

AT A GLANCE

# Madhya Pradesh Financial Profile 2023-24



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# Trends in Funding

*State governments raise money primarily through two broad channels: Revenue Receipts and Capital Receipts. The former includes revenues earned through taxes and non-tax sources including income from dividends, and money received from the Union government. Capital Receipts are mainly borrowings that enable expenditure when Revenue Receipts fall short of financing the budgeted spending. They also include receipts from sale of government-owned assets. Borrowings could be from the market, Reserve Bank of India or the Government of India (GoI). The two together are called Total Receipts which indicate the money received or earned by the government.*

- Madhya Pradesh's Revenue Receipts for FY 2023-24 (Budget Estimates or BEs) are estimated to be ₹2,25,710 crore. This is an 11 per cent increase from FY 2022-23 Revised Estimates (REs) and a 16 per cent increase from the BEs. Capital Receipts saw a 14 per cent increase from last year's REs and stood at ₹80,501 crore.
- In FY 2023-24 BEs, Revenue Receipts are expected to account for 74 per cent of Total Receipts, which is the same as FY 2022-23 REs but higher than the BEs which stood at 71 per cent. Capital Receipts are estimated to be 26 per cent for FY 2023-24, compared to 29 per cent in FY 2022-23 BEs.
- Analysis of past trends indicate that during the COVID-19 pandemic, due to extra borrowings, the share of Revenue Receipts had declined from 77 per cent in FY 2019-20 to 70 per cent in FY 2020-21, while Capital Receipts had increased. With the pandemic abating, this trend has reversed.
- Tax Revenues and Borrowings and Other Liabilities make up a huge chunk of the state's Total Receipts. Tax revenue accounted for 75 per cent of Total Receipts in FY 2022-23 REs, which decreased marginally to 74 per cent in FY 2023-24 BEs.
- Share of Tax Revenue in Total Receipts was the lowest during the COVID-19 pandemic period, at 48 per cent in FY 2020-21, when borrowings accounted for 45 per cent. As the economy recovered and revenues became buoyant, the share of borrowings and other liabilities declined to 35 per cent in FY 2023-24 BEs but were still significantly higher than FY 2019-20 levels which stood at 23 per cent.

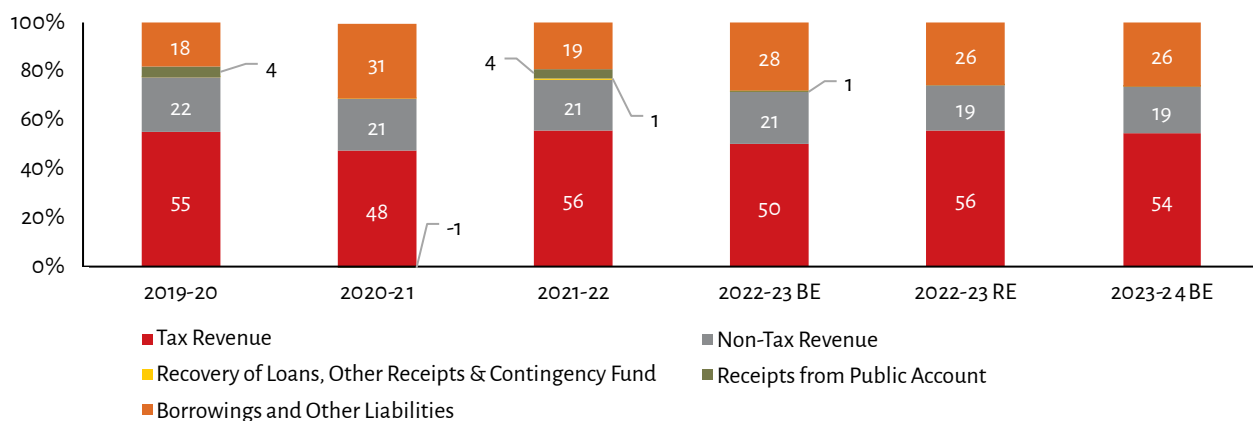
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Note: Budget Estimates (BEs) are allocations by the government for any department or scheme for the upcoming financial year.

