Madhya Pradesh Budget Analysis 2024-25

The Finance Minister of Madhya Pradesh, Mr. Jagdish Devda, presented the Budget for the state for the financial year 2024-25 on July 3, 2024.

Budget Highlights

- The **Gross State Domestic Product** (GSDP) of Madhya Pradesh for 2024-25 (at current prices) is projected to be Rs 15,22,220 crore, amounting to growth of 0.6% over 2023-24.
- **Expenditure (excluding debt repayment)** in 2024-25 is estimated to be Rs 3,26,381 crore, an increase of 8.9% over the revised estimates of 2023-24. In addition, debt of Rs 29,697 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2024-25 are estimated to be Rs 2,63,817 crore, an increase of 7.6% as compared to the revised estimate of 2023-24.
- **Revenue surplus** in 2024-25 is estimated to be 0.1% of GSDP (Rs 1,700 crore), higher than the revised estimates for 2023-24 (0.04% of GSDP). In 2023-24, the revenue surplus is expected to be marginally higher than the budget estimate (0.03% of GSDP).
- **Fiscal deficit** for 2024-25 is targeted at 4.1% of GSDP (Rs 62,564 crore). In 2023-24, as per the revised estimates, fiscal deficit is expected to be 3.6% of GSDP, lower than the budget estimate for 2023-24 (4%).

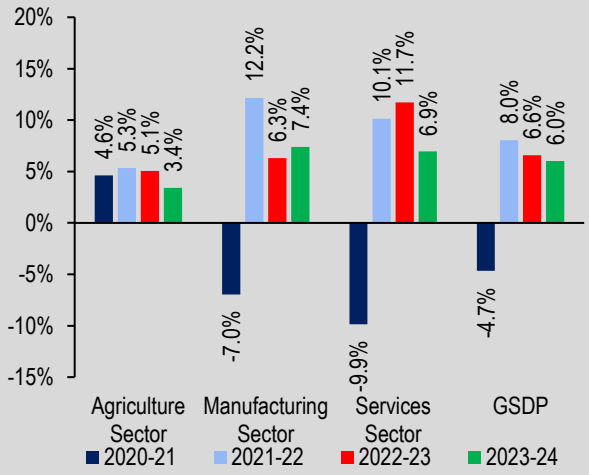
Policy Highlights

- **Expressway network:** A proposed expressway network including the Atal Pragati Path (299 km), Narmada Pragati Path (900 km), Vindhya Expressway (676 km), Malwa Nimad Vikas Path (450 km), Bundelkhand Vikas Path (330 km), and Madhya Bharat Vikas Path (746 km) will be built over the next five years.
- **Mukhyamantri Sahkari Dugdh Utpadak Protsahan Scheme:** The Chief Minister's Cooperative Milk Production Incentive Scheme will be launched to increase the income of milk producers, with an initial allocation of Rs 150 crore.
- **Prison Reforms:** The Sudharatmak Sevayein Evam Bandigrih Adhiniyam, 2024, will be enacted to introduce prison reforms. It is based on the Union government's Model Prison Act, 2023.

Madhya Pradesh's Economy

- **GSDP:** In 2023-24, Madhya Pradesh's GSDP (at constant prices) grew at 6%, compared to 6.6% in 2022-23. In comparison, national GDP is estimated to grow at 8% in 2023-24.
- **Sectors:** The agriculture sector grew by 3.4% in 2023-24. In comparison, it witnessed 5.1% growth in 2022-23. Manufacturing sector grew by 7.4% in 2023-24. Services grew by 6.9% in 2023-24. In comparison, it grew by 11.7% in 2022-23.
- In 2023-24, agriculture, manufacturing, and services sectors are estimated to contribute 36%, 24%, and 40% to the economy, respectively (at constant prices).
- **Per capita GSDP:** The per capita GSDP of Madhya Pradesh in 2023-24 (at current prices) is estimated at Rs 1,56,381, an increase of 8% over 2022-23.

