

# STATE OF STATE FINANCES

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October 2025  
Shrusti Singh

GST revenues continue to be lower than revenues subsumed under GST

Income inequality has increased across states as richer states spend more on development

More states are implementing unconditional cash transfer schemes for women

In 2023-24, states recorded a revenue deficit, with 53% of revenue receipts being spent on salaries, pensions, and interest payments, and 9% on subsidies. GST revenues remain below the pre-2017 levels of subsumed revenue. Untied transfers to states from the Centre have also declined during the 15<sup>th</sup> Finance Commission period, reducing states' spending autonomy. The Special Assistance Scheme to States for Capital Investment (SASCI) has become a major source for funding of capital outlay in states. However, the unconditional component of SASCI has declined in the last two years. An increasing number of states are implementing unconditional cash transfer schemes, affecting their expenditure capacity to spend on other development heads. The aggregate outstanding debt of states continues to be higher than the recommended level, implying a significant debt servicing burden on states. Inequality in per capita income is increasing as higher income states generate higher per capita revenues and therefore can invest more in development. States with lower per capita incomes have limited fiscal space to spend resources on growth-enhancing expenditure.

In this backdrop, this report analyses the finances of all states and the Union Territories of Delhi, Jammu and Kashmir, and Puducherry, based on their budget documents and CAG accounts. The following abbreviations have been used for states in the charts throughout the report.

| State             | Abbreviation | State             | Abbreviation | State         | Abbreviation |
|-------------------|--------------|-------------------|--------------|---------------|--------------|
| Andhra Pradesh    | AP           | Jammu and Kashmir | JK           | Puducherry    | PY           |
| Arunachal Pradesh | AR           | Karnataka         | KA           | Rajasthan     | RJ           |
| Assam             | AS           | Kerala            | KL           | Sikkim        | SK           |
| Bihar             | BR           | Meghalaya         | MG           | Telangana     | TG           |
| Chhattisgarh      | CG           | Maharashtra       | MH           | Tamil Nadu    | TN           |
| Delhi             | DL           | Manipur           | MN           | Tripura       | TR           |
| Goa               | GA           | Madhya Pradesh    | MP           | Uttarakhand   | UK           |
| Gujarat           | GJ           | Mizoram           | MZ           | Uttar Pradesh | UP           |
| Himachal Pradesh  | HP           | Nagaland          | NL           | West Bengal   | WB           |
| Haryana           | HR           | Odisha            | OD           |               |              |
| Jharkhand         | JH           | Punjab            | PB           |               |              |

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## **DEVELOPING THEMES IN STATE FINANCES**

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### **High committed expenditure and subsidies reduce states' expenditure flexibility**

In 2023-24, states collectively spent 62% of their revenue receipts on interest payments, salaries, pensions, and subsidies. These expenses constrain the states' ability to incur other development expenditure. States recorded a revenue deficit of 0.4% of GSDP in this year, indicating that they borrowed to finance recurring expenses. Deficits across states have led to accumulated debt of 27.5% of GDP (as of March 2025), leading to crowding out of expenditure on other development activities.

### **GST revenues continue to be lower than taxes subsumed under GST**

Since GST implementation in 2017, aggregate revenue from taxes subsumed under GST has declined from 6.5% of GDP in 2015-16 to 5.5% in 2023-24. The 15<sup>th</sup> Finance Commission (FC) had estimated a medium-term ratio of 7% revenue from GST. Most states collect lower revenue from GST than earlier, with significant variation across states.

### **Untied transfers to states have declined during the 15<sup>th</sup> Finance Commission period**

Between the 11<sup>th</sup> and 14<sup>th</sup> FC periods, the share of untied transfers to states increased from 44% of total transfers to states to 68%. However, this declined during the 15<sup>th</sup> FC period to 64% of the total transfers. The 14<sup>th</sup> FC had recommended increasing untied transfers to enhance expenditure flexibility among states and allow them to spend resources according to their discretion and priorities.

### **Capital spending in states is being boosted by central assistance**

Under the scheme for Special Assistance to States for Capital Investment, states are provided 50-year interest-free loans for capital expenditure. Between 2020-21 and 2025-26 (till August 11, 2025) states have received central assistance worth Rs 4,01,276 crore under this scheme. During this period, capital spending from states' own revenues has remained flat, while the increase in capital expenditure is being supported by the scheme.

### **Inequality in per capita income has increased across states**

States with higher per capita GSDP raise more revenue, and therefore have a higher capacity to spend more per capita on development. This has led to a virtuous cycle of growth in per capita income. As a consequence, the gap between richer and poorer states has widened over the years.

### **Unconditional cash transfers for women have led to fiscal pressure**

In 2025-26, the number of states providing unconditional cash transfers to women has increased to 12 states. These states are estimated to cumulatively spend Rs 1,68,040 crore on these schemes. Six of these 12 implementing states have estimated a revenue deficit.

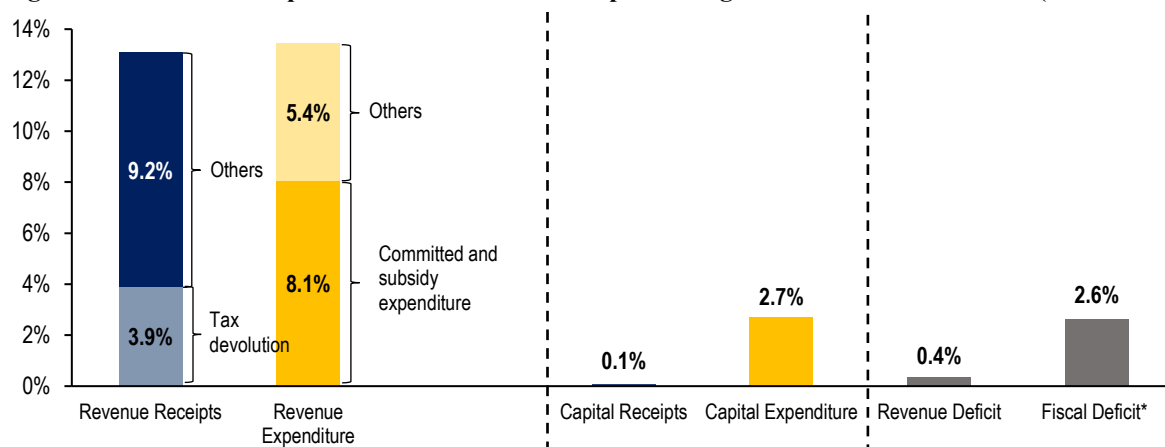
### **Outstanding debt across states still higher than pre-pandemic levels**

As of 2024-25, the outstanding debt of states stood at 27.5% of GDP. This was above the 20% level recommended by the FRBM Review Committee. Only three states – Gujarat, Maharashtra, and Odisha – have met this recommended debt target. Higher debt levels have led to high interest payment obligations across states. Interest payments grew at an annual rate of 10% between 2016-17 and 2024-25, faster than revenue receipts growth of 9.2%.

## High committed expenditure and subsidies reduce states' expenditure flexibility

States raised 7.5% of GSDP as own revenue and received 5.5% of GSDP as central assistance in 2023-24. However, revenue expenditure exceeded the total revenue receipts of states, leading to a revenue deficit of 0.4%. This indicates that states borrowed to finance recurring expenses, in addition to capital expenditure. This gap reflects the ongoing fiscal pressure on states, primarily due to high committed expenditure and subsidy spending. All Finance Commissions (FC) since the 12<sup>th</sup> FC have sought to eliminate revenue deficits across states. This is primarily because borrowing to finance revenue expenditure leads to accumulation of debt without creating any capacity to service that debt in the future.

**Figure 1: States' total expenditure exceeded the receipts leading to fiscal deficit in 2023-24 (% of GSDP)**



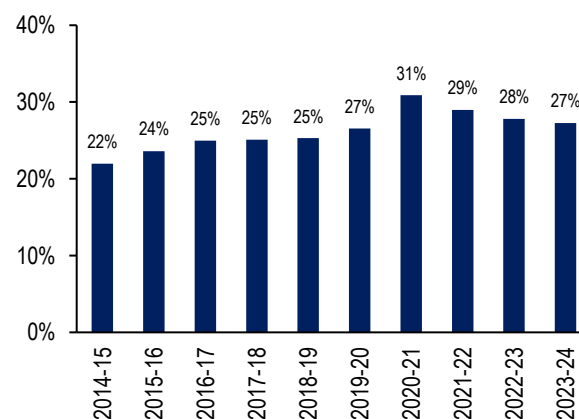
Note: \*Fiscal deficit has been adjusted to exclude the 50-year interest-free loans to states for capital expenditure (SASCI). We are treating loans under SASCI as almost equivalent to grants to states (see page 5). Delhi, Goa, Puducherry, and Jammu and Kashmir are not included due to unavailability of some figures.

Sources: State Budget Documents; CAG; PRS.

In 2023-24, states collectively spent 53% of their revenue receipts on salaries, interest payments and pensions, and 9% on subsidies (see page 13, 14). This amounted to 8.1% of their GSDP. However, this burden varies across states with Punjab (107%) spending more than its revenue receipts on these items. Other states with high expenditure on committed items and subsidies include Himachal Pradesh (85% of revenue receipts), Tamil Nadu (77%), Kerala (75%), and Haryana (71%). Expenditure on these items absorbs a substantial portion of revenue receipts and cannot be reduced in the short term, reducing the fiscal space for other development expenditure. In addition, when the borrowing capacity for states is limited, it may lead to cuts in capital spending (see Page 20). In 2023-24, capital expenditure of states amounted to 2.7% of their GSDP.

The aggregate fiscal deficit in 2023-24 stood at 2.6% of GSDP (adjusting for the 50-year interest-free loans to states for capital expenditure). Persistent fiscal deficit has led to accumulation of debt across states. In 2023-24, outstanding liabilities of states stood at 27.5% of GDP. This is higher than the recommended debt level of 20% of GDP for states. However, individual outstanding liabilities vary across states (see Page 16). Rise in outstanding liabilities increases the debt repayment burden on states. In 2023-24, states spent 13% of their revenue receipts on interest payments (see Page 13). This further reduces the space for other development and capital expenditure.

**Figure 2: Aggregate outstanding liabilities of states as % of GDP**



Sources: State Budget Documents; MoSPI; RBI; PRS.

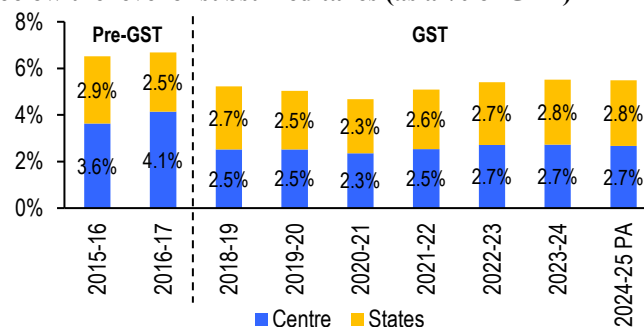
## GST revenues continue to be lower than taxes subsumed under GST

The implementation of the Goods and Services Tax (GST) in 2017 marked a structural reform in India's indirect taxation system. GST is a consumption-based value-added tax levied on goods and services by both the Centre and the states.<sup>1</sup> It subsumed a range of taxes and levies at the central and state level including VAT, Central Sales Tax, Excise Duty, and Entry Tax.<sup>2</sup>

Since its introduction, aggregate revenue from subsumed taxes of the Centre and states has declined from 6.5% of GDP in 2015-16 (in the pre-GST regime) to 5.5% of GDP in 2023-24 (see Figure 3). In 2020-21, the 15<sup>th</sup> Finance Commission had estimated a GST-to-GDP ratio of 7% (excluding revenue from GST compensation cess) over the medium term.<sup>1</sup>

In the four years to 2015-16, states got an average of 2.8% of GDP from taxes that were later subsumed under GST. The revenue later dropped to 2.7% in the first full year of GST, and further to 2.3% in the COVID-19 year of 2020-21, before climbing back to 2.8% in 2024-25 (PA). The average SGST as a percentage of GDP over the seven years of GST (2.6%) has been below the average subsumed taxes in the four full years before GST. States were guaranteed a 14% annual growth in SGST revenue during the first five years. States that fell short of this growth were compensated through revenue from GST compensation cess until June 2022.

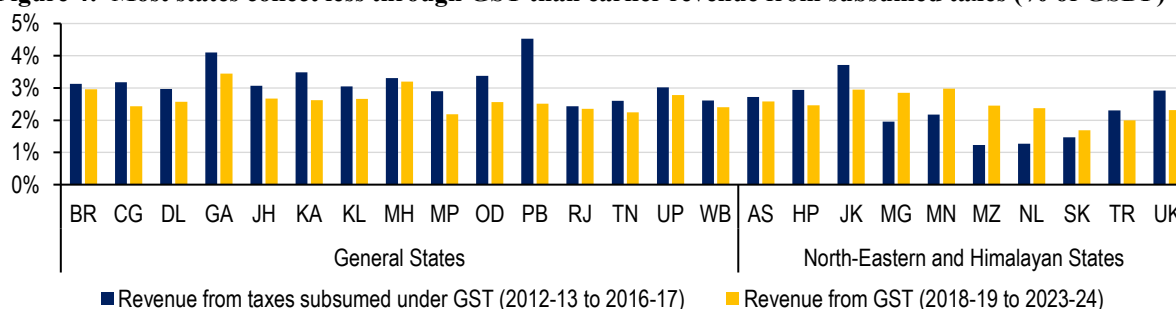
**Figure 3: GST revenue for the Centre and states remains below the level of subsumed taxes (as a % of GDP)**



Note: Data for 2015-16 and 2016-17 includes taxes subsumed under GST. Chart excludes 2017-18 as GST was introduced for part of the year. The chart also excludes GST compensation paid to states for loss of revenue. CGST and SGST include respective shares of IGST. PA is Provisional Actual. Sources: Receipts Budget for respective years, Union Budget; MoSPI; GST Portal; Starred Question No. 164, Rajya Sabha, Ministry of Finance, December 3, 2019; Controller General of Accounts; PRS.

There has been significant variation across states. Some North-Eastern states have seen an improvement in their subsumed tax to GSDP ratios as compared to the pre-GST regime (see Figure 4). The 15<sup>th</sup> Finance Commission had observed that this improvement in performance may be due to the destination-based principle of taxation under the GST regime.<sup>1</sup> In comparison, other states such as Punjab, Chhattisgarh, Karnataka, Madhya Pradesh, and Odisha have a relatively larger drop in their revenue from the subsumed taxes as a percentage of GSDP.

**Figure 4: Most states collect less through GST than earlier revenue from subsumed taxes (% of GSDP)**



Note: Chart excludes Arunachal Pradesh, Gujarat, and Haryana as pre-GST revenue data is unavailable. Data for Andhra Pradesh and Telangana has been excluded due to bifurcation in 2014. Sources: Estates Database, RBI; GST Portal; State Budget Documents; PRS.

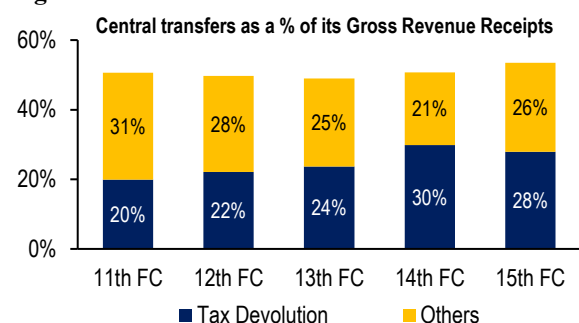
To achieve the medium term target of 7% revenue from GST, one of the recommendations made by the 15<sup>th</sup> Finance Commission included streamlining of the GST rate structure by reducing the number of rates to three.<sup>1</sup> In September 2025, the GST scheme saw major restructuring. The basic rate is now set at 18%, with some mass consumption items at 5%, and demerit goods at 40%.<sup>3</sup> Some essential items have been exempted from GST. Media reports cited the Revenue Secretary that this could cause a revenue loss of Rs 48,000 crore, but this loss in revenue could be lower due to increase in consumption.<sup>4</sup>

## Untied transfers to states have declined during the 15<sup>th</sup> Finance Commission period

The Constitution has assigned revenue raising and expenditure powers to both Centre and states across different subjects. The Centre is empowered to collect a majority of the tax revenue, while states have the responsibility to provide services such as healthcare, education, and sanitation. States' own revenues are not sufficient to finance their expenditure needs. There are also differences among states in their revenue generation capacities and expenditure needs. To address this gap, the Finance Commission (FC) recommends distribution of central taxes among states. In addition to the share in central taxes, states also receive grants-in-aid from the Centre. In 2025-26, total transfers to states including tax devolution and grants-in-aid are estimated to be 7.2% of GDP.

During the last five Finance Commission periods, the share of central revenues shared with states has ranged between 49%-53% of Centre's gross revenue receipts. While the Centre continues to share half of its revenue with states, the composition of these transfers has varied during this period. During the 14<sup>th</sup> and 15<sup>th</sup> FC periods, the Centre shared relatively more of its revenue through tax devolution than grants and other transfers.

