

AT A GLANCE

Rajasthan Financial Profile 2023-24



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Trends in Funding

State governments raise money primarily through two channels: Revenue Receipts and Capital Receipts. The former includes revenues earned through taxes and non-tax sources including income from dividends, and money received from the Union government. Capital Receipts are mainly borrowings that enable expenditure when Revenue Receipts fall short of financing the budgeted spending. They also include receipts from sale of government-owned assets. Borrowings could be from the market, Reserve Bank of India or the Government of India (GoI). The two together are called Total Receipts which indicate the money received or earned by the government.

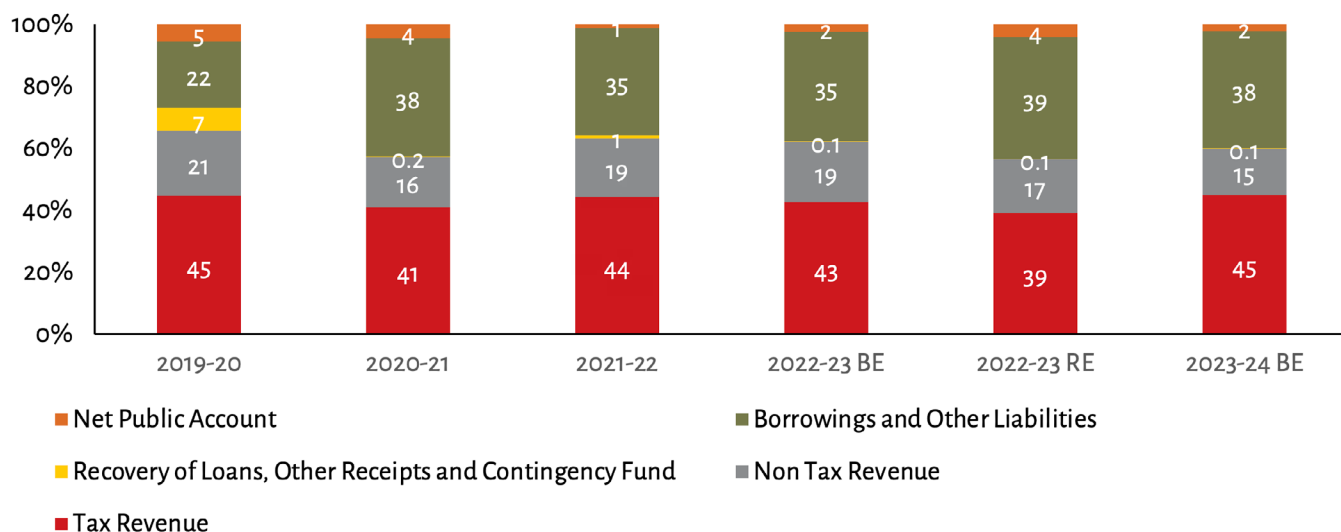
- Rajasthan's Revenue Receipts for FY 2023-24 (Budget Estimates or BEs) are at ₹2,33,988 crore. This was an 8 per cent increase from the previous year's Revised Estimates or REs and a 9 per cent increase from the BEs of FY 2022-23. On the contrary, Capital Receipts saw a 13 per cent decline from last year's REs and stood at ₹1,56,955 crore.
- In FY 2023-24 BEs, Revenue Receipts are expected to account for 60 per cent of Total Receipts, which is 4 percentage points more than REs of FY 2022-23. For the current year, Capital Receipts are estimated to be lower at 40 per cent.
- The share of Revenue Receipts of the Government of Rajasthan (GoR) declined from 66 per cent in FY 2019-20 to 57 per cent in FY 2020-21. As it was the first year of the COVID-19 pandemic, extra borrowings increased the share of Capital Receipts and accounted for 43 per cent of Total Receipts in FY 2020-21. In FY 2022-23 (REs), share of capital receipts further increased to 44 per cent.
- Tax revenues, borrowings and other liabilities form the largest share in GoR's Total Receipts. Tax revenue accounted for 39 per cent of Total Receipts in FY 2022-23 REs, which increased to 45 per cent for FY 2023-24 (BEs).
- Share of tax revenue in Total Receipts was the lowest during the COVID-19 pandemic period, at 41 per cent in FY 2020-21, when borrowings accounted for 38 per cent. As the economy recovered and revenues became buoyant, the share of borrowings and other liabilities declined to 35 per cent in FY 2021-22 but were still higher than FY 2019-20 levels.
- In the last few years, dependence on borrowing and other liabilities in Total Receipts has increased from 22 per cent in FY 2019-20 to 28 per cent in FY 2023-24 BEs.

