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# Maharashtra Budget Analysis 2017-18

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The Finance Minister of Maharashtra, Mr Sudhir Mungantiwar, presented the Budget for Maharashtra for financial year 2017-18 on March 18, 2017.

## Budget Highlights

- The **Gross State Domestic Product** of Maharashtra for 2017-18 at current prices is estimated to be Rs 25,35,213 crore. This is 11.8% higher than the revised estimate for 2016-17.
- **Total expenditure** for 2017-18 is estimated to be Rs 2,83,753 crore, a 4.5% increase over the revised estimate of 2016-17. In 2016-17, there was an increase of Rs 14,456 crore (5.6%) in the revised estimate over the budget estimate.
- **Total receipts (excluding borrowings)** for 2017-18 are estimated to be Rs 2,44,964 crore, an increase of 10.8% over the revised estimates of 2016-17. In 2016-17, total receipts decreased the budgeted target by Rs 831 crore (0.4%).
- **Revenue deficit** for the next financial year is targeted at Rs 4,511 crore, or 0.18% of the state Gross Domestic Product (GDP). **Fiscal deficit** is targeted at Rs 38,789 crore (1.53% of state GDP).
- Departments of Public Works, School Education, Tribal Welfare saw increases in allocations for the year 2017-18. On the other hand, Departments of Agriculture, Energy, and Home witnessed a decrease in their allocation in 2017-18.

## Policy Highlights

- Rs 2,812 crores is allocated for 26 projects under Krishi Sinchi Yojna.
- Special provision of Rs 250 crore allocated for 1<sup>st</sup> phase of Krishna-Marathwada Lift Irrigation Scheme over the next four years.
- ‘Nanaji Deshmukh Krishi Sanjeevani’ project, worth Rs 4,000 crore is proposed to be introduced to protect farms in Marathwada and Vidarbha region from drought. The World Bank will aid the project.
- Maha-Infra, a Special Purpose Vehicle (SPV) to fund infrastructure projects is proposed to be set up. Maha-Infra will act as a single window for aggregating land held by various government departments for securitisation to raise money. The SPV is envisaged to raise Rs1 lakh crore in the next five years to finance capital expenditure of key infrastructure projects.
- Chief Minister's rural Drinking Water scheme is allocated Rs 300 crores.
- Rs 141 crore is allocated for security related projects like CCTV and setting up of forensic labs.
- 55,000 houses to be constructed for SC, ST under Ramai Awas Yojana. Rs 500 crore proposed to be allocated for the scheme.
- Rs 559 crore has been allocated for development and expansion of medical colleges in the state.

## Tax proposals

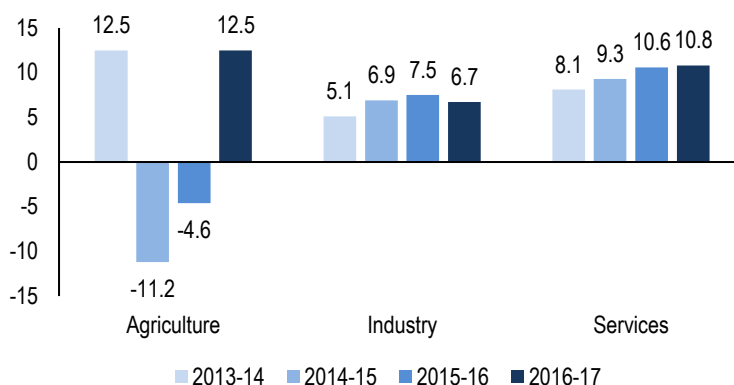
- Three additional benches will be setup under the Maharashtra Sales Tax Tribunal in preparation for Goods and Services Tax (GST).
- Additional powers are proposed to be provided for Appellate Authority under the Maharashtra Value Added Tax Act to increase ease of compliance and allow simpler ways for tax collection by the tax administration. This is estimated to clear pending arrears of the Finance Ministry.
- Value Added Tax of 13.5% on the sale of credit and debit card swipe machines will be waived off.

## Background: Maharashtra's Economy

### Volatile agricultural sector; steady growth in industry and services

- Agriculture sector** saw a volatile growth in the last four years. The sector saw negative growth of 11.2% and 4.6% in 2014-15 and 2015-16 respectively. However, the sector is estimated to see 12.5% growth in 2016-17 owing in increased rainfall.
- Industry sector** saw a steady positive growth, with highest growth of 7.5% in 2015-16.
- Services sector** saw a steady growth among all the sectors of the economy. Further, the growth of the sector has been increasing over time, from 8.1% in 2013-14 to 10.8% in 2016-17.

