

Uttarakhand Budget Analysis 2022-23

The Finance Minister of Uttarakhand, Mr. Premchand Aggarwal, presented the Budget for the state for the financial year 2022-23 on June 14, 2022.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Uttarakhand for 2022-23 (at current prices) is projected to be Rs 2,76,677 crore. This is a growth of 9% over the revised estimate of GSDP for 2021-22 (Rs 2,53,832 crore). In 2021-22, GSDP is estimated to grow by 8.2% over the previous year (at current prices).
- **Expenditure (excluding debt repayment)** in 2022-23 is estimated to be Rs 60,003 crore, a 23% increase over the revised estimates of 2021-22 (Rs 48,628 crore). In addition, debt of Rs 5,568 crore will be repaid by the state in 2022-23. In 2021-22, expenditure (excluding debt repayment) is estimated to be 9% lower than the budget estimate.
- **Receipts (excluding borrowings)** for 2022-23 are estimated to be Rs 51,500 crore, which is an increase of 18% over the revised estimates of 2021-22 (Rs 43,724 crore). In 2021-22, receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 450 crore (a decrease of 1%).
- **Fiscal deficit** for 2022-23 is targeted at Rs 8,504 crore (3.07% of GSDP). In 2021-22, as per the revised estimates, fiscal deficit is expected to be 1.93% of GSDP, lower than the budget estimate of 3.06% of GSDP.
- **Revenue surplus** for 2022-23 is estimated to be Rs 2,461 crore, which is 0.89% of the GSDP. In 2021-22, the state is estimated to observe a revenue surplus of 0.88% of GSDP, higher than the revenue surplus of 0.04% of GSDP estimated at the budget stage.

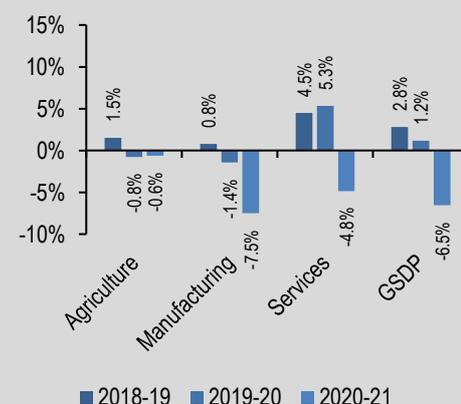
Policy Highlights

- **Energy:** In 2022-23, under the Suryodaya Rozgar Yojana Phase-II, 6,000 families will be provided with solar power plants with a capacity of three kilowatt. The cost of the scheme will be shared amongst the central government (40%), state government (40%), and the beneficiary (20%). In 2022-23, the government aims to set up solar power plants with total capacity of 467 megawatt. This is expected to provide employment to about 900 people. Smart meters will be installed by 2025 under the Revamped Distribution Sector Scheme to reduce electricity losses.
- **Cyber security:** In order to protect the electronic services provided to citizens, the state government has approved the Cyber Crisis Management Plan and Critical Information Infrastructure Guideline.

Uttarakhand's Economy

- **GSDP:** Uttarakhand's GSDP (at constant prices) is estimated to contract by 6.5% in 2020-21, as compared to a growth of 1.2% in 2019-20. In 2020-21, India's GDP (at constant prices) is estimated to contract by 6.6% (against a growth of 3.7% in 2019-20).
- **Sectors:** In 2020-21 (at constant prices), agriculture, manufacturing, and services sectors are estimated to contract by 0.6%, 7.5%, and 4.8% respectively. In 2020-21, at current prices, agriculture, manufacturing, and services sectors are estimated to contribute 13%, 44%, and 43% of the economy respectively.
- **Per capita GSDP:** The per capita GSDP of Uttarakhand in 2020-21 (at current prices) was Rs 2,00,442; 5% lower than the corresponding figure in 2019-20. In 2020-21, per capita GSDP of Uttarakhand was higher than the per capita GDP at the national level (Rs 1,46,087 at current prices).

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



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.

Sources: Uttarakhand Budget Documents 2022-23; PRS.

