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Growth Convergence and Public Finances of India and its States

Rajan Govil and Khyati Chauhan

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Growth Convergence and Public Finances of India and its States
Prepared by Rajan Govil and Khyati Chauhan*

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ABSTRACT: Lack of convergence in per capita income across Indian states requires greater resources for lower-income states for investment and improved public services. Central and state governments need to raise revenue (both tax and non-tax), dismantle the administered pricing mechanism, reduce subsidies, and reorient expenditure toward national and state-level priorities. This is essential to ensure India remains on a sustainable fiscal path with higher growth, given the high public debt at the centre and state level. The observed wide differences in fiscal parameters across states require a tailored policy for each state. The large stock of debt of several states puts at risk the adequate financing of growth-enchancing expenditures.

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WORKING PAPERS

Growth Convergence and Public Finances of India and its States

Prepared by Rajan Govil and Khyati Chauhan[1]

[1] The authors would like to thank Thitipat Chansriniyom for his help in putting together the initial data for this research. The authors are grateful to Rajiv Ranjan and Sangita Misra from the Reserve Bank of India (RBI) on clarifications on the data published in the RBI's State Finances Reports, to Kapil Patidar, Ministry of Finance, Government of India on clarifications on the data published in the central government budget, and to Paul Cashin, Stephan Danninger, Natan Epstein, Harald Finger, Aleš Bulíř, Dinar Prihardini and Saji Thomas for their useful comments and suggestions. The authors also thank Bettina Garcia of IMF – Singapore Regional Training Institute for her excellent work on formatting and editing the paper.

Contents

Glossary

CAGR	Compound Annual Growth Rate
FY	Fiscal Year
FRBM	Fiscal Responsibility and Budget Management
FRL	Fiscal Responsibility Legislation
GSDP	Gross State Domestic Product
GST	Goods and Services tax
J&K	Jammu and Kashmir
MoF	Ministry of Finance
MOSPI	Ministry of Statistics and Programme Implementation
NDE	Non-Development Revenue Expenditure
R&D	Research and development
RBI	Reserve Bank of India
RDE	Revenue Development Expenditure
RE	Revised Estimates
WEO	World Economic Outlook

I. Introduction

We find that low-income states in India have grown slower than high-income states from FY2002 - FY2023 leading to a lack of convergence in per capita income, contrary to neo-classical growth theory predictions.[1] The lack of growth convergence hampers both overall national growth as well as balanced regional growth. From a macroeconomic policy perspective – labor, capital, and technology are mobile across the states, monetary and exchange rate policy as well as other national institutions are common. Fiscal policy remains distinct for each state, and in this study, we evaluate fiscal developments and economic performance across the Indian states and the role of fiscal policy in helping low-income states grow faster to achieve convergence in state per capita income.

The study aims to analyze the broad trends in state revenue, expenditure, fiscal deficit, and public debt. It also assesses fiscal constraints and vulnerabilities and considers policies that are needed to mitigate risks arising from these vulnerabilities and raise overall economic growth in India. We provide a picture of the Indian central government, state governments and the general government fiscal developments over time (FY1991 - FY2023). Individual state finances are analyzed from FY2002 – FY2023.

The paper notes that overall general government revenue has been stagnant over the last three decades at a low of 20% of GDP leading to inadequate availability of resources for development and investment purposes. Expenditure at 30% of GDP has meant a large fiscal deficit of 9.5% of GDP and a public debt of 82% of GDP in FY2023, leaving only some fiscal space. An adverse event could further negatively affect the fiscal situation and lead to fiscal dominance including greater monetization, inflationary pressures, financial repression, and macroeconomic instability.

Indian states combined account for around 60% of total general government (central and states) expenditures amounting to about 18% of GDP in FY2023. The majority of capital expenditure is undertaken at the state level although the gap has narrowed in recent years as some capital expenditure undertaken by state-owned enterprises has been brought on to the central government budget. Fiscal developments at the state level therefore have a substantial bearing on economic developments in each of the states as well as the country as a whole. We find that several of the lower income states have built up a high debt/GDP ratio, leading to their limited ability to increase expenditure on development and investment. Fiscal consolidation is needed although this may come at the cost of slower economic growth.

In addition to the redistribution of revenue through the Finance Commission Awards, the central government has deployed additional schemes, such as the Central Sector Scheme and the Centrally Sponsored Schemes, to support states' development needs, and has recently provided interest-free loans to support states' public investment. Still, we find that states with low per capita income have little fiscal space as they are running large fiscal deficits to meet their capital expenditure requirements and have built up large outstanding liabilities that need to be reduced. The limited resources lead to inadequate spending on public services (such as education, health and investment for public infrastructure) which in turn leads to low growth. This is compounded by the fact that private investments are lower in those states that are unable to provide adequate skilled labor and public infrastructure, leading to a vicious cycle.

[1] In India, the fiscal year (FY) runs from April to March of the following year.

Low-income states therefore need to raise their own revenue as a share of their Gross State Domestic Product (GSDP) and be provided with additional central transfers to enable investment in the necessary infrastructure and public services to escape the low-income trap. Simultaneously, both the central and state governments need to eschew the administered pricing model to raise revenue and reduce subsidies sharply, which will allow states to target expenditure toward investment and provision of improved public services. This will ultimately attract more private investment and achieve higher rates of sustainable growth.

The rest of the paper is organized as follows. Section II describes the data sources, modifications and methodology used. Section III presents the results with analysis. Section IV concludes and provides some implications for economic policies.

II. Data and Methods

A. Data Sources and Basic Statistics of Indian States

India today is a union of 28 states and 8 union territories. However, the number of states and their composition has changed over time most notably due to the division of some larger states into smaller ones, some union territories being designated as states, and vice versa. While states have an elected government for administration, union territories are under the control of an administrator appointed by the president of the country. We chose the period FY2002 to FY2023 for our study as the composition of states and union territories remained broadly stable with only two major changes – first, the state of Andhra Pradesh was divided in June 2014 into the states of Telangana and residuary Andhra Pradesh and second, the state of Jammu and Kashmir was divided into two union territories of Jammu and Kashmir and Ladakh in October 2019.

Data on central government finances came from the budget documents published by the Ministry of Finance (MoF), Government of India while the state government finances data came from the Reserve Bank of India's (RBI) annual publication 'State Finances: A Study of Budgets of 2023 – 24'. While fiscal data for states used in this research are actuals from FY2002-FY2022, the data for FY23 are revised estimates. Data on GDP, each state's GSDP and population were obtained from the Ministry of Statistics and Programme Implementation (MOSPI), Government of India. Some data were supplemented from the RBI's Handbook of Statistics on Indian Economy and the Handbook of Statistics on Indian States.

All national and state GDP and population data were frozen at the levels available from the national sources in early February 2024, immediately after the presentation of the Union Budget for FY2025 by the Minister of Finance that provided the actual fiscal turnout for FY2023. GSDP data for a few states were unavailable for FY2023; we assume that these states experienced the same growth rate as the national GDP to arrive at their FY2023 GSDP numbers. These states included Arunachal Pradesh, Goa, Gujarat, Kerala, Manipur, Mizoram, and Nagaland. Similarly, population estimates were not available for the above-mentioned states and Maharashtra for FY2023, and we assumed that these states experienced the same population growth rate as the national population growth rate to arrive at their population numbers. Nominal and real GDP series were available at the national level with base year 2011 - 12 for the entire period of the study (FY1991 - FY2023). Nominal and real GSDP data for each of the states were converted to a single series with a base year of 2011-12 prices by splicing the various series with different base years.

We classify the states into large and small based on their populations in FY2002. We define large states as those with a population of more than 20 million in FY2002, while the others are classified as small states. The small states had a population of about 10 million or less in FY2002. Many of the smaller states may also necessitate special consideration due to their unique characteristics including the non-viable nature of state finances, hilly and difficult terrain, and low population density. In FY2002, 96.2% of India's population was concentrated in the large states and these accounted for 95.4% of the country's nominal GDP (Table 1).

The large states are further categorized into high-, middle- and low-income states based on their per capita real income (measures in rupees (Rs)) in FY2002 (i) High-Income States, that had a real per capita GSDP over Rs40000: Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab and Tamil Nadu (ii) Middle-Income States, with real per capita GSDP between Rs27000 and Rs40000: Assam, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and West Bengal; and (iii) Low-Income States, with real per capita GSDP less than Rs27000: Bihar and Uttar Pradesh. The two low-income states accounted for 24.7% of the total population of the states in FY2002, which increased to more than a quarter in FY2023.

Table 1. Overview of population, GSDP and real per capita income

States	Population (in million)		Nominal Gross State Domestic Product (in rupees million)		Real per capita income (in rupees) at 2011-12 prices	
	FY2002	**FY2023**	**FY2002**	**FY2023**	**FY2002**	**FY2023**
AT–Combined[2]	76.54	91.1	1839314	26311195	43489	162613
Andhra Pradesh	76.54	53.1	1839314	13177282	43489	142116
Assam	26.87	36.0	442861	4931666	31439	80231
Bihar	84.39	126.0	618576	7513956	13337	35119
Chhattisgarh	20.90	30.0	355107	4576083	35322	96242
Gujarat	51.35	71.0	1366204	22481805	46019	207191
Haryana	21.47	29.8	668110	9941541	59148	203894
Jharkhand	27.27	39.3	454389	3937220	27711	66176
Karnataka	53.32	67.5	1603571	22413684	56402	196448
Kerala	31.97	35.6	981352	10822348	53898	172729
Madhya Pradesh	61.06	86.1	948412	13228208	27353	74653
Maharashtra	97.93	126.3	3215100	35270839	55854	171445
Odisha	37.08	46.2	530963	7748692	28741	100498
Punjab	24.62	32.3	829482	6731071	58226	143088
Rajasthan	57.37	80.7	1049513	14136201	36860	99111
Tamil Nadu	62.74	76.8	1814431	23645141	50373	189321
Telangana	-	38.0	-	13133914	-	191244
Uttar Pradesh	168.45	234.7	2106530	22575751	23285	55591
West Bengal	80.73	98.9	1542363	15549922	35308	86366
Arunachal Pradesh	1.11	1.6	26407	407648	51019	136457
Goa	1.40	1.6	76968	958708	112473	376215
Himachal Pradesh	6.18	7.5	200383	1954046	55321	180566
Jammu and Kashmir[3]	10.29	13.6	232967	2279273	43311	99333
Manipur	2.32	3.6	44114	424719	32171	60638
Meghalaya	2.35	3.4	58599	426971	39921	74936
Mizoram	0.90	1.2	22409	322923	37506	160749

[2] Andhra Pradesh was divided into two separate states of Andhra Pradesh and Telangana in June 2014. 'AT–Combined' gives the aggregated data for Andhra Pradesh and Telangana.

[3] The state of Jammu and Kashmir (J&K) was divided into two union territories – Jammu and Kashmir, and Ladakh in October 2019.

States	Population (in million)		Nominal Gross State Domestic Product (in rupees million)		Real per capita income (in rupees) at 2011-12 prices	
Nagaland	2.04	2.2	39650	370380	28876	88066
Sikkim	0.55	0.7	15460	427562	53230	322806
Tripura	3.20	4.1	65737	726356	28448	104160
Uttarakhand	8.58	11.6	194893	3026207	40950	178738
India	**1040**	**1382.9**	**23152430**	**272407122**	**43610**	**115746**

Source: Ministry of Statistics and Program Implementation (MOSPI), Reserve Bank of India (RBI), and authors' calculations.
Note: '-' implies not applicable.

B. Government Finances

The RBI data on state finances is based on the receipts and expenditure data presented in the budget documents of 31 state governments and union territories with legislature. Data for "All States" refers to the combined data of the states and union territories. Data for "All States" for the years 1990 - 1991 to 2016 - 2017 excludes Union Territories (data for 2000 - 2001 to 2004 - 2005, however, also includes data for Delhi).

In our analysis, we do not analyze the data for Puducherry and Delhi separately. Data for Puducherry in the RBI database are available from FY2006 only. Analysis of data for Delhi may be influenced by the fact that it is the capital of India and certain expenditure that is undertaken by state governments, such as maintenance of law and order, is undertaken in Delhi by the central government instead.

The term 'AT–Combined' refers to the aggregated data for the two states of Andhra Pradesh and Telangana. For FY2020, the state finances data for the state of Jammu and Kashmir (J&K) are available in two parts of FY2020 and have been added to get the FY2020 numbers for comparability with other states/union territories. Data from FY2021 onward pertains to the union territory of J&K and are given on a full year basis.

States' revenue comprises their own revenue (tax and non-tax) and central transfers from the central government that include the states' share in central taxes and grants from the central government. Total expenditure is classified into revenue expenditure and capital expenditure. Revenue expenditure is further broken down into development (social and economic), non-development (mainly interest payments, pensions, and administrative services), and grants made to local bodies (municipalities, etc.). Revenue development expenditure comprises mainly wages and salaries, operations and maintenance and subsidy payments. Capital expenditure includes capital outlays and loans and advances.

The fiscal deficit has been calculated by subtracting total revenue from total expenditure. Primary deficit has been arrived at by excluding interest payments from fiscal deficit. The authorities' definition of fiscal deficit, however, also includes 'Recovery of Loans and Advances' and 'Miscellaneous Capital Receipts' in total revenues; we exclude them as they are transactions in assets and liabilities that do not lead to an increase in net worth. A similar approach has been adopted for calculating the fiscal deficit for the central government.

C. Consolidated General Government Finances

We arrived at the finances of the general government accounts by consolidating the central government finances and the states' combined finances. The tax revenues collected by the central and state governments were added to calculate the total tax revenues. To calculate the total non-tax revenue, we added the non-tax revenues for the central and state governments but excluded interest receipts in the central government's non-tax revenues. This exclusion was made because a large part of the interest received by the central government (we did not have the precise data) is on loans made by the central government to state governments and should cancel out in consolidation.

The central government's revenue expenditure (excluding grants to states) was added to the states combined revenue expenditure, and after excluding further the interest receipts of the central government (which is a part of current expenditure of the state governments), we arrived at the total current expenditure. The total interest expenditure includes those of the central government, state governments combined and exclude interest receipts of the central government for the reason cited earlier. The total capital expenditure was calculated by adding the capital expenditure of the central government and that of the states' combined and subtracting central government loans to states for capital expenditure that are also included in the central government reported capital expenditure. The fiscal deficit of the general government is total expenditures minus total revenues.

Since we do not have all the detailed data for transactions between the central and state governments for a precise consolidation, our data did not exactly match those published by the RBI in their Annual Report. Nevertheless, our numbers are close to actual published numbers (Table 2), and we believe they are useful to draw broad analytical conclusions about the developments in general government finances and their policy implications. Note that general government finances include only the central and state government finances and exclude the finances of local government entities in both the RBI and our calculations.

Table 2. Key fiscal aggregates - authors' calculations and RBI actual data

	Authors' calculations			**RBI Annual Report 2023 - 24**		
	Total Revenue	**Total Expenditure**	**Fiscal Deficit**	**Total Revenue**	**Total Expenditure**	**Fiscal Deficit**
FY2018	20.0	26.2	5.3	19.8	26.4	5.8
FY2019	19.8	26.3	5.6	20.1	26.7	5.8
FY2020	19.0	26.7	7.1	19.2	26.9	7.2
FY2021	18.1	30.8	12.4	18.6	32.0	13.1
FY2022	20.4	29.2	8.5	20.4	30.1	9.5

Source: MOSPI, RBI, MoF, and authors' calculations.

Note: Data available in RBI Annual Report 2023-24 provided actual turnout until FY2022 only.

III. Results

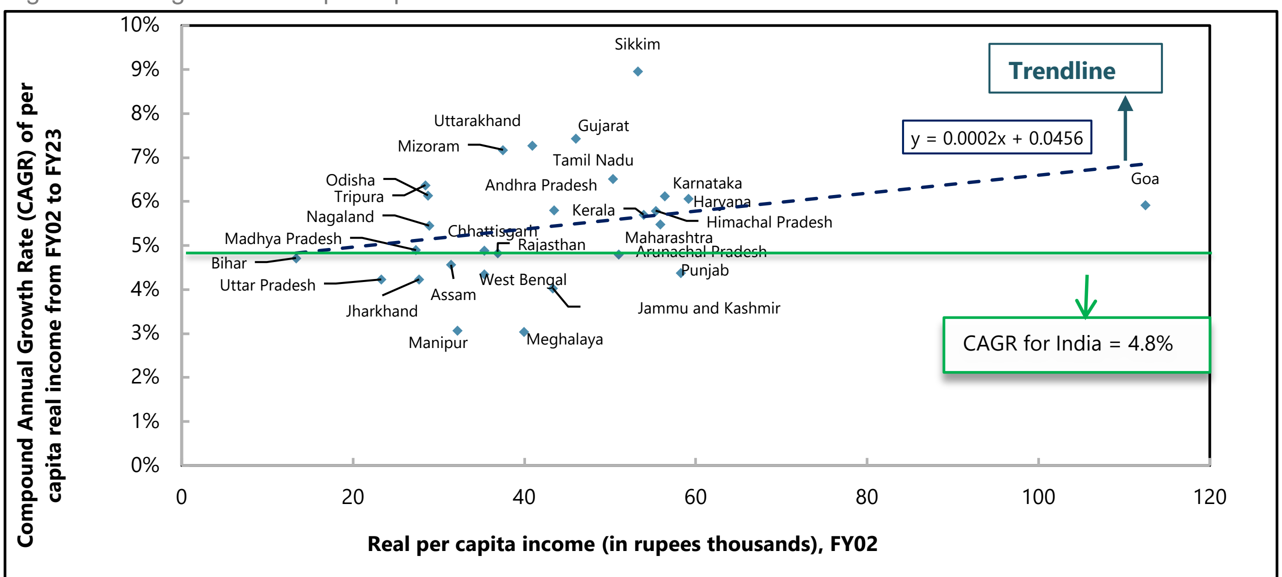
A. Growth Experience Across Indian States, FY2002 – FY2023

The Solow-Swan neoclassical growth model predicts that over time the level of real per capita income converges across regions of any given country assuming there are no restrictions on mobility of labor, capital, and technology across these regions. In the context of states, the model implies that a state with lower real per capita income would have a higher growth rate compared to a state with higher initial real GSDP per capita – this phenomenon is also referred to as growth convergence.

This lack of convergence in state real per capita income conforms with previous studies on Indian state convergence using recent data, for example, Misra et. al (2024) that use recent data for 19 states from 1994-2018. Similarly, Panagariya, et al. (2014) find a lack of convergence in state real per capita income for 15 states for three separate sub-periods 1981-1994, 1994-2004 and 2004-2010. Cashin and Sahay (1995) had however found convergence in state per capita income for the earlier time period 1961-1991 using data on 20 states.

During FY2002 to FY2023, we find that high-income states have grown faster than low-income states (a positive slope of the trendline, Figures 1, 2 and 3) leading to a lack of convergence in income across the states, contrary to our expectations. We would have expected low-income states to grow faster to catch up with the high-income ones leading to greater convergence of per capita income across states as there are no restrictions on labor, capital, and technology mobility across states. A positive slope of 0.0002 between per capita income and CAGR of per capita income indicates that an increase of Rs 1000 in initial per capita income led to an increase of 0.02% in per capita income growth.

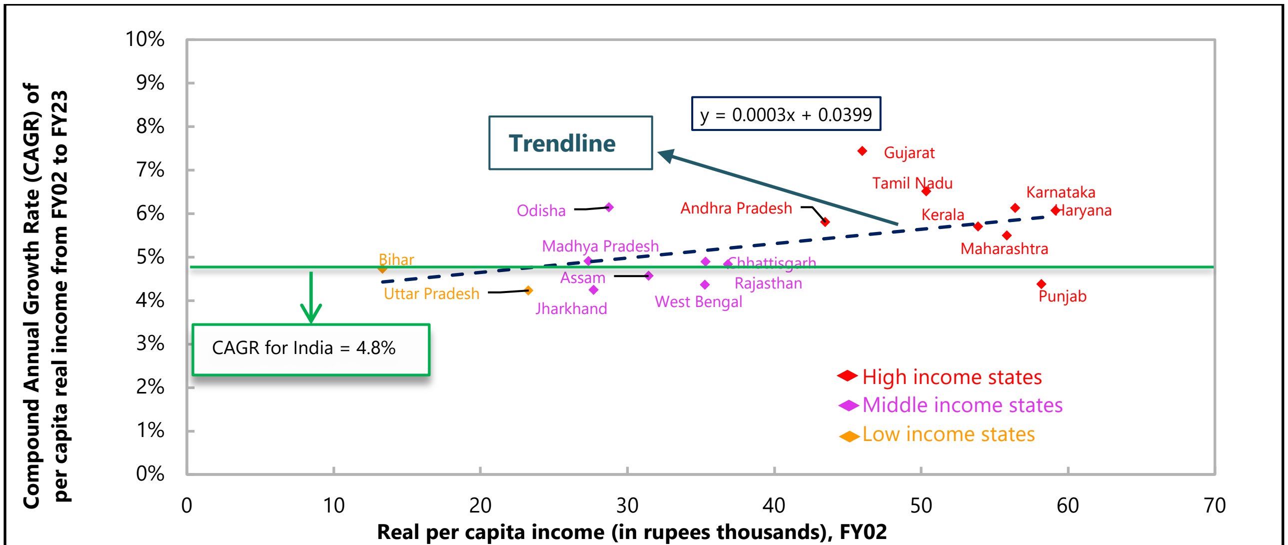
Figure 1. Divergence in real per capita income across all Indian states



Source: Ministry of Statistics and Programme Implementation (MOSPI), Reserve Bank of India (RBI), and authors' calculations.