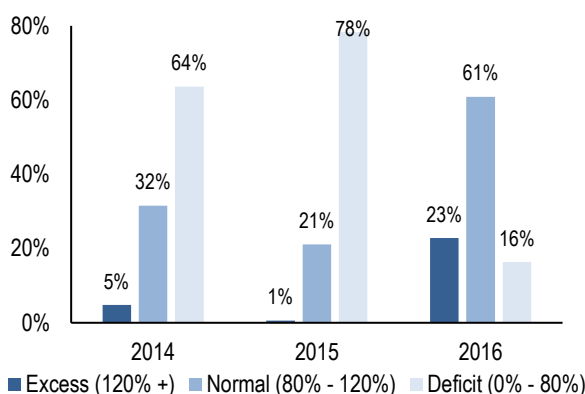
**Figure 1: Annual Growth rate of various sectors of the economy (%)**



Sources: Maharashtra Economic Survey; PRS.

### Increase in rainfall in 2016 expected to reflect in production

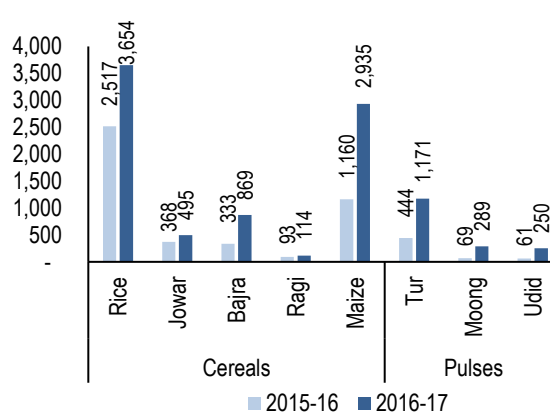
**Figure 2: Proportion of taluks who received excess, normal or deficit rainfall**



Sources: Central Statistics Office; PRS.

- Rainfall in 2016 has been better than the previous two years. In 2016, 61% of taluks in the state had normal rainfall (within 80-120% of average rainfall). This compares with 78% in 2015.
- In 2016, 16% of the taluks in the state had deficit rainfall (0-80% of average rainfall). This compares with 78% in 2015.

**Figure 3: Increase in production of cereals and pulses in 2015-16 and 2016-17 (kilo tonnes)**



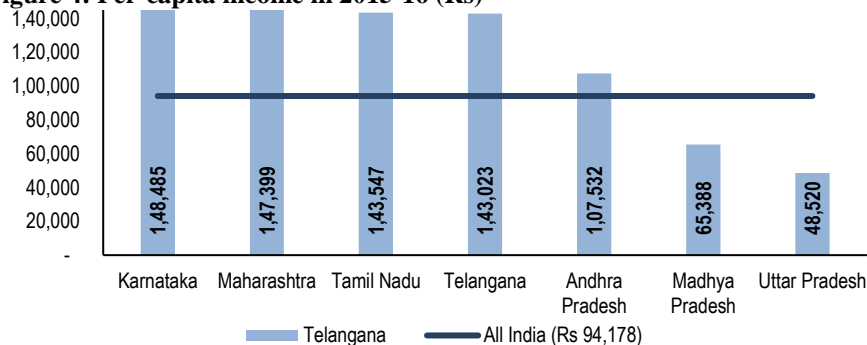
Sources: Central Statistics Office; PRS.

- Reflecting an increase in rainfall, 2016-17 saw higher production of cereals and pulses.
- Production of rice is estimated to increase from 2,517 kilo tonnes to 3,654 kilo tonnes. Further, production of maize is estimated to increase from 1,160 kilo tonnes to 2,935 kilo tonnes in 2016-17.

### State's per-capita is 1.5 times that of national average

- In 2015-16, Maharashtra had a per-capita income of Rs 1,47,939.
- This is lower than Karnataka (Rs 1,48,485), and higher than Tamil Nadu (Rs 1,43,547), Telangana (Rs 1,43,023), and Andhra Pradesh (Rs 1,07,532).

