

Nagaland Budget Analysis 2024-25

The Chief Minister of Nagaland, Mr. Neiphiu Rio, presented the Budget for the state for the financial year 2024-25 on February 27, 2024.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Nagaland for 2024-25 (at current prices) is projected to be Rs 48,375 crore, amounting to growth of 6.5% over the advance estimates for 2023-24.
- **Expenditure (excluding debt repayment)** in 2024-25 is estimated to be Rs 19,485 crore, an increase of about 1% over the revised estimate for 2023-24. The revised estimate in 2023-24 was 14% higher than the budget estimate of Rs 16,904 crore. In addition, the state will repay debt of Rs 4,243 crore in 2024-25.
- **Receipts (excluding borrowings)** for 2024-25 are estimated to be Rs 18,035 crore, an increase of 8.7% over the revised estimate for 2023-24.
- **Revenue surplus** in 2024-25 is estimated to be 2.4% (Rs 1,141 crore). The revenue surplus at the revised stage in 2023-24 was 1% of GSDP, lower than the budget estimate of 1.8% (Rs 682 crore).
- **Fiscal deficit** for 2024-25 is targeted at 3% of GSDP (Rs 1,450 crore). In 2023-24, the fiscal deficit was Rs 2,754 crore at the revised stage, i.e., 6% of the GSDP. The budget estimate for 2023-24 was 3%.

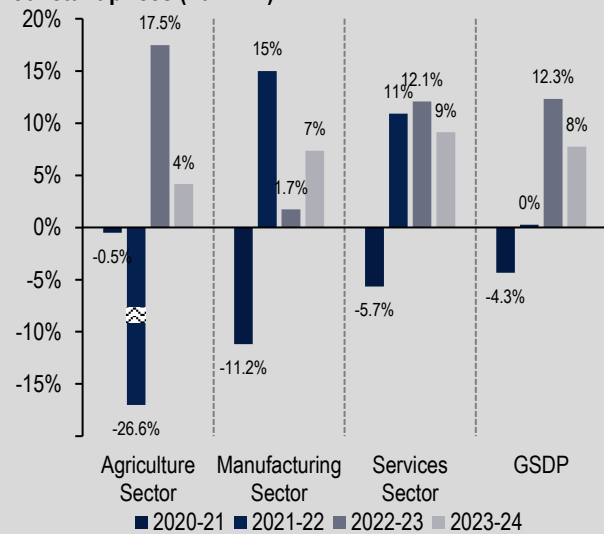
Policy Highlights

- **Business:** An integrated business hub will be established in Dimapur. It will serve as an innovation centre that provides ready to use infrastructure.
- **Life insurance:** The Chief Minister’s Life Insurance Scheme will provide insurance coverage of two lakh rupees upon the death or accident of a family’s breadwinner. Accidental insurance coverage will be provided for three other family members as well. Rs 15 crore has been allocated for this in 2024-25.
- **Skilling:** A Skill Training Centre will be set up for the construction sector. It will offer extensive training to youth in construction infrastructure, the use of state-of-the-art tools, machinery and equipment.
- **E-stamp system:** An e-stamps system is proposed to replace the use of physical stamps. This is expected to make registering documents and deeds simple and transparent. Tax evasion through undervaluation is expected to be curbed, leading to higher revenue in subsequent years.

Nagaland’s Economy

- **GSDP:** In 2023-24, Nagaland’s GSDP (at constant prices) is estimated to grow by 7.7%. In comparison, the national GDP is estimated to grow at 7.6% in 2023-24.
- **Sectors:** Growth in the agriculture sector is estimated at 4.2% in 2023-24. It estimated to grow by 17.5% in 2022-23, over a low base in the previous year. Manufacturing sector is estimated to grow by 7.3% in 2023-24, as compared to a 1.7% growth in 2022-23. Services sector is estimated to grow by 9% in 2023-24, 12% in 2022-23, and 11% in 2021-22.
- In 2022-23, agriculture, manufacturing, and services sectors are estimated to contribute 25%, 12%, and 63% to the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Nagaland in 2023-24 (at current prices) is estimated at Rs 1,75,616 an annualised increase of 7% over 2017-18.

Figure 1: Growth in GSDP and sectors in Nagaland at constant prices (2011-12)



Note: The bar for agriculture in 2021-22 is not to scale. Agriculture includes mining and quarrying; Manufacturing includes construction and electricity. These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.
Sources: Nagaland Economic Survey 2023-24; PRS.

