

# Madhya Pradesh Budget Analysis 2018-19

The Finance Minister of Madhya Pradesh, Mr. Jayant Malaiya, presented the Budget for financial year 2018-19 on February 28, 2018.

## Budget Highlights

- The **Gross State Domestic Product** of Madhya Pradesh for 2018-19 (at current prices) is estimated to be Rs 8,26,106 crore. This is 19.7% higher than the revised estimate for 2017-18. Note that the GSDP in 2017-18 is expected to be 6% lower than what was estimated at the budget stage.
- **Total expenditure** for 2018-19 is estimated to be Rs 1,86,685 crore, a 13.6% increase over the revised estimate of 2017-18. In 2017-18, the revised estimates indicate that the expenditure is expected to be Rs 5,660 crore lower than the budget estimate.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 1,61,356 crore, an increase of 13.9% as compared to the revised estimates of 2017-18. In 2017-18, total receipts (excluding borrowings) fell short of the budgeted estimate by Rs 3,486 crore (2.4%).
- **Revenue surplus** for the next financial year is targeted at Rs 263 crore, or 0.03% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 26,780 crore (3.2% of GSDP).
- Departments of agriculture and farmer welfare, water resources, education, and health are expected to see an increase in allocation.

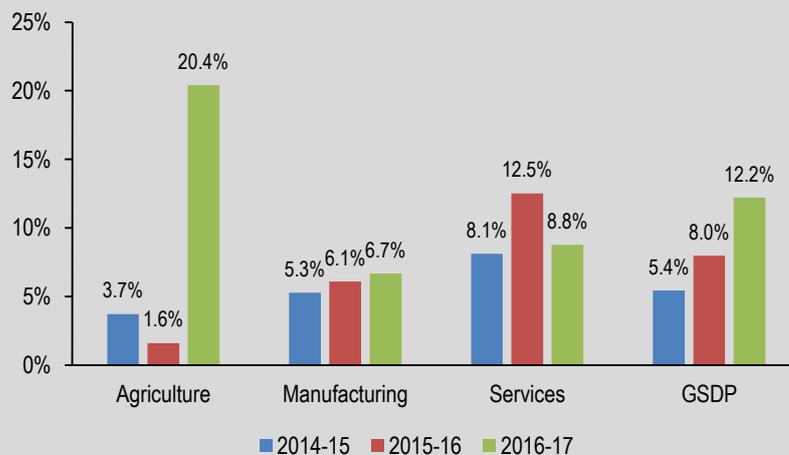
## Policy Highlights

- To ensure that farmers get the beneficial value for their crops, the government had launched the Mukhyamantri Bhavantar Bhugtan Yojana. Under the scheme, the difference between the support price and the market price is directly deposited in the bank accounts of the farmers. As per the budget, Rs 1,500 crore has been deposited to 10.5 lakh farmers' accounts. The budget allocates an amount of Rs 37,498 to the agriculture sector.
- Under the National Health Mission, the government has allocated Rs 1,975 crore for 2018-19. The government had launched the Swasthya Kshetra Nivesh Protsahan Yojana to promote investment for establishing hospitals and dispensaries. The budget has proposed setting up of 10 bed hospitals in small and rural areas with a 40% investment from the government and remaining from private parties.
- The government has announced the construction of a six-lane expressway between Bhopal and Indore at an estimated cost of Rs 5,000 crore. A target has been announced to construct 3,000 km roads and 150 bridges, along with renovating 3,500 km roads in 2018-19.

### Madhya Pradesh Economy

- **Economic growth:** The Gross State Domestic Product (GSDP) of Madhya Pradesh increased from 5.4% in 2014-15 to 12.2% in 2016-17.
- **Sectoral growth:** Growth in agriculture increased from 3.7% in 2014-15 to 20.4% in 2016-17. Services sector witnessed a decline from 12.5% in 2015-16 to 8.8% in 2016-17. During the same period, manufacturing saw an increase of 0.6%.
- **Per Capita GSDP:** Per capita GSDP in 2016-17 was Rs 59,052 crore. It increased from 3.9% in 2014-15 to 10.6% in 2016-17.

