October 2023
Volume 2, Issue 1

State of States

A bi-annual review of state finances

State of States

Volume 2, Issue 1

This publication is issued bi-annually by the Economic Policy and Research (EPR) department of the National Stock Exchange of India Limited. It is an analysis of state budgets and the monthly unaudited state finances.

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NATIONAL STOCK EXCHANGE OF INDIA LIMITED

State of States

Published by Economic Policy and Research, National Stock Exchange of India Ltd.

Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai 400 051 INDIA

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State Budget Analysis: Will the major states push capex in FY24?

The analysis of FY24 budgets for 21 states—contributing 93% to India's GDP—reveals some interesting facts about the health of their finances. The average GDP growth estimated for these states stands at 10.9% (Range: 4% to 19%), marginally higher than 10.5% as per the FY24 Union Budget. Overall revenue receipts for FY24 are budgeted to increase by a sequentially slower pace of 11.1% over FY23RE (+19.7% in FY23RE), primarily led by strong growth in states' own revenues—tax as well as non-tax, partly offset by reduced grants from the Centre. Tax buoyancy for these 21 states is expected to improve from 1.1 in FY23RE to 1.3 in FY24BE, higher than 1.0 for the Centre, which might face headwinds given the likely growth slowdown.

In line with the Centre, capital spending by states has risen meaningfully over the last two years. Expenditure quality as measured by the ratio of capital to revenue expenditure at 21.7% in FY24BE is the highest in the last six years. Overall capital expenditure growth is pegged at a strong 20.5% in FY24BE on top of a 33.8% growth in FY23RE. While UP and smaller states exceeded their capex targets in FY23, 10 out 21 states spent a lower-than-budgeted amount. Revenue expenditure growth, however, is pegged at a modest 7%, primarily led by interest and pension payments (+12.2% YoY), excluding which revenue expenditure is budgeted to grow at 5.4%.

Overall fiscal deficit of these 21 states is pegged at 3.2% of GSDP in FY24BE vs. 3.5% in FY23RE, in line with the indicated fiscal consolidation path recommended by the 15th Finance Commission. Nearly 77.2% of this would be funded by market loans, with gross borrowings for these states budgeted to rise by 10.3% to Rs 9.3trn in FY24BE. Notably, state reliance on market borrowings has dropped in the last few years, thanks to higher loans by the Centre. States' outstanding liabilities to GDP ratio at 31.1% in FY21 would actually rise to 34.8% after accounting for contingent liabilities. In our sample, UP accounts for 21% of the overall contingent liabilities of these 21 states, followed by Southern trio (AP, TN, Telangana) at 38%.

With states now accounting for more than 60% of the general government expenditure in India, improvement in their financial positions is becoming increasingly crucial to ensure they are sufficiently equipped to provide for future emergencies and emerging priorities such as climate change. Based on our analysis, the following takeaways emerge, for long-term fiscal health: a) A clear roadmap to fiscal austerity, particularly so for fiscally strained states like Punjab, b) Risk-based pricing of SDLs to bring about fiscal prudence, c) A gradual reduction in contingent liabilities to bring about transparency in state finances, d) Enhanced fiscal prudence across states, and e) Shift from cash to accrual accounting to better assess the financial position of states.

- **States' fiscal deficit pegged at 3.2% in FY24BE:** In this report, we analyse FY24 budgets of 21[1] states, comprising 93% of the nation's GDP. We note that while states on an aggregate basis have maintained focus on capex, there is a significant inter-state disparity. Several large states including Madhya Pradesh, Maharashtra and Gujarat undershot their budget estimates in FY23. Despite buoyant tax collections, overall deficit for these 21 states stood at 3.3% of GSDP in FY23RE, surpassing BE by 20bps, primarily led by higher-than-budgeted expenditure and lower non-tax revenues. For FY24, the states' fiscal deficit is pegged at 3.2% of GSDP, in line with the indicated fiscal consolidation path recommended by the 15th Finance Commission. This assumes a GDP growth of 10.9% in FY24, a tad higher than the 10.5% growth assumed in the Centre's budget.

Among these 21 states, Punjab has budgeted the highest fiscal deficit of 5% of GSDP in FY24, followed by Himachal Pradesh at 4.6%. Gujarat has budgeted the lowest deficit of 1.8% of GSDP, with the last 13-year average hovering at a similar level.

- **Revenue receipts budgeted to grow at 10.3% in FY24:** Total receipts of our sample are budgeted to increase by 11.1% in FY24BE to Rs 39.9trn, moderating from 19.7% growth in FY23RE. Growth in revenue receipts is primarily led by states' own revenues—tax (+17.1%) as well as non-tax (+25.2%), while the overall transfers from the Centre (devolution + grants in aid) are expected to rise by a

SGST—comprising ~45% of state' total own tax revenues—are budgeted to expand by 18.1%YoY in FY24 for 21 states.

[1] 21 states: AP, AS, BR, CG, GJ, HR, HP, JH, KR, KL, ME, MP, MH, MZ, OD, PB, RJ, TN, TG, UP, WB

modest 0.9%. Within the states' own tax revenue (SOTR), SGST collections are budgeted to grow by a robust 18.1% in FY24BE on top of a 27.8% increase in FY23RE. Notably, the share of SGST in SOTR has risen from 27% in FY18 to 42.3% in FY24BE. Notably, *tax buoyancy at 1.1* in FY23RE was a tad higher than budgeted and is expected to improve further to *1.3* in FY24BE. However, it might face headwinds given the likely global growth slowdown.

- **States remain focused on capex with smaller states leading:** Following a large pandemic-induced reduction in FY21, states have since been reviving their capital spending, aided by robust revenues. As such, the ratio of capital to revenue expenditure—a measure of expenditure quality—has improved meaningfully over the last four years and is budgeted at a six-year high of 21.7% in FY24. Overall capital expenditure for 21 states is expected to grow by 20.5% in FY24 on top of a 33.8% increase in FY23RE. While UP and smaller states exceeded their capex targets in FY23, 10 out 21 states spent a lower-than-budgeted amount. Smaller states like Mizoram, Chhattisgarh, Odisha, and Telangana pushed capex last year while only UP (77.2%) among the top five states recorded a high growth in their capital outlay. States' spending has remained focused on education, water supply, transportation, and rural development. Revenue expenditure, on the other hand, is budgeted to grow by a modest 7% YoY in FY24BE vs. 21.1% YoY in FY23RE. Notably, the share of committed expenditure (interest payments + pension) in the overall revenue expenditure is expected to increase to 25.4% in FY25BE from 24% in FY23RE, even as it is lower than the post-pandemic high of 27.8% in FY21. This points to the need for continued rationalization of state expenditure.

- **States' liabilities easing from post-pandemic highs:** Aggregate outstanding liabilities across states rose to a 15-year high of 31.1% of GSDP in FY21, translating into a steep 9.5 percentage points jump between FY15 and FY21, weighed down by farm loan waivers and debt takeover under the Uday Scheme. While Punjab (47.9% of GSDP in FY21), West Bengal (43%), Rajasthan (40.3%), Kerala (40.3%) and Bihar (36.9%) are the most indebted states, Delhi (1.2%), Maharashtra (20.9%), Gujarat (22.5%) and Karnataka (25.9%) are the least indebted ones. Outstanding liabilities of states are expected to have fallen to 28.7% in FY22RE and were budgeted at 29.5% in FY23BE.

- **Reliance on borrowings coming off but with significant inter-state diversity…:** The surge in states' liabilities between FY15 and FY21 was primarily led by a sharp rise in market borrowings by states during this period. In fact, states' share in general government borrowings (Centre + states) increased from 9% in FY07 to 47% in FY20. Further, nearly all (96%) of the states' aggregate fiscal deficit was funded by market borrowings in FY20. This channel, however, has been relatively less popular since, funding ~72% of the aggregate deficit in FY23RE only to rise marginally to 77% in FY24BE, with total gross borrowings pegged to rise by 10.3% to Rs 9.3trn. That said, there remains significant inter-state disparity. Total gross borrowings of these 21 states rose by a CAGR of 11.3% over FY20-24, with eight states reporting a higher growth led by Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Haryana and Tamil Nadu. These eight states account for nearly 75% of the absolute increase in aggregate gross market borrowings during this period.

- **…leading to tightening of SDL spreads:** States have been undershooting their indicative targets since the last three years. Total SDL issuances at Rs 7.5trn in FY23 and Rs 3.1trn in FY24 thus far (as on September 5th) fell short of the guided amount by ~25% and 21% respectively, with several large states including UP, Tamil Nadu and Maharashtra borrowing less than 75% of the indicative amount last year. This followed a 21% and 8% under-borrowing in FY22 and FY21 respectively. This has resulted in gradual tightening of SDL spreads during this period, which is now currently hovering at 26bps in the 10-year bucket, nearly half of the long-period average of ~50-55bps.

- **Fiscal prudence key to strengthening state finances:** With states accounting for ~60% of the general government expenditure in India, improvement in their financial positions is becoming increasingly crucial. It is, therefore, important to have a clear roadmap to fiscal austerity at the state level, particularly for debt-ridden states like Punjab. Some of these states have debt to GDP ratio north of 40% and spend a large amount of their revenue receipts on committed expenditure, which in turn reduces their ability to spend on developmental areas.

  Further, risk-based pricing of SDLs based on state-specific fiscal parameters, as opposed to near-uniform pricing prevalent currently, would nudge fiscally strained states to pursue fiscal consolidation. The outstanding liabilities of states do not include contingent liabilities, a large part of which pertains to state guarantees to SPSEs (State Public Sector Enterprises). At an aggregate level, contingent liabilities added up to 3.7% of GSDP in FY21. This poses significant risks to state governments, particularly to those with high debt levels. A gradual reduction in contingent liabilities is therefore imperative to bring about transparency in state finances and enhance the overall fiscal health.

  In addition to high contingent liabilities, state finances also lack prudence. For instance, the aggregate fiscal deficit figures as per revised estimates for these 21 states have overshot the budget estimates every year since FY15. Further, the actual numbers, which should be closer to revised figures, have in fact always been lower during this period, and by an average of 15% since FY15. This discrepancy should be addressed to enhance credibility and improve understanding of the proposed budget. Lastly, states, along with the Centre, should adopt accrual accounting as that will improve governance, enhance transparency and provide a more reliable picture of government finances.

Sample set of the study

State	Abbreviation	State	Abbreviation	State	Abbreviation
Andhra Pradesh	AP	Jharkhand	JH	Odisha	OD
Assam	AS	Karnataka	KA	Punjab	PB
Bihar	BR	Kerala	KL	Rajasthan	RJ
Chhattisgarh	CG	Madhya Pradesh	MP	Tamil Nadu	TN
Gujarat	GJ	Maharashtra	MH	Telangana	TG
Haryana	HR	Meghalaya	ML	Uttar Pradesh	UP
Himachal Pradesh	HP	Mizoram	MZ	West Bengal	WB

Table 1: Demographic and economic snapshot of 21 states under study

State	No. of districts [1]	Population ('0000) [2]	Literacy rate [3]	Unemployment rate (FY22)	Nominal GSDP (FY23BE, Rs trn)	Per capita GSDP (Rs) [4]	Inflation (FY23, Avg.)	Fiscal deficit to GSDP (FY24BE)	Debt to GSDP (FY21)
Andhra Pradesh	32	53,156	66.9	4.2	14.5	272,688	7.6	3.8	36.9
Assam	27	35,713	85.9	3.8	5.7	158,766	6.5	3.7	25.4
Bihar	42	126,756	70.9	6.0	8.6	67,768	5.7	3.0	40.1
Chhattisgarh	31	30,180	77.3	2.5	5.1	168,655	4.7	3.0	28.8
Gujarat	39	71,507	82.4	2.0	25.6	358,423	6.9	1.8	22.5
Haryana	24	30,209	80.4	9.0	11.2	370,750	7.5	3.0	33.2
Himachal Pradesh	18	7,468	86.6	4.0	2.1	286,556	4.5	4.6	44.4
Jharkhand	26	39,466	74.3	2.0	4.2	107,254	6.1	2.8	36.8
Karnataka	58	67,692	77.2	3.2	23.3	344,212	5.5	2.6	25.9
Kerala	21	35,776	96.2	9.6	11.3	315,854	5.8	3.5	40.3
Madhya Pradesh	53	86,579	73.7	2.1	13.9	160,214	7.5	4.0	30.2
Maharashtra	45	126,385	84.8	3.5	38.8	306,982	7.3	2.5	20.9
Meghalaya	14	3,349	75.5	2.6	0.5	139,146	4.3	3.4	43.5
Mizoram	13	1,238	91.6	5.4	0.4	290,016	7.9	3.5	42.7
Odisha	32	46,276	77.3	6.0	8.7	186,922	6.0	3.0	26.1
Punjab	26	30,730	83.7	6.4	7.0	227,140	6.1	5.0	47.9
Rajasthan	35	81,025	69.7	4.7	15.7	193,767	6.9	4.0	40.3
Tamil Nadu	35	76,860	82.9	4.8	28.3	368,202	6.0	3.3	31.8
Telangana	43	38,090	72.8	4.2	14.0	367,551	8.6	4.0	28.8
Uttar Pradesh	80	235,687	73.0	2.9	24.4	103,492	7.1	3.5	36.5
West Bengal	28	99,084	80.5	3.5	17.2	173,489	7.1	3.8	43.0

Source: CMIE States of India, Ministry of Health & Family Welfare, NSSO (PLFS), RBI, State budget documents, NSE EPR.

Notes:

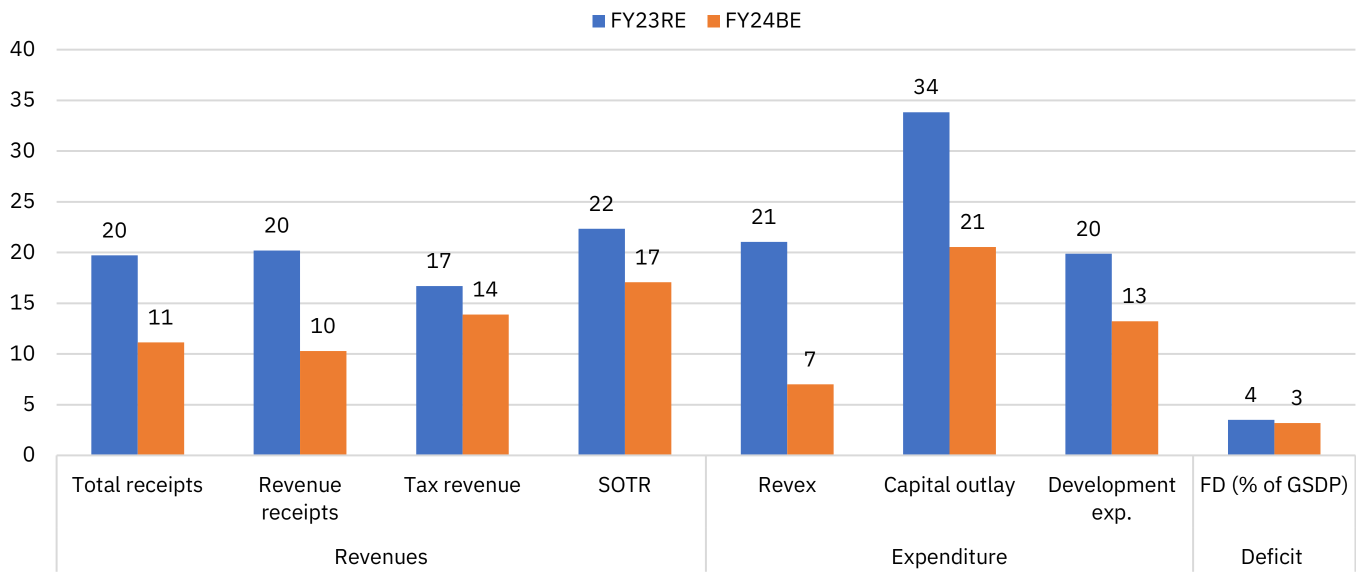
1. 2019 estimate (data.gov.in)
2. Estimate for 2023 taken from the technical group report on population projects, 2020. (https://main.mohfw.gov.in/sites/default/files/Population%20Projection%20Report%202011-2036%20-%20upload_compressed_0.pdf)
3. As per NSO 2017 Survey.
4. Per capita GSDP is based on budgeted GSDP for FY24, and population estimate for 2023.

Table 2: Consolidated finances of 21 states

Fiscal indicators	Rs trillion					% YoY			
	FY21	FY22	FY23BE	FY23RE	FY24BE	FY22/ FY21	FY23RE/ FY22	FY23RE/ FY23BE	FY24BE/ FY23RE
Revenue Receipts	**23.7**	**29.8**	**35.3**	**35.8**	**39.5**	**25.9**	**20.2**	**1.3**	**10.3**
Tax Revenue	16.7	22.2	24.7	25.9	29.6	33.2	16.7	5.0	13.9
States' own tax revenue	11.1	13.9	16.9	17.0	19.9	25.4	22.3	0.8	17.1
GST	4.3	5.6	7.1	7.1	8.4	29.4	27.8	0.6	18.1
Devolution/Share in Central Taxes	5.6	8.3	7.8	8.9	9.7	48.6	7.2	14.2	8.0
Non-Tax Revenue	7.1	7.5	10.6	9.8	9.9	6.7	30.5	-7.3	0.9
States' own nontax revenue	1.6	2.3	3.0	2.6	3.2	44.1	12.4	-13.3	25.2
Grants from Centre	5.5	5.2	7.6	7.2	6.7	-4.2	38.4	-5.0	-7.8
Non-debt Capital Receipts	0.2	0.2	0.2	0.1	0.4	-5.4	-39.9	-34.4	229.8
Recovery of Loans and Advances	0.13	0.20	0.14	0.14	0.19	56.7	-30.4	0.0	37.3
Net Receipts	**23.9**	**30.0**	**35.5**	**35.9**	**39.9**	**25.4**	**19.7**	**1.1**	**11.1**
Revenue Expenditure	**27.5**	**31.0**	**36.2**	**37.5**	**40.1**	**12.6**	**21.1**	**3.6**	**7.0**
Interest Payments	3.4	4.2	4.2	4.6	5.2	23.8	9.4	11.0	11.5
Capital Expenditure	**4.2**	**5.3**	**6.9**	**7.3**	**8.7**	**24.8**	**38.0**	**5.4**	**19.5**
Capital Outlay	3.6	4.9	5.9	6.5	7.9	37.2	33.8	11.6	20.6
Loans & advances by state govt.	0.7	0.4	1.1	0.7	0.8	-41.2	90.1	-28.9	10.2
Total Expenditure	**31.7**	**36.2**	**43.1**	**44.8**	**48.8**	**14.2**	**23.5**	**3.9**	**9.0**
Fiscal Deficit (% of GSDP)	**4.0**	**2.8**	**3.3**	**3.5**	**3.2**				
GSDP growth (% YoY)	**2.3**	**13.1**	**11.3**	**14.5**	**10.9**				
15th Fin Comm Reco. (% of GSDP)	**4.5**	**4.0**	**3.5**	**3.5**	**3.0**				

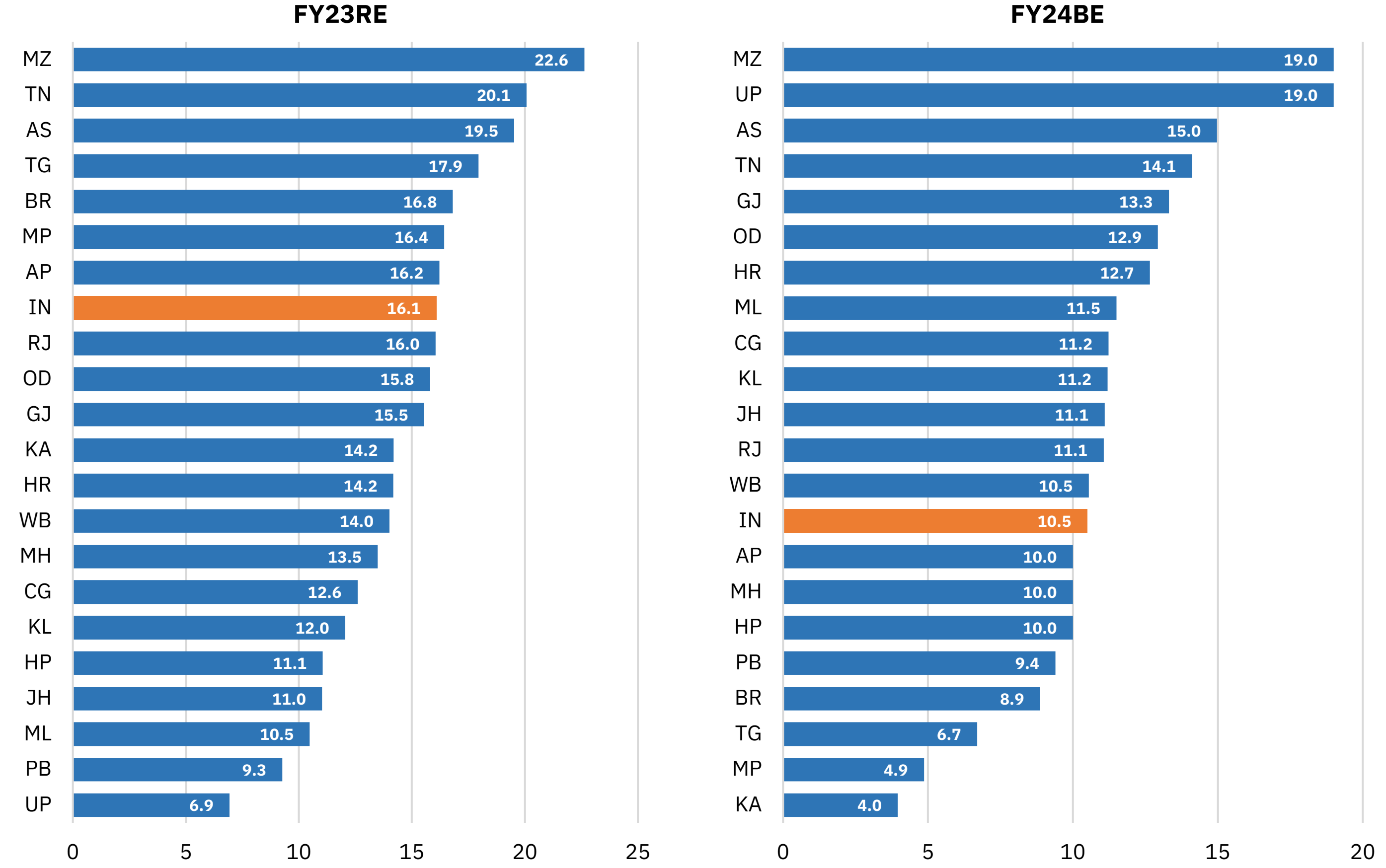
Source: CMIE States of India, NSE EPR.

Figure 1: Key fiscal indicators for 21 states under study (%YoY)



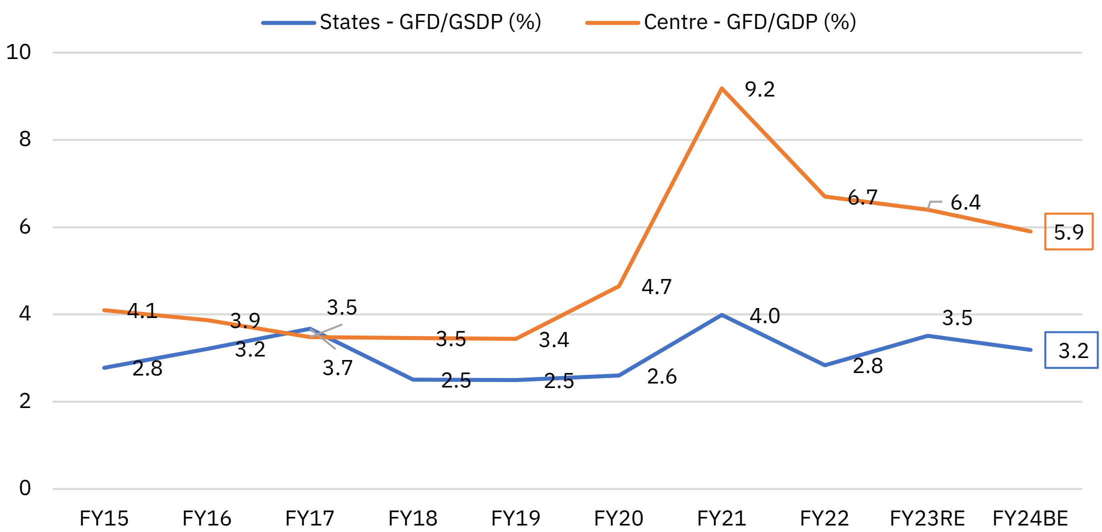
Source: CAG, NSE EPR.