**Figure 4: Per-capita income in 2015-16 (Rs)**



## Budget Estimates for 2017-18

- The total expenditure in 2017-18 is targeted at Rs 2,83,753 crore. The revised estimate for the total expenditure in 2016-17 was Rs 2,71,449 crore, which is 5.6% (Rs 14,456 crore) higher than the budgeted target of 2016-17.
- The expenditure in 2017-18 is proposed to be met through receipts (other than borrowings) of Rs 2,44,964 crore and borrowings of Rs 38,893 crore. Total receipts for 2017-18 (other than borrowings) are expected to be 10.8% higher than the revised estimate of 2016-17.

**Table 1: Budget 2017-18 - Key figures (in Rs crore)**

Items	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	% change from BE 2016-17 to RE of 2016-17	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18
<b>Total Expenditure</b>	<b>2,14,281</b>	<b>2,56,992</b>	<b>2,71,449</b>	<b>5.6%</b>	<b>2,83,753</b>	<b>4.5%</b>
A. Borrowings*	27,308	35,047	49,454	41.1%	38,893	-21.4%
B. Receipts (except borrowings)	1,85,901	2,21,961	2,21,130	-0.4%	2,44,964	10.8%
<b>Total Receipts (A+B)</b>	<b>2,13,208</b>	<b>2,57,008</b>	<b>2,70,585</b>	<b>5.3%</b>	<b>2,83,857</b>	<b>4.9%</b>
<b>Revenue Deficit (-)/Surplus(+)</b>	<b>-5,338</b>	<b>-3,645</b>	<b>-14,378</b>		<b>-4,511</b>	
As % of state GDP	-0.27%	-0.16%	-0.63%		-0.18%	
<b>Fiscal Deficit (-)/Surplus(+)</b>	<b>-28,364</b>	<b>-35,031</b>	<b>-50,318</b>		<b>-38,789</b>	
As % of state GDP	-1.42%	-1.54%	-2.22%		-1.53%	
<b>Primary Deficit (-)/Surplus(+)</b>	<b>-2,593</b>	<b>-6,812</b>	<b>-21,489</b>		<b>-7,762</b>	
As % of state GDP	-0.13%	-0.30%	-0.95%		-0.31%	

Notes: BE is Budget Estimate; RE is Revised Estimate. State GDP for 2017-18 is Rs 25,35,213 crore.

\* Borrowings are net of repayment.

Sources: Maharashtra State Budget Documents 2017-18; PRS.

## Expenditure in 2017-18

- Government expenditures can be divided into (a) capital expenditure, which affects the assets and liabilities of the state, and (b) revenue expenditure, which includes the rest of the expenses.
- Total capital expenditure is proposed to be Rs 35,504 crore, which is a decrease of 4.2% over the revised estimates of 2016-17. This includes expenditure which leads to creation of assets, and provision of loans.
- Total revenue expenditure for 2017-18 is proposed to be Rs 2,48,249 crore, which is an increase of 5.9% over revised estimates of 2016-17. This includes spending on salaries, schemes, administrative expenses and pensions, etc.
- In 2017-18, the government estimates debt repayment on previous loans to be Rs 16,645 crore. In addition, the government proposes to pay interest on previous borrowings worth Rs 34,127 crore. Both these constitute 17.9% of the total expenditure of the state.

In 2017-18, the government budgets to spend Rs 87,147 crore on paying salaries to its employees. In addition, the government budgets Rs 25,567 crore on pensions. Together, they constitute 39.7% of total expenditure.

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

Item	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	% change from BE 2016-17 to RE 2016-17	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18
Capital Expenditure	23,908	32,538	37,059	13.9%	35,504	-4.2%
Revenue Expenditure	1,90,373	2,24,455	2,34,390	4.4%	2,48,249	5.9%
<b>Total Expenditure</b>	<b>2,14,281</b>	<b>2,56,992</b>	<b>2,71,449</b>	<b>5.6%</b>	<b>2,83,753</b>	<b>4.5%</b>
A. Debt Repayment	10,043	13,772	11,006	-20.1%	16,645	51.2%
B. Interest Payments	27,991	30,820	31,430	2.0%	34,127	8.6%
<b>Debt Servicing (A+B)</b>	<b>38,035</b>	<b>44,592</b>	<b>42,436</b>	<b>-4.8%</b>	<b>50,772</b>	<b>19.6%</b>

Sources: Maharashtra State Budget Documents 2017-18; PRS.

