

## Decoding states' fiscal profile in post-pandemic recovery phase

According to the consolidated finances of FY23 budgets of 20 states<sup>1</sup>—accounting for more than 90% of national GDP—gross fiscal deficit (GFD) is budgeted at Rs7.7trn in FY23 (-12% vs. FY22RE). As a share of GDP, aggregate fiscal deficit of 18 states for which GSDP figures are available is budgeted at 3.3% (vs. 3.8% in FY22RE). Despite emergence of virulent variants last year, the fiscal health of states did not witness a debilitating impact, thanks to implementation of localized and targeted restrictions and better preparedness. Moreover, expectation of complete absence of COVID-induced restrictions in FY23 is expected to boost tax collections, thereby providing fiscal buffer.

States' total receipts are budgeted to rise by 13.2% in FY23 on top of a 29% growth in FY22RE, primarily led by revenue receipts, even as capital receipts are budgeted to fall sharply. While states' own tax revenues are expected to rise by 17% in FY23 (vs. +30% in FY22RE), thanks to robust SGST collections, growth in share in central taxes is pegged at a much lower 10% vs. +24% in FY22. On the expenditure side, there has been an enhanced focus of states towards capex in FY22 as well as FY23 following a sharp dip in FY21. Total expenditure of these 20 states is budgeted to rise by 9% in FY23BE on top of a strong 24% growth in FY22RE, with revenue and capital expenditure growth pegged at 9% and 12% respectively. Even as capex by states is rising, budgeted growth for FY23 is much lower than the Centre's +25%, indicating the pressure of fiscal consolidation at the state level.

Dependence of states on market borrowings (state development loans or SDLs) to fund their deficits has grown manifold over the recent years, partly owing to the exclusion of several states and UTs from National Small Savings Fund (NSSF) investments w.e.f. April 2016. This is visible from a sharp surge in the share of SDLs in total outstanding liabilities of states, from 43% in FY15 to 59% in FY22. As a result, the country's general government liabilities (Centre + states) have risen to ~87% of GDP in FY22, much higher than the pre-pandemic FRBM (Fiscal Responsibility and Budget Management) target of 60% by Mar'25. An expected surge in states' borrowings in FY23, coupled with rising G-sec yields owing to RBI's front-loaded rate hike action and surging global bond yields, has weighed on SDL yields.

- Aggregate fiscal deficit budgeted at 3.3% of GSDP for FY23 vs. 3.8% in FY22RE...:** According to the consolidated finances of FY23 budgets of 20 states—accounting for more than 90% of the overall national GDP, fiscal deficit for FY22 has been revised higher to Rs8trn from the budget estimate (BE) of Rs7.3trn, implying an YoY growth of 8.3%. This is partly attributed to economic ramifications caused by the virulent second wave and attendant lockdown restrictions. That said, the impact of the second wave on states' fiscal health was limited as opposed to that seen during the first wave in FY21, thanks to the implementation of localized and targeted restrictions, better preparedness, and the strong intent of state governments to keep manufacturing units operational.

For FY23, the aggregate fiscal deficit for these 20 states is budgeted to fall by 12% to Rs7.7trn or 3.3% of GSDP, almost entirely coming from a 40%+ drop in revenue deficit, reflecting an improvement in the quality of state finances. As a %GSDP, fiscal deficit for 18 states whose GSDP figures were available in FY23 has been estimated at 3.8% in FY22RE (vs. 4.1% in FY21) and budgeted at 3.3% in FY23.

Bihar is estimated to report the highest fiscal deficit for FY22 at 11.3% of GSDP followed by Assam at 8.5%, even as both these states have budgeted for a much lower fisc. of 3.5% and 3.2% of GSDP respectively. Gujarat, Maharashtra, and Karnataka are expected to report the lowest fiscal deficits of 1.5%, 2.8% and 2.8% respectively in FY22. For FY23, Himachal Pradesh has pegged the highest fiscal deficit at 5% amongst all these states followed by Madhya Pradesh at 4.6%.

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*Aggregate fiscal deficit of 18 of the 20 states under study is budgeted to drop by 50bps to 3.3% of GSDP in FY23.*

*Among states, Himachal Pradesh has pegged the highest fiscal deficit of 5% of GSDP in FY23, while Gujarat has budgeted the lowest at 1.6%.*

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<sup>1</sup> Andhra Pradesh (AP), Assam (AS), Bihar (BR), Chhattisgarh (CH), Gujarat (GJ), Haryana (HR), Himachal Pradesh (HP), Jharkhand (JH), Karnataka (KA), Kerala (KL), Madhya Pradesh (MP), Maharashtra (MH), Meghalaya (ME), Mizoram (MZ), Rajasthan (RJ), Tamil Nadu (TN), Telangana (TE), Tripura (TR), Uttar Pradesh (UP), West Bengal (WB)

- **...Assuming nominal GSDP growth of 12% in FY23:** With CSO's second advance estimate for India projecting a 19.4% expansion in nominal GDP in FY22, 14% growth for 20 states seem realistic, even as it varies widely across states (-5% to +20%). Aggregate nominal GSDP growth in FY23 for 18 states whose GSDP figures are available for the year is estimated at 12%, but with a relatively tighter range across states (+9% to +17%). This is in line with the 11.2% nominal GDP growth assumed in the Union Budget FY23.
- **Receipts likely to remain robust aided by strong growth from SGST revenues:** Total receipts of these 20 states are budgeted to grow by 13.2% in FY23 on top of a 29% growth estimated in FY22RE. Within receipts, while revenue receipts growth is budgeted at 13.5% in FY23RE as compared to 29% growth in FY22RE, capital receipts are expected to fall by a steep 25% following a modest 13% growth in FY22RE. Within revenue receipts, while states own tax revenues are expected to increase by 17% in FY23BE off an estimated increase of 30% in FY22, share in central taxes is expected to increase at a much slower pace of 10% in FY23 which is at par with the increase estimated in Centre's gross tax collections. SGST—accounting for ~40% of state's total own tax revenues—is budgeted to expand by 18% YoY in FY23 on top of a whopping 39% growth in FY22RE, indicating expectations of continued traction in economic activity.

Non-tax revenues are budgeted to grow by 11% in FY23 (+32% in FY22RE), primarily led by a strong 31% growth in states' own non-tax revenues after a 37% jump in FY22RE. Grants from Centre are budgeted to grow at a slower pace of mere 6% in FY23 following a strong 31% growth in FY22RE. For FY22 states like Uttar Pradesh, Mizoram & Karnataka are estimated to report single digit growth in revenue receipts while all other states are estimated to report growth in line with Centre's growth. For FY23, while Centre has budgeted 10% growth in revenue receipts, most states have budgeted growth more than Centre. Himachal Pradesh is the only state that has budgeted contraction in revenue receipts from FY22RE.

- **Overall expenditure picked up as resource constraint at the state level eased:** As the economy activity resumed after the national level lockdown in FY21, fiscal constraints at the state level also started to ease. With the softening of the scissor's effect, expenditure at the state level recovered with robust growth in capex. For FY23BE, states that have budgeted the highest increase in total expenditure are Andhra Pradesh (24%), Telangana (22%), Madhya Pradesh, West Bengal, and Haryana (14%), and Gujarat (13%). The average growth rate in total expenditure for top five states (Maharashtra, Karnataka, Tamil Nadu, Gujarat, and Uttar Pradesh) in terms of the share in overall GDP (50% of the national GDP) is 10.4%.
- **State Governments following Centre's path as they shift their focus on capex but with caution:** As per the revised estimates for 20 states for FY22, capital expenditure showed a considerable growth of 48% over FY21, depicting revival in the state level capex spending following a steep fall in FY21. Overall capex is budgeted to grow by 11% in FY23 for 20 states. This is likely to be supported by additional allocation of Rs 1 trillion from the Centre which will be provided as 50-year interest free loan to states under the 'Scheme for Financial Assistance to States for Capital Investment'. Among the major states, West Bengal (73%), Jharkhand (68%), Andhra Pradesh, (66%), Karnataka (51%) and Rajasthan (24%) are states that have budgeted the highest increases in capital expenditure in FY23.

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*Total receipts of these 20 states are budgeted to grow by 13.2% in FY23 on top of a 29% growth in FY22RE.*

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Despite strengthened focus on capex, states' have budgeted for a lower growth as compared to an expected 25% jump in the Centre's capital expenditure in FY23. This possibly indicates higher pressure on states to consolidate their finances, primarily Bihar and Assam that have budgeted for a substantial reduction in their fiscal deficit in FY23. Himachal Pradesh being the only state that has budgeted a decline in receipts has also reduced its capex spending. Nevertheless, strong focus on pushing capex by the Centre as well as states is expected to not just boost the recovery process but also nurture future growth prospects as the multiplier effect of capex is much higher than revenue expenditure.

- **Key focus areas within capex:** Water supply & sanitation, medical & public health and education are the key sectors within the social services expenditure that forms almost 30% of the states' overall capital outlay. Comparing the sectoral shift in spending pre-and-post covid, it is seen that the share of medical & public health increased from 16% in FY19 to 19% in FY23BE. Share of education is expected to increase to 14% in FY23BE from 12% in FY19. Share of water supply and sanitation has remained consistent over the period at 32%.
- **Trend in revenue expenditure:** States have budgeted a growth of 9% in revenue expenditure in FY23 as against 20% growth in FY22RE. States that have budgeted the highest growth in revenue expenditure are: Telangana (25%), Andhra Pradesh (20%), Uttar Pradesh (16%), Madhya Pradesh (12%) and Gujarat (12%). For FY22RE, all 20 states recorded a growth rate higher than that of Centre's (3%).

Revenue expenditure on health and education grew significantly in FY22RE by 21% over FY21 on account of expansion of health infrastructure due to the pandemic and vaccination-related expenditure. The growth, however, is budgeted to moderate to 9% in FY23. Expenditure on medical & public health is budgeted to drop by 2% in FY23BE following a strong 34% growth in FY22RE. Health expenditure on revenue account by the top five states has also dipped by ~3%, which is a bit concerning given the pandemic uncertainty still lingers around.

Within committed expenditure, growth rate in interest payments is budgeted to decline to 8% in FY23 from 13% in FY22RE but growth of pension payments has almost doubled to 15% in FY23 from FY22RE. Overall, non-development revenue expenditure is budgeted to grow by 13% in FY23 vis-à-vis 7% growth in development expenditure on revenue account. As non-development expenditure such as interest and pension payments restrict the fiscal space for states to spend on capital expenditure, higher growth rate of non-development expenditure indicates the need to further rationalise state level revenue expenditure.

- **States' gross borrowings is budgeted to increase by 14% in FY23:** Following a steep 26% jump in FY21, states' gross borrowings rose by a modest 0.2% in FY22, but is budgeted to rise by a strong 14% in FY23 to fresh record-high of Rs8.4trn, reflecting repayment pressures. All states, barring Andhra Pradesh, Chhattisgarh and Tripura have had seen a sharp jump in gross market borrowings in FY22 over FY20 to finance their fiscal deficits and provide for repayments. For instance, Kerala, being one of the worst COVID-affected states, saw its borrowings rising by 75% during FY20-22 to Rs316bn, thanks to stepping up of health-care related expenditure and a significant fall in their tax revenue owing to lockdown restrictions.
- **Governments may find it difficult to fulfil FRBM mandate:** Dependence of states on market borrowings (state development loans or SDLs) to fund their deficits has

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*Unlike FY22, medical and public health has seen a reduction in allocation in FY23BE.*

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*Total gross market borrowings for these 20 states are budgeted to grow by 14% to Rs8.4trn in FY23.*

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grown manifold over the recent years, partly owing to the exclusion of several states and UTs from National Small Savings Fund (NSSF) investments w.e.f. April 2016. This is visible from a sharp surge in the share of SDLs in total outstanding liabilities of states, from 43% in FY15 to 59% in FY22, while the share of NSSF has reduced from 17.2% to 4.6% over the period. As a result, the country's general government debt (Centre + states) has risen to ~87% of GDP in FY22, much higher than the pre-pandemic FRBM target of 60% (40% of the Centre and 20% of the states) of GDP by March 2025.

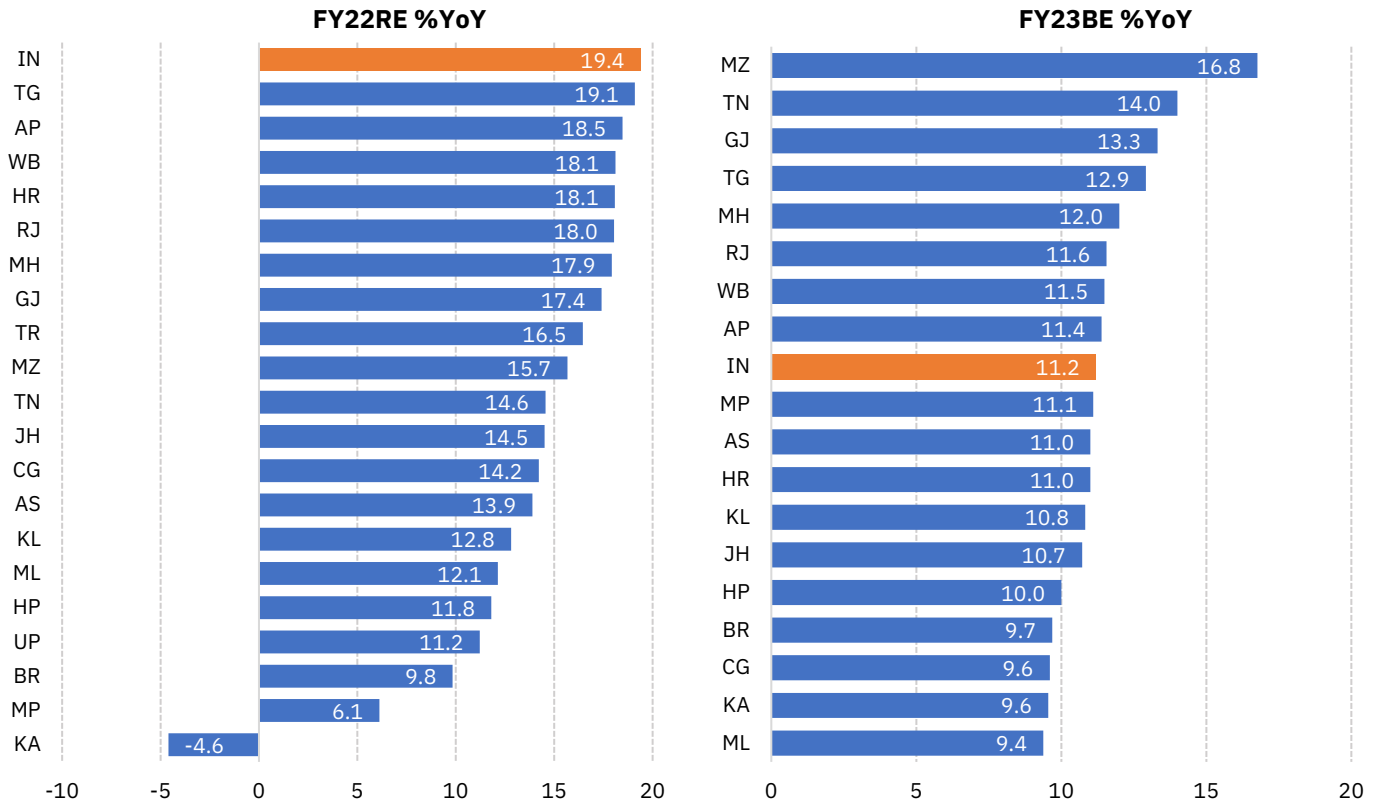
- **Surge in market borrowings may have adverse impact on average SDL yields:** The sharp rise in states' borrowings to finance their deficits, continuous rise in outstanding SDLs over the past two fiscal years and the recent policy rate hikes by the Fed and the RBI have had adverse impact on the average SDL 10-year benchmark yields, which rose to 24-month high of 7.3% on April 11<sup>th</sup>, 2022 and remained elevated thereafter over the month. The upward trend may continue over the current fiscal year given the expected front-loaded hikes in policy rates thanks to intensifying inflationary pressures.

