

Sikkim Budget Analysis 2024-25

The Finance Minister of Sikkim, Mr. Prem Singh Tamang, presented the Budget for the state for the financial year 2024-25 on August 5, 2024.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Sikkim for 2024-25 (at current prices) is projected to be Rs 52,555 crore, amounting to growth of 11% over 2023-24.
- **Expenditure (excluding debt repayment)** in 2024-25 is estimated to be Rs 13,589 crore, an increase of 13% over the revised estimates of 2023-24. In addition, debt of Rs 414 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2024-25 are estimated to be Rs 10,749 crore, an increase of 13% as compared to the revised estimate of 2023-24.
- **Revenue surplus** in 2024-25 is estimated to be 1% of GSDP (Rs 499 crore), lower than the revised estimates for 2023-24 (2% of GSDP). In 2023-24, as per the revised estimates, the revenue surplus is expected to be higher than the budget estimate (0.1% of GSDP).
- **Fiscal deficit** for 2024-25 is targeted at 5.4% of GSDP (Rs 2,840 crore). In 2023-24, as per the revised estimates, fiscal deficit is expected to be 5.3% of GSDP, higher than the budget estimate of 4.5%.

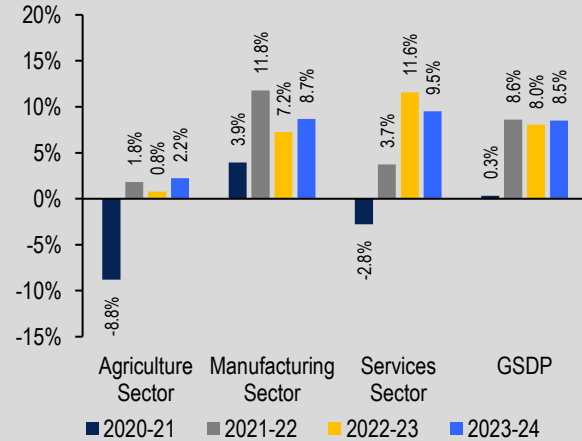
Policy Highlights

- **Tourism:** A comprehensive tourism policy will be developed. It will focus on developing high-value tourism corridors and creating employment opportunities in tourism. For convenience of tourists, an online permit system will be introduced for visiting Tsogmo and Nathula.
- **Roads:** Construction of an Alternate Highway will be undertaken at a cost of Rs 2,503 crore.

Sikkim's Economy

- **GSDP:** In 2023-24, Sikkim's GSDP (at constant prices) grew at 8.5%, compared to 8% in 2022-23. In comparison, national GDP is estimated to grow at 8.2% in 2023-24.
- **Sectors:** The agriculture sector grew by 2.2% in 2023-24. Manufacturing sector grew by 8.7% in 2023-24. In comparison, it grew by 7.2% in 2022-23. Services grew by 9.5% in 2023-24.
- In 2023-24, agriculture, manufacturing, and services sectors are estimated to contribute 8%, 62%, and 30% to the economy, respectively (at current prices).
- **Per capita income:** The per capita income of Sikkim in 2023-24 (at current prices) is estimated at Rs 7,07,181, an increase of 13.7% over 2022-23.

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



Note: 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: MoSPI; PRS.

Budget Estimates for 2024-25

- **Total expenditure (excluding debt repayment)** in 2024-25 is targeted at Rs 13,589 crore. This is an increase of 13% over the revised estimate of 2023-24. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 10,749 crore and net borrowings of Rs 2,862 crore. Total receipts for 2024-25 (other than borrowings) are expected to register an increase of 13% over the revised estimate of 2023-24.
- **Revenue surplus** in 2024-25 is estimated to be 1% of GSDP (Rs 499 crore), lower than the revised estimates for 2023-24 (2% of GSDP). **Fiscal deficit** for 2024-25 is targeted at 5.4% of GSDP (Rs 2,840 crore), as compared to 5.3% of GSDP at the revised estimate stage in 2023-24. In 2024-25, the central government has allowed a fiscal deficit limit of 3.5% of GSDP for states (of which 0.5% of GSDP becomes available on undertaking power sector reforms).

