

Uttar Pradesh Budget Analysis 2021-22

The Finance Minister of Uttar Pradesh, Mr. Suresh Khanna, presented the Budget for the state for the financial year 2021-22 on February 22, 2021. Note that due to 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 Uttar Pradesh for 2021-22 (at current prices) is projected to be Rs 21,73,990 crore. This is an annual increase of 13% over 2019-20. This is 12% higher than the revised estimate of GSDP for 2020-21 (Rs 19,40,527 crore). In 2020-21, GSDP is estimated to be 8.3% higher than the budget estimate. In comparison, the nominal GDP of India is estimated to contract by 13% in 2020-21, and grow by 14.4% in 2021-22.
- **Total expenditure** for 2021-22 is estimated to be Rs 5,50,271 crore, a 20% annual increase over the 2019-20 expenditure.
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 4,20,672 crore, an annual increase of 6% over 2019-20. In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 1,15,766 crore (decrease of 27%).
- **Revenue surplus** for 2021-22 is estimated to be Rs 23,210 crore, which is 1.07% of the GSDP. In 2020-21, as per the revised figures, revenue deficit is estimated at Rs 13,161 crore (0.68% of GSDP) though the budget for 2020-21 had estimated a revenue surplus of Rs 27,451 crore (1.53% of GSDP).
- **Fiscal deficit** for 2021-22 is targeted at Rs 90,730 crore (4.17% of GSDP). In 2020-21, the revised estimate for fiscal deficit is expected to be 4.17% of GSDP, higher than the budget estimate of 2.97% of GSDP.

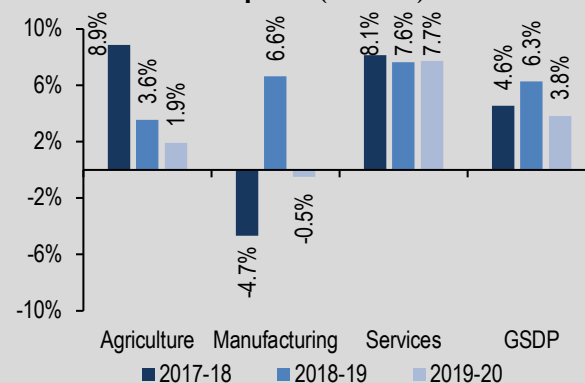
Policy Highlights

- **Atmanirbhar Krishak Samanvit Vikas Yojana:** A new scheme will be introduced to achieve doubling of farmers' income by 2022. It will focus on identification of more productive crops in each agri-climate zone, promote new technology and investment to improve productivity, and developing markets for distribution. Rs 100 crore has been allocated for this scheme.
- **Mukhyamantri Saksham Suposhan Yojana:** A new scheme will be launched to combat the issue of malnutrition of women and children. Nutritional supplements, in addition to dry ration, will be provided to children below five years of age and girls between 11 to 14 years of age who are suffering from anaemia.
- **Mukhamantri Pravasi Shramik Udyamita Vikas Yojana** will be introduced to provide employment and self-employment to workers who returned back to the state due to COVID-19.

Uttar Pradesh's Economy

- **GSDP:** The growth rate of Uttar Pradesh's GSDP (at constant prices) was 3.8% in 2019-20, which is less than the growth rate in 2018-19 (6.3%).
- **Sectors:** In 2019-20, agriculture, manufacturing, and services sectors contributed to 23%, 27%, and 50% of the economy. In 2019-20, the growth of all three sectors declined as compared to 2018-19.
- **Per capita GSDP:** The per capita GSDP of Uttar Pradesh in 2019-20 (at current prices) was Rs 74,141, 5% higher than in 2018-19.
- **Unemployment:** According to the Periodic Labour Force Survey 2018-19, Uttar Pradesh has an unemployment rate of 5.7%, which is similar to the all-India unemployment rate of 5.8%.

Figure 1: Growth in GSDP and sectors in Uttar Pradesh 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. Agriculture includes mining.

