

Sikkim Budget Analysis

2023-24

The Finance Minister of Sikkim, Mr. Prem Singh Tamang, presented the Budget for the state for the financial year 2023-24 on May 17, 2023.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Sikkim for 2023-24 (at current prices) is projected to be Rs 47,331 crore, amounting to growth of 17.1% over 2022-23.¹
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 11,510 crore, an increase of 5% over the revised estimates of 2022-23. In addition, debt of Rs 296 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 9,363 crore, an increase of 3% as compared to the revised estimate of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to exceed the budget estimate by Rs 670 crore (increase of 8%).
- **Revenue surplus** in 2023-24 is estimated to be 0.1% of GSDP (Rs 42 crore), much lower than the revised estimates for 2022-23 (2.1% of GSDP). In 2022-23, the revenue surplus is expected to be much higher than the budget estimate (0.2% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 4.5% of GSDP (Rs 2,147 crore). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 4.7% of GSDP, higher than the budget estimate of 4% of GSDP.

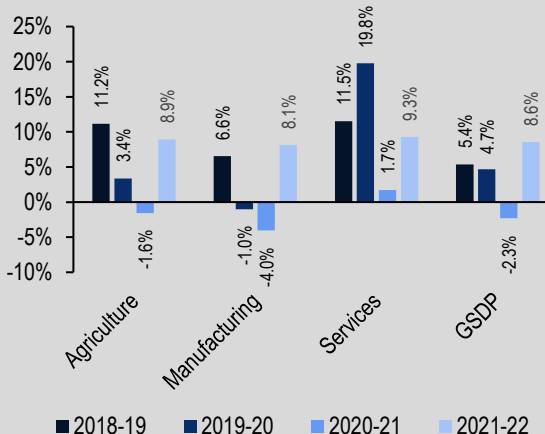
Policy Highlights

- **Climate Change:** The state shall appoint a high-level Climate Change Impact and Mitigation Commission to study the impact of climate change and recommend short and long-term mitigation strategies.
- **IT Infrastructure:** The state government has initiated a project to provide internet via fibre optic cables in the Soreng and Pakyong districts at a cost of Rs 120 crore.
- **Multi Village Water Supply Scheme:** The scheme will be set up under the Jal Jeevan Mission, to provide piped water to 6,355 households in 12 villages at a cost of Rs 133 crore.

Sikkim's Economy

- **GSDP:** In 2021-22, Sikkim's GSDP (at constant prices) is estimated to grow at 8.6%, over a low base of the previous year. In 2020-21, GSDP had contracted by 2.3%. In comparison, national GDP is estimated to grow by 8.7% in 2021-22, after a contraction of 6.6% in 2020-21.
- **Sectors:** In 2021-22, agriculture, manufacturing, and services sectors are estimated to contribute 10%, 59%, and 31% of the economy, respectively (at current prices).
- **Per Capita GSDP:** The per capita GSDP of Sikkim in 2021-22 (at current prices) is estimated at Rs 5,41,544, an annualised increase of 8% from 2018-19.

Figure 1: Growth in GSDP and sectors in Sikkim 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: Ministry of Statistics and Programme Implementation; PRS.

¹ GSDP figures are not available in the budget documents. Figures used in the analysis have been back-calculated using consolidated debt figures in the Budget at a Glance document.

Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 11,510 crore. This is an increase of 4.7% over the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 9,363 crore and net borrowings of Rs 2,296 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 3% over the revised estimate of 2022-23.
- **Revenue surplus** in 2023-24 is estimated to be 0.1% of GSDP (Rs 42 crore), significantly lower than the revised estimates for 2022-23 (2.1% of GSDP). **Fiscal deficit** for 2023-24 is targeted at 4.5% of GSDP (Rs 2,147 crore), slightly lower than the revised estimates for 2022-23 (4.7% of GSDP).
- In 2022-23, fiscal deficit is expected to be higher than the budget estimate by 0.7 percentage point of GSDP. The fiscal deficit for 2023-24 is much higher than the maximum limit (3.5% of GSDP) allowed by the central government. Sikkim's higher fiscal deficit is due to the loan from central government for capital expenditure which is over and above the borrowing ceiling. Without these additional borrowings, fiscal deficit is estimated to be 3% of GSDP for 2023-24, which is within the limits set by the central government.
- Revenue surplus is expected to rise by Rs 790 crore over the budget estimates in 2022-23 (1200%). This may be on account of an 8% increase in revenue receipts (other than borrowings) in 2022-23 over budget estimates.

