

# Bihar Budget Analysis 2021-22

The Finance Minister of Bihar, Mr. Tarkishore Prasad, presented the Budget for the state for the financial year 2021-22 on February 22, 2021. Due to the impact of COVID-19, 2020-21 was not a standard year with respect to the performance of the economy and government finances. In this note, 2021-22 budget estimates have been compared to the actuals for 2019-20 (in terms of compounded annual growth rate or CAGR). A comparison of the revised estimates for 2020-21 and budget estimates for 2021-22 has been provided in the Annexure.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Bihar for 2021-22 (at current prices) is projected to be Rs 7,57,026 crore. This is an annual increase of 11% over the GSDP in 2019-20. As per the revised estimates, in 2020-21, GSDP is estimated to increase by 4.7% over the previous year (budget estimate was 11.1%).
- **Total expenditure** for 2021-22 is estimated to be Rs 2,18,303 crore, an annual increase of 23% over the actual expenditure in 2019-20. As per the revised estimates, total expenditure in 2020-21 is estimated to be 6% higher than the budget estimate (an increase of Rs 13,697 crore).
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 1,86,697 crore, an annual increase of 23% over the actual receipts in 2019-20. In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 9,684 crore (a decrease of 5%).
- **Revenue surplus** in 2021-22 is estimated to be Rs 9,196 crore, which is 1.21% of the GSDP. In 2020-21 (revised estimate), the state has estimated a revenue deficit of Rs 5,187 crore (0.8% of GSDP).
- **Fiscal deficit** in 2021-22 is estimated to be Rs 22,511 crore (2.97% of GSDP). As per revised estimates, in 2020-21, fiscal deficit is estimated to be 6.77% of GSDP, which is significantly higher than the budget estimate of 2.97% of GSDP.

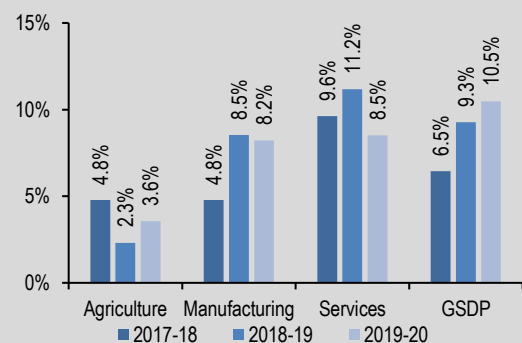
## Policy Highlights

- **Saat Nishchay Yojana-2:** State will begin implementation of Saat Nishchay Yojana-2 in 2021-22. Rs 4,671 crore has been allocated in 2021-22 for this programme. Key schemes under Saat Nishchay-2 include: (i) creating centres of excellence in polytechnics and industrial training institutes, (ii) establishing mega-skill development centre in each district, and tool rooms in each division, (iii) providing grants up to five lakh rupees and loan up to five lakh rupees at a subsidised interest rate to youth and women for setting up new businesses, (iv) providing cash incentive to female students: Rs 25,000 upon completing senior secondary and Rs 50,000 upon completing graduation, (v) provision of telemedicine, pathology, and screening for diabetes, blood pressure etc in primary healthcare centres, and (vi) housing for homeless and landless poor in urban areas, and shelter homes for old age persons in all cities.
- **Education:** Under Digital Bihar Program, all students of Class VI and above will receive computer education and training from 2021-22 onwards. The state will take steps towards implementing the National Education Policy 2020 and increasing the gross enrolment ratio in higher education to 50% by 2035.

## Bihar's Economy

- **GSDP:** The growth rate of Bihar's GSDP (at constant prices) was 10.5% in 2019-20, higher than the growth rate in 2018-19 (9.3%).
- **Sectors:** In 2019-20, the contribution of agriculture, manufacturing, and services sectors in the economy was 20%, 20%, and 60%, respectively.
- **Per capita GSDP:** The per capita GSDP of Bihar in 2019-20 (at constant prices) was Rs 34,413, 8.8% higher than the corresponding figure in 2018-19.
- **Unemployment:** According to the Periodic Labour Force Survey (July 2018-June 2019), the unemployment rate among all age groups in Bihar was 10.2%, significantly higher than that at the all-India level (5.8%).

**Figure 1: Growth in GSDP and sectors in Bihar at constant prices (2011-12)**



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.

Sources: Bihar Economic Survey 2020-21; PRS.

