

AT A GLANCE

Bihar Financial Profile

2023-24



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Trends in Funding

State governments raise money primarily through two broad channels: Revenue Receipts and Capital Receipts. The former includes revenues earned through taxes and non-tax sources including income from dividends, and money received from the Union government. Capital Receipts are mainly borrowings that enable expenditure when Revenue Receipts fall short of financing the budgeted spending. They also include receipts from sale of government-owned assets. Borrowings could be from the market, Reserve Bank of India or the Government of India (GoI). The two together are called Total Receipts which indicate the money received or earned by the government.

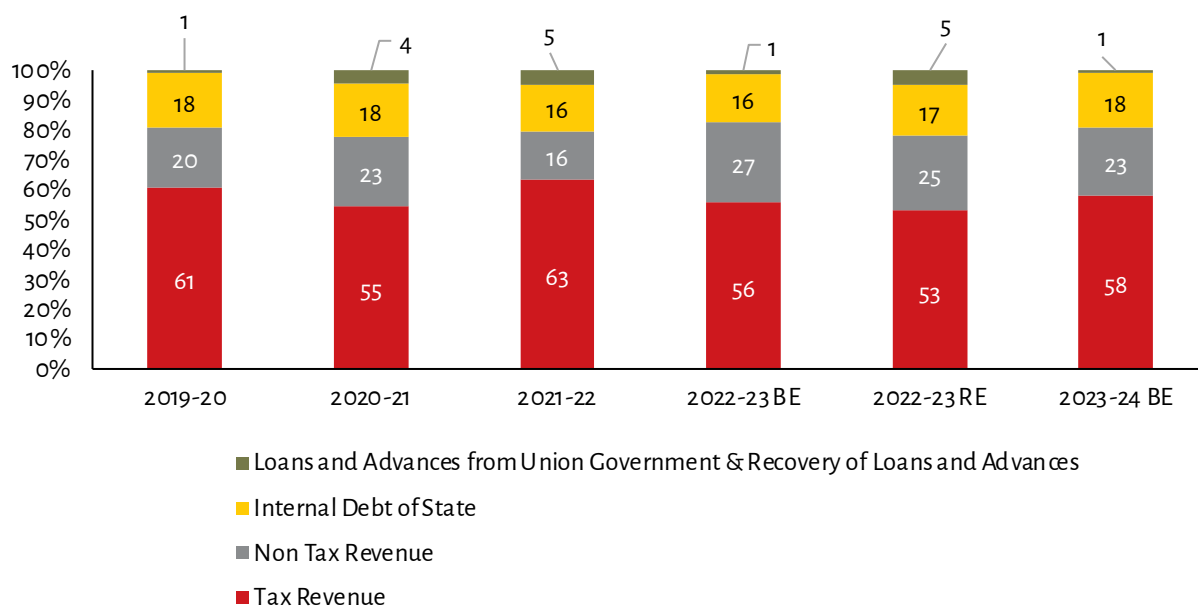
- Revenue Receipts for FY 2023-24 (Budget Estimates or BEs) are at ₹2,12,327 crore. This was a 6 per cent increase from the previous year's Revised Estimates (REs) and an 8 per cent increase from FY 2022-23 BEs. On the contrary, Capital Receipts stood at ₹49,758 crore — a 12 per cent decline from last year's REs, but 21 per cent increase from last year's BEs.
- In FY 2023-24 BEs, Revenue Receipts are expected to account for 81 per cent of Total Receipts, which is 3 percentage points more than FY 2022-23 REs. Share of Capital Receipts, however, have fallen. This is partly due to the fact that Capital Receipts had seen a significant increase during the first year of the COVID-19 pandemic due to extra borrowings in the form of loans and advances from GoI. With the pandemic abating, Capital Receipts have also fallen.
- In Bihar, the majority of Total Receipts are in the form of both Tax Revenue and Non-Tax Revenue. In FY 2023-24 BEs, the share of Tax Revenue in Total Receipts increased from 53 per cent in FY 2022-23 REs to 58 per cent. Non-Tax Revenue, however, saw a decline from 25 per cent to 23 per cent.
- The quantum of Capital Receipts in the form of internal debt to the state is also increasing — which was ₹27,866 crore in FY 2019-20 and is estimated to be ₹47,452 crore in FY 2023-24 BEs.