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	8,105	10,117	11,158	10.3%	11,807	5.8%
(-) Repayment of debt	120	168	168	0.0%	296	76.3%
Net Expenditure (E)	7,985	9,949	10,989	10.5%	11,510	4.7%
Total Receipts	8,964	10,119	11,321	11.9%	11,955	5.6%
(-) Borrowings	1,883	1,698	2,231	31.4%	2,592	16.2%
Net Receipts (R)	7,081	8,421	9,090	8.0%	9,363	3.0%
Fiscal Deficit (E-R)	904	1,528	1,899	24.3%	2,147	13.1%
<i>as % of GSDP</i>	2.5%	4.0%	4.7%	-	4.5%	-
Revenue Surplus	412	66	856	1200.5%	42	-95.1%
<i>as % of GSDP</i>	1.1%	0.2%	2.1%	-	0.1%	-
Primary Deficit	269	796	1,167	46.6%	1,236	5.9%
<i>as % of GSDP</i>	0.7%	2.1%	2.9%	-	2.6%	-

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

Sources: Budget in Brief, Annual Financial Statement documents, Sikkim Budget 2023-24; PRS.

Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 9,321 crore, an increase of 13% 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 2,188 crore, a decrease of 21% over the revised estimate of 2022-23. Capital outlay indicates the expenditure towards creation of assets.

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	6,669	8,355	8,234	-1%	9,321	13%
Capital Outlay	1,316	1,593	2,754	73%	2,188	-21%
Loans given by the state	1	1	1	0%	1	0%
Net Expenditure	7,985	9,949	10,989	10%	11,510	5%

Sources: Annual Financial Statement, Sikkim 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, Sikkim is estimated to spend Rs 5,410 crore on committed expenditure, which is 58% of its estimated revenue receipts. This comprises spending on salaries (34% of revenue receipts), pension (14%), and interest payments (10%). Committed expenditure is expected to increase by 7% over the revised estimate of 2022-23. This will primarily be driven by increases in interest payments and pension expenditure. Interest payments are expected to increase by 24% (Rs 180 crore) in 2023-24 while pension expenditure is expected to increase by 16% (Rs 182 crore). Expenditure on salaries is expected to decrease by 1% (Rs 19 crore).

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	2,631	3,196	3,215	1%	3,196	-1%
Pensions	983	1,120	1,120	0%	1,302	16%
Interest Payment	635	732	732	0%	912	24%
Total Committed Expenditure	4,249	5,049	5,067	0%	5,410	7%

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

Sector-wise expenditure: The sectors listed below account for **59%** of the total expenditure by Sikkim in 2023-24. A comparison of Sikkim's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Sikkim 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
Education, Sports, Arts, and Culture	1,441	1,635	1,672	1,884	13%
Agriculture and Allied Activities	502	739	671	775	16%
Roads and Bridges	589	756	833	756	-9%
Health and Family Welfare	600	611	645	706	9%
Police	483	550	554	575	4%
Urban Development	98	203	358	565	58%
Energy	390	493	633	469	-26%
Social Welfare and Nutrition	225	389	334	457	37%
Rural Development	237	281	299	345	15%
Welfare of SC, ST, OBC, and Minorities	123	487	487	262	-46%
% of total expenditure on all sectors	59%	62%	59%	59%	-

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

Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 9,362 crore, an increase of 3% over the revised estimate of 2022-23. Of this, Rs 2,806 crore (30%) will be raised by the state through its **own resources**, and Rs 6,557 crore (70%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (42% of revenue receipts) and grants (28% of revenue receipts).
- **Devolution:** In 2023-24, state's share in central taxes is estimated at Rs 3,963 crore, an increase of 12% over the revised estimate of 2022-23.
- **Grants from the centre** in 2023-24 is estimated at Rs 2,593 crore, a decrease of 16% over the revised estimates for 2022-23.
- **State's own tax revenue:** Sikkim's total own tax revenue is estimated to be Rs 1,727 crore in 2023-24, an increase of 20% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 3.6% in 2023-24 which is the same as the revised estimates of 2022-23.

