Summary Report for the State of Gujarat

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This updated report is a product of the NITI NCAER States Economic Forum. Prepared by a team led by Dr Anil Sharma, comprising of Dr Arjita Chandna, Dr Jayanta Talukder, Ms. Ayesha Ahmed, Ms. Aakansha Atal, Ms. Sneha Jyoti Kundu, Ms. Aliva Smruti and Ms. Kritika Soni. The NCAER team thanks Mr Rajib Sen and Dr Shelly Dahiya for their comments on an earlier version of this report. Comments are welcome at stateseconforum@ncaer.org.

1. *Demography*

According to the 2024 Census population projections, Gujarat's population was 72.4 million, representing 5.2 percent of India's total population.[2] The State's projected population growth rate at 1.2 percent was higher than the national average of 0.9 percent, as of 2023-24. As per the 2026 Census projections, Gujarat's population density (378 persons per sq. km.) is projected to remain below the national averages (434 persons per sq. km.), while its dependency ratio (54.3 percent) is projected to remain close to the national average (also at 54.3 percent).[3] About 49.2 percent of the population resides in urban areas as of 2024, which is higher than the national average of 35.4 percent. As per the National Family Health Survey (2019-21), the sex ratio at birth stood at 955 female births per 1,000 male births, which was higher than the national average of 929 female births per 1,000 male births.

As of 2023-24, Gujarat's annual unemployment rate, at 1.1 percent, was substantially lower than the national average of 3.2 percent, and the female labour force participation rate (46.0 percent) was higher than the national average (41.7 percent). The working population in Gujarat is primarily concentrated in Agriculture, Forestry, and Fishing (42.4 percent); Services (28.2 percent); and Manufacturing (21.6 percent) sectors. Additionally, the Construction sector accounted for about 7.0 percent share of the total workforce deployed in 2023–24.[4] As of 2024, the State recorded a Sustainable Development Goals (SDG) Index of 74 which was above the national average score of 71.

2. *Economic Structure (Growth and Sectoral Composition)*

Gujarat's real Gross State Domestic Product (GSDP) grew at an average rate of 8.1 percent per annum between 2014-15 and 2023-24, which was substantially above the national average growth rate of 6.0 percent over the same period.[5] During the last three decades, Gujarat's share in the national Gross Domestic Product (GDP) in nominal terms has increased from less than 6 percent in 1990-91 to 8.1 percent in 2023-24. As of 2023-24, its nominal per capita income was Rs. 336,875, much higher (1.8 times) than the national per capita income of Rs. 188,892.

Among the major sectors of the economy, the Industry sector had the highest share in Gujarat's Gross State Value Added (GSVA) (48.1 percent), followed by Services (35.8 percent) and Agriculture (16.2 percent) sectors in 2023-24. During the period from 2014–15 to 2023–24, the State's Agriculture sector grew by 3.9 percent per annum, slightly below the national average rate of 4.0 percent. The Industry and Services sectors registered average decadal growth rates of 8.9 percent and 7.1 percent annually, which were higher than the corresponding national average growth rates of 5.9 percent and 6.8 percent, respectively.

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[2] Projected data on population growth rate, dependency ratio, population density, and urban population are sourced from *"Population Projections for Indian States 2011-2036"* by the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, Government of India.

[3] Dependency ratio and population density are estimated for every five-year period in the Census Population Projections Report.

[4] Data on unemployment, female labour force participation, and workforce distribution are from the Periodic Labour Force Survey, 2017-18 to 2023-24.

[5] Data on Economic Structure are sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of March 2025. First Revised Estimates (FRE) are used for FY 2023-24.

