

# Uttar Pradesh Budget Analysis 2019-20

The Finance Minister, Mr. Rajesh Agarwal presented the Budget for Uttar Pradesh for financial year 2019-20 on February 7, 2019.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Uttar Pradesh for 2019-20 at current prices is estimated to be Rs 15,79,807 crore, which is 7% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 4,79,701 crore, a 6.7% increase over the revised estimate of 2018-19. In 2018-19, as per the revised estimate, there is estimated to be an increase of Rs 21,189 crore (4.9%) of expenditure over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 3,97,416 crore, an increase of 3.2% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) is estimated to be higher than the budgeted estimate by Rs 31,402 crore (8.9%).
- **Revenue surplus** for the next financial year is targeted at Rs 27,777 crore, or 1.76% of the GSDP. **Fiscal deficit** is targeted at Rs 46,911 crore (2.97% of GSDP).
- Sectors such as police (44%), irrigation and flood control (19%), social welfare and nutrition (16%), and health and family welfare (15%) saw the highest increase in allocations.

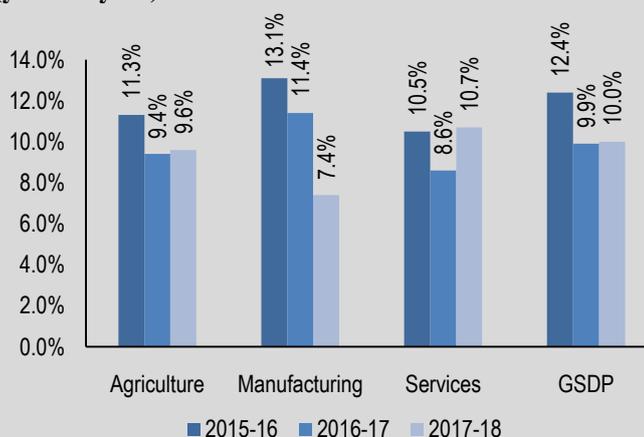
## Policy Highlights

- **Cess on liquor sales:** A cess will be levied on liquor sales, through which a revenue of Rs 165 crore is estimated. This will be used towards feeding of stray cattle.
- **Rural development:** Rs 6,240 crore has been allocated towards Pradhan Mantri Awas Yojana – Rural. Rs 3,488 crore has been allocated under the National Rural Livelihood Mission. Rs 2,954 crore has been allocated towards the National Rural Drinking Water Mission.
- **Woman and child development:** A new scheme, Kanya Sumangala Yojana has been announced to improve the health and education levels of girls. Rs 1,200 crore has been allocated towards it.
- **Education:** Rs 500 crore has been allocated towards improving infrastructure in primary and higher primary schools. Rs 272 crore has been allocated towards Sanskrit medium schools. Rs 4,433 crore has been allocated towards scholarships for students belonging to poor sections of society.

## Uttar Pradesh's Economy

- **GSDP:** The GSDP of Uttar Pradesh (at current prices) has grown at a rate of 10% during the period 2011-16.
- **Sectors:** In 2016-17, Agriculture, Manufacturing, and Services contributed to 27%, 26% and 47% of the State Gross Value Added (GSVA) by sectors. In the same year, these sectors grew by 9%, 11%, and 9%, respectively.
- **Per capita GSDP:** The per capita GSDP of Uttar Pradesh in 2016-17 (at current prices) was Rs 57,480. This is 8% higher than the per capita GSDP of 2015-16 (Rs 53,085).

**Figure 1: Growth in GSDP and sectors in Uttar Pradesh (year-on-year)**



Note: As per CSO, agriculture here includes mining and quarrying.  
Sources: Central Statistics Office, MOSPI, data as of August 2018; PRS.

## Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 4,79,701 crore. This is 6.7% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 3,97,416 crore and borrowings of Rs 73,268 crore. Receipts (other than borrowings) is expected to be 3.2% higher in 2019-20 than the revised estimate of 2018-19.
- In 2018-19, as per the revised estimate, there is estimated to be an increase of Rs 21,189 crore (4.9%) of expenditure over the budgeted estimate. Receipts (excluding borrowings) is estimated to be higher than the budgeted estimate by Rs 31,402 crore (8.9%).