Figure 2: GSDP growth rates across states (%)



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

Figure 3: Gross fiscal deficits of 21 states vs. Centre



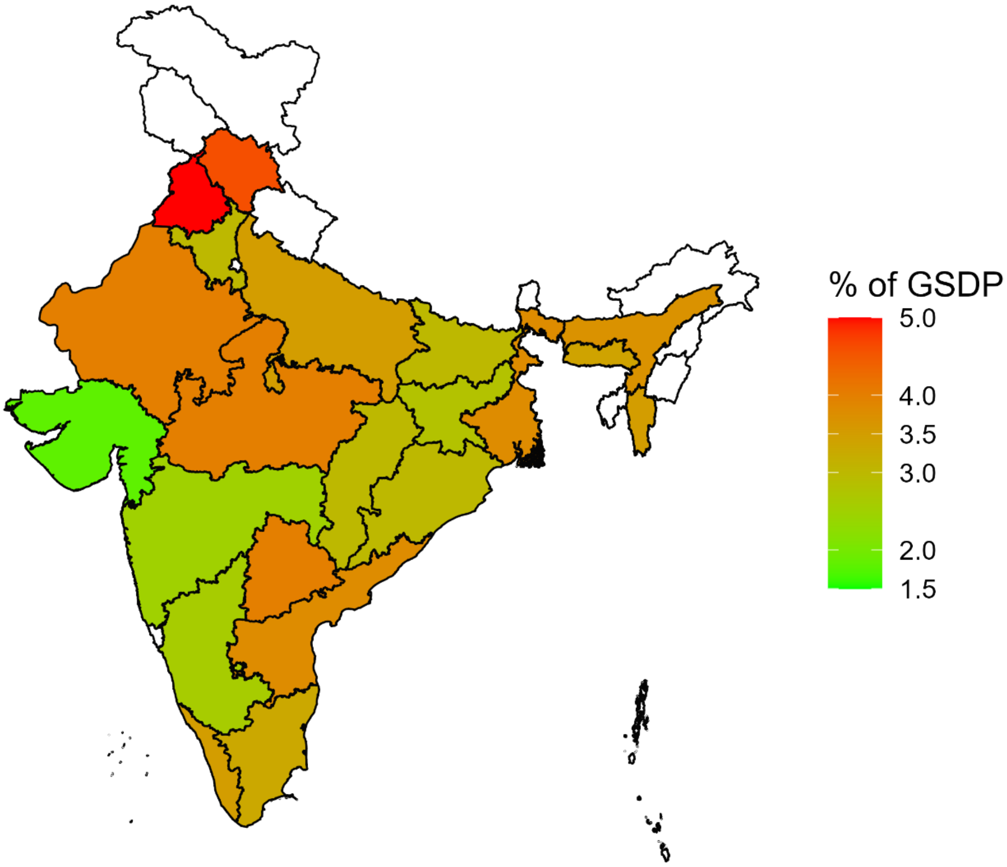
Source: CMIE Economic Outlook, CMIE States of India, PRS, State Budgets.

Table 3: Key fiscal indicators for states

States	Revenue receipts		Non-debt Capital Receipts		Revenue expenditure		Capital expenditure		Fiscal deficit	
	FY24BE (Rs bn)	% YoY	FY24BE (Rs bn)	% YoY	FY24BE (Rs bn)	% YoY	FY24BE (Rs bn)	% YoY	FY24BE (% of GSDP)	Chg. over FY23RE (bps)
Uttar Pradesh	5,709	19.2	33.1	29.1	5,024	18.2	1,475	16.5	3.5	-49
Maharashtra	4,495	4.3	24.3	2.0	4,656	3.3	739	2.0	2.5	-23
Tamil Nadu	2,705	10.1	27.3	139.4	3,081	11.6	444	15.7	3.3	25
Rajasthan	2,340	8.4	3.3	-14.3	2,589	4.3	381	30.6	4.0	-34
Karnataka	2,259	6.4	2.5	38.9	2,255	3.3	583	10.5	2.6	-13
Madhya Pradesh	2,257	10.7	1.3	227.1	2,253	11.3	541	18.9	4.0	44
Telangana	2,166	23.2	50.6	8333.3	2,117	22.5	375	39.3	4.0	18
West Bengal	2,126	9.3	1.5	12.5	2,436	4.0	340	58.5	3.8	-14
Bihar	2,123	5.6	4.3	0.1	2,078	-9.4	293	-26.3	3.0	-582
Gujarat	2,077	5.9	176.3	4934.7	1,987	4.8	701	81.2	1.8	28
Andhra Pradesh	2,062	16.9	0.6	5.0	2,285	11.2	311	84.4	3.8	14
Odisha	1,845	12.8	8.7	30.6	1,578	8.0	517	34.9	3.0	14
Kerala	1,354	4.8	10.1	46.7	1,594	6.8	146	-1.9	3.5	-11
Assam	1,141	2.0	3.1	2491.9	1,113	-12.1	238	-4.6	3.7	-445
Haryana	1,091	12.5	63.3	130.9	1,261	9.6	185	26.0	3.0	-32
Chhattisgarh	1,060	8.3	3.0	0.0	1,025	7.6	187	9.3	3.0	-18
Punjab	989	5.7	12.0	100.0	1,234	5.1	104	21.6	5.0	-22
Jharkhand	983	17.9	0.8	15.5	847	14.5	212	49.2	2.8	45
Himachal Pradesh	380	-2.4	0.3	-72.3	427	-5.5	52	-17.6	4.6	-184
Meghalaya	194	10.0	0.3	21.9	172	6.4	38	14.0	3.4	-104
Mizoram	115	-7.7	0.3	0.0	111	-6.5	17	-38.0	3.5	-349
All states*	**39,472**	**10.3**	**426.9**	**229.8**	**40,122**	**7.0**	**7,877**	**20.6**	**3.2**	**-30**

Source: CMIE States of India, NSE EPR.

Figure 4: State-wise fiscal deficit as % of GSDP for FY24BE



Bihar budgeted for the highest fiscal deficit for FY23 at 8.8% followed by Assam, Mizoram, all of which budgeted deficit over 7% of their GSDP.

Recording a contraction of over 26% in capital spending, Bihar has budgeted a substantial decline in its fiscal deficit at 3% for FY24.

Source: CAG, NSE EPR; Note: *Data 21 states.

Receipts: Moderating growth weigh in on receipts, states remain divergent in self-sufficiency

- **Revenue receipts moderation led by lower non-tax receipts:** The total receipts for FY24 are budgeted to increase by 11.1% over FY23RE to Rs 39.9trn, moderating from 19.7% growth in FY23RE, corroborating with lower growth in Nominal GDP. Non-debt capital receipts that tend to be volatile are budgeted to grow by 229.8%, thanks to favorable base of -39.9%. Importantly, Revenue receipts are budgeted to increase by 10.3% in FY24BE to Rs 39.5trn, decelerating from 20.2% growth in FY23RE. This decline is largely driven by a subdued budgeted growth in non-tax receipts at 0.9% (vs. +30.5% in FY23RE), even as tax receipts that comprise over 70% of revenue receipts are expected to grow by a robust 13.9% (vs. +16.7% in FY23RE). Notably, tax buoyancy stood at 1.1x in FY23RE—a tad higher-than- budgeted and is expected to improve further to 1.3x in FY24BE, higher than 1.0 for the Centre, which is optimistic given the expected slowdown in growth owing to global externalities.

- **Grants from the Centre also pegged lower in FY24BE:** The states have budgeted grants-in-aid from the Centre to drop by 7.8% in FY24BE as against a growth of 38.4% in FY23RE. Further, overall transfers from the Centre (devolution+ grants in aid) are budgeted to increase by a mere 0.9% in FY24 primarily driven by falling grants, even as the growth in devolution is budgeted to remain steady at 8% (vs. +7.2% in FY23RE). For these 21 states, the Centre's grants-in-aid constitute around 67% of non-tax receipts, and therefore any contraction there is likely to put pressure on states with high dependency on the Centre. Further, in FY24BE out of every Rs 100 collected by the Union government in the form of gross tax revenue, only Rs 53.5(total transfers to States/UTs excluding transfers to UTs with legislature) will be transferred to States (FY22: Rs 61.1).

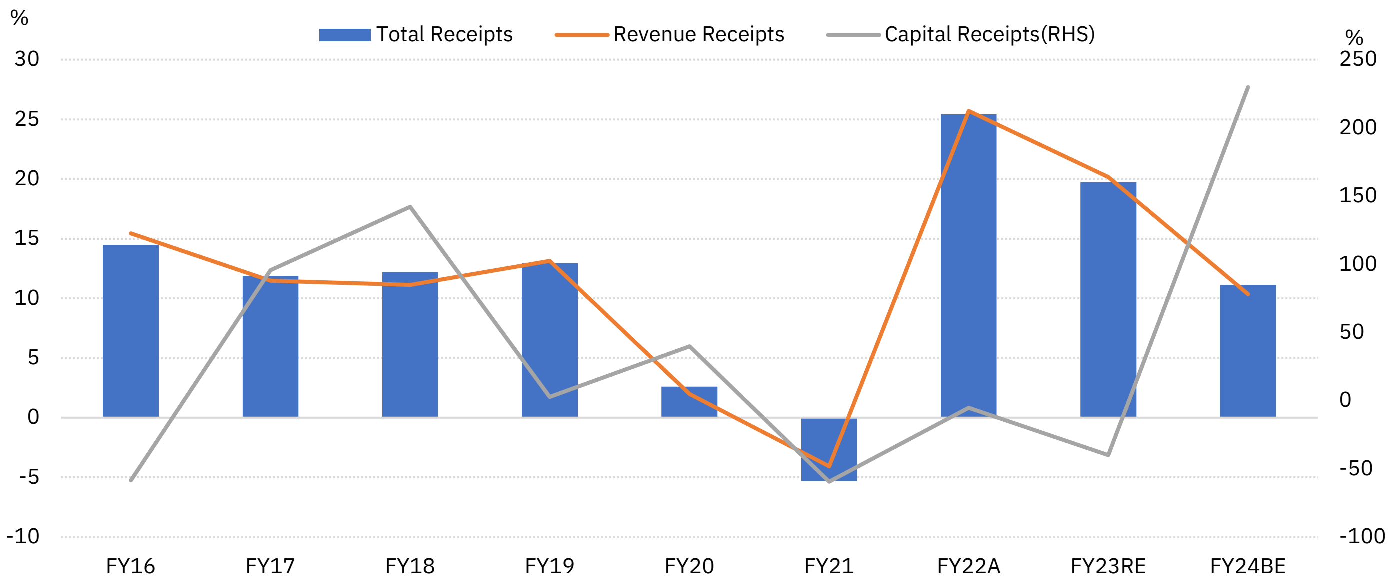
- **Reliance on Centre's devolution higher for North and North-East states:** An in-depth analysis of State's own tax revenue (SOTR) reveals that there is a clear North/North-East – South/West divide, with the Northern and North-eastern states lagging in revenue generation. For instance, major western and southern states including Karnataka, Tamil Nadu, Gujarat, Maharashtra, and Telangana have OTR to revenue receipts ratio of more than 60%, indicating stronger revenue generation capacity and therefore relatively lower reliance on the Centre. On the other hand, eastern and northern states including Bihar, Uttar Pradesh, Chhattisgarh, West Bengal, Jharkhand, Mizoram, and Meghalaya have nearly 30-50% of the overall revenue receipts coming from the devolution of the Centre, thereby making them vulnerable to deviation in Centre's transfers for meeting their expenditure needs.

- **SGST collections expected to remain robust:** The growth in SGST collections—constituting 45% of SOTR—is budgeted to remain robust at 18.1% in FY24BE vs. 27.8% growth in FY23RE. Rising SGST receipts have added meaningfully to states OTR, with the former's share in the OTR rising from 27% in FY18 to 42.3% in FY24BE. This is primarily attributed to rationalisation of GST rates, increased contribution by individual states supported by measures against tax evaders led by state authorities, and government initiatives including broadening of taxable base through extension of e-invoicing system, etc. That said, barring UP, the GST collections are primarily coming from western and southern states, with the top five states contributing over 50% to the overall GST collections. Meanwhile, states excise duty and sales tax collections—accounting for ~35% of the OTR—is budgeted to grow at 17.1% and 13.7% respectively in FY24BE.

- **Inter-state disparity in terms of revenue receipts remains huge:** In FY24BE, while the Centre has budgeted 12.1% growth in revenue receipts, most states have budgeted a lower growth except Andhra Pradesh, Haryana, Jharkhand, Telangana, Uttar Pradesh, and Odisha. In fact, Himachal Pradesh and Mizoram have budgeted a contraction in revenue receipts from FY23RE levels. Thus, the moderation in revenue receipts is a likelihood of moderating growth in FY24. That said, though India's Revenue to GDP is below most other emerging markets, states revenue collection performance has improved, albeit marginally. For FY24, the revenue receipts to GSDP ratio for our sample states is expected to be 14.1% (vs. 14.2% in FY23), the second highest since FY15.

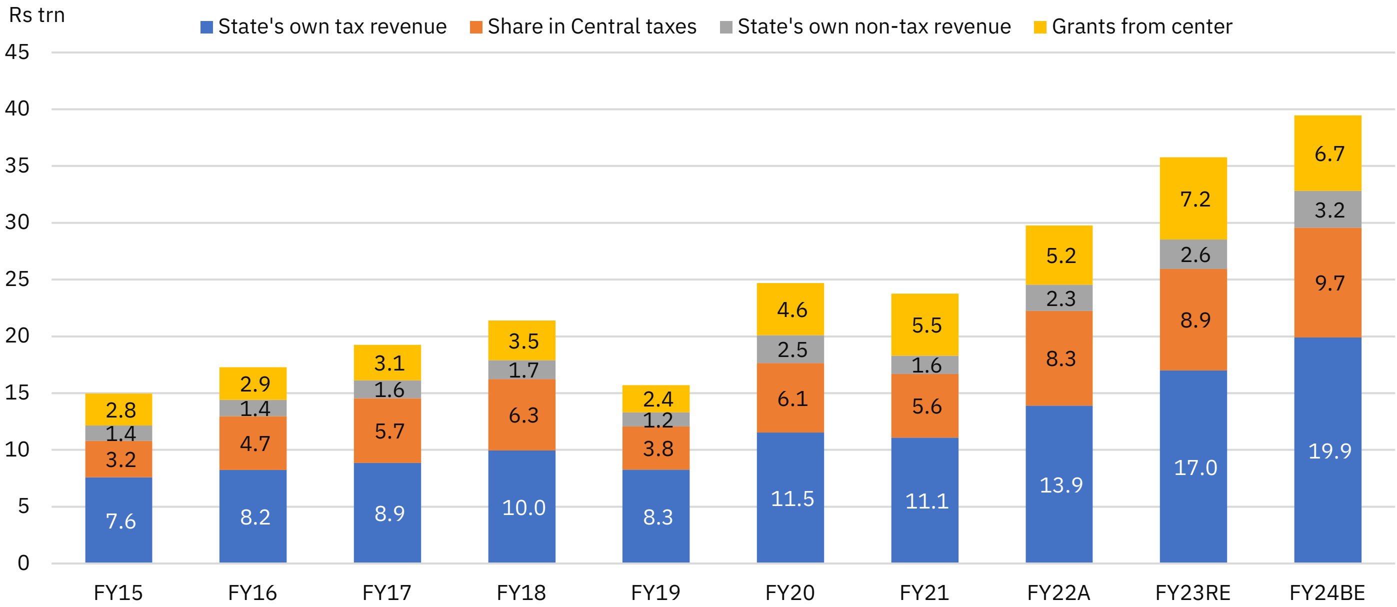
Figure 5: Movement in Total Receipts and components (%YoY change)

The total receipts for FY24 are budgeted to increase by 11.1% over FY23RE to Rs 39.9trn, moderating from 19.7% in FY23RE. This is majorly on account of moderation in growth in revenue receipts to 10.3% down from +20.2% in FY23RE.



Source: CMIE States of India, NSE EPR.

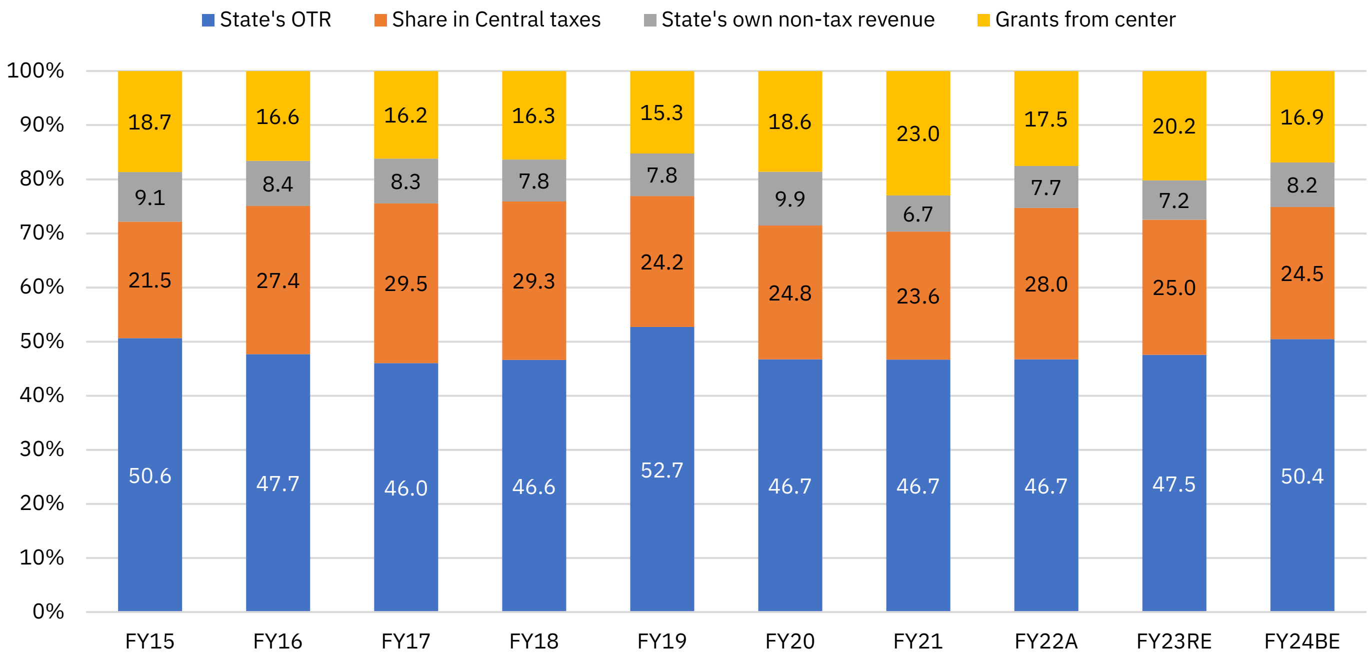
Figure 6: Annual trend of breakup of states' aggregate revenue receipts



Source: CMIE States of India, NSE EPR.

Figure 7: Composition of State's Revenue Receipts

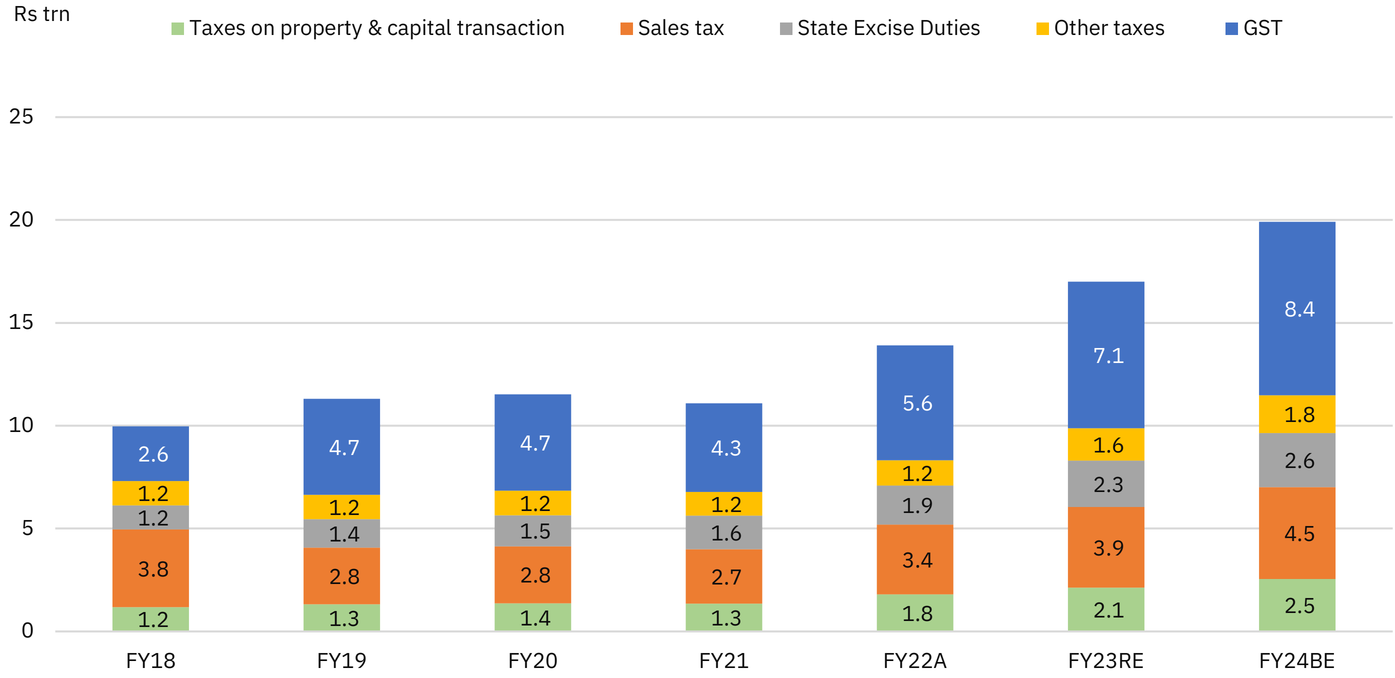
Over the last nine years, States' own tax revenue as a share of overall revenue receipts has remained unchanged at around 50% whereas their dependence on the Centre in the form of grants and devolution has increased from 40% in FY15 to 42% in FY24



Source: CMIE States of India, NSE EPR.

Figure 8: Annual trend of breakup of states' own tax revenue

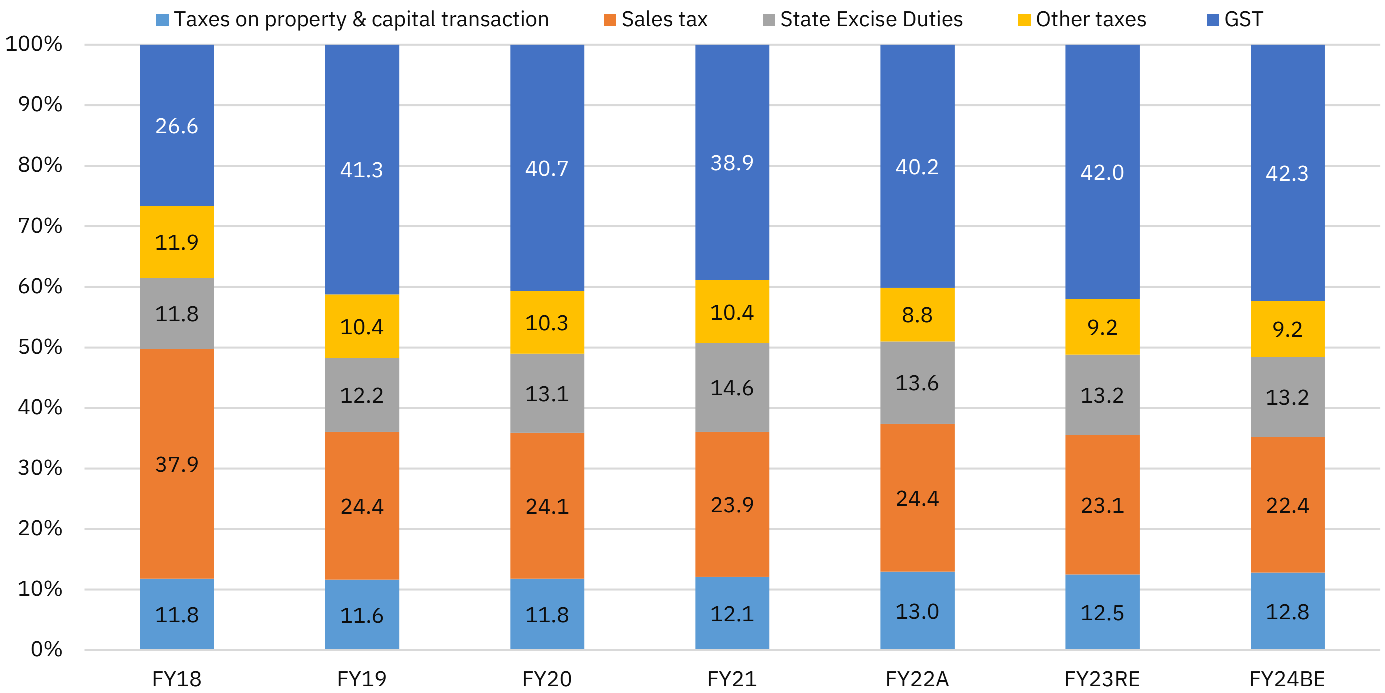
The States' revenues from SGST collections have more than tripled between FY18 and FY24BE, rising from Rs 2.6trn in FY18 to Rs 8.4trn in FY24BE (+18.3% YoY over FY23RE).



Source: CMIE States of India, NSE EPR.

