

**Jahnavi Prabhakar**  
 Economist

## **State Finances FY25 AND FY26**

*The provisional estimates from the state budget for FY26 and revised estimates for FY25 shows some interesting trends. Fiscal deficit is estimated to be steady in FY26, while revenue deficit is expected to be lower when compared with FY25. This shows that states will be following a prudent path. The study takes a closer look at how the committed expenditure components fare, along with analyzing new trends within own tax revenue. Over 5 states are estimated to contribute around 50% of the total capital outlay in FY26 with Uttar Pradesh and Gujarat amongst the biggest contributor followed by states like Maharashtra and Madhya Pradesh.*

### **Overview**

The study analyses finances of 26 states for FY26 with the total size of the state budget (excluding Mizoram and Jammu and Kashmir), in terms of total expenditure standing at Rs 70.6 lakh crore, making it 19.8% of the total GSDP. Compared with this, for FY25, the total size of the budget was Rs 64.5 lakh crore, making it 20.2% of GSDP. Both revenue and capital expenditure is estimated to be lower in FY26.

**Table 1: Indicator wise GSDP in the last 2-years**

Indicator	FY25	FY26
Total expenditure (as % of GSDP)	20.2	19.8
Revenue expenditure (as % of GSDP)	14.5	14.2
Capital expenditure (as % of GSDP)	5.7	5.6

Source: Budget documents, PRS, Bank of Baroda Research Note: GSDP for Delhi was not available

### **Capital Outlay**

The *total capital outlay* for FY25 for 26-states was Rs 8.7 lakh crore and for FY26, it is expected to be higher at Rs 10.2 lakh crore. Amongst the 26-states, it has been noted that the top 5-states will contribute around 49% to the total capital outlay with spending above Rs 50,000 include Uttar Pradesh (16.9%), Maharashtra (10.9%), Gujarat (8.1%), Madhya Pradesh (7.5%) and Odisha (6.4%). On the other hand, for FY26, top states contributing the highest share to total capex outlay are Uttar Pradesh (16.3%), Gujarat (9.4%), Maharashtra (8.3%), Madhya Pradesh (8.1%) and Karnataka (6.7%) with a cumulative share of 49% to the total capital outlay. Nagaland, Himachal Pradesh and Sikkim have the lowest share to the capital outlay at 0.3% - 0.4% in FY26.

**Table 2. State wise capital outlay in FY25 and FY26**

States	FY25 (Rev) (Rs cr)	FY26 (B) (Rs cr)
Andhra Pradesh	24,072	40,636
Arunachal Pradesh	10,549	8,842
Assam	33,897	29,364
Bihar	43,686	40,532
Chhattisgarh	22,994	26,341
Delhi	4,857	17,224
Gujarat	70,173	95,472
Haryana	12,753	16,164
Himachal Pradesh	8,767	3,941
Jharkhand	19,096	22,621
Karnataka	54,412	68,172
Kerala	14,070	16,938
Madhya Pradesh	64,930	82,513
Maharashtra	95,022	84,457
Meghalaya	5,870	6,995
Nagaland	4,386	2,969
Odisha	55,392	65,012
Punjab	8,347	10,302
Rajasthan	38,288	53,686
Sikkim	4,293	4,505
Tamil Nadu	46,766	57,231
Telangana	33,088	36,504
Tripura	7,172	6,887
Uttar Pradesh	1,47,719	1,65,243
Uttarakhand	11,768	14,763
West Bengal	29,147	39,338
<b>Total</b>	<b>8,71,514</b>	<b>10,16,652</b>

Source: Budget documents, PRS, Bank of Baroda Research

## Total receipts

The *total receipts* for FY26 is proposed at Rs 69.4 lakh (higher by 10.6%) crore against Rs 62.7 for FY25. The total revenue and capital receipts is expected to increase by 12.3% and 6.6% in FY26 when compared with FY25.