**Figure 5: Centre shares half its revenue with states**

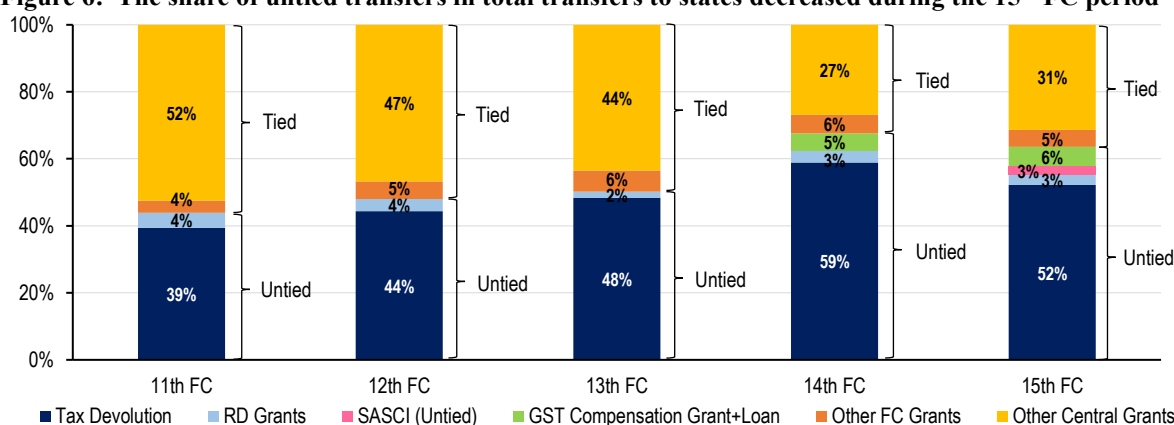


Sources: Budget at a Glance Document for respective years, Union Budget; PRS.

Transfers to states comprise both tied and untied components. Untied components, such as tax devolution and revenue deficit (RD) grants, allow states the flexibility to spend the resources as per their needs. In contrast, tied transfers are earmarked for certain purposes, may be performance-based and include the implementation of monitoring mechanisms.<sup>5</sup> These transfers include allocations to centrally sponsored schemes (CSS), plan and non-plan grants as recommended by the erstwhile Planning Commissions, and conditional FC grants. The 14<sup>th</sup> FC had observed that the share of untied transfers to states should be increased to allow states more flexibility to spend as per their priorities.<sup>6</sup>

The share of tied and untied transfers in total transfers to states has varied over the periods of the last five Finance Commissions (see Figure 6). Untied transfers to states saw an upward trajectory increasing from 44% to 68% between 11<sup>th</sup> and 14<sup>th</sup> FC periods. However, this share is estimated to drop to 64% during the 15<sup>th</sup> FC period.

**Figure 6: The share of untied transfers in total transfers to states decreased during the 15<sup>th</sup> FC period**



Note: We are treating the 50-year interest-free loans under SASCI as almost equivalent to a grant (see page 5). We have also included direct releases to implementing agencies in our calculations for the 11<sup>th</sup>-13<sup>th</sup> FC periods under the tied component. Earlier such transfers bypassed states budgets, but from 2014-15 onwards they were routed through state budgets. GST Compensation loans and grants are also accounted as untied transfers to states.

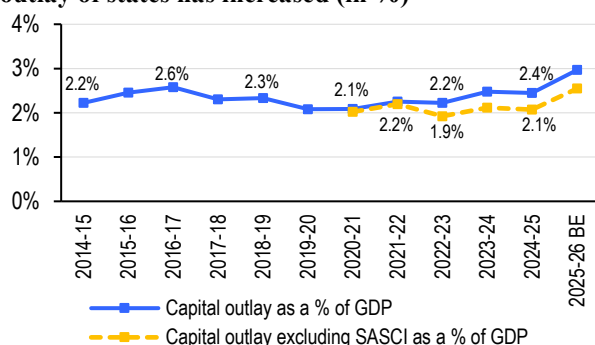
Sources: RBI; Finance Commission Reports for various periods; Union Budget documents for various years; Unstarred Question No 4087, Department of Expenditure, Lok Sabha, August 18, 2025; PRS.

## Capital spending in states is being boosted by central assistance

Between 2014-15 and 2024-25, capital outlay by states has ranged between 2.2% and 2.4% of GDP (see Figure 7). Capital outlay is the expenditure incurred to build assets such as roads, irrigation works, hospitals, and school buildings. Capital outlay improves the productivity of the economy, and has a positive impact on long-term economic growth.<sup>7,8</sup>

To facilitate higher capital outlay by states, the central government introduced the Scheme for Special Assistance to States for Capital Investment (SASCI) in 2020-21.<sup>7</sup> Under this, the central government provides 50-year interest-free loans to states for capital expenditure. In 2020-21, the loans disbursed to states were around Rs 12,000 crore which is estimated to increase to Rs 1,50,000 crore in 2025-26 (Budget Estimate) (see Table 2 on page 25 for state-wise amounts released). In 2024-25, states are estimated to fund 19% of their capital outlay through SASCI loans as compared to 2.9% in 2020-21.

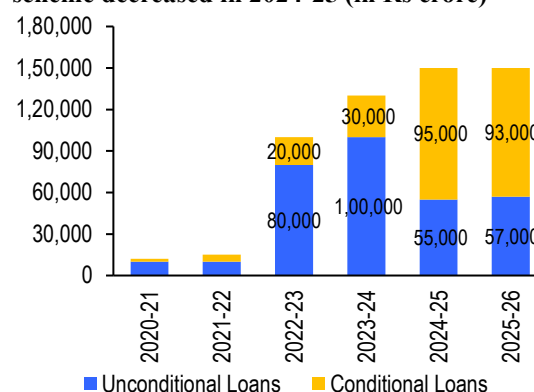
**Figure 7: Share of SASCI loans in total capital outlay of states has increased (in %)**



Note: Capital outlay for 2015-16 and 2016-17 was higher due to the UDAY scheme. Data for 2024-25 is as per provisional actuals.

Sources: Unstarred Question No. 227, Lok Sabha, February 3, 2025; MoSPI; CAG; State Budget Documents for various years; PRS.

**Figure 8: Unconditional loans under the SASCI scheme decreased in 2024-25 (in Rs crore)**

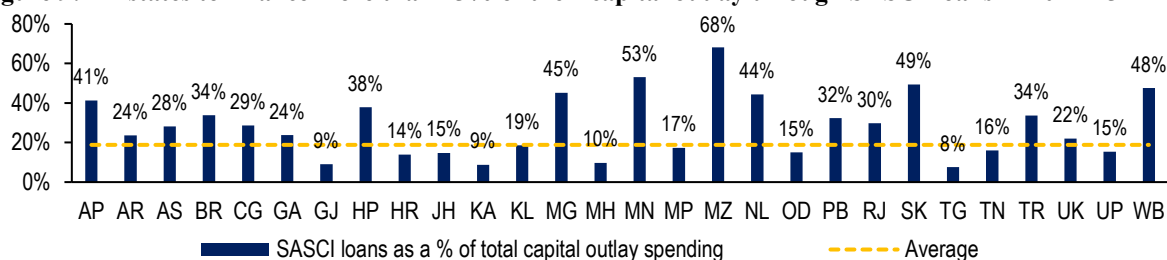


Sources: Economic Survey of India for 2020-21 and 2021-22; Scheme Guidelines for SASCI for various years; PRS.

States had been allowed an increase in borrowing limits from 3% of GSDP to 5% of GSDP in 2020-21 (with some conditions) in order to tackle the coronavirus pandemic.<sup>9</sup> By 2024-25, the borrowing limits were tapered down to 3.5% of GSDP.<sup>10</sup> During this period, the SASCI scheme helped facilitate overall capital spending in states by providing long-term loans beyond the borrowing limit. While states' own capital spending effort (excluding SASCI loans) has remained relatively stable, central assistance has given a boost to capital expenditure (see Figure 7). In 2024-25, several states have estimated to finance more than 25% of capital outlay through these loans (see Figure 9).

Loans released under the scheme consist of conditional and unconditional components. Conditional funds under the scheme are tied to capital intensive schemes and projects such as PM Gram Sadak Yojana, Jal Jeevan Mission, and PM Gati Shakti. Unconditional funds are allocated on the basis of each state's share in central taxes, as recommended by the 15<sup>th</sup> Finance Commission. However, the share of unconditional loans allocated to states under the scheme has reduced from 80% in 2022-23 to only 38% in 2025-26 (see Figure 8). With a lower share of unconditional funds available, states may have limited flexibility in determining their capital spending priorities.

**Figure 9: 14 states to finance more than 25% of their capital outlay through SASCI loans in 2024-25**



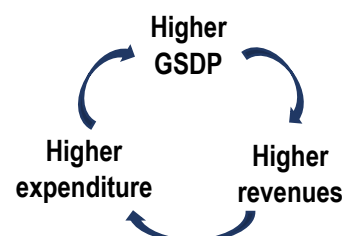
Note: Figures are as per Provisional Actuals. Union Territories were not provided loans under the scheme until 2024-25. In 2025-26, Rs 2,000 crore have been allocated under the scheme for UTs with legislature.

Sources: Unstarred Question No 4087, Department of Expenditure, Lok Sabha, August 18, 2025; CGA; State Budget Documents; PRS.

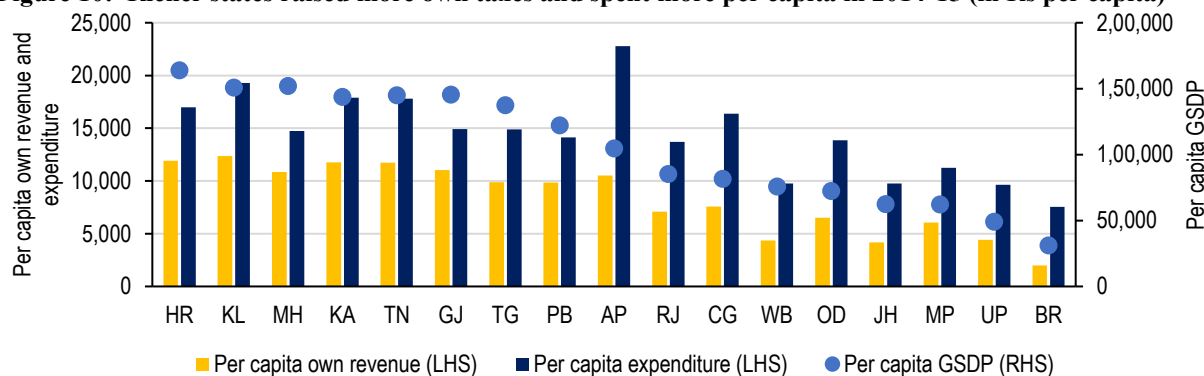
## Inequality in per capita income has increased across states

With the objective to improve the quality of life of citizens, states spend public funds across various sectors such as education, health, agriculture, social welfare, and infrastructure. The 15<sup>th</sup> Finance Commission had observed that higher per capita public spending can contribute to higher GSDP growth in states.<sup>11</sup> A state's spending capacity is closely related to its revenues, which in turn is related to its GSDP.

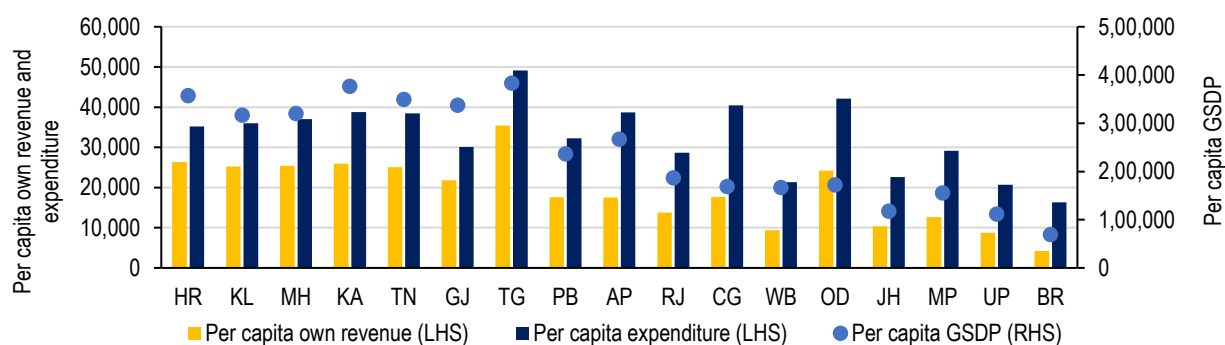
Thus, states with a higher per capita GSDP have more per capita revenues, and therefore can spend more per capita on development and infrastructure. This fuels growth and leads to an increase in per capita GSDP in the following years. As a result, the gap between the states which started out with higher per capita GSDP and states with lower per capita GSDP widens over the years. This can be seen in Figure 10 to Figure 12 below. The exceptions, Odisha and Chhattisgarh have higher per capita revenue relative to their GSDP levels because of mining related revenues.



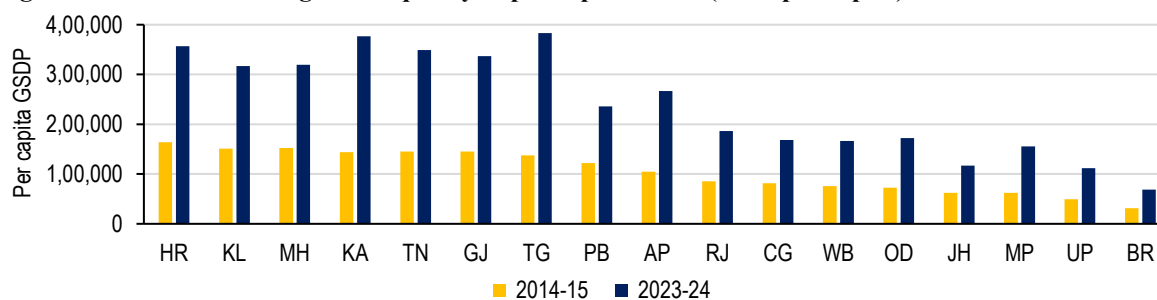
**Figure 10: Richer states raised more own taxes and spent more per capita in 2014-15 (in Rs per capita)**



**Figure 11: ...and the same states continued to do so in 2023-24 (in Rs per capita)**



**Figure 12: ...thus widening the inequality in per capita GSDP (in Rs per capita)**



Note: Per capita income, own revenue, and expenditure have been calculated using state-wise population projections for the respective years using population projections by the National Commission of Population. The charts include 16 states with populations exceeding one crore and exclude North-Eastern and Himalayan states and Union Territories.

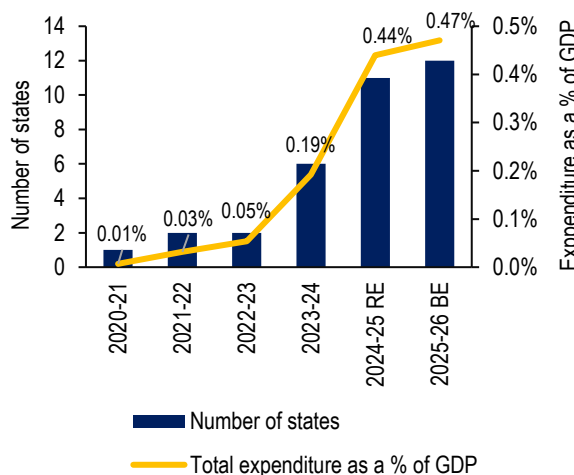
Sources: RBI; MoSPI; National Commission on Population; State Budget Documents of various states for 2025-26; PRS.

## Unconditional cash transfers for women have led to fiscal pressure

The number of states providing largely unconditional cash transfers (UCT) to women has increased from two states in 2022-23 to 12 states in 2025-26 (see Figure 13). UCTs aim to empower women from economically weaker groups by offering them monthly financial assistance through Direct Benefit Transfer mode.<sup>12,13,14,15</sup> The primary beneficiaries of these schemes are selected on the basis of an income threshold, age group, and certain other factors.

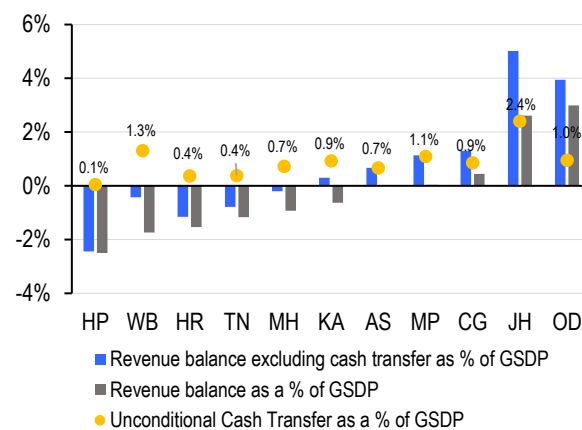
According to 2025-26 budgets, states are collectively estimated to spend Rs 1,68,040 crore (0.5% of GDP) on UCT schemes for women. States such as Assam and West Bengal have increased the allocation towards these schemes over the revised estimates of 2024-25 by 31% and 15% respectively.

**Figure 13: Unconditional cash transfers to women have increased across states...**



Sources: State Budget Documents; PRS.

**Figure 14: ... affecting revenue balances (2025-26)**



Note: Himachal Pradesh has introduced the cash transfer scheme in a phased manner which will later be expanded to all women in the state.<sup>16</sup> Delhi is excluded due to unavailability of GSDP estimates.

