

State's Financial Landscape | Jharkhand | 28 Oct 2024

Why in News?

Recently, the <u>assembly election</u> in Jharkhand has intensified, with both the ruling and opposition alliances launching economic initiatives aimed at garnering voter support.

Key Points

• Revenue Generation:

Jharkhand generates only about 30.8% of its revenue receipts through its own tax collection, creating dependency on central government allocations.

Pension Schemes:

- The state has expanded a <u>universal pension scheme</u>, reducing the age of eligibility from 60 to 50 for <u>marginalized groups</u> (Dalits, Adivasis, and women).
- The government supplements central pension funds, adding Rs. 240.4 crore to ensure that each recipient gets a **monthly Rs. 1,000.**

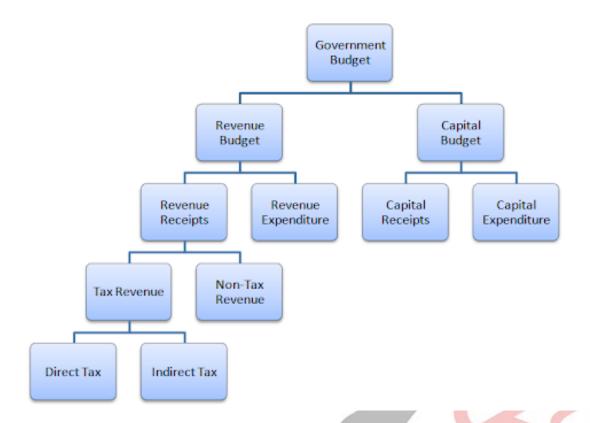
Committed Expenditures:

 Salaries, pensions, and interest payments absorbed over one-third of Jharkhand's revenue receipts in FY24, limiting fiscal flexibility for development projects.

Capital Expenditure Focus:

- Jharkhand has prioritized <u>capital expenditure</u>, aiming to reach 7.89% of its <u>GSDP</u> in FY25, a substantial rise from 2.91% in FY15.
- The state's **capex-GSDP ratio** is **higher** than many states, with a recent **7.57%** in **FY24**, well above the national average of approximately 4.9%.
- Higher capex helps in creating assets that may boost long-term growth, despite current fiscal constraints.

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Fiscal Surplus and Debt Challenges

 Jharkhand has remained revenue-surplus for most years, except in FY15 and during the COVID-19 pandemic in FY21, maintaining a fiscal deficit of 2% (down from a high of 5.2% in FY21).

Debt-to-GSDP Ratio:

- Jharkhand's debt-to-GSDP ratio peaked at 36% in FY21 and remains high, projected at around 27% for FY25, though previous estimates have been revised upwards.
- The <u>Reserve Bank of India</u> ranked Jharkhand among the top 10 states with the highest debt-to-GSDP ratios, highlighting concerns over long-term debt sustainability.

Economic Indicators and Social Challenges

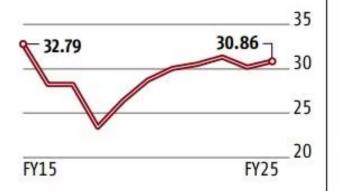
- Unemployment: Jharkhand has a relatively low unemployment rate of 1.3% (2023-24), significantly below the national average of 3.2%.
- **Poverty Levels**: Jharkhand faces high multidimensional poverty, with 28% of residents experiencing deprivation, second only to **Bihar (33.7%).**

Inflation:

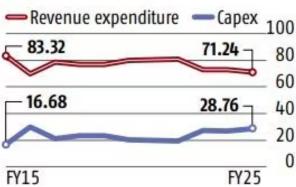
- **Overall Inflation**: Declined to 3.8% in the first half of the financial year, below the national rate of 4.6%.
- Food Inflation: Rose to 8.9% in September, higher than the national 8.4%, while the average food <u>inflation</u> rate from April to September was 6.7%, still below the national trend.
- Conclusion: With the Jharkhand Assembly elections approaching, both the ruling coalition and opposition alliance are engaging in competitive social welfare and economic proposals to sway the electorate, amidst a backdrop of fiscal challenges, poverty, and inflationary pressures.

JHARKHAND: STATE OF ECONOMY

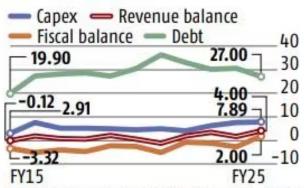
OWN TAX REVENUE AS % OF REVENUE RECEIPTS



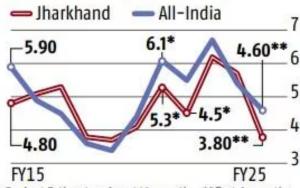
AS % OF TOTAL EXPENDITURE



AS % OF GSDP



INFLATION (% Y-o-Y)



Note: FY24 numbers are Revised Estimates; FY25 figures are Budget Estimates. *past 10 months, **first 6 months Source: Jharkhand Budget documents, CAG, PRS legsislative, MOSPI, and Business Standard calculations

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