SMALLHOLDER AGRICULTURE AND WOMEN FARMERS IN UTTAR PRADESH - A STUDY

PUBLIC EXPENDITURE TOWARDS AGRICULTURE SECTOR

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ABBREVIATIONS

BE:	Budget Estimate
CSS:	Centrally Sponsored Schemes
DAH D&F:	Department of Animal Husbandry, Dairying and Fisheries
DOAC:	Department of Agriculture and Cooperation
ES:	Economic Survey
FFS:	Farmer's Field School
FYP:	Five Year Plan
GDP:	Gross Domestic Product
GSDP:	Gross State Domestic Product
KVKs:	Krishi Vigyan Kendras
MOA:	Ministry of Agriculture
NFSM:	National Food Security Mission
NPE:	Non-Plan Expenditure
PE:	Plan Expenditure
RBI:	Reserve Bank of India
RE:	Revised Estimate
RKVY:	Rashtriya Krishi Vikas Yojana
SAUs:	State Agriculture Universities,
SHG:	Self-Help Group
UP:	Uttar Pradesh

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EXECUTIVE SUMMARY

India's countryside has come under tremendous pressure with respect to all the relevant macro-economic indicators in recent years. The overall change in the country's macro-economic policy regime since the early 1990s has had serious implications for the well-being of the masses in rural India, where majority depends on agriculture for their livelihood. The performance of India's agriculture has been poor and one of the important reasons for this disappointing outcome is that this sector seems to have been receiving limited policy attention and inadequate resource allocations. It was expected that the State would take necessary action, through appropriate policy formulation and implementation, to protect the interest of the farmers, particularly the small and marginal farmers. By looking at the poor performance of agriculture, it can be concluded, that special and continuous policy attention would be required to cope with the crises afflicting the sector.

A review of allocations made in Union Budgets over the years indicates that agriculture has never been prioritized, although the 11th Five Year Plan period demonstrated some seriousness by implementing schemes like Rashtriya Krishi Vikas Yojana (RKVY). This not only helped the State of Uttar Pradesh in prioritizing agriculture in its annual budgets, but also resulted in achieving the targeted growth rate of 4 percent at the national level during the Plan period, the first time in the history of planned development. However, the continuous decline in the share of this sector in the overall budget of the country is not a good development.

Similarly, an examination of department-wise budget allocation and spending pattern of the Ministry of Agriculture, Government of India, reveals that much of the allocation is consumed by the Department of Agriculture and Cooperation followed by Department of Agricultural Research and Education. Department of Animal Husbandry, Dairying and Fisheries (allied sectors of agriculture) have received little allocation during the period under analysis. This indicates that diversification of agriculture is very slow and Indian agriculture is still dominated by the crop sector. Further, given the importance of use of technology, research and innovation in raising the productivity of the sector, adequate budgetary support towards agricultural research and education, from the Union Budget, is still wanting. The allied sector has vast potential to contribute to the sector and, therefore, needs appropriate policy attention. Further, component-wise disaggregated analysis of expenditure towards agriculture portrays that expenditure towards irrigation has been very little, hindering the increase in irrigation potential of the country which is also reflected in the stagnant productivity of the sector in the states.

Given the extent of the population dependent on agriculture, it was expected that Uttar Pradesh Government would have given greater priority to the agrarian sector in its annual budgets; this, however, remains a myth. Analysis of expenditure on agriculture in Uttar Pradesh Government's annual budgets reveals that it hovers around 5 to 9 percent, which is far short of expected levels of expenditure. Further, there is no steadiness in expenditure and it fluctuates quite often, which is not a good sign when one is expecting consistent growth of the sector. This is one of the most important reasons why the state's agricultural growth lags behind the growth in other sectors of the economy.

Again looking at the component-wise disaggregated expenditure on agriculture, we can infer that agriculture and allied activities (as one of the sub-sector) has not been given adequate attention in the state's annual budgets. The budgetary allocation towards crop sector dominates the annual budgets of Uttar Pradesh, just like in the Union Budget, leaving the animal husbandry, dairying and fisheries component far behind. Similarly, little attention has been given to co-operation and agricultural research and education during the entire period of analysis. An analysis of expenditure on agriculture reveals that Plan expenditure constitutes a higher share in expenditure as compared to the Non-Plan expenditure. However, there is no scheme, supported by the State Plan resources, with an impressive budgetary allocation to take care of farmers' community in general, and small and marginal farmers in particular.

As mentioned, given the complexity of budgetary process, very few initiatives benefiting small and marginal farmers have been taken up by the State Government. It is very difficult to capture such specific information from the budget, unless it is provided exclusively in the annual budgets. However, a cursory look into various programmes and schemes implemented by the State Government (from its own resources), indicates that there is one specific scheme meant for small farmers of the state with inadequate allocation (Rs. 974 crore for the entire period) for digging of borewell during the 12th FYP. Similarly, the Women Component Plan statement also does not capture relevant information related to the development of agriculture. This statement was prepared just to fulfill an obligation of bringing in an accounting statement and lacks rigour.

With the changing nature of fiscal federal framework of the country, the Union Government claims that states have been given adequate resources from the central divisible pool with enough flexibility to devise their own Plan schemes in various sectors, allocations to which have experienced a decline in the Union Budget 2015-16. In this context, it was expected that the shortfall in allocations towards agriculture in the Union Budget 2015-16, would be supplemented by the State Governments through their current budget. But a preliminary analysis of the fact shows that the centre-state political battle was a gimmick and agriculture in states suffered with inadequate allocations in the current budget. Eventually, this would get reflected in the welfare of the rural masses, majority of whom belong to the farming community.

As noted, there is a strong basis to argue that the contemporary agrarian crisis is organically connected with the macro-economic policy framework of the country. It is precisely this policy framework that has resulted in shrinking of fiscal space through stagnated tax-GDP ratios and self-regulated expenditure control mechanisms. In this context, it is quite important to note that Indian agriculture can hardly do without substantial State support in all respects. The empirical results lend credible support to the fact that there is a strong positive correlation between public investment and performance of agriculture. In Indian agriculture, with almost 85 percent of farmers belonging to the small and marginal category, policy formulation / implementation should target this large segment of farming community with appropriate quantum of public investment.

Quality budgeting, particularly Plan budgeting, still remains an issue for the State Governments. Spending of approved allocations, towards the end of the Plan period, raises several questions about the quality of expenditure, transparency and accountability. As has been seen from the spending pattern of Plan allocation and spending during 9th and 10th FYP, the expenditure was carried out towards the end of Plan period.

POLICY MEASURES / ASKS

1. **Increase the quantum of public investment through annual budgets of both the Union Government and State Budget**

Indian agriculture is in dire need of a 'big push' public investment (which in turn can also attract private investments) at this juncture. Given the crisis of declining / stagnant productivity in agriculture and the increasing demand for food grains to feed an ever growing population (as well as other demands for agricultural output), it is crucial to prioritize public investment towards this sector through annual budgets.

2. **Prioritize innovation, research and education in the annual budgets.**

To bridge the gap between demand-supply of food grains, there is a need to increase productivity through various technological advancements which calls for greater public investment for agricultural research, education and innovation.

3. **Adequate provisioning for rural infrastructure**

Appropriate provisioning for rural infrastructure by construction of rural roads and other means of connectivity, creation of food storages and godowns, and re-energising of rural market hubs for better marketing facilities should be taken up and expedited urgently in the annual budgets of both the Union and State Governments. This would help reduce the cost of production by making agriculture a viable occupation, if not profitable.

4. **Appropriate policy for extension services**

There is an urgent need for prioritizing and allocating resources for revamping the agricultural extension system. Restructuring and reforming the farm extension services through the deployment of adequate quality manpower, by devising appropriate manpower policy, is urgently required. To bridge the gap between the sanctioned strength and manpower in position, it is urgently required that the state should fill these positions.

5. **There is an urgent need to extend state's support to ensure minimum guaranteed agricultural income to small, marginal and women farmers.**

The State Government should allocate a decent amount from its annual budget towards the development of agrarian sector to make agriculture a sustainable and profitable occupation; special budgetary incentives (through a host of programmes and schemes) would be required for small and marginal farmers.

6. Devising specific Schemes for Women Farmers

With regard to allocation / expenditure towards women farmers, there is an urgent need for the state to introduce reporting such expenditures under Women Component Plan. The need to increase budgetary allocation and implement women specific programmes in the sector to take care of the needs of women farmers in the state is highly desirable.

7. Other policy measures

a. The gap between the targets and achievements can be reduced by increasing the unit costs. In many cases it has been observed that the unit costs set for producing desired output is quite inadequate. Hence, by increasing the unit cost as required could result in achieving the desired output from the sector.
b. The State Government should encourage farmers to access credit through formal sources, particularly through cooperative credit institutions, with lower rate of interest and there should be budgetary allocations towards interest subvention schemes, with the Union Government, providing additional top up.
c. For a common citizen, it is very difficult to understand the way budget documents and information are being put in the public domain. As we understand, budget is not a simple statement of accounts; rather it actually reflects the intent of the government for various sectors of the economy. Hence, it is highly recommended that the state should produce a separate annual budget for agriculture sector along with the general budget by providing locally relevant budget information, enhancing transparency and accountability.

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PUBLIC EXPENDITURE TOWARDS AGRICULTURE WITH SPECIFIC REFERENCE TO SMALLHOLDER AGRICULTURE AND WOMEN FARMERS IN UTTAR PRADESH-A STUDY

Section 1: Introduction

In most of the developing countries, especially in rural areas, the agriculture sector provides livelihood opportunities to a major chunk of population. It has been well acknowledged, in contemporary literature, that a growing agriculture and allied sector will contribute vastly to overall growth of the economy and poverty alleviation. However, due to inadequate attention and budgetary support given to agriculture in the overall policy framework, this sector has become underproductive and unviable as an occupation for millions. In these countries, appropriate public policy induced investment is now considered critical to capital formation in agriculture and sustained private investment. The continuing gap in demand-supply of food grains, growing land scarcity and lopsided economic development are outward manifestations of stagnant capital formation in agriculture. Attempts should be made to reverse such trends for a long-term, sustainable and equitable economic growth by injecting public investments towards this sector. Hence, public investment in agriculture along with a host of favorable public policies, e.g. trade policy, marketing policy, storage and distribution of goods produced etc. are viewed as important for sustainable economic growth and poverty reduction.

It is well-documented that by early 1990s the country's macro-economic policy regime had fundamentally changed. India's economy was opened to the world market. This shift from *dirigisme* to a market-driven policy regime has had profound implications for the well-being of the masses, particularly in rural India. In rural India, mainly in agriculture, the state's action through appropriate public policies holds significant implications for the overall performance of the sector. As has been repeatedly acknowledged, the development of rural areas should remain the focus of our policy framework, whereby, the overall growth of the economy with inclusiveness can be achieved.

There is enough evidence to suggest that sustained agricultural growth can lead to dramatic improvements in the incomes of the poor, provide affordable food, and stimulate structural economic transformation. However, decades of underinvestment (public investment) has posed a threat to all of these goals. Due to inadequate and inappropriate policy support from the state, viability of agriculture as an occupation in India, has come under tremendous strain for a couple of decades now. To cite one such example of agricultural stress in the country, the per capita Gross Domestic Product (GDP) of workers in agriculture comprises only about one-fifth of those in the non-agricultural occupations and is continuously declining (Bhalla, 2007). This has been accompanied by rural unrest and large number of farmer suicides, happening largely due to inadequate capital formation, which slackened the pace of technological change and infrastructural development in Indian agriculture. This in turn adversely affected agricultural productivity and output growth, resulting in low income for the agricultural community.

Further, the widening gap between the growth rate of the overall economy and the agricultural growth rate has been a worrying concern amongst the policy makers. Although, the performance of agriculture during the Eleventh Five Year Plan was very impressive, the overall growth of the economy dropped to a new low compared to the economic growth in last fifteen years. For instance, agriculture grew close to 4 percent due to spurt in public expenditure initiatives both by the Union and State Governments of India. Nonetheless, such public investments initiatives are still highly biased towards facilitating irrigated agriculture in the country, with huge subsidies to large farmers. Public support towards research and development, extension services, and infrastructure development, which have higher impact on smallholders' productivity, suffers inadequate investment.

As noted, one of the prime reasons for declining agricultural growth and decreasing income of small farmers is that of inadequate public spending towards agriculture. Despite respectable industrial development and growing contribution from 'services' sectors since independence, agriculture remains the main employment provider for rural masses. This signifies that agriculture sector did not get adequate policy attention as the rate of economic transformation is very slow. Such slow transformation resulted due to a number of reasons and one among such reasons could be low prioritization of public investment (budgetary investment) in favour of this sector by the successive governments.

It is equally true agriculture has never been prioritized in the annual budgets of the Union Government. At the same time, most of the poor states in India have been finding it hard to give a push to agriculture, by prioritizing it in their respective annual budgets, due to inadequate fiscal space. Since the early 2000, stringent and self-regulated budget management law has restrained state's capacity to allocate resources to many sectors including agriculture. Uttar Pradesh, primarily an agrarian economy with more than 80 percent of its population dependent on agriculture, directly or indirectly for their livelihood, needs to improve budgetary investment towards this sector. In the present scenario, there is a need not only for increased investment in agriculture but also for increased farm productivity of small and marginal farmers for sustained agricultural growth. In the given situation, before we look at the public investment in agriculture at the Union level, we must examine investments made by the State Government in this sector. Further, it is also important to analyze the investments aimed at small and marginal farmers.

In this context, it is imperative to ask questions regarding public investment in agriculture, both at the union and state level. Which components within agriculture have been given adequate attention? How inclusive is the budgetary allocation made by the Union and Uttar Pradesh Government? The present report would investigate and address such questions in the subsequent sections. Before proceeding to answer the questions, the following few paragraphs would present broad objectives of the study, and the methodology and data sources used in the study. Further, in order to contextualize and establish linkages between public expenditure and its impact with the outcomes, the note also briefly maps the agriculture profile of India and the state of Uttar Pradesh.

1.1 Objectives of the Study

The broad objective of the study is to understand the progress made in agriculture, in terms of various development parameters, since the early 2000s. It also seeks to understand the public investment priorities of the Government of India and Government of Uttar Pradesh since the early 2000s and the importance given to agriculture. To arrive at an understanding of this broad objective, the specific objectives of the present study are:

- Assess state's (Uttar Pradesh) public investment priorities and the adequacy of investments in agriculture;
- Analyse state's public investment priority within different components of agriculture;
- Assess specific policy interventions for the development of small and marginal farmers and women farmers of the state; and
- Document flow of budgetary investments and prepare a citizen friendly guide / report on the trend of public investment on different components of agriculture of the state.

1.2 Scope, Methodology and Data Sources

The methodology and data sources used in the report are as under.

1.2.1 Scope and Methodology

As is well-acknowledged, assessing the impact of public expenditure in any sector, particularly agriculture, is a complex task. Defining agriculture *per se* in terms of what it constitutes and its direct and indirect linkages with other sectors, is also a complicated exercise and varies from one school of thought to the other. Further, defining its scope, boundaries and other relevant associates, e.g. context, budgeting framework etc. always demands newer methodologies. However, for the sake of simplicity, public expenditure items towards different components within 'agrarian sector' of the Union and State Government, has been defined as expenditure on the items spreading across *revenue* and *capital* accounts. The first broad component of the public expenditure in agriculture is '*Agriculture and Allied Activities*'. Within this component there are sub-components, which include: expenditure on crop husbandry, soil and water conservation, animal husbandry, dairy development, fisheries, other agricultural programmes (marketing and quality control), cooperation and agricultural research and education. The second broad component of public expenditure in agriculture is expenditure on irrigation, which includes expenditure on major, medium and minor irrigation, flood control and drainage. For the purpose of analysis, the sub-heads and detailed lines of expenditure, which are included under the broad heads of '*agrarian sector*' expenditure in this report, are presented in a technical note (please see section-E for details).

However, there are arguments in favour of and against including items such as expenditure on rural development, particularly expenditure on rural employment, rural infrastructure-rural roads etc. under the expenditure on agriculture. Without negating merits and demerits of these arguments, we kept the definition of '*agrarian sector*' very simple and looked at only those items which are directly impacting growth outcomes in agriculture of the state. With regard to scope, the present study is confined to analysis of budgetary investments of the Union Government and the Government of Uttar Pradesh only. The selection of the state is based purely on fulfilling the purpose and objectives of the study.

1.2.2 Data Sources

The present study collated and analyzed public investment data from various available secondary sources. For documenting development parameters of agriculture (indicators such as performance of agriculture in terms of growth, contribution etc.) for the state, various publicly available documents were also referred to.

As mentioned earlier, all the relevant data tables and graphs have been prepared on the basis of information collated from available secondary sources. The data produced and made available to the public by the Reserve Bank of India (RBI), in its report called 'Handbook of Statistics on State Government Finances, 2010' and its subsequent Annual Reports titled, 'State Finances: A Study of Budgets', has been used extensively. In order to compile recent budget information, various budget documents produced by the Finance Department, Government of Uttar Pradesh, have been used. With regard to budget information from the Union Government, the Annual Financial Statement, Expenditure Budget Volume-I and II, Demand for Grants of the Ministry of Agriculture and other budget documents of various years have been used. Further, annual Economic Survey reports of Government of India and Government of Uttar Pradesh, and various Plan Documents of Government of India and Government of Uttar Pradesh have been used to compile relevant physical data relating to the performance of agriculture.

1.3 Limitations of the Study

Budget data for the State of Uttar Pradesh, used in this report, only captures the information, which is routed through State Budget and hence through the *treasury system* of the State Government. Information relating to allocations that are outside the budget (budget that is routed through independent autonomous societies and other agencies of the state and district administration for most of the Centrally Sponsored Schemes - CSS) has not been captured as these are not readily available in the public domain. However, state's share of contribution towards most of the CSSs in agriculture has been captured under respective Plan heads of expenditure in the sector. As noted, '*agrarian sector*' for the purpose of this report has been defined in a modified manner (not like the standard budgetary classification noted in the budget documents). Expenditure under two broad heads: a) expenditure on agriculture and allied activities and b) irrigation, flood control and drainages form the *agrarian sector* expenditure have been taken into account. The expenditure heads as defined in the report are not necessarily comparable with the conventional 'Agriculture and Allied Activities' as defined in budget documents of the State Government. For instance, expenditures relating to *forestry and wildlife*, *plantation and food storage and warehousing* (both under revenue and capital accounts) has been excluded from the conventional meaning of 'Agriculture and Allied Activities'.