**Table 1: Budget 2019-20: Key figures (in Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
<b>Total Expenditure</b>	<b>3,21,823</b>	<b>4,28,385</b>	<b>4,49,573</b>	<b>4.9%</b>	<b>4,79,701</b>	<b>6.7%</b>
A. Receipts (except borrowings)	2,79,011	3,53,784	3,85,187	8.9%	3,97,416	3.2%
B. Borrowings	47,417	67,115	54,338	-19.0%	73,268	34.8%
<b>Total Receipts (A+B)</b>	<b>3,26,428</b>	<b>4,20,899</b>	<b>4,39,525</b>	<b>4.4%</b>	<b>4,70,684</b>	<b>7.1%</b>
<b>Revenue Surplus</b>	<b>12,552</b>	<b>27,099</b>	<b>47,248</b>	<b>74.4%</b>	<b>27,777</b>	<b>-41.2%</b>
As % of GSDP	0.91%	1.82%	3.20%		1.76%	
<b>Fiscal Deficit</b>	<b>27,810</b>	<b>44,053</b>	<b>43,840</b>	<b>-0.5%</b>	<b>46,911</b>	<b>7.0%</b>
As % of GSDP	2.02%	2.96%	2.97%		2.97%	
<b>Primary Surplus</b>	<b>-1,326</b>	<b>11,620</b>	<b>11,969</b>	<b>3.0%</b>	<b>11,537</b>	<b>-3.6%</b>
As % of GSDP	-0.10%	0.78%	0.81%		0.73%	

Notes: '-' sign against primary surplus indicates primary deficit. BE is Budget Estimate; RE is Revised Estimate. GSDP for 2019-20 is Rs 15,79,807 crore. GSDP for 2018-19 BE and 2018-19 RE is taken to be Rs 14,88,934 crore, and Rs 14,76,455 crore respectively.

Sources: Uttar Pradesh Budget Documents 2019-20; PRS.

## Expenditure in 2019-20

- **Capital expenditure** for 2019-20 is proposed to be Rs 1,15,744 crore, which is a decrease of 0.9% over the revised estimate of 2018-19. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e. expenditure which leads to creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government.
- In 2019-20, capital outlay is estimated to be Rs 77,641 crore, a decrease of 12.3% over the revised estimate of 2018-19. However, the revised estimate is estimated to be 19.2% higher than the budgeted estimate in 2018-19.
- **Revenue expenditure** for 2019-20 is proposed to be Rs 3,63,957 crore, which is 9.4% higher than the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interest, among others. Revenue expenditure forms 76% of the total expenditure proposed in 2019-20.

**Table 2: Expenditure budget 2019-20 (in Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Capital Expenditure	55,599	1,06,864	1,16,799	9.3%	1,15,744	-0.9%
of which Capital Outlay	39,088	74,244	88,528	19.2%	77,641	-12.3%
Revenue Expenditure	2,66,224	3,21,520	3,32,774	3.5%	3,63,957	9.4%
<b>Total Expenditure</b>	<b>3,21,823</b>	<b>4,28,385</b>	<b>4,49,573</b>	<b>4.9%</b>	<b>4,79,701</b>	<b>6.7%</b>
A. Debt Repayment	15,002	30,547	20,547	-32.7%	35,374	72.2%
B. Interest Payments	29,136	32,434	31,871	-1.7%	35,374	11.0%
<b>Debt Servicing (A+B)</b>	<b>44,138</b>	<b>62,980</b>	<b>52,417</b>	<b>-16.8%</b>	<b>70,748</b>	<b>35.0%</b>

Note: Capital outlay denotes expenditure which leads to creation of assets.

Sources: Uttar Pradesh Annual Financial Statement 2019-20; PRS.

## Sector-wise expenditure in 2019-20

The sectors listed below account for **60%** of the total budgeted expenditure of Uttar Pradesh in 2019-20. A comparison of Uttar Pradesh's expenditure on key sectors with that by other states can be found in the Annexure.

