

Sikkim Budget Analysis 2025-26

The Chief Minister of Sikkim, Mr. Prem Singh Tamang, presented the Budget for the state for the financial year 2025-26 on March 26, 2025.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Sikkim for 2025-26 (at current prices) is projected to be Rs 57,000 crore, amounting to growth of 8% over the budgeted estimates of 2024-25 (Rs 52,555 crore).
- **Expenditure (excluding debt repayment)** in 2025-26 is estimated to be Rs 15,535 crore, an increase of 9% from the revised estimates of 2024-25 (Rs 14,265 crore). In addition, debt of Rs 661 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2025-26 are estimated to be Rs 12,232 crore, an increase of 11% as compared to the revised estimates of 2024-25 (Rs 11,038 crore).
- **Revenue surplus** in 2025-26 is estimated to be Rs 1,203 crore (2.1% of GSDP), as compared to a revenue surplus of Rs 1,068 crore at the revised estimate stage in 2024-25.
- **Fiscal deficit** for 2025-26 is targeted at Rs 3,303 crore (5.8% of GSDP). In 2024-25, as per the revised estimates, fiscal deficit is expected to be Rs 3,226 crore (6.1% of GSDP).

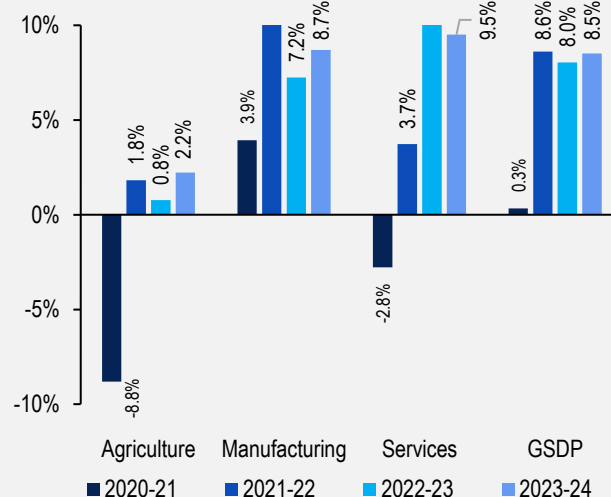
Policy Highlights

- **Golden Jubilee Integrated Cultural and Sports Village:** The state government will establish a sports complex with modern infrastructure and coaching facilities across disciplines. The complex will also include residential facilities for coaches and athletes.
- **Power to all households:** Under the Sikkim Power Sector Development Project, the Sikkim government will provide 24*7 power to all households, industries, and commercial establishments in the state. Rs 1,608 crore has been allocated for this initiative. It aims to make the state renewable power ready.

Sikkim's Economy

- **GSDP:** In 2023-24, Sikkim's GSDP (at constant prices) is estimated to grow by 8.5% 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 8%, 62%, and 30% of Sikkim's economy, respectively (at current prices).
- **Per capita GSDP:** In 2023-24, Sikkim's per capita GSDP (at current prices) is estimated to be Rs 7,07,181, an increase of 14.7% 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 Sikkim'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 15,535 crore. This is an increase of 9% from the revised estimate of 2024-25. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 12,232 crore and net borrowings of Rs 3,048 crore. Total receipts for 2025-26 (other than borrowings) are expected to register an increase of 11% over the revised estimates of 2024-25.
- The state estimates a **revenue surplus** of 1,203 crore (2.1% of GSDP) in 2025-26, as compared to a revenue surplus of Rs 1,068 crore at the revised estimate stage of 2024-25.
- **Fiscal deficit** for 2025-26 is Rs 3,303 crore (5.8% of GSDP), 2% higher than the revised estimates for 2024-25 (Rs 3,226 crore). In 2025-26, states' fiscal deficit limit has been fixed at 3.5% of GSDP, of which 0.5% of GSDP will be linked to states 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	11,178	14,003	14,678	5%	16,196	10%
(-) Repayment of debt	296	414	414	0%	661	60%
Net Expenditure (E)	10,882	13,589	14,265	5%	15,535	9%
Total Receipts	11,137	14,025	14,812	6%	15,940	8%
(-) Borrowings	2,785	3,275	3,774	15%	3,709	-2%
Net Receipts (R)	8,352	10,749	11,038	3%	12,232	11%
Fiscal Deficit (E-R)	2,530	2,840	3,226	14%	3,303	2%
as % of GSDP	5%	5.4%	6.1%	-	5.8%	-
Revenue Surplus	131	499	1,068	114%	1,203	213%
as % of GSDP	0.3%	1%	2%	-	2.1%	-
Primary Deficit	1,706	1,921	2,296	20%	2,231	-3%
as % of GSDP	3.5%	3.7%	4.4%	-	3.9%	-
GSDP	48937	52,555	52,586	-	57,000	8%

