

Uttarakhand Budget Analysis 2023-24

The Finance Minister of Uttarakhand, Mr. Prem Chand Aggarwal, presented the Budget for the state for the financial year 2023-24 on March 15, 2023.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Uttarakhand for 2023-24 (at current prices) is projected to be Rs 3.33 lakh crore, amounting to growth of 10% over 2022-23.
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 66,179 crore, an increase of 10% over the revised estimates of 2022-23. In addition, debt of Rs 11,228 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 57,133 crore, an increase of 9.7% as compared to the revised estimate of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to exceed the budget estimate by Rs 568 crore (increase of 1%).
- **Revenue surplus** in 2023-24 is estimated to be 1.3% of GSDP (Rs 4,310 crore), higher than the revised estimates for 2022-23 (0.8% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 2.7% of GSDP (Rs 9,047 crore). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 2.7% of GSDP.

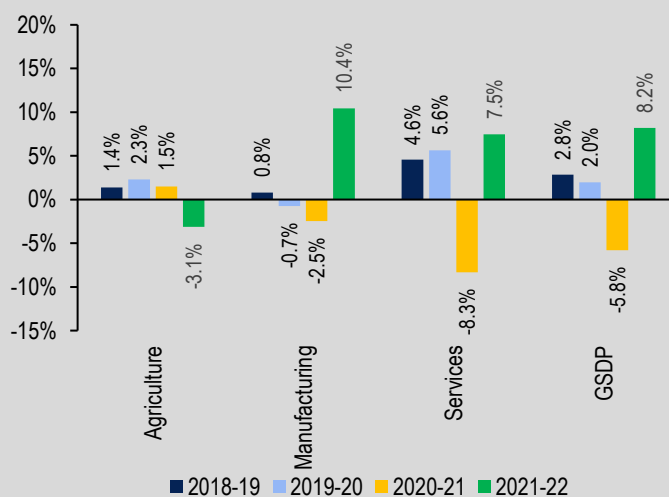
Policy Highlights

- **Empowered Uttarakhand:** The goal of creating an empowered Uttarakhand by 2025 will be achieved by focusing on seven areas, including investment in human capital, improving access to health infrastructure, and balancing ecology and the economy.
- **Horticulture:** Over the next three years, 50,000 polyhouses (a type of greenhouse) will be set up to promote cluster-based horticulture. Six ‘aroma valleys’ will also be developed, such as the Cinnamon Valley in Nainital and Mint Valley in Haridwar.
- **Joshimath Reconstruction:** Rs 1,000 crore has been allocated towards the reconstruction of subsidence-hit towns, such as Joshimath.

Uttarakhand’s Economy

- **GSDP:** In 2022-23, Uttarakhand’s GSDP (at constant prices) is estimated to grow at 7%. In 2021-22, GSDP grew at 8.2%. In comparison, national GDP is estimated to grow at 8.7% in 2021-22.
- **Sectors:** In 2022-23, agriculture, manufacturing, and services sectors are estimated to contribute 11%, 49%, and 40% of the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Uttarakhand in 2022-23 (at current prices) is estimated at Rs 2,61,173, an annualised increase of 5% over the per capita GSDP in 2018-19 (Rs 2,07,714).

Figure 1: Growth in GSDP and sectors in Uttarakhand at constant prices (2011-12)



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.
Sources: Uttarakhand Economic Review 2022; PRS.

Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 66,179 crore. This is an increase of 10% over the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 57,133 crore, and net borrowings of Rs 8,232 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 9.7% over the revised estimate of 2022-23.
- **Revenue surplus** in 2023-24 is estimated to be 1.3% of GSDP (Rs 4,310 crore), higher than the revised estimates for 2022-23 (0.8% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 2.7% of GSDP, same as the revised estimates for 2022-23. However, in absolute terms, fiscal deficit in 2023-24 (Rs 9,047 crore) is estimated to be 12% higher than the revised estimates for 2022-23 (Rs 8,108 crore).