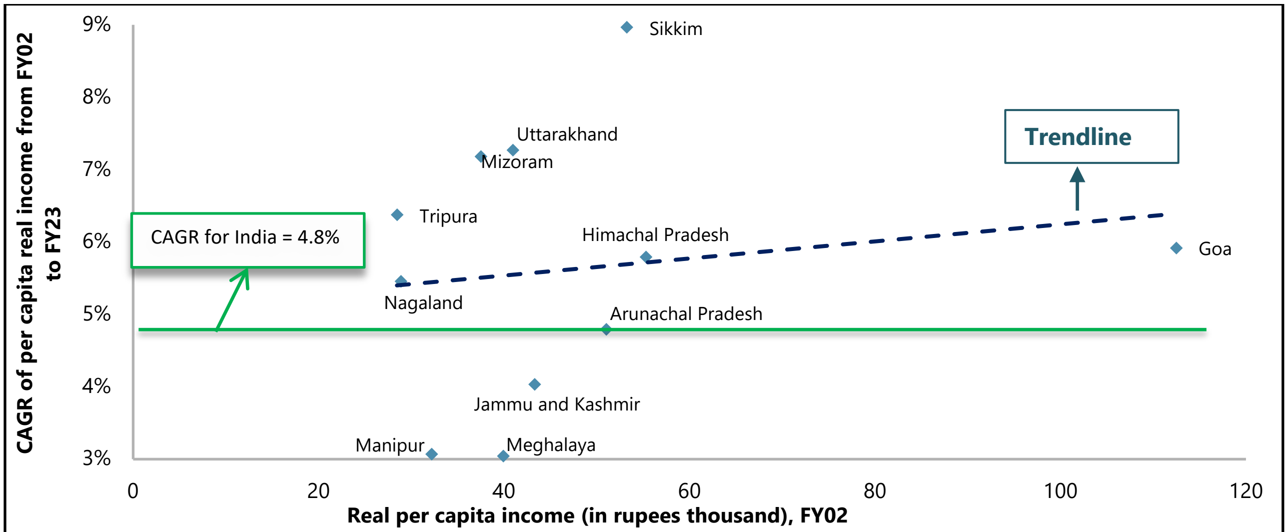
Amongst the large states that accounted for over 96% of India's population in FY2002, seven out of the eight high-income states and one of the middle-income states (Odisha) grew at the fastest pace amongst the 17 large states during FY2002 - FY2023 (Figure 2). During this period, the real GSDP per capita for high-income states, except Punjab, grew at more than India's average per capita GDP growth of 4.8%. Consequently, Punjab dropped from the second spot amongst the high-income states in FY2002 to the last spot in FY2023.

Figure 2. Divergence in real per capita income across large Indian states



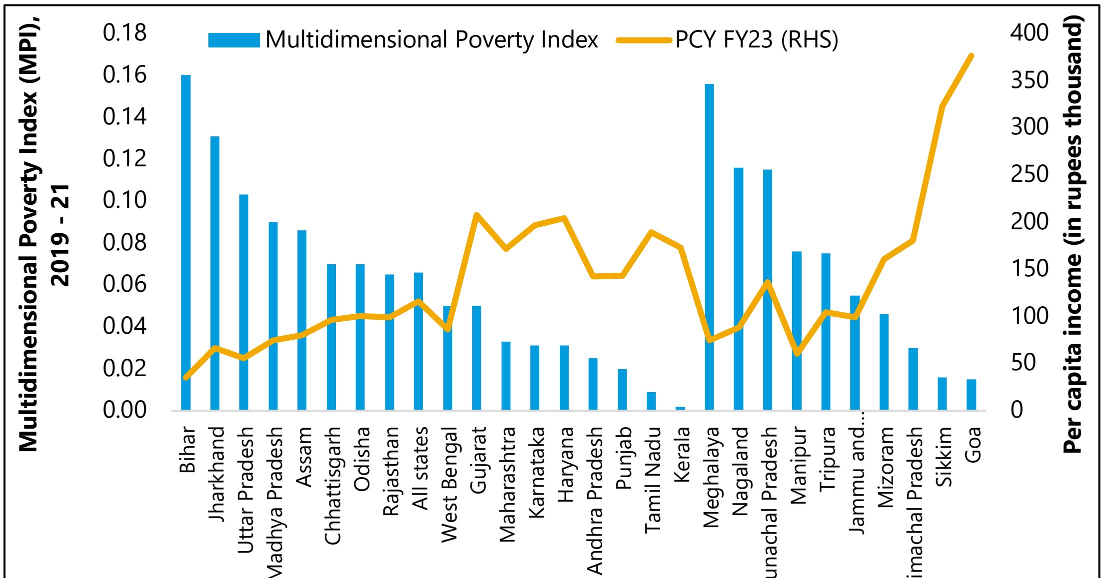
Source: Ministry of Statistics and Programme Implementation (MOSPI), authors' calculations.

Figure 3. Divergence in real per capita income across small states



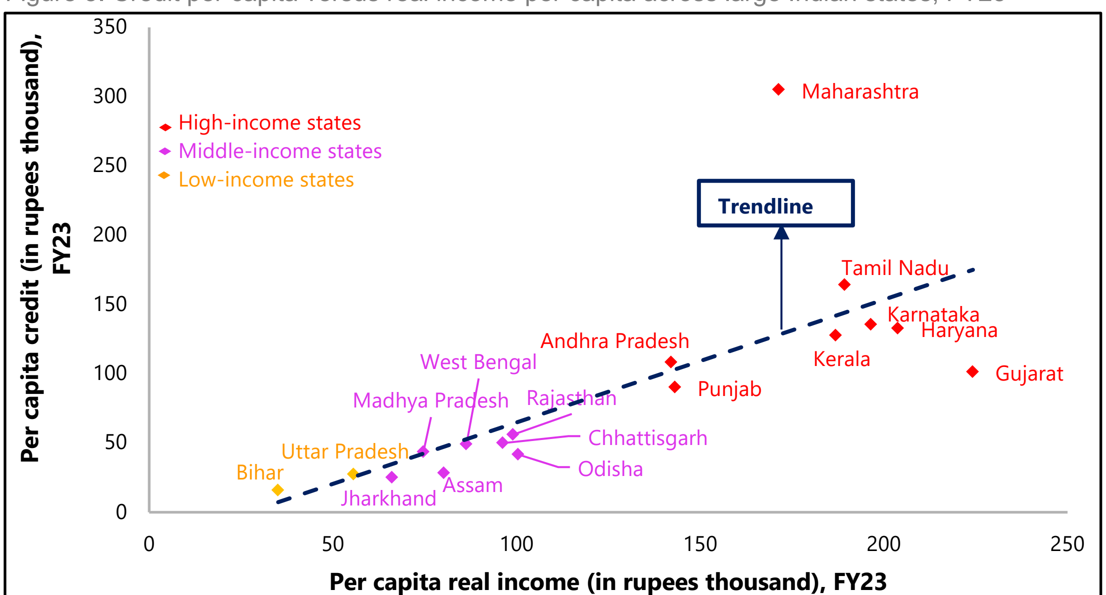
Source: MOSPI, RBI, and authors' calculations.

Figure 4. Multidimensional Poverty in India



Source: Niti Aayog, MOSPI, RBI, and authors' calculations.

Figure 5. Credit per capita versus real income per capita across large Indian states, FY23



Source: MOSPI, RBI, and authors' calculations.

Most middle- and low-income states grew at around or less than India's average growth of 4.8%, except Odisha which grew at 6.1%. These states comprised 56% of the population in FY2002 and are also high on the multi-dimensional poverty index (MPI)[4] (Figure 4) potentially impeding their ability to grow at a faster pace. For instance, availability of skilled labor would be low in states with a high MPI score. Credit per capita (Figure 6)

[4] The MPI measures simultaneous deprivations across the three dimensions of health and nutrition, education, and standard of living. Standard of living indicators include availability of drinking water, sanitation, housing, electricity, cooking fuel, etc.

as well as credit/GSDP ratio (Figure 8) remain low in these states, possibly implying fewer investment opportunities.

Figure 6. Credit per capita versus real income per capita across small Indian states, FY2023

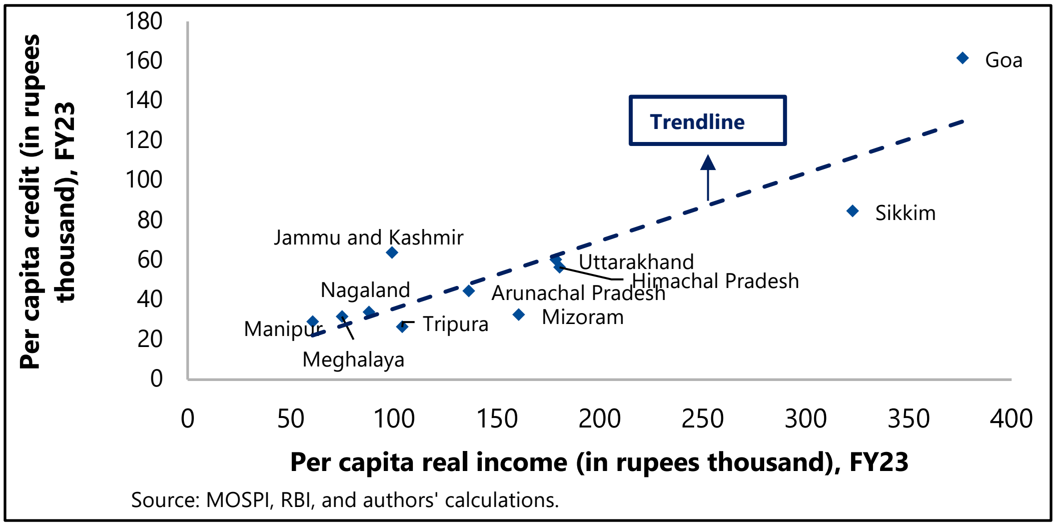


Figure 7. Credit-GSDP ratio versus real income per capita across large Indian states, FY2023

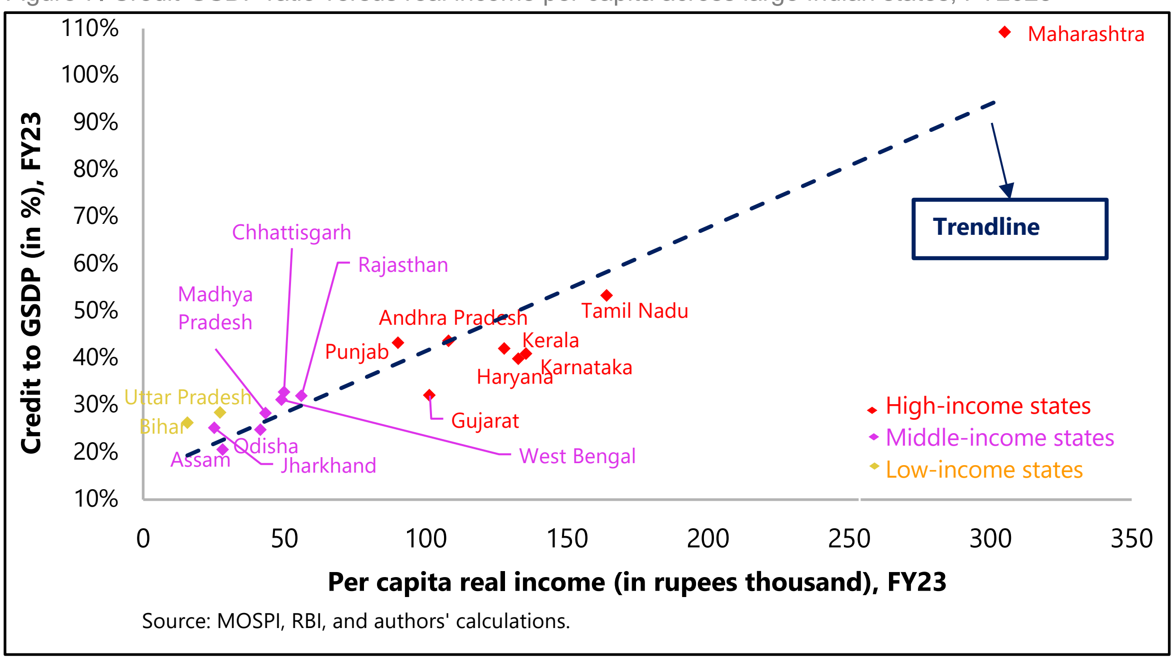
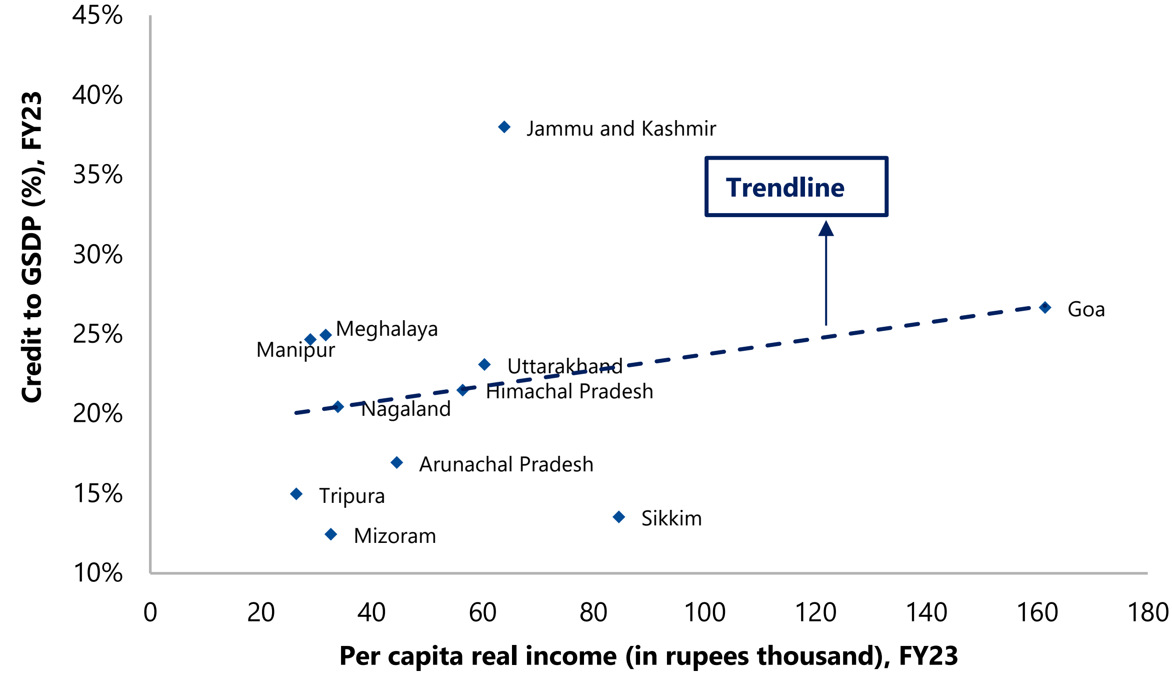


Figure 8. Credit-GSDP ratio versus real income per capita across small Indian states, FY2023



Source: MOSPI, RBI, and authors' calculations.

Fiscal space is limited especially for middle- and low-income states, as they are already above their Fiscal Responsibility and Budget Management Act (FRBM Act) implied target for public debt of lower than 20% of GSDP (Figure 9). The FRBM Act amended in 2018 states that the central government shall endeavor to ensure that the general government level does not exceed 60% of GDP and the central government debt does not exceed 40% of GDP implicitly implying that state government debt does not exceed 20% of GDP. The borrowing limit for state governments (i.e. the fiscal deficit each state can run) has been set at 3% of GSDP and has been relaxed in recent years for the near-term mainly to mitigate the impact of the Covid pandemic and for states that meet the requirement for reforms undertaken in the power sector. At the same time, their own revenues are barely sufficient to meet their committed expenditures – RNDE that comprises interest, pensions, and administrative services. Consequently, they are heavily reliant on central transfers to meet their revenue development expenditure (Figure 10). Their capital expenditures are financed almost entirely by borrowings and the current level of spending will need to be reduced to adhere to the FRL targets – the targets had been relaxed to meet the needs of the states to mitigate the impact of the Covid-19 pandemic. This will limit the public investment of the low- and middle-income states going forward thereby reducing their potential GSDP growth leading to further divergence in per capita income across states.

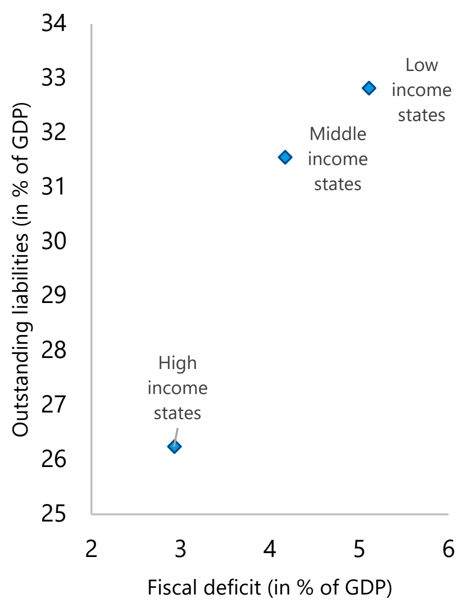
B. Fiscal Developments, FY1991 – FY2023

General Government Finances

Revenue

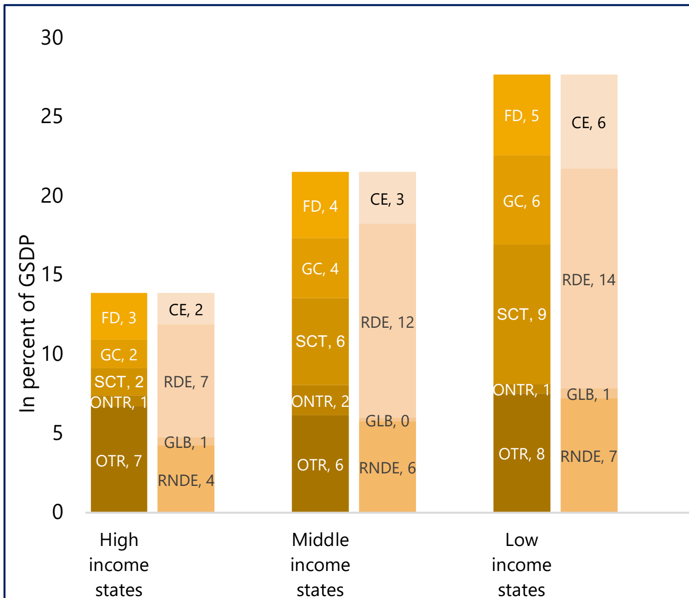
General government revenue has remained stagnant around 20% of GDP over the past 30 years, increasing slightly during the boom in the mid-2000s (Figure 11) due to an increase in direct taxes (Annex I). The share of total taxes collected by the central government has been relatively stable around 40-45% and consequently that of the state governments has remained around 55 - 60% (Annex I). At the same time, the share of direct taxes has more than doubled from 16% of total tax collections in FY1991 to 39% in FY2023, while that of indirect taxes has declined. Most of this change took place from FY1999 to FY2010 as collections of corporate taxes by the central government increased sharply (Annex II). Non-tax revenues have fluctuated in recent years within a band of 1 - 2% of GDP, reflecting in part changes in dividends and profits of Public Sector Undertakings (State-Owned Enterprises) at the central government level (Annex II).

Figure 9. Fiscal deficit and outstanding liabilities among the three category states space, FY2023



Source: MOSPI, RBI and authors' calculations.

Figure 10. Fiscal space among the three category states, FY2023



Source: MOSPI, RBI and authors' calculations.

Notes:
FD = Fiscal deficit; GC = Grants from centre; SCT = Share in central taxes; ONTR= States' own-non tax revenue; OTR = States' own-tax revenue; CE = Capital expenditure; RDE = Revenue development expenditure; RNDE = Revenue non-development expendtire; GLB = Grants to local bodies;

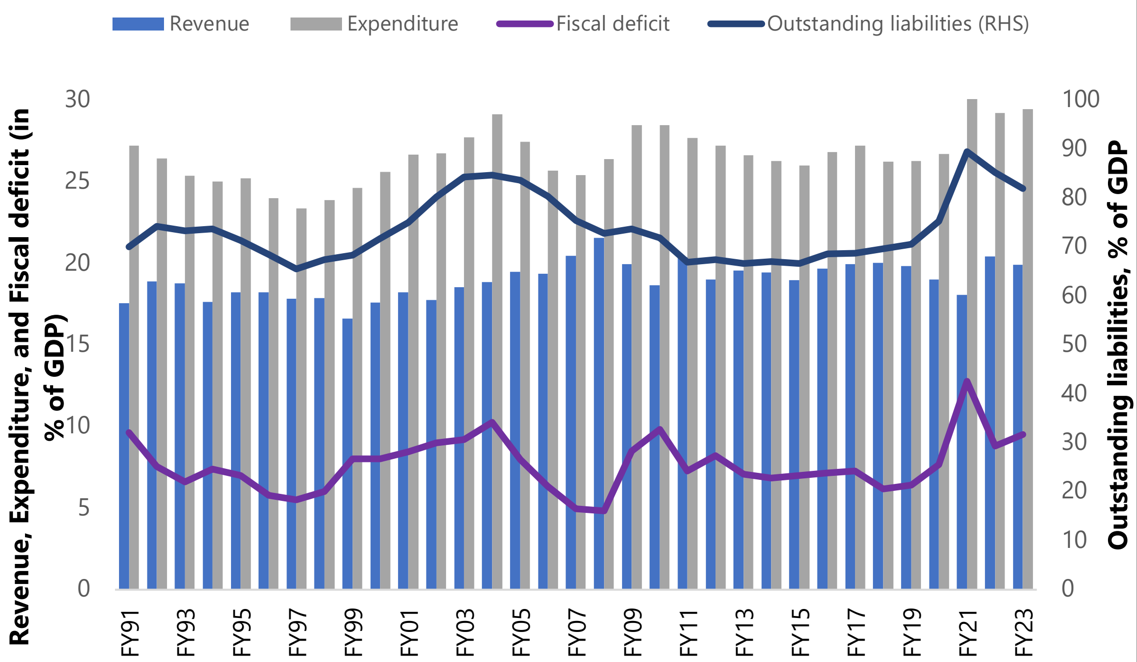
Buoyancy of Indian taxes has averaged about 1.04 (total tax revenues growth/nominal GDP growth)[5] over 32 years from FY1991 to FY2023, although it has shown high volatility year to year during this period (Figure 12). Interestingly, tax buoyancy has been high during periods of high nominal growth, for example from FY2003 to FY2008, when global growth was also high. Buoyancy in tax collections may have been higher during FY2016 - FY2018 despite a slight decline in nominal GDP growth due to increases in the service tax rates and coverage of activities. During this period, excise tax collections were buoyant too as the tax rates were increased. Tax buoyancy was lower in FY2020 partly as a result of a reduction in corporate income tax rate in that year.