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, Sikkim Budget Documents 2025-26; PRS.

Expenditure in 2025-26

- **Revenue expenditure** for 2025-26 is proposed to be Rs 11,028 crore, an increase of 11% over the revised estimates of 2024-25 (Rs 9,970 crore). This includes the expenditure on salaries, pension, interest, grants, and subsidies.
- **Capital outlay** for 2025-26 is proposed to be Rs 4,505 crore, an increase of 5% from the revised estimates of 2024-25 (Rs 4,293 crore). Capital outlay indicates the expenditure towards creation of assets.
- In 2025-26, loans and advances by the state are expected to be Rs 1.4 crore, similar to the revised estimates 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	8,221	10,250	9,970	-3%	11,028	11%
Capital Outlay	2,661	3,338	4,293	29%	4,505	5%
Loans given by the state	0.6	1.4	1.4	0%	1.4	0%
Net Expenditure	10,882	13,589	14,265	5%	15,535	9%

Sources: Annual Financial Statement, Sikkim 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, Sikkim is estimated to spend Rs 6,866 crore on committed expenditure, which is 56% of its estimated revenue receipts. This comprises spending on salaries (33% of revenue receipts), pension (14%), and interest payments (9%). In 2023-24, as per actual figures, 63% of revenue receipts has been 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	3,104	3,654	3,629	-1%	4,032	11%
Pension	1,301	1,513	1,405	-7%	1,762	25%
Interest payment	824	918	930	1%	1,071	15%
Total	5,228	6,085	5,964	-2%	6,866	15%

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

Sector-wise expenditure: The sectors listed below account for **52%** of the total expenditure on sectors by the state in 2025-26. A comparison of Sikkim's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Sikkim 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	1,863	1,994	2,134	2,256	6%
Agriculture and Allied Activities	668	906	904	1,094	21%
Roads and Bridges	730	838	859	1,063	24%
Energy	502	619	966	960	-1%
Health and Family Welfare	733	805	841	778	-8%
Police	536	618	607	633	4%
Social Welfare and Nutrition	395	651	748	511	-32%
Rural Development	304	418	418	477	14%
Urban Development	459	246	484	331	-32%
% of total expenditure on all sectors	57%	52%	56%	52%	

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

Receipts in 2025-26

- **Total revenue receipts** for 2025-26 are estimated to be Rs 12,231 crore, an increase of 11% over the revised estimate of 2024-25. Of this, Rs 3,083 crore (25%) will be raised by the state through its **own resources**, and Rs 9,148 crore (75%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (45% of revenue receipts) and grants (30% of revenue receipts).
- **Devolution:** In 2025-26, the state's share in central taxes is estimated at Rs 5,519 crore, an increase of 9% over the revised estimates of 2024-25 (Rs 5,051 crore).
- **Grants from the centre** in 2025-26 are estimated at Rs 3,629 crore, an increase of 20% over the revised estimates for 2024-25 (Rs 11,038 crore).
- **State's own tax revenue:** Sikkim's total own tax revenue is estimated to be Rs 2,076 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 3.6% in 2025-26, lower than the revised estimates for 2024-25 (3.8% of GSDP). As per the actual figures for 2023-24, own tax revenue as a percentage of GSDP was 3.6%.

