

Gujarat Budget Analysis 2019-2020

The Finance Minister, Mr. Nitin Patel, presented the modified budget for Gujarat for financial year 2019-20 on July 2, 2019. The Minister had previously presented the interim budget for the state in February 2019.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Gujarat for 2019-20 (at current prices) is estimated to be Rs 17,01,495 crore. This is 13% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 2,02,862 crore, a 7.8% increase over the revised estimate of 2018-19. In 2018-19, as per the revised figures, there is estimated to be an increase of Rs 6,164 crore (3.4%) of expenditure over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 1,55,018 crore, an increase of 10% as compared to the revised estimate of 2018-19. The revised figure for borrowing in 2018-19 is 18.2% higher than the budgeted estimate for that year.
- **Revenue surplus** for 2019-20 is targeted at Rs 2,874 crore, or 0.17% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 31,253 crore (1.84% of GSDP).
- Sectors such as energy (23%), and rural development (15%) saw the highest increase in allocations. Agriculture and allied activities (15%) saw the highest decrease in allocations.

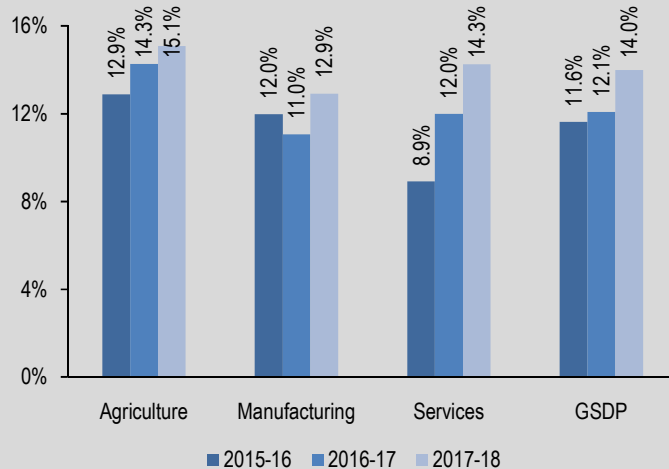
Policy Highlights

- **Nal Se Jal Yojana:** Rs 20,000 crore will be spent during the next three years for providing drinking water through tap to all households in the state. Rs 4,500 crore has been allocated for the same in 2019-20.
- **Solar roof-top scheme:** Rs 1,000 crore has been allocated in 2019-20 to provide subsidy to two lakh families for installation of solar roof-top panels.
- **Agricultural power connections:** New agricultural power connections will be provided to all 1.25 lakh pending applicants within one year. Rs 1,931 crore has been allocated for the same.
- **Amnesty scheme** has been announced for twenty thousand pending litigations pertaining to sales tax, VAT, motor spirit tax, CST, entry tax, and sugarcane purchase tax where the demand is less than Rs 100 crore.

Gujarat's Economy

- **GSDP:** The growth rate of Gujarat's GSDP (at current prices) has increased from 11.6% in 2015-16 to 14% in 2017-18.
- **Sectors:** In 2017-18, the sectors of agriculture, manufacturing, and services respectively contributed 20%, 44%, and 36% of the Gross State Value Added by all sectors. Between 2016-17 and 2017-18, these sectors grew by 15.1%, 12.9%, and 14.3%, respectively.
- **Unemployment:** According to the Periodic Labour Force Survey (2017-18), the unemployment rate in Gujarat in 2017-18 was 4.8%, as compared to 6% in the country.

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



Note: As per CSO, agriculture here includes mining and quarrying. Sources: FRBM Document 2019-20, PRS.

Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 2,02,862 crore. This is 7.8% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,55,018 crore and borrowings of Rs 42,929 crore. In 2019-20, receipts (other than borrowings) are expected to be 10% 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	1,58,704	1,81,945	1,88,110	3.4%	2,02,862	7.8%
A. Receipts (except borrowings)	1,23,637	1,40,927	1,40,883	0.0%	1,55,018	10.0%
B. Borrowings	26,953	36,801	43,501	18.2%	42,929	-1.3%
Total Receipts (A+B)	1,50,590	1,77,728	1,84,384	3.7%	1,97,947	7.4%
Revenue Deficit (-)/ Surplus (+)	5,232	5,998	1,379	-77.0%	2,874	108.5%
As % of GSDP	0.40%	0.40%	0.09%		0.17%	
Fiscal Deficit (-)/ Surplus (+)	21,366	25,584	31,787	24.2%	31,253	-1.7%
As % of GSDP	1.63%	1.71%	2.12%		1.84%	
Primary Deficit (-)/ Surplus (+)	2,412	5,405	11,447	111.8%	9,744	-14.9%
As % of GSDP	0.18%	0.36%	0.76%		0.57%	

Notes: BE is Budget Estimate; RE is Revised Estimate.