3. Socio-economic Indicators (Health and Education)

Gujarat's literacy rate, at 78 percent, was higher than the national average of 73 percent, as of 2011.[6] School drop-out rates for secondary level (for Classes IX-X) stood at 21 percent in 2023-24, exceeding the national average of 14.1 percent. Gross Enrolment Ratio (GER) for secondary level (for Classes IX–X at 74.4 percent) in the State remained below the national figure (77.4 percent) in 2023-24. The Pupil-Teacher Ratio (PTR) has been higher than the national figures throughout the period from 2018-19 to 2023-24.[7] The Gender Parity Index (GPI) for Higher Education for the age group of 18–23 years has remained below the national average between the period from 2013–14 and 2021–22. As of 2021–22, the State recorded a GPI of 0.90 against the national average of 1.01.[8]

As of 2021, life expectancy (at birth) in Gujarat, at 69.9 years, was marginally higher than the national average (69.8 years). The infant mortality rate (21 deaths per 1,000 live births in 2021), was lower than the national average (27 deaths per 1,000 live births), and the total fertility rate (1.9 children per woman), was slightly below the national average (2 children per woman) during the same period (2019-21). The child nutrition in Gujarat has improved over time, with declines in the shares of underweight (39.7 percent) and stunted (39 percent) children, but these levels still remained above their corresponding national averages, as of 2019-21. Moreover, the incidence of anaemia among children (79.7 percent) also remained higher than the national benchmark (67.1 percent), as of 2019-21 (NFHS V). However, the share of fully immunised children (76.3 percent) was close to the national average (76.4 percent) in 2019-21. The State has improved on 'quality of life' indicators over the decades. The household access to basic amenities such as drinking water (97.5 percent), electricity (97.2 percent) and sanitation facilities (74.0 percent) was much higher than their respective national averages, as of 2019–21 (NFHS-V).

4. State of Public Finances and Tax Devolutions

4.1 Revenue Receipts and Resource Mobilisation

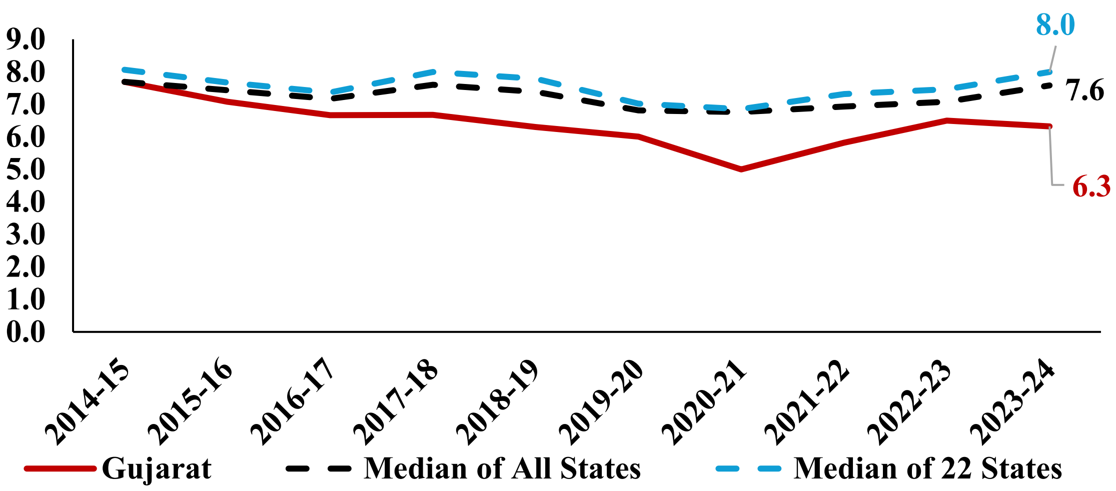
Gujarat’s total revenue receipts (own tax, own non-tax and shared by the Centre) stood at approximately 8.9 percent of GSDP in 2023-24,[9] lower than the medians of all States (19.5 percent) and that of 22 large States (16.0 percent).[10] The State’s own tax revenues as a share of GSDP stood at 5.5 percent of GSDP in 2023–24, which were also lower than the medians of all States (6.3 percent) as well as of the 22 States (6.4 percent). Similarly, the State’s non-tax revenue at 0.8 percent of GSDP in 2023–24, was likewise below both the comparative benchmarks (1.3 percent for both medians). Transfers from the Centre accounted for a moderate share of Gujarat’s revenues, constituting 28.9 percent of total revenue receipts in

[6] Literacy data are sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.
[7] School statistics are sourced from UDISE Reports, 2023-24.
[8] Higher education statistics are sourced from AISHE Reports, 2021-22.
[9] Data on fiscal variables are sourced from Reserve Bank of India, State Finances Report (RBI SFR), as of December 2024.
[10] For calculation of a median State, the variable as a percentage of GSDP (or any other variable) was computed for each State, with the median taken both across 22 large States (excluding all Union Territories and North Eastern States, except Assam) and all States.