Table 1: Budget 2023-24 - Key figures (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Total Expenditure	50,640	65,571	67,754	3.3%	77,407	14.2%
(-) Repayment of debt	3,830	5,568	7,578	36.1%	11,228	48.2%
Net Expenditure (E)	46,810	60,003	60,175	0.3%	66,179	10.0%
Total Receipts	50,992	63,775	67,287	5.5%	76,593	13.8%
(-) Borrowings	7,918	12,275	15,219	24.0%	19,460	27.9%
Net Receipts (R)	43,074	51,500	52,068	1.1%	57,133	9.7%
Fiscal Deficit (E-R)	3,736	8,504	8,108	-4.7%	9,047	11.6%
<i>as % of GSDP</i>	1.4%	2.8%	2.7%		2.7%	
Revenue Surplus	4,128	2,461	2,451	-0.4%	4,310	75.9%
<i>as % of GSDP</i>	1.5%	0.8%	0.8%		1.3%	
Primary Deficit	-1,203	2,486	2,090	-15.9%	2,886	38.1%
<i>as % of GSDP</i>	-0.4%	0.8%	0.7%		0.9%	

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Budget at a Glance, Uttarakhand Budget 2023-24; PRS.

Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 52,748 crore, an increase of 6% over the revised estimate of 2022-23. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2023-24 is proposed to be Rs 13,134 crore, an increase of 25% over the revised estimate of 2022-23. Capital outlay indicates the expenditure towards creation of assets.

Loans given by the state

In 2023-24, the state government is estimated to give Rs 298 crore as loans to institutions in sectors such as agriculture, housing, urban development, and transport. This is a 172% increase over the revised estimates of 2022-23 (Rs 110 crore). Between 2016-17 and 2020-21, the state government has given, on average, loans worth Rs 168 crore every year. However, only Rs 27 crore has been recovered yearly.

The CAG (2022) noted that four sectors had not repayed any amount between 2016-17 and 2020-21. This includes the agriculture and allied sectors, which had outstanding loans of Rs 1,117 crore, and the Special Area Programme, which had outstanding loans of Rs 503 crore.

Table 2: Expenditure budget 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Revenue Expenditure	38,929	49,013	49,594	1%	52,748	6%
Capital Outlay	7,533	10,840	10,471	-3%	13,134	25%
Loans given by the state	347	150	110	-27%	298	172%
Net Expenditure	46,810	60,003	60,175	0%	66,179	10%

Sources: Annual Financial Statement, Uttarakhand Budget 2023-24; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2023-24, Uttarakhand is estimated to spend Rs 32,583 crore on committed expenditure, which is 57% of its estimated revenue receipts. This comprises spending on salaries (33% of revenue receipts), pension (13%), and interest payments (11%).

In 2023-24, committed expenditure is expected to increase by 8% over the revised estimate of 2022-23. In 2022-23, expenditure towards pension is estimated to be 3% higher than the budget estimate, while salaries and interest payments are estimated to be the same. In 2021-22, actual committed expenditure was 60% of revenue receipts. The state's committed expenditure is projected to grow from Rs 32,583 crore in 2023-24 to Rs 42,258 crore in 2026-27, growing at an annualised rate of 9%. Expenditure on interest is projected to grow at an annualised rate of 10%, salaries at 9% and pension at 7%.

Table 3: Committed Expenditure in 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Salaries	14,511	17,350	17,346	0%	18,820	8%
Pensions	6,364	6,703	6,933	3%	7,602	10%
Interest Payment	4,939	6,018	6,018	0%	6,161	2%
Total Committed Expenditure	25,815	30,071	30,297	1%	32,583	8%

Sources: Budget at a Glance and Annual Financial Statement, Uttarakhand Budget 2023-24; PRS.

