

Madhya Pradesh Budget Analysis 2021-22

The Finance Minister of Madhya Pradesh, Mr. Jagdish Devda, presented the Budget for the state for the financial year 2021-22 on March 2, 2021. Note that due to the impact of COVID-19, 2020-21 was not a standard year with respect to the performance of the economy and government finances. In this note, 2021-22 budget estimates have been compared to the actuals for 2019-20 (in terms of compounded annual growth rate or CAGR). A comparison of the revised estimates for 2020-21 and budget estimates for 2021-22 has been provided in the Annexure.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Madhya Pradesh for 2021-22 (at current prices) is projected to be Rs 11,32,116 crore. This is equivalent to a 10% annual growth over 2019-20. In 2021-22 GSDP is estimated to be 23.4% higher than the revised estimate of GSDP for 2020-21 (Rs 9,17,555 crore). In 2020-21, GSDP (at current prices) is estimated to contract by 2.1% from the previous year.
- **Total expenditure** for 2021-22 is estimated to be Rs 2,34,918 crore, an 11% annual increase over the expenditure in 2019-20.
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 1,66,525 crore, an annual increase of 6% over the actual receipts for 2019-20. In 2020-21, as per the revised estimates, total receipts (excluding borrowings) are estimated to be Rs 1,37,566 crore, which is 7% lower in comparison to 2019-20.
- **Revenue deficit** for 2021-22 is estimated to be Rs 7,953 crore, which is 0.7% of the GSDP. In 2020-21, as per the revised figures, revenue deficit is estimated at Rs 21,051 crore (2.29% of GSDP), as compared to the budgeted estimate of Rs 17,189 crore (1.81% of GSDP).
- **Fiscal deficit** for 2021-22 is targeted at Rs 50,598 crore (4.47% of GSDP). In 2020-21, the revised estimate for fiscal deficit is expected to be 5.66% of GSDP, higher than the budget estimate of 4.96% of GSDP.
- **Sectors:** Allocation towards water supply and sanitation had the highest annual increase of 54% over 2019-20, followed by health and family welfare (10%), and education, sports, arts and culture (10%). An annual decrease of 2% is seen in the allocation for construction of roads and bridges, and rural development between actual expenditure for 2019-20 and estimates for 2021-22.

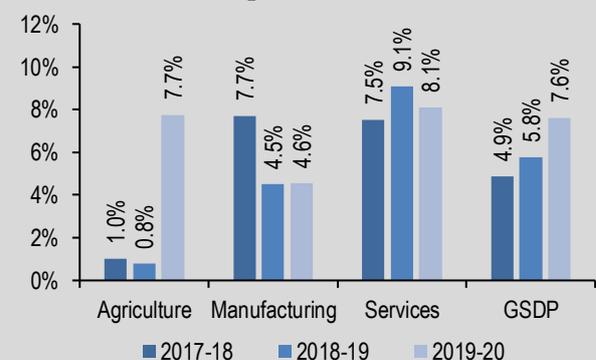
Policy Highlights

- **Agriculture:** The Mukhya Mantri Krishak Fasal Uparjan Sahayata Yojana will be introduced to provide financial aid to farmers through the Department for Civil Food Supplies and the state cooperative marketing federation. The scheme has been allocated Rs 2,000 crore for 2021-22.
- **Education:** The CM Rise scheme will be launched to upgrade 9,200 schools with modern infrastructure. For 2021-22, the scheme has been allocated Rs 1,500 crore, to be used to modernise 350 schools.
- **Self-Employment:** The Mukhya Mantri Swa-Rozgar Yojana will be launched to provide loans at low interest rates to encourage self-employment among youth. The scheme has been allocated Rs 112 crore.

Madhya Pradesh's Economy

- **GSDP:** Madhya Pradesh's GSDP (at constant prices) grew by 7.6% in 2019-20. In comparison, the country's GDP growth rate was lower at 4%.
- **Sectors:** In 2019-20, agriculture, manufacturing, and services sectors contributed to 35%, 25%, and 40% of the economy.
- **Per capita GSDP:** The per capita GSDP of Madhya Pradesh in 2019-20 (at constant prices) was Rs 67,770, which is 6% higher than the corresponding figure in 2018-19.
- **Unemployment:** As per the Periodic Labour Force Survey 2018-19 (for July 2018-June 2019), the unemployment rate in Madhya Pradesh was 3.5%, as compared to 5.8% in the country.

Figure 1: Growth in GSDP and sectors in Madhya Pradesh at constant prices (2011-12)



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation. Agriculture includes mining.

