

West Bengal Budget Analysis 2022-23

The West Bengal Minister of State for Finance, Ms. Chandrima Bhattacharya, 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 West Bengal for 2022-23 (at current prices) is projected to be Rs 17,13,154 crore. This is a growth of 11.5% over the revised estimate of GSDP for 2021-22 (Rs 15,36,681 crore). In 2021-22, GSDP is estimated to grow at 18.1% over the previous year (at current prices).
- **Expenditure (excluding debt repayment)** in 2022-23 is estimated to be Rs 2,60,629 crore, a 13% increase over the revised estimates of 2021-22 (Rs 2,29,634 crore). In addition, debt of Rs 60,401 crore will be repaid by the state in 2022-23. In 2021-22, expenditure (excluding debt repayment) is estimated to be 7% lower than the budget estimate.
- **Receipts (excluding borrowings)** for 2022-23 are estimated to be Rs 1,98,232 crore, an increase of 13% over the revised estimates of 2021-22 (Rs 1,76,202 crore). In 2021-22, receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 10,618 crore (decrease of 6%).
- **Fiscal deficit** for 2022-23 is targeted at Rs 62,397 crore (3.64% of GSDP). In 2021-22, as per the revised estimates, fiscal deficit is expected to be 3.48% of GSDP, lower than the budget estimate of 4.03% of GSDP.
- **Revenue deficit** for 2022-23 is estimated to be Rs 28,280 crore, which is 1.65% of the GSDP. In 2021-22, the state is estimated to observe a revenue deficit of 2.15% of GSDP, higher than the revenue deficit of 1.77% of GSDP estimated at the budget stage.

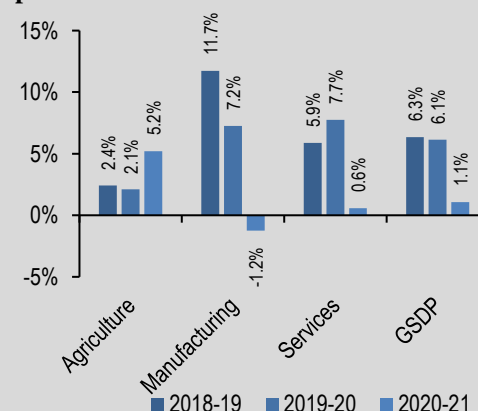
Policy Highlights

- **Tax proposals:** The state government has exempted payment of the Rural Employment Cess and the Education cess for the tea industry for the next financial year (2022-23). Further, the Agricultural Income cess has been waived off for 2022-23 to provide relief for small tea gardens. To incentivise electric vehicles (two-wheelers and four-wheelers), the Registration Fees and Road Tax has been exempted for two years, from 2022-23. This will also be applicable on all categories of CNG vehicles. Further, the 2% rebate on stamp duty and 10% rebate on circle rate for property has been extended till September, 2022.
- **Social security:** Widow pensions will be provided to new eight lakh applicants received through 'Duare Sarkar' from April 1, 2022. More than 21 lakh widows will be covered under the scheme.

West Bengal's Economy

- **GSDP:** West Bengal's GSDP (at constant prices) grew by 1.1% in 2020-21, which is less than the growth rate of 6.1% in 2019-20. In 2020-21, the manufacturing sector contracted by 1.2%. West Bengal's growth rate in 2020-21 was higher than the growth in national GDP (which registered a negative growth of 6.6% in 2020-21).
- **Sectors:** In 2020-21, at current prices, agriculture, manufacturing, and services sectors contributed to 23%, 20%, and 57% of the economy.
- **Per capita GSDP:** The per capita GSDP of West Bengal in 2020-21 (at current prices) was Rs 1,32,932; 7% higher than the corresponding figure in 2019-20. This is lower than the per capita GDP at the national level (Rs 1,46,087 at current prices).

Figure 1: Growth in GSDP and sectors in West Bengal 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: MoSPI; PRS.