Note: Budget Estimates (BEs) are allocations by the government for any department or scheme for the upcoming financial year.

Revised Estimates (REs) are a mid-year review of projected amounts of receipts and expenditure until the end of the financial year.

Total Expenditure: GoI expenditure can be broadly classified into two types — Revenue Expenditure and Capital Expenditure. Revenue Expenditure is the spending largely on account of administrative expenses, salaries, financing daily operation, subsidies, etc. It frequently includes a sizable portion for committed liabilities which the government is still required to pay in the event of resource scarcity. Capital Expenditure (or capex, in short) refers to the spending on asset creation, machinery and equipment, which creates value over the long term. For instance, roads and bridges, hospitals, school buildings, etc.

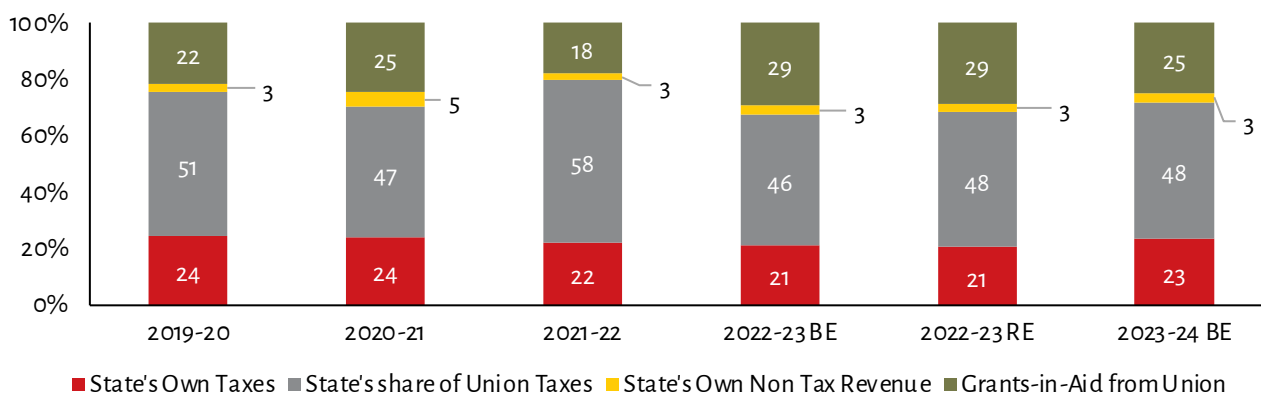
Distribution of Total Receipts Across Different Components



Source: Budget Summary, Finance Department, Government of Bihar from FY 2021-22 to FY 2023-24. Available online at: <https://state.bihar.gov.in/finance/SectionInformation.html?editForm&rowId=3373>. Last accessed on 3 March 2023.

- Bihar is one of the states which accounts for the lowest share of Own Source Revenue (states' Own Taxes and states' Own Non-Tax Revenue) in its Revenue Receipts. The proportion of Bihar's Own Resources has also been declining. In FY 2019-20, it stood at 27 per cent of Total Revenue Receipts. This fell to 25 per cent in FY 2021-22. In FY 2023-24 BEs, it is estimated to marginally increase to 26 per cent. On the contrary, GoI's Grant-in-Aid (GIA) is estimated to be 25 per cent of the Total Revenue Receipt, which is 3 percentage points more than 2019-20.

Composition of Revenue Receipts



Source: Budget Summary, Finance Department, Government of Bihar from FY 2021-22 to FY 2023-24. Available online at: <https://state.bihar.gov.in/finance/SectionInformation.html?editForm&rowId=3373>. Last accessed on 3 March 2023.

