

# West Bengal Budget Analysis 2021-22

The Minister of Parliamentary Affairs of West Bengal, Mr. Partha Chatterjee, presented the Budget for the state for the financial year 2021-22 on July 7, 2021 in the absence of the Finance Minister, Dr. Amit Mitra. Note that due to the impact of COVID-19, 2020-21 was not a standard year with respect to the performance of the economy and government finances. In this note, 2021-22 budget estimates have been compared to the actuals for 2019-20 (in terms of compounded annual growth rate or CAGR). Annexure to this note provides a comparison of the revised estimates for 2020-21 and budget estimates for 2021-22.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of West Bengal for 2021-22 (at current prices) is projected to be Rs 15,10,762 crore. This is an annual increase of 10% over the actual GSDP of 2019-20. The GSDP for 2021-22 is estimated to be 11.5% higher than the revised estimate of GSDP for 2020-21 (Rs 13,54,518 crore). In 2020-21, the GSDP of West Bengal is estimated to grow by 8% over the previous year.
- **Total expenditure** for 2021-22 is estimated to be Rs 3,08,727 crore, an annual increase of 18% over the actual expenditure in 2019-20.
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 1,86,821 crore, an annual increase of 14% over 2019-20. In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 33,768 crore (a shortfall of 19%).
- **Revenue deficit** for 2021-22 is estimated to be Rs 26,755 crore, which is 1.77% of the GSDP. In 2020-21, as per the revised estimate, revenue deficit is estimated at Rs 34,345 crore (2.54% of GSDP) as compared to the zero revenue deficit estimated at the budget stage.
- **Fiscal deficit** for 2021-22 is targeted at Rs 60,864 crore (4.03% of GSDP). In 2020-21, fiscal deficit is expected to be 3.86% of GSDP as per the revised estimate, higher than the budget estimate of 2.18% of GSDP.

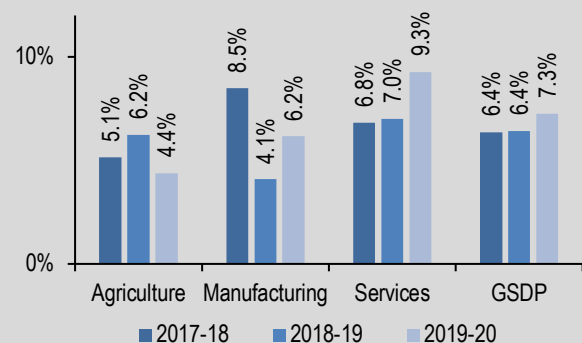
## Policy Highlights

- **Tax proposals:** Stamp duty for registration of sale or lease of land, houses, or flats will be reduced by 2% and market value for their registration will be reduced by 10%.
- **Lakshmir Bhandar:** The scheme will provide for monthly financial support of Rs 1,000 to women from scheduled caste/tribe household and Rs 500 to general category women through direct bank transfer.
- **New Krishak Bandhu Scheme:** This scheme, introduced in the current financial year, provides financial support to farmers (Rs 5,000 to Rs 10,000 per acre). In addition, the scheme provides for a one-time grant of two lakh rupees to the family members of a farmer of 18 to 60 years of age in case of his untimely death. The scheme has an annual outlay of Rs 3,600 crore.
- **Student Credit Card Scheme:** Low interest loans will be provided to students at 4% and there will be a moratorium till one year after the completion of the course of study.

## West Bengal's Economy

- **GSDP:** In 2019-20, West Bengal's GSDP (at constant prices) is estimated to grow by 7.3% over the previous year.
- **Sectors:** In 2019-20, agriculture, manufacturing, and services sectors contributed to 21%, 26%, and 53% of the economy. In 2019-20, agriculture, manufacturing and services sectors grew by 4.4%, 6.2% and 9.3% respectively.
- **Unemployment:** According to the Periodic Labour Force Survey 2018-19, West Bengal has an unemployment rate of 3.9%, which is lower than the unemployment rate of 5.8% at the national level.

**Figure 1: Growth in GSDP and sectors in West Bengal at constant prices (2011-12)**



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.  
Sources: MOSPI; PRS.

## Budget Estimates for 2021-22

- **Total expenditure** in 2021-22 is targeted at Rs 3,08,727 crore. This is an annual increase of 18% over the actual expenditure in 2019-20. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,86,821 crore and borrowings of Rs 1,15,673 crore. **Total receipts** in 2021-22 (other than borrowings) are expected to register an annual increase of 14% over the actual receipts in 2019-20.
- As per the revised estimates for 2020-21, total expenditure is estimated to be 3% lower than the budget estimates. In 2020-21, receipts (other than borrowings) are estimated to be 19% lower than budgeted.
- The state expects a **revenue deficit** of Rs 26,755 crore in 2021-22 (1.77% of GSDP). In 2020-21, revenue deficit is estimated to be Rs 34,345 crore at the revised stage, as compared to the revenue neutral state estimated at the budget stage. **Fiscal deficit** for 2021-22 is estimated to be Rs 60,864 crore (4.03% of GSDP). In 2020-21, as per the revised estimates, fiscal deficit is estimated to increase to 3.86% of GSDP as compared to 2.18% of GSDP estimated at the budget stage.