Sector-wise expenditure: The sectors listed below account for 59% of the total expenditure on sectors by the state in 2023-24. A comparison of Uttarakhand's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Uttarakhand Budget 2023-24 (in Rs crore)

Sectors	2021-22 Actuals	2022-23 BE	2022-23 RE	2023-24 BE	% change from RE 22-23 to BE 23-24	Budget Provisions
Education, Sports, Arts, and Culture	8,694	10,896	10,541	10,907	3%	Rs 3,300 crore has been allocated for government primary schools.
Agriculture and Allied Activities	3,612	4,059	3,820	5,037	32%	Rs 296 crore has been allocated towards Agriculture Research and Education.
Rural Development	3,378	4,922	4,883	4,845	-1%	Pradhan Mantri Gram Sadak Yojana has been allocated Rs 1,000 crore.
Social Welfare and Nutrition	3,188	4,572	4,667	4,558	-2%	Rs 608 crore has been allocated towards women's welfare.
Health and Family Welfare	3,020	4,416	4,793	4,435	-7%	Rs 1,418 crore has been allocated towards rural health services and Rs 1,101 crore towards urban health services.
Transport	1,988	2,184	2,475	2,708	9%	Rs 1,408 crore has been allocated for capital outlay on roads and bridges.
Police	2,001	2,333	2,312	2,447	6%	Rs 1,386 crore has been allocated towards district police.
Irrigation and Flood Control	721	1,365	1,020	1,507	48%	Major irrigation projects have been allocated Rs 947 crore, including Rs 110 crore for construction of Song Dam.
Water Supply and Sanitation	1,530	1,279	1,366	1,283	-6%	Rs 627 crore has been allocated for rural water supply and Rs 431 crore for urban water supply.
Urban Development	487	886	936	1,258	34%	Rs 1,125 crore has been allocated towards integrated development of small and medium towns.
% of total expenditure on all sectors	62%	62%	61%	59%	-3%	

Sources: Annual Financial Statement, Uttarakhand Budget 2023-24; PRS.

Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 57,057 crore, an increase of 10% over the revised estimate of 2022-23. Of this, Rs 24,744 crore (43%) will be raised by the state through its **own resources**, and Rs 32,313 crore (57%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (20% of revenue receipts) and grants (37% of revenue receipts).
- **Central transfers:** In 2023-24, state's share in central taxes is estimated at Rs 11,420 crore, an increase of 8% over the revised estimate of 2022-23. Grants from the centre in 2023-24 are estimated at Rs 20,893 crore, an increase of 7% over the revised estimates for 2022-23.
- **State's own tax revenue:** Uttarakhand's own tax revenue is estimated to be Rs 19,983 crore in 2023-24, an increase of 18% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 6% in 2023-24. For 2022-23, the state had estimated this ratio at 5.1%, however, as per revised estimates, it is expected to be higher (5.6%). In 2022-23, states on average estimated their own tax-to-GSDP ratio to be 6.7%.

Table 5: Break-up of the state government's receipts (in Rs crore)

Sources	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State's Own Tax	14,176	15,371	16,952	10%	19,983	18%
State's Own Non-Tax	2,756	5,521	4,977	-10%	4,762	-4%
Share in Central Taxes	9,906	9,130	10,568	16%	11,420	8%
Grants-in-aid from Centre	16,219	21,453	19,548	-9%	20,893	7%
Revenue Receipts	43,057	51,474	52,045	1%	57,057	10%
Non-debt Capital Receipts	17	25	23	-9%	75	228%
Net Receipts	43,074	51,500	52,068	1%	57,133	10%

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Uttarakhand Budget 2023-24; PRS.

- In 2023-24, State GST is estimated to be the largest source of own tax revenue (44% share). State GST revenue is estimated to increase by 19% over the revised estimates of 2022-23. In 2022-23, the receipt on this account is expected to be 19% higher than budgeted.
- Revenue from taxes and duties on electricity are expected to increase by 42% in 2023-24 as compared to the revised estimates of 2022-23. In 2023-24, revenue from the Water Cess is expected to increase by 355% over the revised estimates of 2022-23 (from Rs 110 crore to Rs 500 crore). In 2021-22, actual revenue from this cess was only Rs 2 crore, while the budget estimated Rs 110 crore.
- Between the budget and revised estimates for 2022-23, state GST is estimated to increase by 19% while land revenue is estimated to decrease by 45%. Improper estimation can affect planned expenditure. Expenditure on almost all major sectors declined between the budget estimates and actuals of 2021-22. The CAG (2022) recommended that the state government should be more realistic in its budgetary estimates, and ensure sufficient control mechanisms to prevent excess/inadequate expenditure.