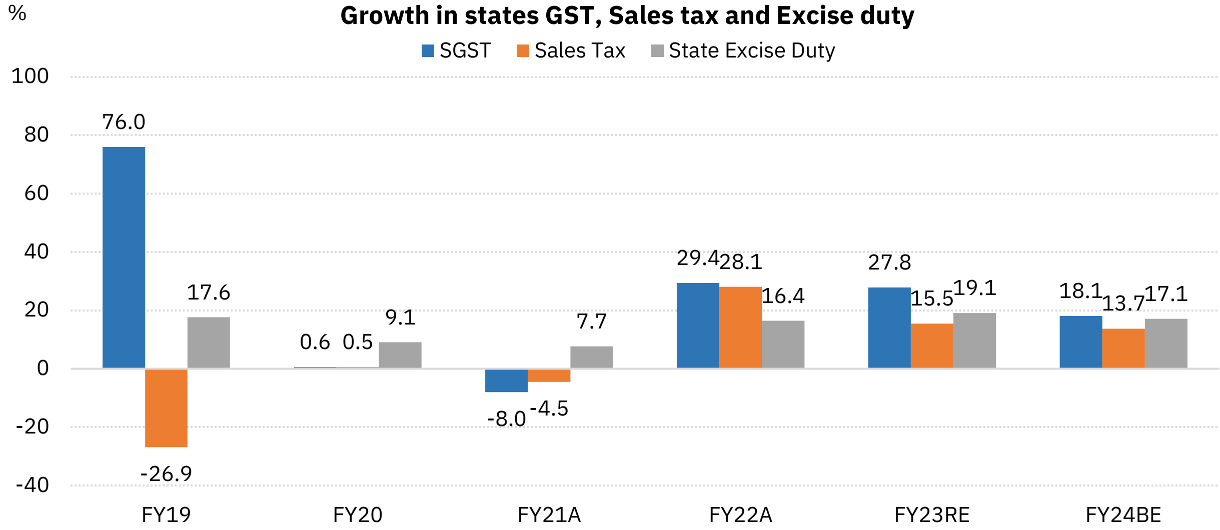
Figure 9: Composition of States' own tax revenues

Rising SGST collections have added meaningfully to states' OTR, with the former's share in OTR rising from 27% in FY18 to 42.3% in FY24BE.



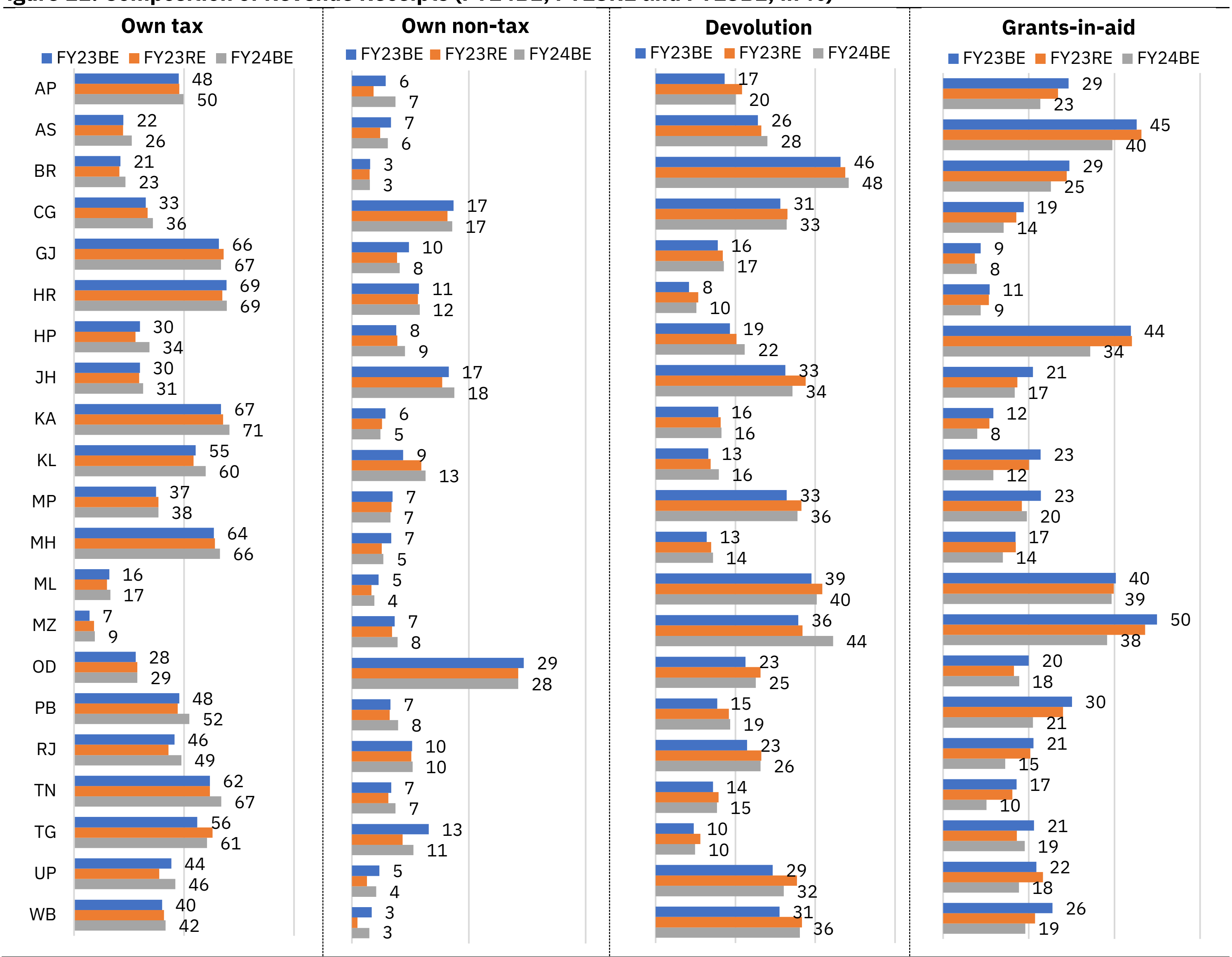
Source: CMIE States of India, NSE EPR.

Figure 10: Growth in major components of States' own tax revenue



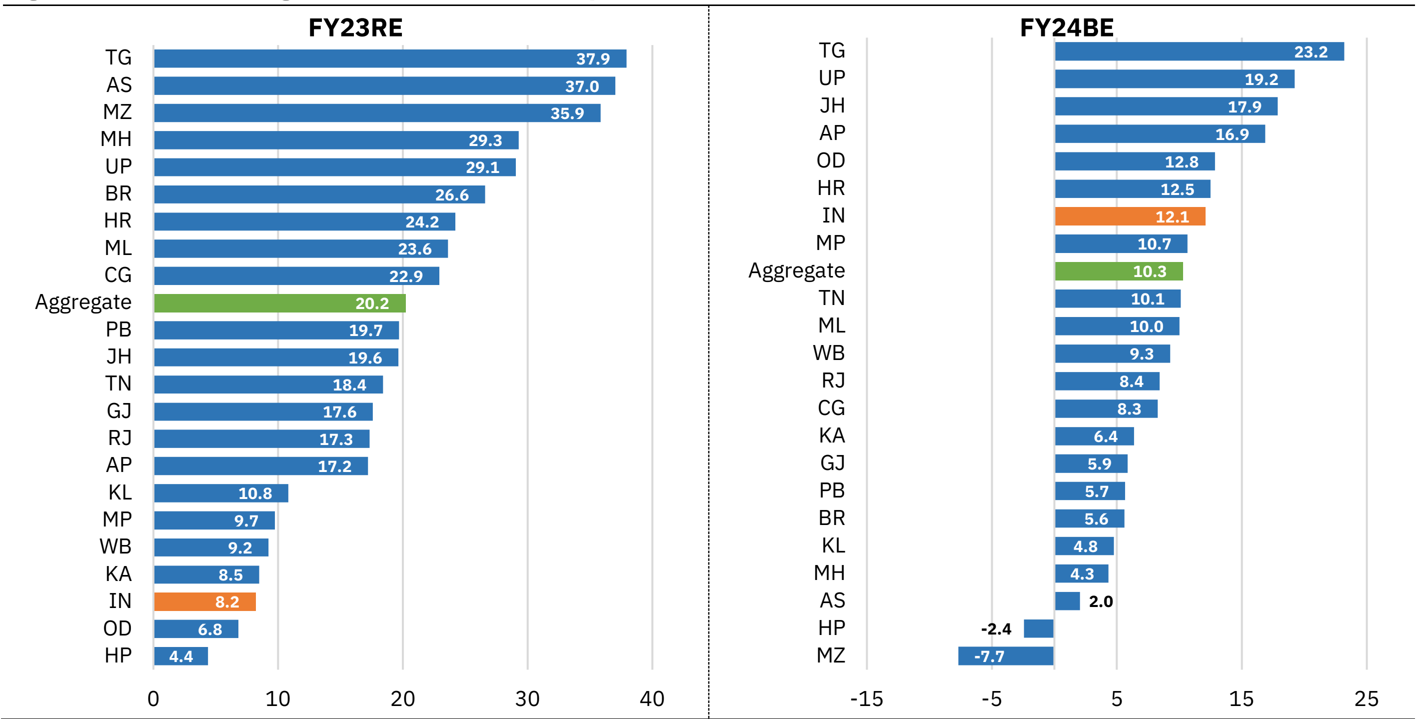
Source: CMIE States of India, NSE EPR.

Figure 11: Composition of Revenue Receipts (FY24BE, FY23RE and FY23BE, in %)



Source: CMIE Economic Outlook, NSE EPR.

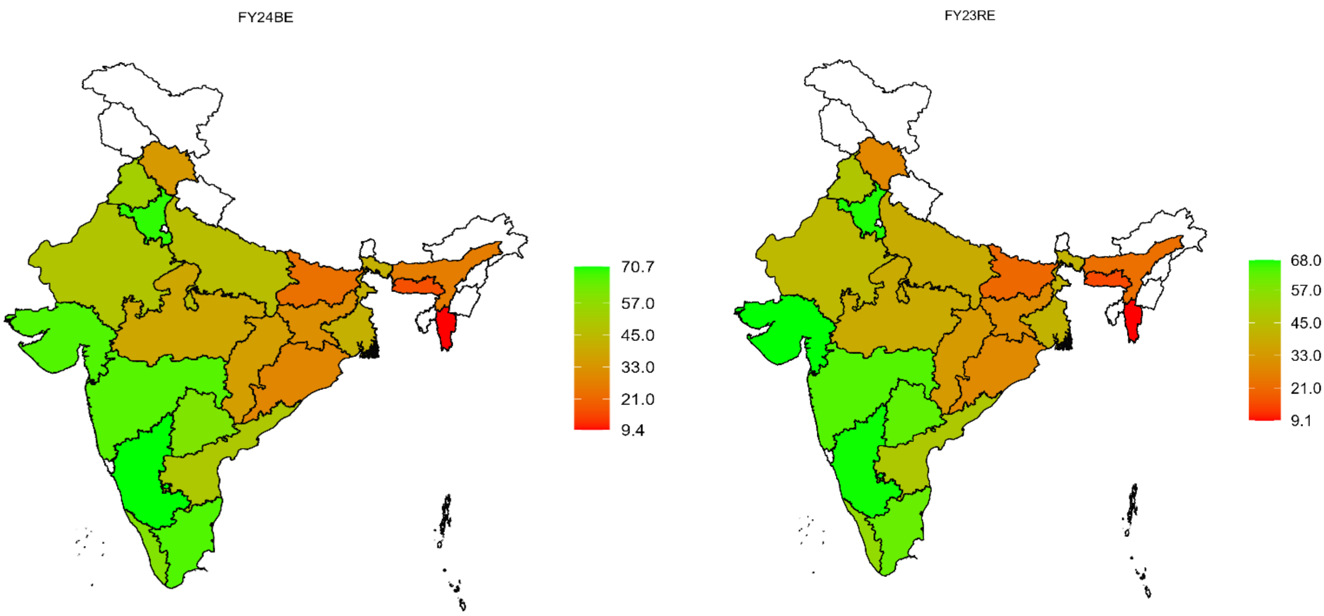
Figure 12: State-wise growth in Revenue Receipts for FY23RE and FY24BE



Source: CMIE States of India, NSE EPR. Note: Aggregate is calculation for 21 states.

Figure 13: Comparison amongst States' OTR as a % share of Revenue Receipts

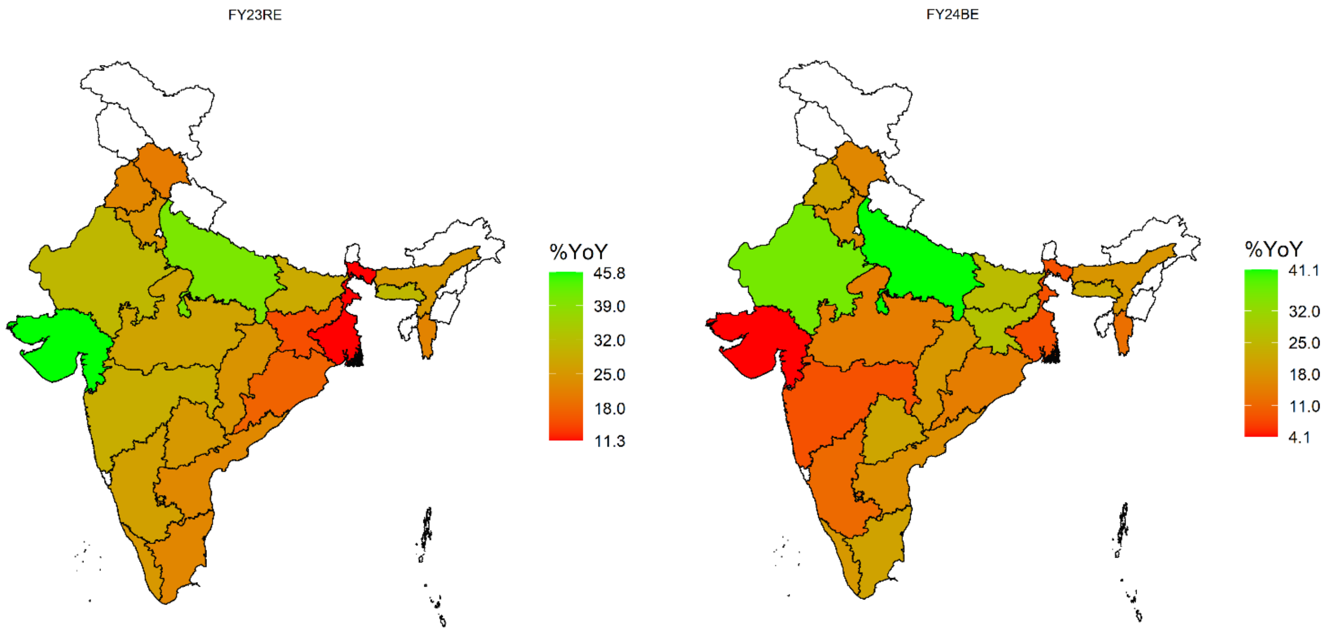
States differ vastly with respect to revenue generation capacity. A proxy to measure dependence on Centre's transfer is the proportion of own taxes raised by states to total revenue receipts. Our analysis reveals that the Western and Southern states are generally more self-reliant, with leading states included Karnataka (70.7%), Haryana (69.4%), Tamil Nadu (67%), Gujarat (66.9%), Maharashtra (66.3%), and Telangana (60.5%).



Source: CMIE States of India, NSE EPR.

Figure 14: State-wise growth in SGST collections for FY23RE and FY24BE

Historically, Western and Southern states have led the GST collections that are now witnessing a catch up from the Northern and Eastern states.



Source: CMIE States of India, NSE EPR.

Expenditure: Quality of expenditure improving even as states remain cautious

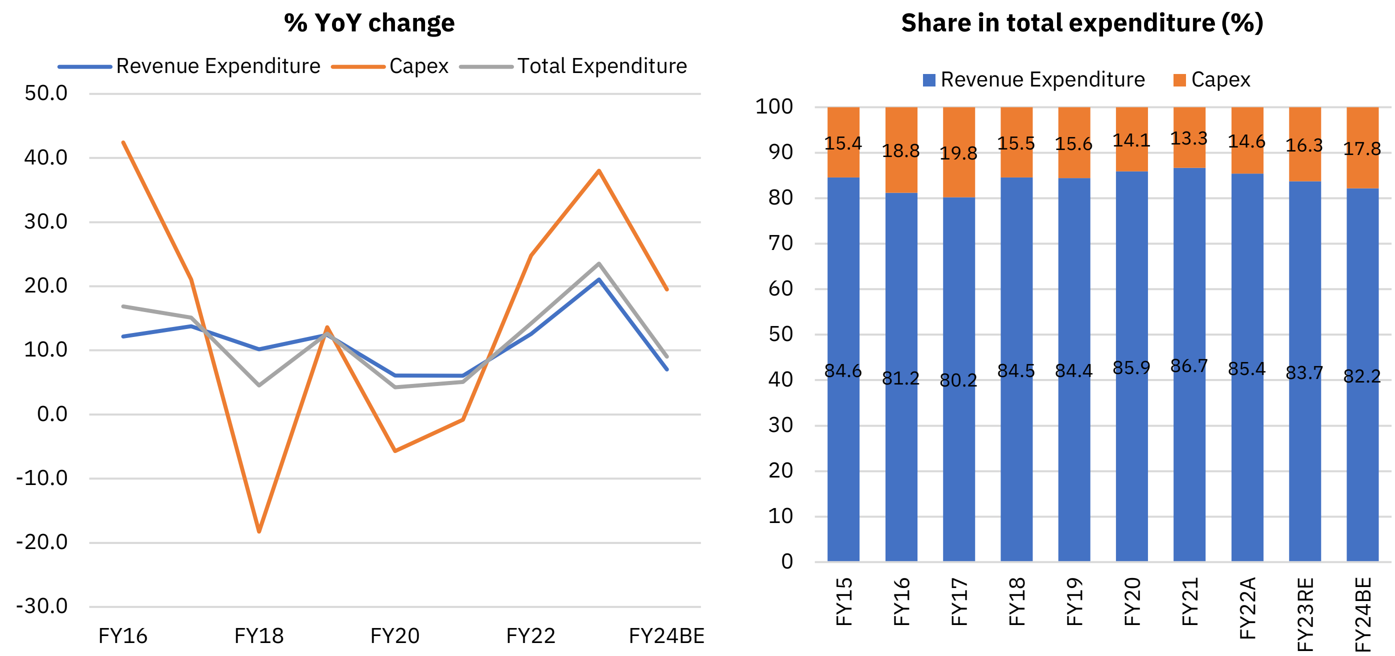
- **Expenditure growth witnessed moderation in FY24BE:** The moderation in overall receipts because of lower expected economic growth has weighed on expenditure growth as well, with the total expenditure for states budgeted to grow at 9%, substantially lower than the 23.5% growth in FY23RE and 14.2% in FY22. This moderation is primarily led by revenue expenditure, that is expected to grow by a modest 7%YoY in FY24BE vs. 21.1% as per the revised estimates. States, however, have continued to maintain their focus on capital expenditure, mimicking the Centre's infra push. Aggregate capital expenditure for these 21 states is budgeted to grow at a robust 19.5% on top of a 38%/24.8% growth in FY23RE/FY22. The states' capital outlay—capital expenditure excluding loans and advances by state governments—is expected to grow at 33.8% in FY23RE, much higher than the budgeted growth of 11.8%. This has led to continuous improvement in expenditure quality at the state level, with the capital to revenue expenditure ratio pegged to increase to 21.7% in FY24 from the pre-pandemic level of 16.4%.

- **Capex growth remain robust; Water supply, education, rural development remained key areas within capex:** Enhanced capital expenditure, with FY24BE growth pegged at 19.5%, is likely to be supported by additional allocation of Rs 1.3trn (up from Rs 1trn last year) from the Centre which will be provided as 50-year interest free loans to states under the 'Scheme for Financial Assistance to Sates for Capital Investment'. Key focus areas include water supply and sanitation, medical & public health and education, accounting for ~60% of the capital outlay. As the healthcare expenditure normalizes for most states post the pandemic-induced surge (growth budgeted at 8.5% for FY24 vs. 67.2% in FY23RE), the focus seems to have shifted towards water supply and education, with expenditure towards these sectors budgeted to grow at 44.4% and 36.4% respectively in FY24. While Railways and Roads bagged the highest share in capex for the Centre, within economic services, states at large also focused on rural development and transportation that recorded a growth of 58.2% and 26.1% in FY23RE, even as allocation to these sectors has moderated substantially in the budgeted numbers for this year.

- **Revenue expenditure growth moderated, while committed expenditure picked up:** Aggregate budgeted revenue expenditure growth of 21 states under study has been pegged at 7.0% in FY24BE as against 21.1% in FY23RE (vs. 9.1% in FY23BE). Growth in expenditure on health and education, constituting over 50% of the social services expenditure, also moderated to 6.9% and 7.5% from 18.7% and 10.1% in FY23RE respectively. While overall social services expenditure is budgeted to grow at 6.2%, growth in economic services has declined substantially to a marginal 1.9% from 23.1% in FY23RE. Committed expenditure (interest payments + pensions), on the other hand, is budgeted to grow at 12.2% in FY24, with its share in overall revenue expenditure increasing marginally from 24% in FY23RE to 25% in FY24BE. Following an interest rate hiking cycle, interest expenses for 21 states form about 13.1% of revenue receipts (13.5% excl. Odisha), rising from 11.5% in FY23RE. For Punjab, Tamil Nadu and West Bengal, interest payments constitute over 20% of the revenue receipts, indicating relatively high interest servicing burden on these states. 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.

- **Divergence across states:** Even as overall capex growth was robust in FY23 and is expected to remain so in FY24BE, we observe a significant inter-state diversity. As per the revised estimates for FY23, seven out of the 21 states spent less than 80% of their budgeted target, with Andhra Pradesh spending only slightly above half its budgeted expenditure. While Haryana and West Bengal remained a laggard, Uttar Pradesh and Bihar have been leaders among states on the capex front. This divergence was much lower on the revenue expenditure side, with all 21 states spending over 90% of their budgeted number in FY23. In FY24BE, among the major states, Andhra Pradesh (84%), Gujarat (81%), West Bengal (58%), Jharkhand (49%) and Telangana (39%) have budgeted the highest increase in capital expenditure, while states like Mizoram (-38%), Bihar (-26%), Himachal Pradesh (-18%), Assam (-5%) and Kerala (-2%) have budgeted for a contraction in capex in FY24BE as compared to revised estimates for FY23.

Figure 15: Growth and share of revenue and capital expenditure in total expenditure



Source: CMIE States of India, NSE EPR. Note: Total expenditure excludes debt repayment to Centre and states.

