

# Maharashtra Budget Analysis 2021-22

The Finance Minister of Maharashtra, Mr. Ajit Pawar, presented the Budget for the state for the financial year 2021-22 on March 8, 2021. Due to 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 Maharashtra for 2021-22 (at current prices) is projected to be Rs 29,81,024 crore. This is an annual increase of 3% over 2019-20. As per the revised estimates, in 2020-21, GSDP is estimated to decrease by 6% over the previous year (against an estimated growth of 12% at the budget stage).
- **Total expenditure** for 2021-22 is estimated to be Rs 4,84,091 crore, an annual increase of 13% over 2019-20. As per the revised estimates, total expenditure in 2020-21 is estimated to be 1% higher than the budget estimate (an increase of Rs 3,306 crore).
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 3,71,319 crore, an annual increase of 14% over 2019-20. In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 57,959 crore (a decrease of 17%).
- In 2021-22, the **revenue deficit** is estimated to be Rs 10,226 crore, which is 0.34% of the GSDP. In 2020-21, the state has estimated a revenue deficit of Rs 46,178 crore (1.73% of GSDP) at the revised stage.
- **Fiscal deficit** in 2021-22 is estimated to be Rs 66,641 crore (2.24% of GSDP). In 2020-21, fiscal deficit is estimated to be 3.29% of GSDP, which is significantly higher than the budget estimate of 1.69% of GSDP.

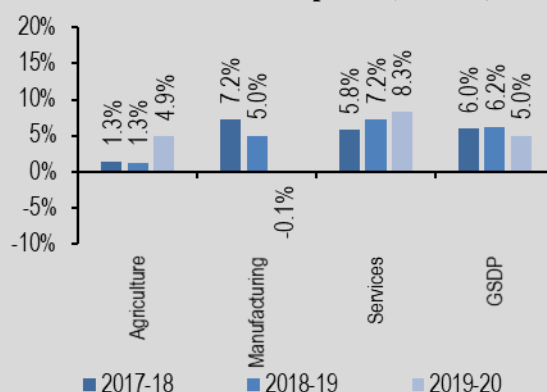
## Policy Highlights

- **Tax proposals:** A concession of 1% on the stamp duty has been proposed for properties registered in the name of a woman. State excise duty on branded country liquor will be increased. Value added tax on sale of certain liquors will be increased by 5%.
- **Health:** Post COVID counselling and treatment centres will be set up in every district hospital and government medical college in urban areas. New government medical colleges will be established at Sindhudurg, Osmanabad, Nashik, Raigad, and Satara.
- **Agriculture and rural development:** A scheme to strengthen Agricultural Produce Market Committee will be launched with a capital outlay of Rs 2,000 crore. Sharad Pawar Gram Samrudhi Yojana will be implemented to provide grants for: (i) construction of permanent cow sheds, goat rearing sheds and poultry sheds, and (ii) composting. Rs 600 crore will be spent over three years towards agricultural research.

## Maharashtra's Economy

- **GSDP:** The growth rate of Maharashtra's GSDP (at constant prices) declined from 6.2% in 2018-19 to 5% in 2019-20.
- **Sectors:** In 2019-20, the contribution of agriculture, manufacturing, and services sectors in the economy was 14%, 29%, and 57%, respectively.
- **Per capita GSDP:** The per capita GSDP of Maharashtra in 2019-20 (at constant prices) was Rs 1,73,757 which is 4% higher than the corresponding figure in 2018-19.
- **Unemployment:** According to the Periodic Labour Force Survey (July 2018-June 2019), the unemployment rate among all age groups in Maharashtra was 5%, which is lower than the all-India level (5.8%).

**Figure 1: Growth in GSDP and sectors in Maharashtra 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. Sources: Economic Survey of Maharashtra 2020-21; PRS.

