

Maharashtra Budget Analysis 2022-23

The Deputy Chief Minister of Maharashtra, Mr. Ajit Pawar, presented the Budget for the state for the financial year 2022-23 on March 11, 2022.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Maharashtra for 2022-23 (at current prices) is projected to be Rs 35.81 lakh crore. This is a growth of 12% over the revised estimate of GSDP for 2021-22 (Rs 31.97 lakh crore). In 2021-22, GSDP is estimated to grow by 18% over the previous year (at current prices).
- **Expenditure (excluding debt repayment)** in 2022-23 is estimated to be Rs 4,95,405 crore, a 9% increase over the revised estimates of 2021-22 (Rs 4,53,547 crore). In addition, debt of Rs 53,003 crore will be repaid by the state in 2022-23. In 2021-22, expenditure (excluding debt repayment) is estimated to be 4% higher than the budget estimate.
- **Receipts (excluding borrowings)** for 2022-23 are estimated to be Rs 4,05,806 crore, an increase of 11% over the revised estimates of 2021-22 (Rs 3,64,465 crore). In 2021-22, receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 6,854 crore (a decrease of 2%).
- **Fiscal deficit** for 2022-23 is targeted at Rs 89,598 crore (2.50% of GSDP). In 2021-22, as per the revised estimates, fiscal deficit is expected to be 2.79% of GSDP, higher than the budget estimate of 2.24% of GSDP.
- **Revenue deficit** in 2022-23 is estimated to be Rs 24,353 crore, which is 0.68% of the GSDP. In 2021-22, Maharashtra is estimated to observe a revenue deficit of 0.96% of GSDP, higher than the budget estimate of 0.34% of GSDP.

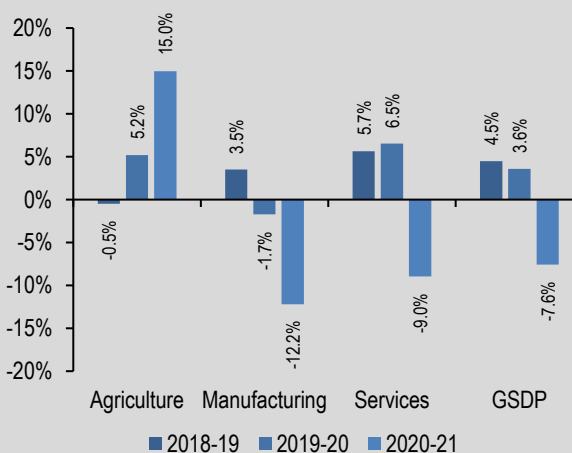
Policy Highlights

- **Tax proposals:** VAT on CNG will be reduced from 13.5% to 3%. Amnesty schemes for GST and Stamp Duty will be launched. Concession in stamp duty will continue for two more years.
- **Special program for accelerating economic growth:** A special program for accelerating economic growth of the state called “Panchsutri of Development” will be launched. Under this program, about four lakh crore rupees will be spent over next three years in five sectors – (i) agriculture, (ii) health, (iii) human resource, (iv) transport, and (v) industry.
- **Agriculture:** An incentive grant of Rs. 50,000 will be provided to about 20 lakh farmers who repay their loans regularly (also announced in 2020-21 but was not made operational). Loan given by Land Development Bank worth Rs 964 crore to farmers will be waived off.

Maharashtra’s Economy

- **GSDP:** Maharashtra’s GSDP (at constant prices) contracted by 7.6% in 2020-21. In comparison, national GDP registered a negative growth of 6.6% in 2020-21. In case of Maharashtra, manufacturing as well as services sectors registered a contraction in 2020-21.
- **Sectors:** In 2020-21, at current prices, agriculture, manufacturing, and services sectors contributed to 16%, 24%, and 60% of the economy.
- **Per capita GSDP:** The per capita GSDP of Maharashtra in 2020-21 (at current prices) was Rs 2,18,753; 1.7% lower than the corresponding figure in 2019-20. In comparison, per capita GDP at the national level was Rs 1,46,087 in 2020-21 (at current prices).

