

# Nagaland Budget Analysis 2025-26

The Chief Minister of Nagaland, Mr. Neiphiu Rio, presented the Budget for the state for the financial year 2025-26 on March 6, 2025.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Nagaland for 2025-26 (at current prices) is projected to be Rs 45,020 crore, amounting to a growth of 12% over 2024-25.
- **Expenditure (excluding debt repayment)** in 2025-26 is estimated to be Rs 20,096 crore, a decrease of 2% from the revised estimates of 2024-25. In addition, debt of Rs 4,603 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2025-26 are estimated to be Rs 18,746 crore, an increase of 9% as compared to the revised estimate of 2024-25.
- **Revenue surplus** in 2025-26 is estimated to be 3.6% of GSDP (Rs 1,618 crore), as compared to a revenue surplus of 2.7% of GSDP (Rs 1,102 crore) at the revised estimate stage in 2024-25.
- **Fiscal deficit** for 2025-26 is targeted at 3% of GSDP (Rs 1,350 crore). In 2024-25, as per the revised estimates, fiscal deficit is expected to be 8.1% of GSDP, more than double the budgeted 3% of GSDP.

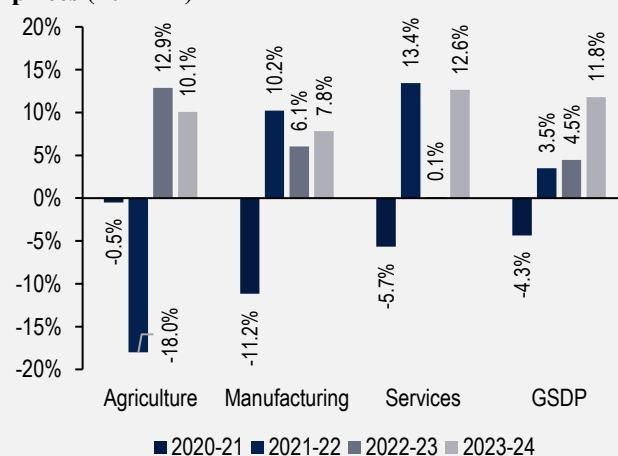
## Policy Highlights

- **Skilling and employment:** Under the Nagaland Skill Mission, the government will train and provide employment to 5,000 young persons of the state in sectors such as hospitality, tourism, healthcare and logistics. To promote financial independence, young persons will be provided loans backed by government guarantees. Under the Nagaland Tourism, Hospitality, and Transport Scheme concessional loans will be given to entrepreneurs to set up 500 homestays and 200 tourist transport vehicles. The scheme has been allocated an outlay of five crore rupees. Rs 2.5 crore has also been allocated to the Drone Training and Logistics Programme, to skill young persons in drone operations.
- **Chief Minister's Fellowship Programme:** The government has allocated Rs 2.5 crore towards this programme, to build a cadre of development professionals for Nagaland. Further, two crore rupees have been allocated for capacity development of public servants and officials of local bodies.
- **Living Morung Initiative:** The government has launched the Living Morung initiative to preserve the state's culture, traditions, and knowledge system. Five crore rupees have been allocated for the initiative.
- **Renewable energy:** To encourage rooftop solar installations, the government has launched the Nagaland Solar Power Mission with an allocation of Rs 10 crore. Consumers will be given a state subsidy of Rs 20,000 per kW (up to a maximum of Rs 50,000).

## Nagaland's Economy

- **GSDP:** In 2023-24, Nagaland's GSDP (at constant prices) is estimated to grow by 11.8% 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 28%, 11%, and 61% of Nagaland's economy, respectively (at current prices).
- **Per capita GSDP:** In 2023-24, Nagaland's per capita GSDP (at current prices) is estimated to be Rs 1,79,379, an increase of 12% over 2022-23. In 2023-24, India's per capita GDP is estimated to be Rs 2,15,935.

