

Gujarat Budget Analysis 2023-24

The Finance Minister of Gujarat, Mr. Kanubhai Desai, presented the Budget for the state for the financial year 2023-24 on February 24, 2023.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Gujarat for 2023-24 (at current prices) is projected to be Rs 25,62,975 crore, a growth of 13% over the revised estimate of GSDP for 2022-23 (Rs 22,61,715 crore).
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 2,70,270 crore, an increase of 18% over the revised estimates of 2022-23. In addition, debt of Rs 26,304 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 2,25,340 crore, an increase of 15% as compared to the revised estimates of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to exceed the budget estimate by Rs 14,242 crore (increase of 8%).
- **Revenue surplus** for 2023-24 is estimated to be Rs 9,038 crore, which is 0.4% of the GSDP. In 2022-23, revenue surplus is expected to be 0.3% of GSDP, higher than the budget estimate (0.05% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 1.8% of GSDP (Rs 44,930 crore). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 1.5% of GSDP, lower than the budget estimate of 1.6% of GSDP.

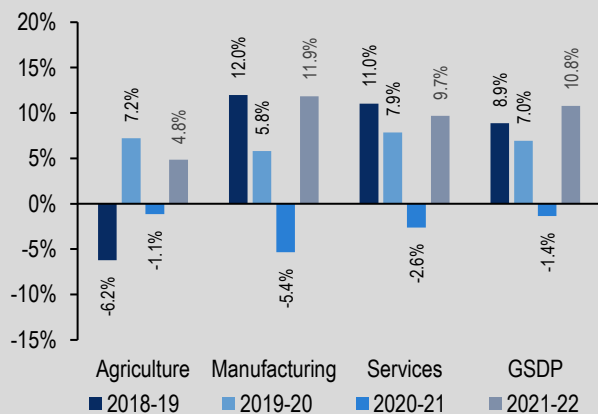
Policy Highlights

- **Shreshtha Gujarat:** The Shreshtha Gujarat scheme will be implemented at a cost of Rs 4,200 crore over the next five years with World Bank assistance. The scheme will cover multiple sectors including health, infrastructure, and nutrition.
- **Parikrama Path:** Border areas will be connected with road network over the next three years through the Parikrama Path scheme.
- **Energy and Power:** The share of renewables in the energy consumption basket of the state will be increased to 42%. A Bill will be introduced to amend the Electricity Duty Act, in order to streamline the administration of electricity duty.
- **Tax policy:** Rates of Value Added Tax on piped natural gas for domestic consumption and compressed natural gas for automobiles has been lowered from 15% to 5%.

Gujarat's Economy

- **GSDP:** Gujarat's GSDP (at constant prices) is estimated to grow at 10.8% in 2021-22 over a low base of the previous year. In 2020-21, GSDP contracted by 1.4% in 2020-21. In comparison, national GDP is estimated to grow at 8.7% in 2021-22.
- **Sectors:** In 2021-22, the agriculture, manufacturing, and services sectors contributed 20%, 45%, and 35% to the economy respectively (at current prices). In 2020-21, all three sectors had registered negative growth.
- **Per capita GSDP:** The per capita GSDP of Gujarat in 2021-22 (at current prices) was Rs 2,81,804, higher than per capita GDP at the national level (Rs 1,50,007). Between 2018-19 and 2021-22, Gujarat's per capita GSDP grew at an annualised rate of 8%.

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



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.
Sources: Gujarat Socio-Economic Review 2022-23; PRS.

Budget Estimates for 2023-24

- Total expenditure (excluding debt repayment) in 2023-24 is targeted at Rs 2,70,270 crore. This is an increase of 18% over the revised estimate of 2022-23. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 2,25,340 crore, net borrowings of Rs 41,697 crore, and receipts from the public account worth Rs 4,150 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 15% over the revised estimate of 2022-23.
- In 2023-24, Gujarat is estimated to have a revenue surplus of 0.4% of GSDP (Rs 9,038 crore). This is 35% higher than the revised estimates for 2022-23 (Rs 6,694 crore). Fiscal deficit for 2023-24 is estimated to be 1.8% of GSDP (Rs 44,930 crore). In 2022-23, fiscal deficit is expected to be 1.5% of GSDP as per revised estimates, lower than the budget estimate of 1.6%.
- Revised estimates of net expenditure in 2022-23 was 5.3% higher than the budget estimate. This was balanced by a higher increase in net receipts (7.8%) between the budget and revised estimates. This allowed fiscal deficit to decrease by 0.1% and revenue surplus to increase by 0.3%.

