

AJNIFM Index of Public Financial Performance of Indian states and their ranking in terms of fiscal health

A study for preparation of an index of public financial performance of all Indian states was undertaken by AJNIFM between April and December, 2023, covering the 10-year period from 2011-12 to 2021-22, the last year for which audited Finance accounts of the states are available. For Andhra Pradesh and Telangana, the period covered was from 2015-16 to 2021-22, while for West Bengal, the study had to be restricted till 2020-21 as the Finance Account for the year 2021-22 is yet to be placed before the Legislature and hence not available in the public domain.

All the receipts and expenditure data used in the study have been sourced only from the audited Finance Accounts of each state for the above period. The data on the Gross state Domestic Product (GSDP) of the states have been sourced from the national accounts statistics of Ministry of Statistics and Programme Implementation (MoSPI), Govt of India.

Framework of the Study and Methodology Used

Since all aspects of public financial management needed to be considered, the first task was to devise the relevant parameters that will capture the performance of the states in an objective way. 23 such parameters were devised which were then grouped under six categories covering: (1) Resource, (2) Expenditure, (3) Debt, (4) Deficit, (5) Contingent Liability And (6) Overspending (Profligacy). By computing and averaging their values over the ten-year period using the usual following standard econometric procedures, a composite sub-index under each category was then prepared. The six sub-indexes were then combined into a single composite index for determining the final ranking of the states.

Since the same yardsticks cannot be applied to all the states in India because of their different needs and resource constraints, for the purpose of our ranking, all states were grouped into two categories: (1) 18 major states (called the General Category States) and (2) 10 vulnerable states (called the Special Category States) which include the eight north-eastern states, besides Himachal Pradesh and Uttarakhand. Ranking of the states was done separately for these two categories. Union Territories were excluded from the scope of the Study.

While equal weightages were assigned to each individual parameters while computing the sub-indexes under each category, in their final assimilated into the single final composite index of performance, the weightages assigned were as follows:

Sl. No.	Name of Sub-Index	Weightage assigned	Index Values
1	Resource Management	1	0.494
2	Expenditure Management	1	0.487
3	Deficit Management	1	0.485

4	Debt Management	1.5	0.440
5	Contingent Liability	0.5	0.681
6	Profligacy	1	0.585

Different weightages were assigned to Debt and Contingent liability indexes based on their risk perception as reflected in their average index values. Other details of the study are discussed below.

Sl. No.	Name of Sub-Index	Parameters used
1	Resource Management Index	(i) Own Revenue/ Revenue Expenditure (ii) Own Revenue / Total Revenue (iii) Own Tax Revenue/ GSDP (iv) Buoyancy of State's Own Tax Receipts w.r.t. GSDP (only for the last year)
2	Expenditure Management Index	(i) Development Expenditure/ Total Expenditure (ii) Expenditure on Education/ Total Expenditure (iii) Expenditure on Health / Total Expenditure (iv) Capital Outlay/ Total Expenditure (v) Committed Expenditure/ Revenue expenditure
3	Deficit Management Index	(i) Gross Fiscal Deficit/GSDP; (ii) Revenue Deficit/ GFD (iii) Primary Deficit/GSDP (iv) Capital Outlay/ Gross Fiscal Deficit
4	Debt Management Index	(i) Total Outstanding Liability / GSDP (ii) Interest Payments/ Revenue Expenditure (iii) Growth in Outstanding Debt / Growth in Total Revenue Receipts (CAGR) (iv) Capital Outlay/ Capital Receipts
5	Contingent Liability Index	(I) Growth of Outstanding Guarantees (CAGR)/ Growth of Revenue Receipts (CAGR) (II) Outstanding Guarantees/ GSDP (only for the last year)
6	Profligacy Index	(i) Subsidy /Revenue Expenditure (ii) CAGR of Subsidy/ CAGR of Revenue Expenditure (iii) Pension Payments/ Revenue Expenditure, scaled by the ratios of OPS to NPS as calculated in the report "Fiscal Cost of Reverting to the Old Pension Scheme by the Indian States – An Assessment" in the RBI Bulletin, September 2023, for those states that have either reverted back to the OPS or not implemented the NPS at all, in which case the average ratio calculated in the above report has been applied.

		(iv) CAGR of Pension/ CAGR of Revenue Expenditure
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(CAGR= Compound Annual Growth Rate; GSDP = Gross State domestic product; GFD = Gross Fiscal Deficit.)

