

Madhya Pradesh Budget Analysis 2019-2020

The Finance Minister, Mr. Tarun Bhanot, presented the budget for Madhya Pradesh for financial year 2019-20 on July 10, 2019. The Minister had previously presented the interim budget for the state in February 2019.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Madhya Pradesh for 2019-20 (at current prices) is estimated to be Rs 9,62,430 crore. This is 14.2% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 2,28,888 crore, a 20% increase over the revised estimate of 2018-19. In 2018-19, as per the revised figures, there is estimated decrease of Rs 8,447 crore (4.2%) of expenditure over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 1,81,979 crore, an increase of 20% as compared to the revised estimate of 2018-19. Borrowings are estimated to be Rs 42,984 crore, an increase of 15.3% over the revised estimate of 2018-19.
- **Revenue surplus** for 2019-20 is targeted at Rs 733 crore, or 0.08% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 32,106 crore (3.34% of GSDP).
- Sectors such as Rural Development (36%), Health and Family Welfare (35%), and Energy (34%) saw the highest increase in allocations.

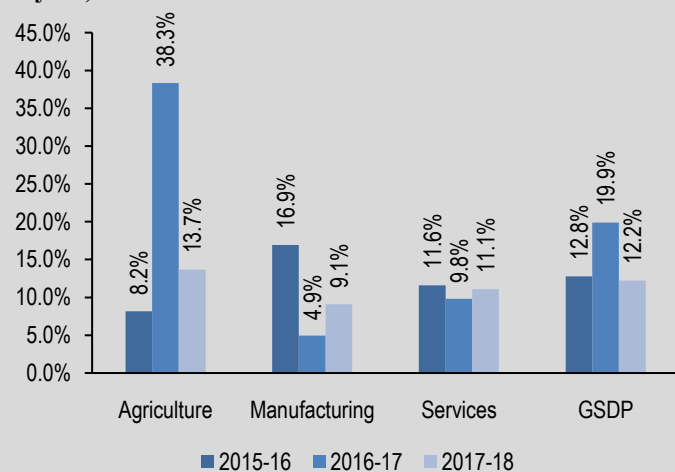
Policy Highlights

- **River rejuvenation programme** has been announced for holistic water management through rain water harvesting and groundwater recharge. In the first phase of the programme, 40 rivers have been selected from 36 districts.
- Rs 1,000 crore has been allocated to protect water sources and quality through the proposed **Right to Water Act**.
- **Mukhyamantri Bagwani Evam Khadya Sanskaran Yojana:** Rs 100 crore has been allocated to promote horticulture and food processing industries.
- Under **Indira Griha Jyoti Yojana**, domestic electricity consumers will pay a monthly bill of Rs 100 for up to 100 units of consumption. Rs 2,400 crore has been allocated for the same.

Madhya Pradesh's Economy

- **GSDP:** The growth rate of Madhya Pradesh's GSDP (at current prices) has decreased from 12.8% in 2015-16 to 12.2% in 2017-18.
- **Sectors:** In 2017-18, the sectors of agriculture, manufacturing, and services respectively contributed 45%, 20%, and 35% of the Gross State Value Added by all sectors. Between 2016-17 and 2017-18, these sectors grew by 13.7%, 9.1%, and 11.1%, respectively.
- **Unemployment:** According to the Periodic Labour Force Survey (2017-18), the unemployment rate in Madhya Pradesh in 2017-18 was 4.5%, as compared to 6.1% in the country.

Figure 1: Growth in GSDP and sectors in Madhya Pradesh (year-on-year)



Note: As per CSO, agriculture here includes mining and quarrying. All numbers are as per current prices. Sources: Ministry of Statistics and Programme Implementation, PRS.

Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 2,28,888 crore. This is 20% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,81,979 crore and borrowings of Rs 42,984 crore. In 2019-20, receipts (other than borrowings) are expected to be 20% higher than the revised estimate of 2018-19.