**Table 3: Sector-wise expenditure for Uttar Pradesh Budget 2019-20 (Rs crore)**

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20	Budget provisions for 2019-20
Education	47,079	57,234	57,607	62,938	9%	<ul style="list-style-type: none"> <li>Rs 2,275 crore has been allocated towards Mid-Day Meal Scheme.</li> <li>Rs 10 crore has been allocated towards the establishment of state inter colleges.</li> </ul>
Water Supply, Sanitation, Housing and Urban Development	14,080	27,845	28,061	33,374	7%	<ul style="list-style-type: none"> <li>Rs 175 crore each has been allocated towards Kanpur, and Agra Metro Rails.</li> <li>Rs 5,156 crore has been allocated towards Pradhan Mantri Awas Yojana – Urban.</li> <li>Rs 2,200 crore and Rs 2,000 crore have been allocated towards the AMRUT, and Smart Cities Missions respectively.</li> </ul>
Rural Development	19,399	23,487	35,222	30,277	6%	<ul style="list-style-type: none"> <li>Rs 6,240 crore has been allocated towards Pradhan Mantri Awas Yojana – Rural.</li> <li>Rs 3,488 crore has been allocated towards MGNREGS.</li> </ul>
Transport	12,450	24,974	28,049	27,661	6%	<ul style="list-style-type: none"> <li>Rs 800 crore has been allocated toward the Jewar airport.</li> </ul>
Energy	15,474	25,890	32,166	26,503	-18%	<ul style="list-style-type: none"> <li>The proposed expenditure includes Rs 4,213 crore of interest payments.</li> </ul>
Health and Family Welfare	16,904	21,645	20,735	23,884	15%	<ul style="list-style-type: none"> <li>Rs 1,298 crore has been allocated towards the Ayushman Bharat National Health Protection Mission.</li> <li>Rs 908 crore has been allocated to convert certain district hospitals into medical colleges.</li> </ul>
Police	14,569	16,548	16,427	23,619	44%	<ul style="list-style-type: none"> <li>Rs 70 crore has been allocated towards police housing.</li> <li>Rs 204 crore has been allocated towards modernisation of police.</li> </ul>
Social Welfare and Nutrition	11,225	18,020	18,962	21,937	16%	<ul style="list-style-type: none"> <li>Rs 4,433 crore has been allocated towards scholarships for students belonging to poor sections of society.</li> </ul>
Irrigation and Flood Control	10,088	15,974	15,685	18,690	19%	<ul style="list-style-type: none"> <li>Rs 1,727 crore has been allocated for the second phase of the Madhya Ganga Canal Project.</li> </ul>
Agriculture and allied activities	28,880	13,868	15,278	12,333	-19%	<ul style="list-style-type: none"> <li>Rs 892 crore has been allocated towards the Rashtriya Krishi Vikas Yojana.</li> <li>Rs 450 crore has been allocated towards the National Crop Insurance Programme.</li> </ul>
Welfare of SC/ST/OBC and Minorities	4,962	5,855	6,056	6,552	8%	<ul style="list-style-type: none"> <li>Rs 942 crore has been allocated towards scholarships for minority students.</li> </ul>
<b>% of total expenditure</b>	<b>60.6%</b>	<b>58.7%</b>	<b>61.0%</b>	<b>60.0%</b>		

Sources: Uttar Pradesh Budget Speech 2019-20; Uttar Pradesh Annual Financial Statement 2019-20; Uttar Pradesh Demand for Grants 2019-20; PRS.

## Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 3,91,734 crore, an increase of 3.1% over the revised estimate of 2018-19. Of this, Rs 1,70,809 crore (44% of the revenue receipts) will be raised by the state through its **own resources**. Rs 2,20,925 crore (56% of the revenue receipts) will be **devolved from the centre** in the form of grants and the state's share in central taxes. In 2019-20, own revenue and central transfers are expected to be 5% and 2% higher than the revised estimates of 2018-19, respectively.
- **Central transfers:** In 2019-20, revenue from the state's share in central taxes is estimated to increase by 8% over the revised estimate of 2018-19. However, revenue in the form of grants-in-aid is estimated to decrease by 9.7%, over the revised estimate of 2018-19, to Rs 68,062 crore.
- **Non-tax revenue:** Uttar Pradesh has estimated to generate Rs 30,633 crore through non-tax sources in 2019-20. This is an increase of 6.3% over the 2018-19 revised estimate. Non-tax revenue forms 7% of the total estimated revenue in 2019-20. Non-tax sources include interest receipts, dividends, fees, and royalties, among others.