Sources: Gujarat Budget Documents 2019-20, July 2019; PRS.

Expenditure in 2019-20

- Capital expenditure** for 2019-20 is proposed to be Rs 51,004 crore, which is an increase of 4.2% over the revised estimate 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.
- Gujarat's capital outlay for 2019-20 is estimated to be Rs 32,807 crore, which is 4.4% higher than the revised estimate of 2018-19. The revised figure for 2018-19 is estimated to be 3.5% higher than the budgeted estimate made for that year.
- Revenue expenditure** for 2019-20 is proposed to be Rs 1,51,858 crore, which is an increase of 9.1% over the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interest, among others. Revenue expenditure accounts for 75% of the total expenditure proposed for 2019-20.

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

Item	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	40,645	47,312	48,956	3.5%	51,004	4.2%
of which Capital Outlay	26,313	30,342	31,417	3.5%	32,807	4.4%
Revenue Expenditure	1,18,060	1,34,633	1,39,153	3.4%	1,51,858	9.1%
Total Expenditure	1,58,704	1,81,945	1,88,110	3.4%	2,02,862	7.8%
A. Debt Repayment	13,700	15,434	15,440	0.0%	16,591	7.5%
B. Interest Payments	18,954	20,179	20,340	0.8%	21,509	5.7%
Debt Servicing (A+B)	32,654	35,613	35,780	0.5%	38,100	6.5%

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

Sources: Gujarat AFS 2019-20 (July 2019); PRS.

Sector expenditure in 2019-20

The sectors listed below account for **58%** of the total budgeted expenditure of Gujarat in 2019-20. A comparison of Gujarat's expenditure on key sectors with that by other states can be found in the Annexure.

Table 3: Sector-wise expenditure for Gujarat 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
Education	22,322	24,097	25,637	26,518	3%	<ul style="list-style-type: none"> Rs 5,272 crore has been allocated for providing assistance to non-government secondary schools.
Water Supply, Sanitation, Housing, and Urban Development	14,871	18,206	18,671	20,103	8%	<ul style="list-style-type: none"> Rs 1,955 crore has been allocated to grants-in-aid to municipal corporations under Swarnim Jayanti Mukhya Mantri Shaheer Vikas Yojana.
Energy	8,760	8,429	10,453	12,854	23%	<ul style="list-style-type: none"> Rs 5,870 crore has been allocated for assistance to public sector and other undertakings. Rs 2,723 has been allocated for investment in public sector and other undertakings.
Irrigation and Flood Control	10,167	11,202	13,168	11,715	-11%	<ul style="list-style-type: none"> Rs 1,880 crore has been allocated to flood water irrigation and ground water recharge program in Saurashtra region. Rs 4,453 crore of capital outlay has been allocated to major irrigation projects.
Health and Family Welfare	8,516	9,605	10,373	10,754	4%	<ul style="list-style-type: none"> Rs 2,606 crore and Rs 899 crore have been allocated towards urban health services and rural health services, respectively.
Transport	8,660	8,896	9,226	9,606	4%	<ul style="list-style-type: none"> Rs 1,559 has been allocated to Mukhya Mantri Gram Sadak Yojana.
Agriculture and allied activities	8,626	7,886	9,885	8,394	-15%	<ul style="list-style-type: none"> Rs 1,072 has been allocated to crop insurance. Rs 1,055 crore has been allocated for providing assistance to credit cooperatives.
Social Welfare and Nutrition	4,543	5,840	6,432	6,529	2%	<ul style="list-style-type: none"> Rs 689 crore has been allocated to the Mid-Day Meal programme.
Rural Development	4,406	5,180	5,399	6,212	15%	<ul style="list-style-type: none"> Rs 1,170 crore has been allocated towards Pradhan Mantri Awas Yojana (Gramin).
Police	4,787	4,466	5,477	5,499	0%	<ul style="list-style-type: none"> Rs 157 crore has been allocated to Safe City Project for the safety of women, children, and senior citizens. Rs 129 crore has been allocated to border area development programme.
% of total expenditure	60%	57%	61%	58%		

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

Committed liabilities: Committed liabilities of a state typically includes expenditure on payment of salaries, pensions, and interest payments. A larger proportion of state budget allocated for committed expenditure crowds out other developmental expenditure. In 2019-20, Gujarat has budgeted to spend Rs 71,678 crore on the payment of salaries, interest, and pensions. This is an increase of 5.2% over the revised estimates of 2018-19. Note that committed liabilities account for 35% of the total expenditure estimated for 2019-20.

