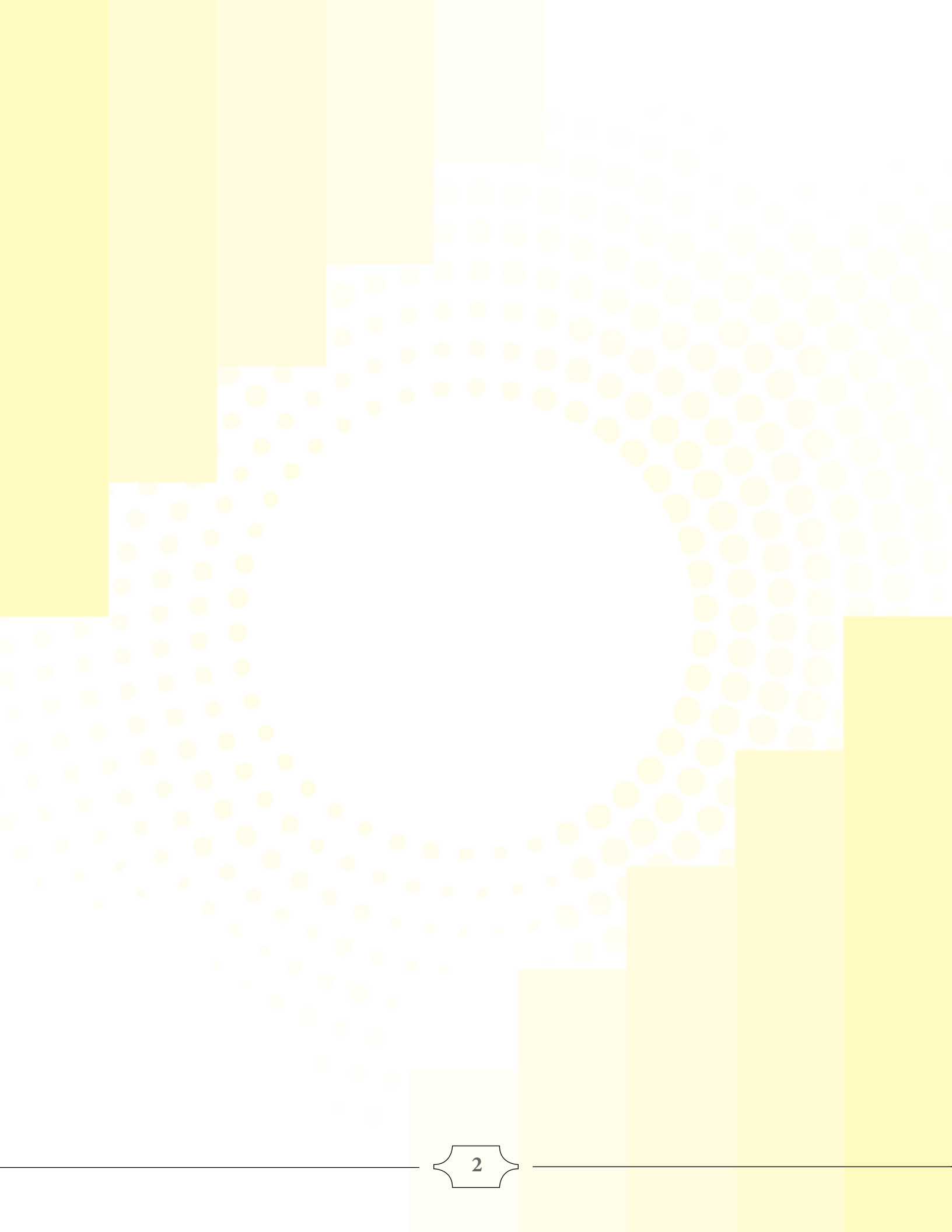


Chapter - 1

**State of the Economy:
An Overview**



Chapter - 1

State of the Economy: An Overview

1.1 Economic output

According to the advance estimates for the year 2022-23, the gross state domestic product has increased by 16.43 percent at current prices and 7.06 percent at constant prices as compared to the year 2021-22 (Q). The GSDP of Madhya Pradesh at constant prices of the base year 2011-12 is estimated to grow by 7.06 percent in the year 2022-23 (A: Advanced estimates) in comparison to 2021-22 (Q: Quick estimates). While in the year 2021-22 (Q) an increase of 10.43 percent has been registered compared to the year 2020-21 (provisional). The GSDP at current and constant prices over the years is shown in Figure 1.1.

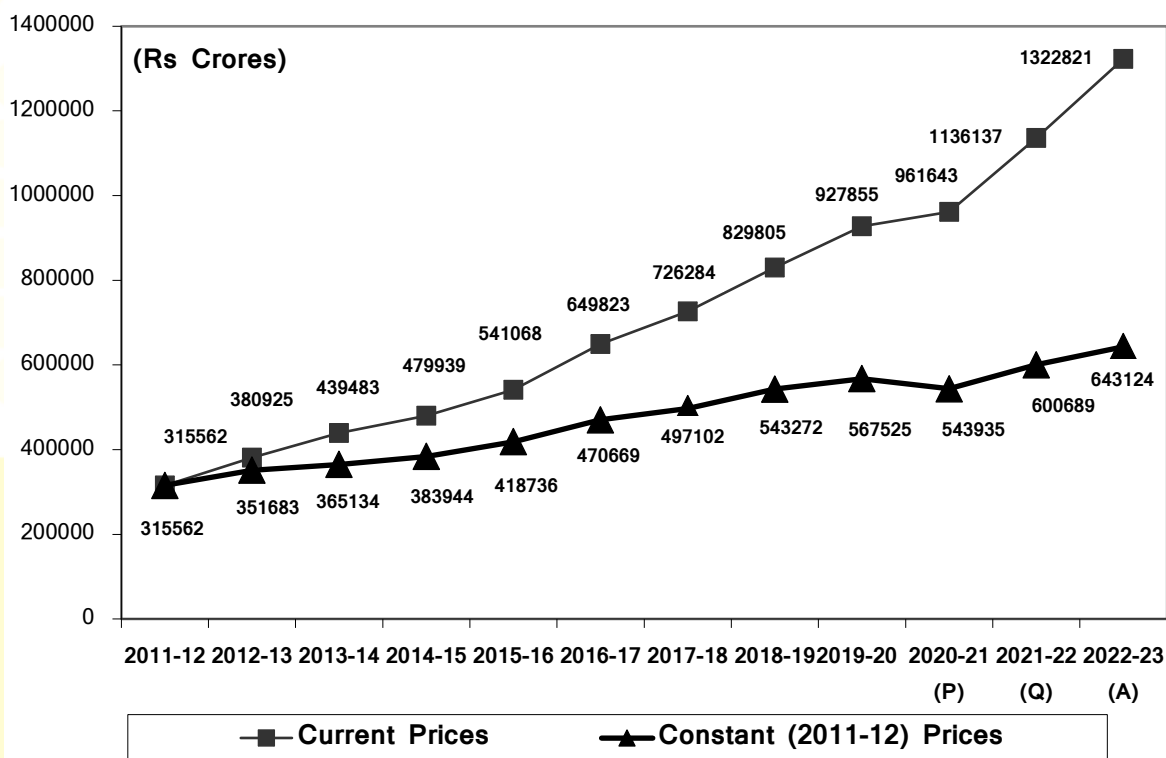


Figure 1.1 : Gross State Domestic Product at current and constant (2011-12) prices

P: Provisional estimates

Q: Quick estimates

A: Advanced estimates

The gross state domestic product at constant prices of the base year (2011-12) was Rs 3,15,562 crore. Which is estimated to increase to Rs 6,00,689 crore and Rs 6,43,124 crore in the year 2021-22 (Q) and 2022-23 (A). This is 90.36 and 103.80 percent more than the base year respectively.