Note: Budget Estimates (BEs) are allocations by the government for any department or scheme for the upcoming financial year.

Revised Estimates (REs) are a mid-year review of projected amounts of receipts and expenditure until the end of the financial year.

Total Expenditure: GoI expenditure can be broadly classified into two types — revenue expenditure and capital expenditure. Revenue expenditure is the spending largely on account of administrative expenses, salaries, financing daily operation, subsidies, etc. It frequently includes a sizable portion for committed liabilities which the government is still required to pay in the event of resource scarcity. Capital expenditure (or capex, in short) refers to the spending on asset creation, machinery and equipment, which creates value over the long term. For instance, roads and bridges, hospitals, school buildings, etc.

Distribution of Total Receipts Across Different Components

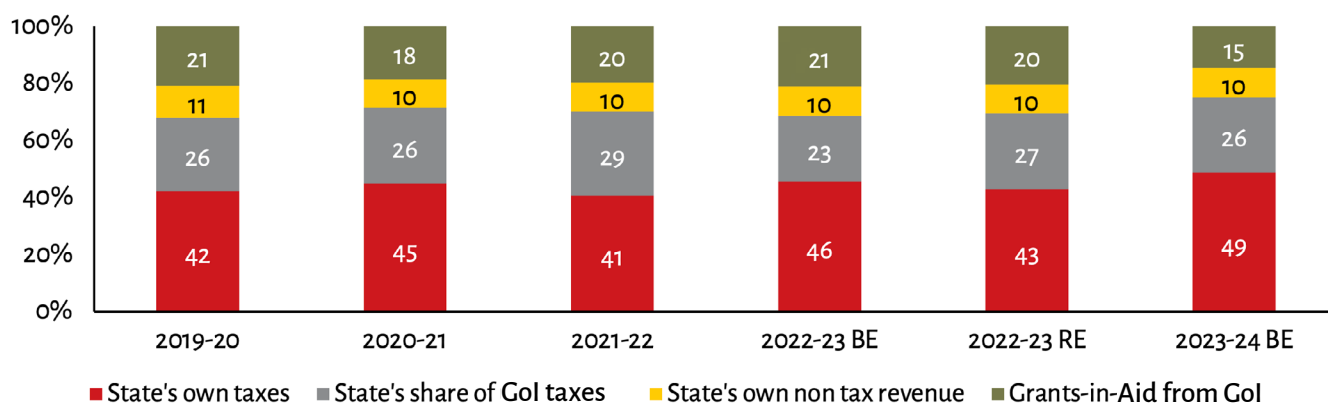


Source: Budget at a Glance, Finance Department, Government of Rajasthan from FY 2021-22 to FY 2023-24. Available online at: <https://finance.rajasthan.gov.in/website/StateBudgetAll.aspx>. Last accessed on 10 February 2023.

Note: All figures are Actuals, except FY 2022-23 which are BEs and REs, and FY 2023-24 which are BEs.