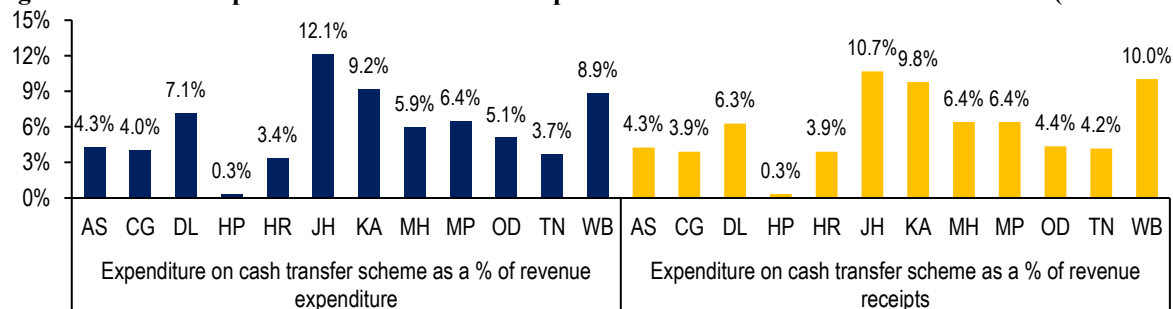
Sources: State Budget Documents; PRS.

Among the 12 states implementing UCT schemes, six have estimated a revenue deficit in 2025-26. However, adjusting the revenue balance to exclude spending on UCT schemes shows an improvement in fiscal indicators of these states (see Figure 14). That is, all other things remaining constant, these cash transfers result in Karnataka moving from a revenue surplus of 0.3% of GSDP to a revenue deficit of 0.6% of GSDP. Similarly, these transfers also reduce Madhya Pradesh's revenue surplus from 1.1% of GSDP to a marginal 0.4% of GSDP.

RBI (2024) had highlighted that the sharp rise in expenditure on subsidies and cash transfers to farmers, youth, and women in states can cause stress to their finances.<sup>8</sup> It recommended rationalising such spending since it can reduce the space to incur other productive expenditure in the state.

In April 2025, Maharashtra reduced the monthly benefit under the CM Ladki Bahin Yojana from Rs 1,500 to Rs 500 for women receiving Rs 1,000 per month under another state-funded direct benefit transfer scheme for women farmers.<sup>17</sup> In October 2024, Jharkhand increased the monthly payout under the CM Maiyan Samman Yojana from Rs 1,000 to Rs 2,500 per month.<sup>18</sup>

**Figure 15: States to spend 6% of their revenue expenditure on Unconditional Cash Transfers (2025-26 BE)**



Sources: Respective scheme websites; State Budget Documents 2025-26; PRS.

## Outstanding debt across states still higher than pre-pandemic levels

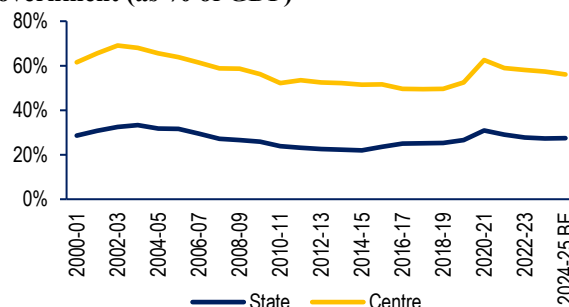
Between 2005-06 and 2024-25, the aggregate fiscal deficit of states has increased from 2.4% of GDP to 3% of GDP (Revised Estimates). Higher fiscal deficit implies higher borrowings which increases outstanding debt of the states, and leads to higher interest payments. While fiscal deficit and debt level targets have been set through legislations and by the Finance Commissions, several states have failed to achieve these targets (see Figure 30 on page 16). Fiscal deficit in 2024-25 was higher than that in 2005-06 in 15 states. Part of the reason for states exceeding the original fiscal deficit limit of 3% of GSDP is the relaxation by the central government under specific circumstances such as power sector reforms, exclusion of long-term interest-free loans, and NPS contributions.<sup>19,5</sup>

**Table 1: FD and outstanding debt targets for states projected by the 15<sup>th</sup> FC (% of GDP)**

| Year       | Fiscal Deficit |        | Outstanding Debt |        |
|------------|----------------|--------|------------------|--------|
|            | Projected      | Actual | Projected        | Actual |
| 2020-21    | 4.2%           | 4.0%   | 31.1%            | 30.9%  |
| 2021-22    | 3.3%           | 2.7%   | 30.7%            | 29.0%  |
| 2022-23    | 3.3%           | 2.4%   | 31.3%            | 27.8%  |
| 2023-24    | 2.8%           | 2.6%   | 31.1%            | 27.3%* |
| 2024-25 RE | 2.8%           | 3.0%   | 30.9%            | 27.5%* |
| 2025-26    | 2.8%           | -      | 30.5%            | -      |

Note: FD and outstanding debt in this table excludes 50-year interest-free loans to states for capital expenditure. \*Outstanding debt for 2023-24 and 2024-25 are RE and BE respectively. Sources: RBI; State Budget Documents; 15<sup>th</sup> Finance Commission Report; MoSPI; PRS.

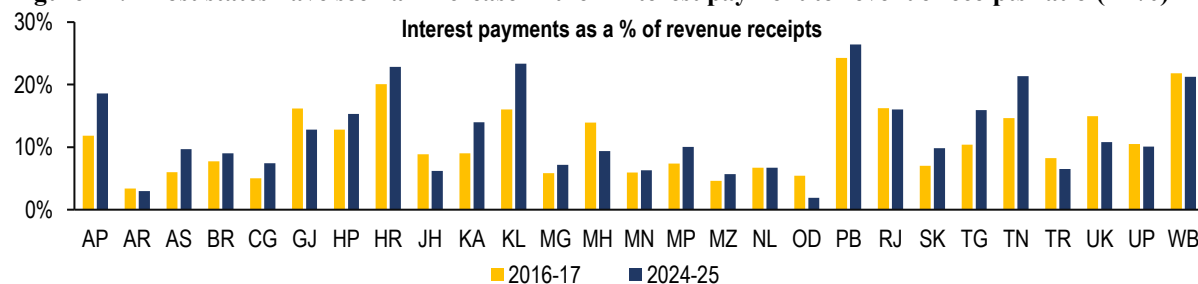
**Figure 16: Outstanding debt of the central and state government (as % of GDP)**



Note: Between 2015-16 and 2016-17, outstanding debt across states increased due to takeover of debt of state-owned power distribution companies under the UDAY scheme. Outstanding debt for states excludes 50-year interest-free loans to states for capital expenditure between 2020-21 and 2024-25. Sources: RBI; CAG; MoSPI; PRS.

As of March 2025, the total outstanding debt of states accounted for 27.5% of the GDP, while Centre's outstanding debt stood at 56% (see Figure 16). While the aggregate outstanding debt of states is in line with the 15<sup>th</sup> Finance Commission targets, several states have not met their targeted debt levels (see Table 4 in Annexure for a comparison of the indicative debt path recommended by the 15<sup>th</sup> FC and outstanding debt of states). In 2017, the FRBM Review Committee (Chair: Mr N. K. Singh) recommended a debt ceiling of 20% for states and 40% for the Centre.<sup>20</sup> As of 2024-25, only three states, Gujarat, Maharashtra, and Odisha, have met this recommended debt level (see Figure 31 on page 16). In August 2025, the Standing Committee on Finance recommended sustained fiscal discipline at the state level to bring down debt-to-GDP ratio to the 20% recommended level and ensure macroeconomic stability.<sup>21</sup>

**Figure 17: Most states have seen an increase in their interest payment to revenue receipts ratio (in %)**



Sources: RBI; CAG; MoSPI; PRS.

Rise in debt levels also imply a growing interest payment burden. A higher debt servicing burden reduces states' flexibility to spend on other revenue and capital items. Between 2016-17 and 2024-25, interest payments as a percentage of revenue receipts have increased from 10.9% to 11.8% (see Figure 17). The Standing Committee on Finance (2025) observed that debt reduction should be accompanied by a decline in interest to revenue receipts ratio.<sup>21</sup> Interest payments have grown at a higher annual average rate of 10% between 2016-17 and 2024-25, compared to growth in revenue receipts at 9.2% (see Table 5 in Annexure for a state-wise comparison).

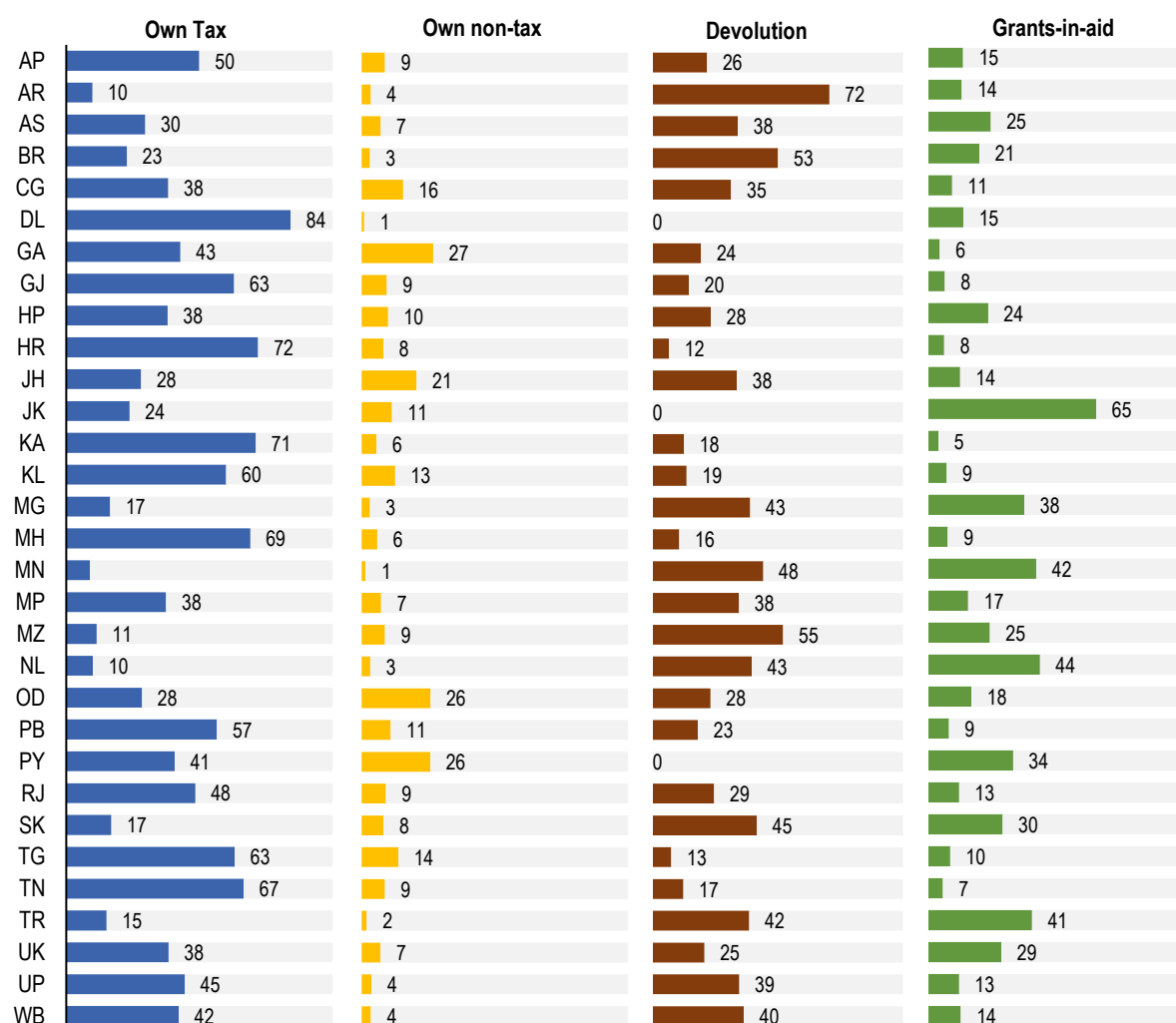
## TRENDS IN STATE FINANCES

This section discusses trends in state finances based on the budget estimates for 2025-26.

### Own tax revenue is the largest source of revenue for most states

In states, revenue receipts comprise: (i) own revenue and (ii) transfers from the central government. Own revenue includes revenue earned by the state government from tax and non-tax sources. States also receive transfers from the central government in the form of state's share in central taxes and grants-in-aid. Receipts from central taxes are devolved as per the recommendations of the Finance Commission. Grants-in-aid include grants for centrally sponsored schemes and grants-in-aid recommended by the Finance Commission.

**Figure 18: In 2025-26, states have estimated to raise 50% of receipts from own tax revenue (in %)**



Note: Delhi, Jammu and Kashmir, and Puducherry do not receive devolution of central taxes as they are UTs.

Sources: State Budget Documents; PRS.

On aggregate, states have estimated to raise 58% of revenue receipts from own-tax and own non-tax sources in 2025-26. In addition, they are estimated to receive 28% of revenue receipts as tax devolution and 14% as grants-in-aid. In 2025-26, own-tax revenue is estimated to be higher than 50% of revenue receipts in 10 states. These include Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab, Telangana, Tamil Nadu, and Delhi. The largest source of own-tax revenue for states is SGST.

In 2025-26, revenue from non-tax sources is estimated to be about 8% of revenue receipts for states. Non-tax revenue is estimated to be higher in mineral-rich states such as Chhattisgarh, Jharkhand, and

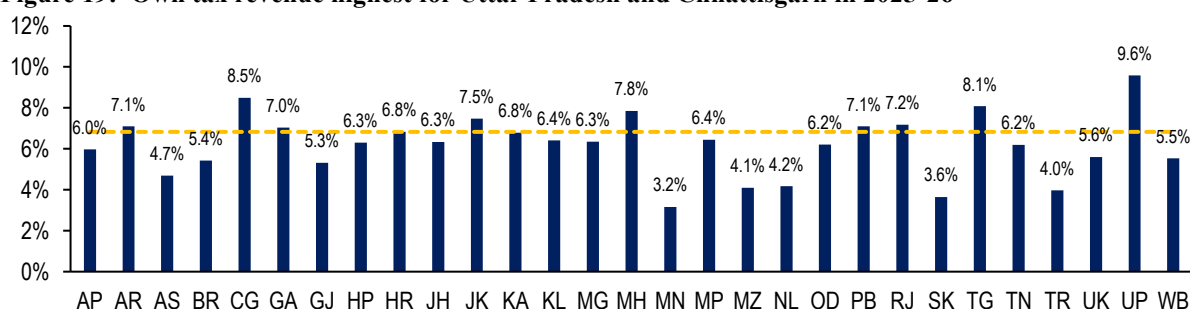
Odisha. In Puducherry and Goa, non-tax revenue is higher than average due to electricity distribution being managed by state electricity departments, instead of power distribution companies.

North-eastern and Himalayan (NEH) states have a higher dependence on transfers from the Centre. In 2025-26, NEH states are estimated to receive 68% of their revenue receipts as central assistance. In addition, states such as Uttar Pradesh, West Bengal, Madhya Pradesh, Jharkhand, and Bihar are also estimated to raise about 41% of their revenue receipts from tax devolution and 15% from grants-in-aid. Unlike devolution, some central grants are conditional in nature while others are unconditional. Conditional grants are linked to expenditure on specific schemes such as Swachh Bharat Mission, National Health Mission, and Ayushman Bharat Mission. Unconditional grants include grants given to states for revenue deficit.

### Own tax revenue of states is estimated to be 6.8% of GSDP

In 2025-26, states' own tax revenue is estimated at 6.8% of their GSDP. This is slightly higher than the revised estimates of 2024-25. In 2023-24 (actuals), states own-tax revenue was 6.4% of GSDP. States such as Maharashtra, Arunachal Pradesh, Chhattisgarh, and Goa have higher than average own-tax revenue to GSDP ratios. In 2025-26, Uttar Pradesh is estimated to have the highest own tax to GSDP ratio (9.6%). However, a comparison of budget estimates with actuals in Uttar Pradesh reveals consistently lower realisation than budget target (See Figure 37 on page 19). Bihar, Gujarat, Jharkhand, Kerala, and West Bengal have estimated lower than average own tax revenue to GSDP ratios in 2025-26. Lower revenue in Bihar and Gujarat may be due to close to zero revenue collection from excise as these states have enforced alcohol prohibition.

**Figure 19: Own tax revenue highest for Uttar Pradesh and Chhattisgarh in 2025-26**



Note: Delhi and Puducherry data is not included due to unavailability of GSDP estimates.