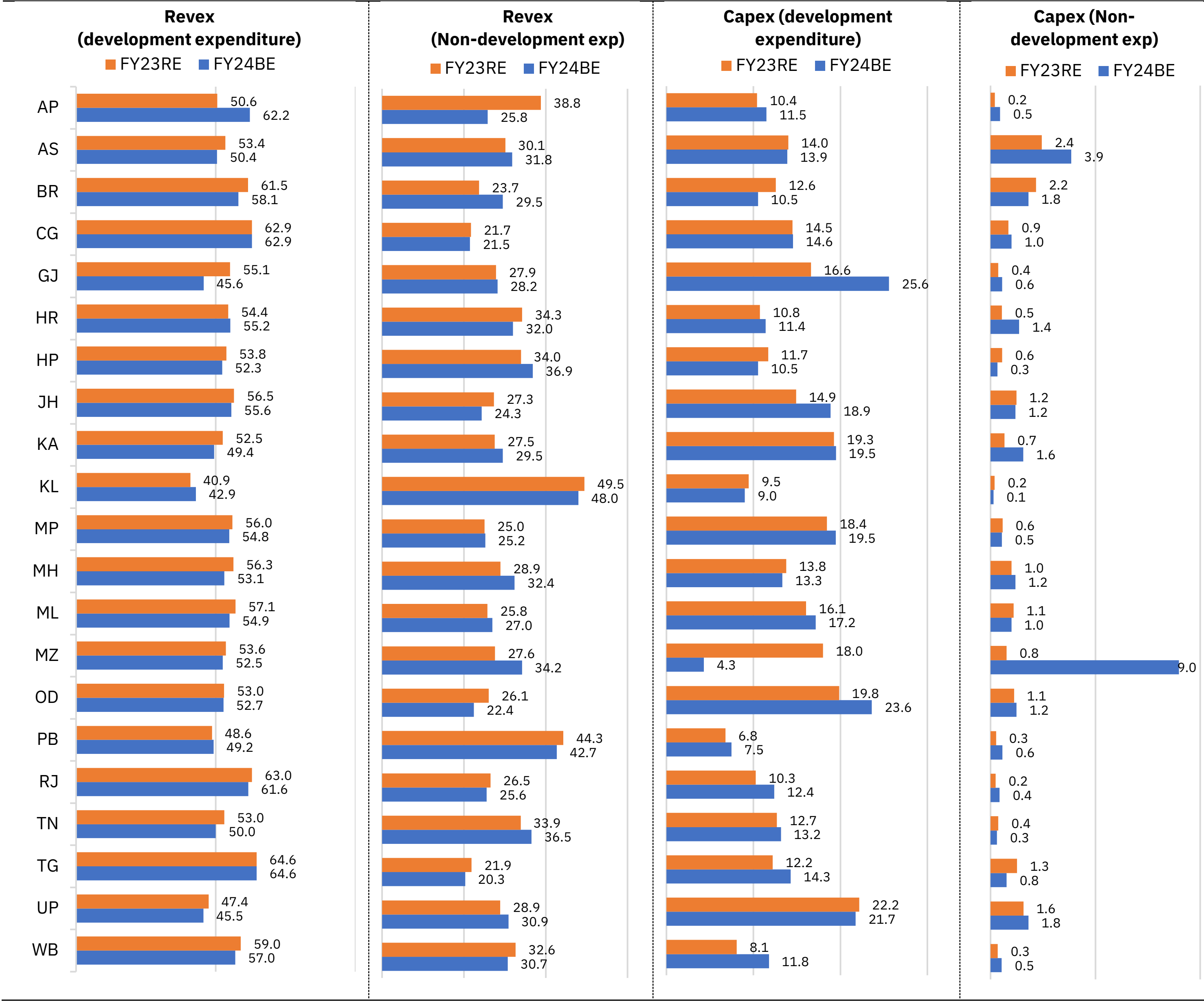
Table 4: Consolidated expenditure profile of 21 states

Indicators	In Rs. trn					YoY %				
	FY20	FY21	FY22	FY23RE	FY24BE	FY20	FY21	FY22	FY23RE	FY24BE
Revenue Expenditure (A)	**25.9**	**27.5**	**31.0**	**37.5**	**40.1**	**6.1**	**6.1**	**12.6**	**21.1**	**7.0**
Dev. Expenditure	16.1	16.0	19.1	22.4	24.9	5.9	-0.2	19.2	17.0	11.4
Social Services	10.3	10.2	12.3	15.4	16.4	7.5	-0.6	20.3	25.4	6.2
Education	4.8	4.4	5.3	6.3	6.7	11.2	-7.0	18.7	18.7	6.9
Public Health	1.2	1.3	1.7	1.9	2.0	9.3	6.1	33.4	10.1	7.5
Economic Services	5.8	5.8	6.8	8.4	8.6	3.3	0.4	17.2	23.1	1.9
Non-Dev Expenditure	9.1	8.9	10.9	12.6	14.0	6.6	-2.0	22.5	15.5	11.0
Interest payments	3.3	3.4	4.2	4.6	5.2	10.3	2.8	23.8	9.4	11.5
Pension	3.2	3.2	3.9	4.3	4.9	10.2	-2.2	22.8	11.3	12.9
Capital Expenditure (B) **	**4.3**	**4.2**	**5.3**	**7.3**	**8.7**	**-5.7**	**-0.8**	**24.8**	**38.0**	**19.5**
Dev. Expenditure	3.7	3.4	4.7	6.2	7.4	-5.6	-8.7	39.0	31.5	19.8
Social Services	0.8	0.9	1.4	2.0	2.5	-14.0	19.7	48.3	42.5	26.0
Education	0.1	0.1	0.2	0.3	0.4	-13.2	30.1	18.2	75.5	36.4
Public Health	0.1	0.1	0.2	0.4	0.4	-16.1	23.6	52.9	67.2	8.5
Economic Services	2.9	2.4	3.3	4.2	4.9	-3.0	-16.3	35.3	26.8	16.9
Non-Dev Expenditure	0.2	0.2	0.2	0.4	0.5	8.3	-1.2	6.7	88.6	31.9
Loans by the state govt.	0.4	0.7	0.4	0.7	0.8	-12.5	74.6	-41.2	90.1	10.2
Capital Outlay*	**3.9**	**3.6**	**4.9**	**6.5**	**7.9**	**-5.0**	**-8.3**	**37.2**	**33.8**	**20.6**
Total Expenditure (C = A + B)	**30.2**	**31.7**	**36.2**	**44.8**	**48.8**	**4.2**	**5.1**	**14.2**	**23.5**	**9.0**
Debt Repayment (D)	2.3	2.7	3.1	3.9	4.6	16.4	16.4	15.7	25.1	17.0
Total Disbursement (C + D)	**32.5**	**34.4**	**39.4**	**48.7**	**53.4**	**5.0**	**5.9**	**14.3**	**23.7**	**9.7**

Source: CMIE States of India, NSE EPR. * Capital Outlay = Capital Expenditure - Loans and advances by the state govt.

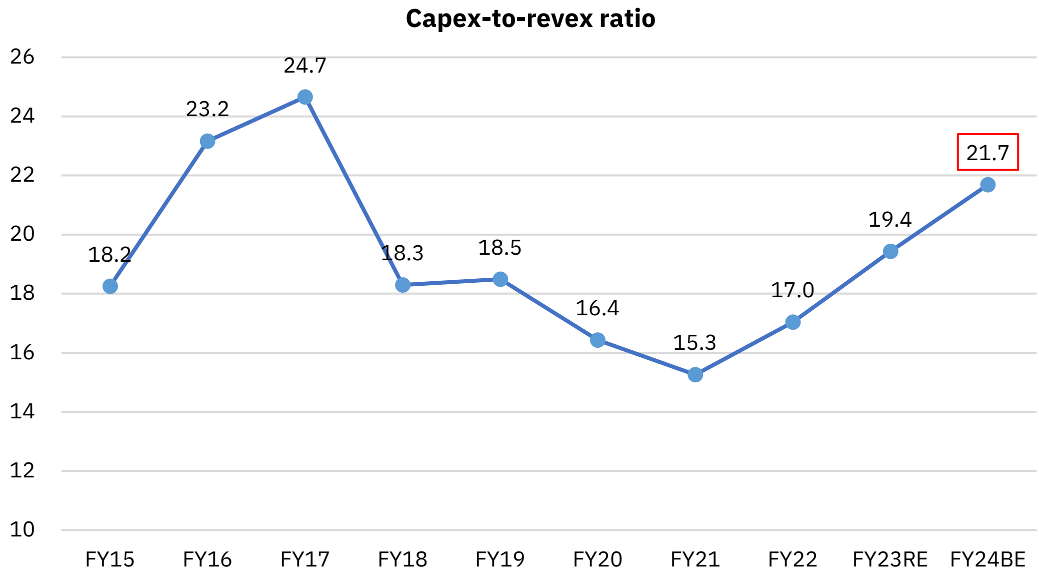
Figure 16: Composition of total expenditure in FY23RE and FY24BE

For FY24, among the major states, Andhra Pradesh (84%), Gujarat (81%), West Bengal (58%), Jharkhand (49%) and Telangana (39%) have budgeted the highest increase in capital expenditure.



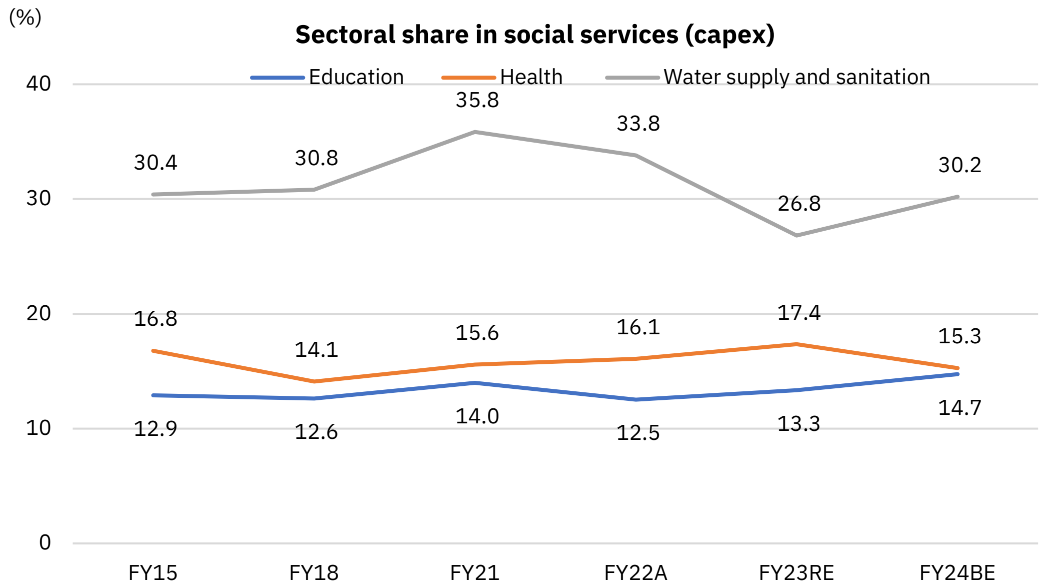
Source: CMIE States of India, NSE EPR. Note: Total expenditure excludes debt repayment to Centre and states.

Figure 17: Annual trend of states' capex-to-revex ratio (%)



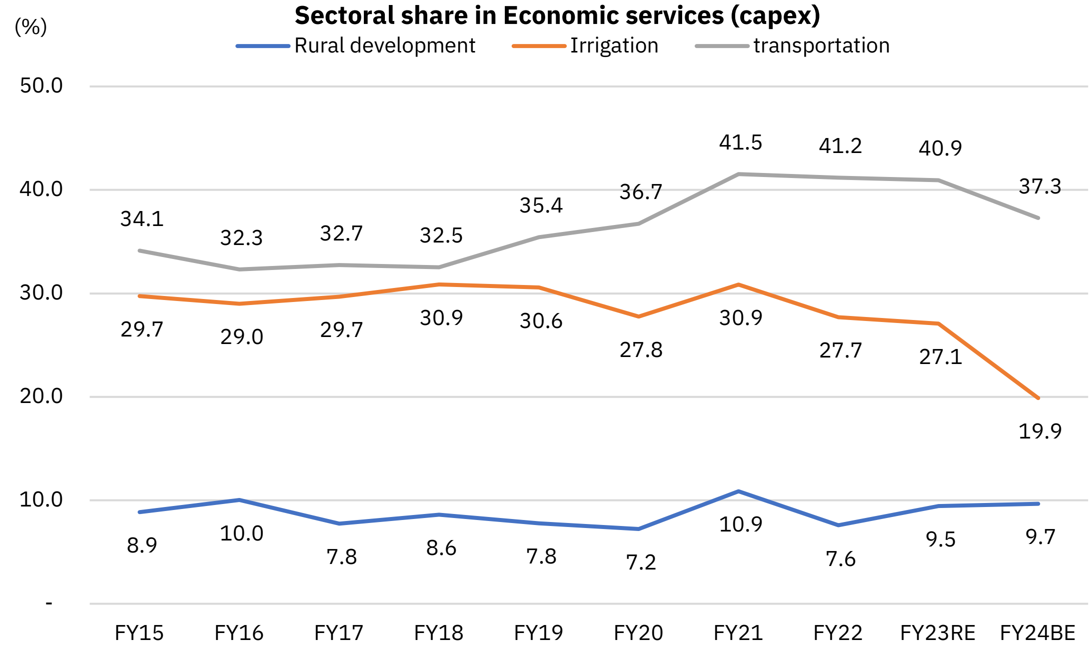
Source: CMIE States of India, NSE EPR.

Figure 18: Sector-wise share of states' capital expenditure in Social Services



Source: CMIE States of India, NSE EPR.

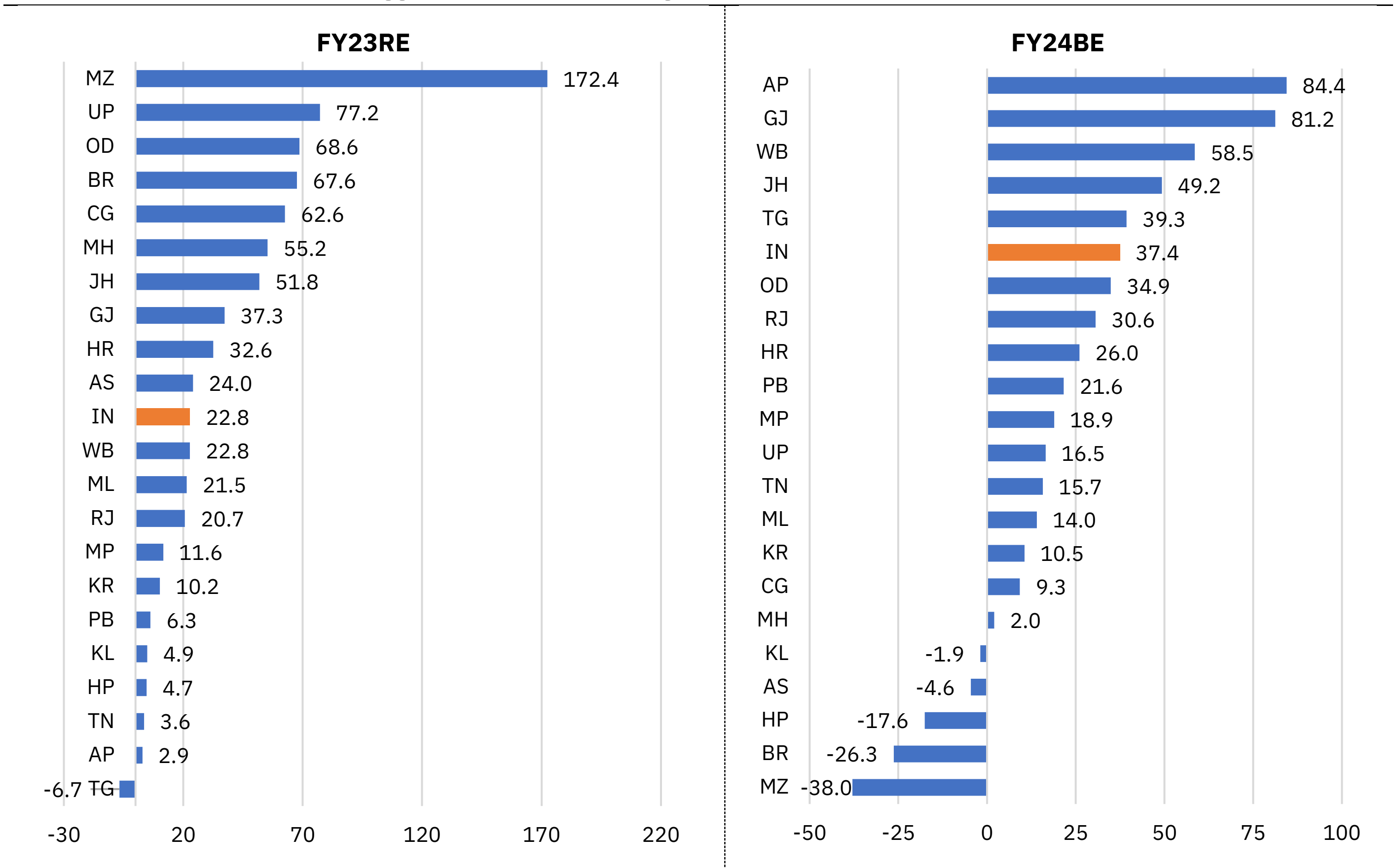
Figure 19: Sector-wise share of capital expenditure in Economic Services



Source: CMIE States of India, NSE EPR.

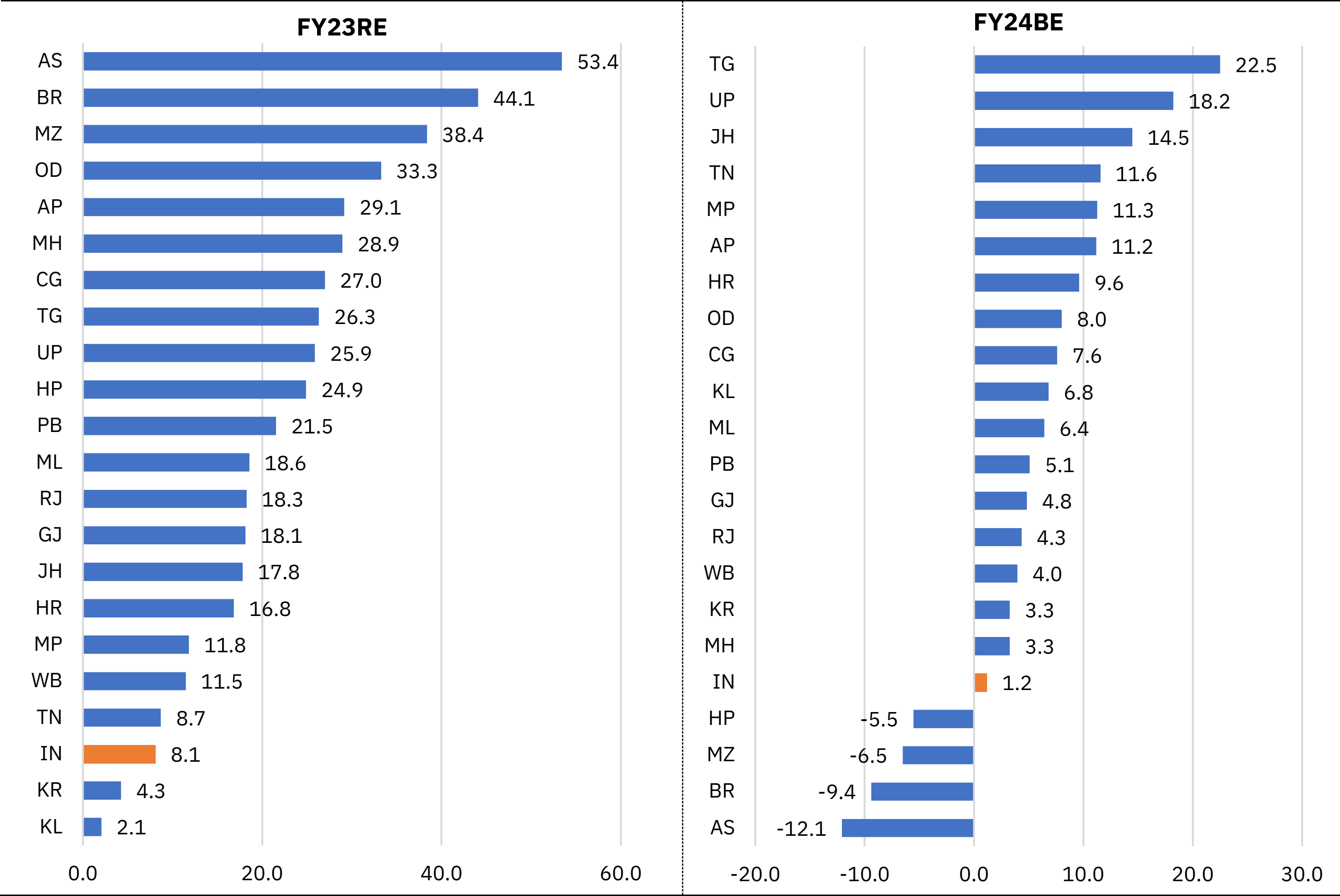
Figure 20: Expected capital outlay growth across states

For FY24, among the major states, Andhra Pradesh (84%), Gujarat (81%), West Bengal (58%), Jharkhand (49%) and Telangana (39%) have budgeted the highest increase in capital expenditure. States like Mizoram (-38%), Bihar (-26%) have recorded a negative growth in capex for the current year on a high base but states like Himachal Pradesh (-18%), Assam (-5%) and Kerala (-2%) lagged on capital spending even in FY23.



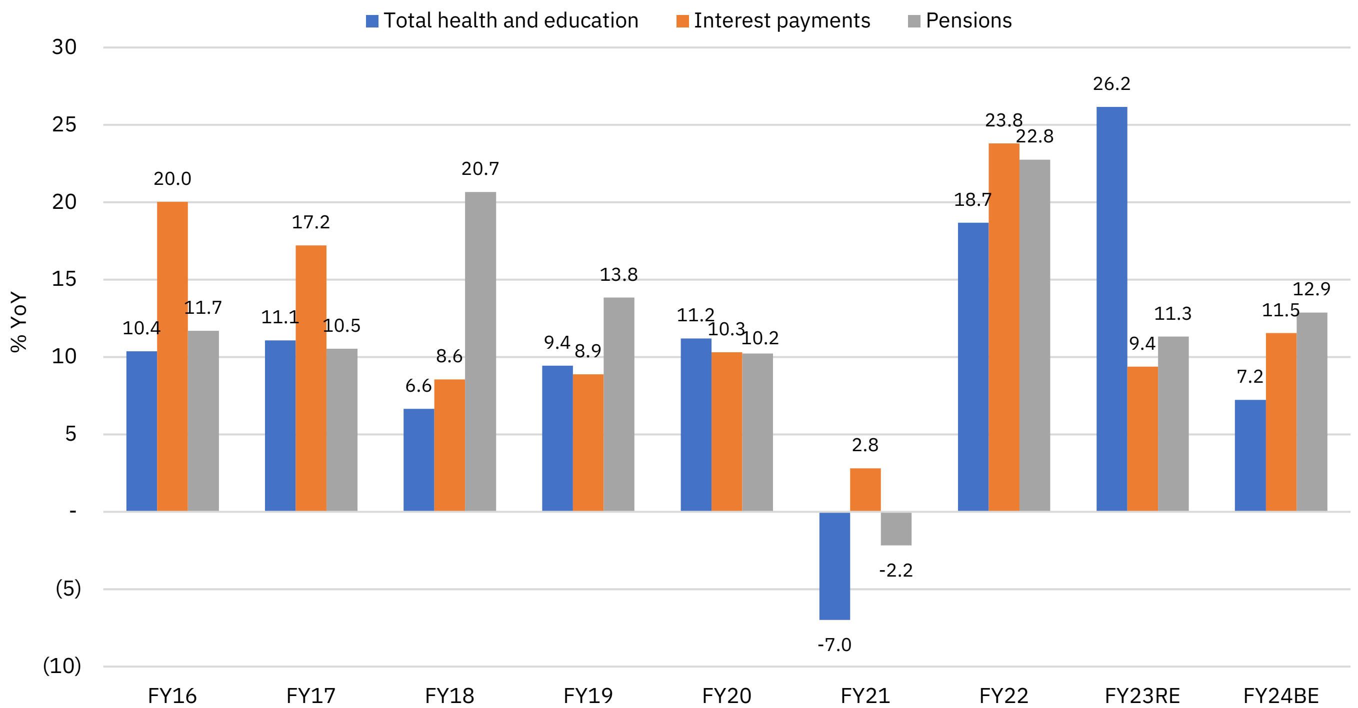
Source: CMIE States of India, NSE EPR. Note: Capital Outlay = Capital Expenditure - Loans and advances by the state govt.

Figure 21: Expected revenue expenditure growth in states



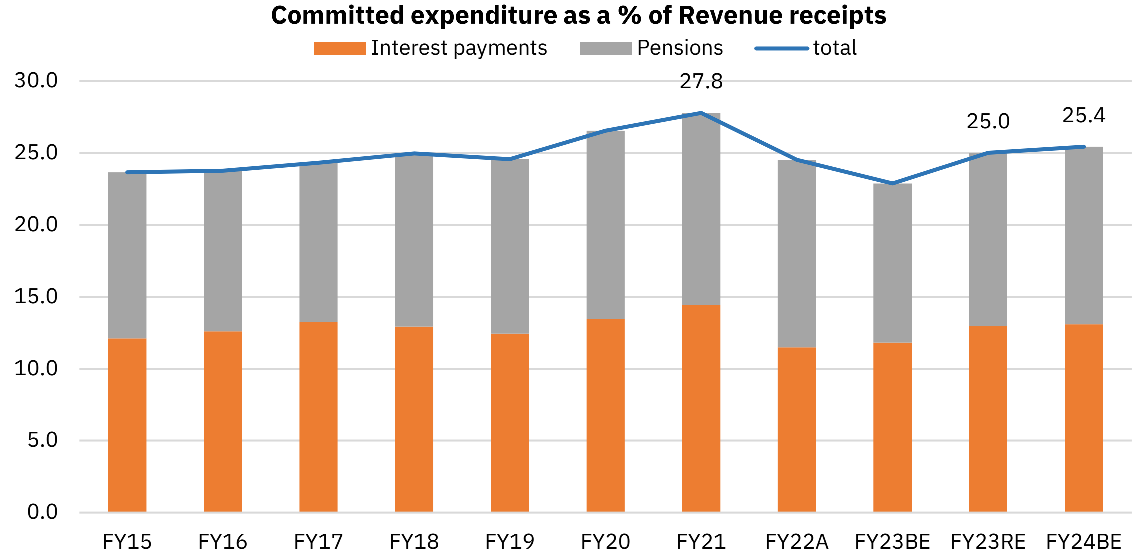
Source: CMIE States of India, NSE EPR.

Figure 22: Growth of sub-components of revenue expenditure (% YoY)



Source: CMIE States of India, NSE EPR.