Table 1: Budget 2023-24 - Key figures (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Total Expenditure	2,14,113	2,40,434	2,52,170	4.9%	2,96,574	17.6%
(-) Repayment of debt	24,436	22,025	22,220	0.9%	26,304	18.4%
Net Expenditure (E)	1,89,677	2,18,408	2,29,950	5.3%	2,70,270	17.5%
Total Receipts	2,13,954	2,33,296	2,50,138	7.2%	2,93,341	17.3%
(-) Borrowings	46,968	51,001	53,601	5.1%	68,001	26.9%
Net Receipts (R)	1,66,986	1,82,295	1,96,537	7.8%	2,25,340	14.7%
Fiscal Deficit (E-R)	22,692	36,113	33,412	-7.5%	44,930	34.5%
as % of GSDP	1.2%	1.6%	1.5%		1.8%	
Revenue Balance	6,409	1,006	6,694	565.5%	9,038	35.0%
as % of GSDP	0.3%	0.05%	0.3%		0.4%	
Primary Balance	-2,496	8,993	7,735	-14.0%	16,310	110.9%
as % of GSDP	-0.1%	0.4%	0.3%		0.6%	

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

Sources: Gujarat Budget Documents 2023-24; Gujarat Economic Survey 2022; PRS.

Expenditure in 2023-24

- Revenue expenditure** for 2023-24 is proposed to be Rs 1,98,672 crore, which is an increase of 5% over the revised estimate of 2022-23. This expenditure includes the payment of salaries, pensions, and interest.
- Capital outlay** for 2023-24 is proposed to be Rs 70,101 crore, which is an increase of 81% over the revised estimate of 2022-23 (Rs 38,689 crore). This is largely due to increased outlay on urban development (Rs 10,291 crore), irrigation (Rs 12,579 crore), and transport (Rs 16,151 crore).

Subsidies

In 2023-24, Rs 30,481 crore is estimated to be spent on subsidies. This is 15% higher than the revised estimates for 2022-23 (Rs 26,511 crore). 46% of total subsidies (Rs 14,031 crore) will be spent on agriculture, farmers' welfare and co-operation. This is almost 400% higher than the subsidy expenditure by this department in 2022-23 (as per revised estimates). In this budget, Rs 8,325 crore has been allocated to provide power to farmers at concessional rates. 16% of subsidies will be provided to industries and mines, and 13% for social justice and empowerment.

Table 2: Expenditure budget 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Revenue Expenditure	1,60,421	1,81,040	1,89,494	5%	1,98,672	5%
Capital Outlay	28,185	35,898	38,689	8%	70,101	81%
Loans given by the state	1,071	1,470	1,767	20%	1,497	-15%
Net Expenditure	1,89,677	2,18,408	2,29,950	5%	2,70,270	18%

Sources: Gujarat Budget Documents 2023-24; 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 capital outlay. In 2023-24, Gujarat is estimated to spend Rs 95,242 crore on committed expenditure, which is 46% of its revenue receipts. This comprises spending on salaries (22% of revenue receipts), pension (10%), and interest payments (14%). In 2023-24, payments towards salaries are estimated to increase by 11% over the revised estimates of 2022-23.

Table 3: Committed Expenditure in 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Salaries	35,502	38,011	40,513	7%	45,094	11%
Pensions	20,160	17,590	23,543	34%	21,529	-9%
Interest Payment	25,188	27,120	25,677	-5%	28,620	11%
Total Committed Expenditure	80,850	82,722	89,733	8%	95,242	6%

Note: Salary expenditure has been back calculated from FRBM statement. Sources: Gujarat Budget Documents 2023-24; PRS.