- The proportion of a state's own resources (states' own taxes and states' own non-tax revenue) used to generate Revenue Receipts steadily increased from 53 per cent in FY 2019-20 to 55 per cent in FY 2020-21. However, it declined in FY 2021-22 to 51 per cent. On the contrary, Gol's Grant-in-Aid (GIA) share of total Revenue Receipts has marginally decreased during the same period.
- For FY 2023-24 (BEs), states' own resources account for 59 per cent of Revenue Receipts, which is 23 per cent more than REs for FY 2022-23. But at the same time, GIA declined by 23 per cent and accounted for only 15 per cent of Revenue Receipts.

Composition of Revenue Receipts



Source: Budget at a Glance, Finance Department, Government of Rajasthan from FY 2021-22 to FY 2023-24. Available online at: <https://finance.rajasthan.gov.in/website/StateBudgetAll.aspx>. Last accessed on 10 February 2023.

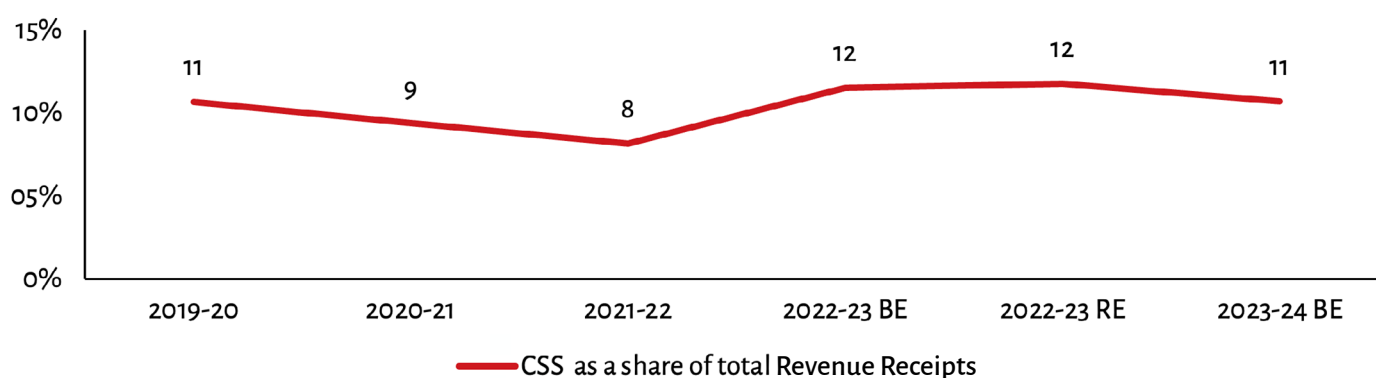
Note: All figures are Actuals, except FY 2022-23 which are BEs and REs and FY 2023-24 which are BEs.

Grants-in-Aid

Grants-in-Aid are payments or assistance given by one government to another government, body, institution or individual, usually for a specific purpose. In this primer, we look at the Grants-in-Aid specifically from Gol to states in the form of Finance Commission Grants, Centrally Sponsored Schemes, and Other grants.

- An important component of GIA are Centrally Sponsored Schemes (CSS). The overall quantum of funds through CSS has declined for Rajasthan from 11 per cent to 9 per cent between FY 2019–20 and FY 2020–21. In FY 2021–22, this further declined and accounted for 8 per cent of Revenue Receipts.
- For FY 2023–24 BEs, CSSs were estimated at ₹25,034 crore, which was 1 per cent less than last year's REs and accounted for 11 per cent of Revenue Receipts.

State Dependence on CSS



Source: Revenue Receipts Volume and Budget at a Glance, Finance Department, Government of Rajasthan from FY 2021-22 to FY 2023-24. Available online at: <https://finance.rajasthan.gov.in/website/StateBudgetAll.aspx>. Last accessed on 10 February 2023.

Below are some major schemes which account for more than 50 per cent of total CSS allocations coming through Gol to Rajasthan. In FY 2020-21, Gol allocations for the National Health Mission (NHM) and PM Poshan or erstwhile Mid-Day Meal (MDM) increased by 31 per cent and 50 per cent, respectively, when compared to FY 2019-20. In contrast, allocations declined for schemes such as Samagra Shiksha (-24 per cent), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (-61 per cent), and Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) (-70 per cent).

