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**Mobilising and Managing Resources for
Inclusive and Sustainable Growth in Jharkhand**

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Mobilising and Managing Resources for Inclusive and Sustainable Growth in Jharkhand

Sudhanshu Kumar

Jharkhand exemplifies a persistent paradox: a state endowed with abundant mineral resources yet characterised by low per capita income, high rural poverty, and limited structural transformation. Despite notable progress, the state continues to lag behind national averages in several socio-economic indicators, employment diversification, and access to essential services. Using a fiscal space framework, this study examines the multidimensional constraints that hinder Jharkhand's development. The analysis reveals that the state's fiscal space is shaped by capacity for revenue generation, expenditure efficiency, borrowing capacity, and institutional robustness. While the Jharkhand Fiscal Responsibility and Budget Management Act has contributed to improved fiscal discipline, recurrent amendments and deviations from established targets underscore the difficulty of reconciling rule-based fiscal consolidation with developmental imperatives. The analysis suggests that unlocking Jharkhand's potential requires strengthening institutional capacity, improving revenue administration, and broadening non-tax revenue streams. The study concludes that Jharkhand's emergence as a regional growth engine relies on comprehensive fiscal reforms, strategic resource management, and prioritisation of inclusive, sustainable, and climate-resilient development.

1. Introduction

Jharkhand, one of India's youngest states, exemplifies the paradox of mineral wealth coexisting with low-income levels. Although the state possesses nearly 40 percent of India's mineral resources, its Gross State Domestic Product (GSDP) accounted for only 1.65 percent of national GDP in 2022–23, which is less than its 2.7 percent

share of its population. In 2023–24, per capita GSDP in Jharkhand was 61 percent of the national average, a decline from 65 percent in 2011–12. As a result, Jharkhand ranks 26th among Indian states in per capita income. While progress has occurred across several socio-economic indicators, Jharkhand still lags behind the national average on many measures.

As per NITI Aayog, the poverty headcount ratio dropped from 42.10 percent in 2015–16 to 28.81 percent in 2019–21, and poverty intensity fell by 4.9 percentage points during the same period. Nevertheless, Jharkhand’s poverty headcount remains much higher than the national average (14.96 percent), with rural areas (34.93 percent) in the state far above urban areas (8.67 percent) and notable district-level disparities.

Formed in 2000 with high expectations for rapid development based on its mineral deposits, forests, and location, the state faces entrenched structural challenges. Economic performance remains below the national average; per capita income is low; most of the population is rural; and industrial diversification is limited. Jharkhand’s natural wealth has yet to deliver widespread prosperity. Achieving inclusive and sustainable development in Jharkhand necessitates the mobilisation and efficient management of financial resources. The state faces substantial spending requirements in health, education, rural development, and infrastructure, yet fiscal constraints restrict investment capacity. The principal challenge extends beyond resource mobilisation to encompass effective management that ensures equity, sustainability, and long-term welfare. The central question guiding this analysis is how limited fiscal resources can be leveraged to maximize social benefit.

This paper examines Jharkhand’s fiscal capacity, the primary challenges in resource mobilisation, and the management of public finances to achieve inclusive and sustainable growth. It highlights the major sources of resources and their evolution, and analyses the administrative, structural, institutional, and political constraints affecting revenue generation. The study further evaluates the effectiveness of resource allocation and utilisation for development priorities, and considers reforms necessary to better align resource mobilisation and management with the objectives of inclusion and sustainability.

The analysis contends that transforming Jharkhand into a regional growth engine requires enhanced fiscal capacity, improved resource governance, and the establishment of clear spending priorities through effective reforms. The paper is structured as follows: Section 2 presents the conceptual and analytical framework;

Section 3 discusses Jharkhand's macroeconomic and socio-economic context; Section 4 reviews the state's potential and constraints for resource mobilisation; Section 5 analyses public resource management for inclusivity and sustainability; and Section 6 concludes with key findings and future directions.

2. Conceptual and Analytical Framework

The literature on fiscal space, public finance, and sustainable development provides a basis for analysing how governments mobilise and manage resources to achieve inclusive, environmentally sustainable growth. For resource-rich yet fiscally constrained states such as Jharkhand, understanding these interconnections is critical.

Existing research demonstrates that effective resource mobilisation relies on robust institutions, enhanced spending quality, and targeted investments in human development and climate resilience. Building on these insights, this study applies an analytical framework that integrates resource mobilisation, spending priorities, and developmental outcomes, with a specific focus on inclusion and sustainability.