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	10,175	11,807	12,373	4.8%	14,003	13.2%
(-) Repayment of debt	168	296	296	0.0%	414	39.5%
Net Expenditure (E)	10,008	11,510	12,076	4.9%	13,589	12.5%
Total Receipts	10,141	11,955	12,743	6.6%	14,025	10.1%
(-) Borrowings	2,037	2,592	3,190	23.1%	3,275	2.7%
Net Receipts (R)	8,104	9,363	9,553	2.0%	10,749	12.5%
Fiscal Deficit (E-R)	1,903	2,147	2,523	17.5%	2,840	12.5%
as % of GSDP	4.5%	4.5%	5.3%		5.4%	
Revenue Deficit	473	42	924	2121.4%	499	-46.0%
as % of GSDP	1.1%	0.1%	2.0%		1.0%	
Primary Deficit	1,185	1,236	1,698	37.4%	1,921	13.2%
as % of GSDP	2.8%	2.6%	3.6%		3.7%	
GSDP	42,756	47,326	47,326	0.0%	52,555	11.0%

Note: BE is Budget Estimates; RE is Revised Estimates. GSDP figures used in the analysis have been back-calculated for all years using consolidated debt figures in the Budget at a Glance document.

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

Expenditure in 2024-25

- **Revenue expenditure** for 2024-25 is proposed to be Rs 10,250 crore, an increase of 19% over the revised estimate of 2023-24. This includes the expenditure on salaries, pension, interest, grants, and subsidies.
- **Capital outlay** for 2024-25 is proposed to be Rs 3,338 crore, a decrease of 3% over the revised estimate of 2023-24. Capital outlay indicates the expenditure towards creation of assets.
- In 2024-25, loans and advances by the state are expected to be Rs 1.4 crore, more than double the revised estimates of 202

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	7,631	9,321	8,629	-7%	10,250	19%
Capital Outlay	2,377	2,188	3,447	58%	3,338	-3%
Loans given by the state	0.375	1.35	0.651	-52%	1.35	107%
Net Expenditure	10,008	11,510	12,076	5%	13,589	13%

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

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pension, 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, Sikkim is estimated to spend Rs 6,085 crore on committed expenditure, which is 57% of its estimated revenue receipts. This comprises spending on salaries (34% of revenue receipts), pension (14%), and interest payments (9%). In 2023-24, expenditure towards salaries is estimated to be 2% lower than the budget estimate. In 2022-23, as per actuals, 62% of revenue receipts were spent towards committed expenditure.

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	3,122	3,327	3,259	-2%	3,654	12%
Pension	1,150	1,302	1,302	0%	1,513	16%
Interest payment	718	912	825	-9%	918	11%
Total Committed Expenditure	4,990	5,541	5,387	-3%	6,085	13%

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

Sector-wise expenditure: The sectors listed below account for **57%** of the total expenditure on sectors by the state in 2024-25. A comparison of Sikkim's expenditure on key sectors with that by other states is shown in Annexure 1.

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

Sector	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Education, Sports, Arts, and Culture	1,589	1,884	1,897	1,994	5%
Transport	681	839	1,061	932	-12%
Agriculture and Allied Activities	567	775	753	906	20%
Health and Family Welfare	629	706	737	805	9%
Social Welfare and Nutrition	329	457	450	651	45%
Energy	630	469	607	619	2%
Police	528	575	540	618	14%
Welfare of SC, ST, OBC, and Minorities	242	262	263	426	62%
Rural Development	257	345	313	418	34%
Housing	556	209	297	391	32%
% of total expenditure on all sectors	60%	57%	57%	57%	

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

Receipts in 2024-25

- **Total revenue receipts** for 2024-25 are estimated to be Rs 10,749 crore, an increase of 13% over the revised estimate of 2023-24. Of this, Rs 3,091 crore (29%) will be raised by the state through its **own resources**, and Rs 7,659 crore (71%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (45% of revenue receipts) and grants (26% of revenue receipts).
- **Devolution:** In 2024-25, state's share in central taxes is estimated at Rs 4,839 crore, an increase of 13% over the revised estimate of 2023-24.
- **Grants from the centre** in 2024-25 are estimated at Rs 2,819 crore, an increase of 11% over the revised estimates for 2023-24.
- **State's own tax revenue:** Sikkim's total own tax revenue is estimated to be Rs 2,164 crore in 2024-25, an increase of 24% over the revised estimate of 2023-24. Own tax revenue as a percentage of GSDP is estimated at 4.1% in 2024-25, higher than the revised estimates for 2023-24 (3.7%). As per the actual figures for 2022-23, own tax revenue as a percentage of GSDP was 3.5%.