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



Note: Agriculture includes mining. Manufacturing includes construction and electricity. Services includes trade, transport, and financial services.  
Sources: GSA by Economic Activities, Central Statistics Office; PRS.

## Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 1,86,685 crore. This is 13.6% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,61,356 crore and borrowings of Rs 25,342 crore. In 2017-18, revised estimates of total expenditure were 3.3% lower (Rs 5,660 crore) than the budget estimates.
- Total receipts for 2018-19 (other than borrowings) are expected to be 13.9% 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 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
<b>Total Expenditure</b>	<b>1,51,767</b>	<b>1,69,954</b>	<b>1,64,295</b>	<b>-3.3%</b>	<b>1,86,685</b>	<b>13.6%</b>
A. Borrowings*	24,922	24,392	22,642	-7.2%	25,342	11.9%
B. Receipts (except borrowings)	1,25,782	1,45,111	1,41,625	-2.4%	1,61,356	13.9%
<b>Total Receipts (A+B)</b>	<b>1,50,704</b>	<b>1,69,503</b>	<b>1,64,267</b>	<b>-3.1%</b>	<b>1,86,699</b>	<b>13.7%</b>
<b>Revenue Surplus</b>	<b>3,769</b>	<b>4,596</b>	<b>576</b>	<b>-87.5%</b>	<b>263</b>	<b>-54.4%</b>
<i>As % of state GDP</i>	0.6%	0.6%	0.1%		0.0%	
<b>Fiscal Deficit</b>	<b>27,664</b>	<b>25,689</b>	<b>24,083</b>	<b>-6.3%</b>	<b>26,780</b>	<b>11.2%</b>
<i>As % of state GDP</i>	4.3%	3.5%	3.5%		3.2%	
<b>Primary Deficit</b>	<b>18,584</b>	<b>14,148</b>	<b>12,118</b>	<b>-14.3%</b>	<b>13,913</b>	<b>14.8%</b>
<i>As % of state GDP</i>	2.9%	1.9%	1.8%		1.7%	

Notes: BE is Budget Estimate; RE is Revised Estimate. '-' sign indicates deficit; '+' indicates surplus.  
Sources: Madhya Pradesh Budget Documents 2018-19; PRS.

## Expenditure in 2018-19

- **Capital expenditure** for 2018-19 is proposed to be Rs 31,061 crore, which is an increase of 4.2% 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 hospitals), and repayment of loans, among others. In 2017-18, the capital expenditure of Madhya Pradesh was 16% lower than its budget estimates.
- **Revenue expenditure** for 2018-19 is proposed to be Rs 1,55,624 crore, which is an increase of 15.7% over revised estimates of 2017-18. This expenditure includes payment of salaries and pensions, and maintenance of existing infrastructure. In 2017-18, the revenue expenditure of Madhya Pradesh was similar to its budget estimates.
- In 2018-19, Madhya Pradesh is expected to spend Rs 25,365 crore on servicing its debt (i.e., Rs 12,498 crore on repaying loans, and Rs 12,867 crore on interest payments). Debt servicing in 2018-19 is expected to be 42.7% higher than the revised estimates of 2017-18.

The amount for loan repayment is expected to see an increase of Rs 6,686 crore (115%) in 2018-19, over the revised estimates of 2017-18.

**Table 2: Expenditure budget 2018-19 (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	32,229	35,435	29,798	-15.9%	31,061	4.2%
Revenue Expenditure	1,19,537	1,34,519	1,34,497	-0.0%	1,55,624	15.7%
<b>Total Expenditure</b>	<b>1,51,767</b>	<b>1,69,954</b>	<b>1,64,295</b>	<b>-3.3%</b>	<b>1,86,685</b>	<b>13.6%</b>
A. Debt Repayment	4,925	9,546	5,811	-39.1%	12,498	115.1%
B. Interest Payments	9,079	11,541	11,965	3.7%	12,867	7.5%
<b>Debt Servicing (A+B)</b>	<b>14,005</b>	<b>21,087</b>	<b>17,776</b>	<b>-15.7%</b>	<b>25,365</b>	<b>42.7%</b>

Sources: Madhya Pradesh Budget Documents 2018-19; PRS.