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	1,748	2,164	1,987	-8%	2,076	5%
State's Own Non-Tax	874	927	988	7%	1,007	2%
Share in Central Taxes	4,285	4,839	5,051	4%	5,519	9%
Grants-in-aid from Centre	1,443	2,819	3,012	7%	3,629	20%
Revenue Receipts	8,351	10,749	11,038	3%	12,231	11%
Non-debt Capital Receipts	0.39	0.33	0.33	0%	0.33	0%
Net Receipts	8,352	10,749	11,038	2.7%	12,232	11%

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

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

- In 2025-26, **State GST** is estimated to be the largest source of own tax revenue (54% share). State GST revenue is estimated to increase by 8% over the revised estimates of 2024-25. The revised estimates of 2024-25 were 18% lower than the budgeted estimates.
- Revenue from state excise is estimated to be 13% higher in 2025-26 over the revised estimates of 2024-25.
- Revenue from Sales tax/ VAT in 2025-26 is expected to be 30% lower than the revised estimate stage 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
State GST	966	1,265	1,038	-18%	1,117	8%
State Excise	372	450	500	11%	567	13%
Sales Tax/ VAT	238	250	250	0%	175	-30%
Taxes on Vehicles	52	73	73	0%	86	18%
Stamps Duty and Registration Fees	39	28	28	0%	27	-4%
Land Revenue	18	27	27	0%	25	-8%

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

Deficits, Debt, and FRBM Targets for 2025-26

The Sikkim Fiscal Responsibility and Budget Management Act, 2010 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 1,203 crore (or 2.1% of the GSDP) in 2025-26.

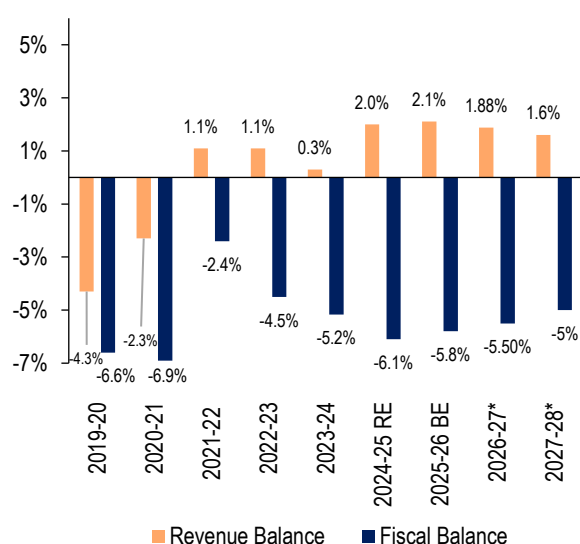
Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2025-26, the fiscal deficit is estimated to be 5.8% of GSDP. For 2025-26, the central government has permitted fiscal deficit 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 6.1% of GSDP.

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 38.2% of GSDP, higher than the revised estimates for 2024-25 (35.1% of GSDP).

As per Sikkim's Medium Term Fiscal Policy document, the indicated debt to GSDP for 2025-26 by the Finance Commission was at 27.9% of GSDP. As of March 2025, the outstanding debt-GSDP is estimated at 38.2%. The outstanding debt to GSDP ratio has exceeded the limit due to additional borrowing since 2021-22 on account of 50-year Interest free loan for Capital Investment and Pension Funding adjustment.