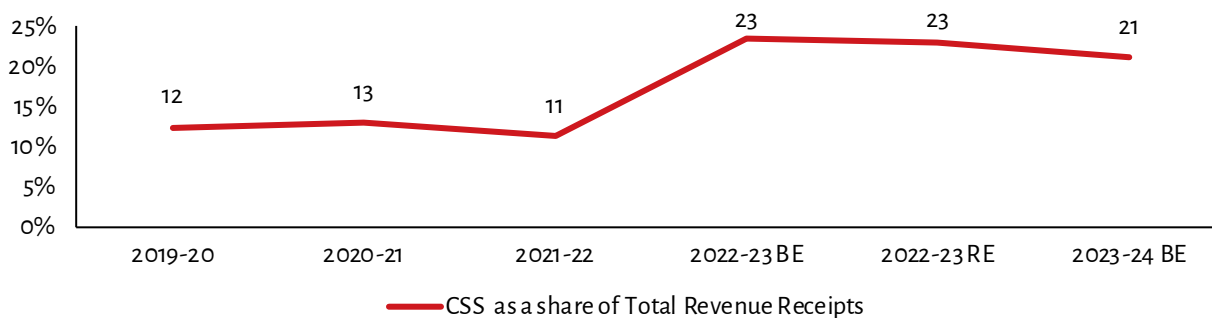
- In Bihar, the majority of Revenue Receipts comes through tax devolution to states (state share of Union taxes). In FY 2019-20, it was 51 per cent of Revenue Receipts, which increased to 58 per cent in FY 2021-22. In both FY 2022-23 REs and FY 2023-24 BEs it is expected to be 48 per cent.

Grants-in-Aid

Grants-in-Aid are payments or assistance given by one government to another government, body, institution or individual, usually for a specific purpose. In this primer, we look at the Grants-in-Aid specifically from Gol to states in the form of Finance Commission Grants, Centrally Sponsored Schemes, and other grants.

- An important component of GIA is Centrally Sponsored Schemes (CSS). The overall quantum of funds through CSS has increased for Bihar from 12 per cent to 13 per cent between FY 2019–20 and FY 2020–21. This, however, declined in FY 2021–22, and accounted for 11 per cent of Revenue Receipts.
- The share of CSSs is estimated to be higher in recent years. In FY 2022-23 REs, CSSs from Gol were estimated to account for 23 per cent of Revenue Receipts, which is more than double when compared to FY 2021-22. The share is similar in FY 2023-24 BEs at 21 per cent.

State Dependence on CSS



Source: Revenue & Capital Receipt and Budget Summary, Finance Department, Government of Bihar from FY 2021-22 to FY 2023-24. Available online at: <https://state.bihar.gov.in/finance/SectionInformation.html?editForm&rowId=3373>. Last accessed on 3 March 2023.

- Here too, however, it is important to note that there are differences between the figures initially budgeted for and Actuals. On average, between FY 2019-20 and FY 2021-22, Actuals were nearly 56 per cent of BEs.
- Below, we have looked at some major schemes, which account for more than 50 per cent of total CSS allocations coming through Gol for Bihar.

Budget Estimates and Actual Expenditure: CSS (in ₹ Crore)

	2019-20	2020-21	2021-22
CSS from GoI (Budget Estimates)	49,019	52,754	54,531
CSS from GoI (Actuals)	26,969	31,764	28,606
Difference	-22,051	-20,990	-25,925

Source: Budget Highlights, Finance Department, Government of Bihar from FY 2021-22 to FY 2023-24. Available online at: <https://state.bihar.gov.in/finance/SectionInformation.html?editForm&rowId=3373>. Last accessed on 3 March 2023.

- In FY 2020-21, GoI allocations for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), PM Poshan and National Health Mission (NHM) increased by 165 per cent, 27 per cent and 3 per cent respectively, when compared to FY 2019-20. In contrast, allocations declined for schemes such as Samagra Shiksha (-13 per cent), and Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) (-8 per cent).
- In FY 2023-24 BEs, GoI allocations for MGNREGS increased, with a 55 per cent rise as compared to the FY 2022-23 REs. NHM too is estimated to increase by 17 per cent. On the other hand, PMAY-G is estimated to decline by 26 per cent. For education-related schemes, allocations remain more or less the same.

Union Government Allocations for Major CSSs (₹ Crore)

	2019-20	2020-21	2021-22	2022-23 BE	2022-23 RE	2023-24 BE	2019-20 to 2020-21	2022-23 RE – 2023-24 BE
Samagra Shiksha	3,267	2,828	2,887	9,426	9,426	9,463	-13%	0.4%
NHM	939	969	2,024	2,659	2,659	3,101	3%	17%
MGNREGS	952	2,528	1,900	2,200	2,200	3,402	165%	55%
PMAY-G	2,087	1,914	3,082	7,689	7,689	5,689	-8%	-26%
Mid-Day-Meal	1,093	1,392	1,030	2,500	2,500	2,500	27%	0%

Source: Revenue & Capital Receipt, Finance Department, Government of Bihar from FY 2021-22 to FY 2023-24. Available online at: <https://state.bihar.gov.in/finance/SectionInformation.html?editForm&rowId=3373>. Last accessed on 3 March 2023.