## Budget Estimates for 2021-22

- **Total expenditure** in 2021-22 is estimated to be Rs 2,18,303 crore. This is an annual increase of 23% over the actual expenditure in 2019-20. This expenditure is proposed to be met through **receipts (other than borrowings)** of Rs 1,86,697 crore and **borrowings** of Rs 31,805 crore. Total receipts for 2021-22 (other than borrowings) are expected to register an annual increase of 23% over 2019-20.
- For 2021-22, the state has estimated a **fiscal deficit** of 2.97% of GSDP. This is lower than the 4% limit allowed by the central government for fiscal deficit of states in 2021-22. States have been allowed a higher fiscal deficit than the usual 3% limit under the FRBM Act for undertaking increased expenditure to support economic recovery. In 2021-22, the state estimates to have a **revenue surplus** of Rs 9,196 crore, significantly higher than the revenue surplus in 2019-20 (an annual increase of 263%).
- As per the revised estimates for 2020-21, the receipts (other than borrowings) are estimated to be 5% less than the budget estimate, while the total expenditure is estimated to be 6% higher. Bihar has observed a revenue surplus in the last five years. However, in 2020-21, it is estimated to have a revenue deficit of Rs 5,187 crore (0.80% of GSDP). In 2020-21 (as per revised estimate), the fiscal deficit is estimated to be 6.77% of GSDP, which is higher than the 5% limit allowed by the central government for the fiscal deficit of states in 2020-21.

**Table 1: Budget 2021-22 - Key figures (in Rs crore)**

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
<b>Total Expenditure</b>	<b>1,43,614</b>	<b>2,11,761</b>	<b>2,25,458</b>	<b>6%</b>	<b>2,18,303</b>	<b>23%</b>
A. Receipts (except borrowings)	1,24,263	1,84,352	1,74,668	-5%	1,86,697	23%
B. Borrowings	29,145	27,609	37,629	36%	31,805	4%
<b>Total Receipts (A+B)</b>	<b>1,53,408</b>	<b>2,11,961</b>	<b>2,12,297</b>	<b>0%</b>	<b>2,18,503</b>	<b>19%</b>
<b>Revenue Balance</b>	<b>699</b>	<b>19,173</b>	<b>-5,187</b>	<b>-127%</b>	<b>9,196</b>	<b>263%</b>
As % of GSDP	0.11%	2.80%	-0.80%		1.21%	
<b>Fiscal Deficit</b>	<b>12,241</b>	<b>20,374</b>	<b>43,737</b>	<b>115%</b>	<b>22,511</b>	<b>36%</b>
As % of GSDP	1.98%	2.97%	6.77%		2.97%	
<b>Primary Deficit</b>	<b>1,250</b>	<b>7,449</b>	<b>30,786</b>	<b>313%</b>	<b>7,993</b>	<b>153%</b>
As % of GSDP	0.20%	1.09%	4.76%		1.06%	

Note: BE is Budget Estimates; RE is Revised Estimates. A negative Revenue Balance indicates a deficit.

Sources: Bihar Budget Documents 2021-22; Bihar Economic Survey 2020-21; PRS.

## Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 41,231 crore, which is an annual increase of 43% over 2019-20. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e., expenditure which leads to the creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government. The capital outlay in 2021-22 (Rs 30,788 crore) is estimated to increase at an annualised rate of 58% over 2019-20.
- **Revenue expenditure** for 2021-22 is proposed to be Rs 1,77,071 crore, which is an annual increase of 20% over 2019-20. This includes expenditure such as payment of salaries, pensions, interest, and subsidies.
- As per revised estimates, in 2020-21, while revenue expenditure is estimated to 9% higher than the budget estimate, capital outlay is estimated to be 3% less.

**Table 2: Expenditure budget 2021-22 (in Rs crore)**

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Capital Expenditure	20,080	47,010	46,032	-2%	41,231	43%
of which Capital Outlay	12,304	38,745	37,748	-3%	30,788	58%
Revenue Expenditure	1,23,534	1,64,751	1,79,426	9%	1,77,071	20%
<b>Total Expenditure</b>	<b>1,43,614</b>	<b>2,11,761</b>	<b>2,25,458</b>	<b>6%</b>	<b>2,18,303</b>	<b>23%</b>
A. Debt Repayment	7,110	7,035	7,053	0.3%	9,094	13%
B. Interest Payments	10,991	12,925	12,951	0.2%	14,517	15%
<b>Debt Servicing (A+B)</b>	<b>18,101</b>	<b>19,960</b>	<b>20,004</b>	<b>0.2%</b>	<b>23,612</b>	<b>14%</b>

Note: BE is Budget Estimates; RE is Revised Estimates. Capital outlay denotes expenditure that leads to the creation of assets.

Sources: Bihar Budget Documents 2021-22; PRS.

## Sectoral expenditure in 2021-22

The sectors listed below account for **68%** of the total expenditure on sectors by the state in 2021-22. A comparison of Bihar's expenditure on the key sectors with that by other states can be found in Annexure 1.

