

Chhattisgarh Budget Analysis 2016-17

The Finance Minister of Chhattisgarh, Dr. Raman Singh, presented the Budget for Chhattisgarh for financial year 2016-17 on March 9, 2016.

Budget Highlights

- The **Gross State Domestic Product** of Chhattisgarh for 2016-17 is estimated to be Rs 2,81,632 crore. This is 12% higher than the revised estimate for 2015-16.
- **Total expenditure** for 2016-17 is estimated to be Rs 70,059 crore, a 6.3% increase over the revised estimate of 2015-16. In 2015-16, there was an increase of Rs 885 crore (1.4%) in the revised estimate over the budget estimate.
- **Total receipts (excluding borrowings)** for 2016-17 are estimated to be Rs 62,447 crore, an increase of 4.8% over the revised estimates of 2015-16. In 2015-16, total receipts exceeded the budgeted target by Rs 889 crore.
- **Revenue surplus** for the next financial year is targeted at Rs 5,037 crore, or 1.8% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 8,111 crore (2.9% of GSDP). **Primary deficit** is targeted at Rs 5,539 crore (2% of GSDP)
- Departments of General Education, Roads and Bridges, Pension, Medicine and Public Health saw increases in allocations for the year 2016-17. On the other hand, the Department of Food and Storage witnessed a 43% decrease in allocation in 2016-17.

Policy Highlights

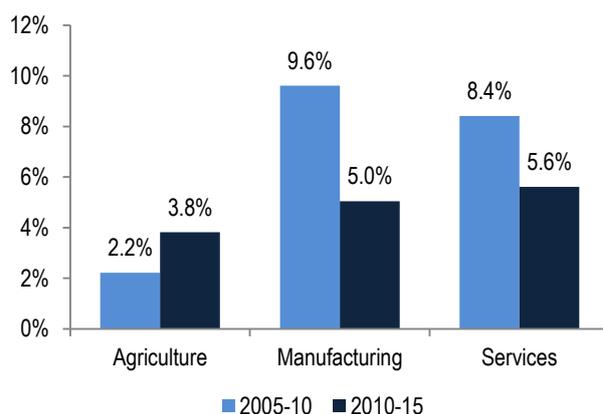
- Eight new Industrial Training Institute (ITI) Colleges are proposed to be established. Further, 1,136 new seats in ITI colleges will be created.
- Swami Vivekanand Gurukul Unnayan Yojana is proposed to be started with an allocation of Rs 119 crore. Construction of 'Ashram Shaalas', hostels, playgrounds, etc. will be undertaken as part of the scheme.
- Total outlay on agricultural activities, is estimated at Rs 8,301 crore in 2016-17, as per the agriculture budget. This is a decrease of 19% over the revised estimates of 2015-16.

Policy Highlights

- Value Added Tax (VAT) has been removed from cycles, cycle parts, brooms, idli and dosa batter, dairy products, etc. Further, VAT has been reduced from 14% to 5% on mobile phones.
- Normal VAT rate applicable on all unspecified goods has increased by 14% to 14.5%.

Background: Chhattisgarh Economy

Figure 1: Growth rate of sectors in Chhattisgarh



Sources: Central Statistics Office; PRs.

Manufacturing is the largest component of the state's economy, constituting 42% of the GSDP, followed by services and agriculture constituting 38% and 19% of the economy respectively. The agriculture sector employed 65% of the state's population, followed by the services (30%) and manufacturing (5%) sectors.¹

Average growth in Chhattisgarh's economy at constant prices (adjusting for inflation) witnessed a decline from 7.6% in 2005-10 to 5.0% in 2010-15.

Figure 1 shows the growth rate of individual sectors in the period between 2005-10 and 2010-15.

Over 2005-15, agriculture witnessed an increase in growth rate, whereas growth in the manufacturing and services sectors saw a decline.

- Agriculture growth increased from 2.2% in 2005-10 to 3.8% in 2010-15.
- Growth rate in the manufacturing sector decreased from 9.6% to 5.0%.
- Services sector growth decreased from 8.4% to 5.6%.

Budget Estimates for 2016-17

- The total expenditure in 2016-17 is targeted at Rs 70,059 crore. The revised estimate for the total expenditure in 2015-16 was Rs 65,898 crore, which is 1.4% (Rs 885 crore) more than the budgeted target of 2015-16.
- The expenditure in 2016-17 is proposed to be met through receipts (other than borrowings) of Rs 62,448 crore and borrowings of Rs 7,524 crore. Total receipts for 2016-17 (other than borrowings) are expected to be 4.8% higher than the revised estimate of 2015-16.