During the year 2022-23, an increase of 5.24 percent in the primary sector, 5.42 percent, and 9.99 percent in the secondary and tertiary sectors respectively has been estimated from the previous year.

On the basis of constant prices (year 2011-12), the per capita net income was Rs 61,534 in the year 2021-22 (Q), which has increased to Rs 65,023 in the year 2022-23 (A). This shows an increase of 5.67 percent as compared to last year. On the basis of prevailing prices, the per capita net income of the state has increased from Rs. 1,21,594 in the year 2021-22 to Rs. 1,40,583 in the year 2022-23 (A), which shows an increase of 15.62 percent. At constant prices, per capita income increased from Rs 38,497 in 2011-12 to Rs 65,023 in 2022-23, showing a growth of 68.90 per cent during the period.

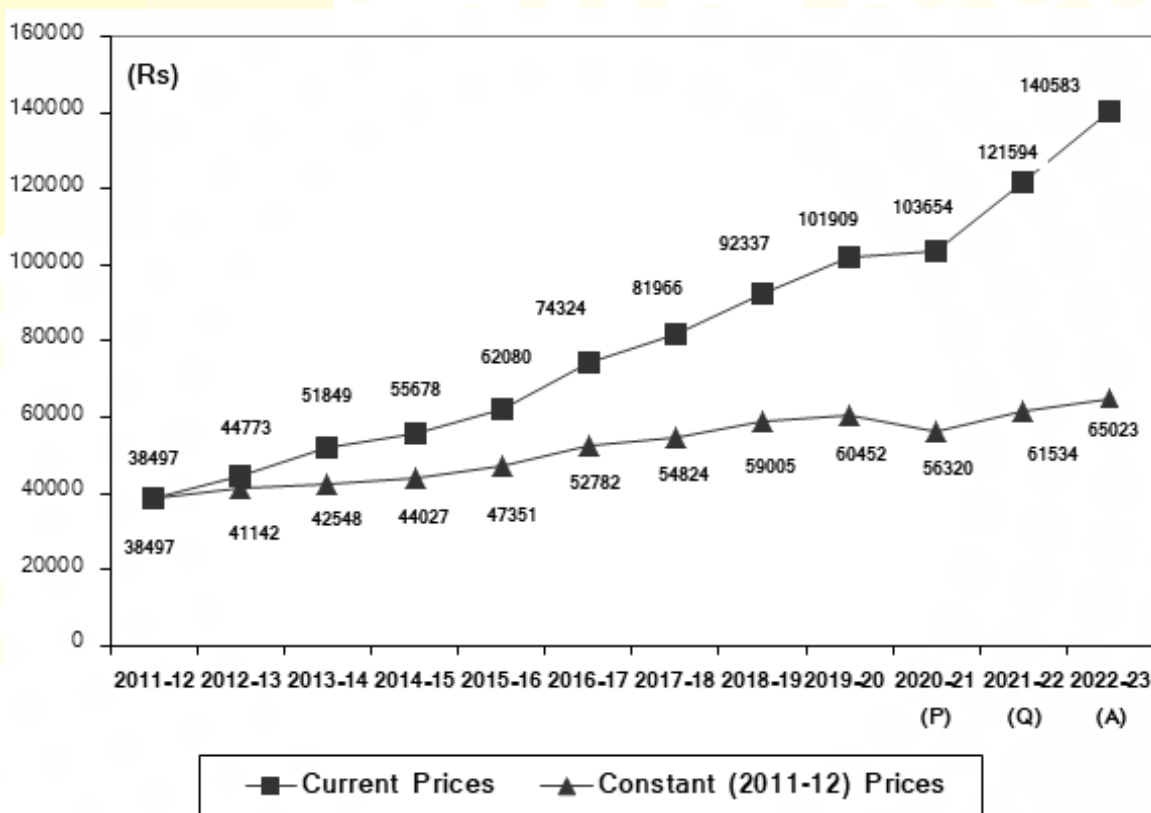


Figure 1.2 : Per capita income at current and constant (2011-12) prices

P: Provisional estimates

Q: Quick estimates

A: Advanced estimates

1.2 Public Finance and Banking Sector

Public Finance: A revenue deficit of Rs 5,701.14 crore has been estimated in the revised estimate for the year 2021-22. The ratio of interest payment to revenue receipts has been more than 11 per cent. In the year 2022-23 (BE), the revenue receipts are estimated at Rs 1,95,179.69 crore, which is 13.68 percent more than the previous year. The primary deficit of the state in the year 2021-22 was Rs 23,246.29 crore. The primary deficit is estimated at Rs 30,344 crore in the year 2022-23. Due to efforts towards fiscal consolidation, the debt-GSDP ratio declined from 39.5 per cent in 2005 to

22.6 per cent of GSDP in 2020. However, to respond COVID-19 induced disruption, the state needed to spend more while facing declining revenues. Debt-GSDP ratio increased to 29 per cent by 2022. Post-Covid economic revival could pave the way for fiscal consolidation.

Credit and Banking: Continuous growth has been seen in total number of bank branches in the state. Along with the increase in the branches of the banks, the advances and deposits of the banks are also increasing. During the year 2019-20 to the year 2022-23, there was an increase of 13.56 percent in total deposits and 16.22 percent in advance loan amount. As of September 2022, the credit-deposit ratio in the state is 72.66 percent, which is at par with the national average of 72.70 percent. As compared to the previous year, the first half yearly CDR has grown to 2.48 percent. The share of advances given directly to agriculture in the total advances to the agriculture sector increased continuously from March, 2019 to September, 2021 by 15.65 per cent. During the same period, there has been a growth rate of 17.69 percent in advances given to the small-scale sector.

1.3 Agriculture and Food Management

Madhya Pradesh is the second largest producer of food grains in the country. The state is expected to produce 352.7 lakh tonnes of wheat in 2022-23 (advance estimates) as compared to 174.8 lakh tonnes in 2013-14. Similarly, the production of rice has increased from 53.6 lakh to 131.8 lakh tonnes during this period. Efforts are being made to increase agricultural production in the state through various schemes of agricultural development such as distribution of chemical fertilizers, plant protection, distribution of certified seeds etc. In the year 2021-22, 22.54 lakh metric tonnes of chemical fertilizers were distributed while in the year 2022-23 till the month of November 2022, 13.62 lakh metric tonnes of chemical fertilizers have been distributed for the Kharif crop. In the year 2021-22, 221.74 lakh hectare area has been brought under the plant protection programme. In the Kharif year 2021-22, 22.73 lakh quintals of certified seeds were distributed to the farmers. In Rabi year 2022-23, 18.02 lakh quintals of certified seeds have been distributed till the month of November 2022.

