

Madhya Pradesh Budget Analysis 2023-24

The Finance Minister of Madhya Pradesh, Mr. Jagdish Devda, presented the Budget for the state for the financial year 2023-24 on March 1, 2023.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Madhya Pradesh for 2023-24 (at current prices) is projected to be Rs 13,87,117 crore. This is a growth of 5% over the revised estimate of GSDP for 2023-24 (Rs 13,22,821 crore).
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 2,81,552 crore, a 12% increase over the revised estimates of 2022-23. In addition, debt of Rs 24,551 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 2,25,843 crore, an increase of 11% as compared to the revised estimate of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to be Rs 8,804 crore higher than the budget estimate (increase of 4.5%).
- **Revenue surplus** for 2023-24 is estimated to be Rs 413 crore, which is 0.03% of the GSDP. In 2022-23, revenue surplus is estimated to be 0.11% of GSDP. The budget for 2022-23 had estimated a revenue deficit of 0.32% of GSDP.
- **Fiscal deficit** for 2023-24 is targeted at Rs 55,708 crore (4% of GSDP). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 3.6% of GSDP, lower than the budget estimate of 4.6% of GSDP.

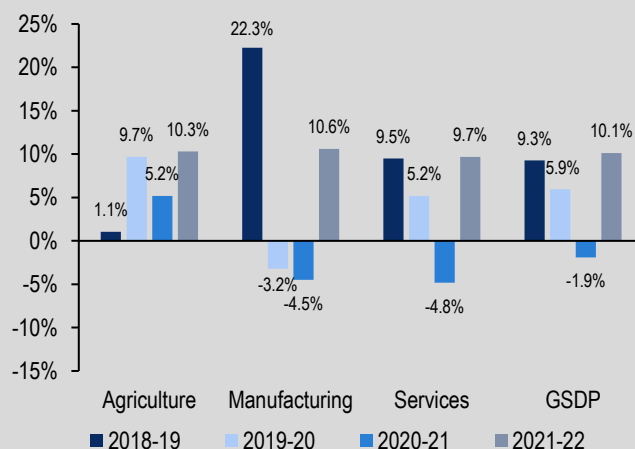
Policy Highlights

- **Food subsidy scheme:** Under the new scheme, Rs 1,000 will be transferred to the bank accounts of women belonging to backward tribes (Baiga, Bariya, and Sahariya) in order to address malnutrition.
- **Skill Development:** The Chief Minister Skill Apprenticeship Scheme will be formulated to provide skill development to the youth.
- **Electricity:** In order to ensure an uninterrupted supply of electricity, the state will create additional infrastructure in 2023-24, which includes 970 circuit km of transmission lines, six sub-stations, and 349 km of distribution lines.
- **Chief Minister’s Balika Scooty Scheme:** Under the new scheme, e-scooters will be distributed to female students who attain the highest marks at the higher secondary level.

Madhya Pradesh’s Economy

- **GSDP:** The growth rate of Madhya Pradesh’s GSDP (at constant prices) was 10.1% in 2021-22, over a low base in 2020-21. GSDP contracted by 1.9% in 2020-21. In comparison, national GDP is estimated to grow at 8.7% in 2021-22.
- **Sectors:** In 2021-22 (at current prices), agriculture, manufacturing, and services sectors contributed to 47%, 19%, and 34% of the economy. In 2020-21, only agriculture recorded positive growth.
- **Per capita GSDP:** The per capita GSDP of Madhya Pradesh in 2021-22 (at current prices) was Rs 1,37,339. Since 2018-19, per capita GSDP has grown at an annualised rate of 8%.

Figure 1: Growth in GSDP and sectors in Madhya Pradesh 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: Ministry of Statistics & Programme Implementation; PRS.

Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 2,81,552 crore. This is an increase of 12% over the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (other than borrowings)** of Rs 2,25,843 crore and net borrowings of Rs 55,549 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 11% over the revised estimate of 2022-23.
- **Revenue surplus** in 2023-24 is estimated to be 0.03% of GSDP (Rs 413 crore). The 2022-23 budget estimated a revenue deficit of Rs 3,736 crore (0.3% of GSDP), but as per the revised estimates, the state will observe a revenue surplus of Rs 1,499 crore (0.1% of GSDP). **Fiscal deficit** for 2023-24 is estimated to be 4% of GSDP (Rs 55,708 crore). As per the revised estimates, in 2022-23, the fiscal deficit of the state is expected to be 3.6% of GSDP, which is lower than the budget estimate of 4.6%.

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	2,40,186	2,71,830	2,72,725	0.3%	3,06,103	12.2%
(-) Repayment of debt	15,162	24,114	21,378	-11.3%	24,551	14.8%
Net Expenditure (E)	2,25,023	2,47,715	2,51,347	1.5%	2,81,552	12.0%
Total Receipts	2,33,821	2,71,148	2,74,200	1.1%	3,05,944	11.6%
(-) Borrowings	46,285	75,943	70,192	-7.6%	80,100	14.1%
Net Receipts (R)	1,87,536	1,95,204	2,04,008	4.5%	2,25,843	10.7%
Fiscal Deficit (E-R)	37,487	52,511	47,339	-9.8%	55,708	17.7%
as % of GSDP	3.3%	4.6%	3.6%		4.0%	
Revenue Balance	4,815	-3,736	1,499	-	413	-72.5%
as % of GSDP	0.42%	-0.32%	0.11%		0.03%	
Primary Balance	19,041	30,345	26,703	-12.0%	33,088	23.9%
as % of GSDP	1.68%	2.64%	2.02%		2.4%	

Note: BE is Budget Estimates; RE is Revised Estimates. 2021-22 figures for fiscal deficit and primary deficit will not match with the Budget at a Glance (BAG) as transfer to contingency fund worth Rs 500 crore has been excluded. Fiscal deficit as % of GSDP for 2022-23 revised does not match the BAG by 0.2% point due to differences in GSDP numbers. Sources: Madhya Pradesh Budget Documents 2023-24; PRS.

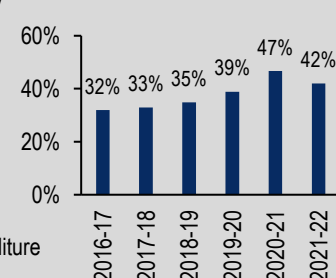
Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 2,25,297 crore, which is an 11% increase over the revised estimate of 2022-23. This expenditure includes the payment of salaries, pensions, interest, and subsidies.
- **Capital outlay** for 2023-24 is estimated to be Rs 54,056 crore, an increase of 19% over the revised estimate of 2022-23. Capital outlay indicates the expenditure towards creation of assets.

Rising Committed Expenditure

Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. From 2016-17 to 2021-22, committed expenditure for Madhya Pradesh has increased from 32% of revenue receipts to 42%. Pension expenditure is also projected to rise from Rs 23,011 crore in 2023-24 to Rs 69,062 crore in 2030-31. Increased spending on committed expenditure leaves less flexibility for developmental expenditure.

Committed expenditure as a % of revenue receipts



Source: CAG Report No. 4 of 2022

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	1,81,061	1,98,916	2,02,468	2%	2,25,297	11%
Capital Outlay	40,733	45,686	45,469	0%	54,056	19%
Loans given by the state	3,229	3,114	3,410	10%	2,198	-36%
Net Expenditure	2,25,023	2,47,715	2,51,347	1%	2,81,552	12%

Sources: Madhya Pradesh 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, Madhya Pradesh is estimated to spend Rs 1,07,313 crore on committed expenditure, which is 48% of its revenue receipts. This is an increase of 14% over the revised estimate of 2022-23. This comprises spending on salaries (27% of revenue receipts), pension (10%), and interest payments (10%). In 2023-24, payments towards salaries are estimated to increase by 18% 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	42,670	54,101	52,367	-3%	61,682	18%
Pensions	17,042	19,360	21,340	10%	23,011	8%
Interest Payment	18,446	22,166	20,636	-7%	22,620	10%
Total Committed Expenditure	78,158	95,627	94,342	-1%	1,07,313	14%

Sources: Madhya Pradesh Budget Documents 2023-24; PRS.

