

Maharashtra Budget Analysis 2018-19

The Finance Minister of Maharashtra, Mr. Sudhir Mungantiwar, presented the Budget for financial year 2018-19 on March 9, 2018.

Budget Highlights

- The **Gross State Domestic Product** of Maharashtra for 2018-19 (at current prices) is estimated to be Rs 27,96,086 crore. This is 12% higher than the revised estimate for 2017-18.
- **Total expenditure** for 2018-19 is estimated to be Rs 3,67,281 crore, a 13.4% increase over the revised estimate of 2017-18. In 2017-18, there was an increase of Rs 23,254 crore (7.7%) of expenditure in the revised estimate over the budget estimate.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 2,88,234 crore, an increase of 10.9 % as compared to the revised estimates of 2017-18. In 2017-18, total receipts exceeded the budgeted estimate by Rs 14,897 crore.
- **Revenue deficit** for the next financial year is targeted at Rs 15,375 crore, or 0.5 % of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 50,586 crore (1.8 % of GSDP).
- Departments of school education and sports, urban development, rural development, and home received the highest allocations.

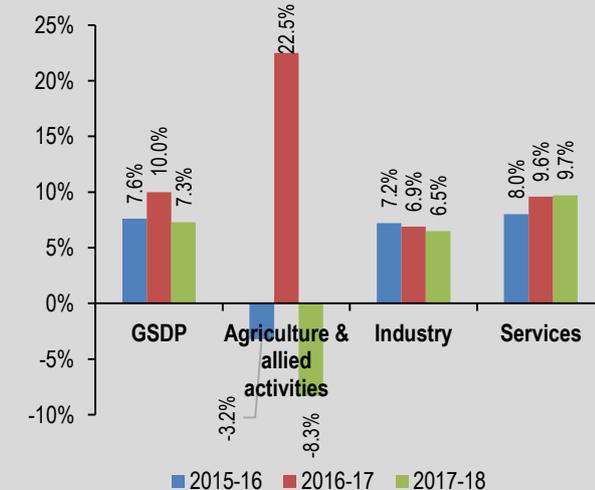
Policy Highlights

- **Educational concession:** To enable more students from economically weaker sections to claim fee reimbursement in higher education under an existing state scheme, the family income threshold has been raised from Rs six lakh to Rs eight lakh.
- **Skill development:** Six skill development universities will be set up with the help of the central government and private participation. The state will also launch a Foreign Employment and Skill Development Centre in 2018-19.
- **Rural sewerage processing:** The Chief Minister Rural Sewerage Processing and Management Project to be implemented in villages with a population of more than 15,000.
- **New policies:** New policies focussed on Fintech and Electric Vehicle Manufacturing have been launched for the provision of innovative financial services to the poor, and reduction of carbon footprint respectively.

Maharashtra's Economy

- **Share of major sectors:** Agriculture contributes 11.9% to the GSDP, industry and services contribute 33.6% and 54.5% respectively. The GSDP is estimated to grow at 7.3% in 2017-18, lower than the 10% growth in 2016-17.
- **Sectoral growth:** The real growth of the agriculture sector is expected to register negative growth at -8.3% in 2017-18 as compared to 22.5% in 2016-17. Industry and services are expected to grow at 6.5% and 9.7% in 2017-18 as compared to 6.9% and 9.6% respectively in 2016-17.
- **Per capita income:** Maharashtra's per capita income (2016-17) at Rs 1,65,491 exceeds the national per capita income at Rs 1,03,870.

Figure 1: Growth in state GDP and sectors in Maharashtra (in%) (2015-17)



Source: Economic Survey 2017-18, Government of Maharashtra; PRS. Note: 2016-17 (Revised Estimates); 2017-18 (Advance Estimates)

Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 3,67,281 crore. This is 13.4% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 2,88,234 crore and borrowings of Rs 79,148 crore. Total receipts for 2018-19 (other than borrowings) are expected to be 10.9 % higher than the revised estimate of 2017-18.