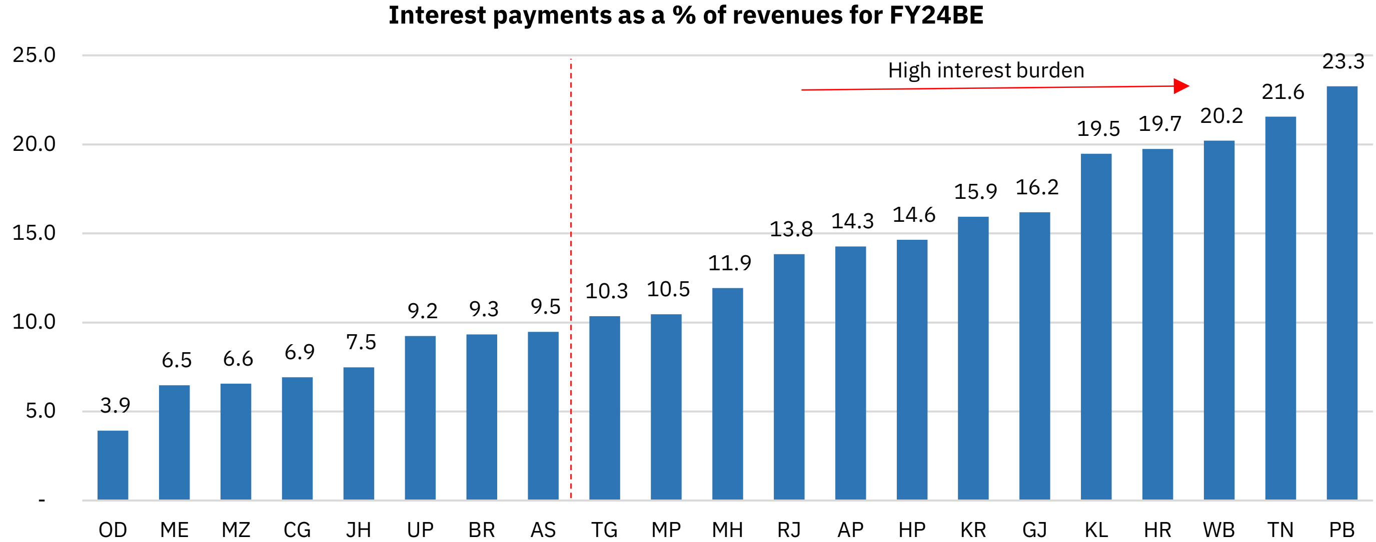
Figure 23: Trend in committed expenditure* for 21 states



Source: CMIE States of India, NSE EPR.

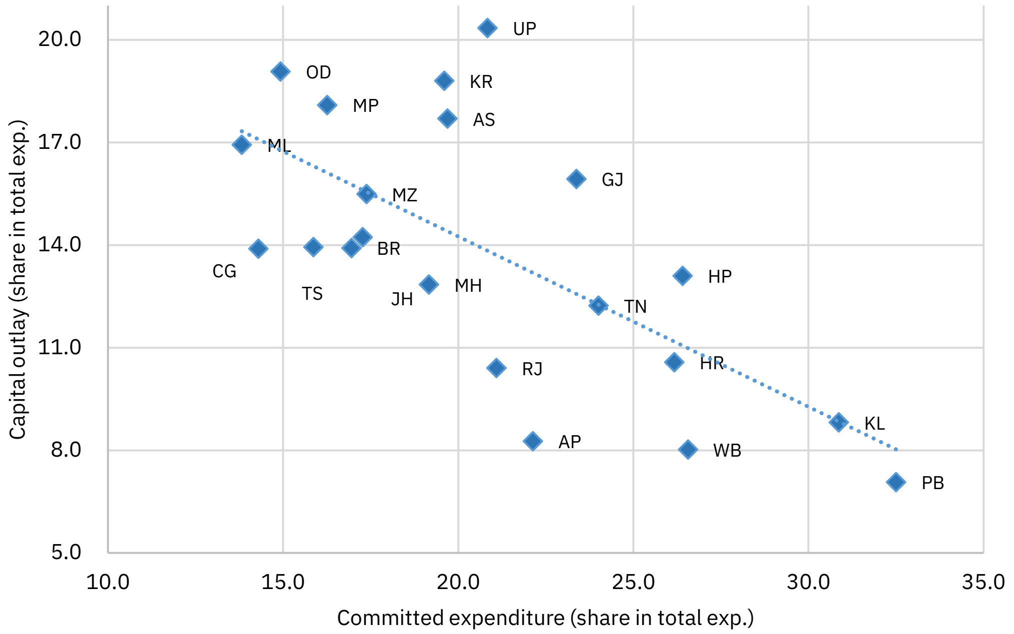
Note: * Committee expenditure includes interest payment and pension for 21 states.

Figure 24: Interest payment burden across states for FY24BE



Source: CMIE States of India, NSE EPR.

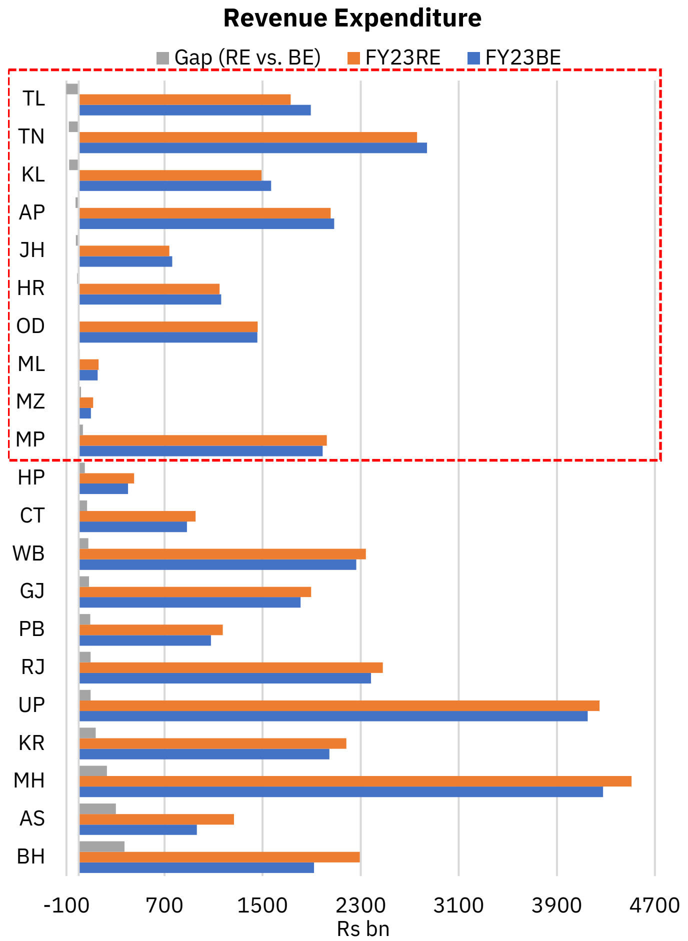
Figure 25: Expenditure quality of States (2022 and 2023RE)

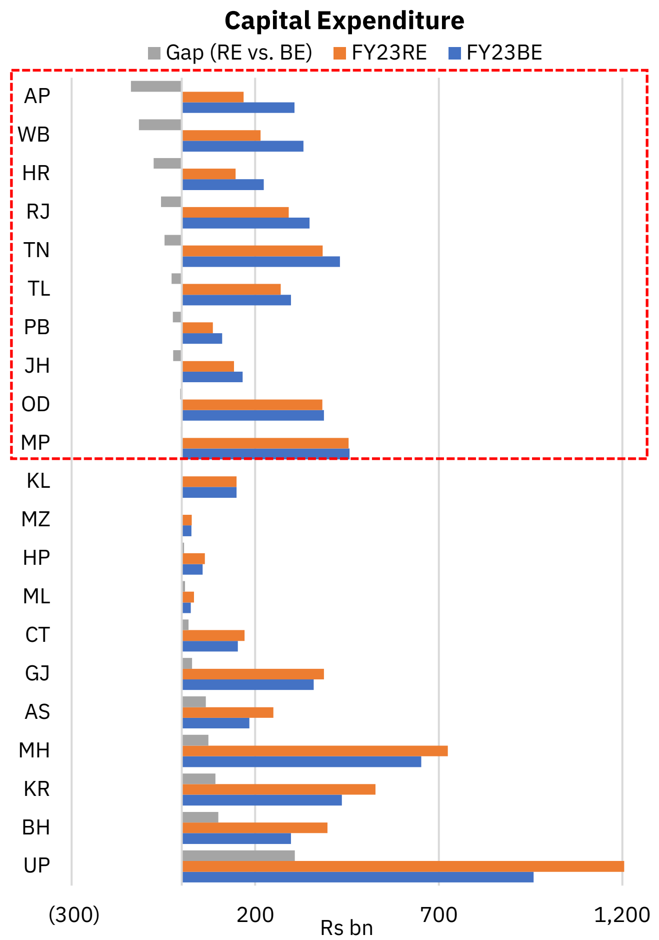


Quality of expenditure across states varies widely with states like Punjab, Kerela and West Bengal having high share of committed expenditure owing to high interest burden leaving little space for capital expenditure. While smaller state like Chhattisgarh, Meghalaya and Mizoram have pushed their capital spending in the last two years.

Source: CMIE States of India, NSE EPR.
Note: * Committee expenditure include interest payment and pension for 21 states.
** Average figures for FY23RE and FY24BE have been considered for the chart.

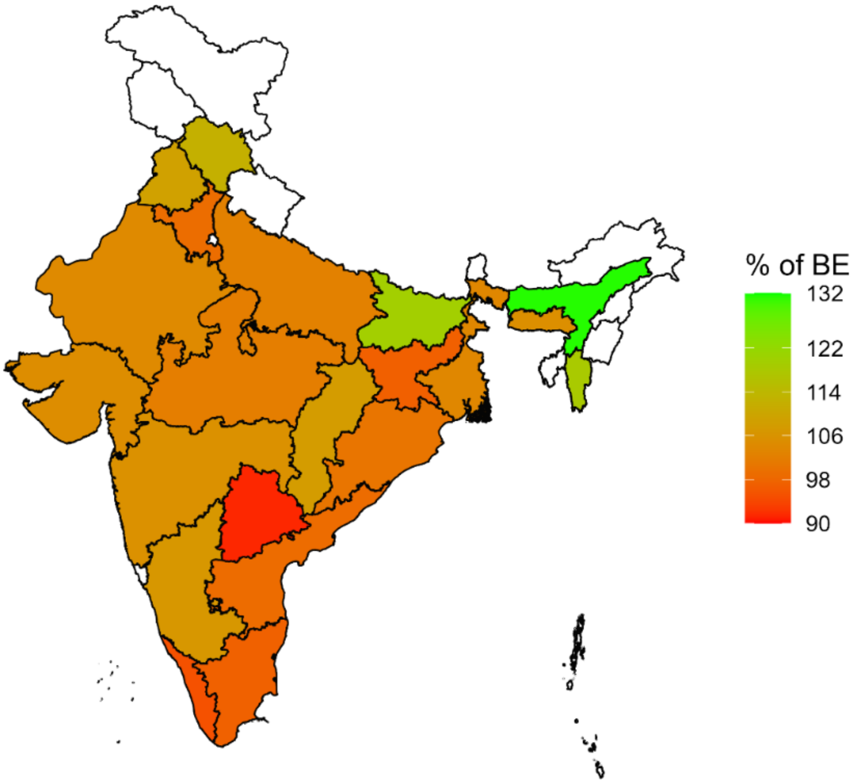
Figure 26: FY23 finances- Gap between revised and budget estimates





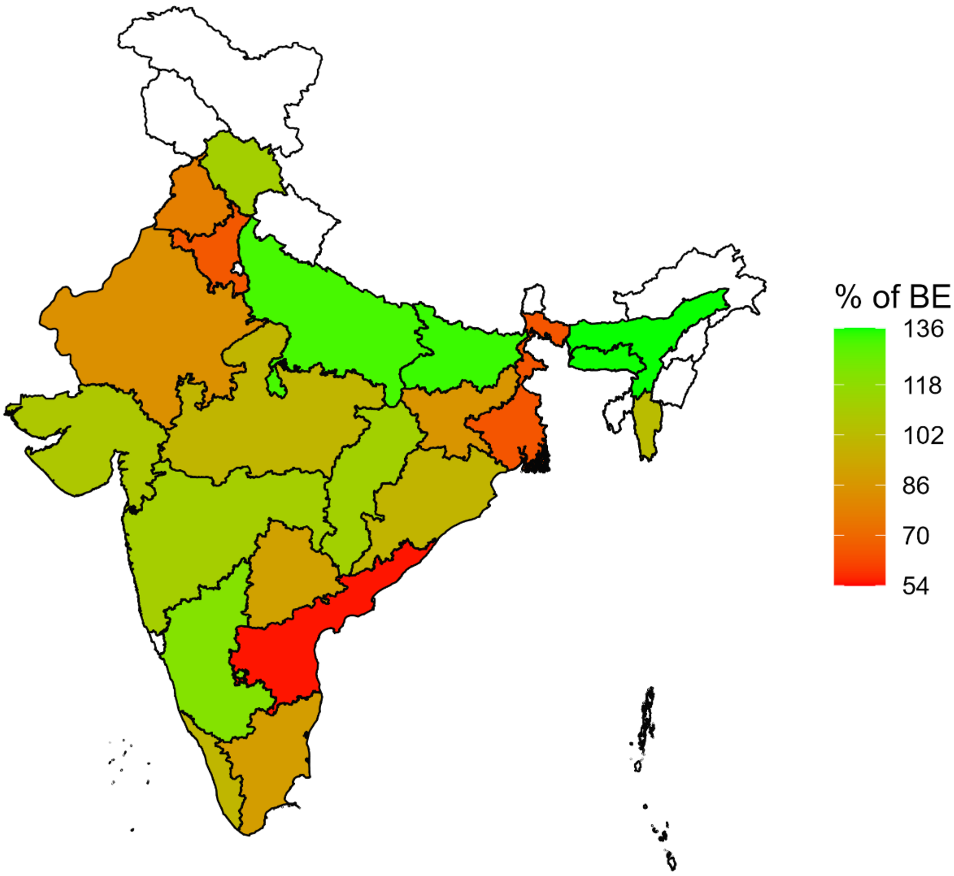
Source: CMIE States of India, NSE EPR.

Figure 27: Revenue expenditure in FY23RE as a percentage of FY23BE



Source: CMIE States of India, NSE EPR.

Figure 28: Capital expenditure in FY23RE as a percentage of FY23BE



Source: CMIE States of India, NSE EPR.

Deficit and borrowings: States projected deficit at 3.2% in FY24 vs. 3.5% in FY23RE

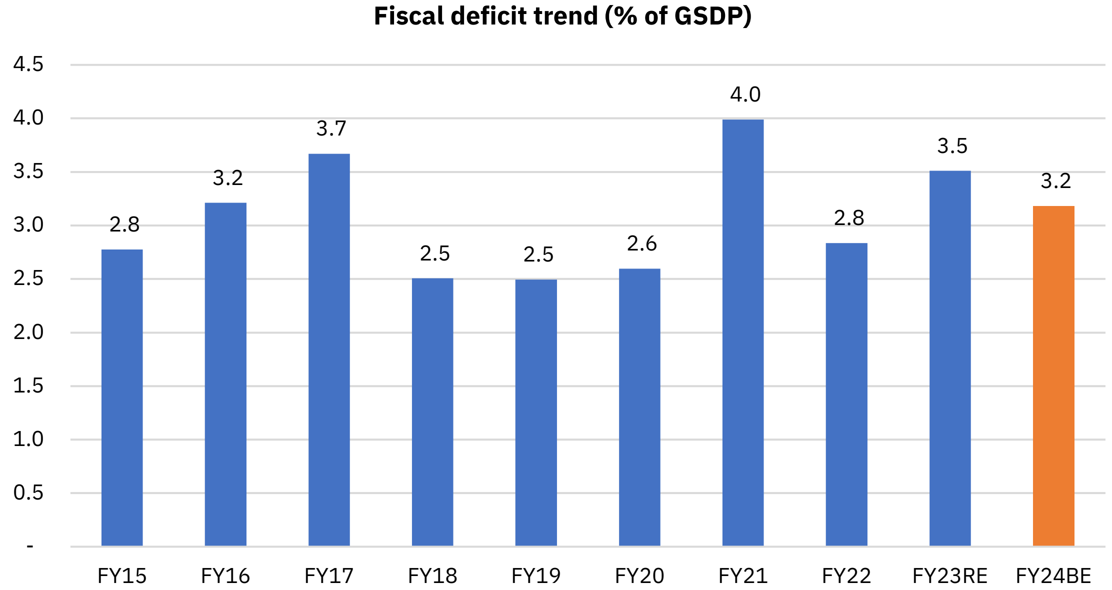
- **Aggregate states' deficit down to 3.2% of GSDP in FY24BE:** Moving on the path of fiscal consolidation, the 21 states under study have budgeted their fiscal deficit to decline to 3.2% in FY24 from 3.5% in FY23RE. Punjab has budgeted for the highest fiscal deficit among states for yet another year at 5%, followed by Himachal Pradesh at 4.6%, and Madhya Pradesh, Rajasthan, and Telangana at 4% each. Gujarat continues to outshine, budgeting a deficit of 1.8% (+30bps over FY23RE) of GSDP in FY24, with Maharashtra standing at a distant second at 2.5% (-20bps over FY23RE), followed by Karnataka and Jharkhand at 2.6% and 2.8% respectively. Notably, 14 out of 21 states under study have budgeted for a lower deficit as compared to the revised figures for FY23, with Bihar showing the highest improvement. After recording the highest fiscal deficit in FY23RE at 8.8% of the GSDP, up from 3.8% in FY22, Bihar has budgeted a fiscal deficit of 3% of GSDP in FY24, thanks to a steep 26% contraction in capital spending.

- **Gross states' borrowing to grow by 10.3%:** State borrowings remained below guided levels during the first three quarters of FY23, only to rise sharply in the fourth quarter, even as it undershot their overall target for the year (See out report: State of state finances: Fiscal austerity underway). As per the RBI's data on SDL auctions, states raised Rs 7.5trn in FY23 as against the target of Rs 10trn. Market borrowings for FY22 also fell short of the revised estimates by 11%. This was primarily on account of Odisha recording a fiscal surplus and thereby not raising fresh borrowings. *The gross borrowings for 21 states are budgeted to increase by 10.3% over the revised estimates and 31% over the actual borrowings in FY22 to Rs 9.4trn in FY24.*

- **Overall state liabilities at 31% of GSDP in FY23:** While the overall liabilities also vary greatly among states, the long-term trend of aggregated outstanding liabilities as a share of GSDP has worsened since FY16, peaking at 31% in FY21 (during the pandemic). The budgeted liabilities as a share of GSDP stands at 30% in FY23–significantly above the recommended level of 20% as per the NK Singh Committee Report on FRBM. While Odisha (15.7%), Maharashtra (19%) and Gujarat (19.5%) budgeted liabilities less than 20% of GSDP in FY23, Punjab stood at a gaping 47.6% of GSDP, followed by Himachal Pradesh (41.9%) and Rajasthan (40.2%).

- **SDL spreads remained tight on lower-than-budgeted borrowings:** After witnessing a sharp drop in FY22, most states have seen a sharp rise in market borrowings over the subsequent two years, even as they were lower-than-budgeted in FY23. Among states, it has been the smaller states that have seen a sharp rise. In FY23, while major states like Maharashtra, Tamil Nadu and Uttar Pradesh undershot their borrowings, smaller states like Himachal Pradesh, Meghalaya and Mizoram borrowed more than their budgeted figures. As a result of larger states lagging and smaller states borrowing more, SDL spreads have remained tight throughout FY23, with the 10-year SDL spread to similar tenor G-secs averaging at 28bps vs. the long period average of 50-55bps.

Figure 29: Trend in fiscal deficit to GSDP for 21 states



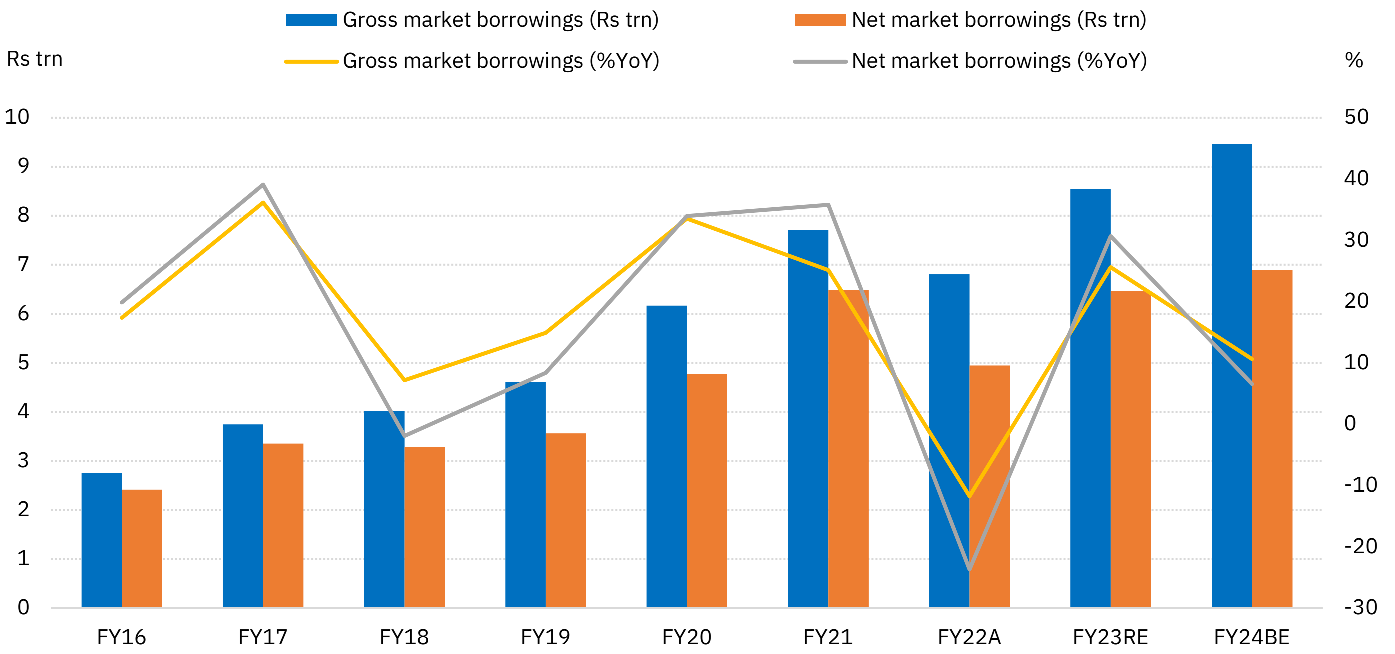
Source: States of India CMIE, NSE EPR; Note: *GSDP data available for 20 states for 2022-23BE

Table 5: Fiscal deficit across states (% of GSDP)

State	FY15-FY19	FY20	FY21	FY22	FY23RE	FY24BE
Andhra Pradesh	4.5	4.1	5.4	2.2	3.6	3.8
Assam	1.7	3.9	2.9	4.4	8.1	3.7
Bihar	3.2	2.1	4.8	3.8	8.8	3.0
Chhattisgarh	2.5	5.2	4.5	1.5	3.2	3.0
Gujarat	1.8	1.5	2.4	1.2	1.5	1.8
Haryana	4.0	4.0	3.8	3.6	3.3	3.0
Himachal Pradesh	3.1	3.5	3.6	3.0	6.5	4.6
Jharkhand	3.9	2.5	4.7	0.8	2.3	2.8
Karnataka	2.3	2.4	3.9	3.3	2.7	2.6
Kerala	3.6	2.9	5.1	5.1	3.6	3.5
Madhya Pradesh	3.0	3.5	5.1	3.3	3.6	4.0
Maharashtra	1.4	2.0	2.6	2.1	2.7	2.5
Meghalaya	3.1	3.2	7.8	5.7	4.5	3.4
Punjab	5.1	3.1	4.2	4.8	5.2	5.0
Odisha	2.1	3.4	3.5	-3.1	2.9	3.0
Rajasthan	5.1	3.8	5.9	4.0	4.3	4.0
Tamil Nadu	3.0	3.3	4.9	4.0	3.0	3.3
Telangana	3.4	3.3	5.1	4.2	3.8	4.0
Uttar Pradesh	3.4	-0.6	3.2	2.0	4.0	3.5
West Bengal	3.1	3.0	3.4	3.7	4.0	3.8
Mizoram	1.4	4.8	6.4	1.5	7.0	3.5
All States	**2.9**	**2.6**	**4.0**	**2.8**	**3.5**	**3.2**

Source: States of India CMIE, NSE EPR.

Figure 30: Gross and Net Market Borrowings



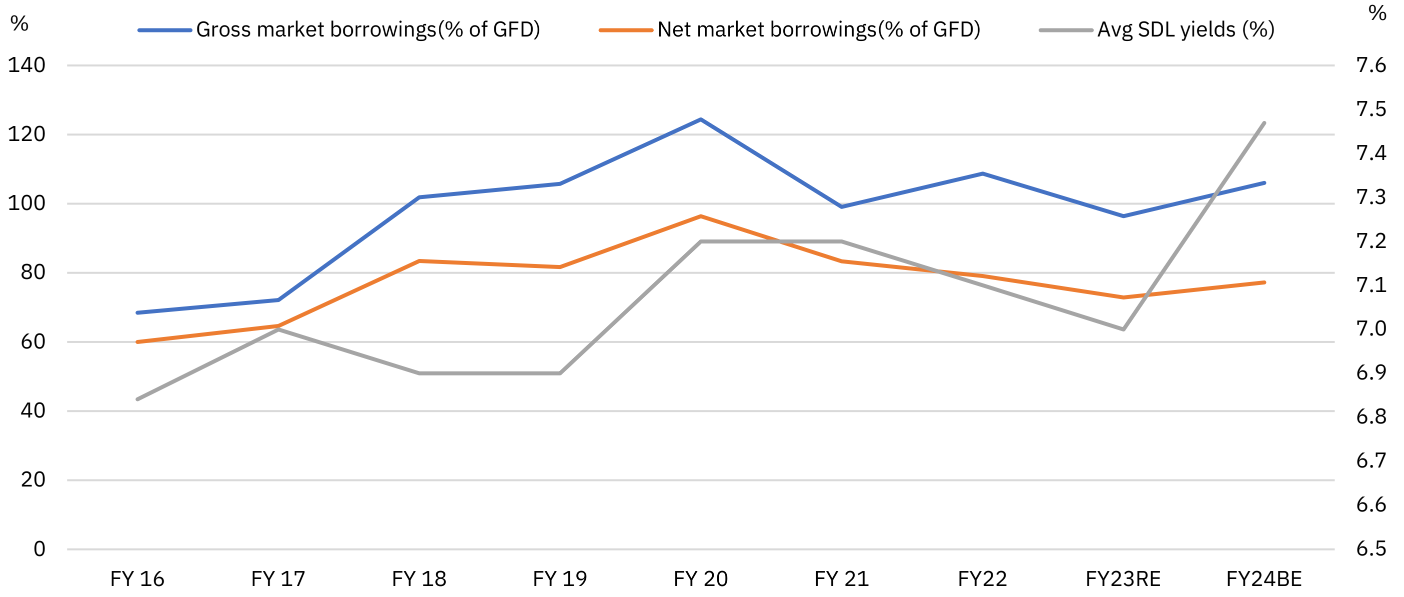
Source: CMIE States of India, NSE EPR.