Sector-wise expenditure: The sectors listed below account for 63% of the total expenditure on sectors by the state in 2023-24. A comparison of Madhya Pradesh's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Madhya Pradesh 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 (2023-24)
Education, Sports, Arts, and Culture	30,998	39,326	37,599	44,949	20%	Rs 22,359 crore has been allocated for state primary schools.
Energy	24,436	21,816	23,040	25,276	10%	Rs 9,246 crore has been allocated for assistance to electricity boards. Rs 7,824 crore has been allocated for investments in public sector undertakings.
Social Welfare and Nutrition	11,476	11,730	11,247	20,977	87%	Rs 9,553 crore has been allocated for women welfare.
Agriculture and Allied Activities	17,149	16,784	16,030	17,938	12%	Rs 2,001 crore has been allocated towards PM-Fasal Bima Yojana.
Health and Family Welfare	12,669	13,903	13,687	16,299	19%	Rs 6,585 crore has been allocated for hospitals and dispensaries.
Rural Development	12,448	14,313	13,891	12,528	-10%	Rs 5,261 crore has been allocated for assistance to gram panchayats.
Irrigation and Flood Control	11,136	8,438	12,879	10,268	-20%	Rs 8,529 crore has been allocated for capital outlay on irrigation and flood control.
Water Supply and Sanitation	10,211	8,657	7,967	9,995	25%	Rs 300 crore has been allocated as assistance to Gram Panchayats.
Police	6,973	8,813	8,597	9,507	11%	Rs 5,451 crore has been allocated towards district police.
Transport	8,518	7,299	8,261	8,848	7%	Rs 8,603 crore has been allocated towards roads and bridges.
% of total expenditure on all sectors	66%	62%	62%	63%	2%	

Sources: Madhya Pradesh Budget Documents 2023-24; PRS.

Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 2,25,710 crore, an increase of 11% over the revised estimate of 2022-23. Of this, Rs 1,01,413 crore (45%) will be raised by the state through its **own resources**, and Rs 1,24,297 crore (55%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (36% of revenue receipts) and grants (20% of revenue receipts).
- **Devolution:** 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 from the centre** in 2023-24 is estimated at Rs 44,113 crore, an increase of 18% over the revised estimates for 2022-23 (Rs 37,488 crore). In 2022-23, grants from the centre are estimated to be 16% lower than the budget estimate. This could be due to the discontinuation of GST compensation grants in June 2022. GST compensation grants received by the state is estimated to decrease by 86% between the budget and revised estimates of 2022-23.
- **State's own tax revenue:** Total own tax revenue of Madhya Pradesh is estimated to be Rs 86,500 crore in 2023-24, an increase of 11% over the revised estimate of 2022-23. In 2023-24, the state's own tax to GSDP ratio is estimated to be 6.2%. In 2022-23, this ratio is estimated to be 5.9% which is lower than the budget estimate (6.3%).

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	66,308	72,860	78,137	7%	86,500	11%
State's Own Non-Tax	15,305	13,618	13,799	1%	14,913	8%
Share in Central Taxes	69,470	64,107	74,543	16%	80,184	8%
Grants-in-aid from Centre	34,792	44,595	37,488	-16%	44,113	18%
Revenue Receipts	1,85,876	1,95,180	2,03,967	5%	2,25,710	11%
Non-debt Capital Receipts	1,660	24	41	67%	134	227%
Net Receipts	1,87,536	1,95,204	2,04,008	5%	2,25,843	11%

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

Sources: Madhya Pradesh Budget Documents 2023-24; PRS.