Table 1: Budget 2018-19 - Key figures (in Rs crore)

Items	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE of 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Total Expenditure	2,56,922	3,00,398	3,23,652	7.7%	3,67,281	13.4%
A. Borrowings	50,554	55,537	63,841	14.9%	79,148	23.9%
B. Receipts (except borrowings)	2,06,439	2,44,964	2,59,861	6%	2,88,234	10.9%
Total Receipts (A+B)	2,56,993	3,00,502	3,23,702	7.7%	3,67,382	13.4%
Revenue Deficit	-8,536	-4,511	-14,843	229%	-15,375	3.5%
<i>As % of state GDP</i>	0.38%	0.18%	0.59%		0.55%	
Fiscal Deficit	-38,596	-38,789	-46,201	19.1%	-50,586	9.4%
<i>As % of state GDP</i>	1.71%	1.53%	1.85%		1.81%	
Primary Deficit	-10,064	-7,762	-12,684	63.4%	-16,201	27.7%
<i>As % of state GDP</i>	0.45%	0.31%	0.51%		0.58%	

Notes: BE is Budget Estimate; RE is Revised Estimate. '-' sign indicates deficit; '+' indicates surplus.

Sources: Maharashtra Budget Documents 2018-19; PRS.

Expenditure in 2018-19

- Capital expenditure** for 2018-19 is proposed to be Rs 65,938 crore, which is an increase of 28.8% 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 hospital), and repayment of loans, among others.
- Revenue expenditure** for 2018-19 is proposed to be Rs 3,01,343 crore, which is an increase of 10.6% over revised estimates of 2017-18. This expenditure includes payment of salaries, maintenance, etc.
- In 2018-19, Maharashtra is expected to spend Rs 66,646 crore on servicing its debt (i.e., Rs 28,462 crore on repaying loans, and Rs 38,185 crore on interest payments. This is higher than the revised estimates of 2017-18.

In 2018-19, the government budgets to spend Rs 1,02,668 crore on paying salaries to its employees. In addition, the government will spend Rs 27,378 crore on pensions. Together, they constitute 35% of total expenditure.

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

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE of 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Capital Expenditure	43,693	52,149	51,204	-1.81%	65,938	28.78%
Revenue Expenditure	2,13,229	2,48,249	2,72,448	9.75%	3,01,343	10.61%
Total Expenditure	2,56,922	3,00,398	3,23,652	7.74%	3,67,281	13.48%
A. Debt Repayment	11,887	16,645	17,589	5.68%	28,462	61.81%
B. Interest Payments	31,132	34,127	36,618	7.30%	38,185	4.28%
Debt Servicing (A+B)	43,019	50,772	54,207	6.77%	66,646	22.95%

Sources: Maharashtra Budget Documents 2018-19; PRS. Note: Capital expenditure includes: (i) spending that creates assets, (ii) repayments on the loans taken by the government, and (iii) loans provided by the government.

Sector expenditure in 2018-19

The departments listed below account for **51%** of the total budgeted expenditure of Maharashtra in 2018-19.

Table 3: Sector-wise expenditure for Maharashtra Budget 2018-19 (Rs crore)

Department	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19	Budget provisions for 2018-19
School Education and Sports	39,024	48,845	46,183	51,565	11.6%	<ul style="list-style-type: none"> Assistance to Zilla Parishads for primary and secondary education at Rs 20,040 crore and Rs 825 respectively.
Urban Development	16,965	19,968	27,552	32,285	17.1%	<ul style="list-style-type: none"> Plan to complete Metro network projects of 266 Km in the next three to four years. Rs 1,316 crore allocated for eight cities (including Pune, Solapur, and Thane) in the state under the Smart City Mission.
Rural Development	13,210	17,685	18,261	16,616	-9.0%	<ul style="list-style-type: none"> Provision of Rs 2,558 crore for the Mukhyamantri Gramin Marga Yojana with a goal to finish 7,000 Km of roads.
Home	11,327	12,356	12,244	13,657	11.5%	<ul style="list-style-type: none"> Revenue expenditure estimate for police is Rs 13,381 crore, while capital expenditure is Rs 481 crore.
Water Resources	10,947	11,921	12,622	12,321	-2.3%	<ul style="list-style-type: none"> Rs 8,080 crore is allocated for major and medium irrigation.
Health	9,662	10,757	13,133	12,188	-7.1%	<ul style="list-style-type: none"> A multi-specialty hospital to be set up in Sindhudurg. Rs 964 crore allocated for the implementation of the National Health Mission.
Industries, Energy and Labour	18,492	11,365	13,204	11,823	-10.4%	<ul style="list-style-type: none"> Policy to promote the textile sector with a power subsidy and capital subsidy. An allocation of Rs 775 crore for generation of power through non-conventional energy. Rs 2,650 crore allocated for a package scheme of incentives for industrial development.
Social Justice and Special Assistance	10,183	12,877	12,509	11,817	-5.5%	<ul style="list-style-type: none"> Rs 9,949 crore allocated for schemes dedicated to Scheduled Castes. Increase in the monthly pension from Rs 600 to Rs 800 for those with 40% to 80% disability. Two new schemes for deaf children and children with multiple disabilities respectively.
Tribal Development	6,653	8,817	9,161	11,221	22.4%	<ul style="list-style-type: none"> Dr. Babasaheb Ambedkar Social Development Scheme for providing basic facilities in settlements of Scheduled Tribes and Navbuddha communities.
% of total expenditure	55.69%	54.48%	53.87%	51.21%		

Note: Health includes the public health, and medical education and drugs departments.