The concept of fiscal space has been central to development financing debates since at least the mid-2000s. Heller (2005) offered one of the earliest formal definitions, characterising fiscal space as the budgetary capacity that allows governments to undertake necessary expenditures without undermining fiscal sustainability. The International Monetary Fund (IMF, 2006) subsequently defined fiscal space as the availability of budgetary resources for specific objectives without diminishing market confidence. Early applications of these definitions concentrated on low- and middle-income countries (LMIC), with the goal of financing development while reducing the risk of debt distress (UNDP, 2007; World Bank, 2013). The literature has since evolved to encompass perspectives beyond a debt-centric approach.

Researchers have emphasised that fiscal space is determined by institutional capacity, political constraints, and the efficiency of public spending (Budina et al., 2012). The IMF's Debt Sustainability Analysis (IMF, 2013; 2021) formalised the evaluation of fiscal space through forward-looking projections of debt, interest rates, and economic growth. Blanchard (2019) further showed that favourable interest rate-to-growth differentials increase fiscal space by allowing governments to borrow sustainably, whereas unfavourable differentials reduce it.

At the same time, empirical works have questioned fixed debt limits (Reinhart & Rogoff, 2010). Later studies, such as those by Panizza and Presbitero (2013), found that debt tolerance varies with institutional quality, domestic savings, and the type of borrowing. Therefore, current fiscal space assessments rely on analyses specific to each country and context.

Another major strand of the literature examines strategies to expand fiscal space. Evidence from LMICs indicates that domestic revenue mobilisation—especially through improved tax administration, digital systems, and reduction of leakages—is the most sustainable pathway (World Bank, 2013; WHO, 2017). Equally significant is expenditure efficiency. Tandon and Cashin (2010) show that improving allocative and technical efficiency in health and social sectors can yield greater welfare gains than raising tax rates. Similarly, the IMF (2015) underscores that effective public investment management is crucial for converting capital expenditure into productive assets that generate long-term fiscal dividends.

The post-Global Financial Crisis and post-Covid-19 periods spurred new research on fiscal buffers and countercyclical policy. Ostry, Ghosh, and Espinoza (2010) developed the idea of “fiscal space as credibility,” showing that governments with transparent fiscal records and strong performance can borrow more safely during downturns. Recent studies also highlight the significance of contingent liabilities from state-owned enterprises, public-private partnerships, and climate change (Cebotari et al., 2009), arguing that these risks must be explicitly managed to preserve fiscal room.

Yet, theoretical fiscal space does not always translate into effective fiscal capacity. Political economy research reveals that weak public financial management, fragmented budgeting, and corruption often undermine the efficient utilisation of available resources (Allen et al., 2015). As a result, institutional reforms—fiscal rules, transparency norms, procurement reforms—play a dual role in expanding current fiscal space and safeguarding future fiscal capacity.

Within India’s federal system, states are pivotal in financing and delivering developmental services. The literature on Indian fiscal federalism (Rao & Singh, 2005; Bagchi, 2017) establishes that state-level fiscal space is shaped by own-source revenue (OSR), intergovernmental transfers, and centrally sponsored schemes (CSS). Evidence from the Reserve Bank of India (RBI, 2020; 2023) indicates that states with

narrow tax bases, limited administrative capacity, and high committed expenditures experience persistent fiscal stress.

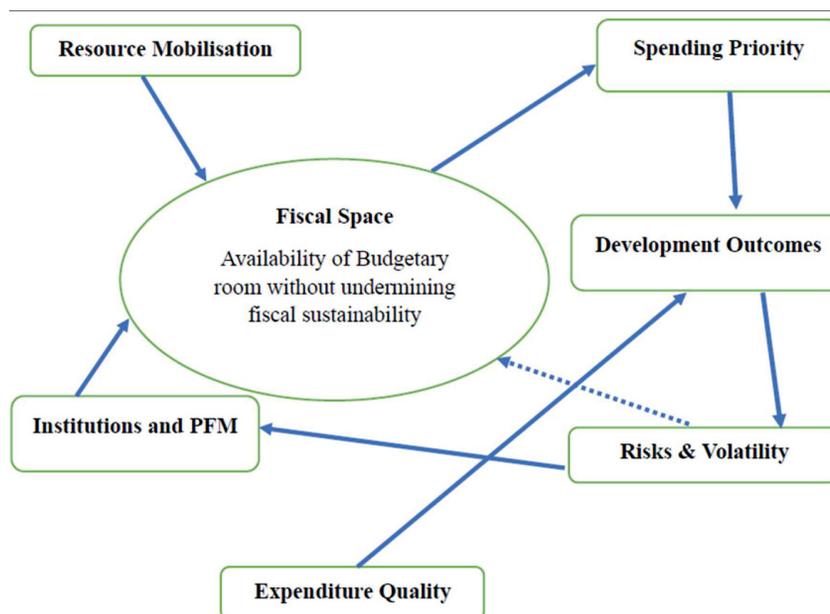
Analyses by NIPFP (2019) and RBI (2023) reveal that Jharkhand's OSR remains well below its potential, largely due to low tax buoyancy, informality, and constrained service-sector growth. Non-tax revenues, especially mining royalties, constitute a significant share of the state's fiscal resources; however, they are volatile and vulnerable to governance issues. Audits by CAG (2021) and assessments by the World Bank (2018) highlight shortcomings in royalty assessment, illegal mining control, and revenue administration.

