Corporation Tax increased from ₹5,895 crore in 2011-12 to ₹20,429 crore in 2023-24, registering a CAGR of 11%. However, its share as a percentage of total central taxes gradually declined from 39.4% in 2011-12 to 30% in 2023-24. Similarly, Income Tax (other than Corporation Tax) displayed a robust growth trajectory, rising from ₹2,995 crore in 2011-12 to ₹23,593 crore in 2023-24, with a CAGR of 19%. Its share in the total central taxes increased consistently, reaching 34.7% in 2023-24.

Table 3.9: Composition of Share of Central Taxes for Rajasthan (Rs. in Crore and in percentage)

Years →	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Share of Central Taxes	14977	17103	18673	19817	27916	33556	37028	41853	36049	35576	54031	57231	68063	13%
Corporation Tax	5895	6143	6280	6920	8760	10739	11334	14553	12291	10711	16172	19192	20429	11%
<i>as percent of total share</i>	<i>39.36</i>	<i>35.92</i>	<i>33.63</i>	<i>34.92</i>	<i>31.38</i>	<i>32.00</i>	<i>30.61</i>	<i>34.77</i>	<i>34.10</i>	<i>30.11</i>	<i>29.93</i>	<i>33.53</i>	<i>30.0%</i>	
Income Tax other than Corporation	2995	3678	4135	4942	6073	7464	9571	10718	9631	10978	15877	18730	23593	19%
<i>as percent of total share</i>	<i>20.00</i>	<i>21.51</i>	<i>22.14</i>	<i>24.94</i>	<i>21.75</i>	<i>22.24</i>	<i>25.85</i>	<i>25.61</i>	<i>26.72</i>	<i>30.86</i>	<i>29.39</i>	<i>32.73</i>	<i>34.7%</i>	
Union Excise	1680	1932	2152	1810	3731	5275	3905	1971	1589	1199	2098	706	902	-5%
<i>as percent of total share</i>	<i>11.22</i>	<i>11.30</i>	<i>11.52</i>	<i>9.13</i>	<i>13.37</i>	<i>15.72</i>	<i>10.55</i>	<i>4.71</i>	<i>4.41</i>	<i>3.37</i>	<i>3.88</i>	<i>1.23</i>	<i>1.3%</i>	
Central Goods & Service Tax	-	-	-	-	-	-	520	10329	10229	10603	15261	16170	20656	85%
<i>as percent of total share</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1.40</i>	<i>24.68</i>	<i>28.38</i>	<i>29.80</i>	<i>28.25</i>	<i>28.25</i>	<i>30.3%</i>	
Integrated Goods & Service Tax	-	-	-	-	-	-	3736	824	-	-	-	-	-	
<i>as percent of total share</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>10.09</i>	<i>1.97</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	
Custom Duty	2597	2842	3047	3205	4464	4620	3735	2966	2285	1910	3864	2249	2385	-1%
<i>as percent of total share</i>	<i>17.34</i>	<i>16.62</i>	<i>16.32</i>	<i>16.17</i>	<i>15.99</i>	<i>13.77</i>	<i>10.09</i>	<i>7.09</i>	<i>6.34</i>	<i>5.37</i>	<i>7.15</i>	<i>3.93</i>	<i>3.5%</i>	
Service Tax	1787	2497	3042	2921	4864	5433	4227	389	-	150	701	89	12.68	-34%
<i>as percent of total share</i>	<i>11.93</i>	<i>14.60</i>	<i>16.29</i>	<i>14.74</i>	<i>17.42</i>	<i>16.19</i>	<i>11.42</i>	<i>0.93</i>	<i>-</i>	<i>0.42</i>	<i>1.30</i>	<i>0.16</i>	<i>0.02%</i>	
Other Taxes and duties on Commodities & Services	-	-	-	-	22	0.09	(-)0.01	22	23	25	54	95	83	16%
<i>as percent of total share</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0.08</i>	<i>0.00</i>	<i>-</i>	<i>0.05</i>	<i>0.06</i>	<i>0.07</i>	<i>0.10</i>	<i>0.17</i>	<i>0.1%</i>	
Taxes on Wealth	22.76	10.35	17	19	2	25	(-)0.34	5	1	-	4	-	0	-100%
<i>as percent of total share</i>	<i>0.15</i>	<i>0.06</i>	<i>0.09</i>	<i>0.10</i>	<i>0.01</i>	<i>0.07</i>	<i>-</i>	<i>0.01</i>	<i>0.00</i>	<i>-</i>	<i>0.01</i>	<i>-</i>	<i>0.0%</i>	
Other Taxes	-	76	-	-	0.11	-	-							
<i>as percent of total share</i>	<i>-</i>	<i>0.18</i>	<i>-</i>	<i>-</i>	<i>0.0002</i>	<i>-</i>	<i>-</i>							

Source: SFAR, CAG, and State Budget 2025-26, Rajasthan

Figure 3.9: Trends in Share of Central Taxes (in percentage)



Source: Authors' calculation based on data in Table 3.9.

Union Excise duties, on the other hand, witnessed a negative CAGR of -5%, declining from ₹1,680 crore in 2011-12 to ₹902 crore in 2023-24. Its contribution as a percentage of total taxes fell sharply from 11.2% to 1.3% during the period, reflecting the impact of reforms like the introduction of GST. However, the CGST, introduced post-GST in 2017-18, has become a significant revenue source, growing at an impressive CAGR of 85%, contributing ₹20,656 crore in 2023-24 and accounting for 30.3% of the total share of central taxes. Similarly, Integrated Goods and Services Tax (IGST), which was allocated in initial GST years, contributed significantly in 2017-18 but became negligible afterward.

Custom Duty revenues showed modest growth before the implementation of GST, after that it has been falling with a negative CAGR of 1%, increasing from ₹2,597 crore in 2011-12 to ₹4,620 crore in 2016-17, thereafter falling to ₹2,385 crore in 2023-24. Hence, its share in the total of central taxes declined from 17.3% in 2011-12 to 3.5% in 2023-24, reflecting structural changes in trade and tariff policies. Service Tax, which contributed ₹1,787 crore in 2011-12, ceased to exist post-GST, displaying a declining trend, with negligible amounts observed post-2017-18. Other minor taxes, including taxes on commodities and services and wealth taxes, have shown marginal contributions, with taxes on wealth even declining at a CAGR of -2%.

Overall, the data highlights a shift in the structure of central tax sharing, with the declining importance of pre-GST taxes such as Union Excise, Service Tax, and Customs Duty, and the

increasing dominance of GST components, especially CGST. Income Tax and Corporation Tax continue to play significant roles but are witnessing varied growth rates relative to their base years. This transformation reflects the impact of landmark tax reforms, economic activity changes, and evolving fiscal policy priorities at the central level

3.2.4 Analysis of Goods and Services Tax

The GST was implemented in 2017-18 to merge major indirect taxes and streamline indirect tax revenue collection for both central and state governments. Table 3.10 illustrates the trajectory of GST revenues, comprising CGST and SGST, from 2017-18 to 2023-24. GST revenues have grown significantly at a CAGR of 29.1%, increasing from ₹12,657 crore in 2017-18 to ₹58,671 crore in 2023-24. This reflects the growing importance of GST as a major revenue source after its implementation.

CGST has experienced the most remarkable growth among the GST components, with a CAGR of 84.7%, rising from ₹520 crore in 2017-18 to ₹20,656 crore in 2023-24. This sharp rise is due to the increasing central allocation of GST revenues over time. On the other hand, SGST revenues grew steadily at a CAGR of 21%, increasing from ₹12,137 crore in 2017-18 to ₹38,015 crore in 2023-24, contributing the largest share to the overall GST revenue pool annually.

In terms of annual growth rates, GST revenues more than doubled (162.8%) from 2017-18 to 2018-19, reflecting the initial stabilization phase of GST implementation. However, subsequent years witnessed contractions, with a decline of -3.3% in 2019-20 and -2.56% in 2020-21, due to economic slowdowns and the COVID-19 pandemic. The recovery began in 2021-22, with a growth rate of 36.37%, followed by 16.8% in 2022-23 and by 17.4% in 2023-24, indicating robust post-pandemic economic recovery and improved compliance.

Overall, the data reflects the growing reliance on GST revenues, with significant contributions from both CGST and SGST. The higher growth in CGST highlights the central government's share of GST revenues, while SGST trends underline its critical importance to state finances. This pattern also demonstrates the GST system's maturation, marked by initial volatility and subsequent stabilization.

Table 3.10: Trends in GST Revenue for the State (Rs. in Crore)

Year	GST Revenue	CGST	SGST	Annual Growth Rate
2017-18	12657	520	12137	--
2018-19	33267	10329	22938	162.8%
2019-20	32183	10229	21954	-3.3%
2020-21	31358	10603	20755	-2.6%
2021-22	42763	15261	27502	36.4%
2022-23	49960	16170	33790	16.8%
2023-24	58671	20656	38015	17.4%
Total	260859	83768	177091	--
CAGR	29.1%	84.7%	21%	--

Source: SFAR, CAG, and State Budget 2025-26, Rajasthan

3.2.5 Non-Tax Revenue Streams

Non-tax revenue serves as a crucial source of state revenue generation. Non-tax revenue is generated from various sources: interest receipts; dividends and profits; general services (including administrative services, public works, police, and jails); social services (encompassing medical and health services, welfare programs, social security, labor, and employment); and economic services (such as irrigation, petroleum, power, and tourism). The detailed analysis of non-tax revenue is given in Chapter 4.

3.2.6 Grants-in-Aid to the State

Grants-in-aid to Rajasthan have shown remarkable growth, especially from 2014-15 onwards, increasing more than fivefold from ₹7,482 crores in 2011-12 to ₹36,326 crores in 2021-22, but thereafter falling in subsequent years to ₹22,447 crores in 2023-24 due to a significant dip in FC grants. The composition of these grants has undergone significant changes over this period. Finance Commission/Non-plan Grants, while showing considerable fluctuation, increased from ₹2,901 crores in 2011-12 to ₹17,211 crores in 2021-22, before declining to ₹5,590 crores in 2023-24 with a CAGR of 5.6%. Centrally Sponsored Schemes (CSS) emerged as the dominant component, growing substantially from ₹1,999 crores in 2011-12 to ₹14,263 crores in 2023-24, representing the highest growth among all components having 17.8% CAGR. Other Grants, introduced in 2017-18 with ₹3,574 crores, have steadily increased till 2019-20, and thereafter declined to ₹2,594 crores in 2023-24. A significant structural change was

introduced in 2017-18 with the discontinuation of State Plan Grants and Central Plan Grants, following the removal of the plan and non-plan distinction. Before this change, State Plan Grants were substantial, reaching ₹14,885 crores in 2014-15, while Central Plan Grants remained relatively smaller, ranging between ₹92-530 crores. These changes reflect a broader shift in fiscal dynamics with the end of the planning period, characterized by growing dependence on central transfers through CSS, a transition from state-planned development to centrally sponsored schemes, and increased overall fiscal support through grants-in-aid. This transformation has implications for state governance, including greater alignment with central government priorities, increased financial resources for development, and the need for enhanced centre-state coordination, though it may impact the state's fiscal autonomy due to the higher CSS component.

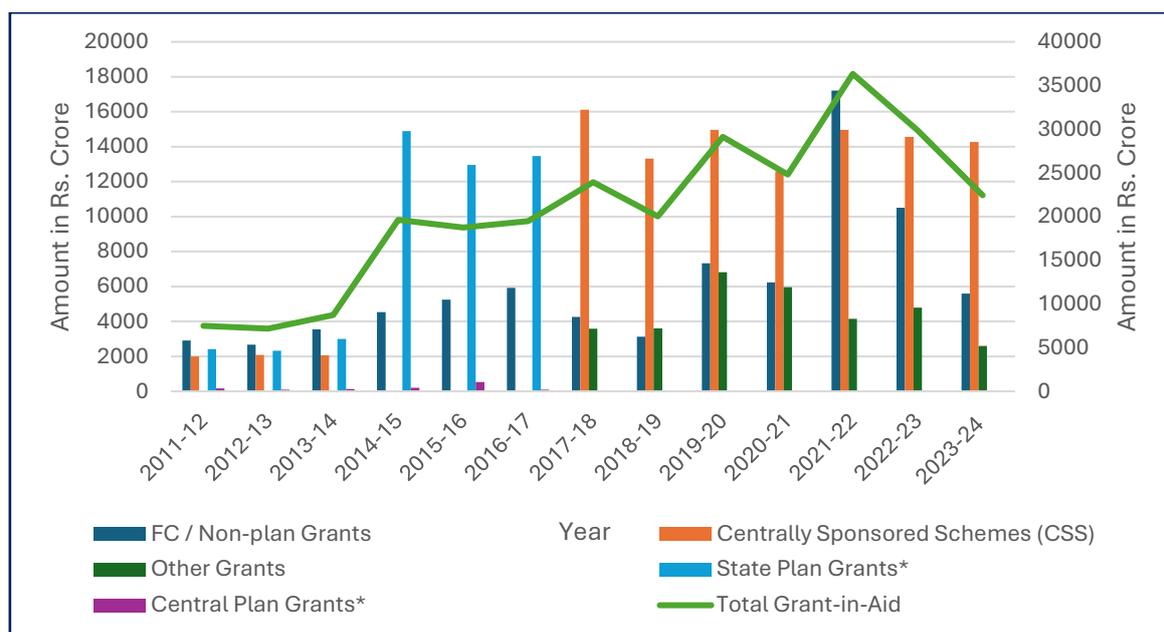
Table 3.11: Composition of Grant-in-Aid to the State (Rs. in Crore)

Component	<i>FC / Non-plan Grants</i>	<i>Centrally Sponsored Schemes (CSS)</i>	<i>Other Grants</i>	<i>State Plan Grants*</i>	<i>Central Plan Grants*</i>	Total Grant-in-Aid
2011-12	2901	1999	-	2,416	166	7482
2012-13	2675	2091	-	2,316	92	7174
2013-14	3551	2066	-	2,993	135	8745
2014-15	4527	-	-	14,885	196	19608
2015-16	5241	-	-	12957	530	18728
2016-17	5928	(-) 15	-	13462	93	19483
2017-18	4262	16104	3574	-	-	23940
2018-19	3121	13317	3599	-	-	20037
2019-20	7332	14966	6808	-	-	29106
2020-21	6237	12595	5964	-	-	24796
2021-22	17211	14965	4150	-	-	36326
2022-23	10508	14554	4784	-	-	29846
2023-24	5590	14263	2594	-	-	22447
CAGR	5.62%	17.79%	-5.2%	41.0%	-10.9%	9.59%

Source: SFAR, CAG, and State Budget 2025-26, Rajasthan.

Note: * There are no figures since the nomenclature of plan and non-plan grants was removed from the year 2017-18 and was replaced by Grants for CSS, Finance Commission Grants and Other Grants to States

Figure 3.10: Trends in Grant-in-Aid to the State (Rs. in Crore)



Source: Authors' calculations based on data in Table 3.11. Note: The figures for line are on the secondary axis on the right and for bars on the primary axis on the left.

3.3 Capital Receipts for the State

Total Capital Receipts (TCR) have demonstrated significant growth, increasing from ₹9,683 crore in 2011-12 to ₹66,071 crore in 2023-24, with a CAGR of 17.35%. The period witnessed notable peaks, with the highest TCR recorded at ₹69,959 in 2015-16, followed by ₹59,680 in 2020-21 on account of the adjustment of UDAY loans as equity by the state government, though recent years (2016-23) have stabilized around the ₹50,000-55,000 range. A component-wise analysis reveals borrowings as the biggest component with a 20.26% CAGR, while Recovery of Loans and Advances and Miscellaneous Capital Receipts showed negative growth at -8.84% CAGR and -1.11% CAGR, respectively. Throughout the period, borrowings consistently formed the largest component of capital receipts, while recovery of loans displayed high volatility with significant spikes during 2017-19, and Miscellaneous Capital Receipts remained relatively small but stable. Recent trends over the last three years indicate TCR stabilization between ₹50,000-57,000, with borrowings continuing as the dominant component, while loan recoveries have decreased significantly from earlier peaks. These patterns suggest potential areas for consideration: the high dependence on borrowings needs careful attention from a fiscal sustainability perspective, and the declining trend in loan recoveries requires further analysis.

Table 3.12: Composition of Capital Receipts of the State (Rs. in Crore)

Component	Non-Debt Capital Receipts		Net Borrowings [#]	Total Capital Receipts (TCR)
	Recovery of Loans and Advances	Misc. Capital Receipts		
2011-12	1229	16	3688	9,683
2012-13	1102	8	8457	17,481
2013-14	316	10	15239	19,680
2014-15	1,004	15	19,024	25,004
2015-16	1,447	25	63528	69,959
2016-17	1,713	28	45826	52,582
2017-18	15,134	16	25348	52,172
2018-19	15158	20	34,392	49,570
2019-20	15670	20	37753	53,443
2020-21	373	14	59293	59,680
2021-22	2374	31	48485	50,890
2022-23	420	16	50771	51,207
2023-24	405	14	65652	66,071
CAGR	-8.84%	-1.11%	20.26%	17.35%

Source: SFAR, CAG, and State Budget 2025-26, Rajasthan.

Note: [#]Net Borrowings: Net (Receipts- Disbursements) of Public Debt + Net (Receipts- Disbursements) of Public Account.

3.4 Tax-GSDP Ratio Dynamics

Rajasthan's total Tax-GSDP ratios during 2011-12 to 2023-24 show a steady upward trajectory, rising from 9.3% in 2011-12 to 11% in 2023-24, with minor fluctuations. Notably, the ratio remained consistently above 10% after 2015-16, except for a dip in 2019-20 and 2020-21 due to economic disruptions of the COVID-19 pandemic. The recovery in subsequent years highlights effective fiscal measures and improved economic activity. Similarly, the Own Tax-GSDP ratio demonstrates modest growth, increasing from 5.8% in 2011-12 to 6.2% in 2023-24. Despite some fluctuations, particularly a dip to 5.8% in 2016-17, the ratio stabilized around 6% for most of the period and saw consistent improvements from 2021-22 onwards. Post-COVID, there has been a consistent rise in both ratios, signifying a positive sign for revenue generation.

The gap between the Total tax and Own Tax-GSDP ratios indicates the state's reliance on central transfers. However, the narrowing gap in recent years suggests growing fiscal autonomy through improved own tax revenues. The significant rise in both ratios since 2021-22 reflects stronger tax administration, policy enhancements, and economic recovery. These trends

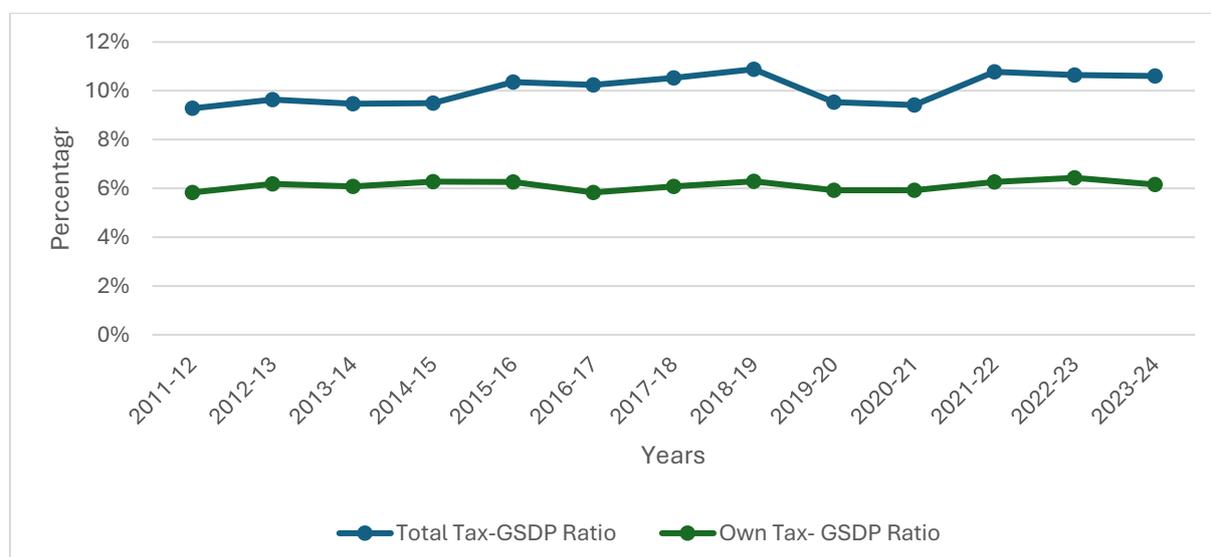
highlight the need for sustained efforts to diversify revenue sources, ensure efficient tax collection, and maintain fiscal stability to support Rajasthan’s economic growth.

Table 3.13: Tax-GSDP Ratio of Rajasthan

Component	Total Tax-GSDP Ratio	Own Tax- GSDP Ratio
2011-12	9.3%	5.8%
2012-13	9.6%	6.2%
2013-14	9.5%	6.1%
2014-15	9.5%	6.3%
2015-16	10.4%	6.3%
2016-17	10.2%	5.8%
2017-18	10.5%	6.1%
2018-19	10.9%	6.3%
2019-20	9.5%	5.9%
2020-21	9.4%	5.9%
2021-22	10.8%	6.3%
2022-23	10.6%	6.4%
2023-24	11.0%	6.2%

Source: SFAR, CAG, and State Budget 2025-26, Rajasthan.

Figure 3.11: Tax-GSDP Ratio of Rajasthan



Source: Authors' calculation based on data in Table 3.13.

To understand the current fiscal health and revenue-generating capabilities of Rajasthan, it would be better to analyze it vis-a-vis advanced states and laggard states such as Maharashtra, Gujarat, Tamil Nadu, Madhya Pradesh, Uttar Pradesh (UP), Bihar, and Punjab.

Table 3.14: Current Own Tax-GSDP Ratios (2022-23)

State	Own Tax-GSDP Ratio (%)	Comments
Rajasthan	6.4	Improved but still reliant on central transfers.
Maharashtra	7.6	Higher revenue generation due to a robust industrial base.
Gujarat	5.7	Moderate performance in GST collection and overall tax revenue.
Tamil Nadu	6.3	Diverse economy with significant contributions from services.
Madhya Pradesh	5.8	Gradual improvements in tax collection efficiency.
Uttar Pradesh	7.6	Large population but lower per capita tax collection.
Bihar	5.9	Struggling with revenue generation, relies heavily on grants.
Punjab	6.2	High debt levels are affecting fiscal health despite reasonable ratios.

Source: Budget documents of various states for the 2023-24 financial year

The data for 2023-24 reveals significant variations in Own Tax-GSDP ratios across the mentioned states, reflecting diverse economic structures and fiscal management approaches. While Maharashtra leads with 13.50%, followed by Gujarat (10.80%) and Tamil Nadu (10.50%), Rajasthan demonstrates a moderate performance with a tax-GSDP ratio of 6.20%. This places Rajasthan in a position of relatively poor fiscal stability. It is better than only Bihar (5.50%), which faces considerable challenges in revenue generation. It indicates that Rajasthan needs to improve tax revenue generation.

3.4.1 Tax Buoyancy

Tax buoyancy measures the responsiveness of tax revenue to changes in the GSDP and works as an important indicator to assess the efficiency and elasticity of a tax system. The tax buoyancy of Rajasthan has been good in the years 2012-13, 2014-15, 2017-18, 2018-19, 2021-22, and 2023-24, with greater than 1. This indicates that tax revenues were growing faster than the GSDP, reflecting a robust tax system and reforms during these years. The years 2013-14, 2015-16, 2016-17, 2019-20, 2020-21, and 2023-24 have tax buoyancy of less than 1,

suggesting tax revenue growth lagged behind economic growth, indicating a slower response of tax collections to economic activity. The fluctuations in the buoyancy since 2021-22 reflect a big concern regarding the effective tax revenue in the post-pandemic recovery.

Table 3.15: Tax Buoyancy of Rajasthan

Year	Own Tax Revenue	GSDP	% Change in Tax Revenue	% Change in GSDP	Tax Buoyancy
2011-12	25377	434837	-	-	-
2012-13	30503	493551	20%	14%	1.50
2013-14	33478	551031	10%	12%	0.84
2014-15	38673	615642	16%	12%	1.32
2015-16	42713	681482	10%	11%	0.98
2016-17	44372	760587	4%	12%	0.33
2017-18	50605	832529	14%	9%	1.49
2018-19	57380	911519	13%	9%	1.41
2019-20	59245	1000032	3%	10%	0.33
2020-21	60283	1017917	2%	2%	0.98
2021-22	74808	1194961	24%	17%	1.39
2022-23	87346	1357851	17%	14%	1.23
2023-24	94085	1521510	8%	12%	0.67

Source: SFAR, CAG, and State Budget 2025-26, Rajasthan.

3.5 Revenue Productivity Enhancement Strategies

The following factors can be useful in enhancing revenue productivity in Rajasthan's tax system:

- **Increase the tax base:** There is an issue of a narrow tax base in Rajasthan due to a large informal sector, a predominantly rural population with a significant presence of agriculture, and a poor database and compliance. Expanding the tax base requires addressing these fundamental issues along with robust compliance checks and the use of technology. Further, strengthening the industrial base, promoting investment in infrastructure and leveraging the tourism potential of the State can contribute significantly to improving its Own Tax-GSDP ratio.

- **Improve tax effort:** The Rajasthan's own tax-GSDP ratio has remained relatively stagnant. This indicates the need for greater tax effort. There is a need to adopt scientific tax collection procedure, improving administrative efficiency, controlling tax evasion, and rationalising tax exemptions related to land tax and vehicle tax. These measures would ensure a more efficient and effective tax system.
- **Focus on specific taxes:** While sales tax is a major revenue source for Rajasthan, the state needs to strengthen the property taxes and taxes having low buoyancy like taxes on land and electricity.
- **Leverage non-tax revenue:** There should be emphasis on the importance of non-tax revenue, which has contributed around 23% to Rajasthan's own revenue receipts between 2011-12 to 2023-24. However, it is also acknowledged that Rajasthan's non-tax revenue performance has been unsatisfactory. There's a need to enhance revenue from user charges for urban development, sanitation, and water supply, profits from departmental and non-departmental enterprises, and royalties from mines and minerals. This would help to improve cost recovery and generate additional revenue. The state could also look at improving the profitability of its PSUs to increase dividend income.

By implementing these measures, Rajasthan can enhance the revenue productivity of its tax system and strengthen its fiscal position. However, it is important to note that merely focusing on revenue generation is not enough. The state also needs to prioritize its expenditures and ensure that public funds are used efficiently and effectively to promote sustainable economic growth and social development.

3.6 Conclusion

Assessment of Rajasthan's taxable capacity reveals both its constraints and opportunities in enhancing revenue self-sufficiency. With a balanced approach that includes broadening the tax base, optimizing collection efficiency, and strategically increasing tax efforts, Rajasthan can improve its fiscal standing. Future fiscal policy should focus on building a resilient and diversified tax structure that can weather economic changes while meeting the growing expenditure demands of the state.

Rajasthan's moderate Own Tax-GSDP ratio may be attributed to its unique economic landscape, which includes a mix of agriculture, tourism, and emerging industrial sectors. The state government has been implementing various strategies to enhance its fiscal health,

including tax reforms and measures to improve compliance. Additionally, Rajasthan has been focusing on policies to stimulate economic growth, particularly in sectors like renewable energy, IT, and manufacturing.

To further improve its Own Tax-GSDP ratio and overall fiscal performance, Rajasthan could consider:

1. Enhancing tax compliance by ensuring administration efficiency and reducing leakages by the use of technology.
2. Periodic assessments of tax rates and structures can ensure they are competitive and conducive to business growth.
3. Enhancing non-tax revenue sources by revising royalty rates on mines and minerals, and collection of user charges for public services like water supply, sanitation, and irrigation.
4. Public Awareness Campaigns to educate citizens about their tax obligations, along with amnesty schemes for overdue taxes.
5. Incentives for compliance with timely payments from businesses and households.

By focusing on these areas, Rajasthan has the potential to improve its fiscal health and move closer to the Own Tax-GSDP ratios of the leading states in India.

Chapter 4

Analysis of State's Own Non-Tax Revenue

This chapter deals with the assessment of Own Non-Tax Revenue of the state and has been divided into two parts. The first part analyses Own Non-Tax Revenue by focusing it various components while the second part provides suggestions for its improvement.

4.1 Own Non-Tax Revenue Analysis

4.1.1 Components of Non-Tax Revenue in Rajasthan

Non-tax revenue forms a smaller but essential part of Rajasthan's revenue receipts, comprising of four primary heads: Interest Receipts, Dividends & Profits from government investments and loans; General Services, which include income from administrative functions; Social Services, covering revenue from public welfare activities like education, healthcare, and urban development; and Economic Services, encompassing income from activities fostering economic growth, such as irrigation, industries, mining, and petroleum. These sources collectively enhance government funding without directly taxing citizens, supporting both developmental and welfare initiatives.

Table 4.1: Components of Non-Tax Revenue in Rajasthan

S. No.	Major Head and Sub-heads	Description
1.1	Interest Receipts, Dividends and Profit	Revenue generated from interest on loans, dividends from public sector enterprises, and profits from government-owned businesses.
2.1	General Services	Non-tax revenue collected from administrative and governance services.
3.1	Social Services	Revenue derived from services aimed at improving social welfare:
3.1.1	<i>Education, arts & culture</i>	Income from fees, grants, or endowments related to educational institutions, cultural programs, and museums.
3.1.2	<i>Medical, health & family welfare</i>	Revenue generated from health services, hospitals, clinics, and health schemes.
3.1.3	<i>Water supply, urban development</i>	Income from water supply systems, sanitation, and urban planning and development.
3.1.4	<i>Others</i>	Other miscellaneous income from social services not covered above.

4.1	Economic Services	Revenue from activities related to economic development and infrastructure:
4.1.1	<i>Minor irrigation</i>	Income from small-scale irrigation projects and water management services.
4.1.2	<i>Forestry and wildlife</i>	Revenue from forest conservation, wildlife protection, and forest-based resources.
4.1.3	<i>Industries village and small industries</i>	Revenue from industries, especially those focused on small-scale and rural industries.
4.1.4	<i>Major and medium irrigation projects</i>	Income from irrigation infrastructure.
4.1.5	<i>Non-ferrous mining & metallurgical industries</i>	Revenue generated from the extraction and processing of non-ferrous metals and related industries.
4.1.6	<i>Others</i>	Miscellaneous revenue from economic activities not covered by the categories above.
4.1.7	<i>Petroleum</i>	Income from the petroleum sector, including exploration, extraction, and production.

Source: Budget Study, Government of Rajasthan.

4.1.2 Analysis of Components of Own Non-Tax Revenue

Non-tax revenue serves as a crucial source of state revenue generation. The analysis of the data reveals significant trends in total own revenue (ORR), total revenue receipts (RR), and non-tax revenue (NTR) over 2011-12 to 2023-24 period. ORR and RR have shown consistent growth, increasing from ₹34,552 crore and ₹57,011 crore in 2011-12 to ₹1,31,248 crore and ₹2,03,276 crore in 2023-24, respectively, reflecting the state's robust fiscal capacity. NTR also increased from ₹9,175 crore in 2011-12 to ₹18,679 crore in 2023-24; however, its growth has been inconsistent, with sharp declines in 2015-16, 2019-20, and 2020-21, attributing to reduction in the royalty from petroleum in 2015-16, decline in interest receipts and revenue from mines & minerals due to slowdown in economic activity in the state in 2019-20, and COVID-19 pandemic in 2020-21. The share of NTR in ORR declined from 26.6% in 2011-12 to 16.6% in 2023-24, and its share in RR also dropped from 16.1% to 9.2% during this period, indicating reduced reliance on non-tax sources as tax revenues and other receipts grew more rapidly. NTR's annual growth rate averaged around 11.44%, with the highest growth in 2011-12 (45.8%) and a significant decline in subsequent years. Despite these declines, NTR rebounded strongly in 2021-22 with a growth rate of 37.4%, due to post-pandemic recovery. This declining trend in NTR's proportional contribution underscores the need to stabilize and diversify non-tax revenue sources while maintaining broader revenue growth for fiscal sustainability.

The CAGR of various revenue components provides an overview of their growth trajectories. The ORR and RR grew at a relatively strong pace, recording CAGRs of 10% and 11%, respectively, reflecting the state's ability to enhance its internal revenue generation mechanisms and overall revenue collection. However, the NTR grew at a modest CAGR of 6%, indicating a slower expansion in this category compared to total revenue receipts.

The analysis of the components of NTR reveals distinct trends and contributions. The revenue in the form of interest receipts, dividends, and profits contributed to NTR, ranging from 19.3% to 31.4%, but exhibited high volatility with a CAGR of only 1%. It showed a sharp growth in 2017-18 (146.1%) followed by steep declines in subsequent years, reaching only 9% in 2023-24. General services showed an increasing contribution to NTR, peaking at 21% in 2021-22, with significant fluctuations in growth, including a notable surge of 192.6% in 2021-22 but contractions in other years. It exhibited the highest growth among the sub-categories, with a CAGR of 13%, showcasing consistent improvements in revenue generation from general administrative activities. Social services contributed modestly, averaging 5% to 11.4%, with relatively stable growth trends, except for occasional declines, such as -9.5% in 2019-20 and -10.2% in 2022-23. It recorded a CAGR of 8%, indicating moderate growth, likely driven by development-oriented initiatives. Economic services remained the largest contributor to NTR, with a share consistently above 50%, peaking at 68.9% in 2013-14 and a CAGR of 6%. However, its growth has been inconsistent, experiencing significant contractions, such as -25.5% in 2015-16, but strong recoveries, including a 40.4% increase in 2021-22 suggesting stable but limited improvements in revenues derived from economic activities. Overall, while economic services dominate NTR, the volatility in its growth, coupled with fluctuations in interest receipts, highlights the need for stabilization strategies and diversification of revenue sources. These growth patterns highlight that while the state has achieved some progress in broadening its revenue base, the sluggish growth in Interest Receipts, Dividends, and Economic Services warrants attention to boost revenue potential in these areas.

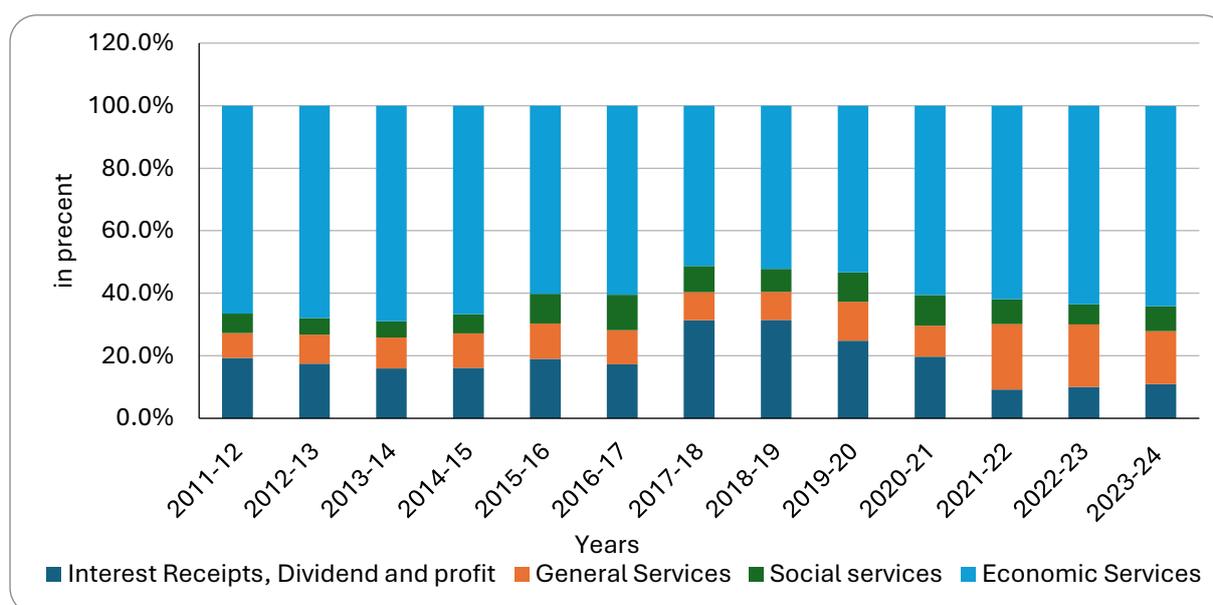
Table 4.2: Major Sources of Non-Tax Revenue of Rajasthan (Rs. in Crore)

Years	Revenue Receipts (RR)	Own Revenue Receipts (ORR)	Non-Tax Revenue (NTR)	<i>NTR Growth Rate</i>	<i>NTR as percent of ORR</i>	<i>NTR as percent of RR</i>	<i>Interest Receipts, Dividend and profit</i>	<i>General Services</i>	<i>Social services</i>	<i>Economic Services</i>
2011-12	57011	34552	9175	<i>45.8%</i>	<i>26.6%</i>	<i>16.1%</i>	1772	731	568	6104

2012-13	66913	42636	12134	32.2%	28.5%	18.1%	2124	1120	644	8245
2013-14	74471	47053	13575	11.9%	28.9%	18.2%	2167	1344	708	9356
2014-15	91327	51902	13229	-2.5%	25.5%	14.5%	2129	1468	808	8825
2015-16	100285	53641	10928	-17.4%	20.4%	10.9%	2080	1239	1033	6576
2016-17	109026	55987	11616	6.3%	20.7%	10.7%	2001	1267	1324	7023
2017-18	127307	66339	15734	35.5%	23.7%	12.4%	4926	1417	1327	8064
2018-19	137873	75983	18603	18.2%	24.5%	13.5%	5847	1669	1383	9704
2019-20	140114	74959	15714	-15.5%	21.0%	11.2%	3906	1950	1476	8382
2020-21	134308	73936	13653	-13.1%	18.5%	10.2%	2696	1347	1336	8274
2021-22	183920	93563	18755	37.4%	20.0%	10.2%	1716	3943	1478	11618
2022-23	194987	107910	20564	9.6%	19.1%	10.5%	2059	4120	1328	13057
2023-24	203276	112764	18679	-10.1%	16.6%	9.2%	2057	3164	1495	11963
CAGR	11%	10%	6%	--	--	--	1%	13%	8%	6%

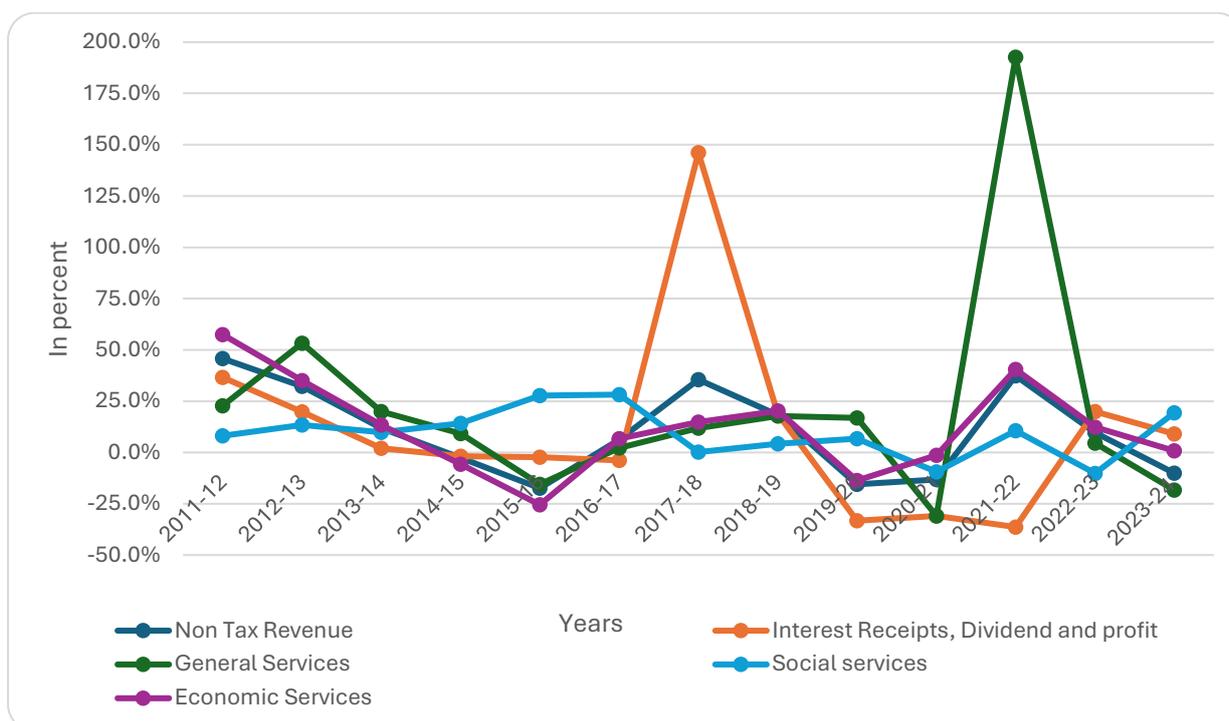
Source: SFAR, CAG, and State Budget 2025-26

Figure 4.1: Composition of Non-Tax Revenue of Rajasthan



Source: Authors' calculation based on data in Appendix Table A4.1.

Figure 4.2: Annual Growth Rate of Components of Non-Tax Revenue



Source: Authors' calculation based on data in Appendix Table 4.1.

4.1.3 Analysis of Revenue from General, Social, and Economic

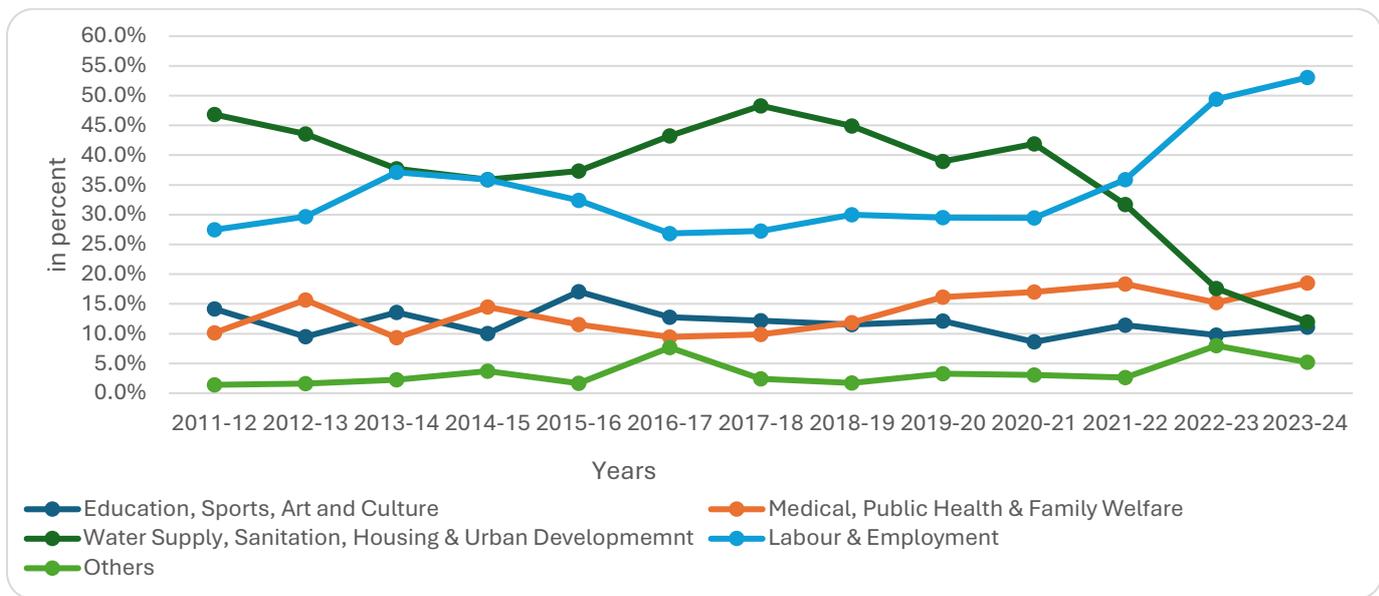
The non-tax revenue comprises three very important components – general services, social services, and economic services, apart from interest receipts and profits. The share of general services has been around 12% own non-tax revenue or less until 2020-21, but after the pandemic, it has gone up to 20% and more. Within general services, the major contributors of revenue are other sources, Police and Jails, and other administrative services.

The share of social services has been fluctuating between 5% and 11% of own non-tax revenue, and after 2016-17, its share has been continuously falling, coming down to 6%. The major contributors in social services include user charges on water supply, sanitation, housing and urban development, labour & employment, medical & public health, family welfare, education, sports, art, & culture. The share of Education, Sports, Art, and Culture in total social services fluctuated between 8.6% in 2020-21 and 17.1% in 2015-16, with a notable increase in absolute terms, peaking at 166 crores in 2023-24. The contribution of Medical, Public Health, and Family Welfare shows a consistent upward trajectory, increasing both in percentage and absolute terms, with its share rising to 18.5% in 2023-24. In contrast, Water Supply, Sanitation, Housing, and Urban Development experienced a sharp decline after peaking at 640 crores in 2017-18, with its share dropping drastically from 48.3% in 2017-18 to 12% in 2023-24. Labour

and Employment demonstrated remarkable growth, with its share rising steadily from 27.5% in 2011-12 to 53% in 2023-24, supported by increasing absolute values. Meanwhile, Social Security and Welfare shows erratic trends, with its share occasionally spiking, such as 6.6% in 2016-17 and 6.9% in 2022-23, though it generally remains below 3%.

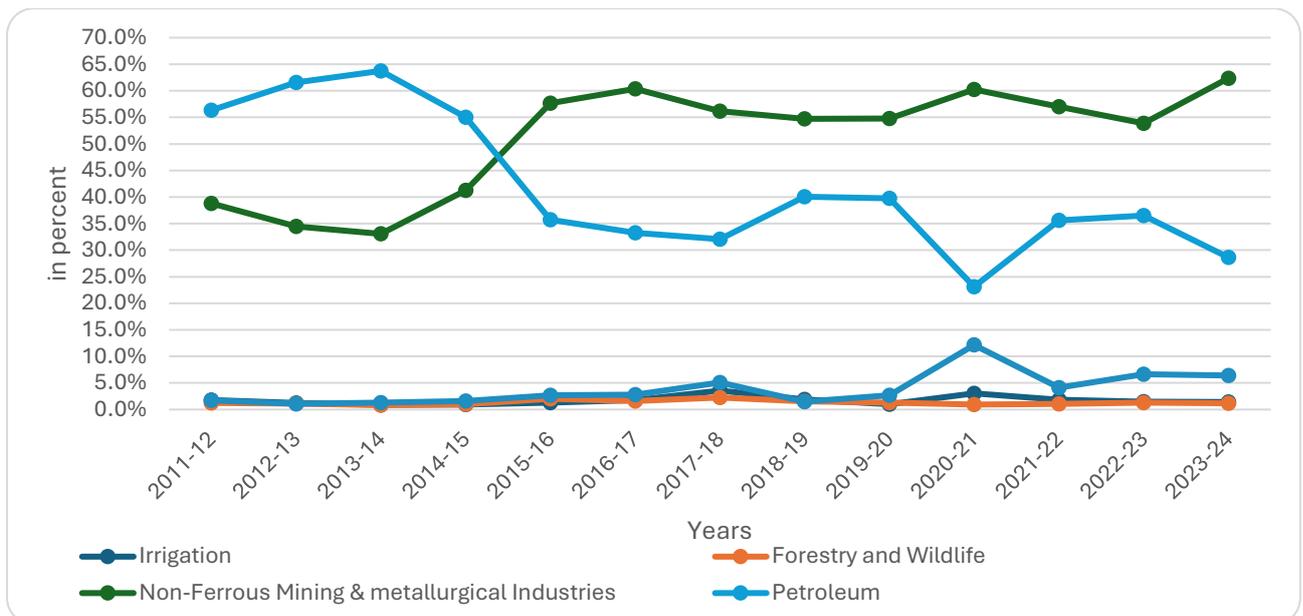
The share of economic services has been the most prominent among all three services. It has been fluctuating between 50% and 60% of own non-tax revenue during this period. The major contributors in economic services include petroleum, non-ferrous mining and metallurgical industries, and others. Petroleum has consistently dominated, contributing the highest share, although its prominence has declined from 63.7% in 2013-14 to 28.6% in 2023-24. This reflects a reduced reliance on petroleum revenue in recent years. Non-Ferrous Mining & Metallurgical Industries has shown a steady rise in importance, with its share climbing from 38.8% in 2011-12 to a significant 62.4% in 2023-24, highlighting its growing contribution to economic services. The share of Irrigation has fluctuated, peaking at 3.6% in 2017-18 but stabilizing around 1.4% in 2023-24. Forestry and Wildlife maintained a relatively minor but stable share, ranging between 0.8% and 2.3%, with no significant growth trends. Similarly, Fisheries showed a gradual rise, with its contribution increasing marginally from 0.3% in 2011-12 to 0.6% in 2023-24. The Roads and Bridges sector, while a small contributor, exhibited notable growth in recent years, with its share increasing to 0.9% in 2023-24, reflecting enhanced infrastructure investments. Sectors like Animal Husbandry, Crop Husbandry, and Co-operation have remained marginal contributors, each consistently accounting for less than 1% of total economic services revenue. The contribution of Industries, Village, and Small Industries also declined significantly, falling below 0.1% in recent years. Revenue from Tourism remained negligible, despite a slight increase to 0.02% in 2023-24. The category Others saw occasional spikes, most notably 9.8% in 2020-21, but generally stayed below 5%, showing its fluctuating but modest contribution.

Figure 4.3: Share of Social Services (in percentage)



Source: Authors' calculation based on data in Appendix Table A4.2.

Figure 4.4: Share of Economic Services (in percentage)



Source: Authors' calculation based on data in Appendix Table A4.2.

4.1.3 Share of Central Grants

The analysis of the share of Central Grants of the state reveals significant trends over the years. The combined revenue from central grants and own non-tax revenue showed significant growth, rising from ₹16,657 crore in 2011-12 to ₹41,127 crore in 2023-24. The Grants-in-Aid component increased from ₹7,482 crore in 2011-12 to ₹36,326 crore in 2021-22, with its share

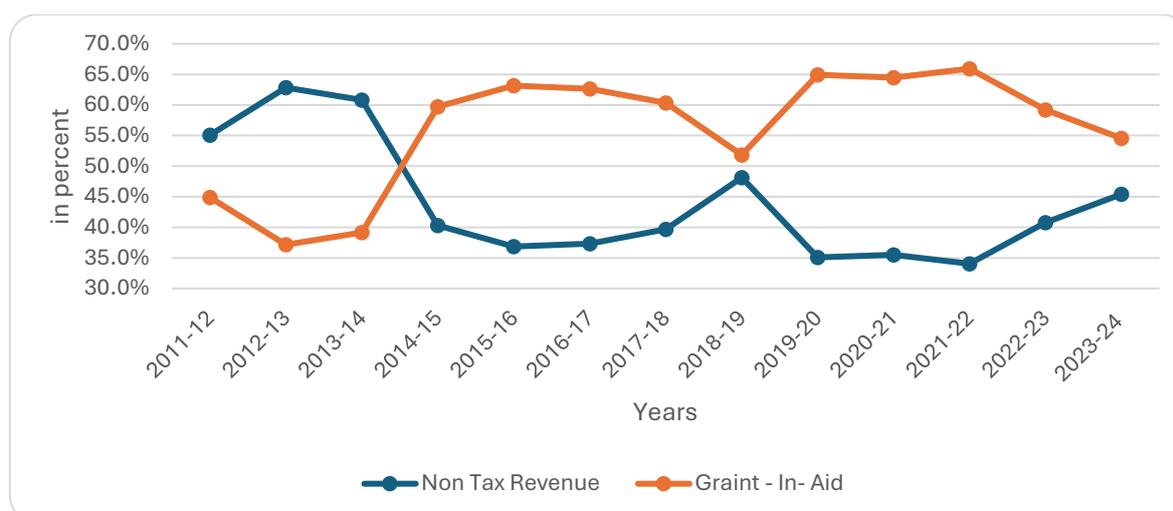
rising from 44.9% to 65.9% during the same period. But thereafter it has declined to ₹22,447 crore in 2023-24. Within the NTR, Own NTR recorded a CAGR of 6%, indicating stable but limited growth in the state's self-generated non-tax revenue. On the other hand, Grants-in-Aid grew at a significant CAGR of 10%, highlighting the increasing reliance on transfers from the central government to bolster overall revenue. Total NTR, encompassing both own non-tax revenue and grants, achieved a CAGR of 8%, indicating a balanced yet slightly higher growth compared to Own NTR.

Table 4.3: Share of Central Grants in Total Non-tax Revenue (Rs. in Crore)

Years	Own Non-Tax Revenue	<i>Percent</i>	Grant-in-Aid	<i>Percent</i>	Total Non-Tax Revenue
2011-12	9175	55.1%	7482	44.9%	16657
2012-13	12134	62.8%	7174	37.2%	19308
2013-14	13575	60.8%	8745	39.2%	22320
2014-15	13229	40.3%	19608	59.7%	32837
2015-16	10928	36.8%	18728	63.2%	29656
2016-17	11615	37.3%	19483	62.7%	31098
2017-18	15734	39.7%	23940	60.3%	39674
2018-19	18603	48.1%	20037	51.9%	38640
2019-20	15714	35.1%	29106	64.9%	44820
2020-21	13653	35.5%	24796	64.5%	38449
2021-22	18755	34.0%	36326	66.0%	55081
2022-23	20564	40.8%	29846	59.2%	50410
2023-24	18680	45%	22447	55%	41127
CAGR	6%	--	10%	--	8%

Source: SFAR, CAG, and State Budget 2025-26

Figure 4.5: Share of Central Grants in Total Non-tax Revenue



Source: Authors' calculation based on data in Table 4.3.

4.2 Suggestions for enhancing Own Non-Tax Revenue

Rajasthan's own non-tax revenue sources have traditionally played an important complementary role to its tax revenues, contributing significantly to the state's overall receipts with a CAGR of 7%. However, an assessment of the performance of these non-tax revenue components reveals uneven growth and productivity across different components. While sources like interest receipts, dividends, and profits have shown a consistent decline in their share after 2018-19, and user charges and fees have exhibited a fall in their share from 2016-17 onwards, the share of general services has been growing with fluctuations, and the share of economic services has been fluctuating between 50% and 65% throughout this period.

The State's ability to generate adequate own non-tax revenues is crucial for maintaining fiscal autonomy and meeting its expenditure requirements from internal resources. To improve the performance of this revenue stream, the State should consider undertaking a comprehensive review of user charges and fees across social and economic services, aligning them with the cost of service delivery and the willingness-to-pay of beneficiaries. Additionally, strengthening the commercial orientation and profitability of departmental enterprises and commercial undertakings can help boost dividends and profit transfers to the state exchequer. Leveraging public-private partnership models can also mobilize private investments and management efficiencies in the provision of public services, while ensuring appropriate revenue sharing mechanisms.

The assessment of initiatives in other states offer several suggestions for improving own non-tax revenue for Rajasthan:

- **Revise User Charges:** One of the important reasons for unsatisfactory non-tax revenue in Rajasthan poor revenue from user charges. Karnataka, for example, formed a Revenue Reform Commission (RRC) to review non-tax revenues, including user charges, fees, and royalties. Based on the RRC's recommendations, user charges for certain departments were revised. Similarly, the Fiscal Management Review Committee (FMRC) also suggested revising user charges. Rajasthan could consider establishing a similar commission to review and revise its user charges, particularly for services like urban development, sanitation, and water supply.
- **Focus on Cost Recovery:** The sources suggest Rajasthan needs to enhance cost recovery, especially for services like urban development & sanitation, irrigation, and water supply. Implementing smart metering for drinking water could be one strategy to improve revenue collection in this area. Similarly, the state is very poor in implementing the user charges for urban development, which can be a prospective source on account of growing urbanization in the state. The initiatives in other states also recommend that subsidies for public utilities should be transparent.
- **Improve Revenue Collection from State Enterprises:** Both Karnataka and Maharashtra have implemented initiatives to enhance revenue from state public enterprises. In Karnataka, the RRC advocated aligning royalty collection with growth in mineral exploration and mining, as well as implementing strict enforcement and modernization of collection mechanisms. This could be a valuable lesson for Rajasthan, which relies heavily on revenue from the mineral sector. In Maharashtra, toll charges are used to recover road and bridge construction costs. Applying a similar "user-pays" approach through public private partnership could improve infrastructure financing in Rajasthan. Rajasthan should ensure state enterprises generate a good return on capital invested as it was generating before COVID-19 pandemic.
- **Learn from Other States:** Rajasthan can learn from other states' experiences in generating non-tax revenue. Examining the strategies employed by states like Andhra Pradesh, Bihar, and Gujarat, which have successfully increased their non-tax revenue, could provide valuable insights for Rajasthan. For instance, analysing the reasons for Gujarat's substantial decline in non-tax revenue between 2004-05 and 2010-11 could help Rajasthan avoid similar pitfalls.

- *Address Fiscal Management Challenges:* There is a need for Rajasthan to address fiscal management challenges related to budgeting and forecasting. Implementing stricter measures to ensure accurate budget projections and improve revenue and expenditure forecasting could help strengthen the state's fiscal health.

Chapter 5

Expenditure Pattern

5.1 Expenditure Composition Analysis

The analysis of expenditure patterns reveals critical insights into fiscal management and resource allocation. A critical examination of Rajasthan's expenditure composition provides insights into the state's fiscal priorities and efficiency in resource allocation. This chapter explores the trends and patterns in revenue and capital expenditure, the balance between developmental and non-developmental spending, the distribution between plan and non-plan expenditure, and the expenditure on key sectors. The composition of state expenditure reflects its fiscal strategy and developmental priorities. Rajasthan's expenditure patterns demonstrate an increasing burden of revenue expenditure, leaving limited scope for capital investment. This imbalance has implications for long-term economic growth and fiscal sustainability.

The data on Rajasthan's revenue receipts (RR), total expenditure (TE), and the proportion of revenue receipts to total expenditure (RR/TE) shows the total state expenditure met out from the revenue receipts over the years. After reaching the peak of the RR/TE ratio in 2011-12 in last twenty years, there was a significant decline from 2011-12 to 2015-16, falling from 92.1% to 60.8%, indicating that expenditure was growing much faster than revenue receipts, creating fiscal stress. The decline in the share was on account of a sudden rise in expenditure in 2015-16 due to the absorption of DISCOM debt by the state government under the UDAY Scheme. However, from 2016-17 onwards, the ratio began to recover gradually, reaching 75.9% in 2017-18 and stabilizing around 72%-73% in subsequent years until 2019-20. The COVID-19 pandemic caused a dip in 2020-21, with the ratio falling to 69.2%, reflecting the economic disruptions during that period. Post-pandemic, the RR/TE ratio improved significantly, rising to 78.4% in 2021-22 and stabilizing at around 78%-79% in the following years, including for 2023-24. While the improvement in the RR/TE ratio in recent years indicates better fiscal management, the gap between revenue and expenditure remains significant, necessitating efforts to further enhance revenue mobilization, rationalize expenditure, while meeting the state's growing development needs.

Table 5.1: Share of Revenue Receipts in Total Expenditure (Rs. in Crore)

YEAR	Revenue Receipts	Total Expenditure	RR/TE
2011-12	57011	61882	92.1%
2012-13	66913	76557	87.4%
2013-14	74471	89986	82.8%
2014-15	91327	111346	82.0%
2015-16	100285	164827	60.8%
2016-17	109026	157085	69.4%
2017-18	127307	167799	75.9%
2018-19	137873	187524	73.5%
2019-20	140114	193458	72.4%
2020-21	134308	194071	69.2%
2021-22	183920	234563	78.4%
2022-23	194987	246452	79.1%
2023-24	203276	269274	75.5%

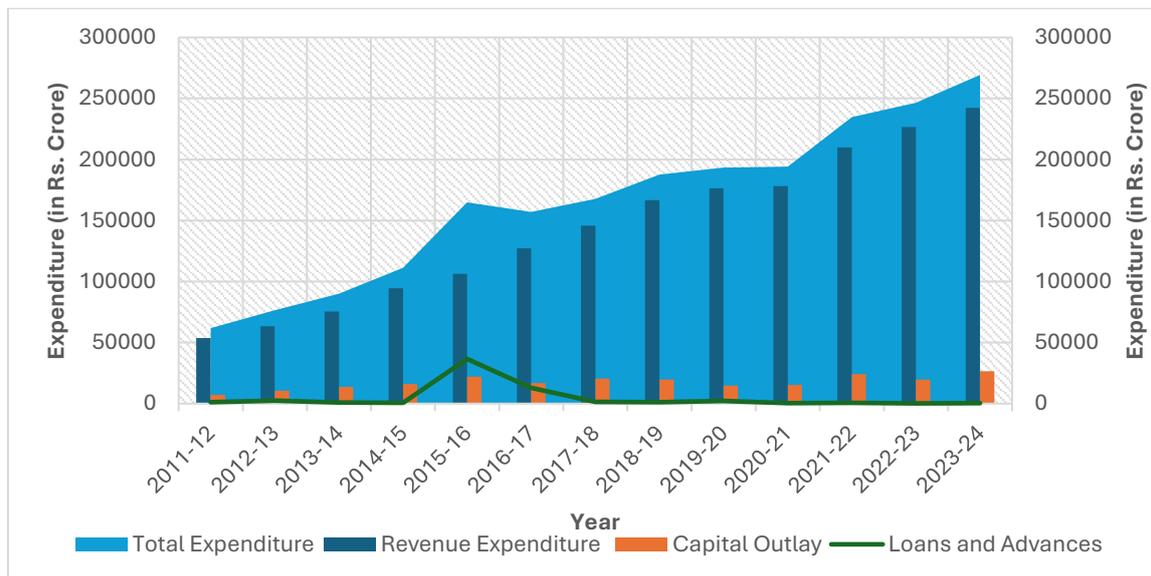
Source: SFAR, CAG and State Budget 2025-26

Government expenditure is categorized into three main components: revenue expenditure, capital expenditure, and loans & advances. Revenue account expenditures represent the government's spending on general, social and economic services, while capital account expenditures encompass both investment spending and loan repayments. These components are further classified into developmental and non-developmental categories. Developmental expenditures focus on growth-oriented programs, whereas non-developmental expenditures cover administrative costs, law and order maintenance, fiscal services, interest payments, and pensions.

The analysis of Rajasthan's expenditure patterns (Appendix Table A5.1) reveals a significant dominance of revenue expenditure (RE), which has consistently accounted for over 80% of total expenditure (TE) in most years, peaking at 91.8% in 2022-23 before slightly reducing to 90% in 2023-24 with a CAGR of 13%. This reflects a focus on recurring operational and maintenance spending, with RE as a percentage of GSDP steadily rising from 12.3% in 2011-12 to 16% in 2023-24. Within RE, interest payments have grown significantly with a CAGR of 13%, increasing from ₹7,892 crore in 2011-12 to ₹34,128 crore in 2023-24, constituting 9%-13% of TE and around 1.8%-2.5% of GSDP in this period, indicating a growing debt burden.

