

# State's expenditure and the impact of COVID pandemic

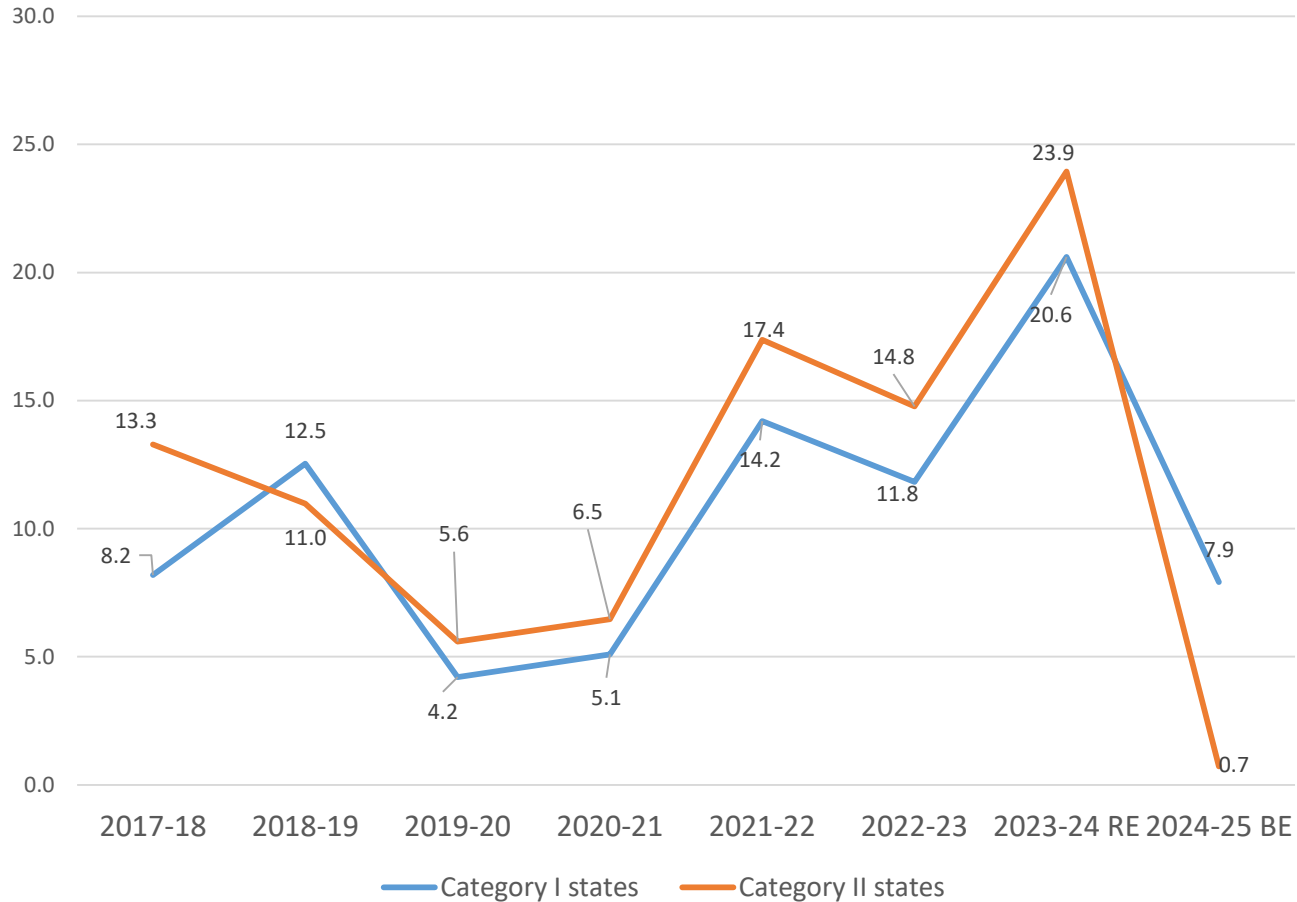
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# Trends in Expenditure