Table 4: Expenditure on committed liabilities in 2019-20 (in Rs crore)

Item	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
Salaries	28,186	29,751	30,604	2.9%	33,665	10.0%
Pensions	13,979	14,990	17,179	14.6%	16,504	-3.9%
Interest payments	18,954	20,179	20,340	0.8%	21,509	5.7%
Total Committed Liabilities	61,119	64,920	68,123	4.9%	71,678	5.2%

Note: BE is Budget Estimate; RE is Revised Estimate.; Sources: Gujarat Budget Documents 2019-20, July 2019; PRS.

Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 1,54,732 crore, an increase of 10.1% over the revised estimate of 2018-19. Of this, Rs 1,13,043 crore (73% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 41,689 crore (27% 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:** Gujarat is estimated to generate Rs 13,980 crore through non-tax sources in 2019-20. Non-tax sources include interest receipts (Rs 1,296 crore), general services (Rs 802 crore), and dividends and profits (Rs 132 crore), among others. This is an increase of 15.5% (Rs 1,878 crore) over the revised estimate of 2018-19.

In 2019-20, Gujarat is expected to borrow Rs 42,929 crore to meet its expenditure requirements, which is 1.3% lower than the revised estimates of 2018-19. In 2018-19, the borrowings of the state were 18.2% higher than the amount budgeted.

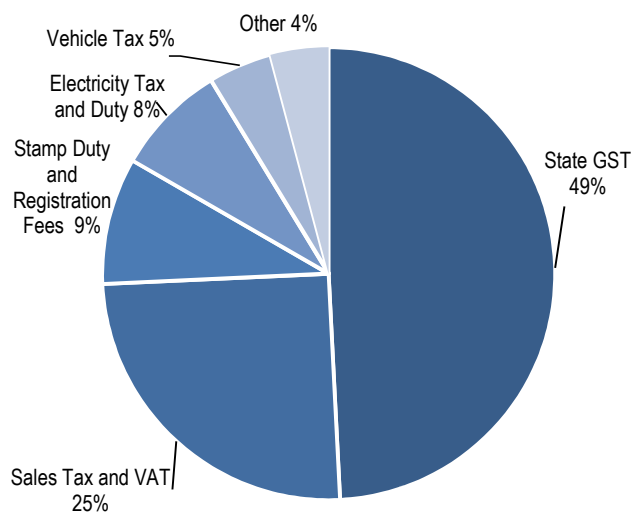
Table 5: Break up of state government receipts in 2019-20 (Rs crore)

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
State's Own Tax	71,549	88,729	89,900	1.3%	99,063	10.2%
State's Own Non-Tax	15,074	11,705	12,102	3.4%	13,980	15.5%
Share in Central Taxes	20,782	24,307	23,489	-3.4%	26,048	10.9%
Grants-in-aid from Centre	15,886	15,890	15,040	-5.4%	15,642	4.0%
Total Revenue Receipts	1,23,291	1,40,631	1,40,532	-0.1%	1,54,732	10.1%
Borrowings	26,953	36,801	43,501	18.2%	42,929	-1.3%
Other receipts	346	296	351	18.6%	286	-18.5%
Total Capital Receipts	27,299	37,097	43,852	18.2%	43,215	-1.5%
Total Receipts	1,50,590	1,77,728	1,84,384	3.7%	1,97,947	7.4%

Sources: Gujarat Budget Documents 2019-20; PRS.

- **Tax Revenue:** Total own tax revenue of Gujarat is estimated to be Rs 99,063 crore in 2019-20 (64% of the revenue receipts). This is 10.2% higher than the revised estimate of 2018-19. In 2018-19, own tax revenue is expected to be 1.3% higher than the budgeted estimate (Rs 89,900 crore). The composition of the state's tax revenue is shown in Figure 2.
- The own tax to GSDP ratio is targeted at 5.8% in 2019-20, which is lower than the revised estimates of 6% in 2018-19. This implies that growth in collection of taxes has been lower than the growth in the economy.

