

A Study on State Finance of Chhattisgarh

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Executive Summary

Chhattisgarh, which became the 26th state of India on November 1, 2000, has developed into a vital player in both the industrial and agricultural domains of the country.

Historically referred to as Dakshina Kosala, this region has transformed from a princely state under British colonial rule into an independent state with significant economic and demographic prospects. The establishment of Chhattisgarh accomplished peacefully reflected a desire for cultural and administrative recognition, which was ultimately realized through the Madhya Pradesh Reorganization Bill of 2000. Since its inception, Chhattisgarh has achieved remarkable advancements in development, driven by its abundant natural resources, agricultural foundation, and expanding industrial capabilities.

Historical and Geographic Context: Covering an area of 135,194 square kilometers, Chhattisgarh is the tenth-largest state in India by land area and ranks sixteenth in terms of population. It shares its borders with seven other states, with Raipur serving as its capital, which is a crucial center for trade and governance. The historical identity of the state is associated with the Haihaya dynasty and subsequent feudal systems, evolving through colonial rule into a democratic framework. This historical context lays the groundwork for the cultural and institutional aspects that inform current policymaking and development initiatives.

Demographic Dynamics: The demographic landscape of Chhattisgarh presents both opportunities and challenges. Projections suggest a consistent increase in population, rising from 25.5 million in 2011 to an anticipated 34 million by 2036. Significantly, the working-age demographic (ages 15–59) is on the rise—from 60.3% in 2011 to 64.9% in 2036—indicating a potential demographic dividend. Conversely, the population of reproductive females (ages 15–49) remains almost stable (from 52.8 to 53.7), hinting at a stabilization in fertility rates.

This shift is further supported by a decrease in the total fertility rate (TFR), which is expected to fall from 2.62 (2011–15) to 1.83 (2031–35), suggesting that Chhattisgarh is approaching replacement-level fertility. Additionally, life expectancy is on the rise, with male life expectancy projected to increase from 63.6 to 69.8 years and female life expectancy from 66.8 to 73.8 years between 2011 and 2035. At the same time, infant and under-five mortality rates are steadily declining, indicating advancements in healthcare delivery.

These demographic trends highlight the necessity for proactive health, education, and employment policies to leverage the economic potential of a youthful population while preparing for future aging trends.

Urbanization Trends: Although the state remains largely rural, urbanization is progressing rapidly. In 2011, 76.76% of the population lived in rural regions; by 2036, this figure is projected to decrease to 68.72%. The urban population is expected to increase from 5.94 million to 10.66 million. This change indicates internal migration spurred by industrialization, enhanced livelihoods, and improved facilities in urban areas.

While this transition offers opportunities for urban economies, it also exerts significant pressure on urban infrastructure, housing, transportation, and public services. Consequently, balanced development and investment in rural areas are essential to prevent overcrowding and ensure equitable growth.

Economic Growth Performance: Chhattisgarh has demonstrated a steady trajectory of economic growth since the fiscal year 2012–13. The Gross State Domestic Product (GSDP) at current prices escalated from ₹177,51,133 lakh in 2012–13 to ₹ 512,10,749 lakh in 2023–24. The Compound Annual Growth Rate (CAGR) prior to the COVID-19 pandemic was recorded at 9.94%, while the recovery phase post-pandemic surpassed expectations, achieving a CAGR of 13.28%.

The recovery following the COVID-19 pandemic illustrates significant resilience at the state level, propelled by government spending, pent-up consumer demand, and a resurgence in industrial activities. When assessed at constant prices, the state experienced a CAGR of 6.12% before the pandemic and 6.88% afterward, which further underscores the robustness of the recovery and the effectiveness of implemented policies.

Chhattisgarh's GSDP, measured at constant prices, reflects steady growth before COVID-19, expanding from ₹165,97,740 lakh in 2012–13 to ₹ 244,57,906 lakh in 2019–20 at a 6.1% CAGR. Though annual growth rates fluctuated, peaks in 2013–14, 2016–17, and 2018–19 highlighted resilience, supported by agriculture and mining. The pandemic caused only a mild contraction of -0.1 % in 2020–21, showcasing relative stability. A strong rebound followed, with growth of 6.3% in 2021–22, 7.0% in 2022–23, and 7.3% in 2023–24. Post-COVID CAGR improved to 6.8%, surpassing pre-COVID levels, indicating robust recovery, renewed momentum, and strong prospects for sustained future growth.

Per Capita Income (PCI), an essential indicator of living standards, exhibited a comparable pattern. It rose from ₹60,849 in 2012–13 to ₹1,48,922 in 2023–24, indicating a pre-COVID CAGR of 8.34% and a post-COVID CAGR of 11.96%. This growth trajectory is encouraging; however, disparities persist when juxtaposed with leading states such as Karnataka, Telangana, and Haryana.

Sectoral Composition and Structural Change: The economic framework of Chhattisgarh is defined by a robust industrial foundation, a consistent agricultural sector, and a moderately expanding services sector. In the fiscal year 2012–13, the industrial sector contributed 45.94% to the Gross State Domestic Product (GSDP), agriculture contributed 19.15%, and services contributed 34.91%. By the fiscal year 2023–24, the industrial contribution remained significant at 44.08%, while agriculture and services contributed 20.34% and 35.58%, respectively.

The industrial prowess of the state is primarily attributed to its mineral wealth, particularly coal and iron, positioning it as a frontrunner in steel and energy production. Nevertheless, the dependence on primary sectors introduces sustainability challenges. The services sector presents opportunities for growth, particularly in areas such as education, healthcare, logistics, and digital infrastructure.

The sectoral composition of Chhattisgarh's GSDP at constant prices between 2012–13 and the 2023–24 highlight the state's changing economic structure. Over this period, agriculture, industry, and services have shown shifting contributions, reflecting growth drivers and sectoral resilience. In 2012–13, industry led with 47.09%, followed by services at 34.58% and agriculture at 18.32%. Industry's share peaked at 50.99% in 2018–19, while agriculture fluctuated between 16–19% and services ranged from 32–36%. The pandemic altered dynamics, but recovery saw services strengthening. By 2023–24, agriculture is estimated at 17.09%, industry at 48.03%, and services at 34.87%, underscoring ongoing structural transformation.

Inter-State Comparisons and Regional Positioning: Chhattisgarh's developmental path is varied when compared to other Indian states. Its extensive land area and moderate population density (approximately 227 individuals per square kilometer) offer a distinctive opportunity for sustainable development and infrastructure growth. However, the state falls short in terms of per capita income, placing it in the lower-middle tier nationally.

In contrast to industrial frontrunners like Karnataka and Telangana both of which enjoy elevated per capita incomes driven by information technology and manufacturing Chhattisgarh's economy is hindered by its dependence on agriculture and mining. States facing similar issues, such as Odisha and Rajasthan, exhibit analogous trends in income and population distribution. To enhance its relative position, Chhattisgarh must focus on diversifying its industrial base, establishing innovation centers, and improving skill development in alignment with emerging sectors.

Chapter 2 provides an in-depth analysis of the revenue trends of the Government of Chhattisgarh spanning a twelve-year timeframe from 2012–13 to 2023–24. It offers detailed insights into the various components of state revenue, their relative growth, structural changes, and the implications for fiscal sustainability. Given that revenue serves as the fundamental basis for any government's budgetary capabilities, comprehending its trajectory is crucial for assessing the state's developmental and fiscal policy approaches.

This chapter emphasizes revenue receipts, monitoring their growth, composition, and policy ramifications. Revenue receipts have seen a substantial increase from ₹29,578 crore in 2012–13 to ₹1,03,508 crore in 2023–24, indicating a rise of more than threefold. This growth supports the state's enhanced capacity to fund development projects without excessive reliance on borrowing.

Over the years, the structure of revenue receipts has undergone significant changes. In 2012–13, the composition was Own Tax Revenue is ₹ 13034.21, Own Non-Tax Revenue is ₹ 4615.95 crore, Share in Central Taxes is ₹ 7217.60 crore, Grants from Centre: ₹ 4710.33 crore. By 2023–24, the situation had transformed to Own Tax Revenue is ₹ 38786.22 crore, Own Non-Tax Revenue is ₹ 15147.96 crore, Share in Central Taxes is ₹ 38481.88 crore and Grants from Centre is ₹ 11092.13 crore. While the absolute values of all components have risen, the proportion of own tax and non-tax revenue relative to total revenue has decreased, indicating a growing reliance on central transfers. This transition raises concerns regarding fiscal autonomy and the robustness of the state's own revenue-generating mechanisms.

Chapter 3 offers an extensive analysis of the trends in public expenditure in Chhattisgarh over a span of 12 years, concentrating on both revenue and capital expenditures, as well as their effects on economic growth, fiscal viability, and social equity. It delivers a macro-level perspective supported by data from budget in brief of Chhattisgarh, elucidating the government's changing spending priorities and strategies.

Increasing Expenditure Trends between 2012–13 and 2023–24; the total government expenditure in Chhattisgarh escalated from ₹33,779 crore to ₹1,30,471 crore an increase of nearly four times. Revenue expenditure constituted the majority, rising from ₹26,971 crore to ₹1,14,740 crore, highlighting a pronounced emphasis on operational necessities such as salaries, subsidies, and welfare initiatives. Although capital expenditure was comparatively smaller, it also experienced a consistent increase from ₹4,919 crore to ₹15,419 crore, particularly surging after 2020 due to strategies aimed at recovery through infrastructure development. The total expenditure as a percentage of GSDP increased from 19.03% to 25.47%, reflecting a deeper engagement of the government in the economy.

Composition of Expenditure: A discernible trend is evident in the distribution of public expenditure. Revenue expenditure has generally represented 80–88% of the total budget, highlighting the government's dedication to ongoing services. In contrast, capital expenditure has remained between 11–15%, indicating a necessity for increased emphasis on asset development and long-term investments.

Revenue Deficit Dynamics: From 2012–13 to 2023–24, revenue receipts rose from ₹29,578 crore to ₹1,03,508 crore. Nevertheless, revenue deficits have continued in several years due to significant increases in expenditure. For example, a revenue surplus of ₹2,606 crore in 2012–13 transformed into a deficit of ₹11,232 crore by 2023–24. The ratio of revenue expenditure to receipts, an essential indicator of fiscal health, varied, reaching a peak of 115.04% in 2019–20 and again hitting 110.85% in 2023–24. These patterns indicate pressure on revenue generation and the difficulty of sustaining fiscal discipline in the face of growing public service demands.

Revenue Expenditure Analysis: The revenue expenditure in Chhattisgarh can be categorized into four primary segments: General Services, Social Services, Economic Services, and Grants-in-Aid to Local Bodies. Throughout the review period: General Services increased from ₹6,649 crore to ₹26,240 crore, exhibiting a compound annual growth rate (CAGR) of 16.27% prior to COVID, which subsequently decreased

to 8.27% after COVID. This category encompasses administrative expenses and debt servicing.

Social Services escalated from ₹11,456 crore to ₹39,411 crore, propelled by initiatives in education, health, and welfare. Nevertheless, its proportion diminished from 42.5% to 34.34%, indicating a relative decrease in emphasis.

Economic Services, which include agriculture, energy, and rural development, experienced the most substantial growth—from ₹8,012 crore to ₹47,791 crore, with a CAGR of 18.71% before COVID and 15.77% afterward. This trend reflects the government's increasing focus on economic productivity and infrastructure development.

Grants to Local Bodies remained relatively small, increasing slightly from ₹854 crore to ₹1,297 crore, yet its share fell from 3.2% to 1.13%, potentially signalling a transition towards centralized delivery systems.

Committed Expenditures: Committed expenditures—comprising salaries, pensions, and interest payments constituted a significant fraction of revenue spending. In the fiscal year 2023–24, these expenditures amounted to ₹45,005 crore, representing 39.22% of total revenue expenditure. Salaries and Wages surged nearly fourfold from ₹7,686 crore in 2012–13 to ₹29,095 crore in 2023–24. Interest Payments increased 6 fold times during this timeframe, underscoring the increasing debt responsibilities.

Pension Payments experienced a notable rise following 2017–18, reflecting demographic shifts within the government workforce. Although the committed expenditure peaked at over 50% of revenue expenditure in 2021–22, the decline observed in 2023–24 suggests enhanced fiscal flexibility.

Capital Expenditure Dynamics: Capital expenditure, which underpins long-term economic capacity through the development of infrastructure and asset creation,

increased from ₹4,919 crore to ₹15,419 crore over the decade. As a proportion of GSDP, it rose from 2.77% to 3.01%, signifying a moderate enhancement in development-oriented spending.

Chapter 4 offers a thorough analysis of the fiscal deficits experienced by the Government of Chhattisgarh from 2012–13 to 2023–24, focusing on three key fiscal indicators Revenue Deficit, Fiscal Deficit, and Primary Deficit. These indicators furnish a detailed perspective on the financial condition of the state, its debt obligations, and the consequences of its spending and revenue strategies. The chapter evaluates deficit trends, their relationship to GSDP, the quality of the deficits, interest commitments, and the viability of debt servicing, thus providing essential insights for policy development and fiscal oversight.

Trends in Fiscal Parameters (2012–13 to 2023–24)

- **Revenue Deficit/Surplus:** The state commenced with a revenue surplus amounting to ₹2,606 crore in 2012–13. However, this surplus transitioned into a deficit of ₹809 crore in 2013–14, which further deteriorated in 2014–15. A recovery phase was observed between 2015–16 and 2018–19, reaching its zenith in 2016–17 with a revenue surplus of ₹5,520 crore. The repercussions of the COVID-19 pandemic resulted in a significant decline, with the deficit escalating to ₹9,609 crore in 2019–20.

In the fiscal years 2021–22 and 2022–23, revenue surpluses were reinstated (₹4,642 crore and ₹8,592 crore respectively), only to revert to a deficit in 2023–24 (₹11,233 crore). This trend illustrates cyclical fiscal stress and recovery, highlighting the vulnerability of revenue streams to external economic disturbances and the necessity for robust fiscal planning.

- **Fiscal Deficit:** Throughout the examined period, the fiscal deficit remained consistently negative, indicating a reliance on borrowing. It deteriorated from ₹2,655 crore in 2012–13 to ₹8,075 crore in 2014–15. A temporary enhancement was

noted in 2016–17 (₹4,107 crore). The deficit reached its peak at ₹26,946 crore in 2023–24, propelled by post-pandemic expenditures, diminishing revenue performance, and escalating committed costs.

- **Primary Deficit:** The primary deficit increased from ₹1,501 crore in 2012–13 to a concerning ₹20,148 crore in 2023–24. Despite a fleeting surplus of ₹49 crore in 2021–22, the fiscal gap post-COVID expanded once more, indicating unsustainable spending beyond interest obligations.

Quality of Fiscal Deficit (RD/FD Ratio): This ratio evaluates the quality of the fiscal deficit by determining whether borrowing is directed towards productive capital development (low RD/FD) or revenue expenditures (high RD/FD).

Negative RD/FD values (for instance, -1.83 in 2022–23) suggest inadequate fiscal quality, where borrowings are utilized for non-asset-generating expenses such as salaries and subsidies.

Conversely, positive ratios in 2019–20, 2020–21, and 2023–24 indicate a shift towards more capital-focused spending. This trend implies sporadic improvement; however, the ongoing negative years raise alarms regarding inefficient borrowing practices.

Chapter 4 emphasizes the critical necessity for Chhattisgarh to address its fiscal challenges with careful consideration and foresight. The state's deteriorating fiscal and primary deficits, growing reliance on borrowing, and escalating interest obligations highlight the need for remedial actions. Although the post-COVID recovery provided a temporary opportunity for improvement, the recent downturn in 2023–24 reinforces the importance of ongoing reforms. Effective management of debt, enhanced revenue generation, and prudent expenditure practices are essential to restore fiscal equilibrium and foster sustainable development.

Chapter 5 offers a comprehensive examination of the debt profile and liability trends of the Government of Chhattisgarh over a twelve-year period (2012–13 to 2023–24). It delves into the sources, composition, magnitude, servicing costs, and sustainability of state liabilities.

Debt-to-GSDP Ratio: Evaluating Sustainability: The debt-to-GSDP ratio serves as a crucial measure of the debt burden in relation to the economy's size. For Chhattisgarh:

- It stood at 10.85 % in 2012–13, well below the FRBM limit of 25%.
- It reached a peak of 26.30 % in 2020–21 due to borrowing necessitated by the pandemic.
- In 2022-23 again it reduced to 22.16%; then slightly gained in 2023–24 with 26.20%.

Composition of Debt: Internal vs. Central Loans

- **Internal Debt:** The primary element, internal debt, experienced a significant increase. From ₹ 9567 crore in 2012–13 to ₹ 95140 crore in 2023–24. Its proportion of total debt escalated from 49.65% to over 70.90%. Market loans are predominant in this category, representing over 90% of internal debt by 2023–24. These loans are characterized by high costs, typically featuring fixed interest rates and short- to medium-term maturities, thereby intensifying the pressure on fiscal planning.
- **Loans from the Centre:** Central loans have diminished in both absolute and relative measures. From ₹ 2,137 crore in 2012–13 to ₹ 18748 crore in 2023–24. Their proportion rose from 11.09% to merely 13.97%. This trend indicates the gradual elimination of conventional central assistance loans and a shift towards enhanced borrowing autonomy at the state level, albeit with increased vulnerability to fluctuations in interest rates.
- **Public Account Liabilities:** These encompass provident funds and various small savings, which increased from ₹ 7564 crore in 2012–13 to ₹ 20292 crore in 2023–24. However, their share has diminished due to the more rapid growth of market loans.

- **Adherence to FRBM Targets:** The Fiscal Responsibility and Budget Management (FRBM) Act sets forth limits for fiscal and revenue deficits as well as public debt. Chhattisgarh has exhibited a varied performance: The fiscal deficit has surpassed the 3% target on several occasions, particularly in the aftermath of COVID. The interest-to-revenue ratio, while still under 10%, is on an upward trajectory. These discrepancies underscore the necessity for measured fiscal adjustments to restore key indicators to sustainable levels.

The debt trajectory of Chhattisgarh from 2012–13 to 2023–24 illustrates a combination of proactive development financing alongside emerging fiscal vulnerabilities. Although debt has facilitated significant investments in infrastructure and welfare, the escalating burden of interest payments, the increasing prevalence of market loans, and the growth of contingent liabilities pose challenges to fiscal sustainability. Looking ahead, the state must adjust its fiscal strategy to lessen dependence on debt, enhance revenue performance, and ensure that borrowing is focused on high-return investments.

Chapter 6 offers an in-depth examination of the reforms in the power sector within Chhattisgarh, emphasizing institutional restructuring, the operational and financial performance of power utilities, trends in electricity generation and consumption, as well as the ongoing challenges that hinder the sector's sustainability and growth.

Institutional Reform: Unbundling of CSEB: In January 2009, the Chhattisgarh State Electricity Board (CSEB) was divided into five distinct entities Chhattisgarh State Power Holding Company Ltd. (CSPHCL), Chhattisgarh State Power Generation Company Ltd. (CSPGCL), Chhattisgarh State Power Transmission Company Ltd. (CSPTCL), Chhattisgarh State Power Distribution Company Ltd. (CSPDCL), Chhattisgarh State Power Trading Company Ltd. (CSPTTrCL). Following this, mergers occurred in June 2022, integrating CSPHCL with CSPTCL and CSPTTrCL with CSPDCL. This structural reorganization aimed to enhance governance, optimize operations, and foster accountability throughout the sector.

Financial Performance of Power Sector PSUs: Between 2018–19 and 2022–23, the financial performance of power sector PSUs (Public Sector Undertakings) deteriorated: Net profits transitioned into losses following 2018–19. Total accumulated losses increased at a compound annual growth rate (CAGR) of 5.64%, reaching ₹6,782.76 crore by 2022–23. The primary source of these losses was CSPDCL, the distribution company. In spite of slight increases in paid-up capital and a growing consumer base, the power sector has struggled to achieve consistent profitability, primarily due to inefficiencies in distribution and cost-recovery mechanisms.

CSPDCL has demonstrated notable advancements in operational metrics. Distribution losses decreased from 25.75% (2012–13) to 16.14% (2022–23). Billing efficiency improved from 74.25% to 83.86%. Collection efficiency reached 100% in both 2021–22 and 2022–23. AT&C losses were reduced from 30.75% to 16.14% during the same timeframe. These enhancements are attributed to improved metering, more stringent billing protocols, investments in infrastructure, and the adoption of digitization. Nevertheless, AT&C losses continue to exceed the thresholds recommended by the Finance Commission, indicating areas that require further enhancement.

Distribution Losses and Energy Efficiency: Between 2012–13 and 2022–23, distribution losses have significantly decreased from 4,923.59 million units (25.74%) to 5,602.15 million units (16.14%). This reduction was accomplished despite an increase in energy availability, indicating improved transmission efficiency.

Chapter 7 dealt with the Public Sector Undertakings (PSUs) in Chhattisgarh which play a crucial role in the economic advancement and industrial landscape of the state. These government-owned organizations function across essential sectors—such as power, mining, industry, and infrastructure and are responsible for fostering growth, creating jobs, and enhancing resource utilization.

Despite their importance, PSUs in the region encounter various challenges, including deteriorating financial performance and rising debt reliance. This chapter explores their

organizational structure, performance metrics, fiscal impact, and the strategic investments made by the state in these entities.

Performance Overview and Economic Contribution: Turnover Trends; The turnover of operational Public Sector Undertakings (PSUs) has exhibited a robust and steady upward trend over the past six years. 2018–19: ₹40,047.73 crore, 2023–24: ₹55,961.72 crore. This nearly 40% increase signifies an expansion in operations and enhanced commercial performance, even in the face of global economic challenges posed by COVID-19. The growth is primarily attributed to heightened industrial demand, a resurgence in power and mining sectors, and the ongoing governmental emphasis on public investment in infrastructure.

Notwithstanding the rising turnover, the contribution of PSUs to the Gross State Domestic Product (GSDP) has not increased at a corresponding rate, indicating potential for efficiency improvements and greater value generation.

Structural and Financial Performance of Working PSUs: Reduction in Operational PSUs. The count of operational PSUs decreased from 29 in 2018–19 to 25 in 2023–24, suggesting closures, mergers, or divestitures of underperforming entities.

- **Equity and Debt:** The paid-up capital remained relatively constant at approximately ₹7,013 crore until 2021–22, before experiencing a slight rise to ₹7,083.71 crore in 2022–23. Loans rose from ₹13,605.75 crore in 2018–19 to ₹14,924.98 crore in 2023–24, underscoring an increasing dependence on borrowing instead of generating internal resources.
- **Profitability Trends:** PSUs reported a net profit of ₹926.81 crore in 2018–19, but this trend quickly reversed in the following years, resulting in considerable losses: 2019–20: ₹-306.30 crore, 2021–22: ₹-361.26 crore, 2022–23: ₹-262.90 crore. Positively, 2023–24 marked a recovery with a net profit of ₹422 crore, suggesting a potential financial turnaround.

- **Debt-to-Equity Ratio:** The debt-to-equity ratio, a crucial measure of financial leverage, deteriorated from 1.94:1 in 2018–19 to 2.11: 1 in 2023–24. This significant rise indicates heightened financial risk, with PSUs increasingly reliant on debt financing.
- **Accumulated Losses:** Despite some profitability in recent years, accumulated losses have continued to escalate—from ₹4,697.18 crore in 2018–19 to ₹6,225.11 crore in 2022–23, before slightly improving to ₹5,802 crore in 2023–24.

These trends underscore the necessity for comprehensive reforms aimed at enhancing operational efficiency, decreasing reliance on borrowing, and improving long-term profitability.

Chhattisgarh's Public Sector Undertakings continue to be crucial economic players, particularly in capital-intensive industries such as energy and mining. Their growing turnover underscores their potential, but ongoing losses, substantial debt, and fiscal reliance present serious challenges to their long-term sustainability.

Chapter 8 provides a comprehensive analysis of the magnitude, sectoral allocation, fiscal repercussions, and progression of subsidies within the state over the 12-year span from 2012–13 to 2023–24. It emphasizes trends, assesses fiscal consequences, and highlights the necessity for careful targeting and sustainability.

Growth in Subsidies: The total subsidies from 2012–13 to 2023–24 increased from ₹1,790.8 crore to ₹10,796.88 crore, representing an over 6-fold rise. Peaks were observed in 2015–16 (₹7,397.1 crore) and 2019–20 (₹11,483.23 crore).

Subsidies in Relation to Revenue Receipts: A crucial fiscal indicator is the proportion of subsidies relative to total revenue receipts:

Year	Subsidies as % of Revenue Receipts
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2012–13	6.05%
2015–16	16.05%
2019–20	17.97%
2023–24	10.43%

The notable increases in 2015–16 and 2019–20 signify enhanced subsidies aimed at supporting agriculture (particularly paddy procurement bonuses) and food distribution. The years following the pandemic demonstrate a stabilization around 8%–10%, indicating a transition towards fiscal discipline while still upholding social commitments. This trend exemplifies that Chhattisgarh implements a countercyclical subsidy strategy, augmenting support during economic downturns while curtailing expenditures during periods of recovery.

Subsidies as a Proportion of Revenue and Total Expenditure: Revenue Expenditure Perspective:

- The proportion reached its zenith at 16.92% in 2015–16 and 15.62% in 2019–20. In the post-pandemic period, the ratio has stabilized at 9.4% in 2023–24, indicating enhanced fiscal responsibility.
- Total Expenditure Perspective: The share of subsidies in total expenditure increased from 5.3% in 2012–13 to 14.2% in 2015–16 and 13.98% in 2019-20.

By 2023–24, it stood at 8.27%, a decrease from previous peaks, yet still above the averages observed in the early part of the decade.

Subsidies in Relation to Gross State Domestic Product (GSDP): The proportion of total subsidies relative to GSDP serves as a measure of the subsidy burden on the state's economy.

The total subsidies as a percentage of Gross State Domestic Product (GSDP) in Chhattisgarh from the financial years 2012-13 to 2023-24 indicates

significant fluctuations in the state's financial assistance across various sectors. The total subsidies rose from 1,790.8 crore in 2012-13 to approximately 10,796.88 crore by 2023-24. However, their impact on GSDP has been inconsistent over the years. In 2012-13, the subsidy-to-GSDP ratio was relatively low at 1%, but it experienced a notable increase in 2015-16, reaching 3.28%. Another peak occurred in 2019-20 at 3.33%, likely reflecting heightened fiscal assistance due to increased welfare expenditures or the ongoing economic challenges.

Sectoral Distribution of Subsidies: In Chhattisgarh, subsidies are predominantly allocated to two sectors

- **Food & Civil Supply:** Constituted 71.91% of total subsidies in 2015–16, which is reduced to 36.26% by 2023–24. This reduction aligns with the rationalization and improved targeting within the Public Distribution System.
- **Energy Subsidies:** rose from 23.79% in 2012–13 to 55.88% in 2023–24 fueled by programs such as subsidized domestic electricity (up to 400 units), free connections for the rural poor, and support for irrigation pumps for farmers.

The evolving distribution pattern signifies a strategic shift from prioritizing food security to enhancing energy access and affordability, mirroring the emerging priorities in rural electrification and agricultural productivity.

The total amount allocated for subsidies has risen markedly, with food and energy consistently accounting for over 90% of the overall budget.

Chapter 9 provides a detailed examination of the structure, performance, and financial management of Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs) in Chhattisgarh. These two fundamental components of local self-governance are crucial for the realization of grassroots democracy and the facilitation of decentralized development.

Financial Assistance and Grants to ULBs:

- Finance Commission Allocations:** between 2015–16 and 2023–24, Urban Local Bodies (ULBs) received a total of ₹3,946.91 crores from the 14th and 15th Finance Commissions. Grants exhibited a consistent increase under the 14th Finance Commission, rising from ₹152.39 crores in 2015–16 to ₹485.89 crores in 2019–20. Under the 15th Finance Commission, allocations reached a peak of ₹700 crores in 2020–21, followed by fluctuations in the subsequent years.
- State Government Support:** The cumulative financial assistance from state governments to ULBs and Panchayati Raj Institutions (PRIs) from 2012–13 to 2023–24 amounted to ₹1,16,258.61 crores. PRIs consistently received greater funding than ULBs, indicating a sustained emphasis on rural development initiatives. In 2023–24, ULBs experienced their highest allocation, totaling ₹4,412.18 crores.
- Revenue Patterns of ULBs:** From 2015–16 to 2019–20: The total revenue generated by ULBs was ₹15,256.23 crores. Own revenue accounted for ₹2,572.47 crores (16.86%). Assigned revenue contributed ₹5,276.4 crores (34.6%). Grants represented ₹7,383.36 crores (48.4%). This distribution underscores the limited financial autonomy of ULBs. The share of own revenue in total revenue was at its lowest in 2016–17 (14.94%) and peaked in 2015–16 (23.7%). ULBs continue to rely significantly on fiscal transfers from both state and central governments.
- Category-wise Autonomy:** Municipal Corporations (Nagar Nigams) exhibited the highest proportion of own revenue (28.71%). In contrast, Municipal Councils and Nagar Panchayats generated only 16.06% and 15.92% respectively, indicating restricted autonomy in smaller urban areas.
- State Finance Commission Devolution:** The recommendations of the second and third State Finance Commissions suggested that 1.85–2.09% of the divisible funds of the state be allocated to ULBs. However, from 2015–16 to 2019–20; ₹1,992.26

crores were recommended for allocation. Only ₹1,736.16 crores were actually devolved. This resulted in a shortfall of ₹256.1 crores. The most significant deficits were observed in the years 2018–19 and 2019–20. Such shortfalls can hinder the service delivery and developmental capabilities of ULBs. A reliable and complete devolution of funds is essential for enhancing urban governance.

- **Finance Commission Allocations to PRIs:** From 2015–16 to 2025–26; Total allocation was ₹12,367.14 crores. During the 14th Finance Commission (2015–20), allocations consistently rose from ₹566.18 crores to ₹1,588.94 crores. The 15th Finance Commission period (2020–26) exhibited fluctuations, with allocations varying between ₹1,075 crores and ₹1,192 crores.
- **Financial Distribution to PRI Levels:** Between 2019–20 and 2023–24, financial allocations were Gram Panchayats: 64% to 53% of total PRI funds, Jila Panchayats: increased from 22% to 37%, Janpad Panchayats: Decreased from 13% to 10%.

Urban Local Bodies and Panchayati Raj Institutions constitute the bedrock of participatory governance in Chhattisgarh. While the state has achieved notable advancements in financially empowering these institutions, substantial gaps persist in terms of financial autonomy, equitable distribution, and institutional capacity.

Chapter-1: Overview of Chhattisgarh Economy

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Chapter- 1: Overview of Chhattisgarh Economy

1.1 History

The history of the Chhattisgarh region can be traced back to approximately the 4th century AD, when it was referred to as Southern (or Dakshina) Kosala. The term Chhattisgarh, which translates to thirty-six forts, was originally associated with the territory governed by the Haihaya dynasty of Ratanpur, established around 750 AD. During British colonial rule, the current Chhattisgarh region was organized as a division comprising 14 feudal princely states under the Eastern States Agency, with Raipur serving as the administrative center. Within the framework of the Republic of India, Chhattisgarh was part of Madhya Pradesh until November 1, 2000. Although the movement for statehood gained momentum in the 1970s, its origins can be traced back to the early 20th century, when local leaders began advocating for a distinct cultural identity. This aspiration was highlighted in the electoral agendas of various political parties in the early 1990s, with renewed promises for a separate state during the elections of 1996 and 1998. In August 2000, the Indian legislature enacted the Madhya Pradesh Reorganization Bill, leading to the establishment of Chhattisgarh. The creation of Chhattisgarh is particularly significant as it occurred peacefully, in contrast to the movements and violence that accompanied the formation of two other states- Uttaranchal (now Uttarakhand) and Jharkhand- around the same period.

Chhattisgarh ranks as the tenth largest state in India, covering an area of 135,194 square kilometers. The state's population is approximately 25.5 million, making it the sixteenth most populous state in the country. Chhattisgarh was established on November 1, 2000, following its separation from Madhya Pradesh. It plays a significant role in India's electricity and steel production, contributing around 15% of the nation's total steel output. The state shares its borders with seven other states: Madhya Pradesh, Maharashtra, Andhra Pradesh, Telangana, Odisha, Jharkhand, and Uttar Pradesh. Raipur serves as the capital of Chhattisgarh, functioning as a hub for trade, economy, and administration. While Chhattisgarhi is widely spoken, Hindi is predominantly used throughout the state. Chhattisgarh is also popularly known as "Dhan Ka Katora," which translates to "rice bowl."

Figure 1.1 Map of Chhattisgarh



1.2 Demography

Demography is the statistical examination of human populations, focusing on aspects such as size, structure, distribution, and changes over time resulting from factors like births, deaths, migration, and aging. This field offers essential data that can assist governments and various stakeholders in developing strategies for economic growth, healthcare, education, and social services. A demographic analysis takes into account factors such as fertility rates, mortality rates, life expectancy, and population density. Understanding demographic trends is crucial for anticipating future challenges related to workforce availability, resource allocation, and urbanization. Insights gained from demographic studies on population growth or decline provide a solid foundation for creating policies aimed at promoting sustainable development and enhancing human well-being.

Table 1.1: Projected Population of Chhattisgarh

(in 000')

Year	Total	Male	Female
2011	25545	12833	12712
2016	27571	13834	13738
2021	29493	14794	14698
2026	31211	15651	15560
2031	32719	16404	16315
2036	34081	17076	17005

Source: Report of National Commission on Population

The projected population figures for Chhattisgarh from 2011 to 2036 reveal a consistent increase in both total population and gender ratio. In 2011, the population stood at 25.55 million, with a nearly balanced gender distribution: 12.83 million males and 12.71 million females. The population has shown a steady annual increase, with projections estimating 27.57 million in 2016 and 29.49 million by 2021. By 2026, the population is expected to reach 31.21 million, rising further to 32.72 million in 2031 and 34.08 million in 2036.

The growth rates for both male and female populations have been comparable, resulting in a relatively balanced gender ratio over the years. However, there remains a slight numerical disparity, with males consistently outnumbering females. This upward trend in population signifies a continuous growth in Chhattisgarh, which may pose significant challenges for the state's infrastructure, healthcare facilities, and resource allocation.

Additionally, the data suggests that the population increases by approximately 1.5 to 1.8 million Individuals every five years. This trend underscores the necessity for long-term strategic planning across various sectors, including employment, education, and urban development, to effectively address the needs of the expanding population.

Figure 1.2: Projected Population of Chhattisgarh

(in 000')

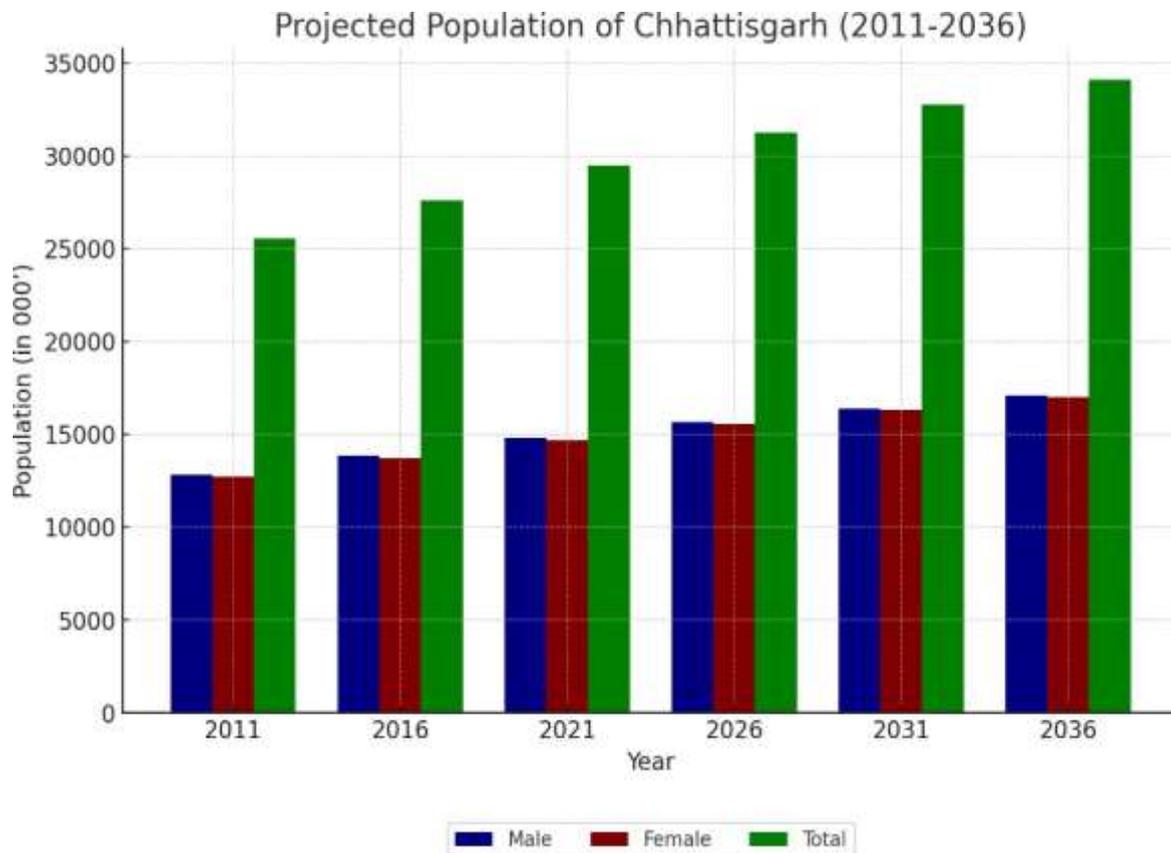
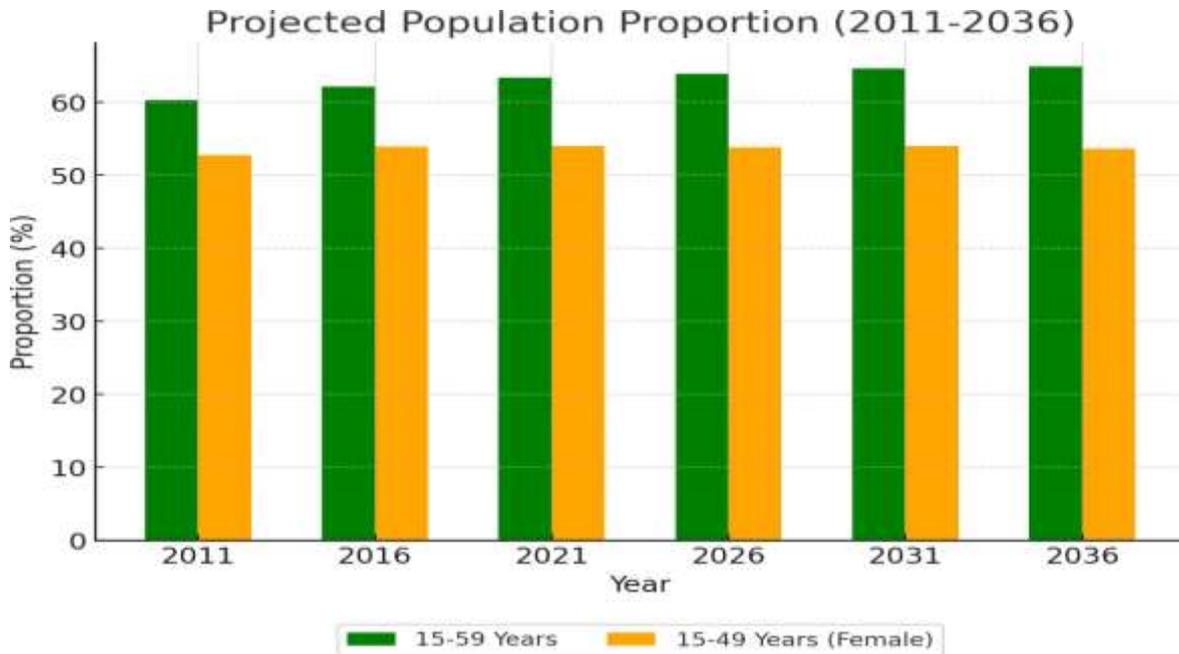


Table 1.2: Projected Population Proportion**(in Percentage)**

Year	15-59 Years	15-49 Years (Female Population)
2011	60.3	52.8
2016	62.2	53.9
2021	63.4	54.0
2026	63.9	53.8
2031	64.6	54.0
2036	64.9	53.7

Source: Report of National Commission on Population**Figure 1.3: Projected Population Proportion****(in Percentage)**

The projected population proportion data from 2011 to 2036 indicates a rising trend in the working-age population, specifically those aged 15-59, while the female population within the 15-49 age range exhibits more variable trends. In 2011, individuals aged 15-59 represented 60.3% of the total population, with this figure expected to rise to 64.9% by 2036. This steady increase suggests a growing workforce, which could significantly

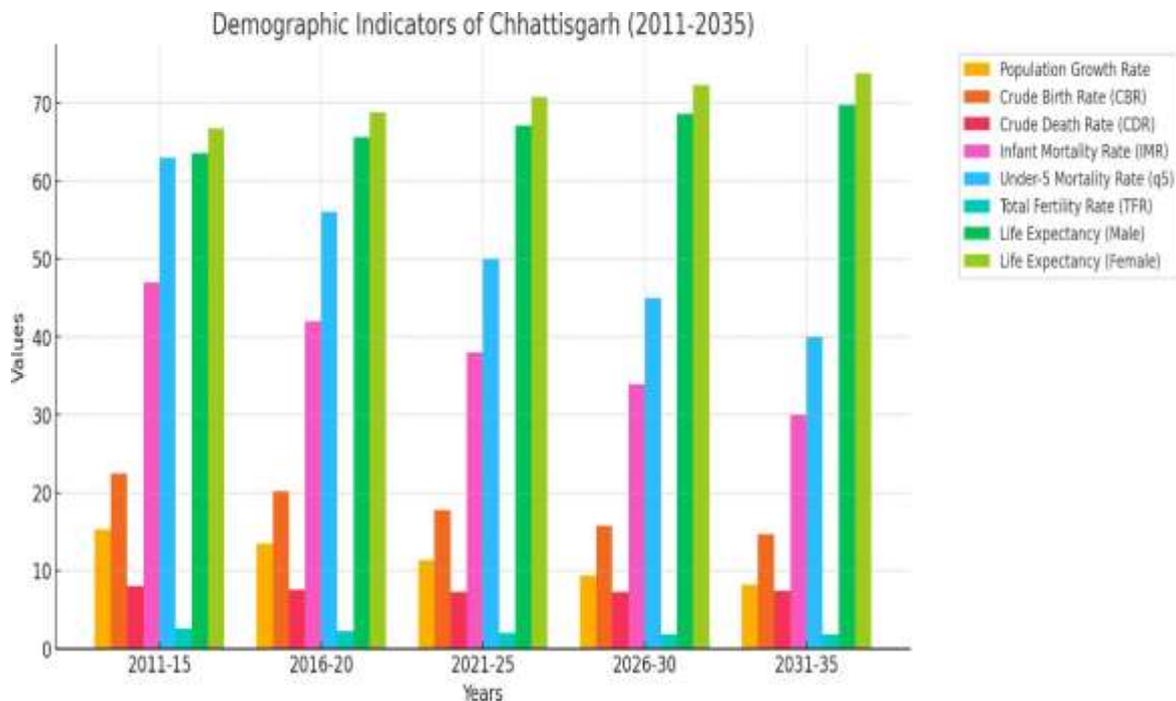
enhance economic growth and productivity, provided that employment and skill development strategies are effectively implemented. Conversely, the percentage of women in the reproductive age bracket of 15 to 49 years has remained relatively stable, fluctuating between 52.8% and 54.0%. This demographic accounted for 52.8% of the female population in 2011, increasing to 54.0% in both 2021 and 2031, before experiencing a slight decline to 53.7% by 2036. These demographic shifts are likely to influence fertility rates, healthcare services, and policies related to maternal and child health.

The increasing share of the working-age population presents opportunities for economic advancement, contingent upon the establishment of sufficient infrastructure, job availability, and social security systems. However, the slight decrease in the number of women in the reproductive age group by 2036 may impact future population growth trends, highlighting the need for targeted policy interventions in family welfare and health.

Table 1.3: Demographic Indicators of Chhattisgarh

Indicators	2011-15	2016 -20	2021 -25	2026 -30	2031- 35
Population growth rate	15.3	13.5	11.3	9.4	8.2
Crude Birth Rate (CBR)	22.5	20.2	17.8	15.8	14.7
Crude Death Rate (CDR)	8.1	7.6	7.3	7.3	7.4
Infant Mortality Rate (IMR)	47	42	38	34	30
Under- 5 mortality rate (q5)	63	56	50	45	40
Total Fertility Rate (TFR)	2.62	2.31	2.05	1.90	1.83
Life expectancy of males	63.61	65.61	67.11	68.61	69.81
Life expectancy of females	66.79	68.79	70.79	72.29	73.79

Source: Report of National Commission on Population

Figure 1.4: Demographic Indicators of Chhattisgarh

The population statistics for Chhattisgarh from 2011 to 2035 reveal significant variations in population dynamics, including birth rates, death rates, and life expectancy. The growth rate of the population has steadily declined, decreasing from 15.3% during 2011-2015 to 8.2% in the 2031-2035 period. This trend suggests a gradual reduction in population growth, likely attributed to a decrease in birth rates and improved healthcare access.

The Crude Birth Rate (CBR) has decreased from 22.5 per 1,000 individuals in 2011-2015 to 14.7 in 2031-2035, indicating a reduction in annual births. Similarly, the Total Fertility Rate (TFR) has dropped from 2.62 to 1.83, suggesting that Chhattisgarh is approaching replacement-level fertility, which may impact the future workforce.

The Crude Death Rate (CDR) has remained relatively stable, with a slight decline from 8.1 in 2011-2015 to 7.4 in 2031-2035. Enhanced living conditions and healthcare services have contributed to a reduction in infant mortality rates (from 47 to 30) and under-5 child mortality rates (from 63 to 40), reflecting improvements in child health.

Life expectancy has also seen an increase, with men living longer (from 63.61 years to 69.81 years) and women experiencing a rise in life expectancy (from 66.79 years to 73.79 years). This trend indicates advancements in healthcare and overall well-being, particularly for women.

Table 1.4: Projected Rural- Urban Population of Chhattisgarh

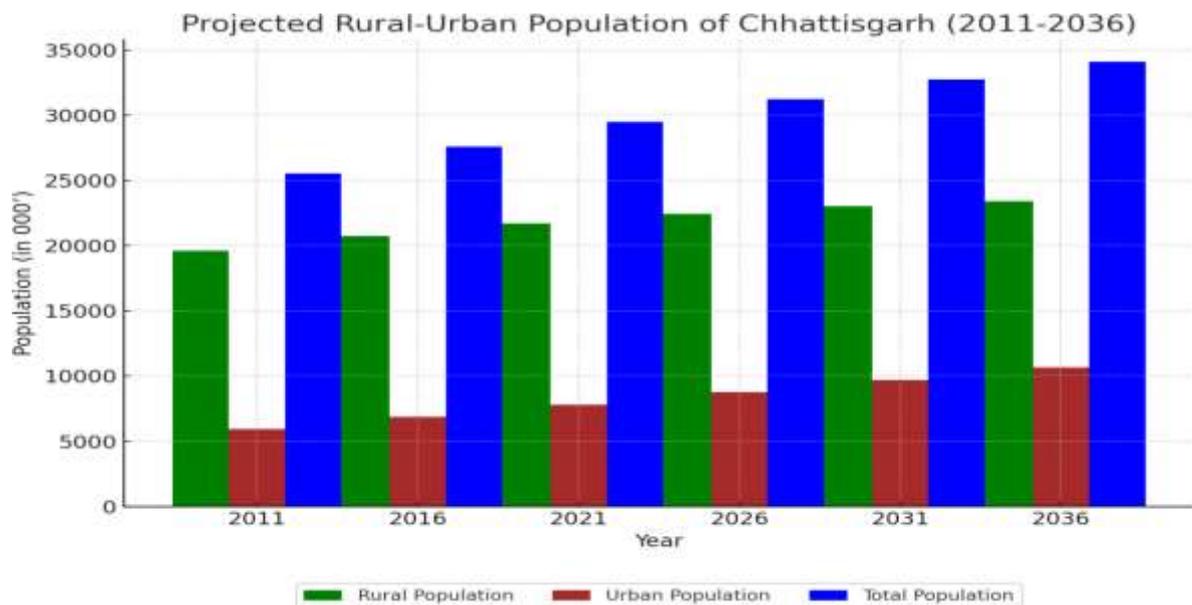
(in 000')

Year	Rural	Urban	Total
2011	19608 (76.76)	5937 (23.24)	25545
2016	20713 (75.13)	6858 (24.87)	27571
2021	21683 (73.52)	7810 (26.48)	29493
2026	22451 (71.92)	8763 (28.08)	31212
2031	23011 (70.33)	9708 (29.67)	32719
2036	23421 (68.72)	10660 (31.28)	34081

Source: Report of National Commission on Population Figures in the parenthesis shows percentages

Figure 1.5: Projected Rural- Urban Population of Chhattisgarh

(in 000')



The projections for the rural and urban population in the Chhattisgarh state between 2011 and 2036 show a gradual transition towards urbanization though the nucleus is still rural. The rural population accounted for 76.76% in 2011, as opposed to the 23.24% who live in the urban region. The gradual decreases of the rural population through time dipped to 68.72% by 2036, while the urban population rose to 31.28%.

Notwithstanding this urban rising, rural areas still continue to house the majority of Chhattisgarh's population. The rural population increased from 19.61 million in 2011 to 23.42 million by projection in 2036. However, their share in the total population is declining with the fast expansion of urban centers. In contrast, the urban population saw a huge increase from 5.94 million in 2011 to an estimated 10.66 million in 2036.

This is indicative of internal migration to cities, possibly stemming from the growing industrialization, better employment opportunities, and improved living standards. The growth of urbanization demands basic necessities such as infrastructure, housing, and public services while continuing to emphasize rural development in order to reconcile regional growth and alleviate stress on urban cities. Such demographic transitions necessitate adequate planning.

