

Chhattisgarh Budget Analysis 2019-20

The Chief Minister, Mr. Bhupesh Baghel, presented the Budget for Chhattisgarh for financial year 2019-20 on February 8, 2019.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Chhattisgarh for 2019-20 (at current prices) is estimated to be Rs 3,63,900 crore. This is 17% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 93,816 crore, a 1.3% decrease over the revised estimate of 2018-19. In 2018-19, there is estimated to be an increase of Rs 9,829 crore (11.5% of the budgeted estimate) of expenditure as per the revised estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 80,029 crore, an increase of 7.8% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) are estimated to exceed the budgeted estimate by Rs 1,058 crore (1.4%).
- **Revenue surplus** for the next financial year is targeted at Rs 1,151 crore, or 0.32% of the GSDP. **Fiscal deficit** is targeted at Rs 10,881 crore (2.99% of GSDP).
- The sectors of Rural Development (17%), Police (9%), and Transport (4%) saw the highest increase in allocations.

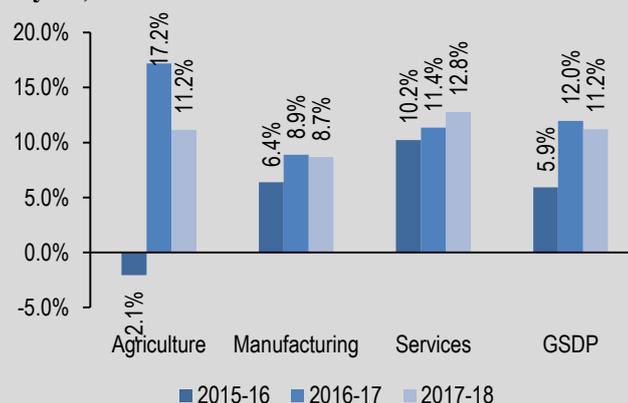
Policy Highlights

- **Loan Waiver:** An amount of Rs 5,000 crore has been allocated for the waiver of short term agriculture loans. These include loans from rural, co-operative, public sector, and commercial banks. Further, this waiver seeks to benefit around 20 lakh farmers.
- **Agriculture and Food Security:** Rs 5,000 crore has been allocated for procurement of food grain crops at the rate of Rs 2,500 per quintal for the financial year 2019-20. In order to fight malnutrition and provide for food security, poor families will be provided with 35 kg rice per ration card. Rs 4,000 crore has been allocated for this purpose under the Chief Minister Food Security program.
- **Suraji Gaon Yojana** will be started for rural development and employment generation. It will focus on water resource management, animal husbandry, waste disposal, and horticulture.

Chhattisgarh's Economy

- **GSDP:** The growth rate of Chhattisgarh's GSDP (at current prices) has increased from 5.9% in 2015-16 to 11.2% in 2017-18.
- **Sectors:** In 2017-18, the sectors of agriculture, manufacturing, and services contributed to 30%, 33% and 37% of the Gross State Value Added (GSVA). In the same years, these sectors grew by 11.2%, 8.7% and 12.8%, respectively.
- **Per capita income:** The per capita GSDP of Chhattisgarh in 2017-18 (at current prices) was Rs 1,02,762. This is 9.4% higher than the per capita GSDP of 2016-17 (Rs 93,890).

Figure 1: Growth in GSDP and sectors in Chhattisgarh (year-on-year)



Sources: MOSPI; PRS.

Note: All numbers are as per current prices. All numbers are from MOSPI. As per CSO, agriculture here includes mining and quarrying.

Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 93,816 crore. This is 1.3% lower than the revised estimates of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 80,029 crore and borrowings of Rs 13,820 crore. Receipts for 2019-20 (other than borrowings) are expected to be 7.8% higher than the revised estimate of 2018-19.