Further, findings captured in this document are based on secondary sources only. To pursue the objectives and find answers to the research questions that this report has laid down, the trends related to budgetary investments (largely focusing on fiscal policy) and monetary policies like credit policies etc. have not been discussed. Again, the attempt is limited only to the Union and UP State Budget analysis of the 'agrarian sector'. No district level or regional level expenditure analysis has been carried out in this study. Further, no expenditure analysis, for instance, segregation of expenditure into rain-fed and irrigated agriculture practices, relating to agro-climatic conditions of the state has been carried out. Attempts have also been made to capture relevant disaggregated expenditure data on small and marginal farmers and women farmers. However, there is no such disaggregated expenditure data available in these documents.

1.4 Review of Literature

The linkages between public expenditure and agricultural growth have been at the center of academic and policy discussions for long, and there is now a consensus that development of agriculture would ensure overall economic growth. Although other sectors such as industry and services do play a crucial role in development process, the development of these sectors depends on agriculture as the prime supplier of raw materials. One would hardly quibble over the fact that there is a high degree of interrelationship between agriculture and economic development. The crucial message emerging from the existing literature is that in the early stages of economic transformation, agriculture has to make a substantial net surplus contribution. At this stage, further economic growth becomes conditional to technological progress and innovational intensity, among other inputs, which necessarily call for *increased public investment*.

A number of empirical studies have documented the vital importance of agriculture in the economic structure of developing countries. These studies highlight the potential of agriculture in bringing about broad-based growth and reducing poverty in developing countries. Comprehensive and widely-accepted analyses of the historical experience of agrarian countries suggests that it would be difficult to sustain any economic growth or diversification of the economy in these countries, without initial and widespread improvements in agricultural productivity growth (The World Bank, 2009). Furthermore, it has been argued that appropriate and adequate investments must be made, in agriculture in general and agricultural research and education in particular, to increase agricultural production and create multi-pronged effects such as: (i) increase supply of wage goods, (ii) improve the ability of agriculture to provide industrial capital through foreign trade, (iii) augment rural incomes and purchasing power by strengthening the demand for industrial and non-agricultural goods, and (iv) increase the use of modern technologies. These arguments emphasise the importance of prioritizing agricultural development, with adequate and appropriate public investment and for fostering better linkages between agriculture and the rest of the economy.

Thus, by the late 1970s and early 1980s, considerable evidence (Jha, 2009) was in place to suggest that agriculture in itself could: (1) play a major role in providing income, food and savings to the rest of the economy, (2) provide a whole range of raw materials needed for many industries, including small and village industries, (3) contribute foreign exchange through exports, which could in turn facilitate the import of capital goods and critical machinery needed for industrial advancement, (4) and importantly, play a critical role in expanding the domestic market for goods and services produced by the non-agriculture. It has been strongly argued that investments in rural infrastructure, which is categorised as a "*public good*", since it is available for universal consumption, implies relatively large capital outlays and long gestation periods.

Since rural infrastructure primarily falls under the domain of the State Governments, its inaction can have adverse consequences for agricultural development and well-being of the masses. Among the major deficiencies in rural infrastructure, inadequate financial institutions meant for mobilising savings and disbursing credit to farmers, particularly small and marginal landholders, *dalit* and women farmers, must be highlighted. In this regard too, public investment plays a crucial role. Research indicates that infrastructure is a vital input for the successful adoption of research and technology for agricultural development. While government spending is an effective instrument to promote agricultural growth and poverty reduction, the impact assessment remains complicated. Many factors influence the relationship between public spending and development outcomes in complex, and at times, contradictory ways leading to a time lag between the investments made and the benefits reaped. Nonetheless, an examination of the impact of public spending in agriculture and other "public goods" such as education, health, and roads, on growth, welfare, and poverty reduction in select countries has revealed that agricultural spending has had the largest positive effect on growth and poverty reduction compared to any other public good (Fan, et al., 2009).

Development of agriculture is essential for growth, food security, poverty reduction, and environmental sustainability. Apart from public investments made towards improving agricultural productivity, investments can also be made towards environment-friendly and sustainable production technologies. This can ensure high productivity and better and cleaner technologies in agriculture. However, in the era of *finance capital*, agriculture has received low priority in public investment across the globe.

It is also observed that public investment in agricultural research and education, and returns from such investments, is of prime importance for low income developing countries as it aids agricultural growth and overall growth of economy. The low income countries have limited resources and need the highest yielding investments to boost their agricultural growth rates. In this context, Fan and Rao (2003) noted that for low income countries, agricultural research continues to be the most productive investment, followed by education, infrastructure and input credits. This clearly underlines the importance of investing in agricultural research and education. It is thus imperative that adequate investment is made towards this sector in general and on research and education in particular. This is especially true for an agrarian structure where majority belong to family farming only (Jha and Acharya, 2016).

It has also been pointed out that, though the Indian agrarian structure was dominated by small holder agriculture, the performance of agriculture during the decades of 1960s, '70s and '80s was quite satisfactory. This satisfactory trend could be ascribed to some growth-augmenting measures, which did not discriminate against the small farm sector. In the present context, there is a greater need for public investment in agriculture, irrigation, credit availability, marketing of agricultural products, research and development, along with adequate pricing and other incentives for private investment. Studies have also suggested that government expenditure should be focused on agricultural research and development, education and extension services, rural electricity, roads and marketing, irrigation and watershed development (Dev, 2002). It is amply clear, however, that "*an investment bias against agriculture has been an unfailing feature of our policy regimes; that the bias has become sharper in recent decades makes a painful reading"* (Chadha, 2003). This has mainly been due to negligible fresh investments towards this sector on the one hand, and an utter neglect of the pre-existing infrastructure on the other. In a sense, this lends relatively high degree credibility to the criticism that "*economic reforms are all about non-farm sectors*" (ibid, p-13).

A study by Mathur et al. (2006) highlighted the importance of investment in agriculture in the context of achieving the projected 4 percent growth of agriculture, per annum, during the

Eleventh Five Year Plan period. The study also looks at trends in the growth of agricultural production in India over the past one-and-a-half decades, attempting to identify factors that affect agricultural growth and analyze constraints that affect growth in the sector. The authors of the study have analyzed all-India level and state-wise data and highlighted the role of public investment in agriculture as being critical to stepping up the rate of growth of agricultural production. Given other factors, the authors argue that a consistent increase in public investment to 15 percent per annum should lead to agricultural growth of 4 percent. They have also suggested that there has been a decline in the growth of government expenditure on agriculture, which has contributed to decline in the growth of the sector.

There are similar studies that have pointed out that shrinking investment in agriculture, over time, has emerged as a major constraint on the performance of the sector and remains a cause for concern in India (Golait and Lokare, 2008). Inadequate capital formation has slowed the pace and pattern of technological changes and the infrastructural development, adversely affecting agricultural productivity. In this context, a correlation between public investment in agriculture and agriculture growth has been drawn by Chand et al. (2007). They concluded that a sharp decline in agricultural growth, when extrapolated against the impressive growth of the economy, has led to widening of income gap among workers. Needless to add, it adversely affects the majority of the population who are dependent on agriculture. Hence, stepping up public investment in agriculture and putting in place suitable institutional mechanisms to ensure irrigation facilities (most of the states have potential irrigation options that need to be harnessed optimally) are two crucial measures that would enable increasing agricultural productivity.

Highlighting issues of misguided (inappropriate) public expenditure policies in agriculture, Patnaik has argued that agriculture has always been a "soft" target for misguided expenditure deflating policies (Patnaik, 2007). She further points out that the impact of such deflationary policies have been especially severe in rural areas, which have already been subject to declining public investment and have seen a sharp cut in Plan expenditure. On a similar line, Ghosh (2010) has shown how the impact of poor public investment on agriculture in India, over the past two decades, is finally being felt. As an obvious solution to the problems of hunger and food insecurity, she suggests, substantial public investment in agriculture. She also argues for a *paradigm shift* among policymakers. Public policy favouring increased public investment towards agriculture in general and towards dryland and rainfed agriculture in particular, plays a crucial role in fostering economic development in a country such as India, where almost two-third of the cultivable land are under rainfed agriculture. However, in India, there has been a continuous decline in public investment in agriculture since the 1980s (Jha and Acharya, 2011). Particularly in the recent phase of liberalisation, the share of Plan outlay for agriculture to total budgetary outlay has been on the decline.

Thus, it is clear from the foregoing analysis that inadequate public investment through budgets have resulted in a dismal performance of this sector. Given the crisis, with declining or somehow stagnant productivity in agriculture on the one hand and demand for food grains to feed an ever growing population on the other, it is crucial to prioritize public investment in agriculture. Further, to bridge the gap between demand and supply of food grains, there is a need for increasing productivity through technological advancement, which again demands greater public investment. Given the scenario, an attempt has been made in the present report to look at trends and patterns of public investments towards *'agrarian sector'* in the State of Uttar Pradesh in subsequent sections. Before proceeding to such an analysis, let's describe agricultural performance in the state in the past, and its organic connection with planning and budgeting strategies with that of outcome generated from this sector.

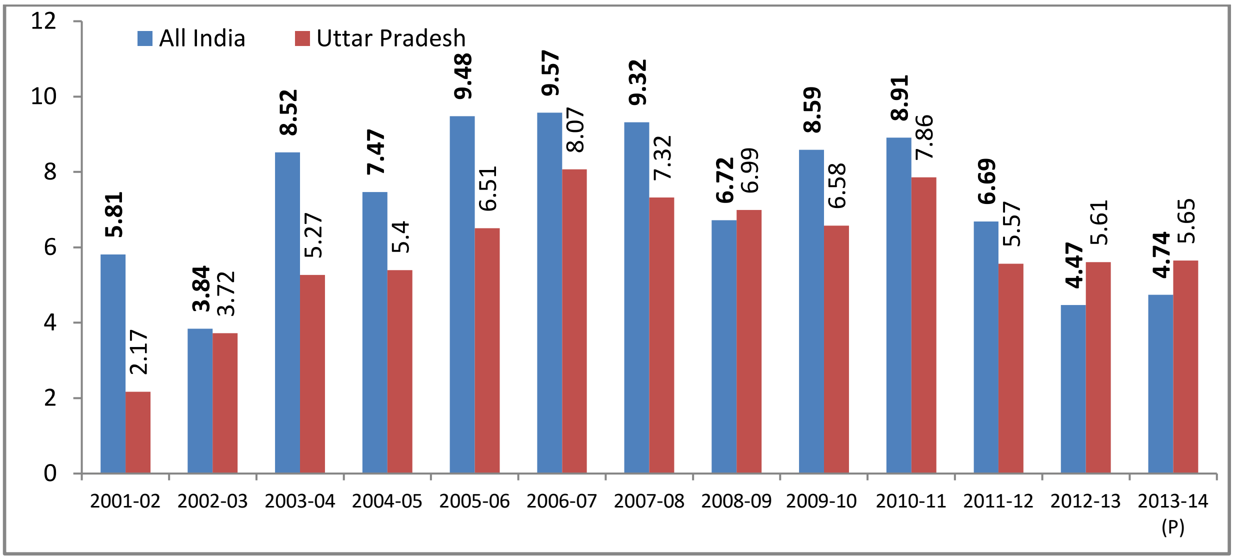
Section 2: A Profile of the Agriculture Sector: All India and Uttar Pradesh

2.1 The State Economy of Uttar Pradesh

Uttar Pradesh is the most populous state in India. According to Census 2011, about 16 percent of the country's total population lives in the state (around 20 crore population) and it occupies only 7.36 percent of the total geographical area of the country. The state is lagging behind in all human development indicators, compared to the all India average. The state is primarily an agrarian economy, which has diverse agro-climatic zones and each agro-climatic zone is different from the other. For instance, eastern plain is considered as water logged area, while Bundelkhand is well known for its drought prone climatic property. However, agriculture, as a sector, still comprises a significant share of household income and provides food security to a major chunk of rural residents.

In recent years, however, the state economy is performing a little better if one looks at various macroeconomic indicators. There are a number of gray areas as well where adequate policy attention is required. When we compare the Gross State Domestic Product (GSDP) growth rate with the all India Gross Domestic Product (GDP) growth rate for the period 2000-01 to 2011-12, it becomes evident that the state's growth has remained primarily on the lower side. In fact, the all India GDP growth rate for the year 2000-01 was 5.8 percent, whereas for Uttar Pradesh it was 2.2 percent (less than half of all India growth rate). However, in recent years, GSDP growth rate for Uttar Pradesh is higher than the all India GDP growth rate both for 2012-13 and 2013-14. In 2012-13, the growth rate for Uttar Pradesh was 5.61 percent compared to the India figure of 4.47 percent. Similarly, for the year 2013-14, the GSDP growth rate of the state was 5.65 percent while GDP growth rate was 4.74 percent (graph-1).

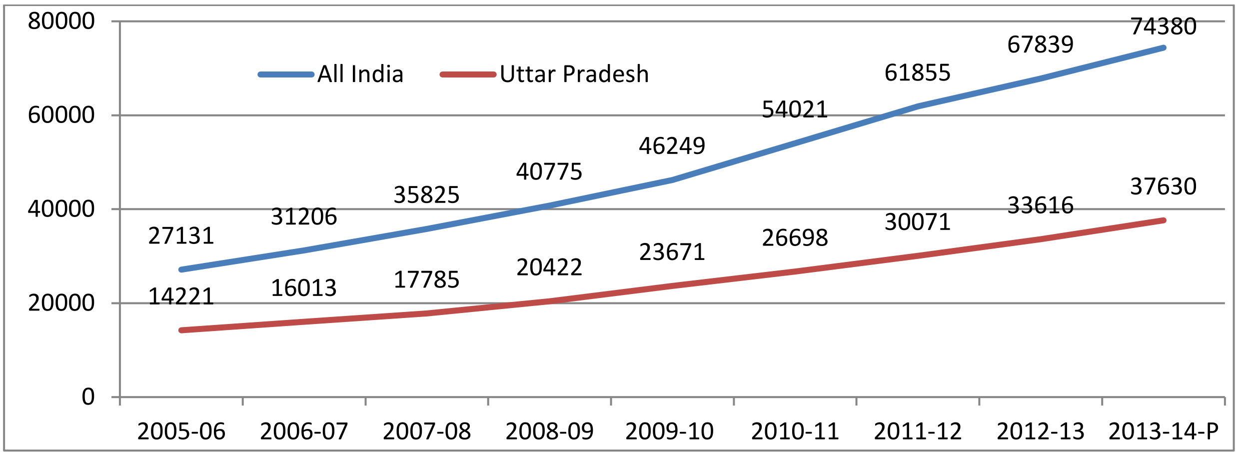
Graph 1: Growth Rates of GSDP-Uttar Pradesh and All India (GDP) at Constant Prices



Note: P-Provisional; Data from 2004-05 are at 2004-05 series.
Source: Planning Commission, Government of India and Uttar Pradesh.

Similarly, looking at the per capita income for the state and comparing it with that of all India average, it is found that the state's per capita income is less than half of the all India average for the period between 2005-06 and 2013-14. A wide gap in per capita income of Uttar Pradesh and all India (at current prices) is seen and this gap is increasing over the time. In 2005-06, the gap was Rs. 12,910, which has widened and increased to Rs. 36,750 in 2013-14, almost trebling within a period of 8 years (graph-2). This indicates widespread poverty with income inequality across sections and communities of population.

Graph 2: Per –capita Income of Uttar Pradesh and All India (in Rs. and at Current Prices)



Source: Base data from the Planning Commission of Uttar Pradesh

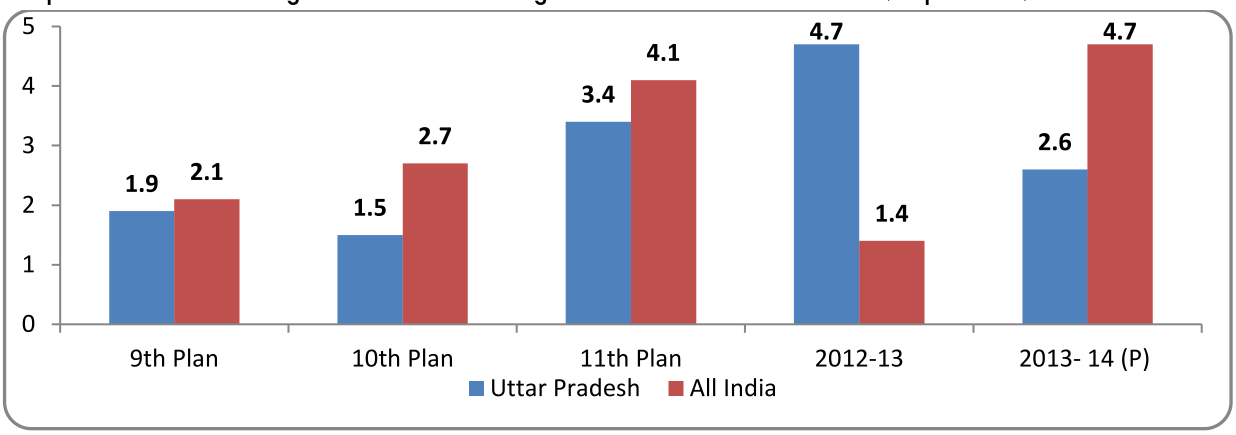
For the country as a whole, the share of primary sector in GDP was 20.5 percent, secondary sector was 22.6 percent and tertiary sector was 57.0 percent in 2013-14. The corresponding figures for 2004-05 for all India were 21.9, 25.1 and 53.0 percent respectively (annex table 1). The share of contribution of various sectors reflects the priority of sectoral contribution in state's GSDP. It was seen that the contribution of three broad sector of GSDP- namely the primary, secondary and tertiary were 31.0 percent, 18.6 percent and 50.4 percent - respectively in 2013-14, while the corresponding figures were 30.8, 22.2 and 47.0 percent, respectively for the year 2004-05. The share of primary sector has been nearly constant, while the share of secondary sector has been reducing and share of tertiary sector has been increasing between the period 2004-05 and 2013-14 (annex table-2). This signifies slow economic transformation in the country as a whole and the state economy, with the increasing dependence of population on the primary sector, which is primarily constituted by agriculture.

