

# Rajasthan Budget Analysis 2019-20

The Chief Minister, Mr. Ashok Gehlot, presented the Budget for Rajasthan for financial year 2019-20 on July 10, 2019.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Rajasthan for 2018-19 at current prices is estimated to be Rs 9,29,124 crore, which is 11.2% higher than the GSDP estimate for 2017-18.
- **Total expenditure** for 2019-20 is estimated to be Rs 2,32,944 crore, a 9.7% increase over the revised estimate of 2018-19. In 2018-19, as per the revised figures, the expenditure is estimated to be marginally lower (Rs 16 crore) as compared to the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 1,88,324 crore, an increase of 10.2% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) are estimated to be marginally lower (Rs 586 crore) as compared to the budgeted estimate for the year.
- **Revenue deficit** for 2019-20 is targeted at Rs 27,015 crore, or 2.64% of the GSDP. **Fiscal deficit** is targeted at Rs 32,768 crore (3.19% of GSDP).
- Social welfare and nutrition (24%), energy (13%) and education (10%) sectors saw the highest increase in allocation as compared to the revised estimates of 2018-19. Allocation to transport sector decreased by 4%.

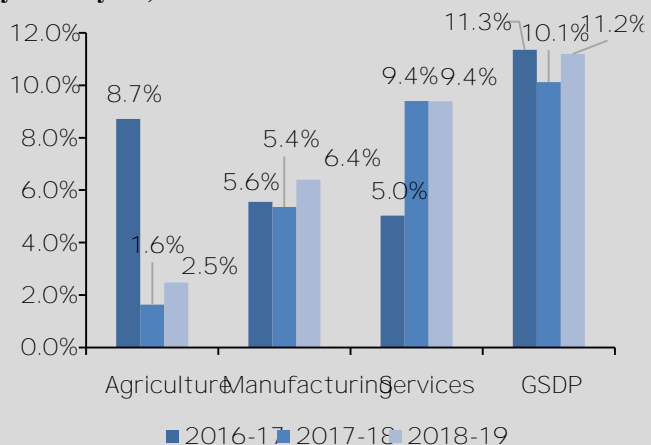
## Policy Highlights

- **Agriculture:** Rs 1,000 crore has been announced towards the Krishi Kalyan Kosh for improving ease of doing farming. Provision of Rs 256 crore has been made towards Rashtriya Krishi Vikas Yojana and provision of Rs 125 crore has been made towards Pradhan Mantri Krishi Sinchai Yojana.
- **Construction of roads:** Rs 35,000 crore will be spent over the next five years for road construction. In 2019-20, Rs 6,037 crore has been allocated for construction of roads and bridges. 1,009 villages will be connected with road network over the next four years, with an estimated cost of Rs 1,000 crore. Six state highways, with the length of 435 km, will be developed this year, at an estimate cost of Rs 927 crore.
- **Energy:** Two solar projects with a capacity of 1,426 MW wind energy and 4,885 MW will be established in the next five years, as part of the new solar and wind energy policy. Solar plants of upto 6,000 MW capacity will be setup on unused land near power sub-stations, within the next three years. Further, 80,000 smart meters will be setup on distribution transformers for energy audit in urban areas.

## Rajasthan Economy

- **Economy:** The Gross State Domestic Product (GSDP) of Rajasthan (at current prices) has grown at a rate of 8.6% during the period 2014-15 to 2018-19.
- **Sectors:** In 2018-19, the sectors of Agriculture, Manufacturing, and Services contributed to 25%, 30%, and 45% of the State Gross Value Added (GSVA). GSVA by a sector denotes the contribution of that sector to the state's economy. In the same year, these sectors grew by 2.5%, 6.4%, and 9.4% respectively.
- **Per capita GSDP:** The per capita GSDP of Rajasthan in 2018-19 (at current prices) was Rs 1,21,581. This is 9.6% higher than the figure for 2017-18 (Rs 1,10,915).

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



Note: Figures for 2018-19 are Second Advanced Estimates.  
Sources: Economic Review 2018-19, government of Rajasthan, FRBM document; PRS.

## Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 2,32,944 crore. This is 9.7% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,88,324 crore and borrowings of Rs 44,683 crore. Receipts (other than borrowings) is expected to be 10.2% higher in 2019-20 than the revised estimate of 2018-19.
- In 2018-19, as per the revised figures, expenditure of the state is estimated to be marginally lower (Rs 16 crore) over the budgeted estimate. Receipts (excluding borrowings) are also estimated to be marginally lower (Rs 586 crore) than the budgeted estimate for 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 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Total Expenditure	1,79,471	2,12,271	2,12,251	0.0%	2,32,944	9.7%
A. Receipts (except borrowings)	1,50,921	1,71,446	1,70,861	-0.3%	1,88,324	10.2%
B. Borrowings (gross)	28,550	40,825	41,410	1.3%	44,683	7.9%
Total Receipts (A+B)	1,79,471	2,12,271	2,12,271	0.0%	2,33,007	9.8%
Revenue Deficit	18,534	17,455	24,821	42.2%	27,015	8.8%
As % of GDP	2.22%	1.88%	2.67%		2.64%	
Fiscal Deficit	25,341	28,011	31,473	12.4%	32,678	3.8%
As % of GDP	3.03%	2.98%	3.39%		3.19%	
Primary Deficit	5,622	6,599	9,735	47.5%	9,546	-1.9%
As % of GDP	0.67%	0.71%	1.05%		0.93%	

Note: BE indicates Budget Estimate, RE indicates Revised Estimate. All numbers are inclusive of the expenditure under UDAY.

Sources: Rajasthan Modified Budget at a Glance 2019-20; Rajasthan FRBM Document 2019-20; PRS.

## Expenditure in 2019-20

- **Capital expenditure** for 2019-20 is proposed to be Rs 41,924 crore, which is an increase of 6.8% 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.
- In 2019-20, **capital outlay** is estimated to be Rs 19,472 crore, which is a decrease of 7.5% over the revised estimate of 2018-19. The revised figure for 2018-19 is also estimated to be 18.2% lower than the budgeted estimate made for the year.
- **Revenue expenditure** for 2019-20 is proposed to be Rs 1,91,020 crore, which is 10.4% higher than the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interest payments, among others. Revenue expenditure forms 82% of the total expenditure proposed in 2019-20.

### Transfer to Local Governments

The state government provides compensatory grants to local bodies, Panchayati Raj institutions. In 2019-20, the transfer to local governments is estimated to be Rs 3,376 crore (5% of the expenditure). Of this, Rs 4,404 crore (13%) has been allocated to local bodies, and Rs 2,972 crore (87%) to Panchayati Raj bodies.

**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	33,633	43,115	39,215	-9.1%	41,924	6.8%
of which Capital Outlay	20,622	25,744	21,061	-18.2%	19,472	-7.5%
Revenue Expenditure	1,45,838	1,69,111	1,73,036	2.3%	1,91,020	10.4%
Total Expenditure	1,79,471	2,12,226	2,12,251	0.0%	2,32,944	9.7%
A. Debt Repayment	11,671	16,833	16,921	0.5%	20,041	18.5%
B. Interest Payments	19,721	21,411	21,731	1.5%	23,131	6.4%
Debt Servicing (A+B)	31,392	38,244	38,652	1.1%	43,172	11.7%

Note: Capital outlay denotes expenditure which leads to creation of assets. All numbers are inclusive of the expenditure under UDAY.

Sources: Rajasthan Modified Budget at a Glance 2019-20; PRS.

## Sector-wise expenditure in 2019-20

The sectors listed below account for **63%** of the total budgeted expenditure of Rajasthan in 2019-20. A comparison of Rajasthan's expenditure on key sectors with that by other states can be found in the Annexure.