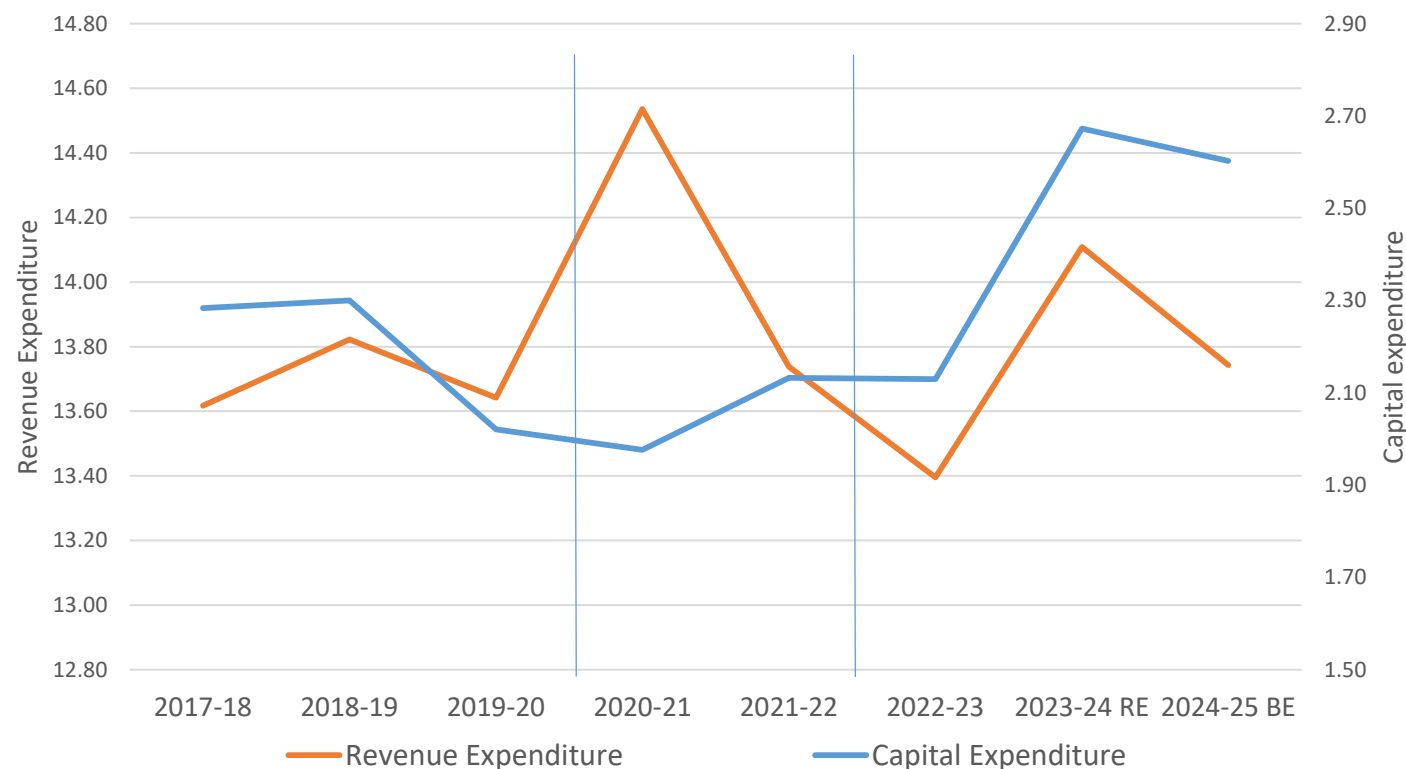
**Fig: Growth of Total Expenditure**



- CE forms
  - 12-16% of TE for cat I states
  - 14-20% of TE for cat II states
- CE is the more volatile component.
- TE growth sharply declines in 2019-20 and 2020-21
  - RE growth ranges between 10-12% (2017-22) fell to 6% during 2019-20 and 2020-21.
  - CE growth was negative during this period.
- Recovery in 2021-22 was driven by huge capex growth (28%)
- 2023-24 RE – both RE (17.5%) and CE (41%) show increase.