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



Note: These numbers are as per constant (2011-12) prices which implies that the growth rate is adjusted for inflation.
Sources: Maharashtra Economic Survey 2021-22; PRS.

Budget Estimates for 2022-23

- **Expenditure (excluding debt repayment)** in 2022-23 is targeted at Rs 4,95,405 crore. This is an increase of 9% over the revised estimate of 2021-22 (Rs 4,53,547 crore). This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 4,05,806 crore and **net borrowings** of Rs 74,935 crore. Receipts (excluding borrowings) for 2022-23 are expected to register an increase of 11% over the revised estimate of 2021-22. In 2021-22, receipts are estimated to be 2% lower than the budget estimates.
- In 2022-23, the state is estimated to observe a **revenue deficit** of Rs 24,353 crore, which is 0.68% of its GSDP. In comparison, in 2020-21, the state observed a revenue deficit of 1.52% of GSDP (Rs 41,142 crore). In 2021-22, the state is estimated to observe a revenue deficit of 0.96% of GSDP (Rs 30,724 crore), higher than the budget estimate of 0.34% of GSDP.
- **Fiscal deficit** in 2022-23 is estimated to be 2.50% of GSDP which is within the limit of 4% of GSDP permitted by the central government in Union Budget 2022-23 (of which, 0.5% of GSDP will be made available upon undertaking power sector reforms). In 2021-22, the state has estimated a fiscal deficit of 2.79% of GSDP, within the limit of 4.5% of GSDP permitted by the central government (of which, 0.5% of GSDP becomes available upon undertaking power sector reforms).

Table 1: Budget 2022-23 - Key figures (in Rs crore)

Items	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21- 22 to RE 21- 22	2022-23 BE	% change from RE 21- 22 to BE 22- 23
Total Expenditure	4,00,225	4,84,091	4,96,638	3%	5,48,408	10%
(-) Repayment of debt	57,587	46,131	43,091	-7%	53,003	23%
Net Expenditure (E)	3,42,638	4,37,960	4,53,547	4%	4,95,405	9%
Total Receipts	3,89,596	4,93,885	4,68,810	-5%	5,33,745	14%
(-) Borrowings	1,18,516	1,22,566	1,04,345	-15%	1,27,938	23%
Net Receipts (R)	2,71,080	3,71,319	3,64,465	-2%	4,05,806	11%
Fiscal Deficit (E-R)	71,558	66,641	89,082	34%	89,598	1%
as % of GSDP	2.64%	2.24%	2.79%		2.50%	
Revenue Deficit	41,142	10,225	30,724	200%	24,353	-21%
as % of GSDP	1.52%	0.34%	0.96%		0.68%	
Primary Deficit	34,588	23,643	47,795	102%	42,835	-10%
as % of GSDP	1.28%	0.79%	1.49%		1.20%	

Sources: Maharashtra Budget Documents 2022-23; Maharashtra Economic Survey 2021-22; PRS.

Expenditure in 2022-23

- **Revenue expenditure** in 2022-23 is estimated to be Rs 4,27,780 crore, which is an increase of 9% over the revised estimate of 2021-22 (Rs 3,92,857 crore). This expenditure includes the payment of salaries, pensions, interest, and subsidies. In 2021-22, as per the revised estimates, revenue expenditure is estimated to be 4% higher than the budget estimate.
- **Capital outlay** in 2022-23 is estimated to be Rs 65,210 crore, which is an increase of 13% over the revised estimate of 2021-22. Capital outlay comprises expenditure towards the creation of assets. This includes expenditure on building schools, hospitals, and roads and bridges. In 2021-22, capital outlay is estimated to be 4% higher than the budget estimate.

