

"Union-State Financial Relations in India: Trends in Fund Allocation and State-wise Distribution Focusing on the Dairy Sector"

Ajit Basaragi¹ Research Scholar, Department of Studies in Economics Karnatak University, Dharwad.
Karnataka, India

R. N. Kadam², Professor, department of Studies in Economics, Karnatak University, Dharwad. Karnataka,
India.

Abstract: This study analyses Union–State financial relations in India, focusing on fund allocation and state-wise distribution of central support for dairy development between 2020 and 2025. Using secondary data from government reports, Finance Commission documents, and sectoral statistics, it examines key schemes such as the Rastriya Gokul Mission (RGM), National Programme for Dairy Development (NPDD), Animal Husbandry Infrastructure Development Fund (AHIDF), National Livestock Mission (NLM), and Support to Dairy Cooperatives and Farmer Producer Organisations (SDCFPO). The findings show that while Union investments have strengthened livestock productivity, infrastructure, and cooperatives, allocation remains uneven, with economically stronger states like Gujarat, Maharashtra, and Tamil Nadu utilizing funds more effectively than weaker states. The study concludes that greater fiscal transparency, equitable distribution, and stronger state-level capacity are essential for balanced regional development and cooperative federalism in India’s dairy sector.

Keywords:

Union–State financial relations, fiscal federalism, dairy development, fund allocation, state-wise distribution, cooperative federalism.

Introduction: The financial relationship between the Union and State governments in India forms the backbone of the country's fiscal federalism, reflecting the distribution of resources and responsibilities across different levels of governance. Over the years, trends in fund allocation have evolved significantly, influenced by changing economic priorities, political dynamics, and recommendations of Finance Commissions. These trends not only impact the overall development trajectory of the states but also reveal patterns of regional disparity, fiscal dependence, and intergovernmental negotiations. Analysing the state-wise distribution of central funds offers valuable insights into how resources are mobilized and shared, and how

effectively the federal structure supports balanced regional development across India. In recent decades, the growing demands of states for greater fiscal autonomy and equitable resource distribution have brought Union-State financial relations into sharper focus. While mechanisms like the Finance Commission, the Planning Commission (now replaced by NITI Aayog), and centrally sponsored schemes have aimed to ensure fairness in fund distribution, disparities persist due to factors such as population size, economic capacity, political alignment, and administrative efficiency. States with stronger economic bases often generate more revenue internally, whereas others rely heavily on central transfers to meet their developmental needs. This divergence raises important questions about the criteria used for allocation, the balance between conditional and unconditional transfers, and the long-term sustainability of current fiscal practices. As India continues to pursue inclusive growth, understanding the trends and patterns in Union-State financial relations becomes crucial for ensuring cooperative federalism and effective governance.

• Review of Literature

Rao and Singh (2005) argue that the Constitution assigns a greater share of revenue-generating powers to the Union, while the expenditure responsibilities are distributed more towards the States, leading to a vertical fiscal imbalance. **Bagchi (2003)** provides an in-depth analysis of the Finance Commission's functioning, emphasizing the need for transparency and predictability in resource transfers. **Mooij and Dev (2004)** highlight that the dominance of CSS in the allocation process limited the spending flexibility of states, often aligning funds with Union priorities rather than local needs. **Kurian (2000)** highlights that central transfers have not effectively bridged regional disparities, and historically backward states remain dependent on central aid. **Singh and Srinivasan (2005)** further argue that richer states with better administrative and economic capacities are better positioned to leverage centrally sponsored schemes, thereby widening inter-state gaps.

Objectives

- To describe the Government Schemes of Dairy Farming in India.
- To Analyse the trends in the allocation of central funds to states in India.