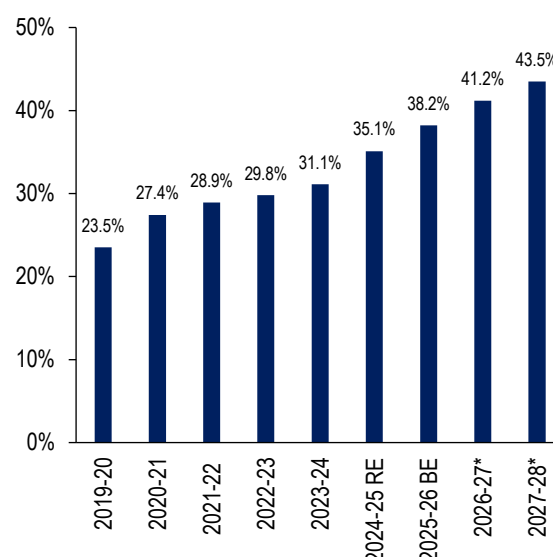
Figure 2: Revenue and Fiscal Balance (% of GSDP)



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, Sikkim Budget Documents 2025-26; PRS.

Figure 3: Outstanding Debt (as % of GSDP)



Note: *Figures from 2026-27 onwards are projections. BE is budget estimates. RE is revised estimates.

Sources: Medium Term Fiscal Policy, Sikkim Budget Documents 2025-26; PRS.

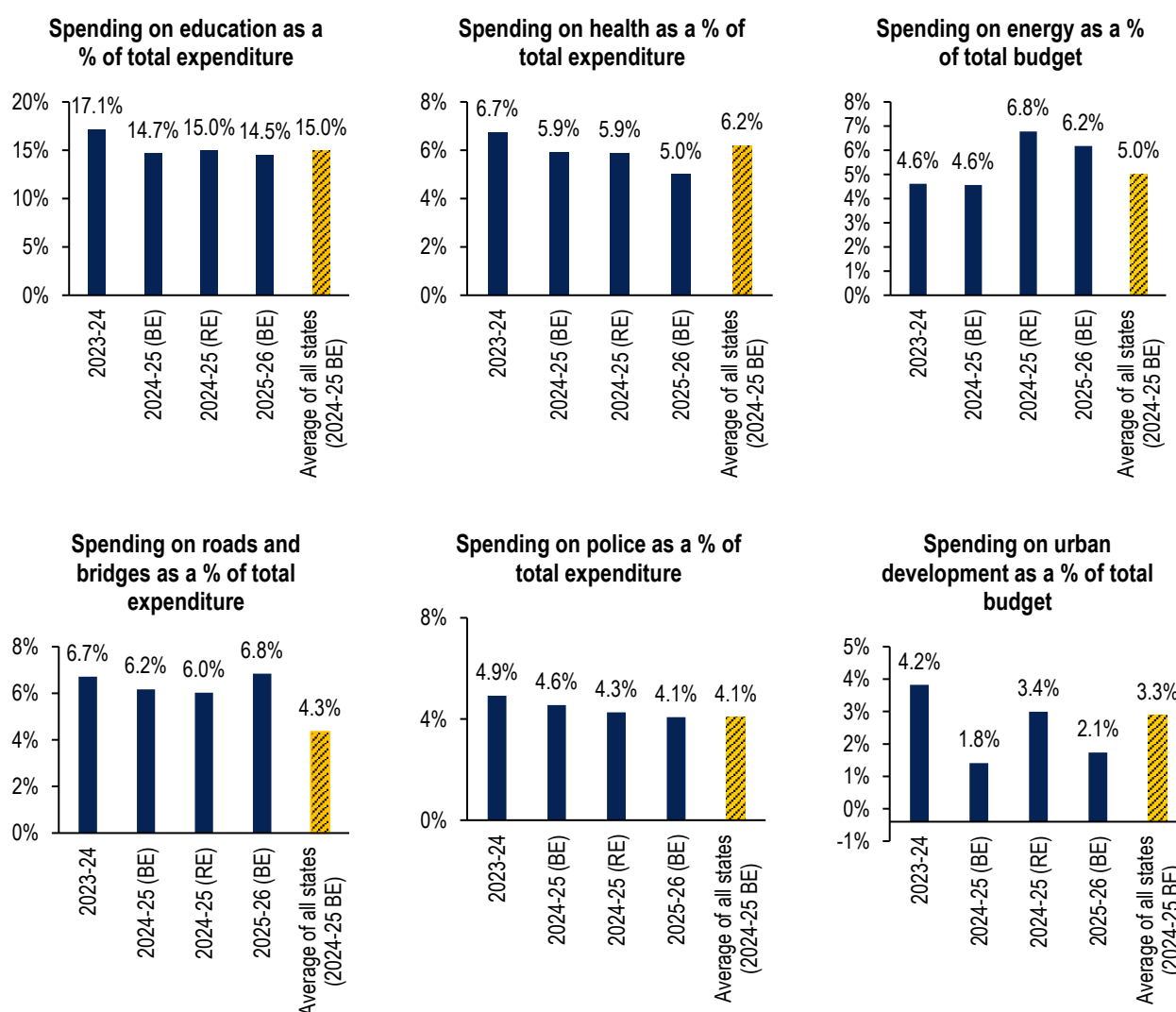
Outstanding Government Guarantees: Outstanding debt of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As of March 31, 2024, the state's outstanding guarantee is estimated to be Rs 4,444 crore (9% of GSDP).

