

# Maharashtra Budget Analysis

## 2019-2020

The Finance Minister, Mr. Sudhir Mungantiwar, presented the additional budget for Maharashtra for financial year 2019-20 on June 18, 2019. The Minister had previously presented the interim budget for the state in February 2019.

### Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Maharashtra for 2019-20 (at current prices) is estimated to be Rs 29,79,556 crore. This is 12% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 4,04,794 crore, an 8.5% increase over the revised estimate of 2018-19. In 2018-19, as per the revised figures, there is estimated to be an increase of Rs 5,954 crore (1.6%) of expenditure over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 3,16,930 crore, an increase of 9.8% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) are estimated to be higher than the budgeted estimate by Rs 512 crore.
- **Revenue deficit** for 2019-20 is targeted at Rs 20,293 crore, or 0.68% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 61,670 crore (2.07% of GSDP).
- Sectors such as rural development (62%), water supply, sanitation, housing and urban development (26%), and education (25%) saw the highest increase in allocations. On the other hand, social welfare and nutrition (33%) and agriculture (25%) saw the highest decrease in allocations.

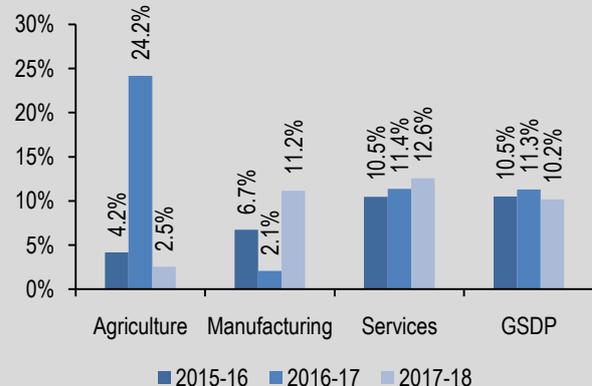
### Policy Highlights

- **Chief Minister Employment Generation Programme:** The New Industrial Policy of Maharashtra aims to generate 60 lakh new employment in the state. For this, a new scheme called Chief Minister Employment Generation Programme has been launched. The scheme aims at establishing 10,000 new small industries.
- **Infrastructure facilities:** An amount of Rs 55,335 crore is expected to be spent on constructing the Nagpur-Mumbai express highway. Further, Rs 11,332 crore is allocated for the development of the Bandra-Versova Sea Link. The government aims to construct 3,36,994 km. length roads till 2021.
- **Artificial rain:** To overcome drought in the state, an approval has been given for artificial rain experiment by aerial cloud seeding. This has been done to increase rainfall using modern technology.

### Maharashtra's Economy

- **GSDP:** The growth rate of Maharashtra's GSDP (at current prices) has marginally decreased from 10.5% in 2015-16 to 10.2% in 2017-18.
- **Sectors:** In 2017-18, the sectors of agriculture, manufacturing, and services contributed to 15%, 28%, and 58% of the Gross State Value Added respectively. Between 2016-17 and 2017-18, these sectors grew by 2.5%, 11.2%, and 12.6%, respectively.
- **Per capita GSDP of Maharashtra:** The per capita GSDP of Maharashtra in 2017-18 (at current prices) was Rs 1,98,510. This is 9% higher than that in 2016-17.
- **Unemployment:** According to the Periodic Labour Force Survey (2017-18), Maharashtra's rate of unemployment is at 4.9%, as compared to the all-India level of 6.1%.

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



Note: As per CSO, agriculture here includes mining and quarrying.  
Sources: Economic Survey of Maharashtra 2018-19; PRS.

## Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 4,04,794 crore. This is 8.5% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 3,16,930 crore and borrowings of Rs 77,196 crore. In 2019-20, receipts (other than borrowings) are expected to be 9.8% higher than the revised estimate of 2018-19.