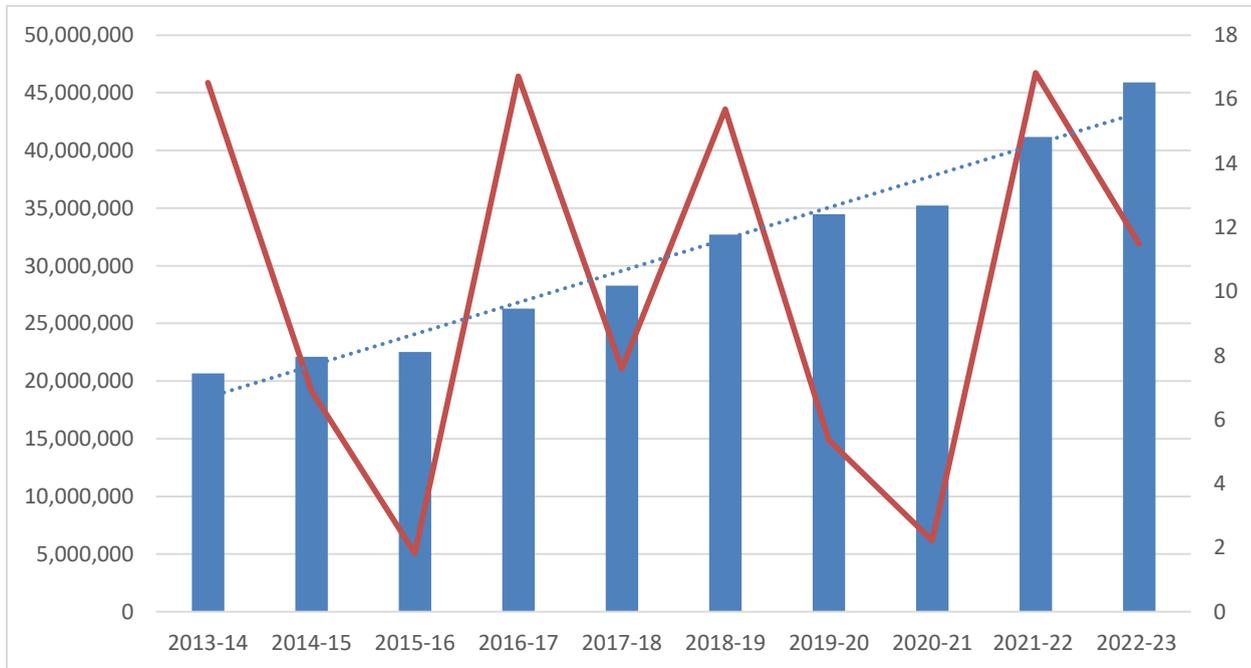
1.3 Growth Performance of the state

Chhattisgarh has experienced consistent economic growth, driven by its rich mineral resources, agricultural activities, and industrial advancements. The Gross State Domestic Product (GSDP) has steadily increased, supported by enhanced infrastructure, favorable investment policies, and advancements in both manufacturing and service sectors. Agriculture continues to be a vital sector, with ongoing initiatives aimed at enhancing productivity and improving rural living standards. The processes of urbanization and industrialization have generated additional employment opportunities, contributing to economic stability. Furthermore, government initiatives focused on skill development, micro, small, and medium enterprises (MSMEs), and digital transformation have significantly contributed to this growth.

Table 1.5: GSDP of Chhattisgarh at Current Price**(₹ in Lakhs)**

Year	GSDP	*Changes (%)	* CAGR (in%)
2012-13	177,51,133	-	9.9
2013-14	206,83,318	16.5	
2014-15	221,11,811	6.9	
2015-16	225,16,299	1.8	
2016-17	262,80,175	16.7	
2017-18	282,73,744	7.5	
2018-19	327,10,666	15.6	
2019-20	344,67,204	5.3	13.2
2020-21	352,32,751	2.2	
2021-22	411,61,335	16.8	
2022-23	458,89,132	11.4	
2023-24 (Q)	512,10,749	11.5	

Source: Economic Survey of Chhattisgarh of Various Years, *own calculations, Q: Quick Estimates

Figure 1. 6: GSDP of Chhattisgarh at Current Price

The Gross State Domestic Product (GSDP) statistics spanning from 2012-13 to 2023-24 provide valuable insights into the economic dynamics of Chhattisgarh during this timeframe. This data illustrates both the long-term growth path of the state and the short-term effects of significant events, including the COVID-19 pandemic.

Pre-COVID Economic Growth (2012-13 to 2019-20)

Between 2012-13 and 2019-20, Chhattisgarh's GSDP rose from ₹17.75 lakh crore to ₹34.47 lakh crore. This period recorded a Compound Annual Growth Rate (CAGR) of 9.9%, indicating robust and steady economic growth. Nevertheless, the annual percentage changes exhibited considerable variation from year to year. For example: The peak growth rate was observed in 2016-17 at 16.7%, conversely, the year 2015-16 saw a mere 1.8% growth, indicating a temporary deceleration. This slowdown may have resulted from unfavorable market conditions, policy shifts, or reduced investment inflows. The other notable growth years included 2013-14 (16.5%) and 2018-19 (15.6%), which reflect intermittent spikes in economic activity.

Despite certain fluctuations, the overall upward trajectory of GSDP signifies the state's expanding industrial sector, effective utilization of mineral resources, and advancements in infrastructure. The average growth during this period highlights Chhattisgarh's role as a significant player in India's resource-oriented economy.

COVID and Post-COVID Period (FY 2020–21 to FY 2023–24)

The year 2020-21, marked by the pandemic, recorded a slight GSDP increase of 2.2%, which reflects the economic disturbances triggered by nationwide lockdowns, disruptions in supply chains, and a slowdown in both industrial and service sectors. Although this growth was modest, it is noteworthy that the economy did not contract, in contrast to many other states in India.

Nevertheless, the recovery phase following COVID has been exceptionally robust, as evidenced by the subsequent growth rates of 16.82% in 2021–22, 11.4% in 2022–23 and 11.5% in 2023–24. The GSDP rose from ₹35.23 lakh crore in 2020–21 to ₹ 51.21 lakh

crore in 2023–24, achieving a compound annual growth rate (CAGR) of 13.2%, which indicates a more rapid recovery compared to the pre-COVID average. This elevated post-COVID CAGR can be ascribed to a mix of pent-up demand, heightened government expenditure, and a low base effect stemming from FY 2020–21.

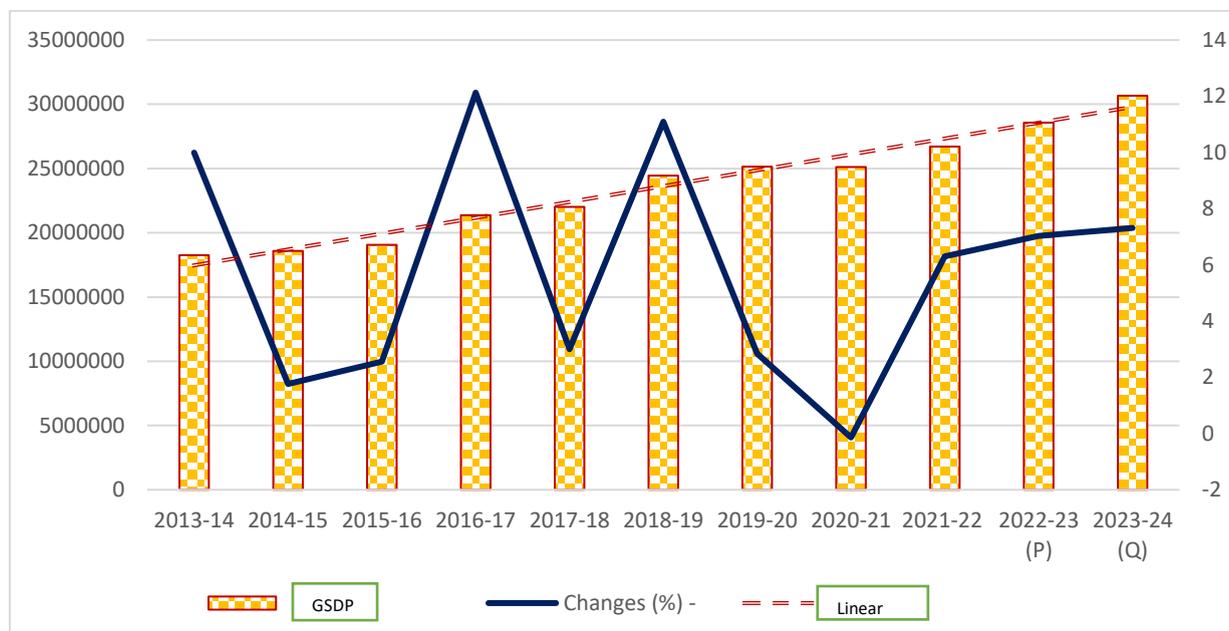
The compound annual growth rate (CAGR) prior to COVID-19 (2012–13 to 2019–20) was 9.9%. The CAGR following COVID-19 (2020–21 to 2023–24) stands at 13.2%. Although the first year of the pandemic hindered growth, the economy rebounded with increased strength, bolstered by policy measures and resilience across sectors.

Thus, the economic trajectory of Chhattisgarh over the past decade exemplifies resilience and adaptability. The state not only sustained a robust growth trajectory before the pandemic but also experienced a swift recovery in the post-COVID period. The elevated post-pandemic CAGR indicates successful recovery strategies and may herald long-term growth potential, contingent upon the state's ongoing investments in infrastructure, innovation, and inclusive development.

Table 1.6: GSDP of Chhattisgarh at Constant Price (2011-12)
(₹ in Lakhs)

Year	GSDP	Changes (%)	*CAGR (in %) Pre Covid and Post Covid
2012-13	165,97,740	-	6.1
2013-14	182,57,945	10.0	
2014-15	185,81,344	1.7	
2015-16	190,58,377	2.5	
2016-17	213,70,477	12.1	
2017-18	220,13,569	3.0	
2018-19	244,57,916	11.1	
2019-20	251,54,906	2.8	
2020-21	251,19,230	-0.1	6.8
2021-22	267,03,254	6.3	
2022-23	285,81,697	7.0	
2023-24 (Q)	306,71,211	7.3	

Source: Economic Survey of Chhattisgarh of Various Years, *own calculations, Q: Quick Estimates

Figure 1.7: GSDP of Chhattisgarh at Constant Price (2011-12)**(₹ in Lakhs)**

The Gross State Domestic Product (GSDP) of Chhattisgarh, when assessed at constant prices, serves as a vital measure of the state's genuine economic performance, devoid of inflationary influences. A thorough examination of the trends spanning from FY 2012–13 to FY 2023–24 elucidates the economic patterns of the state across two distinct phases: the pre-COVID era (2012–13 to 2019–20) and the post-COVID period (2020–21 to 2023–24). These intervals provide valuable insights into Chhattisgarh's economic resilience, growth trajectory, and recovery processes.

Pre-COVID Growth (2012–13 to 2019–20)

In the seven years leading up to the COVID-19 pandemic, Chhattisgarh's economy expanded from ₹16.60 lakh crore in 2012–13 to ₹25.15 lakh crore in 2019–20. This growth corresponds to a Compound Annual Growth Rate (CAGR) of 6.12%. The state experienced a moderate yet consistent economic growth during this timeframe.

Annual growth rates exhibited variability. The peak year-on-year growth was noted in 2016–17 at 12.1%, indicating a recovery from previous years. Significant growth years also encompassed 2013–14 (10.0%) and 2018–19 (11.1%). Conversely, the period was

marked by lower growth rates in 2014–15 (1.7%), 2015–16 (2.5%), and 2017–18 (3.0%), which may reflect structural or sectoral decelerations.

Notwithstanding these short-term fluctuations, the persistent upward trajectory signifies robust economic fundamentals, underpinned by the state's strengths in essential sectors such as agriculture, mining etc.

COVID Impact and Post-COVID Recovery (2020–21 to 2023–24)

The onset of the COVID-19 pandemic resulted in significant economic disruptions. In 2020–21, Chhattisgarh's Gross State Domestic Product (GSDP) experienced a slight contraction of -0.14%, mirroring the nationwide trend of stagnation caused by lockdown measures. Nevertheless, this contraction was relatively mild, indicating a certain level of resilience, likely attributable to the sustained operation of essential sectors such as agriculture, mining, etc.

In the aftermath of this downturn, the state's economy exhibited a sharp rebound in 2021–22 when the GSDP increased by 6.3% followed by 2022–23 when the growth accelerated to 7.0% and in 2023–24 the Growth further improved to 7.3%.

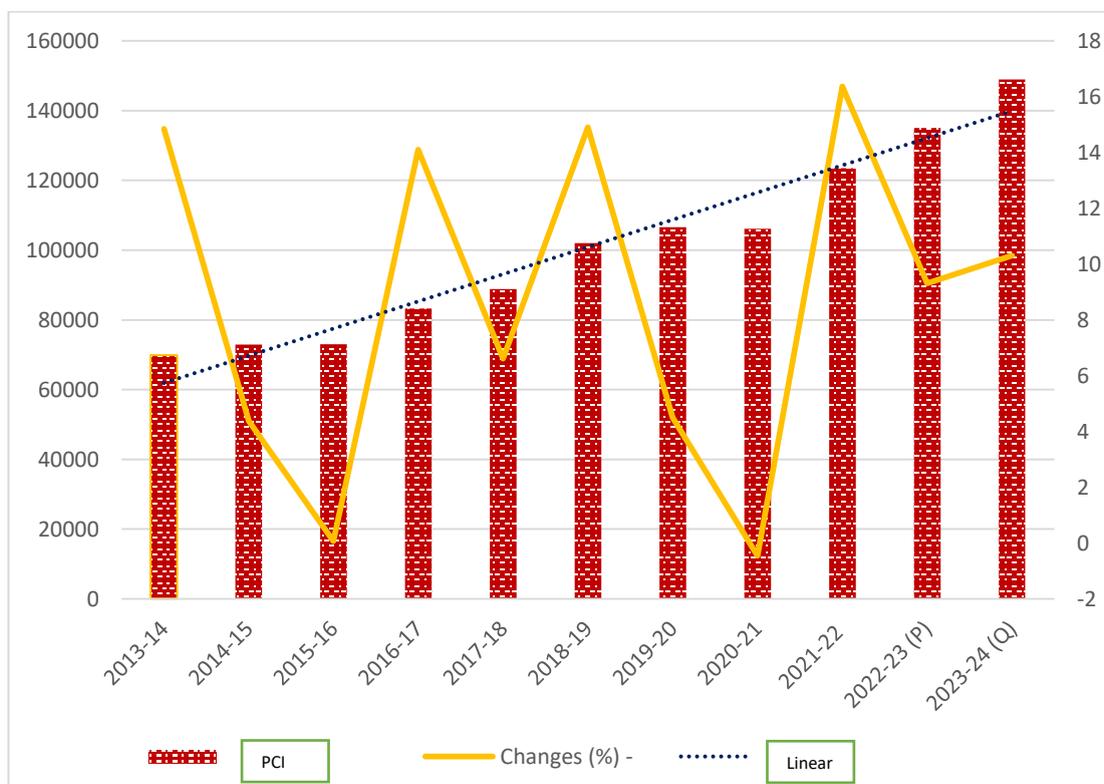
Throughout the three-year post-COVID period, the GSDP rose from ₹25.12 lakh crore to ₹30.67 lakh crore, resulting in a post-COVID compound annual growth rate (CAGR) of 6.8%, which is significantly higher than the pre-COVID average.

The comparative CAGR figures of 6.1% pre-COVID and 6.8% post-COVID illustrate that Chhattisgarh not only endured the pandemic's impact but also emerged more robust. The post-COVID period signifies enhanced growth momentum and a transition towards economic normalization, supported by both demand-side recovery and supply-side reforms. This resilient growth positions Chhattisgarh advantageously for future development, particularly if the state persists in diversifying its economy, investing in human capital, and enhancing industrial competitiveness.

Table 1.7: Per Capita Income of Chhattisgarh at Current Price

Year	PCI (in ₹)	Changes (%)	*CAGR (in %)
2012-13	60849	-	8.34
2013-14	69880	14.8	
2014-15	72936	4.37	
2015-16	72991	0.07	
2016-17	83285	14.1	
2017-18	88793	6.6	
2018-19	102024	14.9	
2019-20	106611	4.4	
2020-21	106117	-0.4	11.96
2021-22	123493	16.3	
2022-23	134996	9.3	
2023-24 (Q)	148922	10.3	

Source: Economic Survey of Chhattisgarh of Various Years, *own calculations,
Q: Quick Estimates

Figure 1.8: Per Capita Income of Chhattisgarh at Current Price

The Per Capita Income (PCI) at current prices indicates the average income earned by an individual in a specific year without accounting for inflation. It is a crucial indicator of economic prosperity and living standards. In Chhattisgarh, the PCI trends from 2012–13 to 2023–24 provide significant insights into the state's economic development across two distinct phases: the pre-COVID period (2012–13 to 2019–20) and the post-COVID recovery phase (2020–21 to 2023–24).

Pre-COVID Period (2012–13 to 2019–20)

During the fiscal years 2012–13 to 2019–20, Chhattisgarh's PCI rose from ₹60,849 to ₹1,06,611, achieving a Compound Annual Growth Rate (CAGR) of 8.3%. This timeframe demonstrates consistent income growth, reflecting a progressively strengthening economy.

The initial years of this period exhibited strong growth. In 2013–14, there was a notable increase of 14.8%. Likewise, the years 2016–17 and 2018–19 also highlighted significant growth rates of 14.1% and 14.9%, respectively. Nevertheless, there were intervals of stagnation and diminished performance. In 2014–15 and 2015–16, growth rates were limited to 4.3% and 0.07%, indicating economic slowdowns. The year 2019–20 also recorded a modest growth of 4.4%, implying a deceleration in momentum prior to the pandemic. Hence, the pre-COVID period illustrates a healthy yet variable income growth, supported by Chhattisgarh's resource-abundant economy, expanding industrial sector, and government development initiatives.

Impact of COVID-19 and Post-COVID Recovery (2020–21 to 2023–24)

The COVID-19 pandemic resulted in a slight decrease in PCI during 2020–21, which dropped by 0.4% to ₹1,06,117. Although this decline is relatively minor compared to other states, it underscores the economic disruptions caused by lockdowns, diminished consumption, and job losses.

Nevertheless, the post-COVID timeframe (2020–21 to 2023–24) experienced a robust recovery. In 2021–22 PCI surged by 16.3%; marking the highest single-year growth

recorded in the dataset. In 2022–23 the Growth remained strong at 9.3%. Whereas; in the year 2023–24 the PCI further increased by 10.3%, reaching ₹1,48,922. This significant rebound resulted in a post-COVID CAGR of 11.9%, which is considerably higher than the pre-COVID growth rate. The recovery indicates a revival of economic activity.

The juxtaposition of pre-COVID CAGR (8.3%) with post-COVID CAGR (11.9%) not only emphasizes the resilience of Chhattisgarh's economy but also illustrates a quicker recovery of income following the pandemic. The acceleration in PCI post-COVID also signifies advancements in productivity and employment conditions, which are vital for sustainable and inclusive growth.

Chhattisgarh's PCI trends narrate a tale of resilience and economic transformation. While the years preceding the pandemic exhibited steady yet uneven growth, the post-COVID period has ushered in a phase of accelerated recovery and enhanced income levels. Maintaining this momentum will hinge on ongoing investments in infrastructure, human capital, and economic diversification to secure long-term, inclusive prosperity.

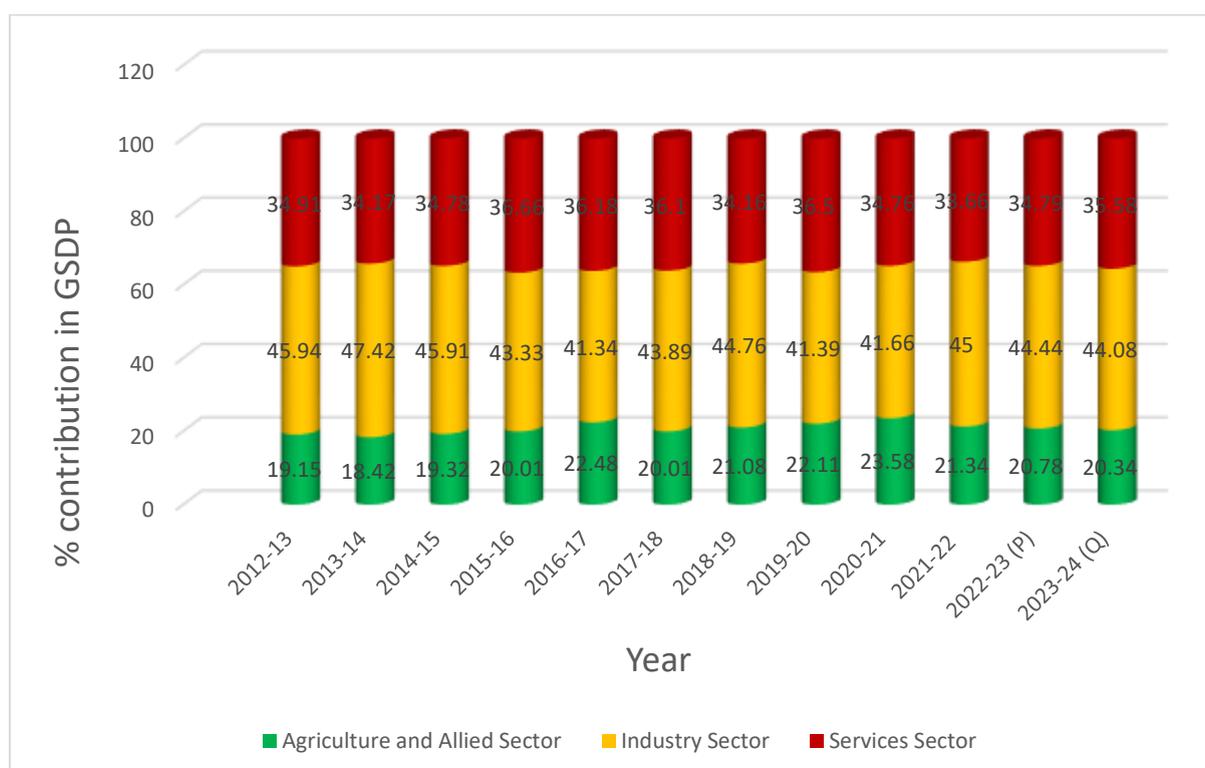
Structural Changes:

The data on sector-wise percentage contributions to Chhattisgarh's Gross State Domestic Product (GSDP) at current prices from 2012-13 to the advanced estimates for 2023-24 reveals important trends about the state's economic structure. By examining the contributions from agriculture and allied sectors, industry, and services, we gain insights into the evolving economic composition, the role of each sector in driving growth, and how Chhattisgarh's economy has responded to shifting market demands, structural changes, and external challenges.

Table 1.8: Sector wise Percentage Contribution in GSDP at Current Price

Year	Agriculture and Allied Sector	Industry Sector	Services Sector
2012-13	19.15	45.94	34.91
2013-14	18.42	47.42	34.17
2014-15	19.32	45.91	34.78
2015-16	20.01	43.33	36.66
2016-17	22.48	41.34	36.18
2017-18	20.01	43.89	36.10
2018-19	21.08	44.76	34.16
2019-20	22.11	41.39	36.50
2020-21	23.58	41.66	34.76
2021-22	21.34	45.00	33.66
2022-23	20.78	44.44	34.79
2023-24 (Q)	20.34	44.08	35.58

Source: Economic Survey of Chhattisgarh of Various Years, Q: Quick Estimates.

Figure 1.9: Sector wise Percentage Contribution in GSDP at Current Price

In 2012-13, the agriculture and allied sectors contributed 19.15% to the GSDP, industry

made up 45.94%, and services accounted for 34.91%. This distribution reflects an economy heavily reliant on industry, which constituted nearly half of the state's economic output. The industry sector likely includes Chhattisgarh's robust mining and manufacturing sectors, which are significant contributors due to the state's rich mineral resources. Agriculture, while important, plays a relatively smaller role compared to the national average, reflecting a larger dependency on industrial output. By 2013-14, agriculture's share dropped slightly to 18.42%, while the industry sector's share rose to 47.42%. Services slightly decreased to 34.17%. In 2014-15, agriculture's contribution increased to 19.32%, while the industry shares decreased to 45.91%, and services rose to 34.78%. The year 2015-16 saw a further increase in agriculture's share to 20.01%, while industry's share dropped significantly to 43.33%. Services increased their share to 36.66%.

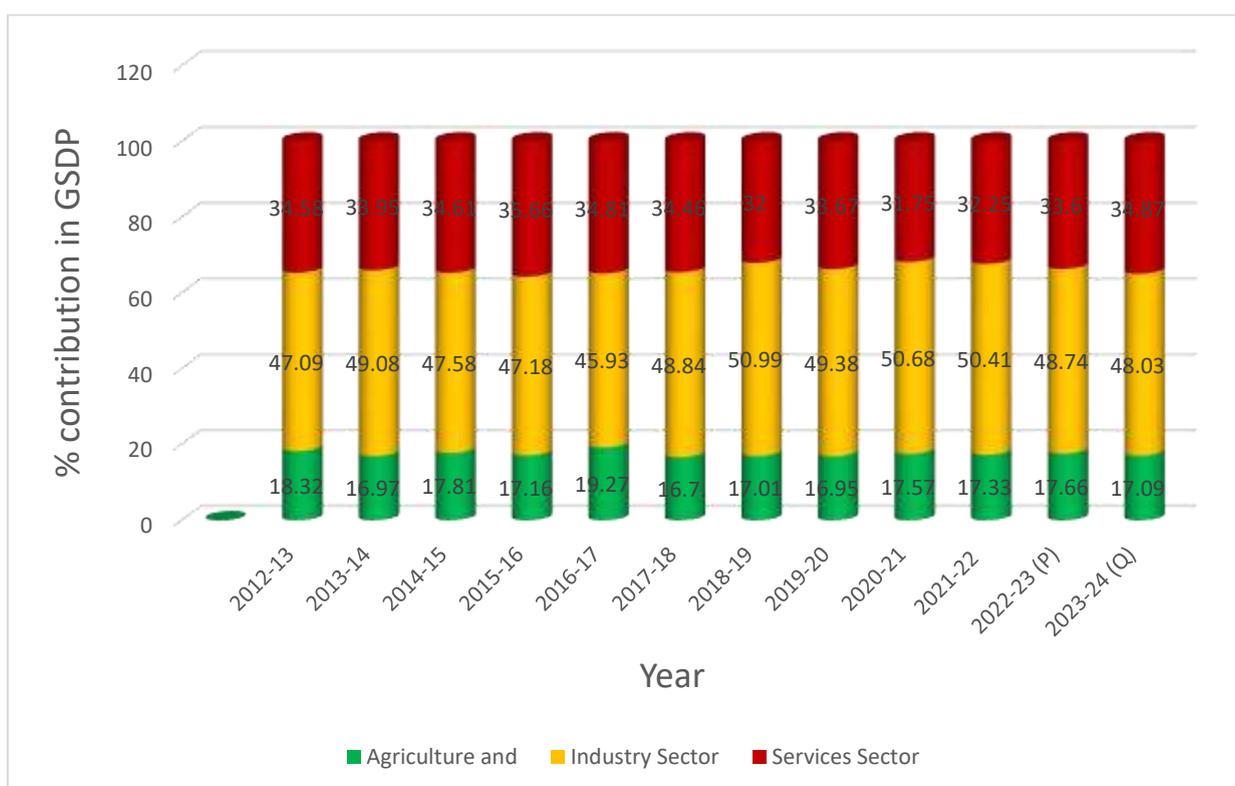
From 2016-17 onward, agriculture's contribution grew steadily, reaching 22.48%, its highest during this period, while industry declined to 41.34%. Services slightly decreased to 36.18%. The next few years show agriculture fluctuating between 20% and 23%. In 2017-18, agriculture contributed 20.01%, with industry increasing to 43.89% and services at 36.10%.

However, by 2019-20, agriculture rose again to 22.11%, and services to 36.5%, while industry's share dropped to 41.39%. In 2020-21, during the COVID-19 pandemic, agriculture rose to 23.58%, while industry and services were affected by lockdowns and restrictions. Industry's contribution was 41.66%, and services reduced to 34.76%. Post-pandemic, in 2021-22, the sector shares adjusted as the economy recovered. Agriculture's share reduced to 21.34%, industry rose to 45%, and services stood at 33.66%. In recent years, agriculture stabilized around 20.78%, industry at 44.44%, and services near 35%. By 2023-24, agriculture's contribution is estimated at 20.34%, industry at 44.08%, and services at 35.58%.

Table 1.9: Sector wise Contribution in GSDP (in %) at Constant Price (2011-12)

Year	Agriculture and Allied Sector	Industry Sector	Services Sector
2012-13	18.32	47.09	34.58
2013-14	16.97	49.08	33.95
2014-15	17.81	47.58	34.61
2015-16	17.16	47.18	35.66
2016-17	19.27	45.93	34.81
2017-18	16.70	48.84	34.46
2018-19	17.01	50.99	32.00
2019-20	16.95	49.38	33.67
2020-21	17.57	50.68	31.75
2021-22	17.33	50.41	32.25
2022-23	17.66	48.74	33.60
2023-24 (Q)	17.09	48.03	34.87

Source: Economic Survey of Chhattisgarh of Various Years, Q: Quick Estimates

Figure 1.10: Sector wise Contribution in GSDP (in %) at Constant Price (2011-12)

The sector-wise percentage contributions to Chhattisgarh's Gross State Domestic

Product (GSDP) at constant prices from 2012-13 to the advanced estimates for 2023-24 reflect the evolving economic structure of the state. This data reveals how agriculture, industry, and services sectors have shifted in their relative importance over time, providing insights into the drive of economic growth, sectoral resilience, and the changing dynamics of Chhattisgarh's economy.

In 2012-13, the agriculture and allied sectors contributed 18.32% to the GSDP, the industry sector dominated with 47.09%, and the services sector accounted for 34.58%. By 2013-14, the agriculture sector's share declined to 16.97%, while industry rose to 49.08%, and services slightly decreased to 33.95%. In 2014-15, agriculture's contribution rebounded to 17.81%, while industry and services stood at 47.58% and 34.61%, respectively.

A notable shift occurred in 2015-16, with agriculture's contribution slightly declining to 17.16%, industry maintaining a share of 47.18%, and services increasing to 35.66%. In 2016-17, agriculture saw a notable increase to 19.27%, industry decreased to 45.93%, and services decreased to 34.81%. The following year, 2017-18, saw a shift back toward industry, which increased to 48.84% of GSDP, while agriculture declined to 16.70% and services to 34.46%. In 2018-19, the industry's share rose sharply to 50.99%, the highest in the data set, while agriculture contributed 17.01% and services decreased to 32.00%.

During the pandemic-affected year of 2020-21, agriculture rose slightly to 17.57%, while industry increased to 50.68%, and services dropped to 31.75%. The post-pandemic recovery period in 2021-22 marked another shift, with agriculture increased to 17.33%, industry decreased to 50.41%, and services increased further to 32.25%. In the most recent data for 2023-24, agriculture's share is projected to further decrease to 17.09%, industry also decreased to 48.03%, and services increases at 34.87% respectively.

Table 1.10: Area, Population and Per Capita Income of States

States	Area 000 Sq km	#Population (in millions, 2024)	@ Per Capita Income (2023)
Andhra Pradesh	1,62,968	53,402,000	2,19,518
Assam	78,438	36,159,000	1,18,504
Bihar	94,163	129,205,000	54,111
Chhattisgarh	1,35,192	30,638,000	1,33,898
Haryana	44,212	30,694,000	2,96,685
Himachal Pradesh	55,673	7,518,000	2,22,227
Jharkhand	79,716	40,129,000	91,874
Karnataka	1,91,791	68,256,000	3,01,673
Madhya Pradesh	3,08,252	87,954,000	1,40,583
Odisha	1,55,707	46,663,000	1,49,902
Rajasthan	3,42,239	82,188,000	1,56,149
Tamil Nadu	1,30,060	77,165,000	2,75,583
Telangana	1,12,077	38,317,000	3,12,398
Uttar Pradesh	2,40,928	238,875,000	83,565
Uttarakhand	53,483	11,795,000	2,33,565
West Bengal	88,752	99,723,000	1,41,373

Source: # <https://statisticstimes.com/demographics/india/indian-states-population.php>
 @ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1942055>

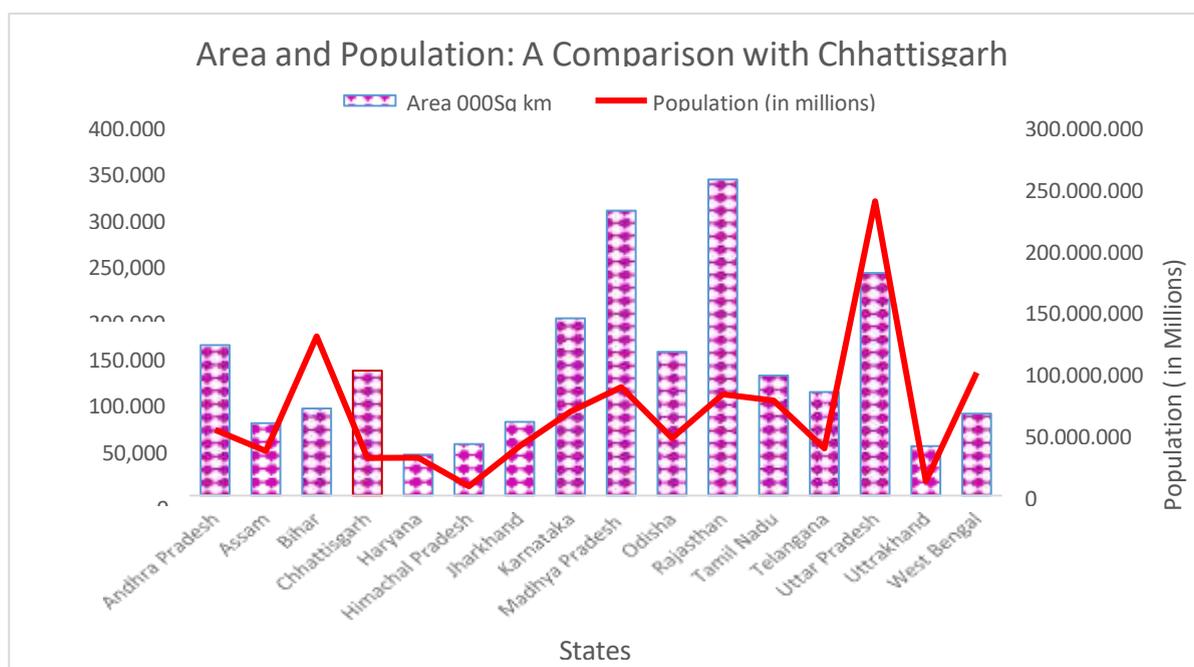
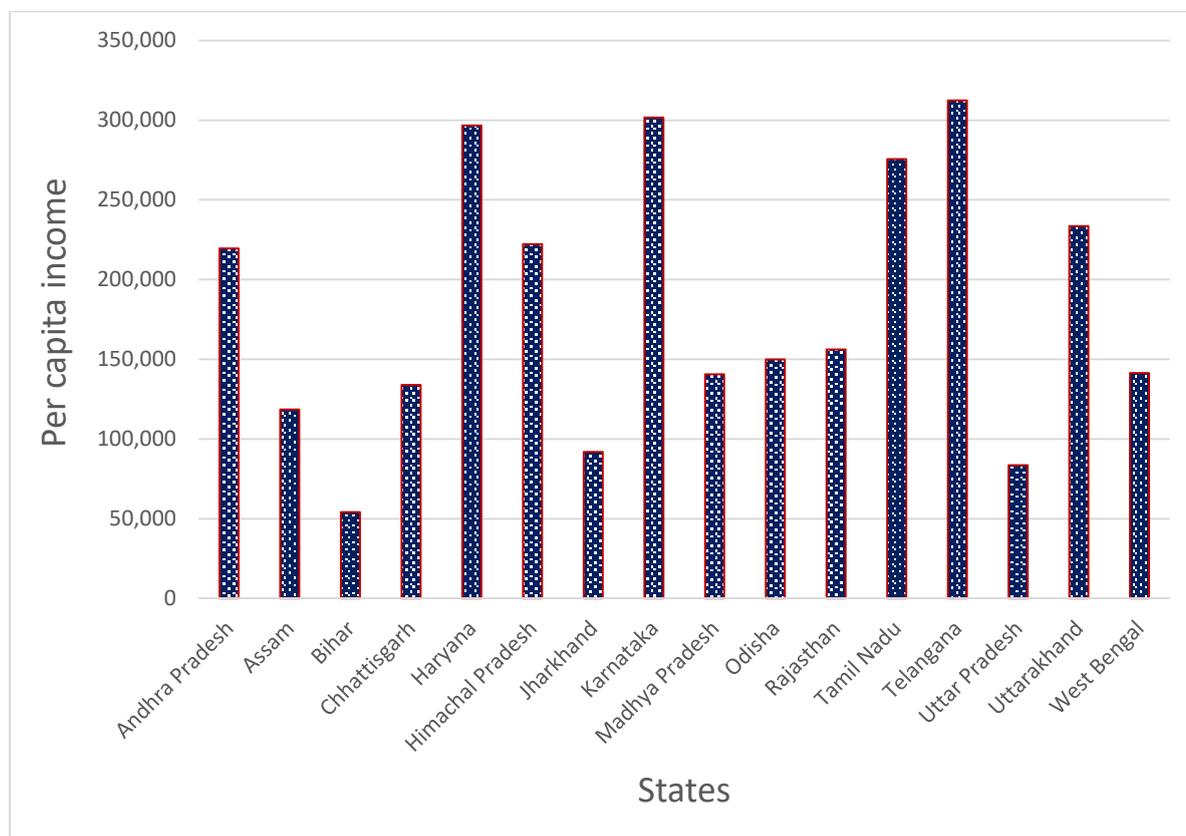
Figure 1.11a: Area, Population and Per Capita Income of States

Figure 1.11b: Area, Population and Per Capita Income of States

The variation among Indian states regarding area, population, and economic performance underscores the intricate nature of regional disparities within the nation. Analyzing Chhattisgarh in relation to other states provides valuable insights into its geographical dimensions, demographic features, and economic progress. This examination evaluates Chhattisgarh's position against other states based on three key factors: area, population, and per capita income (PCI).

1. Area Comparison: Chhattisgarh covers an area of 135,192 sq. km, ranking it among the larger states in India.

- **Larger States:** Rajasthan (342,239 sq. km), Madhya Pradesh (308,252 sq. km), and Uttar Pradesh (240,928 sq. km) significantly exceed Chhattisgarh in size. These larger states generally support a greater population, which adds to their intricate economic and social frameworks.

- **Smaller States:** Chhattisgarh's land area significantly surpasses that of states like Haryana (44,212 sq. km) and Himachal Pradesh (55,673 sq. km), highlighting its rich land resources and potential for growth.

- **Mid-Sized States:** States like Odisha (155,707 sq. km) and Andhra Pradesh (162,968 sq. km) are similar in size to Chhattisgarh. However, they differ markedly in population density and economic performance, providing insightful comparisons.

The vast land area of Chhattisgarh presents opportunities for industrial expansion, agriculture, and forestry. Nevertheless, the effective use of this land hinges on the development of strong infrastructure and well-rounded growth strategies.

2. Population Comparison: Chhattisgarh, with a population of 30.6 million, ranks among the less densely populated states.

- **States with Higher Population:** Uttar Pradesh (238.87 million) and Bihar (129.21 million) have populations that greatly surpass that of Chhattisgarh. Despite their size, these states face challenges in per capita income, indicating issues with resource distribution.

- **States with Similar Population:** Chhattisgarh's population is on par with Haryana (30.69 million) and is larger than that of Himachal Pradesh (7.5 million), yet these states demonstrate superior economic indicators such as per capita income.

- **States with Lower Population:** States like Himachal Pradesh and Uttarakhand (11.79 million) have significantly smaller populations, but their higher per capita income reflects more effective resource management and governance.

- **Population Density:** Chhattisgarh's population density is relatively low, at around 227 individuals per square kilometer. This figure, when compared to states such as Uttar Pradesh and West Bengal, underscores the region's capacity for economic and industrial growth without placing undue pressure on existing infrastructure.

3. Per Capita Income Comparison: With a per capita income of ₹1,33,898, Chhattisgarh ranks in the lower-middle tier among Indian states in terms of economic performance.

- **High-Performing States:** States like Karnataka (₹3,01,673), Telangana (₹3,12,398), and Haryana (₹2,96,685) lead the per capita income rankings. Their economic achievements can be attributed to significant industrial development, advancements in technology, and a skilled workforce.
- **Comparable States:** Chhattisgarh's per capita income is similar to that of Odisha (₹1,49,902) and Rajasthan (₹1,56,149), which face comparable developmental hurdles. Although Chhattisgarh has a smaller population than these states, it still lags in per capita income, indicating a pressing need for economic diversification.
- **Low-Performing States:** Bihar (₹54,111) and Uttar Pradesh (₹83,565) exhibit considerably lower per capita incomes than Chhattisgarh, largely due to their larger populations and insufficient industrial development.
- **Economic Analysis:** Chhattisgarh's dependence on mining and agriculture has constrained its economic diversification. To improve per capita income (PCI), the state should promote industrial growth, enhance education and skill training, and attract investments in high-value sectors such as information technology and manufacturing.

Key Observations

- Economic Disparity among States:** States such as Telangana and Karnataka have effectively utilized industrial policies and established technological hubs, resulting in higher PCI despite their large populations. In contrast, resource-abundant states like Chhattisgarh and Odisha fall behind due to their heavy reliance on primary industries like mining and agriculture.
- Population Pressure:** High population densities in states like Uttar Pradesh and Bihar pose challenges for fair resource distribution and infrastructure development. Chhattisgarh, with a more manageable population, has the potential to allocate resources more effectively.
- Land Utilization:** Chhattisgarh's vast geographical expanse presents significant development opportunities. However, issues such as underutilized land and inadequate connectivity hinder progress.

Chhattisgarh's stand in terms of land area, population, and per capita income indicates a mixed performance. While the state enjoys significant land and a manageable population, its economic output falls short compared to more industrialized regions. Targeted investments in infrastructure, diversification, and skill enhancement can enable the state to unlock its full potential. Insights from states like Karnataka and Telangana, along with sustainable resource management, can guide Chhattisgarh towards becoming a significant player in India's economic landscape.

1.4 Conclusions

Chhattisgarh's economy has experienced remarkable growth since the state's establishment in 2000, becoming a key player in India's industrial and agricultural landscape. The region has effectively utilized its abundant mineral resources, fertile land, and strategic location to foster economic advancement. Despite facing challenges such as sluggish economic conditions and the impacts of COVID-19, the state has demonstrated resilience in its Gross State Domestic Product, marked by several periods of rapid growth (Table no. 1.5). The economy is primarily driven by agriculture, industry, and services, with a gradual shift towards increased industrialization and urbanization. Demographic trends indicate a consistent rise in population, presenting significant opportunities for economic development, particularly with a growing working-age demographic (Table no. 1.10). This potential can be harnessed through improved infrastructure, education, and job creation. However, the state is also witnessing a decline in fertility rates and a slowdown in population growth, highlighting the necessity for long-term strategies that ensure sustained productivity and effective resource management. Additionally, the migration from rural to urban areas necessitates careful consideration of the population pyramid to prevent urban centers from becoming overcrowded while ensuring that rural areas receive adequate investment.

Chapter-2: Revenue Receipts

2.1	<i>Introduction</i>
2.2	<i>Overview of Revenue Receipts of the State</i>
2.3	<i>Breakup of Revenue – by Sector and Source</i>
2.4	<i>Total Tax Revenue</i>
2.5	<i>State’s Own Tax Revenue</i>
2.6	<i>Non-Tax Revenue of the State</i>
2.7	<i>Buoyancy of Taxes</i>
2.8	<i>Non-Tax transfers from the Central Government</i>
2.9	<i>Conclusions</i>

Chapter- 2: Revenue Receipts

2.1 Introduction

Public expenditure encompasses the financial outlays made by the government to achieve its socio-economic and political goals. This spending cover a range of areas, including infrastructure development, defense, education, healthcare, and social welfare programs. To support these expenditures, governments must secure significant revenue sources, which are generally referred to as receipts. In the context of public expenditure, receipts denote the funds collected by the government from various channels to satisfy its financial obligations. These receipts can be divided into two main categories: revenue receipts and capital receipts, both of which are essential for effective fiscal management within a nation/state.

Public revenue, also referred to as public income, encompasses the various financial resources available to governments, including taxes, borrowings, fees, and donations. The term "public revenue" is often interpreted in two ways: broadly and narrowly. In the broad interpretation, it encompasses all forms of income and receipts that the government acquires over a specific period, regardless of their source or nature. This includes not only non-repayable receipts but also loans that the government is obligated to repay in the future, along with any associated interest or services as stipulated in the debt agreements. Conversely, the narrow interpretation focuses solely on the government's own receipts that do not require repayment.

Receipts are fundamental to government spending, providing the necessary financial foundation for stability and economic advancement. Insufficient receipts can lead to budget deficits, prompting the government to increase borrowing and accumulate debt. The level of receipts directly influences the government's ability to finance development initiatives, deliver public services, and uphold macroeconomic stability.

Classification of Receipts in Public Expenditure

Revenue Receipts: Revenue receipts refer to funds that do not incur any liabilities or result in a decrease in government assets. These receipts are consistent and recurring, primarily utilized to support the routine operations of the government. Revenue receipts can be further divided into:

Tax Revenue: This category encompasses both direct and indirect taxes, including income tax, corporate tax, goods and services tax (GST), customs duties, and excise duties. Tax revenue represents a significant portion of government income and is crucial for financing welfare initiatives and public services.

Non-Tax Revenue: This type of revenue is generated from various sources, including dividends and profits from state-owned enterprises, fees and penalties, interest from government loans, and income from services rendered by the government.

Capital Receipts

Capital receipts differ from revenue receipts in that they either create liabilities or decrease government assets. These receipts are typically non-recurring and are frequently utilized to finance long-term development initiatives. The components of capital receipts include:

- **Borrowings:** The government secures funds from both domestic and international sources, such as the public, banks, and global financial institutions, to address fiscal deficits and support infrastructure development.
- **Disinvestment:** The government raises funds by divesting its interests in public sector enterprises. This approach is often adopted to alleviate fiscal pressures and promote private sector involvement.
- **Loan Recoveries:** The repayment of loans previously extended by the government to states, public enterprises, or foreign nations also contributes to capital receipts

2.2 Overview of Revenue Receipts of the State

The State of Chhattisgarh has registered an increase in total revenue from ₹29578 crores in 2012-13 to ₹103508 crores in 2023-24. The trend in growth of Revenue Receipt, both in absolute terms and in relation to GSDP is given in Table 2.1 and Figure 2.1 below, along with breakup up of Revenue by source.

Table 2.1: Trend of Revenue Receipts

(₹ in Crore)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts (RR)	29578	32050	37933	46068	53685	59647	65094	63868	63176	79652	93877	103508
Rate of Growth of RR (%)	-	8.4	18.4	21.4	16.5	11.10	9.13	(-) 1.88	(-) 1.03	26.07	17.85	10.25
RR as % of GSDP	16.7	15.5	17.15	20.45	20.42	17.15	19.89	18.53	17.93	19.35	20.45	20.21
GSDP	1,77,511	2,06,833	2,21,118	2,25,162	2,62,801	2,82,737	3,27,106	3,44,672	3,52,327	4,11,613	4,58,891	5,12,107 (Q)

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Figure 2.1a: Trend of Revenue Receipts

(₹ in Crore)

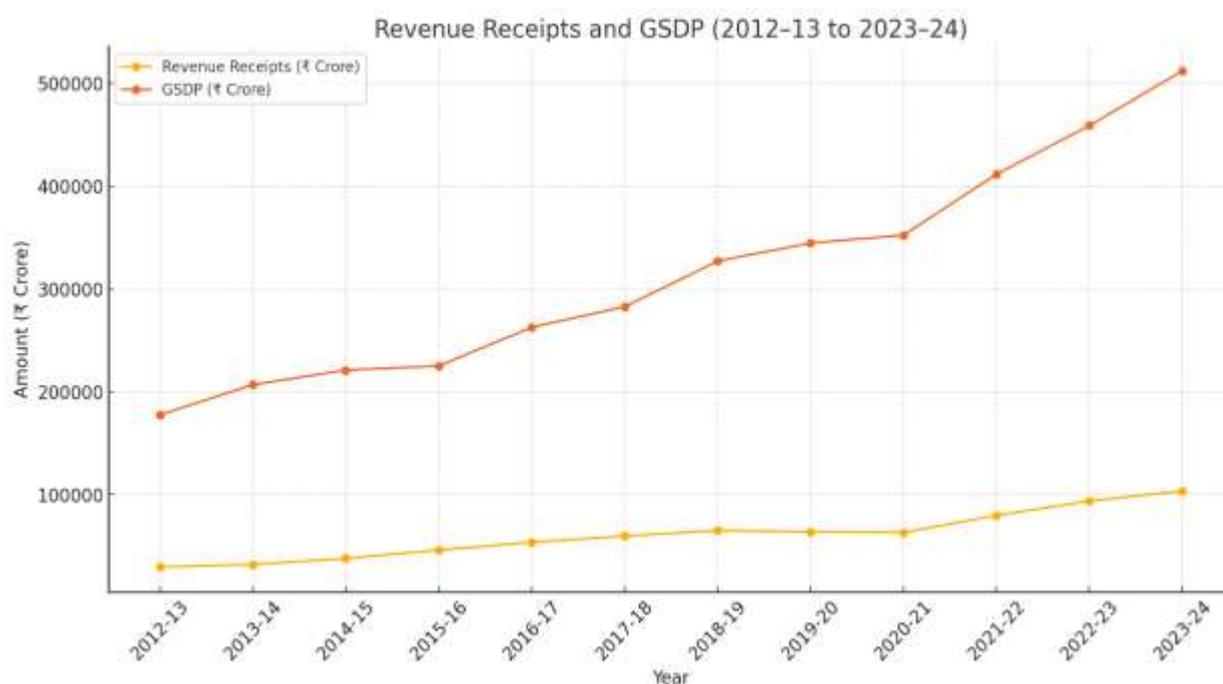
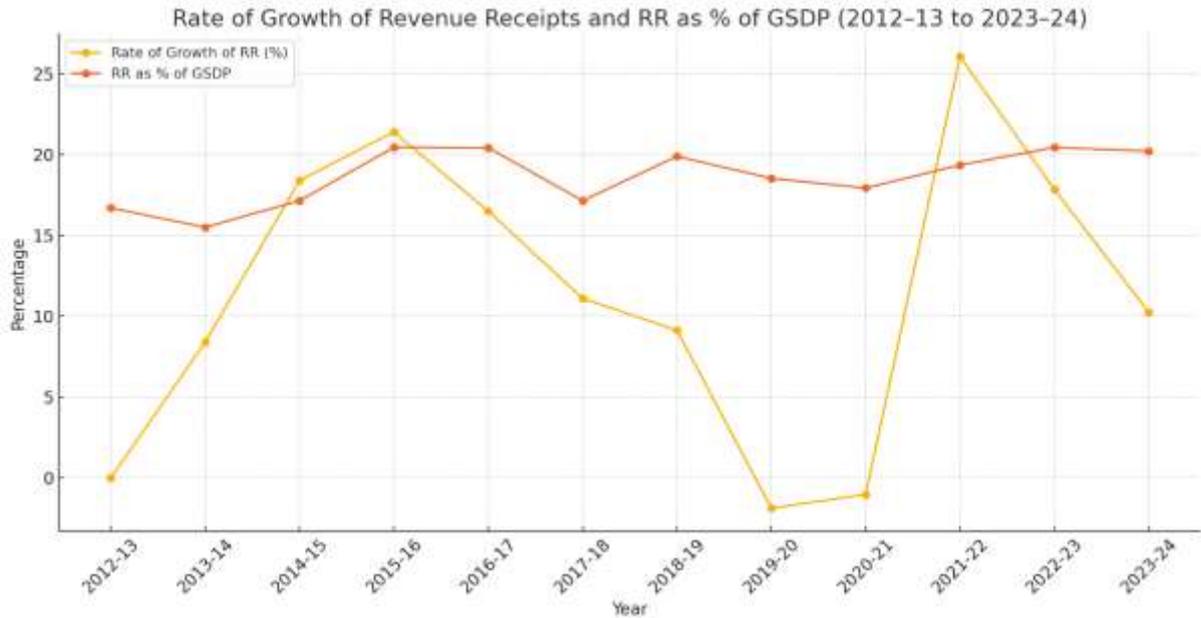


Figure 2.1b: Trend of Revenue Receipts**(₹ in Percentage)**

The trends in Revenue Receipts (RR) from 2012-13 to 2023-24, measured in crore rupees, reveal a dynamic fiscal scenario, marked by both growth and periods of stagnation, largely in sync with the economic environment and policy adjustments over time. Initially, in 2012-13, RR were ₹ 29,578 crore, showing moderate annual growth in the following years. However, a significant surge begins in 2014-15, with a notable rate of growth in RR at 18.4%, increasing further to 21.4% in 2015-16.