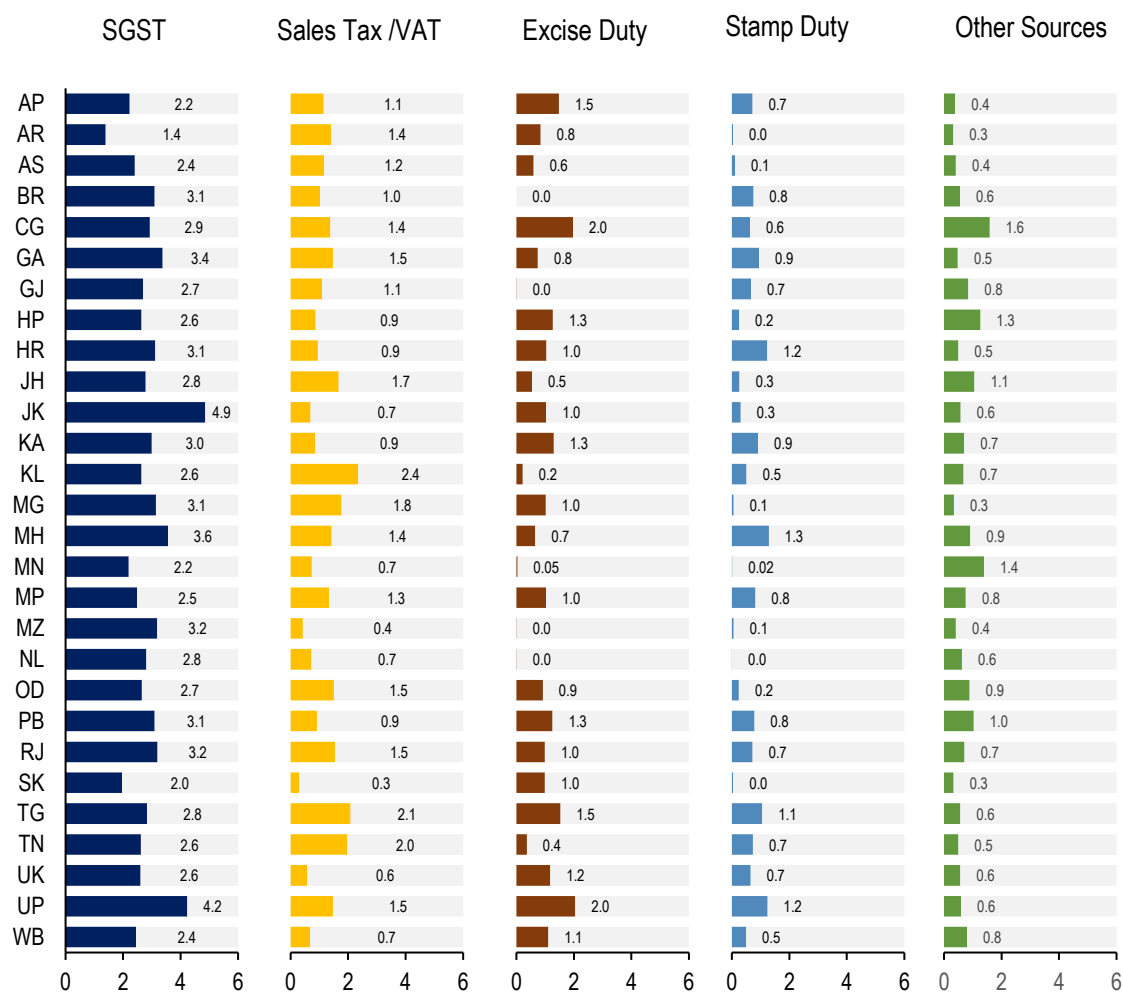
Sources: State Budget Documents; PRS.

### SGST to constitute the largest share of own-tax revenue across states

In 2025-26, states have estimated to realise own tax revenue from the following primary sources: (i) State Goods and Services Tax (SGST, 44%), (ii) Sales Tax (20%), (iii) State Excise (14%), (iv) Stamp duty and registration fees (12%). SGST is the largest source of revenue for states, making its rate structure and changes to it critical for states. Currently, the GST Council has to approve any tax rate change. The Council comprises of representatives from both the Centre and states, with the central government's vote having a weightage of one-third of the total votes cast.<sup>22</sup> States could earlier take autonomous decisions to decide tax rates. They have lost much of this autonomy to the GST Council.<sup>1</sup>

On September 3, 2025, the GST Council approved rationalisation of GST rates into two standard slabs of 5% and 18%, along with a special de-merit rate of 40% for select goods. The changes are applicable from September 22, 2025.<sup>23</sup> This change could impact SGST revenue adversely. In addition to SGST, states also collect revenue from sales tax/VAT levied on petroleum products and alcohol. These items are currently not covered under GST. However, the GST council can recommend the date on which GST may be levied on petroleum crude, petrol, natural gas, and aviation turbine fuel.<sup>22</sup> It has not yet done so.

**Figure 20: Composition of own tax revenue in 2025-26 (as a % of GSDP)**



Note: Delhi and Puducherry not shown in above chart as 2025-26 GSDP estimate is not available for them.

Sources: State Budget Documents; PRS.

### Sources for revenue augmentation

States have been adopting ways to mobilise revenue from multiple sources. A study commissioned by the Ministry of Housing and Urban Affairs had recommended reducing or removing stamp duty for low value housing.<sup>24</sup> The 15<sup>th</sup> Finance Commission had noted that higher stamp duty rates lead to under-declaration of property values and lower collection of property and capital gains tax.

In recent years, several states have undertaken reforms to augment revenue. In 2024-25, Gujarat announced reductions in stamp duties on certain real-estate transactions to encourage compliance. Punjab introduced a levy of green tax on vehicles older than 15 years in August 2024.<sup>25</sup> RBI (2023) had observed that states could increase their non-tax revenues through: (i) revision of user charges on electricity, water, and other public services, (ii) royalties and premiums on mining, and (iii) interest receipts from loans extended to PSUs. It had also recommended states to scale up their asset monetisation initiatives and liquidation of non-operational public sector units to enhance non-tax revenue. In April 2025, the National Highways Authority of India, raised Rs 28,724 crore through asset monetisation initiatives including Infrastructure Investment Trust (InvIT).<sup>26</sup> InvITs are trusts which allow investors to pool funds and invest in infrastructure assets. Similarly, states such as Maharashtra, Gujarat, Rajasthan, and Tamil Nadu are planning to adopt the InvIT method of asset monetisation.<sup>27</sup>

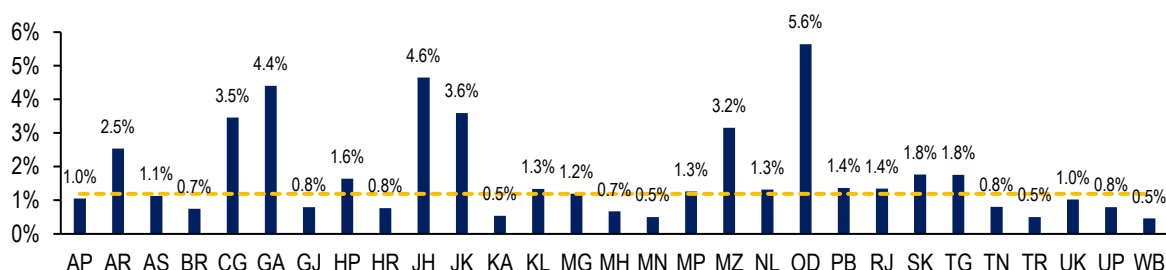
In 2021, the Working Group on financial resources and resource mobilisation in Kerala had recommended the following revenue augmentation measures: (i) increasing fair value of land, (ii) reductions in stamp duty rates, and (iii) hiking excise duty on liquor.<sup>28</sup>

### Own non-tax revenue estimated at 1.2% of GSDP

In addition to tax sources, states have estimated to raise 8% of revenue receipts from non-tax sources in 2025-26. These include receipts from sources such as dividends and profits, interest receipts, and revenues from mining and metallurgical industries. For mineral-rich states, revenue from mining

boosts non-tax revenue. For example, Odisha, Jharkhand, and Chhattisgarh have estimated to raise 5.6% of GSDP, 4.6%, and 3.5% as revenue from mining. Odisha has estimated to raise 26% of revenue receipts from non-tax revenue sources, as compared to 28% of revenue receipts from own-tax sources. In Goa, non-tax revenue is higher due to electricity distribution being a departmental function. In comparison, most other states have state-owned power distribution companies undertaking electricity distribution, and a few have private companies doing so.

**Figure 21: Revenue from non-tax sources estimated at 1.2% of GSDP**



Note: Delhi and Puducherry data is not included due to unavailability of GSDP estimates.  
Sources: State Budget Documents; PRS.

### Revenue from Mining

Revenue from mining constitutes a significant proportion of non-tax revenue for some states. In 2025-26, 12 states have estimated mining revenue of Rs 1,60,232 crore (0.6% of their GSDP). Most of this revenue accrues from fees, rents, and royalties paid for mines. Mining rich states such as Chhattisgarh, Jharkhand, and Odisha, have estimated mining revenue amounting to 81% of their own non-tax revenue in 2025-26. Between 2016-17 and 2023-24, states have accrued revenue worth Rs 2,45,198 crore from auctioning of mines. States can unlock more revenue by bringing non-working mines under production.<sup>29</sup> As of January 2025, Odisha has the highest operationalisation rates (out of total mines). Most other states including Chhattisgarh, Rajasthan, Jharkhand, Uttar Pradesh, Madhya Pradesh, and Andhra Pradesh have operationalised less than 10% of the mines allocated or auctioned.<sup>30</sup> Initiatives such as auctioning of minor mineral lands and sand mines, executing supplementary mining lease deeds for dumping of mining overburden or waste, and investment in exploration projects can enhance revenue for states.<sup>30,31</sup> States such as Karnataka and Odisha have been using drone surveys and satellite imaging to monitor mining operations, prevent illegal activities, and enhance mining revenue.<sup>8</sup>

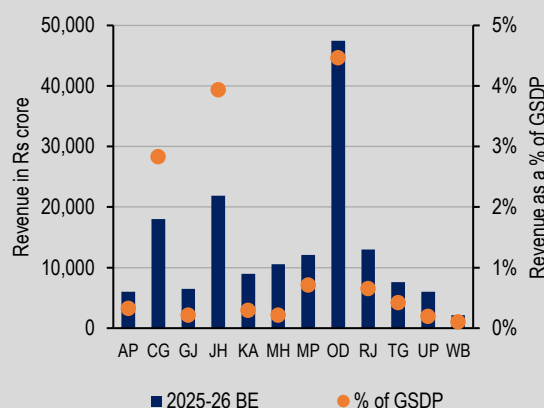
In August 2023, the Mines and Minerals (Development and Regulation) Amendment Act, 2023 was passed by Parliament. One of the key amendments included empowering the state governments to exclusively auction exploration rights for critical minerals. In July 2024, the Supreme Court overturned an earlier decision, and upheld the power of state governments to tax mineral rights and lands comprising of mines and quarries. This has the potential to augment state revenues through levies on mining operations.<sup>32</sup>

**Figure 22: Mining revenue across states is estimated to increase from 0.4% of GSDP in 2020-21 to 0.6% in 2025-26**



Note: Mining revenue is for 12 states: Andhra Pradesh, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Maharashtra, Madhya Pradesh, Odisha, Rajasthan, Telangana, Uttar Pradesh, and West Bengal.  
Sources: State Budget Documents; MoSPI; PRS.

**Figure 23: State-wise revenue from mining in 2025-26**



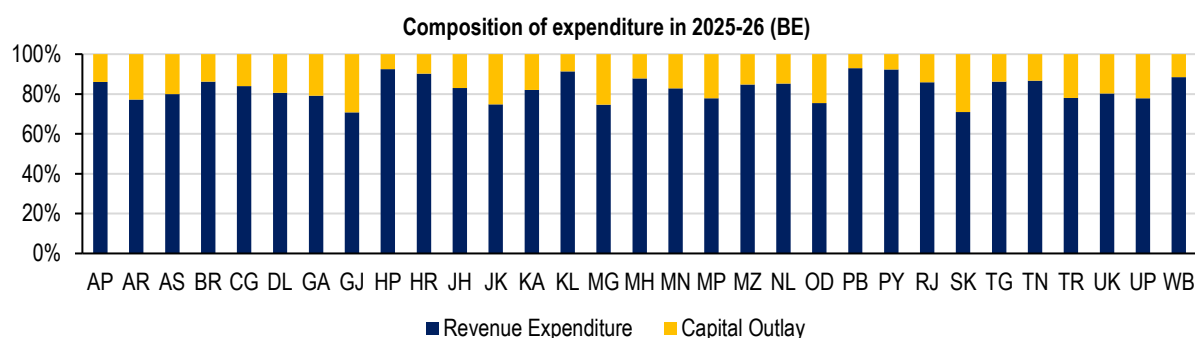
Sources: State Budget Documents; PRS.

## Expenditure by the state to comprise largely of revenue expenditure

Expenditure in states, can be classified into two categories: (i) Revenue Expenditure and (ii) Capital Expenditure. Revenue expenditure is expenditure which is recurring in nature and does not affect the assets or liabilities of the government. Examples include expenditure on salaries, interest payments, pensions, administrative expenses, and expenditure on schemes. Capital expenditure is expenditure incurred to create assets or reduce liabilities. It consists of expenses such as: (i) the money spent by state governments for the creation of capital assets such as roads, hospitals, schools, and (ii) repayment of loans.

In 2025-26, states have estimated to spend 82% of the total expenditure on revenue items, 16% on creation of assets, and 1.4% on extending loans and advances (debt component from expenditure has been excluded for analysis). States including Punjab, Himachal Pradesh, Haryana, and Kerala have estimated to spend more than 90% on revenue items. States with higher than average capital outlay include some NE states, Goa, Gujarat, Karnataka, Madhya Pradesh, Odisha, and Uttar Pradesh. NEH states generally spend more on capital outlay due to higher central transfers and consequently a higher revenue surplus.

**Figure 24: Revenue expenditure is estimated to constitute 82% of the total expenditure in 2025-26**

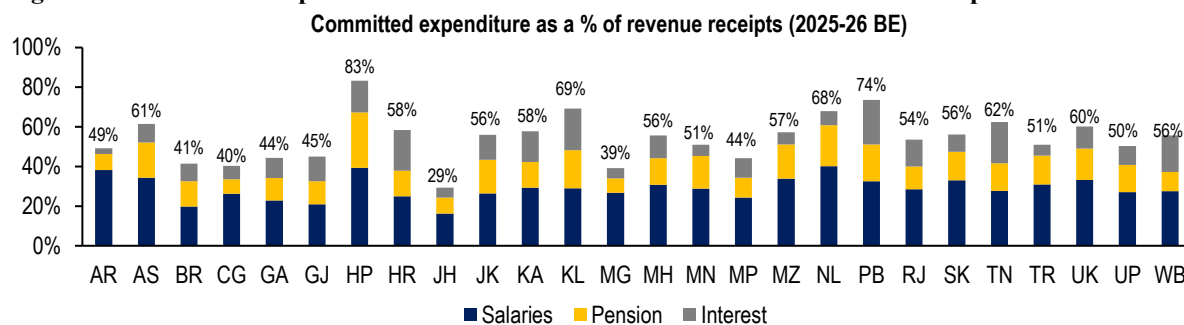


Sources: State Budget Documents; PRS.

## 50% of revenue receipts to be spent on salaries, interest, and pension

As a part of its revenue expenditure, states governments also have to incur expenditures which they are obligated to undertake. These include payment of salaries, pensions, and interest on borrowings. Expenditure on these items generally cannot be reduced in the short to medium term. A higher share of revenue receipts allocated towards committed expenditure reduces the fiscal space to incur other development expenditure. In some cases, it might also lead the state to borrow to finance its revenue expenditure (revenue deficit, see Figure 29 on page 15). In 2025-26, states have estimated to spend 50% of their revenue receipts on salary, pension, and interest payments. States such as Assam, Himachal Pradesh, Kerala, Punjab, and Tamil Nadu have estimated to spend more than 60% on committed items. In comparison, states such as Jharkhand, Bihar, Chhattisgarh, Manipur, and Madhya Pradesh have budgeted to spend lower than the average of all states in 2025-26.

**Figure 25: Committed expenditure estimated to account for half of the revenue receipts**



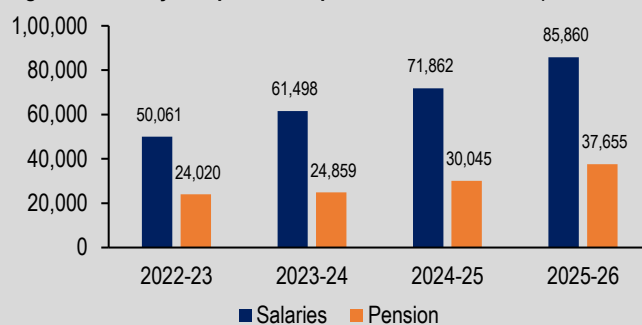
Note: States not included in the chart have not provided salary estimates for 2024-25 RE or 2025-26 BE in the budget documents.

Sources: State Budget Documents; PRS.

## Pay Commission

In August 2024, Karnataka implemented the recommendations of the 7<sup>th</sup> State Pay Commission.<sup>33</sup> The revision will entail an additional expenditure of Rs 20,208 crore per annum, raising the pay and pension for government employees. Salary expenditure for the state is estimated at Rs 85,860 crore for 2025-26, as against Rs 50,061 crore in 2022-23. In their Medium-Term Fiscal Plan for 2024-28, the state government has anticipated a steep increase in committed expenditure over the next several years.<sup>34</sup> It had noted that this revision will pose severe challenges in maintaining the fiscal deficit targets.

**Figure 26: Salary and pension expenditure in Karnataka (in Rs crore)**



Sources: Karnataka State Budget Documents; PRS.

