

# Bihar Budget Analysis 2019-20

The Finance Minister, Mr. Sushil Kumar Modi, presented the Budget for Bihar for financial year 2019-20 on February 12, 2019.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Bihar for 2019-20 at current prices is estimated to be Rs 5,72,827 crore, which is 5% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 2,00,501 crore, a 5% increase over the revised estimate of 2018-19. In 2018-19, as per the revised figures, the expenditure is estimated to increase by Rs 13,928 crore (7.9%) over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 1,79,849 crore, an increase of 11.9% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) are estimated to remain same as the budgeted estimate (Rs 1,60,735 crore) for the year.
- **Revenue surplus** for 2019-20 is targeted at Rs 21,517 crore, or 3.76% of the GSDP. **Fiscal deficit** is targeted at Rs 16,101 crore (2.81% of GSDP).
- Sectors such as agriculture and allied activities (24%), police (16%) and health and family welfare (14%) saw the highest increase in allocations. Allocation to energy and education decreased by 23% and 4%, respectively.

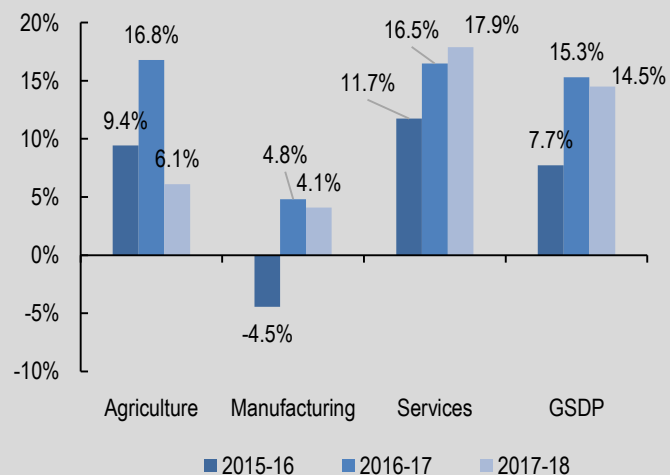
## Policy Highlights

- **Education:** Rs 35,942 crore has been allocated towards Education. The amount for providing a cycle to every student under the Mukhyamantri Balak-Balika Cycle Yojana has been increased from Rs 2,500 to Rs 3,000. The amount provided for uniform for female students under the Mukhyamantri Balika Poshak Yojana in class 9 to 12 has been increased from Rs 1,000 to Rs 1,500.
- **Health:** Construction of 11 new medical colleges will be initiated in 2019-20 by the central government and the state government. Rs 5,540 crore has been approved for increasing the capacity of the Patna medical college hospital to 5,000 beds, and increasing the student enrolment capacity to 250.
- **Agriculture:** Rs 1,692 crore has been allocated towards the recently announced Mukhyamantri Harit Krishi Sanyantra Yojana. Rs 1,430 crore has been allocated as agricultural input subsidy for farmers in drought-prone regions in 24 districts of the state. Further, the Krishi Input Agrim grant has been increased from Rs 6,000 to Rs 8,000 to promote organic farming in the state.

## Bihar's Economy

- **Economy:** The Gross State Domestic Product (GSDP) of Bihar (at current prices) has grown at a rate of 10.9% during the period 2011-12 to 2016-17.
- **Sectors:** In 2017-18, the sectors of Agriculture, Manufacturing, and Services contributed to 23%, 15%, and 62% of the State Gross Value Added (GVA). GVA by a sector denotes the contribution of that sector to the state's economy. In the same year, these sectors grew by 6.1%, 4.1%, and 17.9% respectively.
- **Per capita GSDP:** The per capita GSDP of Bihar in 2017-18 (at current prices) was Rs 42,242. This is 12.7% higher than the figure for 2016-17 (Rs 37,478).

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



Sources: Bihar Economic Survey 2018-19; PRS.

## Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 2,00,501 crore. This is 5% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,79,849 crore and borrowings of Rs 21,736 crore. Receipts (other than borrowings) is expected to be 11.9% 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 increase by Rs 13,928 crore (7.9%) over the budgeted estimate. Receipts (excluding borrowings) are estimated to remain same as the budgeted estimate (Rs 1,60,735 crore) made for 2018-19.

