

Arunachal Pradesh Budget Analysis 2025-26

The Deputy Chief Minister of Arunachal Pradesh, Mr. Chowna Mein, presented the Budget for the state for the financial year 2025-26 on March 10, 2025.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Arunachal Pradesh for 2025-26 (at current prices) is projected to be Rs 47,823 crore. This is similar to the revised estimate of GSDP for 2024-25.
- **Expenditure (excluding debt repayment)** in 2025-26 is estimated to be Rs 38,809 crore, an increase of 5% from the revised estimates of 2024-25. In addition, debt of Rs 1,034 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2025-26 are estimated to be Rs 34,554 crore, an increase of 3% as compared to the revised estimate of 2024-25.
- **Revenue surplus** in 2025-26 is estimated to be 9.6% of GSDP (Rs 4,581 crore), as compared to a revenue surplus of 15.1% of GSDP (Rs 7,210 crore) at the revised estimate stage in 2024-25.
- **Fiscal deficit** for 2025-26 is targeted at 8.9% of GSDP (Rs 4,255 crore). In 2024-25, as per the revised estimates, fiscal deficit is expected to be 7% of GSDP, higher than the budgeted 6.3% of GSDP.

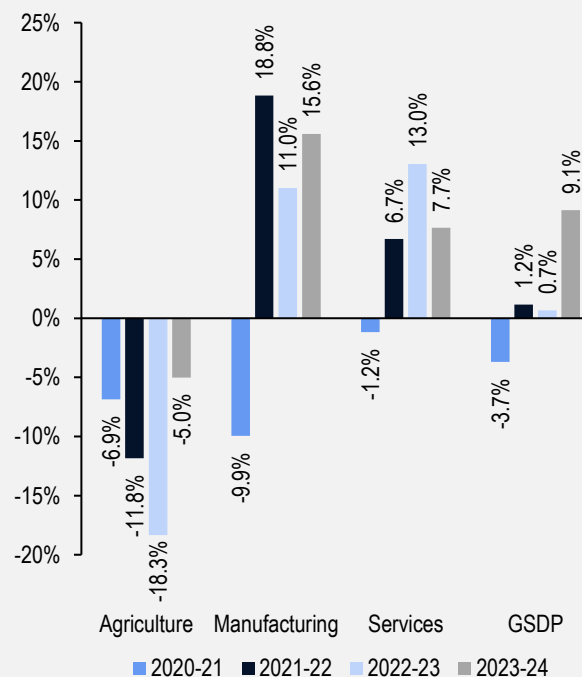
Policy Highlights

- **Health:** Government will establish Nutritional Rehabilitation Centres in a phased manner at District Hospitals lacking such facilities. Phased upgradation of operation theatres in all general hospitals will be taken up.
- **Skill development:** A new College of Science and Skill Development as a national-level University will be established.
- **Energy:** A new Chief Minister's Comprehensive State Power Development Programme with an outlay of Rs 2,000 crore over the next three years has been announced.

Arunachal Pradesh's Economy

- **GSDP:** In 2023-24, Arunachal Pradesh GSDP (at constant prices) is estimated to grow by 9.1% over the previous year. In comparison, India's GDP is estimated to grow by 9.2% in 2023-24.
- **Sectors:** In 2023-24, agriculture, manufacturing, and services sectors are estimated to contribute 27%, 26%, and 47% of Arunachal Pradesh's economy, respectively (at current prices).
- In 2023-24, manufacturing sector is estimated to grow by 15.6% (at constant prices) followed by services (7.7%). In 2023-24, agriculture sector is estimated to register negative growth (-5%).
- **Per capita GSDP:** In 2023-24, Arunachal Pradesh's per capita GSDP (at current prices) is estimated to be Rs 39,041, an increase of 11% over 2022-23. India's per capita GDP in 2023-24 is estimated to be Rs 2,15,935, an increase of 11% over the previous year.

