

West Bengal Budget Analysis 2019-20

The Finance Minister, Dr. Amit Mitra, presented the Budget for West Bengal for financial year 2019-20 on February 4, 2019.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of West Bengal for 2019-20 (at current prices) is estimated to be Rs 13,14,529 crore. This is 14% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 2,37,964 crore, a 4.9% increase over the revised estimate of 2018-19. In 2018-19, as per the revised figures, the expenditure is estimated to increase by Rs 11,979 crore (5.6%) over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 1,64,678 crore, an increase of 7.7% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) are estimated to exceed the budgeted estimate by Rs 3,352 crore (2.2%).
- Revenue receipts for the next financial year are expected to match revenue expenditure resulting in no **revenue deficit**. **Fiscal deficit** is targeted at Rs 27,254 crore (2.07% of GSDP).
- Sectors such as Irrigation and Flood Control (30%), Education (15%), and Police (13%) saw the highest increase in allocations. Further, the sectors of Social Welfare and Nutrition (12%) and Transport (9%) saw the highest decline in allocations.

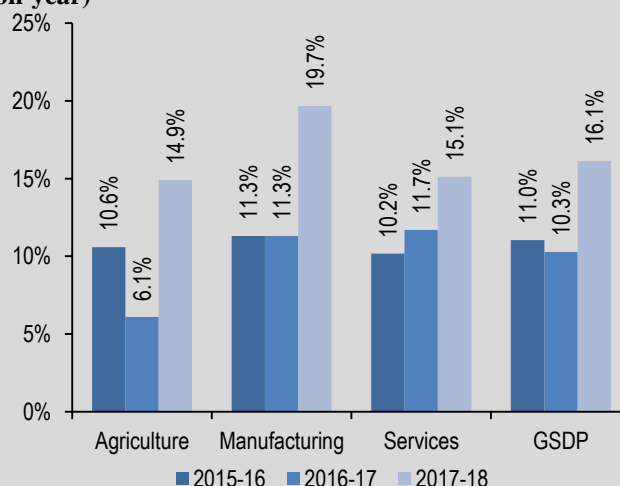
Policy Highlights

- **Krishak Bandhu Scheme** has been announced for the benefit of 72 lakh farmers and Bhagchasis owning agriculture land. The scheme will provide an assured grant of up to Rs 5,000 for one acre of land. Further a minimum grant of Rs 2,000 will be provided to farmers holding less than one acre of land. In the event of death of a farmer, his family will receive one-time assistance of two lakh rupees.
- The **Bangla Fasal Bima Yojana** will be entirely funded by the state. Previously the central government paid 20% share of farmers' premium.
- **Kanyashree Prakalpa** is a conditional cash transfer scheme which seeks to improve the status of girl child, and covers 52.5 lakh girls in the state. The income criteria for Kanyashree has been removed to include all girls between the age of 13 to 19 from all income groups.

West Bengal's Economy

- **GSDP:** The growth rate of West Bengal's GSDP (at current prices) has increased from 11% in 2015-16 to 16.1% in 2017-18.
- **Sectors:** In 2017-18, the sectors of agriculture, manufacturing, and services contributed to 24%, 22% and 54% of the State Gross Value Added (GSA). Between 2016-17 and 2017-18, these sectors grew by 14.9%, 19.7% and 15.1%, respectively.
- **Per capita income:** The per capita GSDP of West Bengal in 2017-18 (at current prices) was Rs 1,04,751. This is 15% higher than that in 2016-17.
- **Unemployment:** According to the 5th Annual Employment-Unemployment Survey (2015-16), among the major states, West Bengal has the unemployment rate at 4.9%, same to the all-India level of 5%.

Figure 1: Growth in GSDP and sectors in West Bengal (year-on-year)



Note: As per CSO, agriculture here includes mining and quarrying. All numbers are as per current prices.
Sources: MOSPI; PRS.

Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 2,37,964 crore. This is 4.9% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,64,678 crore and borrowings of Rs 78,384 crore. Receipts for 2019-20 (other than borrowings) are expected to be 7.7% 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
Total Expenditure	1,85,426	2,14,959	2,26,937	5.6%	2,37,964	4.9%
A. Receipts (except borrowings)	1,31,484	1,49,571	1,52,922	2.2%	1,64,678	7.7%
B. Borrowings	45,744	67,991	71,828	5.6%	78,384	9.1%
Total Receipts (A+B)	1,77,228	2,17,562	2,24,751	3.3%	2,43,061	8.1%
Revenue Deficit	9,807	0	7,524	1.3%	0	-100%
As % of GSDP	0.96%		0.65%			
Fiscal Deficit	28,931	23,805	32,498	36.5%	27,254	-16.1%
As % of GSDP	2.83%	2.07%	2.83%		2.07%	
Primary Surplus	-857	3,331	-3,358	200.8%	3,897	-216.0
As % of GSDP	0.08%	-0.29%	0.29%		-0.30%	

Notes: BE is Budget Estimate; RE is Revised Estimate. GSDP for 2019-20 is Rs 13,14,529 crore. GSDP for 2018-19 BE and 2018-19 RE taken to be Rs 11,50,021 crore, and Rs 11,49,968 crore respectively.

Sources: West Bengal Budget Documents 2019-20; PRS.

Expenditure in 2019-20

- Capital expenditure** for 2019-20 is proposed to be Rs 73,636 crore, which is an increase of 10.3% over the revised estimates 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.
- West Bengal's capital outlay for 2019-20 is estimated to be Rs 26,667 crore, which is 9.2% higher than the revised estimate of 2018-19. The capital outlay towards irrigation and flood control is estimated to increase by Rs 984 crore (an increase of 46%) from the revised estimates of 2018-19.
- Revenue expenditure** for 2019-20 is proposed to be Rs 1,64,328 crore, which is an increase of 2.6% over revised estimates of 2018-19. This expenditure includes payment of salaries, maintenance, etc.

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. States, on average, spend 39% of their budget on committed liabilities.

In 2019-20, the committed liabilities of West Bengal are estimated to be Rs 91,400 crore (38% of its budget). This is a 7% increase from the revised estimate of 2018-19.

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	44,348	68,211	66,788	-2.1%	73,636	10.3%
of which Capital Outlay	19,368	25,756	24,412	-5.2%	26,667	9.2%
Revenue Expenditure	1,41,077	1,46,748	1,60,150	9.1%	1,64,328	2.6%
Total Expenditure	1,85,426	2,14,959	2,26,937	5.6%	2,37,964	4.9%
A. Debt Repayment	25,011	41,583	41,517	-0.2%	46,032	10.9%
B. Interest Payments	28,074	27,137	29,140	7.4%	31,151	6.9%
Debt Servicing (A+B)	53,085	68,719	70,657	2.8%	77,183	9.2%

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

Sources: West Bengal Budget Documents 2019-20; PRS.

Sector expenditure in 2019-20

The sectors listed below account for **52%** of the total budgeted expenditure of West Bengal in 2019-20. A comparison of West Bengal's expenditure on key sectors with that by other states can be found in the Annexure.

Table 3: Sector-wise expenditure for West Bengal 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	25,068	31,359	30,292	34,965	15%	<ul style="list-style-type: none"> Rs 1,800 crore has been allocated towards Sarva Shiksha Abhiyan, and Rs 1,664 crore towards Mid-Day Meal Scheme. An amount of Rs 2,092 crore has been sanctioned for Special Component Plan for SCs.
Rural Development	19,938	18,370	19,793	19,288	-3%	<ul style="list-style-type: none"> Rs 2,459 crore has been allocated towards Mahatma Gandhi National Rural Employment Guarantee Programme.
Social welfare and Nutrition	17,562	17,675	21,622	19,040	-12%	<ul style="list-style-type: none"> Rs 1,401 crore has been allocated towards child welfare, and Rs 1,113 crore towards welfare of women.
Water Supply, Sanitation, Housing and Urban Development	12,887	13,089	14,583	14,198	-3%	<ul style="list-style-type: none"> Rs 615 crore has been allocated towards rural water supply program and Rs 130 crore towards housing for EWS. Rs 322 crore will be spent on state capital development.
Agriculture and Allied Activities	4,300	6,331	9,218	9,764	6%	<ul style="list-style-type: none"> Rs 3,000 crore grants have been allocated under Krishak Bandhu Programme for food grain crops.
Health and Family Welfare	8,856	8,964	9,400	9,727	3%	<ul style="list-style-type: none"> Rs 2,393 crore has been allocated towards rural health services and Rs 3,251 crore towards urban health sector.
Police	5,533	6,468	6,705	7,606	13%	<ul style="list-style-type: none"> Rs 185 crore has been allocated towards state development schemes for modernizing police force, forensic laboratories and coastal security schemes. Rs 4,583 crore has been allocated towards district police.
Transport	5,479	5,247	6,266	5,716	-9%	<ul style="list-style-type: none"> Rs 1,670 crore has been allocated towards development of state highways.
Irrigation and Flood Control	2,617	4,335	3,461	4,483	30%	<ul style="list-style-type: none"> Rs 899 core will be spent on civil works on flood control. Rs 386 crore has been allocation towards Damodar Valley Project.
% of total expenditure	55%	52%	53%	52%		