**Table 1: Budget 2019-20: Key figures (in Rs crore)**

| Items                           | 2017-18<br>Actuals | 2018-19<br>Budgeted | 2018-19<br>Revised | % change from<br>BE 2018-19 to<br>RE 2018-19 | 2019-20<br>Budgeted | % change from<br>RE 2018-19 to<br>BE 2019-20 |
|---------------------------------|--------------------|---------------------|--------------------|--|---------------------|--|
| <b>Total Expenditure</b>        | <b>1,36,427</b>    | <b>1,76,990</b>     | <b>1,90,919</b>    | <b>7.9%</b>                                  | 2,00,501            | <b>5.0%</b>                                  |
| A. Receipts (except borrowings) | 1,18,867           | 1,60,735            | 1,60,735           | 0.0%   | 1,79,849            | 11.9%  |
| B. Borrowings (gross)           | 11,771             | 20,520              | 20,520             | 0.0%   | 21,736              | 5.9%   |
| <b>Total Receipts (A+B)</b>     | <b>1,30,638</b>    | <b>1,81,255</b>     | <b>1,81,255</b>    | <b>0.0%</b>                                  | 2,01,585            | <b>11.2%</b>                                 |
| <b>Revenue Surplus</b>          | <b>14,823</b>      | <b>21,312</b>       | <b>9,355</b>       | <b>-56.1%</b>                                | 21,517              | <b>130.0%</b>                                |
| As % of GSDP                    | 3.04%              | 4.13%               | 1.72%              |  | 3.76%               |  |
| <b>Fiscal Deficit</b>           | <b>14,305</b>      | <b>11,204</b>       | <b>25,132</b>      | <b>124.3%</b>                                | 16,101              | <b>-35.9%</b>                                |
| As % of GSDP                    | 2.93%              | 2.17%               | 4.62%              |  | 2.81%               |  |
| <b>Primary Deficit</b>          | <b>5,251</b>       | <b>440</b>          | <b>14,368</b>      | <b>3161.9%</b>                               | 5,378               | <b>-62.6%</b>                                |
| As % of GSDP                    | 1.08%              | 0.09%               | 2.64%              |  | 0.94%               |  |

Note: BE indicates Budget Estimate, RE indicates Revised Estimate.

Sources: Bihar Annual Financial Statement 2019-20; Bihar Medium Term Fiscal Policy Statement 2019-20; PRS.

## Expenditure in 2019-20

- **Capital expenditure** for 2019-20 is proposed to be Rs 45,270 crore, which is an increase of 7.2% 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 36,593 crore, which is an increase of 8% over the revised estimate of 2018-19. The revised figure for 2018-19 is estimated to be 4.6% higher than the budgeted estimate made for the year.
- **Revenue expenditure** for 2019-20 is proposed to be Rs 1,55,231 crore, which is 4.4% higher than the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interests, among others. Revenue expenditure forms 77% of the total expenditure proposed in 2019-20.

### Capital outlay to various sectors

Of the total capital outlay of Rs 36,593 crore in 2019-20, Rs 10,476 crore (30.2%) has been allocated towards rural development. Rs 5,687 crore (16.4%) has been allocated towards transport and Rs 4,477 crore (12.9%) has been allocated towards energy. Rs 3,887 crore (11.2%) has been allocated towards water supply, sanitation, housing and urban development.

**Table 2: Expenditure budget 2019-20 (in Rs crore)**

| Item                           | 2017-18<br>Actuals | 2018-19<br>Budgeted | 2018-19<br>Revised | % change from BE<br>2018-19 to RE 2018-19 | 2019-20<br>Budgeted | % change from RE<br>2018-19 to BE 2019-20 |
|--------------------------------|--------------------|---------------------|--------------------|---|---------------------|---|
| <b>A. Capital Expenditure</b>  | <b>33,803</b>      | <b>40,251</b>       | <b>42,222</b>      | <b>4.9%</b>                               | 45,270              | <b>7.2%</b>                               |
| of which Capital Outlay        | 28,907             | 32,417              | 33,897             | 4.6%                                      | 36,593              | 8.0%                                      |
| <b>B. Revenue Expenditure</b>  | <b>1,02,624</b>    | <b>1,36,740</b>     | <b>1,48,696</b>    | <b>8.7%</b>                               | 1,55,231            | <b>4.4%</b>                               |
| <b>Total Expenditure (A+B)</b> | <b>1,36,427</b>    | <b>1,76,990</b>     | <b>1,90,919</b>    | <b>7.9%</b>                               | <b>2,00,501</b>     | <b>5.0%</b>                               |
| C. Debt Repayment              | 4,654              | 7,326               | 7,326              | 0.0%                                      | 7,236               | -1.2%                                     |
| D. Interest Payments           | 9,054              | 10,763              | 10,765             | 0.0%                                      | 10,723              | -0.4%                                     |
| <b>Debt Servicing (C+D)</b>    | <b>13,707</b>      | <b>18,090</b>       | <b>18,091</b>      | <b>0.0%</b>                               | <b>17,959</b>       | <b>-0.7%</b>                              |

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

Sources: Bihar Annual Financial Statement 2019-20; PRS.