Sources: Ministry of Statistics and Programme Implementation; PRS.

Budget Estimates for 2021-22

- **Total expenditure** in 2021-22 is targeted at Rs 2,34,918 crore. This is an annual increase of 11% over 2019-20. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,66,525 crore and borrowings of Rs 67,258 crore. **Total receipts** for 2021-22 (other than borrowings) are expected to register an annual increase of 6% over 2019-20.
- As per the revised estimates for 2020-21, total expenditure is estimated to increase by 1% over the budget estimates. In 2020-21, receipts (other than borrowings) are estimated to increase by 0.4% from the budget to revised stage. Borrowings in 2020-21 are estimated to increase by 2% from the budget to revised stage.
- The state expects a **revenue deficit** of Rs 7,953 crore in 2021-22 (0.7% of GSDP). In 2020-21, revenue deficit is estimated to be Rs 21,051 crore at the revised stage, which is 22% higher as compared to the revenue deficit of Rs 17,189 crore estimated in the budget. **Fiscal deficit** for 2021-22 is estimated to be Rs 50,598 crore (4.47% of GSDP). In 2020-21, fiscal deficit is estimated to increase to 5.66% of GSDP at the revised stage as compared to 4.96% of GSDP estimated at the budget stage.

Table 1: Budget 2021-22 - Key figures (in Rs crore)

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Total Expenditure	1,91,606	2,00,343	2,01,631	1%	2,34,918	11%
A. Receipts (except borrowings)	1,47,812	1,36,962	1,37,566	0.4%	1,66,525	6%
B. Borrowings	34,364	63,448	64,411	2%	67,258	40%
Total Receipts (A+B)	1,82,176	2,00,410	2,01,976	1%	2,33,783	13%
Revenue Deficit	2,692	17,189	21,051	22%	7,953	72%
As % of GSDP	0.29%	1.81%	2.29%		0.70%	
Fiscal Deficit	32,860	47,035	51,941	10%	50,598	24%
As % of GSDP	3.51%	4.96%	5.66%		4.47%	
Primary Deficit	18,644	30,574	35,482	16%	29,655	26%
As % of GSDP	1.99%	3.22%	3.87%		2.62%	

Note: BE is Budget Estimates; RE is Revised Estimates. The budget documents have not taken the revenue under head 0028 (other taxes on income and expenditure) into account for calculating tax revenue, so necessary adjustments have been made to the figures for the analysis.

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 61,947 crore, which is an annual increase of 23% over the actual expenditure in 2019-20. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e., expenditure which leads to the creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government.
- **Revenue expenditure** for 2021-22 is proposed to be Rs 1,72,971 crore, which is an annual increase of 7% over 2019-20. This expenditure includes the payment of salaries, pensions, and interest. In 2020-21, revenue expenditure is estimated to be 3% higher than the budget estimate.
- In 2021-22, expenditure on debt servicing is estimated to be Rs 38,737 crore, an annual increase of 24% over 2019-20. This includes debt repayment of Rs 17,794 crore, and interest payment of Rs 20,943 crore.

Capital Outlay

Madhya Pradesh's capital outlay for 2021-22 is estimated to be Rs 40,667 crore, which is an 18% annual increase over 2019-20. The revised estimate for capital outlay in 2020-21 is Rs 29,671 crore which is 1.5% higher than the capital outlay in 2019-20. Irrigation and flood control accounts for 21% of the total capital outlay, followed by water supply and sanitation (19%), roads and bridges (14%), and rural development (12%).

Table 2: Expenditure budget 2021-22 (in Rs crore)

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Capital Expenditure	41,162	46,233	43,085	-7%	61,947	23%
of which Capital Outlay	29,241	28,350	29,671	5%	40,667	18%
Revenue Expenditure	1,50,444	1,54,110	1,58,545	3%	1,72,971	7%
Total Expenditure	1,91,606	2,00,343	2,01,631	1%	2,34,918	11%
A. Debt Repayment	10,934	16,346	12,124	-26%	17,794	28%
B. Interest Payments	14,217	16,460	16,459	0%	20,943	21%
Debt Servicing (A+B)	25,150	32,806	28,583	-13%	38,737	24%

Note: BE is Budget Estimates; RE is Revised Estimates. Capital outlay denotes expenditure which leads to the creation of assets.

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

Sectoral expenditure in 2021-22

The sectors listed below account for **64%** of the total expenditure on all sectors by the state in 2021-22. A comparison of Madhya Pradesh's expenditure on key sectors with that by other states is given in Annexure 1.