- The top 5-states that have highest share in total revenue receipts in FY26 include, Uttar Pradesh (13.3%), Maharashtra (11.3%), Madhya Pradesh, Karnataka and Rajasthan (5.9% each). Even in FY25, similar states registered higher share, in addition to Tamil Nadu.
- In contrast, states (bottom-5) that have the lowest share in the total revenue receipts in FY26 Sikkim (0.2%), Nagaland (0.4%), Meghalaya (0.5%), Arunachal Pradesh (0.7%) and Himachal Pradesh (0.9%),
- In FY26, following states have noted maximum share to total capital receipts, Rajasthan (11.9%), Maharashtra (8%), Kerala (8%) and Tamil Nadu (7.8%). For FY25, too in addition to West Bengal, other 4 states continue to have a much higher to total capital receipts.
- On the other hand, for FY26, states with lowest share to the total capital receipts include, Sikkim (0.2%), Meghalaya (0.2%), Tripura (0.2%), Nagaland (0.3%) and Arunachal Pradesh (0.3%).

**Table 3: Receipts movement in the last 2-years**

Indicator	FY25	FY26
Total Receipts (as % of GSDP)	19.6	19.4
Revenue receipts (as % of GSDP)	13.9	13.9
Capital receipts (as % of GSDP)	5.8	5.5

Source: Budget documents, PRS, Bank of Baroda Research Note: GSDP for Delhi was not available

## Revenue receipts

In FY26, the total revenue receipts for 26 states has been estimated at Rs 49.7 lakh core, compared with Rs 44.3 lakh crore estimated in FY25, resulting in an increase of 12.3%. For FY26, over 58.8% will be sourced through own resources and 41.2% (Rs 20.5 lakh cr) is expected to come from centre.

- The total own tax revenue has increased by 14.6% for FY26 from last year and the share in GSDP for the same period has increased marginally from 6.9% to 7% in FY26. The top 5-states with cumulative share of 50% to the total own tax revenue include, Maharashtra (15.4%), Uttar Pradesh (11.8%), Tamil Nadu (8.8%), Karnataka (8.3%) and Gujarat (6.3%).
- An increase of 17.1% was registered for own non tax revenue in FY26, when compared with FY25. Own non tax revenue (as % of GSDP) estimated at 1.2% in FY26 (1.1% in FY25). Odisha (14.5%) has the highest share of own non tax revenue followed by Maharashtra (8%), Telangana (7.6%), Tamil Nadu (7%) and Rajasthan (6.5%). States with lowest share of non-tax revenue are Nagaland, Tripura (0.1%), Meghalaya, Sikkim (0.2%) and Arunachal Pradesh (0.3%). These have been far lower than the median of 3.8% for all the states combined.
- In FY26, grants in aid has increased by 6.6% from last year. Grants in aid as a % of GSDP has been estimated at 1.8% (1.9% in FY25). States such as Uttar Pradesh (13.6%), Bihar (8.4%), Maharashtra (7.8%), Madhya Pradesh (7.5%) and Odisha (6.4%) have the highest proportion to total grants in aid for FY26. While, Nagaland (1.3%), Meghalaya (1.5%), Haryana (1.5%), Punjab (1.6%) and Tripura (1.7%) have the lowest share in total grants in aid.

**Table 4. Revenue receipts across states**

Indicator	FY25 (Rs lakh cr)	FY26 (Rs lakh cr)
Own tax revenue	21.9	25.1
Own non tax revenue	3.5	4.1
Grants in aid	6.1	6.5
Share in Central tax	12.7	14.0
Revenue receipts	44.3	49.7

Source: Budget documents, PRS, Bank of Baroda Research

## Own tax revenue

For FY26, internal taxes such as state GST, sales tax, state excise and stamp have together estimated a share of 89% to total own tax revenue against similar trend noted last year.

GST has the largest share of 44.2% (43.8% in FY25) to the total tax revenue and is estimated to have increased by 15.6% in FY26.