**Table 5: Break up of state government receipts in 2019-20 (in Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
State's Own Tax	97,393	1,22,700	1,34,300	9.5%	1,40,176	4.4%
State's Own Non-Tax	19,795	28,822	28,822	0.0%	30,633	6.3%
Share in Central Taxes	1,20,939	1,33,548	1,41,540	6.0%	1,52,863	8.0%
Grants-in-aid from Centre	40,648	63,549	75,360	18.6%	68,062	-9.7%
<b>Total Revenue Receipts</b>	<b>2,78,775</b>	<b>3,48,619</b>	<b>3,80,022</b>	<b>9.0%</b>	<b>3,91,734</b>	<b>3.1%</b>
Borrowings	47,417	67,115	54,338	-19.0%	73,268	34.8%
Other receipts	236	5,165	5,165	0.0%	5,682	10.0%
<b>Total Capital Receipts</b>	<b>47,652</b>	<b>72,280</b>	<b>59,504</b>	<b>-17.7%</b>	<b>78,950</b>	<b>32.7%</b>
<b>Total Receipts</b>	<b>3,26,428</b>	<b>4,20,899</b>	<b>4,39,525</b>	<b>4.4%</b>	<b>4,70,684</b>	<b>7.1%</b>

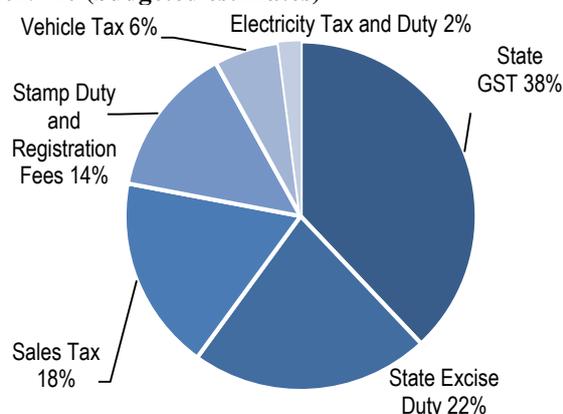
Sources: Uttar Pradesh Annual Financial Statement 2019-20; Uttar Pradesh Detailed Receipts Estimates 2019-20; PRS.

- **Tax Revenue:** Total own tax revenue of Uttar Pradesh is estimated to be Rs 1,40,176 crore in 2019-20 (36% of its revenue receipts). This is 4.4% higher than the revised estimate of 2018-19.
- The own tax to GSDP ratio is targeted at 9% in 2019-20, which is the same as the revised estimate in 2018-19. This implies that the state's own tax collection growth is estimated to be higher than the growth in the economy (GSDP growth is estimated at 7%).

### GST Revenue

Uttar Pradesh's total GST revenue (including central transfers) is estimated to be Rs 1,10,072 crore in 2019-20, an increase of 3% over the revised estimate of 2018-19. This is estimated to form 28% of the state's revenue receipts. GST revenue also includes Integrated GST, which is estimated to be Rs 4,703 crore in 2019-20.

**Figure 2: Composition of the state's tax revenue in 2019-20 (budgeted estimates)**



Sources: Uttar Pradesh Annual Financial Statement 2019-20; Uttar Pradesh Detailed Receipts Estimates 2019-20; PRS.

- State GST (SGST) is the largest component of tax revenue of the state. It is expected to generate Rs 52,980 crore in 2019-20. This is a decrease of 2% from the 2018-19 revised estimate.
- In 2019-20, Uttar Pradesh is expected to generate Rs 31,517 crore through levy of state excise. This is an increase of 26% from the revised estimate of 2018-19.
- The state estimates to generate Rs 24,660 crore through sales tax. This is a 2% increase from the revised estimate of 2018-19. Rs 19,179 crore is estimated to be generated from stamp duty and registration fees. This tax revenue component has decreased by 2% from the revised estimate of 2018-19.

## Deficits, Debts and FRBM Targets for 2019-20

The Uttar Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2004 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 surplus of Rs 27,777 crore (or 1.76% of GSDP) in 2019-20. A revenue surplus implies that the revenue of states is sufficient to meet their expenditure requirements in a given year. The estimate indicates that the state has eliminated revenue deficit, as prescribed by the 14<sup>th</sup> Finance Commission. The state has estimated a revenue surplus for the years 2020-21 and 2021-22.