Table 3: Sector-wise expenditure under Madhya Pradesh Budget 2021-22 (in Rs crore)

Sector	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	Budget provisions 2021-22
Education, Sports, Arts, and Culture	30,271	33,408	32,010	36,344	10%	<ul style="list-style-type: none"> Rs 9,793 crore has been allocated for the establishment of primary schools, and Rs 5,329 crore has been allocated for secondary education. Rs 4,027 crore has been allocated towards higher secondary education.
Energy	14,640	10,095	12,286	16,745	7%	<ul style="list-style-type: none"> Rs 2,581 crore has been allocated to Atal Grah Jyoti Yojana.
Agriculture and allied activities	13,774	10,326	10,840	16,142	8%	<ul style="list-style-type: none"> Rs 4,592 crore has been allocated to the Atal Krishi Jyoti Yojana. Rs 3,200 crore has been allocated to the Mukhya Mantri Kisan Kalyan Yojana.
Rural Development	12,718	13,904	14,025	12,305	-2%	<ul style="list-style-type: none"> Rs 2,925 crore has been allocated to the Pradhan Mantri Gram Sadak Yojana. Rs 2,500 crore has been allocated to the Pradhan Mantri Awas Yojana (Grameen).
Health and Family Welfare	9,580	10,164	9,467	11,619	10%	<ul style="list-style-type: none"> Rs 3,035 crore has been allocated to the National Health Mission. Rs 1,208 crore has been allocated for hospitals and dispensaries at district level.
Social Welfare and Nutrition	10,391	10,612	12,562	10,892	2%	<ul style="list-style-type: none"> Rs 1,272 crore has been allocated towards the anganwadi scheme.
Irrigation and Flood Control	10,118	8,144	10,258	9,860	-1%	<ul style="list-style-type: none"> Rs 1,996 crore has been allocated for the construction of canals, and Rs 1,885 crore has been allocated for the construction of dams.
Water Supply and Sanitation	3,557	4,688	4,897	8,412	54%	<ul style="list-style-type: none"> Rs 5,762 crore has been allocated towards the Jal Jeevan Mission.
Police	6,811	7,512	7,270	8,062	9%	<ul style="list-style-type: none"> Rs 405 crore has been allocated towards the Mukhya Mantri Police Awas Yojana.
Roads and Bridges	7,304	6,303	6,187	6,957	-2%	<ul style="list-style-type: none"> Rs 850 crore has been allocated for the repair and upgradation of roads. Rs 620 crore has been allocated for the construction of roads in rural areas.
% of total expenditure on all sectors	66%	63%	64%	64%		

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2021-22, Madhya Pradesh is estimated to spend Rs 87,573 crore on committed expenditure, which is 53% of its revenue receipts. This is an annual increase of 22% over 2019-20. This comprises spending on salaries (30% of revenue receipts), pension (10%), and interest payments (13%). In 2020-21, payment towards pension decreased by 13% while payment towards salaries increased by 10% from the budget to revised stage.

Table 4: Committed expenditure in 2021-22 (in Rs crore)

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
Salaries	32,878	38,112	42,098	10%	49,717	23%
Pensions	12,053	16,993	14,841	-13%	16,913	18%
Interest	14,217	16,460	16,459	0%	20,943	21%
Total Committed Expenditure	59,148	71,565	73,397	3%	87,573	22%

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 2,33,783 crore, an annual increase of 13% over 2019-20. Of this, Rs 76,996 crore (47%) will be raised by the state through its **own resources**, and Rs 88,022 crore (53%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (32% of revenue receipts) and grants (22% of revenue receipts). In 2021-22, the state has also estimated receipts of Rs 1,434 crore through **disinvestment** (i.e., sale of the government's assets).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes (devolution) are estimated to register an annual increase of 3% over 2019-20. However, as per the 2020-21 revised estimate, devolution receipts are estimated to decrease by 6% as compared to the budget estimate. This is due to a 30% cut in the union budget for devolution to states, from Rs 7,84,181 crore to Rs 5,49,959 crore at the revised stage.
- **State's own tax revenue:** Total own tax revenue of Madhya Pradesh is estimated to be Rs 65,254 crore in 2021-22, an annual increase of 8% over the state's actual tax revenue in 2019-20. In 2020-21, as per the revised estimate, state's own tax revenue is estimated to be 9% higher than the budget estimate.