## Fiscal snapshot for 20 states

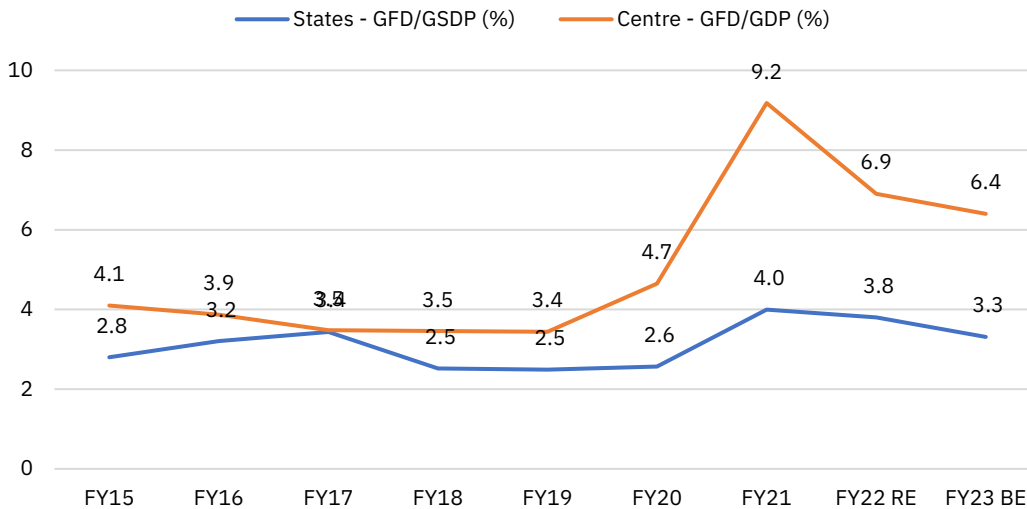
**Table 1: Consolidated finances of 20 states**

Fiscal Arithmetic	Rs trillion					%YoY					FY22RE CAGR	
	FY19	FY20	FY21	FY22 RE	FY23 BE	FY20	FY21	FY22 RE	FY22 RE*	FY23 BE	2 yr	3 yr
<b>Revenue Receipts</b>	<b>22.7</b>	<b>23.2</b>	<b>22.2</b>	<b>28.6</b>	<b>32.5</b>	<b>2.0</b>	<b>-4.4</b>	<b>29.1</b>	<b>23.5</b>	<b>13.5</b>	<b>11.1</b>	<b>8.0</b>
Tax Revenue	17.3	16.6	15.7	20.1	23.0	-3.9	-5.6	27.8	20.6	14.5	9.8	5.0
Own tax revenue	10.7	10.9	10.5	13.6	15.9	2.1	-4.2	29.7	24.3	16.9	11.5	8.3
GST	4.4	4.4	4.1	5.7	6.7	0.4	-8.2	39.1	27.6	17.5	13.0	8.6
Share in Central Taxes	6.6	5.7	5.2	6.5	7.1	-13.7	-8.3	24.0	13.7	9.6	6.6	-0.6
Non-Tax Revenue	5.3	6.4	6.4	8.4	9.4	21.3	-0.9	32.2	31.0	11.1	14.5	16.7
Own non-tax revenue	1.8	2.2	1.4	1.9	2.4	22.8	-39.2	37.1	-16.6	30.7	-8.7	0.8
Grants from Centre	3.5	4.2	5.0	6.6	7.0	20.5	18.8	31.0	55.6	5.6	24.7	23.3
<b>Capital Receipts</b>	<b>0.4</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>2.0</b>	<b>-44.6</b>	<b>12.6</b>	<b>-37.6</b>	<b>-25.0</b>	<b>-21.0</b>	<b>-14.0</b>
Recovery of Loans & Advances	0.4	0.4	0.1	0.2	0.1	3.7	-69.9	52.0	-54.3	-27.4	-32.4	-22.0
<b>Total Receipts</b>	<b>23.1</b>	<b>23.6</b>	<b>22.4</b>	<b>28.8</b>	<b>32.6</b>	<b>2.0</b>	<b>-5.0</b>	<b>28.9</b>	<b>22.4</b>	<b>13.2</b>	<b>10.6</b>	<b>7.7</b>
<b>Revenue Expenditure</b>	<b>23.0</b>	<b>24.3</b>	<b>25.8</b>	<b>31.1</b>	<b>33.9</b>	<b>5.9</b>	<b>6.2</b>	<b>20.2</b>	<b>27.6</b>	<b>9.1</b>	<b>13.0</b>	<b>10.6</b>
Interest Payments	2.8	3.1	3.4	3.9	4.2	10.6	10.7	12.5	24.6	8.4	11.6	11.3
<b>Capital Expenditure</b>	<b>4.3</b>	<b>4.0</b>	<b>3.9</b>	<b>5.8</b>	<b>6.5</b>	<b>-6.6</b>	<b>-1.0</b>	<b>47.7</b>	<b>46.2</b>	<b>11.2</b>	<b>20.9</b>	<b>10.9</b>
Capital Outlay	3.8	3.6	3.6	5.3	5.9	-6.0	-1.1	47.6	45.9	12.1	20.8	11.1
Loans & advances by state govt.	0.4	0.4	0.4	0.5	0.6	-12.1	-0.1	49.2	49.0	3.0	22.1	9.4
<b>Total Expenditure</b>	<b>27.2</b>	<b>28.3</b>	<b>29.8</b>	<b>36.9</b>	<b>40.3</b>	<b>4.0</b>	<b>5.2</b>	<b>23.8</b>	<b>30.3</b>	<b>9.4</b>	<b>14.1</b>	<b>10.6</b>
<b>Fiscal Deficit</b>	<b>4.1</b>	<b>4.7</b>	<b>7.4</b>	<b>8.0</b>	<b>7.7</b>	<b>15.0</b>	<b>56.2</b>	<b>8.3</b>	<b>69.2</b>	<b>-4.0</b>	<b>30.1</b>	<b>24.8</b>
Revenue Deficit	0.3	1.2	3.7	2.4	1.4	356.3	217.7	-33.5	111.3	-42.3	45.3	112.8
<b>Fiscal Deficit (18 states)</b>	<b>3.8</b>	<b>4.8</b>	<b>6.8</b>	<b>7.2</b>	<b>7.1</b>	<b>28.3</b>	<b>41.9</b>	<b>5.8</b>	<b>50.2</b>	<b>-2.2</b>	<b>22.5</b>	<b>24.4</b>
GSDP (18 states)	148.9	162.8	167.2	190.9	213.3	9.3	2.7	14.2	17.3	11.7	8.3	8.6
<b>Fiscal Deficit (%GSDP)</b>	<b>2.5</b>	<b>3.0</b>	<b>4.1</b>	<b>3.8</b>	<b>3.3</b>							
15 <sup>th</sup> Fin Comm Recos.			4.5	4.0	3.5							

Source: CMIE States of India, NSE EPR. \*FY22RE/FY20 growth.

**Figure 1: GSDP growth expected by states**


Source: CMIE States of India, NSE EPR

**Figure 2: Gross fiscal deficits of 20 states vs. centre**


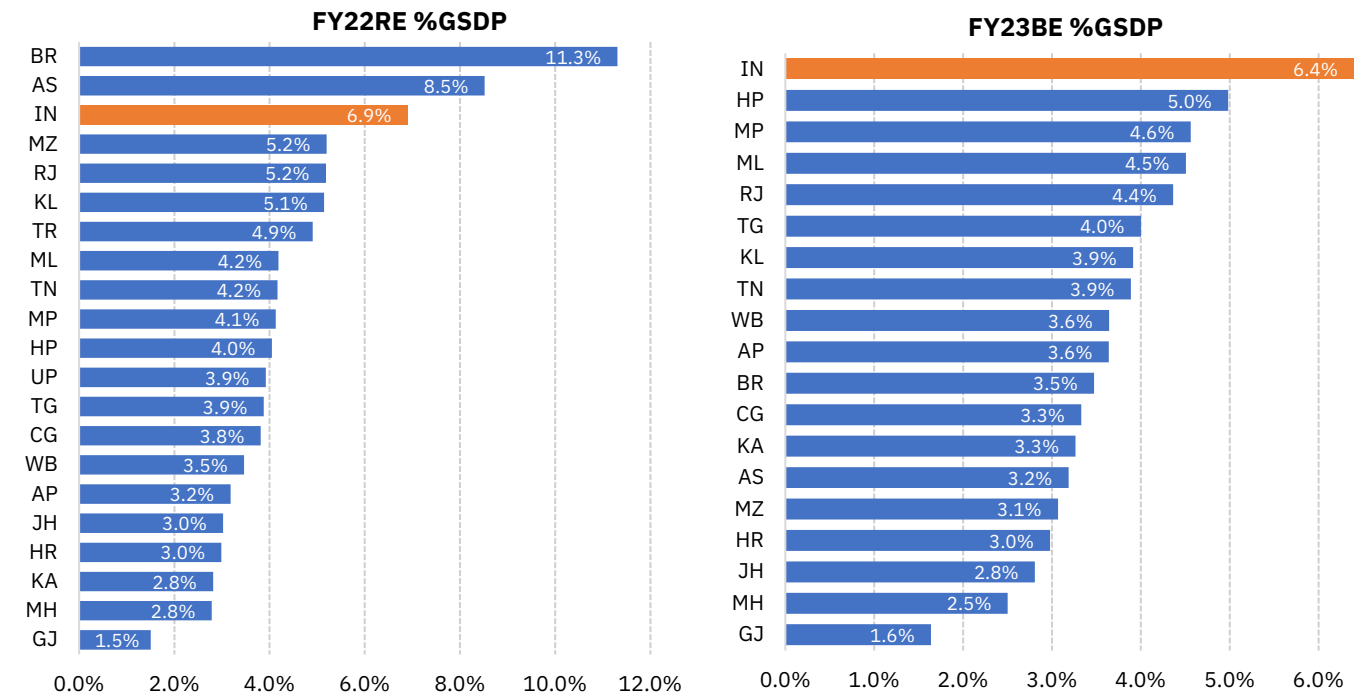
Source: CMIE Economic Outlook, CMIE States of India, PRS, State Budgets

**Table 2: Gross fiscal deficits (% GDP) across states**

State	FY15-FY19*	FY 20	FY 21	FY 22	FY 23
Andhra Pradesh	4.5	4.1	5.4	3.2	3.6
Assam	1.7	3.9	2.9	8.5	3.2
Bihar	3.2	2.1	4.8	11.3	3.5
Chhattisgarh	2.5	5.2	4.5	3.8	3.3
Gujarat	1.8	1.5	2.4	1.5	1.6
Haryana	4.0	4.0	3.8	3.0	3.0
Himachal Pradesh	3.1	3.5	3.6	4.0	5.0
Jharkhand	3.9	2.5	4.7	3.0	2.8
Karnataka	2.3	2.4	3.9	2.8	3.3
Kerala	3.6	2.9	5.1	5.1	3.9
Madhya Pradesh	3.0	3.5	5.1	4.1	4.6
Maharashtra	1.4	2.0	2.6	2.8	2.5
Meghalaya	3.1	3.2	7.8	4.2	4.5
Rajasthan	5.1	3.8	5.9	5.2	4.4
Tamil Nadu	3.0	3.3	4.9	4.2	3.9
Telangana	3.4	3.3	5.1	3.9	4.0
Tripura	4.3	5.8	3.2	4.9	
Uttar Pradesh	3.4	-0.6	3.2	3.9	
West Bengal	3.1	3.0	3.4	3.5	3.6
Mizoram	1.4	4.8	6.4	5.2	3.1
All States	2.9	2.6	4.0	3.8	3.3

Source: CMIE States of India, PRS, State Budgets

Note: \* gives average values between FY15 and FY19

**Figure 3: Fiscal Deficit expected for states (FY22RE and FY23BE)**


Source: CMIE States of India, NSE EPR.

## Fiscal Profile of five major states

**Maharashtra:** As per FY22RE, Maharashtra has estimated fiscal deficit at 2.8% of GSDP against the BE of 2.2%. Shortfall in revenue receipts compared with FY22 (BE) and a higher-than-budgeted expenditure mainly contributed to the slippage in fiscal deficit. The Government of Maharashtra has assumed a nominal GSDP growth of 12% for FY23 vs. 18% growth as per FY22RE. The FY23 budgeted fiscal deficit of 2.5% is within the limits prescribed by the 15<sup>th</sup> Finance Commission and agreed upon by the centre, which is 4% of GSDP, of which 0.5% will be tied to power sector reforms.

**Table 3: Maharashtra fiscal snapshot**

Maharashtra	Rs trillion					%YoY					FY22RE CAGR	
	FY19	FY20	FY21A	FY22RE	FY23BE	FY20	FY21	FY22RE	FY22RE*	FY23BE	2 yr	3 yr
Revenue Receipts	2.8	2.8	2.7	3.6	4.0	1.5	-4.8	34.4	27.9	11.4	13.1	9.1
Capital Receipts	0.0	0.0	0.0	0.0	0.0	0.7	-0.2	44.7	44.4	2.0	20.2	13.3
<b>Total Receipts</b>	<b>2.8</b>	<b>2.8</b>	<b>2.7</b>	<b>3.6</b>	<b>4.1</b>	<b>1.5</b>	<b>-4.8</b>	<b>34.4</b>	<b>28.0</b>	<b>11.3</b>	<b>13.1</b>	<b>9.1</b>
Revenue Expenditure	2.7	3.0	3.1	3.9	4.3	12.5	3.4	26.5	30.8	8.9	14.4	13.7
Capital Expenditure	0.4	0.4	0.3	0.6	0.7	4.9	-16.6	89.5	58.1	11.4	25.7	18.4
<b>Total Expenditure</b>	<b>3.0</b>	<b>3.4</b>	<b>3.4</b>	<b>4.5</b>	<b>5.0</b>	<b>11.6</b>	<b>1.2</b>	<b>32.4</b>	<b>33.9</b>	<b>9.2</b>	<b>15.7</b>	<b>14.3</b>
Revenue Deficit	-0.1	0.2	0.4	0.3	0.2	-242.9	140.4	-25.3	79.5	-20.7	34.0	-236.9
<b>Fiscal Deficit</b>	<b>0.2</b>	<b>0.5</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>134.1</b>	<b>32.8</b>	<b>24.5</b>	<b>65.3</b>	<b>0.6</b>	<b>28.6</b>	<b>57.0</b>
GSDP	25.7	27.3	27.1	32.0	35.8	6.5	-0.8	17.9	16.9	12.0	8.1	7.6
<b>Fiscal Deficit (%GSDP)</b>	<b>0.9</b>	<b>2.0</b>	<b>2.6</b>	<b>2.8</b>	<b>2.5</b>							
Rev Deficit (%GSDP)	-0.5	0.6	1.5	1.0	0.7							

Source: CMIE States of India, NSE EPR. \*FY22RE/FY20 growth

**Tamil Nadu:** As per FY22RE, Tamil Nadu has estimated fiscal deficit at 4.2%GSDP and has budgeted it to fall to 3.9% in FY23. This is based on the nominal GSDP growth rate of 14% in FY23 as against the FY22 nominal GSDP growth of 14.4%.