On the expenditure front, Jharkhand dedicates a large portion of its budget to committed liabilities such as salaries, pensions, and interest payments, which limits the resources available for development expenditure (RBI, 2023). Studies on expenditure quality (Mukherjee & Chakraborty, 2016; Aiyar et al., 2021) demonstrate that states with weaker administrative capacity, procedural inefficiencies, and ineffective frontline delivery systems tend to achieve lower returns on public spending.

The literature on Jharkhand's development underscores a persistent paradox: substantial mineral wealth exists alongside widespread poverty and low human development indicators. This situation, described as the "subnational resource curse" (Sundar, 2016; Planning Commission, 2013), occurs when revenues from extractive industries do not lead to inclusive development, primarily due to governance challenges and unequal distribution of benefits. Research on mining revenue mobilisation, including studies by the Indian School of Mines, the CII (2019), and state mining audits, identifies significant opportunities to enhance royalty collection, digitise permit processes, and improve monitoring systems.

Human capital limitations further restrict Jharkhand's long-term fiscal capacity. Labour market analyses (ILO, 2017; World Bank, 2022) report low skill levels, high informality, and limited industrial diversification, all of which diminish tax buoyancy and hinder structural transformation. The sustainable development literature highlights that enhanced fiscal capacity facilitates increased investment in health, education, nutrition, and social protection, which supports inclusive growth (UNDP, 2018; Sachs et al., 2021). In India, studies by Deaton and Drèze (2009), Khera (2011), and Chakravarty and Somanathan (2019) show that development outcomes are influenced not only by the scale of spending but also by the effectiveness of targeting, governance, and service delivery.

Chart 1
Fiscal space framework for Jharkhand



Source: Author's presentation.

In Jharkhand, ongoing challenges in nutrition, health, tribal development, and education (NFHS-5; World Bank, 2020) underscore the necessity for better expenditure prioritisation. Climate vulnerability adds further complexity to the fiscal landscape. The state is exposed to risks such as forest degradation, extreme weather events, and water scarcity (TERI, 2018), each of which imposes fiscal pressures through increased relief spending and infrastructure damage. Recent studies on green fiscal policy (OECD, 2021; IISD, 2022) advocate for climate budgeting, sustainable public investment frameworks, and nature-based solutions, which are particularly pertinent to Jharkhand's forest-rich environment.

A synthesis of global, national, and Jharkhand-specific research reveals consistent themes regarding the determinants of fiscal space and development outcomes. The literature indicates that fiscal space is multidimensional, influenced by government revenue mobilisation, the efficiency and quality of public expenditure, borrowing capacity, and the robustness of fiscal and administrative institutions. State capacity, encompassing governance quality, transparency, and effective public financial management, is crucial in ensuring that fiscal resources translate into inclusive and sustainable development.

Chart 1 summarizes the fiscal framework outlined above. Feedback arrows indicate adjustments driven by political economy considerations and outcomes. The left column depicts supply-side determinants, including revenue and institutional factors, that shape fiscal space. The center represents fiscal space as an intermediary that enables public spending. The right column outlines spending priorities and resultant outcomes. Expenditure quality and fiscal risks are identified as cross-cutting elements.

In Jharkhand, existing set of research identifies a combination of structural and institutional barriers that limit fiscal flexibility, such as constrained own-source revenue mobilisation, dependence on mining royalties, and a significant burden of committed expenditures. New climate-related and environmental challenges further complicate the fiscal landscape, introducing additional risks but also creating opportunities for green financing and climate-responsive budgeting. The state has implemented reforms, including the digitalisation of tax systems, improvements in mining royalty collection, and the adoption of performance-based budgeting. These initiatives aim to increase revenue efficiency and strengthen accountability.