Methodology:

This study is entirely based on secondary data collected from official government sources, published reports, and scholarly literature. Key data has been drawn from the Ministry of Fisheries, Animal Husbandry and Dairying, including schemes such as the Rastriya Gokul Mission (RGM), National Programme for Dairy Development (NPDD), Animal Husbandry Infrastructure Development Fund (AHIDF), National Livestock Mission (NLM), and Support to Dairy Cooperatives and Farmer Producer Organisations (SDCFPO). Statistical handbooks such as the Basic Animal Husbandry Statistics (BAHS), Finance Commission reports, and publications from the National Dairy Development Board (NDDB) were also referred to. To ensure comprehensiveness, relevant academic studies, policy briefs, and articles on fiscal federalism and dairy sector development were reviewed. Data from charts and government records spanning 2020–2025 were analysed to examine trends in fund allocation, state-wise distribution, and sectoral impacts. The methodology thus combines descriptive and analytical approaches to highlight financial patterns, policy priorities, and institutional dynamics shaping the dairy sector in India.

Results and Discussion

• Summary of Major Government Schemes on Dairy Farming in India

The Government of India has launched several key schemes to promote animal husbandry and dairy development across the country, including in states like Rajasthan and Jharkhand. These initiatives aim to enhance livestock productivity, increase farmers' income, and strengthen rural infrastructure.

1. The **Rashtriya Gokul Mission (RGM)** focuses on the development and conservation of indigenous cattle breeds, genetic upgradation of bovine populations, and increasing milk production to make dairying more profitable.

2. The **National Programme for Dairy Development (NPDD)**, launched in 2014 and restructured in 2021 for the 2021–26 period, has two components: Component A supports milk testing and chilling infrastructure, while Component “Dairying through Cooperatives” enhances access to organized markets, upgrades dairy processing facilities, and builds the capacity of producer-owned institutions.

3. The Dairy Processing and Infrastructure Development Fund (DIDF) offers a 2.5% interest subvention on loans for creating or modernizing milk processing and value-added product manufacturing facilities. From February 2024, DIDF was merged with the

4. Animal Husbandry Infrastructure Development Fund (AHIDF), with a combined budget of ₹29,110.25 crore extended up to 2026. This demand-driven scheme does not have state-wise allocations.

5. The Supporting Dairy Cooperatives and Farmer Producer Organizations (SDCFPO) scheme, launched in 2017-18 and managed by NDDB, provides financial support to dairy cooperatives and FPOs. While Component A (working capital loans) was suspended in 2020-21, Component B was introduced to support working capital through 2% interest subvention, with an additional 2% for timely repayment. This scheme is now part of the broader

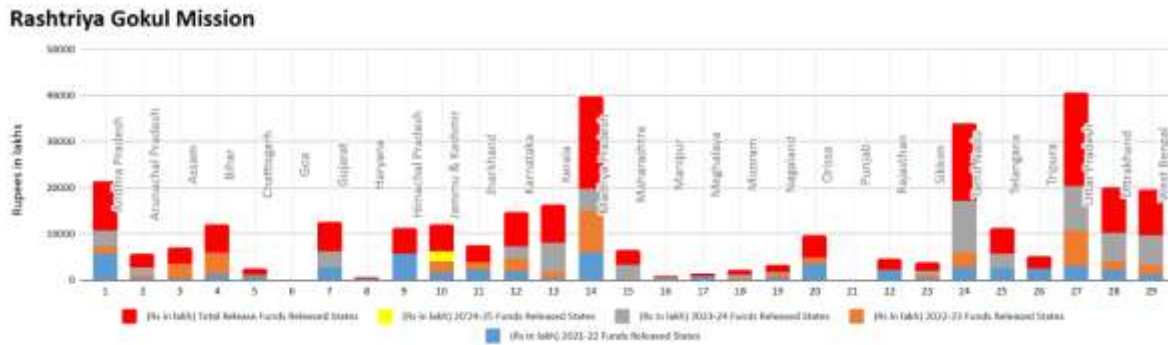
6. National Livestock Mission (NLM), a centrally sponsored scheme, focuses on breed development, feed and fodder enhancement, and innovation and extension. It supports entrepreneurship through 50% subsidies for establishing livestock and fodder farms, helping farmers diversify income sources. Meanwhile, the

7. Livestock Health and Disease Control Programme (LHDCP) is a central sector initiative that funds vaccination against major livestock diseases such as FMD, Brucellosis, PPR, and CSF, along with veterinary infrastructure strengthening and disease surveillance. Financial assistance is provided at varying central-state ratios (60:40 for most states, 90:10 for NE and Himalayan states, and 100% for UTs). Additionally, under the **ESVHD-MVU** component, 100% support is provided for mobile veterinary units (MVUs), offering door-to-door veterinary services via a toll-free number (1962).