- In 2023-24, state GST is estimated to be the largest source of own tax revenue (37% share), followed by sales tax/VAT (23%), and state excise (16%). State GST revenue is estimated to increase by 14% over the revised estimates of 2022-23. In 2022-23, the receipt on this account is expected to be 12% higher than budgeted.
- In 2022-23, tax revenue from land revenue is estimated to be 9% lower than the budget estimate, and revenue from state excise is estimated to be 3% lower. Similarly, actual land revenue collected in 2021-22 is 14% less than the budget estimate, and actual state excise revenue is 15% less (see Annexure 2).

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

Tax Source	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	22,029	25,000	28,000	12%	32,000	14%
Sales Tax/ VAT	16,185	16,968	18,064	6%	19,514	8%
Stamps Duty and Registration Fees	8,098	8,200	9,200	12%	10,400	13%
Taxes on Vehicles	3,029	3,700	4,000	8%	4,440	11%
State Excise	10,334	13,255	12,918	-3%	13,845	7%
Land Revenue	733	1,241	1,134	-9%	1,200	6%
Taxes and Duties on Electricity	4,582	3,364	3,599	7%	3,858	7%
GST Compensation Grants	3,095	5,000	722	-86%	4,190	480%
GST Compensation Loans	7,011	0	0	-	0	-

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

Deficits, Debt, and FRBM Targets for 2023-24

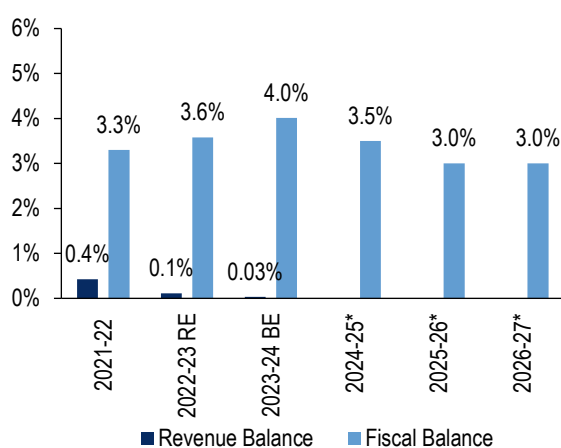
The Madhya Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue surplus: Revenue balance is the difference of revenue expenditure and revenue receipts. A revenue surplus implies that the government's recurring 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 413 crore in 2023-24 (0.03% of GSDP). The state had observed a revenue surplus from 2016-17 to 2018-19. However, from 2019-2020 to 2020-21, a revenue deficit was recorded, due to the COVID-19 pandemic. A revenue surplus of Rs 1,499 crore is expected in 2022-23 as per 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. In 2023-24, the fiscal deficit is estimated to be Rs 55,708 crore (4% of GSDP). This is higher than the 3.5% limit as per the FRBM Act. The budget for 2022-23 estimated fiscal deficit at 4.6% of GSDP, which was reduced to 3.6% at the revised stage. In absolute numbers, the revised estimate for fiscal deficit is 10% less than the budget estimate. This is because net receipts increased by 4.5% while net expenditure increased by 1.5% between the budget and revised estimates of 2022-23.

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 2023-24, the outstanding liabilities is estimated to be 30% of the GSDP, marginally higher than the revised estimate for 2022-23 (29% of GSDP).

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

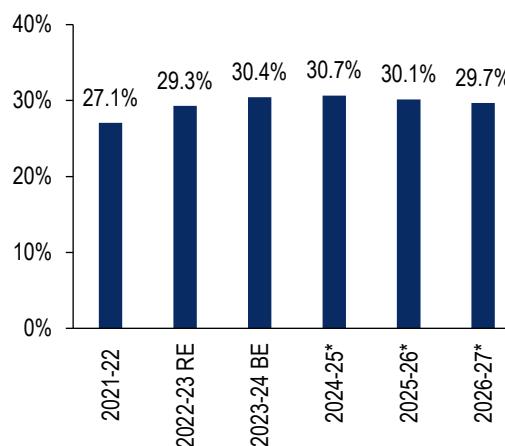


Note: RE is Revised Estimates; BE is budget estimates.