- Nagaland has the highest share (67.3%) of GST to total own tax revenue, followed by Delhi (59.7%) and Bihar (57.1%) in FY26.
- However, states like, Madhya Pradesh (38.6%), Andhra Pradesh (37.4%), Telangana (35.1%) Chhattisgarh (34.5%) and Arunachal Pradesh (19.7%) have much lower ratio.

The share for sales tax and state excise is 19.5% (20.1% in FY25) and 13.9% (14.2% in FY25) respectively in FY26. These are generally used to levy taxes on the different products such as fuel, liquor and tobacco.

- Major states that have a higher proportion of sales tax to own tax revenue for FY26 include, Kerala (36.7%), Tamil Nadu (31.8%), Meghalaya (27.9%), Jharkhand (26.4%) and Telangana (25.8%). On the other hand, Sikkim (8.4%) has the lowest ratio, followed by Uttarakhand, Delhi, Karnataka and Punjab with ratio 10-13%.
- In FY26 states such as Sikkim (27.3%), Andhra Pradesh (24.9%), Uttar Pradesh (21.4%), Uttarakhand (21.1%), Himachal Pradesh (20.2%) are the biggest contributors to excise duty. A similar trend was noted for FY25 too.
- On the other hand, states like Kerala, Gujarat and Nagaland have lowest proportion of states excise to total own tax revenue, with ratio as low as 0.2%.

The share of stamp registrations which can be used as a proxy for real estate and housing, noted the share in total own tax revenue is expected at 11.7% in FY26 (14.2% in FY25).

- Haryana with a ratio of 18% is expected to have the highest share of stamp registration to total own tax. This will be closely followed by Maharashtra, Bihar, and Karnataka with an average ratio of 14.5%. Nagaland and Arunachal Pradesh have the lowest ratio at 0.2% and 0.5% respectively.
- In terms of vehicles tax, states such as Nagaland, Kerala, Karnataka and Jharkhand are biggest states with higher proportion to total own tax revenue. On the other hand, Arunachal Pradesh has the lowest share (2.6%) of vehicle tax to total own tax revenue.

**Table 5. Own tax revenue across states**

Indicator	FY25 (Rs lakh cr)	FY26 (Rs lakh cr)
State GST	9.6	11.1
Sales tax	4.4	4.9
Stamps	2.5	2.9
Vehicles	1.2	1.4
Land revenue	0.2	0.3
State excise	3.1	3.5
Electricity duty	0.7	0.7

Source: Budget documents, PRS, Bank of Baroda Research

In FY26, revenue deficit is expected to be lower at 0.3% of GSDP from 0.6% of GSDP in FY25. One of the reasons for the same is higher revenue receipts in FY26 than in FY25.

- There are over 13 states that have revenue surplus and includes states such as Madhya Pradesh, Gujarat, Chhattisgarh, Jharkhand, Odisha, Sikkim, Meghalaya and Uttar Pradesh.

**Table 6. Revenue Deficit across states**

Indicator	FY25	FY26
Amount (Rs lakh cr)	2.0	0.1
Ratio (as % of GSDP)	0.6	0.3

Source: Budget documents, PRS, Bank of Baroda Research

Fiscal deficit in FY26 is expected to be stable at 3.2% of GSDP (Rs 11.5 lakh cr) against FY25. Central government in FY26 has allowed fiscal deficit up to 3% of GSDP to states.

- Top 5-states with fiscal deficit higher than the median in FY26 include, Arunachal Pradesh, Sikkim, Tripura, Madhya Pradesh and Andhra Pradesh.
- However, the states with fiscal deficit that has been lower than median include the following: Gujarat (2%), Jharkhand (2%), Haryana (2.7%), Maharashtra (2.8%), and Karnataka (2.9%).