- In FY 2023-24 BEs, Gol allocations for Samagra Shiksha, NHM, and MGNREGS have increased by 7 per cent, 15 per cent, and 7 per cent, respectively, compared to REs for FY 2022-23. Whereas for PMAY-G and MDM these are estimated to decline by 74 per cent and 23 per cent, respectively.

- It is important to note that the Ministry of Rural Development was one of the Union ministries asked not to restrict their overall expenditure during the first year of the pandemic (i.e. FY 2020-21). Despite this, GoI share of allocations for major CSSs under the Rural Development Department of Rajasthan saw a sharp decline in their Actuals when compared to allocations.
- In FY 2020-21, MGNREGS Actuals were 49 per cent lower than estimates, whereas for PMAY-G, Actuals were 74 per cent lower than estimates.

Union Government Allocations for Major CSSs (₹ Crore)

	2019-20	2020-21	2021-22	2022-23 BE	2022-23 RE	2023-24 BE	2019-20 to 2020-21	2022-23 RE to 2023-24 BE
Samagra Shiksha	2,911	2,225	2,440	3,356	5,166	5,529	-24%	7%
NHM	1,660	2,174	2,714	3,122	2,631	3,021	31%	15%
MGNREGS	2,122	825	1,990	3,000	3,027	3,240	-61%	7%
PMAY-G	1,310	393	1,405	4,288	2,312	600	-70%	-74%
PM-POSHAN (former MDM)	473	711	531	882	993	761	50%	-23%

Source: Revenue Receipts Volume, Finance Department, Government of Rajasthan from FY 2021-22 to FY 2023-24. Available online at: <https://finance.rajasthan.gov.in/website/StateBudgetAll.aspx>. Last accessed on 10 February 2023.

Expenditure Trends

Like receipts, expenditures are of two types: Revenue and Capital. Revenue Expenditure is expenditure incurred to meet the day-to-day and regular expenditure of the government and does not result in the creation of assets nor yields any revenue in the future. Capital Expenditure is expenditure that is used to create assets or reduce liabilities. This could be in the form of schools, hospitals, and other infrastructure or by paying back loans.

- In Rajasthan, expenditure on the revenue component accounted for 83 per cent in FY 2019-20, which declined to 76 per cent in FY 2020-21, and further declined to 72 per cent of Total Expenditure in FY 2021-22.
- For FY 2023-24 BEs, Revenue Expenditure is estimated to be ₹2,58,884 crore which accounts for 66 per cent of Total Expenditure, a 9 per cent increase from last year's BEs. At the same time, Capital Expenditure increased by 23 per cent and accounted for 34 per cent of Total Expenditure (of which 24 per cent was towards public debt repayment).

- Expenditure grew at around 10 per cent between FY 2019-20 and FY 2020-21, driven to a large degree by an increase in Capital Expenditure. Capital Expenditure grew by 53 per cent between FY 2019-20 and FY 2020-21. Between FY 2020-21 and 2021-22, it grew at 43 per cent.

Committed liabilities include expenditure on salaries, wages and pensions, and interest payments on loans. State governments are obliged to pay them even if they face a resource crunch.

- A large segment of the expenditure is often spent on committed liabilities. Rajasthan spent around 47 per cent on committed liabilities in FY 2019-20, which decreased to 41 per cent in FY 2021-22. For FY 2023-24 BEs, GoR estimated 36 per cent of expenditure towards committed liabilities, which was 34 per cent in FY 2022-23 (REs).
- Expenditures on subsidies in Rajasthan have gone down. In FY 2019-20, GoR spent 9 per cent on subsidies, which declined to 8 per cent in FY 2021-22, and is further estimated to decline to 7 per cent of the Total Expenditure in FY 2023-24 BEs.