Budget Estimates for 2022-23

- **Expenditure (excluding debt repayment)** in 2022-23 is targeted at Rs 2,60,629 crore. This is an increase of 14% over the revised estimate of 2021-22 (Rs 2,29,454 crore). This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 1,98,232 crore and **net borrowings** of Rs 54,558 crore. Receipts (excluding borrowings) for 2022-23 are expected to register an increase of 13% over the revised estimate of 2021-22. In 2021-22, receipts are estimated to be 6% lower than the budget estimates.
- In 2022-23, the state is estimated to observe a **revenue deficit** of Rs 28,280 crore, which is 1.65% of its GSDP. In comparison, in 2020-21 and 2021-22, the state is to observe a revenue deficit of 2.27% of GSDP (Rs 29,527 crore) and 2.15% of GSDP (Rs 32,964 crore), respectively.
- **Fiscal deficit** in 2022-23 is estimated to be 3.64% 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 3.48% of GSDP, 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	2,20,121	3,08,727	2,91,147	-6%	3,21,030	10%
(-) Repayment of debt	26,889	61,043	61,513	1%	60,401	-2%
Net Expenditure (E)	1,93,232	2,47,685	2,29,634	-7%	2,60,629	13%
Total Receipts	2,23,973	3,02,493	2,84,241	-6%	3,13,191	10%
(-) Borrowings	75,429	1,15,673	1,08,039	-7%	1,14,959	6%
Net Receipts (R)	1,48,544	1,86,821	1,76,202	-6%	1,98,232	13%
Fiscal Deficit (E-R)	44,688	60,864	53,432	-12%	62,397	17%
as % of GSDP	3.43%	4.03%	3.48%		3.64%	
Revenue Deficit	29,527	26,755	32,964	23%	28,280	-14%
as % of GSDP	2.27%	1.77%	2.15%		1.65%	
Primary Balance	10,906	28,206	16,870	-40%	23,286	38%
as % of GSDP	0.84%	1.87%	1.10%		1.36%	

Note: BE is Budget Estimates; RE is Revised Estimates; Net expenditure in 2021-22 RE includes appropriation to contingency fund.
Sources: West Bengal Budget Documents 2022-23; PRS.

Expenditure in 2022-23

- **Revenue expenditure** in 2022-23 is estimated to be Rs 2,26,327 crore, which is an increase of 8% over the revised estimate of 2021-22 (Rs 2,08,995 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 2% lower than the budget estimate.
- **Capital outlay** in 2022-23 is estimated to be Rs 33,144 crore, which is an increase of 73% 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 41% lower than the budget estimate.

Capital outlay in 2021-22

In 2021-22, capital outlay by West Bengal is expected to be 41% lower than the budget estimates. As per revised estimates, capital outlay on rural development, welfare of SC, ST, OBC and minorities, and education, sports, arts and culture is estimated to be lower than budget estimates by 84%, 79%, and 66% respectively. Other sectors which have seen significant reduction in capital outlay are social welfare and nutrition (64%) and police (60%). Further, with the state being in revenue deficit, it may reduce the fiscal space for capital outlay.

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	1,77,921	2,13,437	2,08,995	-2%	2,26,327	8%
Capital Outlay	13,034	32,774	19,175	-41%	33,144	73%
Loans given by the state	2,277	1,474	1,284	-13%	1,158	-10%
Net Expenditure	1,93,232	2,47,685	2,29,454	-7%	2,60,629	14%

Sources: West Bengal Budget Documents 2022-23; 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 developmental schemes and capital outlay. In 2022-23, West Bengal is estimated to spend Rs 1,22,632 crore on committed expenditure items, which is 62% of its revenue receipts. This comprises spending on salaries (31% of revenue receipts), interest payments (20%), and pensions (12%). Committed expenditure in 2022-23 is estimated to increase by 3% over the revised estimate of 2021-22. Interest payments are estimated to increase by 7% whereas salaries and pension are estimated to increase by 2% each.

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	56,660	59,169	59,568	1%	60,524	2%
Pensions	21,394	21,263	22,538	6%	22,998	2%
Interest Payment	33,782	32,658	36,562	12%	39,111	7%
Total Committed Expenditure	1,11,835	1,13,090	1,18,669	5%	1,22,632	3%

Sources: West Bengal Budget Documents 2022-23; PRS.