## Budget Estimates for 2021-22

- Total expenditure in 2021-22 is estimated to be Rs 4,84,091 crore. This is an annual increase of 13% over the actual expenditure in 2019-20. This expenditure is proposed to be met through the receipts (other than borrowings) of Rs 3,71,319 crore and borrowings of Rs 1,22,566 crore. Total receipts for 2021-22 (other than borrowings) are expected to register an annual increase of 14% over 2019-20.
- For 2021-22, the state has estimated a fiscal deficit of 2.24% of GSDP. This is lower than 4% limit for fiscal deficit of states allowed by the central government for 2021-22. Fiscal deficit is estimated to be 3.29% of GSDP in 2020-21 (as per revised estimate), which is higher than the budget estimate (1.69% of GSDP). In 2021-22, the state estimates to have a revenue deficit of Rs 10,226 crore (0.34% of GSDP), which is an annualised decrease of 23% from the actuals of 2019-20.
- As per the revised estimates for 2020-21, the receipts (other than borrowings) are estimated to be 17% less than the budget estimate, whereas the total expenditure is estimated to be 1% higher than the budgeted estimate. In 2020-21, as per revised figures, the revenue deficit for Maharashtra is estimated to be 1.73% of GSDP, which is significantly higher than the budget estimate (0.29% of GSDP).

**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)
<b>Total Expenditure</b>	<b>3,78,667</b>	<b>4,34,085</b>	<b>4,37,391</b>	<b>1%</b>	<b>4,84,091</b>	<b>13%</b>
A. Receipts (except borrowings)	2,84,804	3,49,766	2,91,807	-17%	3,71,319	14%
B. Borrowings	57,153	81,106	1,47,573	82%	1,22,566	46%
<b>Total Receipts (A+B)</b>	<b>3,41,958</b>	<b>4,30,872</b>	<b>4,39,380</b>	<b>2%</b>	<b>4,93,885</b>	<b>20%</b>
<b>Revenue Deficit</b>	<b>17,116</b>	<b>9,511</b>	<b>46,178</b>	<b>386%</b>	<b>10,226</b>	<b>-23%</b>
As % of GSDP	0.61%	0.29%	1.73%		0.34%	
<b>Fiscal Deficit</b>	<b>69,236</b>	<b>54,618</b>	<b>87,697</b>	<b>61%</b>	<b>66,641</b>	<b>-2%</b>
As % of GSDP	2.46%	1.69%	3.29%		2.24%	
<b>Primary Deficit</b>	<b>35,675</b>	<b>19,088</b>	<b>50,495</b>	<b>165%</b>	<b>23,644</b>	<b>-19%</b>
As % of GSDP	1.27%	0.59%	1.90%		0.79%	

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Maharashtra Budget Documents 2020-22; PRS.

## Expenditure in 2021-22

- Capital expenditure** for 2021-22 is proposed to be Rs 1,04,879 crore, which is an annual increase of 16% over 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. Capital outlay in 2021-22 (Rs 55,613 crore) is estimated to have an annual growth rate of 24% over 2019-20.
- Revenue expenditure** for 2021-22 is proposed to be Rs 3,79,213 crore, which is an annual increase of 12% over 2019-20. This includes expenditure such as payment of salaries, pensions, interest, and subsidies. In 2020-21, revenue expenditure at Rs 3,35,675 crore is estimated to be 6% less than the budget estimate (Rs 3,56,968 crore).
- In 2020-21, the revenue expenditure is estimated to be Rs 3,35,675 crore against the budget estimate of Rs 3,56,968 crore (a decrease of 6%).

**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	78,361	77,117	1,01,715	32%	1,04,879	16%
of which Capital Outlay	36,416	45,124	41,275	-9%	55,613	24%
Revenue Expenditure	3,00,305	3,56,968	3,35,675	-6%	3,79,213	12%
<b>Total Expenditure</b>	<b>3,78,667</b>	<b>4,34,085</b>	<b>4,37,391</b>	<b>1%</b>	<b>4,84,091</b>	<b>13%</b>
A. Debt Repayment	24,626	29,700	57,887	95%	46,131	37%
B. Interest Payments	33,561	35,531	37,201	5%	42,998	13%
<b>Debt Servicing (A+B)</b>	<b>58,187</b>	<b>65,231</b>	<b>95,088</b>	<b>46%</b>	<b>89,128</b>	<b>24%</b>

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

Sources: Maharashtra Budget Documents 2021-22; PRS.