**Table 1: Budget 2021-22 - Key figures (in Rs crore)**

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
<b>Total Expenditure</b>	<b>2,20,225</b>	<b>2,55,677</b>	<b>2,46,814</b>	<b>-3%</b>	<b>3,08,727</b>	<b>18%</b>
A. Receipts (except borrowings)	1,42,981	1,79,905	1,46,137	-19%	1,86,821	14%
B. Borrowings	75,699	79,465	93,679	18%	1,15,673	24%
<b>Total Receipts (A+B)</b>	<b>2,18,680</b>	<b>2,59,370</b>	<b>2,39,815</b>	<b>-8%</b>	<b>3,02,494</b>	<b>18%</b>
<b>Revenue Deficit</b>	<b>19,661</b>	<b>0</b>	<b>34,345</b>		<b>26,755</b>	<b>17%</b>
As % of GSDP	1.57%	0.00%	2.54%		1.77%	
<b>Fiscal Deficit</b>	<b>36,831</b>	<b>31,483</b>	<b>52,350</b>	<b>66%</b>	<b>60,864</b>	<b>29%</b>
As % of GSDP	2.94%	2.18%	3.86%		4.03%	
<b>Primary Deficit</b>	<b>5,163</b>	<b>-1,275</b>	<b>18,757</b>		<b>28,206</b>	<b>134%</b>
As % of GSDP	0.41%	-0.09%	1.38%		1.87%	

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: West Bengal Budget Documents 2021-22; PRS.

## Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 95,291 crore, which is an annual increase of 29% over the actual capital expenditure in 2019-20. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e., expenditure which leads to the creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government.
- **Capital outlay** for 2021-22 is estimated to be Rs 32,774 crore, which is an annual increase of 43% over 2019-20. The revised estimate for capital outlay in 2020-21 is Rs 14,518 crore which is 53% lower than the budget estimate. This includes a reduction of 2,064 crore in the allocation towards irrigation and flood control, a reduction of Rs 1,863 crore towards social welfare and nutrition, and a reduction of Rs 1,608 crore in the allocation towards urban development
- **Revenue expenditure** for 2021-22 is proposed to be Rs 2,13,437 crore, which is an annual increase of 15% over 2019-20. This expenditure includes the payment of salaries, pensions, interest, and subsidies. In 2020-21, as per the revised estimates, revenue expenditure is estimated to be 1% higher than the budget estimates.

**Table 2: Expenditure budget 2021-22 (in Rs crore)**

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Capital Expenditure	57,650	76,279	66,498	-13%	95,291	29%
of which Capital Outlay	15,971	31,047	14,518	-53%	32,774	43%
Revenue Expenditure	1,62,575	1,79,398	1,80,316	1%	2,13,437	15%
<b>Total Expenditure</b>	<b>2,20,225</b>	<b>2,55,677</b>	<b>2,46,814</b>	<b>-3%</b>	<b>3,08,727</b>	<b>18%</b>
A. Debt Repayment	40,413	44,289	48,327	9%	61,043	23%
B. Interest Payments	31,668	32,758	33,593	3%	32,658	2%
<b>Debt Servicing (A+B)</b>	<b>72,081</b>	<b>77,047</b>	<b>81,921</b>	<b>6.3%</b>	<b>93,700</b>	<b>14%</b>

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: West Bengal Budget Documents 2021-22; PRS.

## Sectoral expenditure in 2021-22

The sectors listed below account for 69% of the total expenditure on sectors by the state in 2021-22. A comparison of West Bengal's expenditure on the key sectors with other states can be found in Annexure 1.