Table 1: Budget 2019-20 - Key figures (in Rs crore)

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Total Expenditure	1,68,486	1,99,183	1,90,736	-4.2%	2,28,888	20.0%
A. Receipts (except borrowings)	1,39,964	1,59,905	1,51,667	-5.2%	1,81,979	20.0%
B. Borrowings	21,892	37,840	37,274	-1.5%	42,984	15.3%
Total Receipts (A+B)	1,61,856	1,97,745	1,88,941	-4.5%	2,24,963	19.1%
Revenue Deficit (-)/ Surplus (+)	4,629	263	137	-47.7%	733	433.6%
As % of GSDP	0.65%	0.03%	0.02%		0.08%	
Fiscal Deficit (-)/ Surplus (+)	-22,430	-26,780	-28,612	6.8%	-32,106	12.2%
As % of GSDP	-3.17%	-3.24%	-3.40%		-3.34%	
Primary Deficit (-)/ Surplus (+)	-11,385	-13,913	-16,370	17.7%	-17,674	8.0%
As % of GSDP	-1.61%	-1.68%	-1.94%		-1.84%	

Notes: BE is Budget Estimate; RE is Revised Estimate.

Sources: Madhya Pradesh Budget Documents 2019-20, July 2019; PRS.

Expenditure in 2019-20

- **Capital expenditure** for 2019-20 is proposed to be Rs 50,267 crore, which is an increase of 26.6% over the revised estimate of 2018-19. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e. expenditure which leads to creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government.
- Madhya Pradesh's capital outlay for 2019-20 is estimated to be Rs 33,490 crore, which is 22.9% higher than the revised estimate of 2018-19. The revised figure for 2018-19 is estimated to be 7.2% lower than the budgeted estimate made for that year. In 2019-20, capital outlay on education is estimated to increase by Rs 746 crore (74%).
- **Revenue expenditure** for 2019-20 is proposed to be Rs 1,78,621 crore, which is an increase of 18.3% over the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interest, among others. Revenue expenditure accounts for 78% of the total expenditure proposed for 2019-20.

Table 2: Expenditure budget 2019-20 (in Rs crore)

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Capital Expenditure	38,240	43,559	39,713	-8.8%	50,267	26.6%
of which Capital Outlay	30,913	29,343	27,244	-7.2%	33,490	22.9%
Revenue Expenditure	1,30,246	1,55,624	1,51,022	-3.0%	1,78,621	18.3%
Total Expenditure	1,68,486	1,99,183	1,90,736	-4.2%	2,28,888	20.0%
A. Debt Repayment	5,776	12,498	10,456	-16.3%	14,803	41.6%
B. Interest Payments	11,045	12,867	12,242	-4.9%	14,432	17.9%
Debt Servicing (A+B)	16,822	25,365	22,699	-10.5%	29,235	28.8%

Note: Capital outlay denotes expenditure which leads to creation of assets.

Sources: Madhya Pradesh AFS 2019-20 (July 2019); PRS.

Sector expenditure in 2019-20

The sectors listed below account for **67%** of the total budgeted expenditure of Madhya Pradesh in 2019-20. A comparison of Madhya Pradesh's expenditure on key sectors with that by other states can be found in the Annexure.

Table 3: Sector-wise expenditure for Madhya Pradesh Budget 2019-20 (Rs crore)

Sector	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20	Budget provisions for 2019-20
Education	24,342	28,817	28,591	32,046	12%	Rs 24,499 crore has been allocated to various schemes of school education department.
Agriculture and allied activities	12,324	16,912	22,222	24,174	9%	<ul style="list-style-type: none"> Rs 2,201 crore has been allocated to Pradhan Mantri Fasal Bima Yojana. Rs 8,000 crore has been allocated to Jai Kissan Fasal Rin Mafi Yojana.
Water Supply, Sanitation, Housing and Urban Development	19,682	18,048	16,329	20,821	28%	Rs 2,000 crore has been allocated to Atal Mission for Rejuvenation and Urban Transformation.
Energy	17,233	16,212	11,461	15,302	34%	Rs 2,116 crore has been allocated to Indira Ghar Jyoti Yojana.
Rural Development	9,007	11,851	11,040	14,972	36%	Rs 2,500 crore and Rs 1,400 crore has been allocated to Pradhan Mantri Gram Sadak Yojana and Mukhya Mantri Gram Sadak Yojana respectively.
Health and Family Welfare	7,449	8,385	7,785	10,499	35%	<ul style="list-style-type: none"> Rs 2,735 crore has been allocated to National Health Mission. Rs 517 crore has been allocated to the Chief Minister's Labour Service Maternity Assistance.
Irrigation and Flood Control	8,618	9,573	9,584	9,712	1%	Rs 6,877 crore has been allocated under capital head to various irrigation projects.
Social Welfare and Nutrition	6,776	8,362	7,738	9,690	25%	Rs 1,517 crore has been allocated to special nutrition plan for minimum requirement program.
Transport	7,503	7,465	6,904	8,465	23%	Rs 1,017 crore has been allocated to M.P. Road Development Program.
Police	5,559	6,483	6,705	7,177	7%	Rs 122 crore has been allocated to centralised police call centre and control room system.
% of total expenditure	70%	66%	67%	67%		