2023–24, equivalent to 2.6 percent of GSDP.[11]

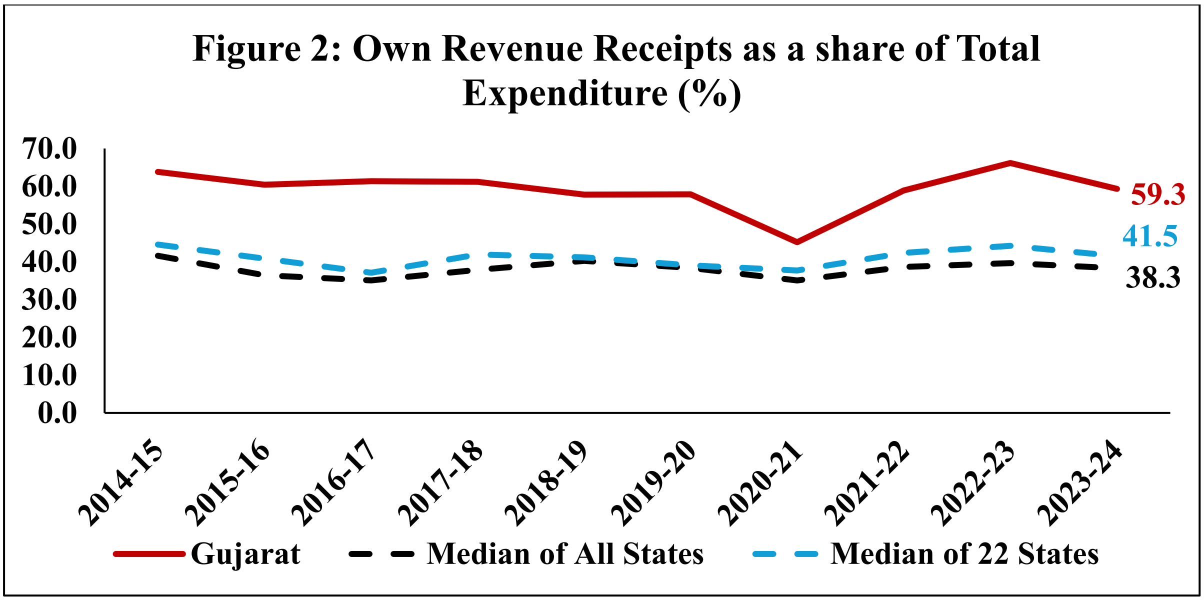
Own revenue receipts in the State as a share of GSDP,[12] which is a key indicator of revenue mobilisation, have remained below the medians of all States as well as of the 22 large States over the last decade from 2014–15 to 2023–24 (Figure 1). In 2023–24, these own revenue receipts as a share of GSDP stood at 6.3 percent, considerably below the medians of all States (7.6 percent) and median of 22 large States (8.0 percent). Thus, Gujarat's pool of revenue receipts is small relative to the size of its economy, compared to other States with high shares of Central government transfers.

Figure 1: Own Revenue Receipts as a share of GSDP (%)



Over the past decade from 2014–15 to 2023–24, the ratio of the State's own revenues to total expenditure, has remained higher than both the median benchmarks. In 2023–24, it stood at 59.3 percent—higher than the medians of all States (38.3 percent) as well as that of 22 large States (41.5 percent) (Figure 2). This ratio, which is a key metric in NITI Aayog's Fiscal Performance Index, reflects a State's degree of fiscal autonomy. A high ratio indicates a strong tax base and the ability of the State to cover its own expenses while a smaller share indicates reliance on Central government transfers to meet its budgetary expenses. It is, therefore, obvious that Gujarat is able to meet most of its expenses from its own revenues.