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



Note: Agriculture also includes mining and quarrying; manufacturing also includes construction, and electricity, gas, water, and other utility services. These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.
Sources: MOSPI; PRS.

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August 14, 2024

Budget Estimates for 2024-25

- **Total expenditure (excluding debt repayment)** in 2024-25 is targeted at Rs 3,26,381 crore. This is an increase of 9% over the revised estimates of 2023-24. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 2,63,817 crore and net borrowings of Rs 64,734 crore. Total receipts for 2024-25 (other than borrowings) are expected to register an increase of 8% over the revised estimate of 2023-24.
- **Revenue surplus** in 2024-25 is estimated to be 0.11% of GSDP (Rs 1,700 crore), higher than the revised estimates for 2023-24 (0.04% of GSDP). **Fiscal deficit** for 2024-25 is targeted at 4.11% of GSDP (Rs 62,564 crore), higher than the revised estimates for 2023-24 (3.6% of GSDP).

Table 1: Budget 2024-25 - Key figures (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Total Expenditure	2,68,700	3,06,103	3,20,753	4.8%	3,56,078	11.0%
(-) Repayment of debt	22,006	24,551	21,072	-14.2%	29,697	40.9%
Net Expenditure (E)	**2,46,694**	**2,81,552**	**2,99,681**	**6.4%**	**3,26,381**	**8.9%**
Total Receipts	2,64,358	3,05,944	3,21,462	5.1%	3,58,248	11.4%
(-) Borrowings	58,867	80,100	76,230	-4.8%	94,431	23.9%
Net Receipts (R)	**2,05,491**	**2,25,843**	**2,45,232**	**8.6%**	**2,63,817**	**7.6%**
Fiscal Deficit (E-R)	**41,203**	**55,708**	**54,449**	**-2.3%**	**62,564**	**14.9%**
as % of GSDP	3.11%	4.02%	3.6%		4.11%	
Revenue Surplus	**4,091**	**413**	**621**	**50.4%**	**1,700**	**173.8%**
as % of GSDP	0.31%	0.03%	0.04%		0.11%	
Primary Deficit	**21,749**	**33,088**	**30,456**	**-8.0%**	**35,164**	**15.5%**
as % of GSDP	1.6%	2.4%	2.0%		2.3%	
GDP	13,22,821	13,87,117	15,13,720	9.1%	15,22,220	0.6%

Note: BE is Budget Estimates; RE is Revised Estimates.
Sources: Annual Financial Statement, Madhya Pradesh Budget 2024-25; PRS.

Expenditure in 2024-25

- **Revenue expenditure** for 2024-25 is proposed to be Rs 2,61,644 crore, an increase of 13% over the revised estimates of 2023-24. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2024-25 is proposed to be Rs 61,633 crore, decrease of 8% from the revised estimates of 2023-24. Capital outlay indicates the expenditure towards creation of assets. Capital outlay in 2024-25 is estimated to be about 4% of GSDP.
- In 2024-25, loans given by the state are estimated to increase by 123% over the revised estimates for 2023-24. Debt repayment by the state is estimated to 41% higher than the revised estimates for 2023-24.

State Owned Power Sector Units are in Losses

In November 2015, the Government of India launched the Ujwal Discom Assurance Yojana with the aim of reducing interest burden, cost of power, and power losses in DISCOMs. The Madhya Pradesh government entered into a Memorandum of Understanding with the state's DISCOMs and the Ministry of Power in August, 2016. According to this agreement, the state would take over debt amounting to Rs 26,055 crore (75% of the total debt of Madhya Pradesh DISCOMs) as of September 30, 2015 within five years.

By 2022, the state government had provided grants amounting to Rs 12,690 crore to cover the debt. As per Revised estimate of 2023-24, Rs 13,365 crore was given to cover the remaining debt. From 2017 to 2022, the Madhya Pradesh government took over the losses of Rs 3,795 crore from the Madhya Pradesh DISCOMs. In 2022-23 and in the revised estimate of 2023-24, no money was allocated to cover the loss of DISCOMs. In 2024-25, Rs 12 crore has been allocated for this purpose.

