

Impact of election Cycles on state fiscal indicators

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17.11.2025

Internal

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

		FD/GSDP (%)			Revex/GSDP(%)		
State	Election Date	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
Chhatisgarh	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
Andhara 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 night give an upward bias to G-sec yields also.

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

		Capex GSDP (%)		
State	Election Date	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
Andhara 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
Total		412	3.8

❑ 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)
Total receipts	1934	1990	2614
Own tax revenue	484	581	595
Devolution	1136	1143	1391
Aid	261	294	546
Non Tax revenue	53	57	82
Total Expenditure	2291	2528	2941
Rev expenditure	1905	2145	2520
Cap Expenditure	365	383	405
Fiscal deficit	357	538	327
Fiscal deficit %	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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