सत्यमेव जयते

NITI Aayog

FISCAL HEALTH INDEX

2025

For the Financial Year 2023

NITI Aayog
Government of India
Sansad Marg, New Delhi-110001, India

FISCAL HEALTH INDEX, Annual Report for the Financial Year 2023

Published: January 2025

सत्यमेव जयते
NITI Aayog

FISCAL HEALTH INDEX
2025

For the Financial Year 2023

सुमन के. बेरी
उपाध्यक्ष
SUMAN K. BERY
VICE CHAIRMAN
Phones : 23096677, 23096688
Fax : 23096699
E-mail : vch-niti@gov.in

सत्यमेव जयते

Azadi Ka Amrit Mahotsav

भारत सरकार
नीति आयोग, संसद मार्ग
नई दिल्ली - 110 001
Government of India
NATIONAL INSTITUTION FOR TRANSFORMING INDIA
NITI Aayog, Parliament Street,
New Delhi - 110 001

Foreword

The fiscal health of states is a cornerstone for India's sustainable economic development and effective governance. As India moves towards both a more competitive and a more inclusive economic framework, the fiscal performance of individual states becomes pivotal to their development performance. States are key players in the allocation of resources for such critical areas as agriculture, poverty alleviation, human development, urbanization and infrastructure provision. Effective fiscal management at the state level can catalyse growth, improve social welfare, and foster regional economic convergence.

For this reason, it is valuable continuously to monitor and enhance the fiscal health of our states. The Fiscal Health Index (FHI) offers a roadmap for achieving fiscal consolidation, improving transparency, and fostering effective resource management. The FHI is not merely a ranking; it is a tool designed to assess and thereby improve the fiscal health of states. It provides a framework to evaluate the financial well-being of state economies through key fiscal indicators. By focusing on these indicators, the FHI encourages states to align their fiscal strategies with national objectives, ensuring their contributions to the overarching goal of a fiscally stable and prosperous India.

I wish to thank Shri B.V.R Subrahmanyam, CEO of NITI Aayog, for his unwavering support and to commend the efforts of the Economics & Finance-1 team in the formulation of the Fiscal Health Index. I trust that it will serve as a valuable tool for policy-makers, researchers, and citizens alike in their collective pursuit of a more fiscally sound and prosperous India.

New Delhi

(Suman Bery)

स्वच्छ भारत
एक कदम स्वच्छता की ओर

Dr. Arvind Virmani
Member
National Institution for Transforming India (NITI Aayog)
Government of India

Foreword

India's fiscal framework is undergoing significant transformation, with states playing prominent role in the country's development. The fiscal choices made by states significantly impact their ability to address the growing demand for social services while ensuring robust economic growth.

One of the key aspects of fiscal management that requires attention is the balance between immediate developmental needs and long-term fiscal sustainability. States, while investing in growth and welfare, must ensure that these commitments do not undermine fiscal discipline, which is essential for the overall stability of both state and national economies. While GDP and macroeconomic indicators are crucial, focusing on state finances is equally important, as they are the foundation of local economic stability. Larger deficits, high debt levels and interest rates can result in a vicious circle of rising interest expenditure that adversely impact productive programmes, where financial mismanagement can lead to economic failure. Strengthening state finances is vital for ensuring sustainable growth.

In recent years, there has been a noticeable shift in the fiscal strategies adopted by state governments, with a growing emphasis on funding social services, infrastructure, and welfare schemes. This shift reflects the recognition that the path to economic growth must also be accompanied by investments in human capital, health, and education, ensuring that the benefits of development reach all sections of society.

We trust that the FHI will serve as a crucial tool for understanding and enhancing the fiscal health of India's states. I would like to express my sincere gratitude to Shri B.V.R. Subrahmanyam, CEO of NITI Aayog, for his unwavering support and guidance throughout this initiative. I commend the Economic & Finance-1 team at NITI Aayog, under the leadership of Dr. Pravakar Sahoo, Senior Lead, for their dedication and efforts in producing the Fiscal Health Index. This work reflects our collective commitment to providing actionable insights that will help states strengthen their fiscal discipline and contribute to a prosperous and sustainable economic future for India.

New Delhi

Arvind Virmani

Dr. Arvind Virmani

बी. वी. आर. सुब्रह्मण्यम
B.V.R. Subrahmanyam
मुख्य कार्यकारी अधिकारी
Chief Executive Officer

सत्यमेव जयते

भारत सरकार
नीति आयोग, संसद मार्ग
नई दिल्ली - 110 001
Government of India
National Institution for Transforming India
NITI Aayog, Parliament Street,
New Delhi - 110 001
Tel. : 23096576, 23096574
E-mail : ceo-niti@gov.in

FOREWORD

The fiscal health of states is emerging as a critical factor in shaping India's overall economic stability and growth trajectory. While union finance has traditionally attracted significant attention from policymakers, the importance of state finances has become more pronounced in recent years, especially as fiscal decentralization has deepened and the States' role in economic development has expanded. Maintaining fiscal discipline ensures efficient resource allocation and supports sustainable growth, ultimately contributing to national economic stability.

India's fiscal landscape is diverse, with each state having varying levels of endowments. Each state faces their own set of fiscal challenges such as rising debt levels, imbalanced expenditure patterns, and the need for sustainable growth. With this objective in mind, NITI Aayog has introduced the Fiscal Health Index (FHI), a comprehensive tool designed to assess the fiscal health of states. This study serves as an important milestone in our efforts to foster a culture of fiscal discipline and accountability across states. By offering a systematic evaluation, the FHI will not only help policymakers identify areas requiring immediate attention but also promote the adoption of best practices in fiscal management. It is a step towards ensuring that fiscal policies are robust and geared towards sustainable development that benefits the overall economy.

At NITI Aayog, our core belief is rooted in the principles of cooperative federalism, where both the Centre and States collaborate to address the diverse and complex challenges facing our country. This study on fiscal health aligns seamlessly with our vision of empowering states to take greater control over their fiscal outcomes. By promoting sound fiscal practices, enhancing financial resilience, and encouraging effective policy coordination, we aim to foster a collaborative environment where the fiscal autonomy of states is balanced. This approach is central to our mission of creating a more robust and sustainable economic framework to achieve "*Viksit Bharat @2047*".

I congratulate Economics & Finance – 1 team for their meticulous research and thoughtful insights. As we move forward, let this report inspire collective action across government and state administrations to strengthen fiscal resilience, improve financial governance, and unlock the full potential of India's states in achieving sustainable growth and stability.

New Delhi

[B. V. R. Subrahmanyam]

स्वच्छ भारत
एक कदम स्वच्छता की ओर

Dr. Anoop Singh
Distinguished Fellow
National Institution for Transforming India (NITI Aayog)
Government of India

Foreword

India was among the first emerging economies to adopt fiscal rules, beginning with Karnataka in 2002, followed by the Central Government in 2003, and subsequently other States. This framework generally improved fiscal discipline although, as the 15th Finance Commission noted, fiscal rules don't work unless the public financial management (PFM) framework provides consistent reporting of the fiscal indicators that form the fiscal rules. As fiscal decentralization has deepened, the financial dynamics of states have gained critical importance, signalling the imperative of adopting best practice standards in systematic, consistent, and reporting of fiscal date by the Union and the States.

In India, states account for close to two-thirds of general government expenditure and collect one-third of general government revenues. They also enjoy some autonomy in resource mobilization, including domestic market borrowing consistent with Article 293 of India's Constitution. The fiscal health of Indian states has, thus, become increasingly significant in achieving macroeconomic stability, shaping their business environment, enhancing public service delivery, and addressing region-specific needs. However, rising fiscal deficits, unbalanced expenditures, and increasing off-budget liabilities highlight the urgent need for consistent and transparent fiscal management practices.

NITI Aayog's introduction of the Fiscal Health Index (FHI) marks a key step in this direction. Beyond being a ranking tool, the FHI provides a systematic framework for assessing fiscal health through reported key indicators, fostering accountability, and promoting best practices across states. However, to be accurate in the assessment and ranking of states, the institutional PFM framework needs to be developed to remove remaining gaps in the production, collation, coordination, and publication of states' fiscal data. Once this is in place, the monitoring of state finances through the FHI will help identify fiscal vulnerabilities and promote transparency in public financial management—enabling the benchmarking of states' fiscal performance.

I congratulate the Economics & Finance – 1 team for their meticulous efforts in preparing this index and cautioning on the parallel need for best practice reforms in public financial management. By offering such a framework for assessing state finances, it will serve as a valuable tool to promote transparency, track progress, and address fiscal challenges effectively.

New Delhi

Anoop Singh

डा. प्रभाकर साहू
वरिष्ठ प्रमुख (ई एण्ड एफ1)
Dr. Pravakar Sahoo
Sr. Lead (E & F1)

सत्यमेव जयते

भारत सरकार
नीति आयोग, नीति भवन,
संसद मार्ग, नई दिल्ली - 110 001
NATIONAL INSTITUTION FOR TRANSFORMING INDIA
NITI Aayog, Parliament Street
New Delhi - 110 001
Tel. : 23096714
E-mail : pravakar.sahoo@gov.in

Acknowledgement

At NITI Aayog, we are committed to fostering balanced regional development that is in tune with national economic goals and broader macroeconomic stability. The sound fiscal health at the State level is important for productivity-led growth and economic resilience. In recent years, fiscal management at the sub-national level has been a policy concern. Therefore, it has become imperative to monitor the fiscal health of states to ensure prudent fiscal management. In this context, we are introducing the Fiscal Health Index (FHI), an annual report aimed at systematically assessing the fiscal performance of India's General Category States.

This index will serve as a crucial tool for evaluating fiscal discipline and management, with a focus on key parameters: Fiscal Prudence, Revenue Mobilization, Quality of Expenditure and Debt Sustainability. It is designed to provide an objective, data-driven evaluation of how effectively states manage their fiscal affairs. It offers valuable insights that help policymakers identify gaps in fiscal management, enabling them to refine strategies for improved governance, more efficient resource allocation, and effective fiscal consolidation.

I would like to take this opportunity to express my deep gratitude to Shri Suman Bery, Vice Chairman, NITI Aayog, whose encouragement and support have been crucial in driving our efforts. I am immensely thankful to Shri B.V.R. Subramanyam, CEO, NITI Aayog, for his visionary leadership and steadfast commitment, which have played a central role in the successful formulation of this report. His continuous guidance, strategic foresight, and dedication to excellence have set a remarkable standard for all of us, ensuring that our work aligns with the highest levels of quality and integrity. I thank all the members of NITI Aayog for their unwavering support and valuable contributions.

The successful completion of this report is a testament to the collective efforts of the Economics & Finance -1 vertical. I would like to thank the entire team, Shri Amit Verma, Radhika Sharma, Jyotika Nagvanshi, Mala Parashar, Pooja Teotia, Salome Sara Philips, Riya Jindal, Kavya Raghuram Rao, Manuj Joshi, & Reshma Shyna Shajan for the hard work & collaborative spirit.

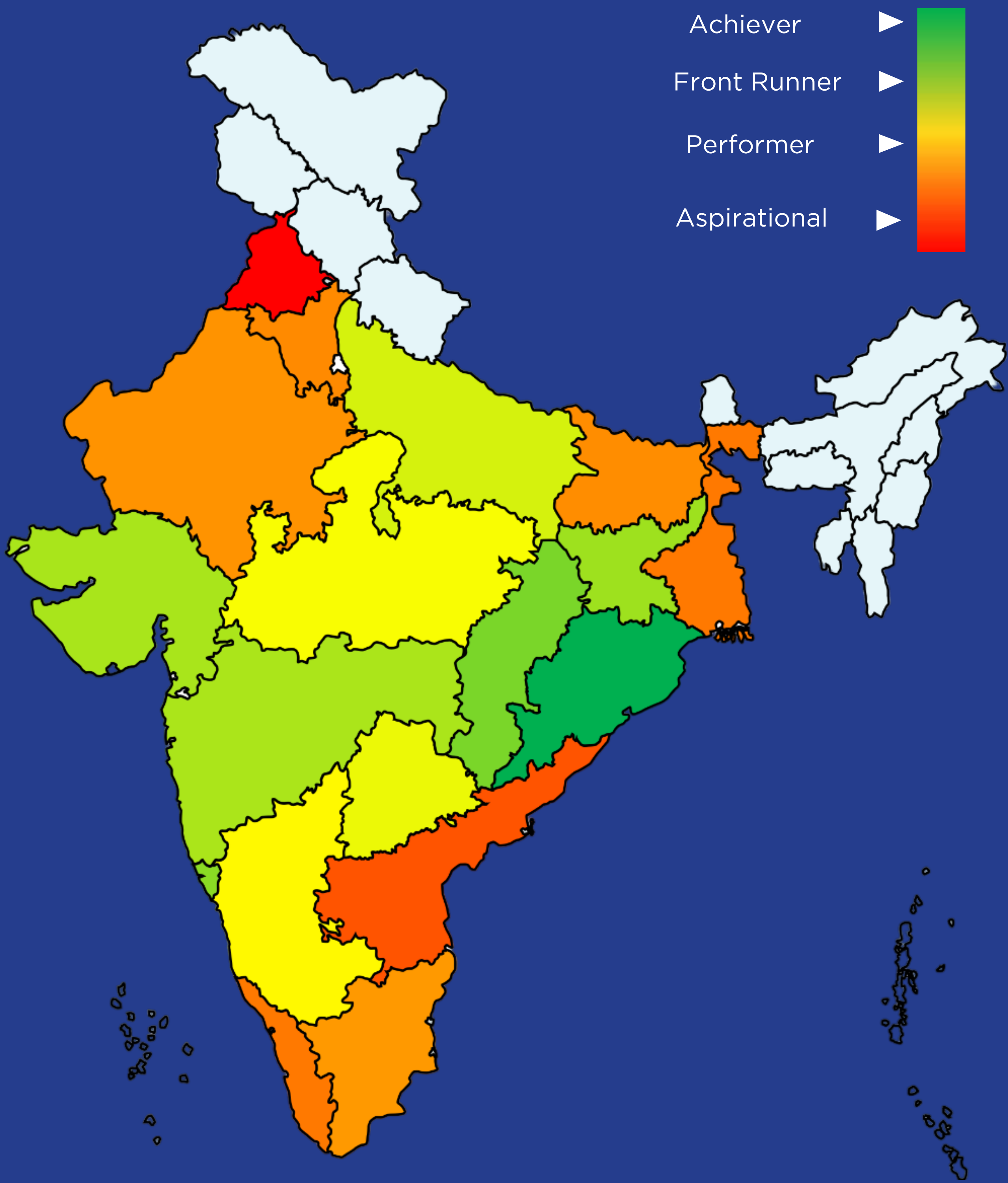
NITI Aayog remains dedicated to supporting the states on their journey towards fiscal sustainability, and we are confident that the Fiscal Health Index will play a pivotal role in advancing this objective.

New Delhi

Pravakar Sahoo
Dr. Pravakar Sahoo

TABLE OF CONTENTS

State-wise Composite FHI Score Heatmap



Himalayan and North-Eastern States have not been considered

EXECUTIVE SUMMARY

The Fiscal Health Index (FHI) initiative by NITI Aayog aimed to evolve an understanding of the fiscal health of states in India. The FHI analysis covers eighteen major states that drive the Indian economy in terms of their contribution to India's GDP, demography, total public expenditure, revenues, and overall fiscal stability. As states are responsible for approximately two-thirds of public spending and one-third of total revenue, their fiscal performance is important for the country's overall economic stability. The FHI offers a systematic approach to assess the state's fiscal health, identify areas for improvement, and promote best practices across states. The report objectively evaluates each state's fiscal health through a composite index, facilitating comparisons and benchmarking against best practices.

The composite FHI has been developed using data from the Comptroller and Auditor General (CAG), focusing on five sub-indices: Quality of Expenditure, Revenue Mobilization, Fiscal Prudence, Debt Index, and Debt Sustainability. Furthermore, based on the five key sub-indices, a comprehensive state-wise analysis is reported to bring out state-specific fiscal health issues. This analysis is supported by graphs that illustrate the trends of major fiscal indicators from the financial year 2014-15 to 2022-23. This detailed examination highlights individual state performances and provides valuable insights into broader fiscal trends, allowing for a better understanding of fiscal health across the country.

The analysis clearly highlights that strong revenue mobilization, effective expenditure management, and prudent fiscal practices are critical determinants of success. The top five high-performing states are Odisha, Chhattisgarh, Goa, Jharkhand, and Gujarat, while the aspirational five are Haryana, Kerala, West Bengal, Andhra Pradesh, and Punjab. However, the states' performance varies across the five sub-categories. For instance, Uttar Pradesh and Bihar have a good score under Quality of Expenditure, but they rank lower with regard to Revenue Mobilization. Karnataka performs well across most indices but it ranks amongst the three aspirational states in Debt Sustainability. Odisha and Chhattisgarh have performed well under Revenue Mobilization, with their Own Non-Tax Revenue growing significantly due to high revenue collection from mining. However, regarding Debt Sustainability, Chhattisgarh ranks lower compared to some other states.

The fiscal landscape across states reveals a picture where progress and challenges coexist. As states navigate their unique fiscal challenges, the path forward hinges on a commitment to transparency, enhanced tax compliance, and targeted investments in social and economic infrastructure. By fostering a culture of fiscal prudence and accountability, states can stabilize their economies and elevate the quality of life for their citizens, ensuring a resilient and prosperous future. High persistent deficits and varying fiscal performances among states underscore the urgency for reform and targeted interventions. The journey toward fiscal sustainability is complex, but with concerted efforts, it can lead to transformative outcomes that benefit all.

Abbreviations

AJNIFM	Arun Jaitley National Institute of Financial Management
AP	Andhra Pradesh
BFRBM	Bihar Fiscal Responsibility and Budget Management
BH	Bihar
CAG	Comptroller and Auditor General of India
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CH	Chhattisgarh
FD	Fiscal Deficit
FHI	Fiscal Health Index
FPI	Fiscal Performance Index
FRBM	Fiscal Responsibility and Budget Management
FSRI	Fiscal Self Reliance and Improvement Index
FY	Financial Year
GA	Goa
GFRBM	Goa Fiscal Responsibility and Budget Management
GJ	Gujarat
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
HR	Haryana
IP	Interest Payments
IPRRI	Interest Payments to Revenue Receipts Index
JH	Jharkhand
KA	Karnataka
KL	Kerala
MH	Maharashtra
MP	Madhya Pradesh
MTFPS	Medium Term Fiscal Policy Statement
NE	North Eastern
NSE	National Stock Exchange
OD	Odisha
PB	Punjab
PSUs	Public Sector Undertakings
RBI	Reserve Bank of India
RD	Revenue Deficit
RJ	Rajasthan
RR	Revenue Receipts
SGST	State Goods and Services Tax
SONTR	State Own Non-Tax Revenue
SSI	State of States Index
TG	Telangana
TN	Tamil Nadu
UP	Uttar Pradesh
UPFRBM	Uttar Pradesh Fiscal Responsibility and Budget Management
VAT	Value-added Tax
WB	West Bengal

SECTION A

INTRODUCTION

A. Introduction

Balanced regional development is vital for India's economic stability and growth, with each state playing a crucial role in managing public spending and revenue. The Fiscal Health Index (FHI) evaluates states on expenditure quality, revenue mobilization, fiscal prudence, debt index and debt sustainability. This index aims to help policymakers identify areas for reform and promote best practices across states.

The health of state finances has gained significant prominence, as fiscal well-being is essential for achieving long-term fiscal sustainability and over-all economic growth. States account for two-thirds of public spending and one-third of total revenue. The Indian Constitution assigns states, significant responsibilities in development and infrastructure, making their fiscal performance critical to the nation's development and stability. Variations in fiscal performance between states and the centre affect national fiscal stability, highlighting the importance of maintaining sound fiscal operations at the state level. The fiscal landscape across states reveals a picture where progress and challenges coexist. Monitoring the fiscal health of states is essential for ensuring financial stability, sustainable growth, and effective governance. It helps assess debt sustainability, fiscal deficits, and the efficient allocation of resources toward key sectors like healthcare, education, and infrastructure.

To assess state financial performance, a Fiscal Health Index (FHI) has been formulated in the report. This index evaluates states on five indicators: Quality of Expenditure, Revenue Mobilization, Fiscal Prudence, Debt Index and Debt Sustainability. The FHI provides a systematic approach for measuring state-level fiscal performance. By incorporating these dimensions, the FHI offers a comprehensive overview of state finances. This detailed examination highlights individual state performances and also provides valuable insights into broader fiscal trends over time, allowing for a better understanding of fiscal health across the country.

The Fiscal Health Index (FHI) is designed to assist policymakers by offering insights into state fiscal health, helping identify areas requiring intervention and supporting the formulation of fiscal policies and reforms. By evaluating and showcasing the performance of different states, the FHI aims to promote the adoption of effective fiscal management strategies and lead to improved fiscal discipline across states. This, in turn, will support the broader economic goals of the country and ensure long-term economic resilience and equitable development.

SECTION B

STUDIES ON STATE FINANCES: A BRIEF REVIEW

B. Studies on State Finances: A Brief Review

Several studies have been conducted in the past to evaluate the fiscal health of states. Below are some of the most recent and relevant studies on this topic.

Mohanty and Mishra's paper (2016) primarily proposes creation of a composite Fiscal Performance Index (FPI) for 17 non-special category states for the period 2003-04 to 2014-15 to assess the progress of the states in India in terms of fiscal parameters. The major sub-indices deployed are- Deficit Index, Revenue Efficiency Index, Expenditure Quality Index, Debt Index, and Debt Sustainability Index. Both Relative Distance Method and Z-Score Method are employed to build this index. The study reveals significant inter-state variation in the level of FPI and a persistent deterioration in FPI levels[1].

The Confederation of Indian Industry's 2019 discussion paper on the fiscal condition of the central government and all states proposed a tool to evaluate Revenue and Capital Expenditure quality through the FPI. The FPI includes six major sub-indices: Quality of Revenue Expenditure, Quality of Capital Expenditure, Quality of Revenue, Degree of Fiscal Prudence 1, Degree of Fiscal Prudence 2, and the Debt Index, covering the period from 2004-05 to 2017-18. The analysis indicated that at the central level, despite improvements in the Fiscal Deficit index from 2012-13 to 2017-18, the composite fiscal performance index remained relatively stable, with some improvement in 2015-16 and 2016-17. This was primarily due to moderation in the indices of revenue and capital expenditure and net tax revenue. At the level of all states, despite a significant decline in the Fiscal and Revenue Deficit indices from 2014-15 onwards, the composite FPI index showed improvement, driven mainly by gains in the revenue, capital expenditure, and revenue receipt indices[2].

Archana Dholakia's paper (2005) proposes a composite index called the FPI to measure the fiscal performance of Indian states. Recognizing the limitations of using a single indicator to assess fiscal discipline, the study advocates for a more comprehensive approach that incorporates multiple indicators. The index comprises of three major component indices: the Deficit Index, Own Revenue Effort Index, and Expenditure and Debt Repayment Index. Empirical estimates of the index for various states reveal a declining trend in fiscal performance during the post-reform era. This decline is evident across major states, regardless of their per capita income levels. A comparison of the index with the Fiscal Self Reliance and Improvement Index (FSRI) used by the Eleventh Finance Commission reveals discrepancies in their rankings, suggesting that the FSRI cannot serve as a substitute for the index under consideration. The paper concludes by emphasizing the need for a multidimensional index to accurately gauge fiscal discipline and provide clear improvement indicators or states[3].

[1] Mohanty, A. R., & Mishra, B. R. (2016). Fiscal performance index of the states in India. Prajnan, 45(3), 247-266.
[2] Confederation of Indian Industries. (2019, May). Measuring Fiscal Marksmanship: Is Fiscal Deficit the only
[3] Dholakia, A. (2005). Measuring fiscal performance of states: an alternative approach. Economic and Political Weekly, 3421-3428.

The 2024 working paper by Sudipto Mundle and Manish Gupta examines the fiscal performance of India's central and state governments post-COVID-19, comparing it to a pre-pandemic baseline. The key indicators are Own Revenue Receipts, Capital Expenditure, Social Service Expenditure, Committed Expenditure as a proportion of Total Expenditure and Fiscal Deficit and Debt as a Proportion of GSDP of the state for the years between 2019-20 and 2024-25. It highlights key fiscal trends, including fiscal consolidation, capital expenditure, and tax revenue growth, focusing on whether governments have recovered from the pandemic's economic shock. The analysis uses a developmental taxonomy to classify states based on per capita income and life expectancy, comparing fiscal discipline, revenue mobilization, and expenditure patterns across different state groups. The findings show a mixed recovery, with buoyant tax revenues but concerns about rising public debt and uneven fiscal discipline among states. It is further reported that there is a lack of a clear relationship between developmental outcomes and fiscal performance[4].

Reserve Bank of India (RBI) has also carried out a study analysing the fiscal health of eleven Himalayan states/Union Territories for the period from 2010-11 to 2023-24. The key components of the index are Deficit, Revenue Performance, Quality of Expenditure, Debt Burden and Debt Sustainability. The study reports a rise in the fiscal stress, experienced by Himalayan States which is contributed by the deficit and debt sustainability indicators. Further, their capacity to raise revenue remains constrained due to their geographical structure and hence public expenditure plays a crucial role in their development. The quality of expenditure has also seen an improvement in the recent years[5].

The Arun Jaitley National Institute of Financial Management (AJNIFM) has constructed a weighted index for analysing state fiscal health for a period of 10 years from 2011- 12 to 2021-22 for states divided under two categories: major and vulnerable states. It covers 23 parameters grouped under six categories- Resources, Expenditure, Debt, Deficit, Contingent Liability and Overspending.