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

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
State's Own Tax	55,933	49,126	53,472	9%	65,254	8%
State's Own Non-Tax	10,350	8,860	9,715	10%	11,742	7%
Share in Central Taxes	49,518	46,025	43,373	-6%	52,247	3%
Grants-in-aid from Centre	31,952	32,910	30,934	-6%	35,775	6%
Total Revenue Receipts	1,47,753	1,36,921	1,37,494	0%	1,65,018	6%
Borrowings	34,364	63,448	64,411	2%	67,258	40%
Other receipts	59	41	71	73%	1,507	404%
Total Capital Receipts	34,424	63,489	64,482	2%	68,765	41%
Total Receipts	1,82,176	2,00,410	2,01,976	1%	2,33,783	13%

Note: The budget documents have not taken the revenue under head 0028 (other taxes on income and expenditure) into account for calculating tax revenue, so necessary adjustments have been made to the figures for the analysis.

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

- In 2021-22, State's GST revenue (SGST) is estimated to be Rs 23,000 crore, which is the largest source (35%) of the state's own tax revenue. This is an annual increase of 6% over the actual SGST revenue in 2019-20. In 2020-21, SGST is estimated to be 9% more than the budget estimate.
- In 2021-22, Madhya Pradesh is expected to generate Rs 12,109 crore through the collection of state excise, an annual increase of 6% over 2019-20. In 2020-21, the state excise collection is estimated to increase by 3% over the budget estimate.
- In 2021-22, Rs 14,240 crore is estimated to be generated through Sales Tax and VAT, an annual increase of 12% over 2019-20.

GST Compensation

The GST (Compensation to States) Act, 2017 guarantees states compensation for five years (till 2022) for any revenue loss arising due to GST implementation. The Act guarantees states a 14% annual growth in their GST revenue, failing which compensation grants are provided to states to meet the shortfall. These grants are funded through the GST compensation cess levied by the centre. As the cess collection is not sufficient to meet the compensation requirement of states in 2020-21, a part of their requirement will be met through loans from the centre (which will be repaid using future cess collection).

As per the revised estimate of 2020-21, Madhya Pradesh is estimated to receive Rs 4,158 crore in the form of GST compensation grants which is 8% lower than the grants received in 2019-20 (Rs 4,531 crore). In 2020-21, the state has estimated Rs 4,542 crore to come in the form of back-to-back loans from the Centre against GST compensation grants. In 2021-22, Rs 5,322 crore is expected as GST compensation grants, which is an annual increase of 8% over the grants received in 2019-20.

Table 6: Some of the major state's own tax revenue sources (in Rs crore)

Head	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	% of Revenue Receipts in 2021-22
State's own tax revenue	55,933	49,126	53,472	9%	65,254	8%	40%
State GST (SGST)	20,448	16,111	17,537	9%	23,000	6%	14%
Sales Tax/VAT	11,258	11,208	12,750	14%	14,240	12%	9%
State Excise	10,829	9,000	9,300	3%	12,109	6%	7%
Stamps Duty and Registration Fees	5,569	5,000	5,800	16%	6,495	8%	4%
Taxes on Vehicles	3,251	2,500	2,640	6%	3,600	5%	2%
Taxes and Duties on Electricity	2,268	3,000	3,150	5%	3,100	17%	2%
GST Compensation Grants	4,531	4,728	4,158	-12%	5,322	8%	3%

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

Deficits, Debts and FRBM Targets for 2021-22

The Madhya Pradesh 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 to finance revenue expenditure (which do not increase its assets or reduces its liabilities). The 2021-22 budget estimates a revenue deficit of Rs 7,953 crore (0.7% of the GSDP) in 2021-22. The 15th Finance Commission has not recommended revenue deficit grants for Madhya Pradesh for 2021-26.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings which leads to an increase in total liabilities. In 2021-22, the fiscal deficit is estimated to be Rs 50,598 crore (4.47% of GSDP). As per the revised estimate, in 2020-21, the fiscal deficit of the state is expected to be 5.66% of GSDP, which is higher than the budget estimate of 4.96%.

Enhanced borrowing limit in 2020-21: Given the situation due to COVID-19, the central government permitted states to increase their fiscal deficit up to 5% of GSDP in 2020-21. All states were allowed to increase their fiscal deficit up to 4% of GSDP. The remaining 1% of GSDP is conditional on the implementation of reforms by states in the following areas (0.25% of GSDP for each reform): (i) one nation one ration card, (ii) ease of doing business, (iii) urban local body/ utility, and (iv) power distribution. As of February, 2021, Madhya Pradesh is eligible to borrow Rs 8,542 crore for implementing the four reforms.