Table 6: Major sources of state's own-tax revenue (in Rs crore)

Taxes	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State GST	5,973	6,201	7,396	19%	8,788	19%
State Excise	3,258	3,522	3,605	2%	3,950	10%
Sales Tax/ VAT	2,302	2,204	2,353	7%	2,603	11%
Stamps Duty and Registration Fees	1,488	1,590	1,849	16%	2,063	12%
Taxes on Vehicles	889	1,155	1,300	13%	1,475	13%
Land Revenue	224	550	300	-45%	550	83%
Taxes and Duties on Electricity	40	38	38	0%	54	42%
GST Compensation Grants	1,475	2,590	2,590	0%	0	-
GST Compensation Loans	3,333	0	0		0	

Sources: Annual Financial Statement, Revenue Budget, and Budget at a Glance statements, Uttarakhand Budget 2023-24; PRS.

Deficits, Debt, and FRBM Targets for 2023-24

The Uttarakhand Fiscal Responsibility and Budget Management Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

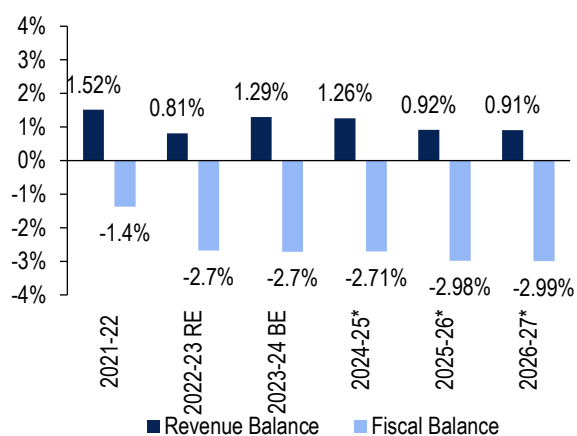
Revenue surplus: It is the difference of revenue expenditure and revenue receipts. A revenue surplus implies that revenue is more than the government's recurring expenses, which do not increase its assets or reduce its liabilities. The budget estimates a revenue surplus of Rs 4,310 crore (or 1.3% of the GSDP) in 2023-24.

Similarly, in 2022-23, the revenue surplus is expected to be Rs 2,451 crore (0.8% of GSDP) as per revised estimates. Revenue surplus is projected to decrease to 0.91% of GSDP by 2026-27.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2023-24, the fiscal deficit is estimated to be 2.7% of GSDP. For 2023-24, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms. As per the revised estimates, in 2022-23, the fiscal deficit of the state is expected to be 2.7% of GSDP, which is marginally lower than the budget estimate of 2.8% of GSDP. Fiscal deficit is projected to grow in the next years, reaching 2.99% of GSDP in 2026-27.

Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2023-24, the outstanding liabilities are estimated to be 28.2% of GSDP, marginally higher than the revised estimate for 2022-23 (28.1% of GSDP). The outstanding liabilities projected to increase in the future, and is estimated to reach 29% of GSDP in 2026-27.

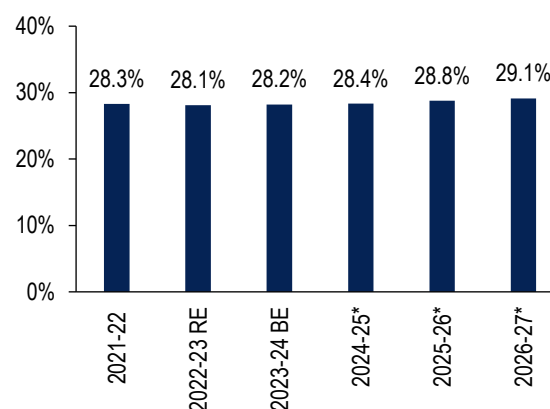
Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: *Figures from 2024-25 to 2026-27 are projections. RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy, Uttarakhand Budget 2023-24; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



Note: *Figures from 2024-25 to 2026-27 are projections; Above figures do not include GST compensation loan as liabilities as it is to be serviced by the central government. RE: Revised Estimates; BE: Budget Estimates.