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	1,254	1,336	1,436	7%	1,727	20%
State's Own Non-Tax	681	990	1,000	1%	1,079	8%
Share in Central Taxes	3,288	3,169	3,553	12%	3,963	12%
Grants-in-aid from Centre	1,858	2,925	3,100	6%	2,593	-16%
Revenue Receipts	7,081	8,421	9,090	8%	9,362	3%
Non-debt Capital Receipts	0.45	0.08	0.08	0%	0.33	323%
Net Receipts	7,081	8,421	9,090	8%	9,363	3%

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

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

- In 2023-24, State GST is estimated to be the largest source of own tax revenue (56% share). State GST revenue is estimated to increase by 22% over the revised estimates of 2022-23. In 2022-23, the receipt on this account is expected to be 15% higher than budgeted.
- Revenue from sales tax/VAT in 2023-24 is expected to see an increase of 20% as compared to the revised estimates for 2022-23. Revenue from state excise is also projected to increase by 6% as compared to the revised estimates for 2022-23.

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	656	687	787	15%	960	22%
State Excise	249	297	297	0%	315	6%
Sales Tax/ VAT	227	233	233	0%	280	20%
Taxes on Vehicles	39	46	46	0%	56	22%
Stamp Duty and Registration Fees	23	14	14	0%	27	88%
Land Revenue	10	9	9	0%	20	133%
Taxes and Duties on Electricity	-	-	-	-	-	-
GST Compensation Grants	9	-	-	-	-	-
GST Compensation Loans	-	-	-	-	-	-

Sources: Annual Financial Statement and Receipt Budget statements, Sikkim Budget 2023-24; PRS.

Deficits, Debt, and FRBM Targets for 2023-24

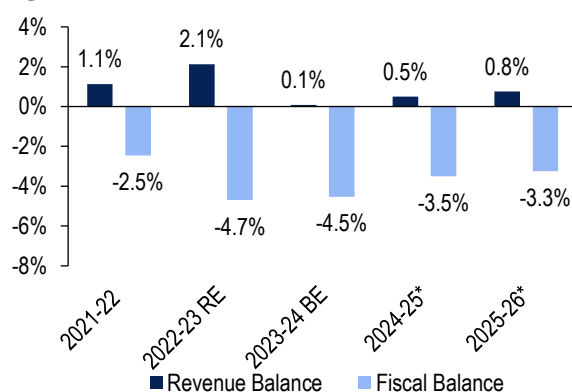
The Sikkim Fiscal Responsibility and Budget Management Act, 2010 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue balance: 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 42 crore (or 0.1% of the GSDP) in 2023-24, where revenue receipts include a post-devolution revenue deficit grant of Rs 149 crore. In 2022-23, the revenue surplus is expected to be Rs 856 crore (2.1% of GSDP) as per revised estimates, after accounting for revenue deficit grant of Rs 440 crore. As per the 15th Finance Commission recommendations, Sikkim will not receive any revenue deficit grants in 2024-25 and 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 4.5% 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 4.7% of GSDP, which is higher than the budget estimate of 4% of GSDP.

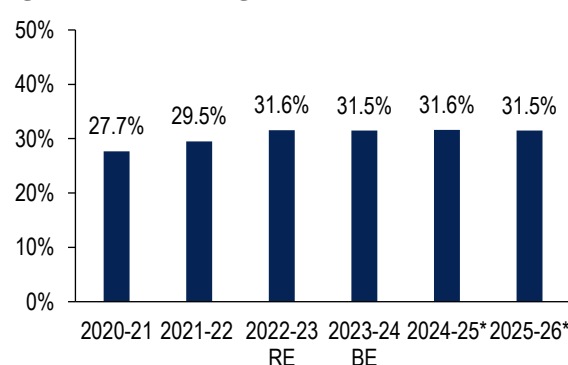
Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on the public account. At the end of 2023-24, the outstanding liabilities is estimated to be 31.5% of GSDP, marginally lower than the revised estimate for 2022-23 (31.6% of GSDP). Outstanding liabilities have risen from 22.8% of GSDP in 2019-20 to a projected 31.5% in 2023-24. The outstanding liabilities include financial assistance to states as loans worth Rs 1,501 crore.