# Expenditure (as % of GSDP) – Category I states

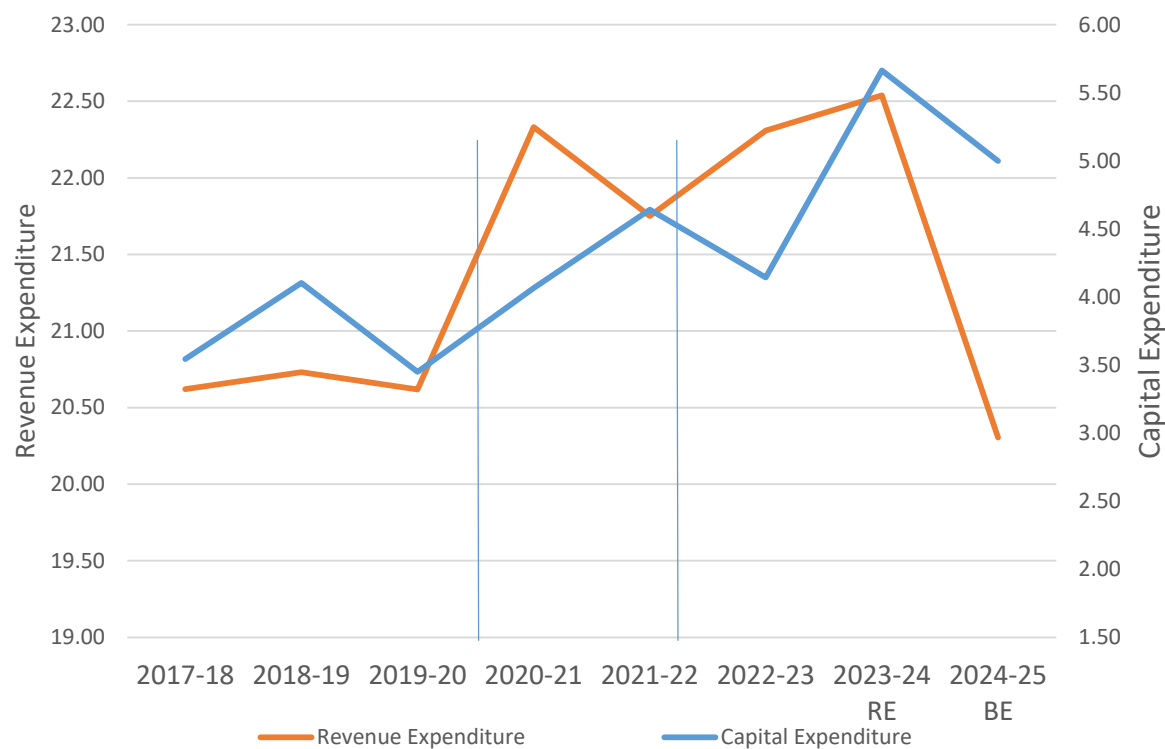
**Fig: Trends in Expenditure for Category I states (% of GSDP)**



- Range
  - RE: 13-14%
  - CE: 2-2.6%
- Capex declined during 2019-20 and 2020-21, recovered during 2021-22 and 2022-23; shot to 2.67% in 2023-24 RE.
- Peak in 2020-21 in RE is due to negative GSDP growth on account of pandemic.
- In 2022-23 RE falls marginally – could be on account fiscal consolidation by states or GSDP growth outpacing RE growth.

# Expenditure (as % of GSDP) – Category II states

**Fig: Trends in Expenditure for Category II states (% of GSDP)**



- Range
  - RE: 20-22.5%
  - CE: 3.5-5%
- CE for these states is consistently increasing from 2019-20 onwards with a small blip in 2022-23.
- Peak of RE in 2020-21 is due to negative growth in GSDP
- Both CE and RE show sharp increase in 2023-24 RE