Outstanding debt: Outstanding debt is the accumulation of total borrowings at the end of a financial year. In 2021-22, the outstanding debt is expected to be 28.5% of the GSDP, higher than the revised estimate for 2020-21 (28.8% of GSDP). It is estimated to increase from 23.9% in 2018-19 to 28.5% in 2021-22.

Fiscal Roadmap for 2021-26

The 15th Finance Commission recommended the following fiscal deficit targets for states for the 2021-26 period (as a % of GSDP): (i) 4% for 2021-22, (ii) 3.5% for 2022-23, and (iii) 3% for 2023-26. The Commission estimates that total liabilities for Madhya Pradesh will increase from 31.3% of GSDP in 2020-21 to 33.7% of GSDP in 2025-26.

If a state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilised borrowing amount in subsequent years (within the 2021-26 period). Additional borrowing worth 0.5% of GSDP will be allowed each year for the first four years (2021-25) upon undertaking certain power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue.

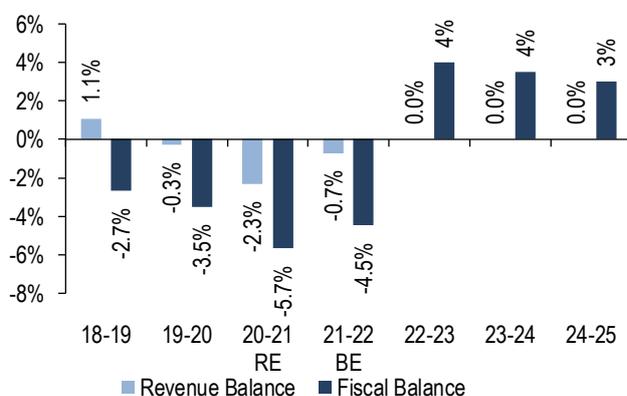
Table 7: Budget targets for deficits for Madhya Pradesh (% of GSDP)

Year	Revenue Balance	Fiscal Balance	Outstanding Debt
2018-19 (Actuals)	1.1%	-2.7%	23.9%
2019-20 (Actuals)	-0.3%	-3.5%	24.3%
2020-21 (Revised)	-2.3%	-5.7%	28.8%
2021-22 (Budget)	-0.7%	-4.5%	28.5%
2022-23	>0	4%	31.7%
2023-24	>0	4%	31.8%
2024-25	>0	3%	31.4%

Note: Outstanding debt includes outstanding debt under Internal Debt, Loans and Advances from Centre, Small Savings, Provident Fund, and Insurance and Pension Fund. Negative values indicate deficit and positive values indicate surplus.

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

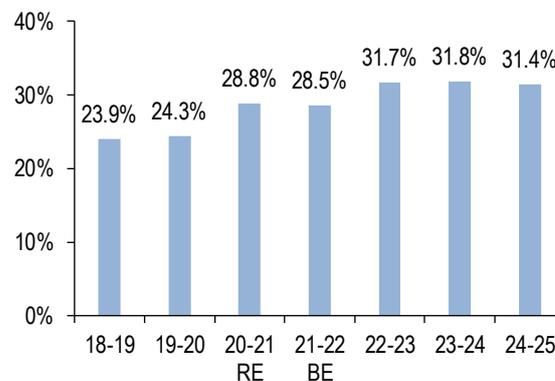
Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: Negative values indicate deficit and positive values indicate surplus; RE is Revised Estimates; BE is Budget estimates.

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

Figure 3: Outstanding debt targets (as % of GSDP)



