

Gujarat Budget Analysis 2018-19

The Finance Minister of Gujarat, Mr. Nitin Patel, presented the Budget for financial year 2018-19 on February 20, 2018.

Budget Highlights

- The **Gross State Domestic Product** of Gujarat for 2018-19 (at current prices) is estimated to be Rs 14,96,013 crore. This is 13.3% higher than the revised estimate for 2017-18. Note that the GSDP in 2017-18 is expected to be 3.5% higher than what was estimated at the budget stage.
- **Total expenditure** for 2018-19 is estimated to be Rs 1,81,945 crore, an 8.6% increase over the revised estimate of 2017-18. In 2017-18, the revised estimates indicate that the expenditure is expected to be Rs 3,221 crore lower than the budget estimate.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 1,40,927 crore, an increase of 6.8% as compared to the revised estimates of 2017-18. In 2017-18, total receipts (excluding borrowings) exceeded the budgeted estimate by Rs 145 crore.
- **Revenue surplus** for the next financial year is targeted at Rs 5,998 crore, or 0.4% of the Gross State Domestic Product (GDP). **Fiscal deficit** is targeted at Rs 25,584 crore (1.7% of GSDP).
- Department of Social Justice and Empowerment is expected to witness a 20% increase in allocation. It is followed by the departments of Health and Family Welfare (11.8%), Urban Development and Urban Housing (10.3%), and Tribal Development (8.2%).

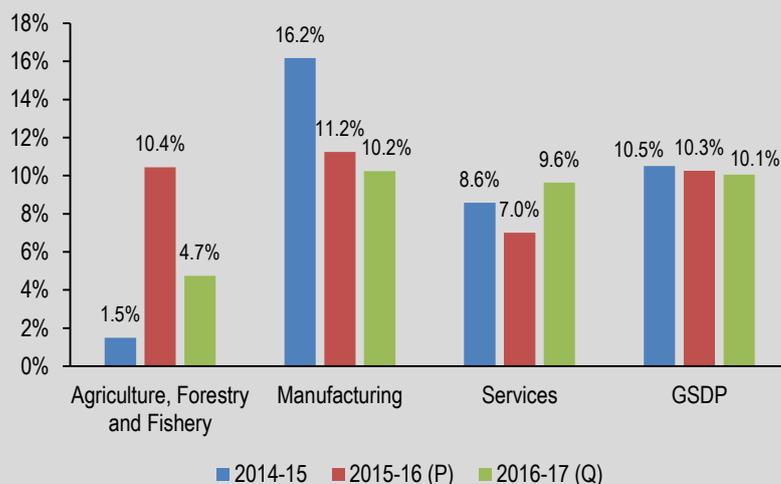
Policy Highlights

- Under the new Mukhyamantri Gramodaya Yojana, government will provide interest subvention upto 6% to train 50,000 skilled and semi-skilled workers in rural areas. An additional 2% interest subvention will be provided to women, Scheduled Castes, Scheduled Tribes and persons with disabilities.
- A provision of Rs 1,765 crore has been made to strengthen irrigation facility in 3,73,000 acres of area of 57 reservoirs in Saurashtra region. Rs 3,311 crore will be spent on water supply projects. Under Sardar Sarovar Yojana, Rs 4,018 crore will be spent on constructing canals.
- Under Swarnajayanti Mukhyamantri Shaheri Vikas Yojana, Rs 4,540 crore will be spent for providing civic infrastructure in urban areas.
- Excise duty will be hiked from Rs 100/litre to Rs 300/litre on foreign liquor (spirit and wine) being imported in the state. Special fee will be levied on spirit, wine and beer being imported from abroad.

Gujarat Economy

- **Economic growth:** The Gross State Domestic Product (GSDP) of Gujarat declined from 10.5% in 2014-15 to 10.1% in 2016-17.
- **Sectoral contribution:** Manufacturing sector has the maximum contribution (45%) to GSDP. Services and agriculture contribute 36% and 19% to GSDP, respectively. Growth in manufacturing declined by 6% between 2014-15 and 2016-17.
- **Per Capita GSDP:** Per capita GSDP in 2016-17 was Rs 1,51,362 crore. It declined from 9.1% in 2014-15 to 8.6% in 2016-17.

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



Note: Estimates for 2015-16 are provisional and 2016-17 are quick estimates.
Sources: Gujarat Economic Review 2017-18; PRS.

Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 1,81,945 crore. This is 8.6% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,40,927 crore and borrowings of Rs 36,801 crore. In 2017-18, revised estimates of total expenditure were 1.9% lower (Rs 3,221 crore) than the budget estimates.
- Total receipts for 2018-19 (other than borrowings) are expected to be 6.8% higher than the revised estimates of 2017-18.

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	1,35,801	1,70,832	1,67,611	-1.9%	1,81,945	8.6%
A. Borrowings	27,668	33,679	31,701	-5.9%	36,801	15.9%
B. Receipts (except borrowings)	1,10,248	1,31,817	1,31,962	0.1%	1,40,927	6.8%
Total Receipts (A+B)	1,37,916	1,65,496	1,63,663	-1.1%	1,77,728	8.6%
Revenue Surplus	5,947	6,066	5,977	-1.5%	5,998	0.4%
As % of GSDP	0.5%	0.5%	0.5%	-	0.4%	-
Fiscal Deficit	16,480	23,215	21,948	-5.5%	25,584	16.6%
As % of GSDP	1.4%	1.8%	1.7%	-	1.7%	-

Notes: BE is Budget Estimate; RE is Revised Estimate. '-' sign indicates deficit; '+' indicates surplus. Total expenditure is the sum of revenue expenditure and capital expenditure.

Sources: Gujarat Budget Documents 2018-19; PRS.

Expenditure in 2018-19

- **Capital expenditure** for 2018-19 is proposed to be Rs 47,312 crore, which is an increase of 12.5% 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.
- **Revenue expenditure** for 2018-19 is proposed to be Rs 1,34,633 crore, which is an increase of 7.2% over revised estimates of 2017-18. This expenditure includes payment of salaries and pensions, and maintenance of existing infrastructure. In 2017-18, Gujarat's capital expenditure was 7.4% lower than its budget estimates, while the revenue expenditure was marginally higher (0.1%).
- In 2018-19, Gujarat is expected to spend Rs 35,613 crore on servicing its debt (i.e., Rs 15,434 crore on repaying loans, and Rs 20,179 crore on interest payments). Debt servicing is 8.7% higher than the revised estimates of 2017-18.

The revised estimates of 2017-18 suggest that the total expenditure of the government will be 2% (Rs 3,221 crore) less than the budgeted amount for 2017-18.

Table 2: Expenditure budget 2017-18 (Rs crore)

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Capital Expenditure	31,906	45,376	42,037	-7.4%	47,312	12.5%
Revenue Expenditure	1,03,895	125,456	1,25,574	0.1%	1,34,633	7.2%
Total Expenditure	1,35,801	1,70,832	1,67,611	-1.9%	1,81,945	8.6%
A. Debt Repayment	9,073	15,800	13,701	-13.3%	15,434	12.7%
B. Interest Payments	17,797	19,338	19,060	-1.4%	20,179	5.9%
Debt Servicing (A+B)	26,870	35,138	32,761	-6.8%	35,613	8.7%

Note: Total expenditure is the sum of revenue expenditure and capital expenditure.

Sources: Gujarat Budget Documents 2018-19; PRS.

Sector expenditure in 2018-19

The departments listed below account for **58%** of the total budgeted expenditure of Gujarat in 2018-19. A comparison of Gujarat's expenditure on key sectors with 18 other states can be found in the [Annexure](#).

