

West Bengal Budget Analysis 2023-24

The Finance Minister of West Bengal, Ms. Chandrima Bhattacharya presented the Budget for the state for the financial year 2023-24 on February 15, 2023.

Budget Highlights

- The **Gross State Domestic Product** (GSDP) of West Bengal for 2023-24 (at current prices) is projected to be Rs 17.19 lakh crore, amounting to growth of 10.6% over 2022-23.
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 2,78,622 crore, an increase of 8.6% over the revised estimates of 2022-23. In addition, debt of Rs 60,541 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 2,12,783 crore, an increase of 9.3% as compared to the revised estimates of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to be lower by 1.8% from the budget estimates.
- **Revenue deficit** in 2023-24 is estimated to be 1.8% of GSDP (Rs 30,924 crore). In 2022-23, the revenue deficit is expected to be 2.6% which is higher than the budget estimate (1.7% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 3.8% of GSDP (Rs 65,839 crore). In 2022-23, fiscal deficit is lower than the budget estimate by Rs 676 crore. However, it has increased as a percentage of GSDP from 3.6% to 4.0% due to less than estimated growth in the state's GSDP.

Policy Highlights

- **Tax proposals:** Rebate of 2% on stamp duty and 10% on circle rate of land/property for home buyers will be available till September 30, 2023. Agricultural income tax on tea gardens will be waived for 2023-24 and 2024-25.
- **Settlement of tax disputes:** Under the scheme for settlement of tax disputes, all disputed tax including arrear tax, interest, penalty, or late fee pending before any authority as on February 10, 2023 will be settled if an application is made by May 31, 2023.
- **Funds for local area development:** Under the Bidhayak Elaka Unnayan Prakalp, annual allocation for each MLA will be increased from Rs 60 lakh to Rs 70 lakh for local area development works.
- **Lakshmir Bhandar:** Beneficiaries covered under Lakshmir Bhandar will receive an old age pension of Rs 1,000 per month after attaining 60 years of age.
- **Matsyajeebi Bandhu Scheme:** On the death of a registered fisherman in the age group of 18-60 years, the dependent family members will receive a one-time grant of two lakh rupees.
- **Credit to youth:** The Bhavishyat Credit Card scheme will be launched. The scheme would provide loans up to five lakh rupees to about two lakh people in the age group of 18-45 years for setting up micro enterprises. The scheme has been allocated Rs 350 crore.

West Bengal's Economy

GSDP: In 2022-23 West Bengal's GSDP (at constant prices) is estimated to grow at 8.4% over the previous year. In comparison, the national GDP is estimated to growth at 7% in 2022-23.

Sectors: In 2022-23 (at current prices), agriculture, manufacturing, and services are estimated to contribute 19.4%, 24%, and 56.5% of the economy.

Unemployment: According to the Periodic Labour Force Survey, in 2020-21, West Bengal's unemployment rate was 6.8% (as per current weekly status), lower than the national unemployment rate of 7.5%.

Table 1: West Bengal's GSDP Growth

Year	GSDP Growth	
	Current Price	Constant Price
2020-21	7.7%	1.1%
2021-22	18.0%	10.7%
2022-23	14.0%	8.4%

Sources: Medium Term Fiscal Policy Statement and Fiscal Policy Strategy Statement (various years), West Bengal Budget Documents; PRS.

Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 2,78,622 crore. This is an increase of 8.6% over the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 2,12,783 crore and net borrowings of Rs 59,499 crore. The remaining amount will be funded through the public account and contingency fund. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 9.3% over the revised estimate of 2022-23.
- **Revenue deficit** in 2023-24 is estimated to be 1.8% of GSDP (Rs 30,924 crore), lower than the revised estimates for 2022-23 (2.6% of GSDP). **Fiscal deficit** for 2023-24 is targeted at 3.8% of GSDP (Rs 65,839 crore), as compared to the revised estimates for 2022-23 (4.0% of GSDP). For 2023-24, the central government has allowed states a fiscal deficit of 3.5% of GSDP (including 0.5% for undertaking power sectors reforms).
- In 2022-23, fiscal deficit is expected to be higher than the budget estimates by about 0.4 percentage point of GSDP. This increase is due to less than estimated growth in the state's GSDP at the revised estimate stage as compared to the budget estimate. In absolute terms, fiscal deficit is lower than the budget estimate by Rs 676 crore. In 2022-23, both expenditure (without debt repayment) and receipts (without borrowing) are estimated to be lower by 1.6% and 1.8% of GSDP respectively over budget estimates.