Table 1: Budget 2019-20 - Key figures (in Rs crore)

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Total Expenditure	67,600	85,243	95,072	11.5%	93,816	-1.3%
A. Receipts (except borrowings)	59,789	73,182	74,240	1.4%	80,029	7.8%
B. Borrowings	9,652	11,378	14,525	27.7%	13,820	-4.9%
Total Receipts (A+B)	69,441	84,559	88,766	5.0%	93,849	5.7%
Revenue Surplus	3,417	4,445	-6,342	-242.7%	1,151	118.2%
As % of GSDP	1.20%	1.43%	-2.03%		0.32%	
Fiscal Deficit	6,812	9,998	18,768	87.7%	10,881	-42.0%
As % of GSDP	2.40%	3.21%	6.02%		2.99%	
Primary Deficit	3,713	6,150	14,880	142.0%	6,182	-58.5%
As % of GSDP	1.31%	1.97%	4.77%		1.70%	

Notes: BE is Budget Estimate; RE is Revised Estimate. GSDP for 2019-20 and 2018-19 RE are calculated to be Rs 3,63,900 crore and Rs 3,11,765 crore respectively based on fiscal deficit and fiscal deficit as a percent of GSDP number from budget documents. GSDP for 2018-19 BE and 2017-18 are taken as Rs 3,11,660 and Rs 2,84,194 respectively from FRBM documents.

Sources: Chhattisgarh Budget Documents 2019-20; PRS.

Expenditure in 2019-20

- Capital expenditure** for 2019-20 is proposed to be Rs 15,222 crore, which is an increase of 3.5% over the revised estimates of 2018-19.
- Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e. expenditure which leads to creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government.
- Chhattisgarh's capital outlay for 2019-20 is estimated to be Rs 12,110 crore, which is 1.5% lower than the revised estimate of 2018-19. The capital outlay towards public works is estimated to increase by Rs 76.87 crore (an increase of 25%) from the revised estimates of 2018-19.
- Revenue expenditure** for 2019-20 is proposed to be Rs 78,595 crore, which is a decrease of 2.2% over revised estimates of 2018-19. This expenditure includes payment of salaries, maintenance, etc.

Committed Liabilities

Committed liabilities of a state typically include expenditure on payment of salaries, pensions, and interest payments. Between 2016-19, Chhattisgarh spent 30% of its budget on committed liabilities. States, on an average, spend 39% of their budget on committed liabilities. In 2019-20, Chhattisgarh has estimated to spend Rs 19,294 crore on salaries, and Rs 4,699 crore on interest payment.

Table 2: Expenditure budget 2019-20 (in Rs crore)

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Capital Expenditure	11,371	16,820	14,702	-12.6%	15,222	3.5%
of which Capital Outlay	10,001	14,454	12,288	-15.0%	12,110	-1.5%
Revenue Expenditure	56,230	68,423	80,370	17.5%	78,595	-2.2%
Total Expenditure	67,600	85,243	95,072	11.5%	93,816	-1.3%
A. Debt Repayment	1,000	2,063	2,063	0.0%	2,907	40.9%
B. Interest Payments	3,098	3,848	3,888	1.1%	4,699	20.9%
Debt Servicing (A+B)	4,098	5,911	5,951	0.7%	7,606	27.8%

Note: Capital outlay denotes expenditure which leads to creation of assets.

Sources: Chhattisgarh Budget Documents 2019-20; PRS.

Sector expenditure in 2019-20

The sectors listed below account for **76%** of the total budgeted expenditure of Chhattisgarh in 2019-20. A comparison of Chhattisgarh's expenditure on key sectors with that by other states can be found in the Annexure.

