

# Impact of election Cycles on state fiscal indicators

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17.11.2025

# States have seen higher fiscal Deficit and Revenue expenditure post Elections:

State	Election Date	FD/GSDP (%)			Revex/GSDP(%)		
		Pre-election	Election Year	Year After	Pre-election	Election Year	Year After
Karnataka	May-23	1.7	2.6	3.1	9.5	9.5	9.5
Chhatishgarh	Nov-23	1	5.3	4.9	11.4	22.4	22.3
Madhya Pradesh	Nov-23	3.3	3.3	4.7	16	16.2	16.7
Rajasthan	Nov-23	3.7	4.3	4.4	16.6	15.9	15.5
Telangana	Nov-23	2.5	3.4	3	11.8	11.5	11
Andhra Pradesh	May-24	4.4	5.1	4.4	14.9	14.1	13.8
Odisha	May-24	1.7	2.7	3.2	17.3	17	18.8
Haryana	Oct-24	2.9	2.9	2.7	10.4	10.2	11
Maharashtra	Nov-24	2.2	2.7	2.8	11	11.5	12.3
Jharkhand	Nov-24	1.4	2.7	2	16.6	17	19.9
Average		2.5	3.5	3.5	14.2	14.5	15.1

- SDI yields of most election bound states might stay elevated .
- High SDL yields might give an upward bias to G-sec yields also.

# States had to reduce capex to provide freebies and Revenue expenditure:

State	Election Date	Capex GSDP (%)		
		Pre-election	Election Year	Year After
Karnataka	May-23	2.5	2	2.1
Chhatishgarh	Nov-23	3	3	3.7
Madhya Pradesh	Nov-23	3.4	4.1	4.8
Rajasthan	Nov-23	1.7	1.8	2
Telangana	Nov-23	1.4	3	2.2
Andhra Pradesh	May-24	1.6	1.2	2.2
Odisha	May-24	5	4.9	6.1
Haryana	Oct-24	1.5	0.9	1.2
Maharashtra	Nov-24	1.8	1.8	1.7
Jharkhand	Nov-24	4.5	3.6	4.1
Average		2.6	2.6	3

- Lower Capex could negatively impact state GDP and mathematically push up fiscal deficit.

# BR's major subsidy/ freebie schemes total nearly 4% of GDP for FY26

Scheme	Details	FY26E Amt (Rs bn)	% of GDP
Free electricity	Up to 125 units per month + lost taxes on electricity	74	0.7
Higher social pension	Raised from Rs400 to Rs1,100	46	0.4
Monthly stipend for students	Rs4,000 HS graduates, Rs5,000 ITI pass-outs, Rs6,000 graduates/PG	7	0.1
Higher stipend for medical interns	Rs7,000 increase in stipend for medical interns	0	0
Grant to women entrepreneurs	Rs10,000 grant; Rs200,000 loan after six months	277	2.5
Grant to construction workers	Rs5,000 grant	8	0.1
<b>Total</b>		<b>412</b>	<b>3.8</b>

For Bihar with a per capita income of Rs 70000 these freebies matter a lot.

# Fiscal Indicators of Bihar (Rs. Bn.)

Perticulars	FY24	FY25	FY26(BE)
<b>Total receipts</b>	1934	1990	2614
<b>Own tax revenue</b>	484	581	595
<b>Devolution</b>	1136	1143	1391
<b>Aid</b>	261	294	546
<b>Non Tax revenue</b>	53	57	82
<b>Total Expenditure</b>	2291	2528	2941
<b>Rev expenditure</b>	1905	2145	2520
<b>Cap Expenditure</b>	365	383	405
<b>Fiscal deficit</b>	357	538	327
<b>Fiscal deficit %</b>	4.2	6	3

□Fiscal deficit estimate for FY26 looks unrealistic.

- These freebies during elections expected to continue and put pressure in state fiscal deficit.
- Total Government debt to GDP (Central + States) likely to go up.
- This metrics might come under the radar of global rating agencies.
- Centre may have to provide loans and aid and this may put some pressure on bond yields.

# THANK YOU !

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