# Impact of Special Assistance to States for Capital Investment

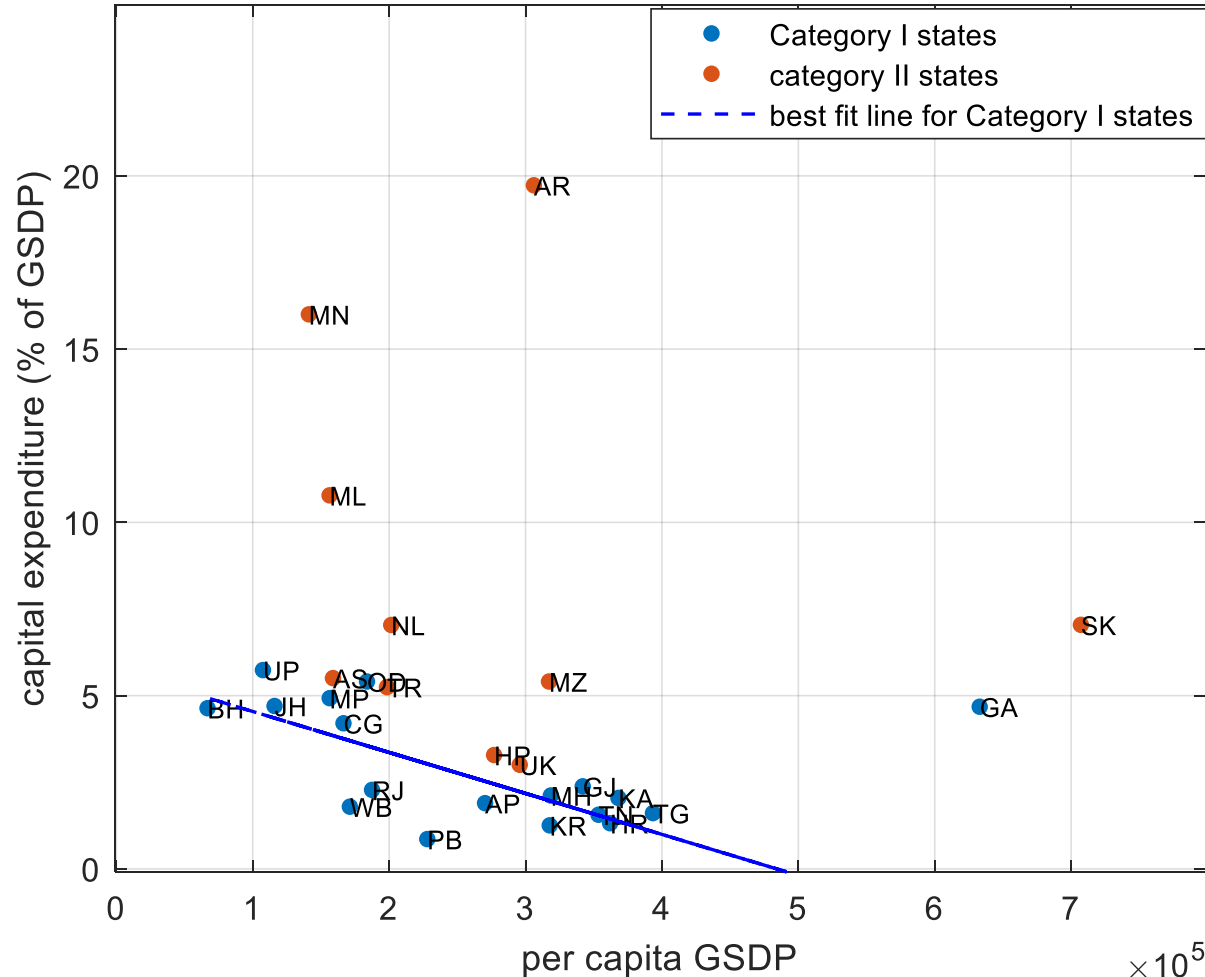
## Allocation under 50-year interest free loans vs capital expenditure

Year	Capital exp (% of GSDP)	Actual disburseme nt (Rs cr)	Disbursem ent (% of GSDP)
2020-21	2.08	11830	0.06
2021-22	2.26	14185	0.06
2022-23	2.23	81195	0.31
2023-24 RE	2.83	105551	0.36

- Centre started 50-year interest free loan facility to states from 2020-21
- However, CE growth has outpaced disbursement under interest-free loan facility
- States seem to have utilized own revenue or availed additional borrowing to fund capex.