After 2015-16, although RR continues to increase in absolute terms, the rate of growth begins to slow down. In 2016-17, the growth rate drops to 16.5% and further to 11.1% in 2017-18. This deceleration can be attributed to various factors, including the economic disruptions following policy changes like demonetization in 2016 and the introduction of the Goods and Services Tax (GST) in 2017. These changes, while aiming for long-term improvements in revenue collection efficiency, temporarily affected the short-term growth of revenue. The period of 2018-19 and 2019-20 reflects a stagnation in revenue growth, with RR growth rates declining sharply to 9.13% in 2018-19 and even showing a negative trend of -1.88% in 2019-20.

The onset of the COVID-19 pandemic in 2020-21 severely impacted revenue receipts, leading to a marginal negative growth rate of -1.03%, signaling the economic challenges faced during the pandemic when economic activity was minimal due to lockdowns and restrictions. This period's challenges reveal the susceptibility of revenue receipts to economic slowdowns and unexpected global events. However, the trend shows a strong recovery in 2021-22, with RR growth rebounding to 26.07%, indicating a post-pandemic recovery supported by a revitalization of economic activities, policy support, and potentially a stronger tax base as businesses reopened and consumer demand surged. This growth trajectory continued positively in subsequent years, with a 17.85% increase in 2022-23 and a decline of 10.25% in 2023-24. In terms of RR as a percentage of Gross State Domestic Product (GSDP), the data reveals fluctuations that are reflective of both revenue growth and changes in the GSDP itself. Starting from 16.7% in 2012-13, this ratio rises to 20.45% in 2015-16, likely reflecting improved revenue mobilization. The figure continues to remain relatively high, though it fluctuates, reaching a peak again at 20.21% in 2023-24. Additionally, examining the GSDP figures shows a consistent upward trend, with only minor setbacks. GSDP grew from ₹ 1,77,511 crore in 2012-13 to ₹ 512107 crore in 2023-24 reflecting robust economic growth over the decade.

Table 2.2: Breakup of Revenue Receipts (All Figures in ₹ Crores)

Year Heads	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
State's Own Tax Revenue	13034.21	14342.	15707.27	17074.85	18945.21	19894.68	21427.25	22117.85	22889.19	27083.73	33122.30	38786.22
State's Own Non-Tax Revenue	4615.95	5101.17	4874.71	5214.80	566971.25	6340.42	7703.02	7933.77	7136.95	13851.21	15248.24	15147.96
Share of State Union Taxes and Duties	7217.60	7880.22	8363.02	15716.47	18809.16	20754.81	23458.69	20205.84	20337.54	28570.79	32358.26	38481.88
Grants in aid from GOI	4710.33	4726.16	8987.80	8061.59	10261.63	12657.17	12505.96	13611.24	12812.49	10146.30	13148.33	11092.13

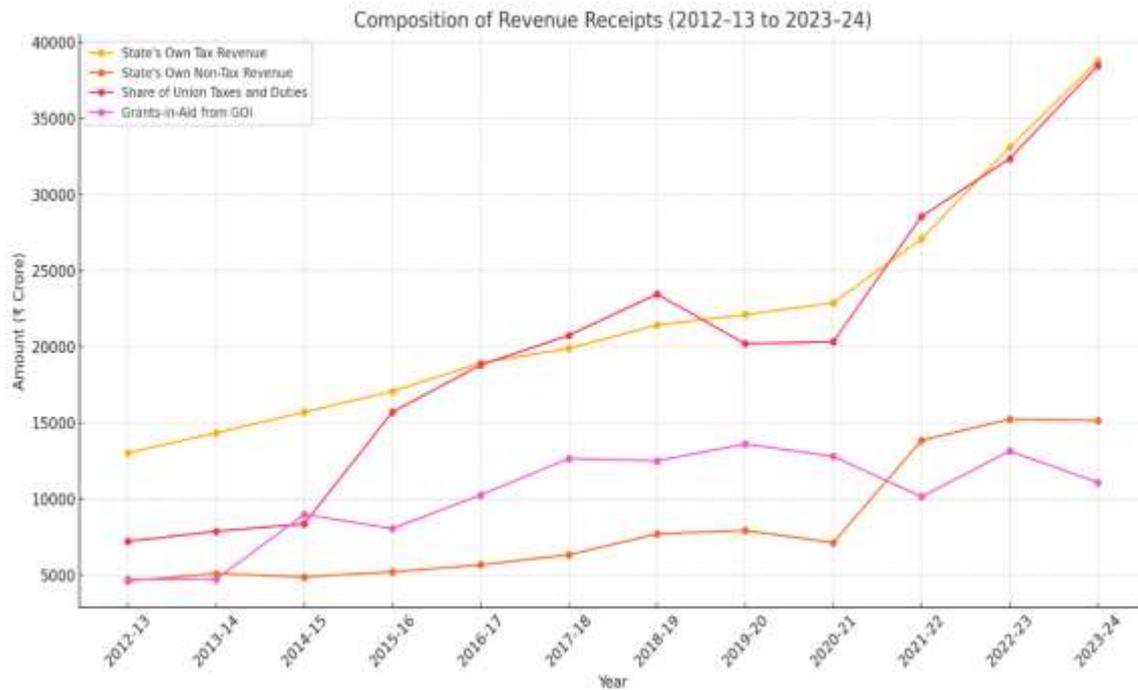
Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The data on revenue streams from 2012-13 to 2023-24 reveals diverse trends in the major components of state revenue: State's Own Tax Revenue, State's Own Non-Tax Revenue, Share of Union Taxes and Duties, and Grants-in-Aid from the Government of

India (GOI). Together, these components illustrate the state's evolving fiscal capacity and dependence on both internal and external revenue sources.

Figure 2.2: Breakup of Revenue Receipts

(₹ in Crore)



1. State's Own Tax Revenue

State's Own Tax Revenue has demonstrated steady growth over the years, rising from ₹ 13,034.21 crore in 2012-13 to ₹ 38,786.22 crore in 2023-24. This growth reflects the state's increasing capacity to mobilize revenue through its tax system, likely due to factors such as expanding economic activity, improvements in tax administration, and reforms aimed at enhancing tax compliance. A significant jump is visible post-2020-21, where revenue increased from ₹ 22,889.19 crore to ₹ 27,083.73 crore in 2021-22 and then surged to ₹ 38,786.22 crore in 2023-24.

2. State's Own Non-Tax Revenue

State's Own Non-Tax Revenue has also shown growth, albeit with some fluctuations. Starting at ₹ 4,615.95 crore in 2012-13, it experienced moderate gains in the early years, reaching ₹ 7,703.02 crore by 2018-19. A notable jump is observed in 2021-22, where Non-Tax Revenue nearly doubled from ₹ 7,136.95 crore in 2020-21 to ₹ 13,851.21 crore.

3. Share of Union Taxes and Duties

The state's Share of Union Taxes and Duties has shown considerable volatility, particularly with a massive increase from ₹ 8,363.02 crore in 2014-15 to ₹ 15,716.47 crore in 2015-16. This sharp rise may have been driven by an increase in the share of state allocations from the central pool as per the recommendations of the Fourteenth Finance Commission, which advocated for a higher devolution of central taxes to states. The trend continued upward, reaching ₹ 20,754.81 crore by 2017-18. However, it shows some inconsistency thereafter, likely influenced by changes in central allocations or economic slowdowns that affected overall tax collections at the national level. In 2020-21, during the pandemic, this figure remained stable at ₹ 20,337.54 crore, reflecting the constrained fiscal space during that period.

4. Grants-in-Aid from the Government of India (GOI)

Grants-in-Aid from GOI form another significant revenue source for the state, exhibiting fluctuations over the years. Starting at ₹ 4,710.33 crore in 2012-13, it saw a substantial increase to ₹ 8,987.80 crore in 2014-15, followed by further rises in subsequent years, reaching ₹ 12,657.17 crore in 2017-18. This upward trend may reflect targeted grants from the central government for specific projects, schemes, or disaster relief, as well as grants recommended by Finance Commissions. However, in 2021-22, a decrease to ₹ 10,146.30 crore is noted, likely due to constraints on central finances during the pandemic.

2.3 Breakup of Revenue – by Sector and Source

The breakup of Revenue Receipts by Sector and Sub-Sector is given in Table 2.3 below. As can be seen in the tabulation, the tax revenue, including both Central Taxes devolved to the State, and State's own taxes, increased from ₹ 20251.80 crores in 2012-2013 to ₹ 77268.10 crores in 2023-24. The non-tax revenue in the same period grew from ₹ 4615.94 crores to ₹ 15147.96 crores. The Grants-in-Aid from the Central Government grew from ₹ 4710.32 crores to ₹ 11092.13 crores in this period.

2.3 Table: Composition of Breakup of Revenue Receipts and Trends

(₹ in Crore)

Heads	Years	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
A	Tax Revenue	20251.80	22222.90	24070.30	32791.30	37754.40	40649.49	44885.94	42323.68	43226.73	55654.52	65480.56	77268.10
(a)	Taxes on Income and Expenditure	4151.60	4402.86	5013.09	8413.18	10212.42	11721.46	14208.08	12288.57	12387.54	16588.54	21442.38	24890.71
(b)	Taxes on Property and Capital Transactions	1190.96	1223.57	1362.77	1549.97	1728.79	1643.69	1599.00	2186.42	2522.65	2896.81	3097.20	3341.98
(c)	Taxes on Commodities and Services	14909.23	16596.48	17694.42	22828.16	25813.15	27284.33	29078.85	27848.68	28316.53	36169.15	40940.98	49035.40
B	Non-Tax Revenue	4615.94	5101.16	4874.70	5214.79	5669.25	6340.41	7703.02	7933.76	7136.95	13851.20	15248.24	15147.96
(a)	Fiscal Services	-	0.0150	0.0069	0.0010	0.0063	0.00	0.0020	0.00	0.00	0.00	0.0004	0.00
(b)	Interest Receipts Dividends and profit	245.32	395.11	117.56	113.96	157.79	185.23	191.04	234.79	92.06	141.60	206.95	178.99
(c)	Other Non-Taxes Revenue	4370.61	4706.03	4757.13	5100.83	5511.45	6155.17	7511.97	7698.96	7044.88	13709.60	15041.28	14968.97
(i)	General Services	128.69	93.22	111.77	149.59	136.83	141.74	244.82	248.34	249.13	209.30	219.64	155.73
(ii)	Social Services	64.64	122.67	125.71	121.36	145.55	154.61	147.08	210.42	186.24	200.29	212.21	315.47
(iii)	Economic Services	4177.28	4490.13	4519.64	4829.87	5229.05	5858.81	7120.07	7240.19	6609.51	13300.00	14609.42	14497.75
C	Grants-In- Aid and Contribution	4710.32	4726.16	8987.80	8061.59	10261.62	12657.16	12505.96	13611.24	12812.48	10146.29	13148.32	11092.13
	TOTAL REVENUE	29578.00	32050.30	37932.80	46067.70	53685.20	59647.08	65094.92	63868.70	63176.18	79652.03	93877.13	103508.19

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The CAGR for the year 2012-2013 to 2019-20 (Pre Covid Period) is for total tax revenue was 11.10 % for Non-Tax Revenue was 8.04 % and for Grants- in-Aid- was 16.37 %. Likewise, the CAGR for the year 2020-2021 to 2023-24 (Post Covid Period) is for total tax revenue was 16.24 % for Non-Tax Revenue 8.04 % and for Grants- in-Aid- 17.55 %. The overall growth in total revenues over the reference period of 2012-2013 to 2023-24 was (-) 4.99%.

2.4 Total Tax Revenue

Table 2.4: Composition of Total Tax Revenue Receipts and Trends

(₹ in Crore)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Heads												
Total Revenue Receipts	29578.07	32050.26	37932.80	46067.71	53685.24	59647.08	65094.92	63868.70	63176.18	79652.03	93877.13	103508.19
Own Tax Revenue	13034.21	14342.71	15707.27	17074.85	18945.21	19894.68	21427.25	22117.85	22889.19	27083.73	33122.30	38786.22
% of Revenue Receipts	44.1	44.8	41.4	37.1	35.3	33.35	32.92	34.63	36.23	34.00	35.28	37.47
% of GSDP	7.3	6.9	7.1	7.3	7.2	7.04	6.55	6.42	6.50	6.57	7.21	7.57
Annual Growth Rate (%)	21.7	10.0	9.5	8.8	10.9	4.77	7.15	3.12	3.37	15.49	18.23	17.10
Own Non-Tax Revenue	4615.95	5101.17	4874.71	5214.80	5669.25	6340.42	7703.02	7933.77	7136.95	13851.21	15248.24	15147.96
% of Revenue Receipts	15.6	15.9	12.9	11.3	10.6	10.63	11.83	12.42	11.30	17.39	16.24	14.63
% of GSDP	2.6	2.5	2.2	2.2	2.2	2.24	2.35	2.30	2.03	3.36	3.32	2.95
Annual Growth Rate (%)	13.7	10.5	-4.4	7.0	8.7	10.59	17.69	2.91	-11.16	48.47	9.16	-0.65
State's Own Revenue (Own Tax + Non-Tax)	17650.16	19443.88	20581.98	22289.65	24614.46	26235.10	29130.27	30051.62	30026.14	40934.94	48370.54	53934.18
% of Revenue Receipts	59.7	60.7	54.3	48.4	45.8	43.98	44.75	47.05	47.53	51.39	51.53	52.10
% of GSDP	9.9	9.4	9.3	9.5	9.4	9.28	8.91	8.72	8.52	9.94	10.52	10.53
Annual Growth Rate (%)	19.5	10.2	5.9	8.3	10.4	6.18	9.94	3.07	-0.08	26.65	15.37	11.50
State's Share in Union Taxes and Duties	7217.60	7880.22	8363.02	15716.47	18809.16	20754.81	23458.69	20205.84	20337.54	28570.79	32358.26	38481.88
% of Revenue Receipts	24.4	24.6	22.0	34.1	35.0	34.80	36.04	31.64	32.19	35.87	34.47	37.17
% of GSDP	4.1	3.8	3.8	6.7	7.2	7.34	7.17	5.86	5.77	6.94	7.05	7.51
Annual Growth Rate (%)	14.2	9.2	6.1	87.8	19.7	9.37	11.53	-16.10	0.65	28.82	11.70	18.92
Total Tax Revenue of State	20251.80	22222.93	24070.29	32791.32	37754.36	40649.49	44885.94	42323.68	43226.73	55654.52	65480.56	77268.10
% of Revenue Receipts	68.5	69.3	63.5	71.2	70.3	68.15	68.95	66.27	68.42	69.87	69.75	74.64
% of GSDP	11.4	10.7	10.9	14.0	14.4	14.38	13.72	12.28	12.27	13.52	14.26	15.08
Annual Growth Rate (%)	18.9	9.7	8.3	36.2	15.1	7.12	9.44	-6.05	2.09	22.33	15.01	18.00
Grants in aid from GOI	4710.33	4726.16	8987.80	8061.59	10261.63	12657.17	12505.96	13611.24	12812.49	10146.30	13148.33	11092.13
% of Revenue Receipts	15.9	14.7	23.7	17.5	19.1	21.22	19.21	21.31	20.28	12.74	14.01	10.71
% of GSDP	2.7	2.3	4.1	3.4	3.9	4.48	3.82	3.95	3.64	2.46	2.86	2.16
Annual Growth Rate (%)	-1.4	0.3	90.2	-10.3	27.3	18.93	-1.21	8.12	-6.23	-26.28	22.83	-15.63
GSDP	1,77,511	2,06,833	2,21,118	2,25,162	2,62,801	2,82,737	3,27,106	3,44,672	3,52,327	4,11,613	4,58,891	5,12,107 (Q)

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Table 2.4 highlights the steady growth in total revenue receipts from ₹29,578.07 crore in 2012-13 to ₹103508.19 crore in 2023-24, supported by consistent expansion in the state's economic base. Own tax revenue remains a major contributor, showing an increasing share of GSDP from 7.3% in 2012-13 to a 7.57% in 2023-24, reflecting improved tax efficiency and growth in the state economy. Non-tax revenue fluctuates, peaking at 17.39% of revenue receipts in 2021-22, driven by post-pandemic recovery efforts. The state's share in union taxes and duties shows a substantial jump in 2015-16,

contributing significantly to revenue growth, but it has also exhibited volatility in subsequent years. Grants-in-aid from the central government have declined as a percentage of revenue receipts, from 15.9% in 2012-13 to 10.71% in 2023-24, indicating reduced dependency on central assistance. Total tax revenue consistently forms over two-thirds of revenue receipts, showcasing the state's reliance on tax-based revenue sources. The GSDP has shown robust growth, supported fiscal expansion and enabled higher revenue collections.

Figure 2.3: Composition of Revenue Receipts and Trends

(in percentage)

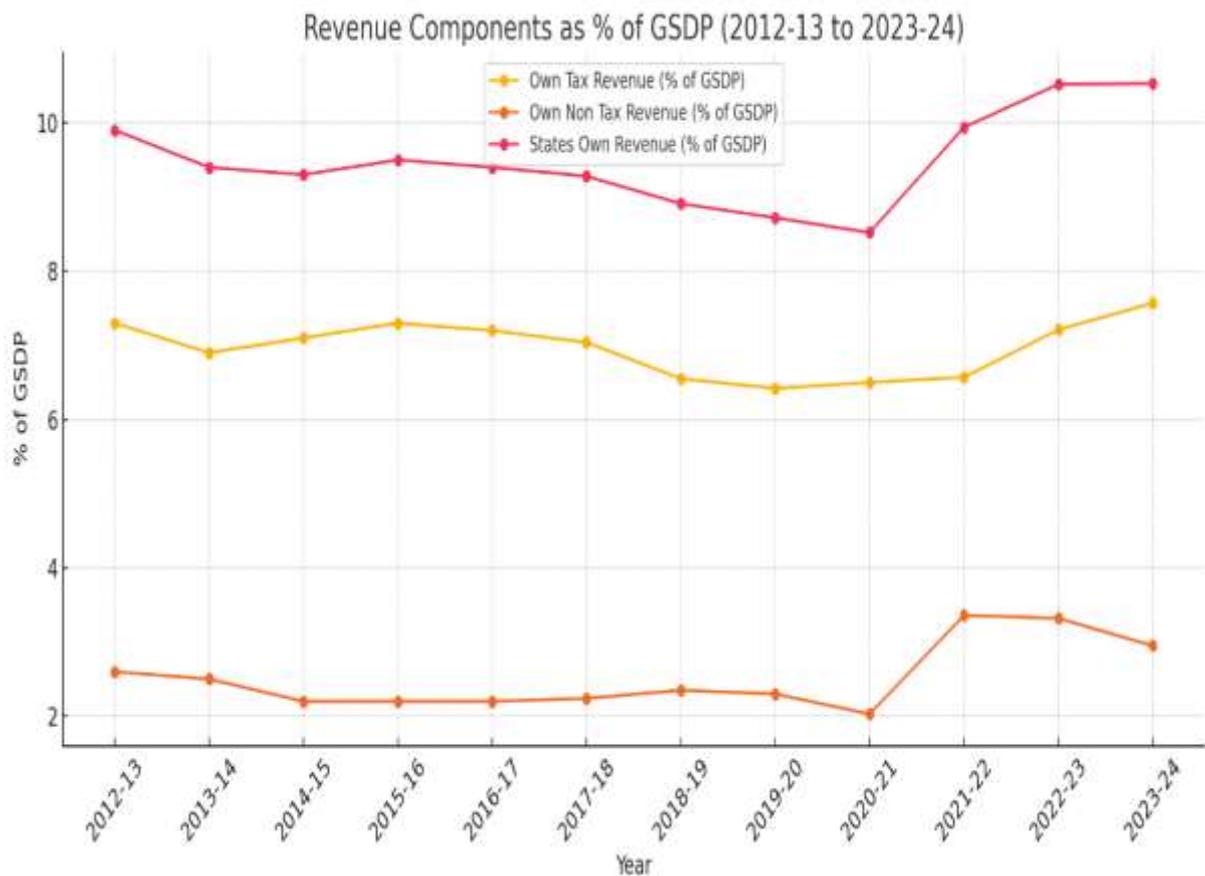


Table 2.5: Composition of Total Taxes**(in Percentage)**

	Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
(a)	Taxes on Income and Expenditure	20.5	19.8	20.8	25.7	27.0	28.8	31.7	29.0	28.7	29.8	32.7	32.21
(i)	Corporation Tax	12.8	11.9	12.1	15.1	15.9	15.6	18.2	16.3	14.2	13.8	16.6	14.94
(ii)	Taxes on Income Other than Corporation Tax	7.7	7.9	8.7	10.5	11.1	13.2	13.4	12.8	14.5	16.0	16.2	17.26
(b)	Taxes on Property and Capital Transactions	5.9	5.5	5.7	4.7	4.6	4.0	3.6	5.2	5.8	5.2	4.7	4.32
(i)	Land Revenue	1.2	1.0	1.4	1.1	1.3	1.1	1.1	1.3	2.2	1.7	1.3	1.09
(ii)	Stamps and Registration	4.7	4.5	4.3	3.6	3.2	2.9	2.5	3.9	3.7	3.5	3.4	3.22
(iii)	Taxes on Wealth	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(c)	Taxes on Commodities and Services	73.6	74.7	73.5	69.6	68.4	67.1	64.8	65.8	65.5	65.0	62.5	63.46
(i)	GST (SGST - State Goods and Service Tax and IGST)	NA	NA	NA	NA	NA	0.7	12.9	13.5	14.0	15.5	14.0	15.11
(ii)	GST (IGST-Integrated Goods and Service Tax) ²	NA	NA	NA	NA	NA	10.8	18.3	18.7	18.3	17.0	1.9	17.85
(iii)	Integrated GST	NA	NA	NA	NA	NA	5.2	1.0	NA	NA	NA	NA	NA
(iv)	Customs	5.9	5.8	5.6	7.6	6.9	5.2	3.7	3.0	2.5	3.6	1.9	1.7
(v)	Union Excise Duties	4.0	4.1	3.2	6.3	7.8	5.4	2.5	2.1	1.6	1.8	0.6	0.6
(vi)	State Excise	12.3	11.5	12.0	10.2	9.1	10.0	10.0	11.7	10.7	9.2	10.4	10.91
(vii)	Taxes on Sales Trade etc.	34.2	35.7	35.0	27.2	26.3	15.9	9.1	9.3	9.8	9.6	9.9	8.42
(viii)	Taxes on Vehicles	2.9	2.9	2.9	2.5	2.6	2.9	2.7	3.0	2.7	2.5	2.7	2.65
(ix)	Taxes on Goods and Passengers	4.7	4.3	4.1	3.2	3.6	1.2	0.1	0.1	0.2	0.1	0.1	0.9
(x)	Taxes and Duties on Electricity	4.3	4.6	5.5	4.2	4.0	4.2	4.0	4.3	5.4	5.1	5.6	5.9
(xi)	Services tax assigned	5.2	5.8	5.1	8.3	8.1	5.8	0.5	0.0	0.2	0.5	0.1	0.9
(xii)	Other Taxes and Duties on Commodities and Services	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.5	0.1	0.6

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Table 2.5 analyzed the total tax composition from 2012–13 to 2023–24; reveals a distinct transformation in India's tax framework. Taxes levied on goods and services have consistently been the predominant source of total tax revenue, although their proportion has slightly decreased from 73.6% in 2012–13 to 63.46% in 2023–24. Notably, there has been a significant structural change following the introduction of the Goods and Services Tax (GST) in 2017–18. By 2023–24, the combined contributions of SGST and GST exceeded 32%, supplanting older tax categories such as 'Taxes on Sales, Trade etc.' which saw a decline from 34.2% in 2012–13 to a mere 8.42% in 2023–24, while also sharply diminishing the shares of 'Union Excise Duties' and 'Customs'.

In contrast, taxes related to income and expenditure have risen from 20.5% to 32.21%, signifying a more developed tax base and improved compliance with income tax regulations. Both 'Corporation Tax' and 'Taxes on Income Other than Corporation' have increased their respective shares, indicative of economic expansion and rising personal income levels.

On the other hand, taxes associated with property and capital transactions have seen a slight reduction from 5.9% to 4.32%. Within this segment, 'Stamps and Registration' has remained the primary contributor. In summary, the data highlights a notable transition towards GST-focused indirect taxation and enhanced direct tax collection, thereby fostering greater revenue efficiency and transparency.

Table 2.6: Composition of Total Tax Revenue of the State

(in Percentage)

	Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Heads												
		Taxes on Income and Expenditure as % of Tax Revenue											
(a)	Taxes on Income and Expenditure	20.5	19.8	20.8	25.7	27.0	28.8	31.7	29.0	28.7	29.8	32.7	32.21
I	Central portion as	20.5	19.8	20.8	25.7	27.0	28.8	31.7	29.0	28.7	29.8	32.7	49.80
II	State portion as	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Income and Expenditure Tax GSDP Ratio	2.3	2.1	2.3	3.6	3.9	4.1	4.3	3.6	3.5	4.0	4.6	4.8

Taxes on Property and Capital Transactions as % of Tax Revenue													
(b)	Taxes on Property and Capital Transactions	5.9	5.5	5.7	4.7	4.6	4.0	3.6	5.2	5.8	5.2	4.7	4.3
I	Central portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
II	State portion	5.9	5.5	5.7	4.7	4.6	4.0	3.6	5.2	5.8	5.2	4.7	4.7
	Property and Capital Transactions Tax GSDP Ratio	0.7	0.6	0.6	0.7	0.7	0.6	0.5	0.6	0.7	0.7	0.7	0.7
Taxes on Commodities and Services as % of Tax Revenue													
(c)	Taxes on Commodities and Services	73.6	74.7	73.5	69.6	68.4	67.1	64.8	65.8	65.5	65.0	62.5	64
I	Central	15.25	15.75	14.02	22.38	22.84	22.26	20.61	18.71	18.39	22.01	16.67	16.5
II	State	58.35	58.95	59.48	47.22	45.56	44.84	44.19	47.09	47.11	42.99	45.83	44.23
	Commodities and Services Tax GSDP Ratio	8.4	8.0	8.0	9.7	9.8	9.7	8.9	8.1	8.0	8.8	8.8	9.6
Total Division of Total Tax Revenue													
I	State Taxes total portion	64.25	64.45	65.18	51.92	50.16	48.84	47.79	52.29	52.91	48.19	50.53	52.21
	State Taxes GSDP Ratio	7.3	6.9	7.1	7.3	7.2	7.0	6.6	6.4	6.5	6.6	7.1	6.4
II	Central Taxes total portion	35.75	35.55	34.82	48.08	49.84	51.16	52.21	47.71	47.09	51.81	49.47	47.06
	Central Taxes GSDP Ratio	4.1	3.8	3.8	6.7	7.2	7.3	7.2	5.9	5.8	7.0	7.0	5.6

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The table presents an analysis of the composition of Indian tax revenue from the fiscal years 2012–13 to 2023–24. The taxes are categorized into three distinct groups: (a) Income and Expenditure, (b) Property and Capital Transactions, and (c) Commodities and Services.

Taxes related to Income and Expenditure have risen from 20.5% in 2012–13 to 32.21% in 2023–24, with the entirety of this revenue being collected at the central level. Correspondingly, the GSDP (Gross State Domestic Product) ratio increased from 2.3% to 4.8%, indicating enhanced income tax collection efficiency.

Conversely, Taxes on Property and Capital Transactions, which fall solely under state jurisdiction, experienced a minor decrease from 5.9% to 4.3% during the same timeframe. The GSDP ratio for this category remained relatively constant, fluctuating between 0.6% and 0.7%.

Taxes on Commodities and Services constituted the most significant portion of tax revenue but saw a decline from 73.6% in 2012–13 to 64% in 2023–24. This category is jointly managed by the Centre and the States, with states generally retaining a larger share. The GSDP ratio for this tax category commenced at 8.4% and experienced a slight increase to 9.6%.

Thus, the state taxes accounted for a greater proportion of total tax revenue until approximately 2016–17, after which there was a notable increase in the share of central taxes. This transition aligns with the introduction of GST, which centralized numerous indirect taxes.

2.5 State's Own Tax Revenue

Table 2.7: Composition of Own Tax Revenue of the State

(in ₹ Crore)

Heads	Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
SGST		0	0	0	0	0	4386.56	8203.41	7894.82	7925.01	9483.48	11298.14	13,793.29
Tax on Sales Trade etc.		6928.64	7929.50	8428.61	8908.36	9927.20	6449.60	4087.72	3931.37	4236.04	5341.09	6450.02	6,513.48
State Excise		2485.68	2549.14	2892.45	3338.39	3443.50	4053.99	4489.02	4952.35	4635.79	5106.61	6782.70	8,430.41
Taxes & Duties on Electricity		860.74	1020.43	1312.92	1372.83	1495.47	1688.95	1790.27	1837.00	2341.41	2836.04	3676.97	4,584.76
Taxes on Goods and Passengers		952.52	945.44	981.88	1040.26	1340.35	477.66	54.51	40.50	79.82	47.90	59.59	73.28
Stamps & Registration Fee		952.47	990.24	1023.29	1185.21	1211.35	1197.47	1108.45	1634.62	1584.93	1945.35	2228.63	2494.18
Taxes on Vehicles		593.53	651.06	703.47	829.22	985.27	1180.01	1204.85	1274.85	1148.06	1372.51	1756.62	2,048.20
Land Revenue		234.11	226.05	331.60	363.84	503.65	446.41	487.57	551.50	937.71	949.93	868.56	847.80
Other Taxes		26.48	30.8	33.08	45.94	38.41	14.03	1.44	0.81	0.39	0.78	1.05	0.82
Total Own Tax Revenue		13034.21	14342.71	15707.27	17074.85	18945.21	19894.68	21427.25	22117.85	22889.19	27083.73	33122.30	38786.22

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The data outlines the composition of self-generated tax revenue from the fiscal years 2012–13 to 2023–24. Throughout this timeframe, there has been a significant and steady rise in total self-generated tax revenue, increasing from ₹13,034.21 crore in 2012–13 to

₹38,786.22 crore in 2023–24. The implementation of SGST (State Goods and Services Tax) in 2017–18 had a profound effect on the tax framework, commencing at ₹4,386.56 crore and progressively climbing to ₹13,793.29 crore by 2023–24, thereby becoming the primary contributor. Traditional revenue sources such as "Tax on Sales Trade etc." experienced a downturn following 2017, illustrating the integration of the GST regime.

Additionally, "State Excise" witnessed considerable growth, particularly after 2016–17, reaching ₹8,430.41 crore. "Taxes & Duties on Electricity" and "Stamps & Registration Fee" also exhibited consistent increases, reflecting heightened consumption and property transactions. Conversely, "Taxes on Goods and Passengers" encountered a significant decline post-2016–17. Other elements, including "Taxes on Vehicles" and "Land Revenue," also demonstrated a favorable trend. Therefore, the data indicates a structural transformation in state tax collection following the GST implementation, with SGST emerging as a dominant force, and a robust upward trend in the majority of components of self-generated tax revenue, signifying economic growth and enhanced tax administration.

Table 2.8: Composition of Own Tax Revenue of the State

(in ₹ Crore)

Heads	Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
SGST		0.00	0.00	0.00	0.00	0.00	22.04	38.28	35.69	34.62	35.015	38.39	35.56
Tax on Sales Trade etc.		53.16	55.29	53.66	52.14	52.40	36.04	20.93	19.69	20.13	20.14	20.79	16.79
State Excise		19.07	17.77	18.41	19.54	18.18	22.66	22.99	24.80	22.03	19.25	21.87	21.73
Taxes & Duties on Electricity		6.60	7.11	8.36	8.04	7.89	9.44	9.17	9.20	11.12	10.69	11.85	11.82
Taxes on Goods and Passengers		7.31	6.59	6.25	6.09	7.07	2.67	0.28	0.20	0.38	0.18	0.19	0.18
Stamps & Registration Fee		7.31	6.90	6.51	6.94	6.39	6.69	5.68	8.19	7.53	7.33	7.18	6.43
Taxes on Vehicles		4.55	4.54	4.48	4.85	5.20	6.59	6.17	6.38	5.45	5.17	5.66	5.28
Land Revenue		1.80	1.58	2.11	2.13	2.66	2.49	2.50	2.76	4.46	3.58	2.80	2.18
Other Taxes		0.20	0.21	0.21	0.26	0.20	0.07	0.006	0.003	0.001	0.002	0.003	0.002
Total Own Tax Revenue		100											

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The analysis of the composition of tax revenue from 2012–13 to 2023–24 reveals a significant structural change in the tax profile of the state. At the outset, the predominant source of revenue was "Tax on Sales, Trade etc.," which contributed more than 50% until the fiscal year 2016–17. However, following the implementation of the State Goods and Services Tax (SGST) in 2017–18, this trend experienced a notable shift. By 2023–24, SGST emerged as the primary source of revenue, representing over 35% of the total tax income.

Concurrently, the proportion of revenue derived from "Tax on Sales Trade etc." experienced a marked decline—from 52.40% in 2016–17 to a mere 16.79% in 2023–24—illustrating the impact of the transition to the GST framework. The category of "State Excise" maintained a consistent and significant share, remaining in the range of 18–24%, thereby underscoring its ongoing relevance. Additionally, "Taxes and Duties on Electricity" and "Stamps & Registration Fee" have shown steady contributions, approximately 11% and 6–7% respectively in recent years.

The category of "Taxes on Goods and Passengers" witnessed a substantial decrease from over 6% to nearly negligible levels, suggesting a consolidation or reorganization of such taxes. Likewise, the category of "Other Taxes" has become nearly insignificant. In summary, the data underscores a transformation in the tax regime following the implementation of GST, with SGST solidifying its role as the cornerstone of state revenue and a more balanced diversification of other tax sources.

2.6 Non-Tax Revenue of the State

Table 2.9: Non-Tax Revenue of the State

Heads	Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Own Non-Tax Revenue (in Crore (₹))		4615.95	5101.17	4874.71	5214.80	5669.25	6340.42	7703.02	7933.77	7136.95	13851.21	15248.24	15147.96
% of Revenue Receipts		15.6	15.9	12.9	11.3	10.6	10.63	11.83	12.42	11.30	17.39	16.24	14.63
% of GSDP		2.6	2.5	2.2	2.2	2.2	2.24	2.35	2.30	2.03	3.36	3.32	2.95

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The Non-Tax Revenue of the State grew from ₹ 4615.95 Crore to ₹ 15147.96 Crore from 2012-13 to 2023-24. As a percentage of GSDP it was 2.6% in 2012-13 and increased to 2.95 % 2023-24. The relative share of non-Tax revenue in total Revenue of the State has however increased from 15.6% in 2012-13 to 16.24% in 2022- 23.

2.7 Buoyancy of Taxes

The most important consideration regarding collections from taxes is how closely they are related to the GSDP of the State specifically how buoyant are they with respect to GSDP. Recent endogenous growth model Romer (1986) have demonstrated that growth can be achieved by reducing fiscal imbalance, which can be achieved either by lowering expenditure or increase tax revenue. However, many developing countries have used option of reducing expenditure by reducing expenditures in case of health, education, and infrastructure, and other are rising tax revenue. In this chapter under the buoyancy of taxes; instead of exploring the determinants of tax to GSDP ratio we attempt to explore the determinants of buoyancy of taxes i.e. the total tax, direct tax and indirect tax.

The buoyancy of tax is defined as the total response of tax revenue in percentage term to a percentage change in GSDP. In this work we have used panel (time series and cross sectional) data for 10 years i.e. from 2012-13 to 2023-24 and converted it into log and used in the regression analysis. Thus, we estimate buoyancy of each tax.

For this we regress following equation.

$$\text{Log } T_i = \alpha_1 + \alpha_2 \text{ Log } \text{GSDP}_i + \mu$$

Where;

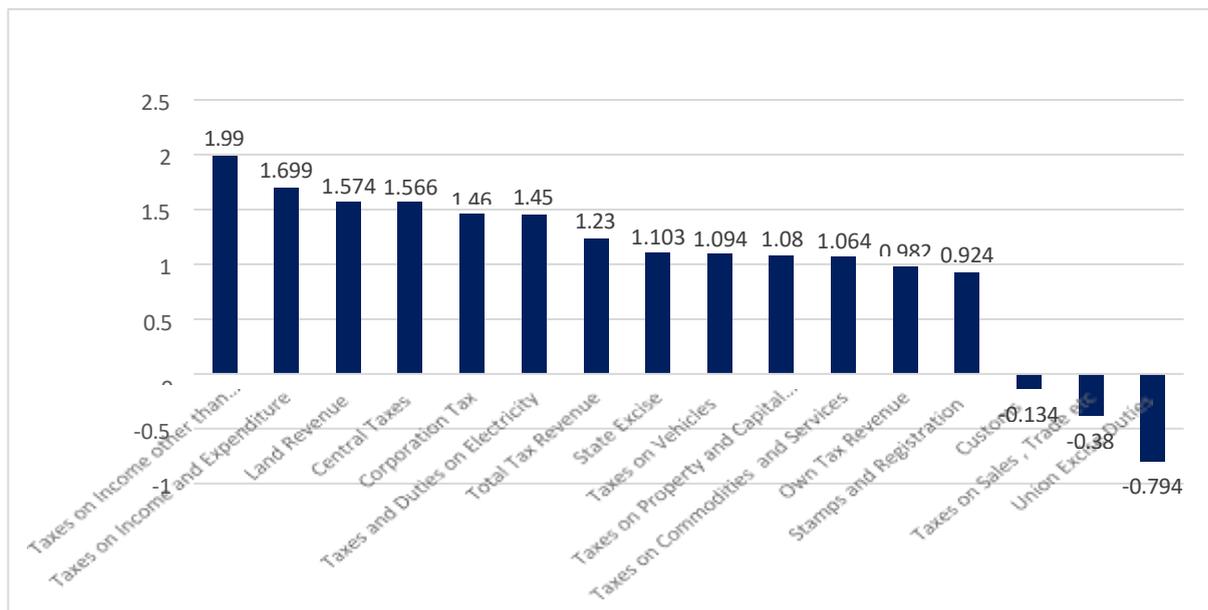
log T = log of tax (total tax and various tax revenues) log GSDP= log of Gross State Domestic Product /output μ = Error term

The buoyancy of Tax Revenue with GSDP over 10 year's period was 1.23. The buoyancy of Central Taxes devolved to Chhattisgarh was 1.56, the buoyancy of State taxes itself was lower at 0.982.

A visual representation of all the significant estimates of buoyancy of taxes is given in Figure 2.4 below:

The graph depicts the buoyancy of taxes over a specified timeframe, illustrating the sensitivity of tax revenues to fluctuations in the Gross State Domestic Product (GSDP). A tax buoyancy exceeding 1 signifies that tax revenues are increasing at a rate faster than the economy, indicating a tax system that is both efficient and responsive. In contrast, values falling below 1 demonstrate a slower growth rate of tax revenues relative to the overall economy.

Figure 2.4: Buoyancy of Taxes



Among the different tax categories, "Taxes on income other than corporation tax" demonstrates the highest buoyancy at 1.99, indicating a highly responsive and progressive tax stream. This is succeeded by "Taxes on income and expenditure" (1.69), "Land revenue" (1.57), and "Central taxes" (1.56), all of which exhibit strong growth potential in relation to GSDP expansion. Additionally, "Corporation tax" and "Duties on electricity" also display favorable buoyancy, positively impacting the state's revenue base.

Conversely, significant revenue streams such as "Sales and trade" (-0.38), "Union excise duties" (-0.79), and "Customs" (-0.13) show negative buoyancy, indicating either a decline in collections or inadequate responsiveness to economic growth—potentially due to structural reforms like GST or alterations in central tax devolution.

The overall buoyancy of total tax revenue stands at 1.23, reflecting a moderately healthy revenue system. However, the relatively low buoyancy of components such as "Own non-tax revenue" (0.98) and "Stamp and registration" (0.92) highlights areas that necessitate policy intervention and enhanced efficiency in collection mechanisms.

2.8 Non-Tax transfers from the Central Government

The grants-in-aid and contribution from the Centre to the State shows a great deal of year-to-year variation. Total grants-in-aid from the Centre formed 15.9% of total revenue in 2012-13 while in the year 2023-24 the same decreased to 10.71% of total revenue (Table 2.11). It was 2.16% of GSDP in 2023-24 compared to 2.7% of GSDP in 2012-13.

Table 2.10: Grants in aid from GOI

(in ₹ Crore)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Heads												
Grants in aid from GOI	4710.33	4726.16	8987.80	8061.59	10261.63	12657.17	12505.96	13611.24	12812.49	10146.30	13148.33	11092.13
% of Revenue Receipts	15.9	14.7	23.7	17.5	19.1	21.22	19.21	21.31	20.28	12.74	14.01	10.71
% of GSDP	2.7	2.3	4.1	3.4	3.9	4.48	3.82	3.95	3.64	2.46	2.86	2.16
Annual Growth Rate (%)	-	0.34	90.14	-10.29	27.31	23.34	-1.20	8.83	-5.87	-20.83	29.64	-15.64

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The examination of the grants-in-aid received from the Government of India during the twelve-year span from 2012–13 to 2023–24 indicates a highly variable trend, both in absolute figures and in relation to essential fiscal metrics such as Revenue Receipts and Gross State Domestic Product (GSDP). These fluctuations underscore the dynamic character of central fiscal transfers, reflecting changes in central policies, state needs, and broader macroeconomic circumstances.

- **Absolute Growth and Volatility**

The total amount of grants-in-aid saw a substantial increase from ₹4,710.33 crore in 2012–13 to a peak of ₹13,611.24 crore in 2019–20, before experiencing significant declines in several subsequent years. The most remarkable annual growth occurred in 2014–15, with an astonishing rise of 90.14%, likely due to the restructuring of central schemes or the introduction of special grants. However, this surge was succeeded by a contraction of 10.29% in 2015–16, illustrating the unstable nature of these transfers. Following 2016–17, grants generally increased until 2019–20, but again faced a downturn in 2020–21 (-5.87%) and a more pronounced decline in 2021–22 (-20.83%), likely as a result of fiscal stress induced by COVID-19 and a re-evaluation of central spending priorities. The recovery in 2022–23 (29.64%) indicates a restoration of transfers, yet the subsequent decrease in 2023–24 (-15.64%) reaffirms the erratic path of these grants.

- **Share in Revenue Receipts**

Grants-in-aid as a proportion of Revenue Receipts fluctuated from a peak of 23.7% in 2014–15 to a low of 10.71% in 2023–24. The initial years (2012–13 to 2014–15) demonstrate a relatively higher dependence on central transfers, reflecting the state's reliance on Government of India funding to maintain its revenue base. The ratio significantly declined after 2020–21, reaching 12.74% in 2021–22 and further diminishing in the following years. This reduction may be attributed to enhanced state-level revenue generation or a transition in central government funding strategies towards loans and performance-based grants.

- **Share in GSDP**

When evaluated as a percentage of GSDP, grants-in-aid fluctuated between 2.3% and 4.48%. The peak ratio occurred in 2017–18, signifying a robust fiscal contribution to the state economy during that period. A consistent decrease following 2019–20 indicates a reduction in grant inflows in relation to the expanding GSDP. By 2023–24, the share diminished to 2.16%, highlighting a constrained fiscal capacity provided by the Centre in comparison to the state's economic scale.

The findings reveal that grants-in-aid from the Government of India (GOI) experience considerable year-on-year fluctuations, influenced by policy shifts, economic trends, and political factors. Although central transfers are a vital element of state finances, the recent decline in their proportion of Revenue Receipts and GSDP suggests an urgent need for the state to enhance its own revenue-generating capabilities. Furthermore, the instability in growth rates emphasizes the necessity for effective fiscal planning and risk management. States should avoid excessive dependence on erratic transfers and instead diversify their revenue streams while bolstering fiscal discipline to achieve stability and sustainability in public financial management.

2.9 Conclusions

Over the period 2012–13 to 2023–24, Chhattisgarh's revenue profile has undergone a notable transformation, driven by economic expansion and significant policy reforms such as the implementation of GST. Revenue receipts increased more than threefold, supported by a growing Gross State Domestic Product (GSDP). The State's Own Tax Revenue, particularly SGST, emerged as the leading contributor, reflecting improvements in tax administration and compliance. Non-tax revenue also grew, although with greater volatility. The buoyancy analysis suggests that while total tax revenue is responsive to economic growth (buoyancy 1.23), the state's own taxes are less elastic, indicating potential areas for reform. Meanwhile, reliance on central transfers has declined, with grants-in-aid as a share of total revenue falling from 15.9% to 10.71%, and their contribution to GSDP also diminishing. This trend highlights both fiscal maturity and the need for stronger internal resource mobilization. The decline in the share of volatile components like central grants and traditional taxes underscores the importance of diversifying revenue sources and enhancing tax efficiency. Overall, the state has demonstrated commendable progress in strengthening its fiscal position, but long-term sustainability will depend on minimizing external dependencies, stabilizing revenue sources, and investing in robust public financial management systems.

<i>Chapter-3: Expenditure</i>	
<i>3.1</i>	<i>Introduction</i>
<i>3.2</i>	<i>Revenue Expenditure</i>
<i>3.3</i>	<i>Composition of Revenue Expenditure</i>
<i>3.4</i>	<i>Committed Revenue Expenditures</i>
<i>3.5</i>	<i>Capital Expenditure</i>
<i>3.6</i>	<i>Conclusions</i>

Chapter- 3: Expenditure

3.1 Introduction

Public finance is that branch of economics which deals with the revenue, expenditure, and debt operations of the government. Among its numerous aspects, public expenditure holds a central place as it reflects the government's determination to induce economic growth, promote social welfare, and achieve fiscal stability. Public expenditure refers to the spending by government authorities in meeting the economic, social, and administrative needs of the country. It is a significant instrument for resource allocation, redistribution of wealth, and stabilization of the economy.

In the past, public expenditure was limited to activities like defense, law and order, and administration. The modern role of the government, nevertheless, has expanded much more, and public spending now embraces a multitude of sector, including education, health, infrastructure development, social welfare programs, environment protection, etc. This transformation has been ushered in by rising public expectations, economic sophistication, and the acknowledgment that strategic government intervention is quintessential for rectifying market failures and for bringing about balanced growth.

Public expenditure is driven by different factors It is a function of the socio-economic objectives of the government, such as poverty reduction, promotion of employment, and social justice. It is also influenced by external factors such as inflation, globalization, and technological advancements. During periods of economic downturn, governments resort to increased public expenditure to generate demand and revitalize economic activity, a concept founded on Keynesian economics.

While public expenditure is one of the principal tools for economic management, its effectiveness is dependent on prudent allocation and efficiency of expenditure. Both over-spending and inefficient spending have the risks of leading to fiscal deficits, high public debt, and inflationary pressures. Fiscal transparency and discipline are therefore

critical to making public finances sustainable. Governments must balance the priority in spending based on the developmental needs of the country and ensure spending does not compromise the long-run stability of the economy.

In developing economies, government expenditure is directed toward poverty alleviation, education, health, and infrastructure development to bridge the gap between sections of society. In developed economies, they focus on maintaining social security systems, technological innovation, and the environment. Under any economic circumstance, government expenditure remains a vital instrument for governments to fulfill their commitments to citizens and stimulate development.