During 2013-14, the overall growth rate of the state economy was 5.1 percent, which was largely contributed by the growth of the tertiary sector, with growth rate of 8.1 percent, highest among the three sectors of the economy. The growth rate was 2.4 percent for the primary sector and 0.6 percent for the secondary sector during 2013-14. The growth rate of secondary sector was too low, which made overall growth rate of the state economy below par. During 2005-06, 2006-07 and 2007-08 the growth of secondary sector was prominent, but during last three years (from 2011-12 to 2013-14), the growth rate of secondary sector was not satisfactory, which has affected the overall growth rate of the economy. Since 2005-06, it has been observed that the highest growth rate accrued from the tertiary sector, which contributed a lot to the overall growth of the economy, whereas growth of primary sector lagged way behind contributing very little to the growth of the state economy (annex table-3).

With the implementation of the new agriculture policy for the state, it was envisaged that 4 percent agriculture growth would be achieved. To achieve this objective, the state agricultural policy focused on implementation of activities based on seven thrust areas, called *Sapta Kranti*. These seven thrust areas were: extension, irrigation and water management, soil health and fertility, seed management, agriculture marketing, mechanization, agriculture research and diversification.

However, since Ninth FYP, the annual average growth rate of agriculture and allied activities sector of the state has consistently remained below the national (all India) average. The growth rate of agriculture and allied sector for Uttar Pradesh was 1.9 percent compared to the all India growth rate of 2.1 percent during ninth FYP. This gap widened further in 10th and 11th FYP, when all India agriculture and allied activity sector grew at the rate of 2.7 percent and 4.1 percent respectively; the state's performance with respect to this sector was only 1.5 percent in 9th FYP and 3.4 percent in 10th FYP. However, state's agriculture and allied activities sector grew at the rate of 4.7 percent, which is far ahead of the all India growth rate of 1.4 percent during 2012-13 (graph-3).

Graph-3: Annual Average Growth Rate of Agriculture and Allied Sector (in percent)



Note: P-Provisional

Source: Planning Commission, Government of India

The performance of agriculture in the state points to a number of questions relating to policy formulation and implementation in general and budgetary policies implemented in the state agriculture sector in particular. It would be safe to conclude that unless issues of implementation bottlenecks are addressed, mere pumping of resources may not result in desired outcome, as is seen in case of the performance of agriculture in Uttar Pradesh.

2.1.1 Cropping Pattern, Production and Productivity of Major Crops-Uttar Pradesh

The cropping pattern of the state shows that paddy and wheat are the most important crops of the state. Maximum area is used for cultivation of food grains, of which only 13.8 percent is covered under pulses. Approximately 79.8 percent of the gross cropped area is devoted to the production of food grains. Other important crops grown in the state are sugarcane, potato, mustard, groundnut, gram, pea and lentil. The cropping pattern in various agro-climatic zones and agro-economic regions in the state, however, differ significantly in terms of commodities and seasonal crops. The total food grain production of the state was 383 lakh metric tonnes during 2002-03, which increased to 521 lakh metric tonnes in 2011-12. The total all India food grain production was 1748 lakh metric tonnes in 2002-03, which increased to 2593 lakh metric tonnes in 2011-12 (annex table-4). However, if we look at the rate of increase of total food grain production for the country as a whole, UP's performance has not been satisfactory.

As noted, rice and wheat are the major crops produced by the state along with other crops. The production of rice has increased from 96 lakh in 2002-03 to 139 lakh metric tonnes in 2011-12 metric tonnes. Similarly, wheat production has also increased to 321 lakh metric tonnes in 2011-12 from 237 lakh metric tonnes in 2002-03. However, there is no such significant increase seen in production of pulses during the period of analysis (only increased to 24 lakh metric tonnes in 2011-12 from 22 lakh metric tonnes in 2002-03) (annex table-4).

With regard to productivity of rice, wheat, pulses and oil seeds in UP, were 18.41, 25.91, 8.26 and 7.72 quintals per hectare during 2002-03. These are reported to be 23.58, 32.83, 9.92 and 8.37 quintals per hectare respectively in 2011-12. The productivity of total food grains also increased from 19.97 quintal per hectare in 2002-03 to 25.84 quintals per hectare in 2011-12. The total food grain productivity in UP was 25.84 quintal per hectare in 2011-12 (annex table-5). Although, the productivity of wheat, pulses and total food grains is higher in Uttar Pradesh compared to all India level, adequate policy attention with favorable investment would be required to sustain that tempo to feed the ever increasing population of the state.

2.1.2 Irrigation Facility in the State

As per available data the net area sown in the state in 2011-12 was 166.23 lakh hectares, an increase from 165.97 lakh hectares in 2002-03. The gross irrigated area of the state, which was 177.92 lakh hectares in 2002-03, reached 199 lakh hectare in 2011-12. Similarly, the net irrigated area of the state shows an increase during the period. Even though there has been an increase in both gross and net irrigated area of the state, net area sown has not increased proportionately (table-1).

Table -1: Gross and Net Irrigated Area and Sown Area of the State (in Lakh Hect.)

Year	Gross irrigated area	Net irrigated area	Gross area sown	Net area sown
2002-03	177.92	128.48	243.11	165.97
2008-09	196.12	134.35	254.71	165.62
2009-10	193.54	133.83	254.4	165.89

2010-11	196.28	165.93	256.15	165.93
2011-12	199.01	138.09	257.28	166.23
Source: Planning Commission of Uttar Pradesh				

The source wise irrigation status shows that private tube wells have maximum share of irrigation, which is 70 percent, followed by canal irrigation, which is 18 percent, and state tube well irrigation, which is 3 percent, with the remaining areas getting irrigation from other sources.

Looking at the composition of farmers in the state and the area cultivated by small and marginal farmers, it can be concluded that 91.13 percent of the total farmers belong to the small & marginal category, cultivating only 61.23 percent of total cultivable area of the state during 2000-01. The relevant figure for small and marginal framers in 2010-11 was 92.46 percent.

Table-2: Composition and Size of Holdings across Farming Categories-Uttar Pradesh

Farming Category	Total Holdings- 2000-01			Total Holdings- 2010-11		
	Number (in 000)	Area (in 000 Ha)	Average Holdings (in Ha)	Number (in 000)	Area (in 000 Ha)	Average Holdings (in Ha)
Marginal	16659	6648	0.40	18532	7171	0.39
Small	3087	4366	1.41	3035	4243	1.40
Semi-Medium	1427	3906	2.74	1334	3629	2.72
Medium	463	2580	5.57	398	2199	5.53
Large	32	484	15.13	25	380	15.20
All classes	**21668**	**17983**	**0.83**	**23325**	**17622**	**0.76**
Source: Agriculture Census of India						

Similarly, the average holding size of marginal farmers is on a decline over the same period, whereas, average holding size of medium and large farmers is on a rise. In sum, the overall average holding size for the state has declined from 0.83 hectares to 0.76 hectares (table-2). This increase in the number of small and marginal farmers in the state indicates that unless specific policies, backed by adequate public investments, are formulated and implemented, the sustainability of this farming community would be at a stake.

2.1.3 Priorities for State Agriculture Sector during the Twelfth Five Year Plan

Without State Government's support, in terms of clear policies and adequate budget, small and marginal holdings cannot be a viable and sustainable. It was for this reason that the State Planning Commission was quite apprehensive in converting small and marginal farmers into units of profit making. In this regard, the Planning Commission report notes that, "organizing small and marginal farmers in productive and profit making groups offers a practical solution to the problem of fragmentation of holdings. Smaller farming units can turn into economical units if they are brought together as a group. Implementation of all the programmes of agriculture and rural development will have to be undertaken through farmer and women Self Help Groups (SHGs). Execution of schemes through these groups will certainly help in improving their skill, and at the same time provide them an alternate source of earning. Marketing of agriculture produce can also be taken up through these groups. Inculcating a change and prioritizing the research strategy of concerned institutions for developing area based appropriate technology, agriculture implements etc. for small and marginal farmers". The said report also stresses on improving soil health, strengthening technology dissemination system and using various means to take the new technology to the farmers' door steps (12th Plan document, Government of Uttar Pradesh).

High dependence on monsoons, fragmented land-holding, imbalanced and low level of input usage, inefficient natural resource management, poor pre- and post-harvest practices and inadequate marketing infrastructure are some of the well-known weaknesses that lead to low yields and high cost of the farm produce. In this regard, there have been discussions aimed at developing a network between State Agriculture Universities, KVKs and other similar research agencies, farmers, Kisan Sahayak, and farmer's organization like Farmer's Field School (FFS) so that new technology, through "lab to land" programme, reaches the farmers at the earliest. Similarly, in order to strengthen farmer-led extension approach, the respective department has decided to establish 820 FFS consisting of best practicing farmers, for the purpose of disseminating and sharing new knowledge with their fellow farmers in the block. This step would help in arranging quality inputs and ensure marketing of agricultural produce at appropriate price, apart from dissemination of new technology. It was also proposed that unemployed agriculture graduates or post graduates at each Nyaya Panchayat level will be trained and engaged in dissemination of technology. This trained workforce can be linked with SAUs/KVKs/ Research Institutions / Agri-clinics/ Farmer's Field Schools etc. for continuous updation of knowledge. This step would provide an alternate source of income to the unemployed graduates.

Further, in the recent Plan period, the state also recognizes that involving women farmers in the implementation of agriculture schemes is very important. It is commonly accepted that most of agricultural activities in the state are performed by women farmers. Therefore, more and more women have been encouraged to participate in Kisan Melas / Goshthis organized at Nyaya Panchayat, Block& District level. Some of the activities mentioned for this purpose are crop demonstration, integrated pest management demonstration, seed processing etc., which are added policy priorities of the state.

It was envisaged that the target of 5 percent growth in agriculture and 10 percent plus growth in dairy, animal husbandry, fisheries and horticulture sectors would be achieved. The overall objectives of the state economy, are to achieve sustainable growth with inclusion, reduction in inter-district and intra-district disparities, enhance public investment and create conducive environment to attract private investment, alleviate poverty and bring about sustainable employment generation through skill up-gradation, and diversify agriculture to increase productivity and provide motivation for shifting to high value crops like oilseeds/pulses, promote development of allied activities, particularly dairying, fisheries, food processing along with others.

It seems that State Government has a robust Plan document, which lays down the roadmap and strategies to be taken up during the 12th FYP period in great detail. However, what is lacking is the inadequate budget support. The subsequent section discusses the status of public investment priorities towards this important sector of the state economy.

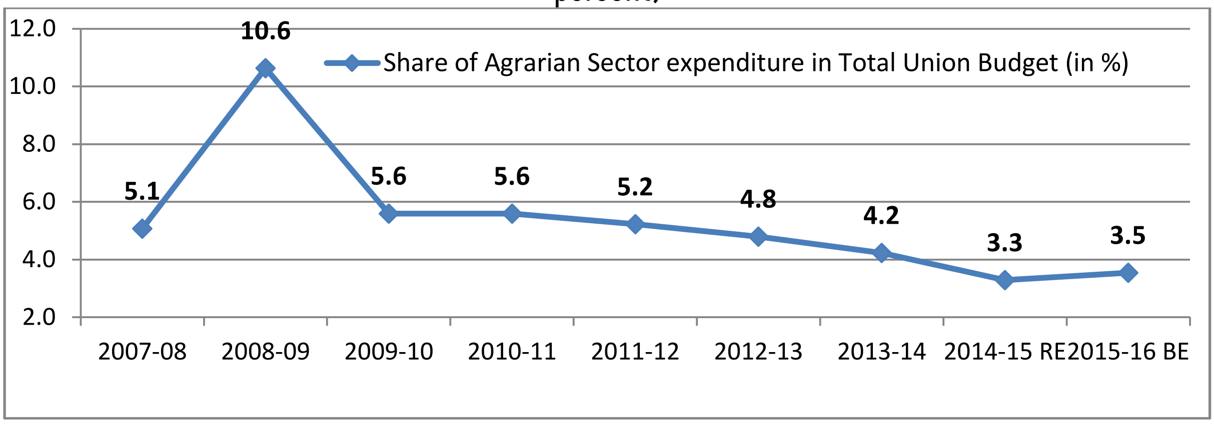
Section-3: Data Analysis and Results

The trends and pattern relating to public investment towards agriculture, both for the Union Government and for the Government of Uttar Pradesh, have been analysed in this section. The trends relating to the Union Government have been documented first, and subsequently trends and components of public expenditure for the state of Uttar Pradesh have been considered.

3.1 Spending Priorities of the Union Government towards Agrarian Sector

As discussed in the methodology note, broad expenditure items of the 'agrarian sector' include spending on agriculture and allied activities and on irrigation, flood control and drainages. Information related to the expenditure of the Union Government in agriculture since 2007-08 is presented in annex table-6. It can be noted that the sector got an allocation of Rs. 36,171 crore in 2007-08, which increased to Rs. 67,704 crore in 2011-12 before declining to Rs. 62, 972 crore in the current budget (2015-16 BE). In the year 2008-09, this sector got a huge allocation of Rs. 82,090 crore, in fact the highest till date. This increase is largely due to increase in allocation / spending under the crop husbandry component, which consists of schemes and programmes meant for the development of core agricultural activities in the country. Another important reason for such a huge increase in spending in 2008-09 is, possibly, the delay in approval of the 11th FYP and the accumulation of initial year allocation in the second year of the Plan and leading to increased spending.

Graph-4: Share of Agrarian Sector Expenditure in the Total Union Budget since 2007-08 (in percent)



Source: Union Budget documents, Various Years, Government of India

Almost 98 percent of 'agrarian sector' expenditure is booked under agriculture and allied activities, while irrigation and flood control items is neglected in the Union Budget. In fact, in absolute number also, there no increase under irrigation, flood control and drainage heads. The share of 'agrarian sector' expenditure as a part of the Union Budget expenditure has declined since 2007-08. The share of agrarian sector expenditure in total Union Budget was 5.1 percent in 2007-08, which increased to 10.6 percent in 2008-09 and subsequently, declined. The share of this expenditure has reached 3.5 percent in the budget (2015-16) (graph-4). This clearly indicates that the priority accorded to agriculture in the Union Budget expenditure has been declining over the years.

With regard to component wise distribution of the 'agrarian sector' expenditure in the Union Budget since 2007-08, it has been found that the crop husbandry tops the list followed by agricultural financial institutions, agriculture research and education, and dairy development. However, towards all other components within 'agrarian sector', spending by the Union

Government either stagnated or has seen only a slight increase since 2007-08. This indicates that apart from crop husbandry, no other components of agrarian sector in the Union Budget since 2007-08, seems to have got a priority in spending (annex table-7). This indicates that Indian agriculture is still dominated by the crop sector in terms of investment priorities and inadequate attention is given to the allied sector activities within agriculture.

It is worth noting that Ministry of Agriculture, Government of India is the nodal Ministry for the overall development of agriculture in the country along with state agriculture and allied departments. Although the share of 'agrarian sector' as a portion of Union Budget has declined, if one looks at the expenditure of the Ministry of Agriculture, Government of India, during the period 2007-08 and 2015-16, it is clear that the expenditure, in absolute term, has more than doubled. In fact, the total expenditure of the Ministry of Agriculture during 2007-08 was Rs. 11, 019 crore, which increased to Rs. 24, 909 crore in 2015-16 BE (annex table-8). However, what is more disturbing is that the allocation of the Ministry of Agriculture, for the year 2015-16 BE, shows a decline compared to the allocation in previous years.

Within the Ministry of Agriculture, much of the allocation / spending is carried out by the Department of Agriculture and Cooperation. Over the years, it has been found that almost 70 percent of total allocation and spending is by the Department of Agriculture and Cooperation. However, the most worrying feature is that the allocation for the department in the current budget, i.e. 2015-16, has declined when compared to earlier years. The allocation / spending by the Department of Animal Husbandry, Dairying and Fisheries has increased over the years, though, its share within the Ministry of Agriculture is too little. Nonetheless, there is a steady increase in allocation / spending by the Department of Agricultural Research and Education over the years (annex table 8).

Data captured in annex table 9 presents expenditure of the Ministry of Agriculture disaggregated into Plan and Non-Plan Expenditure. It is worth mentioning that the Plan expenditure is meant for funding Plan programmes and schemes, whereas Non-Plan expenditure largely refers to administrative expenses, which is committed in nature. Hence, better performance of the sector can be expected if the Plan spending is higher. It has been observed that close to 90 percent of the total spending of the Ministry of Agriculture is falls under Plan heads. Out of the total Plan spending by the Ministry of Agriculture, almost 70 percent was consumed by the Department of Agriculture and Cooperation. Since 2007-08, the Plan spending by the Ministry of Agriculture shows an increasing trend and can largely attributed to the introduction of Rashtriya Krishi Vikas Yojana (RKVY), a flagship programme of the Union Government implemented by the states during 11th FYP. It is also important to note that the funding for RKVY is routed through the Department of Agriculture and Cooperation. On the other hand, much of the Non-Plan expenditure is booked under the Department of Agriculture Research and Education. Also, this department got relatively decent portion of Plan allocation within the Ministry of Agriculture (annex table-9).