Tax buoyancy and collections in India have been substantially impacted by global developments from time to time. As noted earlier, tax buoyancy and collections were very high from FY2003 - FY2008 that saw high

[5] Both growth rates are calculated as compound annual growth rates (CAGR).

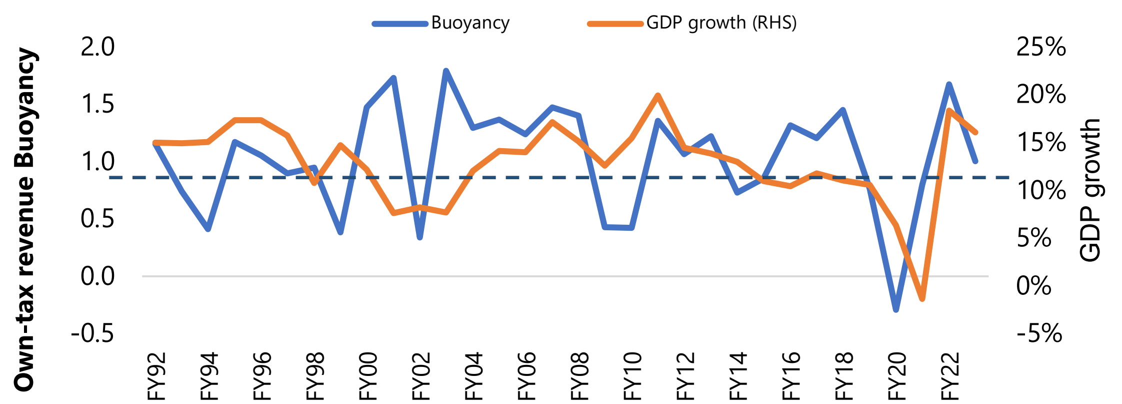
synchronized global growth. Several years of low buoyancy and declining nominal GDP growth have been associated with negative global developments such as the Asian Financial Crisis in 1998, September 11, 2001 terrorist attacks in the United States, the global financial crisis in FY2009, taper tantrums in FY2014 and the global COVID-19 pandemic in FY2020-FY2021.

Figure 11. General Government Finances



Source: Ministry of Finance (MoF), MOSPI, RBI, and authors' calculations.

Figure 12. General Government Tax Revenue Buoyancy



Sources: MoF, MOSPI, RBI, and authors' calculations.

Expenditure

General government expenditure has been within 25% to 30% of GDP over the past three decades (Figure 11), with the state governments' share close to 60% in recent years (Annex I). General government expenditure increased sharply from about 26% of GDP in FY2019 (pre-Covid) to almost 30% of GDP by FY2023 to alleviate the impact of the COVID-19 pandemic. This led to a substantial fiscal stimulus and expenditure as a share of GDP remains higher by almost 3.2% of GDP in FY2023 compared to the pre-pandemic fiscal year FY2019. The state governments' share in capital expenditure has been larger than that of the central government too, although the central government stepped up its capital expenditure in recent years as part of its fiscal strategy to mitigate the impact of the pandemic. Interest expenditure is high at 5% of GDP or about 25% of total revenues, restricting availability of resources for development and investment purposes.

Fiscal deficit and outstanding liabilities

The increased expenditure during the recent pandemic led to a burgeoning fiscal deficit that peaked at 12.8% of GDP in FY2021 as well as a substantially higher consolidated public debt of 85% of GDP in the same fiscal year. While the fiscal deficit was higher in FY2023 by 3.1% of GDP compared with FY2019 and mainly driven by higher expenditure, the consolidated public debt increased by 12% of GDP during this period to 82% of GDP in FY2023 (Annex I).

Central Government Finances

Revenue

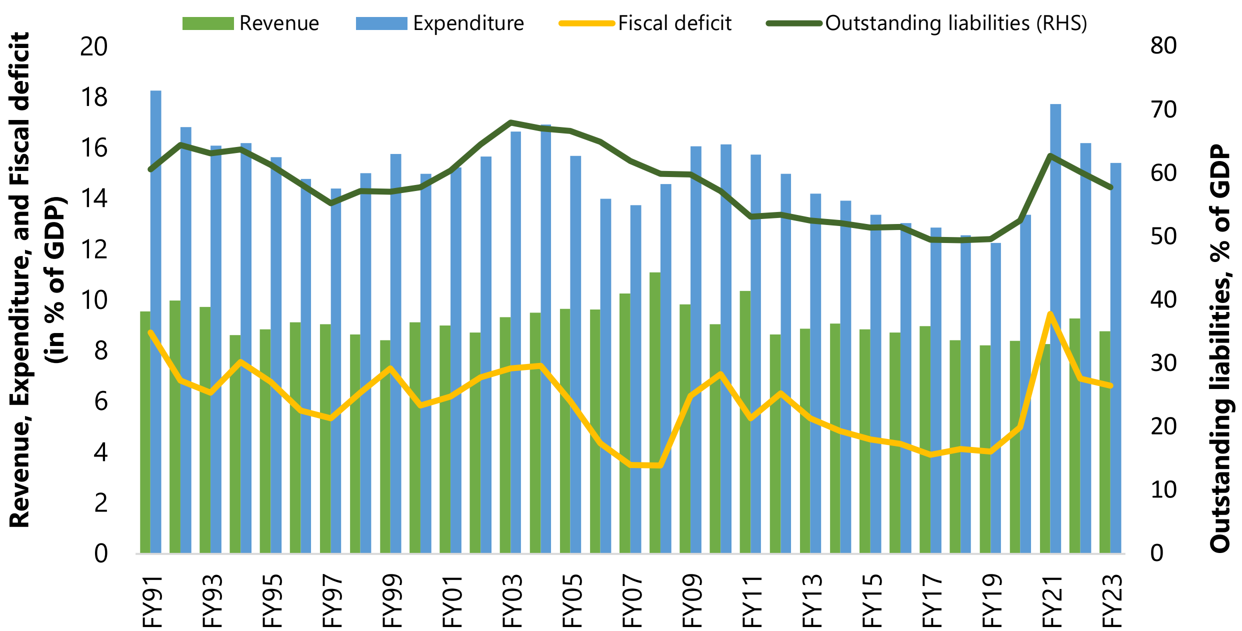
Total revenue of the central government (after distribution of states share in taxes collected by the central government) increased from an average of around 9% of GDP until FY2002 to almost 11% of GDP in FY2008, largely driven by a sharp increase in corporate tax collections as the economy witnessed a long, sustained boom (Figure 13). Revenue has since declined and remained around 9% of GDP over the last ten years, despite the steady increase of tax on the service sector (both in terms of rates and coverage of activities) followed by the introduction of the Goods and Services Tax (GST) in FY2018. Tax collections of the central government fell by 1% of GDP in FY2020, mainly because of a sharp reduction in corporate tax rates in September 2019 and partly because of the onset of COVID-19 pandemic in the last few months of FY2020. Total revenue increased from 8.2% in FY2019 before the pandemic to 8.8% of GDP in FY2023 post the pandemic. The implementation of the Fourteenth Finance Commission (Box 1) Recommendations from FY2016 onward to increase the states' share in taxes collected by the central government from 32% to 42%, led to a decline in the central government's net tax and total revenue as a share of GDP. Consequently, the states' share in centrally collected taxes increased by almost 1% of GDP (Annex II).

Expenditure

Total expenditure of the central government had been on a general declining trend since the early 1990s and increased for a few years around FY2009 to mitigate the impact of the Global Financial Crisis of 2008 - 09 before declining again until FY2019 (Figure 13). From FY2015 to FY2019, the decline in total expenditures was partly a reflection of some central government expenditure being transferred to the state governments after the share of state governments in central taxes collected was increased from 32% to 42%.

Expenditure of the central government rose sharply by 5.5% from 12.3% of GDP to a new peak of 17.7% of GDP in FY2021 to alleviate the impact of the COVID-19 pandemic before coming down to 15.4% in FY2023, although still remaining higher than the pre-pandemic level of FY2019. Both revenue and capital expenditure witnessed sharp increases during this period. Within revenue expenditure, food subsidies were markedly higher in F2021, partly to mitigate the hardships during the COVID-19 pandemic and partly to clear central government arrears to the Food Corporation of India that manages the central government's food procurement and sales program. Additionally, central grants to states increased sharply from 1.8% in FY2014 to 2.7% of GDP in FY2015 as a result of the Centrally Sponsored Schemes' entire financial assistance to states being routed through the state budgets. Earlier these were being directly transferred to district rural development agencies and independent societies (Reserve Bank of India, 2017). Consequently, 'Other expenses' of the central government came down during this period.

Figure 13. Central Government Finances



Sources: MoF, MOSPI, RBI, and authors' calculations.

Fiscal deficit and outstanding liabilities

There was a large increase in the central government's fiscal deficit and public debt during the pandemic. The fiscal deficit increased because of increased expenditures from about 4% of GDP in FY2019 (pre-pandemic) to 9.5% of GDP in FY2021 before coming down to 6.6% of GDP in FY2023, though still significantly higher than the pre-pandemic years. At the same time the central government's expansionary fiscal policy has come at a substantial cost of increased public debt of 8% in just 4 years, from 50% in FY2019 to 58% of GDP in FY2023.

States' Combined Government Finances

Revenue

The states' own revenues, both tax and non-tax, have remained stagnant over the past three decades around 7- 8% of GDP (Annex III). Total revenue increased during FY2003 - FY2008 due to higher buoyancy of tax collections at the general government level, reflecting some increase in states' own revenue and a larger increase in central transfers due to the increased buoyancy in central government tax collections (Fihure 14).

Both states' combined share in central taxes as well as grants from the central government increased as a share of GDP during this period.

The revenue of the states combined has increased in recent years since FY2016 because of higher central government transfers. This is due to the Fourteenth Finance Commission recommendation and the change in routing of all central government financial assistance through state budgets instead of a direct transfer to local bodies. Consequently, the states dependence on central transfers (tax and grants) to meet their total expenditures has increased in recent years.

Box 1 Finance Commission

The Finance Commission is constituted by the President of India under Article 280 of the Indian Constitution, mainly to give its recommendations on distribution of tax revenues between the Union and the States and amongst the States.

As per Article 280 of the Indian Constitution, it shall be the duty of the Commission to make recommendations to the President as to:

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants in aid of the revenues of the States out of the Consolidated Fund of India;

(c) any other matter referred to the Commission by the President in the interests of sound finance.

To determine devolution of taxes across states, the finance Commission decides on a set of variables and then assigns weights to them. Over time these variables have not changed much and include population, income distance, fiscal compliance amongst others although different finance commissions have assigned different weights to each of these variables. Thus, a low-income state may receive more funds than a high-income one on the basis of income distance (which typically has had a larger weight).

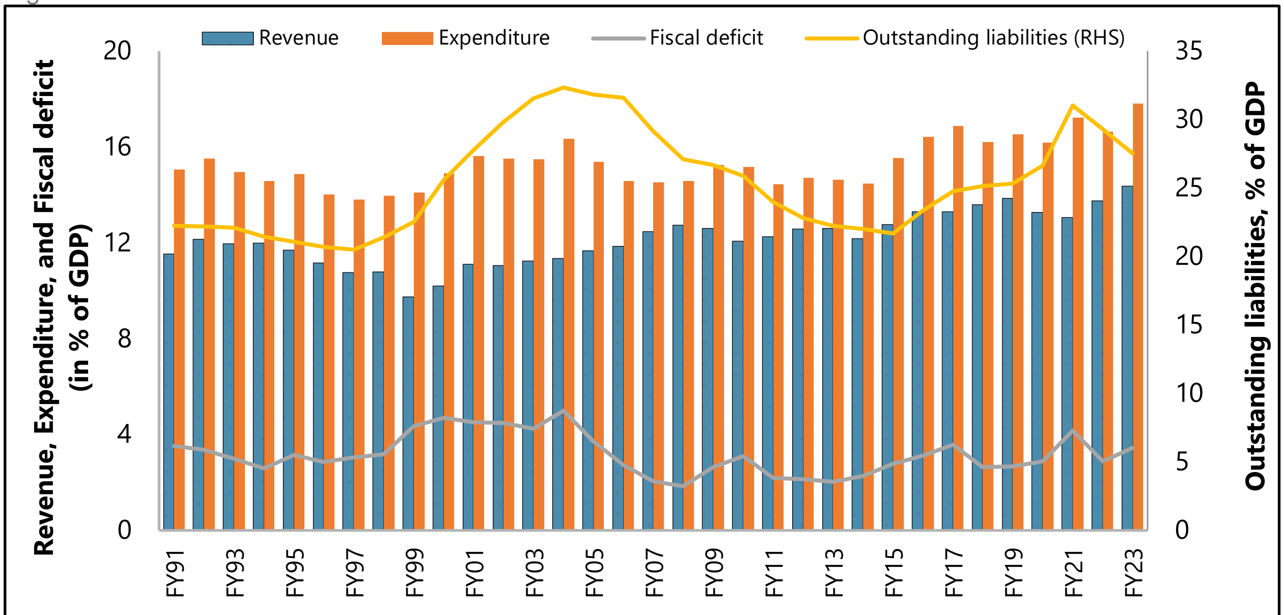
The First Finance Commission was appointed in 1951 and one has been appointed every five years. The Sixteenth Finance Commission was appointed recently on 31 December 2023.

The states' share in total taxes collected by the central government have however declined from 4% of GDP in FY2019 before the pandemic to 3.5% of GDP in FY2023, while the central government's share has increased during this period from about 7% of GDP to 7.7% of GDP (Annex II). The states' share in total taxes collected by the central government came down from about 37% in FY2019 to about 31% in FY2023 (Annex 1) instead of the 42% of shareable tax revenues collected by the central government recommended by the Finance Commission. This decline in the states share mainly reflects an increase in non-shareable cesses and surcharges.

Expenditure

Total expenditure of the states combined was broadly stable around 14.5 - 15.5% of GDP until FY2015 and increased sharply from FY2016 to 16.5 - 17% of GDP as a result of all financial assistance and expenditures under the Centrally Sponsored Schemes being routed through state budgets (Figure 14). Revenue expenditure - both Development and Non-Development expenditure - have increased as a share of GDP in recent years (Annex III). Capital expenditure has remained broadly stable in recent years in the 2.5 - 3% of GDP range with the increase in FY2016 and FY2017 reflecting an assumption of loans of the state-owned electricity companies on account of past accumulated losses of these companies.

Figure 14. States' Combined Government Finances



Sources: MOSPI, RBI, and authors' calculations.

Revenue development expenditure (RDE) remained around the 7% of GDP range until FY2014 and has increased by almost 2% of GDP since, initially because of central government assistance being routed through state government budgets and later due to increased spending to mitigate the impact of the COVID-19 pandemic. Since FY2019, after the onset of the COVID-19 pandemic until FY2023, most of the increase in revenue development expenditure has been targeted at medical and public health, housing, urban development, welfare of scheduled castes, scheduled tribes and other backward castes and social security and welfare.

Non-development revenue expenditure (NDE) is like a 'fixed cost' or 'committed expenditure' and difficult to change in the short-run – consequently, when they are higher, there are less funds available for spending on development needs. The increase in NDE in recent years has mainly been driven by increased interest expenditure as states combined debt has been rising, as well as a sharp increase in pension payments. NDE were about 28% of total expenditure and 65% of states' own revenue in FY2023.

Capital expenditure remains low at the state level with the largest share going to roads and bridges followed by irrigation (Annex III). While the capital spending on education, medical and public health remains very low, spending on science, technology and environment has been consistently close to zero. The share of funds allocated for water supply and sanitation, urban and rural development have increased in recent years, although off a very low baseline.

Fiscal deficit and outstanding liabilities

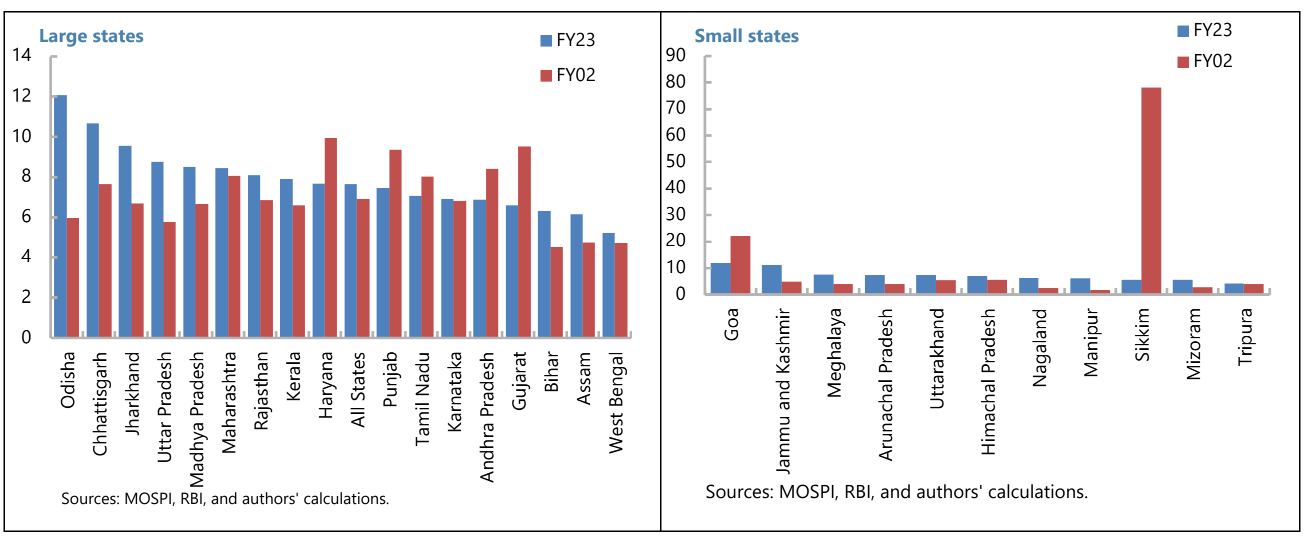
States combined fiscal deficit showed an increasing trend from FY1991 until FY2003 after which it declined during FY2003-FY2008 as revenue increased sharply and expenditure declined as a share of GDP. The central government sets the borrowing limit for states at 3% of GDP, and states' deficit has largely remained below this 3% of GDP ceiling. Although fiscal deficit remained less than 3% of GDP until the pandemic in FY2020 (except for FY2016 – FY2017 because of assumption of loans of the state-owned electricity companies) it has increased in recent years to close to 3.5% of GDP because of additional expenditure to mitigate the impact of the pandemic. In recent years, states have been eligible for additional borrowing space if they meet the requirements for power sector reforms. This has been another driver of the widening of fiscal deficit above 3% of GDP. Meanwhile, outstanding liabilities of the states' combined have increased in recent years from 22% of GDP in FY2015 to 28% of GDP in FY2023 because of increased fiscal deficits.

C. Fiscal Disparities across states, FY2002 – FY2023

Revenue

Most of the low- and middle-income states have been able to raise their own revenue as a share of GSDP from FY2002 to FY2023, particularly Odisha, Chhattisgarh, Jharkhand, and Uttar Pradesh while it has gone down in some of the high-income states such as Gujarat, Haryana, and Punjab (Figure 15). As would be expected, low- and middle-income states have benefitted from higher central transfers (see Box 1) and consequently Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, and Uttar Pradesh have seen a significant increase in total revenues. All the smaller states except Sikkim have seen an increase in their own revenue as well as total revenue during the FY2002 to FY2023 period (Figures 15 and 16). Sikkim benefited from large non-tax revenues in FY2002 mainly because of state lotteries that came down sharply in FY2004 and kept declining progressively over the years.

Figure 15. States' own revenue (in % of GSDP)



While buoyancy for states combined own tax revenue during the FY2002 – FY2023 period was 1.08, it has varied across states (Figure 17). Most high-income states apart from Punjab and Maharashtra exhibited an own tax buoyancy close to or higher than one. Amongst the larger states, some of the low- and middle-income states such as Uttar Pradesh, Assam, Jharkhand, and Bihar showed an own tax buoyancy greater than 1. Several smaller states including Manipur, Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, and Jammu and Kashmir had high own tax revenue buoyancy, while Sikkim and Goa experienced a buoyancy lower than one.

As a share of their GSDP, states' own revenue varies substantially from 14% for Goa to about 3% for Sikkim and Tripura (Figure 18). One of the low-income states, Uttar Pradesh collects a relatively high share of its GSDP as own tax revenue compared with some of the high-income states such as Tamil Nadu and Karnataka. Kerala, and Telangana collected a larger share of own-tax revenue relative to their GSDP compared to states like Assam and West Bengal amongst the larger states. The difference between the states' own revenue and own tax revenue is the states' non-tax revenue. These are large in some mineral rich states such as Chhattisgarh and Odisha.