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	1,497	1,727	1,743	1%	2,164	24%
State's Own Non-Tax	976	1,079	990	-8%	927	-6%
Share in Central Taxes	3,865	3,963	4,285	8%	4,839	13%
Grants-in-aid from Centre	1,766	2,593	2,534	-2%	2,819	11%
Revenue Receipts	8,104	9,362	9,553	2%	10,749	13%
Non-debt Capital Receipts	0.4	0.3	0.3	0%	0.3	0%
Net Receipts	8,104	9,363	9,553	2.0%	10,749	13%

BE is Budget Estimates; RE is Revised Estimates.

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

- In 2024-25, **State GST** is estimated to be the largest source of own tax revenue (58% share). State GST revenue is estimated to increase by 31% over the revised estimates of 2023-24.
- Revenue from sales tax/VAT is estimated to decrease by 11%, and revenue from state excise is estimated to increase by 43% over the revised estimate of 2023-24.

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	804	960	964	0.4%	1,265	31%
State Excise	298	315	315	0%	450	43%
Sales Tax/ VAT	249	280	280	0%	250	-11%
Taxes on Vehicles	50	56	56	0%	73	30%
Stamps Duty and Registration Fees	27	27	27	0%	28	4%
Land Revenue	9	20	32	61%	27	-18%

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

Deficits, Debt, and FRBM Targets for 2024-25

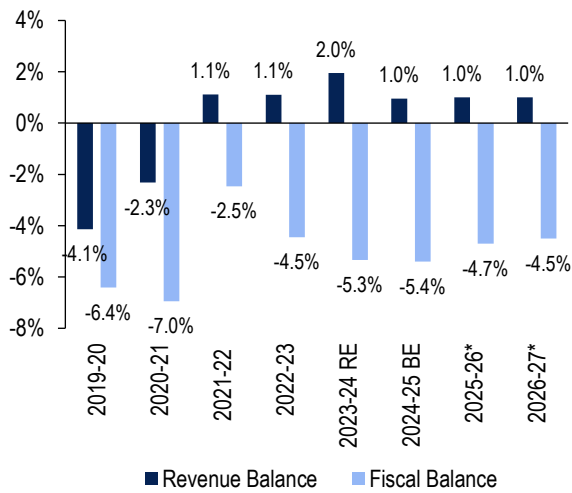
The Sikkim Fiscal Responsibility and Budget Management Act, 2010 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue balance: It is the difference of revenue expenditure and revenue receipts. A revenue surplus implies that the government needs to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue surplus of Rs 499 crore (or 1% 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 5.4% of GSDP. For 2024-25, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms. Fiscal deficit is projected to be lowered to 4.5% of GSDP by 2026-27.

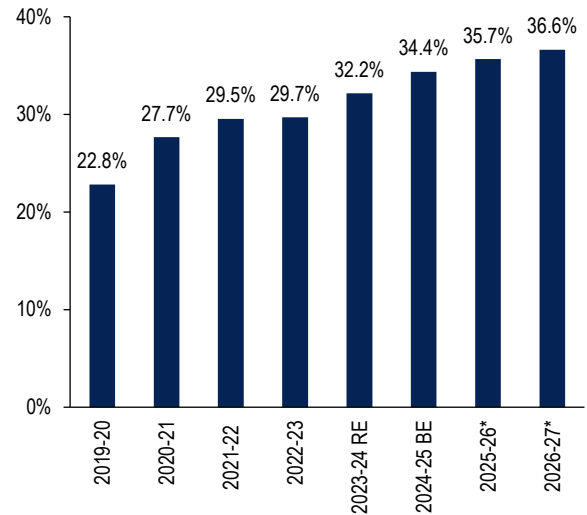
Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year. It also includes any liabilities on the public account. At the end of 2024-25, the outstanding liabilities are estimated to be 34% of GSDP, higher than the revised estimate for 2023-24 (32% of GSDP). Outstanding liabilities are projected to increase to 37% by 2026-27.