Sources: Medium Term Fiscal Policy, Uttarakhand Budget 2023-24; PRS.

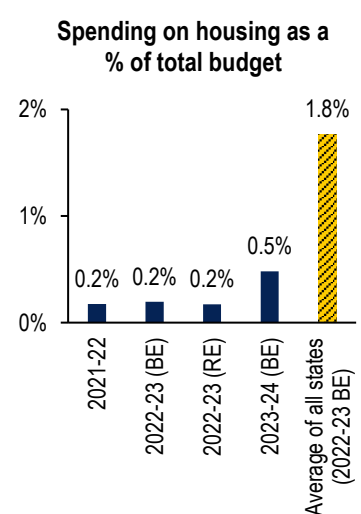
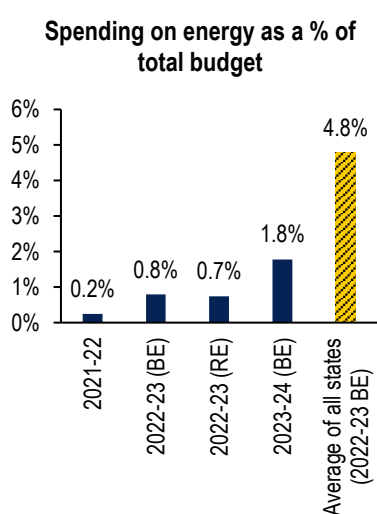
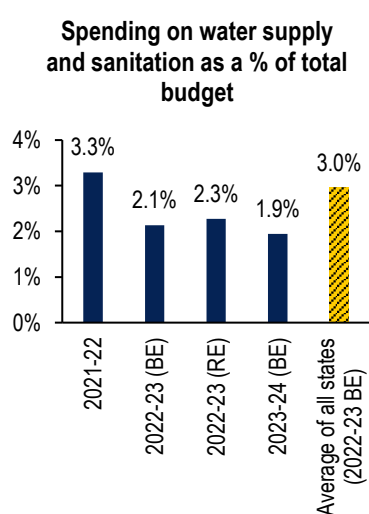
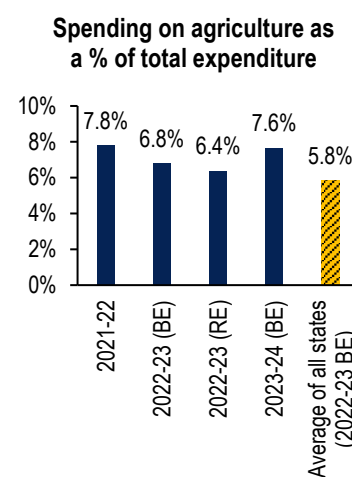
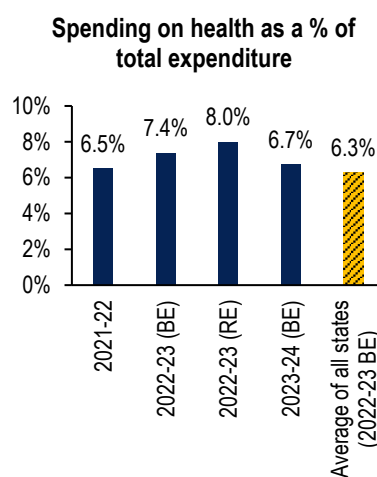
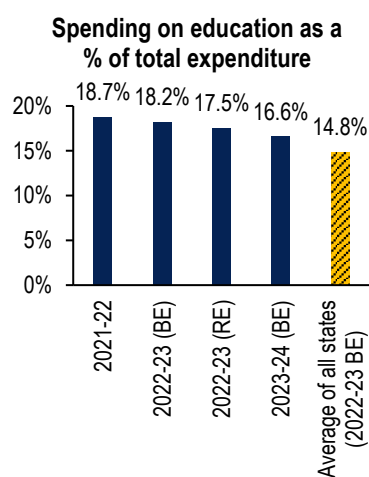
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. Outstanding guarantees of the state government of Uttarakhand reduced from Rs 374 crore at the beginning of 2022-23 to Rs 117 crore at the end of the year.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Uttarakhand's expenditure in 2023-24 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Uttarakhand) as per their budget estimates of 2022-23.¹