There has been a general increase in the irrigated area of the state in the past years. In the year 2021-22, the net irrigated area is 12881.6 thousand hectare, which is 2.93 percent more than last year's 12515.2 thousand hectare.

Procurement of food grains on support price: The state government procures food grains (wheat, paddy and coarse grains) at support price from the farmers under the e-procurement project, under which the area sown by the farmers, Aadhaar number, mobile number information, and their accounts are computerized. The procurement of wheat in the year 2021-22 was 128.16 lakh metric tonnes. Similarly, in the year 2021-22, 45.86 lakh metric tonnes of paddy have been procured. For the effective implementation of the public distribution system in the state, at present 26.28 thousand government fair price shops are operating in the state, in which all the shops have P.O.S. Machines installed.

Pradhan Mantri Fasal Bima Yojana: In order to provide financial assistance to the farmers in case of destruction of any notified crop due to natural calamities and diseases, applications of 45.47 lakh farmers for Rabi crop in the financial year 2021-22 and 96.20 lakh farmer applications in Kharif year 2022 have been insured. Under the Meri Policy Mere Haath program, crop insurance policies have been distributed to the insured farmers in Kharif 2022.

Soil Health Card: The objective of this scheme is to provide soil health card to the farmers

for the use of balanced fertilizers after testing the soil of their fields. So that farmers can get more yield. Under the model village program in 2022-23, one model village has been selected development block-wise and 57,301 lakh soil health cards have been distributed to farmers after analysis by collecting soil samples from cultivable khasras.

Horticulture: The state is making effort to diversify agricultural production by bringing more and more area under horticulture crops, fruits, vegetables, spices, etc. Production of major vegetables crops is 224.45 lakh metric tonnes, production of fruits is 90.19 lakh metric tonnes, the production of spices has been 50.90 lakh metric tonnes, and the production of flowers has been 4.27 lakh metric tonnes in the year 2021-22.

Fish production: According to the quick estimates of gross value addition in the year 2021-22 compared to the year 2020-21 (P), there has been an increase of 17.74 percent. Against the target of 3.40 lakh tonnes from all sources in the year 2022-23, 2.02 lakh tonnes of fish were produced till the month of November, 2022, which is 59.41 percent of the target. In the year 2022-23, till the month of November, 2022, the standard fry fish seed production in the state was 19,221.07 lakh metric tonnes, which is 91.53 percent of the target.

Weather condition: Compared to the normal average rainfall of 922.9 mm, 941.6 mm in the year 2020 and 1131.8 mm in the year 2022 (from June to September) was recorded, which was 22.64 percent more than the normal average rainfall.

Kisan Credit Card: To ensure easy fulfilment of credit requirements of the farmers, Kisan Credit Cards are being issued to the farmers of the state. Till the month of September 2022, 71.68 lakh Kisan Credit Cards have been distributed.

Matsya Kisan Credit Card: For paving the way for the social and economic development of fishermen, fishermen credit cards are being made available from the year 2012-13 to provide loans at zero percent interest rate for the purpose of promoting fisheries. From the beginning of the scheme till the month of November 2022, 65.81 thousand fish farmer credit cards have been issued.

Natural calamities and relief: Based on the recommendation of the 15th Finance Commission, Rs 2,427 crore was allocated for the state disaster response fund and capacity building grant in the year 2020-21 and 2021-22. It is provisioned to receive Rs 2,548 crore in the financial year 2022-23.

Demand number 08 in the financial year 2022-23: Expenditure on relief in natural calamities and drought-affected areas, under the main head-2245-Relief due to natural calamity, for the purpose of providing quick relief assistance in cases of loss of lives, Centralized withdrawal system has been included, in which fire victims amount Rs 23.69, hail victims Rs 19.25, flood/cyclone victims Rs 310.01, snakebite Rs 82.34 crore, crop damage by wild animals Rs 1.75, drought Rs 0.01 crore was distributed for crop damage and Rs 137 crore for frost and pest attack.

Due to heavy rains/floods between June and September 2022, flood situation was created in Vidisha, Sagar, Guna, Raisen, Damoh, Harda, Morena, Agar Malwa, Balaghat, Bhopal, Ashoknagar, Sehore, Narmadapuram, Sheopur, Chhidanwara, Betul, and Seoni. In which assistance amounting to Rs 202.64 crore has been disbursed to a total of 1,91,755 eligible farmers by the Hon'ble Chief Minister through single click.

1.4 Industry, Energy, and Transport Sector

Industry: The size of the secondary sector is expected to increase by 5.42 percent from the year 2021-22 (Q) to the year 2022-23 (A). The economy of the state is agriculture-oriented, for which industrialization is absolutely necessary to take it to a higher level of development. Micro and small and medium industries have a special role in the development of rural economy. In the year 2021-22, a total of 1.87 lakh micro, small and medium industries were established and 15 lakh potential jobs were made available. In the year 2022-23, till the month of November 2022, 2.13 lakh micro, small and medium industries were established in which employment (potential) was provided to 11.30 lakh people. As a result of the industrial liberalization policy of the state government, financial assistance of Rs 392.45 crore was provided in the year 2021-22 to encourage industries in the state. In the year 2022-23, till the month of November 2022, financial assistance of 181.63 crore was provided to micro, small and medium manufacturing units, 7727 units are registered with a plant capacity of 7.04 lakhs.

Minerals: In terms of mineral wealth, Madhya Pradesh is one of the eight major mineral rich states of the country. The state ranks fourth in the country in the gross production of coal. The contribution of mining and quarrying sector in the state's economy is 3.18 percent according to the estimates for the year 2021-22 (P&Q).

Energy: As a result of continuous efforts made by the state government to increase the availability of electricity, the state has attained electricity surplus in the year 2017-18. In the financial year 2021-22, the total power supply was 82,976 million units, in which 1,679 million units were produced from Indira Sagar Project, 970 million units from Sardar Sarovar Project. The total power supply by the MP power generation companies is 21,933 million units. In the year 2021-22, maximum power usage of 42.6 percent was done in the agriculture sector. After this, 27.6 percent power consumption was for home/residence. Continuous increase in power generation capacity and transmission capacity is likely to maintain adequate availability of power in both industry and agriculture sectors in the state. In the year 2021-22, due to increase in the production capacity of Madhya Pradesh's power generation companies and long-term power purchase agreement, the availability of electricity has become in line with the demand and the MP has reached a state of self-sufficiency in the field of electricity. Under the Deendayal Upadhyaya Gram Jyoti Yojana, approval has been received for 50 schemes worth Rs 2,886 crore for 52 districts of the state for feeder separation, strengthening of metering distribution system and rural electrification. Under these schemes, works of 145, 33/11 KV sub-stations, 21,590 km of 11 KV line, 25,633 km of LT line are included with intensive electrification of villages including 20.39 thousand Majras/Tolas, out of which 145, 33/11 KV sub-stations, 21,815 km 11 KV line, 25,888 LT lines Intensive electrification work in 19.56 thousand Majras/Tolas has been completed and in all MP model villages.