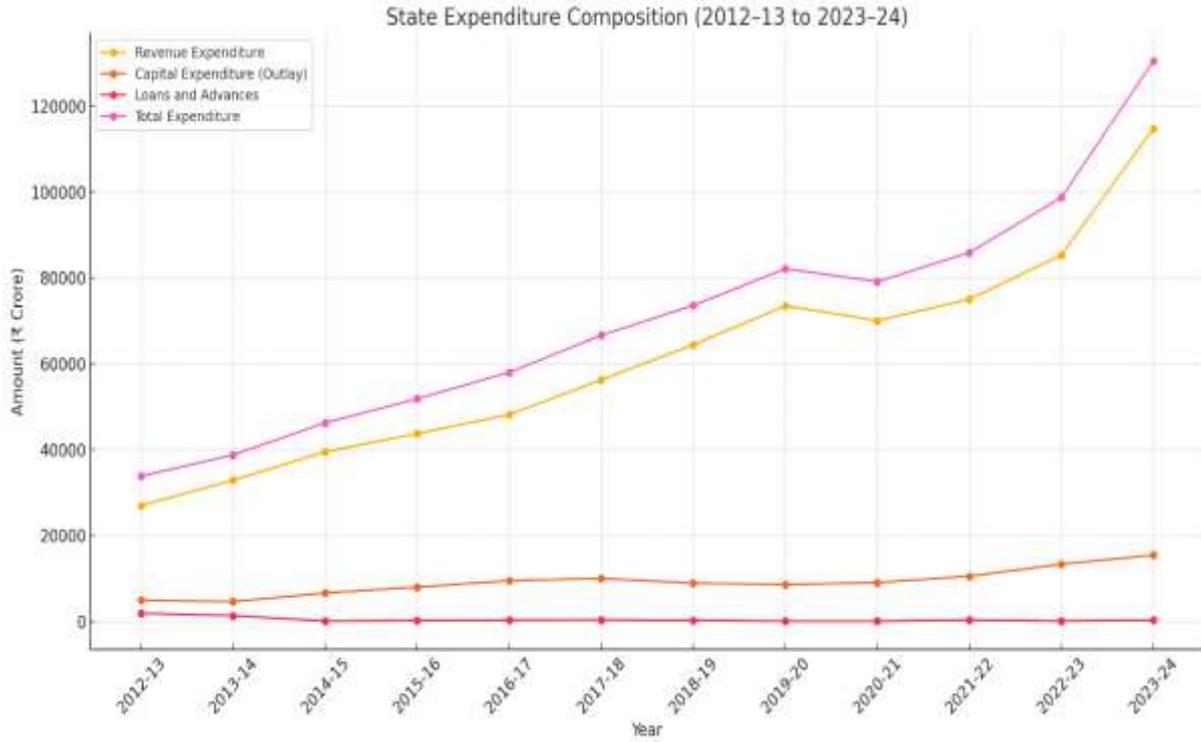
Table 3.1: Breakup of Expenditure

(₹ in Crores)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Heads												
Revenue Expenditure	26971.84	32859.57	39497.2	43701.06	48164.6	56229.75	64411.17	73477.31	70032.84	75010.01	85285.03	114740.96
Capital Expenditure (Outlay)	4919.33	4574.19	6620.56	7945	9470.51	10000.96	8903.45	8566.39	9024.19	10504.22	13320.3	15418.93
Loans and Advances	1887.99	1323.83	89.54	165.22	333.15	369.83	245.6	56.16	50.51	323.81	85.86	311.95
Total Expenditure	33779.16	38757.59	46207.3	51811.28	57968.26	66600.54	73560.22	82099.86	79107.54	85838.04	98691.19	130471.84
Total Expenditure (as % of GSDP)	19.03	18.74	20.89	22.12	22.10	23.56	22.49	23.82	22.45	20.91	21.25	25.47

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The table 3.1 shows expenditure trends from 2012-13 to 2023-24 show a consistent rise in government spending, reflecting changing fiscal priorities. Revenue expenditure, the largest component, increased significantly from ₹26,971.84 crores in 2012-13 to ₹1,14,740.95 crore in 2023-24, highlighting the focus on operational expenses and welfare programs. Capital expenditure, aimed at infrastructure and asset creation, grew from ₹4,919.33 crores in 2012-13 to ₹15,418.93 crore in 2023-24, with a notable surge post-2020-21, indicating infrastructure-driven recovery efforts. Loans and advances, though small, saw a steep decline from ₹1,887.99 crores in 2012-13 to much lower levels in subsequent years, signifying a shift in financial support mechanisms. Total expenditure rose steadily, peaking at ₹1,30,471.84 crores in 2023-24, with its share of GSDP increasing from 19.03% in 2012-13 to a high of 25.47% in 2023-24.

Figure 3.1: Breakup of Expenditure**(₹ in Crores)****Table 3.2: Share of Total Expenditure****(in Percentage)**

Heads	Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Expenditure		79.85	84.78	85.48	84.35	83.09	84.43	87.56	89.50	88.53	87.39	86.42	87.94
Capital Expenditure (Outlay)		14.56	11.80	14.33	15.33	16.34	15.02	12.10	10.43	11.41	12.24	13.50	11.81
Loans and Advances		5.59	3.42	0.19	0.32	0.57	0.56	0.33	0.07	0.06	0.38	0.09	0.23
Total Expenditure		100	100	100	100	100	100	100	100	100	100	100	100

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Table 3.2 illustrates the expenditure composition from 2012-13 to 2023-24 highlights the dominance of revenue expenditure, which consistently constitutes the largest share of total expenditure, ranging from 79.85% in 2012-13 to 87.94% in 2023-24. This trend underscores a significant focus on operational expenses, including recurring costs such as salaries, subsidies, and welfare initiatives. Capital expenditure, representing investments in long-term infrastructure and asset creation, has shown a gradual increase

from 14.56% in 2012-13 to 164.3% in 2016-17, reflecting the government's growing emphasis on developmental projects and economic growth. However, its share remains significantly smaller compared to revenue expenditure, indicating room for further prioritization of capital outlay. Loans and advances have consistently occupied the smallest share of total expenditure, declining sharply from 5.59% in 2012-13 to just 0.23% in 2023-24.

Figure 3.2: Share of Total Expenditure

(in Percentage)

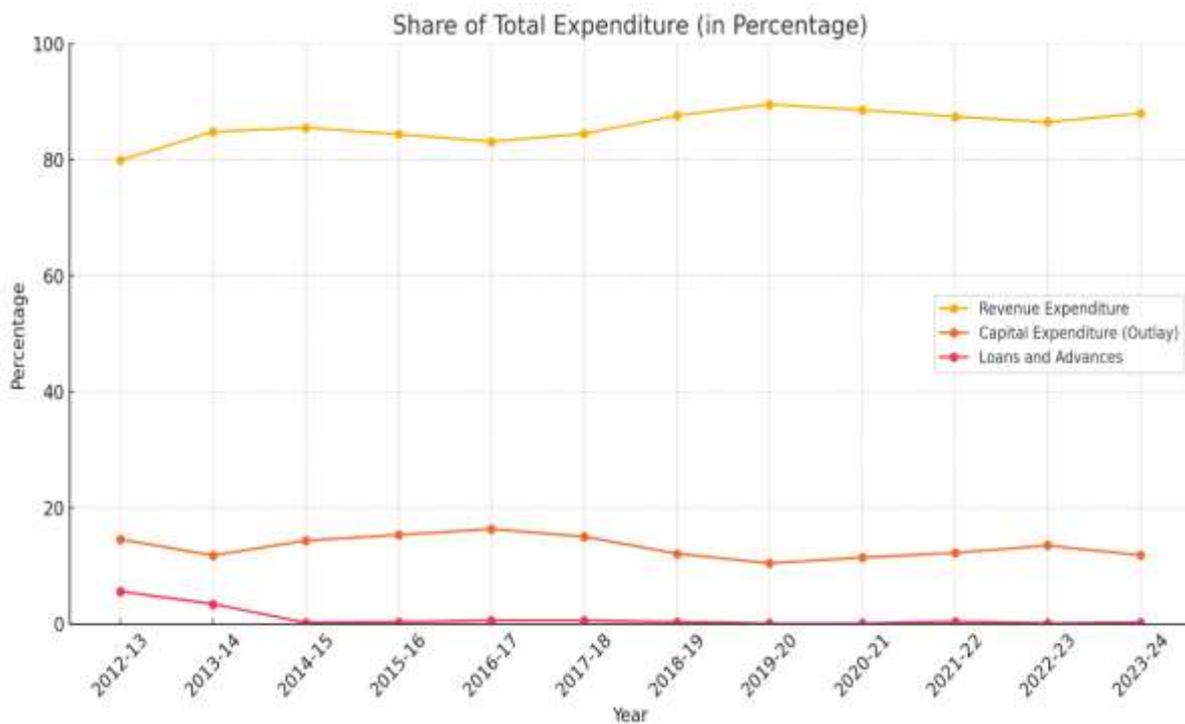


Table 3.2 illustrates the expenditure composition from 2012-13 to 2023-24 highlights the dominance of revenue expenditure, which consistently constitutes the largest share of total expenditure, ranging from 79.85% in 2012-13 to 87.94% in 2023-24. This trend underscores a significant focus on operational expenses, including recurring costs such as salaries, subsidies, and welfare initiatives. Capital expenditure, representing investments in long-term infrastructure and asset creation, has shown a gradual increase from 14.56% in 2012-13 to 164.3% in 2016-17, reflecting the government's growing emphasis on developmental projects and economic growth. However, its share remains

significantly smaller compared to revenue expenditure, indicating room for further prioritization of capital outlay. Loans and advances have consistently occupied the smallest share of total expenditure, declining sharply from 5.59% in 2012-13 to just 0.23% in 2023-24.

Table 3.3: Revenue Deficit (Surplus)

(₹ in Crores)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Heads												
Total Revenue Expenditure	26971.84	32859.57	39497.2	43701.06	48164.6	56229.75	64411.17	73477.31	70032.84	75010.01	85285.03	114740.96
Total Revenue Receipts	29578.09	32050.26	37932.8	46067.71	53685.25	59647.08	65094.92	63868.7	63176.18	79652.03	93877.13	103508.19
Revenue Expenditure as % of Revenue Receipt	91.18	102.52	104.12	94.86	89.7	94.27	98.94	115.04	110.85	94.17	90.84	110.85
Revenue Deficit (-) / Surplus (+)	2606.25	-809.31	-1564.4	2366.65	5520.65	3417.33	683.75	-9608.61	-6856.66	4642.02	8592.1	-11232.77

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Table 3.3 highlights data from 2012-13 to 2023-24 reveals significant trends in revenue expenditure, revenue receipts, and fiscal health. Total revenue expenditure has shown a steady rise from ₹26971.84 crore in 2012-13 to ₹114740.96 crore in 2023-24, reflecting increasing government spending on operational needs and welfare programs. Similarly, total revenue receipts have grown from ₹29,578.09 crores in 2012-13 to ₹103508.19 crore in 2023-24, showcasing efforts to enhance revenue generation through taxation and other sources. However, the ratio of revenue expenditure to revenue receipts indicates fluctuating efficiency in managing fiscal balance, ranging from 91.18% in 2012-13, indicating higher receipts relative to expenditure, to peaks like 110.85 % in 2023-24.

3.2 Revenue Expenditure

Revenue expenditure encompasses spending on the daily functioning of the government, such as salaries, subsidies, and interest payments.

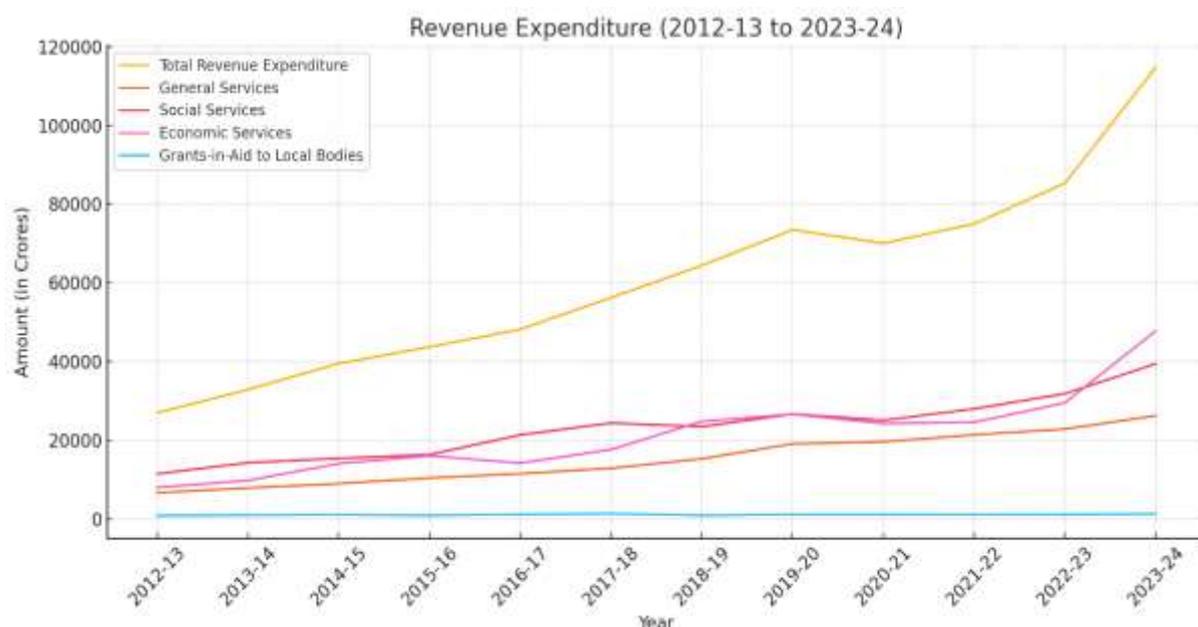
Table 3.4: Breakup of Revenue Expenditure

(₹ in Crores)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Pre Covid CAGR	Pre Covid CAGR
Heads														
Total Revenue Expenditure	26971.90	32859.60	39497.30	43701.10	48164.60	56229.8	64411.2	73477.3	70032.8	75010.0	85285.0	114740.96	15.39	11.79
1. General Services	6649.3	7851.2	8978.6	10408.8	11496.2	12870.4	15280.3	19095.3	19586.2	21375.4	22825.2	26240.0	16.27	8.27
2. Social Services	11456.4	14282.1	15388.9	16339.4	21341.6	24371.6	23454.9	26652.6	25066.2	27963.7	31818.0	39411.9	12.82	10.27
3. Economic Services	8011.7	9755.9	14076.2	16052.5	14176.2	17623.1	24780.8	26609.1	24255.2	24558.1	29499.2	47791.4	18.71	15.77
4. Grants-in-Aid to Local Bodies	854.5	970.4	1053.6	900.4	1150.6	1364.7	895.2	1120.3	1125.3	1112.8	1142.6	1297.57	3.94	3.74

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Table 3.4 illustrates trends in Total Revenue Expenditure and its key components—General Services, Social Services, Economic Services, and Grants-in-Aid to Local Bodies—between 2012-13 and 2023-24, along with their compound annual growth rates (CAGR). Total Revenue Expenditure experienced a CAGR of 15.39%, driven by steady increases in Social Services (12.82%), Economic Services (18.71%), and General Services (16.27%) and Grants to Local Bodies was 3.94%. These components reflect consistent investments in welfare, economic infrastructure, and administrative functions, respectively. The post covid results shows that the total revenue expenditure has the CAGR of 11.79%, General Services has 8.27% CAGR, Social Services has 10.279% CAGR, Economic Services has 15.77% CAGR and grants to Local Bodies has 3.74% CAGR respectively.

Figure 3.3: Breakup of Revenue Expenditure**(in ₹Crores)****Table 3.5: Breakup of Revenue Expenditure as % of Total Revenue Expenditure**

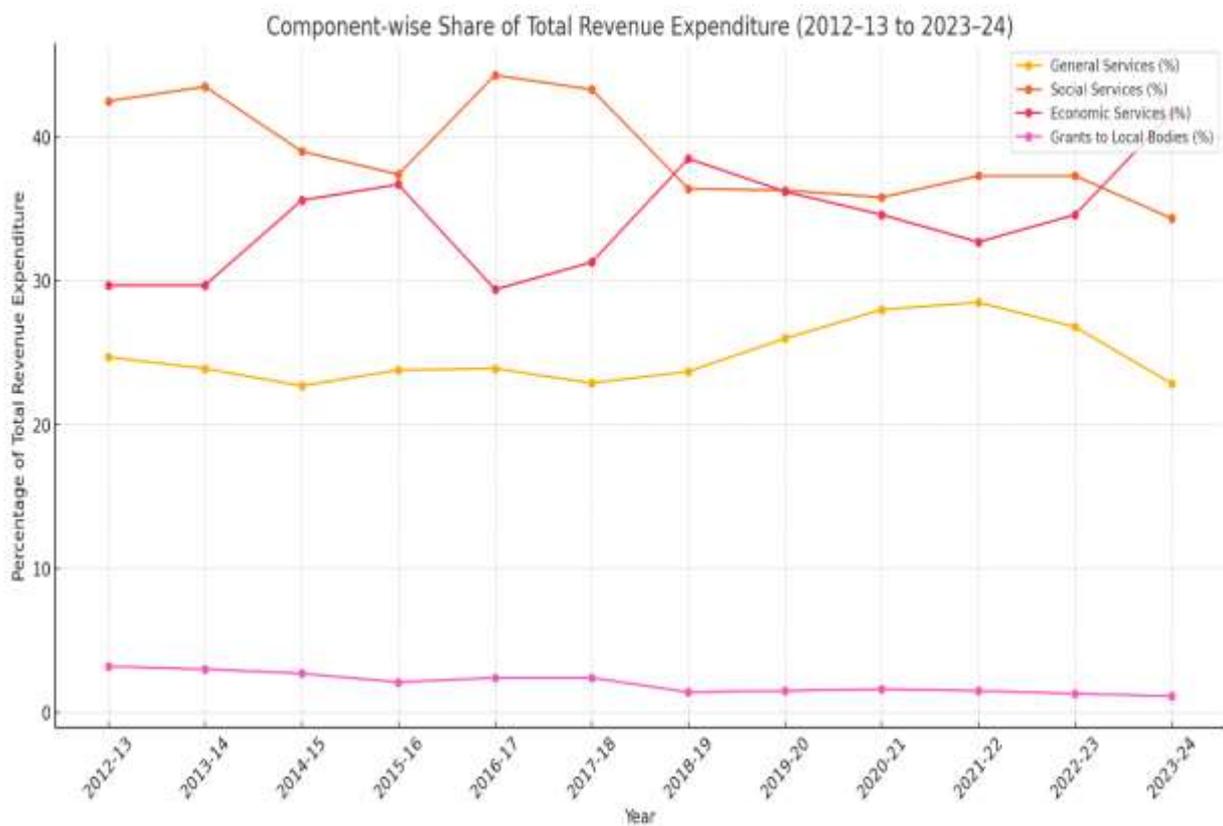
Heads	Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1. General Services		24.7	23.9	22.7	23.8	23.9	22.9	23.7	26.0	28.0	28.5	26.8	22.86
2. Social Services		42.5	43.5	39.0	37.4	44.3	43.3	36.4	36.3	35.8	37.3	37.3	34.34
3. Economic Services		29.7	29.7	35.6	36.7	29.4	31.3	38.5	36.2	34.6	32.7	34.6	41.65
4. Grant-in-Aid to Local Bodies		3.2	3.0	2.7	2.1	2.4	2.4	1.4	1.5	1.6	1.5	1.3	1.13
Total Revenue Expenditure		100											

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The composition of Chhattisgarh's revenue expenditure from 2012–13 to 2023–24 reflects shifting priorities in public spending. Over the twelve-year period, Social Services consistently accounted for the largest share, ranging from 42.5% in 2012–13 to 34.34% in 2023–24, indicating sustained emphasis on welfare sectors like health, education, and rural development. However, the share has gradually declined in recent years, suggesting either constrained allocations or faster growth in other sectors.

General Services, which include administrative and debt servicing costs, maintained a stable share between 22–28%, peaking in 2021–22. The slight decline to 22.86% in 2023–24 may point to cost optimization or shifting expenditure focus. Economic Services have shown a notable increase, rising from 29.7% in 2012–13 to 41.65% in 2023–24, reflecting enhanced investments in infrastructure, agriculture, and industrial support. This trend aligns with a developmental push aimed at long-term economic growth. Grants-in-Aid to Local Bodies, while crucial for decentralized governance, have seen a declining trend—from 3.2% in 2012–13 to 1.13% in 2023–24—indicating reduced allocations or centralization of service delivery. Overall, the data highlights a gradual shift from social to economic spending, emphasizing growth-led fiscal strategy over purely welfare-driven expenditure.

Figure 3.4: Breakup of Revenue Expenditure as % of Total Revenue Expenditure



3.3 Composition of Revenue Expenditure

Further breakup of revenue expenditure aggregates at the Sub-Sector level for the period 2012-13 to 2023-24 is given in Table 3.6 below:

Table 3.6: Revenue Expenditure Aggregates

(₹ in Crores)

	Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
A	General Services	6649.3	7851.2	8978.6	10408.8	11496.2	12870.4	15280.3	19095.3	19586.2	21375.4	22825.2	26240.01
(a)	Organs of State	188.0	293.4	336.4	307.5	304.7	371.1	568.1	682.5	463.8	568.0	689.3	105.5
(b)	Fiscal Services	440.9	647.3	613.4	925.6	1203.5	1084.2	705.4	1022.5	835.5	1068.8	1351.2	1730.00
(c)	Interest Payment and Servicing of debt	1353.5	1450.5	1763.6	2348.9	2886.8	3298.3	3752.5	5235.3	5908.1	6444.2	6782.1	7213.33
(d)	Administrative Services	2254.6	2707.8	3015.4	3307.9	3614.7	4192.1	4825.8	5516.8	5242.8	5822.1	6335.5	7118.19
(e)	Pension and Misc. General Services	2412.3	2752.0	3249.7	3518.7	3486.5	3924.6	542.9	6638.2	7136.0	7472.3	7667.1	9122.51
	DEVELOPMENTAL EXPENDITURE												
B	Social Services	11456.4	14282.1	15388.9	16339.4	21341.6	24371.6	23454.9	26652.6	25066.2	27963.7	31818.0	39411.93
(a)	Education Sports Art and Culture	5486.8	6845.5	9257.0	9325.6	11079.4	11844.6	12511.9	15982.9	14191.6	15619.5	17724.8	19919.72
(b)	Health and Family Welfare	1119.4	1428.6	2098.9	2419.4	2967.3	3606.7	3542.9	4309.5	5172.2	6223.6	5894.3	6326.10
(c)	Water Supply Sanitation Housing and Urban Development	1190.9	1434.7	1556.1	1413.3	4104.1	5898.6	4460.3	2612.3	2184.1	2159.5	4289.9	5943.84
(d)	Information and Broadcasting	50.6	69.5	65.8	69.1	121.2	145.3	240.7	221.5	160.8	21.0	380.3	739.32
(e)	Welfare of Scheduled Castes Scheduled Tribes and Other Backward Castes	1257.6	714.8	184.0	173.1	196.4	176.1	142.6	206.5	204.5	179.5	300.6	220.09
(f)	Labor and Labor Welfare	94.0	140.8	173.4	227.1	220.0	176.1	227.1	271.8	226.9	241.4	248.7	580.66
(g)	Social Welfare and Nutrition	2243.4	3633.6	2035.9	2692.9	2631.7	2421.7	2311.1	3027.4	2905.8	3307.1	2954.1	5649.24
(h)	Others	13.8	14.7	17.8	18.8	21.6	23.5	18.3	20.7	20.2	23.3	25.4	32.93
C	Economic Services	8011.7	9755.9	14076.2	16052.5	14176.2	17623.1	24780.8	26609.1	24255.2	24558.1	29499.2	47791.43
(a)	Agriculture and Allied Activities	3279.7	5152.2	7725.9	8324.6	6768.7	8781.0	18020.0	15195.5	13818.3	14012.3	17329.4	33112.97
(b)	Rural Development	2060.9	2090.0	3587.8	2966.2	4299.1	3695.5	2433.2	4362.1	3706.9	4217.3	3884.5	4518.19
(c)	Irrigation and Flood Control	377.9	416.3	451.6	489.5	524.8	534.5	567.3	583.9	546.1	553.3	547.9	587.66
(d)	Energy	1041.4	495.5	860.6	2816.1	1035.9	2635.2	2105.0	4748.5	4443.5	3869.9	5337.1	6545.17
(e)	Industry and Minerals		467.5	624.7	489.4	758.3	856.2	527.9	536.1	561.1	672.6	988.3	110.83
(f)	Transport	660.9	989.0	651.9	781.3	653.6	943.2	1015.7	1020.1	1058.8	1065.8	1257.9	1726.85
(g)	Communication Services	74.6	46.0	76.4	120.8	59.1	62.2	50.1	71.4	35.6	47.8	37.8	56.46
(h)	Science Technology and Environment		11.1	10.3	9.4	12.5	8.3	5.7	7.5	9.0	11.9	10.5	12.51
(i)	General Economic Services	78.9	88.4	87.0	55.3	64.2	106.9	55.8	84.0	75.9	107.2	105.7	123.20
D	Grant-in-aid and Contribution	854.5	970.4	1053.6	900.4	1150.6	1364.7	895.2	1120.3	1125.3	1112.8	1142.6	1297.57
	TOTAL	26971.90	32859.60	39497.30	43701.10	48164.60	56229.8	64411.2	73477.3	70032.8	75010.0	85285.0	114740.96

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Table 3.6 comprehensively outlines trends in expenditures across General Services, Social Services, Economic Services, and Grant-in- Aid contributions from 2012-13 to 23-24, reflecting the evolving fiscal priorities of the government. Expenditure on General Services increased consistently, from ₹6,649.3 crores in 2012-13 to ₹ 26240.01 crores in 2023-24.

Social Services have emerged as a critical focus area, with spending increasing from ₹11,456.4 crores in 2012-13 to ₹ 39411.93 crores in 2023-24. Economic Services displayed a fluctuating trend, growing from ₹8,011.7 crores in 2012-13 to a peak of ₹ 47791.43crores in 2023-24. Grant-in-Aid and Contributions maintained a stable but smaller share of total expenditure, increasing moderately from ₹854.5 crores in 2012-13 to ₹1297.57 crores in 2023-24. These funds indicate steady support for local governance and specific developmental contributions.

3.4 Committed Expenditures

There are 4 items of expenditure that are commonly accepted as committed expenditure - salaries and wages, interest payments, expenditure on pensions and subsidies. Expenditure on these heads from 2012-13 to 2023-24 is given in Table 3.7 below and with the observed rate of growth.

Table 3.7: Components of Committed Expenditure

(₹ in Crores)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Heads												
Salaries & Wages	7686.52	9137.19	10003.33	10864.03	11423.74	13183.76	17426.85	22437.40	22142.50	24210.12	26523.92	29094.95
Interest Payments	1153.49	1350.53	1726.62	2148.91	2686.83	3298.33	3652.55	4970.36	5633.11	6144.24	6382.08	6798.34
Expenditure on Pensions	2412.14	2751.87	3249.52	3518.57	3459.19	3897.54	5403.09	6637.98	7136.00	7472.22	7661.46	9111.82
Total	11252.15	13239.59	14979.47	13364.78	17569.76	20379.63	26482.49	34045.74	34911.61	37826.58	40567.46	45005.11
Total Revenue Expenditure	26971.90	32859.60	39497.30	43701.10	48164.0	56229.8	64411.2	73477.3	70032.8	75010.0	85285.0	114740.96
% of Revenue Expenditure	41.71	40.29	37.92	30.58	36.47	36.24	41.11	46.33	49.85	50.42	47.56	39.22

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The information regarding committed expenditure from 2012–13 to 2023–24 reveals a consistent and substantial rise in fiscal responsibilities associated with salaries, pensions, and interest payments in Chhattisgarh. Salaries and wages escalated from ₹7,686.52 crore in 2012–13 to ₹29,094.95 crore in 2023–24, indicating an almost fourfold increase, propelled by the growth in government employment and salary adjustments. Pension disbursements also experienced a significant increase, particularly after 2017–18, reaching ₹9,111.82 crore by 2023–24, which mirrors an ageing government workforce and escalating pension obligations.

Interest payments have shown a steady increase, more than doubling from ₹1,153.49 crore in 2012–13 to ₹6,798.34 crore in 2023–24, attributed to rising levels of debt. Together, these three elements—salaries, pensions, and interest—accounted for ₹45,005.11 crore in 2023–24, in contrast to ₹11,252.15 crore in 2012–13.

In terms of total revenue expenditure, committed expenditure exhibited fluctuations, peaking at 50.42% in 2021–22, before declining to 39.22% in 2023–24. This decrease may imply enhanced fiscal capacity; however, the long-term trajectory still points to increasing fixed costs, which restrict flexibility in developmental expenditures. The ongoing rise in committed expenditure underscores the necessity for fiscal reforms focused on managing workforce size, pension obligations, and borrowing strategies to maintain room for investments that promote growth.

3.5 Capital Expenditure

Capital expenditure is investment spending on infrastructural and developmental projects that result in economic growth over the long term.

Table 3.8: Breakup of Capital Expenditure

(₹ in Crores)

Heads	Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1. General Services		125.37	182.41	257.74	362.32	187.53	303.32	255.51	194.48	509.03	351.61	754.64	884.23
2. Social Services		950.62	691.96	1559.98	1807.01	2460.62	2651.77	1773.78	1912.32	2934.64	3233.73	4988.83	7074.23
3. Economic Services		3843.33	3699.81	4802.83	5775.67	6822.34	7045.85	6874.14	6459.57	5580.51	6918.87	7576.82	7460.45
Total Capital Expenditure		4919.33	4574.19	6620.56	7945	9470.51	10000.96	8903.45	8566.39	9024.19	10504.22	13320.3	15418.93
Total Capital Expenditure as % of GSDP		2.77	2.21	2.99	3.53	3.60	3.54	2.72	2.49	2.56	2.55	2.90	3.01

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The capital expenditure trend of Chhattisgarh over the period 2012–13 to 2023–24 reflects dynamic shifts in the state's fiscal priorities. Total capital expenditure has more than tripled, rising from ₹4,919.33 crore in 2012–13 to ₹15,418.93 crore in 2023–24. Despite some fluctuations, the long-term trajectory is one of significant growth in public investment.

Economic Services consistently commanded the largest share of capital expenditure, especially in the earlier years. In 2012–13, ₹3,843.33 crore (approximately 78% of total capital outlay) was allocated to economic sectors like infrastructure, agriculture, and industry. Although allocations to this sector remained high in absolute terms, its dominance has lessened relatively—constituting less than 50% in 2023–24.

Social Services witnessed remarkable growth, rising from ₹950.62 crore in 2012–13 to ₹7,074.23 crore in 2023–24—an over sevenfold increase. This sharp rise, especially post-2020, reflects a strategic pivot toward investing in health, education, housing, and social infrastructure, likely accelerated by post-pandemic recovery needs.

General Services saw modest but steady increases, reaching ₹884.23 crore in 2023–24, reflecting administrative capital investments.

Capital expenditure as a percentage of GSDP increased from 2.77% in 2012–13 to 3.01% in 2023–24, indicating improved fiscal capacity and stronger focus on capital formation for long-term growth.

Figure 3.5: Breakup of Capital Expenditure (₹ in Crores)

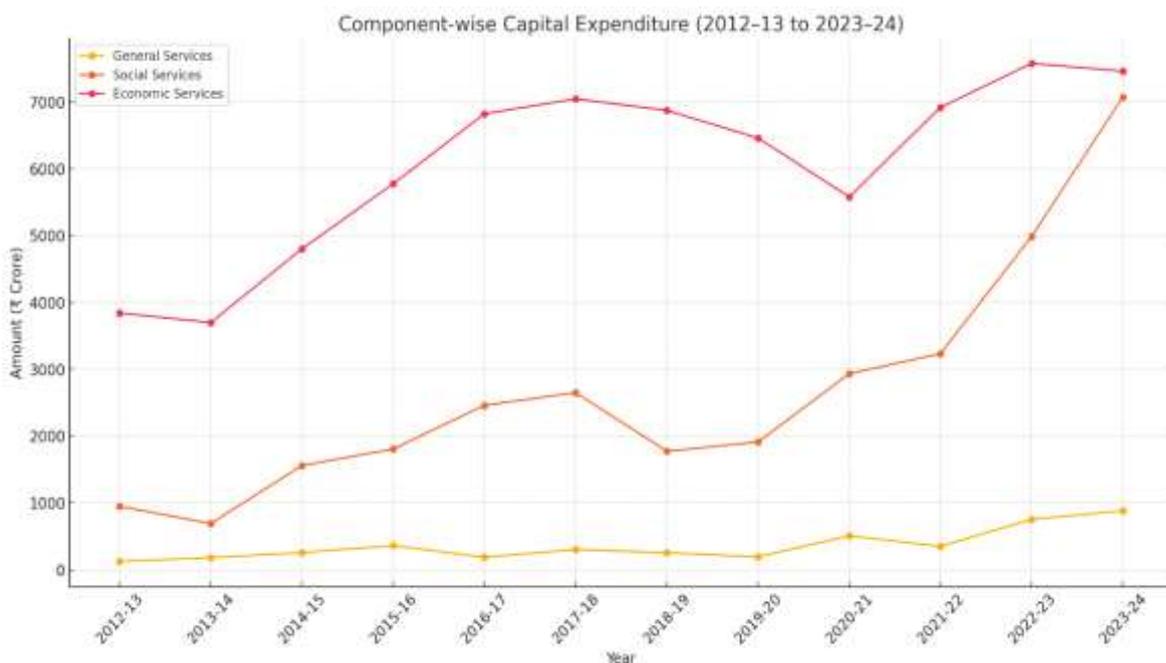


Table 3.9: Breakup of Capital Expenditure as % of Total Capital Expenditure

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Heads												
1. General Services	2.55	3.99	3.89	4.56	1.98	3.03	2.87	2.27	5.64	3.35	5.67	5.7
2. Social Services	19.32	15.13	23.56	22.74	25.98	26.52	19.92	22.32	32.52	30.79	37.45	45.88
3. Economic Services	78.13	80.88	72.54	72.70	72.04	70.45	77.21	75.41	61.84	65.87	56.88	48.38
Total Capital Expenditure	100	100	100	100	100	100	100	100	100	100	100	100

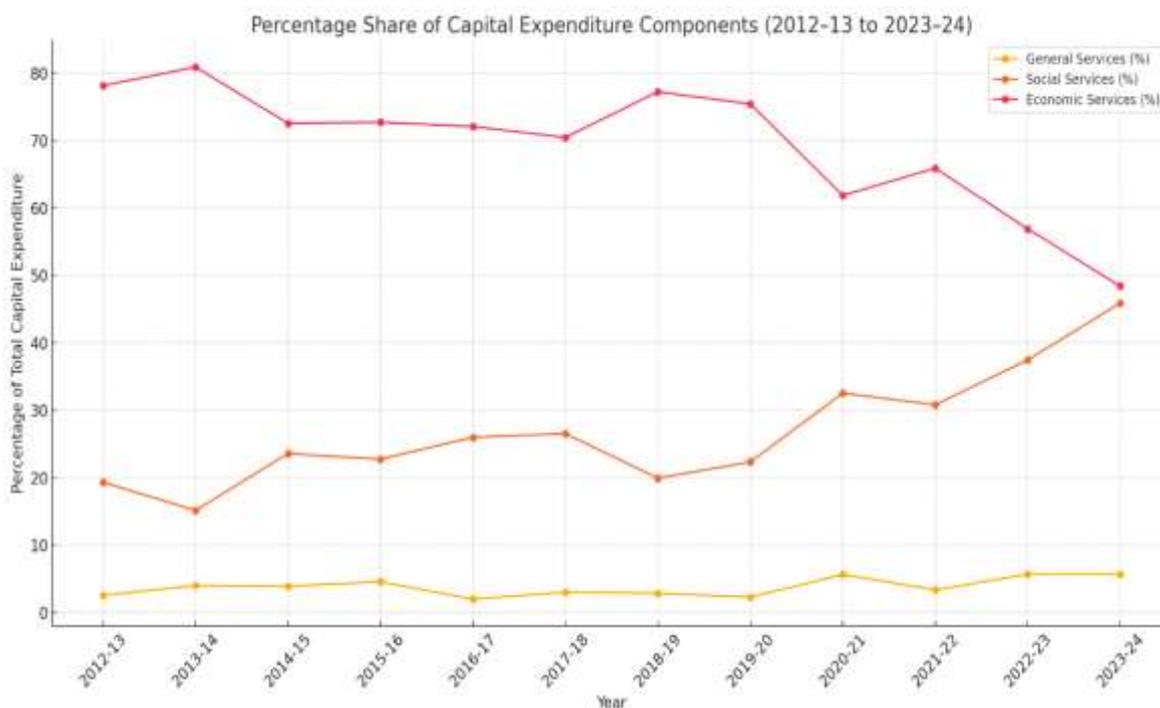
Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

The composition of capital expenditure in Chhattisgarh over the period 2012–13 to 2023–24 highlights a notable shift in developmental priorities. Initially, **Economic Services** dominated capital spending, accounting for over **78% in 2012–13**. This included major investments in infrastructure, transport, energy, irrigation, and agriculture. However, its share has steadily declined to **48.38% by 2023–24**, indicating a diversification of capital outlays away from purely economic infrastructure.

Conversely, **Social Services** have seen a significant rise in capital expenditure share—from **19.32% in 2012–13** to **45.88% in 2023–24**. This shift points to an increasing focus on long-term investment in health, education, housing, and social welfare infrastructure. The rise became particularly pronounced post-2020, likely driven by post-pandemic recovery strategies that prioritized social development.

General Services, comprising administrative infrastructure and public works, have consistently held a small share, hovering between **2% to 6%**, peaking at **5.7% in 2023–24**. While relatively minor, their recent increase could indicate government emphasis on institutional strengthening and administrative upgrades.

Overall, the data suggests a gradual transition from traditional infrastructure-heavy expenditure to a more balanced investment approach, giving greater importance to **social sector capital formation** to support inclusive growth.

Figure 3.6: Breakup of Capital Expenditure as % of Total Capital Expenditure

3.6 Conclusions

The expenditure patterns observed in Chhattisgarh from 2012–13 to 2023–24 reveal a progressively evolving fiscal environment influenced by developmental priorities and structural challenges. Total expenditure has risen markedly, from ₹33,779 crore to ₹1,30,472 crore, with revenue expenditure consistently prevailing, indicating the state's dedication to ongoing commitments such as salaries, pensions, and welfare initiatives. Nevertheless, the increasing proportion of committed expenditure—reaching over 50% of revenue expenditure—underscores a lack of fiscal flexibility, which calls for reforms in workforce management and debt servicing.

Capital expenditure, although steadily increasing, still represents a relatively minor segment of overall spending. Importantly, there has been a noticeable transition in capital outlay from economic to social sectors following 2020, indicating a strategic shift towards health, education, and social infrastructure in the wake of the pandemic. This reorientation highlights a broader trend towards inclusive and human development alongside physical infrastructure.

Despite enhancements in revenue receipts, the occurrence of revenue deficits in multiple years indicates imbalances between income and expenditure, raising concerns regarding fiscal sustainability. To ensure long-term economic stability, Chhattisgarh must improve revenue mobilization, optimize expenditures, and focus on high-return capital investments. Aligning fiscal management with developmental objectives will be essential for achieving both growth and equity in public expenditure.

Chapter-4: Deficits of the State

<i>4.1</i>	<i>Introduction</i>
<i>4.1.1</i>	<i>Trends of Fiscal Parameters</i>
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Chapter- 4: Deficits of the State

4.1 Introduction

The government is essential to maintaining economic growth and stability in any contemporary economy. The general state of the economy is greatly influenced by the fiscal policy of the government, which includes choices on borrowing, public spending, and taxation. Understanding the government's financial deficits, which represent the difference between government revenue and expenditure, is a critical component of fiscal policy. The government's borrowing requirements, fiscal sustainability, and overall financial health can all be inferred from deficits. The primary deficit, fiscal deficit, and revenue shortfall are some of the most important budgetary deficit metrics. When assessing a government's financial standing and the efficacy of its policies, these three ideas are crucial.

4.1.1 Trends of Fiscal Parameters

The trends in the state's fiscal parameters, specifically the Revenue Surplus/Deficit, Fiscal Surplus/Deficit, and Primary Surplus/Deficit from 2012-13 to 2023-24, illustrate shifts in the state's financial management and challenges over time. These figures highlight how the state has balanced its revenue and expenditure, managed debt, and responded to economic pressures, including the COVID-19 pandemic and subsequent recovery.

The Revenue Surplus/Deficit reflects the difference between revenue receipts and revenue expenditures. From 2012-13, the state started with a modest revenue surplus of 2,606.25 crores. However, this turned into a revenue deficit of 809.31 crore in 2013-14, and further worsened to a deficit of 1,564.4 crores in 2014-15.

The state returned to a revenue surplus in 2015-16, peaking at 5,520.65 crores in 2016-17, which shows effective control over revenue spending or improved tax revenues. This surplus trend persisted until 2019-20 when the state experienced a significant revenue deficit of 9,608.61 crores. A recovery is seen in 2021-22, with a revenue surplus of

4,642.02 crores, and this upward trend continued into 2022-23 with a surplus of 8,592.1 crores. However, the year 2023-24 shows a return to a substantial revenue deficit of 11232.77 crores.

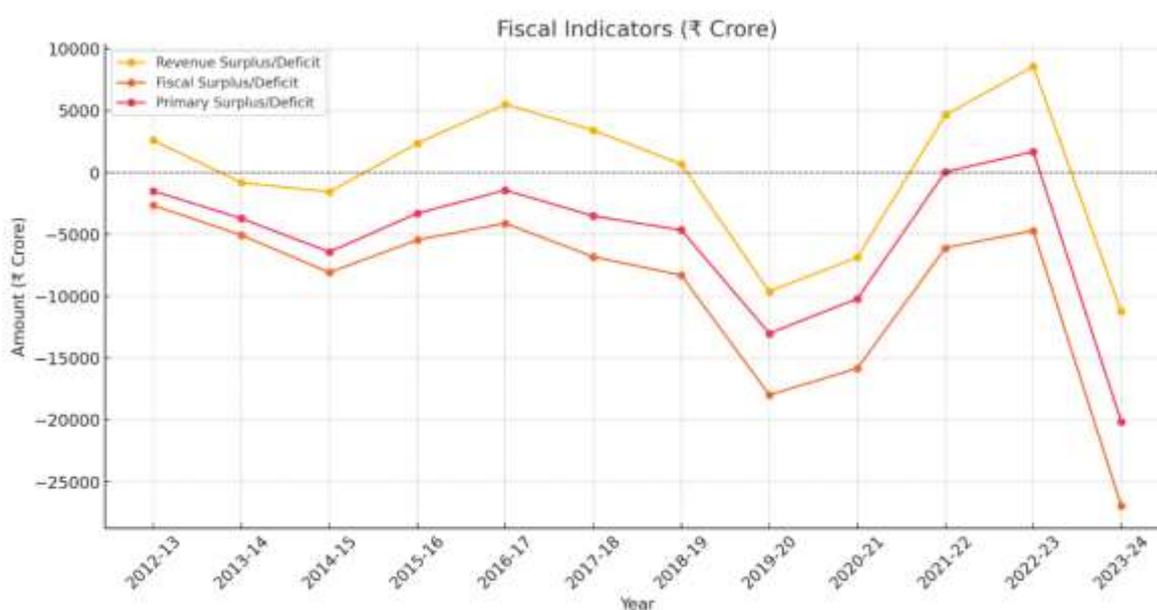
Table 4.1: Trends of Fiscal Parameters

(₹ in Crores)

Year	* Revenue Surplus (+) / Deficit (-)	* Fiscal Surplus (+) / Deficit (-)	* Primary Surplus (+) / Deficit (-)
2012-13	2606.2	-2655.1	-1501.6
2013-14	-809.3	-5057.2	-3706.7
2014-15	-1564.	-8075.4	-6411.8
2015-16	2366.6	-5443.8	-3294.9
2016-17	5520.6	-4107.2	-1420.4
2017-18	3417.3	-6810.3	-3511.9
2018-19	683.7	-8302.0	-4649.5
2019-20	-9608.6	-17969.5	-12999.2
2020-21	-6856.6	-15822.3	-10189.2
2021-22	4642.0	-6095.1	49.1
2022-23	8592.1	-4691.2	1690.8
2023-24	-11232.7	-26946.5	-20148.1

Source: *Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Figure 4.1: Trends of Fiscal Parameters



The Fiscal Surplus/Deficit captures the overall balance between total expenditures (including interest payments) and total receipts, indicating the state's reliance on borrowing to fund its expenditures. The data shows a consistent fiscal deficit throughout the period, beginning at ₹ 2,655.14 crore in 2012-13 and gradually worsening in subsequent years, reaching ₹ 8,075.43 crore in 2014-15. A slight improvement is observed in 2016-17, with the fiscal deficit reducing to ₹ 4,107.27 crore. However, the fiscal deficit expanded drastically in 2019-20, reaching ₹ 17,969.55 crore, followed by ₹ 15,822.38 crore in 2020-21, largely due to the pandemic's impact on revenue collection and the need for heightened spending to support the economy and healthcare. In 2023-24, the fiscal deficit is at ₹ 26946.50 crore.

Table 4.2: Deficits/ Surplus to GSDP

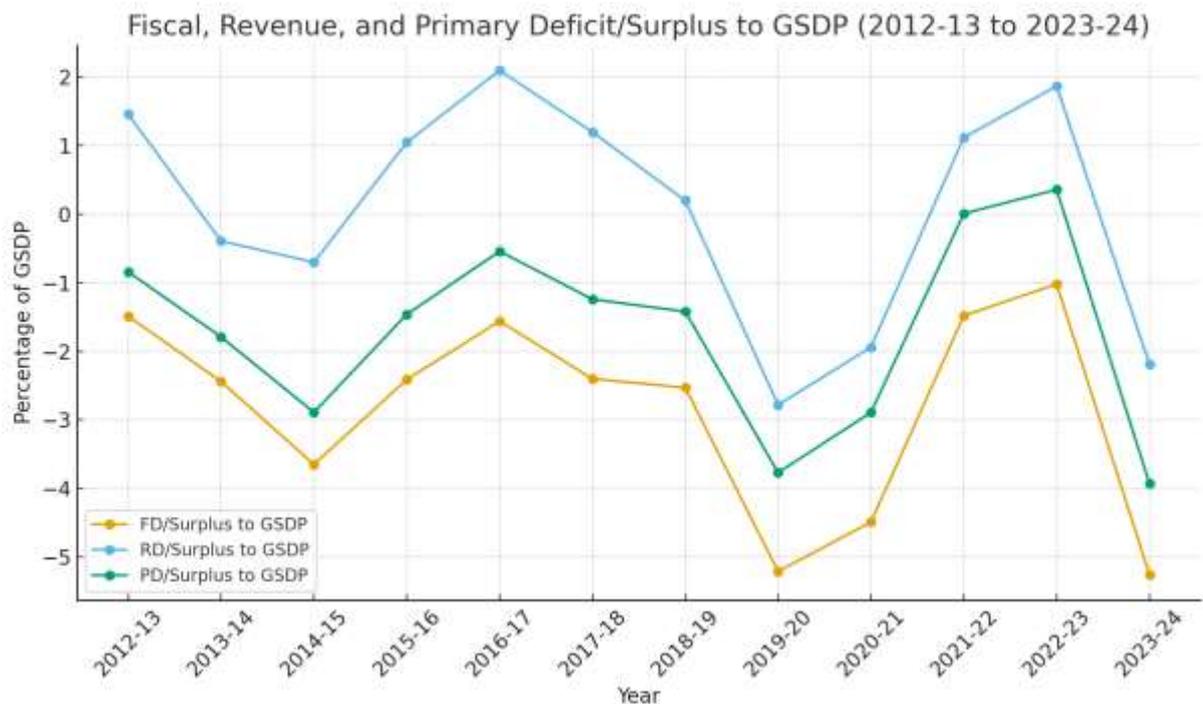
Year	# GSDP (in ₹ Crores)	* FD/Surplus to GSDP	* RD/Surplus to GSDP	*PD/Surplus to GSDP
2012-13	1,77,511	-1.49	1.46	-0.84
2013-14	2,06,833	-2.44	-0.39	-1.79
2014-15	2,21,118	-3.65	-0.70	-2.89
2015-16	2,25,162	-2.41	1.051	-1.46
2016-17	2,62,801	-1.56	2.10	-0.54
2017-18	2,82,737	-2.40	1.20	-1.24
2018-19	3,27,106	-2.53	0.20	-1.42
2019-20	3,44,672	-5.21	-2.78	-3.77
2020-21	3,52,327	-4.49	-1.94	-2.89
2021-22	4,11,613	-1.48	1.12	0.01
2022-23	4,58,891	-1.02	1.87	0.36
2023-24	5,12,107	-5.26	-2.19	-3.93

Source: #Economic Survey of various years, *own calculation, FD: Fiscal Deficit, RD: Revenue Deficit, PD: Primary Deficit

The Primary Surplus/Deficit, which excludes interest payments from the fiscal deficit, provides a clearer picture of the fiscal balance when interest obligations are excluded. Starting at a primary deficit of ₹ 1,501.66 crore in 2012-13, the deficit widened in the following year, reaching ₹ 6,411.83 crore in 2014-15. This trend mirrors the fiscal deficit pattern and reflects the state's increasing reliance on borrowed funds to meet its expenditure requirements.

The primary deficit improved in 2016-17 to ₹ 1,420.44 crore, suggesting some control over primary expenditures. However, in 2019-20, the primary deficit worsened to ₹ 12,999.21 crore. This deficit trend reversed in 2021-22, with a small primary surplus of ₹ 49.14 crore. The sharp increase in primary deficit in 2023-24, reaching ₹ 20148.16 crore, reflects intense fiscal pressures.

Figure 4.2: Deficits to GSDP



The deficits as a percentage of Gross State Domestic Product (GSDP) from 2012-13 to 2023-24 provide insight into the state's fiscal health and the balance between revenue and expenditure. Three types of deficits are considered: Fiscal Deficit (FD), Revenue Deficit (RD), and Primary Deficit (PD). Analyzing the trends in each reveal shifts in fiscal policy, economic conditions, and the impact of external factors like the COVID-19 pandemic on the state's budgetary position.

The Fiscal Deficit, which measures the total shortfall in the state's budget as a percentage of GSDP, has experienced significant fluctuations over the period. Starting at -1.50% in 2012-13, the FD widened notably in 2014-15, reaching -3.65% of GSDP. This increase

could be attributed to rising expenditures without a commensurate increase in revenue. The FD saw a temporary improvement in 2015-16 and 2016-17, where it narrowed to -2.42% and -1.56% of GSDP, respectively. However, from 2018-19 onward, the FD trend worsened, reaching a peak of -5.21% in 2019-20. The Fiscal Deficit reached an extreme high of -5.26% in 2023-24 indicating heightened fiscal stress.

The Revenue Deficit, which measures the shortfall between revenue receipts and revenue expenditure as a percentage of GSDP, also shows notable variation over time. Starting at a low of 1.47% in 2012-13, it turned negative in 2013-14 (-0.39%) and worsened in subsequent years, hitting -0.71% in 2014-15. This indicates years in which the state managed to cover its revenue expenditure from revenue receipts, signaling a relatively healthy budgetary position.

A shift occurs from 2015-16 to 2018-19, with RD consistently positive, reaching 2.10% in 2016-17. These years reflect a pattern of revenue receipts exceeding revenue expenditure. However, RD again turns negative in 2019-20 and 2020-21 at -2.79% and -1.95%, respectively. In 2023-24, the RD worsens to -2.19% of GSDP.

The Primary Deficit, which excludes interest payments from the fiscal deficit, provides insight into the state's fiscal health by showing how much borrowing is needed beyond interest obligations. Starting at -0.85% in 2012-13, the PD widened to -2.90% in 2014-15. This trend continues in the subsequent years, albeit with variations, showing an improvement in years like 2016-17, where PD narrowed to (-) 0.54%.

