

Karnataka Budget Analysis 2021-22

The Chief Minister of Karnataka, Mr. B. S. Yediyurappa, presented the Budget for the state for the financial year 2021-22 on March 8, 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 Karnataka for 2021-22 (at current prices) is projected to be Rs 17,02,227 crore. This is an annual increase of 0.1% over the actual GSDP of 2019-20, and 5.6% lower than the revised estimate of GSDP for 2020-21 (Rs 18,03,609 crore). In 2020-21, revised estimate of GSDP has not changed from 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 2,46,207 crore, a 5% annual increase over the actual expenditure in 2019-20.
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 1,72,402 crore, an annual decrease of 1% over 2019-20. In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 20,218 crore (a shortfall of 11%).
- **Revenue deficit** for 2021-22 is estimated to be Rs 15,134 crore, which is 0.89% of the GSDP. In 2020-21, as per the revised figures, revenue deficit is estimated at Rs 19,486 crore (1.08% of GSDP) as compared to a revenue surplus of Rs 143 crore (0.01% of GSDP) estimated at the budget stage.
- **Fiscal deficit** for 2021-22 is targeted at Rs 59,240 crore (3.48% of GSDP). In 2020-21, the revised estimate for fiscal deficit is expected to be 3.23% of GSDP, higher than the budget estimate of 2.55% of GSDP.

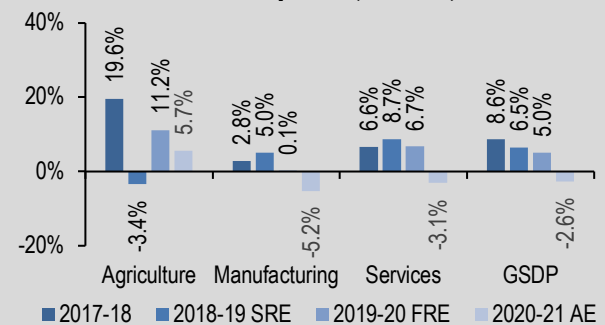
Policy Highlights

- **Chief Minister Mega Integrated Industrial Townships** will be developed in Bengaluru-Mumbai and Bengaluru-Chennai industrial corridors through public-private partnership. They are expected to attract investment worth Rs 10,000 crore over next three years and generate employment for five lakh people.
- **Agriculture:** Additional subsidy of 15% will be provided for post-harvest management and processing plants, construction of cold storage. Up to 25% subsidy will be provided in the storage charges collected by warehouses of Karnataka State Warehousing Corporation, and other cooperative and credit societies.
- Women entrepreneurs in the health sector will be provided loans up to two crore rupees at subsidised interest rate of 4%. Women's self-help groups will be supported to start 6,000 micro-enterprises in sectors such as catering, solid-waste management to provide self-employment opportunities to 60,000 women.
- **Tax proposal:** Stamp duty will be reduced from 5% to 3% for the first registration apartments valued between Rs 35 lakhs to Rs 45 lakhs.

Karnataka's Economy

- **GSDP:** In 2020-21, Karnataka's GSDP (at constant prices) is estimated to contract by 2.6% over the previous year. In 2019-20, the growth rate is estimated to be 5%.
- **Sectors:** In 2020-21, agriculture, manufacturing, and services sectors contributed to 11%, 24%, and 64% of the economy. In 2020-21, manufacturing and services sectors registered negative growth.
- **Unemployment:** According to the Periodic Labour Force Survey 2018-19, Karnataka has an unemployment rate of 3.6%, which is lower than all-India unemployment rate of 5.8%.

Figure 1: Growth in GSDP and sectors in Karnataka 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; Karnataka Budget Documents 2021-22