Salary and pension payments constituted 39% of the combined revenue receipts of all states in 2023-24. With the recommendations of the 8<sup>th</sup> Central Pay Commission expected to be implemented from January 1, 2026, other states may also revise their pay scales.<sup>35</sup> Committed expenditure such as salaries and pensions cannot be rationalised in the short to medium term. Increase in committed expenditure may further reduce space for other development spending. States with higher committed expenditure such as Himachal Pradesh, Kerala, Punjab, and Tamil Nadu may further face fiscal challenges. To cover this increase in expenditure, states with higher revenue deficits may have to incur additional borrowings, reduce their capital expenditure, or augment their revenue.

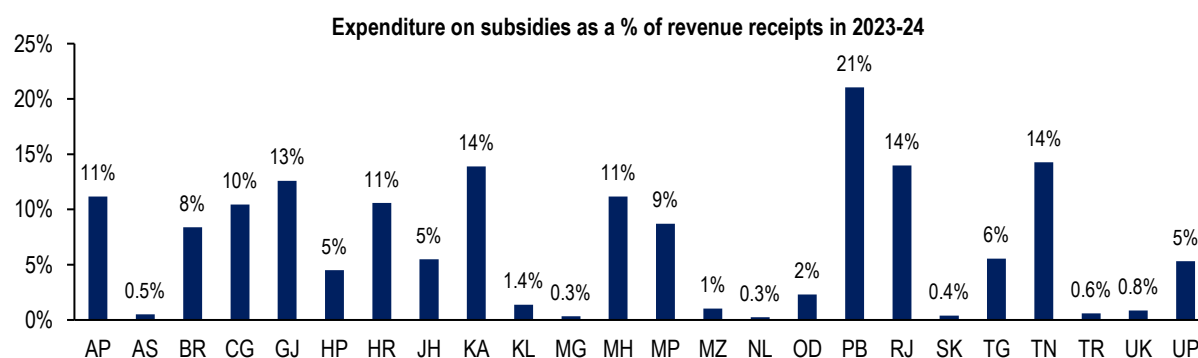
## States spent 9% of their revenue receipts on subsidies in 2023-24

While all states do not provide the detailed break-up for subsidies in their budget documents, CAG gives these details after the audit. Hence, we have this data with a lag. In 2023-24 (actuals), 24 states spent Rs 3,18,815 crore on subsidies, which is 9% of their revenue receipts. State governments provide subsidies for services such as transport, electricity, and gas cylinders. States with a higher share of subsidy expenditure include Punjab (21% of revenue receipts), Tamil Nadu (14%), Rajasthan (14%), Karnataka (14%), and Gujarat (13%).

Out of the aggregate expenditure on subsidies, 19 states spent 53% on power subsidies. Tamil Nadu spent 60% of its total subsidy budget on bus transport (12%), subsidised electricity tariff (20%), and support under the PDS scheme (28%). Punjab spent 90% of its total subsidy budget on power subsidies.

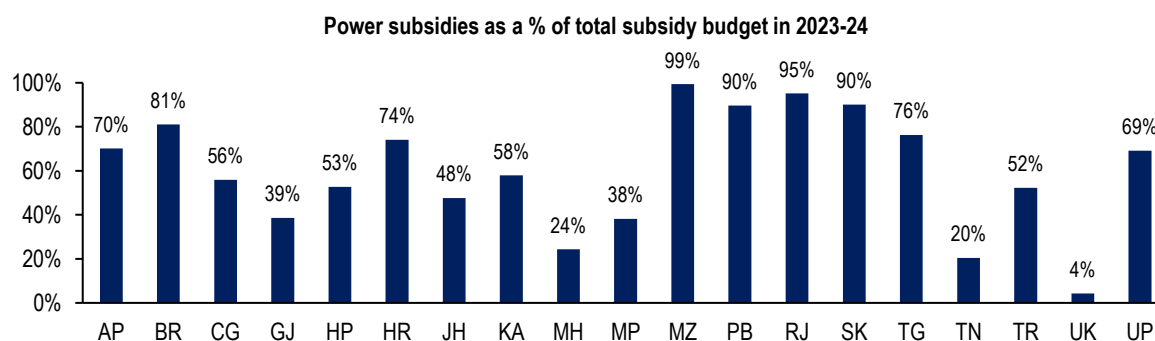
The 15<sup>th</sup> Finance Commission had observed that farm loan waivers and increase in subsidies have long-term implications for state finances.<sup>1</sup> RBI (2024) had also recommended that states need to rationalise their subsidy expenditure to free up space for productive expenditure.<sup>8</sup>

**Figure 27: Nine states spend more than 10% of their revenue receipts on subsidies**



Sources: CAG Finance Accounts; State Budget Documents; PRS.

**Figure 28: Around half of the subsidy budget was spent on power subsidies in 2023-24**

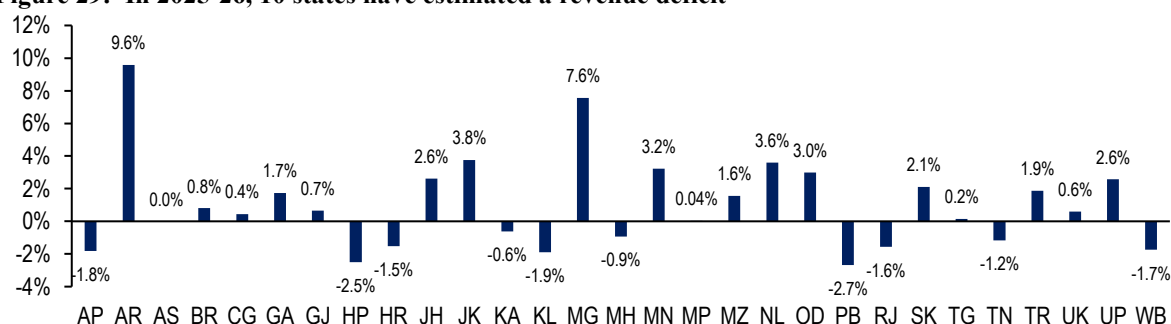


Sources: CAG Finance Accounts; State Budget Documents; PRS.

### Several states have budgeted a revenue deficit in 2025-26

In 2025-26, 10 states have estimated a revenue deficit at the budget estimate stage. The difference between the revenue expenditure and revenue receipts of a state is termed as a revenue balance. A revenue deficit occurs when the revenue expenditure of the state exceeds its revenue receipts. A deficit on the revenue account indicates the borrowings made to meet its revenue expenditure needs such as salaries, pensions, administrative expenses, or interest. These borrowings do not lead to any asset creation. On the other hand, when the revenue receipts of the state exceed its revenue expenditure, the state incurs a revenue surplus. The 12<sup>th</sup> Finance Commission (FC) had recommended elimination of revenue deficit by a given deadline.<sup>36</sup> The 13<sup>th</sup> FC (2010-15) had set this deadline for 2014-15.<sup>36</sup> In the past, all FCs have awarded revenue grants to states to meet the post-devolution revenue needs. However, some states have observed that revenue deficit grants have disincentives for tax collection effort and fiscal prudence.<sup>36</sup> In addition, NEH states have a higher revenue surplus or revenue balance because of higher central transfers. Over the last few years, several states that have implemented unconditional cash transfer schemes have seen a deterioration in their revenue balance (see page 7). This implies that the states have not rationalised other revenue expenditure or enhanced their revenue receipts sufficiently.

**Figure 29: In 2025-26, 10 states have estimated a revenue deficit**



Note: Data for Delhi and Puducherry is not included due to unavailability of GSDP estimates. Assam has estimated a revenue balance (no revenue deficit or surplus) in 2025-26.

Sources: State Budget Documents; PRS.

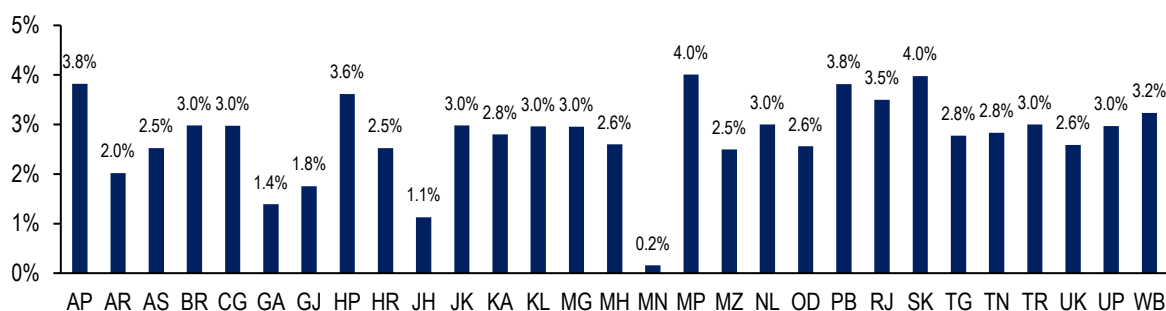
### Fiscal deficit estimated at 2.8% of GSDP in 2025-26

When the total expenditure exceeds the receipts, state governments finance this gap through borrowings. This is known as the fiscal deficit. Fiscal deficit equals the borrowings required to be made for that year. A fiscal surplus arises if the receipts are higher than the expenditure. Following the passing of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 in the Parliament, several states also passed their respective FRBM Acts. The FRBM Acts prescribe the

limits for deficits and outstanding liabilities of the government and are aimed at ensuring debt management and transparent fiscal policy.

For 2025-26, states' fiscal deficit limit has been set at 3% of GSDP, as recommended by the 15<sup>th</sup> FC. The 15<sup>th</sup> FC had recommended additional annual borrowing space of 0.5% of GSDP between 2021-22 and 2025-26 for undertaking power sector reforms. In 2025-26, states have estimated a fiscal deficit of 3.2% of GSDP. The fiscal deficit of states excluding the SASCI loans is estimated at 2.8% of GSDP. These loans are excluded from the annual borrowing ceiling of states, according to the Centre's guidelines. States with high fiscal deficit include Sikkim (4%), Madhya Pradesh (4%), Punjab (3.8%), and Andhra Pradesh (3.8%).

**Figure 30: Fiscal deficit is budgeted to be higher than 3% of GSDP in seven states (2025-26 BE)**

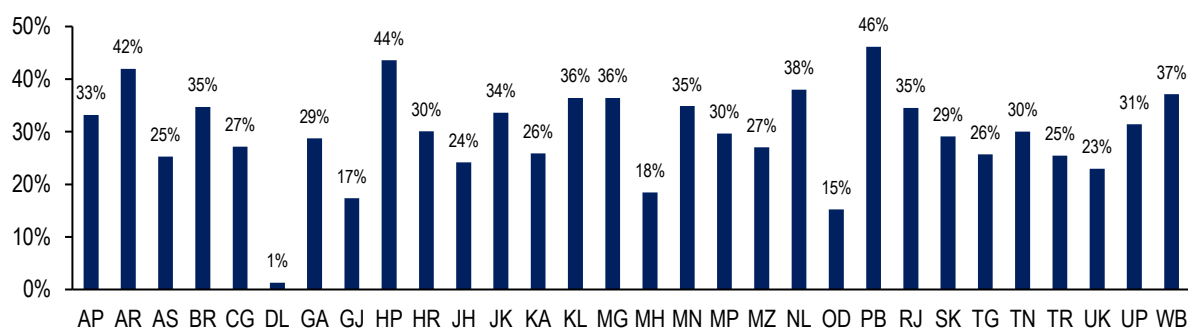


Note: Fiscal Deficit estimates for states are excluding the 50-year interest-free loans for capital expenditure since these loans are excluded from the calculation of annual borrowing limit for states. Data for Delhi and Puducherry is not included due to unavailability of GSDP estimates. Sources: State Budget Documents; PRS.

## Outstanding liabilities of states estimated at 27.2% of GSDP as of March 2025

The presence of a fiscal deficit in a state necessitates borrowings to finance their expenditure. Over the years, the borrowings taken by the government to bridge the gap between the receipts and expenditures adds to its outstanding stock of debt. It also includes other liabilities on public accounts. Higher outstanding liabilities indicate a higher obligation for a state to service its debt in the future. The FRBM Acts of states specify the limit on borrowings as a percentage of GSDP. In 2017, the FRBM Review Committee (Chair: Mr N.K. Singh) had set a debt to GDP ratio ceiling of 40% for the Centre and 20% for the states. This target had to be achieved by 2023. In 2024-25, states on average have estimated borrowings of 27.2% of GSDP. This figure excludes the 50-year interest-free loans provided to states for capital expenditure as these loans will have a marginal impact on states' debt servicing obligations. In addition, the 15<sup>th</sup> FC had also set indicative debt to GSDP ratios for states, see page 8 for a discussion. States with higher outstanding debt to GSDP ratios include Punjab (46%), Himachal Pradesh (44%), and Arunachal Pradesh (42%).

**Figure 31: Outstanding liabilities estimated to be 30% or higher in 16 states as of March 2025**



Note: Data is as per budget estimates.

Sources: RBI; Unstarred Question No 4087, Department of Expenditure, Lok Sabha, August 18, 2025; PRS.

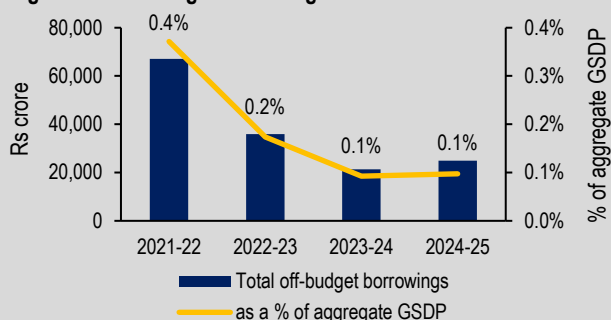
## Off-budget borrowings of states

Off-budget borrowings are borrowings made to finance expenditure in a particular year which do not reflect in the budget of the government.<sup>37</sup> These borrowings are raised by government-owned or controlled public sector units, and therefore remain outside the purview of prior legislative sanction.<sup>37</sup> The CAG (2022) had observed that off-budget borrowings involve servicing of the principal and interest payment through the government budget.<sup>37</sup>

According to the off-budget borrowings declared by state governments, 19 states had off-budget borrowings amounting to Rs 67,075 crore (0.4% of their GSDP) in 2021-22. This has declined to Rs 24,955 crore in 2024-25 or 0.1% of their GSDP (see Table 7 in Annexure).

The 15<sup>th</sup> Finance Commission had recommended that states should not resort to any off-budget borrowings or resources.<sup>38</sup> It had highlighted that outstanding off-budget borrowings need to be identified and eliminated in a time-bound manner. RBI (2024) had noted that consistent reporting of off-budget borrowings by states can enhance fiscal transparency and discipline across states.<sup>8</sup> Currently, some states do not disclose off-budget borrowings in their state budget documents.

**Figure 32: Off-budget borrowings have declined since 2021-22**

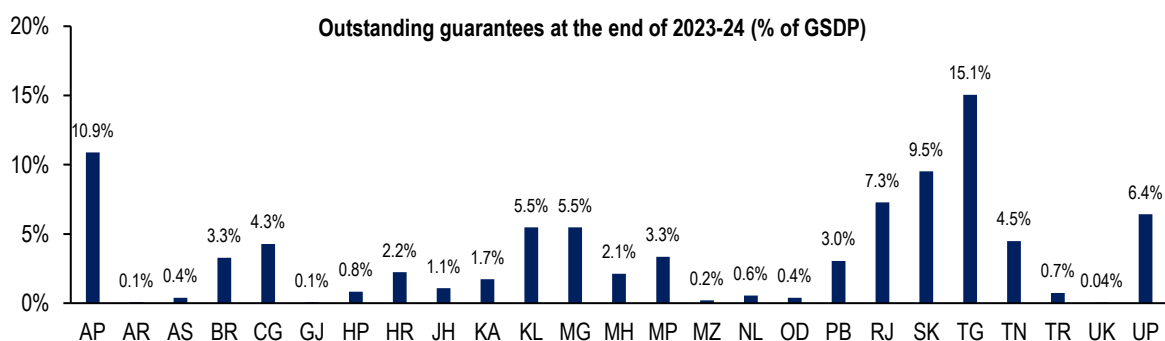


Sources: Unstarred Question No. 4004, Lok Sabha, Ministry of Finance, August 18, 2025; MoSPI; PRS.

## Outstanding guarantees of state governments

Outstanding liabilities of states do not include certain other liabilities which are contingent in nature. State governments guarantee the borrowings of State Public Sector Enterprises from financial institutions. This may be due to poor credit profile of these enterprises. A government guarantee makes it easier for these enterprises to obtain a loan from financial institutions. In case of default by the borrowing entity due to unforeseen events, the state government has an obligation to pay. In 2023, the Working Group on State Government Guarantees had recommended a ceiling of 0.5% of GSDP or 5% of revenue receipts (whichever is less) for annual incremental guarantees issued by the state.<sup>39</sup> As of March 2024, guarantees extended by 27 states amounted to 4.4% of their GSDP. States with higher levels of guarantee to GSDP ratios include Telangana (15.1%), Andhra Pradesh (10.9%), Sikkim (9.5%), Rajasthan (7.3%), and Uttar Pradesh (6.4%).

