

Uttar Pradesh Budget Analysis 2018-19

The Finance Minister of Uttar Pradesh, Mr. Rajesh Agarwal, presented the Budget for financial year 2018-19 on February 16, 2018.

Budget Highlights

- The **Gross State Domestic Product** of Uttar Pradesh for 2018-19 (at current prices) is estimated to be Rs 14,88,934 crore. This is 8% higher than the revised estimates for 2017-18.
- **Total expenditure** for 2018-19 is estimated to be Rs 4,28,385 crore, a 16.3% increase over the revised estimates of 2017-18. In 2017-18, there was a decrease of Rs 16,259 crore (4.2%) in the expenditure over the budget estimates.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 3,53,784 crore, an increase of 15.9% as compared to the revised estimates of 2017-18. In 2017-18, total receipts (excluding borrowings) fell short of the budgeted estimate by Rs 14,369 crore.
- **Revenue surplus** for the next financial year is targeted at Rs 27,099 crore, or 1.82% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 44,053 crore (2.96% of GSDP).
- The allocations for energy, irrigation, and rural development are estimated to witness the highest increase in allocations over the previous year. Allocations for agriculture are expected to witness a 59% decrease.

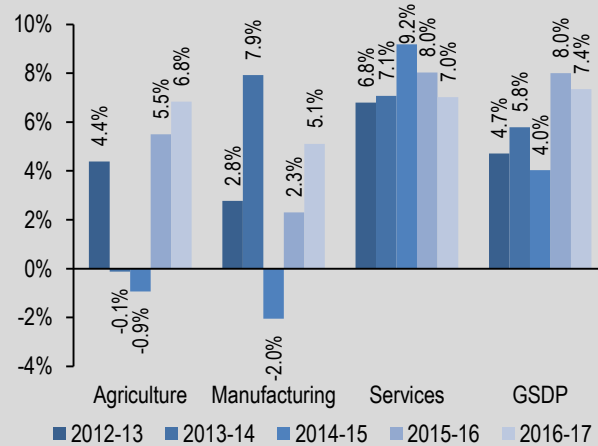
Policy Highlights

- **Healthcare:** A 500-bed super speciality hospital, and paramedical and nursing college will be constructed at the Dr. Ram Manohar Lohia Institute of Medical Sciences, Lucknow. Further, the emergency medicine department at the Sanjay Gandhi Postgraduate Institute of Medical Sciences will be expanded, and an additional 200 beds will be added.
- The government will launch ‘**Ek Janpad, Ek Utpaad**’ scheme to promote artisans at the district-level.
- The state has implemented the ‘Uttar Pradesh Khanan Neeti-2017’ for the **mining** sector. The policy seeks to control illegal mining and bring transparency. The government will implement an evolved mining system in the state, with assistance from the central government, for satellite tracking of mining activities.
- **Solar energy:** The state has set a target of generating 10,700 MW of power using solar energy by 2022. The budget allocates Rs 25 crore for setting up grid-connected rooftop solar power plants. Further, Rs 30 crore has been allocated for the Pt. Deen Dayal Upadhyaya Solar Street Light scheme.
- Rs 250 crore has been allocated for establishing a **start-up fund** in the state.

Uttar Pradesh’s Economy

- **Economy:** The GSDP of Uttar Pradesh has grown in the range of 4% to 8% between 2012-13 and 2016-17.
- The services sector with a share of 51% in the GSDP grew by 7% in 2016-17 over the previous year. Agriculture, which contributes 25% to the GSDP grew by 6.8%. Manufacturing with a share of 24% grew by 5.1% in 2016-17.
- **Per capita income:** The per capita GSDP of Uttar Pradesh in 2016-17 (at current prices) was Rs 58,626. This is 12% higher than 2015-16, when the per capita GSDP was Rs 52,320.

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



Source: Central Statistics Office; PRS.

Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 4,28,385 crore. This is 16.3% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 3,53,784 crore and borrowings of Rs 67,115 crore. Total receipts for 2018-19 (other than borrowings) are expected to be 15.9% higher than the revised estimates of 2017-18.