Figure 16. Total revenue (in % of GSDP)

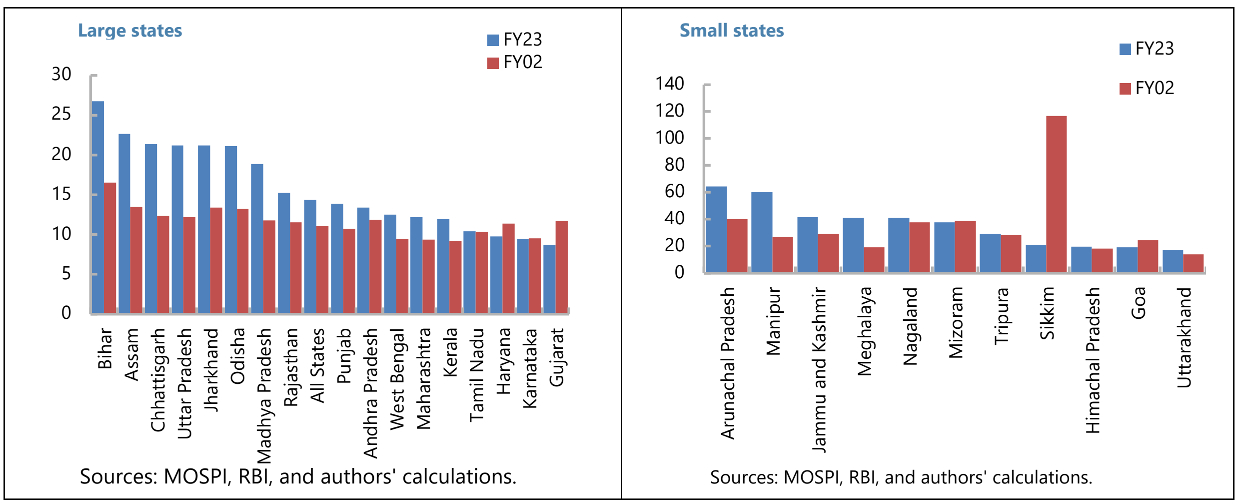
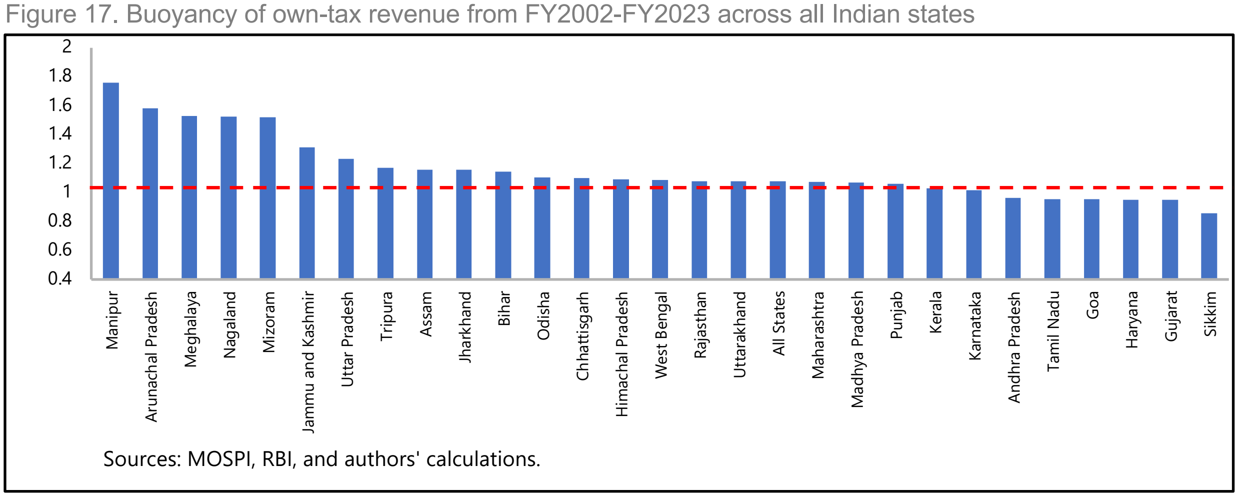


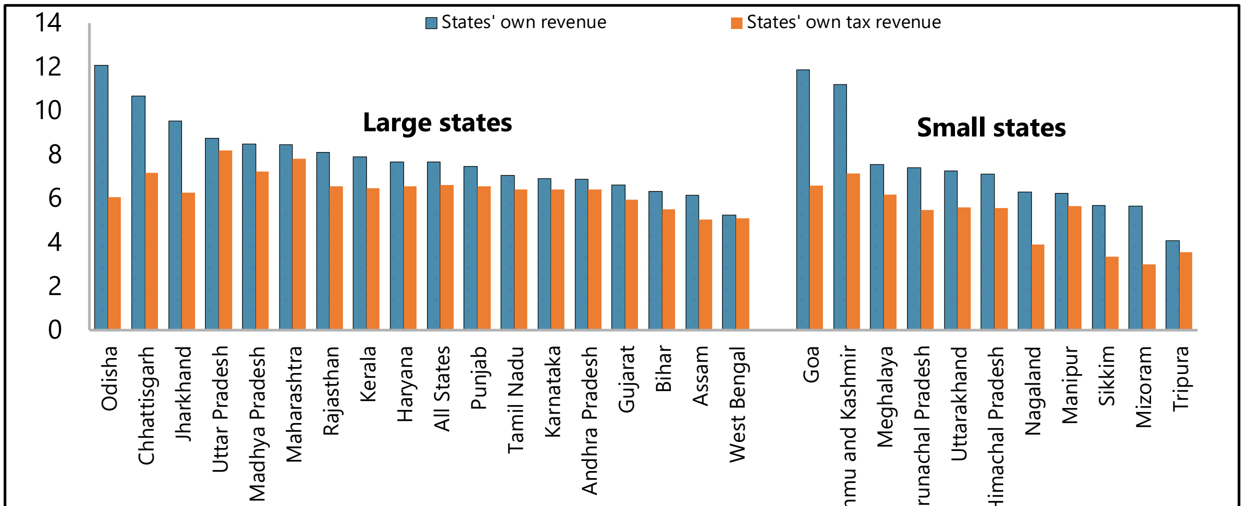
Figure 17. Buoyancy of own-tax revenue from FY2002-FY2023 across all Indian states



Expenditure

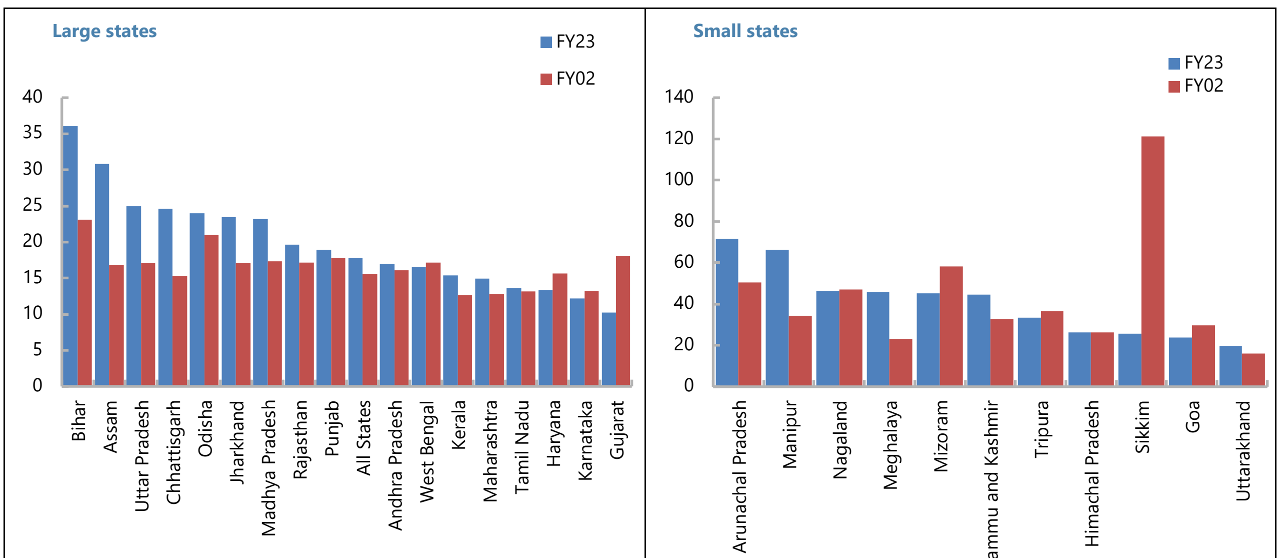
Total expenditure as a share of GDP (Figure 19) has increased for 'All states combined'. There has been an increase in revenue development expenditure and capital expenditure with a simultaneous decline in non-development revenue expenditure (all as a share of GDP) over FY2002 – FY2023, although there are variations across states. This is a welcome change as more funds are being spent as a share of GDP on development needs. Except for a few high income larger states such as Gujarat, Haryana and Karnataka, most states have witnessed an increase in their total expenditure as a share of GSDP. Similarly, amongst the smaller states, while many states have seen an increase in total expenditure as a share of GSDP, Mizoram, Nagaland Sikkim, Tripura, and Goa have seen a decline.

Figure 18. States' own revenue and own-tax revenue, FY2023 (in % of GSDP)



Sources: MOSPI, RBI, and authors' calculations.

Figure 19. Total expenditure (in % of GSDP)



Sources: MOSPI, RBI, and authors' calculations.

Capital expendiutre as a share of GSDP has increased for most states from FY2002 to FY2023 except the high-income states of Punjab, Haryana and Andhra Pradesh and amongst the low- and medium-income, only West Bengal has seen a decline (Figure 21). Low-income states of Bihar and Uttar Pradesh have seen a sharp increase. On the other hand, some of the smaller states namely Tripura and Himachal Pradesh have seen large declines.

Figure 20. Revenue development expenditure (in % of GSDP)

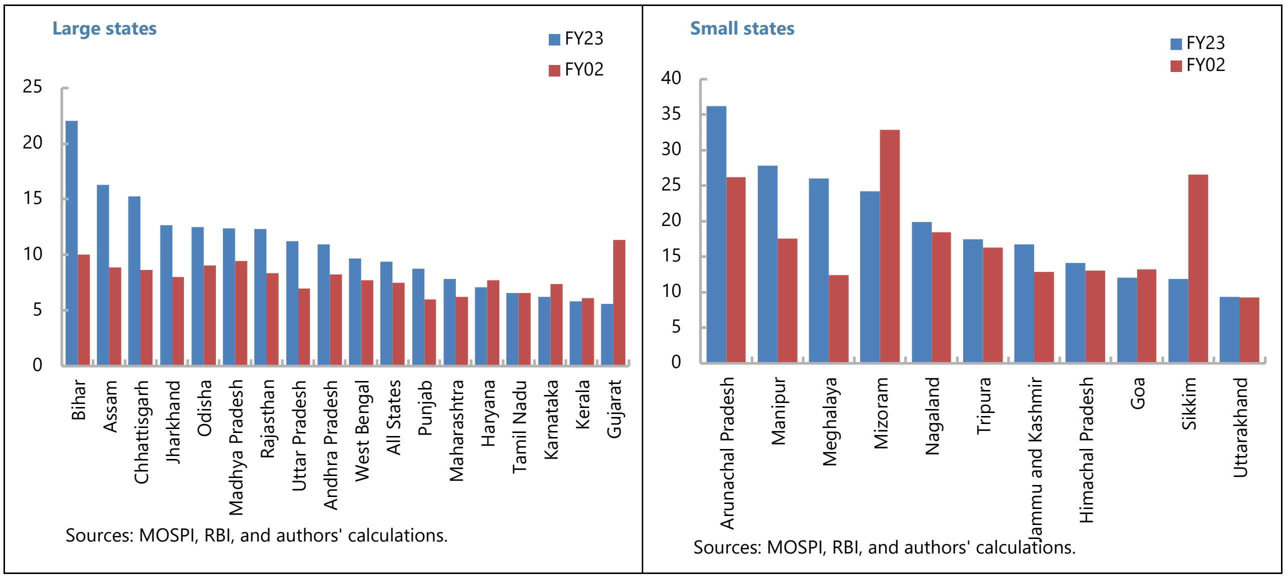
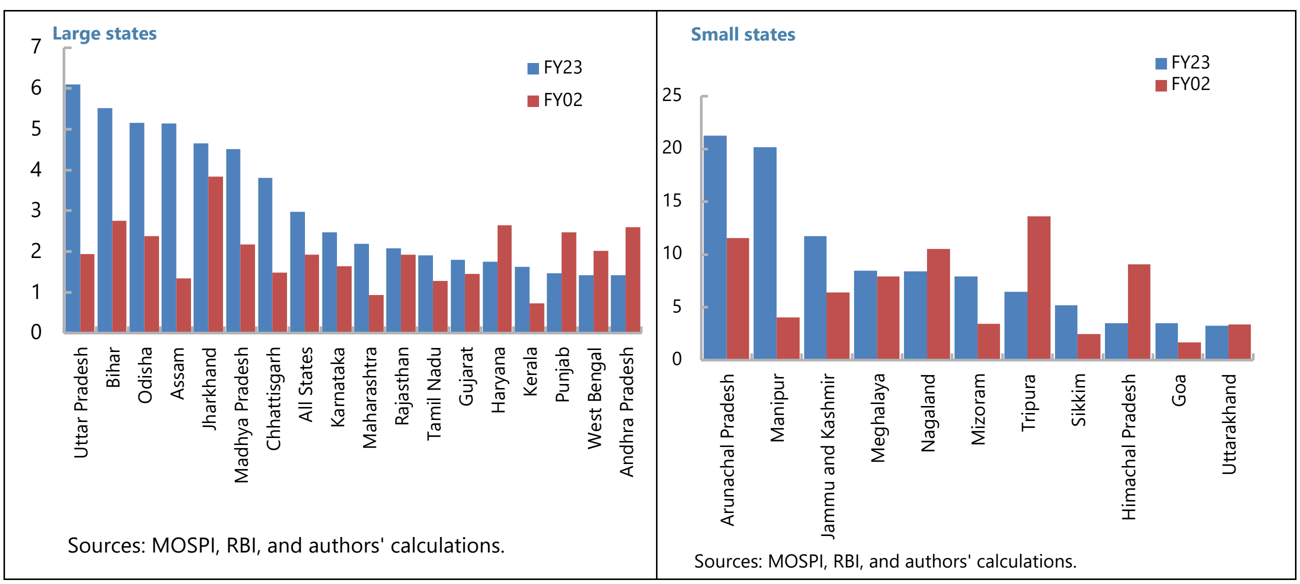


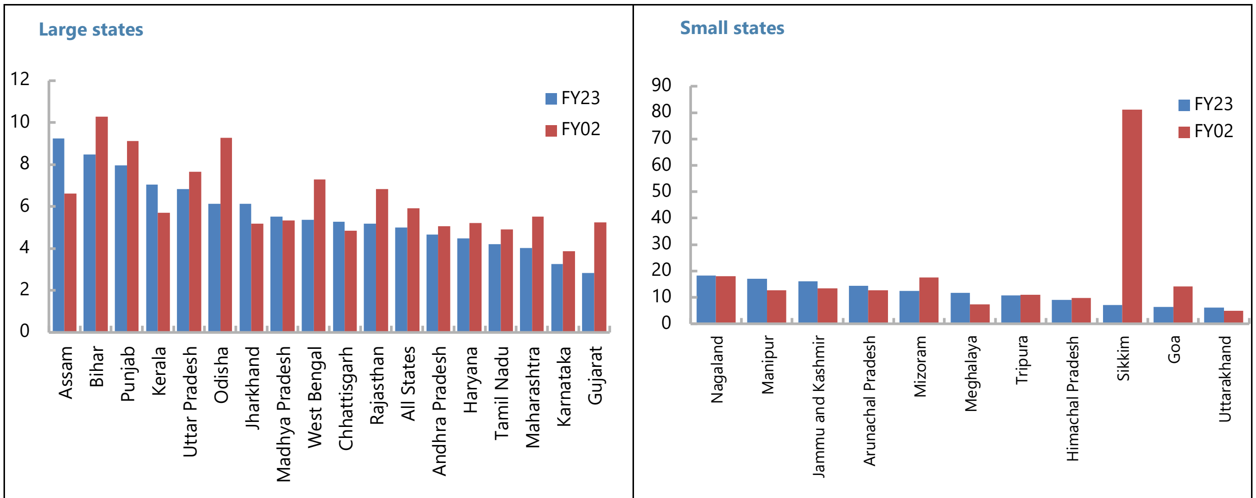
Figure 21. Capital expenditure (in % of GSDP)



While Revenue Non-Development Expenditure (NDE) is at least 20% of total revenues of the states and almost 50% of state's own revenue in all the states, it is much higher in Kerala and Punjab (Figure 23). These two states, along with Assam, Bihar, and West Bengal, are spending almost their entire own revenue on NDE

(Figure 23) which means that they must finance their revenue development expenditure and capital expenditure through central government transfers or borrowings. This is similar for all the small states except Goa. Over 40% of Kerala and Punjab's total expenditure is on NDE (Figure 24), leaving less for revenue development and capital expenditures.

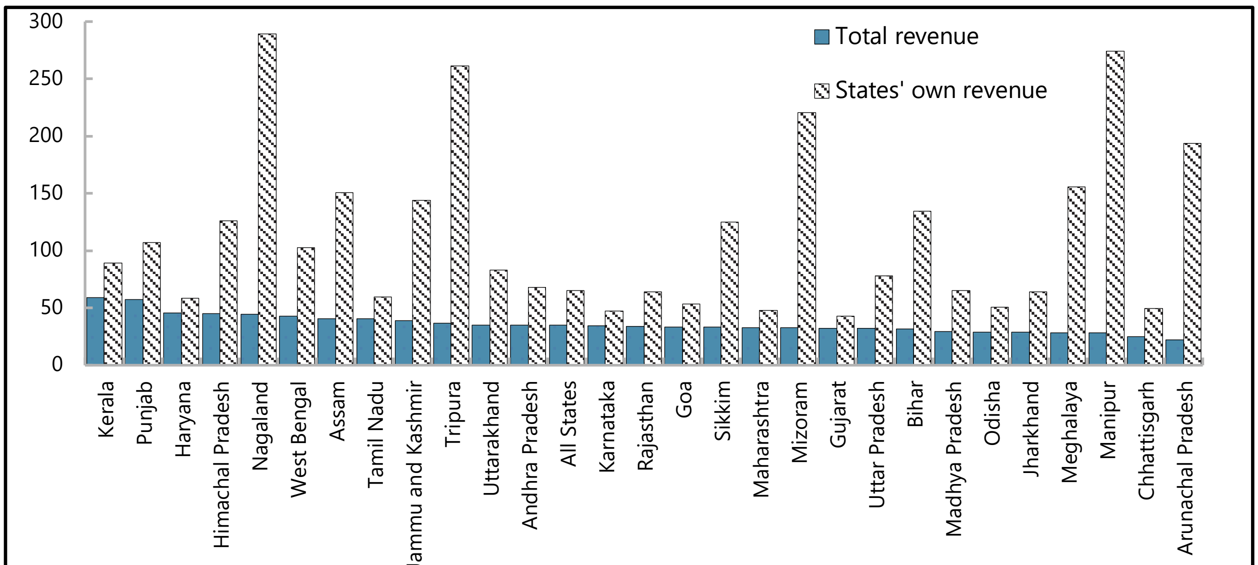
Figure 22. Non-development expenditure (in % of GSDP)



Sources: MOSPI, RBI, and authors' calculations.

Sources: MOSPI, RBI, and authors' calculations.

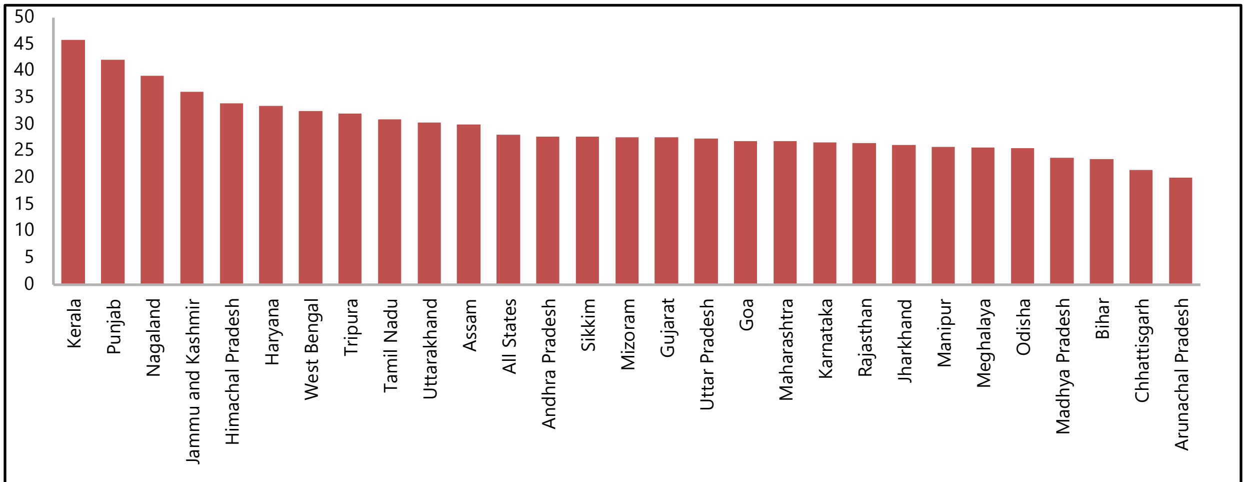
Figure 23. Non-development expenditure as a share of revenue across all Indian states, 2023



Sources: MOSPI, RBI and authors' calculations.

We next analyze per capita revenue development and capital expenditure across the states to get a better understanding of the wide disparity in spending on public services across the states. Revenue Development Expenditure (RDE) per capita has exhibited large differences in terms of the level and pace of growth across states (Figure 25). Uttar Pradesh for example, spends a third of what Andhra Pradesh spends on its residents in per capita terms. Among the low-income states, Bihar is now spending more than Uttar Pradesh and middle-income state Jharkhand in per capita terms. Amongst middle-income states, Assam, Chhattisgarh, Rajasthan, and Odisha have done well in raising RDE expenditure closer to the levels of some high-income states. Andhra Pradesh had the highest per capita RDE in FY2023.