Sector-wise expenditure: The sectors listed below account for **59%** of the total expenditure on sectors by the state in 2023-24. A comparison of Gujarat's expenditure on the key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Gujarat Budget 2023-24 (in Rs crore)

Sectors	2021-22 Actuals	2022-23 BE	2022-23 RE	2023-24 BE	% change from RE 22- 23 to BE 23-24	Budget Provisions
Education, Sports, Arts, and Culture	28,162	30,537	37,002	38,403	4%	Provision of Rs 3,109 crore has been made for infrastructure and other facilities under Mission Schools of Excellence.
Transport	11,417	10,908	13,519	20,990	55%	Rs 3,728 crore has been allocated for capital outlay on roads and bridges.
Energy	14,796	13,483	16,260	20,823	28%	Rs 6,211 crore has been allocated for capital outlay on strengthening transmission and distribution networks.
Urban Development	10,533	12,639	13,893	17,710	27%	Rs 8,086 crore has been allocated towards the Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana.
Irrigation and Flood Control	6,648	9,109	9,090	15,401	69%	Rs 1,001 crore has been allocated for drip irrigation under the Rashtriya Krishi Vikas Yojana Per Drop More Crop Scheme.
Health and Family Welfare	14,241	12,207	14,461	15,141	5%	Rs 1,146 crore has been allocated towards the National Health Mission.
Agriculture and allied activities	7,124	9,002	9,857	11,643	18%	Rs 1,024 crore is estimated to be spent on crop insurance in 2023-24.
Social Welfare and Nutrition	9,418	8,414	10,118	10,413	3%	Rs 2,545 crore has been allocated for the Special Nutrition Programme.
Rural Development	5,016	7,269	8,707	7,721	-11%	Rs 1,127 crore has been allocated for various rural employment guarantee schemes.
Police	5,489	6,666	6,686	7,108	6%	Rs 275 crore has been allocated for police housing.
% of total expenditure on all sectors	57%	52%	58%	59%	1%	

Sources: Gujarat Budget Documents 2023-24; PRS.

Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 2,07,710 crore, an increase of 6% over the revised estimate of 2022-23. Of this, Rs 1,55,861 crore (75%) will be raised by the state through its **own resources**, and Rs 51,849 crore (25%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (17% of revenue receipts) and grants (8% of revenue receipts).
- **State's own tax revenue:** Gujarat's total own tax revenue is estimated to be Rs 1,38,848 crore in 2023-24, an increase of 4% over the revised estimate of 2022-23 (Rs 1,33,410 crore).
- **Central transfers:** In 2023-24, receipts from the state's share in central taxes are estimated to increase by 8% over the revised estimate of 2022-23. Grants-in-aid from the Centre declined by 31% between the budget and revised estimates of 2022-23, partly due to the discontinuation of GST compensation grants.
- **Non-debt capital receipts:** This includes recovery of loans and advances and other non-debt receipts, like disinvestment receipts. In 2023-24, non-debt capital receipts are estimated at Rs 17,630 crore, more than 50 times the revised estimates of 2022-23 (Rs 350 crore). Of this, Rs 17,500 crore is estimated to be generated from disinvestment of public sector undertakings (PSUs), and Rs 130 crore from repayment of loans given by the state. The CAG (2022) had noted that out of 97 PSUs, 24 reported negative net worth as on March 31, 2021, and reported outstanding loans of Rs 4,281 crore from the government.

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

Sources	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State's Own Tax	97,678	1,14,883	1,33,410	16%	1,38,848	4%
State's Own Non-Tax	14,018	17,762	15,167	-15%	17,013	12%
Share in Central Taxes	31,106	28,418	33,059	16%	35,559	8%
Grants-in-aid from Centre	24,028	20,983	14,552	-31%	16,290	12%
Revenue Receipts	1,66,830	1,82,045	1,96,187	8%	2,07,710	6%
Non-debt Capital Receipts	155	250	350	40%	17,630	4935%
Net Receipts	1,66,986	1,82,295	1,96,537	8%	2,25,340	15%

Note: BE is Budget Estimates; RE is Revised Estimates. Sources: Gujarat Budget Documents 2023-24; PRS.

- State GST (SGST) is estimated to be the largest source of own tax revenue in 2023-24 (48% share), followed by Sales Tax/VAT (28%), and stamps duty and registration fees (10%).
- State GST and Sales Tax/VAT revenue is estimated to increase by 4% in 2023-24, over the revised estimates of 2022-23. However, GSDP is estimated to grow at 13%. In 2021-22, state GST increased by 19% and sales tax/VAT by 25% between the budgeted and actual figures.

