



S.R. No. 004  
10/2015/CEFT

## A Comparative Analysis of Inter-State Expenditure Ratios

This study explores the trends in revenue and capital expenditures for fifteen State Governments during 1980-81 to 2014-15. To cater to the objective, the study divides the fifteen major states of India into three income categories viz. **high, middle and low income states** based on their level of per-capita income in the last decade. Average Per-capita GSDP at current prices is estimated for all the individual states for the period 2004-05 to 2013-14. Afterwards, the fifteen states are ordered with respect to their per-capita income. **The upper five states like Goa, Haryana, Maharashtra, Gujarat and Tamil Nadu are taken as High income states. Similarly, five states who positioned in the lower order like Rajasthan, Odisha, Madhya Pradesh (M.P), Uttar Pradesh (U.P) and Bihar are classified as lower income states. Kerala, Punjab, Karnataka, Andhra Pradesh (A.P) and West Bengal are regarded as middle income states.** This classification broadly resembles with the study by Chakraborty (1999).<sup>1</sup>

**Revenue expenditure (RE) to GSDP ratio, Capital expenditure (CE) to GSDP ratio, Development expenditure (DE) to Revenue Expenditure and Development Expenditure to capital expenditure ratios** are taken into account for the analysis. Firstly, the analysis is made by taking the annual average of expenditure ratios during 1990-91 to 2014-15 and represented by the Bar-diagram. Secondly, 5-year annual average of the same ratios are calculated for the period 1980-81 to 2014-15 and depicted in line diagrams.

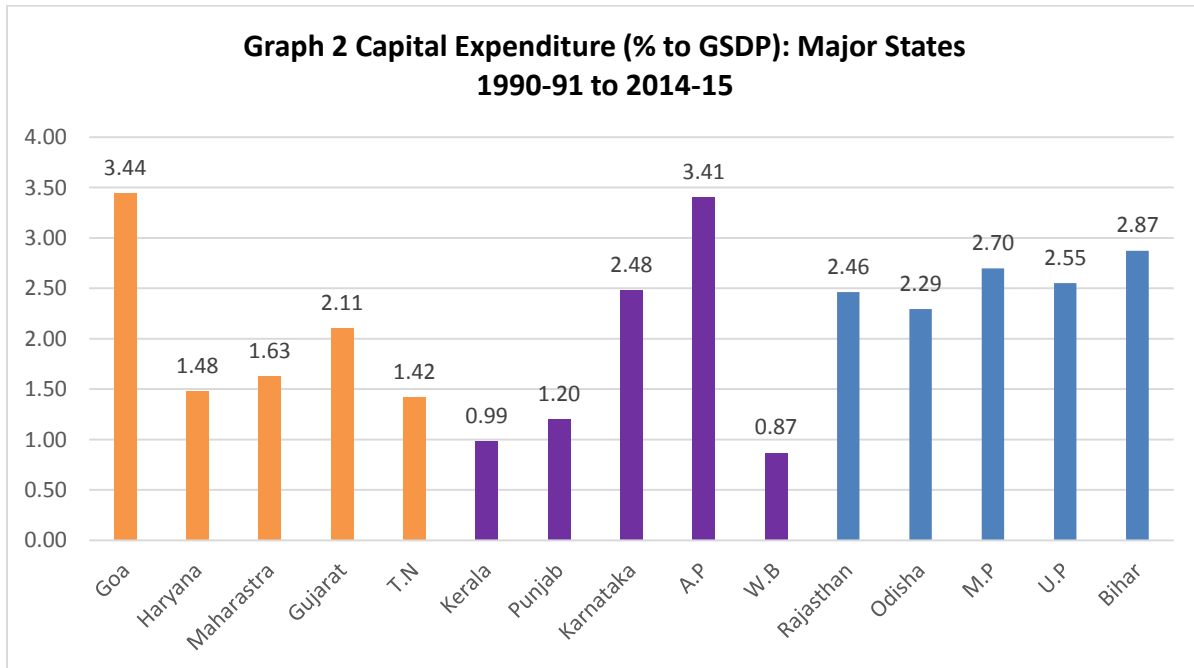
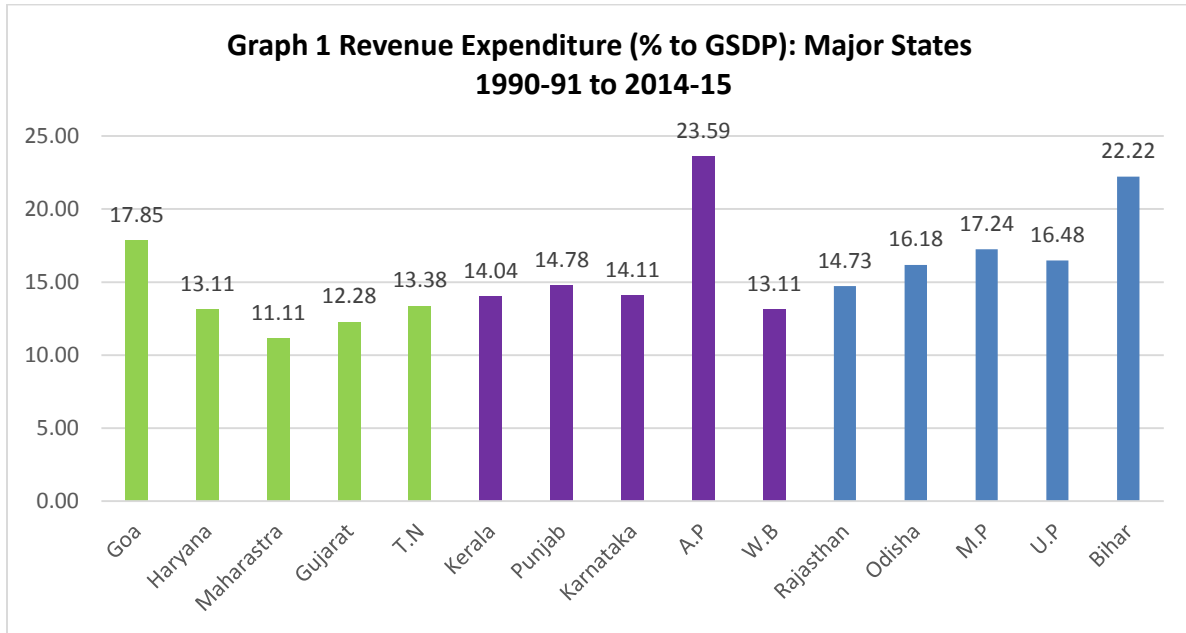
---