**Figure 1: Growth in Nagaland'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 20,096 crore. This is a decrease of 2% from the revised estimate of 2024-25. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 18,746 crore and net borrowings of Rs 1,500 crore. Total receipts for 2025-26 (other than borrowings) are expected to be 9% higher than the revised estimate of 2024-25.
- The state estimates a **revenue surplus** of 3.6% of GSDP (Rs 1,618 crore) in 2025-26, as compared to a revenue surplus of 2.7% of GSDP at the revised estimate stage of 2024-25.
- **Fiscal deficit** for 2025-26 is targeted at 3.0% of GSDP (Rs 1,350 crore), lower than the revised estimates for 2024-25 (8.1% of GSDP). For 2025-26, states' fiscal deficit limit has been fixed at 3.5% of GSDP, of which 0.5% of GSDP is linked to the state undertaking power sector reforms.

**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	21,319	23,728	24,768	4%	24,699	-0.3%
(-) Repayment of debt	3,377	4,243	4,237	-0.1%	4,603	9%
<b>Net Expenditure (E)</b>	<b>17,943</b>	<b>19,485</b>	<b>20,531</b>	<b>5%</b>	<b>20,096</b>	<b>-2%</b>
Total Receipts	22,237	23,978	24,285	1%	24,849	2%
(-) Borrowings	6,079	5,943	7,036	18%	6,103	-13%
of which central capex loans*	973	-	1,618	-	-	-
<b>Net Receipts (R)</b>	<b>16,158</b>	<b>18,035</b>	<b>17,249</b>	<b>-4%</b>	<b>18,746</b>	<b>9%</b>
<b>Fiscal Deficit (E-R)</b>	<b>1,784</b>	<b>1,450</b>	<b>3,283</b>	<b>126%</b>	<b>1,350</b>	<b>-59%</b>
as % of GSDP	4.3%	3.0%	8.1%		3.0%	
<b>Revenue Surplus</b>	<b>1,335</b>	<b>1,141</b>	<b>1,102</b>	<b>-3%</b>	<b>1,618</b>	<b>47%</b>
as % of GSDP	3.2%	2.4%	2.7%		3.6%	
<b>Primary Deficit</b>	<b>716</b>	<b>82</b>	<b>2,089</b>	<b>2433%</b>	<b>23</b>	<b>-99%</b>
as % of GSDP	1.7%	0.2%	5.2%		0.1%	
GSDP	41,222	48,375	40,369	-17%	45,020	12%

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.

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

## Expenditure in 2025-26

- **Revenue expenditure** for 2025-26 is proposed to be Rs 17,127 crore, a 6% increase 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 2,969 crore, a decrease of 32% from the revised estimate of 2024-25. Capital outlay indicates the expenditure towards creation of assets. In 2024-25, the state is estimated to spend Rs 4,386 crore on capital outlay, which is 69% higher than the budget estimate. The revised estimate for capital outlay on social welfare and nutrition is 20 times higher than budgeted, 13 times higher on police and four times higher on energy.
- In 2025-26, loans and advances by the state are expected to be Rs 57 lakh, similar to the revised estimate of 2024-25.

### Quality of capital expenditure

Capital outlay of states is directed towards projects that add to the state's assets. In 2024, the Comptroller and Auditor General (CAG) observed that in Nagaland, Rs 963 crore of capital expenditure remained blocked due to non-completion of projects. As on March 31, 2023, 311 projects in the state remained incomplete. The CAG noted that blocking of funds on incomplete projects affects the quality of capital expenditure negatively, and deprives the state of intended benefits. Further, it observed that delay in completion increases the risk of cost overrun.

Source: CAG State Finances Audit Report (2024); PRS.