**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 of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
<b>Total Expenditure</b>	<b>2,86,769</b>	<b>3,67,281</b>	<b>3,73,235</b>	<b>1.6%</b>	<b>4,04,794</b>	<b>8.5%</b>
A. Receipts (except borrowings)	2,45,432	2,88,234	2,88,746	0.2%	3,16,930	9.8%
B. Borrowings	49,670	74,105	34,063	-54.0%	77,196	126.6%
<b>Total Receipts (A+B)</b>	<b>2,95,101</b>	<b>3,62,338</b>	<b>3,22,808</b>	<b>-10.9%</b>	<b>3,94,126</b>	<b>22.1%</b>
<b>Revenue Deficit (-)/ Surplus (+)</b>	<b>2,082</b>	<b>-15,375</b>	<b>-14,960</b>	<b>-2.7%</b>	<b>-20,293</b>	<b>35.6%</b>
As % of GSDP	0.09%	-0.55%	-0.56%		-0.68%	
<b>Fiscal Deficit (-)/ Surplus (+)</b>	<b>-23,961</b>	<b>-50,586</b>	<b>-56,053</b>	<b>10.8%</b>	<b>-61,670</b>	<b>10.0%</b>
As % of GSDP	-0.99%	-1.81%	-2.11%		-2.07%	
<b>Primary Deficit (-)/ Surplus (+)</b>	<b>9,057</b>	<b>-16,201</b>	<b>-22,124</b>	<b>36.6%</b>	<b>-26,463</b>	<b>19.6%</b>
As % of GSDP	0.38%	-0.58%	-0.83%		-0.89%	

Notes: BE is Budget Estimate; RE is Revised Estimate.

Sources: Budget in Brief, Maharashtra Budget Documents 2019-20, June 2019; PRS.

## Expenditure in 2019-20

- **Capital expenditure** for 2019-20 is proposed to be Rs 69,861 crore, which is a decrease of 2.7% 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.
- Maharashtra's capital outlay for 2019-20 is estimated to be Rs 41,659 crore, which is 0.2% higher than the revised estimate of 2018-19. The capital outlay towards rural development is estimated to increase by Rs 6,351 crore from the revised estimates of 2018-19.
- **Revenue expenditure** for 2019-20 is proposed to be Rs 3,34,933 crore, which is an increase of 11.1% over the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interest, among others. Revenue expenditure accounts for 83% of the total expenditure proposed for 2019-20.

**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
Capital Expenditure	45,198	65,938	71,775	8.9%	69,861	-2.7%
of which Capital Outlay	26,842	36,298	41,573	14.5%	41,659	0.2%
Revenue Expenditure	2,41,571	3,01,343	3,01,460	0.0%	3,34,933	11.1%
<b>Total Expenditure</b>	<b>2,86,769</b>	<b>3,67,281</b>	<b>3,73,235</b>	<b>1.6%</b>	<b>4,04,794</b>	<b>8.5%</b>
A. Debt Repayment	17,376	28,462	28,436	-0.1%	26,195	-7.9%
B. Interest Payments	33,018	34,385	33,929	-1.3%	35,207	3.8%
<b>Debt Servicing (A+B)</b>	<b>50,394</b>	<b>62,847</b>	<b>62,365</b>	<b>-0.8%</b>	<b>61,402</b>	<b>-1.5%</b>

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

Sources: Maharashtra Budget in Brief 2019-20 (June 2019); PRS.

## Sector expenditure in 2019-20

The sectors listed below account for **60%** of the total budgeted expenditure of Maharashtra in 2019-20. A comparison of Maharashtra's expenditure on key sectors with that by other states can be found in the Annexure.