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



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

Budget Estimates for 2025-26

- **Total expenditure (excluding debt repayment)** in 2025-26 is targeted at Rs 38,809 crore. This is an increase of 5% from the revised estimate of 2024-25. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 34,554 crore and net borrowings of Rs 4,126 crore. Total receipts for 2025-26 (other than borrowings) are expected to register an increase of 3% over the revised estimate of 2024-25.
- The state estimates a **revenue surplus** of 9.6% of GSDP (Rs 4,581 crore) in 2025-26, as compared to a revenue surplus of 15.1% of GSDP at the revised estimate stage of 2024-25.
- **Fiscal deficit** for 2025-26 is targeted at 8.9% of GSDP (Rs 4,255 crore), higher than the revised estimates for 2024-25 (7% of GSDP).

Table 1: Budget 2025-26 - Key figures (in Rs crore)

Items	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 24-25 to RE 24-25	2025-26 Budgeted	% change from RE 24-25 to BE 25-26
Total Expenditure	29,597	35,465	38,081	7%	39,842	5%
(-) Repayment of debt	565	1,195	1,192	0%	1,034	-13%
Net Expenditure (E)	29,031	34,270	36,889	8%	38,809	5%
Total Receipts	31,222	35,841	37,684	5%	39,714	5%
(-) Borrowings	3,775	4,563	4,128	-10%	5,160	25%
of which central capex loans*	2,363	2,000	2,298	15%	3,288	43%
Net Receipts (R)	27,447	31,277	33,556	7%	34,554	3%
Fiscal Deficit (E-R) **	1,585	2,993	3,333	11%	4,255	28%
as % of GSDP	3.3%	6.3%	7.0%		8.9%	
Revenue Surplus	6,877	5,335	7,210	35%	4,581	-36%
as % of GSDP	14.3%	11.2%	15.1%		9.6%	
Primary Deficit	727	2,037	2,386	17%	3,260	37%
as % of GSDP	1.5%	4.3%	5.0%		6.8%	
GSDP	48,028	47,823	47,823	0%	47,823	0%

Note: BE is Budget Estimates; RE is Revised Estimates. *Central government has been providing 50-year interest-free loans to state governments for capital expenditure since 2020-21. These loans are excluded from the calculation of the state's borrowing ceiling.

**For arriving at fiscal deficit, the state government has not included central capex loans in its calculation which leads to a lower fiscal deficit. For our calculations, we have considered the central capex loans as borrowings.

Sources: Annual Financial Statement, Arunachal Pradesh Budget Documents 2025-26; PRS.

Expenditure in 2025-26

- **Revenue expenditure** for 2025-26 is proposed to be Rs 29,963 crore, an increase of 14% over the revised estimate of 2024-25. This includes the expenditure on salaries, pension, interest, grants, and subsidies.
- **Capital outlay** for 2025-26 is proposed to be Rs 8,842 crore, a decrease of 16% from the revised estimate of 2024-25. Capital outlay indicates the expenditure towards creation of assets. In 2024-25, capital outlay at the revised stage is estimated to be 27% higher than the budget estimate. This is due to higher spending towards transport and education sector at revised stage.
- In 2025-26, loans and advances by the state are expected to be Rs 3 crore, 22% lower as compared to the revised estimate of 2024-25.

Table 2: Expenditure budget 2025-26 (in Rs crore)

Items	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 24-25 to RE 24-25	2025-26 Budgeted	% change from RE 24-25 to BE 25-26
Revenue Expenditure	20,564	25,932	26,337	2%	29,963	14%
Capital Outlay	8,464	8,335	10,549	27%	8,842	-16%
Loans given by the state	3	3	4	28%	3	-22%
Net Expenditure	29,031	34,270	36,889	8%	38,809	5%

Sources: Annual Financial Statement, Arunachal Pradesh Budget Documents 2025-26; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pension, and interest. A larger proportion of the budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities, such as capital outlay. In 2025-26, Arunachal Pradesh is estimated to spend Rs 16,974 crore on committed expenditure, which is 49% of its estimated revenue receipts. This comprises spending on salaries (38% of revenue receipts), pension (8%), and interest payments (3%). In 2023-24, as per actual figures, 34% of revenue receipts were spent on committed expenditure.