**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	14,820	16,893	16,145	-4%	17,127	6%
Capital Outlay	3,123	2,591	4,386	69%	2,969	-32%
Loans given by the state	0.4	0.6	0.6	0%	0.6	0%
<b>Net Expenditure</b>	<b>17,943</b>	<b>19,485</b>	<b>20,531</b>	<b>5%</b>	<b>20,096</b>	<b>-2%</b>

Sources: Annual Financial Statement, Nagaland 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, Nagaland is estimated to spend Rs 12,728 crore on committed expenditure, which is 68% of its estimated revenue receipts. This comprises spending on salaries (40% of revenue receipts), pension (21%), and interest payments (7%). In 2023-24, as per actual figures, 67% 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	6,661	7,253	7,008	-3%	7,529	7%
Pension	3,102	3,557	3,416	-4%	3,872	13%
Interest payment	1,068	1,367	1,193	-13%	1,327	11%
<b>Total</b>	<b>10,831</b>	<b>12,177</b>	<b>11,618</b>	<b>-5%</b>	<b>12,728</b>	<b>10%</b>

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

**Sector-wise expenditure:** The sectors listed below account for **57%** of the total expenditure on sectors by the state in 2025-26. A comparison of Nagaland's expenditure on key sectors with that by other states is shown in Annexure 1.

**Table 4: Sector-wise expenditure under Nagaland 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
Education, Sports, Arts, and Culture	2,466	2,712	2,838	2,867	1%
Police	1,942	1,947	2,143	1,987	-7%
Agriculture and Allied Activities	1,074	1,362	1,310	1,337	2%
Health and Family Welfare	877	957	969	1,019	5%
Roads and Bridges	1,268	742	1,696	1,007	-41%
Rural Development	722	1,452	655	953	46%
Energy	909	845	871	905	4%
Social Welfare and Nutrition	564	482	859	529	-38%
Urban Development	655	515	773	459	-41%
Housing	450	260	263	326	24%
<b>% of total expenditure on all sectors</b>	<b>61%</b>	<b>58%</b>	<b>60%</b>	<b>57%</b>	

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

## Receipts in 2025-26

- **Total revenue receipts** for 2025-26 are estimated to be Rs 18,744 crore, an increase of 9% over the revised estimate of 2024-25. Of this, Rs 2,472 crore (13%) will be raised by the state through its **own resources**, and Rs 16,272 crore (87%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (43% of revenue receipts) and grants (44% of revenue receipts).
- **Devolution:** In 2025-26, the state's share in central taxes is estimated at Rs 8,094 crore, an increase of 11% over the revised estimate of 2024-25. Nagaland is estimated to receive 0.57% of net proceeds of Union Taxes and Duties as per the 2025-26 budget estimates.
- **Grants from the centre** in 2025-26 are estimated at Rs 8,178 crore, an increase of 9% over the revised estimates for 2024-25.
- **State's own tax revenue:** Nagaland's total own tax revenue is estimated to be Rs 1,878 crore in 2025-26, an increase of 5% over the revised estimate of 2024-25. Own tax revenue as a percentage of GSDP is estimated at 4.2% in 2025-26, lower than the revised estimates for 2024-25. As per the actual figures for 2023-24, own tax revenue as a percentage of GSDP was 3.9%.

**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	1,598	1,787	1,791	0.2%	1,878	5%
State's Own Non-Tax	678	464	621	34%	594	-4%
Share in Central Taxes	6,427	6,941	7,322	6%	8,094	11%
Grants-in-aid from Centre	7,452	8,843	7,513	-15%	8,178	9%
<b>Revenue Receipts</b>	<b>16,155</b>	<b>18,034</b>	<b>17,247</b>	<b>-4%</b>	<b>18,744</b>	<b>9%</b>
Non-debt Capital Receipts	3	2	2	1%	2	0%
<b>Net Receipts</b>	<b>16,158</b>	<b>18,035</b>	<b>17,249</b>	<b>-4%</b>	<b>18,746</b>	<b>9%</b>