Source: Madhya Pradesh Budget Speech 2019-20, July 2019; Madhya Pradesh Annual Financial Statement 2019-20, July 2019; Madhya Pradesh Budget Press Release 2019-20, July 2019; PRS.

Committed liabilities: Committed liabilities of a state typically includes expenditure on payment of salaries, pensions, and interest payments. A larger proportion of state budget allocated for committed expenditure crowds out other developmental expenditure. In 2019-20, Madhya Pradesh has budgeted to spend Rs 63,265 crore on the payment of salaries, interest, and pensions. This is an increase of 14.3% over the revised estimates of 2018-19. Note that committed liabilities account for 28% of the total expenditure estimated for 2019-20.

Table 4: Expenditure on committed liabilities in 2019-20 (in Rs crore)

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Salaries	25,664	31,920	30,420	-4.7%	35,216	15.8%
Pensions	9,290	12,557	12,669	0.9%	13,617	7.5%
Interest payments	11,045	12,867	12,242	-4.9%	14,432	17.9%
Total Committed Liabilities	46,000	57,344	55,331	-3.5%	63,265	14.3%

Note: BE is Budget Estimate; RE is Revised Estimate.; Sources: Madhya Pradesh FRBM Documents 2018-19 and 2019-20; PRS.

Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 1,79,354 crore, an increase of 18.7% over the revised estimate of 2018-19. Of this, Rs 79,242 crore (44% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 1,00,112 crore (56% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in central taxes.
- **Non-tax revenue:** Madhya Pradesh is estimated to generate Rs 13,968 crore through non-tax sources in 2019-20. Non-tax sources include general services (Rs 2,104 crore), dividends and profits (Rs 370 crore), and interest receipts (Rs 350 crore), among others. This is an increase of 44.6% (Rs 4,311 crore) over the revised estimate of 2018-19.

In 2019-20, Madhya Pradesh is expected to borrow Rs 42,984 crore to meet its expenditure requirements, which is 15.3% higher than the revised estimates of 2018-19. In 2018-19, the borrowings of the state were 1.5% lower than the amount budgeted.

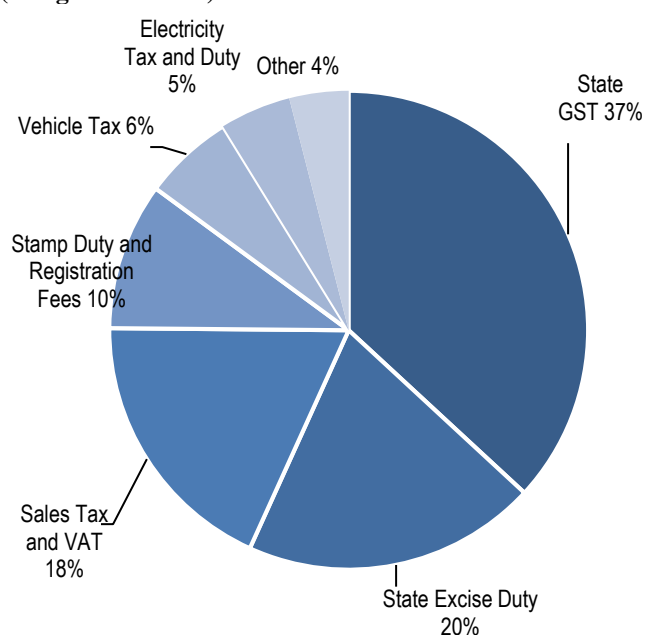
Table 5: Break up of state government receipts in 2019-20 (Rs crore)