Total Expenditure Increased by 2% Between 2022-23 and 2023-24

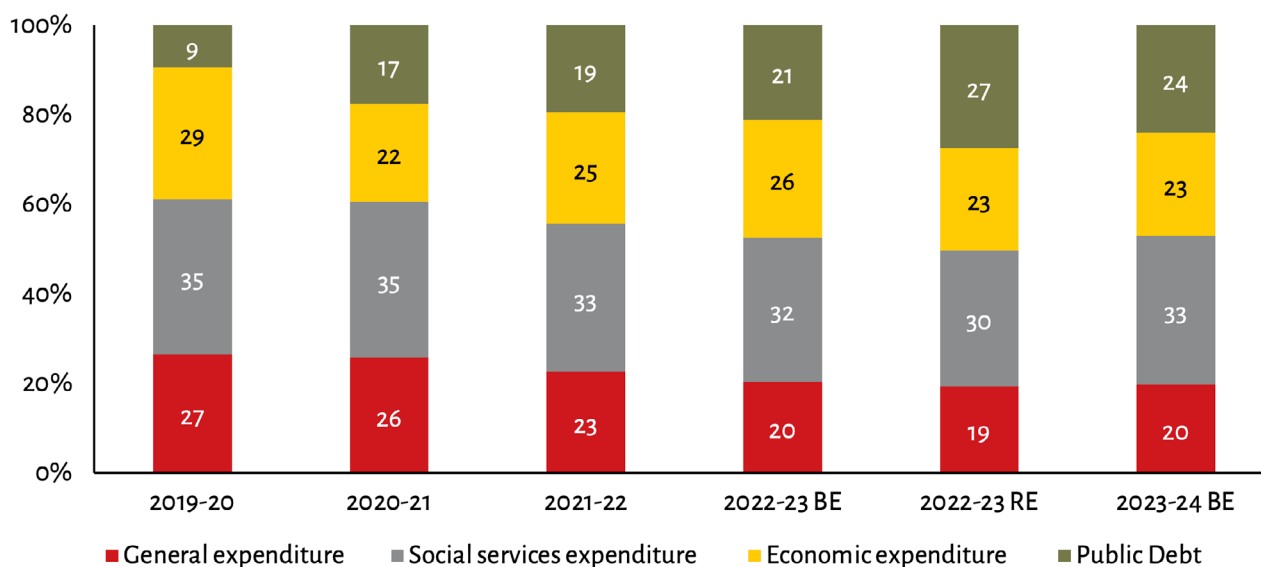
	Expenditure (₹ Crore)						Year on Year Growth (%)			
	2019-20	2020-21	2021-22	2022-23 BE	2022-23 RE	2023-24 BE	2019-20 to 2020-21	2020-21 to 2021-22	2021-22 to 2022-23 RE	2022-23 RE to 2023-24 BE
Revenue Expenditure	1,76,485	1,78,309	2,09,790	2,38,466	2,48,097	2,58,884	1%	18%	18%	4%
Capital Expenditure	37,006	56,784	81,401	1,07,717	1,34,150	1,31,973	53%	43%	65%	-2%
Total Expenditure	2,13,491	2,35,094	2,91,191	3,46,183	3,82,247	3,90,856	10%	24%	31%	2%

Source: Budget at a Glance, Finance Department, Government of Rajasthan from FY 2021-22 to FY 2023-24. Available online at: <https://finance.rajasthan.gov.in/website/StateBudgetAll.aspx>. Last accessed on 10 February 2023.

- Expenditure on social services accounts for a majority of total expenditure (including public debt). In FY 2019-20, 35 per cent of Total Expenditure was for social services which decreased to 33 per cent in FY 2021-22.
- In FY 2022-23 (REs), it further declined and accounted for 30 per cent of Total Expenditure. However, it is estimated to increase and account for 33 per cent of Total Expenditure in FY 2023-24.
- Expenditure on General and Economic services have continuously declined from FY 2019-20. In FY 2023-24, it is estimated to account for 20 per cent (General Services) and 23 per cent (Economic Services) of Total Expenditure.