Sector-wise expenditure: The sectors listed below account for 67% of the total expenditure on sectors by the state in 2022-23. A comparison of West Bengal's expenditure on the key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under West Bengal 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)
Education, Sports, Arts, and Culture	35,873	43,195	38,440	43,466	13%	<ul style="list-style-type: none"> Rs 1,930 crore has been allocated towards mid-day meal scheme. Rs 2,117 crore has been allocated towards Samagra Shiksha Abhiyan.
Social Welfare and Nutrition	15,822	37,868	36,770	36,448	-1%	<ul style="list-style-type: none"> Rs 1,048 crore and Rs 331 crore has been allocated towards old age pension scheme for SCs and STs.
Rural Development	19,080	20,053	14,083	22,236	58%	<ul style="list-style-type: none"> Rs 1,560 crore has been allocated towards MGNREGS. Rs 5,832 crore has been allocated towards Pradhan Mantri Awas Yojana – Gramin.
Health and Family Welfare	12,831	16,576	16,229	17,786	10%	<ul style="list-style-type: none"> Rs 2,263 crore has been allocated towards capital outlay on medical and public health.
Agriculture and allied activities	5,011	12,936	8,944	12,709	42%	<ul style="list-style-type: none"> Rs 4,994 crore has been allocated towards Krishak Bandhu scheme.
Urban Development	7,469	11,320	9,725	11,606	19%	<ul style="list-style-type: none"> Rs 825 crore has been allocated towards Housing for All scheme.
Police	8,923	9,503	10,068	10,410	3%	<ul style="list-style-type: none"> Rs 6,302 crore has been allocated towards district police. Rs 232 crore has been allocated towards special police.
Transport	4,859	6,878	6,165	6,843	11%	<ul style="list-style-type: none"> Rs 4,165 crore has been allocated towards capital outlay on roads and bridges.
Welfare of SC, ST, OBC, and Minorities	3,599	5,966	4,657	6,581	41%	<ul style="list-style-type: none"> Rs 143 crore has been allocated towards the Board of Wakfs, West Bengal.
Irrigation and Flood Control	2,725	5,075	3,548	5,321	50%	<ul style="list-style-type: none"> Rs 3,857 crore has been allocated towards capital outlay on Irrigation and flood control.
% of total expenditure on all sectors	61%	69%	65%	67%		

Sources: West Bengal Budget Documents 2022-23; PRS.

Receipts in 2022-23

- **Total revenue receipts** for 2022-23 are estimated to be Rs 1,98,047 crore, an increase of 13% over the revised estimate of 2021-22. Of this, Rs 86,019 crore (43%) will be raised by the state through its **own resources**, and Rs 1,12,028 crore (57%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (31% of revenue receipts) and grants (26% of revenue receipts).
- **Devolution:** In 2022-23, the state estimates to receive Rs 61,437 crore in the form of share in central taxes, an increase of 10% over the revised estimates of 2021-22. Devolution from the centre in 2021-22 is expected to be 12% higher than the budget estimates.
- **State's own tax revenue:** Total own tax revenue of West Bengal is estimated to be Rs 79,347 crore in 2022-23, an increase of 7% over the revised estimate of 2021-22. The state's own tax revenue as a percentage of GSDP is estimated to stay unchanged at 4.9% of GSDP from 2020-21 (as per actuals) to 2022-23 (as per budget estimate). Note that own tax to GSDP ratio was 4.8% in 2021-22 (as per revised estimates).
- **State's non-tax revenue:** In 2022-23, West Bengal is estimated to earn Rs 6,672 crore in the form of state's own non-tax revenue, a 131% increase over the revised estimates of 2021-22. In 2021-22, state's own non-tax revenue is estimated to register a decrease of 37% over the previous year. In non-tax revenue, the state has estimated interest receipts at Rs 5,369 crore, an increase of 206% over the revised estimates of 2021-22. In 2021-22, interest receipts are expected to be 363% higher as per the revised estimates over 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	60,287	75,416	73,905	-2%	79,347	7%
State's Own Non-Tax	5,198	4,612	2,885	-37%	6,672	131%
Share in Central Taxes	44,737	50,070	55,940	12%	61,437	10%
Grants-in-aid from Centre	38,171	56,583	43,301	-23%	50,592	17%
Revenue Receipts	1,48,394	1,86,681	1,76,031	-6%	1,98,047	13%
Non-debt Capital Receipts	150	139	171	23%	185	8%
Net Receipts	1,48,544	1,86,821	1,76,202	-6%	1,98,232	13%

Note: BE is Budget Estimates; RE is Revised Estimates; totals for 2022-23 may not match due to rounding off.