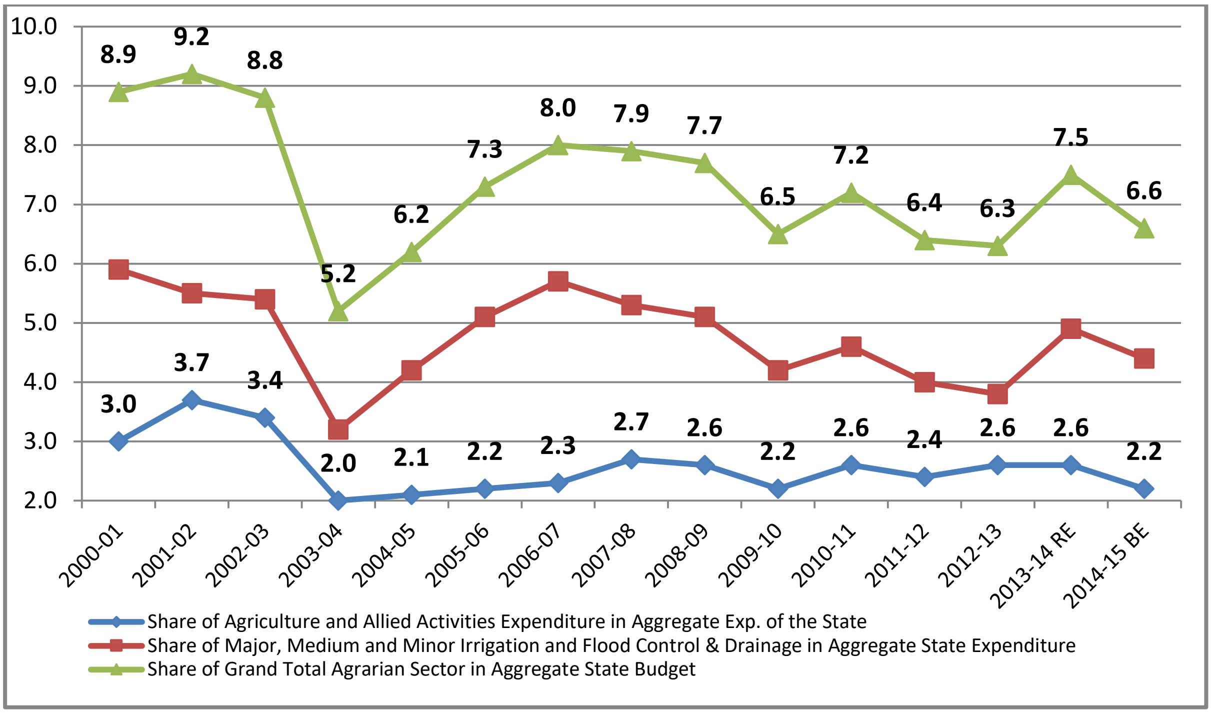
3.2 Spending Priorities of the Government of Uttar Pradesh towards Agrarian Sector

Agriculture is a state subject and state governments needs to allocate resources for the overall development of this sector. Over and above the allocations received from the Union Government (which in many sense observed as indicative for the sector), states have to prioritise agriculture in its annual budget expenditure to boost private investment for inclusive growth. However, it has been observed that 'agrarian sector' in the state's overall budget since 2000-01 has never been given priority. The following few paragraphs documents these priorities.

State Government's expenditure towards 'agrarian sector' during 2000-01 and 2014-15 is presented in annex table-14. During last 15 years, it has been found that the expenditure of the state in agriculture has increased, close to six times, in absolute terms\. The total allocation for the sector in 2000-01 was Rs. 3272 crore, which increased to Rs. 15406 crore in 2013-14 RE and further to Rs. 17581 crore in 2014-15 BE before dipping to Rs. 7303 crore in 2015-16 BE. However, within the 'agrarian sector', the most important feature noticed during the period, is that there is no consistent increase in the expenditure under agriculture and allied activities head, unlike irrigation, flood control and drainage. A sudden spurt in spending under agriculture and allied activities noticed in the year 2007-08, might be due to the amount received by the state under RKVY. After then a continuous increase in expenditure has been noticed in the 'agrarian sector'. However, under irrigation, flood control and drainage, the trend shows a continuous increase indicating a higher investment priority of the states towards irrigation and flood control measures (annex table-10).

The percentage share of expenditure towards 'agrarian sector' as a portion of the State Budget, during the period between 2000-01 and 2014-15, has declined. This decline is sharper in the later period, i.e. 2006-07 onwards, as compared to the earlier periods. In fact, during 2000-01, the share of 'agrarian sector' in total State Budget was 8.9 percent, which increased to 9.2 percent in 2001-02, which thereafter declined to a low of 5.2 percent before it reached 8 percent in 2006-07. Subsequently, its share declined to 6.5 percent in 2009-10 and hovered around the same level until 2014-15. Within 'agrarian sector', the share of agriculture and allied activities is stagnant since 2005-06 before reaching its peak (2.7 percent) in 2007-08. However, its share within the 'agrarian sector' was 3.7 percent during 2001-02 before reaching an all-time low of 2 percent in 2003-04. Its share reached at 2.2 percent in the 2014-15 BE. The share of irrigation, flood control and drainage in the 'agrarian sector', shows a continuous decline since 2006-07 (graph-5).

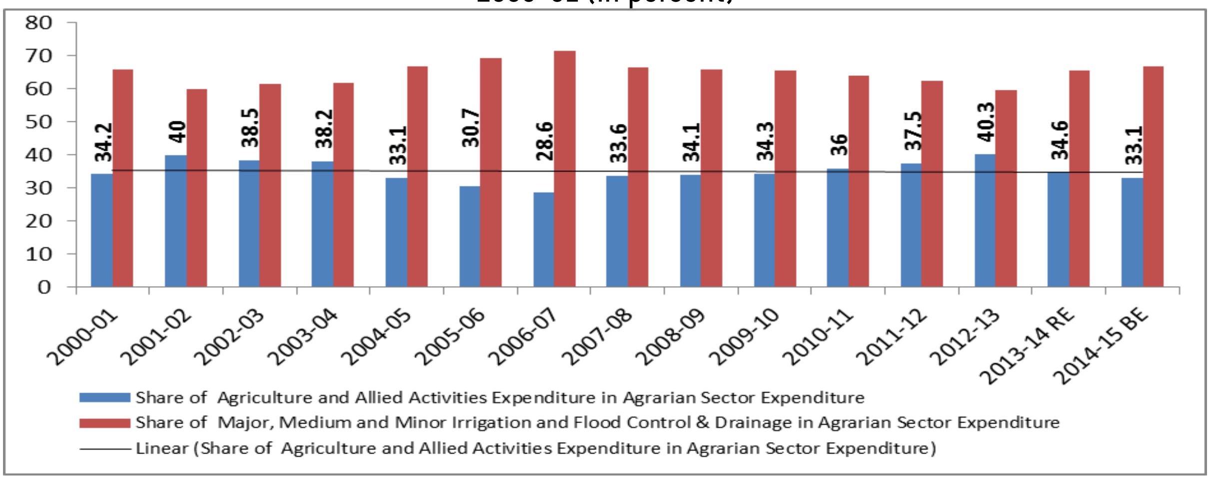
Graph-5: Share of Agrarian Sector Expenditure of Uttar Pradesh out of Aggregate State Budget since 2000-01 (in percent)



Source: RBI, Mumbai.

Looking at the broad components of 'agrarian sector', expenditure towards agriculture and allied activities, which was 40 percent during 2001-02, came to constitute roughly 35 percent in recent years. On the other hand, the share of irrigation, flood control and drainage, in recent years, constitutes 65 percent and is more or less stagnating. (Graph-6). The above discussion indicates that within the 'agrarian sector', over the years, expenditure under items of agriculture and allied activities, has not been prioritized vis – a – vis expenditure on irrigation, flood control and drainage.

Graph-6: Share of broad components of Agrarian Sector Expenditure of Uttar Pradesh since 2000-01 (in percent)



Source: RBI, Mumbai.

When we look at the share of expenditure, across major components within agriculture and allied activities, it has been observed that crop husbandry consumes much of the resources followed by soil and water conservation, animal husbandry, agricultural research and education. However, there is no other specific priority observed among the major components of agriculture and allied activities, other than crop husbandry, which shows a continuous increase in its share until 2002-03. Thereafter, its share of expenditure within agriculture and allied activities declined and reached 46 percent in 2014-15 compared to 60 percent during 2002-03. The most important feature emerging from the data presented in table 15 is that dairy development and fisheries have never received adequate attention under the overall agriculture in the State Budget. (Annex table-11).

3.2.1 Analysis of Plan Expenditure priorities of the State towards 'agrarian sector'

The Twelfth FYP document of the government of Uttar Pradesh talks about schemes and programmes for agriculture and also proposes that the sector would achieve 5 percent growth, with a higher growth for allied sector, particularly the animal husbandry sector. This has been proposed with a view to achieve 10 percent growth rate of the economy by the last year of the said Plan period. However, if one looks at the Plan spending priority of the State Government, it seems that State Budget never prioritized this sector.

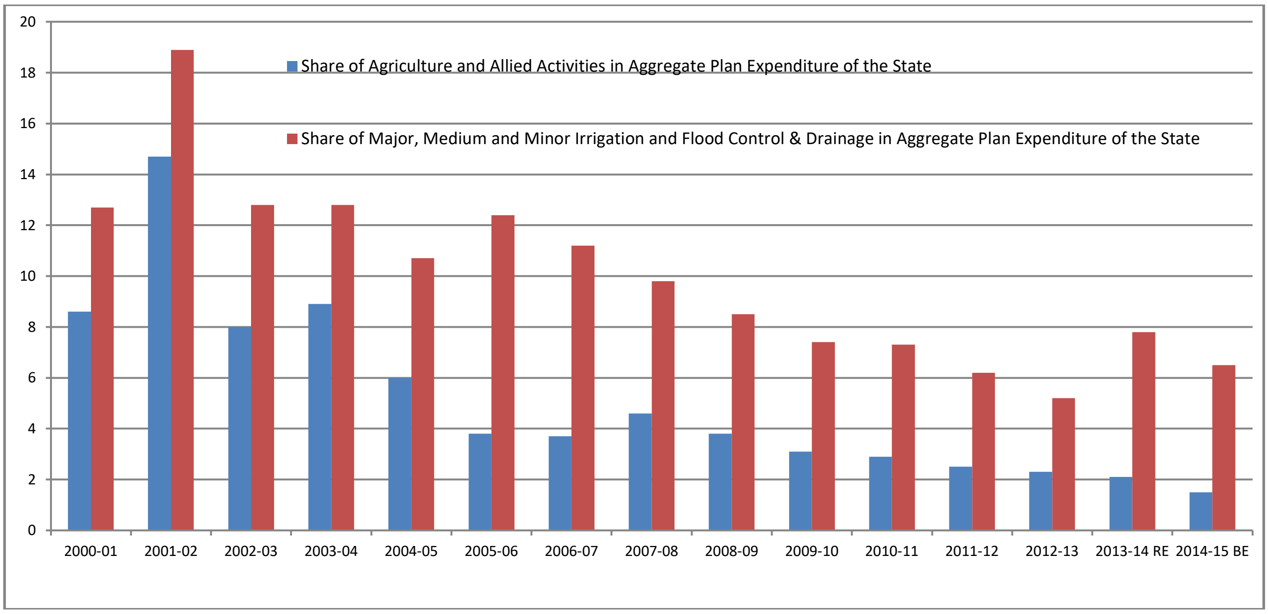
Table-3: Plan Expenditure during Five Year Plans since 9th FYP: All India and Uttar Pradesh (in Rs. Crore)

Plan Period	All India	Uttar Pradesh		Per capita Plan Expenditure	
		Expenditure	Percent to All India	All States	Uttar Pradesh
9th Five Year Plan (1997-02) *	705818	28309	4.0	2205	1559
10th Five Year Plan (2002-07)	1618460	54856	3.4	3421	1704
11th Five Year Plan (2007-12)	3644718	181094	5.0	6026	3299
12th Five Year Plan (2012-17)	7669807	361000	4.7	16393	10911
Note: * Excluding allocation for Uttaranchal Source: Compiled from the information given in Planning Commission, Uttar Pradesh and Government of India					

Plan expenditure priority of the state can be seen from the data presented in table-3. It has been observed that the share of state Plan expenditure compared to all India allocation during 9th FYP was 4 percent, which increased to 5 percent in 11th FYP and subsequently reduced to 4.7 percent in the ongoing FYP. Although the absolute Plan allocation since 9th FYP has increased, i.e. from Rs. 28309 crore to Rs. 361000 crore in the current Plan period, the per capita Plan allocation for the state lags behind the per capita Plan allocation of all states together.

Realization of approved Plan budget has remained a serious issue for the state since 9th FYP. In fact, the share of Plan expenditure in the 9th FYP compared to the approved Plan was 67 percent which has increased to 96 percent in 10th FYP and further increased to 97 percent during the 11th FYP. However, a look at the year-wise share of actual expenditure to the approved Plan outlay shows a disturbing trend, raising question of Plan budgeting in the state. For instance, during later years of the 10th FYP, the Plan spending of the state shows more than 100 percent spending, which raises issue of quality of Plan spending of the state (annex table-12).

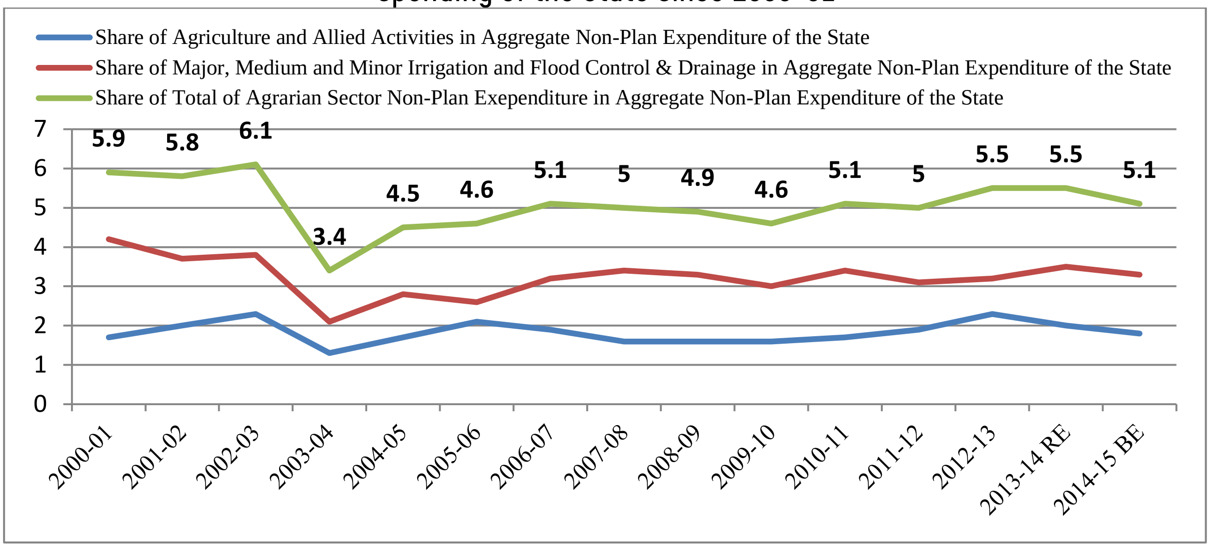
Graph-7: Share of Plan Expenditure towards agrarian sector from the aggregate plan spending of the State since 2000-01



Source: RBI, Mumbai.

As is seen from the graph-7, share of Plan spending on agriculture and allied activities in the aggregate Plan spending of the state shows a continuous and sharp decline over the period of analysis. Further, the share of Plan spending on irrigation, flood control and drainages also shows a declining trend since 2005-06. The highest share of Plan expenditure for both the broad heads of agrarian sector from the total Plan spending of the state was observed during 2001-02. Thereafter, the trend shows a decline for both the sub-components of 'agrarian sector' in the state's Plan budget allocation and spending. It is important to remember that Plan expenditure in any sector is meant for new Plan programmes and schemes, for the overall development of the sector.

Graph-8: Share of Non-Plan Expenditure towards agrarian sector from the aggregate Non-plan spending of the State since 2000-01

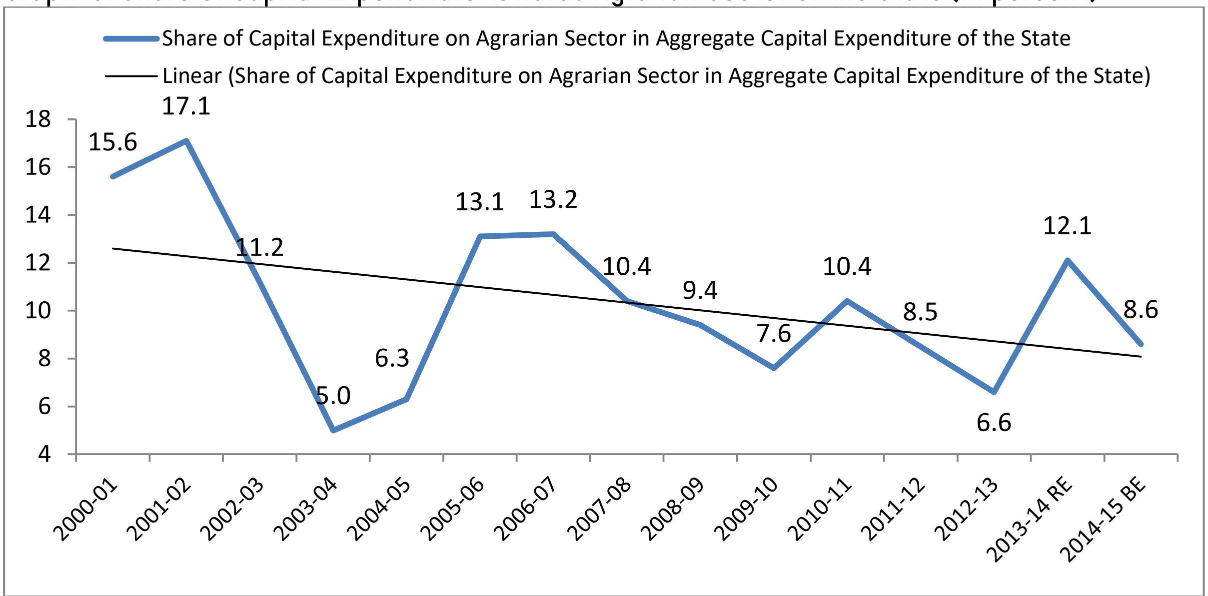


Source: RBI, Mumbai.

However, the irony is that the State Government announces a number of schemes and programmes without adequate budgetary support. Whatever allocation a particular Plan programme is getting, its unit cost is so inadequate that the desired impact cannot be achieved. Further, during the period of analysis, the share of Non – Plan spending towards 'agrarian sector' in the aggregate Non – Plan spending of the state is stagnating. Its share hovers around 5 percent, with a marginal increase in recent years, from a dip of 3.4 percent noticed during 2003-04 (graph-8).