Table 6: Gross market borrowings across states

States	Total (Rs trn)					Growth (%YoY)			
	FY20	FY21	FY22	FY23 RE	FY24 BE	FY21/ FY20	FY22/ FY21	FY23 RE/ FY22	FY24BE/ FY23 RE
Andhra Pradesh	488	509	464	575	630	4.2	(8.7)	23.8	9.6
Assam	129	150	128	201	177	16.5	(15.1)	57.5	(11.8)
Bihar	256	273	285	418	444	6.7	4.5	46.6	6.2
Chhattisgarh	117	130	40	99	103	11.3	(69.2)	147.5	4.4
Gujarat	389	448	311	450	510	15.1	(30.7)	44.9	13.3
Haryana	247	300	305	450	475	21.6	1.7	47.6	5.6
Himachal Pradesh	66	60	40	123	89	(8.8)	(33.3)	207.8	(27.5)
Jharkhand	75	94	50	79	107	25.3	(46.8)	58.0	35.4
Karnataka	485	690	590	595	703	42.3	(14.5)	0.8	18.1
Kerala	181	286	270	374	414	58.1	(5.5)	38.5	10.8
Madhya Pradesh	224	456	220	455	476	103.7	(51.7)	106.6	4.6
Maharashtra	485	690	687	900	1,000	42.3	(0.4)	30.9	11.1
Meghalaya	13	18	16	18	17	32.2	(9.5)	9.0	(0.5)
Rajasthan	391	574	511	574	702	46.7	(10.8)	12.3	22.3
Tamil Nadu	624	880	870	857	1,174	40.9	(1.1)	(1.5)	37.0
Telangana	371	438	457	450	406	18.0	4.4	(1.6)	(9.7)
Uttar Pradesh	697	755	625	742	752	8.3	(17.2)	18.6	1.3
West Bengal	570	597	674	752	789	4.7	12.9	11.6	5.0
Mizoram	9	9	7	13	12	4.9	(20.9)	76.0	(8.7)
Odisha	75	30	-	-	23	(60.0)	(100.0)		NM
Punjab	274	330	258	429	457	20.6	(21.8)	66.3	6.5

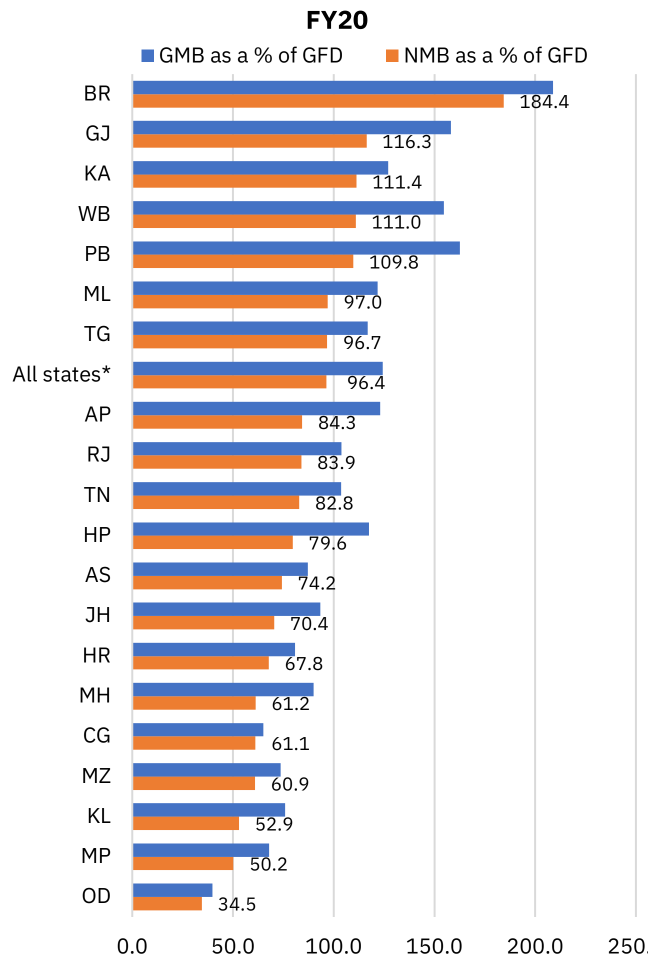
Source: CMIE States of India, NSE EPR.

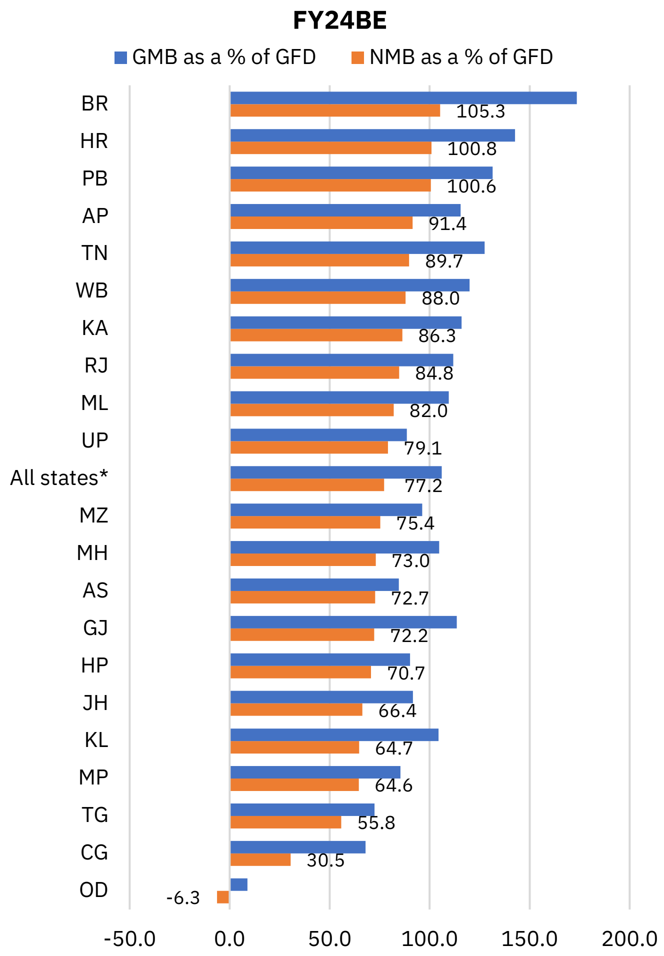
Figure 31: Annual trend of gross and net market borrowings by states



Source: CMIE States of India, NSE EPR.

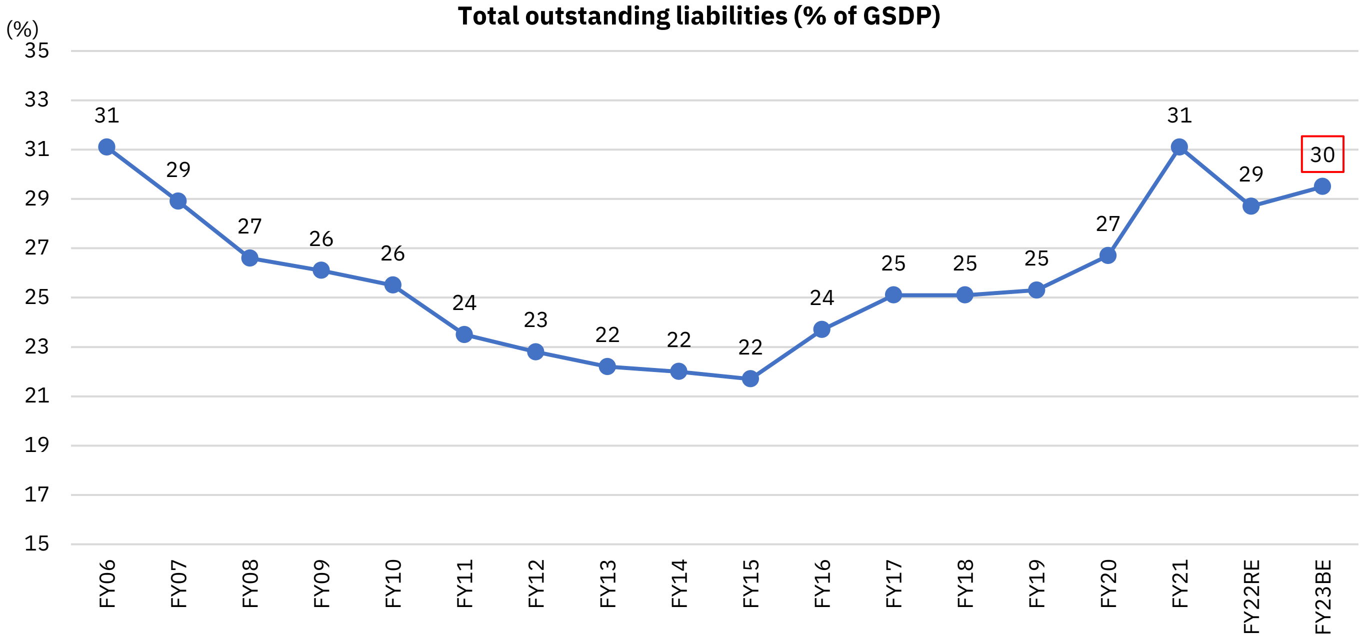
Figure 32: State-wise dependency on market borrowings to finance deficit





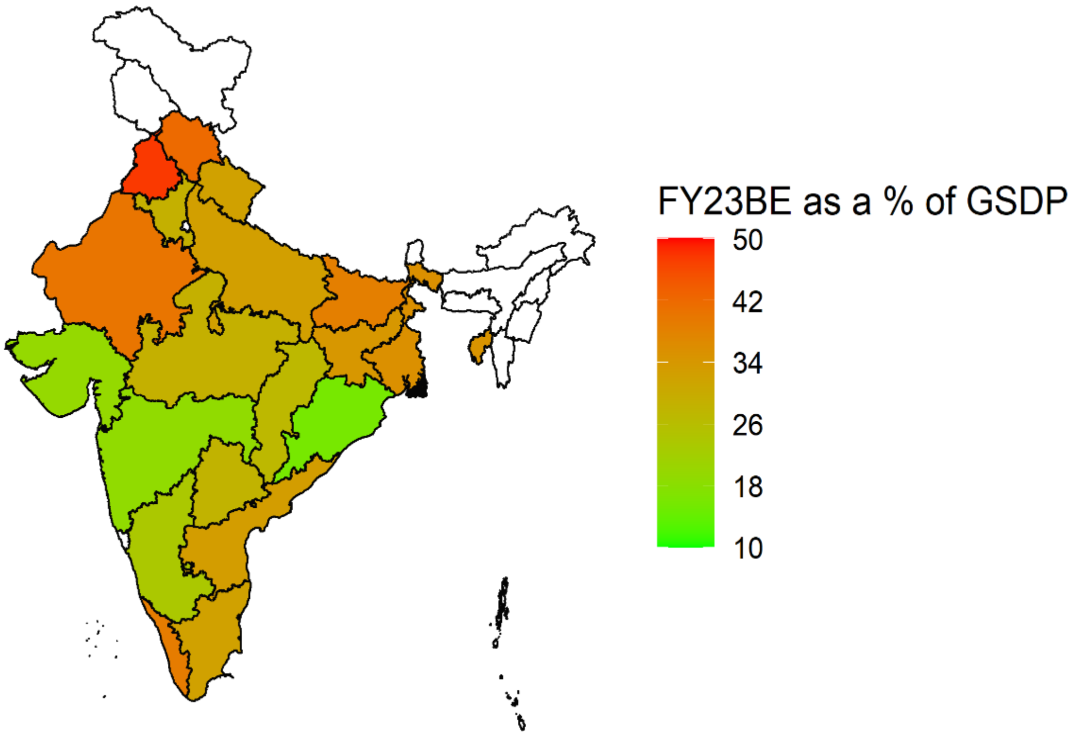
Source: CMIE States of India, NSE EPR

Figure 33: Trend in states outstanding liabilities (as a % of GSDP)



Source: RBI State Finance Report, NSE EPR; Note: Outstanding liabilities include market borrowings, loans from banks and other institutions, loans and advances from central government, provident funds, reserve funds, deposits and advances, and contingency funds.

Figure 34: State-wise outstanding liabilities for FY23BE (% of GSDP)



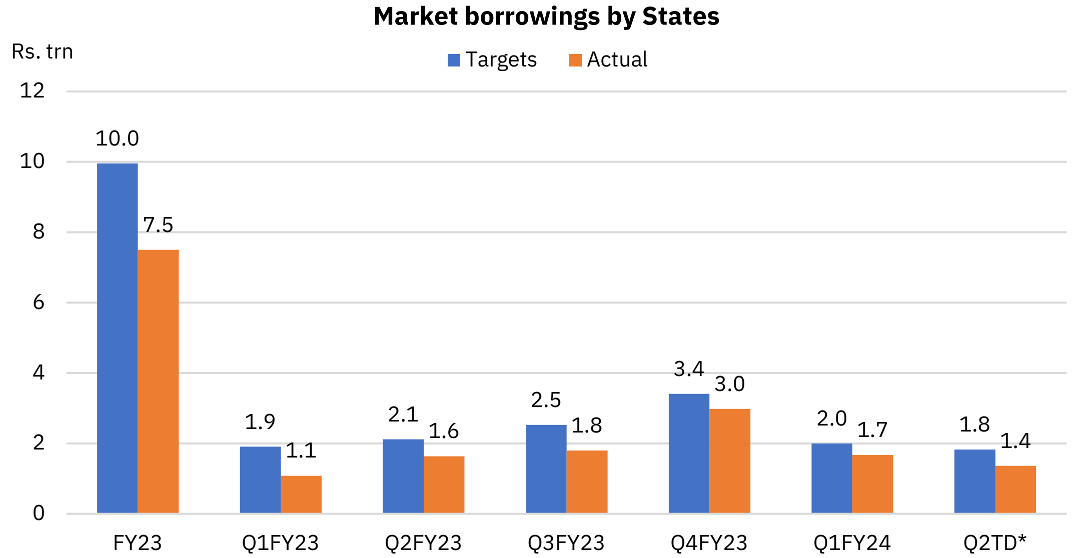
Source: CMIE States of India, NSE EPR.

Liabilities also varied greatly among states. The liability profile of states has been worsening since 2016, reaching 31% of GSDP in 2021 (during the pandemic). The budgeted liabilities by state for FY23 stands at 30% of GSDP—higher than the recommended level of 20% as per the NK Singh Committee Report on FRBM.

While Odisha (15.7%), Maharashtra (19%) and Gujarat (19.5%) fared better, Punjab stood at a gaping 47.6% of BE followed by Himachal Pradesh

Figure 35: Quarterly market borrowings: Actual vs. planned

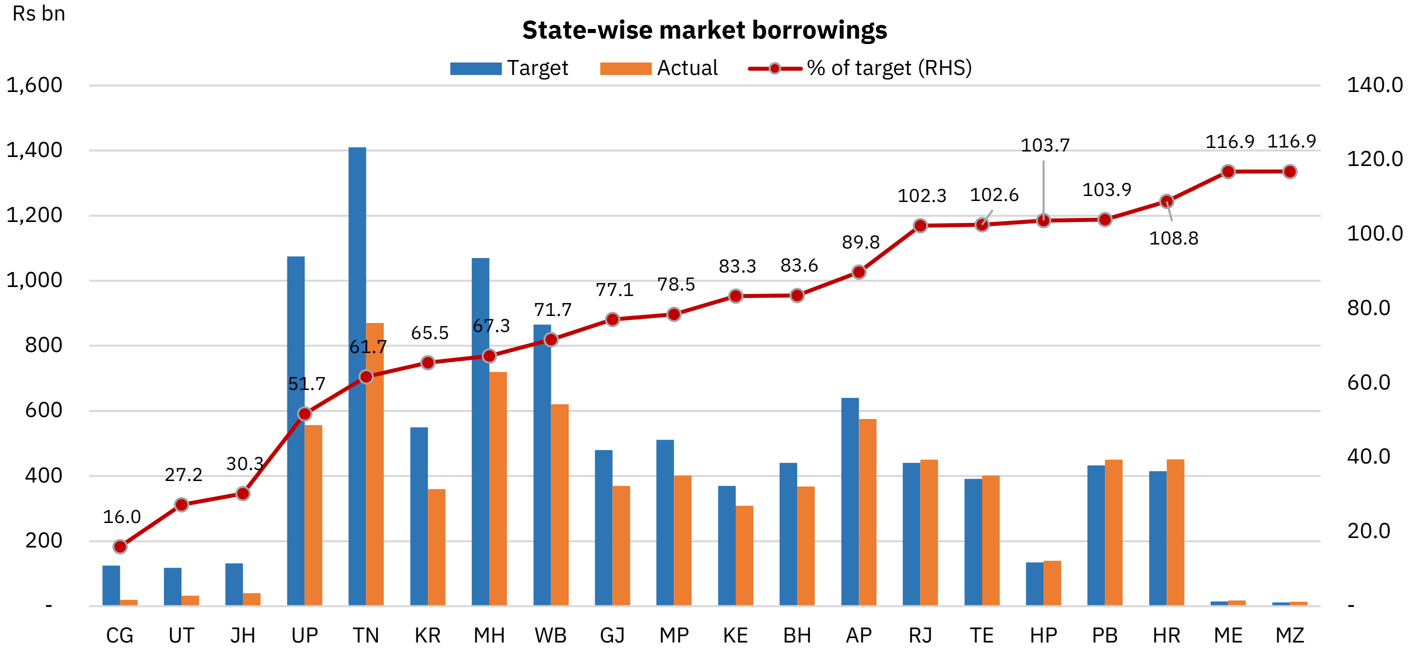
States borrowed only Rs 7.5trn in FY23 vs the planned borrowing of Rs 10trn. Lower-than-guided market borrowings by states led to tighter spreads between the 10Y SDL and 10Y G-sec yields. The trend of undershooting indicated targets continues in FY24.



Source: DBIE RBI, NSE EPR. * As of September 5th, 2023.

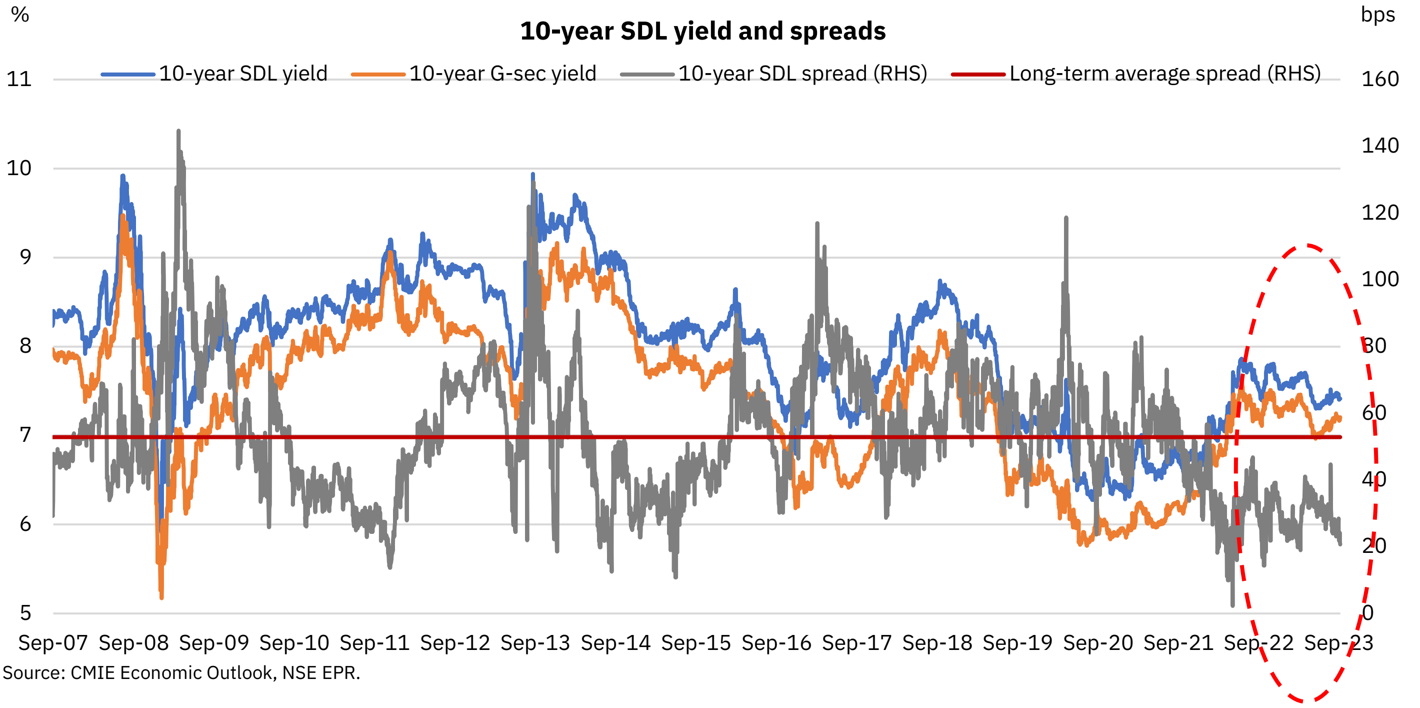
Figure 36: State-wise Actual vs. planned market borrowings for FY23

Larger states like UP, Tamil Nadu, Maharashtra and West Bengal have borrowed less than 75% of their planned borrowings from the market in FY23. The limited supply of SDL has tightened the spread between 10-year SDL and G-sec which remain much lower than its long-term average of 50-55bps.



Source: DBIE RBI, NSE EPR.

Figure 37: Trend of 10-year SDL yield and spreads



Source: CMIE Economic Outlook, NSE EPR.

Table 7: Composition of outstanding liabilities of 21 states

Public debt (Rs trn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22RE	FY23BE
1. Total internal debt	18.0	22.2	26.9	30.0	33.1	37.7	43.8	48.3	55.2
1.1 SDLs	12.2	14.6	17.9	21.2	24.6	29.3	35.8	40.8	47.4
1.2 NSSF	4.9	5.2	4.9	4.6	4.2	3.9	3.6	3.3	3.0
1.3 Loans from banks & other Fis	0.9	1.3	1.9	2.0	2.2	2.4	2.5	2.4	2.5
1.3.1 Loans from NABARD	0.6	0.8	0.9	1.1	1.3	1.4	1.5	1.7	2.0
1.3.1 Loans from others	0.3	0.5	1.0	0.9	0.9	1.1	1.0	0.7	0.6
2. Loans from Centre	1.4	1.4	1.5	1.5	1.6	1.5	2.9	4.2	4.9
3. Provident fund	2.9	3.2	3.7	4.0	4.4	4.7	5.1	5.5	5.8
4. Reserve fund	1.0	1.3	1.2	1.7	1.9	1.8	1.9	1.8	1.7
5. Deposits & Advances	2.3	2.5	3.2	3.8	4.5	5.0	5.2	5.3	5.2
6. Contingency Fund	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Outstanding liabilities	**25.7**	**30.7**	**36.5**	**41.0**	**45.6**	**51.0**	**59.0**	**65.2**	**73.0**

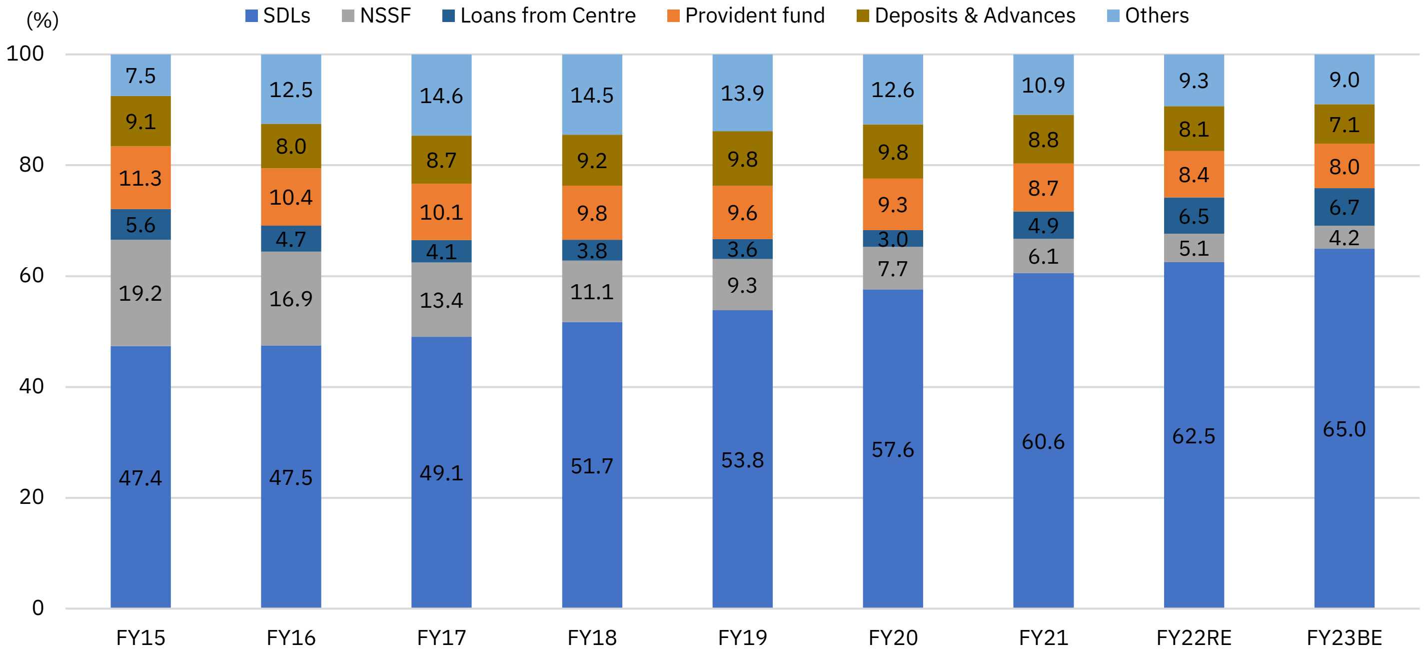
Source: CMIE States of India, NSE EPR.