Table 1: Budget 2016-17 - Key figures (in Rs crore)

Items	2014-15 Actuals	2015-16 Budgeted	2015-16 Revised	% change from BE 2015-16 to RE of 2015-16	2016-17 Budgeted	% change from RE 2015-16 to BE 2016-17
Total Expenditure	46,207	65,013	65,898	1.4%	70,059	6.3%
A. Borrowings (Public Debt)	5,103	6,258	6,248	-0.2%	7,524	20.4%
B. Receipts (except borrowings)	41,017	58,677	59,566	1.5%	62,448	4.8%
Total Receipts (A+B)	46,120	64,935	65,814	1.4%	69,972	6.3%
Revenue Deficit (-)/Surplus(+)	-1,564	4,227	3,948		5,037	
As % of state GDP	-0.70	1.85	1.57		1.79	
Fiscal Deficit (-)/Surplus(+)	-8,075	-6,836	-6,832		-8,111	
As % of state GDP	3.62	3.00	2.72		2.88	
Primary Deficit (-)/Surplus(+)	-6,412	-4,754	-4,750		-5,539	
As % of state GDP	2.87	2.07	1.89		1.97	

Notes: BE is Budget Estimate; RE is Revised Estimate. Total receipts include borrowings and hence, total expenditure includes loan repayments. GSDP calculated on the basis of Fiscal Deficit projections under the Medium Term Fiscal Policy Statement 2016-17.

Sources: State Budget Documents 2016-17; PRS.

Expenditure in 2016-17

- Government expenditures can be divided into (a) capital expenditure, which affects the assets and liabilities of the state, and (b) revenue expenditure, which includes the rest of the expenses.
- Total capital expenditure is proposed to be Rs 13,004 crore, which is an increase of 21% over the revised estimates of 2015-16. This includes expenditure which leads to creation of assets, and repayment of loans, among others.
- Total revenue expenditure for 2016-17 is proposed to be Rs 56,390 crore, which is an increase of 2.8% over revised estimates of 2015-16. This expenditure includes payment of salaries, administration of government programs, etc.

Table 2: Expenditure budget 2016-17 (in Rs crore)

Item	2014-15 Actuals	2015-16 Budgeted	2015-16 Revised	% change from BE 2015-16 to RE 2015-16	2016-17 Budgeted	% change from RE 2015-16 to BE 2016-17
Capital Expenditure	6,621	11,000	10,749	-2.3%	13,004	21.0%
Revenue Expenditure	39,497	53,730	54,866	2.1%	56,390	2.8%
Loans and Advances	90	283	283	0.0%	665	135.0%
Total Expenditure	46,207	65,013	65,898	1.4%	70,059	6.3%
Of which:						
Interest Payments	1,664	2,081	2,081	0.00%	2,572	23.6%

Sources: State Budget Documents 2016-17; PRS. Note: Expenditure includes loan repayments.

Department expenditure in 2016-17

The departments listed below account for **45%** of the total budgeted expenditure of Chhattisgarh in 2016-17.

Table 3: Department-wise expenditure for Chhattisgarh Budget 2016-17 (in Rs crore)

Department	2015-16 Budgeted	2016-17 Budgeted	% change from BE 2015-16 to BE 2016- 17	Budget provisions for 2016-17
General Education	11,645	12,921	11.0%	<ul style="list-style-type: none"> Allocation of Rs 2,200 crore for Sarva Shiksha Abhiyaan and Rs 682 crore for Madhyamik Shiksha Abhiyaan. Direct transfer of salaries into the accounts of school teachers and workers, at the district level.
Food and Storage	7,976	4,570	-42.7%	<ul style="list-style-type: none"> Allocation of Rs 3,324 crore for Mukhyamantri Khadyaan Sahayata Yojana for 60 lakh beneficiaries.
Roads and Bridges	4,517	5,625	24.5%	<ul style="list-style-type: none"> Allocation of Rs 4,640 crore for construction of bridges, upgradation of roads, etc. Construction of 5,000 kms of roads in Scheduled Caste and Scheduled Tribe sub-scheme areas over the next two years. Construction of 2,476 kms of roads to connect 766 settlements at the cost of Rs 1,062 crore.
Pension	3,780	5,183	37.1%	<ul style="list-style-type: none"> Allocation of Rs 5,183 crore has been made for pensions. This is an increase of 37% over the budgeted estimates of 2015-16. In 2015-16 there was a 51% increase from 2014-15.
Medicine and Public Health	2,724	3,335	22.4%	<ul style="list-style-type: none"> Rs 950 crore has been allocated towards the National Health Mission, and Rs 388 crore for Primary Health Centres.
% of total expenditure	47.1%	45.2%		
Other Departments	34,371	38,425	11.8%	

Note: All amounts are net numbers. Source: Chhattisgarh Budget Speech 2016-17; Head-Wise Breakup of Grants, Chhattisgarh State Budget 2016-17; PRS.