**Table 3: Sector-wise expenditure under Bihar Budget 2021-22 (in Rs crore)**

Sector	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	Budget provisions 2021-22
Education, Sports, Arts, and Culture	26,353	39,351	38,509	39,467	22%	Allocation towards cash incentives to female students for completing senior secondary and graduation is Rs 400 crore and Rs 215 crore, respectively.
Rural Development	13,198	26,058	26,059	24,156	35%	Rs 4,300 crore has been allocated towards MGNREGS. Rs 4,033 crore has been allocated towards Pradhan Mantri Gram Sadak Yojana.
Health and Family Welfare	7,674	10,602	11,171	13,012	30%	Rs 2,659 crore has been allocated towards the provision of health services in urban areas. Rs 360 crore has been allocated towards incentives to ASHA workers.
Social Welfare and Nutrition	8,810	13,505	20,700	12,610	20%	Rs 953 crore has been allocated towards Mukhyamantri Vriddhhajan Pension Yojana.
Police	7,738	10,022	9,926	11,558	22%	District police and village police have been allocated Rs 5,944 crore and Rs 1,314 crore, respectively.
Housing	5,658	9,317	9,317	9,075	27%	Rs 8,200 crore has been allocated towards Indira Awas Yojana.
Energy	9,043	5,457	8,549	8,473	-3%	Rs 6,758 crore has been allocated towards assistance to the state power holding corporation.
Roads and Bridges	3,496	7,603	9,246	7,800	49%	Rs 3,810 crore has been allocated towards capital outlay on roads and bridges.
Agriculture and allied activities	4,066	7,056	6,866	7,604	37%	Rs 190 crore has been allocated towards the Pradhan Mantri Krishi Sinchayi Yojana. Rs 145 crore has been allocated towards the promotion of organic farming.
Urban Development	2,766	6,637	6,637	6,853	57%	Rs 450 crore has been allocated towards the provision of storm-water drainage system in cities. Rs 420 crore has been allocated towards the Smart City Mission.
<b>% of total expenditure on all sectors</b>	<b>65%</b>	<b>67%</b>	<b>68%</b>	<b>68%</b>	<b>2%</b>	

Sources: Bihar Budget Documents 2021-22; PRS.

**Committed expenditure:** Committed expenditure of a state includes expenditure on payment of salaries, pensions, and interest. A larger proportion of the budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2021-22, Bihar is estimated to spend Rs 63,571 crore on committed expenditure, which is 34% of its revenue receipts. It comprises spending on salaries (15% of revenue receipts), pension (12% of revenue receipts), and interest payments (8% of revenue receipts). Committed expenditure is estimated to grow at 16% annually over 2019-20.

**Table 4: Committed Expenditure in 2021-22 (in Rs crore)**

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
Salaries	19,463	24,987	24,999	0%	27,237	18%
Pensions	17,110	20,468	20,468	0%	21,817	13%
Interest	10,991	12,925	12,951	0%	14,517	15%
<b>Total Committed Expenditure</b>	<b>47,565</b>	<b>58,380</b>	<b>58,418</b>	<b>0%</b>	<b>63,571</b>	<b>16%</b>

Sources: Bihar Budget Documents 2021-22; PRS.

## Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 1,86,267 crore, an annual increase of 22% over the actual receipts in 2019-20. Of this, Rs 40,555 crore (22%) will be raised by the state through its **own resources**, and Rs 1,45,712 crore (78%) will come **from the Centre**. Resources from the Centre will be in the form of the state's share in central taxes (49% of revenue receipts) and grants (29% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes are estimated to be Rs 91,181 crore, an annual increase of 20% over 2019-20. However, as per estimates under the Union Budget 2021-22, Bihar will receive Rs 66,942 crore as devolution in 2021-22 (27% less than the estimate under the state budget). Such a significant variation in the estimate may need the state to cut back the expenditure planned for 2021-22 at a later stage. In 2020-21, devolution is estimated to be 13% less than the budget estimate. The Union Budget 2021-22 estimates the devolution to states in 2020-21 to be 30% less than the budget estimate. Hence, the revised estimate for 2020-21 under the state budget could also be an overestimate.
- **State's own tax revenue:** Total own tax revenue of Bihar is estimated to be Rs 35,050 crore in 2021-22, an annual increase of 8% over 2019-20. The growth rate for own tax revenue is estimated to be lower than the growth rate for GSDP (11%). Hence, the own tax to GSDP ratio is estimated to decline from 4.9% in 2019-20 to 4.6% in 2021-22.