Budget Estimates for 2021-22

- **Total expenditure** in 2021-22 is targeted at Rs 2,46,207 crore. This is an annual increase of 5% over 2019-20. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,72,402 crore and borrowings of Rs 71,332 crore. **Total receipts** for 2021-22 (other than borrowings) are expected to register an annual decrease of 1% over 2019-20.
- As per the revised estimates for 2020-21, total expenditure is estimated to decrease by 3% over the budget estimates. In 2020-21, receipts (other than borrowings) are estimated to reduce by 11% from the budget to revised stage. Borrowings in 2020-21 are estimated to increase by 33% from the budget to revised stage.
- The state expects a **revenue deficit** of Rs 15,134 crore in 2021-22 (0.89% of GSDP). In 2020-21, revenue deficit is estimated to be Rs 19,486 crore at the revised stage as compared to the revenue surplus of Rs 143 crore estimated at the budget stage. **Fiscal deficit** for 2021-22 is estimated to be Rs 59,240 crore (3.48% of GSDP). In 2020-21, fiscal deficit is estimated to increase to 3.23% of GSDP at the revised stage as compared to 2.55% 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	2,24,036	2,37,893	2,29,925	-3%	2,46,207	5%
A. Receipts (except borrowings)	1,75,690	1,80,216	1,59,999	-11%	1,72,402	-1%
B. Borrowings	50,459	52,918	70,382	33%	71,332	19%
Total Receipts (A+B)	2,26,149	2,33,134	2,30,381	-1%	2,43,734	4%
Revenue Balance	1,185	143	-19,486	-	-15,134	-
As % of GSDP	0.07%	0.01%	-1.08%		-0.89%	
Fiscal Deficit	38,166	46,072	58,321	27%	59,240	25%
As % of GSDP	2.25%	2.55%	3.23%		3.48%	
Primary Deficit	19,646	23,855	35,702	50%	32,079	28%
As % of GSDP	1.16%	1.32%	1.98%		1.88%	5%

Note: BE is Budget Estimates; RE is Revised Estimates. For revenue balance, positive values indicate surplus and negative values indicate deficit.

Sources: Karnataka Budget Documents 2021-22; PRS.

Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 58,802 crore, which is an annual increase of 9% 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 1,87,405 crore, which is an annual increase of 4% over 2019-20. This expenditure includes the payment of salaries, pensions, and interest. No notable change is estimated in the revenue expenditure at the revised stage in 2020-21 as compared to the budget estimate.

Capital Outlay

Karnataka's capital outlay for 2021-22 is estimated to be Rs 41,358 crore, which is annual increase of 8% over 2019-20. The revised estimate for capital outlay in 2020-21 is Rs 37,146 crore which is 14% lower than the budget estimate. This includes reduction of Rs 2,496 crore in the allocation towards irrigation and flood control, and reduction of Rs 1,206 crore towards urban development. This accounts for 63% of the total reduction in capital outlay in 2020-21.

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	49,779	58,117	50,730	-13%	58,802	9%
of which Capital Outlay	35,529	43,059	37,146	-14%	41,358	8%
Revenue Expenditure	1,74,257	1,79,776	1,79,195	0%	1,87,405	4%
Total Expenditure	2,24,036	2,37,893	2,29,925	-3%	2,46,207	5%
A. Debt Repayment	10,180	11,605	11,605	0%	14,565	20%
B. Interest Payments	18,519	22,216	22,619	2%	27,161	21%
Debt Servicing (A+B)	28,700	33,822	34,224	1.2%	41,726	21%

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

Sources: Karnataka Budget Documents 2021-22; PRS.

Sectoral expenditure in 2021-22

The sectors listed below account for **61%** of the total expenditure on sectors by the state in 2021-22. A comparison of Karnataka's expenditure on the key sectors with other states can be found in Annexure 1.