Table 2: Expenditure Budget 2022-23 (in Rs crore)

Items	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21-22 to RE 21-22	2022-23 BE	% change from RE 21-22 to BE 22-23
Revenue Expenditure	3,10,610	3,79,212	3,92,857	4%	4,27,780	9%
Capital Outlay	29,687	55,613	57,761	4%	65,210	13%
Loans given by the state	2,342	3,135	2,928	-7%	2,414	-18%
Net Expenditure	3,42,638	4,37,960	4,53,547	4%	4,95,405	9%

Sources: Maharashtra Budget Documents 2022-23; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. Allocation of a large portion of budget for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as developmental schemes and capital outlay. In 2022-23, Maharashtra is estimated to spend Rs 2,24,261 crore on committed expenditure items, which is 56% of its revenue receipts. This comprises spending on salaries (33% of revenue receipts), pension (11%), and interest payments (12%). Committed expenditure in 2022-23 is estimated to increase by 17% over the revised estimate of 2021-22. Interest payments are estimated to increase by 13% whereas salaries and pension are estimated to increase by 18% and 20%, respectively.

Table 3: Committed Expenditure in 2022-23 (in Rs crore)

Items	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21-22 to RE 21-22	2022-23 BE	% change from RE 21-22 to BE 22-23
Salaries	99,611	1,22,997	1,12,062	-9%	1,31,986	18%
Pensions	32,267	34,428	38,027	10%	45,512	20%
Interest Payment	36,970	42,998	41,287	-4%	46,763	13%
Total Committed Expenditure	1,68,848	2,00,423	1,91,376	-5%	2,24,261	17%

Sources: Maharashtra Budget Documents 2022-23; PRS.

Sector-wise expenditure: The sectors listed below account for 58% of the total expenditure on sectors by the state in 2022-23. A comparison of Maharashtra's expenditure on the key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Maharashtra Budget 2022-23 (in Rs crore)

Sectors	2020-21 Actuals	2021-22 BE	2021-22 RE	2022-23 BE	% change from RE 21-22 to BE 22-23	Budget Provisions 2022-23 BE
Education, Sports, Arts, and Culture	62,322	74,830	71,642	80,437	12%	Rs 26,200 crore has been allocated towards assistance to non-government secondary schools and junior colleges.
Transport	16,676	25,686	31,597	31,113	-1.5%	Rs 20,133 crore has been allocated towards capital outlay on roads and bridges.
Agriculture and allied activities	35,194	26,483	26,673	29,393	10%	Rs 2,420 crore has been allocated towards crop insurance scheme. Rs 869 crore has been allocated towards the veterinary services and animal health.
Police	15,361	21,558	18,933	24,663	30%	Rs 16,471 crore has been allocated towards district police.
Welfare of SC, ST, OBC, and Minorities	11,433	21,044	21,323	22,984	8%	Rs 1,824 crore has been allocated towards various scholarships/stipends.
Rural Development	11,373	22,194	19,411	22,844	18%	Rs 3,192 crore has been allocated towards Jawahar Gram Samrudhi Yojana.
Health and Family Welfare	17,092	19,060	26,017	22,536	-13%	Rs 3,034 crore has been allocated towards National Rural Health Mission.
Irrigation and Flood Control	9,668	17,938	15,943	18,727	17%	Rs 15,980 crore has been allocated towards capital outlay on irrigation and flood control.
Urban Development	10,177	16,050	17,250	18,347	6%	Rs 1,765 crore has been allocated towards Smart City Abhiyan.
Social Welfare and Nutrition	18,879	16,378	23,474	16,617	-29%	Rs 2,664 crore has been allocated towards integrated child development scheme.
% of total expenditure on all sectors	61%	60%	60%	58%		

Sources: Maharashtra Budget Documents 2022-23; PRS.