Table 3: Department-wise expenditure for Gujarat 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
Education	22,188	22,804	25,706	25,270	-1.70%	<ul style="list-style-type: none"> Rs 1,081 crore will be spent on implementing the Mid-Day Meal scheme in primary schools. Rs 150 crore will be allocated for continuing scheme to provide tablets at Rs 1,000 to students enrolling in first year of diploma and graduate level course.
Tribal Development	9,926	12,559	12,272	13,278	8.20%	<ul style="list-style-type: none"> 10 schemes will be started at an estimated cost of Rs 2,800 crore for providing drinking water in tribal areas.
Narmada, Water Resources, Water Supply and Kalpsar	9,960	11,620	11,528	12,300	6.70%	<ul style="list-style-type: none"> Rs 222 crore has been provided for five lift irrigation (lifting water with pumps) schemes. Rs 380 crore will be used to improve and strengthen the existing canal network of different reservoirs.
Urban Development and Urban Housing	9,242	10,160	9,837	10,849	10.29%	<ul style="list-style-type: none"> Rs 2,912 crore will be spent on infrastructure creation. Rs 1,264 crore has been allocated to water supply and drainage.
Roads and Buildings	6,884	8,586	8,390	9,012	7.42%	<ul style="list-style-type: none"> Rs 2,516 crore has been allocated for the Mukhyamantri Gram Sadak Yojana.
Health and Family Welfare	6,521	7,368	7,311	8,172	11.78%	<ul style="list-style-type: none"> Rs 700 crore will be spent on providing insurance for tertiary treatment to below poverty line and lower income groups under Mukhya Mantri Amrutum and Vatsalya Yojana. Rs 997 crore will be spent on providing nutritious food to 29 lakh children up to six years of age, 13 lakh adolescent girls and 7 lakh pregnant women and lactating mothers in all anganwadis.
Energy and Petro-Chemicals	7,207	7,571	8,457	8,082	-4.43%	<ul style="list-style-type: none"> Projects worth Rs 2,757 crore will be taken up to strengthen the power transmission network in the state. Rs 1,921 crore will be spent to provide 1.22 lakh new agricultural power connections.
Social Justice and Empowerment	4,907	6,193	6,026	7,204	19.55%	<ul style="list-style-type: none"> Rs 374 crore will be spent to provide pre-metric scholarships to 58 lakh students. Rs 474 crore will be spent to provide pensions to approximately seven lakh beneficiaries under Old age Pension Scheme and Divyang Sahay Yojana.
Agriculture, Farmer's Welfare & Co-operation	4,168	5,555	7,168	5,990	-16.43%	<ul style="list-style-type: none"> Rs 702 crore has been allocated for education, research and extension programmes in agricultural universities. Rs 500 crore has been allocated for interest-free crop loan to farmers.
Panchayat, Rural Housing and Rural Development	5,220	4,955	5,460	5,387	-1.33%	<ul style="list-style-type: none"> Rs 700 crore will be spent on solid and liquid waste management, cleanliness and others activities in 5,000 Gram Panchayats.
% of total expenditure	63%	57%	61%	58%		

Source: Gujarat Budget Documents and Budget Speech 2018-19; PRS.

Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 1,40,631 crore, an increase of 6.9% over the revised estimates of 2017-18. Of this, Rs 1,00,434 crore (71% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 40,197 crore (29% 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:** Gujarat has estimated to generate Rs 11,705 crore through non-tax sources in 2018-19. This is a decrease of 31% over the revised estimates of 2017-18. It is majorly driven by a decrease of Rs 5,734 crore (58%) in non ferrous mining and metallurgical industries.

In 2017-18, the state's own non-tax revenue is estimated to be 7.6% (Rs 1,404 crore) less than budgeted. Borrowings are also expected to be 6% (Rs 1,978 crore) less than budgeted.

In 2018-19, other receipts of the government are expected to see a 28% decline over the revised estimates of 2017-18.

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

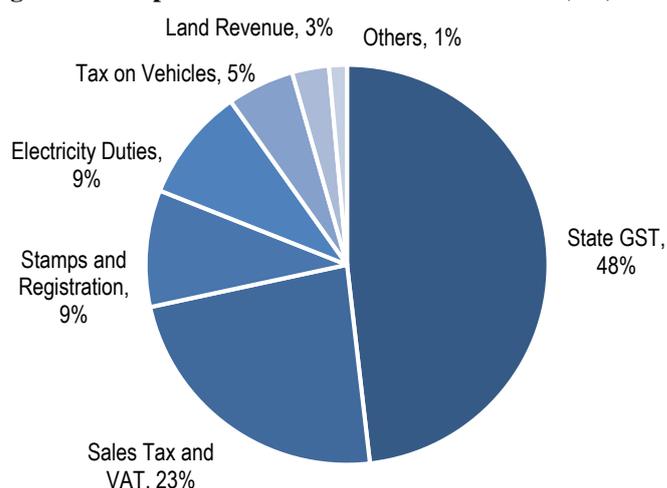
Item	2016-2017 Actuals	2017-2018 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-2019 Budgeted	% change from RE 2017-18 to BE 2018-19
State's Own Tax	64,443	76,553	77,967	1.8%	88,729	13.8%
State's Own Non-Tax	13,346	18,400	16,995	-7.6%	11,705	-31.1%
Share in Central Taxes	18,835	20,897	20,782	-0.5%	24,307	17.0%
Grants-in-aid from Centre	13,218	15,671	15,806	0.9%	15,890	0.5%
Total Revenue Receipts	1,09,842	1,31,521	1,31,551	0.02%	1,40,631	6.9%
Borrowings	27,668	33,679	31,701	-5.9%	36,801	16.1%
Other receipts	406	296	411	38.9%	296	-28.0%
Total Capital Receipts	28,074	33,975	32,112	-5.5%	37,097	15.5%
Total Receipts	1,37,916	1,65,496	1,63,663	-1.1%	1,77,728	8.6%

*includes additional resource mobilisation.

