

West Bengal Budget Analysis 2018-19

The Finance Minister of West Bengal, Dr. Amit Mitra presented the Budget for financial year 2018-19 on January 31, 2018.

Budget Highlights

- The **Gross State Domestic Product** of West Bengal for 2018-19 (at current prices) is approximately Rs 10,48,678 crore. This is estimated to be 15% higher than the estimate for 2017-18.
- **Total expenditure** for 2018-19 is estimated to be Rs 1,95,829 crore, a 5.2% increase over the revised estimate of 2017-18. In 2017-18, there was an increase of Rs 3,701 crore (2%) of expenditure in the revised estimate over the budget estimate.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 1,48,834 crore, an increase of 3.3% as compared to the revised estimates of 2017-18. In 2017-18, total receipts exceeded the budgeted estimate by Rs 10,667 crore.
- Zero **revenue deficit** has been estimated for the next financial year. **Fiscal deficit** is targeted at Rs 23,805 crore (2.2% of state GDP).
- Departments of School Education, Panchayats and Rural Development, Urban Development and Municipal Affairs, and Health and Family Welfare saw the highest allocations.

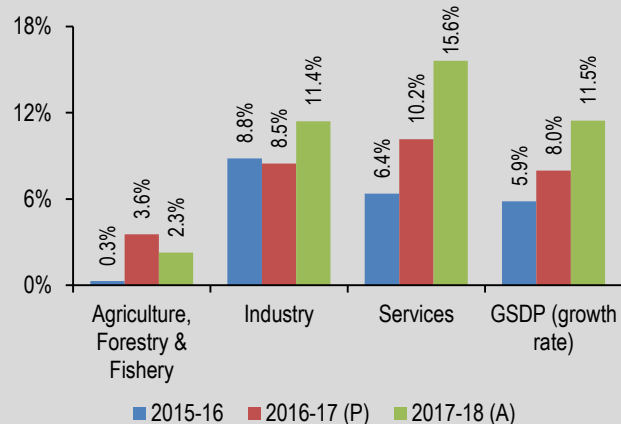
Policy Highlights

- **Farmer related measures:** Farmers selling agricultural land for agricultural purposes exempt from paying mutation fee. A corpus of Rs 100 crore has been created to protect farmers from distress sale due to fall in prices. Pension for old farmers to be increased from Rs 750 to Rs 1,000 and the number of beneficiaries to be increased by 34,000 to cover one lakh farmers in total.
- **Tax exemption:** Stamp Duty has been reduced by 1% in urban and rural areas for all properties valued from Rs 40 lakh to one crore rupees. The existing exemption of electricity duty will automatically be available to an eligible industrial entity from the date of commencement of commercial operations, without the need of a separate exemption certificate.
- **Tea industry:** Tea gardens exempted from payment of agricultural income tax for the next two years. They have also been exempted from payment of Education and Rural Development Cess for 2018-19.
- **Introduction of certain schemes:** Under the ‘Rupashree’ scheme, extension of one-time assistance of Rs 25,000 will be provided to family of girls with an annual income of up to Rs 1.5 lakh for the purpose of their marriage. An amount of Rs 1,500 crore has been allocated for it. Another scheme, ‘Manabik’ has been announced to provide monthly pension of Rs 1,000 to two lakh persons with disabilities.

West Bengal Economy

- **Economic growth:** Between 2015-16 and 2017-18 (A), the annual growth rate (at constant prices) of the state GDP has increased from 5.8% to 11.4%.
- **Sectoral share:** Services lead the contribution to the GSDP at 56%, followed by industry (25%) and agriculture (19%). Industrial contribution to state GDP has been constant in the range of 25%. Agriculture has noted a decline.
- **Per Capita Income:** The state’s Per Capital Income (at constant prices) has grown from Rs 57,584 in 2015-16 to Rs 67,783 in 2017-18 (A).

Figure 1: Growth in GSDP and sectors (2011-12 prices)



Source: Economic Review 2018-19, Government of West Bengal; PRS.
Note: P-Provisional Estimates; A-Advance Estimates

Budget Estimates for 2018-19

- The total expenditure in 2018-19 is estimated to be Rs 1,95,829 crore. This is 5.2% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,48,835 crore and borrowings of Rs 46,991 crore. During 2017-18, borrowings of the West Bengal government were 14.2% lower than the budget estimate. Total receipts for 2018-19 (other than borrowings) are expected to be 3.3% higher than the revised estimate of 2017-18.