Sources: West Bengal Budget Documents 2022-23; PRS.

- In 2022-23, **SGST** is estimated to be the largest source of own tax revenue (46%). SGST revenue in 2022-23 is estimated at Rs 36,114 crore, which is a 10% increase over the revised estimates of 2021-22. While there is a marginal decrease in the estimates of SGST revenue from the budget to the revised stage, GST compensation is estimated to increase from Rs 11,133 crore at the budget stage to Rs 11,525 crore at the revised stage (including back-to-back loan in lieu of compensation of Rs 6,425 crore).
- In 2022-23, revenue from State Excise and Sales Tax/VAT is estimated to increase 6% and 4% respectively (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, West Bengal has relied on GST compensation grants to achieve the guaranteed SGST revenue level. In 2021-22, the state is estimated to receive Rs 11,525 crore in the form of GST compensation grants, which is about 7% of its own tax revenue. Hence, beyond June 2022, West Bengal 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	26,013	32,982	32,920	0%	36,114	10%
State Excise	10,666	16,100	15,586	-3%	16,500	6%
Sales Tax/ VAT	9,394	8,600	9,700	13%	10,100	4%
Stamps Duty and Registration Fees	5,528	7,246	6,990	-4%	6,550	-6%
Taxes on Vehicles	2,336	2,900	2,640	-9%	2,772	5%
Land Revenue	2,756	3,200	2,627	-18%	3,259	24%
GST Compensation Grants	5,776	4,708	5,100	8%	5,500	8%
GST Compensation Loans	4,431	6,425	6,425	0%	-	-

Sources: West Bengal Budget Documents 2022-23; PRS.

Deficits and Debt Targets for 2022-23

The West Bengal Fiscal Responsibility and Budget Management (FRBM) Act, 2010 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

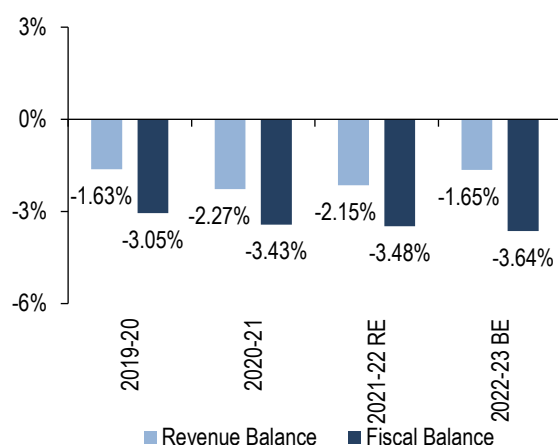
Revenue Balance: It is the difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance its expenses which do not increase its assets or reduces its liabilities. In 2022-23, West Bengal is estimated to observe a revenue deficit of Rs 28,280 crore, which is 1.54% of the GSDP. In 2020-21 and 2021-22, the state is to observe a revenue deficit of 2.27% of GSDP (Rs 29,527 crore) and 2.15% of GSDP (Rs 32,964 crore), respectively.

The 15th Finance Commission has recommended grants for eliminating revenue deficit to 17 states during the 2021-26 period. West Bengal will receive grants till 2024-25 during this period. In 2022-23, the state has estimated to receive Rs 13,587 crore as post devolution revenue deficit grants. In 2021-22, the state has estimated to receive Rs 17,607 crore, while in 2020-21, West Bengal received Rs 5,013 crore as revenue deficit grants.

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 62,397 crore (3.64% 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. At the end of March 2023, the outstanding liabilities of the state is estimated to be 34.23% of the GSDP. The outstanding liabilities are estimated to decrease from 35.89% in 2019-20.