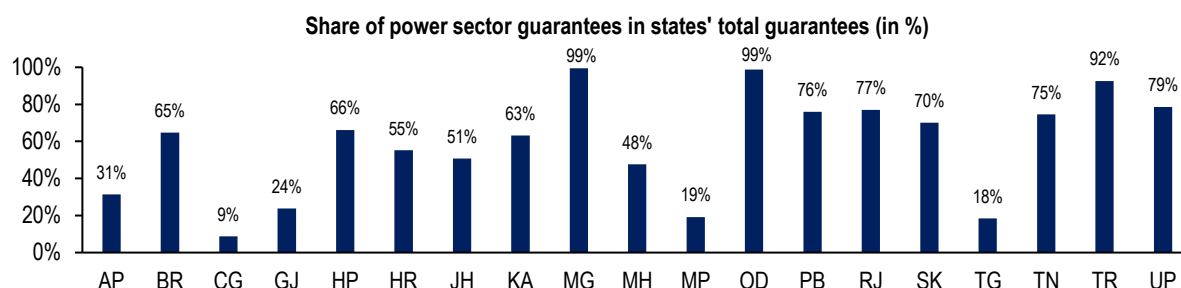
**Figure 33: Outstanding guarantees amounted to 4.2% of GSDP in 2023-24**



Sources: CAG Finance Accounts for respective states; PRS.

For several states, the power sector accounted for the largest share of total guarantees. On average, the power sector accounted for 47% of the outstanding guarantees of states (see Figure 34). In addition, states extended guarantees to other sectors such as agriculture in Andhra Pradesh (26%), cooperatives in Chhattisgarh (60%), food and civil supplies in Jharkhand (49%) and Madhya Pradesh (64%), and irrigation in Telangana (37%).

**Figure 34: Power sector guarantees accounted for 47% of states total guarantees in 2023-24**

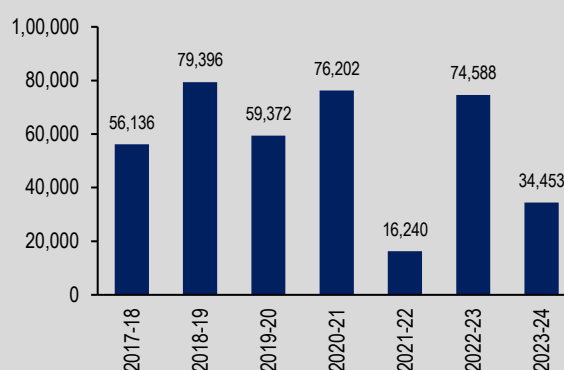


Sources: CAG Finance Accounts for respective states; PRS.

#### DISCOM losses in states

Power distribution companies (discoms) in most states are owned by the state government. These discoms across multiple states continue to incur losses, thereby adding to the fiscal burden of state governments. In 2023-24, state-owned discoms registered aggregate losses of Rs 34,453 crore, an improvement from Rs 74,588 crore in 2022-23 (see Figure 35).<sup>40</sup> The gap between per unit cost of supply and per unit revenue realised through tariffs and subsidies (ACS-ARR) reduced from Rs 0.49 per kWh to Rs 0.18 per kWh. These losses are calculated as per actual subsidy received from the state government. Financial losses reduced partly due to higher subsidy received and improvement in revenue from sale of power. Subsidies received by discoms increased from Rs 1,83,521 crore in 2022-23 to Rs 2,05,300 crore in 2023-24.

**Figure 35: Financial losses of state-owned discoms (in Rs crore)**

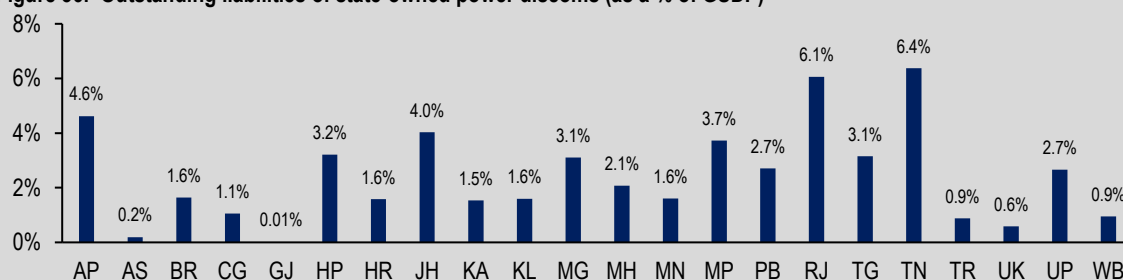


Sources: Power Finance Corporation; PRS.

However, the Aggregate Technical and Commercial (AT&C) losses of power discoms increased from 15.5% in 2022-23 to 16.4% in 2023-24. AT&C losses refer to the loss of electricity during transmission and commercial losses due to inaccurate metering and power theft.

Under the UDAY scheme, state-owned power discoms had to reduce their AT&C losses to 15% and eliminate ACS-ARR gap by 2018-19.<sup>41</sup> The Revamped Distribution Sector Scheme under the Union Ministry of Power aims to reduce AT&C losses to 12%-15% across India and eliminate ACS-ARR gap by 2024-25.<sup>42</sup> According to the recommendations of 15<sup>th</sup> Finance Commission, states are being allowed additional borrowing space of 0.5% of GSDP annually for undertaking power sector reforms between 2021-22 and 2025-26.<sup>5</sup>

**Figure 36: Outstanding liabilities of state-owned power discoms (as a % of GSDP)**



Sources: Power Finance Corporation; State Budget Documents; PRS.

The liabilities of state-owned discoms are contingent liabilities of the state governments, since most of these discoms are owned by the state government. Poor financial performance of discoms poses a threat to the state finances. States will have to honour the guarantees extended in case of default by the respective discoms. As of March 2024, the outstanding debt of state-owned discoms amounted to Rs 7,42,461 crore or 2.7% of GSDP (see Figure 36). RBI (2024) has observed that the recurrent need for bailouts for loss-making discoms diverts valuable resources of states. It recommended that states need to prioritise operational efficiency of discoms by: (i) minimising distribution losses, (ii) improving metering systems, and (iii) ensuring timely tariff revisions, and (iv) incentivising reduced reliance on government subsidies.<sup>8</sup>

In October 2025, the Union Ministry of Power has circulated a draft Bill to amend the Electricity Act, 2003. This Bill seeks to set tariffs to reflect the cost of supply of electricity.<sup>43</sup>

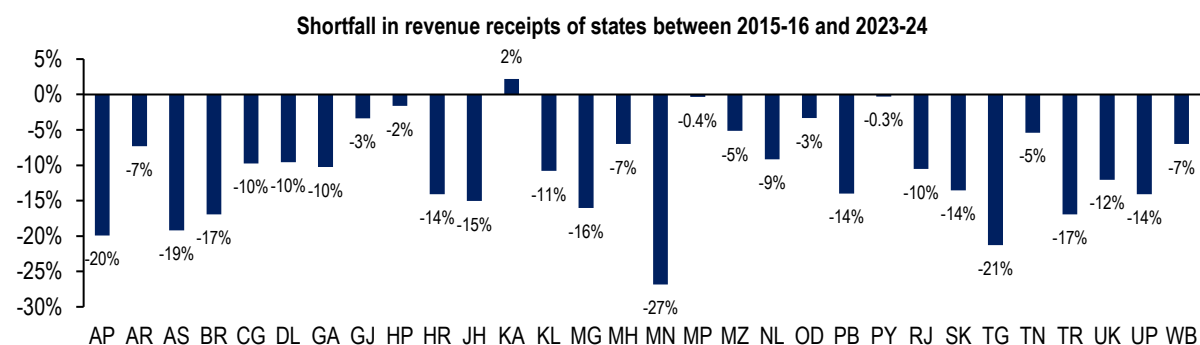
## Credibility of budget estimates

The state budget provides three sets of numbers: (i) budget estimates: an estimate for the upcoming financial year, (ii) revised estimates: revision in the budget estimate for the ongoing financial year, and (iii) actuals: the final audited amount for the previous year. The state legislature approves the budget for the upcoming year based on the budget estimates. The revised estimates may provide a more realistic picture of the government's finances in the ongoing year as they are made with reference to the actual transactions already recorded in that year. Actuals may fall short of or exceed the budget estimates, and this comparison helps understand the credibility of a proposed budget.

### *States raised 10% less revenue than budgeted between 2015-16 and 2023-24*

Between 2015-16 and 2023-24, states on average raised 10% less revenue than their budget estimates. States with the highest shortfall in revenue receipts include Manipur (27%), Telangana (21%), and Andhra Pradesh (20%). Karnataka was the only state which met its budgeted target for revenue receipts. To compensate for the shortfall in revenue, states can borrow more. However, the quantum of borrowings a state can undertake in a particular year is limited by their FRBM laws and the borrowing limit fixed by the Centre. In case the borrowings are not sufficient to meet the budgeted expenditure, states may reduce their expenditure.

**Figure 37: States recorded 10% shortfall in revenue receipts between 2015-16 and 2023-24**

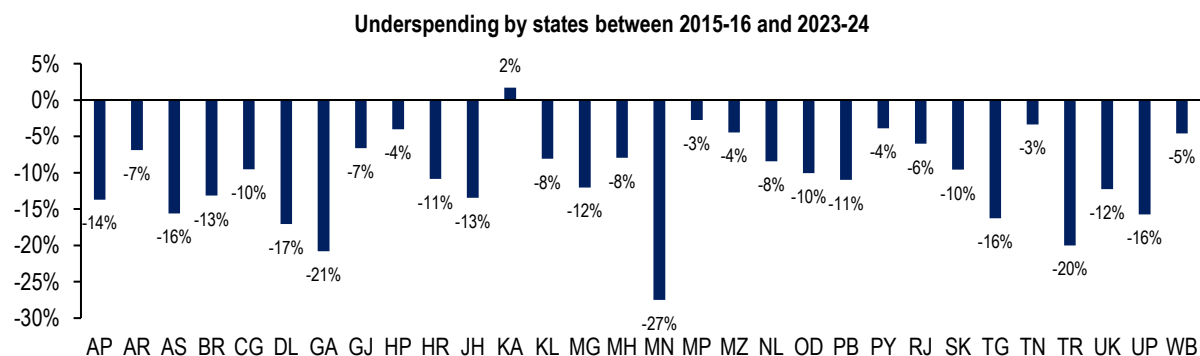


Sources: State Budget Documents; RBI; PRS.

### *States spent 10% less than budgeted between 2015-16 and 2023-24*

States on average underspent their budget by 9% between 2015-16 and 2023-24. One of the reasons for underspending in states could be the shortfall in revenue collection. States such as Manipur (27%), Goa (21%), Tripura (20%), and Delhi (17%) saw the highest underspending as compared to other states. On the other hand, states such as Karnataka, Madhya Pradesh, Himachal Pradesh, Puducherry, and Tamil Nadu saw the least variance between budget figures and actual spending.

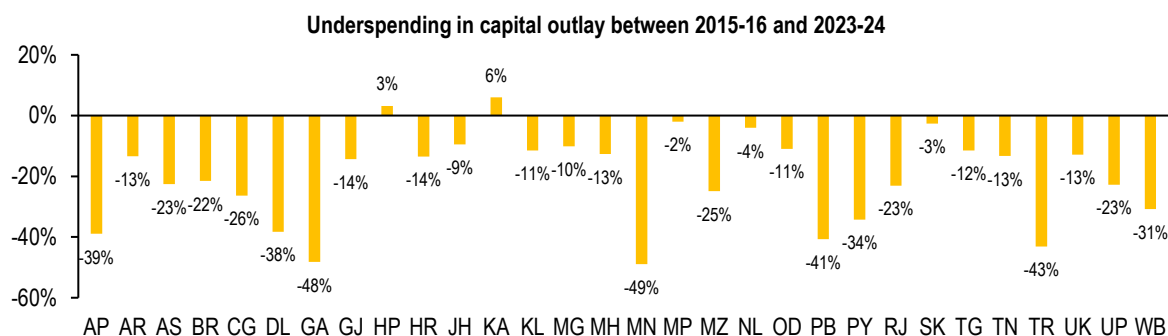
**Figure 38: All states underspent their budget estimates except Karnataka**



Sources: State Budget Documents; RBI; PRS.

Average underspending in case of revenue expenditure between 2015-16 and 2023-24 was 7% in states. However, underspending in case of capital outlay was relatively higher at 20%. This is because a large share of revenue expenditure goes towards committed items which cannot be reduced in the short or medium term (see page 13). Therefore, to compensate for lower revenue and limited borrowings, states may reduce the expenditure on capital outlay by large proportions. States with relatively higher underspending in capital outlay include Manipur (49%), Goa (48%), Tripura (43%), Punjab (41%), and Andhra Pradesh (39%).

**Figure 39: Underspending in capital outlay relatively higher than underspending in revenue expenditure**



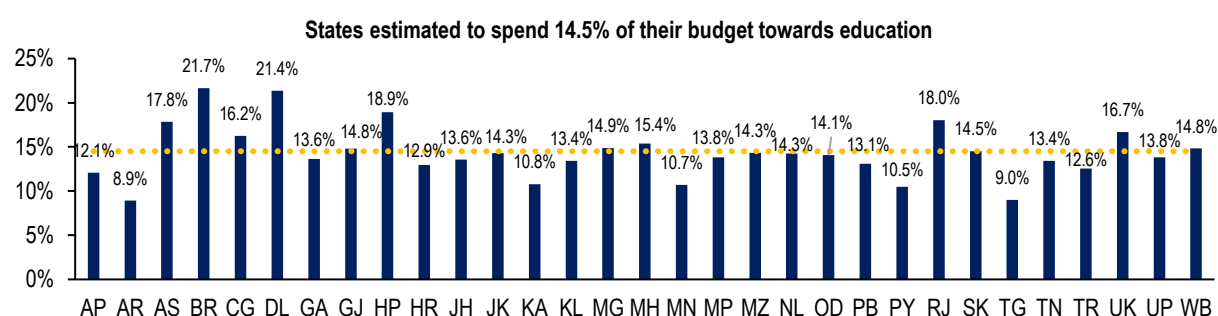
Sources: State Budget Documents; RBI; PRS.

## Sector-wise outlay in 2025-26

We show below the allocation by states on key sectors as per the budget estimates of 2025-26. The share of expenditure on a sector denotes the share of that sector in the state's budget. Expenditure on a sector is the sum of the revenue expenditure and the capital outlay in that sector. Note that spending on a sector may be affected by funding from the Centre in the form of grants for centrally sponsored schemes and other central grants. The sectoral spending in Delhi may be different from other states as police is with the Centre and the state has negligible rural or agricultural area. States may allocate similar items across different heads. For instance, Andhra Pradesh and Telangana classify spending on schools for SC/ST as welfare expenditure for these sections, and not under education; Punjab counts electricity subsidy to farmers under spending for agriculture, and not under energy. The sectors shown below account for 67% of the total budgeted expenditure by states in 2025-26.

### Education

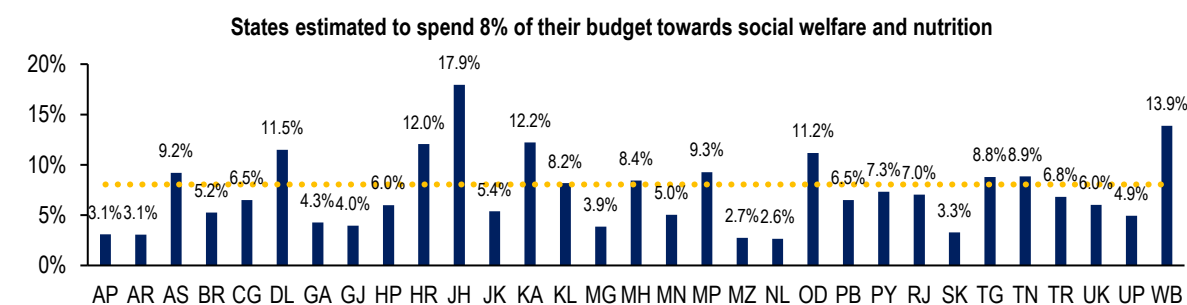
**Figure 40: Bihar to spend the highest among all states on education**



Sources: State Budget Documents; PRS.

### Social Welfare and Nutrition

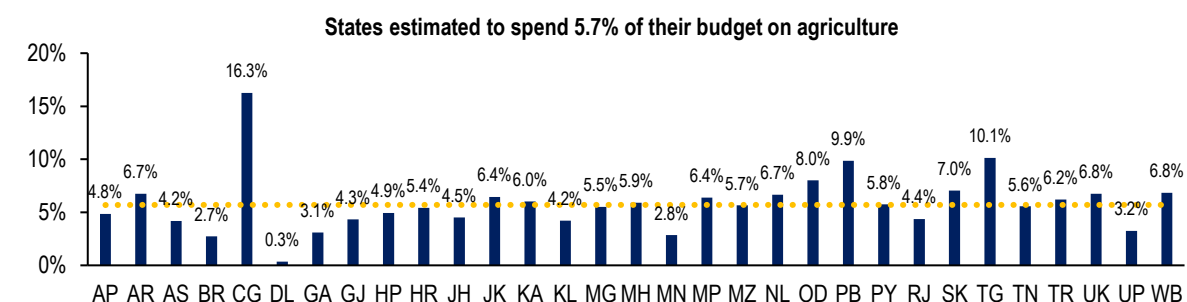
**Figure 41: Jharkhand to spend around half of its social welfare budget on unconditional cash transfers**



Sources: State Budget Documents; PRS.