**Table 3: Sector-wise expenditure under West Bengal Budget 2021-22 (in Rs crore)**

Sector	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	Budget provisions 2021-22
Education, Sports, Arts, and Culture	32,309	37,059	36,779	43,195	16%	<ul style="list-style-type: none"> <li>Rs 1,688 crore has been allocated towards Samagra Shiksha Abhiyan.</li> <li>Rs 1,916 crore has been allocated towards Mid-Day Meal Programme.</li> </ul>
Social Welfare and Nutrition	22,686	19,744	22,098	37,868	29%	<ul style="list-style-type: none"> <li>Rs 1,648 crore has been allocated towards Kanyashree Prakalpa.</li> </ul>
Rural Development	17,096	21,371	20,794	20,053	8%	<ul style="list-style-type: none"> <li>Rs 2,816 crore has been allocated towards Jawahar Gram Samridhi Yojana.</li> <li>Rs 840 crore has been allocated toward National Rural Employment Guarantee Scheme.</li> </ul>
Health and Family Welfare	10,739	11,280	12,727	16,576	24%	<ul style="list-style-type: none"> <li>Rs 4,392 crore has been allocated towards Urban Health Services (Allopathy).</li> <li>Rs 2,832 crore has been allocated towards Rural Health Services (Allopathy).</li> </ul>
Agriculture and allied activities	5,154	10,648	4,871	12,936	58%	<ul style="list-style-type: none"> <li>Rs 5,507 crore has been allocated towards New Krishak Bandhu scheme.</li> </ul>
Urban Development	7,305	10,571	9,095	11,320	24%	<ul style="list-style-type: none"> <li>Rs 2,755 crore has been provided as assistance to municipal bodies, and Rs 2,354 crore to other urban local bodies for urban development schemes.</li> </ul>
Police	7,391	8,167	8,737	9,503	13%	<ul style="list-style-type: none"> <li>Rs 5,406 crore has been allocated to district police forces, and Rs 226 crore to special police.</li> </ul>
Transport	6,081	6,082	5,023	6,878	6%	<ul style="list-style-type: none"> <li>Rs 4,546 crore has been allocated as capital outlay on roads and bridges.</li> </ul>
Welfare of SC, ST, OBC, and Minorities	2,026	3,942	3,823	5,966	72%	<ul style="list-style-type: none"> <li>Rs 770 crore has been allocated to Taposili Bandhu old age pension scheme for scheduled castes.</li> <li>Rs 323 has been allocated towards Jai Johar old age pension scheme for scheduled tribes.</li> </ul>
Irrigation and Flood Control	2,860	4,808	2,480	5,075	33%	<ul style="list-style-type: none"> <li>Rs 928 crore has been allocated to West Bengal major irrigation and flood control project.</li> </ul>
<b>% of total expenditure on all sectors</b>	<b>64%</b>	<b>64%</b>	<b>65%</b>	<b>69%</b>		

Note: BE is Budget Estimates; RE is Revised Estimates.  
Sources: West Bengal Budget Documents 2021-22; PRS

**Committed expenditure:** Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2021-22, West Bengal is estimated to spend Rs 1,13,090 crore on committed expenditure, which is 61% of its revenue receipts. This is an annual increase of 8% over 2019-20. This comprises spending on salaries (32% of revenue receipts), pension (11% of revenue receipts), and interest payments (18% of revenue receipts). In 2020-21, as per the revised estimates, the state is estimated to spend 76% of revenue receipts towards committed expenditure (Rs 1,10,889 crore). This is 4% higher than the budget estimates.

**Table 4: Committed expenditure in 2021-22 (in Rs crore)**

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
Salaries	48,567	52,905	57,673	9%	59,169	10%
Pensions	17,462	20,844	19,623	-6%	21,263	10%
Interest	31,668	32,758	33,593	3%	32,658	2%
<b>Total Committed Expenditure</b>	<b>97,697</b>	<b>1,06,507</b>	<b>1,10,889</b>	<b>4%</b>	<b>1,13,090</b>	<b>8%</b>

Note: BE is Budget Estimates; RE is Revised Estimates.  
Sources: West Bengal Budget Documents 2021-22; PRS.

## Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 1,86,681 crore, an annual increase of 14% over 2019-20. Of this, Rs 80,028 crore (43%) will be raised by the state through its **own resources**, and Rs 1,06,653 crore (57%) will come **from the centre**. Resources from the centre will be in the form of the state's share in central taxes (27% of revenue receipts) and grants (30% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes (devolution) are estimated to register an annual increase of 2% over actual devolution in 2019-20. As per the revised estimates, devolution to West Bengal in 2020-21 is estimated to be 32% lower than the budget estimate. This may be due to a 30% cut in the union budget for devolution to states, from Rs 7,84,181 crore at the budgeted stage to Rs 5,49,959 crore at the revised stage.
- **State's own tax revenue:** Total own tax revenue of the state in 2021-22 is estimated to be Rs 75,416 crore, an annual increase of 11% over 2019-20. In 2020-21, as per the revised estimates, the state's own tax revenue is estimated to be 15% lower than the budget estimates. In 2021-22, the state's own tax to GSDP ratio is targeted at 5% which is higher than the revised estimate of 4.4% in 2020-21. This implies that growth in the state's own tax revenue is estimated to be higher than the economic growth.