The National Stock Exchange (NSE) report (2020) analyses the disparities in development among Indian states, constructing a "State of States Index" (SSI) based on six key dimensions: Fiscal Health, Agricultural Productivity, Non-Agricultural Sectors, Human Development, Infrastructure, and Financial Inclusion. Each dimension is evaluated using multiple indicators, such as revenue and expenditure patterns for fiscal health, and per capita GSDP for non-agricultural sectors. States are then ranked into categories from excellent to poor. The findings highlight widening inequalities, with richer states outperforming others due to better infrastructure, financial inclusion, and human development outcomes[6].

CareEdge Ratings, a credit rating agency, have also published the first edition of their report titled States' Ranking, 2023[7]. The report ranks Indian states based on seven pillars—Economic, Fiscal, Financial Inclusion, Social, Infrastructure, Governance, and

[4] Mundle, S., & Gupta, M. (2024). Fiscal performance of the Central government and the States of India (No. 24/412).
[5] Rawat, P. S., Yadav, E. A., & Mukherjee, A. Fiscal Performance of Himalayan States/Union Territories.
[6] Economic Policy and Research, National Stock Exchange of India Ltd. (NSE). (2020a). State of Indian states.
[7] CareEdge Ratings. State's Ranking 2023.

Environment—using 46 indicators. These indicators cover aspects like GSDP, Fiscal Deficit, financial services access, literacy, and air quality. States are ranked under two categories: Large States and North-East, Hilly & Small States. The methodology normalizes indicator scores on a 0-100 scale, with higher weights assigned to economic performance and different weights assigned to the sub-indices.

Based on these studies, the Fiscal Health Index (FHI) has been designed in this report to assess state performance, evaluating states across key pillars of fiscal prudence. Additionally, the analysis includes state-specific insights, highlighting the unique fiscal characteristics of each state. The analysis not only examines the current fiscal situation but also analyses trends over the past 9-10 years.

This composite index evaluates states across five key indicators: Quality of Expenditure, Revenue Mobilization, Fiscal Prudence, Debt Index and Debt Sustainability, which are important to analyse the state's fiscal position. By incorporating these dimensions, the FHI offers a comprehensive overview of state finances and provides a systematic and objective framework for evaluating fiscal performance at the state level.

SECTION C

DEFINING VARIABLES & DATA INTERPRETATION

C. Defining Variables & Data Interpretation

The data used to calculate the Fiscal Health Index (major variables & sub-components under each variable) is sourced from the Comptroller and Auditor General (CAG). A comprehensive overview of budgetary transactions for all states for the period 2022-23 is utilized for index calculation and subsequent analysis. Additionally, past analysis for different periods between 2014-15 to 2021-22 has been provided in the "Appendix" section of the report.

Five Major Sub-Indices are aggregated to form the Fiscal Health Index. The Sub-Indices are as below:

MAJOR SUB-INDICES	MINOR SUB-INDICES
1. Quality of Expenditure	1.1 Total Developmental Expenditure/Total Expenditure
	1.2 Total Capital Outlay/ GSDP*
2. Revenue Mobilization	2.1 State Own Revenue/ GSDP*
	2.2 State Own Revenue/ Total Expenditure
3. Fiscal Prudence	3.1 Gross Fiscal Deficit/ GSDP*
	3.2 Revenue Deficit/ GSDP*
4. Debt Index	4.1 Interest Payments/Revenue Receipts
	4.2 Outstanding Liabilities/ GSDP*
5. Debt Sustainability	5.1 Growth Rate of GSDP* – Growth Rate of Interest Payments

GSDP at current prices for the year 2022-23

The detailed description of the five major sub-indices and their respective minor sub-indices is elaborated below.

1. **Quality of Expenditure**

   Developmental expenditure refers to government spending aimed at fostering long-term economic growth and improving infrastructure or social services, such as building schools or hospitals.

   Non-developmental expenditure involves routine spending necessary for maintaining current government functions and services, like paying salaries and covering operational costs.

   - **Total Developmental Expenditure/Total Expenditure:** This ratio measures the proportion of a government's total spending that is allocated to developmental activities. This metric is useful for assessing the effectiveness and priorities of a government's budgetary policies.
   - **Total Capital Outlay/GSDP:** This ratio measures how much of the state's economic resources are being directed towards capital projects, such as

infrastructure, facilities, and other long-term investments. This assesses how effectively a state is leveraging its economic output for long-term benefits.

2. **Revenue Mobilisation**

- **State Own Revenue/GSDP:** This ratio reflects the state's ability to generate revenue independently without relying heavily on central government transfers or grants. It provides insights into a state's financial sustainability and its capacity to fund its own developmental and operational needs.
- **State Own Revenue/ Total Expenditure**: This ratio indicates how much of the state's expenditures are covered by its own revenues, reflecting fiscal independence.

3. **Fiscal Prudence**

Fiscal Deficit: A Fiscal Deficit occurs when a government's spending surpasses its income. It shows the gap between total revenue and total expenditure. This difference is the amount needed to borrow.

Revenue Deficit: Revenue Deficit occurs when the government's income receipts are insufficient to cover its operating expenditures, necessitating borrowing to fund its operations.

- **Gross Fiscal Deficit/GSDP:** A higher ratio may signal potential concerns regarding the sustainability of the state's debt levels, as it suggests that the state is borrowing (usually financed by public or foreign entities) significantly relative to its economic size.
- **Revenue Deficit/GSDP:** A high ratio indicates that the state is not generating enough revenue to meet its operating expenditure and relies on borrowing (financed by deficit financing) to finance its activities and has potential risk to state budget.

4. **Debt Index**

- **Interest Payments/ Revenue Receipt:** The ratio of interest payments to Revenue Receipts (IP/RR) indicating the percentage of Revenue Receipts used for interest payment on account of outstanding debt. It indicates how much of the state's interest payments are financed from Revenue Receipts and represents the debt servicing position of the state. A high IPRRI indicates that the state is spending a significant amount of its revenue on debt servicing, which can be a sign of impending financial stress.
- **Outstanding Liabilities/GSDP:** This ratio indicates how much of the Gross State Domestic Product (GSDP) is taken up by debt stock. It reflects the debt burden of the state. A high ratio indicates that the state is heavily indebted.

5. **Debt Sustainability:**

- **Growth Rate of GSDP - Growth Rate of Interest Payments:** A positive difference suggests a healthy economic environment where the state can manage its debt, while a negative difference indicates a growing fiscal stress and potential challenges in managing public finances.

SECTION D

METHODOLOGY

D. Methodology

The composite fiscal health index for 18 major states[8] has been calculated using the data from the Comptroller and Auditor General of India (CAG). The period of the analysis is Financial Year 2022-23. A detailed, step-by-step explanation of each state's FHI score calculation is given as follows:

- The study identifies five major sub-indices to calculate the composite FHI index and assess states' fiscal health. The five major sub-indices are Quality of Expenditure, Revenue Mobilization, Fiscal Prudence, Debt Index, and Debt Sustainability.
- Further, nine minor sub-indices are developed, based on specific fiscal metrics, that reflect key aspects of fiscal performance. These minor sub-indices are categorized under the five major sub-indices mentioned above. Four major sub-indices have two fiscal indicators, except the Debt Sustainability index, which has only one fiscal indicator.
- The values obtained from these minor sub-indices are then standardized through normalization, based on the following:

  The minor sub-indices are classified into one of two categories: the Improvement Index or the Deprivation Index, as defined below:

  - **Improvement index:** Improvement Index is a favorable index where higher values of the variable are rewarded. The Improvement Index is constructed in such a way that the higher the ratio for a state, greater the index value assigned to it. The minor sub-indices under Quality of expenditure, Revenue Mobilization, and Debt Sustainability are considered as improvement indices.

    Improvement Index for a state i = $\frac{X_i - Min\,(X)}{Target(X) - Min(X)} * 100,$

    Where,

    Xi is the value for the particular minor sub-index under Quality of Expenditure, Revenue Mobilization and Debt Sustainability.

    Min(X) is the minimum value for the particular minor sub-index across all states in the specified period.

    The target value (Target(X)) is the highest value (of the maximum of all the states in each year) observed over the past 9 years.

  - **Deprivation Index:** A Deprivation Index is a deteriorating index where lower values of the variable are rewarded. The index is constructed in such a way that the lower the ratio for a state, greater the index value assigned to it. The minor sub-indices under Fiscal Prudence and Debt Index are considered as Deprivation Indices.

[8] 18 major states are focused in the study as they are more comparable, while excluding special category and Himalayan states due to their distinct geographical, economic, and fiscal characteristics. This allows for a more consistent analysis of economic trends across comparable regions

Deprivation Index for a state i = $\frac{Max(X) - X_i}{Max(X) - Target(X)} * 100,$

Where,

Xi is the value for the particular minor sub-index under Fiscal Prudence and Debt Index.

Max(X) is the maximum value for the particular minor sub-index across all states in the specified period.

The target value (Target(X)) is the lowest value (of the minimum of all the states in each year) observed over the past 9 years.

- The major sub-indices are then computed by taking arithmetic mean of the normalized values of the corresponding minor sub-indices for each state. For example, the value for the major sub-index “Quality of Expenditure” is the arithmetic mean of the normalized values of its associated minor sub-indices, viz Total Developmental Expenditure/Total Expenditure & Total Capital Outlay/GSDP.
- The final composite FHI score is computed by taking the arithmetic mean of the five major sub-indices computed in the above step. For instance, the FHI score for Gujarat is the arithmetic mean of the values for its five major sub-indices.
- Finally, states are ranked based on their computed FHI scores, with the top-performing state receiving the first rank.

SECTION E

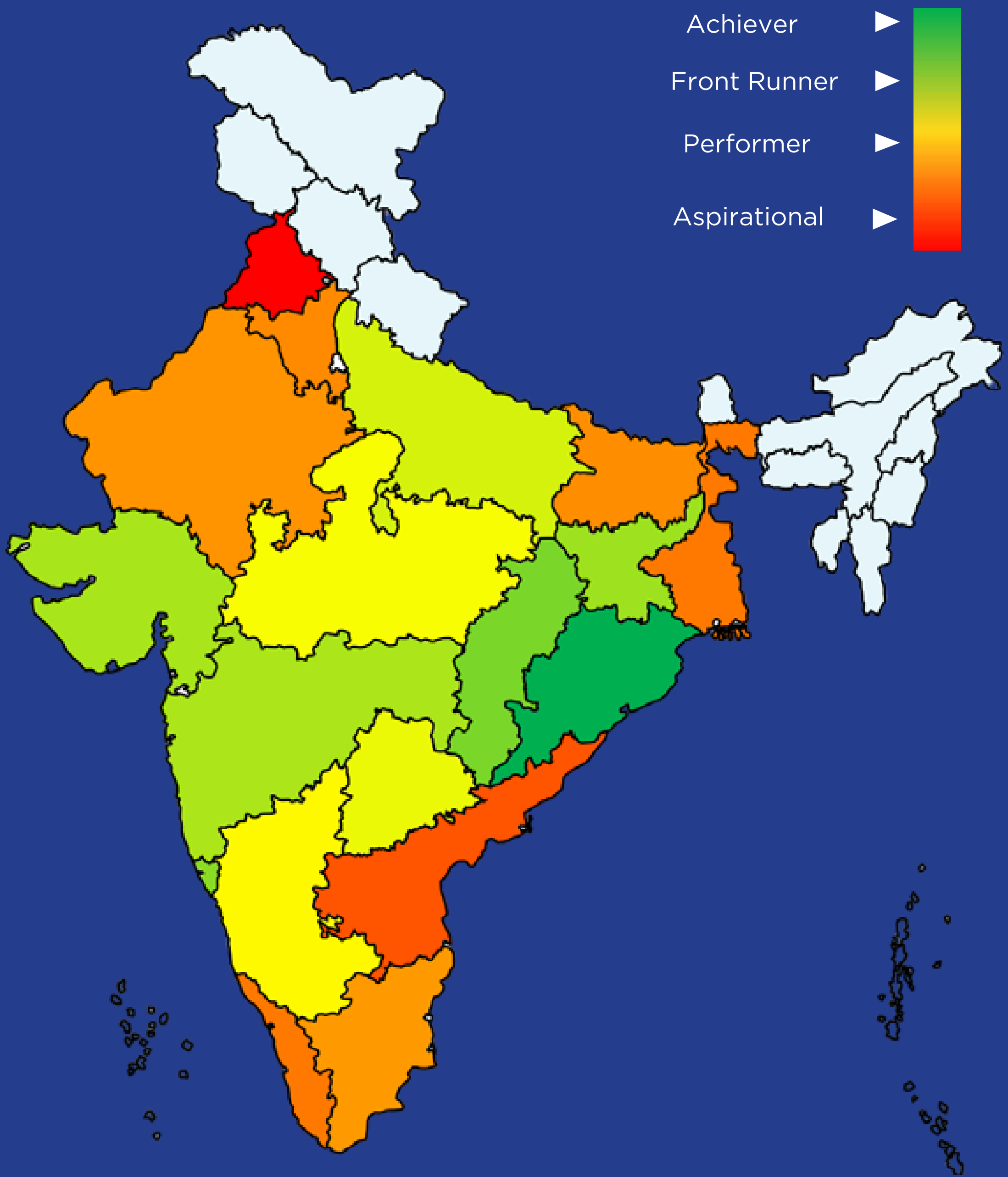
RESULTS

E. Results

E.1 Final Ranking of States for 2022-23

States	FHI Score	Rank 2022-23	Quality of Expenditure	Revenue Mobilization	Fiscal Prudence	Debt Index	Debt Sustainability
Odisha	67.8	1	52.0	69.9	54.0	99.0	64.0
Chhattisgarh	55.2	2	55.1	56.5	56.0	79.6	29.0
Goa	53.6	3	45.5	87.1	59.4	51.0	25.2
Jharkhand	51.6	4	47.3	45.7	62.4	66.9	35.7
Gujarat	50.5	5	40.0	48.7	52.7	69.0	42.0
Maharashtra	50.3	6	37.1	59.1	41.8	76.4	36.8
Uttar Pradesh	45.9	7	45.8	34.6	44.7	59.9	44.5
Telangana	43.6	8	36.9	75.2	40.8	53.3	11.7
Madhya Pradesh	42.2	9	59.7	27.6	35.6	61.0	27.2
Karnataka	40.8	10	47.4	43.9	43.9	62.2	6.7
Tamil Nadu	29.2	11	32.0	41.2	25.8	36.0	11.1
Rajasthan	28.6	12	38.3	35.4	19.9	32.3	16.8
Bihar	27.8	13	56.1	5.3	11.5	47.2	18.8
Haryana	27.4	14	24.8	47.8	26.1	24.1	14.3
Kerala	25.4	15	4.2	54.2	34.0	23.1	11.3
West Bengal	21.8	16	32.3	12.4	25.4	18.3	20.6
Andhra Pradesh	20.9	17	31.4	22.1	13.3	37.8	0.0
Punjab	10.7	18	4.7	28.1	5.6	0.0	15.2

State-wise Composite FHI Score Heatmap



Achiever	Front Runner	Performer	Aspirational
Odisha (1)	Maharashtra (6)	Tamil Nadu (11)	Kerala (15)
Chhattisgarh (2)	Uttar Pradesh (7)	Rajasthan (12)	West Bengal (16)
Goa (3)	Telangana (8)	Bihar (13)	Andhra Pradesh (17)
Jharkhand (4)	Madhya Pradesh (9)	Haryana (14)	Punjab (18)
Gujarat (5)	Karnataka (10)		

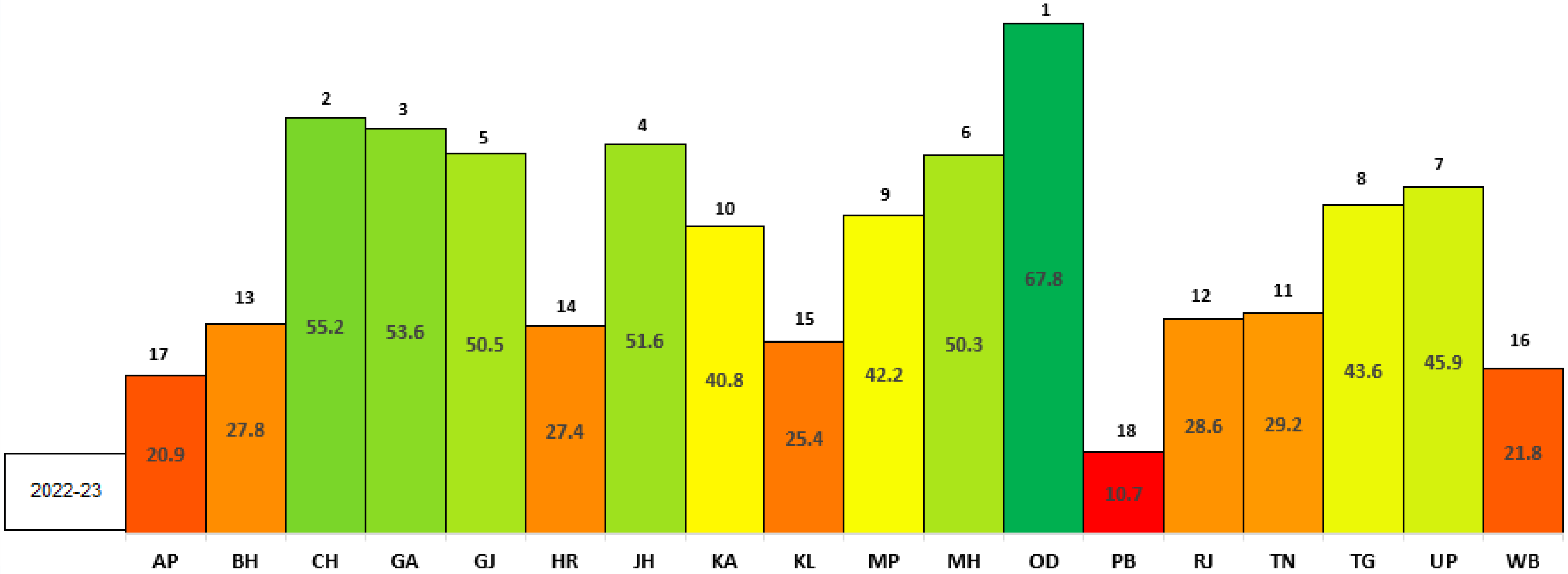
State wise score for heatmap and rationale for categorization is provided in the Appendix

Findings

- Odisha excels in fiscal health with the highest overall index score of 67.8. It tops the Debt Index (99.0) and Debt Sustainability (64.0) rankings with better than average scores under Quality of Expenditure and Revenue Mobilization. The state has maintained low Fiscal Deficits, a good debt profile, and an above average Capital Outlay/GSDP ratio.
- Chhattisgarh and Goa follow, with scores of 55.2 and 53.6, respectively. Chhattisgarh stands out for its Debt Index, while Goa stands for Revenue Mobilization. Both states have effectively balanced expenditure with revenue, contributing to Fiscal Prudence.
- Goa, Telangana and Odisha are leading in Revenue Mobilization and Fiscal Prudence. In addition, it was observed that Odisha, Jharkhand, Goa, and Chhattisgarh have effectively mobilized non-tax sources. Their Own Non-Tax Revenue as a percentage of Total Revenue was, on average, at 21%, with Odisha relying heavily on mining-linked premiums and Chhattisgarh benefitting from coal block auctions. Punjab and West Bengal have not performed well in Revenue Mobilization. This gap highlights the disparity in states' abilities to generate revenue and manage fiscal policies effectively, influencing their overall fiscal health and economic resilience.
- Punjab, Andhra Pradesh, West Bengal and Kerala lie in the aspirational category, each facing significant fiscal challenges. Kerala and Punjab struggle with low Quality of Expenditure and Debt Sustainability, while West Bengal faces Revenue Mobilization and Debt Index issues. Andhra Pradesh has high Fiscal Deficits, and Haryana has a poor debt profile. While debt growth and rising interest payments present fiscal challenges, these regions continue to navigate their financial landscapes with varied strategies.
- States have varied approaches to Capital Expenditure. For Madhya Pradesh, Odisha, Goa, Karnataka, and Uttar Pradesh, the Capital Expenditure, on average, constituted 27% of the total Developmental Expenditure, while West Bengal, Andhra Pradesh, Punjab, and Rajasthan, on average, allocated only around 10% of the total Developmental Expenditure to Capital Expenditure. For Madhya Pradesh and Karnataka, the overall share of Capital Expenditure in Total Expenditure reflects fluctuations in long-term investment.
- It must be noted that the top states witness good scores under the Debt Index and Debt Sustainability, reflecting that these states have effective fiscal management practices and may have no risk of default on debt. States like West Bengal and Punjab witnessed growing debt burdens, increasing debt-to-GSDP ratios and raising serious concerns about debt sustainability.

E.2 Comparative Ranking of States for 2022-23, Average for 2014-15 to 2018-19 & Average for 2014-15 to 2021-22

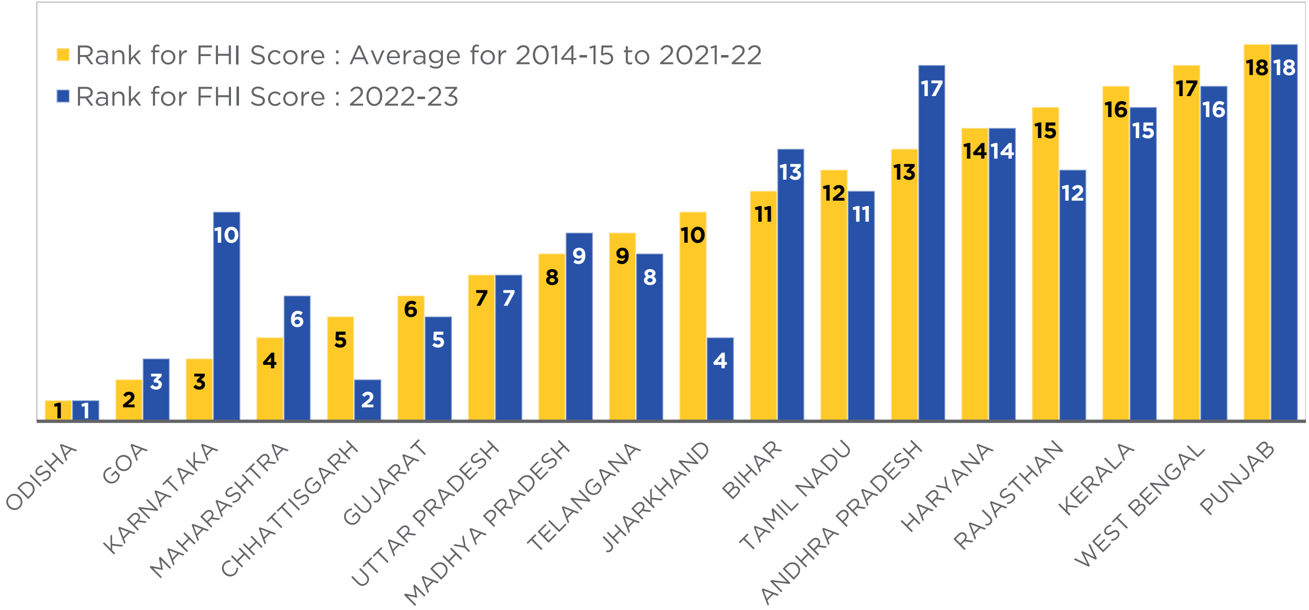
Graph 1 A.



		AP	BH	CH	GA	GJ	HR	JH	KA	KL	MP	MH	OD	PB	RJ	TN	TG	UP	WB
Avg for 2014-2019	Score	31.7	36.3	44.1	46.4	41.9	27.9	35.2	45.8	25.6	41.0	39.4	48.2	10.6	24.8	33.2	40.0	37.0	19.4
	Rank	13	10	4	2	5	14	11	3	15	6	8	1	18	16	12	7	9	17
Avg for 2014-2022	Score	27.7	31.1	40.0	41.2	39.6	25.0	35.4	41.0	20.9	37.7	40.0	53.6	10.5	23.7	28.7	36.2	38.3	17.8
	Rank	13	11	5	2	6	14	10	3	16	8	4	1	18	15	12	9	7	17

Note: The Average FHI score for 2014-15 to 2018-19 and 2014-15 to 2021-22 has been calculated by taking the average of the values for minor sub-indices for all the years and using the same methodology as stated above in the Methodology section.