## Department expenditure in 2017-18

The departments listed below account for **59%** of the total budgeted expenditure of Maharashtra in 2017-18.

**Table 3: Department-wise expenditure for Maharashtra Budget 2017-18 (in Rs crore)**

	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18	Budget Provisions
<b>School Education</b>	37,456	42,621	41,564	48,845	17.5%	
<b>Urban Development</b>	11,070	17,762	18,588	19,968	7.4%	<ul style="list-style-type: none"> <li>Rs 1,100 crores is allocated for implementation of Maharashtra Swarna Jayanti Urban Renewal Mission to Municipalities, Nagar Panchayats and D-class municipal corporations.</li> <li>Rs 1,600 crore is allocated for cities to be developed under Smart Cities mission.</li> <li>Rs 1,870 crores is allocated for AMRUT. Rs 710 crores allocated for implementation of Mumbai, Nagpur and Pune Metro projects.</li> </ul>
<b>Rural Development and Water Conservation</b>	11,062	14,734	15,826	17,685	11.7%	<ul style="list-style-type: none"> <li>Rs 1,630 crores is allocated for Mukhyamantri Gram Sadak Yojna.</li> </ul>
<b>Home</b>	13,111	15,091	17,311	17,007	-1.8%	<ul style="list-style-type: none"> <li>Rs 141 crore is allocated for security related projects like CCTV and setting up of forensic labs.</li> </ul>
<b>Public Works</b>	10,325	10,176	11,276	14,503	28.6%	<ul style="list-style-type: none"> <li>10,000 km of roads will be completed in 2 years.</li> </ul>
<b>Water Resources</b>	10,847	11,720	11,517	11,921	3.5%	<ul style="list-style-type: none"> <li>Rs 2,812 crores allocated for 26 projects under Krishi Sinchai Yojna. Rs 250 crores for 1st phase of Krishna-Marathwada Water distribution.</li> <li>Rs 1,200 crores for Jalyukt Shivar Yojna</li> </ul>
<b>Industries, Energy and Labour</b>	13,981	9,840	20,090	11,365	-43.4%	<ul style="list-style-type: none"> <li>Subsidy worth 1,000 crores on power tariffs for industrial units in Marathwada and Vidarbha..</li> <li>Maha-Infra, a Special Purpose Vehicle to fund infrastructure.</li> </ul>
<b>Tribal Development</b>	6,259	7,644	7,700	8,817	14.5%	<ul style="list-style-type: none"> <li>Rs 425 crores is allocated for housing scheme.</li> <li>Rs 448 crores is allocated for development of roads in tribal areas.</li> </ul>
<b>Public Health</b>	6,764	6,912	8,666	8,195	-5.4%	<ul style="list-style-type: none"> <li>Rs 126 crores for Cancer Hospital in Aurangabad.</li> <li>Rs 1,300 crores for Mahatma Phule Jan Aarogya Yojna to be implemented as extension to Rajeev Gandhi Jeevandayi Arogya Yojana. Rs 1,549 crores for rural health services.</li> </ul>
<b>Agriculture</b>	6,252	7,686	10,344	8,005	-22.6%	<ul style="list-style-type: none"> <li>Rs 979 crores is allocated for agricultural pump connection.</li> <li>'Nanaji Deshmukh Krishi Sanjeevani' project worth Rs 4,000 crore to be introduced to protect farms in Marathwada and Vidarbha region from drought.</li> </ul>

<b>Others</b>	87,154	1,12,805	1,08,565	1,17,442	8.2%
<b>% of total</b>	59%	56%	60%	59%	
<b>Total</b>	<b>2,14,281</b>	<b>2,56,992</b>	<b>2,71,449</b>	<b>2,83,753</b>	

Note: All amounts are net numbers.

Sources: Maharashtra Budget Speech 2017-18; PRS.

#### **Expenditure of key departments revised-up in 2016-17**

In 2016-17, over-all expenditure of the government has been revised up by Rs 14,457 crore (5.6%). This reflected increase in expenditure of key departments.

**Energy:** Grants provided to Maharashtra State Power Distribution Company Limited has been increased from a budget amount of Rs 5,313 crore to Rs 10,113 crore. In addition, loans provided to power companies of the state has been increased by Rs 4,960 crore.

**Agriculture:** In 2016-17, the government budgeted to spend Rs 1,891 crore on providing crop insurance. This has been revised up by an additional Rs 2,513 crore.