Table 2: Budget 2023-24 - Key figures (in Rs crore)

Items	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
Total Expenditure	2,60,286	3,21,030	3,16,321	-1.5%	3,39,162	7.2%
(-) Repayment of debt	31,540	60,401	59,858	-0.9%	60,541	1.1%
Net Expenditure (E)	2,28,746	2,60,629	2,56,463	-1.6%	2,78,622	8.6%
Total Receipts	2,55,798	3,13,191	3,09,170	-1.3%	3,32,823	7.7%
(-) Borrowings	77,581	1,14,959	1,14,429	-0.5%	1,20,040	4.9%
Net Receipts (R)	1,78,217	1,98,232	1,94,742	-1.8%	2,12,783	9.3%
Fiscal Deficit (E-R)	50,528	62,397	61,721	-1.1%	65,839	6.7%
as % of GSDP	3.7%	3.6%	4.0%		3.8%	
Revenue Deficit	32,000	28,280	39,663	40.3%	30,924	-22.0%
as % of GSDP	2.3%	1.7%	2.6%		1.8%	
Primary Deficit	13,856	23,286	21,887	-6.0%	23,076	5.4%
as % of GSDP	1.0%	1.4%	1.4%		1.3%	

Note: BE is Budget Estimates; RE is Revised Estimates. Expenditure for 2022-23 RE does not include transfer of Rs 180 crore to contingency fund.

Sources: West Bengal Budget Documents 2023-24; PRS.

Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 2,43,561 crore, an increase of 4% over the revised estimate of 2022-23. This includes expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2023-24 is proposed to be Rs 34,026 crore, an increase of 58% over the revised estimate of 2022-23. Capital outlay is the expenditure towards creation of assets.
- In 2023-24, loans and advances given by the state are expected to be Rs 1,043 crore, an increase of Rs 315 crore (44% increase) over 2022-23 revised estimates.

Capital outlay by West Bengal

In 2023-24, capital outlay by the state is estimated to increase by 58% over the revised estimates of 2022-23. However, in 2022-23, capital outlay is seen to be 35% lower compared to the budget estimates. Underspending on capital outlay in 2022-23 is seen to be as high as 82% in welfare of SC, ST, OBC, and minorities, followed by education, arts, sports, and culture (71%), rural development (56%), and agriculture and allied activities (54%). Between 2015-16 and 2019-20, West Bengal underspent its capital outlay budget by 22%. This was higher than the average underspending in capital outlay of 17% by all states.

Table 3: Expenditure budget 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
Revenue Expenditure	2,10,160	2,26,327	2,34,276	4%	2,43,561	4%
Capital Outlay	17,484	33,144	21,468	-35%	34,026	58%
Loans given by the state	1,102	1,158	719	-38%	1,034	44%
Net Expenditure	2,28,746	2,60,629	2,56,463	-2%	2,78,622	8.6%

Sources: Annual Financial Statement, West Bengal Budget 2023-24; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pension, 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 2023-24, West Bengal is estimated to spend Rs 1,31,192 crore on committed expenditure, which is 61.7% of its estimated revenue receipts. This comprises spending on salaries (30% of revenue receipts), interest payments (20%), and pension (11%). In 2023-24, committed expenditure is expected to increase by 3% over the revised estimate of 2022-23. In 2022-23, expenditure towards pension is estimated to be 11% higher than the budget estimate.

Table 4: Committed Expenditure in 2023-24 (in Rs crore)

Committed Expenditure	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
Salaries	59,379	60,524	62,029	2%	64,533	4%
Pension	26,676	22,998	25,494	11%	23,896	-6%
Interest	36,672	39,111	39,834	2%	42,763	7%
Committed Expenditure	1,22,727	1,22,632	1,27,357	4%	1,31,192	3%

Sources: Budget in Brief and Annual Financial Statement, West Bengal Budget 2023-24; PRS.