# Capital expenditure across states

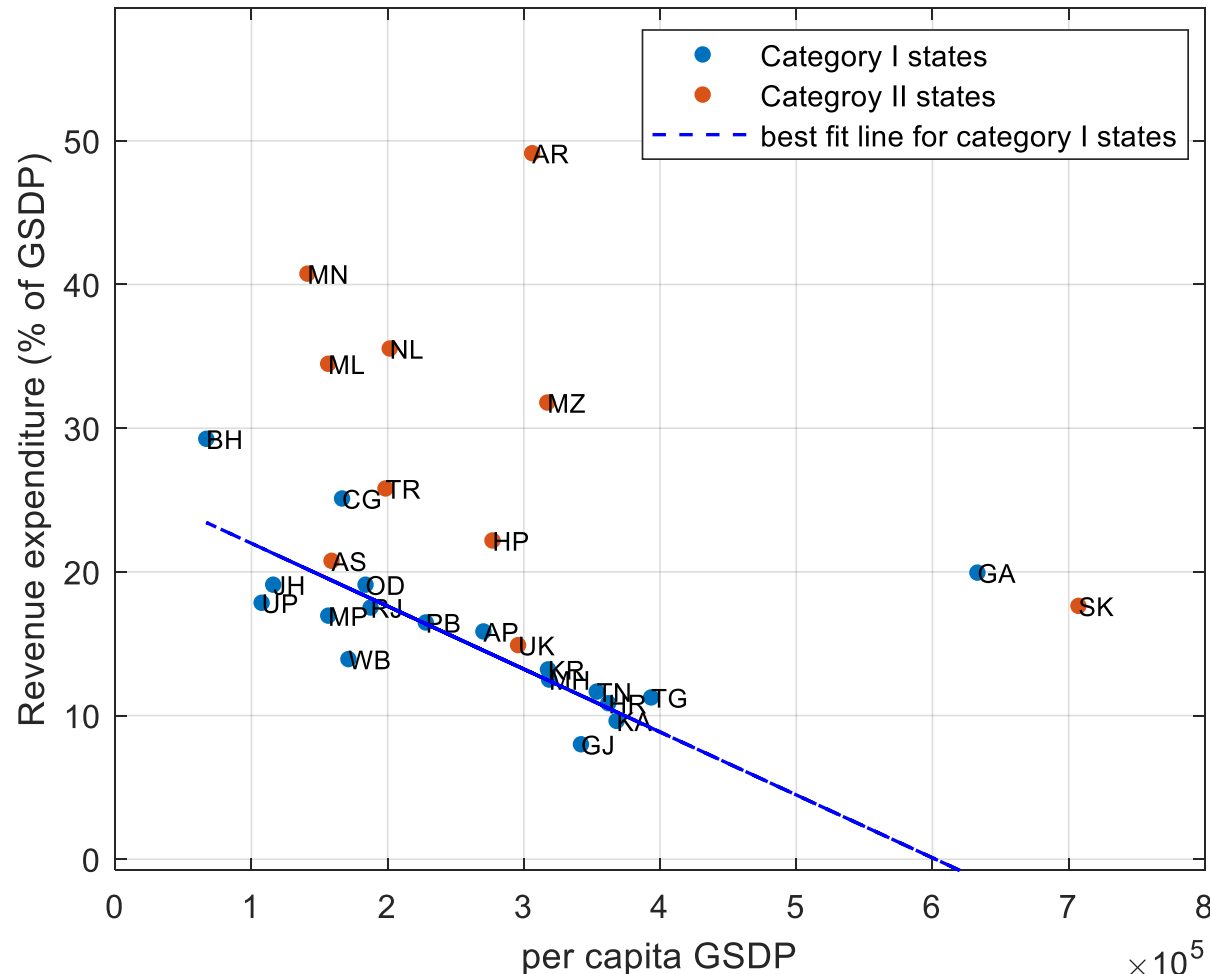
**Fig: Capital expenditure (% of GSDP) against PCGSDP (2023-24RE)**



- Category II states show more variation and no clear pattern
- Among category I states, a negative relationship exists.
- 3 subgroups emerge:
  - Low pcGSDP-high CE (Bihar, Chhattisgarh, Uttar Pradesh, Madhya Pradesh, Jharkhand and Odisha)
  - high pcGSDP-low CE (Maharashtra, Karnataka, Gujarat, Tamil Nadu, Haryana, Telangana and Kerala)
  - Low pcGSDP-low CE (Punjab, West Bengal, Rajasthan and Andhra Pradesh)