**Table 5: Break up of state government receipts (in Rs crore)**

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
State's Own Tax	60,669	70,807	59,887	-15%	75,416	11%
State's Own Non-Tax	3,213	4,266	2,466	-42%	4,612	20%
Share in Central Taxes	48,048	65,835	44,737	-32%	50,070	2%
Grants-in-aid from Centre	30,984	38,490	38,881	1%	56,583	35%
<b>Total Revenue Receipts</b>	<b>1,42,914</b>	<b>1,79,398</b>	<b>1,45,971</b>	<b>-19%</b>	<b>1,86,681</b>	<b>14%</b>
Borrowings	75,699	79,465	93,679	18%	1,15,673	24%
Other receipts	67	507	166	-67%	139	45%
<b>Total Capital Receipts</b>	<b>75,765</b>	<b>79,972</b>	<b>93,844</b>	<b>17%</b>	<b>1,15,812</b>	<b>24%</b>
<b>Total Receipts</b>	<b>2,18,680</b>	<b>2,59,370</b>	<b>2,39,815</b>	<b>-8%</b>	<b>3,02,494</b>	<b>18%</b>

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: West Bengal Budget Documents 2021-22; PRS.

- In 2021-22, State GST (SGST) is estimated to be Rs 32,982 crore, the largest source of the state's own tax revenue (44%). It is estimated to increase at an annual rate of 10% over 2019-20. In 2020-21, SGST is estimated to be 25% less than the budget estimate.
- In 2021-22, the state is expected to generate Rs 16,100 crore through State Excise duty, an annual increase of 20% over 2019-20.
- In 2021-22, the state expects to generate Rs 8,600 crore through sales tax/VAT. In 2020-21, the sales tax/VAT collection is estimated to be 9% higher than the budget estimate.

### GST Compensation

The GST (Compensation to States) Act, 2017 guarantees states compensation for five years (till 2022) for any revenue loss arising due to GST implementation. The Act guarantees states a 14% annual growth in their GST revenue, failing which compensation grants are provided to states to meet the shortfall. These grants are funded through the GST compensation cess levied by the centre. As the cess collection is not sufficient to meet the compensation requirement of states in 2020-21, a part of their requirement will be met through loans from the centre (which will be repaid using future cess collection).

The state has estimated to receive Rs 4,708 crore as GST compensation grant and Rs 6,426 crore as GST compensation loans in 2021-22..

**Table 6: Some of the major state's own tax revenue sources (in Rs crore)**

Head	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	% of Revenue Receipts in 2021-22
State GST	27,308	33,153	25,014	-25%	32,982	10%	18%
State Excise	11,232	12,732	11,458	-10%	16,100	20%	9%
Sales Tax/ VAT	7,161	7,538	8,200	9%	8,600	10%	5%
Stamps Duty and Registration Fees	6,026	6,872	6,200	-10%	7,246	10%	4%
Land Revenue	2,728	3,139	2,782	-11%	3,200	8%	2%
Taxes and Duties on Electricity	2,421	2,994	2,694	-10%	2,964	11%	2%
Taxes on Vehicles	2,601	2,826	2,260	-20%	2,900	6%	2%
<b>GST Compensation Grants</b>	<b>4,359</b>	<b>4,928</b>	<b>5,798</b>	<b>18%</b>	<b>4,708</b>	<b>4%</b>	-
<b>GST Compensation Loans</b>	<b>-</b>	<b>-</b>	<b>4,431</b>	<b>-</b>	<b>6,425</b>	<b>-</b>	-

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: West Bengal Budget Documents 2021-22; PRS.

## Deficits, Debt, and FRBM Targets for 2021-22

The West Bengal Fiscal Responsibility and Budget Management (FRBM) Act, 2010 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 to finance its expenses which do not increase its assets or reduces its liabilities. A revenue deficit indicates that the revenue receipts of the state are not sufficient to meet the revenue expenditure requirements. The budget estimates a revenue deficit of Rs 26,755 crore (or 1.77% of the GSDP) in 2021-22. In 2020-21, as per the revised estimates, revenue deficit is estimated at Rs 34,345 crore (2.54% of GSDP) against an estimate of zero revenue deficit estimated at the budget stage. For West Bengal, the 15<sup>th</sup> Finance Commission has recommended post-devolution revenue deficit grants of Rs 5,013 crore in 2020-21 and Rs 40,115 crore for the period between 2021-22 and 2024-25.

**Fiscal deficit:** It is the excess of total expenditure over total receipts. This gap is filled by borrowings which leads to an increase in total liabilities. In 2021-22, the fiscal deficit is estimated to be Rs 60,864 crore (4.03% of GSDP). As per the revised estimates, in 2020-21, the fiscal deficit of the state is estimated to be 3.86% of GSDP, which is higher than the budget estimate of 2.18%. In both 2020-21 and 2021-22, states have been allowed a higher fiscal deficit than the usual 3% limit under the FRBM Act for undertaking expenditure to support economic recovery.