The final results showing the ranking of the states in respect of the sub-indexes are as follows:

I. Resource Management Index

General category States			Special category States		
Ranking	States	Index values	Ranking	States	Index values
1	Goa	0.970	1	Uttarakhand	0.469
2	Telangana	0.813	2	Himachal Pradesh	0.419
3	Maharashtra	0.796	3	Assam	0.331
4	Gujrat	0.753	4	Sikkim	0.297
5	Haryana	0.732	5	Meghalaya	0.231
6	Karnataka	0.720	6	Nagaland	0.227
7	Tamil Nadu	0.700	7	Tripura	0.160
8	Punjab	0.683	8	Mizoram	0.115
9	Kerala	0.659	9	Arunachal Pradesh	0.108
10	Chhattisgarh	0.588	10	Manipur	0.096
11	Uttar Pradesh	0.584	The higher the value of the index, the better the performance of the state in managing its revenue. States towards the bottom are the worst performers.		
12	Madhya Pradesh	0.570			
13	Rajasthan	0.566			
14	Andhra Pradesh	0.544			
15	Odisha	0.534			
16	Jharkhand	0.455			
17	West Bengal	0.381			
18	Bihar	0.337			

II. Expenditure Management Index

General category States			Special category States		
Ranking	States	Index values	Ranking	States	Index values
1	Chhattisgarh	0.666	1	Meghalaya	0.685
2	Gujrat	0.647	2	Arunachal Pradesh	0.621
3	Karnataka	0.646	3	Sikkim	0.616
4	Bihar	0.624	4	Assam	0.582
5	Odisha	0.620	5	Tripura	0.512
6	Madhya Pradesh	0.597	6	Mizoram	0.485
7	Uttar Pradesh	0.567	7	Uttarakhand	0.457
8	Maharashtra	0.553	8	Himachal Pradesh	0.379
9	Rajasthan	0.547	9	Manipur	0.331
10	Jharkhand	0.540	10	Nagaland	0.153
11	Goa	0.533			
12	Tamil Nadu	0.518			

13	Telangana	0.405	The higher the value of the index, the better the performance of the state in managing its expenditure and in the efficiency of allocation. States towards the bottom are the worst performers.
14	West Bengal	0.394	
15	Haryana	0.372	
16	Kerala	0.304	
17	Andhra Pradesh	0.256	
18	Punjab	0.039	

III. Deficit Management Index

General category States			Special category States		
Ranking	States	Index values	Ranking	States	Index values
1	Maharashtra	0.683	1	Manipur	0.818
2	Gujrat	0.658	2	Nagaland	0.602
3	Uttar Pradesh	0.575	3	Tripura	0.584
4	Goa	0.538	4	Sikkim	0.563
5	West Bengal	0.535	5	Uttarakhand	0.552
6	Karnataka	0.498	6	Assam	0.551
7	Chhattisgarh	0.482	7	Himachal Pradesh	0.520
8	Odisha	0.479	8	Arunachal Pradesh	0.514
9	Jharkhand	0.470	9	Mizoram	0.376
10	Bihar	0.448	10	Meghalaya	0.356
11	Madhya Pradesh	0.435	The higher the value of the index, the better the performance of the state in managing its deficits and using it for creation of capital assets. States towards the bottom are the worst performers in deficit management.		
12	Tamil Nadu	0.432			
13	Haryana	0.369			
14	Punjab	0.349			
15	Kerala	0.347			
16	Rajasthan	0.315			
17	Andhra Pradesh	0.277			
18	Telangana	0.262			

IV. Debt Management Index

General category States			Special category States		
Ranking	States	Index values	Ranking	States	Index values
1	Odisha	0.669	1	Arunachal Pradesh	0.729
2	Telangana	0.595	2	Assam	0.597
3	Chhattisgarh	0.576	3	Sikkim	0.550
4	Karnataka	0.490	4	Tripura	0.546
5	Madhya Pradesh	0.479	5	Meghalaya	0.502
6	Jharkhand	0.476	6	Manipur	0.476
7	Bihar	0.475	7	Mizoram	0.434
8	Maharashtra	0.461	8	Uttarakhand	0.411
9	Uttar Pradesh	0.414	9	Nagaland	0.391
10	Gujrat	0.391	10	Himachal Pradesh	0.293
11	Tamil Nadu	0.379	The higher the value of the index, the better the performance of the state in managing its debt.		
12	Goa	0.378			
13	Rajasthan	0.347			

14	Andhra Pradesh	0.316	States towards the bottom carry the highest risks of debt.
15	Kerala	0.307	
16	Haryana	0.301	
17	West Bengal	0.178	
18	Punjab	0.151	