Receipts in 2022-23

- **Total revenue receipts** for 2022-23 are estimated to be Rs 4,03,427 crore, an increase of 11% over the revised estimate of 2021-22. Of this, Rs 2,83,654 crore (70%) will be raised by the state through its **own resources**, and Rs 1,19,773 crore (30%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (13% of revenue receipts) and grants (17% of revenue receipts).
- **Devolution:** In 2022-23, the state estimates to receive Rs 51,588 crore in the form of share in central taxes, an increase of 7% over the revised estimates of 2021-22.
- **State's own tax revenue:** Total own tax revenue of Maharashtra is estimated to be Rs 2,56,526 crore in 2022-23, an increase of 13% over the revised estimate of 2021-22. Maharashtra's own tax revenue as a percentage of GSDP is estimated to rise from 6.1% of GSDP in 2020-21 (as per actuals) to 7.2% of GSDP in 2022-23 (as per budget estimate). In 2021-22, while GSDP estimate has been revised up by 7.3%, earnings from most of the own tax revenue components are estimated to be lower than the budget estimate (leading to own tax to GSDP ratio falling from 8.2% at the budget stage to 7.1% at the revised stage).
- **State's non-tax revenue:** In 2022-23, the state is estimated to earn Rs 27,128 crore in the form of the state's own non-tax revenue, an increase of 57% over the revised estimates of 2021-22. In 2021-22, the state's own non-tax revenue is estimated to be 35% lower than the budget estimate.

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

Sources	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21-22 to RE 21-22	2022-23 BE	% change from RE 21-22 to BE 22-23
State's Own Tax	1,64,280	2,43,490	2,27,237	-7%	2,56,526	13%
State's Own Non-Tax	15,975	26,650	17,307	-35%	27,128	57%
Share in Central Taxes	36,479	42,044	48,261	15%	51,588	7%
Grants-in-aid from Centre	52,733	56,803	69,327	22%	68,186	-2%
Revenue Receipts	2,69,468	3,68,987	3,62,133	-2%	4,03,427	11%
Non-debt Capital Receipts	1,612	2,332	2,332	0%	2,379	2%
Net Receipts	2,71,080	3,71,319	3,64,465	-2%	4,05,806	11%

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

Sources: Maharashtra Budget Documents 2022-23; PRS.

- In 2022-23, **SGST** is estimated to be the largest source of own tax revenue (47%). SGST revenue in 2022-23 is estimated at Rs 1,19,900 crore, which is an increase of 11% over the revised estimates of 2021-22. As per the revised estimates, the state is estimated to receive Rs 35,000 crore on account of GST compensation in 2021-22 (including back-to-back loan in lieu of compensation of Rs 13,782 crore).
- In 2022-23, land revenue is estimated to increase by 82% over the revised estimates of 2021-22 (Table 6). Land revenue in 2021-22 is estimated to be 45% lower than the budget estimate. Receipts from state excise duty in 2022-23 is estimated to increase by 22% over the revised estimates of 2021-22.

GST Compensation ends in June 2022

When the GST was introduced, the central government guaranteed states a 14% compounded annual growth in their GST revenue for a period of five years. Any shortfall in a state's GST revenue from this level is covered by the Centre by providing compensation grants to the state. This guarantee ends in June 2022. During 2018-22, Maharashtra has relied on GST compensation grants to achieve the guaranteed SGST revenue level. In 2021-22, Maharashtra is estimated to receive Rs 35,000 crore in the form of GST compensation grants, which is about 15% of its own tax revenue. Hence, beyond June 2022, Maharashtra might see a decline in the level of revenue receipts.

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

Taxes	2020-21 Actuals	2021-22 BE	2021-22 RE	% change from BE 21-22 to RE 21-22	2022-23 BE	% change from RE 21-22 to BE 22-23
State GST	69,949	1,17,807	1,07,807	-8%	1,19,900	11%
Sales Tax/ VAT	33,160	44,000	45,000	2%	50,200	12%
Stamp Duty and Registration Fees	25,428	32,000	29,500	-8%	32,000	8%
State Excise	15,089	19,500	18,000	-8%	22,000	22%
Taxes on Vehicles	6,655	10,000	9,150	-9%	10,500	15%
Taxes and Duties on Electricity	8,354	10,404	10,404	0%	11,444	10%
Land Revenue	2,063	4,000	2,200	-45%	4,000	82%
GST Compensation Grants	17,423	18,000	21,218	18%	9,725	-54%
GST Compensation Loans*	-	-	13,782	-	-	-

Note: *The state has not shown any receipt in the form of back-to-back loan in lieu of GST compensation in 2020-21. However, as per Union Ministry of Finance, the state received Rs 11,977 crore on this account in 2020-21.