State's Own Tax Revenue

Gujarat's own tax-to-GSDP ratio for 2023-24 is estimated to be 5.4%, lower than the revised estimates for 2022-23 (5.9%). A higher ratio indicates a better ability to generate taxes from economic activities carried out in the state. In 2022-23, states on average estimated their own tax-to-GSDP ratio at 6.7% (as per budget estimates). As on March 31, 2022, Gujarat also has Rs 57,394 crore (2.2% of 2023-24 GSDP) of tax revenue raised but not realised from principal taxes, like sales tax and vehicle tax. Realising this tax revenue could improve the own-tax to GSDP ratio.

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

Taxes	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State GST	43,487	52,692	63,413	20%	66,030	4%
Sales Tax/ VAT	29,044	31,412	38,000	21%	39,246	3%
Stamps Duty and Registration Fees	10,433	12,895	12,895	0%	13,950	8%
Taxes and Duties on Electricity	7,013	9,153	9,500	4%	10,230	8%
Taxes on Vehicles	3,889	4,712	4,712	0%	5,183	10%
Land Revenue	2,783	2,470	3,600	46%	2,860	-21%
State Excise	155	149	170	14%	155	-9%
GST Compensation Grants	8,329	5,000	0	-	0	-
GST Compensation Loans	13,040	0	0	-	0	-

Sources: Gujarat Budget Documents 2023-24 (Annual Financial Statement, Detailed Receipts); PRS.

Deficits, Debt, and FRBM Targets for 2023-24

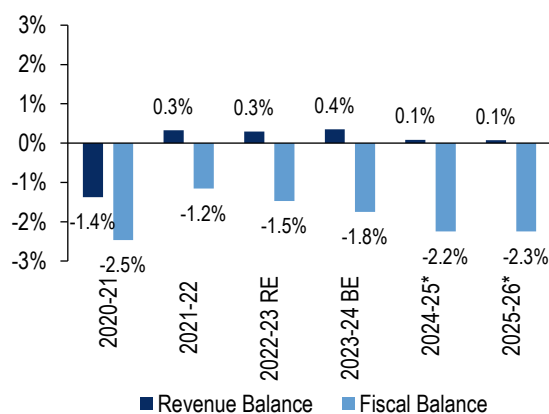
The Gujarat Fiscal Responsibility (GFR) Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue surplus: It is the difference of revenue expenditure and revenue receipts. A revenue surplus implies that the government's expenses which do not increase its assets or reduces its liabilities can be financed through its receipts. The budget estimates a revenue surplus of Rs 9,038 crore in 2023-24 (0.4% of GSDP). The state has consistently observed a revenue surplus except in 2020-21.

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. In 2023-24, the fiscal deficit is estimated to be Rs 44,930 crore (1.8% of GSDP). This is below the 3% limit set by the GFR Act. As per the revised estimates, in 2022-23, the fiscal deficit of the state is expected to be 1.5% of GSDP, which is lower than the budget estimate of 1.6%.

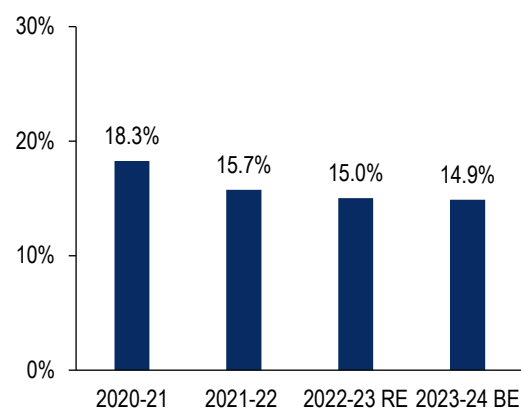
Public debt: Outstanding public debt is the cumulative debt contracted against the consolidated fund of the state. At the end of 2023-24, outstanding public debt is estimated to be 14.9% of the GSDP, marginally lower than the revised estimate for 2022-23 (15% of GSDP). The CAG (2022) recommended that the state develop a borrowing repayment strategy as 61% of public debt (as on March 21) is expected to mature by 2027-28. The state has maintained a Consolidated Sinking Fund to meet its outstanding liabilities, which had a balance of Rs 9,649 crore as on December 31, 2022.