[11] Transfers from the Centre comprises of Grants-in-Aid and the State's share in Central taxes which includes Finance Commission-recommended transfers, discretionary grants and grants under other central schemes.
[12] Own revenue receipts are the sum of own tax revenue and own non-tax revenue.



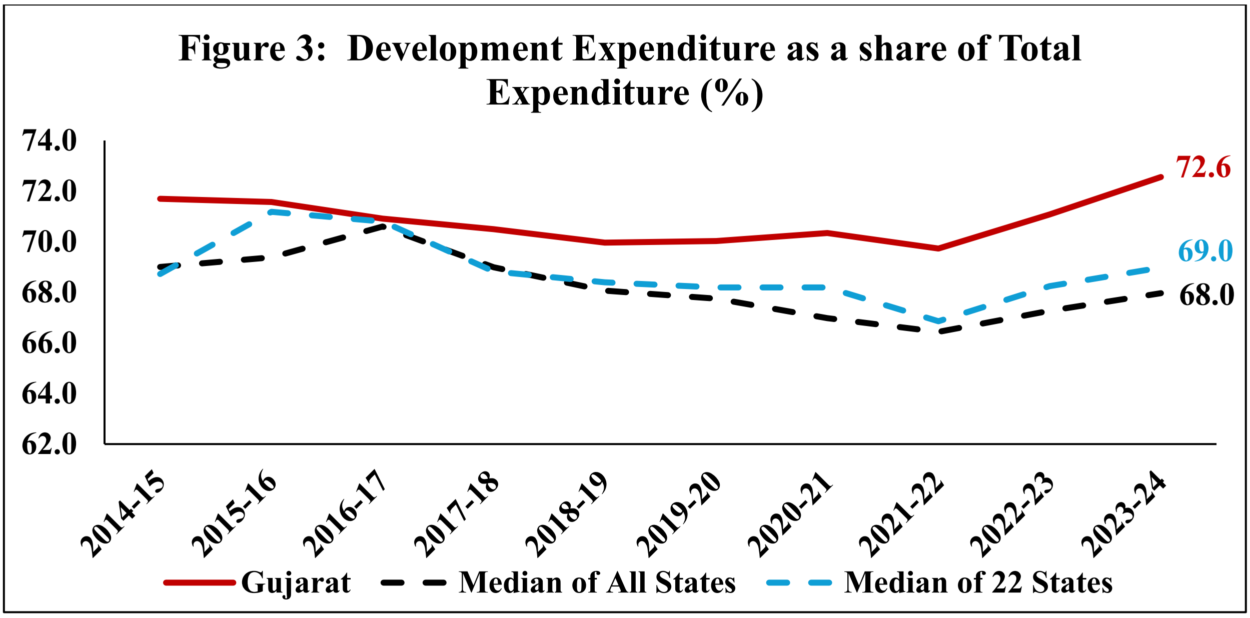
4.2 Expenditure and Quality of Expenditure