## Sectoral expenditure in 2021-22

The sectors listed below account for **62%** of the total expenditure on sectors by the state in 2021-22. A comparison of the expenditure by Maharashtra on the key sectors with that by other states can be found in Annexure 1.

**Table 3: Sector-wise expenditure under Maharashtra 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	62,573	73,048	65,706	74,830	9%	<ul style="list-style-type: none"> <li>Rs 24,159 crore has been allocated for assistance to non-government secondary schools and junior colleges.</li> <li>Rs 1,425 crore has been allocated towards Samagra Shiksha Abhiyan.</li> </ul>
Agriculture and Allied Activities	25,927	30,127	33,264	26,483	1%	<ul style="list-style-type: none"> <li>Rs 2,370 crore has been allocated towards crop insurance.</li> <li>Rs 784 crore has been allocated towards veterinary services and animal health.</li> </ul>
Roads and Bridges	19,122	17,397	17,032	22,608	9%	<ul style="list-style-type: none"> <li>Rs 4,677 has been allocated towards state highways.</li> </ul>
Rural Development	9,742	21,467	17,561	22,194	51%	<ul style="list-style-type: none"> <li>Rs 4,197 crore has been allocated towards Jawahar Gram Samrudhi Yojana (JGSY), which seeks to create rural employment opportunities by creating infrastructure and community assets.</li> </ul>
Police	16,147	20,230	17,537	21,558	16%	<ul style="list-style-type: none"> <li>Rs 13,967 crore has been allocated for the district police force.</li> </ul>
Welfare of SC, ST, OBC, and Minorities	14,416	19,529	15,225	21,044	21%	<ul style="list-style-type: none"> <li>Rs 1,837 crore has been allocated towards various scholarships (such as pre and post matric scholarships) for SC, ST, OBC, and other minorities students.</li> </ul>
Health and Family Welfare	14,692	17,288	19,539	19,060	14%	<ul style="list-style-type: none"> <li>Rs 1,875 crore and Rs 168 crore has been allocated towards the National Rural Health Mission and the National Urban Health Mission, respectively.</li> </ul>
Irrigation and Flood Control	13,172	14,905	12,422	17,938	17%	<ul style="list-style-type: none"> <li>Rs 14,599 crore has been allocated towards major and medium irrigation.</li> </ul>
Social Welfare and Nutrition	20,029	15,193	21,049	16,378	-10%	<ul style="list-style-type: none"> <li>Rs 2,435 crore has been allocated towards integrated child development scheme.</li> <li>Rs 907 crore has been allocated towards welfare of handicapped.</li> </ul>
Urban Development	11,035	18,090	12,426	16,050	21%	<ul style="list-style-type: none"> <li>Rs 1,765 crore has been allocated towards Smart City Abhiyan.</li> </ul>
Energy	11,302	10,055	10,165	10,588	-3%	<ul style="list-style-type: none"> <li>Rs 7,400 crore has been allocated towards concession on energy tariffs for certain consumers (such as textile consumers, and industrial consumers).</li> </ul>
<b>% of total expenditure on all sectors</b>	<b>65%</b>	<b>64%</b>	<b>64%</b>	<b>62%</b>		

Sources: Maharashtra 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, Maharashtra is estimated to spend Rs 2,00,423 crore on committed expenditure, which is 54% of its revenue receipts. On average, states spend 50% of their revenue receipts on committed expenditure. It comprises spending on salaries (33% of revenue receipts), pension (9% of revenue receipts), and interest payments (12% of revenue receipts). Committed expenditure is estimated to grow at 11% annually over the actuals in 2019-20.