## Sector-wise expenditure in 2019-20

The sectors listed below account for **69%** of the total budgeted expenditure of Bihar in 2019-20. A comparison of Bihar's expenditure on key sectors with that by other states can be found in the Annexure.

**Table 3: Sector-wise expenditure for Bihar Budget 2019-20 (Rs crore)**

| Sector  | 2017-18<br>Actuals | 2018-19<br>Budgeted | 2018-19<br>Revised | 2019-20<br>Budgeted | % change from<br>RE 2018-19 to<br>BE 2019-20 | Budget provisions for 2019-20   |
|---|--------------------|---------------------|--------------------|---------------------|--|---|
| Education   | 24,833             | 33,411              | 37,385             | 35,942              | -4%  | Rs 14,353 crore has been allocated towards the Sarva Shiksha Abhiyan.   |
| Rural Development                                       | 17,600             | 24,075              | 24,471             | 27,095              | 11%  | Rs 5,900 crore and Rs 4,950 crore have been allocated towards Pradhan Mantri Awas Yojana (Rural) and Swachh Bharat Mission (Rural), respectively. |
| Water Supply, Sanitation, Housing and Urban Development | 7,609              | 18,763              | 19,848             | 20,744              | 5%   | Rs 620 crore and Rs 390 crore have been allocated for Smart Cities Mission and Swachh Bharat Mission (Urban), respectively.                       |
| Social Welfare and Nutrition                            | 9,897              | 8,326               | 12,138             | 12,586              | 4%   | Rs 3,153 has been allocated to the Integrated Child Development Scheme.   |
| Police  | 6,006              | 7,548               | 7,984              | 9,286               | 16%  | Rs 32.2 crore has been allotted towards the Crime and Criminal Tracking Network & System (CCTNS) for effective policing.                          |
| Health and Family Welfare                               | 6,182              | 7,564               | 8,025              | 9,157               | 14%  | Rs 1,905 crore has been allocated towards National Health Mission and Rs 335 crore has been allocated towards Ayushman Bharat Scheme.             |
| Energy  | 11,236             | 9,864               | 11,486             | 8,795               | -23%   | Rs 5,106 crore has been allocated towards power companies.  |
| Transport   | 6,804              | 7,856               | 8,055              | 8,360               | 4%   | Rs 5,536 crore of capital outlay has been allocated towards road construction.  |
| Agriculture and allied activities                       | 3,824              | 5,176               | 5,254              | 6,537               | 24%  | Rs 253 crore has been allocated towards the Rashtriya Krishi Vikas Yojana.  |
| <b>% of total expenditure</b>                           | <b>69%</b>         | <b>69%</b>          | <b>71%</b>         | <b>69%</b>          |  |   |

Sources: Bihar Budget Speech, Annual Financial Statement and Demands for Grants, 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, Bihar is estimated to spend Rs 52,539 crore (26% of its expenditure) on committed liabilities, i.e. payment of salaries, pensions, and interest. This is 12% higher than the revised estimate of 2018-19 (Rs 46,933 crore, which is 25% of the revised expenditure). Salaries form the highest component (44%) of these committed liabilities. Expenditure on salaries is estimated to increase by 15% in 2019-20 over the revised estimate of 2018-19. Pensions and interest payments form 35% and 21% of these committed liabilities, respectively.

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

| Item                         | 2017-18<br>Actuals | 2018-19<br>Budgeted | 2018-19<br>Revised | % change from BE<br>2018-19 to RE 2018-19 | 2019-20<br>Budgeted | % change from RE<br>2018-19 to BE 2019-20 |
|------------------------------|--------------------|---------------------|--------------------|---|---------------------|---|
| Salaries                     | 16,941             | 20,232              | 20,339             | 0.5%                                      | 23,358              | 14.8%                                     |
| Pensions                     | 14,293             | 15,829              | 15,829             | 0.0%                                      | 18,458              | 16.6%                                     |
| Interest Payments            | 9,054              | 10,763              | 10,765             | 0.0%                                      | 10,723              | -0.4%                                     |
| <b>Committed Liabilities</b> | <b>40,289</b>      | <b>46,825</b>       | <b>46,933</b>      | <b>0.2%</b>                               | <b>52,539</b>       | <b>11.9%</b>                              |

Sources: Bihar Budget Summary 2019-20; PRS.

## Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 1,76,748 crore, an increase of 11.8% over the revised estimate of 2018-19. Of this, Rs 38,606 crore (21.8% of the revenue receipts) will be raised by the state through its **own resources**. Rs 1,38,141 crore (78.2% 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 9% and 13% 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 17% over the revised estimate of 2018-19. Revenue in the form of grants-in-aid is estimated to increase by 5.6% (Rs 2,588 crore) in 2019-20 over the revised estimate of 2018-19. 28% 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:** Bihar has estimated to generate Rs 4,806 crore (2.7% of the revenue receipts) through non-tax sources in 2019-20. Non-tax sources include interest receipts, dividends, and royalties, among others. This is an increase of 8.1% (Rs 361 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                | 23,136          | 31,002           | 31,002          | 0.0%                                   | 33,800           | 9.0%                                   |
| State's Own Non-Tax            | 3,507           | 4,446            | 4,446           | 0.0%                                   | 4,806            | 8.1%                                   |
| State's share in Central Taxes | 65,083          | 76,172           | 76,172          | 0.0%                                   | 89,122           | 17.0%                                  |
| Grants-in-aid from Centre      | 25,720          | 46,431           | 46,431          | 0.0%                                   | 49,019           | 5.6%                                   |
| <b>Total Revenue Receipts</b>  | <b>1,17,447</b> | <b>1,58,051</b>  | <b>1,58,051</b> | <b>0.0%</b>                            | <b>1,76,748</b>  | <b>11.8%</b>                           |
| Borrowings                     | 11,771          | 20,520           | 20,520          | 0.0%                                   | 21,736           | 5.9%                                   |
| Other receipts                 | 1,421           | 2,684            | 2,684           | 0.0%                                   | 3,101            | 15.6%                                  |
| <b>Total Capital Receipts</b>  | <b>13,191</b>   | <b>23,204</b>    | <b>23,204</b>   | <b>0.0%</b>                            | <b>24,837</b>    | <b>7.0%</b>                            |
| <b>Total Receipts</b>          | <b>1,30,638</b> | <b>1,81,255</b>  | <b>1,81,255</b> | <b>0.0%</b>                            | <b>2,01,585</b>  | <b>11.2%</b>                           |

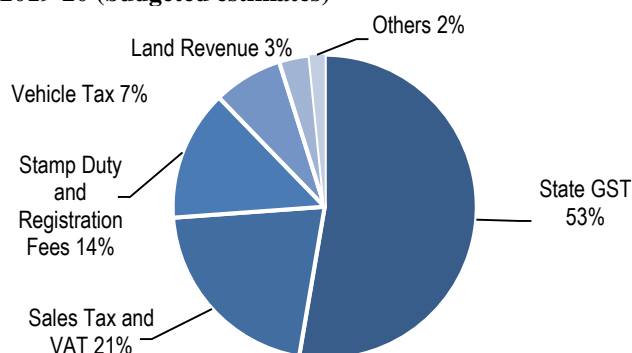
Sources: Bihar Annual Financial Statement 2019-20; Bihar Detailed Revenue and Capital Receipts 2019-20; PRS.

- **Tax revenue:** The state's own tax revenue is estimated to be Rs 33,800 crore in 2019-20 (19% of the revenue receipts). This is 9% higher than the revised estimate of 2018-19. In 2018-19, own tax revenue is estimated to be equal to the budgeted estimate (Rs 31,002 crore).
- The own tax to GSDP ratio is targeted at 5.9% in 2019-20, which is higher than the revised estimate of 5.7% in 2018-19. This implies that own tax collection growth is estimated to be higher than the growth of the economy.

### GST Revenue

Bihar's total GST revenue (including central transfers) is estimated to be Rs 52,273 crore in 2019-20 (29.6% of the revenue receipts). This includes Rs 3,500 crore (2% of the revenue receipts) which the state has estimated as compensation grants for loss of revenue due to implementation of GST.

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



Sources: Bihar Detailed Revenue and Capital Receipts 2019-20; PRS.

- State GST (SGST) is the largest component of the state's own tax revenue. It is expected to generate Rs 17,812 crore in 2019-20, an increase of 18.7% over the revised estimate of 2018-19.
- In 2019-20, the state is expected to generate Rs 7,150 crore through sales tax and VAT, which is a decrease of 9.4% over the revised estimate of 2018-19.
- The state is expected to generate Rs 4,700 crore through stamp duty and registration fees and Rs 2,500 crore through taxes on vehicles in 2019-20.

