

Arunachal Pradesh Budget Analysis 2024-25

The Deputy Chief Minister of Arunachal Pradesh, Mr. Chowna Mein, presented the Budget for the state for the financial year 2024-25 on July 24, 2024.

Budget Highlights

- **Expenditure (excluding debt repayment)** in 2024-25 is estimated to be Rs 34,270 crore, an increase of 3.6% over the revised estimates of 2023-24. In addition, debt of Rs 1,195 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2024-25 are estimated to be Rs 31,277 crore, an increase of 6.7% compared to the revised estimate of 2023-24.
- **Revenue surplus** in 2024-25 is estimated to be 11.2% of GSDP (Rs 5,335 crore), lower than the revised estimates for 2023-24 (11.9% of GSDP). In 2023-24, the revenue surplus is expected to be higher than the budget estimate (8.1% of GSDP).
- **Fiscal deficit** for 2024-25 is targeted at 6.3% of GSDP (Rs 2,993 crore). In 2023-24, as per the revised estimates, fiscal deficit is expected to be 7.8% of GSDP, higher than the budget estimate for 2023-24 (6.6%).

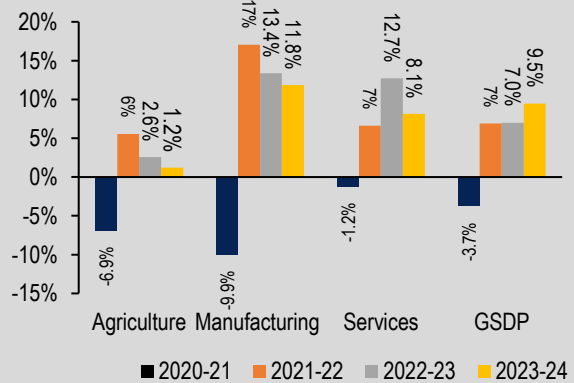
Policy Highlights

- **Tourism:** Promotion of eco-tourism will be given priority. This will involve development of lakes and wildlife sanctuaries such as the Daying Ering Wildlife Sanctuary.
- **Dulari Kanya Scheme:** The scheme will be revamped to offer incentives up to Rs 50,000 to women enrolling in graduation or professional courses.
- **Agriculture:** A new ‘farm to fork’ Agricultural and Horticultural Policy will be notified. It will focus on natural farming, enhanced market linkages and export of fruits, vegetables, and flowers.

Arunachal Pradesh’s Economy

- **GSDP:** In 2023-24, state’s GSDP (at constant prices) grew at 9.5%, compared to 7% in 2022-23. In comparison, national GDP is estimated to grow at 8.2% in 2023-24.
- **Sectors:** At constant prices, the agriculture sector grew by 1.2% in 2023-24. In comparison, it had witnessed 2.6% growth in 2022-23. Manufacturing sector grew by 12% in 2023-24, compared to 13% in 2022-23. Services grew by 8% in 2023-24. In comparison, it had grown by 13% in 2022-23.
- In 2023-24, agriculture, manufacturing, and services sectors are estimated to contribute 36%, 24%, and 40% to the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Arunachal Pradesh in 2023-24 (at current prices) is estimated at Rs 2,80,380, an increase of 10% over 2022-23.

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



Note: Agriculture also includes mining and quarrying; manufacturing also includes construction, and electricity, gas, water, and other utility services. These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.

Sources: Arunachal Pradesh Budget Documents for 2024-25; PRS.

Budget Estimates for 2024-25

- **Total expenditure (excluding debt repayment)** in 2024-25 is targeted at Rs 34,270 crore. This is an increase of 3.6% over the revised estimate of 2023-24. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 31,277 crore and net borrowings of Rs 3,369 crore. In 2023-24, revised estimate for expenditure (other than debt repayment) saw an increase of 15.3% compared to the budget estimate. This was primarily due to higher capital outlay. Net receipts for 2024-25 (other than borrowings) are expected to register an increase of 6.7% over the revised estimate of 2023-24. Revised estimate for receipts (excluding borrowings) in 2023-24 were 12% higher compared to the budget estimate. The increase was due to higher grants-in-aid from centre.
- **Revenue surplus** in 2024-25 is estimated to be 11.2% of GSDP (Rs 5,335 crore), lower than the revised estimates for 2023-24 (11.9% of GSDP). **Fiscal deficit** for 2024-25 is targeted at 6.3% of GSDP (Rs 2,993 crore), lower than the revised estimates for 2023-24 (7.8% of GSDP).