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
State's Own Tax	44,811	54,655	52,771	-3.4%	65,274	23.7%
State's Own Non-Tax	9,061	10,934	9,657	-11.7%	13,968	44.6%
Share in Central Taxes	50,853	59,490	57,487	-3.4%	63,751	10.9%
Grants-in-aid from Centre	30,150	30,808	31,245	1.4%	36,361	16.4%
Total Revenue Receipts	1,34,875	1,55,886	1,51,160	-3.0%	1,79,354	18.7%
Borrowings	21,892	37,840	37,274	-1.5%	42,984	15.3%
Other receipts	5,089	4,019	508	-87.4%	2,625	417.2%
Total Capital Receipts	26,981	41,859	37,782	-9.7%	45,609	20.7%
Total Receipts	1,61,856	1,97,745	1,88,941	-4.5%	2,24,963	19.1%

Sources: Madhya Pradesh Budget Documents 2019-20; PRS.

- **Tax Revenue:** Total own tax revenue of Madhya Pradesh is estimated to be Rs 65,274 crore in 2019-20 (36% of the revenue receipts). This is 23.7% higher than the revised estimate of 2018-19. In 2018-19 revised estimate, own tax revenue is expected to be Rs 52,771, 3.4% lower than the budgeted estimate.
- The own tax to GSDP ratio is targeted at 6.8% in 2019-20, which is higher than the revised estimates of 6.3% in 2018-19. This implies that growth in collection of taxes has been higher than the growth in the economy.

Figure 2: Composition of the state's tax revenue in 2019-20 (Budget Estimates)



Sources: Madhya Pradesh Budget in Brief 2019-20; PRS.

- State Goods and Services Tax (SGST) is the largest component of tax revenue of the state. It is expected to generate Rs 24,100 crore in 2019-20. This is an increase of 19.9% from the revised estimate of 2018-19.
- In 2019-20, the state is expected to generate Rs 13,000 crore from the levy of excise duty. This is an increase of 36.8% over the revised estimate of 2018-19.
- In 2019-20, Madhya Pradesh is expected to generate Rs 12,000 crore through the levy of sales tax (on items such as petroleum products) and Rs 3,135 crore from electricity tax and duty.
- Further, in 2019-20, the state is expected to generate Rs 6,500 crore from stamp duty and registration fees. This is an increase of 22.6% over the revised estimate of 2018-19.

Deficits, Debts and FRBM Targets for 2019-20

The Madhya Pradesh Fiscal Responsibility and Budget Management Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

Revenue deficit: This is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow in order to finance its expenses which do not create capital assets.

The budget estimates a revenue surplus of Rs 733 crore (or 0.08% of GSDP) in 2019-20. This is 433.6% higher than the revised estimates of 2018-19. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. The 14th Finance Commission had recommended that states should eliminate revenue deficits. The 2019-20 estimates for Madhya Pradesh suggest that the state will meet this target of eliminating revenue deficit. Note that, Madhya Pradesh has had a revenue surplus for the past two years.

Fiscal deficit: This is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government, and leads to an increase in total liabilities. In 2019-20, Madhya Pradesh's fiscal deficit is estimated to be Rs 32,106 crore, which is 3.34% of the GSDP. The estimate is higher than the 3% limit prescribed by the 14th Finance Commission. Note that, in 2018-19, fiscal deficit increased by 6.8% from Rs 28,612 crore (3.40% of GSDP), as per the budgeted estimate, to Rs 32,106 crore (3.34% of GSDP), as per the revised estimate.

Outstanding liabilities: This is the accumulation of borrowings taken by the state government over the years. In 2019-20, Madhya Pradesh's outstanding liabilities are expected to be at 24.4% of the GSDP.

Debt Servicing

In 2019-20, Madhya Pradesh is expected to spend Rs 29,235 crore on servicing its debt, which is 13% of its estimated expenditure. This expenditure includes Rs 14,803 crore towards repayment of loans, and Rs 14,432 crore towards interest payments.