**Enhanced borrowing limit in 2020-21:** Given the situation due to COVID-19, the central government permitted states to increase their fiscal deficit up to 5% of GSDP in 2020-21. West Bengal's fiscal deficit for 2020-21 is expected to be 3.86%, which is lower than the increased limit. All states were allowed to increase their fiscal deficit up to 4% of GSDP. The remaining 1% of GSDP is conditional on the implementation of reforms by states in the following areas (0.25% of GSDP for each reform): (i) one nation one ration card, (ii) ease of doing business, (iii) urban local body/ utility, and (iv) power distribution. As of February 17, 2021, the state has not implemented any of these reforms.

**Outstanding liability:** Outstanding liabilities refers to the accumulation of total borrowings at the end of a financial year. In 2021-22, the outstanding liabilities are estimated to be 35.5% of the GSDP, same as the revised estimate for 2020-21. The outstanding liabilities are estimated to decrease from 36.1% in 2019-20 to 35.5% in 2021-22.

### Fiscal Roadmap for 2021-26

The 15<sup>th</sup> Finance Commission recommended the following fiscal deficit targets for states for the 2021-26 period (as a % of GSDP): (i) 4% for 2021-22, (ii) 3.5% for 2022-23, and (iii) 3% for 2023-26. The Commission estimates that this path will lead to a decrease in total liabilities of West Bengal from 42.9% of GSDP in 2020-21 to 41.2% of GSDP in 2025-26.

If a state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilised borrowing amount in subsequent years (within the 2021-26 period). Additional borrowing worth 0.5% of GSDP will be allowed each year for the first four years (2021-25) upon undertaking certain power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue.

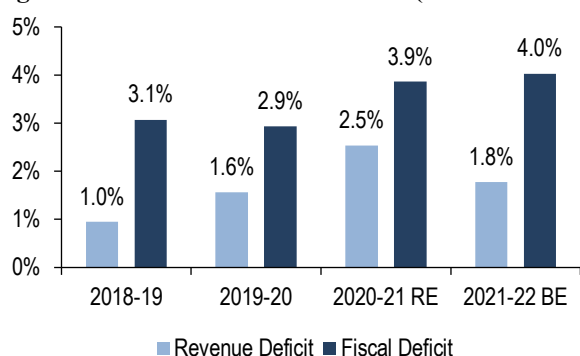
**Table 7: Budget targets for deficits for West Bengal (% of GSDP)**

Year	Revenue Deficit	Fiscal Deficit	Outstanding Liability
2018-19	1.0%	3.1%	36.1%
2019-20	1.6%	2.9%	34.6%
2020-21 (Revised)	2.5%	3.9%	35.5%
2021-22 (Budgeted)	1.8%	4.0%	35.5%

Note: Outstanding liabilities includes outstanding debt under Internal Debt, Loans and Advances from Centre, Small Savings, Provident Fund, and Deposit and Reserve Funds.

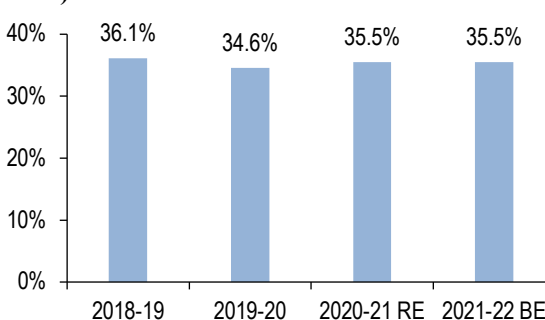
Sources: West Bengal Budget Documents 2021-22; PRS.

**Figure 2: Revenue and Fiscal Deficit (as % of GSDP)**



Note: RE is Revised Estimates; BE is Budget estimates.  
Sources: West Bengal Budget Documents 2021-22; PRS.