Table 1: Budget 2018-19 - Key figures (in Rs crore)

Items	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE of 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Total Expenditure	1,57,548	1,82,297	1,85,998	2%	1,95,829	5.2%
A. Borrowings	36316	48,917	41937	-14.2%	46,991	12%
B. Receipts (except borrowings)	1,21,041	1,33,375	1,44,042	8%	1,48,835	3.3%
Total Receipts (A+B)	1,57,357	1,82,292	1,85,979	2%	1,95,826	5.2%
Revenue Deficit	-16,085	0	-11,006	-	0	-
As % of state GDP	1.62%	0%	1.11%	-	0%	-
Fiscal Deficit	-25,385	-19,351	-29,698	53.4%	-23,805	-19.8%
As % of state GDP	2.56%	1.95%	3%		2.27%	

Notes: BE is Budget Estimate; RE is Revised Estimate. '-' sign indicates deficit; '+' indicates surplus.

GSDP for 2018-19 has been calculated using the fiscal deficit's share in the GSDP and the absolute figure of the fiscal deficit.

Sources: West Bengal Budget Documents 2018-19; PRS.

Expenditure in 2018-19

- Capital expenditure** for 2018-19 is proposed to be Rs 47,211 crore, which is an increase of 12.5% over the revised estimates of 2017-18. This includes expenditure which affects the assets and liabilities of the state, and leads to creation of assets (such as bridges and hospital), and repayment of loans, among others.
- Revenue expenditure** for 2018-19 is proposed to be Rs 1,48,618 crore, which is an increase of 3.1% over revised estimates of 2017-18. This expenditure includes payment of salaries, maintenance, etc.
- In 2018-19, West Bengal is expected to spend Rs 47,720 crore on servicing its debt (i.e., Rs 20,583 crore on repaying loans, and Rs 27,137 in crore on interest payments). This is 0.9% higher than the revised estimates of 2017-18.

Between 2011 and 2016, West Bengal spent 85% of the amount it had estimated at the budget stage. This implies an under-spending of 15%.

Salaries and pension payments together constitute Rs 57,787 crore of the revenue expenditure (39%). In addition, the state is expected to spend Rs 6,648 crore on subsidies, which constitutes 4.5% of the revenue expenditure.

Table 2: Expenditure budget 2018-19 (in Rs crore)

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Capital Expenditure	23,630	39,652	41,958	5.8%	47,211	12.5%
Revenue Expenditure	1,33,918	1,42,644	1,44,040	0.9%	1,48,618	3.1%
Total Expenditure	1,57,548	1,82,296	1,85,998	2.0%	1,95,829	5.2%
A. Debt Repayment	11,096	19,497	19,677	0.9%	20,583	4.6%
B. Interest Payments	25,703	25,843	27,596	6.7%	27,137	-1.6%
Debt Servicing (A+B)	36,799	45,340	47,273	4.2%	47,720	0.9%

Sources: West Bengal Budget Documents 2018-19; PRS.

Sector expenditure in 2018-19

The departments listed below account for **45%** of the total budgeted expenditure of West Bengal in 2018-19. A comparison of West Bengal's expenditure on key sectors with 18 other states can be found in the [Annexure](#).

Table 3: Sector-wise expenditure for West Bengal Budget 2018-19 (Rs crore)