8. Animal Husbandry Infrastructure Development Fund (AHIDF), announced under the Atmanirbhar Bharat Abhiyan, supports private investment in dairy and meat processing, feed plants, breed improvement, veterinary vaccine production, and waste-to-wealth initiatives. Beneficiaries such as FPOs, private entities, MSMEs, and Section 8 companies receive a 3% interest subvention on loans and credit guarantees of up to 25% of the borrowing. Together, these schemes form a comprehensive policy framework to strengthen the animal husbandry and dairy sectors and improve rural livelihoods across India.

• Trends in Allocation of Central Fund for States

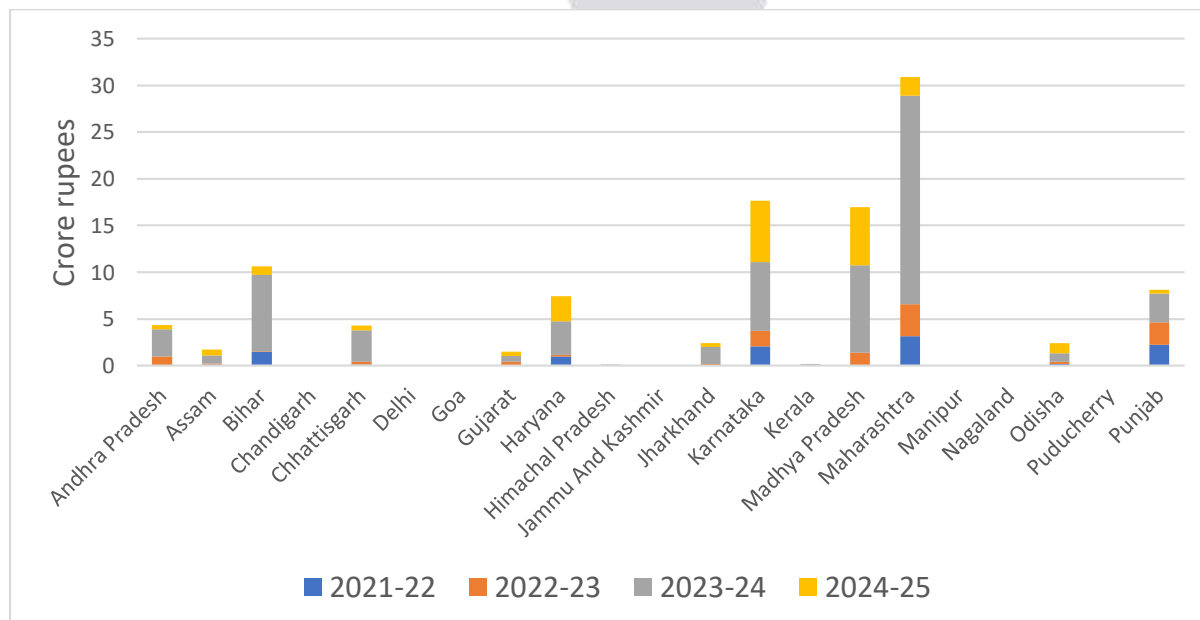
Fig :1 Rashtriya Gokul Mission



Sources: GOVERNMENT OF INDIA MINISTRY OF FISHERIES, ANIMAL HUSBANDRY AND DAIRYING DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING

This bar chart displays the total funds released (in lakh rupees) to various Indian states over four financial years: 2020-21, 2021-22, 2022-23, and 2023-24. The chart categorizes fund disbursements by year, represented through different coloured bars blue for 2021-22, orange for 2022-23, Gray for 2023-24, and yellow for 2024-25. The red colour represents the total allocation under the mission. The total height of the blue bars indicates cumulative funding over the years for each state. Uttar Pradesh received the highest total funding, followed by Tamil Nadu and Madhya Pradesh, while states like Goa, Mizoram, and Manipur received significantly lower amounts. The visualization highlights the variation in financial allocations across states and over different year.