- Similarly, Public Debt, as share of Total Expenditure, accounted for 9 per cent of Total Expenditure in FY 2019-20, which has increased to 27 per cent in FY 2022-23 REs. For FY 2023-24 it is estimated to be 24 per cent.

Expenditure on Social Services, as a Proportion of Total Expenditure, Declined by 2 Percentage Points Between 2019-20 and 2023-24

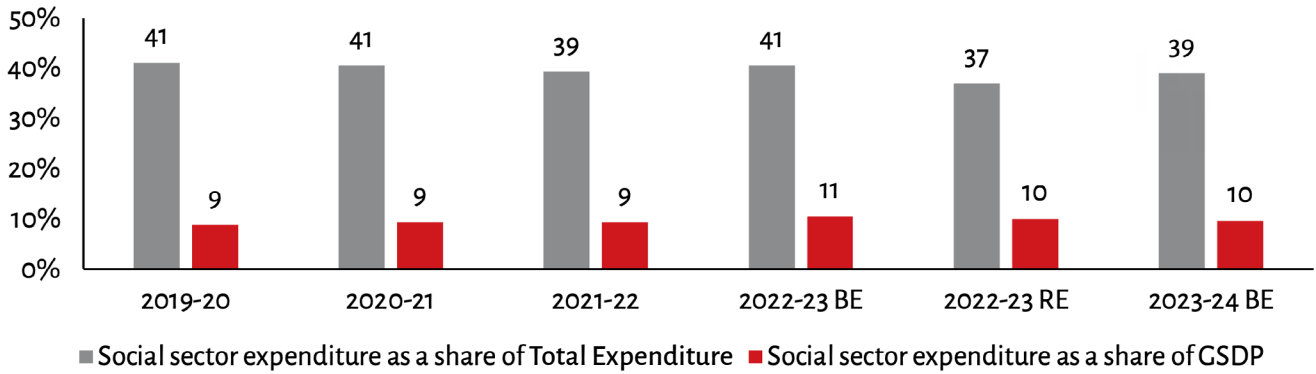


Source: Budget Study, Finance Department, Government of Rajasthan from FY 2021-22 to FY 2023-24. Available online at: <https://finance.rajasthan.gov.in/website/StateBudgetAll.aspx>. Last accessed on 10 February 2023. Note: Total Expenditure doesn't include public debt.

The term 'social sector' refers to education, rural development, health, water and sanitation, nutrition, social security and social justice, food security, housing and urban development, tribal and minority affairs, employment, skill development, women and child welfare, and sports and culture. Social services account for all above mentioned sectors except for rural development and food security which are reported under economic services in state budgets.

- In the last few years, the share of the social sector in Total Expenditure has been declining in Rajasthan.
- In FY 2019-20 and FY 2020-21, Social Sector Expenditure as a share of Total Expenditure accounted for 41 per cent. It, however, declined to 39 per cent in the second year of the pandemic (FY 2021-22). In FY 2022-23 REs, it stood at 37 per cent, which is 4 percentage points lower than FY 2019-20. For FY 2023-24 BEs, it is estimated to be 39 per cent of the Total Expenditure.
- Share of Social Sector Expenditure as a share of Gross State Domestic Product marginally increased from 9 per cent in FY 2019-20 to 10 per cent in FY 2023-24 BEs.