### Agriculture and allied activities

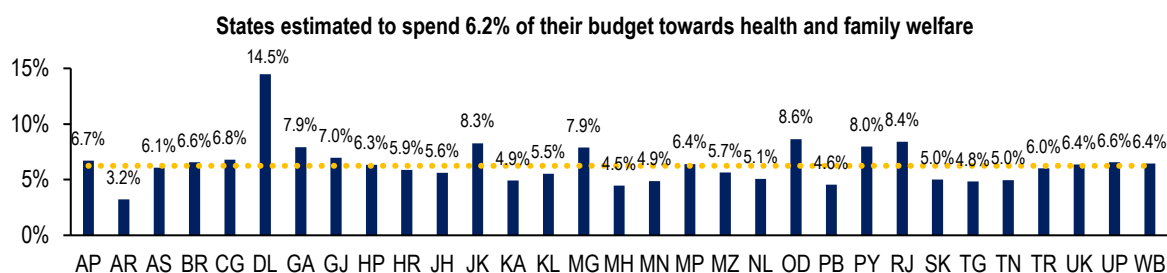
**Figure 42: Chhattisgarh to spend the highest on agriculture including spending on farm input assistance**



Sources: State Budget Documents; PRS.

## Health and family welfare

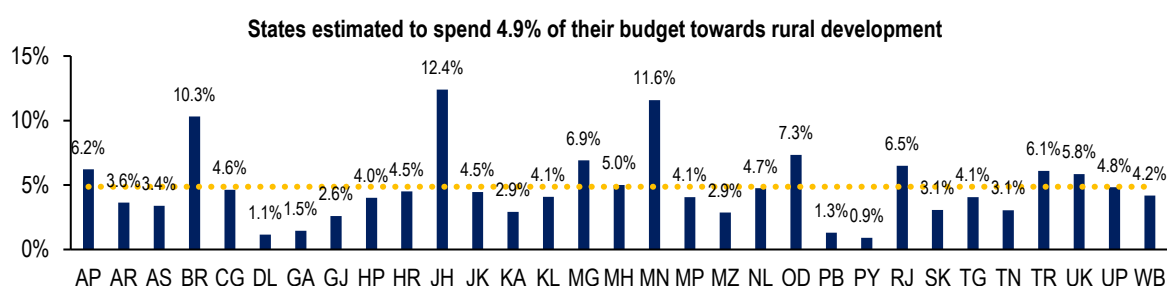
**Figure 43: Three states estimated to meet the National Health Policy target of 8% of budget on health**



Sources: State Budget Documents; PRS.

## Rural development

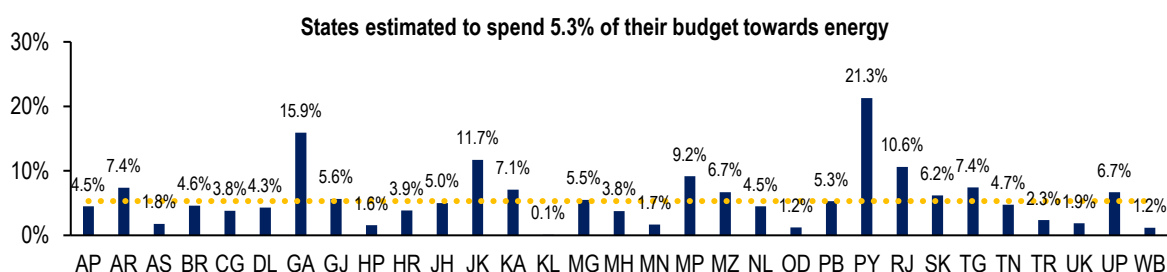
**Figure 44: Jharkhand to spend the highest on rural development due to spending on rural housing**



Sources: State Budget Documents; PRS.

## Energy

**Figure 45: In Puducherry and Goa, electricity distribution is by a government department**

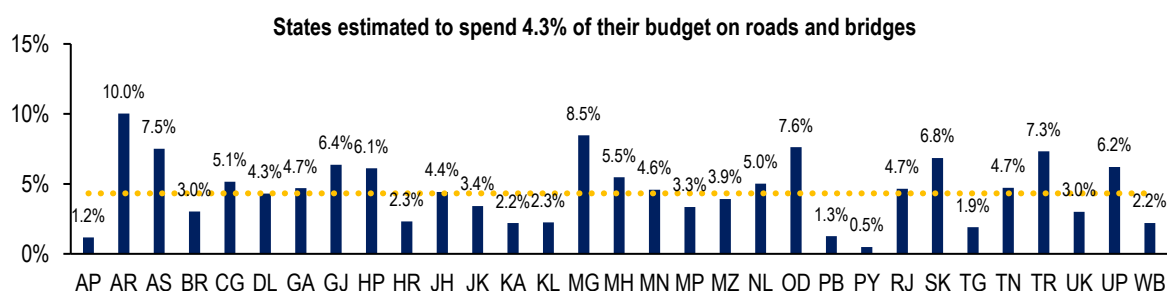


Note: States/UTs such as Goa and Puducherry have higher spending on energy as electricity distribution is undertaken by government departments and not state-owned discoms as in most other states.

Sources: State Budget Documents; PRS.

## Roads and Bridges

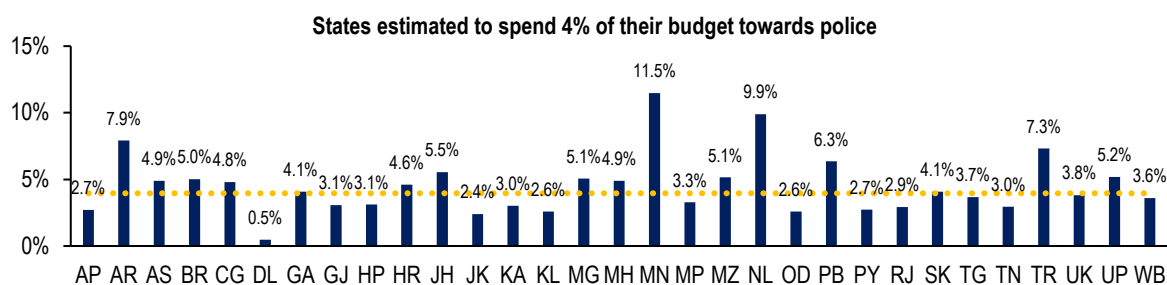
**Figure 46: North eastern states estimated to spend more on roads and bridges**



Sources: State Budget Documents; PRS.

## Police

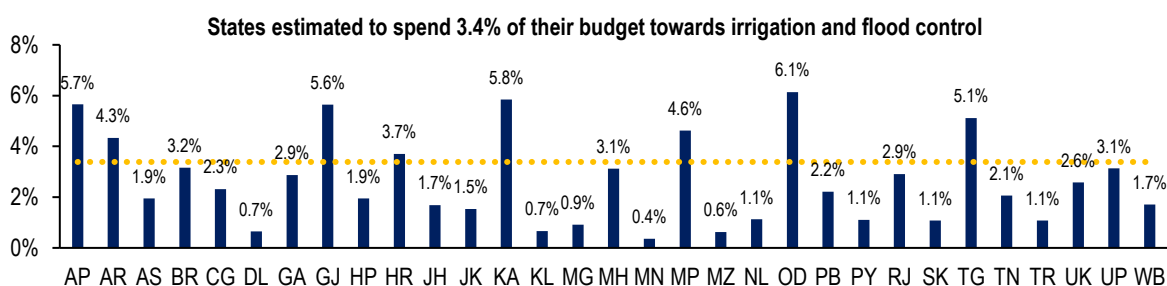
**Figure 47: Manipur's spending on Police estimated to be the highest among all states**



Sources: State Budget Documents; PRS.

## Irrigation and flood control

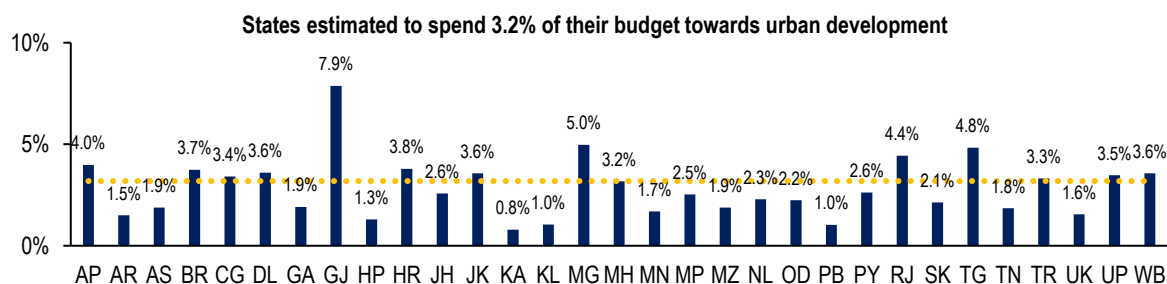
**Figure 48: Odisha to spend the highest on irrigation and flood control**



Sources: State Budget Documents; PRS.

## Urban development

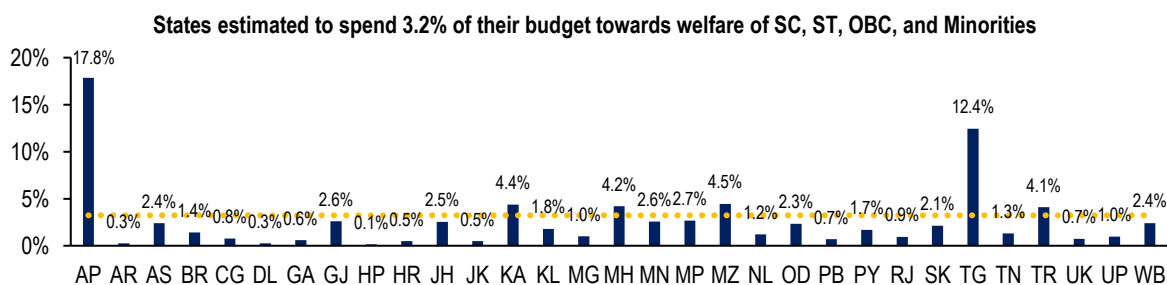
**Figure 49: Gujarat to spend the highest due to a state scheme on development of urban infrastructure**



Sources: State Budget Documents; PRS.

## Welfare of SC, ST, OBC, and minorities

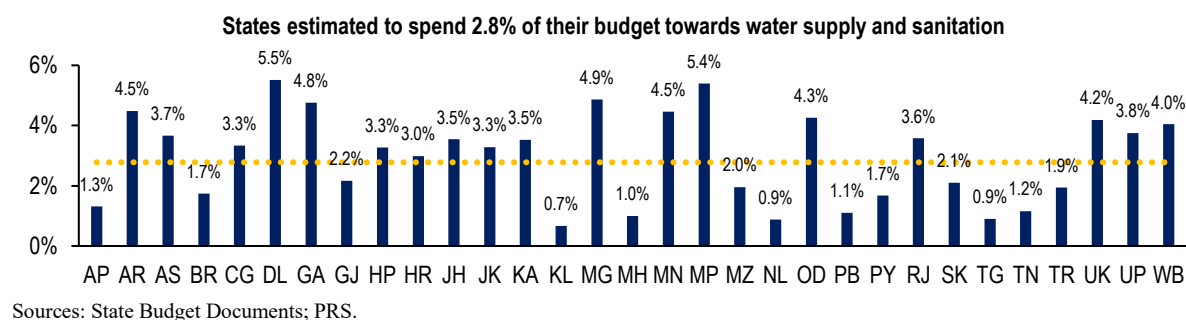
**Figure 50: Andhra Pradesh to spend 38% of its total budget on welfare of SC, ST, OBC, and minorities on the social security pension scheme**



Sources: State Budget Documents; PRS.

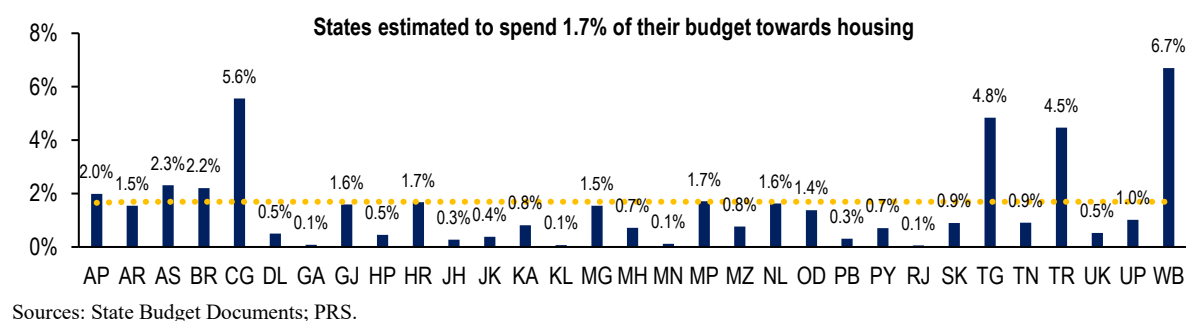
## Water supply and sanitation

**Figure 51: Delhi and Madhya Pradesh to spend the highest on water supply and sanitation**



## Housing

**Figure 52: Spending in West Bengal to increase by 142% over 2024-25 due to higher allocation towards rural housing scheme**



## Annexure

**Table 2: Amount released to states and UTs under the Scheme for Special Assistance to States for Capital Investment (in Rs crore)**

| State             | 2020-21       | 2021-22       | 2022-23       | 2023-24         | 2024-25         | 2025-26<br>(amount released till August 11, 2025) |
|-------------------|---------------|---------------|---------------|-----------------|-----------------|---|
| Andhra Pradesh    | 688           | 502           | 6,106         | 4,091           | 7,902           | 2,010   |
| Arunachal Pradesh | 233           | 371           | 1,564         | 2,363           | 2,471           | -   |
| Assam             | 450           | 600           | 4,300         | 5,804           | 7,428           | 2,061   |
| Bihar             | 843           | 1,247         | 8,456         | 8,815           | 14,791          | 3,136   |
| Chhattisgarh      | 286           | 423           | 2,942         | 3,365           | 6,104           | 1,400   |
| Delhi             | -             | -             | -             | -               | -               | 542   |
| Goa               | 98            | 111           | 573           | 695             | 1,267           | 492   |
| Gujarat           | 285           | 432           | 4,046         | 4,254           | 5,958           | 1,434   |
| Haryana           | 91            | 135           | 1,267         | 1,702           | 1,459           | -   |
| Himachal Pradesh  | 533           | 800           | 651           | 1,516           | 2,381           | 452   |
| Jammu and Kashmir | -             | -             | -             | -               | -               | -   |
| Jharkhand         | 277           | 246           | 2,964         | 4,581           | 2,718           | -   |
| Karnataka         | 305           | 452           | 3,399         | 3,879           | 5,296           | 1,556   |
| Kerala            | 82            | 239           | 1,903         | -               | 2,716           | 657   |
| Madhya Pradesh    | 1,320         | 1,512         | 7,360         | 12,636          | 12,425          | 2,618   |
| Maharashtra       | 514           | 772           | 6,744         | 5,376           | 8,063           | 2,230   |
| Manipur           | 317           | 213           | 467           | 543             | 1,437           | -   |
| Meghalaya         | 200           | 281           | 1,049         | 1,293           | 2,370           | 279   |
| Mizoram           | 200           | 300           | 298           | 743             | 1,361           | -   |
| Nagaland          | 200           | 300           | 504           | 973             | 1,600           | -   |
| Odisha            | 472           | 517           | 75            | 3,532           | 6,944           | 1,967   |
| Puducherry        | -             | -             | -             | -               | -               | 86  |
| Punjab            | 297           | 224           | 798           | -               | 2,269           | 529   |
| Rajasthan         | 1,002         | 692           | 5,596         | 8,513           | 9,139           | 2,669   |
| Sikkim            | 200           | 300           | 551           | 798             | 1,742           | 141   |
| Tamil Nadu        | -             | 506           | 4,011         | 5,326           | 7,346           | 1,599   |
| Telangana         | 358           | 214           | 2,501         | 1,948           | 2,727           | 897   |
| Tripura           | 300           | 119           | 350           | 663             | 1,587           | 293   |
| Uttar Pradesh     | 976           | 1,483         | 7,941         | 19,215          | 17,224          | 6,066   |
| Uttarakhand       | 675           | 264           | 1,124         | 1,912           | 2,456           | 380   |
| West Bengal       | 630           | 933           | 3,656         | 5,016           | 10,305          | 1,534   |
| <b>Total</b>      | <b>11,830</b> | <b>14,185</b> | <b>81,195</b> | <b>1,09,554</b> | <b>1,49,484</b> | <b>35,027</b>                                     |

Note: State-wise allocations for 2025-26 include allocations only under the untied component of the scheme.

Sources: Unstarred Question No 4087, Department of Expenditure, Lok Sabha, August 18, 2025; PRS.