Capital expendiure in any sector is meant for creation of capital assets, which in turn helps the production process. Similarly, increased capital expenditure towards 'agrarian sector' would help in creation of infrastructure such as canals, dams, irrigation projects and agri-inputs such as machinaries etc, which in turn would result in increased production of foodgrains. However, the share of such expenditure, out of the aggregate state expenditure, has been declining since 2000-01. The share was 17 percent during 2001-02, which reduced to 8.5 percent in 2011-12 and further to 6.6 percent in 2012-13. However, a revival of this share was seen in recent years (annex table-13 and graph-9).

Graph-9: Share of Capital Expenditure towards Agrarian Sector of the State (in percent)



Source: RBI, Mumbai.

Similalry, the share of capital expenditure for irrigation, flood control and drainage in aggregate state capital expenditure is on a decline and there is no consistency seen in such expenditure by the state. A revival in such shares was seen in recent years. The share of capital expenditure towards agriculture and allied activities in aggregate state capital expenditure', nosedived and is less than one percent in 2014-15 BE, from its peak of 4.9 percent during 2001-02. A more disturbing feature is that its share has remained less than one percent for seven years in the period between 2000-01 and 2014-15 (annex table-13).

As mentioned earlier, state expenditure priorities within various departments of the 'agrarian sector' are biased towards the crop sector. This is clearly seen from the data presented in annex table 14. Much of the allocation is routed through the department of crop husbandry, with meager allocation for departments like animal husbandry, dairy development, fisheries etc. For instance, the allocation under crop husbandry department was Rs. 1016 crore in 2005-06, which has increased to Rs. 3938 crore in current budget, indicating almost four times increase within a 10 year period. It is true that to ensure consistent food grain production and to feed the population, increased investment on crop sectors is required. But it is also true that unless agriculture is diversified to allied activities, sustainability of occupation is under threat. Hence, State Governments need to prioritize spending towards allied sectors, particularly the crop sector, whereby increased manpower can be retained by the sector.

3.2.2 Specific Schemes for Small and Marginal Farmers in the State Budget

It is well recognized that small and marginal farmers (referred as family farm) are more productive as compared to the large farmers. In Uttar Pradesh, more than 90 percent of farmers belong to small and marginal category and cultivate around 60 percent of the arable land of the state. However, the irony is that there is no specific scheme implemented by the state to take care of the needs of this category of farmers, expect one, which is providing free boring facility to small and marginal farmers. Under this scheme the agreed allocation for the 12 FYP was Rs. 969 crore. However, implementation of this scheme revealed that the actual expenditure under this scheme during last three years of 12th FYP was around Rs. 125 crore, one/eighth of approved Plan allocation (table-4).

Table-4: Major schemes under Crop Husbandry Sector-Uttar Pradesh (Rs. In Crore)

Select Schemes	12th Plan Agreed Outlay (at 2011-12 prices)	2012-13 Actual Expenditure	2013-14 Anticipated Expenditure	2014-15 State Budget Support /CA
Assistance to small and marginal Farmers (Free Boring)	**969**	**74**	**70**	**71**
Seeds (out of which)	1063	78	102	141
Subsidy on Certified Seeds	*471*	*53*	*62*	*81*
Promotion of use of Hybrid seeds	*252*	*21*	*24*	*35*
Hybrid maize production programme	*273*	*3*	*16*	*25*
Zyad ground nut production Programme	*67*	*1*	*1*	*0*
Technical input support for agriculture extension	281	12	21	23
Pest insect through eco-friendly mechanism	270	24	26	30

Subsidy on Zinc Sulphate Distribution	88	12	13	13
Rashtriya Krishi Vikas Yojana	**5848**	**499**	**493**	**1119**
Use of bio-agents/bio-fertiliser	8	1	4	5
Marketing & Extension Services	1	0	0	0
Financial assistance for Food Expos, Melas and Exhibitions	1	0	0	0
Source: Planning Commission, Uttar Pradesh				

Other important schemes under crop husbandry sector of the state show that implementation and utilization of agreed outlay for 12th FYP is very slow and the possibility of full utilization of such agreed outlays has to be doubted. In the given scenario, there has been a drastic cut in Union Budget allocation for various schemes, including RKVY and NFSM etc. (table-5). It remains to be seen how the State Government would supplement resources allocated for these schemes with its own resources.

Table-5: Reduced allocation under Major schemes in the Union Budget (in Rs. Crore)

Schemes with changed pattern of sharing between centre and states	2013-14	2014-15 BE	2014-15 RE	2015-16 BE	Difference of Allocations
Rashtriya Krishi Vikas Yojana	7053	9864	8444	4500	-5364
National Mission on Sustainable Agriculture	0	1512	1330	300	-1212
PMKSY(Including IWMP, per drop more crop, Micro irrigation and AIBFMP)	8168	13492	5630	5330	-8162
National Food Security Mission	2027	2030	1830	1300	-730
Crop Insurance	2551	2541	2588	2589	48
Interest Subvention for providing Short Term Credit to Farmers	6000	6000	9477	13000	7000
Source: Compiled from the base data given in various budget documents of the Union Government					

The crucial point emerging here is that unless state supplements its resources, to cover for the reduced allocation seen in the Union Budget 2015-16, the state's target for the sector fir the 12th FYP period will not be realized. This can be clearly seen from the targets set and achievements made under the various heads of agricultural performance during the initial couple of years of 12th Plan (annex table-15). There is a wide gap between the targets and achievements in agriculture in the state. This will not only negatively affect crop production, but also employment, income and the farming community of the state.

3.2.3 Specific Schemes for women in agriculture sector of Uttar Pradesh-An analysis

It is believed that encouraging female entrepreneurship can promote a dynamic economy, elevate the economic role of women, and distribute the benefits of growth more equitably. Even though policies and strategies for women in all major economic activities have been taken up at the macro and micro levels during the last couple of decades, there often is, lacunae in its design, execution, inadequate marketing linkages, credit facilities and associated formalities, restricting female entrepreneurship in agriculture sector. Agriculture, which is still the largest employer of female labor, can be utilized as a source of economic growth and job creation, if women are ensured ownership rights and control over lands; shifted to high value-added crops; supported by policy measures to upgrade technology, improve skills, raise productivity, ensured supply of essential agri-inputs. All of this calls for increased investment from the state.

However, looking at various schemes implemented by the state for the 'agrarian sector', it is found that there is no specific scheme meant for women farmers. For instance, State Government has prepared the Women Component Plan for various sectors like education, health, employment etc. but there is no such Plan component earmarked specifically for agriculture. Nonetheless, state has earmarked funds for Women Component Plan under National Rural Livelihood Mission (NRLM), which one can consider partly benefits the agriculture.

Further, some allocations earmarked as assistance to farmer / SHG for diversification in fish farming in water logged area and allocation under such scheme is only Rs. 22 crore for the whole 12th FYP. Apart from this, there is no such exclusive programme meant for helping women farmer in the state.

Section-4: Key Findings, Concluding Observations and Policy Recommendations

4.1 Key Findings and Concluding Observations

The performance of India's agriculture has been a subject of serious concern in the recent years. One of the reasons behind the disappointing outcomes is that this sector has received limited policy attention and inadequate resource allocations. Further, it should be evident from the foregoing discussions that there is strong basis to argue that contemporary agrarian crisis is organically connected with the macro-economic policy framework of the country. It is precisely this policy framework which resulted in shrinking fiscal space through stagnated tax-GDP ratios and self-regulated expenditure control mechanisms. In such a scenario, it is important to note that Indian agriculture can hardly do without substantial state support in all respect. The empirical work carried out by notable scholars and policy analysts argues in favor of a strong positive relationship between public investment and performance of agriculture. Further, there are vast number of studies available, which talk about importance of small holder agriculture and growing feminization of agriculture. Indian agriculture, where almost 85 percent of farmers belong to small and marginal farmers, policy formulation / implementation should target this large segment of farming community rather than focusing on big farmers' lobby enjoying huge subsidy.

With respect to budgetary allocation in the Union Budgets, it seems that agriculture, in the overall budget, has never been prioritized, although the period of 11th FYP demonstrated some seriousness by implementing schemes like RKVY. This not only helped states in terms of prioritising their respective annual budgets towards agriculture, but also resulted in achieving the targeted growth rate of 4 percent during the plan period for the first time in the history of planned development of our country. However, if we look at the priority of this sector in the overall budget of the country, it portrays quite a disappointing picture. The continuous decline in its share in the overall budget of the country is something to be worried about.

Similarly, an analysis of department wise budget allocation and spending pattern of the Ministry of Agriculture, Government of India, indicates that much of the allocation has been consumed by the Department of Agriculture and Cooperation, followed by Department of Agricultural Research and Education. Department of Animal Husbandry, Dairying and Fisheries has received little allocation during the entire period of analysis. This indicates that diversification of agriculture is very slow and Indian agriculture is still dominated by the crop sector. Further, given the importance of technology, research and innovation in raising the productivity of the sector, adequate budgetary support from the Union Budget towards agricultural research and education is still wanting. The allied sector has vast potential to contribute to the sector, which needs appropriate policy attention. Further, component-wise disaggregated analysis of expenditure towards 'agrarian sector' of the Union Budget portrays that expenditure towards irrigation purposes has been receiving very little amount, which not only hindered raising of the irrigation potential of the country but also resulted in stagnated productivity of the sector.

Given the extent of population dependent on agriculture, it was expected that Uttar Pradesh Government would have given greater priority to the sector in its annual budgets; this turns out to be a myth. A look at the expenditure on the 'agrarian sector' in Uttar Pradesh government's annual budgets reveals that it hovers around 5 to 9 percent, which is far short of expected levels of expenditure. Further, the trend is quite disappointing as there is no steadiness in expenditure behavior and it fluctuates often, which is not a good sign for consistent growth of the sector. Probably, that could be one the most important reasons, why state's growth of agriculture lags way behind all India growth rate.

Again a perusal of the component-wise disaggregated expenditure of the 'agrarian sector' reveals that agriculture and allied activities (as one of the sub-sector) have not been given adequate attention in state's annual budgets. Budgetary allocations towards crop sectors dominate the annual budgets of Uttar Pradesh, leaving animal husbandry, dairying and fisheries components far behind. Similarly, little attention has been given to co-operation and agricultural research and education during the entire period of analysis. Under the 'agrarian sector' expenditure, Plan expenditure constitutes the higher share compared to the Non -Plan expenditure. However, there is no big scheme implemented (supported from the State Plan resources) with impressive budgetary allocations, by the state to take care of farmers community in general, and small and marginal farmers in particular.

Given the complexity of budgetary process and the fact that there are very few initiatives taken by the State Government towards benefiting small and marginal farmers, it is very difficult to capture such specific information, unless it is provided exclusively in the annual budgets. However, a cursory look into various programmes and schemes implemented by the state (with its own resources) indicates that there is only one specific scheme meant for small farmers of the state, with inadequate allocation (Rs. 974 crore for the entire period), for digging of bore well during the 12th FYP. Similarly, the women component Plan statement also does not capture relevant information, which it should have for the development of agriculture. This statement was prepared just to fulfill the obligation of bringing in an accounting statement without any rigor.

With the changing nature of fiscal federal framework of the country, the Union Government claims that states' have been given adequate resources from the Central divisible pool with enough flexibility to devise their own Plan schemes in various sectors; allocations towards most of these development schemes has declined in the Union Budget 2015-16. In this context, it was expected that shortfall in allocation from the Union Budget 2015-16 towards agriculture in the state, would be supplemented by the State Government in the current budget. But a preliminary analysis of the fact shows that in the gimmick of centre-state political battle, the 'agrarian sector' of the state has suffered with less allocation in the current budget. Ultimately, this would reflect in the welfare of the masses, majority of which belong to farming community.

Quality budgeting, particularly Plan budgeting, has still remained an issue for the State Government. Spending approved allocations at the end of the Plan period has raised several questions about the quality of expenditure, transparency and accountability. As was seen from the spending pattern of Plan allocation during 9th and 10th FYP, the expenditure was carried out during last years of Plan period.

4.2 Policy Recommendations

It is quite important to recognize that, at this juncture, Indian agriculture is in dire need of a 'big push' public investment (which in turn can also attract private investments). Given the declining / stagnant productivity in agriculture and the increasing demand for food grains to feed an ever growing population (as well as other demands for agricultural output), it is crucial to prioritize public investment towards this sector through the budgets. Further, to bridge the gap between demand-supply mismatch of food grains, there is a need to increase productivity through various technological advancements, which calls for greater public investment for agricultural research and innovation. Also, the role of public sector in this regard is very crucial due to its distributional considerations.

Provision of rural infrastructures like rural roads and other means of connectivity, creation of food storages and godowns, re-energizing rural market hubs for better marketing facilities etc. should be taken up urgently in the annual budgets of both the Union and State Governments to combat distress sale of farm produce and reduce the cost of production by making agriculture a viable occupation, if not profitable. There is an urgent need to allocate resources for construction of rural godowns, marketing yards, rural connectivity and revamping of the extension system. Restructuring and reforming the farm extension services with the deployment of adequate quality manpower, by devising appropriate manpower policy by the State, is urgently required. To reduce the gap between the sanctioned strength and manpower in position, it is urgently required that state should fill these gaps so that farmers can get benefit from lab knowledge.

State Government should allocate sufficient amount from its annual budget, towards the development of agriculture, whereby a minimum level of private investments (largely by the farmers) can be expected. Further, to make agriculture a sustainable and profitable occupation, special budgetary incentives would be required, especially for the small and marginal farmers. In this regard, there is an urgent need to extend the farm insurance to all the crops and farmers, and to reduce the unit of insurance the entire premium must be covered by the state so that a minimum guaranteed agricultural income can be expected. This would not only incentivize small and marginal farmers to remain engaged in agriculture, but also prevent them from committing suicide.

State Government should encourage farmers to access credit through formal sources, particularly through the cooperative credit institutions, with lower rate of interest and there should be budgetary allocations for interest subvention schemes. Cheap credit facility with universal access to sources of credit and expansion of such institutions would help farmer to get farm credit in time. There is also a need to prioritize allied activities sector along with crop production in the annual budgets to ensure the ever expanding demand for food grain for the burgeoning population. Apart from this, higher investment towards renovation in agricultural value addition industries and imparting training and technical knowhow to the farmers on a large-scale so as to make agriculture occupation profitable requires urgent policy attention.

There is an urgent need for the state to introduce reporting of expenditures meant for women under the Women Component Plan. The need for increased budgetary allocation for women specific programmes in the sector, to take care of the needs of women farmers in the state, is highly desirable. The gap between the targets and achievements can be reduced by increasing the unit costs. In many cases it has been observed that the unit costs set for producing desired output is quite inadequate. Hence, increasing the unit cost, as required, could result in achieving the desired output from the sector.

Finally, there is an urgent need for the state to recognize the contribution of old farmers, who have contributed their whole life to farming and feeding the nation, by providing adequate pension and other social benefits to them. Looking at the plight of this segment of the farming community, budgetary provisions towards this noble initiative is urgently required. To our understanding, a responsible government should not shy away from this cause. However, what is required is a strong political will.

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Table-1: Sectoral Contribution to India's GDP (at Current Prices, in percent)

Year	Primary Sector		Secondary	Tertiary
	In which Agriculture & Animal Husbandry	Total Primary Sector		
2004-05	16.0	21.9	25.1	53.0
2005-06	15.8	21.6	25.3	53.1
2006-07	15.3	21.0	26.1	52.9
2007-08	15.6	21.0	26.3	52.7
2008-09	15.2	20.4	25.7	53.9
2009-10	15.2	20.3	25.2	54.5
2010-11	15.8	21.0	24.3	54.7
2011-12	15.5	20.5	24.6	54.9
2012-13	15.1	19.9	23.8	56.3
2013-14	NA	20.5	22.6	57.0
Note: Estimate of 2013-2014 Advance, 2012-2013 First revised ,2011-2012 second revised and 2010-2011 are third revised; NA-Not Available; Source: Planning Commission, Uttar Pradesh				

Table-2: Sectoral Contribution to State GSDP (at Current Prices, in percent)

Year	Primary Sector		Secondary	Tertiary
	In which Agriculture & Animal Husbandry	Primary Sector Total		
2004-05	26.9	30.8	22.2	47.0
2005-06	26.1	30.2	23.1	46.7
2006-07	24.5	28.3	24.6	47.1
2007-08	24.2	27.7	25.0	47.3
2008-09	26.5	29.7	22.7	47.5
2009-10	25.8	29.0	22.5	48.5
2010-11	25.3	28.5	22.3	49.3
2011-12	26.7	29.9	20.8	49.2
2012-13	27.3	30.4	20.1	49.5
2013-14	27.5	31.0	18.6	50.4
Note: Note-2012-13 Quick Estimate & 2013-14 Advance Estimates. Source: Planning Commission, Uttar Pradesh				

Table-3: Annual Growth Rate of State GSDP (Data Based on 2004-05 Series, in percent)

Year	Primary	Secondary	Tertiary	Total
2005-06	2.9	10.2	7.1	6.5
2006-07	2.4	14.1	8.7	8.1
2007-08	3.2	9.2	8.8	7.3
2008-09	4.2	0.8	11.7	7.0
2009-10	-1.0	8.3	9.7	6.6
2010-11	5.1	6.6	9.8	7.9
2011-12	4.3	1.5	8.0	5.6

2012-13	4.5	2.3	8.1	5.9
2013-14	2.4	0.5	8.1	5.1
Note-2012-13 Quick Estimates & 2013-14 Advance Estimates. Source: Planning Commission, Uttar Pradesh				

Table-4: Production of Major Crops in Uttar Pradesh (UP) and All India (in Lakh Metric Tonnes)

Crop	2002-03		2008-09		2009-10		2010-11		2011-12	
	UP	India	UP	India	UP	India	UP	India	UP	India
Rice	96	718	130	992	118	891	120	960	139	1053
Wheat	237	658	290	807	278	808	300	869	321	949
Pulses	22	111	21	146	19	147	20	182	24	171
Oil Seeds	6	148	8	277	8	277	11	249	9	278
Total Foodgrains	**383**	**1748**	**474**	**2345**	**447**	**2181**	**473**	**2445**	**521**	**2593**
Source: Planning Commission of Uttar Pradesh										

Table-5: Average yield of Major Crops in Uttar Pradesh (UP) and India (quintal/hectare)

Crop	2002-03		2008-09		2009-10		2010-11		2011-12	
	UP	**India**	**UP**	**India**	**UP**	**India**	**UP**	**India**	**UP**	**India**
Rice	18.41	17.44	21.71	21.77	20.84	21.25	21.2	22.39	23.58	23.93
Wheat	25.91	26.1	30.02	29.97	28.46	28.39	31.13	29.89	32.83	31.77
Pulses	8.26	5.43	8.99	6.59	7.47	6.3	8.31	6.91	9.92	6.99
Oil Seeds	7.72	6.91	8.87	10.06	7.53	9.59	8.44	11.93	8.37	11.33
Total Foodgrains	19.97	15.35	23.63	19.09	22.36	17.98	23.89	19.31	25.84	20.78
Source: Planning Commission of Uttar Pradesh										

Table-6: Union Budget Expenditure towards Agrarian Sector since 2007-08 (Current Prices and Rs. In Crore)

Year	Agriculture and Allied Activities	Irrigation and Flood Control and Drainage	Total Agrarian Sector	Share of expenditure on Agriculture and allied Activities in total Agrarian Sector Expenditure	Share of expenditure on Irrigation, Flood Control and Drainage in total Agrarian Sector Expenditure
1	2	3	4=2+3	5=2/4*100	6=3/4*100
2007-08	35767	403	36170	98.9	1.1
2008-09	93370	618	93988	99.3	0.7
2009-10	56659	693	57352	98.8	1.2
2010-11	66206	737	66943	98.9	1.1
2011-12	67334	803	68137	98.8	1.2
2012-13	66867	835	67702	98.8	1.2

2013-14	65169	850	66019	98.7	1.3
2014-15 RE	54073	1215	55288	97.8	2.2
2015-16 BE	61884	1088	62972	98.3	1.7
Note: RE-Revised Estimates; BE-Budget Estimates. Source: Compiled from the base data given in Annual Financial Statement and Expenditure Budget Vol-1, Various Years, Ministry of Finance, Government of India.					