A critical point comes in 2019-20, when PD worsens dramatically to -3.77%, as the state resorted to substantial borrowing. The COVID-19 pandemic exacerbated this trend in 2020-21, with PD remaining high at -2.89%. Notably, 2021-22 saw a minor improvement, with PD nearly neutral at 0.01%, indicating that the state managed to limit additional borrowing beyond interest obligations. However, the PD in 2023-24 was 3.96%, reflecting extraordinary spending needs.

Overall, these deficit trends underscore the delicate balance the state must maintain

between stimulating growth through expenditure and achieving fiscal sustainability. While recent years have necessitated higher deficits to support recovery, the projected reductions signal a return to fiscal prudence and a focus on long-term economic health.

4.1.2 Quality of Fiscal Deficit

The quality of the fiscal deficit, as indicated by the ratio of revenue deficit to fiscal deficit (RD/FD), serves as a measure of how government borrowing is allocated between productive capital investments and revenue expenditures. A higher ratio, approaching 1 or positive, signifies healthier fiscal conditions, implying that borrowing is primarily directed towards asset development rather than consumption.

Table 4.3: Quality of Fiscal Deficit

Year	*RD/FD
2012-13	-0.98
2013-14	0.16
2014-15	0.19
2015-16	-0.43
2016-17	-1.34
2017-18	-0.50
2018-19	-0.08
2019-20	0.53
2020-21	0.43
2021-22	-0.76
2022-23	-1.83
2023-24	0.41

Source: *Own calculation, FD: Fiscal Deficit, RD: Revenue Deficit

Analysis of the data reveals significant fluctuations in the RD/FD ratio over the years. In the periods of 2012-13, 2015-16, 2016-17, 2017-18, 2018-19, 2021-22, and 2022-23, the ratio is negative, indicating that a larger portion of borrowing was utilized for revenue expenditures instead of capital formation. The year 2022-23, with a ratio of -1.83, highlights a marked decline, suggesting increased allocations for subsidies, interest payments, or wages. In contrast, the years 2013-14, 2014-15, 2019-20, 2020-21, and 2023-24 reflect positive ratios, demonstrating an enhancement in fiscal quality, where

a larger proportion of borrowing was directed towards productive investments.

4.1.3 Primary Deficit to Interest Payments

The data on primary deficit and interest payments from 2012-13 to 2023-24 reveals significant trends in Chhattisgarh's fiscal performance. The primary deficit represents the shortfall of revenues over expenditures excluding interest payments on previous debt. This measure, along with interest payments and primary deficit as a percentage of interest payments, provides insight into the state's fiscal health, ability to service debt, and financial sustainability.

Table 4.4: Primary Deficit to Interest Payments

(₹ in Crores)

Year	Primary Surplus (+) / Deficit (-)	Interest Payments	* Primary Deficit to Interest Payments
2012-13	-1501.66	1153.48	-1.30
2013-14	-3706.76	1350.52	-2.74
2014-15	-6411.83	1663.6	-3.85
2015-16	-3294.93	2148.9	-1.53
2016-17	-1420.44	2686.83	-5.28
2017-18	-3511.98	3298.33	-1.06
2018-19	-4649.52	3652.55	-1.27
2019-20	-12999.21	4970.34	-2.61
2020-21	-10189.27	5633.11	-1.80
2021-22	49.14	6144.24	0.79
2022-23	1690.86	6382.08	0.26
2023-24	-20148.16	6798.34	-2.96

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

*Own calculation

The ratio of the Primary Deficit to Interest Payments serves as a vital measure of a state's fiscal sustainability and its ability to service debt. This ratio illustrates the extent to which a government's interest obligations can be met by its primary balance, which is the fiscal balance excluding interest payments. A positive ratio indicates that the state is producing a sufficient surplus (or maintaining a small enough deficit) to fulfill its

interest obligations, whereas a negative ratio signifies a dependence on additional borrowing merely to service existing debt.

In the last 12 years, Chhattisgarh has predominantly exhibited a negative trend in this ratio, with only two years reflecting positive values. This trend suggests a structural dependence on borrowings to cover even the state's interest expenses in the majority of years.

Negative Years (Indicators of Fiscal Stress)

Most years present negative values, including: -5.28 (2016–17), -3.85 (2014–15), -2.74 (2013–14), -2.96 (2023–24), and -2.61 (2019–20). These statistics reveal that during these years, the state not only experienced a primary deficit but also failed to generate sufficient surplus to address its interest obligations.

Enhanced Years (Fiscal Control Indicators)

Only two years within the examined timeframe exhibit a favorable ratio: 0.79 (2021–22) and 0.26 (2022–23). These years align with the post-COVID recovery period, during which the state achieved primary surpluses or maintained primary deficits at levels sufficiently low to nearly cover interest obligations. These figures signify improved fiscal governance, likely bolstered by heightened revenue collections and moderated expenditure growth. Notably, these favorable results followed two years adversely affected by the pandemic (2019–20 and 2020–21), during which the ratio was negative, indicating a successful — albeit temporary — effort at fiscal consolidation.

Although the isolated enhancements in 2021–22 and 2022–23 are promising, the overarching trend remains troubling. The negative ratio in 2023–24 (-2.96) signifies a regression from the advancements made in the previous two years. This may indicate renewed fiscal strain due to escalating interest payments, increased welfare or capital expenditures, or inadequate revenue growth.

The persistent occurrence of negative values suggests that Chhattisgarh's debt servicing

is predominantly reliant on borrowing, rather than being self-sustained through revenue generation or fiscal savings. A continual dependence on debt to fulfill interest obligations can precipitate a detrimental cycle of debt accumulation, particularly if interest payments consume an increasing portion of the budget. The Primary Deficit to Interest Payments ratio for Chhattisgarh reveals a predominantly negative trajectory over the last decade, highlighting ongoing fiscal fragility. While there have been temporary improvements, achieving sustainable fiscal health necessitates: Ongoing primary surpluses, Enhanced tax buoyancy, Management of non-productive expenditures, and Debt restructuring where practicable. Fortifying the state's own revenue base and adhering to disciplined spending will be crucial for enhancing this vital fiscal indicator in the forthcoming years.

4.1.4 Interest Payment to Revenue Receipts

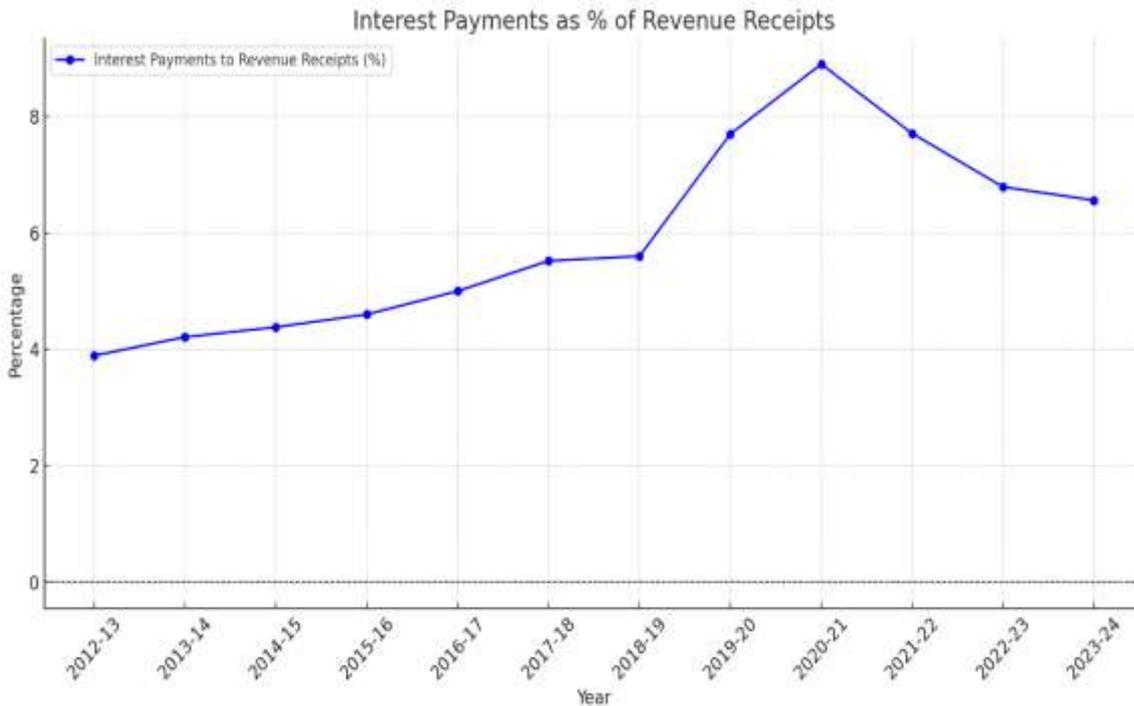
Table 4.5 Interest Payment to Revenue Receipts

Year	Interest Payments (₹ in crores)	* Interest Payments to Revenue Receipts
2012-13	1153.48	3.89
2013-14	1350.52	4.21
2014-15	1663.6	4.38
2015-16	2148.9	4.6
2016-17	2686.83	5.00
2017-18	3298.33	5.52
2018-19	3652.55	5.6
2019-20	4970.34	7.7
2020-21	5633.11	8.9
2021-22	6144.24	7.71
2022-23	6382.08	6.79
2023-24	6798.34	6.56

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,

*Own calculation

Figure 4.3 Interest Payment to Revenue Receipts



The data on interest payments as a percentage of revenue receipts for Chhattisgarh from 2012-13 to 2023-24 offers insight into the state's debt management and fiscal sustainability. Analyzing interest payments relative to revenue receipts is essential. In 2012-13, Chhattisgarh's interest payments were ₹1153.48 crore, constituting 3.89% of revenue receipts. This relatively low percentage suggests a manageable debt servicing burden, allowing the state to allocate a significant portion of its revenue towards growth-oriented spending. However, from 2013-14 onward, the percentage began to increase gradually as interest payments rose to ₹1350.52 crore and then to ₹1663.6 crore in 2014-15, with interest payments as a percentage of revenue receipts climbing to 4.21% and 4.38%, respectively. The steady rise continued through 2015-16, when interest payments reached ₹2148.9 crore, accounting for 4.6% of revenue receipts. By 2016-17, interest payments increased further to ₹2686.83 crore, making up 5% of revenue receipts.

In 2017-18, the situation intensified as interest payments grew to ₹3298.33 crore, consuming 5.52% of revenue receipts. This rise continued in 2018-19 with ₹3652.55 crore in interest payments, representing 5.6% of revenue receipts. The fiscal year 2019-

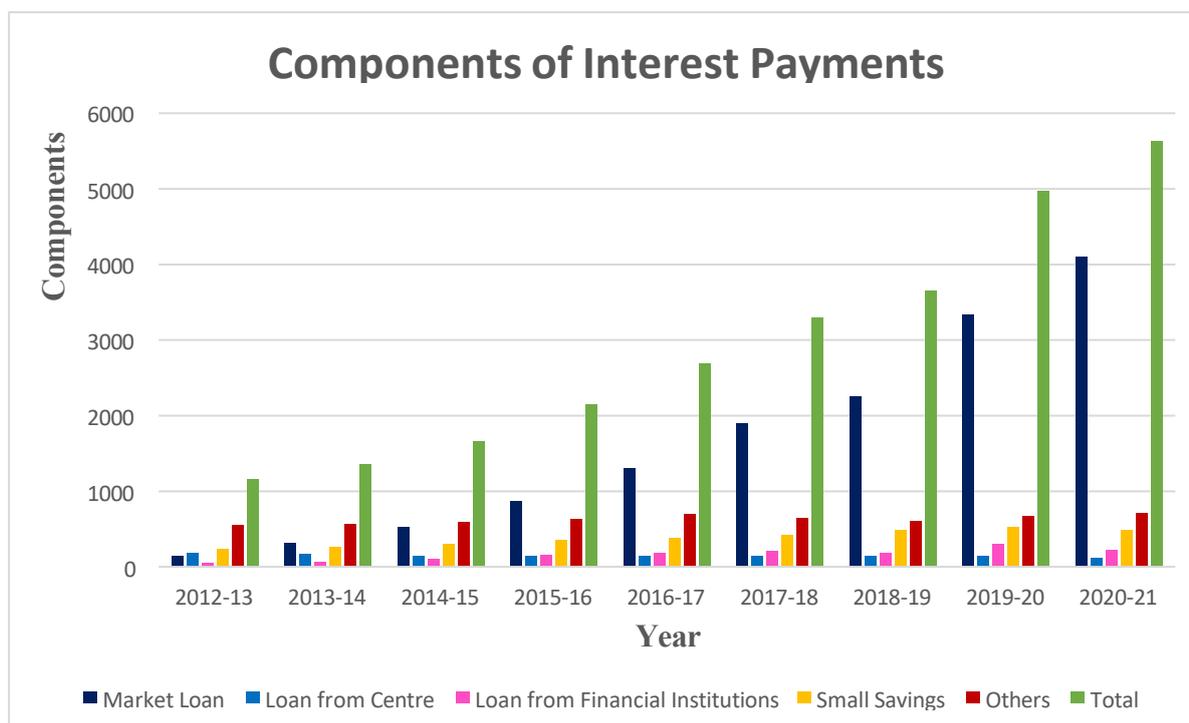
20 marked a significant spike in the percentage of revenue receipts used for interest payments. With interest payments surging to ₹4970.34 crore, they accounted for 7.7% of revenue receipts. The COVID-19 pandemic in 2020-21 added to these fiscal challenges, pushing interest payments up to ₹5633.11 crore or 8.9% of revenue receipts. The following fiscal year, 2021-22, saw a slight improvement, with interest payments at ₹6144.24 crore, constituting 7.71% of revenue receipts. This improvement continued in 2022-23, with interest payments rising to ₹6382.08 crore but representing a reduced 6.79% of revenue receipts. In 2023-24, interest payments were ₹ 6798.34 crore, accounting for 6.56% of revenue receipts. Although this percentage is slightly lower than in previous years, it still highlights that debt servicing continues to consume a substantial portion of the state's revenue.

Table 4.6: Components of Interest Payments

(₹ in Crores)

Year	Market Loan	Loan from Centre	Loan from Financial Institutions	Small Savings	Others	Total
2012-13	142.38	179.93	45.22	234.29	551.67	1153.49
2013-14	306.14	166.55	60.21	260.19	557.43	1350.52
2014-15	521.17	145.88	107.78	298.45	590.32	1663.60
2015-16	864.95	145.83	155.50	355.82	626.81	2148.9
2016-17	1303.23	137.49	185.21	370.96	689.94	2686.83
2017-18	1887.85	133.83	208.95	419.55	648.15	3298.33
2018-19	2248.36	139.53	176.31	488.85	599.50	3652.55
2019-20	3334.56	141.54	295.70	528.25	670.29	4970.34
2020-21	4103.15	118.84	226.09	478.19	706.84	5633.11

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Figure 4.4: Components of Interest Payments

The data presented illustrates the trend in interest payments over a span of nine financial years, categorized by the source of loans: market loans, loans from the central government, loans from financial institutions, small savings, and other sources. These elements collectively influence the total interest payments, which have exhibited a notable upward trend throughout the years.

4.2 Trends and Key Insights

Market Loans: Market loans constitute the largest share of interest payments across all years, highlighting their prominence in the borrowing framework. The interest payments on market loans surged dramatically from ₹142.38 billion in 2012-13 to ₹4103.15 billion in 2020-21.

Loans from the Centre: Interest payments on loans from the central government have shown a downward trend over the years. They decreased from ₹179.93 billion in 2012-13 to ₹118.84 billion in 2020-21.

Loans from Financial Institutions: Interest payments for loans from financial institutions reveal a variable yet upward trend, rising from ₹45.22 billion in 2012-13 to ₹226.09 billion in 2020-21.

Total Interest Payments: The total interest payments have experienced a nearly fivefold increase, escalating from ₹1153.49 billion in 2012-13 to ₹5633.11 billion in 2020-21.

4.3 Insights and Implications

Reliance on Market Loans: The prevalence of market loans within the borrowing framework indicates that the government has increasingly relied on market mechanisms to fulfil its fiscal requirements. While this approach offers greater borrowing flexibility, it also subjects the government to market dynamics, including fluctuations in interest rates.

Decreasing Role of Loans from the Centre: The downward trend in interest payments on loans from the central government suggests a strategic shift in borrowing practices. This may reflect a decrease in centrally-sponsored schemes that necessitate such funding or a deliberate effort to diversify sources of borrowing.

Rising Small Savings and Institutional Loans: The increase in interest payments related to small savings demonstrates ongoing public confidence and engagement in government savings programs. Concurrently, the rise in payments to financial institutions indicates a growing emphasis on leveraging organized institutional financing for infrastructure and other initiatives.

Fiscal Stress: The significant rise in total interest payments accentuates the mounting fiscal stress encountered by the government. Elevated interest payments signify an expanding debt stock, which, if not managed effectively, could hinder productive expenditures.

Need for Debt Management Strategies: The escalating burden of interest payments highlights the necessity for robust debt management strategies. The government should explore options such as diversifying its sources of borrowing, renegotiating the terms of high-interest debt, and promoting economic growth to improve revenue generation and lower the debt-to-GDP ratio.

Overall, the data indicates a clear trend of increasing borrowing requirements for the government over the years, accompanied by a rise in interest payments. While market loans are the primary component of the borrowing framework, the contributions from small savings and institutional financing are also noteworthy. The reduction in interest payments on loans from the Centre points to a change in borrowing trends; however, the overall increase in interest obligations raises concerns regarding fiscal sustainability. To maintain long-term fiscal health, it is essential to strike a balance between borrowing, strong economic growth, and effective debt management strategies.

4.4 Conclusions

The fiscal performance of the state from 2012-13 to 2023-24 illustrates a multifaceted relationship among economic pressures, policy responses, and revenue dynamics. Although the state exhibited instances of fiscal prudence evidenced by years of revenue surplus (table no 4.1) and improving primary balances (table no.4.4) these were frequently interrupted by increased expenditure demands and falling revenue, especially during crises like the COVID-19 pandemic.

The persistent occurrence of fiscal and primary deficits (table no. 4.1) in most years points to structural difficulties in achieving a balanced budget. A particularly alarming trend is the growing dependence on borrowing, with a significant portion allocated to revenue expenditures instead of capital investments, as indicated by the negative RD/FD ratios (table no. 4.3).

Moreover, the escalating burden of interest payments rising from 3.89% to over 6.5% of revenue receipts indicates increasing fiscal stress and underscores the necessity for effective debt management strategies.

In spite of temporary recoveries in 2021-22 and 2022-23, the state faced a significant fiscal decline in 2023-24, highlighting the imperative for renewed emphasis on expenditure control, revenue enhancement, and sustainable borrowing practices.

Long-term fiscal sustainability will hinge on the state's capacity to produce consistent revenue surpluses, lessen its reliance on market loans, and prioritize productive spending. Enhancing fiscal discipline and reforming tax administration will be crucial to realizing these objectives.

<i>Chapter-5: Public Debt its Sustainability and FRBM Targets</i>	
<i>5.1</i>	<i>Introduction</i>
<i>5.2</i>	<i>Debt Profile & Financing of Debt</i>
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Chapter- 5: Public Debt its Sustainability and FRBM Targets

5.1 Introduction

Public debt encompasses the total amount of money that a government borrows, which includes both domestic and international obligations. This borrowing is typically utilized to cover budget shortfalls, fund infrastructure initiatives, and support various developmental projects. Although it is standard for governments to engage in borrowing, an excessive level of public debt can lead to serious economic challenges, making its long-term viability a matter of significant importance.

Categories of Public Debt

Internal Debt – This is the debt incurred from local sources, such as banks, financial institutions, and the general public through the issuance of government securities.

External Debt – This refers to funds borrowed from international sources, including entities like the World Bank, the International Monetary Fund (IMF), and foreign governments.

5.2 Debt Profile & Financing of Debt

The composition of public debt, observed from 2012-13 to 2023-24, showcases significant growth across all categories of liabilities: Internal Debt, Loans from the Government of India (GOI), and Public Account & Other Liabilities. This trend reflects an increasing reliance on debt to finance expenditures, which has critical implications for fiscal policy, economic sustainability, and growth.

The analysis of Chhattisgarh's public debt from 2012-13 to 2023-24 provides essential insights into the state's borrowing patterns and fiscal framework. The debt structure is primarily composed of three elements: Internal Debt, Loans from the Government of India (GOI), and Public Account & Other Liabilities.

Internal Debt has consistently represented the largest segment of total liabilities, escalating from ₹9,567 crore in 2012-13 to an impressive ₹95,140.17 crore in 2023-24.

This tenfold increase highlights a significant dependence on market borrowings and bonds, which generally incur higher interest expenses, thereby indicating a growing burden of debt servicing. Loans from the GOI, although increasing in absolute figures—from ₹2,137 crore in 2012-13 to ₹18,747.38 crore in 2023-24—account for a smaller fraction of the overall debt. Nevertheless, their notable surge, especially after 2020, may signify enhanced central support during the pandemic and other centrally sponsored initiatives.

Public Account and Other Liabilities have also experienced a steady rise, from ₹7,564 crore in 2012-13 to ₹20,291.81 crore in 2023-24. This category encompasses liabilities such as provident funds, deposits, and advances, illustrating the state's commitments beyond traditional borrowing.

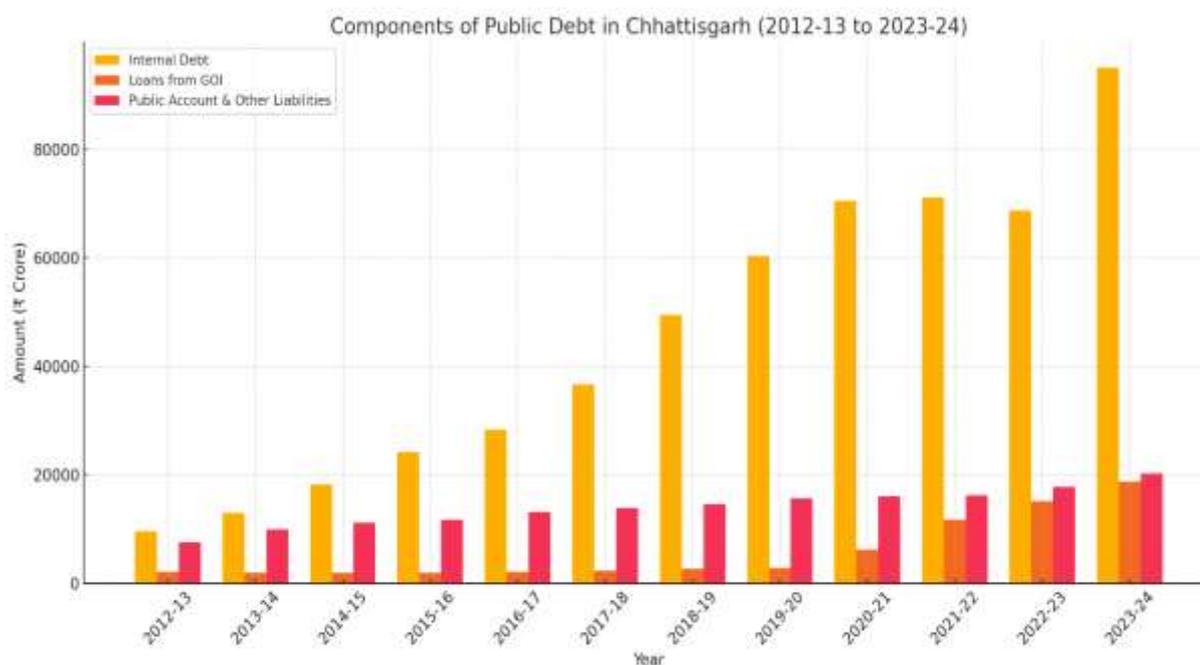
Thus, the state's increasing reliance on internal debt indicates mounting fiscal pressure. To achieve long-term viability, the government must enhance its revenue generation, manage deficits effectively, and strategically oversee its debt composition.

Table 5.1: Composition of Public Debt

(₹ in Cr)

Year	Internal Debt	Loans from GOI	Public Account & Other Liabilities	Total Liabilities
2012-13	9567	2137	7564	19268
2013-14	12943	2003	9956	24902
2014-15	18195	1854	11132	31181
2015-16	24215	1836	11766	37817
2016-17	28330	2047	13053	43431
2017-18	36690	2339	13877	52907
2018-19	49554	2701	14496	66749
2019-20	60383	2764	15566	78713
2020-21	70491	6169	16007	92666
2021-22	71187	11727	16261	99173
2022-23	68755	15196	17746	101697
2023-24	95140	18748	20292	134179

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh

Figure 5.1: Composition of Public Debt (₹ in Cr)**Public debt sustainability**

Public debt sustainability refers to a government's ability to service its debt without resorting to excessive borrowing or economic instability. It is measured by key indicators such as the Debt-to-GDP ratio, fiscal deficit, and interest payment burden.

Table 5.2 Debt Sustainability Indicators

S. No	Indicators	Symbolical Representation	Interpretation
1.	Rate of Growth of GDP(Y) should be more than Rate of Growth of Debt (D)	$Y-D > 0$	Assess the sustainability in aggregate terms and test the essential condition that growth of income must exceed growth of debt. Real output growth (y) should be higher than rate of interest (r).
2a	Primary Deficit (PD) should not be rising faster than GDP	$PD/GDP < 0$	Tests the sustainability from the point of view of revenue

2b	Primary Revenue Balance (PRB) should be in surplus and adequate enough to meet interest payment (IP)	$[PRB-IP > 0]$	account. Additional condition that primary deficit must be declining, and sufficient surplus must be generated to repay current debt stock.
3a	Interest Burden Defined by Interest Payments (IP) to GDP ratio should decline over time.	$[IP/GDP \downarrow \downarrow]$	Interest payment as proportion to GSDP, revenue receipts, as well as revenue expenditure should be falling over time.
3b	Interest Payments (IP) as percent of Revenue Expenditure (RE) should decline over time.	$[IP/RE \downarrow \downarrow]$	
3c	Interest Payments (IP) as a percent of Revenue Receipts (RR) should decline over time.	$[IP/RR \downarrow \downarrow]$	
4a	Debt to revenue receipts ratio should decline over time.	$D/RR \downarrow \downarrow$	Debt as proportion to revenue receipts, as well as Tax and non-tax revenue should be falling over time.
4b	Debt to tax revenue ratio should decline over time	$D/TR \downarrow \downarrow$	
4c	Debt to own tax revenue ratio should decline over time	$D/OTR \downarrow \downarrow$	

Note (i) Primary Revenue Balance (PRB) = RD-IP

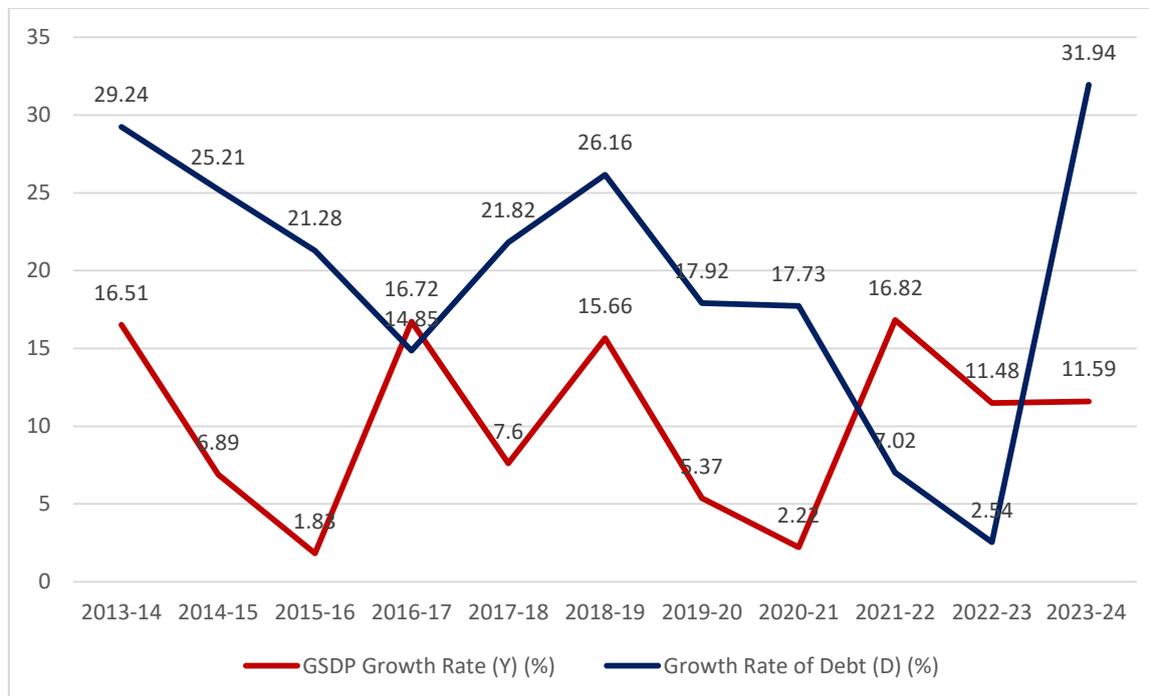
Debt sustainability serves as a vital measure of a state's fiscal well-being, assessed through the interplay between the growth rate of the economy (Gross State Domestic Product, GSDP) and the rate at which its debt increases. When the GSDP growth rate (Y) consistently surpasses the debt growth rate (D), it indicates a more sustainable debt situation, as the state is able to generate adequate revenue to meet its debt obligations. In contrast, if debt grows at a faster pace than GSDP, it may suggest escalating fiscal challenges.

Table 5.3: Rate of Growth of GSDP(Y) and Debt (D)

Year	*GSDP Growth Rate (Y) (%)	*Growth Rate of Debt (D) (%)
2013-14	16.51	29.24
2014-15	6.89	25.21
2015-16	1.83	21.28
2016-17	16.72	14.85
2017-18	7.60	21.82
2018-19	15.66	26.16
2019-20	5.37	17.92
2020-21	2.22	17.73
2021-22	16.82	7.02
2022-23	11.48	2.54
2023-24	11.59	31.94

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,

*Own calculations

Figure 5.2: Rate of Growth of GSDP(Y) and Debt (D)

An examination of the debt growth rate in relation to the growth rate of Gross State Domestic Product (GSDP) from 2013-14 to 2023-24 provides significant insights into the fiscal path of Chhattisgarh. Ideally, the growth of debt should either match or be

slower than the growth of GSDP to maintain fiscal sustainability. Unfortunately, this equilibrium has often been disrupted.

Between 2013-14 and 2015-16, the growth of debt consistently exceeded that of GSDP—most prominently in 2013-14 (Debt: 29.24% compared to GSDP: 16.51%) and in 2015-16 (21.28% versus 1.83%). This pattern suggests an increase in borrowing without a corresponding expansion in the economy, raising alarms regarding the long-term sustainability of debt. Although 2016-17 experienced a brief alignment (Debt: 14.85%, GSDP: 16.72%), the disparity reappeared in 2017-18 and reached its zenith in 2018-19 (Debt: 26.16%, GSDP: 15.66%).

In the years 2019-20 and 2020-21, the state faced continued sluggish growth in GSDP alongside double-digit increases in debt, indicative of borrowing to finance expenditures related to the pandemic. However, the years 2021-22 and 2022-23 demonstrated some progress, with GSDP growth surpassing debt growth, hinting at a temporary shift towards fiscal consolidation.

Nevertheless, the year 2023-24 witnessed a significant surge in debt growth (31.94%) compared to GSDP growth of 11.59%, reintroducing fiscal risks. This ongoing divergence highlights the necessity for Chhattisgarh to more effectively align its debt dynamics with economic performance through prudent fiscal management and strategic investments aimed at enhancing growth.

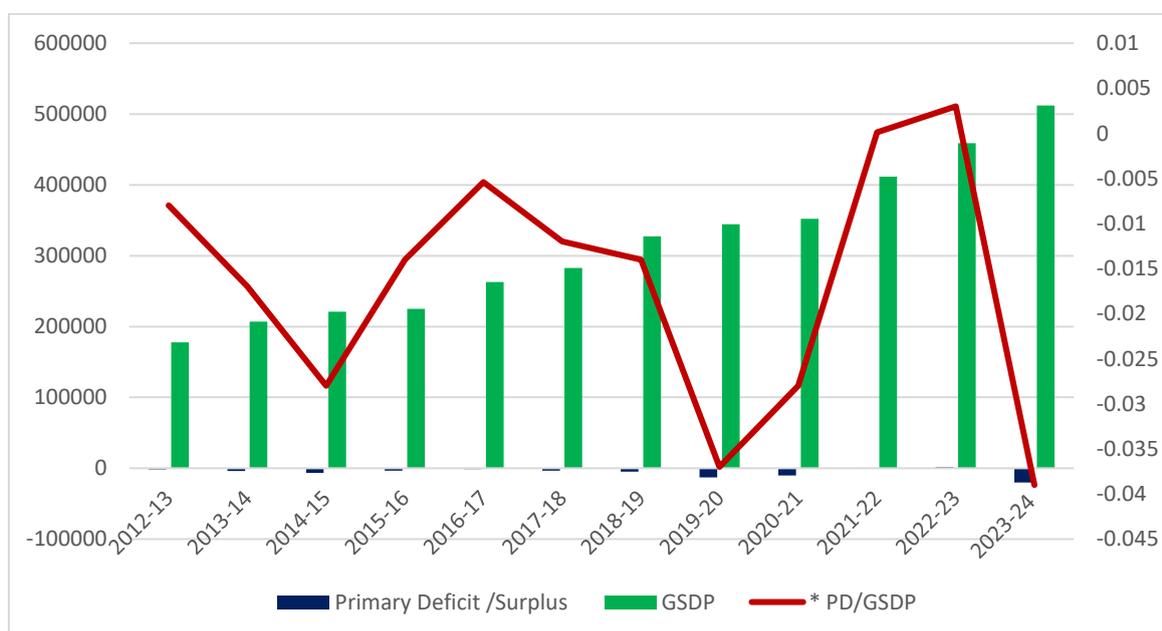
Primary Deficit to GSDP

Debt sustainability is a crucial element of fiscal health, typically evaluated by analyzing the connection between primary deficits and Gross State Domestic Product (GSDP). The primary deficit is defined as the gap between the government's non-interest expenditures and its revenues, while GSDP reflects the total economic output of the state. A primary deficit that is either manageable or decreasing in relation to GSDP is an encouraging indicator of fiscal sustainability, suggesting that the economy can accommodate government borrowing without excessive pressure.

Table 5.4: Primary Deficit to GSDP**(in ₹crores)**

Year	Primary Deficit /Surplus	GSDP	* PD/GSDP
2012-13	-1501.6	1,77,511	-0.008
2013-14	-3706.7	2,06,833	-0.01
2014-15	-6411.8	2,21,118	-0.02
2015-16	-3294.9	2,25,162	-0.01
2016-17	-1420.4	2,62,801	-0.005
2017-18	-3511.9	2,82,737	-0.01
2018-19	-4649.5	3,27,106	-0.01
2019-20	-12999.2	3,44,672	-0.03
2020-21	-10189.2	3,52,327	-0.02
2021-22	49.1	4,11,613	0.0001
2022-23	1690.8	4,58,891	0.003
2023-24	-20148.1	5,12,107	-0.03

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,
*Own calculations

Figure 5.3: Primary Deficit to GSDP

The ratio of Primary Deficit to Gross State Domestic Product (PD/GSDP) serves as a valuable indicator of a government's fiscal health by evaluating its borrowing needs, excluding interest obligations. Analyzing the PD/GSDP trend from 2012-13 to 2023-24 shows notable variations, which are influenced by shifts in fiscal policy, economic circumstances, and external factors.

Between 2012-13 and 2014-15, the PD/GSDP ratio steadily increased, rising from -0.008 in 2012-13 to -0.02 in 2014-15. The fiscal years from 2015-16 to 2016-17 demonstrated a notable enhancement in fiscal discipline, as evidenced by the significant narrowing of the PD/GSDP ratio from -0.01 in 2015-16 to -0.005 in 2016-17.

However, in the years 2017-18 and 2018-19, the PD/GSDP ratio experienced a reversal, widening to -0.01 and -0.01, respectively. A significant rise in the deficit was recorded in 2019-20, with the PD/GSDP ratio dropping sharply to -0.03. The fiscal strain intensified in 2020-21 due to the COVID-19 pandemic, which pushed the PD/GSDP to -0.02, as governments globally implemented expansionary measures to mitigate the economic impact of the crisis. A significant enhancement is noted in the fiscal year 2021-22, as the PD/GSDP ratio turned marginally positive at 0.0001, suggesting a movement towards a more balanced primary account. In 2022-23, the PD/GSDP further advanced to 0.003. Nevertheless, for 2023-24 it was -0.03.

Overall, the PD/GSDP ratio illustrates the changing fiscal environment influenced by economic cycles, policy decisions, and external factors. While periods of fiscal consolidation reflect sound management practices, times of increasing deficits reveal challenges such as revenue limitations and developmental needs. To stabilize this ratio in the long term, sustainable fiscal policies and strong economic growth are essential.

Primary Revenue Balance

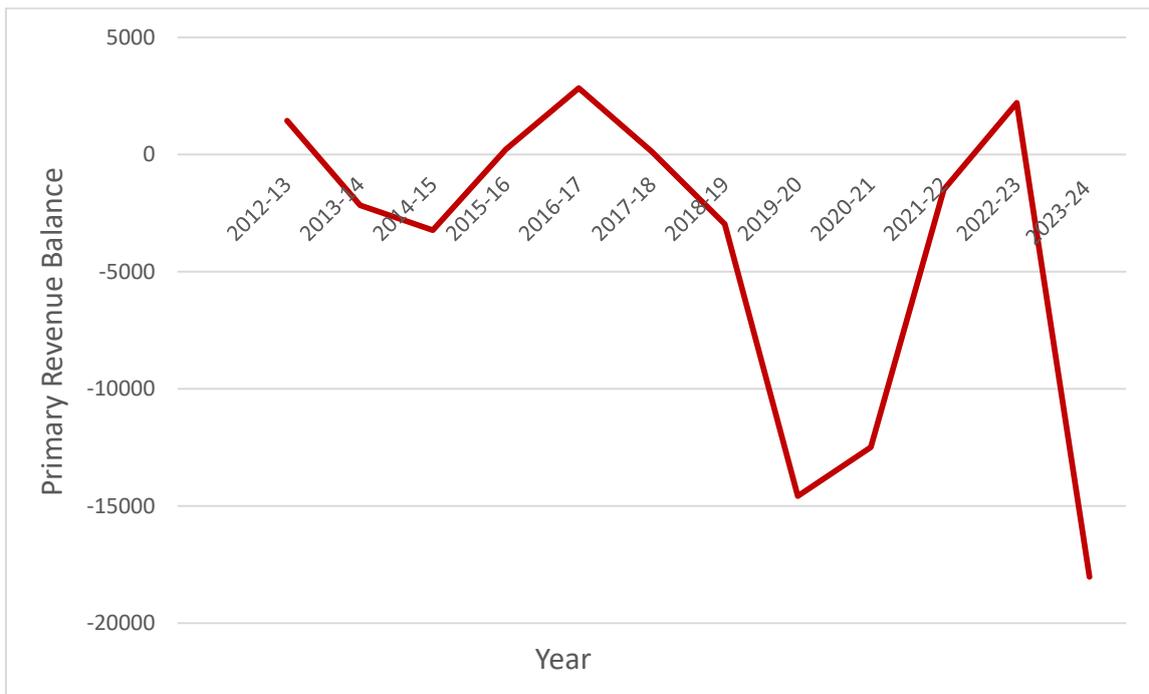
The primary revenue balance, which represents the difference between the government's primary revenue receipts (excluding borrowing) and its primary revenue expenditures, serves as a vital measure of fiscal health and debt sustainability. A positive balance indicates that the government is generating enough revenue to fulfill its primary obligations, thereby minimizing reliance on debt for regular expenditures. In contrast, a negative balance points to fiscal challenges and an increased dependence on debt, raising concerns regarding sustainability. Analyzing the trends from 2012-13 to 2023-24 provides important insights into the evolution of fiscal management and its effects on debt sustainability.

Table 5.5: Primary Revenue Balance**(₹ in Crores)**

Year	Revenue Deficit /Surplus	Interest Payment	*Primary Revenue Balance (RD- IP)
2012-13	2606.2	1153.4	1452.7
2013-14	-809.3	1350.5	-2159.8
2014-15	-1564.4	1663.6	-3228
2015-16	2366.65	2148.9	217.7
2016-17	5520.6	2686.8	2833.8
2017-18	3417.3	3298.3	119
2018-19	683.7	3652.5	-2968.8
2019-20	-9608.6	4970.3	-14578.9
2020-21	-6856.6	5633.1	-12489.7
2021-22	4642.0	6144.2	-1502.2
2022-23	8592.1	6382.0	2210.0
2023-24	-11232.7	6798.3	-18031.1

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,

*Own calculations

Figure 5.4: Primary Revenue Balance

The Primary Revenue Balance (PRB), which is determined by subtracting Interest Payments from the Revenue Surplus/Deficit, provides a perspective on a government's fiscal health prior to considering the costs associated with debt servicing. A positive PRB signifies that revenue collections surpass both revenue expenditures and interest payments, indicating fiscal stability, while a negative PRB reveals underlying structural imbalances.

Between 2012-13 and 2023-24, Chhattisgarh's PRB exhibited significant fluctuations. In 2012-13, a surplus of ₹1,452.7 crore demonstrated a robust revenue situation. However, this surplus transformed into a substantial deficit in 2013-14 and 2014-15, amounting to ₹-2,159.8 crore and ₹-3,228 crore respectively, reflecting heightened expenditure pressures. The balance recovered in 2015-16, reaching a peak of ₹2,833.8 crore in 2016-17, propelled by strong revenue surpluses and relatively low interest payments.

In the following years, a decline in the PRB was observed. By 2018-19, it reverted to a deficit, and in 2019-20 and 2020-21, the deficits worsened significantly to ₹-14,578.9 crore and ₹-12,489.7 crore, respectively, largely due to fiscal stress induced by the pandemic. A temporary recovery was noted in 2022-23 with a surplus of ₹2,210.0 crore. Nevertheless, 2023-24 marked the most severe downturn, with a recorded PRB deficit of ₹-18,031.1 crore. This trend underscores increasing fiscal pressure, emphasizing the necessity for improved revenue generation, expenditure optimization, and sustainable debt management.

Interest Burden

The interest burden, defined as the ratio of interest payments to Gross State Domestic Product (GSDP), serves as a vital measure of debt sustainability. It illustrates the share of revenues allocated to debt servicing, thereby revealing the limitations on fiscal capacity. An upward trend in the interest burden indicates escalating debt-servicing expenses, which can hinder the government's ability to support developmental initiatives. The patterns observed in the interest burden from 2012-13 to 2023-24 offer essential insights into fiscal management and the sustainability of debt.

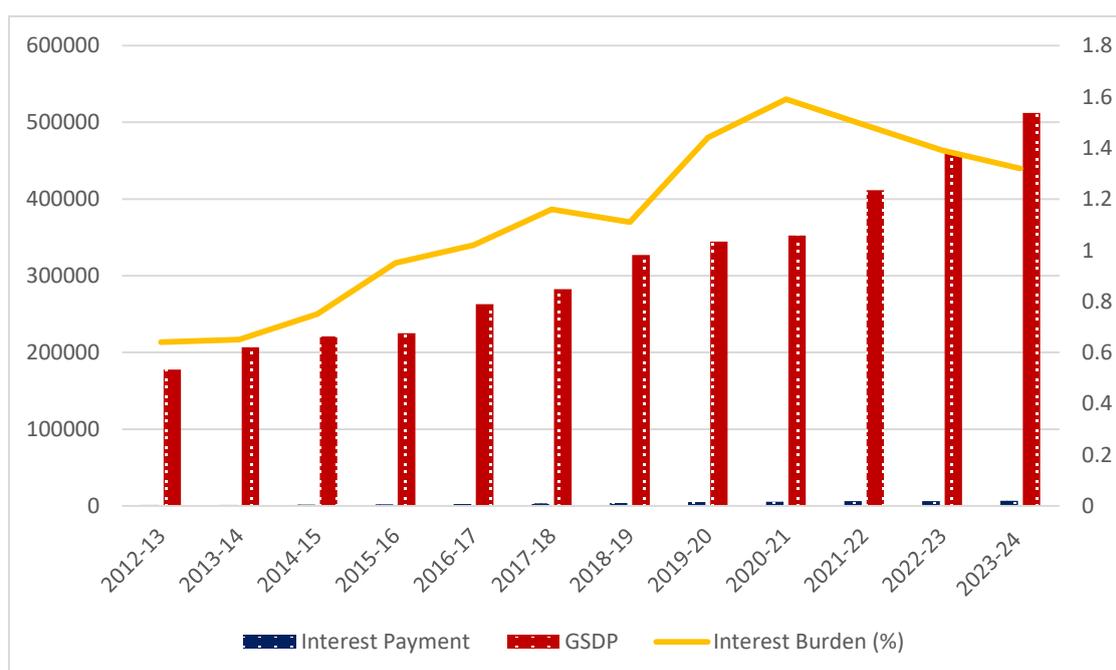
Table 5.6 Interest Burden

(₹ in Crore)

Year	Interest Payment	GSDP	* Interest Burden (%)
2012-13	1153.48	1,77,511	0.64
2013-14	1350.52	2,06,833	0.65
2014-15	1663.6	2,21,118	0.75
2015-16	2148.9	2,25,162	0.95
2016-17	2686.83	2,62,801	1.02
2017-18	3298.33	2,82,737	1.16
2018-19	3652.55	3,27,106	1.11
2019-20	4970.34	3,44,672	1.44
2020-21	5633.11	3,52,327	1.59
2021-22	6144.24	4,11,613	1.49
2022-23	6382.08	4,58,891	1.39
2023-24	6798.34	5,12,107	1.32

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,

*Own calculations

Figure 5.5 Interest Burden

In 2012–13, the interest burden was relatively low at 0.64% of GSDP, indicating a manageable level of debt servicing. This percentage remained quite stable in 2013–14 (0.65%), reflecting prudent debt management practices. However, starting from 2014–15, a significant upward shift was observed.

By 2014–15, the burden had risen to 0.75%, and then escalated sharply to 0.95% in 2015–16, suggesting either increased borrowing or heightened interest costs. This upward trend persisted, with the interest burden surpassing 1% of GSDP in 2016–17, reaching 1.02%, and further climbing to 1.16% in 2017–18. These increases were accompanied by rising interest payments in absolute terms, indicating a growing accumulation of public debt liabilities. Although the GSDP also experienced growth during these years, the rate of increase in interest obligations outpaced economic expansion, resulting in a higher ratio.

The peak burden during this period was recorded in 2020–21, at 1.59%, a substantial rise likely driven by the economic repercussions of the COVID-19 pandemic. During this period, revenue generation faced challenges due to economic contraction, while the need for borrowing escalated to support public health, welfare, and recovery initiatives. As a result, the costs associated with debt servicing constituted a larger proportion of the diminished GSDP base.

The years following the pandemic indicate a slight reduction in the interest burden. The ratio fell to 1.49% in 2021–22, 1.39% in 2022–23, and 1.32% in 2023–24, which reflects a combination of GSDP recovery and potential stabilization in borrowing costs. Nevertheless, these figures are still considerably higher than those observed before 2015, highlighting that the state is functioning within a framework of structurally elevated debt and interest costs.

The long-term consequences of this trend are significant. An increasing interest burden can impede essential developmental and capital expenditures, thereby restricting the government's capacity to invest in infrastructure, health, and education. It also indicates

a reduced fiscal space for discretionary spending, as a larger share of revenue is already allocated to interest payments. Moreover, if the accumulation of debt persists without a corresponding rise in productive investments that yield future revenue, it could threaten fiscal sustainability. This situation may create a detrimental cycle where borrowing is utilized to service existing debt instead of financing growth-promoting initiatives.

Although short-term rises in the interest burden may be warranted due to extraordinary circumstances like the pandemic, this trend necessitates a renewed emphasis on fiscal discipline, enhanced revenue mobilization, and effective debt management strategies. Fortifying the state's fiscal health will be crucial for reversing this trend and ensuring long-term economic resilience.

Interest to Revenue Ratio

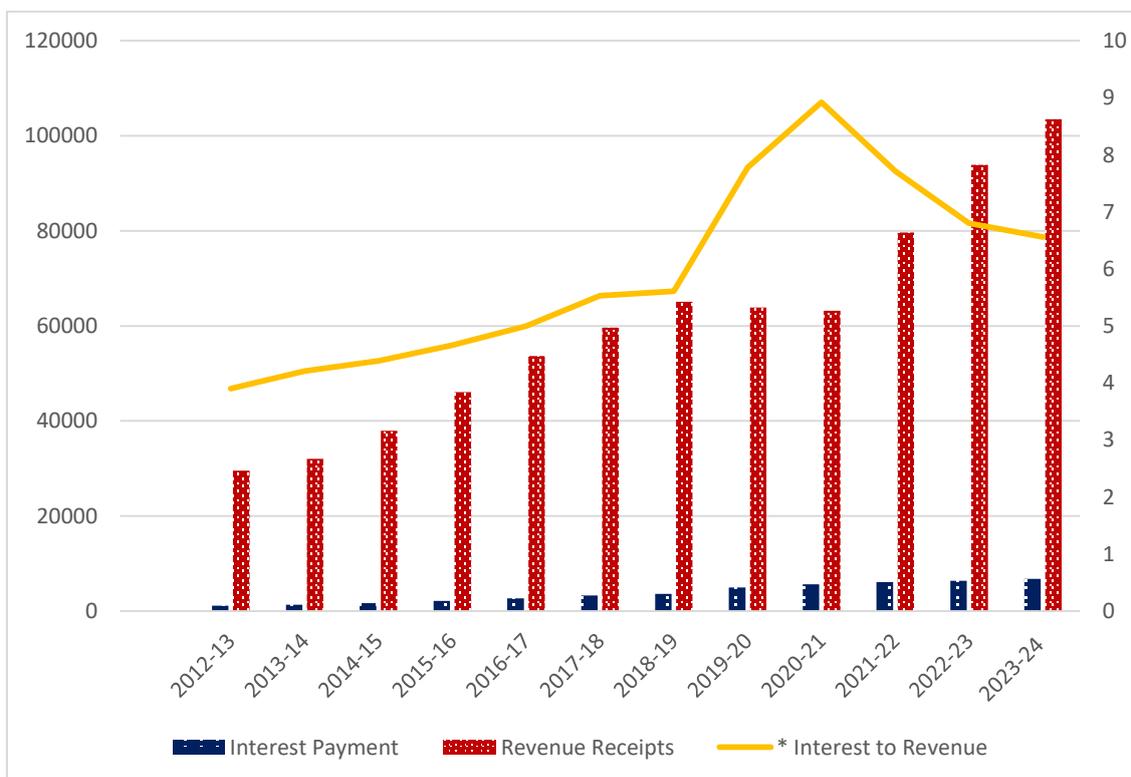
The interest-to-revenue ratio serves as a vital indicator for evaluating debt sustainability, representing the fraction of government revenue dedicated to covering interest payments on debt. An increasing ratio signifies heightened fiscal pressure, as a larger portion of revenue is allocated to non-productive expenses, thereby reducing the capacity for developmental investments. Examining the trends from 2012-13 to 2023- 24 provides essential insights into the progression of fiscal health and the complexities of maintaining sustainable debt levels.