Table 1: Budget 2018-19 - Key figures (Rs crore)

Items	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE of 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Total Expenditure	3,33,425	3,84,660	3,68,401	-4.2%	4,28,385	16.3%
A. Borrowings	67,685	57,509	54,853	-4.6%	67,115	22.4%
B. Receipts (except borrowings)	2,57,134	3,19,682	3,05,313	-4.5%	3,53,784	15.9%
Total Receipts (A+B)	3,24,819	3,77,191	3,60,166	-4.5%	4,20,899	16.9%
Revenue Surplus	20,283	12,279	18,515	50.8%	27,099	46.4%
As % of GSDP	1.63%	0.85%	1.34%		1.82%	
Fiscal Deficit	-55,989	-42,968	-41,074	-4.4%	-44,053	7.3%
As % of GSDP	-4.49%	-2.97%	-2.98%		-2.96%	
Primary Deficit	-29,053	-9,756	-10,796	10.7%	-11,620	7.6%
As % of GSDP	-2.33%	-0.67%	-0.78%		-0.78%	

Notes: BE is Budget Estimate; RE is Revised Estimate. '-' sign indicates deficit; '+' indicates surplus.

Sources: Uttar Pradesh Budget Documents 2018-19; PRS.

Expenditure in 2018-19

- Capital expenditure** for 2018-19 is proposed to be Rs 1,06,864 crore, which is an increase of 30.5% over the revised estimates of 2017-18. This includes expenditure which affects the assets and liabilities of the state, and leads to creation of assets (such as bridges and hospital), and repayment of loans, among others.
- Revenue expenditure** for 2018-19 is proposed to be Rs 3,21,520 crore, which is an increase of 12.2% over revised estimates of 2017-18. This expenditure includes payment of salaries, maintenance, etc.
- In 2018-19, Uttar Pradesh is expected to spend Rs 62,980 crore on servicing its debt (i.e., Rs 30,547 crore on repaying loans, and Rs 32,434 crore on interest payments). This is 20.4% higher than the revised estimates of 2017-18.

Uttar Pradesh is expected to spend Rs 11,564 crore on subsidies in 2018-19, which is 15% higher than the budget estimates of 2017-18. Out of the allocations for 2018-19, Rs 6,200 crore will be for energy, and Rs 2,067 crore for agriculture.

The state is estimated to spend Rs 45,495 crore on pensions, a 22% increase over 2017-18.

Table 2: Expenditure budget 2018-19 (Rs crore)

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Capital Expenditure	96,833	77,541	81,887	5.6%	1,06,864	30.5%
Revenue Expenditure	2,36,592	3,07,119	2,86,514	-6.7%	3,21,520	12.2%
Total Expenditure	3,33,425	3,84,660	3,68,401	-4.2%	4,28,385	16.3%
A. Debt Repayment	20,303	22,010	22,014	0.0%	30,547	38.8%
B. Interest Payments	26,936	33,212	30,278	-8.8%	32,434	7.1%
Debt Servicing (A+B)	47,238	55,222	52,292	-5.3%	62,980	20.4%

Sources: Uttar Pradesh Budget Documents 2018-19; PRS.

Sector expenditure in 2018-19

The departments listed below account for **57%** of the total budgeted expenditure of Uttar Pradesh in 2018-19. A comparison of Uttar Pradesh's expenditure on key sectors with 18 other states can be found in the [Annexure](#).

Table 3: Sector-wise expenditure for Uttar Pradesh Budget 2018-19 (Rs crore)

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19	Budget Provisions for 2018-19
Education	49,000	62,351	56,993	63,213	10.90%	<ul style="list-style-type: none"> Out of this amount: (i) Rs 50,142 crore will be spent on primary education, (ii) Rs 9,387 crore on secondary education, and (iii) Rs 2,656 crore on higher education.
Social Welfare	26,364	29,511	31,278	32,019	2.40%	<ul style="list-style-type: none"> Rs 2,560 crore has been allocated for the 'Vridhavasta evam Kisan Pension' scheme for 2018-19.
Energy	33,977	17,728	18,061	27,575	52.70%	<ul style="list-style-type: none"> 62% of this allocation is for revenue expenses (such as payment of interests and subsidy), and the 38% is on capital expenses.
Public Works	23,749	19,237	19,525	22,224	13.80%	<ul style="list-style-type: none"> Gorakhpur Link Expressway has been allocated Rs 550 crore. Rs 1,000 crore has been allocated for the Purvanchal Expressway. Rs 500 crore has been allocated for the Agra-Lucknow Expressway.
Medical and Public Health	14,340	17,181	16,839	20,157	19.70%	<ul style="list-style-type: none"> The state will operationalise 170 national mobile medical units through the PPP model. 100 new ayurvedic hospitals will be established.
Rural Development	10,436	15,821	15,949	19,733	23.70%	<ul style="list-style-type: none"> Out of this, Rs 2,923 crore will be spent on roads and bridges, and Rs 1,166 crore will be spent on housing.
Home	15,360	17,325	16,058	18,515	15.30%	<ul style="list-style-type: none"> Out of the allocations, Rs 17,136 crore is proposed to be spent on police (93%).
Irrigation	10,683	10,958	10,856	14,291	31.60%	<ul style="list-style-type: none"> The Saryu Nehar Programme has been allocated Rs 1,614 crore. Madhya Ganga Nehar Programme has been allocated Rs 1,701 crore.
Panchayati Raj	11,058	12,278	12,738	14,228	11.70%	<ul style="list-style-type: none"> Rs 5,000 crore has been allocated for the Swachh Bharat Mission (Gramin).
Urban Development	6,238	13,189	13,144	13,484	2.60%	<ul style="list-style-type: none"> Rs 1,650 crore has been allocated for the Smart Cities Mission. Cities selected under the Mission are Lucknow, Kanpur, Agra, Varanasi, Allahabad, Aligarh, Jhansi, Moradabad, Bareilly, and Saharanpur.
Agriculture	6,046	39,583	28,387	11,589	-59.20%	<ul style="list-style-type: none"> The allocations are 59% lower than 2017-18. Note that the state had implemented a farm loan waiver in 2017-18, resulting in higher spending during the year.
% of total expenditure	59%	66%	62%	57%		