Table-7: Component wise Union Budget Expenditure on Agrarian Sector since 2007-08 (Current Prices and Rs. In Crore)

Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 RE	2015-16 BE
Crop Husbandry	28380	82090	49854	55550	57250	53300	51107	36807	39897
Soil and Water Conservation	11	15	17	16	17	17	19	20	21
Animal Husbandry	311	334	369	417	447	449	525	428	334
Dairy Development	322	356	353	367	514	862	830	775	1032
Fisheries	122	166	252	182	200	198	214	226	331
Agriculture Research and Education	2180	2823	3207	5383	4726	4506	4726	4590	5944
Agriculture Financial Institutions	4132	7290	2351	3907	3579	6951	6864	10139	13382
Co-operation	81	85	78	87	94	79	87	89	100
Other Agricultural Programmes	228	211	178	297	507	505	797	999	843
Major and Medium Irrigation	197	298	361	362	386	392	433	743	572
Minor Irrigation	109	143	182	192	245	246	216	315	331
Flood Control and Drainage	97	177	150	183	172	197	201	157	185
Note: As in Table 6 Source: As in Table 6									

Table-8: Union Government's Expenditure under the Ministry of Agriculture since 2007-08 (Rs. In Crore)

Types of Expenditure/ Year	Deptt. of Agriculture and Cooperation	Deptt. of Agricultural Research and Education	Deptt. of Animal Husbandry Dairying and Fisheries	Total Expenditure by the Ministry of Agriculture
1	**2**	**3**	**4**	**5=2+3+4**
2007-08	7814	2337	868	11019
2008-09	10328	2960	1016	14303
2009-10	11674	3210	971	15856
2010-11	17244	5386	1189	23819
2011-12	16719	4729	1333	22781
2012-13	17953	4509	1792	24254
2013-14	18923	4731	1826	25479
2014-15 RE	19852	4884	1887	26623
2015-16 BE	17004	6320	1585	24909
Note: RE-Revised Estimates; BE-Budget Estimates; Figures pertaining to 2007-08 and 2008-09 are revised estimates. Source: Off Bold Strokes and Fine Prints: Response to Union Budget, 2015-16, Centre for Budget and Governance Accountability, New Delhi.				

Table-9: Nature of Expenditure of the Ministry of Agriculture since 2007-08 (Rs. In Crore)

Types of Expenditure/ Year	Deptt. of Agriculture and Cooperation	Deptt. of Agricultural Research and Education	Deptt. of Animal Husbandry Dairying and Fisheries	Total Expenditure by the Ministry of Agriculture
1	**2**	**3**	**4**	**5=2+3+4**
Plan Expenditure				
2007-08	6928	1434	810	9172
2008-09	9800	1760	940	12500
2009-10	10623	1707	871	13201
2010-11	16967	2522	1096	20585
2011-12	16524	2573	1230	20327
2012-13	17655	2461	1716	21833
2013-14	18691	2451	1749	22890
2014-15 RE	19530	2500	1800	23830

2015-16 BE	16646	3691	1491	21828
Non-Plan Expenditure				
2007-08	886	903	58	1847
2008-09	528	1200	76	1803
2009-10	1051	1503	100	2655
2010-11	277	2864	93	3234
2011-12	195	2156	103	2454
2012-13	298	2048	76	2421
2013-14	232	2280	77	2589
2014-15 RE	322	2384	87	2793
2015-16 BE	358	2629	94	3081
Note: As in Table 8 Source: As in Table 8				

Table-10: Agrarian Sector Expenditure of Uttar Pradesh out of Aggregate State Budget since 2000-01 (Rs. In Crore)

Year	Agriculture and Allied Activities	Major, Medium and Minor Irrigation and Flood Control & Drainage	Total of Agrarian Sector	Aggregate Expenditure of the State
1	**2**	**3**	**4=2+3**	**5**
2000-01	1119	2153	3272	36681
2001-02	1404	2108	3512	38104
2002-03	1420	2265	3685	42086
2003-04	1374	2221	3595	69441
2004-05	1214	2459	3673	59124
2005-06	1344	3032	4376	59839
2006-07	1724	4293	6016	74983
2007-08	2327	4603	6930	87304
2008-09	2745	5315	8060	104398
2009-10	2684	5134	7818	121115
2010-11	3467	6160	9627	134586
2011-12	3680	6134	9815	153712
2012-13	4430	6571	11001	173720
2013-14 RE	5326	10080	15406	206538
2014-15 BE	5821	11760	17581	264705
Note: RE-Revised Estimates; BE-Budget Estimates Source: Compiled from base data given in State Finances: A Study of Budgets, Reserve Bank of India, Mumbai (Various Years).				

Table-11: Component-Wise Share of Agriculture and Allied Activities Expenditure of Uttar Pradesh since 2000-01 (in percent)

Year	Crop Husbandry	Soil and Water Conservation	Animal Husbandry	Dairy Development	Fisheries	Agricultural Research and Education
2000-01	49.3	24.0	11.8	0.6	1.8	7.5
2001-02	57.8	20.0	9.0	1.0	1.7	4.6

2002-03	59.6	17.0	11.0	2.1	1.6	3.3
2003-04	53.9	18.0	13.3	0.9	1.8	5.5
2004-05	49.2	19.1	16.3	1.6	2.2	5.3
2005-06	54.6	13.8	15.8	1.6	2.2	5.0
2006-07	44.8	15.2	15.8	1.9	1.9	7.0
2007-08	44.2	21.6	12.7	5.4	1.3	5.0
2008-09	43.9	23.9	12.8	3.5	1.5	7.2
2009-10	40.7	19.3	13.0	0.9	1.3	8.7
2010-11	50.9	17.4	12.4	1.1	1.3	10.2
2011-12	48.8	16.6	12.0	1.3	1.3	8.1
2012-13	38.0	13.5	11.5	1.8	1.1	6.3
2013-14 RE	44.7	14.6	11.2	2.0	1.4	5.0
2014-15 BE	45.7	13.7	13.3	1.5	1.3	4.1

Note: As in Table 10
Source: As in Table 10

Table-12: Quality of Plan Budgeting- Year-wise Outlay & Expenditure of Plan Budget (Rs. in Crore)

Year /Plan	Approved Outlay	Expenditure	Percentage Expenditure
1997-98	6486	5033	77.6
1998-99	9235	5648	61.2
1999-2000	10260	5837	56.9
2000-01	8122	5906	72.7
2001-02	8400	5884	70.1
Total Ninth Plan	**42503**	**28309**	**66.6**
2002-03	7250	6618	91.3
2003-04	7728	6179	80.0
2004-05	9662	8456	87.5
2005-06	13500	13507	100.0
2006-07	19000	20097	105.8
Total Tenth Plan	**57140**	**54856**	**96.0**
2007-08	25000	24297	97.2
2008-09	35000	34288	98.0
2009-10	39000	37206	95.4
2010-11	42000	41301	98.3
2011-12	47000	45153	96.1
Total Eleventh Plan	**188000**	**182244**	**96.9**

Note: * Excluding allocation for Uttaranchal
Source: Compiled from the information given in Planning Commission, Uttar Pradesh and Government of India

Table-13: Share of Capital Expenditure under broad components of Agrarian Sector of the State (in percent)

Item	Share of Capital Expenditure on Agrarian	Share of Capital Expenditure on Agriculture and Allied Activities	Share of Capital Expenditure of Irrigation

	Sector in Aggregate Capital Expenditure of the State	in Aggregate Capital Expenditure of the State	and Flood Control and Drainage in Aggregate Capital Expenditure of the State
2000-01	15.6	1.2	14.4
2001-02	17.1	4.9	12.2
2002-03	11.2	3.2	8.0
2003-04	5.0	1.2	3.9
2004-05	6.3	0.2	6.1
2005-06	13.1	0.7	12.4
2006-07	13.2	0.9	12.3
2007-08	10.4	0.5	9.9
2008-09	9.4	0.3	9.2
2009-10	7.6	0.3	7.3
2010-11	10.4	1.0	9.5
2011-12	8.5	1.3	7.1
2012-13	6.6	0.8	5.8
2013-14 RE	12.1	1.3	10.8
2014-15 BE	8.6	0.7	7.9
Note: As in Table 10 Source: As in Table 10			

Table- 14: Department-wise Expenditure trend on Agrarian Sector –Uttar Pradesh (Rs. In Cr.)

Name of the Department	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Agriculture-Cotton development	80	116	165	175	195	147	156	206	210	298	325
Crop husbandry	1016	1209	1652	2713	2617	3009	3537	3407	3548	3607	3938
Soil and Water Conservation	*85*	*134*	*131*	*153*	*188*	*341*	*448*	*306*	*309*	*501*	*508*
Animal Husbandry	*231*	*296*	*361*	*439*	*411*	*440*	*456*	*525*	*555*	*748*	*898*
Dairy Development	*16*	*15*	*118*	*114*	*26*	*41*	*41*	*105*	*98*	*70*	*134*
Fisheries	*33*	*36*	*55*	*79*	*58*	*58*	*59*	*80*	*78*	*78*	*102*
Co-operation	82	147	192	199	180	218	444	1192	1056	1084	1447
Sugarcane Development	79	81	95	120	148	168	185	197	217	224	253

Sugarcane Industries	151	133	491	947	351	66	403	469	470	722	1926
Total Agriculture and Allied Activities	**1771**	**2167**	**3260**	**4938**	**4173**	**4490**	**5728**	**6486**	**6541**	**7333**	**9532**
Share of Agriculture and Allied Activities in Total Agrarian Sector expenditure (in percent)	**34.2**	**33.4**	**42.2**	**50.5**	**44.6**	**43.2**	**43.0**	**44.9**	**39.7**	**40.4**	**46.2**
Water Resources	720	977	1120	1401	1401	1865	5614	5230	7031	7588	7675
Water Resources-Construction	2682	3335	3335	3448	3789	4050	1984	2715	2917	3218	3444
Total Expenditure on Irrigation	**3402**	**4313**	**4456**	**4850**	**5190**	**5915**	**7598**	**7945**	**9948**	**10806**	**11119**
Share of Irrigation Expenditure in Total Agrarian Sector expenditure (In percent)	**65.8**	**66.6**	**57.8**	**49.5**	**55.4**	**56.8**	**57.0**	**55.1**	**60.3**	**59.6**	**53.8**
Total Agrarian Sector Expenditure	**5173**	**6479**	**7716**	**9788**	**9363**	**10404**	**13327**	**14431**	**16489**	**18139**	**20651**
Source: Collated from Koshvani available at http://koshvani.up.nic.in/. Accessed on July, 2015.											

Table-15: Physical Target and Achievements during 12th Five Year Plan

Item	Unit	Twelfth Plan Proposed Target	2012-2013		2013-2014		(2014-15)
			Target	Achievement	Target	Anticipated Achievement	Target
Production of Food Grains	Thousand Tonnes	65949	53690	52087	56566	52047	60327
Cereals	Thousand Tonnes	62723	51367	49765	54028	49193	56142
Pulses	Thousand Tonnes	3226	2332	2322	2528	2455	2743
Oil seeds	Thousand Tonnes	1900	1508	966	1521	1033	1424

Horticulture Crop Production	Thousand Tonnes	108680	72988	79578	89597	89591	98731
Vegetables	Thousand Tonnes	92000	62776	62801	70880	70880	77920
Productivity of Foodgrains	Qtl/ha.	32.54	26.51	26.23	27.91	27.91	27.91
Number Cold storage		1650	1550	1555	1555	1607	1622
Construction of : regulated markets (in number)		10	3	2	2		
Mandi and sub-mandi yard, fruits & vegetables (Additional number)		25	5	2	5	1	4
Source: Planning Commission, Uttar Pradesh							

Technical Note (Citizens' Guide to Read Budgets for Agriculture Sector)

Concepts/ Jargons used and Institutions involved in Preparing and Implementing Budget

Budget is an annual exercise of estimated receipts and expenditures of the government. It is a financial statement which assigns priorities to different programmes in terms of resource allocation and spending. It is an important policy document of the government which shows the broader objectives of fiscal policies and sustainability of such policies where policy objectives are reconciled and implemented in concrete terms. Analyzing budget is an important tool of governance, through which people can hold government accountable in its macro-economic and fiscal operations. With this backdrop, this short note is prepared aiming to help the civil society activists to track budgets for the agriculture sector in strengthening the process of advocacy, with the different stakeholders involved in public provisioning for this sector.

Given the vast geographical and administrative complexities, Indian Constitution makers opted for a federal structure of the government where the Constitution provides a clear sketch of powers and functions of Central as well as State Governments. With regard to the financial power and functions, like the Central government, the State Governments do present annual budgets in their respective State Legislative Assembly for appropriation. Before going into detail how to track budget for agriculture from the State Budgets, it is important to know some of the terms jargons used in preparing budget, and familiar with the documents / reports available in the public domain.

A. TERMINOLOGIES / JARGONS USED IN PREPARING BUDGET

What is Budget: It is a plan to show how much money a person or an organization earns and how much they are able to spend. In the Indian federation, the Central Government presents its budget on the last day of February every year; however, no such fixed date is assigned to the State Governments to present annual budgets.

Budget Speech / Finance Ministers Speech: The maiden speech of the Finance Minister during the budget session in the Parliament/Assembly is popularly called as the Budget Speech. Normally, it gives the gist of the budgetary policy of the government for the coming fiscal year. It reflects the priorities of the government's revenue and receipts for the coming fiscal year (the budget estimate) along with the achievements of the government during the year of presentation (the revised estimate), and of the preceding year (the accounts or the actual).

Budget Division: The administrative division of the Ministry of Finance / Finance Departments of the State Government who is responsible for maintaining government accounts. In 1974-75, a particular pattern of government accounting was introduced for all the governments, the central as well the state in order to bring uniformity of receipts and expenditures. In 1987, a revised coding pattern was introduced to computerize the government accounting system for smooth functioning of government operations.

As per the Constitution of India, the government accounts are maintained in the following manner

- Consolidated Fund
- Contingency Fund
- Public Accounts

Consolidated Fund: Under Article 266(1) of the Constitution of India, there shall be a fund for each state, which has a receipt side as well as an expenditure side. Receipt side consists of all revenues received by the government, loans raised, receipts from recoveries and grants-in-aid. Similarly, the State Government makes expenditure for managing administration and creating assets such as roads, bridges, irrigation projects and construction of dams etc. from such fund. No amount can be withdrawn from this fund without authorization received from the State legislature.

Contingency Fund: Under Article 267(2) of the Constitution of India, there shall be a fund where money is not actually kept for expenditure, but it refers to an arrangement to meet expenses incurred during emergencies for which approval of the legislature is not needed. The fund is placed at the disposal of the Governor, who can authorize expenditure from the fund subject to post facto sanction of appropriation by the legislature. The advances made from the fund to meet urgent and emergent expenditure is required to be recouped by necessary supplementary provision (s). After seven/eight months of passing of original budget, the government makes supplementary provision in which the expenditure made for such purposes gets approval from the legislature within the financial year.

Public Accounts: Article 266(2) of the Constitution of India provides for creation of a Public Account of a state to audit all public money received by or on behalf of the state. There are certain transactions in government accounts in respect of which government acts as a banker. Transactions relating to Provident Funds, Small Saving collections and other deposits etc. are part of this account. The amount received in the public account belongs to the public and not to the government. However, the government as the custodian of the fund enjoys the right to use it for developmental purposes. In normal times, the government is duty bound to honor the claims of individuals who wish to get back their money. Authorization of the legislature is not required for payments from the Public Account.

Budget Deficit / Surplus: It represents the closing balance of the year. It gives the excess/deficit of expenditure over the total resources available from revenue receipts, recovery of loans and advances, all loans and net balance in the public account.

Revenue Budget: It consists of the revenue receipts of the government and the revenue expenditure met from these receipts.

Revenue Receipts: It is the receipt of the government, which is not subject to any obligation. It is similar to income earned by an individual. The State receives revenue from two sources: tax revenue and non-tax revenue.

Tax Revenue: Tax is a compulsory contribution by the citizens towards meeting the cost of governance. The taxing powers of the Central and State Governments have been clearly defined by the Constitution. The Central taxes include customs, central excise, income tax, corporation tax, wealth tax etc. The state taxes are value added tax (formerly sales tax), entertainment tax, motor vehicle tax, profession tax, state excise etc. The State Governments, in addition to their own tax revenue, receive a share from the central tax on the recommendations of the Central Finance Commission time to time.