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

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

- In 2025-26, **State GST** is estimated to be the largest source of own tax revenue (67% share). State GST revenue is estimated to increase by 4% over revised estimate of 2024-25.
- Revenue from Sales tax/ VAT in 2025-26 is expected to be 8% higher than the revised estimate stage of 2024-25. Revenue from Taxes on Vehicles is estimated to be 5% higher in 2025-26 as compared to 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
State GST	1,063	1,224	1,210	-1%	1,263	4%
Sales Tax/ VAT	266	300	302	1%	325	8%
Taxes on Vehicles	198	190	200	5%	210	5%
Taxes and Duties on Electricity	8	8	8	0%	9	3%
State Excise	5	5	5	0%	5	3%
Stamps Duty and Registration Fees	4	4	4	0%	4	3%
Land Revenue	1	1	1	0%	1	0%

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

### Measures for better tax administration

In 2025-26, Nagaland's own tax revenue is estimated to be 4.2% of its GSDP. In 2024-25, states had estimated to have an average own tax to GSDP ratio of 7%. In the budget speech, the Chief Minister noted that there is room for increasing the state's own tax revenue. He urged citizens to demand GST cash memos for all transactions to prevent leakages and curb tax evasion. A dedicated research wing within the State Taxes Department will also analyse tax data to detect evasion patterns and optimise revenue collection.

Source: Budget Speech, Nagaland Budget Documents; PRS.

## Deficits, Debt, and FRBM Targets for 2025-26

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

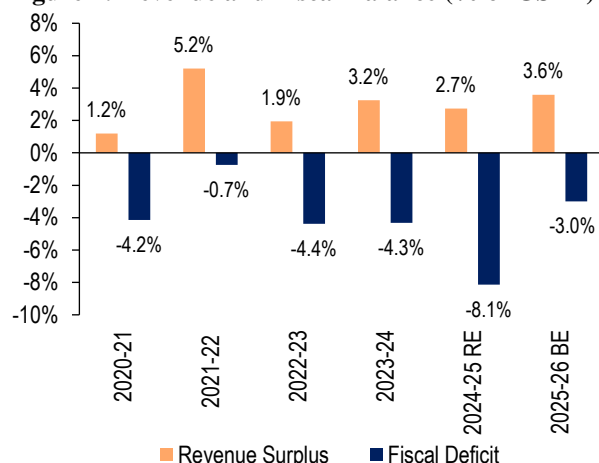
**Revenue balance:** It is the difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance those expenses which do not increase its assets or reduces its liabilities. Nagaland's budget estimates a revenue surplus of Rs 1,618 crore (or 3.6% of the GSDP) in 2025-26.

**Fiscal deficit:** It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2025-26, the fiscal deficit is estimated to be 3.0% 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 contingent on the states undertaking certain power sector reforms.

As per the revised estimates, in 2024-25, the fiscal deficit of the state is expected to be 8.1% of GSDP. This is more than double the budget estimate of 3.0% of GSDP.

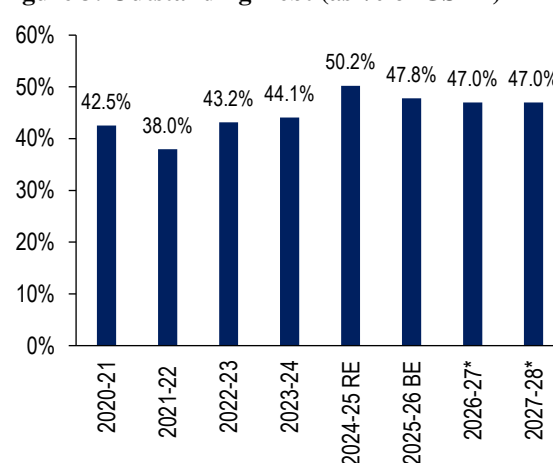
**Outstanding liabilities:** Outstanding liabilities is the accumulation of total borrowings at the end of a financial year. At the end of 2025-26, the outstanding debt is estimated to be 48% of GSDP, lower than the revised estimate for 2024-25 (50% of GSDP). The increase in liabilities in 2024-25 could be due to increase in special assistance loans for capital expenditure from centre and higher market borrowings.

