

How has state capex performed in H1FY24?

Capex spending: Centre versus State

Continuing its push on capex spending, Centre's capital expenditure in H1FY24 has shown a steady increase. On a YoY basis, Centre's capex has increased by 29% to Rs. 4.9 lakh crores. This translates to 49% of FY24BE, which is much higher than 29% in the same period last year. The Centre remains on track on delivering its budgeted target of Rs. 10 lakh crores. In comparison, based on data available for a total of 23 states, state capex has increased by a sharp 52.8% in the same period. However, in terms of meeting the budgeted target, states have been lagging the Centre. Out of a budgeted capital expenditure of Rs 8.09 lakh crores, actual capex is Rs 2.63 lakh crores, which is around 32.3% of the Budgeted amount. However, this is higher than last year. In fact, in H1FY23, states' capex spending stood at 25.2% of the budgeted amount.

Table 1: Budgeted and actual capex of the centre and states in H1FY24 (Rs crore)

	FY24BE (Rs. Crores)	H1FY24 Actual (Rs. crores)	Achievement %	% YoY
Centre	10,00,961	4,90,628	49.0	29.0
States*	8,13,682	2,63,175	32.3	52.8

Source: CAG, Bank of Baroda Research | Note: *23 states

State wise capex picture

As can be seen from Table 2, out of a total of 23 states, 17 showed an improvement in capex spending this year, when compared with the same period last year. Incidentally, these states accounted for over 80% of the total capex spent so far in FY24. In fact, only 6 states, namely, Kerala, Himachal Pradesh, Gujarat, Chhattisgarh, Karnataka and Punjab have seen capex spending lower than last year.

Table 2: States capex in H1FY24

S.No.	State	FY24BE (Rs. Crores)	Actual capex in H1FY24 (Rs. Crores)	% FY24BE	% FY23BE
1	Telangana	37,525	22,836	60.9	26.5
2	Andhra Pradesh	31,061	16,577	53.4	22.3
3	Madhya Pradesh	54,056	28,682	53.1	39.1
4	Bihar	30,357	13,816	45.5	25.6
5	Kerala	14,606	5,978	40.9	43.4
6	Tamil Nadu	44,380	17,774	40.0	31.3
7	Sikkim	2,251	830	36.9	25.6
8	Himachal Pradesh	5,202	1,873	36.0	38.4
9	Rajasthan	39,930	13,863	34.7	24.0
10	West Bengal	34,026	10,115	29.7	29.4

11	Uttarakhand	16,421	4,868	29.6	19.7
12	Gujarat	70,101	20,781	29.6	39.8
13	Uttar Pradesh	1,47,492	42,305	28.7	18.5
14	Odisha	51,683	14,552	28.2	20.0
15	Haryana	22,754	5,985	26.3	14.9
16	Nagaland	7,986	2,095	26.2	25.2
17	Jharkhand	21,248	5,066	23.8	20.1
18	Chhattisgarh	27,514	6,257	22.7	25.9
19	Maharashtra	80,218	16,696	20.8	16.8
20	Karnataka	58,328	9,841	16.9	33.3
21	Mizoram	1,697	281	16.5	9.4
22	Punjab	10,355	1,482	14.3	17.3
23	Tripura	4,438	621	14.0	9.1
	Total	8,13,628	2,63,175	32.3	25.2

Source: CAG, Bank of Baroda Research | Note: States shaded in blue will be undergoing state elections this year

In terms of state wise performance, the following observations can be made:

1. Telangana has performed remarkably well in terms of capex spending this year and has met 60.9% of its FY24 target, which is much higher than 26.5% in the same period last year. In YoY terms, capex spending by the state has increased at over 190%. A part of this can be attributed to the upcoming assembly elections in the state which are scheduled later in the month.
2. Andhra Pradesh which had been at the forefront of capex spending in Q1FY24, has slipped a place and is currently lagging behind Telangana in terms of capex spending. Even so, it has seen a sharp 142% increase in capex in H1FY24. This translates to around 53.4% of the budgeted expenditure in FY24, compared with 22.3% of BE in H1FY23.
3. Madhya Pradesh, another poll bound state, has also performed well on capex in H1FY24. Capex spending by the state is up by 60.4% this year, meeting 53.1% of the budgeted target for FY24. In the corresponding period last year, this figure stood at 39% of BE.
4. There are six states which have achieved more than 30% of their budgeted capex in H1FY24. These are: Bihar, Kerala, Tamil Nadu, Sikkim, Himachal Pradesh and Rajasthan. Within this, capex spending of Kerala and Himachal Pradesh has been lower than last year, on both a YoY basis as well as a percent of BE.
5. The next 10 states, have achieved more than 20% of their budgeted target in H1FY24. Interestingly, for Gujarat the capex spend as a % of BE is lower at 29.6% compared with 39.8% of BE in the same period last year. This is notwithstanding the fact that there was a more than 45% increase in the state's capex in H1FY24. It must be noted that the state underwent an assembly election last year which can explain the higher capex spend last year.
6. Amongst major states, performance of Karnataka continues to remain worrisome. Capex spending by Karnataka has declined by around 32% in H1FY24. As a % of BE, the actual capex spending has been lower at just 16.9% compared with 33.3% in the same period last year. It accounts for about 7% of the total budgeted capex of states in FY24. This is in consonance with the Karnataka government's stance on reducing capital spending and focusing on revenue expenditure instead.

7. Capex spending in Maharashtra has picked up in Q2FY24, after a lacklustre [first quarter](#). On a YoY basis, capex by the state is higher by 40.4%. It has achieved 20.8% of its budgeted target for FY24, up from 16.8% last year. Even so, it lags behind other major states such as Uttar Pradesh.
8. Uttar Pradesh accounts for ~18% of total budgeted capex of the 23 states, and has exhibited a near 85% YoY growth in its capital spending. As a % of BE, this equals to 28% of the FY24BE, which is higher than 18.5% in the same period last year.

The increased capex spending has been financed by higher borrowings. In H1FY24, states' borrowings have surged by ~30% to Rs. 3.58 lakh crores. Apart from this, states' capex has also received a substantial push from the Central Government's scheme for Special Assistance to States for Capital Investment through which the Central government provides financial support to states in the form of interest free loans of 50 year tenure, subject to fulfillment of some pre-set conditions. In FY23, Centre had disbursed Rs. 81,195 crores under this scheme to states. In FY24 (upto Sep'23), capital spending of Rs. 93,870 has been approved under the scheme, which is more than 70% of the total allocation of the scheme in FY24. Actual disbursements stand at Rs. 53,541 crores.

Conclusion:

Capital expenditure is known to have a multiplier effect, which can crowd in private investment. So far, the private investment picture has remained hazy, and hence the government has been left to do the heavy lifting on this front. Government capex, both at the Centre and state levels has seen traction in H1FY24. Given the fact that five states accounting for ~20% of the budgeted capex for FY24, are going to polls this year, it is encouraging to note that capex spending has continued at a robust pace and has not suffered due to likely predisposition towards higher revenue expenditure in the run-up to the elections. This is particularly important since some studies have suggested that state capex has a higher multiplier than Centre's capex. In this regard, an uptick in state spending towards capital expenditure is a positive sign for India's economic outlook. It will be important to note if the momentum continues even in H2FY24.

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