Despite recent progress, notable gaps persist in the literature. There is a lack of comprehensive empirical assessments of Jharkhand's revenue potential across both tax and non-tax sources, which limits the development of evidence-based policy. Furthermore, subnational fiscal risks and contingent liabilities have not been sufficiently analysed, even though they pose significant threats to long-term fiscal sustainability. These gaps underscore the need for a thorough, state-specific evaluation of resource mobilisation and fiscal management strategies tailored to Jharkhand's unique development context.

3. Jharkhand's Economic and Socio-Economic Context

Jharkhand's Gross State Domestic Product (GSDP) growth rate at constant prices from 2001-02 to 2024-25 demonstrates significant volatility, alternating between periods of rapid expansion and contraction (Chart 2). The average annual growth rate during this period is 6.3 percent. Notable deviations in the growth rate from the trend has occurred, with a peak of 20.5 percent in 2007-08 and troughs of -6.2 percent in 2015-16 and -5.3 percent in 2020-21. In 2023-24, Jharkhand's per capita GSDP at constant (2011-12) prices was 61 percent of the national average, a decline from 65 percent in 2011-12. As a result, the state continues to rank 26th among India's 28 states in per capita income.

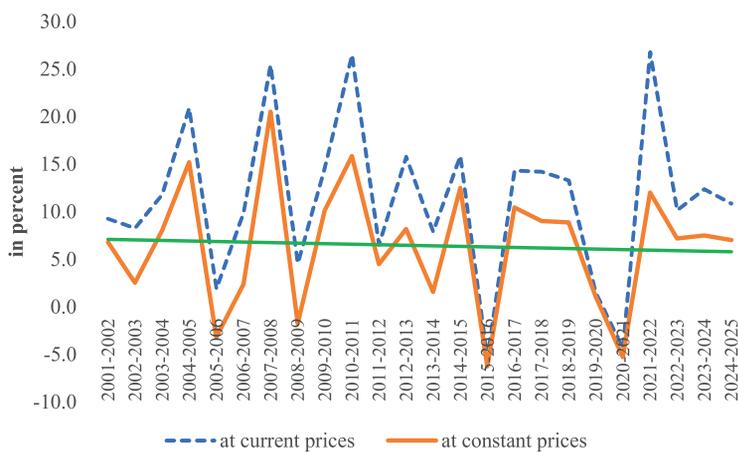
In the initial years, growth was moderate, with rates of 6.8 percent in 2001–02 and 2.5 percent in 2002–03, rising to 8.0 percent in 2003–04. A substantial increase of 15.2 percent occurred in 2004–05, followed by a contraction to -3.2 percent in 2005–06, highlighting the volatility of the state’s economic base. This period experienced significant fluctuations in sectors such as mining, which contributed nearly half of the variance due to output shocks, and manufacturing.

The highest growth rate was recorded in 2007–08 at 20.5 percent, followed by a sharp decline to -1.7 percent in 2008–09, likely due to national and global economic shocks. Connecting sector-specific drivers to targeted policy interventions may enhance Jharkhand’s prospects for more stable future growth.

The following decade exhibited alternating periods of high and low growth, with rates of 10.1 percent in 2009–10 and 15.9 percent in 2010–11, contrasted by lower rates of 4.5 percent in 2011–12 and 1.6 percent in 2013–14. A recovery to 12.5 percent in 2014–15 was succeeded by a contraction to -6.2 percent in 2015–16. From 2016–17 to 2018–19, growth stabilized within a range of 8.9-10.5 percent, indicating greater consistency.

In 2019–20, growth slowed sharply to 1.1 percent, and in 2020–21, the Covid-19 pandemic year, it declined to -5.3 percent, reflecting substantial disruptions. A recovery occurred in 2021–22, with growth reaching 12.0 percent, followed by a transition to a more moderate trajectory: 7.2 percent in 2022–23, 7.5 percent in 2023–24, and 7.0 percent in 2024–25.

