

Chhattisgarh Budget Analysis 2018-19

The Finance Minister of Chhattisgarh, Dr. Raman Singh, presented the Budget for financial year 2018-19 on February 10, 2018.

Budget Highlights

- The **Gross State Domestic Product** of Chhattisgarh for 2018-19 (at current prices) is estimated to be Rs 3,25,644 crore. This is 11.7% higher than the revised estimates for 2017-18.
- **Total expenditure** for 2018-19 is estimated to be Rs 83,179 crore, a 5.8% increase over the revised estimates of 2017-18. In 2017-18, the expenditure is expected to be Rs ~~4,556~~2,591 crore (3.4%) higher than the budget estimate.[@]
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 73,782 crore, an increase of 6.2% as compared to the revised estimates of 2017-18. In 2017-18, total receipts were 3.8% (Rs ~~4,322~~2,575 crore) higher than the budget estimate.
- **Revenue surplus** for the next financial year is targeted at Rs 4,445 crore, or 1.37% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 9,997 crore (3.07% of GSDP).
- Departments of Roads and Bridges (16%) and Energy (15%) witness the highest increase in allocations. The departments of Panchayat and Rural Development saw a shortfall of 16% in allocation.

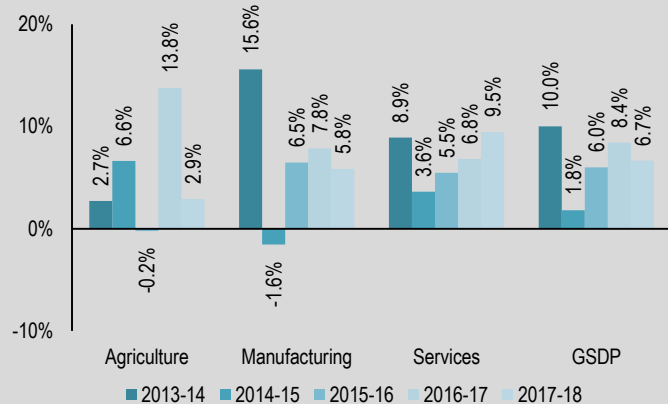
Policy Highlights

- **Healthcare:** The state will provide free pathology and radiology tests and services at all district hospitals and community healthcare centres (CHCs). Further, 283 primary health care centre (PHCs) will be upgraded for 24x7 health services. The current incentive given by the state government to *mitanins* (in excess of what they receive under the National Health Mission) will be increased from 50% to 75%.
- **Women and childcare:** The anganwadi supplementary nutrition rates will be revised: (i) from Rs 6 per day to Rs 8 for children, (ii) for pregnant women from Rs 7 per day to Rs 9.5, and (iii) for teenage girls from Rs 5 per day to Rs 9.5.
- **Education:** Further, 30 new colleges for higher education will be opened in the state. Further, Rs 34 crore has been allocated for new buildings in 40 primary schools, 25 middle schools, 100 high schools, and 50 higher secondary schools.
- **Youth:** A new scheme called 'Mukhyamantri Kaushal Swarojgaar Yojana' will be started to provide loans to entrepreneurs to start their own business. 60 mini-stadiums will be constructed in the state.

Chhattisgarh Economy

- **Economic growth:** The Gross State Domestic Product (GSDP) of Chhattisgarh grew by 6.7% in 2017-18 over the previous year.
- **Sectoral growth:** Manufacturing has the maximum contribution (48%) to GSDP, and is expected to grow by 5.8% in 2017-18. Services contributes 35% and is expected to grow by 9.5% in 2017-18. Agriculture with a contribution of 17% is expected to grow by 2.9%.

Figure 1: Growth in GSDP and sectors (2011-12 prices)



Sources: Chhattisgarh Economic Review 2017-18; PRS.

[@] This document was corrected for typos on February 12, 2018.

Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 83,179 crore. This is 5.8% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 73,782 crore and borrowings of Rs 9,314 crore.
- In 2017-18, revised estimates of total expenditure were 3.4% higher (Rs 4,5562,591 crore) than the budget estimates. Total receipts for 2018-19 (other than borrowings) are expected to be 6.2% higher than the revised estimates of 2017-18.

In 2016-17, the total expenditure was 17% less than the budget estimate, which may indicate underspending by the state. The receipts (other than borrowings) were 12.7% less than the budget estimates.