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

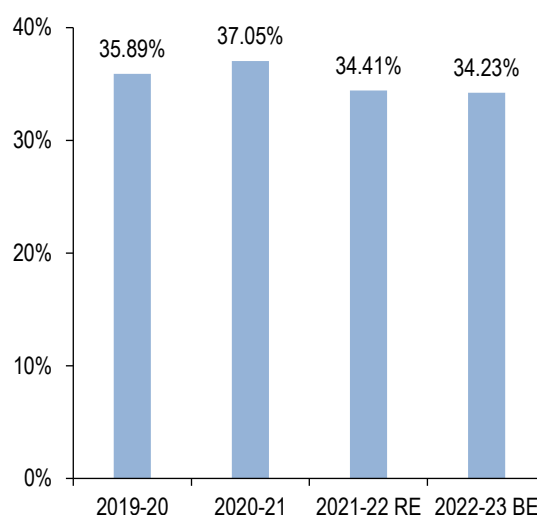


Note: RE is Revised Estimates; BE is budget estimates. A positive figure means a surplus, a negative figure means a deficit.

*Figures for 2023-24 and 2024-25 are projections.

Sources: West Bengal Budget Documents 2022-23; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



Note: RE is Revised Estimates; BE is budget estimates.

Sources: West Bengal Budget Documents 2022-23; PRS.

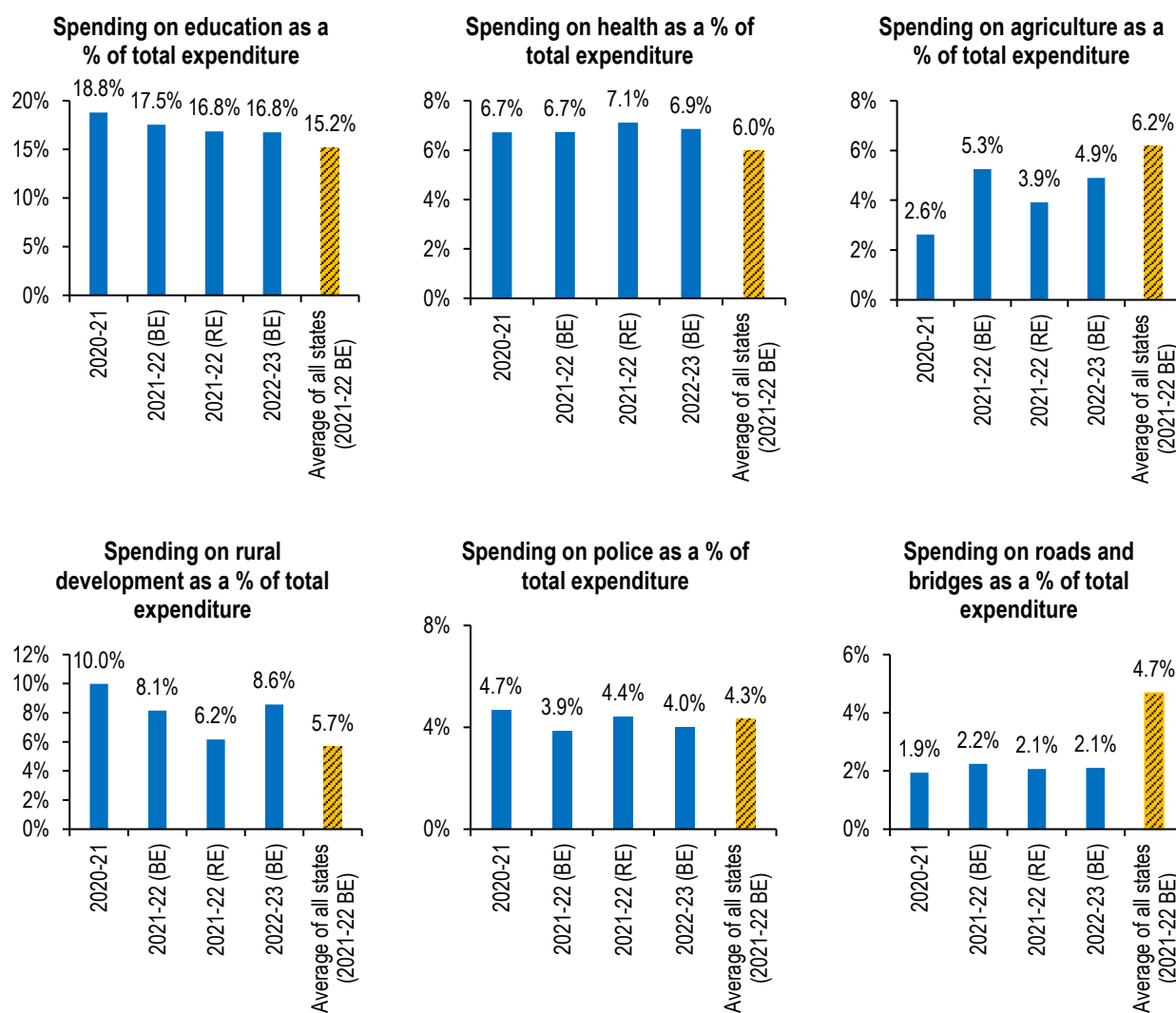
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. According to the West Bengal Ceiling on Government Guarantees Act, 2001, outstanding government guarantees, as on April 1 of any year, should not exceed 90% per month of revenue receipts of the second preceding year. As on March 31, 2022, the state is estimated to have outstanding guarantees worth Rs 16,885 crore out of which power department accounts for guarantees worth Rs 8,681 crore.