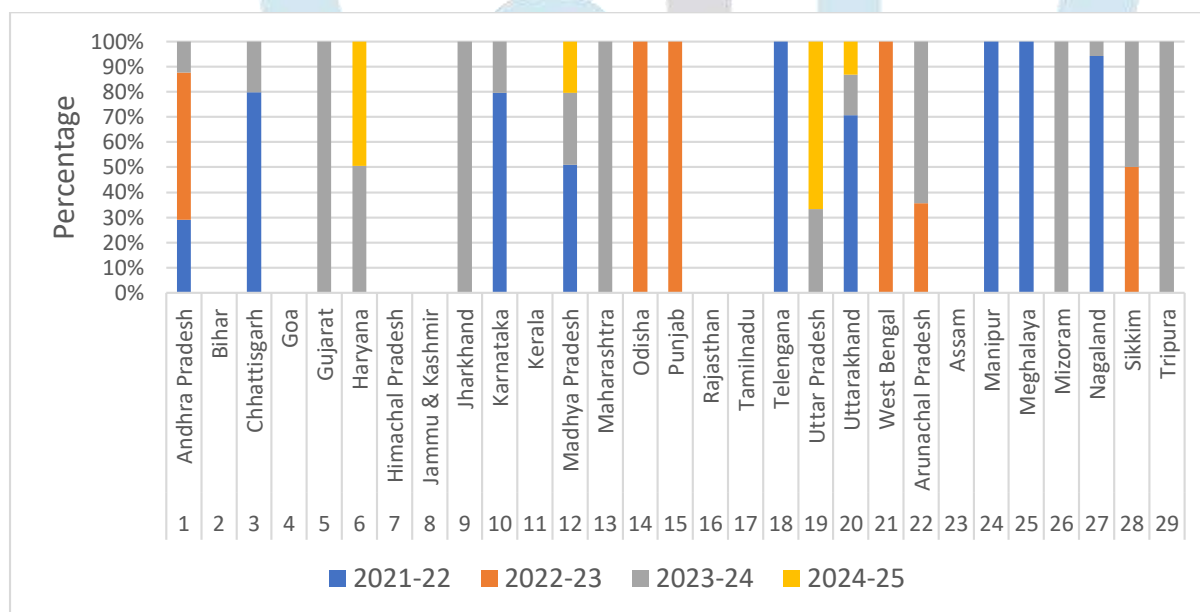
Fig:2 Animal Husbandry Infrastructure Development Fund



Sources: GOVERNMENT OF INDIA MINISTRY OF FISHERIES, ANIMAL HUSBANDRY AND DAIRYING DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING

This bar chart illustrates the distribution of interest subvention under the Animal Husbandry Infrastructure Development Fund (AHIDF) across 21 states over four financial years 2021-22, 2022-23, 2023-24 and 2024-25. Each bar represents a state's total subvention amount, proportionally divided by year. Most states, such as Assam, Bihar, Maharashtra, and Puducherry, received the largest share of their interest subvention in 2023-24, as indicated by the dominant grey segments. States like Punjab and Gujarat show more balanced yearly distributions, while Delhi and Goa have no visible contributions, implying no funds were disbursed there. The chart highlights the progressive scaling of interest subvention under AHIDF, with 2023-24 being the peak year for most states, supporting the development of livestock and dairy infrastructure through government-backed financial assistance.