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	57,968	76,032	78,623	3.4%	83,179	5.8%
A. Borrowings (Public Debt)	4,327	9,067	9,067	0.0%	9,314	2.7%
B. Receipts (except borrowings)	54,498	66,885	69,460	3.8%	73,782	6.2%
Total Receipts (A+B)	58,825	75,952	78,527	3.4%	83,096	5.8%
Revenue Deficit						
(-)/Surplus(+)	5,521	4,781	3,188		4,445	
As % of GSDP	2.11%	1.73%	1.09%		1.37%	
Fiscal Deficit						
(-)/Surplus(+)	-4,107	-9,647	-9,738		-9,997	
As % of GSDP	-1.57%	3.49%	-3.34%		-3.07%	
Primary Deficit						
(-)/Surplus(+)	-1,420	-6,624	-6,480		6,250	
As % of GSDP	-0.54%	2.39%	-2.22%		1.92%	

Notes: BE is Budget Estimate; RE is Revised Estimate. '-' sign indicates deficit; '+' indicates surplus. GSDP calculated using absolute figures for fiscal deficit (budget at a glance) and its share as a percentage of GSDP (FRBM statement).

Sources: Chhattisgarh Budget Documents 2018-19; PRS.

Expenditure in 2018-19

- Capital expenditure** for 2018-19 is proposed to be Rs 14,454 crore, which is an increase of 13.5% 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. Note that in 2017-18, capital expenditure is estimated to be 11.9% lower than the budget estimates.
- Revenue expenditure** for 2018-19 is proposed to be Rs 68,423 crore, which is an increase of 4.6% over revised estimates of 2017-18. This expenditure includes salary payments, maintenance, etc.
- In 2018-19, Chhattisgarh is expected to spend Rs 13,062 crore on servicing its debt (i.e., Rs 9,314 crore on repaying loans, and Rs 3,747 crore on interest payments). This is 6% higher than the revised estimates of 2017-18.

In 2018-19, the state aims to spend Rs 15,644 crore on salaries and Rs 5,335 crore on providing pensions. Expenditure on both these heads constitutes 31% of the revenue expenditure.

Table 2: Expenditure budget 2018-19 (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
Capital Expenditure	9,471	14,454	12,735	-11.9%	14,454	13.5%
Revenue Expenditure	48,165	61,313	65,392	6.7%	68,423	4.6%
Loans and Advances	333	265	495	87.0%	303	-38.9%
Total Expenditure	57,968	76,032	78,623	3.4%	83,179	17.7%
A. Debt Repayment	4,327	9,067	9,067	0.0%	9,314	2.7%
B. Interest Payments	2,687	3,023	3,258	7.8%	3,747	15.0%
Debt Servicing (A+B)	7,014	12,090	12,325	1.9%	13,062	6.0%

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 Budget Documents 2018-19; PRS.

Sector expenditure in 2018-19

The departments listed below account for **49.57%** of the total budgeted expenditure of Chhattisgarh in 2018-19. A comparison of Chhattisgarh expenditure on key sectors with 18 other states can be found in the [Annexure](#).

Table 3: Department-wise expenditure for Chhattisgarh Budget 2018-19 (Rs crore)

Department	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
Tribal Sub Plan	9,570	14,359	15,663	15,322	-2%	<ul style="list-style-type: none"> 663 hostels currently without buildings will be provided buildings through financing from different schemes (including NABARD).
Scheduled Caste Plan	3,544	4,872	5,460	5,623	3%	<ul style="list-style-type: none"> The amount for the annual post-matric scholarship for OBC students will be raised from Rs 100 to Rs 2,500. This is expected to benefit 2.5 lakh OBC students.
Police	2,763	3,706	4,079	4,310	6%	<ul style="list-style-type: none"> Special women crime cells will be set up in six districts. CCTV cameras will be installed in 232 police stations.
Devolution to Panchayats	3,705	4,002	4,142	4,000	-3%	<ul style="list-style-type: none"> Changes have been proposed in the remuneration of panchayat secretaries based on the number of years of their service. The budget also increases the honorarium for kotwars and patels.
Panchayat and Rural Development	3,293	4,030	4,625	3,903	-16%	<ul style="list-style-type: none"> The National Rural Livelihood mission will be expanded to another 28 new blocks from the existing 85. Rs 300 crore has been allocated towards it. Revenue maps will be created using geo-referencing technology.
School Education	3,698	3,083	3,084	3,180	3%	<ul style="list-style-type: none"> 129 schools will be upgraded from middle schools to high schools; 130 high schools will be upgraded to higher secondary schools.
Roads and Bridges	1,508	3,453	2,713	3,150	16%	<ul style="list-style-type: none"> Of this amount, 51% will be on revenue expenses (such as maintenance of bridges), and the remaining 49% will be on capital expenses (such as construction).
Energy	1,214	1,982	2,352	2,697	15%	<ul style="list-style-type: none"> Of this amount Rs 1,998 crore (74% of the amount) is for assistance to electricity boards.
Devolution to Municipalities	2,064	2,164	2,571	2,471	-4%	<ul style="list-style-type: none"> 76% of the allocation is for revenue expenses, and the remaining 26.24% is on capital expenses.
Agriculture	1,075	1,270	2,275	2,366	4%	<ul style="list-style-type: none"> Rs 184 crore has been allocated to provide interest free short term agricultural loans. Six new agricultural colleges will be established.
Sub-Total	32,434	42,923	46,965	47,023		
% of total budget expenditure	56%	56%	60%	57%		