V. Contingent Liability Index

General category States			Special category States		
Ranking	States	Index values	Ranking	States	Index values
1	Gujrat	0.972	1	Uttarakhand	0.995
2	West Bengal	0.914	2	Mizoram	0.948
3	Odisha	0.843	3	Himachal Pradesh	0.916
4	Punjab	0.832	4	Assam	0.910
5	Goa	0.797	5	Arunachal Pradesh	0.844
6	Maharashtra	0.776	6	Nagaland	0.820
7	Karnataka	0.749	7	Tripura	0.767
8	Jharkhand	0.742	8	Manipur	0.708
9	Haryana	0.703	9	Meghalaya	0.498
10	MP	0.682	10	Sikkim	0.046
11	Kerala	0.626	The higher the value of the index, the lower the risk of contingent liabilities. In general, states are found not having much risk of contingent liabilities.		
12	Chhattisgarh	0.602			
13	Rajasthan	0.571			
14	Bihar	0.569			
15	Tamil Nadu	0.563			
16	UP	0.418			
17	Telangana	0.197			
18	Andhra Pradesh	0.066			

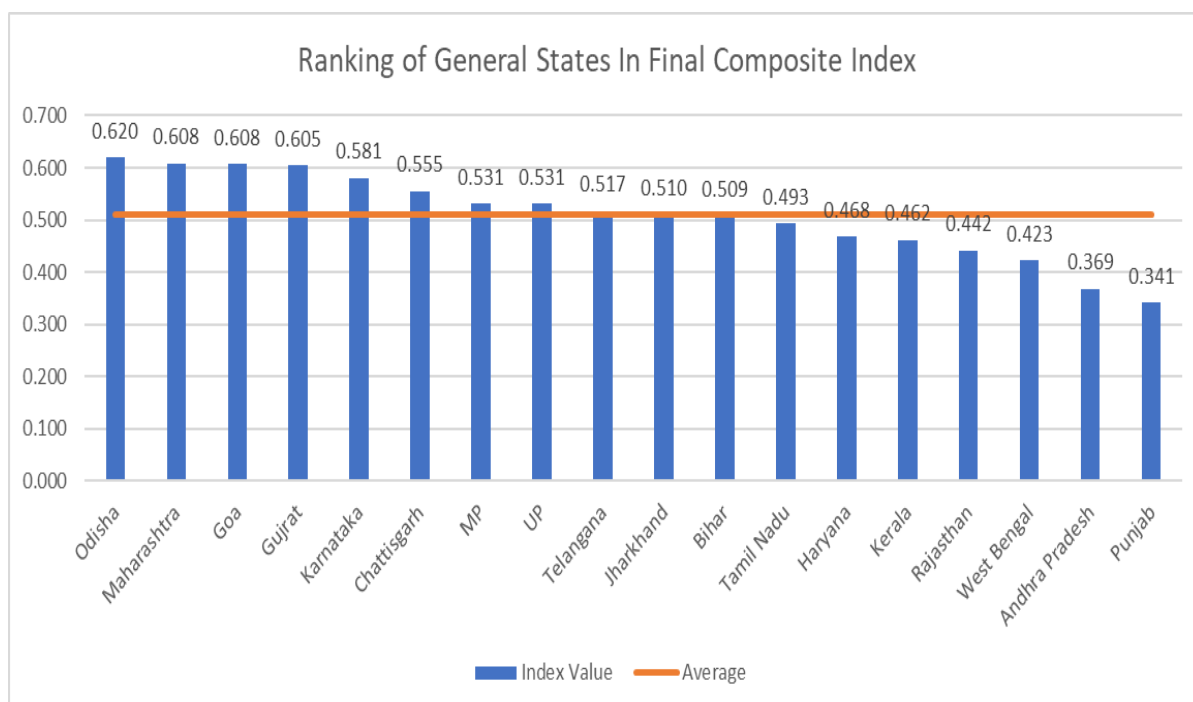
VI. Profligacy Index

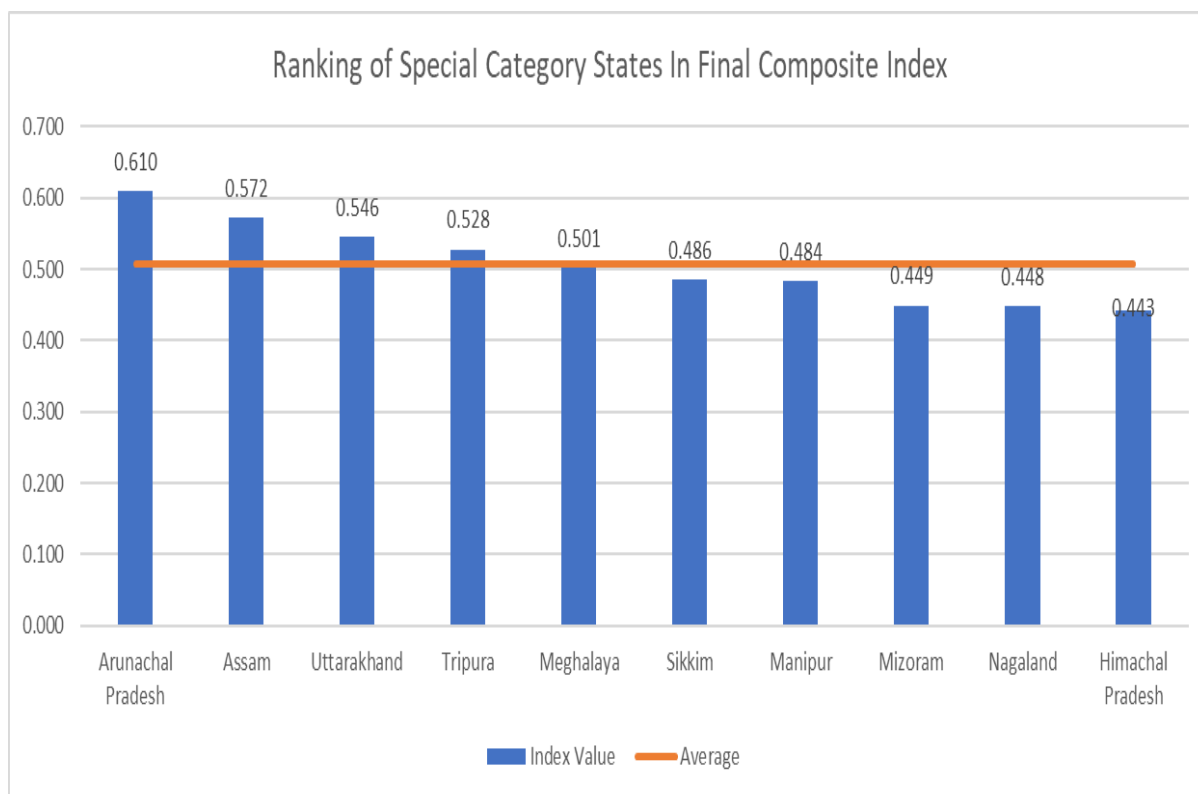
General category States			Special category States		
Ranking	States	Index values	Ranking	States	Index values
1	Kerala	0.687	1	Arunachal Pradesh	0.899
2	Odisha	0.664	2	Meghalaya	0.734
3	Bihar	0.650	3	Nagaland	0.708
4	Goa	0.641	4	Tripura	0.708
5	Telangana	0.634	5	Uttarakhand	0.686
6	Uttar Pradesh	0.629	6	Assam	0.617
7	Andhra Pradesh	0.627	7	Mizoram	0.596
8	Maharashtra	0.539	8	Sikkim	0.592