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



Note: * Numbers for 2024-25 and 2025-26 are projections
Positive (+) figures indicate a surplus, negative (-) figures indicate a deficit. RE is Revised Estimates; BE is budget estimates.
Sources: Budget at a Glance, FRBM Statement, Sikkim Budget 2023-24; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



Note: * Numbers for 2024-25 and 2025-26 are projections
This includes financial assistance to the state as loans of Rs 1,501 crore. RE: Revised Estimates; BE: Budget Estimates.
Sources: Budget at a Glance, FRBM Statement, Sikkim Budget 2023-24; PRS.

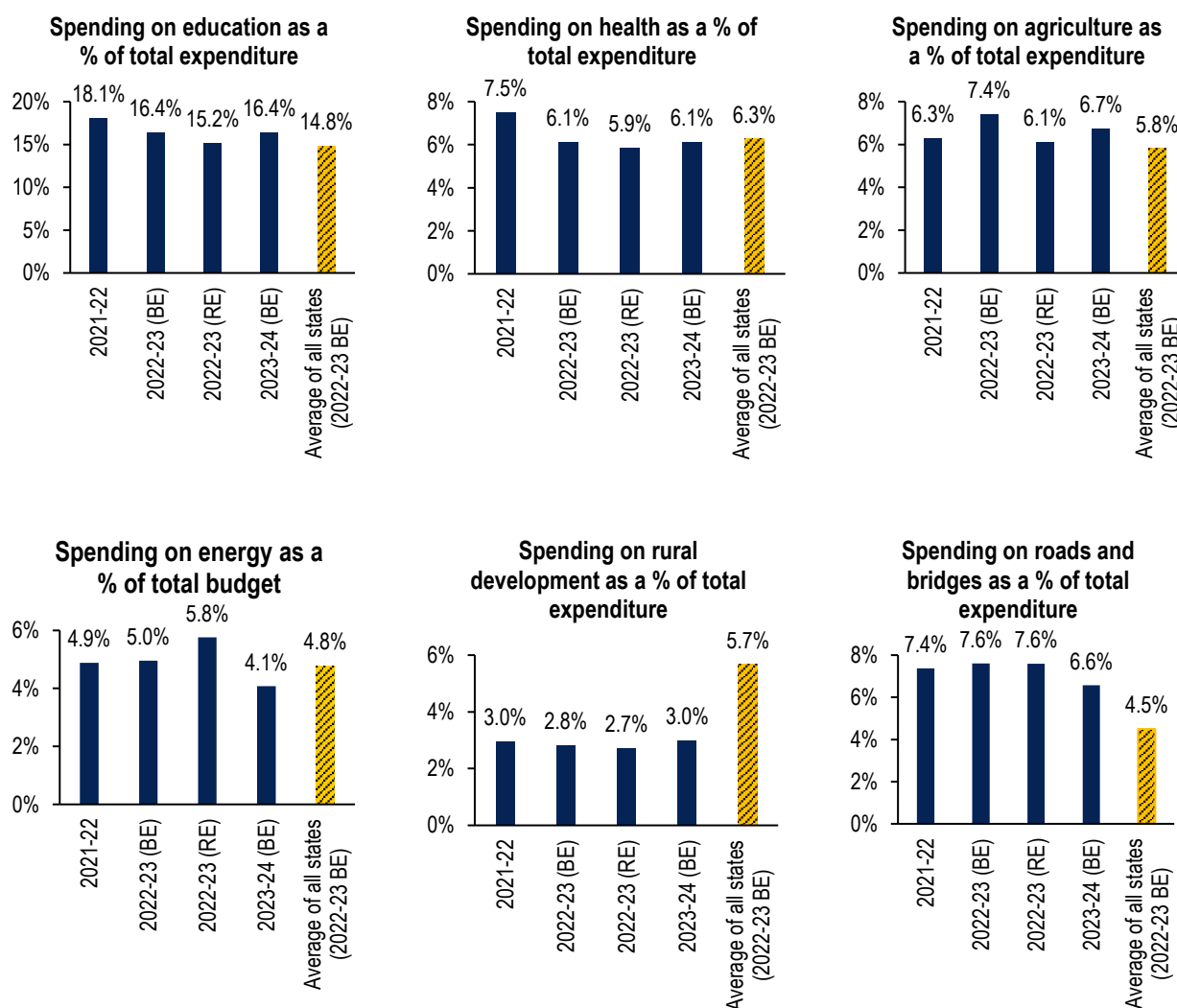
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. Outstanding guarantees of Sikkim are expected to decrease, from 11.5% of GSDP in 2019-20 to 9.4% of GSDP in 2023-24.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Sikkim'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 Sikkim) as per their budget estimates of 2022-23.²