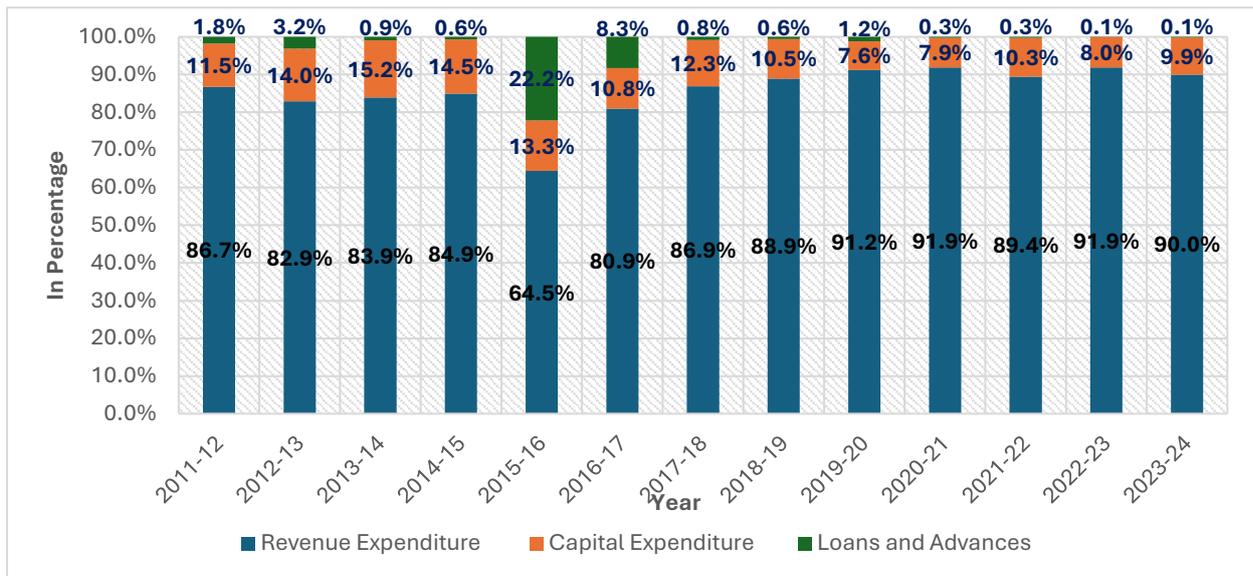
Capital expenditure, crucial for infrastructure and economic development, has been fluctuating during this period. It has showed a peak in 2023-24 (₹26,646 crore) after showing consistent growth from 2019-20 onwards, with its share in TE falling to as low as 7.6% in 2019-20 before recovering to 9.9% in 2023-24 with a CAGR of 12%. Its share in total expenditure has been falling consistently from 2014-15 onwards before showing an upward revision thereafter. Loans and advances also fluctuated, peaking and going above capital expenditure in 2015-16 at ₹36,602 crore (22.2% of TE, 5.4% of GSDP) to absorb the losses of DISCOMs under UDAY scheme but dropping significantly in subsequent years, contributing marginally to TE in recent periods. While total expenditure grew nearly fivefold from ₹61,882 crore in 2011-12 to ₹2,69,273 crore in 2023-24 with a CAGR of 13%, the allocation imbalance between revenue and capital expenditure suggests a limited focus on long-term developmental spending. The growing interest payment burden, due to absorption of DISCOM debt and additional borrowings during COVID-19 in 2020-21, calls for prudent debt management. To ensure sustainable fiscal health and long-term economic growth, Rajasthan must prioritize increasing capital expenditure, enhance revenue mobilization, and maintain a balanced allocation between revenue and development-oriented spending.

Figure 5.1: Trends in Share of Components of Total Expenditure (Rs. in Crore)



Source: Authors' calculation based on data in Appendix Table A5.1. Note: Total Expenditure data points are depicted through secondary axis.

Figure 5.2: Share of Various Components of Total Expenditure (Rs. in Crore)



Source: Authors calculation based on data in Appendix Table A5.1.

5.1.1 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and make payments for past obligations; it does not result in any addition to the state's infrastructure and service network. Revenue expenditures encompass various categories: social services, economic services, and general services like state administration, debt servicing and interest payments, administrative functions, pension disbursements, miscellaneous services, and financial support to local governments.

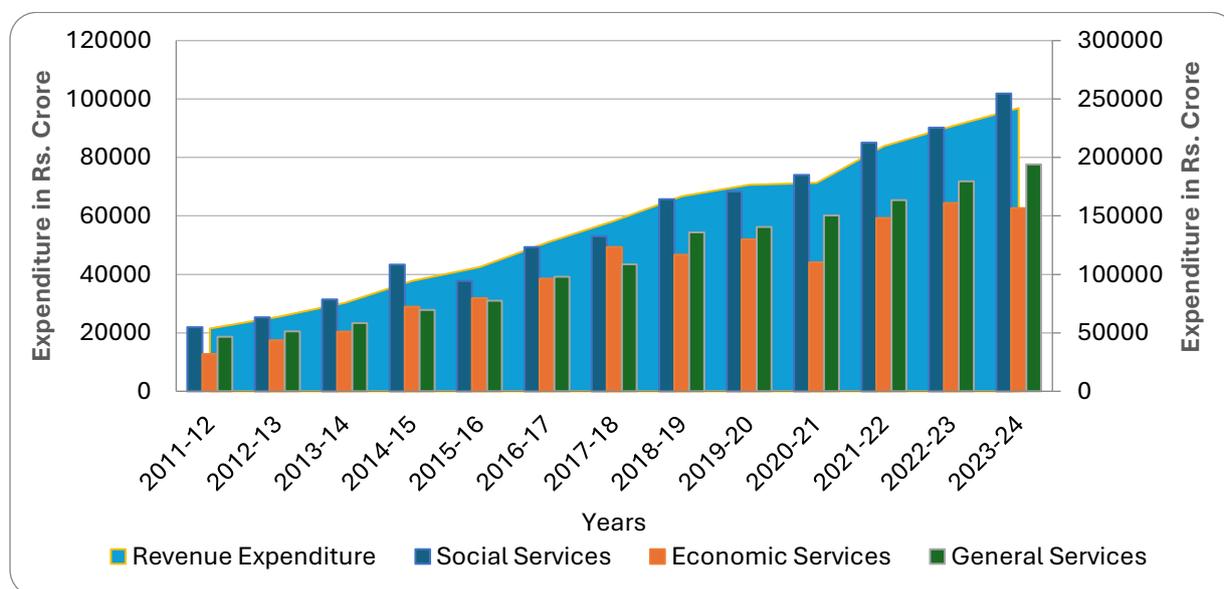
The analysis of revenue expenditure components (Appendix Table A5.2) highlights varying growth rates across general, social, and economic services over the years. Revenue expenditure has shown a compound annual growth rate (CAGR) of 13% during the period 2011-12 to 2023-24, indicating consistent expansion in spending. The major drivers of this growth are social services (CAGR of 14%) and economic services (CAGR of 14%), reflecting enhanced allocation towards human development and infrastructure-related activities.

General Services, including salaries, pensions, and interest payments, being a major component, grew from ₹18,709 crore in 2011-12 to ₹77,677 crore in 2023-24, with a CAGR of 13%, reflecting a steady increase in administrative and operational spending. Its share of the total revenue expenditure has been fluctuating between 35% and 29% during this period. Social Services constituted a dominant component, growing from ₹21,928 crore in 2011-12 to ₹1,01,883 crore in 2023-24 at a CAGR of 14%. Its contribution to TE ranged from 31% to

38%, indicating a strong emphasis on improving education, health, and welfare programs. Its share of the total revenue expenditure has seen a major dip from 46% to 35% in 2015-16 but thereafter it has grown consistently reaching 42% in 2023-24. Similarly, Economic Services, another significant component, grew from ₹12,744 crore in 2011-12 to ₹62,669 crore in 2023-24 with a CAGR of 14%. Its share of TE ranged between 20%-27%, underscoring substantial spending on infrastructure, agriculture, and industrial development. Its share of the total revenue expenditure has been fluctuating between 34% and 24% during this period. Notable contractions occurred in 2020-21 (-15.1%), reflecting fiscal constraints on account of the COVID-19 pandemic.

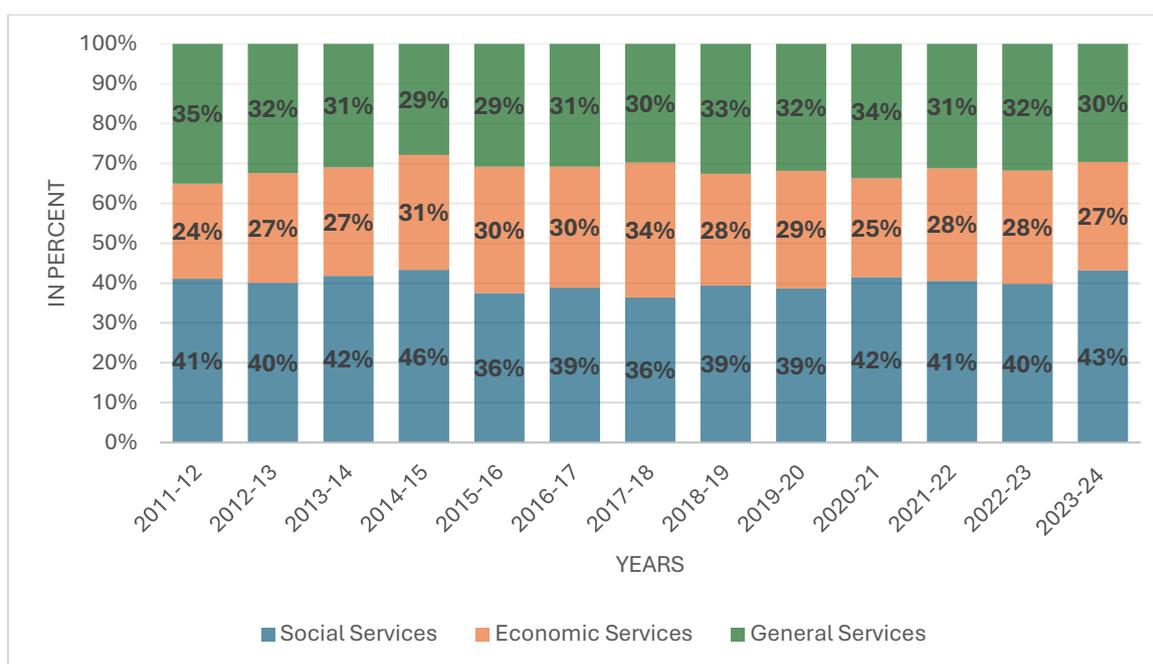
Overall, revenue expenditure grew significantly, with notable peaks in certain years due to policy decisions or special initiatives. The upward trend in spending on social and economic services highlights the state's focus on fostering human capital and economic growth. However, the fluctuations in economic services expenditure indicate the need for a more consistent and sustainable approach to funding these critical areas.

Figure 5.3: Trend of Share of General, Social, and Economic Services in Revenue Expenditure (Rs. in Crore)



Source: Authors' calculation based on data in Appendix Table A5.2.

Figure 5.4: Share of General, Social, and Economic Services in Revenue Expenditure



Source: Authors' calculation based on data in Appendix Table A5.2.

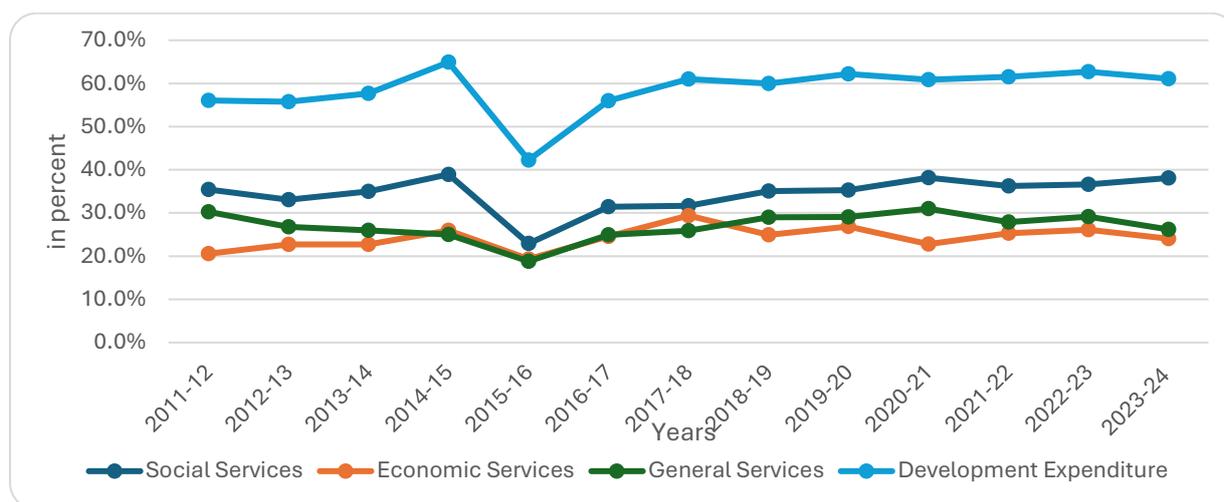
5.1.1.1 Development vs Non-Development Expenditure

The state's expenditure is further categorized under development and non-development categories, which are further subdivided into general, social, economic services, and Grant-in-aid & contributions under revenue and capital heads. In this section, revenue expenditure is explained in terms of development and non-development expenses, along with committed and inflexible expenditures for the state. The analysis of the State's Revenue Expenditure reveals a clear emphasis on Development Expenditure, which has shown robust growth from ₹34,672 crore in 2011-12 to ₹1,64,553 crore in 2023-24, reflecting a CAGR of 14%. Development Expenditure's share of total RE as well as TE consistently increased, averaging around 67%-70% and 57%-62% respectively during the period, signifying a progressive focus on developmental priorities.

In contrast, Non-Development Expenditure, while increasing in absolute terms from ₹18,982 crore in 2011-12 to ₹77,678 crore in 2023-24, grew at a slower CAGR of 12.5%. Its share in total RE and TE declined steadily from 34.9% and 30.2% in 2011-12 to 32.1% and 28.8% respectively in 2023-24, signifying a reduced focus on administrative and routine expenses. Grants-in-aid and Contributions played a negligible role, with minimal expenditure and irregular growth trends, especially after 2013-14. 2015-16 was an exceptional year when there was a dip in all categories of development and non-development expenditure due to increased

spending on loans and advances to absorb the DISCOM losses under the UDAY scheme. Overall, the trends highlight a growing share of Development Expenditure, particularly in Social and Economic Services, reflecting a commitment to improving the state's socio-economic infrastructure while containing non-developmental costs.

Figure 5.5: Share of Development and Non-Development Expenditure under Revenue Account in Total Expenditure



Source: Authors' calculation based on data in Appendix Table A5.4.

5.1.1.1.1 Social Services Expenditure (Development Revenue Expenditure)

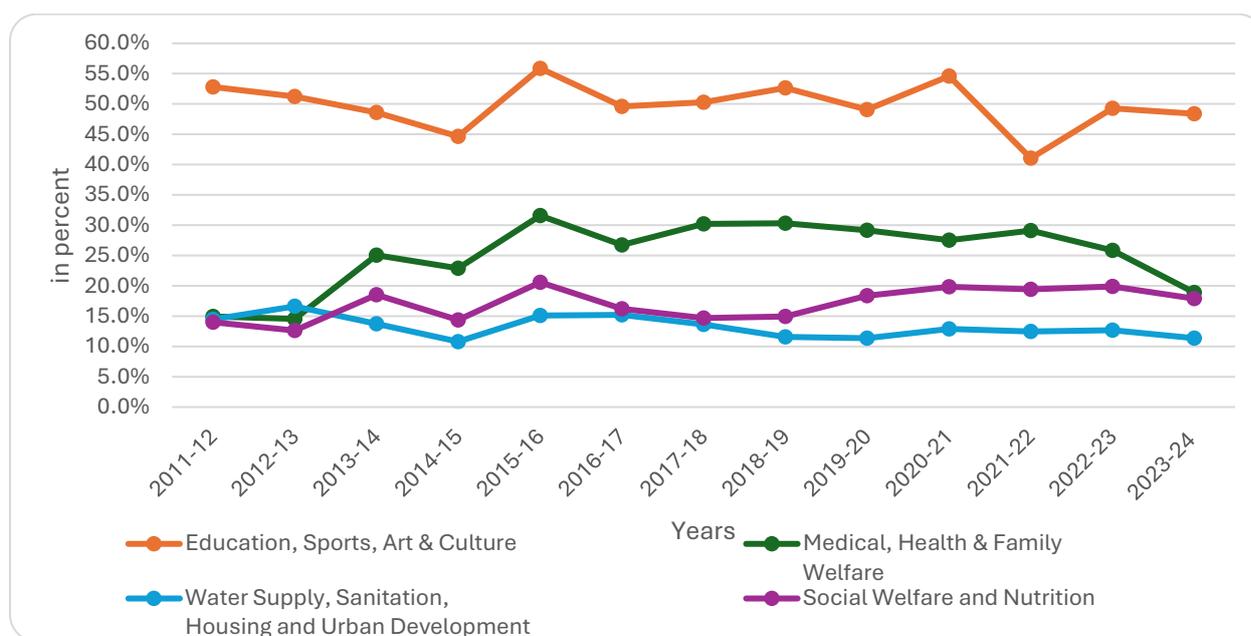
The revenue expenditure in Social Services from 2011-12 to 2023-24 highlights significant growth across all major components, reflecting the government's increasing emphasis on social development. Total expenditure on Social Services rose sharply from ₹21,928 crore in 2011-12 to ₹1,01,883 crore in 2023-24. As a share of total expenditure, Social Services fluctuated between 38% and 31% during this period, with the exception of 2015-16, where it went down to 23%. Among the major components, Education, Sports, Art & Culture consistently accounted for the largest share, registering a five-fold increase in absolute expenditure from ₹11,586 crore in 2011-12 to ₹49,277 crore in 2023-24. Its share in total social services expenditure has been fluctuating between 45% to 55% and forming 48.4% of total Social Services expenditure in 2023-24. Its share of GSDP remained steady, ranging between 2.6% and 4%, indicating proportional growth.

Expenditure on Medical, Health & Family Welfare also saw substantial growth, rising from ₹3,271 crore in 2011-12 to ₹19,270 crore in 2023-24. However, its share of Social Services peaked at 31.6% in 2015-16 before declining to 18.9% in 2023-24, suggesting a relative shift in focus within the sector. Its share of GSDP remained steady, ranging between 0.7% and 2.2%.

Water Supply, Sanitation, Housing, and Urban Development experienced steady growth, with expenditure increasing from ₹3,177 crore in 2011-12 to ₹11,549 crore in 2023-24. Its share of Social Services remained relatively stable, fluctuating between 11% and 15%, and its contribution to GSDP was consistent at around 0.8%-1%. Similarly, spending on Social Welfare and Nutrition grew consistently from ₹3,071 crore in 2011-12 to ₹18,215 crore in 2023-24, with its share of Social Services rising from 12.6% to 20% during this period. Its contribution to GSDP also increased modestly, reflecting the growing emphasis on welfare programs.

Overall, the data indicates a sustained focus on Education and Health, with substantial investments in Water Supply and Welfare Programs, highlighting the government’s commitment to social sector development in alignment with economic growth.

Figure 5.6: Share of Major Heads of Revenue Expenditure on Social Services



Source: Authors’ calculation based on data in Appendix Table A5.5.

5.1.1.1.2 Economic Services Expenditure (Development Revenue Expenditure)

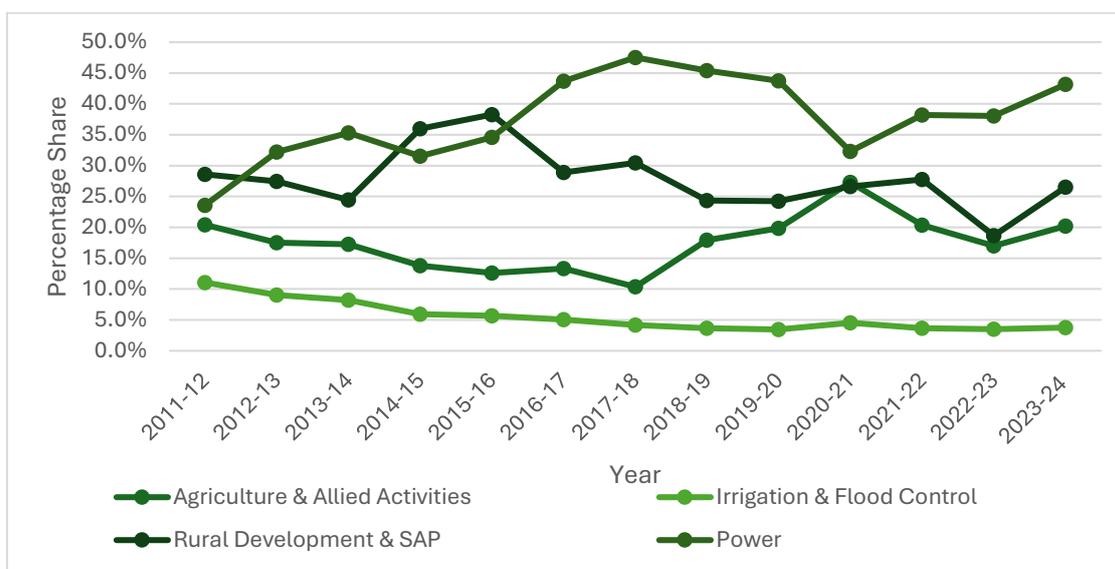
The revenue expenditure under Economic Services from 2011-12 to 2023-24 (RE) reveals significant growth across all major components, showcasing the government’s sustained commitment to economic infrastructure and development. Total expenditure on Economic Services increased from ₹12,744 crore in 2011-12 to ₹62,669 crore in 2023-24, demonstrating a more than fivefold rise. Among the components, Agriculture and Allied Activities showed consistent growth, rising from ₹2,603 crore in 2011-12 to ₹12,648 crore in 2023-24. As a share

of Economic Services, its contribution ranged from a high of 20.4% in 2011-12 to a low of 10.4% in 2017-18, and it recovered to 20.2% in 2023-24. In 2020-21 the share of agriculture was highest with 27.3% on account of reverse migration due to COVID-19, thereafter it again started declining. However, its share of GSDP remained relatively steady at around 0.6% to 0.8%, indicating a near stagnation in agriculture growth in relation to GSDP growth. The Power sector witnessed remarkable growth, surging from ₹3,006 crore in 2011-12 to ₹27,038 crore in 2023-24, marking nearly a tenfold increase. The share of Power sector rose significantly from 23.6% in 2011-12 to 43.1% in 2023-24 due to the government's substantial takeover of DISCOM losses, which helped them become more cost-effective. Its share rose significantly until 2017-18, and thereafter it declined, showing a mild recovery after 2020-21. Similarly, its share of GSDP increased from 0.7% to 1.9%, indicating a strategic focus on energy infrastructure and its importance for economic growth.

Expenditure on Irrigation and Flood Control also increased gradually in absolute expenditure, growing from ₹1,412 crore in 2011-12 to ₹2,343 crore in 2023-24. Its share of Economic Services, however, declined from 11.1% in 2011-12 to 3.7% in 2023-24, reflecting a relative reduction in focus compared to other sectors. Its share of GSDP remained stable at approximately 0.2%-0.3% throughout the period. The Rural Development and Special Area Programmes component experienced substantial growth, increasing from ₹3,639 crore in 2011-12 to ₹16,614 crore in 2023-24. Its share of Economic Services has been fluctuating as it peaked at 38.3% in 2015-16 before declining to 26.5% in 2023-24, indicating a relative shift in prioritization, especially after 2017-18, as since then the share has been fluctuating between 27% to 22%. Its share of GSDP hovered between 0.8% and 1.8% over the years.

Overall, the data reflects significant investments across all components of Economic Services, with Power emerging as a key focus area in recent years, alongside sustained attention to Agriculture and Rural Development, indicating a balanced approach to economic development and infrastructure expansion.

Figure 5.7: Share of Major Heads of Revenue Expenditure on Economic Services



Source: Authors' calculation based on data in Appendix Table A5.6.

5.1.1.1.3 General Services Expenditure (Non-Development Revenue Expenditure)

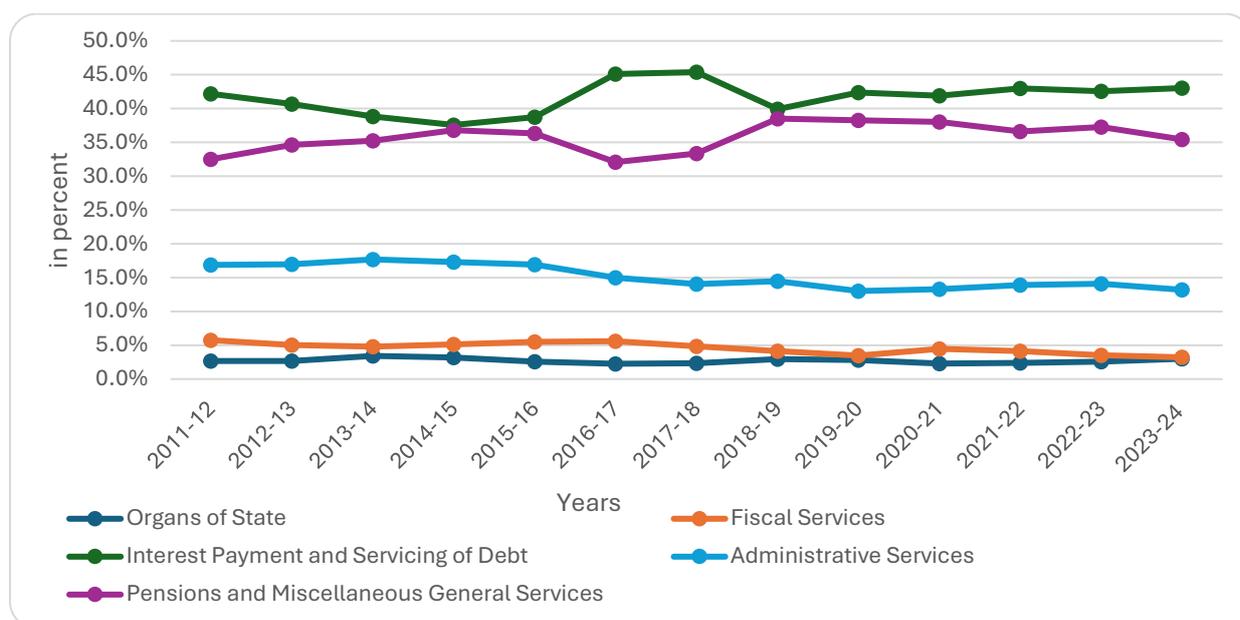
The General Services expenditure from 2011-12 to 2023-24 reveals a significant upward trend in total expenditures. Over this period, the total expenditure on General Services increased from ₹18,706 crore in 2011-12 to ₹77,677 crore in 2023-24, showing a fluctuating growth trajectory. Within General Services, the expenditure on Interest Payment and Servicing of Debt consistently formed the largest share, ranging between 37% to 45%. It showed a decline until 2015-16, followed by a sudden increase in 2016-17 and 2017-18 due to the interest burden of loans taken for the UDAY scheme. After a brief decline, it started increasing from 2021-22 onward due to the COVID-19 fiscal burden. By 2023-24, this component accounted for 43% of General Services expenditure, indicating its sustained prominence.

Pensions and Miscellaneous General Services represented the second largest component, with its share fluctuating between 32% to 38% but a consistent growth is seen in the expenditure under this head. In 2023-24, this category accounted for 35.4%, slightly lower than in previous years. Administrative Services formed a notable proportion of General Services expenditure but saw a relative decline in its share from 17% in 2011-12 to 13.2% in 2023-24. Despite this decline, the absolute expenditure increased consistently over the years, from ₹3,159 crore in 2011-12 to ₹10,491 crore in 2023-24. Fiscal Services maintained a small share, with absolute expenditure increasing consistently over the years. Its relative share peaked at 5.8% in 2011-12 and declined to 3.2% in 2023-24. Similarly, the expenditure on Organs of State showed a

relatively stable yet minor share, varying between 1.4% and 3.4% over the years, with ₹2,385 crore allocated in 2023-24 compared to ₹502 crore in 2011-12.

This shows that the major contributors in General Services expenditure are Interest Payments, Pensions, and Miscellaneous General Services (almost 80%), reflecting the increasing burden of debt servicing and commitments to pensions. Simultaneously, the relative share of Administrative Services and other minor components has slightly diminished over the years.

Figure 5.8: Share of Major Heads of Revenue Expenditure on General Services



Source: Authors' calculation based on data in Appendix Table A5.7.

5.1.1.1.4. Committed Expenditure

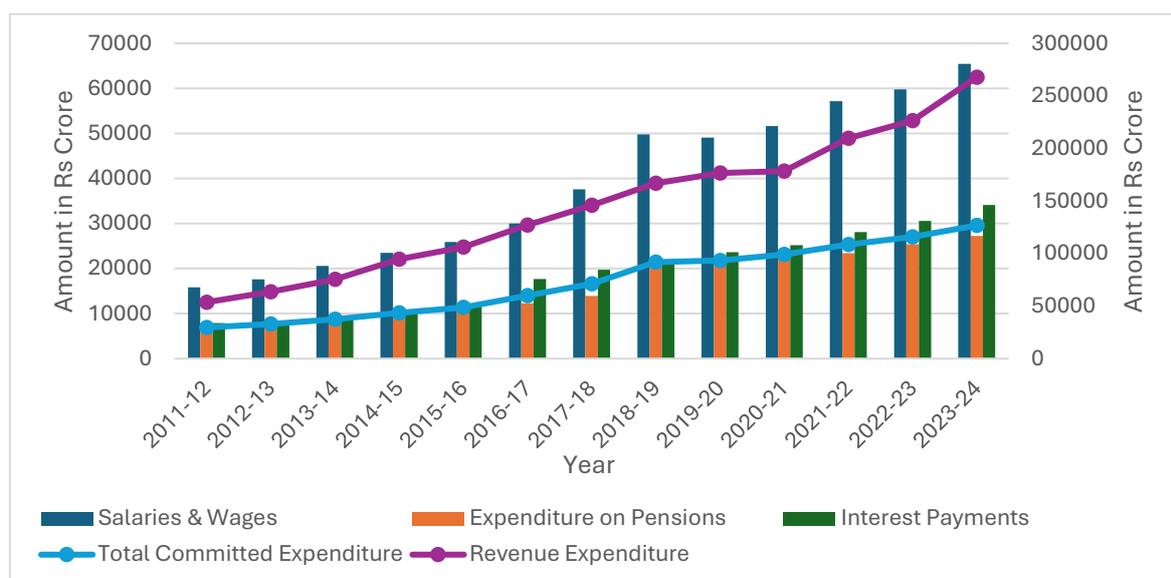
A state's committed expenditure consists primarily of payments for employee salaries, pension benefits, and interest obligations. When a significant portion of the budget is dedicated to these fixed commitments, it restricts the state's ability to allocate funds for other crucial priorities, particularly infrastructure investments and capital projects.

Appendix Table A5.8 reveals a consistent upward trend in committed expenditure in absolute terms, driven by increasing financial obligations. Total committed expenditure grew significantly from ₹29,659 crore in 2011-12 to ₹1,26,729 crore in 2023-24, registering a compound annual growth rate (CAGR) of 13%. As a percentage of revenue receipts, it peaked at 73.9% in 2020-21, during the pandemic-induced revenue shortfall, but subsequently declined to 53.3% in 2023-24, indicating improved fiscal management. In terms of its share in revenue

expenditure, it peaked at 55.7% in 2020-21 with fluctuations. Thereafter, it declined, showcasing improved revenue generation relative to fixed expenditure.

Expenditure on salaries and wages increased from ₹15,847 crore in 2011-12 to ₹65,399 crore in 2023-24, reflecting a CAGR of 13%. In terms of revenue receipts share, it remained below 30% until 2017-18. After that, it rose due to 7th Central Pay Commission obligations but fell below the 30% mark in 2023-24. While it constituted 29.5% of revenue expenditure in 2011-12, this share slightly decreased to 24.4% in 2023-24, signalling relative stability in its proportional allocation. Expenditure on interest payments, which is the second biggest component, increased from ₹7,892 crore in 2011-12 to ₹34,127 crore in 2023-24, reflecting a CAGR of 13%. The substantial rise in interest payments since 2016-17 has been due to government borrowings for UDAY. This expenditure increased further after 2020-21 due to higher borrowings aimed at supporting the state economy post-COVID. In terms of revenue receipts share, it remained below 14% until 2015-16. After that, it rose due to loan obligations for DISCOMS and additional borrowings due to COVID-19 but came down to 14.4% in 2023-24. While it constituted 14.7% of revenue expenditure in 2011-12, this share slightly decreased to 12.7% in 2023-24, signalling relative stability in its proportional allocation. The projection for the next five years suggests a gradual increase in interest payments, indicating a rising debt burden if current trends continue. Similarly, pensions grew at a CAGR of 14%, rising from ₹5,920 crore in 2011-12 to ₹27,203 crore in 2023-24. The share of pensions in revenue receipts ranged between 10% to 16% during the period, with its share of revenue expenditure declining modestly from 11% in 2011-12 to 10.2% in 2023-24. Rajasthan's shift to OPS in 2022 provided temporary fiscal relief by halting contributions to the National Pension System (NPS), saving ~₹29,000 crore annually. However, this relief is short-lived. By 2034, when employees hired post-2004 under NPS begin retiring, the state will face a surge in pension liabilities under OPS, as it must cover 50% of their last-drawn salary indefinitely. As of 2023, Rajasthan allocated 52% of its tax and non-tax revenues (₹85,155 crore) to salaries and pensions, benefiting just 6% of families (10 lakh government employees). The state's pensioner count is rising by ~30,000 annually, with 5.6 lakh existing pensioners. Under OPS, this burden will escalate, compounded by inflation-linked dearness allowances. Thus, OPS implementation offers immediate political benefits but jeopardizes long-term fiscal health, risks intergenerational equity, and sets a precarious precedent for other states.

Figure 5.9: Components and Share of Committed Expenditure (Rs. in Crore)



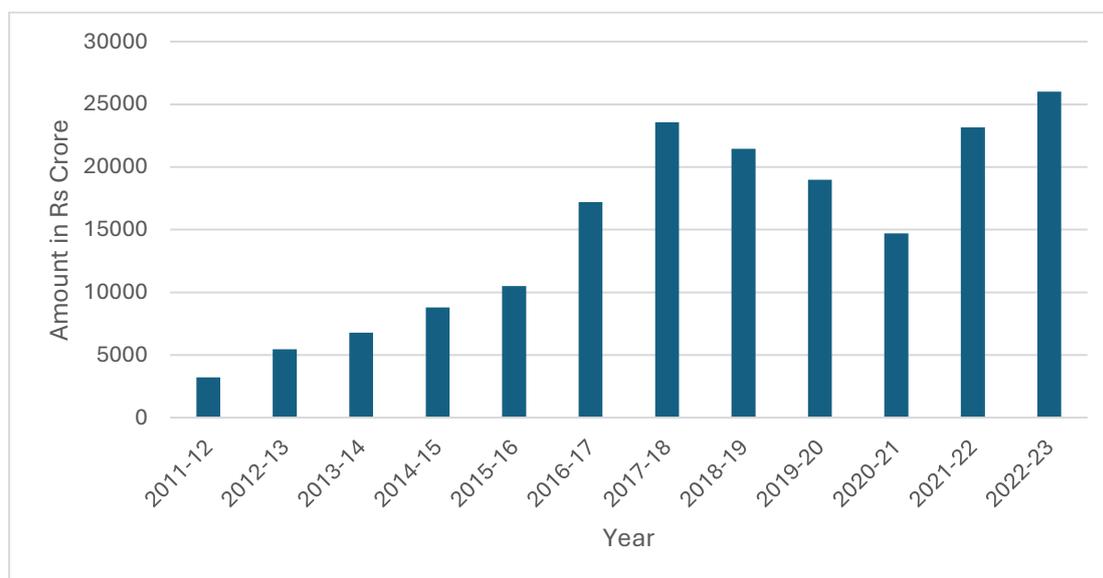
Source: Authors' calculation based on data in Appendix Table A5.8.

5.1.1.1.5. Expenditure on Subsidies

The subsidies expenditure reveals a significant upward trend, with total subsidies (TS) increasing from ₹3,201 crore in 2011-12 to ₹26,002 crore in 2022-23, reflecting a CAGR of 21%. The Finance Department (Power) consistently accounted for the majority of subsidies, ranging between 87.5% and 99.3% of the total, and grew at a CAGR of 22%. In absolute terms, the Finance Department's (Power) subsidies increased from ₹2,801 crore in 2011-12 to ₹25,404 crore in 2022-23, registering its dominant role in subsidy distribution. The Horticulture Department exhibited notable growth, with its share of subsidies rising from ₹58.28 crore in 2011-12 to ₹486 crore in 2022-23, reflecting a CAGR of 21%. Despite this growth, its contribution to the total subsidies remained relatively low, ranging from 0.6% to 2.4% over the period. Similarly, subsidies under the Industries (Group 1 and Group 2) Department increased from ₹3.58 crore in 2011-12 to ₹17.03 crore in 2022-23, growing at a CAGR of 15%. However, this department's share of total subsidies was negligible, remaining below 0.3% throughout. In contrast, the Food & Civil Supplies Department experienced a declining trend, with its subsidy allocations dropping from ₹311.71 crore in 2011-12 to ₹68.23 crore in 2022-23, recording a negative CAGR of -13%. Its contribution to total subsidies also decreased sharply, falling from 9.7% in 2011-12 to just 0.26% in 2022-23, indicating a significant shift in allocation priorities. Subsidies categorized as "Others" showed minimal growth, with no significant change in absolute terms over the period, and consistently accounted for less than 1% of total subsidies.

Overall, the data indicates a sharp focus on the Finance Department (Power) in subsidy allocations, with limited emphasis on other departments. While total subsidies witnessed consistent growth until 2017-18, they registered a sharp fall thereafter, before increasing again from 2021-22 due to COVID-19 fiscal relief.

Figure 5.10: Expenditure on Subsidies (Rs. in Crore)



Source: Authors' calculation based on data in Appendix Table A5.9.

5.1.2 Capital Expenditure

The analysis of capital expenditure across its components—general services, social services, and economic services—reveals diverse growth patterns and priorities over the years. The growth in capital expenditure emphasizes on infrastructure and human development in the state.

The total capital expenditure grew at a compound annual growth rate (CAGR) of 12% between 2011-12 and 2023-24. The capital expenditure has risen from ₹7,119 crore in 2011-12 to ₹26,646 crore in 2023-24. However, the growth was uneven, with significant fluctuations in annual growth rates. For instance, years like 2012-13 and 2023-24 saw substantial growth rates of 50.1% and 35%, respectively, while there were notable contractions in 2016-17 (-22.8%) and 2019-20 (-25.1%). These trends suggest periodic boosts in capital spending on social and economic services, often driven by policy priorities or fiscal space constraints due to absorption of losses of DISCOMs under UDAY in 2015-16 and economic slowdown due to post GST implementation effects, poor agriculture performance, and weak global growth in 2019. The economic survey 2019-20 noted that the year 2019 was a difficult year for the global economy

with world output growth growing at its slowest pace of 2.9% since the global financial crisis in 2009.

Economic services formed the largest share of capital expenditure, with an average contribution of around 60-70%. The expenditure on economic services has risen from ₹4,919 crore in 2011-12 to ₹16,289 crore in 2023-24. However, its CAGR of 10% was relatively moderate compared to social services. Its share of total expenditure ranged between 4% and 10%, with a substantial decline in relative spending on infrastructure, agriculture, and industrial development from 2016-17 onward, before recovering from 2021-22 onward. Similarly, its share in capital expenditure fell from 69.1% in 2011-12 to 61% in 2023-24. The annual growth in this sector displayed notable swings, including sharp declines in 2016-17 (-33.6%) and 2019-20 (-27.8%), reflecting fiscal constraints or reallocation of resources. Conversely, years like 2023-24 (57%) highlighted renewed focus on economic infrastructure development. This indicates that while economic services remain a priority, their allocations have been inconsistent, possibly due to shifting government priorities or external factors affecting investment.

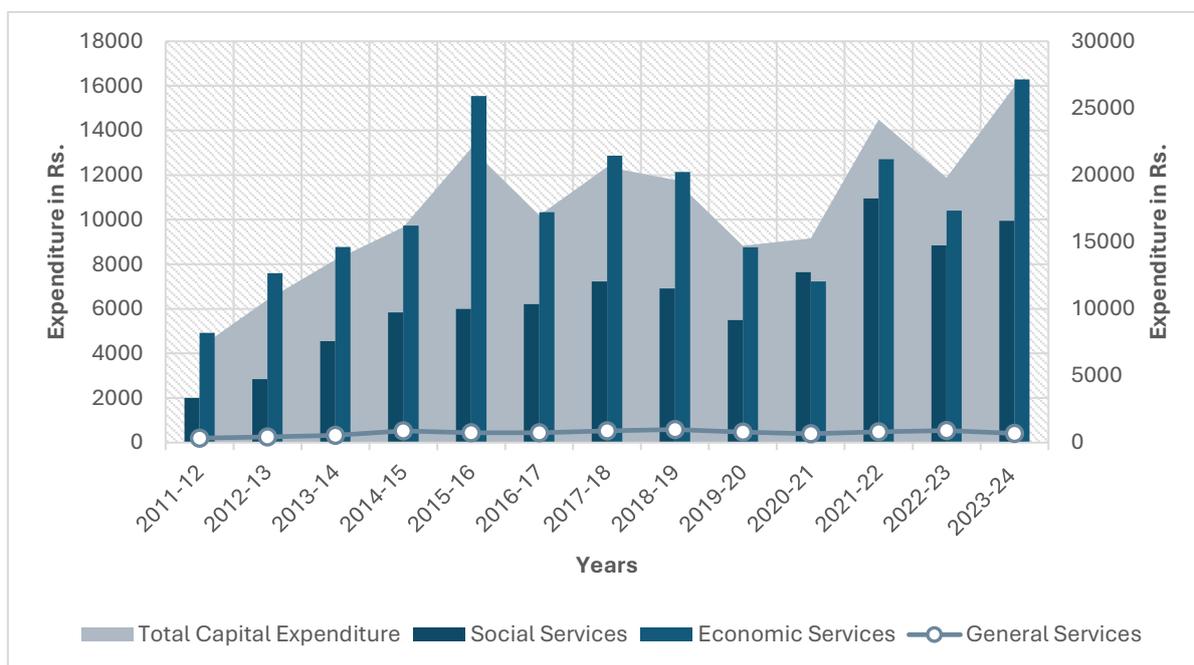
Social Services, another significant component, grew from ₹1,997 crore in 2011-12 to ₹9,949 crore in 2023-24 at an impressive CAGR of 14%. Its contribution to Total Expenditure ranged from 3% to 5%, indicating a consistent emphasis on improving education, health, and welfare programs. Its share in capital expenditure (CE) increased substantially, reaching 37% in 2023-24, compared to 28% in 2011-12, highlighting an increasing focus on infrastructure and development in sectors like education, health, and housing. Annual growth rates were highly volatile, with significant increases in years like 2021-22 (43.3%) and 2013-14 (60.3%) and contractions in 2019-20 (-20.6%) and 2022-23 (19.2%). This variability indicates the periodic prioritization of health, education, and welfare projects, especially after 2019-20, due to the aftereffects of COVID-19, among other factors.

Spending on general services accounted for a relatively small share of capital expenditure, ranging from 1.8% to 3.3%, with a CAGR of 6%. This modest share indicates that capital outlay on governance and administrative infrastructure remained limited. Despite periodic growth spikes, such as 59.6% in 2014-15, the overall contribution of general services to capital expenditure is minimal.

From 2020-21 onwards, there has been a notable upward shift in the share of social services, ranging between 45% and 50%, while economic services, also ranging between 47% and 51%, registered a decline in its relative share. The growing share of social services signifies a shift

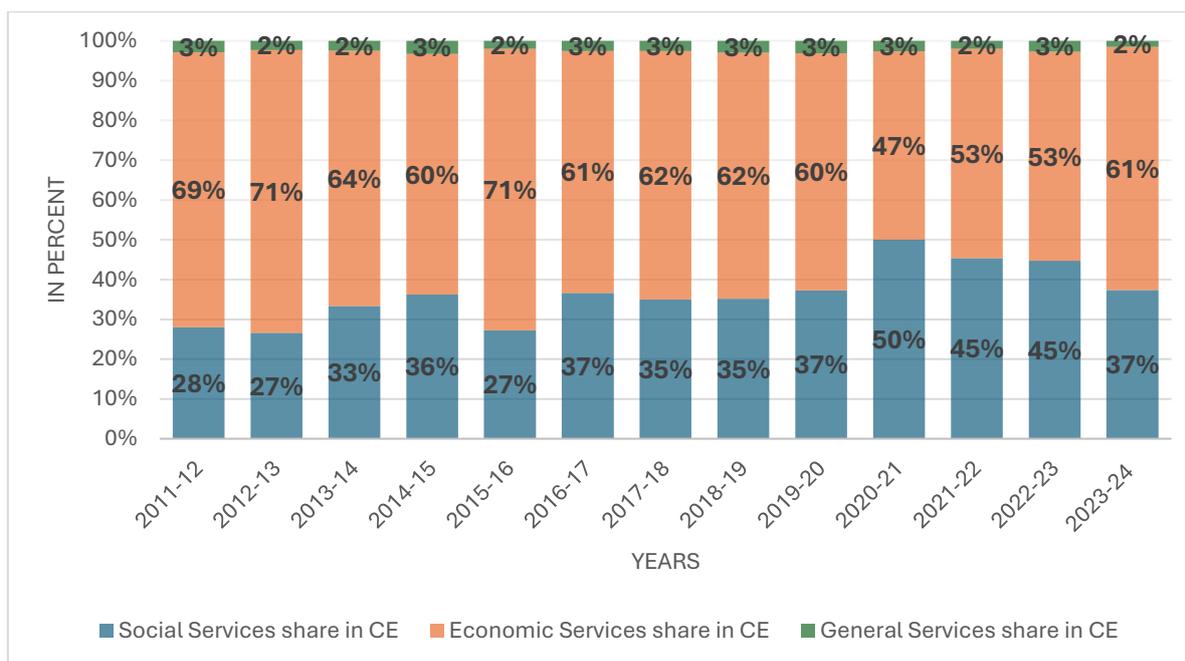
toward addressing education, health, and welfare infrastructure needs while economic services continue to dominate capital outlay, underscoring the importance of sectors like transport, power, and agriculture. The installed power capacity has risen from 21176 MW in 2019-20 to 24784 MW in 2023-24, and total road length increased from 2.69 lakh km in March 2020 to 3.01 lakh km in March 2023. The state has added around 5 lakh more enrolments in government schools between 2019-20 and 2022-23, driven by the expansion of primary and secondary schools in rural areas, the establishment of Mahatma Gandhi English Medium Schools, and girls' schools. Additionally, 15 new medical colleges and 130 government colleges were established between 2020 and 2023, along with the introduction of cashless medical facilities for the general public and pensioners under the Rajasthan Government Health Scheme. Furthermore, during this period, 49 district hospitals, 71 sub-district hospitals, 16 satellite hospitals, and 47 other hospitals were included in the state's healthcare infrastructure. Enhanced consistency in investments across these sectors can further strengthen long-term economic and social development.

Figure 5.11: Trend of Share of General, Social, and Economic Services in Capital Expenditure (Rs. in Crore)



Source: Authors' calculation based on data in Appendix Table A5.3.

Figure 5.12: Share of General, Social, and Economic Services in Capital Expenditure

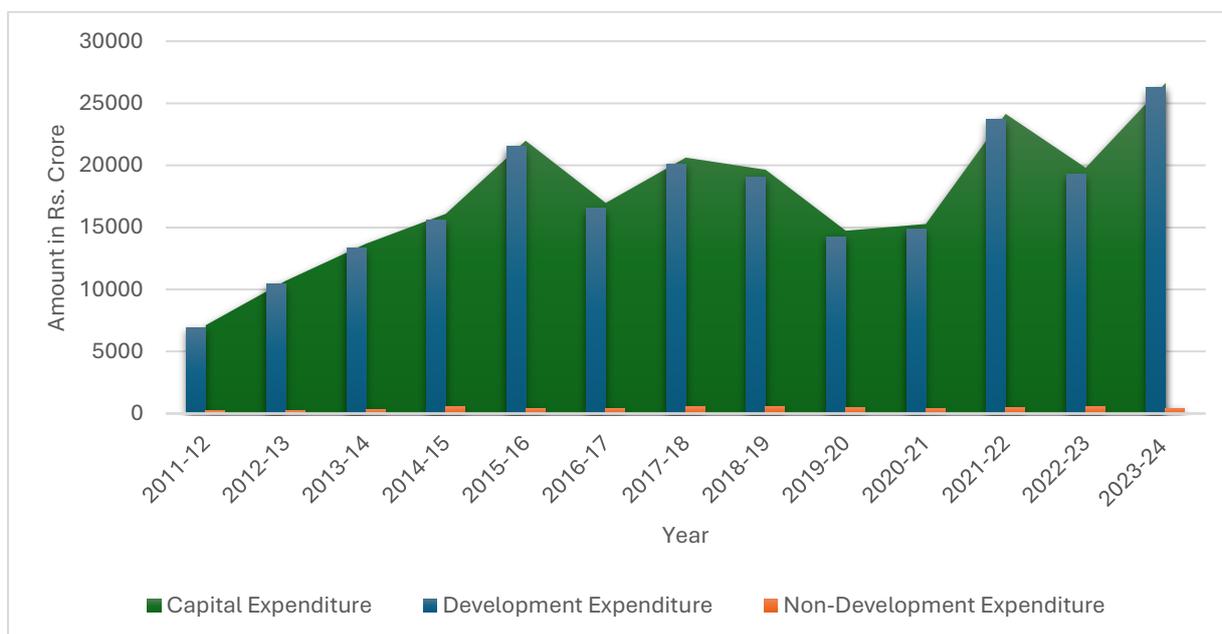


Source: Authors' calculation based on data in Appendix Table A5.3.

5.1.2.1 Development and Non-Development Capital Expenditure

In this section, capital expenditure is explained in terms of development and non-development expenses, along with committed and inflexible expenditures for the state. Rajasthan's capital expenditure in terms of development expenditure has shown consistent growth from ₹6,915 crore in 2011-12 to ₹26,238 crore in 2023-24, reflecting a CAGR of 12%. Development expenditure accounted for 97% to 98% of total capital expenditure throughout this period. As a share of total expenditure, it fluctuated between 7% and 15%, signifying a primary focus on developmental priorities in capital expenditure. In contrast, Non-Development Expenditure in the form of General Services showed the slowest growth among the three categories, with a CAGR of 6%, increasing from ₹204 crore in 2011-12 to ₹542 crore in 2023-24. Its share of total expenditure remained consistently negligible, at around 0.2%-0.3% throughout the period. Similarly, the share in capital expenditure remained low, decreasing slightly from 2.9% in 2011-12 to 1.5% in 2023-24. Despite annual growth fluctuations, with some years seeing spikes like 59.6% in 2014-15, overall allocations to general services remained limited, reflecting its secondary importance compared to social and economic services.

Figure 5.13: Share of Development and Non-Development Expenditure under Capital Account in Total Expenditure



Source: Authors' calculation based on data in Appendix Table A5.10.

The government's capital expenditure strategy reflects a clear prioritization of social services, which experienced the highest growth in both absolute terms and as a share of total and capital expenditure. Economic services, while significant, displayed inconsistent growth patterns, with their relative share in expenditure declining over time. General services remained a minor focus, with marginal allocations and limited growth. These trends suggest a policy orientation toward addressing social sector development while maintaining selective investment in economic infrastructure.

5.1.3 Plan and Non-Plan Expenditure

The classification of expenditure is also done into Plan and Non-Plan categories. Plan Expenditure normally relates to incremental developmental expenditure on new projects or schemes and involves both revenue and capital expenditure. Non-Plan Expenditure is normally utilized to maintain the level of services already achieved.

Table 5.2 highlights significant trends in Rajasthan's plan and non-plan expenditure from 2011-12 to 2016-17, showcasing a clear shift towards developmental priorities. Plan Expenditure demonstrated robust growth, with Plan Revenue Expenditure (Plan RE) increasing from ₹12,416 crore in 2011-12 to ₹47,482 crore in 2016-17, marking a steady rise in its share of total revenue expenditure, from 23.1% to 37.3%. Similarly, Plan Capital Expenditure (Plan CE)

showed growth despite some fluctuations, peaking at ₹21,995 crore in 2015-16 before declining to ₹16,967 crore in 2016-17. Loans under Plan Expenditure spiked in 2015-16, contributing to a significant surge in total Plan Expenditure, which rose sharply from ₹20,569 crore in 2011-12 to ₹77,314 crore in 2016-17. This trend reflects the state's commitment towards the XII five-year plan priorities of inclusive and sustainable development.

In contrast, Non-Plan Expenditure grew at a slower pace, with Non-Plan Revenue Expenditure (Non-Plan RE) increasing from ₹41,238 crore to ₹79,658 crore during the same period. However, its share in total revenue expenditure declined from 76.9% in 2011-12 to 62.7% in 2016-17, indicating a policy shift toward prioritizing planned spending over routine administrative expenses. Non-Plan Capital Expenditure (Non-Plan CE) remained negligible, with minimal contribution to infrastructure spending, and consistently accounted for less than 1% of total capital expenditure. Loans under Non-Plan Expenditure were marginal and irregular, further underscoring its limited fiscal significance.

Table 5.2: Trend in the Plan and Non-Plan Expenditure (Rs. in Crore)

Category & Year		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Plan	Plan RE	12416	14235	17364	27444	31638	47482
	<i>Annual Growth Rate</i>		14.7%	22.0%	58.0%	15.3%	50.1%
	<i>as a percent of RE</i>	23.1%	22.4%	23.0%	29.0%	29.8%	37.3%
	<i>as a percent of GSDP</i>	2.9%	2.9%	3.2%	4.5%	4.6%	6.2%
	Plan CE	7103	10682	13677	16087	21995	16967
	<i>Annual Growth Rate</i>		50.4%	28.0%	17.6%	36.7%	-22.9%
	<i>as a percent of CE</i>	99.8%	100.0%	100.1%	99.9%	100.0%	99.9%
	<i>as a percent of GSDP</i>	1.6%	2.2%	2.5%	2.6%	3.2%	2.2%
	Loan	1051	2242	664	646	36595	12865
	Total Plan Expenditure	20569	27159	31705	44177	90227	77314
Non Plan	Non Plan RE	41238	49227	58146	67098	74601	79658
	<i>Annual Growth Rate</i>		19.4%	18.1%	15.4%	11.2%	6.8%
	<i>as a percent of RE</i>	76.9%	77.6%	77.0%	71.0%	70.2%	62.7%
	<i>as a percent of GSDP</i>	9.5%	10.0%	10.6%	10.9%	10.9%	10.5%
	Non Plan CE	16	1	-12	15	-10	12
	<i>Annual Growth Rate</i>		-91.7%	-1005.2%	-225.7%	-163.4%	-225.8%
	<i>as a percent of CE</i>	0.2%	0.0%	-0.1%	0.1%	0.0%	0.1%
	<i>as a percent of GSDP</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	Loan	58	170	148	55	7	100
	Total Non-Plan Expenditure	41312	49398	58282	67168	74598	79770
	Revenue Expenditure	53654	63462	75510	94542	106239	127140
	Capital Expenditure	7119	10683	13664	16103	21986	16980
	Total Expenditure	61882	76557	89987	111345	164826	157084
	GSDP	434837	493551	551031	615642	681482	760587

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Note: Bifurcation of Plan and Non-plan Expenditure is until 2016-17 only. After that the bifurcation has been replaced by State fund expenditure and Central Assistance (including CSS).

5.1.4 Trends in Expenditure on Key Sectors

This section provides an analysis of expenditures in key sectors of the Rajasthan economy. The trends in revenue expenditure across key sectors were examined, highlighting the government's expenditure patterns and priority areas over the last 12 years, from 2011-12 to 2023-24. Additionally, total expenditure has been categorized into development and non-development expenditures, with a specific focus on the last three years following the COVID-19 pandemic.

Revenue expenditure on key sectors in Rajasthan has exhibited significant variations over the years, reflecting changing priorities and budgetary allocations. The expenditure on Education, Sports, Arts, and Culture has grown consistently, from ₹11,586 crore in 2011-12 to ₹49,277 crore in 2023-24, though its share in total expenditure has fluctuated between 13% and 21%. The Energy sector saw a substantial rise, particularly after 2015-16, peaking at ₹27,040 crore in 2023-24, indicating a growing emphasis on power infrastructure, though its share has remained around 10% in recent years.

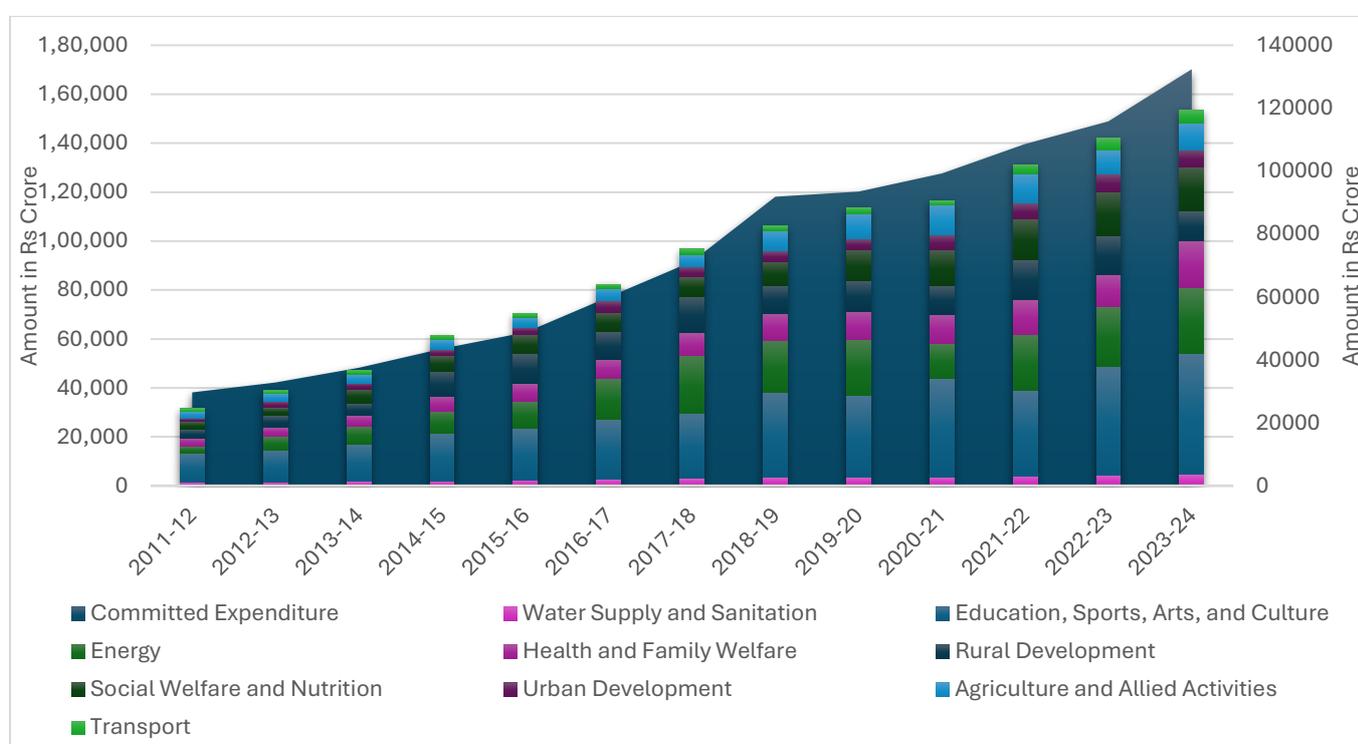
Health and Family Welfare has witnessed a steady increase in allocation, reaching ₹19,270 crore in 2023-24, accounting for 7% of total expenditure, signalling a focus on public healthcare. Rural Development saw a major rise in 2014-15 and 2015-16 but has remained volatile, with its share declining from 9% in 2014-15 to 4% in 2023-24, suggesting shifting priorities. Social Welfare and Nutrition expenditure has expanded significantly, reaching ₹18,215 crore in 2023-24, consistently accounting for approximately 5-8% of total spending.

Expenditure on Urban Development and Water Supply and Sanitation has remained relatively modest, hovering between 2-3% of the total expenditure. The Agriculture and Allied Activities sector received increased allocations post-2017-18, touching ₹10,945 crore in 2023-24, indicating sustained support for the agrarian economy. Transport has seen gradual growth, but

its share in total expenditure has remained around 1-2%, suggesting limited prioritization compared to other sectors.

A significant portion of Rajasthan's budget is directed towards Committed Expenditure, which includes salaries, pensions, and interest payments. This has consistently accounted for a substantial share, rising from ₹29,659 crore in 2011-12 to ₹1,32,389 crore in 2023-24, representing approximately half of the total expenditure. Overall, the analysis indicates a strong commitment to social sectors, a growing focus on infrastructure and energy, and a high proportion of funds allocated to fixed obligations, which may impact fiscal flexibility in future budget planning.

Figure 5.14: Revenue Expenditure on Major Sectors (Rs. in Crore)



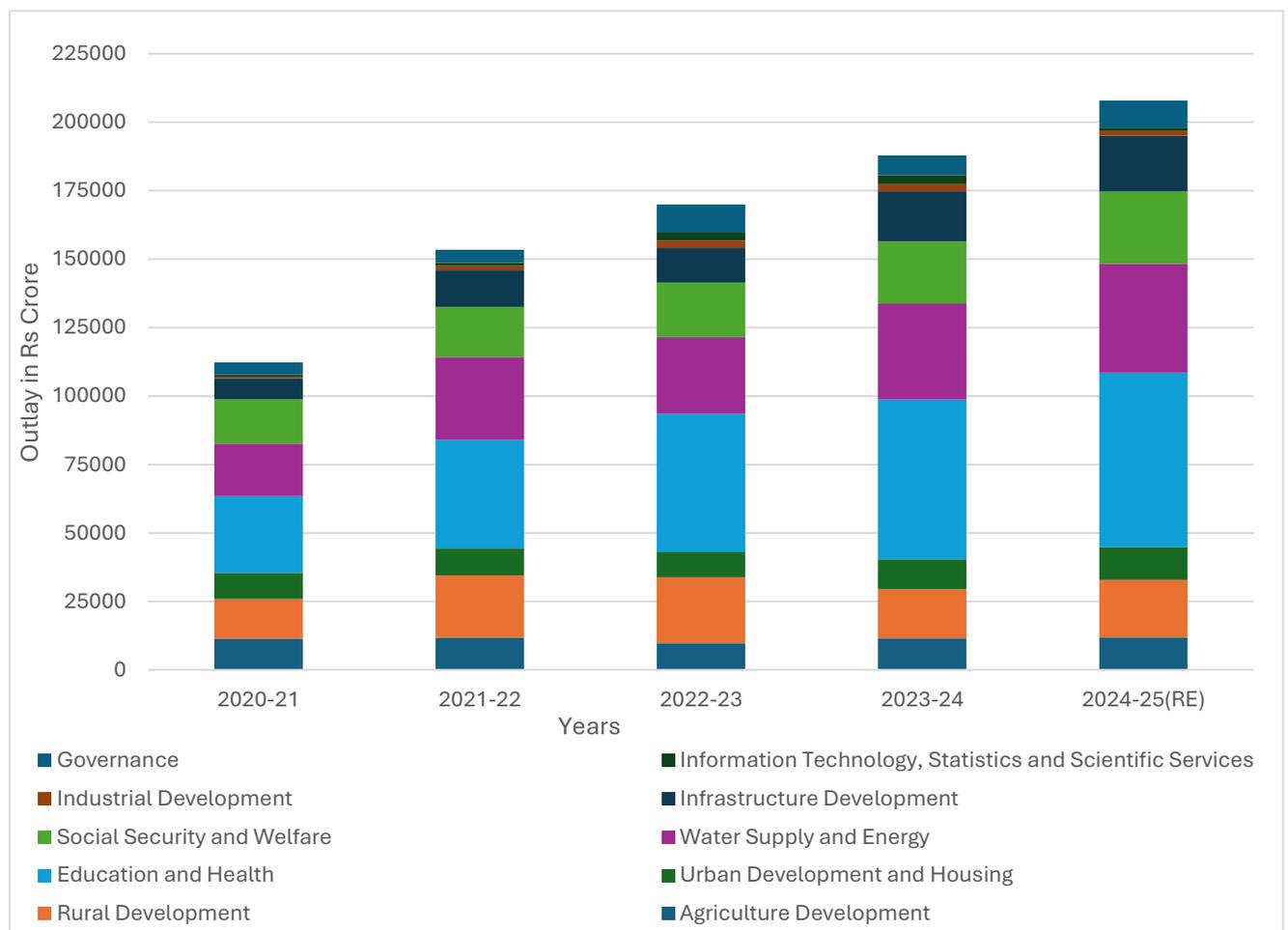
Source: Authors' calculation based on data in Appendix Table A5.11.

Note: Committed expenditure is the shaded region on the right side axis and other sectors are depicted through the bar on the left side axis.

The Year-wise Schematic Outlay for 2020-21 to 2024-25(RE) delineates several significant trends in budget allocation across key sectors, reflecting governmental priorities. The overall outlay exhibits a consistent upward trajectory, with the total increasing from ₹112,363 crore in 2020-21 to ₹207,946 crore in 2024-25(RE), indicating a substantial expansion in proposed government spending over this period. Education and Health emerged as top priorities, consistently receiving the largest allocation. The budget for this sector grows significantly from

₹27,966 crore in 2020-21 to ₹63,625 crore in 2024-25(RE), underscoring a strong emphasis on human capital development. Rural Development also experienced considerable growth, nearly doubling from ₹14,416 crore to ₹20,945 crore over the five years, suggesting a commitment to rural welfare and development. Some sectors exhibit more variable trends. For instance, Industrial Development shows fluctuations, peaking in 2022-23 and 2023-24 before decreasing in 2024-25(RE). By contrast, sectors such as Social Security and Welfare and Infrastructure Development demonstrate consistent growth year-on-year. The Governance sector displays a volatile pattern, with a notable spike in 2022-23, followed by a decrease in 2023-24, and an increase again in 2024-25(RE). Smaller allocations are observed for sectors such as Industrial Development and Information Technology, Statistics and Scientific Services when compared to other areas. This comprehensive overview suggests a government strategy that prioritizes social sectors, such as education, health, and rural development, while also maintaining investment in infrastructure and governance.