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



Note: RE is Revised Estimates; BE is budget estimates. For 2026-27 and 2027-28, fiscal deficit is projected to be 3% of GSDP. Projections for revenue balance are not provided. Sources: Medium Term Fiscal Policy, Nagaland 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, Nagaland Budget Documents 2025-26; PRS.

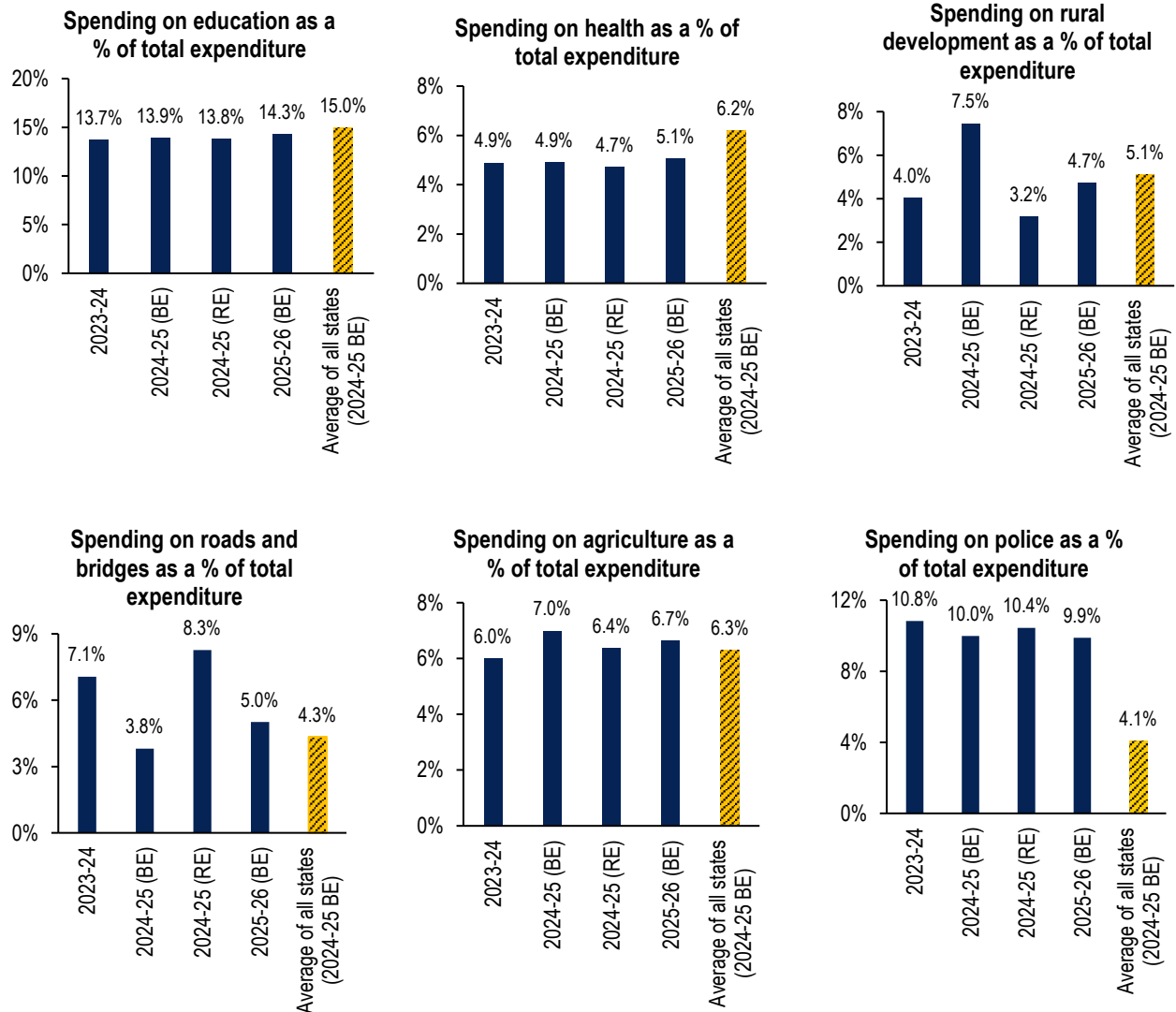
**Outstanding Government Guarantees:** Outstanding debt of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As of March 31, 2024, the state's outstanding guarantees are estimated to be Rs 243 crore, which is 0.6% of Nagaland's GSDP (2023-24).