Budget Estimates for 2024-25

- **Total expenditure (excluding debt repayment)** in 2024-25 is targeted at Rs 19,485 crore. This is a 1% increase over the revised estimate of 2023-24. Expenditure in 2023-24 at the revised stage is estimated to be 14% higher than the budgeted amount of Rs 16,904 crore.
- This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 18,035 crore and net borrowings of Rs 1,700 crore. Total receipts (other than borrowings) in 2024-25 are expected to increase by 8.7% as compared to the revised estimate of 2023-24. The revised estimate for 2023-24 itself is 5% higher than the budgeted estimate of Rs 15,783 crore.
- **Revenue surplus** in 2024-25 is estimated to be 2.4% of GSDP (Rs 1,141 crore), higher than the revised estimates for 2023-24 (1% of GSDP).
- **Fiscal deficit** for 2024-25 is targeted at 3% of GSDP (Rs 1,450 crore). The fiscal deficit in 2023-24 was also targeted at 3% of GSDP, which is increased to 6% of GSDP at the revised stage. This is on account of capital outlay being Rs 1,394 crore higher than the budget estimate for 2023-24.

Table 1: Budget 2024-25 - Key figures (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Total Expenditure	21,439	23,086	23,745	2.9%	23,728	-0.1%
(-) Repayment of debt	5,324	6,182	4,402	-28.8%	4,243	-3.6%
Net Expenditure (E)	16,115	16,904	19,343	14.4%	19,485	0.7%
Total Receipts	21,711	23,146	23,710	2.4%	23,978	1.1%
(-) Borrowings	7,159	7,363	7,121	-3.3%	5,943	-16.5%
Net Receipts (R)	14,552	15,783	16,590	5.1%	18,035	8.7%
Fiscal Deficit (E-R)	1,563	1,121	2,754	145.7%	1,450	-47.4%
as % of GSDP	4.4%	3.0%	6.1%		3.0%	
Revenue Surplus	689	682	442	-35.1%	1,141	157.8%
as % of GSDP	1.9%	1.8%	1.0%		2.4%	
Primary Deficit	569	-22	1,475	-6812.8%	82	-94.4%
as % of GSDP	1.6%	-0.1%	3.2%		0.2%	
GSDP	35,611	37,300	45,422	21.8%	48,375	6.5%

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Nagaland Budget 2024-25; PRS.

Expenditure in 2024-25

- **Revenue expenditure** for 2024-25 is proposed to be Rs 16,893 crore, an increase of 5% over the revised estimate of 2023-24. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2024-25 is proposed to be Rs 2,591 crore, a decrease of 19% from the revised estimate of 2023-24. Capital outlay at the revised stage in 2023-24 is 77% higher than the budget estimate of Rs 1,803 crore. This is mainly on account of increases in capital outlay on roads and bridges (Rs 498 crore increase), urban development (Rs 438 crore increase), and police (Rs 136 crore increase). Capital outlay indicates the expenditure towards creation of assets.

Sharing resources with urban local bodies (ULBs)

The 3rd State Finance Commission of Nagaland (2024) recommended that 1% of the state GST revenue be shared with ULBs for the period 2023-24 to 2025-26. This share is estimated to be Rs 10.8 crore in 2023-24, Rs 11.6 crore in 2024-25, and Rs 12.4 crore in 2025-26. The criteria for sharing of resources will be based on the population (80% weight) and area (20% weight), with certain additional conditions. It also recommended grants worth Rs 2.2 crore in 2023-24, Rs 6.2 crore in 2024-25, and Rs 4.9 crore in 2025-26 for ULBs.

The Commission has imposed certain conditions on the release of the devolution and grants. These include: (i) making provisional accounts available, and (ii) not using the share in taxes for salary expenditure.

Table 2: Expenditure budget 2024-25 (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Revenue Expenditure	13,410	15,100	16,146	7%	16,893	5%
Capital Outlay	2,704	1,803	3,197	77%	2,591	-19%
Loans given by the state	0	1	1	0%	1	0%
Net Expenditure	16,115	16,904	19,343	14%	19,485	1%

Sources: Annual Financial Statement, Nagaland Budget 2024-25; PRS.