**Table 3: Sector-wise expenditure for Rajasthan 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
Education	27,183	34,550	36,230	40,014	10%	Rs 8,683 crore has been allocated towards Sarva Shiksha Abhiyan.
Energy	27,372	27,220	25,185	28,498	13%	State discoms will be provided with (aid of Rs 1,722 crore
Water Supply, Sanitation, Housing and Urban Development	12,756	15,250	13,880	15,034	8%	Rs 521 crore will be provided as grants to Urban Local Bodies. Rs 299 crore has been allocated towards Pradhan Mantri Aavajdi Yojana Urban. Rs 227 crore has been allocated towards Jaipur Metro Rail Project Phase I
Rural Development	15,668	15,560	13,700	14,414	5%	Rs 2,397 crore has been allocated to Pradhan Mantri Awas Yojana and Rs 2,100 crore has been allocated towards Mahatma Gandhi National Rural Employment Scheme
Social Welfare and Nutrition	7,808	8,334	10,681	13,240	24%	Rs 6,289 crore has been allocated towards Chief Minister Samman Pension Yojana for widows and specially abled persons.
Health and Family Welfare	10,000	12,813	12,163	13,030	7%	Rs 1,861 crore has been allocated towards National Rural Health Mission and Rs 42 crore has been allocated towards National Urban Health Mission
Agriculture and allied activities	5,505	8,828	9,532	10,080	6%	Rs 1,050 crore has been allocated towards weather based Crop Insurance Scheme
Police	4,819	6,158	6,482	6,500	0%	Rs 224 crore has been allocated for modernisation of police and police buildings
Transport	6,717	6,934	6,417	6,187	-4%	Rs 1,173 crore has been allocated towards construction of rural roads. Rs 100 crore allocated for Pradhan Mantri Gram Sadak Yojana.
% of total expenditure	66%	64%	63%	63%		

Sources: Rajasthan Budget Speech, Modified Budget at Glance, Summary Volumes, 2019-20; PRS.

**Committed liabilities:** Committed liabilities of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for expenditure on committed liabilities limits the state's flexibility to decide on other expenditure priorities such as capital investments.

In 2019-20, Rajasthan is estimated to spend Rs 1,01,498 crore (44% of its expenditure) on committed liabilities, i.e. payment of salaries, pensions, and interest. This is 9% higher than the revised estimate of 2018-19 (Rs 93,104 crore). Salaries form the highest component (55%) of these committed liabilities. Expenditure on salaries is estimated to increase by 10% in 2019-20 over the revised estimate of 2018-19. Pensions and interest payments form 22% and 23% of these committed liabilities, respectively.

**Table 4: Expenditure on committed liabilities for the state in 2019-20 (in Rs crore)**

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from RE 2018-19 to RE 2019-20	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Salaries	37,61	48,94	50,75	3.7%	55,78	9.9%
Pensions	13,92	19,71	20,61	4.6%	22,58	9.5%
Interest Payments	19,72	21,41	21,73	1.5%	23,13	6.4%
Committed Liability	71,25	90,07	93,10	3.4%	1,01,49	9.0%

Sources: Rajasthan FRBM Statement 2019-20; PRS.

## Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 1,64,005 crore, an increase of 10.7% over the revised estimate of 2018-19. Of this, Rs 98,867 crore (56.6% of the revenue receipts) will be raised by the state through its **own resources**. Rs 71,138 crore (43.4% of the revenue receipts) will be **devolved from the centre** in the form of grants and the state's share in central taxes. In 2019-20, own revenue and central transfers are expected to be 13% and 7% higher than the revised estimates of 2018-19, respectively.
- **Central transfers:** In 2019-20, revenue from the state's share in central taxes is estimated to increase by 6.2% over the revised estimate of 2018-19. Revenue in the form of grants-in-aid is estimated to increase by 9.1% (Rs 2,218 crore) in 2019-20 over the revised estimate of 2018-19. 16.3% of the revenue receipts of the state in 2019-20 is estimated to come in the form of grants-in-aid from the centre.
- **Non-tax revenue:** Rajasthan has estimated to generate Rs 19,124 crore (11.7% of the revenue receipts) through non-tax sources in 2019-20. Non-tax sources include interest receipts, dividends, and royalties, among others. This is a decrease of 4.2% (Rs 842 crore) over the revised estimate of 2018-19.