In 2019-20, the expenditure on repayment of loans is expected to increase by 41.6% over the revised estimate of 2018-19.

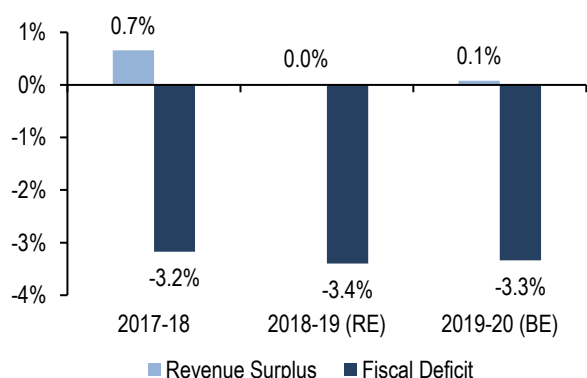
Table 6: Budget targets for deficits for Madhya Pradesh in 2019-20 (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2017-18	0.7%	-3.2%	24.4%
2018-19 (RE)	0.0%	-3.4%	24.1%
2019-20 (BE)	0.1%	-3.3%	24.4%
2020-21	Revenue Surplus	-2.8%	24.6%
2021-22	Revenue Surplus	-2.8%	24.8%

Sources: Medium Term Fiscal Policy; Madhya Pradesh Budget Documents, July 2019; PRS.

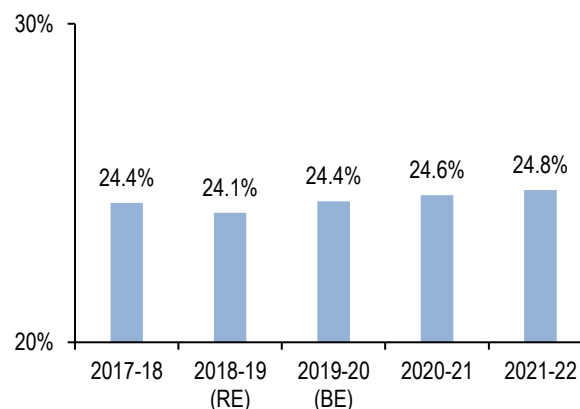
Figure 3 shows the trend in deficits targets from 2017-18 to 2019-20. Figure 4 shows the trend in outstanding liabilities targets from 2017-18 to 2021-22.

Figure 3: Revenue and Fiscal Deficit (as % of GSDP)



Sources: Madhya Pradesh Budget Documents; PRS.

Figure 4: Outstanding liabilities targets (as % of GSDP)