Sector-wise expenditure: The sectors listed below account for 64% of the total expenditure on sectors by the state in 2023-24. A comparison of West Bengal's expenditure on key sectors with that by other states is shown in Annexure 1

Table 5: Sector-wise expenditure under West Bengal Budget 2023-24 (in Rs crore)

Sector	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24	Budget Provisions (2023-24)
Education, Sports, Arts, and Culture	37,682	43,466	41,490	45,812	10%	<ul style="list-style-type: none"> Rs 17,522 crore has been allocated for assistance to non-government secondary schools. Rs 1,765 crore has been allocated to Samagra Shiksha Abhiyan.
Social Welfare and Nutrition	34,873	36,448	43,164	36,844	-15%	<ul style="list-style-type: none"> Rs 9,639 crore has been allocated for women's welfare. Child welfare has been allocated Rs 2,504 crore.
Health and Family Welfare	16,768	17,786	17,586	18,490	5%	<ul style="list-style-type: none"> Urban health services- allopathy has been allocated Rs 6,766 crore. Rural health services- allopathy has been allocated Rs 2,093 crore.
Agriculture and Allied Activities	8,553	12,709	10,172	17,767	75%	<ul style="list-style-type: none"> Rs 2,684 crore has been allocated for food grain crops. Crop insurance has been allocated Rs 1,125 crore.
Rural Development	14,963	22,236	16,196	15,979	-1%	<ul style="list-style-type: none"> Rs 5,067 crore has been allocated for rural employment guarantee schemes. Rs 2,379 crore has been allocated for assistance to local bodies, urban development authorities, and town improvement boards.
Urban Development	9,983	11,606	15,076	11,526	-24%	<ul style="list-style-type: none"> District Police has been allocated Rs 6,933 crore. JAIBANGLA has been allocated Rs 1,623 crore.
Police	9,541	10,410	11,744	10,595	-10%	<ul style="list-style-type: none"> Rs 4,928 crore has been allocated for capital expenditure on roads and bridges. Rs 6,574 has been allocated for rural housing.
Welfare of SC, ST, OBC, and Minorities	4,351	6,581	4,729	7,229	53%	
Transport	5,823	6,843	6,507	7,089	9%	
Housing	236	505	447	7,074	1484%	
% of total expenditure on all sectors	63%	65%	65%	64%		

Sources: Annual Financial Statement, West Bengal Budget 2023-24; PRS.

Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 2,12,637 crore, an increase of 9% over the revised estimate of 2022-23. Of this, Rs 94,972 crore (45%) will be raised by the state through its **own resources**, and Rs 1,17,665 crore (55%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (36% of revenue receipts) and grants (19% of revenue receipts).
- **Devolution:** In 2023-24, state's share in central taxes is estimated at Rs 76,844 crore, an increase of 8% over the revised estimate of 2022-23.
- **Grants from the centre** in 2023-24 is estimated at Rs 40,821 crore, a decrease of 2% over the revised estimates for 2022-23.
- **State's own revenue:** West Bengal's total own tax revenue is estimated to be Rs 88,596 crore in 2023-24, an increase of 11% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 5.2% in 2023-24. For 2022-23, the state had originally estimated own tax revenue to GSDP ratio of 4.6% which is estimated to be 5.1% at the revised stage. West Bengal's own non-tax revenue is estimated to increase 239% in 2023-24 over the revised estimate of 2022-23. Interest receipts are expected to increase by Rs 4,402 crore in 2023-24 compared to the revised estimate of 2022-23.

Table 6: Break-up of the state government's receipts (in Rs crore)

Items	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
State's Own Tax	71,082	79,347	79,500	0%	88,596	11%
State's Own Non-Tax	1,690	6,672	1,882	-72%	6,377	239%
Share in Central Taxes	65,541	61,437	71,435	16%	76,844	8%
Grants from Centre	39,847	50,592	41,795	-17%	40,821	-2%
Revenue Receipts	1,78,159	1,98,047	1,94,612	-2%	2,12,637	9%
Non-debt Capital Receipts	58	185	129	-30%	146	12%
Net Receipts	1,78,217	1,98,232	1,94,742	-2%	2,12,783	9%

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

Sources: Annual Financial Statement, West Bengal Budget 2023-24; PRS.