Source: State finances audit report for Madhya Pradesh, CAG, 2023

Table 2: Expenditure budget 2024-25 (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Revenue Expenditure	1,99,895	2,25,297	2,31,112	3%	2,61,644	13%
Capital Outlay	44,438	54,056	67,178	24%	61,633	-8%
Loans given by the state	2,360	2,198	1,391	-37%	3,103	123%
Net Expenditure	**2,46,694**	**2,81,552**	**2,99,681**	**6%**	**3,26,381**	**9%**

Sources: Annual Financial Statement, Madhya Pradesh Budget 2024-25; 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 2024-25, Madhya Pradesh is estimated to spend Rs 1,17,945 crore on committed expenditure, which is 45% of its estimated revenue receipts. This comprises spending on salaries (25% of revenue receipts), pension (10%), and interest payments (10%). In 2023-24, expenditure towards pensions is estimated to be 5% higher than the budget estimate. In 2022-23, as per actuals, 43% of revenue receipts were spent towards committed expenditure.

Table 3: Committed Expenditure in 2024-25 (in Rs crore)

Committed Expenditure	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Salaries	48,507	61,682	57,305	-7%	64,898	13%
Pension	19,691	23,011	24,058	5%	25,648	7%
Interest payment	19,453	22,620	23,994	6%	27,400	14%
Committed Expenditure	**87,650**	**1,07,313**	**1,05,358**	**-2%**	**1,17,945**	**12%**

Sources: Annual Financial Statement, Madhya Pradesh Budget 2024-25; PRS.

Sector-wise expenditure: The sectors listed below account for **65%** of the total expenditure on sectors by the state in 2024-25. A comparison of Madhya Pradesh's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Madhya Pradesh Budget 2024-25 (in Rs crore)

Sector	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	2024-25 Budgeted	% change from RE 23-24 to BE 24-25	Budget Provisions (2024-25)
Education, Sports, Arts, and Culture	34,814	44,949	41,518	48,087	16%	▪ Rs 23,040 crore has been allocated for government primary schools.
Social Welfare and Nutrition	11,802	20,977	26,795	34,049	27%	▪ Rs 1,605 crore has been allocated for the Disaster Management in the affected area.
Energy	28,355	25,276	38,070	24,891	-35%	▪ Rs 10,061 crore has been allocated as assistance to electricity boards. ▪ Rs 3,500 crore has been allocated for Atal Griha Jyoti Yojana.
Agriculture and Allied Activities	14,524	17,938	19,334	22,193	15%	▪ Rs 2,001 crore has been allocated towards crop insurance under PM Fasal Bima Yojana.
Health and Family Welfare	14,022	16,299	17,476	21,714	24%	▪ Rs 8,335 crore has been allocated for hospitals and dispensaries. ▪ Rs 4,500 crore has been allocated to National Health Mission (Both Urban and Rural).
Rural Development	10,806	12,528	15,317	14,918	-3%	▪ Rs 4,000 crore has been allocate towards housing under the PM-Awaas Yojana. ▪ Rs 2,100 crore has been allocated to Gram Panchayats.
Irrigation and Flood Control	13,991	10,268	14,747	12,998	-12%	▪ Rs 8,492 crore has been allocated for capital outlay on irrigation and flood control.
Police	7,814	9,507	9,361	10,663	14%	▪ Rs 6,139 crore has been allocated towards district police.
Water Supply and Sanitation	7,942	9,995	9,524	9,793	3%	▪ Rs 8,023 crore has been allocated as capital outlay for rural water supply.
Transport	9,352	8,848	11,236	9,386	-16%	▪ Rs 9,043 crore has been allocated towards roads and bridges.
% of total expenditure on all sectors	**63%**	**63%**	**68%**	**65%**	-5%	

Sources: Annual Financial Statement, Madhya Pradesh Budget 2024-25; PRS.

