

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 twenty-eight State Governments. Data in respect of two Union Territories (UTs) with Legislature, viz., National Capital Territory of Delhi (NCT Delhi) and Puducherry are separately provided as memo item in all Statements. The analysis conforms to the data presented in twenty-eight State Budgets and the accounting classification thereof. The detailed Appendices are based on the classification of receipts and expenditure of individual States/UTs into Revenue and Capital Accounts and their bifurcation into 'Plan' and 'Non-Plan'. Some supplementary information regarding level of guarantees (contingent liabilities), expenditure on wages and salaries and operations and maintenance are obtained from the State Governments. Information on Additional Resource Mobilisation (ARM) is not separately presented in this Study and is included in the respective receipt heads. Information obtained from the State Governments relating to institutional reforms is furnished in Table 2. Information received from the Planning Commission relating to State-wise Plan outlays are also incorporated in the Study. Data on debt relief to State Governments based on recommendations of Twelfth Finance Commission (TFC) have been obtained from the Ministry of Finance, Government of India. Besides, several items of data including Ways and Means Advances (WMA)/ Overdraft (OD), market borrowings, investment of State Governments in Central Government securities and maturity profile of the State Development Loans have been sourced from the Reserve Bank records.

The data provided in Appendix III (Capital Receipts) and Appendix IV (Capital Expenditure) are on a gross basis for all items, including Public

Account. Additionally, Appendix III gives total capital receipts which include public accounts on a net basis and Appendix IV provides total capital expenditure exclusive of public accounts. Appendix Tables (consolidated), Statements (State-wise) and the analysis are based on public accounts (net) for capital receipts while public accounts are excluded from capital expenditure. The All States totals in the Study pertain to twenty-eight State Governments, excluding NCT Delhi and Puducherry. The data for Gross State Domestic Product (GSDP) for each State used in this Study have been sourced mainly from the Central Statistical Organisation (CSO). This is supplemented by information received from the respective State Governments and GSDP estimates used in the 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 are at current market prices and are obtained from the CSO till 2006-07 (RE) and from Ministry of Finance, Government of India for 2007-08 (BE). It may be noted that the GSDP/GDP for any year undergoes change from budget estimates (BE) to revised estimates (RE) and to accounts. The ratios to GSDP/GDP are worked out based on latest available GSDP/GDP estimates. 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 expenditure. This classification does not alter the total receipts, expenditures and overall balance presented in the budget documents. Despite the presentation of data on gross basis in 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 (inclusive of public accounts on a net basis) and capital expenditure (excluding public accounts) in Appendix III and Appendix IV, respectively.

Methodology for Debt Statistics

The Reserve Bank in its Study of 2005-06 budgets had compiled a data series for outstanding

liabilities of State Governments since 1990-91. In the 2006-07 Study, a revised series of outstanding liabilities was published by including data on reserve funds, deposits and advances and contingency funds of State Governments. In the present Study, an attempt has been made to revise the data series from 2003-04 onwards. Methodology of data compilation on debt used in this report, in the absence of any other consistent data source, is detailed in Box 7 appearing on page 49.

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 32), the maturity profile of outstanding State Government securities is provided in Statements 34-35. These Statements also incorporate the appropriation of liability of the three bifurcated States to their respective newly formed States on the basis of Government of India notifications.

Note : State-wise data on 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) were presented in “Handbook of Statistics on State Government Finances” published by the Reserve Bank in June 2004. This publication is available on the Reserve Bank’s website (www.rbi.org.in). The Study on State Finances since 2001-02 is also available on the Reserve Bank’s website.