**Table 5: Break up of state government receipts 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
State's Own Tax	50,60	58,09	61,90	6.6%	73,74	19.1%
State's Own Non-Tax	15,73	20,39	19,96	-2.1%	19,12	-4.2%
Share in Central Taxes	37,02	43,31	41,85	-3.4%	44,46	6.2%
Grants-in-aid from Centre	23,94	29,85	24,45	-18.1%	26,67	9.1%
Total Revenue Receipts	1,27,30	1,51,66	1,48,18	-2.3%	1,64,00	10.7%
Borrowings	28,55	40,87	41,41	1.3%	44,68	7.9%
Other receipts	23,61	19,78	22,67	14.6%	24,37	7.2%
Total Capital Receipts	52,17	60,66	64,08	5.6%	69,05	7.7%
Total Receipts	1,79,47	2,12,32	2,12,27	0.0%	2,33,05	9.8%

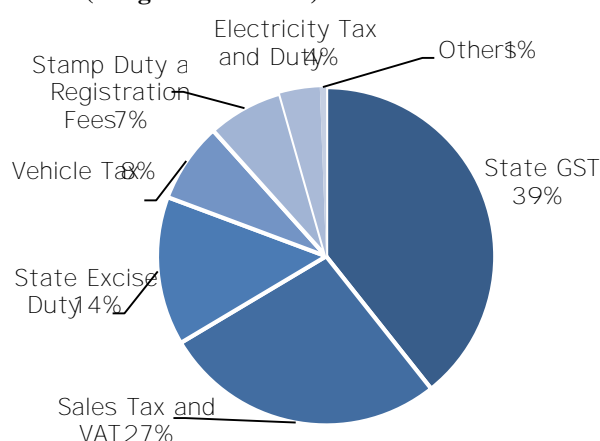
Sources: Rajasthan Modified Budget at Glance 2019-20; Rajasthan Modified Budget Study 2019-20; PRS.

- **Tax revenue:** The state's own tax revenue is estimated to be Rs 73,743 crore in 2019-20 (45% of the revenue receipts). This is 19% higher than the revised estimate of 2018-19. In 2018-19, own tax revenue is estimated to be 6.6% higher (Rs 3,808 crore) than the budgeted estimate for the year.
- The own tax to GSDP ratio is targeted at 7.2% in 2019-20, which is higher than the revised estimate of 6.7% in 2018-19. This implies that own tax collection growth is estimated to be higher than the growth of the economy.

### Revenue Projections

Revenue projections for 2020-21 and 2021-22. Non-tax revenue is estimated to decline by 2% in 2020-21, and rise by 1% in 2021-22. The state's share in central taxes and grant-in-aid is expected to rise by 12% and 10% respectively year-on-year for the period of 2020-21 and 2021-22. Total capital receipts are expected to rise by 10.2% in 2020-21 and 2021-22, respectively.

**Figure 2** Revenue in 2019-20 (budgeted estimates)



Sources: Rajasthan Modified Budget Study 2019-20; PRS.

- State GST (SGST) is the largest component of the state's own tax revenue. It is expected to generate Rs 29,000 crore in 2019-20, an increase of 23.4% over the revised estimate of 2018-19.
- In 2019-20, the state is expected to generate Rs 20,000 crore through sales tax and VAT, which is an increase of 21.2% over the revised estimate of 2018-19.
- The state is expected to generate Rs 10,500 crore through state excise duty and Rs 5,650 crore through taxes on vehicles in 2019-20.

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

The Rajasthan 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 deficit:** It 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 27,015 crore (or 2.64% of GSDP) in 2019-20. This implies that revenue receipts are expected to be lower than the revenue expenditure, resulting in a deficit.

**Fiscal deficit:** It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the state government, and leads to an increase in total liabilities. In 2019-20, fiscal deficit is estimated to be Rs 32,678 crore, which is 3.19% of the GSDP. The estimate is higher than the 3% limit prescribed by the 14<sup>th</sup> Finance Commission. Fiscal deficit in 2018-19 was at 3.39% of GSDP, also higher than this 3% limit. This limit may be relaxed to a maximum of 3.5%, if states are able to contain their debt and interest payments to certain specified levels.

**Outstanding liabilities:** It is the accumulation of borrowings undertaken by the state government over the years. In 2019-20, the outstanding liabilities of Rajasthan are expected to be at 33.1% of the GSDP. This is above the 20% limit suggested by the FRBM Review Committee in 2017 for the cumulative debt of states. The outstanding liabilities are estimated to be at 33% of GSDP for 2020-21 and at 32.9% of GSDP for 2021-22.