* indicates projections. Projections for revenue balance do not give exact values and only indicate that the state estimates a revenue surplus.

Sources: Madhya Pradesh Budget Documents 2023-24; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



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

* indicates projections.

Sources: Madhya Pradesh Budget Documents 2023-24; PRS.

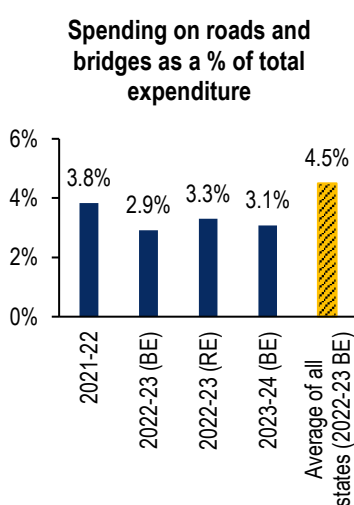
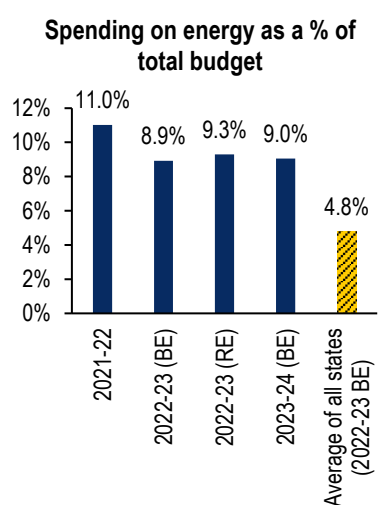
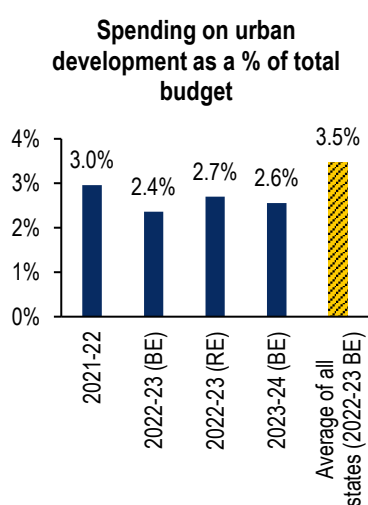
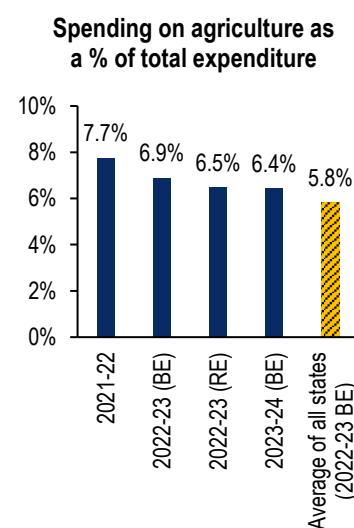
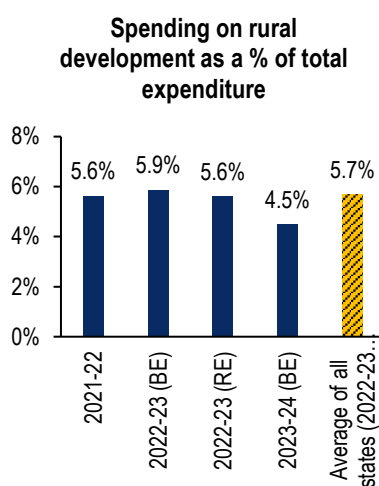
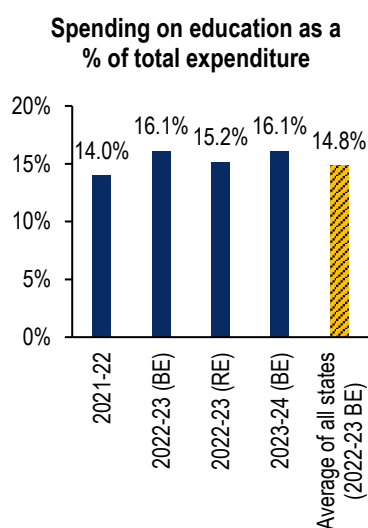
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As on December 31, 2022, the total outstanding government guarantees amounted to Rs 39,775 crore. Of this, Rs 28,626 crore is payable to the food, civil supplies, and consumer protection department.