**Table 4: Tamil Nadu fiscal snapshot**

Tamil Nadu	Rs trillion					%YoY					FY22RE CAGR	
	FY19	FY20	FY21A	FY22RE	FY23BE	FY20	FY21	FY22RE	FY22RE*	FY23BE	2 yr	3 yr
Revenue Receipts	1.7	1.7	1.7	2.0	2.3	0.5	-0.3	17.1	16.8	13.5	8.1	5.5
Capital Receipts	0.1	0.1	0.1	0.1	0.1	-22.1	-2.6	13.4	10.4	-12.0	5.1	-4.9
<b>Total Receipts</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>2.1</b>	<b>2.4</b>	<b>-0.4</b>	<b>-0.3</b>	<b>17.0</b>	<b>16.6</b>	<b>12.8</b>	<b>8.0</b>	<b>5.1</b>
Revenue Expenditure	2.0	2.1	2.4	2.6	2.8	6.7	12.3	9.6	23.2	9.7	11.0	9.5
Capital Expenditure	0.3	0.3	0.4	0.4	0.5	-3.7	24.5	12.5	40.0	18.2	18.3	10.5
<b>Total Expenditure</b>	<b>2.3</b>	<b>2.4</b>	<b>2.7</b>	<b>3.0</b>	<b>3.3</b>	<b>5.3</b>	<b>13.8</b>	<b>10.0</b>	<b>25.2</b>	<b>10.8</b>	<b>11.9</b>	<b>9.7</b>
Revenue Deficit	0.2	0.4	0.6	0.6	0.5	53.1	73.6	-11.3	53.9	-4.5	24.1	33.1
<b>Fiscal Deficit</b>	<b>0.5</b>	<b>0.6</b>	<b>0.9</b>	<b>0.9</b>	<b>1.0</b>	<b>27.1</b>	<b>56.2</b>	<b>-3.4</b>	<b>50.9</b>	<b>6.4</b>	<b>22.9</b>	<b>24.3</b>
GSDP	16.3	18.0	19.0	21.8	24.8	10.2	5.9	14.6	21.3	14.0	10.1	10.2
<b>Fiscal Deficit (%GSDP)</b>	<b>2.9</b>	<b>3.3</b>	<b>4.9</b>	<b>4.2</b>	<b>3.9</b>							
Revenue Deficit (%GSDP)	1.4	2.0	3.3	2.5	2.1							

Source: CMIE States of India, NSE EPR. \*FY22RE/FY20 growth

**Karnataka:** The state has budgeted for revenue and fiscal deficit at 0.8% and 3.3% of GSDP, respectively, in FY23. The GSDP for FY23 is projected to grow by 9.6%, albeit off a low base (-4.6% in FY22RE).



**Table 5: Karnataka fiscal snapshot**

Karnataka	Rs trillion					%YoY					FY22RE CAGR	
	FY19	FY20	FY21A	FY22RE	FY23BE	FY20	FY21	FY22RE	FY22RE*	FY23BE	2 yr	3 yr
Revenue Receipts	1.6	1.8	1.6	1.9	1.9	6.3	-10.7	21.0	8.1	0.2	4.0	4.7
Capital Receipts	0.0	0.0	0.0	0.0	0.0	862.3	27.3	-58.5	-47.1	-31.7	-27.3	72.0
<b>Total Receipts</b>	<b>1.7</b>	<b>1.8</b>	<b>1.6</b>	<b>1.9</b>	<b>1.9</b>	<b>6.5</b>	<b>-10.6</b>	<b>20.8</b>	<b>8.0</b>	<b>0.1</b>	<b>3.9</b>	<b>4.8</b>
Revenue Expenditure	1.6	1.7	1.8	2.0	2.0	6.1	1.0	11.2	12.4	4.5	6.0	6.0
Capital Expenditure	0.4	0.4	0.5	0.4	0.5	1.2	21.4	-11.9	7.0	10.8	3.4	2.7
<b>Total Expenditure</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>	<b>2.5</b>	<b>5.1</b>	<b>4.8</b>	<b>6.3</b>	<b>11.4</b>	<b>5.6</b>	<b>5.5b</b>	<b>5.4</b>
Revenue Deficit	0.0	0.0	0.2	0.1	0.1	74.6	-1,731.3	-67.8	-626.0	135.7		-309.4
<b>Fiscal Deficit</b>	<b>0.4</b>	<b>0.4</b>	<b>0.7</b>	<b>0.5</b>	<b>0.6</b>	<b>-0.7</b>	<b>75.8</b>	<b>-27.8</b>	<b>27.0</b>	<b>27.0</b>	<b>12.7</b>	<b>8.0</b>
GSDP	14.8	16.2	18.0	17.2	18.9	9.4	11.6	-4.6	6.5	9.6	3.2	14.8
<b>Fiscal Deficit (%GSDP)</b>	<b>2.6</b>	<b>2.4</b>	<b>3.7</b>	<b>2.8</b>	<b>3.3</b>							
Revenue Deficit (%GSDP)	0.0	-0.1	1.1	0.4	0.8							

Source: CMIE States of India, NSE EPR. \*FY22RE/FY20 growth

**Gujarat:** The Gujarat state has budgeted for a fiscal deficit of 1.6% of GSDP in FY23, a tad higher than the revised estimate of 1.5% in FY22 (FY22BE: 1.6%). Revenue surplus for FY23 is estimated at 0.05% of the GSDP. In FY22, the state is estimated to observe a revenue surplus of 0.04% of GSDP, lower than the BE of 0.06% of GSDP. GSDP of Gujarat for FY23 is projected to grow by 13.3% on top of a 17.4% growth in FY22RE.

**Table 6: Gujarat fiscal snapshot**

Gujarat	Rs trillion					%YoY					FY22RE CAGR	
	FY19	FY20	FY21A	FY22RE	FY23BE	FY20	FY21	FY22RE	FY22RE*	FY23BE	2 yr	3 yr
Revenue Receipts	1.4	1.4	1.3	1.6	1.8	5.0	-10.3	27.2	14.1	11.7	6.8	6.2
Capital Receipts	0.0	0.0	0.1	0.0	0.0	101.5	2,221.7	-97.5	-42.7	0.0	-24.3	4.9
<b>Total Receipts</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.6</b>	<b>1.8</b>	<b>5.2</b>	<b>-3.5</b>	<b>18.1</b>	<b>14.0</b>	<b>11.7</b>	<b>6.7</b>	<b>6.2</b>
Revenue Expenditure	1.3	1.4	1.5	1.6	1.8	6.1	7.0	7.7	15.2	11.5	7.3	6.9
Capital Expenditure	0.3	0.3	0.3	0.3	0.4	-9.5	3.9	7.9	12.1	23.6	5.9	0.5
<b>Total Expenditure</b>	<b>1.6</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>	<b>2.2</b>	<b>3.2</b>	<b>6.5</b>	<b>7.7</b>	<b>14.7</b>	<b>13.4</b>	<b>7.1</b>	<b>5.8</b>
Revenue Deficit	0.0	0.0	0.2	0.0	0.0	-39.4	-1,259.4	-103.2	-63.3	40.9	-39.4	-39.4
<b>Fiscal Deficit</b>	<b>0.3</b>	<b>0.2</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>-6.8</b>	<b>64.5</b>	<b>-27.6</b>	<b>19.1</b>	<b>23.4</b>	<b>9.1</b>	<b>3.5</b>
<b>GSDP</b>	<b>14.9</b>	<b>16.3</b>	<b>16.6</b>	<b>19.4</b>	<b>22.0</b>	<b>9.2</b>	<b>1.6</b>	<b>17.4</b>	<b>19.3</b>	<b>13.3</b>	<b>9.2</b>	<b>9.2</b>
<b>Fiscal Deficit (%GSDP)</b>	<b>1.8</b>	<b>1.5</b>	<b>2.4</b>	<b>1.5</b>	<b>1.6</b>							
Revenue Deficit (%GSDP)	-0.2	-0.1	1.4	-0.04	-0.05							

Source: CMIE States of India, NSE EPR \*FY22RE/FY20 growth

**Uttar Pradesh:** On December 16<sup>th</sup>, 2021, the UP government presented an interim budget for FY23 in the state legislature proposing an expenditure of Rs5trn and estimated receipts of Rs4.6trn, translating into a deficit of Rs0.6trn. It got a vote on account approved only for the first four months of the financial year FY23.

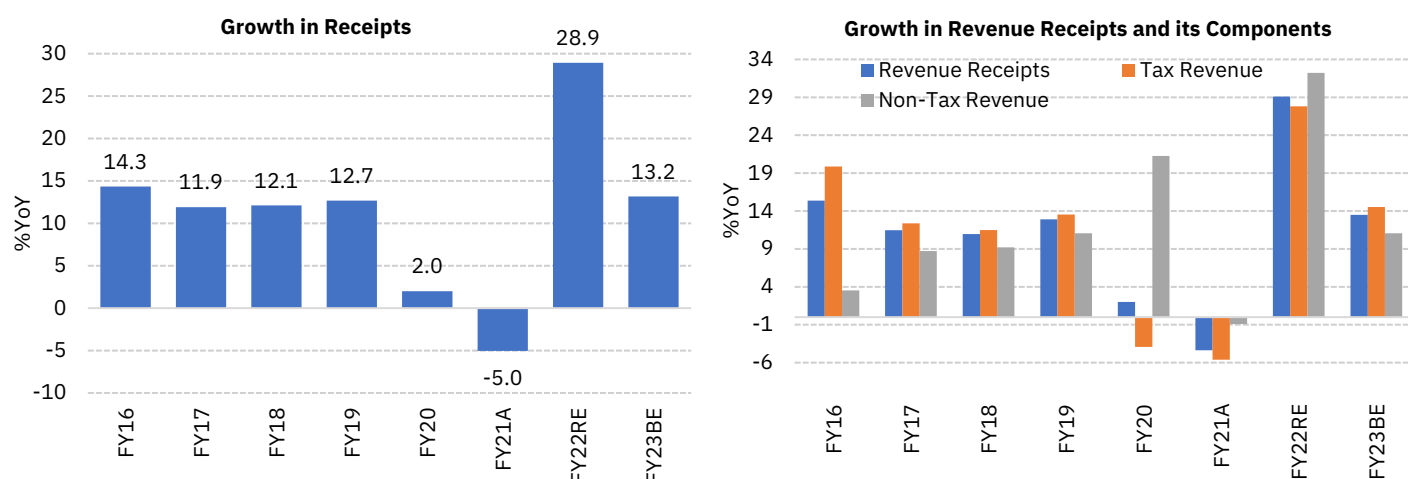
**Table 7: Uttar Pradesh fiscal snapshot**

Uttar Pradesh	Rs trillion					%YoY					FY22RE CAGR	
	FY19	FY20	FY21A	FY22RE	FY23BE	FY20	FY21	FY22RE	FY22RE*	FY23BE	2 yr	3 yr
Revenue Receipts	3.3	3.7	3.0	3.8	4.5	11.0	-19.2	27.6	3.2	19.9	1.6	4.6
Capital Receipts	0.1	0.1	0.0	0.0	0.0	6.2	-79.9	105.5	-58.7	10.0	-35.7	-24.0
<b>Total Receipts</b>	<b>3.4</b>	<b>3.7</b>	<b>3.0</b>	<b>3.8</b>	<b>4.6</b>	<b>11.0</b>	<b>-20.1</b>	<b>27.9</b>	<b>2.2</b>	<b>19.8</b>	<b>1.1</b>	<b>4.3</b>
Revenue Expenditure	3.0	3.0	3.0	3.6	4.2	-1.0	-0.1	19.5	19.3	16.4	9.2	5.7
Capital Expenditure	0.7	0.6	0.5	1.0	1.0	-9.7	-14.1	84.7	58.7	-1.0	26.0	12.8
<b>Total Expenditure</b>	<b>3.7</b>	<b>3.6</b>	<b>3.5</b>	<b>4.6</b>	<b>5.1</b>	<b>-2.6</b>	<b>-2.5</b>	<b>29.3</b>	<b>26.1</b>	<b>12.7</b>	<b>12.3</b>	<b>7.1</b>
Revenue Deficit	-0.3	-0.7	0.0	-0.2	-0.4	139.2	-103.5	-1,000.8	-68.4	77.8	-43.8	-9.0
<b>Fiscal Deficit</b>	<b>0.4</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.7</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>37.2</b>	<b>-776.1</b>	<b>-23.7</b>	<b>125.1</b>	<b>28.6</b>
<b>GSDP</b>	<b>15.8</b>	<b>17.1</b>	<b>17.2</b>	<b>19.1</b>	<b>19.1</b>	<b>8.1</b>	<b>0.4</b>	<b>11.2</b>	<b>11.7</b>	<b>11.7</b>	<b>5.7</b>	<b>6.5</b>
<b>Fiscal Deficit (%GSDP)</b>	<b>2.2</b>	<b>-0.6</b>	<b>3.2</b>	<b>3.9</b>	<b>3.9</b>	<b>2.2</b>	<b>-0.6</b>	<b>3.2</b>	<b>3.9</b>	<b>3.9</b>	<b>2.2</b>	<b>-0.6</b>
Revenue Deficit (%GSDP)	-1.8	-3.9	0.1	-1.1	-1.1	-1.8	-3.9	0.1	-1.1	-1.1	-1.8	-3.9

Source: CMIE States of India, NSE EPR. \*FY22RE/FY20 growth.

## Receipts

**Total receipts to grow by 13.2% in FY23BE...** Total receipts of 20 states under study are budgeted to grow by 13.2% in FY23 on top of a 29% growth in FY22RE, led by a 13.5% surge in revenue receipts, even as capital receipts are expected to contract by 25%. In FY22RE, while revenue receipts—making up nearly 99% of total receipts—grew by 29%, capital receipts rose by 13%. Aggregate tax revenues, accounting for 70% of revenue receipts, are estimated to grow by 28% in FY22, with budgeted growth in FY23 pegged at 14.5%. Non-Tax revenue growth for these states is estimated at 32.2% and budgeted at 11.1% in FY23.

**Figure 4: Growth in Receipts and its components**


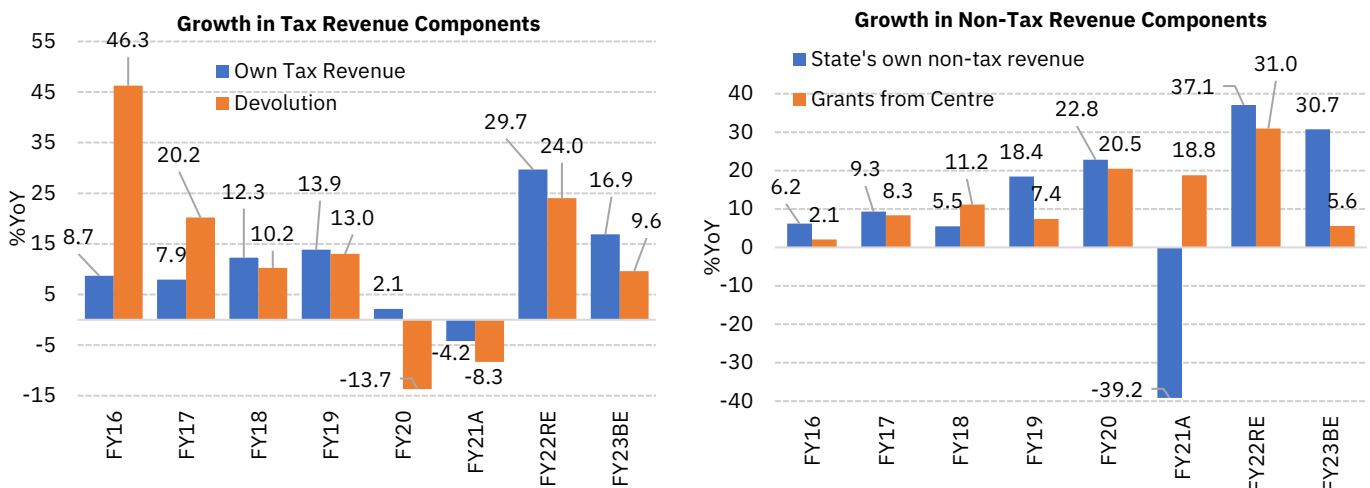
Source: CMIE States of India, NSE EPR.