Table 3: Sector-wise expenditure for Chhattisgarh Budget 2019-20 (Rs crore)

Sector	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20	Budget provisions for 2019-20
Agriculture and allied activities	8,865	11,579	21,800	20,452	-6%	<ul style="list-style-type: none"> Rs 5,000 crore has been announced for purchasing food grain crops in the budget speech.
Education	12,512	15,353	16,116	16,400	2%	<ul style="list-style-type: none"> Rs 1,500 crore has been allocated towards Sarva Shiksha Abhiyan and Rs 351 crore towards Mid Day Meal Scheme.
Transport	4,675	7,211	5,916	6,158	4%	<ul style="list-style-type: none"> Rs 193 crore has been allocated towards construction of bridges. Rs 674 crore has been allocated towards district road construction.
Water Supply, Sanitation, Housing and Urban Development	6,993	7,117	8,088	5,959	-26%	<ul style="list-style-type: none"> Rs 1,723 has been allocated towards Pradhan Mantri Awas Yojana-Gramin and Rs 119 crore towards rural water supply. Rs 1000 crore has been allocated towards sanitation and cleaning.
Rural Development	4,351	4,465	4,378	5,128	17%	<ul style="list-style-type: none"> Rs 305 crore has been allocated towards Rashtriya Gramin Ajivika Mission. Rs 1,565 was announced towards Pradhan Mantri Gram Sadak Yojana in the budget speech.
Health and Family Welfare	4,008	4,858	5,127	4,933	-4%	<ul style="list-style-type: none"> Rs 602 crore has been allocated towards urban health services and Rs 1,036 towards rural health services.
Police	3,117	4,122	3,956	4,309	9%	<ul style="list-style-type: none"> Rs 45 crore has been allocated towards response allowance for police personnel. Rs 1,171 core has been allocated towards special police and Rs 1,971 towards district police.
Energy	3,460	4,245	4,252	3,955	-7%	<ul style="list-style-type: none"> Rs 1,150 has been allocated towards rural electrification projects.
Social Welfare and Nutrition	2,482	3,228	3,475	3,452	-1%	<ul style="list-style-type: none"> Rs 694 crore has been allocated towards children welfare and Rs 38 crore towards differently abled persons. Rs 337 crore has been allocated towards special nutrition program.
Welfare of SC/ ST/OBC and Minorities	564	765	829	825	0%	<ul style="list-style-type: none"> For minor forest produce Tendu Patta, collection remuneration was increased from Rs 2,500/sack to Rs 4,000/sack.
% of total expenditure	75 %	74%	78%	76%		

Source: Chhattisgarh Budget Speech 2019-20, Chhattisgarh Annual Financial Statement 2019-20, Chhattisgarh Demand for Grants 2019-20; PRS.

Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 79,746 crore, an increase of 7.7% over the revised estimates of 2018-19. Of this, Rs 31,755 (40% of the revenue receipts) crore will be raised by the state through its **own resources**, and Rs 47,991 crore (60% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in taxes.
- **Non Tax Revenue:** Chhattisgarh has estimated to generate Rs 8,825 crore through non-tax sources in 2019-20.
- In 2019-20, own revenue and central transfers are expected to be 5% and 10% higher than the revised estimates of 2018-19, respectively.

GST Revenue

Chhattisgarh's total GST revenue (including central transfers) is estimated to be Rs 18,180 crore in 2019-20, an increase of 4.7% over the revised estimate of 2018-19. It is estimated to be 23% of the state's revenue receipts.

The state expects to receive Rs 420 crore as grants for compensation in 2018-19 (0.5% of the revenue). This was 107 crore in 2017-18 (0.1% of the revenue)