Table 8: Annual growth of sources of fund to finance outstanding liabilities of 21 states

% YoY	FY16	FY17	FY18	FY19	FY20	FY21	FY22RE	FY23BE
1. Total internal debt	**23.2**	**20.9**	**11.4**	**10.6**	**13.9**	**16.1**	**10.2**	**14.3**
1.1 SDLs	19.6	22.6	18.4	16.0	19.4	21.9	14.0	16.3
1.2 NSSF	5.0	(6.0)	(6.5)	(7.1)	(7.3)	(7.6)	(7.9)	(8.9)
1.3 Loans from banks & other Fis	52.9	44.3	6.8	9.3	11.0	2.4	(2.5)	4.4
1.3.1 Loans from NABARD	42.1	18.8	14.1	18.3	10.7	10.1	13.2	14.5
1.3.1 Loans from others	72.7	82.5	(0.3)	(0.7)	11.5	(7.8)	(27.2)	(20.5)
2. Loans from Centre	0.8	3.7	3.1	6.3	(6.5)	90.7	45.4	16.2
3. Provident fund	9.6	15.9	8.2	9.7	8.0	8.2	7.1	6.5
4. Reserve fund	37.2	(11.5)	42.4	14.5	(3.2)	3.2	(7.8)	(4.2)
5. Deposits & Advances	5.7	28.4	18.4	19.8	11.3	3.8	1.7	(1.2)
6. Contingency Fund	(24.2)	3.3	27.8	61.4	26.8	(4.9)	52.9	0.3
Outstanding liabilities	**19.3**	**18.8**	**12.4**	**11.4**	**11.7**	**15.9**	**10.4**	**12.0**

Source: CMIE States of India, NSE EPR

Figure 38: Share of sources of fund of states' outstanding liabilities

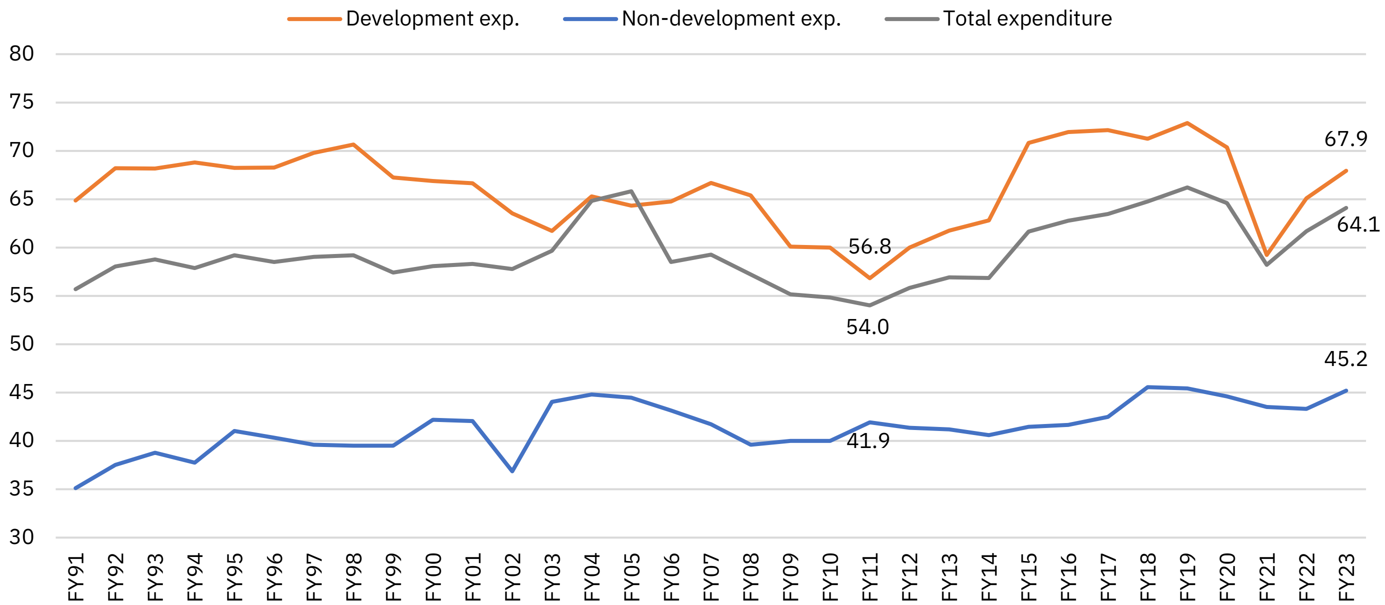


Source: CMIE States of India, NSE EPR.

Path ahead: Fiscal prudence key to strenghtening state finances

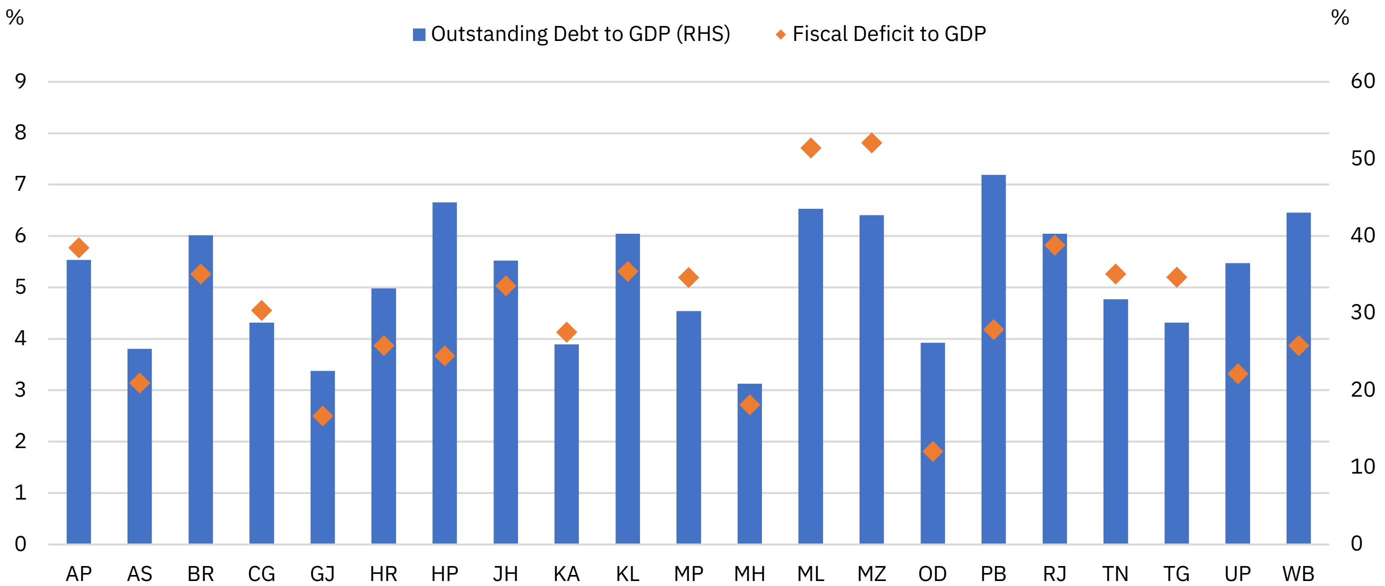
- **A clear roadmap to fiscal austerity:** After a brief post-pandemic drop, states' share in the general government (Centre + states) expenditure has been steadily rising since 2011. States now account for ~64% of the combined expenditure, with their share in development expenditure being higher at ~68%. This, in turn, highlights the importance and need of improvement in financial positions of states. It is, therefore, imperative to have a clear roadmap to fiscal austerity at the state level, particularly for heavily indebted states like Punjab. Some of these states have debt to GDP ratio north of 40% and spend a large amount of their revenue receipts on committed expenditure, which in turn reduces their ability to spend on developmental areas.

Figure 39: States' share in combined (Centre + states) government expenditure



Source: RBI DBIE, NSE EPR.

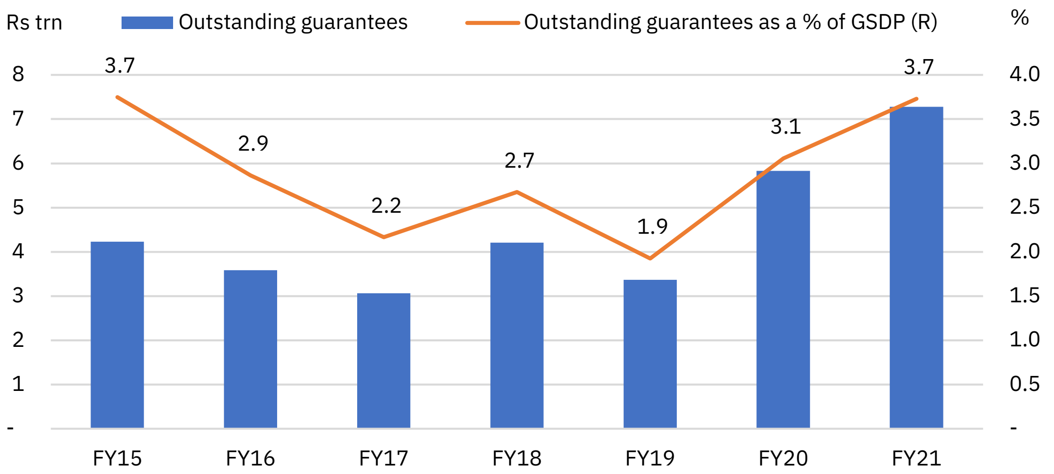
Figure 40: Outstanding debt vs. fiscal deficit to GDP across 21 states for FY21



Source: CMIE States of India, NSE EPR.

- **A gradual reduction in contingent liabilities:** The outstanding liabilities of states do not include contingent liabilities, a large part of which pertains to state guarantees to SPSEs (State Public Sector Enterprises). At an aggregate level, contingent liabilities added up to 3.7% of GSDP in FY21. If accounted for in fiscal calculations, the aggregate fiscal deficit for these 21 states would surge to 7.7% in FY21 and total debt would rise to 34% of GSDP from the current 30%. This poses significant risks to state governments, particularly to those with high contingent liabilities including Kerala (4.6% of GSDP), Telangana (10.8%), Andhra Pradesh (10.7%) and Uttar Pradesh (9%). Some of these states already have high debt levels, with Kerala, Uttar Pradesh and Andhra Pradesh having outstanding liabilities to GDP ratio north of 35%. A gradual reduction in contingent liabilities is therefore imperative to bring about transparency in state finances and enhance the overall fiscal health.

Figure 41: Outstanding guarantees across states



Source: CMIE States of India, NSE EPR.

Table 9: Trend in outstanding guarantees as a % of GSDP for 21 states

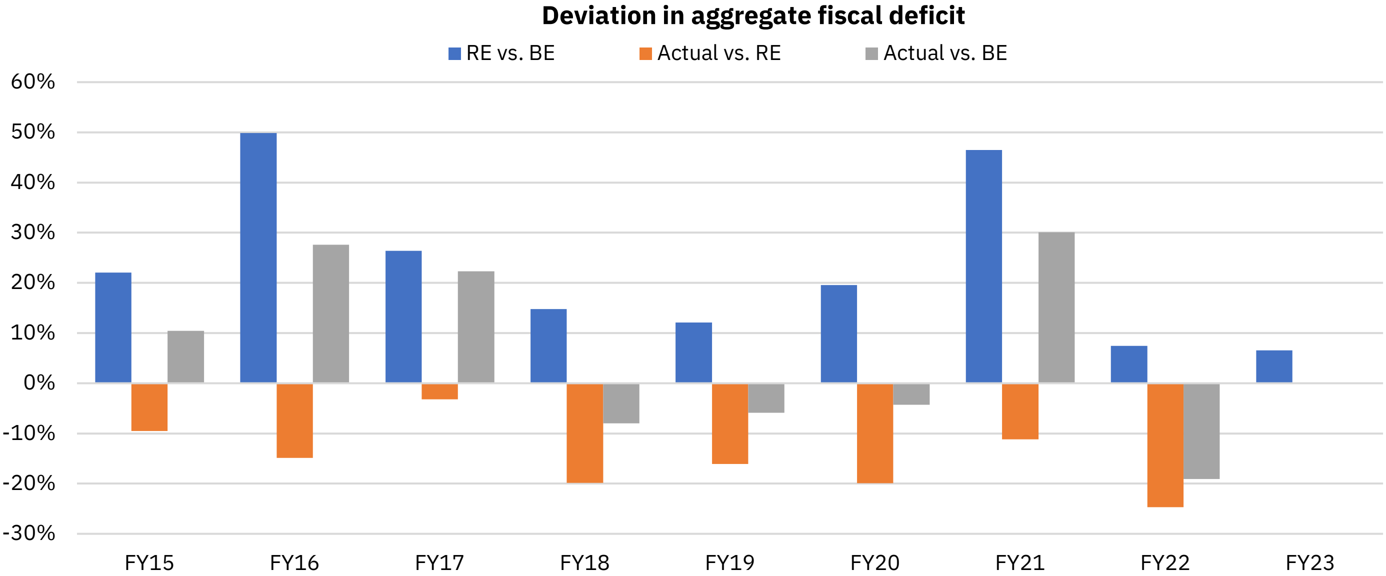
States	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Andhra Pradesh	2.0	1.2	1.4	4.6	6.2	8.1	10.7
Assam	0.1	0.1	0.1	0.03	0.03	0.02	0.02
Bihar	0.6	1.3	1.1	1.1	1.0	0.9	2.6
Chhattisgarh	1.0	0.9	1.5	1.4	1.5	5.4	NA
Gujarat	0.6	0.5	0.4	0.4	0.1	0.3	0.2
Haryana	7.0	3.4	1.5	2.2	NA	2.7	3.0
Himachal Pradesh	4.1	3.3	3.6	3.1	NA	1.2	1.4
Jharkhand	0.1	0.1	0.1	0.1	7.9	NA	0.7
Karnataka	1.2	1.3	1.3	1.4	1.8	1.7	1.9
Kerala	2.2	2.2	2.6	2.5	3.9	3.4	4.6
Madhya Pradesh	4.2	5.1	5.1	4.2	3.0	NA	3.8
Maharashtra	0.4	0.4	0.3	1.1	0.2	1.5	1.5
Meghalaya	5.1	4.1	3.6	2.8	218.9	3.2	9.2
Odisha	0.5	0.4	0.6	0.4	15.5	0.6	1.3
Punjab	18.8	14.5	4.8	4.5	0.3	4.1	NA
Rajasthan	15.4	7.9	6.7	7.4	0.7	8.1	8.2
Tamil Nadu	5.0	4.4	2.2	2.4	NA	2.6	3.5
Telangana	3.6	4.6	4.6	5.3	NA	9.4	10.8
Uttar Pradesh	7.0	5.1	4.3	6.3	NA	6.7	9.0
West Bengal	1.3	1.1	0.9	0.9	NA	NA	0.6
Mizoram	0.7	0.7	0.7	0.5	15.8	NA	0.3

Source: CMIE States of India, NSE EPR.

- **Enhanced fiscal prudence:** There has been a persistent gap and substantial difference between the budgeted and revised estimates as well as revised and actual figures for states. For instance, states like Assam, Bihar and Mizoram have consistently revised their fiscal deficit upwards against the budgeted estimates—sometimes even to the magnum of over 300%. As a share of GSDP, Bihar, Assam and Mizoram have reported average deviation of about 6pp,5.4pp and 4.7pp between their respective revised and budget estimates over the last three years (FY21-23). Further, the actual numbers, which should be closer to revised figures, have in fact always been lower during this period, and by an average of 15% since FY15. Notably, only five states in our sample of 21 states reported a greater fiscal deficit to GSDP ratio than the revised estimates. As a share of GDP, the deviation ranged between -7.9pp (Bihar) and 1.5pp (Meghalaya). Interestingly, Bihar had budgeted for a fiscal deficit of 3.5% of GSDP in FY22, which rose to 11.8% in the revised estimates, only to eventually come in only 50bps higher than the BE.

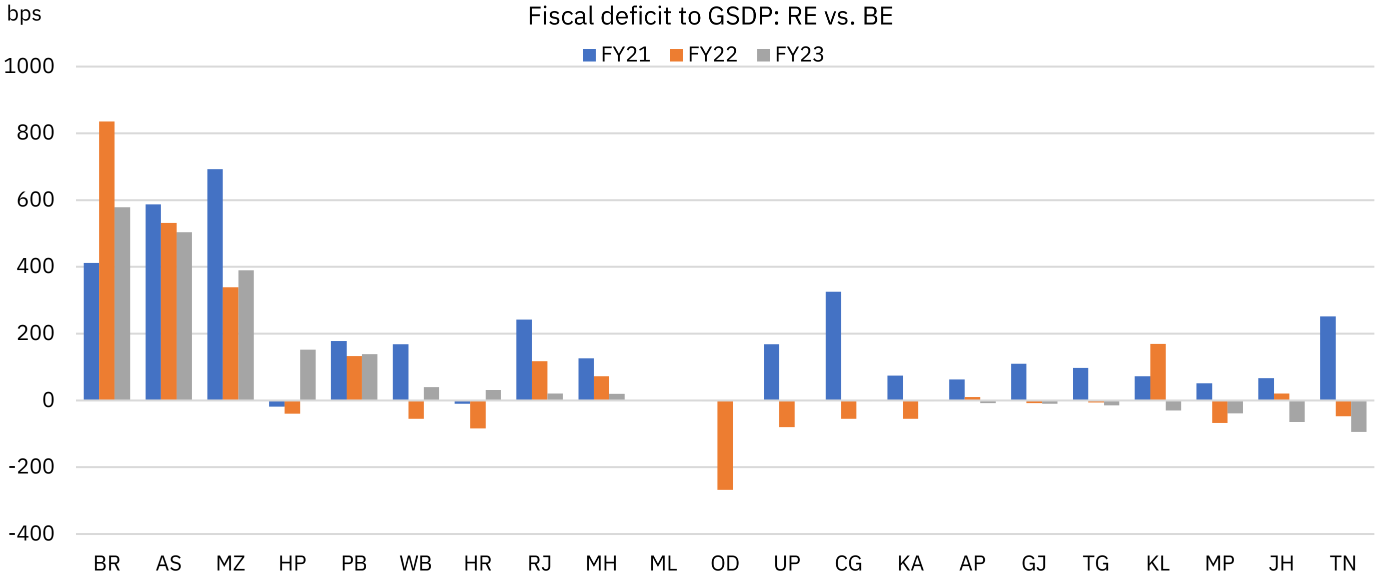
  Surprisingly, there are also states such as Meghalaya which hardly report any difference between their budgeted and revised figures, making it difficult to assess their financial positions. These significant deviations between budgeted, revised, and actual figures lower the credibility of state finances, and should be addressed to make assessment easier.

Figure 42: Deviation in aggregate fiscal deficit for 21 states under study



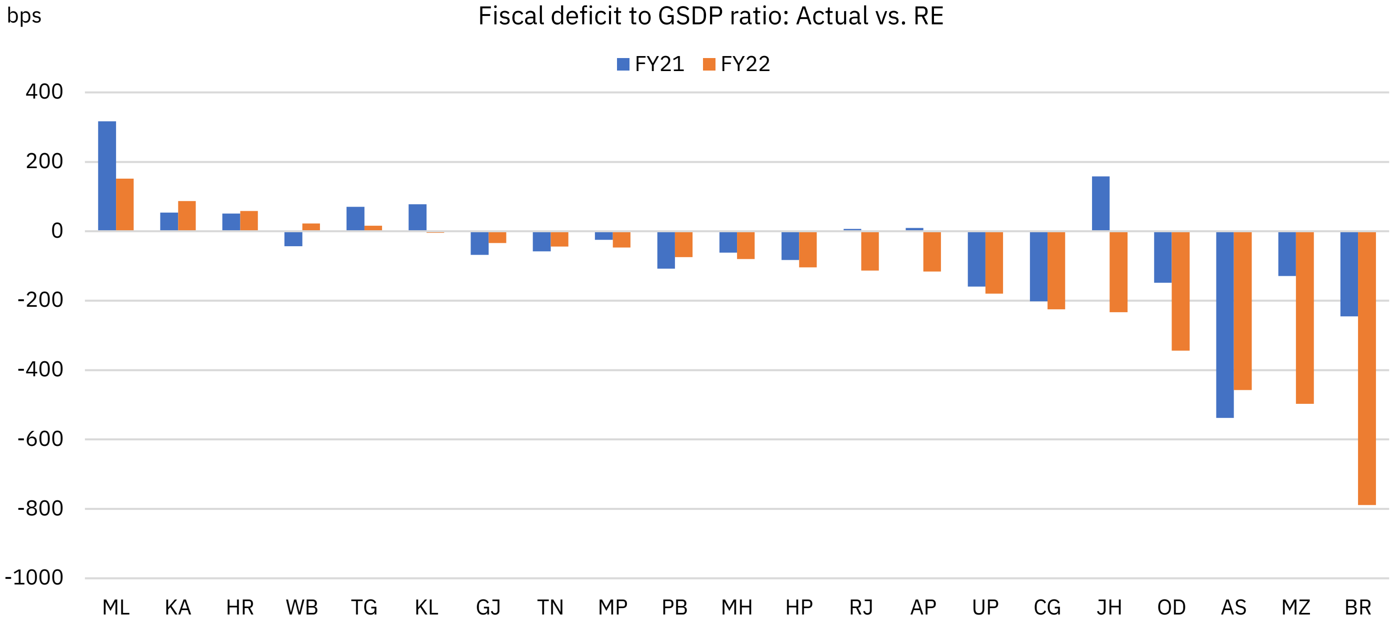
Source: CMIE States of India, NSE EPR.

Figure 43: Deviation between revised and budgeted fiscal deficit to GDP ratio across states



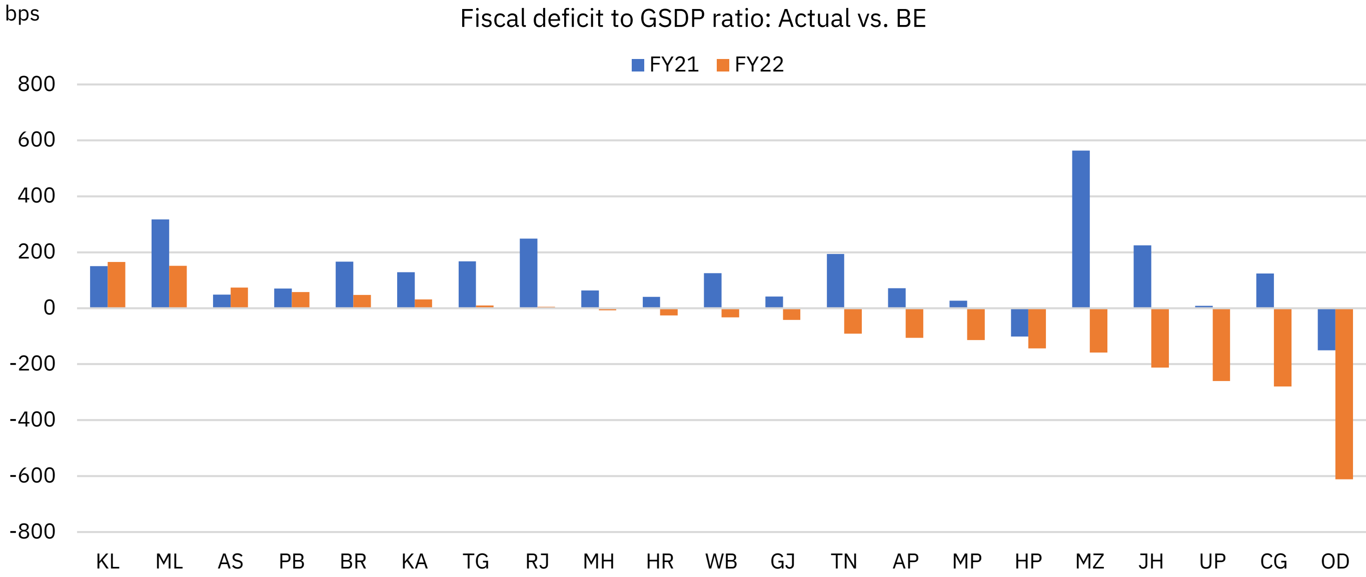
Source: CMIE States of India, NSE EPR.