**Table 3: Key metrics on growth in income, expenditure, and revenue between 2014-15 and 2023-24**

| State | Per capita GSDP (in Rs crore) |          | Compound Annual Growth Rate (CAGR, in %) |       |                        |                        |
|-------|-------------------------------|----------|--|-------|------------------------|------------------------|
|       | 2014-15                       | 2023-24  | Per capita GSDP                          | GSDP  | Per capita own revenue | Per capita expenditure |
| AP    | 1,04,679                      | 2,66,995 | 6.7%                                     | 11.0% | 6.1%                   | 5.8%                   |
| AR    | 1,24,978                      | 2,45,796 | 4.0%                                     | 7.8%  | 13.5%                  | 15.6%                  |
| AS    | 59,894                        | 1,58,541 | 7.8%                                     | 11.4% | 10.2%                  | 11.3%                  |
| BR    | 31,142                        | 68,624   | 6.4%                                     | 9.2%  | 8.9%                   | 8.6%                   |
| CG    | 81,735                        | 1,68,567 | 5.7%                                     | 8.4%  | 10.6%                  | 9.9%                   |
| DL    | 2,72,739                      | 5,15,520 | 5.1%                                     | 7.3%  | 6.8%                   | 6.0%                   |
| GA    | 3,19,827                      | 6,74,684 | 5.4%                                     | 8.6%  | 9.8%                   | 0.0%                   |
| GJ    | 1,45,484                      | 3,36,875 | 7.7%                                     | 9.8%  | 8.1%                   | 7.9%                   |
| HP    | 1,46,488                      | 2,83,270 | 4.9%                                     | 7.6%  | 9.0%                   | 6.4%                   |
| HR    | 1,63,958                      | 3,56,829 | 6.1%                                     | 9.0%  | 8.4%                   | 9.2%                   |
| JH    | 62,496                        | 1,17,124 | 4.8%                                     | 7.2%  | 9.8%                   | 10.7%                  |
| JK    | 75,655                        | 1,72,810 | 5.5%                                     | 9.6%  | 10.4%                  | -0.2%                  |
| KA    | 1,43,902                      | 3,76,403 | 7.7%                                     | 11.3% | 9.0%                   | 9.2%                   |
| KL    | 1,50,824                      | 3,16,612 | 4.9%                                     | 8.6%  | 7.2%                   | 8.2%                   |
| MG    | 74,637                        | 1,56,816 | 4.6%                                     | 8.6%  | 11.3%                  | 11.5%                  |
| MH    | 1,52,158                      | 3,19,474 | 5.2%                                     | 8.6%  | 10.8%                  | 9.9%                   |
| MN    | 58,721                        | 1,34,076 | 4.6%                                     | 9.6%  | 6.5%                   | 7.2%                   |
| MP    | 62,285                        | 1,55,289 | 6.4%                                     | 10.7% | 11.2%                  | 8.5%                   |
| MZ    | 1,15,366                      | 2,67,498 | 7.5%                                     | 9.8%  | 5.9%                   | 17.0%                  |
| NL    | 89,541                        | 1,76,692 | 4.1%                                     | 7.8%  | 8.8%                   | 13.7%                  |
| OD    | 72,406                        | 1,72,021 | 6.7%                                     | 10.1% | 13.1%                  | 15.7%                  |
| PB    | 1,22,165                      | 2,36,165 | 5.3%                                     | 7.6%  | 9.6%                   | 6.7%                   |
| PY    | 1,64,653                      | 2,81,614 | 4.5%                                     | 6.1%  | 6.7%                   | 5.3%                   |
| RJ    | 85,315                        | 1,86,610 | 5.4%                                     | 9.1%  | 8.5%                   | 7.6%                   |
| SK    | 2,43,392                      | 7,07,181 | 7.4%                                     | 12.6% | 8.4%                   | 7.8%                   |
| TG    | 1,37,586                      | 3,82,870 | 7.1%                                     | 12.0% | 14.2%                  | 15.2%                  |
| TN    | 1,45,094                      | 3,49,248 | 6.4%                                     | 10.3% | 8.9%                   | 8.8%                   |
| TR    | 77,434                        | 1,90,718 | 6.2%                                     | 10.5% | 7.3%                   | 10.6%                  |
| UK    | 1,52,805                      | 2,84,468 | 4.2%                                     | 7.1%  | 8.1%                   | 9.5%                   |
| UP    | 49,145                        | 1,11,475 | 6.3%                                     | 9.5%  | 8.9%                   | 7.8%                   |
| WB    | 75,916                        | 1,66,196 | 4.9%                                     | 9.1%  | 9.1%                   | 8.9%                   |

Note: Per capita income, own revenue, and expenditure have been calculated using state-wise population projections for the respective years using population projections by the National Commission of Population.

Sources: RBI; MoSPI; National Commission on Population; State Budget Documents of various states for 2025-26; PRS.

**Table 4: Indicative debt path of states as recommended by the 15<sup>th</sup> Finance Commission vs actual outstanding debt (as a % of GSDP)**

| State             | 2020-21 |     | 2021-22 |     | 2022-23 |     | 2023-24 |     | 2024-25 |     | 2025-26 |
|-------------------|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|
|                   | I*      | A*  | I       | A   | I       | A   | I       | A   | I       | A   | I       |
| Andhra Pradesh    | 35%     | 36% | 34%     | 33% | 34%     | 33% | 33%     | 34% | 33%     | 33% | 32%     |
| Arunachal Pradesh | 40%     | 45% | 38%     | 47% | 38%     | 45% | 37%     | 44% | 36%     | 42% | 35%     |
| Assam             | 27%     | 26% | 28%     | 25% | 29%     | 26% | 30%     | 25% | 30%     | 25% | 30%     |
| Bihar             | 41%     | 40% | 40%     | 39% | 41%     | 38% | 40%     | 36% | 40%     | 35% | 39%     |
| Chhattisgarh      | 28%     | 28% | 29%     | 26% | 30%     | 23% | 31%     | 27% | 31%     | 27% | 32%     |
| Goa               | 33%     | 36% | 33%     | 36% | 33%     | 33% | 32%     | 32% | 31%     | 29% | 31%     |
| Gujarat           | 31%     | 22% | 30%     | 20% | 31%     | 19% | 31%     | 18% | 30%     | 17% | 30%     |
| Haryana           | 32%     | 34% | 31%     | 32% | 31%     | 31% | 31%     | 30% | 30%     | 30% | 30%     |
| Himachal Pradesh  | 40%     | 45% | 38%     | 42% | 38%     | 44% | 37%     | 44% | 36%     | 44% | 35%     |
| Jharkhand         | 37%     | 37% | 37%     | 30% | 38%     | 28% | 37%     | 25% | 37%     | 24% | 37%     |
| Karnataka         | 26%     | 26% | 26%     | 25% | 27%     | 25% | 27%     | 25% | 27%     | 26% | 27%     |
| Kerala            | 36%     | 40% | 35%     | 39% | 35%     | 38% | 34%     | 37% | 33%     | 36% | 32%     |
| Madhya Pradesh    | 31%     | 31% | 32%     | 30% | 33%     | 29% | 33%     | 29% | 34%     | 30% | 34%     |
| Maharashtra       | 26%     | 21% | 26%     | 19% | 28%     | 18% | 28%     | 18% | 29%     | 18% | 29%     |
| Manipur           | 43%     | 43% | 42%     | 42% | 42%     | 40% | 41%     | 35% | 40%     | 35% | 40%     |
| Meghalaya         | 41%     | 43% | 40%     | 41% | 40%     | 40% | 40%     | 37% | 39%     | 36% | 38%     |
| Mizoram           | 37%     | 42% | 36%     | 39% | 36%     | 35% | 35%     | 31% | 34%     | 27% | 33%     |
| Nagaland          | 45%     | 50% | 43%     | 48% | 42%     | 43% | 41%     | 37% | 39%     | 38% | 38%     |
| Odisha            | 29%     | 26% | 30%     | 20% | 31%     | 19% | 32%     | 15% | 32%     | 15% | 33%     |
| Punjab            | 46%     | 48% | 45%     | 45% | 45%     | 47% | 45%     | 46% | 44%     | 46% | 43%     |
| Rajasthan         | 41%     | 40% | 40%     | 39% | 40%     | 37% | 40%     | 36% | 39%     | 35% | 38%     |
| Sikkim            | 27%     | 29% | 28%     | 29% | 28%     | 29% | 28%     | 29% | 28%     | 29% | 28%     |
| Tamil Nadu        | 29%     | 32% | 29%     | 32% | 29%     | 32% | 29%     | 31% | 29%     | 30% | 29%     |
| Telangana         | 30%     | 29% | 29%     | 28% | 30%     | 26% | 30%     | 26% | 29%     | 26% | 29%     |
| Tripura           | 36%     | 40% | 35%     | 35% | 35%     | 30% | 35%     | 27% | 34%     | 25% | 33%     |
| Uttar Pradesh     | 41%     | 37% | 40%     | 32% | 41%     | 30% | 40%     | 30% | 40%     | 31% | 39%     |
| Uttarakhand       | 33%     | 33% | 33%     | 29% | 34%     | 26% | 34%     | 24% | 34%     | 23% | 34%     |
| West Bengal       | 43%     | 44% | 42%     | 41% | 43%     | 39% | 42%     | 38% | 42%     | 37% | 41%     |

Note: I is Indicative; A is Actual.

Sources: Report of the 15<sup>th</sup> Finance Commission; Reserve Bank of India; MoSPI; PRS.

**Table 5: Between 2016-17 and 2024-25, annual average growth in interest payments exceeded growth in revenue receipts in most states (CAGR, in %)**

| State             | Interest Payments | Revenue Receipts |
|-------------------|-------------------|------------------|
| Andhra Pradesh    | 13%               | 7%               |
| Arunachal Pradesh | 11%               | 13%              |
| Assam             | 16%               | 9%               |
| Bihar             | 12%               | 10%              |
| Chhattisgarh      | 16%               | 11%              |
| Goa               | 8%                | 11%              |
| Gujarat           | 6%                | 9%               |
| Himachal Pradesh  | 11%               | 9%               |
| Haryana           | 8%                | 6%               |
| Jammu and Kashmir | 9%                | 8%               |
| Jharkhand         | 4%                | 9%               |
| Karnataka         | 15%               | 9%               |
| Kerala            | 12%               | 6%               |
| Meghalaya         | 14%               | 9%               |
| Maharashtra       | 6%                | 12%              |
| Manipur           | 8%                | 7%               |
| Madhya Pradesh    | 11%               | 9%               |
| Mizoram           | 8%                | 5%               |
| Nagaland          | 7%                | 7%               |
| Odisha            | -2%               | 12%              |
| Punjab            | 10%               | 9%               |
| Rajasthan         | 9%                | 9%               |
| Sikkim            | 14%               | 9%               |
| Telangana         | 14%               | 9%               |
| Tamil Nadu        | 15%               | 9%               |
| Tripura           | 7%                | 10%              |
| Uttarakhand       | 8%                | 9%               |
| Uttar Pradesh     | 5%                | 10%              |
| West Bengal       | 7%                | 8%               |

Sources: Reserve Bank of India; Comptroller and Auditor General of India; MoSPI; PRS.

**Table 6: Benefits under unconditional cash transfer schemes for women across states**

| State            | Name of the scheme                                 | Eligibility Criteria   | Benefit (Rs per month) | Budget Provision (BE 2025-26, in Rs crore) |
|------------------|--|--|------------------------|--|
| Assam            | Orunodoi Scheme                                    | Women over the age of 18 years                                 | 1,250                  | 5,000                                      |
| Chhattisgarh     | Mahtari Vandan Yojana                              | Married women over the age of 21                               | 1,000                  | 5,500                                      |
| Delhi            | Mahila Samridhi Yojana                             | -  | 2,500                  | 5,110                                      |
| Himachal Pradesh | Indira Gandhi Pyari Behna Sukh Samman Nidhi Yojana | Phased roll-out on the basis of beneficiaries - 18 to 59 years | 1,500                  | 138  |
| Haryana          | Lado Laxmi Yojana                                  | Women over the age of 18 years                                 | 2,100                  | 5,000                                      |
| Jharkhand        | CM Maiyan Samman Yojana                            | 18-50 years  | 2,500                  | 13,363                                     |
| Karnataka        | Gruha Lakshmi Yojana                               | -  | 2,000                  | 28,608                                     |
| Maharashtra      | Mukhyamantri Majhi Ladki Bahin Yojana              | 21-65 years  | 1,500                  | 36,000                                     |
| Madhya Pradesh   | Mukhyamantri Ladli Behna Yojana                    | 21-60 years  | 1,250                  | 18,669                                     |
| Odisha           | Subhadra Scheme                                    | 21-60 years  | 833                    | 10,145                                     |
| Tamil Nadu       | Magalir Urimai Thogai                              | 21 years and above   | 1,000                  | 13,807                                     |
| West Bengal      | Lakshmir Bhandar Scheme                            | 25-60 years  | 1,000 - 1,200          | 26,700                                     |

Sources: Respective scheme websites; State Budget Documents; PRS.

**Table 7: Off-budget borrowings in states (in Rs crore)**

| State          | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|----------------|---------|---------|---------|---------|
| Andhra Pradesh | 6,288   | 1,976   | 613     | 0       |
| Assam          | 239     | 853     | 1,102   | 542     |
| Bihar          | 520     | 687     | 53      | 0       |
| Chhattisgarh   | 618     | 2,283   | 780     | 584     |
| Goa            | 77      | 0       | 0       | 0       |
| Haryana        | 21      | 22      | 0       | 0       |
| Karnataka      | 2,350   | 4,029   | 0       | 5,438   |
| Kerala         | 14,312  | 6,709   | 4,688   | 983     |
| Meghalaya      | 0       | 64      | 6       | 12      |
| Maharashtra    | 0       | 2,500   | 7,700   | 13,990  |
| Manipur        | 0       | 293     | 228     | 109     |
| Madhya Pradesh | 533     | 564     | 374     | 568     |
| Nagaland       | 0       | 0       | 39      | 0       |
| Punjab         | 770     | 484     | 1,675   | 4       |
| Sikkim         | 454     | 121     | 0       | 0       |
| Telangana      | 35,258  | 9,597   | 2,546   | 2,697   |
| Tamil Nadu     | 595     | 1,121   | 1,560   | 28      |
| Uttar Pradesh  | 3,951   | 3,488   | 0       | 0       |
| West Bengal    | 1,089   | 1,089   | 0       | 0       |

Sources: Unstarred Question No. 4004, Lok Sabha, Ministry of Finance, August 18, 2025; MoSPI; PRS.

## Glossary of key terms

**Receipts** indicate the money received by the government. This includes: (i) the money earned by the government, (ii) grants received (mainly from the Centre), and (iii) the money it receives in the form of borrowings or repayment of loans.

**Capital receipts** indicate the receipts which lead to a decrease in assets or an increase in liabilities of the government. It consists of: (i) the money earned by selling assets such as shares of public enterprises, and (ii) the money received in the form of borrowings or repayment of loans.

**Revenue receipts** are receipts that do not directly impact the assets and liabilities of the government. This consists of the money earned by the government through tax and non-tax sources (such as dividend income and grants from the central government).

**Capital expenditure** is used to create assets or reduce liabilities. It consists of: (i) the money spent by the government on creating assets such as roads and hospitals, and (ii) the money given by the government for repayment of its borrowings.

**Revenue expenditure** is the expenditure by the government which does not impact its assets or liabilities. For example, this includes salaries, interest payments, pension, administrative expenses, and subsidies.

**Devolution of union taxes** means the money received by states from the central government as the state's share in union taxes such as corporation tax, income tax, central GST, customs, and union excise. It is devolved to the state as per the criteria recommended by the Finance Commission.

**Grants-in-aid** are transferred by the central government to states and are tied in nature, i.e., they are linked to specific schemes and expenditure avenues, such as Swachh Bharat Mission, and National Health Mission.

**Outstanding debt** is the stock of money borrowed by subsequent governments over the years which the government currently owes. The figure for a financial year indicates the government's outstanding debt at the end of the year.

**Fiscal deficit** is the gap between the government's expenditure requirements and its receipts. This equals the money the government needs to borrow during the year. A surplus arises if receipts are more than expenditure.

**Revenue deficit** is the gap between the revenue components of receipts and expenditure, i.e., revenue disbursements and revenue receipts. This indicates the money the government needs to borrow to spend on non-capital components (which do not lead to the creation of assets).

**Primary deficit** equals fiscal deficit minus interest payments. This indicates the gap between the government's expenditure requirements and its receipts, not taking into account the expenditure incurred on interest payments on loans taken during the previous years.

**Consolidated Fund of the State** is the Fund or account into which all of the state government's receipts are credited, and which it uses for financing its expenditure.

**Charged expenditure** includes expenditure that is not required to be voted on by the Assembly and is charged directly from the Consolidated Fund of the State. Such expenditure can still be discussed in the Assembly. Examples include interest payments, and salaries and allowances of the Governor and judges of the High Court.

**Voted expenditure** consists of all expenditure other than charged expenditure. Such expenditure is required to be voted upon by the Assembly, in the form of Demands for Grants.

**Fiscal Responsibility and Budget Management Framework** relates to laws passed by states for institutionalizing financial discipline. The framework provides targets for revenue deficit, fiscal deficit, and outstanding debt to be met for a specified timeframe by states. It also requires states to bring out statements on fiscal policy for greater transparency.

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