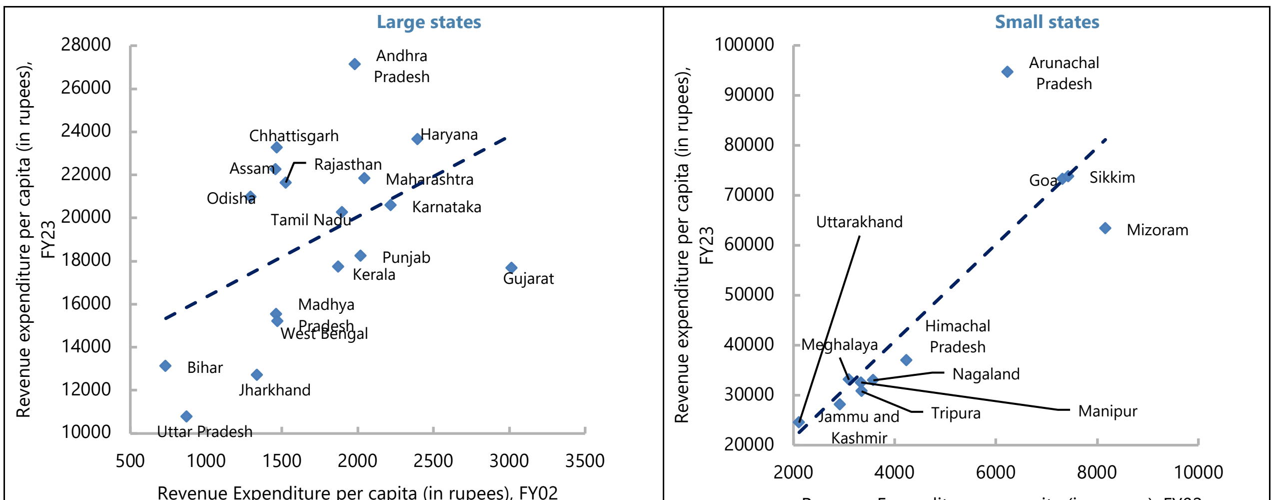
Figure 24. Non-development expenditure as a share of total expenditure across Indian states, FY2023



Sources: MOSPI, RBI and authors' calculations.

Large states that had a lower per capita capital expenditure in FY2002 witnessed a higher growth in per capita expenditure from FY2002 – FY2023 as evidenced by a downward sloping trend line (Figure 26). While capital expenditure per capita increases have been low for some of the high-income states such as Andhra Pradesh and Punjab, Odisha, a middle-income state, has been able to increase its capital expenditure per capita substantially (Figure 26). The differences across states are large – Odisha spent 3 times more than West Bengal and Punjab in FY2023.

Figure 25. Revenue development expenditure per capita



Sources: MOSPI, RBI, and authors' calculations.

Sources: MOSPI, RBI, and authors' calculations.

We examine inter-state disparities in expenditure in two crucial areas – education and medical services. These are critical for building human capital and therefore fostering economic growth. There is a large disparity among states in this area. Uttar Pradesh spends less than a third of what Haryana, Kerala, and Odisha each spend in per capita terms (Figures 27 and 28). The upward sloping trend lines for the graphs on per capita total expenditure (sum of revenue development expenditure and capital expenditure) on education, sports, art, and culture (Education) and on medical and public health (Medical) indicate that the growth rate in these categories for low- and middle-income states was generally lower than for the high-income states. The per capita expenditure on education and medical remains the lowest in the low-income states of Bihar and Uttar Pradesh. The wide disparity in spending on education and health services persists among smaller states as well.

Figure 26 Capital expenditure per capita

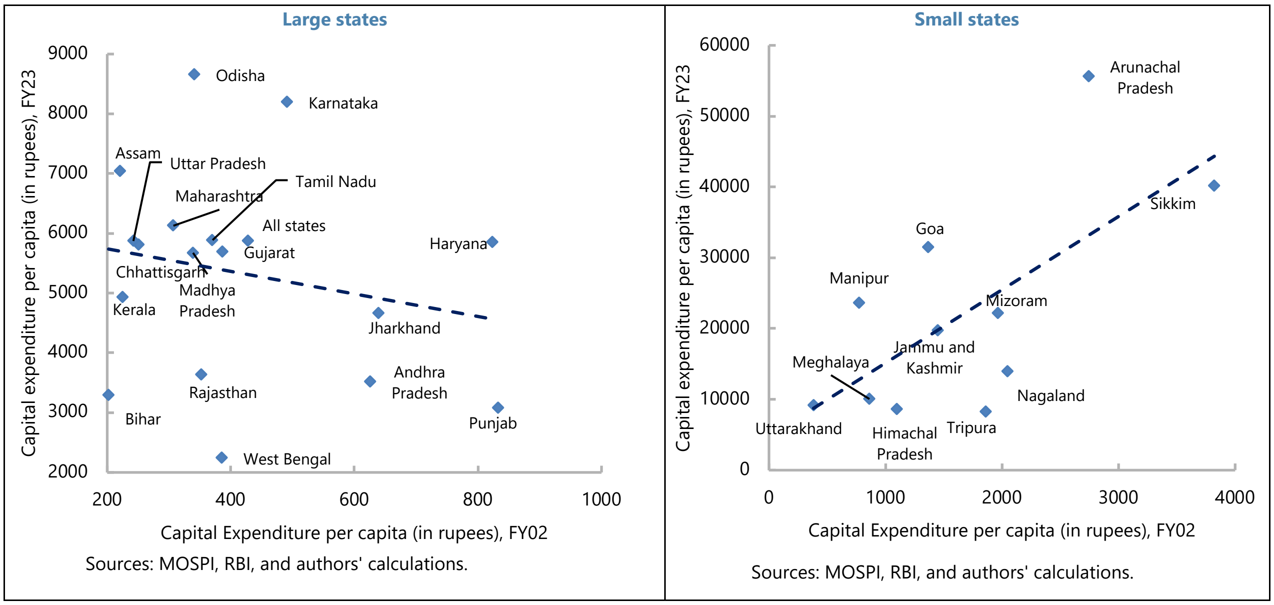


Figure 27 Per capita expenditure on education, sports, art and culture

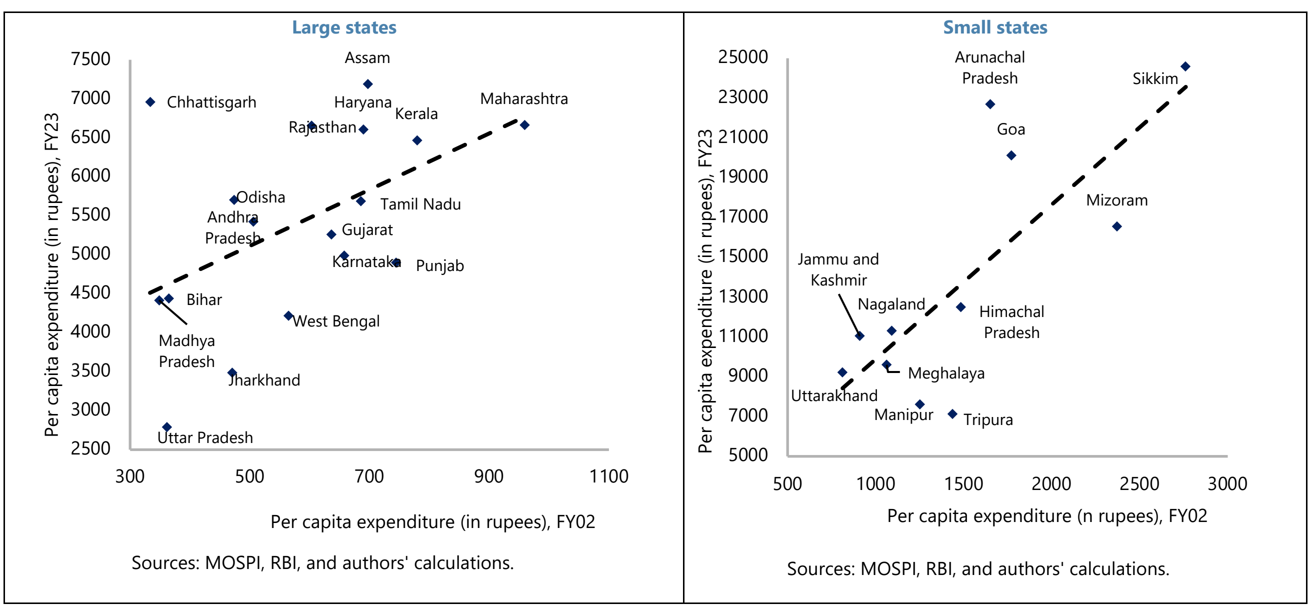
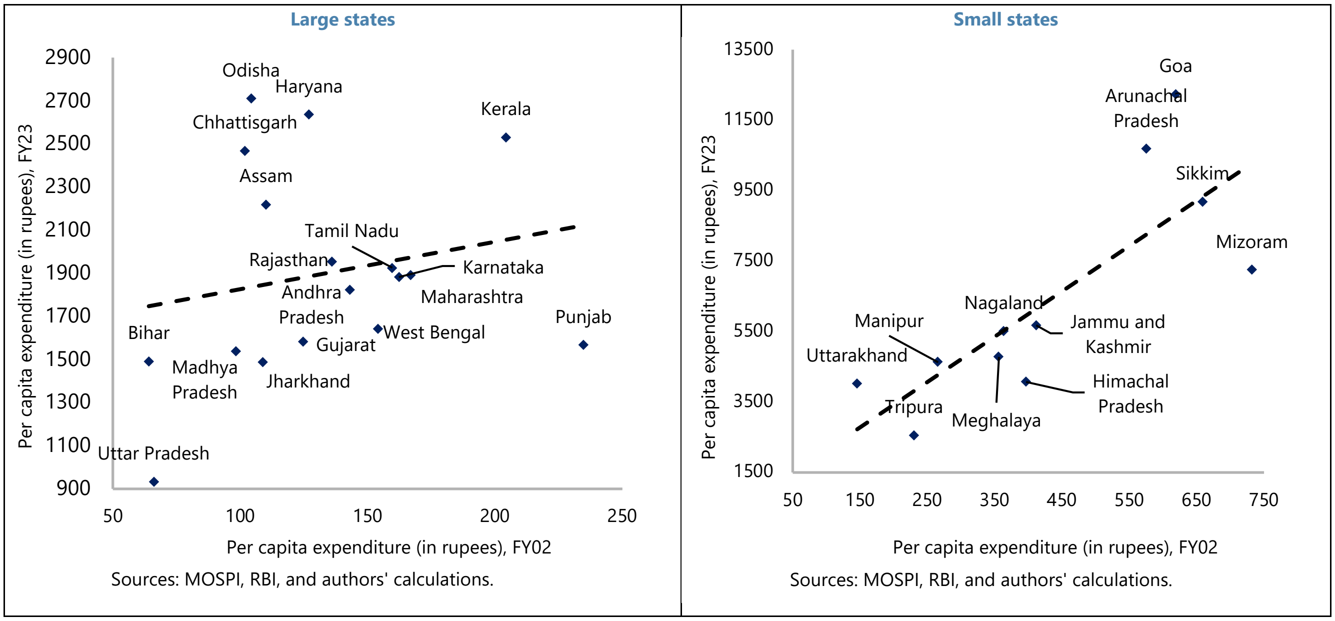


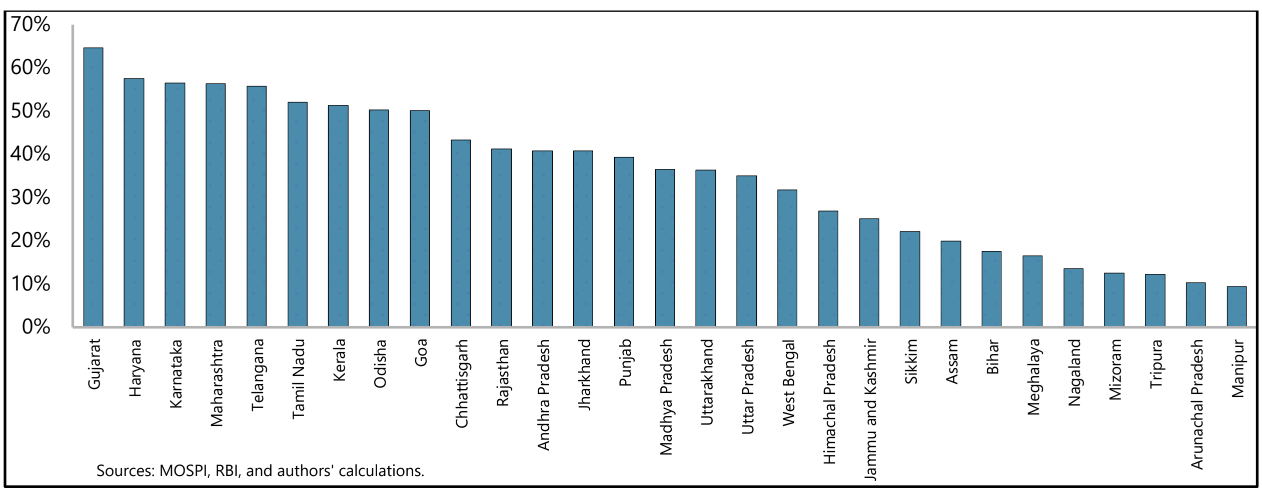
Figure 28. Per capita expenditure on medical and public health



Financing of Total Expenditure across states

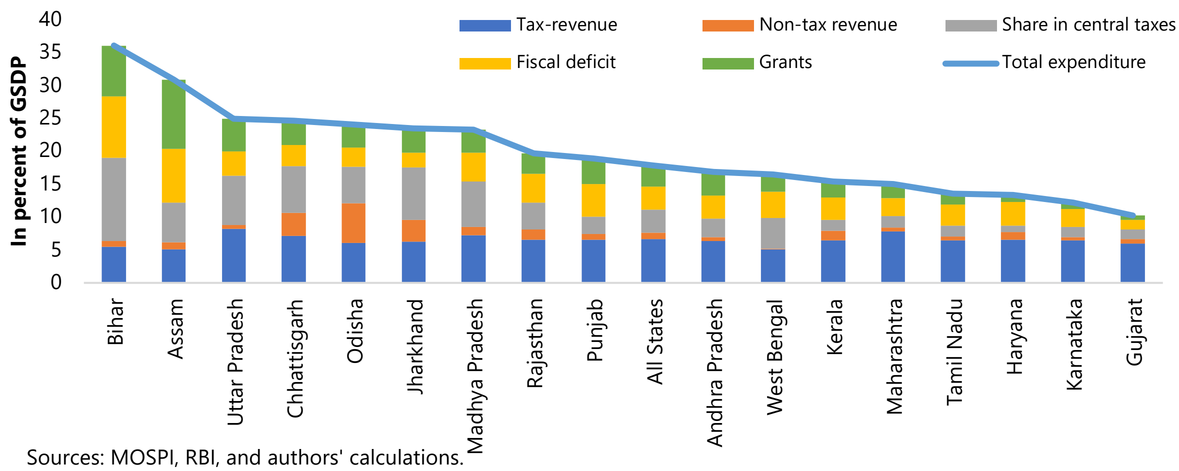
Across states, total expenditure and its financing vary significantly. For example, while Gujarat's own revenue meets 65% of its expenditure, several other states have much lower contributions of their own revenue towards total expenditure (Figure 29). For example, amongst the low-income states, Bihar's own revenue can fund only about 20% of its total expenditure while this number is somewhat higher around 40% in the case of Uttar Pradesh.

Figure 29 Indian states' own revenue as a share of total expenditure, FY2023

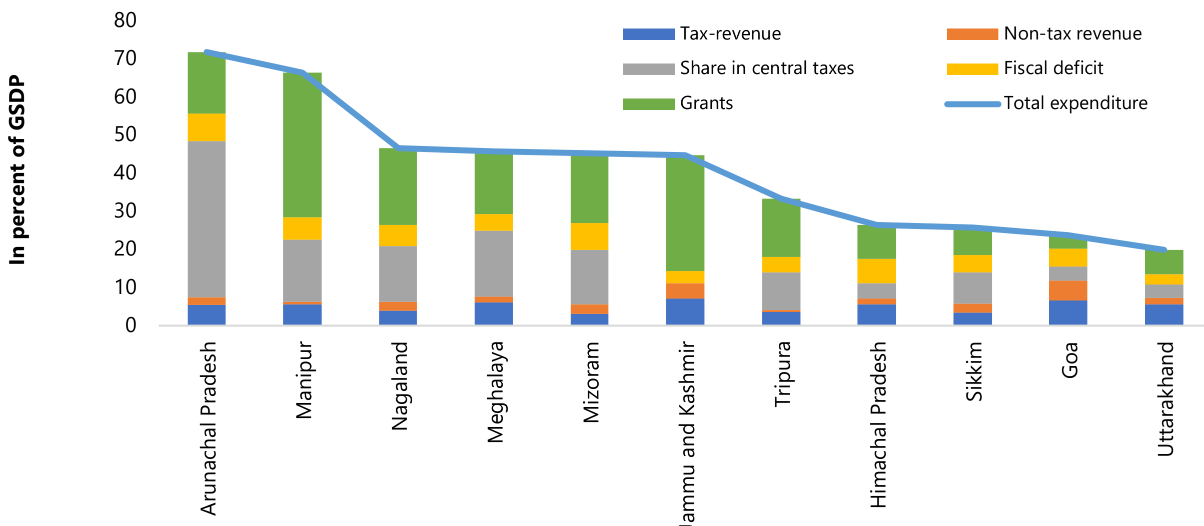


In the low-and middle-income large states, own revenue tends to be a lower source of financing that is supplemented by a larger share of central government transfers (Figure 30). The three states of Assam, Bihar, and Uttar Pradesh with the total highest expenditure of share of GSDP were also the states that concurrently ran the highest fiscal deficits. The high-income states have been able to finance their expenditures more from their own revenue sources and this has enabled them to run lower fiscal deficits, with the exception of Punjab.

Figure 30. Indian states' financing of their total expenditure, FY2023

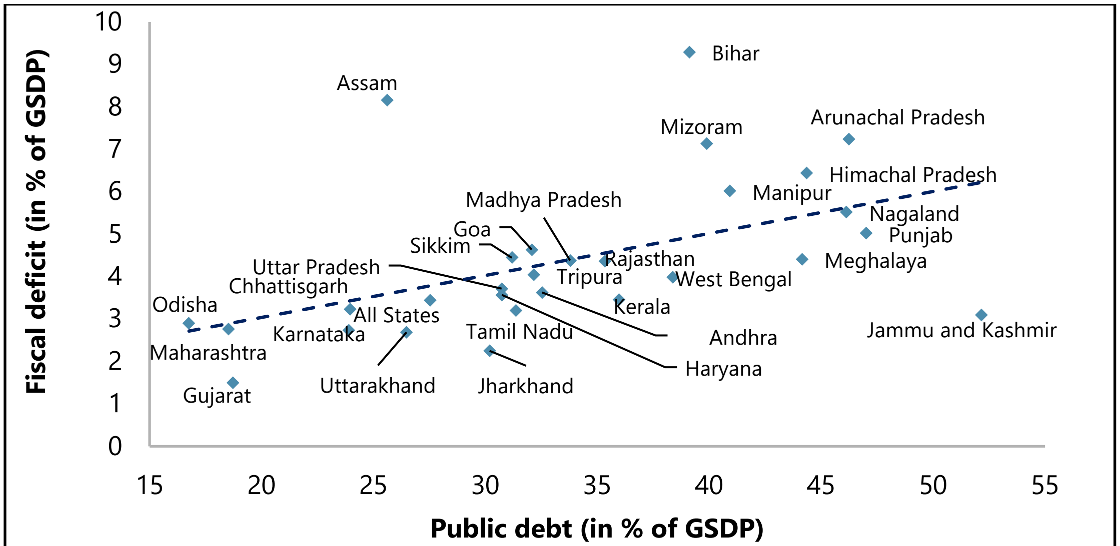


Sources: MOSPI, RBI, and authors' calculations.



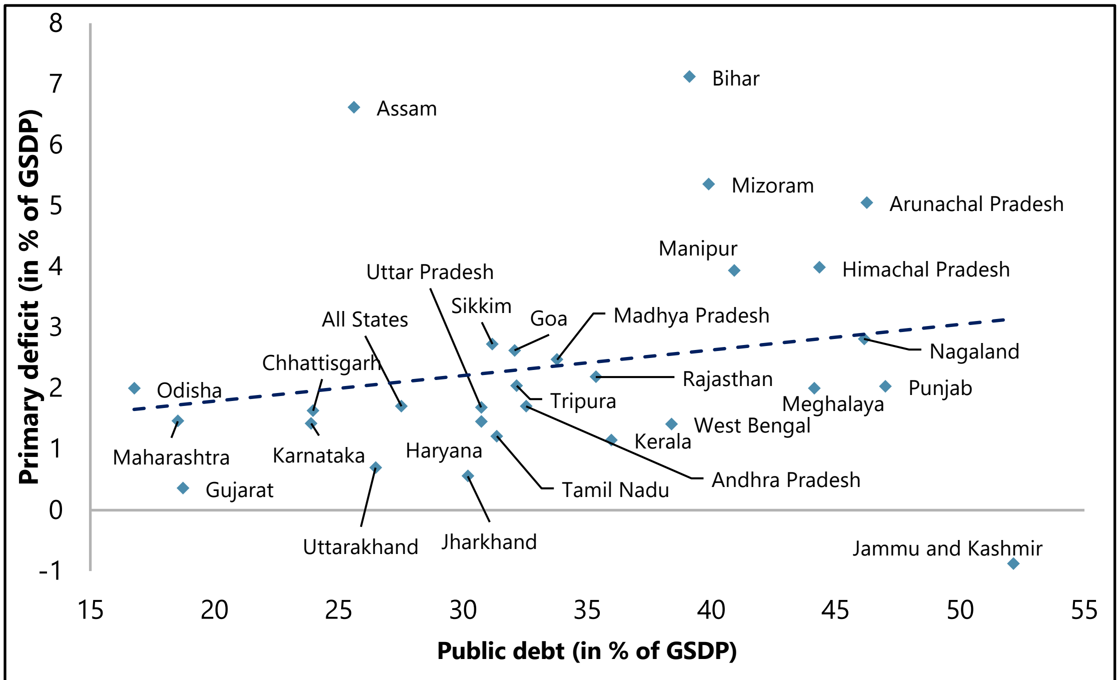
Sources: MOSPI, RBI, and authors; calculations.