## Sector expenditure in 2018-19

The departments listed below account for **66%** of the total budgeted expenditure of Madhya Pradesh in 2018-19. A comparison of expenditure on key sectors by Madhya Pradesh with 18 other states can be found in the [Annexure](#).

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

Department	2016-17 Actuals	2017-18 Revised	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19	Budget provisions for 2018-19
<b>Rural Development</b>	26,748	33,536	35,622	6.2%	<ul style="list-style-type: none"> <li>Rs 6,600 crore will be spent on Pradhan Mantri Awaas Yojana.</li> <li>Rs 2,500 crore has been allocated for Pradhan Mantri Gram Sadak Yojana.</li> <li>Rs 2,000 crore has been allocated for the Mahatma Gandhi Rural Employment Guarantee Scheme.</li> </ul>
<b>Education</b>	13,298	15,592	18,998	21.8%	<ul style="list-style-type: none"> <li>Rs 3,109 crore has been allocated for Sarva Shiksha Abhiyan and Rs 750 crore has been allocated for Rastriya Madhyamik Shiksha Abhiyan.</li> </ul>
<b>Energy</b>	20,424	18,563	17,734	-4.5%	<ul style="list-style-type: none"> <li>Assistance of Rs 4,622 crore has been given to power distribution companies under UDAY scheme.</li> <li>Rs 6,025 crore has been allocated under the Tariff Subsidy scheme.</li> </ul>
<b>Urban and Housing</b>	11,094	12,173	12,885	5.8%	<ul style="list-style-type: none"> <li>Rs 1,700 crore has been allocated for Housing for All scheme in urban areas.</li> <li>Rs 935 crore will be spent of AMRUT and Rs 700 crore will be spent on the SMART cities mission.</li> </ul>
<b>Water Resources</b>	7,592	6,298	7,030	11.6%	<ul style="list-style-type: none"> <li>Rs 535 crore will be spent on provision of drinking water system in mining areas.</li> <li>Rs 341 crore will be spent to facilitate water supply through pipelines in rural areas.</li> </ul>
<b>Agriculture and Farmer Welfare</b>	4,588	4,942	9,260	87.4%	<ul style="list-style-type: none"> <li>Rs 3,650 crore has been allocated to Mukhya Mantri Krishak Samridhi Yojana.</li> <li>Rs 2,000 crore has been allocated to the Prime Minister Crop Insurance Scheme.</li> <li>Rs 1,000 crore has been allocated to the Mukhya Mantri Bhavantar Yojana.</li> </ul>
<b>Public Works</b>	6,827	7,794	8,748	12.2%	<ul style="list-style-type: none"> <li>Rs 1,000 crore has been allocated to the Madhya Pradesh Road Development Programme.</li> <li>Rs 500 crore Madhya Pradesh Road Development Corporation.</li> </ul>
<b>Home Affairs</b>	5,314	5,923	6,858	15.8%	<ul style="list-style-type: none"> <li>Rs 84 crore has been allocated for modernisation of police forces.</li> </ul>
<b>Health</b>	4,385	4,749	5,689	19.8%	<ul style="list-style-type: none"> <li>Rs 1,975 crore has been allocated to the National Health Mission.</li> </ul>
<b>% of total expenditure</b>	<b>67%</b>	<b>67%</b>	<b>66%</b>		

Note: Education Department number includes the Departments of: (i) School Education; (ii) Higher Education; (iii) Technical Education, Skill Development, and Employment Department; and (iv) Medical Education Department.

Sources: Department wise budget books and Press Note of Madhya Pradesh Budget 2018-19; PRS.