Source: Detailed Budget Estimates of Expenditure, Maharashtra Budget Documents 2018-19; Maharashtra Budget Speech, 2018-19; PRS.

Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 2,85,968 crore, an increase of 11% over the revised estimates of 2017-18. Of this, Rs 2,10,825 crore will be raised by the state through its **own resources** (74% of the revenue receipts), and Rs 75,143 will be **devolved by the centre** in the form of grants and the state's share in taxes crore (26% of the revenue receipts).
- **Non Tax Revenue:** Maharashtra has estimated to generate Rs 22,785 crore through non-tax sources in 2018-19. Of this, Rs 5,000 crore will be received from urban development, which accounts for 22% of the total non-tax revenue.

Revenue receipts in the form of central grants are expected to fall by 6.2% in 2018-19. On the other hand, the state's share in central taxes is expected to rise by 16.9% in 2018-19. This is primarily due to an increase in receipts from Integrated Goods and Services Tax (IGST) and Corporation Tax.

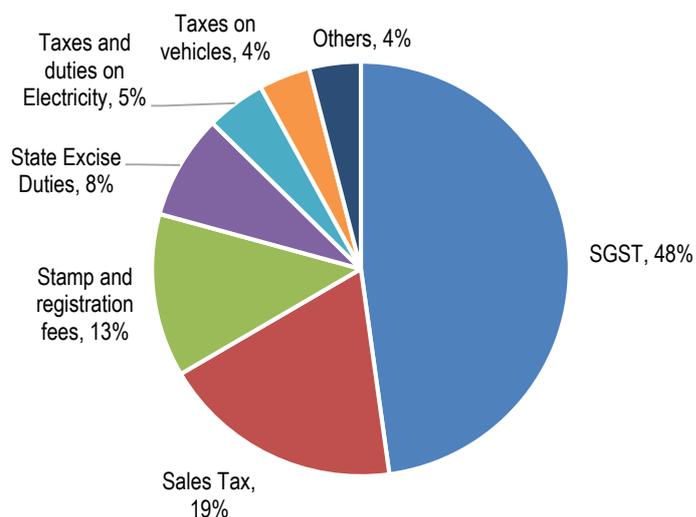
Table 4: Break up of state government receipts (Rs crore)

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE of 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
State's Own Tax	1,36,616	1,53,437	1,64,979	7.52%	1,88,040	13.98%
State's Own Non-Tax	12,709	20,156	21,671	7.51%	22,785	5.14%
Share in Central Taxes	33,715	37,405	37,203	-0.54%	43,515	16.96%
Grants-in-aid from Centre	21,653	32,739	33,752	3.09%	31,629	-6.29%
Total Revenue Receipts	2,04,693	2,43,738	2,57,605	5.69%	2,85,968	11.01%
Borrowings	50,554	55,537	63,841	14.95%	79,148	23.98%
Other receipts	1,746	1,227	2,257	83.95%	2,266	0.40%
Total Capital Receipts	52,300	56,764	66,097	16.44%	81,414	23.17%
Total Receipts	2,56,993	3,00,502	3,23,702	7.72%	3,67,382	13.49%

Sources: Maharashtra Budget Documents 2018-19; PRS.

- **Tax Revenue:** Total own tax revenue of Maharashtra is estimated to be Rs 1,88,040 crore in 2018-19. The composition of the state's tax revenue is shown in Figure 2. The tax to GDP ratio is targeted at 6.7% in 2018-19, which is marginally higher than 6.6% estimated in the revised estimates of 2017-18. This implies that growth in collection of taxes has been at par with the growth in the economy expected this year.

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



- State Goods and Services Tax (SGST) is expected to be the largest (48%) component of Maharashtra's own tax revenue in 2018-19. It is expected to generate Rs 90,140 crore. This is 77% more than the revised estimates in 2017-18.
- Further, the government is expected to generate Rs 35,301 crore through sales tax (19%) and Rs 24,000 crore from stamp and registration fees (13%).
- In addition, revenue will be generated through state excise duties, taxes on electricity, vehicles, etc.