Source: Uttar Pradesh Budget Speech 2018-19 and Demands for Grants; PRS.

- During 2017-18, Uttar Pradesh is expected to spend more than its budget estimates on sectors such as social welfare (6%), panchayati raj (3.7%), energy (1.9%), and public works (1.5%). It is expected to spend less than the budget estimate on agriculture (28.3%), education (8.6%), and home (7.3%).

Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 3,48,619 crore, an increase of 14.3% over the revised estimates of 2017-18. Of this, Rs 1,51,522 crore (43% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 1,97,098 crore (57% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in taxes.
- **Non Tax Revenue:** Uttar Pradesh has estimated to generate Rs 28,822 crore through non-tax sources in 2018-19. This is an increase of 64.7% over the revised estimates of 2017-18. This is driven by a 187% increase (Rs 8,271 crore) in receipts from the sinking fund (typically maintained to repay debt).

Uttar Pradesh witnessed a 15% fall in tax revenue collections during 2017-18 over the budget estimates. Collections from stamp duty were 28% lower than the budget estimates.

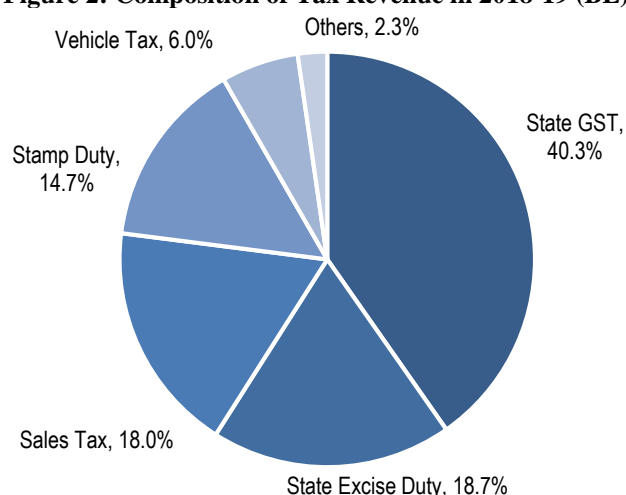
Table 4: Break up of state government receipts (Rs crore)

Item	2016-2017 Actuals	2017-2018 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-2019 Budgeted	% change from RE 2017-18 to BE 2018-19
State's Own Tax	85,966	1,11,502	94,959	-14.8%	1,22,700	29.2%
State's Own Non-Tax	28,944	18,437	17,502	-5.1%	28,822	64.7%
Share in Central Taxes	1,09,428	1,21,407	1,21,407	0.0%	1,33,548	10.0%
Grants-in-aid from Centre	32,537	68,052	71,161	4.6%	63,549	-10.7%
Total Revenue Receipts	2,56,875	3,19,397	3,05,029	-4.5%	3,48,619	14.3%
Borrowings	67,685	57,509	54,853	-4.6%	67,115	22.4%
Other receipts	259	284	284	0.0%	5,165	1717.5%
Total Capital Receipts	67,944	57,793	55,137	-4.6%	72,280	31.1%
Total Receipts	3,24,819	3,77,191	3,60,166	-4.5%	4,20,899	16.9%

Sources: Uttar Pradesh Budget Documents 2018-19; PRS.

- **Tax Revenue:** Total own tax revenue of Uttar Pradesh is estimated to be Rs 1,22,700 crore in 2018-19. The composition of the state's tax revenue is shown in Figure 2. The tax to GSDP ratio is targeted at 8.2% in 2018-19, which is higher than the revised estimate of 6.9% in 2017-18. This implies that growth in collection of taxes is expected to be higher than the growth in the economy (8%).