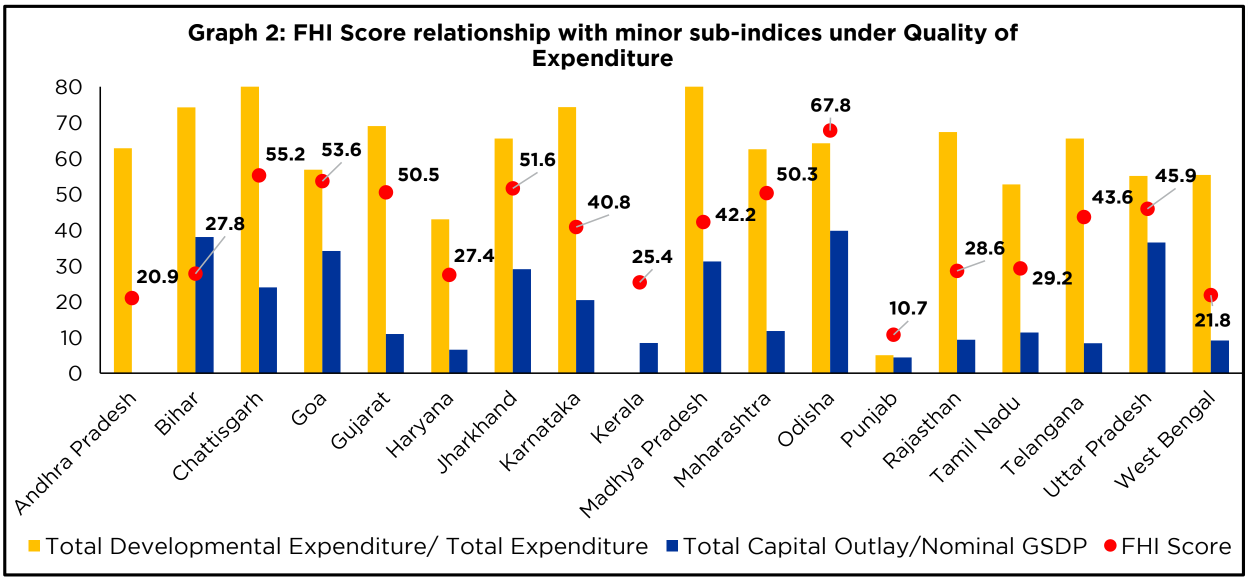
Graph 1 B. State-wise FHI Rank Comparison: 2022-23 vs Average for 2014-15 to 2021-22



Findings

- Odisha, Chhattisgarh, Goa, and Gujarat have consistently been the top-performing states across all time periods considered in the study.
- Jharkhand has shown improvement in its fiscal health. It achieved rank 4 in 2022-23, significantly improving from rank 10 in the period 2015-19 to 2021-2022. This improvement is driven by better Revenue Mobilization, enhanced Fiscal prudence, and stronger Debt Sustainability.
- Karnataka experienced a decline in rankings. Its rank dropped from 3 in 2014-15 to 2021-22 to 10 in 2022-23, primarily due to subdued performance under Quality of Expenditure and Debt Sustainability.
- States like Goa, Telangana, and Maharashtra have strong Revenue Mobilization across all periods. Effective tax collection systems, resource mobilization efforts, and a balanced approach to expenditure have allowed these states to manage their fiscal positions better.
- States like Punjab, Kerala and West Bengal are aspirational states that have consistently faced fiscal challenges over the past nine years. These states face high debt, large interest payments, weak revenue generation, and inefficiencies in capital expenditure, with reliance on non-tax revenue impacting their fiscal health and rankings.

E.3 COMPOSITE FHI SCORE RELATIONSHIP WITH SUB INDICATORS for 2022-23

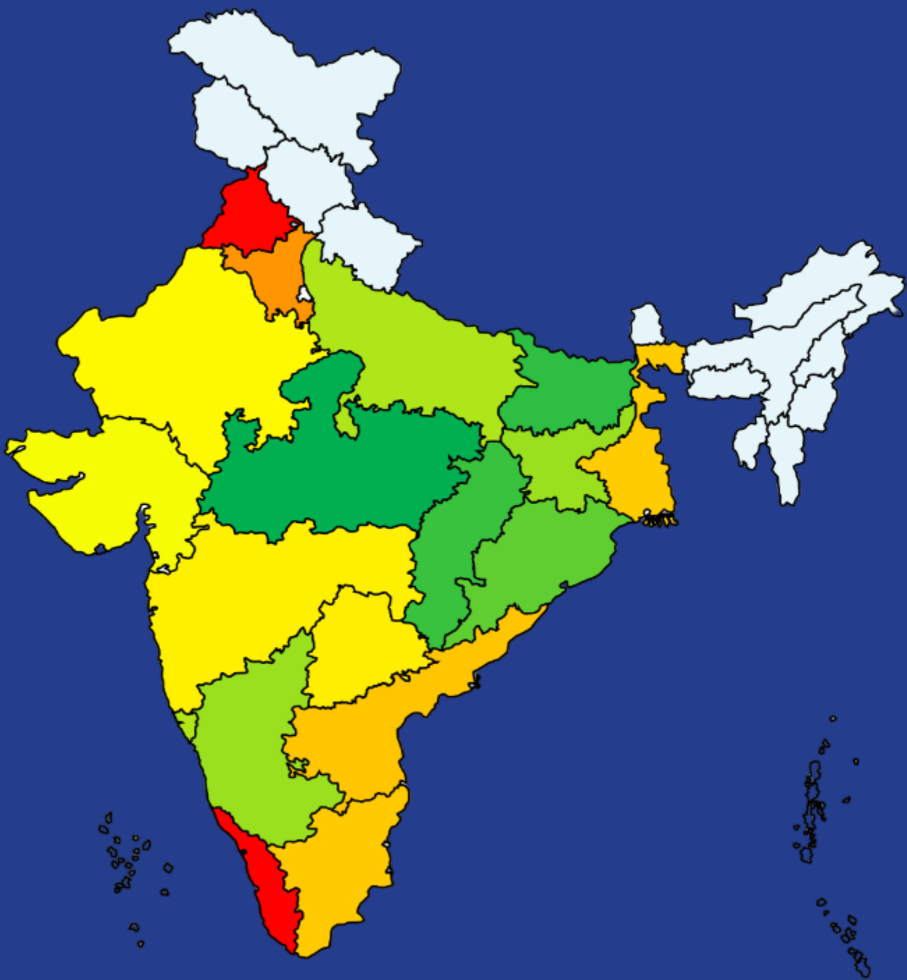


Graph 2 highlights the relationship of the FHI score with the sub-indices (Total Developmental Expenditure/Total Expenditure and Total Capital Outlay/Nominal GSDP) under Quality of Expenditure.

The high index value of Total Developmental Expenditure to Total Expenditure for Chhattisgarh has contributed to a high FHI score. Similarly, the high index value of Capital Outlay to GSDP for Odisha has played a key role in achieving a high FHI score. Under this sub-indices, top-ranked states prioritized both social and economic services. For instance, Madhya Pradesh allocated 41% of its Revenue Developmental Expenditure to social services. At the same time, Chhattisgarh maintained a higher-than-average proportion of total Developmental expenditure, benefiting sectors such as health and education.

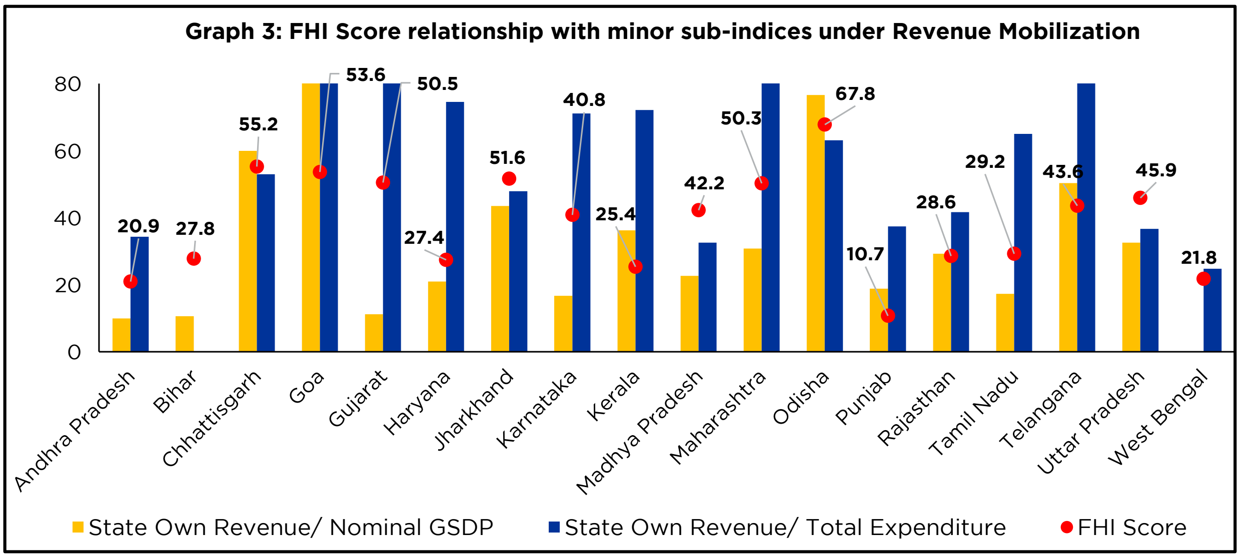
In some cases, the high FHI score is due to other sub-indices considered in this study. For example, index value for quality of expenditure in terms of Developmental Expenditure and Capital Outlay ratios for Madhya Pradesh is higher than Chhattisgarh, but the FHI score for Chhattisgarh is higher than Madhya Pradesh. This indicates the significant contribution of other factors to the FHI score of Chhattisgarh, such as better performance under Revenue Mobilization, lower Fiscal Deficits, and lower Debt/GSDP ratio.

State wise Quality of Expenditure Score Heatmap



Achiever	Front Runner	Performer	Aspirational
Madhya Pradesh (1)	Karnataka (5)	Gujarat (9)	Punjab (17)
Bihar (2)	Jharkhand (6)	Rajasthan (10)	Kerala (18)
Chhattisgarh (3)	Uttar Pradesh (7)	Maharashtra (11)	
Odisha (4)	Goa (8)	Telangana (12)	
		West Bengal (13)	
		Tamil Nadu (14)	
		Andhra Pradesh (15)	
		Haryana (16)	

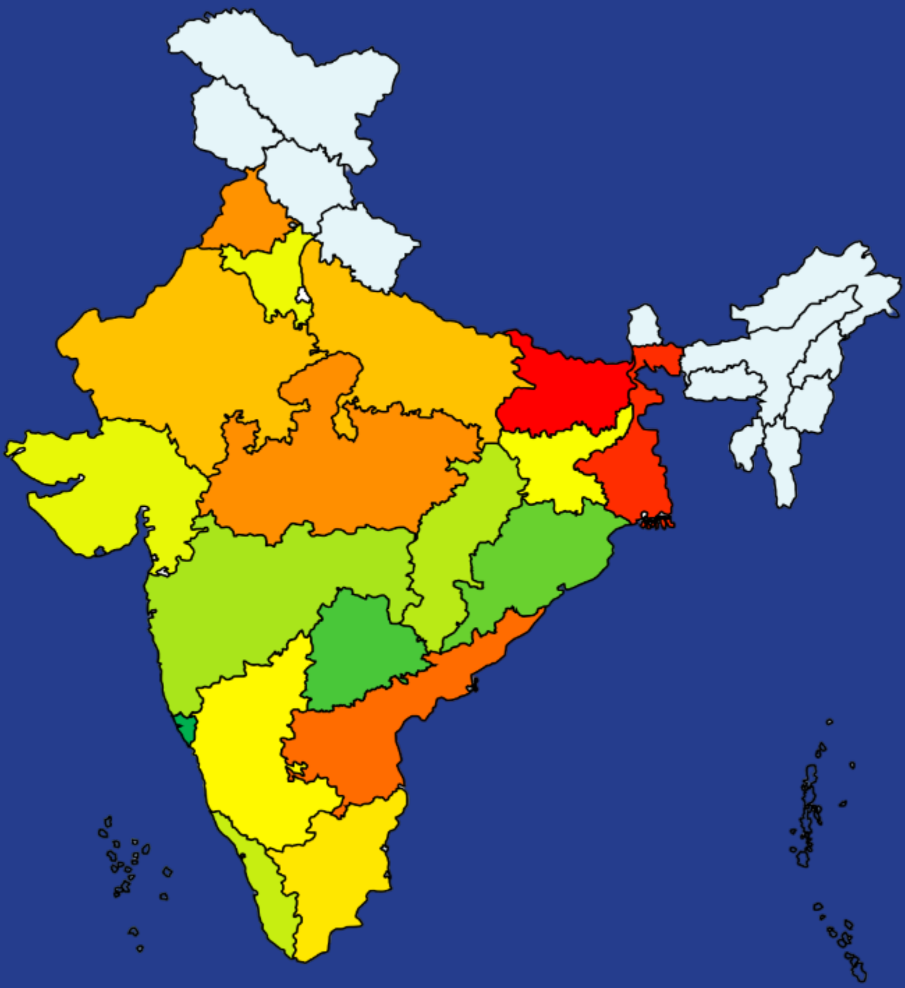
State wise score for heatmap and rationale for categorization is provided in the Appendix



Graph 3 highlights the relationship of the FHI score with the sub-indices (State Own Revenue/ Total Expenditure and State Own Revenue/Nominal GSDP) under Revenue Mobilization.

High index value for the State's Own Revenue/Total Expenditure for Goa and Gujarat have contributed to their high FHI score. Odisha, Goa, and Chhattisgarh have effectively mobilized non-tax sources, ~ 22% of total revenues. In some cases, the high FHI score is due to other sub-indices considered in this study. For example, the index value of State Own Revenue/Total Expenditure for Tamil Nadu is higher than that of Uttar Pradesh. Still, the FHI score for Uttar Pradesh is higher than Tamil Nadu due to the contribution of other sub-indices, such as better Quality of Expenditure and lower Fiscal Deficit.

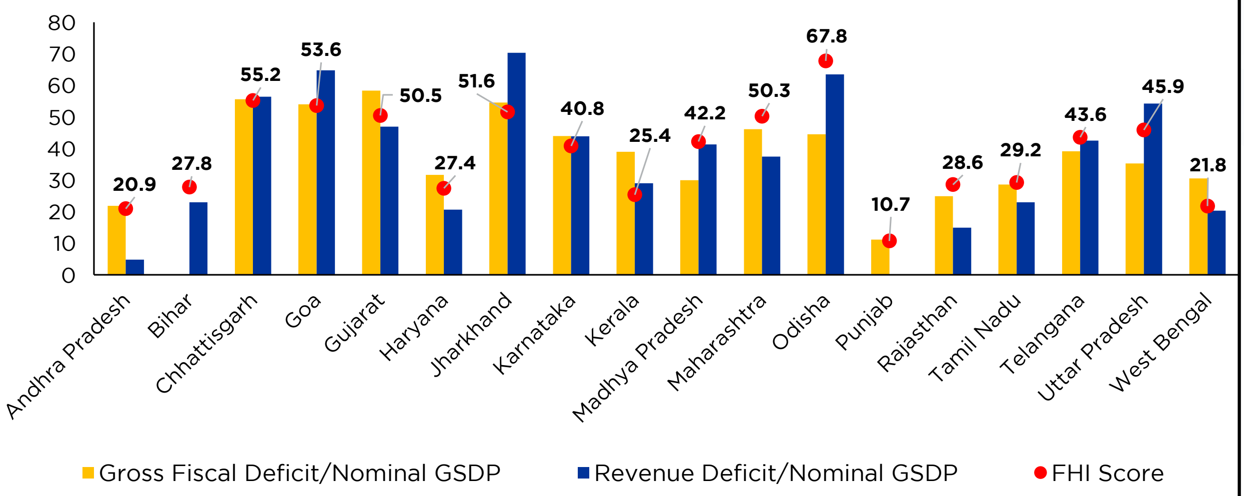
State wise Revenue Mobilization Score Heatmap



Achiever	Front Runner	Performer	Aspirational
Goa (1)	Maharashtra (4)	Karnataka (10)	Andhra Pradesh (16)
Telangana (2)	Chhattisgarh (5)	Tamil Nadu (11)	West Bengal (17)
Odisha (3)	Kerala (6)	Rajasthan (12)	Bihar (18)
	Gujarat (7)	Uttar Pradesh (13)	
	Haryana (8)	Punjab (14)	
	Jharkhand (9)	Madhya Pradesh (15)	

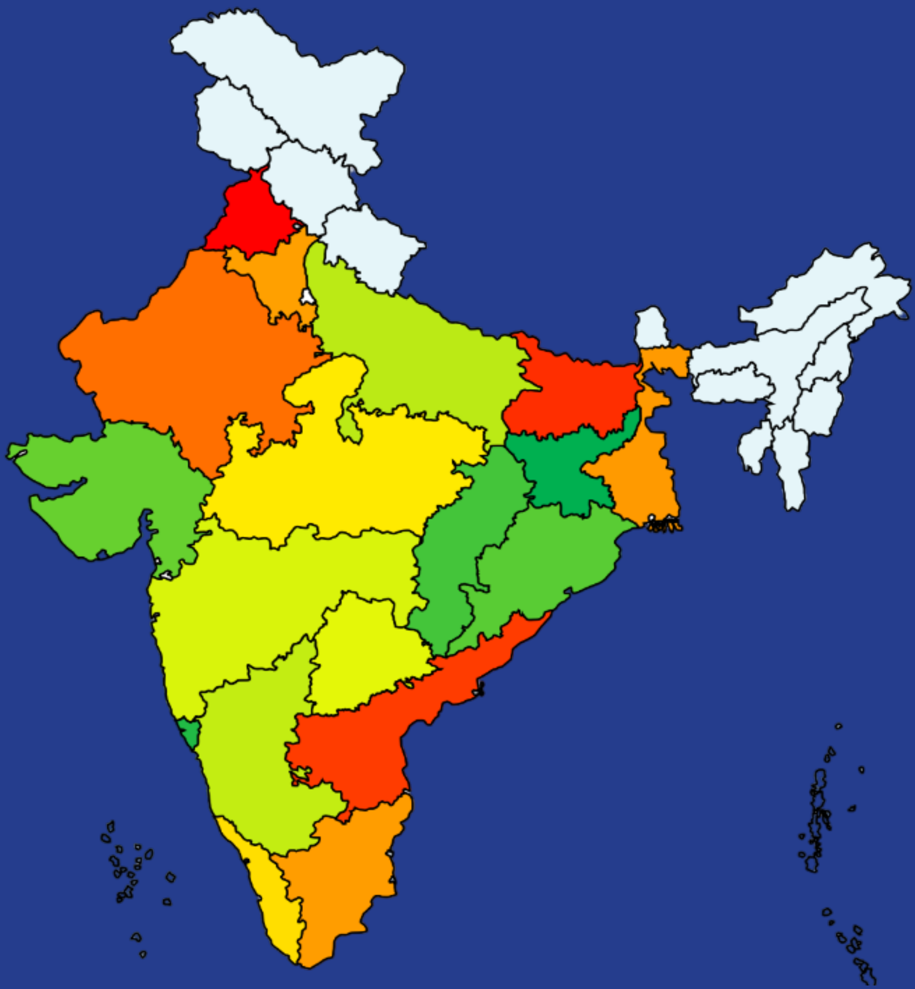
State wise score for heatmap and rationale for categorization is provided in the Appendix

Graph 4: FHI Score relationship with minor sub-indices under Fiscal Prudence



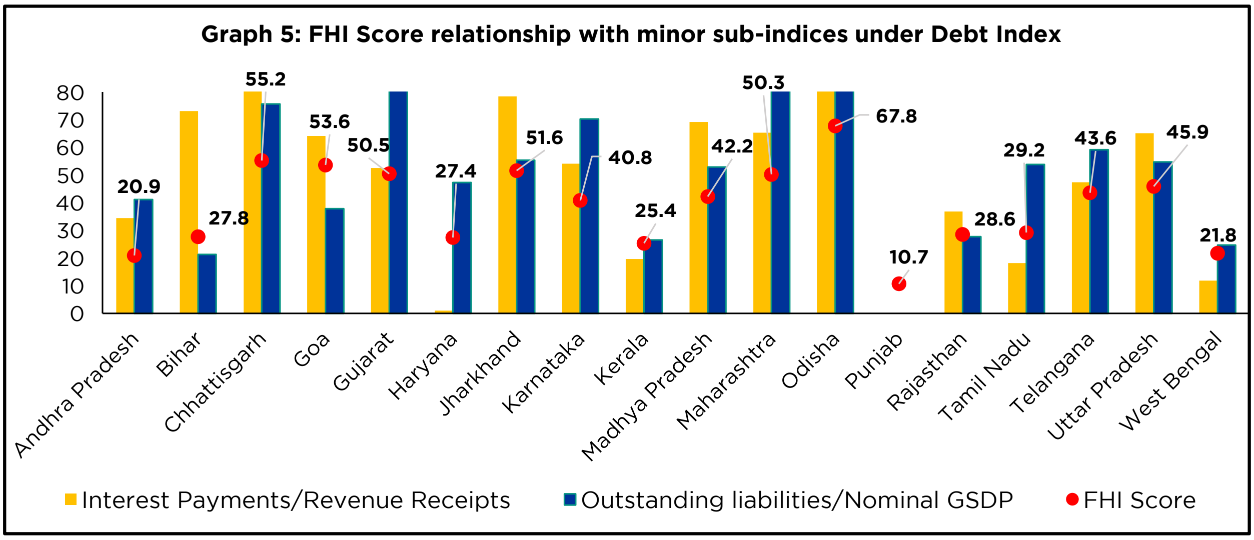
Graph 4 highlights the relationship of the FHI score with the sub-indices under Fiscal Prudence. The high Index value of Revenue Deficit/Nominal GSDP for Odisha, reflecting a lower revenue deficit, has contributed to its high FHI score. Similarly, Chhattisgarh's high index value for Gross Fiscal Deficit/Nominal GSDP, representing a lower fiscal deficit, has also played a key role in achieving a high FHI score. Creating revenue surpluses in states such as Odisha, Jharkhand, and Goa have enabled allocating funds toward socio-economic sectors and infrastructure. In some cases, the high FHI score is due to other sub-indices considered in this study. For example, the index value of Revenue Deficit/ Nominal GSDP for Goa is lower than Jharkhand, but the FHI score for Goa is higher than Jharkhand, indicating the significant contribution of other factors, such as better Revenue mobilization to Goa's FHI score.

State wise Fiscal Prudence Score Heatmap



Achiever	Front Runner	Performer	Aspirational
Jharkhand (1)	Uttar Pradesh (6)	Madhya Pradesh (10)	West Bengal (14)
Goa (2)	Karnataka (7)	Kerala (11)	Rajasthan (15)
Chhattisgarh (3)	Maharashtra (8)	Haryana (12)	Andhra Pradesh (16)
Odisha (4)	Telangana (9)	Tamil Nadu (13)	Bihar (17)
Gujarat (5)			Punjab (18)

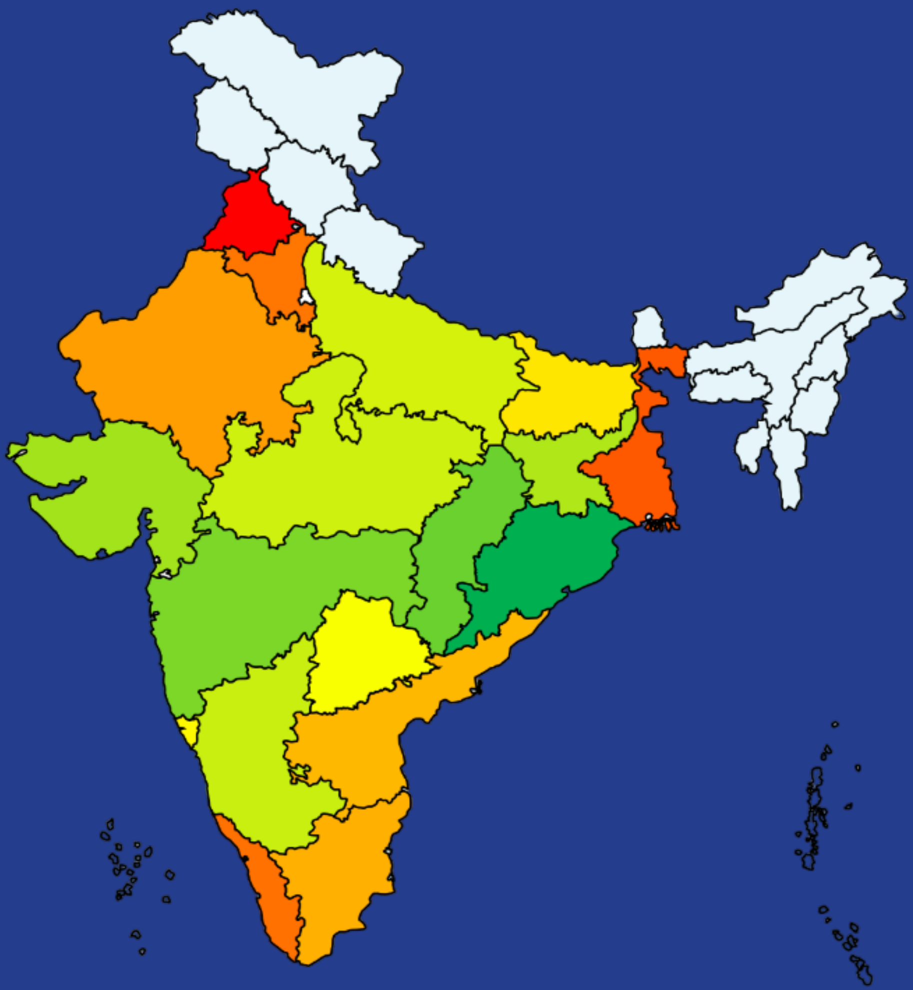
State wise score for heatmap and rationale for categorization is provided in the Appendix



Graph 5 highlights the relationship of the FHI score with the sub-indices under the Debt Index. Maharashtra's high index value of Outstanding Liabilities/ Nominal GSDP, representing sustainable debt management, has led to a high FHI score. Alternatively, Jharkhand's high index value of Interest Payments/ Revenue Receipts, indicating a low fiscal burden, has also led to a high FHI score. Certain states deal with fluctuating debt levels, while others focus on fiscal consolidation but are pressured by high social program spending and revenue collection challenges, impacting their debt-to-GSDP ratios.

In some cases, the high FHI score is due to other sub-indices considered in this analysis. For e.g., the index value of Outstanding Liabilities/ Nominal GSDP for Telangana is lower than Karnataka but the FHI score for Telangana is higher than Karnataka. This highlights the contribution of other factors, such as better Revenue Mobilization, to the FHI score of Telangana.