Table 1: Budget 2024-25 - Key figures (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Total Expenditure	26,081	29,513	33,989	15.2%	35,465	4.3%
(-) Repayment of debt	551	830	909	9.5%	1,195	31.5%
Net Expenditure (E)	25,530	28,683	33,081	15.3%	34,270	3.6%
Total Receipts	26,271	29,657	34,056	14.8%	35,841	5.2%
(-) Borrowings	2,480	3,490	4,733	35.6%	4,563	-3.6%
Net Receipts (R)	23,792	26,168	29,323	12.1%	31,277	6.7%
Fiscal Deficit (E-R)	1,738	2,515	3,758	49.4%	2,993	-20.4%
as % of GSDP	4.6%	6.6%	7.8%		6.3%	
Revenue Surplus	6,370	3,063	5,711	86.5%	5,335	-6.6%
as % of GSDP	16.8%	8.1%	11.9%		11.2%	
Primary Deficit	904	1,623	2,846	75.3%	2,037	-28.4%
as % of GSDP	2.4%	4.3%	5.9%		4.3%	
GSDP	37,870	37,870	48,028	26.8%	47,823	-0.4%

Note: BE is Budget Estimates; RE is Revised Estimates. Calculation for fiscal deficit includes 50 years interest free special assistance loans given by the Centre for capital expenditure.

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2024-25; PRS.

Expenditure in 2024-25

- **Revenue expenditure** for 2024-25 is proposed to be Rs 25,932 crore, an increase of 10% over the revised estimate of 2023-24. This includes the expenditure on salaries, pension, interest, grants, and subsidies.
- **Capital outlay** for 2024-25 is proposed to be Rs 8,335 crore, a decrease of 12% over the revised estimate of 2023-24. Capital outlay includes the expenditure towards creation of assets. In 2023-24, revised estimate for capital outlay is 70% higher than budget estimate. This was driven by higher capital outlay on sectors such as police, education, agriculture, irrigation, and transport

Table 2: Expenditure budget 2024-25 (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Revenue Expenditure	17,418	23,095	23,602	2%	25,932	10%
Capital Outlay	8,107	5,584	9,475	70%	8,335	-12%
Loans given by the state	5	4	4	-14%	3	-16%
Net Expenditure	25,530	28,683	33,081	15.3%	34,270	4%

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2024-25; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pension, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2024-25, Arunachal Pradesh is estimated to spend Rs 13,181 crore on committed expenditure, which is 42% of its estimated revenue receipts. This comprises spending on salaries (32% of revenue receipts), pension (7%), and interest payments (3%). In 2023-24, expenditure towards salaries and pension are estimated to be 23% and 16% lower than the budget estimate respectively. In 2022-23, as per actuals, 37% of revenue receipts were spent towards committed expenditure.

Table 3: Committed Expenditure in 2024-25 (in Rs crore)

Committed Expenditure	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Salaries	6,233	8,935	6,838	-23%	9,920	45%
Pension	1,665	2,519	2,117	-16%	2,305	9%
Interest payment	834	892	912	2%	956	5%
Total Committed Expenditure	8,733	12,346	9,867	-20%	13,181	34%

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2024-25; PRS.

Sector-wise expenditure: The sectors listed below account for **65%** of the total expenditure on sectors by the state in 2024-25. A comparison of Arunachal Pradesh's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Arunachal Pradesh Budget 2024-25 (in Rs crore)

Sector	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Roads and Bridges	4,654	3,272	6,045	4,210	-30%
Education, Sports, Arts, and Culture	3,034	2,838	3,594	4,087	14%
Energy	1,969	2,158	2,769	2,733	-1%
Agriculture and Allied Activities	1,700	2,179	2,399	2,657	11%
Health and Family Welfare	1,578	1,500	1,791	1,767	-1%
Police	1,346	1,319	1,474	1,689	15%
Rural Development	1,179	946	1,665	1,549	-7%
Water Supply and Sanitation	1,064	1,214	1,485	1,350	-9%
Social Welfare and Nutrition	720	951	1,002	1,148	15%
Irrigation and Flood Control	698	631	1,205	1,147	-5%
% of total expenditure on all sectors	70%	59%	71%	65%	

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2024-25; PRS.