Revised Estimates (REs) are a mid-year review of projected amounts of receipts and expenditure until the end of the financial year.

Total Expenditure: GoI expenditure can be broadly classified into two types — Revenue Expenditure and Capital Expenditure. Revenue Expenditure is the spending largely on account of administrative expenses, salaries, financing daily operation, subsidies, etc. It frequently includes a sizable portion for committed liabilities which the government is still required to pay in the event of resource scarcity. Capital Expenditure (or capex, in short) refers to the spending on asset creation, machinery and equipment, which creates value over the long term. For instance, roads and bridges, hospitals, school buildings, etc.

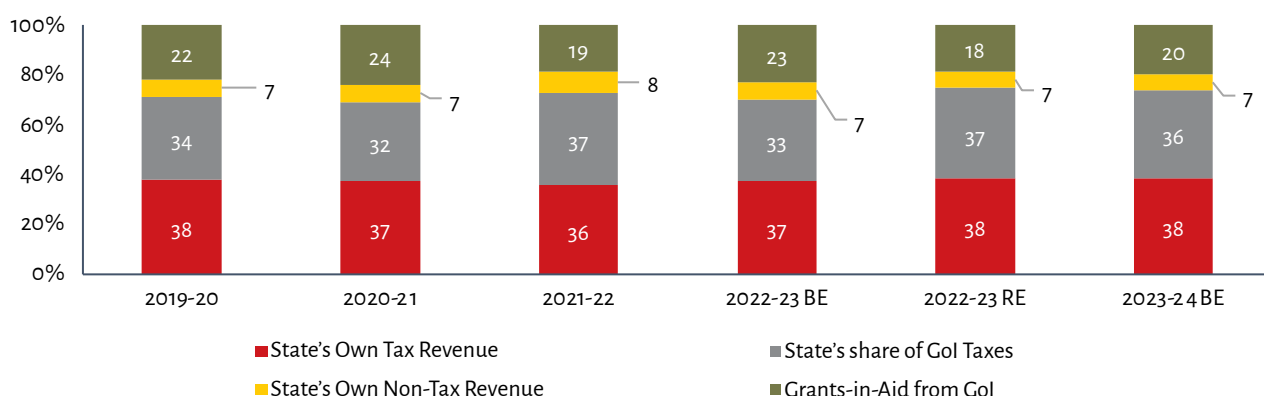
## Distribution of Total Receipts across different Components



Source: Annual Financial Statement, Finance Department, Government of Madhya Pradesh from FY 2021-22 to FY 2023-24. Available online at: [56-खण्ड-01-वार्षिक वित्त विवरण.pdf \(mp.gov.in\)](https://mp.gov.in/56-खण्ड-01-वार्षिक-वित्त-विवरण.pdf). Last accessed on 10 March 2023. Note: All figures are Actuals, except FY 2022-23 which are BEs and REs, and FY 2023-24 which are BEs.

- The proportion of a state's Own resources (States' Own Taxes and States' Own Non-Tax Revenue) used to generate Revenue Receipts has remained constant at around 38 per cent with minor fluctuations between FY 2019-20 and FY 2023-24 BEs. In comparison, the share of Gol's Grants-in-Aid (GIA) in Total Revenue Receipts has marginally decreased during the same periods.
- For FY 2023-24 BEs, the State's Own Resources account for 45 per cent of Revenue Receipts, which is the same as FY 2022-23 REs. GIA increased by 2 per cent, accounting for 20 per cent of Revenue Receipts.

