

# Uttarakhand Budget Analysis 2019-20

The Finance Minister, Mr. Prakash Pant, presented the Budget for Uttarakhand for financial year 2019-20 on February 18, 2019.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Uttarakhand for 2019-20 at current prices is estimated to be Rs 2,63,233 crore, which is 11% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 48,664 crore, a 12% increase over the revised estimate of 2018-19. In 2018-19, as per the revised figures, the expenditure is estimated to decrease by Rs 2,124 crore (4.7%) over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 38,989 crore, an increase of 12.1% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) are estimated to fall short of the budgeted estimate by Rs 906 crore (2.5%).
- **Revenue surplus** for the next financial year is targeted at Rs 23 crore, or 0.01% of the GSDP. **Fiscal deficit** is targeted at Rs 6,798 crore (2.58% of GSDP).
- Sectors such as irrigation and flood control (65%), and water supply, sanitation, housing, and urban development (41%) saw the highest increase in allocations. Allocations to transport (1%), police (5%), rural development (6%), and social security and welfare (6%) increased marginally.

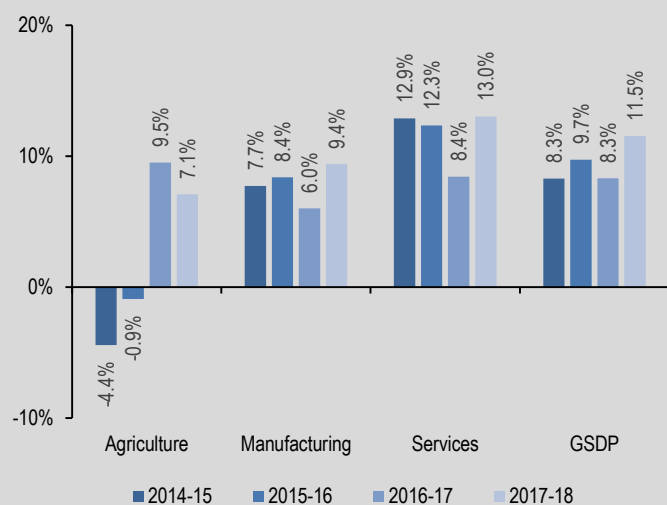
## Policy Highlights

- **Interest-free loans:** Poor and marginal farmers will be provided with interest-free loans for agro-processing and agricultural activities. This will be applicable for loans taken by farmers for an amount up to one lakh rupees. Loans taken by self-help groups up to five lakh rupees for agriculture related activities will also be eligible for the scheme. Rs 50 crore has been allocated for the scheme in 2019-20.
- **Improvement of children’s nutrition:** Mukhyamantri Aanchal Amrit Yojana will be launched under which children between the age of three to six years will be provided milk twice in a week at anganwadi centres. Further, the Mukhyamantri Bal Poshan Yojana, which is provided to children suffering from severe malnourishment, will be extended to include other malnourished children as well.
- **Skill development:** Sankalp scheme will be launched for strengthening the skill development programmes and increasing the participation of women and weaker sections in these programmes. The scheme has been allocated Rs 4 crore in 2019-20. Strive scheme will be launched for strengthening the training institutes.

## Uttarakhand’s Economy

- **GSDP:** The GSDP of Uttarakhand (at current prices) has grown at a rate of 9.5% during the period 2013-14 to 2017-18.
- **Sectors:** In 2017-18, the sectors of Agriculture, Manufacturing, and Services contributed to 11%, 49%, and 40% of the State Gross Value Added (GVA). GVA by a sector denotes the contribution of that sector to the state’s economy. In the same year, these sectors grew by 7.1%, 9.4%, and 13%, respectively.
- **Per capita GSDP:** The per capita GSDP of Uttarakhand in 2017-18 (at current prices) was Rs 1,94,293. This is 10.1% higher than the figure for 2016-17 (Rs 1,76,544).

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



Sources: Central Statistics Office, MOSPI; PRS.

## Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 48,664 crore. This is 12% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 38,989 crore and borrowings of Rs 9,690 crore. Receipts (other than borrowings) is expected to be 12.1% higher in 2019-20 than the revised estimate of 2018-19.
- In 2018-19, as per the revised figures, expenditure of the state is estimated to decrease by Rs 2,124 crore (4.7%) over the budgeted estimate. Receipts (excluding borrowings) is estimated to be lower than the budgeted estimate by Rs 906 crore (2.5%).

**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>42,726</b>	<b>45,585</b>	<b>43,461</b>	<b>-4.7%</b>	<b>48,664</b>	<b>12.0%</b>
A. Receipts (except borrowings)	27,388	35,693	34,787	-2.5%	38,989	12.1%
B. Borrowings (gross)	13,457	9,510	8,410	-11.6%	9,690	15.2%
<b>Total Receipts (A+B)</b>	<b>40,845</b>	<b>45,203</b>	<b>43,197</b>	<b>-4.4%</b>	<b>48,679</b>	<b>12.7%</b>
<b>Revenue Surplus</b>	<b>-1,978</b>	<b>33</b>	<b>27</b>	<b>-16.6%</b>	<b>23</b>	<b>-16.4%</b>
As % of GSDP	-0.92%	0.01%	0.01%		0.01%	
<b>Fiscal Deficit</b>	<b>7,686</b>	<b>6,710</b>	<b>5,492</b>	<b>-18.2%</b>	<b>6,798</b>	<b>23.8%</b>
As % of GSDP	3.58%	2.75%	2.32%		2.58%	
<b>Primary Deficit</b>	<b>3,699</b>	<b>1,804</b>	<b>587</b>	<b>-67.4%</b>	<b>1,466</b>	<b>149.6%</b>
As % of GSDP	1.72%	0.74%	0.25%		0.56%	

Note: '-' sign against revenue surplus indicates revenue deficit. BE indicates Budget Estimate, RE indicates Revised Estimate.

Sources: Uttarakhand Annual Financial Statement 2019-20; Uttarakhand Medium Term Fiscal Policy Statement 2019-20; PRS.

## Expenditure in 2019-20

- **Capital expenditure** for 2019-20 is proposed to be Rs 9,731 crore, which is an increase of 11.4% 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 6,572 crore, which is an increase of 23.2% over the revised estimate of 2018-19. However, this revised figure is estimated to be 18.9% lower than the budgeted estimate of 2018-19.
- **Revenue expenditure** for 2019-20 is proposed to be Rs 38,933 crore, which is 12.1% higher than the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interests, among others. Revenue expenditure forms 80% of the total expenditure proposed in 2019-20.

### Grants to Local Governments

The state government provides compensation and assignments to local bodies and Panchayati Raj institutions. In 2019-20, this amount is estimated to be Rs 2,183 crore (4.5% of the expenditure), a 18.8% increase over the revised estimate of 2018-19. Of this, Rs 1,157 crore has been allocated to urban local bodies, and Rs 1,026 crore to Panchayati Raj bodies.

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

Item	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>A. Revenue Expenditure</b>	<b>29,083</b>	<b>35,627</b>	<b>34,727</b>	<b>-2.5%</b>	<b>38,933</b>	<b>12.1%</b>
<b>B. Capital Expenditure</b>	<b>13,643</b>	<b>9,958</b>	<b>8,734</b>	<b>-12.3%</b>	<b>9,731</b>	<b>11.4%</b>
of which Capital Outlay	5,914	6,584	5,336	-18.9%	6,572	23.2%
<b>Total Expenditure (A+B)</b>	<b>42,726</b>	<b>45,585</b>	<b>43,461</b>	<b>-4.7%</b>	<b>48,664</b>	<b>12.0%</b>
C. Debt Repayment	7,652	3,182	3,182	0.0%	2,876	-9.6%
D. Interest Payments	3,987	4,906	4,905	0.0%	5,332	8.7%
<b>Debt Servicing (C+D)</b>	<b>11,639</b>	<b>8,088</b>	<b>8,087</b>	<b>0.0%</b>	<b>8,209</b>	<b>1.5%</b>

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

Sources: Uttarakhand Annual Financial Statement 2019-20; PRS.

