

## Maharashtra 2021-22 State Budget

### Fiscal deficit budgeted at just 2.2% of GDSP in FY22

Maharashtra (MH), India's largest state, accounts for ~15% of national GDP. The Maha Vikas Aaghadi (MVA) government, led by Mr. Uddhav Thackeray, presented its second Budget for FY22 on 8<sup>th</sup> Mar'21. Given below are the key highlights:

#### Agriculture sector:

- To free the farmers from the interest burden and to prevent them from defaulting, the government has decided to provide up to INR0.3m zero percent interest crop loans to farmers, who avail crop loans and repay on time.
- Allots INR20b for strengthening of the Agricultural Produce Market Committee (APMC).
- Around 33% concession has been granted to farmers on pending electricity bills. If the farmers pay 50% of the remaining arrears by Mar'22, an additional 50% of the remaining amount will be waived off. This is estimated to cost the exchequer INR304b and amounts to 66% of the original pending bills of 4.44m farmers.

#### Infrastructure:

- Around 44% work on the Hindu Hruday Samrat Balasaheb Thackeray Maharashtra Samrudhi Super Express highway has been completed. Of the 701km, 500km from Nagpur to Shirdi will be opened for traffic on Maharashtra Day, i.e. 1st May'21. To further develop Nanded, Hingoli, Parbhani, and Jalna districts of Marathwada, new work on the Nanded-Jalna Expressway Connector is being undertaken at an estimated cost of INR70b.
- On the Mumbai-Pune Expressway, a 2.5km underpass and two bridges of 2km length are under construction and are to be completed by Dec'22. The estimated cost of the project is INR67b.
- A coastal highway of 540km from Rewas in Raigad district to Reddy in Sindhudurg district, as an alternative to the Mumbai-Goa highway, has been taken up. The estimated cost of the project is INR96b.
- To address the huge strain of intra-state migration on Pune, work on a 170km long Pune Ring Road of eight-lanes will be constructed at an estimated cost of INR260b. Land acquisition work will be undertaken this year.
- The construction of a 235km Pune-Nashik medium high speed railway line has been recently approved. Twenty-four stations are proposed in Pune, Ahmednagar, and Nashik districts on this route. The speed of this train will be 200km per hour. The expected cost of the project is INR160b.
- Work on the Bandra-Versova Sea Link has already started. The project length is 17.17km and the estimated cost is INR113b. The estimated cost of the Bandra-Versova-Virar Sea Link is INR420b and the feasibility report has been prepared. A detailed project report is under preparation.

#### Tax changes:

- A 1% concession in Stamp Duty over the prevailing rate has been announced exclusively for women, provided the transfer of house property or registration of the sale deed is in the name of a woman or women only. This will cost the exchequer INR10b.
- To increase State Excise Duty on liquor to 220% of the manufacturing cost, or INR187 per proof liter, whichever is higher, on branded country liquor only. It is estimated to earn an additional revenue of INR8b.
- An increase in VAT on liquor is estimated to generate an additional revenue of INR10b. To increase the rate of Value Added Tax (VAT) on the sale of liquor as prescribed in Schedule-B of the Value Added Tax Act to 65% from the existing 60%. To increase the rate of VAT on the sale of liquor as prescribed in Section 41(5) of the Value Added Tax Act to 40% from the existing 35%.

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**Financials:**

- Total taxes are expected to fall by only 3% YoY in FY21RE, while total receipts are revised to grow by 2.5% this year, led by 28% growth in 'Grants from the Center'. **Of this, only about two-third has been received up to Jan'21.** Total receipts are budgeted to grow 27.2% in FY22.
- Total spending is pegged to grow by 12.1% in FY21RE, with a 14.2% growth in capital spending. **Only ~32% of capital spending has been achieved up to Jan'21 and total spending is ~61% of FY21RE.** Total expenditure is budgeted to grow by 15% next year, with growth of more than a third in capital spending in FY22.
- MH has pegged its fiscal deficit at 3.3% of GSDP for FY21RE and budgeted it at only 2.2% of GSDP in FY22. **The state has borrowed less than two-third (INR690b) of its gross market borrowings up to 9<sup>th</sup> Mar'21 and has plans to borrow another INR95b in the last three weeks of FY21.** If so, it implies that gross borrowings will be less than 75% of revised estimates, which raises doubts over the sanctity of other estimates.

**Exhibit 1: Summary of Maharashtra 2021-22 State Budget**

	FY20	FY21BE	FY21RE	FY22BE	FY20	FY21RE	FY22BE	10MFY21
	INR b				YoY (%)			% of RE
<b>Total receipts</b>	<b>2,848</b>	<b>3,498</b>	<b>2,918</b>	<b>3,713</b>	<b>1.5</b>	<b>2.5</b>	<b>27.2</b>	<b>68</b>
Revenue receipts	2,832	3,475	2,895	3,690	1.5	2.2	27.5	68.4
Total taxes	2,252	2,732	2,183	2,855	-1.9	-3.1	30.8	66.7
States' own taxes	1,890	2,251	1,845	2,435	0.8	-2.4	32	65.2
Share in central taxes	362	481	337	420	-13.7	-6.8	24.6	74.3
Non-tax revenue receipts: State	143	205	151	267	-9.8	5.9	75.9	76.1
Grants from the Centre	437	538	561	568	29.9	28.3	1.3	73.1
Non-debt capital receipts	16	23	23	23	0.7	43	1	20.4
<b>Total spending</b>	<b>3,387</b>	<b>4,044</b>	<b>3,795</b>	<b>4,380</b>	<b>11.6</b>	<b>12.1</b>	<b>15.4</b>	<b>61.7</b>
Revenue spending	3,003	3,570	3,357	3,792	12.5	11.8	13	65.5
Education, sports, art and culture	624	729	655	746	22.5	5.1	13.9	74.3
Agriculture and allied activities	207	239	253	201	3.2	22.7	-20.9	96.6
Rural development	82	156	157	166	17.8	90	5.9	33
Interest payments	336	355	372	430	-1.4	10.8	15.6	67.7
Pensions	277	292	318	344	4.5	14.7	8.2	84.5
Police	159	196	170	210	31.8	7.1	23.4	72.5
Capital spending	384	474	438	587	4.9	14.2	34	32.5
Agriculture and allied activities	53	63	79	64	3.3	50.5	-18.9	51.4
Rural development	15	59	19	56	12.4	27	194.9	12.3
Irrigation and flood control	110	124	106	152	-7.6	-4.1	43.7	32.1
Transport	129	117	130	166	27.8	1.5	27	40.5
<b>Fiscal deficit</b>	<b>539</b>	<b>546</b>	<b>877</b>	<b>666</b>				<b>40.7</b>
% of GDP	1.9	1.7	3.3	2.2				n/a
Gross Market Borrowings*	485	700	1,070	1,000	132.4	120.6	-6.5	64.5
Net Market Borrowings*	330	510	880	770	58.1	166.7	-12.5	56.8
<b>GSDP (at current prices)</b>	<b>28,086</b>	<b>32,240</b>	<b>26,616</b>	<b>29,810</b>	<b>6.7</b>	<b>-5.2</b>	<b>12</b>	<b>n/a</b>

\*Updated up to 9<sup>th</sup> Mar'21

Source: State Budget documents, Comptroller and Auditor General (CAG), MOFSL

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