

Bihar budget 2020-21: Highlights

- The Finance Minister, Mr. Sushil Kumar Modi, presented the Budget for Bihar for the financial year 2020-21 on February 25, 2020.
- Sushil Modi has presented the budget of Bihar 11 times as a Finance Minister.

Constitutional Provision of Budget for State and Key terms Used in Budget

- As per Article 202 of the Constitution of India the Governor of a State shall, cause to be laid before the House or Houses of the Legislature of the State a Statement of the estimated receipts and expenditure of the State for a financial year.
- This estimated statement of receipt and expenditure for a financial year named in the Constitution as the “**Annual Financial Statement**” is commonly known as “Budget”.

Revenue – Receipt & Expenditure

Revenue Receipt:

- The receipts received which cannot be recovered by the government.
- It comprises income amassed by the Government through taxes and non-tax sources like interest, dividends on investments.

Revenue Expenditure:

- Expenditure incurred by the Union Government for purposes other than for the creation of physical or financial assets.
- It includes those expenditures incurred for the usual functioning of the government departments, grants given to state governments and interest payments on the debt of the Union Government etc.

Capital – Receipt & Expenditure

Capital Receipt:

- Receipts which generate liability or decrease the financial assets of the government.
- It includes borrowings from the Reserve Bank of India and commercial banks and other financial institutions.



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- It also consists of loans received from foreign governments and international organization and repayment of loans granted by the Union government.

Capital Expenditure:

- Spending incurred by the government which results in the formation of physical or financial possessions of the Union government or decrease in financial liabilities of the Union Government.
- It contains expenditure on procuring land, equipment, infrastructure, expenditure in shares.
- It also includes mortgages by the Union government to Public Sector Undertakings, state and union territories.

Direct Tax

- Taxes which are imposed directly on individual and company.
- It comprises income tax and corporation tax.

Indirect Tax

- Taxes which are imposed on goods and services.
- It comprises taxes like service tax, excise taxes, and customs duties.

Fiscal Policy

- Fiscal policy is the means by which a government adjusts its expenditure levels and tax rates to monitor and influence a country's economy.

Revenue Deficit

- It is the additional expenditure of government over revenue receipts

Fiscal Deficit

- It is the difference between the total expenditure of the government and its total receipts, not including the borrowing.

Primary Deficit

- Fiscal deficit – interest payments = Primary Deficit

Non-Tax Revenue

- Government revenue not generated from taxes.

Gross Domestic Product (GDP)

- Monetary value of all finished goods and services made within a country during a specific period

Overview of the Budget

- The Gross State Domestic Product of Bihar for 2020-21 (at current prices) is projected to be Rs 6, 85,797 crore.
- This is 11.1% higher than the revised estimate for 2019-20. GSDP for 2019-20 (at current prices) is estimated to be 19.6% higher than that in 2018-19.
- Total expenditure for 2020-21 is estimated to be Rs 2, 11,761 crore, a 2.8% decrease over the revised estimates of 2019-20.
- In 2019-20, total expenditure is estimated to increase by 8.6% (Rs 17,259 crore) from the budget estimates.
- Total receipts (excluding borrowings) for 2020-21 are estimated to be Rs 1, 84,352 crore, an increase of 21.5% as compared to the revised estimate of 2019-20.
- In 2019-20, total receipts (excluding borrowings) are estimated to fall short of the budgeted estimate by Rs 25,415 crore (14.3% of the budgeted estimate).
- Revenue surplus for 2020-21 is targeted at Rs 19,173 crore or 2.8% of the Gross State Domestic Product (GSDP).
- **Fiscal deficit is targeted at Rs 20,374 crore (2.97% of GSDP).**
- In 2019-20, Bihar is estimated to observe a revenue deficit (3% of GSDP) as against a budget target of revenue surplus (3.8% of GSDP).
- Fiscal deficit is estimated to rise from the budgeted 2.8% of GSDP to 9.5% of GSDP at the revised stage.

Grants to Local Bodies

- The state government provides grants to local bodies.

- In 2020-21, Bihar has assigned Rs 15,211 crore as establishment and committed expenditure for local bodies, a decrease of 8.3% over the revised estimates of 2019-20.
- This expenditure head includes Finance Commission grants of Rs 7,434 crore.

Highest allocation

- In 2020-21, the highest increase in allocations was observed in Water Supply, Sanitation, Housing and Urban Development (8%), police (6%), and irrigation and flood control (6%) sectors over the revised estimates of the previous year.
- Significant decrease in allocation was observed in Energy (48%) and transports (19%) sectors.
- **Per capita Gross State Domestic Product**
 - The per capita GSDP of Bihar in 2018-19 (at constant prices) was Rs 33,629, 9% higher than the corresponding figure in 2017-18.
 - In 2017-18, the per capita GSDP of Bihar was the lowest among all states.
- **Unemployment:** According to the Periodic Labour Force Survey (July 2017-June 2018), the unemployment rate in Bihar was 7.2%, which is higher than that at the all-India level (6.1%).