**Figure 3: Outstanding liabilities targets (as % of GSDP)**

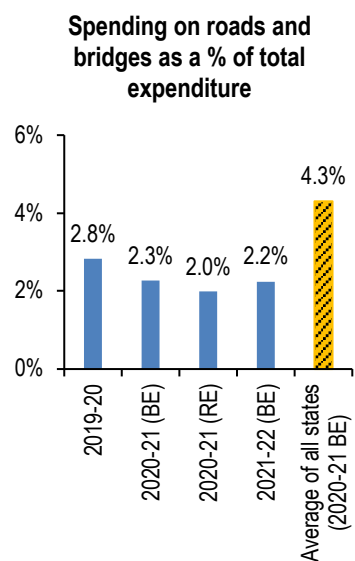
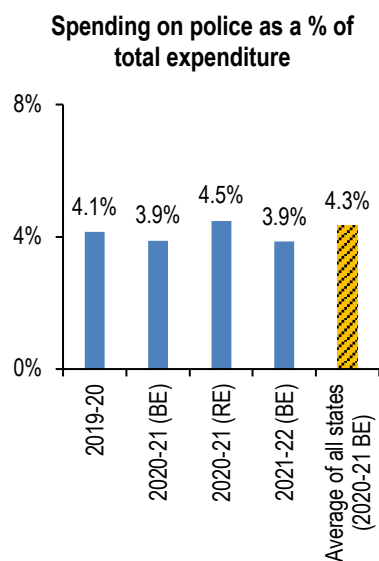
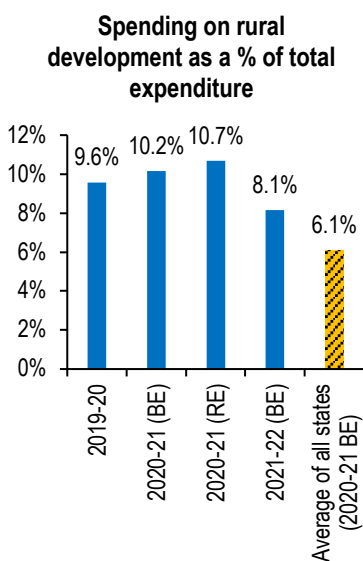
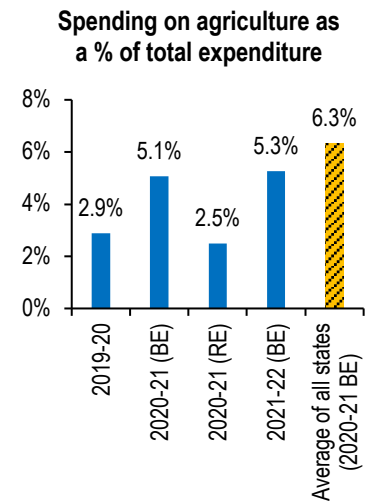
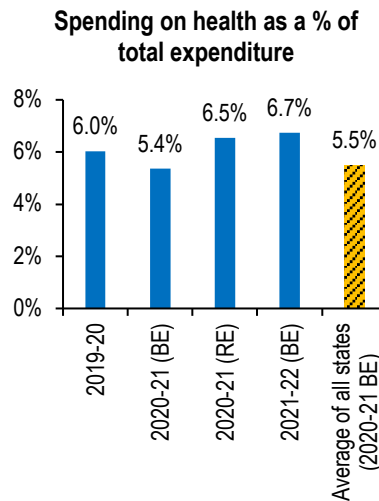
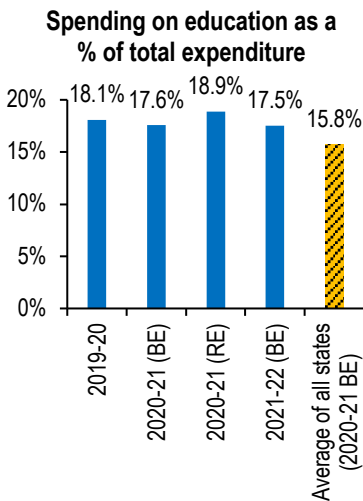


Note: RE is Revised Estimates; BE is budget estimates.  
Sources: West Bengal Budget Documents 2021-22; PRS.

## Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare West Bengal's expenditure on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 30 states (including West Bengal) as per their budget estimates of 2020-21.<sup>1</sup>

- **Education:** West Bengal has allocated 17.5% of its total expenditure for education in 2021-22. This is higher than the average allocation (15.8%) for education by all states (2020-21 BE).
- **Health:** West Bengal has allocated 6.7% of its total expenditure on health, which is higher than the average allocation for health by states (5.5%).
- **Agriculture:** West Bengal has allocated 5.3% of its total expenditure towards agriculture and allied activities. This is lower than the average allocation for agriculture by states (6.3%).
- **Rural development:** West Bengal has allocated 8.1% of its expenditure on rural development. This is higher than the average allocation for rural development by states (6.1%).
- **Police:** West Bengal has allocated 3.9% of its total expenditure on police, which is lower than the average expenditure on police by states (4.3%).
- **Roads and bridges:** West Bengal has allocated 2.2% of its total expenditure on roads and bridges, which is significantly lower than the average allocation by states (4.3%).



Note: 2019-20, 2020-21 (BE), 2020-21 (RE), and 2021-22 (BE) figures are for West Bengal.  
Sources: West Bengal Budget Documents 2021-22; various state budgets; PRS.

<sup>1</sup> The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

## Annexure 2: Recommendations of the 15<sup>th</sup> Finance Commission for 2021-26

The 15<sup>th</sup> Finance Commission's (FC) report for the 2021-26 period was released on February 1, 2021. For the 2021-26 period, the Commission has recommended the share of states in the divisible pool of central taxes to be 41%, same as that for 2020-21 (also recommended by the 15<sup>th</sup> FC in its report for 2020-21). This is 1% point lower than the 42% share recommended by the 14<sup>th</sup> FC (for the 2015-20 period) to separately provide funds for the newly formed union territories of Jammu and Kashmir, and Ladakh. The 15<sup>th</sup> FC proposed revised criteria for determining the share of individual states (different from 14<sup>th</sup> FC). Based on the 15<sup>th</sup> FC's recommendations for the period 2021-26, West Bengal will have a 3.08% share in the divisible pool of central taxes. This implies that out of every Rs 100 of revenue in the divisible pool during the 2021-26 period, West Bengal will receive Rs 3.08. This is same as the share recommended by the 14<sup>th</sup> FC for the 2015-20 period.

