



# Summary Report for the State of Himachal Pradesh



## ***1. Demography***

As per Census 2023 projections, Himachal Pradesh has a population of 7.5 million and represents 0.5 per cent of India's total population.<sup>1</sup> The State's projected population growth rate (0.5 per cent) is lower than the national average (0.9 per cent), as of 2022-23. As per 2021 projections, the State's population density (133 persons per sq km) and dependency ratio (50.7 per cent) are lower than the national averages. Only 10.3 per cent of its population resides in urban areas, which is significantly below the national average of 35.1 per cent, as of 2023 projections. According to the NFHS V data, the sex ratio in Himachal Pradesh, at 906 females per 1,000 males, is slightly lower than the national average (914 females per 1,000 males).

As of 2022-23, the annual unemployment rate for the state is 4.3 per cent, which is higher than the national average of 3.2 per cent. The female labour force participation rate in the State is significantly above the national average mainly due to the concentration of the labour force in the agriculture and allied sectors. The working population in the State is predominantly engaged in Agriculture, Forestry, and Fishing (58.4 per cent); Services (24.4 per cent); Construction (8.4 per cent); and Manufacturing sectors (6.9 per cent).<sup>2</sup>

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

Himachal Pradesh's real GSDP during the period from 2012-13 and 2021-22 grew at an average rate of 5.7 per cent, which is marginally higher than the national average growth of 5.6 per cent.<sup>3</sup> The State's share in India's nominal GDP has increased only marginally during the last three decades, from 0.7 per cent in 1990-91 to 0.8 per cent by 2021-22. And the nominal per capita income is around 40 per cent higher than the national per capita income (2021-22).

The Services sector contributes a share of 43.5 per cent to the GSVA of the State, followed closely by the Industry sector, with a share of 43.3 per cent. The Agriculture sector contributes only 13.1 per cent to the State's GSVA. During the period 2012-13 to 2021-22, out of all the major sectors, the Manufacturing sector has shown the highest growth in the GSVA (8.7 per cent). The other sectors that have exhibited higher growth during this period are trade, hotels, and restaurants (7.8 per cent); Mining and quarrying (7.7 per cent); and transport, storage, and communications (6.6 per cent), respectively.

## ***3. Socio-economic Indicators***

As per the Census of 2011, Himachal Pradesh's literacy rate, at 82.8 per cent, is higher than the national average of 73.0 per cent.<sup>4</sup> The State has a lower school drop-out rate, at 7.0 per cent for Classes VIII to X, and also a lower pass percentage for Class X (79.5 per cent), as compared to the respective national benchmarks. The proportion of students who pass the Higher Secondary

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<sup>1</sup> Projected data on population growth rate, dependency ratio, population density, and urban population is 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.

<sup>2</sup> Data on unemployment, female labour force participation, and workforce distribution is from the Periodic Labour Force Survey, 2017-18 to 2023-24.

<sup>3</sup> Data used in Section 3 on Economic Growth is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of August 2023.

<sup>4</sup> Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.

(Class XII) level examinations in the State is at 87.8 per cent, which is close to the national average. The Gross Enrolment Ratio (GER) at both the Higher Secondary and Higher Education (age group 18-23 years) levels has been above the all-India figures over the last decade.<sup>5</sup> In terms of the Gender Parity Index (the share of girls to boys enrolled in Higher Education institutions in the age group 18-23 years), the State ranks above the national average benchmark, and it also has a significantly higher college density per 100,000 people in the age-group of 18-23 years as compared to the national average.<sup>6</sup>

The State has seen a decline in both the Infant Mortality Rate and the Total Fertility Rate and is in a better position as compared to their national benchmarks during the last few decades. As of 2020, life expectancy in the State, at 73.5 years, is above the national average of 70 years. The Infant Mortality Rate (17 deaths per 1000 live births in 2020) and Total Fertility Rate (1.7 children per woman in 2019-21) are both lower than the respective national averages. In terms of full immunisation of children aged 12-23 months, the State is placed higher than the national average, as of 2019-21. The State has a much improved 'quality of life' with better household access to basic amenities such as drinking water, electricity, and sanitation facilities as compared to the national averages (as of 2021).

#### ***4. State of Public Finances and Tax Devolutions***

Himachal Pradesh's debt-to-GSDP ratio, at 44.3 per cent in 2022-23,<sup>7</sup> is higher than that of a median State. However, its contingent liabilities as a per cent of GSDP are lower than those of a median State, as of 2021-22. Both the fiscal deficit (6.4 per cent) as well as primary deficit (3.9 per cent) levels in the State are higher than those of a median State, as of 2022-23.<sup>8</sup> Himachal Pradesh runs a revenue deficit of 3.2 per cent of GSDP in 2022-23, which is higher as compared to that of a median State, which has a revenue deficit of 0.4 per cent.