Department	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19	Sectoral highlights
School Education	18,597	24,038	20,900	24,722	18%	<ul style="list-style-type: none"> Improvement in Pupil Teacher Ratio from 29 to 22 for primary schools, and 49 to 42 at upper primary level. The ratio indicates the number of students per teacher.
Panchayats and Rural Development	14,863	16,909	18,670	19,063	2%	<ul style="list-style-type: none"> Employment under National Rural Employment Guarantee Scheme has recorded 23.6 crore person days (as of December, 2017), surpassing the annual target of 23 crore person days. Nine lakh individual household latrines have been constructed; Rs 821 crore was released till January, 2018 for this purpose.
Urban Development and Municipal Affairs	-	9,638	9,487	10,013	6%	<ul style="list-style-type: none"> A new scheme, 'Banglar Bari' to construct 20,000 flats for the urban poor within the next four years. Online system of paying property tax in municipal cities will be extended to all urban local bodies.
Health and Family Welfare	8,122	7,596	8,902	8,770	-1%	<ul style="list-style-type: none"> The rate of institutional delivery has increased to 95%. The Infant Mortality Rate has reduced to 25 per 1,000 live births. Upgradation of operation theatres, labour rooms, rural hospitals, among others to be undertaken at a cost of Rs 133 crore.
Food and Supplies	8,152	7,533	8,791	8,037	-9%	<ul style="list-style-type: none"> Additional food storage capacity of five lakh MT to be added in next three years. 15 lakh digitised ration cards to be distributed during 2018-19.
Home and Hill Affairs	-	7,268	7,225	7,956	10%	<ul style="list-style-type: none"> Revenue expenditure on district police for 2018-19 is estimated at Rs 3,965 crore. Capital expenditure on state police for 2018-19 is budgeted at Rs 422 crore. Emphasis laid on adoption of new age technology and acclimatisation of existing personnel in matters related to cybercrime.
Women and Child Development and Social Welfare	-	5,051	5,758	5,183	-10%	<ul style="list-style-type: none"> Under the department, child welfare has been allocated 1,455 crore, and women welfare has been allocated Rs 920 crore. The Special Nutrition Programme has been allocated Rs 901 crore.
Public Works	3,271	4,004	5,474	5,008	-9%	<ul style="list-style-type: none"> Capital expenditure allocated for State Highways and District and Other Roads is Rs 2,333 crore and Rs 1,629 crore respectively. 3,100 km of roads taken over from Zilla Parishads and Municipalities to be upgraded within the next year.
% of total expenditure	34%	45%	46%	45%		

Note: All amounts are net numbers.

Sources: West Bengal Budget Documents 2018-19; PRS.

Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 1,48,618 crore, an increase of 11.7% over the revised estimates of 2017-18. Of this, Rs 58,596 (39% of the revenue receipts) crore will be raised by the state through its **own resources**, and Rs 88,152 crore (59% 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:** West Bengal has estimated to generate Rs 3,395 crore through non-tax sources in 2018-19. Of the total non-tax revenues, revenue from interest receipts and non-ferrous mining and metallurgical industries contribute the most.

The total collection of own tax revenue receipt has doubled from Rs 21,128 crore to Rs 45,466 crore during the period 2010-11 to 2016-17.

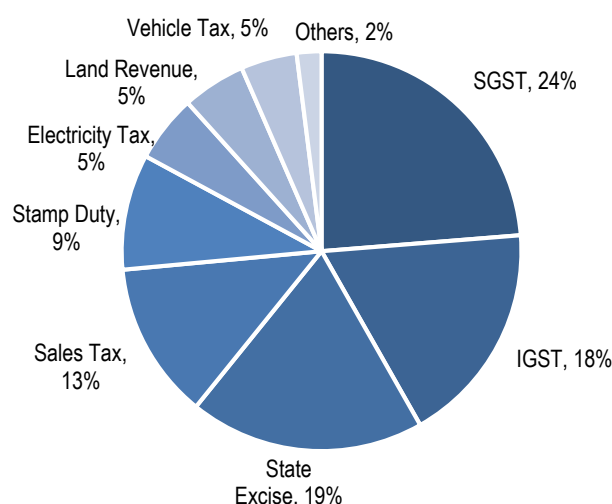
Table 4: Break up of state government receipts (Rs crore)

Item	2016-2017 Actuals	2017-2018 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-2019 Budgeted	% change from RE 2017-18 to BE 2018-19
State's Own Tax	45,466	55,787	50,070	-10.2%	55,201	10.2%
State's Own Non-Tax	2,950	2,221	3,173	42.9%	3,395	7.0%
Share in Central Taxes	44,625	49,510	49,510	0.0%	55,437	12.0%
Grants-in-aid from Centre	24,791	35,126	30,280	-13.8%	32,714	8.0%
Additional resources	-	-	-	-	1,870	-
Total Revenue Receipts	1,17,832	1,42,644	1,33,034	-6.7%	1,48,618	11.7%
Borrowings	36,316	48,917	41,937	-14.3%	46,991	12.1%
Other receipts	3,209	-9,269	11,008	-218.8%	217	-98.0%
Total Capital Receipts	39,525	39,647	52,945	33.5%	47,208	-10.8%
Total Receipts	1,57,357	1,82,292	1,85,979	2.0%	1,95,826	5.3%

Sources: West Bengal Budget Documents 2018-19; PRS.