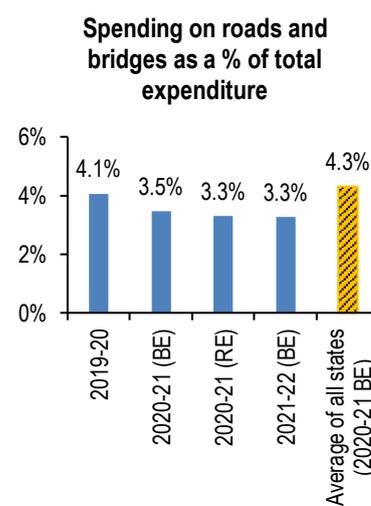
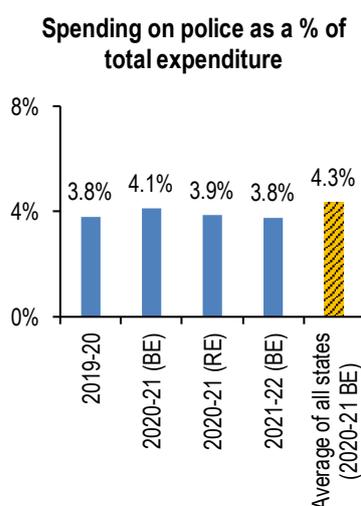
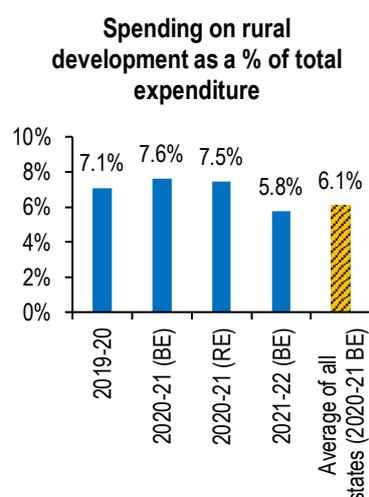
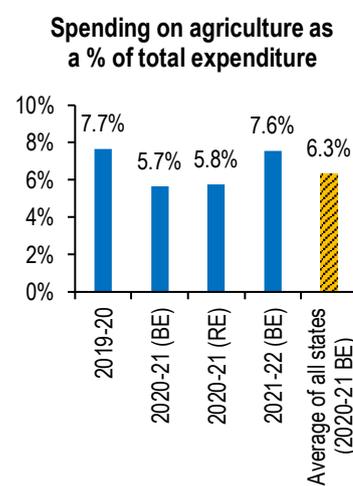
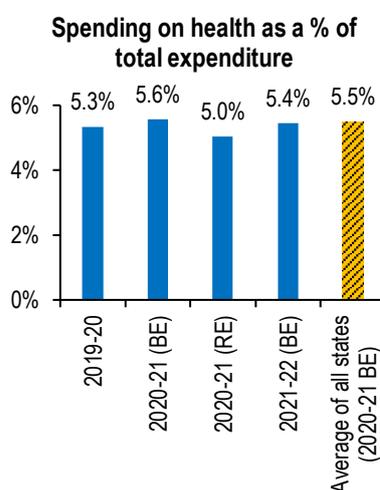
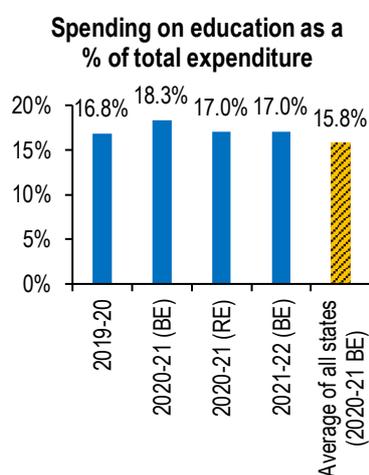
Note: RE is Revised Estimates; BE is budget estimates.

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Madhya Pradesh's expenditure on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 30 states (including Madhya Pradesh) as per their budget estimates of 2020-21.¹

- **Education:** Madhya Pradesh has allocated 17% of its total expenditure for education in 2021-22. This is higher than the average allocation (15.8%) for education by all states (2020-21 BE).
- **Health:** Madhya Pradesh has allocated 5.4% of its total expenditure on health, which is similar to the average allocation for health by states (5.5%).
- **Agriculture:** The state has allocated 7.6% of its total expenditure towards agriculture and allied activities. This is higher than the average allocation for agriculture by states (6.3%).
- **Rural development:** Madhya Pradesh has allocated 5.8% of its expenditure on rural development. This is marginally lower than the average allocation for rural development by states (6.1%).
- **Police:** Madhya Pradesh has allocated 3.8% of its total expenditure on police, which is lower than the average expenditure on police by states (4.3%).
- **Roads and bridges:** Madhya Pradesh has allocated 3.3% of its total expenditure on roads and bridges, which is lower than the average allocation by states (4.3%).



Note: 2019-20, 2020-21 (BE), 2020-21 (RE), and 2021-22 (BE) figures are for Madhya Pradesh. Sources: Madhya Pradesh Budget Documents 2021-22; PRS; various state budgets; PRS.

