

# STATE GOVERNMENT FINANCES

---

**Revenue deficit of states widened mildly amid higher welfare spending in recent years; capex improved to 2.5% of GSDP**

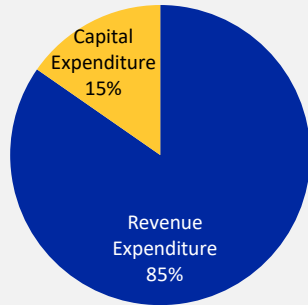
**DECEMBER 2025**





[Click to see full report](#)

**EXHIBIT: Composition of total expenditure of 19 states during FY2022-FY2025 PA**

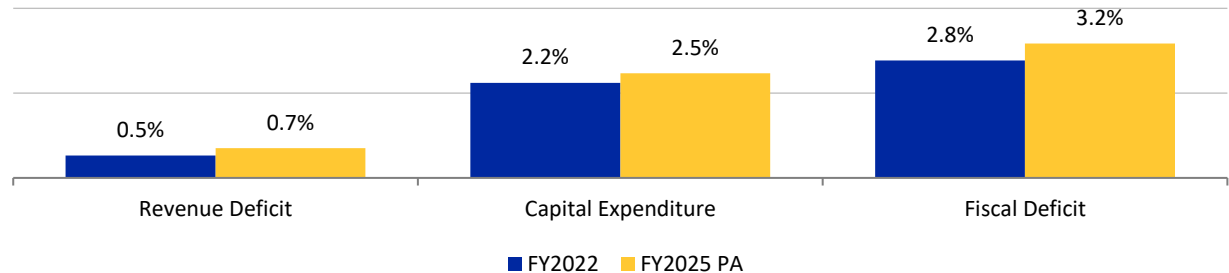


*Note: Includes all major Indian states excluding North-East states and Goa  
Source: State Budgets; Comptroller and Auditor General of India (CAG); National Statistical Office (NSO); ICRA Research*

Over 80% of the state government’s spending is towards revenue expenditures, which includes outgo on salaries, pensions, interest payments, power subsidy, and other welfare spending etc. Growth in revenues and borrowing limits influence the ability and the priorities of spending by state governments. In recent years, the social welfare spending of several states has increased, which includes, social security pensions, transfers to low-income households, cash transfers to women etc. For instance, the combined cash transfers to women by 11 states totalled Rs. 1.5 trillion in FY2026 or a sizeable 0.8% of gross state domestic product (GSDP), up from Rs. 120 billion in FY2023 or 0.1% of GSDP. Despite the rise in the welfare spending of the states, their revenue deficit widened mildly to 0.7% of GSDP in FY2025 provisional actuals (PA) from 0.5% of GSDP in FY2022.

Moreover, the combined capital expenditure of the 19 states displayed a robust CAGR of 16% between FY2022-FY2025 PA. As a proportion of the GSDP, their capital expenditure increased to 2.5% of the GSDP in FY2025 PA from 2.2% of GSDP in FY2022 benefitting from expansion in the magnitude of capex loans. Overall, led by rise in revenue deficit and capital expenditure, the combined fiscal deficit of the sample states widened to 3.2% of the GSDP in FY2025 PA from 2.8% in FY2022. This fiscal deficit was funded by augmented borrowing limits, which included loans from the Centre, reform-linked borrowing etc. as well as the provision of carry-forward of unutilised borrowing.

**EXHIBIT: Trends in deficits and capital expenditure as a % of GSDP**





# ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, Head – Research & Outreach	<a href="mailto:aditin@icraindia.com">aditin@icraindia.com</a>	0124- 4545 385
Neetika Shridhar	Vice President	<a href="mailto:neetika.shridhar@icraindia.com">neetika.shridhar@icraindia.com</a>	0124 – 4545 305
Jaspreet Kaur	Senior Analyst	<a href="mailto:jaspreet.kaur@icraindia.com">jaspreet.kaur@icraindia.com</a>	0124 – 4545 853





ICRA

# Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	<a href="mailto:sai.krishna1@icraindia.com">sai.krishna1@icraindia.com</a>	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	<a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	<a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>	022-61693372
Vinita Baid	Head Business Development – East	<a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	<a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	<a href="mailto:sanket.kulkarni@icraindia.com">sanket.kulkarni@icraindia.com</a>	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	<a href="mailto:communications@icraindia.com">communications@icraindia.com</a>	0124-4545860





***© Copyright, 2025 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!**