Receipts in 2024-25

- **Total revenue receipts** for 2024-25 are estimated to be Rs 2,63,344 crore, an increase of 14% over the revised estimates of 2023-24. Of this, Rs 1,22,700 crore (47%) will be raised by the state through its **own resources**, and Rs 1,40,645 crore (53%) will come **from the centre.** Resources from the centre will be in the form of state's share in central taxes (36% of revenue receipts) and grants (17% of revenue receipts).
- **Devolution:** In 2024-25, state's share in central taxes is estimated at Rs 95,753 crore, an increase of 10% over the revised estimates of 2023-24.
- **Grants from the centre** in 2024-25 are estimated at Rs 44,892 crore, an increase of 12% over the revised estimates for 2023-24. As per revised estimates for 2023-24, grants from the centre were 9% less than the budgeted amount. In 2022-23, the actual amount of grants received from the centre was 17% less than the budget estimate.
- **State's own tax revenue:** Madhya Pradesh's total own tax revenue is estimated to be Rs 1,02,097 crore in 2024-25, an increase of 17% over the revised estimate of 2023-24. Own tax revenue as a percentage of GSDP is estimated at 6.7% in 2024-25, higher than the revised estimates for 2023-24 (5.8%). As per the actual figures for 2022-23, own tax revenue as a percentage of GSDP was 5.5%.

Table 5: Break-up of the state government's receipts (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 2023-24 to RE 2023-24	2024-25 Budgeted	% change from RE 2023-24 to BE 2024-25
State's Own Tax	72,611	86,500	87,545	1%	1,02,097	17%
State's Own Non-Tax	19,878	14,913	17,301	16%	20,603	19%
Share in Central Taxes	74,543	80,184	86,703	8%	95,753	10%
Grants-in-aid from Centre	36,954	44,113	40,184	-9%	44,892	12%
Revenue Receipts	**2,03,986**	**2,25,710**	**2,31,733**	**3%**	**2,63,344**	**14%**
Non-debt Capital Receipts	1,505	134	13,499	10003%	473	-96%
Net Receipts	**2,05,491**	**2,25,843**	**2,45,232**	**8.6%**	**2,63,817**	**8%**

BE is Budget Estimates; RE is Revised Estimates.
Sources: Annual Financial Statement, Madhya Pradesh Budget 2024-25; PRS.

- In 2024-25, **State GST** is estimated to be the largest source of own tax revenue (39% share). State GST revenue is estimated to increase by 25% over the revised estimates of 2023-24.
- Sales Tax/VAT and State Excise is estimated to increase by 5% and 8% respectively over the revised estimates of 2023-24.

Table 6: Major sources of state's own-tax revenue (in Rs crore)

Head	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
State GST	23,397	32,000	32,000	0.0%	40,000	25%
Sales Tax/ VAT	17,719	19,514	19,557	0.2%	21,000	7%
Stamps Duty and Registration Fees	8,812	10,400	10,700	2.9%	12,500	17%
Taxes on Vehicles	4,028	4,440	4,800	8.1%	5,500	15%
State Excise	12,955	13,845	13,845	0.0%	16,000	16%
Land Revenue	956	1,200	1,200	0.0%	701	-42%
Taxes and Duties on Electricity	3,498	3,858	4,200	8.9%	5,000	19%
GST Compensation Grants	4,572	4,190	4,190	0.0%	1,220	-71%
GST Compensation Loans	0	0	0	-	0	0

Sources: Annual Financial Statement, Revenue Budget, and Madhya Pradesh Budget 2024-25; PRS.

Deficits, Debt, and FRBM Targets for 2024-25

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 Surplus: It is the difference of revenue expenditure and revenue receipts. A revenue surplus can be used to incur capital outlay or to repay outstanding debt. The budget estimates a revenue surplus of Rs 1,700 crore (or 0.1% of the GSDP) in 2024-25.