State wise Debt Index Score Heatmap



Achiever	Front Runner	Performer	Aspirational
Odisha (1)	Karnataka (6)	Andhra Pradesh (12)	Haryana (15)
Chhattisgarh (2)	Madhya Pradesh (7)	Tamil Nadu (13)	Kerala (16)
Maharashtra (3)	Uttar Pradesh (8)	Rajasthan (14)	West Bengal (17)
Gujarat (4)	Telangana (9)		Punjab (18)
Jharkhand (5)	Goa (10)		
	Bihar (11)		

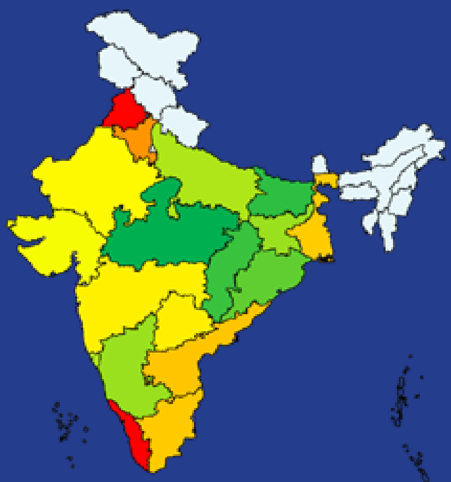
State wise score for heatmap and rationale for categorization is provided in the Appendix

SECTION F

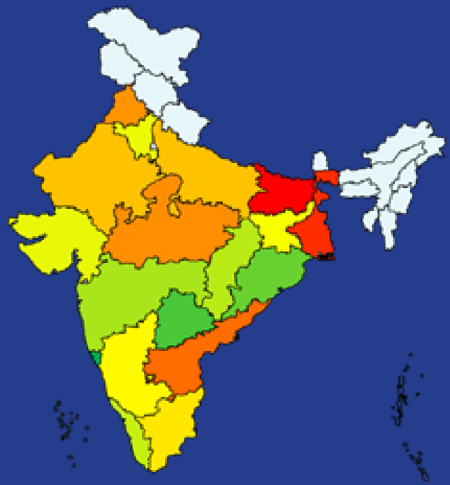
STATE-WISE ANALYSIS

Major Sub-Indicator Score Heatmaps

State wise Quality of Expenditure Score Heatmap



State wise Revenue Mobilization Score Heatmap



State wise Fiscal Prudence Score Heatmap

State wise Debt Index Score Heatmap

State wise Debt Sustainability Score Heatmap

Andhra Pradesh

The state may focus on enhancing Capital Expenditure efficiency, optimize committed spending, diversifying revenue sources for greater resilience, and may enforce strict fiscal discipline.

Quality of Expenditure

- Since 2018- 19 the Capital Expenditure of the State came down in both the social services and economic services sector by 84.3% and 60.1%, respectively, on a cumulative basis.
- The state has also been unable to achieve its budget estimates under Capital Expenditure. Capex was 3.5% of the Total Expenditure and just 4.4% of the total borrowings in 2022-23.
- Under the Revenue Expenditure, the quantum of Committed Expenditure constitutes the largest share at ~51%. The Committed Expenditure increased at an average annual rate of 11.6% in last five years. Further, Committed Expenditure as a percentage of the Revenue Receipts increased from 57.5% in 2018-19 to 64.6% in 2022-23 resulting in the limited availability of revenue resources for other purposes.

Revenue Mobilization

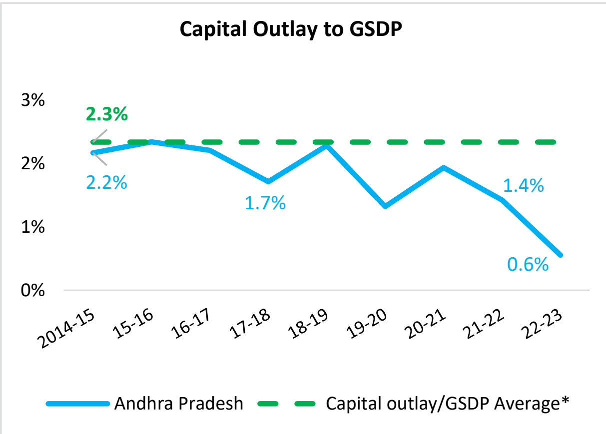
- During the period 2018-19 to 2022-23, the State's Own Tax Revenue grew at a CAGR of ~6%. The ratio of State Own Tax Revenue to the Total Tax Revenue saw a moderate growth during the same period from 64 % in 2018- 29 to 67 % in 2022-23.
- The Non-Tax Revenue over the last five-years grew at an average annual rate of 4.3%.
- Rate of growth of Own Revenue has come down from 17.1% in 2018-19 to 9.8% in 2022-23.

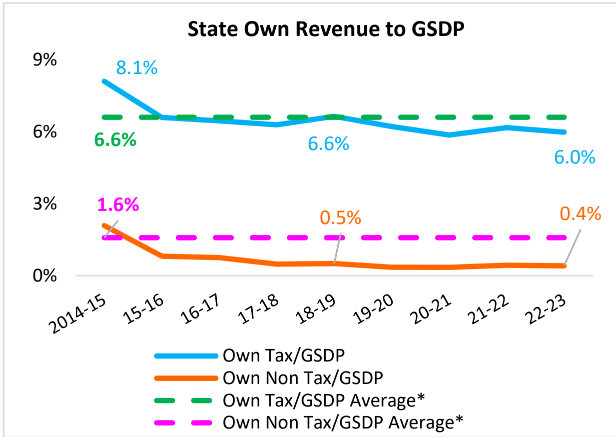
Fiscal Prudence

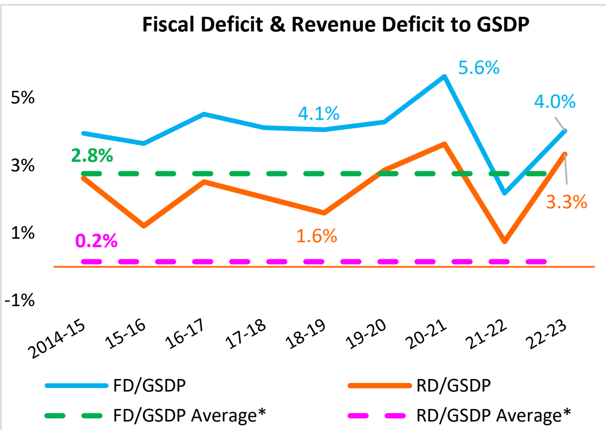
- In the past five years, the State has always been in Revenue Deficit and Fiscal Deficit.
- As per the Andhra Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, as amended from time to time, the State Government was required to achieve certain fiscal targets by specified periods. In 2022-23 the ratio of Fiscal Deficit to GSDP was 4% which was within the target of 4.5%.

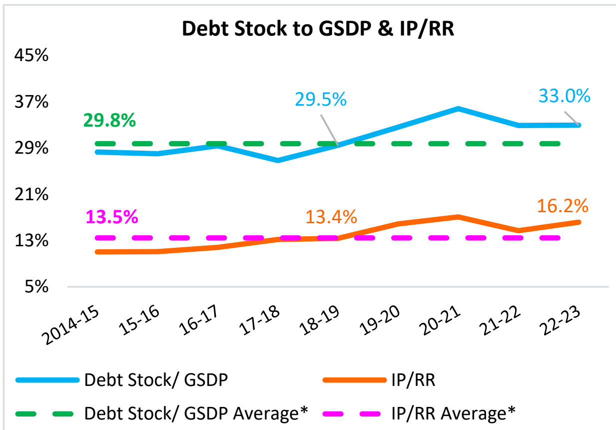
Debt Index & Debt Sustainability

- Public Debt has been increasing on an average at a rate of 16.5% during the period 2018-19 to 2022-23.
- Interest payments increased by 15% in 2022-23 over the previous year and by 10% CAGR from 2018-19 to 2022-23. Ratio of Interest Payments to Revenue Receipts has shown increased trend from 2018-19 to 2020-21; and slightly reduced during 2022-23 due to increased Revenue Receipts.









*Average of 18 major states for FY 2022-23

State may expedite revenue collection, progress ongoing projects, and restructure loans to maintain interest payments within Fiscal Deficit targets for improved fiscal health.

Quality of Expenditure

- Capital Expenditure has grown at a CAGR of 8.4% over the last 5-year period. It was around 14% as a proportion of total expenditure in 2022-23.
- For 2022-23, Capital Expenditure on social and economic services constituted 13% of Total Expenditure, while they constitute 40.6% and 18.2% of total Revenue Expenditure.
    - o Under social Services there was 54.6% reduction in assistance to Non-Government Colleges, a drastic 98.3% cut in Other Adult Education Programmes, and notable decreases in funding for health initiatives.
    - o Under economic Services there was 305% rise in training under Other Rural Development Programmes, a 1,360% increase in Irrigation and Flood Control, and significant growth in tourism spending.
- The State had incurred 34.3% of the Total Revenue Expenditure on committed liabilities like salaries and wages, pensions, interest payments, leaving only 65.7% for priority sector expenditure in 2022-23.

Revenue Mobilization

- The overall share of the State's Own Tax Revenue in the GSDP was 5.8% during 2022-23 and has grown at a CAGR of 8.4% over last 5 years. Own Tax Revenues increased by 26.2% which is higher than the average of major states. However, as a proportion of total revenue, it was only 25.5% in 2022-23.
    - o Taxes on sales and trade showed a remarkable recovery, with a growth of 43.7% after experiencing a decline in earlier years. The State GST also contributed positively, benefiting from enhanced collection strategies and cross-utilization of input tax credits.

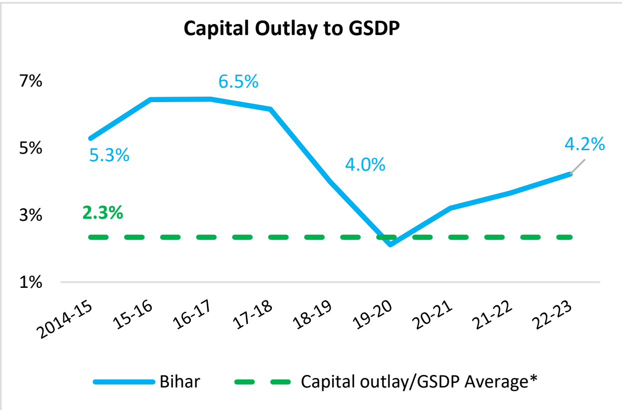
- Non-Tax Revenues rose by 3.7%, marking a modest recovery compared to the previous year, while share of State's Non-Tax Revenue in the GSDP was only 0.5%.
  - o There were substantial decreases in interest receipts and dividends, down by 11.1% and 77.2%, respectively.
  - o The primary growth driver was non-ferrous mining, which constituted the largest share of the State's Non-Tax Revenue.

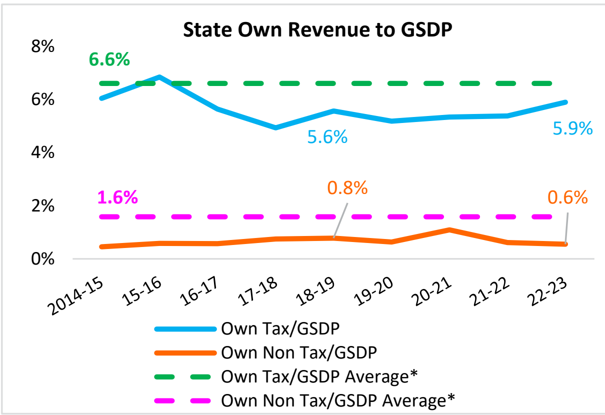
Fiscal Prudence

- The Fiscal Deficit of the State saw a significant increase, rising from 2.6% of GSDP in 2018-19 to 5.9% in 2022-23, surpassing the stipulated limit of 4% set by the BFRBM Act. The Fiscal Deficit was mainly financed through market borrowings and loans from GoI.
- The State has faced a Revenue Deficit since 2019-20, failing to achieve the target of a Revenue Surplus. The main reasons for Revenue Deficit were less receipt of Grants-in-aid and shorter collection of Non-Tax Revenue than projected.

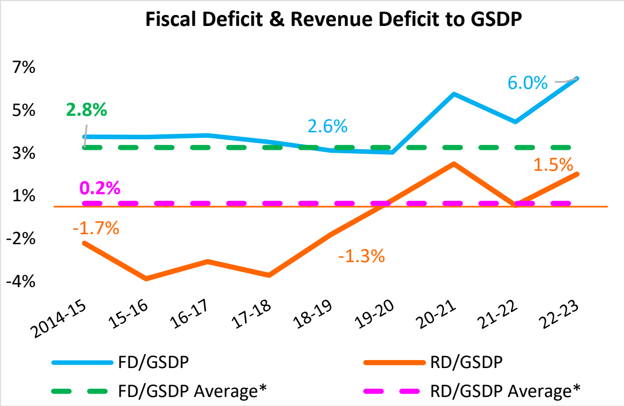
Debt Index & Debt Sustainability

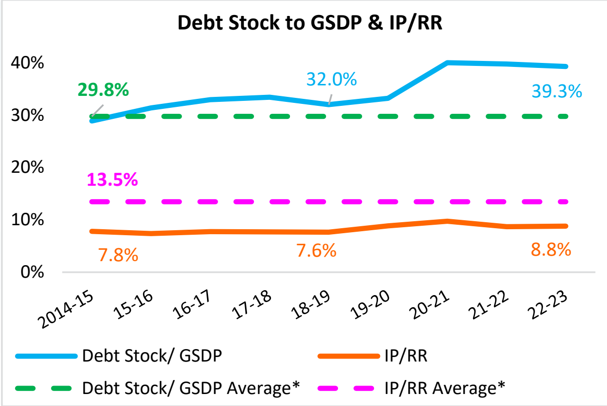
- The Debt-to-GSDP ratio increased from 32% in 2018-19 to 39.3% in 2022-23, indicating a concerning upward trend over the past five years. The ratio of interest payments to Revenue Receipts has fluctuated between 7% to 9% during the same period[9].
- State's debt sustainability may improve if the growth rate consistently exceeds the interest rate, yet persistent negative Primary Deficits pose a challenge.

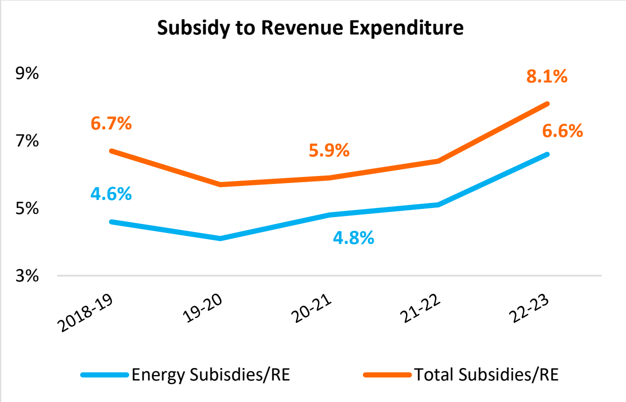




[9] Rising power subsidy has added to the debt burden adversely affecting development expenditure: Asian Development Research Institute. (2018). EVALUATION OF STATE FINANCES IN BIHAR.
*Average of 18 major states for FY 2022-23







Subsidy have been on an increasing trend since 2018-19. Notably, power subsidy constitutes the major portion of the total subsidies and ranged between 68.92% and 82.77% adding significantly to the financial burden.

*Average of 18 major states for FY 2022-23

Chhattisgarh

Chhattisgarh has experienced fluctuations in Capital Expenditure but has shown good revenue growth. To further enhance fiscal health, the state may improve tax collection, expand Non-Tax Revenue sources, and maintain investment in infrastructure and essential services.

Quality of Expenditure

- The Capital Expenditure as a percentage of GSDP shows declining trend from 2018-19 (2.7%) to 2021-22 (2.6%), however it increased to 2.9% in 2022-23.
- The increase in expenditure was witnessed under:
  - Water supply & sanitation mainly due to increase in expenditure in Jal Jeevan Mission, Mukhyamantri Samagra Gram Vikas Yojna and Indira Gaon Ganga Yojna.
  - Works of medical education colleges, expenditure on Cancer institute, Medical, Dental and Physiotherapy colleges.
- The proportion of expenditure on development, especially on health and education, to the total expenditure of Chhattisgarh has been on an average higher (40.4%) than the average of other General States (29.9%) during 2018-19 to 2022-23.

Revenue Mobilization

- The revenue buoyancy with reference to GSDP increased from 0.57 in 2018-19 to 1.42 in 2022-23. The State's own revenue buoyancy with reference to GSDP also increased considerably from 0.69 in 2018-19 to 1.44 in 2022-23.
- The State Own Tax and Non-Tax Revenue increased during 2018-19 to 2022-23 at a CAGR of 11.5% and 18.6% respectively.
  - Increase in Non-Tax Revenue was from auctioning of coal blocks and other minerals under non-ferrous mining and metallurgical industries[10].

[10] Economics & Statistics, D. O., Govt. of C. G. (2012). An evaluation of finances of the State of Chhattisgarh

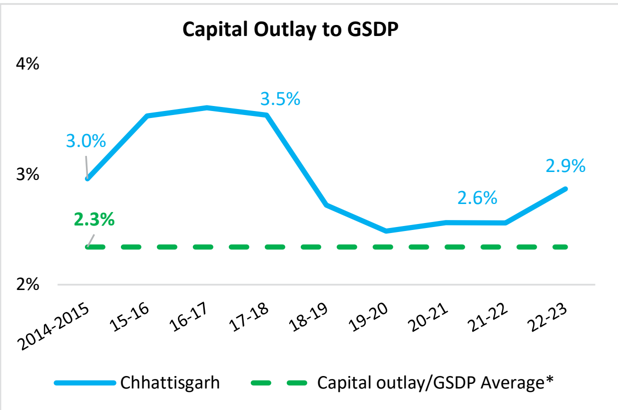
- o The significant increase in Own Tax revenue was under (i) receipts under State GST (attributed to resumption of business activities to full strength and healthy economic recovery) (ii) Taxes on Sales, Trade, etc. (iii) State Excise.

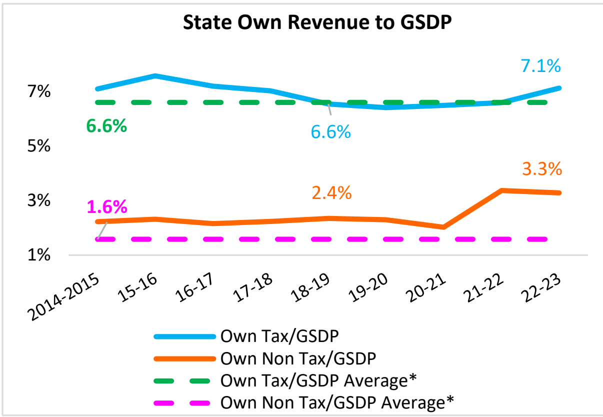
Fiscal Prudence

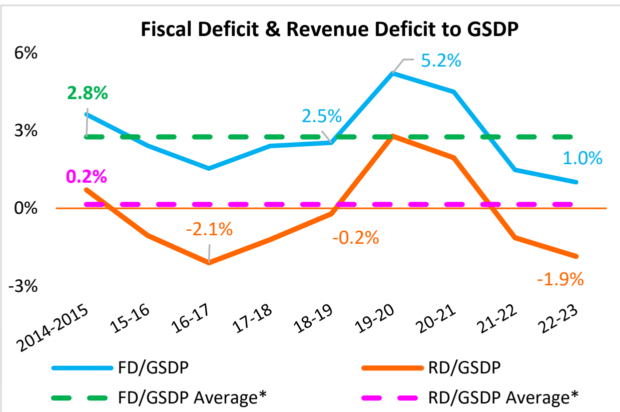
- During the period 2018-19 to 2020-21, the State Government was unable to meet the targets of Revenue Surplus/ deficit-GSDP and outstanding overall liability- GSDP prescribed in the MTFPS, while it was within the target in 2022-23.
- The Fiscal Deficit-GSDP ratio remained within the targets in 2018- 2023 except for the year 2019-20 where it exceeded the prescribed limit.

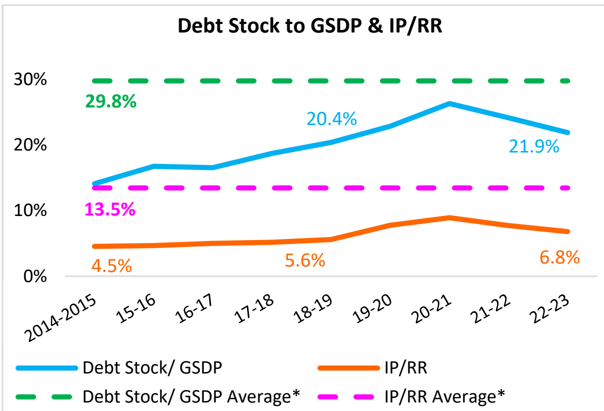
Debt Index & Debt Sustainability

- The Debt sustainability remained a challenge during the Covid years (2019-20 and 2020-21). However, post-Covid, debt sustainability turned positive due to high growth in GSDP.
- Unlike the two years 2019-20 & 2020-21, public Debt to GSDP has observed a declining trend for two consecutive years and it reached 18.4 % in 2021-22 and 16.6% in 2022-23. The improvement in rate spread and positive primary balance resulted in the decline of the public Debt to GSDP ratio in 2021-22.

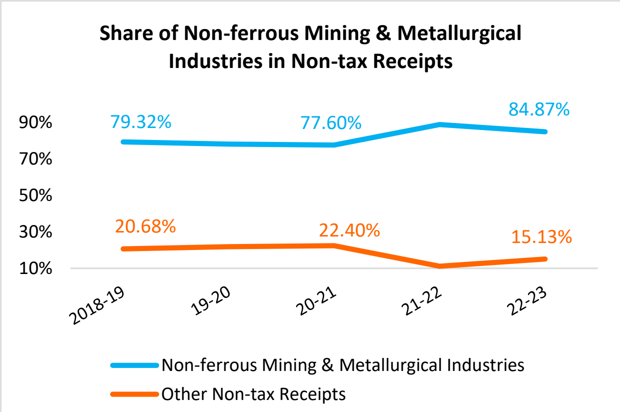








*Average of 18 major states for FY 2022-23



The Non-Tax Revenue increased mainly due to increase in receipts under Non-ferrous Mining and Metallurgical Industries which constitutes 80-85% of non-tax revenue share. Increase in Non-ferrous Mining and Metallurgical Industries was due to increase in production of Coal and Iron Ore minerals, and due to receipt of 150% additional royalty from Iron Ore and increased production of sand

*Average of 18 major states for FY 2022-23

The State Government may create a debt sustainability framework to ensure long term fiscal health, focusing on a comprehensive debt management strategy to address rising Committed Expenditures.

Quality of Expenditure

- The relative share of social services as a proportion of total expenditure was 24.3% in 2022-23 and has hovered in the range of 25.0% to 28.4% in last 5 years. It was highest at 28.4% in 2021-22. The relative share of Economic services as a proportion of total expenditure rose significantly to 32.2% in 2022-23 from 27.3% in 2021-22. It has hovered in the range of 27.3% to 32.2% in the last 5 years.
- Total Committed Expenditure showed an increasing trend during 2018-23. For 2022-23, Committed Expenditure constituted 52% of Revenue Expenditure (highest during the five-year period 2018-23)

Revenue Mobilisation

- State Government's expenditure was largely financed from its own resources, with 68% of revenue coming from its Own Tax and Non-Tax Revenue.
- The Own Tax Revenue of the state experienced a growth rate of 34.8% in 2022-23. This surge was primarily driven by significant increases in collections from SGST, taxes on sales, stamp duty and registration fees.
- Non-Tax Revenue grew modestly by 2.2% during the same period. The increase was largely due to higher receipts from power revenue and other administrative services.

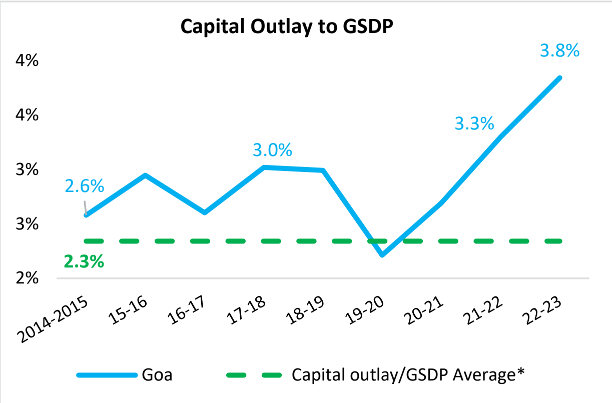
Fiscal Prudence

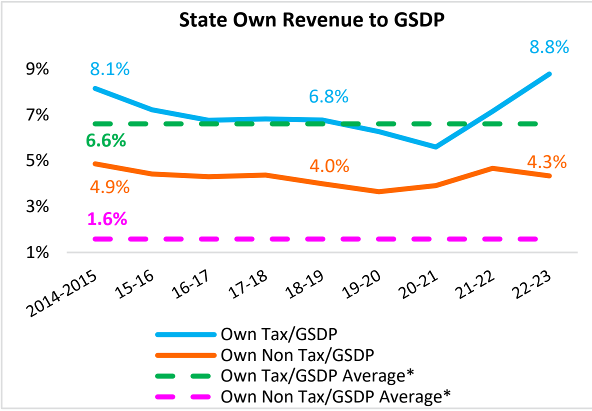
- From 2018 to 2023, Goa's Fiscal Deficit significantly decreased, dropping from 2.5% of GSDP in 2018-19 to 1.2% in 2022-23, highlighting improved fiscal management. The State managed to keep the ratio of Fiscal Deficit to GSDP, during the period 2018-23, within the limit prescribed under GFRBM Act.