**Table 8: Share of states in the divisible pool of central taxes under the 14<sup>th</sup> and 15<sup>th</sup> FC periods**

State	14th FC	15th FC	15th FC	% change	
	2015-20	2020-21	2021-26	2015-20 to 2021-26	2020-21 to 2021-26
Andhra Pradesh	1.81	1.69	1.66	-8.2%	-1.6%
Arunachal Pradesh	0.58	0.72	0.72	25.2%	-0.2%
Assam	1.39	1.28	1.28	-7.8%	-0.1%
Bihar	4.06	4.13	4.12	1.6%	0.0%
Chhattisgarh	1.29	1.40	1.40	8.0%	-0.3%
Goa	0.16	0.16	0.16	-0.3%	0.0%
Gujarat	1.30	1.39	1.43	10.1%	2.4%
Haryana	0.46	0.44	0.45	-1.6%	1.0%
Himachal Pradesh	0.30	0.33	0.34	13.6%	3.9%
Jammu & Kashmir	0.78	-	-	-	-
Jharkhand	1.32	1.36	1.36	2.8%	-0.2%
Karnataka	1.98	1.50	1.50	-24.5%	0.0%
Kerala	1.05	0.80	0.79	-24.8%	-0.9%
Madhya Pradesh	3.17	3.23	3.22	1.5%	-0.5%
Maharashtra	2.32	2.52	2.59	11.7%	3.0%
Manipur	0.26	0.29	0.29	13.3%	-0.3%
Meghalaya	0.27	0.31	0.31	16.6%	0.3%
Mizoram	0.19	0.21	0.21	6.1%	-1.2%
Nagaland	0.21	0.24	0.23	11.5%	-0.7%
Odisha	1.95	1.90	1.86	-4.8%	-2.2%
Punjab	0.66	0.73	0.74	11.9%	1.1%
Rajasthan	2.31	2.45	2.47	7.1%	0.8%
Sikkim	0.15	0.16	0.16	3.2%	0.0%
Tamil Nadu	1.69	1.72	1.67	-1.0%	-2.6%
Telangana	1.02	0.88	0.86	-15.8%	-1.5%
Tripura	0.27	0.29	0.29	7.7%	-0.1%
Uttar Pradesh	7.54	7.35	7.36	-2.5%	0.0%
Uttarakhand	0.44	0.45	0.46	3.7%	1.3%
<b>West Bengal</b>	<b>3.08</b>	<b>3.08</b>	<b>3.08</b>	<b>0.3%</b>	<b>0.1%</b>
<b>Total</b>	<b>42.00</b>	<b>41.00</b>	<b>41.00</b>		

Note: Although the 15<sup>th</sup> Finance Commission recommended the same criteria for 2020-21 and 2021-26 periods, the reference period for computation on some underlying indicators are different. This is why the share in the divisible pool in 2020-21 and 2021-26 differ for states. State's share has been rounded off to two decimal places.

Sources: Reports of 14<sup>th</sup> and 15<sup>th</sup> FCs; Union Budget Documents 2021-22; PRS.

The 15<sup>th</sup> FC recommended grants worth Rs 10.3 lakh crore for states over five years (2021-26). A portion of these grants will be conditional. 17 states will receive revenue deficit grants during this period. Sector-specific grants include grants for sectors such as health, agriculture, and education. Grants to local governments include: (i) Rs 1.2 lakh crore for urban local bodies, (ii) Rs 2.4 lakh crore for rural local bodies, and (iii) health grants worth Rs 70,000 crore through local bodies for healthcare infrastructure.

State-specific grants recommended for West Bengal include: (i) Rs 1,000 crore for the development of infrastructure in backward districts, (ii) Rs 550 crore for civil works for restraining Ganga erosion, and (iii) Rs 550 crore for drinking water purification projects.

**Table 9: Grants recommended for 2021-26 (Rs crore)**

Grants	Total	West Bengal
Revenue deficit grants	2,94,514	40,115
Local governments grants	4,36,361	30,393*
Sector-specific grants	1,29,987	8,286#
Disaster management grants	1,22,601	5,587
State-specific grants	49,599	2,100
<b>Total</b>	<b>10,33,062</b>	<b>86,481</b>

Note: This does not include competition-based grants including \*grants for incubation of new cities (part of local bodies grants), and #grants for school education, and aspirational districts and blocks.

Source: Report of 15<sup>th</sup> FC; PRS.