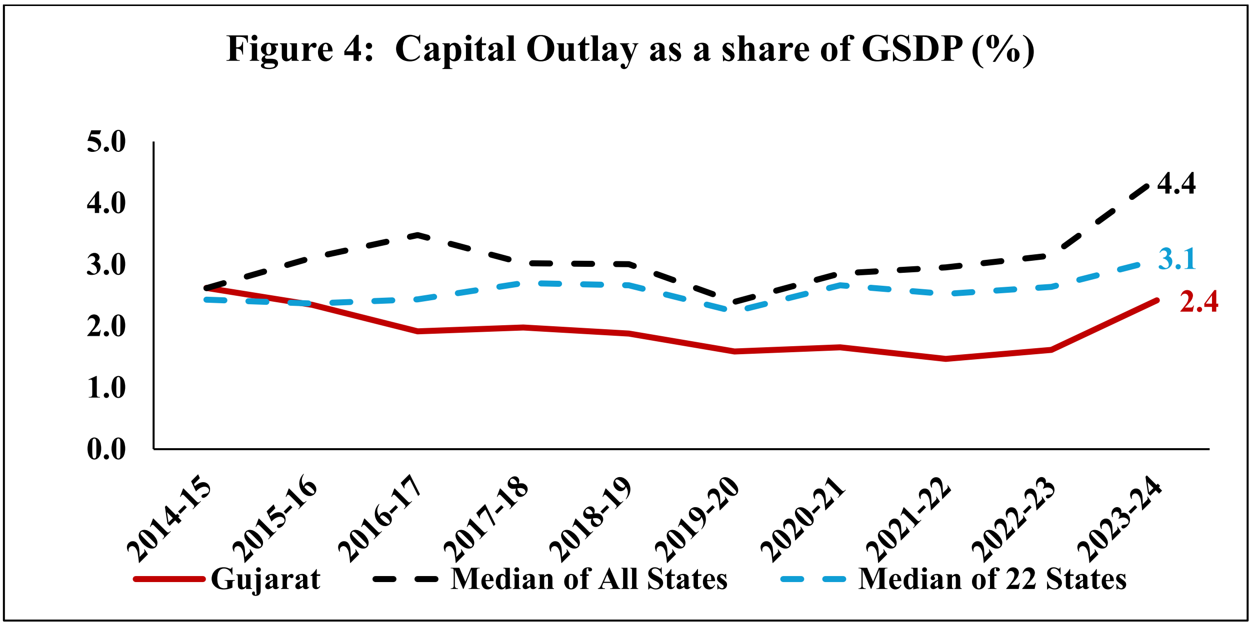
As of 2023-24, Gujarat's total expenditure-to-GSDP ratio was 10.7 percent, which was lower than the medians of all States (23.8 percent) and 22 large States (19.3 percent). Revenue expenditure as a percent of GSDP, was also lower (8.1 percent) than the medians of all States (17.7 percent) and 22 large States (16.8 percent). And, capital expenditure stood at 2.5 percent of GSDP in 2023-24, was likewise lower than both the medians of all States (4.4 percent) and that of 22 large States (3.2 percent).[13]

The two key metrics of NITI Aayog's Fiscal Performance Index are development expenditure as a ratio of total expenditure and capital outlay as a ratio of GSDP.[14] The State fares better on account of development expenditure as a ratio of total expenditure, which has consistently stayed above the medians of all States and of 22 large States during the period from 2014-15 to 2023-24 (Figure 3). But the State's capital outlay as a share of GSDP, which was also above both the median benchmarks in 2014–15, has subsequently declined and was below the median of all States as well as of 22 large States in 2023-24 (Figure 4)

[13] Capital expenditure is calculated as the sum of capital outlay and loans and advances from State governments

[14] Development expenditure represents the combined spending, under total expenditure, on economic services and social services (including loans and advances by State Governments under both social and economic services). Total expenditure refers to the sum of revenue expenditure and capital expenditure (capital expenditure is defined as the sum of capital outlay and loans and advances).





The State's committed expenditure at 4.0 percent of GSDP in 2023-24, was below the median of 22 large States (7.9 percent), while expenditure on subsidies at 1.2 percent of GSDP, was equal to the median of 22 large States, as of 2023-24.[15] The expenditure on social sector in the State accounted for 44.8 percent of total expenditure in 2023-24, which was close to the medians of all States (44.7 percent) and the median of 22 large States (44.8 percent). Although expenditures on the healthcare (6.5 percent of total expenditure) and the education sectors (15 percent of total expenditure) were slightly higher than their respective medians of 22 large States as well as of all States.

The above shows that the State has a low revenue base, but the higher share of development expenditure signals prioritisation of productive and growth-enhancing spending.

[15] Committed Expenditure is calculated as the sum of interest payments, wages, salaries and pensions.

4.3 Power Sector Losses

Gujarat has six distribution utilities/companies (DISCOMs) — four public (State-operated) and two privately-owned. The State has consistently maintained lower Aggregate Technical and Commercial (AT&C) losses compared to the national average, with losses steadily declining since 2011–12 due to improvements in billing and collection efficiency across the DISCOMs. Accounting for State subsidies, regulatory income, and other grants, the DISCOMs have remained profitable throughout the period from 2009–10 to 2023–24. The State has signed the Memorandum of Understanding (MoU) for the Ujwal DISCOM Assurance Yojana (UDAY) scheme, launched by the Government of India in November 2015, but excluded the components of financial turnaround and future loss financing, as the four State-owned DISCOMs had already achieved a financial turnaround in 2005–06. Except for smart metering, the four public DISCOMs have achieved all performance efficiency targets under the UDAY scheme.