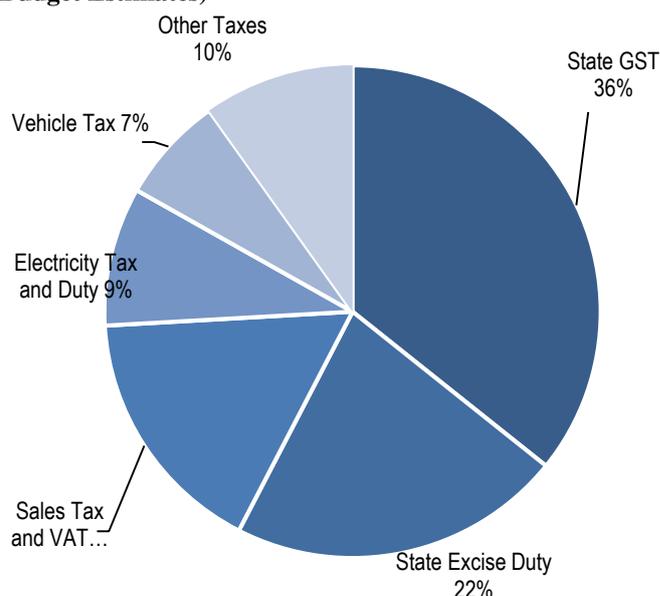
Table 4: Break up of state government receipts (Rs crore)

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019- 20
State's Own Tax	19,895	26,030	22,140	-14.9%	22,930	3.6%
State's Own Non-Tax	6,340	8,170	8,200	0.4%	8,825	7.6%
Share in Central Taxes	20,755	22,955	24,275	5.8%	27,917	15.0%
Grants-in-aid from Centre	12,657	15,713	19,413	23.5%	20,074	3.4%
Total Revenue Receipts	59,647	72,868	74,028	1.6%	79,746	7.7%
Borrowings	9,652	11,378	14,525	27.7%	13,820	-4.9%
Other receipts	142	314	212	-32.5%	283	33.5%
Total Capital Receipts	9,794	11,692	14,737	26.0%	14,103	-4.3%
Total Receipts	69,441	84,559	88,766	5.0%	93,849	5.7%

Sources: Chhattisgarh Budget Documents 2019-20; PRS.

- **Tax Revenue:** Total own tax revenue of Chhattisgarh is estimated to be Rs 22,930 crore in 2019-20. The composition of the state's tax revenue is shown in Figure 2. The tax to GSDP ratio is targeted at 6% in 2019-20, which is lower than the revised estimate of 7% in 2018-19. This implies that growth in collection of taxes is estimated to be lower than the growth in the economy.

Figure 2: Composition of the state's tax revenue in 2019-20 (Budget Estimates)



Sources: Chhattisgarh Budget Documents 2019-20; PRS.

- State Goods and Services Tax (SGST) is the largest component of tax revenue of the state. It is expected to generate Rs 8,201 crore in 2019-20. This is a decrease of 0.9% from the revised estimates of 2018-19.
- In 2019-20, Chhattisgarh is expected to generate Rs 5,000 crore through levy of state excise duty. This is an increase of 22% over the revised estimates of 2018-19.
- Further, in 2019-20 the state is expected to generate Rs 3,788 crore through sales tax. This is an increase of 17% over the revised estimate of 2018-19. Rs 2,090 crore is expected to be generated through electricity tax and duty, an increase of 9% compared to the revised estimate of 2018-19.

Deficits, Debts and FRBM Targets for 2019-20

The Chhattisgarh Fiscal Responsibility and Budget Management (FRBM) Act, 2004 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.

The budget estimates a revenue surplus of Rs 1,151 crore (or 0.32% of GSDP) in 2019-20. 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 2019-20 estimates for Chhattisgarh suggest that the state will be able to meet this target of eliminating revenue deficit.

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 2019-20, fiscal deficit is estimated to be Rs 10,881 crore, which is 2.99 % of the GSDP. The estimate is just under the 3% limit prescribed by the 14th Finance Commission. 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 2019-20, the outstanding liabilities are expected at 21.2% of the GSDP.

Revenue Surplus to Revenue Deficit

In the 2018-19 budget, Chhattisgarh had estimated a revenue surplus of Rs 4,445 crore. However, as per the revised estimates of 2018-19, this changed to a revenue deficit of Rs 6,342 crore.