Non-tax revenue: The government also receives return from resources at its command, fees for specific public services and profit/loss from the public-sector undertakings. The broad categories of non-tax revenue include interest receipts on loans and advances, profits from public-sector undertakings, irrigation charges, water rates, water tariff on urban water supply, user fees on health services, mining royalty and income from sale of forest produce.

Grants in Aid: This is part of the Non-tax revenue. The State Government receives grants from the Centre under article 275 and article 282 of the Constitution. Till now, the practice is that, this grant is decided by the Central Finance Commission whereas grants under article 282 are made available on the recommendation of the Planning Commission.

Revenue Expenditure: It refers to the expenditure met from taxes, duties, fees, fines and similar items of current income including extra-ordinary receipts. This expenditure is in fact establishment, maintenance and housekeeping related expenditure. Major forms of such expenditure are expenditure on salary, interest payment, subsidy, and maintenance of capital assets like roads, buildings, and irrigation works etc. It bears all charges made after opening the work for service, for maintenance and all working expenses. It also includes such renewals and replacements and such additions and improvements or extensions as prescribed by the government.

Revenue Deficit / Surplus: The excess / shortfall of expenditure over receipts in the revenue account of the Consolidated Fund of the State.

Capital Budget: The government, like an individual, also thinks about the future and creates assets**,** which will ensure a regular flow of income**.** It can be done either by borrowing from the open market, from other governments or from having a surplus in the revenue account. All transactions related to this come under the capital budget. It consists of receipts and expenditure on Capital Account.

Capital Receipts: Capital Receipts are loans from the open market, ways and means advances from the RBI, loans from the Central Government, receipts through sale of treasury bills etc. Larger capital receipt results in shifting the burden of resource mobilization to the future generation. The other forms of Capital Receipts are disinvestments from the Public Sector Undertakings/ Enterprises or sale of government property, including the land.

Capital Expenditure: Expenditure incurred with the object either of increasing concrete assets of a material and permanent character or of reducing recurring liabilities is known as Capital Expenditure. The expenditure is made on construction of buildings, roads, irrigation projects, water supply etc. which, results in creation of physical assets. It bears all charges for the construction and equipment of a project as well as charges for intermediate maintenance of the work before it opened for service.

Voted Expenditure: The proportion of annual budget, which would require voting by the legislature is known as voted expenditure. For example, pay and allowances of a police officer is a voted expenditure.

Charged Expenditure: The kind of expenditure, which are specified under Article 202(3), 229(3), 322 and 290 of the Constitution are charged under Consolidated Fund and is known as charged expenditure. These expenditures do not require the voting of the legislature but is placed before the legislature along with the voted amount. For example, expenditure on salary of the Speaker, Deputy Speaker, Governor and the related office establishments, Judges of High Court, Administrative Tribunal etc. known as Charged expenditure. Debt charges including interest payments for which state is liable includes in this category of expenditure.

Plan Expenditure The government draws up Five-Year Plans and aims to carry out a number of developmental activities/programmes and specifies the goals and targeted objectives, which are to be achieved within the Plan period. Financial provisions are made in each financial year for execution of these programmes, and these expenditures are known as Plan expenditure. If it is felt, that it should be continued even after being completed within the Plan period, it is transferred to Non-Plan heads. For instance, when a dam is constructed, it comes under Plan expenditure but after the expiration of the Plan period, the expenditure on maintenance of dam is covered under Non-Plan expenditure. Plan expenditure is divided into three parts: ***(i) State Plan (ii) Central Plan and (iii) Centrally Sponsored Plan.***

(i) **State plan:** Like the Central Government, the State Government also participates in the planning process. There is a State Planning Board in each state, which monitors the way planning machinery in the state functions. The State Plan is scrutinized by the national planning commission and then provided with financial resources as per existing plan finance formulae. All new development programmes are taken up by the State Government, normally under the State Plan. The State Plan includes items in the State list.

(ii) **Central Plan**: Under Central Plan schemes, the expenditure is made by the State Government where the amount is fully funded by the Central Government. The scheme falls in the functional domain of the Central Government as defined in the Union List.

(iii) **Centrally Sponsored Plan (CSP):** The CSP covers all schemes fully or partially funded by the centre and implemented by the states or state agencies excluding those which come within the center's sphere of responsibility. The schemes funded by autonomous bodies like ICAR, NCERT, NCDC, UGC and NCUI etc. are also not included in CSP category.

Development Expenditure: Expenditures, which is supposed to promote growth and development of the economy directly, constitute development expenditure. It refers to the creation of social capital and economic capital. Expenditure on economic and social services, taken together constitute developmental expenditure of a state

Non-Development Expenditure: Expenditures on organs of the state, interest payments and servicing of debts, administrative services, pension and other liabilities are said to be non-productive, as it has no direct implication on development of a state. These expenditures called non developmental expenditure and are primarily required to maintain law and order of the state and to facilitate running of the government.

Non-Plan Expenditure: The budget manual of the State Government does not distinguish between Plan and Non-Plan expenditures. However, following planning practices in the country, Plan Schemes are kept separate from other schemes. Non-Plan expenditure is that expenditure which is recurring in nature and is to be provided for maintenance, and functioning of government. Over the years, the size of these Non-Plan items has grown bigger and become a burden on the government exchequer.

Fiscal Deficit: The fresh loan/debt raised by the state in a financial year. It is the difference of total receipt (Excluding the debt receipt) and the total expenditure of the state.

Vote on Accounts: Vote on Account means a grant that has been advanced to the State Government by the Legislative Assembly under Article 206 of the Constitution pending the approval of the budget for the next financial year.

Fiscal Year / Budget Year / Financial Year: Financial year commences on 1st April in a given year and ends on 31st March in the following year.

Sector and Sub-Sectors of Accounts: Within each of the divisions and sections of the Consolidated Fund of the State, the transactions shall be grouped into sectors such as: General Services, Social Services and Economic Services, under which specific functions or services shall be grouped. In some cases the Sectors are further sub-divided into sub-sectors before being classified into Major Heads of Account. Each Sector in a section of the Consolidated Fund of the State is to be distinguished by a letter of the alphabet. In the case of the Contingency Fund, a single Major Head (i.e. 8000) is used to record all the transactions made out of the fund. In the case of Public Accounts, the transactions shall be grouped into sectors and sub-sectors and further subdivided into Major Heads of Account. The sectors/sub-sectors shall be distinguished by letters of the alphabet.

Accounting Classification: The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure under the Demands for Grants are shown according to the accounting classification as prescribed under Article 150 of the Constitution.

Expenditure Classification by Administrative Units: Government expenditures through budgets have been classified by administrative units, which show the expenditure requirement of a particular ministry or department of the government.

Expenditure Classification by Functions: Government at different levels carries out a number of responsibilities, some of which are obligatory and some subsidiary functions. Classification of budget expenditures based on the functions such as health, education and so on is known as expenditure classification by functions.

Classification of Government Expenditure: The government accounting system is carried out by dividing the expenditure into six tiers. These are major heads, sub-major heads, minor heads, sub-heads, object heads and detailed heads.

Major Head: Major Head generally corresponds to 'Major Functions' of the government such as agriculture, education, health, sports, art and culture etc. A four digit arabic numerical code has been assigned to the major heads. For example 2401 stands for "Crop Husbandry".

Sub-Major Head: It comes under the major head and is represented by a two-digit code, e.g. 00 under the major head crop husbandry. It represents sub-function of a functional major head.

Minor Head: It means a head subordinate to major head or a group head and denotes various programmes under each functional major head. Minor head is represented by a three-digit code e.g. 001, which stands for direction and administration.

Sub-Head: It represents schemes under various programmes sub-ordinate to minor head. For example 0618 represents as headquarter organization.

Detailed Head: It is termed as an object classification. It primarily means itemized control over expenditure and indicates the object or nature of expenditure on a scheme or activity or organization in terms of inputs. For example 01003 stands for salary expenditure.

Object Head: It is the unit of expenditure represented by a three digit code that is 136 as Pay

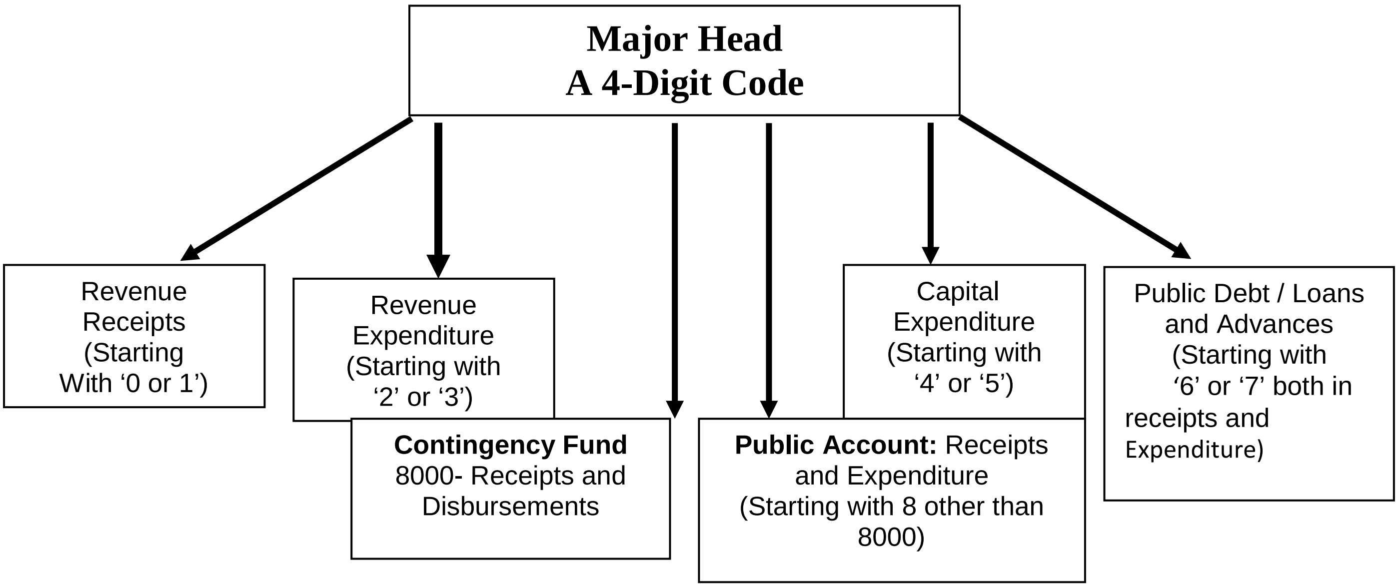
Classification of Government Expenditure

Major Head	Crop Husbandry	2401 (Revenue Expenditure)	4401 (Capital Expenditure)	6401 (Loans and Advances)
Sub-Major Head	Sub-Major Head	01		
Minor Head/ Programme Head	Direction and Administration	001		
Sub- Head	Headquarter Organization	0620		
Object Head	Salary	01003		
Detailed Head	Pay	136		

The above classification is the standard coding structure prescribed by the Comptroller and Auditor General of India and many of the State Governments have been following this structure while preparing budgets. However, there is no such uniformity found beyond minor head as some states, including the Union Government are still continuing with the practice of old series of coding structure in preparing their respective budgets. The coding pattern in budget documents of the Union Government and the State Governments is uniform up to the minor heads and can be easily identified.

Coding Pattern of Government Accounts
There is standard coding pattern used in the country to prepare budgets which was prescribed by the Comptroller and Auditor General of India. As mentioned above, since 1987 all such government fiscal operations should be accounted in the following manner.

Any four digit code representing a major head of the government budget classification can be read as per the example shown in above figure. For example major head starts with either 0 or 1 mean revenue receipts for the government from the available sources. Similarly, major head start with digits 2 or 3 is classified as revenue expenditure of the government.



B. FAMILIAR WITH BUDGET DOCUMENTS

There are a number of documents available in the public domain to know about the budget of the State Government. These documents are listed below:

The Finance Bill / Act: A Finance Bill is a Money Bill as defined in Article 199 of the Constitution of India. At the time of presentation of the Annual Financial Statement in the State Assembly, a Finance Bill is also presented as part of the requirement of Article 198, 199 and 207 of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget, if any.

Appropriation Bill / Act: Appropriation Bill is introduced in the Legislative Assembly under Article 204 of the Constitution of India sanctioning appropriation out of the Consolidated Fund of the State of all the moneys required to meet (a) the amounts so made by the assembly; and (b) Expenditure charged on the Consolidated Fund of the State but not exceeding, in any case, the amount shown in the Statement previously laid before the House or Houses. After the Demands for Grants are voted (amount that has to be voting) in the Legislative Assembly, the Legislature approves the budget and authorizes withdrawal of both the voted and the charged expenditure from the Consolidated Fund of the State through the Appropriation Bill. As under Article 205 and 206 of the Constitution, no money can be withdrawn from the Consolidated Fund of the State without the enactment of such a law by the State Assembly except under appropriation made by law passed in accordance with the provisions of this article.

Finance Minister's Speech/ Budget Speech: The maiden speech of the Finance Minister in the budget session of the State Assembly is popularly known as the Budget Speech. It outlines the budgetary policy proposals of the government for the coming fiscal year. It reflects the expenditure priorities of the government and sources of receipts for the coming fiscal year (budget estimates) along with estimates of the government for the same during the year of presentation (revised estimate), and those for the preceding year (accounts or actuals).

Annual Financial Statement (The Budget): Under Article 202 of the Constitution of India, a statement of the estimated receipts and expenditure of the state for each financial year has to be laid before the State Legislature. This statement is known as the "Annual Financial Statement" (AFS) or "Budget". It is the core budget document that presents the estimated receipts and disbursements of the State Government for the ensuing financial year in relation to the budget and revised estimates of the current fiscal year as well as actual receipts and disbursements made during the last fiscal year. The receipts and disbursements are shown in three parts for which the government accounts are maintained: (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Accounts. According to the Constitution, the AFS distinguishes expenditure falling under revenue account from other expenditures. These expenditure estimates as well as actuals shown in this document are net expenditures, i.e., after taking into account the recoveries.

Budget At A Glance / Budget Summary / Budget in Brief: It is not a statutory document but is prepared showing important Plan and Non-Plan expenditure and various statistical data on budget and other related information. This gives all the information on budget and state finances in a simple, non-technical and user-friendly manner. This document outlines in brief, receipts and disbursements along with broad details of tax revenues and other receipts. It provides a classification of expenditure into Plan and Non-Plan, allocation of Plan outlays within various sectors and Ministries/Departments along with details of resources received by the State Government. The Budget Summary also presents the revenue deficit, the gross primary deficit and the gross fiscal deficit of the State Government. Further, it also details the sources of borrowing and other related information such as receipts of the State Government by way of share in central taxes, grants-in-aid and loans. Besides, trend analysis of the total receipts under revenue and capital accounts of the government (with an itemized breakup of the total expenditure) is also given in this document.

Demand for Grants (Compiled demands of all Administrative Departments): Article 203 of the Constitution mandates that the estimates of expenditure from the Consolidated Fund that are included in the Annual Financial Statement (AFS) required to be voted by the legislature are submitted in the form of Demands for Grants. The Demands for Grants are presented to the State Assembly along with the AFS. Generally, one Demand for Grant is presented for a Ministry or Department. However, in the case of large ministries or departments, more than one demand can also be presented. Each Demand for Grants classifies the total expenditure into 'voted' and 'charged' and 'revenue' and 'capital' heads of account. This is followed by the estimates of expenditure being categorized under different Major Heads of account. The breakup of the expenditure under each major head between 'Plan' and 'Non-Plan' is also provided. Further, a detailed break up of estimates of expenditure up to the level of minor heads is furnished. Deductions of the recoveries are also provided at the end of each ministry/department's expenditure. In general, a summary of Demands for Grants is given at the beginning of this document, while details of 'New Service' / 'New Instrument of Service' such as formation of a new company, undertaking a new scheme, if any, are indicated at the end of the document.

Detailed Demands for Grants is a proposal made to the Legislative Assembly on the recommendation of the Governor to spend from the Consolidated Fund of the State on specific services related to the Demand. In general, detailed demands for grants consist of two volumes. Volume I provide details of expenditures up to the level of object heads for Plan expenditure while

Volume II gives details of for Non-Plan expenditure of one / more than one administrative departments of the State Government. Supplementary grant/Supplementary Statement of expenditure/Additional or Excess grants refers to the Statement to be laid before the legislature showing the estimated amount of expenditure necessary in a financial year over and above the spending amount authorized for that year under Article 205 of the Constitution.

Explanatory Memorandum: This document provides expenditure by Major Heads of all the three arms of government, i.e. the legislative, the executive and the judiciary. The information includes the Accounts, Balance Sheets, Loan burden of State Government, Guarantees provided by the government and other related information. Besides, expenditure provisions (major head-wise) made by the various administrative departments of the State Government is also provided in this document.

Economic Survey: A pre-budget document that provides detailed information about the state's economy. Prepared by the Finance Department (or relevant administrative department of the State Government), it is presented in the State legislature. This document outlines the status of the economy up to the year of publication of the document.

Five Year / Annual Plan Documents: Each state prepares Five Year Plan documents outlining the objectives and strategies for a five year period. This apart, annual plan documents are also prepared based on specific guidelines for achieving relatively short term objectives. The sole responsibility of preparing these documents is with the Planning and Co-ordination Department of the State Government in consultation with the State Planning Board and the State Finance Department.

Annual Reports of Administrative Departments: A descriptive account of the activities of each ministry/department during a year is given in the annual report that is brought out by each state department and circulated to members of the Legislative Assembly at the time of discussion on the Demands for Grants.

Performance/Outcome Budget: It is a document that describes the achievement of a particular administrative department indicating actual physical performance in the preceding year, performance in the first nine months (up to December) of the current financial year and the targeted performance for the ensuing financial year. This document is presented to the State Assembly by the administrative departments. With effect from 2007-08, Performance Budget and Outcome Budget have been merged into a single document titled "Outcome Budget". It contains, among other things: a brief introductory note on the organization and functions of the administrative department, major programmes implemented by the department, departmental mandate, goal and policy framework, scheme-wise analysis of physical performance, linkage between financial outlays and outcomes, overall trends in expenditure visa-a-vis budget estimates in recent years, reform measures, targets and achievements, and plan for future refinements.