- In 2023-24, State GST is estimated to be the largest source of own tax revenue (43% share). State GST revenue is estimated to increase by 9% over the revised estimates of 2022-23. However, in 2022-23, the receipt on this account is expected to be 4% lower than budgeted.
- In 2023-24, revenue from state excise, is estimated to increase 19% over the revised estimates of 2022-23. However, in 2022-23, revenue from state excise is estimated to be 9% lower at the revised stage than the budget estimates.
- In 2023-24, sales tax/VAT, stamp duty, and taxes on vehicles are all expected to see an increase of 15%, 5%, and 10% respectively over the revised estimates of 2022-23.

Table 7: Major sources of state's own-tax revenue (in Rs crore)

Head	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
State GST	31,271	36,114	34,819	-4%	37,792	9%
State Excise	13,542	16,500	15,001	-9%	17,922	19%
Sales Tax/VAT	9,951	10,100	12,134	20%	13,898	15%
Stamps Duty and Registration Fees	7,366	6,550	7,118	9%	7,474	5%
Taxes on Vehicles	2,647	2,772	3,258	18%	3,584	10%
Land Revenue	2,743	3,259	3,083	-5%	3,391	10%
Taxes and Duties on Electricity	2,384	2,800	2,785	-1%	3,126	12%
GST Compensation Grants	4,531	5,500	7,405	35%	-	-
GST Compensation Loans	6,425	-	-	-	-	-
Total GST Compensation	10,956	-	-	-	-	-

Sources: Annual Financial Statement, Revenue Budget, and Budget in Brief statements, West Bengal Budget 2023-24; PRS.

Deficits, Debt, and FRBM Targets for 2023-24

The West Bengal Fiscal Responsibility and Budget Management 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 difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue deficit of Rs 30,924 crore (1.8% of the GSDP) in 2023-24. In 2022-23, revenue deficit is estimated to be Rs 39,663 crore (2.6% of the GSDP), which is higher than the budget estimate (1.7% of GSDP).

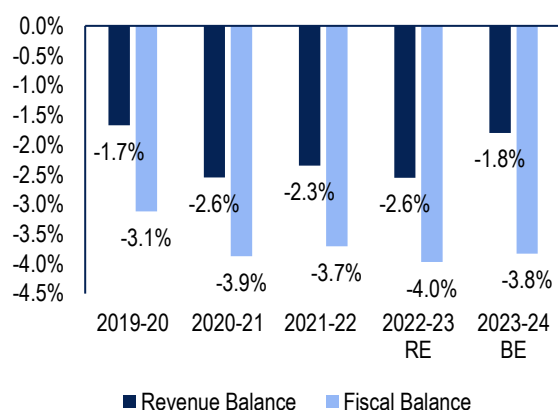
Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. West Bengal's fiscal deficit is estimated to be 3.8% of GSDP in 2023-24. In 2022-23, fiscal deficit is expected to be higher than the budget estimate by about 0.4 percentage point of GSDP. This increase is due the state's GSDP being 9.2% lower at the revised estimate stage as compared to the budget estimate. In absolute terms, fiscal deficit is lower than the budget estimates by Rs 676 crore in 2022-23.

Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2023-24, the outstanding liabilities is estimated to be 37.7% of GSDP. The outstanding liabilities have risen as compared to the 2019-20 level 36.8% of GSDP.

Understatement of Revenue and Fiscal Deficits

The CAG (2022) observed that West Bengal had understated their revenue deficit and fiscal deficit by Rs 3,440 crore and Rs 2,249 crore respectively in 2020-21. Revenue deficit was understated by 12% of the reported revenue deficit in 2020-21 while fiscal deficit was understated by 5% of the reported figure. There was persistent understatement of revenue and fiscal deficit by the state during 2017-21. CAG noted that excessive focus on short-term objectives for overcoming budget deficits encourages creative accounting and leads to one-off deficit reducing measures.

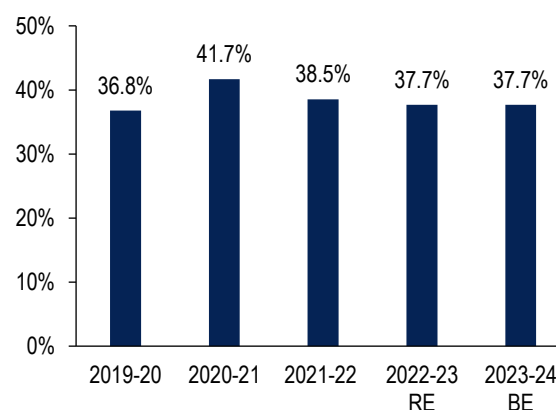
Figure 1: Revenue and Fiscal Deficit (% of GSDP)



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

Sources: Medium Term Fiscal Policy, West Bengal Budget 2023-24; PRS.

