

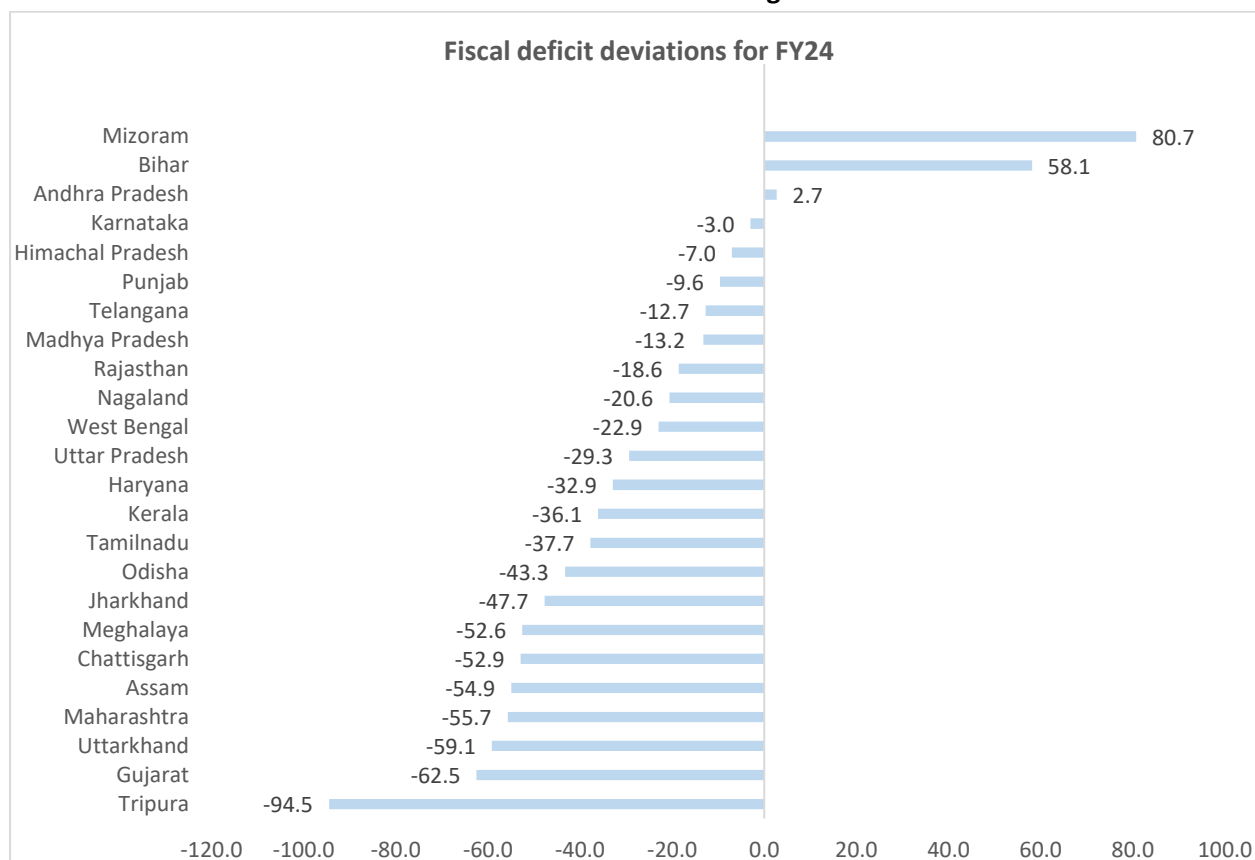
## State finances in FY24

The provisional accounts of 25 states for the year FY24 show some interesting trends:

1. Most states have fiscal deficits (as per provisional estimates) much lower than what they had projected at the beginning of the year, which indicates that prudence is the path followed by them. Alternatively they may have targeted a higher amount and internally decided to spend and borrow lower amounts.
2. Capex budgeted for was also much higher than what was achieved for the majority of states. This is indicative of the fact that either the absorptive capacity was limited or there were issues in implementing these projects. On an average 84% was the achievement rate.

The Chart below gives the deviations of provisional figures of fiscal deficit for FY24 from the budgeted amounts for 24 states. Sikkim is excluded as it was budgeted to have a surplus but had an equivalent deficit thus skewing the deviation number.

**Chart 1: Provisional estimates for FY24 as deviations from Budgeted fiscal deficit numbers**



Source: CAG

The Chart shows that only 3 states, besides Sikkim, had fiscal deficits which exceeded the targeted amount and included Bihar, Mizoram and Andhra Pradesh. Among the larger states Gujarat, Maharashtra, Odisha, Tamil Nadu and UP had over 30% deviation from budgeted amounts.

These 25 states had budgeted a capex programme of Rs 8.37 lakh crore for the year. The provisional amount spent was Rs 7.02 lakh crore which is 84% of the target (Table 1). Uttar Pradesh, Telangana, Bihar and Sikkim were the 4 states to spend the budgeted amount or go beyond the target. 7 states with almost Rs 50,000 cr or above of planned capex accounted for 58% of total budgeted spending. A factor that would have contributed to the shortfall could be the practice of some states waiting till the end of the year to balance the fiscal deficit and cutting back on capex, which is a discretionary expenditure to meet their targets. This could have lowered the actual capex implemented. Alternatively there may not have been enough projects to implement given the time involved in awarding projects which has caused this shortfall.