Figure 5.15: Year-wise Schematic Outlay in Key Sectors (in Rs. Crore)



Source: Authors' calculation based on data in Appendix Table A5.11.

The analysis of total expenditure (revenue, capital, and loan account) trends in terms of development and non-development across key sectors in Rajasthan indicated notable shifts in spending priorities following the COVID-19 pandemic. Over the past four years (2021-25), Development Expenditure has consistently accounted for approximately 71-73% of the total expenditure (TE), increasing from ₹1,68,673 crore in 2021-22 to ₹2,42,216 crore in 2024-25 (RE), with a CAGR of 9%. In contrast, Non-Development Expenditure has remained stable at around 27-29% of TE, yet it has experienced growth, with a CAGR of 8%.

In the realm of sectoral allocations, the domains of Education, Sports, Arts, and Culture have demonstrated consistent growth, with allocations increasing from ₹41,024 crore in 2021-22 to ₹63,546 crore in 2024-25(RE), maintaining a 17-19% share of Total Expenditure (TE) and achieving a CAGR of 12%. The Health and Family Welfare sector experienced a notable increase in 2024-25(RE), reaching ₹27,707 crore from ₹16,312 crore in 2021-22, which elevated its share from 6% to 8% and reflected a CAGR of 14%, underscoring a heightened focus on healthcare investments. Allocations for Social Welfare and Nutrition also rose steadily, culminating in ₹23,328 crore in 2024-25(RE), sustaining a 7-8% share of TE with a CAGR of 9%.

Infrastructure-related sectors exhibited diverse trends. The expenditure on energy increased significantly from ₹24,789 crore in 2021-22 to ₹38,325 crore in 2024-25(RE), with a CAGR of 12%, thereby increasing its share from 11% to 12%, indicating an intensified focus on power and energy projects. Conversely, Rural Development experienced a decline, with allocations decreasing from ₹17,537 crore in 2021-22 to ₹12,916 crore in 2023-24, reducing its share of TE from 7% to 5%, while getting a required push in 2024-25(RE) by spending ₹20,963 crore suggesting a shift in governmental priorities. Transport allocations displayed fluctuations, with a decrease in 2022-23 to ₹7,690 crore, followed by an increase to ₹13,665 crore in 2024-25(RE), with a CAGR of 12%.

The Agriculture and Allied Activities sector has experienced variable allocations over the years. In 2021-22, expenditure was ₹12,837 crore, which decreased to ₹10,526 crore in 2022-23 before rising again to ₹14,217 crore in 2024-25(RE). Its share of TE also declined from 5% in 2021-22 to 4% in 2024-25(RE). Similarly, expenditure on Housing and Urban Development has remained relatively stable, albeit with a declining share of TE. The allocation was ₹9,665 crore in 2021-22, marginally increasing to ₹9,222 crore in 2023-24, and getting a major push in 2024-25(RE) with ₹16,400 crore, registering a CAGR of 14%. However, its share of TE has

decreased from 4% in 2021-22 to 3% in 2023-24 before increasing to 5% in 2024-25(RE). The Water Supply and Sanitation sector also experienced a fluctuating expenditure pattern over the years. In 2021-22, the allocation was ₹8,990 crore, which declined to ₹6,668 crore in 2022-23, before increasing to ₹9,997 crore in 2024-25(RE) with a CAGR of 3%. Its share of TE has consistently decreased from 4% in 2021-22 to 3% in 2024-25(RE).

Collectively, these sectors accounted for an average of 66% of the total sectoral expenditure by the state government over the past four years, highlighting their significant share in public spending and reflecting the government's focus on developmental priorities. However, variations in expenditure across sectors suggest shifting policy priorities. While allocations for education, health, and energy have increased, sectors such as agriculture, rural development, housing, and the water supply have experienced fluctuating trends, indicating the structural policy shift in the government spending.

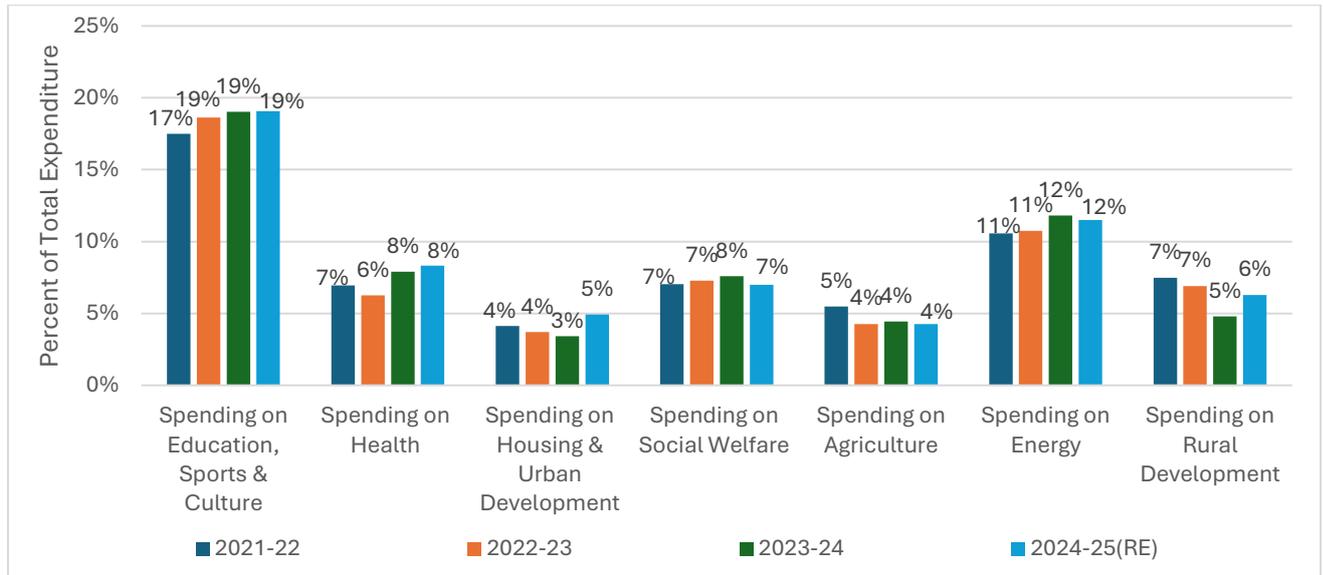
Table 5.3: Trend in Total Development and Non-Development Expenditure (Rs. in Crore)

Sectors	2021-22	2022-23	2023-24	2024-25 (RE)	CAGR
Development Expenditure	168673	174035	191190	242216	9%
<i>as a percent of TE</i>	72%	71%	71%	73%	
Non-Development Expenditure	65890	72417	78085	91043	8%
<i>as a percent of TE</i>	28%	29%	29%	27%	
Education, Sports, Arts, and Culture	41024	45896	51243	63546	12%
<i>as a percent of TE</i>	17%	19%	19%	19%	
Health and Family Welfare	16312	15445	21273	27707	14%
<i>as a percent of TE</i>	7%	6%	8%	8%	
Water Supply, and Sanitation	8990	6668	7595	9997	3%
<i>as a percent of TE</i>	4%	3%	3%	3%	
Housing and Urban Development	9665	9114	9222	16400	14%
<i>as a percent of TE</i>	4%	4%	3%	5%	
Social Welfare & Nutrition	16500	17946	20439	23328	9%
<i>as a percent of TE</i>	7%	7%	8%	7%	
Agriculture and Allied Activities	12837	10526	11952	14217	3%
<i>as a percent of TE</i>	5%	4%	4%	4%	
Energy	24789	26472	31816	38325	12%
<i>as a percent of TE</i>	11%	11%	12%	12%	
Rural Development	17537	16997	12916	20963	5%
<i>as a percent of TE</i>	7%	7%	5%	6%	
Transport	8828	7690	12540	13665	12%
<i>as a percent of TE</i>	4%	3%	5%	4%	
Committed Expenditure	108609	115757	132389	NA	7%

<i>as a percent of TE</i>	46%	47%	49%		
Total Expenditure	234563	246452	269275	333259	9%
Percent of Total Expenditure of these Sectors on all Sectors	67%	64%	66%	68%	

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Figure 5.16: Trend in Total Expenditure on Major Sectors (in percent)



Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Rajasthan has prioritized sectors such as education, healthcare, infrastructure, and social welfare. This prioritization is evident through initiatives such as the Mukhyamantri Aayushman Aarogya Yojana, Mukhyamantri Nishulk Nirogi Rajasthan Yojana, PM Shree Yojana, Mukhyamantri Yuva Sambal Yojana, the Gig and Unorganized Labour Development Fund, and the Shri Annapurna Rasoi Yojana (Grameen). Additionally, efforts have been made to expand government colleges and schools, improve road infrastructure, and enhance the power capacity. The last two state budget have given significant allocations to these areas. Specifically, the Rajasthan government has allocated ₹45,000 crore over the past two years for urban development, with a focus on expanding the road network by 53,000 km over the next five years, including the construction of flyovers and elevated roads. In the agricultural sector, the Krishi Vikas Yojana provides subsidies for farming equipment and promotes organic agriculture. To facilitate energy transition, the state aims to achieve a renewable capacity of 33,600 MW by 2031-32. Rajasthan also implemented Direct Benefit Transfer (DBT) programs to ensure efficient and transparent delivery of benefits. These programs encompass areas such as scholarships for students, pensions for the elderly, free electricity of up to 100 units for all

households, and financial assistance for marginalized communities. The adoption of DBT has streamlined the distribution process, reduced leakages, and ensured timely assistance to beneficiaries.

5.2 Expenditure Pattern of Rajasthan *vis-a-vis* Other States

Niti Aayog's Fiscal Health Index (FHI) report offers an in-depth examination of expenditure quality for 18 states from 2014-15 to 2022-23. The evaluation utilizes two sub-indices: Total Developmental Expenditure/Total Expenditure and Total Capital Outlay/GSDP. For the 18 states combined, the capital outlay to GSDP ratio averaged 2.3% during this period. A comparison of expenditure quality with its neighbouring states reveals significant differences where Madhya Pradesh, Uttar Pradesh, and Gujarat exhibit strong performance in expenditure quality, focusing on both social and economic services, and Rajasthan shows a mixed pattern, with spending in some areas falling below the average of major states.

Over the past eight years, Rajasthan's ratio of capital outlay to GSDP has been on a downward trend, reaching 1.5% in 2022-23, which falls below the national average. The state experienced a slight decrease in spending on social and economic services in 2022-23 compared to the previous year. Capital expenditure saw an 18.0% reduction from the prior year, primarily affecting capital outlays for water supply and sanitation, as well as roads and bridges.

Madhya Pradesh demonstrates a high Quality of Expenditure score, with its capital outlay to GSDP ratio surpassing the national average. However, this ratio has decreased from a peak of 4.3% in 2017-18 to 3.6% in 2022-23. The state dedicated 41% of its Revenue Developmental Expenditure to social services. Education expenditure as a proportion of Total Expenditure rose from 16.9% in 2018-19 to 17.2% in 2022-23, while health expenditure remained below the major states' average at 4.3% in 2022-23. The state's capital expenditure primarily focused on the economic sector, with 61% of total capital expenditure allocated to this area in 2022-23, down from 75% in 2018-19.

Uttar Pradesh also exhibits a favourable Quality of Expenditure score, with its capital outlay to GSDP ratio at 4.1% in 2022-23, exceeding the national average. The state has experienced notable growth in social sector capital and revenue expenditure since 2018-19. Capital Expenditure as a percentage of Total Expenditure fluctuated between 14.8% and 19.3% from 2018-23, peaking in 2022-23. The state's Capital Expenditure to Total Expenditure ratio surpassed the major states' average in 2018-19 and 2022-23. Additionally, Uttar Pradesh's ratio

of capital expenditure on health and family welfare to total expenditure increased from 4.9% in 2018-19 to 6.5% in 2022-23, surpassing the average of major states.

In 2022-23, Gujarat allocated 71% of its total expenditure to developmental purposes, surpassing most major states in the study. The state's capital outlay to GSDP ratio was 1.6% in 2022-23, showing a steady decrease over the past eight years. From 2018 to 2023, overall capital expenditure grew by 26.5%, with significant increases in areas such as education, sports, arts & culture, and water supply. The 2022-23 fiscal year saw a 10.1% rise in revenue expenditure on social services and a 20.8% increase in economic services. Capital expenditure experienced growth of 52.9% for social services and 13.6% for economic services.

Table 5.4: Quality of Expenditure Ratios (2023-24) across major states

State	Development Expenditure-GSDP Ratio (%)	Revenue Expenditure-GSDP Ratio (%)
Rajasthan	12.8	16.7
Maharashtra	8.4	11.2
Gujarat	7	8.1
Tamil Nadu	8.6	11.7
Madhya Pradesh	14.7	16
Uttar Pradesh	13.8	16.6
Bihar	21.2	24.6
Punjab	9.3	16.7

Source: SFAR, CAG, Finance Accounts, 2024-25

The Development Expenditure-GSDP Ratio and Revenue Expenditure-GSDP Ratio provide insights into the quality of state spending in 2023-24. Bihar stands out with the highest development expenditure ratio at 21.2%, indicating a strong focus on public investment, but its revenue expenditure at 24.6% raises concerns about fiscal sustainability. Similarly, Madhya Pradesh (14.7%) and Uttar Pradesh (13.8%) also allocate a significant portion of their GSDP to development, reflecting a push for infrastructure and economic growth, though their revenue expenditure remains relatively high. Rajasthan (12.8%) and Punjab (9.3%) demonstrate moderate development spending, but their high revenue expenditure (16.7%) suggests a heavy reliance on operational expenses such as salaries, pensions, and subsidies. In contrast, Maharashtra (8.4%), Gujarat (7%), and Tamil Nadu (8.6%) have the lowest development expenditure ratios, indicating a more restrained approach to capital spending. Among them, Gujarat stands out with the lowest revenue expenditure ratio (8.1%), reflecting strong fiscal discipline and lower dependency on government spending for economic activity. Overall, states

with higher development expenditure are prioritizing capital formation, but maintaining fiscal prudence is crucial to prevent excessive debt burdens. A balanced approach that ensures adequate infrastructure investment while keeping revenue expenditure in check is key to long-term financial sustainability.

5.3 Suggestions for Improvement/Fiscal Efficiency Recommendations

Some suggestions for improving Rajasthan's fiscal efficiency by optimising expenditure patterns under both revenue and capital accounts are as follows:

1. ***Controlling the Growth of Revenue Expenditure:*** There is a significant proportion of revenue expenditure in the State total expenditure, suggesting a need to control its growth. This implies a need to prioritise spending on essential services and identify areas where costs can be reduced without compromising service delivery. The State needs to re-examine the spending patterns across different departments and sectors by identifying the areas of inefficiency and redundancy and reallocating resources towards high-impact programs. Further, it is important to control the growth of committed expenditures such as interest payment so that resources can be diverted towards developmental initiatives. We understand that Health and Education sectors are crucial for human capital formation and allocating a significant portion of revenue expenditure to these sectors is needed. However, the state needs to enhance efficiency and cost-effectiveness in service delivery within these sectors.
2. ***Boosting Capital Expenditure:*** The State capital expenditure, crucial for long-term economic growth and development, needs a boost by raising the proportion of total expenditure dedicated to capital outlay to invest in infrastructure projects and create productive assets that generate future revenue streams. Further, investing in income-generating activities based on a clear prioritisation strategy is crucial. This involves identifying sectors with high growth potential and aligning it with the state's overall development goals. The State needs to focus on increasing the investment in infrastructure development, particularly in areas like power, communication, roads, and social sector infrastructure. This will improve service delivery, attract investments, and boost economic activity.
 - ***Enhancing Efficiency in Public Spending:*** Along with increasing capital expenditure, ensuring its efficient utilisation is critical by adopting a performance-based budgeting approach, where allocations are linked to specific

outcomes and targets, can improve accountability and ensure that funds are used effectively. Robust monitoring and evaluation mechanisms are also essential to track the progress of projects, identify bottlenecks, and make necessary course corrections to ensure optimal utilisation of capital expenditure. Further, leveraging technology for financial management, such as the Comprehensive Financial Management System (CFMS), can enhance transparency, reduce leakages, and improve efficiency in public spending.

5.4 Conclusion

Over the years, expenditure trends highlight a persistent dominance of revenue expenditure, which has consistently accounted for over 80% of total expenditure and reached 90% in 2023-24. As a percentage of the GSDP, revenue expenditure has remained elevated, peaking at 18.3% in 2018-19 and settling at 15.8% in 2023-24. A significant portion of this expenditure is allocated to interest payments, which have gradually increased both in absolute terms and as a share of GSDP, reaching 2.2% in 2023-24. This reflects the rising debt burden and growing fiscal constraints. In contrast, capital outlay, which is critical for infrastructure development and long-term economic growth, has remained relatively low. Its share of total expenditure fluctuated between 7.6% and 15.2%, with a declining trend in recent years. As a percentage of GSDP, capital outlay peaked at 3.2% in 2015-16 but has since declined to 1.7% in 2023-24. This indicates a reduced focus on asset creation, which could affect future growth prospects. Overall, the fiscal structure remains heavily skewed towards revenue expenditure, limiting the resources available for capital investment. A more balanced expenditure approach with an increased focus on capital outlay is necessary to enhance economic resilience, improve infrastructure, and ensure long-term fiscal sustainability. However, there has been a progressive shift toward developmental spending, although the dominance of Revenue Expenditure over Capital Expenditure underscores a need for greater investment in long-term infrastructure to sustain economic growth.

Chapter 6

Deficit Analysis and Fiscal Sustainability

6.1 Introduction

It is widely recognized that fiscal indicators and balances in most Indian states have reached concerning levels, especially after the COVID-19 pandemic. To reestablish fiscal discipline, both central and state governments committed to adhering to fiscal regulations. The basic objective of the Fiscal Responsibility and Budget Management (FRBM) Act (2003) was to promote fiscal discipline, transparency, and accountability in government financial management. The primary aim of the legislation was to eliminate the revenue deficit to zero per cent and lower fiscal deficits to 3% of GDP or less. Under the fourth amendment (2018) to the FRBM Act, the targets for revenue deficit and effective revenue deficit (revenue deficits excluding grants for capital asset creation) have been abolished. The combined debt of the central and state governments is set at 60% of GDP, while the central government debt is capped at 40% of GDP. In the 2021 Budget, the FRBM was further amended to establish a fiscal deficit target of 4.5% by the fiscal year 2025-26, as recommended by the 15th Finance Commission (FC). To evaluate the fiscal sustainability of the State of Rajasthan, the chapter is divided into two sections: (1) an examination of revenue and fiscal deficits, and (2) an analysis of current revenue balances for plan funding.

6.2 Revenue and Fiscal Deficit Analysis

The gap between total revenue receipts and expenditures over a specific period is known as the revenue deficit, which highlights the government's inadequate revenue-generating capacity. Fiscal deficit represents the total amount of debt incurred by the government during a given timeframe. The non-interest deficit, or gross fiscal deficit minus interest payments, is referred to as the primary deficit. This measure is significant as it shows the extent of discretionary fiscal changes. A consistently high primary deficit can impact future debt ratio growth and the debt burden on states. A decreasing trend in primary deficit indicates progress towards a sustainable fiscal balance.

The FRBM Act targets aimed to improve the state's overall financial stability and reduce dependence on borrowing. The success of these measures can be evaluated by examining the trends in revenue and fiscal deficits over time, as well as the state's ability to fund its development plans through current revenue balances. To fully assess Rajasthan's progress, it

would be necessary to analyze specific data on the state's revenue receipts, expenditure, and GSDP growth over the years following the implementation of fiscal responsibility measures. This analysis would provide insights into the effectiveness of the state's fiscal management strategies and its progress towards achieving the goals set by the FRBM Act.

6.2.1 Trends in Deficit

The deficit indicators of Rajasthan from 2011-12 to 2023-24 reveal significant fiscal challenges faced by the state. The revenue account, which showed surpluses in 2011-12 and 2012-13, shifted to a sustained deficit from 2013-14 onward, peaking at ₹ 44,002 crore in 2020-21, likely due to the economic impact of the COVID-19 pandemic. Although the revenue deficit has moderated slightly in recent years but quite high at ₹38,954 crore in 2023-24. Similarly, the fiscal deficit has consistently remained negative, reflecting a persistent gap between the state's total expenditure and revenue. A sharp increase is observed in 2015-16, with the fiscal deficit reaching ₹ 63,070 crore due to absorption of DISCOM debt under UDAY, and the situation has worsened in the 2023-24, with a record fiscal deficit of ₹ 65,579 crore. The primary deficit, which excludes interest payments, mirrors this trend, deteriorating sharply post-2013-14 and peaking in 2015-16 at ₹ 51,062 crore. The 2023-24 shows a primary deficit of ₹31,451 crore, indicating continued fiscal stress.

Table 6.1: Deficit Indicators of Rajasthan (Rs. in Crore)

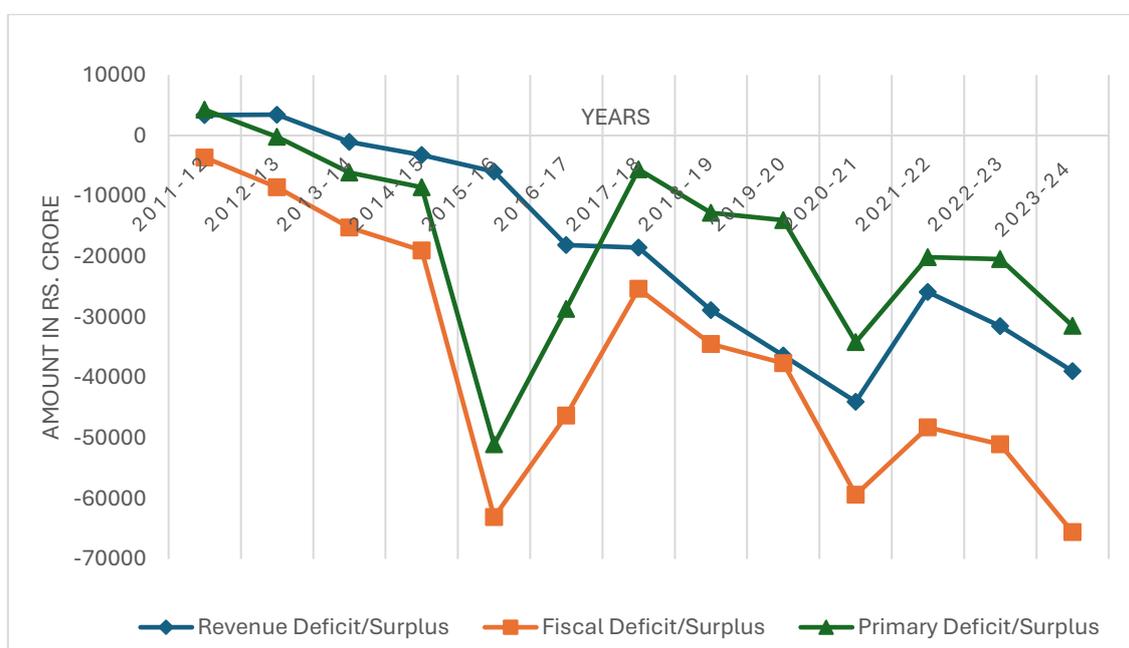
Year	Revenue Deficit/Surplus	Fiscal Deficit/Surplus	Primary Deficit
2011-12	3357	-3626	4266
2012-13	3451	-8534	-194
2013-14	-1039	-15189	-6126
2014-15	-3215	-19000	-8537
2015-16	-5954	-63070	-51062
2016-17	-18114	-46318	-28641
2017-18	-18535	-25342	-5622
2018-19	-28900	-34473	-12778
2019-20	-36371	-37654	-14011
2020-21	-44002	-59376	-34174
2021-22	-25870	-48238	-20138

2022-23	-31491	-51028	-20426
2023-24	-38954	-65579	-31451

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

The data highlights a structural deterioration in Rajasthan’s finances over the years, exacerbated by the pandemic and driven by rising expenditures and subdued revenue growth. The deficits suggest increasing reliance on borrowings to meet expenditure needs, raising concerns about the state’s fiscal sustainability. These trends call for an in-depth analysis of revenue mobilization strategies, expenditure management, and the debt-GSDP ratio to ensure long-term fiscal health.

Figure 6.1: Trends in Deficit Indicators of Rajasthan (Rs. in Crore)



Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

6.2.1.1 Revenue Receipt, Revenue Expenditure, and Revenue Deficit Trends

The trends in revenue receipts, revenue expenditure, and revenue deficit for Rajasthan from 2011-12 to 2023-24 show continuous deterioration in the state's fiscal management due to internal and external shocks between 2015-16 and 2020-21. Since then, it has shown improvement. The revenue receipts of Rajasthan have seen a general upward trend from ₹57,011 crore in 2011-12 to ₹2,03,276 crore in 2023-24. However, the annual growth rate has fluctuated significantly, peaking at 36.9% in 2021-22 due to post-pandemic recovery, but slowing to 6% in 2022-23 and further to 4.3% in 2023-24. Revenue expenditure, meanwhile, has consistently grown, rising from ₹53,654 crore in 2011-12 to ₹2,42,230 crore in 2023-24.

The annual growth rate in expenditure has also varied, with a sharp increase in years like 2016-17 (19.7%) and 2021-22 (17.7%), reflecting rising commitments in public services and welfare schemes.

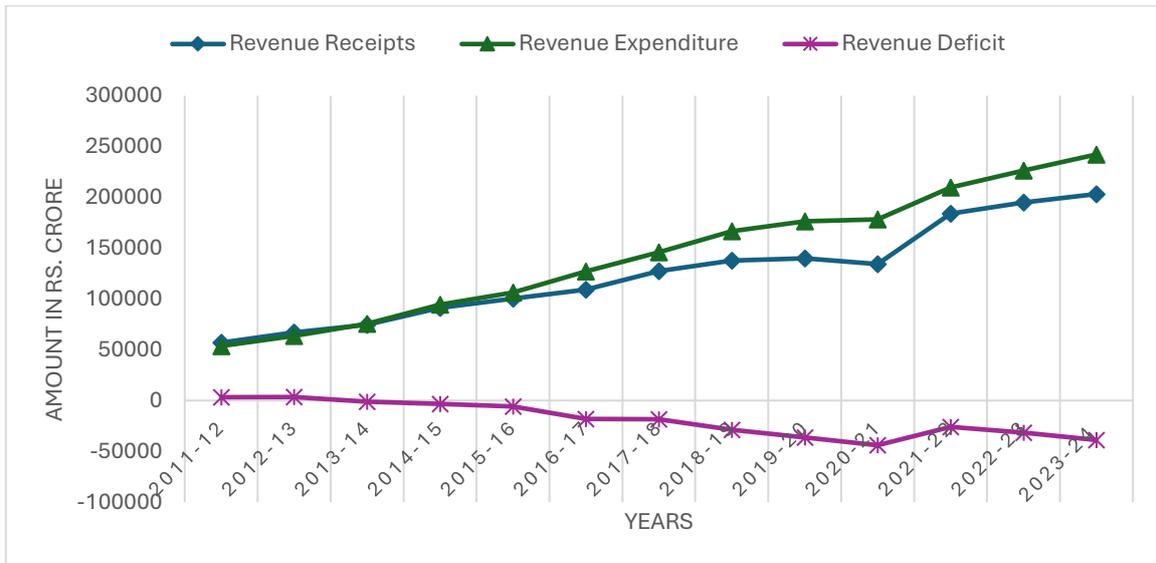
Despite growth in receipts, revenue deficits have persisted since 2013-14, reaching a peak of ₹44,001 crore in 2020-21, primarily due to the pandemic's economic impact. The annual growth rate of revenue deficits has been volatile, with significant increases in some years, such as 2015-16 (204.2%) and 2018-19 (55.92%), but a decline of 41.2% in 2021-22, reflecting some fiscal consolidation. The deficit is projected to increase in 2023-24 (₹38,954 crore). This trend highlights the persistent challenge of aligning revenue growth with expenditure increases to reduce fiscal imbalances. The state's fiscal health highlights the need for robust revenue mobilization strategies and expenditure rationalization to manage the growing deficits sustainably.

Table 6.2: Revenue Receipt, Revenue Expenditure, and Revenue Deficit Trends (Rs. in Crore)

YEAR	Revenue Receipts	<i>Annual Growth Rate</i>	Revenue Expenditure	<i>Annual Growth Rate</i>	Revenue Deficit	<i>Annual Growth Rate</i>
2011-12	57011	-	53654	-	3357	-
2012-13	66913	17.4%	63462	18.3%	3451	2.8%
2013-14	74471	11.3%	75510	19.0%	-1039	-130.1%
2014-15	91327	22.6%	94542	25.2%	-3215	209.4%
2015-16	100285	9.8%	106239	12.4%	-5954	85.2%
2016-17	109026	8.7%	127140	19.7%	-18114	204.2%
2017-18	127307	16.8%	145842	14.7%	-18535	2.3%
2018-19	137873	8.3%	166773	14.4%	-28900	55.9%
2019-20	140114	1.6%	176485	5.8%	-36371	25.9%
2020-21	134308	-4.1%	178309	1.0%	-44002	21.0%
2021-22	183920	36.9%	209790	17.7%	-25870	-41.2%
2022-23	194987	6.0%	226479	8.0%	-31491	21.7%
2023-24	203276	4.3%	242230	7.0%	-38954	23.7%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Figure 6.2: Trends in Revenue Receipt, Revenue Expenditure, and Revenue Deficit



Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

6.3 Fiscal Sustainability Indicators

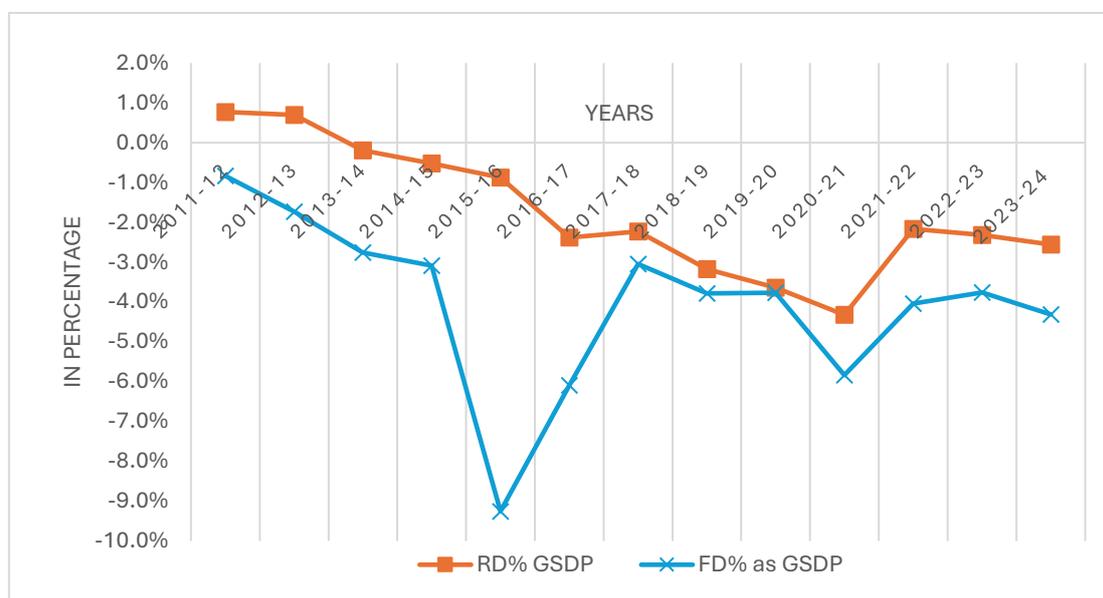
Revenue and fiscal deficits, when expressed as a percentage of GSDP and per capita, provides a relative measure of a government's financial health and its impact on citizens. A high percentage of GSDP indicates that the government is spending more than it earns, which can lead to debt accumulation and potential economic instability. A lower percentage suggests a more sustainable fiscal position. A high per capita deficit suggests that the government is borrowing heavily to finance its spending, which may have implications for future generations. A low per capita deficit indicates a lower burden on individuals. By examining these figures, we can assess a government's fiscal sustainability, compare its performance with other states and make informed policy decisions. By considering both relative and absolute measures, we can gain a comprehensive understanding of a government's fiscal position and its implications for economic well-being.

6.3.1 Revenue and Fiscal Deficit as percentage of GSDP

The trends in Rajasthan's revenue and fiscal deficits as a percentage of GSDP from 2011-12 to 2023-24 show a steady deterioration in the state's fiscal health over this period as evidenced by rising revenue and fiscal deficits in both absolute terms and as a percentage of GSDP. The revenue deficit, which was 0.2% of GSDP in 2013-14, has consistently widened, peaking at 4.3% of GSDP in 2020-21 due to the pandemic's economic impact and weak revenues and excessive borrowings to meet the growing expenditure. It has since moderated to 2.6% in the

2023-24. Similarly, the fiscal deficit surged significantly, reaching 9.3% of GSDP in 2015-16, marking a sharp increase likely due to the state government's absorption of DISCOM losses under UDAY scheme. Although the fiscal deficit declined to 3.0%-4.0% of GSDP between 2017-18 and 2019-20, it again increased to 5.8% due additional borrowings during covid-19 pandemic, subsequently it declined to 4.3% of GSDP in 2023-24 due to fiscal consolidation. These trends reflect a growing reliance on borrowings to finance not only capital expenditure but also revenue expenditure, signalling structural fiscal imbalances. While GSDP has increased steadily from ₹4,34,837 crore in 2011-12 to ₹15,21,510 crore in 2023-24, the growth in deficits has outpaced economic expansion.

Figure 6.3: Trends in Revenue and Fiscal Deficit as a percentage of GSDP

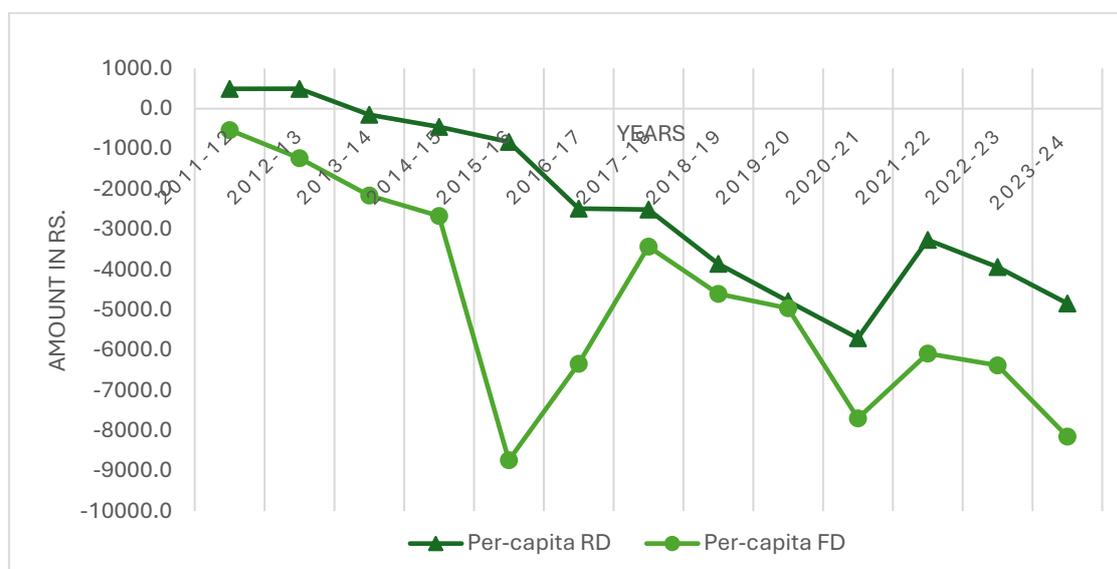


Source: Authors' calculation based on data in Table 6.3.

6.3.2 Per-Capita Revenue and Fiscal Deficit

On the per-capita basis, the revenue surplus from ₹489.8 in 2011-12 turned into deficit of ₹5699.7 in 2020-21 with a consistent rise in deficit, before improving to ₹3936 in 2022-23, but again showing signs of deterioration in 2023-24 with ₹4839 per capita RD. The per-capita fiscal deficit followed a similar trajectory, escalating from ₹529.0 in 2011-12 to ₹8146 in 2023-24, driven by a combination of increased population and growing fiscal imbalances. The population grew steadily from approximately 68.5 million in 2011-12 to 80.5 million in 2023-24, which magnified the impact of deficits on a per-capita basis. This trend reflects the growing burden of borrowings on the population over the past 10 years. This calls for increasing state revenue by expanding industrial and the service sector.

Figure 6.4: Trends in Per-Capita Revenue and Fiscal Deficit



Source: Authors' calculation based on data in Table 6.3.

Table 6.3: Trends in Revenue and Fiscal Deficit as a percentage of GSDP and Per-Capita

YEAR	Revenue Deficit	RD as a percent of GSDP	Per-capita RD	Fiscal Deficit	FD as a percent of GSDP	Per-capita FD	GSDP	Population (Estimates)
2011-12	3357	0.8%	489.8	-3626	-0.8%	-529.0	434837	68548437
2012-13	3451	0.7%	496.6	-8534	-1.7%	-1227.9	493551	69500000
2013-14	-1039	-0.2%	-147.6	-15189	-2.8%	-2157.5	551031	70400000
2014-15	-3215	-0.5%	-450.9	-19000	-3.1%	-2664.8	615642	71300000
2015-16	-5954	-0.9%	-824.7	-63070	-9.3%	-8735.5	681482	72200000
2016-17	-18114	-2.4%	-2478.0	-46318	-6.1%	-6336.3	760587	73100000
2017-18	-18535	-2.2%	-2504.7	-25342	-3.0%	-3424.6	832529	74000000
2018-19	-28900	-3.2%	-3853.4	-34473	-3.8%	-4596.4	911519	75000000
2019-20	-36371	-3.6%	-4785.7	-37654	-3.8%	-4954.5	1000032	76000000
2020-21	-44002	-4.3%	-5699.7	-59376	-5.8%	-7691.2	1017917	77200000
2021-22	-25870	-2.2%	-3263.1	-48238	-4.0%	-6084.4	1194961	79281000
2022-23	-31491	-2.3%	-3936.4	-51028	-3.8%	-6378.5	1357851	80000000
2023-24	-38954	-2.6%	-4839.0	-65579	-4.3%	-8146.5	1521510	80500000

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

6.4 Conclusion

Rajasthan's Fiscal Responsibility and Budget Management (FRBM) Act, enacted in 2005, remains the governing framework for fiscal discipline as it mandates a fiscal deficit limit of 3% of GSDP and the elimination of effective revenue deficit. But Rajasthan's fiscal deficit has exceeded this threshold, reaching 6.12 % in FY 20, 3.98 in FY 21, 4.36% in FY 22, 4.3% in FY23 and projected at 4% for FY24. This breach reflects persistent fiscal pressures, including lower-than-expected revenue receipts and rising expenditure commitments. In 2016, Rajasthan amended its FRBM Act to raise the permissible debt-to-GSDP ratio to 35% for FY2018-19 to adjust the borrowings for UDAY loans, far exceeding the 14th Finance Commission's recommended 24.4% limit. Despite this adjustment, the state's debt levels remain a concern, compounded by GST implementation issues and shortfalls in central tax devolution. While the central government paused FRBM targets during COVID-19, Rajasthan's pre-pandemic fiscal metrics already indicated strain. The state's revenue deficit and fiscal slippages have been exacerbated by economic disruptions, though recent estimates suggest a marginal improvement in deficit figures.

The fiscal analysis of Rajasthan from 2011-12 to 2023-24 highlights a growing fiscal imbalance and the challenges of maintaining sustainability. The state has seen a transition from a revenue surplus in 2013-14 to persistent revenue deficits in subsequent years, peaking at ₹44,002 crore in 2020-21 (4.3% of GSDP) during the pandemic, moderating in the next year to ₹25,870 crore, and then deteriorating again to ₹38,954 crore in 2023-24 (2.6% of GSDP). Revenue expenditure has consistently outpaced revenue receipts, indicating structural imbalances and reliance on borrowing to finance not just capital investments but also operational costs. The fiscal deficit has also been volatile, reaching a high of 9.3% of GSDP in 2015-16 and stabilizing around 3%-4% in recent years, though it is projected to rise to 4.3% in 2023-24 (₹65,579 crore). This trend highlights growing fiscal stress, with public borrowing increasingly being used to finance deficits rather than developmental activities.

Despite economic growth, as reflected in the rising GSDP, the state's fiscal performance has not improved accordingly, with rise in deficits as a percentage of GSDP and per-capita deficits. The pandemic exacerbated fiscal pressures, highlighting Rajasthan's vulnerability to economic shocks and the need to build fiscal resilience. The growing reliance on debt to finance revenue deficits raises concerns about long-term sustainability and intergenerational equity, as future generations may bear the burden of today's borrowing.

To address these challenges, Rajasthan must enhance revenue mobilization by broadening the tax base, improving compliance, and increasing non-tax revenue. Being the largest state in terms of geographical area, the State encounters substantial cost-related difficulties in providing desirable public services which poses significant challenges in reducing public expenditure. But expenditure rationalization is critical for the State and needs to focus on reducing unproductive spending and improving efficiency. A well-structured debt management strategy is needed to ensure borrowing is directed toward productive investments with high economic returns. Structural reforms in governance, public service delivery, and state-owned enterprises can help address the root causes of fiscal stress. Lastly, building fiscal buffers during periods of economic growth is essential for better resilience against future shocks. While Rajasthan has made significant strides in economic growth, restoring fiscal balance through comprehensive reforms and prudent fiscal management is crucial for ensuring long-term sustainability.

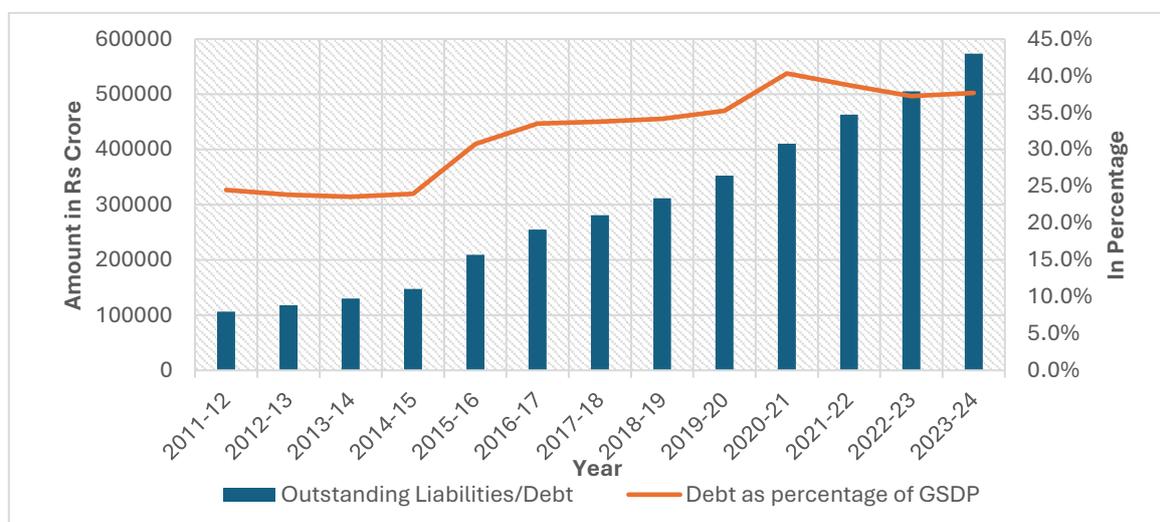
Chapter 7

Debt Management

Debt management refers to the development and implementation of a plan to handle government debt. Debt management strategy aims to secure the necessary funding while meeting specific risk and cost objectives. Additionally, it addresses any other debt management goals set by the government through legislation or yearly budget announcements.

The trend of outstanding liabilities or debt highlights the fiscal trajectory of Rajasthan state for 2011-12 to 2023-24. The outstanding liabilities have increased significantly in absolute terms, from ₹1,06,560 crore in 2011-12 to an estimated ₹5,73,530 crore in 2023-24. This reflects a steady rise in the state's borrowing to meet financial requirements. When measured as a percentage of GSDP, the debt burden has exhibited a fluctuating trend. Initially, the debt-GSDP ratio increased sharply from 24.5% in 2011-12 to 36.0% in 2012-13, followed by a decline to 23.6% in 2013-14. After 2013-14, the ratio consistently increased, reaching a peak of 40.3% in 2020-21 during the COVID-19 pandemic, reflecting increased borrowing to meet the COVID pandemic-related expenditure and mitigate the economic slowdown. However, post-pandemic, the ratio has declined slightly, stabilizing at 37.2% in 2022-23 and 37.3% in 2023-24. This trend indicates that while the absolute debt levels have risen, the state's fiscal health has improved moderately in recent years as borrowing relative to GSDP has started to stabilize. The rising liabilities, particularly during crisis years, underscore the need for careful debt management strategies to ensure long-term fiscal sustainability.

Figure 7.1: Trend of Outstanding Debt (Rs. in Crore)



Source: Authors calculation based on data in Appendix Table A7.1.

7.1 Composition of the State Debt

The Rajasthan FRBM Act, 2005 defines total liability as explicit obligations under both the State's Consolidated Fund and Public Account including the General Provident Fund.

7.1.1 Components of State Debt

The state debt consists of public debt, which encompasses internal debt and loans from the central government, and liabilities on public account, which include small savings and provident funds, reserve funds, and deposits. The overall debt of the State has grown at a CAGR of 15% from 2011-12 to 2023-24, driven primarily by the rise in public debt and liabilities on the public account. The annual growth rate of debt has fluctuated, with the highest growth of 41.9% observed in 2015-16 followed by a consistent contraction to 9.2% in 2022-23 except for 2020-21. Post-2020, debt growth has stabilized, averaging around 12% between 2020-21 and 2023-24.

Public debt, which includes internal debt and loans from the Government of India, remains the largest component with a growth of 16.4% CAGR. Within public debt, internal debt has shown significant growth, increasing from ₹64,456 crore in 2011-12 to ₹4,46,652 crore in 2023-24, reflecting a heavy reliance on market borrowings. Loans from the Government of India have also risen steadily, from ₹7,249 crore in 2011-12 to ₹46,794 crore in 2023-24, underscoring increased dependence on central funding.

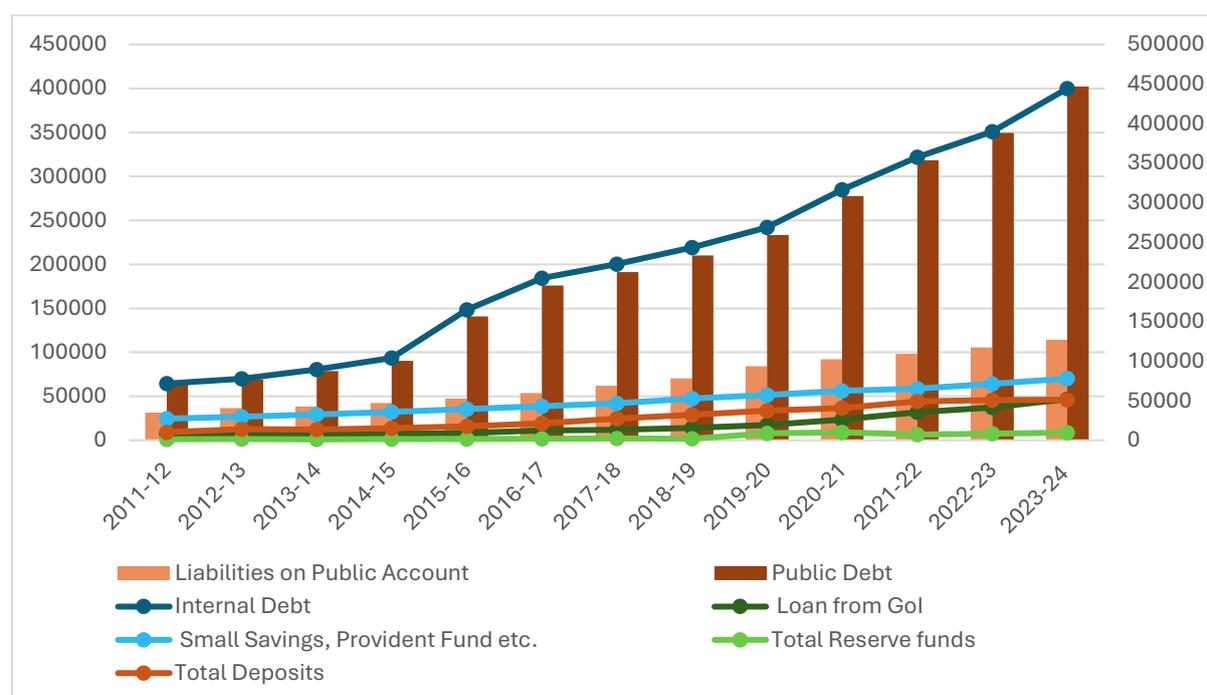
Liabilities on the public account have grown moderately at a CAGR of 11.4%, rising from ₹34,851 crore in 2011-12 to ₹1,26,878 crore in 2023-24. Among its subcomponents, small savings and provident funds grew at 9.2%, increasing from ₹24,580 crore to ₹70,899 crore during the same period. Reserve funds, with a robust CAGR of 17.8%, reflect an increase in earmarked resources, growing from ₹1,113 crore to ₹7,933 crore. Deposits, another significant component, expanded at a CAGR of 14.4%, from ₹9,158 crore in 2011-12 to ₹46,211 crore in 2023-24, reflecting rising liabilities in this category.

The State Government resorted to off-budget borrowings of ₹2,137 crore in 2018-19, which has been declining consistently in absolute terms as well as a percentage of outstanding liabilities and GSDP. The borrowing amount fell to ₹1,279 crore in 2022-23. Similarly, the share of off-budget borrowings in outstanding liabilities dropped from 0.69% in 2018-19 to 0.25% in 2022-23, while its proportion to GSDP declined from 0.23% to 0.09% during the same period. The presence of off-budget borrowings leads to an underestimation of the debt-

to-GSDP ratio, as these liabilities are not directly reflected in the state's fiscal indicators. However, the consistent decline in such borrowings is a positive sign, as it suggests a reduction in borrowings by Public Sector Undertakings (PSUs) and Special Purpose Vehicles (SPVs). This trend indicates a possible shift towards more transparent, on-budget borrowing mechanisms.

Overall, the rising debt levels, particularly the faster growth in public debt compared to liabilities on the public account, highlight the state's increasing reliance on borrowings to meet fiscal needs. While there has been some improvement in resource mobilization through small savings and reserve funds, the growing debt-GSDP ratio is raising concerns over long-term fiscal sustainability.

Figure 7.2: Component wise Debt Trends (Rs. in Crore)



Source: Authors calculation based on data in Appendix Table A7.1. Data of bars is on secondary axis on right side and Lines on primary axis.

Table 7.1: Component wise Debt Trends (Rs. in Crore)

Components	Overall Debt	Annual Growth Rate	as a per cent of GSDP	Public Debt (i+ii)	(i) Internal Debt	(ii) Loan from GoI	Liabilities on Public Account	(i) Small Savings, Provident Fund etc.	(ii) Total Reserve funds	(iii) Total Deposits
2011-12	106560		24.5%	71705	64456	7249	34851	24580	1113	9158
2012-13	117805	10.6%	23.9%	76953	69972	6981	40852	26744	1533	12575

2013-14	129910	10.3%	23.6%	87329	80581	6748	42580	29265	1160	12153
2014-15	147609	13.6%	24.0%	100510	93476	7034	47098	32247	1285	13564
2015-16	209386	41.9%	30.7%	156550	148292	8257	52836	35514	1499	15820
2016-17	255002	21.8%	33.5%	195423	184285	11139	59577	38895	1622	19061
2017-18	281182	10.3%	33.8%	212307	200244	12063	68875	42095	2017	24762
2018-19	311374	10.7%	34.2%	233239	219312	13927	78135	47478	1839	28818
2019-20	352702	13.3%	35.3%	259380	242077	17303	93322	51468	8011	33843
2020-21	410500	16.4%	40.3%	308321	284789	23532	102179	56326	9139	36714
2021-22	462845	12.8%	38.7%	353556	321807	31749	109289	58786	6329	44174
2022-23	505574	9.2%	37.2%	388384	350962	37422	117190	64123	7444	45623
2023-24	573530	13%	37%	446652	399858	46794	126878	70219	8555	46211
CAGR	15.1%	-	-	16.5%	16.4%	16.8%	11.4%	9.1%	18.5%	14.4%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Table 7.2: Off-Budget Borrowings (Rs. in Crore)

Year	Amount	Outstanding Liabilities	As a percent of Outstanding Liabilities	GSDP	As a percent of GSDP
2018-19	2137	311374	0.69%	911519	0.23%
2019-20	2902	352702	0.82%	1000032	0.29%
2020-21	1804	410500	0.44%	1017917	0.18%
2021-22	1581	462845	0.34%	1194961	0.13%
2022-23	1279	505574	0.25%	1357851	0.09%

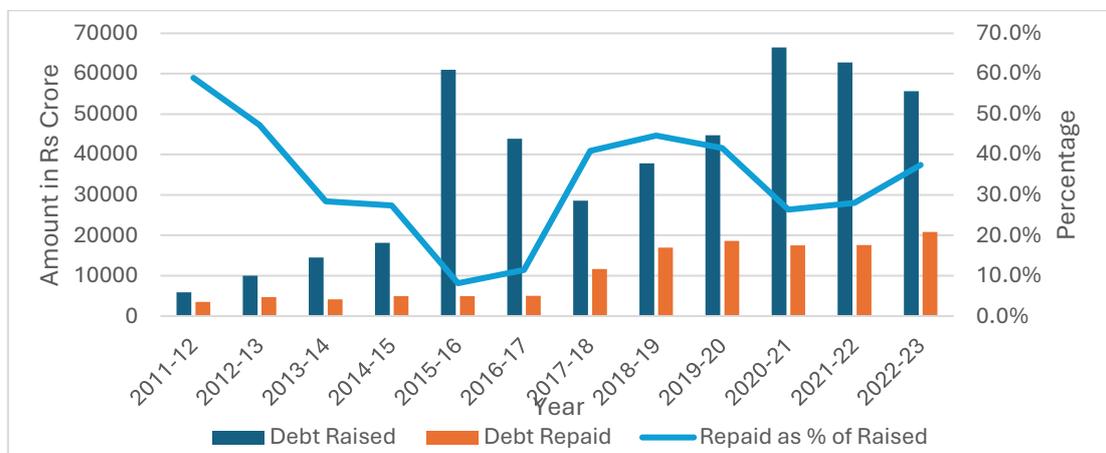
Source: SFAR, CAG, 2023-24

7.1.2 Debt Repayment Trend

The total debt raised has increased over the years, with notable spikes in 2015-16 and 2020-21 when the state raised ₹60,998 crore and ₹66,480 crore, respectively, reflecting the need for funds to address fiscal challenges or emergencies, such as the absorption of losses of DISCOMS in 2015-16 and COVID-19 pandemic in 2020-21. Debt repayment has also seen a marked rise, particularly from 2017-18. The repayment amount grew substantially, from ₹3,490 crore in 2011-12 to ₹20,819 crore in 2022-23, which was the highest repayment recorded during the period. This indicates a growing burden of maturing debt and increasing fiscal outflows toward servicing old borrowings. The percentage of debt repaid relative to debt raised demonstrates a trend toward greater repayment obligations. In the earlier years, repayment as a percentage of debt raised was relatively low, such as 8.1% in 2015-16 and 11.4% in 2016-17. However, this figure increased significantly in recent years, peaking at 44.6% in 2018-19,

indicating that most of the borrowed funds were being used for debt servicing on account of UDAY loans rather than for development purposes.

Figure 7.3: Debt Raised and Debt Repaid



Source: Authors calculation based on data in Table 7.2. Data of line is on secondary axis on right side and Bars on primary axis.

Table 7.3: Debt Raised and Debt Repaid (Rs. in Crore)

	Debt Raised	Debt Repaid	Net Receipts	Repaid as % of Raised
2011-12	5918	3490	2428	59.0%
2012-13	9955	4,707	5,248	47.3%
2013-14	14491	4,115	10,376	28.4%
2014-15	18141	4,960	13,181	27.3%
2015-16	60998	4,959	56,039	8.1%
2016-17	43889	5,015	38,874	11.4%
2017-18	28557	11,674	16,883	40.9%
2018-19	37847	16,915	20,932	44.7%
2019-20	44757	18,616	26,141	41.6%
2020-21	66480	17,539	48,941	26.4%
2021-22	62821	17,586	45,235	28.0%
2022-23	55647	20,819	34,828	37.4%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26. Note: Debt Repayment is excluding Ways & Means Advance

7.1.3 State Government Guarantees/ Contingent Liabilities

Guarantees by the state government are considered contingent liability since these guarantees are given to the investor or lender in case the borrower defaults on the payment. The guarantee can only be given by the state if the borrower is a state-owned enterprise. Since these liabilities occur in future due to unforeseen circumstances and get crystallised without appropriate availability of resources with the government, then it can lead to increased deficit, expenditure and borrowings of the state government. To avert any such situation which can put excessive pressure on the fiscal health of the state RBI has issued some guidelines in the 'Report of the Working Group on State Government Guarantees, 2023'. As per the report, the guarantees shall only be provided for the principal amount and normal interest of the loan and should not be more than 80% of the loan amount, State governments cannot extend guarantees on the default by any private enterprise, guarantees which have been already approved cannot be transferred to any other agency without prior approval from the finance department, etc.

The guarantees are majorly extended to power companies, co-operatives, road and transport companies, State Financial Corporation, Urban Development and Housing. The highest amount guaranteed has been for the power companies. The maximum amount guaranteed, including interest, has consistently risen, increasing from ₹97,565 crore in 2011-12 to ₹2,21,973 crore in 2023-24, with some fluctuations, such as a drop in 2016-17 to ₹1,18,161 crore. The outstanding guarantees, which indicate the liabilities not yet discharged, also increased from ₹60,711 crore in 2011-12 to ₹1,10,918 crore in 2023-24, reflecting the state's growing financial commitments. As per the finance accounts of the state, none of the guarantees has been invoked during 2015-2023 which depicts a positive financial performance of the state-owned enterprises during these years.

As per FRBM Act 2005, the total outstanding guarantees by the state government should not exceed 70% of the estimated receipts in the consolidated fund until 2016-17 and thereafter the percentage to be reduced to 60% and should be maintained further. As a percentage of total revenue receipts, the maximum amount guaranteed showed a declining trend, reducing from 189% in 2013-14 to 109% in 2023-24, which suggests better management of guarantees relative to revenue receipts. However, the outstanding guarantees as a percentage of estimated receipts in the Consolidated Fund have varied between 31% and 40%, indicating a moderate level of risk in terms of financial liabilities.

In summary, the state government's guarantees have expanded in absolute terms, driven by developmental and financial needs. However, the declining share of guarantees relative to revenue and estimated receipts suggests a balanced approach to liability management, despite the growing quantum of guarantees. Further assessment may be required to evaluate their impact on fiscal sustainability.

Table 7.4: Guarantees of the State Government (Rs. in Crore)

Year	Maximum amount guaranteed including interest	Outstanding amount of guarantees including interest	<i>Maximum amount guaranteed as a percentage of total revenue receipts (in per cent)</i>	Estimated receipts in the Consolidated Fund	<i>Outstanding guarantee w.r.t. estimated receipts (in per cent)</i>
2011-12	97565	60711		-	-
2012-13	113340	75546		-	-
2013-14	1,40,526	85911	189	-	-
2014-15	1,61,918	94578	177	-	-
2015-16	1,61,236	53620	161	134430	40
2016-17	1,18,161	51119	108	167405	31
2017-18	1,12,057	61761	88	177390	35
2018-19	1.31,026	70430	95	208306	34
2019-20	1,44,676	80631	103	224905	36
2020-21	1,56,822	82612	117	219467	38
2021-22	1,72,684	95868	94	246909	39
2022-23	2,01,008	104832	103	338075	31
2023-24	2,21,973	110918	109	390942	28

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

7.1.4 Share of Capital Outlay in Net Borrowings

The analysis of capital outlay, net debt changes, and the ratio of capital outlay to net debt from 2011-12 to 2023-24 highlights significant fluctuations. Capital outlay, which reflects the government's expenditure on infrastructure and development, shows an overall upward trend, increasing from ₹7,119 crore in 2011-12 to an estimated ₹27,043 crore in 2023-24. This indicates a growing focus on asset creation, although year-on-year variations reveal irregular peaks and lows, suggesting shifts in policy priorities or resource availability.

The net change in debt exhibits an erratic pattern. While some years, such as 2011-12, 2015-16, 2021-22, and 2023-24 record a net increase in debt, other years, including 2016-17, 2018-19, and 2022-23, show net decreases, indicating higher repayments or reduced borrowing. This inconsistency underscores a lack of uniformity in borrowing and repayment strategies, which could be influenced by economic conditions or revenue fluctuations. The percentage of capital outlay relative to net debt changes amplifies this volatility, with exceptionally high ratios in years like 2014-15 and 2017-18, where capital outlay significantly outpaced net debt increases, possibly funded through non-debt sources. In contrast, negative percentages in years such as 2016-17 and 2022-23 suggest sustained investment in infrastructure despite reductions in overall debt, potentially indicating reliance on internal revenues or grants.

Table 7.5: Share of Capital Outlay in Net Borrowings (Rs in Crore)

Year	Capital Outlay	Net Increase/ Decrease in Debt	<i>Capital outlay as a percentage of net change in debt</i>
2011-12	7119	7275	97.9%
2012-13	10683	3564	299.7%
2013-14	13664	2981	458.4%
2014-15	16103	2439	660.2%
2015-16	21986	5883	373.7%
2016-17	16980	-5006	-339.2%
2017-18	20623	3643	566.1%
2018-19	19638	-985	-1993.7%
2019-20	14718	-4920	-299.1%
2020-21	15271	553	2761.5%
2021-22	24152	8881	272.0%
2022-23	19798	-4354	-454.7%
2023-24	27043	7245	373.3%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

7.2 Debt Sustainability Analysis

A state's debt is considered sustainable when it can meet its current and future debt obligations. The indicators used to assess the borrower's creditworthiness and liquidity are their capacity to service and repay debt using regular revenue sources. This section evaluates the State

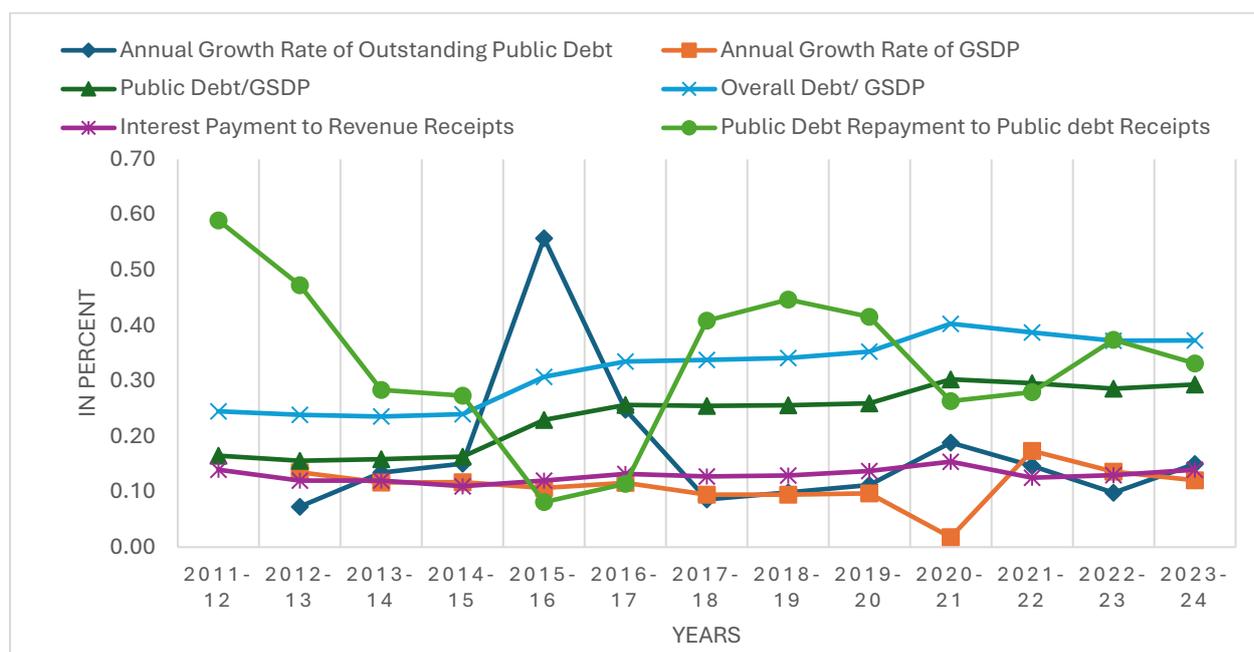
Government's debt sustainability by analyzing three key factors: the debt-to-GSDP ratio, the burden of interest payments (measured as the ratio of interest payments to revenue receipts), and the maturity profile of the State Government's debts.