Receipts in 2024-25

- **Total revenue receipts** for 2024-25 are estimated to be Rs 31,267 crore, an increase of 7% over the revised estimate of 2023-24. Of this, Rs 4,007 crore (13%) will be raised by the state through its **own resources**, and Rs 27,261 crore (87%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (68% of revenue receipts) and grants (19% of revenue receipts).
- **Devolution:** In 2024-25, state's share in central taxes is estimated at Rs 21,432 crore, an increase of 10% over the revised estimate of 2023-24.
- **Grants from the centre** in 2024-25 are estimated at Rs 5,829 crore, a decrease of 9% over the revised estimates for 2023-24. In 2023-24, revised estimate for grants from the centre is 34% higher than budget estimate. This was primarily due to an increase of Rs 1,630 crore (41%) in central assistance for centrally sponsored schemes.
- **State's own tax revenue:** Arunachal Pradesh's total own tax revenue is estimated to be Rs 2,953 crore in 2024-25, an increase of 15% over the revised estimate of 2023-24. Own tax revenue as a percentage of GSDP is estimated at 6.2% in 2024-25, higher than the revised estimates for 2023-24 (5.3%). As per the actual figures for 2022-23, own tax revenue as a percentage of GSDP was 5.9%.

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

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 2023-24 to RE 2023-24	2024-25 Budgeted	% change from RE 2023-24 to BE 2024-25
State's Own Tax	2,237	2,565	2,568	0%	2,953	15%
State's Own Non-Tax	1,018	848	911	7%	1,054	16%
Share in Central Taxes	16,689	17,947	19,406	8%	21,432	10%
Grants-in-aid from Centre	3,844	4,798	6,428	34%	5,829	-9%
Revenue Receipts	23,788	26,158	29,313	12%	31,267	7%
Non-debt Capital Receipts	3	10	10	0%	10	0%
Net Receipts	23,792	26,168	29,323	12.1%	31,277	7%

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

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2024-25; PRS.

- In 2024-25, **State GST** is estimated to be the largest source of own tax revenue (74% share). In 2024-25, all major sources of the state's own-tax revenue are expected to see an increase of 15% compared to the revised estimates of 2023-24.

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

Head	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
State GST	1,607	1,959	1,912	-2%	2,199	15%
Sales Tax/ VAT	222	288	321	12%	369	15%
State Excise	281	242	256	6%	294	15%
Taxes on Vehicles	62	40	41	2%	47	15%
Land Revenue	48	22	24	7%	27	15%
Stamps Duty and Registration Fees	18	14	14	-1%	16	15%

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2024-25; PRS.

Deficits, Debt, and FRBM Targets for 2024-25

The Arunachal Pradesh Fiscal Responsibility and Budget Management Act, 2006 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

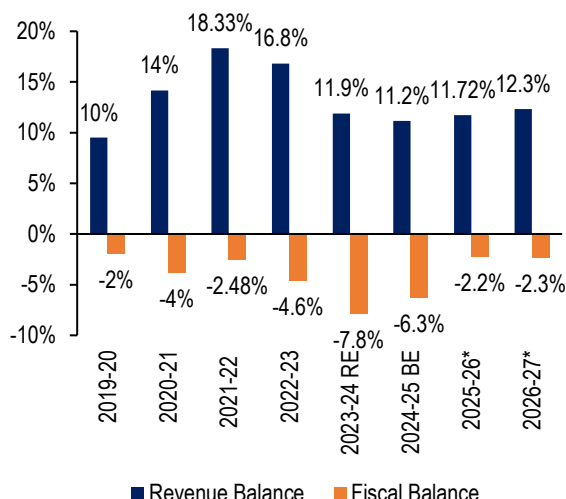
Revenue surplus: It is the difference of revenue expenditure and revenue receipts. A revenue surplus implies that the government doesn't need borrow to finance its revenue expenditure. The budget estimates a revenue surplus of Rs 5,335 crore (or 11.2% of the GSDP) in 2024-25.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2024-25, the fiscal deficit is estimated to be 6.3% of GSDP. Fiscal deficit includes borrowings and 50-year interest free capital expenditure loans from the central government which is over and above the borrowing limit. For 2024-25, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms.

As per the revised estimates, in 2023-24, the fiscal deficit of the state is expected to be 7.8% of GSDP. This is higher than the budget estimate of 2023-24 (6.6%).

