

## State's Financial Landscape | Jharkhand | 28 Oct 2024

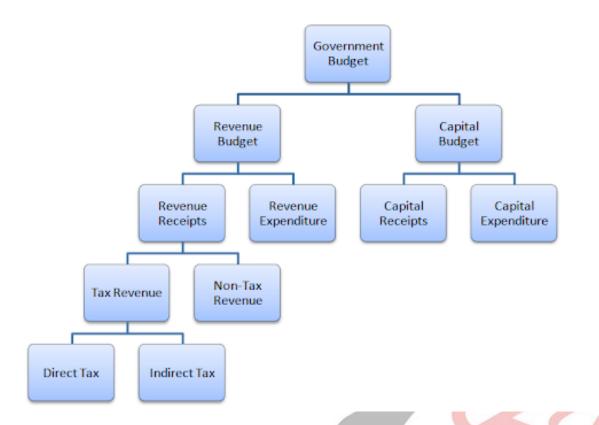
## Why in News?

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**

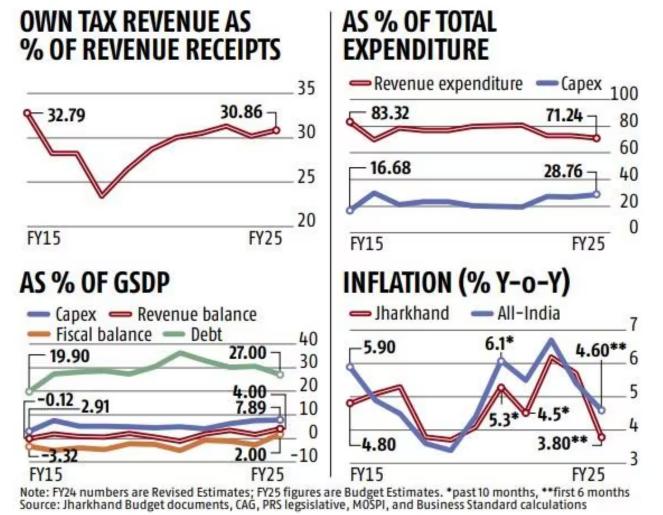
- Revenue Generation:
  - Jharkhand generates only about **30.8% of its<u>revenue receipts</u>** through its own <u>tax</u> <u>collection</u>, creating dependency on <u>central government allocations</u>.
- Pension Schemes:
  - The state has expanded a <u>universal pension scheme</u>, reducing the age 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<u>unemployment rate</u> 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**



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