Figure 31. Fiscal deficit and outstanding liabilities, FY2023



Sources: MOSPI, RBI, and authors' calculations.

Figure 32. Primary deficit and outstanding liabilities across all Indian states, FY2023



Sources: MOSPI, RBI, and authors' calculations.

IV. Policy Implications and Conclusion

We find that higher-income states experienced faster economic growth than lower-income states in India during FY2002 to FY2023 leading to a lack of convergence in real per capita GDP. Given that there is: 1) no regulatory barriers to movement of labor, capital and technology across states, 2) identical monetary and exchange rate policy, 3) a similar institutional setup across states, and 4) central transfers to states to augment their available financial resources, fiscal policy can play a major role in reducing divergence as it is distinct for all states. Additionally, comprehensive structural reforms to increase the productivity and competitiveness of the economy – at the central and state government level – are necessary. These could include labor market and financial sector reforms and a move away from administered prices.

Convergence in economic growth is important to enhance national growth as well as balanced regional development. Over the longer term, economic growth is determined by growth in physical capital, human capital and total factor productivity. The latter depends on research and development and on institutions' capacity and a conducive investment climate. Fiscal policy can play an important role in providing the necessary environment and resources to augment these growth drivers and reduce the differences in growth across Indian states. Increased government expenditure on public infrastructure – physical and digital, education, public health, research and development – would help create the conditions for higher growth. And once the lower- and middle-income states grow at a faster pace, this would also enhance the national growth rate.

As we have seen, per capita revenue development and capital expenditure vary widely across states. Both the central and state governments need to reduce these regional disparities to provide equal opportunities to Indian citizens across states. For example, the per capita expenditure on Education, Sports, Art and Culture and on Medical and Public health in Haryana, Kerala and Odisha is more than twice that of Uttar Pradesh, which has the largest population and scores poorly on the poverty index. States with high poverty rates are also those that have low per capita revenue development and capital expenditure and high fiscal deficits, and require greater central government assistance to be able to provide adequate public services and infrastructure. To facilitate convergence, the central government would need to transfer more resources to the lower- and middle-income states and invest in more infrastructure in these states. These transfers will need to be outcome based to ensure accountability and efficiency. For instance, expenditure in education must be reflected in data such as higher educational scores. The states themselves will also need to raise more resources internally and spend these judiciously to ensure higher growth outcomes over time.

One key area to focus on is expenditure on research and development (R&D), a necessary ingredient for economic growth, which is very low in India at only around 0.7% of GDP (Forbes, 2022). Publicly funded R&D is about 60% of this expenditure and the rest is by the private sector. State governments combined expenditure on research and development is very low at less than 0.1% of GDP. This needs to be increased and targeted more toward national and individual state priorities. These could for example focus on provision of new seeds and improved agricultural technology for local conditions, quality drinking water, reduction of pollution, and combating local diseases. This may entail states pooling resources to address these issues, perhaps in collaboration with the centre.

Revenue of the general government has stagnated at about 20% of GDP over the last three decades and is much lower than the average of 25% of GDP for Emerging and Middle-income Economies (International Monetary Fund, 2023). Greater revenue mobilization is essential for the additional expenditure that is needed to increase economic growth rates and reduce regional disparities. These would require better tax administration and reducing tax exemptions including for agricultural income. Of course, a higher GDP growth would lead to more revenue given that tax buoyancy has averaged 1.04 in the past three decades.

Global events impact India's nominal GDP and revenue growth quite substantially, and the economy and public finances of the general government are therefore vulnerable to global developments. The central government as well as the state governments need to consider incorporating in their budgets these risks and how best to mitigate them in case they materialize.

Administered pricing of various products needs to be dismantled to enhance proper resource allocation, increase government revenue, and reduce subsidies and vulnerability of state-owned enterprises (SOEs) at the central and state level. Various products' prices including water, electricity, food, fertilizers, petroleum products are decided by the administration and set lower than cost of production, which leads to low non-tax revenue and/or losses for SOEs. This leads to poor maintenance and low quality of products and services, and a lack of resources for investment for future growth.

Subsidies are large at 2.1% of GDP for the central government (Annex II) and 1.5% of GDP for state governments (RBI, 2023d) combined and need to be reduced and reoriented toward growth enhancing expenditure as mentioned earlier. An additional element is cross-subsidies – for example, the railways that are owned by the central government subsidize passenger fares by charging higher freight rates. This makes transportation of goods relatively cheaper by road, further buttressed by subsidized diesel, but leads to more road congestion and pollution. Similarly, at the state government level, domestic retail power consumers and farmers are subsidized by charging higher rates to manufacturers. This reduces the competitiveness of manufacturing firms globally. In addition, the state governments combined spend almost 0.8% of GDP on energy within revenue development expenditure which is mainly power subsidies (Annex III). These are larger for some states such as Bihar, Chhattisgarh, Punjab, Rajasthan, and Uttar Pradesh at more than 1% of their GSDP.

States' combined revenue non-development expenditure (NDE) has increased to 5% of GDP in recent years mainly due to rising interest costs and pensions. It takes up 65% of states own revenue and 35% of states total revenues (including central transfers), leaving little for development expenditure. NDE is committed expenditure and thus difficult to change in the near term. States, however, need to consider how NDE can be brought down over time to make room for more space to spend on development and capital expenditure needs.

India has only some fiscal space with general government fiscal deficit at 9.5% of GDP in FY2023 and debt at 82% of GDP coupled with stagnant revenue as a share of GDP. Outstanding liabilities of the general government have increased significantly since FY2016. This was initially because of increased state government liabilities as several states assumed the outstanding loans of the state-owned power companies and from FY2020 due to higher expenditure and fiscal deficits – both central and states - to mitigate the impact of the pandemic. Interest payments for the general government have increased as a result, and now account for over 5% of GDP and over 25% of total revenue.

Public debt is more than 20% of GSDP for most states except Gujarat, Maharashtra and Odisha, while some states such as Bihar, Punjab and West Bengal are at over 40% of their GSDP. Fiscal Responsibility Legislation (FRL) targets passed by the states have an annual 3% of fiscal deficit/GDP ceiling that have been relaxed at times, for example during the recent pandemic. States combined fiscal deficit has generally remained at less than 3% of GDP but has been rising lately with some divergence across states. However, the public debt of states has risen significantly in recent years, partly on account of contingent liabilities (such as the debt of their SOE power companies) being assumed by them in FY2016-FY2017.

The increase in states public debt as a share of GDP and of individual states as a share of their GSDP is concerning. While total revenue is stagnant and states cannot run a fiscal deficit/GSDP ratio of more than 3%, they need to increase capital and development expenditure. This would either be managed through non-transparent off-budget activities that could jeopardize public finances over time, or by cutting back on much needed capital and development expenditure. Given that the majority of total expenditure and capital expenditure is made by the states, this would impact delivery of public services and infrastructure, consequently hampering state-level and national growth.

To better assess the relation between economic growth rate and fiscal performance we compare two states: Punjab, which had the second highest per capita income and Odisha, which had the 13th highest per capita income amongst the 17 large states in FY2002. In FY2023, while Punjab had slipped to the eighth spot, Odisha moved up to the 9th position amongst these 17 large states.

From FY2002 to FY2023, Odisha successfully increased its revenue, partly because of mining revenue, which allowed it to increase its capital expenditure and revenue development expenditure while keeping its fiscal deficit below 3% of GDP. Odisha, which had a relatively low rank in per capita capital and revenue development expenditure has since been able to increase its expenditure in both these areas. It now has the highest per capita capital expenditure and has a large per capita revenue development expenditure amongst the large states. It has the highest per capita expenditure on medical and public health and has improved its ranking in the area of education, sports, art and culture. It meets half of its expenditure needs through its own revenue and has one of the lowest fiscal deficits and public debt amongst all the states. A reduction in its debt level over this period has helped it reduce its interest costs substantially providing it with more funds for much needed capital and development expenditure.

Punjab, on the other hand, has been unsuccessful in raising its own revenue, which has been declining over recent years. Consequently, it was unable to raise its total expenditure as a share of its GSDP, especially on revenue development expenditure and capital expenditure, on a sustainable basis. While Punjab had the highest per capita capital expenditure in FY2002, it had slipped by FY2023 to being almost the last, just ahead of West Bengal amongst large states. Similarly, its ranking amongst the large states has dropped from FY2002 to FY2023 for revenue development expenditure per capita, including on education, youth, sports and arts and medical and public health. Punjab's public debt is the highest amongst large states at close to 50% of its GSDP, and its fiscal deficit is also quite high compared to most other large states.

Punjab and Odisha present a contrast – Punjab with a declining GDP growth rate and poor fiscal outcomes and Odisha with an increasing GDP growth and better fiscal outcomes. While higher GDP growth may lead to higher revenue and better fiscal outcomes, increased and better focused government expenditure on public services can help enhance growth rates over time. It is therefore important for all states to raise their revenue and better target their expenditure toward achieving their priorities including higher growth.

India needs to enhance its fiscal space by raising its revenue which has been low and stagnant, and reduce its large fiscal deficits and public debt. Although public debt is expected to decline over the medium term, it remains at an elevated level and long-term debt sustainability risks are high on account of investments required to address the challenges of climate change mitigation and adaptation (IMF, 2023b). Risks to debt sustainability are moderated by India's debt composition comprising long-dated fixed rate local currency denominated securities held by local residents (IMF, 2023b). Any increase in expenditure to enhance growth would lead to an even more elevated level of public debt that could make it challenging to preserve macroeconomic stability, especially in the presence of an adverse economic shock. The central and state authorities therefore need to make a strong effort to raise revenue (both tax and non-tax), dismantle the administered pricing mechanism, reduce subsidies, and reorient expenditure toward national and state-level priorities. This would include raising the growth rate through increased spending on infrastructure, research and development, and providing equal opportunities to all citizens given the large differences in per capita expenditure on public services and poverty across states.

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Annex I. General Government Finances

India: Consolidated General Government Operations, 1991-1999 1/ 2/

(in % of GDP)

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99
Revenue	**17.56**	**18.88**	**18.77**	**17.64**	**18.20**	**18.20**	**17.83**	**17.86**	**16.61**
Taxes	15.26	15.57	15.04	13.88	14.23	14.35	14.15	14.08	12.96
Direct Taxes 3/	2.44	2.80	2.76	2.76	3.19	3.32	3.23	3.00	3.08
Indirect Taxes 3/	12.82	12.77	12.28	11.13	11.05	11.03	10.91	11.07	9.88
Centre's share	7.47	7.57	7.11	6.11	6.56	6.80	6.72	6.19	5.90
States share	7.79	8.00	7.93	7.78	7.67	7.55	7.43	7.88	7.06
Non-tax	2.20	3.17	3.60	3.64	3.87	3.76	3.59	3.72	3.60
Centre	1.98	2.27	2.52	2.40	2.20	2.24	2.25	2.41	2.47
States	1.60	1.92	1.69	1.78	2.10	1.89	1.68	1.57	1.35
Grants	0.10	0.14	0.12	0.11	0.10	0.09	0.09	0.07	0.06
Total Expenditure	**27.20**	**26.41**	**25.38**	**25.01**	**25.21**	**23.97**	**23.34**	**23.87**	**24.62**
Total Revenue Exp	21.51	21.49	20.84	20.64	20.77	20.21	20.13	20.41	21.45
of which: Interest exp	3.72	4.02	4.18	4.28	4.64	4.43	4.50	4.54	4.70
Centre's share 4/	10.57	10.13	9.85	9.93	9.95	9.87	9.75	10.13	10.89
States share	12.46	13.01	12.64	12.43	12.36	11.87	11.97	11.93	12.26
Total Capital Exp	5.69	4.92	4.53	4.37	4.45	3.76	3.21	3.46	3.17
Centre's share	5.52	4.40	3.93	3.85	3.76	3.19	3.02	3.35	3.55
States share	2.60	2.50	2.33	2.16	2.51	2.13	1.84	2.04	1.84
Fiscal Deficit 5/	**9.64**	**7.53**	**6.61**	**7.37**	**7.01**	**5.77**	**5.51**	**6.01**	**8.00**
Primary Deficit	**5.92**	**3.51**	**2.43**	**3.09**	**2.37**	**1.33**	**1.01**	**1.48**	**3.31**
Memorandum Items									
Fiscal Deficit (Authorities Def) 6/	8.39	5.65	5.26	6.39	5.40	4.91	4.52	5.05	6.86
Outstanding Liabilities	70.06	74.16	73.27	73.66	71.27	68.46	65.49	67.45	68.28
Share of Direct taxes in total taxes	16.02	17.98	18.35	19.85	22.39	23.16	22.86	21.33	23.76
Share of Indirect taxes in total taxes	83.98	82.02	81.65	80.15	77.61	76.84	77.14	78.67	76.24
Centre's share in total tax revenue	48.95	48.65	47.26	43.99	46.13	47.37	47.48	43.99	45.56
States Share in total tax revenue	51.05	51.35	52.74	56.01	53.87	52.63	52.52	56.01	54.44
States Share in total expenditure	55.36	58.73	58.96	58.32	58.98	58.42	59.14	58.49	57.27
States share in capital expenditure	45.69	50.78	51.28	49.35	56.47	56.74	57.22	58.88	58.09
Nominal GDP growth	16.79	14.95	14.94	15.08	17.30	17.32	15.70	10.79	14.69
Real GDP growth	5.53	1.06	5.48	4.75	6.66	7.57	7.55	4.05	6.18

Sources: MoF, MOSPI, RBI, IMF WEO, and authors’ calculations.
1/ Data for April - March fiscal years; FY91 refers to the period April 1990 to March 1991.
2/ FY23 data are actuals for central government and revised estimates for state governments.
3/ Direct taxes include personal income tax, corporate income tax collected by the central government and income and property tax collected by the state governments. All other taxes are indirect taxes.
4/ Excludes central transfers to states.
5/ Fiscal deficit is calculated as Total Expenditure minus Centre's Net Revenue
6/ Authorities include Recovery of Loans and Advances and Privatization Receipts in Revenue. We exclude these as they should be treated as ‘below the line’ items in financing.

India: Consolidated General Government Operations, 2000 - 2008 1/ 2/									
	(in % of GDP)								
	FY00	**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**
Revenue	**17.58**	**18.22**	**17.74**	**18.53**	**18.85**	**19.47**	**19.34**	**20.45**	**21.54**
Taxes	13.63	14.33	13.61	14.38	14.83	15.51	15.96	17.07	17.96
Direct Taxes 3/	3.40	3.77	3.66	4.04	4.49	4.91	5.20	6.07	6.95
Indirect Taxes 3/	10.22	10.56	9.96	10.34	10.34	10.59	10.76	11.00	11.01
Centre's share	6.45	6.40	5.80	6.42	6.75	7.10	7.52	8.30	9.01
States share	7.17	7.93	7.82	7.95	8.08	8.40	8.44	8.76	8.95
Non-tax	3.89	3.85	4.05	4.08	3.94	3.88	3.30	3.32	3.52
Centre	2.62	2.58	2.85	2.83	2.67	2.47	2.04	1.90	2.03
States	1.48	1.47	1.39	1.44	1.37	1.49	1.32	1.49	1.58
Grants	0.06	0.04	0.08	0.07	0.08	0.08	0.08	0.06	0.06
Total Expenditure	**25.59**	**26.67**	**26.74**	**27.71**	**29.11**	**27.44**	**25.66**	**25.39**	**26.36**
Total Revenue Exp	22.25	23.32	23.25	23.77	23.33	22.13	21.53	21.28	21.38
of which: Interest exp	5.08	5.52	5.81	6.03	5.99	5.73	5.36	5.19	5.10
Centre's share 4/	11.01	11.23	11.19	11.82	11.18	10.33	10.07	9.92	9.95
States share	12.95	13.62	13.60	13.46	13.52	12.82	12.06	11.89	11.86
Total Capital Exp	3.33	3.35	3.49	3.94	5.78	5.31	4.14	4.11	4.98
Centre's share	2.46	2.23	2.63	2.99	3.91	3.58	1.83	1.62	2.41
States share	1.94	2.00	1.93	2.04	2.81	2.55	2.53	2.63	2.72
Fiscal Deficit 5/	8.01	8.45	9.00	9.18	10.26	7.97	6.32	4.94	4.83
Primary Deficit	2.93	2.93	3.19	3.15	4.27	2.24	0.96	-0.25	-0.27
Memorandum Items									
Fiscal Deficit (Authorities Def) 6/	7.26	7.47	7.80	7.52	6.66	5.62	5.74	4.57	3.63
Outstanding Liabilities	71.71	74.96	80.17	84.32	84.69	83.57	80.40	75.37	72.73
Share of Direct taxes in total taxes	24.96	26.30	26.86	28.08	30.28	31.70	32.57	35.57	38.69
Share of Indirect taxes in total taxes	75.04	73.70	73.14	71.92	69.72	68.30	67.43	64.43	61.31
Centre's share in total tax revenue	47.35	44.66	42.59	44.68	45.52	45.81	47.10	48.64	50.17
States Share in total tax revenue	52.65	55.34	57.41	55.32	54.48	54.19	52.90	51.36	49.83
States Share in total expenditure	58.21	58.59	58.05	55.94	56.10	56.03	56.86	57.17	55.28
States share in capital expenditure	58.33	59.82	55.19	51.83	48.55	48.12	61.22	63.95	54.53
Nominal GDP growth	12.19	7.63	8.19	7.66	12.03	14.10	13.99	17.14	15.14
Real GDP growth	8.85	3.84	4.82	3.80	7.86	7.92	7.92	8.06	7.66

Sources: MoF, MOSPI, RBI, IMF WEO, and authors' calculations.
1/ Data for April - March fiscal years; FY00 refers to the period April 1999 to March 2000.
2/ FY23 data are actuals for central government and revised estimates for state governments.
3/ Direct taxes include personal income tax, corporate income tax collected by the central government and income and property tax collected by the state governments. All other taxes are indirect taxes.
4/ Excludes central transfers to states.
5/ Fiscal deficit is calculated as Total Expenditure minus Centre's Net Revenue
6/ Authorities include Recovery of Loans and Advances and Privatization Receipts in Revenue. We exclude these as they should be treated as 'below the line' items in financing.

India: Consolidated General Government Operations, 2009 - 2017 1/ 2/									
(in % of GDP)									
	FY09	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**
Revenue	**19.96**	**18.64**	**20.38**	**18.98**	**19.56**	**19.43**	**18.97**	**19.66**	**19.95**
Taxes	16.82	15.51	16.42	16.56	17.00	16.48	16.23	16.72	17.08
Direct Taxes 3/	6.61	6.54	6.58	6.47	6.47	6.46	6.31	6.18	6.11
Indirect Taxes 3/	10.21	8.98	9.84	10.09	10.54	10.02	9.92	10.54	10.96
Centre's share	8.07	7.22	7.52	7.25	7.49	7.30	7.28	6.89	7.20
States share	8.74	8.29	8.91	9.30	9.51	9.17	8.96	9.83	9.88
Non-tax	3.10	3.07	3.92	2.39	2.54	2.92	2.73	2.93	2.87
Centre	1.71	1.78	2.83	1.36	1.36	1.74	1.57	1.81	1.76
States	1.48	1.40	1.20	1.13	1.18	1.18	1.15	1.12	1.10
Grants	0.05	0.05	0.04	0.03	0.02	0.03	0.01	0.01	0.01
Total Expenditure	**28.45**	**28.47**	**27.66**	**27.20**	**26.62**	**26.26**	**25.98**	**26.83**	**27.21**
Total Revenue Exp	24.06	24.21	23.49	23.10	22.81	22.51	22.08	22.00	22.17
of which: Interest exp	4.98	4.78	4.44	4.46	4.45	4.64	4.56	4.58	4.65
Centre's share 4/	12.07	12.00	11.54	11.03	10.64	10.42	9.14	8.84	8.71
States share	12.37	12.55	12.21	12.30	12.39	12.28	13.13	13.35	13.56
Total Capital Exp	4.38	4.26	4.16	4.11	3.81	3.75	3.90	4.82	5.05
Centre's share	1.64	1.77	2.05	1.82	1.68	1.67	1.58	1.84	1.85
States share	2.88	2.62	2.24	2.41	2.24	2.18	2.42	3.08	3.31
Fiscal Deficit 5/	**8.49**	**9.84**	**7.28**	**8.22**	**7.06**	**6.83**	**7.01**	**7.17**	**7.26**
Primary Deficit	**3.51**	**5.06**	**2.84**	**3.76**	**2.61**	**2.19**	**2.44**	**2.59**	**2.61**
Memorandum Items									
Fiscal Deficit (Authorities Def) 6/	8.16	9.18	6.74	7.59	6.57	6.39	6.43	6.65	6.73
Outstanding Liabilities	73.73	71.84	66.88	67.36	66.65	67.06	66.58	68.53	68.77
Share of Direct taxes in total taxes	39.30	42.14	40.09	39.05	38.04	39.18	38.89	36.95	35.80
Share of Indirect taxes in total taxes	60.70	57.86	59.91	60.95	61.96	60.82	61.11	63.05	64.20
Centre's share in total tax revenue	48.01	46.55	45.76	43.81	44.04	44.32	44.81	41.23	42.14
States Share in total tax revenue	51.99	53.45	54.24	56.19	55.96	55.68	55.19	58.77	57.86
States Share in total expenditure	53.58	53.28	52.24	54.06	54.95	55.07	59.85	61.22	62.00
States share in capital expenditure	65.60	61.45	53.72	58.56	58.91	58.04	62.00	63.78	65.65
Nominal GDP growth	12.56	15.46	19.92	14.43	13.82	12.97	10.99	10.46	11.76
Real GDP growth	3.09	7.86	8.50	5.24	5.46	6.39	7.41	8.00	8.26

Sources: MoF, MOSPI, RBI, IMF WEO, and authors’ calculations.
1/ Data for April - March fiscal years; FY09 refers to the period April 1008 to March 2009.
2/ FY23 data are actuals for central government and revised estimates for state governments.
3/ Direct taxes include personal income tax, corporate income tax collected by the central government and income and property tax collected by the state governments. All other taxes are indirect taxes.
4/ Excludes central transfers to states.
5/ Fiscal deficit is calculated as Total Expenditure minus Centre's Net Revenue
6/ Authorities include Recovery of Loans and Advances and Privatization Receipts in Revenue. We exclude these as they should be treated as ‘below the line’ items in financing.