New Scheme / Policy in Budget 2020-2021

- **Green Budget:**
 - The state government will present a Green Budget which will indicate the state's spending on programmes related to environment conservation and climate change.
 - The Jal Jeevan Hariyaali Yojana is estimated to be one of the major schemes under the Green Budget.
 - In 2020-21, Rs 3,051 crore will be spent on: (i) rejuvenation of water bodies, (ii) rainwater harvesting, (iii) solar energy and energy efficiency, (iv) drip irrigation, and (v) tree plantation.
- **Upgradation of various hospitals:**
 - 12 district hospitals will be upgraded as model hospitals.
 - The Indira Gandhi Institute of Medical Sciences (IGIMS), Patna will be upgraded into a super speciality hospital with an increase in the number of beds from 1,032 to 2,732.
 - The Patna Medical College and Hospital (PMCH) will be upgraded into a world-class hospital by 2025.



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- **Agriculture and Rural Development**

- Krishi Yantra Banks will be established at Panchayat level.
- In 2021, organic certification will be done in 21,000 acres of land.
- Under the third phase of the Pradhan Mantri Gram Sadak Yojana, 6,162 km of roads will be upgraded.

- **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)

The main department wise annual plan outcome (2020-21)

S.No	Name of the Department	Expenditure (in Crore)	Percentage (%)
1.	Education Department	2126.24	20.20
2.	Rural Development department	16014.88	15.21
3.	Rural work department	961900.00	9.14
4.	Social Welfare Department	799763.00	7.60
5.	Health Department	561000.00	5.33
6.	Road Construction Department	558100.00	5.30
7.	Public health Engineering	535100.00	5.08
8.	Panchayati Raj Department	243452.00	2.31
9.	Agriculture Department	239508.00	2.28
10.	SC and ST Welfare Department	170005.00	1.62
11.	Science and Technology	94000.00	0.89
12.	Other Department	234560.59	22.29

Expenditure in Education Sector

- The state government has made the highest allocation of Rs 35,191.05 crore or in percentage 20.20 to the education department.

Provision for expenditure in the health sector:



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- The work of construction of 11 new medical college hospitals and a new dental college will be started. This includes medical colleges to be established in Chhapra, Purnia, Samastipur, Begusarai, Sitamarhi, Jhanjharpur, Siwan, Buxar, Bhojpur and Jamui.
- A dental college will also be started in Nalanda.
- The government will provide 310 types of medicines free of cost to patients with cancer and diabetes medicines under the free drug delivery scheme.
- Also, surgical items will also be made available free of cost.

For agriculture in the budget:

- The diesel subsidy of Rs 350 per acre per irrigation has been increased to Rs 500 per acre in the year 2018-19.
- Also, for the promotion of organic farming in the year 2019-20, the grant of 6,000 will be increased to 8,000 per farmer.
- This region also connects to about 70 percent of the population of Bihar.


Amount for Patna Metro:

- The proposal for construction on two routes of Patna Metro Rail Project has been sent to the Center by the Urban Development and Housing Department.
- A provision of Rs 17887.56 crore has been made for this project in the budget for the financial year 2019-20.

Electricity in all houses:

- The Bihar state government said that the government has done the work of providing electricity to all the houses of the state before the prescribed limit.
- The work of providing electricity to all the houses in 39,000 villages of the state was done before the deadline of December 2018 and Bihar has become the eighth state to do so.

Comparison of states' expenditure on key sectors with Other States



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Education:

- Bihar has allocated 19.3% of its total budget for education in 2020-21. This is higher than the average expenditure (15.9%) allocated for education by states (using 2019-20 BE).

Health:

- Bihar has allocated 5.2% of its total budget on health, which is marginally lower than the average allocation for health by states (5.3%).

Agriculture:

- The state has allocated 3.5% of its total expenditure towards agriculture and allied activities which is significantly lower than the average allocated by states (7.1%).

Rural development:

- Bihar has allocated 12.8% of its expenditure on rural development.
- This is significantly higher than the average allocation for rural development by states (6.2%).

Water Supply and Sanitation:

- Bihar has allocated 4% of its expenditure on water supply and sanitation.
- This is significantly higher than the average allocation for water supply and sanitation by states (2.4%).

Housing:

- Bihar has allocated 4.6% of its total expenditure on housing, which is higher than the average allocation for housing by states (1.4%).

Roads and bridges:

- Bihar has allocated 3.7% of its total expenditure on roads and bridges, which is lower than the average expenditure of 29 states (4.2%).