## Composition of Revenue Receipts



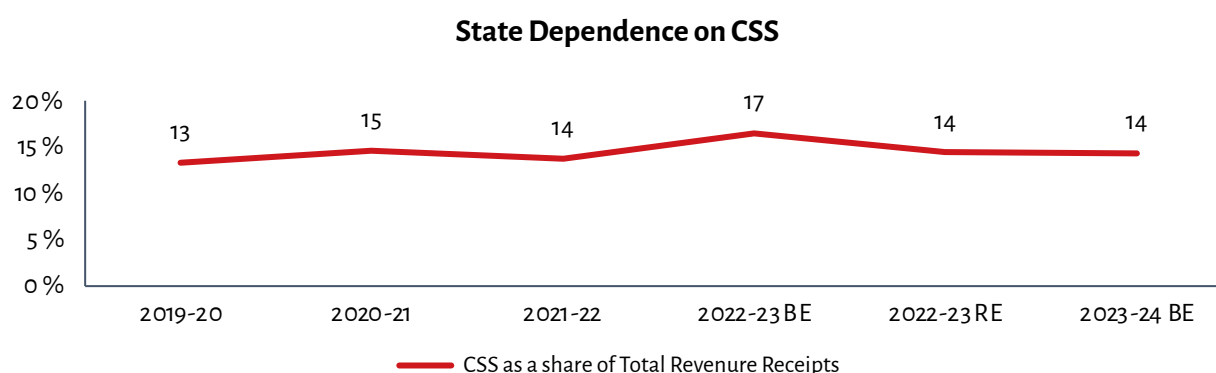
Source: Annual Financial Statement, Finance Department, Government of Madhya Pradesh from FY 2021-22 to FY 2023-24. Available online at: [56-खण्ड-01-वार्षिक वित्त विवरण.pdf \(mp.gov.in\)](https://mp.gov.in/56-खण्ड-01-वार्षिक-वित्त-विवरण.pdf). Last accessed on 10 March 2023. Note: All figures are Actuals, except FY 2022-23 which are BEs and REs, and FY 2023-24 which are BEs.

## Grants-in-Aid

*Grants-in-Aid are payments or assistance given by one government to another government, body, institution or individual, usually for a specific purpose. In this primer, we look at the Grants-in-*

Aid specifically from Gol to states in the form of Finance Commission Grants, Centrally Sponsored Schemes, and other grants.

- An integral component of GIA are finances for Centrally Sponsored Schemes (CSSs). The overall quantum of funds through CSS has increased marginally for Madhya Pradesh from 13 per cent to 15 per cent between FY 2019-20 and FY 2020-21. In FY 2021-22, this dropped to 14 per cent of Revenue Receipts.
- For FY 2023-24 BEs, CSSs were estimated to amount to ₹32,276 crore, which was the same as last year's REs. They accounted for 14 per cent of Revenue Receipts.



Source: Detailed Estimates of Revenue Receipt & Public Account, Finance Department, Government of Madhya Pradesh from FY 2021-22 to FY 2023-24. Available online at: [57-खण्ड-02-राजस्व प्राप्तियां तथा लोक-लेखा के वसित अनुमान.pdf \(mp.gov.in\)](https://mp.gov.in/57-खण्ड-02-राजस्व-प्राप्तियां-तथा-लोक-लेखा-के-वसित-अनुमान.pdf). Last accessed on 10 March 2023. Note: All figures are Actuals, except FY 2022-23 which are BEs and REs, and FY 2023-24 which are BEs.

## Expenditure Trends

*Like receipts, expenditures are of two types: Revenue and Capital. Revenue Expenditure is expenditure incurred to meet the day-to-day and regular needs of the government and does not result in the creation of assets nor yields any revenue in future. Capital Expenditure is expenditure that is used to create assets or reduce liabilities. This could be in the form of schools, hospitals, and other infrastructure or paying back loans.*

- Expenditure on the Revenue component accounted for 79 per cent in FY 2019-20 and FY 2020-21; this declined to 75 per cent of Total Expenditure in FY 2021-22.
- For FY 2023-24 BEs, Revenue Expenditure is estimated to be ₹2,25,297 crore which accounts for 74 per cent of Total Expenditure, an increase of 1 percentage point since last year's BEs. At the same time, Capital Expenditure increased by 15 per cent and accounted for 26 per cent of Total Expenditure.
- Overall, Expenditure grew by 9 per cent between FY 2019-20 and FY 2020-21. Moreover, the pace of growth in expenditure has increased in recent years. It grew by 12 per cent between FY 2021-22 and FY 2022-23 REs and 11 per cent between FY 2022-23 REs and FY 2023-24 BEs.