India: Consolidated General Government Operations, 2018 - 2023 1/ 2/						
			(in % of GDP)			
	FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23RE**
Revenue	**20.02**	**19.84**	**19.01**	**18.07**	**20.42**	**19.92**
Taxes	17.84	17.44	16.09	16.13	17.82	17.83
Direct Taxes 3/	6.56	6.78	5.96	5.50	6.83	6.93
Indirect Taxes 3/	11.29	10.66	10.12	10.63	10.98	10.89
Centre's share	7.29	6.98	6.76	7.22	7.72	7.73
States share	10.55	10.46	9.33	8.91	10.10	10.10
Non-tax	2.16	2.40	2.92	1.92	2.60	2.08
Centre	1.11	1.24	1.63	1.04	1.55	1.04
States	1.05	1.16	1.30	0.89	1.05	1.04
Grants	0.02	0.01	0.00	0.01	0.01	0.01
Total Expenditure	**26.20**	**26.26**	**26.68**	**30.83**	**29.22**	**29.43**
Total Revenue Exp	22.25	22.20	22.87	27.16	25.09	24.20
of which: Interest exp	4.73	4.71	4.73	5.29	5.16	5.04
Centre's share 4/	8.64	8.30	9.05	12.33	11.01	9.48
States share	13.69	13.96	13.89	14.92	14.18	14.82
Total Capital Exp	3.95	4.06	3.81	3.67	4.13	5.22
Centre's share	1.54	1.63	1.67	2.15	2.53	2.72
States share	2.52	2.58	2.29	2.30	2.45	2.98
Fiscal Deficit 5/	**6.18**	**6.42**	**7.67**	**12.77**	**8.79**	**9.51**
Primary Deficit	**1.45**	**1.71**	**2.94**	**7.47**	**3.63**	**4.47**
Memorandum Items						
Fiscal Deficit (Authorities Def) 6/	5.27	5.60	7.05	12.36	8.53	9.19
Outstanding Liabilities	69.57	70.53	75.22	89.45	85.21	81.97
Share of Direct taxes in total taxes	36.75	38.87	37.08	34.12	38.35	38.89
Share of Indirect taxes in total taxes	63.25	61.13	62.92	65.88	61.65	61.11
Centre's share in total tax revenue	40.86	40.03	42.03	44.77	43.30	43.36
States Share in total tax revenue	59.14	59.97	57.97	55.23	56.70	56.64
States Share in total expenditure	61.89	62.96	60.62	55.85	56.90	60.50
States share in capital expenditure	63.91	63.41	60.04	62.75	59.37	57.06
Nominal GDP growth	11.03	10.59	6.37	-1.36	18.36	16.06
Real GDP growth	6.80	6.45	3.87	-5.83	9.05	7.24

Sources: MoF, MOSPI, RBI, IMF WEO, and authors' calculations.
1/ Data for April - March fiscal years; FY8 refers to the period April 2017 to March 2018.
2/ FY23 data are actuals for central government and revised estimates for state governments.
3/ Direct taxes include personal income tax, corporate income tax collected by the central government and income and property tax collected by the state governments. All other taxes are indirect taxes.
4/ Excludes central transfers to states.
5/ Fiscal deficit is calculated as Total Expenditure minus Centre's Net Revenue
6/ Authorities include Recovery of Loans and Advances and Privatization Receipts in Revenue. We exclude these as they should be treated as 'below the line' items in financing.

Annex II. Central Government Finances

India: Central Government Operations, 1991-1999 1/									
	(in % of GDP)								
	FY91	**FY92**	**FY93**	**FY94**	**FY95**	**FY96**	**FY97**	**FY98**	**FY99**
Centre's Net Revenue 2/	**9.5**	**10.0**	**9.7**	**8.6**	**8.9**	**9.1**	**9.1**	**8.7**	**8.4**
Total Revenue by Centre	12.1	12.6	12.4	11.2	11.3	11.6	11.6	11.5	10.6
Taxes	10.0	10.2	9.8	8.6	9.0	9.2	9.2	9.0	8.1
Personal Income	0.9	1.0	1.0	1.0	1.2	1.3	1.3	1.1	1.1
Corporate Income	0.9	1.2	1.2	1.1	1.3	1.4	1.3	1.3	1.4
Customs	3.6	3.4	3.1	2.5	2.6	3.0	3.1	2.6	2.3
Excise	4.3	4.2	4.1	3.6	3.6	3.3	3.2	3.1	3.0
Service	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Goods and Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Taxes	0.3	0.4	0.4	0.3	0.2	0.2	0.2	0.8	0.2
Less: States' Share	2.5	2.6	2.7	2.5	2.4	2.4	2.5	2.8	2.2
Centre's Net Tax Revenue	7.5	7.6	7.1	6.1	6.6	6.8	6.7	6.2	5.9
Non-tax	2.0	2.3	2.5	2.4	2.2	2.2	2.3	2.4	2.5
Dividends and Profits	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.4
Interest Receipts	1.5	1.7	1.6	1.7	1.5	1.5	1.6	1.6	1.7
Other Communication Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income	0.3	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3
Grants	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure	18.3	16.8	16.1	16.2	15.6	14.8	14.4	15.0	15.8
Revenue Expenditure 3/	12.8	12.4	12.2	12.3	11.9	11.6	11.4	11.7	12.2
Compensation of Employees	1.7	1.7	1.6	1.5	1.5	1.3	1.6	1.6	1.6
Pensions 4/									
Interest	3.7	4.0	4.1	4.2	4.3	4.2	4.3	4.2	4.4
Subsidies 5/	2.1	1.9	1.4	1.3	1.2	1.1	1.1	1.2	1.3
Fertilizer	0.8	0.8	0.8	0.5	0.6	0.6	0.5	0.6	0.7
Food	0.4	0.4	0.4	0.6	0.5	0.4	0.4	0.5	0.5
Petroleum	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.9	0.6	0.3	0.2	0.1	0.0	0.1	0.0	0.2
Grants to States	2.2	2.3	2.3	2.4	1.9	1.7	1.6	1.5	1.3
Other Expense 6/	3.0	2.6	2.7	2.9	3.0	3.3	2.7	3.1	3.6
Capital Expenditure	5.5	4.4	3.9	3.8	3.8	3.2	3.0	3.3	3.5
Fiscal Deficit 7/	**8.7**	**6.8**	**6.4**	**7.6**	**6.8**	**5.7**	**5.4**	**6.4**	**7.3**
Primary Deficit	**6.5**	**4.5**	**3.9**	**5.1**	**4.0**	**3.0**	**2.7**	**3.7**	**4.6**
Memorandum Items									
Fiscal Deficit (Authorities Definition) 8/	7.7	5.5	5.3	6.9	5.7	5.1	4.8	5.8	6.4
Privatization Receipts	0.0	0.5	0.3	0.0	0.5	0.0	0.0	0.1	0.3
Recovery of Loans and Advances	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.5	0.6
Direct Taxes 9/	1.9	2.2	2.2	2.2	2.5	2.7	2.6	2.4	2.5
Indirect Taxes 9/	8.1	8.0	7.6	6.5	6.5	6.6	6.6	6.6	5.6
States share in total taxes collected by central government	25.2	25.5	27.5	29.4	26.9	26.3	27.2	31.3	27.2
Outstanding Liabilities (as % of GDP)	60.6	64.5	63.1	63.7	61.3	58.3	55.3	57.2	57.1

Sources: MoF, MOSPI, RBI, IMF WEO, and authors' calculations.
1/ Data for April - March fiscal years; FY91 refers to the period April 1991 to March 1992.
2/ Centre's net revenue includes total tax revenue collected by the central government minus states' share in tax revenue, non-tax revenue and grants.
3/ Allocation of funds to National Calamity Contingency Fund (NCCF) are included as Revenue expenditure.
4/ Until FY15, reflects non-plan expenditure on pensions.
5/ Does not include subsidy-related bond issuances
6/ Other Expenses include 'Pensions' for FY91 to FY00 and are not shown separately.
7/ Fiscal deficit is calculated as Total Expenditure minus Centre's Net Revenue
8/ Authorities include Recovery of Loans and Advances and Privatization Receipts in Revenue. We exclude these as they should be treated as 'below the line' items in financing.
9/ Direct taxes include corporate and personal income taxes, all other taxes collected are indirect.

India: Central Government Operations, 2000 -2008 1/									
	(in % of GDP)								
	FY00	**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**
Centre's Net Revenue 2/	**9.1**	**9.0**	**8.7**	**9.3**	**9.5**	**9.7**	**9.6**	**10.3**	**11.1**
Total Revenue by Centre	11.3	11.4	11.0	11.6	11.9	12.1	12.2	13.1	14.2
Taxes	8.6	8.8	8.1	8.7	9.1	9.6	10.1	11.1	12.1
Personal Income	1.3	1.5	1.4	1.5	1.5	1.5	1.6	1.8	2.1
Corporate Income	1.5	1.7	1.6	1.9	2.3	2.6	2.8	3.4	3.9
Customs	2.4	2.2	1.7	1.8	1.7	1.8	1.8	2.0	2.1
Excise	3.1	3.2	3.1	3.3	3.3	3.1	3.1	2.8	2.5
Service	0.1	0.1	0.1	0.2	0.3	0.4	0.6	0.9	1.0
Goods and Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.4
Less: States' Share	2.2	2.4	2.3	2.3	2.4	2.5	2.6	2.8	3.1
Centre's Net Tax Revenue	6.5	6.4	5.8	6.4	6.8	7.1	7.5	8.3	9.0
Non-tax	2.6	2.6	2.9	2.8	2.7	2.5	2.0	1.9	2.0
Dividends and Profits	0.5	0.6	0.7	0.9	0.8	0.7	0.7	0.7	0.7
Interest Receipts	1.7	1.5	1.5	1.5	1.4	1.0	0.6	0.5	0.4
Other Communication Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income	0.4	0.4	0.6	0.5	0.5	0.7	0.7	0.7	0.9
Grants	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure	15.0	15.2	15.7	16.6	16.9	15.7	14.0	13.8	14.6
Revenue Expenditure 3/	12.5	13.0	13.1	13.7	13.0	12.1	12.2	12.1	12.2
Compensation of Employees	1.3	1.3	1.2	1.1	1.1	1.0	0.9	0.9	1.3
Pensions 4/		0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Interest	4.5	4.6	4.6	4.7	4.4	4.0	3.7	3.5	3.5
Subsidies 5/	1.2	1.3	1.3	1.7	1.6	1.4	1.3	1.3	1.4
Fertilizer	0.7	0.6	0.5	0.4	0.4	0.5	0.5	0.6	0.7
Food	0.5	0.6	0.8	1.0	0.9	0.8	0.6	0.6	0.6
Petroleum	0.0	0.0	0.0	0.2	0.2	0.1	0.1	0.1	0.1
Others	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1
Grants to States	1.5	1.8	1.9	1.8	1.8	1.8	2.1	2.2	2.2
Other Expense 6/	4.0	3.4	3.3	3.6	3.5	3.3	3.6	3.6	3.2
Capital Expenditure	2.5	2.2	2.6	3.0	3.9	3.6	1.8	1.6	2.4
Fiscal Deficit 7/	**5.9**	**6.2**	**7.0**	**7.3**	**7.4**	**6.0**	**4.4**	**3.5**	**3.5**
Primary Deficit	**3.0**	**3.1**	**3.8**	**4.1**	**4.4**	**3.1**	**1.3**	**0.5**	**0.4**
Memorandum Items									
Fiscal Deficit (Authorities Definition) 8/	5.3	5.6	6.1	5.8	4.4	3.9	4.0	3.4	2.6
Privatization Receipts	0.1	0.1	0.2	0.1	0.6	0.1	0.0	0.0	0.8
Recovery of Loans and Advances	0.5	0.6	0.7	1.4	2.4	1.9	0.3	0.1	0.1
Direct Taxes 9/	2.8	3.2	3.0	3.3	3.8	4.1	4.4	5.2	6.0
Indirect Taxes 9/	5.8	5.7	5.1	5.3	5.3	5.4	5.8	6.0	6.1
States share in total taxes collected by central government	25.3	27.4	28.2	26.0	25.9	25.8	25.7	25.4	25.6
Outstanding Liabilities (as % of GDP)	57.8	60.4	64.6	68.0	67.1	66.7	65.0	62.0	59.9

Sources: MoF, MOSPI, RBI, IMF WEO, and authors' calculations.
1/ Data for April - March fiscal years; FY00 refers to the period April 1990 to March 2000.
2/ Centre's net revenue includes total tax revenue collected by the central government minus states' share in tax revenue, non-tax revenue and grants.
3/ Allocation of funds to National Calamity Contingency Fund (NCCF) are included as Revenue expenditure.
4/ Until FY15, reflects non-plan expenditure on pensions.
5/ Does not include subsidy-related bond issuances
6/ Other Expenses include 'Pensions' for FY91 to FY00 and are not shown separately.
7/ Fiscal deficit is calculated as Total Expenditure minus Centre's Net Revenue
8/ Authorities include Recovery of Loans and Advances and Privatization Receipts in Revenue. We exclude these as they should be treated as 'below the line' items in financing.
9/ Direct taxes include corporate and personal income taxes, all other taxes collected are indirect.

India: Central Government Operations, 2009 -2017 1/

(in % of GDP)

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Centre's Net Revenue 2/	**9.8**	**9.0**	**10.4**	**8.6**	**8.9**	**9.1**	**8.9**	**8.7**	**9.0**
Total Revenue by Centre	12.7	11.6	13.3	11.6	11.8	11.9	11.6	12.4	12.9
Taxes	11.0	9.8	10.4	10.2	10.4	10.1	10.0	10.6	11.1
Personal Income	1.9	1.9	1.8	1.9	2.0	2.1	2.1	2.1	2.3
Corporate Income	3.9	3.8	3.9	3.7	3.6	3.5	3.4	3.3	3.2
Customs	1.8	1.3	1.8	1.7	1.7	1.5	1.5	1.5	1.5
Excise	2.0	1.6	1.8	1.7	1.8	1.5	1.5	2.1	2.5
Service	1.1	0.9	0.9	1.1	1.3	1.4	1.3	1.5	1.7
Goods and Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Taxes	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.1
Less: States' Share	2.9	2.6	2.9	2.9	2.9	2.8	2.7	3.7	4.0
Centre's Net Tax Revenue	8.1	7.2	7.5	7.3	7.5	7.3	7.3	6.9	7.2
Non-tax	1.7	1.8	2.8	1.4	1.4	1.7	1.6	1.8	1.8
Dividends and Profits	0.7	0.8	0.6	0.6	0.5	0.8	0.7	0.8	0.8
Interest Receipts	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Other Communication Services	0.0	0.2	1.6	0.2	0.2	0.4	0.2	0.4	0.5
Other income	0.6	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4
Grants	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	16.1	16.1	15.7	15.0	14.2	13.9	13.4	13.0	12.9
Revenue Expenditure 3/	14.4	14.4	13.7	13.2	12.5	12.3	11.8	11.2	11.0
Compensation of Employees	1.4	1.2	1.1	1.1	1.0	1.1	0.8	1.2	1.1
Pensions 4/	0.6	0.9	0.8	0.7	0.7	0.7	0.8	0.7	0.9
Interest	3.5	3.3	3.1	3.1	3.1	3.3	3.2	3.2	3.1
Subsidies 5/	2.4	2.2	2.3	2.5	2.6	2.3	2.1	1.9	1.5
Fertilizer	1.4	1.0	0.8	0.8	0.7	0.6	0.6	0.5	0.4
Food	0.8	0.9	0.8	0.8	0.9	0.8	0.9	1.0	0.7
Petroleum	0.1	0.2	0.5	0.8	1.0	0.8	0.5	0.2	0.2
Others	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Grants to States	2.4	2.4	2.1	2.1	1.9	1.8	2.7	2.4	2.3
Other Expense 6/	4.2	4.4	4.4	3.6	3.2	3.1	2.3	1.8	2.1
Capital Expenditure	1.6	1.8	2.1	1.8	1.7	1.7	1.6	1.8	1.8
Fiscal Deficit 7/	**6.2**	**7.1**	**5.4**	**6.3**	**5.3**	**4.8**	**4.5**	**4.3**	**3.9**
Primary Deficit	**3.1**	**4.1**	**2.5**	**3.4**	**2.4**	**1.7**	**1.5**	**1.3**	**0.9**
Memorandum Items									
Fiscal Deficit (Authorities Definition) 8/	6.1	6.6	4.9	5.9	4.9	4.5	4.1	3.9	3.5
Privatization Receipts	0.0	0.4	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Recovery of Loans and Advances	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.2	0.1
Direct Taxes 9/	5.8	5.8	5.7	5.6	5.6	5.6	5.5	5.4	5.4
Indirect Taxes 9/	5.2	4.0	4.7	4.6	4.9	4.5	4.5	5.2	5.7
States share in total taxes collected by central government	26.5	26.4	27.7	28.7	28.1	27.9	27.1	34.8	35.4
Outstanding Liabilities (as % of GDP)	59.8	57.3	53.2	53.5	52.5	52.2	51.4	51.5	49.5

Sources: MoF, MOSPI, RBI, IMF WEO, and authors' calculations.

1/ Data for April - March fiscal years; FY09 refers to the period April 2009 to March 2009.

2/ Centre's net revenue includes total tax revenue collected by the central government minus states' share in tax revenue, non-tax revenue and grants.

3/ Allocation of funds to National Calamity Contingency Fund (NCCF) are included as Revenue expenditure.

4/ Until FY15, reflects non-plan expenditure on pensions.

5/ Does not include subsidy-related bond issuances

6/ Other Expenses include 'Pensions' for FY91 to FY00 and are not shown separately.

7/ Fiscal deficit is calculated as Total Expenditure minus Centre's Net Revenue

8/ Authorities include Recovery of Loans and Advances and Privatization Receipts in Revenue. We exclude these as they should be treated as 'below the line' items in financing.

9/ Direct taxes include corporate and personal income taxes, all other taxes collected are indirect.

India: Central Government Operations, 2018 -2023 1/

(in % of GDP)

	FY18	FY19	FY20	FY21	FY22	FY23
Centre's Net Revenue 2/	**8.4**	**8.2**	**8.4**	**8.3**	**9.3**	**8.8**
Total Revenue by Centre	12.4	12.3	11.6	11.3	13.1	12.3
Taxes	11.2	11.0	10.0	10.2	11.5	11.2
Personal Income	2.5	2.5	2.5	2.5	3.0	3.1
Corporate Income	3.3	3.5	2.8	2.3	3.0	3.0
Customs	0.8	0.6	0.5	0.7	0.9	0.8
Excise	1.5	1.2	1.2	2.0	1.7	1.2
Service	0.5	0.0	0.0	0.0	0.0	0.0
Goods and Services	2.6	3.1	3.0	2.8	3.0	3.1
Other Taxes	0.1	0.0	0.0	0.0	0.0	0.0
Less: States' Share	3.9	4.0	3.2	3.0	3.8	3.5
Centre's Net Tax Revenue	7.3	7.0	6.8	7.2	7.7	7.7
Non-tax	1.1	1.2	1.6	1.0	1.6	1.0
Dividends and Profits	0.5	0.6	0.9	0.5	0.7	0.4
Interest Receipts	0.1	0.1	0.1	0.1	0.1	0.1
Other Communication Services	0.2	0.2	0.3	0.2	0.4	0.2
Other income	0.3	0.4	0.3	0.2	0.4	0.3
Grants	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	12.6	12.3	13.4	17.7	16.2	15.4
Revenue Expenditure 3/	11.0	10.6	11.7	15.6	13.7	12.7
Compensation of Employees	1.1	1.1	1.1	1.1	1.0	1.0
Pensions 4/	0.9	0.8	0.9	1.1	0.8	0.9
Interest	3.1	3.1	3.0	3.4	3.4	3.4
Subsidies 5/	1.3	1.2	1.3	3.8	2.1	2.1
Fertilizer	0.4	0.4	0.4	0.6	0.7	0.9
Food	0.6	0.5	0.5	2.7	1.2	1.0
Petroleum	0.1	0.1	0.2	0.2	0.0	0.0
Others	0.2	0.1	0.2	0.3	0.2	0.2
Grants to States	2.4	2.3	2.7	3.2	2.7	3.2
Other Expense 6/	2.3	2.1	2.6	3.0	3.6	2.1
Capital Expenditure	1.5	1.6	1.7	2.1	2.5	2.7
Fiscal Deficit 7/	**4.1**	**4.0**	**5.0**	**9.5**	**6.9**	**6.6**
Primary Deficit	**1.1**	**1.0**	**2.0**	**6.1**	**3.6**	**3.3**
Memorandum Items						
Fiscal Deficit (Authorities Definition) 8/	3.5	3.4	4.6	9.2	6.8	6.4
Privatization Receipts	0.6	0.5	0.3	0.2	0.1	0.2
Recovery of Loans and Advances	0.1	0.1	0.1	0.1	0.1	0.1
Direct Taxes 9/	5.8	6.0	5.2	4.8	6.0	6.1
Indirect Taxes 9/	5.4	5.0	4.8	5.5	5.5	5.1
States share in total taxes collected by central government	35.1	36.6	32.4	29.4	33.2	31.1
Outstanding Liabilities (as % of GDP)	49.5	49.6	52.6	62.8	60.2	57.8

Sources: MoF, MOSPI, RBI, IMF WEO, and authors' calculations.
1/ Data for April - March fiscal years; FY18 refers to the period April 2017 to March 2018.
2/ Centre's net revenue includes total tax revenue collected by the central government minus states' share in tax revenue, non-tax revenue and grants.
3/ Allocation of funds to National Calamity Contingency Fund (NCCF) are included as Revenue expenditure.
4/ Until FY15, reflects non-plan expenditure on pensions.
5/ Does not include subsidy-related bond issuances
6/ Other Expenses include 'Pensions' for FY91 to FY00 and are not shown separately.
7/ Fiscal deficit is calculated as Total Expenditure minus Centre's Net Revenue
8/ Authorities include Recovery of Loans and Advances and Privatization Receipts in Revenue. We exclude these as they should be treated as 'below the line' items in financing.
9/ Direct taxes include corporate and personal income taxes, all other taxes collected are indirect.

