

Arunachal Pradesh Budget Analysis 2023-24

The Finance Minister of Arunachal Pradesh, Mr. Chowna Mein, presented the Budget for the state for the financial year 2023-24 on March 7, 2023.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Arunachal Pradesh for 2023-24 (at current prices) is projected to be Rs 37,870 crore, amounting to growth of 28.9% over 2022-23 budget estimates.
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 28,683 crore, a decrease of 1.9% from the revised estimates of 2022-23. In addition, debt of Rs 830 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 26,168 crore, a decrease of 1% as compared to the revised estimate of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to exceed the budget estimate by 10% (Rs 2,451 crore).
- **Revenue surplus** in 2023-24 is estimated to be 8% of GSDP (Rs 3,063 crore), much lower than the revised estimates for 2022-23 (15% of GSDP). In 2022-23, the revenue surplus (as a % of GSDP) is expected to be lower than the budget estimate (15.1% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 6.6% of GSDP (Rs 2,515 crore). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 7.8% of GSDP, much higher than the budget estimate of 3.6% of GSDP.

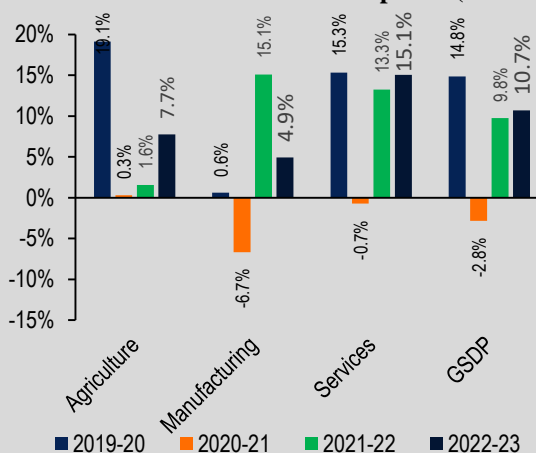
Policy Highlights

- **Arunachal Uday Scheme:** The state will reconstruct semi-permanent type buildings that it owns in the sectors of education, health, district administration, agriculture and rural development at a cost of Rs 300 crore.
- **Deen Dayal Upadhyaya Swavalamban Yojana:** The scheme provides financing to young individuals in setting up ventures such as eco-tourism, hotels, bakeries, and traditional textiles and weaving. The allocation for the scheme is set to increase four times, from Rs 50 crore to Rs 200 crore.
- **Chief Minister’s Comprehensive State Road Development Plan:** Under this plan, 3,650 km of important roads which connect to areas such as: the Capital Complex, District Headquarters and state highways will be improved at a cost of Rs 200 crore.

Arunachal Pradesh’s Economy

- **GSDP:** In 2022-23, Arunachal Pradesh’s GSDP (at constant prices) is estimated to grow at 10.7%, over the previous year. In 2021-22, GSDP had grown by 9.8%. In comparison, national GDP is estimated to grow at 7% in 2022-23, after an estimated growth of 9% in 2021-22.
- **Sectors:** Agriculture, manufacturing and services saw a growth of 7.7%, 4.9% and 15.1% respectively (Figure 1). In 2022-23, agriculture, manufacturing and services are estimated to contribute 36%, 20% and 44% of the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Arunachal Pradesh in 2022-23 (at current prices) is estimated at Rs 2,56,41 which is an increase of 11% from 2021-22.

Figure 1: Growth in GSDP and sectors in Arunachal Pradesh at constant prices (2011-12)



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation. Sources: Arunachal Pradesh FRBM Document; PRS.

Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 28,683 crore. This is a decrease of 2% from the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 26,168 crore and net borrowings of Rs 2,660 crore. Total receipts for 2023-24 (other than borrowings) are expected to register a decrease of 0.6% over the revised estimate of 2022-23.
- **Revenue surplus** in 2023-24 is estimated to be 8.1% of GSDP (Rs 3,063 crore), much lower than the revised estimates for 2022-23 (15.1% of GSDP). **Fiscal deficit** for 2023-24 is targeted at 6.6% of GSDP (Rs 2,515 crore), lower than the revised estimates for 2022-23 (7.8% of GSDP).