Source: Summary of Grants; Schedule of Appropriation; Budget Speech 2018-19; Chhattisgarh Budget 2018-19; PRS.

Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 72,868 crore, an increase of 6.3% over the revised estimates of 2017-18. Of this, Rs 34,200 crore (47% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 38,668 crore (53% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in central taxes.
- **Non-Tax Revenue:** Chhattisgarh has estimated to generate Rs 8,170 crore through non-tax sources in 2018-19. Out of this amount, Rs 6,000 crore will be received from mining.

In 2017-18, government revenue receipts are estimated to be 3.8% (Rs 4,288 crore) more than the budgeted estimates. This is on account of an increase in grants received from the central government (7.4%).

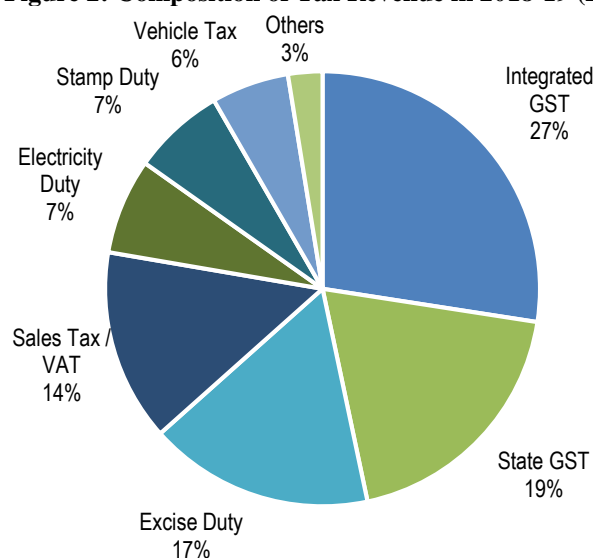
Table 4: Break up of state government receipts (Rs crore)

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
State's Own Tax	18,945	23,421	24,438	4.3%	26,030	6.5%
State's Own Non Tax	5,669	7,704	7,715	0.1%	8,170	5.9%
State's share in Central Taxes	18,809	20,868	21,280	2.0%	22,955	7.9%
Grants-in-aid from Centre	10,262	14,101	15,147	7.4%	15,713	3.7%
Total Revenue Receipts	53,685	66,094	68,580	3.8%	72,868	6.3%
Borrowings	4,967	9,567	9,642	0.8%	9,914	2.8%
Recovery of loans	173	291	305	4.7%	314	3.0%
Total Capital Receipts	5,140	9,858	9,947	0.9%	10,228	2.8%
Total Receipts	58,825	75,952	78,527	3.4%	83,096	5.8%

Sources: Chhattisgarh Budget Documents 2018-19; PRS.

- **Tax Revenue:** The total own tax revenue of Chhattisgarh is estimated to be Rs 26,030 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% in 2018-19, which is lower than the revised estimate of 8.4% in 2017-18.

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



Sources: Chhattisgarh Budget Documents 2018-19; PRS.