Figure 44: Deviation between actual and revised fiscal deficit to GDP ratio across states



Source: CMIE States of India, NSE EPR.

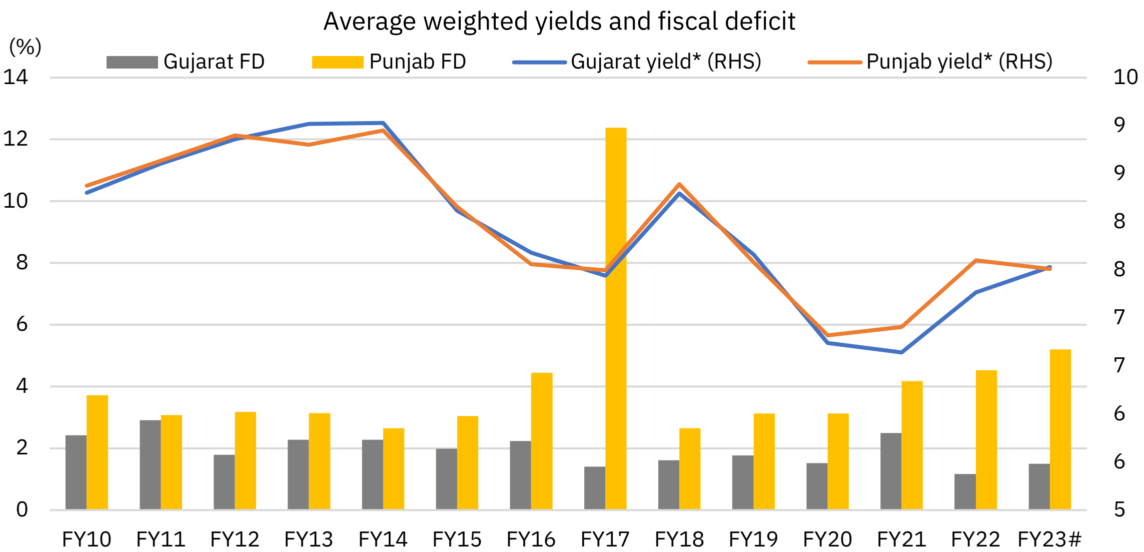
Figure 45: Deviation between actual and revised fiscal deficit to GDP ratio across states



Source: CMIE States of India, NSE EPR.

- **Risk-based pricing of SDLs:** As the report highlights, there exists a wide inter-state disparity in terms of their fiscal and financial positions. Some states like Punjab, Himachal Pradesh, and Rajasthan have debt to GDP ratio north of 40%, and fiscal deficit to GDP ratio of more than 4%, while states like Gujarat and Odisha have much lower fiscal deficit and indebtedness. Irrespective of this deviation, there is a high disconnect between market prices of bonds issued by states and their economic fundamentals. In other words, all big states borrow from markets at similar interest rates. For instance, the average yield of SDLs issued by Gujarat as well as Punjab was around 7.5% in FY23, despite Gujarat having less than half of Punjab's debt to GSDP and fiscal deficit to GSDP ratios. Over the last 15 years, the average spread between SDLs of Gujarat and Punjab has been mere 3bps. Risk-based pricing of SDLs based on state-specific fiscal parameters, as opposed to near-uniform pricing prevalent currently, would nudge fiscally strained states to pursue fiscal consolidation.

Figure 46: Trend in average yield of SDL issued by Gujarat and Punjab

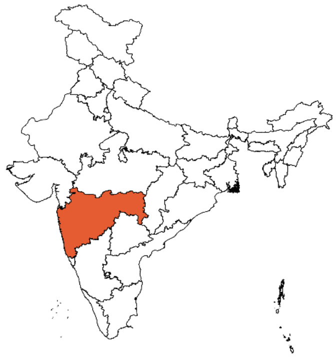


Source: RBI DBIE, NSE EPR. *avg. yields for the corresponding calendar year, # fiscal deficit for FY23 is the revised estimates

- **A shift from cash to accrual-based accounting:** The 12th Finance Commission had recommended the adoption of accrual-based accounting for the Centre and state governments so as to improve transparency and enable an effective assessment of Government finances. In accrual-based accounting, revenues and expenditure are recorded in the books when they are earned or incurred, irrespective of when they are received or paid. While pilot studies have been conducted for some states including Andhra Pradesh and Madhya Pradesh, it has not been adopted in practice. The accrual accounting of government finances would enable a complete presentation and objective measure of the assets and liabilities, distinguishment between current and capital expenditure, and provide adequate information of fiscal balance. A shift from cash to accrual account, therefore, will improve governance, enhance transparency and provide a more reliable picture of government finances.

Fiscal profile of five large states that contribute ~50% of national GDP

MAHARASHTRA



Key highlights:

- GSDP growth at 10% for FY24BE vs. 13.5% in FY23RE
- Fisc in FY24 budgeted at 2.5% vs. 2.7% in FY23RE.
- **Subsidy Reduction:** Total subsidies at Rs 304.5 bn in FY24BE, down 36% vs. FY23RE. Power subsidy outgo is expected to fall by 37% to Rs 77bn in FY24.
- **Moderation in capex growth:** Capital outlay growth to moderate to 2% in FY24BE after 50%+ growth over the previous two years

Maharashtra's revenue receipts are budgeted to drop meaningfully in FY24, weighed down by reduced grants from the Centre. The state's own revenue (tax as well as non-tax) is budgeted to grow by 8.2% in FY24 vs. 24% in FY23RE. Within SOR, GST collections are budgeted to increase by 8.5% to Rs 1.4trn in FY24BE—the highest collections among all states, after expanding by a strong 28.9% in FY23RE. On the expenditure front, growth in capex is budgeted at a modest 5.7% in FY24, albeit on top of a 50%+ growth over the previous two years.

Table 10: Budget snapshot for Maharashtra

Items	(In Rs billion)			% YoY		
	FY22A	FY23RE	FY24BE	FY22A	FY23RE	FY24BE
Revenue Receipts	**3,333**	**4,309**	**4,495**	**23.7**	**29.3**	**4.3**
Tax Revenue	2,752	3,358	3,627	37.1	22.0	8.0
States' own tax revenue	2,210	2,758	2,982	34.5	24.8	8.1
Property Tax	387	430	495	40.6	11.2	15.1
Sales Tax	459	550	562	41.3	19.8	2.2
States' excise duties	172	230	252	14.1	33.6	9.6
GST	973	1,254	1,360	39.1	28.9	8.5
Devolution/Share in Central Taxes	543	600	645	48.7	10.6	7.5
Non-Tax Revenue	581	951	868	-15.5	63.8	-8.7
States' own non-tax revenue	193	221	242	20.9	14.2	9.6
Grants from Centre	388	731	626	-26.5	88.6	-14.3
Non-debt Capital Receipts	11.8	23.8	24.3	-26.9	101.8	2.0
Recovery of Loans and Advances	12	24	24	-26.9	101.8	2.0
Net Receipts	**3,345**	**4,333**	**4,519**	**23.4**	**29.5**	**4.3**
Revenue Expenditure (A)	**3,497**	**4,509**	**4,656**	**12.6**	**28.9**	**3.3**
Development Expenditure	2,020	2,761	2,701	8.4	36.7	-2.2
Social Services	1,425	1,811	1,921	16.8	27.1	6.1
Economic Services	595	950	780	-7.6	59.7	-17.9
Non-Development Expenditure	1,217	1,419	1,649	17.2	16.6	16.2
Interest payments	452	474	536	22.1	4.9	13.2
Pension	385	466	547	19.4	21.0	17.4
Capital Outlay (B)	**467**	**725**	**739**	**57.2**	**55.2**	**2.0**
Development Expenditure	440	675	679	56.0	53.5	0.5
Social Services	41	130	93	13.6	218.3	-28.3
Economic Services	399	545	586	62.2	36.7	7.4
Non-Development Expenditure	27	49	60	79.2	83.4	22.6
Loans and advances (C)	24	49	79	4.0	102.9	59.9
Debt repayment (D)	360	530	545	-37.4	47.0	3.0
Total expenditure (E = A+B+C+D)	**4,348**	**5,812**	**6,020**	**8.6**	**33.7**	**3.6**
Net expenditure (F= E-D)	**3,988**	**5,283**	**5,474**	**16.4**	**32.5**	**3.6**
Fiscal Deficit	**643**	**950**	**955**	**-10.1**	**47.7**	**0.5**
Fiscal Deficit (%GSDP)	**2.1**	**2.7**	**2.5**			
GSDP	**31,080**	**35,271**	**38,798**	**14.6**	**13.5**	**10.0**

Source: CMIE States of India, NSE EPR.

TAMIL NADU

Key highlights:

- GSDP growth at 14.1% for FY24BE vs. 20.1% in FY23RE
- Fiscal deficit estimated at 3.3% of GSDP in FY24BE vs. 3% last year.
- **Higher allocation towards Roads and Bridges:** Tamil Nadu allocated 5.4% of its total expenditure towards roads and bridges, higher than the average allocation by states at 4.5%.

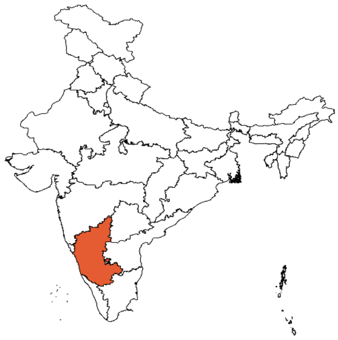
Tamil Nadu's revenue receipts are budgeted to grow by 10.1% in FY24, led by a strong growth in states own revenues (+20.5%), while grants from the Centre is expected to drop by a steep 31% YoY. As such, Tamil Nadu's SOR/GSDP ratio is expected to increase further to 7.1% in FY24 vs. 6.7% in FY23RE. Within SOR, GST collections are pegged to grow at a robust 20.9% to Rs 670bn. On the expenditure front, capex is expected to grow by a robust 26.7%, after growing in low double digits in the previous two years.

Table 11: Budget snapshot for Tamil Nadu

Items	(In Rs billion)			% YoY		
	FY22A	FY23RE	FY24BE	FY22A	FY23RE	FY24BE
Revenue Receipts	**2,075**	**2,457**	**2,705**	**19.2**	**18.4**	**10.1**
Tax Revenue	1,603	1,906	2,228	22.3	18.9	16.9
States' own tax revenue	1,229	1,518	1,812	15.8	23.5	19.3
Property Tax	146	178	259	22.3	22.5	45.2
Sales Tax	487	589	659	13.0	20.9	11.9
States' excise duties	82	106	118	5.3	28.1	12.0
GST	453	554	670	19.3	22.3	20.9
Devolution/Share in Central Taxes	374	388	417	50.2	3.6	7.5
Non-Tax Revenue	472	551	477	9.7	16.7	-13.4
States' own non-tax revenue	121	153	202	16.3	26.4	32.1
Grants from Centre	351	397	274	7.6	13.4	-31.0
Non-debt Capital Receipts	53.5	11.4	27.3	2.1	-78.7	139.4
Recovery of Loans and Advances	54	52	27	2.1	-2.3	-47.8
Net Receipts	**2,128**	**2,468**	**2,732**	**18.7**	**16.0**	**10.7**
Revenue Expenditure (A)	**2,540**	**2,761**	**3,081**	**7.5**	**8.7**	**11.6**
Development Expenditure	1,496	1,556	1,647	5.7	4.0	5.8
Social Services	887	869	1,049	-1.2	-2.1	20.8
Economic Services	609	688	597	17.5	12.9	-13.1
Non-Development Expenditure	1,091	849	994	38.1	-22.2	17.1
Interest payments	421	475	583	15.5	12.8	22.7
Pension	262	320	412	-3.2	21.7	29.1
Capital Outlay (B)	**370**	**383**	**444**	**11.9**	**3.6**	**15.7**
Development Expenditure	362	373	433	12.8	2.8	16.4
Social Services	150	147	155	38.4	-1.7	5.3
Economic Services	212	225	278	-0.3	6.0	23.6
Non-Development Expenditure	8	11	10	-16.7	40.3	-7.0
Loans and advances (C)	36	68	129	-5.1	87.9	88.5
Debt repayment (D)	197	271	438	21.6	37.4	61.6
Total expenditure (E = A+B+C+D)	**3,144**	**3,485**	**4,091**	**8.6**	**10.8**	**17.4**
Net expenditure (F= E-D)	**2,947**	**3,213**	**3,653**	**7.8**	**9.0**	**13.7**
Fiscal Deficit	**818**	**745**	**921**	**-12.9**	**-8.9**	**23.5**
Fiscal Deficit (%GSDP)	**4.0**	**3.0**	**3.3**			
GSDP	**20,654**	**24,800**	**28,300**	**8.6**	**20.1**	**14.1**

Source: CMIE States of India, NSE EPR.

KARNATAKA



Key highlights:

- GSDP growth at 4% for FY24BE vs. 14.2% in FY23RE.
- Fiscal deficit budgeted at 2.6% of GSDP vs. 2.7% last year.
- **Revenue surplus in FY24BE**: The budget proposed a revenue surplus of Rs 4 bn, breaking the trend of revenue deficit budgets for the past two years.
- **A sharp jump in allocation to water supply & sanitation:** The budget has allocated Rs 76bn towards water supply & sanitation in FY24BE, implying a steep 6.7x jump over FY23RE.

Karnataka's own revenues—tax as well as non-tax—is budgeted to increase by 10.2% vs. 16.8% in FY23RE. Centre's support through grants, however, is budgeted to drop by 21.5% in FY24, marking the second year of a 20%+ YoY decline. As such, SOR/GSDP ratio is expected to increase further to 7.3% in FY24 vs. 6.9% in FY23RE. Within SOR, GST collections growth is pegged at 11.5%. On the expenditure front, capex growth is budgeted to improve sharply to 20.4% in FY24BE, after a single digit growth in FY23RE, thanks to a sharp jump in allocation to water supply & sanitation (+6.7x vs. FY23RE; 61% of social services spending). Excluding water supply & sanitation, the state's capex growth reduces to 11.3% in FY24BE.

Table 12: Budget snapshot for Karnataka

Items	(In Rs billion)			% YoY		
	FY22A	FY23RE	FY24BE	FY22A	FY23RE	FY24BE
Revenue Receipts	**1,958**	**2,124**	**2,259**	**24.9**	**8.5**	**6.4**
Tax Revenue	1,540	1,785	1,969	29.7	15.9	10.3
States' own tax revenue	1,208	1,439	1,597	24.4	19.1	11.0
Property Tax	142	170	191	32.0	20.0	12.1
Sales Tax	193	186	201	25.4	-3.3	7.8
States' excise duties	264	320	350	13.1	21.3	9.4
GST	499	632	705	32.4	26.6	11.5
Devolution/Share in Central Taxes	332	346	373	53.4	4.0	7.7
Non-Tax Revenue	417	339	290	9.9	-18.8	-14.4
States' own non-tax revenue	118	109	110	49.2	-7.1	0.5
Grants from Centre	300	229	180	-0.4	-23.4	-21.5
Non-debt Capital Receipts	1.3	1.8	2.5	-57.9	35.6	38.9
Recovery of Loans and Advances	1	1	2	-53.1	-43.6	218.6
Net Receipts	**1959**	**2125**	**2262**	**24.7**	**8.5**	**6.4**
Revenue Expenditure (A)	**2,094**	**2,184**	**2,255**	**19.0**	**4.3**	**3.3**
Development Expenditure	1,401	1,390	1,369	21.5	-0.8	-1.6
Social Services	798	834	811	29.3	4.5	-2.8
Economic Services	603	556	558	12.5	-7.8	0.3
Non-Development Expenditure	627	729	818	13.9	16.3	12.2
Interest payments	288	314	360	31.2	9.1	14.7
Pension	207	241	270	9.1	16.5	12.1
Capital Outlay (B)	**479**	**528**	**583**	**5.4**	**10.2**	**10.5**
Development Expenditure	469	510	540	6.2	8.7	5.8
Social Services	132	101	124	14.6	-23.5	22.8
Economic Services	337	409	416	3.2	21.3	1.6
Non-Development Expenditure	9	17	43	-22.1	85.9	148.2
Loans and advances (C)	36	68	129	-5.1	87.9	88.5
Debt repayment (D)	197	271	438	21.6	37.4	61.6
Total expenditure (E = A+B+C+D)	3,144	3,485	4,091	8.6	10.8	17.4
Net expenditure (F= E-D)	2,947	3,213	3,653	7.8	9.0	13.7
Fiscal deficit	**656**	**611**	**606**	**-2.2**	**-6.8**	**-0.9**
Fiscal Deficit (%GSDP)	**3.3**	**2.7**	**2.6**			
GSDP	**19,627**	**22,414**	**23,300**	**13.4**	**14.2**	**4.0**

Source: CMIE States of India, NSE EPR.

UTTAR PRADESH

Key highlights:

- GSDP growth at 19% for FY24BE vs. 6.9% in FY23RE
- Fiscal deficit estimated at 3.5% of GSDP vs. 4% last year.
- **Capex push**: UP recorded a capex growth of 77.2% in FY23RE. The Centre has recently approved an additional 1.44 lakh houses under PM Awas Yojana, Rural (PMAY-R) to UP for FY24. The state govt is required to sanction the houses to eligible houses by Aug'23 taking the state's overall target to 2.17 lakh.

UP's own revenues are expected to sustain the momentum and are budgeted to grow at a record level of 45% after recording a double-digit growth of 24.3% in FY23RE. State's own revenue as a percentage of GSDP is expected to increase to 11.7% in FY24 to over Rs 1trn –second only to Maharashtra, higher than 9.6% of FY23 owing to robust increase in GST collections at 41.1% in FY24. However, despite high revenue collection, the state's reliance on the Centre (Devolution +grants) stands 42% of the total receipts. Additionally, its capex is budgeted to fall to +16.5% after increasing at 77.2% and 36.8% in FY23RE and FY22 respectively.

Table 13: Budget snapshot for Uttar Pradesh

Receipts	(in Rs billion)			%YoY		
	FY22A	FY23RE	FY24BE	FY22A	FY23RE	FY24BE
Revenue Receipts	**3,710**	**4,788**	**5,709**	**25.3**	**29.1**	**19.2**
Tax Revenue	3,077	3,550	4,459	35.8	15.4	25.6
States' own tax revenue	1,475	1,852	2,626	23.0	25.6	41.8
Property Tax	202	245	355	20.7	21.1	44.9
Sales Tax	271	315	418	25.1	16.6	32.5
States' excise duties	363	413	580	20.8	13.8	40.3
GST	546	767	1,082	27.4	40.5	41.1
Devolution/Share in Central Taxes	1,602	1,697	1,832	50.3	6.0	7.9
Non-Tax Revenue	633	1,238	1,250	-9.1	95.7	0.9
States' own nontax revenue	114	123	238	-3.5	7.5	93.5
Grants from Centre	518	1,115	1,012	-10.2	115.1	-9.3
Non-debt Capital Receipts	9.4	25.7	33.1	-17.2	173.0	29.1
Recovery of Loans and Advances	9	26	33	-17.2	173.0	29.1
Net Receipts	**3720**	**4814**	**5742**	**25.1**	**29.4**	**19.3**
Revenue Expenditure (A)	**3,376**	**4,249**	**5,024**	**13.1**	**25.9**	**18.2**
Development Expenditure	1,876	2,529	2,852	13.5	34.8	12.8
Social Services	1,210	1,592	1,816	10.3	31.5	14.1
Economic Services	666	938	1,036	19.8	40.8	10.5
Non-Development Expenditure	1,335	1,540	1,935	12.1	15.3	25.6
Interest payments	449	479	528	19.9	6.7	10.2
Pension	505	596	824	4.7	18.0	38.3
Capital Outlay (B)	**714**	**1,266**	**1,475**	**36.8**	**77.2**	**16.5**
Development Expenditure	691	1,182	1,362	36.2	71.1	15.2
Social Services	186	471	597	49.9	153.5	26.8
Economic Services	505	712	765	31.8	40.9	7.5
Non-Development Expenditure	24	84	113	54.8	255.0	35.3
Loans and advances (C)	16	112	92	40.0	594.0	-17.7
Debt repayment (D)	287	226	212	7.3	-21.4	-6.1
Total expenditure (E = A+B+C+D)	**4,394**	**5,853**	**6,802**	**16.0**	**33.2**	**16.2**
Net expenditure (F= E-D)	**4,106**	**5,627**	**6,591**	**16.7**	**37.0**	**17.1**
Fiscal Deficit	**387**	**813**	**849**	**-29.2**	**110.2**	**4.4**
Fiscal Deficit (%GSDP)	**2.0**	**4.0**	**3.5**			
GSDP	**19,169**	**20,497**	**24,392**	**11.6**	**6.9**	**19.0**

Source: CMIE States of India, NSE EPR.

GUJARAT

- GSDP growth at 13.3% for FY24BE vs. 15.5% in FY23RE
- Fiscal deficit estimated at 1.8% of GSDP vs. 1.5% last year.
- **Jump in subsidies**: In FY24, Rs 304.8 bn is estimated to be spent on subsidies i.e., 15% higher than FY23RE. Further, 46% of the total subsidies will be spent on agriculture, farmers' welfare and co-operation amounting to Rs 140.3 bn, that is, almost 400% higher than the subsidy expenditure by this department in FY23RE

Gujarat's own revenue (states' own tax revenue + states own-nontax revenue) is budgeted to grow at 4.9% to US$ 25.6trn vs. 33% in FY23RE. The SOR/GSDP ratio is expected to be at 6.1% down from 6.6% in FY23RE owing to lower increase in GST collections at 4.1% to US$660 bn. Further, states reliance on Centre (Devolution+ Grants) stands at US$518.2 bn or 17% of the total receipt collection. Moreover, its capital outlay is proposed to increase by 81% mainly due to its increased outlay on urban development, irrigation, and transport.

Table 14: Budget snapshot for Gujarat

Receipts	(In Rs billion)			% YoY		
	FY22A	FY23RE	FY24BE	FY22A	FY23RE	FY24BE
Revenue Receipts	**1,668**	**1,962**	**2,077**	**30.2**	**17.6**	**5.9**
Tax Revenue	1,288	1,665	1,744	42.3	29.3	4.8
States' own tax revenue	977	1,334	1,389	39.0	36.6	4.1
Property Tax	135	169	172	37.1	24.9	2.0
Sales Tax	290	380	392	70.3	30.8	3.3
States' excise duties	2	2	2	15.8	9.8	-8.8
GST	435	634	660	47.6	45.8	4.1
Devolution/Share in Central Taxes	311	330	355	53.8	6.3	7.5
Non-Tax Revenue	380	297	333	1.0	-21.9	12.1
States' own nontax revenue	140	152	170	33.6	8.2	12.2
Grants from Centre	240	146	163	-11.6	-39.4	11.9
Non-debt Capital Receipts	1.6	3.5	176.3	-98.5	125.4	4,934.7
Recovery of Loans and Advances	2	3	1	-0.2	60.9	-48.0
Net Receipts	**1670**	**1965**	**2253**	**20.8**	**17.7**	**14.7**
Revenue Expenditure (A)	**1,604**	**1,895**	**1,987**	**6.4**	**18.1**	**4.8**
Development Expenditure	1,036	1,255	1,224	5.4	21.1	-2.5
Social Services	683	801	749	12.2	17.4	-6.5
Economic Services	353	454	475	-5.6	28.4	4.7
Non-Development Expenditure	564	635	757	8.4	12.5	19.2
Interest payments	267	277	336	10.3	3.7	21.5
Pension	202	235	215	8.6	16.8	-8.6
Capital Outlay (B)	**282**	**387**	**701**	**5.1**	**36.9**	**81.3**
Development Expenditure	276	378	686	5.1	36.9	81.3
Social Services	84	138	257	18.9	64.7	86.7
Economic Services	193	241	429	0.0	24.9	78.2
Non-Development Expenditure	5	8	15	13.5	54.4	75.8
Loans and advances (C)	11	18	15	-1.8	21.3	-27.1
Debt repayment (D)	167	179	244	36.3	-9.1	18.4
Total expenditure (E = A+B+C+D)	**2,141**	**2,522**	**2,966**	**8.9**	**17.8**	**17.6**
Net expenditure (F= E-D)	**1,897**	**2,299**	**2,703**	**6.1**	**21.2**	**17.5**
Fiscal Deficit	**227**	**334**	**449**	**-43.9**	**47.2**	**34.5**
Fiscal Deficit (%GSDP)	**1.2**	**1.5**	**1.8**			
GSDP	**19,576**	**22,617**	**25,630**	**18.2**	**15.5**	**13.3**

Source: CMIE States of India, NSE EPR.

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