Expenditure Trends

Like receipts, expenditures are of two types: Revenue and Capital. Revenue Expenditure is expenditure incurred to meet the day-to-day and regular needs of the government and does not result in the creation of assets nor yields any revenue in future. Capital Expenditure is expenditure that is used to create assets or reduce liabilities. This could be in the form of schools, hospitals, and other infrastructure or paying back loans.

- Total Expenditure grew at around 16 per cent between FY 2019-20 and FY 2021-22, driven to a large degree by an increase in Capital Expenditure which grew by 30 per cent during the same period.

- For FY 2023-24 BEs, Revenue Expenditure is estimated to be ₹2,07,848 crore which accounts for 79 per cent of Total Expenditure, a 9 per cent decline from last year's REs. At the same time, Capital Expenditure declined by 4 per cent and accounted for 21 per cent of Total Expenditure.
- Committed Liabilities include expenditure on salaries, wages and pensions, and interest payments on loans. State governments are obliged to pay them even if they face a resource crunch. A large segment of the expenditure is often on Committed Liabilities. Bihar spent more than one-third (35 per cent) on Committed Liabilities in FY 2019-20, which decreased to 31 per cent in FY 2021-22. For FY 2023-24 BEs, the state government has estimated 31 per cent of expenditure towards Committed Liabilities, up from 26 per cent in FY 2022-23 REs.
- In the last few years, expenditure on Subsidies in Bihar has declined. Between FY 2019-20 and FY 2021-22, the State government spent 5 per cent on Subsidies, which is estimated to decline to 4 per cent in FY 2023-24 BEs.

Overall Expenditure Trends (₹ Crore)

	Expenditure (₹ Crore)						Year on Year Growth (%)			
	2019-20	2020-21	2021-22	2022-23 BE	2022-23 RE	2023-24 BE	2019-20 to 2020-21	2020-21 to 2021-22	2021-22 to 2022-23 RE	2022-23 RE to 2023-24 BE
Revenue Expenditure	1,23,534	1,39,493	1,59,220	1,91,957	2,29,382	2,07,848	13%	14%	44%	-9%
Capital Expenditure	20,080	26,203	33,903	45,735	56,137	54,037	30%	29%	66%	-4%
Total Expenditure	1,43,614	1,65,696	1,93,123	2,37,691	2,85,519	2,61,885	15%	17%	48%	-8%

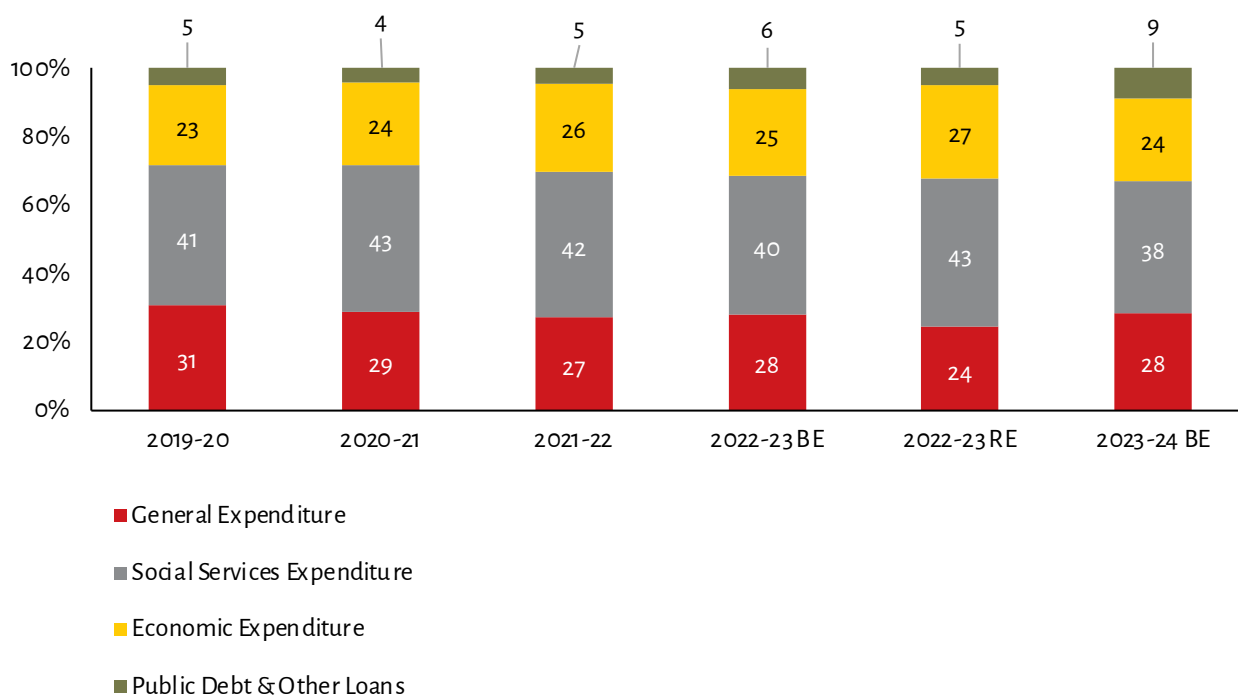
Source: Budget Summary, Finance Department, Government of Bihar from FY 2021-22 to FY 2023-24. Available online at: <https://state.bihar.gov.in/finance/SectionInformation.html?editForm&rowId=3373>. Last accessed on 3 March 2023.