Sources: Maharashtra Budget Documents 2022-23; PRS.

Deficits and Debt Targets for 2022-23

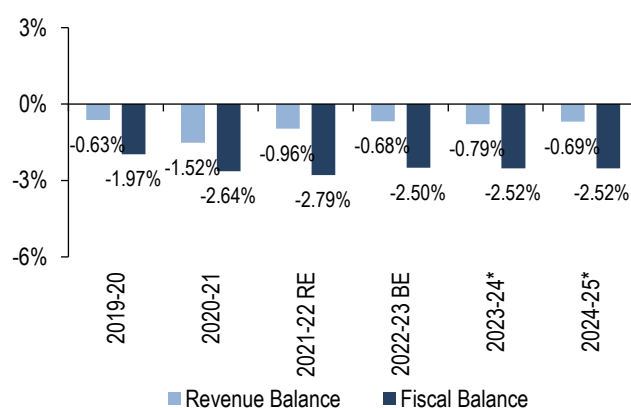
The Maharashtra Fiscal Responsibility and Budget Management (FRBM) Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

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 reduce its liabilities. In 2022-23, the state is estimated to observe a revenue deficit of Rs 24,353 crore, which is 0.68% of its GSDP. In comparison, in 2020-21, the state observed a revenue deficit of 1.52% of GSDP (Rs 41,142 crore). In 2021-22, the state is estimated to observe a revenue deficit of 0.96% of GSDP (Rs 30,724 crore), higher than the budget estimate of 0.34% of GSDP.

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 state government. In 2022-23, the fiscal deficit is estimated to be 2.50% of GSDP. It is within the limit of 4% of GSDP permitted by the central government in 2022-23 (of which, 0.5% of GSDP will be made available upon undertaking power sector reforms). In 2021-22, fiscal deficit is estimated to be 2.79% of GSDP, higher than the budget estimate of 2.24% of GSDP. Fiscal deficit in 2021-22 is within the limit of 4.5% of GSDP permitted by the central government (of which, 0.5% of GSDP becomes available upon undertaking power sector reforms).

Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on the public account. At the end of March 2023, the outstanding liabilities of the state is estimated to be 18.14% of the GSDP. The outstanding liabilities are estimated to increase by about 1.64% of GSDP as compared to 2019-20 (16.50% of GSDP). The outstanding liabilities of the state is estimated to rise further to 18.65% of GSDP at the end of March 2024.

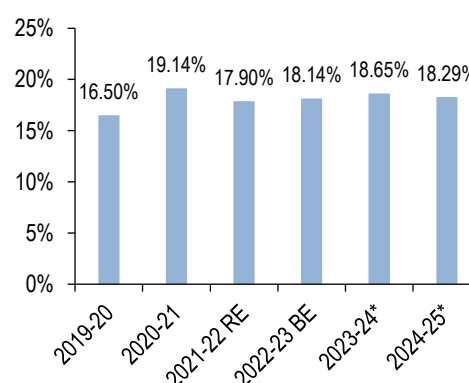
Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: RE is Revised Estimates; BE is budget estimates. Positive sign indicates a surplus, negative sign indicates a deficit. *Figures for 2023-24 and 2024-25 are projections.

Sources: Maharashtra Budget Documents 2022-23; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



Note: RE is Revised Estimates; BE is budget estimates. *Figures for 2023-24 and 2024-25 are projections.