Fig :3 National Livestock Mission (NLM)

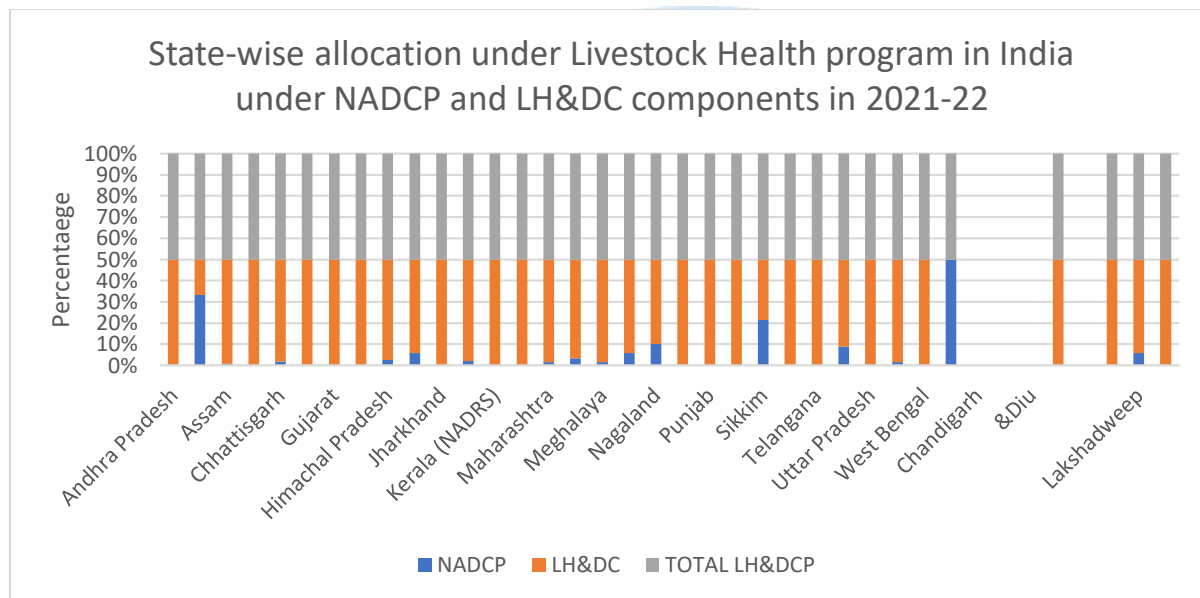


Sources: GOVERNMENT OF INDIA MINISTRY OF FISHERIES, ANIMAL HUSBANDRY AND DAIRYING DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING

This chart displays the percentage allocation of funds under the National Livestock Mission (NLM) to various states in India for the years 2021-22, 2022-23, 2023-24, and 2024-25. The allocation is shown as a percentage of the total cumulative allocation for each year, with states represented on the x-axis and percentages on the y-axis. Each state's allocation is depicted using four coloured bars: blue for 2021-22, Gray for 2022-23, orange for 2023-24, and yellow for 2024-25. The chart highlights the fluctuations in allocations over the years, showing some states, like Andhra Pradesh and Bihar, receiving higher percentages in 2021-22, with notable declines in the following years. In contrast, states like Gujarat and Uttarakhand show more consistent patterns across the years. The chart allows for a comparative analysis of how