### Trends in expenditure

- **Rural Development:** In 2017-18, the revised estimates were greater than the budget estimates by Rs 3,740 crore (12.6%).
- **Water resources:** In 2017-18, the revised estimates were less than the budget estimates by Rs 2,116 crore (25.1%).

## Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 1,86,699 crore, an increase of 13.7% over the revised estimates of 2017-18. Of this, Rs 65,589 crore (42% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 90,297 crore (58% 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:** Madhya Pradesh has estimated to generate Rs 10,934 crore through non-tax sources in 2018-19. This is a decrease of 15% over the revised estimates of 2017-18.

In 2017-18, the state's own non-tax revenue is estimated to be 18.5% (Rs 2,159 crore) less than budgeted. Borrowings are also expected to be 7.2% (Rs 1,750 crore) less than budgeted.

In 2018-19, other receipts of the government are expected to see a 16.5% decline over the revised estimates of 2017-18.

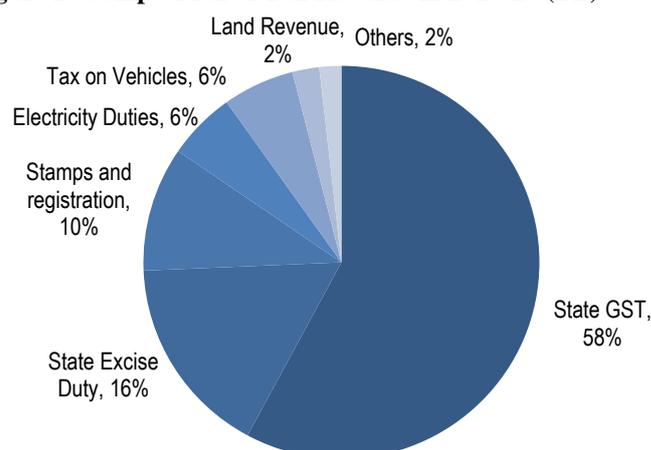
**Table 4: Break up of state government receipts (Rs crore)**

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	44,194	50,295	46,338	-7.9%	54,655	18.0%
State's Own Non-Tax	9,087	11,680	9,521	-18.5%	10,934	14.8%
Share in Central Taxes	46,064	51,106	50,853	-0.5%	59,490	17.0%
Grants-in-aid from Centre	23,963	26,034	28,361	8.9%	30,808	8.6%
<b>Total Revenue Receipts</b>	<b>1,23,307</b>	<b>1,39,116</b>	<b>1,35,072</b>	<b>-2.9%</b>	<b>1,55,886</b>	<b>15.4%</b>
Borrowings	24,922	24,392	22,642	-7.2%	25,342	11.9%
Other receipts	2,475	5,996	6,552	9.3%	5,470	-16.5%
<b>Total Capital Receipts</b>	<b>27,397</b>	<b>30,387</b>	<b>29,195</b>	<b>-3.9%</b>	<b>30,812</b>	<b>5.5%</b>
<b>Total Receipts</b>	<b>1,50,704</b>	<b>1,69,503</b>	<b>1,64,267</b>	<b>-3.1%</b>	<b>1,86,699</b>	<b>13.7%</b>

Sources: Madhya Pradesh Budget Documents 2018-19; PRS.

- Tax Revenue:** Total own tax revenue of Madhya Pradesh is estimated to be Rs 54,655 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 6.62% in 2018-19, which is 0.1% less than the revised estimate of 6.72% in 2017-18.

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



- State GST is expected to be the largest component of the tax revenue of Madhya Pradesh. It is expected to contribute Rs 31,624 crore.
- State excise duty is the second largest component of tax revenue of the state. It is expected to generate Rs 9,000 crore in 2018-19.
- Further, the government is expected to generate Rs 5,600 crore through stamp duty and registration. This is an increase of 17% over the revised estimates of 2017-18.
- Tax on vehicles and electricity duties will contribute Rs 3,200 crore and Rs 3,050 crore, respectively. Land revenue will contribute Rs 1,200 crore, an increase of Rs 500 crore over the revised estimates of 2017-18.
- About 2% of the tax revenue will be generated through taxes on income and expenditure and other taxes and duties.