**...Led by states' own tax revenues:** Within tax revenue, while states own tax revenues, that comprise major portion of the basket, are estimated to increase by 17% in FY23BE from an estimated growth of 30% in FY22, share in central taxes is expected to rise at a much slower pace of 10% in FY23—in line with the growth budgeted for Centre's gross tax collections. SGST collections—accounting for ~40% of states' total own tax revenues—are budgeted to expand by 18%YoY in FY23, reflecting expectations of continued traction in economic activities. As expected from a significant rebound in economic activity levels

from FY21, SGST has been estimated to increase by a whopping 39% as per the FY22 revised estimates.

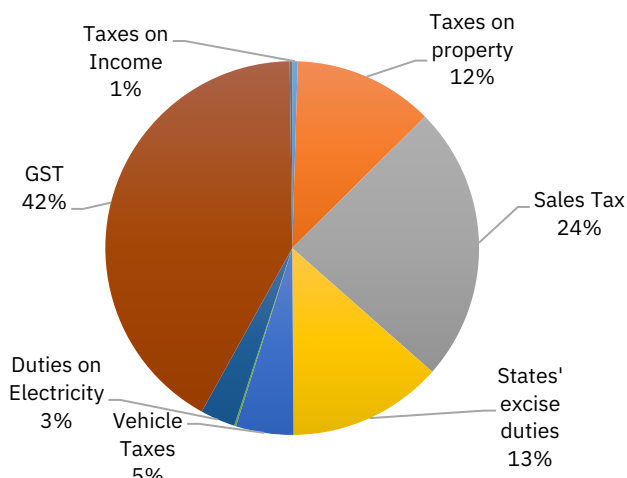
Alongside, non-tax revenues are projected to growth by a modest 11% in FY23 but off a high base (+32% in FY22RE). Within this, states' own non-tax revenue is estimated to increase by 31% in FY23BE after a 37% increase seen in FY22RE. Grants from Centre that comprise major chunk of this item are budgeted to grow at a slower pace of mere 6% in FY23 from an expected 31% jump in FY22RE. For FY22, states like Uttar Pradesh, Mizoram and Karnataka are estimated to report single digit growth in revenue receipts while all other states are estimated to report growth in line with the Centre's revised revenue receipts growth. For FY23, however, states appear more optimistic. While Centre has budgeted for a modest 10% growth in revenue receipts in FY23, most states have budgeted a higher growth. Himachal Pradesh is the only state that has budgeted contraction in revenue receipts from FY22RE.

**Figure 5: Growth in components of Tax and Non-Tax Revenue**



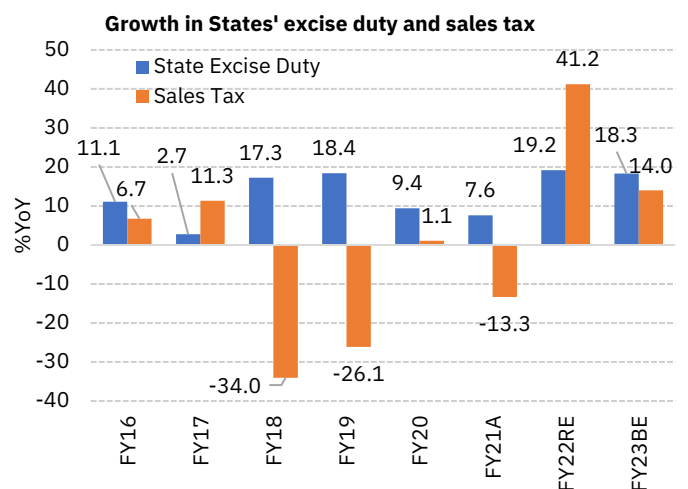
Source: CMIE States of India, NSE EPR.

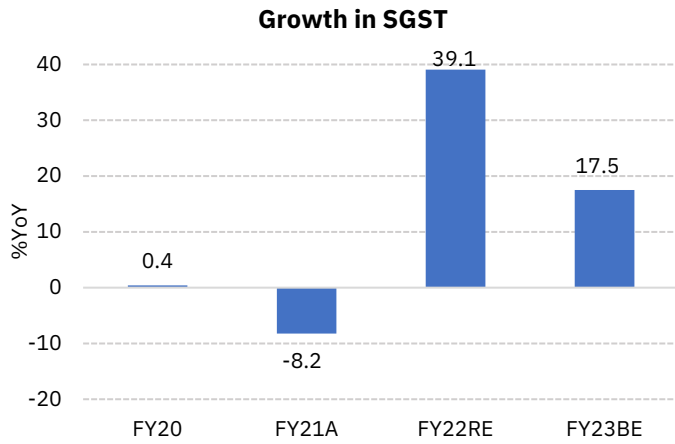
**Figure 6: Composition of states' own tax revenues (FY22RE)**



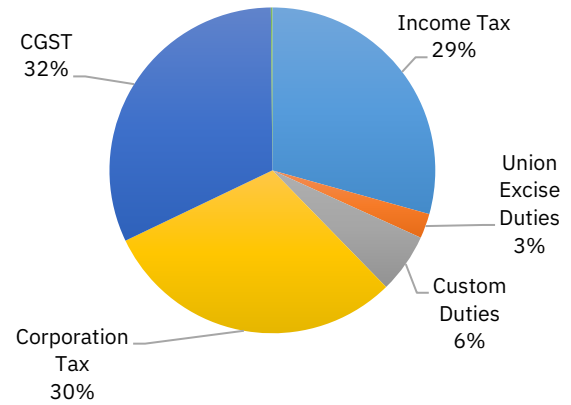
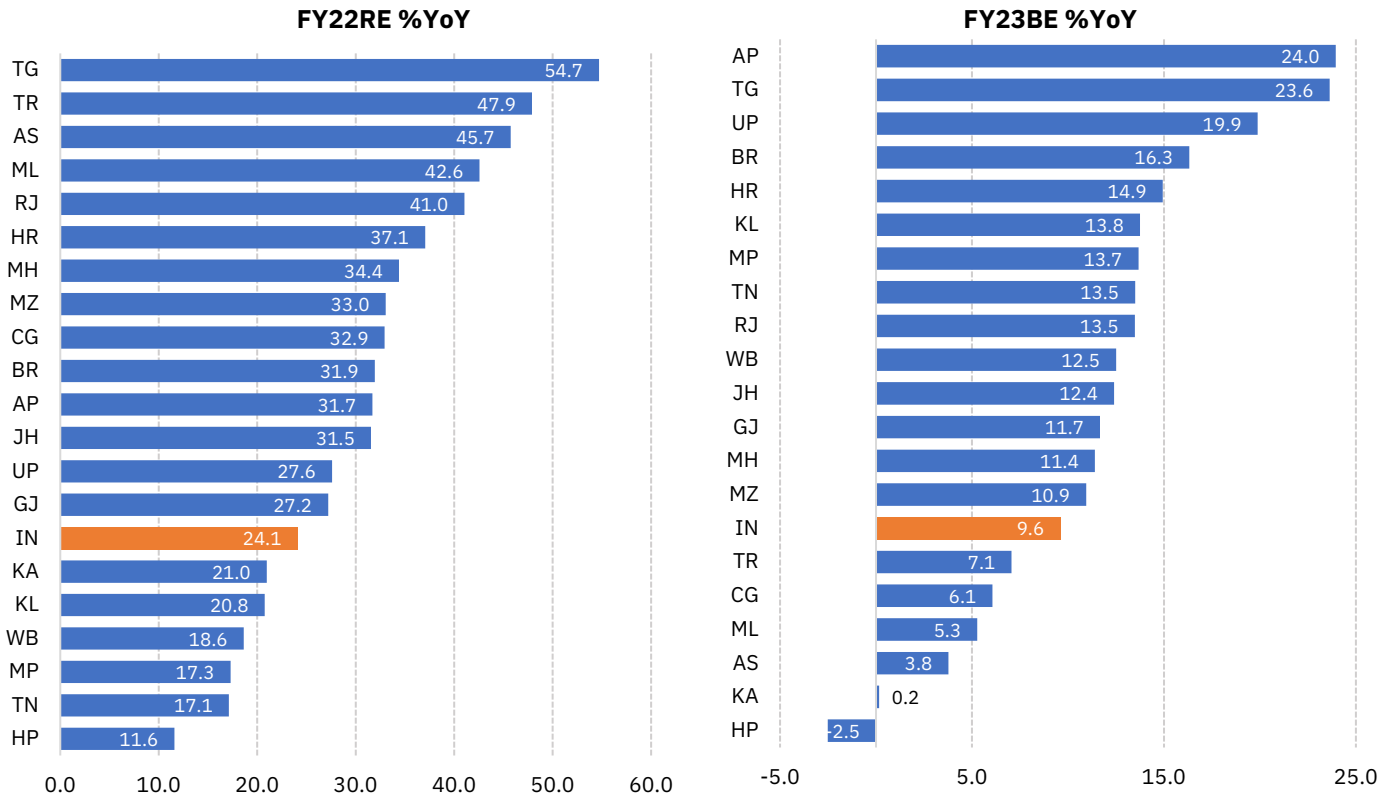
Source: CMIE States of India, NSE EPR.

**Figure 7: Annual growth trend of states' excise and sales tax collections**

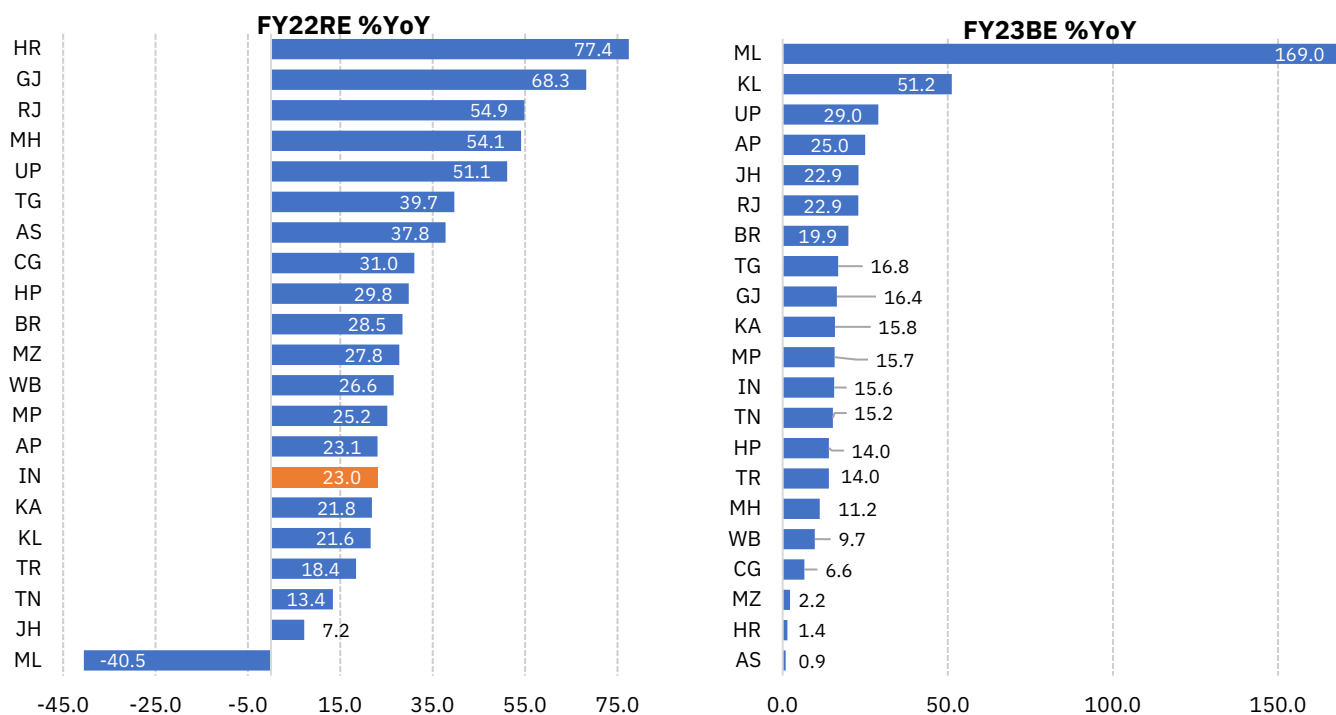


**Figure 8: Growth in SGST collections**


Source: CMIE States of India, NSE EPR.

**Figure 9: Composition of devolution to states in FY22RE**

**Figure 10: Comparison amongst states in terms of expected revenue receipts' growth in FY22RE and FY23BE**


Source: CMIE States of India, NSE EPR.

**Figure 11: Comparison amongst states in terms of expected SGST growth in FY22RE and FY23BE**


Source: CMIE States of India, NSE EPR.

## Receipts snapshot of five major states

**Maharashtra:** The states own revenue or SOR (states' own tax revenue + own non-tax revenue) is budgeted to grow by 16%YoY in FY23 over FY22RE. With the projected GSDP growth of 12% for FY23, the SOR to GSDP ratio for Maharashtra is expected to improve to 7.9% from 7.6%/6.6% in FY22RE/FY21. While states' own tax revenue is projected to grow by 13% YoY, its own non-tax revenue is budgeted to grow at a much higher pace of 56.7% in FY23BE. Grants from Centre is budgeted at Rs 682bn, down 2% from FY22RE.

**Table 8: Receipts snapshot Maharashtra**

Receipts	Maharashtra (in Rs billion)				FY22RE/FY20	FY23BE/FY22RE
	FY20	FY21	FY22RE	FY23BE		
<b>Revenue Receipts</b>	2,831.9	2,694.7	3,621.3	4,034.3	27.9	11.4
Tax Revenue	2,251.7	2,007.6	2,755.0	3,081.1	22.4	11.8
States' own tax revenue	1,889.7	1,642.8	2,272.4	2,565.3	20.3	12.9
Taxes on property	308.6	274.9	317.0	360.0	2.7	13.6
Taxes on commodities & Services	730.1	643.7	852.3	975.8	16.7	14.5
Sales Tax	377.9	325.0	450.0	502.0	19.1	11.6
States' excise duties	154.3	150.9	180.0	220.0	16.7	22.2
Vehicle Taxes	84.7	66.6	91.5	105.0	8.1	14.8
Duties on Electricity	96.2	83.5	104.0	114.4	8.2	10.0
GST	826.0	699.5	1078.1	1199.0	30.5	11.2
Devolution/Share in Central Taxes	362.0	364.8	482.6	515.9	33.3	6.9
<b>Non-Tax Revenue</b>	580.2	687.1	866.3	953.1	49.3	10.0
States' own nontax revenue	143.0	159.8	173.1	271.3	21.1	56.7
Grants from Centre	437.3	527.3	693.3	681.9	58.6	-1.6
<b>Capital Receipts</b>	16.1	16.1	23.3	23.8	44.4	2.0
Recovery of Loans and Advances	16.1	16.1	23.3	23.8	44.4	2.0
<b>Total Receipts</b>	<b>2,848.0</b>	<b>2,710.8</b>	<b>3,644.6</b>	<b>4,058.1</b>	<b>28.0</b>	<b>11.3</b>

Source: CMIE States of India, NSE EPR

**Tamil Nadu:** Tamil Nadu Government has projected the tax devolution to contract by 0.8% in FY23BE over FY22RE. This might be an underestimate given the budgeted growth of 9.6% by the Centre in FY23 for tax devolution to the states. States' own tax revenue (SOTR) for FY23 is budgeted to grow by 17.2%, leading to a SOTR/GSDP ratio of 5.75% (FY22RE: 5.6%, FY21: 5.58%, FY20: 5.98%). State's own non-tax revenue is projected to grow at a much higher 31.3% in FY23BE.