Table 5.7 Interest to Revenue Ratio**(₹ in Crores)**

Year	Interest Payment	Revenue Receipts	* Interest to Revenue Ratio ((%)
2012-13	1153.48	29,578	3.90
2013-14	1350.52	32,050	4.21
2014-15	1663.6	37,932	4.39
2015-16	2148.9	46,067	4.66
2016-17	2686.83	53,685	5.00
2017-18	3298.33	59,647	5.53
2018-19	3652.55	65,094	5.61
2019-20	4970.34	63,868	7.78
2020-21	5633.11	63,176	8.92
2021-22	6144.24	79,652	7.71
2022-23	6382.08	93,877	6.80
2023-24	6798.34	103508.19	6.56

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,

*Own calculations

Figure 5.6 Interest to Revenue Ratio

The interest-to-revenue ratio serves as a vital measure of a state's fiscal sustainability. It quantifies the fraction of government revenue that is allocated to interest payments on existing debt. An increasing ratio indicates heightened fiscal strain, as a larger portion of the government's revenue is dedicated to servicing debt, thereby reducing the funds available for development and welfare initiatives.

Between 2012–13 and 2023–24, this ratio has exhibited a distinct upward trend, albeit with fluctuations, reflecting changes in borrowing practices, revenue generation, and macroeconomic circumstances.

In the fiscal year 2012–13, the interest payment amounted to ₹1,153.48 crore, representing 3.90% of the total revenue receipts (₹29,578 crore). This situation indicated a fiscally sound position, providing the state with sufficient capacity for developmental spending. In the subsequent years, the ratio steadily increased, reaching 4.21% in 2013–14, 4.39% in 2014–15, and 4.66% in 2015–16. This gradual escalation suggests rising interest payments due to either accumulating debt or elevated interest rates, despite a consistent growth in revenue receipts.

From 2016–17 to 2018–19, the ratio surpassed the 5% threshold, rising to 5.00%, 5.53%, and 5.61%, respectively. These years were characterized by increased capital expenditure and state investments, likely funded through debt. The growing proportion of interest in revenue expenditure highlighted escalating fixed costs within the state budget, potentially limiting flexibility in fiscal planning.

The most significant decline occurred in 2019–20 and 2020–21, when the interest-to-revenue ratio surged to 7.78% and 8.92%, respectively. This increase coincided with stagnation in revenue and a heightened debt burden during the COVID-19 pandemic. While revenue receipts either fell or plateaued due to diminished economic activity and tax collection, interest payments continued to rise, resulting in an unsustainable commitment of revenue to debt servicing.

Although economic recovery has contributed to a moderation of the ratio in subsequent years, the relief experienced has been limited. In the fiscal years 2021–22, the ratio decreased to 7.71%, followed by a further decline to 6.80% in 2022–23 and 6.56% in 2023–24. This downward trend is encouraging, as it indicates enhanced revenue mobilization and potential control over new borrowings or improved debt management. Nevertheless, these figures remain significantly higher than those recorded prior to 2016, suggesting that the structural interest burden continues to be elevated.

A persistent interest-to-revenue ratio exceeding 6–7% serves as a cautionary signal for policymakers. It suggests that approximately one-twelfth to one-fifteenth of every rupee earned is allocated to interest payments, thereby diminishing the resources available for critical services such as education, health, infrastructure, and social welfare. Furthermore, it indicates a constrained fiscal space to address economic shocks or to implement new initiatives.

Looking ahead, it is crucial for the state to implement a comprehensive strategy that includes enhancing both tax and non-tax revenues, rationalizing expenditures, improving the quality of debt (favoring lower-cost and long-term options), and prioritizing capital investments that promote long-term growth, in order to reduce this ratio to a sustainable level.

While the recent reduction in the interest-to-revenue ratio is a positive development, the overarching trend highlights a fiscal landscape where an increasing portion of revenue is being consumed by previous liabilities. Robust revenue growth and prudent fiscal management are vital to reversing this trend and ensuring long-term financial stability.

Interest to Expenditure Ratio

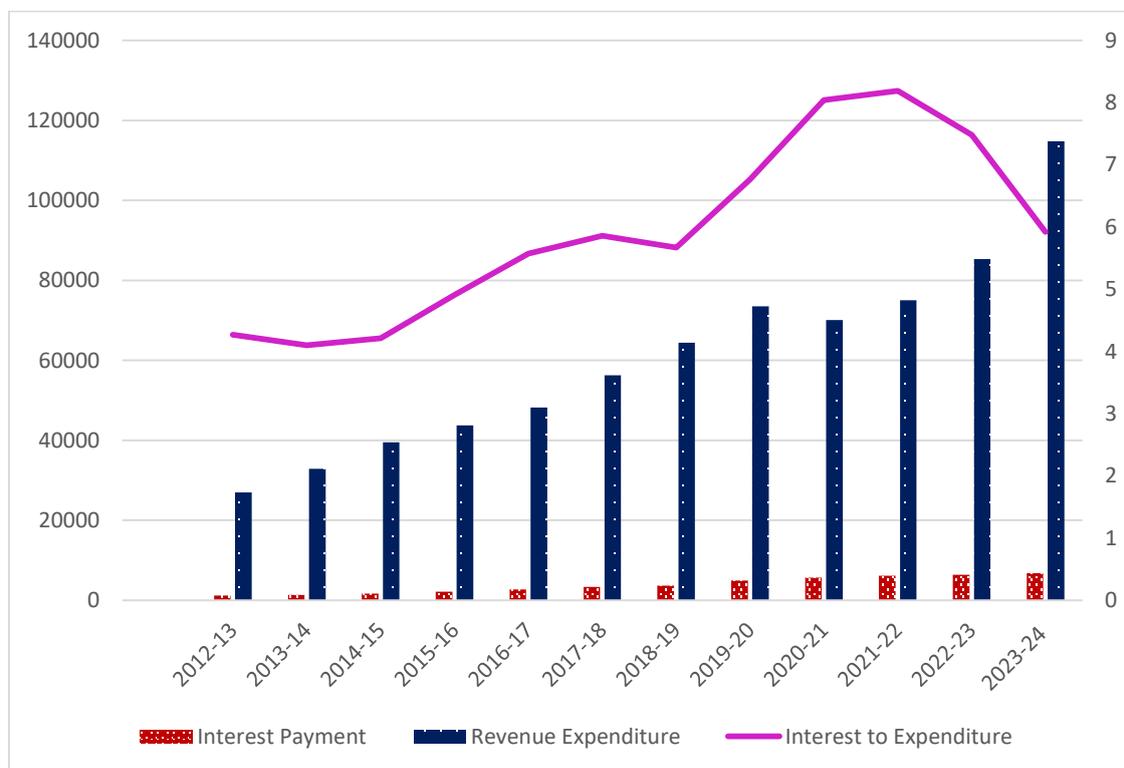
The interest-to-expenditure ratio serves as a crucial indicator for assessing debt sustainability. It quantifies the share of total government spending dedicated to interest payments, providing valuable insights into fiscal pressures and potential limitations on developmental investments. A review of this ratio from 2012-13 to 2023-24 uncovers significant trends in fiscal management and debt sustainability.

Table 5.8 Interest to Expenditure Ratio**(₹ in Crores)**

Year	Interest Payment	Revenue Expenditure	*Interest to Expenditure Ratio (%)
2012-13	1153.48	26971.84	4.27
2013-14	1350.52	32859.57	4.10
2014-15	1663.6	39497.2	4.21
2015-16	2148.9	43701.06	4.91
2016-17	2686.83	48164.6	5.57
2017-18	3298.33	56229.75	5.86
2018-19	3652.55	64411.17	5.67
2019-20	4970.34	73477.31	6.76
2020-21	5633.11	70032.84	8.04
2021-22	6144.24	75010.01	8.19
2022-23	6382.08	85285.03	7.48
2023-24	6798.34	114740.96	5.92

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,

*Own calculations

Figure 5.7 Interest to Expenditure Ratio

In the fiscal year 2012-13, the interest-to-expenditure ratio stood at 4.28%, suggesting that a relatively small portion of government expenditure was allocated to interest payments. This figure indicated that debt-servicing obligations were manageable, allowing for a considerable share of spending to be directed toward productive sectors such as infrastructure, healthcare, and education. The subsequent year, 2013-14, saw a slight reduction in the ratio to 4.11%, which may reflect a temporary alleviation of fiscal pressures, possibly due to enhanced revenue collection or lower borrowing costs.

However, the trend reversed in 2014-15, with the ratio rising to 4.21%. By 2015-16, it had further increased to 4.92%, indicating an escalating burden of debt servicing. The ratio experienced a notable increase in the following years, climbing to 5.58% in 2016-17 and 5.87% in 2017-18. This steady rise indicates that debt-servicing costs were growing faster than overall expenditure. In 2018-19, the interest-to-expenditure ratio saw a slight decrease to 5.67%, providing a temporary relief from the previous upward trend. This decline could be linked to improved fiscal management. Nevertheless, this respite was short-lived, as the ratio surged to 6.76% in 2019-20, signaling a period of intensified fiscal strain amid slower economic growth and rising expenditure demands, likely exacerbated by challenges in fiscal consolidation.

The challenges intensified with the onset of the COVID-19 pandemic in 2020-21, causing the interest-to-expenditure ratio to spike to 8.04%. This peak illustrates the combined effects of reduced revenue due to economic disruptions and increased borrowing to cover pandemic-related costs. In 2021-22, the ratio continued to rise, reaching 8.19%, the highest level recorded during the observed period. This trend underscored the ongoing repercussions of the pandemic on fiscal resources and debt sustainability. A significant share of government expenditure was consumed by interest payments, severely restricting the funds available for developmental initiatives.

For the fiscal years 2022-23 and 2023-24 indicate a decrease in the interest-to-expenditure ratio, with figures of 7.48% and 5.92%, respectively. These trends reflect efforts to stabilize fiscal conditions and alleviate the burden of interest payments.

Nevertheless, the anticipated ratios remain high compared to previous years, underscoring the ongoing challenge of achieving sustainable debt management.

The persistent increase in the interest-to-expenditure ratio from 2015-16 to 2021-22 highlights the growing fiscal strain associated with debt servicing. A high ratio limits fiscal flexibility, as a considerable share of government expenditure is allocated to interest payments. This situation restricts the government's capacity to invest in sectors that drive growth, potentially hindering economic advancement. To improve debt sustainability, the government should implement focused strategies to manage spending and optimize debt financing. Streamlining non-essential expenditures and prioritizing investments with high returns can help decrease reliance on borrowing. Furthermore, utilizing innovative financing options and refinancing expensive debt can alleviate interest burdens.

Enhancing revenue generation is also vital. Expanding the tax base, increasing compliance, and diversifying revenue streams can strengthen fiscal capacity, allowing the government to fulfill debt obligations without sacrificing developmental initiatives. It is crucial to align debt growth with economic growth to ensure that interest payments remain manageable.

Thus, the analysis of the interest-to-expenditure ratio from 2012-13 to 2023-24 reveals an increasing fiscal burden associated with debt servicing, especially in times of economic difficulty. Although recent forecasts indicate a potential decrease, the persistently high levels emphasize the importance of ongoing commitment to fiscal discipline, enhancing revenue streams, and optimizing expenditures. By tackling these issues, the government can work towards stabilizing the interest-to-expenditure ratio at manageable levels, thereby maintaining fiscal capacity for developmental priorities and promoting sustainable economic growth.

Debt to Revenue Receipt

A crucial indicator for evaluating debt sustainability is the Debt-to-Revenue Receipt (D/RR) ratio, which assesses the relationship between a government's debt and its revenue receipts. This ratio is particularly significant as it illustrates a government's capacity to manage its debt obligations through its income. Analyzing the trends in the D/RR ratio from 2012-13 to 2023-24 provides important insights into the fiscal health and policy choices made during this timeframe.

The Debt to Revenue Receipts ratio serves as a vital measure of a state's fiscal sustainability, illustrating the extent of government debt in relation to its capacity for revenue generation. An increasing ratio indicates heightened fiscal stress and diminished flexibility in public financial management, while a decreasing ratio implies improved debt control.

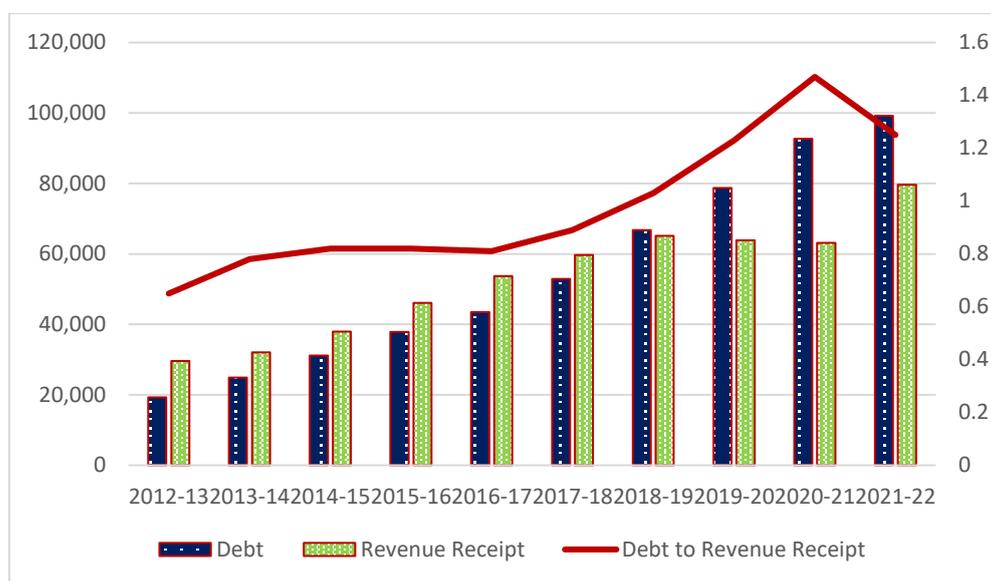
Table 5.9 Debt to Revenue Receipt

(₹ in Crores)

Year	Debt	Revenue Receipt	*Debt to Revenue Receipt
2012-13	19,268	29,578	0.65
2013-14	24,902	32,050	0.78
2014-15	31,181	37,932	0.82
2015-16	37,817	46,067	0.82
2016-17	43,431	53,685	0.81
2017-18	52,907	59,647	0.89
2018-19	66,748.51	65,094	1.03
2019-20	78,712.46	63,868	1.23
2020-21	92,665.90	63,176	1.47
2021-22	99,172.90	79,652	1.25
2022-23	1,01,696.43	93,877	1.08
2023-24	1,34,179.36	1,03,508.19	1.30

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,

*Own calculations

Figure 5.8 Debt to Revenue Receipt

The figures show how debt and revenue receipts have moved over time, and how the balance between the two has shifted. In the early years, from 2012–13 to 2016–17, both debt and revenue receipts grew steadily. Debt rose from about ₹19,000 crore to ₹43,000 crore, while revenue receipts also increased from around ₹29,500 crore to ₹53,600 crore. Because revenues were growing in step with borrowings, the debt-to-revenue ratio stayed close to 0.8, suggesting that debt levels were still within a manageable range.

From 2017–18 onward, however, the situation started to change. Debt grew much faster than receipts, with the ratio rising above 1 in 2018–19 for the first time, meaning the total debt was greater than that year’s revenue receipts. By 2019–20 and especially 2020–21, this gap widened further, with the ratio climbing to 1.23 and then 1.47. The sharp increase can be linked to slower revenue growth combined with higher borrowing needs, partly influenced by the economic disruptions of the pandemic years.

After 2021, revenue collections began to recover, easing the pressure slightly. Receipts climbed to ₹79,652 crore in 2021–22 and then crossed ₹1,03,500 crore by 2023–24. Although debt also rose over the same period, the ratio dropped to 1.08 in 2022–23, before edging up again to 1.30 in 2023–24.

In short, the data points to a shift from stability in the earlier years to fiscal strain in the in the pandemic years, followed by signs of partial correction. Long-term sustainability will depend on keeping revenue growth strong while slowing down the pace of borrowing.

Debt to Tax Revenue Ratio

The Debt-to-Tax Revenue (D/TR) ratio stands out as a vital indicator that assesses the degree to which a government's debt is underpinned by its tax revenues. This metric offers a transparent perspective on how effectively a government utilizes its tax income to fulfill its debt obligations. Examining the trends in the D/TR ratio from 2012-13 to 2023-24 provides significant insights into the fiscal landscape during this timeframe.

The Debt to Tax Revenue ratio serves as a crucial metric for assessing a state's fiscal health, reflecting the degree to which tax revenues can accommodate existing debt. An increasing ratio indicates a growing dependence on debt in relation to the state's ability to generate tax revenue, which may point to escalating fiscal risks.

Table 5.10 Debt to Tax Revenue Ratio

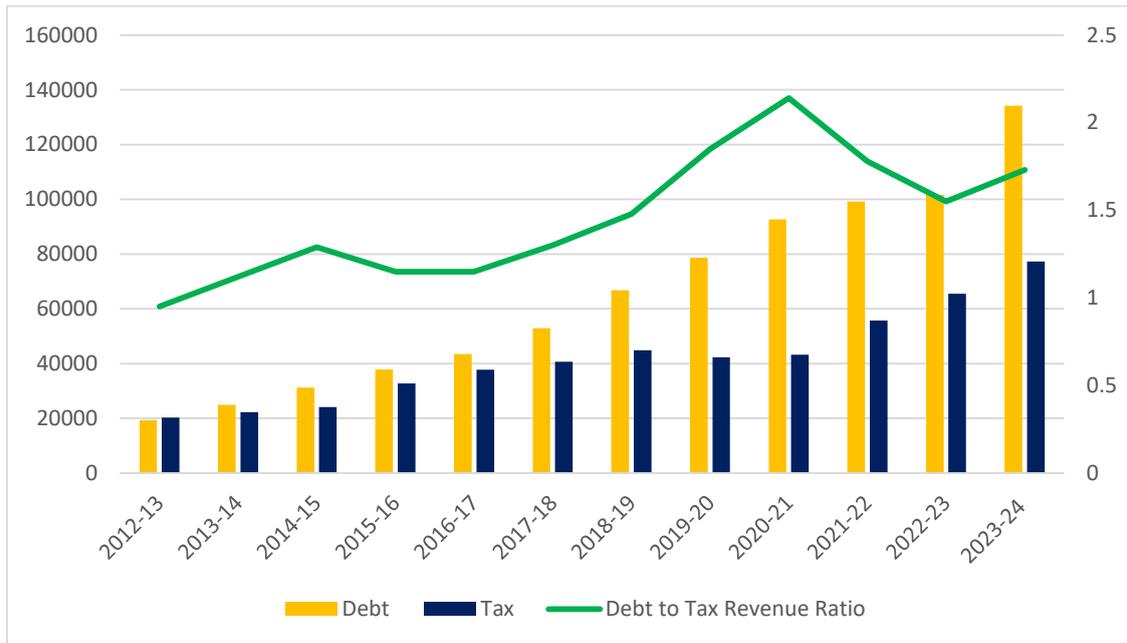
(₹ in Crores)

Year	Debt	Tax Revenue	*Debt to Tax Revenue Ratio
2012-13	19,268	20,251.81	0.95
2013-14	24,902	22,222.93	1.12
2014-15	31,181	24,070.29	1.29
2015-16	37,817	32,791.32	1.15
2016-17	43,431	37,754.36	1.15
2017-18	52,907	40,649.49	1.30
2018-19	66,748.51	44,885.94	1.48
2019-20	78,712.46	42,323.68	1.85
2020-21	92,665.90	43,226.73	2.14
2021-22	99,172.90	55,654.52	1.78

2022-23	1,01,696.43	65,480.56	1.55
2023-24	1,34,179.36	77,268.10	1.73

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,
*Own calculations

Figure 5.9 Debt to Tax Revenue Ratio



Between 2012-13 and 2023-24, Chhattisgarh's debt to tax revenue ratio demonstrates a distinct upward trend. In 2012-13, the ratio stood at a modest 0.95, suggesting that tax revenues were sufficient to cover debt levels—an indicator of a robust fiscal condition. However, from 2013-14 onwards, the ratio consistently rose, reaching a peak of 2.14 in 2020-21. This doubling of the ratio over an eight-year period underscores the state's increasing reliance on borrowed funds, likely driven by heightened expenditure demands and sluggish growth in tax revenues, particularly during the COVID-19 pandemic.

Although there was a slight improvement in 2021-22 and 2022-23, with the ratio decreasing to 1.78 and 1.55 respectively, it rose again to 1.73 in 2023-24, signaling a renewed escalation in debt relative to tax collections.

The overarching trend indicates that debt is growing at a faster pace than tax revenue, which poses threats to fiscal sustainability. To alter this trajectory, Chhattisgarh must bolster its tax base, improve compliance, and manage non-essential expenditures to secure long-term financial stability.

Debt to Own Tax Revenue Ratio

A key metric for evaluating this situation is the Debt-to-Own Tax Revenue (D/OTR) ratio, which assesses the extent of debt in relation to the tax revenues generated by the government itself. Unlike total tax revenue, which encompasses shared or transferred taxes, own tax revenue provides insight into a government's direct capacity to generate income through its tax policies and administration. Examining the trends in the D/OTR ratio from 2012-13 to 2023-24 reveals the fiscal pressures, economic conditions, and policy choices that have influenced debt management during this timeframe.

The Debt to Own Tax Revenue ratio serves as a vital indicator for assessing a state's fiscal independence and sustainability. This metric juxtaposes the overall debt load against the state's own tax revenues, while excluding any transfers from the central government. An increasing ratio signifies that the state is incurring debt at a rate that outpaces the growth of its own tax revenue base, which raises alarms regarding its long-term financial stability.

Table 5.11 Debt to Own Tax Revenue

(₹ in Crores)

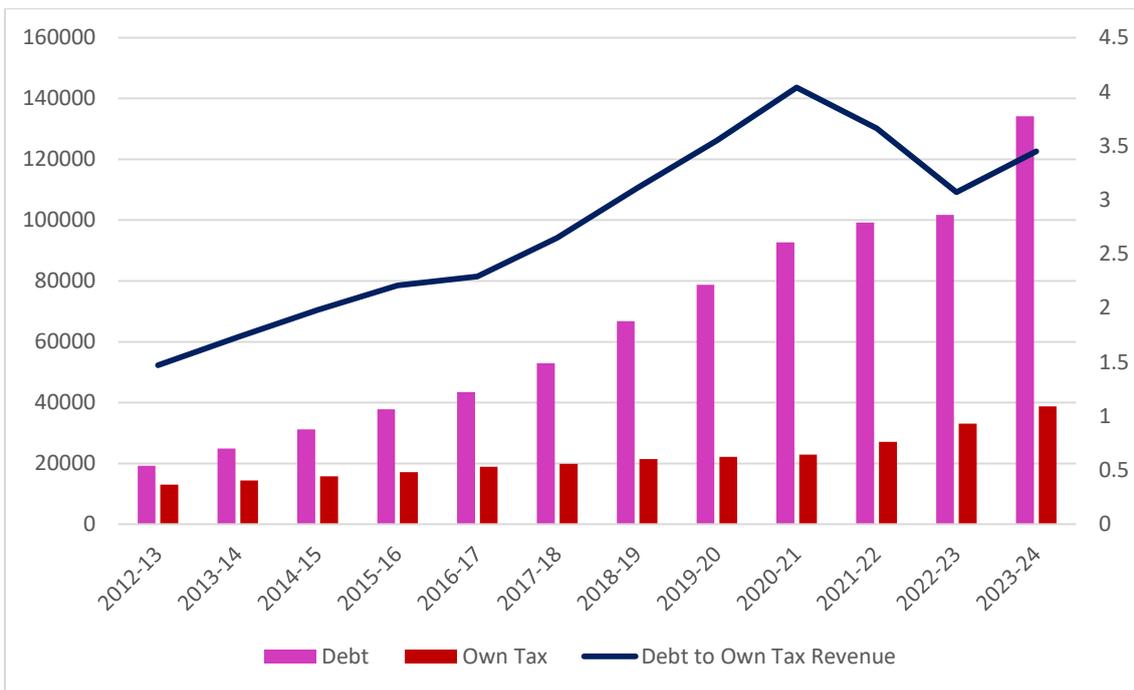
Year	Debt	Own Tax Revenue	*Debt to Own Tax Revenue
2012-13	19,268	13,034.21	1.47
2013-14	24,902	14,342.71	1.73
2014-15	31,181	15,707.27	1.98
2015-16	37,817	17,074.85	2.21
2016-17	43,431	18,945.21	2.29
2017-18	52,907	19,894.68	2.65
2018-19	66,748.51	21,427.25	3.11

2019-20	78,712.46	22,117.85	3.55
2020-21	92,665.90	22,889.19	4.04
2021-22	99,172.90	27,083.73	3.66
2022-23	10,1696.43	33,122.30	3.07
2023-24	13,4179.36	38,786.22	3.45

Source: Various Years of Budget at a Glance and Budget in brief of Chhattisgarh,

*Own calculations

Figure 5.11 Debt to Own Tax Revenue



Between the fiscal years 2012-13 and 2023-24, Chhattisgarh has exhibited a troubling and consistent upward trajectory in its Debt to Own Tax Revenue ratio. In the fiscal year 2012-13, the ratio stood at 1.47, suggesting that the state's debt was approximately one and a half times greater than its own tax revenue. However, this ratio has risen steadily each subsequent year, reaching a peak of 4.04 in 2020-21. This significant increase indicates a substantial reliance on borrowing in relation to its own capacity to generate tax revenue—likely influenced by escalating expenditure demands, revenue deficits, and the economic repercussions of the COVID-19 pandemic.

Despite a minor improvement in 2022-23 (3.07), the ratio climbed once more to 3.45 in 2023-24. This trend points to ongoing fiscal pressures and emphasizes the critical

necessity to broaden the own-tax base, enhance tax compliance, and maintain fiscal discipline. It is imperative to manage debt with greater prudence and to bolster revenue generation efforts to secure Chhattisgarh's fiscal resilience and independence.

5.3 Finance Commissions Fiscal Consolidation Parameters

The Finance Commission sets out fiscal consolidation parameters to ensure sound financial management both by the central and the state governments. These parameters emphasize the importance of reducing fiscal deficits, ensuring debt sustainability, and enhancing revenue generation. Key indicators for fiscal management include the Fiscal Deficit-to-GDP Ratio, which limits borrowing, and the Revenue Deficit-to-GDP Ratio, which supports sustainable spending practices. Additionally, the Commission prioritizes tax devolution, grants-in-aid, and efficient expenditure, allowing balancing development with fiscal prudence. State governments are encouraged to improve their own revenue sources while adhering fiscal discipline. These parameters contribute to financial stability, which in turn fosters long-term economic growth and equitable resource distribution throughout the nation.

5.3.1 14th and 15th Finance Commissions Fiscal Consolidation Parameters

The fiscal deficit, as a percentage of Gross State Domestic Product (GSDP), is a key indicator of fiscal health for Indian states. The data provided outlines the range of fiscal deficit limits, established within the recommendations for borrowing space, from 2021-22 through 2025-26. For this period, the borrowing limits are set with an upper and lower range, reflecting the extent to which states may utilize available borrowing space based on economic needs and compliance with Fiscal Responsibility and Budget Management (FRBM) guidelines. This range provides flexibility to states, enabling them to balance fiscal discipline with necessary spending on infrastructure, welfare, and development projects.

In 2021-22, the recommended borrowing range for states was between 3.0% and 4.5% of GSDP. The lower limit of 3.0% aligns with the existing FRBM guidelines, ensuring that states maintain fiscal discipline by keeping borrowing within sustainable levels. This limit aims to keep debt manageable while meeting essential expenditure requirements. The upper limit, however, allows borrowing up to 4.5% of GSDP, providing additional fiscal space to states facing extraordinary spending needs, such as post-COVID recovery efforts, which often necessitated increased spending on health,

welfare, and stimulus measures. By allowing this extended borrowing range, states had the flexibility to respond to immediate economic challenges without breaching strict fiscal norms.

Table 5.12 Range of State Fiscal deficit under the Recommended Space for borrowing
(in Percentage)

	2021-22	2022-23	2023-24	2024-25	2025-26
Upper limit – (if all states use the full borrowing space available)	4.5	4.0	3.5	3.5	3.0
Lower limit – (States, on an average, reach the current FRBM limit)	3.0	3.0	3.0	3.0	3.0

For 2022-23, the upper borrowing limit was reduced from 4.5% to 4.0% of GSDP. This reduction reflects a gradual shift toward fiscal normalization as the economy began to recover from the pandemic's impacts. While 4.0% still offered a significant buffer above the FRBM-prescribed 3.0%, this step aimed to bring state borrowing in line with more sustainable fiscal practices. By limiting the upper borrowing space, the framework encouraged states to rely less on debt financing and instead focus on increasing revenue generation, improving efficiency, and prioritizing expenditures. The availability of a 4.0% upper limit allowed states with continuing fiscal challenges to maintain flexibility while signaling a gradual move toward fiscal consolidation.

The upper limit for borrowing was further reduced to 3.5% of GSDP in 2023-24 and is projected to remain at this level for 2024-25. This steady reduction in the upper borrowing cap illustrates a balanced approach to fiscal consolidation, where states are expected to reduce dependency on borrowed funds progressively. With a recovering economy, the 3.5% upper limit provides adequate room for states to fund critical projects while promoting debt sustainability. By keeping the lower limit at 3.0%, the framework maintains a consistent fiscal discipline standard across states. Thus, states with stronger

revenue bases and better financial health may adhere to the 3.0% target, while those requiring additional spending can utilize the 3.5% upper limit as needed.

By 2025-26, the framework suggests a more stringent borrowing limit, reducing the upper threshold further to 3.0%, aligning it with the lower limit. This target reflects a goal for all states to reach the FRBM-prescribed limit, ideally achieving fiscal prudence and minimizing deficit-driven debt accumulation. Achieving a uniform 3.0% cap signifies the expectation of a stable and robust economic environment, where states are encouraged to fund expenditures within their revenue capacities and avoid high levels of borrowing. A uniform limit fosters fiscal discipline, reducing risks associated with high debt burdens, and aligns with long-term sustainability goals.

The progressive narrowing of borrowing limits highlights the central government's approach toward fiscal consolidation post-pandemic. While the flexibility to borrow above 3.0% during earlier years helped states manage COVID-19 challenges and their aftereffects, the phased reduction promotes a gradual return to more conservative fiscal norms. This shift acknowledges the importance of debt management and aims to prevent states from accumulating unsustainable debt, which could jeopardize their financial stability. With the phased return to FRBM norms, states are incentivized to strengthen revenue generation and prioritize high-impact investments.

In practice, states may face diverse economic conditions that influence how closely they adhere to these limits. States with stronger economies and revenue-generating capacities may choose to stay near the 3.0% limit, maintaining fiscal stability and reducing debt servicing pressures. Conversely, states with greater developmental needs or lower revenue capacities may utilize the higher end of the range to ensure sufficient funding for essential projects. This balance between flexibility and fiscal responsibility is essential in a diverse federal system, where each state's economic context can vary significantly.

Ultimately, these borrowing limits underscore the importance of prudent fiscal policy at the state level. States are encouraged to focus on generating sustainable revenue, improving spending efficiency, and reducing reliance on borrowing as a primary funding source. The gradual return to a 3.0% limit across states reflects a commitment to fiscal stability, recognizing that excessive debt accumulation can constrain future development by increasing interest burdens and reducing available funds for essential services. The phased approach allows states time to adjust, ultimately promoting healthier state finances and a stronger foundation for long-term economic growth across the nation.

5.3.2 Fiscal Consolidation Parameters by 14th Finance Commission

The 14th Finance Commission (FC) of India introduced key fiscal consolidation parameters to guide state governments toward sustainable financial practices, with specific targets in debt management, interest payments, fiscal deficit, and revenue deficit. These parameters provide a structured approach to maintaining fiscal discipline while enabling states to pursue developmental goals without compromising economic stability. The guidelines are intended to ensure that state finances are managed responsibly, minimizing the risks associated with high debt levels, excessive borrowing, and fiscal imbalances.

Table 5.13 Fiscal Consolidation Parameters by 14th FC

Parameter	Threshold/Ceiling
Debt to GSDP	Debt should be less than 25% of GSDP
Interest Payment to Revenue Receipts	Interest Payment should be less than 10% of Revenue Receipts
Fiscal Deficit to GSDP	Fiscal Deficit should be less than 3% (enhanced limit of 3.5%) of GSDP
Revenue Deficit to GSDP	There should be no Revenue Deficit

Debt-to-GSDP Ratio

One of the primary fiscal consolidation parameters set by the 14th FC is maintaining the debt-to-GSDP ratio below 25%. This metric indicates the proportion of a state's debt relative to its gross domestic product, a key indicator of fiscal health and sustainability. A ratio below 25% suggests that the state's debt levels are manageable, ensuring that borrowing does not outpace economic growth. By capping the debt-to-GSDP ratio at 25%, the 14th FC promotes responsible borrowing, ensuring that debt levels remain aligned with economic output and states can service their debt without overburdening future budgets. This threshold encourages states to focus on revenue generation and spending efficiency, reducing the need to rely on borrowing for budgetary support.

Interest Payment-to-Revenue Receipts Ratio

The 14th FC recommends that states limit interest payments to less than 10% of their revenue receipts. This ratio represents the share of total revenue spent on servicing existing debt. By setting a cap at 10%, the 14th FC encourages states to keep interest expenses manageable, which in turn allows a larger share of revenue to be allocated to priority areas. This also incentivizes states to reduce excessive borrowing and improve debt management strategies, as lower interest payments enable states to redirect funds towards initiatives that drive economic growth and welfare. Additionally, maintaining a lower interest-to-revenue ratio helps in preserving financial stability by reducing dependency on borrowed funds, creating a healthier fiscal environment overall.

Fiscal Deficit-to-GSDP Ratio

The fiscal deficit, defined as the difference between a state's total expenditure and its revenue, is a crucial measure of fiscal health. The 14th FC recommends that states limit their fiscal deficit to less than 3% of GSDP, with an enhanced limit of 3.5% during extraordinary circumstances such as economic downturns or other crises. Maintaining a fiscal deficit within this threshold helps states avoid unsustainable levels of borrowing, which can lead to debt accumulation and strain public finances.

Revenue Deficit-to-GSDP Ratio

The 14th FC also emphasizes that states should eliminate revenue deficits, meaning the difference between revenue expenditures and revenue receipts should be zero. A revenue deficit indicates that a state is borrowing not just for capital investments but also to meet its recurring expenses, which include salaries, pensions, subsidies, and other operational costs. This scenario can lead to a vicious cycle where states are forced to borrow more each year, simply to meet day-to-day expenses, leaving little room for investment in infrastructure or development. Eliminating the revenue deficit signifies that a state's revenue generation is sufficient to cover its regular, operational costs, thereby allowing any borrowing to be used exclusively for capital expenditures that will contribute to future growth. By aiming for a zero-revenue deficit, states are encouraged to improve their revenue bases, optimize expenditure, and avoid using borrowed funds for non-asset-generating expenses, leading to healthier fiscal management.

Thus, the fiscal consolidation parameters recommended by the 14th Finance Commission provide a structured framework for states to enhance fiscal responsibility and long-term financial stability. By targeting a debt-to-GSDP ratio below 25%, states are discouraged from accruing excessive debt relative to economic output, which preserves financial flexibility and reduces future burdens. Limiting interest payments to less than 10% of revenue receipts ensures that debt servicing costs do not crowd out critical expenditures, allowing states to allocate more resources to developmental needs. The fiscal deficit ceiling of 3% of GSDP promotes balanced budgets, enabling states to borrow responsibly without accruing unsustainable levels of debt. Finally, the elimination of revenue deficits is a vital target, pushing states to cover routine expenses with internal revenue rather than borrowed funds, promoting a more sustainable fiscal outlook.

Overall, these parameters guide states toward financial prudence, encouraging them to balance their budgets, reduce dependency on debt, and focus on strengthening their revenue-generating capacity. Compliance with these guidelines enhances the fiscal health of states, thereby ensuring that they have the financial strength to invest in

growth, meet welfare goals, and manage economic shocks, ultimately contributing to India's broader economic stability and development.

5.3.3 Fiscal Consolidation Parameters by 15th Finance Commission

a. Enhanced borrowing limit in 2020-21: Given the situation due to COVID-19, the central government permitted states to increase their fiscal deficit up to 5% of GSDP in 2020-21. All states were allowed to increase their fiscal deficit up to 4% of GSDP. The remaining 1% of GSDP is conditional on the implementation of reforms by states in the following areas (0.25% of GSDP for each reform): (i) one nation one ration card, (ii) ease of doing business, (iii) urban local body/ utility, and (iv) power distribution.

b. Fiscal Roadmap for 2021-26

The 15th Finance Commission recommended the following fiscal deficit targets for states for the 2021-26 period (as a % of GSDP)

- (i) 4% for 2021-22
- (ii) 3.5% for 2022-23 and
- (iii) 3% for 2023-26

The Commission estimates that this path will allow Chhattisgarh to increase its total liabilities from 28.1% of GSDP in 2020-21 to 31.6% of GSDP in 2025-26. If a state is unable to fully utilize the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilized borrowing amount in subsequent years (within the 2021-26 period).

Additional borrowing worth 0.5% of GSDP will be allowed each year for the first four years (2021-25) upon undertaking certain power sector reforms including:

- (i) Reduction in operational losses.
- (ii) Reduction in revenue gap.
- (iii) Reduction in payment of cash subsidy by adopting direct benefit transfer and.
- (iv) Reduction in tariff subsidy as a percentage of revenue.

5.4 Conclusions

The examination of Chhattisgarh's public finance framework from 2012–13 to 2023–24 indicates an escalation in fiscal stress, primarily attributed to an increasing dependence on debt and escalating interest commitments.

Public debt, particularly internal debt, has seen considerable growth, surpassing the expansion of GSDP in numerous years, which jeopardizes debt sustainability. Although there have been short-term enhancements in certain fiscal metrics, such as the Primary Deficit and Interest-to-GSDP ratios, the overarching trend suggests a rise in fiscal vulnerability. The Debt-to-Own Tax Revenue ratio, which peaked at 4.04 in 2020–21, illustrates the state's increasing reliance on borrowing in relation to its own capacity for revenue generation.

Interest obligations have significantly increased, with a larger share of revenue being allocated to debt servicing, thus limiting the fiscal space available for development. While the post-pandemic recovery has yielded slight improvements in revenue mobilization and minor reductions in interest ratios, the ongoing structural imbalances underscore the necessity for more robust fiscal reforms.

To achieve long-term sustainability, Chhattisgarh must bolster its revenue base—especially its own tax collections—streamline expenditures, and manage its debt portfolio with greater prudence. Aligning borrowing with productive investments and complying with FRBM and Finance Commission objectives will be crucial. It is essential to strengthen fiscal discipline at this juncture to sustain growth, safeguard developmental expenditures, and ensure intergenerational equity in public finances.

<i>Chapter-6: Power Sector Reforms</i>	
<i>6.1</i>	<i>Introduction</i>
	<i>Electricity Reforms and the Electricity</i>
<i>6.2</i>	<i>Scenario in Chhattisgarh</i>
<i>6.3</i>	<i>Conclusions</i>

Chapter-6: Power Sector Reforms

6.1 Introduction

Electricity plays a vital role in every facet of our daily lives and is increasingly recognized as a basic human necessity. It serves as a critical component of infrastructure essential for the socioeconomic advancement of the nation. For India to achieve comprehensive development, it is imperative that rural areas have access to affordable energy. Additionally, ensuring a reliable and high-quality power supply at competitive prices is crucial for enhancing the global competitiveness of Indian industries and harnessing their significant potential for job creation. The services sector has been a major contributor to our economic growth, and its continued expansion relies heavily on the availability of a robust electrical supply. The government has set an ambitious target to provide electricity to all households within the next five years, recognizing its pivotal role in driving economic progress and alleviating poverty.

One of the most significant legislative measures aimed at comprehensive reforms in the electricity sector was the Electricity Act of 2003. This Act introduced provisions for open access, power trading, and the establishment of regional and national energy markets, independent system operators, generating licenses, performance-based regulation, and initiatives to reduce transmission and distribution losses. Subsequently, several proposed amendments have been introduced to facilitate reforms related to open access, price rationalization, and the separation of carriage and content for renewable energy. The recently released Electricity Amendment Bill, 2018 encompasses these changes. In addition to addressing the promotion of renewable energy, open access, smart grids, and auxiliary services, the Bill aims to foster healthy competition within each distribution area.

While the Electricity Act introduced competition into the industry, its impact was primarily felt in the areas of generation and transmission, leaving distribution largely unaffected. The underlying issues contributing to this situation include high aggregate technical and commercial (AT&C) losses, unmetered power supply to the agricultural

sector, and below-cost pricing for various consumer segments. These factors have led to a decline in the financial health of state utilities, resulting in substantial losses across the board.

Given that these utilities are owned by state governments; the financial outcomes directly influence governmental budgets. When supplier costs increase without a corresponding rise in tariffs, the financial imbalance becomes more pronounced. This gap can be attributed to two main factors: inadequate tariff adjustments and the inefficiencies within distribution utilities, which include poor collection practices and technical losses.

Research indicates that the poor performance of State DISCOMs is primarily due to inefficiencies, lack of comprehensive metering, and infrequent or insufficient tariff adjustments. Additionally, the failure of states to optimize electricity procurement has exacerbated the situation, as this procurement constitutes approximately 75 to 80 percent of the total costs incurred by distribution utilities, leading to heightened concerns over rising power procurement expenses.

6.2 Electricity Reforms and the Electricity Scenario in Chhattisgarh

In January 2009, significant reforms were initiated in the power sector, leading to the unbundling of the former Chhattisgarh State Electricity Board (CSEB) into five distinct entities. As a result, the distribution of electricity in Chhattisgarh is now managed by the Chhattisgarh State Power Distribution Company Limited, which was established on May 19, 2003, under the Companies Act of 1956 and operates under the oversight of the Energy Department of the Government of Chhattisgarh. The governance of the company is entrusted to a Board of Directors, consisting of four members appointed by the state government. The daily operations are overseen by the Managing Director, who serves as the Chief Executive Officer, supported by Executive Directors, Chief Engineers, and General Managers.

Consequent upon the unbundling of the erstwhile CSEB, five power utility Companies were formed (January 2009) in the state of Chhattisgarh, namely;

- (i) Chhattisgarh State Power Holding Co. Ltd. (CSPHCL)
- (ii) Chhattisgarh State Power Generation Co. Ltd. (CSPGCL)
- (iii) Chhattisgarh State Power Transmission Co. Ltd. (CSPTCL)
- (iv) Chhattisgarh State Power Distribution Co. Ltd. (CSPDCL)
- (v) Chhattisgarh State Power Trading Co. Ltd. (CSPTTrCL)

CSPHCL was the holding Company to rest four Companies. However, in June 2022, CSPHCL merged with CSPTCL, and CSPTTrCL merged with CSPDCL. The financial performance of these PSUs during April 2018 to March 2023 is as follows;

Table 6.1: Financial Performance of PSUs

(₹ in Cr.)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Paid up Capital	6591.89	6591.89	6591.89	7215.28	6690.38
Loans	11181.43	11005.89	10175.06	9525.48	8476.26
Turnover	24203.21	23154.24	23536.49	25508.45	27765.29
Net Profit /Loss	735.28	-492.22	-70.39-	-534.64	-501.75
Accumulated Profit/ Loss	-5155.57	-5617.31	-5718.17	-6252.83	-6782.20

Source: # C&AGs report of Chhattisgarh

The financial performance of Public Sector Undertakings (PSUs) between 2018-19 and 2022-23 exhibits a mixed trend characterized by operational growth alongside a decline in profitability. Turnover rose consistently from ₹24,203.21 Cr in 2018-19 to ₹27,765.29 Cr in 2022-23, signifying an overall increase in business activity. However, this growth in revenue did not result in enhanced profitability. Following a net profit of ₹735.28 Cr in 2018-19, the PSUs experienced losses in the subsequent years, with the most significant loss recorded at ₹534.64 Cr in 2021-22, and a slight improvement to a loss of ₹501.75 Cr in 2022-23.

Paid-up capital experienced a one-time increase in 2021-22, likely attributable to recapitalization, before declining again in 2022-23. In contrast, loans decreased steadily from ₹11,181.43 Cr to ₹8,476.26 Cr, indicating efforts to mitigate debt, potentially through repayments or restructuring.

The accumulated losses have persistently escalated, reaching ₹6,782.20 Cr in 2022-23, underscoring long-term financial distress and a continuous erosion of net worth. Despite a favorable turnover trend, the ongoing losses and rising accumulated deficit reveal fundamental issues related to cost management, operational efficiency, or market competitiveness. In summary, while operational performance demonstrates resilience, the challenges of profitability and sustainability remain significant for these PSUs.

Figure 6.1: Financial Performance of PSUs

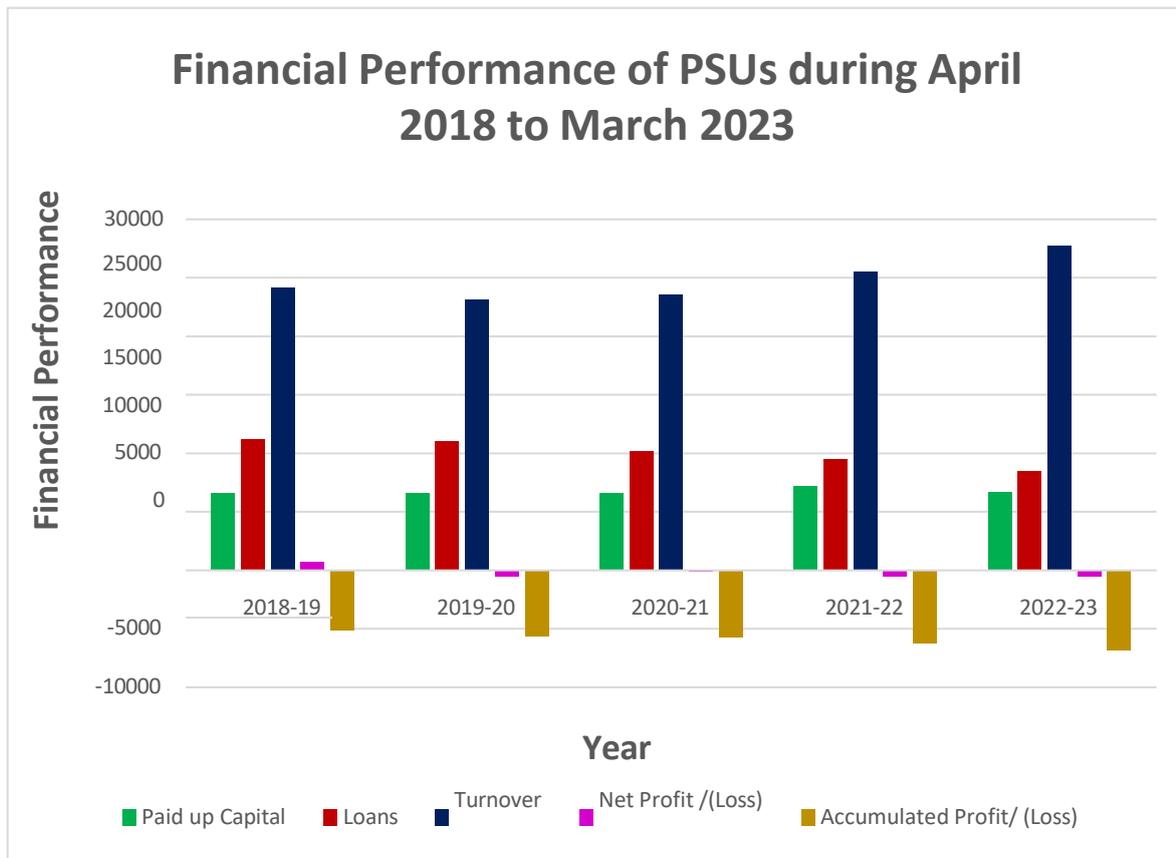


Table 6.2: Operational Performance of CSPDCL

Year	Distribution Loss (%)	Billing Efficiency (%)	Collection Efficiency (%)	AT&C Loss (%)
2012-13	25.75	74.25	93.26	30.75
2013-14	24.36	75.64	98.36	25.60
2014-15	22.15	77.85	99.66	22.41
2015-16	21.52	78.48	99.67	21.79
2016-17	18.56	81.44	99.04	19.34
2017-18	18.08	81.92	99.09	18.83
2018-19	16.64	81.85	88.79	27.33
2019-20	17.15	82.32	92.71	23.68
2020-21	16.84	83.16	95.73	20.4
2021-22	16.14	81.87	100	18.13
2022-23	16.14	83.86	100	16.14

Source: C&AGs report of Chhattisgarh

Over time, CSPDCL's operational performance has steadily improved, especially in terms of cutting losses and increasing productivity. From 25.75% in 2012–13 to 16.14% in 2022–23, distribution losses have drastically decreased, a sign of enhanced monitoring systems, lower technical losses, and stronger transmission infrastructure.

From 74.25% in 2012–13 to 83.86% in 2022–23, billing efficiency has also gradually increased, indicating advancements in metering, precise billing procedures, and a decrease in unapproved usage.

A significant achievement in financial management is the collection efficiency, which measures the effectiveness of bill recovery. This metric exceeded 99% from 2014 to 2015 and achieved a perfect score of 100% in both 2021-22 and 2022-23, reflecting complete recovery of billed amounts. Improvements in infrastructure, metering, and revenue collection have led to a reduction in Aggregate Technical & Commercial

(AT&C) losses a vital indicator of financial sustainability from 30.75% in 2012-13 to 16.14% in 2022-23.

