

STATE GOVERNMENT FINANCES

**State capex needs to rise by 40% in
H2 FY2025 to meet the target
indicated in FY2025 BE**

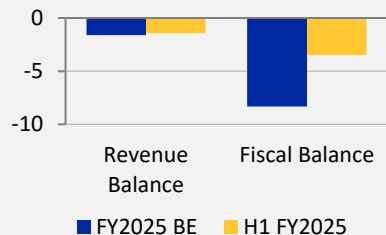
NOVEMBER 2024





[Click to see full report](#)

EXHIBIT: Trends in revenue and fiscal balances (Rs. Trillion)

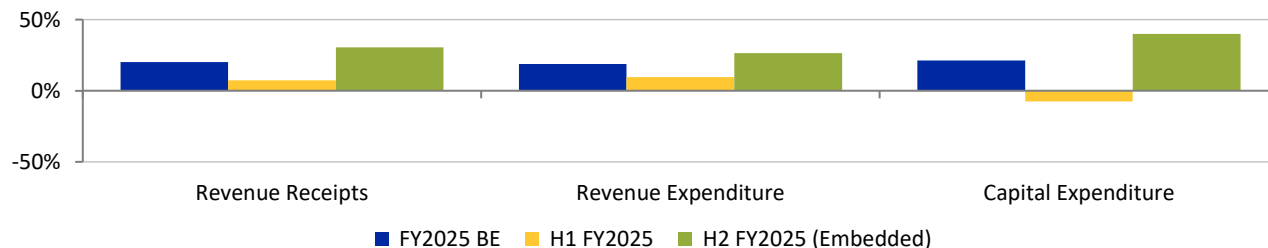


Note: *Andhra Pradesh (AP), Chhattisgarh, Haryana, Himachal Pradesh (HP), Karnataka, Kerala, Madhya Pradesh (MP), Maharashtra, Punjab, Rajasthan, Tamil Nadu (TN), Telangana, Uttar Pradesh (UP), Uttarakhand and West Bengal (WB); Source: Comptroller and Auditor General of India (CAG); State Budgets; ICRA Research

The combined revenue deficit of 15 states* stood at Rs. 1.4 trillion during H1 FY2025, equivalent to 89% of FY2025 BE. The combined revenue receipts of these states rose by 7.3% in H1 FY2025, sharply trailing the 20% expansion indicated in the Budget Estimates (BE) by a wide margin. This was led by lower-than-budgeted growth in the State's Own Tax Revenues (SOTR) reflecting moderation in consumer demand amid elevated inflation, elections and climate-related disruptions in economic activity in H1 FY2025. Moreover, grants reported an 18% YoY decline in H1 FY2025, which contrasts with the high 36% growth included by the states in their BE. However, on a positive note, the tax devolution increased by 19.3% in H1 FY2025, exceeding the 9.3% rise expected in BE. Tracking these trends, the combined revenue expenditure rose by 9.5% in H1 FY2025, weaker than 19% expansion included in the BE.

Partly on the back of a high base, the combined capital spending and net lending declined by 7.5% in H1 FY2025 whereas the states had pencilled in a healthy 21% YoY expansion. Amid the compression in capex, the fiscal deficit of the 15 states stood at Rs. 3.5 trillion in H1 FY2025, equivalent to 42% of the BE. Based on the FY2025 BE and the trends in H1, the combined revenue receipts, revenue expenditure and capex of the 15 states are required to expand by ~30%, 26% and 40%, respectively, in H2 FY2025, to meet the budgeted target for the fiscal. While we expect a pick-up in the growth of the revenue receipts in H2 FY2025 led by SOTR, the required rate of 30% seems challenging, led by various domestic and global factors as well as our assessment of continuing contraction in grants. Additionally, notwithstanding highly back-ended capex in FY2025, we expect it to undershoot the levels indicated in FY2025 BE.

EXHIBIT: YoY trends of key fiscal indicators of 15 states





ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, and Head- Research and Outreach	aditin@icraindia.com	0124- 4545 385
Neetika Shridhar	Assistant Vice-President	neetika.shridhar@icraindia.com	0124 – 4545 305
Jaspreet Kaur	Senior Analyst	jaspreet.kaur@icraindia.com	0124 – 4545 853





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!