Sources: MOSPI; PRS.

Budget Estimates for 2021-22

- **Total expenditure** in 2021-22 is targeted at Rs 5,50,271 crore. This is an annual increase of 20% over 2019-20. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 4,20,672 crore and borrowings of Rs 85,509 crore. **Total receipts** for 2021-22 (other than borrowings) are expected to register an annual increase of 7% over 2019-20.
- As per the revised estimates for 2020-21, total expenditure is estimated to decrease by 19% over the budget estimates. In 2020-21, receipts (other than borrowings) are estimated to reduce by 27% from budget to revised stage. Borrowings in 2020-21 are estimated to increase by 21% from budget to revised stage.
- The state expects a **revenue surplus** of Rs 23,210 crore in 2021-22 (1.07% of GSDP). In 2020-21, revenue deficit is estimated to be Rs 13,161 crore at the revised stage as compared to the revenue surplus of Rs 27,451 crore estimated in the budget. **Fiscal deficit** for 2021-22 is estimated to be Rs 90,730 crore (4.17% of GSDP). In 2020-21, fiscal deficit is estimated to increase to 4.17% of GSDP at the revised stage as compared to 2.97% of GSDP estimated at the budget stage.

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)
Total Expenditure	3,83,352	5,12,861	4,14,751	-19%	5,50,271	20%
A. Receipts (except borrowings)	3,72,034	4,24,768	3,09,002	-27%	4,20,672	6%
B. Borrowings	73,809	75,791	91,502	21%	85,509	8%
Total Receipts (A+B)	4,45,842	5,00,559	4,00,504	-20%	5,06,182	7%
Revenue Balance	67,560	27,451	-13,161	-148%	23,210	-41%
As % of GSDP	4.00%	1.53%	-0.68%		1.07%	
Fiscal Balance	11,083	-53,195	-80,851	52%	-90,730	-
As % of GSDP	0.66%	-2.97%	-4.17%		-4.17%	
Primary Balance	45,896	-15,104	-42,472	181%	-47,200	-
As % of GSDP	2.72%	-0.84%	-2.19%		-2.17%	

Note: BE is Budget Estimates; RE is Revised Estimates. Negative revenue balance indicates deficit and positive values indicate surplus.

Sources: Uttar Pradesh Budget Documents 2021-22; PRS.

Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 1,55,140 crore, which is an annual increase of 35% over the actual expenditure in 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.
- **Revenue expenditure** for 2021-22 is proposed to be Rs 3,95,130 crore, which is an annual increase of 15% over 2019-20. This expenditure includes the payment of salaries, pensions, and interest. In 2020-21, revenue expenditure is estimated to be 19% less than the budget estimate.
- In 2021-22, expenditure on debt servicing is estimated to be Rs 82,398 crore, which is an annual increase of 20% over 2019-20. In 2020-21, revised estimate for debt servicing is 13% lower than the budget estimate.

Capital Outlay

Uttar Pradesh's capital outlay for 2021-22 is estimated to be Rs 1,13,768 crore, which is annual increase of 38% over 2019-20. The revised estimate for capital outlay in 2020-21 is Rs 68,254 crore which is 16% lower than the budget estimate. This includes reduction of Rs 3,008 crore and Rs 2,675 crore in capital outlay for transport and energy, respectively. Capital expenditure on water supply, sanitation, housing, and urban development sector was reduced by Rs 2,264 crore. This accounts for 61% of the total reduction in capital outlay.

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	84,519	1,17,744	94,788	-19%	1,55,140	35%
of which Capital Outlay	59,998	81,209	68,254	-16%	1,13,768	38%
Revenue Expenditure	2,98,833	3,95,117	3,19,962	-19%	3,95,130	15%
Total Expenditure	3,83,352	5,12,861	4,14,751	-19%	5,50,271	20%
A. Debt Repayment	22,401	34,897	24,897	-29%	38,869	32%
B. Interest Payments	34,813	38,091	38,379	1%	43,530	12%
Debt Servicing (A+B)	57,214	72,989	63,277	-13%	82,398	20%

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

Sources: Uttar Pradesh Budget Documents 2021-22; PRS.