**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	1,00,806	1,17,473	1,05,694	-10%	1,22,997	10%
Pensions	27,741	29,223	31,833	9%	34,428	11%
Interest	33,561	35,531	37,201	5%	42,998	13%
<b>Total Committed Expenditure</b>	<b>1,62,108</b>	<b>1,82,227</b>	<b>1,74,728</b>	<b>-4%</b>	<b>2,00,423</b>	<b>11%</b>

Sources: Maharashtra Budget Documents 2021-22; PRS.

## Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 3,68,987 crore, an annual increase of 14% over actual revenue receipts in 2019-20. Of this, Rs 2,70,140 crore (73%) will be raised by the state through its **own resources**, and Rs 98,847 crore (27%) will come **from the Centre**. Resources from the Centre will be in the form of state's share in central taxes (11% of revenue receipts) and grants (15% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes are estimated to be Rs 42,044 crore, an annual increase of 8% over 2019-20. In 2020-21, devolution at the revised stage is estimated to be 30% less than the budget estimate. Note that the Union Budget 2021-22 estimates the devolution to states in 2020-21 to be 30% less than the budget estimate.
- **State's own non-tax revenue:** In 2020-21, the own non-tax revenue of the state is estimated to be 26% less than the budget estimate. This decrease may be due to low revenue from social services including urban development (Rs 2,962 crore at revised stage as compared to the budget estimate of Rs 5,667 crore) and economic services including non-ferrous mining and metallurgical industries (Rs 5,313 crore as compared to the budget estimate of Rs 9,195 crore).

**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	1,88,964	2,25,071	1,84,519	-18%	2,43,490	14%
State's Own Non-Tax	14,297	20,506	15,147	-26%	26,650	37%
Share in Central Taxes	36,203	48,109	33,743	-30%	42,044	8%
Grants-in-aid from Centre	43,725	53,770	56,088	4%	56,803	14%
<b>Total Revenue Receipts</b>	<b>2,83,190</b>	<b>3,47,457</b>	<b>2,89,498</b>	<b>-17%</b>	<b>3,68,987</b>	<b>14%</b>
Borrowings	57,153	81,106	1,47,573	82%	1,22,566	46%
Other receipts	1,615	2,309	2,309	0%	2,332	20%
<b>Total Capital Receipts</b>	<b>58,768</b>	<b>83,415</b>	<b>1,49,882</b>	<b>80%</b>	<b>1,24,898</b>	<b>46%</b>
<b>Total Receipts</b>	<b>3,41,958</b>	<b>4,30,872</b>	<b>4,39,380</b>	<b>2%</b>	<b>4,93,885</b>	<b>20%</b>

Note: BE is Budget Estimates; RE is Revised Estimates.  
Sources: Maharashtra Budget Documents 2021-22; PRS.

- **State's own tax revenue:** Total own tax revenue of Maharashtra is estimated to be Rs 2,43,490 crore in 2021-22, an annual increase of 14% over 2019-20. The growth rate for own tax revenue is estimated to be significantly higher than the growth rate for GSDP (an annual increase of 3% over 2019-20). Hence, the own tax to GSDP ratio is estimated to increase from 6.7% in 2019-20 to 8.2% in 2021-22.
- In 2021-22, SGST is estimated to be the largest source of its own tax revenue (48% of the state's own tax revenue). SGST in 2021-22 is estimated to be Rs 1,17,807 crore (an annual increase of 19% over 2019-20). In 2021-22, Maharashtra is expected to generate Rs 44,000 crore through the collection of Sales Tax and VAT, an annual increase of 8% over the 2019-20.
- **Table 6: Some of the major state's own tax revenue sources (in Rs crore)**

### 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, Maharashtra is estimated to receive a total of Rs 15,000 crore as GST compensation grants. The amount of GST compensation loan in 2020-21 is not available in the budget documents.