Transport: The growth in transport sector (including storage) in the state's economy at constant prices (2021-22) has increased by 27.08 percent in the year 2020-21 (P) and increased 14.15 percent in the year 2021-22(P). By November, 2022, the work of 8294 roads was completed that connected 8458 villages to the main road under the Chief Minister's Village Road Scheme, on which an amount of Rs 3481 crore was spent. In the year 2021, the total length of roads maintained by the Public Works Department is 70.95 thousand km, the length of national highways is 8.85 thousand km, and the length of provincial highways is 11.39 thousand km. Along with the construction/

upgradation of roads, the number of registered vehicles is continuously increasing in the state. The number of registered vehicles till the month of September 2022 in the year 2022-23 is 11.81 lakh. A total of 2.11 crore vehicles are registered in the state till date.

1.5 Service & Social Sector

Education: In the census 2011, the literacy of the country and the state is 73.0 and 69.3 percent respectively. In 2021-22, the enrolment in government primary and government secondary schools in the state was 73.21 lakh and 42 lakh respectively. Enrolment of girls in total enrolment was 35.01 and 20.15 lakh respectively. In the year 2021-22, the number of high schools and higher secondary schools was 18.06 thousand, in which the enrolment was 38.46 lakh. In the year 2021-22, the school dropout rate of boys and girls from class 1 to 5 was 3.24 and 2.91 percent respectively, and the school dropout rate of boys and girls from class 6 to 8 was 8.63 and 9.01 percent respectively. Efforts to increase attendance in schools by implementing the schemes of distribution of free uniforms, supply of cycles, mid-day meals etc. to the students in the state have been fruitful.

Gaon Ki Beti: The state government has made plans to provide high level education to rural girls through 'Gaon Ki Beti' scheme. Under the plan, an amount of Rs 1163.49 lakh has been spent by benefiting 23.27 thousand girl students in the year 2022-23.

C.M. Rise Scheme: Under the C.M. Rise scheme, in the first phase, 274 schools of the department have been started operating as C.M. Rise schools. Out of which in 66 schools, KG classes have been started. The interest of the patrons of these schools has increased, in which the enrolment has increased by 9 percent as compared to last year. As of now, the concept design of 232 schools has been finalized under infrastructure expansion in CM Rise schools. DPRs have been prepared for 197 construction works and tenders have been floated for 86 construction works.

Technical Education: Against the target of 1.73 lakh admission capacity in the year 2021-22 in various technical and professional courses in the state, about 1.12 lakh admissions have been done through online off-campus counselling. In the year 2022-23 till November 2022, an amount of Rs 146.91 crore has been made available to 47328 meritorious students.

Health: Following the National Health Policy, 2002, health services have been strengthened in the state by accepting the national objective of health for all.

- The infant mortality rate of the state has decreased from 46 per thousand live births to 43 per thousand live births (SRS, 2020 vs SRS, 2019). In order to reduce the neonatal mortality rate, infant mortality rate, and child mortality rate, 59 neonatal intensive care units are operating in the state under the child health program, through which critically ill low birth weight and premature new-borns are being treated. In the year 2022-23, till the month of November 2022, 84.18 thousand new-born babies have been provided treatment.
- There are 165 neonatal stabilization units operating at the sub-district level in the state. In the year 2022-23, till the month of November 2022, 19.08 thousand new-born babies have been benefitted.
- 58 Paediatric Intensive Care Units are operational for the treatment and management of seriously ill children. Through them, 52.57 thousand children have been treated in the year 2022-23 till November 2022.

- New-born care corner has been set up in all the identified delivery centers of the state, through which neonatal-high-dependency unit is being established in the institutions to bring down the infant mortality rate.
- Under the National Ambulance Service, 108 Deendayal ambulance vehicles have been operated for the management of emergency services in the state. Presently 1050 Janani Express ambulances are operational.

Vital Statistics: The birth rate and death rate per thousand persons were 24.1 and 6.5 (SRS, 2020). In the same period, the infant mortality rate per thousand live births was 43. Efforts were made to reduce the maternal mortality rate and neonatal mortality by providing institutional safe delivery facilities in the state.

Planning in the administrative sector: According to the calculation of employment in the administrative sector in the state, as on March 31, 2022, the total number of regular employees is 6,70,470 which does not include work-charged, employees receiving salary from contingency fund and quota-wise, contractual employees. The total number of government employees (regular) is 5,87,425, as well as the total number of employees in public sector/semi-government institutions is 40,058.

Pradhan Mantri Awas Yojana (Rural): Under the scheme, all the homeless families have to be provided houses. 5.6 lakh houses have been completed in the year 2021-22 and 6.20 lakh houses have been completed in the year 2022-23. Further, 51,128 masons have been trained of which 5891 are women.

Gramin Deendayal Antyodaya Yojana: Under this scheme, employment is provided through self-employment program and skill training and placement. This scheme is being implemented in all the rural areas of the state with the help of the Government of India. The main objective of this scheme is to generate employment and eradicate poverty in rural areas.

Under this, 83,687 youth were trained against the physical target of 70,000 youth in the year 2021-22 by the month of March, 2022 and more than 81.00 lakh masks, 29.00 thousand security kits (P.P.E.Kit), 65,037 liters of sanitizer, 18,662 liters of handwash and 5.87 lakh soaps were made and sold by self-help group members during the Covid-19 pandemic.

Women and Child Development: Integrated child development projects are being implemented for the protection and all-round development of children and women in the state. For the physical, mental and intellectual development of children and to make them free from malnutrition, a total of 453 integrated child development projects including women and child development projects and 73 urban child development projects for children up to 6 years of age and pregnant and lactating mothers are being conducted in the state. A total of 84.47 thousand Anganwadi centers and 12.67 thousand mini Anganwadi centers have been approved in these projects. Through this project, nutritional supplements are being provided to 80.00 lakh children and pregnant and lactating mothers.

In the amount to be spent for arranging supplementary food in Anganwadi centers, 50 percent amount is provided by the Government of India. The death rate among children below the age of 5 years decreased from 64.6 per thousand to 49.2 per thousand in the state. On the other hand, the rate of underweight children decreased from 48 percent to 43 percent and serious malnutrition rate has come down from 9.2 percent to 6.5 percent.

Welfare of Scheduled Castes: According to the 2011 census, the Scheduled Castes constitute 15.6 percent of the total population of the state. By providing scholarships and other educational facilities to the children, efforts are being made to increase the educational level as well as to upgrade their standard of living. 571 post matriculation and 1153 pre matriculation hostels and 189 college hostels are operated for the purpose of providing residential facilities to the Scheduled Caste children for housing facilities and creating an environment conducive to studies. 20 hostels are operated for 10 divisional level residential schools. In all these hostels, residential facilities are being provided to 1.00 lakh students. In the years 2021-22 and 2022-23, remarkable work was done by the department through schemes such as Savitribai Phule Self-Employment Scheme, Chief Minister's Skill Upgradation Training Scheme, Chief Minister's Economic Welfare Scheme, Foreign Study Scholarship Scheme etc.

Welfare of Scheduled Tribes: According to the 2011 census, the percentage of Scheduled Tribes in the total population of the state is 21.10 percent. Under the post matric scholarship scheme, the children of parents with annual income up to Rs.6.00 lakh are provided post matric scholarship. The scholarship determined by the fee regulatory committee of the state government and the private regulatory commission is deposited in the bank account of the students.