**Table 5: Break up of state government receipts (in Rs crore)**

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
State's Own Tax	30,158	34,750	34,750	0%	35,050	8%
State's Own Non-Tax	3,700	5,239	7,839	50%	5,505	22%
Share in Central Taxes	63,406	91,181	78,896	-13%	91,181	20%
Grants-in-aid from Centre	26,969	52,754	52,754	0%	54,531	42%
<b>Total Revenue Receipts</b>	<b>1,24,233</b>	<b>1,83,924</b>	<b>1,74,240</b>	<b>-5%</b>	<b>1,86,267</b>	<b>22%</b>
Borrowings	29,145	27,609	37,629	36%	31,805	4%
Other receipts	30	428	428	0%	430	276%
<b>Total Capital Receipts</b>	<b>29,175</b>	<b>28,038</b>	<b>38,057</b>	<b>36%</b>	<b>32,235</b>	<b>5%</b>
<b>Total Receipts</b>	<b>1,53,408</b>	<b>2,11,961</b>	<b>2,12,297</b>	<b>0.2%</b>	<b>2,18,503</b>	<b>19%</b>

Note: BE is Budget Estimates; RE is Revised Estimates. Significant increase in the state's own tax at the revised stage in 2020-21 is on account of higher interest receipts estimated at the revised stage (Rs 4,680 crore as compared to the budget estimate of Rs 2,080 crore). Sources: Bihar Budget Documents 2021-22; PRS.

- In 2020-21, while GSDP is estimated to be 6% less than the budget estimate, no decrease has been estimated in the state's own tax revenue. Hence, the actual own tax revenue for 2020-21 could be below the revised estimate.
- In 2021-22, SGST is estimated to be the largest source of its own tax revenue (59% of the state's own tax revenue). SGST in 2021-22 is estimated to increase at an annual rate of 14% over 2019-20. In 2021-22, Bihar is expected to generate Rs 6,010 crore through the collection of Sales Tax and VAT, an annual decrease of 1% over the 2019-20 level.

### GST Compensation

The GST (Compensation to States) Act, 2017 guarantees states compensation for five years (till 2022) for any revenue loss arising due to GST implementation. The Act guarantees states a 14% annual growth in their GST revenue, failing which compensation grants are provided to states to meet the shortfall. These grants are funded through the GST compensation cess levied by the centre. As the cess collection is not sufficient to meet the compensation requirement of states in 2020-21, a part of their requirement will be met through loans from the centre (which will be repaid using future cess collection). As per the revised estimate of 2020-21, Bihar is estimated to receive Rs 7,405 crore as GST compensation. This includes GST compensation grants of Rs 3,500 crore and loans of Rs 3,905 crore. The state estimates to receive Rs 3,500 crore as GST compensation grants for the year 2021-22.

**Table 6: Some of the major state's own tax revenue sources (in Rs crore)**

Head	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	% of Revenue Receipts in 2021-22
State GST	15,801	20,800	20,800	0%	20,621	14%	11.1%
Sales Tax/ VAT	6,121	5,830	5,830	0%	6,010	-1%	3.2%
Stamps Duty and Registration Fees	4,661	4,700	4,700	0%	5,000	4%	2.7%
Taxes on Vehicles	2,713	2,500	2,500	0%	2,500	-4%	1.3%
Land Revenue	275	500	500	0%	500	35%	0.3%
Taxes and Duties on Electricity	440	250	250	0%	250	-25%	0.1%
<b>GST Compensation Grants</b>	<b>3,525</b>	<b>3,500</b>	<b>3,500</b>	<b>0%</b>	<b>3,500</b>	<b>0%</b>	<b>1.9%</b>
<b>GST Compensation Loans</b>	<b>-</b>	<b>-</b>	<b>3,905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Sources: Bihar Budget Documents 2021-22; PRS.

## Deficits, Debts, and FRBM Targets for 2021-22

The Bihar Fiscal Responsibility and Budget Management (FRBM) Act, 2006 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

**Revenue Balance:** It is the difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance its expenses which do not increase its assets or reduces its liabilities. A revenue surplus implies that the revenue receipts of the state are sufficient to meet the revenue expenditure requirements. The state estimates a revenue surplus of Rs 9,196 crore (or 1.21% of the GSDP) in 2021-22.

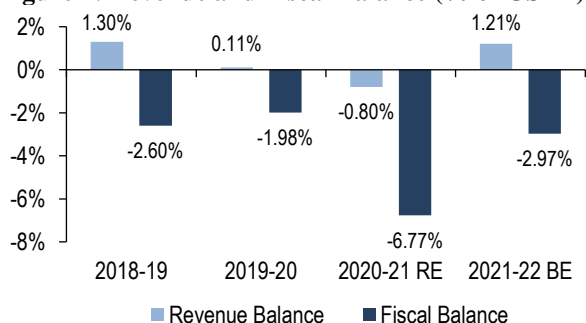
**Fiscal deficit:** It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2021-22, the fiscal deficit is estimated to be Rs 22,511 crore (2.97% of GSDP). This is lower than the 3% limit as per the FRBM Act as well as the 4% limit allowed by the central government for the fiscal deficit of states in 2021-22.