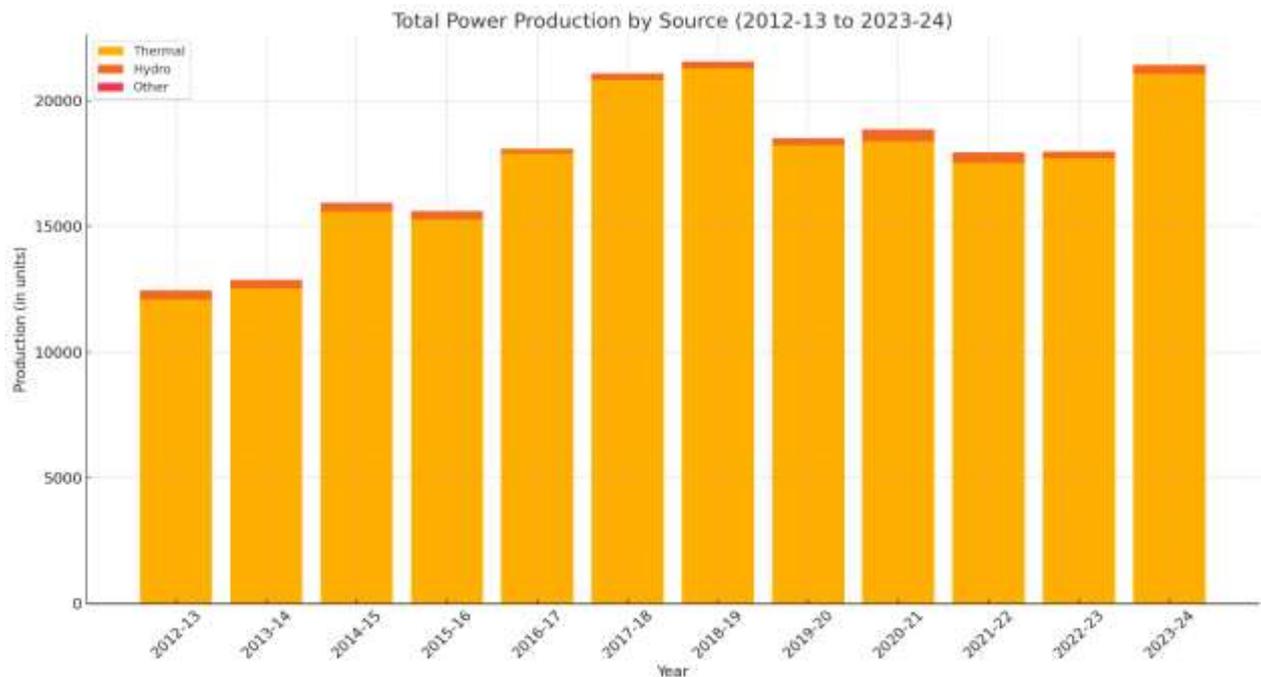
As a result of reduced losses, enhanced billing practices, and more efficient collection processes, CSPDCL has significantly improved its overall operational efficiency, ensuring greater financial stability and reliability in power distribution for the state. The AT&C losses are still above the prescribed limit as suggested by the finance commission.

Table 6.3 Various Sources of Electricity Production

(in million units)

Year	Total Production			
	Thermal	Hydro	Other	Total
2012-13	12101.31	358.46	4.43	12464.2
2013-14	12520.07	337.1	6.37	12863.54
2014-15	15592.52	326.36	12.04	15930.92
2015-16	15278.5	315.68	9.74	15603.92
2016-17	17903.32	184.53	6.57	18097.43
2017-18	20834.4	242.52	7.25	21081.17
2018-19	21275.72	268.8	6.08	21550.6
2019-20	18221.34	269.17	7.57	18498.08
2020-21	18389.35	462.53	5.81	18857.69
2021-22	17515.52	431.39	6.27	17953.18
2022-23	17709.59	275.32	----	17984.91
2023-24	21068.40	361.95	----	21430.35

Source: Economic Survey of Chhattisgarh of various years

Figure 6.2 Various Sources of Electricity Production

The analysis of electricity production from 2012-13 to 2023-24 reveals significant fluctuations in overall electricity generation, with thermal power remaining the primary source. In the fiscal year 2012-13, total electricity output was recorded at 12,464.2 million units, with thermal power accounting for 12,101.31 million units. Over the years, thermal power generation consistently increased, reaching a peak of 21,275.72 million units in 2018-19, followed by some fluctuations thereafter. Further, the contribution of thermal power in total electricity production has been increased during the span of 11 years. It is 97% in 2012-13 which has been increased to 98.46% in 2023- 24.

Hydro Electricity generation exhibited variability, ranging from 358.46 million units to 462.53 million units, and then declining to 275.32 million units during the period from 2012-13 to 2022-23. These variations are likely influenced by seasonal factors affecting water availability, such as monsoon patterns and reservoir levels. The contribution from alternative sources, including renewable energy like solar and wind, has remained minimal throughout this period, fluctuating between 4.43 and 12.04 million units. This indicates a limited adoption or scale of non-conventional energy sources.

Overall, total electricity production has risen from 12,464.2 million units in 2012-13 to 21430.35 million units in 2023-24, reflecting growth in the power sector. However, the decline in hydropower generation and the variability in thermal power output highlight the necessity for diversification and a greater emphasis on renewable energy to ensure sustainable power generation.

Table 6.4: Own Production Capacity

(in megawatt)

Year	Own Production Capacity
2013-14	2424.7
2014-15	2424.7
2015-16	2924.7
2016-17	3424.7
2017-18	3424.7
2018-19	3224.7
2019-20	3224.7
2020-21	2984.7
2021-22	2984.7
2022-23	2984.7
2023-24	2978.70

Source: Economic Survey of Chhattisgarh of various years

From the period of 2013-14 to 2023-24, the own power generation capacity exhibited notable fluctuations. Initially, the capacity remained steady at 2,424.7 MW during 2013-14 and 2014-15. A significant increase occurred in 2015-16, with capacity rising to 2,924.7 MW, followed by another rise in 2016-17, reaching 3,424.7 MW. This upward trend indicates the establishment of new plants or the expansion of existing facilities to meet the growing electricity demand.

However, the capacity stabilized at 3,424.7 MW until 2017-18, after which it declined to 3,224.7 MW in 2018-19, maintaining that level through 2019-20. This reduction may

be attributed to the decommissioning of older power plants, decreased operational efficiency, or a shift towards purchasing power from external sources rather than increasing internal production.

A further decline was noted in 2020-21, with production capacity dropping to 2,984.7 MW, a level that persisted until 2022-23 and then again in 2023-24 ; it further declined to 2978.70 MW. This downturn could be linked to reduced investments in new generation projects, operational challenges, and a strategic pivot towards renewable energy sources in procurement.

Overall, the observed fluctuations highlight not only the dynamic nature of power generation but also the critical need for secure, sustainable, and reliable self-generation capabilities to reduce reliance on external sources and effectively address the rising energy demand.

Figure 6.3: Own Production Capacity

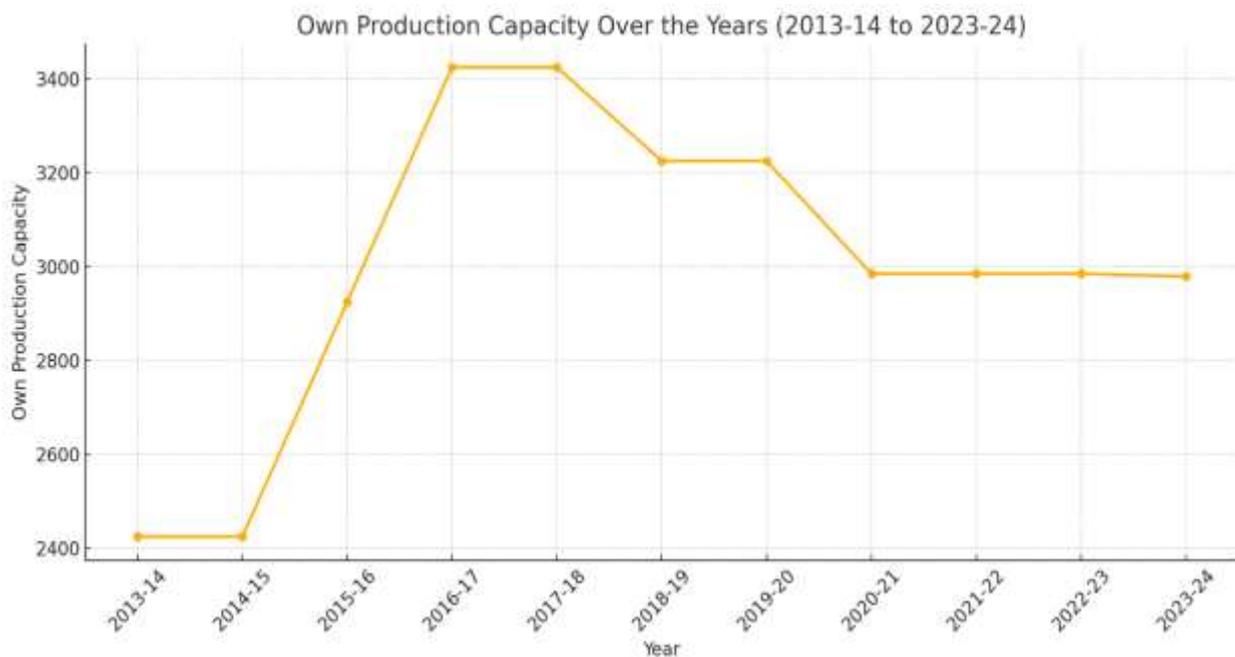


Table 6.5: Number of Electricity Consumers

Year	No. of Consumers
2012-13	38,03,000
2013-14	40,41,000
2014-15	42,96,000
2015-16	45,13,000
2016-17	47,43,000
2017-18	49,90,000
2018-19	56,10,000
2019-20	57,90,000
2020-21	59,03,000
2021-22	60,24,000
2022-23	61,53,423
2023-24	63,85,362

Source: Economic Survey of Chhattisgarh of various years

The data regarding electricity consumers from 2012-13 to 2022-23 indicates a steady upward trend, showcasing enhanced electrification and broader energy access. In 2012-13, the consumer count was 3.8 million, which progressively increased each year, culminating in over 6.15 million by 2022-23. This trend points to notable advancements in rural electrification, industrial growth, and an increase in household connections.

From 2012-13 to 2017-18, the growth was moderate, with the consumer base rising from 3.8 million to 4.99 million. A more pronounced surge occurred between 2017-18 and 2018-19, when the number of consumers increased by over 620,000, likely driven by government initiatives like Saubhagya (Pradhan Mantri Sahaj Bijli Har Ghar Yojana), which focused on achieving universal electricity access. The upward trajectory persisted after 2019, with a consistent rise in consumer numbers despite the economic challenges posed by the COVID-19 pandemic. By 2023-24, the total reached 6.38 million, reflecting ongoing demand for electricity and the effectiveness of electrification initiatives.

This expansion in the consumer base represents a significant move towards improved energy accessibility, industrialization, and economic progress. Nonetheless, it underscores the necessity for ongoing infrastructure development and capacity enhancement to effectively address the growing electricity demand.

Table 6.6: Revenue Collection by Electricity

(₹ in crores)

Year	Revenue Collection
2012-13	6,715.13
2013-14	6,447.16
2014-15	8,086.14
2015-16	9,843.18
2016-17	11,121.17
2017-18	12,445.73
2018-19	13,174.9
2019-20	13,491.59
2020-21	13,294.53
2021-22	15,458
2022-23	19,677.24
2023-24	20,7701.3

Source: Economic Survey of Chhattisgarh of various years

The electricity revenue data from the past decade reveals a steady upward trend, reflecting improved billing efficiency, a doubling in power consumption and electrification, and enhanced income collection methods. In the financial year 2012-13, revenue collection reached ₹ 6715.13 crores, followed by a slight decline to ₹ 6447.16 crores in 2013-14. However, starting from 2014-15, revenue collection began to rise significantly, reaching ₹ 13,491.59 crores by 2019-20. This increase can be attributed to higher electricity tariffs, increased consumption in both industrial and domestic sectors, and advancements in revenue collection processes.

In the fiscal year 2020-21, revenue collection dipped to ₹13,294.53 crores, likely due to the economic impact of COVID-19, which led to reduced industrial activity and financial challenges for consumers. Nevertheless, revenue collections rebounded strongly thereafter, with figures climbing to ₹ 15,458 crores in 2021-22, ₹ 19,677.24 crores in 2022-23 and ₹20770.13 crores in 2023-24. This significant growth suggests improved financial discipline, better customer payment compliance, or increased tariffs.

The overarching result is the rising revenue collection, indicative of the effective implementation of a digital billing system that accommodates a growing user base and reflects the impact of electricity consumption on this growth. However, ongoing efforts are necessary to further minimize overdue accounts and ensure a robust financial position within the electricity sector.

Table 6.7: Amount Due with Consumers

(₹ in crores)

Year	Amount Due
2012-13	2,588.66
2013-14	2,907.69
2014-15	3,265.25
2015-16	3,428.2
2016-17	3,976.68
2017-18	4,261.05
2018-19	4,844.66
2019-20	3,042.1
2020-21	3,921.93
2021-22	4,298.74
2022-23	4,362.74
2023-24	5,674.09

Source: Economic Survey of Chhattisgarh of various years

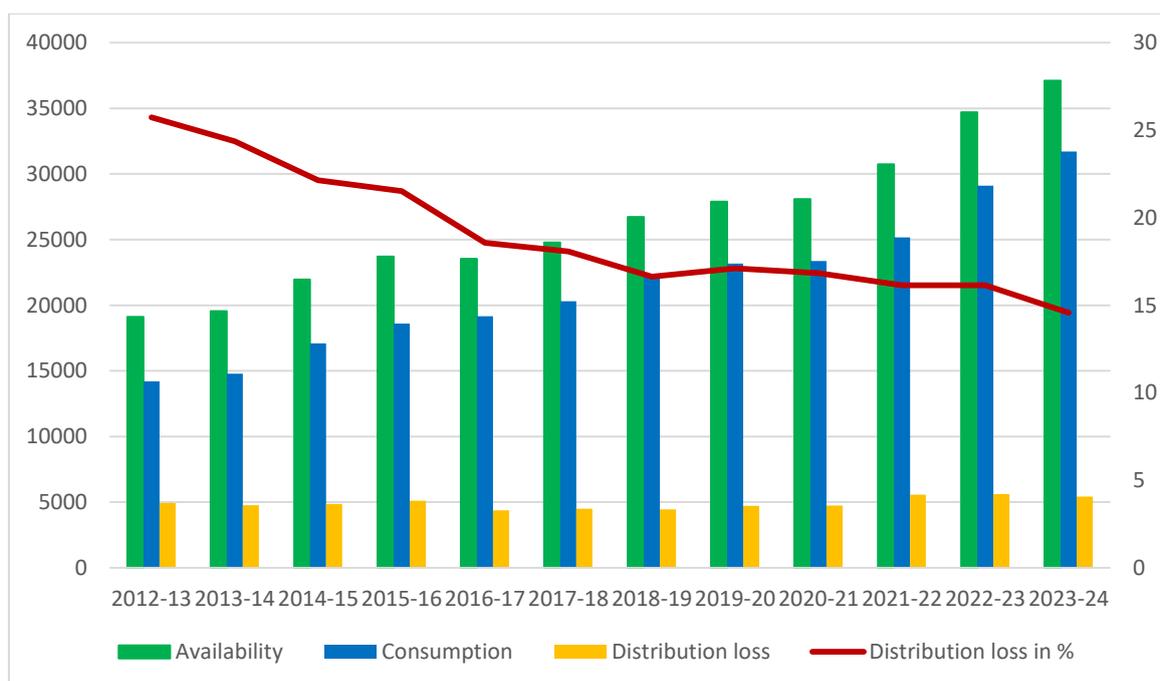
The overall demand from consumers reached its peak during the analyzed period, indicating a general trend of increasing accrued amounts, albeit with some annual fluctuations. In the fiscal year 2012-13, the outstanding amount was recorded at ₹. 2,588.66 crores, which steadily rose to ₹. 4,844.66 crores by 2018-19. This persistent growth may be attributed to factors such as increased electricity consumption, interruptions in the payment process by power distribution companies, or inefficiencies in revenue collection.

Conversely, a decline to ₹3,042.1 crores was noted by 2019-20, suggesting that the bill recovery mechanisms may have become more effective. It is possible that governments have not only implemented financial restructuring or subsidies to address outstanding dues but have also enhanced regulatory frameworks. However, recovery efforts appeared to stagnate in 2020-21, with the amount reaching ₹3,921.93 crores, eventually climbing to ₹ 4,362.74 crores in 2022-23 and ₹ 5674.09 in 2023-24. The path to effective revenue collection remains challenging, potentially hindered by economic instability stemming from the pandemic or financial pressures on consumers.

The prevailing trend indicates that despite numerous initiatives aimed at addressing overdue payments, the core issue of delayed payments persists. Implementing policies to improve billing efficiency, promote digital payment options, and enforce stringent collection measures may be essential to mitigate the growing dues and position financial companies for a more stable economic future.

Table 6.8: Distribution Loss**(in million unit)**

Year	Availability	Consumption	Distribution loss	Distribution loss in %
2012-13	19124	14200.41	4923.59	25.74
2013-14	19553.25	14789.25	4764	24.36
2014-15	21966.91	17101.4	4866	22.15
2015-16	23702.45	18600.63	5101.82	21.53
2016-17	23530	19162	4368	18.56
2017-18	24787	20303.23	4483.68	18.08
2018-19	26716.9	22284.19	4434.71	16.64
2019-20	27892.57	23175.79	4716.78	17.1
2020-21	28092.95	23360.96	4731.99	16.84
2021-22	30733.36	25161.44	5571.92	16.14
2022-23	34706.44	29104.29	5602.15	16.14
2023-24	37114.68	31704.88	5409.80	14.58

Source: Economic Survey of Chhattisgarh of Various years**Figure 6.4: Distribution Loss**

The data presented in Table 6.8 pertains to the energy sector, highlighting some deviations from the overall trend. In the fiscal year 2012-13, distribution losses amounted to 4,923.59 million units, representing 25.74% of the total energy available. However, these losses have shown a decline in both absolute figures and percentage terms, decreasing to 16.6% by 2018-19. From 2012-13 to 2013-14, distribution losses reduced by approximately five hundred units compared to the previous year. Following this period, there was a notable reduction in losses, culminating in a 16.6% loss rate in 2018-19.

During the years 2018-19 to 2020-21, distribution loss rates remained stable. This stability suggests that, despite an increase in energy supply, distribution losses were maintained within acceptable thresholds. However, in 2021-22, distribution losses rose to 5,571.92 million units, with a percentage increase to 18.13%. This situation may be attributed to factors such as inefficiencies in the transmission network, or inadequate infrastructure. For the year 2023-24, energy losses in distribution reached 5,409.80 million units, with a loss percentage of 14.58%. The decrease in percentage, despite the rise in total losses, indicates an improvement in efficiency alongside increased energy consumption. Strategies implemented to reduce losses include the deployment of high-voltage cable networks, automated control systems, and national-level regulations. The steady reduction in loss percentage over the past decade indicates that the energy sector is improving its efficiency.

Table 6.9: Subsidy to Energy Sector (₹ in crores)

(₹ in Crores)

Year	Subsidy to Energy Sector
2019-20	3,074.12
2020-21	2,844.84
2021-22	2,243
2022-23	3,275.71
2023-24	6,033.02

Source: Economic Survey of Chhattisgarh of various years

In Chhattisgarh, there has been a notable rise in subsidies allocated to the energy sector over the past five years, as illustrated in Table 6.9. In the fiscal year 2019-20, the subsidy amounted to ₹3,074.12 crores. However, this figure decreased to ₹2,844.84 crores in 2020-21, likely due to fiscal challenges stemming from the COVID-19 pandemic and a realignment of government priorities. The following year, 2021-22, saw a further decline, reaching a low of ₹2,243 crores.

The support budget for the energy sector increased to ₹3,275.71 crores in 2022-23, indicating a critical need for revitalization and renewal within the sector. This increase can be attributed to various factors, including heightened investments in renewable energy and transmission infrastructure, as well as targeted subsidies for energy distribution companies. The most significant rise occurred in 2023-24, when government subsidies nearly doubled from the previous year, reaching ₹6,033.02 crores.

6.3 Conclusions

The 2009 restructuring of the Chhattisgarh State Electricity Board (CSEB) into five distinct power utility companies represented a pivotal change in the state's energy landscape, with the goal of enhancing operational efficiency and financial stability. Nevertheless, the sector has encountered numerous challenges over the years, evidenced by its diminishing share of the Gross State Domestic Product (GSDP), inconsistent power generation, and the financial deficits faced by distribution companies (DISCOMs). The consolidation of CSPHCL with CSPTCL and CStrCL with CSPDCL in June 2022 was intended to optimize operations, yet financial challenges continue to loom.

Although revenue collection has risen, reaching ₹19,677 crores in 2022-23, the sector's contribution to the economy has decreased from 7.39% in 2018-19 to 5.97% in 2022-23. This trend suggests that while the sector is growing in absolute figures, other sectors are advancing more rapidly. Furthermore, DISCOMs have been the main source of financial losses, accumulating total losses of ₹6,782.76 crores in 2022-23.

On a positive note, the sector has achieved improvements in efficiency, with collection rates surpassing 99% and Aggregate Technical & Commercial (AT&C) losses declining from 30.75% in 2012-13 to 16.14% in 2022-23. However, electricity generation has experienced variability, especially in hydropower, and the production capacity has remained stagnant at 2,984.7 MW since 2020-21. Meanwhile, the number of electricity consumers has steadily increased, exceeding 6.15 million in 2022-23.

Despite the government's increase in subsidies, which rose significantly to ₹6,033.02 crores in 2023-24, concerns about the sector's financial sustainability persist. For future growth, it will be essential to invest in renewable energy, enhance infrastructure, and implement policy measures to mitigate DISCOM losses and secure long-term stability.

<i>Chapter-7: Public Sector Undertakings</i>	
<i>7.1</i>	<i>Introduction</i>
<i>7.2</i>	<i>State Public Sector Undertakings in Chhattisgarh</i>
<i>7.3</i>	<i>Conclusions</i>

Chapter- 7: Public Sector Undertakings

7.1 Introduction

State Public Sector Undertakings (SPSUs) in Chhattisgarh are vital to the economic advancement of the state, overseeing essential industries and public services. These government-owned entities operate across various sectors, including energy, mining, infrastructure, and finance, making significant contributions to job creation and revenue generation. Created to foster industrial growth and ensure effective resource management, SPSUs align their large-scale initiatives with the socio-economic goals of the state, focusing on public welfare and economic development. Chhattisgarh, endowed with abundant mineral resources and a key player in India's power and steel sectors, is home to several notable SPSUs, such as the Chhattisgarh State Power Companies, the Chhattisgarh State Industrial Development Corporation (CSIDC), and the Chhattisgarh Mineral Development Corporation (CMDC). These organizations promote investment, stimulate industrial expansion, and enhance both rural and urban infrastructure.

However, SPSUs in Chhattisgarh encounter challenges related to financial stability, operational effectiveness, and competition in the market. The state government is actively pursuing reforms and policies aimed at enhancing their governance, financial health, and service quality. It is crucial to bolster these enterprises through strategic collaborations and modernization initiatives to ensure ongoing economic development. As Chhattisgarh moves towards a more diversified and industrialized economy, SPSUs will continue to play a key role in its development framework.

7.2 State Public Sector Undertakings in Chhattisgarh

As on 31 March 2024, there are 29 PSUs which includes 25 working PSUs, two non-working PSUs, One Statutory Corporation and One Quasi-Judicial Body (CSERC). Working State PSUs registered a turnover of 55961.72 crores for the year 2023-24. Two non-working State PSUs (Chhattisgarh Sondiha Coal Company Limited & CMDC ICPL Coal Limited), have no activity for last five years with an investment of 336.25 crore.

Table 7.1: Share of PSUs in GSDP**(₹ in Crores)**

Year	# Turnover of PSUs
2018-19	40,047.73
2019-20	40,178.64
2020-21	42,096.29
2021-22	45,526.48
2022-23	48,066.52
2023-24	55,961.72

Source: # C&AGs report of Chhattisgarh

The turnover of Public Sector Undertakings (PSUs) in Chhattisgarh has exhibited a consistent and strong upward trajectory over the six-year span from 2018–19 to 2023–24. Beginning at ₹40,047.73 crore in 2018–19, the turnover has increased incrementally each year, culminating at ₹55,961.72 crore in 2023–24 - representing an overall growth of nearly 40%.

This increase signifies the enhancement of operational performance, the expansion of commercial activities, and potentially improved efficiency within state-run enterprises. Notably, despite the economic challenges posed by the COVID-19 pandemic, particularly in 2020–21, the turnover of PSUs did not experience a decline. On the contrary, it rose to ₹42,096.29 crore, showcasing resilience and stable revenue streams.

In the years following the pandemic, growth has accelerated, with significant increases observed in 2021–22 and 2023–24, indicating a resurgence in industrial activity, improved demand recovery, and possibly heightened government investments in sectors such as mining, energy, and infrastructure - which constitute a substantial portion of the state's PSU portfolio.

Thus, the steady increase in PSU turnover serves as a favorable indicator of economic vitality, the financial health of state enterprises, and their contribution to the state's Gross State Domestic Product (GSDP) and employment. It also underscores Chhattisgarh's strategic utilization of its public sector assets for ongoing economic development.

Table 7.2 Performance of State working PSUs**(₹ in Crores)**

Particulars	2018-19	2019- 20	2020-21	2021-22	2022-23	2023-24
Number of Working Govt. Companies	29	29	27	27	27	25
Number of Working Statutory Corporations	1	1	1	1	1	1
Paid up capital	7,013.70	7013.7 0	7013.70	7013.70	7083.71	7083.71
Loans	13,605.7	12789.6	13865.2	13377.9	13877.9	14924.98
Turnover	4,0047.7	40178.6	42096.3	45526.5	48066.5	55961.72
Net Profit /Loss (-)	926.81	-306.30	108.02	-361.26	-262.90	422
Debt to Equity Ratio	1.94:1	1.82:1	1.98:1	1.91:1	1.96:1	2.11:1
Accumulated loss (-) /Profit (+)	-4,697.18	- 4787.3	-4731.89	-5112.85	-6225.11	-5802

Source: C&AGs report of Chhattisgarh

Significant changes in structure and finance, including fluctuations in profitability, an increase in debt levels, and a reduction in the number of operational government enterprises, are evident in the performance of State Working PSUs from 2018–19 to 2023–24.

- **A decrease in the number of operational PSUs:** The count of operational government enterprises fell from 29 in 2018–19 to 25 in 2023–24, indicating potential mergers, closures, or restructuring of underperforming entities.
- **Loan Dependency and Paid-up Capital:** The paid-up capital remained stable at ₹7,013.70 crores from 2018–19 to 2021–22, with a slight increase to ₹7,083.71 crores in 2022–23. However, it experienced a significant drop to ₹3,950.51 crores in 2023–24. Concurrently, total loans rose from ₹13,605.75 crores in 2018–19 to ₹14,924.98 crores in 2023–24, reflecting an increased reliance on borrowing for operational sustainability.
- **Turnover Growth:** Despite facing financial challenges, turnover consistently increased from ₹40,047.73 crores in 2018–19 to ₹55,961.72 crores in 2023–24, suggesting improvements in operational efficiency or business expansion.
- **Profitability Trends:** After experiencing fluctuations, net profit decreased from ₹926.81 crores in 2018–19 to (-) ₹306.30 crores in 2019–20. The largest loss recorded was ₹361.26 crores in 2021–22; however, a recovery was noted in 2023–24, with PSUs reporting a net profit of ₹422 crores.

- **Debt-to-Equity Ratio and Accumulated Losses:** The debt-to-equity ratio worsened, rising from 1.94:1 in 2018–19 to 3.78:1 in 2023–24, indicating an increased debt burden and financial risk. Accumulated losses also grew from ₹4,697.18 crores in 2018–19 to ₹6,225.11 crores in 2022–23, with a slight improvement to ₹5,802 crores in 2023–24.

Henceforth, while the fiscal year 2023–24 demonstrated enhancements in both turnover and profitability, the financial challenges faced by State PSUs are underscored by an escalating loan burden, a decline in equity, and an increasing debt-to-equity ratio. The reduction in the number of operational PSUs indicates a need for restructuring efforts aimed at improving efficiency. To ensure sustainable financial health in the future, PSUs should prioritize debt reduction, enhance operational effectiveness, and focus on increasing profitability.

Table 7.3 Investment by the State Government

(₹ in Crores)

Year	Total Investment at the end of the Year	Average rate of interest on Govt. borrowings (in %)	Minimum expected return to recover cost of funds for the year	Total earnings for the year
Up to 2016-17	13,636.69	6.62	-	-
2017-18	15,997.89	6.38	1020.66	1124.26
2018-19	17,370.29	6.1	1059.58	928.65
2019-20	18,643.9	6.83	1273.38	-303.84
2020-21	20,249.18	6.57	1330.37	106.87
2021-22	22,386.1	6.4	1432.71	-363.07
2022-23	24,588	6.91	1699	-263.7

Source: C&AGs report of Chhattisgarh

The investment data from the State Government for the period of 2016–17 to 2022–23 reveals a notable increase in total investments, despite fluctuations in returns and financial inefficiencies.

- **Steady Increase in State Investments:** The total investment by the government rose from ₹13,636.69 crores in 2016–17 to ₹24,588 crores in 2022–23. This trend indicates a continuous influx of funding into State Public Sector Undertakings (PSUs) and infrastructure projects, likely aimed at stimulating economic growth and enhancing service delivery.
- **Fluctuating Borrowing Costs:** The average interest rate on government borrowings has fluctuated between 6.1% in 2018–19 and 6.91% in 2022–23, reflecting the changing cost of borrowing for the state. The recent increases in interest rates suggest a growing financial strain on the state.
- **Comparison of Expected Returns and Actual Earnings:** The rising cost of maintaining these investments is evident in the increasing minimum expected return necessary to cover funding costs, which escalated from ₹1,020.66 crores in 2017–18 to ₹1,699 crores in 2022–23. However, actual profits have been highly inconsistent, with several years showing negative returns:
 - ₹1,124.26 crores in 2017–18 (positive)
 - ₹928.65 crores in 2018–19 (positive but underwhelming)
 - ₹-303.84 crores in 2019–20 (negative)
 - ₹106.87 crores in 2020–21 (slightly positive)
 - ₹-363.07 crores in 2021–22 (negative)
 - ₹-263.7 crores in 2022–23 (negative)
- **Declining Financial Returns and Losses:** The trend of decreasing profits since 2019–20 indicates that state investments are failing to generate adequate returns, leading to financial inefficiencies. The losses recorded in 2022–23 amounted to ₹263.7 crores, exacerbating the gap between investment costs and actual earnings.

Although there has been a significant rise in public investment in public sector undertakings (PSUs) and infrastructure, the returns generated have not been sufficient to cover borrowing costs, leading to persistent losses. To ensure long-term sustainability and improved profitability, it is essential to implement better financial management practices, enhance the performance of PSUs, and optimize resource allocation, as indicated by the increasing financing costs and low investment returns.

Table 7.4: Budgetary Support to PSUs**(₹ in Crores)**

Year	Grant and Subsidies	Loans	Total
2016-17	5,799.00	151.86	5,950.86
2017-18	4,073.46	297.81	4,371.27
2018-19	6,190.20	82.71	672.91
2019-20	9,546.26	51.89	9,595.15
2020-21	8,445.74	62	8,507.74
2021-22	722.358	101.51	823.86
2022-23	9,740.33	128.6	9,868.93

Source: C&AGs report of Chhattisgarh

Significant fluctuations in the grants, subsidies, and loans provided by the government to Public Sector Undertakings (PSUs) are apparent in the data regarding Budgetary Support to PSUs from 2016–17 to 2022–23. These fluctuations reflect varying levels of financial assistance and government engagement.

- **Fluctuating Grants and Subsidies:** In the fiscal year 2016–17, the total grants and subsidies amounted to ₹5,799 crores, which decreased to ₹4,073.46 crores in 2017–18, before rising to ₹9,546.26 crores in 2019–20. Following a temporary decline to ₹8,445.74 crores in 2020–21 and a significant drop to ₹722.36 crores in 2021–22, the total increased again to ₹9,740.33 crores in 2022–23. This notable increase suggests that the government may intervene during specific years to support financially distressed PSUs.
- **Decline in Loan Assistance:** There has been a substantial reduction in the loans extended to PSUs over the years. The loan allocation decreased from ₹151.86 crores in 2016–17 to ₹51.89 crores in 2019–20, with minimal variation thereafter. This decline indicates a shift in policy from providing loans to offering grants, possibly aimed at reducing the debt burden on PSUs and ensuring more direct financial support.
- **Trends in Overall Budgetary Support:** The total budgetary support has experienced significant variability, reaching a peak of ₹9,595.15 crores in 2019–20 and ₹9,868.93 crores in 2022–23. The lowest recorded support was ₹823.86 crores in 2021–22, likely due to a temporary reduction in government funding caused by budgetary constraints.

Thus, the government's financial support for PSUs has varied, with notable increases in certain years potentially responding to economic challenges or the need to revitalize struggling entities. The shift from loans to direct grants and subsidies indicates a preference for non-repayable financial assistance to alleviate PSU debt. Achieving reduced reliance on budgetary support and fostering PSU self-sufficiency will require in financial and managerial reforms.

7.3 Conclusions

Public Sector Undertakings (PSUs) remain vital to Chhattisgarh's economy; however, their declining share of Gross State Domestic Product (GSDP), increasing debt levels, and financial inefficiencies highlight an immediate need for reform. To ensure long-term sustainability, PSUs should focus on modernization, reducing debt and enhancing operational efficiency. Additionally, the government should strategically allocate resources to improve governance, reduce reliance on budgetary support, and bolster the financial stability of PSUs.

<i>Chapter-8: Subsidies in Chhattisgarh</i>	
<i>8.1</i>	<i>Introduction</i>
<i>8.2</i>	<i>Subsidies by State Government</i>
<i>8.3</i>	<i>Conclusions</i>

Chapter -8: Subsidies in Chhattisgarh

8.1 Introduction

Subsidies serve as mechanisms provided by governments to lower costs and promote both economic and social development. They play a crucial role in sectors such as agriculture, industry, healthcare, education, and public welfare. By reducing the costs of essential goods and services, subsidies ensure that vulnerable populations can afford necessary resources, contributing to overall economic stability. Common types of subsidies include food assistance, agricultural support, energy subsidies, and industrial incentives. While it is recognized that subsidies can effectively stimulate growth and protect disadvantaged sectors, challenges related to fiscal sustainability and allocation efficiency persist. Therefore, it is essential to find a balance in managing these subsidies, aiming for both economic advancement and fiscal responsibility.

Subsidies in Chhattisgarh play a crucial role across various sectors, including agriculture, industry, electricity, and social welfare initiatives. To enhance agricultural productivity, the state government offers financial support to farmers through subsidies on fertilizers, seeds, and irrigation systems. Electricity subsidies ensure that rural households and industries have access to affordable power. Additionally, the Public Distribution System (PDS) provides food subsidies, making essential goods available at reduced prices for economically disadvantaged groups. The state also implements numerous social welfare programs, such as scholarships and housing assistance, which further promote inclusive development. These subsidies aim to reduce economic disparities, foster sustainable growth, and elevate the living standards of the state's residents.

8.2 Subsidies by State Government

The subsidies provided by the State Government is shown in Table 8.1 below. These figures have been taken the budget document of State government.

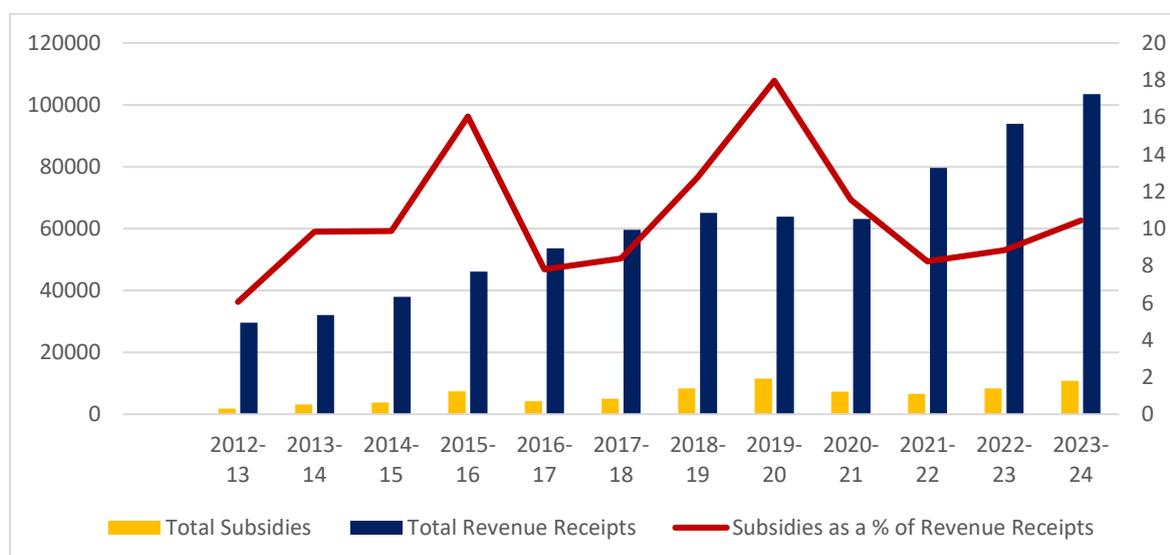
Table 8.1: Total Subsidies to Total Revenue Receipts

(₹ in Crores)

Year	# Total Subsidies	#Total Revenue Receipts	*Subsidies as a % of Revenue Receipts
2012-13	1790.8	29,578	6.05
2013-14	3155.5	32,050	9.84
2014-15	3746.6	37,933	9.87
2015-16	7397.1	46,068	16.05
2016-17	4188.4	53,685	7.8
2017-18	5004.96	59,647	8.39
2018-19	8323.01	65,094	12.78
2019-20	11483.23	63,868	17.97
2020-21	7307.94	63,176	11.56
2021-22	6565.3	79,652	8.24
2022-23	8306.29	93,877	8.84
2023-24	10796.88	1,03,508.19	10.43

Source: # Finance Accounts of Various Accounts, *own calculations

Figure 8.1: Total Subsidies to Total Revenue Receipts



The government's fiscal approach to balancing revenue generation and subsidy allocation is illustrated by analyzing subsidies as a proportion of revenue receipts in Chhattisgarh from 2012–13 to 2023–24. Total subsidies have surged from ₹1,790.8 crore in 2012–13 to an anticipated ₹10,796.88 crore in 2023–24, alongside a steady increase in revenue receipts over the same period.

The years 2015–16 (16.05%) and 2019–20 (17.97%) recorded the highest subsidy percentages relative to revenue receipts, reflecting periods of enhanced financial support, likely driven by social welfare programs and financial assistance. Conversely, subsidy allocations were notably lower in 2016–17 and 2021–22, at 7.8% and 8.24%, respectively, suggesting a shift towards fiscal consolidation. During the COVID-19 pandemic in 2020–21, the subsidy to revenue receipts ratio was 11.56%, demonstrating the government's commitment to providing support despite revenue challenges. Following the pandemic, the trend continued to evolve. The ratio has reached a stable point since the pandemic, for 2023–2024 estimating it at 10.43%, indicating a measured strategy regarding subsidy expenditures.

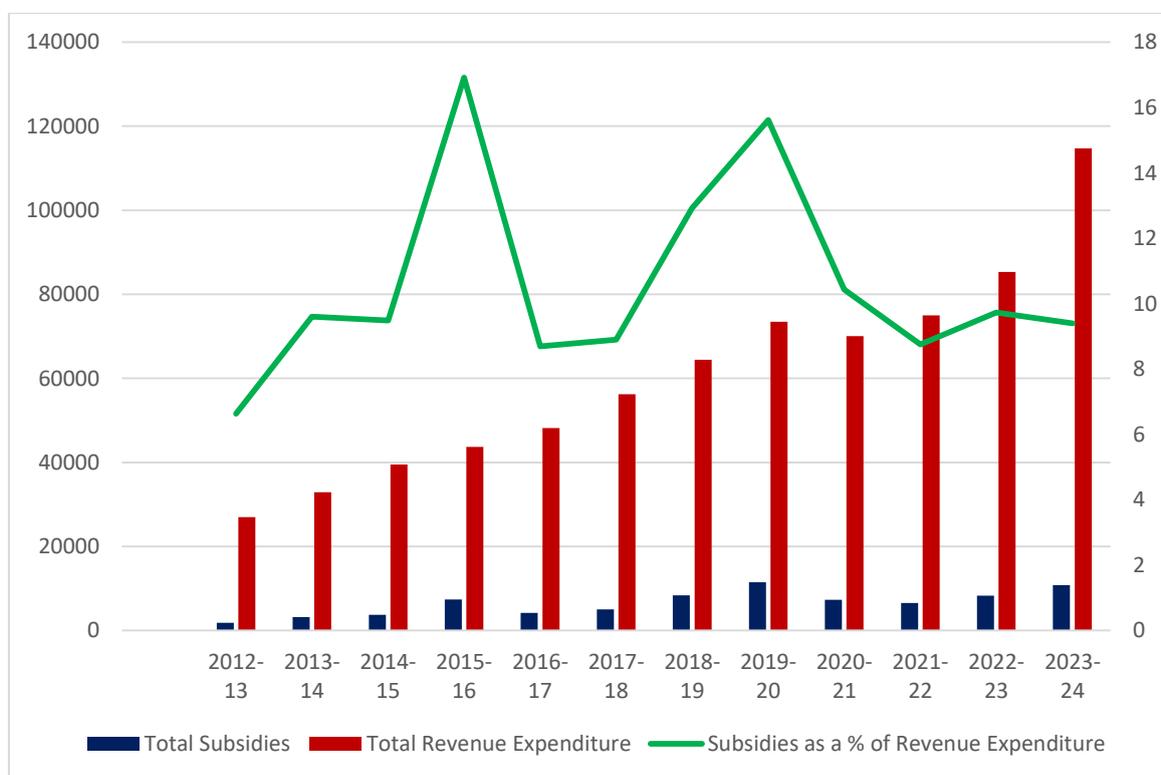
Thus, the trend reveals that while subsidies remain a crucial aspect of government expenditure, their proportion of revenue is being carefully controlled to ensure fiscal sustainability. Moving forward, achieving maximum socioeconomic advantages without straining public finances will necessitate precise targeting of subsidies.

Table 8.2: Total Subsidies to Total Revenue Expenditure

(₹ in Crores)

Year	# Total Subsidies	Total Revenue Expenditure	*Subsidies as a % of Revenue Expenditure
2012-13	1790.8	26,971.84	6.63
2013-14	3155.5	32,859.57	9.6
2014-15	3746.6	39,497.2	9.48
2015-16	7397.1	43,701.06	16.92
2016-17	4188.4	48,164.6	8.69
2017-18	5004.96	56,229.75	8.9
2018-19	8323.01	64,411.17	12.92
2019-20	11483.23	73,477.31	15.62
2020-21	7307.94	70,032.84	10.43
2021-22	6565.3	75,010.01	8.75
2022-23	8306.29	85,285.03	9.73
2023-24	10796.88	114,740.96	9.40

Source: # C&AGs report of Chhattisgarh, *own calculations

Figure 8.2: Total Subsidies to Total Revenue Expenditure

Subsidies as a proportion of revenue expenditure in Chhattisgarh from 2012–13 to 2023–24 reflect changing government spending priorities. While the total subsidy amount has increased significantly, rising from ₹1,790.8 crore in 2012–13 to an estimated ₹10,796.88 crore in 2023–24, the percentage of total revenue expenditure allocated to subsidies has fluctuated considerably.

The highest allocation was recorded in 2015–16 at 16.92%, indicating a notable rise in subsidy expenditures, likely driven by enhanced funding for sectors such as energy, food and civil supply, welfare programs, and agriculture. A subsequent peak occurred in 2019–20, with subsidies comprising 15.62% of revenue expenditure. However, in 2020–21, during the COVID-19 pandemic, the share of subsidies dropped to 10.43%, reflecting a reallocation of government resources towards crisis management and healthcare needs. The ratio has stabilized between 8 and 10 percent since the onset of the pandemic, with the latest year 2023–2024 standing at 9.40%.

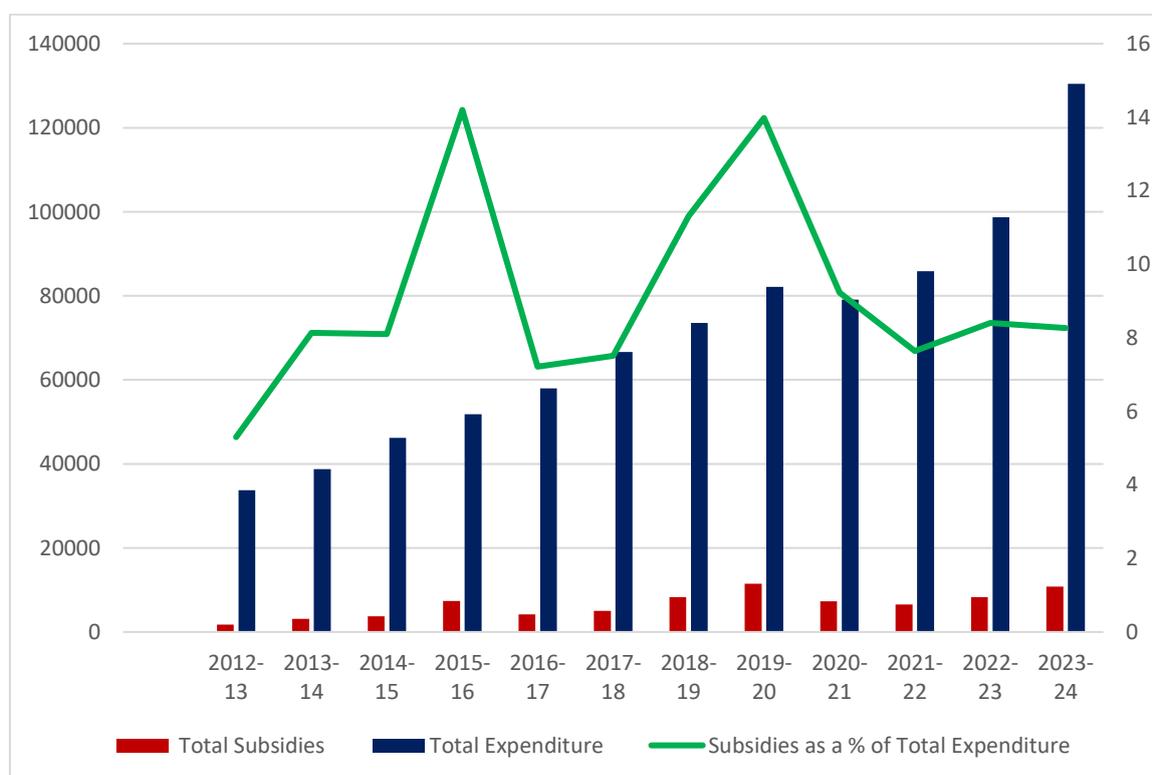
As the state focuses on minimizing fiscal deficits and enhancing capital investments, the trend indicates that while subsidies continue to represent a significant part of revenue expenditures, their proportion has been gradually declining. The effective allocation and management of subsidies will be crucial for achieving financial stability and socioeconomic welfare.

Table 8.3: Total Subsidies to Total Expenditure

(₹ in Crores)

Year	# Total Subsidies	Total Expenditure	*Subsidies as a % of Total Expenditure
2012-13	1790.8	33,779.16	5.3
2013-14	3155.5	38,757.59	8.14
2014-15	3746.6	46,207.3	8.1
2015-16	7397.1	51,811.28	14.2
2016-17	4188.4	57,968.26	7.22
2017-18	5004.96	66,600.54	7.51
2018-19	8323.01	73,560.22	11.31
2019-20	11483.23	82,099.86	13.98
2020-21	7307.94	79,107.54	9.23
2021-22	6565.3	85,838.04	7.64
2022-23	8306.29	98,691.19	8.41
2023-24	10796.88	1,30,471.84	8.27

Source: # C&AGs report of Chhattisgarh, *own calculations

Figure 8.3: Total Subsidies to Total Expenditure

The figures highlighted significant changes in Chhattisgarh's fiscal priorities and expenditures between 2012-13 and 2023-24. The total amount allocated for subsidies surged from ₹1,790.8 crore in 2012-13 to an anticipated ₹10,796.88 crore in 2023-24, reflecting a notable increase in government support across various sectors. Subsidies as a proportion of total expenditure peaked at 14.2% in 2015-16, suggesting a substantial rise in financial assistance, likely linked to support in energy, food and civil supply, agriculture and social welfare. This trend was echoed in 2019-20, where the ratio was recorded at 13.98%, indicating heightened funding for economic and welfare programs.

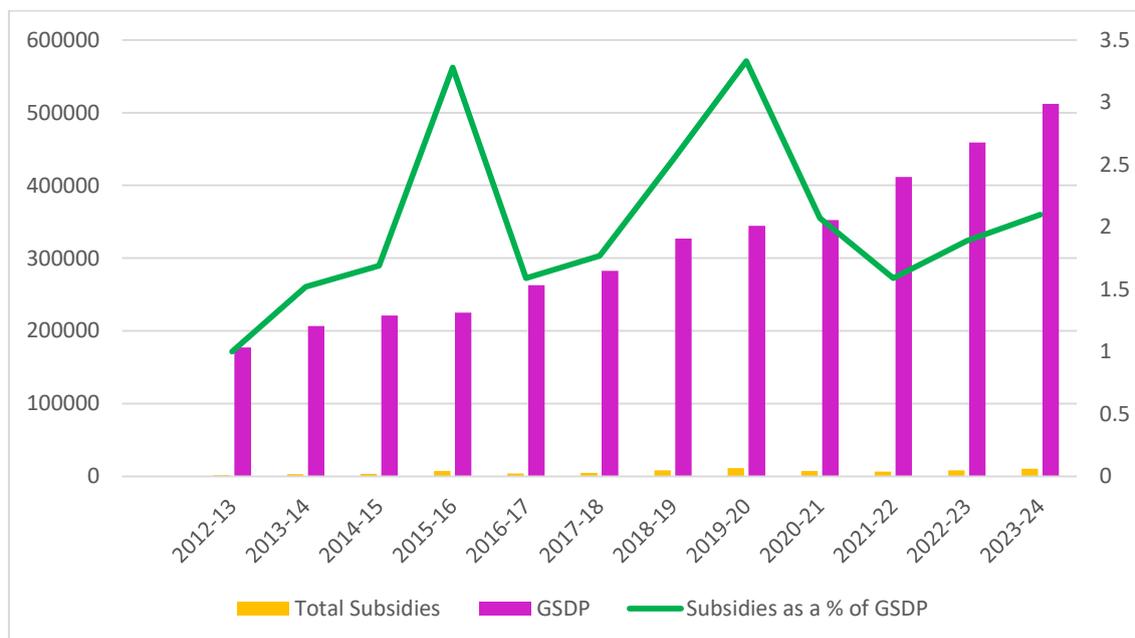
However, in 2020-21, the emergence of the COVID-19 pandemic led to a significant decline in this ratio to 9.23%, as expenditures were redirected towards health and crisis management. Following the pandemic, the ratio stabilized at an average of 7-8%, demonstrating a more prudent approach to subsidy allocation within total expenditures. While subsidies continue to play a crucial role in promoting economic and social welfare, maintaining fiscal discipline and optimizing resource allocation will be vital for ensuring long-term financial stability.