Sectoral expenditure in 2021-22

The sectors listed below account for **62%** of the total expenditure on sectors by the state in 2021-22. A comparison of Uttar Pradesh's expenditure on the key sectors with other states can be found in Annexure 1.

Table 3: Sector-wise expenditure under Uttar Pradesh 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	55,778	64,805	53,043	67,683	10%	<ul style="list-style-type: none"> Rs 18,172 crore has been allocated to Samagra Shiksha Abhiyan and Rs 3,406 crore has been allocated to Mid-Day Meal Program.
Transport	27,980	33,152	29,568	44,255	26%	<ul style="list-style-type: none"> Rs 7,200 crore has been allocated for the land acquisition for Ganga Expressway and Rs 1,492 crore towards Bundelkhand Expressway.
Health and Family Welfare	19,957	26,266	20,582	32,009	27%	<ul style="list-style-type: none"> Rs 5,395 crore has been allocated towards National Rural Health Mission. Rs 1,300 crore has been allocated to Ayushman Bharat Yojana.
Police	20,289	26,395	20,725	29,172	20%	<ul style="list-style-type: none"> Rs 20,033 crore has been allocated to district police and Rs 3,361 crore to special police.
Rural Development	23,156	31,402	26,431	27,455	9%	<ul style="list-style-type: none"> Rs 7,000 crore has been allocated towards Pradhan Mantri Awas Yojana (Grameen). Rs 5,548 crore has been allocated to MGNREGA.
Energy	25,851	23,425	20,443	27,248	3%	<ul style="list-style-type: none"> Rs 10,150 crore has been allocated for providing power subsidy.
Social Welfare and Nutrition	15,136	23,438	21,048	24,420	27%	<ul style="list-style-type: none"> Rs 3,100 crore has been allocated to old age and farmers' pension schemes. Rs 1,375 crore and Rs 829 crore have been allocated towards scholarships to students from backward classes and minorities, respectively.
Urban Development	9,836	20,461	15,180	23,980	56%	<ul style="list-style-type: none"> Rs 10,029 crore has been allocated to Pradhan Mantri Awas Yojana (Urban). Rs 1,400 crore has been allocated to Swachh Bharat Mission (Urban).
Irrigation and Flood Control	14,671	19,137	16,808	20,418	18%	<ul style="list-style-type: none"> Rs 1,137 crore has been allocated to Madhya Ganga Canal project and Rs 976 crore towards Rajghat Canal project.
Water Supply and Sanitation	3,119	8,869	7,246	17,439	136%	<ul style="list-style-type: none"> Rs 15,000 crore has been allocated to Jal Jeevan Mission (Rural) and Rs 2,000 crore has been allocated to Jal Jeevan Mission (Urban).
% of total expenditure on all sectors	60%	58%	60%	62%		

Sources: Uttar Pradesh Budget Documents 2021-22; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2021-22, Uttar Pradesh is estimated to spend Rs 2,56,592 crore on committed expenditure, which is 61% of its revenue receipts. This is an annual increase of 17% over 2019-20. This comprises spending on salaries (35% of revenue receipts), pension (16%), and interest payments (10%). In 2020-21, payment towards salaries and pension decreased by -20% and 15% from budget to revised state.

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	1,01,781	1,36,988	1,09,914	-20%	1,44,345	19%
Pensions	49,603	62,062	52,464	-15%	68,717	18%
Interest	34,813	38,091	38,379	1%	43,530	12%
Total Committed Expenditure	1,86,197	2,37,141	2,00,758	-15%	2,56,592	17%

Sources: Uttar Pradesh Budget Documents 2021-22; PRS.

Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 4,18,340 crore, an annual increase of 7% over 2019-20. Of this, Rs 2,02,956 crore (49%) will be raised by the state through its **own resources**, and Rs 2,15,384 crore (51%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (29% of revenue receipts) and grants (23% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes are estimated to register an annual increase of 1% over 2019-20. However, as per the revised estimates of 2020-21, receipts from the state's share in central taxes are estimated to decrease by 35% as compared to the budget stage. This may be due to a 30% cut in the union budget for devolution to states, from Rs 7,84,181 crore at the budgeted stage to Rs 5,49,959 crore at the revised stage.
- **State's own tax revenue:** Total own tax revenue of Uttar Pradesh is estimated to be Rs 1,77,535 crore in 2021-22, an annual increase of 20% over the actual tax revenue in 2019-20. In 2020-21, as per the revised estimates, state's own tax revenue is estimated to be 25% lower than the budget estimates.

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*	1,22,826	1,58,413	1,18,813	-25%	1,77,535	20%
State's Own Non-Tax	81,705	31,179	10,812	-65%	25,422	-44%
Share in Central Taxes	1,17,818	1,52,863	98,618	-35%	1,19,395	1%
Grants-in-aid from Centre*	44,044	80,112	78,558	-2%	95,989	48%
Total Revenue Receipts	3,66,393	4,22,568	3,06,802	-27%	4,18,340	7%
Borrowings	73,809	75,791	91,502	21%	85,509	8%
Other receipts	5,641	2,200	2,200	0%	2,332	-36%
Total Capital Receipts	79,449	77,991	93,702	20%	87,841	5%
Total Receipts	4,45,842	5,00,559	4,00,504	-20%	5,06,182	7%

Note: *State's Own Tax and Grants from Centre figures have been adjusted to account for GST compensation grants as Grants from Centre.
Sources: Uttar Pradesh Budget Documents 2021-22; PRS.

- In 2021-22, SGST is estimated to be Rs 64,475 crore, which is the largest source (36%) of the state's own tax revenue. This is an annual increase of 17% over the actual SGST revenue in 2019-20. In 2020-21, SGST is estimated to be 20% less than the budget estimate.
- In 2021-22, Uttar Pradesh is expected to generate Rs 41,500 crore through the collection of State Excise, an annual increase of 23% over 2019-20. In 2020-21, the State Excise collection is estimated to decrease by 24% over the budget estimates.
- In 2021-22, Rs 31,100 crore is estimated to be generated through Sales Tax and VAT which is an annual increase of 23% over 2019-20.

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, Uttar Pradesh is estimated to receive a total of Rs 6,054 crore in the form of GST compensation grants which is 16.9% higher than that in 2019-20 (Rs 5,180 crore). In 2021-22 Rs 8,810 crore is expected as GST compensation grants, which is 30% higher than the grants received in 2019-20. This implies that the state will not be able to achieve the expected revenue growth.

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's own tax revenue	1,22,826	1,58,413	1,18,813	-25%	1,77,535	20%	42%
State GST (SGST)	47,232	55,673	44,301	-20%	64,475	17%	15%
State Excise	27,325	37,500	28,593	-24%	41,500	23%	10%
Sales Tax/VAT	20,517	28,287	22,492	-20%	31,100	23%	7%
Stamps Duty and Registration Fees	16,070	23,197	13,856	-40%	25,500	26%	6%
Taxes on Vehicles	7,715	8,650	4,916	-43%	9,350	10%	2%
Taxes and Duties on Electricity	3,453	4,250	4,250	0%	4,750	17%	1%
Land Revenue	504	856	405	-53%	860	31%	0%
GST Compensation Grants	5,180	7,608	6,054	-20%	8,810	30%	-

Sources: Uttar Pradesh Budget Documents 2021-22; PRS.

