

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE**

**RAJYA SABHA
UNSTARRED QUESTION NO. 3422
TO BE ANSWERED ON TUESDAY, 01st April, 2025
11 CHAITRA, 1947 (SAKA)**

INCREASING DEPENDENCE OF STATES ON CENTRAL FUNDS

3422. SHRI HARIS BEERAN:

Will the Minister of FINANCE be pleased to state:

- (a) the reasons for increasing dependence of States on Central transfers and grants, with such transfers gross value accounting for 23-30% of States' total revenue over the last decade;
- (b) the measures being taken to enhance the capacity of States to mobilise their own tax revenue, including improvement of efficiency in collections from stamp duty, registration fees, motor vehicle tax, and other avenues; and
- (c) whether Government has assessed the declining ratio of own tax revenue to GSDP in several States such as Tamil Nadu, Kerala and Madhya Pradesh, if so, the steps being taken to reverse this trend?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a) The Union Government provides resources to States under Tax Devolution from divisible pool of Central taxes & duties and Grants-in-Aid including Finance Commission Grants and grants for Centrally Sponsored Schemes (CSS). The tax devolution to States has increased in the last decade primarily due to increase in the percentage of devolution from 32% in the 13th Finance Commission period to 42% in the 14th Finance Commission period. The 15th Finance Commission also maintained same level of devolution after adjusting 1% for Jammu and

Kashmir. Transfer to States under Centrally Sponsored Schemes have also increased from Rs. 1,96,442 crore in 2014-15 to Rs. 4,44,547 crore in 2023-24.

(b) to (c) All States have enacted their Fiscal Responsibility and Budget Management Act which makes the State Government responsible to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the government. Compliance to the Fiscal Responsibility and Budget Management Act is monitored by the State Legislature.