Source: West Bengal Budget Speech 2019-20, West Bengal Annual Financial Statement 2019-20, West Bengal Demand for Grants 2019-20; PRS.

Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 1,64,328 crore, an increase of 7.7% over the revised estimates of 2018-19. Of this, Rs 69,533 (42% of the revenue receipts) crore will be raised by the state through its **own resources**, and Rs 94,794 crore (58% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in taxes.
- **Non Tax Revenue:** West Bengal has estimated to generate Rs 3,987 crore through non-tax sources in 2019-20. Of this, Rs 1,096 crore will be the interest received by the state from various public sector undertakings.

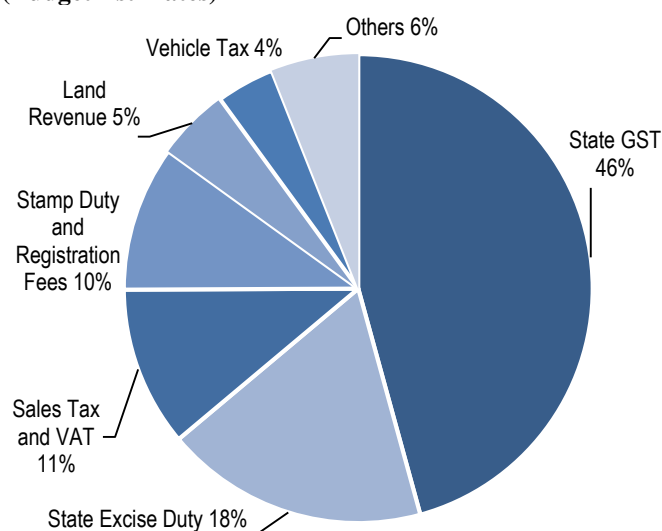
Table 4: Break up of state government receipts (Rs crore)

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
State's Own Tax	57,701	55,201	60,079	8.8%	65,546	9.1%
State's Own Non-Tax	3,117	3,395	4,154	22.3%	3,987	-4.0%
Share in Central Taxes	44,341	55,437	57,723	4.1%	62,396	8.1%
Grants-in-aid from Centre	26,112	32,714	30,670	-6.2%	32,398	5.6%
Total Revenue Receipts	1,31,270	1,46,748	1,52,625	4.0%	1,64,328	7.7%
Borrowings	45,744	67,991	71,828	5.6%	78,384	9.1%
Other receipts	214	2,823	297	-89.48%	350	17.85%
Total Capital Receipts	45,957	70,814	72,125	1.85%	78,734	9.16%
Total Receipts	1,77,227	2,17,562	2,24,750	3.3%	2,43,062	8.1%

Note: Grants in aid from centre includes GST compensation received by the state.
Sources: West Bengal Budget Documents 2019-20; PRS.

- **Tax Revenue:** Total own tax revenue of West Bengal is estimated to be Rs 65,546 crore in 2019-20. This is 9.1% higher than the revised estimate of 2018-19. The composition of the state's tax revenue is shown in Figure 2.
- The tax to GSDP ratio is targeted at 5% in 2019-20, which is in the same range as the revised estimate of 5% in 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: West Bengal Budget Documents 2019-20; PRS.

GST Revenue

West Bengal's total GST revenue (including central transfers) is estimated to be Rs 53,614 crore in 2019-20, an increase of Rs 4,337 crore (9%) over the revised estimate of 2018-19.