Maharashtra witnessed an increase in tax collections during 2017-18. The tax and non-tax revenues (revised estimates) of the state are expected to be more than what was budgeted for in 2017-18 by 7.5% each. This implies that more revenues were collected by the state than expected. Apart from SGST, the increase in state's own taxes was driven by stamp and registration fees, taxes on goods and passengers, and electricity tax.

Deficits, Debts and FRBM Targets for 2018-19

The Maharashtra Fiscal Responsibility and Budget Management (FRBM) Act, 2006 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 budget estimates a revenue deficit of Rs 15,375 crore (or 0.5% of GSDP) in 2018-19. This implies that revenue receipts are expected to be lower than the revenue expenditure, resulting in a deficit. The estimate indicates that the state is not expected to meet the target of eliminating revenue deficit, prescribed by the 14th 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. In 2018-19, fiscal deficit is estimated to be Rs 50,586 crore, which is 1.8% of the GSDP. The estimate is within the 3% limit prescribed by the 14th Finance Commission.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2018-19, the outstanding liabilities are expected at 16.5% of the GSDP.

Debt as a percentage of GSDP has come down from 21.3% to 16.5% during the period 2008-09 to 2018-19 (BE). However, from 2016-17 onwards, this percentage has been increasing.

Revenue deficit increased from a budgeted target of Rs 4,511 crore to a revised estimate of Rs 14,843 crore (229% increase) in 2017-18. This may be attributed to the excess expenditure in the agriculture (due to farm loan waiver) and energy sectors.

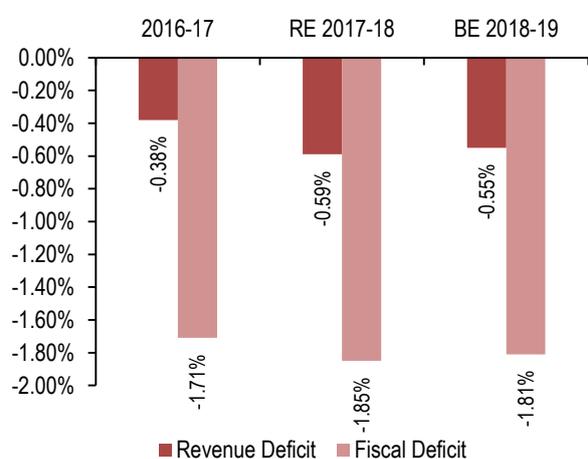
Table 5: Budget targets for deficits for Maharashtra in 2018-19 (% of GSDP)

Year	Revenue	Fiscal	Debt Stock
	Deficit (-)/Surplus (+)	Deficit (-)/Surplus (+)	
2016-17	-0.38%	-1.71%	16.16%
RE 2017-18	-0.59%	-1.85%	16.30%
BE 2018-19	-0.55%	-1.81%	16.52%

Sources: Maharashtra Budget Documents 2018-19; PRS.

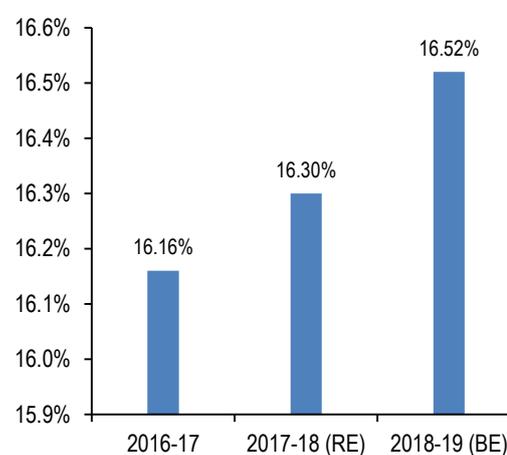
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2016-17 to 2018-19:

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



Sources: Maharashtra Budget Documents 2018-19; PRS.

Figure 4: Total Debt Stock (as % of GSDP)