<sup>1</sup> Chakraborty, P. (1999), 'Recent Trends in State Government Finances A Comment', *Economic and Political Weekly*, October 30.

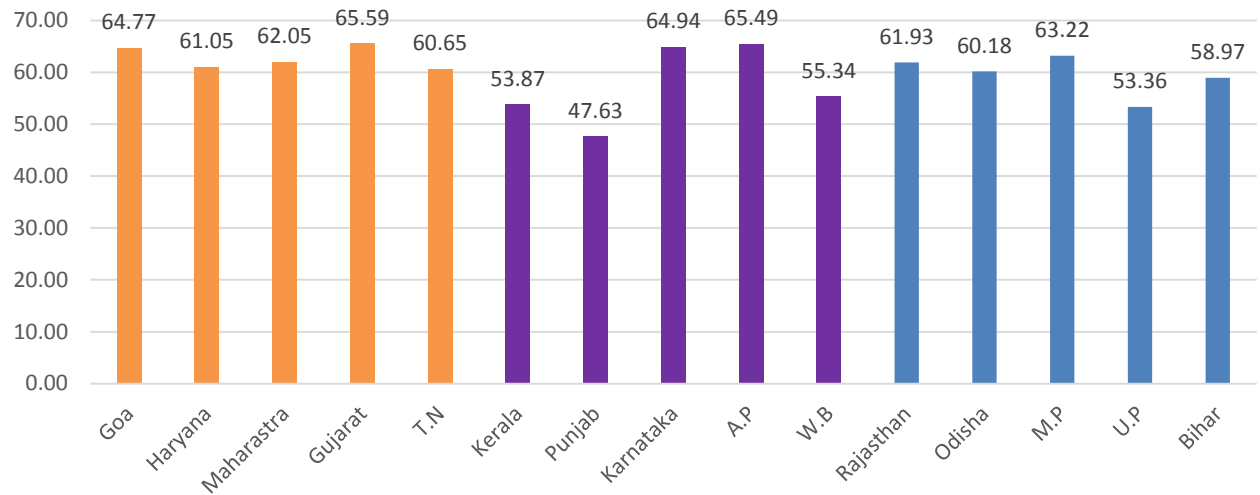
## Executive Summary

1. Graph-1 depicts the revenue expenditure ratio (RER) w.r.t GSDP for all the fifteen major states during 1990-91 to 2014-15. The RER is found to be higher in the low income states as compared to other high and middle income states (with the exception of Goa and A.P). **The RER is very high in case of A.P (23.6%) and Bihar (22.2%)**. Odisha's RER is found to be 16.18 %.
2. Capital expenditure ratio (CER) w.r.t GSDP is shown in Graph-2. CER is found to be highest for Goa (3.44%). A.P ranks second (3.41%). **It is very low in case of W.B (0.87%) and Kerala(0.99%)**. The CER for Odisha is found to be 2.29 %.
3. Graph-3 shows the development expenditure content of the Revenue Expenditure (DECREE). The DECREE is more than 60% in case of all the high income states. Gujarat is at the top with 65.59%. In the middle income states A.P and Karnataka have high DECREE respectively at 65.49 % and 64.94 % .**The DECREE for Odisha is found to be 60.18 %**.
4. In Graph-4, the study exhibits the development expenditure content of capital expenditure (DECCE). The DECCE is approximately 95 % or more for all the states of India except Goa (89.47 %). It is highest for MP (98.30%). **The DECCE is at 96.43% for Odisha**.
5. It is clear from the analysis that the ratio of revenue expenditure to GSDP is quite low (high) in high (low) income states. Development expenditure content is substantially high in Capital Expenditure as compared to the revenue expenditure.
6. To get more insight, extended quinquennial period-wise analysis is undertaken and simple average of all the indicators are presented in line diagrams (See Graph-5 to Graph-16). **It is observed that CER in Odisha has followed a downward trend during 1990-94 to 2000-04 and since then it picked up consistently. This consistent rising pattern is also observed in case of Tamil Nadu which is very unique among all states.**