Budget Estimates for 2022-23

- **Expenditure (excluding debt repayment)** in 2022-23 is targeted at Rs 60,003 crore. This is an increase of 23% over the revised estimate of 2021-22 (Rs 48,628 crore). This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 51,500 crore and **net borrowings** of Rs 8,504 crore. Receipts (excluding borrowings) for 2022-23 are expected to be 18% higher from the revised estimate of 2021-22. In 2021-22, receipts are estimated to be marginally lower than the budget estimates.
- In 2022-23, the state is estimated to observe a **revenue surplus** of Rs 2,461 crore, which is 0.89% of its GSDP. This is marginally higher than the revenue surplus of 0.88% of GSDP in 2021-22 as per revised estimates.
- **Fiscal deficit** in 2022-23 is estimated to be 3.07% 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 1.93% of GSDP, which is lower than 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	51,936	57,400	53,131	-7%	65,571	23%
(-) Repayment of debt	8,270	4,242	4,502	6%	5,568	24%
Net Expenditure (E)	43,667	53,159	48,628	-9%	60,003	23%
Total Receipts	53,362	57,024	52,340	-8%	63,775	22%
(-) Borrowings	15,135	12,850	8,616	-33%	12,275	42%
Net Receipts (R)	38,228	44,174	43,724	-1%	51,500	18%
Fiscal Deficit (E-R)	5,439	8,985	4,904	-45%	8,504	73%
as % of GSDP	2.32%	3.06%	1.93%		3.07%	
Revenue Surplus	1,113	115	2,235	1844%	2,461	10%
as % of GSDP	0.47%	0.04%	0.88%		0.89%	
Primary Balance	666	2,932	-1,050	-136%	2,486	-337%
as % of GSDP	0.28%	1.00%	-0.41%		0.90%	

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

Sources: Uttarakhand Budget Documents 2022-23; PRS.

Expenditure in 2022-23

- **Revenue expenditure** in 2022-23 is estimated to be Rs 49,013 crore, which is an increase of 18% over the revised estimate of 2021-22 (Rs 41,466 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 6% lower than budgeted.
- **Capital outlay** in 2022-23 is estimated to be Rs 10,840 crore, which is an increase of 52% over the revised estimate of 2021-22. Capital outlay comprises expenditure towards creation of assets. This includes expenditure on building schools, hospitals, and roads and bridges. In 2021-22, capital outlay is estimated to be 21% lower than the budget estimate.

Capital Outlay in 2021-22

In 2021-22, capital outlay by Uttarakhand is estimated to be Rs 7,112 crore which is 21% lower than the budgeted amount. In sectors such as social welfare and nutrition, irrigation and flood control, and agriculture and allied activities capital outlay is estimated to be 90%, 64%, and 51% lower than the budget estimates respectively. In 2020-21, the actual capital outlay by the state was 11% lower than the budget estimates. The estimated underspending by the state in capital outlay in 2021-22 is higher than its five-year average. Between 2015-20, the spending on capital outlay by Uttarakhand was 6% less than the amount budgeted; better than average of all states (17%).

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	37,091	44,036	41,466	-6%	49,013	18%
Capital Outlay	6,538	8,973	7,112	-21%	10,840	52%
Loans given by the state	38	150	50	-67%	150	200%
Net Expenditure	43,667	53,159	48,628	-9%	60,003	23%

Sources: Uttarakhand 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 the 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, Uttarakhand is estimated to spend Rs 30,071 crore on committed expenditure items, which is 58% of its revenue receipts. This comprises spending on salaries (34% of revenue receipts), pension (13%), and interest payments (12%). Committed expenditure in 2022-23 is estimated to increase by 10% over the revised estimate of 2021-22. Salaries are estimated to increase by 16% while pension and interest payments are estimated to increase by 6% and 1%, 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	13,704	16,423	15,003	-9%	17,350	16%
Pensions	6,168	6,400	6,345	-1%	6,703	6%
Interest Payment	4,773	6,053	5,953	-2%	6,018	1%
Total Committed Expenditure	24,645	28,875	27,301	-5%	30,071	10%

Sources: Uttarakhand Budget Documents 2022-23; PRS.

Sector-wise expenditure: The sectors listed below account for 62% of the total expenditure on sectors by the state in 2022-23. A comparison of Uttarakhand's expenditure on the key sectors with that by other states is shown in Annexure 1.