Other announcements:

- **Agriculture:** Provision of Rs 223 crore to support drought-hit farmers with loan repayment, and short term credit. Further, Rs 200 crore allocated for the Pradhan Mantri Fasal Bima Yojana in 2016-17, as against Rs 50 crore in 2015-16.
- **Women and Child Development:** Rs 1,056 crore allocated for the Integrated Child Development Service.
- **Rural electrification:** Allocation of Rs 571 crore for electrification of 795 un-electrified villages by March 2017, and 4,490 settlements by March 2018.
- **Railway:** Allocation of Rs 50 crore towards the construction of railway lines in partnership with the central government. Various railway lines including Raipur-Baloda Bazaar- Jharsuguda and Ambikapur-Barwadih sections will be evolved. This is expected to increase rail network length in the state by 780 kms.
- **Others:** Rs 45 lakh each allocated for construction of 22 mini stadiums.
- Allocation of Rs 80 crore to provide laptops and tablets to 74,000 students, under the Chhattisgarh Yuva Kranti Yojana has been proposed.

Receipts in 2016-17

- The total revenue receipts for 2016-17 are estimated to be Rs 61,427 crore, an increase of 4.4% over the revised estimates of 2015-16. The tax to GSDP ratio is targeted at 7.8% in 2016-17, which is a decline from the revised estimates of 8.6% in 2015-16. This implies that growth in collection of taxes has been lower than the growth in the economy.
- State's own tax revenue is expected to increase by 1.9% (Rs 405 crore) in 2016-17 over the revised estimates of 2015-16. Non-tax revenue is estimated to decrease by 14% (Rs 1,295 crore).
- Grants from the centre are set to increase by 7.9%, from Rs 12,416 crore in 2015-16 (RE), to Rs 13,392 crore in 2016-17. The other component of transfers from the centre, which is the state's share in central taxes, is estimated to increase by 15%, to Rs 18,650 crore in 2016-17.

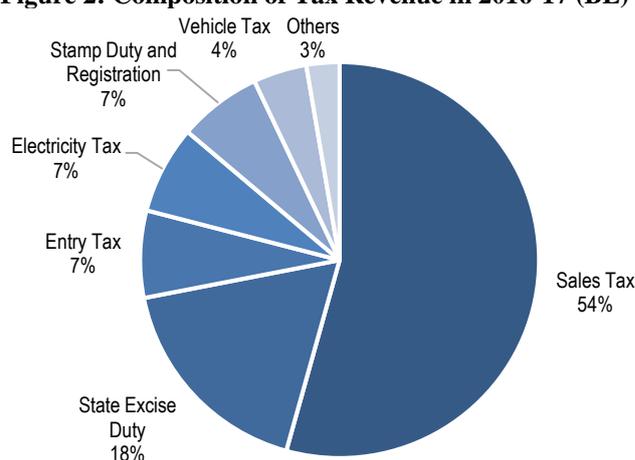
Table 4: Break up of state government receipts (in Rs crore)

Item	2014-2015 Actuals	2015-2016 Budgeted	2015-2016 Revised	% change from BE 2015-16 to RE 2015-16	2016-2017 Budgeted	% change from RE 2015-16 to BE 2016-17
State's Own Tax	15,707	20,086	21,559	7.3%	21,964	1.9%
State's Own Non Tax	4,875	8,663	8,625	-0.4%	7,420	-14.0%
State's share in Central Taxes	8,363	16,213	16,213	0.0%	18,650	15.0%
Grants-in-aid from Centre	8,988	12,994	12,416	-4.5%	13,392	7.9%
Total Revenue Receipts	37,933	57,956	58,814	1.5%	61,427	4.4%
Recovery of Loans and Advances	196	221	253	14.4%	521	106.1%
Borrowings (Public Debt)	5,103	6,258	6,248	-0.2%	7,524	20.4%
Public Account	2,885	500	500	0.0%	500	0.0%
Total Capital Receipts	8,187	6,979	7,000	0.3%	8,545	22.1%
Total Receipts	46,120	64,935	65,814	1.4%	69,972	6.3%

Sources: State Budget Documents 2016-17; PRS.

- Total tax revenue of Chhattisgarh is estimated to be Rs 21,964 crore in 2016-17. The composition of the state's tax revenue is shown in Figure 2.