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



Note: *Figures for 2025-26 and 2026-27 are projections; RE is Revised Estimates; BE is budget estimates.
Sources: Medium Term Fiscal Policy, Sikkim Budget 2024-25; PRS.

Figure 3: Outstanding Liabilities (as % of GSDP)



Note: *Figures for 2025-26 and 2026-27 are projections; RE is Revised Estimates; BE is budget estimates.
Sources: Medium Term Fiscal Policy, Sikkim Budget 2024-25; PRS.

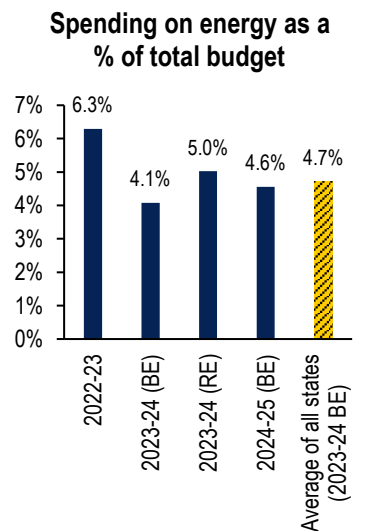
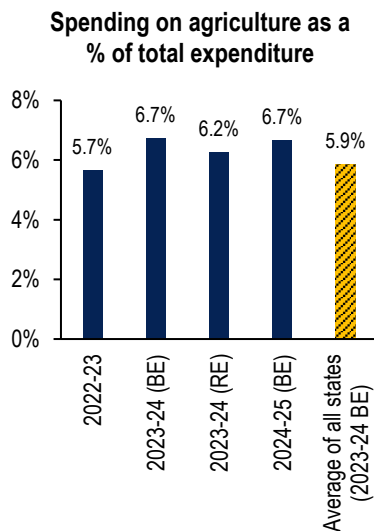
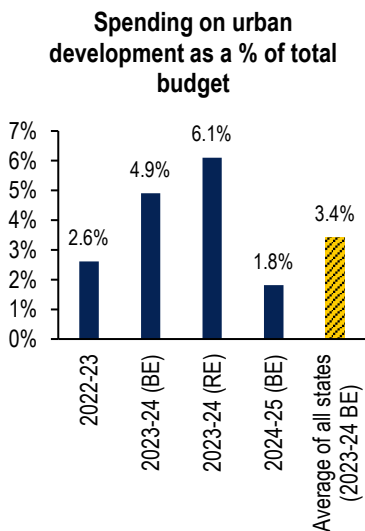
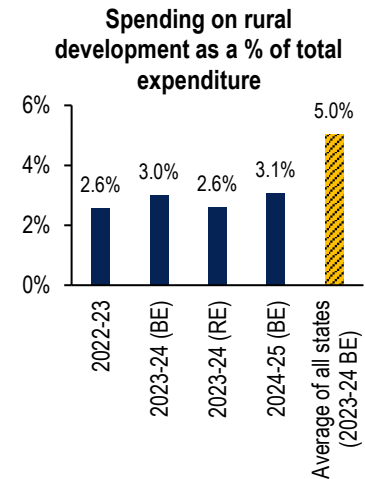
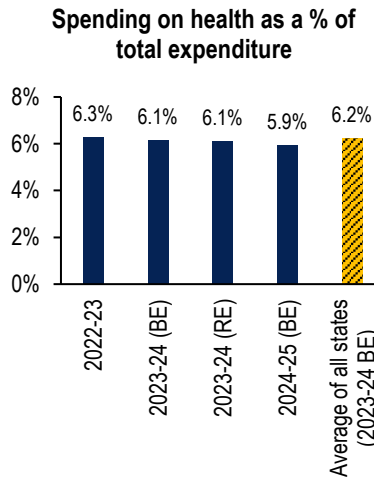
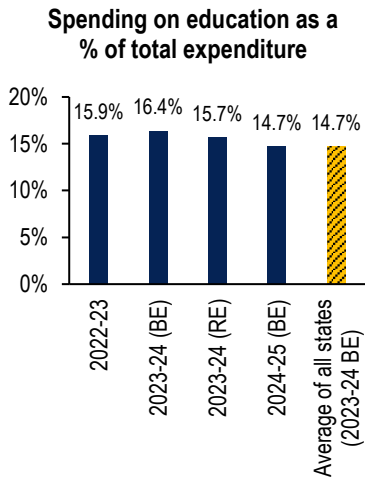
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As on March 31, 2024, the state’s outstanding guarantee is estimated to be Rs 4,321 crore, which is 8.2% of Sikkim’s GSDP in 2023-24.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Sikkim'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 Sikkim) as per their budget estimates of 2023-24.¹