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Annexure 1: Comparison of states' expenditure on key sectors

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

- **Education:** West Bengal has allocated 16.8% 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:** West Bengal has allocated 6.9% of its total expenditure on health, which is higher than the average allocation for health by states (6%).
- **Agriculture:** The state has allocated 4.9% of its total expenditure towards agriculture and allied activities. This is lower than the average allocation for agriculture by states (6.2%).
- **Rural development:** West Bengal has allocated 8.8% of its expenditure on rural development. This is higher than the average allocation for rural development by states (5.7%).
- **Police:** West Bengal has allocated 4% of its total expenditure on police, which is marginally lower than the average expenditure on police by states (4.3%).
- **Roads and bridges:** West Bengal has allocated 2.1% of its total expenditure on roads and bridges, which is lower than the average allocation by states (4.7%).



Note: 2020-21, 2021-22 (BE), 2021-22 (RE), and 2022-23 (BE) figures are for West Bengal.
Sources: West Bengal 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)	1,79,905	1,48,544	-17%
1. Revenue Receipts (a+b+c+d)	1,79,398	1,48,394	-17%
a. Own Tax Revenue	70,807	60,287	-15%
b. Own Non-Tax Revenue	4,266	5,198	22%
c. Share in central taxes	65,835	44,737	-32%
d. Grants-in-aid from the Centre	38,490	38,171	-1%
Of which GST compensation grants	4,928	5,776	17%
2. Non-Debt Capital Receipts	507	150	-70%
3. Borrowings	79,465	75,429	-5%
Of which GST compensation loan	0	4,431	-
Net Expenditure (4+5+6)	2,11,388	1,93,232	-9%
4. Revenue Expenditure	1,79,398	1,77,921	-1%
5. Capital Outlay	31,047	13,034	-58%
6. Loans and Advances	943	2,277	141%
7. Debt Repayment	44,289	26,889	-39%
Revenue Balance	0	-29,527	
Revenue Balance (as % of GSDP)	0.00%	-2.27%	
Fiscal Deficit	31,483	44,688	42%
Fiscal Deficit (as % of GSDP)	2.18%	3.43%	

Note: A negative revenue balance indicates a deficit. BE: Budget Estimates.

Source: West Bengal 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
State Excise Duty	12,732	9,394	-26%
Taxes and Duties on Electricity	2,994	2,214	-26%
SGST	33,153	26,013	-22%
Stamps Duty and Registration Fees	6,872	5,528	-20%
Taxes on Vehicles	2,826	2,336	-17%
Land Revenue	3,139	2,756	-12%
Sales Tax/VAT	7,538	10,666	41%

Source: West Bengal 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
Agriculture and allied activities	10,648	5,011	-53%
Water Supply and Sanitation	3,444	1,743	-49%
Housing	391	216	-45%
Irrigation and Flood Control	4,808	2,725	-43%
Urban Development	10,571	7,469	-29%
of which Roads and Bridges	4,767	3,716	-22%
Energy	2,497	1,986	-20%
Transport	6,082	4,859	-20%
Social Welfare and Nutrition	19,744	15,822	-20%
Rural Development	21,371	19,080	-11%
Welfare of SC, ST, OBC, and Minorities	3,942	3,599	-9%
Education, Sports, Arts, and Culture	37,059	35,873	-3%
Police	8,167	8,923	9%
Health and Family Welfare	11,280	12,831	14%

Source: West Bengal Budget Documents of various years; PRS.