Between the budget estimates and revised estimates of 2018-19, expenditure on food grain crops increased from Rs 2,237 crore to Rs 7,841 crore. Similarly, assistance to co-operative societies increased from Rs 193 crore to Rs 6,593 crore during the same period. These two components contributed significantly to the reversal of Chhattisgarh from a revenue surplus state to a revenue deficit state. In 2019-20, the state projects a revenue surplus of Rs 1,151 crore.

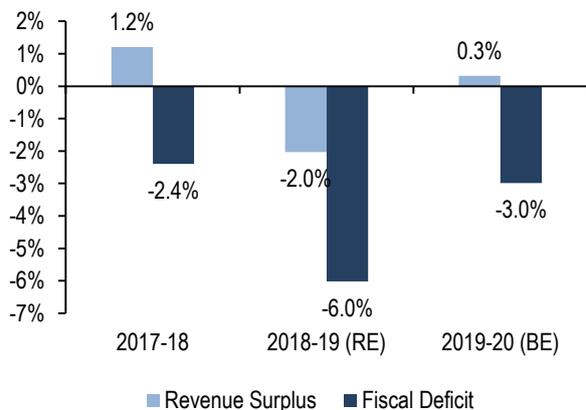
Table 5: Budget targets for deficits for Chhattisgarh in 2019-20 (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2017-18	1.2%	-2.4%	18.6%
2018-19 (RE)	-2.0%	-6.0%	21.1%
2019-20 (BE)	0.3%	-3.0%	21.2%
2020-21		-3.0%	21.0%
2021-22		-3.0%	22.0%

Sources: Chhattisgarh Budget Documents 2019-20; PRS.

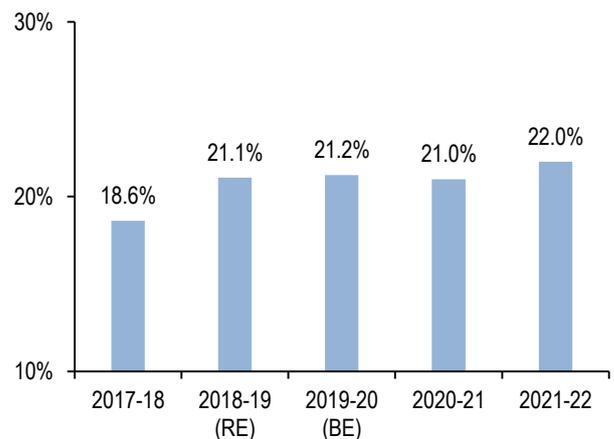
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

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



Sources: Chhattisgarh Budget Documents; PRS.