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



Sources: Gujarat Budget in Brief 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 48,735 crore in 2019-20. This is an increase of 14% from the revised estimate of 2018-19.
- In 2019-20, Gujarat is expected to generate Rs 24,840 crore through the levy of sales tax (on items such as petroleum products). This is an increase of 8% over the revised estimate of 2018-19.
- Further, in 2019-20, the state is expected to generate Rs 8,972 crore from stamp duty and registration fees. This is an increase of 12% over the revised estimate of 2018-19.
- In addition, in 2019-20, the state is expected to generate Rs 134 crore from the levy of excise duty and Rs 7,900 crore from taxes and duties on electricity.

Deficits, Debts and FRBM Targets for 2019-20

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 deficit: This 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 2,874 crore (or 0.17% of GSDP) in 2019-20. This is 108.5% higher than the revised estimates of 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 2019-20 estimates for Gujarat suggest that the state will be able to meet this target of eliminating revenue deficit. Note that, Gujarat has had a revenue surplus for the past three years.

Fiscal deficit: This 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, Gujarat's fiscal deficit is estimated to be Rs 31,253 crore, which is 1.8% of the GSDP. The estimate is lower than the 3% limit prescribed by the 14th Finance Commission. Note that, in 2018-19, fiscal deficit increased by 24% from Rs 25,584 crore (1.7% of GSDP), as per the budgeted estimate, to Rs 31,787 crore (2.1% of GSDP), as per the revised estimate.

Outstanding liabilities: This is the accumulation of borrowings taken by the state government over the years. In 2019-20, Gujarat's outstanding liabilities are expected to be at 15.7% of the GSDP.

Debt Servicing

In 2019-20, Gujarat is expected to spend Rs 38,100 crore on servicing its debt, which is 19% of its estimated expenditure. This expenditure includes Rs 16,591 crore towards repayment of loans, and Rs 21,509 crore towards interest payments.

In 2019-20, the expenditure on repayment of loans is expected to increase by 7.5% over the revised estimate of 2018-19.

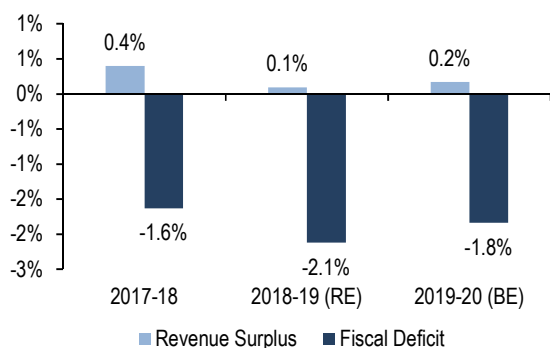
Table 6: Budget targets for deficits for Gujarat in 2019-20 (% of GSDP)

Year	Revenue	Fiscal	Outstanding Liabilities
	Deficit (-)/Surplus (+)	Deficit (-)/Surplus (+)	
2017-18	0.4%	-1.6%	16.2%
2018-19 (RE)	0.1%	-2.1%	16.0%
2019-20 (BE)	0.2%	-1.8%	15.7%
2020-21	0.2%	-2.3%	15.6%
2021-22	0.2%	-2.3%	15.3%

Sources: Medium Term Fiscal Policy; Gujarat Budget Documents, July 2019; PRS.

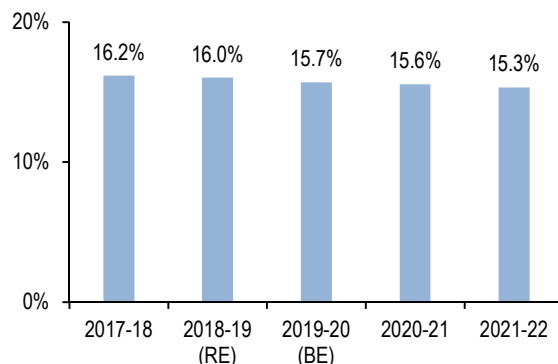
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

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



Sources: Gujarat Budget Documents; PRS.

