



State's Financial Landscape | Jharkhand | 28 Oct 2024

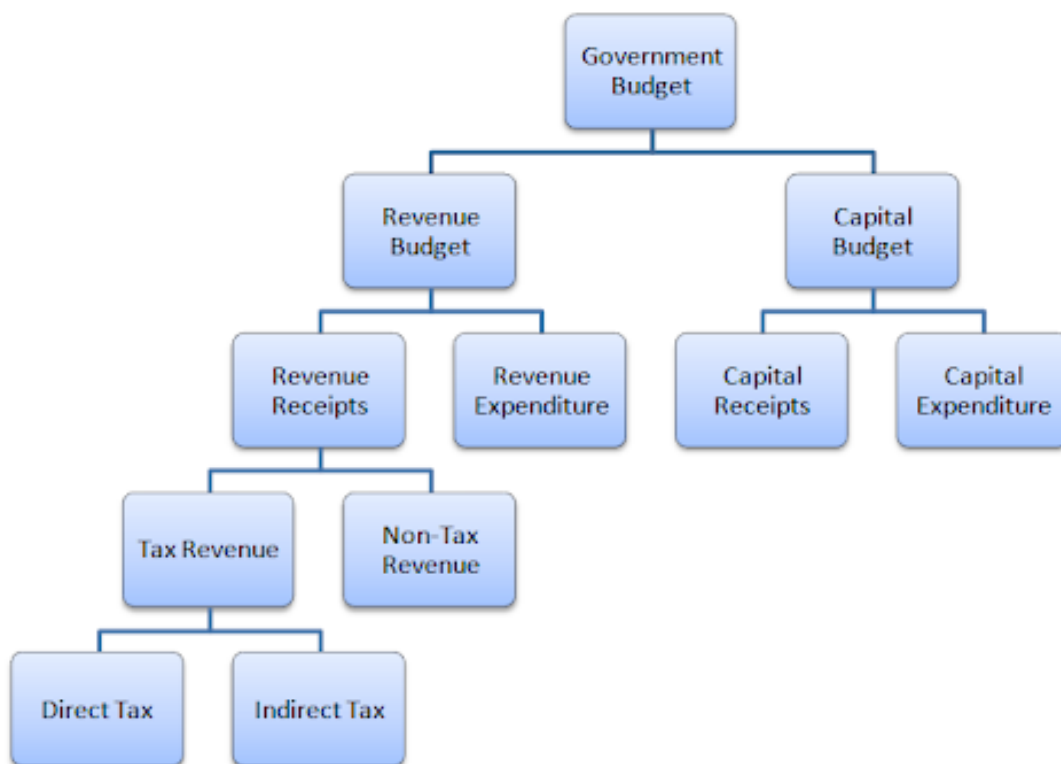
Why in News?

Recently, the [assembly election](#) 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 [universal pension scheme](#), reducing the age of eligibility from **60 to 50** for [marginalized groups](#) (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 [capital expenditure](#), aiming to reach **7.89% of its GSDP** 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 [Reserve Bank of India](#) 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%)**.

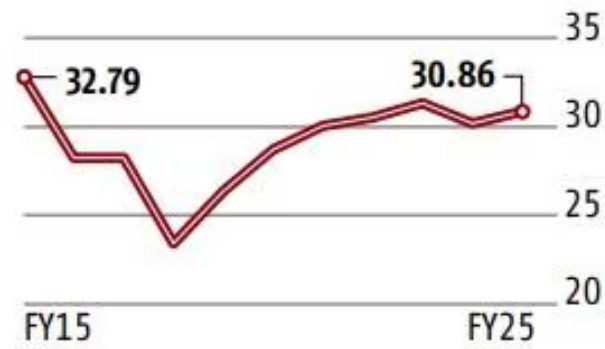
▪ Inflation:

- **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 **inflation** rate from April to September was **6.7%**, still below the national trend.

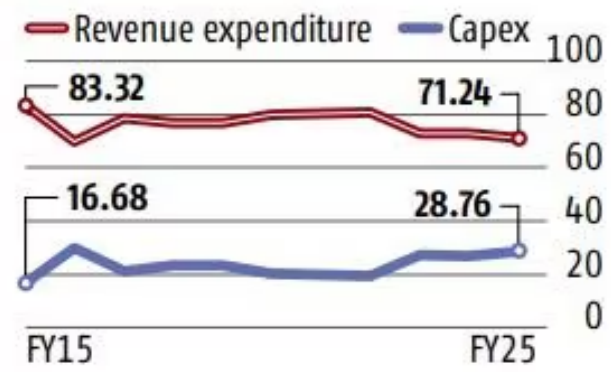
- **Conclusion:** With the Jharkhand Assembly elections approaching, both the ruling coalition and opposition alliance are engaging in competitive social welfare and economic proposals to sway the electorate, amidst a backdrop of fiscal challenges, poverty, and inflationary pressures.

JHARKHAND: STATE OF ECONOMY

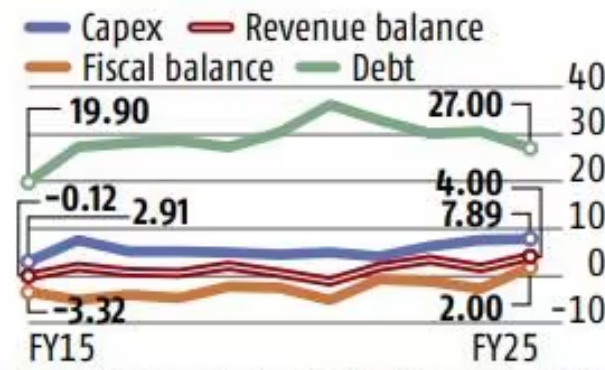
OWN TAX REVENUE AS % OF REVENUE RECEIPTS



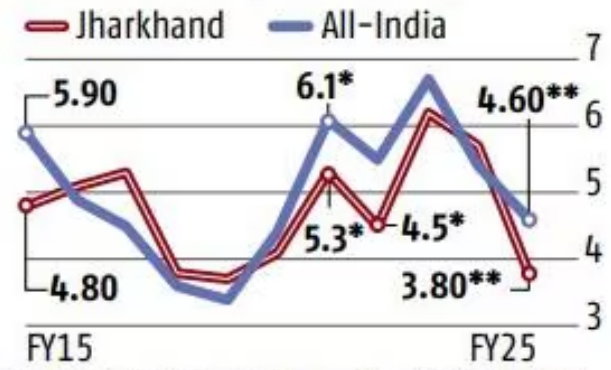
AS % OF TOTAL EXPENDITURE



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 legislative, MOSPI, and Business Standard calculations