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

Sector	2020-21 Actuals	2021-22 Budgeted	2021-22 Revised	2022-23 Budgeted	% change from RE 2021-22 to BE 2022-23	Budget Provisions 2022-23 BE
Education, Sports, Arts, and Culture	8,411	9,744	9,087	10,896	20%	<ul style="list-style-type: none"> Rs 3,515 crore has been allocated to government secondary schools. Rs 1,247 crore has been allocated towards Samagra Shiksha Abhiyaan.
Rural Development	3,581	3,439	3,398	4,922	45%	<ul style="list-style-type: none"> Rs 3,274 crore has been allocated towards community development. Rs 297 crore has been allocated towards National Rural Employment Guarantee Scheme.
Social Welfare and Nutrition	2,850	3,406	3,820	4,572	20%	<ul style="list-style-type: none"> Rs 878 crore has been allocated for welfare of women. Pensions under Social Security Schemes have been allocated Rs 513 crore.
Health and Family Welfare	2,489	3,439	3,003	4,416	47%	<ul style="list-style-type: none"> Rs 769 crore has been allocated to Urban Health Services. Rs 1,660 crore has been allocated to Rural Health Services-Allopathy.
Agriculture and allied activities	2,845	3,545	3,082	4,059	32%	<ul style="list-style-type: none"> Agricultural Research and Education has been allocated Rs 267 crore. Rs 289 crore has been allocated towards National Bamboo Mission.
Police	1,832	2,220	2,035	2,333	15%	<ul style="list-style-type: none"> Rs 1,363 crore has been allocated towards District Police.
Transport	1,662	2,390	1,883	2,184	16%	<ul style="list-style-type: none"> Rs 1,439 crore has been allocated towards capital outlay for roads and bridges.
Irrigation and Flood Control	699	1,354	754	1,365	81%	<ul style="list-style-type: none"> Rs 535 crore has been allocated towards capital outlay on major irrigation.
Water Supply and Sanitation	1,048	1,893	1,651	1,279	-23%	<ul style="list-style-type: none"> Rs 538 crore has been allocated towards capital outlay for rural water supply.
Urban Development	1,205	1,000	680	886	30%	<ul style="list-style-type: none"> Rs 902 crore has been allocated towards Integrated Development of Small and Medium Towns.
% of total expenditure on all sectors	61%	61%	61%	62%		

Sources: Uttarakhand Budget Documents 2022-23; PRS.

Receipts in 2022-23

- **Total revenue receipts** for 2022-23 are estimated to be Rs 51,474 crore, an increase of 18% over the revised estimate of 2021-22. Of this, Rs 20,891 crore (41%) will be raised by the state through its **own resources**, and Rs 30,583 crore (59%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (18% of revenue receipts) and grants (42% of revenue receipts). Note that grants from the centre is estimated to decrease by 17% in 2021-22 as compared to the budget stage.
- **Devolution:** In 2022-23, the state estimates to receive Rs 9,130 crore in the form of share in central taxes, a decrease of 8% over the revised estimates of 2021-22 (Rs 9,897 crore). In 2021-22, the devolution from the central government is estimated to be 33% higher than the budget estimate.
- **State's own tax revenue:** Total own tax revenue of Uttarakhand is estimated to be Rs 15,371 crore in 2022-23, an increase of 9% over the revised estimate of 2021-22. The state's own tax revenue as a percentage of GSDP is estimated to increase from 5.1% of GSDP in 2020-21 (as per actuals) to 5.6% of GSDP in 2022-23 (as per budget estimate).
- **State's non-tax revenue:** In 2022-23, the state is estimated to earn Rs 5,521 crore in the form of state's own non-tax revenue, a 110% increase over the revised estimates of 2021-22. In 2021-22, state's own non-tax revenue is estimated to register a decrease of 20% as compared to the budget estimates.