Table 1: Budget 2023-24 - Key figures (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Total Expenditure	22,697	25,709	30,024	16.8%	29,513	-1.7%
(-) Repayment of debt	355	801	771	-3.8%	830	7.7%
Net Expenditure (E)	22,342	24,908	29,253	17.4%	28,683	-1.9%
Total Receipts	22,721	26,112	29,974	14.8%	29,657	-1.1%
(-) Borrowings	1,483	2,248	3,658	62.7%	3,490	-4.6%
Net Receipts (R)	21,238	23,864	26,315	10.3%	26,168	-0.6%
Fiscal Deficit (E-R)	1,103	1,045	2,938	181.2%	2,515	-14.4%
<i>as % of GSDP</i>	3.8%	3.6%	7.8%		6.6%	
Revenue Surplus	5,385	5,652	5,713	1.1%	3,063	-46.4%
<i>as % of GSDP</i>	18.3%	19.2%	15.1%		8.1%	
Primary Deficit	326	192	2,050	966.3%	1,603	-21.8%
<i>as % of GSDP</i>	1.1%	0.7%	5.5%		4.3%	

Note: BE is Budget Estimates; RE is Revised Estimates. Arunachal Pradesh does not account for the 50-year interest free loan provided under the Special Assistance to States for Capital Expenditure while calculating fiscal and primary deficits. Thus, their calculation results in lower deficit figures in the FRBM document.

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2023-24; Arunachal Pradesh FRBM Document; PRS.

Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 23,095 crore, an increase of 12% over the revised estimate of 2022-23. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2023-24 is proposed to be Rs 5,584 crore, a decrease of 35% from the revised estimate of 2022-23. Capital outlay indicates the expenditure towards creation of assets.
- In 2023-24, the state is expected to repay Rs 830 crore worth of debt. This is an increase of 8% over the revised estimates of 2022-23 (Rs 771 crore).

Table 2: Expenditure budget 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Revenue Expenditure	15,847	18,202	20,592	13%	23,095	12%
Capital Outlay	6,488	6,701	8,657	29%	5,584	-35%
Loans given by the state	7	6	4	-29%	4	5%
Net Expenditure	22,342	24,908	29,253	17%	28,683	-2%

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2023-24; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2023-24, Arunachal Pradesh is estimated to spend Rs 12,366 crore on committed expenditure, which is 47% of its estimated revenue receipts. This comprises spending on salaries (34% of revenue receipts), pension (10%), and interest payments (3%). Committed expenditure is expected to increase by 23% over the revised estimate of 2022-23. In 2022-23, expenditure towards salaries is estimated to be 15% lower than the budget estimate. In 2021-22, as per actuals, 36% of revenue receipts was spent towards committed expenditure.

Table 3: Committed Expenditure in 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Salaries	5,568	8,414	7,150	-15%	8,935	25%
Pensions	1,362	1,849	1,997	8%	2,519	26%
Interest Payment	778	853	888	4%	912	3%
Total Committed Expenditure	7,708	11,116	10,034	-10%	12,366	23%

Sources: Budget in Brief and Annual Financial Statement, Arunachal Pradesh Budget 2023-24; PRS.

Sector-wise expenditure: The sectors listed below account for 61% of the total expenditure on sectors by the state in 2023-24. A comparison of Arunachal Pradesh's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Arunachal Pradesh Budget 2023-24 (in Rs crore)

Sectors	2021-22 Actuals	2022-23 BE	2022-23 RE	2023-24 BE	% change from RE 22-23 to BE 23-24
Roads and Bridges	3,470	3,214	5,066	3,272	-35%
Education, Sports, Arts, and Culture	2,596	2,528	3,490	2,838	-19%
Agriculture and Allied Activities	1,284	2,032	2,388	2,179	-9%
Energy	1,811	1,723	2,393	2,158	-10%
Health and Family Welfare	1,372	1,287	1,672	1,500	-10%
Police	1,348	1,398	1,382	1,319	-5%
Water Supply and Sanitation	1,291	910	1,334	1,214	-9%
Urban Development	741	372	645	1,186	84%
Social Welfare and Nutrition	885	996	727	951	31%
Rural Development	711	1,012	1,316	946	-28%
% of total expenditure on all sectors	69%	62%	70%	61%	

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2023-24; PRS.

Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 26,158 crore, a decrease of 1% from the revised estimate of 2022-23. Of this, Rs 3,413 crore (13%) will be raised by the state through its **own resources**, and Rs 22,745 crore (87%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (69% of revenue receipts) and grants (18% of revenue receipts).
- **Devolution:** In 2023-24, state's share in central taxes is estimated at Rs 17,947 crore, an increase of 8% from the revised estimate of 2022-23.
- **Grants from the centre** in 2023-24 are estimated at Rs 4,798 crore, a decrease of 27% from the revised estimates for 2022-23. This decline is on account of the discontinuation of GST compensation after June 2022, and a reduction in revenue deficit grants.
- **State's own tax revenue:** Arunachal Pradesh's total own tax revenue is estimated to be Rs 2,565 crore in 2023-24, an increase of 15% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 6.8% in 2023-24. For 2022-23, the state had estimated this ratio at 7.1%, however, as per revised estimates, it is expected to be lower (5.9%).