# Revenue expenditure across states

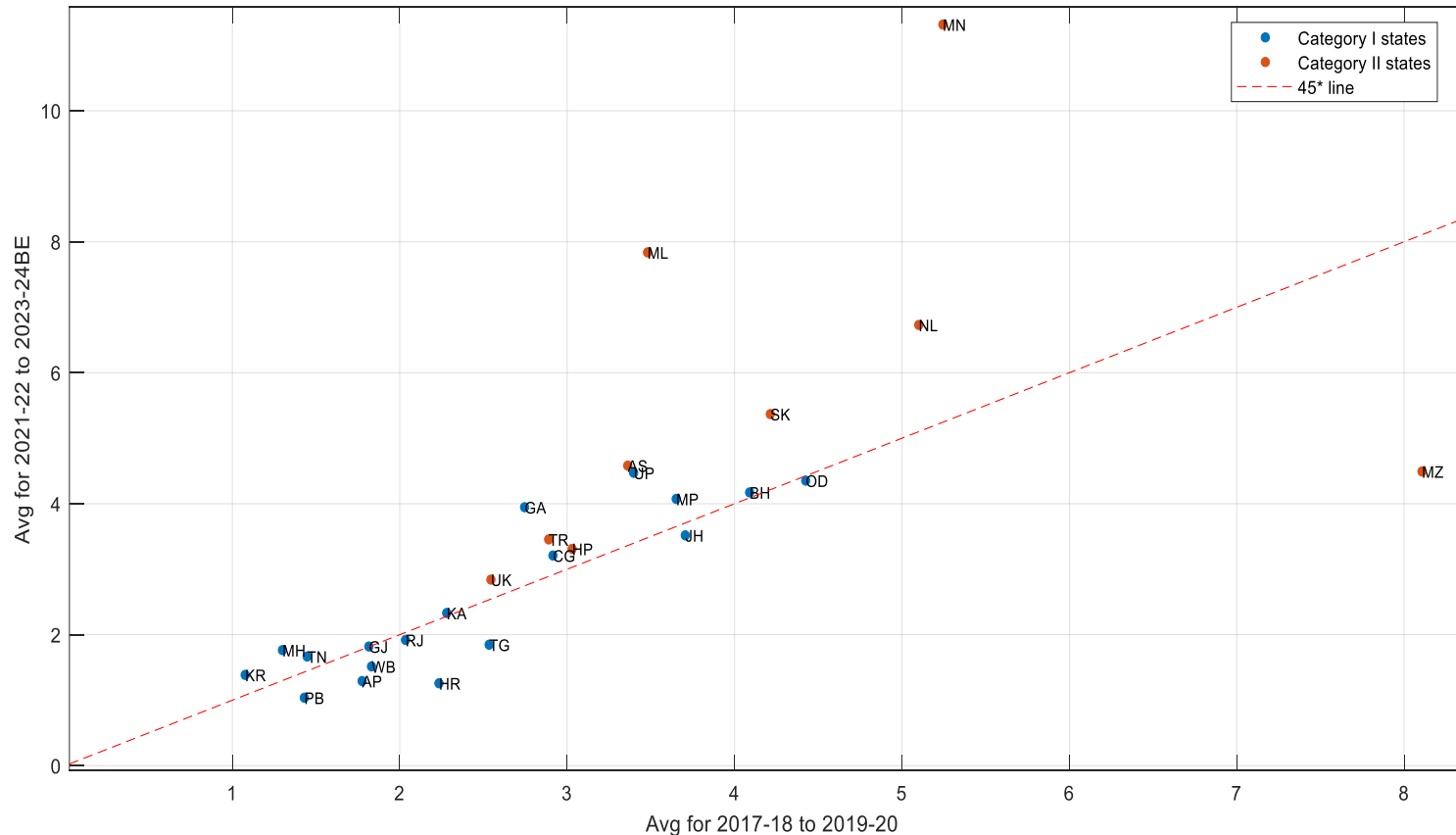
**Fig: Revenue expenditure (% of GSDP) against PCGSDP (2023-24RE)**



- Similar pattern as Capex
- The negative trend amongst category I states becomes more pronounced
  - Do richer states exercise greater fiscal discipline or experience economies of scale in service delivery which allow for lower incremental costs upon reaching certain levels of service?

