

STATE GOVERNMENT FINANCES - Vol II

States may have to recalibrate their
spending in FY2027 amid expected
revenue shortfall

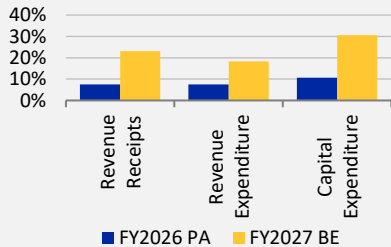
JUNE 2026





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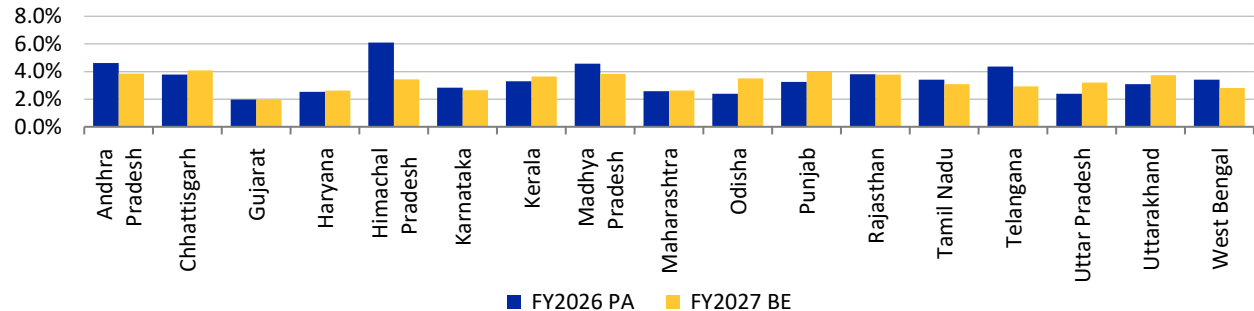
EXHIBIT: YoY growth of key indicators of 17 states*



Note: *The sample set includes all states except northeastern states, Bihar, Goa and Jharkhand; ^ Provisional actuals refer to the monthly unaudited estimates of key financial indicators published by the CAG for all states; Source: State Budgets; CAG; NSO; ICRA Research

In Volume II of the two-part series, ICRA has analysed the state-wise trends emerging from a comparison of the FY2027 State Budgets of 17 large states*, and the provisional actuals (PA) data^ of FY2026 released by the Comptroller and Auditor General (CAG) of India. Most of the sample states have indicated optimistic revenue growth in their FY2027 budget estimates (BE), mainly reflecting high growth in tax collections and grants. Notably, weaker than expected economic growth is likely to result in actual tax collections falling short of the BE to a varying extent. Moreover, actual grants would continue to trail the BE in FY2027, in line with the previous years' trends. Overall, undershooting in revenues suggests that most of the sample states would have to adjust their revenue expenditure (revex) and/or capital spending to adhere to the new borrowing norms (fiscal deficit capped at 3% of gross state domestic product or GSDP; refer to Volume I), and after including the funds available from the Government of India (GoI) under Special Assistance to States for Capital Investment (SASCI) scheme and cash (if any) carried forward from last year.

EXHIBIT: State-wise fiscal deficits as a proportion of GSDP&



Note: &The GSDP estimates up to FY2026 are from the NSO, while GSDP for FY2027 is projected to grow by 12.0% on a year-over-year (YoY) basis. Accordingly, all ratio-based analyses in this note, displayed as a proportion of GSDP, are based on these projected FY2027 estimates; Source: State Budgets; CAG; National Statistical Office (NSO); ICRA Research



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