Table 3: Sector-wise expenditure under Karnataka 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	27,721	28,967	27,633	29,100	2%	<ul style="list-style-type: none"> Rs 2,047 crore has been allocated to Akshardosha scheme for universalisation of primary education. Rs 247 crore has been allocated towards Samagra Shikshan Abhiyan.
Irrigation and Flood Control	15,446	19,603	17,064	19,367	12%	<ul style="list-style-type: none"> Capital outlay of Rs 2,600 crore has been allocated towards Upper Bhadra scheme.
Agriculture and allied activities	21,990	16,472	16,840	14,976	-17%	<ul style="list-style-type: none"> Rs 2,120 crore has been allocated towards Pradhan Mantri Kisan Samman Yojana. Rs 900 crore has been allocated towards New Crop Insurance Scheme.
Social Welfare and Nutrition	16,403	13,395	14,150	13,651	-9%	<ul style="list-style-type: none"> Rs 3,088 crore has been allocated towards pension under social security schemes. Rs 1,973 crore has been allocated towards distribution of nutritious foods and beverages.
Transport	12,464	12,220	12,082	12,736	1%	<ul style="list-style-type: none"> Rs 3,288 crore and Rs 2,381 crore have been allocated as capital outlay for state highways, and district and other roads respectively.
Energy	13,123	12,918	12,918	12,579	-2%	<ul style="list-style-type: none"> Subsidies of Rs 9,167 crore have been allocated to Karnataka Power Transmission Corporation.
Health and Family Welfare	9,160	10,296	11,947	12,235	16%	<ul style="list-style-type: none"> Rs 1,745 and Rs 1,622 crore have been allocated towards Urban Health Services-Allopathy and Rural Health Services-Allopathy.
Rural Development	7,341	9,769	9,677	9,191	12%	<ul style="list-style-type: none"> Rs 1,819 crore has been allocated towards MGNREGS. Rs 37 crore has been allocated towards construction of panchayat raj institution buildings.
Welfare of SC, ST, OBC, and Minorities	9,951	9,402	7,482	8,686	-7%	<ul style="list-style-type: none"> Rs 515 crore has been allocated towards maintenance of residential schools. Rs 200 crore has been allocated towards B R Ambedkar Housing Scheme.
Police	5,883	7,035	6,934	7,235	11%	<ul style="list-style-type: none"> Rs 3,044 crore has been allocated towards district police forces.
% of total expenditure on all sectors	66%	63%	63%	61%		

Sources: Karnataka 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, Karnataka is estimated to spend Rs 89,200 crore on committed expenditure, which is 52% of its revenue receipts. This is an annual increase of 14% over 2019-20. This comprises spending on salaries (22% of revenue receipts), pension (14% of revenue receipts), and interest payments (16% of revenue receipts). In 2020-21, payment towards salaries and pensions did not change significantly from the budget to revised stage. On average, states spend 50% of their revenue receipts on committed expenditure.

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	31,513	37,291	37,080	-1%	38,626	11%
Pensions	18,404	22,211	22,214	0%	23,413	13%
Interest	18,519	22,216	22,619	2%	27,161	21%
Total Committed Expenditure	68,436	81,718	81,913	0%	89,200	14%

Sources: Karnataka Budget Documents 2021-22; PRS.

Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 1,72,271 crore, an annual decrease of 1% over 2019-20. Of this, Rs 1,19,752 crore (70%) will be raised by the state through its **own resources**, and Rs 52,519 crore (30%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (14% of revenue receipts) and grants (16% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes (devolution) are estimated to register an annual decrease of 11% over 2019-20. As per the revised estimates of 2020-21, devolution is estimated to decrease by 30% as compared to the budget stage. This is 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 Karnataka is estimated to be Rs 1,11,494 crore in 2021-22, an annual increase of 4% 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 15% lower than the budget estimates. In 2020-21, state's own tax to GDP ratio is targeted at 6.5% which is notably higher than the revised estimate of 5.3% of 2020-21. This implies state's own tax growth is higher than the economic growth.

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	1,02,363	1,11,991	94,942	-15%	1,11,494	4%
State's Own Non-Tax	7,681	7,767	7,730	0%	8,258	4%
Share in Central Taxes	30,919	28,591	20,053	-30%	24,273	-11%
Grants-in-aid from Centre	34,480	31,570	36,985	17%	28,246	-9%
Total Revenue Receipts	1,75,443	1,79,920	1,59,709	-11%	1,72,271	-1%
Borrowings	50,459	52,918	70,382	33%	71,332	19%
Other receipts	248	297	290	-2%	131	-27%
Total Capital Receipts	50,707	53,214	70,672	33%	71,463	19%
Total Receipts	2,26,149	2,33,134	2,30,381	-1%	2,43,734	4%

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

- In 2021-22, SGST is estimated to be Rs 45,947 crore, which is the largest source (41%) of the state's own tax revenue. SGST is estimated to increase at an annual rate of 4% 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, Karnataka is expected to generate Rs 24,580 crore through the collection of State Excise, an annual increase of 7% over 2019-20. In 2020-21, the State Excise collection is estimated to be same as the budget estimate.

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, Karnataka is estimated to receive Rs 22,840 crore in the form of GST compensation grants which is 58% higher than that in 2019-20. In 2021-22, the state estimated to receive compensation grants of Rs 12,708 crore, which is 44% lower than the revised estimate of 2020-21. The requirement of GST compensation grants implies that the state will not be able to achieve the expected annual revenue growth of 14%.