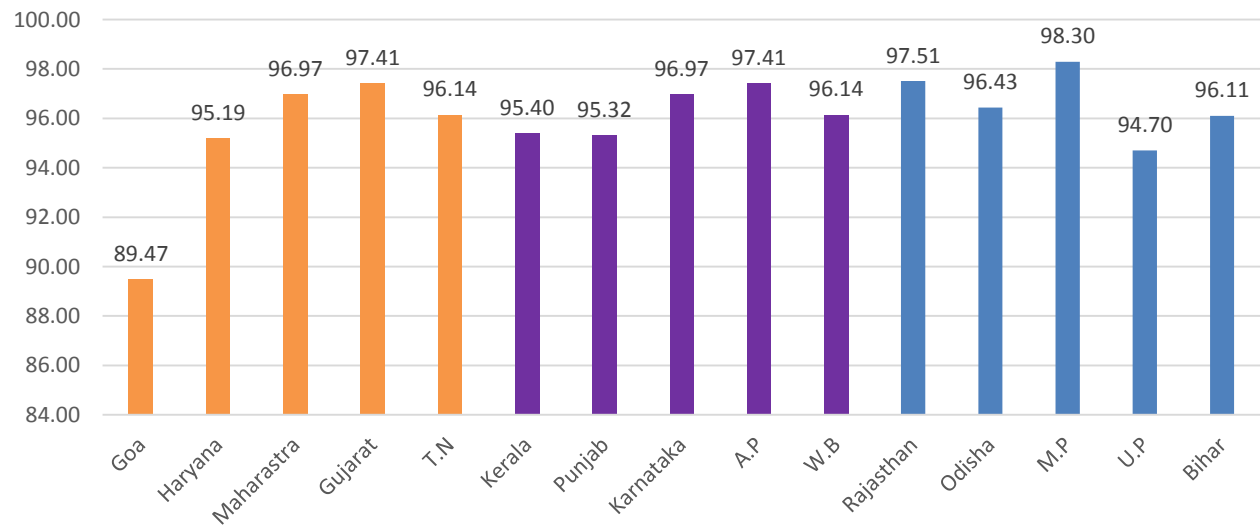
**APPENDIX-ALL STATES**



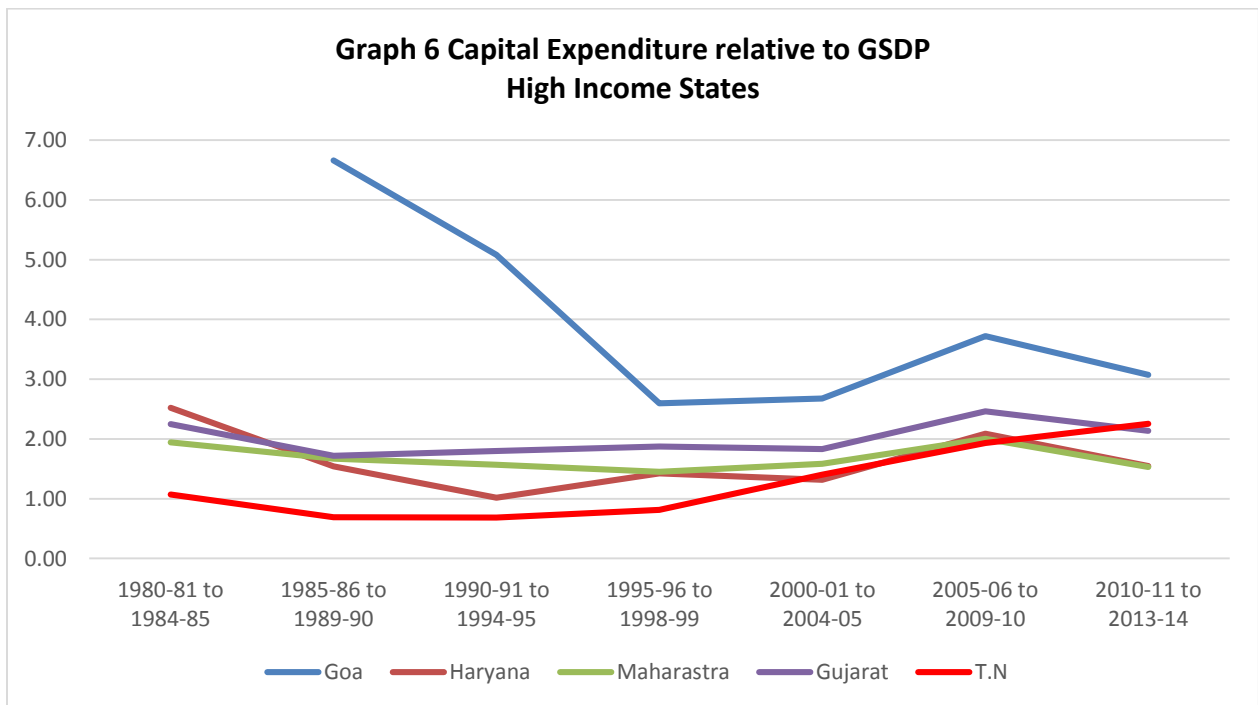
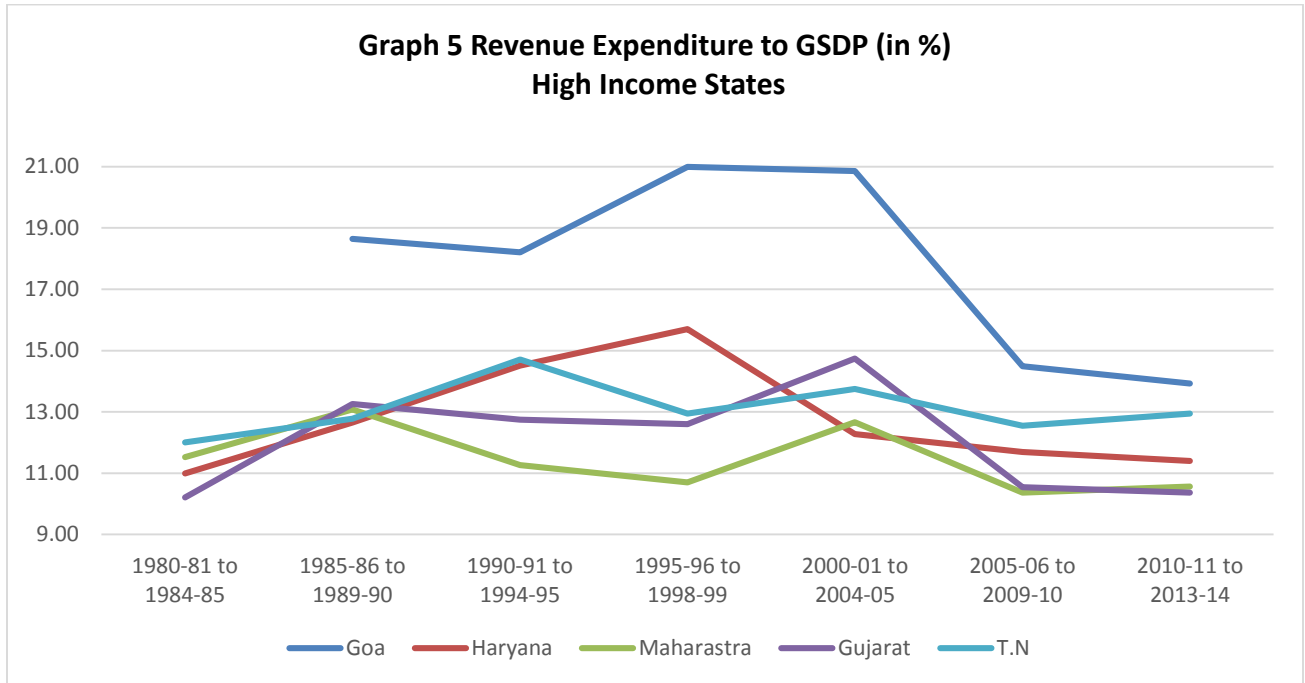
**Graph 3 Ratio of Development to Revenue