# Impact of COVID pandemic on CE

**Fig: Capital Expenditure (% of GSDP)**

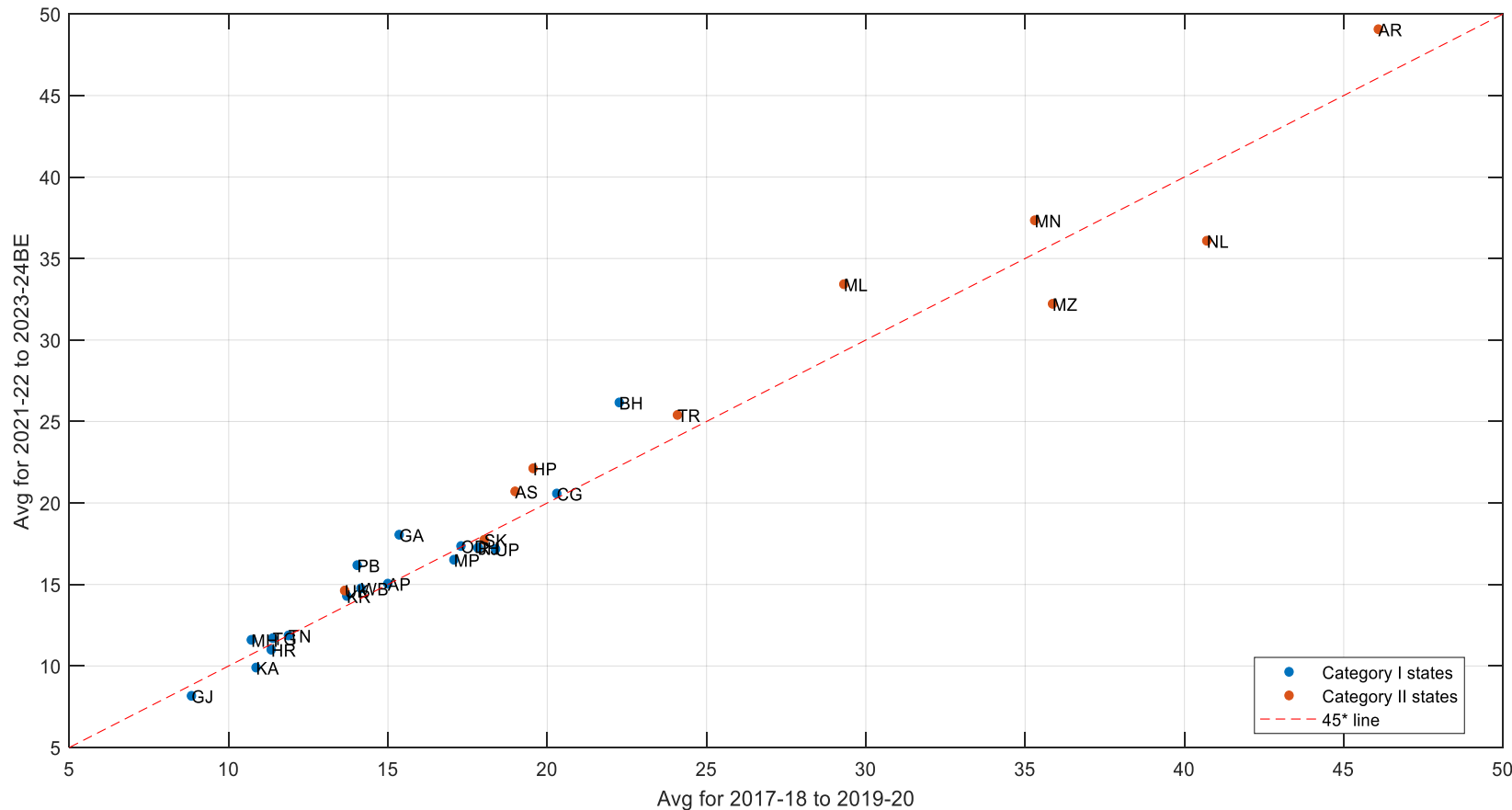


- All category II states except Mizoram improved CE post-COVID
- For category I states, change in pre-and post-COVID expenditure pattern is not as stark
  - GJ, KA, BH, OD – no change in pattern
  - UP, GA – noticeable improvement
  - HR, TG, PB, AP - noticeable decline



# Impact of COVID pandemic on RE

**Fig: Revenue Expenditure (% of GSDP)**



- RE shows far less variation pre- and post-COVID for both category of states
- However, cat II states show more variation than cat I states
  - Mizoram and Nagaland – RE decline
  - Others – RE increase
- Among category I states
  - Bihar, Goa and Punjab show small increase