### Revenue deficit due to UDAY Scheme

Note that the revenue deficit without UDAY scheme into account is estimated at 1.29% for 2009-10 and 1.38% as per the estimates for 2018-19. The revenue deficit in 2017-18 without taking UDAY scheme into account was 0.78%.

**Table 6: Budgeted targets for deficits for Rajasthan in 2019-20 (as % of GSDP)**

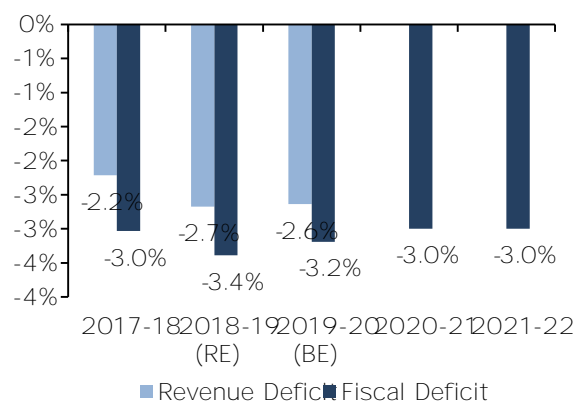
Year	Revenue		Fiscal		Outstanding Liabilities
	Deficit(-)	Surplus(+)	Deficit(-)	Surplus(+)	
2017-18		-2.2%		-3.0%	33.7%
2018-19 (RE)		-2.7%		-3.4%	33.3%
2019-20 (BE)		-2.6%		-3.2%	33.1%
2020-21				-3.0%	33.0%
2021-22				-3.0%	32.9%

Sources: Rajasthan FRBM Statement 2019-20; Rajasthan Modified Budget at Glance 2019-20; PRS.

Note: All numbers are inclusive of the expenditure under UDAY.

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

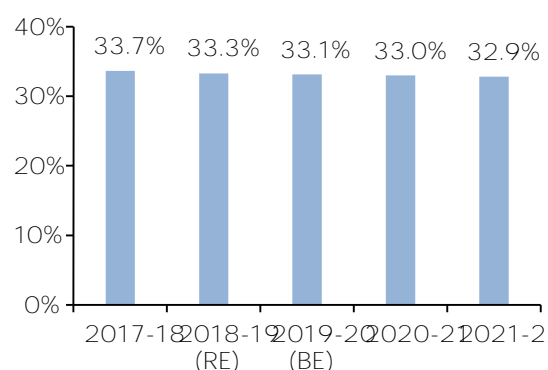
**Figure 3: Revenue and Fiscal Deficit (as % of GSDP)**



Sources: Rajasthan FRBM Statement 2019-20; Rajasthan Modified Budget at Glance 2019-20; PRS.

Note: All numbers are inclusive of the expenditure under UDAY.

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



Sources: Rajasthan FRBM Statement 2019-20; PRS.

Note: All numbers are inclusive of the expenditure under UDAY.