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	42,147	47,319	37,834	-20%	45,947	4%	27%
State Excise	21,584	22,700	22,700	0%	24,580	7%	14%
Sales Tax/ VAT	16,424	17,783	15,231	-14%	16,791	1%	10%
Stamps Duty and Registration Fees	11,308	12,655	9,912	-22%	12,655	6%	7%
Taxes on Vehicles	6,763	7,115	5,525	-22%	7,515	5%	4%
Taxes and Duties on Electricity	2,693	2,917	2,530	-13%	2,708	0%	2%
Land Revenue	203	246	246	0%	271	16%	0%
GST Compensation Grants	14,497	16,116	22,840	42%	12,708	-6%	7%

Sources: Karnataka Budget Documents 2021-22; PRS.

Deficits, Debt, and FRBM Targets for 2021-22

The Karnataka Fiscal Responsibility Act (KFRA), 2002 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue deficit: It is the excess of revenue expenditure over 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 deficit indicates that the revenue receipts of the state are not sufficient to meet the revenue expenditure requirements. The budget estimates a revenue deficit of Rs 15,134 crore (or 0.89% of the GSDP) in 2021-22. The 15th FC has recommended Rs 1,631 crore as post-devolution revenue deficit grant for Karnataka for 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 59,240 crore (3.48% of GSDP). This is higher than the 3% limit as per the KFRA. As per the revised estimates, in 2020-21, the fiscal deficit of the state is expected to be 3.23% of GSDP, which is higher than the budget estimate of 2.55%.

In 2020-21, revised estimate of GSDP has not changed from the budget estimate. However, the Medium Term Fiscal Plan estimates GSDP in 2020-21 to be Rs 16,65,320 crore (Advance Estimate). As per this GSDP, fiscal deficit in 2020-21 would be 3.5% of GSDP. Revenue deficit would increase to 1.17% of GSDP from 1.08%. Outstanding liabilities will be 24% of GSDP instead of 22.08%.

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. Karnataka's fiscal deficit for 2020-21 is expected to be 3.23%, which is within this increased limit. 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, Karnataka is eligible to borrow Rs 9,919 crore for implementing reforms related to one nation one ration card, ease of doing business, and power distribution.

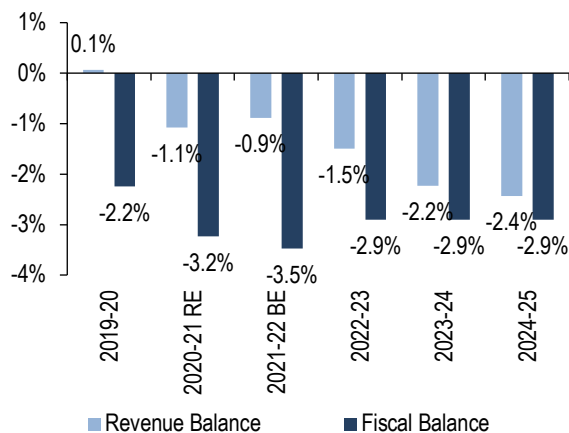
Outstanding liabilities: Outstanding liabilities refers to the accumulation of total borrowings (including any liabilities under public accounts) at the end of a financial year. In 2021-22, the outstanding liabilities is expected to be 26.9% of the GSDP, higher than the revised estimate for 2020-21 (22.1% of GSDP). The outstanding liabilities is estimated to increase from 19.9% in 2019-20 to 26.9% in 2021-22.

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 lead to an increase in total liabilities of Karnataka from 26.1% of GSDP in 2020-21 to 27.1% of GSDP in 2025-26.

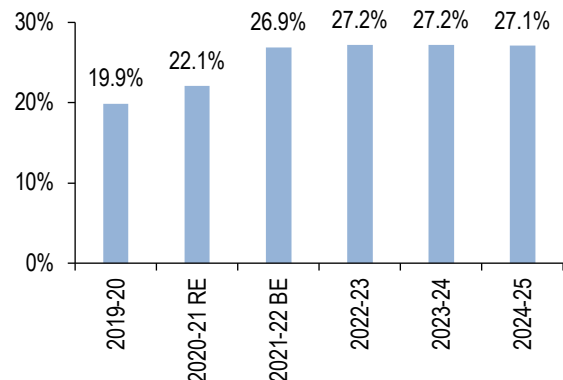
If a state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilised borrowing amount in subsequent years (within the 2021-26 period). Additional borrowing worth 0.5% of GSDP will be allowed each year for the first 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.

