

Chhattisgarh Budget Analysis 2017-18

The Finance Minister, Dr. Raman Singh presented the Budget for Chhattisgarh for financial year 2017-18 on March 6, 2017.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Chhattisgarh for 2017-18 at current prices is estimated to be Rs 2,77,000 crore, computed from the fiscal deficit estimates for 2017-18. This is 5% higher than the revised estimates for 2016-17
- **Total expenditure** for 2017-18 is estimated to be Rs 76,032 crore, 7.6% higher than the revised estimates of 2016-17. In 2016-17, there was an increase of Rs 615 crore (0.9%) in the government’s expenditure during the year, over its budget estimate.
- **Total receipts (excluding borrowings)** for 2017-18 are estimated to be Rs 66,885 crore, an increase of 5.3% over the revised estimates of 2016-17. In 2016-17, total receipts were higher than the budget target by Rs 1,059 crore.
- **Revenue surplus** for 2017-18 is targeted at Rs 4,781 crore, or 1.7% of GSDP. **Fiscal deficit** is targeted at Rs 9,647 crore (3.49% of GSDP). Note that during 2016-17, fiscal deficit is estimated to be Rs 7,688 crore, which is 2.92% of GSDP, higher than the budget estimate of 2.88%.

Policy Highlights

- **Free smartphones:** Rs 200 crore has been allocated for 45 lakh smartphones to be provided to rural families, urban families below poverty line, and university students. This will be done under the Suchna Kranti Yojana (SKY).
- **Dial 112 scheme:** Under the scheme, police assistance will arrive within 10 minutes of making a call on 112 in urban areas, and in 30 minutes in rural areas. The scheme would require 240 vehicles and 50 motorcycles, and would be connected to the GPS. Rs 50 crore has been allocated for the scheme.
- **Discount on tax payments:** A discount of 0.5% on tax will be provided on goods (except cement, steel, coal, diesel, motor vehicles, paan masala, etc.) if the payment is made using digital means. This discount will continue till the Goods and Services Tax is introduced.
- The highest allocation of Rs 13,355 crore has been made for Education, which is 3.4% higher than the budget estimates of 2016-17. This is followed by Rs 6,127 crore being allocated for capital outlay on roads and bridges, which is 9% higher than 2016-17. Rs 4,525 crore has been allocated for Food and Storage.

Chhattisgarh’s Economy

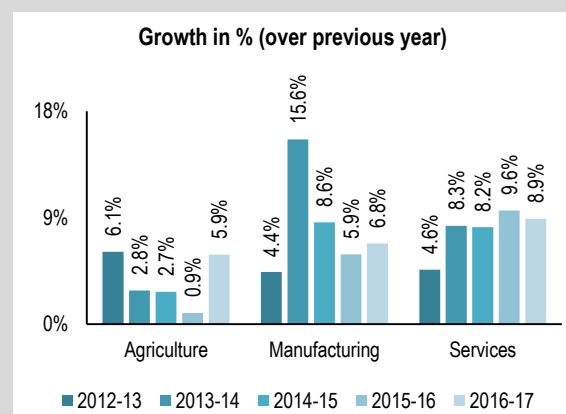
Economy

Between 2011-12 and 2016-17, the agriculture sector grew on an annual rate of 3.7% (in real terms). At the same time, the manufacturing and services sector grew at an annual rate of 8.1% each. In 2016-17, the largest contribution to GSDP was from manufacturing (49%), followed by services (36%) and agriculture (15%) sectors.

Per Capita Income

During this period, the per capita income of Chhattisgarh increased at an average rate of 14%, from Rs 55,177 in 2011-12 to Rs 91,772 in 2016-17. In comparison, the per capita income of India was Rs 1,03,007.

Sources: Chhattisgarh Economic Survey 2016-17; PRS.



Sources: Chhattisgarh Economic Survey 2016-17; PRS.

Budget Estimates for 2017-18

- The total expenditure in 2017-18 is targeted at Rs 76,032 crore. The revised estimate for the expenditure in 2016-17 is Rs 70,674 crore, which is 0.9% (Rs 615 crore) more than the budgeted target of 2016-17.
- The expenditure in 2017-18 is proposed to be met through receipts (other than borrowings) of Rs 66,885 crore and borrowings of Rs 9,067 crore. Total receipts for 2017-18 (other than borrowings) are expected to be 7.6% higher than the revised estimates of 2016-17.