**Table 3: Sector-wise expenditure for Maharashtra 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	48,583	59,393	56,854	71,307	25%	<ul style="list-style-type: none"> <li>Rs 7,219 crore has been allocated to local bodies for government primary schools.</li> <li>Rs 23,147 crore has been allocated to non-government secondary schools.</li> <li>Rs 583 crore has been allocated for the Samagra Shikha.</li> </ul>
Water Supply, Sanitation, Housing and Urban Development	13,148	21,835	23,776	30,077	26%	<ul style="list-style-type: none"> <li>Rs 620 crore has been allocated for Swachh Bharat Mission.</li> <li>Rs 706 crore allocated for providing housing for all under Pradhan Mantri Awas Yojana.</li> <li>Rs 442 crore and Rs 600 crore has been allocated towards SMART City and AMRUT scheme respectively.</li> </ul>
Rural Development	7,846	16,682	14,865	24,039	62%	<ul style="list-style-type: none"> <li>Rs 1,513 crore will be spent on rural employment.</li> <li>Rs 3,387 crore will be spent on construction of roads and bridges.</li> </ul>
Agriculture and allied activities	31,503	29,683	30,590	22,793	-25%	<ul style="list-style-type: none"> <li>An amount of Rs 2,094 crore has been allocated for crop insurance.</li> </ul>
Welfare of SC/ST/OBC and Minorities	13,014	19,059	16,411	18,960	16%	<ul style="list-style-type: none"> <li>Rs 3,196 crore has been allocated for education of SCs and backward classes.</li> </ul>
Transport	12,100	15,040	17,319	17,803	3%	<ul style="list-style-type: none"> <li>As per the budget speech, Rs 11,332 crore has been allocated for the development of the Bandra-Versova Sea Link.</li> </ul>
Police	11,399	13,866	14,003	17,234	23%	<ul style="list-style-type: none"> <li>Rs 10,990 crore has been allocated towards district police</li> <li>For modernisation of police forces, Rs 190 crore has been allocated.</li> </ul>
Health and Family Welfare	12,175	13,450	16,127	15,919	-1%	<ul style="list-style-type: none"> <li>Rs 120 crore has been allocated for Pradhan Mantri Jan Arogya Yojana.</li> <li>Rs 767 crore has been allocated for National Health Mission.</li> </ul>
Social Welfare and Nutrition	7,336	12,258	20,042	13,406	-33%	<ul style="list-style-type: none"> <li>An amount of Rs 1,449 crore has been allocated for welfare of aged and destitute</li> </ul>
Irrigation and Flood Control	11,528	11,387	14,374	12,363	-14%	<ul style="list-style-type: none"> <li>Rs 10,594 crore has been allocated for major and medium irrigation projects.</li> </ul>
<b>% of total expenditure</b>	<b>59%</b>	<b>58%</b>	<b>60%</b>	<b>60%</b>		

Note: The figures have been arrived to by adding numbers from the Annual Financial Statement presented in February 2019, and the Additional Civil Budget Estimated for 2019-20, presented in June 2019.

Source: Maharashtra Budget Speech 2019-20, June 2019; Maharashtra Annual Financial Statement 2019-20, February 2019; Maharashtra Demand for Grants 2019-20, February 2019; Additional Civil Budget Estimated for 2019-20; PRS.

**Committed liabilities:** Committed liabilities of a state typically includes expenditure on payment of salaries, pensions, and interest payments. A larger proportion of state budget allocated for committed expenditure crowds out other developmental expenditure. In 2019-20, Maharashtra has budgeted to spend Rs 1,86,816 crore on the payment of salaries, interest, and pensions. This is an increase of 24% over the revised estimates of 2018-19. Note that committed liabilities account for 46% of the total expenditure estimated for 2019-20.

**Table 4: Expenditure on committed liabilities 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	75,088	1,02,668	88,630	-14%	1,15,241	30%
Pensions	23,853	27,378	27,567	1%	36,368	32%
Interest payments	33,018	34,385	33,929	-1%	35,207	4%
<b>Total Committed Liabilities</b>	<b>1,31,959</b>	<b>1,64,431</b>	<b>1,50,126</b>	<b>-9%</b>	<b>1,86,816</b>	<b>24%</b>

Note: BE is Budget Estimate; RE is Revised Estimate.; Sources: Budget in Brief, June 2019; Maharashtra Budget Documents 2019-20; PRS.

## Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 3,14,640 crore, an increase of 9.8% over the revised estimate of 2018-19. Of this, Rs 2,27,631 crore (72% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 87,009 crore (28% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in central taxes.
- **Non-tax revenue:** Maharashtra is estimated to generate Rs 16,807 crore through non-tax sources in 2019-20. Of this, Rs 3,570 crore will be received by the state from non-ferrous mining and metallurgical industries. In addition, Rs 3,535 crore will be received from urban development sector.

In 2019-20, Maharashtra is expected to borrow Rs 77,196 crore to meet its expenditure requirements, which is 127% higher than the revised estimates of 2018-19. In 2018-19, the borrowings of the state were 54% lower than the amount budgeted.

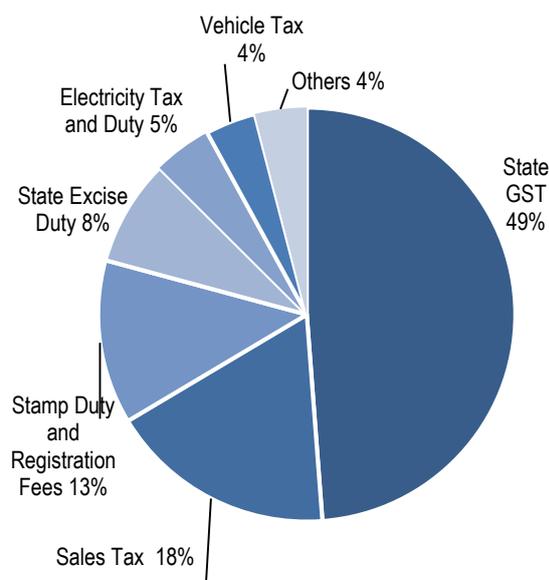
**Table 5: Break up of state government receipts in 2019-20 (Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
State's Own Tax	1,67,948	1,88,040	1,88,931	0.5%	2,10,824	11.6%
State's Own Non-Tax	16,680	22,785	17,050	-25.2%	16,807	-1.4%
Share in Central Taxes	37,203	43,515	42,050	-3.4%	46,631	10.9%
Grants-in-aid from Centre	21,823	31,629	38,468	21.6%	40,378	5.0%
<b>Total Revenue Receipts</b>	<b>2,43,654</b>	<b>2,85,968</b>	<b>2,86,500</b>	<b>0.2%</b>	<b>3,14,640</b>	<b>9.8%</b>
Borrowings	49,670	74,105	34,063	-54.0%	77,196	126.6%
Other receipts	1,778	2,266	2,246	-0.9%	2,290	2.0%
<b>Total Capital Receipts</b>	<b>51,448</b>	<b>76,370</b>	<b>36,309</b>	<b>-52.5%</b>	<b>79,486</b>	<b>118.9%</b>
<b>Total Receipts</b>	<b>2,95,101</b>	<b>3,62,338</b>	<b>3,22,808</b>	<b>-10.9%</b>	<b>3,94,126</b>	<b>22.1%</b>

Sources: Maharashtra Budget Documents 2019-20; PRS.

- **Tax Revenue:** Total own tax revenue of Maharashtra is estimated to be Rs 2,10,824 crore in 2019-20. The composition of the state's tax revenue is shown in Figure 2.
- The own tax to GSDP ratio is targeted at 7.1% in 2019-20, which is the same as the revised estimates of 2018-19. This implies that growth in collection of taxes has been at par with the growth in the economy.

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



Sources: Maharashtra Budget in Brief 2019-20; PRS.

- State Goods and Services Tax (SGST) is the largest component of tax revenue of the state. It is expected to generate Rs 1,02,760 crore in 2019-20. This is an increase of 14% from the revised estimate of 2018-19.
- In 2019-20, Maharashtra is expected to generate Rs 37,066 crore through the levy of sales tax (on items such as petroleum products). This is an increase of 13.9% over the revised estimate of 2018-19.
- Further, in 2019-20, the state is expected to generate Rs 27,000 crore from stamp duty and registration fees. This is an increase of 8% over the revised estimate of 2018-19.
- In addition, in 2019-20, the state is expected to generate Rs 17,477 crore from the levy of excise duty, and Rs 9,570 crore from taxes and duties on electricity.