- **Tax Revenue:** Total own tax revenue of West Bengal is estimated to be Rs 55,201 crore in 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 2018-19, which is in the same range as the revised estimate of 5% in 2017-18. This implies that growth in collection of taxes has been at par with the growth in the economy.

Figure 2: Composition of Tax Revenue in 2018-19 (BE)



- As per the estimates of 2018-19, State Goods and Services Tax (SGST) will be the largest component of the state's tax revenue. It is expected to generate Rs 13,094 crore.
- Further, the government is expected to generate Rs 10,503 crore through state excise duty. This is an increase of 21% over the revised estimates of 2017-18.
- In addition, revenue will be generated through Integrated Goods and Services Tax (18%), sales tax (13%), stamp duties on real estate transactions (9%), electricity tax (5%), land revenue (5%), and taxes on vehicles (5%).

West Bengal witnessed a short fall in tax collections during 2017-18. Revised estimates for the year indicate that the tax collections were 10% lower than the budget estimates. Collection from taxes and duties on electricity saw a 20% drop at the 2017-18 revised estimate stage.

Deficits, Debts and FRBM Targets for 2018-19

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 2018-19 budget estimates a zero revenue deficit. This implies that revenue receipts are expected to be equal to the revenue expenditure. Note that this indicates that the state expects to meet the target of eliminating revenue deficit, as prescribed by the 14th Finance Commission.

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 2018-19, fiscal deficit is estimated to be Rs 23,805 crore, which is 2.2% of the GSDP. The estimate is within the 3% limit prescribed by the 14th Finance Commission.

Debt Stock: It is the accumulation of borrowings over the years. In 2018-19, the debt stock is expected at 37.6% of the GSDP.

Debt as a percentage of GSDP has come down from 40.6% to 34.1% during the period 2010-11 to 2016-17. From 2016-17 onwards, this percentage has been noted to be increasing.

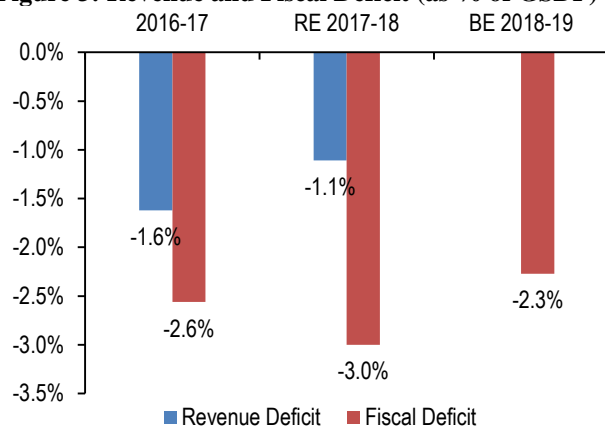
Table 5: Budget targets for deficits for West Bengal in 2018-19 (% of GSDP)

Year	Revenue	Fiscal	Debt Stock
	Deficit (-)/Surplus (+)	Deficit (-)/Surplus (+)	
2016-17	-1.62%	-2.56%	34.1%
RE 2017-18	-1.11%	-3.00%	36.7%
BE 2017-18	0%	-1.95%	36.9%
2018-19	0%	-2.27%	37.6%

Sources: West Bengal Budget Documents 2018-19; PRS.

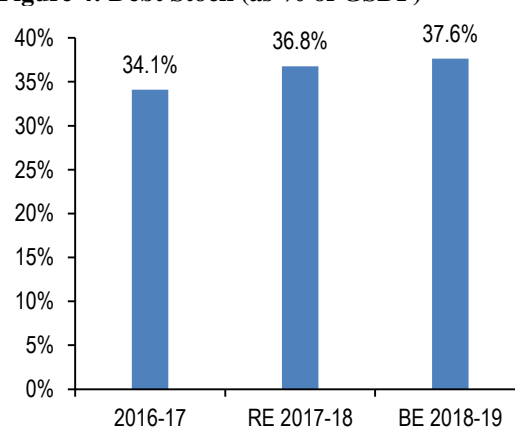
Figures 3 and 4 show the trend in deficits and debt stock from 2016-17 to 2018-19:

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



Sources: West Bengal Budget Documents 2018-19; PRS.