Table 5: Break-up of the state government's receipts (in Rs crore)

Sources	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State's Own Tax	1,640	2,090	2,233	7%	2,565	15%
State's Own Non-Tax	775	935	792	-15%	848	7%
Share in Central Taxes	14,644	14,349	16,689	16%	17,947	8%
Grants-in-aid from Centre	4,173	6,480	6,591	2%	4,798	-27%
Revenue Receipts	21,232	23,854	26,305	10%	26,158	-1%
Non-debt Capital Receipts	7	10	10	0%	10	0%
Net Receipts	21,238	23,864	26,315	10%	26,168	-1%

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Arunachal Pradesh Budget 2023-24; PRS.

- In 2023-24, State GST is estimated to be the largest source of own tax revenue (76% share). State GST revenue is estimated to increase by 15% over the revised estimates of 2022-23. In 2022-23, the receipt on this account is expected to be 27% higher than budgeted.
- Revenue from Sales Tax/VAT in 2023-24 is also expected to see a 15% increase as compared to the revised estimates for 2022-23. However, in 2022-23, the receipt on this account is expected to be 42% lower than budgeted.

Table 6: Major sources of state's own-tax revenue (in Rs crore)

Taxes	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State GST	1,131	1,344	1,704	27%	1,959	15%
Sales Tax/ VAT	325	434	250	-42%	288	15%
Stamps Duty and Registration Fees	12	11	12	10%	14	16%
Taxes on Vehicles	49	30	36	20%	40	12%
State Excise	116	253	211	-17%	242	15%
Land Revenue	7	18	21	18%	22	7%
Taxes and Duties on Electricity	-	-	-	-	-	-
GST Compensation Grants	-	-	-	-	-	-
GST Compensation Loans	-	-	-	-	-	-

Sources: Annual Financial Statement, Revenue Budget, and Budget in Brief statements, Arunachal Pradesh Budget 2023-24; PRS.

Deficits, Debt, and FRBM Targets for 2023-24

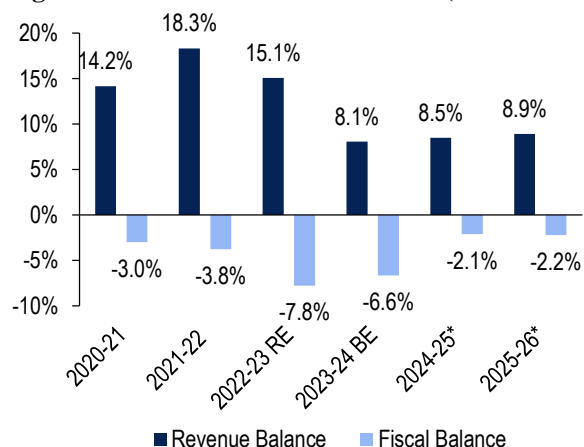
The Arunachal Pradesh Fiscal Responsibility and Budget Management Act, 2006 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue surplus: It is the difference of revenue expenditure and revenue receipts. A revenue surplus implies that the government does not need to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue surplus of Rs 3,063 crore (or 8.1% of the GSDP) in 2023-24. In 2022-23, the revenue surplus is expected to be Rs 5,713 crore (15.1% of GSDP) as per revised estimates. Revenue surplus is projected to increase to 8.9% of GSDP by 2025-26.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2023-24, the fiscal deficit is estimated to be 6.6% of GSDP. For 2023-24, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms. As per the revised estimates, in 2022-23, the fiscal deficit of the state is expected to be 7.8% of GSDP, which is higher than the budget estimate of 3.6% of GSDP. Fiscal deficit is projected to be lowered to 2.2% of GSDP by 2025-26.