Police:

- Bihar has allocated 4.9% of its total expenditure on police, which is higher than the average allocation for police by states (4.1%).

Expenditure in 2020-21

- Capital expenditure for 2020-21 is proposed to be Rs 47,010 crore, which is a decrease of 1.9% over the revised estimates of 2019-20.
- Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as:
 - a. capital outlay, i.e. expenditure which leads to the creation of assets (such as bridges and hospitals), and
 - b. repayment and grant of loans by the state government.
- Bihar's capital outlay for 2020-21 is estimated to be Rs 38,745 crore, which is 0.2% higher than the revised estimates of 2019-20.
- The revised estimates for capital outlay are 5.7% higher as compared to the budget estimate for the year 2019-20.
- Revenue expenditure for 2020-21 is proposed to be Rs 1, 64,751 crore, which is a decrease of 3% over revised estimates of 2019-20.
- This expenditure includes the payment of salaries, interest, and subsidies.

Receipts in 2020-21

- The total revenue receipts for 2020-21 are estimated to be Rs 1, 83,924 crore, an increase of 21.5% over the revised estimates of 2019-20.
- Of this, Rs 39,989 core (22%) will be raised by the state through its own resources, and Rs 1,43,935 core (78%) will come from the centre in the form of grants (28% of revenue receipts) and the state's share in central taxes (50% of revenue receipts).

Devolution:

- In 2020-21, receipts from the state's share in central taxes are estimated to increase by 43.8% over the revised estimates of 2019-20.
- However, as per the revised estimates of 2019-20, the receipts from the state's share in central taxes are estimated to decrease by 28.9% as compared to the budget stage.

Reason



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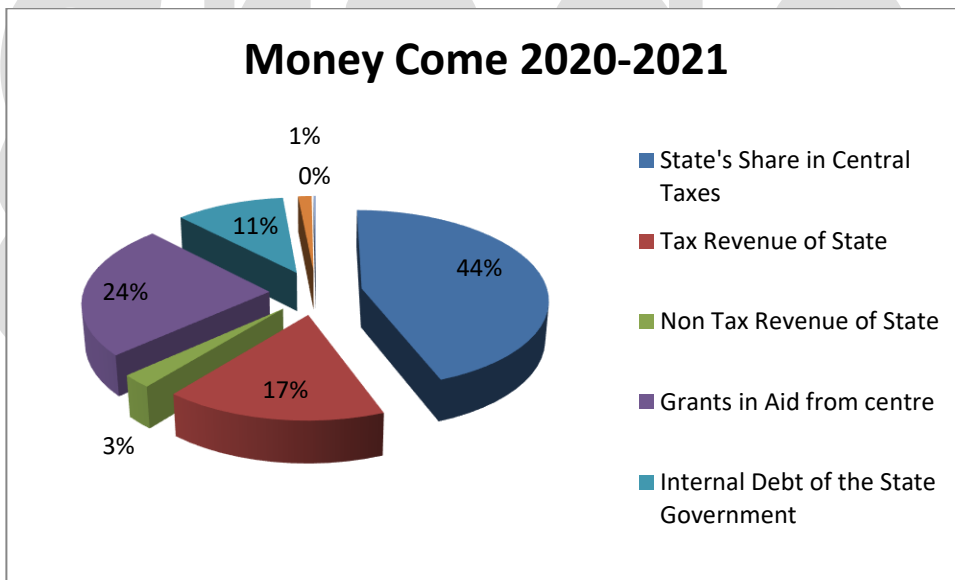
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- This may be due to a 19% cut in the union budget for devolution to states, from Rs 8,09,133 crore at the budget stage to Rs 6,56,046 crore at the revised stage.
- Bihar's share in the centre's tax revenue will increase from 4.06% during the 2015-20 periods to 4.13% for 2020-21 (an increase of 2%) as per the recommendations of the 15th Finance Commission.


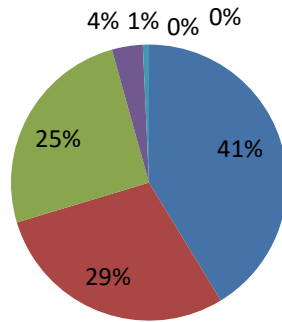
Tax Revenue:

- Total own tax revenue of Bihar is estimated to be Rs 34,750 crore in 2020-21, an increase of 1.9% over the revised estimates of the previous year.
- The own tax to GSDP ratio is targeted at 5.1% in 2020-21, which is lower than the revised estimates for 2019-20 (5.5%).
- This implies that the growth of tax collections is estimated to be slower than the growth of the economy.



Money Used 2020-21

- Social Services
- Economic Services
- General Services
- Public Debt
- Loans and Advances
- Grants in Aid and Contribution
- Transfer to Contingency Fund



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