**Table 9: Receipts snapshot Tamil Nadu**

Receipts	Tamil Nadu (in Rs billion)					
	FY20	FY21	FY22RE	FY23BE	FY22RE/FY20	FY23BE/FY22RE
<b>Revenue Receipts</b>	<b>1,745.3</b>	<b>1,740.8</b>	<b>2,038.8</b>	<b>2,314.1</b>	<b>16.8</b>	<b>13.5</b>
Tax Revenue	1,338.5	1,310.8	1,554.4	1,761.1	16.1	13.3
States' own tax revenue	1,074.8	1,061.7	1,218.5	1,428.0	13.4	17.2
Taxes on property	111.2	118.9	146.3	166.6	31.6	13.9
Taxes on commodities & Services	579.8	563.3	641.9	765.7	10.7	19.3
Sales Tax	445.2	430.8	488.2	572.0	9.7	17.2
States' excise duties	72.1	78.2	81.7	105.9	13.3	29.7
Vehicle Taxes	56.7	45.6	56.4	71.5	-0.7	26.9
Duties on Electricity	5.7	4.8	15.8	16.3	175.0	3.4
GST	383.8	379.4	430.2	495.7	12.1	15.2
Devolution/Share in Central Taxes	263.8	249.1	335.8	333.1	27.3	-0.8
Non-Tax Revenue	406.7	430.0	484.4	553.0	19.1	14.2
States' own nontax revenue	128.9	104.2	118.3	155.4	-8.2	31.3
Grants from Centre	277.8	325.8	366.1	397.6	31.8	8.6
<b>Capital Receipts</b>	<b>53.8</b>	<b>52.5</b>	<b>59.5</b>	<b>52.3</b>	<b>10.4</b>	<b>-12.0</b>
Recovery of Loans and Advances	53.8	52.5	59.5	52.3	10.4	-12.0
<b>Total Receipts</b>	<b>1,799.1</b>	<b>1,793.2</b>	<b>2,098.2</b>	<b>2,366.4</b>	<b>16.6</b>	<b>12.8</b>

Source: CMIE States of India, NSE EPR

**Karnataka:** Total own tax revenues of Karnataka is budgeted to grow by 14% in FY23, while its share in central taxes is pegged to register a modest 10% growth. The state's own tax revenue as a percentage of GSDP is estimated to increase from 5.6% in FY21 to 6.7% in FY23. The non-tax revenues growth is also budgeted at a strong 22% in FY23BE.

**Table 10: Receipts snapshot Karnataka**

Receipts	Karnataka (in Rs billion)					
	FY20	FY21	FY22RE	FY23BE	FY22RE/FY20	FY23BE/FY22RE
<b>Revenue Receipts</b>	<b>1,754.4</b>	<b>1,567.2</b>	<b>1,895.8</b>	<b>1,898.9</b>	<b>8.1</b>	<b>0.2</b>
Tax Revenue	1,332.8	1,187.5	1,386.4	1,566.7	4.0	13.0
States' own tax revenue	1,023.8	970.7	1,115.1	1,268.8	8.9	13.8
Taxes on property	115.1	107.6	129.3	150.4	12.3	16.4
Taxes on commodities & Services	475.8	474.8	516.1	574.7	8.5	11.4
Sales Tax	164.2	153.7	167.9	176.4	2.2	5.1
States' excise duties	215.8	233.3	245.8	290.0	13.9	18.0
Vehicle Taxes	67.6	56.1	75.1	80.1	11.1	6.5
Duties on Electricity	26.9	24.3	27.1	28.2	0.7	4.1
GST	421.5	377.1	459.5	532.2	9.0	15.8
Devolution/Share in Central Taxes	309.0	216.7	271.3	297.8	-12.2	9.8
Non-Tax Revenue	421.6	379.7	509.4	332.2	20.8	-34.8
States' own nontax revenue	76.8	78.9	90.0	109.4	17.2	21.6
Grants from Centre	344.8	300.8	419.4	222.8	21.6	-46.9
<b>Capital Receipts</b>	<b>2.5</b>	<b>3.2</b>	<b>1.3</b>	<b>0.9</b>	<b>-47.1</b>	<b>-31.7</b>
Recovery of Loans and Advances	2.0	2.7	0.9	0.7	-55.1	-21.4
<b>Total Receipts</b>	<b>1,756.9</b>	<b>1,570.3</b>	<b>1,897.1</b>	<b>1,899.8</b>	<b>8.0</b>	<b>0.1</b>

Source: CMIE States of India, NSE EPR.

**Uttar Pradesh:** As per FY23 interim budget, the state's own tax revenues is estimated to grow by a strong 30% to Rs 2.1trn in FY23. The state estimates to receive Rs 1.3trn in the form of share in central taxes, an increase of 10% over FY22RE. In FY23, the state has budgeted own non-tax revenues at Rs 234.1bn, a 51% increase over the revised estimates of FY22.

**Table 11: Receipts snapshot Uttar Pradesh**

Receipts	Uttar Pradesh (in Rs billion)					
	FY20	FY21	FY22RE	FY23BE	FY22RE/FY20	FY23BE/FY22RE
<b>Revenue Receipts</b>	<b>3,663.9</b>	<b>2,961.8</b>	<b>3,779.5</b>	<b>4,531.0</b>	<b>3.2</b>	<b>19.9</b>
Tax Revenue	2,406.4	2,265.8	2,752.4	3,350.4	14.4	21.7
States' own tax revenue	1,229.0	1,199.8	1,603.5	2,086.6	30.5	30.1
Taxes on property	165.7	167.7	200.1	289.1	20.7	44.5
Taxes on commodities & Services	590.9	603.4	755.7	962.0	27.9	27.3
Sales Tax	205.2	0.0	286.5	342.1	39.7	19.4
States' excise duties	273.2	300.6	362.1	464.8	32.5	28.4
Vehicle Taxes	77.1	64.8	59.5	102.9	-22.9	72.9
Duties on Electricity	34.5	15.9	47.5	52.3	37.6	10.0
GST	472.3	428.6	647.8	835.5	37.1	29.0
Devolution/Share in Central Taxes	1177.4	1066.1	1148.9	1263.8	-2.4	10.0
<b>Non-Tax Revenue</b>	<b>1257.5</b>	<b>695.9</b>	<b>1027.0</b>	<b>1180.6</b>	<b>-18.3</b>	<b>15.0</b>
States' own nontax revenue	817.1	118.5	155.2	234.1	-81.0	50.8
Grants from Centre	440.4	577.5	871.8	946.5	97.9	8.6
<b>Capital Receipts</b>	<b>56.4</b>	<b>11.3</b>	<b>23.3</b>	<b>25.6</b>	<b>-58.7</b>	<b>10.0</b>
Recovery of Loans and Advances	56.4	11.3	23.3	25.7	-58.7	10.0
<b>Total Receipts</b>	<b>3,720.3</b>	<b>2,973.1</b>	<b>3,802.8</b>	<b>4,556.6</b>	<b>2.2</b>	<b>19.8</b>

Source: CMIE States of India, NSE EPR.

**Gujarat:** Total own tax revenue of Gujarat is budgeted to grow by 14% over FY22RE to Rs 1.2trn, with SOTR/GSDP ratio rising from 4.2% in FY21 to 5.4% in FY23BE. In FY23, the state is estimated to earn Rs 177.6bn in the form of state's own non-tax revenue, up 36% over FY22RE. Grants from Centre is budgeted at Rs 160bn, down 6% YoY. The Centre's devolution to Gujarat is budgeted to grow by a modest 2.5% in FY23RE to Rs284bn.

**Table 12: Receipts snapshot Gujarat**

Receipts	Gujarat (in Rs billion)					
	FY20	FY21	FY22RE	FY23BE	FY22RE/FY20	FY23BE/FY22RE
<b>Revenue Receipts</b>	<b>1,428.4</b>	<b>1,281.6</b>	<b>1,630.2</b>	<b>1,820.5</b>	<b>14.1</b>	<b>11.7</b>
Tax Revenue	992.4	904.8	1,330.5	1,483.0	34.1	11.5
States' own tax revenue	790.2	702.8	1,053.3	1,199.0	33.3	13.8
Taxes on property	103.9	98.6	134.0	157.5	29.0	17.6
Taxes on commodities & Services	342.7	307.0	421.1	461.3	22.9	9.5
Sales Tax	210.7	170.5	291.3	314.1	38.2	7.8
States' excise duties	1.4	1.3	1.4	1.5	1.7	5.9
Vehicle Taxes	38.5	29.8	38.1	47.1	-1.0	23.8
Duties on Electricity	87.7	83.2	86.0	91.5	-2.0	6.5
GST	341.1	294.6	495.7	576.9	45.3	16.4
Devolution/Share in Central Taxes	202.2	202.0	277.2	284.0	37.1	2.5
<b>Non-Tax Revenue</b>	<b>436.0</b>	<b>376.7</b>	<b>299.7</b>	<b>337.4</b>	<b>-31.3</b>	<b>12.6</b>
States' own nontax revenue	181.0	104.9	130.6	177.6	-27.9	36.0
Grants from Centre	255.0	271.8	169.1	159.8	-33.7	-5.5
<b>Capital Receipts</b>	<b>4.4</b>	<b>101.2</b>	<b>2.5</b>	<b>2.5</b>	<b>-42.7</b>	<b>0.0</b>
Recovery of Loans and Advances	3.3	1.6	2.5	2.5	-24.2	0.0
<b>Total Receipts</b>	<b>1,432.8</b>	<b>1,382.8</b>	<b>1,632.7</b>	<b>1,823.0</b>	<b>14.0</b>	<b>11.7</b>

Source: CMIE States of India, NSE EPR.

## Expenditure

**Overall expenditure picked up for states in FY23BE:** As the economy activity resumed after the national level lockdown in FY21, fiscal constraints at the state level also started to ease. With the softening of the scissor's effect, expenditure at the state level recovered with robust growth in capex. Following a strong 24% growth in FY22RE, overall expenditure of these 20 states is budgeted to increase by 9% in FY23BE. States that have budgeted the highest increase in total expenditure in FY23 are Andhra Pradesh (24%), Telangana (22%), Madhya Pradesh, West Bengal & Haryana (14%) followed by Gujarat (13%). The average growth rate in total expenditure for top five states (Maharashtra, Karnataka, Tamil Nadu, Gujarat, and Uttar Pradesh) in terms of the share in overall GDP (50% of the national GDP) is 10.4%.

**State Governments following Centre's path as they shift their focus on capex but with caution:** As per the revised estimates for 20 states for FY22, capital expenditure showed a considerable growth of 48% over FY21, depicting revival in the state level capex spending following a steep fall in FY21. Overall capex is budgeted to grow by 11% in FY23 for 20 states. This is likely to be supported by additional allocation of Rs 1trn from the Centre which will be provided as 50-year interest free loan to states under the 'Scheme for Financial Assistance to States for Capital Investment'. Among the major states, West Bengal (73%), Jharkhand (68%), Andhra Pradesh, (66%), Karnataka (51%) and Rajasthan (24%) are states that have budgeted the highest increases in capital expenditure in FY23.

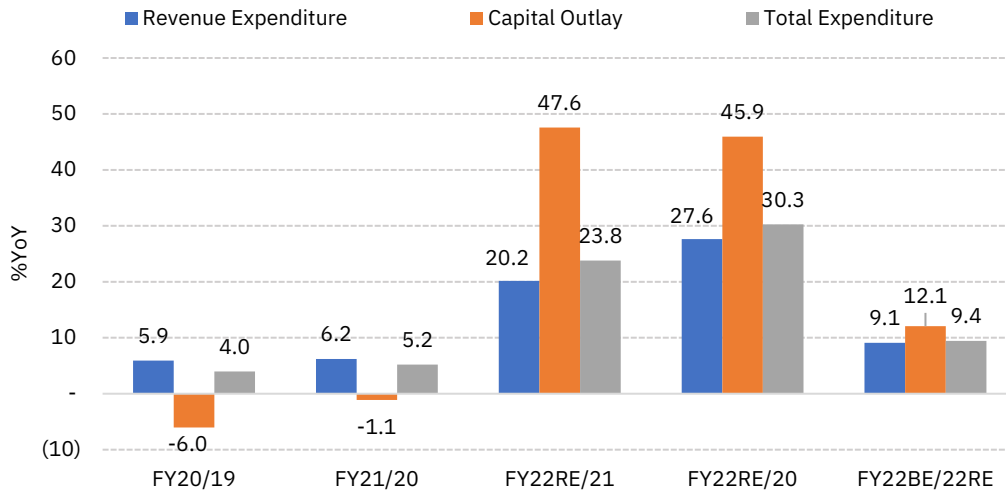
**Table 13: Consolidated expenditure of 20 states**

Indicators	Rs. trn					YoY %					CAGR for FY22RE	
	FY19	FY20	FY21	FY22 RE	FY23 BE	FY20 /19	FY21/ 20	FY22RE/ 21	FY22RE/ 20	FY22BE/ 22RE	2 yr.	3 yr.
<b>Revenue Expenditure</b>	<b>23.0</b>	<b>24.3</b>	<b>25.8</b>	<b>31.1</b>	<b>33.9</b>	<b>5.9</b>	<b>6.2</b>	<b>20.2</b>	<b>27.6</b>	<b>9.1</b>	<b>13.0</b>	<b>10.6</b>
Development Exp.	14.3	15.1	16.1	19.8	21.3	5.9	6.7	22.9	31.1	7.3	14.5	11.6
Social Services	9.1	9.7	10.3	12.9	14.1	7.1	6.0	25.4	32.9	9.6	15.3	12.5
Education, art, culture	4.1	4.5	4.5	5.2	5.9	11.5	-1.2	17.0	15.6	12.9	7.5	8.8
Medical & Public Health	1.0	1.1	1.3	1.7	1.7	9.2	14.0	33.9	52.7	-1.5	23.6	18.6
Economic Services	5.2	5.5	5.8	6.9	7.1	6.1	5.6	18.6	25.2	3.0	11.9	9.9
Non-Development Exp.	8.0	8.5	9.0	10.3	11.7	6.4	5.8	15.4	22.1	12.7	10.5	9.1
Interest payments	2.8	3.1	3.4	3.9	4.2	10.6	10.7	12.5	24.6	8.4	11.6	11.3
Pension	2.7	3.0	3.2	3.4	3.9	9.6	5.8	7.7	14.0	15.0	6.8	7.7
<b>Capital Expenditure*</b>	<b>4.3</b>	<b>4.0</b>	<b>3.9</b>	<b>5.8</b>	<b>6.5</b>	<b>-6.6</b>	<b>-1.0</b>	<b>47.7</b>	<b>46.2</b>	<b>11.2</b>	<b>20.9</b>	<b>10.9</b>
<b>Capital Outlay</b>	<b>3.8</b>	<b>3.6</b>	<b>3.6</b>	<b>5.3</b>	<b>5.9</b>	<b>-6.0</b>	<b>-1.1</b>	<b>47.6</b>	<b>45.9</b>	<b>12.1</b>	<b>20.8</b>	<b>11.1</b>
Development Exp.	3.7	3.4	3.4	5.0	5.5	-7.0	-1.1	47.1	45.5	11.1	20.6	10.6
Social Services	0.6	0.6	0.7	0.8	0.9	6.6	22.6	6.2	30.2	9.2	14.1	11.6
Education, art, culture	0.1	0.1	0.1	0.2	0.2	-10.7	34.3	36.2	82.9	33.1	35.2	17.8
Medical & Public Health	0.1	0.1	0.1	0.2	0.3	-6.2	5.7	74.2	84.1	21.4	35.7	20.0
Economic Services	2.9	2.7	2.4	3.4	3.8	-6.6	-8.6	40.2	28.1	10.2	13.2	6.2
Non-Development Exp.	0.2	0.2	0.2	0.3	0.4	14.8	-1.9	57.0	54.0	27.8	24.1	20.9
Loans by the state govt.	0.4	0.4	0.4	0.5	0.6	-12.1	-0.1	49.2	49.0	3.0	22.1	9.4
<b>Total Expenditure</b>	<b>27.2</b>	<b>28.3</b>	<b>29.8</b>	<b>36.9</b>	<b>40.3</b>	<b>4.0</b>	<b>5.2</b>	<b>23.8</b>	<b>30.3</b>	<b>9.4</b>	<b>14.1</b>	<b>10.6</b>

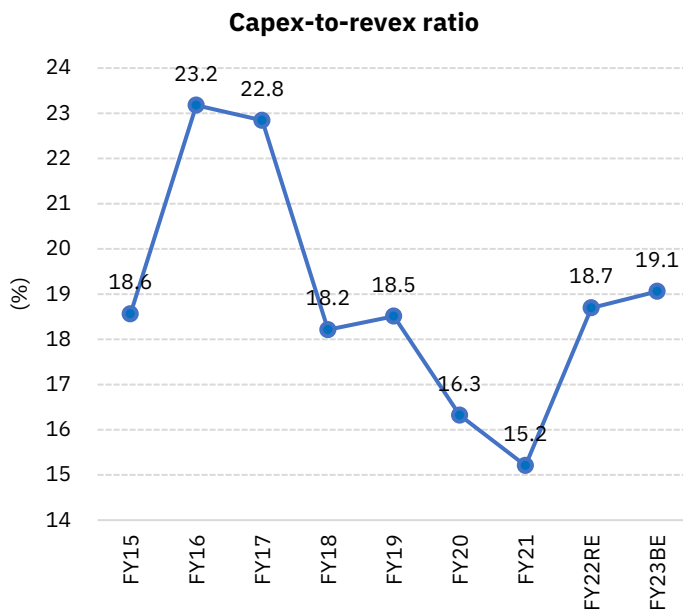
\* Capital exp. = capital outlay+ loans by the state govt.