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

The Bihar Fiscal Responsibility and Budget Management Act, 2006 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 surplus of Rs 21,517 crore (or 3.76% of GSDP) in 2019-20. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. Further, the state has estimated a revenue surplus for the period 2018-19 to 2021-22.

**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 16,101 crore, which is 2.81% of the GSDP. The estimate is under the 3% limit prescribed by the 14<sup>th</sup> Finance Commission. Fiscal deficit in 2018-19 at 4.62% of GSDP was higher than this 3% limit.

**Outstanding liabilities:** It is the accumulation of borrowings undertaken by the state government over the years. In 2019-20, the outstanding liabilities of Bihar are expected to be at 25.7% 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 declined from 40.9% in 2005-06 to 20.27% in 2013-14. However, they have been rising again and have increased to 24%, as per the revised estimates of 2018-19. They are further estimated to rise to 26.8% by 2021-22.

### Increase in fiscal deficit in 2018-19

As per the revised estimates for 2018-19, fiscal deficit is estimated to increase significantly to 4.62% of GSDP, in comparison to the budgeted estimates (2.17% of GSDP). This was due to higher expenditure in education, energy and social welfare and nutrition compared to the amount allocated in 2018-2019 budget.

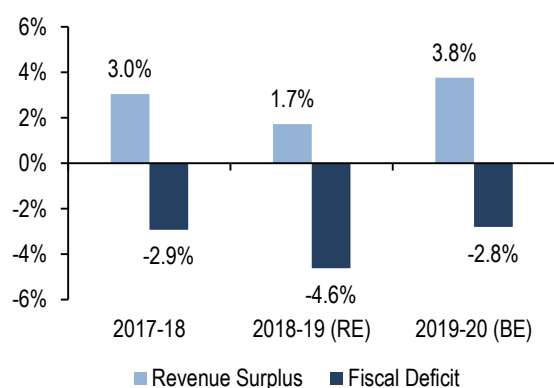
**Table 6: Budgeted targets for deficits for Bihar in 2019-20 (as % of GSDP)**

| Year         | Revenue Deficit (-)/Surplus (+) | Fiscal Deficit (-)/Surplus (+) | Outstanding Liabilities |
|--------------|---------------------------------|--------------------------------|-------------------------|
| 2017-18      | 3.0%                            | -2.9%                          | 23.5%                   |
| 2018-19 (RE) | 1.7%                            | -4.6%                          | 24.0%                   |
| 2019-20 (BE) | 3.8%                            | -2.8%                          | 25.7%                   |
| 2020-21      | 3.4%                            | -3.0%                          | 26.3%                   |
| 2021-22      | 3.1%                            | -3.0%                          | 26.8%                   |

Sources: Bihar Medium Term Fiscal Policy Statement 2019-20; Bihar Annual Financial Statement 2019-20; PRS.

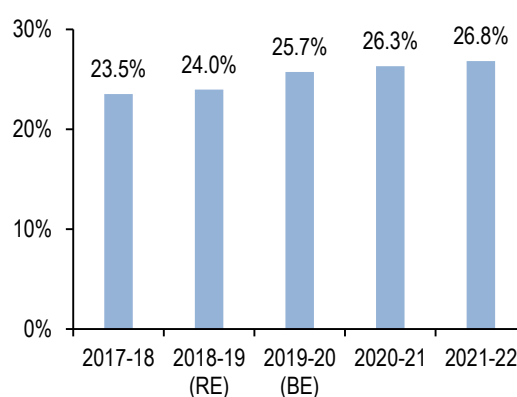
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

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



Sources: Bihar Medium Term Fiscal Policy Statement 2019-20; Bihar Annual Financial Statement 2019-20; PRS.