**Table 1: Capex of states (Rs crore) and achievement as % of budgeted amount**

	Capex Budget	Capex Actual	Ratio
Uttar Pradesh	1,09,108	1,09,108	100.0
Maharashtra	95,040	71,330	75.1
Gujarat	70,326	56,409	80.2
Karnataka	58,327	51,911	89.0
Madhya Pradesh	52,765	49,105	93.1
Odisha	51,468	43,669	84.8
Tamil Nadu	49,145	39,540	80.5
Rajasthan	41,582	30,651	73.7
Telangana	36,787	43,539	118.4
West Bengal	34,026	28,491	83.7
Chhattisgarh	32,306	16,032	49.6
Assam	31,398	20,731	66.0
Bihar	30,357	35,085	115.6
Andhra Pradesh	26,569	22,888	86.1
Haryana	21,932	14,964	68.2
Jharkhand	21,595	20,565	95.2
Kerala	18,203	13,073	71.8
Uttarakhand	16,421	10,981	66.9
Punjab	10,305	4,821	46.8
Nagaland	7,986	3,129	39.2
Himachal Pradesh	6,780	5,628	83.0
Meghalaya	5,904	4,529	76.7
Tripura	4,438	2,731	61.5
Sikkim	2,251	2,690	119.5
Mizoram	2,128	1,234	58.0
<b>25 states</b>	<b>8,37,147</b>	<b>7,02,834</b>	<b>84.0</b>

Source: CAG

### Tax revenue

Total tax revenue for these 25 states was Rs 29.56 lakh crore. The share of GST was around 31.6% followed by 21.8% for State excise and sales tax. Stamps and registration had share of 7.4%. Together these internal taxes which can be called own tax revenue was 60.8%. The balance was mainly states' share in union taxes. The own tax revenue distribution across states is interesting.

- Telangana had the highest share of own tax revenue in total tax revenue at 82%.
- States with ratios of between 70-80% were Haryana (79%), Karnataka (78%), Kerala (77%), Maharashtra (73%) and Tamil Nadu (71%).
- Andhra Pradesh and Gujarat had ratios above sample average at 68% and 62% respectively.
- Uttar Pradesh and Punjab had ratios at around the average of 61%.
- The remaining 16 states had greater dependence on transfers from union tax collections as internal generation was limited.

Within states' own tax revenue, GST was the most important component at 31.6% for all states put together. Here too there are patterns in terms of share of GST in total taxes across state.

- Karnataka, Mizoram and Haryana had ratios of about 41%.
- States with ratios above average but less than 40% were Kerala, Maharashtra, Bihar, Nagaland and Sikkim with 38-39% each followed by Telangana, UP, Gujarat with 33-35%.

Sales tax and excise duties are initiatives of states which levy these taxes mainly on liquor, tobacco and fuel. The states which had a ratio of well above 21.8% were Andhra Pradesh, Haryana, Karnataka, Kerala, Tamil Nadu, Telangana and Kerala. Punjab and Rajasthan had ratios of 23%.

The message that comes out is that the higher consuming states end up paying higher taxes like GST and sales tax/excise duty. Those where consumption capacity is constrained have to depend progressively on more transfers from the Union taxes as directed by the Finance Commission. In the context of consumption, the table below gives the per capita GST payments made in different states for FY24. The population numbers for states are lagged using extrapolated data on NSDP. The purpose here is to only provide an illustration on the consumption patterns in states on the basis of per capita GST tax paid.

**Table 2: Average Per capita GST in FY 24 (Rs)**

State	Per capita GST (Rs)
Sikkim	33,574
Mizoram	17,928
Nagaland	13,620
Karnataka	12,452
Telangana	12,296
Haryana	11,542
Maharashtra	11,358
Kerala	10,443
Andhra Pradesh	8,613
Gujarat	8,253
Tamil Nadu	8,096
Uttarakhand	7,235
Himachal Pradesh	7,200
Punjab	6,572
Uttar Pradesh	5,822
Odisha	5,210
Meghalaya	5,197

Bihar	4,994
Rajasthan	4,764
Chhattisgarh	4,645
Madhya Pradesh	4,440
West Bengal	4,156
Assam	4,154
Tripura	3,885
Jharkhand	3,185
<b>Average for 25 states</b>	<b>7,029</b>

Source: BoB Economic Research

The points that emerge here are:

1. The three smaller states of Sikkim, Nagaland and Mizoram had paid the highest per capita GST in FY24.
2. Among the larger states Karnataka, Telangana, Kerala, Haryana and Maharashtra had an average per capita GST of above Rs 10,000.
3. Andhra Pradesh, Gujarat, Tamil Nadu, Uttarakhand and Himachal Pradesh had per capita GST of above the average of the states considered here.
4. 11 states had less than average per capita GST payments which is reflective of lower levels of consumption. States like Bihar, Rajasthan, MP, and West Bengal among others had less than Rs 5000 per capita GST.

The distribution of per capita GST across states is a reflection of consumption taking place in the country. This is not even. Relatively larger states like West Bengal, MP and Rajasthan have substantially lower ratios than the average of all states.

*In conclusion it may be said that states have more than adhered to the fiscal deficit targets for FY24. This has also meant that they were cautious while spending which may have affected their capex as the average achievement ratio was 84%. Only 4 states met their targets.*

*On the revenue side, an examination of tax income shows that GST, sales & excise and stamps and registration receipts accounted for around 61% of the total for all states. There was variation however in states based on their consumption orientation. This comes out from the shares of GST and sales/excise collections in tax revenue. The per capita GST paid by states varies considerably across states and also points to the varied consumption patterns.*

*(Data assistance provided by Shardul Hiranman Samjiskar)*

## **Disclaimer**

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



---

**For further details about this publication, please contact:**

Economics Research Department

Bank of Baroda

+91 22 6698 5143

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)