¹ The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

Annexure 2: Recommendations of the 15th Finance Commission for 2021-26

The 15th Finance Commission's (FC) report for the 2021-26 period was released on February 1, 2021. For the 2021-26 period, the Commission has recommended the share of states in the divisible pool of central taxes to be 41%, same as that for 2020-21 (also recommended by the 15th FC in its report for 2020-21). This is 1% point lower than the 42% share recommended by the 14th FC (for the 2015-20 period) to separately provide funds for the newly formed union territories of Jammu and Kashmir, and Ladakh. The 15th FC proposed revised criteria for determining the share of individual states (different from 14th FC). Based on the 15th FC's recommendations for the period 2021-26, Madhya Pradesh will have a 3.22% share in the divisible pool of central taxes. This implies that out of every Rs 100 of revenue in the divisible pool during the 2021-26 period, Madhya Pradesh will receive Rs 3.22. This is higher than the 3.17% share recommended by the 14th FC for the state for 2015-20.

Table 8: Share of states in the divisible pool of central taxes under the 14th and 15th FC periods

State	14th FC	15th FC	15th FC	% change	
	2015-20	2020-21	2021-26	2015-20 to 2021-26	2020-21 to 2021-26
Andhra Pradesh	1.81	1.69	1.66	-8.2%	-1.6%
Arunachal Pradesh	0.58	0.72	0.72	25.2%	-0.2%
Assam	1.39	1.28	1.28	-7.8%	-0.1%
Bihar	4.06	4.13	4.12	1.6%	0.0%
Chhattisgarh	1.29	1.40	1.40	8.0%	-0.3%
Goa	0.16	0.16	0.16	-0.3%	0.0%
Gujarat	1.30	1.39	1.43	10.1%	2.4%
Haryana	0.46	0.44	0.45	-1.6%	1.0%
Himachal Pradesh	0.30	0.33	0.34	13.6%	3.9%
Jammu & Kashmir	0.78	-	-	-	-
Jharkhand	1.32	1.36	1.36	2.8%	-0.2%
Karnataka	1.98	1.50	1.50	-24.5%	0.0%
Kerala	1.05	0.80	0.79	-24.8%	-0.9%
Madhya Pradesh	3.17	3.23	3.22	1.5%	-0.5%
Maharashtra	2.32	2.52	2.59	11.7%	3.0%
Manipur	0.26	0.29	0.29	13.3%	-0.3%
Meghalaya	0.27	0.31	0.31	16.6%	0.3%
Mizoram	0.19	0.21	0.21	6.1%	-1.2%
Nagaland	0.21	0.24	0.23	11.5%	-0.7%
Odisha	1.95	1.90	1.86	-4.8%	-2.2%
Punjab	0.66	0.73	0.74	11.9%	1.1%
Rajasthan	2.31	2.45	2.47	7.1%	0.8%
Sikkim	0.15	0.16	0.16	3.2%	0.0%
Tamil Nadu	1.69	1.72	1.67	-1.0%	-2.6%
Telangana	1.02	0.88	0.86	-15.8%	-1.5%
Tripura	0.27	0.29	0.29	7.7%	-0.1%
Uttar Pradesh	7.54	7.35	7.36	-2.5%	0.0%
Uttarakhand	0.44	0.45	0.46	3.7%	1.3%
West Bengal	3.08	3.08	3.08	0.3%	0.1%
Total	42.00	41.00	41.00		

Note: Although the 15th Finance Commission recommended the same criteria for 2020-21 and 2021-26 periods, the reference period for computation on some underlying indicators are different. This is why the share in the divisible pool in 2020-21 and 2021-26 differ for states. State's share has been rounded off to two decimal places.

Sources: Reports of 14th and 15th FCs; Union Budget Documents 2021-22; PRS.

The 15th FC recommended grants worth Rs 10.3 lakh crore for states over five years (2021-26). A portion of these grants will be conditional. 17 states will receive revenue deficit grants during this period. Sector-specific grants include grants for sectors such as health, agriculture, and education. Grants to local governments include: (i) Rs 1.2 lakh crore for urban local bodies, (ii) Rs 2.4 lakh crore for rural local bodies, and (iii) health grants worth Rs 70,000 crore through local bodies for healthcare infrastructure.

Grants recommended for Madhya Pradesh include:

(i) Rs 28,367 crore as grants for local bodies, (ii) Rs 10,177 crore as sector-specific grants in areas such as health, and agriculture, (iii) Rs 10,059 crore towards disaster management grants, and (iv) Rs 1,765 crore as state-specific grants.

Table 9: Grants recommended for 2021-26 (Rs crore)

Grants	Total	Madhya Pradesh
Revenue deficit grants	2,94,514	0
Local governments grants	4,36,361	28,367*
Sector-specific grants	1,29,987	10,177#
Disaster management grants	1,22,601	10,059
State-specific grants	49,599	1,765
Total	10,33,062	50,368

Note: This does not include competition-based grants including *grants for incubation of new cities (part of local bodies grants), and #grants for school education, and aspirational districts and blocks.