Table 1: Budget 2017-18 - Key figures (in Rs crore)

Items	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	% change from BE 2016-17 to RE of 2016-17	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18
Total Expenditure	51,811	70,059	70,674	0.9%	76,032	7.6%
A. Borrowings (Public Debt)	6,001	7,524	7,089	-5.8%	9,067	27.9%
B. Receipts (except borrowings)	45,367	62,448	63,506	1.7%	66,885	5.3%
Total Receipts (A+B)	51,368	69,972	70,596	0.9%	75,952	7.6%
Revenue Deficit (-)/Surplus(+)	2,367	5,037	4,821		4,781	
As % of state GDP	0.91%	1.79%	1.84%		1.73%	
Fiscal Deficit (-)/Surplus(+)	-5,444	-8,111	-7,668		-9,647	
As % of state GDP	-2.09%	-2.88%	-2.92%		-3.49%	
Primary Deficit (-)/Surplus(+)	-3,295	-5,539	-4,991		-6,624	
As % of state GDP	-1.26%	-1.97%	-1.90%		-2.39%	

Notes: BE is Budget Estimate; RE is Revised Estimate. GDP calculated on the basis of Fiscal Deficit projections under the Medium Term Fiscal Policy Statement 2017-18.

Sources: Chhattisgarh State Budget Documents 2017-18; PRS.

Expenditure in 2017-18

- Government expenditure 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.
- The capital expenditure in 2017-18 is expected to be 17.4% higher than 2016-17. During 2016-17, capital expenditure was revised downwards by 5.3% (Rs 691 crore), over the budget estimates of 2016-17.
- Total capital expenditure of Chhattisgarh is proposed to be Rs 14,454 crore, which is an increase of 17.4% over the revised estimates of 2016-17. This includes expenditure which leads to creation of assets, and repayment of loans, among others. The highest allocation is for Transportation (Rs 6,249 crore), followed by Irrigation (Rs 2,572 crore) and Urban Development (Rs 1,481 crore).
 - Total revenue expenditure for 2017-18 is proposed to be Rs 61,313 crore, which is an increase of 5.8% over revised estimates of 2016-17. This expenditure includes payment of salaries, administration of government programs, etc.

Table 2: Expenditure Budget 2017-18 (in Rs crore)

Item	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	% change from BE 2016-17 to RE 2016-17	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18
Capital Expenditure	7,945	13,004	12,313	-5.3%	14,454	17.4%
Revenue Expenditure	43,701	56,390	57,965	2.8%	61,313	5.8%
Loans and Advances	165	665	337	-49.3%	265	-21.4%
Total Expenditure	51,811	70,059	70,674	0.9%	76,032	7.7%
Of which:						
Interest Payments	2,149	2,572	2,677	4.1%	3,023	12.9%

Note: Capital expenditure includes: i) spending that creates assets, ii) repayments on the loans taken by the government, and iii) loans provided by the government.

Sources: Chhattisgarh State Budget Documents 2017-18; PRS.

Department expenditure in 2017-18

The departments listed below account for around 43% of the total expenditure of Chhattisgarh in 2017-18.

Table 3: Department-wise expenditure for Chhattisgarh Budget 2017-18 (in Rs crore)

Department	2016-17 Budgeted	2017-18 Budgeted	% change from BE 2016-17 to BE 2017-18	Budget provisions for 2017-18
General Education	12,921	13,355	3.4%	<ul style="list-style-type: none"> Rs 1,500 crore has been allocated for the Sarva Shiksha Abhiyaan, Rs 722 crore for the Rashtriya Madhyamik Shiksha Abhiyaan, and Rs 569 crore for the Mid-Day Meal Scheme. Rs 53 crore has been allocated for the construction of 44 primary schools, 28 medium schools, 113 high schools and 45 higher secondary schools.
Food and Storage	4,570	4,525	-1.0%	<ul style="list-style-type: none"> Rs 3,600 crore has been allocated for food subsidy. Rs 400 crore has been allocated to provide <i>chana (chickpeas)</i> in scheduled areas. In addition, Rs 90 crore has been allocated for Anna Yojana, and Rs 76 crore for distribution of salt.
Roads and Bridges	5,625	6,127	8.9%	<ul style="list-style-type: none"> The allocation for capital outlay on roads and bridges is 8.9% higher than the budget estimates of 2016-17. In 2016-17, there was an increase of 24.5% over the previous year. Rs 435 crore has been allocated for construction of bridges. In addition, a four lane road connecting Raipur Railway Station to the Airport will be constructed.
Pension	5,183	5,214	0.6%	<ul style="list-style-type: none"> The allocations for pension have increased by 0.6% over the budget estimates of 2016-17. In 2016-17, there was an increase of 37% over the previous year.
Medicine and Public Health	3,335	3,604	8.1%	<ul style="list-style-type: none"> Insurance coverage under Mukhyamantri Swasthya Bima Yojana increased from Rs 30,000 to Rs 50,000. Rs 980 crore has been allocated for the National Health Mission. In addition, 25 sub-health centres and 10 primary health centres will be opened in 2017-18.
Sub Total	31,634	32,824		
% of total expenditure	45%	43%		
Other Departments	38,425	43,207		
Total	70,059	76,032		

Sources: Chhattisgarh State Budget Documents 2017-18; PRS.