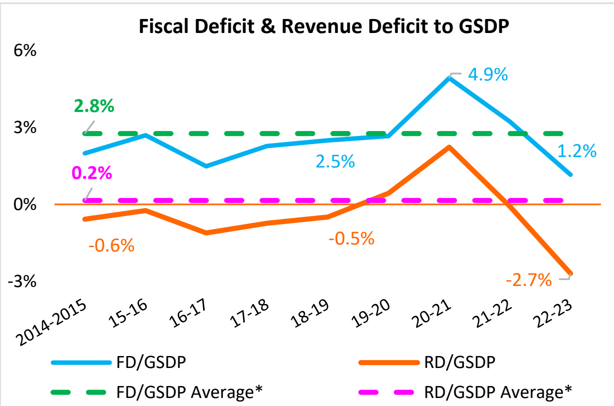
- The State achieved a Revenue Surplus in three of the five years for period 2018-23, with the highest surplus recorded in 2022-23. The Revenue Surplus exceeded the budget estimate by 553 % which in turn contributed to restricting the Fiscal Deficit.

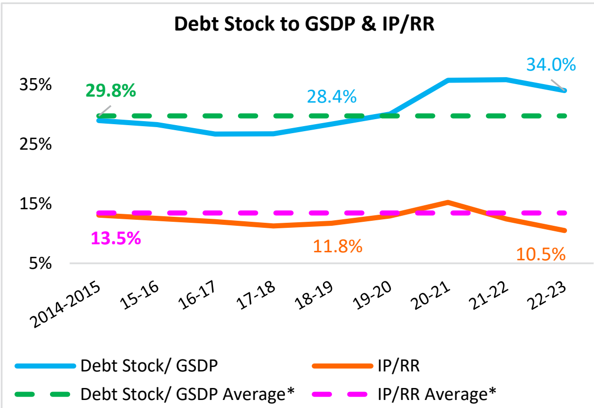
Debt Index & Debt Sustainability

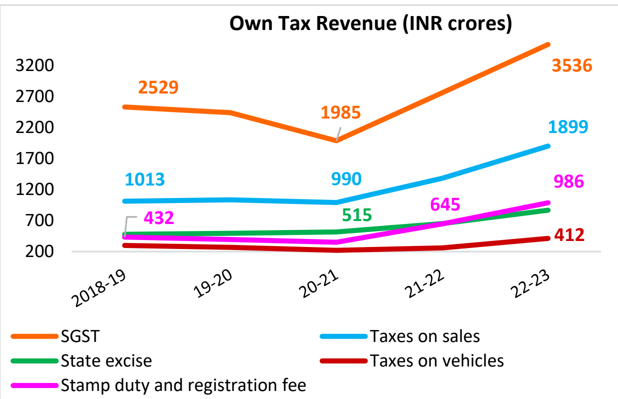
- During 2018-23, outstanding debt of the State Government increased from 28.4% to 34 % of GSDP, breaching the target of 25 % of GSDP set by the GFRBM (First Amendment) Act, 2014.
- The proportion of interest payments to Revenue Receipts increased from 11.8% in 2018-19 to 15.2% in 2020-21. However, this trend reversed in the subsequent two years, with the share declining to 12.5% in 2021-22 and further to 10.5% in 2022-23.
- For a sustainable fiscal policy, debt-GSDP ratio should be stable or declining over a period. Public debt-GSDP ratio of the State increased from 2018-19 to 2020-21 and has been around ~35% in last 3 years.











Significant increase in revenue surplus as compared to previous year due to absolute increase in own tax revenue collection specially under SGST and Taxes on sales.

*Average of 18 major states for FY 2022-23

To maintain its fiscal health, Gujarat may prioritize increasing Non-Tax Revenue sources to enhance financial resilience and invest in developmental projects that drive sustainable growth.

Quality of Expenditure

- In 2022-23, Developmental Expenditure constituted 71% of Total Expenditure, greater than most of the major states in the study.
- Overall Capex increased by 26.5% during 2018-2023 cumulatively, particularly in education, sports, arts & culture, petrochemical industries, water supply, sanitation, medical & public health, irrigation, and roads & bridges as compared to previous year. The share of Capex in Total Expenditure increased from 14.9% in 2021-22 to 16.4% in 2022-23
- During 2018-2023, Committed Expenditure remained largely stable in the range of 44%-46% of total Revenue Expenditure, with the government effectively reducing it as a percentage of Revenue Expenditure over the years.
- In 2022-23, Revenue Expenditure on social services increased by 10.1% and economic services by 20.8%. Capital Expenditure on social services increased by 52.9%, while economic services grew by 13.6%.

Revenue Mobilization

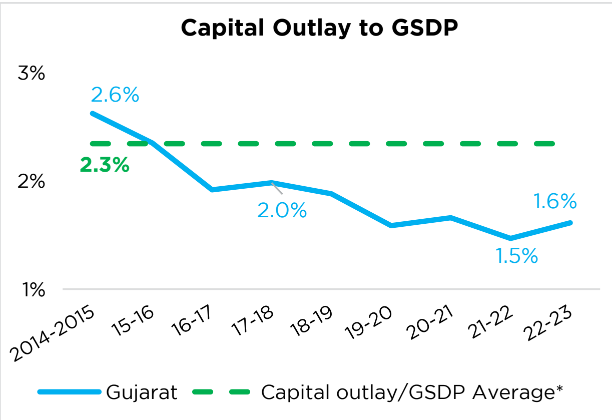
- State-Own Tax Revenues grew at a CAGR of 11.7% from 2018 to 2023, with a 27.8% increase in comparison to the last year, driven by strong contributions from SGST, sales tax/VAT, stamp duty, and registration fees.
- Own Non-Tax Revenue has remained low, at less than 1% of GSDP over the past 3 years. However, it experienced a significant 31.5% increase compared to the previous year, largely driven by growth in non-ferrous and metallurgical industries, interest receipts, urban development, and other administrative services.

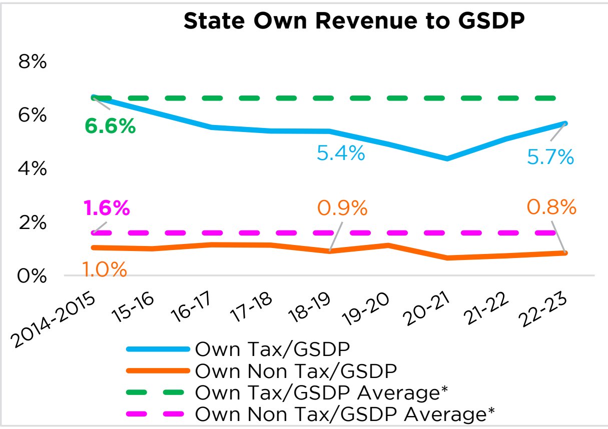
Fiscal Prudence

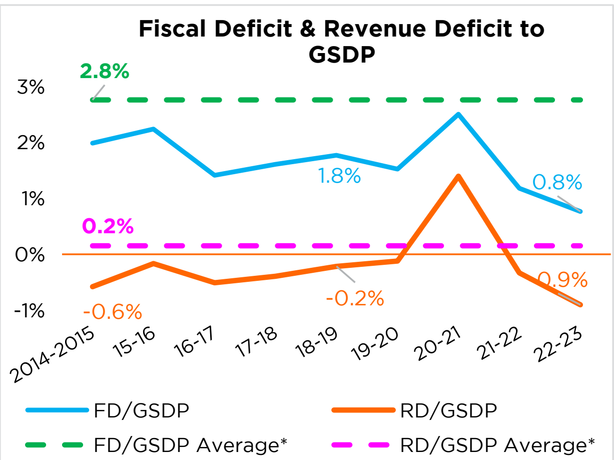
- Fiscal Deficit decreased from 1.8% to 0.7% of GSDP between 2018 and 2023, demonstrating improved fiscal management and stability. Compared to the previous year, it decreased approximately by 26% and was majorly financed through market borrowings.
- The state achieved the target of elimination of Revenue Deficit from 2011-12 to 2019-20. The Revenue Deficit during 2020-21 turned into Revenue Surplus in 2021-22 and is still growing. During the year 2022-23, Revenue Surplus represented 0.9% of GSDP.

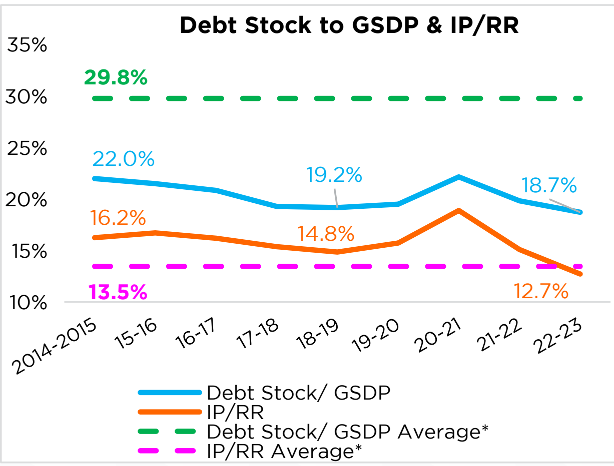
Debt Index & Debt Sustainability

- In 2018-19 & 2022-23, Gujarat's debt-to-GSDP ratio was 19.2% and 18.7%, while interest payments on Revenue Receipts were 14.8% and 12.7% respectively.
- Debt sustainability was positive from 2017-18 to 2019-20 but turned negative due to the economic slowdown caused by the COVID-19 pandemic. However, by 2021-22, debt sustainability became positive again. The maturity profile of the outstanding public debt indicates that 90% of the total public debt will be repayable within the next 10 years.









*Average of 18 major states for FY 2022-23

Haryana may increase Capital Expenditure on social services while enhancing tax collection efficiency and establishing a clear fiscal management framework especially with regard to debt sustainability.

Quality of Expenditure

- The growth in Capital Expenditure has not kept pace with the growth in GSDP since 2018-19. It constituted 1.4% of GSDP during 2022-23 and was less than the budget estimates. The relative share of Capital Expenditure in the total expenditure has come down from 16.4% in 2018-19 to 9.7% in 2022-23.
    - Capital Expenditure on social services reduced by 31.3% and on economic services increased by 46.7% in 2022-23 as compared to previous year.
- Around 55% of Total Revenue Expenditure was incurred on Committed Expenditure during 2022-23 and around 54% in 2018-19.
- The share of social services in Total Expenditure increased from 36% to 39.4% in 2022-23. Expenditure on economic services decreased from 32% 2018-19 to 23.2% in 2022-23. The combined expenditure on social and economic services decreased from 67.9% in 2018-19 to 62.6% in 2022-23.
- The ratio of expenditure on Education and Health was lower in Haryana than other major states during 2018-19 but higher in 2022-23.

Revenue Mobilisation

- The share of the State's Own Revenue in Revenue Receipts increased from 76.7% in 2018-19 to 80.3% in 2022-23. Own Tax Revenue increased at CAGR of 8% over last 5-year period. Additionally, SOTR accounted for 86% of overall tax revenues in 2022-23 with Sales Tax, State Goods and Services Tax (SGST), State Excise, and Stamps and Registration contributing significantly.
- Non-Tax Revenues constituted around 10% of total Revenue Receipts during 2022-23 registering a moderate increase from the previous year. In comparison with 2021-22, Non-Tax Revenues increased by 18.2%.

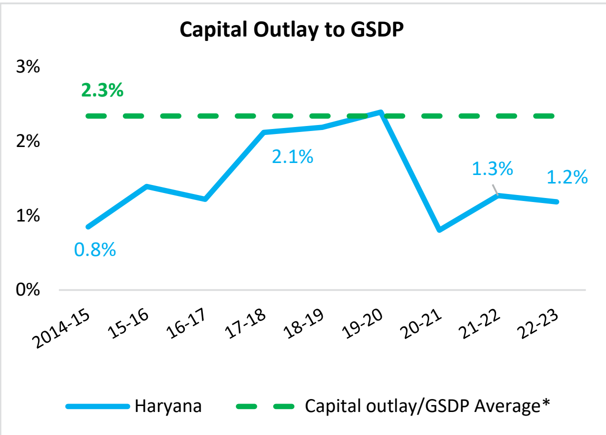
- The Revenue buoyancy ratios have also improved considerably over the last 5-year period.

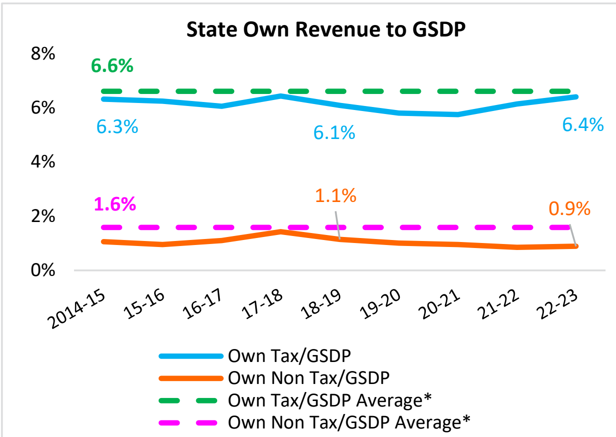
Fiscal Prudence

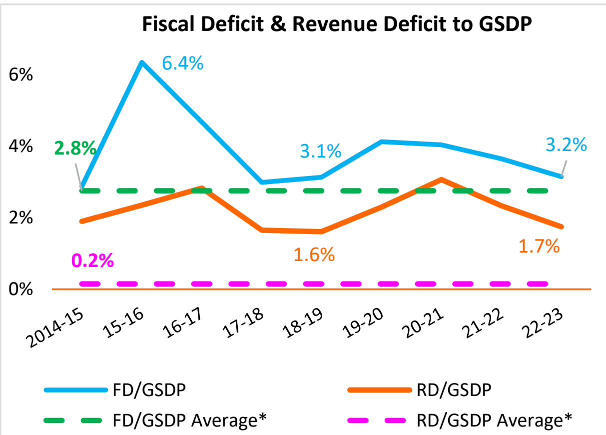
- During the year 2022-23, Revenue Deficit constituted 1.7% of GSDP and did not meet the recommendations as per the 15th Finance Commission. The Revenue Deficit decreased compared to the previous few years, it however, increased when compared to 2018-19.
- Fiscal Deficit constituted 3.1% of GSDP in 2022-23 which is below the limit of 3.5% of GSDP prescribed by the Central Finance Commission. The Fiscal Deficits during 2017-18 to 2021-22 were largely financed through public debt, which includes market borrowings and loans from Government of India.

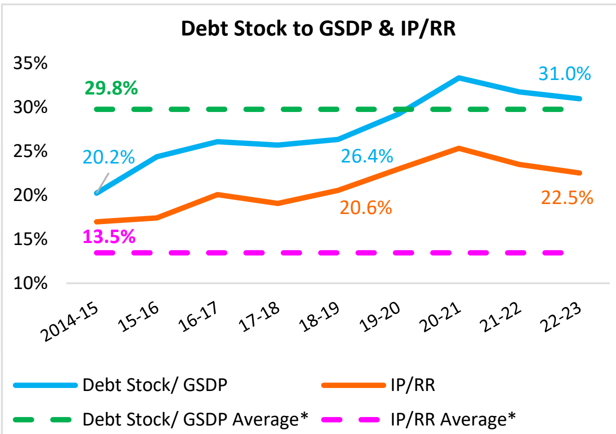
Debt Sustainability

- The Debt GSDP ratio increased from 26% in 2018-19 to 33% in 2020-21 and decreased to 31.7% in 2021-22. For the year 2022-23, the Debt to GSDP ratio has been maintained at 31%.
- Interest payments increased by 9.4% in 2022-23 as compared to previous year. The ratio of Interest Payment to Revenue Receipts stood at 23% in 2022-23.
- The Outstanding Liability and GSDP ratio could not be contained within the targets fixed during 2018-19 to 2022-23. The state fiscal sustainability has risks in the short to medium term unless remedial measures are taken to rationalise expenditure, explore further sources, expand the revenue base and invest in revenue generating assets.









*Average of 18 major states for FY 2022-23

The state may stabilize revenue growth by reducing reliance on union taxes and enhancing its Own Tax base. It may need to ensure sustainable public debt for the upcoming years.

Quality of Expenditure

- The state's development expenditure to total expenditure is higher than most GCS in 2022-23 and has remained above average in the list of major states in the last 5 years.
- The share of expenditure on social services has consistently increased from 2018-19 to 2022-23 but the share of economic services has declined over the same period. The share of general services also decreased during 2022-23.
- Under Revenue Expenditure, Committed Expenditure constitutes the largest share, particularly interest payments, salaries and pensions which stood at 45% in 2018-19 and 43% in 2022-23 and may limit spending flexibility.

Revenue Mobilization

- The state's share in union taxes and duties is the largest source of revenue followed by Own Tax Revenue.
- The growth rate of Own Tax Revenue depicted wide fluctuation between 0.65% to 26.1% during the period 2018-19 to 2022-23 and the Own Tax and Non-Tax receipts of the state increased by 17.9% and 27.9% respectively.
- The increase in the Own Tax Revenue in the current year was on account of increase in collection of SGST whereas Non-Tax Revenue increased due to a rise in collection from mining and metallurgical industries.

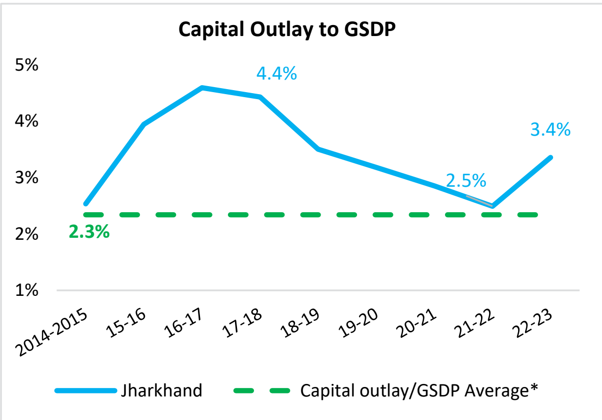
Fiscal Prudence

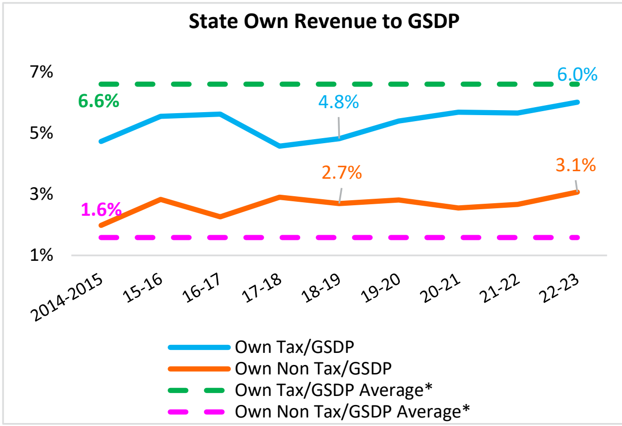
- In 2022-23, the State had Revenue Surplus at 3.3%; Fiscal Deficit was 1.1% indicating reduced dependence of the state on borrowed funds.

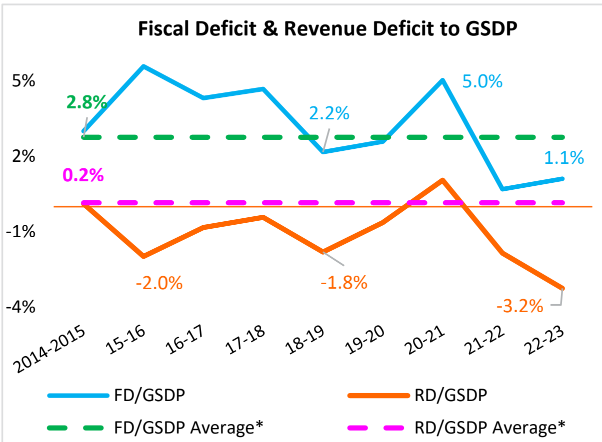
- The state also experienced a Revenue Surplus for the period 2018-19 to 2022-23 except in 2020-21. The Revenue Receipts were a major source of funds in 2021-22 and 2022-23.

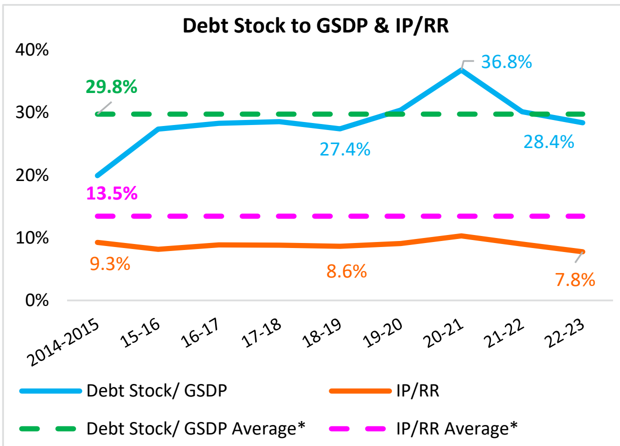
Debt Index & Debt Sustainability

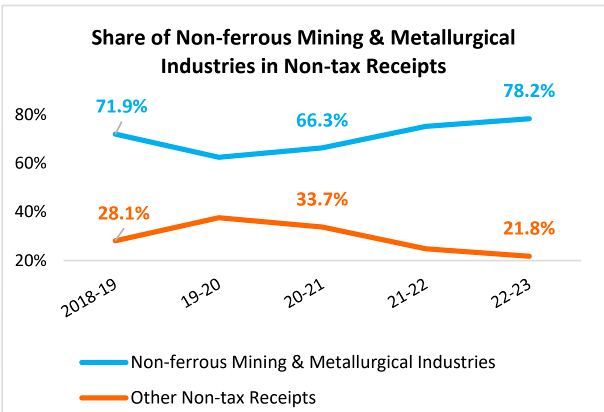
- The average interest rate has been on a declining trend. Interest payments on public debt have increased over the years. However, Interest payments as a ratio of Revenue Receipts have remained within the range of 8%-10% during 2018-23.
- Debt sustainability shows a mixed performance from 2018-19 to the 2022-23. The ratio of Public Debt/GSDP increased during the period from 2018-19 to 2020-21, but showed a decreasing trend since 2021-22. The percentage of debt repayment to debt receipts has also increased (significantly during 2022-23). A higher ratio may indicate challenges in meeting debt obligations with low reliance on additional borrowing.











Revenue from mining has been on an increasing trend since 2018-19 and contributes significantly to the overall non-tax revenue.

*Average of 18 major states for FY 2022-23

The state may focus on reallocating expenditure toward education and health. It may need to focus on increasing the revenues of the state.

Quality of Expenditure

- Spending on economic services rose from 36.5% in 2018-19 to 36.8% in 2022-23, while spending on social services dropped from 39.4% to 34.5%. General services spending increased from 21.4% to 26.6% for the same period.
- Increase in Capital Expenditure has been mainly towards roads and bridges and power projects whereas investment in education and health has declined.
    - Karnataka's spending on education (11.6%) and health (4.5%) as a ratio of total expenditure was lower than other major states' average.
- High Committed Expenditure (79% of total Revenue Expenditure) limits fiscal flexibility. Within the Non-Committed Expenditure, there is an increasing trend of subsidies which grew from 9.4% of the total Revenue Expenditure in 2018-19 to 10.6% in 2022-23.

Revenue Mobilization

- The state's Own Tax Revenue primarily through GST remains the largest source of total Revenue Receipts (~63% of Revenue Receipts) which indicates that its fiscal position is largely influenced by its own resources.
- From 2018-19 to 2022-23, Revenue Receipts grew from ₹1,64,979 crore to ₹2,29,080 crore, with an average annual growth rate of 7%. The revenue buoyancy of the State with respect to GSDP was positive in all the years except 2020-21.

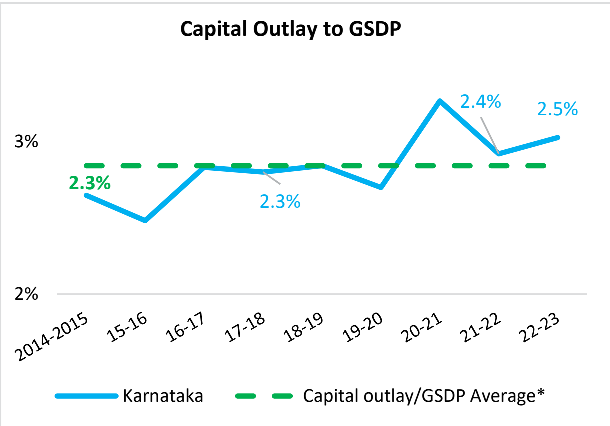
Fiscal Prudence

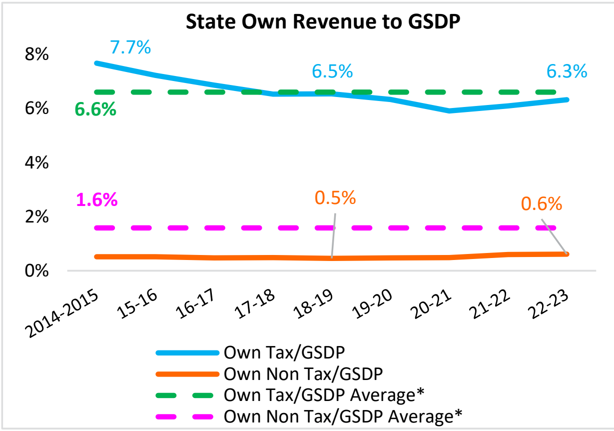
- In 2022-23, Revenue Surplus was 0.6% indicating the State has achieved the target; Fiscal Deficit was 2.1% as against the limit of 3.5% stated under the FRBM Act.

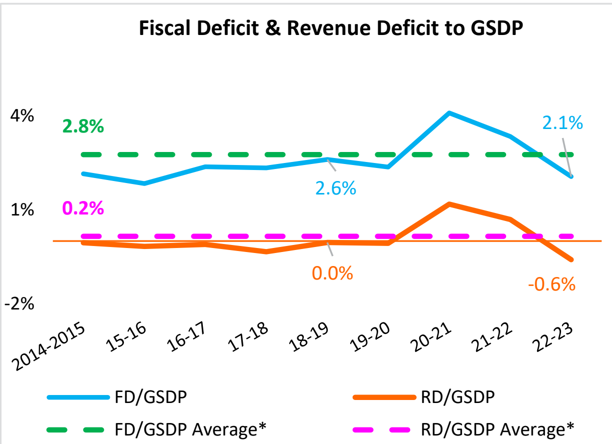
- The Fiscal Deficit to GSDP also declined from 4.1% to 2.1% as compared to previous year on account of Revenue Surplus.