The budget estimates a revenue surplus of Rs 27,777 crore (or 1.76% of GSDP) in 2019-20. The state has eliminated revenue deficit, as prescribed by the 14<sup>th</sup> Finance Commission. It also estimates a revenue surplus for the years 2020-21 and 2021-22. A high revenue surplus indicates that a state can: (i) create capital assets; or (ii) pay down its outstanding liabilities.

**Fiscal deficit:** It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the state government, and leads to an increase in total liabilities. In 2019-20, fiscal deficit is estimated to be Rs 46,911 crore, which is 2.97% of the GSDP. The estimate is under the 3% limit prescribed by the 14<sup>th</sup> Finance Commission. Fiscal deficit in 2017-18, at 2.02% of GSDP was under this 3% limit.

**Outstanding liabilities:** It is the accumulation of borrowings undertaken by the state government over the years. In 2019-20, the outstanding liabilities of Uttar Pradesh are expected to be at 30% of the GSDP.

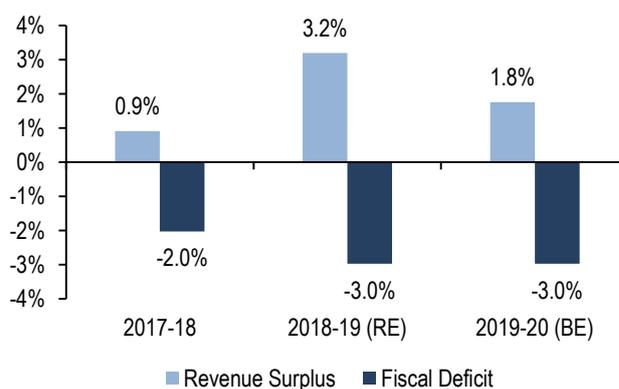
**Table 4: Budgeted targets for deficits for Uttar Pradesh in 2019-20 (as % of GSDP)**

Year	Revenue	Fiscal	Outstanding Liabilities
	Deficit (-)/Surplus (+)	Deficit (-)/Surplus (+)	
2017-18	0.9%	-2.0%	29.6%
2018-19 (RE)	3.2%	-3.0%	30.0%
2019-20 (BE)	1.8%	-3.0%	30.0%
2020-21	2.3%	-3.0%	30.0%
2021-22	2.7%	-2.7%	29.5%

Sources: Uttar Pradesh Annual Financial Statement 2019-20; PRS.

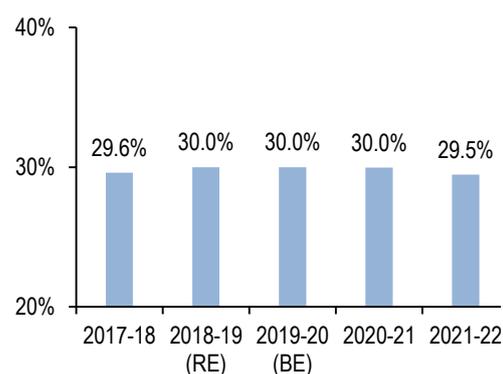
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

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



Sources: Uttar Pradesh Annual Financial Statement 2019-20; PRS.