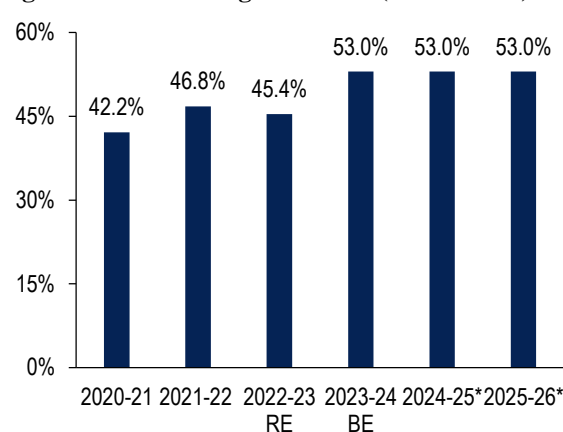
Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2023-24, the outstanding liabilities is estimated to be 53% of GSDP, higher than the revised estimate for 2022-23 (45.4% of GSDP). The outstanding liabilities have risen significantly as compared to 2020-21 level (42.2% of GSDP).

Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: *Figures for 2024-25 and 2025-26 are projections; For 2020-21 and 2021-22, deficits reported without treating GST compensation loans as grants. RE is Revised Estimates; BE is budget estimates. Positive figures indicate surplus, negative figures indicate deficits. Sources: Medium Term Fiscal Policy, Arunachal Pradesh Budget 2023-24; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



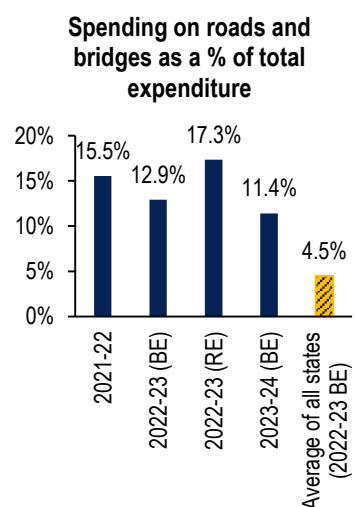
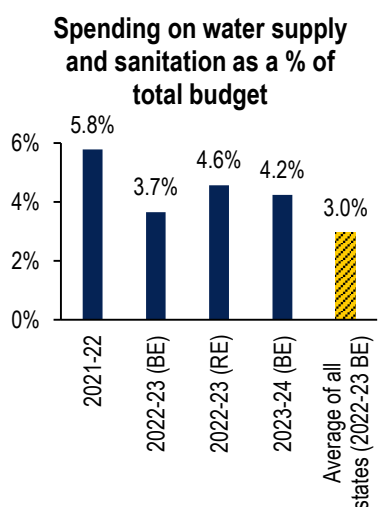
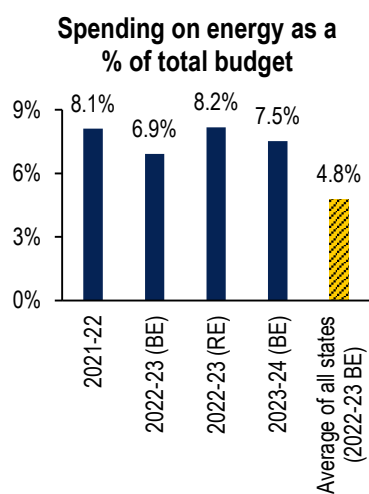
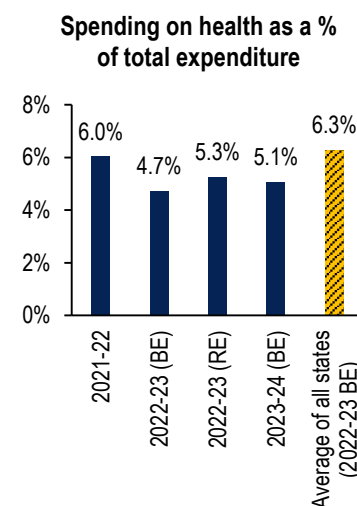
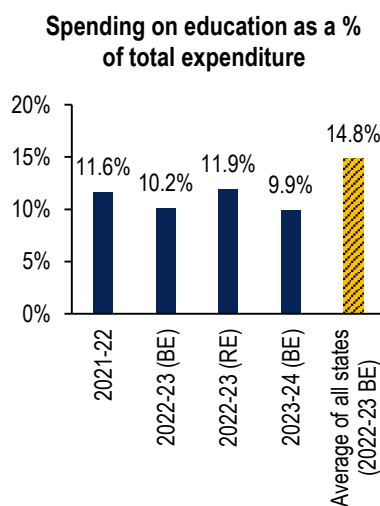
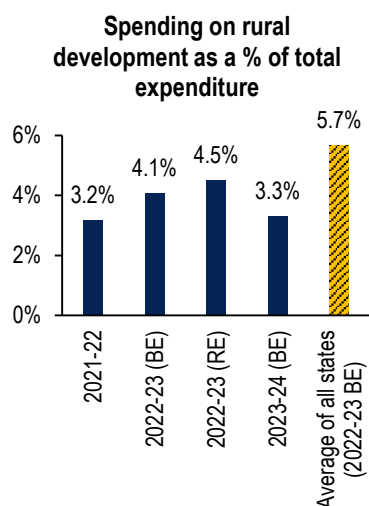
Note: *Figures for 2024-25 and 2025-26 are projections; Above figures do not include GST compensation loan as liabilities as it is to be serviced by the central government. RE: Revised Estimates; BE: Budget Estimates. Sources: Medium Term Fiscal Policy, Arunachal Pradesh Budget 2023-24; PRS.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Arunachal Pradesh's expenditure in 2023-24 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Arunachal Pradesh) as per their budget estimates of 2022-23.¹