## Sector-wise expenditure in 2019-20

The sectors listed below account for **57%** of the total budgeted expenditure of Uttarakhand in 2019-20. A comparison of Uttarakhand's expenditure on key sectors with that by other states can be found in the Annexure.

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

Sector	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	6,669	8,057	7,487	8,758	17%	Rs 1,073 crore has been allocated towards the Samagra Shiksha Abhiyan.
Agriculture	2,928	2,817	2,782	3,325	20%	Rs 215 crore has been allocated towards providing assistance to sugar mills for clearing dues of sugarcane farmers.
Rural Development	2,503	3,103	2,975	3,154	6%	Rs 1,101 crore has been allocated towards the Pradhan Mantri Gram Sadak Yojana. Rs 282 crore has been allocated to the National Rural Employment Guarantee Scheme.
Health and Family Welfare	1,619	2,484	2,204	2,643	20%	Rs 440 crore and Rs 150 crore have been allocated to National Health Mission and Atal Ayushman Uttarakhand Yojana, respectively.
Social Security and Welfare	1,864	2,583	2,457	2,599	6%	Rs 562 crore has been allocated towards expenditure under the Integrated Child Development Services (ICDS) programme.
Police	1,627	1,869	1,809	1,894	5%	Rs 348 crore has been allocated towards expenditure on special police forces.
Water Supply, Sanitation, Housing, Urban Development	1,374	1,767	1,337	1,879	41%	Rs 202 crore has been allocated towards the Swachh Bharat Mission. Rs 160 crore and Rs 105 crore have been allocated towards the Smart Cities mission and the AMRUT programme, respectively. Rs 150 crore has been allocated for payment of dues to Uttarakhand Power Corporation.
Transport	1,762	1,876	1,703	1,716	1%	Rs 100 crore has been allocated to construction of the Muzaffarnagar-Roorkee railway line.
Irrigation and Flood Control	722	951	628	1,034	65%	Rs 170 crore has been allocated towards construction of dam on the Song river.
Welfare of SC, ST, OBC	271	489	384	510	33%	Rs 287 crore has been allocated towards providing scholarships to SC and ST students.
<b>% of total expenditure</b>	<b>50%</b>	<b>57%</b>	<b>55%</b>	<b>57%</b>		

Sources: Uttarakhand Budget Speech, Annual Financial Statement and Demand for Grants, 2019-20; PRS.

**Committed liabilities:** Committed liabilities of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for expenditure on committed liabilities limits the state's flexibility to decide on other expenditure priorities such as capital investments.

In 2019-20, Uttarakhand is estimated to spend Rs 25,789 crore (53% of its expenditure) on committed liabilities, i.e. payment of salaries, pensions, and interest. This is 11% higher than the revised estimate of 2018-19 (Rs 23,238 crore, which is 53.5% of the revised expenditure). Salaries form the highest component (56%) of these committed liabilities. This expenditure is estimated to increase by 13.8% in 2019-20 over the 2018-19 revised estimate. The 2018-19 revised estimate has decreased by Rs 1,013 crore (7.4%) over the budgeted estimate.

**Table 4: Expenditure on committed liabilities for the state in 2019-20 (in Rs crore)**

Item	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
Salaries	11,656	13,765	12,752	-7.4%	14,514	13.8%
Pensions	5,033	5,353	5,581	4.3%	5,943	6.5%
Interest Payments	3,987	4,906	4,905	0.0%	5,332	8.7%
<b>Committed Liabilities</b>	<b>20,677</b>	<b>24,024</b>	<b>23,238</b>	<b>-3.3%</b>	<b>25,789</b>	<b>11.0%</b>

Sources: Uttarakhand Annual Financial Statement 2019-20; PRS.

## Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 38,955 crore, an increase of 12.1% over the revised estimate of 2018-19. Of this, Rs 18,992 crore (49% of the revenue receipts) will be raised by the state through its **own resources**. Rs 19,964 crore (51% 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 2.6% and 22.9% 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 10.9% over the revised estimate of 2018-19. Revenue in the form of grants-in-aid is estimated to increase by 34.6% (2,846 crore) in 2019-20 over the revised estimate of 2018-19. In 2018-19, grants-in-aid revenue is estimated to decrease by Rs 702 crore as per the revised figures (7.9% less than the budgeted estimate).
- **Non-tax revenue:** Uttarakhand has estimated to generate Rs 4,255 crore (11% of the revenue receipts) through non-tax sources in 2019-20. Non-tax sources include interest receipts, dividends, and royalties, among others. This is an increase of 13.6% over the revised estimate of 2018-19. In 2018-19, non-tax revenue is estimated to increase by Rs 276 crore at the revised stage (8% more than the budgeted estimate).