**Figure 4: Outstanding liabilities targets (as % of GSDP)**



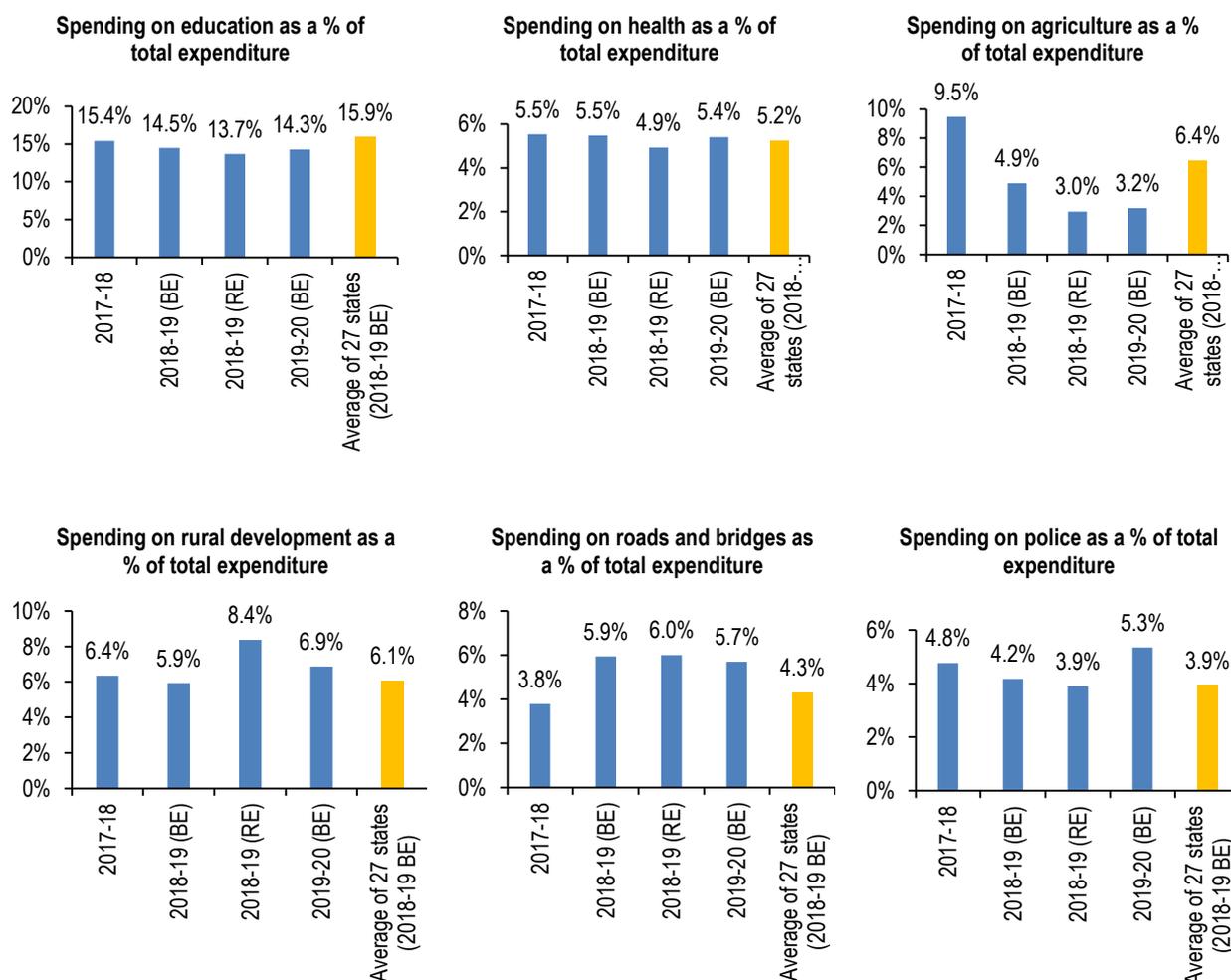
Sources: Uttar Pradesh Annual Financial Statement 2019-20; PRS.

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## Annexure

The graphs below compare Uttar Pradesh's expenditure on some key sectors, as a proportion of its total expenditure, with the average expenditure by other states (using budgeted estimates of 2018-19).<sup>1</sup>

- **Education:** Uttar Pradesh has allocated 14.3% of its expenditure on education in 2019-20. This is lower than the average expenditure allocated to education (15.9%) by other states in 2018-19.
- **Health:** Uttar Pradesh has allocated 5.4% of its expenditure towards health in 2019-20, which is higher than the average allocation (5.2%) by other states in 2018-19.
- **Agriculture and allied activities:** The state has allocated 2.8% of its expenditure towards agriculture and allied activities in 2019-20. This is lower than the allocations by other states (6.4%) in 2018-19.
- **Rural development:** Uttar Pradesh has allocated 6.9% of its expenditure on rural development in 2019-20. This is marginally higher than the average (6.1%) for other states in 2018-19.
- **Roads and bridges:** The state has allocated 5.7% of its budget for expenditure on roads and bridges in 2019-20. This is higher than the allocations by other states (4.3%) in 2018-19.
- **Police:** In 2019-20, Uttar Pradesh has allocated 5.3% of its budget for expenditure on police. This is higher than the allocations by other states (3.9%) in 2018-19.



Sources: Uttar Pradesh Annual Financial Statement 2019-20; Annual Financial Statement 2018-19 of respective states; PRS.

<sup>1</sup> The 26 other states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.