As per the revised estimates, in 2020-21, the fiscal deficit of the state is estimated to be 6.67% of GSDP, which is higher than the budget estimate of 2.97%. Note that the fiscal deficit for 2020-21 could be an overestimate as it is significantly above the permitted level (5% of GSDP allowed by the central government for 2020-21). In 2019-20 too, at the revised stage, the state estimated the fiscal deficit at 9.45% of GSDP, with expenditure to be 8.6% higher than the budget estimate. However, as per actuals for 2019-20, the fiscal deficit was 1.98% of GSDP (well within the 3% limit under the FRBM Act) and the total expenditure was 28.4% lower than the budget estimates.

**Enhanced borrowing limit in 2020-21:** Given the situation due to COVID-19, the central government permitted states to increase their fiscal deficit up to 5% of GSDP in 2020-21. All states are allowed to increase their fiscal deficit up to 4% of GSDP. The remaining 1% of GSDP is conditional on the implementation of reforms by states in the following areas (0.25% of GSDP for each reform): (i) one nation one ration card, (ii) ease of doing business, (iii) urban local body/ utility, and (iv) power distribution. As of February 19, 2021, Bihar has completed only power distribution reform, that too partially. Bihar is eligible to borrow Rs 323 crore for reducing the revenue gap in power distribution. The two pending reforms within power distribution in case of Bihar are: (i) reduction in technical and commercial losses and (ii) disbursement of power subsidy to farmers through direct benefit transfer (DBT).

**Outstanding liabilities:** Outstanding liabilities are the accumulation of total borrowings (including any liabilities on public accounts) at the end of a financial year. In 2021-22, the outstanding liabilities are estimated to be 32.3% of the GSDP, lower than the revised estimate for 2020-21 (34.3% of GSDP). The outstanding liabilities are estimated to increase from 31.9% of GSDP in 2018-19 to 32.3% of GSDP in 2021-22.

**Figure 2: Revenue and Fiscal Balance (% of GSDP)**



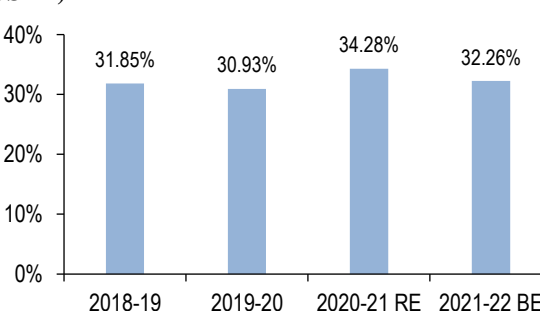
Note: RE is Revised Estimates; BE is budget estimates. Negative sign indicates a deficit, positive sign indicates a surplus.  
Sources: Bihar Budget Documents 2021-22; PRS.

### Fiscal Roadmap for 2021-26

The 15<sup>th</sup> Finance Commission recommended the following fiscal deficit targets for states for the 2021-26 period (as a % of GSDP): (i) 4% for 2021-22, (ii) 3.5% for 2022-23, and (iii) 3% for 2023-26. The Commission estimates that this path will enable Bihar to bring down its total liabilities from 41.2% of GSDP in 2020-21 to 39.3% of GSDP at the end of 2025-26.

If a state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilised borrowing amount in subsequent years (within the 2021-26 period). An additional borrowing worth 0.5% of GSDP will be allowed each year for the first four years (2021-25) upon undertaking certain power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue.