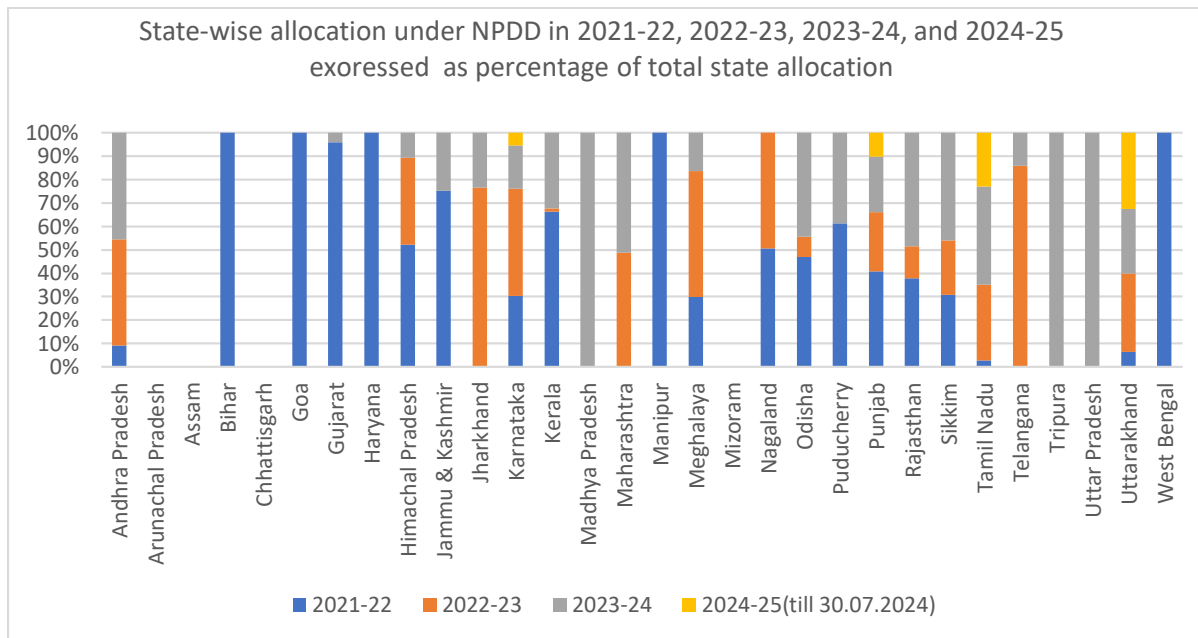
resources have been distributed to different states under the NLM and how those allocations have changed over time.

Fig :4 Livestock Health (LH)



Sources: GOVERNMENT OF INDIA MINISTRY OF FISHERIES, ANIMAL HUSBANDRY AND DAIRYING DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING

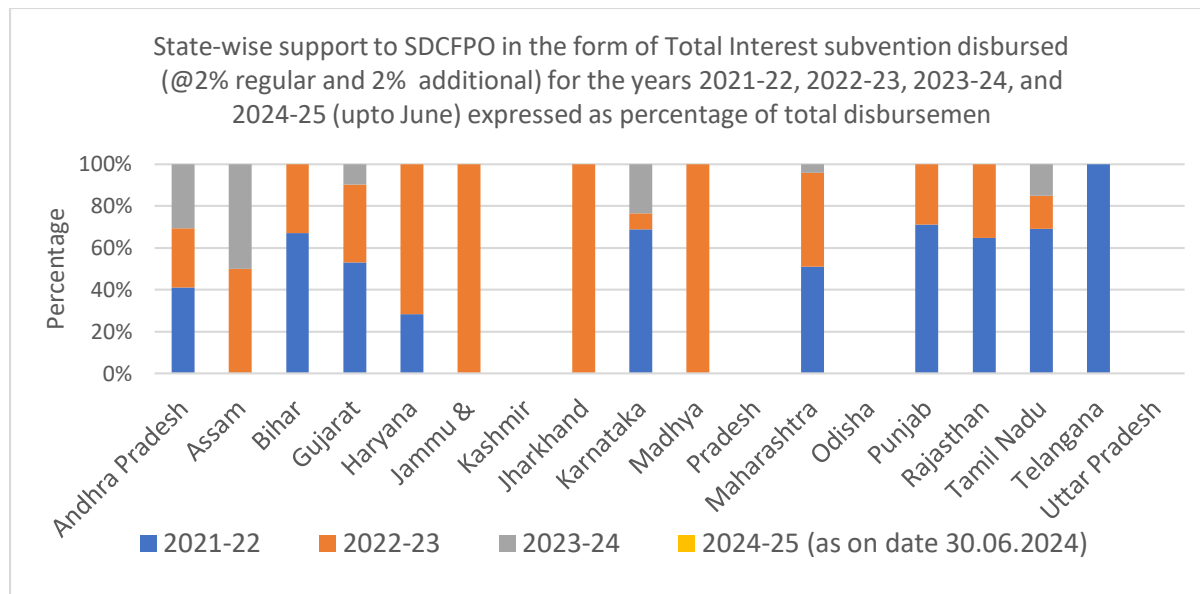
This chart displays the state-wise allocation of funds under India's Livestock Health program for the year 2021-22, with allocations divided into two components: the National Animal Disease Control Program (NADCP) and the Livestock Health & Disease Control (LH&DC). The data is expressed as a percentage of the total allocation for each state or union territory, where the blue portion represents the NADCP allocation and the orange portion represents the LH&DC allocation. The total allocation for each state is represented by the entire column (Gray). This chart reveals that most states allocate a higher percentage to the LH&DC component, except for a few like Assam and Himachal Pradesh, which allocate a larger portion to NADCP. The chart provides a clear comparison of how funds are distributed between the two components across the different states.