Figure 2: Outstanding Liabilities (% of GSDP)



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

Sources: Medium Term Fiscal Policy, West Bengal Budget 2023-24; PRS.

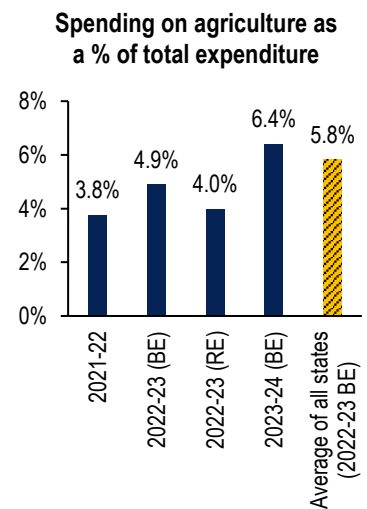
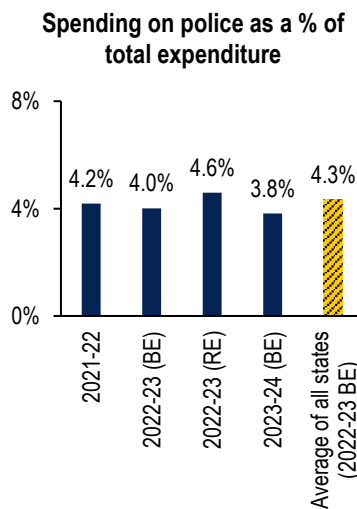
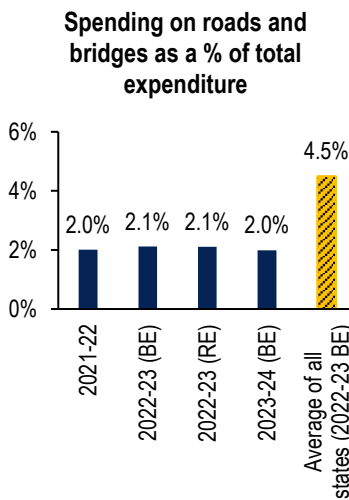
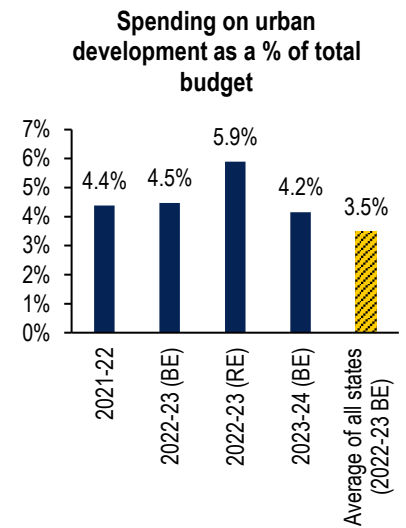
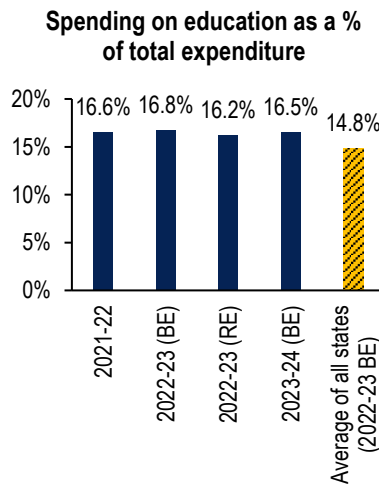
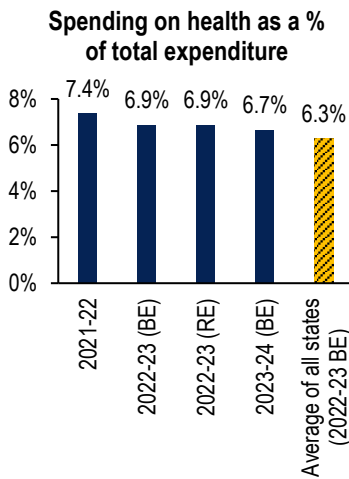
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. According to the West Bengal Ceiling on Government Guarantees Act, 2001, the total outstanding government guarantees at the beginning of a financial year must not exceed 90% per month of the state revenue receipts of the second preceding years. As on March 31, 2022, the outstanding government guarantees were at Rs 13,156 crore (0.8 % of GSDP).