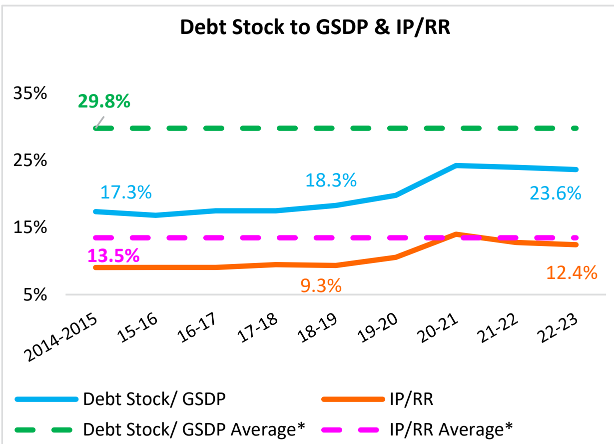
Debt Index & Debt Sustainability

- Public debt grew at 19.1% annually from 2018-19 to 2022-23, but the Debt-to-GSDP ratio has been declining since 2020-21, suggesting future debt sustainability.
- Large portion of debt receipts is used for repayments, with 40.5% of debt maturing in 1-6 years.
- Average interest rate on public debt has declined from 7.4% in 2018-19 to 6.5% in 2022-23.
- Positive debt sustainability was observed in all years except in 2020-21 on account of Covid-19 reflecting that the debt profile of the state could move towards a stable value depending on the stock of debt and budget surplus in the forthcoming years.









*Average of 18 major states for FY 2022-23

The state may focus on enhancing revenue mobilization through effective tax and Non-Tax strategies, optimizing resource efficiency, increasing Capital Expenditure in the Social Services Sector are increased, and rationalizing expenditures to improve its fiscal health.

Quality of Expenditure

- Yearly growth in Capital Expenditure during 2022-23 decreased by 1.4% as compared to previous year. Committed Expenditure constituted 56-68% of Revenue Expenditure during the period 2018-19 (61.9%) to 2022- 23 (63.9%).
- Development Expenditure has long been overshadowed by the state's high Committed Expenditure. In 2022-23, Capital Expenditure was 8.8% of Total Expenditure, lower than the 15.2% average of comparable states.
- In terms of social sector spending, Kerala's allocation for health and family welfare in 2022-23 was 6.4% of Total Expenditure, higher than the average of 5.6% of other major states and 14% for education close to the average of 14.9% of other major states.

Revenue Mobilisation

- During 2022-23, Own-Revenues of the State recorded a growth rate of 26.5% as compared to the previous year and a CAGR of 7.3% in last 5 years. Own Tax Revenues increased by 23.3% and constituted 54.2% of the Revenue Receipts. Major contributions came from the State Goods and Services Tax, Taxes on Sales and Trade.
- Kerala is prioritising resource mobilisation for economic recovery and development with reforms focused on tax revision and modernization of the GST department[11].
- In 2022-23, the total State's Own Non-Tax Revenue (SONTR) reflected a substantial growth rate of 44.5% over the previous year and CAGR of 5% in last 5 years. Receipts from State Lotteries are the primary source of Non-Tax Revenue for the state.

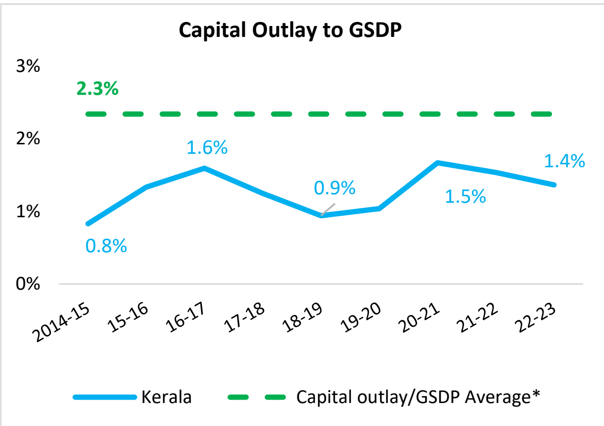
[11] RBI State Finance: A Study of State Budgets 2025

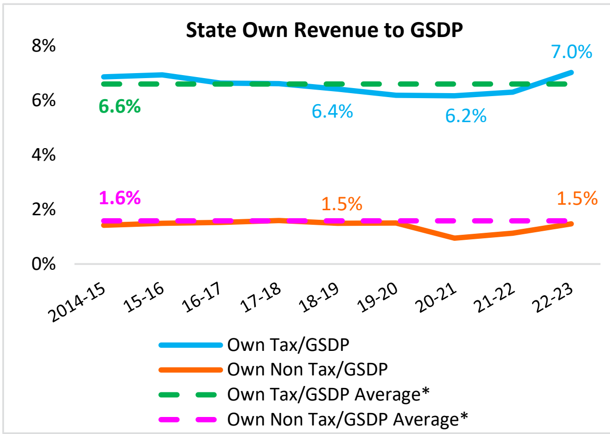
Fiscal Prudence

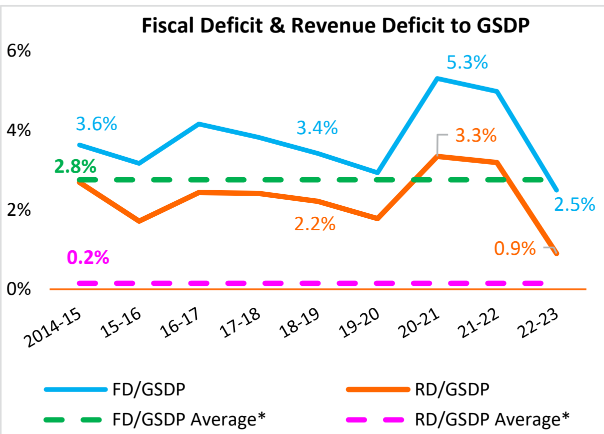
- As a percentage of GSDP, the Revenue Deficit decreased from 3.3% in 2021-22 to 0.9% in 2022-23. The fiscal responsibility targets mandated by the Kerala Fiscal Responsibility (Amendment) Act, 2022, aim for the elimination of Revenue Deficits by 2025-26, with specific annual Revenue Surplus goals.
- The Fiscal Deficit in Kerala also showed a downward trend, largely attributed to a decrease in Revenue Deficit. The Fiscal Deficit as a proportion of GSDP decreased from 5% in 2021-22 to 2.5% in 2022-23.

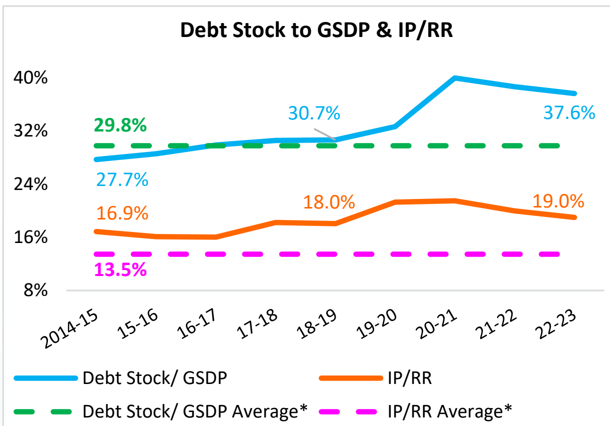
Debt Sustainability

- The percent of Total Liabilities to GSDP has increased from 30.7% in 2018-19 to 37.6% in 2022-23. Kerala's substantial expenditure on social programs, difficulties in enhancing revenue mobilization and improving tax collections have exacerbated fiscal pressures.
- Interest payments consumed 20% of Revenue Receipts during 2021-22 and is a matter of concern for the State Government. In 2022-23, it consumed 19% of Revenue Receipts.
- Government should adopt a fiscal consolidation path so that the targets fixed in the Kerala Fiscal Responsibility Act may be achieved especially with regard to the Debt-GSDP ratio.









*Average of 18 major states for FY 2022-23

Madhya Pradesh

The state may prioritize increasing tax revenue by diversifying its sources. It has maintained the debt ratio at sustainable levels and needs to ensure the momentum is carried forward.

Quality of Expenditure

The allocation towards social sector expenditure has been the highest under Revenue Expenditure whereas the allocation towards economic services has been the highest under Capex from 2018-19 to 2022-23. Capex as a percentage of Total Expenditure ranged between 17% to 18% in last 5 years.

- In 2022-23, the state allocated 41% of its Revenue Expenditure as a ratio of Total Expenditure towards the social sector and 27% towards economic sector.
- Economic sector expenditure as a proportion of total Capex was allocated 61% in the current year. This proportion has declined from 75% in 2018-19 to 61% in 2022-23.
- The relative share of general services in Total Expenditure was stable in the last 5 years with 22.7% in 2022-23, increased for social services from around 37% (2018-19) to 39% (2022-23) and declined for economic services from 35% (2018-19) to 34% (2022-23).

Revenue Mobilization

- Over last 5 years, Tax Revenue as a percentage of GSDP has declined from 13% in 2018-19 to 11% in 2022-23 whereas Non-Tax Revenue as a percent of GSDP has remained at 1%. Tax & Non-Tax Revenue increased by ~8% & 30% respectively in 2022-23 over previous year.
- Total Revenue Receipts as a percentage of GSDP has come down from 18% in 2018-19 to 15% in 2022-23.

Fiscal Prudence

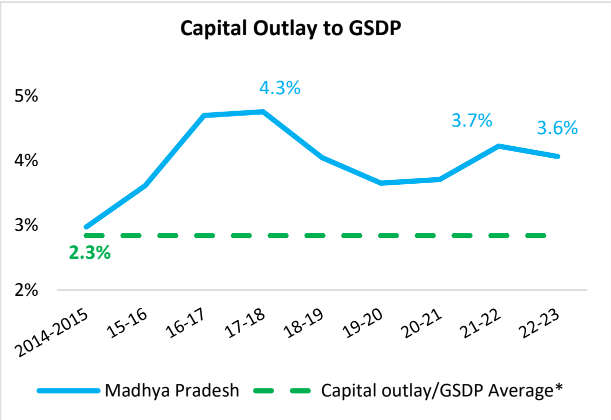
The state experienced a Revenue Surplus of 0.3% and a Fiscal Deficit of 3.3% in 2022-23 which are within the prescribed FRBM limits. The surplus may be attributed to higher-than-expected Non-Tax Revenue.

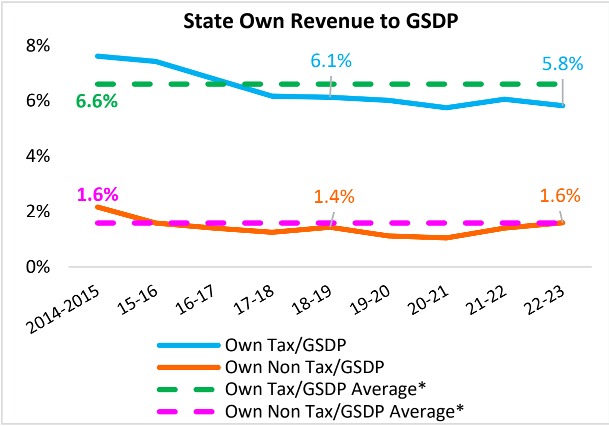
- Barring 2020-21 due to Covid-19, the state's Fiscal Deficit has ranged between 2.9% and 3.5% from 2018-19 to 2022-23.
- Between 2018-19 and 2022-23, the state experienced a Revenue Surplus in three years.

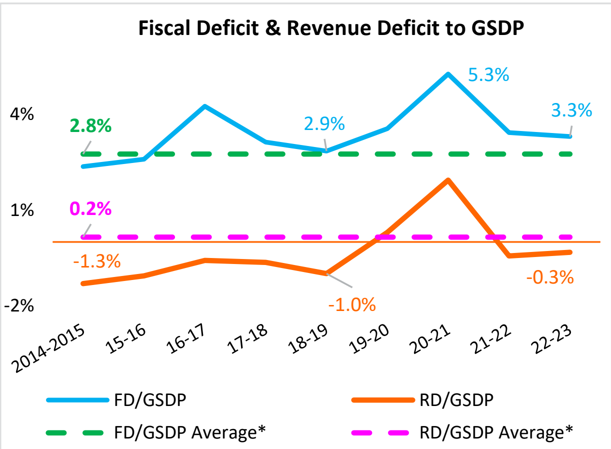
Debt Index & Debt Sustainability

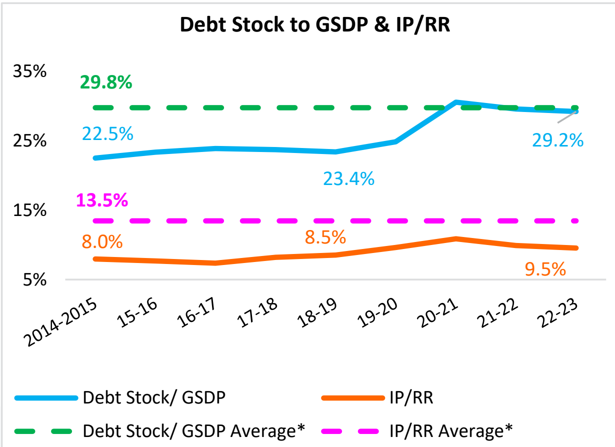
Debt to GSDP has remained in the range ~24-31% during 2018-19 to 2022-23, although there is a 14% increase in public debt in the current year over 2021-22.

- Barring 2020-21, the majority of borrowed funds (75-90%) have been utilized for Capex, reflecting a strong focus on the creation of capital assets from 2018-23. Also, considerable portion of borrowings were used for repayment of earlier borrowings.
- In 2022, the average interest rate on outstanding borrowings was 7.0%, which has increased to 7.5% as of March 2023, increasing the expenditure on interest payment[12]. The ratio of interest payments to Revenue Receipts was favourable ranging between 7.7% and 9.6% during 2018-23.









[12] Madhya Pradesh Economic Survey - 2023-24
*Average of 18 major states for FY 2022-23

The state may reallocate expenditures to productive sectors and ensure sustainable debt management.

Quality of Expenditure

The shares of social and economic services in total expenditure have remained stable from 2018-19 to 2022-23. Developmental Revenue Expenditure constitutes 63.6% of total Revenue Expenditure, while developmental Capital Expenditure makes up 59.5% of total Capital Expenditure[13].

- The state's Total Expenditure as a proportion of GSDP in 2022-23 stood at around 13.4%, which is below the major states' average of 15.79%.
- The state's social and economic sector spending as a proportion of Total Expenditure is below the major states, indicating underinvestment in both sectors
    - o Expenditure on education as a proportion of Total Expenditure increased from 16.9% in 2018-19 to 17.2% in 2022-23. In the case of average of major states, it increased from 14.8% to 14.9% during the same period.
    - o Despite a marginal increase from 2018-19, the state's health expenditure as a proportion of total expenditure remains at 4.3%, lower than the major states' average of 5.7% in 2022-23.

Revenue Mobilization

- The Revenue Receipts grew at 21.7% and the percentage of Revenue Receipts over GSDP improved from 10.7% in 2021-22 to 11.5% in 2022-23.
- Own Tax Revenue of the State increased by 25.60% (annually) due to SGST collection while the Non-Tax Revenue decreased by 13.1% from 2021-22 due to decreased revenue collection under the fees received from land under urban development.

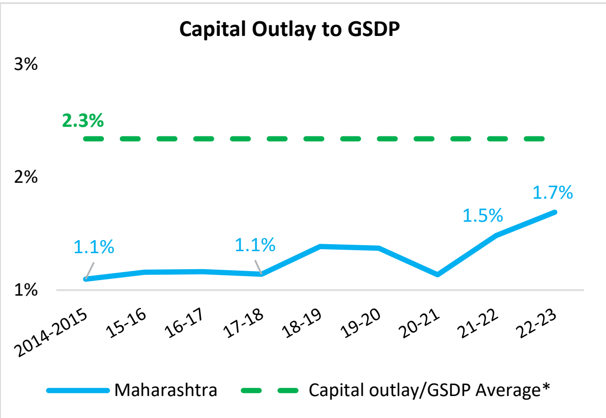
[13] Calculated from Maharashtra Economic Survey, 2023-24

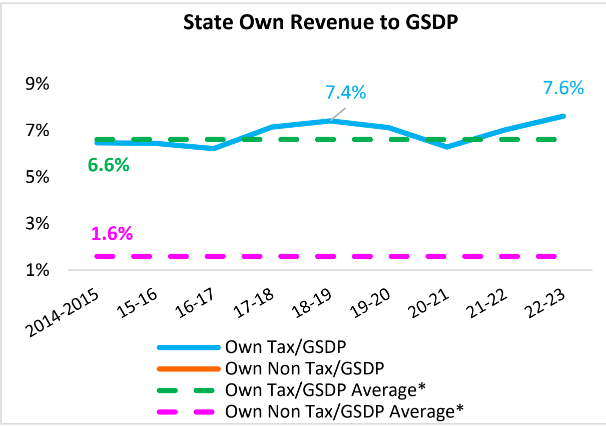
Fiscal Prudence

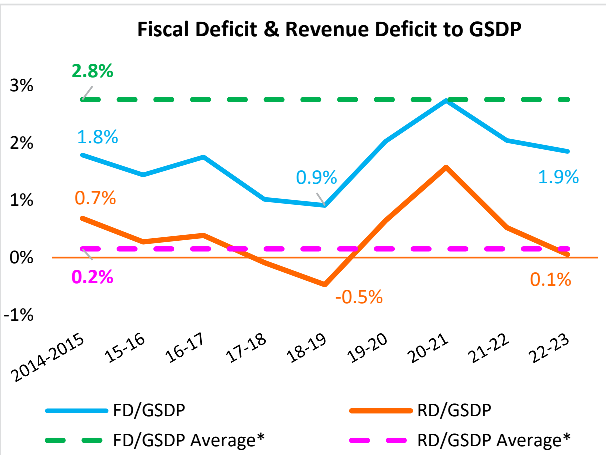
- The Revenue Deficit as a percentage of GSDP stood at 0.1% as against the target of Revenue Surplus whereas the Fiscal Deficit as a percentage of GSDP stood at 1.92% against the limit of 3.5% prescribed under the FRBM Act. The Fiscal Deficit increased over the previous year due to increase in Capital Expenditure.
- The state's Committed Expenditure as a percentage of the Revenue Receipts decreased from 59.4% in 2021-22 to 54.64% in 2022-23 but has generally remained between 50-60%, limiting the availability of revenue resources for other purposes, including debt servicing. The Committed Expenditure increased by 11.9% from the previous year.

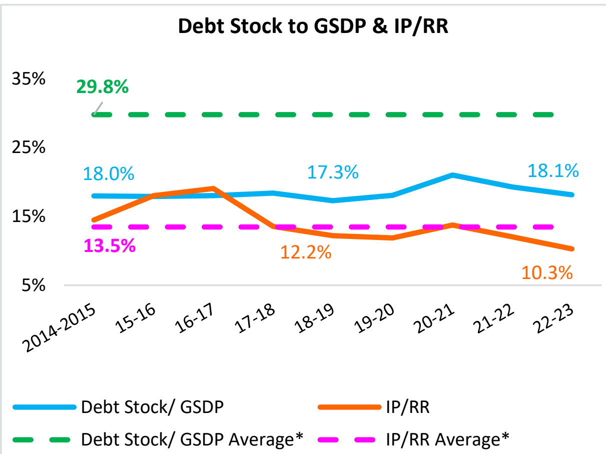
Debt Index & Debt Sustainability

- Debt has grown at an average rate of 9.92% annually between 2018-19 to 2022-23. Majority of the borrowing was used to repay older borrowing in the current period.
- While the Debt to GSDP ratio went down marginally to 18.1% in the current year from 19.3% in 2021-22, it stood at 17.27% in 2018-19. The ratio of interest payment to Revenue Receipts has also declined from 12.2% in 2018-19 to 10.3% to 2022-23.
- Ratio of public debt repayments to public debt receipts ranged between 96.5% and 43.0% during the period 2018-19 to 2022-23 which means that most of the public borrowings were used for repayment of earlier borrowings leaving less space to use productively.









*Average of 18 major states for FY 2022-23

Odisha is among the few Indian states, complying with the FRBM parameters since 2005, taking prudent measures to keep its fiscal indicators healthy.

Quality of Expenditure

The state government is aware that its developmental needs require sustained increases in spending on priority sectors like healthcare and education. This has been clearly indicated through the following:

- The Revenue Expenditure and Capital Expenditure increased by 53.5% and 42.0% respectively, during 2018-19 to 2022-23.
- The Capex grew at an average annual rate of 9.2% during the same period.
    - In comparison to the previous year, Capex on education, sports, arts and culture rose due to increase in expenditure under Samagra Shiksha. The increase in urban development was due to increase in expenditure for New City Development.
- It was observed that on an average, the Revenue Expenditure on health and education by Odisha (CAGR 33.8%) was higher than that of the major states (CAGR 22.6%) during 2020-2022.

Revenue Mobilization

- The ratio of State's Own Non-Tax Revenue to GSDP witnessed an increase from 2.9% in 2018-19 to 5.6% in 2022-23.
- About 90% of the State's Own Non-Tax Revenue and 45% of the State's Own Revenue Receipts stem from the mining sector with premiums linked to market prices over the lease period, rather than increased extraction[14,15].
- As opposed to 2021-22, there was a decrease in the revenue from mining sector in 2022-23, due to a rise in the prices of iron-ore.

[14] Finance Department, Government of Odisha. (2022). ODISHA BUDGET – AN INSIGHT 2022-23.

[15] RBI State Finance: A Study of State Budgets 2025.

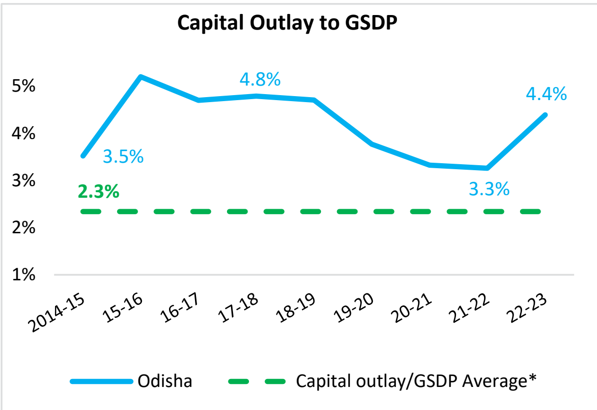
- In 2022-23, the Own Tax Revenue increased by 14.3% over previous year. The major increase was under (i) receipts under State GST (attributed to resumption of business activities to full strength and healthy economic recovery) (ii) Taxes on Sales, Trade, etc. (iii) State Excise.

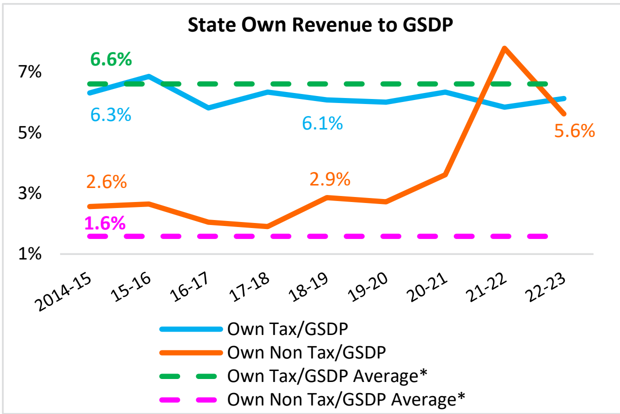
Fiscal Prudence

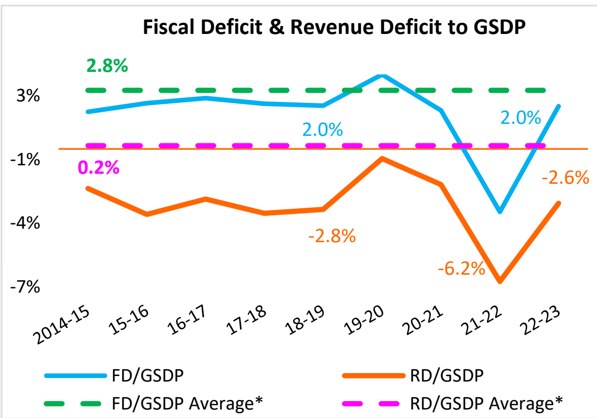
- Prudence in expenditure and efforts to mobilise own revenue have reduced the Fiscal Deficit from 6.9% of GSDP in 2000-01 to a 2% in 2022-23 which is within the limit of 3% set by FRBM.
- The State has been able to attain a Revenue Surplus since 2005-06. This creation of fiscal space enabled the state government to invest more in socio-economic sectors and critical areas of the economy.

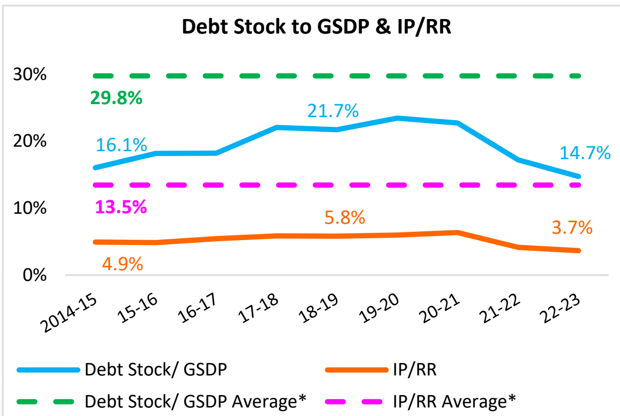
Debt Index & Debt Sustainability

- Since 2019-20 the total debt of the State has been decreasing mainly due to the repayment of market loans. The Outstanding Liabilities/GSDP between 2018-19 to 2022-23 ranged between ~15%-24%, within the target of 25% set by FRBM.
- In the last five financial years (i.e., 2018-19 to 2022-23), the State had a Primary Deficit, except for the year 2021-22. However, debt sustainability has been positive in last few years, except in 2020-21.