Deficits, Debts and FRBM Targets for 2021-22

The Uttar Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2004 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue surplus: It is the excess of revenue receipts over revenue expenditure. A revenue surplus implies that the government does not need to borrow to finance revenue expenditure (which do not increase its assets or reduces its liabilities). The 2021-22 budget estimates a revenue surplus of Rs 23,210 crore (1.07% of the GSDP) in 2021-22.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings which leads to an increase in total liabilities. In 2021-22, the fiscal deficit is estimated to be Rs 90,730 crore (4.17% of GSDP). This is higher than the 3% limit as per the FRBM Act. As per the revised estimates, in 2020-21, the fiscal deficit of the state is expected to be 4.17% of GSDP, which is higher than the budget estimate of 2.97%.

In 2019-20, Uttar Pradesh had a fiscal surplus of Rs 11,083 crore in 2019-20 (4% of GSDP), as compared to the fiscal deficit of Rs 46,911 crore budgeted earlier (2.97% of GSDP). One of the reasons for this surplus was a significant increase in the non-tax revenue. In 2019-20, actual non-tax revenue was Rs 81,705 crore, an increase of Rs 51,072 crore (167% increase) compared to the budget estimate (Rs 30,633 crore). This increase was due to higher receipts from the Sinking Fund (Rs 57,303 crore increase) than what was budgeted.

Sinking funds are maintained by states as a buffer to spread out the repayment of their liabilities. Uttar Pradesh has an accounting practice where funds are initially transferred from the revenue account to the sinking fund. However, these funds are not actually invested. The amount required for the repayment of market loan is later credited back as revenue receipts. The CAG (2020) has flagged this practice to be inconsistent with standard accounting procedure, and noted that this leads to overestimation of revenue surplus. It recommended: (i) investing the balance of sinking fund, and (ii) creation of a Consolidated Sinking Fund managed by RBI as per the recommendation of the 12th Finance Commission.

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 were 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 17, 2021, Uttar Pradesh is eligible to borrow Rs 9,702 crore for implementing the first two reforms.

Fiscal Roadmap for 2021-26

The 15th 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 Uttar Pradesh to bring down its total liabilities from 40.9% of GSDP in 2020-21 to 39.1% of GSDP in 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). 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.

Table 7: Budget targets for deficits for Uttar Pradesh (% of GSDP)

Year	Revenue Balance	Fiscal Balance	Outstanding Debt
2018-19 (Actuals)	-1.9%	-2.4%	30.2%
2019-20 (Actuals)	4.0%	0.7%	29.6%
2020-21 (Revised)	-0.7%	-4.2%	29.2%
2021-22 (Budget)	1.1%	-4.2%	28.1%
2022-23	1.6%	-3.5%	28.6%
2023-24	2.0%	-3.0%	28.5%
2024-25	2.3%	-2.7%	28.2%

Note: Outstanding debt includes outstanding debt under Internal Debt, Loans and Advances from Centre, Small Savings, Provident Fund, and Insurance and Pension Fund. Negative values indicate deficit and positive values indicate surplus.