Annex III. All States Combined Government

India: All States Combined Government Operations, 1991-1998 1/								
	(in % of GDP)							
	FY91	**FY92**	**FY93**	**FY94**	**FY95**	**FY96**	**FY97**	**FY98**
Revenue	**11.54**	**12.16**	**11.97**	**11.99**	**11.71**	**11.16**	**10.76**	**10.80**
States' own revenue	6.87	7.32	6.93	7.01	7.35	7.02	6.60	6.64
Tax	5.27	5.40	5.24	5.24	5.25	5.12	4.92	5.07
Income	0.11	0.10	0.08	0.07	0.07	0.07	0.07	0.07
Property	0.48	0.50	0.48	0.49	0.60	0.59	0.52	0.53
Goods and Services	4.68	4.80	4.68	4.67	4.58	4.46	4.32	4.47
Non-tax	1.60	1.92	1.69	1.78	2.10	1.89	1.68	1.57
Central transfers	4.67	4.84	5.04	4.97	4.36	4.14	4.16	4.16
Share in central taxes	2.47	2.54	2.70	2.56	2.42	2.41	2.51	2.62
Grants	2.19	2.30	2.33	2.42	1.94	1.73	1.65	1.54
Total Expenditure	**15.06**	**15.51**	**14.96**	**14.59**	**14.87**	**14.01**	**13.80**	**13.96**
Revenue	12.46	13.01	12.64	12.43	12.36	11.87	11.97	11.93
Development	8.48	8.83	8.34	8.05	7.56	7.31	7.51	7.25
Education, Sports, Art & Culture	2.70	2.58	2.53	2.45	2.39	2.36	2.33	2.35
Medical & Public health	0.80	0.76	0.74	0.75	0.71	0.55	0.55	0.56
Housing	0.06	0.06	0.06	0.05	0.05	0.06	0.06	0.06
Urban Development	0.11	0.12	0.10	0.09	0.08	0.09	0.10	0.11
Welfare of SC/ST/OBCs 2/	0.31	0.31	0.30	0.29	0.29	0.28	0.28	0.29
Social Security and Welfare	0.24	0.22	0.22	0.21	0.20	0.20	0.19	0.19
Agriculture	1.09	1.05	1.11	1.01	0.88	0.82	0.78	0.75
Rural Development	0.81	0.80	0.84	0.83	0.66	0.54	0.54	0.54
Irrigation	0.60	0.63	0.64	0.62	0.63	0.59	0.57	0.56
Power	0.17	0.75	0.34	0.36	0.28	0.22	0.62	0.39
Roads & Bridges	0.32	0.33	0.32	0.31	0.30	0.28	0.27	0.27
Science, Tech & Environment	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00
Others	1.28	1.70	1.60	1.49	1.51	1.73	1.66	1.62
Non-Development	3.84	4.03	4.14	4.25	4.68	4.45	4.33	4.49
Interest Payment	1.50	1.65	1.74	1.80	1.89	1.81	1.82	1.93
Administrative Services	1.22	1.18	1.23	1.18	1.10	1.08	1.06	1.10
Pensions	0.54	0.56	0.58	0.58	0.60	0.65	0.70	0.75
Others	0.58	0.63	0.60	0.68	1.09	0.91	0.75	0.71
Grants to local bodies	0.14	0.15	0.16	0.13	0.12	0.12	0.13	0.19
Capital	2.60	2.50	2.33	2.16	2.51	2.13	1.84	2.04
Education, Sports, Art & Culture	0.05	0.04	0.04	0.03	0.04	0.03	0.03	0.03
Medical & Public health	0.04	0.04	0.03	0.03	0.03	0.03	0.02	0.03
Water supply & sanitation	0.06	0.08	0.07	0.08	0.09	0.07	0.07	0.07
Housing	0.03	0.03	0.02	0.02	0.02	0.03	0.02	0.03
Urban development	0.01	0.02	0.01	0.01	0.01	0.01	0.02	0.02
Agriculture	0.11	0.04	0.10	0.08	0.09	0.06	0.02	0.08
Rural development	0.02	0.03	0.02	0.02	0.01	0.01	0.03	0.02
Irrigation	0.63	0.58	0.56	0.57	0.57	0.55	0.49	0.54
Energy	0.17	0.25	0.12	0.16	0.41	0.29	0.11	0.20
Roads & Bridges	0.19	0.17	0.16	0.19	0.21	0.20	0.20	0.19
Science, Tech & Environment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans & Advances	1.00	0.98	0.93	0.75	0.84	0.62	0.61	0.60
Other	0.28	0.24	0.24	0.22	0.19	0.21	0.21	0.23
Fiscal Deficit	**3.52**	**3.35**	**3.00**	**2.60**	**3.16**	**2.85**	**3.05**	**3.17**
Memorandum items								
Fiscal deficit (Authorities Definition) 3/	3.26	2.84	2.74	2.32	2.66	2.56	2.62	2.80
Primary Deficit	2.02	1.70	1.26	0.80	1.27	1.04	1.23	1.24
Outstanding liabilities	22.24	22.20	22.12	21.45	21.07	20.70	20.50	21.41

Sources: RBI, MOSPI, and authors' calculations.
1/ Data for April - March fiscal years; FY91 refers to the period April 1990 to March 1991.
2/ SC/ST/OBCs stand for Scheduled Castes, Scheduled Tribes and Other Backward Classes.
3/ Authorities include Recovery of Loans and Advances and Miscellaneous Capital Receipts in Revenue.

India: All States Combined Government Operations, 1999-2006 1/

(in % of GDP)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Revenue	**9.75**	**10.21**	**11.12**	**11.04**	**11.25**	**11.34**	**11.68**	**11.87**
States' own revenue	6.20	6.47	6.98	6.93	7.14	7.09	7.43	7.17
Tax	4.85	4.99	5.51	5.53	5.70	5.73	5.94	5.85
Income	0.08	0.09	0.09	0.13	0.09	0.08	0.07	0.07
Property	0.47	0.48	0.52	0.56	0.62	0.65	0.70	0.76
Goods and Services	4.29	4.42	4.90	4.84	5.00	4.99	5.16	5.01
Non-tax	1.35	1.48	1.47	1.39	1.44	1.37	1.49	1.32
Central transfers	3.55	3.74	4.14	4.12	4.11	4.24	4.25	4.70
Share in central taxes	2.22	2.22	2.37	2.26	2.27	2.40	2.47	2.59
Grants	1.32	1.52	1.77	1.86	1.83	1.84	1.78	2.11
Total Expenditure	**14.10**	**14.89**	**15.63**	**15.52**	**15.50**	**16.33**	**15.38**	**14.59**
Revenue	12.26	12.95	13.62	13.60	13.46	13.52	12.82	12.06
Development	7.32	7.49	7.87	7.50	7.24	7.33	6.79	6.64
Education, Sports, Art & Culture	2.52	2.76	2.80	2.60	2.50	2.34	2.23	2.15
Medical & Public health	0.59	0.59	0.61	0.58	0.56	0.53	0.50	0.48
Housing	0.06	0.05	0.06	0.05	0.06	0.06	0.06	0.06
Urban Development	0.12	0.13	0.14	0.16	0.16	0.16	0.17	0.13
Welfare of SC/ST/OBCs 2/	0.29	0.28	0.29	0.29	0.29	0.28	0.29	0.29
Social Security and Welfare	0.20	0.20	0.23	0.22	0.25	0.26	0.26	0.25
Agriculture	0.76	0.80	0.72	0.68	0.66	0.61	0.63	0.58
Rural Development	0.59	0.53	0.47	0.44	0.47	0.49	0.48	0.48
Irrigation	0.56	0.52	0.55	0.48	0.47	0.32	0.31	0.31
Power	0.31	0.34	0.56	0.66	0.56	1.08	0.69	0.58
Roads & Bridges	0.21	0.22	0.22	0.21	0.25	0.20	0.20	0.22
Science, Tech & Environment	0.01	0.00	0.01	0.00	0.00	0.01	0.01	0.01
Others	1.57	1.53	1.72	1.63	1.52	1.49	1.50	1.57
Non-Development	4.74	5.25	5.52	5.90	5.97	5.95	5.77	5.15
Interest Payment	2.00	2.25	2.42	2.70	2.81	2.93	2.76	2.31
Administrative Services	1.11	1.18	1.19	1.16	1.10	1.03	0.96	0.94
Pensions	0.91	1.14	1.19	1.22	1.24	1.18	1.17	1.12
Others	0.72	0.68	0.72	0.82	0.81	0.81	0.87	0.77
Grants to local bodies	0.20	0.21	0.00	0.00	0.00	0.00	0.25	0.27
Capital	1.84	1.94	2.00	1.93	2.04	2.81	2.55	2.53
Education, Sports, Art & Culture	0.03	0.02	0.02	0.03	0.02	0.03	0.03	0.05
Medical & Public health	0.03	0.03	0.03	0.03	0.03	0.04	0.04	0.05
Water supply & sanitation	0.10	0.09	0.14	0.12	0.14	0.13	0.16	0.14
Housing	0.03	0.03	0.02	0.02	0.03	0.02	0.03	0.02
Urban development	0.01	0.01	0.03	0.01	0.02	0.07	0.06	0.06
Agriculture	0.10	0.10	0.14	0.12	0.03	0.03	0.07	0.05
Rural development	0.02	0.03	0.06	0.10	0.09	0.08	0.10	0.11
Irrigation	0.48	0.49	0.41	0.42	0.49	0.60	0.66	0.72
Energy	0.08	0.06	0.19	0.12	0.12	0.36	0.23	0.29
Roads & Bridges	0.23	0.23	0.26	0.23	0.26	0.29	0.28	0.38
Science, Tech & Environment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans & Advances	0.56	0.69	0.55	0.53	0.58	0.93	0.62	0.40
Other	0.18	0.17	0.15	0.20	0.23	0.23	0.26	0.27
Fiscal Deficit	**4.35**	**4.69**	**4.51**	**4.48**	**4.25**	**4.99**	**3.70**	**2.73**
Memorandum items								
Fiscal deficit (Authorities Definition) 3/	4.14	4.53	4.18	4.15	4.09	4.41	3.43	2.48
Primary Deficit	2.35	2.44	2.09	1.78	1.44	2.07	0.94	0.41
Outstanding liabilities	22.55	25.63	27.77	29.83	31.55	32.34	31.83	31.60

Sources: RBI, MOSPI, and authors' calculations.

1/ Data for April - March fiscal years; FY99 refers to the period April 1998 to March 1999.

2/ SC/ST/OBCs stand for Scheduled Castes, Scheduled Tribes and Other Backward Classes.

3/ Authorities include Recovery of Loans and Advances and Miscellaneous Capital Receipts in Revenue.

India: All States Combined Government Operations, 2007-2014 1/								
				(in % of GDP)				
	FY07	**FY08**	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**
Revenue	**12.47**	**12.73**	**12.60**	**12.07**	**12.25**	**12.57**	**12.59**	**12.19**
States' own revenue	7.42	7.42	7.32	7.10	7.24	7.51	7.76	7.52
Tax	5.94	5.85	5.84	5.70	6.03	6.38	6.58	6.34
Income	0.07	0.07	0.06	0.06	0.05	0.05	0.05	0.05
Property	0.85	0.85	0.75	0.71	0.80	0.84	0.86	0.78
Goods and Services	5.02	4.94	5.02	4.93	5.18	5.49	5.67	5.52
Non-tax	1.49	1.58	1.48	1.40	1.20	1.13	1.18	1.18
Central transfers	5.05	5.31	5.28	4.96	5.02	5.06	4.83	4.67
Share in central taxes	2.83	3.09	2.92	2.59	2.87	2.93	2.93	2.83
Grants	2.22	2.22	2.36	2.37	2.14	2.13	1.90	1.83
Total Expenditure	**14.51**	**14.57**	**15.24**	**15.17**	**14.45**	**14.71**	**14.63**	**14.46**
Revenue	11.89	11.86	12.37	12.55	12.21	12.30	12.39	12.28
Development	6.69	6.89	7.52	7.50	7.29	7.45	7.63	7.53
Education, Sports, Art & Culture	2.11	2.06	2.20	2.38	2.46	2.47	2.47	2.43
Medical & Public health	0.45	0.45	0.47	0.51	0.50	0.50	0.51	0.50
Housing	0.07	0.08	0.11	0.09	0.08	0.08	0.09	0.08
Urban Development	0.22	0.29	0.39	0.36	0.28	0.26	0.29	0.28
Welfare of SC/ST/OBCs 2/	0.28	0.30	0.33	0.33	0.33	0.35	0.38	0.38
Social Security and Welfare	0.30	0.36	0.46	0.52	0.51	0.56	0.56	0.58
Agriculture	0.58	0.63	0.72	0.70	0.68	0.65	0.72	0.73
Rural Development	0.45	0.45	0.48	0.45	0.43	0.43	0.45	0.43
Irrigation	0.31	0.33	0.32	0.32	0.32	0.30	0.29	0.28
Power	0.59	0.63	0.68	0.49	0.48	0.53	0.63	0.57
Roads & Bridges	0.28	0.30	0.31	0.28	0.24	0.26	0.27	0.27
Science, Tech & Environment	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Others	1.62	1.67	1.88	1.83	1.68	1.75	1.72	1.72
Non-Development	4.87	4.64	4.52	4.73	4.59	4.50	4.40	4.37
Interest Payment	2.19	2.04	1.87	1.77	1.63	1.57	1.51	1.50
Administrative Services	0.92	0.92	0.95	1.06	0.98	0.98	0.97	0.96
Pensions	1.10	1.15	1.19	1.31	1.42	1.46	1.46	1.45
Others	0.67	0.54	0.51	0.60	0.55	0.48	0.47	0.46
Grants to local bodies	0.32	0.33	0.34	0.32	0.33	0.36	0.36	0.39
Capital	2.63	2.72	2.88	2.62	2.24	2.41	2.24	2.18
Education, Sports, Art & Culture	0.06	0.07	0.08	0.07	0.07	0.05	0.06	0.07
Medical & Public health	0.07	0.07	0.07	0.06	0.06	0.06	0.06	0.07
Water supply & sanitation	0.16	0.19	0.21	0.16	0.12	0.10	0.12	0.12
Housing	0.02	0.02	0.02	0.02	0.04	0.04	0.04	0.04
Urban development	0.04	0.05	0.08	0.10	0.07	0.08	0.09	0.07
Agriculture	0.08	0.10	0.14	0.16	0.05	0.07	0.08	0.06
Rural development	0.13	0.12	0.11	0.11	0.12	0.11	0.10	0.09
Irrigation	0.74	0.76	0.79	0.65	0.57	0.53	0.50	0.45
Energy	0.27	0.28	0.31	0.27	0.21	0.22	0.19	0.20
Roads & Bridges	0.44	0.46	0.47	0.46	0.43	0.42	0.43	0.47
Science, Tech & Environment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans & Advances	0.32	0.29	0.29	0.27	0.25	0.45	0.30	0.21
Other	0.30	0.31	0.32	0.29	0.27	0.26	0.27	0.32
Fiscal Deficit	**2.04**	**1.84**	**2.65**	**3.11**	**2.20**	**2.13**	**2.04**	**2.27**
Memorandum items								
Fiscal deficit (Authorities Definition) 3/	1.82	1.54	2.44	2.97	2.11	1.93	1.97	2.21
Primary Deficit	-0.15	-0.20	0.78	1.33	0.56	0.56	0.53	0.77
Outstanding liabilities	29.18	27.12	26.66	25.90	23.96	22.82	22.23	22.00

Sources: RBI, MOSPI, and authors' calculations.

1/ Data for April - March fiscal years; FY07 refers to the period April 2006 to March 2007.

2/ SC/ST/OBCs stand for Scheduled Castes, Scheduled Tribes and Other Backward Classes.

3/ Authorities include Recovery of Loans and Advances and Miscellaneous Capital Receipts in Revenue.

India: All States Combined Government Operations, 2015-2023 1/

(in % of GDP)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23RE
Revenue	**12.77**	**13.31**	**13.30**	**13.58**	**13.86**	**13.28**	**13.04**	**13.74**	**14.36**
States' own revenue	7.40	7.27	7.03	7.67	7.59	7.39	6.80	7.33	7.66
Tax	6.25	6.15	5.93	6.61	6.43	6.09	5.91	6.27	6.62
Income	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03
Property	0.76	0.76	0.66	0.72	0.73	0.71	0.71	0.80	0.81
Goods and Services	5.45	5.35	5.24	5.86	5.66	5.34	5.17	5.44	5.77
Non-tax	1.15	1.12	1.10	1.05	1.16	1.30	0.89	1.05	1.04
Central transfers	5.36	6.04	6.26	5.92	6.28	5.90	6.25	6.42	6.70
Share in central taxes	2.71	3.68	3.95	3.54	3.95	3.24	3.00	3.76	3.48
Grants	2.65	2.37	2.31	2.38	2.33	2.66	3.25	2.65	3.22
Total Expenditure	**15.55**	**16.42**	**16.87**	**16.22**	**16.53**	**16.18**	**17.22**	**16.62**	**17.80**
Revenue	13.13	13.35	13.56	13.69	13.96	13.89	14.92	14.18	14.82
Development	8.34	8.58	8.71	8.58	8.66	8.59	9.24	8.74	9.40
Education, Sports, Art & Culture	2.53	2.54	2.51	2.49	2.48	2.57	2.58	2.43	2.49
Medical & Public health	0.57	0.59	0.61	0.66	0.66	0.68	0.79	0.82	0.79
Housing	0.10	0.11	0.13	0.16	0.17	0.13	0.14	0.14	0.27
Urban Development	0.28	0.31	0.40	0.37	0.36	0.36	0.43	0.38	0.49
Welfare of SC/ST/OBCs 2/	0.34	0.38	0.38	0.40	0.38	0.43	0.40	0.42	0.53
Social Security and Welfare	0.58	0.66	0.64	0.61	0.71	0.64	0.72	0.72	0.81
Agriculture	0.84	0.78	0.80	1.00	1.03	0.93	1.03	0.89	0.94
Rural Development	0.76	0.78	0.82	0.77	0.73	0.71	0.81	0.64	0.74
Irrigation	0.25	0.20	0.18	0.17	0.15	0.15	0.16	0.15	0.16
Power	0.74	0.79	0.84	0.68	0.68	0.73	0.72	0.81	0.76
Roads & Bridges	0.27	0.25	0.24	0.23	0.20	0.20	0.22	0.19	0.21
Science, Tech & Environment	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Others	1.80	1.98	2.06	1.97	1.99	1.96	2.21	2.07	2.50
Non-Development	4.42	4.42	4.49	4.71	4.88	4.88	5.23	5.01	5.00
Interest Payment	1.53	1.56	1.63	1.72	1.69	1.75	1.95	1.82	1.73
Administrative Services	0.96	0.95	0.95	0.95	0.97	1.00	1.03	1.00	1.05
Pensions	1.47	1.48	1.47	1.61	1.67	1.72	1.86	1.78	1.72
Others	0.46	0.44	0.44	0.44	0.55	0.42	0.39	0.41	0.50
Grants to local bodies	0.37	0.35	0.36	0.40	0.42	0.41	0.44	0.42	0.42
Capital	2.42	3.08	3.31	2.52	2.58	2.29	2.30	2.45	2.98
Education, Sports, Art & Culture	0.07	0.08	0.08	0.08	0.07	0.06	0.08	0.08	0.12
Medical & Public health	0.08	0.09	0.09	0.08	0.08	0.07	0.09	0.11	0.16
Water supply & sanitation	0.15	0.14	0.15	0.17	0.17	0.14	0.20	0.23	0.23
Housing	0.06	0.05	0.07	0.05	0.03	0.02	0.03	0.04	0.05
Urban development	0.06	0.07	0.08	0.09	0.11	0.09	0.11	0.14	0.18
Agriculture	0.07	0.09	0.11	0.10	0.11	0.11	0.04	0.10	0.08
Rural development	0.15	0.19	0.16	0.15	0.14	0.13	0.15	0.12	0.18
Irrigation	0.45	0.50	0.54	0.48	0.49	0.41	0.40	0.39	0.43
Energy	0.27	0.34	0.35	0.27	0.23	0.24	0.11	0.14	0.16
Roads & Bridges	0.51	0.55	0.58	0.50	0.57	0.53	0.57	0.58	0.64
Science, Tech & Environment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans & Advances	0.24	0.66	0.77	0.22	0.25	0.21	0.22	0.18	0.29
Other	0.31	0.33	0.36	0.33	0.33	0.29	0.30	0.32	0.47
Fiscal Deficit	**2.79**	**3.11**	**3.58**	**2.63**	**2.67**	**2.89**	**4.18**	**2.88**	**3.44**
Memorandum items									
Fiscal deficit (Authorities Definition) 3/	2.62	3.05	3.47	2.40	2.45	2.61	4.06	2.79	3.39
Primary Deficit	1.26	1.56	1.94	0.92	0.98	1.15	2.22	1.06	1.71
Outstanding liabilities	21.69	23.37	24.75	25.12	25.33	26.62	31.04	29.30	27.52

Sources: RBI, MOSPI, and authors' calculations.
1/ Data for April - March fiscal years; FY15 refers to the period April 2014 to March 2015.
2/ SC/ST/OBCs stand for Scheduled Castes, Scheduled Tribes and Other Backward Classes.
3/ Authorities include Recovery of Loans and Advances and Miscellaneous Capital Receipts in Revenue.
Note: RE= Revised Estimates.

PUBLICATIONS

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