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



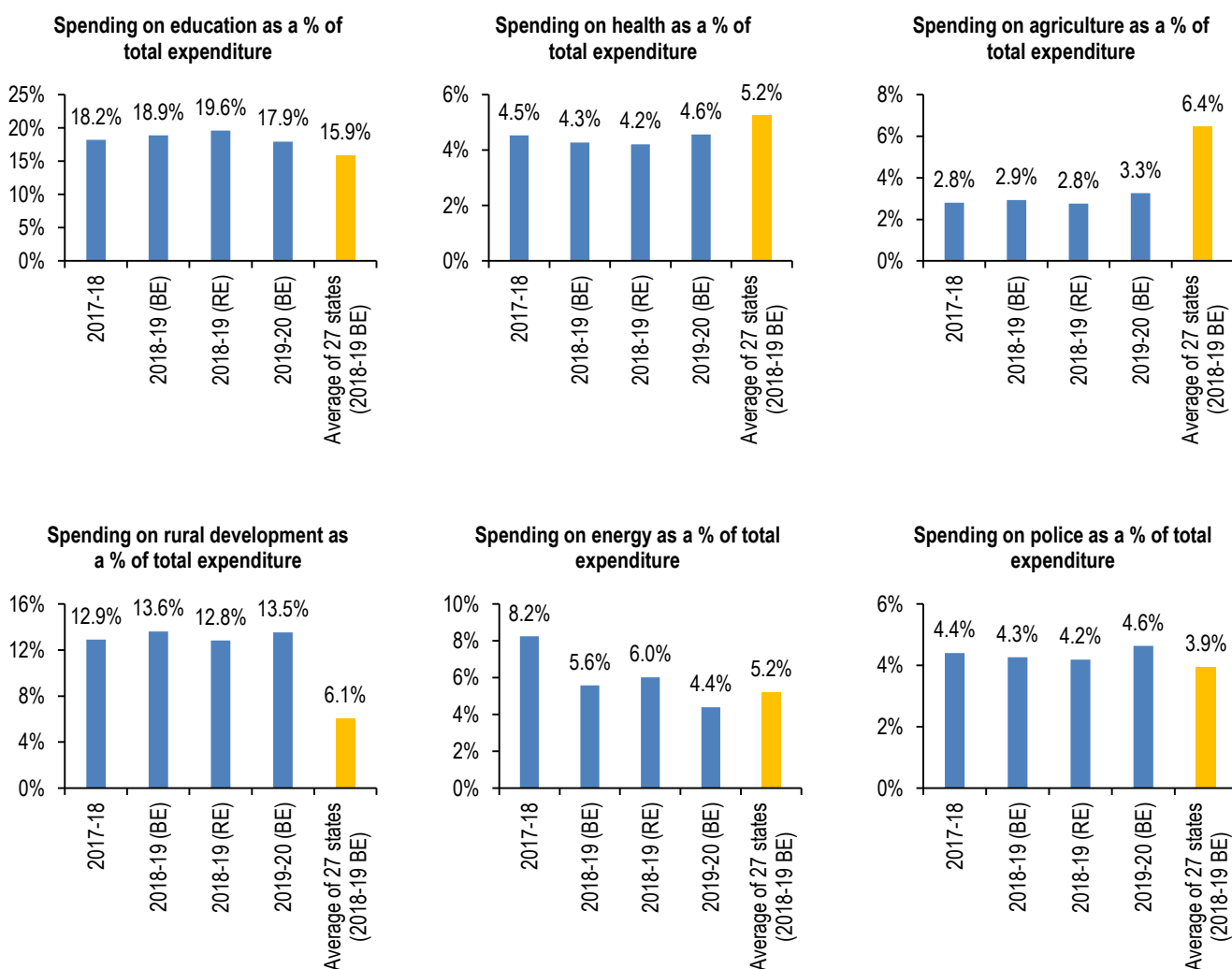
Sources: Bihar Medium Term Fiscal Policy Statement 2019-20; PRS.

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## Annexure

The graphs below compare Bihar's expenditure on some key sectors, as a proportion of its total expenditure, with the average expenditure by 26 other states.\* For this comparison, total expenditure includes revenue expenditure and capital outlay.

- **Education:** Bihar has allocated 17.9% 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:** Bihar has allocated 4.6% of its expenditure towards health in 2019-20, which is lower than the average allocation (5.2%) by other states in 2018-19.
- **Agriculture and allied activities:** Bihar has allocated 3.3% 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:** Bihar has allocated 13.5% of its expenditure to rural development in 2019-20. This is significantly higher than the average (6.1%) for other states in 2018-19.
- **Energy:** The state has allocated 4.4% of its expenditure towards the energy sector in 2019-20. This is lower than the average allocation by other states (5.2%) in 2018-19.
- **Police:** In 2019-20, Bihar has allocated 4.6% of its expenditure to police. This is higher than the average allocation by other states (3.9%) in 2018-19.



Sources: Bihar Annual Financial Statement 2019-20; Annual Financial Statement 2018-19 of respective states; PRS.

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