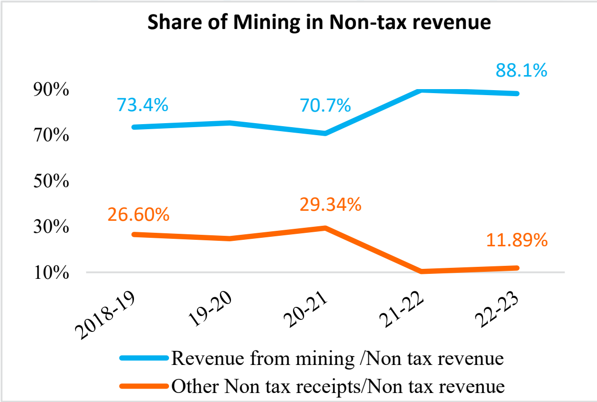








*Average of 18 major states for FY 2022-23



Revenue from mining have been on an increasing trend since 2018-19 and contributes an average of 90% to the overall non-tax revenue.

*Average of 18 major states for FY 2022-23

The state may prioritize enhancing revenue mobilization, improving capital project execution, and addressing rising debt levels to ensure fiscal stability and support essential public services.

Quality of Expenditure

- The ratio of spending on social services as a proportion of Total Expenditure has decreased compared to national averages, falling from 12.9% in 2018-19 to 12% in 2022-23 for education, and for health from 4.1% in 2018-19 to 3.9% in 2022-23.
- Capital Expenditure as a percentage of Total Expenditure rose from 3% in 2018-19 to 5.5% in 2022-23, yet remains below the major states' average. Capital Expenditure was 7% of the total borrowings.
- Backlog of incomplete projects has negatively impacted capital utilization without yielding immediate returns, while high borrowing costs from state loans add pressure impacting the fiscal framework. The return on government investments in PSUs has been low (~ 0.02%), lower than the average interest rate on government borrowings.

Revenue Mobilization

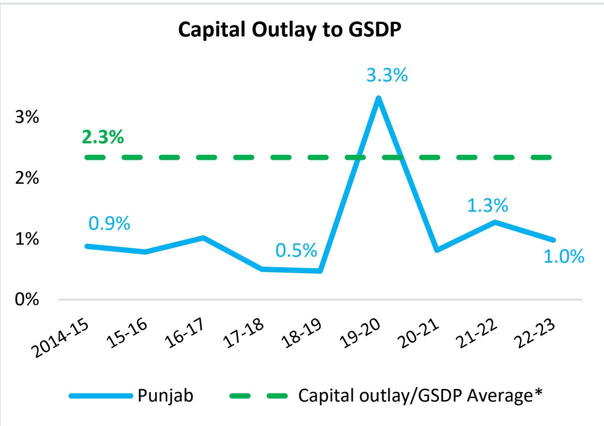
- Own Tax Revenues grew by 13.1% in 2022-23 as compared to previous year, driven by strong performance in sales tax/VAT and notable increases in excise duties.
- In 2022-23, Non-Tax Revenue surged by 30.2%, primarily driven by increases in various sectors. Notable growth areas included Miscellaneous General Services, which rose significantly, along with Education, Sports, Art and Culture, and Non-ferrous Mining. However, road transport receipts experienced a decline due to an aging fleet and free travel policies.

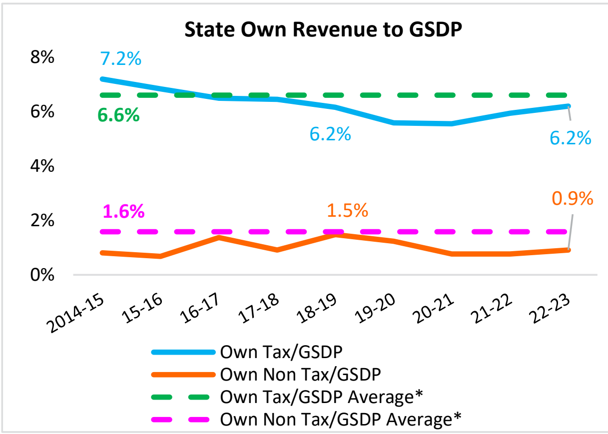
Fiscal Prudence

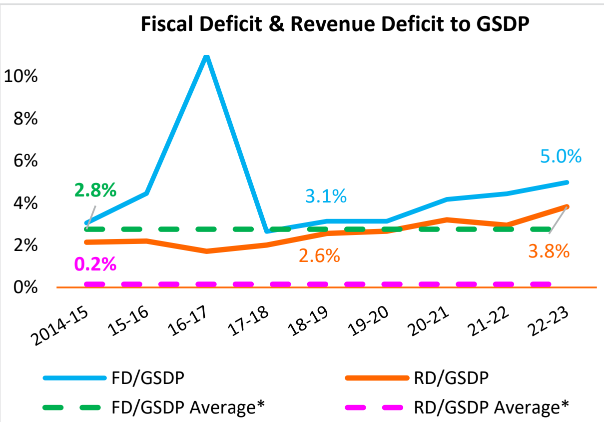
- The Revenue Deficit-to-GSDP ratio rose from 2.5% in 2018-19 to 3.8% in 2022-23. The government failed to meet its Revenue Deficit targets in each year from 2018-2023. Additionally Committed Expenditure as a percentage of Revenue Receipts has been around 80% from 2018-19 to 2022-23.
- The Fiscal Deficit-to-GSDP ratio increased significantly from 3.1% in 2018-19 to 5% in 2022-23 and was mainly financed through market borrowings. The government was unable to maintain this ratio within target levels during the period from 2020-21 to 2022-23.

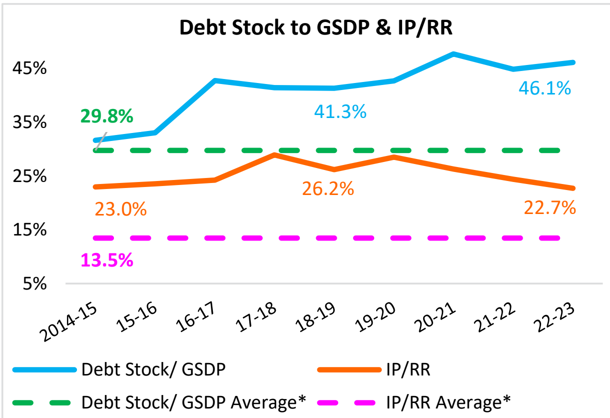
Debt Index & Debt Sustainability

- The Debt-to-GSDP ratio has been consistently increasing from ~41% in 2018-19 to ~46% in 2022-23, indicating rising debt levels. The growth rate of outstanding public debt has increased from 4.5% in 2021-22 to 13.8% in 2022-23. Punjab has established Debt Management Unit to diversify debt issuance and reduce debt to GDSP ratio by three percentage points by 2025-26.
- Debt sustainability is negative, suggesting that without intervention, debt levels may continue to rise.

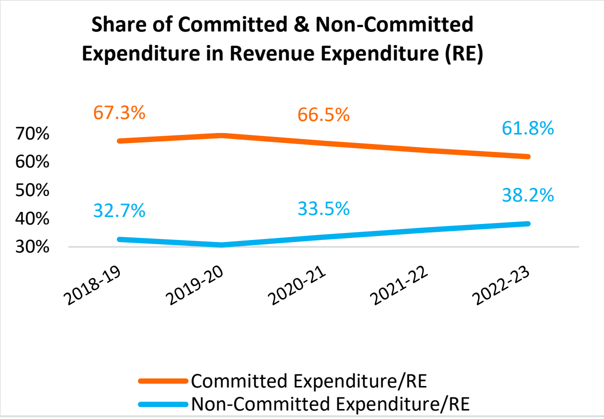








*Average of 18 major states for FY 2022-23



An upward trend on committed expenditure leaves the State with less flexibility for the development sector. The share of committed expenditure within total revenue expenditure accounts for approximately 60-65% since 2018-19, which limits the available resources for development-related revenue expenditure.

*Average of 18 major states for FY 2022-23

The state may need to prioritize capital investments in critical infrastructure, enhance revenue mobilization by strengthening tax compliance, and manage debt more effectively.

Quality of Expenditure

- The relative share of General Services in Total Expenditure increased in 2022-23 as compared to 2021-22, however, expenditure under Social and Economic Services decreased marginally over the previous year. Payment on subsidies during 2022-23 increased by 12% from the previous year.
- The Revenue Expenditure under 'Secretariat - Economic Services', 'General Education', 'Interest Payments', 'Roads and Bridges', 'Rural Employment', 'Social Security and Welfare' and 'Miscellaneous General Services' increased significantly in the current year.
- Capital Expenditure decreased by 18.0% over the previous year. This decrease was mainly under Capital Outlay on Water Supply and Sanitation and Roads and Bridges.

Revenue Mobilization

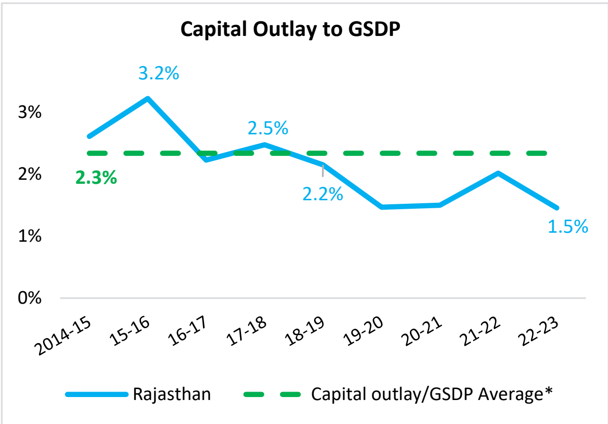
- The State's Own Tax and Non-Tax Revenue grew at a CAGR of 8.7% and 2.0% during 2018-19 to 2022-23.
- The growth rate of Own-Tax Revenue in the State during 2022-23 over the previous year was 16.8%.
- Non-Tax Revenue ranged from 10.2% to 13.5% of Total Revenue Receipts of the State during the last 5-year period. For 2022-23, the Non-Tax Revenue increased by 9.7% as compared to the previous year mainly due Petroleum Receipts, Non-ferrous Mining and Metallurgical Industries.

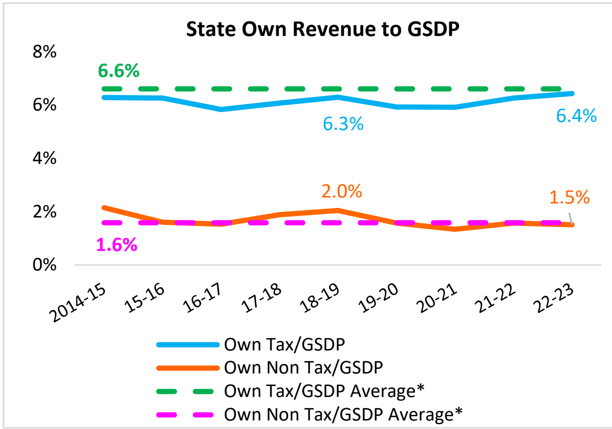
Fiscal Prudence

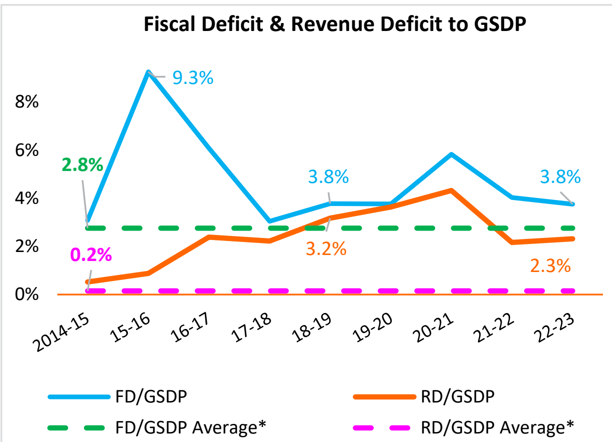
- While the Fiscal Deficit of the State in 2022-23 (3.8% of GSDP) was more than the target figure in the FRBM Act (3% of GSDP), it was within the overall fiscal space allowed by the Central Government to the State (4.4 % of GSDP).
- The state government aimed to achieve Zero Revenue Deficit from the financial year 2011-12 and thereafter maintain it or attain Revenue Surplus. However, the State Government could maintain the Revenue Surplus only during the years 2011-12 and 2012-13 and thereafter there has been a Revenue Deficit during last nine consecutive years up to 2022-23.

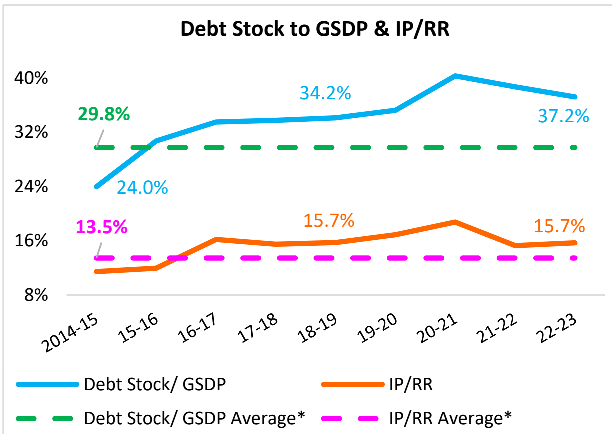
Debt Index & Debt Sustainability

- The net fund available from borrowing for current operations after providing for interest and principal repayment increased by ₹6306 crore during 2018-23. However, the net public debt available as a percentage of public debt receipts declined from 35.3% in 2021-22 to 17% in 2022-23 indicating a significant share of debt receipts are being utilized towards redemption of old public debt.









*Average of 18 major states for FY 2022-23

The state experienced a considerable revenue and Capital Expenditure growth, and the Fiscal Deficit and debt levels rose above FRBM targets. To improve fiscal health, the state may diversify revenue sources, optimize expenditures, ensure fiscal discipline, and enhance economic growth through investment.

Quality of Expenditure

- The Revenue Expenditure witnessed an increasing trend during 2018-19 to 2022-23 and grew at a CAGR of 7.3%. The major increase was witnessed under economic services.
- The state ramped up its Capital Expenditure during 2018-19 to 2022-23 which grew at a CAGR of 10%. Major contributions were under the social sector since 2018-19. At the same time, the economic services also saw an annual surge of 8% in last 5 years.
- In 2022-23, committed expenditure as percentage of the Revenue Expenditure was 52%. The upward trend on Committed Expenditure since 2018-19, which grew at an annual rate of 9.9%, may have left the Government with lesser flexibility for developmental spending.
- Subsidies form a high proportion of Non-Committed Expenditure.

Revenue Mobilization:

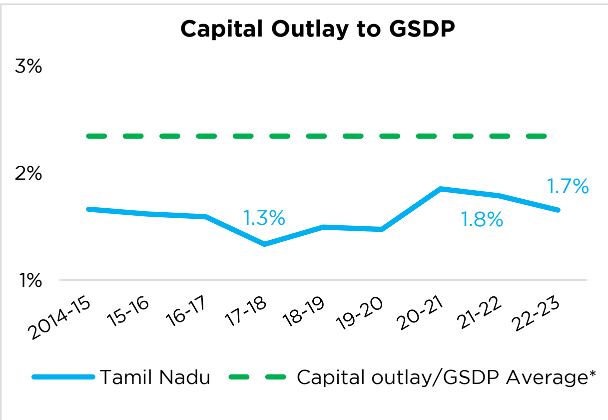
- During the period 2018-19 to 2022-23, the State's Own Tax Revenue grew at a CAGR of 7.3%. The ratio of State Own Tax Revenue as a percentage of GSDP was stable at ~6% in last 5 years.
- The Non-Tax Revenue in 2022-23 increased by 40.8% in over the previous year.

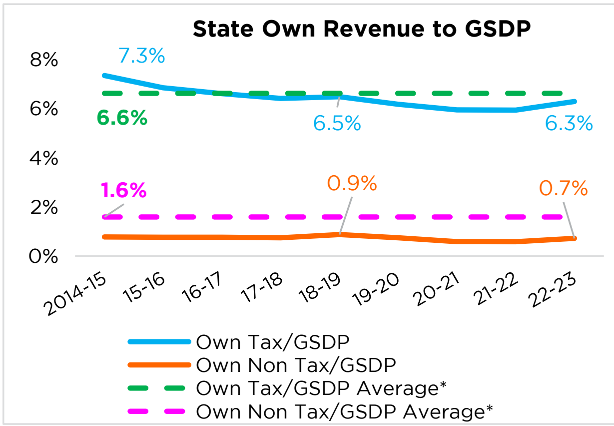
Fiscal Prudence

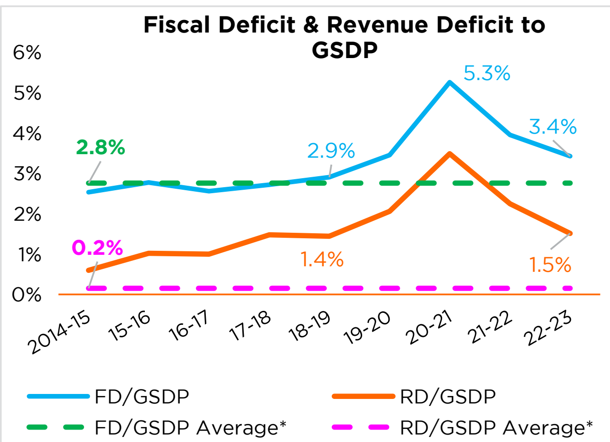
- Fiscal Deficit compared to GSDP witnessed an increasing trend during 2018-19 to 2022-23 and grew from 2.9% in 2018-19 to 3.4% in 2022-23.
- Revenue Deficit has witnessed an increasing trend from 2013-14 onwards. The Medium-Term Fiscal Policy and the Strategy Statement aimed to eliminate Revenue Deficit by 2021-22, but the Revenue Deficit decreased only by around 22.2% in 2022-23 over the previous year. It has come down from 3.5% of GSDP in 2020-21 to 1.5% in 2022-23.

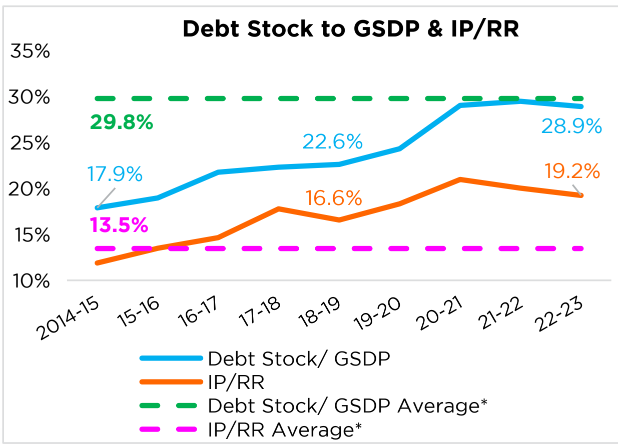
Debt Index & Debt Sustainability

- Tamil Nadu Fiscal Responsibility Act, 2003 prescribed to maintain the ratio of total outstanding Debt to GSDP with medium term goal of not being more than 24.5% during 2011-12; 24.8% during 2012-13; 25% during 2013-14; 25.2% during 2014-15 and thereafter maintain such per cent as may be prescribed. Since 2020-21, the State has exceeded these limits and witnessed an average ratio of Outstanding Liabilities to GSDP at ~29% over the past 3 years.









*Average of 18 major states for FY 2022-23

The state's strong revenue growth is encouraging. It may however, focus more on increasing Capital Expenditure, mainly in the Social (Health & Education) sector services.

Quality of Expenditure

The state's Developmental Expenditure has increased due to higher economic services spending. However, Capex and spending on health and education have declined:

- The states' Developmental Expenditure as a ratio of Total Expenditure was around ~0.70 and has been higher than the average of other major states. This is mainly due to higher expenditure on economic services but there is a decline in the allocation towards social services.
- Capex decreased in absolute terms as well as in terms of percentage of GSDP. Capex as a share of Total Expenditure declined from 17.6% in 2018-19 to 9.3% in 2022-23. Though higher than many major states, it represents a significant decline.
- The state has allocated a lower percentage of its Total Expenditure to health and education compared to the other major states. Health spending as a ratio of Total Expenditure has also declined from 4.67% in 2018-19 to 4.57% in 2022-23.

Revenue Mobilization

During 2022-23, States Own Tax Revenue constituted 67% of Total Receipts. Own Tax Revenue as a ratio of GSDP stood at around 10% in 2022-23:

- The state's Own Tax Revenue increased by 65.3% from 2018-19 to 2022-23. The State's Own Revenue buoyancy ratio of 1.65 with respect to GSDP indicated faster growth than the GSDP.

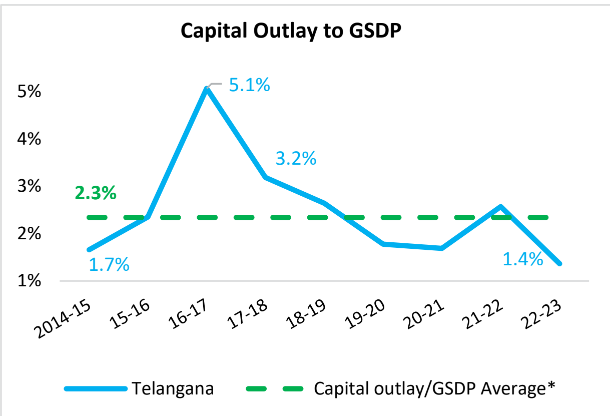
- In FY 23, Non-Tax Revenue rose due to higher receipts from various sectors, including Miscellaneous General Services, Non-ferrous Mining & Metallurgical Industries, Forestry & Wildlife, Crop Husbandry, Interest Receipts, and Major Irrigation. Key contributors to tax revenue were State GST, Taxes on Sales, Trade, State Excise, and Stamps and Registration.
- Receipts from Own Tax Revenue consistently grew, except in 2020-21, and remain the most reliable income source, while other components showed uneven trends.

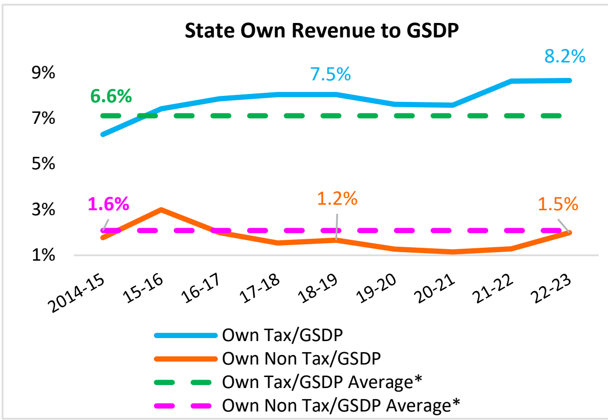
Fiscal Prudence

- The state's Fiscal Deficit target was set at 5% of GSDP, but it recorded a lower deficit of 2.48% in 2022-23. It achieved a Revenue Surplus after three years of deficits and remained compliant with the FRBM targets for both fiscal and Revenue Deficits in 2022-23.

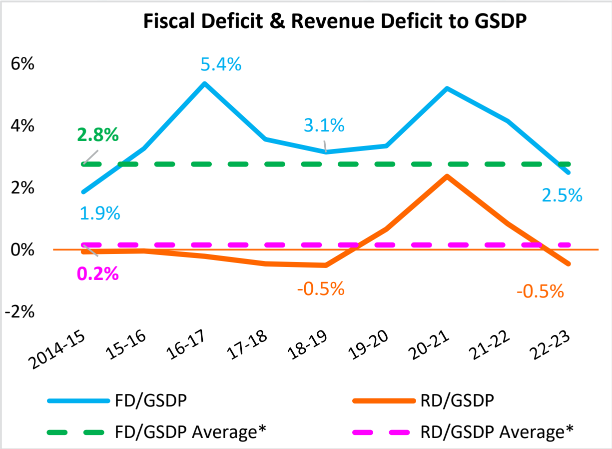
Debt Index & Debt Sustainability

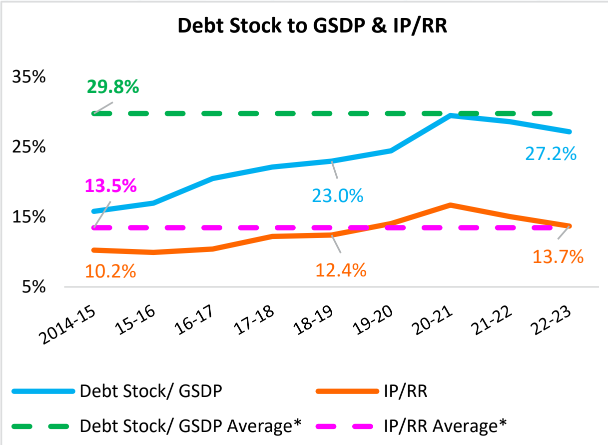
- The growth rate of outstanding public debt ranged between 11.9%-19.1% over the last five years.
- The ratio of outstanding Debt to GSDP which was increasing year after year until 2020-21, has shown a decreasing trend in the last 2 years. This year, the ratio decreased (27.2%) when compared to the preceding year (28.6%).
- The average interest rate of outstanding public debt has decreased from 8.2% in 2018-19 to 7.6% in 2022-23. The state's reliance on debt has led to a considerable portion of resources being allotted to debt & interest payments, which have increased by 73% from ₹12,586 crore in 2018-19 to ₹21,821 crore in 2022-23, consuming a high share of Revenue Expenditure.