- **Education:** Uttarakhand has allocated 16.6% of its expenditure on education in 2023-24. This is higher than the average allocation for education by states in 2022-23 (14.8%).
- **Health:** Uttarakhand has allocated 6.7% of its total expenditure towards health, which is higher than the average allocation for health by states (6.3%).
- **Agriculture:** Uttarakhand has allocated 7.6% of its expenditure on agriculture. This is higher than the average allocation for agriculture by states (5.8%).
- **Water Supply and Sanitation:** Uttarakhand has allocated 1.9% of its expenditure towards water supply and sanitation. This is lower than the average allocation towards this sector by states (3.0%).
- **Energy:** Uttarakhand has allocated 1.8% of its total expenditure towards energy, which is lower than the average expenditure on energy by states (4.8%).
- **Housing:** Uttarakhand has allocated less than 0.5% of its total expenditure towards housing, which is significantly lower than the average allocation by states (1.8%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Uttarakhand.
Sources: Annual Financial Statement, Uttarakhand Budget 2023-24; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry.

Annexure 2: Comparison of 2021-22 Budget Estimates and Actuals

The following tables compare the actuals of 2021-22 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Net Receipts (1+2)	44,174	43,074	-2%
1. Revenue Receipts (a+b+c+d)	44,151	43,057	-2%
a. Own Tax Revenue	12,754	14,176	11%
b. Own Non-Tax Revenue	3,294	2,756	-16%
c. Share in central taxes	7,441	9,906	33%
d. Grants-in-aid from the Centre	20,662	16,219	-22%
Of which GST compensation grants	2,300	1,475	-36%
2. Non-Debt Capital Receipts	23	17	-26%
3. Borrowings	12,850	7,918	-38%
Of which GST compensation loan	0	3,333	-
Net Expenditure (4+5+6)	53,159	46,810	-12%
4. Revenue Expenditure	44,036	38,929	-12%
5. Capital Outlay	8,973	7,533	-16%
6. Loans and Advances	150	347	132%
7. Debt Repayment	4,242	3,830	-10%
Revenue Balance	115	4,128	3492%
Revenue Balance (as % of GSDP)*	0.04%	1.5%	-
Fiscal Deficit	8,985	3,736	-58%
Fiscal Deficit (as % of GSDP)	3.1%	1.4%	-

Note: *A negative revenue sign indicates a deficit, positive sign indicates a surplus. BE: Budget Estimates.

Source: Uttarakhand Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue (in Rs crore)

Tax Head	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Land Revenue	500	224	-55%
Taxes on Vehicles	1,050	889	-15%
State Excise	3,202	3,258	2%
Sales Tax/ VAT	2,004	2,302	15%
Stamps Duty and Registration Fees	1,200	1,488	24%
State GST	4,671	5,973	28%
Taxes and Duties on Electricity	17	40	139%

Source: Uttarakhand Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors (in Rs crore)

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Energy	260	115	-56%
Welfare of SC, ST, OBC, and Minorities	537	240	-55%
Urban Development	1,000	487	-51%
Irrigation and Flood Control	1,354	721	-47%
Housing	119	81	-31%
Water Supply and Sanitation	1,893	1,530	-19%
Transport	2,390	1,988	-17%
of which Roads and Bridges	1,917	1,782	-7%
Health and Family Welfare	3,439	3,020	-12%
Education, Sports, Arts, and Culture	9,744	8,694	-11%
Police	2,220	2,001	-10%
Social Welfare and Nutrition	3,406	3,188	-6%
Rural Development	3,439	3,378	-2%
Agriculture and Allied Activities	3,545	3,612	2%

Source: Uttarakhand Budget Documents of various years; PRS.