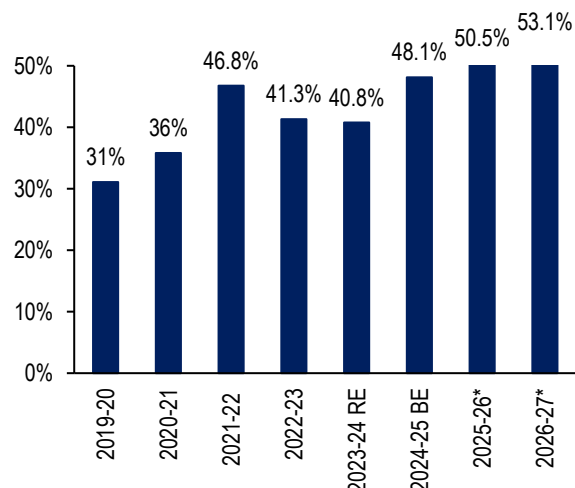
Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year. It also includes any liabilities on public account. At the end of 2024-25, the outstanding liabilities are estimated to be 48% of GSDP, higher than the revised estimate for 2023-24 (41% of GSDP). The outstanding liabilities significantly increased in 2021-22 (47% of GSDP), and have stayed high thereafter.

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



Note: *Figures for 2025-26 and 2026-27 are projections; RE is Revised Estimates; BE is budget estimates; Fiscal deficit between 2022-23 and 2024-25 have not been adjusted for capital expenditure loans from the central government.
Sources: FRBM Statements, Arunachal Pradesh Budget 2024-25; PRS.

Figure 3: Outstanding Liabilities (as % of GSDP)



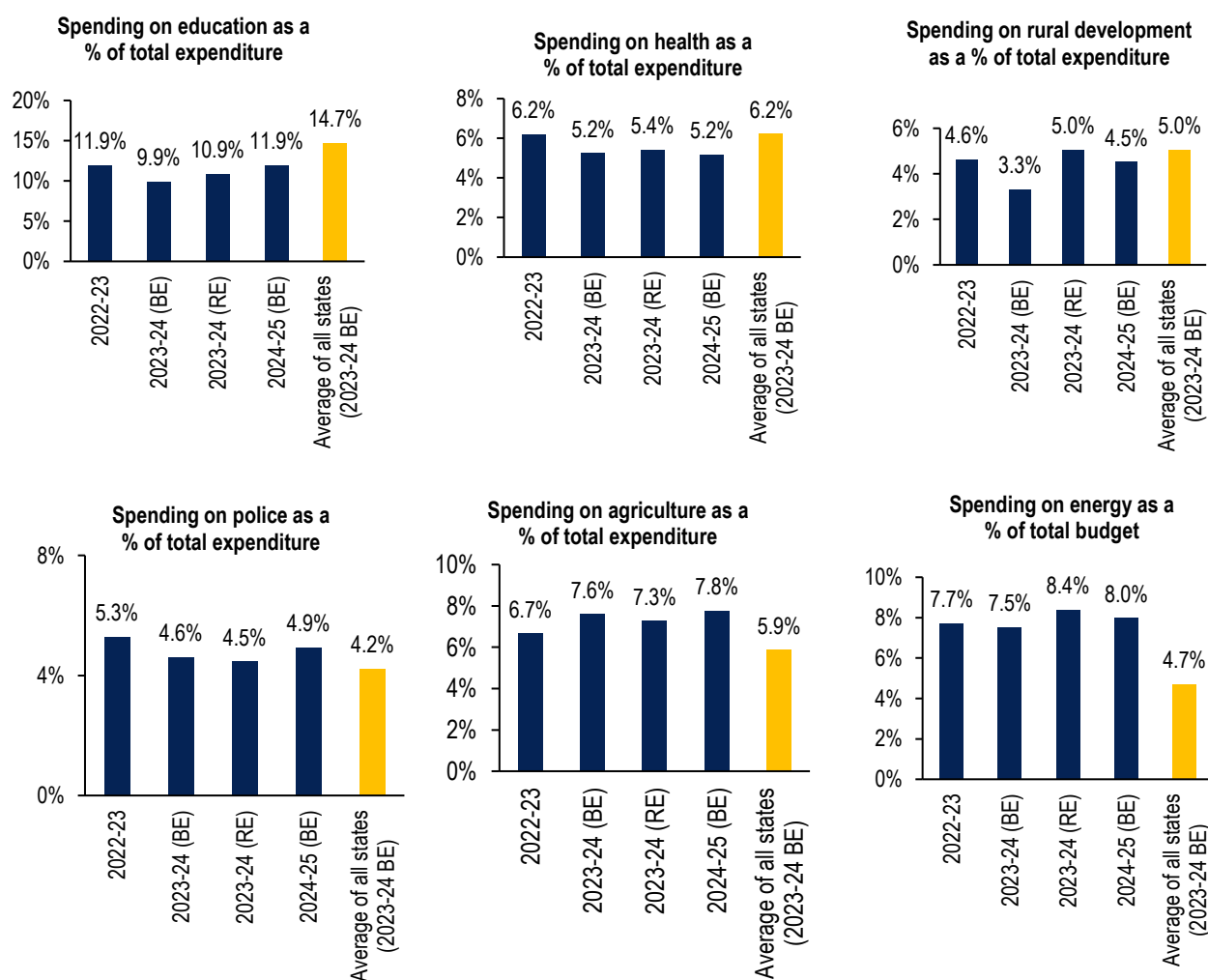
Note: *Figures for 2025-26 and 2026-27 are projections; RE is Revised Estimates; BE is budget estimates.
Sources: Medium Term Fiscal Policy, Arunachal Pradesh Budget 2024-25; PRS.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Arunachal Pradesh's expenditure in 2024-25 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Arunachal Pradesh) as per their budget estimates of 2023-24.¹