Expenditure on Different Components

- Expenditure on Social Services accounted for a majority of Total Expenditure (including public debt) in Bihar. In FY 2019-20, 41 per cent of Total Expenditure was on Social Services which increased to 42 per cent in FY 2021-22.
- In FY 2022-23 REs, it further increased and accounted for 43 per cent of Total Expenditure. However, it is estimated to decrease and account for 38 per cent of Total Expenditure in FY 2023-24 BEs.
- Expenditure on General Services have continuously declined from FY 2019-20. In FY 2023-24 BEs, these are estimated to account for 28 per cent of Total Expenditure. The portion for Economic Services has marginally increased.

- Similarly, Public Debt, as a share of Total Expenditure, accounted for 5 per cent in FY 2019-20, which is estimated to increase to 9 per cent in FY 2023-24 BEs.

Distribution of Total Expenditure across Different Components

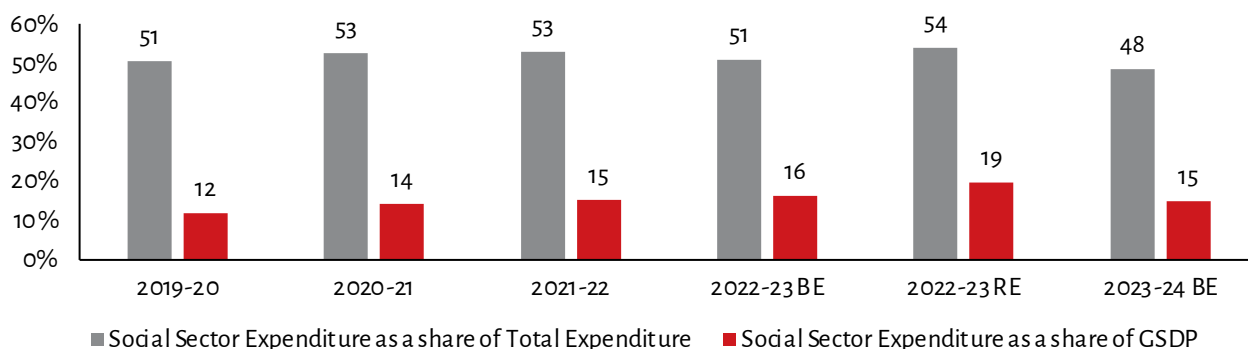


Source: Annual Finance Statement, Finance Department, Government of Bihar from FY 2021-22 to FY 2023-24. Available online at: <https://state.bihar.gov.in/finance/SectionInformation.html?editForm&rowId=3373>. Last accessed on 3 March 2023.

The term 'social sector' refers to education, rural development, health, water and sanitation, nutrition, social security and social justice, food security, housing and urban development, tribal and minority affairs, employment, skill development, women and child welfare, and sports and culture. Social services account for all above-mentioned sectors including rural development and food security, which are reported under economic services in state budgets.