Source: Report of 15th FC; PRS.

Table 10: Taxes devolved to states as per Union Budget 2021-22

State	2019-20	2020-21 Revised	2021-22 Budget
Andhra Pradesh	29,421	22,611	26,935
Arunachal Pradesh	9,363	9,681	11,694
Assam	22,627	17,220	20,819
Bihar	66,049	55,334	66,942
Chhattisgarh	21,049	18,799	22,676
Goa	2,583	2,123	2,569
Gujarat	21,077	18,689	23,148
Haryana	7,408	5,951	7,275
Himachal Pradesh	4,873	4,394	5,524
Jammu & Kashmir	12,623	-38	-
Jharkhand	21,452	18,221	22,010
Karnataka	32,209	20,053	24,273
Kerala	17,084	10,686	12,812
Madhya Pradesh	51,584	43,373	52,247
Maharashtra	37,732	33,743	42,044
Manipur	4,216	3,949	4,765
Meghalaya	4,387	4,207	5,105
Mizoram	3,144	2,783	3,328
Nagaland	3,403	3,151	3,787
Odisha	31,724	25,460	30,137
Punjab	10,777	9,834	12,027
Rajasthan	37,554	32,885	40,107
Sikkim	2,508	2,134	2,582
Tamil Nadu	27,493	23,039	27,148
Telangana	16,655	11,732	13,990
Tripura	4,387	3,899	4,712
Uttar Pradesh	1,22,729	98,618	1,19,395
Uttarakhand	7,189	6,072	7,441
West Bengal	50,051	41,353	50,070
Total	6,83,353	5,49,959	6,65,563

Note: Actuals for 2019-20 and Revised Estimates for 2020-21 have been reported in the Union Budget after adjusting for excess or less devolution in previous years.

Sources: Union Budget Documents 2021-22; PRS.

Annexure 3: Comparison of 2020-21 Revised and 2021-22 Budget Estimates

The following tables compare the budget estimates for 2021-22 with the revised estimates for 2020-21.

Table 11: Comparison of Budget Estimates for 2021-22 with Revised Estimates for 2020-21

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Receipts (1+2)	2,01,976	2,33,783	16%
Receipts except Borrowings	1,37,566	1,66,525	21%
1. Revenue Receipts (a+b+c+d)	1,37,494	1,65,017	20%
a. Own Tax Revenue	53,472	65,254	22%
b. Own Non-Tax Revenue	9,715	11,742	21%
c. Share in central taxes	43,373	52,247	20%
d. Grants-in-aid from the Centre	30,934	35,775	16%
<i>Of which GST compensation</i>	4,158	5,322	-2%
2. Capital Receipts	64,482	68,765	7%
a. Borrowings	64,411	67,258	4%
<i>Of which GST compensation loan</i>	4,542	-	-
Expenditure (3+4)	2,01,631	2,34,918	17%
3. Revenue Expenditure	1,58,545	1,72,971	9%
4. Capital Expenditure	43,085	61,947	44%
i. Capital Outlay	29,671	40,667	37%
ii. Debt Repayment	12,124	17,794	47%
Revenue Balance	21,051	7,953	-62%
Revenue Balance (as % of GSDP)	2.29%	0.7%	0%
Fiscal Balance	51,941	50,598	-3%
Fiscal Balance (as % of GSDP)	5.66%	4.47%	0%

Note: Negative value of balance indicates a deficit and positive value indicates a surplus.

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

Table 12: Key Components of State's Own Tax Revenue

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
SGST	17,537	23,000	31%
Sales Tax/VAT	12,750	14,240	12%
State Excise Duty	9,300	12,109	30%
Stamps Duty and Registration Fees	5,800	6,495	12%
Taxes on Vehicles	2,640	3,600	36%
Taxes and Duties on Electricity	3,150	3,100	-2%
Land Revenue	400	850	113%

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

Table 13: Allocation towards Key Sectors

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	32,010	36,344	14%
Energy	12,286	16,745	36%
Agriculture and allied activities	10,840	16,142	49%
Rural Development	14,025	12,305	-12%
Health and Family Welfare	9,467	11,619	23%
Social Welfare and Nutrition	12,562	10,892	-13%
Irrigation and Flood Control	10,258	9,860	-4%
Water Supply and Sanitation	4,897	8,412	72%
Police	7,270	8,062	11%
Transport	6,267	6,978	11%

Sources: Madhya Pradesh Budget Documents 2021-22; PRS.

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