Table 3: Committed Expenditure in 2025-26 (in Rs crore)

Committed Expenditure	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 24-25 to RE 24-25	2025-26 Budgeted	% change from RE 24-25 to BE 25-26
Salaries	6,610	9,920	7,516	-24%	13,185	75%
Pension	1,975	2,305	2,453	6%	2,795	14%
Interest payment	858	956	947	-1%	994	5%
Total	9,443	13,181	10,917	-17%	16,974	55%

Sources: Annual Financial Statement, Arunachal Pradesh Budget Documents 2025-26; PRS.

Sector-wise expenditure: The sectors listed below account for **67%** of the total expenditure on sectors by the state in 2025-26. 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 2025-26 (in Rs crore)

Sectors	2023-24 Actuals	2024-25 BE	2024-25 RE	2025-26 BE	% change from RE 24- 25 to BE 25-26
Transport	5,323	4,490	6,168	4,142	-33%
Education, Sports, Arts, and Culture	3,197	4,087	4,231	3,466	-18%
Police	1,408	1,689	1,651	3,075	86%
Energy	2,343	2,733	3,359	2,869	-15%
Agriculture and Allied Activities	1,685	2,657	2,463	2,618	6%
Water Supply and Sanitation	1,300	1,350	1,600	1,738	9%
Irrigation and Flood Control	980	1,147	2,265	1,679	-26%
Rural Development	1,464	1,549	1,490	1,410	-5%
Health and Family Welfare	1,683	1,767	1,977	1,257	-36%
Social Welfare and Nutrition	1,165	1,148	1,292	1,192	-8%
% of total expenditure on all sectors	84%	75%	84%	67%	

Sources: Annual Financial Statement, Arunachal Pradesh Budget Documents 2025-26; PRS.

Receipts in 2025-26

- **Total revenue receipts** for 2025-26 are estimated to be Rs 34,544 crore, an increase of 3% over the revised estimate of 2024-25. Of this, Rs 4,608 crore (13%) will be raised by the state through its **own resources**, and Rs 29,936 crore (87%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (73% of revenue receipts) and grants (14% of revenue receipts).
- **Devolution:** In 2025-26, the state's share in central taxes is estimated at Rs 24,992 crore, an increase of 11% over the revised estimate of 2024-25.
- **Grants from the centre** in 2025-26 are estimated at Rs 4,944 crore, a decrease of 29% from the revised estimates for 2024-25.
- **State's own tax revenue:** Arunachal Pradesh's total own tax revenue is estimated to be Rs 3,396 crore in 2025-26, an increase of 15% over the revised estimate of 2024-25. Own tax revenue as a percentage of GSDP is estimated at 7.1% in 2025-26, higher than the revised estimates for 2024-25. As per the actual figures for 2023-24, own tax revenue as a percentage of GSDP was 5.8%.

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

Items	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 2024-25 to RE 2024-25	2025-26 Budgeted	% change from RE 2024-25 to BE 2025-26
State's Own Tax	2,798	2,953	2,953	0%	3,396	15%
State's Own Non-Tax	901	1,054	1,054	0%	1,212	15%
Share in Central Taxes	19,845	21,432	22,611	6%	24,992	11%
Grants-in-aid from Centre	3,897	5,829	6,929	19%	4,944	-29%
Revenue Receipts	27,441	31,267	33,546	7%	34,544	3%
Non-debt Capital Receipts	6	10	10	0%	10	0%
Net Receipts	27,447	31,277	33,556	7.3%	34,554	3%

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

Sources: Annual Financial Statement, Arunachal Pradesh Budget Documents 2025-26; PRS.

- In 2025-26, **Sales Tax/VAT** is estimated to be the largest source of own tax revenue (35% share). Sale Tax/VAT revenue is estimated to increase by 15% over the revised estimates of 2024-25.
- Revenue from State GST in 2025-26 is expected to be 15% higher than the revised estimate stage of 2024-25.
- Revenue from state excise is estimated to be 15% higher in 2025-26 over the revised estimate of 2024-25.