- Between FY 2019-20 and FY 2021-22, the share of the Social Sector in Total Expenditure accounted for more than 50 per cent.
- In FY 2023-24, the share of Social Sector in Total Expenditure is estimated to decline to 48 per cent from 54 per cent in FY 2022-23 REs.
- Share of Social Sector expenditure as share of Gross State Domestic Product marginally increased from 12 per cent in FY 2019-20 to 19 per cent in FY 2022-23 REs. It is, however, estimated to marginally decline to 15 per cent in FY 2023-24 BEs.

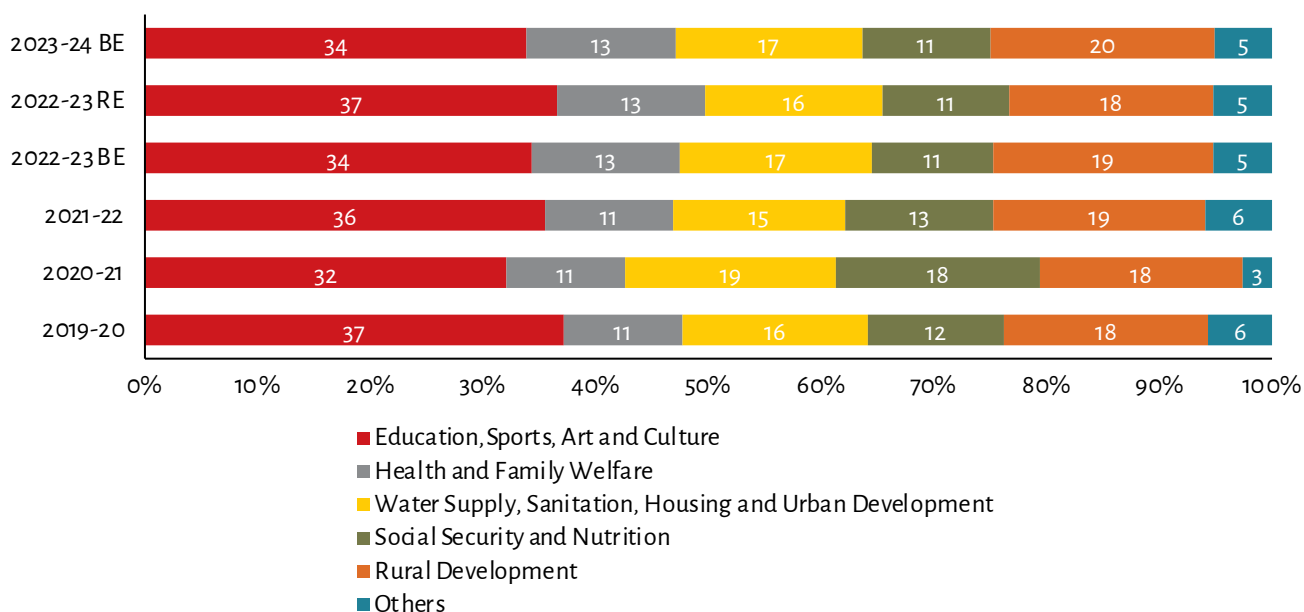
Proportion of Social Sector Expenditure in Total Expenditure and GSDP



Source: Annual Finance Statement and Budget Summary, Finance Department, Government of Bihar from FY 2019-20 to FY 2023-24. Available online at: <https://state.bihar.gov.in/finance/SectionInformation.html?editForm&rowId=3373>. Last accessed on 3 March 2023.

- In terms of the share of Social Sector expenditure across different components, Education, Arts and Culture account for more than one-third of the Social Sector Expenditure. The other priority areas between FY 2019-20 and FY 2023-24 BEs have been Rural Development averaging around 19 per cent of Total Expenditure. Water Supply, Sanitation, Housing and Urban Development averaged 17 per cent. Health and Family Welfare and Social Security and Nutrition accounted for 12 per cent during the same period.
- Composition of Education, Sports, Art and Culture declined in Total Social Sector expenditure during the first year of pandemic (FY 2020-21) by 5 percentage points, but since then has recovered. The share of Health and Family Welfare has remained relatively consistent across the years.

Distribution of Social Sector Expenditure across Different Components



Source: Annual Finance Statement and Budget Summary, Finance Department, Government of Bihar from FY 2019-20 to FY 2023-24. Available online at: <https://state.bihar.gov.in/finance/SectionInformation.html?editForm&rowId=3373>. Last accessed on 3 March 2023.