4.4 Debt and Fiscal Prudence

Gujarat's debt-to-GSDP ratio and contingent liabilities had been declining since 2001, and in 2023-24, public debt at 18.3 percent of GSDP and contingent liabilities at 0.1 percent of GSDP, were both much lower than their respective benchmarks (medians of all States and of 22 large States).[16]

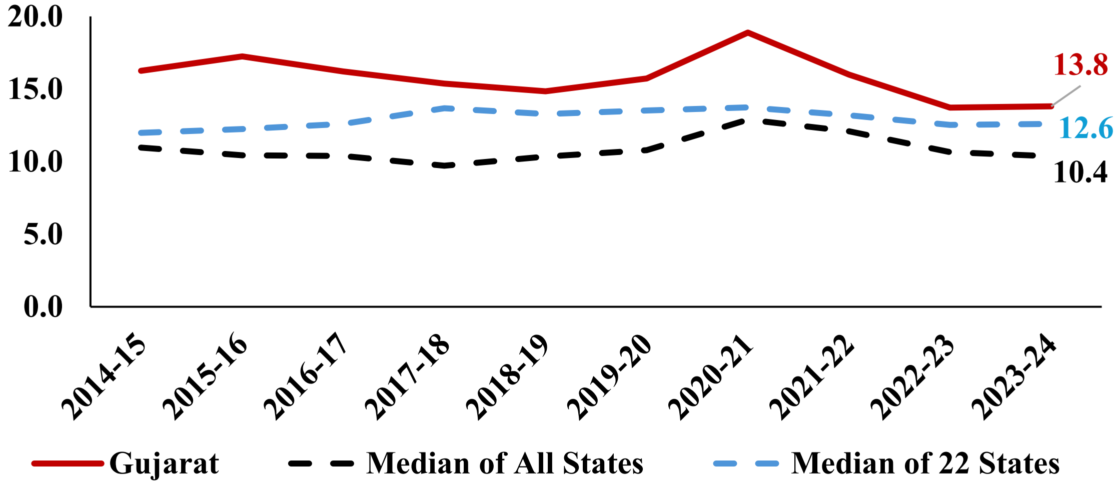
The State's fiscal and primary deficits have also declined since 2001, and in 2023-24, fiscal deficit at 1.8 percent of GSDP and primary deficit at 0.6 percent of GSDP, were both lower than the medians of all States and of 22 large States It also recorded a revenue surplus of 0.8 percent of GSDP in 2023-24, better than the median of 22 large States, which had a deficit of 0.5 percent and the median of all States that had a surplus of 0.1 percent during the same year.

Further, the ratio of interest payments to revenue receipts, which shows the share of revenues being used by the State to pay interest on the outstanding debt, have remained well above the medians of all States as well as of the 22 large States (Figure 5). In 2023–24, the State spent 13.8 percent of its total revenue receipts on interest payments, compared to 10.4 percent spent by a median State of all States and 12.6 percent expended by a median State of 22 large States.

Among all States of the country, Gujarat ended the fiscal year 2023-24 with the second lowest debt to GSDP ratio, after Odisha.

[16] The measure of public debt or outstanding liabilities, as defined in RBI SFR, includes ways and means advance, reserve funds and deposits which are not included in CAG audit reports.

Figure 5: Interest Payments as a share of Total Revenues Receipts (%)



4.5 Debt Sustainability Analysis[17]

Projections for Debt Sustainability Assessment for the State suggest that its debt-to-GSDP ratio, which is already at modest levels, is projected to decline further in the years ahead between 2024-25 to 2028-29, under all scenarios including the baseline (where primary deficit, real GDP growth, and real effective interest rate are assumed to remain at the average of last ten years from 2014-15 to 2023-24) .