- **Education:** Sikkim has allocated 16.4% of its expenditure on education in 2023-24. This is higher than the average allocation for education by states in 2022-23 (14.8%).
- **Health:** Sikkim has allocated 6.1% of its total expenditure towards health, which is marginally less than the average allocation for health by states (6.3%).
- **Agriculture:** Sikkim has allocated 6.7% of its expenditure on agriculture. This is higher than the average allocation for agriculture by states (5.8%).
- **Energy:** Sikkim has allocated 4.1% of its expenditure towards energy. This is lower than the average allocation towards energy by states (4.8%).
- **Rural Development:** Sikkim has allocated 3% of its total expenditure towards rural development, which is lower than the average expenditure on rural development by states (5.7%).
- **Roads and bridges:** Sikkim has allocated 6.6% 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 Sikkim.

Sources: Annual Financial Statement, Sikkim Budget 2023-24; various state budgets; PRS.

² 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)	7,743	7,081	-9%
1. Revenue Receipts (a+b+c+d)	7,743	7,081	-9%
a. Own Tax Revenue	1,195	1,254	5%
b. Own Non-Tax Revenue	775	681	-12%
c. Share in central taxes	2,582	3,288	27%
d. Grants-in-aid from the Centre	3,190	1,858	-42%
Of which GST compensation grants	-	9	-
2. Non-Debt Capital Receipts	0.1	0.4	477%
3. Borrowings	1,807	1,883	4%
Of which GST compensation loan	-	-	-
Net Expenditure (4+5+6)	9,468	7,985	-16%
4. Revenue Expenditure	7,391	6,669	-10%
5. Capital Outlay	2,075	1,316	-37%
6. Loans and Advances	1.4	0.8	-37%
7. Debt Repayment	121	120	-1%
Revenue Surplus	352	412	17%
Revenue Surplus (as % of GSDP)*	0.9%	1.1%	-
Fiscal Deficit	1,725	904	-48%
Fiscal Deficit (as % of GSDP)	4.5%	2.5%	-

Note: BE: Budget Estimates.

Sources: Sikkim 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	44	39	-10%
State Excise	275	249	-9%
Sales Tax/ VAT	220	227	3%
Land Revenue	9	10	11%
State GST	579	656	13%
Stamps Duty and Registration Fees	12	23	98%
Taxes and Duties on Electricity	-	-	-

Sources: Sikkim 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
Irrigation and Flood Control	231	81	-65%
Urban Development	238	98	-59%
Water Supply and Sanitation	328	176	-46%
Transport	1,118	665	-41%
<i>of which Roads and Bridges</i>	<i>1,046</i>	<i>589</i>	<i>-44%</i>
Agriculture and Allied Activities	682	502	-26%
Welfare of SC, ST, OBC, and Minorities	159	123	-23%
Rural Development	294	237	-19%
Social Welfare and Nutrition	271	225	-17%
Housing	149	124	-17%
Education, Sports, Arts, and Culture	1,568	1,441	-8%
Police	498	483	-3%
Health and Family Welfare	588	600	2%
Energy	323	390	21%

Sources: Sikkim Budget Documents of various years; PRS.