Finance Accounts: The actual expenditures carried out by the state under different sectors up to the level of programme head are compiled by the CAG and are presented in the legislature as an audited document of the government accounts, called the Finance Accounts. Also, details of capital expenditure and receipts are provided in this document.

Appropriation Accounts: refers to the accounts prepared by the Comptroller and Auditor General of India for each Grant and charged appropriation relating to a specific financial year. Important variations in the expenditure and sanctioned grant are explained therein. Under Article 151 (2) of the Constitution, the Comptroller and Auditor General submit the Appropriation Accounts and the Audit Reports of the state to the Governor to be laid before the legislature.

Audit Reports - Civil and Commercial (Compiled by Comptroller and Auditor General). The report of the Auditor General of India in relation to the accounts of states is submitted to the Governor of the state and is laid before the State Legislature (Article-151). While civil report details the audited accounts of government expenditure incurred by the State Government administrative departments, commercial report provides audited accounts of the State Government undertakings.

Document on Allocations to RLBs and ULBs: A document/report providing information on allocation and expenditure of the Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs). This document is prepared by the State Government and provides a detailed break up of expenditure for different tiers of RLBs and ULBs.

Mid-term Appraisal Document of the Five Year Plan: A document appraising the status of the Plan programmes and schemes implemented during the Five Year Plan under consideration, when the Plan period is almost halfway to completion, is known as the Mid-term Appraisal Document of the Five Year Plan.

In-Year Reports: A report which tracks the status of implementation of budget proposals and the situation of the economy during the financial year from time to time. These reports are prepared for internal purposes and contain up to date information on expenditures as classified under Plan and Non-Plan heads of account.

Mid-year Reports: The State Government prepares a report in the middle of the financial year under consideration to track the status of implementation of the budget proposals. This report is prepared for internal purposes and contains information on expenditure as classified under Plan and Non-Plan heads of account.

Year-end Reports: Government prepares a report at the end of the financial year to track the status of implementation of budget proposals. This report is prepared for internal purposes and contains detailed expenditure information. The annual accounts, appropriation reports and the annual reports of the administrative departments are considered as the year end reports.

Receipts Budget: Estimates of receipts included in the Annual Financial Statement are further analysed in a document named Receipts Budget. This document provides details of tax revenue, non-tax revenue and capital receipts and explains the estimates thereon. Statements of assets and details of external assistance are also included in Receipts Budget.

Budget Highlights: This document explains the key features of the budget for the year it is presented, indicating the prominent achievements in various sectors of the economy. It also explains, in brief, the budget proposals for allocation of funds to be made in important areas. The summary of tax proposals is also reflected in the document.

Economic Survey: A pre-budget document, which provides detail information about the state economy. It is presented in the State Legislature, prepared by the Finance department, of each State Government.

Finance Accounts: The actual expenditure carried out by the state under different sectors upto the programme head are compiled by the Accountant Generals and is presented in the legislature as an audited document of the government.

State Finances: A Study of Budgets (Published by RBI): This is an important document to track data for all the State and Union Territory Governments compiled by the Reserve Bank of India. For a comparative study, this is the most important document that we can refer.

C. HOW BUDGET DOCUMENTS ARE PREPARED?

Finance Department of the State Government is primarily responsible for preparation and presentation of the budget documents. The budget of each department is generally prepared in two volumes. One for Non-Plan and other for Plan schemes under State Plan, Central Plan and Centrally Sponsored Plan. When there are no Plan schemes only one volume (Vol-I) is prepared for Non-Plan programmes. The Revenue Receipt is prepared in one volume. Excluding the Revenue Receipt and Detail Budget volumes, the others are in abstract forms prepared from the figures adopted in the above two documents.

For preparation of budget, Finance Department issues Budget Circular inviting proposals from the Controlling Officers both under receipt and expenditure side. The Finance Department also indicates, therein, the level of Non-Plan revenue expenditure by Major Head for each department. While preparing the ceiling of Non-Plan revenue expenditure by Major Heads, the guidelines indicated in the Finance Commission Report and the level of approved Revenue Expenditure (in total)for the state is taken into account along with the state's own Tax and Non-Tax Revenue fixed there in. On receipt of the Budget Circular along with the ceiling of Non-Plan Revenue expenditure, the Controlling Officers furnish their budget proposal in the prescribed Controlling Officers' Budget Forms to the Finance Department. On receipt of the Budget Proposals from the Controlling Officers, pre non-plan budget meetings are organized in the Finance Department. The Non-Plan Budget Proposals are discussed in detail in the meeting held in Finance Department where the representatives of Administrative Department and the Controlling Officers remain present and argue out their case justifying their requirements, which is put to close scrutiny by the representatives of the Finance Department. This scrutiny is undertaken with reference to the level of expenditure in the past year, pace of expenditure in the current year, the staff in position, measures taken by the administrative department to observe fiscal discipline by cutting down unproductive expenditure, raising additional revenue, closure of the outlived schemes, utilization of central assistance, recovery of loans and advances, surrender of the provision in the previous year and compliance to various instructions and guidelines of Finance Department.

With regard to preparation of the Plan Budget, since the State Plan size for a particular year is determined by the Planning Commission, it requires certain information. For compilation of this information, the Planning Commission normally issues guidelines on the basis of which all the states prepare the information and forward the same to Planning Commission. On receipt of the information, an official meeting is taken organized by the Commission with the high level officials of the states. Finally a meeting with the Deputy Chairman of the Central Planning Commission is held by the concerned Chief Minister to finalize the State Plan size and the decision taken therein is final. For determining the State Plan size and the state resources for funding the State Plan the following factors are taken into consideration.

1) Total Non-Plan Revenue receipts of the state minus total Non-Plan Revenue expenditure. (Balance in Current Revenue-BCR)
2) Contribution from State Public Enterprises
3) Total Non-Plan Capital Receipts including recovery of loans minus Non-Plan Capital expenditure.
4) State Provident Fund – Net
5) Loans against Small Savings collection
6) Receipt anticipated by Additional Resources Mobilisation (ARM) measures.
7) Net Market Borrowing by State Govt.

8) Negotiated Loans i.e. Loans from LIC, GIC, NABARD etc. and other Financial Institutions and Co-operatives
9) Central Assistance for State Plan
10) Additional Central Assistance under Externally Aided Projects (EAPs)
11) Plan Revenue Deficit Grant from Govt. of India, where ever such grant has been recommended by the Finance Commission.
12) Adjustment of Opening Balance with RBI
13) Special Grants from Govt. of India if any, including up-gradation and special problem grants recommended by Finance Commission.

After final discussion, the approved Plan allocation for the state is communicated by the Planning Commission to the State Planning Department. On receipt of the approved Plan allocation, the planning department of the State Government intimates the State Plan ceiling for each department of the government by indicating the sectoral allocations. The departments prepare their Plan proposals on the basis of the Plan ceiling communicated by means of New Demand Schedules. The New Demand Schedules prepared by the departments are examined and finalized in the meeting by the respective departments with the Secretary of the department as the Chair-person. Representatives from Finance Department and Planning Department are invited to the meeting for finalisation of the State Plan proposals. The New Demand Schedules approved by the above committee are forwarded to the Finance Department for technical check, after which they are treated as final and included in the State Plan Budget of the respective departments by the Finance Department

Presentation of Budget: The Annual Financial Statement (AFS) or the statement of the estimated receipts and expenditure of the state, with respect to every financial year (which is called as the 'Budget'), shall be presented to the assembly on such day in the preceding financial year as the Governor may decide. Copies of the budget shall be issued to the members soon after the same is presented. There shall be no discussion of the budget on the day it is presented in the assembly.

Form of Budget: A separate demand shall ordinarily be made in respect of the grant proposed for each department of the government, provided that the Finance Minister may in his/her discretion, include in one demand grants proposed for two or more department, according to rationalisation system or make a demand in respect of expenditure. Each demand shall contain, first a statement of total grant proposed and then a statement of the detailed estimate under each grant divided into items (for detail please see detail demand for grants-Vol-I & II). Subject to these rules, the budget shall be presented in such form as the Finance Minister may consider best fitted for its consideration by the Assembly.

D. OTHER INSTITUTIONS INVOLVED IN BUDGET FORMULATION / IMPLEMENTATION

Finance Commission: As per the Constitution (Article 280), usually at the end of every fifth year, the President constitutes a Finance Commission: a body which recommends allocation of Non - Plan revenue between the union and the states. Under Article 280 of the Constitution the Finance Commission is required to make recommendations to President in respect of:

1. The distribution of net proceeds of taxes to be shared between the centre and the states, and the distribution, between the states, of respective share of such proceeds.
2. The principles which should govern the grants-in-aid by the centre to states out of the Consolidated Fund of India.

3. The measures needed to augment the Consolidated Fund of a state to supplement the resources of the panchayats and the municipalities in the state on the basis of the recommendations made by the State Finance Commission.
4. Any other matter referred to it by the President in the interests of sound finance.

State Finance Commission: Article 243 (I) of the Indian Constitution prescribes that the Governor of a state shall at the end of every fifth year, constitute a Finance Commission to review the financial position of the panchayats and make recommendations to the Governor as to:
The principles which should govern;

- The distribution between the state and the panchayats of the net proceeds of the taxes, duties, tolls and fees levied by the state, which may be divided between them under this part and the allocation between the panchayats at all levels of their respective shares of such proceeds;
- The determination of the taxes, duties, tolls and fees which may be assigned as, or appropriated by, the panchayats;
- The grants-in-aid to the panchayats from the Consolidated Fund of the State;
- The measures needed to improve the financial position of the panchayats; and
- Any other matter referred to the Finance Commission by the Governor for sound finance of the panchayats.

Article 243 (Y) of the Constitution further provides that the Finance Commission constituted under Article 243 (I) shall make similar recommendation vis-a-vis municipalities.

Planning Commission: It was a non-statutory body constituted by the Government of India to look into the formulation, implementation, monitoring, and evaluation of various Plan programmes and schemes for a five year/annual plan period for the economy. Besides, the Commission also devises Plan grants to the State and Union Territory Governments and to the Union Governments driven by a formula from time to time. The Planning Commission was replaced with NITI (National Institution for Transforming India) Ayoga recently.

State Planning Board / Commission: It is a body constituted by the State Governments to help them prepare Plan programmes. A state level apex body, it is supposed to compile all Plan programmes and schemes prepared at the district level by the District Planning Committees. This body also liaises and represents State Government at the Planning Commission in finalizing Plan schemes/programmes as well as seeking resources for implementing these schemes in the state.

Committee on Public Undertakings: The Committee on Public Undertakings examines the Commercial Audit Report brought out by the Auditor-General of a state. It also examines whether public undertakings are run efficiently and managed in accordance with sound business principles and prudent commercial practices. It examines the financial provisions made and the expenditure behaviour of the State Public Sector Undertakings.

Committee on Public Accounts: It is a committee of the legislature constituted at the time of commencement of the first session of each assembly for one year, for the purpose of scrutinizing the Finance Accounts, the Appropriation Accounts and such other accounts laid before the assembly as the committee may deem fit and reports on the irregularities to the legislature. Broadly, the committee scrutinizes reports brought out by the Auditor-General of a state. It ensures that public money is spent in accordance with the assembly's decision and calls attention to cases of waste, extravagance, loss and misappropriation of public money.

Comptroller and Auditor-General (C&AG) of India: There shall be a Comptroller and Auditor General of India who shall be appointed by the President of India. The C&AG is the supreme audit institution of India. It is an independent entity to whom enormous power has been assigned to by the Constitution of India to look into the accounts and auditing provisions of the union, the states and union territories.

Departmentally Related Standing Committee(s): The Departmentally Related Standing Committee (DRSC) is a system of parliamentary surveillance over government administration. As the Legislative Assembly continues to function under political dynamics of party politics, it fails to scrutinise all the legislative and financial matters before it. Hence, it is the endeavour of the DRSCs to extend legislative oversight over all government matters including public spending and ensuring accountability of the executive to the State Assembly. The Standing Committees are permanent and regular committees constituted every year to examine the Detailed Demands for Grants, Bills referred to by the Speaker of the State Assembly, Annual Reports of the Administrative Departments etc. However, these committees do not consider matters of day-to-day administration of the departments concerned. Ministers are not eligible for the membership of the DRSCs.

Estimates Committee: The Estimates Committee is a crucial financial committee which acts as the "continuous economy committee" and its criticism and suggestions act as a deterrent to extravagant public expenditure. This committee suggests alternative policies in order to (a) bring about efficiency and economy in administration; (b) examine whether the money spent is well within the limits of the policy implied in the estimates; and (c) suggest the form in which the estimates shall be presented to the Legislative Assembly.

Accountants General of the States: Office of the Accounts General (AG) at the state level is the supreme audit institution of the state headed by an Accountants General and is an independent entity. All the audit processes held at the state level are being carried out by the office of AG and audit reports are prepared by them which are to be laid before the State Legislative Assembly from time to time. However, these audit reports need to be certified by the Controller and Auditor General of India.

State / District / Sub / Special Treasuries: Each State Government is having a State Treasury headed by the Directorate of Treasuries and Inspection (DT&I). The primary function of DT & I is to act as the Head of Department for the Treasuries and Sub Treasuries in the state. It monitors the treasuries on a monthly basis and also carries out regular inspection of all the government establishments in the state. The Directorate of Treasuries and Inspection also carries out internal inspection of all the treasuries at least once every year as mandated by the State Treasury Code. The Directorate functions under the administrative control of the Finance Department. Each state also has District Treasuries and Sub Treasuries under the jurisdiction of these District Treasuries and also some Special Treasuries. The District Treasuries and Special Treasuries are headed by a Treasury Officer who belongs to the State Finance Service (SFS) cadre. The Sub Treasuries are headed by a Sub Treasury Officer also of the SFS cadre.

Finance Department: It is an administrative department of the State Government that is primarily responsible for preparation and presentation of the State Government budgets and implements the budget proposals. Besides, Finance Department is responsible for publishing most of the budget documents/reports/ statements available in a state including main budget documents listed in the questionnaire.

Line Departments: There are other line departments (administrative departments) in the State Government that are also responsible for preparing budget documents/reports/statements for the State Government. For example- Department of Planning and Coordination is responsible for preparing Five Year Plan and Annual Plan Documents for the state. Similarly, Department of SCs, STs and OBC Welfare prepare, implement and execute SCSP and TSP in the state.

E. DEFINITION OF 'AGRARIAN SECTOR' EXPENDITURE:

1. Budgetary Expenditure towards Crop Husbandry includes various sub-heads of expenditure such as: expenditure on direction and administration, food grain crops, seeds (seed farms), agricultural farms (farms other than seed farms), manures and fertilisers, import of fertilizers, plant protection, commercial crops (expenditure on development of each type of commercial crop is recorded under distinct sub-heads, thus there are distinct sub-heads for jute, cotton, sugarcane, potato, tobacco, coconut, cashew, pepper, cardamom etc.), extension and farmers' training (expenditure on information, publicity demonstration, farmers' training and education), crop insurance, agricultural economics and statistics, development of pulses, agricultural engineering (this sub-head includes expenditure on agency for hiring and servicing of agricultural machinery and implements including tractors), development of oil seeds, scheme of small/marginal farmers and agricultural labour, horticulture and vegetable crops (expenditure on schemes relating to fruits, vegetables, nurseries, kitchen gardens and orchards etc.), assistance to farming cooperation, international co-operation, and other expenditures (where the purpose of expenditure cannot be classified under any of the above heads).

2. Expenditure on Soil and Water Conservation includes various sub-heads of expenditure such as: direction and administration, soil survey and testing, soil conservation (this including schemes relating to desert areas, saline, alkaline and water logged areas, reclamation of ravine, heavy rainfall areas and forest areas, besides bunding works on agricultural lands), land reclamation and development, extension and training and other expenditures.

3. Expenditure towards Animal Husbandry includes various sub-heads of expenditure such as: direction and administration, veterinary services and animal health (expenditure on prevention and control of animal diseases), cattle and buffalo development (expenditure on cattle breeding, cattle shows), poultry development, sheep and wool development, piggery development, other livestock development, fodder and feed development, insurance of livestock and poultry, extension and training and other expenditures.

4. Expenditure on Dairy Development includes various sub-heads of expenditure such as: direction and administration, dairy development projects (like flood project), extension and training, assistance to cooperatives and other bodies (expenditure towards national diary development board), milk schemes and other expenditures.

5. Budgetary Expenditure towards Fisheries includes various sub-heads of expenditure such as: direction and administration, inland fisheries (expenditure on landing and berthing facilities), estuarine / brackish water fisheries (expenditure on landing and berthing facilities), marine fisheries (off-shore fisheries and deep sea fisheries), assistance to fisheries cooperatives, assistance to public sector and other undertakings, assistance to shipping credit and investment, other expenditure (expenditure on aquarium and schemes for relief and welfare of fisher folk).

6. Agricultural Research and Education: Public expenditure on agriculture research and education includes items such as: direction and administration, research; assistance to other institutions, assistance to ICAR, education and other expenditures for all the sub-items like Crop Husbandry, Soil and Water Conservation, and Animal Husbandry among others.

7. Expenditure on Cooperation: This major head covers expenditure on co-operative ventures that are of a composite/general type and cannot properly be identified with or classified under any of the various functional heads**.** Public expenditure on co-operation includes: direction and administration, training, research and evaluation, audit of co-operatives, information and publicity, assistance to multipurpose rural co-operatives, assistance to credit co-operatives, assistance to other co-operatives, agriculture credit stabilisation fund, assistance to public sector and other undertakings, cooperative education, other special areas programmes and other expenditures.

8. Other Agricultural Programmes: Public expenditure on other agricultural programmes includes: marketing facilities, grading and quality control facilities, assistance to public sector and other undertakings, other expenditures; scheme for debt relief to farmers, and those programmes that are not covered elsewhere will be included under this head.

9. Expenditure on Irrigation and Flood Control and Drainages includes**:** Expenditure towards Major and Medium Irrigation (both commercial and non-commercial), Minor irrigation (includes surface water, ground water and other general components); Command Area Development and Flood Control and Drainage programmes.

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