The analysis of debt sustainability indicators over the period reveals significant trends in fiscal management. The annual growth rate of outstanding public debt exhibited fluctuations, with a sharp peak of 55.8% in 2015-16, reflecting high borrowing needs during that year to absorb DISCOM losses. In subsequent years, the growth rate moderated, reaching 15% in 2023-24, indicating efforts to stabilize debt accumulation. The annual growth rate of GSDP remained consistent between 9.5% and 13.5% for most years, apart from a sharp decline to 1.8% in 2020-21 due to the economic impact of the COVID-19 pandemic. The recovery to 17.4% in 2021-22 and 13.6% in 2022-23 demonstrates resilience and post-pandemic recovery.

The Public debt-GSDP ratio consistently increased from 16.5% in 2011-12 to a peak of 30.3% in 2020-21, reflecting a growing debt burden relative to the economy, but declined to 29.4% in 2023-24, indicating efforts to control debt growth. Similarly, the overall debt-to-GSDP ratio rose from 24.5% in 2011-12 to 40.3% in 2020-21 before reducing to 37.3% in 2023-24, underlining increasing fiscal stress and recent stabilization efforts. Both Public Debt and Overall Debt to GSDP ratio have been increasing consistently until 2020-21, after which they have decreased marginally, indicating a potentially unfavourable trend for the state's economic health. Interest payments as a percentage of revenue receipts remained steady between 11% and 15% throughout this period, with the highest ratio of 15% in 2020-21 during the pandemic, reflecting heightened fiscal strain. By 2023-24, this ratio returned to 14%, showing improved debt servicing efficiency. The public debt repayment-to-receipts ratio varied significantly, with a low of 8.1% in 2015-16 and a high of 59% in 2011-12. By 2023-24, it had increased to 33%, indicating stronger efforts to repay debt relative to borrowings.

In summary, while the data highlights a rising debt burden, particularly during periods of economic stress like the pandemic, post-pandemic years reflect stabilization efforts with declining debt-GSDP ratios and improved repayment capabilities. However, the steady interest payment burden underscores the need for efficient borrowing management. Continued focus on economic growth, prudent borrowing, and effective revenue mobilization will be essential for ensuring fiscal sustainability in the future.

Figure 7.4: Trend in Debt Sustainability Indicators



Source: Authors' calculation based on data in Appendix Table A7.2.

7.3 Comparison of Debt Sustainability with Other States

Niti Aayog's Fiscal Health Index (FHI) report evaluates state debt index and sustainability using specific metrics like Debt Index, which is a ratio of Interest Payments/Revenue Receipts and Outstanding Liabilities/GSDP and Debt Sustainability, which is a difference between GSDP Growth Rate and Interest Payments Growth Rate. An analysis of debt index and sustainability for Rajasthan, Madhya Pradesh, Gujarat, Maharashtra, Tamil Nadu, and Uttar Pradesh reveals varied insights for these states.

Rajasthan's net funds available from borrowing for current operations, after interest and principal repayment, rose by ₹6306 crore during 2018-23. The net public debt available as a percentage of public debt receipts fell from 35.3% (2021-22) to 17% (2022-23), indicating significant use of debt receipts for old public debt redemption. In Madhya Pradesh from 2018-19 to 2022-23, the debt-to-GSDP ratio fluctuated between 24-31%, with a 14% public debt increase in 2022-23. The state allocated 75-90% of borrowed funds to capital expenditure (CAPEX). The interest payments to revenue receipts ratio remained favourable at 7.7-9.6% during 2018-23. In the case of Uttar Pradesh, the interest payments to revenue receipts (IPRR) ratio decreased from 12.6% (2020-21) to 10.3% (2022-23). Net borrowings for current operations after interest and debt repayment varied, reaching 8.5% in 2022-23. The state demonstrated positive debt sustainability and a primary surplus, reducing the debt-to-GSDP

ratio in 2021-22. Despite a primary deficit in 2022-23, positive debt sustainability maintained the declining debt-to-GSDP ratio trend.

Gujarat's debt-to-GSDP ratio was 19.2% in 2018-19 and 18.7% in 2022-23. Interest payments on revenue receipts were 14.8% and 12.7% for the same periods. Debt sustainability was positive from 2017-18 to 2019-20, turned negative during the COVID-19 pandemic, but recovered by 2021-22. Maharashtra's debt grew annually at 9.92% on average between 2018-19 and 2022-23. Most borrowing was used to settle older debts. The debt-to-GSDP ratio slightly decreased from 19.3% (2021-22) to 18.1% (2022-23), compared to 17.27% in 2018-19. The interest payment to revenue receipts ratio declined from 12.2% (2018-19) to 10.3% (2022-23). Since 2020-21, Tamil Nadu has surpassed limits set by the Tamil Nadu Fiscal Responsibility Act, 2003, with an average outstanding liabilities to GSDP ratio of about 29% over three years. The debt-to-GSDP ratio was 28.9% in 2022-23. An analysis of debt management across several Indian states reveals varying fiscal health. Rajasthan is allocating a substantial portion of its debt receipts to repay existing debt. Uttar Pradesh exhibits encouraging debt sustainability and a declining debt-to-GSDP ratio, indicating improved fiscal management. Similarly, Gujarat has enhanced its debt sustainability, with decreases in both its debt-to-GSDP ratio and the proportion of interest payments to revenue receipts from 2018-19 to 2022-23. Madhya Pradesh's debt-to-GSDP ratio has shown fluctuations, but its ratio of interest payments to revenue receipts remains favourable, with a focus on utilizing borrowings for capital expenditure. Maharashtra has seen reductions in its debt-to-GSDP ratio and the proportion of interest payments to revenue receipts. In contrast, Tamil Nadu has surpassed its prescribed debt limits and maintains a high debt-to-GSDP ratio, suggesting a potential need for fiscal adjustments. In summary, Uttar Pradesh and Gujarat demonstrate comparatively better debt management practices, while Tamil Nadu faces challenges with rising debt levels. Madhya Pradesh, Maharashtra, and Rajasthan present mixed debt profiles, each requiring tailored approaches to ensure long-term fiscal stability.

7.4 Suggestions to Improve Debt Management

Based on various studies/reports and examples from other states, the following suggestions are proposed to improve the debt management of Rajasthan:

7.4.1 Fiscal discipline: The State needs to reduce non-developmental spending by eliminating unnecessary vacant positions and overstaffing and merging departments with overlapping objectives and close which have lost their relevance. ~~Further, the State must enhance its~~

~~budgetary forecasting methods and also requires boosting administrative efficiency in revenue collection and expenditure departments.~~ The state has the potential to implement reforms aimed at enhancing efficiency, minimizing losses, and fostering profitable operations in sectors such as power, tourism, and transport. Furthermore, the state should refrain from reverting to the Old Pension Scheme (OPS) as this would impose a long-term financial burden on the state.

7.4.2 Boost Own Tax and Non-Tax Income: The State needs to improve its revenue generation by adopting measures to enhance its tax-GSDP ratio and addressing factors that hinder revenue growth. Equally important is to expand non-tax revenue sources by raising user fees for services such as irrigation and drinking water, as well as enhancing the profitability of departmental enterprises and increasing dividends from non-departmental commercial ventures.

7.4.3 Reduce Impact of Natural Disasters: There is a need to establish a sinking fund to help alleviate the financial strain of natural calamities, especially on agriculture sector, and decrease reliance on external borrowing during crises. This fund can be bolstered by increasing own tax and non-tax revenue.

7.4.4 Tackle Power Sector Obligations: As discussed earlier, that the power sector is a major contributor to the State debt burden. It is important to place a cap on such debt. The Finance Commission should consider capping power sector loans to a percentage of GSDP as a monitorable indicator for fiscal incentive packages. The central government should also contemplate assuming a portion of the interest servicing liability on power sector loans.

7.4.5 Enhance Fiscal Transparency and Accountability: It is important to implement Public Expenditure and Financial Accountability (PEFA) framework which can assist in evaluating and improving public financial management performance of the State. Further, the State needs to resolve the issues of discrepancies in revenue collection as highlighted by the CAG, ensuring timely audits of local body finances, and reducing unspent disbursements.

7.4.6 Examples from Other States

- Karnataka: The state has implemented expenditure reforms focused on controlling administrative costs and enhancing investment in capital assets and social sectors.
- Maharashtra: The state has successfully transitioned from high-cost debt to lower-cost borrowings, improving its debt structure.

- Tamil Nadu: Tamil Nadu has demonstrated successful debt management through diversification of its debt portfolio.

7.5 Conclusion

The Twelfth Finance Commission recommended that Rajasthan legislate the Fiscal Responsibility and Budget Management (FRBM) Act to ensure fiscal discipline. The state enacted the Act in 2005, aiming for the progressive elimination of revenue deficits and maintaining fiscal deficits within 3% of GSDP. However, subsequent Finance Commissions highlighted challenges in adhering to these targets, particularly in achieving a zero-revenue deficit by 2011-12. The Thirteenth Finance Commission set a target for total outstanding debt not exceeding 36.5% of GSDP by 2014-15, which was marginally met but remained a point of concern in subsequent assessments. The Fourteenth Finance Commission noted that despite GSDP growth, Rajasthan's revenue collection was insufficient to meet expenditure needs. The report indicated that the state was not self-sufficient in terms of its own resources, contributing to a weak fiscal situation. The reliance on central transfers and devolution was inadequate to alleviate fiscal pressures.

Additionally, the Fifteenth Finance Commission observed that the state's capital expenditure remained low—around 10% of total expenditures—while interest payments on debt often exceeded capital outlays. This imbalance suggested that previous investments failed to generate adequate returns to service debt obligations effectively. The Sixth State Finance Commission emphasized the need for improved financial management at local levels, recommending better governance and resource allocation to enhance overall fiscal health. It proposed measures for strengthening local bodies and ensuring more effective utilization of funds.

According to the Fiscal Health Index Report 2023 by NITI Aayog, Rajasthan has been classified under the Performer category, ranking 14th out of 18 major states in the Debt Index score for 2023. Haryana, Kerala, West Bengal, and Punjab ranked below Rajasthan, while Odisha, Chhattisgarh, Maharashtra, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Uttar Pradesh, Telangana, Bihar, and Goa performed better. Rajasthan's performance in terms of fiscal prudence has been poor relative to all these states. Both the Debt-to-GSDP ratio and the Interest Payment-to-Revenue Receipts ratio have been rising since 2015-16, with fiscal consolidation beginning in 2021-22. However, both ratios have remained above the national average of 29.8% and 13.5%, respectively. This fiscal stress is largely attributed to the UDAY scheme, internal shocks such as GST implementation, and the COVID-19 pandemic. Over the

last three years, an increase in welfare schemes has contributed to higher social sector and welfare expenditure, along with a rise in capital expenditure by the state.

Mundle & Gupta (2024), in their paper Fiscal Performance of the Central Government and the States of India, argued that in 2022-23, Rajasthan, being part of the lagging development states, ranked among the top five states in terms of the social services to total expenditure ratio. However, in terms of the debt-to-GSDP ratio, it ranked fifth from the bottom. This highlights the fiscal stress faced by the state and underscores the urgent need for fiscal consolidation.

The analysis of debt management trends underscores the evolving dynamics of fiscal policy and public debt sustainability over the years. The sharp rise in the public debt-GSDP ratio during periods of economic stress, such as in 2015-16 due to UDAY and the COVID-19 pandemic in 2020-21, highlights the critical role of borrowing in mitigating fiscal shocks and sustaining public expenditure. This has led to a rise in the government's internal debt, resulting in a rise in the fiscal deficit, as revenue generation remains relatively weak. However, the subsequent stabilization in debt indicators in recent years reflects efforts toward responsible fiscal management and an improving economic environment. The gradual decline in post-pandemic debt-GSDP ratios and the moderation in the growth rate of outstanding public debt signal a shift towards fiscal consolidation and better debt control mechanisms.

Despite these positive developments, persistent challenges remain. The consistently high ratio of interest payments to revenue receipts underscores the importance of optimizing borrowing and revenue mobilization strategies to reduce debt-servicing costs. Furthermore, the significant fluctuations in public debt repayment to receipts ratios reveal the need for more consistent and structured debt repayment plans.

In conclusion, while debt management has been largely effective in addressing immediate fiscal needs and supporting economic recovery, it is imperative to prioritize long-term sustainability. This includes strengthening revenue generation, maintaining economic growth momentum, and implementing prudent borrowing practices to ensure fiscal resilience. Strategic and efficient debt management will remain central to achieving sustainable development goals and safeguarding the state's fiscal health.

Chapter 8

Analysis of State's Transfer to Local Bodies

8.1 Introduction

The transfer of financial resources from state and central governments to local bodies is a key element of fiscal decentralization, ensuring that grassroots governance functions effectively. Local bodies, comprising Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), play a crucial role in delivering public services, implementing development programs, and fostering participatory governance. However, their ability to discharge these functions depends heavily on fiscal transfers from higher levels of government.

These transfers, guided by constitutional mandates, policy frameworks, and recommendations of finance commissions, comprise grants-in-aid, revenue-sharing mechanisms, and project-specific funds. They aim to address fiscal gaps, promote equity, and incentivize performance, thereby supporting developmental objectives and enhancing governance at the local level. The adequacy and efficient utilization of these transfers are crucial for empowering local bodies to meet their responsibilities effectively.

As per Census 2011, Rajasthan has 185 ULBs, including 10 Municipal Corporations, 34 Municipal Councils, and 141 Municipalities. Additionally, the state has 11,341 PRIs, including 33 Zilla Parishads, 295 Panchayat Samitis, and 10,913 Gram Panchayats. According to the latest estimates from the Rajasthan Directorate of Local Bodies (2023), the number of ULBs has increased to 240, including 10 Municipal Corporations, 36 Municipal Councils, and 194 Municipalities reflecting the state's rapid urbanization. At present the state has 11,651 Rural Local Bodies (PRIs), including 33 Zilla Parishads, 352 Panchayat Samitis, and 11,266 Gram Panchayats. The urban population of Rajasthan was 24.9% in 2011, projected to reach 35% by 2050, while the rural population remains significant, emphasizing the need for balanced fiscal transfers. This demographic shift amplifies the demand for infrastructure, essential services, and effective governance at the local level, placing further reliance on state financial transfers to local bodies.

Fiscal transfers to local bodies occur through three primary channels:

- State Government Transfers: Allocations made directly by the Rajasthan government to local bodies.

- Finance Commission (FC) Grants: Recommendations by successive Finance Commissions for resource devolution from the central government.
- State Finance Commission (SFC) Grants: Recommendations by Rajasthan's State Finance Commission for equitable resource distribution within the state.

Despite growing fiscal allocations, urbanization and migration have introduced new challenges. This chapter provides a comprehensive analysis of state-level transfers to local bodies, their composition, trends, and effectiveness. It explores the fiscal frameworks guiding these transfers, the disparities in allocation, and the interplay between financial resources and service delivery. By critically analysing these dynamics, the chapter offers insights into strengthening fiscal relationships between the State and local bodies, addressing urbanization-induced challenges, and fostering sustainable development through robust local governance systems.

8.2 Roles and Responsibilities of Local Bodies

Local bodies in Rajasthan are responsible for various functions as outlined in the 74th Constitutional Amendment (ULBs) and the 73rd Constitutional Amendment (PRIs). Keeping in view the provisions of the 74th Constitutional amendment, the State Government has enacted the Rajasthan Municipalities Act, 2009 by repealing the earlier Act of 1959. The Municipalities Act, 2009 gives wide-ranging powers and functions to the municipalities. Several subjects that are in the list of municipal functions such as urban planning, regulation of land use, planning for social and economic development, urban forestry, protection of the environment and promotion of ecological aspects, etc., are by and large, not being performed by the ULBs in Rajasthan. As a result, performance in urban services is far below what is required. Similarly, the Rajasthan Panchayati Raj Act, 1994 lays down the functions and powers of Panchayati Raj Institutions under sections 50, 51 and 52. The Act authorizes the Gram Panchayats, the Panchayat Samitis and the Zila Parishads to perform the twenty-nine functions listed in the Eleventh Schedule of the Constitution of India. With a view to transfer the subjects out of 29, the State Government transferred 5 subjects along with funds, functions and functionaries, vide order dated 2nd October, 2010 and had also notified the Rajasthan Panchayati Raj (Transferred Activities) Rules, in March, 2011. Accordingly, activities of Medical & Health, Women & Child Development, Social Justice and Empowerment, Elementary Education and Agriculture stand transferred to the Panchayati Raj Institutions along with funds, functions and

functionaries. However, at the State level, the activities of these transferred departments are being controlled by the respective departments only.

8.2.1 Urban Local Bodies (ULBs)

ULBs include Municipal Corporations, Municipal Councils, and Municipalities. The functions of ULBs have been laid down under Section 45 and 46 of the Rajasthan Municipalities Act, 2009. Section 45 provides for core municipal functions that every Municipality is duty-bound to perform. Section 46 provides for other municipal functions i.e. secondary functions that are optional and may be performed by the local bodies subject to their managerial, technical and financial capabilities. Broadly their key functions include:

- Water supply and sanitation
- Waste management
- Regulation of land use and buildings
- Public health, including hospitals and dispensaries
- Roads and street lighting
- Maintenance of public infrastructure

8.2.2 Rural Local Bodies (PRIs)

PRIs consist of Zilla Parishads, Panchayat Samitis, and Gram Panchayats. The section 50 elaborately lays down in all 33 functions and powers of the Gram Panchayats, section 51 enumerates 30 functions for Panchayat Samitis, and section 52 broadly lays down 19 functions of Zila Parishads under the Rajasthan Panchayati Raj Act, 1994. Broadly their key functions include:

- Rural roads and street lighting
- Water supply
- Health and sanitation
- Primary education
- Other basic civic services like waste management, and maintenance of public infrastructure

8.3 Transfers to Urban Local Bodies (ULBs)

ULBs in Rajasthan play a pivotal role in local governance, urban development, and service delivery. They are responsible for a wide array of functions, including urban planning, infrastructure development, water supply, sanitation, and waste management. As urbanization

accelerates in the state, the financial empowerment and efficient functioning of ULBs have become critical for ensuring sustainable urban growth and improving the quality of life for urban residents.

To fulfil these objectives, apart from Finance Commission grants, the Government of Rajasthan provides financial assistance to ULBs through direct fund transfers. These transfers are essential for meeting the operational and developmental needs of ULBs, including allocations for day-to-day expenditures, salaries, and development programs aimed at improving urban infrastructure and services. The government's financial support is aimed at enhancing the capacity of ULBs to manage urban challenges effectively and to cater to the increasing demands of the growing urban population.

Over the years, the financial transfers to ULBs in Rajasthan has seen some growth but an over-reliance on state resources, poses significant challenges to the long-term sustainability of urban development. Addressing this challenge requires a multi-pronged approach for ULBs to become more self-sufficient and resilient. This includes capacity building within ULBs, fostering financial independence, and exploring innovative funding mechanisms. By adopting such strategies, Rajasthan can ensure that ULBs function efficiently and are equipped to meet the dynamic needs of the state's urban population, paving the way for sustainable urbanization in the future.

8.3.1 Receipts of Urban Local Bodies

Receipts of Urban Local Bodies consists of tax revenue, non-tax revenue, user charges, fees, fines, compensation in lieu of octroi, grants from the State and Central Government under SFC/CFC, other programs like MP/MLA LAD as also other agency functions, etc. The urban development tax is the main source of the revenue among the obligatory taxes and advertisement tax forms the main source of revenue in the category of other taxes. The total tax revenue on a year-on-year basis has been less than 5% of their total receipts during 2015-20. The other important source of receipts of ULBs is Internal Income (non-tax revenue) from various sources which fluctuated between 15% to 21% of total receipts. Under this head, the main sources are receipts from by-laws, user charges and sale of land. The Internal Income (non-tax revenue) of urban local bodies has been much more than their tax revenues.

To summarize the overall receipts, the tax revenue of urban local bodies is around 5%, non-tax revenue about 20% and receipts from the State/Central Government sources around 75%. During this period there is a consistent growth in the overall receipts of ULBs on account of

the increased transfers from the State/Central Government, depicting that the urban local bodies are mostly dependent on the grant received from the State/Central Government.

Table 8.1: Major head/year-wise receipts of all ULBs during 2015-20 (Rs. in crore)

Head of Income	2015-16	2016-17	2017-18	2018-19	2019-20
A. Tax Revenue					
(i) Obligatory Taxes	163.52 (3.75%)	168.83 (3.26%)	176.51 (3.46%)	147.31 (2.29%)	171.57 (3.00%)
(ii) Other Taxes	46.79 (1.08%)	29.70 (0.57%)	46.08 (0.90%)	45.41 (0.70%)	41.55 (0.73%)
Total- A (Tax Revenue)	210.31 (4.83%)	198.53 (3.84%)	222.59 (4.36%)	192.72 (2.99%)	213.12 (3.73%)
B. Non-Tax Revenue					
(i) Internal Income	910.01 (20.89%)	780.93 (15.09%)	1060.38 (20.77%)	1061.38 (16.49%)	1083.91 (18.98%)
(ii) External Income	3235.34 (74.28%)	4197.32 (81.08%)	3823.17 (74.87%)	5181.71 (80.51%)	4413.45 (77.29%)
Total- B (Non-Tax Revenue)	4145.35 (95.17%)	4978.25 (96.16%)	4883.55 (95.64%)	6243.09 (97.01%)	5497.36 (96.27%)
Grand Total (A+B)	4355.66 (100%)	5176.78 (100%)	5106.14 (100%)	6435.81 (100%)	5710.48 (100%)

Source: Sixth State Finance Commission Report, Rajasthan, 2023

8.3.2 Financial Assistance by the State Government to ULBs (2011-12 to 2023-24)

ULBs, including Municipalities and Municipal Corporations, are central to the effective functioning of urban areas in Rajasthan. The services provided by these bodies are vital for ensuring the quality of life in urban areas and accommodating the needs of the rapidly growing urban population. As the state grapples with rapid urbanization, ULBs have become more integral to maintaining urban sustainability and facilitating economic growth. The fiscal position of ULBs, which hinges on their financial resources, directly impacts their ability to deliver essential services and undertake developmental projects. Financial assistance from the state government plays a crucial role in bridging the gap between the revenue needs of ULBs and their available resources. Over the years, the financial transfers to ULBs have shown an increasing trend, signalling the growing need for investment in urban infrastructure and the expansion of services to meet the demands of Rajasthan's urban populace.

The data on financial assistance to ULBs in Rajasthan by the state government and Central Finance Commission Grants (including CSS/CS grants) reveals a significant increase in the

funds allocated to Municipalities and Municipal Corporations over the last decade. The figures from 2011-12 to 2023-24 indicate that the state has gradually ramped up its support for urban local governance, driven by the increasing needs for infrastructure development, service delivery, and urban management. The following table presents the year-wise financial assistance provided to Municipal Corporations and Municipalities.

Table 8.2: Financial Assistance to ULBs by State Government and CFC (Rs. in crore)

Year	State Fund Expenditure (SFC)	Central Assistance (including CSS/CS) (CFC)	Plan Expenditure	Non-Plan Expenditure	Total
2011-12	-	-	107	1233	1339
2012-13	-	-	844	1410	2255
2013-14	-	-	738	1585	2324
2014-15	-	-	906	1545	2451
2015-16	-	-	1025	2039	3064
2016-17	-	-	1612	2227	3840
2017-18	3473	223	-	-	3695
2018-19	2984	827	-	-	3811
2019-20	2418	1363	-	-	3781
2020-21	4239	967	-	-	5205
2021-22	3918	1624	-	-	5542
2022-23	4474	1755	-	-	6229
2023-24	4731	895	-	-	5626

Source: SFAR, CAG, Finance Accounts

Financial support extended to Urban Local Bodies (ULBs) has exhibited a consistent upward trend over the past decade. The total financial assistance to ULBs has generally increased, growing from ₹1,339 crore in 2011-12 to ₹3,695 crore in 2017-18 and to a peak of ₹6,229 crore in 2022-23, before slightly declining to ₹5,626 crore in 2023-24. This steady increase underscores a clear acknowledgment of the escalating financial needs of ULBs to manage urbanization and address the challenges associated with contemporary urban development. A notable observation of this financial trend is the significant increase in allocation between 2015-16 and 2016-17. From ₹3,064 crore in 2015-16, the financial assistance surged to ₹3,840 crore in 2016-17, representing a substantial increase of approximately 25%, primarily due to an increase in non-plan grants. Similarly, a marked increase is evident between 2020-21 to 2021-22 from ₹3781 crore to ₹5205 crore, which is attributed to the near doubling of state assistance under State Finance Commission (SFC) grants. This increase can be ascribed to an

intensified focus on enhancing urban infrastructure, including transport, housing, and sanitation, as part of the government's broader urban development initiatives.

The SFC has remained the principal source of funding for ULBs, contributing to the majority share each year. However, its growth has been inconsistent, with a decline observed between 2017-18 (₹3,473 crore) and 2019-20 (₹2,418 crore), followed by a substantial rise in 2020-21 (₹4,239 crore). Post-2020-21, SFC allocations have continued to grow, reaching ₹4,731 crore in 2023-24, indicating a renewed emphasis on urban development. Conversely, Central Assistance (CFC) exhibits significant volatility. It increased steadily from ₹223 crore in 2017-18 to a peak of ₹1,755 crore in 2022-23, before declining sharply to ₹895 crore in 2023-24. The variation in central transfers suggests that fund allocation under centrally sponsored schemes (CSS) and central sector schemes (CS) is subject to policy shifts, changing priorities, or performance-based disbursements. Overall, although the state government has consistently contributed a larger share, central assistance remains a crucial supplementary source, albeit with considerable year-on-year fluctuations. The increasing reliance on state funds highlights the necessity of predictable and stable financial support for ULBs to ensure sustainable urban development.

~~One of the most significant increases occurred between 2019-20 and 2020-21, when the financial assistance from the government including grants from CFC surged from ₹3781 crore to ₹5205 crore.~~

8.4 Transfers to Panchayati Raj Institutions (PRIs)

PRIs are at the heart of rural governance in India, playing a vital role in the implementation of decentralized planning and development. As the primary agents of service delivery in rural areas, PRIs are tasked with a wide range of responsibilities, including water supply, education, road construction, healthcare, and sanitation. The financial health and resource availability of PRIs are therefore critical to achieving rural development objectives and improving the quality of life for rural populations.

In Rajasthan, PRIs have been instrumental in implementing state and centrally sponsored schemes aimed at alleviating poverty, creating infrastructure, and addressing the social and economic disparities in rural regions. Recognizing their importance, the state government has consistently increased financial allocations to PRIs over the years. These transfers have enabled PRIs to take on larger developmental roles and respond effectively to the demands of rural populations.

8.4.1 Receipts of Panchayati Raj Institutions

Panchayati Raj Institutions' receipts consist of own revenue, grants from the State and Central Government under SFC/CFC, receipts from DRDA, and other receipts. The main source of receipts of these rural local bodies is grants from the State/ Central Government and other funds such as MLA/MP LAD funds and other schemes. It is significant to note that, despite State Government prescribing the rates of various taxes and fees to be recovered by the PRIs, their own income is minimal and has remained static over the past five years. The own income of all three tiers of PRIs during 2019-20 was ₹99.54 crores against their total receipts of ₹24535.29 crore which works out to 0.41 per cent of their total receipts. The PRIs should levy and recover taxes, fees and surcharges as laid down under the Act/rules and orders issued by the State Government from time to time.

Table 8.3: Major head/year-wise receipts of all PRIs during 2015-20 (Rs. in crore)

Head of Income	2015-16	2016-17	2017-18	2018-19	2019-20
(i) Own Revenue	80.90 (0.55%)	83.06 (0.42%)	96.37 (0.44%)	92.25 (0.41%)	99.54 (0.41%)
(ii) Receipts from Central/ State Government	6969.92 (47.22%)	9050.90 (46.11%)	9254.76 (42.21%)	8766.04 (39.40%)	10070.54 (41.04%)
(iii) Receipts from DRDA	7669.08 (51.95%)	10448.96 (53.23%)	12526.68 (57.13%)	13345.84 (59.98%)	14320.83 (58.37%)
(iv) Other Sources	42.02 (0.28%)	47.94 (0.24%)	47.63 (0.22%)	46.66 (0.21%)	44.38 (0.18%)
Grand Total	14761.92 (100%)	19630.86 (100%)	21925.44 (100%)	22250.79 (100%)	24535.29 (100%)

Source: Sixth State Finance Commission Report, Rajasthan, 2023

8.4.2 Financial Assistance by the State Government to PRIs (2011-12 to 2023-24)

The fiscal position of PRIs in Rajasthan has seen significant improvement over the years, reflecting the state's commitment to empowering local governance structures in rural areas. The financial assistance provided by the state government and Central Finance Commission Grants (including CSS/CS grants) to PRIs has grown substantially, demonstrating the prioritization of rural infrastructure and service delivery.

Table 8.4: Financial Assistance to PRIs (Rs. in crore)

Year	State Fund Expenditure (SFC)	Central Assistance (including CSS/CS) (CFC)	Plan Expenditure	Non-Plan Expenditure	Total
2011-12	-	-	3077	3141	6217
2012-13	-	-	3784	3890	7675
2013-14	-	-	4529	4424	8953
2014-15	-	-	9030	4803	13833
2015-16	-	-	10609	5372	15982
2016-17	-	-	8599	5874	14473
2017-18	13443	5108	-	-	18550
2018-19	9584	5250	-	-	14834
2019-20	6415	8855	-	-	15270
2020-21	9645	4898	-	-	14543
2021-22	13108	8478	-	-	21585
2022-23	12735	8031	-	-	20766
2023-24	11348	6188	-	-	17536

Source: Source: SFAR, CAG, Finance Accounts

Between fiscal years 2011-12 and 2015-16, funding for Panchayati Raj Institutions (PRIs) was categorized into plan and non-plan expenditures, with allocations demonstrating consistent growth. Specifically, plan expenditure increased from ₹3,077 crore in 2011-12 to ₹10,609 crore in 2015-16, while non-plan expenditure rose from ₹3,141 crore to ₹5,372 crore during the same period. This growth signifies an escalation in government investments in rural infrastructure and service delivery. However, in 2016-17, the total allocation decreased to ₹14,473 crore, then in 2017-18, total financial assistance increased to ₹18,550 crore, with a substantial state contribution of ₹13,443 crore. Nevertheless, subsequent years exhibited fluctuations in allocation. State Fund Expenditure (SFC) has been a predominant factor in PRI financing, reaching a peak of ₹13,443 crore in 2017-18, followed by a decline in 2019-20 (₹6,415 crore). It rebounded in 2021-22 (₹13,108 crore) but decreased to ₹11,348 crore in 2023-24. This pattern reflects the variations in state priorities and fiscal constraints. Central Assistance (CFC) has been shown to exhibit greater volatility. Initially, at ₹5,108 crore in 2017-18, it increased significantly to ₹8,855 crore in 2019-20 and ₹8,478 crore in 2021-22, but subsequently declined to ₹6,188 crore in 2023-24. These fluctuations underscore the impact of evolving policies, performance-linked grants, and shifting rural development priorities under centrally sponsored schemes (CSS).

The total financial assistance to PRIs peaked in 2021-22 at ₹21,585 crore, driven by increased central and state contributions. This peak reflects the state's heightened focus on rural development in the aftermath of the COVID-19 pandemic, during which rural areas faced significant challenges related to healthcare, employment, and infrastructure. However, in 2023-24, total allocations decreased to ₹17,536 crore, indicating a contraction in rural funding. This decline suggests the need for sustained and predictable financing to support long-term rural infrastructure development. The increasing reliance on state funding highlights the importance of enhancing panchayat revenue generation and financial autonomy for PRIs to ensure consistent service delivery.

8.5 Finance Commission Grants for Local Bodies

The grants from the Central Finance Commission and the State Finance Commission serve as the major sources of devolution of funds for ULBs and PRIs finances. The Fifteenth Central Finance Commission (XV-CFC) award period spans from 2021 to 2026, with 2020-21 included as part of its recommendations. Meanwhile, the Sixth State Finance Commission (VI-SFC) covers the period from 2020 to 2025.

8.5.1 Central Finance Commission Recommendations

The central government transfers to the state government for ULBs and PRIs based on Finance Commission grants reveals notable trends over the period 2011-12 to 2022-23. The data indicates that PRIs have consistently received higher allocations compared to ULBs. The transfers to ULBs started at ₹251 crore in 2012-13 and peaked at ₹1,859 crore in 2020-21 before declining to ₹1,113 crore in 2022-23. In contrast, PRIs received ₹880 crore in 2012-13, with a substantial rise to ₹5,043 crore in 2019-20, followed by a slight decline and stabilization around ₹2,955 crore in 2022-23.

The period from 2015-16 to 2017-18 witnessed a steady increase in transfers, coinciding with the implementation of the 14th Finance Commission recommendations. Post-2019-20, both ULB and PRI allocations experienced fluctuations, impacting their capacity for long-term planning. The decline in ULB grants after 2020-21 is particularly concerning, given Rajasthan's increasing urbanization and the growing need for infrastructure and public services.

Table 8.5: Central Government Transfers to Local Bodies (Rs. in Crore)

Year	ULBs	PRIs
2011-12	-	-
2012-13	251	880
2013-14	362	1179
2014-15	-	-
2015-16	433	1,472
2016-17	777	2,306
2017-18	693	2,657
2018-19	802	1,362
2019-20	1283	2,043
2020-21	1859	2,897
2021-22	1376	2854*
2022-23	1113	2,955

Source: SFAR, CAG, Finance Accounts

Note: * This excludes ₹965.50 crore received during 2021-22 by GoR about the grant for 2020-21

Out of the total grants allocated to PRIs by the XV Finance Commission, 60% are for national priorities like drinking water supply, rainwater harvesting, water recycling, maintenance of ODF status, sanitation and waste management, while 40% are untied grant can be used by PRIs for felt needs under the 29 subjects enshrined in the XI schedule of the constitution and the expenditure required for auditing of accounts by external agencies except salary & establishment cost. The tied grants will ensure more funds to gram panchayats to make their water supply, rainwater harvesting and sanitation-related plans implemented, and gram panchayats can function as local ‘public utilities’ with a focus on ‘service delivery’.

The analysis of the fund transfers based on the XV Finance Commission grants highlights key trends in financial allocations. The XV-FC recommended a total grant of ₹59,374 crore for the period 2021-26 to Rajasthan, covering local government grants, health infrastructure, disaster management, revenue deficit grants, and sector-specific allocations.

The largest component of the XV-FC recommendation was for local governments, amounting to ₹22,749 crore over five years. In 2020-21, GoI released ₹5,721 crore, which declined to ₹5,093 crore in 2021-22 and ₹4,413 crore in 2022-23. The onward transfer by GoR to implementing agencies followed a similar trend, with ₹4,756 crore transferred in 2020-21, reducing to ₹4,230 crore in 2021-22 and ₹4,415 crore in 2022-23. Grants to Rural Local Bodies (PRIs) accounted for ₹15,053 crore of the total, with actual releases peaking at ₹3,862 crore in 2020-21 before falling to ₹2,854 crore in 2021-22 and ₹2,957 crore in 2022-23. A closer look

at grants for local governments reveals that PRIs were allocated ₹6,021 crore as untied grants and ₹9,032 crore as tied grants. However, onward releases by GoR showed minor delays, particularly in tied grants. Grants to Urban Local Bodies (ULBs) amounted to ₹7,696 crore, with GoI disbursing ₹1,859 crore in 2020-21, ₹1,406 crore in 2021-22, and ₹1,456 crore in 2022-23. The onward release by GoR was slightly lower in some years, suggesting possible delays or adjustments at the state level. Non-Million Plus Cities received the majority of ULB funding (₹5,369 crore), out of which ₹2,148 crore was untied grants, while ₹3,221 crore was tied grants, while Jaipur, Jodhpur, and Kota, the Million-Plus Cities, received ₹2,327 crore, with a focus on air quality improvement (₹774 crore) and solid waste management (₹1,553 crore).

Table 8.6: Grants for Local Bodies recommended by XV-FC (Rs. in Crore)

Name of Grant	Recommendation of XV-FC				Actual Release by GoI to GoR			Onward release by GoR to implementing Agencies		
	2021-26	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
Grants for Local Government	22,749	5,721	5,093	4,413	4,756	4,886	4,069	4,756	4,230	4,415
<i>(i) Grant to Rural Local Bodies (PRIs)</i>	<i>15,053</i>	<i>3,862</i>	<i>2,854</i>	<i>2,957</i>	<i>2,897</i>	<i>2,854</i>	<i>2,955</i>	<i>2,897</i>	<i>2,854</i>	<i>2,924</i>
a) Basic Grant (Untied)	6,021	1,931	1,142	1,183	1,931	1,142	1,182	1,931	1,142	1,182
b) Tied Grant	9,032	1,931	1,712	1,774	965	1,712	1,773	965	1,712	1,742
<i>(ii) Grant to Urban Local Bodies (ULBs)</i>	<i>7,696</i>	<i>1,859</i>	<i>1,406</i>	<i>1,456</i>	<i>1,859</i>	<i>1,376</i>	<i>1,113</i>	<i>1,859</i>	<i>1,376</i>	<i>1,491</i>
A. Non-Million Plus Cities	5,369	1,297	981	1,016	1,297	981	1,016	1,297	981	999
a) Basic Grant (Untied)	2,148	649	392	406	649	392	406	649	392	399
b) Tied Grant	3,221	649	589	610	649	589	610	649	589	599
B. Million Plus Cities (Jaipur, Jodhpur and Kota)	2,327	562	425	440	562	395	97	562	395	492
a) Air Quality	774	281	141	146	281	111	97	281	111	208
b) Solid Waste Management/ sanitation	1,553	281	284	294	281	284	-	281	284	284
Total Grants	59,374	7,696	17,906	12,829	6,731	5,542	10,507	6,731	15,589	5,660

Source: SFAR, CAG, Finance Accounts, 2023-24

The flow of XV-FC grants to Rajasthan has been inconsistent, with fluctuations in central disbursements and state-level transfers. The inconsistent nature of transfers poses challenges for both urban and rural local governance. While PRIs receive larger allocations, ensuring their efficient utilization remains crucial. For ULBs, the funding gap could hinder the provision of essential urban services such as waste management, water supply, and transport infrastructure. Moving forward, a balanced approach to fund allocation is essential, ensuring that urban

development does not lag behind rural initiatives. Predictable and stable transfers would enable local bodies to undertake long-term projects while encouraging own-source revenue generation and could reduce dependency on state grants. Strengthening financial planning and timely utilization of funds are essential to maximize the impact of these grants on Rajasthan's development.

Tied and Untied Grants:

As per the recommendations of the XV-FC, out of the total grants of ₹2,36,805 crores to be disbursed to the Rural Local Bodies (RLBs) across the country, 60% will be tied grants, while the remaining 40% will be untied or basic grants until the year 2025-26. Tied grants will be utilized for assured tap water supply, rainwater harvesting, water recycling, improved sanitation, and maintaining open defecation free (ODF) status. The grants will be distributed to the Local Bodies in two instalments. The first instalment of 50 percent will be released during the first quarter of the financial year. The second instalment of the remaining tied grant will be disbursed in the third quarter of the financial year from 2021-26.

The RLBs of Rajasthan have been allocated 6% of the total grants designated for the rural local bodies nationwide. For the period 2021-26 ₹9,032 will be disbursed as tied grant and ₹6,021 as basic/untied grant to the RLBs of Rajasthan. Of this tied grant, 19% of the grants will be released during 2021-22, 20% during 2022-24, and 21% during 2024-26 after fulfilling certain conditions, such as submitting provisional and audited accounts of the RLBs both in physical and online formats, registering all Panchayats on the eGram and Department of Drinking Water and Sanitation (DDWS) portals, constituting the State Finance Commission (SFC) in states that have not yet established the required SFC as per constitutional provisions, and utilizing 50% of the tied grants from the previous year, among others. The breakup of Tied and Untied Grant for RLBs is given below:

Rajasthan	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Basic Grant	1141.6	1182.8	1195.6	1266.4	1234.8	6021.2
Tied Grant	1712.4	1774.2	1793.4	1899.6	1852.2	9031.8

To address the increasing demands of urbanization, the XV-FC in its Final Report has recommended an allocation of ₹1,21,055 crore for Urban Local Bodies (ULBs), including Urban Agglomerations and cities, for the period 2021-22 to 2025-26. This allocation is in addition to grants designated for primary health care, incubation of new cities, and municipal shared services. Given that 61% of the urban population resides in urban agglomerations, which encompass ULBs, census towns, and outgrowths, FC-XV has applied differential treatment to urban agglomerations with populations exceeding one million in the distribution of grants for urban local bodies. Consequently, urban areas have been categorized into two primary groups for grant recommendations: Category-I cities, which include urban agglomerations or cities with populations exceeding one million (MPC), and Category-II cities, which comprise cities other than those with million-plus populations (NMPC).

The allocation of grants to ULBs of Rajasthan by category is as follows:

(a) Category-I cities, also known as Million Plus Cities (MPCs): For the award period from 2021-22 to 2025-26, XV-FC has recommended a total of ₹2,327 crore under the Million-Plus Cities (Jaipur, Jodhpur, and Kota). Of this amount, ₹774 crore is designated for enhancing ambient air quality, while ₹1,553 crore is allocated for achieving service level benchmarks related to urban drinking water supply, sanitation, and solid waste management. The disbursement of grants to MPCs is contingent upon the cities' performance in improving air quality and meeting service level benchmarks.

(b) Category-II cities, referred to as Non-Million Plus Cities (NMPCs): For the same award period, XV-FC has recommended ₹5,369 crore for Non-Million Plus cities, divided into two components—'Untied' and 'Tied' grants. The Untied Grants constitute 40% of the grants for Category-II cities, amounting to ₹2,148 crore. These grants may be utilized by ULBs for needs identified under the eighteen subjects outlined in the Twelfth Schedule, excluding salaries and other establishment costs. Tied Grants amounting to ₹3,221 crore, representing 60% of the grants, will be disbursed to support and enhance the delivery of basic services. Of this, 50% is earmarked for Sanitation, Solid Waste Management, and attainment of star ratings as developed by the Ministry of Housing & Urban Affairs (MOH&UA) and the remaining 50% is designated for Drinking water, rainwater harvesting, and water recycling. In instances where a ULB has fully addressed the needs of one category and no longer requires funds for that purpose, it may reallocate the funds to the other category.

The direct fund transfer to RLBs and ULBs under the XV-FC is intended to fortify grassroots democracy and foster inclusive growth in India by empowering local bodies to manage local services and infrastructure. The provision of tied grants facilitates the development of responsible local leadership by enhancing their efficiency, accountability, and transparency. In contrast, untied grants enable local bodies to address specific local needs across 29 subjects, while tied grants concentrate on core services such as water supply, sanitation and water management, as well as ensuring targeted improvements in urban infrastructure and air quality. The predominance of tied grants ensures the effective allocation of resources with a targeted approach.

8.5.2 State Finance Commission Recommendations

The State Finance Commission (SFC) is a crucial institution responsible for ensuring that ULBs receive an adequate share of the state's financial resources. The Commission's role is particularly important in ensuring that ULBs are financially empowered to carry out their functions effectively. The recommendations made by the SFC serve as a guideline for the equitable distribution of funds from the state government to local bodies, enabling them to fulfil their responsibilities. The SFC's recommendations are also aligned with the state's broader priorities related to urban development. These recommendations often reflect the need for greater financial resources in line with urbanization trends, demographic shifts, and the growing demand for infrastructure development. By recommending fiscal transfers, the SFC aims to bridge the gap between the financial needs of ULBs and the state's revenue resources, ensuring that ULBs are not financially constrained in meeting the needs of the urban population.

According to the Sixth State Finance Commission (VI-SFC) report, the normative requirements (after adjusting the own revenue and expenditure) of ULBs for basic civic services have been at ₹6127 crore for the period 2020-25. Against these requirements, the ULBs are likely to receive ₹7892 crore under XV-CFC grants from the Central Government. This shows a clear push towards greater financing of ULBs by the CFC.

Table 8.7: Gap between Requirements and Grants under XV CFC to ULBs during 2020-25 (Rs. in crore)

Institutions	Requirement during 2020-25	Grants under XV CFC during 2020-25	Gap
Municipal Corporations	2481.50	2931.26	(-) 449.76
Municipal Councils	1746.30	1347.84	398.46

Municipalities	1899.15	3612.90	(-) 1713.75
Total	6126.95	7892.00	(-) 1765.05

Source: Sixth State Finance Commission Report, Rajasthan, 2023

The Municipal Councils need ₹398.46 crore to meet the financial requirements, while Municipal Corporations and Municipalities have a surplus of ₹449.76 crore and ₹1713.75 crore respectively. Thus, there will be a net surplus of ₹1765.05 crore between the normative requirements of ULBs after adjusting XV CFC grants for the five years 2020-25.

Similarly, the normative requirements of PRIs for basic civic services have been at ₹25,469 crore for the period 2020-25. Against these requirements, the PRIs are likely to receive ₹15,828 crore under XV-CFC grants from the Central Government.

Table 8.8: Gap between Requirements and grants under XV CFC to PRIs during 2020-25 (Rs. in crore)

Institutions	Requirement during 2020-25	Grants under XV CFC during 2020-25	Gap
Gram Panchayats	19101.85	11871.00	7230.85
Panchayat Samitis	5093.85	3165.60	1928.25
Zilla Parishads	1273.45	791.40	482.05
Total	25469.15	15828.00	9641.15

Source: Sixth State Finance Commission Report, Rajasthan, 2023

The Gram Panchayats need ₹7230.85 crore, Panchayat Samitis ₹1928.25 crore and Zila Parishads ₹482.05 crore after the inclusion of grants from XV CFC. Thus, the total gap between the normative requirements of three-tier PRIs after adjusting XV CFC grants would work out to ₹9641.15 crore for the five years of 2020-25.

The overall normative requirement of funds for the PRIs and the likely availability of funds from XV CFC grants and VI-SFC recommendations during the award period has been given below.

Table 8.9: Gap between requirements and Grants under XV CFC and VI SFC to PRIs during 2020-25 (Rs. in crore)

Institutions	Requirement during 2020-25	Grants under XV CFC during 2020-25	Grants under SFC during 2020-25	Total funds available during 2020-25	Gap/ Surplus
Gram Panchayats	19101.85	11871.00	18685.89	30556.89	(+) 11455.04

Panchayat Samitis	5093.85	3165.60	4982.90	8148.50	(+) 3054.65
Zilla Parishads	1273.45	791.40	1245.72	2037.12	(+) 763.67
Total	25469.15	15828.00	24914.51	40742.51	(+) 15273.36

Source: Sixth State Finance Commission Report, Rajasthan, 2023

A perusal of Table 8.9 reveals that against the normative requirements of ₹25469.15 crore, the PRIs are likely to receive ₹40742.51 crore leaving a surplus of ₹15273.36 crore. In this regard, it is pointed out that while working out the normative requirements, the population of 2011 has been taken and the escalation factor has also not been considered. Apart from this, the State Government has created new Gram Panchayats, and Panchayat Samitis and with the creation of new districts, new Zila Parishads may also be created. All these new institutions will need office space and other logistic support, and the surplus funds with the PRIs may be of great help in providing necessary infrastructure for the newly created institutions, as also improving the basic civic services.

The overall normative requirement of funds for the ULBs and the likely availability of funds from XV CFC grants and VI-SFC recommendations during the award period has been given below.

Table 8.10: Gap between requirements and grants under XV CFC and VI SFC to ULBs during 2020-25 (Rs. in crore)

Institutions	Requirement during 2020-25	Grants under XV CFC during 2020-25	Grants under SFC during 2020-25	Total funds available during 2020-25	Gap/ Surplus
Municipal Corporations	2481.50	2931.26	2184.28	5115.54	(+) 2634.04
Municipal Councils	1746.30	1347.84	1444.20	2792.04	(+) 1045.74
Municipalities	1899.15	3612.90	4632.13	8245.03	(+) 6345.88
Total	6126.95	7892.00	8260.61	16152.61	(+) 10025.66

Source: Sixth State Finance Commission Report, Rajasthan, 2023

A perusal of table 8.10 reveals more or less the same position of surplus funds with the ULBs also. But the adoption of 2011 population figures and not keeping the yearly escalation factor in consideration applies in case of ULBs also. With growing urbanization, there is a need for creation of urban infrastructure like laying of drinking water and sewer lines, construction of Sewerage Treatment Plants and RoBs which require huge resources. The Central/State Governments have been implementing various development schemes for the urban areas. The

urban local bodies need to raise resources to finance infrastructure projects, their maintenance and the service of loans taken for these projects. Moreover, the Government has created new Municipalities, upgraded some Municipalities to Municipal Councils and assigned various welfare schemes to these local bodies, thereby increasing their financial requirements.

The Sixth State Finance Commission (VI-SFC) has played a crucial role in ensuring that local bodies—both ULBs and PRIs—are equipped with adequate financial resources to address urbanization challenges and rural development needs. The Commission has consistently recommended increased financial devolution, performance-based transfers, and measures for revenue self-sufficiency to strengthen local governance. The year-wise state’s own net tax revenue and the amount of devolution between ULBs and PRIs for the award period has shown a consistent growth for the state.

Table 8.11: Year-wise State’s Own Net Tax Revenue and amount of Recommended Devolution for 2020-25 (Rs. in crore)

Year	State’s Own Net Tax Revenue	PRIs	ULBs	Amount of Devolution
2020-21 (Actual)	57611.42	3136.80	1040.03	4176.83
2021-22 (Actual)	72110.94	3926.26	1301.78	5228.04
2022-23 (R.E.)	89948.15	4897.45	1623.79	6521.24
2023-24 (B.E.)	111285.85	6059.23	2008.99	8068.22
2024-25 (Estimated *)	126631.61	6894.77	2286.02	9180.79
Total	457587.97	24914.51	8260.61	33175.12

Source: Sixth State Finance Commission Report, Rajasthan, 2023

** Based on growth rate indicated in FRBM Document for the year 2023-24*

Incremental Increases in Funding

To meet growing urban and rural development demands, the SFC has recommended a gradual increase in financial allocations. The Commission recommended that 7.25% of the state's net tax proceeds be transferred to local governments. However, the Government of Rajasthan devolved 6.75% of its net tax proceeds to PRIs and municipalities for the grant period of 2020–2024, which was increased to 7% for 2024–2025.

Targeted Allocations for Urban and Rural Bodies

- **ULBs:** The SFC has differentiated fiscal transfers based on the population and infrastructure needs of municipal corporations and smaller municipalities. Larger urban areas receive higher allocations to address challenges such as waste management, traffic

congestion, housing, and urban planning. Smaller municipalities receive targeted financial support to ensure adequate water supply, sanitation, and healthcare services.

- **PRIs:** The SFC has emphasized equitable distribution of financial resources among PRIs, ensuring that backward and underdeveloped regions receive adequate funding to bridge the urban-rural divide.

Infrastructure and Sustainable Development

To support urbanization and rural infrastructure development, the SFC has prioritized funding for:

- Roads, public transport, waste management, and water supply in urban areas.
- Rural electrification, drinking water projects, and sanitation improvements in PRIs.
- Special provisions for disaster resilience, including funding for disaster-resistant infrastructure and emergency preparedness.
- Earmarked funds for urban and rural development goals, such as slum rehabilitation, green infrastructure, and sustainable transport.

Encouragement for Self-Sufficiency in Revenue Generation

The SFC has urged local bodies to enhance their own revenue generation to reduce reliance on state transfers. Recommendations include:

- Optimizing property tax collections.
- Introducing user charges for municipal services (e.g., water, sanitation, waste disposal).
- Exploring public-private partnerships to finance urban infrastructure.
- Leveraging natural resources for income generation in rural areas.

Performance-Based Fiscal Transfers

Recent SFC recommendations have linked financial transfers to local government performance, rewarding efficiency in:

- Revenue collection and financial management.
- Service delivery and infrastructure development.
- Transparency, accountability, and governance efficiency.

Utilization of Funds

The Sixth State Finance Commission recommended earmarking of funds for basic and development functions, National/State priority schemes/activities and incentives for the local bodies both rural and urban in its Final Report. It recommends 2% for Gender Friendly Spaces and 3% for Incentive as given in table 8.12.

Table 8.12: Earmarking of Devolved Funds

S. No.	Institutions	Basic and development Functions	National/State priority schemes & other development activities	Gender Friendly Spaces	Incentive
1	Panchayati Raj Institutions	55%	40%	2%	3%
2	Urban Local Bodies	75%	20%	2%	3%

Source: Sixth State Finance Commission Report, Rajasthan, 2023

Impact of the SFC Recommendations

The recommendations of the SFC have had a significant impact on the financial and operational landscape of local bodies in Rajasthan:

- Increased financial allocations have enabled ULBs and PRIs to undertake critical infrastructure projects and improve service delivery.
- The focus on performance-based grants has incentivized better governance and financial management, leading to improved efficiency in local bodies.
- Bridging the urban-rural fiscal gap has reduced disparities in infrastructure development and access to basic services.
- Enhanced own revenue generation efforts have led some municipalities and Panchayats towards greater financial self-sufficiency.

However, challenges remain:

- Smaller ULBs and PRIs struggle with revenue generation and remain heavily dependent on state transfers.
- The implementation of performance-based grants requires further capacity-building to improve financial management at the local level.
- Local bodies need stronger institutional frameworks for efficient tax collection and fee administration.

The SFC's recommendations have been instrumental in strengthening local governance in Rajasthan by ensuring adequate funding, promoting self-sufficiency, and incentivizing good governance. However, effective implementation remains key to achieving sustainable urban and rural development. Strengthening financial management capacity, enhancing local revenue streams, and ensuring transparent fund allocation will be crucial in empowering local bodies to drive inclusive and sustainable growth across Rajasthan.

Impact of Centrally Sponsored Schemes (CSS) on Local Bodies

CSS significantly impacted the functioning of local bodies by providing them with additional funding to implement development projects and deliver essential services at the grassroots level, often focusing on areas like health, education, sanitation, and rural infrastructure, effectively expanding their operational capacity. The CSS, like Swachh Bharat Abhiyan, National Health Mission, MGNREGA, has been properly implemented by the local bodies. However, it is important to ensure that CSS are aligned with local needs and implemented effectively while maintaining a balance between central guidance and local decision-making. Further, navigating the guidelines and procedures of CSS is putting additional administrative burden on local bodies, which already have a shortage of poorly equipped manpower. Although there is no study on the impact assessment of CSS in the state, through economic review (2021-24), some important CSS and their impact on the performance of local bodies have been discussed below:

Swachh Bharat Mission (SBM): The mission has led to improvements in sanitation infrastructure but has also increased administrative burdens for local bodies.

- Swachh Bharat Mission (Urban) 1.0: This initiative aims to enhance cleanliness across India with a focus on public participation. Its primary objectives include the construction of Individual Household Latrines (IHHLs), community/public toilets, urinals, and effective solid waste management. According to progress reports from ULBs, 3.69 lakh IHHLs and 22,547 seats in community/public toilets (CTs/PTs) have been completed. All Urban Local Bodies (ULBs) in Rajasthan have achieved Open Defecation Free (ODF) status, certified by the Government of India. A total of ₹925.95 crore has been disbursed for this mission, with ₹611.34 crore from the central government and ₹314.61 crore from the state government.
- Swachh Bharat Mission (Urban) 2.0: Launched in October 2021 for five years, this phase of the mission includes components like toilet construction (IHHLs, CTs/PTs,

and urinals), solid waste management, used water management, and Information-Education-Communication & Capacity Building (IEC&CB). The total allocation for Rajasthan under SBM 2.0 is ₹1,770.27 crore.

Smart Cities Mission: The mission has improved urban infrastructure but has also created financial strain due to the requirement for matching state contributions.

- **Smart Cities Mission:** Launched by the Government of India in June 2015, the mission aims to transform cities by providing core infrastructure, ensuring a high quality of life for residents, promoting a clean and sustainable environment, and implementing "Smart Solutions" for urban development. The mission focuses on 100 cities, with each receiving a grant of ₹100 crore per year from the Government of India, matched by an equal contribution from the respective state or ULB. In Rajasthan, four cities—Jaipur, Udaipur, Kota, and Ajmer—were selected for development as Smart Cities.
- As of December 2024, ₹3,740.30 crore has been spent under this scheme out of a total provision of ₹3,820 crore. Major projects under the mission include the development of water supply systems, medical and educational facilities, parks, open-air gyms, fire rescue vehicles, smart roads and toilets, improvements to public transport, and parking infrastructure.

AMRUT: The scheme has improved urban water supply and sewage management, but it has also necessitated significant capacity-building efforts.

- **AMRUT 2.0:** Launched on October 1, 2021, AMRUT 2.0 aims to provide drinking water to every household through the "Har Ghar Nal" initiative by 2025-26, with water supply projects implemented across all urban bodies. A total of ₹5,123.06 crore has been allocated for water supply projects in 183 urban local bodies.
- Under AMRUT 2.0, various projects focusing on sewerage, water body rejuvenation, and water supply are being carried out with central assistance of ₹3,552 crore. A total of 38 sewerage projects worth ₹5,341.57 crore have been approved across 31 ULBs, with 37 works already awarded. By December 2024, ₹1,137.42 crore worth of work had been completed. These sewerage projects aim to benefit about 24.35 lakh people by providing sewer connections to 4.87 lakh households. Additionally, 100 projects for the rejuvenation of water bodies and the creation of green spaces, costing ₹359.09 crore,

have been approved. Out of these, 56 projects have been awarded, 13 completed, and 44 are in progress, with ₹89.19 crore worth of work completed by December 2024.

- For water supply, ₹5,123.06 crore worth of projects in 183 ULBs have been approved. The Public Health Engineering Department (PHED) is the executing agency for these works under AMRUT 2.0. By December 2024, 170 Detailed Project Reports (DPRs) have been approved by the State Level Technical Committee (SLTC).

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS): In the year 2024-25 (up to December), a total of ₹7,676.98 crore has been spent under MGNREGS, generating 2,309.72 lakh man-days and providing employment to 53.28 lakh households. Additionally, 1.27 lakh households have completed 100 days of employment under the scheme.

Shri Annapurna Rasoi Yojana: This scheme, implemented in urban areas of the state, reflects the commitment to good governance and the vision of "Lakshya Antyodaya-Pran Antyodaya-Path Antyodaya." With an annual budget of ₹250 crore, it operates 1,000 Rasois across 240 urban bodies, serving 9.21 crore meals annually. The scheme provides nutritious and clean meals at a subsidized cost of ₹8 per plate, with the state government contributing ₹22 per plate. By December 2024, a total of 23.03 crore plates have been served, significantly benefitting the public.

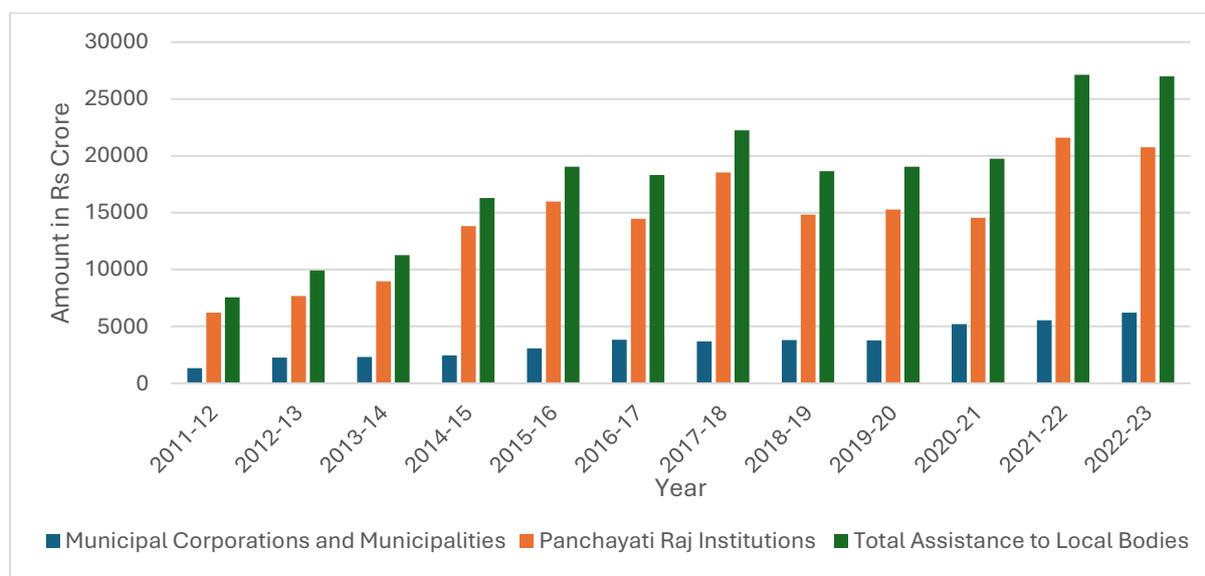
There are several cases where the duties of Urban Local Bodies (ULBs) overlap with those of semi-autonomous organizations or state government departments. In certain situations, ULBs primarily serve as execution bodies for Centrally Sponsored Schemes (CSS) with limited decision-making power. For instance, while ULBs are tasked with urban planning, the actual land use planning and regulation are often overseen by Urban Development Authorities (UDAs), Urban Improvement Trusts (UITs), and the Town Planning Department (TPD). Likewise, although providing water supply is a mandatory responsibility for ULBs, it is mainly managed by the Public Health and Engineering Department (PHED). This overlap and the role of ULBs as implementing agencies can undermine their autonomy and hinder their ability to effectively deliver services and perform their designated functions. The State Finance Commission (SFC) is responsible for allocating funds to LBs. However, delays in the formation of SFCs and the implementation of their recommendations have hindered the timely release of funds to LBs.

In conclusion, while Centrally Sponsored Schemes and various institutional frameworks are designed to empower ULBs, there are challenges related to overlapping jurisdictions, ULBs acting as implementing agencies, financial limitations, and the effective operation of institutional bodies. These challenges collectively impact the ability of ULBs to carry out their responsibilities effectively.

8.6 Comparison of Overall Financial Assistance to ULBs, PRIs, and Other Institutions

The financial data for Rajasthan's local bodies from 2011-12 to 2022-23 highlights distinct trends for Municipal Corporations and Municipalities, and PRIs. Municipal Corporations and Municipalities exhibited steady growth, with allocations rising from ₹1,339 crores in 2011-12 to ₹6,229 crores in 2022-23, reflecting consistent urban development priorities. In contrast, PRIs, while receiving a significantly larger share of funds, experienced notable fluctuations, with sharp increases between 2013-14 and 2014-15 and subsequent inconsistencies, indicating challenges in fund distribution and reliance on state and central transfers. The total funding for local bodies grew substantially, from ₹7,556 crores in 2011-12 to ₹26,995 crores in 2022-23, with a sharp post-COVID-19 recovery visible in 2021-22. Despite these increases, disparities between urban and rural funding trends emphasize the need for reforms, including enhancing PRI financial autonomy, stabilizing funding flows, and promoting balanced resource allocation to address governance and developmental gaps effectively.