- **Rural Development:** Arunachal Pradesh has allocated 3.3% of its expenditure on rural development in 2023-24. This is lower than the average allocation for rural development by states in 2022-23 (5.7%).
- **Education:** Arunachal Pradesh has allocated 9.9% of its total expenditure towards education, which is less than the average allocation for health by states (14.8%).
- **Health:** Arunachal Pradesh has allocated 5.1% of its expenditure on health. This is lower than the average allocation for health by states (6.3%).
- **Energy:** Arunachal Pradesh has allocated 7.5% of its expenditure towards energy. This is higher than the average allocation towards energy by states (4.8%).
- **Water Supply and Sanitation:** Arunachal Pradesh has allocated 4.2% of its total expenditure towards water supply and sanitation, which is higher than the average allocation by states (3%).
- **Roads and bridges:** Arunachal Pradesh has allocated 11.4% of its total expenditure towards roads and bridges, which is higher than the average allocation by states (4.5%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Arunachal Pradesh.
Sources: Annual Financial Statement, Arunachal Pradesh Budget 2023-24; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry .

Annexure 2: Comparison of 2021-22 Budget Estimates and Actuals

The following tables compare the actuals of 2021-22 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Net Receipts (1+2)	21,101	21,238	1%
1. Revenue Receipts (a+b+c+d)	21,091	21,232	1%
a. Own Tax Revenue	1,900	1,640	-14%
b. Own Non-Tax Revenue	850	775	-9%
c. Share in central taxes	11,694	14,644	25%
d. Grants-in-aid from the Centre	6,647	4,173	-37%
Of which GST compensation grants	-	-	-
2. Non-Debt Capital Receipts	10	7	-32%
3. Borrowings	1,480	1,483	0%
Of which GST compensation loan	0	0	-
Net Expenditure (4+5+6)	21,679	22,342	3%
4. Revenue Expenditure	15,344	15,847	3%
5. Capital Outlay	6,328	6,488	3%
6. Loans and Advances	7	7	-2%
7. Debt Repayment	634	355	-44%
Revenue Balance	5,747	5,385	-6%
Revenue Balance (as % of GSDP)	-	18.3%	-
Fiscal Deficit	579	1,103	91%
Fiscal Deficit (as % of GSDP)	-	3.8%	-

Note: BE: Budget Estimates. For calculating deficits, GST compensation loan not treated as grants. Budget Estimates of GSDP not available.

Sources: Arunachal Pradesh Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue (in Rs crore)

Tax Head	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Taxes on Vehicles	27	49	81%
Stamps Duty and Registration Fees	10	12	25%
State GST	1,222	1,131	-7%
Sales Tax/ VAT	395	325	-18%
State Excise	230	116	-50%
Land Revenue	16	7	-57%

Sources: Arunachal Pradesh Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors (in Rs crore)

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Urban Development	434	741	71%
Irrigation and Flood Control	411	548	33%
Water Supply and Sanitation	977	1,291	32%
Energy	1,433	1,811	26%
Transport	2,941	3,715	26%
<i>of which Roads and Bridges</i>	2,750	3,470	26%
Health and Family Welfare	1,125	1,372	22%
Education, Sports, Arts, and Culture	2,196	2,596	18%
Police	1,161	1,348	16%
Housing	61	68	12%
Rural Development	637	711	12%
Social Welfare and Nutrition	882	885	0%
Agriculture and Allied Activities	1,653	1,284	-22%
Welfare of SC, ST, OBC, and Minorities	0	0	-

Sources: Arunachal Pradesh Budget Documents of various years; PRS.