Expenditure: Major States  
1990-91 to 2014-15**



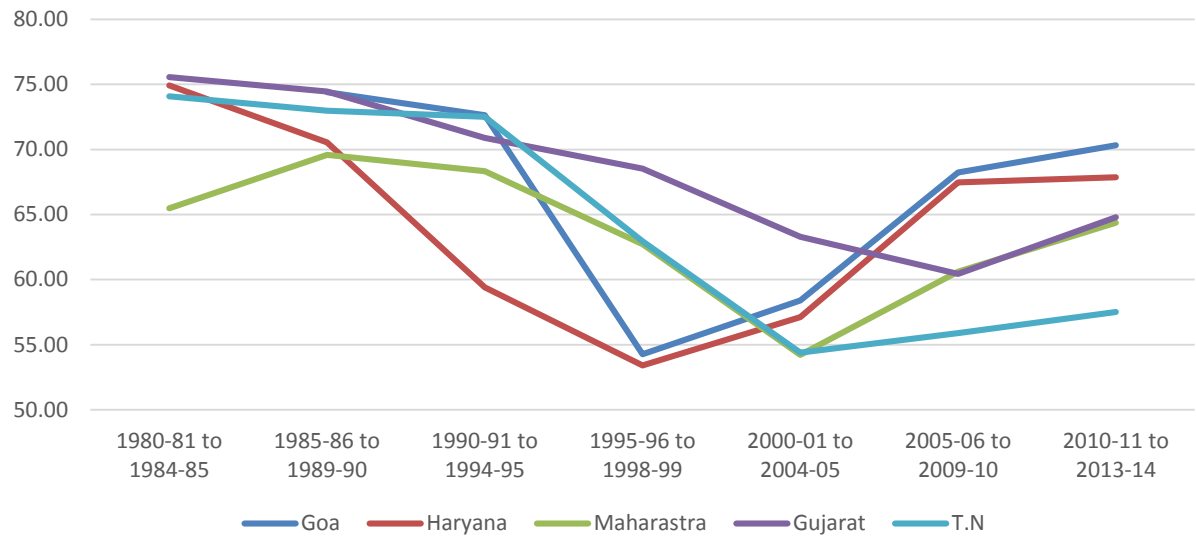
**Graph 4 Ratio of Development to Capital Expenditure: Major States  
1990-91 to 2014-15**