- **Committed expenditure:** Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay.
- In 2024-25, Nagaland is estimated to spend Rs 12,177 crore on committed expenditure, which is 68% of its estimated revenue receipts. This comprises spending on salaries (40% of revenue receipts), pension (20% of revenue receipts), and interest payments (8%). In 2022-23, as per actual figures, 71% of revenue receipts were spent towards committed expenditure. The Nagaland 3rd State Finance Commission (2024) noted that the proportion of government employees to the population of the state is quite high. It recommended that an Administrative Reforms Commission be established to suggest organisational and structural reforms.

Table 3: Committed Expenditure in 2024-25 (in Rs crore)

Committed Expenditure	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Salaries	6,146	7,187	6,671	-7%	7,253	9%
Pension	2,819	3,082	3,192	4%	3,557	11%
Interest payment	993	1,143	1,278	12%	1,367	7%
Total Committed Expenditure	9,959	11,412	11,141	-2%	12,177	9%

Sources: Annual Financial Statement, Nagaland Budget 2024-25; PRS.

Sector-wise expenditure: The sectors listed below account for **58%** of the total expenditure on sectors by the state in 2024-25. A comparison of Nagaland's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Nagaland Budget 2024-25 (in Rs crore)

Sector	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	2024-25 Budgeted	% change from RE 2023-24 to BE 2024-25
Education, Sports, Arts, and Culture	2,322	2,722	2,555	2,712	6%
Police	1,964	1,910	2,008	1,947	-3%
Rural Development	549	789	1,182	1,452	23%
Agriculture and Allied Activities	874	1,108	1,233	1,362	11%
Health and Family Welfare	1,230	997	903	957	6%
Energy	824	788	928	845	-9%
Roads and Bridges	1,110	738	1,238	742	-40%
Urban Development	380	223	672	515	-23%
Social Welfare and Nutrition	453	486	600	482	-20%
Irrigation and Flood Control	50	121	158	327	107%
% of total expenditure on all sectors	61%	58%	59%	58%	-2%

Sources: Annual Financial Statement, Nagaland Budget 2024-25; PRS.

Receipts in 2024-25

- **Total revenue receipts** for 2024-25 are estimated to be Rs 18,034 crore, an increase of 9% over the revised estimate of 2023-24. Of this, Rs 2,250 crore (12%) will be raised by the state through its **own resources**, and Rs 15,783 crore (88%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (38% of revenue receipts) and grants (49% of revenue receipts).
- **Devolution:** In 2024-25, state's share in central taxes is estimated at Rs 6,941 crore, an increase of 10% over the revised estimate of 2023-24. **Grants from the centre** in 2024-25 are estimated at Rs 8,843 crore, an increase of 11% over the revised estimates for 2023-24.
- **Disinvestment proceeds:** In 2022-23, the state received Rs 450 crore from disinvestment of co-operative societies/banks. No receipt on this account has been estimated for 2023-24 and 2024-25.
- **State's non-tax revenue:** Nagaland's non-tax revenue accounts for 3% of its revenue receipts. It is estimated to be 464 crore in 2024-25. The revised estimate for 2023-24 was 80% higher than the budgeted amount of Rs 381 crore.

Table 5: Break-up of the state government's receipts (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 2023-24 to RE 2023-24	2024-25 Budgeted	% change from RE 2023-24 to BE 2024-25
State's Own Tax	1,462	1,570	1,667	6%	1,787	7%
State's Own Non-Tax	478	381	685	80%	464	-32%
Share in Central Taxes	5,400	5,812	6,285	8%	6,941	10%
Grants-in-aid from Centre	6,759	8,019	7,951	-1%	8,843	11%
Revenue Receipts	14,099	15,781	16,588	5%	18,034	9%
Non-debt Capital Receipts	453	2	2	0%	2	0%
Net Receipts	14,552	15,783	16,590	5.1%	18,035	9%

BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Nagaland Budget 2024-25; PRS.

- **State's own tax revenue** is estimated to be Rs 1,787 crore in 2024-25, an increase of 7% over the revised estimate of 2023-24. Own tax revenue as a percentage of GSDP is estimated at 3.7% in 2024-25, lower than the actual figures for 2022-23 (4%).
- In 2024-25, the State GST (Rs 1,224 crore) is estimated to contribute 68% to the state's own tax revenue. Sales Tax/VAT (17% of own tax revenue) is the second highest source of own tax revenue, followed by Taxes on Vehicles (11% of own tax revenue).
- In 2021-22, Nagaland's own tax revenue increased by 27% over the previous year. The Comptroller and Auditor General (2023) recommended that to ensure a sustained growth in its own revenue, the state should focus on other tax sources as well. The Finance Commission of India (2021) had observed that after GST, states mostly earn from Sales Tax/VAT and the State Excise Duty. Note that the sale of liquor, which attracts State Excise, is prohibited in Nagaland.