*Average of 18 major states for FY 2022-23





*Average of 18 major states for FY 2022-23

Uttar Pradesh

Uttar Pradesh has maintained healthy fiscal state but may improve by expanding its tax base through better GST and excise compliance, and boosting Non-Tax Revenues by incentivizing high-revenue sectors like mining and education.

Quality of Expenditure

- The state witnessed significant growth in the social sector for both Capital and Revenue Expenditure since 2018-19, and grew at a CAGR of 27% and 9% respectively during this period.
- The Capital Expenditure as a percentage of Total Expenditure ranged between 14.8 % and 19.3 % during the period 2018-23 and it was highest in the year 2022-23. The ratio of Capital Expenditure to Total Expenditure of the State was higher than the major states average in the year 2018-19 and 2022-23.
    - Increase in social services sector was mainly under medical and public health, water supply, sanitation and housing. Increase was also seen in economic services sector mainly under food storage, warehousing and other rural development programme.
    - The ratio of Capital Expenditure on health & family welfare to the total expenditure in Uttar Pradesh increased from 4.9 % in the year 2018- 19 to 6.5 % in the year 2022-23. Further, it was higher than the major states average during 2022-23.

Revenue Mobilization

- The CAGR for Revenue Receipts was ~5.0% during the period 2018-23.
    - The major collection in Own Tax Revenue, although lower than the MTFRP 2022 projections, was under (i) receipts under State GST and (ii) Taxes on Sales, Trade, etc. (iii) State Excise. State's performance in mobilisation of Own Tax Revenue was better than 15th Finance Commission projections.

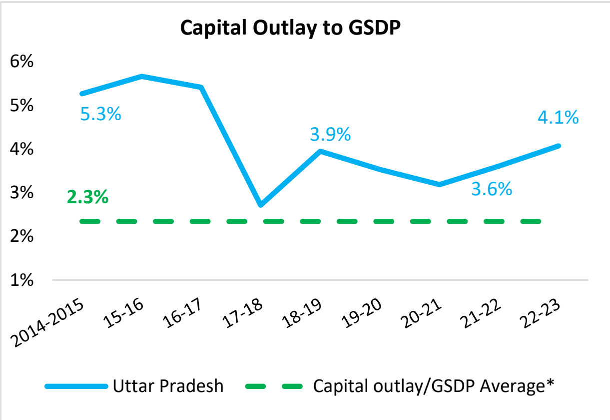
- o Non-Tax Receipts of the State was the highest during 2019-20. During 2022-23, the increase in total receipts under Non-Tax Revenue were mainly in receipts of Non-Ferrous Mining and Metallurgical Industries, Education, Sports, Art and Culture as compared to previous year (2021- 22).

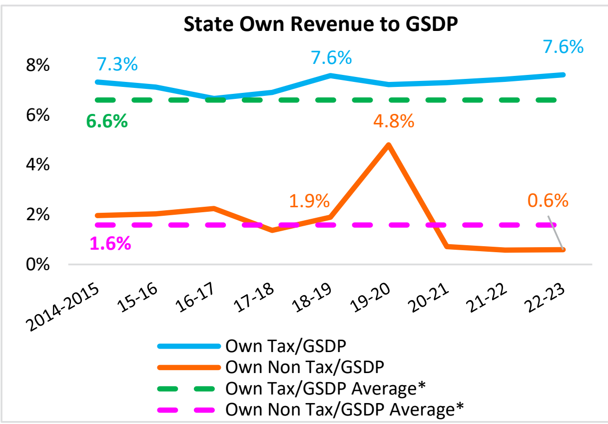
Fiscal Prudence

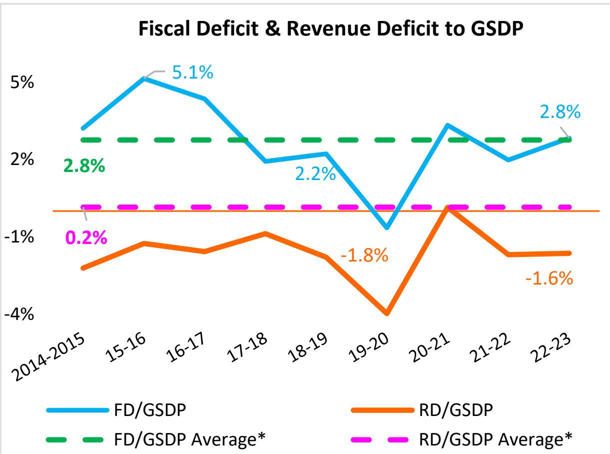
- The ratio of Fiscal Deficit to GSDP was within the targets set out in the UPFRBM (Amendment) Act during the period 2018-19 to 2022-23. The Fiscal Deficit of the State increased to 2.8 % of GSDP in 2022-23 from 2.2 % of GSDP in 2018-19.

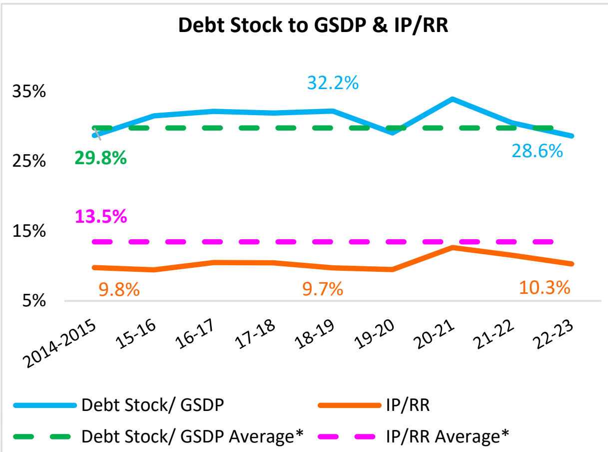
Debt Index & Debt Sustainability

- The IPRR ratio dropped from 12.6% in 2020-21 to 10.3% in 2022-23. The net fund from borrowings for current operations after providing for interest and repayment of public debt had fluctuating trend during 2018-23 and it was lowest at 5.22% of total public debt taken during the year 2018-19, highest at 30.7% in 2020-21 and at 8.5% for the year 2022-23.
- Positive debt sustainability, along with a Primary Surplus, reduced the Debt to GSDP ratio in 2021-22. Although a Primary Deficit occurred in 2022-23, positive debt sustainability was sufficient to offset it, continuing the declining trend of the debt-to-GSDP ratio.









*Average of 18 major states for FY 2022-23

West Bengal

West Bengal may prioritize increasing Capital Expenditure and improving revenue mobilization through better tax compliance and Non-Tax sources, while simultaneously implementing stringent fiscal discipline.

Quality of Expenditure[16]

- The state's spending on physical infrastructure as a proportion of Total Expenditure has reduced from 5.3% in 2018-19 to 3% in 2022-23 which is lower than the national average.
- Social service expenditure as a proportion of the State's Total Expenditure stood at 28.2% in 2022-23 which is lower than the average of major states.
- Capital Expenditure as a proportion of the Total Expenditure has reduced from 12.2% in 2018-19 to 8.3% in 2022-23, lower than the national average.

Revenue Mobilization

- The State's Own Tax Revenue was the major source of income for the government primarily due to collection under SGST and grew at an annual rate of 6.6% over past 5 years.
- The State's Own Non-Tax Revenue has seen a decline over the last five-year period.
- The state's reliance on grants-in-aid as a proportion of Revenue Receipts has increased from 17.6 % in 2018-19 to 19.6% in 2022-23.

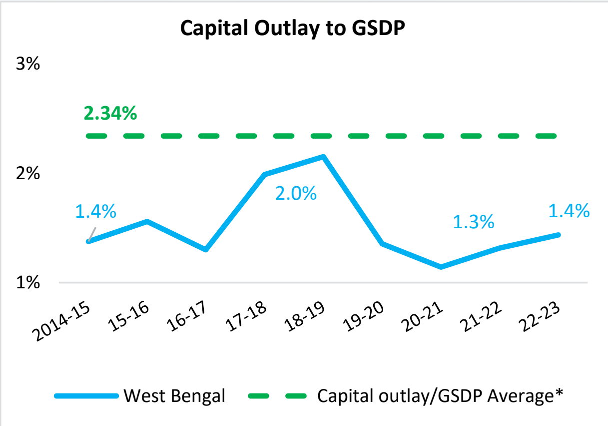
Fiscal Prudence

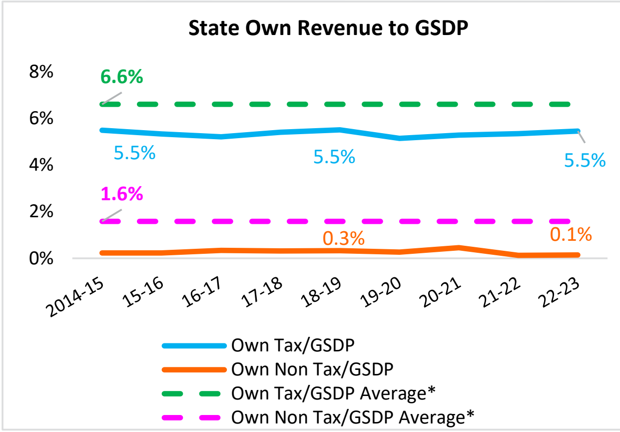
- Revenue Deficit as a percentage of GSDP shows variations from 2019-20 to 2022-2023 with an increase in 2020-21 and a decline in 2021-22 and 2022-23. Fiscal Deficit as a percentage of GSDP has marginally declined over the years from 3.9% in 2020-21 to 3.2% in 2022-23 but remains above 3%.

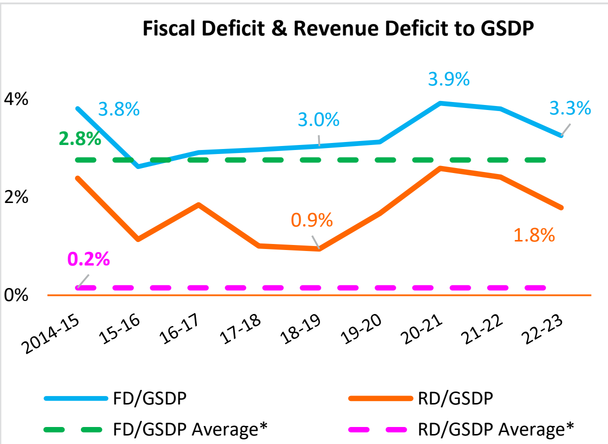
[16] Finance Department, Government of West Bengal. (2024). MEDIUM TERM FISCAL POLICY STATEMENT & FISCAL POLICY STRATEGY STATEMENT FOR 2024-25.

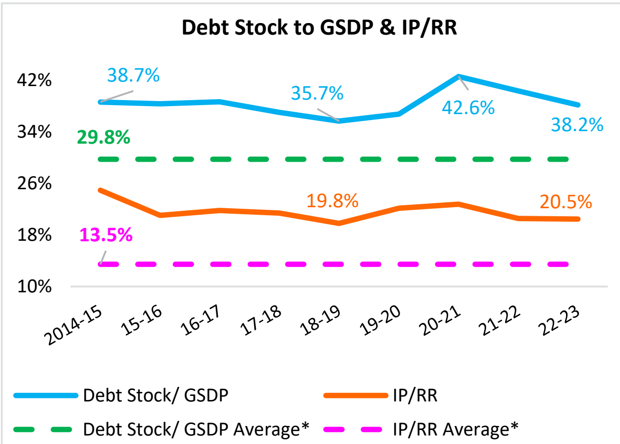
Debt Index & Debt Sustainability

- Debt as a percentage of GSDP has decreased from 40.7 % in 2010-11 to 35.7% in 2018-19.
- Interest payment account for 20.47% of Revenue Receipts in the current year, constraining the ability of the state to allocate funds for development.









*Average of 18 major states for FY 2022-23

SECTION G

APPENDIX

G. Appendix

State-wise FHI Rank and Score Comparison: 2022-23 vs Average for 2014-15 to 2021-22 & Average for 2014-15 to 2018-19

The average FHI score for 2014-15 to 2021-22 and 2014-15 to 2018-19 has been calculated by taking the average of the values for minor sub-indices for all the years and using the same methodology as stated above in the methodology section.

States	FHI Score	Rank Average 2014-15 to 2021-22
Odisha	53.6	1
Goa	41.2	2
Karnataka	41.0	3
Maharashtra	40.0	4
Chhattisgarh	40.0	5
Gujarat	39.6	6
Uttar Pradesh	38.3	7
Madhya Pradesh	37.7	8
Telangana	36.2	9
Jharkhand	35.4	10
Bihar	31.1	11
Tamil Nadu	28.7	12
Andhra Pradesh	27.7	13
Haryana	25.0	14
Rajasthan	23.7	15
Kerala	20.0	16
West Bengal	17.8	17
Punjab	10.5	18

States	FHI Score	Rank Average 2014-15 to 2018-19
Odisha	48.2	1
Goa	46.4	2
Karnataka	45.8	3
Chhattisgarh	44.1	4
Gujarat	41.9	5
Madhya Pradesh	41.0	6
Telangana	40.0	7
Maharashtra	39.4	8
Uttar Pradesh	37.0	9
Bihar	36.3	10
Jharkhand	35.2	11
Tamil Nadu	33.2	12
Andhra Pradesh	31.7	13
Haryana	27.9	14
Kerala	24.1	15
Rajasthan	24.8	16
West Bengal	19.4	17
Punjab	10.6	18

State-wise FHI Score for Sub-Indices for Average for 2014-15 to 2021-22

Score for Sub-Indices for Average for 2014-15 to 2021-22					
States	Quality of Expenditure	Revenue Mobilization	Fiscal Prudence	Debt Index	Debt Sustainability
Andhra Pradesh	38.3	26.3	7.4	46.4	20.1
Bihar	55.8	3.9	28.6	52.1	15.0
Chhattisgarh	50.8	41.6	25.8	81.7	0.0
Goa	39.7	69.8	27.4	49.9	19.3
Gujarat	37.6	38.4	34.5	60.5	26.9
Haryana	30.7	40.4	7.1	35.3	11.5
Jharkhand	45.4	28.7	28.8	60.5	13.8
Karnataka	50.4	40.6	26.5	73.6	14.1
Kerala	10.1	41.2	5.4	31.4	11.9
Madhya Pradesh	53.1	28.8	23.6	66.7	16.2
Maharashtra	29.7	53.4	31.6	63.5	22.1
Odisha	59.9	49.9	53.2	85.0	19.9
Punjab	0.0	35.1	2.6	0.0	14.8
Rajasthan	41.5	30.9	0.0	35.7	10.4
Tamil Nadu	29.9	40.9	13.2	51.4	8.3
Telangana	45.2	52.0	18.0	61.4	4.5
Uttar Pradesh	41.6	42.2	38.8	53.1	15.9
West Bengal	25.6	11.7	14.0	14.6	23.0

State-wise FHI Score for Sub-Indices for Average for 2014-15 to 2018-19

Score for Sub-Indices Average for 2014-15 to 2018-19					
States	Quality of Expenditure	Revenue Mobilization	Fiscal Prudence	Debt Index	Debt Sus-tainability
Andhra Pradesh	47.4	29.7	7.4	51.0	22.7
Bihar	68.0	4.4	39.5	54.4	15.2
Chhattisgarh	54.5	42.5	33.7	89.6	0.1
Goa	44.0	76.4	34.6	52.8	24.4
Gujarat	42.6	44.2	35.6	59.4	27.5
Haryana	37.3	43.5	7.9	42.7	8.2
Jharkhand	51.3	25.2	26.4	63.0	10.1
Karnataka	54.5	45.2	31.1	80.2	17.9
Kerala	17.5	44.6	8.2	37.3	13.0
Madhya Pradesh	53.5	33.6	30.4	71.0	16.6
Maharashtra	33.9	56.2	35.6	52.4	18.6
Odisha	67.5	36.8	47.1	84.6	5.0
Punjab	0.0	44.5	1.8	0.0	6.8
Rajasthan	48.3	33.0	1.9	39.3	1.3
Tamil Nadu	32.5	47.7	20.8	59.8	5.1
Telangana	52.0	53.3	24.3	70.3	0.0
Uttar Pradesh	48.3	39.2	33.1	50.0	14.3
West Bengal	31.1	12.4	17.3	11.0	25.2

State-wise FHI Rank comparison for all years starting with 2014-15 till 2022-23 and the average ranking for period 2014-15 to 2018-19 and 2014-15 to 2021-22

States	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	Avg 2014-15 to 2018-19	Avg 2014-15 to 2021-22
Odisha	1	1	1	2	2	2	3	2	2	1	1
Chhattisgarh	2	2	2	12	3	7	2	6	9	4	5
Goa	3	9	7	7	9	1	1	1	1	2	2
Jharkhand	4	3	9	9	5	10	10	13	11	11	10
Gujarat	5	5	6	5	6	4	7	5	7	5	6
Maharashtra	6	4	3	3	1	6	12	12	12	8	4
Uttar Pradesh	7	7	5	1	10	9	11	8	8	9	7
Telangana	8	8	10	8	7	8	5	9	4	7	9
Madhya Pradesh	9	10	8	6	8	12	6	4	5	6	8
Karnataka	10	6	4	4	4	3	4	3	6	3	3
Tamil Nadu	11	15	11	10	12	14	8	10	10	12	12
Rajasthan	12	13	14	13	16	13	17	15	13	16	15
Bihar	13	14	12	11	11	5	9	11	14	10	11
Haryana	14	12	15	14	14	11	15	14	15	14	14
Kerala	15	17	16	16	17	15	13	16	16	15	16
West Bengal	16	16	17	17	15	17	16	18	18	17	17
Andhra Pradesh	17	11	13	15	13	16	14	7	3	13	13
Punjab	18	18	18	18	18	18	18	17	17	18	18

Categorization of States for 2022-23

FHI Score			
States	**Rank**	**FHI Score**	**Category**
Odisha	1	67.8	Achiever
Chhattisgarh	2	55.2	Achiever
Goa	3	53.6	Achiever
Jharkhand	4	51.6	Achiever
Gujarat	5	50.5	Achiever
Maharashtra	6	50.3	Front Runner
Uttar Pradesh	7	45.9	Front Runner
Telangana	8	43.6	Front Runner
Madhya Pradesh	9	42.2	Front Runner
Karnataka	10	40.8	Front Runner
Tamil Nadu	11	29.2	Performer
Rajasthan	12	28.6	Performer
Bihar	13	27.8	Performer
Haryana	14	27.4	Performer
Kerala	15	25.4	Aspirational
West Bengal	16	21.8	Aspirational
Andhra Pradesh	17	20.9	Aspirational
Punjab	18	10.7	Aspirational

States have been classified on the basis of the FHI score as per below categories FHI scores have been rounded off to the nearest number for the below classification

Above 50	Achiever
Greater than 40 & less than equal to 50	Front Runner
Greater than 25 & less than equal to 40	Performer
Less than equal to 25	Aspirational

Quality of Expenditure			
States	Rank	Quality of Expenditure	Category
Madhya Pradesh	1	59.7	Achiever
Bihar	2	56.1	Achiever
Chhattisgarh	3	55.1	Achiever
Odisha	4	52.0	Achiever
Karnataka	5	47.4	Front Runner
Jharkhand	6	47.3	Front Runner
Uttar Pradesh	7	45.8	Front Runner
Goa	8	45.5	Front Runner
Gujarat	9	40.0	Performer
Rajasthan	10	38.3	Performer
Maharashtra	11	37.1	Performer
Telangana	12	36.9	Performer
West Bengal	13	32.3	Performer
Tamil Nadu	14	32.0	Performer
Andhra Pradesh	15	31.4	Performer
Haryana	16	24.8	Performer
Punjab	17	4.7	Aspirational
Kerala	18	4.2	Aspirational

States have been classified on the basis of the Quality of Expenditure score as per below categories
The scores have been rounded off to the nearest number for the below classification

Above 50	Achiever
Greater than 40 & less than equal to 50	Front Runner
Greater than 20 & less than equal to 40	Performer
Less than equal to 20	Aspirational

Revenue Mobilization			
States	Rank	Revenue Mobilization	Category
Goa	1	87.1	Achiever
Telangana	2	75.2	Achiever
Odisha	3	69.9	Achiever
Maharashtra	4	59.1	Front Runner
Chhattisgarh	5	56.5	Front Runner
Kerala	6	54.2	Front Runner
Gujarat	7	48.7	Front Runner
Haryana	8	47.8	Front Runner
Jharkhand	9	45.7	Front Runner
Karnataka	10	43.9	Performer
Tamil Nadu	11	41.2	Performer
Rajasthan	12	35.4	Performer
Uttar Pradesh	13	34.6	Performer
Punjab	14	28.1	Performer
Madhya Pradesh	15	27.6	Performer
Andhra Pradesh	16	22.1	Aspirational
West Bengal	17	12.4	Aspirational
Bihar	18	5.3	Aspirational

States have been classified on the basis of the Revenue Mobilization score as per below categories
The scores have been rounded off to the nearest number for the below classification

Above 60	Achiever
Greater than 45 & less than equal to 60	Front Runner
Greater than 25 & less than equal to 45	Performer
Less than equal to 25	Aspirational

Fiscal Prudence			
States	Rank	Fiscal Prudence	Category
Jharkhand	1	62.4	Achiever
Goa	2	59.4	Achiever
Chhattisgarh	3	56.0	Achiever
Odisha	4	54.0	Achiever
Gujarat	5	52.7	Achiever
Uttar Pradesh	6	44.7	Front Runner
Karnataka	7	43.9	Front Runner
Maharashtra	8	41.8	Front Runner
Telangana	9	40.8	Front Runner
Madhya Pradesh	10	35.6	Performer
Kerala	11	34.0	Performer
Haryana	12	26.1	Performer
Tamil Nadu	13	25.8	Performer
West Bengal	14	25.4	Aspirational
Rajasthan	15	19.9	Aspirational
Andhra Pradesh	16	13.3	Aspirational
Bihar	17	11.5	Aspirational
Punjab	18	5.6	Aspirational

States have been classified on the basis of the Fiscal Prudence score as per below categories
The scores have been rounded off to the nearest number for the below classification

Above 50	Achiever
Greater than 40 & less than equal to 50	Front Runner
Greater than 25 & less than equal to 40	Performer
Less than equal to 25	Aspirational

Debt Index			
States	**Rank**	**Debt Index**	**Category**
Odisha	1	99.0	Achiever
Chhattisgarh	2	79.6	Achiever
Maharashtra	3	76.4	Achiever
Gujarat	4	69.0	Achiever
Jharkhand	5	66.9	Achiever
Karnataka	6	62.2	Front Runner
Madhya Pradesh	7	61.0	Front Runner
Uttar Pradesh	8	59.9	Front Runner
Telangana	9	53.3	Front Runner
Goa	10	51.0	Front Runner
Bihar	11	47.2	Front Runner
Andhra Pradesh	12	37.8	Performer
Tamil Nadu	13	36.0	Performer
Rajasthan	14	32.3	Performer
Haryana	15	24.1	Aspirational
Kerala	16	23.1	Aspirational
West Bengal	17	18.3	Aspirational
Punjab	18	0.0	Aspirational

States have been classified on the basis of the Debt Index score as per below categories
The scores have been rounded off to the nearest number for the below classification

Above 60	Achiever
Greater than 45 & less than equal to 65	Front Runner
Greater than 25 & less than equal to 45	Performer
Less than equal to 25	Aspirational

CONTRIBUTORS

Dr. Pravakar Sahoo	Senior Adviser, NITI Aayog
Shri Amit Verma	Director, NITI Aayog
Smt. Radhika Sharma	Deputy Director, MoC
Smt. Jyotika Nagvanshi	Deputy Director, NITI Aayog
Smt. Pooja Teotia	Consultant-I, NITI Aayog
Smt. Mala Parashar	Consultant-I, NITI Aayog
Smt. Salome Sara Philips	Young Professional, NITI Aayog
Smt. Riya Jindal	Young Professional, NITI Aayog
Smt. Kavya Raghuram Rao	Young Professional, NITI Aayog
Shri Manuj Joshi	Young Professional, NITI Aayog
Smt. Reshma Shyna Shajan	Young Professional, NITI Aayog

Acknowledgement

As part of the development of the Fiscal Health Index (FHI), we had the privilege of convening a meeting with a distinguished panel of experts. The expert meeting was crucial in refining the methodology and ensuring that the FHI reflects a well-rounded and comprehensive approach to evaluate the fiscal health of the states.

It is with great appreciation that we take this opportunity to extend our gratitude to all the esteemed experts for their valuable inputs.

Our heartfelt thanks go to all the distinguished experts: **Dr. Anoop Singh** (Distinguished Fellow at NITI Aayog), **Govind Bhattacharjee** (AJNIFM), **Prof. Asit Mohanty** (XIMB), **Prof. H.K. Amarnath** (NIPFP), **Dr. Parma Chakravartti** (IEG), **Shri Harendra Behera** (RBI), **Dr. Atri Mukherjee** (RBI), **Prof. Amarendra Das** (NISER), **Prof. Amresh Samantaray** (Puducherry University), **Prof. R. Mohan** (Gulati Institute of Finance and Taxation), **Dr. Ranjan Kumar Dash** (Symbiosis School of Economics, Pune), **Dr. Bhavesh Garg,** (IIT Ropar) and **Dr. Ashwani Bishnoi,** (GJUST, Hisar).

Pravakar Sahoo

Dr. Pravakar Sahoo
Senior Lead, Economics and Finance -1
NITI Aayog

NOTES

NOTES

सत्यमेव जयते

NITI Aayog