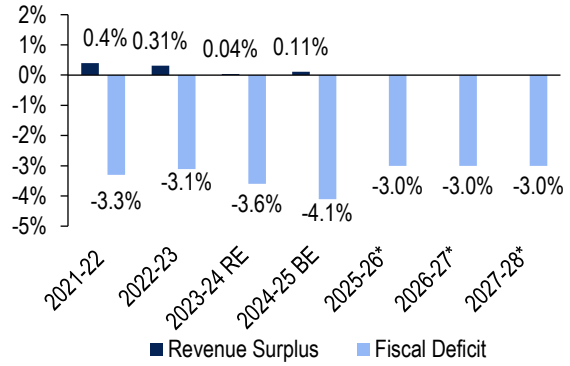
Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2024-25, the fiscal deficit is estimated to be 4.1% of GSDP. For 2024-25, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms.

As per the revised estimates, in 2023-24, the fiscal deficit of the state is expected to be 3.6% of GSDP. This is lower than the budget estimate. Fiscal deficit is projected to be lowered to 3% of GSDP by 2026-27.

Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2024-25, the outstanding liabilities are estimated to be 32% of GSDP, higher than the revised estimate for 2023-24 (28% of GSDP). The outstanding liabilities are projected to remain at 32% of GSDP till 2027-28.

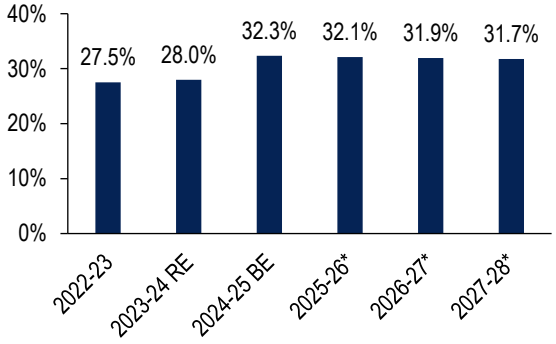
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As of March 31, 2024, the state's outstanding guarantee is estimated to be Rs 44,315 crore, which is 3.25% of GSDP in 2023-24.

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



Note: *Figures for 2025-26, 2026-27, and 2027-28 are projections; For 2020-21 and 2021-22, deficits reported without treating GST compensation loans as grants. From 2025-26 to 2027-28 the state is projected to be in marginal revenue surplus. RE is Revised Estimates; BE is budget estimates.
Sources: Medium Term Fiscal Policy, Madhya Pradesh Budget 2024-25; PRS.

Figure 3: Outstanding Liabilities (as % of GSDP)



Note: *Figures for 2025-26, 2026-27, and 2027-28 are projections; RE is Revised Estimates; BE is budget estimates.
Sources: Medium Term Fiscal Policy, Madhya Pradesh Budget 2024-25; PRS.

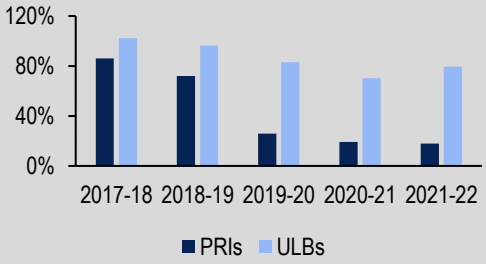
Actual allocation to Panchayati Raj Institutions (PRIs) was less

Based on the recommendation of the Third State Finance Commission (which was accepted by the State Government in February 2010) 4% of the divisible fund of the State Government is to be devolved to PRIs and 1% to Urban Local Bodies (ULBs).

Funds given to PRIs have been less than the amount to be devolved in almost every year since 2017-18. The difference between the actual devolution and the fund to be devolved was the highest in 2020-21 and 2021-22, due to financial constraints during the COVID-19 pandemic (see Figure 4).

Source: State Finances Audit Report for Madhya Pradesh, CAG, 2023.