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

Item	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	10,165	14,964	14,764	-1.3%	14,737	-0.2%
State's Own Non-Tax	1,770	3,471	3,747	8.0%	4,255	13.6%
State's share in Central Taxes	7,085	8,291	8,012	-3.4%	8,885	10.9%
Grants-in-aid from Centre	8,085	8,935	8,232	-7.9%	11,079	34.6%
<b>Total Revenue Receipts</b>	<b>27,105</b>	<b>35,660</b>	<b>34,754</b>	<b>-2.5%</b>	<b>38,955</b>	<b>12.1%</b>
Borrowings	13,457	9,510	8,410	-11.6%	9,690	15.2%
Other receipts	284	33	33	0.6%	34	2.7%
<b>Total Capital Receipts</b>	<b>13,740</b>	<b>9,543</b>	<b>8,443</b>	<b>-11.5%</b>	<b>9,724</b>	<b>15.2%</b>
<b>Total Receipts</b>	<b>40,845</b>	<b>45,203</b>	<b>43,197</b>	<b>-4.4%</b>	<b>48,679</b>	<b>12.7%</b>

Sources: Uttarakhand Annual Financial Statement 2019-20; Uttarakhand Detailed Revenue Estimates 2019-20; PRS.

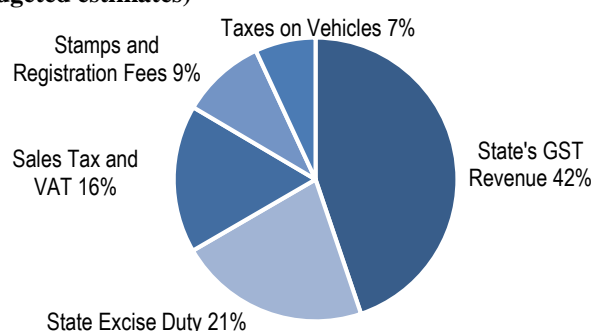
- **Tax revenue:** The state's own tax revenue is estimated to be Rs 14,737 crore in 2019-20 (38% of the revenue receipts). This is 0.2% lower than the revised estimate of 2018-19. In 2018-19, tax revenue is estimated to decrease by Rs 200 crore (1.3%) at the revised stage.
- The own tax to GSDP ratio is targeted at 5.6% in 2019-20, which is lower than the revised estimate of 6.2% in 2018-19. This implies that own tax collection growth is estimated to be lower than the growth of economy.

### GST Revenue

Uttarakhand's total GST revenue (including central transfers) is estimated to be Rs 9,273 crore in 2019-20 (24% of the revenue receipts). In 2018-19, GST revenue is estimated to contribute 28% of the revenue receipts.

In 2019-20, the state expects to receive Rs 3,017 crore (7.7% of the revenue receipts) as compensation grants for loss of revenue due to GST. As per the estimates of 2018-19, the state does not require any compensation.

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



Note: The chart excludes some other taxes which form the rest 5% of this revenue. Sources: Uttarakhand Detailed Revenue Estimates 2019-20; PRS.

- State GST (SGST) is the largest component of the state's own tax revenue. It is expected to generate Rs 6,256 crore in 2019-20, a decrease of 13% over the revised estimate of 2018-19.
- In 2019-20, the state is expected to generate Rs 3,048 crore through state excise duty, and Rs 2,353 crore through sales tax. This is an increase of 15% and 10.5% over the revised estimate of 2018-19, respectively.

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

The Uttarakhand Fiscal Responsibility and Budget Management 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 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 23 crore (or 0.01% of GSDP) in 2019-20. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. The estimate indicates that the state is within the target of eliminating revenue deficit, prescribed by the 14th Finance Commission. The state has estimated a revenue surplus for the period 2018-19 to 2021-22.

