

STATE GOVERNMENT FINANCES

**YoY growth of capital spending
softened to 10% in FY2025 PA from
20-25% during FY2022-FY2024**

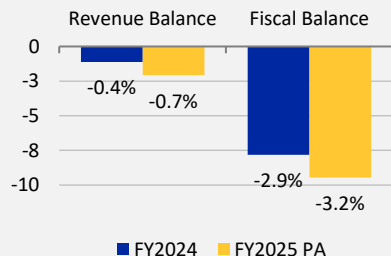
JUNE 2025





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Exhibit: Trends in revenue and fiscal balances of 17 states (Rs. Trillion)



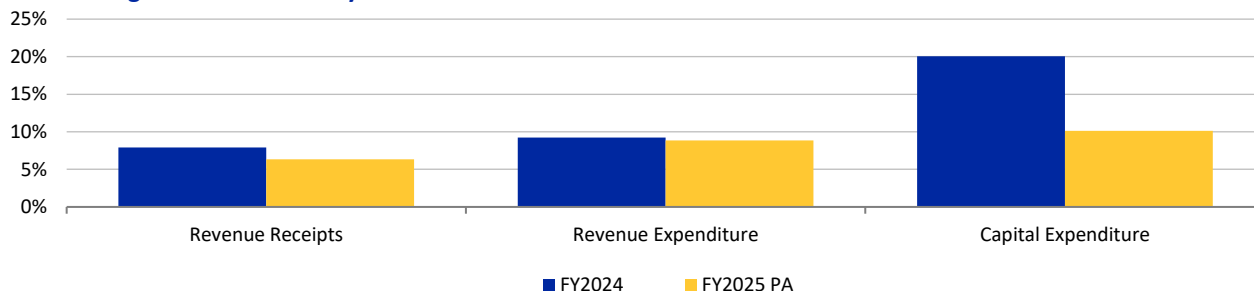
Note: Data labels correspond to estimates as a proportion of GSDP; *Based on 17 states (excluding Arunachal Pradesh, Assam, Bihar, Goa, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim)
Source: Comptroller and Auditor General of India (CAG); State Budgets; ICRA Research

An analysis of the FY2025 provisional actuals (PA) of 17 states* reveals a widening in their combined fiscal deficit to Rs. 9.5 trillion (3.2% of Gross State Domestic Product or GSDP) from Rs. 7.8 trillion (2.9% of GSDP) in FY2024. This was driven by the near-doubling of the revenue deficit to Rs. 2.1 trillion (0.7% of GSDP) in FY2025 PA from Rs. 1.1 trillion (0.4% of GSDP) in FY2024, and to a relatively smaller extent by a rise in capital spending (by Rs. 678 billion or 0.2% of GSDP).

The pace of growth of revenue receipts eased to 6.3% in FY2025 PA from 7.9% in FY2024, with a softening across all sub-components and continued contraction in grants. The revenue expenditure rose by 9% each in FY2024 and FY2025 PA.

The pace of capital spending slowed to ~10% in FY2025 PA to Rs. 7.4 trillion after a 20-25% expansion seen during FY2022-FY2024. ICRA estimates that over 40% of the total incremental capex of Rs. 678 billion in FY2025 PA was funded by flows by the Government of India (GoI) to the states under the special assistance to states for capital expenditure (capex loan scheme). Notably, the combined capital expenditure of the 17 states surged by 42% in March 2025 to Rs. 2.2 trillion from Rs. 1.5 trillion in March 2024, which aided in offsetting the contraction in capex that had persisted till February 2025. Overall, the 17 states in the sample set completed as much as 30% of the capex in March 2025, higher than the trend in the previous year.

Exhibit: YoY growth trends of key fiscal indicators of the 17 states



Source: CAG; State Budgets; ICRA Research



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Analytical Contact Details

| Name | Designation | Email | Contact Number |
|------------------|---|--|-----------------|
| Aditi Nayar | Chief Economist, Head – Research & 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 – East | vinita.baid@icraindia.com | 033-65216801 |
| Shivam Bhatia | Head Business Development – Corporate Sector – North & South | shivam.bhatia@icraindia.com | 0124-4545803 |
| Sanket Kulkarni | Head Business Development – Corporate Sector – West | sanket.Kulkarni@icraindia.com | 022 – 61693365 |
| Naznin Prodhani | Head – Group Corporate Communications & Media Relations | communications@icraindia.com | 0124-4545860 |





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