**Figure 3: Outstanding Liabilities targets (as % of GSDP)**



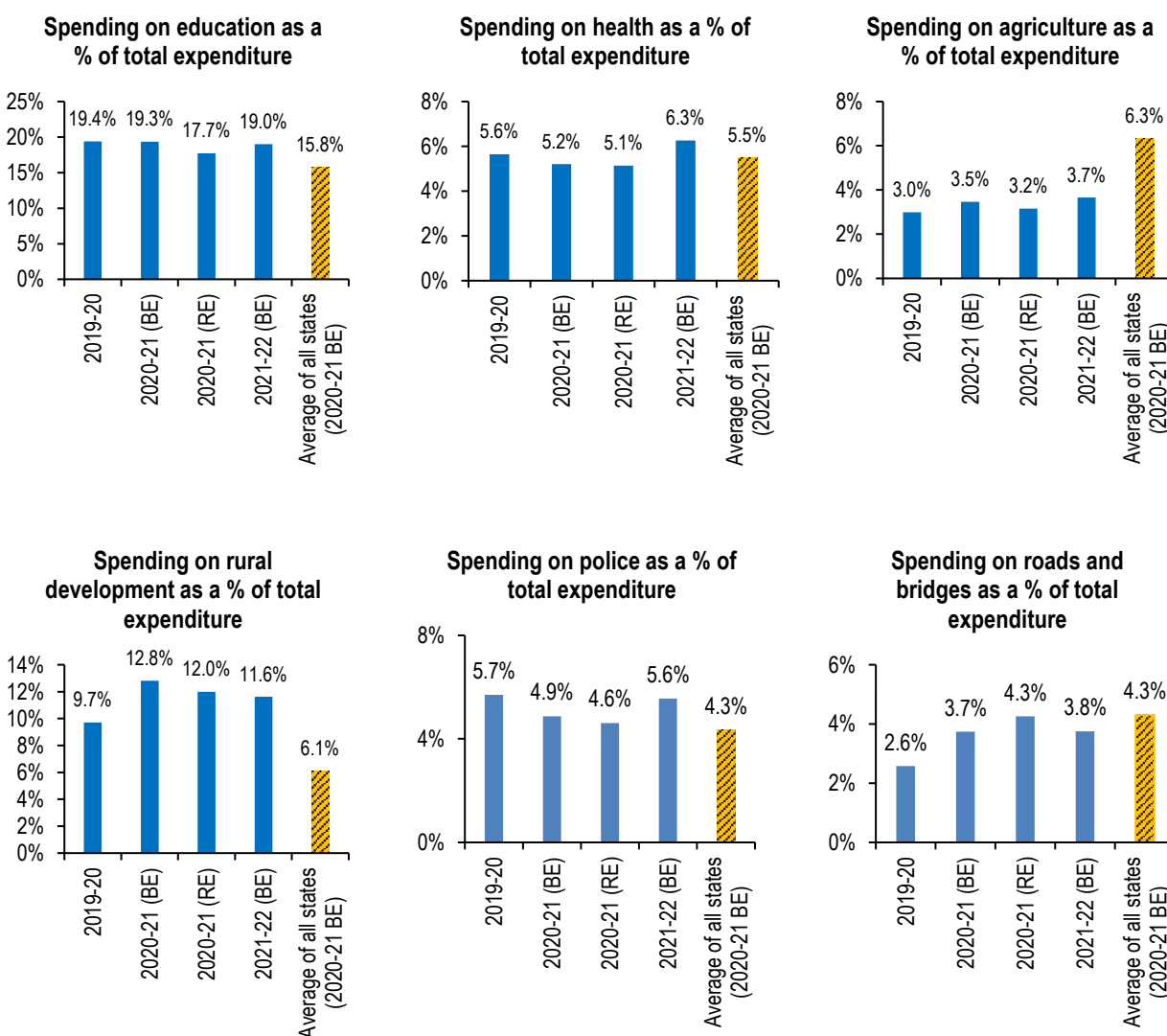
Note: RE is Revised Estimates; BE is budget estimates.  
Sources: Bihar Budget Documents 2021-22; PRS.



## Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Bihar's expenditure on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 30 states (including Bihar) as per their budget estimates of 2020-21.<sup>1</sup>

- **Education:** Bihar has allocated 19% of its total expenditure for education in 2021-22. This is higher than the average allocation (15.8%) for education by all states (2020-21 BE).
- **Health:** Bihar has allocated 6.3% of its total expenditure on health, which is higher than the average allocation for health by states (5.5%).
- **Agriculture:** The state has allocated 3.7% of its total expenditure towards agriculture and allied activities. This is significantly lower than the average allocation for agriculture by states (6.3%).
- **Rural development:** Bihar has allocated 11.6% of its expenditure on rural development. This is higher than the average allocation for rural development by states (6.1%).
- **Police:** Bihar has allocated 5.6% of its total expenditure on police, which is higher than the average expenditure on police by states (4.3%).
- **Roads and bridges:** Bihar has allocated 3.8% of its total expenditure on roads and bridges, which is lower than the average allocation by states (4.3%).



Note: 2019-20, 2020-21 (BE), 2020-21 (RE), and 2021-22 (BE) figures are for Bihar.  
Sources: Bihar Budget in Brief 2021-22; various state budgets; PRS.

<sup>1</sup> The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

## Annexure 2: Recommendations of the 15<sup>th</sup> Finance Commission for 2021-26

The 15<sup>th</sup> Finance Commission's (FC) report for the 2021-26 period was released on February 1, 2021. For the 2021-26 period, the Commission has recommended the share of states in the divisible pool of central taxes to be 41%, same as that for 2020-21 (also recommended by the 15<sup>th</sup> FC in its report for 2020-21). This is 1% point lower than the 42% share recommended by the 14<sup>th</sup> FC (for the 2015-20 period) to separately provide funds for the newly formed union territories of Jammu and Kashmir and Ladakh. The 15<sup>th</sup> FC proposed revised criteria for determining the share of individual states (different from 14<sup>th</sup> FC). Based on the 15<sup>th</sup> FC's recommendations for the period 2021-26, Bihar will have a 4.12% share in the divisible pool of central taxes. This implies that out of every Rs 100 of revenue in the divisible pool during the 2021-26 period, Bihar will receive Rs 4.12.