Other announcements:

- Agriculture:** Rs 10,433 crore has been allocated in the Agriculture budget, which is 24% higher than the revised estimates of 2016-17. Rs 131 crore has been allocated for micro-irrigation schemes. In addition, Rs 197 crore has been allocated for short-term agriculture loans.
- Electricity:** Rs 554 crore has been allocated to provide 20,000 solar pumps to farmers for irrigation, under the 'Saurya Sujala Yojana'. In addition, Rs 2,171 crore has been allocated to provide free electricity of up to five horsepower to farmers for agricultural pumps.
- Housing for government employees:** Rs 800 crore will be spent on constructing 6,424 houses for government officers and employees. In addition, 10,000 houses are being constructed for policemen.

Receipts in 2017-18

- The total revenue receipts for 2017-18 are estimated to be Rs 66,094 crore, an increase of 5.3% over the revised estimates of 2016-17.
- State's tax revenue is expected to increase by 3% (Rs 687 crore) in 2017-18 over the revised estimates of 2016-17. The tax to GSDP ratio is targeted at 8.5% in 2017-18, which is lower than the revised estimate of 8.7% in 2016-17. This implies that growth in collection of taxes is expected to be lower than the economic growth estimated.
- Non-tax revenue in 2017-18 is estimated to increase by 2.4% (Rs 184 crore) over the revised estimates of 2016-17. Chhattisgarh's interest earnings are expected to reduce by 43% from the revised estimates of 2016-17, to Rs 143 crore.
- Grants from the centre are expected to increase by 2.8%, from Rs 13,722 crore in 2016-17 (RE), to Rs 14,101 crore in 2017-18. The other component of transfers from the centre is the state's share in central taxes, which is estimated to increase by 10.9%, to Rs 20,868 crore in 2017-18.

Growth in tax collections for 2017-18 are estimated at 3%, over the previous year. This is lower than the growth of 33% in own tax revenue in 2016-17, over the actuals of 2015-16.

The State Excise Duty collections in 2017-18 are expected to be 18% lower (Rs 702 crore) than the revised estimates of 2016-17.

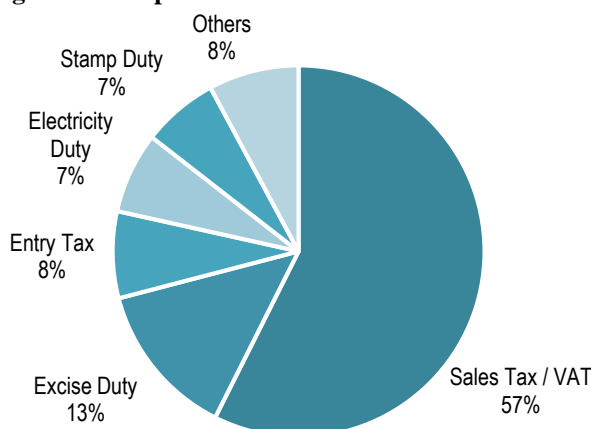
Table 4: Break up of state government receipts (in Rs crore)

Item	2015-2016 Actuals	2016-2017 Budgeted	2016-2017 Revised	% change from BE 2016-17 to RE 2016-17	2017-2018 Budgeted	% change from RE 2016-17 to BE 2017-18
State's Own Tax	17,075	21,964	22,734	3.5%	23,421	3.0%
State's Own Non Tax	5,215	7,420	7,520	1.3%	7,704	2.4%
State's share in Central Taxes	15,716	18,650	18,809	0.9%	20,868	10.9%
Grants-in-aid from Centre	8,062	13,392	13,722	2.5%	14,101	2.8%
Total Revenue Receipts	46,068	61,427	62,786	2.2%	66,094	5.3%
Borrowings	5,003	8,024	7,589	-5.4%	9,567	26.1%
Recovery of loans	297	521	221	-57.6%	291	31.9%
Total Capital Receipts	5,300	8,545	7,810	-8.6%	9,858	26.2%
Total Receipts	51,368	69,972	70,596	0.9%	75,952	7.6%

Sources: Chhattisgarh State Budget Documents 2017-18; PRS.