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



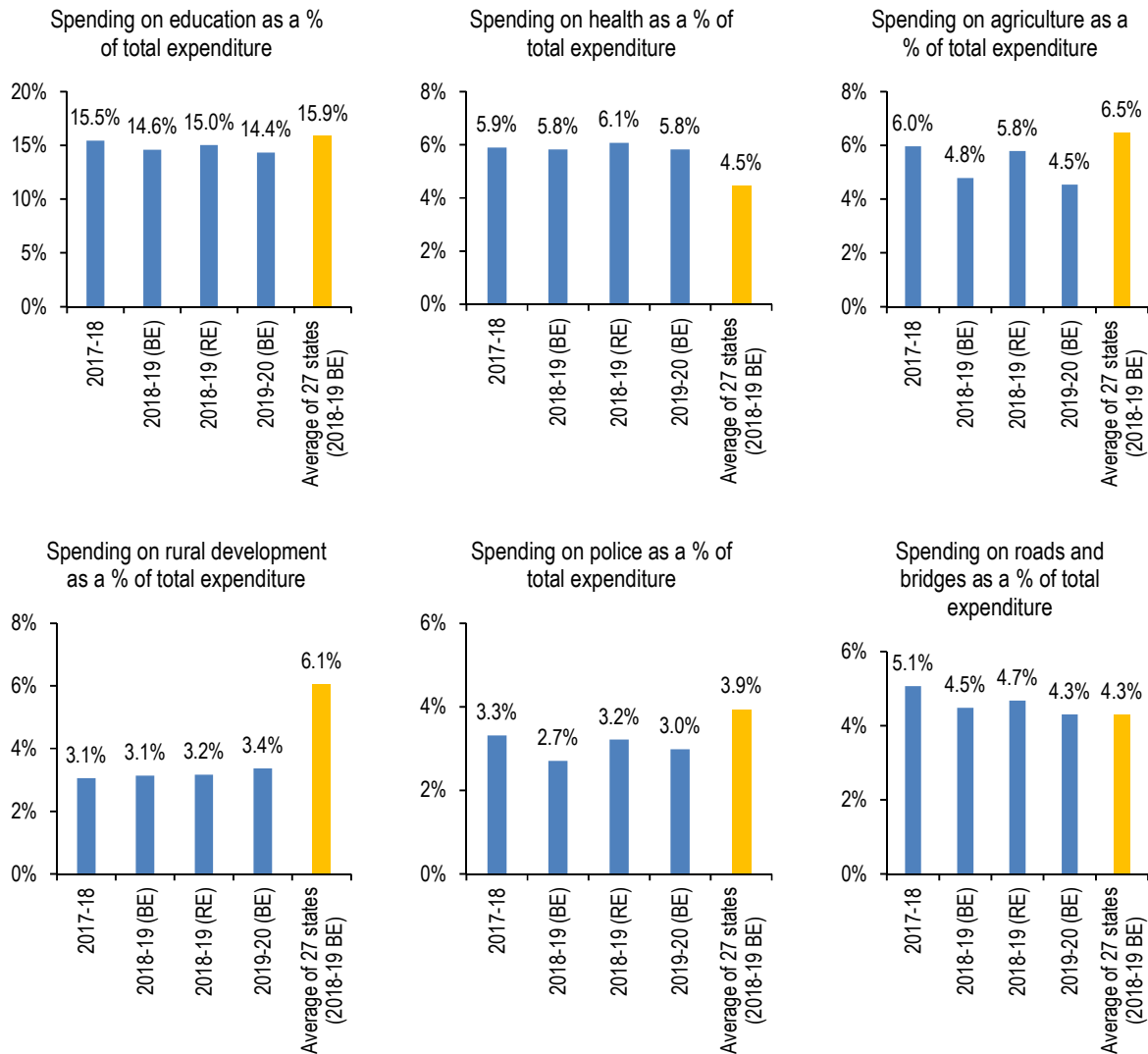
Sources: Gujarat Budget Documents; PRS.

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Annexure

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

- **Education:** Gujarat has allocated 14.4% of its expenditure on education in 2019-20. This is lower than the average expenditure allocated to education by other states (using 2018-19 BE) (15.9%).
- **Health:** Gujarat has allocated 5.8% of its expenditure on health, which is higher than the average expenditure by other states (4.5%).
- **Agriculture and allied activities:** The state has allocated 4.5% of its total budget towards agriculture and allied activities. This is lower than the average allocation by other states (6.5%).
- **Rural development:** Gujarat has allocated 3.4% of its expenditure on rural development. This is significantly lower than the average expenditure (6.1%) by other states.
- **Police:** Gujarat has allocated 3% of its total expenditure on police, which is lower than the average expenditure by other states (3.9%).
- **Roads and bridges:** Gujarat has allocated 4.3% of its total expenditure on roads and bridges, which is similar to the average expenditure by other states (4.3%).



Note: 2017-18, 2018-19 (BE), 2018-19 (RE), and 2019-20 (BE) figures are for Gujarat.

Source: Annual Financial Statement of Gujarat 2019-20, July 2019; 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.