**Table 7: Share of states in the divisible pool of central taxes under the 14<sup>th</sup> and 15<sup>th</sup> FC periods**

State	14th FC	15th FC	15th FC	% change	
	2015-20	2020-21	2021-26	2015-20 to 2021-26	2020-21 to 2021-26
Andhra Pradesh	1.81	1.69	1.66	-8.2%	-1.6%
Arunachal Pradesh	0.58	0.72	0.72	25.2%	-0.2%
Assam	1.39	1.28	1.28	-7.8%	-0.1%
<b>Bihar</b>	<b>4.06</b>	<b>4.13</b>	<b>4.12</b>	<b>1.6%</b>	<b>0.0%</b>
Chhattisgarh	1.29	1.40	1.40	8.0%	-0.3%
Goa	0.16	0.16	0.16	-0.3%	0.0%
Gujarat	1.30	1.39	1.43	10.1%	2.4%
Haryana	0.46	0.44	0.45	-1.6%	1.0%
Himachal Pradesh	0.30	0.33	0.34	13.6%	3.9%
Jammu & Kashmir	0.78	-	-	-	-
Jharkhand	1.32	1.36	1.36	2.8%	-0.2%
Karnataka	1.98	1.50	1.50	-24.5%	0.0%
Kerala	1.05	0.80	0.79	-24.8%	-0.9%
Madhya Pradesh	3.17	3.23	3.22	1.5%	-0.5%
Maharashtra	2.32	2.52	2.59	11.7%	3.0%
Manipur	0.26	0.29	0.29	13.3%	-0.3%
Meghalaya	0.27	0.31	0.31	16.6%	0.3%
Mizoram	0.19	0.21	0.21	6.1%	-1.2%
Nagaland	0.21	0.24	0.23	11.5%	-0.7%
Odisha	1.95	1.90	1.86	-4.8%	-2.2%
Punjab	0.66	0.73	0.74	11.9%	1.1%
Rajasthan	2.31	2.45	2.47	7.1%	0.8%
Sikkim	0.15	0.16	0.16	3.2%	0.0%
Tamil Nadu	1.69	1.72	1.67	-1.0%	-2.6%
Telangana	1.02	0.88	0.86	-15.8%	-1.5%
Tripura	0.27	0.29	0.29	7.7%	-0.1%
Uttar Pradesh	7.54	7.35	7.36	-2.5%	0.0%
Uttarakhand	0.44	0.45	0.46	3.7%	1.3%
West Bengal	3.08	3.08	3.08	0.3%	0.1%
<b>Total</b>	<b>42.00</b>	<b>41.00</b>	<b>41.00</b>		

Note: Although the 15<sup>th</sup> FC recommended the same criteria for the 2020-21 and 2021-26 periods, the reference period for computation on some underlying indicators are different. This is why the share in the divisible pool in 2020-21 and 2021-26 differ for states. % share in the divisible pool has been rounded off up to two decimal places.

Sources: Reports of 14<sup>th</sup> and 15<sup>th</sup> FCs; Union Budget Documents 2021-22; PRS.

The 15<sup>th</sup> FC recommended grants worth Rs 10.3 lakh crore for states over five years (2021-26). A portion of these grants will be conditional. 17 states will receive revenue deficit grants during this period. Sector-specific grants include grants for sectors such as health, agriculture, and education. Grants to local governments include: (i) Rs 1.2 lakh crore for urban local bodies, (ii) Rs 2.4 lakh crore for rural local bodies, and (iii) health grants worth Rs 70,000 crore through local bodies for healthcare infrastructure.

**Table 8: Grants recommended for 2021-26 (Rs crore)**

Grants	Total	Bihar
Revenue deficit grants	2,94,514	0
Local governments grants	4,36,361	35,577*
Sector-specific grants	1,29,987	8,157#
Disaster management grants	1,22,601	7,824
State-specific grants	49,599	2,267
<b>Total</b>	<b>10,33,062</b>	<b>53,825</b>

Note: This does not include competition-based grants including \*grants for incubation of new cities (part of local bodies grants), and #grants for school education, and aspirational districts and blocks.

Source: Report of 15<sup>th</sup> FC; PRS.

Grants recommended for Bihar include: (i) Rs 35,577 crore as grants for local bodies, (ii) Rs 7,824 crore as disaster management grants, and (iii) Rs 2,267 crore as state-specific grants for purposes including protection of archaeological sites, setting up a digital university and university of art, and revival of Bhagalpur silk industry.