- After a significant surge in Capital Expenditure during the pandemic at 34 per cent between FY 2020-21 and FY 2021-22, the rate of increase has fallen to 15 per cent between FY 2021-22 REs and FY 2023-24 BEs.

#### Total Expenditure is Estimated to Increase by 12% between FY 2022-23 and FY 2023-24

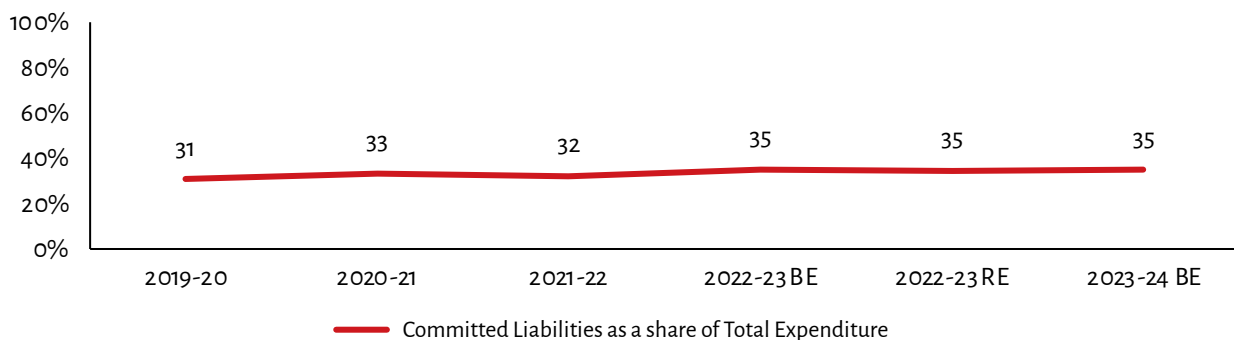
	Expenditure (₹ Crore)						Year-on-year growth (%)			
	2019-20	2020-21	2021-22	2022-23 BE	2022-23 RE	2023-24 BE	2019-20 to 2020-21	2020-21 to 2021-22	2021-22 to 2022-23	2022-23 to 2023-24
Total Revenue Expenditure	150444	164733	181061	198916	202468	225297	9%	10%	12%	11%
Total Capital Expenditure	41162	44343	59625	72914	70258	80807	8%	34%	18%	15%
Total Expenditure	191606	209076	240687	271830	272726	306105	9%	15%	13%	12%

Source: Annual Financial Statement, Finance Department, Government of Madhya Pradesh from FY 2021-22 to FY 2023-24. Available online at: [56-खण्ड-01-वार्षिक वित्त विवरण.pdf \(mp.gov.in\)](https://mp.gov.in/56-खण्ड-01-वार्षिक-वित्त-विवरण.pdf). Last accessed on 10 March 2023. Note: All figures are Actuals, except FY 2022-23 which are BEs and REs, and FY 2023-24 which are BEs.

*Committed liabilities include expenditures on salaries, wages and pensions, and interest payments on loans. State governments are obliged to pay them even if they face a resource crunch.*

- A large segment of the expenditure is often spent on committed liabilities. Madhya Pradesh spent around 31 per cent of the Total Expenditure on committed liabilities in FY 2019-20, which increased to 32 per cent in FY 2021-22. For FY 2023-24 BEs, 35 per cent of expenditure is expected to be towards committed liabilities, the same as FY 2022-23 REs.