4.6 Public Account Liabilities and Off-Budget Borrowings

Among the various components of the State's Public Account, the balances of deposits bearing interest, which had seen a sharp decline until 2021, have risen again and stood at Rs. 3,487.9 crores in 2023-24. The balances of non-interest-bearing Reserve Funds were Rs. 1,784.2 crores in 2023-24, compared to their level in 2014-15 The State's balances for Deposits bearing interest have increased gradually and stood at Rs. 13,964.5 crores in 2023-24. The balances for Deposits not bearing interest have increased significantly and were at a level of Rs. 32,670 crores in 2023-24. .

4.7 Overall Fiscal Health Index

As per the Fiscal Health Index 2025 report by NITI Aayog, Gujarat ranks 5th out of 18 major States for 2022-23. As per the NITI Aayog report, the State ranked 9th on quality of expenditure, 7th on revenue mobilization, 5th on fiscal prudence and 4th on the debt index, putting it in the category of an 'Achiever' State.

4.8 Finance Commission Devolutions

Gujarat's share in taxes from the Centre, as per the Finance Commission (FC) recommendations, increased from 3.1 percent under the 14th FC to 3.5 percent under the 15th

[17] Eichengreen and Gupta (2025) Link

FC. Moreover, its share in total grants-in-aid also increased by 0.2 percentage points between the 14th and the 15th FC to 3.7 percent.

As per the 15th FC recommendations, the State received a 4 percent share of the total sectoral grants. The agricultural performance incentive grant was the major contributor to this (6.3 percent of the grant). Other sector-specific grants allocated to the State and shares in each include health & education grant (3.6 percent), maintenance of PMGSY roads (1.2 percent), judiciary (3 percent).

As far as State-specific Grants are concerned, the State received Rs. 2,860 crore, the third highest in shares across States, of which 70 percent was directed towards the development of desalination plants at various locations of Kutch and Saurashtra. Other purposes were: developmental intervention in border villages (Rs. 200 crore), salinity ingress prevention schemes in coastal belt of Kutch and Saurashtra (Rs. 310 crore), conservation and development of arts, culture, tribal and coastal areas (Rs. 100 crore), conservation of Asiatic lion landscape (Rs. 100 crore), and setting up of Birsa Munda Tribal University (Rs. 150 crore).

Regarding the allocation and utilisation of FC grants between 2021-22 and 2024-25 (measured as released grants as a percentage of the recommended allocations), the State had received a 3.2 percent share of the 15th Finance Commission recommended grants, but only 80.3 percent of this amount was released so far, as of 2024-25[18]. In comparison, under the 14th FC, the State received a share of 3.4 percent of the total grants out of which 93.0 percent had been released by the end of the award period. During the period from the 11th FC to the 15th FC, the State has received a lower share of Finance Commission grants than the averages of all States and 22 large States, barring the exception of the 13th FC period. And, the released amounts have also been slightly below these two averages, except during the 12th and 14th Finance Commissions.

5. *Fiscal Rules*

Following the recommendations of the 12th FC, the State had enacted the Gujarat Fiscal Responsibility (GFR) Act in accordance with the Union Fiscal Responsibility and Budget Management Act, 2003.[19] The Act has been amended three times since then, in 2009, 2011, and 2021.

Initially, the Act mandated to reduce the revenue deficit in each financial year beginning April 1, 2005, and eliminate it by March 31, 2008, maintaining balance or generating a revenue surplus thereafter. The fiscal deficit was to be reduced annually to reach a ceiling of 3 percent of GSDP by March 31, 2009. And, the total public debt was to be capped at 30 percent of GSDP within three years from 2005, while outstanding guarantees were limited to Rs. 16,000 crore by 2007–08.

[18] Amounts released from the Centre to the States based on FC recommendations are a reflection on the appropriate utilisation of these grants and vary accordingly for each State. Values are as per the 15th FC data for the period from 2021-22 to 2024-25.

[19] Data is sourced from State Audit Report of the CAG for the respective years and the State Government Gazette.

The 2009 Amendment did not revise the fiscal targets prescribed under the Act but only effected modifications in the legal clause.