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## Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Nagaland'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 Nagaland) as per their budget estimates of 2024-25.<sup>1</sup>

- **Education:** Nagaland has allocated 14.3% of its expenditure on education in 2025-26. This is marginally lower than the average allocation for education by states in 2024-25 (15%).
- **Health:** Nagaland has allocated 5.1% 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:** Nagaland has allocated 4.7% 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:** Nagaland has allocated 5% of its expenditure towards 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:** Nagaland 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%).
- **Police:** Nagaland has allocated 9.9% of its expenditure on police in 2025-26. This is significantly higher than the average allocation for police by states in 2024-25 (4.1%).



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

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

<sup>1</sup> 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
<b>Net Receipts (1+2)</b>	<b>15,783</b>	<b>16,158</b>	<b>2%</b>
1. Revenue Receipts (a+b+c+d)	15,781	16,155	2%
a. Own Tax Revenue	1,570	1,598	2%
b. Own Non-Tax Revenue	381	678	78%
c. Share in central taxes	5,812	6,427	11%
d. Grants-in-aid from the Centre	8,019	7,452	-7%
2. Non-Debt Capital Receipts	2	3	98%
3. Borrowings	7,363	6,079	-17%
Of which central capex loans	-	973	-
<b>Net Expenditure (4+5+6)</b>	<b>16,904</b>	<b>17,943</b>	<b>6%</b>
4. Revenue Expenditure	15,100	14,820	-2%
5. Capital Outlay	1,803	3,123	73%
6. Loans and Advances	1	0.4	-38%
7. Debt Repayment	6,182	3,377	-45%
<b>Revenue Balance</b>	<b>682</b>	<b>1,335</b>	<b>96%</b>
Revenue Balance (as % of GSDP)	1.8%	3.2%	
<b>Fiscal Deficit</b>	<b>1,121</b>	<b>1,784</b>	<b>59%</b>
Fiscal Deficit (as % of GSDP)	3.0%	4.3%	

Source: Nagaland 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
Sales Tax/ VAT	290	266	-8%
Land Revenue	1	1	-3%
State GST	1,075	1,063	-1%
Taxes and Duties on Electricity	7	8	13%
Stamps Duty and Registration Fees	3	4	34%
State Excise	3	5	40%
Taxes on Vehicles	135	198	47%

Source: Nagaland Budget Documents of various years; PRS.

**Table 9: Allocation towards Key Sectors**

Sector	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
Welfare of SC, ST, OBC, and Minorities	53	43	-19%
Health and Family Welfare	997	877	-12%
Education, Sports, Arts, and Culture	2,722	2,466	-9%
Rural Development	789	722	-8%
Agriculture and Allied Activities	1,108	1,074	-3%
Police	1,910	1,942	2%
Water Supply and Sanitation	191	206	7%
Energy	788	909	15%
Social Welfare and Nutrition	486	564	16%
Irrigation and Flood Control	121	155	29%
Transport	840	1,375	64%
of which Roads and Bridges	738	1,268	72%
Urban Development	223	655	194%
Housing	113	450	298%

Source: Nagaland Budget Documents of various years; PRS.