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

The Maharashtra 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 deficit:** This 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 deficit of Rs 20,293 crore (or 0.7% of GSDP) in 2019-20. This is 35.6% higher than the revised estimates of 2018-19. This implies that revenue receipts are expected to be lower than the revenue expenditure, resulting in a deficit. The 14<sup>th</sup> Finance Commission had recommended that states should eliminate revenue deficits. The 2019-20 estimates for Maharashtra suggest that the state will not be able to meet this target of eliminating revenue deficit. Note that, Maharashtra had a revenue surplus at 0.1% in 2017-18.

**Fiscal deficit:** This 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 2019-20, Maharashtra's fiscal deficit is estimated to be Rs 61,670 crore, which is 2.1% of the GSDP. The estimate is lower than the 3% limit prescribed by the 14<sup>th</sup> Finance Commission. Note that, fiscal deficit increased significantly from Rs 23,961 crore (1% of GSDP) in 2017-18 to Rs 56,053 (2.1% of GSDP) in 2018-19.

**Outstanding Liabilities:** This is the accumulation of borrowings taken by the state government over the years. In 2019-20, Maharashtra's outstanding liabilities are expected to be at 15.8% of the GSDP.

### Debt Servicing

In 2019-20, Maharashtra is expected to spend Rs 61,402 crore on servicing its debt, which is 15% of its estimated expenditure. This expenditure includes Rs 26,195 crore towards repayment of loans, and Rs 35,207 crore towards interest payments. In 2019-20, the expenditure on repayment of loans is expected to decrease by 8% over the revised estimate of 2018-19.

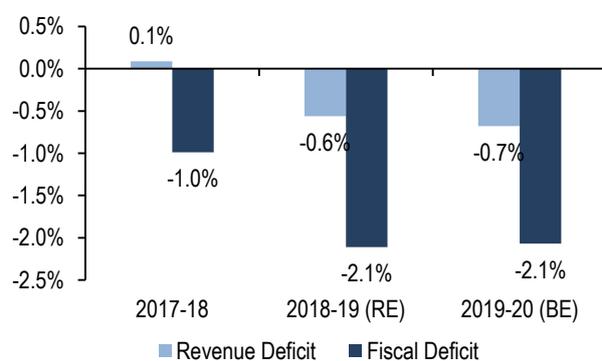
**Table 6: Budget targets for deficits for Maharashtra in 2019-20 (% of GSDP)**

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2017-18	0.1%	-1.0%	16.7%
2018-19 (RE)	-0.6%	-2.1%	15.6%
2019-20 (BE)	-0.7%	-2.1%	15.8%
2020-21	-0.3%	-1.9%	16.6%
2021-22	-0.4%	-1.8%	16.6%

Sources: Medium Term Fiscal Policy; Maharashtra Budget Documents, June 2019; PRS.

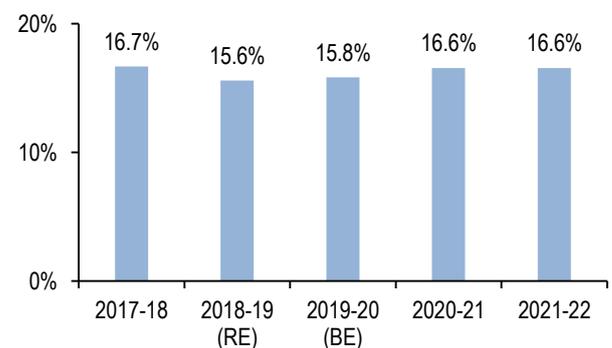
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

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



Sources: Maharashtra Budget Documents; PRS.

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



Sources: Maharashtra Budget Documents; PRS.

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