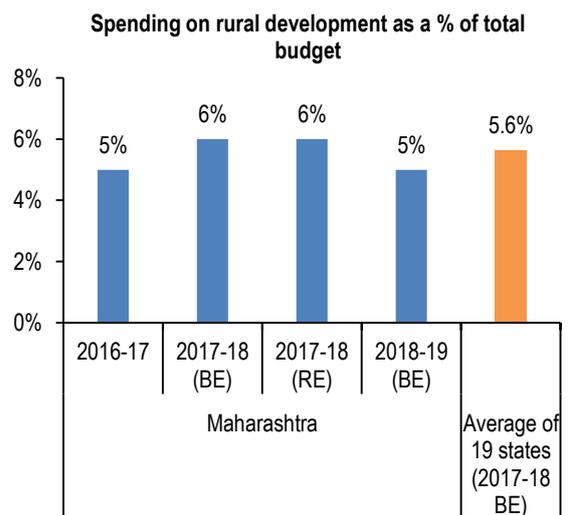
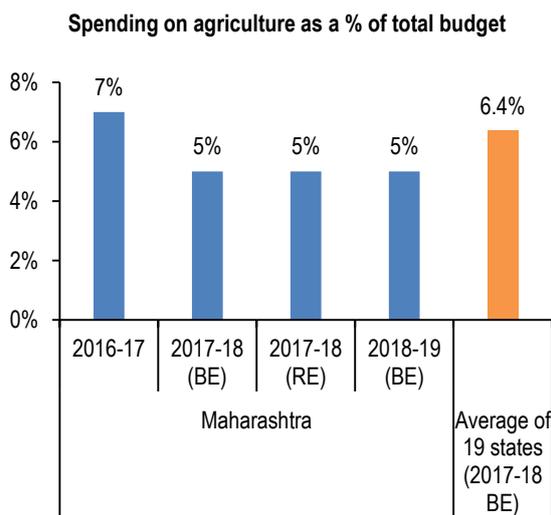
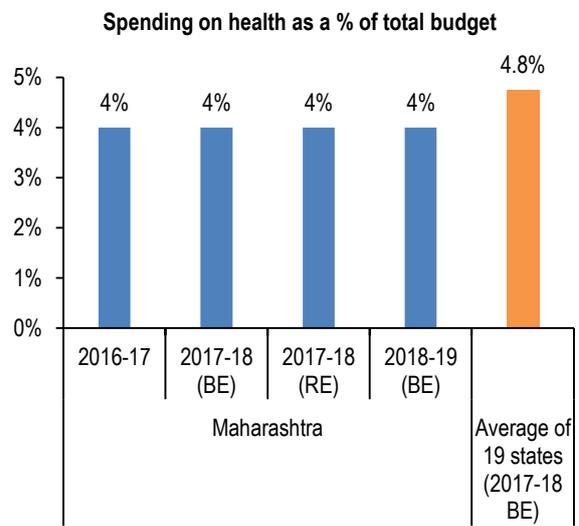
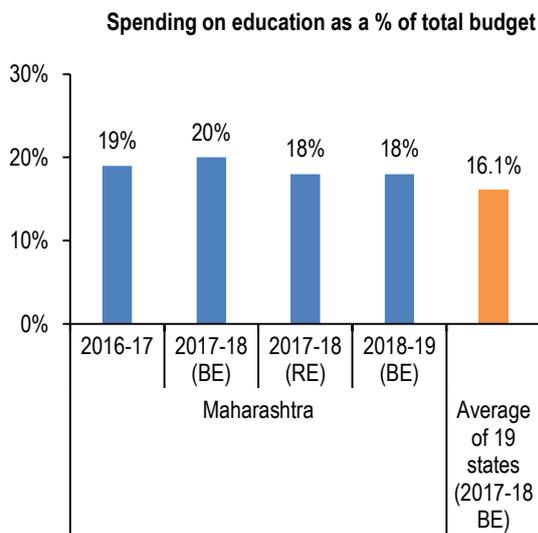
Sources: Maharashtra Budget Documents 2018-19; PRS.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.

Annexure

The charts below compare Maharashtra’s expenditure on key sectors as a proportion of its budget, with 19 other states (including Maharashtra).¹

- **Education:** Maharashtra has allocated 18% on education in 2018-19. This is higher than the average expenditure allocated to education by 18 other states (using 2017-18 BE). The allocation remains at 18% in 2018-19, same as 2017-18 (RE).
- **Health:** Maharashtra has allocated 4% of its total expenditure on health, which is lower than the average expenditure of 18 other states. The state’s allocation to health has remained constant at 4% since 2016-17.
- **Agriculture:** The state has allocated 5% of its total budget on agriculture. This is significantly lower than the allocations of 18 other states (6.4%). Spending on agriculture reduced from 7% in 2016-17 to 5% in 2017-18.
- **Rural development:** Maharashtra has allocated 5% of its expenditure on rural development. The average of 18 other states is 5.6%. Rural development saw a marginal increase from 5% in 2016-17 to 6% in 2017-18. It is estimated at 5% in 2018-19.



Source: Detailed Budget Estimates of Expenditure, Maharashtra Budget Documents 2018-19; Annual Financial Statements of the other states; PRS.

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