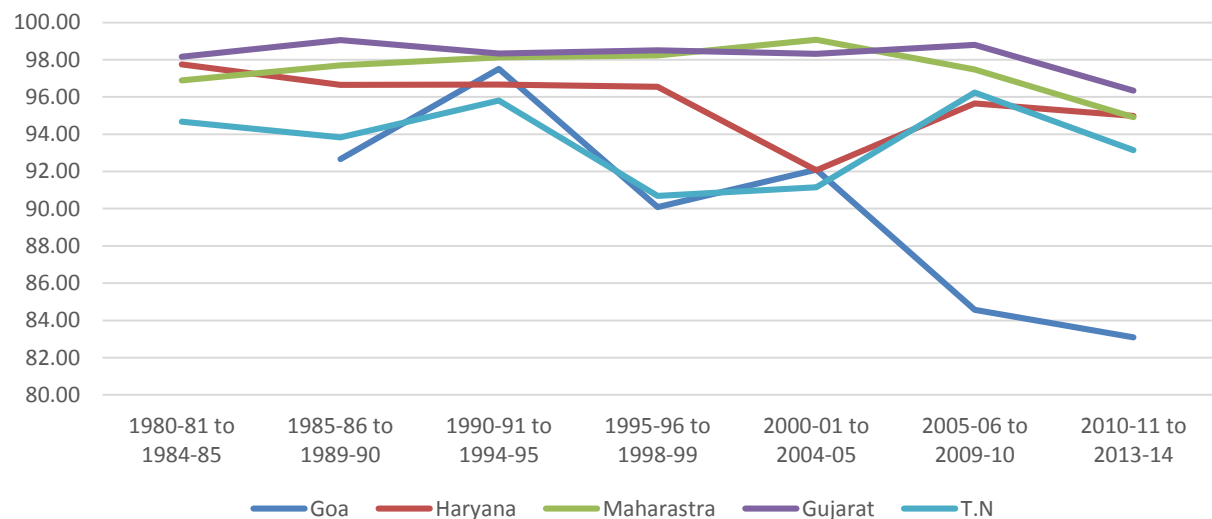
**APPENDIX-HIGH INCOME STATES**



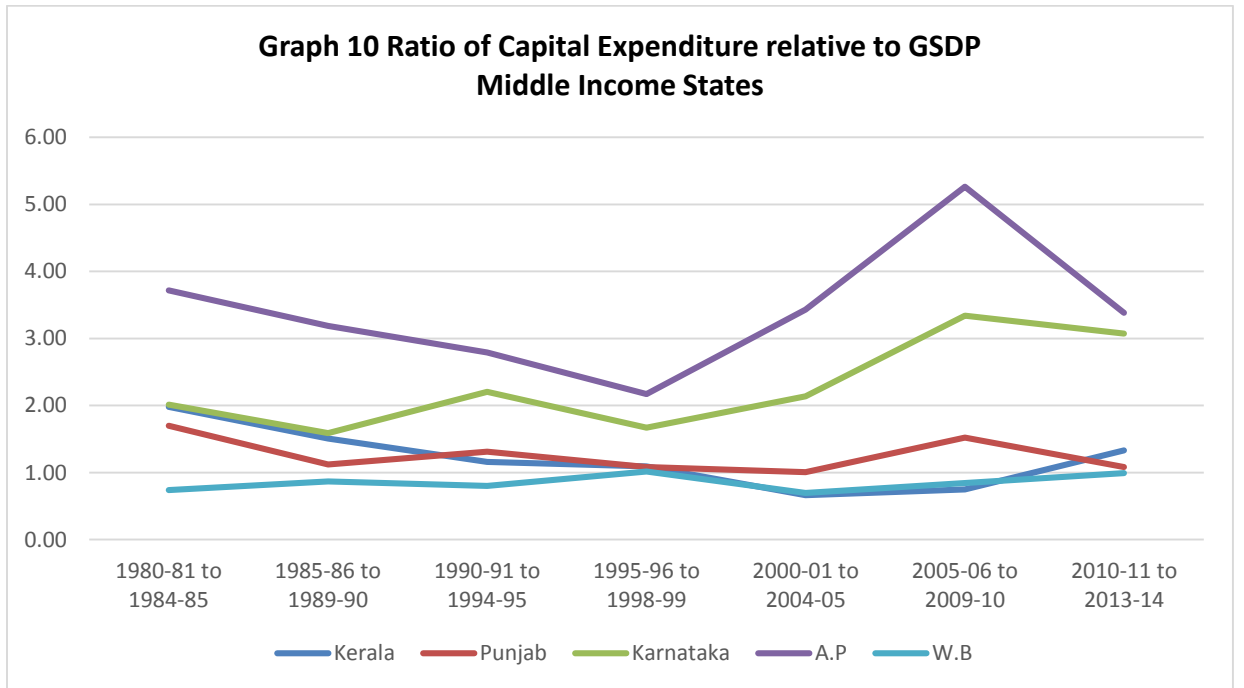
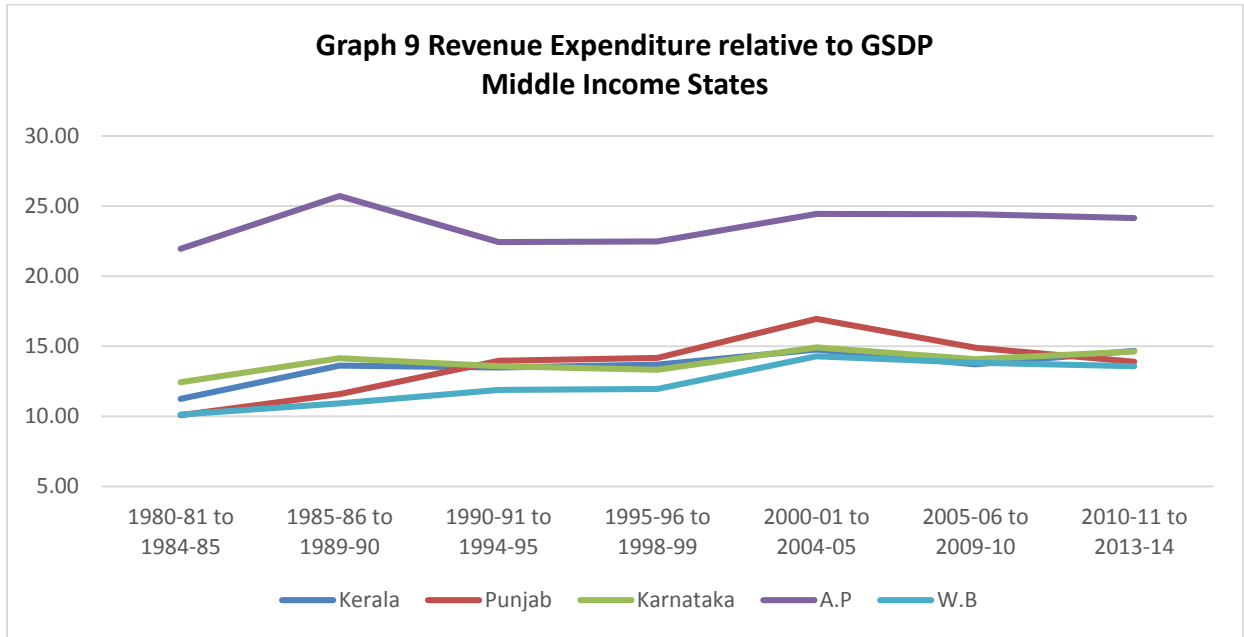
**Graph 7 Ratio of Development to Revenue Expenditure  
High Income States**