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



Note: Negative values indicate deficit and positive values indicate surplus; RE is Revised Estimates; BE is Budget estimates.
Sources: Karnataka Budget Documents 2021-22; PRS.

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

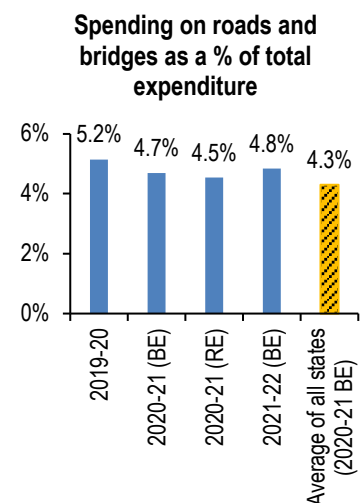
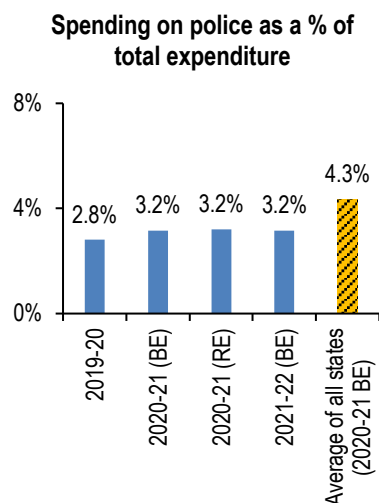
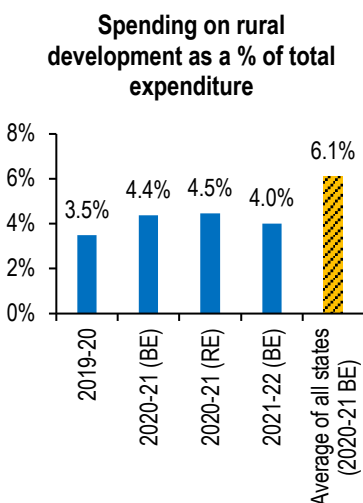
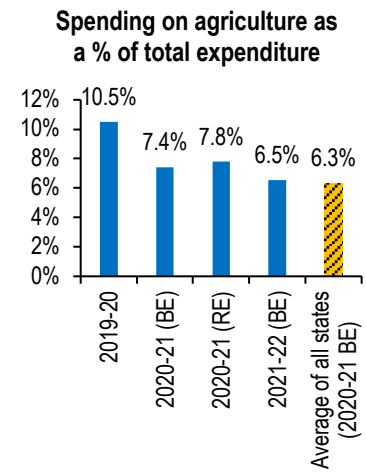
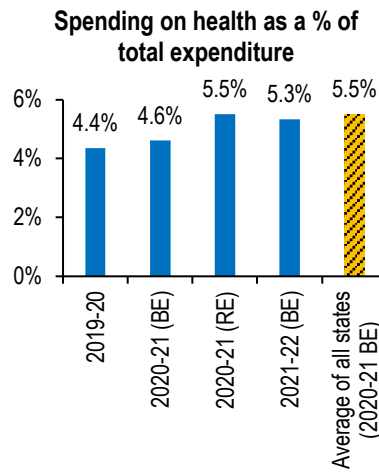
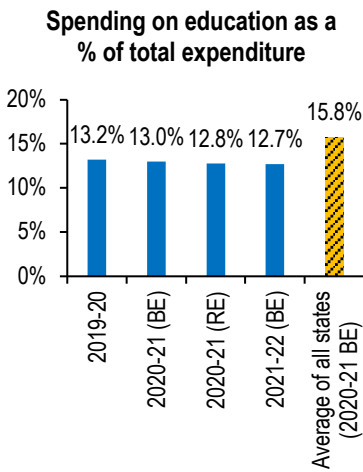


Note: RE is Revised Estimates; BE is budget estimates.
Sources: Karnataka Budget Documents 2021-22; PRS.