## Deficits, Debts and FRBM Targets for 2018-19

The Madhya Pradesh Fiscal Responsibility and Budget Management 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 is expected to go up in the succeeding years. It is expected to increase from 21.4% in 2016-17 to 25% in 2021-22.

The budget estimates a revenue surplus of Rs 263 crore (0.03% of GSDP) in 2018-19. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. The 14<sup>th</sup> Finance Commission had recommended that states should eliminate revenue deficits. The estimates in the Madhya Pradesh 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 26,780 crore, which is 3.2% of the GSDP. This estimate is higher than the 3% limit prescribed by the 14<sup>th</sup> 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 2018-19, the outstanding liabilities are expected at 26.3% of the GSDP.

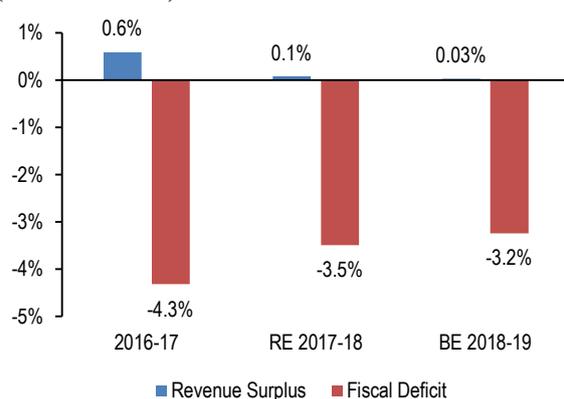
**Table 5: Budget targets for deficits for Madhya Pradesh in 2018-19 (% of GSDP)**

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2016-17	0.6%	-4.3%	25.4%
RE 2017-18	0.1%	-3.5%	27.3%
BE 2018-19	0.03%	-3.2%	26.3%
2019-20	Revenue Surplus	-3.3%	26.8%
2020-21	Revenue Surplus	-3.3%	27.2%

Sources: Press Note, Madhya Pradesh Budget Documents 2018-19; PRS.

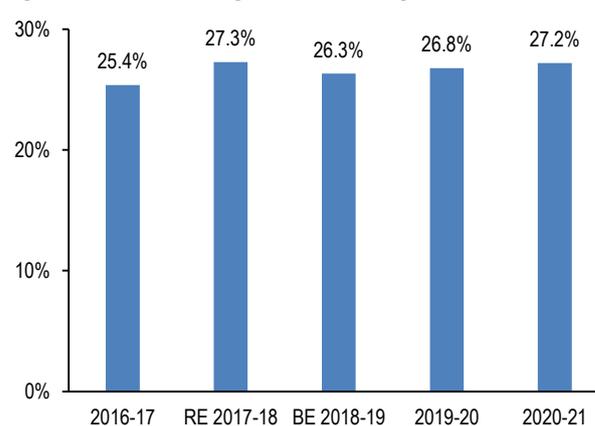
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2016-17 to 2020-21.

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



Sources: Madhya Pradesh Budget Documents; PRS.