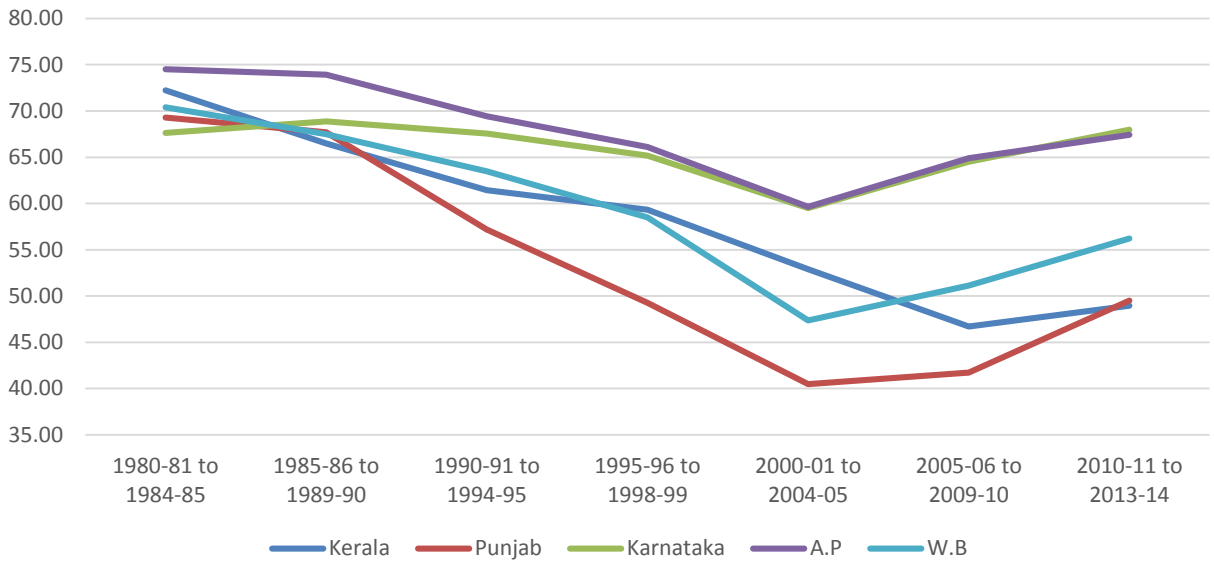
**Graph 8 Ratio of Development to Capital Expenditure  
High Income States**