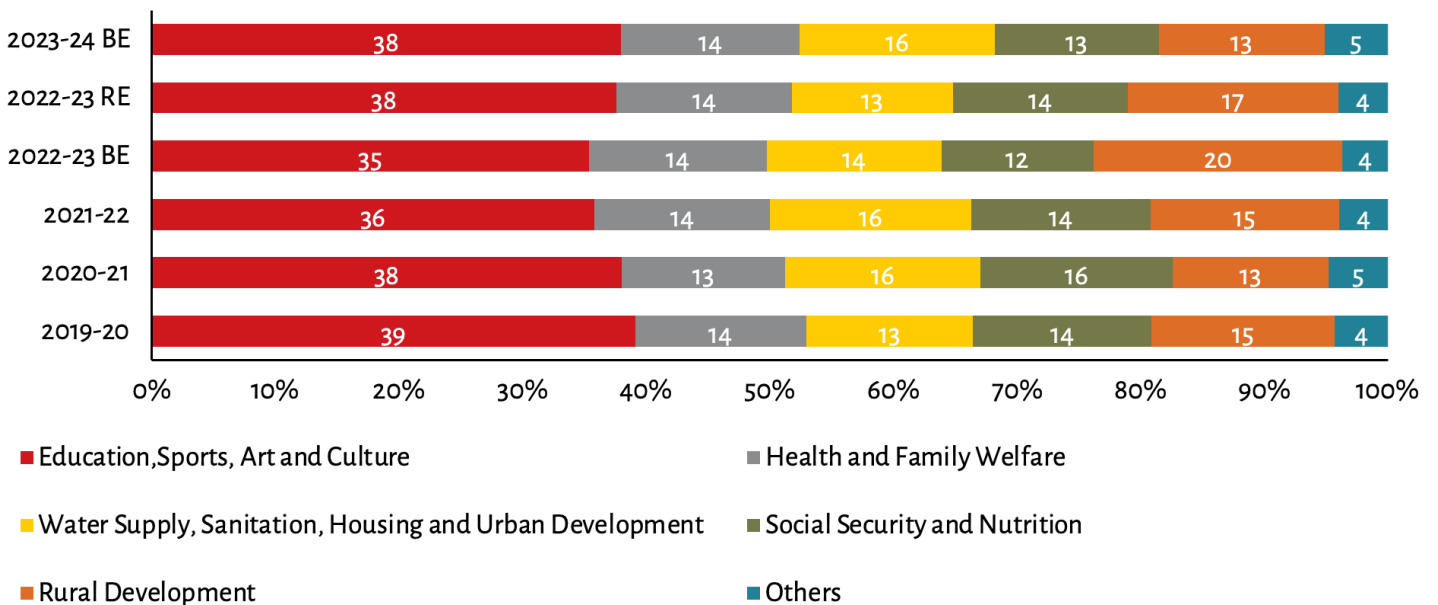
Social Sector Expenditure was 10% of the State's GDP in 2023-24



Source: Summary Volume, Budget at a Glance, and Budget related Analytical Statement Finance Department, Government of Rajasthan from FY 2021-22 to FY 2023-24. Available online at: <https://finance.rajasthan.gov.in/website/StateBudgetAll.aspx>. Last accessed on 10 February 2023.

- In terms of the share of social sector expenditure across different components, Education, Arts and Culture account for more than one-third of the social sector expenditure. The other priority areas between FY 2019-20 and FY 2023-24 BEs have been Rural Development averaging around 16 per cent of Total Expenditure between FY 2019-20 and FY 2022-23 BEs, Water Supply, Sanitation, Housing and Urban Development which averaged at 15 per cent. Health and Family Welfare and Social Security and Nutrition accounted for 14 per cent during the same period.
- Composition of Health and Rural Development in Total social sector expenditure declined during the first year of the pandemic (FY 2020-21) by 1 percentage point and 2 percentage points, respectively, from FY 2019-20.

Majority of Social Sector Expenditure has been on Education, Sports, Arts and Culture since 2019-20



Source: Summary Volume and Budget at a Glance, Finance Department, Government of Rajasthan from FY 2021-22 to FY 2023-24. Available online at: <https://finance.rajasthan.gov.in/website/StateBudgetAll.aspx>. Last accessed on 10 February 2023.