Source: CMIE States of India, NSE EPR.

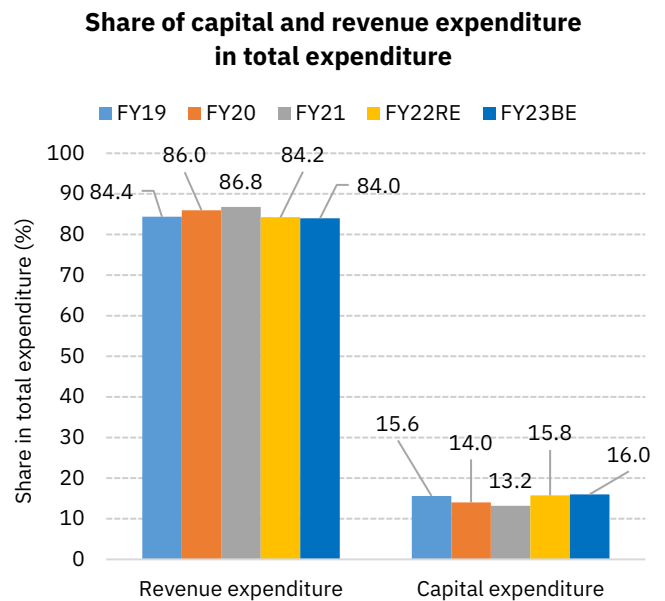


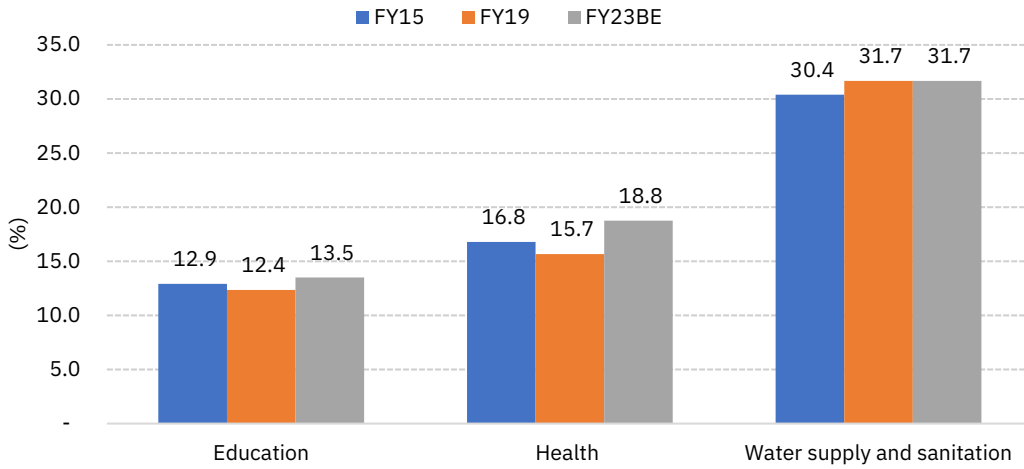
**Figure 12: Growth in aggregate expenditure**


Source: CMIE States of India, NSE EPR.

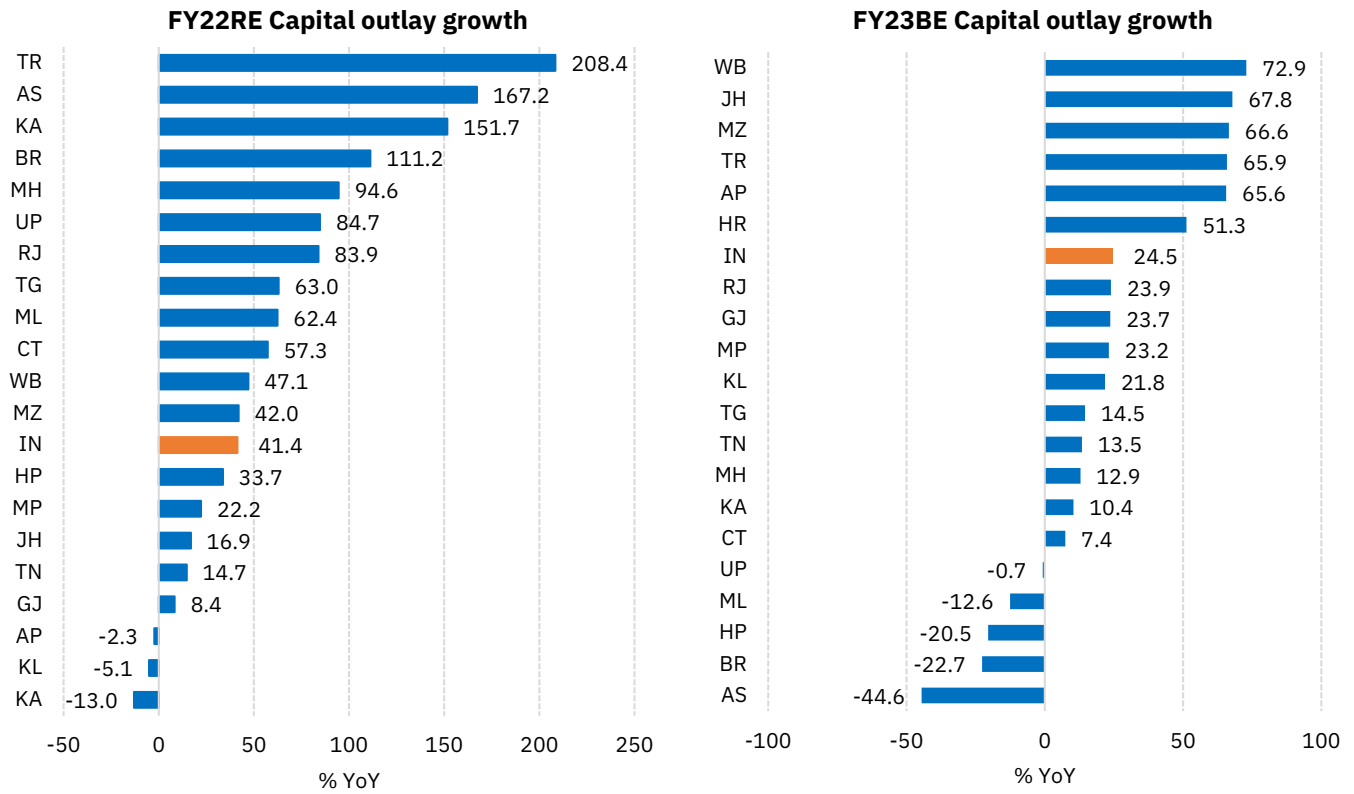
**Figure 13: Annual trend of ratio of capital to revenue expenditure**


Source: CMIE States of India, NSE EPR.

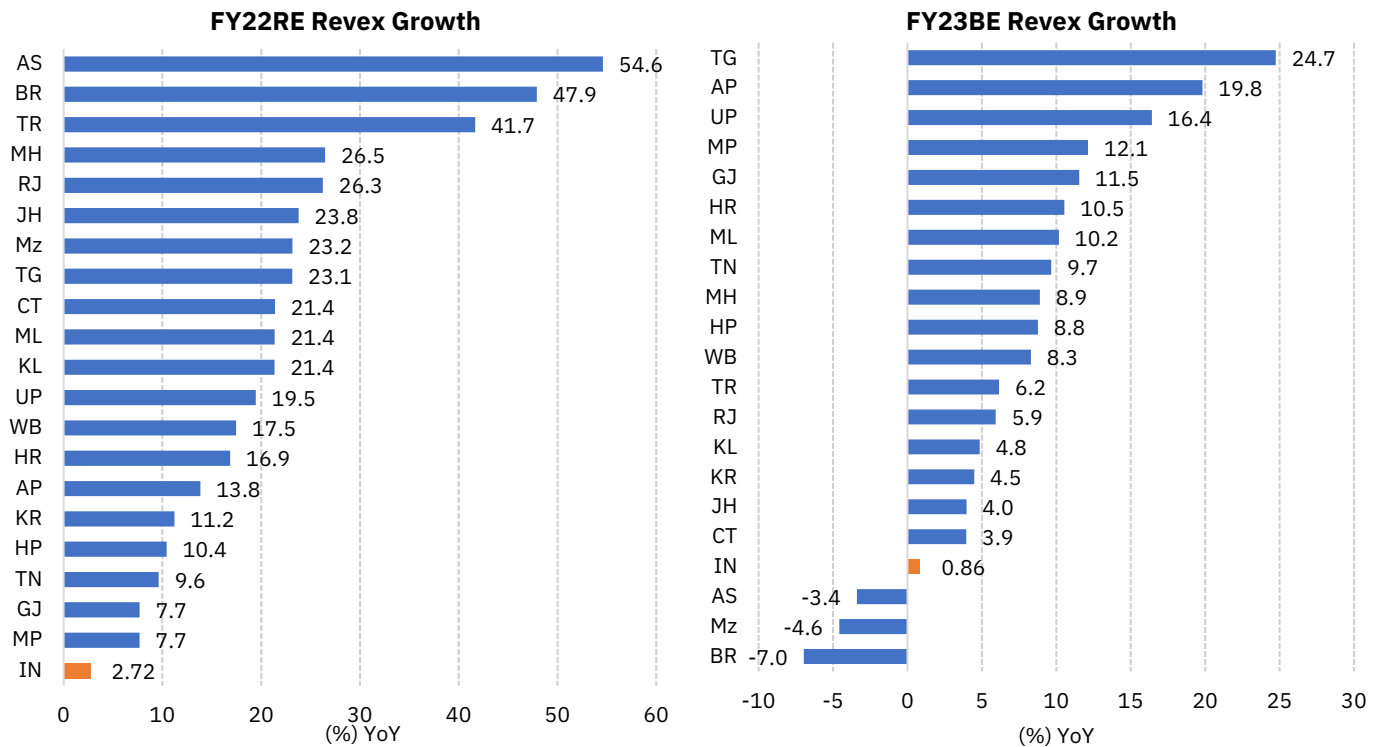
**Figure 14: Share of aggregate capital and revenue expenditure in total expenditure**


**Figure 15: Share of key sectors in Capex**


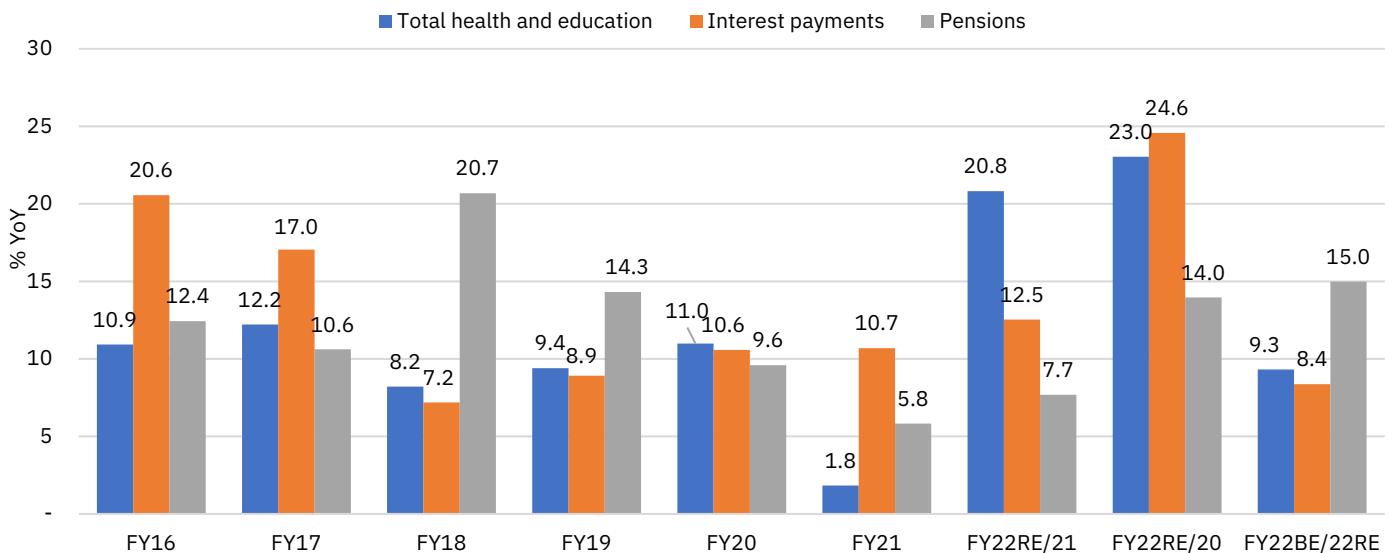
Source: CMIE States of India, NSE EPR

**Figure 16: Comparison of states in terms of expected capital expenditure growth in FY22RE and FY23BE**


Source: CMIE States of India, NSE EPR

**Figure 17: Comparison of states on expected revenue and capital expenditure growth in FY22RE and FY23BE**


Source: CMIE States of India, NSE EPR.

**Figure 18: Growth of sub-components of revenue expenditure (% YoY)**


Source: CMIE States of India, NSE EPR.

## Expenditure snapshot of five major states

Analysis of the expenditure profile of five states that accounts for 50% of the national GDP points to similar evidence as mentioned above. Non-development expenditure on the revenue account is budgeted to grow by a higher pace than the development expenditure in FY23 across these five states. Among these, Uttar Pradesh did not reduce its spending on medical and public health and recorded a growth of 22% on revenue account and 10% on capital account.