Figure 2: Composition of Tax Revenue in 2016-17 (BE)



- **Tax Revenue:** Sales tax is the largest component of various tax sources of the state. Sales tax levied on the sale of goods in the state is expected to generate Rs 11,928 crore (54% of tax revenue) in 2016-17.
- The state is expected to generate Rs 3,870 crore (18%) through excise duty on the production of various forms of alcohol.
- In addition, revenue will be generated through levy of tax on entry of goods and passengers, stamp duties, registration charges on real estate transactions, among others.
- **Non Tax Revenue:** Chhattisgarh has expected to generate Rs 7,420 crore through non-tax sources in the year. Mining is the largest non-tax revenue source, which is expected to generate Rs 5,500 crore, a decrease of 18% over 2015-16 (RE).
- Another major non-tax source of revenue is from forestry, which is expected to generate Rs 550 crore, a decrease of 0.13% over 2015-16 (RE).
- Others sources of non-tax revenue include irrigation and interest receipts on loans given by the government.

Deficits, Debts and FRBM Targets for 2016-17

The Chhattisgarh Fiscal Responsibility and Budget Management (FRBM) Act, 2005 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 recurring receipts of the government are unable to cover its recurring expenditures. However, the budget estimates a revenue surplus of Rs 5,037 crore (or 1.79% of state GDP) in 2016-17. This implies that revenue receipts were 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 state's FRBM Act and 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 of the government. In 2016-17, fiscal deficit is estimated to be Rs 8,111 crore, which is 2.88% of the state GDP. The estimate is within the 3% limit set under the state's FRBM Act and by the 14th Finance Commission.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2016-17, the outstanding liabilities are expected at 15.45% of state GDP.

Table 5: Budget targets for deficits for the state of Chhattisgarh in 2016-17 (% of GSDP)

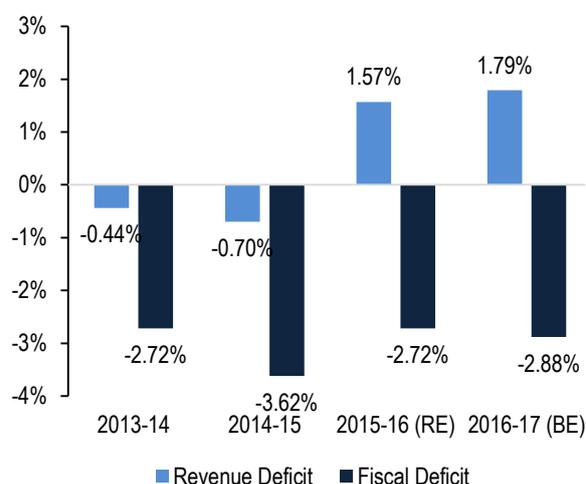
Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2014-15	-0.70	-3.62	13.98
RE 2015-16	1.57	-2.72	15.03
BE 2016-17	1.79	-2.88	15.45
2017-18	-	-3.00	23.90
2018-19	-	-3.00	23.90

Note: Figures for 2017-18 and 2018-19 are projections.

Source: Medium Term Fiscal Policy Statement 2016-17; Budget at a Glance; PRS.

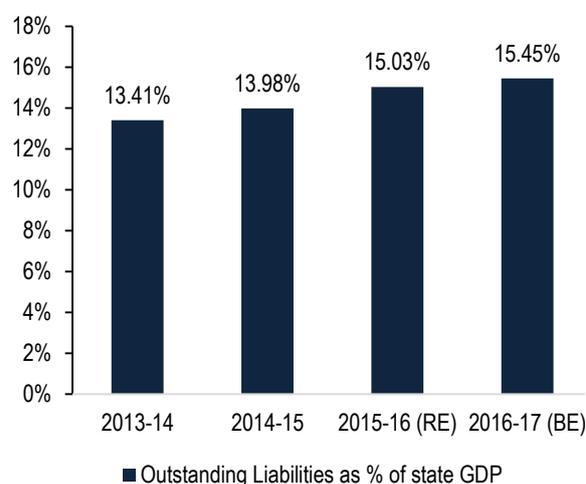
Figures 3 and 4 show the trend in deficits and outstanding liabilities from 2013-14 to 2016-17:

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



Sources: Chhattisgarh State Budget Documents; PRS.

Figure 4: Outstanding liabilities (as % of state GDP)



Sources: Chhattisgarh State Budget Documents; PRS.

¹ Fourth Annual Employment-Unemployment Survey, Labour Bureau, Government of India.

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