Annexure 1: Comparison of states' expenditure on key sectors

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

- **Education:** Karnataka has allocated 12.7% 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:** Karnataka has allocated 5.3% of its total expenditure on health, which is marginally lower than the average allocation for health by states (5.5%).
- **Agriculture:** Karnataka has allocated 6.5% of its total expenditure towards agriculture and allied activities. This is marginally higher than the average allocation for agriculture by states (6.3%).
- **Rural development:** Karnataka has allocated 4.0% of its expenditure on rural development. This is significantly lower than the average allocation for rural development by states (6.1%).
- **Police:** Karnataka has allocated 3.2% of its total expenditure on police, which is lower than the average expenditure on police by states (4.3%).
- **Roads and bridges:** Karnataka has allocated 4.8% of its total expenditure on roads and bridges, which is higher than the average allocation by states (4.3%).



Note: 2019-20, 2020-21 (BE), 2020-21 (RE), and 2021-22 (BE) figures are for Karnataka.
Sources: Karnataka Budget Documents 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, Karnataka will have a 1.50% 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, Karnataka will receive Rs 1.50. This is 24.5% lower than Rs 1.98 share by the 14th FC for the 2015-20 period.

Table 7: 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.

Grants recommended for Karnataka include: (i) Rs 21,877 crore grants for local bodies, (ii) Rs 4,369 crore grants for disaster management, and (iii) Rs 6,000 crore as state-specific grants for holistic improve of waterbodies and construction of peripheral ring road to decongest Bengaluru.

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

Grants	Total	Karnataka
Revenue deficit grants	2,94,514	1,631
Local governments grants	4,36,361	21,877*
Sector-specific grants	1,29,987	4,560#
Disaster management grants	1,22,601	4,369
State-specific grants	49,599	6,000
Total	10,33,062	38,437

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.

Table 9: 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.

Table 10: Key Components of State's Receipts and Expenditure

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Receipts (1+2)	2,30,381	2,43,734	6%
Receipts except Borrowings	1,59,999	1,72,402	8%
1. Revenue Receipts (a+b+c+d)	1,59,709	1,72,271	8%
a. Own Tax Revenue	94,942	1,11,494	17%
b. Own Non-Tax Revenue	7,730	8,258	7%
c. Share in central taxes	20,053	24,273	21%
d. Grants-in-aid from the Centre	36,985	28,246	-24%
<i>Of which GST compensation</i>	22,840	12,708	-44%
2. Capital Receipts	70,672	71,463	1%
a. Borrowings	70,382	71,332	1%
<i>Of which GST compensation loan</i>	-	-	-
Expenditure (3+4)	2,29,925	2,46,207	7%
3. Revenue Expenditure	1,79,195	1,87,405	5%
4. Capital Expenditure	50,730	58,802	16%
i. Capital Outlay	37,146	41,358	11%
ii. Debt Repayment	11,605	14,565	26%
Revenue Balance	-19,486	-15,134	-22%
Fiscal Deficit	58,321	59,240	2%
Revenue Balance (as % of GSDP)	-1.08%	-0.89%	-
Fiscal Deficit (as % of GSDP)	3.23%	3.48%	-

Note: For revenue balance, positive values indicate surplus and negative values indicate deficit.

Sources: Karnataka Budget Documents 2021-22; PRS.

Table 11: Key Components of State's Own Tax Revenue

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
State GST	37,834	45,947	21%
State Excise	22,700	24,580	8%
Sales Tax/ VAT	15,231	16,791	10%
Stamps Duty and Registration Fees	9,912	12,655	28%
Taxes on Vehicles	5,525	7,515	36%
Taxes and Duties on Electricity	2,530	2,708	7%
Land Revenue	246	271	10%

Sources: Karnataka Budget Documents 2021-22; PRS.

Table 12: Allocation towards Key Sector

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	27,633	29,100	5%
Irrigation and Flood Control	17,064	19,367	13%
Agriculture and Allied Activities	16,840	14,976	-11%
Social Welfare and Nutrition	14,150	13,651	-4%
Transport	12,082	12,736	5%
Energy	12,918	12,579	-3%
Health and Family Welfare	11,947	12,235	2%
Rural Development	9,677	9,191	-5%
Welfare of SC, ST, OBC, and Minorities	7,482	8,686	16%
Police	6,934	7,235	4%

Sources: Karnataka Budget Documents 2021-22; PRS.

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