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

Head	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 2024-25 to RE 2024-25	2025-26 Budgeted	% change from RE 2024-25 to BE 2025-26
Sales Tax/ VAT	516	369	585	58%	673	15%
State GST	1,923	652	581	-11%	668	15%
State Excise	211	294	353	20%	406	15%
Taxes on Vehicles	77	47	76	61%	88	15%
Land Revenue	46	27	27	0%	32	15%
Stamps Duty and Registration Fees	23	16	16	0%	18	15%

Sources: Annual Financial Statement, Revenue Budget, Arunachal Pradesh Budget Documents 2025-26; PRS.

Deficits, Debt, and FRBM Targets for 2025-26

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

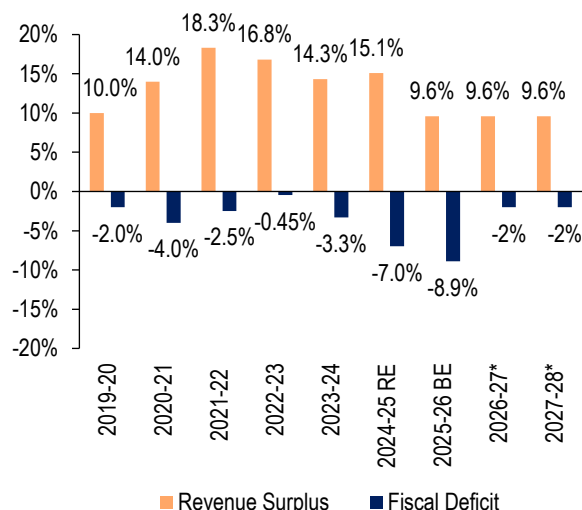
Revenue balance: It is the difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue surplus of Rs 4,581 crore (or 9.6% of the GSDP) in 2025-26.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings and leads to an increase in total liabilities. In 2025-26, the fiscal deficit is estimated to be 8.9% of GSDP. For 2025-26, the central government has permitted fiscal deficit of up to 3% of GSDP to states. Additional borrowing space up to 0.5% of GSDP will also be available for undertaking certain power sector reforms.

As per the revised estimates, in 2024-25, the fiscal deficit of the state is expected to be 7% of GSDP. This is higher than the budget estimate of 6.3% of GSDP. Fiscal deficit between 2023-24 and 2025-26 have not been adjusted for capital expenditure loans from the central government (see Figure 2).

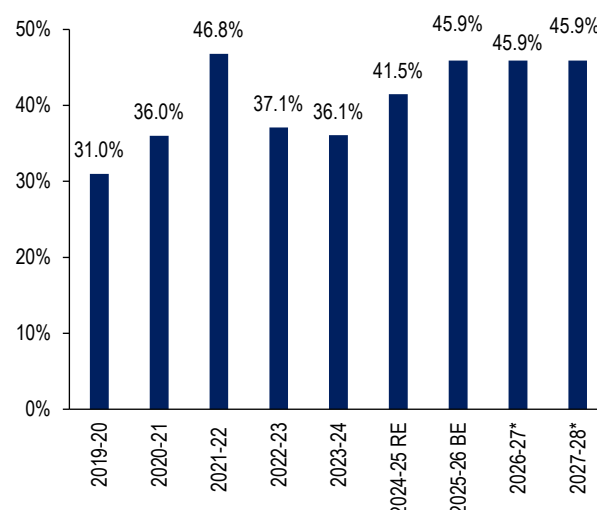
Outstanding debt: Outstanding debt is the accumulation of total borrowings at the end of a financial year. At the end of 2025-26, the outstanding debt is estimated to be 45.9% of GSDP, higher than the revised estimate for 2024-25.

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



Note: *Figures from 2026-27 onwards are projections. RE is Revised Estimates; BE is budget estimates. Negative figures indicate a deficit.
Sources: Medium Term Fiscal Policy, Arunachal Pradesh Budget Documents 2025-26; PRS.