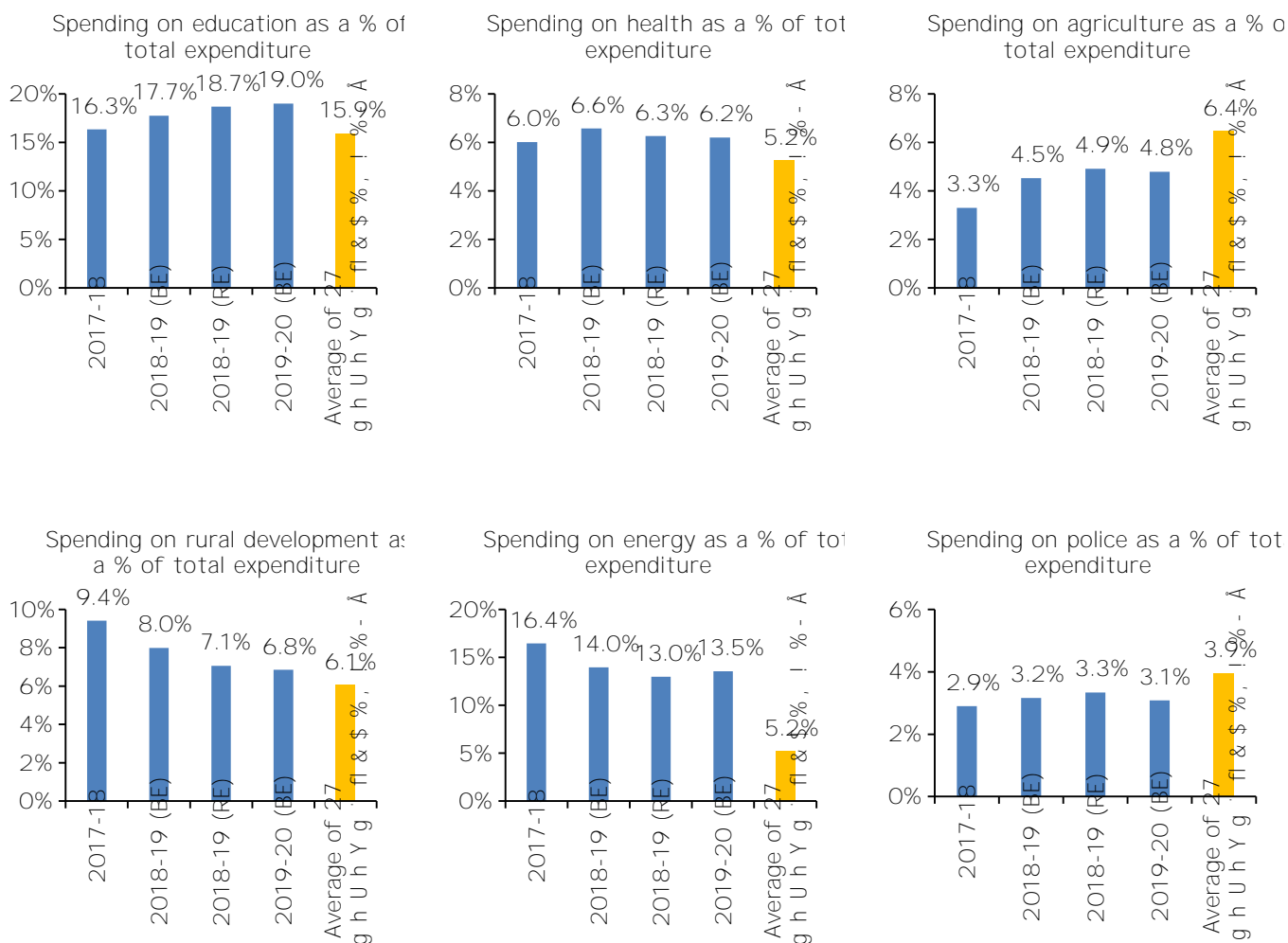
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## Annexure

The graphs below compare Rajasthan's expenditure on some key sectors, as a proportion of its total expenditure, with the average expenditure of 27 states (using 2018-19 budget estimates).\* For this comparison, total expenditure includes revenue expenditure and capital outlay.

- **Education:** Rajasthan has allocated 19% of its expenditure to education in 2019-20. This is higher than the average expenditure allocated to education (15.9%) by other states in 2018-19.
- **Health:** Rajasthan has allocated 6.2% of its expenditure towards health in 2019-20, which is higher than the average allocation (5.2%) by other states in 2018-19.
- **Agriculture and allied activities:** Rajasthan has allocated 4.8% of its expenditure towards agriculture and allied activities in 2019-20. This is significantly lower than the average allocation made by other states (6.4%) in 2018-19.
- **Rural development:** Rajasthan has allocated 6.8% of its expenditure to rural development in 2019-20. This is higher than the average (6.1%) for other states in 2018-19.
- **Energy:** The state has allocated 13.5% of its expenditure towards the energy sector in 2019-20. This is significantly higher than the average allocation by other states (5.2%) in 2018-19.
- **Police:** In 2019-20, Rajasthan has allocated 3.1% of its expenditure to police. This is lower than the average allocation by other states (3.9%) in 2018-19.



Sources: Rajasthan Volume1: Summary Volume, State Budget 2019-20; Annual Financial Statement 2018-19 of respective states; PRS.

\* The 27 states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.