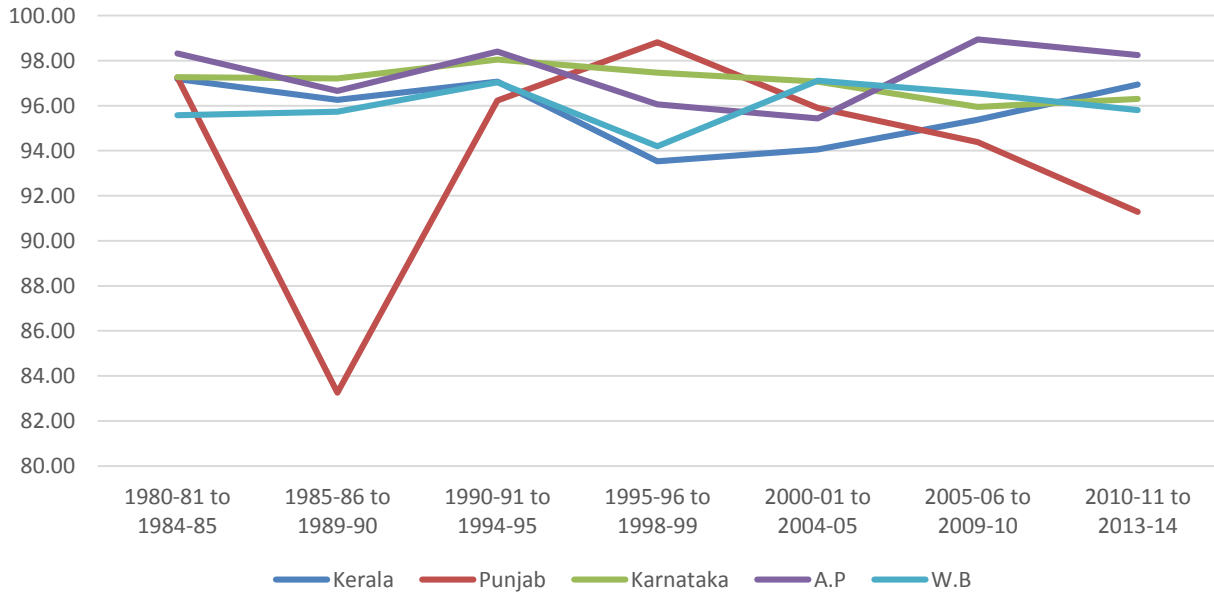
**APPENDIX-MIDDLE INCOME STATES**



**Graph 11 Ratio of Development to Revenue Expenditure  
Middle Income States**

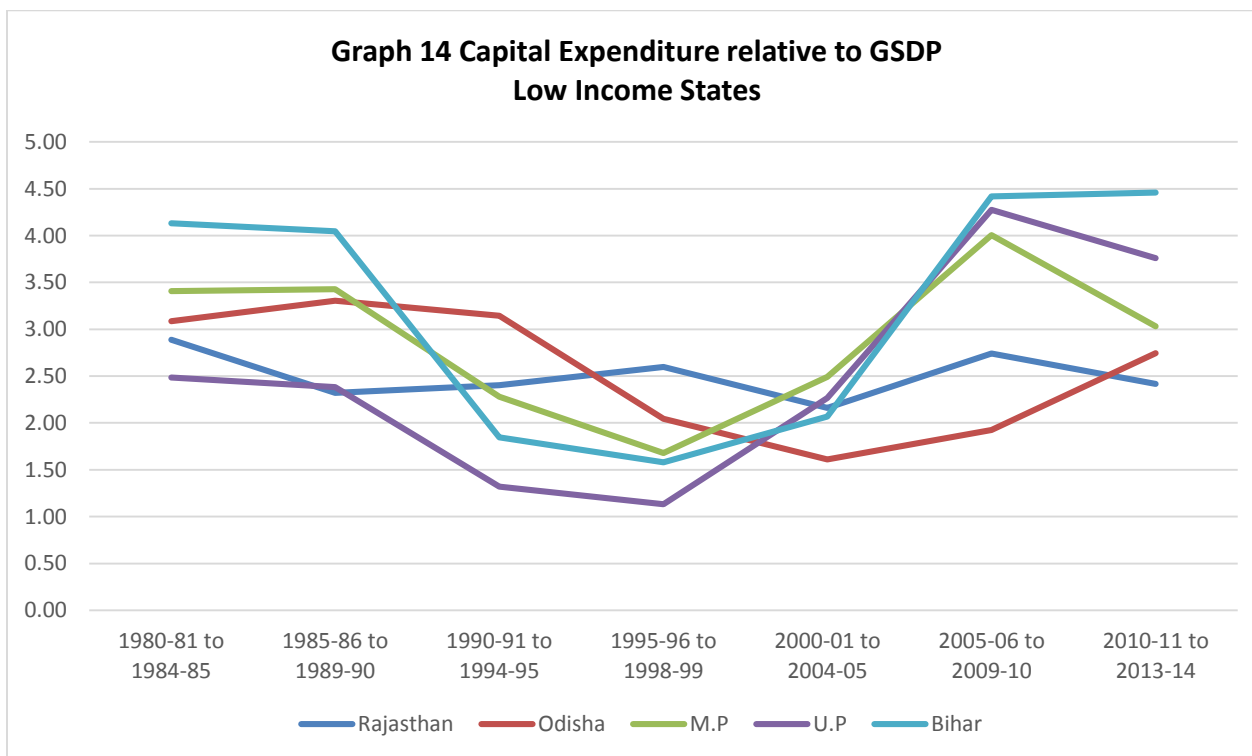
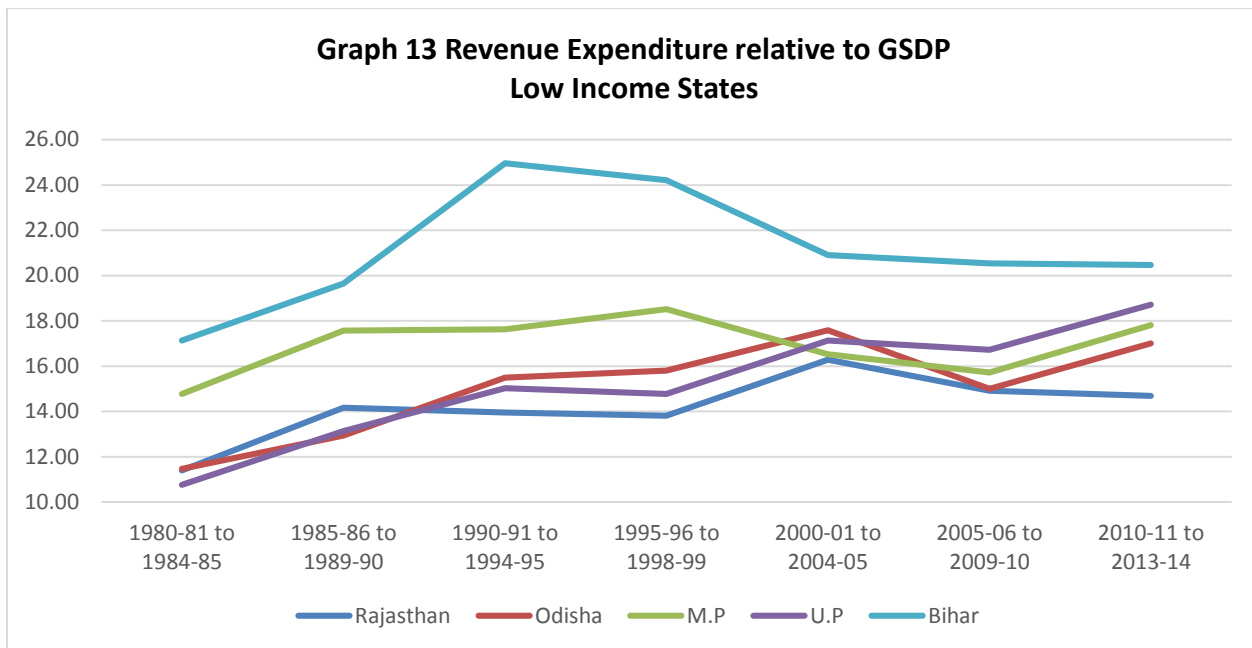