### Revenue deficit to revenue surplus

In 2018-19, Uttarakhand is estimated to have a revenue surplus of Rs 27 crore. This is a change in the state's revenue balance from a revenue deficit of Rs 1,978 crore in 2017-18.

This is because of an estimated increase of 28% in revenue receipts in 2018-19, as compared to the previous year. In comparison, the state's revenue expenditure is estimated to increase by 19% during the same period.

**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 6,798 crore, which is 2.58% 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 3.58% of GSDP was higher than 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 Uttarakhand are expected to be at 24.4% of the GSDP. This is above the 20% limit suggested by the FRBM Review Committee in 2017 for the cumulative debt of states.

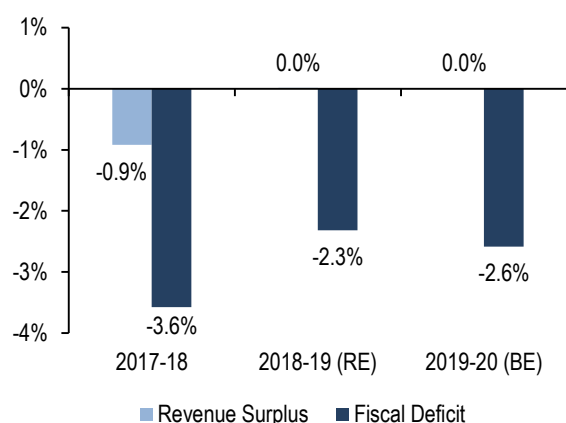
**Table 6: Budgeted targets for deficits for Uttarakhand in 2019-20 (as % of GSDP)**

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2017-18	-0.9%	-3.6%	24.1%
2018-19 (RE)	0.0%	-2.3%	24.3%
2019-20 (BE)	0.0%	-2.6%	24.4%
2020-21	0.0%	-2.6%	24.6%
2021-22	0.5%	-2.3%	24.5%

Sources: Uttarakhand Medium Term Fiscal Policy Statement 2019-20; Uttarakhand Annual Financial Statement 2019-20; PRS.

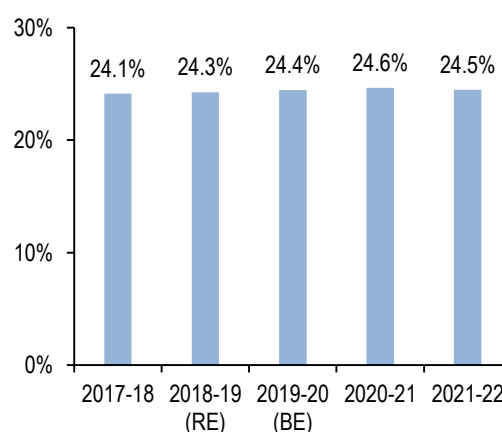
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

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



Note: Negative 'revenue surplus' indicates revenue deficit.  
Sources: Uttarakhand Medium Term Fiscal Policy Statement 2019-20; Uttarakhand Annual Financial Statement 2019-20; PRS.