Figure 2: Composition of Tax Revenue in 2018-19 (BE)



- State Goods and Services Tax (GST) is expected to be the largest component of Uttar Pradesh's own tax revenue in 2018-19. It is expected to generate Rs 49,422 crore (40% of the own tax revenue).
- The state is expected to generate Rs 23,000 crore through the state excise duty. This is 19% higher than revised estimates of 2017-18. Further, the state is expected to raise Rs 22,078 crore from the levy of sales tax on items such as alcohol for human consumption and petroleum products.
- Tax revenue will also be generated by levying stamp duty on real estate transactions, taxes on vehicles, and land revenue.

Deficits, Debts and FRBM Targets for 2018-19

The Uttar Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2004 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue deficit: It 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.

Uttar Pradesh had targeted a fiscal deficit of 4% at the budget stage for 2016-17. It exceeded this target with the actual fiscal deficit being 4.49% for the year.

The budget estimates a revenue surplus of Rs 27,099 crore (or 1.82% of GSDP) in 2018-19. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. The estimate indicates that the state is within the target of eliminating revenue deficit, prescribed by the 14th Finance Commission.

Fiscal deficit: It 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 2018-19, fiscal deficit is estimated to be Rs 44,053 crore, which is 2.96% of the GSDP. The estimate is within the 3% limit prescribed by the 14th Finance Commission. This limit may be relaxed to a maximum of 3.5%, if states are able to contain their debt and interest payments to certain specified levels.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2018-19, the outstanding liabilities are expected at 29.8% of the GSDP.

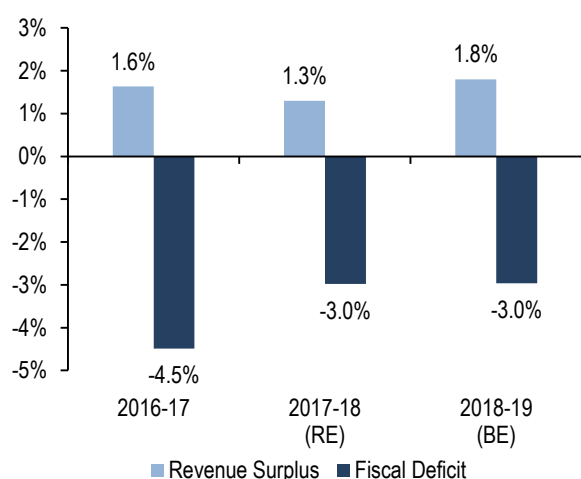
Table 5: Budget targets for deficits for Uttar Pradesh (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2016-17	1.63%	-4.49%	29.90%
2017-18 (RE)	1.30%	-2.98%	29.50%
2018-19 (BE)	1.80%	-2.96%	29.80%
2019-20	2.10%	-2.90%	29.10%
2020-21	2.50%	-2.94%	29.10%

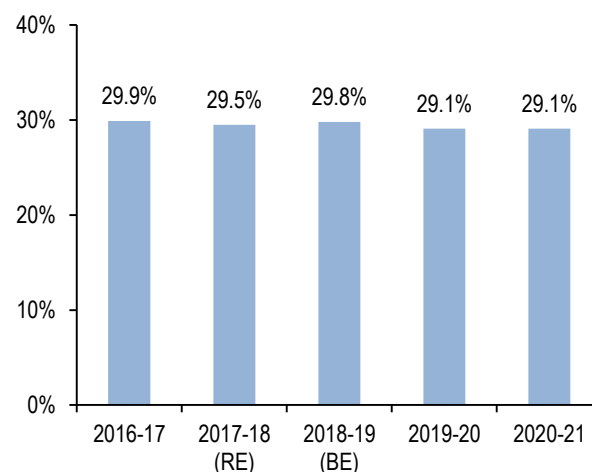
Note: '-' means data not available. Sources: Uttar Pradesh Budget Documents 2018-19; PRS.

Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2016-17 to 2018-19:

Figure 3: Revenue and Fiscal Deficit (as % of GSDP) **Figure 4: Outstanding liabilities targets (as % of GSDP)**



Sources: Uttar Pradesh Budget Documents; PRS.