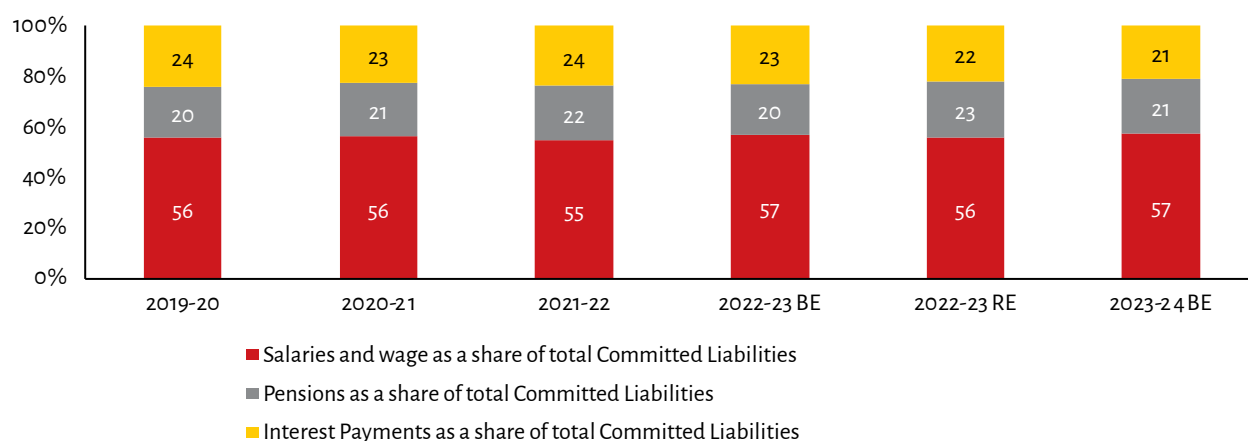
#### Committed Liabilities Make Up for More than 30% of the Total Expenditure



Source: Annual Financial Statement, Finance Department, Government of Madhya Pradesh from FY 2021-22 to FY 2023-24. Available online at: [56-खण्ड-01-वार्षिक वित्त विवरण.pdf \(mp.gov.in\)](https://mp.gov.in/56-खण्ड-01-वार्षिक-वित्त-विवरण.pdf). Last accessed on 10 March 2023. Note: All figures are Actuals, except FY 2022-23 which are BEs and REs, and FY 2023-24 which are BEs.

- Expenditures on various sub-components of Committed Liabilities have remained the same. In FY 2019-20, Madhya Pradesh spent 56 per cent on salaries and wages, which is estimated to stand at 57 per cent of the Total Expenditure on Committed Liabilities in FY 2023-24 BEs.

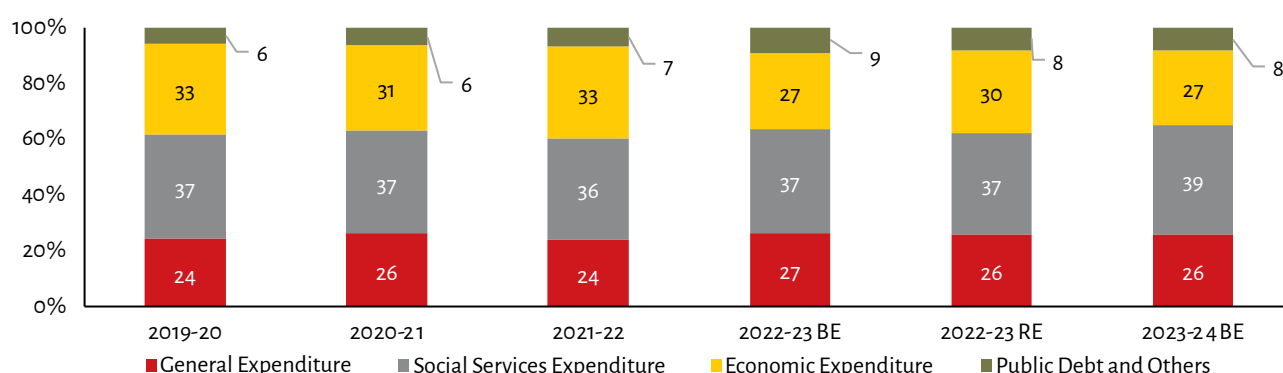
### More than 50% of Expenditure on Committed Liabilities is for Salaries and Wages



Source: FS Memo, Finance Department, Government of Madhya Pradesh from FY 2021-22 to FY 2023-24. Available online at: [fsmemo-prastavana-H.doc \(mp.gov.in\)](https://fsmemo-prastavana-H.doc(mp.gov.in)). Last accessed on 10 March 2023. Note: All figures are Actuals, except FY 2022-23 which are BEs and REs, and FY 2023-24 which are BEs.