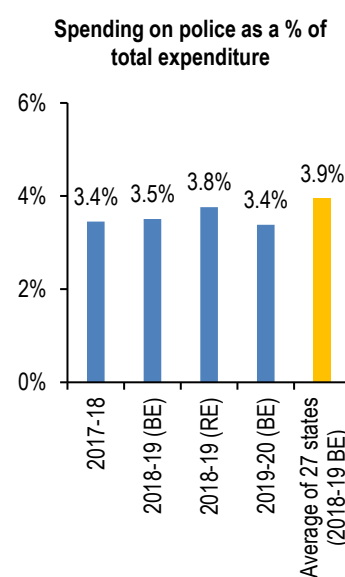
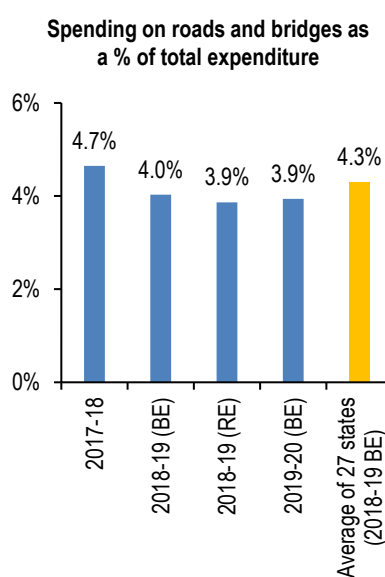
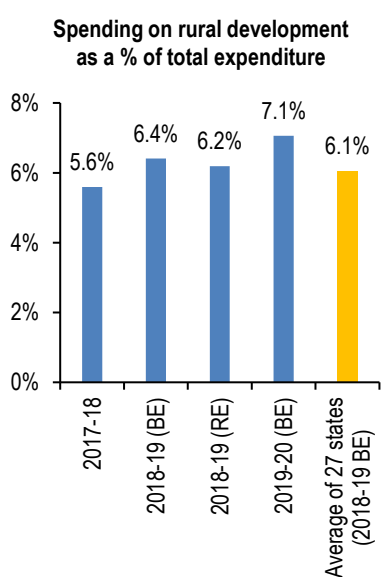
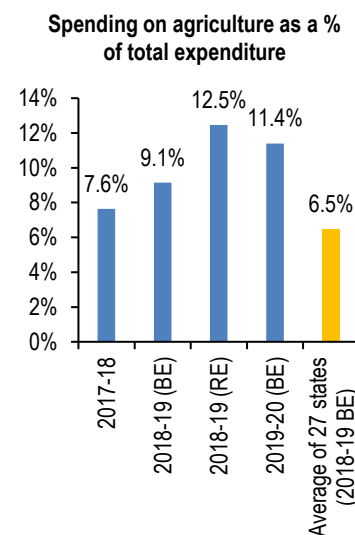
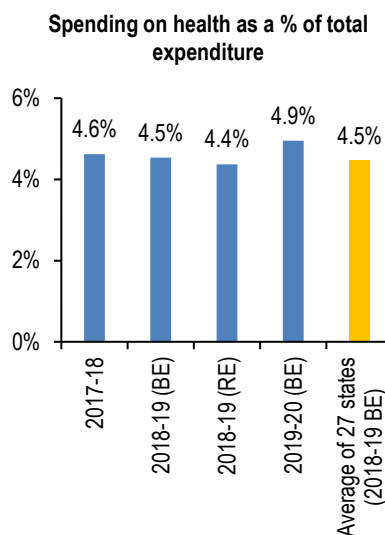
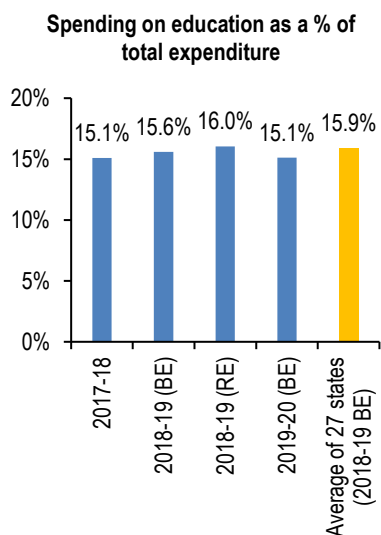
Sources: Madhya Pradesh Budget Documents; PRS.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.

Annexure

The graphs below compare Madhya Pradesh’s expenditure on six key sectors as a proportion of its total budget, with 26 other states.¹

- **Education:** Madhya Pradesh has allocated 15.1% of its expenditure on education in 2019-20. This is lower than the average expenditure allocated to education by other states (using 2018-19 BE) (15.9%).
- **Health:** Madhya Pradesh has allocated 4.9% of its expenditure on health, which is higher than the average expenditure by other states (4.5%).
- **Agriculture and allied activities:** The state has allocated 11.4% of its total budget towards agriculture and allied activities. This is significantly higher than the average allocation by other states (6.5%).
- **Rural development:** Madhya Pradesh has allocated 7.1% of its total budget towards rural development. This is higher than the average expenditure (6.1%) by other states.
- **Police:** Madhya Pradesh has allocated 3.4% of its total expenditure on police, which is lower than the average expenditure by other states (3.9%).
- **Roads and bridges:** Madhya Pradesh has allocated 3.9% of its total expenditure on roads and bridges, which is lower than the average expenditure by other states (4.3%).



Note: 2017-18, 2018-19 (BE), 2018-19 (RE), and 2019-20 (BE) figures are for Madhya Pradesh.
 Source: Annual Financial Statement of Madhya Pradesh 2019-20, July 2019; various state budgets; PRS.

¹ The 26 other states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.