9	Haryana	0.532	9	Manipur	0.589
10	Madhya Pradesh	0.527	10	Himachal Pradesh	0.442
11	Jharkhand	0.512	The higher the value of the index, the less profligate the state. States towards the bottom are the most profligate.		
12	Karnataka	0.511			
13	West Bengal	0.507			
14	Gujrat	0.499			

15	Tamil Nadu	0.459	
16	Chhattisgarh	0.430	
17	Rajasthan	0.417	
18	Punjab	0.334	

The Final Composite Index and the ranking of the states therein are as follows:

General category States			Special category States		
Ranking	States	Index values	Ranking	States	Index values
1	Odisha	0.620	1	Arunachal Pradesh	0.610
2	Maharashtra	0.608	2	Assam	0.572
3	Goa	0.608	3	Uttarakhand	0.546
4	Gujrat	0.605	4	Tripura	0.528
5	Karnataka	0.581	5	Meghalaya	0.501
6	Chhattisgarh	0.555	6	Sikkim	0.486
7	MP	0.531	7	Manipur	0.484
8	UP	0.531	8	Mizoram	0.449
9	Telangana	0.517	9	Nagaland	0.448
10	Jharkhand	0.510	10	Himachal Pradesh	0.443
11	Bihar	0.509			
12	Tamil Nadu	0.493			
13	Haryana	0.468			
14	Kerala	0.462			
15	Rajasthan	0.442			
16	West Bengal	0.423			
17	Andhra Pradesh	0.369			
18	Punjab	0.341			





Authors of the Study: The study has been conducted by Dr Govinda Bhattacharjee, Professor of Practice, AJNIFM and Ms Meghna Agarwal, former Research Associate at AJNIFM. The index will be updated every year.