- **Education:** Arunachal Pradesh has allocated 11.9% of its expenditure on education in 2024-25. This is lower than the average allocation for education by states in 2023-24 (14.7%).
- **Health:** Arunachal Pradesh has allocated 5.2% of its total expenditure towards health, which is lower than the average allocation for health by states (6.2%).
- **Rural development:** Arunachal Pradesh has allocated 4.5% of its expenditure on rural development. This is lower than the average allocation for rural development by states (5%).
- **Police:** Arunachal Pradesh has allocated 4.9% of its expenditure towards police. This is higher than the average allocation towards police by states (4.2%).
- **Agriculture:** Arunachal Pradesh has allocated 7.8% of its total expenditure towards agriculture, which is higher than the average expenditure on agriculture by states (5.9%).
- **Energy:** Arunachal Pradesh has allocated 8% of its total expenditure towards energy, which is significantly higher than the average allocation by states (4.7%).



Note: 2022-23, 2023-24 (BE), 2023-24 (RE), and 2024-25 (BE) figures are for Arunachal Pradesh
Sources: Annual Financial Statement, Arunachal Pradesh Budget 2024-25; various state budgets; PRS.

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

Annexure 2: Comparison of 2022-23 Budget Estimates and Actuals

The following tables compare the actuals of 2022-23 with budget estimates for that year.

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

Particular	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Net Receipts (1+2)	24,249	23,792	-2%
1. Revenue Receipts (a+b+c+d)	24,239	23,788	-2%
a. Own Tax Revenue	2,090	2,237	7%
b. Own Non-Tax Revenue	935	1,018	9%
c. Share in central taxes	14,349	16,689	16%
d. Grants-in-aid from the Centre	6,865	3,844	-44%
Of which GST compensation grants			
2. Non-Debt Capital Receipts	10	3	-66%
3. Borrowings	1,863	2,480	33%
Of which GST compensation loan	-	-	
Net Expenditure (4+5+6)	24,908	34,044	37%
4. Revenue Expenditure	18,202	25,932	42%
5. Capital Outlay	6,701	8,107	21%
6. Loans and Advances	6	5	-14%
7. Debt Repayment	801	551	-31.2%
Revenue Surplus	6,037	6,370	6%
Revenue Surplus (as % of GSDP)	20.6%	16.8%	
Fiscal Deficit	660	1,738	163%
Fiscal Deficit (as % of GSDP)	2.2%	4.6%	

Source: Arunachal Pradesh Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue

Tax Source/Head	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Sales Tax/ VAT	434	222	-49%
State Excise	253	281	11%
State GST	1,344	1,607	20%
Stamps Duty and Registration Fees	11	18	62%
Taxes on Vehicles	30	62	109%
Land Revenue	18	48	171%

Source: Arunachal Pradesh Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors

Sector	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Social Welfare and Nutrition	996	720	-28%
Agriculture and Allied Activities	2,032	1,700	-16%
Police	1,398	1,346	-4%
Energy	1,723	1,969	14%
Rural Development	1,012	1,179	16%
Water Supply and Sanitation	910	1,064	17%
Education, Sports, Arts, and Culture	2,528	3,034	20%
Health and Family Welfare	1,287	1,578	23%
Irrigation and Flood Control	493	698	42%
Transport	3,422	4,923	44%
of which Roads and Bridges	3,214	4,654	45%
Urban Development	372	593	59%
Housing	59	95	62%
Welfare of SC, ST, OBC, and Minorities	-	11	-

Source: Arunachal Pradesh Budget Documents of various years; PRS.