Figure 4: Funds released as a % of Fund to be devolved (in crore)



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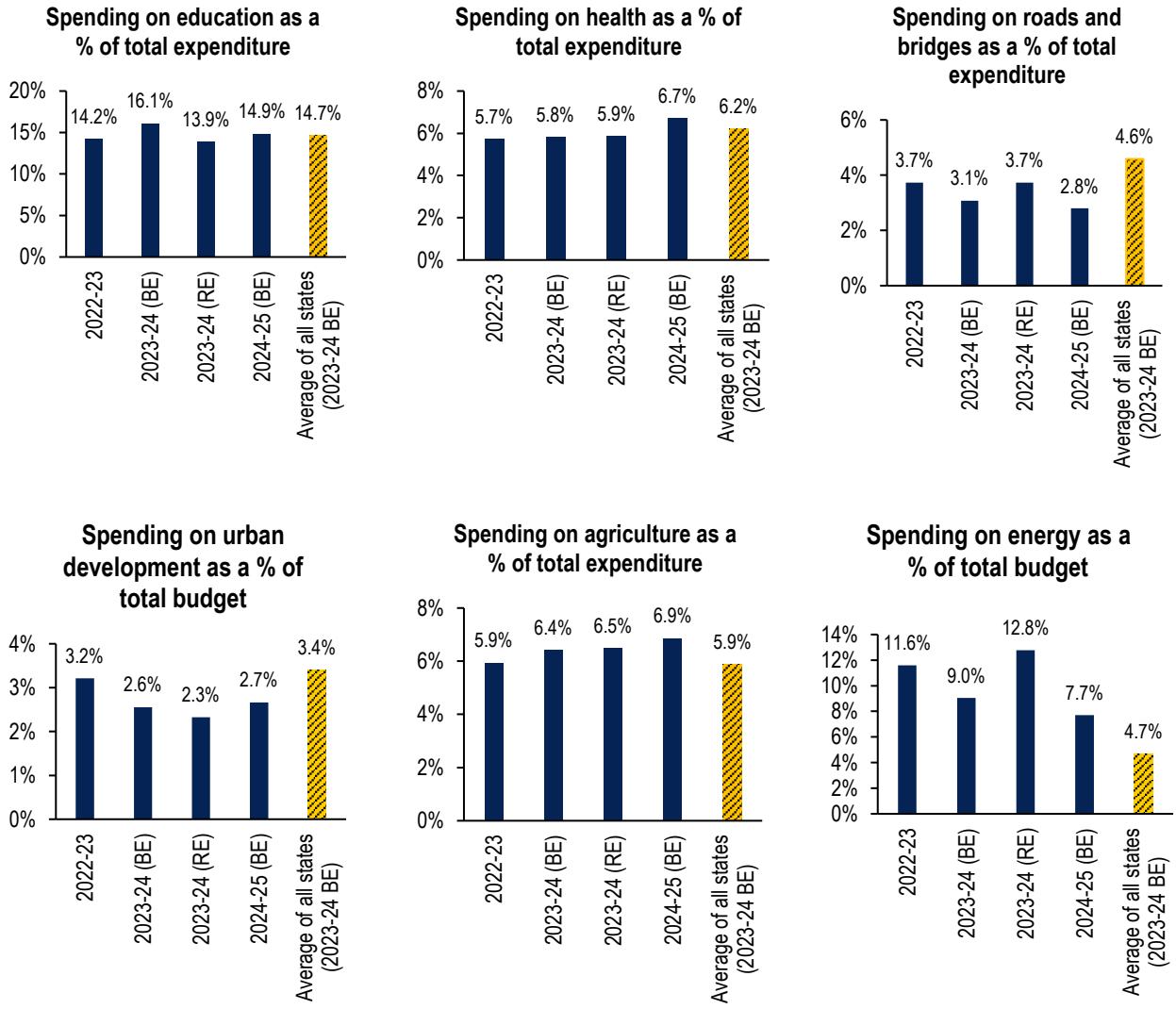
Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Madhya Pradesh's expenditure in 2024-25 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 31 states (including Madhya Pradesh) as per their budget estimates of 2023-24.[1]