- Integrated GST is expected to be the largest component of Chhattisgarh tax revenue. State GST is expected to contribute Rs 7,144 crore. Receipts from state GST are estimated at Rs 5,007 crore.
- Chhattisgarh is expected to raise Rs 4,355 crore from state excise duty. This duty is levied on the production of alcohol. This is an increase of 18% over 2017-18.
- Sales tax on items such as alcohol for human consumption and petroleum is expected to generate Rs 3,718 crore in 2018-19.
- The state is expected to raise Rs 1,850 crore from electricity duty, Rs 1,790 crore from stamp duty, and Rs 1,500 crore from vehicle tax.

Deficits, Debts and FRBM Targets for 2018-19

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 government needs to borrow in order to finance its expenses which do not create capital assets.

Outstanding liabilities as a percentage of GSDP has been increasing over the past few years. They are estimated to increase from 16.6% in 2016-17 to 21% in 2020-21.

The budget estimates a revenue surplus of Rs 4,445 crore (1.37% of GSDP) in 2018-19. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. The 14th Finance Commission had recommended that states should eliminate revenue deficits. The estimates in the Chhattisgarh Budget 2018-19 suggest that the state is expected to meet this target of eliminating revenue deficit. The state is estimated to meet this target in 2017-18 with an estimated revenue surplus of Rs 3,188 crore (1.09% 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. In 2018-19, fiscal deficit is estimated to be Rs 9,997 crore, which is 3.07% of the GSDP. The estimate exceeds the 3% limit prescribed by the 14th Finance Commission. While setting the 3% target, the Finance Commission has recommended that 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 18.06% of the GSDP.

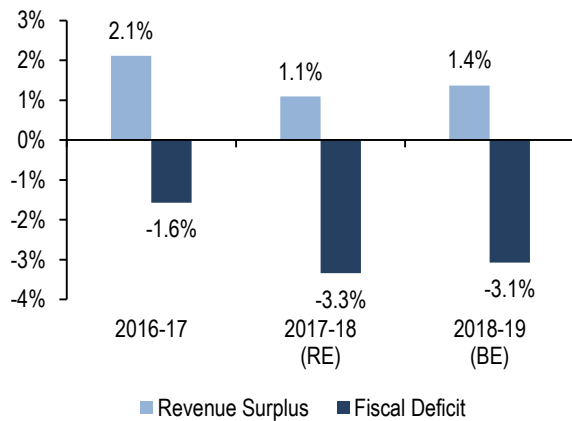
Table 5: Budget targets for deficits for Chhattisgarh in 2018-19 (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2016-17	2.11%	-1.57%	16.56%
2017-18 (RE)	1.09%	-3.34%	18.20%
2018-19 (BE)	1.37%	-3.07%	18.06%
2019-20	-	-3.50%	20.00%
2020-21	-	-3.50%	21.00%

Sources: Chhattisgarh Budget Documents 2018-19; PRS.

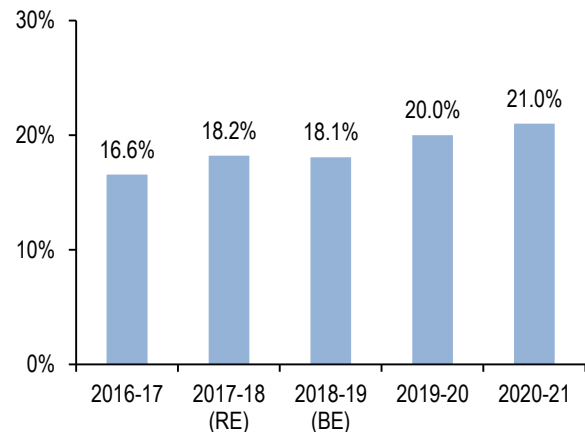
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2016-17 to 2020-21.

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



Note: Figures for 2019-20 and 2020-21 are projections.
Sources: Chhattisgarh Budget Documents; PRS.