Vehicle tax revenue

Nagaland's vehicle tax revenue is estimated to be Rs 190 crore in 2024-25. In 2021-22, vehicle tax revenue as a share of its GSDP was 0.5%. This is the highest among all other states. Vehicle tax revenue for all states on average was 0.3% of GSDP in 2021-22. This figure was 0.2% for northeastern states other than Nagaland.

Compared to the size of its economy, Nagaland has a larger share in new registrations of commercial vehicles such as trucks, lorries and multi-axles. In 2019-20, 5.2 lakh new trucks, lorries and multi-axled vehicles were registered in the country. 2% of these were registered in Nagaland (12,534). In comparison, Nagaland's share in the national GDP in 2019-20 was 0.15%.

Table 6: Major sources of state's own-tax revenue (in Rs crore)

Head	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
State GST	959	1,075	1,113	3%	1,224	10%
Sales Tax/ VAT	247	290	294	1%	300	2%
Taxes on Vehicles	188	135	188	39%	190	1%
Taxes and Duties on Electricity	8	7	8	15%	8	3%
State Excise	4	3	4	38%	5	2%
Stamps Duty and Registration Fees	3	3	4	11%	4	0%
Land Revenue	1.09	1.38	1.25	-9%	1.30	4%

Sources: Annual Financial Statement, Revenue Budget, and Nagaland Budget 2024-25; PRS.

Deficits, Debt, and FRBM Targets for 2024-25

The Nagaland Fiscal Responsibility Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue surplus: It is the difference of revenue receipts and revenue expenditure. A revenue surplus implies that the government borrowings are being spent on capital creation. The budget estimates a revenue surplus of Rs 1,141 crore (or 2.4% of the GSDP) in 2024-25.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2024-25, the fiscal deficit is estimated to be 3% of GSDP. For 2024-25, the central government has permitted fiscal deficit of up to 3% of GSDP to states, of which 0.5% of GSDP will be available upon carrying out power sector reforms.

The fiscal deficit in 2023-24 was estimated to be 3% of GSDP, which rose to 6% of GSDP at the revised stage. This is on account of a 77% increase in capital outlay at the revised stage in 2023-24. Fiscal deficit is projected to be maintained at 3% of GSDP by 2026-27.

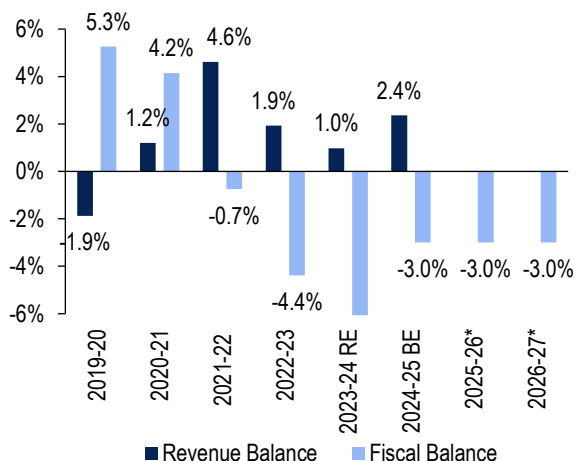
Power sector liabilities

Power distribution is a departmental activity in Nagaland. Between 2017-18 and 2021-22, the power distribution department witnessed financial losses worth Rs 1,680 crore. The gap between the per unit cost of power and the per unit revenue earned was Rs 11.7 per kWh in 2021-22. The average gap for all states in 2021-22 was Rs 0.35 per kWh.

The 3rd State Finance Commission (2024) report highlighted that the state needs to take steps to reduce the operating losses in the power sector. It noted that the Department requires a proper billing system. About 70% of the total consumer are concentrated in four Municipalities (including Dimapur and Kohima). The Commission suggested streamlining the process of revenue generation from these areas. The Department also suggested using smart meters.