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



Note: RE is Revised Estimates; BE is budget estimates.
Sources: Gujarat Budget Documents 2023-24; PRS.

Figure 3: Public Debt (% of GSDP)



Note: RE is Revised Estimates; BE is budget estimates.
Sources: Gujarat Budget Documents 2023-24; PRS.

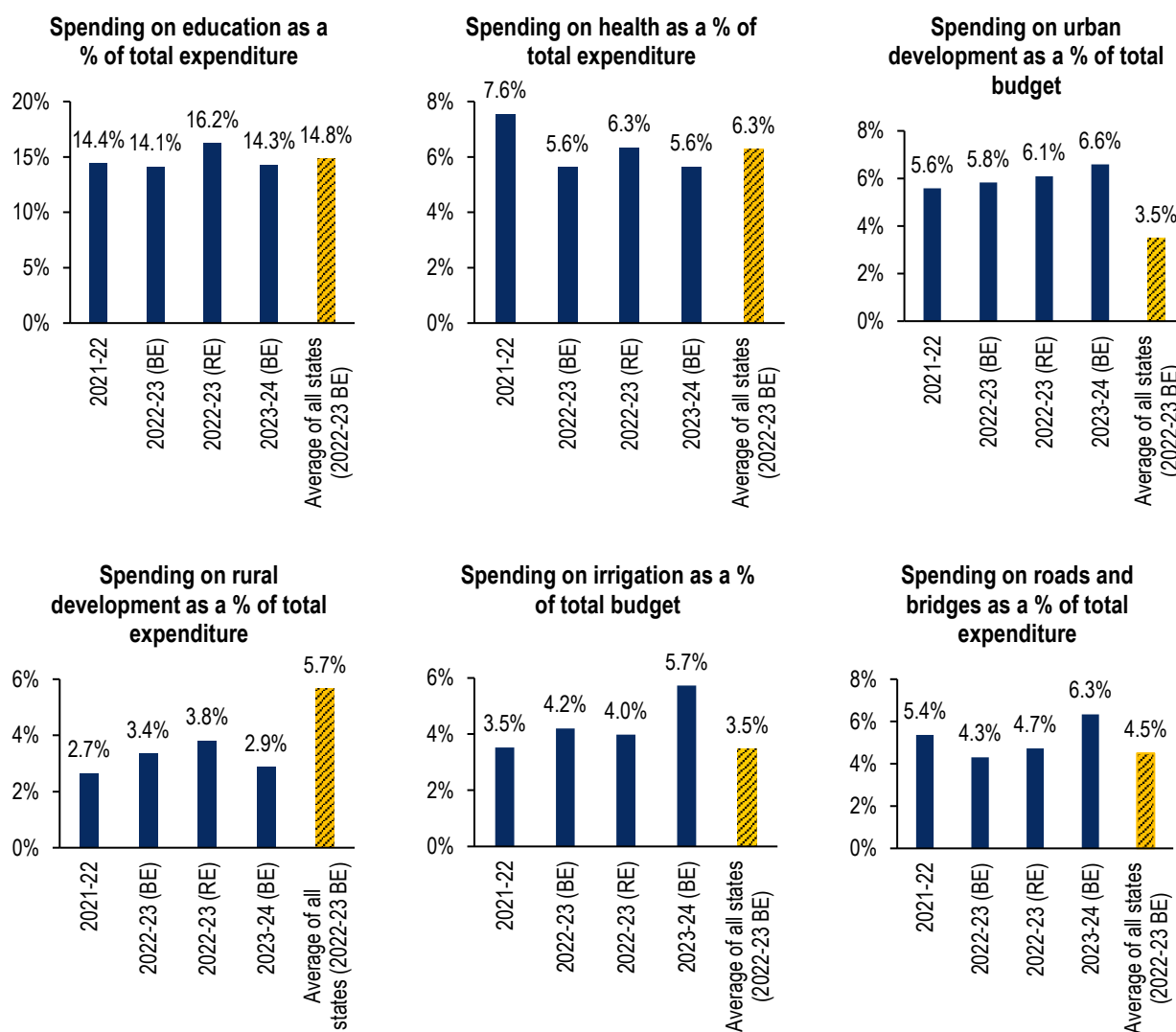
Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. The outstanding government guarantees at the end of 2023-24 have been estimated at Rs 20,000 crore (0.8% of GSDP), which is the same as the limit set under the State Guarantees Act, 1963. The outstanding government guarantees at the end of 2022-23 are estimated at Rs 1,474 crore (0.1% of GSDP) as per revised estimates.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.

Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Gujarat'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 Gujarat) as per their budget estimates of 2022-23.¹

- **Education:** Gujarat has allocated 14.3% of its total expenditure for education in 2023-24. This is marginally lower than the average allocation (14.8%) for education by all states (2022-23 BE).
- **Health:** Gujarat has allocated 5.6% of its total expenditure on health, which is less than the average allocation for health by states (6.3%).
- **Urban Development:** The state has allocated 6.6% of its total expenditure towards urban development activities. This is higher than the average allocation for urban development by states (3.5%).
- **Rural Development:** Gujarat has allocated 2.9% of its expenditure on rural development. This is lower than the average allocation for rural development by states (5.7%).
- **Irrigation:** Gujarat has allocated 5.7% of its total expenditure on irrigation, which is higher than the average expenditure on irrigation by states (3.5%).
- **Roads and bridges:** Gujarat has allocated 6.3% of its total expenditure on roads and bridges, which is higher than the average allocation by states (4.5%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Gujarat.
Sources: Gujarat Budget in Brief 2023-24; 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 2021-22 Budget Estimates and Actuals

The following tables compare the actuals of 2021-22 with budget estimates for that year.

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

Particular	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Net Receipts (1+2)	1,68,219	1,66,986	-1%
1. Revenue Receipts (a+b+c+d)	1,67,969	1,66,830	-1%
a. Own Tax Revenue	86,031	97,678	14%
b. Own Non-Tax Revenue	16,802	14,018	-17%
c. Share in central taxes	23,162	31,106	34%
d. Grants-in-aid from the Centre	41,975	24,028	-43%
<i>Of which GST compensation grants</i>	25,661	8,329	-68%
2. Non-Debt Capital Receipts	250	155	-38%
3. Borrowings	50,501	46,968	-7%
<i>Of which GST compensation loan</i>	0	13,040	-
Net Expenditure (4+5+6)	1,99,003	1,89,677	-5%
4. Revenue Expenditure	1,66,761	1,60,421	-4%
5. Capital Outlay	30,816	28,185	-9%
6. Loans and Advances	1,426	1,071	-25%
7. Debt Repayment	24,330	24,436	0%
Revenue Balance	1,209	6,409	430%
Revenue Balance (as % of GSDP)*	0.06%	0.3%	
Fiscal Deficit	30,783	22,692	-26%
Fiscal Deficit (as % of GSDP)	1.6%	1.2%	

Note: *A negative revenue sign indicates a deficit, positive sign indicates a surplus. BE: Budget Estimates.

Source: Gujarat Budget Documents of various years; PRS.

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

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
State GST	36,617	43,487	19%
Sales Tax/ VAT	23,230	29,044	25%
Stamps Duty and Registration Fees	8,700	10,433	20%
Taxes and Duties on Electricity	8,700	7,013	-19%
Taxes on Vehicles	4,558	3,889	-15%
Land Revenue	2,841	2,783	-2%
State Excise	144	155	8%

Source: Gujarat Budget Documents of various years; PRS.

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

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Education, Sports, Arts, and Culture	28,503	28,162	-1%
Energy	12,895	14,796	15%
Health and Family Welfare	11,304	14,241	26%
Transport	9,705	11,417	18%
<i>of which Roads and Bridges</i>	8,472	10,129	20%
Urban Development	11,943	10,533	-12%
Social Welfare and Nutrition	7,160	9,418	32%
Agriculture and Allied Activities	8,752	7,124	-19%
Irrigation and Flood Control	10,137	6,648	-34%
Police	6,512	5,489	-16%
Water Supply and Sanitation	4,782	5,171	8%
Rural Development	6,612	5,016	-24%
Welfare of SC, ST, OBC, and Minorities	4,826	4,289	-11%
Housing	3,297	3,291	0%

Source: Gujarat Budget Documents of various years; PRS.