- **Education:** Sikkim has allocated 14.7% of its expenditure on education in 2024-25. This is the same as the average allocation for education by states in 2023-24 (14.7%).
- **Health:** Sikkim has allocated 5.9% of its total expenditure towards health, which is lower than the average allocation for health by states (6.2%).
- **Rural development:** Sikkim has allocated 3.1% of its expenditure on rural development. This is lower than the average allocation for rural development by states (5%).
- **Urban development:** Sikkim has allocated 1.8% of its expenditure towards urban development. This is lower than the average allocation towards urban development by states (3.4%).
- **Agriculture:** Sikkim has allocated 6.7% of its total expenditure towards agriculture, which is higher than the average expenditure on agriculture by states (5.9%).
- **Energy:** Sikkim has allocated 4.6% of its total expenditure towards energy, which is marginally lower than the average allocation by states (4.7%).



Note: 2022-23, 2023-24 (BE), 2023-24 (RE), and 2024-25 (BE) figures are for Sikkim. Sources: Annual Financial Statement, Sikkim 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)	8,421	8,104	-4%
1. Revenue Receipts (a+b+c+d)	8,421	8,104	-4%
a. Own Tax Revenue	1,336	1,497	12%
b. Own Non-Tax Revenue	990	976	-1%
c. Share in central taxes	3,169	3,865	22%
d. Grants-in-aid from the Centre	2,925	1,766	-40%
Of which GST compensation grants	0	0	
2. Non-Debt Capital Receipts	0.0773	0	466%
3. Borrowings	1,698	2,037	20%
Of which GST compensation loan	0	0	
Net Expenditure (4+5+6)	9,948	10,008	1%
4. Revenue Expenditure	8,354	7,631	-9%
5. Capital Outlay	1,592	2,377	49%
6. Loans and Advances	1	0	-72%
7. Debt Repayment	168	168	0%
Revenue Deficit	-66	473	-814%
Revenue Deficit (as % of GSDP)	-0.2%	1.1%	-738%
Fiscal Deficit	1,527	1,903	25%
Fiscal Deficit (as % of GSDP)	4.0%	4.5%	

Source: Sikkim Budget Documents of various years; PRS.

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

Tax Source/Head	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
State Excise	297	298	0%
Land Revenue	9	9	2%
Sales Tax/ VAT	233	249	7%
Taxes on Vehicles	46	50	8%
State GST	687	804	17%
Stamps Duty and Registration Fees	14	27	85%
Land Revenue	9	9	2%

Source: Sikkim Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors

Sector	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Welfare of SC, ST, OBC, and Minorities	487	242	-50%
Agriculture and Allied Activities	739	567	-23%
Transport	835	681	-18%
<i>of which Roads and Bridges</i>	756	611	-19%
Social Welfare and Nutrition	389	329	-15%
Rural Development	281	257	-9%
Water Supply and Sanitation	200	190	-5%
Police	550	528	-4%
Education, Sports, Arts, and Culture	1,635	1,589	-3%
Irrigation and Flood Control	137	137	0%
Health and Family Welfare	611	629	3%
Energy	493	630	28%
Urban Development	203	261	28%
Housing	119	556	366%

Source: Sikkim Budget Documents of various years; PRS.