The state estimates to receive Rs 18,000 crore as GST compensation grants for the year 2021-22.

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 GST	82,602	1,07,146	88,000	-18%	1,17,807	19%	31.9%
Sales Tax/ VAT	37,786	40,000	34,000	-15%	44,000	8%	11.9%
Stamps Duty and Registration Fees	28,707	30,000	22,000	-27%	32,000	6%	8.7%
State Excise	15,428	19,225	15,000	0%	19,500	12%	5.3%
Taxes on Vehicles	8,467	9,500	6,200	-35%	10,000	9%	2.7%
Land Revenue	2,155	4,000	3,000	-25%	4,000	36%	1.1%
Taxes and Duties on Electricity	9,619	9,500	11,200	18%	10,404	4%	2.8%
<b>GST Compensation Grants</b>	<b>15,018</b>	<b>10,000</b>	<b>15,000</b>	<b>50%</b>	<b>18,000</b>	<b>9%</b>	<b>4.9%</b>

Note: BE is Budget Estimates; RE is Revised Estimates.  
Sources: Maharashtra Budget Documents 2021-22; PRS.

## Deficits, Debts and FRBM Targets for 2021-22

The Maharashtra 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 difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance its expenses which do not increase its assets or reduces its liabilities. A revenue surplus implies that the revenue receipts of the state are sufficient to meet the revenue expenditure requirements. The state estimates a revenue deficit of Rs 10,266 crore (or 0.34% of the GSDP) in 2021-22. The 15<sup>th</sup> Finance Commission has not allocated revenue deficit grant for the state in 2021-22.

**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 2021-22, the fiscal deficit is estimated to be Rs 66,641 crore (2.24% of GSDP). This is lower than the 3% limit as per the Fiscal Responsibility and Budget Management (FRBM) Act. As per the revised estimates, in 2020-21, the fiscal deficit of the state is expected to be 3.29% of GSDP, which is significantly higher than the budget estimate of 1.69%. In both 2020-21 and 2021-22, states have been allowed a higher fiscal deficit than the usual 3% limit under the FRBM Act for undertaking expenditure to support economic recovery.

**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 are 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 19, 2021, Maharashtra has not completed any of these four reforms.

**Outstanding liabilities:** Outstanding liabilities is the accumulation of total borrowings (including any liabilities on public accounts) at the end of a financial year. In 2021-22, the outstanding liabilities is estimated to be 20.64% of the GSDP, which is higher than the revised estimate for 2020-21 (20.22% of GSDP). The outstanding liabilities for the state is estimated to increase from 15.46% in 2018-19 to 20.5% in 2021-22.

### Fiscal Roadmap for 2021-26

The 15<sup>th</sup> 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.

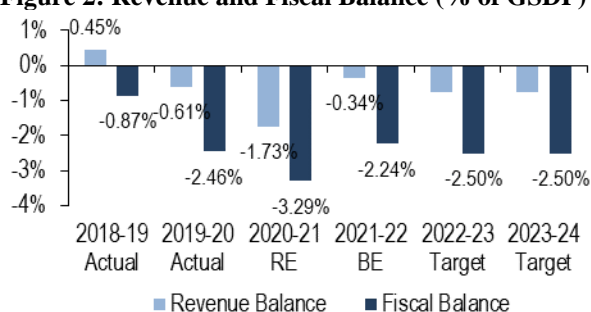
If a state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilised borrowing amount in subsequent years (within the 2021-26 period). An additional borrowing worth 0.5% of GSDP will be allowed each year for the 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 Maharashtra in 2021-22 (% of GSDP)**

Year	Revenue Balance	Fiscal Balance	Total Liabilities
2018-19 Actual	0.45%	-0.87%	15.46%
2019-20 Actual	-0.61%	-2.46%	16.01%
2020-21 RE	-1.73%	-3.29%	20.22%
2021-22 BE	-0.34%	-2.24%	20.64%
2022-23 Target	-0.75%	-2.50%	20.50%
2023-24 Target	-0.75%	-2.50%	20.50%