**Graph 12 Ratio of Development to Capital Expenditure  
Middle Income States**

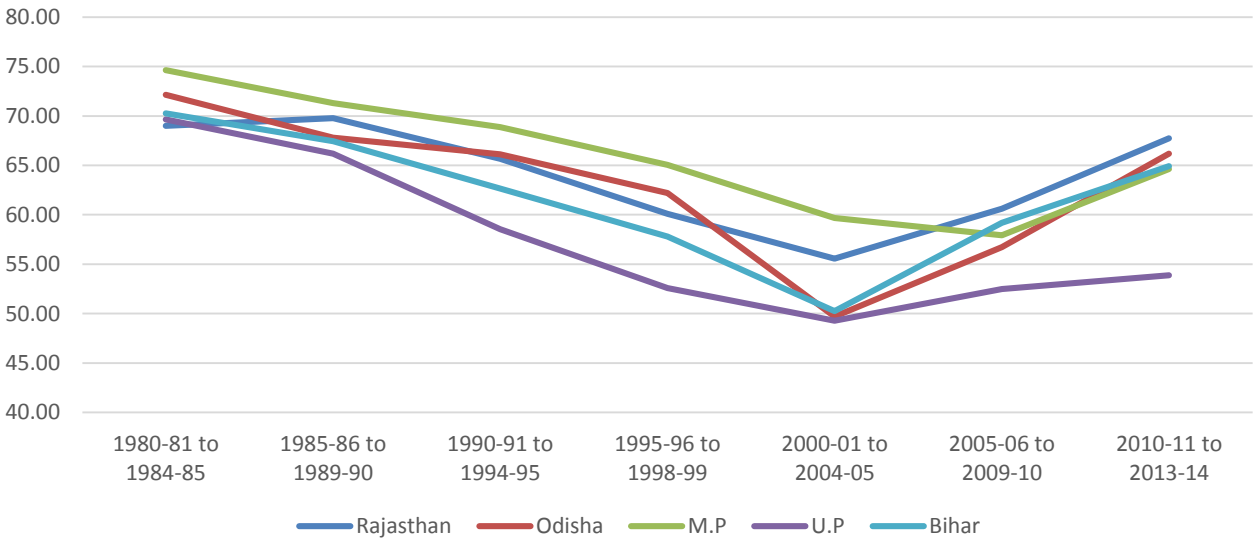




**APPENDIX-LOW INCOME STATES**



**Graph 15 Ratio of Development to Revenue Expenditure: Low Income States**



**Graph 16 Ratio of Development to Capital Expenditure Low Income States**