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



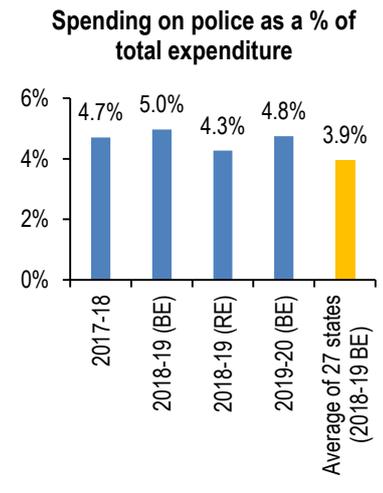
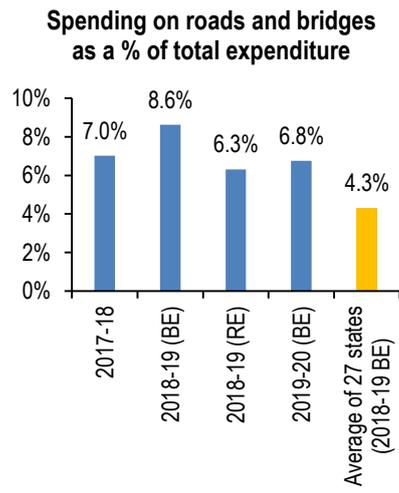
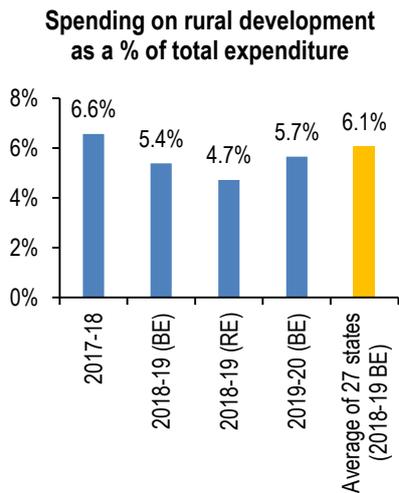
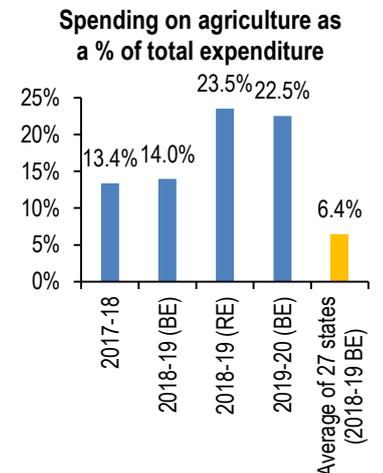
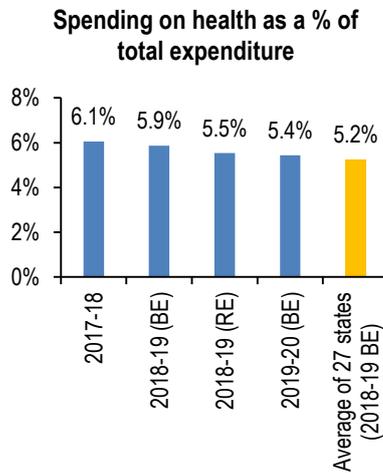
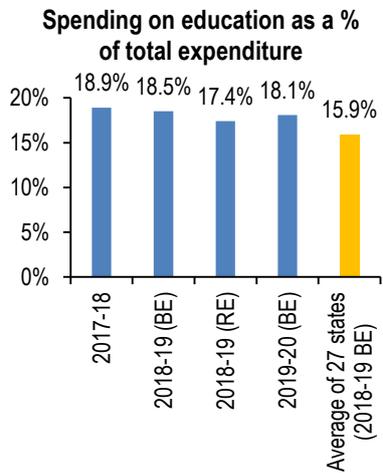
Sources: Chhattisgarh Budget Documents; PRS.

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Annexure

The graphs below compare Chhattisgarh’s expenditure on six key sectors as a proportion of its total budget, with 26 other states.¹

- **Education:** Chhattisgarh has allocated 18.1% of its expenditure on education in 2019-20. This is higher than the average expenditure allocated to education by 26 other states (using 2018-19 BE).
- **Health:** Chhattisgarh has allocated 5.4% of its total expenditure on health, which is marginally higher than the average expenditure of 26 other states (5.2%).
- **Agriculture and allied activities:** Chhattisgarh has allocated 22.5% of its total budget towards agriculture and allied activities. This is significantly higher than the allocations of 26 other states (6.4%).
- **Rural development:** Chhattisgarh has allocated 5.7% of its expenditure on rural development. This is lower than the average (6.1%) of the 26 other states.
- **Police:** Chhattisgarh has allocated 4.8% of its total expenditure on police, which is higher than the average expenditure of 26 other states (3.9%).
- **Roads and bridges:** Chhattisgarh has allocated 6.8% of its total expenditure on roads and bridges, which is significantly higher than the average expenditure of 26 other states (4.3%).



Note: 2017-18, 2018-19 (BE), 2018-19 (RE), and 2019-20 (BE) figures are for Chhattisgarh. Source: Annual Financial Statement (2018-19 and 2019-20), various state budgets; PRS.

¹ The 26 other states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.