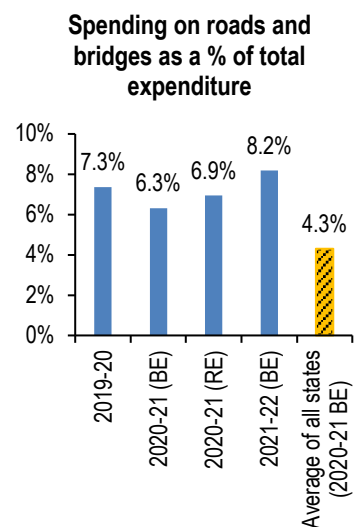
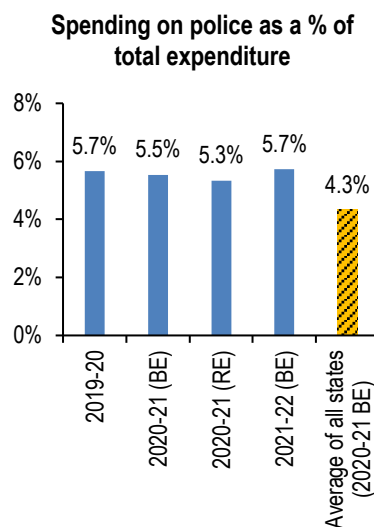
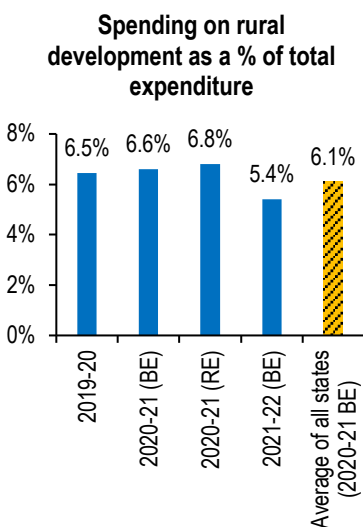
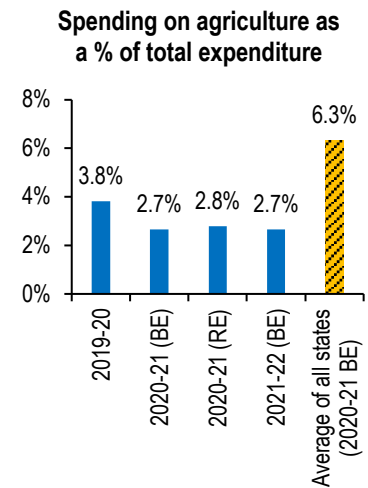
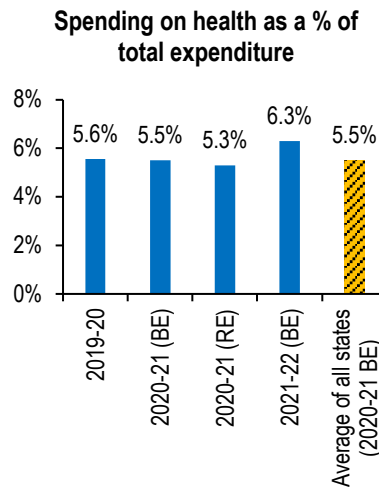
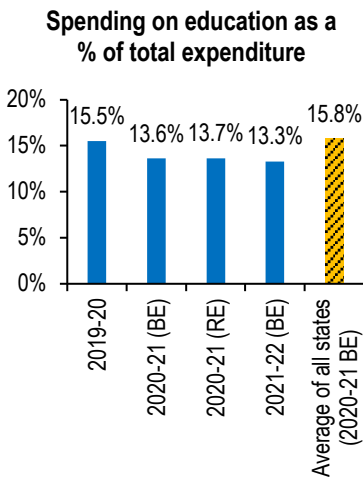
Sources: Uttar Pradesh Budget Documents 2021-22; PRS.

Outstanding debt: Outstanding debt is the accumulation of total borrowings at the end of a financial year. In 2021-22, the outstanding debt is expected to be 28.1% of the GSDP, lower than the revised estimate for 2020-21 (29.2% of GSDP). The outstanding debt is estimated to decrease from 30.2% in 2018-19 to 29.2% in 2021-22.

Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Uttar Pradesh'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 Uttar Pradesh) as per their budget estimates of 2020-21.¹

- **Education:** Uttar Pradesh has allocated 13.3% of its total expenditure for education in 2021-22. This is lower than the average allocation (15.8%) for education by all states (2020-21 BE).
- **Health:** Uttar Pradesh 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 2.7% 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:** Uttar Pradesh has allocated 5.4% of its expenditure on rural development. This is lower than the average allocation for rural development by states (6.1%).
- **Police:** Uttar Pradesh has allocated 5.7% of its total expenditure on police, which is higher than the average expenditure on police by states (4.3%).
- **Roads and bridges:** Uttar Pradesh has allocated 8.2% of its total expenditure on roads and bridges, which is almost double the average allocation by states (4.3%).