Fig :5 National Programme For Dairy Development (NPDD)

Sources: GOVERNMENT OF INDIA MINISTRY OF FISHERIES, ANIMAL HUSBANDRY AND DAIRYING DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING

The chart depicts the state-wise allocation of funds under the National Programme for Dairy Development (NPDD) from 2021–22 to 2024–25, expressed as a percentage of each state's total allocation. The stacked bars show how allocations are distributed across four years, with blue representing 2021–22, orange for 2022–23, grey for 2023–24, and yellow for 2024–25 (up to 30 July 2024). States such as Bihar, Chhattisgarh, Goa, Gujarat, Maharashtra, and West Bengal received their entire allocation in 2021–22, while others like Punjab, Rajasthan, Tamil Nadu, Telangana, and Uttar Pradesh had more spread-out allocations over the years. In some states, allocations are concentrated in one or two years (e.g., Himachal Pradesh in 2022–23, Kerala in 2021–22), while in others, the distribution is more balanced (e.g., Odisha, Punjab, Tamil Nadu). This indicates significant variation in fund disbursement patterns across states, reflecting differences in project implementation timelines, state-level proposals, and NPDD priorities.

Fig :6 Support to State Dairy Co Operatives Societies and Farmer Producers Organisation (SDCFPO)



Sources: GOVERNMENT OF INDIA MINISTRY OF FISHERIES, ANIMAL HUSBANDRY AND DAIRYING DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING

The chart illustrates state-wise support provided to Dairy Cooperative Societies and Farmer Producer Organisations (SDCFPOs) in the form of total interest subvention (2% regular and 2% additional) from 2021–22 to 2024–25 (up to June 2024), expressed as percentages of each state's total disbursement. The stacked bars show that allocations vary significantly across states and years: some states like Jharkhand, Madhya Pradesh, and Jammu & Kashmir received their entire support in 2022–23, while others such as Telangana and Uttar Pradesh received full allocations in 2021–22. States like Andhra Pradesh, Gujarat, Karnataka, and Maharashtra saw support spread across multiple years, indicating staggered disbursements. Punjab, Rajasthan, and Tamil Nadu also show relatively higher and consistent support over 2021–22 and 2022–23. Overall, the chart highlights differing disbursement patterns, with some states frontloaded in the initial years while others continue to receive allocations more evenly across time.

Conclusion: The analysis of Union–State financial relations and state-wise distribution of central funds for dairy development reveals both progress and persistent challenges in India's fiscal federalism. While schemes such as the Rastriya Gokul Mission, NPDD, AHIDF, NLM, and SDCFPO demonstrate the Union government's commitment to strengthening livestock productivity, infrastructure, and cooperative networks, the uneven allocation of resources across states highlights enduring disparities shaped by economic capacity, administrative efficiency, and regional priorities. States with stronger cooperative structures and better governance, such as Gujarat, Maharashtra, and Tamil Nadu, are able to leverage these schemes more effectively, whereas economically weaker or administratively constrained states remain

heavily dependent on central transfers. The data trends suggest an increasing role of demand-driven, interest-subvention-based schemes, alongside continued reliance on centrally sponsored initiatives to address regional imbalances. Overall, while these allocations reflect efforts toward inclusive growth and rural livelihood enhancement, greater transparency, equity in distribution, and capacity-building at the state level are essential to ensure that fiscal transfers truly support balanced regional development and strengthen cooperative federalism in India's dairy sector.

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