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare West Bengal's expenditure in 2023-24 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 31 states (including West Bengal) as per their budget estimates of 2022-23.¹

- **Health:** West Bengal has allocated 6.7% of its expenditure on health in 2023-24. This is higher than the average allocation for education by states in 2022-23 (6.3%).
- **Education:** West Bengal has allocated 16.5% of its total expenditure towards education, which is higher than the average allocation for education by states (14.8%).
- **Urban Development:** West Bengal has allocated 4.2% of its expenditure towards urban development. This is higher than the average allocation towards urban development by states (3.5%).
- **Roads and bridges:** West Bengal has allocated 2.0% of its total expenditure towards roads and bridges, which is lower than the average allocation by states (4.5%).
- **Police:** West Bengal has allocated 3.8% of its expenditure towards police. This is lower than the average allocation towards police by states (4.3%).
- **Agriculture:** West Bengal has allocated 6.4% of its expenditure towards agriculture, which is higher than the average allocation towards agriculture by states (5.8%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for West Bengal. Sources: Annual Financial Statement, West Bengal Budget 2023-24; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry.

Annexure 2: Comparison of 2021-22 Budget Estimates and Actuals

The following tables compare the actuals of 2021-22 with budget estimates for that year.

Table 8: Overview of Receipts and Expenditure (in Rs crore)

Particular	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Net Receipts (1+2)	1,30,237	1,78,217	37%
1. Revenue Receipts (a+b+c+d)	1,30,098	1,78,159	37%
a. Own Tax Revenue	75,416	71,082	-6%
b. Own Non-Tax Revenue	4,612	1,690	-63%
c. Share in central taxes	50,070	65,541	31%
d. Grants-in-aid from the Centre	56,584	39,847	-30%
Of which GST compensation grants	4,708	4,531	-
2. Non-Debt Capital Receipts	139	58	-58%
3. Borrowings	1,15,673	77,581	-33%
Of which GST compensation loan	6,425	6,425	0%
Net Expenditure (4+5+6)	2,47,685	2,28,746	-8%
4. Revenue Expenditure	2,13,437	2,10,160	-2%
5. Capital Outlay	32,774	17,484	-47%
6. Loans and Advances	1,474	1,102	-25%
7. Debt Repayment	61,043	31,540	-48%
Revenue Deficit	26,755	32,000	20%
Revenue Deficit (as % of GSDP)	1.74%	2.3%	-
Fiscal Deficit	60,864	50,528	-17%
Fiscal Deficit (as % of GSDP)	3.96	3.70%	-

Note: BE: Budget Estimates. For calculating deficits, GST compensation loan not treated as grants.

Sources: West Bengal Budget Documents of various years; PRS.

Table 9: Key Components of State's Own Tax Revenue (in Rs crore)

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Taxes and Duties on Electricity	2,964	2,384	-20%
State Excise	16,100	13,542	-16%
Land Revenue	3,200	2,743	-14%
Taxes on Vehicles	2,900	2,647	-9%
State GST	32,982	31,271	-5%
Stamps Duty and Registration Fees	7,246	7,366	2%
Sales Tax/ VAT	8,600	9,951	16%

Sources: West Bengal Budget Documents of various years; PRS.

Table 10: Allocation towards Key Sectors (in Rs crore)

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Housing	447	236	-47%
Agriculture and Allied Activities	12,936	8,553	-34%
Welfare of SC, ST, OBC, and Minorities	5,966	4,351	-27%
Rural Development	20,053	14,963	-25%
Transport	6,878	5,823	-15%
of which Roads and Bridges	5,530	4,580	-17%
Irrigation and Flood Control	3,792	3,223	-15%
Education, Sports, Arts, and Culture	43,195	37,682	-13%
Urban Development	11,320	9,983	-12%
Social Welfare and Nutrition	37,868	34,873	-8%
Police	9,503	9,541	0%
Health and Family Welfare	16,576	16,768	1%
Energy	2,616	2,898	11%
Water Supply and Sanitation	3,578	5,135	44%

Sources: West Bengal Budget Documents of various years; PRS.