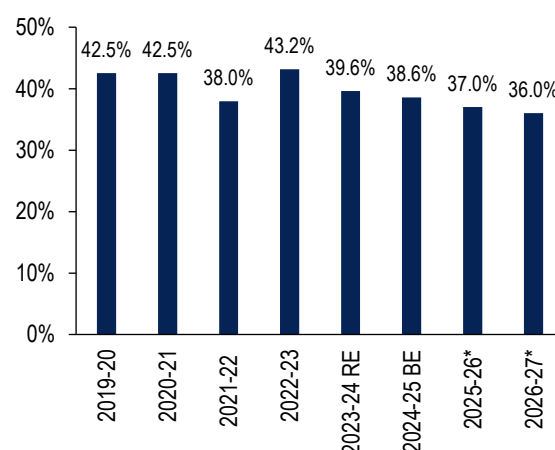
Outstanding liabilities: Outstanding liabilities refers to the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2024-25, the outstanding liabilities are estimated to be 38.6% of GSDP, lower than the revised estimate for 2023-24 (39.6% of GSDP).

Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: *Figures for 2025-26 and 2026-27 are projections; For these years, no revenue deficit is projected, revenue surplus figures are not provided. For 2020-21 and 2021-22, deficits reported without treating GST compensation loans as grants. RE is Revised Estimates; BE is budget estimates. Sources: Medium Term Fiscal Policy, Nagaland Budget 2024-25; PRS.

Figure 3: Outstanding Liabilities (as % of GSDP)



Note: *Figures for 2025-26 and 2026-27 are projections; For 2020-21 and 2021-22, deficits reported without treating GST compensation loans as grants. RE is Revised Estimates; BE is budget estimates. Sources: Medium Term Fiscal Policy, Nagaland Budget 2024-25; PRS.

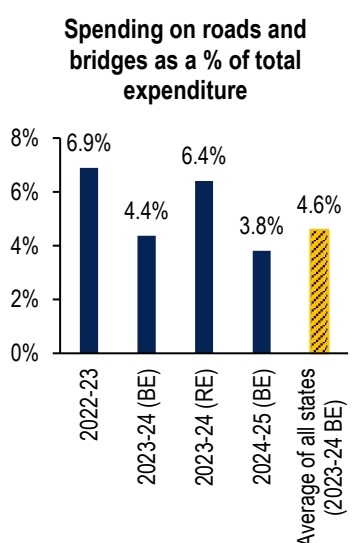
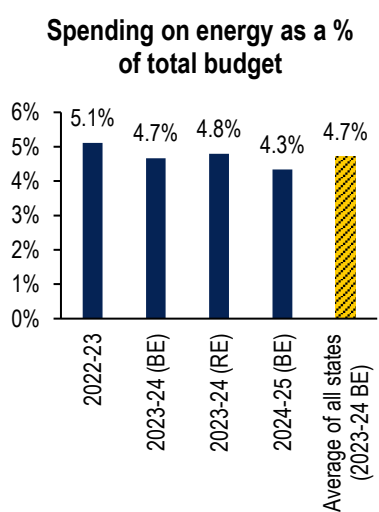
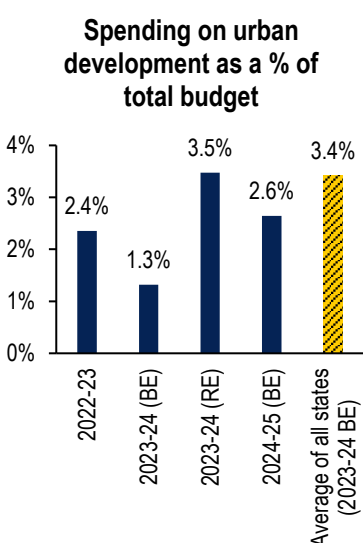
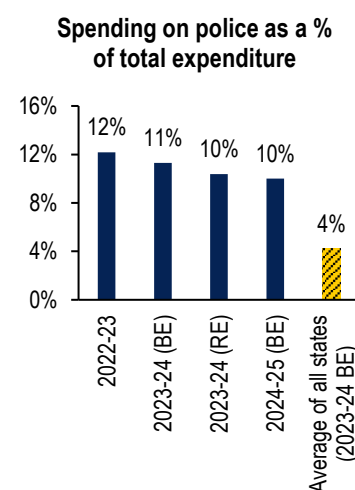
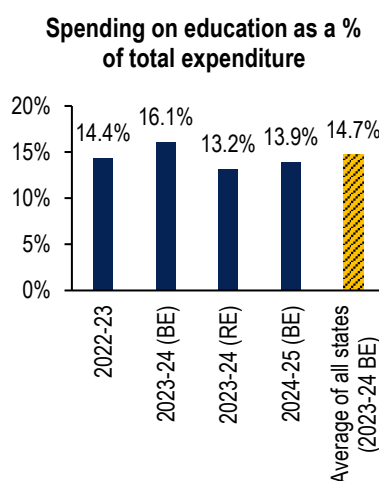
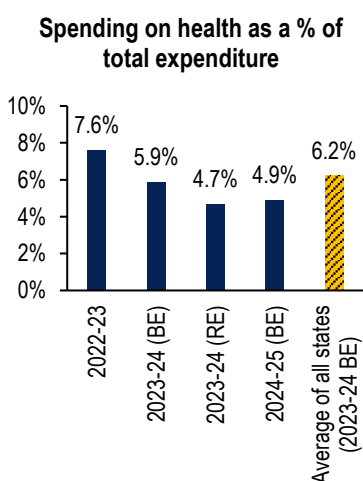
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As of March 31, 2023, the state's outstanding guarantee is estimated to be Rs 190 crore, which is 0.5% of Nagaland's GSDP in 2022-23.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Nagaland's expenditure in 2024-25 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Nagaland) as per their budget estimates of 2023-24.¹