Under the Girls Literacy Promotion Scheme, to encourage girls towards education, a monthly scholarship (10 months) of Rs.60 per month from class 6th to 8th and Rs.130 per month from class 9th to 11th has been included in the state scholarship.

Welfare of Backward Classes: Under the programs run by the government for the welfare of backward classes, state scholarship is given to the backward class students from class 6 to 10 to encourage them for continuous studies (for 10 months). Scholarship is given to those whose parents do not come under the limit of income tax payer or who do not have agricultural land holders of more than 10 acres.

An amount of Rs 869.97 crore was spent on a total of 7.03 lakh students in post matric scholarship in the year 2021-22. A target was set to benefit 7.50 lakh students in the year 2022-23. For which a budget provision of Rs 993.60 crore has been made. Delivery is in progress.

State Level Employment and Training Center (Backward Class and Minority Welfare): Free training is provided to the candidates belonging to backward class and minority class for the preparation of competitive examinations in state level administrative services at the state level examination center operated in Bhopal.

Scholarship and free housing facility and library facility are provided to the trainees at the rate of Rs.350 per month. The selection of trainees is done on the basis of merit of marks in the qualifying examination. A provision of Rs 9.60 lakh has been made in the financial year 2021-22, against which an amount of Rs 7.54 lakh has been spent. Training was given to 95 trainees for the State Service Preliminary Examination.

Financial assistance to urban and rural street vendors: Due to Corona curfew in different districts, various types of restrictions are imposed, according to the centralized withdrawal system in urban areas, the relief amount is paid quickly through the treasury on the approved cases at the district and tehsil level. In the year 2021-22, till the month of November 2021, the allocation amount has been issued to the district collectors for various items. For example, an amount of Rs 717.93 lakh has been spent on drinking water transport in urban areas, Rs 2.69 lakh spent on rural

water transport, Rs 779.58 lakh spent on purchase of flood protection materials in rural areas, and Rs 24,548.95 lakh has been spent on prevention of disasters, which has been approved by the Office of the Relief Commissioner. Funds have been released for relief assistance to the affected.

1.6 Social Security and Justice

Out of the allocation of Rs 1816.13 crore in the year 2022-23 under the Social Security Pension Scheme in the state, 30.22 lakh beneficiaries have been benefited by spending Rs 1352.49 crore till the month of November, 2022.

Mukhyamantri Kanya Vivah Yojana: Urban and rural bodies for organizing group marriage programs to provide financial assistance for the household of the girl child under group marriage of marriageable girl/widow/abandoned poor, needy, destitute/poor families by Madhya Pradesh government. At the rate of Rs.6,000 per girl child, Rs.11,000 is deposited in the bank account of the girl concerned and the remaining amount of Rs.38,000 is given as material gift to the bride by the organiser. Against the allocation amount of Rs.10,000.00 lakh in the year 2022-23, till the month of November, 2022, an amount of Rs.4,341.88 lakh has been spent and group marriages of 6,900 girls have been completed.

Mukhyamantri Nikah Yojana: Under the Mukhyamantri Nikah Yojana, the Madhya Pradesh government provides financial assistance for group marriage arrangements for Muslim marriageable girls/widows/abandoned destitute poor families, which is Rs. 11,000 is deposited in the bank account of the bride concerned and the remaining amount of Rs. 38,000 is given as a material gift to the bride by the organiser. Under the scheme, in the year 2022-23, against the allocation of 400.00 lakhs, till the month of November, 2022, an amount of Rs. 49.99 lakhs was spent and mass marriage of 255 beneficiaries was completed.

Chief Minister Girl Guardian Pension Scheme: From April 2019, under this scheme, couples in which one of the spouses is 60 years or more and who have only living daughters, not living sons, and the beneficiaries are not income tax payers, so they will be given a pension of Rs.600 per month. Allocation in the year 2022-23 64,904 beneficiaries were benefited by spending Rs 1,262.39 lakh till the month of November, 2022 against Rs 2,000.00 lakh.

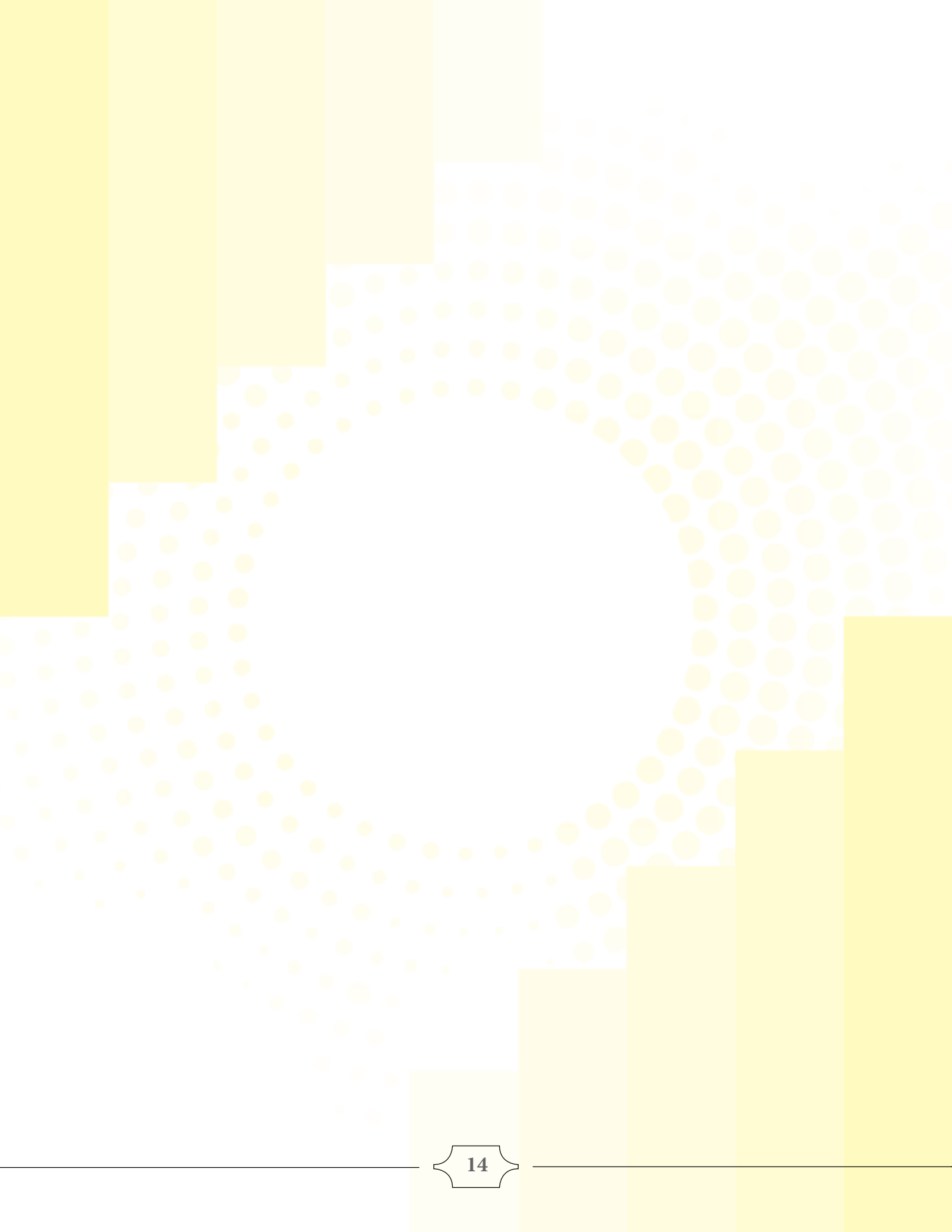
Pradhan Mantri Awas Yojana for urban development: In collaboration of Government of India and the State Government, approval of 9.26 lakh residential units has been received, while 5.68 lakh residential units have been constructed and provided to urban poor. It is targeted to construct 9.00 lakh dwelling units during the plan period. Apart from this, 1.03 thousand beneficiaries have also been benefited from the Credit Linked Subsidy Scheme component of the scheme.