- **Education:** Madhya Pradesh has allocated 14.9% of its expenditure on education in 2024-25. This is similar to the average allocation for education by states in 2023-24 (14.7%).
- **Health:** Madhya Pradesh has allocated 6.7% of its total expenditure towards health, which is marginally higher than the average allocation for health by states (6.2%).
- **Roads and Bridges:** Madhya Pradesh has allocated 2.8% of its expenditure on roads and bridges. This is lower than the average allocation by states (4.6%).
- **Urban development:** Madhya Pradesh has allocated 2.7% of its expenditure towards urban development. This is lower than the average allocation towards urban development by states (3.4%).
- **Agriculture:** Madhya Pradesh has allocated 6.9% of its total expenditure towards agriculture, which is higher than the average expenditure on agriculture by states (5.9%).
- **Energy:** Madhya Pradesh has allocated 7.7% of its total expenditure towards energy, which is higher than the average allocation by states (4.7%).



Note: 2022-23, 2023-24 (BE), 2023-24 (RE), and 2024-25 (BE) figures are for Madhya Pradesh.
Sources: Annual Financial Statement, Madhya Pradesh Budget 2024-25; various state budget; PRS.

[1] The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry.

Annexure 2: Comparison of 2022-23 Budget Estimates and Actuals

The following tables compare the actuals of 2022-23 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Net Receipts (1+2)	**1,95,204**	**2,05,491**	5%
1. Revenue Receipts (a+b+c+d)	1,95,180	2,03,986	5%
a. Own Tax Revenue	72,860	72,611	-0.3%
b. Own Non-Tax Revenue	13,618	19,878	46%
c. Share in central taxes	64,107	74,543	16%
d. Grants-in-aid from the Centre	44,595	36,954	-17%
Of which GST compensation grants	5,000	4,572	-9%
2. Non-Debt Capital Receipts	24	1,505	6064%
3. Borrowings	75,943	58,867	-22%
Of which GST compensation loan	0	0	-100%
Net Expenditure (4+5+6)	2,47,715	2,46,694	-0.4%
4. Revenue Expenditure	1,98,916	1,99,895	0.5%
5. Capital Outlay	45,686	44,438	-3%
6. Loans and Advances	3,114	2,360	-24%
7. Debt Repayment	24,114	22,006	-9%
Revenue Balance	3,736	4,091	9%
Revenue Balance (as % of GSDP)	0.32%	0.31%	
Fiscal Deficit	52,511	41,203	-22%
Fiscal Deficit (as % of GSDP)	4.6%	3.1%	

Source: Madhya Pradesh Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue

Tax Source/Head	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Land Revenue	1,241	956	-23%
State GST	25,000	23,397	-6%
State Excise	13,255	12,955	-2%
Taxes and Duties on Electricity	3,364	3,498	4%
Sales Tax/ VAT	16,968	17,719	4%
Stamps Duty and Registration Fees	8,200	8,812	7%
Taxes on Vehicles	3,700	4,028	9%

Source: Madhya Pradesh Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors

Sector	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Rural Development	14,313	10,806	-25%
Agriculture and Allied Activities	16,784	14,524	-13%
Education, Sports, Arts, and Culture	39,326	34,814	-11%
Police	8,813	7,814	-11%
Water Supply and Sanitation	8,657	7,942	-8%
Welfare of SC, ST, OBC, and Minorities	6,704	6,258	-7%
Social Welfare and Nutrition	11,730	11,802	1%
Health and Family Welfare	13,903	14,022	1%
Housing	10,691	10,846	1%
Transport	7,299	9,352	28%
of which Roads and Bridges	7,133	9,120	28%
Energy	21,816	28,355	30%
Urban Development	5,776	7,858	36%
Irrigation and Flood Control	8,438	13,991	66%

Source: Madhya Pradesh Budget Documents of various years; PRS.