

Explanatory Note on Data Sources and Methodology

Data Sources

This Study is based on the receipts and expenditure data presented in the Budget documents of the 28 State Governments and the National Capital Territory of Delhi. The analysis conforms to the data presented in the State Budgets and the accounting classification thereof. The analysis also conforms to the accounting classification into Revenue and Capital Accounts and their bifurcation into 'Plan' and 'Non-Plan'. Some supplementary information regarding Additional Resource Mobilisation (ARM) efforts, level of guarantees (contingent liabilities), expenditure on wages and salaries and operations and maintenance are obtained from the State Governments. Information was also obtained from the State Governments relating to institutional reforms furnished at Table 1. Information received from the Planning Commission relating to State-wise Plan outlays are also incorporated. Data on debt relief to State Governments based on recommendations of TFC have been received from Ministry of Finance, Government of India.

Besides, several items of data including WMA/OD, market borrowings, investment of State Governments in Government securities have been sourced from the Reserve Bank records.

The data provided in Appendix III (Capital Receipts) and Appendix IV (Capital Expenditure) in the present Study are on a gross basis for all items, including Public Account. Also, Appendix III gives capital receipts which include public accounts on a net basis and Appendix IV provides capital expenditure exclusive of public accounts in conformity with the earlier practices followed till 2004-05 in this Study. Appendix Tables (consolidated), Statements (State-wise) and analysis are based on public accounts (net) for capital receipts while public accounts are excluded from capital expenditure. Capital Receipts and Capital Expenditure as well as Aggregate Receipts and Aggregate Expenditure will now, therefore, be comparable with that of the previous years' data given in earlier issues of this Study.

Data relating to capital receipts and capital expenditure for 2003-04 (Accounts) have also been incorporated (Statement 32) in this Study to have a comparable data since these were given on a gross basis in the last year's study of Budgets 2005-06.

The data for Gross State Domestic Product (GSDP) for each of the States used in this Study have been sourced from the Central Statistical Organisation (CSO) and also budget documents of the State Governments. Wherever GSDP data are not available, the data are estimated based on the previous three years' average growth rate.

Data on GDP relate to current market prices and are obtained from the CSO till 2005-06 (RE) and from Ministry of Finance, Government of India for 2006-07 (BE). It may be noted that the GDP for any year undergoes change from budget estimates (BE) to revised estimates (RE) to accounts.

Percentage variation worked out in Appendix Tables and Statements may differ due to rounding - off of figures.

Methodology

As set out in the Budget documents, the analysis of the expenditure data is disaggregated into developmental and non-developmental expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorised into social services, economic services and general services. Broadly, the social and economic services constitute developmental expenditure, while expenditure on general services is treated as non-developmental. This re-classification is done without altering the total receipts, expenditures and overall balance presented in the budget.

Despite the change in data presentation of Appendix III and Appendix IV, the Overall Deficit/Surplus (Conventional Deficit/Surplus) used in the analysis is, equal to the Cash Deficit/Surplus (difference between the Closing balance and Opening balance), increase/decrease in Cash Balance Investment Account and the increase/



decrease in WMA extended by the Reserve Bank, since the latter two items are excluded from capital receipts (net of public accounts) and capital expenditure (excluding public accounts) indicated, respectively, in Appendix III and Appendix IV.

Methodology for Debt Statistics

The Reserve Bank in last years' Study has compiled a consistent data series for outstanding liabilities of State Governments. The expanded coverage of items is given below. The revised series also includes reserve funds, deposits and advances and contingency funds of State Governments. The debt series has been compiled by taking the data provided by the CAG in 'Combined Finances and Revenue Accounts of Union and State Governments in India'. In the absence of data for any particular head in the said publication, corresponding data from the State Budgets have been incorporated.

The item-wise outstanding liabilities as at end-March 2000 of the 3 bifurcated States (Bihar, Madhya Pradesh and Uttar Pradesh) have been apportioned to the respective 3 newly formed States (Jharkhand, Chhattisgarh and Uttaranchal) in their respective population ratios to facilitate research. The data provided in Appendix Tables 20 and 21 and Statements 26 to 28 on debt position of States are provisional.

Based on the State-wise market loans (Statements 33 and 34), the maturity profile of outstanding State Government securities is provided at Statements 35-36. These Statments also incorporate the appropriation of liability of the 3 bifurcated States to their respective newly formed States on the basis of Government of India notifications.

The Combined Finance and Revenue Accounts of Union and State Governments in India published by the Comptroller and Auditor General of India, State Budgets and data from the Reserve Bank records have been utilised for compiling the data series on debt.

Revised Coverage

The revised coverage used in the compilation of the new debt series for States is as follows.

Total Outstanding Liabilities comprises of various account items under consolidated fund, public account and contingency fund.

- I. Consolidated Fund
 1. Public Debt
 - a) Open Market Borrowings
 - b) Borrowings from Banks and FIs
 - c) Special Securities issued to NSSF
 - d) Bonds/Debentures which are issued by the State Governments
 - e) Loans from the Centre
 - f) Others
 2. Ways & Means Advances and Overdrafts from RBI
- II. Public Accounts
 1. State Provident Funds
 2. Small Savings, Insurance and Pension Funds, Trust and Endowments, etc.
 3. Deposits and Advances
 4. Reserve Funds/Sinking Funds
 5. Other Items in Public Accounts
- III. Contingency Fund

The revised coverage is on the lines suggested by the Report of the Working group on Compilation of State Government Liabilities (Box 2).

Note : Appendix Tables and Statements in this Study provide data for select years. State-wise data on some major fiscal indicators for the period 1980-81 to 2003-04 (BE) and State-wise detailed data on the transactions in the revenue and capital account for the period 1990-91 to 2003-04 (BE) are presented in "Handbook of Statistics on State Government Finances" published by the Reserve Bank in June 2004. This publication is also freely accessible on the Reserve Bank's website (www.rbi.org.in). The Study on State Finances since 2001-02 are also available on the Reserve Bank's website.