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Annexure 1: Comparison of states' expenditure on key sectors

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

- **Education:** Madhya Pradesh has allocated 16.1% of its total expenditure for education in 2023-24. This is higher than the average allocation (14.8%) for education by all states (2022-23 BE).
- **Rural Development:** Madhya Pradesh has allocated 4.5% of its expenditure on rural development. This is lower than the average allocation for rural development by states (5.7%).
- **Agriculture:** Madhya Pradesh has allocated 6.4% of its total expenditure on agriculture, which is more than the average allocation for agriculture by states (5.8%).
- **Urban development:** The state has allocated 2.6% of its total expenditure towards urban development. This is lower than the average allocation for urban development by states (3.5%).
- **Energy:** Madhya Pradesh has allocated 9% of its total expenditure on energy, which is significantly higher than the average expenditure on energy by states (4.8%).
- **Roads and bridges:** Madhya Pradesh has allocated 3.1% of its total expenditure on roads and bridges, which is lower than the average allocation by states (4.5%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Madhya Pradesh. Sources: Madhya Pradesh Budget documents 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)	1,66,185	1,87,536	13%
1. Revenue Receipts (a+b+c+d)	1,64,677	1,85,876	13%
a. Own Tax Revenue	64,914	66,308	2%
b. Own Non-Tax Revenue	11,742	15,305	30%
c. Share in central taxes	52,247	69,470	33%
d. Grants-in-aid from the Centre	35,775	34,792	-3%
<i>Of which GST compensation grants</i>	5,322	3,095	-42%
2. Non-Debt Capital Receipts	1,507	1,660	10%
3. Borrowings	67,258	46,285	-31%
<i>Of which GST compensation loan</i>	0	7,011	-
Net Expenditure (4+5+6)	2,16,623	2,25,023	4%
4. Revenue Expenditure	1,72,971	1,81,061	5%
5. Capital Outlay	40,667	40,733	0%
6. Loans and Advances	2,985	3,229	8%
7. Debt Repayment	17,794	15,162	-15%
Revenue Balance	-8,294	4,815	-158%
Revenue Balance (as % of GSDP)*	-0.7%	0.4%	-
Fiscal Deficit	50,938	37,487	-26%
Fiscal Deficit (as % of GSDP)	4.5%	3.3%	-

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

Source: Madhya Pradesh Budget Documents of various years; PRS.

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

Tax Source	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
State GST	23,000	22,029	-4%
Sales Tax/ VAT	14,240	16,185	14%
Stamps Duty and Registration Fees	6,495	8,098	25%
Taxes on Vehicles	3,600	3,029	-16%
State Excise	12,109	10,334	-15%
Land Revenue	850	733	-14%
Taxes and Duties on Electricity	3,100	4,582	48%

Source: Madhya Pradesh 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	36,344	30,998	-15%
Police	8,062	6,973	-14%
Welfare of SC, ST, OBC, and Minorities	6,132	5,409	-12%
Rural Development	12,305	12,448	1%
Social Welfare and Nutrition	10,892	11,476	5%
Urban Development	6,212	6,560	6%
Agriculture and Allied Activities	16,142	17,149	6%
Health and Family Welfare	11,619	12,669	9%
Irrigation and Flood Control	9,860	11,136	13%
Water Supply and Sanitation	8,412	10,211	21%
Transport	6,978	8,518	22%
<i>of which Roads and Bridges</i>	6,957	8,506	22%
Energy	16,745	24,436	46%
Housing	3,181	6,159	94%

Source: Madhya Pradesh Budget Documents of various years; PRS.