West Bengal has budgeted to receive Rs 2,000 crore in 2019-20 as compensation for loss of revenue arising due to the implementation of GST. This is an increase of 0.5% over the 2018-19 revised estimate.

- State Goods and Services Tax (SGST) is the largest component of tax revenue of the state. It is expected to generate Rs 29,891 crore in 2019-20. This is an increase of 10% from the revised estimate of 2018-19.
- In 2019-20, West Bengal is expected to generate Rs 11,874 crore through levy of state excise duty. This is an increase of 12.5% over the revised estimate of 2018-19.
- Further, in 2019-20, the state is also expected to generate Rs 7,516 through the levy of sales tax (on items such as petroleum products).
- In addition, the state is expected to generate Rs 6,250 crore from stamp duty and registration fees, and Rs 3,549 crore from land revenue.

Deficits, Debts and FRBM Targets for 2019-20

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 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 no revenue deficit (or surplus) in 2019-20. This implies that revenue receipts are expected to match the revenue expenditure, resulting in a balanced budget. The 14th Finance Commission had recommended that states should eliminate revenue deficits. The 2019-20 estimates for West Bengal suggests that the state will be able to meet this target of eliminating revenue deficit.

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 2019-20, fiscal deficit is estimated to be Rs 27,254 crore, which is 2.07 % of the GSDP. The estimate is lower than the 3% limit prescribed by the 14th Finance Commission. 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 over the years. In 2019-20, the outstanding liabilities are expected at 32.86% of the GSDP.

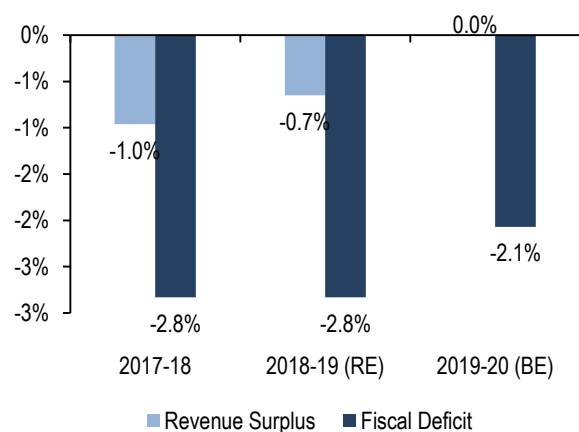
Table 5: Budget targets for deficits for West Bengal in 2019-20 (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2017-18	-1.0%	-2.8%	35.4%
2018-19 (RE)	-0.7%	-2.8%	34.4%
2019-20 (BE)	0.0%	-2.1%	32.9%

Sources: West Bengal Budget Documents 2019-20; PRS.

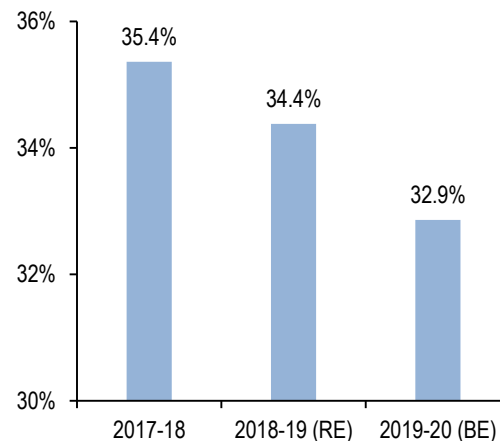
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

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



Sources: West Bengal Budget Documents; PRS.