**Urban Development:** In 2016-17, the government budgeted to provide financial assistance to municipal corporations and municipal councils worth Rs 7,209 crore. This has been revised up to Rs 8,340 crore.

## Expenditure on schemes in 2017-18

The following table presents expenditure of the government on key centrally sponsored schemes.

**Table 4: Scheme-wise expenditure and grants received from centre (Rs crore)**

Schemes	2015-16 Actuals	2016-17 BE	2016-17 RE	% change from 2016-17 BE to 2016- 17 RE	2017-18 BE	% change from 2016-17 RE to 2017-18 BE
<b>National Rural Employment Guarantee Scheme (NREGS)</b>	1,938	3,244	3,244	0.0%	4,257	31.2%
<i>of which: grants from centre</i>	1,538	2,769	2,769	0.0%	3,807	37.5%
<b>Sarva Siksha Abhiyan (SSA)</b>	644	1,125	1,174	4.2%	1,649	40.5%
<i>of which: grants from centre</i>	421	675	620	-8.9%	1,175	89.6%
<b>Pradhan Mantri Awas Yojana (PMAY)</b>	475	1,302	790	-64.8%	1,145	45.0%
<i>of which: grants from centre</i>	268	909	554	-64.1%	816	47.3%
<b>National Health Mission (NHM)</b>	871	1,248	1,963	36.4%	2,057	4.8%
<i>of which: grants from centre</i>	769	847	1,197	29.2%	1,425	19.1%
<b>Rashtriya Krishi Vikas Yojana</b>	1,254	1,489	2,140	30.4%	2,018	-5.7%
<i>of which: grants from centre</i>	805	992	1,493	33.5%	1,401	-6.1%
<b>Swachh Bharat</b>	196	2,013	2,013	0.0%	2,410	19.8%
<i>of which: grants from centre</i>	191	1,968	1,968	0.0%	2,378	20.9%
<b>Rajiv Awas Yojana</b>	25	1,806	1,795	-0.6%	1,384	-22.9%
<i>of which: grants from centre</i>	25	1,052	1,050	-0.1%	1,127	7.3%

Sources: Maharashtra Budget Documents; PRS.

- **NREGS:** The government budgeted to spend Rs 4,257 crore on the Scheme in 2017-18. Out of this, Rs 3,807 crore is budgeted to be received from the centre in the form of grants. (In 2017-18, the centre budgeted to spend Rs 48,000 crore on the Scheme across all the states.)
- In 2016-17, the government estimates to spend Rs 3,244 crore on the Scheme, while it estimates to receive Rs 2,769 crore from the centre.
- **SSA:** In 2017-18, the government budgeted to spend Rs 1,649 crore on SSA. This is an increase from 40.5% (Rs 475 crore) over 2016-17. In 2016-17, the government revises up its spending on SSA from Rs 1,125 crore to Rs 1,174 crore. On the other hand, the grants for the Scheme in 2016-17 is revised down from Rs 675 crore to Rs 620 crore.
- **PMAY:** The government budgets to spend Rs 1,145 crore in 2017-18. In 2016-17, the government initially budgeted to spend Rs 1,302 crore, which was revised down to Rs 790 crore. This reflects a drop of grants from the centre, from Rs 909 crore to Rs 554 crore.
- **NHM:** In 2017-18, the government budgets to spend Rs 2,057 crore on National Health Mission. In 2016-17, the government revised up its spending on the Scheme from Rs 1,248 crore to Rs 1,963 crore. This reflects an increase in grants from the centre (from Rs 847 crore to Rs 1,197 crore).