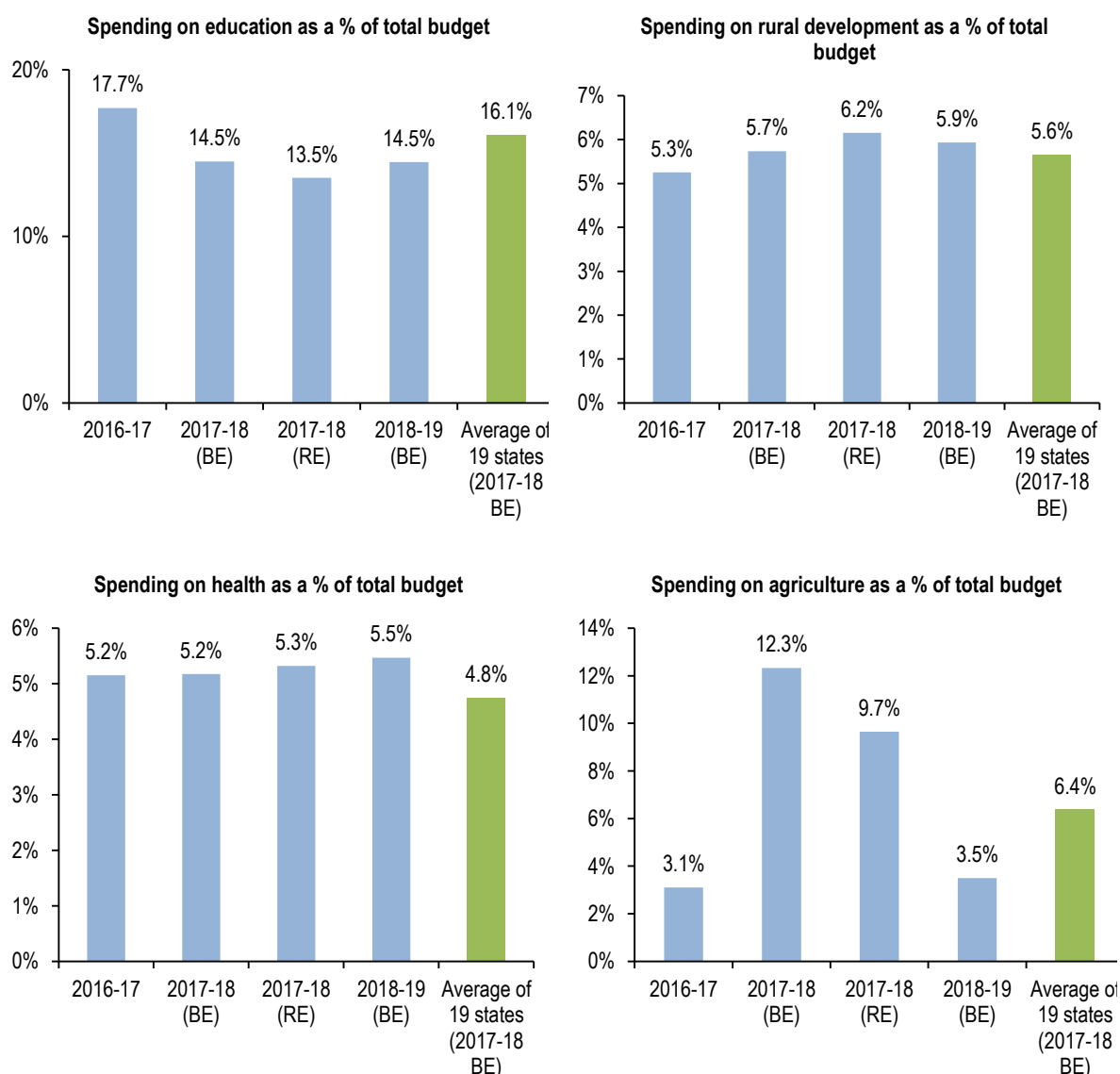
Sources: Uttar Pradesh Budget Documents; PRS.

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Annexure

The graphs below compare Uttar Pradesh's expenditure on four key sectors as a proportion of its total budget, with 18 other states.¹

- **Education:** Uttar Pradesh has allocated 14.5% of its total budget on education in 2018-19. This is lower than the average expenditure allocated to education by 18 other states (using 2017-18 BE).
- **Rural development:** Uttar Pradesh has allocated 5.9% of its expenditure on rural development. This is higher than the average (5.6%) of the 18 other states.
- **Health:** Uttar Pradesh has allocated 5.5% of its total expenditure on health, which is higher than the average expenditure of 18 other states.
- **Agriculture:** The state has allocated 3.5% of its total budget towards agriculture and allied activities. This is lower than the allocations of 18 other states (6.4%).



Note: 2016-17, 2017-18 (BE), 2017-18 (RE), and 2018-19 (BE) figures are for Uttar Pradesh.
Source: Annual Financial Statement (2017-18 and 2018-19), various state budgets; PRS.

¹ The 18 states apart from Uttar Pradesh are: Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, and West Bengal.