In 2011, the Act was amended to extend the revenue balance requirement, mandating the elimination of revenue deficit by March 31, 2012, and its maintenance thereafter. The fiscal deficit ceiling was reaffirmed at 3 percent of GSDP beginning 2011–12. The debt trajectory was recalibrated, capping total public debt at 28.8 percent of GSDP in 2011–12 and reducing the limit progressively to 27.1 percent by March 31, 2015. The ceiling on guarantees under the Gujarat State Guarantees Act, 1963, was retained.

In 2021, the Act was briefly relaxed in view of the COVID-19 pandemic, allowing the fiscal deficit limit to be raised to 5 percent of GSDP for 2020–21 (Revised Estimate), with a return to the 3 percent ceiling from 2021–22 onwards. The provisions on revenue balance, debt, and guarantees remained unchanged.

Fiscal Discipline: As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the period from 2018-19 to 2022-23, the State was able to meet all fiscal, revenue and debt targets, barring the exception of revenue deficit in one year, 2020-21, which was a pandemic year. The outstanding guarantees of the State also remained within the limits prescribed in the State FRBM Act as well.

6. Summary

The State's population is projected at 72.4 million, with a growth rate of 1.2 percent, exceeding the national average (2024). It has achieved a real GSDP growth rate of 8.1 percent per annum over the last decade from 2014-15 to 2023-24, higher than the national average of 6.0 percent per annum. This has resulted in the nominal per capita income to increase significantly and it was approximately 1.8 times the national average in 2023-24. The State's economy is reliant on its Industry sector, which accounts for the largest share of GSVA (48.1 percent), followed by the Services (35.8 percent) sector (as of 2023-24). The State has a low annual unemployment rate of 1.1 percent in 2023-24 and a high female labour force participation rate of 46.0 percent during the same year. However, social challenges such as high secondary school drop-out rates and higher levels of child under-nutrition and anaemia, which remain above their respective national benchmarks, persist.

The State demonstrates stable fiscal autonomy and prudence - a key differentiator compared to other States. The ratio of the State's own revenues to total expenditure was 59.3 percent in 2023-24, significantly higher than the median of all States (38.3 percent). This indicates the ability to cover a large part of State's expenses internally, reflecting a high degree of fiscal independence. Despite the State's lower ratio of total expenditure to GSDP, it has been able to dedicate a large portion of the total expenditure for development purposes, which remains consistently higher than a median State of the country. Furthermore, both health and education expenditures as a percent of total expenditure were also above their respective benchmarks. The State's four public DISCOMs have consistently maintained profitability and lower Aggregate Technical and Commercial (AT&C) losses, and have successfully achieved nearly all efficiency targets under the UDAY scheme.

Gujarat's overall fiscal position is much better compared to many other States. Its debt-to-GSDP ratio was 18.3 percent in 2023-24, placing it among the second lowest in India, well below the two medians of States. The State has consistently recorded a revenue surplus (0.8 percent of GSDP in 2023-24) and low fiscal deficits (1.8 percent of GSDP in 2023-24), demonstrating efficient management in accordance with the Gujarat Fiscal Responsibility Act. The State's strong financial health is confirmed by its 5th rank among 18 major states in the NITI Aayog Fiscal Health Index for 2022-23, classifying it as an 'Achiever' State.

The State's strong track record of high economic growth, low debt, and rigorous fiscal management provides a significant operational space for deeper social investment. The policy focus should now shift to leveraging this fiscal strength to directly address social deficits. Specifically, efforts must target the persistent challenges in human capital formation, notably by increasing its capital expenditure, improving educational and health outcomes to lower school drop-out rates, child anaemia, and malnutrition levels. Bolstering these areas would help the State align its social indicators with other states, which are doing better.

To consolidate its fiscal and economic position, the State needs to undertake the following steps as per the CAG recommendations of the 2022-23 State Finance Audit Report:

- The State may constitute State Finance Commission as per the time frame prescribed in the Constitution. Recommendations made by the Commissions may be considered and those accepted by the State Government be implemented in a time-bound manner.
- The State may assess the reasons for insufficient returns on investment from Statutory Corporations, Government Companies, Cooperative Banks and Societies and to suggest remedial measures.
- The State may take effective steps to complete all the projects expeditiously so that the intended benefits reach the beneficiaries without further delay.