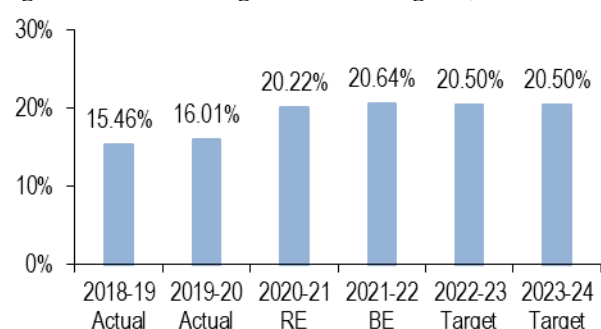
Note: \*Budget Estimates; Negative revenue balance indicates revenue deficit; Negative fiscal balance indicates fiscal deficit. Sources: Maharashtra Budget Documents 2021-22; PRS.

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



Note: Revenue Balance data not available for 2022-23 and 2023-24; RE is Revised Estimates; BE is budget estimates. Negative sign indicates a deficit, positive sign indicates a surplus. Sources: Maharashtra Budget Documents 2021-22; PRS.

**Figure 3: Outstanding Liabilities targets (% of GSDP)**



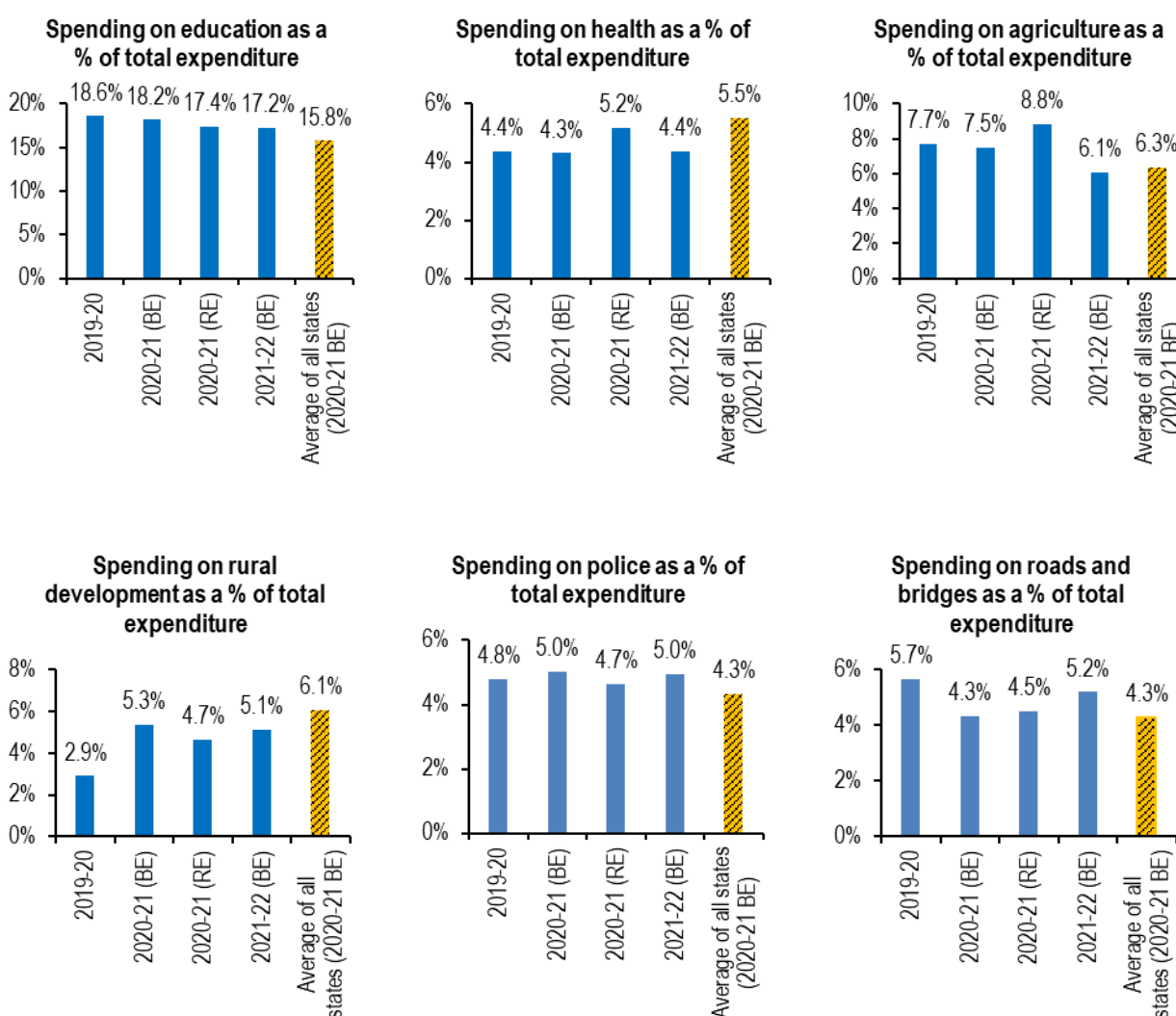
Note: BE is budget estimates.