Smart City Mission: Under this scheme, works worth Rs 6802 crore are being implemented in 642 projects. Out of which 459 works worth Rs 3883.93 crore have been completed, 183 works are in progress after issuing orders for Rs 2918.23 crore. In the ISAC 2020 award under the Smart City Scheme, the state has got the second position in the country and M.P. has received 11 awards in different categories. Under the ranking released for Smart City Scheme, Indore is at first and Bhopal is at sixth place. Under the Smart City Mission, start-ups incubation centers have been established in Bhopal, Indore, Jabalpur, Gwalior and Ujjain for the development of entrepreneurship among youth. In the current ranking of 100 cities selected by the Government of India under the mission, Bhopal is at first place and Indore is at fifth place.

Swachh Bharat Mission: The state has secured the first position in the Swachh Survekshan for the year 2022, and 11 major cities of the state have been recognized at the national level. Apart from this, 98 cities of the state have also been successful in getting star rating. Garbage collection vehicles have been provided to all the urban bodies through which dry and wet waste is collected daily from 100 percent wards. Material recovery facilities have been set up in 400 urban bodies for disposal of dry waste. In addition, centralized composting units have been set up in 400 cities where wet waste is converted into compost. Apart from this, home composting of wet waste coming out of their homes is also done by more than 6.5 lakh conscious families.

Collection and storage systems are being operated in Indore, Ujjain, Bhopal, Rewa, Jabalpur and Singrauli etc. for disposal of construction and debris from the state and in smaller cities. This year, the Government of India has given star rating to 98 cities of the state, in which the number of cities are 7 star 01 city (Indore), 5 star city 01 (Bhopal), 3 star 23 city and 1 star city 73.

Chapter - 2
Public Finance



Chapter-2

Public Finance

Public Finance focuses on revenues, expenditure, fiscal deficit, and public debt. This chapter gives overview of public revenue, public expenditure, and fiscal discipline of Madhya Pradesh. To understand the impact of Covid-19 on the state finances and the recovery thereafter, the chapter uses 2018-19 as the benchmark year because it was the last year before the calamity of Covid-19 struck. Covid related disruptions continued during 2020-21 and 2021-22. Hence, the changes/trend growth rate during 2018-19 to 2021-22 may be considered to understand the disruption caused by Covid-19. Comparison of 2022-23 over 2021-22 will be used to gauge the recovery. Year 2018-19 was also the first full year in which GST was implemented. Hence, this year is good choice for benchmark as it ensures comparability of taxation regime over 2018-19 to 2022-23.

The details of the major fiscal indicators of Madhya Pradesh are given in Table 2.1. After being in revenue surplus continuously for 14 years since the financial year 2004-05, difficult economic environment led to a revenue deficit in 2019-20. Due to Covid-19, revenue deficit continued in 2020-21 and 2021-22 (RE) as well. According to the revised estimates for the year 2021-22, the fiscal deficit is likely to be 4.18 percent of the gross state domestic product. According to the budget estimate for the year 2022-23, the fiscal deficit is likely to be up to 4.56 percent of the gross state domestic product. This includes an additional loan of 65000.00 crores for capital works which is likely to be obtained from the Government of India.

In its final report submitted in November 2020, the 15th Finance Commission had provided a roadmap of fiscal path for all states including Madhya Pradesh. The Commission recommended the limit for fiscal deficit at 4 percent and 3.5 percent of the GSDP for 2021-22 and 2022-23 respectively. For 2023-24 to 2025-26, the Commission recommended a limit of 3 percent of GSDP. Further, the Commission provided an additional space of 0.5 percent of the GSDP for 2021-22 to 2024-25 conditional on undertaking power sector reforms. As per the MP FRBM report presented in March 2022, the state government would strive to achieve and maintain the revenue surplus after 2022-23, which can be used for capital expenditure.

Table 2.1 : Major Fiscal Indicators

(Rupees in crore)

Head	Year 2018-19	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23
				(RE)	(BE)
Revenue Deficit	(-) 8,814	2,800	18,356	5,701	3,736
Fiscal Deficit	21,616	32,969	49,869	43,287	52,511
Primary Deficit	8,920	18,753	33,951	23,246	30,344
As % of GSDP*					
Fiscal Deficit	2.60	3.51	5.11	4.18	4.56

Head	Year 2018-19	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23
				(RE)	(BE)
revenue deficit	(-) 1.06	0.30	1.88	0.55	0.32
Percentage of Interest Payment to Revenue Receipt	8.44	9.63	10.87	11.67	11.36

Source: Finance Department, Govt. of MP

(- surplus, + deficit)

(RE) = Revised Estimate (BE)=Budget Estimate

* The number for Gross State Domestic Product for year 2021-22 and year 2022-23 have been taken from Madhya Pradesh Fiscal Responsibility and Budget Management 2022 document

2.1 Receipts

The details of receipts of the State Government are given in Table 2.2. Between the years 2018-19 and 2022-23, the ratio of revenue receipts to total receipts has been more than 77 percent. The percentage of total receipts in GSDP in Madhya Pradesh has been about 20 percent during 2018-19 to 2022-23, while the percentage of revenue receipts in GSDP has been about 15 percent.

Revenue receipts as a percentage of GSDP has declined over the years, partly due to Covid-19 that affected both state's own tax collection and share in central taxes. Fiscal Deficit as a percentage of GSDP has risen from 2.6% to 4.56% from 2019 to 2023, highlighting enhanced borrowing needs of the government to deal with post-Covid-19 challenges and finance the ambitious capital expenditure plan. Though Madhya Pradesh historically has not been a highly indebted state like some other states in India, the rising trend of public debt warrants attention.