Sources: Maharashtra Budget Documents 2022-23; PRS.

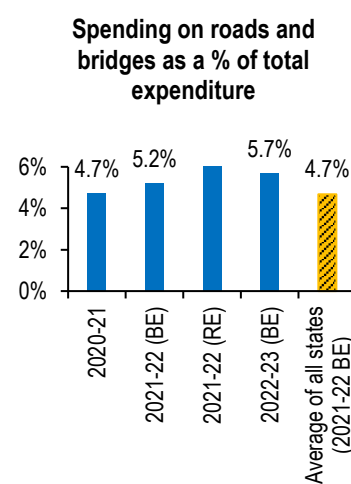
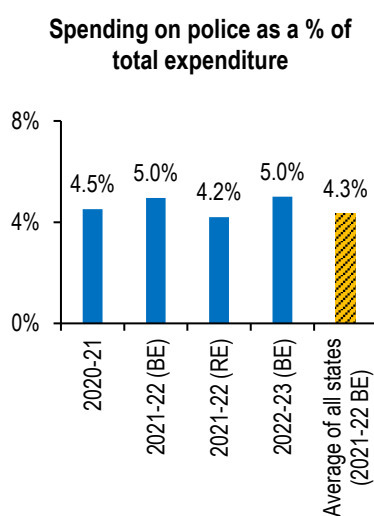
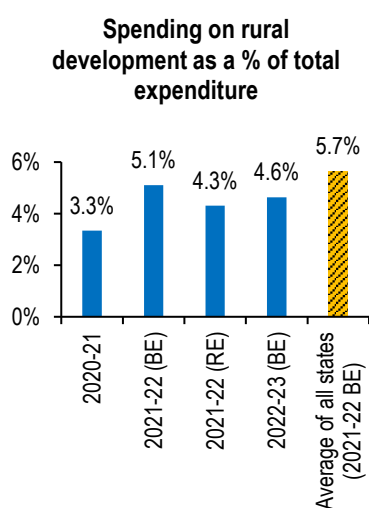
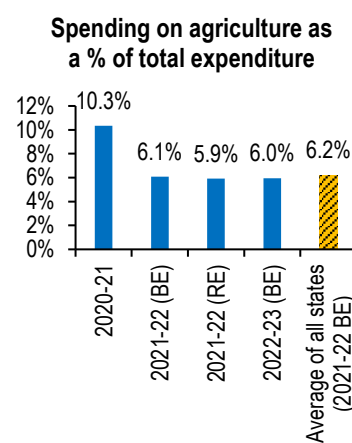
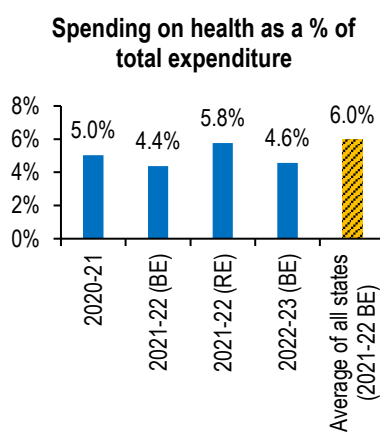
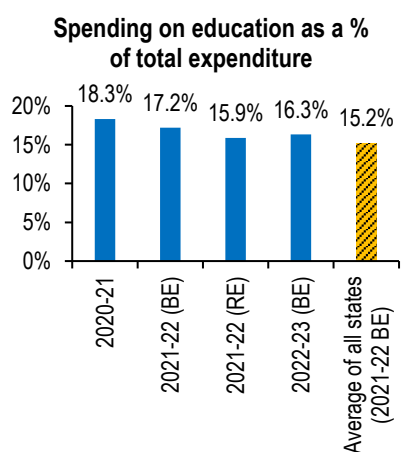
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. In 2020-21, the outstanding guarantee of the state was 1.53% of GSDP, which is estimated to rise to 1.74% of GSDP in 2022-23.