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	11,938	12,754	14,122	11%	15,371	9%
State's Own Non-Tax	4,171	3,294	2,631	-20%	5,521	110%
Share in Central Taxes	6,569	7,441	9,897	33%	9,130	-8%
Grants-in-aid from Centre	15,527	20,662	17,051	-17%	21,453	26%
Revenue Receipts	38,204	44,151	43,701	-1%	51,474	18%
Non-debt Capital Receipts	23	23	23	0%	25	10%
Net Receipts	38,228	44,174	43,724	-1%	51,500	18%

Note: BE is Budget Estimates; RE is Revised Estimates. Some totals may not tally due to rounding off.

Sources: Uttarakhand Budget Documents 2022-23; PRS.

- In 2022-23, **SGST** is estimated to be the largest source of own tax revenue (40%). In 2022-23, it is estimated at Rs 6,201 crore, which is a 5% increase over the revised estimates of 2021-22. In 2021-22, SGST revenue is estimated to be 26% higher as compared to the budget estimate. GST compensation grants in 2021-22 is estimated to decrease from Rs 2,300 crore at the budget stage to Rs 1,475 crore at the revised stage. Note that Uttarakhand has estimated Rs 3,333 crore from back-to-back loans in lieu of GST compensation in 2021-22, according to the state's budget documents.
- In 2022-23, revenue from State Excise and Sales Tax/VAT are estimated to increase by 8% and 1% respectively over the revised estimates of 2021-22 (Table 6).

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, Uttarakhand has relied on GST compensation grants to achieve the guaranteed SGST revenue level. In 2021-22, Uttarakhand is estimated to receive Rs 1,475 crore in the form of GST compensation grants, which is about 17% of its own tax revenue. Hence, beyond June 2022, Uttarakhand 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	5,053	4,671	5,900	26%	6,201	5%
State Excise	2,966	3,202	3,254	2%	3,522	8%
Sales Tax/VAT	1,858	2,004	2,184	9%	2,204	1%
Stamps Duty and Registration Fees	1,107	1,200	1,487	24%	1,590	7%
Taxes on Vehicles	741	1,050	850	-19%	1,155	36%
Taxes and Duties on Electricity	17	17	37	122%	38	3%
Land Revenue	189	500	300	-40%	550	83%
GST Compensation Grants	2,496	2,300	1,475	-36%	2,590	76%
GST Compensation Loans	2,316	-	3,333	-	-	-

Sources: Uttarakhand Budget Documents 2022-23; PRS.

Deficits and Debt Targets for 2022-23

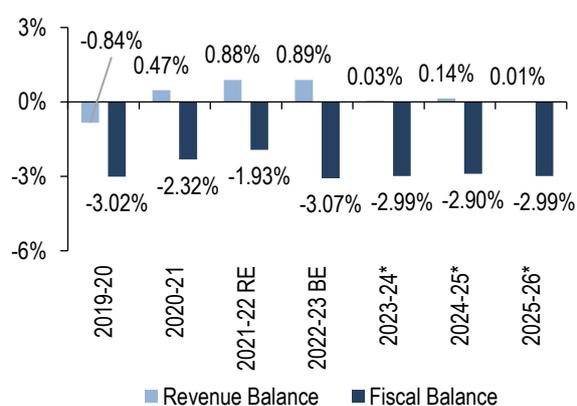
The Uttarakhand Fiscal Responsibility and Budget Management Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

Revenue balance: 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. In 2022-23, Uttarakhand is estimated to observe a revenue surplus of Rs 2,461 crore, which is 0.89% of the GSDP. This is marginally higher than the revenue surplus of 0.88% of GSDP in 2021-22 as per the revised estimates.

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 Rs 8,504 crore (3.07% of GSDP). It is within the limit of 4% of GSDP permitted by the central government in 2022-23 as per the Union Budget (of which, 0.5% of GSDP will be made 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 public account. In 2022-23, the outstanding liabilities of the state is estimated to be 31.51% of the GSDP. The outstanding liabilities are estimated to rise from 26.01% of GSDP in 2019-20 to 32.50% in 2025-26.