Table 2.2 : Total Receipts of State Government

(in ₹crore)

Head	Year 2018-19	Year 2019-20	Year 2020-21	Year 2021-22 (RE)	Year 2022-23 (BE)
Revenue Receipts	1,50,391	1,47,643	1,46,376	1,71,697	1,95,179
Change in Net Public Debt	18,973	23,430	52,413	40,082	51,829
Recovery of Advances	83.67	59.27	72.77	2,828.75	24.42
Net Public Account	(-)326	8,579	(-)1,562	5,871	2,118
Net Receipts from Contingency Fund (Unadjusted Amount)	0.00	0.00	0.00	0.00	0.00
Total Receipts	1,69,122	1,79,712	1,97,299	2,20,479	2,49,151
Revenue Receipts (Percentage of Total Receipts)	88.92	82.16	74.19	77.87	78.34

Revenue Receipts as a % of GSDP					
Head	Year 2018-19	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23
				(RE)	(BE)
Revenue Receipts	18.10	15.73	14.99	16.57	16.96
Change in Net Public Debt	2.28	2.50	5.37	3.87	4.50
Recovery of Advances	0.01	0.01	0.01	0.27	0.00
Net Public Account	-0.04	0.91	-0.16	0.57	0.18
Total Receipts	20.35	19.15	20.21	21.28	21.65

Source: Finance Department, Govt. of MP

(RE) = Revised Estimate (BE)=Budget Estimate

2.2 State's Own Tax Revenue

The composition of the state's revenue receipts is shown in Table 2.3 and receipts under major tax revenue heads are shown in Table 2.4. The share of state taxes has risen from 6.15 % to 6.21% of GSDP during 2018-19 to 2021-22 (RE). The state own tax collection grew at an annual growth rate of 7.94 percent during this period. However, the tax-collection is expected to grow at 13.32 percent in 2022-23 (BE), thus reversing the trend. The impact of stagnant revenues is clearly visible for the share in central taxes that grew only at an annual rate of 0.59 percent for triennium ending in 2021-22. This is also expected to revive at 9.81 percent during 2022-23 BE.

Table 2.3 : Composition of Revenue Receipts

(₹in crore)

Head	Year 2018-19	Year 2019-20	Year 2020-21	Year 2021-22	CAGR (%)	Year 2022-23 (B.E.)	Growth % (Year 2021-22 to Year 2022-23)
State Taxes	51,126	55,855	54,484	64,297	7.94	72,859	13.32
State share in Central Taxes	57,353	49,486	46,888	58,378	0.59	64,106	9.81
Central Grants	28,624	31,952	35,101	36,896	8.83	44,594	20.87

The composition of revenue receipts as a % of GSDP					
Head	Year 2018-19	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23
				(RE)	(BE)
State Taxes	6.15	5.95	5.58	6.21	6.33
State share in Central Taxes	6.90	5.27	4.80	5.63	5.57
Central Grants	3.44	3.40	3.60	3.56	3.87

Source: Finance Department, Govt. of MP

(RE) = Revised Estimates, (BE) = Budget Estimates

* State GST Compensation received from the center is included under this.

Coming to the state's own resources, land revenue is expected to improve as a percentage of GDP to 0.10%. The same is true for Stamp Duty and Registration Fees which show a rising trend, reflecting the overall buoyant economic trend and positive sentiment. Excise Duty on liquor has been stable at 1.15% to 1.04% of GDP from 2018 to 2023

Sales Tax collections have risen from 1.19% to 1.47% while Taxes on vehicles (Road Tax etc.) fallen from 0.36% to 0.32%. Electricity taxes have fallen from 0.31% to 0.26%. However, the main fall is in collection of SGST that declined from 2.38 percent of the of GSDP in 2018-19 to 2.08 percent in 2021-22. It is expected to increase to 2.17 percent of GSDP in 2022-23 (BE). Also, SGST revenue is expected to rise 15.74% in the current year, highlighting both post-COVID-19 recovery in the state government's finances, effective implementation of GST in the state, and assimilation of GST system by traders in their regular business. With an end of the era of GST compensation in June 2022, revival of the SGST collection will be an important determinant of the health of the state finances.

Table 2.4 : Tax Revenue

(₹in crore)

Own Tax Revenue	Year 2018-19	Year 2019-20	Year 2020-21	Year 2021-22	Year CAGR (%)	Year 2022-23 (B.E.)	Growth % (Year 2021-22 to Year 2022-23)
Land Revenue	383	562	503	767	25.95	1,240	61.74
Stamp and Registration	5,277	5,568	6,816	7,400	11.92	8,200	10.81
State Excise Duty	9,542	10,829	9,526	10,340	2.71	13,255	28.19
Sales Tax	9,903	11,257	13,296	16,154	17.72	16,968	5.04
SGST	19,750	20,447	17,257	21,600	3.03	25,000	15.74
Vehicle Tax	3,008	3,251	2,749	3,200	2.08	3,700	15.63
Tax on goods and passengers	117	145	75	40	-30.18	30.00	-25.00
Electricity tax and duty	2,616	2,268	2,608	3,750	12.75	3,364	-10.29

Source: Finance Department, Govt. of MP

(RE) = Revised Estimates, (BE) = Budget Estimates

2.3 Non-Tax Revenue of the State

The year-wise receipts of the State on major non-tax revenue heads are shown in Table 2.5. Fluctuations are reflected in the non-tax revenue of the state. Madhya Pradesh is a forest rich state with nearly 30 % area of the state being covered by thick dense forest. Revenue from forest produce as a percentage of GSDP has fallen from 0.24% to 0.12%. Irrigation revenues have fallen to 0.06% from 0.15% in 2018-19. Non-ferrous mining and metallurgical industry revenue has risen continuously from 0.47% in 2019 to 0.61% in 2022 and expected to be stable at 0.61% in 2023.

Table 2.5: Non-Tax Revenue of the State

(₹in crore)

Non-Tax Revenue	Year 2018-19	Year 2019-20	Year 2020-21	Year 2021-22	CAGR (%)	Year 2022-23 (B.E.)	Growth % (Year 2021-22 to Year 2022-23)
Forestry And Wildlife	2,009	834	1,240	1,311	13.27	1,403	7.01
Irrigation	1,230	406	413	473	-27.26	697	47.34
Non-Ferrous Mining And Metallurgical Industry	3,933	4,320	4,557	6,300	17.00	7,050	11.90

Source: Finance Department, Govt. of MP

(RE)=Revised Estimates, (BE)=Budget Estimates

2.4 State's Share in Central Taxes

According to the data received on the basis of the Budget Estimates for the year 2022-23 (presented on February 2022) of the Government of India, the Budget Estimate for the financial year 2022-23 is estimated at Rs.64,107 crores. This is an increase of about 10 per cent over the Revised Estimates. With the recovery of central taxes from the covid lows, the state can expect increase in the receipts under share in central taxes in the coming years.

2.5 Expenditure

From the following table 2.6, it can be seen that the size of Madhya Pradesh Government Budget has increased from Rupees 16,393 crores in 2001 to Rs. 2,47,715 crores in 2023. This translates into a budget of around 15 times as against that in 2001 in nominal terms.

Table 2.6 : Size of Madhya Pradesh Budget (2000-01 to 2022-23)

(in Rupees Crore)

Year	Total Expenditure
2000-2001	16,392
2004-2005	26,288
2009-2010	47,641
2014-2015	1,06,785
2019-2020	1,80,672
2020-2021	1,96,319
2021-2022 (RE)	2,17,813
2022-2023 (BE)	2,47,715

(RE)=Revised Estimates, (BE)=Budget Estimates

Source: Based on data from State Finances: A Study of Budgets, RBI (various years)

Public expenditure is a medium through which the government provides social and physical infrastructure for the development of the state. Therefore, the size, structure and productivity of public expenditure is an indicator of the development of the economy. The details of revenue and capital expenditure of the state are in Table 2.7. It can be seen that, revenue expenditure as a percentage of GDP has shown an increasing trend from 17.04% in 2019 to 17.28% in 2023. Due to the state government's commitment to infrastructure building capital expenditure as percentage of GDP has risen from 3.54% in 2019 to 3.58% in 2022, and it is expected to increase to 3.97% in 2023. Loans and Advances have also risen from 0.13% to 0.27% during this period.