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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 2021-22.¹

- **Education:** Maharashtra has allocated 16.3% of its total expenditure for education in 2022-23. This is higher than the average allocation (15.2%) for education by all states (as per 2021-22 Budget Estimates).
- **Health:** Maharashtra has allocated 4.6% of its total expenditure on health, which is significantly lower than the average allocation for health by states (6%).
- **Agriculture:** The state has allocated 6% of its total expenditure towards agriculture and allied activities. This is marginally lower than the average allocation for agriculture by states (6.2%).
- **Rural development:** Maharashtra has allocated 4.6% of its expenditure towards rural development. This is lower than the average allocation for rural development by states (5.7%).
- **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 5.7% of its total expenditure on roads and bridges, which is higher than the average allocation by states (4.7%).



Note: 2020-21, 2021-22 (BE), 2021-22 (RE), and 2022-23 (BE) figures are for Maharashtra. Sources: Maharashtra Budget Documents 2022-23; various state budgets; PRS.

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

Annexure 2: Comparison of 2020-21 Budget Estimates and Actuals

The following tables compare the actuals of 2020-21 with budget estimates for that year.

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

Particular	2020-21 BE	2020-21 Actuals	% change from BE to Actuals
Net Receipts (1+2)	3,49,765	2,71,080	-22%
1. Revenue Receipts (a+b+c+d)	3,47,456	2,69,468	-22%
a. Own Tax Revenue	2,25,071	1,64,280	-27%
b. Own Non-Tax Revenue	20,506	15,975	-22%
c. Share in central taxes	48,109	36,479	-24%
d. Grants-in-aid from the Centre	53,770	52,733	-2%
Of which GST compensation grants	10,000	17,423	74%
2. Non-Debt Capital Receipts	2,309	1,612	-30%
3. Borrowings	81,106	1,18,516	46%
Of which GST compensation loan	0	0	-
Net Expenditure (4+5+6)	4,04,385	3,42,638	-15%
4. Revenue Expenditure	3,56,968	3,10,610	-13%
5. Capital Outlay	45,124	29,687	-34%
6. Loans and Advances	2,293	2,342	2%
7. Debt Repayment	29,700	57,587	94%
Revenue Deficit	9,511	41,142	333%
Revenue Deficit (as % of GSDP)	0.29%	1.52%	
Fiscal Deficit	54,618	71,558	31%
Fiscal Deficit (as % of GSDP)	1.69%	2.64%	

Note: BE: Budget Estimates.

Source: Maharashtra Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue (in Rs crore)

Sector	2020-21 BE	2020-21 Actuals	% change from BE to Actuals
Land Revenue	4,000	2,063	-48%
State GST	1,07,146	69,949	-35%
Taxes on Vehicles	9,500	6,655	-30%
State Excise	19,225	15,089	-22%
Sales Tax/ VAT	40,000	33,160	-17%
Stamp Duty and Registration Fees	30,000	25,428	-15%
Taxes and Duties on Electricity	9,500	8,354	-12%

Source: Maharashtra Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors (in Rs crore)

Sector	2020-21 BE	2020-21 Actuals	% change from BE to Actuals
Water Supply and Sanitation	6,297	2,193	-65%
Housing	6,184	2,274	-63%
Rural Development	21,467	11,373	-47%
Urban Development	18,090	10,177	-44%
Welfare of SC, ST, OBC, and Minorities	19,529	11,433	-41%
Irrigation and Flood Control	14,905	9,668	-35%
Police	20,230	15,361	-24%
Education, Sports, Arts, and Culture	73,048	62,322	-15%
Transport	18,959	16,976	-10%
of which Roads and Bridges	17,397	15,996	-8%
Health and Family Welfare	17,288	17,092	-1%
Energy	10,055	10,035	0%
Agriculture and allied activities	30,127	35,194	17%
Social Welfare and Nutrition	15,193	18,879	24%

Source: Maharashtra Budget Documents of various years; PRS.