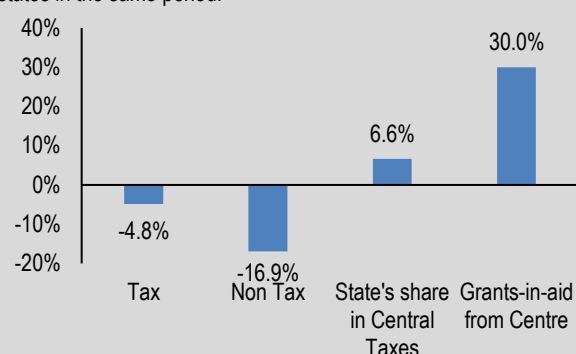
## Receipts in 2017-18

- The total revenue receipts for 2017-18 are estimated to be Rs 2,43,738 crore, an increase of 10.8% over the revised estimates of 2016-17.
- **State's own tax revenue** is expected to increase by 11.8% (Rs 16,206 crore) in 2017-18 over the revised estimates of 2016-17. Tax revenue in 2016-17 (RE) is estimated to be Rs 1,37,230 crore, which is lower than the budgeted estimates by Rs 6,991 crore (4.8%).
- The tax to GSDP ratio is targeted at 6.05% in 2017-18, which is the same as the revised estimate in 2016-17. This implies that the government estimates tax collection to grow at the same rate as the growth in the economy.
- **Non-tax revenue** is estimated to be Rs 20,156 crore. This is an increase by 21.3% (Rs 3,537 crore) from revised estimates of 2016-17. Revenue on account of urban development is estimated to be Rs 5,000 crore and non-ferrous mining is estimated to be Rs 3,700 crore.
- **Grants from the centre** are estimated to amount to Rs 32,739 crore in 2017-18. In 2016-17, grants from centre is revised up by 30% on top of the budget estimates.
- **Taxes shared by the centre** to the state is estimated to grow by 10.9% in 2017-18 to Rs 37,405 crore. In 2016-17, the government revised up its budget estimates by 6.6%.

### Under collection of tax and non-tax revenue in 2016-17 is offset by increase in estimates of transfers from centre

In 2016-17, the government budgeted to receive Rs 1,44,222 crore of tax revenue, which is revised down by 4.8%. This is driven by under-collection of Rs 3,548 crore on account of Stamp Duty. Further, non-tax revenue was revised down by 16.9%, to Rs 16,619 crore. This decrease is driven by under-collection of Rs 3,300 crore on account of urban development.

On the other hand, receipts from state's share in centre's taxes are revised up by 6.6% and grants from centre are revised up by 30%. Note that the revised estimates of grants received from centre in 2016-17, is 92% greater than the actuals of 2015-16. This compares with a growth of 16.5% in transfers from centre to all the states in the same period.



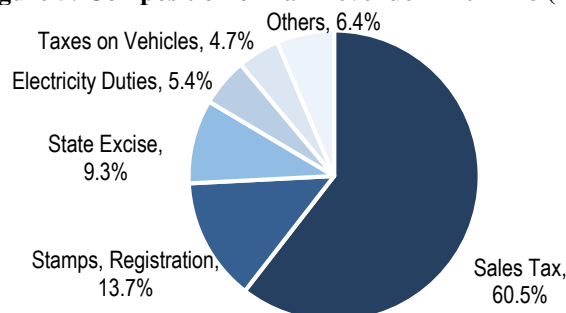
Sources: Maharashtra State Budget Documents; PRS.

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

Item	2015-2016 Actuals	2016-2017 Budgeted	2016-2017 Revised	% change from BE 2016-17 to RE 2016-17	2017-2018 Budgeted	% change from RE 2016-17 to BE 2017-18
State's Own Tax	1,26,628	1,44,222	1,37,230	-4.8%	1,53,437	11.8%
State's Own Non Tax	13,423	19,997	16,619	-16.9%	20,156	21.3%
State's share in Central Taxes	28,086	31,627	33,715	6.6%	37,405	10.9%
Grants-in-aid from Centre	16,899	24,964	32,447	30.0%	32,739	0.9%
<b>Total Revenue Receipts</b>	<b>1,85,036</b>	<b>2,20,810</b>	<b>2,20,012</b>	<b>-0.4%</b>	<b>2,43,738</b>	<b>10.8%</b>
Borrowings	27,308	35,047	49,454	41.1%	38,893	-21.4%
Other receipts	882	1,151	1,118	-2.8%	1,227	9.7%
<b>Total Capital Receipts</b>	<b>28,190</b>	<b>36,198</b>	<b>50,573</b>	<b>39.7%</b>	<b>40,120</b>	<b>-20.7%</b>
<b>Total Receipts</b>	<b>2,13,208</b>	<b>2,57,008</b>	<b>2,70,585</b>	<b>5.3%</b>	<b>2,83,857</b>	<b>4.9%</b>

Sources: Maharashtra State Budget Documents 2017-18; PRS.

**Figure 5: Composition of Tax Revenue in 2017-18 (BE)**



Sources: Maharashtra Budget Documents, PRS.