Figure 3: Outstanding Debt (as % of GSDP)



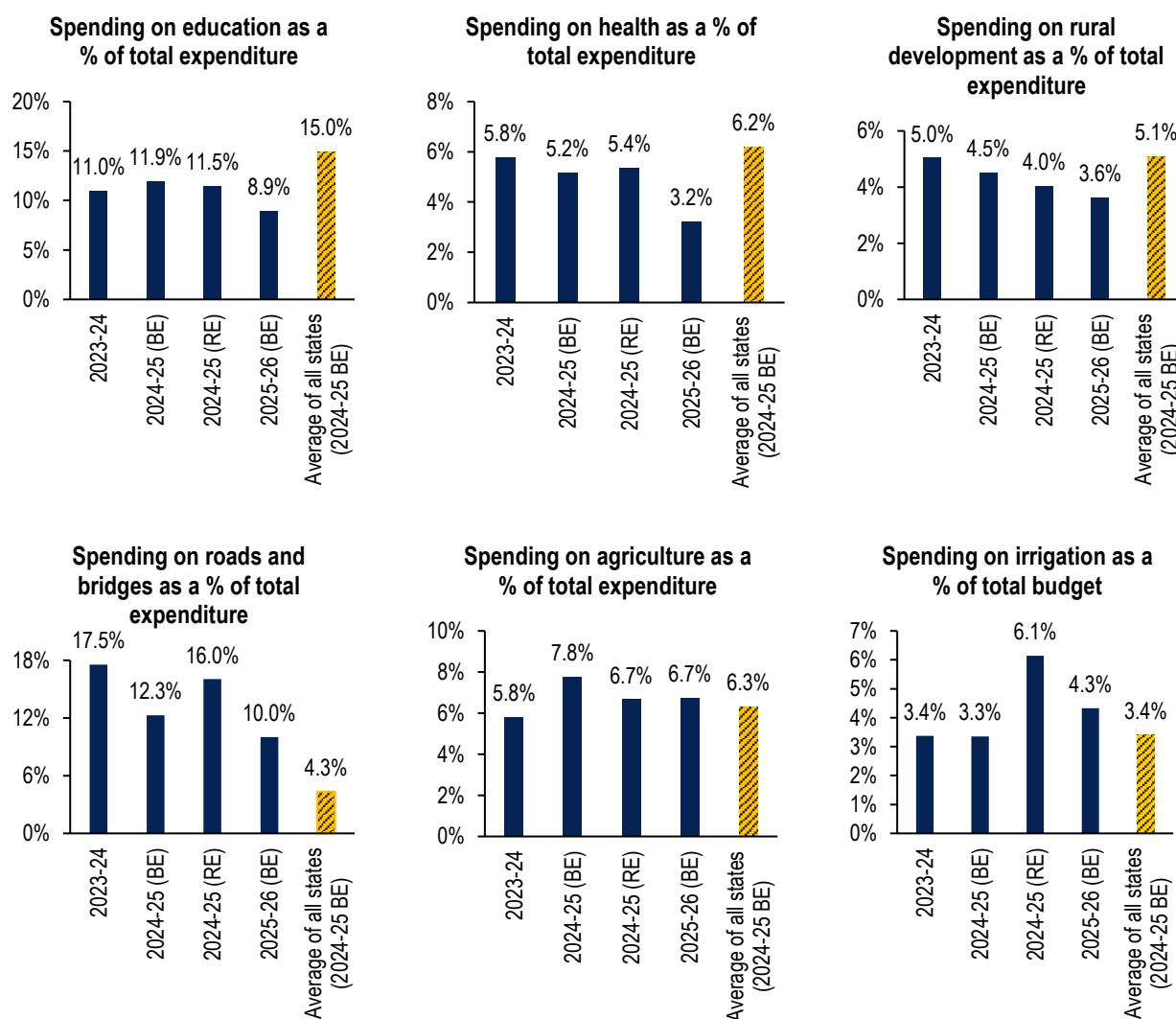
Note: *Figures from 2026-27 onwards are projections. BE is budget estimates.
Sources: Medium Term Fiscal Policy, Arunachal Pradesh Budget Documents 2025-26; PRS.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Arunachal Pradesh's expenditure in 2025-26 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 2024-25.¹