- Expenditure on Social Services accounts for a majority of Total Expenditure (including public debt). In FY 2019-20, 37 per cent of Total Expenditure was for Social Services which decreased to 36 per cent in FY 2021-22.
- In FY 2022-23 REs, it again accounted for 37 per cent of Total Expenditure. However, it is estimated to increase and account for 39 per cent of Total Expenditure in FY 2023-24 BEs.
- Share of expenditure on General services is estimated to be 26 per cent of Total Expenditure, 2 percentage points higher than in FY 2019-20.
- On the other hand, share of expenditure on Economic Services is estimated to decline from 33 per cent in FY 2019-20 to 27 per cent in FY 2023-24 BEs.
- Public Debt accounted for 6 per cent of Total Expenditure in FY 2019-20, which has increased to 8 per cent in FY 2022-23 REs and 2023-24 BEs.

### Expenditure on Social Services, as a Proportion of Total Expenditure, increased by 2% between 2019-20 and 2023-24

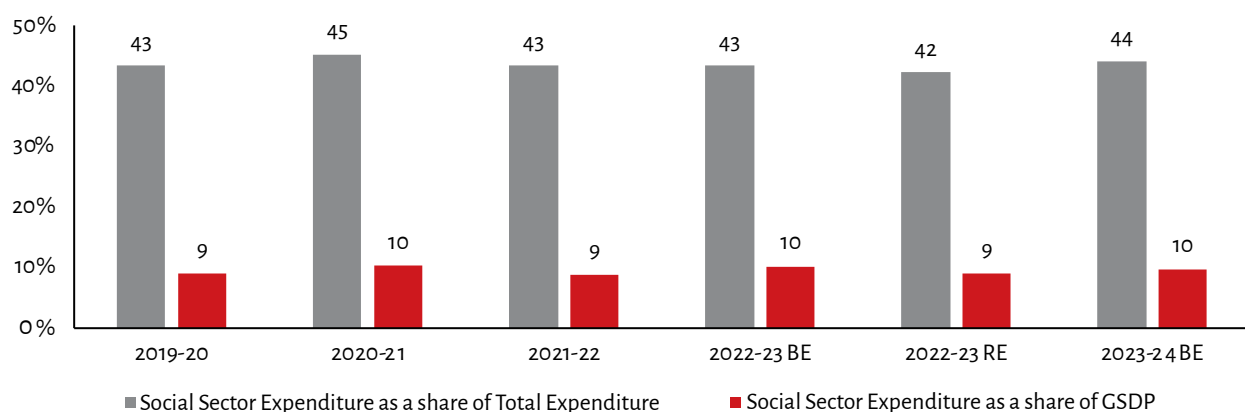


Source: Detailed Estimates of Revenue Receipt & Public Account, Finance Department, Government of Madhya Pradesh from FY 2021-22 to FY 2023-24. Available online at: [57-खण्ड-02-राजस्व-प्राप्तियां-तथा-लोक-लेखा-के-वसित्त-अनुमान.pdf \(mp.gov.in\)](https://57-खण्ड-02-राजस्व-प्राप्तियां-तथा-लोक-लेखा-के-वसित्त-अनुमान.pdf(mp.gov.in)). Last accessed on 10 March 2023. Note: All figures are Actuals, except FY 2022-23 which are BEs and REs, and FY 2023-24 which are BEs.

The term 'Social Sector' refers to education, rural development, health, water and sanitation, nutrition, social security and social justice, food security, housing and urban development, tribal and minority affairs, employment, skill development, women and child welfare, and sports and culture. Social Services account for all the above-mentioned sectors except for rural development and food security which are reported under economic services in state budgets.

- In the last few years, the share of the Social Sector in Total Expenditure has been declining in Madhya Pradesh, but estimates suggest a slight increase in FY 2023-24 BEs.
- In FY 2019-20, Social Sector Expenditure was 43 per cent of Total Expenditure. In FY 2022-23 REs, it stood at 42 per cent, which is 2 percentage points lower than FY 2019-20. For FY 2023-24 BEs, it is estimated to be 44 per cent of the Total Expenditure.
- The share of Social Sector Expenditure as a share of Gross State Domestic Product (GSDP) marginally increased from 9 per cent in FY 2019-20 to 10 per cent in FY 2023-24 BEs.