**Table 14: Expenditure snapshot Maharashtra**

Maharashtra	Rs.bn				YoY %	
	FY20	FY21	FY22RE	FY23BE	FY22RE/20	FY23BE/22RE
<b>Revenue Expenditure</b>	<b>3,003</b>	<b>3,106</b>	<b>3,929</b>	<b>4,278</b>	<b>30.8</b>	<b>8.9</b>
Development Expenditure	1,790	1,864	2,405	2,553	34.3	6.2
Social Services	1,229	1,220	1,676	1,828	36.3	9.1
Education, art and culture	624	622	713	799	14.4	12.0
Medical and Public Health	125	151	213	185	71.3	-13.5
Economic Services	560	643	729	725	30.0	-0.5
Non-Development Expenditure	1,001	1,039	1,264	1,442	26.3	14.2
Interest payments	336	370	413	468	23.0	13.3
Pension	277	323	380	455	37.1	19.7
<b>Capital Expenditure*</b>	<b>384</b>	<b>320</b>	<b>607</b>	<b>676</b>	<b>58.1</b>	<b>11.4</b>
<b>Capital Outlay</b>	<b>364</b>	<b>297</b>	<b>578</b>	<b>652</b>	<b>58.6</b>	<b>12.9</b>
Development Expenditure	352	282	535	601	52.0	12.4
Social Services	43	36	79	70	83.4	-11.0
Education, art and culture	2	1	3	5	43.6	68.7
Medical and Public Health	11	10	33	26	194.2	-20.3
Economic Services	309	246	456	531	47.7	16.4
Non-Development Expenditure	13	15	43	51	243.8	19.4
<b>Total Expenditure</b>	<b>3,387</b>	<b>3,426</b>	<b>4,535</b>	<b>4,954</b>	<b>33.9</b>	<b>9.2</b>

Source: CMIE States of India, NSE EPR.

**Table 15: Expenditure snapshot Karnataka**

Karnataka	In Rs.bn				YoY %	
	FY20	FY21	FY22RE	FY23BE	FY22RE/20	FY23BE/22RE
<b>Revenue Expenditure</b>	<b>1,743</b>	<b>1,761</b>	<b>1,958</b>	<b>2,046</b>	<b>12.4</b>	<b>4.5</b>
Development Expenditure	1,190	1,154	1,224	1,278	2.8	4.4
Social Services	664	617	747	791	12.5	6.0
Education, art and culture	265	243	281	305	6.0	8.7
Medical and Public Health	75	89	119	119	57.8	0.5
Economic Services	526	536	477	487	-9.3	2.0
Non-Development Expenditure	488	550	670	708	37.3	5.6
Interest payments	185	219	272	294	46.7	8.2
Pension	184	189	234	240	27.2	2.6
<b>Capital Expenditure*</b>	<b>396</b>	<b>481</b>	<b>424</b>	<b>470</b>	<b>7.0</b>	<b>10.8</b>
<b>Capital Outlay</b>	<b>355</b>	<b>454</b>	<b>395</b>	<b>436</b>	<b>11.1</b>	<b>10.4</b>
Development Expenditure	348	442	386	422	11.0	9.3
Social Services	92	115	106	97	15.2	-8.5
Education, art and culture	12	12	15	15	24.7	-1.4
Medical and Public Health	8	21	18	15	124.9	-19.1
Economic Services	256	327	280	325	9.4	16.1
Non-Development Expenditure	8	12	9	14	18.3	52.7
<b>Total Expenditure</b>	<b>2,139</b>	<b>2,241</b>	<b>2,382</b>	<b>2,515</b>	<b>11.4</b>	<b>5.6</b>

Source: CMIE States of India, NSE EPR.

**Table 16: Expenditure snapshot Tamil Nadu**

Tamil Nadu	Rs.bn				YoY %	
	FY20	FY21	FY22RE	FY23BE	FY22RE/20	FY23BE/22RE
<b>Revenue Expenditure</b>	2,104	2,364	2,592	2,842	23.2	9.7
Development Expenditure	1,166	1,416	1,550	1,561	32.9	0.7
Social Services	740	898	944	935	27.5	-0.9
Education, art and culture	382	380	382	427	-0.2	11.9
Medical and Public Health	89	112	133	137	49.6	3.2
Economic Services	426	518	606	626	42.2	3.2
Non- Development Expenditure	781	790	860	1,091	10.1	26.9
Interest payments	320	365	415	467	29.6	12.7
Pension	302	271	264	395	-12.6	49.6
<b>Capital Expenditure*</b>	297	369	415	491	40.0	18.2
<b>Capital Outlay</b>	256	331	379	430	48.0	13.5
Development Expenditure	246	321	367	414	49.5	12.9
Social Services	59	108	161	158	174.1	-1.7
Education, art and culture	5	6	6	11	18.9	80.3
Medical and Public Health	5	23	25	9	432.8	-62.8
Economic Services	187	213	207	257	10.4	24.2
Non- Development Expenditure	11	9	12	16	14.5	31.6
<b>Total Expenditure</b>	<b>2,401</b>	<b>2,733</b>	<b>3,007</b>	<b>3,333</b>	<b>25.2</b>	<b>10.8</b>

Source: CMIE States of India, NSE EPR.

**Table 17: Expenditure snapshot Uttar Pradesh**

Uttar Pradesh	Rs.bn				YoY %	
	FY20	FY21	FY22RE	FY23BE	FY22RE/20	FY23BE/22RE
<b>Revenue Expenditure</b>	<b>2,988</b>	<b>2,985</b>	<b>3,566</b>	<b>4,152</b>	<b>19.3</b>	<b>16.4</b>
Development Expenditure	1,667	1,653	2,008	2,317	20.5	15.4
Social Services	1,038	1,097	1,272	1,648	22.5	29.5
Education, art and culture	544	535	555	859	2.1	54.7
Medical and Public Health	112	115	133	162	18.3	21.8
Economic Services	628	556	736	669	17.2	-9.1
Non-Development Expenditure	1,177	1,191	1,393	1,655	18.4	18.8
Interest payments	348	374	425	451	22.1	6.0
Pension	496	482	537	687	8.3	27.9
<b>Capital Expenditure*</b>	<b>621</b>	<b>534</b>	<b>986</b>	<b>976</b>	<b>58.7</b>	<b>-1.0</b>
<b>Capital Outlay</b>	<b>575</b>	<b>507</b>	<b>914</b>	<b>905</b>	<b>59.0</b>	<b>-1.0</b>
Development Expenditure	575	507	914	905	59.0	-1.0
Social Services	105	124	320	304	204.2	-4.8
Education, art and culture	14	14	20	23	49.4	14.4
Medical and Public Health	21	18	62	68	192.6	10.0
Economic Services	470	383	594	601	26.5	1.1
Non-Development Expenditure	25	15	51	53	102.5	4.3
<b>Total Expenditure</b>	<b>3,610</b>	<b>3,519</b>	<b>4,552</b>	<b>5,128</b>	<b>26.1</b>	<b>12.7</b>

Source: CMIE States of India, NSE EPR.

**Table 18: Expenditure snapshot Gujarat**

Gujarat	Rs.bn				YoY %	
	FY20	FY21	FY22RE	FY23BE	FY22RE/20	FY23BE/22RE
<b>Revenue Expenditure</b>	<b>1,409</b>	<b>1,507</b>	<b>1,623</b>	<b>1,810</b>	<b>15.2</b>	<b>11.5</b>
Development Expenditure	913	982	1,077	1,083	18.0	0.6
Social Services	592	608	699	697	18.2	-0.3
Education, art and culture	246	261	282	291	14.6	3.0
Medical and Public Health	67	79	105	74	56.4	-28.9
Economic Services	321	374	378	386	17.6	2.2
Non-Development Expenditure	492	521	541	722	10.1	33.3
Interest payments	224	242	253	271	12.9	7.0
Pension	177	186	168	176	-4.6	4.4
<b>Capital Expenditure*</b>	<b>270</b>	<b>280</b>	<b>302</b>	<b>374</b>	<b>12.1</b>	<b>23.6</b>
<b>Capital Outlay</b>	<b>250</b>	<b>263</b>	<b>284</b>	<b>346</b>	<b>13.6</b>	<b>22.1</b>
Development Expenditure	250	263	284	346	13.6	22.1
Social Services	62	70	87	112	40.9	28.9
Education, art and culture	6	7	8	15	40.9	86.9
Medical and Public Health	11	7	11	14	8.5	23.9
Economic Services	188	193	197	234	4.6	19.0
Non-Development Expenditure	7	5	7	13	-3.2	93.0
<b>Total Expenditure</b>	<b>1,679</b>	<b>1,787</b>	<b>1,925</b>	<b>2,184</b>	<b>14.7</b>	<b>13.4</b>

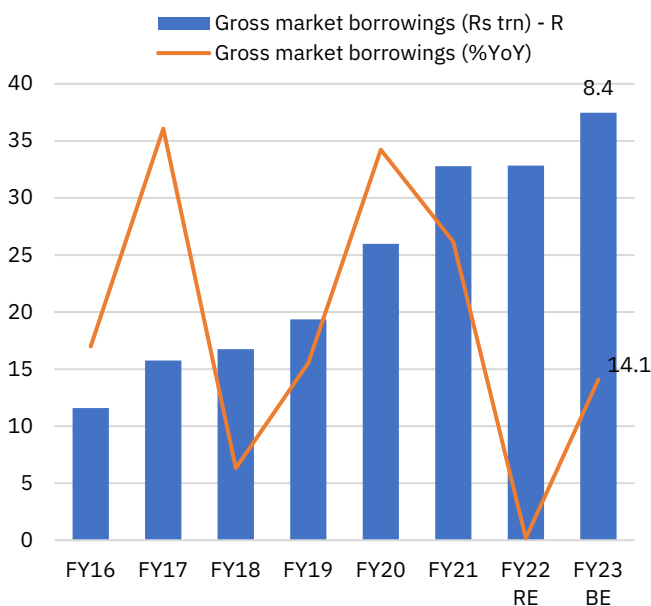
Source: CMIE States of India, NSE EPR.

## Financing profile

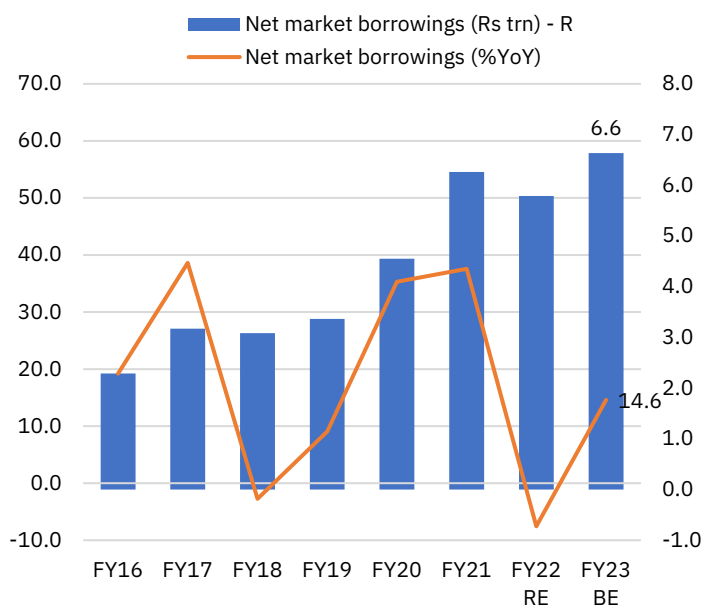
**States' gross borrowings remained fairly steady in FY22....:** Following a steep 26% jump in FY21, states' gross borrowings rose by a modest 0.2% in FY22, even as the growth rate has varied widely across states. All states, barring Andhra Pradesh, Chhattisgarh and Tripura have had seen a sharp jump in gross market borrowings in FY22 over FY20 to finance their fiscal deficits and provide for repayments. In fact, seven out of these 20 states have seen a 30%+ jump in gross borrowings during this period, led by Kerala that saw its borrowings rising by ~75% during FY20-22 to Rs316bn. Kerala was one of the worst COVID-affected states that led to the Government there stepping up health-care related expenditure in a meaningful manner. This, coupled with fall in their tax revenue owing to lockdown restrictions, weighed on the state's finances. Other major states including Maharashtra and Rajasthan have also seen their gross borrowings rising by 50%+ during this period.

**...But is budgeted to increase by 14% in FY23:** Gross market borrowings for these 20 states under study is budgeted to rise by a strong 14% in FY23 to fresh record-high of Rs8.4trn, partly attributed to repayment of maturing loans. For instance, nearly Rs1.8trn worth of state loans are due for maturity in FY22. Among states, Madhya Pradesh has budgeted for the steepest jump in gross borrowing target for this year of 75.5%, albeit off a low base (-37.6% in FY22RE), followed by Maharashtra, Tripura and Kerala. States that have budgeted for lower borrowings in FY23 include Assam, Mizoram and Himachal Pradesh. Interestingly, Maharashtra state has seen a sharp jump in gross borrowings over the last five years, implying a CAGR of ~48% during FY19-23BE, followed by Bihar (+25.2%), Madhya Pradesh (+24.9%) and Tamil Nadu (+23.9%). Notably, except for Chattisgarh, all other states have seen a positive CAGR in gross market borrowings during FY19-23BE.

**Figure 19: Gross market borrowings in 20 states**



**Figure 20: Net market borrowings in 20 states**



Source: CMIE States of India, NSE EPR.

**Table 19: Gross market borrowings across states**

States	Total (Rs trn)					Growth (%YoY)					CAGR (%)
	FY19	FY20	FY21	FY22 RE	FY23 BE	FY20 / FY19	FY21/ FY20	FY22 RE/ FY21	FY22 RE/ FY20	FY23 BE/ FY22 RE	FY19-23BE
Andhra Pradesh	348	488	509	464	550	40.5	4.2	(8.7)	(4.9)	18.4	12.2
Assam	106	129	150	208	166	21.8	16.5	38.6	61.5	(20.3)	11.9
Bihar	143	256	273	307	352	78.8	6.7	12.5	20.1	14.6	25.2
Chhattisgarh	129	117	130	90	104	(9.5)	11.3	(31.2)	(23.4)	16.2	(5.2)
Gujarat	370	389	448	410	450	5.2	15.1	(8.4)	5.4	9.8	5.0
Haryana	213	247	300	308	350	16.0	21.6	2.7	24.9	13.6	13.3
Himachal Pradesh	42	66	60	91	89	56.3	(8.8)	51.7	38.3	(2.6)	20.5
Jharkhand	55	75	94	92	112	36.1	25.3	(1.7)	23.2	21.2	19.4
Karnataka	396	485	690	631	679	22.5	42.3	(8.6)	30.1	7.6	14.4
Kerala	195	181	286	316	391	(7.3)	58.1	10.5	74.6	24.0	19.0
Madhya Pradesh	205	224	456	284	499	9.2	103.7	(37.6)	27.1	75.5	24.9
Maharashtra	209	485	690	750	1,000	132.4	42.3	8.7	54.7	33.3	48.0
Meghalaya	11	13	18	17	19	19.8	32.2	(7.1)	22.8	15.3	14.1
Rajasthan	332	391	574	595	608	17.8	46.7	3.7	52.2	2.1	16.3
Tamil Nadu	431	624	880	910	1,015	44.8	40.9	3.4	45.8	11.5	23.9
Telangana	267	371	438	475	540	38.8	18.0	8.5	28.0	13.6	19.2
Tripura	15	29	19	17	23	89.8	(34.6)	(13.3)	(43.2)	37.9	10.4
Uttar Pradesh	460	697	755	740	742	51.5	8.3	(2.0)	6.1	0.2	12.7
West Bengal	428	570	597	674	733	33.1	4.7	12.9	18.3	8.7	14.4
Mizoram	-	9	9	10	9		4.9	5.8	11.0	(10.0)	