**Table 7. Fiscal Deficit across states**

Indicator	FY25	FY26
Amount (Rs lakh cr)	10.3	11.5
Ratio (as % of GSDP)	3.2	3.2

Source: Budget documents, PRS, Bank of Baroda Research

**Table 8. State wise fiscal and revenue deficit (FY26)**

States	Fiscal deficit (%)	Revenue deficit (%)
Gujarat	2.0%	0.7%*
Jharkhand	2.0%	2.6%*
Haryana	2.7%	1.5%
Maharashtra	2.8%	0.9%
Karnataka	2.9%	0.6%*
Uttarakhand	2.9%	0.6%*
Bihar	3.0%	0.8%*
Meghalaya	3.0%	7.6%*
Nagaland	3.0%	3.6%*
Tamil Nadu	3.0%	1.2%
Telangana	3.0%	0.2%*
Uttar Pradesh	3.0%	2.6%*
Kerala	3.2%	1.9%
Odisha	3.2%	3.0%*
West Bengal	3.6%	1.7%
Assam	3.7%	-
Chhattisgarh	3.8%	0.4%*
Punjab	3.8%	2.7%
Himachal Pradesh	4.0%	2.5%
Rajasthan	4.3%	1.6%
Andhra Pradesh	4.4%	1.8%
Madhya Pradesh	4.7%	-
Tripura	4.9%	1.9%*
Sikkim	5.8%	2.1%*
Arunachal Pradesh	8.9%	9.6%*

Source: Budget documents, PRS, Bank of Baroda Research Note: \* denotes states with revenue surplus

A total of Rs 23.6 lakh cr has been allocated across states in FY26 towards the committed expenditure which has been much higher than the expenditure noted in FY25 (Rs 17.8 lakh cr). In FY25, 40.4% of the total committed expenditure was spent on the total state revenue receipts and for FY26, it is estimated to be 47.5%. The expenditure component in FY26 comprises of salaries (48.6%), pension (25.6%) and interest payment (25.7%).

- The top states that contribute the most to the *salary component* of committed expenditure in FY26 are, Arunachal Pradesh (77.7%), Meghalaya (68.1%), Chhattisgarh (65.1%), Tripura

(60.9%), Nagaland (59.2%) and Sikkim (58.7%). States such as Telangana, Delhi, Andhra Pradesh and Odisha have been excluded.

- On the other hand, states with lowest share of salary to committed expenditure include, Kerala (41.9%), Haryana (42.8%), Punjab (44.3%) and Tamil Nadu (44.3%).
- For the *pension component*, states such as Odisha, Telangana, Himachal Pradesh, Nagaland, and Bihar remain the highest contributor to the total committed expenditure, higher than the median ratio. The average share for these states stand between 30%-79%. In contrast, Delhi, Arunachal Pradesh, Chhattisgarh, Rajasthan and Haryana have the lowest share. Delhi has the lowest share at 0.3%.
- The biggest contributor for *interest payment* include the following states, Delhi, Andhra Pradesh, Telangana, Haryana, West Bengal and Tamil Nadu. While states with ratio below average were as Arunachal Pradesh, Nagaland, Tripura, Meghalaya and Sikkim.

**Table 9. Committed expenditure**

Indicator	FY25	FY26
Committed expenditure (Rs lakh cr)	17.8	23.6
Committed expenditure to Revenue receipts (%)	40.4	47.5

Source: Budget documents, PRS, Bank of Baroda Research

## Conclusions

Overall, after studying the different parameters, it is expected that states are expected to adhere to their fiscal deficit targets in FY26.

- 12 states have lower fiscal deficit (as % of GSDP) from its median level. Overall, 13-states are proposed to be in revenue surplus in FY26.
- States like Maharashtra, Uttar Pradesh and Madhya Pradesh are the major contributors in terms of capex.
- On revenue side, it was noted that GST, sales tax, stamps and excise together contributes 89.6% of the own tax revenue.

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



**For further details about this publication, please contact:**

Economics Research Department

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)