Figure 8.1: Financial Assistance to Local Bodies

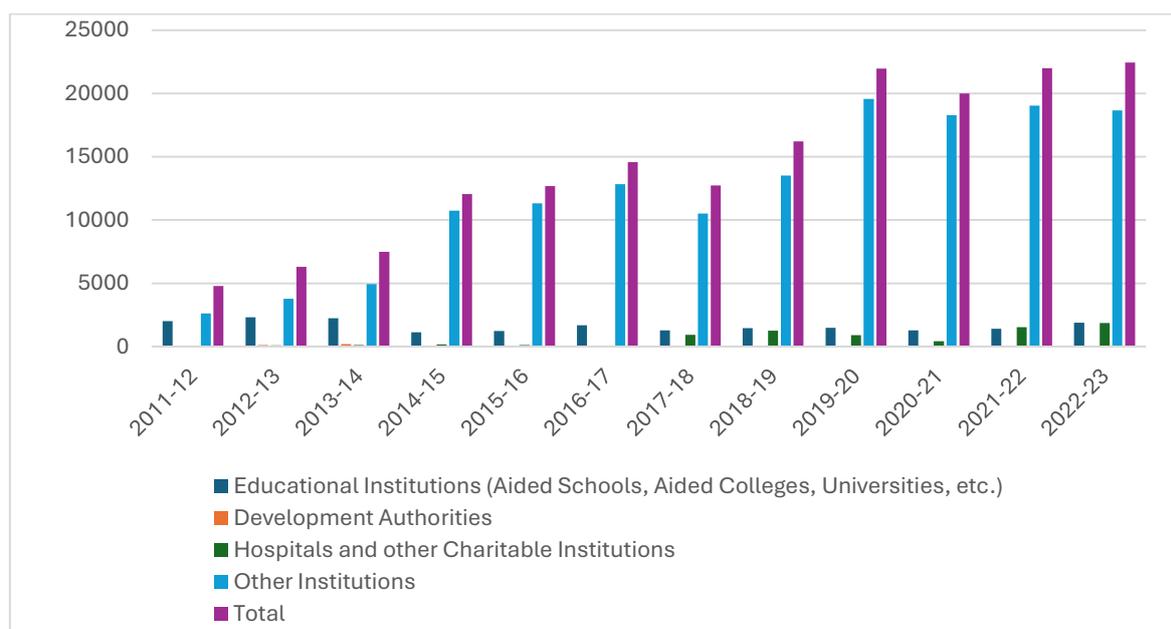


Source: Source: SFAR, CAG, Finance Accounts

While the overall assistance to ULBs has grown over the years, the reliance on state transfers presents a challenge. Despite the upward trend in financial allocations, ULBs continue to face fiscal constraints, particularly in terms of generating their own revenue. The ULBs reliance on transfers funds for urban development can create sustainability issues in the long run. The stagnation in financial assistance after 2020-21 suggests that the growth rate in allocations may not be sufficient to meet the increasing urban development demands, especially considering the rate of urbanization in Rajasthan.

The fiscal position of ULBs in Rajasthan has been bolstered by the state's financial transfers, which have steadily increased over the years. This growth is indicative of the importance the state places on urban development and the recognition of the need for investment in urban infrastructure. However, challenges persist, particularly in terms of the reliance on state transfers and the need for ULBs to build greater financial independence.

Figure 8.2: Financial Assistance to Local Bodies (B) Others



Source: SFAR, CAG, Finance Accounts

The financial data of various institutions from 2011-12 to 2022-23 reveals that educational institutions experienced fluctuations, with funding peaking at ₹2,302.98 crores in 2012-13 before declining and stabilizing around ₹1,892 crores by 2022-23, indicating potential shifts in policy priorities. Development Authorities consistently received minimal allocations, reducing from ₹75.07 crores in 2011-12 to ₹39.02 crores in 2022-23, reflecting limited emphasis. Hospitals and charitable institutions saw irregular growth, with a significant peak in 2017-18 (₹918.86 crores) and growth to ₹1,859 crores in 2022-23, suggesting fluctuating healthcare

investments. Other institutions dominated the total outlay, witnessing a sharp rise from ₹2,618 crores in 2011-12 to ₹18,657 crores in 2022-23, likely driven by broader development programs. Overall, the total funding expanded from ₹4,778.57 crores in 2011-12 to ₹22,447.02 crores in 2022-23, underscoring a sustained increase in resource allocation despite variability across categories.

8.7 Reforms and Performance of Local Governance: Own Efforts to Enhance Revenue

Enhancing the revenue-generating capabilities of LBs is pivotal to fostering fiscal autonomy, improving service delivery, and ensuring sustainable development. However, their financial sustainability depends significantly on their ability to generate internal revenue. LBs in Rajasthan depend on both, government grants and their own revenue for revenue generation for their functioning and incurring expenditure. However, they rely heavily on state and central transfers and efforts to increase independent revenue generation have encountered various challenges.

The main revenue streams for ULBs in Rajasthan include property tax, user charges, fees and fines and rent from municipal properties. Property Tax (Urban Development Tax), which is levied on land (excluding agricultural land) through a self-assessment system, faces issues with enforcement and the accuracy of the database. The collection rates of User Charges Imposed for essential civic services such as water supply, sanitation, and waste management have been inconsistent. Collection of rent from municipal properties from leasing out commercial properties has been affected by arrears and the lack of regular rent revisions.

8.7.1 Reforms to Strengthen Local Governance Revenue

a. Implementation of Legislative Provisions

- The Rajasthan Municipal Act, 2009 outlines various taxes that ULBs can levy. Full implementation of this act across municipalities can significantly increase the revenue potential of ULBs.
- Repealing restrictive acts such as the Urban Land Ceiling Act and Rent Control Act to stimulate economic activity and expand the taxable base.

b. Property and House Tax Reforms

- Simplify house and property tax collection processes to improve compliance.
- Digitize tax administration with tools like GIS mapping for accurate property assessments.

- Regularly revise property tax rates based on market values to capture full revenue potential.
- c. Expanding the Tax Base**
- Introduce taxes on emerging sectors, including malls, tourism, hotels, professional services, and modern service sectors.
 - Implement innovative taxation, such as green taxes and pollution taxes, aligning with global best practices to promote sustainability.
- d. Innovative Revenue Streams**
- Encourage the adoption of entry taxes and levies on vehicle registration, sharing a portion of these revenues with LBs for infrastructure maintenance.
 - Utilize royalties from natural resources like mines and minerals by periodically updating rates and adopting a sale-price-based royalty system.
- e. Decentralization of Tax Authority**
- Empower LBs to independently set and revise tax rates, reducing dependency on state government approvals and enabling timely adjustments.
- f. Leveraging Non-Tax Revenue**
- Re-assess the user charges and tariffs for public services to ensure cost recovery while maintaining affordability.
 - Enhance the profitability of state public enterprises through restructuring and professional management, contributing higher dividends to the state exchequer.

8.7.2 Performance and Challenges in Local Bodies Revenue

a. Over-Dependence on External Resources

ULBs in Rajasthan and other states rely heavily on grants and external support. Strengthening own revenue streams is essential to reducing this dependence.

b. Limited Bylaws for Revenue Generation

The absence of sufficient bylaws restricts the scope for additional tax mobilization, emphasizing the need for legislative reforms.

c. State Intervention and Loss of Autonomy

Decisions like the abolition of octroi without consultation have impacted resource mobilization efforts. Greater fiscal autonomy is necessary for sustainable governance.

d. Tax Administration Inefficiencies

Addressing lethargy and irregularities in tax collection, as highlighted by audit reports, is crucial for maximizing revenue. The XV-CFC has prescribed certain conditions for availing the grants (except health grants). The entry-level criteria include: (i) publishing provisional and audited accounts in the public domain and (ii) fixation of minimum floor rates for property taxes by states and improvement in the collection of property taxes (an additional requirement after 2021-22 for urban bodies). No grants will be released to local bodies of a state after March 2024 if the state does not constitute State Finance Commission and act upon its recommendations by then.

8.7.3 Best Practices from Rajasthan and Other States

a. Improving Tax Collection Efficiency

- Rajasthan has simplified house tax collection and rationalized stamp duty, serving as a model for other states.
- Karnataka and Andhra Pradesh have implemented efficient property tax systems, including door-to-door surveys and digital platforms.

b. Adopting Sustainable Revenue Sources

- Pollution and green taxes, successfully implemented in cities worldwide, provide dual benefits of revenue generation and environmental conservation.

c. Enhancing Transparency and Compliance

- Leveraging technology like e-filing and online payment systems improves compliance, reduces transaction costs, and minimizes tax evasion.

d. Incorporating Fiscal Marksmanship

- States like Madhya Pradesh focus on aligning budget estimates with actual revenue and expenditure, promoting fiscal discipline and better financial planning.
- Recommendations to Enhance Revenue Generation in Local Governance

e. Empower Local Bodies

- Grant LBs the authority to revise tax rates and introduce innovative taxes like entry and pollution taxes.

f. Expand Tax Coverage

- Include emerging sectors and high-growth industries in the tax net to increase revenues.

g. Improve Tax Administration

- Address inefficiencies through penalties for non-compliance and leveraging digital tools for accurate assessments and efficient collection.

h. Increase Non-Tax Revenue

- Rationalize user charges and tariffs to recover costs while maintaining affordability.
- Restructure non-performing public sector undertakings for enhanced profitability.

i. Promote Financial Autonomy

- Share revenues from vehicle registration and other state taxes with LBs, aligning resources with their responsibilities.

By implementing reforms and learning from best practices across states, LBs can enhance their own revenue generation efforts. Empowering local bodies with fiscal autonomy, improving tax administration, and introducing innovative revenue streams will enable them to deliver better services, reduce external dependence, and contribute more effectively to sustainable urban development.

8.8 Conclusion

The financial sustainability of ULBs and PRIs is critical to ensuring effective local governance and sustainable development. Despite the introduction of reforms, ULBs and PRIs in Rajasthan continue to rely heavily on state and central government transfers to meet their operational and developmental needs. Local governance institutions struggle to meet their financial needs due to limited own-source revenue and delayed or insufficient compensatory mechanisms. Challenges in assessing taxable properties, collecting user charges, and addressing tax evasion hinder revenue collection efforts.

Larger ULBs in urban centres such as Jaipur, Jodhpur, and Udaipur perform significantly better in revenue generation compared to smaller municipalities and rural Panchayats, leading to disparities in development. Many PRIs and smaller municipalities lack the expertise and infrastructure to implement technology-driven reforms, further exacerbating fiscal challenges.

To achieve financial autonomy, several recommendations can be implemented to enhance the efficiency and effectiveness of ULBs and PRIs in Rajasthan. Improving tax collection efficiency is paramount, and this can be achieved by expanding the use of Geographic Information Systems (GIS) for property tax assessments across all local bodies. Streamlining processes for collecting user charges and fees through digital platforms will also help reduce leakages and improve compliance. In addition to these measures, innovative funding

mechanisms should be explored, such as encouraging ULBs to issue municipal and green bonds for infrastructure and sustainability projects. Monetizing public assets, like community spaces and advertising opportunities, can further diversify revenue streams.

Reforms in grant allocation and monitoring are also essential. Introducing performance-based grants from SFC linked to the revenue generation capabilities of ULBs and PRIs are incentivizing the fiscal discipline. Transparent mechanisms for the allocation and utilization of these grants will ensure equitable distribution of resources. Capacity-building programs should be designed to provide targeted training for local body officials in areas such as financial management, digital governance, and public-private partnership (PPP) negotiations. Collaborations with private and academic institutions can further enhance technical expertise and strengthen local governance frameworks. Public engagement is another critical area. Awareness campaigns should be conducted to educate citizens on the importance of taxes and user charges in funding local development projects. Establishing grievance redressal systems can address public concerns effectively and build trust in local governance institutions.

The accounting of incomes and expenditures at the PRI level remains unreliable despite regulatory measures, making it difficult to track revenue inflows and expenditures accurately. The absence of a unified accounting system further complicates the monitoring of multiple funding sources, including SFC allocations, programmatic funds, and own revenues. This lack of transparency hampers the ability to link revenue with expenditure, requiring costly and time-consuming voucher-level studies. Additionally, ‘mission creep’ by Union ministries, such as the imposition of GDP requirements, has caused delays in fund transfers to Panchayats, while some States have diverted CFC grants into their schemes. Delays and disruptions in fiscal transfers persist, particularly in states like Assam and Bihar, affecting the timely receipt of funds. Despite improvements, financial reforms have not been fully implemented, with varying accounting capabilities across States and a failure to distinguish between capital and revenue expenditures. To address these challenges, future FCs should mandate standardized, machine-readable accounting systems that ensure interoperability across states, eliminating the need for manual data collection and improving financial transparency at the PRI level.

Looking to the future, the anticipated recommendations of the 16th Finance Commission are expected to significantly influence the fiscal landscape for local bodies. Increased devolution of funds and performance-linked grants could enhance financial autonomy for ULBs and PRIs. Policy shifts emphasizing decentralized governance and fiscal empowerment will likely

strengthen their role in sustainable development. Innovations in digital governance and financial technologies are poised to improve transparency and efficiency in revenue collection and fund utilization.

A focus on equity and sustainability will be crucial in bridging the gap between urban and rural local bodies. Targeted investments and capacity-building initiatives can ensure a more equitable distribution of resources. Sustainability-driven projects, such as renewable energy initiatives under public-private partnerships, could provide long-term revenue solutions while addressing environmental challenges.

By addressing these challenges and implementing the recommended strategies, Rajasthan's ULBs and PRIs can achieve greater financial independence. This will lead to robust local governance and inclusive development at the grassroots level. With the right support and policy interventions, these institutions have the potential to transform into financially self-reliant entities capable of meeting the growing demands of their communities.

Chapter 9

Impact of UDAY on the Fiscal Health of the State

9.1 Introduction

The electricity board of Rajasthan was segregated into five different companies, Jaipur Vidyut Vitaran Nigam Limited (JVVNL), Jodhpur Vidyut Vitaran Nigam Limited (JVVNL), Ajmer Vidyut Vitaran Nigam Limited (AVVNL), Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL), and Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL). Jaipur Vidyut Vitaran Nigam Limited, Jodhpur Vidyut Vitaran Nigam Limited, and Ajmer Vidyut Vitaran Nigam Limited are the electricity/power distribution companies of the state (DISCOMs). These DISCOMs acquire 48 per cent of the electricity from RRVUNL (state-owned power generation company). Other sources from which power is procured are Thermal coal-fired power plants, Hydropower, Gas, Nuclear and other sources. These DISCOMs are facing huge financial and operational losses, mirroring the other DISCOMs across the country. Jaipur DISCOM recorded a loss of ₹4427.29 crores during 2008-09 which increased approximately 5.5 times and reached ₹24508 crores during 2013-14. The loss incurred by Jaipur DISCOM more than doubled from ₹9856 crores to ₹20487 crores during 2011-12. Ajmer DISCOM could relatively control its losses as compared to the other two DISCOMs. The loss incurred increased to ₹7178 crores during 2011-12 but reduced to ₹5307 crores in the following year. The losses incurred by Jodhpur DISCOM have increased continuously from ₹2776 crores during 2008-09 to ₹5807 crores during 2013-14. High Power acquiring costs, delayed revision of tariffs, low efficiency, and delayed transfer of subsidy amount contribute to the accumulated losses over the years. The Average cost of supply also contributed to the financial inefficiency of the DISCOMs. The average cost of supply for all state DISCOMs reached to ₹7.18 per unit during 2010-11 from ₹4.38 per unit during 2006-07. From 2001 to 2015, the Government of India launched various schemes for the betterment of the power distribution companies, namely, the Accelerated Power Development Programme; Settlement of State Electricity Board Dues; Accelerated Power Development and Reform Programme; Rajiv Gandhi Grameen Vidyutikaran Yojana; Restructured Accelerated Power Development Reforms Programme; Financial Restructuring Plan-2012; Integrated Power Development Scheme and Deendayal Upadhyaya Gram Jyoti Yojana. However, there was no such improvement in the situation of DISCOMs after the implementation of the above schemes. The distribution infrastructure remained crippled, AT&C losses were high, and debts accumulated further.

To overcome the stigma of the financial stress of DISCOMs the Government of India introduced the Ujwal DISCOM Assurance Yojana (UDAY) in November 2015 as a comprehensive plan to rejuvenate and financially transform electricity Distribution Companies (DISCOMs). This bold initiative was aimed at tackling the escalating debts and operational inefficiencies in the power distribution sector. The scheme can only take state DISCOMs under its purview. In Rajasthan, the scheme applies to Ajmer, Jaipur and Jodhpur DISCOMs. The scheme required state governments to assume 75% of DISCOMs' debt as of September 30, 2015, by issuing bonds to creditors, while the remaining 25% was to be restructured through DISCOM bonds. Alongside this financial restructuring, the scheme incorporated operational reforms such as smart metering, feeder separation, and transformer upgrades. UDAY established specific objectives, including reducing Aggregate Technical & Commercial (AT&C) losses to 15% and bridging the gap between Average Revenue Realized and Average Cost of Supply. to zero. To meet these targets, the scheme necessitated regular tariff adjustments and the implementation of energy-saving measures. It also stressed the importance of technological advancements and improved monitoring systems to enhance overall operational efficiency.

The implementation of UDAY encountered various obstacles. While some states demonstrated remarkable progress, others faced political resistance to tariff adjustments and struggled to achieve the targeted reduction in AT&C losses. The scheme's effectiveness varied across regions, with some states significantly improving billing efficiency and power supply reliability, while others failed to meet operational goals. Despite these mixed outcomes, UDAY has significantly contributed to the power sector, particularly in alleviating the interest burden on DISCOMs and enhancing power supply in rural areas.

The scheme's impact on current power sector reforms persists, despite its implementation revealing the complexities of addressing deep-rooted issues in India's power distribution sector. UDAY partly achieved its financial restructuring goals, but the full transformation of DISCOMs is still in progress. The government has introduced further reforms building on the UDAY framework, acknowledging its successes and limitations in tackling the challenges of power distribution in India. Insights from UDAY's implementation have informed future policy development in the power sector, emphasizing the necessity for ongoing reform efforts at both state and central levels. UDAY scheme operated primarily from 2015 to 2019-20, with March 31, 2020, being its original end date for achieving its specified targets. However, while the formal scheme period has ended, its framework and some initiatives continue to influence

power sector reforms. The scheme's limited success led to the government introducing new reforms and schemes like the Revamped Distribution Sector Scheme (RDSS) in 2021, which builds upon UDAY's experiences while addressing its shortcomings. The Revamped Distribution Sector Scheme (RDSS) is a government initiative aimed at improving the efficiency and financial health of India's power distribution sector. Launched in July 2021, RDSS focuses on reducing Aggregate Technical & Commercial (AT&C) losses, bridging the gap between the cost of supplying electricity and revenue realized, enhancing power supply quality, and promoting smart metering. The scheme provides financial assistance to DISCOMs based on achieving specific performance targets, encouraging the adoption of advanced technologies, and empowering consumers through transparent billing and real-time information. RDSS is a significant step towards a more reliable, efficient, and consumer-centric power distribution system in India. In essence, while UDAY focused on the financial restructuring of DISCOMs, RDSS aims to build upon these improvements and focus on operational efficiency and consumer satisfaction.

Table 9.1: Financial Parameters under UDAY and Targeted Benefits

S. No.	Financial parameters	Purpose/Intended No. benefits
<i>DISCOMs' Obligations/commitments of GoR</i>		
1	Taking over 75 per cent of the DISCOMs debts (as of 30 September 2015) by the Government of Rajasthan i.e. 50 per cent in 2015-16 and 25 per cent in 2016-17. (Clause 7.1 of UDAY)	Financial support for reducing debts and the interest burden of the DISCOMs.
2	Issue of Bonds for 50 per cent debt remained with the DISCOMs as of 31 March 2016 at low interest rates by the DISCOMs	Financial support for reducing debts and the interest burden of the DISCOMs.
3	Taking over future losses of the DISCOMs by the GoR in a graded manner	Improving the financial health of the DISCOMs
4	Limiting working capital borrowings up to 25 per cent of DISCOM's previous year's revenue.	Bringing down the cost of capital of the DISCOMs
5	Clearing all outstanding dues from the State Government Departments to the DISCOMs for the supply of electricity by 30 March 2016	Improving cash flow of the DISCOMs.

Source: Report No. 1 P A on Implementation of UDAY in Rajasthan for the year ended 31 March 2021, CAG.

9.2 UDAY Effect on State Finances

9.2.1 Overview of Rajasthan's Fiscal Position Pre-UDAY

Rajasthan's fiscal position before the implementation of UDAY was quite challenging. The state's debt-GSDP ratio has been steadily increasing, indicating a growing burden of debt

relative to the state's economic output. This rising debt level was a cause for concern, as it limited the state's ability to invest in crucial infrastructure and social welfare programs. Concurrently, Rajasthan grappled with persistent revenue deficits, where the state's revenue expenditure consistently exceeded its revenue receipts. This imbalance further strained the state's financial resources and contributed to debt accumulation. The substantial losses incurred by the power sector were a major factor exacerbating Rajasthan's fiscal woes. State DISCOMs were plagued by inefficiencies, high transmission and distribution losses, and inadequate revenue collection. These losses not only drained the state's financial resources but also necessitated regular bailouts and subsidies, further straining the state's fiscal position. The cumulative effect of the power sector losses significantly impacted Rajasthan's overall fiscal health, contributing to the deterioration of key fiscal indicators and limiting the state's capacity for developmental expenditures. This precarious fiscal situation set the stage for the introduction of UDAY, which aimed to address the financial and operational challenges faced by the power sector and, by extension, to improve the state's overall fiscal position.

9.2.2 Financial Implications of UDAY Implementation

The implementation of the UDAY scheme had significant financial implications for both state governments and DISCOMs in Rajasthan. The scheme involved state government assuming a substantial portion of DISCOM debt, which was typically structured as a phased process over multiple years. This debt transfer aimed to alleviate the financial burden on DISCOMs but led to an increase in state fiscal deficits, putting pressure on state finances and budgetary allocations. In Rajasthan, this absorption of DISCOM debt strained the state's finances, potentially affecting its ability to borrow for other purposes and requiring the reallocation of funds from other developmental projects. However, the debt reduction allowed Rajasthan's DISCOMs to focus on operational improvements, with lower interest payments improving cash flow and enabling investments in infrastructure and technology upgrades. The long-term financial implications for Rajasthan included developing strategies for servicing the additional debt and ensuring DISCOMs' improved operational efficiency. The scheme's success in Rajasthan, as in other states, depended on the ability to achieve operational and financial targets, with regular monitoring and accountability measures put in place to track progress.

The UDAY's implementation had a profound and complex impact on Rajasthan's state finances, particularly during 2015-17 when the state government took over approximately ₹62,000 crore of DISCOM debt. This massive debt absorption significantly altered Rajasthan's fiscal

landscape, pushing the state's debt-GSDP ratio to concerning levels. Before UDAY, Rajasthan's debt-GSDP ratio was around 33%, but post-UDAY implementation, it escalated to nearly 40%, placing considerable strain on the state's financial health and credit ratings.

Table 9.2: Financial Burden on State Government (in ₹Crores)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)
Fiscal Deficit as a percent of GSDP	0.83%	1.73%	2.76%	3.09%	9.25%	6.09%	3.04%	3.78%	3.77%	5.83%	4.04%	3.76%	4.26%
Debt-GSDP Ratio	24.50%	36.00%	23.60%	24.00%	30.70%	33.50%	33.80%	34.20%	35.30%	40.30%	38.70%	37.20%	37.30%
Revenue Expenditure	53654	63462	75510	94542	106239	127140	145842	166773	176485	178309	209790	226479	267744
Interest Burden	7892	8340	9063	10463	12008	17677	19720	21695	23643	25202	28100	30602	34561
Outstanding Liability	106560	177809	129910	147609	209386	255002	281182	311374	352702	410500	462845	505574	570645

Source: CAG Audit Reports

The scheme created unprecedented fiscal pressure on Rajasthan's finances in multiple ways. The state's annual interest payment obligations increased substantially. The average interest burden before implementation of UDAY was ₹8969 crores (2011-2015) which increased to ₹18949 crores during UDAY (2015-2020). The interest burden has further increased to ₹29616 crores during 2020-2024, consuming a larger portion of its revenue receipts. This reduced the fiscal space available for other crucial development expenditures in sectors like education, healthcare, and infrastructure. The annual growth rate of revenue expenditure on education, sports, art & culture declined to 8.96% during 2015-16 from 26.49% during 2014-15. The growth rate reached (-) 3.09% during 2019-20. The average growth rate of revenue expenditure during UDAY was 12.11% (2015-2020), while for the years succeeding UDAY it was 15.35% which is still less than the average for years preceding UDAY. Medical, Health and family welfare have been under serious pressure. The average growth rate of revenue expenditure under this sector during UDAY was 15.32%. The average annual growth rate reached to as low as 1.24% during the years succeeding the UDAY implementation period. The state government's commitment to covering DISCOM losses post-UDAY further strained its resources. For instance, in the years following UDAY implementation, Rajasthan had to allocate approximately ₹ 15,000-17,000 crore annually towards power sector obligations, significantly impacting its ability to fund other developmental priorities.

The long-term financial implications of UDAY on Rajasthan's state finances have been challenging. The state consistently struggled to meet its fiscal responsibility targets, with the

fiscal deficit frequently exceeding the FRBM limit of 3% of GSDP. Fiscal deficit as a percentage of GSDP reached 9.25% during 2015-16. Though the state has managed to reduce substantially till 2019-20, it again reached to 5.83% during 2020-21. The power sector's continuous need for financial support meant that despite UDAY's debt restructuring, the State had to continue borrowing for power sector improvements. By 2019-20, the state's outstanding liabilities had reached approximately ₹3.5 lakh crore, with a significant portion attributed to power sector debt. The financial health of DISCOMs remained precarious, with accumulated losses continuing to grow, albeit at a slower rate than the pre-UDAY period. Technical and commercial losses, while showing some improvement, remained significantly higher than the national targets, necessitating ongoing financial support from the state government.

The shift in resource allocation towards the power sector has far-reaching consequences for other vital areas of national development. As the government channelled a substantial portion of the budget into power infrastructure and generation capacity, sectors such as education, healthcare, and agriculture experienced a noticeable reduction in funding. This reallocation of financial resources slowed progress in these critical domains in terms of improving infrastructure, implementing new programmes etc. These setbacks in key social and economic sectors potentially compromised long-term development goals, as investments in human capital and food security were scaled back in favour of power sector improvements. While the focus on enhancing power infrastructure was crucial for economic growth, the unintended consequences for other sectors highlight the complex trade-offs involved in resource allocation decisions and their impact on overall national development.

Projections by the National Institute of Public Finance and Policy (NIPFP) suggest that Rajasthan will continue to face deficits until 2025-26 primarily due to the debt burden of the UDAY. This indicates a long-term negative impact on the state's fiscal health but in future, it might prove beneficial to the State as power sector reforms will be contributing to the economic growth of the State.

Table 9.3: Status of Financial Parameters related to UDAY

Debt takeover and Bond Issuance under UDAY		
50% of the DISCOM debts as of 30 September 2015 were to be taken over by the GoR up to March 2016	Bonds to be issued by the DISCOMs for the remaining 50% of their debts	
	25% to be taken over by the GoR up to September 2016	25% to be remained with the DISCOMs

1. Debt takeover		
Stage I (Assessment of Debts as of 30 September 2015)	Total Outstanding Debts: ₹83,229.90 crore	
	Outstanding debt (₹80,529.90 crore)	FRP bonds already taken over during 2015-16 (₹2700 crore)
Stage II (Plan to take over 75% of the DISCOM debts as of 30 September 2015)	Upto March 2016: 50% of the DISCOMs Debts as of 30 September 2015 and 50% of FRP Bonds	Upto September 2016: 25% of the DISCOMs Debts as of 30 September 2015 and 25% of FRP Bonds
	₹41,614.64 crore (₹40,264.64 crore + ₹1,350 crore)	₹20,808.24 crore (₹20,133.24 crore + ₹675 crore)
	Total takeover targeted in MoUs plus 75% of FRP bonds	
	₹62,422.88 crore	
Stage III (Actual takeover of the DISCOMs debts)	FRP Bonds (taken over up to September 2015)	₹2,700.00 crore
	Ist Trench (17 March 2016)	₹28,455.08 crore
	IInd Trench (31 March 2016)	₹8,894.69 crore
	IIIrd Trench (22 June 2016)	₹20,807.32 crore
	IVth Trench (7 February 2017)	₹1,564.87 crore
	Total	₹62,421.96 crore
Shortfall in takeover	₹0.92 crore	
2. Issuance of Bonds		
Bonds to be issued against the remaining 50% of the DISCOM debts	₹40265.26 crore (against List B: ₹20,133.24 crore and List C: ₹20,132.02 crore)	
Bonds issued	₹20,418.72 crore	

Source: Report No. I P A on Implementation of UDAY in Rajasthan for the year ended 31 March 2021, CAG.

9.3 Subsidies to Power Sector

Subsidies of the state government are majorly transferred to the power sector on account of non-revision of tariff rates, grants for interest on bonds, grants for electricity tax, grants for interest, cash assistance for the financial remodification of the sector and as assistance to distribution companies under UDAY.

Table 9.4: Subsidy to Power Sector in Rajasthan (Rs in Crore)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies	3201	5463	6768	8798	10488	17208	23563	21448	18990	14701	23168	26002
Subsidies Given to Power Sector	2801	4861	6460	8330	10187	16842	23391	21204	18644	14264	22644	25405
Power Sector Subsidy as percentage of Total Subsidy	87.50%	89.00%	95.50%	94.70%	97.10%	97.90%	98.80%	98.40%	98.20%	96.20%	96.90%	97.10%

Source: CAG Audit Reports

During 2011-12, the subsidy transferred to the power sector was ₹2801 crores which is 87% of the total subsidies given by the state government. The amount of subsidy transferred to the power sector increased by 73% in the year 2012-13 to ₹4861 crores. The amount of subsidy to the power sector was highest during the year 2022-23 at ₹25405 crores but as a percentage of total subsidy, it was highest during the year 2017-18. During 2016-17, the subsidy transferred increased by 65% from the previous year.

The subsidy is provided as tariffs on electricity by the state government. This subsidy has to be provided in advance to the DISCOMs or before the launch of any flagship scheme. The subsidy amount was partially disbursed due to additional financial burden on State finances after the takeover of debt liability of DISCOMs, dispute on calculation of tariff subsidy in respect of agriculture consumers having defective meters, delay in subsidy approval towards fuel surcharge, etc.

The outstanding subsidy amount was ₹1867 crores at the end of 2015-16 and reached to ₹17458 crores at the end of 2020-21, reflecting an increase of approximately 9 times in the subsidy amount due to be recovered by DISCOMs. The amount of subsidy outstanding has hindered the financial turnaround of DISCOMs and they are still dealing with the losses that the DISCOMs have incurred.

9.4 State of DISCOMs after the implementation of UDAY

9.4.1 Aggregate Technical and Commercial Losses and Distribution and Transmission Losses

As per the scheme, the operational and financial improvements in DISCOMs will be gauged through the reduction of AT&C losses to 15% in 2018-19 and the reduction of the gap between the average cost of supply and average revenue realized to be zero in 2018-19. The trajectory of reduction to follow shall be finalised by the state government.

Table 9.5: Targeted Trajectory for Reduction in AT&C Losses

	2015-16	2016-17	2017-18	2018-19
Jaipur DISCOM	28%	22%	18.50%	15%
Ajmer DISCOM	24%	20%	17.50%	15%
Jodhpur DISCOM	22.40%	18%	16.50%	15%

Source: MoUs signed by the DISCOMs

As per the MoU signed by the three DISCOMs with the state government, the targeted trajectory could not be followed and hence the target of reduction of AT&C losses could not be achieved. AT&C's losses for Jaipur DISCOM was 35.74% during 2015-16. Average AT&C losses were 31.06% during 2015-16 while the average target percentage was set at 25%. The deviation of Jaipur and Jodhpur DISCOM from the target value was approximately 7 percentage points during the year trajectory period barring the year 2018-19. The average AT&C losses were minimal for Ajmer DISCOM at 23.8% during the UDAY while for Jaipur and Jodhpur DISCOM, it was 26.7% and 30.5% respectively. The reason for the high AT&C loss is attributed to high distribution and transmission losses, discrepancy in meters, low billing and collection efficiency, and failure to reduce theft of power.

Table 9.6: Actual reduction in AT&C Losses and T&D losses

Year	T&D Losses (%)				AT&C Losses (%)			
	Jaipur DISCOM	Ajmer DISCOM	Jodhpur DISCOM	Average T&D Losses (%)	Jaipur DISCOM	Ajmer DISCOM	Jodhpur DISCOM	Average AT&C Losses (%)
2015-16	31.9	26.75	23.32	27.32	35.74	27.81	29.64	31.06
2016-17	25.48	22.1	21.69	23.09	29.84	25.18	26.16	27.06
2017-18	21.06	20.15	19.33	20.18	25.22	22.94	23.37	23.84
2018-19	20.54	18.03	23.12	20.56	25.66	23.31	35.32	28.09
2019-20	17.21	14.48	19.38	17.02	27.61	21.99	37.99	29.19
2020-21	19.44	15.15	22.46	19.01	25.22	21.6	30.87	25.89

Source: CAG Report: Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana I in Rajasthan for the year ended 31 March 2021

The DISCOMs could not achieve the target set for T & D losses except for Ajmer DISCOM during 2017-18 and 2019-20. The other two DISCOMs are far from achieving these target

values. T & D losses incurred by Jaipur DISCOM were 31.9% during 2015-16, the highest during 2015-21 and amongst all the DISCOMs in Rajasthan. The losses declined to a considerable 17% mark during 2019-20 but missed the target value. Further, the losses increased to 19.44% during 2020-21. The average percentage of T&D losses of Jodhpur DISCOM was 21.55% which is far from achieving the target limit of 15%.

Table 9.7: Targeted Trajectory for reduction in T&D Losses (in per cent)

	2015-16	2016-17	2017-18	2018-19
Jaipur DISCOM	27.5	22	18.5	15
Ajmer DISCOM	23.5	17	20.5	15
Jodhpur DISCOM	22	18	16.5	15

Source: MoUs signed by the DISCOMs

9.4.2 Reduction of the gap between Average Cost of Supply and Average Revenue Realized

The reduction in the gap of ACoS and ARR signifies the efficiency of DISCOM. As per the scheme the gap should be brought down to zero from 2018-19. Similar to other indicators, the trajectory to reduce the gap has to be finalized by the state. None of the DISCOMs were successful in achieving the target set under the scheme. This was mainly due to the high cost of purchase of power and the non-disbursement of tariff subsidies.

Table 9.8: Average Cost of Supply (ACS) and Average Revenue Realised (ARR) of the DISCOMs (in ₹Per unit of energy)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Jaipur DISCOM						
Targeted ACS-ARR Gap as per MOU	2.04	0.53	-0.11	-0.11	0	0
Actual ACS-ARR Gap as per MoP prescribed methodology	1.87	0.37	(0.12)	0.03	(0.19)	0.46
Ajmer DISCOM						
Targeted ACS-ARR Gap as per MOU	2.35	0.39	-0.15	-0.15	0	0
Actual ACS-ARR Gap as per MoP prescribed methodology	1.97	0.37	(0.42)	0.08	0.18	0.36
Jodhpur DISCOM						
Targeted ACS-ARR Gap as per MOU	1.98	0.32	-0.11	-0.11	0	0
Actual ACS-ARR Gap as per MoP prescribed methodology	1.80	0.75	0.22	0.15	0.99	1.19

Source: CAG Report: Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana I in Rajasthan for the year ended 31 March 2021

9.4.3 Cost of Purchase of Power (per unit)

The Power is purchased from various governmental and non-governmental resources by the DISCOMs. Apart from the state power generating company (RRVUNL), DISCOMs also purchase from the centre, Individual Power producers, through bilateral trade, power exchange, non-conventional energy sources and others. The per unit cost of purchase of power from RVVUNL (Appendix Table A9.2) ranged between ₹4.13 per unit to ₹4.98 per unit, which is higher than all the other sources of power apart from non-conventional energy sources. The higher the cost of purchase, the lower the revenue realized by the DISCOMs, resulting in lower profits and hence more dependence on borrowed funds. The operational efficiency of state power-generating companies should be maintained to benefit in the long run. The cost of purchase from the centre is significantly lower than the state. The cost ranges from ₹2.65 per unit and ₹3.17 per unit, though the cost is consistently increasing barring the year 2019-20.

The cost of purchase from the private sector ranged from ₹4.01 units to ₹4.64 per unit. The high cost within the private sector is mainly due to the high cost of purchase from non-conventional sources of energy. (Appendix Table A9.2). The overall cost of purchase of power was highest at ₹4.15 per unit during 2019-20 which is significantly high and measures need to be taken to reduce the cost. The high cost can also be attributed to the delay in the revision of the purchase of power contracts.

Table 9.9: Cost of purchase of power (in ₹ Per unit)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Cost of purchase from centre/state sector	3.39	3.66	3.64	3.65	4.02	3.68
Cost of purchase from the private sector	4.01	4.29	4.32	4.64	4.5	4.15
Overall cost of purchase	3.59	3.85	3.81	3.92	4.15	3.83

Source: CAG Report: Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana I in Rajasthan for the year ended 31 March 2021

9.4.4 Billing efficiency

Billing efficiency measures the proportion of energy that has been billed to consumers concerning energy supplied in an area (Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana in Rajasthan for the year ended 31 March 2021).

The average target for all three DISCOMs was set at 75.6% for the year 2015-16. However, only 72.71% of the energy supplied was billed on average by all three DISCOMs. Jodhpur

DISCOM performed well during this year and was able to bill 76.78% of the energy supplied. During the subsequent years, the deviation of Jodhpur DISCOM from the target continuously increased. Ajmer DISCOM achieved the target during 2019-20 and lagged by just 0.48% during 2020-21 in achieving the target of 85%. Initially, the billing efficiency of Jaipur DISCOM was low at 68.1% during 2015-16 but this efficiency increased continuously to 82.79% during 2019-20. Billing efficiency could not be achieved due to the non-reduction of T&D losses.

Table 9.10: Billing Efficiency of DISCOMs in Rajasthan

Years	Target			Actual		
	Jaipur DISCOM	Jodhpur DISCOM	Ajmer DISCOM	Jaipur DISCOM	Jodhpur DISCOM	Ajmer DISCOM
2015-16	72.5	78	76.5	68.1	76.78	73.25
2016-17	78	82	80	74.52	78.31	77.9
2017-18	81.5	83.5	82.5	78.96	76.88	79.85
2018-19	85	85	85	79.46	77.54	81.97
2019-20	85	85	85	82.79	NA	85.52
2020-21	85	85	85	80.56	NA	84.85

Source: MoUs signed by the DISCOMs, CAG Report: Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana I in Rajasthan for the year ended 31 March 2021

9.4.5 Collection Efficiency

Collection efficiency measures the proportion of the amount that has been collected from consumers concerning the amount billed to them. It is marred by the tendency of consumers to make a default in payment of dues. (Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana in Rajasthan for the year ended 31 March 2021).

As per the targets set by the state government, all the DISCOMs have to achieve 99.5% efficiency during 2015-16 and from 2016-17, 100% collection efficiency has to be achieved. Ajmer DISCOM achieved 98.5% collection efficiency during 2015-16, a deviation of just 1 percentage point from the target value. The collection efficiency of Jaipur DISCOM deteriorated from 94.35% during 2015-16 to 87.45% during 2019-20. It only increased in 2020-21 to 92.83%.

Jodhpur DISCOM collected the least amount from the customers, which was billed to them. The average amount collected during the UDAY implementation period was only 88.54% while for Jaipur and Ajmer DISCOM, it was 92.85%. One of the reasons for the low collection efficiency can be attributed to non-payment of bills by the customers.

Table 9.11: Collection Efficiency of DISCOMs in Rajasthan

Year	Jaipur DISCOM	Jodhpur DISCOM	Ajmer DISCOM
2015-16	94.35	91.76	98.5
2016-17	94.15	94.3	96.05
2017-18	94.74	95	95
2018-19	93.56	84.13	84.13
2019-20	87.45	76.92	91.23
2020-21	92.83	89.15	92.4

Source: MoUs signed by the DISCOMs, CAG Report: Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana I in Rajasthan for the year ended 31 March 2021

The performance metrics of Rajasthan's DISCOMs post-UDAY implementation present a mixed picture. While the national target for AT&C losses was set at 15%, Rajasthan's DISCOMs continued to experience losses above 25%. The Average Cost of Supply (ACS) and Average Revenue Realized (ARR) gap, which was targeted to be eliminated, remained substantial at around ₹1.5-2 per unit. However, there were some positive developments in terms of billing efficiency, which improved from about 78% to 83%, and power supply quality showed marginal improvement, particularly in urban areas.

9.5 Financial status of DISCOMS post-UDAY

The state DISCOMs have shown improvement in profitability after the implementation of UDAY. The total loss of DISCOMs was ₹12473.6 crores during 2014-15 with Jaipur DISCOM contributing the highest to the overall loss. There was a substantial reduction in the loss since 2015-16 and further the DISCOMs started recording profits in 2017-18. Losses faced by DISCOMs reduced impressively by 21% during 2015-16 from the preceding year. The trajectory for the decrease in losses continued and the reduction was by 68% (approximately) during 2016-17 from the year 2015-16.

DISCOMs recorded a profit of ₹2172.71 crores during 2017-18 which increased to ₹2986 crores during 2019-20. This did not continue till 2020-21 and DISCOMs again recorded a loss of ₹2216 crores due to Jaipur and Jodhpur DISCOM facing losses. The reduction in losses and further the appropriation of profit can be attributed to the subsidy disbursed to the DISCOMs. As the subsidy was discontinued in 2020-21, DISCOMs started facing losses, except Ajmer DISCOM.

The true picture of the DISCOMs can only be assessed on income and expenditure without the disbursement of subsidy. If this is to be considered, then DISCOMs incur huge losses, except Ajmer DISCOM where the loss has been declining continuously even without UDAY subsidy

and has recorded a profit of ₹175.73 crores during 2020-21. This profit is attributed to the withdrawal of the return of equity by the Government of Rajasthan for financial year 2019-20 and 2020-21 allowed to RVVUNL. Consequently, RVVUNL returned the amount of ₹1811.74 crores to DISCOMs. This amount was treated as ‘Other Operating Income’ in the accounts of DISCOMs and was adjusted from the purchase of power for the years 2019-20 and 2020-21. As a result of this adjustment, Ajmer DISCOM recorded a profit of ₹154.91 crores, while the other two DISCOMs still reeled under losses.

Table 9.12: Financial Parameters of DISCOMs

DISCOM	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Jaipur	Revenue from operation	10070.09	11502.12	13682.36	16257.44	17213.81	18335.72	20903.79
	Other Income	884.31	952.84	778.42	992.02	985.13	955.41	864.35
	Total Revenue	10954.39	12454.96	14460.78	17249.46	18198.94	19291.12	21768.14
	Total Expenditure	15644.77	16775.79	16167.77	20467.87	21 369.71	21865.54	22440.74
	Profit/(Loss) before exception item (UDAY subsidy) and Prior period income/ (Expenses)	-4690.38	-4320.83	-1706.99	-3218.41	-3170.78	-2574.42	-672.6
	Prior period Income/ (Expenses)	-44.2	-142.08	-30.02	-2.07	-86.77	-31.33	11.85
	UDAY subsidy	0	0	1121.26	4163.64	4163.64	4793.9	0
	Profit/(Loss) after exception item	-4734.57	-4462.91	-615.75	943.16	906.09	2188.15	-660.75
Ajmer	Revenue from operation	7413.63	8331.21	9596.79	11285.67	12355.47	13763.74	14721.73
	Other Income	866.97	1074.33	717.88	811.71	818.81	852.68	867.73
	Total Revenue	8280.6	9405.54	10314.67	12097.38	13174.28	14616.41	15589.45
	Total Expenditure	11845.57	12739.05	11517.77	14826.65	15737.86	15087.58	15434.54
	Profit/(Loss) before exception item (UDAY subsidy) and Prior period Income/ (Expenses)	-3564.98	-3333.51	-1203.11	-2729.27	-2563.58	-471.17	154.91
	Prior period Income/ (Expenses)	-27.91	-170.49	-100.44	-57.97	-230.25	34.22	20.82
	UDAY subsidy	0	0	966.86	3986.32	3260.65	1225	0
	Profit/(Loss) after exception item	-3592.89	-3504	-336.69	1199.08	466.82	788.06	175.73
Jodhpur	Revenue from operation	8223.05	9983.61	11138.63	12304.22	13396.52	14614.85	17656.55
	Other Income	877.35	700.05	577.94	687.88	675.61	817.61	840.29
	Total Revenue	9100.41	10683.66	11716.57	12992.11	14072.12	15432.46	18496.85
	Total Expenditure	13047.18	13912.48	13539.72	16819.59	17476.69	18976.7	20216.58
	Profit/(Loss) before exception item (UDAY subsidy) and	-3946.77	-3228.82	-1823.15	-3827.48	-3404.57	-3544.23	-1719.73

	Prior period Income/ (Expenses)							
	Prior period Income/ (Expenses)	-199.35	-45.05	47.67	7.92	62.62	-153.08	-11.95
	UDAY subsidy	0	0	746.8	3850.04	4575.71	3707.16	0
	Profit/(Loss) after exception item	-4146.12	-3273.87	-1028.68	30.47	1233.76	9.85	-1731.68
Total		-12473.6	-11240.8	-1981.12	2172.71	2606.67	2986.06	-2216.7

Source: CAG Report: Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana I in Rajasthan for the year ended 31 March 2021

9.6 Power Sector Reforms

Apart from the UDAY, Rajasthan has introduced several reforms in the power sector over the years, focusing on improving the financial and operational efficiency of power DISCOMs, enhancing electricity access, promoting renewable energy, and ensuring sustainable energy management. Here are the key reforms:

1. The Revamped Distribution Sector Scheme (RDSS)

It was launched by the Government of India in July 2021, aims to enhance the operational efficiency and financial sustainability of power distribution companies (DISCOMs) across the country, including those in Rajasthan. The scheme's primary objectives are to reduce aggregate technical and commercial (AT&C) losses to 12-15% and eliminate the gap between the average cost of supply (ACS) and average revenue realized (ARR) by the fiscal year 2024-25.

In Rajasthan, the RDSS has been actively implemented to revitalize the state's power distribution infrastructure. One of the key initiatives under the scheme is smart metering, which prioritizes the installation of prepaid smart meters for consumers. This aims to enhance billing accuracy and reduce losses due to theft or inefficiencies. Additionally, infrastructure development has received significant investments, covering the supply, erection, installation, testing, and commissioning of distribution infrastructure on a turnkey basis. This comprehensive approach ensures that all aspects of the distribution network, from material supply to final commissioning, are addressed. Furthermore, the scheme includes feeder separation, particularly for unsegregated feeders, to improve the quality and reliability of power supply to agricultural consumers.

While specific data on Rajasthan's progress under the RDSS is limited, the ongoing infrastructure projects and smart metering initiatives are expected to contribute significantly to these goals. As of December 2023, substantial funds have been disbursed to DISCOMs under

the RDSS, facilitating these improvements. Rajasthan has availed an additional borrowing limit of ₹11,308 crore for power sector reforms over the financial years 2021-22 and 2022-23. This borrowing is part of a broader initiative by the Ministry of Finance, allowing states to access additional funds up to 0.5% of their Gross State Domestic Product (GSDP) for undertaking specific reforms in the power sector. Since there is no audited data for DISCOMs, it is difficult to assess the impact of RDSS on the state of Rajasthan.

2. Renewable Energy Promotion

- **Solar Energy:**

Rajasthan emerged as a leader in solar energy under Jawaharlal Nehru National Solar Mission. The Rajasthan Renewable Energy Policy 2023 is a significant step forward, aiming to achieve 65 GW of solar capacity by 2030. The state plans to attract investment in solar parks, rooftop solar installations, and development of decentralized solar power projects, especially in rural areas, to enhance energy access. Development of large solar parks like the Bhadla Solar Park shows the intension of the State to become the leader in solar energy in the country.

- **Wind Energy:** Promoted wind power projects, especially in districts like Jaisalmer, Barmer, and Jodhpur.
- **Hybrid Energy:** Introduced the Wind-Solar Hybrid Policy 2019 to optimize the use of infrastructure and reduce costs.

2. Feeder Segregation

The State through Mukhyamantri Vidyut Sudhar Yojana segregated agricultural and domestic feeder. It has improved power supply reliability and ensured 24x7 electricity for households while prioritizing energy for agriculture.

3. Power Distribution Privatization

Jaipur, Ajmer, and Jodhpur DISCOMs introduced measures to increase private sector participation for distribution and network management to improve service quality and reduce losses.

4. Energy Efficiency Initiatives

The State distributed energy-efficient appliances under the Unnat Jyoti by Affordable LEDs for All (UJALA) scheme. Also introduced energy audits in industries and buildings to reduce wastage. The farmers were motivated by supported energy-efficient agricultural pump sets.

5. Strengthening of Transmission and Distribution Infrastructure

The State invested heavily in strengthening transmission and distribution infrastructure through Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) for rural electrification and an Integrated Power Development Scheme (IPDS) for urban power infrastructure. The State also upgraded sub-stations, transformers, and transmission lines to reduce technical losses.

6. Smart Grid and IT Integration

The State implemented smart metering systems to enhance billing accuracy and prevent theft and also adopted IT solutions for real-time monitoring and management of electricity distribution networks.

7. Renewable Energy Zones and Export

Rajasthan has been a significant contributor to the national grid with a renewable energy surplus. The State established renewable energy zones to export excess renewable power to other states.

8. Policy-Level Reforms

The State has encouraged private sector investments through favourable policies and incentives like reduced electricity duty for renewable energy projects.

9. Focus on Consumer Services

The State has introduced online portals and mobile apps for bill payments, grievance redressal, and service requests. At the same time, it has strengthened consumer engagement through awareness campaigns about energy conservation.

10. Support for Agriculture

The State is not only providing subsidized electricity to farmers for irrigation but also focusing on solar-powered pumps under the KUSUM scheme.

11. Improved Financial Discipline

The State has ensured timely subsidy disbursement to DISCOMs and also introduced performance-based incentives for DISCOM employees.

Impact of Reforms

- **Financial Benefits:** Reduced AT&C losses and improved DISCOM finances.
- **Renewable Energy Leadership:** Rajasthan leads in solar and wind power generation.
- **Enhanced Access:** Improved electricity availability in rural and urban areas.
- **Operational Efficiency:** Reduced power theft and improved supply reliability.

Despite the various reforms, the power sector in Rajasthan has not become entirely self-sufficient and continues to rely on state subsidies. This has adversely affected the state's fiscal health. Challenges such as high-power purchase costs, subsidies, and political resistance to tariff hikes remain the issue. However, the reforms have led to significant additions to power generation capacity and some improvements in operational efficiency. Rajasthan's experience with power sector reforms highlights the complex challenges associated with balancing financial sustainability, service quality, and social objectives, at the same time it has taken significant strides toward a sustainable and efficient power sector.

Some major recommendations as per the CAG Report No. 1 P A on the Implementation of UDAY in Rajasthan for the year ended 31 March 2021:

- The Government and the DISCOMs, may ensure compliance with the provisions in the upcoming schemes.
- The DISCOMs may ensure that working capital borrowings remain within the permissible limit.
- The Government may issue necessary directives to the DISCOMs for filing of ARR and tariff petitions in time.
- The DISCOMs may ensure payment of dues to the power generators in time.
- The Government may ensure the release of tariff subsidies to the DISCOMs promptly.
- The Government may ensure adherence to the commitments made to the DISCOMs.
- The Government may issue necessary directives to its departments to clear their outstanding power dues and to ensure timely payment of future electricity bills.

Chapter 10

Impact of State Public Enterprises Finances on the State's Financial Health

10.1 Public Sector Enterprises in Rajasthan

Public Sector Enterprises (PSEs) in Rajasthan operate across various sectors, including manufacturing, services, and infrastructure development. PSEs in Rajasthan span multiple industries, such as mining, power generation, tourism, and transportation. Many PSEs are involved in developing and maintaining critical infrastructure, including roads, power plants, and water supply systems. Besides economic goals, PSEs often pursue social objectives like regional development and employment generation in underdeveloped areas. The Government of Rajasthan oversees these enterprises through various departments and ministries.

The state's flagship organizations include the Rajasthan State Industrial Development and Investment Corporation (RIICO), which spearheads industrial development and investment facilitation, and the Rajasthan State Mines and Minerals Limited (RSMML), which manages the state's rich mineral resources. The transportation sector is served by the Rajasthan State Road Transport Corporation (RSRTC), providing essential connectivity across the state and beyond its borders. The power sector is managed by the Rajasthan State Power Generation Corporation (RVUNL), which is responsible for meeting the state's growing energy demands.

The table 10.1 provides a breakup of Rajasthan's PSEs which are under the purview of CAG for audit in 2022-23, and include 40 Government Companies, 3 Statutory Corporations, 3 Inactive Government Companies, and 5 Government Controlled Other Companies, totalling 51 entities. Among these, 26 PSEs are profit-making, with Government Companies contributing ₹1,247 crore in profits. However, 15 PSEs are operating at a loss, with Government Companies accounting for ₹4,124 crore in cumulative losses. Out of the 3 Inactive Government Companies two (Rajasthan Jal Vikas Nigam Limited (RJVNL) and Rajasthan Civil Aviation Corporation Limited (RCACL)) are non-functional and one (Rajasthan State Agro Industries Corporation Limited (RSAICL)) is under liquidation. While the number of profit-making entities is higher than loss-making ones, the financial scale of losses significantly outweighs the profits. This has been the trend in last five years as well. This highlights a need for focused interventions, such as restructuring or efficiency enhancements in loss-making PSEs and exploring revival or liquidation strategies for inactive entities. Additionally, the success of profit-making enterprises should be leveraged by adopting best practices to optimize overall performance and resource

utilization across the sector. The detailed list of public sector enterprises as on September 2023 with description and accounting details have been given in the Appendix table A10.1.

Table 10.1: Public Sector Enterprises in Rajasthan in 2022-23

Nature of PSEs	Total Number	Profit making PSEs	Loss making PSEs
Government Companies	40	26 (Rs 1,247)	15 (Rs. 18,813)
Statutory Corporations	3		
Inactive Government Companies	3	3 (No profit no loss)	
Government Controlled Other Companies	5	1	2
Total	51	27	17

Source: SFAR, CAG Report, 2022-23.

10.2 Contribution of Public Sector Enterprises to the GSDP of the State

The ratio of turnover of the State PSUs to the Gross State Domestic Product (GSDP) shows the contribution of PSUs to the economy of the State. On the basis of nature of activities undertaken, Government Companies and Statutory Corporations have been categorized into eight sectors. The table 10.2 illustrates the sector-wise turnover of Rajasthan's PSEs from 2019-20 to 2022-23, along with the corresponding GSDP and the percentage of turnover to GSDP. The Energy & Power sector dominates the turnover with more than 80% share, increasing steadily from ₹66,492 crore in 2019-20 to ₹83,896 crore in 2022-23, reflecting its critical role in the state economy. Finance also shows a consistent rise, with turnover reaching ₹10,724 crore in 2022-23. The Industries & Commerce sector witnessed moderate growth from ₹3,146 crore in 2019-20 to ₹3,882 crore in 2022-23, while Agriculture, Food & Allied Industries and Culture & Tourism experienced minimal fluctuations. The Transport sector saw a significant decline in 2021-22 (₹365 crore) but rebounded to ₹866 crore in 2022-23. Urban Development turnover grew substantially, from ₹17 crore in 2019-20 to ₹130 crore in 2022-23, indicating increased investment in urban infrastructure. The turnover of other miscellaneous sectors also increased significantly in 2022-23.

The total turnover rose from ₹82,794 crore in 2019-20 to ₹103,470 crore in 2022-23, marking consistent growth over the period. However, the percentage of turnover to GSDP declined from 8.5% in 2020-21 to 7.4% in 2021-22, recovering slightly to 7.6% in 2022-23. During the last four years the compound annual growth rate (CAGR) of GSDP was 10.7%, while the CAGR

of turnover of the PSEs was 7.7%. This suggests that while turnover has grown, the GSDP has outpaced it, indicating room for enhancing the contribution of PSEs to the state's economic output. Additionally, it shows signs of underperformance of PSEs as compared to the economic growth of the state.

Table 10.2: Details of Turnover of PSEs vis-à-vis GSDP of Rajasthan (Rs. in Crore)

S. No.	Sector (No of PSEs in 2022-23)	2019-20	2020-21	2021-22	2022-23
1	Energy & Power (16)	66,492	72,166	72,034	83,896
2	Industries & Commerce (7)	3,146	3,078	3,684	3,882
3	Finance (4)	8,228	6,979	9,926	10,724
4	Agriculture, Food & Allied Industries (4)	924	963	851	859
5	Culture & Tourism (2)	63	63	56	62
6	Transport (2)	1,725	1,689	365	866
7	Urban Development (2)	17	74	62	130
8	Others (9)	2,199	1,975	1,977	3,051
9	Total Turnover	82,794	86,986	88,956	103,470
10	State GSDP	1000032	1017917	1194961	1357851
11	Percentage of Turnover to GSDP	8.3%	8.5%	7.4%	7.6%

Source: SFAR, CAG Report, 2021-22 and 2022-23.

10.3 Performance of Public Sector Enterprises

The investment trends in Rajasthan's Public Sector Enterprises (PSEs) from 2020-21 to 2022-23 show a steady increase in total investment, rising from ₹1,61,654 crore in 2020-21 to ₹1,83,899 crore in 2022-23. However, the share of the Government of Rajasthan (GoR) in overall investments has slightly declined from 36.0% in 2020-21 to 33.0% in 2022-23. Table 10.3 provides a sector-wise breakdown of the Government of Rajasthan's (GoR) investment in Government Companies and Statutory Corporations for last three years (2020-21 to 2022-23).

The Energy & Power sector continues to dominate total investments, accounting for 91.2% in 2020-21, 91.1% in 2021-22, and 88.9% in 2022-23. Despite this dominance, its share in the GoR's total investment has fallen from 36.0% to 31.8%, indicating diversification into other sectors. The sector still dominates with ₹53,911 crore in 2022-23 (88.9% of GoR's total investment) and accounts for 31.8% of the sector's overall investment of ₹169,347 crore,

indicating its priority in the state’s development agenda. Urban Development being the second-largest recipient, GoR’s investments grew from ₹2,562 crore to ₹2,753 crore over the period, with its share reaching 62.3% in the sector’s overall investment, reflecting the government’s focus on infrastructure expansion. The Transport sector witnessed significant growth, with investment increasing from ₹1,290 crore in 2020-21 to ₹2,028 crore in 2022-23. The GoR’s contribution to this sector also rose to 73.9% in 2022-23, underscoring its emphasis on infrastructure development.

Industries & Commerce saw consistent but minimal investment, around ₹469-475 crore annually, with a notable GoR contribution of 22.8% in 2022-23. Investments in Industries & Commerce and Finance were relatively low at ₹475 crore and ₹627 crore, accounting for 0.8% and 1.0% of GoR's total investments, respectively. The Finance sector experienced an increase in investment from ₹273 crore in 2020-21 to ₹627 crore in 2022-23, with GoR’s share rising to 55.6%. The Agriculture, Food & Allied Industries sector also saw a slight increase in investment, reaching ₹445 crore in 2022-23 from ₹370 crore in 2020-21, with an overwhelming 98.9% of funding coming from GoR, reflecting strong government support for agricultural development. Culture & Tourism and Other Sectors were allocated ₹89 crore and ₹318 crore, respectively, highlighting their underfunded status, as they accounted for less than 1% of GoR’s total investments.

In summary, while Energy & Power remains the primary investment area, there is a clear shift towards infrastructure, transport, and financial services. This diversification indicates a long-term strategy focusing on economic growth, urbanization, and financial development. Overall, the GoR's investments contribute 33% to the total sectoral investments of ₹183,899 crore, with significant emphasis on infrastructure-driven sectors. The data suggests a need to boost funding in underrepresented sectors like Culture & Tourism and Industries & Commerce while encouraging private investments to reduce reliance on state funding.

Table 10.3: Sector-wise Investment of State Government in Government Companies and Statutory Corporations during 2020-21 to 2022-23 (Rs. in Crore)

Year	Sector	Equity	Loans	Total Investment of GoR	Overall Investment	Percentage Share of Total Investment of GoR	Percentage Share of Total Investment of GoR to Overall Investment
2020-21	Energy & Power	47,827	5,276	53,103	1,61,654	91.2%	36.0%
	Industries & Commerce	468	1	469		0.8%	

	Finance	272	0	273		0.5%	
	Agriculture, Food & Allied Industries	66	304	370		0.6%	
	Culture & Tourism	24	15	39		0.1%	
	Transport	617	673	1,290		2.2%	
	Urban Development	1,543	1,019	2,562		4.4%	
	Others	117	11	129		0.2%	
	Total Turnover	50,935	7,300	58,235		100.0%	
2021-22	Energy & Power	48,957	4,425	53,382	1,71,243	91.1%	34.2%
	Industries & Commerce	468	1	469		0.8%	
	Finance	322	0	323		0.6%	
	Agriculture, Food & Allied Industries	66	336	403		0.7%	
	Culture & Tourism	24	27	51		0.1%	
	Transport	617	631	1,247		2.1%	
	Urban Development	1,807	775	2,581		4.4%	
	Others	117	6	124		0.2%	
	Total Turnover	52,379	6,201	58,580		100.0%	
2022-23	Energy & Power	49,571	4,340	53,911	1,69,347	88.9%	31.8%
	Industries & Commerce	468	7	475	2,083	0.8%	22.8%
	Finance	627	0	627	1,127	1.0%	55.6%
	Agriculture, Food & Allied Industries	66	379	445	450	0.7%	98.9%
	Culture & Tourism	31	58	89	228	0.1%	39.0%
	Transport	2,028	0	2,028	2,744	3.3%	73.9%
	Urban Development	1,984	769	2,753	4,416	4.5%	62.3%
	Others	317	1	318	3,504	0.5%	9.1%
	Total Turnover	55,092	5,554	60,646	1,83,899	100.0%	33.0%

Source: SFAR, CAG Report, 2022-23

The financial performance of Rajasthan's Public Sector Enterprises (PSEs) over the past five years has shown significant fluctuations, with increasing losses, particularly in the energy sector. While some sectors have remained stable, others have struggled with declining profitability and worsening net worth.

In terms of overall performance, out of 41 PSEs, 25 PSEs earned profit in 2018-19 as well as in 2019-20. The profit earned by the profit-making PSEs increased to ₹3843.10 crore in 2019-20 from ₹3284.75 crore in 2018-19. However, 85.92% of the profit in 2019-20 pertained to the Power Sector. This was due to the release of ₹13816.47 crore as a subsidy to DISCOMs under UDAY. Out of 41 PSEs (Government Companies and Statutory Corporations), 13 PSEs incurred losses during the year 2019-20. The losses incurred by these PSEs decreased from ₹747.61 crore during 2018-19 to ₹489.54 crore in 2019-20.

The number of profit-making PSEs increased from 26 in 2020-21 to 28 in 2021-22 but slightly declined to 27 in 2022-23. The total net profit peaked in 2021-22 at ₹1,984.3 crore but dropped to ₹1,248.2 crore in 2022-23. On the other hand, the number of loss-making PSEs remained at 14 during the two years 2020-22 but increased to 17 in 2022-23, with total net losses surging from ₹4,124.5 crore in 2021-22 to a massive ₹18,813.9 crore in 2022-23. This sharp rise in losses led to a steep decline in the overall net worth of Rajasthan's PSEs, which improved from -₹38,630.6 crore in 2020-21 to -₹20,765.2 crore in 2021-22, only to deteriorate drastically to -₹77,690.6 crore in 2022-23 due to heavy losses in the power distribution PSEs. The sector-wise list of PSEs that earned profit/loss during the year 2020-21 to 2022-23 is given in table 10.4.

Four PSEs contributed 87.3% of the total profit earned by 27 PSEs during 2021-22. Out of these, Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) and Rajasthan State Mines & Mineral Limited (RSMML) could register profits because of their monopolistic advantage in the market. Ajmer and Jaipur DISCOMs (AVVNL and JVVNL) are in profit during 2021-22 due to certain financial adjustment carried out during the year for exceptional income on account of credit of late payment surcharge. They would have otherwise incurred loss of ₹710.92 crore and ₹504.92 crore. Only two PSEs (RIICO and Jaipur Metro Rail Corporation Limited) earned a profit of more than ₹100 crore during the year 2022-23. On the other hand, five PSEs (Three Power DISCOMs, Rajasthan Rajya Vidyut Utpadan Nigam, and Giral Lignite Power Limited) contributed 99.7% of the total losses in the same year.

The Energy & Power sector has been the largest contributor to these losses. While it showed some profit in 2021-22 (₹1,053 crore), the losses increased alarmingly in 2022-23, reaching -₹18,758.6 crore. This sector's net worth declined from -₹35,444.6 crore in 2020-21 to -₹73,321.4 crore in 2022-23, highlighting the heavy subsidy burden due to free electricity to households and increase in the cost of production due to the non-availability of coal for thermal power producing units of the state. This calls for an urgent need for financial restructuring and rationalization of power sector subsidies.