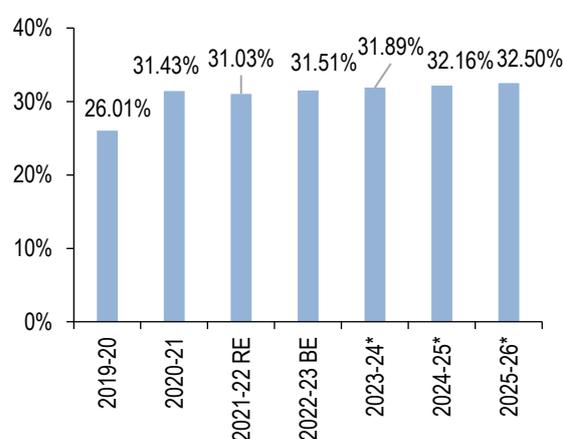
Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: RE is Revised Estimates; BE is budget estimates. A positive figure means a surplus, a negative figure means a deficit. *Figures for 2023-24, 2024-25 and 2025-26 are projections.

Sources: Uttarakhand Budget Documents 2022-23; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



Note: RE is Revised Estimates; BE is budget estimates. *Figures for 2023-24, 2024-25 and 2025-26 are projections.

Sources: Uttarakhand Budget Documents 2022-23; PRS.

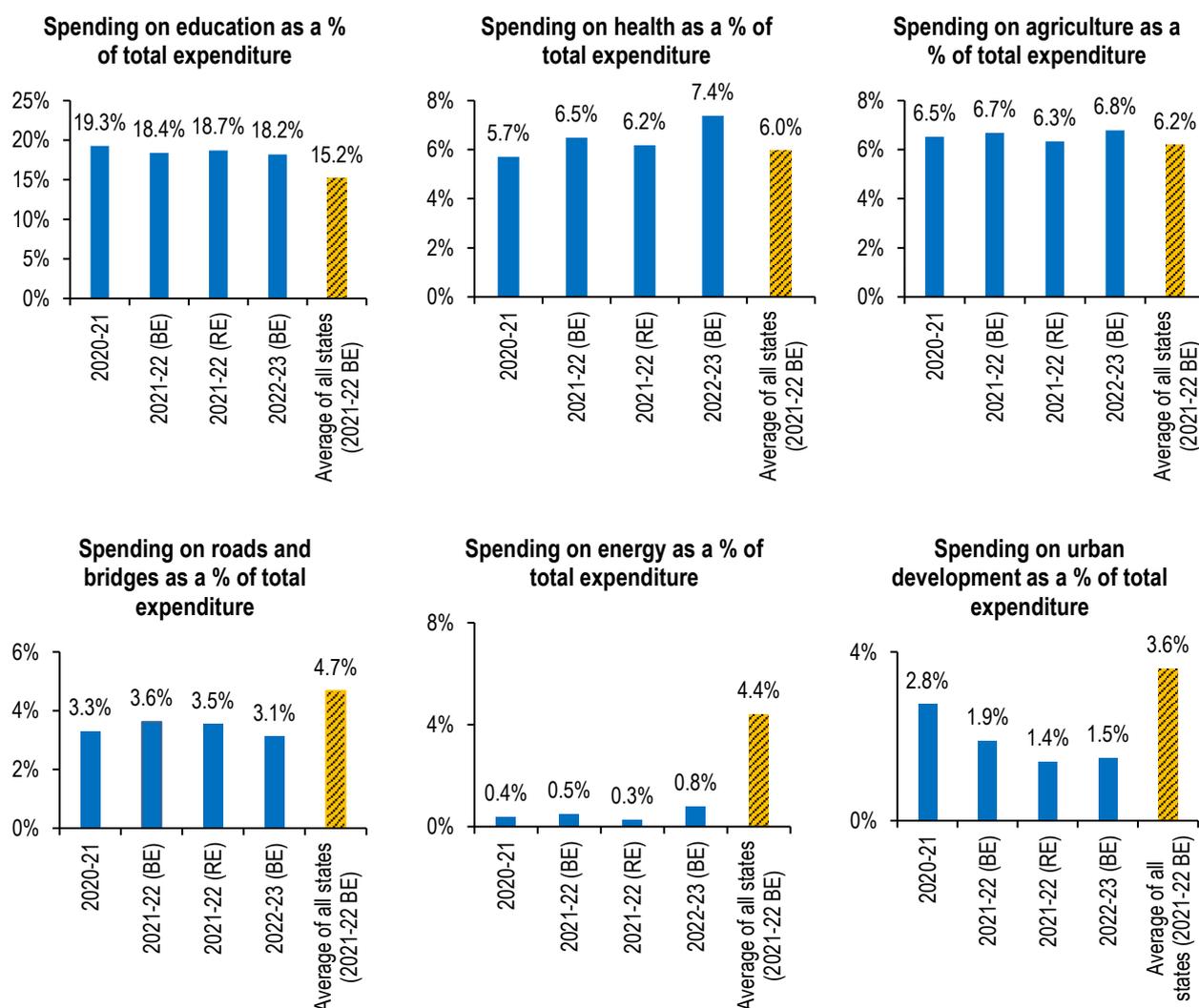
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. At the end of 2021-22, the outstanding guarantees given by the state was Rs 374 crore as compared to Rs 717 crore at the beginning of the financial year.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Uttarakhand'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 Uttarakhand) as per their budget estimates of 2021-22.¹