- **Composition of tax revenue:** Sales tax is the largest component of the tax revenue of the state. Sales tax, levied on the sale of goods in the state is expected to generate Rs 92,839 crore in 2017-18. This is an increase of 14% from 2016-17. Note that GST rollout may have an impact on this collection.
- Further, the government is expected to generate Rs 21,000 crore through Stamp Duty and Registration Fee.



## Deficits, Debts and FRBM Targets for 2017-18

The Fiscal Responsibility and Budget Management (FRBM) Act, 2006 of the state 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 in order to finance its expenses which do not create capital assets. The state estimates a revenue surplus of Rs 4,511 crore (or 0.18% of state GDP) in 2017-18. This implies that revenue receipts are expected to be lower than the revenue expenditure, resulting in a deficit. The estimate indicates that the state has not met the target of eliminating revenue deficit, prescribed by the 14<sup>th</sup> Finance Commission.

**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 of the government. In 2017-18, fiscal deficit is estimated to be Rs 37,789 crore, which is 1.53% of the state GDP. The estimate is within the 3% limit prescribed by the 14<sup>th</sup> Finance Commission.

**Debt Stock:** It is the accumulation of borrowings over the years. In 2017-18, the outstanding liabilities are expected at 16.3% of state GDP (Rs 4,13,044 crore). In addition to these liabilities, the state has provided guarantees to loans of other entities worth Rs 7,776 crore at the end of 2015-16.

**Table 6: Revenue, fiscal deficits and debt stock as % of GSDP**

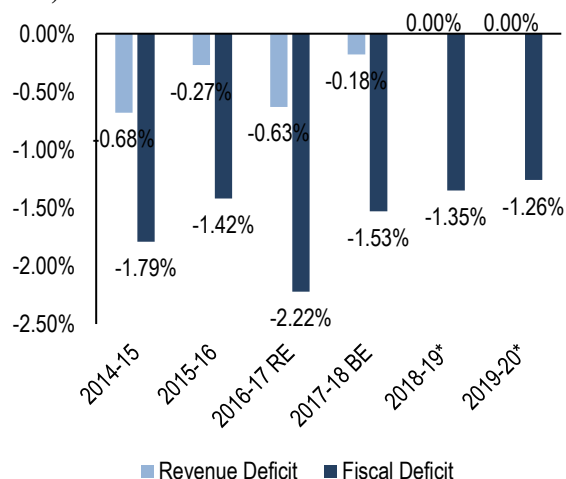
	Revenue Deficit	Fiscal Deficit	Debt Stock
2014-15	-0.68%	-1.79%	16.6%
2015-16	-0.27%	-1.42%	16.2%
2016-17 RE	-0.63%	-2.22%	16.4%
2017-18 BE	-0.18%	-1.53%	16.3%
2018-19*	0.00%	-1.35%	15.9%
2019-20*	0.00%	-1.26%	15.4%

Sources: Maharashtra State Budget Documents; PRS.

Note: \*2018-19 and 2019-20 numbers are projections.

Figures 6 and 7 show the trend in deficits and outstanding liabilities from 2015-16 to 2017-18:

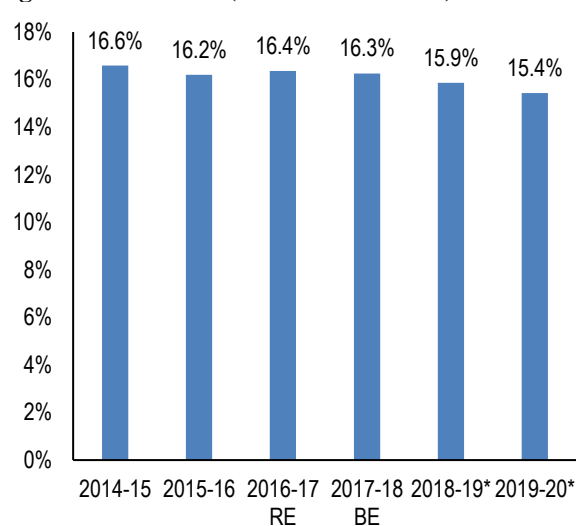
**Figure 6: Revenue and Fiscal Deficit (as % of state GDP)**



Sources: Maharashtra State Budget Documents; PRS.

Note: 2018-19 and 2019-20 numbers are projections.

**Figure 7: Debt stock (as % of state GDP)**



Sources: Maharashtra State Budget Documents; PRS.

Note: 2018-19 and 2019-20 numbers are projections.

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