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



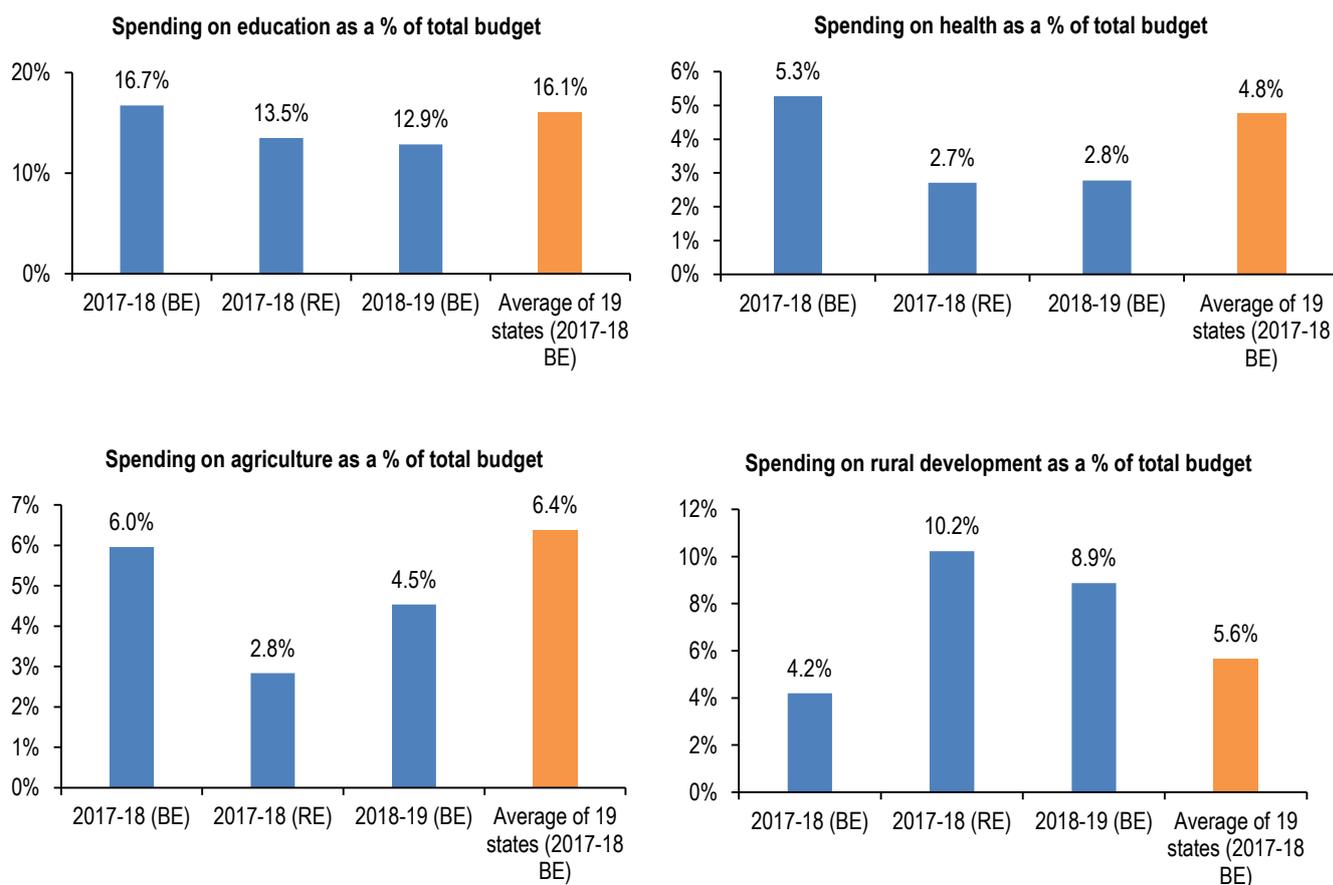
Note: Figures for 2019-20 and 2020-21 are projections.  
Sources: Madhya Pradesh Budget Documents; PRS.

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## Annexure

The graphs below compare Madhya Pradesh's expenditure on four key sectors as a proportion of its total budget, with 18 other states.<sup>1</sup>

- **Education:** Madhya Pradesh has allocated 12.9% on education in 2018-19. This is lower than the average expenditure allocated to education by 18 other states (using 2017-18 BE).
- **Health:** Madhya Pradesh has allocated 2.8% of its total expenditure on health, which is lower than the average expenditure of 18 other states.
- **Agriculture:** The state has allocated 4.5% of its total budget on agriculture. This is lower than the allocations of 18 other states (6.4%).
- **Rural development:** The state has allocated 8.9% of its expenditure on rural development. This is significantly higher 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 Madhya Pradesh.

Source: Press Note Madhya Pradesh Budget 2017-18 and 2018-19, various state budgets; PRS.

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