Table 2.7 : Revenue and Capital Expenditure

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	CAGR (%)	2022-23 (BE)	Growth % (2021-22 to 2022-23)
Revenue Expenditure	1,41,577	1,50,444	1,64,733	1,77,398	7.82	1,98,915	12.13
Capital Expenditure	29,424	29,241	30,355	37,089	8.02	45,685	23.18
Loans and Advances	1,090	986	1,230	3,325	45.01	3,113	-6.37

percentage of GSDP					
Head	2018-19	2019-20	2020-21	2021-22	2022-23 (B.E.)
Revenue Expenditure	17.04	16.03	16.87	17.12	17.28
Capital Expenditure	3.54	3.12	3.11	3.58	3.97
Loans and Advances	0.13	0.11	0.13	0.32	0.27

The level of capital expenditure reflects the level of public investment, which not only creates public assets, but also accelerates private investment. The state government faces tight budget constraints, so it is important to increase capital expenditure while controlling revenue expenditure. As per the MP FRBM report presented in March 2022, the state government would strive to achieve and maintain the revenue surplus after 2022-23, which can be used for capital expenditure. Further, capital receipts are being used for construction of drinking water, education, irrigation, energy, roads and bridges. The growth rate trend in capital expenditure from 2018-19 to 2022-23 has been an average of 8.46 per cent.

2.6 Externally Aided Project

Government of Madhya Pradesh has also received significant external aid by international agencies like ADB, World Bank, JICA, KfW etc. in various sectors like urban development, irrigation, public transport (vide table 2.9).

Table 2.8: Externally-Aided Project in Madhya Pradesh

(Values in ₹Crore)

Total Amount Released (Grant and Loan)	2021-22	2022-23
Asian Development Bank	1,661	1,189
Asian Infrastructure Investment Bank	71	53
KfW	100	45
International Bank for Reconstruction and Development	235	187
International Development Association	428	227
JICA	105	42
New Development Bank	1,370	564
Madhya Pradesh	3,973	2,309

Source: Ministry of Finance, Govt

This illustrates both the commitment of government towards infrastructure projects and credibility as the funding is received from international agencies based on their return on investment. Moreover, this also highlights the fact that the international financial institutions recognize Madhya Pradesh as an emerging state economy.

Box 2.1 : Integration of Electronic Payments under Government Banking Business of Madhya Pradesh State Government with RBI's Core Banking Solution 'E-Kuber'

Moving towards digitization in the field of government banking business, on December 05, 2022, the integration of the Integrated Financial Management Information System (IFMIS) of the State Government of Madhya Pradesh with the Core Banking Solution 'e-Kuber' of the Reserve Bank of India was implemented. Under this arrangement, the withdrawal accounts of all the 54 treasuries of Madhya Pradesh State have been opened in the Reserve Bank of India and are being operated successfully. Following are the benefits of integration of State Treasuries with e-Kuber:

1. The respective treasuries process their payments through prescribed electronic file. A maximum of 50000 transactions can be kept in a single file.
2. The concerned treasuries can make payments by direct transfer from their drawal accounts to the bank accounts of the beneficiaries/payees, thus avoiding discrepancies arising during the conduct of banking business of the State Government by agency banks.
3. In case of failure of any of the transactions made by the state government under this process, the amount of that transaction is deposited in the government account on the same day.
4. The state government can use its cash balance in a better way, and it will be possible for the government to do better cash management.

2.7 Fiscal Prudence

For any economy to mature, fiscal prudence is critical. Madhya Pradesh had a debt-GSDP ratio of 39.5 percent in 2005. With objectives to ensure prudence in fiscal management by progressive elimination of revenue deficit and reduction in fiscal deficit, the state brought Madhya Pradesh Rajkoshiya Uttardayitva Evam Budget Prabandhan Adhinyam, 2005 (MP FRBM Act).

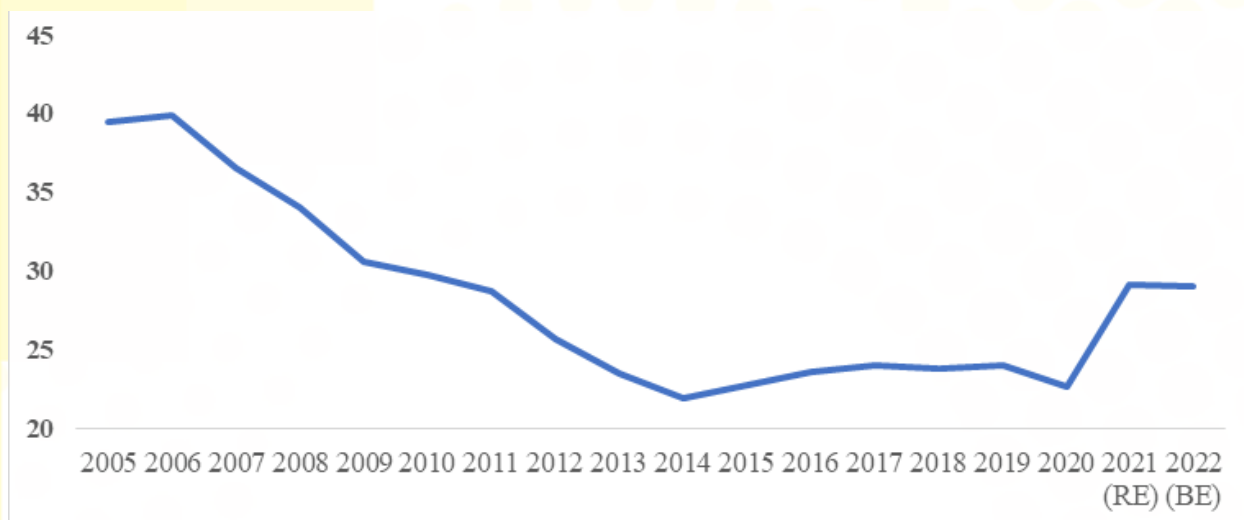


Figure 2.1 : Debt-to-GSDP Ratio

Source: Based on data from State Finances: A Study of Budgets, RBI (various years)

Table 2.9 : Debt to GSDP Ratio

Year	Finance Commission Path	Achieved
2015	24.35	22.7
2019	25.63	24
2020	25.75	22.6
2021 (RE)	31.3	29.1
2022 (BE)	31.7	29

Source: State Finances: A Study of Budgets, RBI (various years), Report of 14th Finance Commission, and Report of 15th Finance Commission

The efforts for fiscal consolidation are clearly visible in the Graph 2.1. The debt-GSDP ratio declined from 39.5 percent in 2005 to 22.6 percent of GSDP in 2020. However, the response to Covid-19 required the state to spend while facing declining revenues. As on March 31, 2022, the debt-GSDP ratio increased to 29 percent. Recognizing the need for responding to prevailing challenges, the 15th Finance Commission also calibrated the recommended fiscal consolidation path where the