**Table 9: Taxes devolved to states as per Union Budget 2021-22 (in Rs crore)**

State	2019-20	2020-21 Revised	2021-22 Budget
Andhra Pradesh	29,421	22,611	26,935
Arunachal Pradesh	9,363	9,681	11,694
Assam	22,627	17,220	20,819
<b>Bihar</b>	<b>66,049</b>	<b>55,334</b>	<b>66,942</b>
Chhattisgarh	21,049	18,799	22,676
Goa	2,583	2,123	2,569
Gujarat	21,077	18,689	23,148
Haryana	7,408	5,951	7,275
Himachal Pradesh	4,873	4,394	5,524
Jammu & Kashmir	12,623	-38	-
Jharkhand	21,452	18,221	22,010
Karnataka	32,209	20,053	24,273
Kerala	17,084	10,686	12,812
Madhya Pradesh	51,584	43,373	52,247
Maharashtra	37,732	33,743	42,044
Manipur	4,216	3,949	4,765
Meghalaya	4,387	4,207	5,105
Mizoram	3,144	2,783	3,328
Nagaland	3,403	3,151	3,787
Odisha	31,724	25,460	30,137
Punjab	10,777	9,834	12,027
Rajasthan	37,554	32,885	40,107
Sikkim	2,508	2,134	2,582
Tamil Nadu	27,493	23,039	27,148
Telangana	16,655	11,732	13,990
Tripura	4,387	3,899	4,712
Uttar Pradesh	1,22,729	98,618	1,19,395
Uttarakhand	7,189	6,072	7,441
West Bengal	50,051	41,353	50,070
<b>Total</b>	<b>6,83,353</b>	<b>5,49,959</b>	<b>6,65,563</b>

Note: Actuals for 2019-20 and Revised Estimates for 2020-21 have been reported in the Union Budget after adjusting for excess or less devolution in previous years.

Source: Union Budget Documents 2021-22; PRS.

### Annexure 3: Comparison of 2020-21 Revised and 2021-22 Budget Estimates

The following tables compare the budget estimates for 2021-22 with the revised estimates for 2020-21.

**Table 10: Overview of Revised Estimates for 2020-21 and Budget Estimates for 2021-22 (in Rs crore)**

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
<b>Receipts (1+2)</b>	2,12,297	2,18,503	3%
Receipts except Borrowings	1,74,668	1,86,697	7%
1. Revenue Receipts (a+b+c+d)	1,74,240	1,86,267	7%
a. Own Tax Revenue	34,750	35,050	1%
b. Own Non-Tax Revenue	7,839	5,505	-30%
c. Share in central taxes	78,896	91,181	16%
d. Grants-in-aid from the Centre	52,754	54,531	3%
<i>Of which GST compensation</i>	3,500	3,500	0%
2. Capital Receipts	38,057	32,235	-15%
a. Borrowings	37,629	31,805	-15%
<i>Of which GST compensation loan</i>	3,905	-	-
<b>Expenditure (3+4)</b>	2,25,458	2,18,303	-3%
3. Revenue Expenditure	1,79,426	1,77,071	-1%
4. Capital Expenditure	46,032	41,231	-10%
i. Capital Outlay	37,748	30,788	-18%



Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
ii. Debt Repayment	7,053	9,094	29%
Revenue Balance	-5,187	9,196	-
<b>Revenue Balance (as % of GSDP)</b>	<b>-0.80%</b>	<b>1.21%</b>	<b>-</b>
Fiscal Deficit	43,737	22,511	-
<b>Fiscal Deficit (as % of GSDP)</b>	<b>6.77%</b>	<b>2.97%</b>	<b>-</b>

Note: A negative revenue balance indicates a deficit.

Source: Bihar Budget Documents 2021-22; PRS.

**Table 11: Key Components of State's Own Tax Revenue (in Rs crore)**

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
SGST	20,800	20,621	-0.9%
Sales Tax/VAT	5,830	6,010	3.1%
Stamps Duty and Registration Fees	4,700	5,000	6.4%
Taxes on Vehicles	2,500	2,500	0%
Land Revenue	500	500	0%
Taxes and Duties on Electricity	250	250	0%
State Excise Duty	0	0	-

Source: Bihar Budget Documents 2021-22; PRS.

**Table 12: Allocation towards Key Sectors (in Rs crore)**

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	38,509	39,467	2%
Rural Development	26,059	24,156	-7%
Health and Family Welfare	11,171	13,012	16%
Social Welfare and Nutrition	20,700	12,610	-39%
Police	9,926	11,558	15%
Housing	9,317	9,075	-3%
Energy	8,549	8,473	-1%
Roads and Bridges	9,246	7,800	-16%
Agriculture and allied activities	6,866	7,604	11%
Urban Development	6,637	6,853	3%

Source: Bihar Budget Documents 2021-22; PRS.

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