- **Education:** Arunachal Pradesh has allocated 8.9% of its expenditure on education in 2025-26. This is lower than the average allocation for education by states in 2024-25 (15%).
- **Health:** Arunachal Pradesh has allocated 3.2% of its expenditure on health in 2025-26. This is lower than the average allocation for health by states in 2024-25 (6.2%).
- **Rural development:** Arunachal Pradesh has allocated 3.6% of its expenditure on rural development in 2025-26. This is lower than the average allocation for rural development by states in 2024-25 (5.1%).
- **Roads and bridges:** Arunachal Pradesh has allocated 10% of its expenditure on roads and bridges in 2025-26. This is higher than the average allocation for roads and bridges by states in 2024-25 (4.3%).
- **Agriculture:** Arunachal Pradesh has allocated 6.7% of its expenditure on agriculture in 2025-26. This is marginally higher than the average allocation for agriculture by states in 2024-25 (6.3%).
- **Irrigation:** Arunachal Pradesh has allocated 4.3% of its expenditure on irrigation in 2025-26. This is higher than the average allocation for irrigation by states in 2024-25 (3.4%).



Note: 2023-24, 2024-25 (BE), 2024-25 (RE), and 2025-26 (BE) figures are for Arunachal Pradesh.

Sources: Annual Financial Statement, Arunachal Pradesh Budget Documents 2025-26; various state budgets; PRS.

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

Annexure 2: Comparison of 2023-24 Budget Estimates and Actuals

The following tables compare the actuals of 2023-24 with budget estimates for that year.

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

Particular	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
Net Receipts (1+2)	26,168	27,447	5%
1. Revenue Receipts (a+b+c+d)	26,158	27,441	5%
a. Own Tax Revenue	2,565	2,798	9%
b. Own Non-Tax Revenue	848	901	6%
c. Share in central taxes	17,947	19,845	11%
d. Grants-in-aid from the Centre	4,798	3,897	-19%
2. Non-Debt Capital Receipts	10	6	-40%
3. Borrowings	3,490	3,775	8%
Of which central capex loans	1,757	2,363	35%
Net Expenditure (4+5+6)	28,683	29,031	1%
4. Revenue Expenditure	23,095	20,564	-11%
5. Capital Outlay	5,584	8,464	52%
6. Loans and Advances	4	3	-21%
7. Debt Repayment	830	565	-32%
Revenue Balance	3,063	6,877	125%
Revenue Balance (as % of GSDP)	8.09%	14.3%	
Fiscal Deficit	2,515	1,585	-37%
Fiscal Deficit (as % of GSDP)	6.64%	3.3%	

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

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

Tax Source/Head	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
State Excise	242	211	-13%
Stamps Duty and Registration Fees	14	23	68%
Sales Tax/ VAT	288	516	79%
Taxes on Vehicles	40	77	93%
Land Revenue	22	46	108%
State GST	523	1,923	268%

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

Table 9: Allocation towards Key Sectors

Sector	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
Housing	376	193	-49%
Urban Development	1,186	874	-26%
Agriculture and Allied Activities	2,179	1,685	-23%
Police	1,319	1,408	7%
Water Supply and Sanitation	1,214	1,300	7%
Energy	2,158	2,343	9%
Health and Family Welfare	1,500	1,683	12%
Education, Sports, Arts, and Culture	2,838	3,197	13%
Social Welfare and Nutrition	951	1,165	22%
Transport	3,475	5,323	53%
of which Roads and Bridges	3,272	5,094	56%
Rural Development	946	1,464	55%
Irrigation and Flood Control	631	980	55%
Welfare of SC, ST, OBC, and Minorities	0	15	-

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