Sources: Maharashtra Budget Documents 2021-22; PRS.

## Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Maharashtra'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 Maharashtra) as per their budget estimates of 2020-21.<sup>1</sup>

- **Education:** Maharashtra has allocated 17.2% 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:** Maharashtra has allocated 4.4% of its total expenditure on health, which is lower than the average allocation for health by states (5.5%).
- **Agriculture:** The state has allocated 6.1% of its total expenditure towards agriculture and allied activities. This is marginally lower than the average allocation for agriculture by states (6.3%).
- **Rural development:** Maharashtra has allocated 5.1% of its expenditure on rural development. This is lower than the average allocation for rural development by states (6.1%).
- **Police:** Maharashtra has allocated 5% of its total expenditure on police, which is higher than the average expenditure on police by states (4.3%).
- **Roads and bridges:** Maharashtra has allocated 5.2% of its total expenditure on roads and bridges, which is higher than the average allocation by states (4.3%).



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

<sup>1</sup> The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

## Annexure 2: Recommendations of the 15<sup>th</sup> Finance Commission for 2021-26

The 15<sup>th</sup> 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 15<sup>th</sup> FC in its report for 2020-21). This is 1% point lower than the 42% share recommended by the 14<sup>th</sup> FC (for the 2015-20 period) to separately provide funds for the newly formed union territories of Jammu and Kashmir and Ladakh. The 15<sup>th</sup> FC proposed revised criteria for determining the share of individual states (different from 14<sup>th</sup> FC). Based on the 15<sup>th</sup> FC's recommendations for the period 2021-26, Maharashtra will have a 2.59% share in the divisible pool of central taxes. This implies that out of every Rs 100 of revenue in the divisible pool during 2021-26, Maharashtra will receive Rs 2.59.

**Table 8: Share of states in the divisible pool of central taxes under the 14<sup>th</sup> and 15<sup>th</sup> 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%
<b>Maharashtra</b>	<b>2.32</b>	<b>2.52</b>	<b>2.59</b>	<b>11.7%</b>	<b>3.0%</b>
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%
<b>Total</b>	<b>42.00</b>	<b>41.00</b>	<b>41.00</b>		

Note: % share in divisible pool has been rounded off. Although the 15<sup>th</sup> FC 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.

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

The 15<sup>th</sup> 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.

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

Grants	Total	Maharashtra
Revenue deficit grants	2,94,514	0
Local governments grants	4,36,361	41,391*
Sector-specific grants	1,29,987	8,431#
Disaster management grants	1,22,601	17,803
State-specific grants	49,599	2,750
<b>Total</b>	<b>10,33,062</b>	<b>70,375</b>

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 15<sup>th</sup> FC; PRS.