# Composition of Expenditure

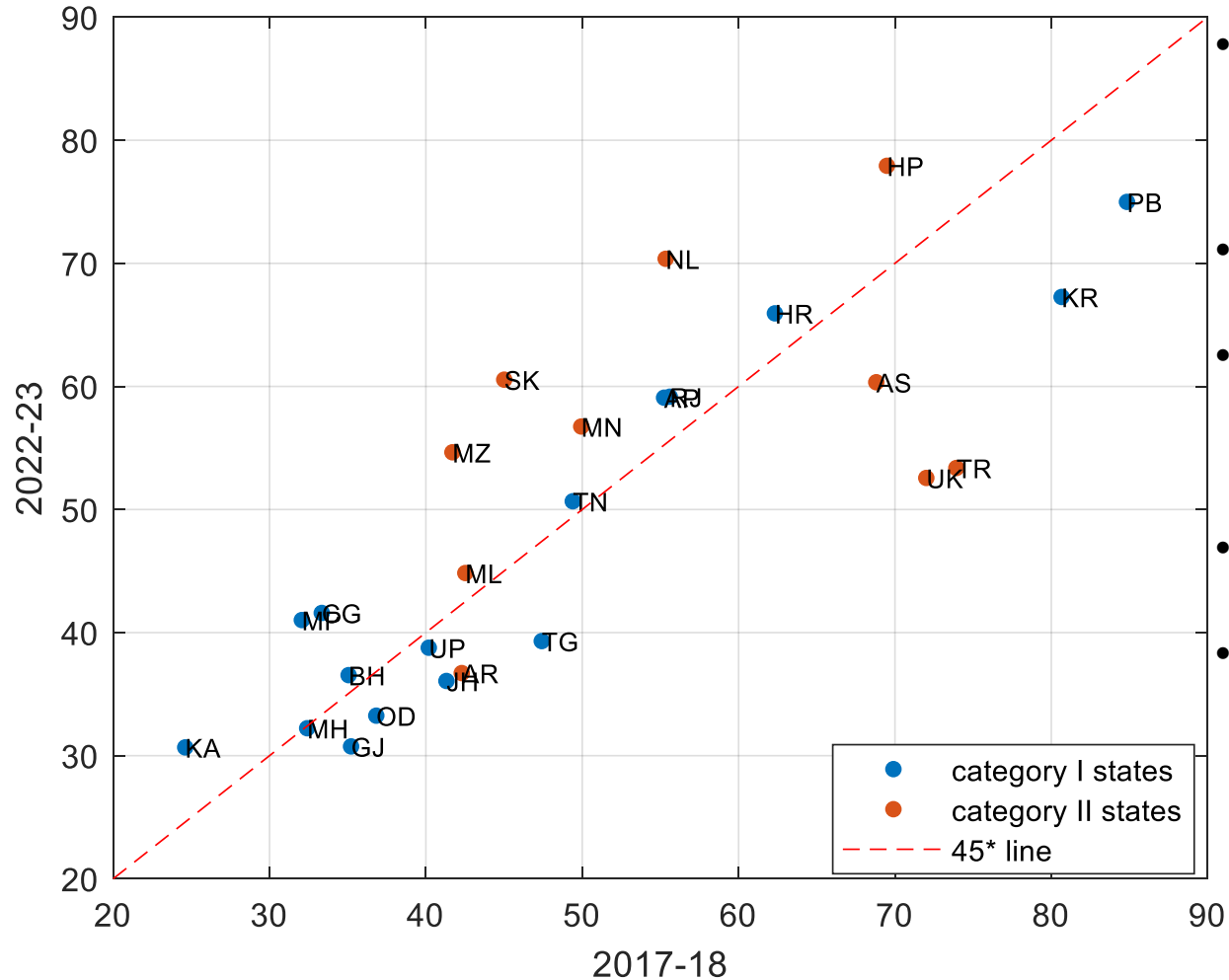
**Table: Composition of expenditure (% of GSDP)**

	Category I states				Category II states			
	Pre-COVID (2017-18 to 2019-20)	COVID (2020-21 to 2021-22)	Post-COVID (2022-23 to 2023-34 RE)	2024-25 BE	Pre-COVID (2017-18 to 2019-20)	COVID (2020-21 to 2021-22)	Post-COVID (2022-23 to 2023-34 RE)	2024- 25 BE
Revenue Expenditure	13.69	14.14	13.75↑	13.83	20.66	22.04	22.42↑	20.4
General Services	4.74	4.94	4.67↓	4.79	8.02	8.70	8.28↑	7.98
Social Services	5.37	5.59	5.51↑	5.67	7.93	8.54	9.44↑	7.9
Economic Services	3.16	3.18	3.15↓	3.0	4.41	4.50	4.39↓	4.10
Grants-in-Aid to local bodies	0.43	0.44	0.42↓	0.42	0.29	0.30	0.31↑	0.35
Capital Expenditure	2.2	2.1	2.4↑	2.62	3.7	4.4	4.9↑	5.02
General Services	0.1	0.1	0.12↑	0.2	0.3	0.4	0.7↑	0.9
Social Services	0.5	0.6	0.7↑	0.9	1.0	1.1	1.3↑	1.4
Economic Services	1.6	1.4	1.5↓	1.6	2.4	2.8	2.9↑	2.8

- RE is higher in post-COVID than pre-COVID but increase is more for Cat II states.
  - For both categories. social services spending, particularly driven by COVID-related health and welfare initiatives, remains elevated compared to pre-pandemic levels.
- CE declined during pandemic but has since rebounded, showing a higher post-COVID number
  - The growth is significantly higher for cat II states
  - All services increase for cat II states
  - Marginal decline in share of economic services for cat I states

# Share of Committed Expenditure

**Fig: Committed expenditure (as % of Revenue Receipts)**



- In 2022-23, states Comm Exp was 44% of RR
  - 19% - salaries and wages
  - 13% - pensions
  - 12% - interest payments
- Considerable variation in committed expenditure of different states – 30-80%
- Among category I states
  - Kerala, Punjab exceed 70%
  - Karnataka, Maharashtra, Gujarat, Bihar and Odisha below 40%
- All category II states have committed exp above 40% with HP have the highest number
- Between 2017-18 and 2022-23, states that show decline are
  - Kerala and Punjab, Gujarat, Odisha, Telangana and Jharkhand
  - Assam, Tripura, Arunachal Pradesh and Uttarakhand