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Sikkim'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 Sikkim) as per their budget estimates of 2024-25.¹

- **Education:** Sikkim has allocated 14.5% of its expenditure on education in 2025-26. This is lower than the average allocation for education by states in 2024-25 (15%).
- **Health:** Sikkim has allocated 5% of its expenditure on health in 2025-26. This is lower than the average allocation for health by states in 2024-25 (6.2%).
- **Energy** Sikkim has allocated 6.2% of its expenditure on energy in 2025-26. This is higher than the average allocation for energy by states in 2024-25 (5%).
- **Roads and bridges:** Sikkim has allocated 6.8% 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%).
- **Police:** Sikkim has allocated 4.1% of its expenditure on police in 2025-26. This is similar to the average allocation for police by states in 2024-25 (4.1%).
- **Urban development:** Sikkim has allocated 2.1% of its expenditure on urban development in 2025-26. This is lower than the average allocation for urban development by states in 2024-25 (3.3%).



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

Sources: Annual Financial Statement, Sikkim 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)	9,363	8,352	-11%
1. Revenue Receipts (a+b+c+d)	9,362	8,351	-11%
a. Own Tax Revenue	1,727	1,748	1%
b. Own Non-Tax Revenue	1,079	874	-19%
c. Share in central taxes	3,963	4,285	8%
d. Grants-in-aid from the Centre	2,593	1,443	-44%
2. Non-Debt Capital Receipts	0.32	0.39	19%
3. Borrowings	2,592	2,785	7%
Net Expenditure (4+5+6)	11,510	10,882	-5%
4. Revenue Expenditure	9,321	8,221	-12%
5. Capital Outlay	2,188	2,661	22%
6. Loans and Advances	1	1	-59%
7. Debt Repayment	296	296	0%
Revenue Surplus	42	131	415%
Revenue Surplus (as % of GSDP)	0.1%	0.3%	404%
Fiscal Deficit	2,147	2,530	18%
Fiscal Deficit (as % of GSDP)	4.54%	5.2%	14%

Source: Sikkim 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	280	238	-15%
Taxes on Vehicles	56	52	-8%
Land Revenue	20	18	-8%
State GST	960	966	1%
State Excise	315	372	18%
Stamps Duty and Registration Fees	27	39	44%

Source: Sikkim 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	262	104	-60%
Irrigation and Flood Control	133	107	-20%
Urban Development	565	459	-19%
Agriculture and Allied Activities	775	668	-14%
Social Welfare and Nutrition	457	395	-14%
Rural Development	345	304	-12%
Police	575	536	-7%
Transport	839	809	-4%
<i>of which Roads and Bridges</i>	<i>756</i>	<i>730</i>	<i>-3%</i>
Education, Sports, Arts, and Culture	1,884	1,863	-1%
Health and Family Welfare	706	733	4%
Energy	469	502	7%
Housing	209	252	21%
Water Supply and Sanitation	194	243	25%

Source: Sikkim Budget Documents of various years; PRS.