Grants recommended for Maharashtra include: (i) Rs 41,391 crore as grants for local bodies, (ii) Rs 17,803 crore as disaster management grants, and (iii) Rs 2,750 crore as state-specific grants. The state-specific grants are for purposes including: (i) development of Revas Reddy coastal highway, (ii) preservation of cultural heritage, (iii) conservation of forest and wildlife management, and (iv) construction of new housing for police.

**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
<b>Maharashtra</b>	<b>37,732</b>	<b>33,743</b>	<b>42,044</b>
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
<b>Total</b>	<b>6,83,353</b>	<b>5,49,959</b>	<b>6,65,563</b>

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: Overview of Revised Estimates for 2020-21 and Budget Estimates for 2021-22 (in Rs crore)**

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
<b>Receipts (1+2)</b>	<b>4,39,380</b>	<b>4,93,885</b>	<b>12%</b>
Receipts except Borrowings	2,91,807	3,71,319	27%
1. Revenue Receipts (a+b+c+d)	2,89,498	3,68,987	27%
a. Own Tax Revenue	1,84,519	2,43,490	32%
b. Own Non-Tax Revenue	15,147	26,650	76%
c. Share in central taxes	33,743	42,044	25%
d. Grants-in-aid from the Centre	56,088	56,803	1%
<i>Of which GST compensation</i>	15,000	18,000	20%
2. Capital Receipts	1,49,882	1,24,898	-17%
a. Borrowings	1,47,573	1,22,566	-17%
<b>Expenditure (3+4)</b>	<b>4,37,391</b>	<b>4,84,091</b>	<b>11%</b>
3. Revenue Expenditure	3,35,675	3,79,213	13%
4. Capital Expenditure	1,01,715	1,04,879	3%
i. Capital Outlay	41,275	55,613	35%
ii. Debt Repayment	57,887	46,131	-20%



Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Revenue Balance	-46,178	-10,226	-78%
<b>Revenue Balance (as % of GSDP)</b>	<b>-1.73%</b>	<b>-0.34%</b>	
Fiscal Deficit	87,697	66,641	-24.0%
<b>Fiscal Deficit (as % of GSDP)</b>	<b>3.29%</b>	<b>2.24%</b>	

Note: Negative revenue balance indicates revenue deficit.

Sources: Maharashtra Budget Documents 2021-22; PRS.

**Table 12: Key components of State's Own Tax Revenue (in Rs crore)**

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
SGST	88,000	1,17,807	33.9%
Sales Tax/VAT	34,000	44,000	29.4%
Stamps Duty and Registration Fees	22,000	32,000	45.5%
State Excise Duty	15,000	19,500	30.0%
Taxes on Vehicles	6,200	10,000	61.3%
Land Revenue	3,000	4,000	33.3%
Taxes and Duties on Electricity	11,200	10,404	-7.1%

Sources: Maharashtra Budget Documents 2021-22; PRS.

**Table 13: Allocation towards key sectors (in Rs crore)**

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	65,706	74,830	14%
Agriculture and allied activities	33,264	26,483	-20%
Transport	17,734	25,686	45%
<i>of which Roads and Bridges</i>	<i>17,032</i>	<i>22,608</i>	<i>33%</i>
Rural Development	17,561	22,194	26%
Police	17,537	21,558	23%
Welfare of SC, ST, OBC, and Minorities	15,225	21,044	38%
Health and Family Welfare	19,539	19,060	-2%
Irrigation and Flood Control	12,422	17,938	44%
Social Welfare and Nutrition	21,049	16,378	-22%
Urban Development	12,426	16,050	29%
Energy	10,165	10,588	4%
Housing	5,650	6,523	15%
Water Supply and Sanitation	5,497	5,860	7%

Sources: Maharashtra Budget Documents 2021-22; PRS.

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