- **Education:** Uttarakhand has allocated 18.2% 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:** Uttarakhand has allocated 7.4% of its total expenditure on health, which is higher than the average allocation for health by states (6%).
- **Agriculture:** The state has allocated 6.8% of its total expenditure towards agriculture and allied activities. This is higher than the average allocation for agriculture by states (6.2%).
- **Roads and bridges:** Uttarakhand has allocated 3.1% of its expenditure on roads and bridges. This is lower than the average allocation for roads and bridges by states (4.7%).
- **Energy:** Uttarakhand has allocated 0.8% of its total expenditure on energy, which is lower than the average expenditure on energy by states (4.4%).
- **Urban Development:** Uttarakhand has allocated 1.5% of its total expenditure on urban development, which is lower than the average allocation by states (3.6%).



Note: 2020-21, 2021-22 (BE), 2021-22 (RE), and 2022-23 (BE) figures are for Uttarakhand.
Sources: Uttarakhand 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)	42,474	38,228	-10%
1. Revenue Receipts (a+b+c+d)	42,439	38,204	-10%
a. Own Tax Revenue	13,761	11,938	-13%
b. Own Non-Tax Revenue	3,539	4,171	18%
c. Share in central taxes	8,657	6,569	-24%
d. Grants-in-aid from the Centre	16,482	15,527	-6%
Of which GST compensation grants	3,571	2,496	-30%
2. Non-Debt Capital Receipts	35	23	-33%
3. Borrowings	9,950	15,135	52%
Of which GST compensation loan	0	2,316	-
Net Expenditure (4+5+6)	50,024	43,667	-13%
4. Revenue Expenditure	42,390	37,091	-12%
5. Capital Outlay	7,383	6,538	-11%
6. Loans and Advances	251	38	-85%
7. Debt Repayment	3,503	8,270	136%
Revenue Surplus	50	1,113	2142%
Revenue Balance (as % of GSDP)	0.02%	0.47%	
Fiscal Deficit	7,550	5,439	-28%
Fiscal Deficit (as % of GSDP)	2.57%	2.32%	

Note: BE: Budget Estimates.

Source: Uttarakhand 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
SGST	5,386	5,053	-6%
Sales Tax/VAT	1,970	1,858	-6%
State Excise Duty	3,400	2,966	-13%
Stamps Duty and Registration Fees	1,249	1,107	-11%
Taxes on Vehicles	980	741	-24%
Land Revenue	26	17	-34%
Taxes and Duties on Electricity	500	189	-62%

Note: BE: Budget Estimates.

Source: Uttarakhand 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
Irrigation and Flood Control	1,311	699	-47%
Housing	91	49	-46%
Energy	281	168	-40%
Welfare of SC, ST, OBC, and Minorities	550	332	-40%
Urban Development	1,945	1,205	-38%
Transport	2,123	1,662	-22%
Agriculture and allied activities	3,401	2,845	-16%
Police	2,094	1,832	-12%
Education, Sports, Arts, and Culture	9,385	8,411	-10%
Health and Family Welfare	2,680	2,489	-7%
Water Supply and Sanitation	1,085	1,048	-3%
Social Welfare and Nutrition	2,750	2,850	4%
Rural Development	3,217	3,581	11%

Note: BE: Budget Estimates.

Source: Uttarakhand Budget Documents of various years; PRS.