Figure 4: Outstanding liabilities targets (as % of GSDP)



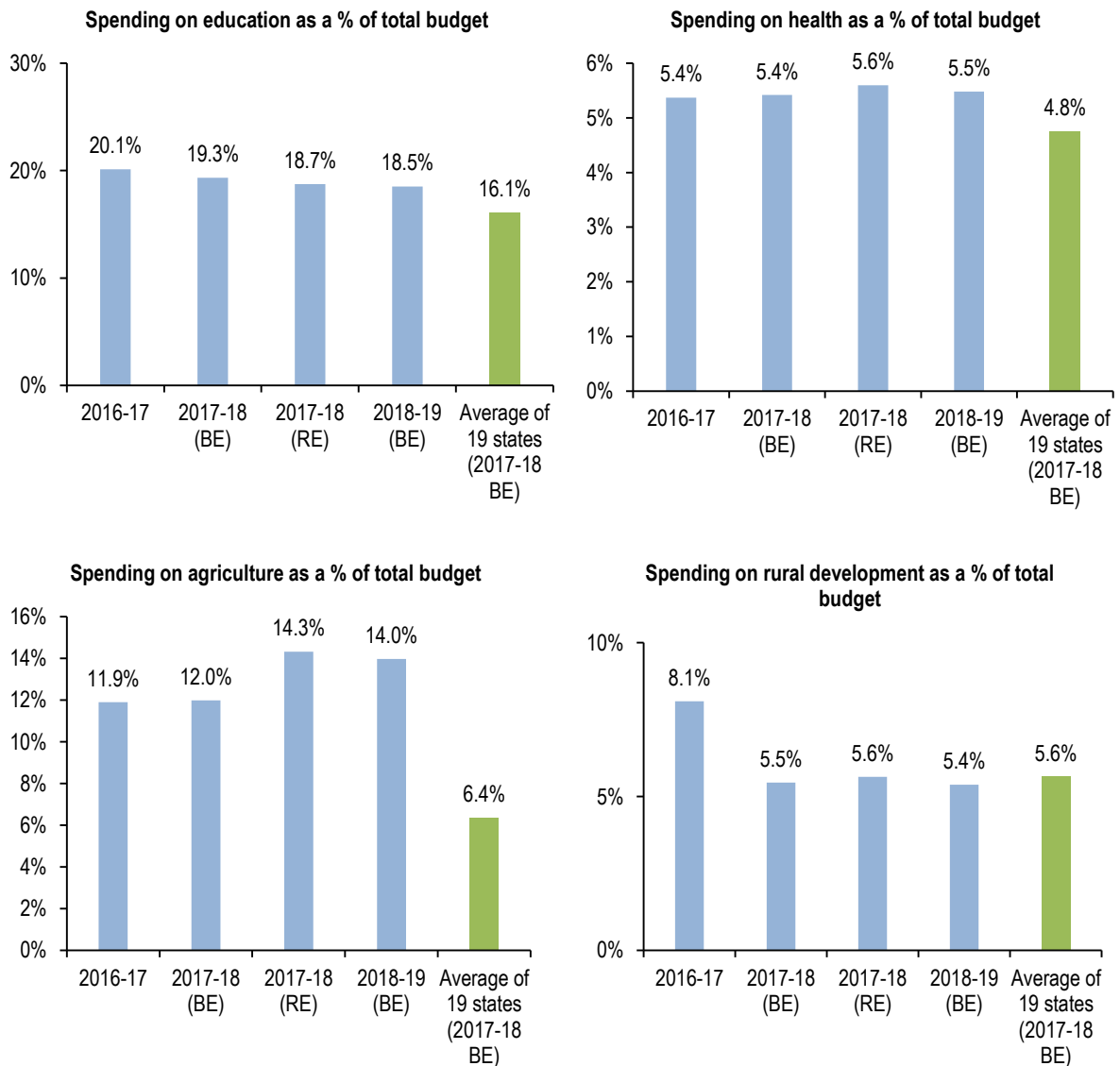
Note: Figures for 2019-20 and 2020-21 are projections.
Sources: Chhattisgarh Budget Documents; PRS.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.

Annexure

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

- **Education:** Chhattisgarh has allocated 18.5% on education in 2018-19. This is marginally higher than the average expenditure allocated to education by 18 other states (using 2017-18 BE).
- **Health:** Chhattisgarh has allocated 5.5% of its total expenditure on health, which is higher than the average expenditure of 18 other states.
- **Agriculture and allied activities:** The state has allocated 14% of its total budget towards agriculture and allied activities. This is higher than the allocations of 18 other states (6.4%).
- **Rural development:** Chhattisgarh has allocated 5.4% of its expenditure on rural development. This is significantly lower than the average (5.6%) of the 18 other states.



Note: 2017-18 (BE), 2017-18 (RE), and 2018-19 (BE) figures are for Chhattisgarh.

Source: Annual Financial Statement (2017-18 and 2018-19), various state budgets; PRS.

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