The Industries & Commerce sector performed relatively well, with profits rising steadily from ₹670.4 crore in 2020-21 to ₹821.1 crore in 2022-23. However, its net worth turned negative from 2021-22, indicating underlying financial stress. The Agriculture, Food & Allied Industries sector experienced a decline in profits from ₹95.5 crore in 2020-21 to ₹32.9 crore in 2021-22 before recovering slightly to ₹40.4 crore in 2022-23. However, its net worth has remained negative across all three years. In contrast, the Culture & Tourism sector saw a temporary

improvement in 2021-22, registering a profit of ₹10.1 crore, but returned to losses in 2022-23. Its net worth remains negative, reflecting weak financial health.

The Transport sector has consistently reported losses, though they reduced slightly in 2021-22 and 2022-23. However, its net worth remains deeply negative, suggesting continued financial distress. On a more positive note, the Urban Development sector witnessed a remarkable turnaround. While it recorded losses in 2020-21 and 2021-22, it turned highly profitable in 2022-23, registering ₹144.4 crore in profit and maintaining a positive net worth.

Overall, the financial condition of Rajasthan's PSEs has worsened significantly in 2022-23, driven primarily by the soaring losses in the power sector. While some sectors, such as Industries & Commerce and Finance, have remained stable, and Urban Development has shown a strong recovery, others like Transport and Tourism continue to struggle. To improve financial sustainability, structural reforms in the power sector and efficiency improvements in loss-making sectors such as transport and tourism are essential. Additionally, leveraging the positive performance of Urban Development could create further economic opportunities for the state.

Table 10.4: Summary of Sector-wise Performance of PSEs from 2020-21 to 2022-23 (Rs. in Crore)

Year	Sector	No of Profit Making PSEs	Net Profit After Tax	Accumulated Surplus/ Loss(-)	Net Worth	No of Loss Making PSEs	Net Loss After Tax	Accumulated Surplus/ Loss(-)	Net Worth
2020-21	Energy & Power	6	325.9	-29069.2	-13330.6	6	-3759.9	-68290.8	-35444.6
	Industries & Commerce	4	670.4	4689.9	5004.6	2	-0.8	-165.3	41.5
	Finance	3	90.1	349.4	621.8	0	0.0	0.0	0.0
	Agriculture, Food & Allied Industries	3	95.5	514.7	580.2	1	-1.5	-54.8	-48.8
	Culture & Tourism	0	0.0	0.0	0.0	2	-6.9	-160.5	-136.4
	Transport	1	0.0	-6.3	-1.8	1	-217.1	-5186.8	-4547.8
	Urban Development	1	3.6	25.4	74.0	1	-60.2	-388.4	1305.7
	Others	7	46.9	300.8	418.1	0	0.0	0.0	0.0
	Government Controlled Other Companies	1	0.1	4.5	204.5	1	0.0	-0.1	199.9
	Total	26	1232.4	-23190.8	-6429.3	14	-4046.3	-74246.7	-38630.6
2021-22	Energy & Power	6	1053.0	-56272.5	-33420.6	7	-3995.3	-44596.6	-17992.6
	Industries & Commerce	5	765.5	5214.8	5690.2	1	-1.0	-51.5	-5.5

	Finance	3	85.5	434.0	716.4	0	0.0	0.0	0.0
	Agriculture, Food & Allied Industries	3	32.9	577.7	643.1	1	-1.5	-54.8	-48.8
	Culture & Tourism	1	10.1	-141.7	-119.8	1	-0.1	-8.7	-6.6
	Transport	1	0.0	-6.3	-1.8	1	-43.2	-5230.0	-4591.1
	Urban Development	1	0.1	25.4	74.1	1	-83.3	-486.6	1471.4
	Others	7	37.2	330.5	447.8	0	0.0	0.0	0.0
	Government Controlled Other Companies	1	0.1	4.5	204.5	2	-0.1	8.0	408.0
	Total	28	1984.3	-49833.6	-25766.1	14	-4124.5	-50420.3	-20765.2
2022-23	Energy & Power	5	90.4	-1135.5	3921.5	8	-18758.6	-118341.6	-73321.4
	Industries & Commerce	6	821.1	5987.1	6472.5	1	-2.7	-54.2	-8.2
	Finance	3	59.9	462.4	1084.7	1	-0.1	-0.1	5.0
	Agriculture, Food & Allied Industries	3	40.4	594.8	660.2	1	-1.5	-54.8	-48.8
	Culture & Tourism	0	0.0	0.0	0.0	2	-10.0	-160.4	-136.3
	Transport	1	0.0	-6.2	-1.8	1	-41.0	-5227.8	-4588.8
	Urban Development	2	144.4	-323.1	2137.0	0	0.0	0.0	0.0
	Others	6	90.7	419.1	535.1	1	0.0	-1.5	-0.2
	Government Controlled Other Companies	1	1.1	2.3	202.3	2	-0.1	8.2	408.2
	Total	27	1248.2	6000.8	15011.6	17	-18813.9	-123832.2	-77690.6

Source: SFAR, CAG Report, 2021-22 and 2022-23

However, these PSEs face several challenges in their operations. Financial performance remains a concern for some PSEs, with operational losses and high maintenance costs affecting their sustainability. Efficiency issues, stemming from bureaucratic procedures and the need for technological modernization, pose ongoing challenges. Political interference and management concerns also impact their optimal functioning.

Looking ahead, Rajasthan's PSEs are expected to play better role in the state's development. The emphasis is on achieving greater autonomy in decision-making, implementing performance-linked incentives, and enhancing their contribution to the state's GDP. While maintaining their social objectives, these enterprises are adapting to changing market conditions and working towards sustainable operations. Their success in balancing commercial viability with social responsibilities will be crucial for the state's continued economic growth and development.

10.4 Measures undertaken to improve the performance of PSEs in Rajasthan

The impact of PSEs finances on the overall financial health of a state is a critical aspect of public finance management. PSEs, which are government-owned entities operating in various sectors, can significantly influence a state's economic performance and fiscal stability. In Rajasthan, these enterprises play a crucial role in providing essential services and contributing to the state's economic development. However, their financial performance can have both positive and negative implications for the state's fiscal position.

The experience of different states offers several insights into measures that can improve the performance of Public Sector Enterprises (PSEs).

- **Restructuring and Disinvestment:** A committee in Rajasthan set up on “Reorganisation, Strengthening and Disinvestment of Public Sector Undertakings and Industrial Development” in 2008 recommended a mix of partial disinvestment of 11 PSEs, full disinvestment of 3, and the winding up of 7. Based on these recommendations the state government has fully disinvested 4 PSEs and partially disinvested 4 PSEs up to 2021. The state of Karnataka formed a Public Sector Restructuring Commission (PSRC) in March 2000 to evaluate and suggest measures for restructuring through rationalization, disinvestment, merger and privatization of under-performing PSUs. In 2002, 29 PSUs out of 82 were identified for disinvestment and liquidation. In West Bengal, the government decided in 2017 to restructure or merge 46 PSUs, while 44 would remain functional after a review. These examples suggest that identifying underperforming PSEs and taking decisive action, including closure or disinvestment, can improve overall sector performance.
- **Financial Management:** Madhya Pradesh's experience highlights concerns about financial management in PSEs. The analysis reveals heavy losses year after year, with marginal improvement in contributions to state GDP. This situation raises questions about the effectiveness of financial planning, implementation, running, and monitoring within these enterprises. Improved financial management practices are crucial for PSEs to become profitable and contribute to economic growth.
- **Focus on Profitability:** The experience of states like Maharashtra and Gujarat emphasizes the importance of PSEs operating on commercial principles to contribute to state resources and capital formation. Efforts to improve profitability could include

setting clear performance targets, adopting modern management practices, and ensuring accountability for financial results.

- ***Addressing Arrears and Delays:*** Madhya Pradesh faced a significant problem with arrears in the financial accounts of PSEs and delays in finalizing accounts. These issues not only hinder performance evaluation but also increase the risk of fraud and misuse of public funds. The state government should implement measures to ensure timely finalization of accounts and establish mechanisms to address arrears effectively.
- ***Liquidation of Non-Working PSUs:*** Madhya Pradesh had a significant number of non-working PSUs, representing a drain on resources. Liquidating these entities could free up financial and administrative resources for more productive use. A clear policy for identifying and liquidating non-working PSEs is essential.
- ***Reducing Reliance on Grants and Subsidies:*** There is a concerning trend of increasing grants and subsidies to PSEs, particularly in Madhya Pradesh, where the proportion of grants/subsidies in budgetary outgo rose significantly. This dependence on state support raises questions about the long-term viability of these enterprises. Efforts should be made to reduce reliance on grants and subsidies and encourage PSEs to become self-sustaining.
- ***Flexibility and Autonomy:*** Giving PSEs greater flexibility in financial and administrative decision-making can foster a sense of autonomy and potentially improve performance. This approach could allow them to respond more effectively to market dynamics and make decisions aligned with their business objectives. However, this autonomy should be balanced with appropriate oversight and accountability mechanisms.
- ***Reviewing the Role of PSEs:*** The changing economic landscape requires a periodic review of the role of PSEs in specific sectors. Identifying areas where private enterprises are performing well and considering whether continued public sector involvement is necessary can lead to more efficient allocation of resources.

It's important to note that improving PSE performance is a complex challenge. The specific measures required may vary depending on the sector, the individual enterprise's circumstances, and the broader economic context. However, the insights from the other states should be taken as a starting point to act upon to enhance the efficiency and effectiveness of PSEs.

Chapter 11

Evaluation of State Government Subsidies

11.1 Introduction

Subsidies are implemented to modify market outcomes, account for positive externalities, and serve redistribution objectives and also used to maintain affordable prices. Subsidies can be categorized as direct, explicit, indirect, or implicit. Explicit subsidies constitute direct payments, whereas implicit subsidies are indirect, such as those related to food and civil supplies. Subsidies have been a cornerstone of government policy in Rajasthan, aimed at addressing social and economic disparities. However, their effectiveness and long-term impact are not evident. In Rajasthan, explicit subsidies are allocated to departments, such as finance (predominantly power), animal husbandry, horticulture, industry, and rural development. Implicit subsidies are primarily allocated to the food, civil supply, and consumer departments.

Key Subsidies in Rajasthan:

- **Power Subsidies:** This covers grants for domestic and agricultural consumers (particularly small and marginal) for subsidized electricity rates, tariff grants to power distribution companies (DISCOMs), grants for the KUSUM scheme for solarizing pump sets, and grants for acquiring the losses of DISCOMs due to non-increase in power tariff.
- **Agriculture Subsidies:** Majorly cover grants given to the horticulture sector under the KUSUM scheme and grants for drip irrigation and micro irrigation for farmers.
- **Social Welfare Subsidies:** This covers grants on health care and social security along with schemes for women empowerment.
- **Food Subsidies:** Grants given for subsidised food grains under the National Food Security Act and Antyodaya Anna Yojana.

Subsidies are allocated to the Finance Department (for the Power Sector), Horticulture Department, Industries (Group 1 & Group 2) Department, Food & Civil Supplies Department, and other departments in the state budget distribution. The data on subsidies in the last ten years in Rajasthan indicates a sharp focus on the Finance Department in subsidy allocations, with limited emphasis on other departments. While total subsidies witnessed consistent growth until 2017-18, they registered a sharp fall thereafter, before increasing again from 2021-22 due to COVID-19 fiscal relief. Power Sector subsidies are intended to support agriculture and all the

households, irrespective of income, however, they frequently result in losses for power distribution companies. The experiences of other states indicate that these subsidies often fail to reach their intended beneficiaries, and more affluent farmers may benefit disproportionately compared to those with fewer resources. The power sector in several states is characterized as a "bottomless pit".

11.2 Evaluation of State Subsidies

The subsidy expenditure reveals a significant upward trend, with total subsidies (TS) increasing from ₹3,201 crore in 2011-12 to ₹26,002 crore in 2022-23, reflecting a CAGR of 21%. The Finance Department consistently accounted for the majority of subsidies, ranging between 87.5% and 99.3% of the total, and grew at a CAGR of 22%. In absolute terms, the Finance Department's subsidies (Power Sector) increased from ₹2,801 crore in 2011-12 to ₹25,404 crore in 2022-23, registering its dominant role in subsidy distribution. During 2022-23, the biggest component of the subsidy outgo of the government was the subsidy to the Power Sector which accounted for 97.09% (₹25,405 crore) of the total subsidy. Subsidy was given to the Power Sector mainly on account of non-increase of Power Tariff (₹22,174.26 crore) and grants (tariff grant) receivable from the State government to the electricity distribution corporations (₹1,300.00 crore). Further, subsidy to Power Sector ranged from 96.20% to 98.44% of the total subsidy provided by GoR during 2018-19 to 2022-23.

The Horticulture Department exhibited notable growth, with its share of subsidies rising from ₹58.28 crore in 2011-12 to ₹486 crore in 2022-23, reflecting a CAGR of 21%. Despite this growth, its contribution to the total subsidies remained relatively low, ranging from 0.6% to 2.4% over the period. Similarly, subsidies under the Industries (Group 1 and Group 2) Department increased from ₹3.58 crore in 2011-12 to ₹17.03 crore in 2022-23, growing at a CAGR of 15%. However, this department's share of total subsidies was negligible, remaining below 0.3% throughout. In contrast, the Food & Civil Supplies Department experienced a declining trend, with its subsidy allocations dropping from ₹311.71 crore in 2011-12 to ₹68.23 crore in 2022-23, recording a negative CAGR of -13%. Its contribution to total subsidies also decreased sharply, falling from 9.7% in 2011-12 to just 0.26% in 2022-23, indicating a significant shift in allocation priorities. Subsidies categorized as "Others" showed minimal growth, with no significant change in absolute terms over the period, and consistently accounted for less than 1% of total subsidies. Overall, the data indicates a sharp focus on the Power Sector in subsidy allocations, with limited emphasis on other sectors.

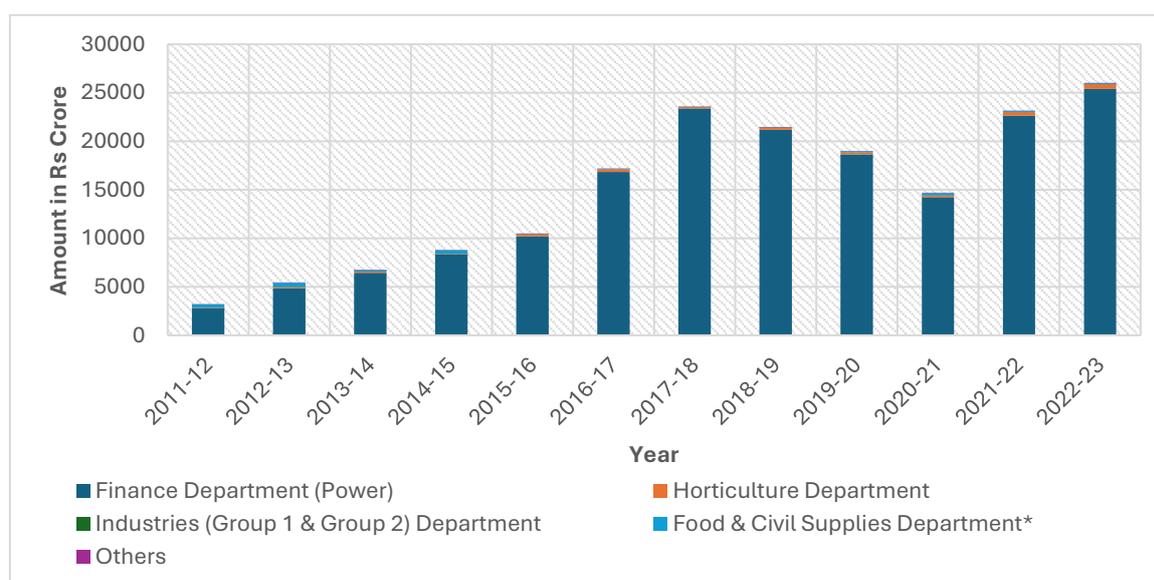
Table 11.1: Expenditures on Subsidies Sector-wise (Rs in Crore)

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
Finance Department	2801	4861	6460	8330	10187	16842	23391	21204	18644	14261	22644	25404	22%
<i>as a percent of TS</i>	<i>87.5%</i>	<i>89.0%</i>	<i>95.5%</i>	<i>94.7%</i>	<i>97.1%</i>	<i>97.9%</i>	<i>99.3%</i>	<i>98.9%</i>	<i>98.2%</i>	<i>97.0%</i>	<i>97.7%</i>	<i>97.7%</i>	
Horticulture Department	58	125	130	52	252	269	144	210	215	168	356	486	21%
<i>as a percent of TS</i>	<i>1.8%</i>	<i>2.3%</i>	<i>1.9%</i>	<i>0.6%</i>	<i>2.4%</i>	<i>1.6%</i>	<i>0.6%</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.1%</i>	<i>1.5%</i>	<i>1.9%</i>	
Industries (Group 1 & Group 2) Department	4	4	4	25	10	19	9	10	15	27	26	17	15%
<i>as a percent of TS</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.3%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.1%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>0.1%</i>	
Food & Civil Supplies Department*	312	438	165	384	28	29	-	16	104	211	113	68	-13%
<i>as a percent of TS</i>	<i>9.7%</i>	<i>8.0%</i>	<i>2.4%</i>	<i>4.4%</i>	<i>0.3%</i>	<i>0.2%</i>	<i>-</i>	<i>0.1%</i>	<i>0.5%</i>	<i>1.4%</i>	<i>0.5%</i>	<i>0.3%</i>	
Others	26	35	9	7	11	49	19	8	12	34	28	26	0%
<i>as a percent of TS</i>	<i>0.8%</i>	<i>0.6%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.3%</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.1%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>0.1%</i>	
Total Subsidies (TS)	3201	5463	6768	8798	10488	17208	23563	21448	18990	14701	23168	26002	21%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

* Subsidy given to Food & Civil Supplies department includes both implicit and explicit subsidies from 2011-12 to 2013-14.

Figure 11.1: Expenditures on Subsidies Sector-wise (Rs in Crore)

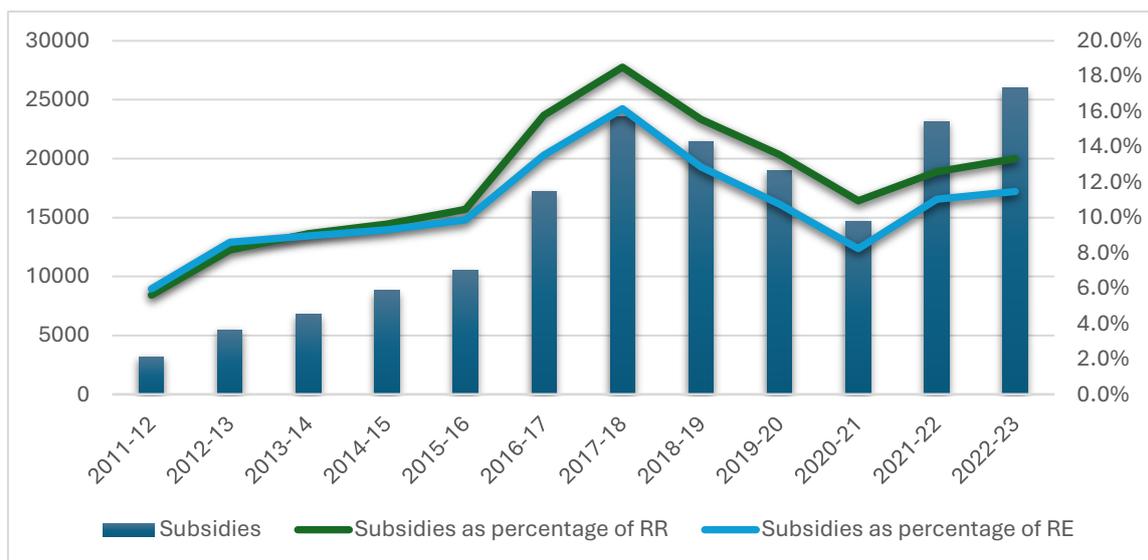


Source: Author's calculation from Appendix Table A11.1

The data in the appendix table A11.2 highlight significant variations in government expenditure and fiscal priorities. The total subsidies increased consistently over the years, rising from ₹3,201 crore in 2011-12 to ₹26,002 crore in 2022-23. This rise was accompanied by fluctuations in subsidies as a percentage of Revenue Receipts (RR) and Revenue Expenditure (RE). Subsidies as a share of RR peaked at 18.5% in 2017-18 before declining to 13.3% in 2022-23. Similarly, as a share of RE, subsidies reached a high of 16.2% in 2017-18 but reduced to 11.5% by 2022-23. The relationship between subsidies and the Revenue Deficit (RD) reveals that subsidies often exceeded the deficit, particularly in years like 2013-14, where they accounted for 651.3% of RD. However, this ratio showed a declining trend in later years, with subsidies forming 82.6% of RD in 2022-23, indicating an improvement in fiscal management.

The power sector consistently dominated the subsidy allocations, consuming the largest share of the total subsidies. Power sector subsidies ranged from 87.5% in 2011-12 to 97.1% in 2022-23, reflecting state governments' focus on maintaining low power tariffs for households. The rising subsidies for power likely reflect increasing investments in energy infrastructure and efforts to address energy access and affordability for residents. Overall, while Rajasthan has significantly increased its subsidies over the last decade, the fiscal burden in terms of Revenue Receipts and Expenditure has seen some stabilization in recent years.

Figure 11.2: Expenditures on Subsidies and Subsidies as a Percent of Revenue Receipts and Revenue Expenditure



Source: Author's calculation from Appendix Table A11.2

11.3 Cost-Benefit Assessment of Subsidies

Quantifying the costs: The financial cost of subsidies is often explicitly stated, but a more detailed analysis is needed to consider the opportunity cost (what else could the money be used for) and the economic distortions created by subsidies. Subsidies, particularly in the power sector, are adversely affecting state fiscal health as largest share of subsidies is allocated to the Finance Department (power sector subsidies), accounting for nearly 97-99% of total subsidies. It has contributed to fiscal stress and inefficiencies in power distribution. As percentage of revenue expenditure, the subsidy expenditure almost doubled from 6% in 2011-12 to 11.5% in 2022-23. This highlights the increasing financial burden on the state's fiscal health. This amount could have used for better way on activities leading to the development of the State. Further, subsidising big farmers and rich household consumers by giving subsidised electricity cannot be justified.

Assess the Benefits: It is difficult to measure the benefits of subsidies. These include increased agricultural output, improved access to electricity or other services, and poverty alleviation. However, these benefits are not always realized in practice. Power subsidies mainly benefitted agriculture (farmers), industries, and households. Higher subsidies have led to affordable electricity tariffs and have promoted irrigation, industrial productivity, and social welfare. Horticulture subsidies, although their share is low and constant, have encouraged the cultivation of high-value crops and organic farming, and have benefitted smallholder farmers through micro-irrigation. All other subsidies have remained below 1% of the total subsidy expenditure, but have contributed to cheaper food grain for poor households through ration shops, women empowerment, and social security benefits to women and older people.

Efficiency and leakage: Cost-benefit analysis should consider whether there are more efficient ways to achieve the same objectives. For example, could better-targeted support, improved infrastructure, or user-based pricing achieve the same or better outcomes at less cost to the state exchequer? Targeted subsidies (DBT) should be introduced instead of blanket subsidies. This is done to ensure financial sustainability, reduce overreliance on power sector subsidies, and allocate more resources to agriculture, industry, and social security programs. For example, the free electricity scheme for households (up to 100 units) should be restricted to poor households and linked to PM Surya Ghar Yojana, where households will receive subsidies for solar installations.

In summary, while the data on state finances and subsidies help in cost-benefit assessments, a formal analysis is needed to assess both the financial and non-financial implications of these subsidies. But it is important to address the problem of huge subsidies given to power sector. Over ₹26000 crores are being spent on it. We need to assess what development options this subsidy is shutting out.

11.4 Comparing State Government Subsidies

This section provides a comparative assessment of the subsidies given by Rajasthan with other states:

- Karnataka has a significant issue with rising power sector subsidies, posing a risk to the state's fiscal health. The state government's expenditure on power subsidies has been increasing over time, with the subsidy for irrigation pump sets reaching ₹8143 crore. The government has implemented various bailout schemes for loss-making distribution utilities, but these measures provide only short-term solutions without addressing the root causes. Furthermore, the amount allocated in the budget often falls short of the actual subsidy dues.
- Madhya Pradesh, due to its lower per capita income, requires higher public expenditure as a share of GSDP compared to other states. However, its actual spending falls short of this requirement. The state has seen a significant increase in the proportion of grants/subsidies in its budgetary outgo over the past ten years. A substantial portion of these subsidies are directed towards the power sector, covering transmission and distribution losses and power subsidies. Similar to Karnataka, there's a concern that the stated figures for power subsidies might be lower than the actual amount provided.
- Maharashtra has experienced a rising trend in subsidies over the past decade. The Department of Industries, Energy, and Labour is responsible for the highest proportion of subsidies, followed by the Department of Agriculture, Animal Husbandry, Dairy Development, and Fisheries. Interestingly, subsidies for social services are relatively lower and don't exhibit higher growth rates compared to other subsidies. This suggests a persistent gap between social and economic sector subsidies over the past ten years.
- Rajasthan faces a significant challenge with power sector subsidies. This heavy subsidization, coupled with losses in public investments, has strained the state's fiscal health. Furthermore, the subsidized power supply in the agriculture sector has led to excessive groundwater extraction, resulting in water scarcity and the categorization of almost all blocks in the state as "dark zones".

Overall, the state comparison highlights the critical role of subsidies in state government finances. While subsidies can serve important social and economic objectives, uncontrolled growth can strain state budgets and hinder fiscal sustainability. Many states, particularly those with lower per capita incomes, face the challenge of balancing the need for subsidies with fiscal prudence. This emphasizes the need for careful targeting, evaluation, and potential reforms to ensure that subsidies are effective and sustainable in the long run.

11.4 Conclusion

In conclusion, the subsidy evaluation for Rajasthan over the years reveals a significant rise in subsidy expenditure, particularly in the power sector, which has consistently dominated the allocation. Although there was a reduction in state subsidy expenditure from 2017-18 onwards, a steady increase has been observed since 2020-21 in absolute terms. However, its percentage share of revenue receipts and expenditure remains below the 2017-18 levels. The declining ratio of subsidies to the revenue deficit (RD), except for the last two years (2021-22 and 2022-23), highlights efforts toward better fiscal management, although the absolute revenue deficit remains high. Moving forward, Rajasthan's fiscal policy must focus on optimizing subsidy distribution, ensuring efficiency and equity, and aligning these expenditures with long-term developmental goals. Balancing sectoral priorities and reducing dependency on subsidies to manage fiscal health would be crucial for sustainable economic growth.

Chapter 12

Implementation of the FRBM Act in the State

Fiscal Responsibility and Budget Management (FRBM) Acts, both at the central and state levels, have played a significant role in fostering fiscal discipline across India. Rajasthan enacted its FRBM Act in 2005 to align with the broader fiscal consolidation goals outlined by the Central Government. This chapter delves into the objectives, implementation, and performance of Rajasthan's FRBM Act, and provides an analysis of the Medium-Term Fiscal Policy (MTFP) framework in achieving the Act's targets.

12.1 FRBM Act in Rajasthan

The FRBM Act was introduced in Rajasthan against the backdrop of mounting fiscal deficits and unsustainable borrowing. Similar to the Central Government's FRBM Act of 2004, Rajasthan's legislation aimed to institutionalize fiscal prudence and stabilize the state's finances. This Act is part of broader fiscal reforms intended to achieve macroeconomic stability through a balance of revenue generation, expenditure control, and efficient debt management.

The Rajasthan FRBM Act (2005) incorporates the following primary objectives

- Elimination of Revenue Deficit (RD)
- Reduction in Fiscal Deficit (FD)
- Debt Sustainability

The FRBM Act, implemented by Rajasthan and other states in line with national fiscal guidelines, aims to ensure sustainable fiscal discipline while supporting economic development. Recently, Rajasthan's fiscal policy has been under scrutiny due to pressures stemming from increasing public expenditure and revenue constraints, especially post-pandemic.

FRBM Compliance

The FRBM Act serves as a cornerstone for promoting sustainable fiscal management in the state. The Act mandates achieving a zero-revenue deficit and maintaining a fiscal deficit below 3% of the GSDP. However, the fiscal position for the financial year 2022-23 reflects a mix of challenges and opportunities in adhering to these targets, highlighting the state's strategic utilization of fiscal space while grappling with structural inefficiencies and economic constraints.

Revenue Deficit Trends

In 2022-23, Rajasthan reported a revenue deficit of ₹31,491 crore, significantly higher than the budget estimate (BE) of ₹23,489 crore, though slightly lower than the revised estimate (RE) of ₹32,310 crore. The state's actual revenue receipts were ₹1,94,988 crore, marking a shortfall of 9.29% against the BE of ₹2,14,977 crore. This decline stemmed from reduced contributions across several revenue streams, including a mere ₹4,260 crore compensation from the central government for GST losses. Despite this, revenue expenditure was curtailed by 5.03%, totalling ₹2,26,479 crore compared to the projected ₹2,38,466 crore.

Table 12.1: Targets vis-à-vis achievements in respect of major fiscal aggregates for the year 2022-23

Fiscal Variables	Target as prescribed by XV-FC	Target in Budget	Actuals	Percentage variation of actual over	
				Targets of XV- FC	Target in Budget
Revenue Deficit/ GSDP (Percent)	0.8	(-) 1.66	(-) 2.23	(-) 3.03	(-) 0.57
Fiscal Deficit/ GSDP (Percent)	(-) 4.0	(-) 4.36	(-) 3.61	0.39	0.75
Total outstanding liability/GSDP (percent)	40.2	39.8	34.92	(-) 5.28	(-) 4.88

Source: Recommendations of XV-Finance Commission, Annual Finance Statement, Finance Accounts, and MoSPI, GoI. #Note: Deficit figures have been shown in minus.

These dynamics indicate a pressing need for Rajasthan to enhance its revenue generation mechanisms, possibly through improved tax compliance, innovative fiscal instruments, and rationalized subsidies.

The Table 12.1 highlights Rajasthan's fiscal performance in 2022–23, focusing on key indicators such as the revenue deficit, fiscal deficit, and total outstanding liability as percentages of the GSDP. The revenue deficit target, set at 0.8% of GSDP by the 15th Finance Commission (XV-FC) and projected at (-) 1.66% in the state budget, was exceeded significantly, with the actual deficit reaching (-) 2.23%. This represented a deviation of (-) 3.03% from the XV-FC target and (-) 0.57% from the budget projection. The higher-than-anticipated revenue deficit underscores persistent challenges in aligning revenue collection with expenditures. The shortfall in actual revenue receipts compared to estimates and the

pressure of high revenue expenditure indicate structural inefficiencies in tax compliance and an overreliance on unstable revenue sources. These factors necessitate comprehensive reforms to improve revenue streams and optimize spending patterns.

Fiscal Deficit and Borrowing Space

In terms of fiscal deficit, Rajasthan performed better than projected in the budget but still fell short of meeting the XV-FC target. The fiscal deficit stood at (-) 3.61% of GSDP, lower than the budget projection of (-) 4.36% and the revised estimate of (-) 4.33%. This represented a positive variation of 0.39% compared to the XV-FC target and 0.75% against the budget projection, reflecting improved fiscal discipline and strategic expenditure management. The state's ability to contain the fiscal deficit below projections indicates efficient utilization of resources and effective management of fiscal space. However, despite these improvements, the deficit remains above the ideal 3% benchmark prescribed under the FRBM Act, indicating the need for sustained efforts toward fiscal consolidation.

The fiscal deficit, a critical indicator of fiscal health, stood at ₹51,028 crore for 2022-23, translating to 3.61% of GSDP. While this exceeded the 3% limit prescribed under the FRBM Act, it remained well within the 4.4% borrowing cap provided by the central government, reflecting a balance between fiscal discipline and leveraging borrowing flexibility. The fiscal deficit was also lower than the BE and RE figures of 4.36% and 4.33%, respectively, showcasing Rajasthan's ability to exercise greater control over its fiscal trajectory amidst volatile revenue inflows. (GoR, 2024) The state's GSDP was reported at ₹14,13,620 crore, with public debt and liabilities amounting to ₹4,93,702 crore. This resulted in a liability-to-GSDP ratio of 34.92%, comfortably below the 39.8% target and indicative of progress toward debt sustainability.

Table 12.2: Position of Fiscal Deficit in the context of BE/RE and Actual (in percent)

S. No.	Years	Budget Estimates	Revised Estimates	Actual
1	2020-21	2.99	6.12	5.82
2	2021-22	3.98	5.18	3.96
3	2022-23	4.36	4.33	3.61

Source: BE/RE from Budget Documents

The Table 12.2 highlights Rajasthan's fiscal deficit trends from 2020–21 to 2022–23, reflecting the state's fiscal management during challenging economic conditions. In 2020–21, the fiscal

deficit surged to 5.82% of GSDP, significantly exceeding the Budget Estimate (BE) of 2.99% and only slightly below the Revised Estimate (RE) of 6.12%. This sharp increase was primarily due to the economic disruptions caused by the COVID-19 pandemic, which led to a decline in revenue collections and increased expenditures on healthcare, welfare, and economic recovery measures. The pandemic necessitated a deviation from budgetary targets, resulting in nearly doubling the deficit compared to the initial estimates.

In 2021–22, the fiscal deficit improved significantly, dropping to 3.96%, which aligned closely with the BE of 3.98% and was much lower than the RE of 5.18%. Riding on the economic rebound after pandemic, revenue receipts increased by 37% in 2021-22 compared to the previous year, driven by a 27% rise in the state's own revenue and a 47% increase in transfers from the central government. During the same period, total expenditure grew by 21%. This improvement underscores the state's efforts to recover fiscally by stabilizing revenue streams and exercising greater control over expenditures. The better fiscal performance reflects a recovering economy, increased revenue collections, and a disciplined approach to managing government spending. This year marked a turning point as the state began to regain its financial stability after the pandemic.

By 2022–23, the fiscal deficit had further reduced to 3.61%, outperforming both the BE of 4.36% and the RE of 4.33%. This continued decline reflects an improvement in GSDP, with total expenditure growing by 5%, which is lower than the 6% growth in total revenue receipts. The increase in the state's own revenue compared to the previous year highlights Rajasthan's commitment to fiscal consolidation, supported by efficient revenue generation and prudent expenditure management. The improvement suggests better fiscal discipline and a focused approach to balancing developmental needs with financial sustainability. However, despite these gains, the fiscal deficit remains above the FRBM Act's recommended ceiling of 3% of GSDP, indicating the need for continued reforms to align with these benchmarks.

Overall, the fiscal trends reveal a positive trajectory of recovery and consolidation, with a steady decline in the fiscal deficit over three years. While the state has shown resilience in managing its finances post-pandemic, achieving the FRBM target remains a critical challenge. Sustained efforts in revenue mobilization, tax compliance, and expenditure optimization are essential to ensure long-term fiscal sustainability and economic growth. This progress reflects Rajasthan's balancing act between meeting developmental priorities and adhering to fiscal prudence.

Debt Sustainability and Amendments

The state amended its FRBM Act in March 2021, setting the limit for total outstanding debt (liabilities) at 38.20% of GSDP to be achieved over six years from April 2020. For 2022–23, the liability-to-GSDP ratio stood at 34.92%, adhering to this limit. This indicates progress toward long-term debt sustainability goals.

Furthermore, the central government granted additional borrowing space of 0.5% of GSDP, conditional upon performance improvements in the power sector. Despite the inclusion of these measures, the fiscal deficit target was not revised under the FRBM Act, signalling that fiscal consolidation remains a critical challenge.

For the financial year 2022-23, Rajasthan's fiscal deficit stood at approximately 4.1% of its GSDP, slightly above the recommended 3% threshold set by the 15th Finance Commission. This was partly due to the state's focus on welfare schemes, subsidies, and capital investments. Rajasthan allocated significant resources to sectors like healthcare, rural development, and infrastructure, reflecting its commitment to growth but also challenging its fiscal limits. (GoR, 2024)

Amendments to the FRBM Act, both at the central and state levels, have allowed for greater borrowing flexibility. Rajasthan utilized this by borrowing up to 4% of its GSDP, with an additional 0.5% tied to reforms such as enhancing urban local body revenues and the power sector. The state also aimed to gradually align its deficit with the 3% target by 2025-26 through measures like better tax compliance, asset monetization, and optimizing expenditure.

Despite these measures, challenges persist. Rajasthan faces significant debt liabilities, with its public debt exceeding ₹4.8 lakh crore as of March 2023, accounting for over 35% of its GSDP. This underscores the need for prudent fiscal management and innovative revenue generation strategies to sustain its development agenda without compromising fiscal sustainability. (GoR, 2024)

12.2 Analysis of the Medium-Term Fiscal Policy (MTFP)

The MTFP serves as a strategic tool for aligning Rajasthan's fiscal management with the goals of the FRBM Act. By providing a three-year outlook on revenue, expenditure, deficits, and debt, it lays the foundation for fiscal discipline and transparency. However, an analysis of the actual performance for the fiscal year 2022-23 compared to MTFP projections highlights both accomplishments and challenges that the state encountered during this period.

Table 12.3: Compliance with provisions of FRBM Act

Sr No.	Fiscal Parameters	Fiscal targets set in the Act	Achievement				
			2018-19	2019-20	2020-21	2021-22	2022-23
1	Revenue Deficit (-)/ Surplus (+) (Rs. Crore)	Revenue Surplus	(-)28900	(-)36371	(-)44001	(-)25870	(-)31491
2	Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	Three Percent	(-)34473 (3.78)	(-)37654 (3.77)	(-)59376 (5.82)	(-)48238 (3.96)	(-)51028 (3.61)
3	Ratio of Total Outstanding Liability to GSDP (in percentage)	Target	35	34	38.2	38.2	38.2
		Achievement	34.16	35.32	39.82	37.02	34.92

Source: SFAR, CAG Report 2022-23

As per the targets set in FRBM act, the states are required to maintain a revenue surplus in the budget and to limit the fiscal deficit at 3% of GSDP. The target to maintain outstanding liability to GSDP at a certain level is also given to the states but is not fixed and can vary annually. Rajasthan government could not achieve the target of maintaining revenue surplus as observed from the above table. Revenue deficit increased from ₹28,900 crores during 2018-19 to ₹31,491 crores during 2022-23. The amount of deficit declined substantially during 2021-22 to ₹25,870 crores. This is due to 36% increase in the revenue receipts of the state from the previous year. Fiscal deficit also could not be maintained by the state government. Though it was lowest in the year 2022-23 at 3.61% of GSDP. Fiscal deficit sky rocketed during 2020-21 due to COVID-19 and increased to 5.82% of GSDP. Government was successful in maintaining the Total outstanding liability to GSDP under the desired limit barring the years 2019-20 and 2020-21. Outstanding liability to GSDP was 34.92% during 2022-23 while the target was to maintain it at 38.2%.

There is still a need to optimize the utilization of state's resources in order to achieve the fiscal prudence specially with respect to revenue and fiscal deficit. The total outstanding liability to GSDP is under control but still measures are required to maintain consistency over the years.

Table 12.4: Actuals vis-à-vis projection in MTFP for 2022-23 (Rs in crores)

S. No.	Fiscal variables	2020-21	2021-22	Projection as per MTFP	Actuals (2022-23)	Variation (in per cent)
1	Own Tax Revenue	60283	74808	98294	87346	(-) 11.14
2	Non-Tax Revenue	13653	18755	22145	20565	(-) 7.18
3	Share of Central Taxes	35576	54031	49211	57231	16.30
4	Grants in aid from GoI	24796	36326	45318	29846	(-) 34.14
5	Revenue Receipts (1+2+3+4)	134308	183920	214977	194988	(-) 9.30
6	Capital Receipt	387	2405	279	436	56.27
7	Revenue Expenditure	178309	209790	238466	226479	(-) 5.03
8	Revenue Deficit (-)/Surplus (+) (5-6)	(-) 44002	(-) 25870	(-) 23489	(-) 31491	34.06
9	Fiscal Deficit (-)/Surplus (+)	(-) 59376	(-) 48238	(-) 58212	(-) 51028	(-) 12.14
10	Primary Deficit	-34174	-20138	(-) 29373	(-) 20426	(-) 30.46
11	Debt (liability) – GSDP ratio (per cent)	39.82	37.02	39.80	34.92	(-) 4.88
12	GSDP growth rate at current prices (per cent)	2.08	19.50	11.56	16.04	4.48

Source: SFAR, CAG Report 2022-23

There is a considerable increase in the revenue and capital receipts of the state from 2020-21 to 2021-22 which is due to a lower base during 2020-21 due to the pandemic. Revenue receipts in 2022-23 increased by 36.9% from 2020-21. Capital receipts also increased from ₹382 crores to ₹2405 crore from the 2020-21 to 2021-22. Primary deficit also declined from the previous year since the growth rate of revenue receipts is greater than the growth rate of revenue expenditure. Debt-GSDP ratio has also declined to 37.02% from 39.82% during the previous year.

Based upon the table above the revenue receipts, projected at ₹2,14,977 crore, fell short by 9.30%, with actual collections amounting to ₹1,94,988 crore in 2022-23. This shortfall was primarily driven by a decline in Own Tax Revenue and Non-Tax Revenue, which lagged behind projections by 11.14% and 7.18%, respectively. Grants-in-aid from the Government of India also witnessed a sharp decline of 34.14%. On the other hand, the Share of Central Taxes exceeded expectations, growing by 16.30%, reflecting a significant yet insufficient compensation for the shortfall in other revenue sources. Consequently, the Revenue Deficit widened to ₹31,491 crore, exceeding the projection of ₹-23,489 crore by 34.06%, signalling an urgent need to address revenue generation inefficiencies. (CSO, 2023)

Despite the revenue challenges, Rajasthan's Fiscal Deficit stood at ₹51,028 crore, 12.14% lower than the anticipated ₹58,212 crore. This could indicate a degree of fiscal prudence or underutilization of budgeted funds, but it also calls for closer examination of expenditure patterns. Notably, the state achieved a remarkable improvement in its Debt-to-GSDP ratio, which stood at 34.92% against the projected 39.80%, demonstrating effective debt management. Simultaneously, Rajasthan's economy outperformed expectations, with the GSDP growth rate at current prices reaching 16.04% compared to the projected 11.56%. This robust growth reflects strong economic recovery and activity across key sectors, offering a foundation for improved fiscal sustainability.

Variations in fiscal outcomes can be attributed to several factors. The underperformance in Own Tax and Non-Tax Revenue before 2021-22 suggests challenges such as limited tax compliance and administrative inefficiencies, compounded by external economic disruptions. Meanwhile, the higher GSDP growth rate likely reflects a faster-than-anticipated recovery in critical sectors, which also contributed to the better-than-projected Debt-GSDP ratio. The decline in grants from the GoI underscores the state's vulnerability to fluctuations in federal transfers, highlighting the need for self-reliance through enhanced local revenue mobilization.

To address these challenges, Rajasthan must adopt a multi-pronged strategy. Enhancing revenue generation should be prioritized by broadening the tax base, improving compliance mechanisms, and leveraging digital tools for more efficient tax administration. Ensuring steady and equitable central transfers through sustained engagement with the GoI will also be critical. Simultaneously, rationalizing expenditures by curbing non-essential spending and improving the efficiency of development outlays can help narrow the Revenue Deficit. The improved Debt-GSDP ratio provides an opportunity to enhance the state's creditworthiness, paving the way for increased investments in productive sectors such as infrastructure and renewable energy. Sustaining the strong GSDP growth rate will require efforts to diversify the economy and foster public-private partnerships for innovation and job creation.

12.3 Conclusion

To sum up, following factors can be highlighted as the main reasons for improvement in the fiscal position of the state in last five years from 2018-19 onwards:

- There has been consistent growth of over 20% in the state's own revenue, primarily driven by higher tax collections, especially after 2020-21. This increase can be

attributed to improved tax compliance following the implementation and simplification of GST, as well as growth in sales tax and excise collections.

- Transfers from the Centre, particularly in the form of the state's share in central taxes, have been rising since 2021-22, with an average growth rate of 20%. This increase is primarily due to higher income tax and GST collections at the central level.
- Since 2021-22, the growth in revenue expenditure has been lower than the growth in revenue receipts. This has contributed to fiscal consolidation and a subsequent reduction in the revenue deficit in the post-pandemic period.
- In the financial year 2022-23, Rajasthan's fiscal deficit stood at approximately 4.1% of GSDP, slightly exceeding the 3% threshold recommended by the 15th Finance Commission. This deviation was largely due to increased spending on welfare schemes, subsidies, and capital investments. The state allocated substantial resources to key sectors such as healthcare, rural development, and infrastructure, reflecting its commitment to economic growth while also posing challenges to fiscal sustainability.
- The debt-to-GSDP ratio has been consistently declining post-pandemic, reducing from 40% in 2020-21 to 35% in 2022-23. This remains well within the limits approved by the central government under the FRBM Act.
- A significant portion of the state budget is allocated to committed expenditures, limiting fiscal flexibility for other priority areas such as capital outlay. In 2022-23, 59% of revenue receipts were allocated to committed expenditure. For 2024-25, Rajasthan is estimated to spend ₹1,44,895 crore on committed expenditure, which constitutes 55% of its estimated revenue receipts.
- Several states, including Rajasthan, have announced plans to withdraw from the National Pension System (NPS) and revert to the Old Pension Scheme (OPS). Given that the majority of current retirees are already covered under OPS, the immediate financial impact of this transition is expected to be minimal. Rajasthan has already reduced its allocation to NPS from ₹1,926 crore in 2021-22 (actuals) to ₹5 crore in 2023-24 (budget estimates). However, the long-term fiscal burden will become apparent from 2034 onwards when employees who joined under the NPS begin to retire. The shift to OPS is expected to benefit the current generation at the expense of future generations.
- Addressing financial inefficiencies in state-owned enterprises, particularly power distribution companies, has been a key focus under the UDAY scheme, aimed at

reducing operational losses. Additionally, power sector subsidies need to be rationalized, as they are currently provided to all households. Targeting subsidies only to economically disadvantaged households would enhance efficiency and fiscal prudence.

In conclusion, the MTFP has been instrumental in strengthening fiscal planning and transparency in Rajasthan. While the state's performance in 2022-23 underscores significant progress in debt management and economic growth, persistent challenges in revenue generation and expenditure efficiency demand strategic reforms. The recent amendments to the FRBM Act allowing for additional borrowing based on performance criteria indicate a flexible approach towards achieving fiscal targets while accommodating growth needs. By adopting a forward-looking approach, Rajasthan can ensure fiscal sustainability, foster economic resilience, and create an enabling environment for inclusive and sustained development.

Chapter 13

Outcome Evaluation of State Finances in the Context of Recommendations of the 14th and 15th Finance Commission

Evaluating the outcomes of various policies, projects, and expenditures is a key aspect of ensuring effective governance and accountability. This is especially critical at the state level, where fiscal management plays a pivotal role in shaping the region's development trajectory. For Rajasthan, the outcomes of policies and fiscal strategies recommended by the 14th and 15th Finance Commissions offer a comprehensive view of the financial landscape, guiding fiscal decisions, resource allocation, and long-term development planning. This chapter presents an evaluation of the flow of resources from the Centre to the state, the impact on development spending, and the contribution of Rajasthan's own schemes toward achieving various development objectives.

13.1 Analysis of the flow of resources from Centre to States through various schemes

The recommendations of the 14th and 15th Finance Commissions have played a crucial role in reshaping the financial transfer system between the Centre and the states, including Rajasthan. Both commissions focused on fiscal federalism, guiding the distribution of taxes and ensuring the equitable allocation of resources for development. By addressing the needs of states like Rajasthan, which have significant development challenges, these recommendations have facilitated the flow of substantial financial resources aimed at improving infrastructure, education, healthcare, and other key sectors of the state economy.

13.1.1 The 14th Finance Commission (2015-2020)

The 14th Finance Commission (XIV-FC) marked a significant shift in the fiscal landscape for Indian states by recommending an increase in the share of states in the Central divisible pool of taxes from 32% (recommended by XIII-FC) to 42%. For Rajasthan, this translated into a substantial increase in resources, enabling the state to scale up its development efforts. This was particularly important as Rajasthan is one of the most underdeveloped states, with large areas of rural and semi-urban populations facing challenges such as inadequate infrastructure, poverty, and lower levels of social development.

The higher allocation provided by the XIV-FC allowed Rajasthan to increase its budgetary allocations for critical sectors such as health, education, and infrastructure. For instance, in the

health sector, Rajasthan saw an enhancement in funding under the National Health Mission (NHM), enabling the state to strengthen its healthcare infrastructure, especially in rural and underserved areas. There was an increase in the expenditure on medical, health and family welfare from 1.7% of GSDP in 2015-16 to 2% of GSDP in 2020-21 and in absolute terms, it almost doubled from ₹11,922 to ₹20,380. Similarly, in the education sector, higher devolution facilitated the implementation of schemes aimed at improving literacy rates, particularly among girls, and reducing school dropouts. Expenditure on education grew from 3.1% of GSDP in 2015-16 to 4% of GSDP in 2020-21 and in absolute terms, it almost doubled from ₹21,097 to ₹40,393.

Additionally, the XIV-FC recommendations were pivotal in enhancing Rajasthan's capacity to implement rural development schemes, with higher allocations under programs like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to provide employment and improve rural infrastructure. Similarly, expenditure on social welfare and nutrition grew from 1.1% of GSDP in 2015-16 to 1.4% of GSDP in 2020-21, and in absolute terms, it almost doubled from ₹7,767 to ₹14,678.

13.1.2 The 15th Finance Commission (2021-2026)

The 15th Finance Commission (XV-FC), while building on the achievements of its predecessor, introduced a more tailored approach to resource allocation, accounting for factors such as demographic performance, fiscal capacity, and the specific developmental needs of each state. However, XV-FC recommended a minor reduction in the share of the States in Central Taxes from 42 % (recommended by XIV-FC) to 41%. Rajasthan's allocation under the XV-FC was influenced by the state's population size and the Commission's focus on improving equity in the distribution of resources. The Commission adopted a multi-dimensional approach, considering not only demographic factors but also environmental concerns, fiscal health, and the state's ongoing development challenges.

Rajasthan's allocation under the XV-FC included significant funds earmarked for specific developmental sectors. This included grants for rural development and water conservation initiatives, both of which are particularly relevant to Rajasthan's arid and water-scarce environment. For example, Rajasthan has received targeted funding under the National Rural Drinking Water Programme (NRDWP) and the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), both of which are critical for ensuring sustainable water management and agricultural development in the state.

The XV-FC also introduced a special focus on health, with specific grants aimed at strengthening health systems, especially in the aftermath of the COVID-19 pandemic. Rajasthan, with its large population and existing healthcare challenges, benefited from these enhanced allocations. These grants allowed the state to augment its medical infrastructure, improve access to healthcare in remote regions, and ensure the provision of essential services, such as maternal and child healthcare.

Table 13.1 presents a detailed overview of transfers for Rajasthan from the Central Government to a specific state over three Finance Commission (FC) periods: the XIII-FC (2012–15), XIV-FC (2015–20), and XV-FC (2021–26). The transfers include the state's share in central taxes, grants from the Centre, and the total transfer from the Centre. Additionally, revenue receipts and the proportion of total transfers as a percentage of revenue receipts are also outlined.

During the XIII-FC period, the transfers grew steadily, with the share in central taxes increasing from ₹17,103 crore in 2012-13 to ₹19,817 crore in 2014-15. Similarly, grants from the Centre rose significantly in 2014-15 (₹19,608 crore), resulting in total transfers of ₹39,425 crore, which accounted for 43.2% of the revenue receipts. This marks a considerable increase compared to the earlier years of the XIII-FC when the percentage ranged between 36.3% and 36.8%.

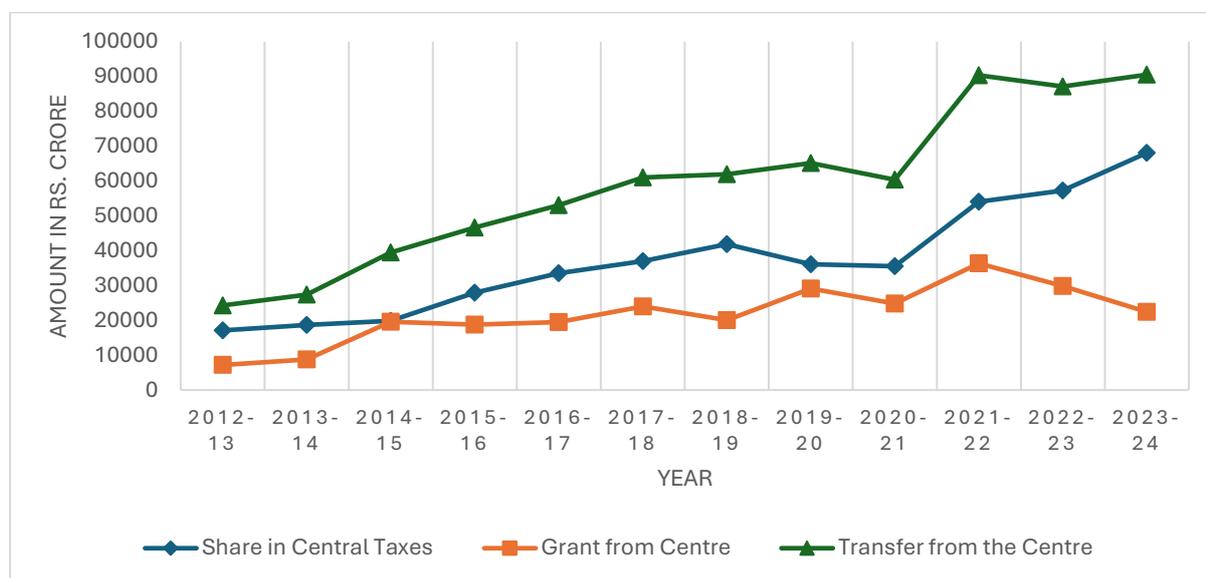
The XIV-FC period shows a substantial increase in the share of central taxes, reaching ₹41,853 crore in 2018-19 from ₹27,916 crore in 2015-16. Grants remained more volatile, with a high of ₹23,940 crore in 2017-18 and a low of ₹18,728 crore in 2015-16. Total transfers from the Centre reached their peak at ₹61,890 crore in 2018-19, though the percentage of revenue receipts decreased to 44.9% in the same year. Overall, the total transfers as a percentage of revenue receipts during this period ranged from 44.9% to 48.6%, indicating significant reliance on central transfers.

In the XV-FC period, the data reflect further growth in transfers. The share in central taxes surged to ₹61,552 crore in 2023-24, while grants peaked at ₹36,326 crore in 2021-22. Total transfers also saw a high of ₹95,534 crore in 2023-24. Despite the growing absolute values, the percentage of revenue receipts funded by central transfers decreased steadily from 49.1% in 2021-22 to 40.2% in 2023-24, suggesting a change in reliance on central funds.

Overall, the data shows the dynamic interplay between central tax sharing, grants, and the state's revenue receipts across the three Finance Commission periods. It highlights an upward

trend in absolute transfers from the Centre but a declining share as a percentage of revenue receipts in recent years, reflecting evolving fiscal dependencies and revenue structures.

Figure 13.1: Trends in Transfers from Centre (Rs in Crore)



Source: SFAR, CAG Report 2021-22 and 2023-24

Table 13.1: Trends in Transfers from Centre (Rs in Crore)

YEAR	Share in Central Taxes	Grant from Centre	Transfer from the Centre	Revenue Receipts	Total transfers from Centre as percentage of Revenue Receipts	Period
2012-13	17103	7,174	24,277	66913	36.3%	XIII-FC
2013-14	18673	8,745	27,418	74471	36.8%	
2014-15	19817	19,608	39,425	91327	43.2%	
2015-16	27916	18,728	46,644	100285	46.5%	XIV-FC
2016-17	33556	19,483	53,039	109026	48.6%	
2017-18	37028	23,940	60,968	127307	47.9%	
2018-19	41853	20,037	61,890	137873	44.9%	
2019-20	36049	29,106	65,155	140114	46.5%	XV-FC
2020-21	35576	24,796	60,372	134308	45.0%	
2021-22	54031	36,326	90,357	183920	49.1%	
2022-23	57231	29,846	87,077	194987	44.7%	
2023-24	68063	22,447	90510	203276	44.5%	

Source: SFAR, CAG Report 2021-22 and 2023-24

The XV-FC advocated for the allocation of funds to States for various purposes, including post-devolution Revenue Deficit Grant, grants to local bodies, disaster management, and improving air quality in large urban areas with populations exceeding one million. For the 2021-26 period, the XV-FC suggested a total grant-in-aid of approximately Rs 59,374 crore for Rajasthan. XV-FC stipulated that the State must transfer grants-in-aid to the relevant Rural Local Bodies within 10 working days of receiving them from the Central Government. Any transfers made after this period require the State Government to include interest based on the previous year's effective average interest rate on market borrowing/State Development Loans. It was noted that the Rural Development and Panchayati Raj Department's delayed transfers of XV-FC grants to Zila Parishads/Panchayat Samitis/Gram Panchayats led to an interest payment of Rs 5.97 crore by the State Government to Rural Local Bodies during 2022-23.

The largest component of the XV-FC recommendation was for local governments, amounting to ₹22,749 crore over five years. In 2020-21, GoI released ₹5,721 crore, which declined to ₹5,093 crore in 2021-22 and ₹4,413 crore in 2022-23. The onward transfer by GoR to implementing agencies followed a similar trend, with ₹4,756 crore transferred in 2020-21, reducing to ₹4,230 crore in 2021-22 and ₹4,415 crore in 2022-23. Health infrastructure was allotted ₹4,423 crore, out of which ₹3,710 crore was for rural areas and ₹713 crore for urban areas. However, GoI released only ₹833 crore in both 2021-22 and 2022-23, and GoR further transferred only ₹656 crore in 2021-22 and ₹177 crore in 2022-23. This suggests a shortfall in fund utilization, particularly in urban health projects. A total of ₹8,186 crore was earmarked for disaster management, with GoI releasing ₹1,975 crore in 2020-21, ₹1,481 crore in 2021-22, and ₹1,556 crore in 2022-23. However, the onward release by GoR was significantly delayed in 2021-22, indicating possible bottlenecks in fund distribution. The Revenue Deficit Grant amounted to ₹14,740 crore, with substantial disbursements of ₹9,878 crore in 2021-22 and ₹4,862 crore in 2022-23, highlighting the state's continued dependency on central support for fiscal balance. Although the continuous decline in the Revenue Deficit Grant from 2022-23 onwards indicates that the state's revenue sources are improving and there is an upward trend in central tax transfers, this has reduced the state's dependence on central grants. Sector-Specific Grants amounted to ₹6,954 crore, of which ₹621 crore was released in 2021-22 and no allocation in 2022-23. Similarly, State-Specific Grants amounted to ₹2,322 crore, of which ₹1,165 crore were disbursed in 2022-23.

Table 13.2: Recommended amount, actual release and transfers of grant-in-aid (Rs in Crore)

S. No.	Name of Grant	Recommendation of XV-FC				Actual Release by GoI to GoR			Onward release by GoR to implementing Agencies		
		2021-26	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
1	Grants for Local Government	22,749	5,721	5,093	4,413	4,756	4,886	4,069	4,756	4,230	4,415
	<i>(i) Grant to Rural Local Bodies (PRIs)</i>	15,053	3,862	2,854	2,957	2,897	2,854	2,955	2,897	2,854	2,924
	a) Basic Grant (Untied)	6,021	1,931	1,142	1,183	1,931	1,142	1,182	1,931	1,142	1,182
	b) Tied Grant	9,032	1,931	1,712	1,774	965	1,712	1,773	965	1,712	1,742
	<i>(ii) Grant to Urban Local Bodies (ULBs)</i>	7,696	1,859	1,406	1,456	1,859	1,376	1,113	1,859	1,376	1,491
	A. Non-Million Plus Cities	5,369	1,297	981	1,016	1,297	981	1,016	1,297	981	999
	a) Basic Grant (Untied)	2,148	649	392	406	649	392	406	649	392	399
	b) Tied Grant	3,221	649	589	610	649	589	610	649	589	599
	B. Million Plus Cities (Jaipur, Jodhpur and Kota)	2,327	562	425	440	562	395	97	562	395	492
	a) Air Quality	774	281	141	146	281	111	97	281	111	208
	b) Solid Waste Management/ sanitation	1,553	281	284	294	281	284	-	281	284	284
2	Health Infrastructure	4,423	-	833	833	-	656	177	-	-	-
	(i) Rural Areas	3,710		-	699		-	177		-	
	(ii) Urban Areas	713		-	134		-			-	
3	Grant for Disaster Management (Central Government's Share 75%)	8,186	1,975	1,481	1,556	1,975	-	1,400	1,975	1,481	1,245
4	Total (1+2+3)	35,358	7,696	7,407	6,802	6,731	5,542	5,645	6,731	5,711	5,660
5	Revenue Deficit Grant	14,740	-	9,878	4,862	-	-	4,862	-	9,878	
6	Sector Specific Grants	9,276	-	621		-	-		-	0	
7	State Specific Grants		-	0	1,165	-	-	0	-	0	
	Grand Total (4+5+6+7)	59,374	7,696	17,906	12,829	6,731	5,542	10,507	6,731	15,589	5,660

Source: XV-FC Report, SFAR CAG Report 2023-24

13.1.3 Centrally Sponsored Schemes (CSS) and Development Programs

In addition to the financial allocations from the Finance Commission, Rajasthan continues to benefit from various Centrally Sponsored Schemes (CSS) and development programs that provide crucial resources for addressing the state's development gaps. These include flagship initiatives like the Pradhan Mantri Awas Yojana (PMAY), Swachh Bharat Mission, Ujjwala Yojana, and the National Clean Energy Fund, among others. These programs have contributed significantly to enhancing Rajasthan's social infrastructure and addressing issues such as housing, sanitation, and energy access.

Pradhan Mantri Awas Yojana (PMAY): This initiative, aimed at providing affordable housing for all, has been a critical component of Rajasthan's development strategy. Under PMAY, the state has seen an improvement in the availability of housing, especially for economically weaker sections (EWS) and rural households.

Swachh Bharat Mission (SBM): The Swachh Bharat Mission has been pivotal in improving sanitation and hygiene standards across Rajasthan, with a special focus on rural areas. The mission has helped in the construction of toilets, promoting the eradication of open defecation, and fostering a cleaner environment.

Ujjwala Yojana: Under the Ujjwala Yojana, Rajasthan has received substantial support for the distribution of LPG connections to economically disadvantaged households, thereby improving access to cleaner cooking fuel. This scheme has played an important role in reducing indoor air pollution and improving the health of women and children.

Challenges faced

Despite the significant funding from these schemes, Rajasthan has faced several challenges in effectively utilizing the resources. Some of the issues include:

Delayed Disbursement: In many cases, the delayed disbursement of funds has hindered the timely execution of development programs. This delay often leads to cost overruns and missed deadlines for infrastructure projects.

Lack of Local Adaptation: While many central schemes are designed to address broad national objectives, there is sometimes a mismatch between the central schemes and local realities. Rajasthan, with its unique geographical and social challenges, requires adaptations in these schemes to better suit its context. For example, water conservation programs often face challenges in implementation due to Rajasthan's specific water scarcity issues, which require customized solutions.

Ineffective Monitoring Mechanisms: Another significant challenge has been the lack of effective monitoring mechanisms at the grassroots level, leading to inefficiencies in the allocation and utilization of funds. There have been instances of misallocation of funds, delays in project implementation, and inadequate outcomes in some areas due to the absence of robust oversight.

In recent years, the state has attempted to address some of these issues by strengthening its monitoring frameworks and ensuring better coordination between state agencies and central authorities. However, much work remains to be done to ensure that resources are effectively utilized for the intended development outcomes.

13.1.4 Recent Financial Trends

As of the latest budgetary allocations for 2023-2024, Rajasthan has seen a further increase in the share of the state's devolution under the XV-FC. The total funds allocated to Rajasthan for development purposes have reached new heights, with specific allocations for sectors such as rural water supply, health, and education. The state has also received additional grants for managing the economic impacts of the COVID-19 pandemic, which have helped to stabilize local economies and improve public health systems.