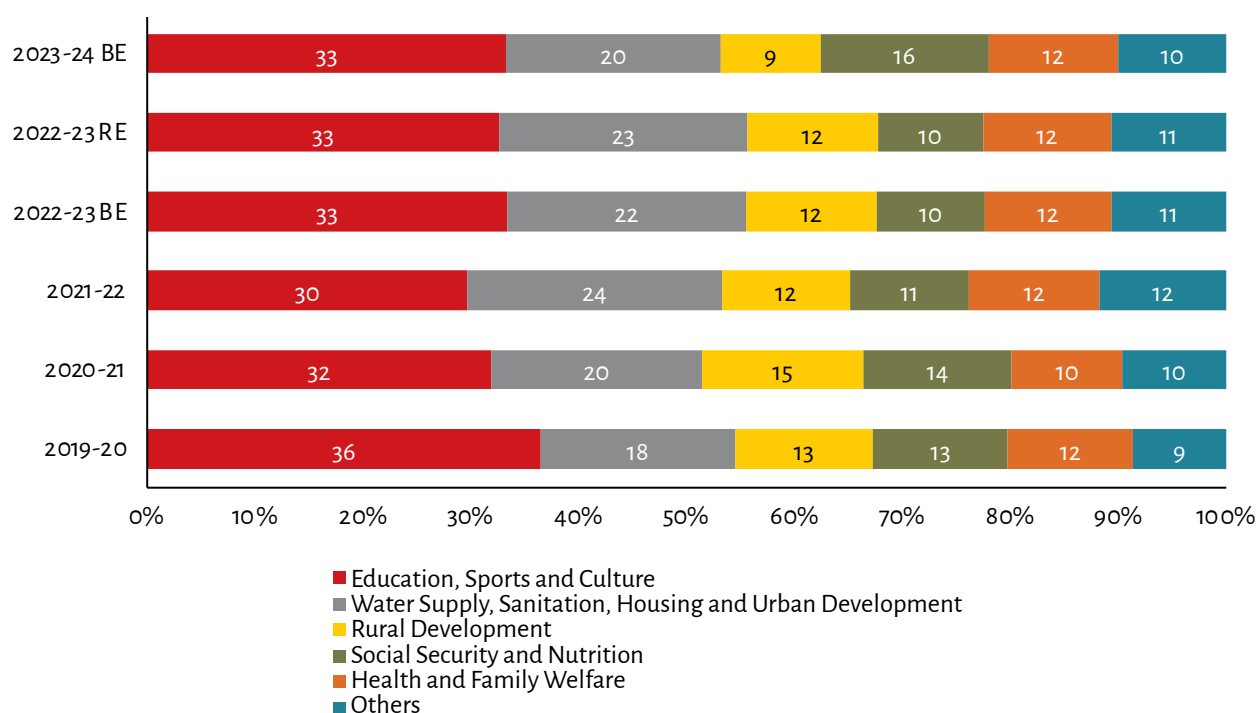
#### Social Sector Expenditure was 10% of the State's GSDP in 2023-24



Source: FS Memo, Finance Department, Government of Madhya Pradesh from FY 2021-22 to FY 2023-24. Available online at: [fsmemo-prastavana-H.doc \(mp.gov.in\)](https://fsmemo-prastavana-H.doc(mp.gov.in)). Last accessed on 10 March 2023. Note: All figures are Actuals, except FY 2022-23 which are BEs and REs, and FY 2023-24 which are BEs.

- In terms of the composition of the Social Sector Expenditure, Education, Arts and Culture account for more than one-third of the total amount.
- The other priority areas between FY 2019-20 and FY 2023-24 BEs was Water Supply, Sanitation, Housing and Urban Development averaging around 21 per cent of Total Expenditure.
- Health and Family Welfare, Rural Development, and Social Security and Nutrition, averaged at around 12 per cent of the Total Expenditure between FY 2019-20 and FY 2023-24 BEs.

### Majority of Social Sector Expenditure has been on Education, Sports, Arts and Culture since 2019-20



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