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



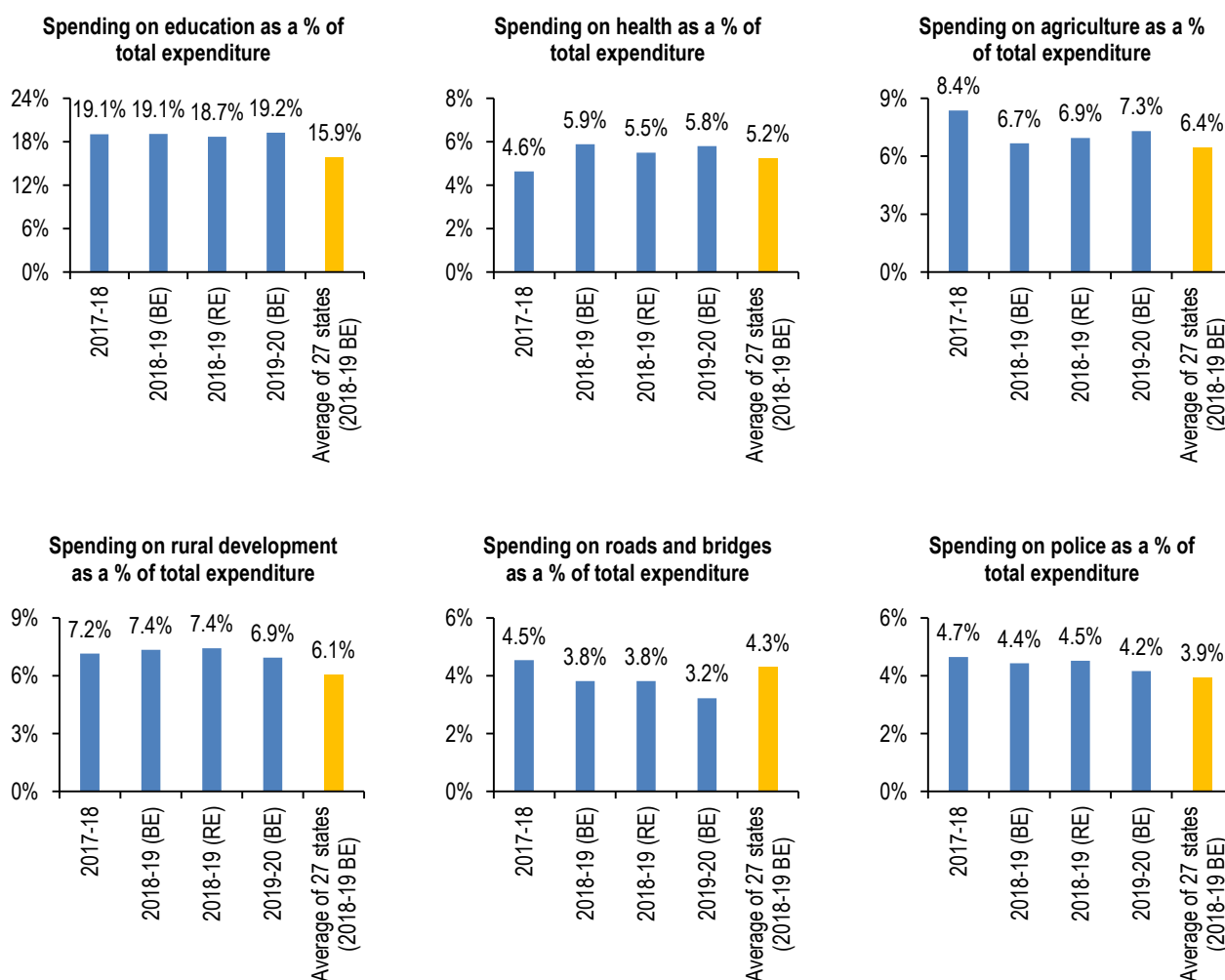
Sources: Uttarakhand Medium Term Fiscal Policy Statement 2019-20; PRS.

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## Annexure

The graphs below compare Uttarakhand's expenditure on some key sectors, as a proportion of its total expenditure, with the average expenditure by other states (using budgeted estimates (BE) of 2018-19).\*

- **Education:** Uttarakhand has allocated 19.2% of its expenditure on education in 2019-20. This is significantly higher than the average expenditure allocated to education (15.9%) by other states in 2018-19.
- **Health:** Uttarakhand has allocated 5.8% 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 7.3% of its expenditure towards agriculture and allied activities in 2019-20. This is higher than the allocations by other states (6.4%) in 2018-19.
- **Rural development:** Uttarakhand has allocated 6.9% of its expenditure on rural development in 2019-20. This is higher than the average (6.1%) for other states in 2018-19.
- **Roads and bridges:** The state has allocated 3.2% of its budget for expenditure towards roads and bridges in 2019-20. This is lower than the allocations by other states (4.3%) in 2018-19.
- **Police:** In 2019-20, Uttarakhand has allocated 4.2% of its budget for expenditure on police. This is higher than the allocations by other states (3.9%) in 2018-19.



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

\* The 26 other states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.