For instance, Rajasthan's budget for the year 2023-2024 included significant allocations for the development of infrastructure in rural areas, with an emphasis on improving road connectivity, electrification, and sanitation. The state has also continued to prioritize schemes that focus on improving the socio-economic conditions of marginalized communities, including Scheduled Castes (SC), Scheduled Tribes (ST), and Other Backwards Classes (OBC).

Despite these allocations, the state still faces challenges in fully capitalizing on the resources available, mainly due to bureaucratic inefficiencies, the slow pace of implementation, and the need for more tailored interventions. Ensuring that the benefits of central transfers and state schemes reach the grassroots will be key to making Rajasthan's development truly inclusive and sustainable.

The flow of resources from the Centre to Rajasthan through the recommendations of the XIV-FC and XV-FC has been a significant driver of the state's development. These financial transfers, combined with Rajasthan's participation in various centrally sponsored schemes, have enabled the state to tackle some of its most pressing developmental challenges. However, to fully realize the potential of these resources, the state must continue to address implementation challenges, ensure local adaptation of schemes, and strengthen monitoring mechanisms. By doing so, Rajasthan can maximize the impact of these transfers and pave the way for sustainable and inclusive development in the years to come.

13.2 Impact on Development Spending of the State

Rajasthan's development spending has undergone a significant transformation in recent years, primarily driven by the financial recommendations of the XIV-FC and XV-FC. Both the commissions recommended increased financial devolution to the states, enhancing Rajasthan's fiscal space and allowing the state government to allocate more resources to its priority sectors, including infrastructure, healthcare, education, and rural development. The increased allocation from the Centre has enabled Rajasthan to address some of its most pressing development challenges. However, despite the increased flow of resources, the state has also faced challenges in terms of fiscal health, resource utilization, and ensuring that the funds reach the intended beneficiaries.

13.2.1 Increased Financial Devolution: A Boost to Development Spending

After the XIV-FC made the recommendations, the entire architecture of the transfer system changed. A clear distinction has emerged with respect to general-purpose and specific-purpose transfers in Indian fiscal federalism after the report of the 14th Finance Commission was implemented. The XIV-FC's recommendation to increase the share of states in the Central divisible pool of taxes from 32% to 42% resulted in a significant surge in Rajasthan's financial resources. This increase has had a positive effect on the state's ability to fund its development priorities. For example, Rajasthan received an additional ₹1.18 lakh crore from the Centre under the XIV-FC for the 2015-2020 period, providing a much-needed fiscal cushion for the state's budget. This boost in financial resources allowed the state to undertake various infrastructure projects, enhance social welfare schemes, and improve the delivery of public services in both urban and rural areas. In addition to the tax devolution and grants given to the States based on the recommendations of the Finance Commissions, the Central government gives specific-purpose grants for various purposes through the respective ministries (Tables 13.3 & 13.4).

The XV-FC further continued this trend, with a focus on ensuring equity in resource distribution, especially for states with high developmental challenges like Rajasthan. Under the XV Finance Commission's recommendations for the 2020-2025 period, Rajasthan saw an additional allocation of ₹1.38 lakh crore, with particular emphasis on water conservation, rural development, and healthcare. These financial inflows have been instrumental in funding programs aimed at improving Rajasthan's economic and social infrastructure. Additionally, there has been a structural shift in the grants transferred to the state for general purposes (Grant

in Aid) and specific purposes (Centrally Sponsored Schemes). Since 2022-23, there has been a 40% decline in grant-in-aid for the state and an extraordinary increase in the transfer to the state for Centrally Sponsored and Central Plan schemes. This has been shown in Tables 13.3 and 13.4. The provided table highlights the trends in expenditure on Centrally Sponsored Schemes (CSS) by the Government of India (GOI) and the State Government of Rajasthan across various sectors for the period from 2019-20 to 2023-24.

During these five years, the total expenditure on CSS increased substantially from ₹405.7 crore in 2019-20 to ₹45,307 crore in 2023-24. This significant rise reflects enhanced financial commitments by both central and state governments toward development programs, particularly from 2022-23 onwards. Similarly, the direct transfer of central scheme funds to implementing agencies by the GOI has also seen a substantial rise from ₹9,483.9 crore in 2019-20 to ₹27,843.7 crore in 2023-24 (Table 13.3).

In terms of funding sources, both the GOI and State shares have grown significantly. However, the State share exceeded the GOI's contribution in each year, underscoring the State's active financial involvement in CSS. By 2023-24, the state contributed ₹23,145.1 crore compared to the central government's ₹22,171.9 crore, indicating Rajasthan's enhanced fiscal responsibility toward these developmental programs. Overall, the data reflect Rajasthan's growing prioritization and effective utilization of CSS to address key developmental needs, particularly in education, health, social welfare, rural development, and agricultural sectors. This increasing fiscal commitment from both state and central levels indicates robust collaboration aimed at achieving significant developmental outcomes.

Table 13.3: Centrally Sponsored Schemes Expenditure and State Scheme Expenditure on Major Sectors (Rs in crore)

Year	2019-20			2020-21			2021-22			2022-23			2023-24		
	GOI Share	State Share	Total	GOI Share	State Share	Total									
Agriculture and Allied Activities	3.5	12.6	16.0	3.1	26.3	29.4	2.5	29.8	32.2	1349	2088.3	3437.1	700.8	1810	2510.8
Irrigation & Flood Control	4.0	3.0	6.8	5.8	5.6	11.3	3.2	4.5	7.7	154.2	495.1	649.4	75.5	593.6	669.1
Rural Development & Special Area Programme	17.2	5.4	22.5	23.2	20.0	43.2	46.7	25.5	72.1	3063	1008.8	4071.4	1711.8	1367.7	3079.5
Power	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.1	1.0	0.0	1.0	0.5	0.0	0.5
Education, Sports, Art & Culture	31.3	119	149.4	33.1	91.6	124.7	23.1	103.7	126.8	2678	11622	14300	13366	13663	27019

Medical, Health & Family Welfare	28.3	34.3	62.7	20.4	28.9	49.4	22.4	48.6	71.0	1964	1779.7	4970.5	2678.7	2910.3	5589
Water Supply, Sanitation, Housing and Urban Development	27.7	20.5	48.2	23.8	18.6	42.4	28.4	36.0	64.4	1386	637.8	2023.7	1150.5	1262.5	2413
Social Welfare and Nutrition	15.8	9.2	25.0	29.4	19.9	49.3	30.1	21.6	51.8	1986	2111.5	4097.3	1578.3	1050.2	2628.5
Others	68.1	6.9	75.1	41.0	9.3	50.3	68.2	21.1	89.3	605	480.7	1086.2	909.6	487.9	1397.5
Total	196	211	406	180	220	400	225	291	515	13,186	20,224	34,636	22,172	23,145	45,307

Source: SFAR Reports, 20219-23

The Table 13.4 provided insights into the direct transfer of funds from the Government of India to implementing agencies in Rajasthan for various centrally sponsored schemes, routed outside the state budgets, from 2019-20 to 2023-24. The total amount of direct transfers increased substantially over the period, growing from ₹9,483.9 crore in 2019-20 to ₹27,843.7 crore in 2023-24, highlighting a significant rise in the central government's financial intervention in the state's development through direct fund routing mechanisms.

Among these, the Mahatma Gandhi National Rural Guarantee Program (MGNREGA) remained consistently the largest recipient throughout the period, although its allocations varied, peaking at ₹8,303.9 crore in 2020-21 and slightly declining thereafter, stabilizing around ₹6,500 crore. The sustained high allocation highlights the central government's priority towards rural employment and income security.

Notably, from 2023-24, the Payment for Indigenous Urea became a significant component, receiving ₹12,131.2 crore. The introduction of substantial funding towards fertilizers, including indigenous and imported P and K fertilizers (totalling over ₹15,349 crore in 2023-24 alone), indicates a renewed emphasis on agricultural productivity enhancement and direct industry subsidy mechanisms. Pradhan Mantri Kisan Samman Nidhi (PM Kisan) consistently saw substantial allocations, peaking at ₹4,554.1 crore in 2021-22, slightly declining to ₹4,163.5 crore in 2023-24, reflecting ongoing support for direct farmer income assistance.

Significant growth was observed in allocations towards the Jal Jeevan Mission (JJM), particularly notable in 2022-23 with ₹6,083.7 crore, marking a considerable investment in rural drinking water infrastructure. However, this allocation sharply decreased in 2023-24 to ₹251.1 crore, indicating inefficient utilization of funds in the previous year. Allocations for water conservation initiatives like Atal Bhujal Yojana and National Hydrology Project have seen moderate but increasing allocations, indicating rising attention towards sustainable water management practices in the state.

The Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY) received increased attention from ₹417 crore in 2022-23 to ₹625.1 crore in 2023-24, highlighting the enhanced prioritization of healthcare coverage and public health expenditure.

Overall, this trend of increasing direct transfers illustrates the central government's strategy to target funds explicitly to sector-specific implementing agencies, ensuring direct impact at the grassroots level and potentially improving effectiveness by reducing procedural delays. However, the increased share of direct transfers also necessitates robust monitoring and evaluation mechanisms to ensure transparency, accountability, and optimal utilization of these substantial resources.

Table 13.4: Direct Transfer of Central Scheme Funds to Implementing Agencies in the State (Funds Routed Outside State Budgets) (Rs in crore)

GOI Scheme	Implementing Agencies	GOI Releases				
		2019-20	2020-21	2021-22	2022-23	2023-24
Pradhan Mantri Kisan Samman Nidhi (PM Kisan)	Department of Co-operative, Rajasthan	3,284.2	4,403.2	4,554.1	3815.7	4163.5
Payment for Imported P and K Fertilizers	Private Sector Companies	-	-	-	-	2538.4
Payment for Indigenous P and K Fertilizers	Private Sector Companies	-	-	-	-	679.7
Payment for Indigenous Urea	Private Sector Companies	-	-	-	-	12131.2
Ayushman Bharat- Pradhan Mantri Jan Arogya Yojana (PMJAY)	Rajasthan State Health Assurance Agency	-	-	-	417.0	625.1
Jal Jeevan Mission (JJM)/ National Rural Drinking Water Mission	SWSM, Jaipur, Rajasthan	-	-	2,345.2	6083.7	251.1
Mahatma Gandhi National Rural Guarantee Program	State Employment Guarantee Fund, Jaipur	5,427.8	8,303.9	7,835.0	6811.4	6545.7
Atal Bhu-jal Yojna	State Project Management Unit	-	22.1	46.3	171.8	144.6
National Hydrology Project	Water Resources Department, Rajasthan, Jaipur	300.0	-	18.0	18.6	28.7
Other Schemes		768.9	899.0	1,352.0	741.2	735.8
Total Direct Transfers		9,484	13,628	16,151	18,059	27,844

Source: SFAR Reports, 20219-23

13.2.2 Sectoral Impact on Development Spending

Healthcare Sector:

One of the most notable impacts of the increased central transfers has been on Rajasthan's healthcare sector. The state's health expenditure has seen a marked improvement, particularly

with the enhanced funding for the NHM and other central health schemes. Medical, Health & Family Welfare registered robust growth, with total spending rising from ₹62.7 crore to ₹5,589 crore over the five years from 2019-20 to 2023-24. This significant increase can likely be attributed to heightened healthcare expenditure post-pandemic, showcasing a strengthened public health focus. In 2023-24, Rajasthan allocated around ₹5,500 crore to the health sector, with ₹1,800 crore earmarked for NHM programs. This increase in funding has facilitated improvements in primary healthcare infrastructure, including the construction of new health centres, the upgrading of existing facilities, and the recruitment of more healthcare workers, especially in underserved rural areas.

Additionally, Rajasthan has received targeted financial support for initiatives aimed at improving maternal and child health, immunization programs, and the provision of essential drugs. Rajasthan's health sector has also benefited from specific COVID-19 related grants, allowing the state to improve its healthcare capacity in the wake of the pandemic. However, challenges remain, including the need for better utilization of resources, addressing health worker shortages, and improving healthcare access in remote and rural regions.

Rural Development and Employment Generation:

Rural development has been another priority area that has seen substantial funding due to the recommendations of the Finance Commission. The MGNREGA, one of the flagship programs aimed at providing employment opportunities in rural areas, has been crucial in creating jobs and building rural infrastructure. In Rajasthan, the allocation for MGNREGA has increased in recent years, reaching ₹7,000 crore in the 2023-24 budget. This has enabled the creation of rural infrastructure such as roads, water conservation structures, and irrigation facilities. Moreover, the program has provided an essential safety net for rural households, especially in the face of agricultural distress and unemployment.

In addition to MGNREGA, the state has received funding for various rural livelihood programs, including the PMAY, which has been instrumental in promoting affordable housing in rural areas. Rajasthan has constructed over 3 lakh houses under PMAY, with many of these homes built in rural districts, significantly improving the living standards of the rural poor. Overall, expenditure in Rural Development & Special Area Programs registered robust growth, with total spending rising from ₹22.5 crore to ₹3079.5 crore over the five years 2019-20 to 2023-24.

Education Sector:

The education sector has also benefitted from increased central transfers, with the state being able to enhance spending on both primary and higher education. The sector of Education, Sports, Art & Culture emerged as the major beneficiary, witnessing dramatic growth from ₹149.4 crore in 2019-20 to ₹27,019.1 crore in 2023-24. Both GOI and State shares increased sharply, indicating prioritization of educational infrastructure and cultural initiatives. For example, Rajasthan's allocation for education in the 2023-24 budget was ₹40,000 crore, a significant increase from previous years. Central schemes such as the Beti Bachao Beti Padhao (BBBP) initiative have been particularly impactful in promoting female literacy and education in rural and marginalized communities.

The state has also implemented measures to improve access to education in remote areas, such as setting up more government schools, providing scholarships, and improving digital education infrastructure. Despite these efforts, Rajasthan still faces challenges in achieving universal education, especially in tribal and backward areas where access to quality education remains limited.

Water Conservation and Environmental Sustainability:

Water scarcity is one of Rajasthan's most pressing issues, and the state's development spending has increasingly focused on addressing this challenge. Under the XV -FC's recommendations, the state received targeted grants for water conservation initiatives, especially aimed at improving groundwater recharge, irrigation, and water management. The expenditure in Social Water Supply, Sanitation, Housing & Urban Development surged from ₹20.5 crore in 2019-20 to ₹2,413 crore in 2023-24, reflecting increased investments majorly in water supply and sanitation programs. In the 2023-24 budget, Rajasthan allocated ₹2,500 crore for water conservation projects, including the development of water harvesting systems, the construction of check dams, and the promotion of efficient irrigation practices. These initiatives are expected to help mitigate the impact of the state's chronic water shortage and improve agricultural productivity.

Social Welfare and Other Sectors:

The expenditure in Social Welfare and Nutrition surged from ₹25 crore in 2019-20 to ₹2,628.5 crore in 2023-24, reflecting increased investments in social safety nets and nutritional programs. Similarly, Agriculture and Allied Activities exhibited significant growth, rising

from ₹16 crore to ₹2,510.8 crore. This indicates enhanced attention toward agricultural development and allied sector support, crucial for a predominantly rural state. The sector of Irrigation & Flood Control similarly saw an upward trend, increasing from ₹6.8 crore to ₹669.1 crore, marking a stronger emphasis on water resource management. The Other Sectors exhibited significant growth, rising from ₹75 crore to ₹1,397.5 crore in the last five years. However, the Power sector consistently received minimal allocations, remaining below ₹1 crore throughout the period, highlighting prioritization through subsidies given to DISCOMS.

13.2.3 Challenges in Resource Utilization and Fiscal Health

Despite the significant increase in financial resources, Rajasthan faces several challenges in effectively utilizing these funds. One of the primary issues is bureaucratic delays, which have often resulted in slow implementation of critical development programs. In some cases, the delay in fund disbursement has led to cost overruns and missed deadlines for infrastructure projects. Additionally, there have been instances of misallocation of resources, particularly in rural development programs, where the intended beneficiaries have not always received the full benefits of the funds allocated.

Another significant concern is the mismatch between the priorities set at the central level and the actual needs on the ground in Rajasthan. While many central schemes provide a broad framework for implementation, there is often a lack of local adaptation to suit the specific socio-economic conditions of the state. For example, water conservation initiatives under central schemes sometimes fail to account for the unique water-related challenges in Rajasthan's arid regions, resulting in inefficient utilization of funds.

Moreover, despite the increase in central transfers, Rajasthan continues to face a persistent revenue-expenditure mismatch. The state's fiscal deficit remains a concern, as the growing reliance on loans and borrowings to finance development programs has led to an increase in its debt burden. In 2023-24, Rajasthan's debt-GSDP ratio was estimated at 33%, which is higher than the national average. This over-reliance on external debt could potentially hinder the state's ability to sustain its development efforts in the long run.

13.2.4 Moving Forward: Balancing Growth and Fiscal Discipline

As Rajasthan moves forward, it must strike a balance between leveraging central transfers for growth and ensuring sound fiscal management. While the increased financial resources have allowed the state to make significant strides in key sectors such as healthcare, education, and

rural development, it is equally important for the state to focus on improving the efficiency of resource utilization, reducing reliance on borrowing, and ensuring that funds reach the grassroots level where they are most needed. Strengthening monitoring mechanisms, improving the coordination between state and central agencies, and focusing on local adaptation of centrally sponsored schemes will be critical to realizing the full potential of the increased financial resources.

In conclusion, the recommendations of the XIV -FC and XV -FC have had a transformative impact on Rajasthan's development spending. Enhanced financial resources have enabled the state to prioritize critical sectors such as healthcare, rural development, education, and water conservation. However, challenges related to bureaucratic inefficiencies, fiscal health, and resource misallocation continue to hinder the full utilization of these funds. To ensure sustainable development, Rajasthan must continue to focus on improving implementation efficiency, managing its fiscal discipline, and aligning central schemes with local needs.

13.3 States' own schemes for different development objectives

While the central government plays a significant role in providing financial resources through various schemes and Finance Commission recommendations, Rajasthan has also taken proactive steps to address its unique developmental challenges. These state-run schemes have proven essential in tackling issues such as water conservation, rural employment, and social welfare, and they align with the state's priorities for inclusive development. Over recent years, the state has launched several schemes aimed at improving the lives of its rural and marginalized populations, addressing the state's environmental challenges, and providing better access to basic services for all citizens.

Water Conservation: A Critical Focus Area

Water scarcity remains one of Rajasthan's most pressing challenges, with large parts of the state classified as arid or semi-arid. To address this, the state has implemented several key initiatives aimed at water conservation and management. The Mukhyamantri Jal Swavalamban Abhiyan (MJSA), launched in 2016, is one of the most prominent water conservation schemes. MJSA focuses on improving water harvesting, increasing groundwater recharge, and promoting efficient water management practices in rural areas. As of 2023, the scheme has facilitated the construction of over 3,00,000 water conservation structures, including check dams, ponds, and wells, impacting more than 5,000 villages across the state.

The MJSA has also been instrumental in raising awareness about water conservation practices among rural communities and has contributed to improving agricultural productivity in water-scarce areas. In 2023, Rajasthan allocated ₹2,000 crore under this initiative, a significant increase from previous years, reflecting the growing importance of water sustainability for the state's rural economy. This initiative is expected to have long-term benefits, especially for agriculture-dependent communities, by ensuring water availability for irrigation and drinking purposes.

Rural Development and Employment Generation

Rajasthan has placed a strong emphasis on improving the livelihoods of its rural population through various schemes aimed at generating employment and fostering economic resilience. The Rajasthan Rural Livelihoods Project (RRLP) is one of the key state initiatives targeting rural households. The RRLP focuses on enhancing access to financial services, skill development, and income-generating activities for rural communities. By providing microfinance, vocational training, and support for entrepreneurship, the scheme has successfully empowered thousands of women and marginalized groups, particularly in the state's tribal and backward districts.

In 2023-24, the RRLP received an increased allocation of ₹1,200 crore, allowing it to extend its reach and impact to more rural households. The scheme has been particularly successful in improving the financial independence of women, with over 70% of beneficiaries being women-led households. Moreover, Rajasthan's rural employment programs, including the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), complement the RRLP by providing a safety net for rural laborers. In 2023, the state received ₹6,500 crore under MGNREGA, which helped generate more than 20 crore person-days of employment, significantly improving rural infrastructure such as roads, water conservation structures, and village electrification.

Social Welfare Schemes: Focus on Marginalized Communities

Rajasthan has also implemented several state-specific social welfare schemes aimed at improving the economic empowerment and well-being of marginalized communities, including SC, ST, and OBC. One such scheme is the Bhamashah Yojana, which provides direct cash transfers to women heads of families. This scheme, launched in 2014, aims to empower women by providing them with financial resources to make decisions related to their

households. By 2023, over 1.6 crore women in Rajasthan had benefited from the Bhamashah Yojana, with the state allocating ₹2,500 crore annually to support this program.

The Rajiv Gandhi Gramin Bhumihin Krishi Majdoor Nyay Yojana is another significant initiative launched by the state to provide financial assistance to landless agricultural workers. This scheme provides one-time financial support to families that do not own land but contribute to agricultural work. In 2023-24, the scheme received an allocation of ₹500 crore, benefiting more than 3 lakh families in Rajasthan's rural areas. By focusing on landless workers, this scheme addresses the issue of income inequality in rural communities, ensuring that workers who play a crucial role in agriculture but lack ownership rights also receive social and economic security.

Schemes for Tribal Welfare and Empowerment

Rajasthan has also launched several targeted initiatives aimed at the upliftment of its tribal communities, which constitute a significant portion of the state's population. The Tribal Sub-Plan (TSP) is a state-specific policy designed to promote the overall development of tribal areas, particularly in the regions of Udaipur, Banswara, and Dungarpur. The TSP allocates dedicated funds to improve the living standards of tribal communities, focusing on areas such as education, healthcare, housing, and employment.

In the 2023-24 budget, Rajasthan allocated ₹2,000 crore for the development of tribal areas, with a particular emphasis on education, skill development, and healthcare. Additionally, the state has set up specialized institutions for the education and skill development of tribal youth, ensuring that they have access to better opportunities for employment and self-reliance.

Challenges in Implementation

While these state-run schemes have made significant strides in addressing the unique development needs of Rajasthan, the implementation of these initiatives has faced several challenges. One of the primary hurdles is the lack of awareness among rural populations about the availability of these schemes. In remote and tribal areas, information dissemination remains a significant issue, and many people are unaware of the programs that could improve their lives. To address this, the state government has started leveraging technology and local outreach programs to increase awareness and ensure that more people benefit from these initiatives.

Another challenge is the administrative inefficiency in the implementation of state schemes. Bureaucratic delays, corruption, and weak monitoring mechanisms often hinder the timely and effective disbursement of funds. In some instances, funds allocated for these schemes have been misused or misdirected, limiting their impact. To combat these challenges, the Rajasthan government has initiated reforms to streamline the administration of state-run schemes, including the digitization of beneficiary lists, strengthening monitoring systems, and improving the accountability of local officials.

Additionally, resource allocation remains an issue, as the state continues to grapple with fiscal constraints. While central transfers have increased, the state's own revenues have not been sufficient to fully meet its developmental needs. Rajasthan has been forced to rely on borrowing to fund these state-run schemes, leading to concerns about its growing debt burden. The state's debt-to-GDP ratio, estimated at 33% in 2023-24, poses a long-term challenge to its fiscal health and its ability to sustain these initiatives.

Rajasthan's own schemes for development have played a crucial role in addressing the state's unique challenges. From water conservation efforts like the Mukhyamantri Jal Swavalamban Abhiyan to rural livelihood improvement through the Rajasthan Rural Livelihoods Project, these initiatives are tailored to the specific needs of the state's population. However, as the state continues to implement and expand these programs, it must address challenges related to awareness, administrative inefficiency, and fiscal sustainability. Strengthening the implementation mechanisms and ensuring effective use of resources will be key to realizing the full potential of these state-run initiatives, thereby contributing to the overall development of Rajasthan more inclusively and sustainably.

13.4 Conclusion

The evaluation of Rajasthan's finances, particularly in light of the recommendations made by the XIV-FC and XV-FC, underscores the significant role that central financial transfers have played in shaping the state's development trajectory. The increase in the devolution of resources to the state has provided a much-needed boost to its budget, enabling it to address various pressing development challenges, particularly in sectors like healthcare, education, rural development, and infrastructure. These financial transfers have allowed the state to pursue several initiatives aimed at improving the well-being of its population, particularly in rural and underdeveloped regions.

However, while central transfers have been instrumental in enhancing the state's development agenda, the over-reliance on these funds has highlighted a crucial concern – Rajasthan's persistent fiscal imbalance. Despite receiving increased resources, the state's fiscal health remains under pressure due to the ongoing mismatch between its revenue and expenditure. This fiscal imbalance has forced the state to depend heavily on borrowing, leading to a growing debt burden that may threaten the sustainability of its development efforts in the long term. Therefore, Rajasthan must adopt a more cautious and strategic approach to managing its finances. This includes balancing the inflow of central transfers with prudent fiscal policies that focus on enhancing its own revenue generation capabilities, minimizing wasteful expenditure, and ensuring that the state's financial health is on a path of long-term sustainability.

Since 2022-23 the central transfers in terms of grants have declined by almost 40% and this has been compensated through specific purpose grants for CSS. In addition to relying on central funding, Rajasthan has made significant strides through its own initiatives, specifically designed to address the state's unique challenges. Programs such as the Rajasthan Rural Livelihoods Project, Mukhyamantri Jal Swavalamban Abhiyan, and various social welfare schemes have been pivotal in addressing the specific needs of rural communities, marginalized groups, and areas facing severe water scarcity. These state-run initiatives have filled critical gaps in the state's development strategy, particularly where central schemes might not have been fully adaptable to local contexts. By focusing on areas such as water conservation, rural employment, and economic empowerment of marginalized groups, Rajasthan has been able to foster localized growth, thereby complementing the broader goals of national development.

Despite the positive impact of both central and state-driven schemes, the effectiveness of these initiatives has been hampered by several challenges. These include issues such as bureaucratic delays, inadequate governance structures, weak monitoring mechanisms, and a lack of awareness among beneficiaries. Even though substantial funds have been allocated to these programs, inefficiencies in implementation have meant that the intended benefits have not always reached the most vulnerable populations. As Rajasthan moves forward, addressing these implementation challenges will be crucial to maximizing the potential of both central and state-run schemes. Strengthening governance at the grassroots level, enhancing transparency, and ensuring accountability will be key to ensuring that resources are used effectively and that development benefits reach all sections of society.

Looking ahead, Rajasthan needs to adopt a more integrated approach to development. This means aligning the state's own objectives more closely with centrally sponsored schemes, ensuring that there is no duplication of efforts and that both sources of funding are harmonized for greater impact. Moreover, the state must ensure that financial resources are utilized in a way that produces long-term, sustainable development outcomes. Efficient resource allocation, prioritization of key sectors, and the creation of a robust system for monitoring progress will be essential in ensuring that funds are spent wisely and that the state achieves its development goals.

To achieve these goals, it will be essential for Rajasthan to focus on strengthening its data systems, particularly those related to financial management and public service delivery. By leveraging technology and improving data collection processes, the state can enhance its ability to track expenditures, assess the impact of various schemes, and identify areas for improvement. Encouraging independent evaluations of state-run schemes and incorporating research findings into the policymaking process will also help improve the effectiveness of public services. By adopting evidence-based decision-making, the state can ensure that policies are tailored to the needs of the population and that public services are delivered more effectively and equitably.

In conclusion, while Rajasthan has made significant progress in addressing its development challenges through a combination of central financial transfers and its own initiatives, there is still much work to be done. The state's financial strategies must evolve to ensure that its fiscal health is strengthened, that resources are used efficiently, and that the benefits of development reach all citizens, particularly the most marginalized. By focusing on improving governance, enhancing the efficiency of public spending, and leveraging data for better decision-making, Rajasthan can build a more resilient and sustainable development model that benefits all sections of its population, ensuring long-term prosperity for the state.

Chapter 14

Sustainable Debt Roadmap for 2026-31

14.1 Forecast of Fiscal Indicators

This chapter presents forecasts for Rajasthan's key revenues and expenditures during the remaining 15th Finance Commission's award period, from 2023-24 to 2025-26, and projected values for the 16th FC's award period, from 2026-27 to 2030-31. Additionally, it offers projections for deficit and debt indicators throughout this timeframe.

The basic assumptions and features of the projection methodology are as follows:

- (i) The fiscal year 2023-24 serves as the baseline.
- (ii) To forecast the state's financial situation up to 2030-31, which marks the end of FC-XVI's award period, we employ the CAGR of three years from 2021-22 to 2023-24 (Post covid period) for the forecast of the indicators listed in Table 14.1.
- (iii) The revenue deficit is determined by subtracting projected revenue receipts from revenue expenditure.
- (iv) To project interest payments, we first determine the average interest rate for the base year using this formula:

Average interest rate in period t, $ARI(t) = IP(t)/OD(t-1)$, where $OD(t-1)$ represents outstanding debt in period (t-1), and $IP(t)$ denotes interest payments in period t.

We assume the average interest rate remains constant for all projection years. In the base year 2023-24, the average interest rate was 6.8 per cent.

After calculating the average interest rate, we project interest payments as follows: $IP(t) = OD(t-1)*ARI(t)$

- (v) For each year, outstanding liabilities are calculated using this formula: $OD(t) = OD(t-1) + FD(t)$, where $FD(t)$ represents the fiscal deficit in period t.

Table 14.1 provides projected fiscal indicators for Rajasthan, showcasing trends from 2023-24 to 2030-31. Here's an analysis of key indicators:

Revenue Indicators

1. Total Revenue Receipts (TRR):

- **CAGR:** 7.1%
- TRR shows consistent growth from ₹2,03,274 crores in 2023-24 to ₹3,28,555 crores in 2030-31, driven by increases in both own tax revenue and share in central taxes.

2. Own Revenue Receipt (ORR):

- **CAGR:** 9.8%
- ORR increases from ₹1,12,764 crores to ₹2,16,964 crores, primarily fueled by a strong growth in own tax revenue (12.1% CAGR). The near stagnant growth in non-tax revenue with a CAGR of 3% is a concern.

3. Central Transfers:

- **CAGR:** 1%
- High growth in the share of central taxes (12.2%) and negative growth in grants-in-aid (-21%) gives a mixed response for revenue transfers from centre.

Expenditure Indicators

1. Revenue Expenditure:

- **CAGR:** 7%
- Increases from ₹2,42,231 crores to ₹3,88,970 crores, with growth seen in all sectors, especially in social services (9%) and general services (9%). It indicates towards growing committed expenditure for the government in the future.

2. Capital Expenditure:

- **CAGR:** 5%
- Increases moderately from ₹26,646 crores to ₹39,368 crores, with significant investments in economic services (13%) and negative growth in social services (-5%).

3. Total Expenditure:

- **CAGR:** 7%
- Escalates from ₹2,69,276 crores to ₹4,32,398 crores, with notable spending in economic and social services.

Deficit Indicators

1. Revenue Deficit (RD):

- Increase in deficit in absolute terms from ₹38,957 crores to ₹60,415 crores by 2030-31, but reducing as a percentage of GSDP from -2.5% to -1.6%, indicating towards fiscal consolidation.
2. **Fiscal Deficit (FD):**
 - Expands from ₹65,583 crores to ₹1,03,166 crores, with FD as a percentage of GSDP decreasing from -4.3% to -2.9%, indicating towards fiscal consolidation.
 3. **Primary Deficit (PD):**
 - Grows moderately from ₹31,455 crores to ₹49,077 crores.
 4. **Outstanding Liabilities:**
 - Rises from ₹5,73,530 crores to ₹11,73,275 crores, but declining to 32.6% of GSDP by 2030-31 from 37.5% in 2023-24.

Economic Growth (GSDP)

- **CAGR:** 13%
- GSDP grows steadily from ₹15,28,385 crores to ₹35,95,686 crores.

Tax Buoyancy Trends

- Tax buoyancy has varied, reflecting policy efficiency and economic conditions:
 - **High buoyancy (≥ 1):** Indicates strong tax collection performance in years like 2011-12 (1.65), 2012-13 (1.50), 2021-22 (1.39) and 2022-23 (1.23).
 - **Low buoyancy (< 1):** Suggests weaker tax revenue growth relative to GSDP in years like 2013-14 (0.84), 2016-17 (0.33), and 2023-24 (0.61).
- 2023-24 has registered a decline in tax buoyancy post pandemic indicating revenue slowdown due to lower tax collections as compared to revised estimates for 2023-24.

Observations

1. Revenue receipts are expected to grow marginally higher than the expenditure growth, leading to reduction in deficits.
2. Higher social and economic service spending indicates a focus on developmental priorities.
3. Increase in revenue expenditure on general services indicate growing burden of committed expenditure.
4. Rising outstanding liabilities could pose fiscal sustainability challenges if not managed carefully.

5. Rajasthan need to strengthen fiscal consolidation measures through increase in own tax revenue and non-tax revenue to stabilize deficits and debt levels.

14.2 Conclusion

The analysis of Rajasthan's fiscal and tax indicators underscores a mixed trajectory of robust revenue growth alongside mounting fiscal pressures. While the state has demonstrated strong tax revenue growth in recent years, supported by improved tax buoyancy and administrative efficiency, the persistent rise in deficits and outstanding liabilities poses sustainability concerns. The growing revenue and capital expenditures reflect a developmental focus, especially in social and economic sectors, but the widening revenue and fiscal deficits signal the need for fiscal prudence. High tax buoyancy in key years highlights the potential of effective policy implementation, yet the volatility in buoyancy during moderate GSDP growth phases indicates areas for improvement in revenue mobilization. Moving forward, Rajasthan must balance its developmental priorities with fiscal consolidation measures to ensure long-term economic and financial stability.

Table 14.1: Projection of Fiscal Indicators for the period 2024-25 to 2031-32 (Rs in crore)

Fiscal Indicators	CAGR	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Total Revenue Receipt	7.1%	203274	217706	233164	249718	267448	286437	306774	328555
Own Revenue Receipt	9.8%	112764	123815	135949	149272	163900	179963	197599	216964
Own Tax Revenue	12.1%	94085	105469	118231	132537	148574	166551	186704	209295
Own Non-Tax Revenue	3.0%	18679	19239	19817	20411	21023	21654	22304	22973
Central Transfers	1.0%	90510	91415	92329	93253	94185	95127	96078	97039
Share in Central Taxes	12.2%	68063	76367	85683	96137	107865	121025	135790	152357
Grants-in-aid	-21.0%	22447	17733	14009	11067	8743	6907	5457	4311
Revenue Expenditure	7.0%	242231	259187	277330	296743	317515	339742	363523	388970
General Services-RE	9.0%	77677	84668	92288	100594	109647	119516	130272	141997
Interest Payment	6.8%	34128	36449	38927	41574	44401	47421	50645	54089
Other Gen Services	9.0%	43549	47468	51741	56397	61473	67006	73036	79609
Social Services-RE	9.0%	101883	111052	121047	131941	143816	156760	170868	186246
Economic Services-RE	3.0%	62669	64549	66486	68480	70535	72651	74830	77075
Capital Expenditure	5.0%	26646	27978	29377	30846	32388	34008	35708	37494
General Services-CE	-8.0%	407	374	344	317	292	268	247	227
Social Services-CE	-5.0%	9949	9452	8979	8530	8104	7698	7313	6948
Economic Services-CE	13.0%	16289	18407	20799	23503	26559	30011	33913	38322
Total Expenditure	7.0%	269276	288125	308294	329875	352966	377674	404111	432398
General Services-TE	0.5%	78084	78474	78867	79261	79657	80056	80456	80858
Social Services-TE	2.0%	111832	114069	116350	118677	121051	123472	125941	128460
Economic Services-TE	8.0%	78958	85275	92097	99464	107421	116015	125296	135320

RR+Non Debt Capital Receipts	5.0%	203693	213878	224572	235800	247590	259970	272968	286617
RD		-38957	-41481	-44167	-47025	-50067	-53304	-56749	-60415
Capex W/O Borrowings	5.0%	26646	27978	29377	30846	32388	34008	35708	37494
<i>RD as percentage of GSDP</i>		-2.5%	-2.4%	-2.3%	-2.1%	-2.0%	-1.9%	-1.8%	-1.7%
FD		-65583	-69970	-74650	-79642	-84966	-90646	-96704	-103166
<i>FD as percentage of GSDP</i>		-4.3%	-4.1%	-3.8%	-3.6%	-3.4%	-3.2%	-3.0%	-2.9%
PD		-31455	-33521	-35723	-38067	-40565	-43225	-46059	-49077
Outstanding Liabilities	11.0%	573530	643500	718150	797792	882758	973404	1070108	1173275
<i>OD as percentage of GSDP</i>		37.5%	36.9%	36.4%	35.9%	35.1%	34.3%	33.4%	32.4%
GSDP	13.0%	1528385	1727075	1951595	2205302	2491991	2815950	3182023	3595686

Source: Author's calculations based on the actual data for 2011-12 to 2023-24 as per SFAR, CAG

Reports

Table 14.2: Tax Buoyancy

YEAR	Annual Growth Rate of Tax Revenue	GSDP Annual GR	Tax Buoyancy
2011-12	22.25%	13.50%	1.65
2012-13	20.20%	13.50%	1.50
2013-14	9.75%	11.65%	0.84
2014-15	15.52%	11.73%	1.32
2015-16	10.45%	10.69%	0.98
2016-17	3.88%	11.61%	0.33
2017-18	14.05%	9.46%	1.49
2018-19	13.39%	9.49%	1.41
2019-20	3.25%	9.71%	0.33
2020-21	1.75%	1.79%	0.98
2021-22	24.09%	17.39%	1.39
2022-23	16.76%	13.63%	1.23
2023-24	7.7%	12.56%	0.61

Source: Author's calculations based on the actual data for 2011-12 to 2023-24 as per SFAR, CAG

Reports

Chapter 15

Policy Recommendations

15.1 Introduction

Rajasthan is a fast-growing state and has pioneered many reforms for its socio-economic development. The state has made continuous efforts for fiscal reforms and adopted measures to consolidate its fiscal position including the prudence in fiscal management. Over the past few years, the state has been striving to strengthen its fiscal position but its efforts to navigate with multitude of social and economic complexities has led to its heavy dependence on central transfers & grants and borrowing to finance its developmental and social needs. In this background, the Report analyzed the financial health and performance of the State with a focus on its revenue streams, expenditure patterns, subsidies, deficits, and debt dynamics etc.

Over the period from 2011-12 to 2023-24, Rajasthan State finances have undergone significant changes including the policy decisions. During this time, the State's revenue receipts have shown a steady rise, primarily driven by an overall increase in the State's Own Tax Revenue particularly SGST, as well as improved fiscal management practices.

However, this period also witnessed a substantial rise in expenditure, driven by the commitment of the State towards social welfare programs including freebies, healthcare, education, and infrastructure development. Majority of these initiatives were crucial for long-term growth and social equity but put considerable pressure on the State's finances. The fiscal position further deteriorated by the rising public spending due UDAY scheme and to address the impact of the COVID-19 pandemic.

Various fiscal parameters are examined in chapters addressing revenue capacities, analysis of own non-tax revenue, expenditure patterns, deficit analysis and fiscal sustainability, and debt management.

1. Total Receipts

The state's revenue receipts increased more than fourfold from ₹57011 crores in 2011-12 to ₹203274 crores in 2023-24. The revenue exhibited an average annual growth of 11.2% during this period. In 2011-12, total receipts of the state comprised 97.88% of the revenue receipts, which subsequently declined to a minimum of 89.37% in 2017-18 before increasing to 99.79% in 2023-24. Own revenue has demonstrated an average annual increase of 10.4%. It has

consistently risen from ₹34552 crores in 2011-12 to ₹112764 crores in 2023-24, except the COVID-19 pandemic years, during which a marginal decrease of 1.35% was observed. Tax revenue forms the backbone of Rajasthan's revenue receipts, contributing significantly to its financial resources. On average, tax revenue increased by 11.5% annually. Tax revenue has steadily increased from ₹25377 crores in 2011-12 to ₹94085 crores in 2023-24, albeit with inconsistent annual growth rates. The proportion of own tax revenue in total revenue declined from 2012-13 onwards and reached its bottom at 39.75% in 2017-18 before attaining its peak at 46.28% in 2023-24. The state should endeavor to increase tax revenue through enhanced enforcement of GST, expansion of industrial and mining opportunities within its jurisdiction, and promotion of the tourism sector, which can potentially yield benefits in terms of revenue generation and employment creation.

Non-tax revenue of the state increased by a modest 6% annually. Although non-tax revenue has more than doubled from 2011-12 to 2023-24, the growth has been inconsistent. The share of non-tax revenue in the total revenue receipts has been declining consistently from 16.09% in 2011-12 to 9.19% in 2023-24 with some fluctuations. From 2014-15, the government increasingly relied on transfers from the centre, which included grants and share in central taxes. Overall, the grants have increased more than fivefold from ₹7482 crores in 2011-12 to ₹36326 crores in 2021-22, before declining to ₹22447 in 2023-24, with an average annual increase of 9.6%. Its share in total revenue has fluctuated between 10.72% in 2012-13 and 21.47% in 2014-15, although it has been consistently declining thereafter and came down to 11% in 2023-24.

As per the recommendations of the Fifteenth Finance Commission, Rajasthan's share in the divisible pool of taxes of the central government is 6.026%. Corporation tax, income tax, and GST are the taxes that generate the maximum revenue for the centre and consequently for the states. The share in central taxes of Rajasthan has increased by 13.5% on average from 2011-12 to 2023-24, which exceeds the growth rate of own tax revenue (11.5%). Tax share as a proportion of total revenue receipts was fluctuating between 25% to 30% till 2019-20, after which it has consistently rising from 25.7% in 2019-20 to 33.5% in 2023-24.

The Non-debt Capital Receipts from 2011-12 to 2023-24 exhibit significant volatility and a downward trend, as evidenced by the negative CAGR of -8.6%. The current estimate of ₹419 crores for 2023-24 represents a substantial fall from both the peak period and the initial years, indicating challenges in maintaining consistent non-debt capital receipts. The share of non-

debt capital receipts in total receipts has been below 2% mostly during this period, with the exception of 2017-18 to 2019-20 period where it had gone up to 10%.

The declining Own Revenue Receipts as a share of Total Revenue Receipts indicates an increasing reliance on external revenue sources, such as central transfers, highlighting the need for a balanced revenue strategy. The rising fiscal pressures on the state to expand welfare and infrastructure programs, particularly post-GST implementation, has shifted the balance towards central grants.

2. Public Expenditure

The analysis of Rajasthan's expenditure patterns reveals a significant dominance of revenue expenditure (RE), which has consistently accounted for over 80% of total expenditure (TE) in most years, peaking at 91.9% in 2022-23 before slightly reducing to 90% in 2023-24 with a CAGR of 13%. This reflects a focus on recurring operational and maintenance spending, with RE as a percentage of GSDP steadily rising from 12.3% in 2011-12 to 18.3% in 2018-19, and consistently falling thereafter to 15.8% in 2023-24. Within RE, interest payments have grown significantly with a CAGR of 13%, increasing from ₹7,892 crore in 2011-12 to ₹34,128 crore in 2023-24, constituting 9%-13% of TE and around 1.8%-2.5% of GSDP in this period, indicating a growing debt burden.

Capital outlay, crucial for infrastructure and economic development, has been fluctuating during this period. It has showed a peak in 2023-24 (₹26,646 crore) after showing consistent growth from 2019-20 onwards, with its share in TE falling to as low as 7.6% in 2019-20 before recovering to 9.9% and 1.7% of GSDP in 2023-24 with a CAGR of 12%. Loans and advances also fluctuated, peaking and going above capital expenditure in 2015-16 at ₹36,602 crore (22.2% of TE, 5.4% of GSDP) to absorb the losses of DISCOMs under UDAY scheme but dropping significantly in subsequent years as these loans were converted into equity by the government, contributing marginally to TE in recent periods. While total expenditure grew nearly fivefold from ₹61,882 crore in 2011-12 to ₹269276 crore in 2023-24 with a CAGR of 13%, the allocation imbalance between revenue and capital expenditure suggests a limited focus on long-term developmental spending. The growing interest payment burden, due to absorption of DISCOM debt and additional borrowings during COVID-19 in 2020-21, calls for prudent debt management.

The analysis of State's Revenue Expenditure reveals a clear emphasis on Development Expenditure, which has shown robust growth from ₹34,672 crore in 2011-12 to ₹1,64,553 crore in 2023-24, reflecting a CAGR of 14%. Development Expenditure's share of total RE as well as TE consistently increased, averaging around 67%-70% and 57%-62% respectively during the period, signifying a progressive focus on developmental priorities. Within this category, Social Services constituted a major component, growing from ₹21,928 crore in 2011-12 to ₹1,01,883 crore in 2023-24 at a CAGR of 13.6%. Its contribution to TE ranged from 31% to 38%, indicating a strong emphasis on improving education, health, and welfare programs. Similarly, Economic Services, another significant component, grew from ₹12,744 crore in 2011-12 to ₹62,669 crore in 2023-24 with a CAGR of 14%. Its share of TE ranged between 20%-27%, underscoring substantial spending on infrastructure, agriculture, and industrial development.

In contrast, Non-Development Expenditure, while increasing in absolute terms from ₹18,982 crore in 2011-12 to ₹77,678 crore in 2023-24, grew at a slower CAGR of 12.4%. Its share in total RE and TE declined steadily from 34.9% and 30.2% in 2011-12 to 32% and 28.8% respectively in 2023-24, signifying a reduced focus on administrative and routine expenses. Within this category, General Services which accounts for committed expenditure, including salaries, pensions, and interest payments, remained the dominant component, growing from ₹18,709 crore in 2011-12 to ₹77,677 crore in 2023-24 accounting for a significant portion of non-developmental spending. Conversely, Grants-in-aid and Contributions played a negligible role, with minimal expenditure and irregular growth trends, especially after 2013-14.

Rajasthan's capital expenditure in terms of development expenditure has shown consistent growth from ₹6,915 crore in 2011-12 to ₹26,646 crore in 2023-24, reflecting a CAGR of 12%. Development expenditure accounted for 97% to 98% of total capital expenditure throughout this period. As a share of total expenditure, it fluctuated between 7% and 15%, signifying a primary focus on developmental priorities in capital expenditure.

The subsidies expenditure reveals a significant upward trend, with total subsidies (TS) increasing from ₹3,201 crore in 2011-12 to ₹26,002 crore in 2022-23, reflecting a CAGR of 21%. The Finance Department consistently accounted for the majority of subsidies, ranging between 87.5% and 99.3% of the total, and grew at a CAGR of 22%. In absolute terms, the Finance Department's subsidies (Power Sector) increased from ₹2,801 crore in 2011-12 to ₹25,404 crore in 2022-23, registering its dominant role in subsidy distribution. The

Horticulture Department exhibited notable growth, with its share of subsidies rising from ₹58.28 crore in 2011-12 to ₹486 crore in 2022-23, reflecting a CAGR of 21%. While total subsidies witnessed consistent growth until 2017-18, they registered a sharp fall thereafter, before increasing again from 2021-22 due to COVID-19 fiscal relief.

3. Fiscal Deficit and Public Debt

The deficit indicators of Rajasthan from 2011-12 to 2023-24 reveal significant fiscal challenges faced by the state. The revenue account, which showed surpluses in 2011-12 and 2012-13, shifted to a sustained deficit from 2013-14 onward, peaking at ₹ 44,002 crore in 2020-21, likely due to the economic impact of the COVID-19 pandemic. Although the revenue deficit has moderated slightly in recent years, it is quite high at ₹ 38,954 crore in 2023-24. Similarly, the fiscal deficit has consistently remained negative, reflecting a persistent gap between the state's total expenditure and revenue. A sharp increase is observed in 2015-16, with the fiscal deficit reaching ₹ 63,070 crore due to absorption of DISCOM debt under UDAY, and the situation has worsened in 2023-24, with a record fiscal deficit of ₹ 65,579 crore. The primary deficit, which excludes interest payments, mirrors this trend, deteriorating sharply post-2013-14 and peaking in 2015-16 at ₹ 51,062 crore. The 2023-24 shows a primary deficit of ₹ 31,451 crore, indicating continued fiscal stress.

The trends in revenue and fiscal deficits as percentage of GSDP from 2011-12 to 2023-24 show a steady deterioration in the state's fiscal health over this period as evidenced by rising revenue and fiscal deficits in both absolute terms and as a percentage of GSDP. The revenue deficit, which was 0.2% of GSDP in 2013-14, has consistently widened, peaking at 4.3% of GSDP in 2020-21 due to the pandemic's economic impact and weak revenues and excessive borrowings to meet the growing expenditure. It has since moderated to 2.5% in the 2023-24. Similarly, the fiscal deficit surged significantly, reaching 9.3% of GSDP in 2015-16, marking a sharp increase likely due to state government's absorption of DISCOM losses under the UDAY scheme. Although the fiscal deficit declined to 3.0%-4.0% of GSDP between 2017-18 and 2022-23, but projected to rise again to 4.3% of GSDP in 2023-24. These trends reflect a growing reliance on borrowings to finance not only capital expenditure but also revenue expenditure, signalling structural fiscal imbalances. While GSDP has increased steadily from ₹4,34,837 crore in 2011-12 to ₹15,28,385 crore in 2023-24, the growth in deficits has outpaced economic expansion.

The overall debt of the State has grown at a CAGR of 15% from 2011-12 to 2023-24, driven primarily by the rise in public debt and liabilities on the public account. The annual growth rate

of debt has fluctuated significantly, with the highest growth of 66.9% observed in 2012-13 and a contraction of 26.9% in 2013-14. Post-2020, debt growth has stabilized, averaging around 12% between 2020-21 and 2023-24.

Public debt, which includes internal debt and loans from the Government of India, remains the largest component with a growth of 16.5% CAGR. Within public debt, internal debt has shown significant growth, increasing from ₹64,456 crore in 2011-12 to ₹3,99,858 crore in 2023-24, reflecting a heavy reliance on market borrowings. Loans from the Government of India have also risen steadily, from ₹7,249 crore in 2011-12 to ₹46,794 crore in 2023-24, underscoring increased dependence on central funding. Liabilities on the public account have grown moderately at a CAGR of 11.4%, rising from ₹34,851 crore in 2011-12 to ₹1,26,878 crore in 2023-24. The rising debt levels, particularly the faster growth in public debt compared to liabilities on the public account, highlight the state's increasing reliance on borrowings to meet fiscal needs.

The Public debt-GSDP ratio consistently increased from 16.5% in 2011-12 to a peak of 30.3% in 2020-21, reflecting a growing debt burden relative to the economy, but declined to 28.6% in 2022-23, indicating efforts to control debt growth. Similarly, the overall debt-to-GSDP ratio rose from 24.5% in 2011-12 to 40.3% in 2020-21 before reducing to 37.3% in 2023-24, underlining increasing fiscal stress and recent stabilization efforts. Both Public Debt and Overall Debt to GSDP ratio have been increasing consistently until 2020-21, after which they have decreased marginally, indicating a potentially unfavourable trend for the state's economic health. Interest payments as a percentage of revenue receipts remained steady between 11% and 15% throughout this period, with the highest ratio of 15% in 2020-21 during the pandemic, reflecting heightened fiscal strain. By 2022-23, this ratio returned to 13%, showing improved debt servicing efficiency. The public debt repayment-to-receipts ratio varied significantly, with a low of 8.1% in 2015-16 and a high of 59% in 2011-12. By 2022-23, it had increased to 37.4%, indicating stronger efforts to repay debt relative to borrowings.

If we look at the two key indicators of fiscal performance, namely, the fiscal deficit and public debt, the share of both to GSDP (FD/GSDP and Debt/GSDP) has been deteriorating in the decade of 2011-12 to 2023-24.

The overall fiscal position of the State is characterized by high debt, low share of capital expenditure in the total expenditure and a substantial proportion of committed expenditure in total revenue collections. The state has adhered to its debt ratio as mandated by the FRBM Act

but deviated from its fiscal deficit target in recent years. The fiscal deficit, although managed with considerable effort, remained a concern as the State needs to balance its developmental needs with fiscal sustainability. Rising debt levels have been another significant issue, with the State resorting to borrowing to finance its deficit and infrastructure development. The interest burden of the public debt is now one of the largest items of expenditure and crowding out other items of priority spending. This has necessitated greater focus on debt management strategies to ensure that debt remains within manageable limits.

In sum, revenues of the State have improved substantially but its fiscal position continues to remain weak. Overall, State's fiscal journey during the above-mentioned period has been marked by both progress and challenges. If we look at the changes in Rajasthan's fiscal performance during 2011-12 to 2023-24 compared to the decade of 2000-01 to 2010-11, all the indicators, ORR/TRR, FD/GSDP, Debt/GSDP, Capex/Total Expenditure have deteriorated. The improvement is seen only in Own Tax Revenue/Total Revenue Receipts and Social Expenditure/Total Expenditure Ratio.

15.2 Policy Recommendations

Fiscal Consolidation

Looking ahead, Rajasthan must continue to navigate the dual challenges of fostering economic growth and maintaining fiscal discipline. Enhancing revenue generation through broadening the tax base and improving compliance, along with rationalizing expenditures, will be critical. Additionally, implementing robust public financial management reforms and leveraging technology for better fiscal monitoring can help in achieving a more efficient and transparent financial system which will be pivotal in ensuring sustainable economic development.

Fiscal consolidation is essential for the State. To ensure this the State needs to raise its revenues from various sources and reduce the revenue expenditure. The debt is to be made sustainable by ensuring that it is utilized for capital expenditure only. The Commission should explore the possibility of putting in place an incentive compatible fiscal prudence and make tough escape clauses. The Commission can modify the criteria for devolution by reducing the weightage of demographic performance by 2.5 percentage points and increasing the weightage of tax and fiscal efforts by the same margin. In addition, there should be an increase in performance-linked grants under sector-specific grants and local bodies grants.

For local bodies grants (excluding health-related grants), the population weightage can be reduced by 10 percentage points, with the corresponding weightage allocated to tax efforts by local bodies. Furthermore, conditions for availing conditional grants should include:

- The publication of audited statements of local bodies and state public sector enterprises (PSEs) within one year of the completion of the relevant financial year,
- Improvement in property tax and urban development tax collection by local bodies, and
- Efforts to improve the state's Air Quality Index (AQI).

The implementation of these conditions should take effect from the financial year 2027-28 onwards.

The 15th Finance Commission recommended the establishment of a high-level committee at the state level to review and monitor the utilisation of state-specific and sector-specific grants. The Commission should make it mandatory for states to implement the recommendations of this high-level committee to be eligible for local bodies grants during the 2026–31 period.

Raising Tax Revenue

One of the structural constraints for all the states including Rajasthan is the reduced scope for increasing tax revenues with GST subsuming several buoyant State taxes. Looking at this Rajasthan needs to work efficiently in strengthening the tax base by removing ambiguity in property ownership, reducing the size of informal sector, working on areas like minerals, oil refinery and petrochemical industries, leveraging its tourism potential and strengthening the data base and compliance. There is a need to adopt scientific tax collection procedure, improving administrative efficiency, controlling tax evasion, and rationalising tax exemptions. The State also needs to put emphasis on improving the non-tax revenue by rationalising user charges, profits from departmental enterprises, revitalizing and restructuring of state PSUs, and dividends from non-departmental commercial enterprises by setting a clear policy including for services like irrigation and water supply.

Visualizing higher liabilities and development requirement of the State, the 16th Finance Commission should consider higher share in net proceeds of the Central government. These measures can enhance the revenue productivity of its tax system and strengthen its fiscal position. Looking at the difficult terrain and largest geographical area, the state like Rajasthan requires a need-based approach while considering transfers. It is expected that unlike previous Commissions, the 16th FC will adopt the need-based approach for the states like Rajasthan.

Rationalizing Public Expenditure

Focusing solely on revenue generation is insufficient. The state must also prioritize its expenditures and ensure that public funds are utilized efficiently and effectively by targeting specific outcomes. In the absence of such measures, the state may fail to deliver pure public goods and merit goods adequately, while simultaneously providing numerous private goods at subsidized rates that lack justification. The state needs to address the reduction of wasteful public expenditure, including non-merit subsidies. The state provides subsidies on various items, including non-merit goods, which constrain the allocation for capital expenditure. The majority of subsidies provided by the state have been directed towards the supply of electricity, which has benefited not only farmers but also higher-income households, a situation that lacks justification. Instead, the subsidies should be implemented on the basis of direct benefit transfer, as is currently practiced in the case of LPG. This approach has the potential to reduce the financial burden on states resulting from covering the losses of Discoms due to insufficient collection of user charges.

The state's decision to withdraw from the NPS and reinstate the old pension scheme, guaranteeing a monthly pension of 50% of the employee's last drawn basic pay, may not impose an immediate burden on state finances. However, this decision may have significant financial implications after approximately 10 years, when employees who joined after the implementation of NPS begin to retire.

The low shares of capital expenditure and social expenditure have had little impact on development outcomes. It is important to increase the shares of both capital expenditure and social expenditure so that they have reasonable impact on development outcomes. To ensure this, the Central government incentivized states by providing the fifty-year interest free loan. But, in place of using these loans for capital expenditure, now the state is using these loans as its own revenue and diverting to revenue expenditure which is certainly not reasonable.

The state cannot afford long term liabilities of non-developmental nature and need to work on a proper sharing of revenue expenditure and capital expenditure and ensure that capital expenditure and social expenditure need to have a much larger share of public expenditure for ensuring better development. Monitoring of projects and their timely completion is crucial for cost optimization and better returns. Government Departments initiate lots of new projects which diverts funds of ongoing projects and as a result ongoing projects starve for funds resulting in time and cost overruns. The rationalisation of expenditure can also be ensured by

reviewing the on-going State schemes and making the provision of sunset. Steps are also required to improve the recovery of loans and getting reasonable returns on financial resources.

Fiscal Discipline

Further, sound fiscal discipline which is a part of good governance is equally important. Administrative reforms and good governance would be critical in improving the overall fiscal performance of the state. There is a need for continued capacity building of administrative officers at all levels for better execution and monitoring of fiscal activities. Increased use of e-governance by the departments to improve efficiency will be highly beneficial. State should allocate funds for this purpose. Similarly, certain offices of the State Government which have lost their relevance in present time can be closed down.

Consolidation Fund

Rajasthan has been very particular on timely constitution of State Finance Commissions. Over the period, the CFCs and SFCs have effectively played their roles in financial decentralization. The Fourteenth and Fifteenth Finance Commissions of India and the Fourth and Fifth State Finance Commissions have increased financial devolution in absolute terms to local bodies and Sixth SFC has further recommended to make them robust and strengthen both functionally and financially. Increasing the functional autonomy of the local bodies, strengthening their governance structure, and empowering them financially via higher resource availability, including through their own resource generation and transfers, are critical for their effective interventions at the grass-root level.

Urban Local Bodies (ULBs) need to implement measures to enhance their revenue generation capabilities and revenue collection capacities. Panchayati Raj Institutions (PRIs) should similarly explore revenue generation sources, including optimizing property tax collections, introducing user charges for services, and leveraging natural resources for income generation. Both ULBs and PRIs must demonstrate consistent improvement in the collection of property tax proportionate to the growth rate of the state's own Gross State Domestic Product (GSDP). Furthermore, the database of local bodies, particularly rural local bodies, requires strengthening, as it has been a significant constraint in designing allocative parameters.

It is imperative to comprehend the evolving dynamics of local bodies in light of the increasing expectations of rural populations from Panchayati Raj Institutions (PRIs) and the growth in transient populations and tourists in urban areas. This phenomenon has significantly amplified

the requisite need for resources. Local governing bodies should be allocated additional resources to establish and expand anticipated amenities. The Commissions have augmented grants for local bodies based on their performance. While performance-based grants serve as a commendable approach to incentivize and reward superior performance, economically disadvantaged areas encounter substantial challenges in fulfilling the stipulated performance conditions.

With urbanization, villages are becoming part of cities/towns, and Panchayati Raj Institutions (PRIs) have fallen within the jurisdiction of urban local bodies/Development Authorities. Development works in these Gram Panchayats are not undertaken due to the lack of prior permission from the concerned Development Authorities. Consequently, such Gram Panchayats face constraints in providing basic civic services in their respective areas. This issue requires attention from the State Government.

It is equally important to evaluate the utilization of CFC and SFC grants to local bodies to ensure optimal utilization of funds. The 5th SFC has observed that fund constraint is not the primary issue for local bodies; rather, the optimal use of these resources for rendering basic services to the satisfaction of citizens is the primary concern. The Commission noted that construction works superseded the primary and core functions of local bodies. This necessitates an impact assessment of the expenditure pattern of local bodies on priority, and the state government needs to establish a mechanism for conducting such assessments.

The issue of tied and untied grants has been a subject of debate for an extended period, as the proportion of tied grants has increased through successive Central Finance Commissions (CFCs). Moreover, with the rising share of Grants-in-Aid in total transfers from the Central Pool, a higher proportion of aggregate transfers now consists of tied funds, leading to a change in the composition of transfers to States. The rationale behind conditional grants was to encourage fiscal prudence among states. However, in practice, States are unable to access these resources due to non-compliance with centrally determined mandates. Consequently, the disbursement of conditional grants has been suboptimal due to the stringent conditions imposed by Central Ministries in addition to those stipulated by the Finance Commissions. In some instances, non-fulfillment of a single condition among many could result in the rejection of the entire grant. It is imperative for the 16th Finance Commission to review this issue and consider conditions that are feasible to implement according to local circumstances.

Rajasthan is one of the few states that promptly establish State Finance Commissions and implement their financial recommendations. However, the state faces several disadvantages, including a challenging geographic location, limited water resources, low-income levels, and low literacy rates, which distinguish it from many other states of India. The majority of the state is characterized by desert terrain with a low population density. Given these unique characteristics, it is imperative to increase the weight assigned to geographical area when recommending grants for local bodies, as the provision of goods and services to populations in remote areas necessitates additional resources.

The inadequate database of item-wise income and expenditure of Gram Panchayats is a significant concern that requires immediate attention. Although efforts are being made to computerize these records and implement online reporting through the IFMS eGramSwaraj portal, challenges persist. The CAG has prescribed formats for maintaining accounts; however, due to a lack of human resources, particularly in Gram Panchayats situated in remote areas, the issue remains unresolved. In light of this situation, the allocation of dedicated grants for the maintenance of databases in the prescribed formats may prove beneficial.

At present, the Central Finance Commission has mandated benchmarking of civic services for urban local bodies, and the Local Self Government Department is implementing benchmarks for these services. However, no such requirement exists for Rural Local Bodies. These entities frequently neglect essential civic services such as sanitation, waste management, street lighting, and provision of public amenities, primarily focusing on civil construction works. Given that a significant portion of the State's population resides in rural areas, it is imperative to establish benchmarks for fundamental civic services for rural local bodies and link the disbursement of a specified amount of grant to the fulfilment of these benchmarks.

The State has transferred all subjects to the Local bodies and must ensure the effective delegation of funds, functions, and functionaries. For the release of grants, the 16th CFC and 7th SFC need to ensure that no additional conditions, beyond those stipulated by CFC and SFC, are imposed on local governments by the Union or the State Governments. Self-reliant local bodies will play a crucial role in the development of a self-reliant India.