Figure 4: Debt Stock (as % of GSDP)



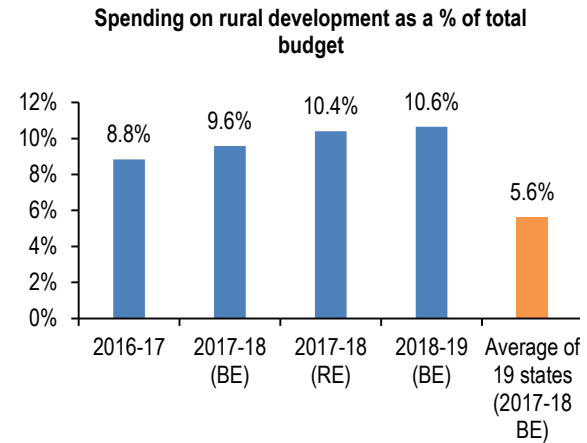
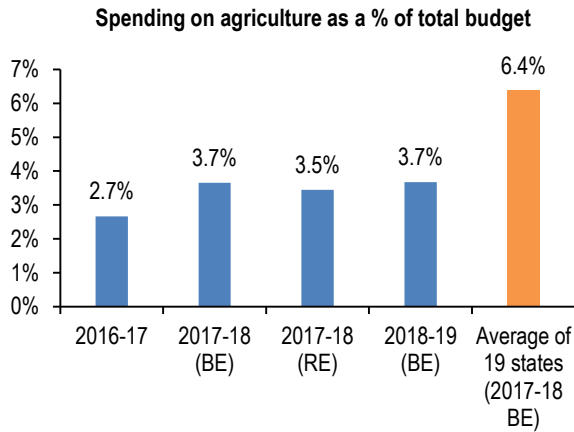
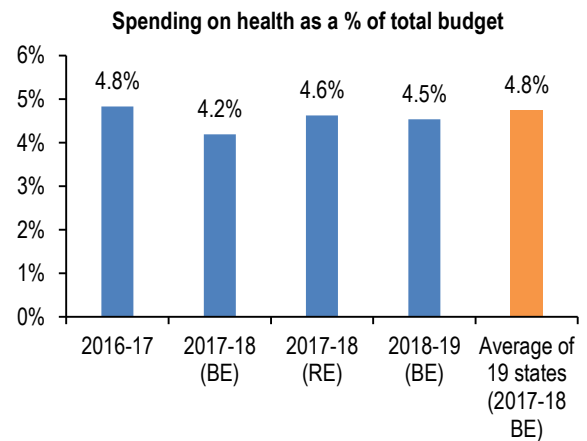
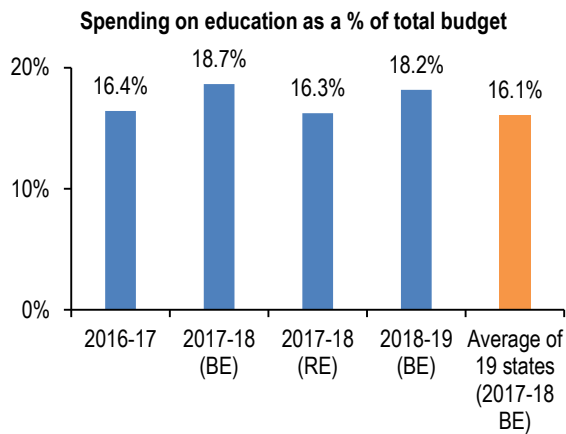
Sources: West Bengal Budget Documents 2018-19; PRS.

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Annexure

The charts below compare West Bengal’s expenditure on key sectors as a proportion of its budget, with 18 other states.¹

- **Education:** West Bengal has allocated 18.2% on education in 2018-19. This is higher than the average expenditure allocated to education by 18 other states (using 2017-18 BE).
- **Health:** West Bengal has allocated 4.5% of its total expenditure on health, which is marginally lower than the average expenditure of 18 other states.
- **Agriculture:** The state has allocated 3.7% of its total budget on agriculture. This is significantly lower than the allocations of 18 other states (6.4%).
- **Rural development:** West Bengal has allocated 10.6% of its expenditure on rural development. The average of 18 other states is 5.6%.



Source: Annual Financial Statement (2017-18 and 2018-19), various state budgets; PRS.

¹ The 18 states apart from West Bengal are: Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, and Uttar Pradesh.