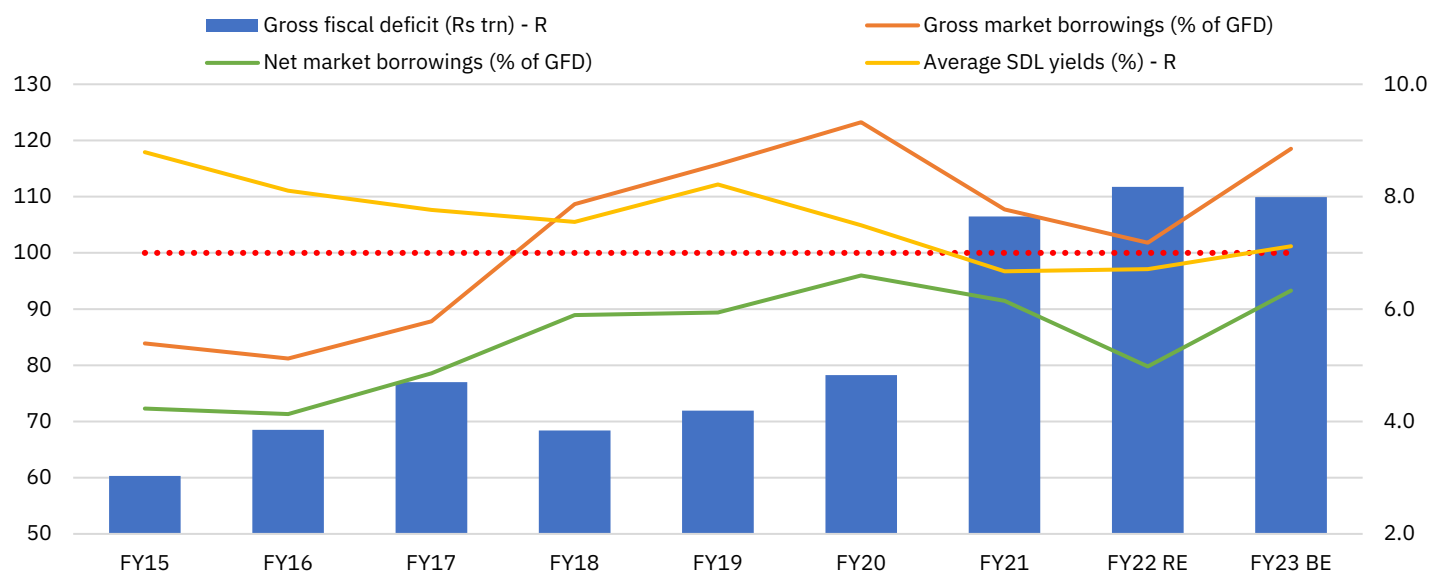
Source: CMIE States of India, NSE EPR.

### Net market borrowings to fund 93% of the combined fiscal deficit of 20 states:

Dependence of states on market borrowings (state development loans or SDLs) to fund their deficits has grown manifold over the recent years, partly owing to the exclusion of several states and UTs from National Small Savings Fund (NSSF) investments w.e.f. April 2016. In FY23BE, net market borrowings are expected to fund more than 93% of the combined fiscal deficit of the 20 states under study vs. ~80% in FY22RE, even as it is a tad lower than 96% in FY20. Increasing reliance on SDLs is visible from a sharp surge in the share of SDLs in total outstanding liabilities of states, from 43% in FY15 to 59% in FY22, while the share of NSSF has reduced from 17.2% to 4.6% over the period. As a result, total states' liabilities rose from 26% of GSDP in FY20 to 29% in FY21 and remained elevated at that level in the following year as well.

Total liabilities of the centre and states combined rose to a record high of 90% in FY21 from 77% in the previous year, falling slightly to 87% in FY22. This is much higher than the pre-pandemic FRBM target of 60% (40% of the Centre and 20% of the states) of GDP by March 2025.



**Figure 21: Reliance on market borrowings for financing fiscal deficit**


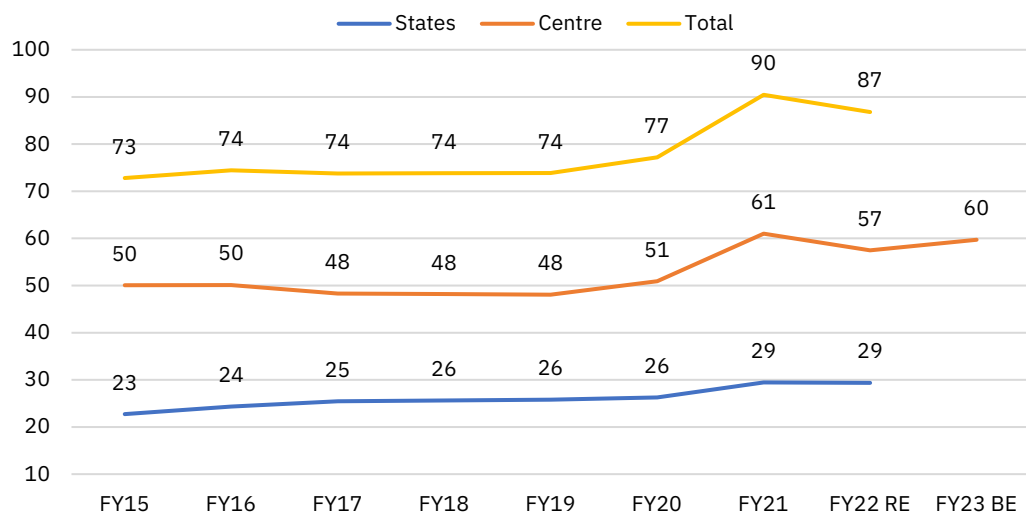
Source: CMIE States of India, NSE EPR.

**Table 20: Comparison of states in terms of dependency on market borrowings to finance fiscal deficit (Net market borrowings as a % of GFD)**

State	FY15-FY19	FY20	FY21	FY22 RE	FY23 BE
Andhra Pradesh	62	84	73	93	89
Assam	50	74	128	51	102
Bihar	78	184	83	35	101
Chhattisgarh	101	61	66	39	42
Gujarat	88	116	82	80	84
Haryana	73	68	89	91	80
Himachal Pradesh	56	80	66	98	74
Jharkhand	52	70	60	73	67
Karnataka	77	111	92	110	94
Kerala	61	53	56	49	61
Madhya Pradesh	69	50	91	66	95
Maharashtra	97	61	70	53	79
Meghalaya	189	97	61	85	82
Rajasthan	53	84	86	86	89
Tamil Nadu	78	83	82	84	85
Telangana	75	97	79	92	87
Tripura	43	79	85	40	34
Uttar Pradesh	76	-504	116	78	113
West Bengal	94	111	112	85	85
Mizoram	-26	61	36	40	59

Source: CMIE States of India, NSE EPR.

Note: \* gives average values between FY15 and FY19. The ratio came negative for Mizoram and Uttar Pradesh as Mizoram had fiscal surplus during FY15-FY19 on average, while Uttar Pradesh had fiscal surplus in FY20.

**Figure 22: General government liabilities as % of GDP**


Source: CMIE Economic Outlook, CMIE States of India, PRS, State Budgets, NSE EPR.

**Table 21: Composition of aggregate outstanding liabilities of 20 states**

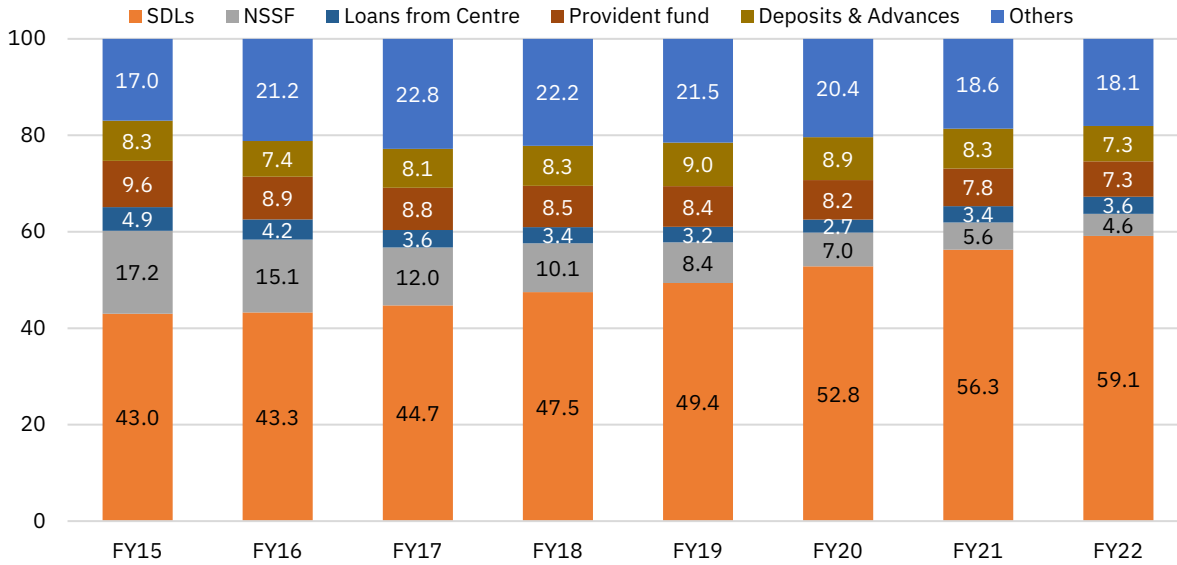
Rs trn	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
1. Total internal debt	17.1	21.0	25.1	28.0	31.0	35.4	41.3	47.8
1.1 SDLs	11.6	13.9	17.0	20.1	23.2	27.8	34.0	40.4
1.2 NSSF	4.6	4.8	4.6	4.3	4.0	3.7	3.4	3.1
1.3 Loans from banks & other FIs	0.8	1.2	1.5	1.6	1.8	2.0	2.1	2.3
1.3.1 Loans from NABARD	0.5	0.7	0.8	0.9	1.1	1.2	1.4	1.6
1.3.1 Loans from others	0.3	0.5	0.7	0.7	0.7	0.7	0.7	0.6
2. Loans from Centre	1.3	1.3	1.4	1.4	1.5	1.4	2.1	2.4
3. Provident fund	2.6	2.8	3.3	3.6	4.0	4.3	4.7	5.0
4. Reserve fund	0.9	1.2	1.1	1.6	1.9	1.6	1.3	1.5
5. Deposits & Advances	2.2	2.4	3.1	3.5	4.3	4.7	5.0	5.0
6. Contingency Fund	2.8	3.3	4.0	4.2	4.5	5.3	6.0	6.6
<b>Outstanding liabilities</b>	<b>27.0</b>	<b>32.0</b>	<b>38.0</b>	<b>42.2</b>	<b>47.1</b>	<b>52.6</b>	<b>60.4</b>	<b>68.3</b>

Source: CMIE States of India, NSE EPR.

**Table 22: Annual growth of outstanding liabilities of 20 states**

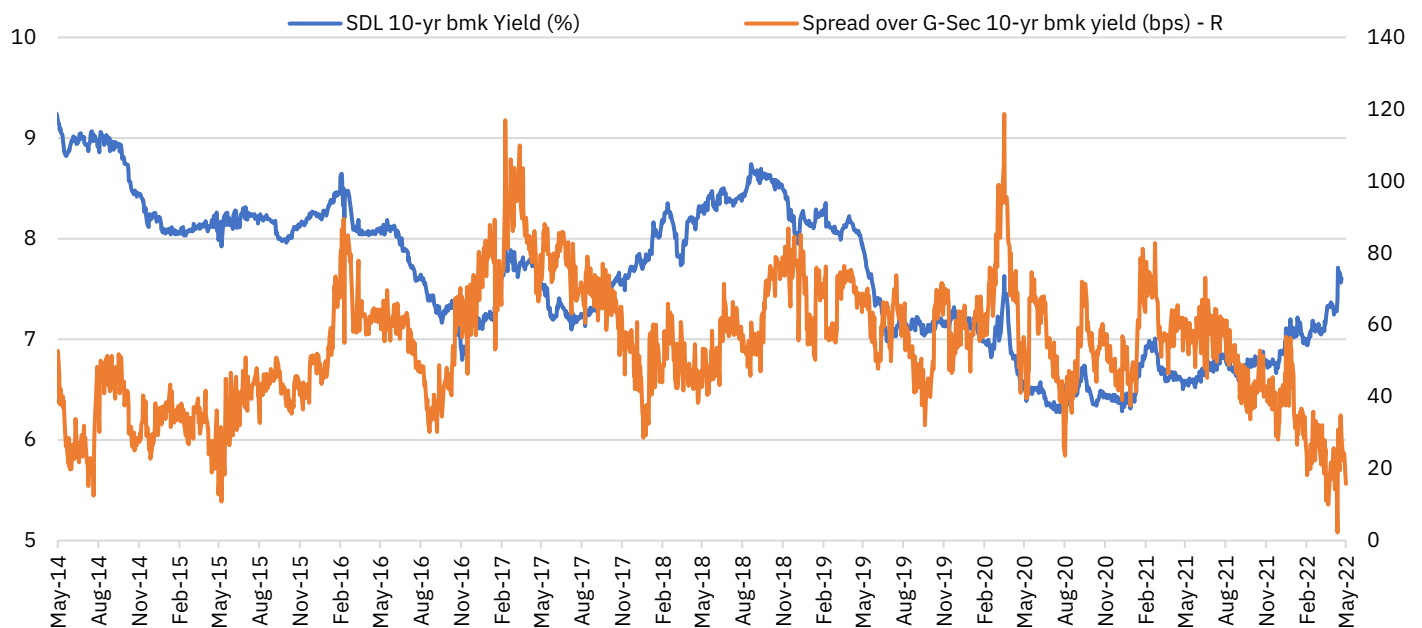
% YoY	FY16	FY17	FY18	FY19	FY20	FY21	FY22
<b>1. Total internal debt</b>	<b>23.0</b>	<b>19.6</b>	<b>11.4</b>	<b>10.7</b>	<b>14.1</b>	<b>16.9</b>	<b>15.7</b>
1.1 SDLs	19.6	22.5	18.2	15.9	19.6	22.3	18.8
1.2 NSSF	4.7	(5.9)	(6.4)	(7.0)	(7.1)	(7.5)	(8.3)
1.3 Loans from banks & other FIs	55.5	21.6	7.8	11.1	11.7	7.7	7.3
1.3.1 Loans from NABARD	44.0	17.9	13.3	18.6	10.9	15.9	14.9
1.3.1 Loans from others	74.6	26.7	0.8	0.3	13.2	(5.9)	(8.4)
2. Loans from Centre	0.8	3.5	3.1	5.9	(6.9)	46.6	17.9
3. Provident fund	9.8	16.9	8.5	10.0	8.7	8.9	6.7
4. Reserve fund	33.6	(9.6)	40.0	19.0	(13.5)	(16.6)	10.0
5. Deposits & Advances	5.8	29.4	14.6	21.0	10.1	6.9	0.3
6. Contingency Fund	16.4	21.5	4.9	8.5	16.4	14.0	9.5
<b>Outstanding liabilities</b>	<b>18.9</b>	<b>18.5</b>	<b>11.3</b>	<b>11.4</b>	<b>11.8</b>	<b>14.8</b>	<b>13.1</b>

Source: CMIE States of India, NSE EPR.

**Figure 23: Annual trend of the composition of states' outstanding liabilities**


Source: CMIE States of India, NSE EPR.

**Surge in market borrowings may have adverse impact on average SDL yields:** The sharp rise in states' borrowings to finance their deficits, continuous rise in outstanding SDLs over the past two fiscal years and the recent policy rate hikes by the Fed and the RBI have had adverse impact on the average SDL 10-year benchmark yields, which rose to 24-month high of 7.3% on April 11<sup>th</sup>, 2022 and remained elevated thereafter over the month. The upward trend may continue over the current fiscal year given the expected front-loaded hikes in policy rates thanks to intensifying inflationary pressures.

**Figure 24: Movement in 10-year benchmark SDL yield and spreads**


Source: CCIL, NSE EPR.

## Economic Policy & Research

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