**Table 10: Taxes devolved to states as per Union Budget 2021-22**

State	2019-20	2020-21 Revised	2021-22 Budget
Andhra Pradesh	29,421	22,611	26,935
Arunachal Pradesh	9,363	9,681	11,694
Assam	22,627	17,220	20,819
Bihar	66,049	55,334	66,942
Chhattisgarh	21,049	18,799	22,676
Goa	2,583	2,123	2,569
Gujarat	21,077	18,689	23,148
Haryana	7,408	5,951	7,275
Himachal Pradesh	4,873	4,394	5,524
Jammu & Kashmir	12,623	-38	-
Jharkhand	21,452	18,221	22,010
Karnataka	32,209	20,053	24,273
Kerala	17,084	10,686	12,812
Madhya Pradesh	51,584	43,373	52,247
Maharashtra	37,732	33,743	42,044
Manipur	4,216	3,949	4,765
Meghalaya	4,387	4,207	5,105
Mizoram	3,144	2,783	3,328
Nagaland	3,403	3,151	3,787
Odisha	31,724	25,460	30,137
Punjab	10,777	9,834	12,027
Rajasthan	37,554	32,885	40,107
Sikkim	2,508	2,134	2,582
Tamil Nadu	27,493	23,039	27,148
Telangana	16,655	11,732	13,990
Tripura	4,387	3,899	4,712
Uttar Pradesh	1,22,729	98,618	1,19,395
Uttarakhand	7,189	6,072	7,441
<b>West Bengal</b>	<b>50,051</b>	<b>41,353</b>	<b>50,070</b>
<b>Total</b>	<b>6,83,353</b>	<b>5,49,959</b>	<b>6,65,563</b>

Note: Actuals for 2019-20 and Revised Estimates for 2020-21 have been reported in the Union Budget after adjusting for excess or less devolution in previous years.

Sources: Union Budget Documents 2021-22; PRS.

### Annexure 3: Comparison of 2020-21 Revised and 2021-22 Budget Estimates

The following tables compare the budget estimates for 2021-22 with the revised estimates for 2020-21.

**Table 11: Key Components of State's Receipts and Expenditure**

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
<b>Receipts (1+2)</b>	<b>2,39,815</b>	<b>3,02,494</b>	<b>26%</b>
Receipts except Borrowings	1,46,137	1,86,821	28%
1. Revenue Receipts (a+b+c+d)	1,45,971	1,86,681	28%
a. Own Tax Revenue	59,887	75,416	26%
b. Own Non-Tax Revenue	2,466	4,612	87%
c. Share in central taxes	44,737	50,070	12%
d. Grants-in-aid from the Centre	38,881	56,583	46%
<i>Of which GST compensation</i>	5,798	4,708	-19%
2. Capital Receipts	93,844	1,15,812	23%
a. Borrowings	93,679	1,15,673	23%
<i>Of which GST compensation loan</i>	4,431	6,425	45%
<b>Expenditure (3+4)</b>	<b>2,46,814</b>	<b>3,08,727</b>	<b>25%</b>
3. Revenue Expenditure	1,80,316	2,13,437	18%
4. Capital Expenditure	66,498	95,291	43%
i. Capital Outlay	14,518	32,774	126%
ii. Debt Repayment	48,327	61,043	26%
Revenue Deficit	34,345	26,755	-22%
Fiscal Deficit	52,350	60,864	16%
<b>Revenue Deficit (as % of GSDP)</b>	<b>2.54%</b>	<b>1.77%</b>	<b>-</b>
<b>Fiscal Deficit (as % of GSDP)</b>	<b>3.86%</b>	<b>4.03%</b>	<b>-</b>

Sources: West Bengal Budget Documents 2021-22; PRS.



**Table 12: Key Components of State's Own Tax Revenue**

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
State GST	25,014	32,982	32%
State Excise	11,458	16,100	41%
Sales Tax/ VAT	8,200	8,600	5%
Stamps Duty and Registration Fees	6,200	7,246	17%
Land Revenue	2,782	3,200	15%
Taxes and Duties on Electricity	2,694	2,964	10%
Taxes on Vehicles	2,260	2,900	28%

Sources: West Bengal Budget Documents 2021-22; PRS.

**Table 13: Allocation towards Key Sector**

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	36,779	43,195	17%
Social Welfare and Nutrition	22,098	37,868	71%
Rural Development	20,794	20,053	-4%
Health and Family Welfare	12,727	16,576	30%
Agriculture and allied activities	4,871	12,936	166%
Urban Development	9,095	11,320	24%
Police	8,737	9,503	9%
Transport	5,023	6,878	37%
Welfare of SC, ST, OBC, and Minorities	3,823	5,966	56%
Irrigation and Flood Control	2,478	5,075	105%

Sources: West Bengal Budget Documents 2021-22; PRS.

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