In 2022-23, the State's total revenue receipts (own tax, own non-tax, and shared by the Centre) were at par with what a median State collected, at about 20 per cent of its GSDP. The State's expenditure is higher than that of a median State, at 26.4 per cent of its GSDP. As of 2022-23, its expenditure-to-GSDP ratio is also higher than that of a median State. Himachal Pradesh's revenue expenditure-to-GSDP ratio is higher than and its capital expenditure-to-GSDP ratio is almost the same as that of a median State. The transfers from the Centre are nearly 3 percentage points higher than that of a median State, and constitute nearly 65 per cent of the State's total revenue.

After a period of declining public debt from 2005 to 2013, the State's debt started increasing again particularly from 2019 onwards, and was 44.3 per cent of its GSDP in 2022-23, about 12.2 percentage points higher than that of a median State. The Debt Sustainability Analysis

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<sup>5</sup> Data on dropout rates, pass percentage of students, and Gross Enrolment Ratio at Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

<sup>6</sup> Data on Gross Enrolment Ratio at the Higher Education Level, Gender Parity Index and college density are taken from the All-India Survey on Higher Education, 2020-21.

<sup>7</sup> Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023..

<sup>8</sup> For calculation of a median State, variable as a percentage of GSDP was computed for each State, with the median across 22 major States shown (excluding all Union Territories and the North-eastern States, except Assam). The Macro and Fiscal Landscape State brief includes this benchmark in the States' Median (Large States), Column 6, Table 4A.

shows that under the baseline scenario (where Debt level, primary deficit, real GDP growth, and real effective interest rate remain constant at their decadal average from 2012-13 to 2021-22), the predicted debt trajectory shows an increase in the next five years, starting from 2021-22. However, a combined optimistic scenario of higher growth and lower primary deficit does predict a meaningful reduction in the debt-to-GSDP ratio.

The State's share in taxes from the Centre, as per the recommendations of the Finance Commission (FC), increased marginally from 0.7 per cent under the 14<sup>th</sup> FC to 0.8 per cent under the 15<sup>th</sup> FC. And, the State's share in the total grants-in-aid decreased by 3.6 percentage points under the 15<sup>th</sup> FC, as compared to the 14<sup>th</sup> FC.

## ***5. Fiscal Rules***

As per recommendations of the 12<sup>th</sup> FC, the Himachal Pradesh Fiscal Responsibility Act and Budget Management Act (Himachal FRBM) 2005 was enacted.<sup>9</sup> The State is required to present a Medium-Term Fiscal Policy Statement alongside the budget every year.

The Act has been amended in 2011, 2021, 2022 and 2023.

The fiscal targets under these amendments have been modified as follows:

**Revenue Deficit:** The original Act required the State to reduce the revenue deficit by at least 2 percentage points annually and eliminate it by 31 March 2009. The 2011 amendment extended the deadline to 2011-12, requiring the State to maintain a revenue surplus thereafter.

**Fiscal Deficit:** The Act of 2005 required the State to reduce its fiscal deficit to 3 per cent of GSDP by 31 March 2009. The 2011 amendment set the following targets: 3.5 per cent of GSDP in 2010-11, 3 per cent in 2011-12, and maintaining it at this level thereafter. In 2021, two amendments allowed the fiscal deficit to exceed the 3 per cent limit, capping it at 5 per cent in certain years. The 2022 amendment capped the fiscal deficit at 4 per cent of GSDP for 2020-21. The 2023 amendment raised this limit to 6 per cent in 2022-23, 3.5 per cent or less in 2023-24 and 2024-25, and 3 per cent thereafter (excluding the 50-year interest free loans received by the Central Government for capital expenditure), with provisions for exceptions under special circumstances.

**Outstanding Guarantees and Debt:** The Act of 2005 required the State to reduce outstanding guarantees on long-term debt to 8 per cent of the previous year's revenue receipts. The 2011 amendment mandated for the State government to bring down the outstanding risk weighted guarantees on long term debt below 40 per cent of the total revenue receipts in the preceding financial year for which actuals are available as per financial accounts. The 2023 amendment removed annual targets, specifying that the State government should reduce outstanding debt to the level of such percentages of Gross State Domestic Product, as may be prescribed.

**Fiscal Discipline:** As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the period 2017-18 to 2021-22, the State was able to meet its

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<sup>9</sup> Data is sourced from the State Audit Report of the CAG for the respective years and the State Government Gazette.

revenue surplus targets for four out of five years (with the exception of 2020-21); maintain the fiscal deficit target at 3 per cent or below for three out of five years (barring 2019-20 and 2020-21); and, keep the ratio of outstanding debt-to-GDP below the mandated levels only in one out of five years (2021-22).