- **Health:** Nagaland has allocated 4.9% of its expenditure on health in 2024-25. This is lower than the average allocation for health by states in 2023-24 (6.2%).
- **Education:** Nagaland has allocated 13.9% of its total expenditure towards education, which is lower than the average allocation for education by states (14.7%).
- **Police:** Nagaland has allocated 10% of its expenditure on rural development. This is significantly higher than the average allocation for police by states (4%).
- **Urban development:** Nagaland has allocated 2.6% of its expenditure towards urban development. This is lower than the average allocation towards urban development by states (3.4%).
- **Energy:** Nagaland has allocated 4.3% of its total expenditure towards energy, which is lower than the average expenditure on energy by states (4.7%).
- **Roads and bridges:** Nagaland has allocated 3.8% of its total expenditure towards roads and bridges, which is lower than the average allocation by states (4.6%).



Note: 2022-23, 2023-24 (BE), 2023-24 (RE), and 2024-25 (BE) figures are for Nagaland.

Sources: Annual Financial Statement, Nagaland Budget 2024-25; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry .

Annexure 2: Comparison of 2022-23 Budget Estimates and Actuals

The following tables compare the actuals of 2022-23 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Net Receipts (1+2)	16,077	14,552	-9%
1. Revenue Receipts (a+b+c+d)	16,075	14,099	-12%
a. Own Tax Revenue	1,417	1,462	3%
b. Own Non-Tax Revenue	291	478	65%
c. Share in central taxes	4,647	5,400	16%
d. Grants-in-aid from the Centre	9,720	6,759	-30%
2. Non-Debt Capital Receipts	2	453	29903%
3. Borrowings	8,313	7,159	-14%
Net Expenditure (4+5+6)	17,429	16,115	-8%
4. Revenue Expenditure	14,399	13,410	-7%
5. Capital Outlay	3,030	2,704	-11%
6. Loans and Advances	0.57	0.35	-38%
7. Debt Repayment	6,810	5,324	-22%
Revenue Balance	1,676	689	-59%
Revenue Balance (as % of GSDP)	4.3%	1.9%	-55%
Fiscal Deficit	1,353	1,563	16%
Fiscal Deficit (as % of GSDP)	3.5%	4.4%	25%

Sources: Nagaland Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue

Tax Head	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Taxes on Vehicles	115	8	-93%
Taxes and Duties on Electricity	5	1	-77%
Sales Tax/ VAT	280	247	-12%
State GST	958	959	0%
State Excise	3	4	38%
Land Revenue	1	3	303%
Stamps Duty and Registration Fees	3	188	5953%

Sources: Nagaland Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors

Sector	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Water Supply and Sanitation	538	188	-65%
Urban Development	751	380	-49%
Irrigation and Flood Control	95	50	-48%
Rural Development	1,016	549	-46%
Welfare of SC, ST, OBC, and Minorities	83	68	-18%
Agriculture and Allied Activities	1,045	874	-16%
Education, Sports, Arts, and Culture	2,305	2,322	1%
Police	1,873	1,964	5%
Health and Family Welfare	1,130	1,230	9%
Social Welfare and Nutrition	399	453	14%
Energy	670	824	23%
Transport	967	1,207	25%
<i>of which Roads and Bridges</i>	871	1,110	27%
Housing	64	101	59%

Sources: Nagaland Budget Documents of various years; PRS.