Table 8.4: Total Subsidies to GSDP

(₹ in Crores)

Year	# Total Subsidies	GSDP	*Subsidies as a % of GSDP
2012-13	1790.8	1,77,511	1
2013-14	3155.5	2,06,833	1.52
2014-15	3746.6	2,21,118	1.69
2015-16	7397.1	2,25,162	3.28
2016-17	4188.4	2,62,801	1.59
2017-18	5004.96	2,82,737	1.77
2018-19	8323.01	3,27,106	2.54
2019-20	11483.23	3,44,672	3.33
2020-21	7307.94	3,52,327	2.07
2021-22	6565.3	4,11,613	1.59
2022-23	8306.29	4,58,891	1.89
2023-24	10796.88	5,12,107	2.10

Source: # C&AGs report of Chhattisgarh, *own calculations

Figure 8.4: Total Subsidies to GSDP

The examination of total subsidies as a percentage of Gross State Domestic Product (GSDP) in Chhattisgarh from the financial years 2012-13 to 2023-24 indicates significant fluctuations in the state's financial assistance across various sectors. The total subsidies rose from 1,790.8 crore in 2012-13 to approximately 10,796.88 crore by 2023-24. However, their impact on GSDP has been inconsistent over the years. In 2012-13, the subsidy-to-GSDP ratio was relatively low at 1%, but it experienced a notable increase in 2015-16, reaching 3.28%. Another peak occurred in 2019-20 at 3.33%, likely reflecting heightened fiscal assistance due to increased welfare expenditures or the ongoing economic challenges.

This trend continued with a decline in the subsidy-to-GSDP ratio to 2.07% in 2020-21, indicating a more cautious government spending strategy during economic difficulties. Post-pandemic, the ratio stabilized between 1.59% and 2.13%, suggesting a more balanced distribution of subsidies in relation to economic growth. Overall, while the absolute figures show a significant increase, the ratio of subsidies to GSDP indicates a controlled approach to spending. This reflects a commitment to using subsidies effectively to stimulate economic activity while ensuring fiscal responsibility.

Table 8.5: Department Wise Major Portion of Subsidies

Year	# Energy	# Food & Civil Supply	* % Share in Total Subsidies
2012-13	426.1 (23.79)	395.2 (22.06)	45.85
2013-14	443.8 (14.06)	463.7 (14.69)	28.75
2014-15	915.0 (24.42)	2378.2 (62.14)	86.56
2015-16	1708 (20.1)	5319.7 (71.91)	92.01
2016-17	824 (19.67)	2713.0 (64.77)	84.44
2017-18	1363 (27.23)	2048 (40.91)	68.14
2018-19	1747 (20.99)	5770 (69.32)	90.31
2019-20	3074 (26.77)	4938.15 (43)	69.77
2020-21	2844.84 (38.92)	3860.05 (52.81)	91.73
2021-22	2243.00 (34.16)	3675.95 (55.98)	90.14
2022-23	3275.71 (39.44)	4372.68 (52.64)	92.06
2023-24	6033.02 (55.88)	3914.98 (36.26)	92.14

Source: # C&AGs report of Chhattisgarh, *own calculations

Table 8.5 illustrates the trends in the allocation of subsidies between the Energy Department and the Food & Civil Supply Department, as well as their collective contribution to the total state subsidies over a span of 12 years.

From 2012–13 to 2022–23, the Food & Civil Supply Department consistently maintained the largest share of total subsidies. Its highest point occurred in 2015–16, when it represented an impressive 71.91% of total subsidies, amounting to ₹5,319.7

crore. This predominance corresponds with ongoing governmental initiatives in public distribution systems (PDS), food security, welfare programs such as the National Food Security Act and mainly on Account of grant to State Cooperative Marketing Federation for meeting losses on procurement of Food Grain (₹ 500 crore) and Chief Ministers Food Assistance Scheme (₹ 3,086.62 crore)

Conversely, the Energy Department experienced a gradual increase in its share, reaching a significant peak in 2023–24 at ₹6,033.02 crore, which constituted 55.88% of total subsidies. This signifies a noteworthy policy transition towards energy-related assistance, likely in response to escalating power costs, rural electrification efforts, or incentives for renewable energy and mainly grant (₹ 4,323.00 crore) for free Supply of electricity to Agriculture Pumps up to five Horsepower and Relief in Electricity Bills (₹ 1,196.74 crore) to Domestic Electricity Consumers.

The combined share of these two departments in total subsidies has consistently remained substantial, fluctuating between 28.75% (2013–14) and exceeding 92% (2023–24). This indicates that subsidies within the state are predominantly concentrated in these two sectors.

The transition in dominance from food to energy subsidies in 2023–24 reflects a strategic alteration in subsidy priorities. While food continues to be vital, there is an increasing focus on energy affordability and infrastructure, potentially influenced by inflation, rising consumption, or objectives related to energy transition.

8.3 Major Subsidy Schemes of the State:

- **Krishak Jeevan Jyoti Yojana:** This energy subsidy supports irrigation. Farmers using pumps up to 3 HP receive 6,000 free electricity units/year, and 3–5 HP pumps get 7,500 units. Beyond the limits, nominal flat rates apply (e.g., ₹100–₹300 per HP/month), with exemptions for SC/ST farmers.

- **Chhattisgarh Saur Sujla Yojana:** This solar energy subsidy scheme promotes household-level solar power adoption, supporting farmers and rural households to reduce electricity bills and transition to clean energy.
- **Half Bijli Bill Yojana:** A consumer subsidy that halves electricity bills for eligible households—especially beneficiaries under certain welfare categories—helping reduce energy poverty and enhance affordability.
- **Food and Civil Supplies Subsidies:** Chhattisgarh operates decentralized food procurement, offering subsidies to ensure public distribution of cereals and rice via civil supplies corporations. Between 2020 and 2023, subsidies exceeded ₹4,000 crore annually to facilitate concessional food distribution.
- **Rajiv Gandhi Gramin Bhoomihin Krishi Majdoor Nyay Yojana:** This scheme, targeting landless agricultural laborers, complements RGKNY by extending subsidy-based income support to rural laborers participating in farming, often via input subsidies or direct assistance

8.4 Conclusions

The analysis of subsidies in Chhattisgarh from 2012–13 to 2023–24 reveals important trends in government financial support across various sectors. Over the years, subsidies have played a crucial role in maintaining energy, social welfare, agriculture, and food security programs, ensuring that marginalized communities have access to essential services at affordable rates. Nevertheless, fluctuations in economic conditions and shifts in policy priorities have led to variations in the proportion of subsidies relative to total revenue, expenditure, and Gross State Domestic Product (GSDP).

Subsidies peaked during the fiscal years 2015–16 and 2019–20, representing over 16% of revenue receipts and approximately 3.3% of GSDP. This indicates that the government tends to increase support during critical periods. In response to the COVID-19 pandemic in 2020–21, subsidy allocations were adjusted, redirecting funds towards

crisis management and healthcare initiatives. Since the pandemic, subsidy levels have stabilized between 8% and 10% of revenue expenditure to maintain social support programs while ensuring fiscal responsibility.

Additionally, there has been a significant transformation in the composition of subsidies. Food subsidies decreased from 71.91% in 2015–16 to 36.26% in 2023–24, while energy subsidies rose from 23.79% in 2012–13 to 55.88% in 2023–24. Achieving a balance between fiscal responsibility and economic growth will be essential for moving forward. By implementing sustainable fiscal strategies, optimizing resource distribution is very essential.

Chapter-9: Urban Local Bodies and Panchayati Raj Institutions in Chhattisgarh

9.1	<i>Introduction</i>
9.2	<i>Population Projections</i>
9.3	<i>Urban Local Bodies (ULBs)</i>
9.4	<i>Panchayati Raj Institutions (PRIs)</i>
9.5	<i>Conclusions</i>

Chapter- 9: Urban Local Bodies and Panchayati Raj Institutions in Chhattisgarh

9.1 Introduction

Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs) form the backbone of decentralized governance in Indian States. These institutions are responsible for local self-governance, ensuring grassroots-level development and efficient administration of public services. They were established to promote participatory democracy, empower local communities, and bridge the gap between the government and citizens.

The concept of local self-governance has deep roots in Indian history, dating back to the village assemblies of ancient times. During British rule, municipal administration was introduced in urban areas, while rural governance was largely neglected. The formal structure of ULBs and PRIs took shape after independence, with the 73rd and 74th Constitutional Amendments in 1992 giving them constitutional status. These amendments provided a legal framework for decentralized governance, ensuring financial and administrative autonomy for local bodies.

9.2 Population Projections

The projections for the rural and urban population in the Chhattisgarh state between 2011 and 2036 show a gradual transition towards urbanization though the nucleus is still rural. The rural population accounted for 76.76% in 2011, as opposed to the 23.24% who live in the urban region. The gradual decreases of the rural population through time dipped to 68.72% by 2036, while the urban population rose to 31.28%.

Notwithstanding this urban rising, rural areas still continue to house the majority of Chhattisgarh's population. The rural population increased from 19.61 million in 2011 to 23.42 million by projection in 2036. However, their share in the total population is declining with the fast expansion of urban centers. In contrast, the urban population saw a huge increase from 5.94 million in 2011 to an estimated 10.66 million in 2036.

9.3 Urban Local Bodies (ULBs)

Urban Local Bodies (ULBs) are responsible for governing towns and cities. They are classified into three categories based on population size:

- Municipal Corporations – For large cities with a population exceeding 1 million.
- Municipal Councils – For medium-sized towns.
- Nagar Panchayats – For smaller towns transitioning from rural to urban status.

ULBs are responsible for urban planning, sanitation, water supply, waste management, roads, education, health services, and maintaining law and order in urban areas. They are governed by elected representatives, with a Mayor (in Municipal Corporations) or a Chairman (in Municipal Councils and Nagar Panchayats) leading the administration. The executive functions are handled by municipal commissioners and appointed officials.

ULBs generate revenue through property tax, user charges, grants from the state and central governments, and local taxes. However, many urban bodies face challenges like inadequate financial resources, poor infrastructure, rapid urbanization, and inefficient governance.

Table 9.1: The Number of ULBs in Chhattisgarh

Urban Local Bodies	
Nagar Palika Nigam	14
Nagar Palika Parishad	43
Nagar Panchayat	112

Table 9.2: 14th and 15th Finance Commission Grant to Urban Local Bodies**(₹ in crores)**

Year	Allocation
2015-16	152.39
2016-17	273.29
2017-18	314.27
2018-19	362.07
2019-20	485.89
2020-21	700
2021-22	530
2022-23	549
2023-24	580
Total	3,946.91

Source: Reports of 14th and 15th Finance Commission

The federal government's financial support for urban infrastructure, governance, and service delivery is evidenced by the data regarding the grants allocated to Urban Local Bodies (ULBs) from the 14th and 15th Finance Commissions for the period of 2015–16 to 2023–24.

- **Gradual Increase in Allocations from 2015 to 2020:** Under the 14th Finance Commission: The grants awarded to ULBs saw a substantial rise from ₹152.39 crores to ₹485.89 crores between 2015–16 and 2019–20, reflecting the government's heightened focus on municipal governance and urban development. The consistent financial growth during this period indicates a prioritization of urban infrastructure enhancement.
- **Increased Allocations from the 15th Finance Commission (2020–24):** From 2020 to 2021, grant allocations surged, with the peak allocation reaching ₹700 crores. Subsequent years experienced some fluctuations, with allocations decreasing to ₹530 crores in 2021–2022 before gradually increasing to ₹580 crores by 2023–2024.
- **Overall Grant Distribution: During the Period:** The total funding amounting to ₹3,946.91 crores from 2015–16 to 2023–24 signifies a substantial investment in urban local governance. The marked increase in funding from 2020–21 suggests that the 15th

Finance Commission placed greater emphasis on urban development, likely in response to the rising demands for infrastructure and urbanization.

While grants steadily increased during the 14th Finance Commission's term (2015–20), a notable spike followed by fluctuations was observed during the 15th Finance Commission's period (2020–24). Although the irregular funding trends highlight the necessity for stable financial support for urban governance, they also indicate a growing commitment to urban development in recent years. For sustainable growth of urban local bodies, it is crucial to ensure consistent and adequate funding alongside effective resource utilization.

Table 9.3 Financial Assistance by the State Government

(₹ in crores)

Year	ULB's	PRI'S	Total
2012-13	2,055.21	3,897.95	5,953.16
2013-14	2002.56	4,954.99	6,957.55
2014-15	1,919.54	7,797.54	9,717.08
2015-16	1,785.97	6,246.71	8,032.8
2016-17	3,234.45	8,899.54	12,133.99
2017-18	3,425.75	10,899.36	14,325.11
2018-19	2,778.73	6,905.17	9,683.9
2019-20	3,138.94	6,006.83	9,145.77
2020-21	3,554.17	4,421.79	7,975.96
2021-22	3,904.13	4,345.6	8,249.73
2022-23	4,296.67	5,903.98	10,200.65
2023-24	4,412.18	9,470.73	13,882.91
Total			1,16,258.61

Source: Various Reports of C&AG on State Finances

Changes in governmental objectives and financial strategies for local governance are evident in the financial assistance data provided by the State Government to Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs) from 2012–13 to 2023–24.

- **Overall Growth in Financial Support:** The cumulative financial support from the state government during this period amounted to ₹1,16,258.61 crores. While funding levels for both PRIs and ULBs have varied, there has been a general upward trend over the years. The highest allocation was recorded in 2023–2024, totaling ₹13,882.91 crores, indicating an increased emphasis on local development and governance efforts.
- **Higher PRI Funding Relative to ULBs:** The government's focus on rural development is highlighted by the significantly greater share of funding allocated to PRIs compared to ULBs. In 2017–18, PRIs received the largest funding amounting to ₹10,899.36 crores, whereas ULBs received their highest allocation of ₹4,412.18 crores in 2023–24. Throughout the years, PRIs have consistently received more than double the funding of ULBs, except for the years 2020–21 and 2021–22, when PRI funding saw a decline.
- **Annual Funding Allocation Patterns:** PRI funding peaked at ₹10,899.36 crores in 2017–18 but experienced a sharp decline to ₹6,905.17 crores in 2018–19. ULB funding saw a notable increase from ₹1,785.97 crores in 2015–16 to ₹4,412.18 crores in 2023–24, although it remained relatively stable otherwise. The significant drop in PRI funding during 2020–21 and 2021–22 can likely be attributed to budget reallocations due to the COVID-19 pandemic.

Therefore, the data indicates that the state government prioritizes financial support for PRIs over ULBs, reflecting a stronger commitment to rural development. However, the steady increase in ULB funding suggests a growing recognition of urban challenges. To ensure balanced development, it is crucial to enhance revenue generation methods, improve transparency in fund utilization, and strengthen the financial independence of both PRIs and ULBs.

Table 9.4: Revenues of Urban Local Bodies

(₹ in crores)

Year	Own Revenue	Assigned Revenue	Grants	Total Revenue	% of Own Revenue to total Revenue	% of Fiscal Transfer to Total Revenue
2015-16	445.25	889	544.1	1878.35	23.7	28.97
2016-17	520.22	1047.46	1889.63	3481.31	14.94	54.28
2017-18	538.08	1351.26	1653.93	3543.27	15.19	46.68
2018-19	530.42	881.76	1542.2	2954.38	17.95	52.2
2019-20	538.5	11,06.92	1,753.5	3,398.92	15.84	51.59
Total	2,572.47	5,276.4	7,383.36	15,256.23	16.86	48.4

Source: C&AG Report No.2, 2022

The financial structure of Urban Local Bodies (ULBs) is illustrated by the income data from 2015–16 to 2019–20, highlighting their dependence on government grants, self-generated revenue, and assigned revenue. The ratio of fiscal transfers and the proportion of self-revenue relative to total revenue reflect the financial autonomy of ULBs.

- **High Dependence on Fiscal Transfers:** During the five-year span, ULBs accumulated a total revenue of ₹15,256.23 crores, with a significant portion derived from grants (₹7,383.36 crores, 48.4%) and assigned revenue (₹5,276.4 crores, 34.6%). In contrast, only ₹2,572.47 crores (16.86%) originated from self-generated revenue, underscoring the limited financial independence of ULBs. The share of fiscal transfers (comprising assigned revenue and grants) peaked at 54.28% in 2016–17, averaging 48.4% over the period, which indicates a substantial reliance on federal and state government support.
- **Limited and Fluctuating Own Revenue Contribution:** The contribution of self-generated income to total revenue averaged 16.86%, fluctuating between 14.94% in 2016–17 and 23.7% in 2015–16. This suggests inefficiencies in local revenue generation and tax collection, resulting in a continued dependence on external funding.

- **Annual Revenue Trends:** The total revenue exhibited a consistent upward trend, increasing from ₹1,878.35 crores in 2015–16 to ₹3,398.92 crores in 2019–20. While self-generated revenue saw a slight rise from ₹445.25 crores in 2015–16 to ₹538.5 crores in 2019–20, this reflects a stagnation in ULBs' capacity to enhance revenue generation.

With fiscal transfers constituting nearly half of the total revenue and self-generated revenue accounting for only 16.86% of overall resources, the data indicates that ULBs possess limited financial autonomy. To achieve greater self-sufficiency, ULBs need to improve tax collection efficiency, explore new revenue streams such as property taxes and user fees, and reduce their heavy reliance on government funding. Financial independence and effective urban governance are essential for sustainable urban development.

Table 9.5: Total Own Revenue against Total Financial Resources for 2015-20

(₹ in crores)

Type of ULBs	Assigned Revenue	Own Revenue	Government Grants	Total Financial resources	% of own Revenue against Financial Resources
Nagar Nigam	523.07	1461.95	3106.73	5091.75	28.71
Nagar Palika Parishad	60.76	101.64	470.43	632.83	16.06
Nagar Panchayat	14.5	28.74	137.33	180.57	15.92

Source: C&AG Report No.2, 2022

The reliance of various Urban Local Bodies (ULBs) on government funding is illustrated by the data regarding Total Own Revenue in relation to Total Financial Resources for ULBs from 2015 to 2020. The degree of financial self-sufficiency among ULBs is reflected in the ratio of their own revenue to their total financial resources.

- **Significant Dependence on Government Grants:** Government grants constitute the primary source of funding for all types of ULBs. Nagar Nigams (Municipal Corporations) significantly contributed to their total financial resources of ₹5,091.75

crores with grants amounting to ₹3,106.73 crores. For Nagar Panchayats (Town Panchayats) and Nagar Palika Parishads (Municipal Councils), grants represented over 70% of their total funding.

- Variations in Financial Autonomy: Nagar Nigams have generated higher revenues, likely due to increased user fees, business taxes, and property tax collections. In contrast, the financial autonomy of smaller ULBs, such as Nagar Panchayats and Nagar Palika Parishads, is limited by their inadequate revenue bases.

Thus, the own revenue constitutes only 15–28% of total financial resources, highlighting a significant dependence on government assistance across all ULBs. While Nagar Nigams exhibit a little better level of self-sufficiency, smaller ULBs struggle to generate independent revenue. This indicates a need for enhanced tax collection strategies, income diversification, and financial empowerment. Strengthening the financial independence of ULBs will necessitate improvements in local tax systems and non-tax revenue sources.

Table 9.6: Devolution of State Finance Commission Grant to ULBs

(₹ in crores)

Year	Own Tax Revenue/ divisible fund of the State	Funds to be devolved as per 2nd and 3rd state finance commissions recommendation	Funds devolved to urban local bodies by state governments	Short Release
2015-16	17,074.86	315.88	228.24	- 87.64
2016-17	18,945.21	350.49	339.98	- 10.51
2017-18	19,894.68	415.8	547.45	131.65
2018-19	21,427.26	447.83	299.76	- 148.07
2019-20	22,117.85	462.26	320.73	- 141.53
Total	99,459.86	1,992.26	1,736.16	- 256.1

Source: C&AG Report No.2, 2022

Successive State Finance Commissions recommended (accepted by State Government in July 2013 and October 2019) that 1.85 to 2.09 per cent of divisible fund of the State Government should be devolved to Urban Local Bodies.

The table 9.6 on Devolution of State Finance Commission (SFC) from 2015–16 to 2019–20 highlights the gap between the state government's recommended and actual financial allocations to Urban Local Bodies (ULBs). Further the table shows that:

- **Increase in Own Tax Revenue:** The state's own tax revenue demonstrated a steady increase, rising from ₹17,074.86 crores in 2015–16 to ₹22,117.85 crores in 2019–20.
- **Comparison of Recommended and Actual Funds:** The second and third State Finance Commissions recommended that ULBs receive a total of ₹1,992.26 crores. However, the actual devolution amounted to only ₹1,736.16 crores, resulting in a shortfall of ₹256.1 crores over the five-year period.
- **Annual Shortfall Trends:** The most significant deficits occurred in 2018–19 and 2019–20, with shortfalls of ₹148.07 crores and ₹141.53 crores, respectively, indicating a lack of prioritization for ULB funding during these years. Conversely, in 2017–18, ULBs received ₹547.45 crores which is ₹131.65 crores more than recommended likely due to improved cash flow or compensatory transfers for previous deficits.

Thus, the ongoing underfunding of devolution by the state government, with the exception of 2017–18, suggests either financial challenges or a lack of emphasis on urban governance. The cumulative shortfall of ₹256.1 crores raises concerns about the financial stability of ULBs, which may hinder local infrastructure development and service delivery. To enhance urban governance and financial independence, it is crucial to ensure timely and full financial devolution in line with SFC recommendations.

9.4 Panchayati Raj Institutions (PRIs)

Panchayati Raj Institutions (PRIs) are the rural counterpart of ULBs, governing villages and promoting rural development, social welfare, and economic progress. The three-tier PRI system consists of:

- Gram Panchayat (Village Level) – The smallest administrative unit, headed by a Sarpanch.
- Panchayat Samiti (Block Level) – Governing multiple villages, coordinating development programs.
- Jila Parishad (District Level) – The highest tier, overseeing district-wide planning and execution.

PRIs play a crucial role in agriculture, education, healthcare, water management, employment programs, and rural infrastructure development. They derive funding from state and central grants, local taxes, and government schemes like MGNREGA, NRLM, and PMAY-G.

"PRI under PESA in Chhattisgarh" refers to the Panchayat Raj Institutions (PRIs) operating within the Scheduled Areas of Chhattisgarh, governed by the Panchayats (Extension to Scheduled Areas) Act, 1996 (PESA), which grants special powers to Gram Sabhas in these areas, allowing for greater tribal self-governance and control over local resources like land and forest produce; essentially giving tribal communities more autonomy in decision-making within their Panchayats.

Table 9.7: The Number of PRIs in Chhattisgarh

Panchayati Raj Institutions	
Jila Panchayats	27
Janpad Panchayat	146
Gram Panchayat	11664

Table 9.8: 14th and 15th Finance Commission Grant to Rural Local Bodies

Year	Allocation
2015-16	566.18
2016-17	886.82
2017-18	1022.18
2018-19	1180.02
2019-20	1588.94
2020-21	1454
2021-22	1075
2022-23	1114
2023-24	1125
2024-25	1192
2025-26	1163
Total	12367.14

Source: Reports of 14th and 15th Finance Commission

The financial support provided by the central government to enhance rural governance, infrastructure, and development is evident in the allocations made to Rural Local Bodies (RLBs) as outlined by the 14th and 15th Finance Commission from 2015–16 to 2025–26.

- **Steady Growth in Allocations (2015–20):** Under the 14th Finance Commission: From 2015–16 to 2019–20, allocations experienced a consistent increase, rising from ₹566.18 crores in 2015–16 to ₹1,588.94 crores in 2019–20. This growth can be attributed to enhance funding for Panchayati Raj Institutions (PRIs), the process of decentralization, and initiatives aimed at rural development.
- **Fluctuations in Allocations Under the 15th Finance Commission (2020–26):** Starting in 2020–21, allocations began to vary, decreasing from ₹1,454 crores in 2020–21 to ₹1,075 crores in 2021–22. Between 2021 and 2026, allocations remained relatively stable, ranging from ₹1,075 crores to ₹1,192 crores, despite a minor increase in subsequent years.
- **Overall, Grant Distribution: During the Period:** The central government's dedication to rural local governance is reflected in the total grants of ₹12,367.14 crores disbursed from 2015–16 to 2025–26.

While grants saw a steady rise during the 14th Finance Commission period (2015–20), allocations exhibited variability during the 15th Finance Commission period (2020–26). This suggests evolving funding priorities for rural development. To ensure sustainable rural development and the financial viability of PRIs, predictable and increased funding, along with effective resource utilization, is essential.

Table 9.9: Flow of Funds to Different Tiers of Panchayat

(₹ in Lakhs)

PRI	2019-20	2020-21	2021-22	2022-23	2023-24
Jila Panchayat	1,45,724 (22%)	1,57,987 (29%)	2,20,277 (38%)	2,52,938 (36%)	2,61,941 (37%)
Janpad Panchayat	85,878 (13%)	76,155 (14%)	61,612 (11%)	61,713 (9%)	68,200 (10%)
Gram Panchayat	4,17,286 (64%)	3,18,918 (58%)	2,99,482 (52%)	3,86,570 (55%)	3,79,162 (53%)
Total	6,48,888 (100)	5,53,059 (100)	5,81,371 (100)	7,01,221 (100)	7,09,302 (100)

Source: Report of Centre for Budget and Policy Studies.

Changes in the distribution of financial resources among Jila Panchayats, Janpad Panchayats, and Gram Panchayats are clearly reflected in the data regarding cash flow to various levels of Panchayati Raj Institutions (PRIs) from 2019–20 to 2023–24.

General Trends in Fund Allocation: Starting at ₹6,48,888 lakhs in 2019–20, the total funds allocated to PRIs experienced fluctuations, decreasing to ₹5,53,059 lakhs in 2020–21, followed by a steady increase to ₹7,09,302 lakhs in 2023–24. This trend indicates shifts in rural development priorities, economic conditions, and government funding approaches.

Changing the Distribution of Various Tiers:

- Jila Panchayat funding saw a significant rise from ₹1,45,724 lakhs (22%) in 2019–20 to ₹2,61,941 lakhs (37%) in 2023–24.
- Conversely, Janpad Panchayat allocations decreased from ₹85,878 lakhs (13%) in

2019–20 to ₹68,200 lakhs (10%) in 2023–24, indicating a relative decline in funding for block-level governance.

- Despite variations in their share, Gram Panchayats continue to receive the largest portion of funds, with their percentage decreasing from 64% in 2019–20 to 52% in 2021–22, before rising to 53% in 2023–24, reflecting a sustained emphasis on direct rural development initiatives at the village level.

While the overall funding for PRIs has increased, there is a notable shift towards higher allocations for Jila Panchayats, while Gramm Panchayat funding remains variable.

Table 9.10: Financial Growth of PRIs

(₹ in Lakhs)

	2019-20	2020-21	2021-22	2022-23	2023-24	AAGR (%)
PRI	64,888	5,53,059	58,371	7,01,221	7,09,302	194.85%
Revenue Receipts	6386900	63,17,575	79,65,224	93,87,700	1,03,50,800	13.77
Total Expenditure	8209979	79,10,702	85,83,804	98,69,119	1,30,47,184	13.51
GSDP	344672	3,52,327	4,11,613	4,58,891	5,12,107	10.53

Source: Report of Centre for Budget and Policy Studies., RE: Revised estimate, BE: Budget estimate

The Average Annual Growth Rate (AAGR) from 2019–20 to 2023–24 illustrates notable patterns across essential fiscal indicators.

Funding for Panchayati Raj Institutions (PRI) experienced an exceptional AAGR of 194.85%, signifying a substantial and likely policy-driven surge in resource allocation, especially between 2019–20 and 2020–21. This increase may be linked to an intensified focus on rural development, devolution reforms, or stimulus measures during the COVID period.

Revenue Receipts expanded at a moderate rate of 13.77%, indicating an enhancement in government income derived from both tax and non-tax sources. This consistent growth corresponds with the economic recovery following COVID and improved tax compliance.

Total Expenditure also increased at a comparable rate of 13.51%, implying that the government has sustained a relatively balanced fiscal approach by aligning its spending with income growth. However, the significant rise in 2023–24 suggests the possibility of expanded welfare or capital expenditure initiatives.

The Gross State Domestic Product (GSDP) grew at an AAGR of 10.53%, reflecting steady economic growth, albeit at a slightly lower rate than both revenues and expenditures. This trend may indicate a growing reliance on deficit financing by the government or an increased emphasis on welfare spending.

Therefore, the data reflects robust growth in fiscal capacity and rural investment, supported by moderate economic growth, while maintaining efforts to balance revenues and expenditures.

Table No. 9.11 Actual budget/expenditure by the State Government during 2019-24

S.NO	Year	Budget Allocated by State Government			Actual Release by State Government		
		PRIs	ULBs	Total	PRIs	ULBs	Total
1	2019-20	756	321	1,077	750	321	1,071
2	2020-21	865	444	1,309	606	442	1,048
3	2021-22	858	451	1,309	651	451	1,102
4	2022-23	1644	423	2,067	1,209	423	1,632
5	2023-24	1169	973	2,142	13,687	973	2,339

The information presented in Table No. 9.11 illustrates the budget distribution and actual fund disbursement by the State Government to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) for the period spanning 2019–20 to 2023–24.

During the years from 2019–20 to 2022–23, both the allocated and disbursed amounts exhibited a degree of stability, with slight increases noted, particularly in 2022–23 when the total budget escalated significantly to ₹2,067 crore, primarily due to a heightened allocation for PRIs. Nevertheless, the actual disbursement consistently lagged behind the allocated amounts, indicating potential delays or inefficiencies in the distribution of funds.

A notable irregularity is observed in 2023–24, where the actual disbursement to PRIs experienced a remarkable increase to ₹13,687 crore, in stark contrast to the modest budgeted amount of ₹1,169 crore. This represents an excess release exceeding tenfold, suggesting either a substantial policy change, reallocation from other programs, or a possible discrepancy in data reporting. Conversely, ULBs demonstrate a consistent correlation between budgeted and released amounts throughout all years.

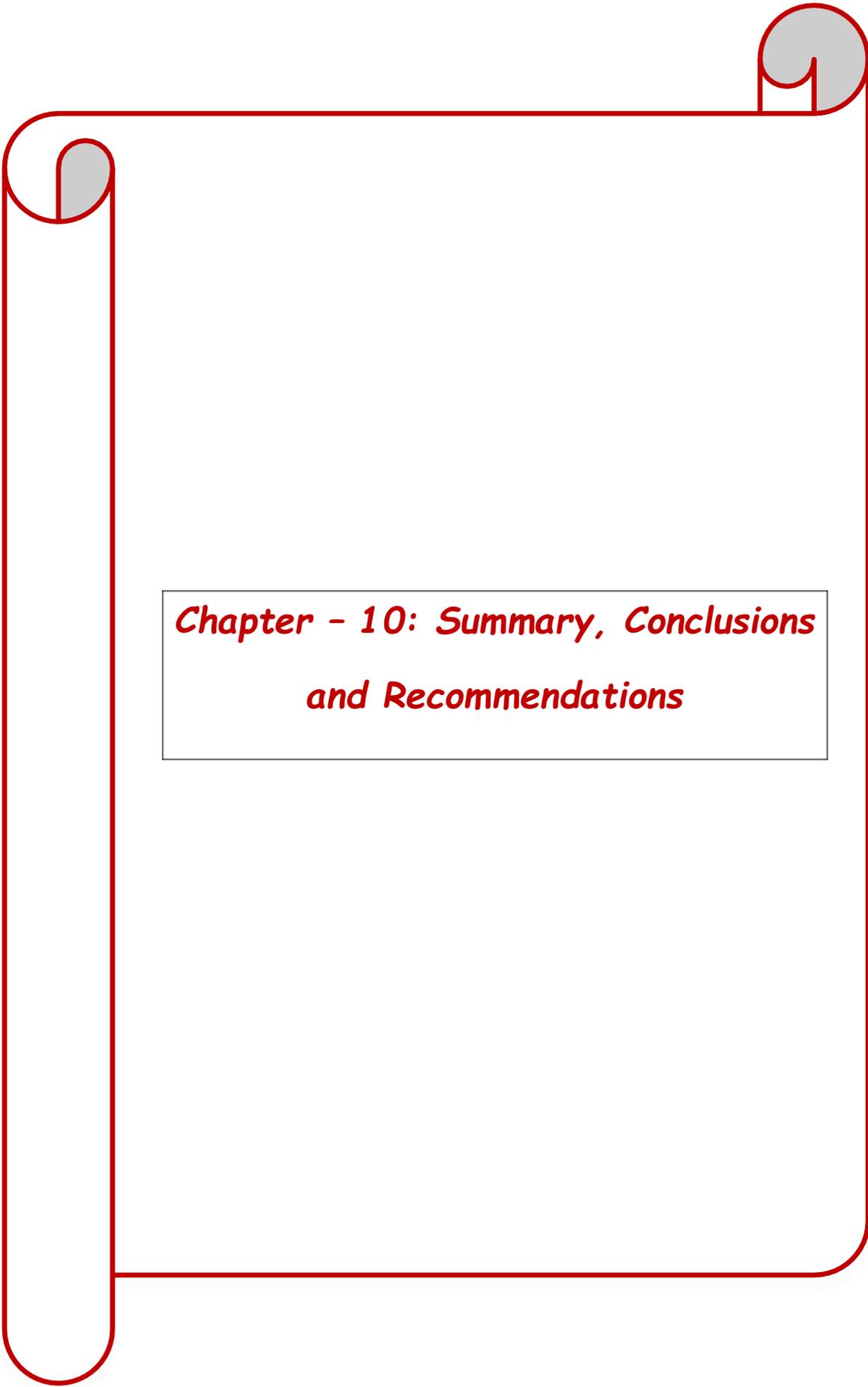
The overall trend suggests that while initial allocations were conservative and frequently underutilized, the fiscal year 2023–24 signifies a significant transformation in the financial empowerment of rural local bodies, potentially reflecting intensified efforts in rural development, improved devolution, or urgent funding requirements. It also underscores an increasing focus on PRIs in comparison to ULBs in recent fiscal strategies.

9.5 Conclusions

In India's decentralized governance framework, the roles of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) are crucial for ensuring effective local administration and fostering grassroots development. Over time, these entities have evolved, gaining greater autonomy and functionality due to financial support and constitutional reforms. However, challenges persist, particularly concerning financial

independence, the efficient allocation of resources, and the increasing disparity in resource distribution between urban and rural areas. The rising trends of urbanization in states like Chhattisgarh highlight the necessity for structured urban governance. Despite increased financial allocations from the 14th and 15th Finance Commissions, ULBs predominantly depend on government transfers, with self-generated revenue constituting a minimal portion of their total resources. The 15th Finance Commission grants to ULBs in Chhattisgarh is ₹2900 crores for 2021 to 2026. To achieve sustainable urban development, it is imperative for these bodies to enhance their revenue-generating capabilities through improved tax collection and innovative financial strategies.

Conversely, PRIs continue to receive a larger share of funding, reflecting the government's commitment to rural development. However, funding patterns have shifted, particularly in light of the COVID-19 pandemic. The 15th Finance Commission grants to RLBs in Chhattisgarh is ₹ 5669 crores for 2021 to 2026. Also, the health grants to the local bodies are ₹ 1799 crores. The uneven distribution of resources among different levels of PRIs indicates a need for a more equitable allocation to enhance governance effectiveness. To ensure long-term sustainability and efficiency, both ULBs and PRIs must focus on achieving financial autonomy, promoting transparency, and engaging in strategic planning. Strengthening local governance will have a profound impact on India's overall socioeconomic development.



***Chapter - 10: Summary, Conclusions
and Recommendations***

Chapter – 10: Summary, Conclusions and Recommendations

Chhattisgarh's fiscal framework has experienced significant changes over the past decade, largely propelled by economic growth and structural tax reforms such as the Goods and Services Tax (GST). From FY 2012–13 to FY 2023–24, total revenue receipts have surged from ₹29,578 crore to ₹1,03,508 crore. Despite this remarkable increase, challenges remain in securing revenue stability, enhancing state-level collections, and diminishing reliance on unpredictable central transfers. The buoyancy of state taxes is low (0.98), reflecting inadequate responsiveness to GSDP growth. Low buoyancy of state taxes, especially in traditional categories such as sales, trade, and excise. Diminishing efficiency in property-related taxes.

Chhattisgarh has achieved notable advancements in fortifying its revenue foundation throughout the last ten years. Nevertheless, long-term fiscal stability will rely on improving the flexibility and robustness of its own revenue sources, reducing excessive reliance on central transfers, and investing in contemporary revenue management. Implementing these strategies will guarantee that the state can autonomously fund its development priorities.

Chhattisgarh finds itself at a pivotal fiscal juncture. Over the last ten years, rising expenditures have resulted in social advancements and established a basis for economic progress. Nevertheless, the growing fiscal inflexibility and discrepancies in revenue necessitate a reassessment of policies. By redirecting expenditures towards capital development, overseeing committed liabilities, and improving revenue generation, the Government of Chhattisgarh can promote enduring, inclusive, and sustainable growth. In order to sustain developmental progress while guaranteeing fiscal sustainability, Chhattisgarh is required to realign expenditures towards capital and sectors with significant impact, limit fixed expenditures via structural reforms, fortify local institutions, and improve transparency and focus on outcomes in the budgeting process.

Chhattisgarh has increased its developmental expenditure; however, the escalating fiscal pressure poses a risk to sustainability. In the fiscal year 2023–24; the revenue deficit reached ₹11,232 crore. Committed expenditures, including salaries, pensions, and interest, accounted for 39.2% of the revenue outlay (approximately ₹45,000 crore). The proportion of capital expenditure remains low, at less than 25%. Grants allocated to local bodies have decreased from 3.2% to 1.13% of revenue spending. The key challenges include; there is an over-dependence on revenue expenditure, the fiscal space is constrained due to increasing committed expenditure. There is a sectoral imbalance, with economic services surpassing social investment. Local governance financing is weak, and capital projects are underutilized.

In order to protect its financial future, Chhattisgarh is required to: Limit non-productive borrowing, broaden sustainable revenue streams, revise spending habits, and comply with fiscal regulations established by the FRBM and Finance Commissions. To guarantee dependable, cost-effective and sustainable electricity, Chhattisgarh must take immediate action to reorganize DISCOM financial structures, broaden renewable energy sources and upgrade infrastructure, adjust tariffs and subsidies for efficiency, and encourage private sector involvement.

In order to guarantee that Public Sector Undertakings (PSUs) play a significant role in promoting fiscal sustainability and fostering economic development, the Government of Chhattisgarh is required to: Optimize investments and mitigate fiscal risks, enhance governance and operational frameworks, and utilize strategic collaborations and disinvestment when suitable. This strategy will reinforce the position of PSUs as catalysts for inclusive and sustainable growth.

Subsidies are essential for promoting equity; however, uncontrolled expansion poses a threat to fiscal sustainability. Chhattisgarh should Enhance delivery efficiency, focus on productive and targeted subsidies, and establish transparency and evaluation frameworks. Implementing these reforms will guarantee that subsidies play a significant role in both welfare enhancement and sustainable economic growth.

To realize the potential of grassroots governance, Chhattisgarh needs to enhance fiscal devolution and local revenue independence, develop institutional capacity at every level, guarantee fair and transparent funding. These reforms will enable local entities to promote inclusive growth, participatory democracy, and effective service delivery throughout the state.

Recommendations for Restructuring of Revenues

1. Enhance the State's Own Tax Revenue (SOTR):

- a. **Revise Low-Buoyancy Sources:** Taxes such as "Sales and Trade" and "Taxes on Goods and Passengers" exhibit negative or minimal buoyancy. A thorough review and restructuring, or substitution with more effective alternatives, is necessary.
- b. **Enhance Property Tax Base:** The proportion of taxes derived from property and capital transactions is both low and on a downward trend. The digitization of land records, coupled with integration into property registration systems, can bolster collection efforts.
- c. **Fiscal Risk Framework:** In light of the fluctuations in revenue—particularly evident during crises like COVID-19—it is essential to implement a fiscal risk management strategy to mitigate external shocks.

2. Enhance Non-Tax Revenue Mobilization: Adjust user fees for public services to align with cost inflation. Capitalize on unused government land and assets through leasing or rental arrangements and ensure improved returns on investments from State-Owned Enterprises (SOEs).

Recommendations for Restructuring of Expenditures

Over the last ten years (2012–13 to 2023–24), the total government expenditure in Chhattisgarh has risen markedly from ₹33,779 crore to ₹1,30,472 crore. This increase signifies both an enhanced fiscal capacity and shifting priorities, especially in the realms of social welfare, infrastructure, and economic services. Nevertheless, the mounting fiscal pressures characterized by substantial committed expenditures and sporadic revenue deficits necessitate a reassessment and proactive approach to public expenditure policy.

Chhattisgarh has made significant strides in increasing its developmental spending in recent years. Moreover, the fiscal imbalances continue to exist as a result of escalating revenue deficits, low ratios of capital investment, and growing committed expenditures. In the fiscal year 2023–24, revenue deficits soared to ₹11,232 crore, while committed expenditures, which include salaries, pensions, and interest, represented more than ₹45,000 crore or 39.2% of the revenue outlay—thereby severely limiting fiscal flexibility and capital development.

1. Prioritize Productive Capital Expenditure: Aim for 25–30% of total expenditure to be allocated for capital investments, with a focus on health, education, housing, and infrastructure.

2. Rationalize Revenue Spending: Limit committed expenditure through Rational staffing and performance-oriented human resource management, Gradual pension reforms involving contributory systems, Debt restructuring aimed at lowering interest obligations. Transition to outcome-based budgeting to enhance accountability. Implement DBT and Aadhaar-linked targeting to improve the efficiency of subsidies.

3. Address Revenue Deficits: Increase non-tax revenues through service charges, asset monetization, and enhanced dividends from public sector undertakings (PSUs). Remove unnecessary grants and unproductive expenditures. Reinforce adherence to the FRBM Act and fiscal targets.

4. Revitalize Local Governance: Counteract the decline in support by designating 3–4% of revenue expenditure for local bodies. Link grants to performance metrics and indicators of service delivery.

5. Maintain Sectoral Balance: Reallocate financial resources to ensure that 40% is directed to Social Services, 40% to Economic Services, with the remainder allocated to administration and transfers. Protect welfare sectors (education, health, nutrition) from relative underfunding.

6. Utilize Technology and Data: Digitize the tracking of public expenditures to enhance transparency and efficiency. Employ real-time data from Management Information Systems (MIS), economic surveys, and feedback mechanisms to inform budget allocations.

7. Foster Public-Private Partnerships (PPP): Implement PPPs in transportation, healthcare infrastructure, housing, and urban development to alleviate fiscal burdens while enhancing service delivery.

8. Connect Budgets to Performance: Align departmental budget distributions with Key Performance Indicators (KPIs) such as: Rates of fund utilization, Reach of targeted beneficiaries, Metrics of efficiency and service quality.

Recommendations for Restructuring of Deficits and Debts

Chhattisgarh's public debt has seen a significant increase in recent years, prompting worries regarding fiscal sustainability and adherence to the norms set by the FRBM and the Finance Commission. In the fiscal year 2023–24, the state's debt surged by 31.94%, which is substantially higher than the GSDP growth rate of 11.59%. The primary revenue balance recorded a deficit of ₹18,031 crore, and interest payments now account for 6.56% of revenue receipts. These metrics underscore the pressing necessity for a fiscal strategy that is both disciplined and reform-oriented.

1. Enhance Revenue Mobilization: Expand the own-tax base through digital compliance, improved monitoring of GST/excise, and reduction of leakages. Increase non-tax revenue via revisions of user fees, asset monetization, and greater contributions from SOEs.

2. Optimize Borrowing Practices: Ensure borrowing is strictly aligned with productive capital investment. Limit the use of market borrowings; prioritize low-cost, long-term loans. Refrain from borrowing to cover recurring expenses such as subsidies or salaries.

3. Ensure Compliance with FRBM: Debt-to-GSDP below 25% (14th FC), Fiscal deficit under 3% by 2025–26 (15th FC), Interest payments below 10% of revenue receipts.

4. Reassess Expenditure Priorities: Redirect focus towards capital expenditure with long-term benefits. Reduce low-priority or redundant programs.

5. Manage Committed Expenditure: Implement automation to lower recurring operational expenses.

Recommendations for Strategic Restructuring of Power Sectors

Chhattisgarh's power sector, while having made notable improvements in operational efficiency, continues to face challenges related to financial instability, excessive reliance on thermal energy, significant distribution losses, and increasing subsidy pressures. With ₹6,782 crore in DISCOM losses, ₹6,033 crore in subsidies (2023–24), and a staggering 98.5% reliance on thermal power, a thorough restructuring strategy is imperative.

1. Reduce Distribution Losses: Aim for AT&C losses <15% through:

- Real-time energy audits and feeder metering.
- Smart metering and prepaid solutions.
- Strict enforcement against defaulters.

2. Diversify Energy Mix: Raise the renewable share to 20% by 2030 through:

- Rooftop solar, biomass, small hydel, and solar parks.
- VGF, RESCO models, and incentives for the private sector.

3. Enhance Generation Capacity: Upgrade thermal facilities and implement cleaner technologies. Promote captive power for industries to alleviate grid demand.

4. Rationalize Power Subsidies: Transition to DBT-based targeting. Gradually phase out cross-subsidies and adopt cost-reflective tariffs.

5. Tariff Reform: Establish multi-year tariff frameworks as a standard practice. Remove political influences and consistently revise tariffs to align with actual expenses.

6. Boost Energy Efficiency: Advocate for BEE star-rated appliances and raise awareness about DSM. Transition to low-loss transformers and more efficient conductors.

7. Encourage PPPs: Promote private sector investment in generation, microgrids, and renewable energy through streamlined approval processes, risk-sharing arrangements, Clear policy guidelines.

Recommendations for Restructuring of Public Sector Undertakings (PSUs)

Public Sector Undertakings (PSUs) play a vital role in the economic and industrial landscape of Chhattisgarh. Nevertheless, numerous PSUs face challenges such as substantial debt, fluctuating profitability, and an overreliance on government assistance. In the fiscal year 2022–23, ₹24,588 crore was allocated to PSUs, yet the returns amounted to –₹263 crore, the debt-to-equity ratio deteriorated to 3.78:1, Government support reached ₹9,740 crore. These metrics underscore the necessity for strategic restructuring and financial reform.

- 1. Restructure and rationalize the PSU Portfolio:** Divest or exit from non-operational PSUs such as consolidate entities with similar functions to minimize redundancy and expenses.
- 2. Enhance Profitability and Efficiency:** implement performance-linked budgeting and conduct cost-efficiency audits. Compare performance with top-performing PSUs in other regions and private sector counterparts.
- 3. Ensure Return on State Investment:** Establish minimum return thresholds (RoE, RoI) for public investments. Perform annual evaluations and tie funding to performance outcomes.
- 4. Improve Governance and Oversight:** Enhance PSU boards with independent and financial specialists. Create a State PSU Performance Review Authority to ensure accountability.
- 5. Strengthen Financial Discipline:** Restrict new borrowing; implement a medium-term debt management strategy. Refinance high-interest debts and keep track of debt-to-equity ratios.

Recommendations for Restructuring Subsidies

Subsidies serve as essential tools for providing welfare and economic assistance to vulnerable populations. Nevertheless, in Chhattisgarh, the escalating costs of subsidies—particularly in the areas of food and energy—are placing significant fiscal

strain. In the fiscal year 2023–24 Subsidies accounted for 11.26% of revenue expenditure, Energy subsidies increased to ₹6,033 crore, representing nearly 56% of total subsidies. The share of food subsidies decreased from 72% (2015–16) to 36% (2023–24), reflecting a structural shift. These trends highlight the need for a more focused, efficient, and outcome-oriented subsidy framework.

1. Streamline Food and Energy Subsidies: Continue the reduction of food subsidies through improved procurement efficiency and ONORC portability. Direct electricity support towards small farmers and low-income households, employing prepaid meters and slab pricing.

2. Implement Subsidy Caps: Limit total subsidies to 10–12% of revenue receipts.

3. Transition to Productive Subsidies: Focus on support for irrigation, skill development, renewable energy, and agricultural infrastructure. Decrease consumption-based subsidies in favour of capacity-building incentives.

4. Connect Subsidies to Performance: Link agricultural subsidies to the adoption of solar pumps and micro-irrigation. In the Public Distribution System (PDS), associate benefits with nutrition outcomes and digital traceability.

5. Improve Transparency: Develop a real-time Subsidy Management Dashboard. Require annual subsidy reporting by department.

6. Uphold Fiscal Responsibility: Prevent spikes in subsidy expenditures during election years. Ensure that allocations are consistent with medium-term expenditure frameworks (MTEF).

Recommendations for Restructuring ULBs and PRIs

Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs) play a crucial role in facilitating decentralized governance and service delivery in Chhattisgarh. Nonetheless, both entities encounter ongoing difficulties concerning financial autonomy, institutional capacity, and funding equity. Significant indicators reveal:

- ULBs derive merely 16.86% of their revenue from internal sources (2015–20).
- ₹256.1 crore deficit in State Finance Commission (SFC) devolution (2015–20).

- The share of Gram Panchayat in PRI funding has decreased from 64% to 53% (2018–2024).

1. Guarantee Complete and Timely SFC Devolution: Comply with SFC-recommended share (1.85–2.09% of divisible pool). Implement formula-based, performance-linked transfers.

2. Enhance Own Revenue Generation: Revise property tax, introduce or expand user charges. Investigate non-tax revenues (advertisements, parking, land leases).

3. Invest in Institutional Capacity: Provide training for local officials in finance, e-governance, and planning. Hire or outsource technical experts for urban finance and project design.

4. Encourage Urban Planning and Investment: Allocate resources to Tier-2 cities to manage urban expansion. Utilize GIS and master planning tools for infrastructure development.

5. Enforce Transparency and Monitoring: Require annual disclosures, public dashboards, and social audits.

6. Align PRI Funding with Growth: Increase PRI budgets in accordance with revenue and Gross State Domestic Product (GSDP) growth (PRI CAGR: 3% compared to Revenue: 14%).