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



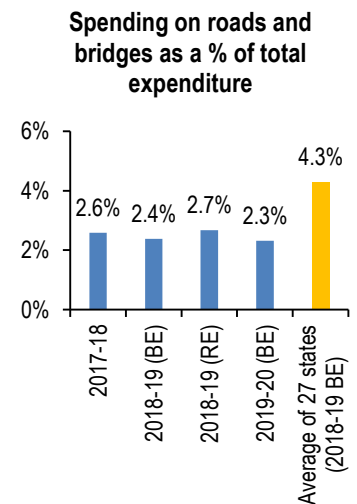
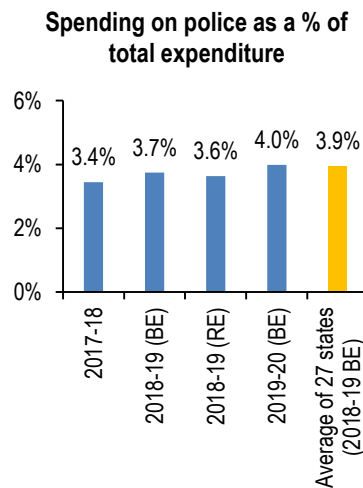
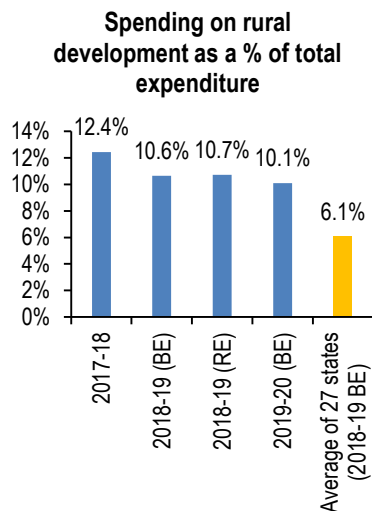
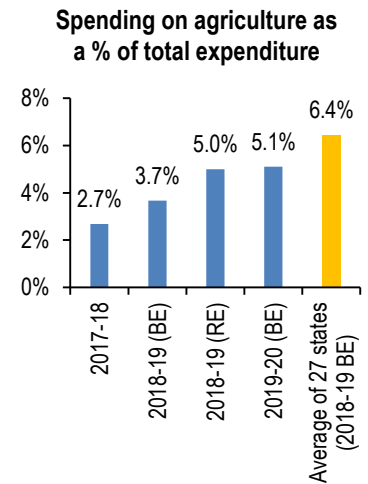
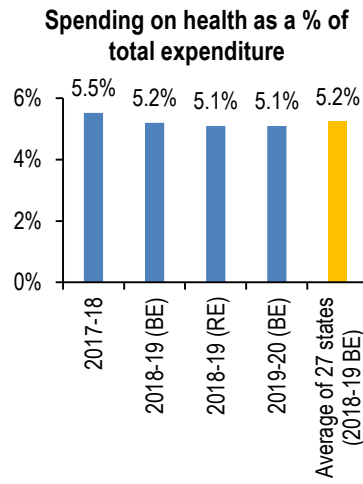
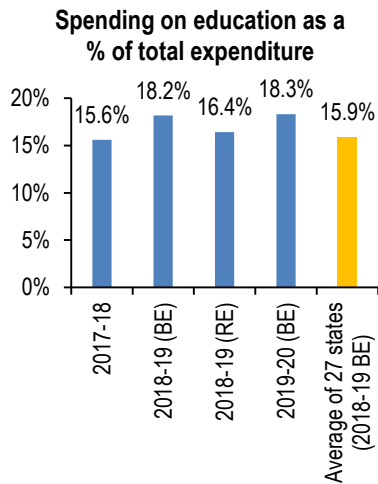
Sources: West Bengal Budget Documents; PRS.

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Annexure

The graphs below compare West Bengal’s expenditure on four key sectors as a proportion of its total budget, with 26 other states (using 2018-19 Budget Estimate).¹

- **Education:** West Bengal has allocated 18.3% of its expenditure on education in 2019-20. This is higher than the average expenditure allocated to education by other states (15.9%).
- **Health:** West Bengal has allocated 5.1% of its total expenditure on health, which is similar to the average expenditure of other states (5.2%).
- **Agriculture and allied activities:** The state has allocated 5.1% of its total budget towards agriculture and allied activities. This is lower than the average allocation by other states (6.4%).
- **Rural development:** West Bengal has allocated 10.1% of its total budget towards rural development. This is significantly higher than the average (6.1%) of the other states.
- **Police:** West Bengal has allocated 4.0% of its total expenditure on police, which is marginally higher than the average expenditure of other states (3.9%).
- **Roads and bridges:** West Bengal has allocated 2.3% of its total expenditure on roads and bridges, which is significantly lower than the average expenditure of other states (4.3%).



Note: 2017-18, 2018-19 (BE), 2018-19 (RE), and 2019-20 (BE) figures are for West Bengal.
 Source: Annual Financial Statement (2018-19 and 2019-20), various state budgets; PRS.

¹ The 26 other states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.