Sources: Gujarat Budget Documents 2018-19; PRS.

- Tax Revenue:** Total own tax revenue of Gujarat is estimated to be Rs 88,729 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 5.93% in 2018-19, which is similar to the revised estimate of 5.91% in 2017-18.

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



- State GST is expected to be the largest component of Gujarat's tax revenue. It is expected to contribute Rs 42,750 crore.
- Sales tax is the second largest component of tax revenue of the state. It is expected to generate Rs 20,783 crore in 2018-19.
- Further, the government is expected to generate Rs 8,380 crore through stamp duty and registration. This is an increase of 18% over the revised estimates of 2017-18.
- Electricity duties will contribute Rs 8,130 crore, an increase of 15%, over the revised estimates of 2017-18. Tax on vehicles and land revenue will contribute Rs 4,785 crore and Rs 2,625 crore, respectively.
- About 1% of the tax revenue will be generated through state excise, taxes on income and expenditure, taxes on goods and passengers, entertainment tax, and other taxes and duties.

Deficits, Debts and FRBM Targets for 2018-19

The Gujarat Fiscal Responsibility Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue surplus: It is the excess of revenue receipts over revenue expenditure. A revenue surplus implies that the government is not required to borrow in order to finance its expenses which do not create capital assets.

Debt as a percentage of GSDP has been decreasing over the past few years. It has declined from 17.6% in 2015-16 to 16% in 2018-19.

The budget estimates a revenue surplus of Rs 5,998 crore (0.4% 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 Gujarat Budget 2018-19 suggest that the state is expected to achieve 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 2018-19, fiscal deficit is estimated to be Rs 25,584 crore, which is 1.7% of the GSDP. This estimate is under the 3% limit prescribed by the 14th Finance Commission.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2018-19, the outstanding liabilities are expected at 16% of the GSDP.

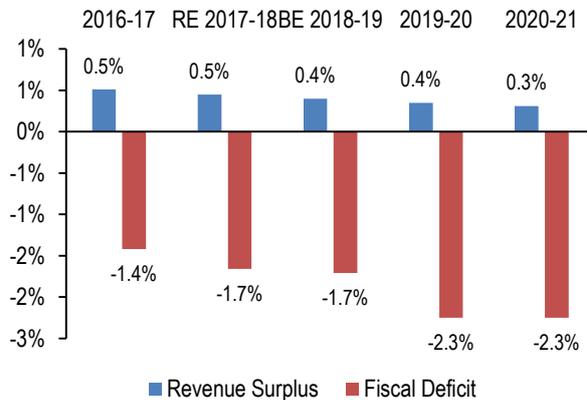
Table 5: Budget targets for deficits for Gujarat in 2018-19 (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2016-17	0.5%	-1.4%	17.2%
RE 2017-18	0.5%	-1.7%	16.5%
BE 2018-19	0.4%	-1.7%	16.0%
2019-20	0.4%	-2.3%	15.7%
2020-21	0.3%	-2.3%	15.4%

Sources: Gujarat Budget Documents 2018-19; PRS.

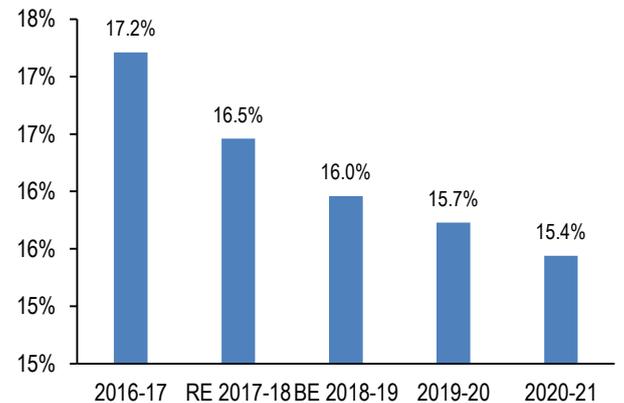
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2016-17 to 2020-21.