Total tax revenue of Chhattisgarh is estimated to be Rs 23,421 crore in 2017-18. The composition of the state's tax revenue is shown in Figure 1.

Figure 1: Composition of Tax Revenue in 2017-18



Sources: Chhattisgarh State Budget Documents 2017-18; PRS.

- **Tax Revenue:** Sales Tax is expected to be the largest component (57%) of the tax revenue, with an estimated collection of Rs 13,445 crore.
- Sales Tax collections are expected to increase by 8% over the revised estimates of 2016-17. Note that GST is expected to be introduced in 2017-18. It will subsume taxes such as Sales Tax and Entertainment Tax (unless levied by local bodies). Whether the roll-out of GST will increase tax collections will become clear in due course of time.
- Rs 3,169 crore is expected to be generated from the levy of Excise Duty. In addition, Rs 1,767 crore will be collected by levying taxes on entry of goods and passengers.
- **Non Tax Revenue:** Chhattisgarh has estimated to generate Rs 7,704 crore through non-tax sources in 2017-18. This includes Rs 5,600 crore through mining and metallurgical industries.

Deficits, Debts and FRBM Targets for 2017-18

The Fiscal Responsibility and Budget Management (FRBM) Act, 2005 of Chhattisgarh 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. However, the budget estimates a revenue surplus of Rs 4,781 crore (or 1.73% of GSDP) in 2017-18. 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 meeting the target of eliminating revenue deficit, as 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 of the government. A high fiscal deficit may imply a higher repayment obligation for the state in the future. In 2017-18, fiscal deficit is estimated to be Rs 9,647 crore, which is 3.49% of the GSDP.

During 2016-17, fiscal deficit is estimated to be Rs 7,688 crore, which is 2.92% of GSDP, higher than the budget estimate of 2.88%.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2017-18, the outstanding liabilities are expected at 18.47% of GSDP.

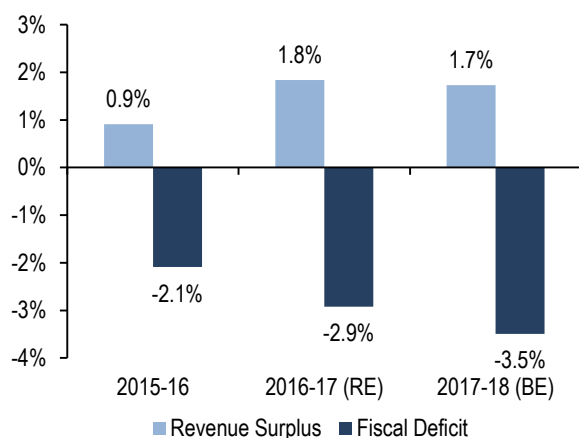
Table 5: Budget targets for deficits for the state of Chhattisgarh in 2017-18 (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2015-16	0.91%	-2.09%	14.50%
2016-17 (RE)	1.84%	-2.92%	17.28%
2017-18 (BE)	1.73%	-3.49%	18.47%
2018-19	-	-3.50%	20.00%
2019-20	-	-3.50%	21.00%

Sources: Chhattisgarh State Budget Documents 2017-18; PRS.

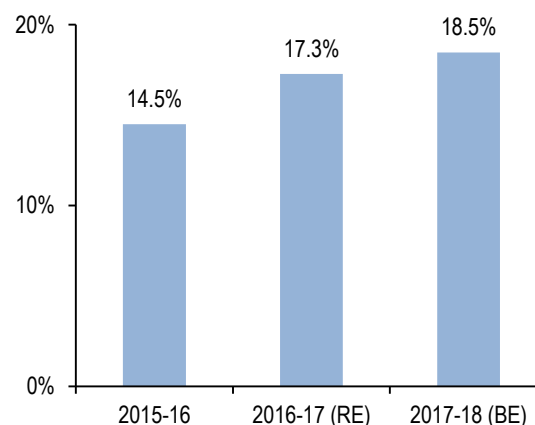
Figures 2 and 3 show the trend in deficits and outstanding liabilities from 2015-16 to 2017-18:

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



Sources: Chhattisgarh State Budget Documents; PRS.

Figure 3: Outstanding liabilities (as % of GSDP)



Sources: Chhattisgarh State Budget Documents; PRS.

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