Appendix Tables

Appendix Table A1.1: Key Indicators of the State vis-à-vis India

Indicator	Year	Unit	Rajasthan	India
Geographical Area	2011	Lakh Sq. Km.	3.42	32.87
Population	2011	Crore	6.85	121.09
Decadal Growth Rate	2001-11	Percentage	21.3	17.7
Population Density	2011	Population per sq. km	200	382
Urban Population to Total Population	2011	Percentage	24.87	31.14
Scheduled Caste Population	2011		17.8	16.6
Scheduled Tribe Population	2011		13.5	8.6
Sex Ratio	2011	Female per 1000 Male	928	943
Child Sex Ratio (0-6 year)	2011	Female Children per 1000 Male Children	888	919
Literacy Rate	2011	Percentage	66.1	73.0
Literacy Rate (Male)	2011		79.2	80.9
Literacy Rate (Female)	2011		52.1	64.6
Work Participation Rate	2011		43.6	39.8
Crude Birth Rate	2020*	Per 1000 mid-year population	23.5	19.5
Crude Death Rate	2020*		5.6	6.0
Infant Mortality Rate	2020*	Per 1000 Live Births	32	28
Maternal Mortality Ratio	2018-20*	Per Lakh Live Births	113	97
Life Expectancy at Birth	2016-20*	Year	69.4	70.0
Human Development Index	2015	Value	0.577	0.609

Source: Economic Review 2023-24

*SRS Bulletin: Office of Registrar General of India

Appendix Table A3.1: Annual Growth Rate of Various Components of Revenue Receipts (in percentage)

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Tax revenue	25377	30503	33478	38673	42713	44372	50605	57380	59245	60283	74808	87346	94085
<i>as a percent of RR</i>	44.5%	45.6%	45.0%	42.3%	42.6%	40.7%	39.8%	41.6%	42.3%	44.9%	40.7%	44.8%	46.5%
<i>Annual Growth Rate</i>	22.3%	20.2%	9.8%	15.5%	10.4%	3.9%	14.0%	13.4%	3.2%	1.8%	24.1%	16.8%	7.7%
Non-tax revenue	9175	12134	13575	13229	10928	11615	15734	18603	15714	13653	18755	20564	18679

<i>as a percent of RR</i>	16.1%	18.1%	18.2%	14.5%	10.9%	10.7%	12.4%	13.5%	11.2%	10.2%	10.2%	10.5%	8.7%
<i>Annual Growth Rate</i>	45.8%	32.2%	11.9%	-2.5%	-17.4%	6.3%	35.5%	18.2%	-15.5%	-13.1%	37.4%	9.6%	-9.2%
State share of Union taxes/duties	14977	17103	18673	19817	27916	33556	37028	41853	36049	35576	54031	57231	68063
<i>as a percent of RR</i>	26.3%	25.6%	25.1%	21.7%	27.8%	30.8%	29.1%	30.4%	25.7%	26.5%	29.4%	29.4%	28.0%
<i>Annual Growth Rate</i>	16.5%	14.2%	9.2%	6.1%	40.9%	20.2%	10.3%	13.0%	-13.9%	-1.3%	51.9%	5.9%	18.9%
Grant-in-aid	7482	7174	8745	19608	18728	19483	23940	20037	29106	24796	36326	29846	22447
<i>as a percent of RR</i>	13.1%	10.7%	11.7%	21.5%	18.7%	17.9%	18.8%	14.5%	20.8%	18.5%	19.8%	15.3%	16.8%
<i>Annual Growth Rate</i>	24.3%	-4.1%	21.9%	124.2%	-4.5%	4.0%	22.9%	-16.3%	45.3%	-14.8%	46.5%	-17.8%	-24.8%
Total revenue receipt (RR)	57011	66913	74471	91327	100285	109025	127307	137874	140114	134308	183920	194987	203274
Non-Debt Capital Receipts	1245	1110	326	1,019	1472	1741	15150	15,178	15690	387	2405	436	419
<i>as a percent of RR</i>	2.2%	1.7%	0.4%	1.1%	1.5%	1.6%	11.9%	11.0%	11.2%	0.3%	1.3%	0.2%	0.2%
RR + Non-Debt Capital Receipts	58256	68023	74797	92346	101757	110767	142457	153051	155804	134695	186325	195423	238017
Annual Growth Rate of RR	30%	24%	11%	23%	10%	9%	17%	8%	2%	-4%	37%	6%	22%

Source: SFAR, CAG, Ministry of Statistics and Programme Implementation, and State Budget 2025-

26

Appendix Table A4.1: Major Sources of Non-Tax Revenue for the State (in Rs Crore)

Years	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total Revenue Receipts	57011	66913	74471	91327	100285	109026	127307	137873	140114	134308	183920	194987	203276
Total Own Revenue	34552	42636	47053	51902	53641	55987	66339	75983	74959	73936	93563	107910	112764
Non-Tax Revenue	9175	12134	13575	13229	10928	11616	15734	18603	15714	13653	18755	20564	18679
<i>Growth Rate (%)</i>	45.78	32.24	11.88	-2.55	-17.40	6.29	35.45	18.24	-15.53	-13.12	37.37	9.65	-10.1%
<i>as a percent of ORR</i>	26.55	28.46	28.85	25.49	20.37	20.75	23.72	24.48	20.96	18.47	20.05	19.06	16.6%
<i>as a percent of RR</i>	16.09	18.13	18.23	14.49	10.90	10.65	12.36	13.49	11.22	10.17	10.20	10.55	9.2%
Interest Receipts, Dividend and profit	1772	2124	2167	2129	2080	2001	4926	5847	3906	2696	1716	2059	2056
<i>as a percent of NTR</i>	19.31	17.51	15.96	16.09	19.03	17.23	31.31	31.43	24.86	19.75	9.15	10.01	11.0%

<i>Growth Rate (%)</i>	36.58	19.87	2.02	-1.77	-2.30	-3.78	146.1	18.70	-33.18	-30.98	-36.36	20.01	9.0%
General Services	731	1120	1344	1468	1239	1267	1417	1669	1950	1347	3943	4120	3164
<i>as a percent of NTR</i>	7.96	9.23	9.90	11.10	11.34	10.91	9.01	8.97	12.41	9.87	21.02	20.04	16.9%
<i>Growth Rate (%)</i>	22.71	53.30	19.98	9.21	-15.57	2.26	11.81	17.76	16.85	-30.89	192.62	4.49	-18.3%
Social services	568	644	708	808	1033	1324	1327	1383	1476	1336	1478	1328	1495
<i>as a percent of NTR</i>	6.19	5.31	5.22	6.11	9.45	11.40	8.43	7.44	9.39	9.79	7.88	6.46	8.0%
<i>Growth Rate (%)</i>	8.06	13.44	9.91	14.17	27.79	28.20	0.19	4.27	6.69	-9.49	10.66	-10.17	19.3%
Economic Services	6104	8245	9356	8825	6576	7023	8064	9704	8382	8274	11618	13057	11963
<i>as a percent of NTR</i>	66.53	67.95	68.92	66.70	60.18	60.46	51.26	52.17	53.34	60.60	61.95	63.49	64.0%
<i>Growth Rate (%)</i>	57.47	35.07	13.48	-5.68	-25.48	6.80	14.83	20.34	-13.63	-1.29	40.42	12.39	0.9%

Source: SFAR, CAG, Ministry of Statistics and Programme Implementation, and State Budget 2025-

26

Appendix Table A4.2: Components of General, Social, and Economic Services in the Own Non-Tax Revenue

Category	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
(i) General Services	731	1120	1344	1468	1239	1267	1417	1669	1950	1347	3943	4120	3164
Public Service Commission	26	5	70	8	63	79	1	120	45	69	75	172	151
Police & Jails	144	197	168	240	176	192	297	346	642	193	533	475	526
Public Works	56	58	69	72	97	84	109	125	92	93	109	244	257
Other Administrative Services	111	85	147	133	161	210	208	246	207	147	498	176	283
Contributions and Recoveries towards Pension and Other Retirement Benefits	36	83	39	44	34	35	35	41	44	93	124	75	161
Others*	357	691	850	969	705	664	767	789	919	753	2603	2976	1784
(ii) Social Services	593	620	708	808	1031	1322	1325	1381	1474	1335	1479	1328	1495
Education, Sports, Art and Culture	84	59	96	81	176	169	161	159	179	115	169	130	166
<i>as a percent of total social services</i>	14.2%	9.5%	13.6%	10.0%	17.1%	12.8%	12.2%	11.5%	12.1%	8.6%	11.4%	9.8%	11.1%
Medical, Public health & Family Welfare	60	97	66	117	119	125	131	164	238	227	271	202	277
<i>as a percent of total social services</i>	10.1%	15.6%	9.3%	14.5%	11.5%	9.5%	9.9%	11.9%	16.1%	17.0%	18.3%	15.2%	18.5%
Water Supply, Sanitation, Housing & Urban Development	278	270	267	290	385	572	640	620	574	559	469	234	179
<i>as a percent of total social services</i>	46.9%	43.6%	37.7%	35.9%	37.3%	43.3%	48.3%	44.9%	38.9%	41.9%	31.7%	17.6%	12.0%
Labour & Employment	163	184	263	290	334	355	361	414	435	393	531	656	793
<i>as a percent of total social services</i>	27.5%	29.7%	37.1%	35.9%	32.4%	26.8%	27.2%	30.0%	29.5%	29.4%	35.9%	49.4%	53.0%

Social Security & Welfare	2.69	4.23	11.36	3.9	5.18	87	22	18	24	25	17	91	65
<i>as a percent of total social services</i>	0.5%	0.7%	1.6%	0.5%	0.5%	6.6%	1.7%	1.3%	1.6%	1.9%	1.1%	6.9%	4.3%
Others	5.62	5.63	4.62	25.83	11.98	14.27	10	6	24	16	22	15	14
<i>as a percent of total social services</i>	0.9%	0.9%	0.7%	3.2%	1.2%	1.1%	0.8%	0.4%	1.6%	1.2%	1.5%	1.1%	0.9%
(iii) Economic Services	6097	8238	9341	8815	6556	7012	8050	9691	8355	8240	11221	13382	11963
Irrigation	110	103	85	81	86	123	287	184	83.68	251	205	196	173
<i>as a percent of total economic services</i>	1.8%	1.3%	0.9%	0.9%	1.3%	1.8%	3.6%	1.9%	1.0%	3.0%	1.8%	1.5%	1.4%
Forestry Aand Wildlife	75	91	77	89	133	113	182	147	110	77	120	173	139
<i>as a percent of total economic services</i>	1.2%	1.1%	0.8%	1.0%	2.0%	1.6%	2.3%	1.5%	1.3%	0.9%	1.1%	1.3%	1.2%
Non-Ferrous ining & metallurgical Industries	2366	2839	3089	3636	3782	4234	4522	5302	4579	4966	6395	7213	7460
<i>as a percent of total economic services</i>	38.8%	34.5%	33.1%	41.2%	57.7%	60.4%	56.2%	54.7%	54.8%	60.3%	57.0%	53.9%	62.4%
Petroleum	3436	5070	5954	4850	2342	2332	2579	3883	3320	1905	3995	4889	3425
<i>as a percent of total economic services</i>	56.4%	61.5%	63.7%	55.0%	35.7%	33.3%	32.0%	40.1%	39.7%	23.1%	35.6%	36.5%	28.6%
Crop Husbandry	3.1	4.2	3.2	3.7	4.8	5.2	20	12	6.5	10	11	8	12
<i>as a percent of total economic services</i>	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Animal Husbandry	1.8	1.8	1.8	2.7	11	11	17	13	21	9.5	10	6	14
<i>as a percent of total economic services</i>	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.1%	0.3%	0.1%	0.1%	0.0%	0.1%
Fisheries	20	23	24	23	55	58	61	63	65	52	41	69	69
<i>as a percent of total economic services</i>	0.3%	0.3%	0.3%	0.3%	0.8%	0.8%	0.8%	0.7%	0.8%	0.6%	0.4%	0.5%	0.6%
Co-operation	22	22	19	16	15	44	63	22	9.1	97	9.39	22	21
<i>as a percent of total economic services</i>	0.4%	0.3%	0.2%	0.2%	0.2%	0.6%	0.8%	0.2%	0.1%	1.2%	0.1%	0.2%	0.2%
Power	4.2	44	12	13	24.97	0.45	54	18	17.16	30.7	32	18	302
<i>as a percent of total economic services</i>	0.1%	0.5%	0.1%	0.1%	0.4%	0.0%	0.7%	0.2%	0.2%	0.4%	0.3%	0.1%	2.5%
Industries, Village and Small Industries	4.36	3.15	8	14	11.35	10.2	12.3	8.9	3.16	4.3	3.12	1.44	4.8
<i>as a percent of total economic services</i>	0.1%	0.0%	0.1%	0.2%	0.2%	0.1%	0.2%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%
Roads & bridges	5.6	3.1	4.15	7.12	6.2	6.5	6.8	6.9	32	32	39	84	105
<i>as a percent of total economic services</i>	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.4%	0.4%	0.3%	0.6%	0.9%
Tourism	0.8	0.7	0.7	1.17	0.8	0.7	0.97	0.9	0.9	0.67	1.07	2.6	1.8
<i>as a percent of total economic services</i>	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.02%	0.0%
Others	48	33	63	78	84	74	245	30	107	805	359	700	223
<i>as a percent of total economic services</i>	0.8%	0.4%	0.7%	0.9%	1.3%	1.1%	3.0%	0.3%	1.3%	9.8%	3.2%	5.2%	1.9%

Source: SFAR, CAG, Ministry of Statistics and Programme Implementation, and State Budget 2025-

26. Note* Others in social services include revenue from stationary and printing and miscellaneous general services

Appendix Table A5.1: Share of Revenue and Capital Expenditure in Total Expenditure
(Rs. in Crore)

YEAR	Revenue Expenditure (RE)						Capital Expenditure (CE)			Loans and Advances (LA)			Total Expenditure (TE)	GSDP (Current prices)
	RE	Share in TE	Percent of GSDP	Of which: Interest Payment	Share in TE	Percent of GSDP	Capital Outlay	Share in TE	Percent of GSDP	Loans and Advances	Share in TE	Percent of GSDP		
2011-12	53654	85.2%	12.3%	7892	12.5%	1.8%	7119	11.5%	1.6%	1109	1.8%	0.3%	61882	434837
2012-13	63462	80.4%	12.9%	8340	10.6%	1.7%	10683	14.0%	2.2%	2412	3.1%	0.5%	76557	493551
2013-14	75510	83.2%	13.7%	9063	10.0%	1.6%	13664	15.2%	2.5%	812	0.9%	0.1%	89986	551031
2014-15	94542	84.4%	15.4%	10463	9.3%	1.7%	16103	14.5%	2.6%	701	0.6%	0.1%	111346	615642
2015-16	106239	52.7%	15.6%	12008	6.0%	1.8%	21986	13.3%	3.2%	36602	18.2%	5.4%	164827	681482
2016-17	127140	74.8%	16.7%	17677	10.4%	2.3%	16980	10.8%	2.2%	12965	7.6%	1.7%	157085	760587
2017-18	145842	86.2%	17.5%	19720	11.7%	2.4%	20623	12.3%	2.5%	1334	0.8%	0.2%	167799	832529
2018-19	166773	88.4%	18.3%	21695	11.5%	2.4%	19638	10.5%	2.2%	1113	0.6%	0.1%	187524	911519
2019-20	176485	90.2%	17.6%	23643	12.1%	2.4%	14718	7.6%	1.5%	2255	1.2%	0.2%	193458	1000032
2020-21	178309	91.6%	17.5%	25202	13.0%	2.5%	15271	7.9%	1.5%	491	0.3%	0.0%	194071	1017917
2021-22	209790	89.2%	17.6%	28100	11.9%	2.4%	24152	10.3%	2.0%	621	0.3%	0.1%	234563	1194961
2022-23	226479	91.8%	16.7%	30602	12.4%	2.3%	19798	8.0%	1.5%	175	0.1%	0.0%	246452	1357851
2023-24	242230	90%	16%	34128	13%	2%	26646	9.9%	1.7%	398	0.15%	0.03%	269273	1521510
CAGR	13%	--	--	13%	--	--	12%	--	--	-8%	--	--	13%	11%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Appendix Table A5.2: Share of General, Social, and Economic Services in Revenue Expenditure (Rs. in Crore)

YEAR	General Services			Social Services			Economic Services			Revenue Expenditure	
	Expenditure	Share in RE	Annual Growth	Expenditure	Share in RE	Annual Growth	Expenditure	Share in RE	Annual Growth	Expenditure	Annual Growth
2011-12	18709	34.9%		21928	40.9%		12744	23.8%		53654	
2012-13	20496	32.3%	9.6%	25293	39.9%	15.3%	17408	27.4%	36.6%	63462	18.3%
2013-14	23339	30.9%	13.9%	31486	41.7%	24.5%	20436	27.1%	17.4%	75510	19.0%
2014-15	27868	29.5%	19.4%	43348	45.9%	37.7%	28920	30.6%	41.5%	94542	25.2%
2015-16	31016	29.2%	11.3%	37753	35.5%	-12.9%	31874	30.0%	10.2%	106239	12.4%
2016-17	39203	30.8%	26.4%	49372	38.8%	30.8%	38565	30.3%	21.0%	127140	19.7%
2017-18	43450	29.8%	10.8%	53064	36.4%	7.5%	49327	33.8%	27.9%	145842	14.7%
2018-19	54364	32.6%	25.1%	65687	39.4%	23.8%	46722	28.0%	-5.3%	166773	14.4%
2019-20	56186	31.8%	3.4%	68313	38.7%	4.0%	51986	29.5%	11.3%	176485	5.8%
2020-21	60144	33.7%	7.0%	74010	41.5%	8.3%	44156	24.8%	-15.1%	178309	1.0%
2021-22	65406	31.2%	8.7%	85054	40.5%	14.9%	59330	28.3%	34.4%	209790	17.7%
2022-23	71875	31.7%	9.9%	90168	39.8%	6.0%	64436	28.5%	8.6%	226479	8.0%
2023-24	77677	32.1%	8.1%	101883	42%	13%	62669	26%	-3%	242230	7%
CAGR	13%	-	-	14%	-	-	14%	-	-	13%	-

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Appendix Table A5.3: Share of General, Social, and Economic Services in Capital Expenditure (Rs. in Crore)

YEAR	General Services			Social Services			Economic Services			Capital Expenditure	
	Expenditure	Share in CE	Annual Growth	Expenditure	Share in CE	Annual Growth	Expenditure	Share in CE	Annual Growth	Expenditure	Annual Growth
2011-12	204	2.9%		1997	28.0%		4919	69.1%		7119	
2012-13	250	2.3%	22.4%	2840	26.6%	42.2%	7594	71.1%	54.4%	10683	50.1%
2013-14	334	2.4%	34.0%	4551	33.3%	60.3%	8779	64.2%	15.6%	13664	27.9%
2014-15	534	3.3%	59.6%	5838	36.3%	28.3%	9731	60.4%	10.8%	16103	17.8%
2015-16	441	2.0%	-17.5%	5996	27.3%	2.7%	15549	70.7%	59.8%	21986	36.5%
2016-17	437	2.6%	-0.9%	6214	36.6%	3.6%	10329	60.8%	-33.6%	16980	-22.8%
2017-18	527	2.6%	20.8%	7221	35.0%	16.2%	12875	62.4%	24.6%	20623	21.5%
2018-19	588	3.0%	11.6%	6913	35.2%	-4.3%	12137	61.8%	-5.7%	19638	-4.8%
2019-20	463	3.1%	-21.2%	5490	37.3%	-20.6%	8765	59.6%	-27.8%	14718	-25.1%
2020-21	398	2.6%	-14.1%	7642	50.0%	39.2%	7231	47.3%	-17.5%	15271	3.8%
2021-22	484	2.0%	21.4%	10951	45.3%	43.3%	12717	52.7%	75.9%	24152	58.2%
2022-23	542	2.7%	12.2%	8851	44.7%	-19.2%	10405	52.6%	-18.2%	19798	-18.0%
2023-24	407	2%	-25%	9949	37%	12%	16289	61%	57%	26646	35.0%
CAGR	6%	-	-	14%	-	-	10%	-	-	12%	-

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Note: Total Capital Expenditure includes expenditure pertaining to funds released to Local Bodies.

Appendix Table A5.4: Development and Non-Development Revenue Expenditure categorized under General, Social, and Economic Services (Rs. in Crore)

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Development Expenditure	34672	42701	51922	72269	69628	87937	102391	112409	120299	118165	144384	154604	164553	13.86%
<i>as a percent of RE</i>	64.6%	67.3%	68.8%	76.4%	65.5%	69.2%	70.2%	67.4%	68.2%	66.3%	68.8%	68.3%	67.9%	
<i>Annual Growth Rate</i>	23.3%	23.2%	21.6%	39.2%	-3.7%	26.3%	16.4%	9.8%	7.0%	-1.8%	22.2%	7.1%	6.4%	
<i>as a percent of TE</i>	56.0%	55.8%	57.7%	64.9%	42.2%	56.0%	61.0%	59.9%	62.2%	60.9%	61.6%	62.7%	61.1%	
Social Services	21928	25293	31486	43348	37753	49372	53064	65687	68313	74010	85054	90168	101883	13.66%
<i>as a percent of RE</i>	40.9%	39.9%	41.7%	45.9%	35.5%	38.8%	36.4%	39.4%	38.7%	41.5%	40.5%	39.8%	42.1%	
<i>Annual Growth Rate</i>	22.5%	15.3%	24.5%	37.7%	-12.9%	30.8%	7.5%	23.8%	4.0%	8.3%	14.9%	6.0%	13.0%	
<i>as a percent of TE</i>	35.4%	33.0%	35.0%	38.9%	22.9%	31.4%	31.6%	35.0%	35.3%	38.1%	36.3%	36.6%	37.8%	
Economic Services	12744	17408	20436	28920	31874	38565	49327	46722	51986	44156	59330	64436	62669	14.19%

<i>as a percent of RE</i>	23.8%	27.4%	27.1%	30.6%	30.0%	30.3%	33.8%	28.0%	29.5%	24.8%	28.3%	28.5%	25.9%	
<i>Annual Growth Rate</i>	24.7%	36.6%	17.4%	41.5%	10.2%	21.0%	27.9%	-5.3%	11.3%	-15.1%	34.4%	8.6%	-2.7%	
<i>as a percent of TE</i>	20.6%	22.7%	22.7%	26.0%	19.3%	24.6%	29.4%	24.9%	26.9%	22.8%	25.3%	26.1%	23.3%	
Non-Development Expenditure	18982	20761	23588	27869	31017	39204	43450	54365	56187	60145	65407	71875	77678	12.46%
General Services	18709	20496	23339	27868	31016	39203	43450	54364	56186	60144	65406	71875	77677	12.60%
<i>as a percent of RE</i>	34.9%	32.3%	30.9%	29.5%	29.2%	30.8%	29.8%	32.6%	31.8%	33.7%	31.2%	31.7%	32.1%	
<i>Annual Growth Rate</i>	11.8%	9.6%	13.9%	19.4%	11.3%	26.4%	10.8%	25.1%	3.4%	7.0%	8.7%	9.9%	8.1%	
<i>as a percent of TE</i>	30.2%	26.8%	25.9%	25.0%	18.8%	25.0%	25.9%	29.0%	29.0%	31.0%	27.9%	29.2%	28.8%	
Grant-in-aid & Contributions	273	265	249	1	1	0.6	0.1	0.8	0.7	0.7	0.4	0.4	1.4	-36%
<i>as a percent of RE</i>	0.5%	0.4%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<i>Annual Growth Rate</i>	1200.1%	-2.9%	-6.2%	-99.7%	15.3%	-36.2%	-82.6%	666.4%	-18.4%	1.0%	-46.6%	10.8%	243.3%	
<i>as a percent of TE</i>	0.4%	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total Revenue Expenditure	53654	63462	75510	94542	106239	127140	145842	166773	176485	178309	209790	226479	242230	13%
<i>as a percent of TE</i>	87%	83%	84%	85%	64%	81%	87%	89%	91%	92%	89%	92%	90%	
Total Expenditure	61882	76557	89986	111346	164827	157085	167799	187524	193458	194071	234563	246452	269273	13%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Appendix Table A5.5: Growth and Composition of Major Heads of Revenue Expenditure on Social Services (Rs. in Crore)

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Social Services	21928	25293	31486	43348	37753	49372	53064	65687	68313	74010	85054	90168	101883
<i>as a percent of Total expenditure</i>	35.4%	33.0%	35.0%	38.9%	22.9%	31.4%	31.6%	35.0%	35.3%	38.1%	36.3%	36.6%	33.6%
Education, Sports, Art & Culture	11586	12952	15308	19363	21097	24498	26668	34594	33525	40393	34910	44450	49277
<i>as a percent of GSDP</i>	2.7%	2.6%	2.8%	3.1%	3.1%	3.2%	3.2%	3.8%	3.4%	4.0%	2.9%	3.3%	3.2%
<i>as a percent of total social services</i>	52.8%	51.2%	48.6%	44.7%	55.9%	49.6%	50.3%	52.7%	49.1%	54.6%	41.0%	49.3%	48.4%
Medical, Health &	3271	3678	7880	9927	11922	13192	16039	19921	19921	20380	24776	23290	19270

Family Welfare													
as a percent of GSDP	0.8%	0.7%	1.4%	1.6%	1.7%	1.7%	1.9%	2.2%	2.0%	2.0%	2.1%	1.7%	1.3%
as a percent of total social services	14.9%	14.5%	25.0%	22.9%	31.6%	26.7%	30.2%	30.3%	29.2%	27.5%	29.1%	25.8%	18.9%
Water Supply, Sanitation, Housing and Urban Development	3177	4201	4320	4679	5698	7506	7229	7615	7743	9537	10616	11407	11549
as a percent of GSDP	0.7%	0.9%	0.8%	0.8%	0.8%	1.0%	0.9%	0.8%	0.8%	0.9%	0.9%	0.8%	0.8%
as a percent of total social services	14.5%	16.6%	13.7%	10.8%	15.1%	15.2%	13.6%	11.6%	11.3%	12.9%	12.5%	12.7%	11.3%
Social Welfare and Nutrition	3071	3192	5833	6226	7767	8003	7800	9797	12545	14678	16495	17912	18215
as a percent of GSDP	0.7%	0.6%	1.1%	1.0%	1.1%	1.1%	0.9%	1.1%	1.3%	1.4%	1.4%	1.3%	1.2%
as a percent of total social services	14.0%	12.6%	18.5%	14.4%	20.6%	16.2%	14.7%	14.9%	18.4%	19.8%	19.4%	19.9%	17.9%
Total Expenditure	61882	76557	89986	111346	164827	157085	167799	187524	193458	194071	234563	246452	269276
GSDP	434837	493551	551031	615642	681482	760587	832529	911519	1000032	1017917	1194961	1357851	1528385

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Appendix Table A5.6: Growth and Composition of Major Heads of Revenue Expenditure on Economic Services (Rs. in Crore)

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Economic Services	12744	17408	20436	28920	31874	38565	49327	46722	51986	44156	59330	64436	62669
<i>Agriculture and Allied Activities</i>	<i>2603</i>	<i>3051</i>	<i>3522</i>	<i>3989</i>	<i>4021</i>	<i>5140</i>	<i>5114</i>	<i>8376</i>	<i>10316</i>	<i>12050</i>	<i>12091</i>	<i>9762</i>	<i>12648</i>
as a percent of economic services	20.4%	17.5%	17.2%	13.8%	12.6%	13.3%	10.4%	17.9%	19.8%	27.3%	20.4%	15.2%	20.2%
as a percent of GSDP	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%	0.9%	1.0%	1.2%	1.0%	0.7%	0.8%
Irrigation & Flood Control	1412	1568	1672	1719	1813	1942	2057	1697	1795	1997	2158	2268	2343
as a percent of economic services	11.1%	9.0%	8.2%	5.9%	5.7%	5.0%	4.2%	3.6%	3.5%	4.5%	3.6%	3.5%	3.7%
as a percent of GSDP	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Rural Development & Special Area Programme	3639	4780	4990	10405	12198	11140	15015	11374	12605	11747	16464	15901	16614
as a percent of economic services	28.6%	27.5%	24.4%	36.0%	38.3%	28.9%	30.4%	24.3%	24.2%	26.6%	27.8%	24.7%	26.5%
as a percent of GSDP	0.8%	1.0%	0.9%	1.7%	1.8%	1.5%	1.8%	1.2%	1.3%	1.2%	1.4%	1.2%	1.1%
Power	3006	5608	7218	9114	11016	16842	23443	21204	22734	14264	22664	24515	27038
as a percent of economic services	23.6%	32.2%	35.3%	31.5%	34.6%	43.7%	47.5%	45.4%	43.7%	32.3%	38.2%	38.0%	43.1%
as a percent of GSDP	0.7%	1.1%	1.3%	1.5%	1.6%	2.2%	2.8%	2.3%	2.3%	1.4%	1.9%	1.8%	1.8%
GSDP	434837	493551	551031	615642	681482	760587	832529	911519	1000032	1017917	1194961	1357851	1528385

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

**Appendix Table A5.7: Growth and Composition of Major Heads of Revenue
Expenditure on General Services (Rs. in Crore)**

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	18706	20495	23338	27846	31015	39202	43450	54364	55784	60142	65404	71874	77677
<i>Organs of State</i>	502	552	799	891	792	887	1026	1608	1578	1377	1560	1846	2385
<i>Share in general services</i>	2.7%	2.7%	3.4%	3.2%	2.6%	2.3%	2.4%	3.0%	2.8%	2.3%	2.4%	2.6%	3.0%
Fiscal Services	1076	1031	1123	1424	1708	2195	2097	2249	1949	2676	2701	2523	2553
<i>Share in general services</i>	5.8%	5.0%	4.8%	5.1%	5.5%	5.6%	4.8%	4.1%	3.5%	4.4%	4.1%	3.5%	3.2%
Interest Payment and Servicing of Debt	7891	8340	9063	10462	12008	17676	19720	21695	23643	25201	28100	30601	34127
<i>share in general services</i>	42.2%	40.7%	38.8%	37.6%	38.7%	45.1%	45.4%	39.9%	42.4%	41.9%	43.0%	42.6%	43.0%
Administrative Services	3159	3477	4129	4823	5243	5868	6108	7875	7262	8008	9092	10131	10491
<i>Share in general services</i>	16.9%	17.0%	17.7%	17.3%	16.9%	15.0%	14.1%	14.5%	13.0%	13.3%	13.9%	14.1%	13.2%
Pensions and Miscellaneous General Services	6078	7095	8224	10246	11264	12576	14499	20937	21352	22880	23951	26773	28120
<i>Share in general services</i>	32.5%	34.6%	35.2%	36.8%	36.3%	32.1%	33.4%	38.5%	38.3%	38.0%	36.6%	37.2%	35.4%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Appendix Table A5.8: Components of Committed Expenditure of the state (Rs. in Crore)

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Salaries & Wages	15847	17595	20,604	23,498	25,871	30,016	37,611	49790	49066	51619	57118	59774	65399	13%
Expenditure on Pensions	5920	6858	7,801	9,629	10,864	12,296	13,925	20396	20761	22440	23391	25381	27203	14%
Interest Payments	7892	8340	9,063	10,463	12,008	17,677	19,720	21695	23643	25202	28100	30602	34127	13%
Total Committed Expenditure	29659	32793	37468	43590	48743	59989	71256	91881	93470	99261	108609	115757	126729	13%
<i>As a Percentage of Revenue Receipts</i>														
<i>Salaries & Wages</i>	27.8	26.3	27.7	25.7	25.8	27.5	29.6	36.1	35.0	38.4	31.1	30.7	27.5	
<i>Expenditure on Pensions</i>	10.4	10.2	10.5	10.6	10.8	11.3	10.9	14.8	14.8	16.7	12.7	13.0	11.4	
<i>Interest Payments</i>	13.8	12.5	12.2	11.5	12.0	16.2	15.5	15.7	16.9	18.8	15.3	15.7	14.4	
Total Committed Expenditure	52.0	49.0	50.3	47.7	48.6	55.0	56.0	66.6	66.7	73.9	59.1	59.4	53.3	
<i>As a percentage of Revenue Expenditure</i>														
<i>Salaries & Wages</i>	29.5	27.7	27.3	24.9	24.4	23.6	25.8	29.9	27.8	29.0	27.2	26.4	24.4	

<i>Expenditure on Pensions</i>	11.0	10.8	10.3	10.2	10.2	9.7	9.5	12.2	11.8	12.6	11.2	11.2	10.2	
<i>Interest Payments</i>	14.7	13.1	12.0	11.1	11.3	13.9	13.5	13.0	13.4	14.1	13.4	13.5	12.7	
Total Committed Expenditure	55.3	51.7	49.6	46.1	45.9	47.2	48.9	55.1	53.0	55.7	51.8	51.1	47.3	
Revenue Receipts	57011	66913	74471	91327	100285	109026	127307	137873	140114	134308	183920	194987	237672	13%
Revenue Expenditure	53654	63462	75510	94542	106239	127140	145842	166773	176485	178309	209790	226479	267744	14%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Appendix Table A5.9: Expenditure on Subsidies (Rs. in Crore)

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
Finance Department	2801	4861	6460	8330	10187	16842	23391	21204	18644	14261	22644	25404	22%
<i>as a percent of TS</i>	<i>87.5%</i>	<i>89.0%</i>	<i>95.5%</i>	<i>94.7%</i>	<i>97.1%</i>	<i>97.9%</i>	<i>99.3%</i>	<i>98.9%</i>	<i>98.2%</i>	<i>97.0%</i>	<i>97.7%</i>	<i>97.7%</i>	
Horticulture Department	58	125	130	52	252	269	144	210	215	168	356	486	21%
<i>as a percent of TS</i>	<i>1.8%</i>	<i>2.3%</i>	<i>1.9%</i>	<i>0.6%</i>	<i>2.4%</i>	<i>1.6%</i>	<i>0.6%</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.1%</i>	<i>1.5%</i>	<i>1.9%</i>	
Industries (Group 1 & Group 2) Department	4	4	4	25	10	19	9	10	15	27	26	17	15%
<i>as a percent of TS</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.3%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.1%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>0.1%</i>	
Food & Civil Supplies Department*	312	438	165	384	28	29	-	16	104	211	113	68	-13%
<i>as a percent of TS</i>	<i>9.7%</i>	<i>8.0%</i>	<i>2.4%</i>	<i>4.4%</i>	<i>0.3%</i>	<i>0.2%</i>	<i>-</i>	<i>0.1%</i>	<i>0.5%</i>	<i>1.4%</i>	<i>0.5%</i>	<i>0.3%</i>	
Others	26	35	9	7	11	49	19	8	12	34	28	26	0%
<i>as a percent of TS</i>	<i>0.8%</i>	<i>0.6%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.3%</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.1%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>0.1%</i>	
Total Subsidies (TS)	3201	5463	6768	8798	10488	17208	23563	21448	18990	14701	23168	26002	21%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

* Subsidy given to Food & Civil Supplies department includes both implicit and explicit subsidies from 2011-12 to 2013-14.

Appendix Table A5.10: Development and Non-Development Capital Expenditure categorized under General, Social, and Economic Services (Rs. in Crore)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Development Expenditure	6915	10434	13330	15569	21545	16543	20096	19050	14255	14872	23668	19256	26238	12%
<i>as a percent of CE</i>	<i>97.1%</i>	<i>97.7%</i>	<i>97.6%</i>	<i>96.7%</i>	<i>98.0%</i>	<i>97.4%</i>	<i>97.4%</i>	<i>97.0%</i>	<i>96.9%</i>	<i>97.4%</i>	<i>98.0%</i>	<i>97.3%</i>	<i>98.5%</i>	
<i>Annual Growth Rate</i>	<i>23.3%</i>	<i>50.9%</i>	<i>27.8%</i>	<i>16.8%</i>	<i>38.4%</i>	<i>-23.2%</i>	<i>21.5%</i>	<i>-5.2%</i>	<i>-25.2%</i>	<i>4.3%</i>	<i>59.1%</i>	<i>-18.6%</i>	<i>36.3%</i>	
<i>as a percent of TE</i>	<i>11.2%</i>	<i>13.6%</i>	<i>14.8%</i>	<i>14.0%</i>	<i>13.1%</i>	<i>10.5%</i>	<i>12.0%</i>	<i>10.2%</i>	<i>7.4%</i>	<i>7.7%</i>	<i>10.1%</i>	<i>7.8%</i>	<i>8.7%</i>	

Social Services	1997	2840	4551	5838	5996	6214	7221	6913	5490	7642	10951	8851	9949	14%
<i>as a percent of CE</i>	28.0%	26.6%	33.3%	36.3%	27.3%	36.6%	35.0%	35.2%	37.3%	50.0%	45.3%	44.7%	37.3%	
<i>Annual Growth Rate</i>	22.5%	42.2%	60.3%	28.3%	2.7%	3.6%	16.2%	-4.3%	-20.6%	39.2%	43.3%	-19.2%	12.4%	
<i>as a percent of TE</i>	3.2%	3.7%	5.1%	5.2%	3.6%	4.0%	4.3%	3.7%	2.8%	3.9%	4.7%	3.6%	3.3%	
Economic Services	4919	7594	8779	9731	15549	10329	12875	12137	8765	7231	12717	10405	16289	10%
<i>as a percent of CE</i>	69.1%	71.1%	64.2%	60.4%	70.7%	60.8%	62.4%	61.8%	59.6%	47.3%	52.7%	52.6%	61.1%	
<i>Annual Growth Rate</i>	24.7%	54.4%	15.6%	10.8%	59.8%	-33.6%	24.6%	-5.7%	-27.8%	-17.5%	75.9%	-18.2%	56.5%	
<i>as a percent of TE</i>	7.9%	9.9%	9.8%	8.7%	9.4%	6.6%	7.7%	6.5%	4.5%	3.7%	5.4%	4.2%	5.4%	
Non-Development Expenditure														
General Services	204	250	334	534	441	437	527	588	463	398	484	542	407	6%
<i>as a percent of CE</i>	2.9%	2.3%	2.4%	3.3%	2.0%	2.6%	2.6%	3.0%	3.1%	2.6%	2.0%	2.7%	1.5%	
<i>Annual Growth Rate</i>	11.8%	22.4%	34.0%	59.6%	-17.5%	-0.9%	20.8%	11.6%	-21.2%	-14.1%	21.4%	12.2%	-25.0%	
<i>as a percent of TE</i>	0.3%	0.3%	0.4%	0.5%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.1%	
Total Capital Expenditure	7119	10683	13664	16103	21986	16980	20623	19638	14718	15271	24152	19798	26646	12%
<i>as a percent of TE</i>	12%	14%	15%	14%	13%	11%	12%	10%	8%	8%	10%	8%	9%	
Total Expenditure	61882	76557	89986	111346	164827	157085	167799	187524	193458	194071	234563	246452	269276	14%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Appendix Table A5.11: Revenue Expenditure on Major Sectors (Rs. in Crore)

Sector	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Education, Sports, Arts, and Culture	11586	12952	15308	19363	21097	24498	26668	34594	33525	40393	34910	44450	49277
<i>as a percent of TE</i>	19%	17%	17%	17%	13%	16%	16%	18%	17%	21%	15%	18%	18%
Energy	3007	5608	7218	9118	11016	16852	23443	21204	22734	14264	22664	24515	27040
<i>as a percent of TE</i>	5%	7%	8%	8%	7%	11%	14%	11%	12%	7%	10%	10%	10%
Health and Family Welfare	3271	3678	4414	5973	7182	7737	9342	11362	11661	11988	14350	13144	19270
<i>as a percent of TE</i>	5%	5%	5%	5%	4%	5%	6%	6%	6%	6%	6%	5%	7%
Rural Development	3639	4780	4990	10405	12198	11140	15015	11374	12605	11747	16464	15901	12014
<i>as a percent of TE</i>	6%	6%	6%	9%	7%	7%	9%	6%	7%	6%	7%	6%	4%
Social Welfare and Nutrition	3071	3192	5833	6226	7767	8003	7800	9797	12545	14678	16495	17912	18215

as a percent of TE	5%	4%	6%	6%	5%	5%	5%	5%	6%	8%	7%	7%	7%
Urban Development	1,504	2643	2418	2545	3179	4693	4166	4151	4274	5982	6470	7036	6842
as a percent of TE	2%	3%	3%	2%	2%	3%	2%	2%	2%	3%	3%	3%	3%
Agriculture and Allied Activities	2603	3051	3522	3989	4021	5140	5114	8376	10316	12050	12091	9762	10945
as a percent of TE	4%	4%	4%	4%	2%	3%	3%	4%	5%	6%	5%	4%	4%
Transport	1,272	1320	1610	1844	1506	1685	2177	1826	2582	1862	3773	5069	5359
as a percent of TE	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%	2%	2%	2%
Water Supply and Sanitation	1,633	1696	1841	2071	2408	2624	3006	3416	3409	3496	4072	4295	4643
as a percent of TE	3%	2%	2%	2%	1%	2%	2%	2%	2%	2%	2%	2%	2%
Committed Expenditure	29659	32793	37468	43590	48743	59989	71256	91881	93470	99261	108609	115757	132389#
as a percent of TE	48%	43%	42%	39%	30%	38%	42%	49%	48%	51%	46%	47%	49%
Total Expenditure	61882	76557	89986	111346	164827	157085	167799	187524	193458	194071	234563	246452	269275

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26.

Note: #Committed Expenditure for 2023-24 is revised estimate.

Appendix Table A5.12: Year-wise Schematic Outlay in Key Sectors (Rs. in Crore)

Sector	2020-21	2021-22	2022-23	2023-24	2024-25(RE)
Agriculture Development	11492	11854	9757	11601	11870
Rural Development	14416	22735	24143	17838	20945
Urban Development and Housing	9576	9755	9101	10996	12062
Education and Health	27966	39669	50547	58260	63624
Water Supply and Energy	19178	30234	27887	35010	39858
Social Security and Welfare	16172	18276	20008	22719	26355
Infrastructure Development	7689	13425	12703	18394	20350
Industrial Development	553	1607	2616	2597	1681
Information Technology, Statistics and Scientific Services	831	1088	2978	3253	1260
Governance	4489	4729	10278	7184	9940
Grand Total	112363	153370	170018	187853	207946

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26.

Appendix Table A7.1: Composition of Total Debt of Rajasthan (Rs. in Crore)

Components	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Total Debt (A+B)	106560	117805	129910	147609	209386	255002	281182	311374	352702	410500	462845	505574	573530	15.1%
A. Public Debt	71705	76953	87329	100510	156550	195423	212307	233239	259380	308321	353556	388384	446652	16.5%
(i) Internal Debt	64456	69972	80581	93476	148292	184285	200244	219312	242077	284789	321807	350962	399858	16.4%
Market Loans	38551	44209	51384	61386	75193	89517	110444	137266	168858	220037	265186	302202	3,58,826	
Compensation & Other Bonds	55	55	3395	5182	45195	67567	63417	56782	49876	42970	36064	29159	22,253	
Loans from financial Institutions	4234	4869	5731	6735	7853	8627	9281	9379	8884	8903	9324	10049	10871	

<i>Special Securities issued to National Small Saving Fund</i>	21518	20767	20022	20125	20040	18504	16968	15408	13824	12238	10654	9069	7,484	
<i>Other Loans</i>	97	72	48	28	10	68	132	477	633	638	577	481	421	
(ii) Loan from Government of India	7249	6981	6748	7034	8257	11139	12063	13927	17303	23532	31749	37422	46794	16.8%
<i>Non-plan Loans</i>	60	55	49	44	39	34	29	24	19	16	12	10	8	
<i>Loans for State Plan Schemes</i>	7052	6789	6690	6980	8209	11095	12024	3264	2751	2245	1736	1227	718	
<i>Loans for Central Plan Schemes</i>	1	1	0	0	0	0	0	0	0	-	-	-	-	
<i>Loans for Centrally Sponsored Plan Schemes</i>	131	130	4	4	4	4	4	4	11	3	3	3	3	
<i>Pre 1984-85 Loans</i>	5	5	5	5	5	5	5	5	5	5	5	5	5	
<i>Other loans for State/ Union Territory with Legislature Schemes</i>	-	-	-	-	-	-	-	10629	14515	21262	29991	36176	46,060	
B. Liabilities on Public Account	34851	40852	42580	47098	52836	59577	68875	78135	93322	102179	109289	117190	126878	11.4%
<i>(i) Small Savings, Provident Fund etc.</i>	24580	26744	29265	32247	35514	38895	42095	47478	51468	56326	58786	64123	70219	9.1%
<i>(ii) Reserve funds Bearing Interest</i>	791	794	210	362	300	394	150	738	3832	4529	3345	4668	5039	16.7%
<i>(iii) Reserve funds not Bearing Interest</i>	322	739	950	923	1199	1228	1867	1101	4179	4610	2984	2776	3516	22.0%
<i>(iv) Deposits Bearing Interest</i>	2809	3474	3762	4108	4262	4688	5080	5517	7667	11270	13451	18304	19770	17.7%
<i>(v) Deposits not Bearing Interest</i>	6349	9101	8391	9456	11558	14373	19682	23301	26176	25444	30723	27319	26441	12.6%

Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Note: Overall outstanding liabilities/debt Includes outstanding UDAY loans: 2016-17= ₹62,422 crore, 2017-18 = ₹58,272 crore, 2018-19 = ₹51,636 crore, 2019-20= ₹44,730 crore, 2020-21= ₹37,825 crore, 2021-22= ₹30,919 crore and 2022-23 = ₹24,013 crore.

Appendix Table A7.2: Trend in Debt Sustainability Indicators of Rajasthan (Rs. in Crore)

COMPONENTS	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Overall Debt	106560	177809	129910	147609	209386	255002	281182	311374	352702	410500	462845	505574	573530
Outstanding Public Debt	71705	76953	87329	100510	156550	195423	212307	233239	259380	308321	353556	388384	446652
<i>Annual Growth Rate of Outstanding Public Debt</i>		7.3%	13.5%	15.1%	55.8%	24.8%	8.6%	9.9%	11.2%	18.9%	14.7%	9.9%	15.0%
GSDP	434837	493551	551031	615642	681482	760587	832529	911519	1000032	1017917	1194961	1357851	1521510
<i>Annual Growth Rate of GSDP</i>		13.5%	11.6%	11.7%	10.7%	11.6%	9.5%	9.5%	9.7%	1.8%	17.4%	13.6%	12.1%
<i>Public Debt/GSDP</i>	16.5%	15.6%	15.8%	16.3%	23.0%	25.7%	25.5%	25.6%	25.9%	30.3%	29.6%	28.6%	29.4%
<i>Overall Debt/ GSDP</i>	24.5%	36.0%	23.6%	24.0%	30.7%	33.5%	33.8%	34.2%	35.3%	40.3%	38.7%	37.2%	37.3%
Public Debt Receipts	5918	9955	14491	18141	60998	43889	28557	37847	44757	66480	62821	55647	87154
Public Debt Repayments	3490	4707	4115	4960	4959	5015	11674	16915	18616	17539	17586	20819	28886
<i>Interest Payment to Revenue Receipts</i>	14%	12%	12%	11%	12%	13%	13%	13%	14%	15%	13%	13%	14%

Public Debt Repayment to Public debt Receipts	59.0%	47.3%	28.4%	27.3%	8.1%	11.4%	40.9%	44.7%	41.6%	26.4%	28.0%	37.4%	33%
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Source: SFAR, CAG, Finance Accounts, and State Budget 2025-26

Appendix Table A9.1: Subsidies Due to be Recovered by DISCOMs (Rs. in Crore)

Year	Opening Balance of Subsidy Recoverable	Subsidy due during the year	Subsidy received during the year	Closing balance of subsidy recoverable
2015-16	15.83	8640.19	6788.48	1867.54
2016-17	1867.54	9311.09	7823.07	3355.56
2017-18	3355.56	10246.14	8759.14	4842.56
2018-19	4842.56	10982.79	7681.33	8144.02
2019-20	8144.02	12921.38	7384	13681.4
2020-21	13681.4	16544.84	12767.45	17458.79

Source: CAG Report: Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana I in Rajasthan for the year ended 31 March 2021

Appendix Table A9.2: Cost of Purchase of Power

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Power purchase from Centre/State Sector						
Central Sector (in MUs)	24277.86	24389.95	31203.86	30062.33	30766.65	31616.25
Rate (in ₹)	2.65	2.79	2.88	3.16	3.11	3.17
RRVUNL (in MUs)	24114.6	23987.32	25781.78	30141.81	29248.09	27449.04
Rate (in ₹)	4.13	4.55	4.56	4.13	4.98	4.27
Percentage to Power Purchase	68.24	70.14	75.73	72.64	72.99	67.94
Total Power Purchase from Central/State sector (in MUs)	48392.46	48377.27	56985.64	60204.14	60014.74	59065.29
Cost per unit	3.39	3.66	3.64	3.65	4.02	3.68
Power purchased from other sources						
IPP (in MUs)	14639.95	13697.33	11141.85	13467.77	12928.1	14571.36
Rate (in ₹)	3.78	4.01	3.9	4.53	4.4	4.2
Bilateral and Trade (in MUs)	1709.67	0	0	0	0	1802.28
Rate (in ₹)	3.32	0	0	0	0	2.7
Power Exchange (in MUs)	826.23	546.8	598.07	849.19	710.1	3220.69
Rate (in ₹)	3.67	2.81	4.35	4.44	3.94	3.5
NCES	5349.75	6347.07	6526.74	8357.32	8562.22	8280.5
Rate(in ₹)	4.91	5.03	5.04	4.83	4.69	4.63
Other	26.43	0	0	0	0	0
Rate (in ₹)	1.82	0	0	0	0	0

Percentage to total Purchase	31.76	29.86	24.27	27.36	27.01	32.06
Total power purchase from private sector (in MUs)	22525.6	20591.2	18266.66	22674.28	22200.32	27874.83
Cost per unit	4.01	4.29	4.32	4.64	4.5	4.15
Total power purchase (in MUs)	70918.06	68968.47	75252.3	82878.42	82215.06	86940.12
Cost per unit	3.59	3.85	3.81	3.92	4.15	3.83

Source: CAG Report: Performance Audit on Implementation of Ujwal DISCOM Assurance Yojana I in Rajasthan for the year ended 31 March 2021

Appendix Table A10.1: List of Public Sector Undertakings (PSUs) of Rajasthan as on 30 September 2023 (Rs. in Crore)

S. No.	Name of the PSUs	Month & Year of Incorporation	Accounts finalized upto	Year for which accounts were not finalised/ received	Number of Accounts in arrears
A	Energy and Power Sector				
	Government Companies				
1	Ajmer Vidyut Vitran Nigam Limited	Jun-00	2022-23	Nil	0
2	Jaipur Vidyut Vitran Nigam Limited	Jun-00	2022-23	Nil	0
3	Jodhpur Vidyut Vitran Nigam Limited	Jun-00	2022-23	Nil	0
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Jun-00	2022-23	Nil	0
5	Rajasthan Rajya Vidyut Prasaran Nigam Limited	Jul-00	2022-23	Nil	0
6	Rajasthan Urja Vikas Nigam Limited	Dec-15	2022-23	Nil	0
7	Rajasthan Renewable Energy Corporation Limited	Apr-95	2021-22	2022-23	1
8	Chhabra Power Limited (Subsidiary of S. No. 4)	Nov-06	2022-23	Nil	0
9	Dholpur Gas Power Limited (Subsidiary of S. No. 4)	Nov-06	2022-23	Nil	0
10	Giral Lignite Power Limited (Subsidiary of S. No. 4)	Nov-06	2022-23	Nil	0
11	Banswara Thermal Power Company Limited (Subsidiary of S. No. 5)	Aug-08	2022-23	Nil	0
12	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. 5)	Jul-10	2022-23	Nil	0
13	Rajasthan Solarpark Development Company Limited (Subsidiary of S. No. 7)	Nov-11	2021-22	2022-23	1
14	Rajasthan State Petroleum Corporation Limited (Subsidiary of S. No. 18)	Jul-08	2020-21	2021-22 to 2022-23	2
15	Rajasthan State Gas Limited (Joint venture of S. No. 14)	Sep-13	2022-23	Nil	0
16	Sangod Transmission Services Limited (Subsidiary of S. No. 5)	Feb-21	2022-23	Nil	0
B	Industries and Commerce Sector				

	Government Companies				
17	Rajasthan State Industrial Development and Investment Corporation Limited	Mar-69	2022-23	Nil	0
18	Rajasthan State Mines and Minerals Limited	May-47	2020-21	2021-22 to 2022-23	2
19	Rajasthan Small Industries Corporation Limited	Jun-61	2021-22	2022-23	1
20	Rajasthan State Handloom Development Corporation Limited	Mar-84	2020-21	2021-22 to 2022-23	2
21	Barmer Lignite Mining Company Limited (Subsidiary Joint Company of S. No. 18)	Jan-07	2021-22	2022-23	1
22	Rajasthan Industrial Corridors Development Corporation Limited	Mar-22	2022-23	Nil	0
	Statutory Corporations				
23	Rajasthan Financial Corporation	Jan-55	2022-23	Nil	0
C	Finance Sector (Including Excise and Liquor)				
	Government Companies				
24	Rajasthan State Power Finance and Financial Services Corporation Limited	Dec-12	2022-23	Nil	0
25	Rajasthan Financial Services Delivery Limited	Feb-22	2022-23	Nil	0
26	Rajasthan State Beverages Corporation Limited	Feb-05	2021-22	2022-23	1
27	Rajasthan State Ganganagar Sugar Mills Limited	Jul-56	2021-22	2022-23	1
D	Agriculture, Food and Allied Industries Sector				
	Government Companies				
28	Rajasthan State Seeds Corporation Limited	Mar-78	2021-22	2022-23	1
29	Rajasthan State Food & Civil Supplies Corporation Limited	Dec-10	2016-17	2017-18 to 2022-23	6
	Inactive Government Companies				
30	Rajasthan State Agro Industries Corporation Limited	Aug-69	2014-15	2015-16 to 2022-23	8
	Statutory Corporations				
31	Rajasthan State Warehousing Corporation	Dec-57	2021-22	2022-23	1
E	Culture and Tourism Sector				
	Government Companies				
32	Rajasthan State Hotels Corporation Limited	Jun-65	2016-17	2017-18 to 2022-23	6
33	Rajasthan Tourism Development Corporation Limited	Nov-78	2018-19	2019-20 to 2022-23	4
F	Transport Sector				
	Inactive Government Companies				
34	Rajasthan Civil Aviation Corporation Limited	Dec-06	2021-22	2022-23	1
	Statutory Corporations				
35	Rajasthan State Road Transport Corporation	Oct-64	2020-21	2021-22 to 2022-23	2

G	Urban Development Sector				
	Government Companies				
36	Jaipur Metro Rail Corporation Limited	Jan-10	2022-23	Nil	0
37	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	Dec-04	2022-23	Nil	0
H	Other Sectors				
	Government Companies				
38	Rajasthan Police Infrastructure Development Corporation Limited	Jun-13	2021-22	2022-23	1
39	Rajasthan State Road Development and Construction Corporation Limited	Feb-79	2021-22	2022-23	1
40	Raj COMP Info Services Limited	Oct-10	2021-22	2022-23	1
41	Rajasthan Ex-Servicemen Corporation Limited	Mar-12	2022-23	Nil	0
42	Rajasthan Medical Services Corporation Limited	May-11	2021-22	2022-23	1
43	Rajasthan Skill and Livelihoods Development Corporation	Aug-10	2021-22	2022-23	1
44	Rajasthan State Forest Development Corporation Limited	Dec-20	First Financial Statement not recd	2020-21 to 2022-23	3
45	Eastern Rajasthan Canal Project Corporation Limited	Aug-22		2022-23	1
	Inactive Government Companies				
46	Rajasthan Jal Vikas Nigam Limited	Jan-84	2021-22	2022-23	1
I	Government Controlled other Companies				
47	Ajmer Smart City Limited	Nov-16	First Financial Statement not recd	2019-20 to 2022-23	4
48	Jaipur Smart City Limited	Mar-16	2020-21	2021-22 to 2022-23	2
49	Kota Smart City Limited	Nov-16	2020-21	2021-22 to 2022-23	2
50	Udaipur Smart City Limited	Mar-16	2021-22	2022-23	1
51	Kota Bus Services Limited	Apr-15	First Financial Statement not recd	2021-22 to 2022-23	2
	TOTAL				62

Source: SFAR, CAG, Finance Accounts, 2023

Appendix Table A10.2: Summarised financial position and working results of PSEs as per latest finalized accounts as of 30 September 2023 (Rs. in Crore)

S. No.	Type and name of PSUs	Period of latest finalized accounts	Year in which accounts were finalised	Net Profit/ Loss (-)	Turnover	Net Worth	Accumulated Profit/Loss (-)
A	Energy and Power Sector						
	Government Companies						
1	Ajmer Vidyut Vitran Nigam Limited	2022-23	2023	-2536.55	19222.42	-19033.64	-30033.77
2	Jaipur Vidyut Vitran Nigam Limited	2022-23	2023	-3698.56	23774.80	-20759.11	-32795.46
3	Jodhpur Vidyut Vitran Nigam Limited	2022-23	2023	-5866.02	18634.56	-27835.24	-38827.96
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2022-23	2023	-6277.59	18368.68	-3427.21	-14048.05
5	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2022-23	2023	34.16	3643.25	3374.14	-1472.73
6	Rajasthan Renewable Energy Corporation Limited	2021-22	2023	26.83	107.30	253.01	240.07
7	Rajasthan Solar Park Development Company Limited	2021-22	2023	20.57	24.83	62.98	62.93
8	Chhabra Power Limited (Subsidiary Sl. No. (4))	2022-23	2023	0.00	0.00	-0.01	-0.06
9	Dholpur Gas Power Limited (Subsidiary Sl. No. (4))	2022-23	2023	0.00	0.00	-0.01	-0.06
10	Rajasthan Urja Vikas Nigam	2022-23	2023	0.00	34.26	50.00	0.00
11	Banswara Thermal Power Company Limited (Subsidiary Sl. No. (5))	2022-23	2023	-0.29	0.00	-11.79	-11.84
12	Sangod Transmission Services Limited (Subsidiary Sl. No. (5))	2022-23	2023	-0.32	0.00	-0.29	-0.34
13	Barmer Thermal Power Company Limited (Subsidiary Sl. No. (5))	2022-23	2023	-1.83	0.00	-24.01	-24.06
14	Giral Lignite Power Limited (Subsidiary Sl. No. (5))	2022-23	2023	-377.42	0.00	-2230.11	-2600.16
15	Rajasthan State Petroleum Corporation Limited (Subsidiary Sl. No. 21)	2020-21	2023	0.01	0.00	65.42	-1.66
16	Rajasthan State Gas Limited (Joint Venture of Sl. No. 15)	2022-23	2023	8.83	85.91	165.93	35.93
	Total A			-18668.18	83896.01	-69349.94	-119477.22
B	Industries and Commerce Sector						
	Government Companies						
17	Rajasthan Small Industries Corporation Limited	2021-22	2022-23	5.27	56.90	-12.77	-19.73
18	Rajasthan State Handloom Development Corporation Limited	2020-21	2022-23	-2.71	6.83	-8.17	-54.23
19	Barmer Lignite Mining Company Limited (Subsidiary Joint Company of Sl. No. 21)	2021-22	2022-23	14.61	1139.03	75.63	55.63
20	Rajasthan Industrial Development & Investment Corporation Limited	2022-23	2023	752.06	1759.36	3949.99	3739.80
21	Rajasthan State Mines & Minerals Limited	2020-21	2022-23	24.09	840.50	2369.97	2292.42
22	Rajasthan Industries Corridors Corporation Limited	2022-23	2023	0.25	0.00	10.25	0.25
	Statutory Corporations						
23	Rajasthan Financial Corporation	2022-23	2023	24.86	78.86	79.42	-81.31
	Total B			818.43	3881.48	6464.32	5932.83
C	Finance Sector (Including Excise and Liquor)						
	Government Companies						
24	Rajasthan State Power Finance and Financial Services Corporation Limited	2022-23	2023	1.07	57.92	462.23	22.23
25	Rajasthan Financial Services Delivery Limited	2022-23	2023	-0.05	0.08	4.95	-0.05
26	Rajasthan State Beverages Corporation Limited	2021-22	2022-23	31.38	7493.60	136.30	134.30
27	Rajasthan State Ganganagar Sugar Mills Limited	2021-22	2022-23	27.48	3172.35	486.21	305.82
	Total C			59.88	10723.95	1089.69	462.30

D	Agriculture, Food and Allied Industries Sector						
28	Rajasthan State Seeds Corporation Limited	2021-22	2022-23	17.79	275.28	165.38	157.79
29	Rajasthan State Food & Civil Supplies Corporation Limited	2016-17	2019-20	3.51	475.17	86.73	36.73
	Inactive Government Companies						
30	Rajasthan State Agro Industries Corporation Limited	2014-15	2017-18	-1.46	0.00	-48.82	-54.83
	Statuary Corporations						
31	Rajasthan State Warehousing Corporation	2021-22	2022-23	19.14	108.88	408.10	400.24
	Total D			38.98	859.33	611.38	539.93
E	Culture and Tourism Sector						
32	Rajasthan State Hotels Corporation Limited	2016-17	2023	-1.03	2.09	-7.59	-9.74
33	Rajasthan Tourism Development Corporation Limited	2018-19	2022-23	-8.97	60.03	-128.74	-150.69
	Total E			-10.00	62.12	-136.33	-160.43
F	Transport Sector						
	Inactive Government Companies						
34	Rajasthan Civil Aviation Corporation Limited	2021-22	2022-23	0.03	0.00	-1.75	-6.24
	Statuary Corporations						
35	Rajasthan State Road Transport Corporation	2020-21	2022-23	-40.96	865.48	-4588.81	-5227.77
	Total F			-40.93	865.48	-4590.56	-5234.01
G	Urban Development Sector						
	Government Companies						
36	Jaipur Metro Rail Corporation Limited	2022-23	2023	143.30	25.45	1790.90	-344.20
37	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	2022-23	2023	1.12	104.44	346.09	21.13
	Total G			144.42	129.89	2136.99	-323.07
H	Other Sectors						
	Government Companies						
38	Rajasthan Police Infrastructure Development Corporation Limited	2021-22	2022-23	2.28	4.89	8.65	7.65
39	Rajasthan State Road Development and Construction Corporation Limited	2021-22	2022-23	4.32	1122.07	250.90	150.90
40	Raj COMP Info Services Limited	2021-22	2022-23	28.08	195.77	137.03	132.03
41	Rajasthan Ex-Servicemen Corporation Limited	2022-23	2023	8.49	229.24	45.16	40.16
42	Rajasthan Medical Services Corporation Limited	2021-22	2022-23	45.29	1460.66	106.37	101.37
43	Rajasthan Skill and Livelihoods Development Corporation	2021-22	2022-23	2.28	38.74	-13.00	-13.05
	Inactive Government Companies						
44	Rajasthan Jal Vikas Nigam Limited	2021-22	2023	-0.04	0.00	-0.20	-1.47
	Total H			90.70	3051.37	534.91	417.59
	Grand Total (3 inactive Government Companies)			-1.47	0.00	-50.77	-62.54
	Grand Total (3 Statuary Corporations)			3.04	1053.22	-3938.67	-4746.22
	Grand Total (44 Government Companies)			-17566.70	103469.63	-63239.53	-117842.08
I	Government Controlled other Companies						
45	Jaipur Smart City Limited	2020-21	2022-23	1.05	0.00	202.34	2.34
46	Kota Smart City Limited	2020-21	2022-23	-0.06	0.00	208.17	8.17
47	Udaipur Smart City Limited	2021-22	2022-23	-0.05	0.00	200.01	0.01
	Total I			0.94	0.00	610.52	10.52
	Grand Total (A to I) (47 PSUs)			-17565.76	103469.63	-62629.01	-117831.56

Source: SFAR, CAG, Finance Accounts, 2023

Appendix Table A11.1: Expenditures on Subsidies by the State Government (Rs. in Crore)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies	3201	5463	6768	8798	10488	17208	23563	21448	18990	14701	23168	26002
Revenue Receipts (RR)	57011	66913	74471	91327	100285	109026	127307	137873	140114	134308	183920	194987
Revenue Expenditure (RE)	53654	63462	75510	94542	106239	127140	145842	166773	176485	178309	209790	226479
Revenue Deficit/ Surplus (RD)	3357	3451	-1039	-3215	-5954	-18114	-18535	-28900	-36371	-44002	-25870	-31491
<i>Subsidies as percentage of RR</i>	<i>5.6%</i>	<i>8.2%</i>	<i>9.1%</i>	<i>9.6%</i>	<i>10.5%</i>	<i>15.8%</i>	<i>18.5%</i>	<i>15.6%</i>	<i>13.6%</i>	<i>10.9%</i>	<i>12.6%</i>	<i>13.3%</i>
<i>Subsidies as percentage of RE</i>	<i>6.0%</i>	<i>8.6%</i>	<i>9.0%</i>	<i>9.3%</i>	<i>9.9%</i>	<i>13.5%</i>	<i>16.2%</i>	<i>12.9%</i>	<i>10.8%</i>	<i>8.2%</i>	<i>11.0%</i>	<i>11.5%</i>
<i>Subsidies as percentage of RD</i>	<i>95.3%</i>	<i>158.3%</i>	<i>651.3%</i>	<i>273.7%</i>	<i>176.1%</i>	<i>95.0%</i>	<i>127.1%</i>	<i>74.2%</i>	<i>52.2%</i>	<i>33.4%</i>	<i>89.6%</i>	<i>82.6%</i>
Subsidies given to Power Sector	2801	4861	6460	8330	10187	16842	23391	21204	18644	14264	22644	25405
<i>Power Sector Subsidy as percentage of Total Subsidy</i>	<i>87.5%</i>	<i>89.0%</i>	<i>95.5%</i>	<i>94.7%</i>	<i>97.1%</i>	<i>97.9%</i>	<i>98.8%</i>	<i>98.4%</i>	<i>98.2%</i>	<i>96.2%</i>	<i>96.9%</i>	<i>97.1%</i>

Source: SFAR, CAG, and Finance Accounts, GoR

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