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



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

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



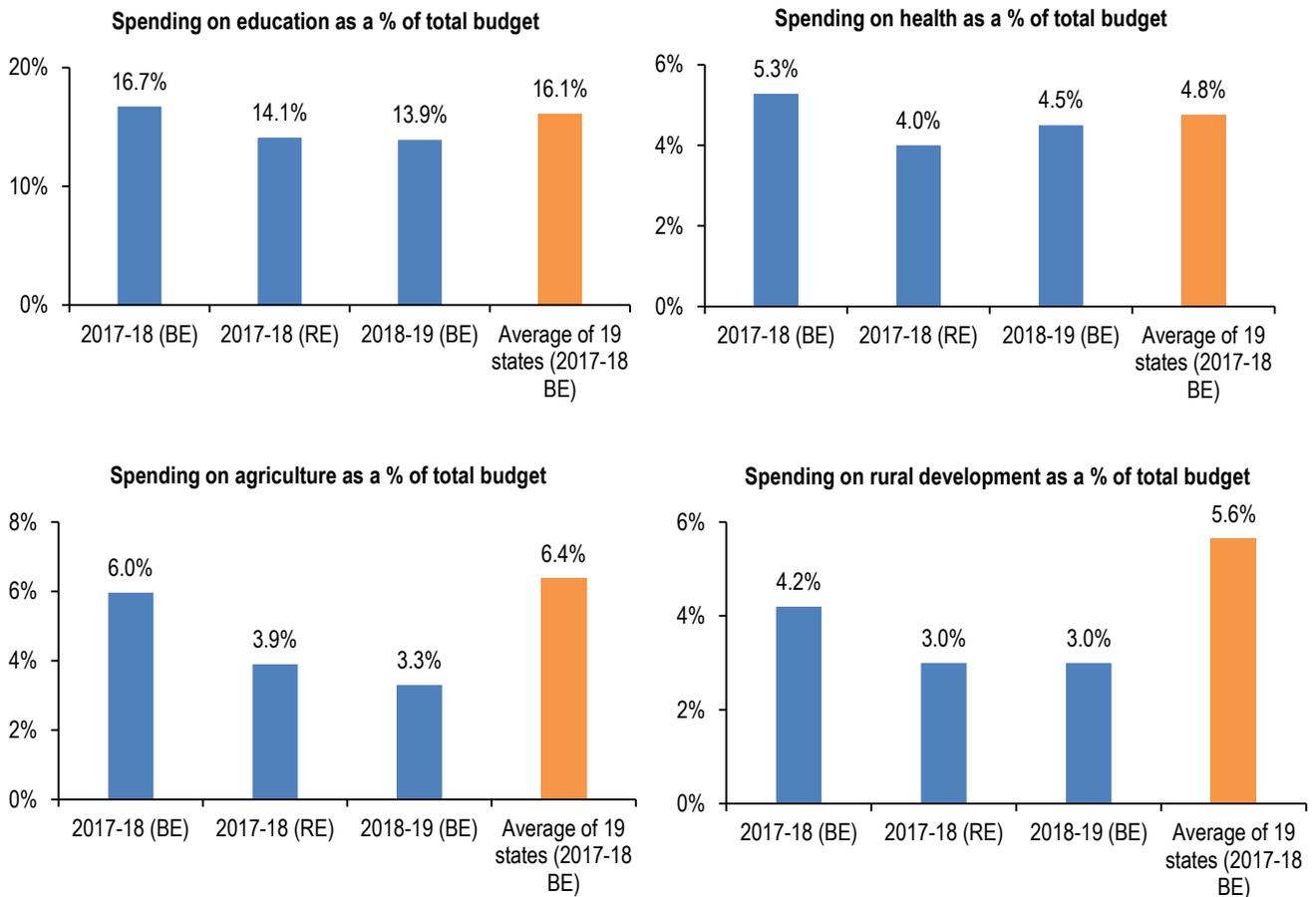
Note: Figures for 2019-20 and 2020-21 are projections.
Sources: Gujarat Budget Documents; PRS.

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Annexure

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

- **Education:** Gujarat has allocated 13.9% on education in 2018-19. This is lower than the average expenditure allocated to education by 18 other states (using 2017-18 BE).
- **Health:** Gujarat has allocated 4.5% of its total expenditure on health, which is marginally lower than the average expenditure of 18 other states.
- **Agriculture:** The state has allocated 3.3% of its total budget on agriculture and allied activities. This is lower than the allocations of 18 other states (6.4%).
- **Rural development:** Gujarat has allocated 3.0% 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 the state of Gujarat.

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

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