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

¹ The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

Annexure 2: Recommendations of the 15th Finance Commission for 2021-26

The 15th 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 15th FC in its report for 2020-21). This is 1% point lower than the 42% share recommended by the 14th FC (for the 2015-20 period) to separately provide funds for the newly formed union territories of Jammu and Kashmir, and Ladakh. The 15th FC proposed revised criteria for determining the share of individual states (different from 14th FC). Based on the 15th FC's recommendations for the period 2021-26, Uttar Pradesh will have a 7.36% 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, Uttar Pradesh will receive Rs 7.36. This is lower than Rs 7.54 recommended by the 14th FC.

Table 8: Share of states in the divisible pool of central taxes under the 14th and 15th 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%
Bihar	4.06	4.13	4.12	1.6%	0.0%
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%
Total	42.00	41.00	41.00		

Note: Although the 15th Finance Commission recommended the same criteria for 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. State's share has been rounded off to two decimal places.

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

The 15th 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 9: Grants recommended for 2021-26 (Rs crore)

Grants	Total	Uttar Pradesh
Revenue deficit grants	2,94,514	0
Local governments grants	4,36,361	67,160*
Sector-specific grants	1,29,987	15,781#
Disaster management grants	1,22,601	10,685
State-specific grants	49,599	3,495
Total	10,33,062	97,121

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 15th FC; PRS.

Grants recommended for Uttar Pradesh include: (i) Rs 67,160 crore has grants for local bodies, and (ii) Rs 3,495 crore as state-specific grants in the areas of sanitation, waste management, and health.

Table 10: Taxes devolved to states as per Union Budget 2021-22

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
Bihar	66,049	55,334	66,942
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
Total	6,83,353	5,49,959	6,65,563

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.

Sources: 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.

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Receipts (1+2)	4,00,504	5,06,182	26%
Receipts except Borrowings	3,09,002	4,20,672	36%
1. Revenue Receipts (a+b+c+d)	3,06,802	4,18,340	36%
a. Own Tax Revenue	1,18,813	1,77,535	49%
b. Own Non-Tax Revenue	10,812	25,422	135%
c. Share in central taxes	98,618	1,19,395	21%
d. Grants-in-aid from the Centre	78,558	95,989	22%
<i>Of which GST compensation</i>	6,054	8,810	46%
2. Capital Receipts	93,702	87,841	-6%
a. Borrowings	91,502	85,509	-7%
<i>Of which GST compensation loan</i>	-	-	-
Expenditure (3+4)	4,14,751	5,50,271	33%
3. Revenue Expenditure	3,19,962	3,95,130	23%
4. Capital Expenditure	94,788	1,55,140	64%
i. Capital Outlay	68,254	1,13,768	67%
ii. Debt Repayment	24,897	38,869	56%

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Revenue Balance	-13,161	23,210	276%
Fiscal Balance	-80,851	-90,730	-12%
Revenue Balance (as % of GSDP)	-0.68	1.07%	-
Fiscal Balance (as % of GSDP)	-4.17%	-4.17%	-

Note: Negative value of balance indicates a deficit and positive value indicates a surplus.

Sources: Union Budget Documents 2021-22; PRS.

Key Components of State's Own Tax Revenue

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
SGST	44,301	64,475	46%
Sales Tax/VAT	22,492	31,100	38%
State Excise Duty	28,593	41,500	45%
Stamps Duty and Registration Fees	13,856	25,500	84%
Taxes on Vehicles	4,916	9,350	90%
Taxes and Duties on Electricity	4,250	4,750	12%
Land Revenue	405	860	112%

Sources: Union Budget Documents 2021-22; PRS.

Allocation towards Key Sectors

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	53,043	67,683	28%
Transport	29,568	44,255	50%
Health and Family Welfare	20,582	32,009	56%
Police	20,725	29,172	41%
Rural Development	26,431	27,455	4%
Energy	20,443	27,248	33%
Social Welfare and Nutrition	21,048	24,420	16%
Urban Development	15,180	23,980	58%
Irrigation and Flood Control	16,808	20,418	21%
Water Supply and Sanitation	7,246	17,439	141%

Sources: Union Budget Documents 2021-22; PRS.

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