Chart 2
Percentage Growth Rate (year-on-year) of GSDP in Jharkhand

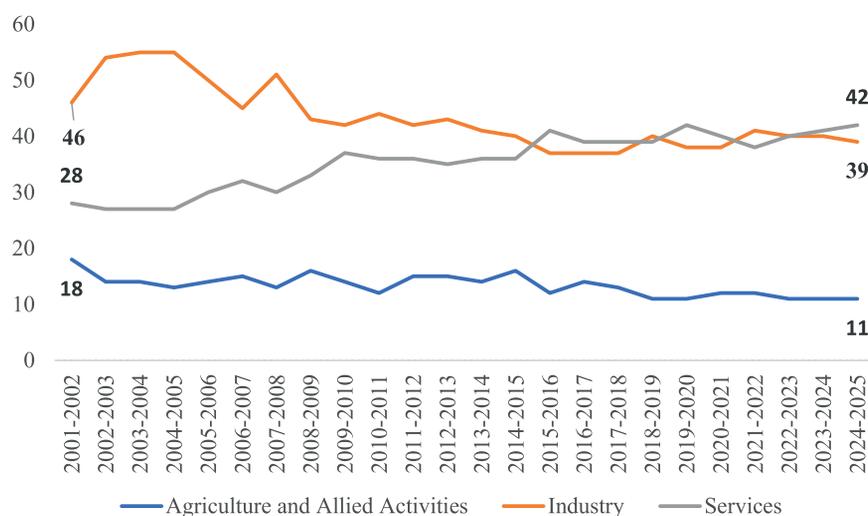


Source: MOSPI, Government of India.

This recent stabilisation in the GSDP growth rate suggests that Jharkhand's economy is maturing, with growth rates increasingly aligning with national averages rather than displaying extreme volatility. Overall, the data indicate that, although Jharkhand has significant potential for rapid expansion, it remains vulnerable to structural weaknesses, external shocks, and policy changes. The long-term trend demonstrates a shift from erratic fluctuations toward more stable, mid-range growth in the current decade.

The sectoral composition of Jharkhand's Gross State Domestic Product (GSDP) at constant (2011–12) prices from 2001–02 to 2024–25 indicates a marked structural transformation (Chart 3). In the early 2000s, the industrial sector accounted for nearly half of GSDP, while agriculture contributed approximately 18 percent and services about 28 percent. By the mid-2000s, the industrial share reached 55 percent, whereas agriculture declined to 13–14 percent, underscoring Jharkhand's dependence on mining and industrial activities.

Chart 3
Sectoral Composition of Jharkhand's GSDP at Constant (2011-12) Prices



Source: MOSPI, Government of India.

Since 2006–07, the services sector has expanded steadily, rising from 32 percent to over 40 percent in recent years. The agricultural sector continued to contract, stabilising at approximately 11–12 percent during 2018–2025, which highlights limited diversification in farming and related activities. The industrial sector, once

dominant, declined from above 50 percent in the mid-2000s to approximately 37–40 percent between 2015 and 2023, and further to 39 percent in 2024–25.

The most significant change is the rise of the services sector, which has surpassed agriculture and now competes with industry as the leading contributor, reaching 42 percent by 2024–25. This development reflects the expansion of trade, transport, communication, and public services, driven by urbanisation. Jharkhand's economy has transitioned from an industry-dominated structure to a more balanced composition, with services and industry driving growth while agriculture plays a diminished role. This shift presents opportunities for economic diversification but also underscores challenges in achieving inclusive development, particularly for rural populations that remain dependent on agriculture.

Development Outcome

Jharkhand, frequently referred to as India's hidden powerhouse, ranks as the 12th most populous state. The state's population density of 483 persons per square kilometre and a dependency ratio of 60.2 percent both exceed national averages (2021 population projections), resulting in significant demographic pressures. Approximately three-fourth of Jharkhand's population resides in rural areas, while only 26.2 percent live in urban areas, compared to the national average of 35.1 percent (Jharkhand Economic Survey). The urban population in Jharkhand has consistently remained below national estimates, with the gap widening over the past two decades.

According to the National Family Health Survey (NFHS), the Sex Ratio at Birth in Jharkhand fell below the national estimate in 2019–21. In contrast, the Census Sex Ratio for the child population aged 0–6 years has consistently remained above national estimates. This demographic profile offers opportunities due to a large youth population, but also presents challenges arising from a high dependency ratio.

Despite the presence of an industrial base, employment in Jharkhand remains predominantly agricultural, with nearly half of the workforce engaged in Agriculture, Forestry, and Fishing (PLFS report). The disparity between sectoral output and employment highlights ongoing challenges in structural transformation. Labour market indicators, however, reveal relatively favourable trends. In 2022–23, Jharkhand reported an unemployment rate of 1.7 percent, significantly lower than the national average of 3.2 percent. The Female Labour Force Participation Rate stands at 45.8 percent, surpassing national levels. The workforce is primarily concentrated in

Agriculture, Forestry, and Fishing (49.3 percent), followed by Services (23.2 percent), Construction (17.4 percent), and Manufacturing (8.9 percent), reflecting a structural composition characteristic of a resource-rich yet under-industrialised economy.

In sum, while Jharkhand has made notable progress in several socio-economic indicators in recent years, its performance remains below the national average. The state also faces significant ecological pressures from deforestation, land degradation, and pollution associated with mining activities. Climate change further exacerbates vulnerabilities, particularly through increased risks of droughts, heatwaves, and water scarcity. Bridging these gaps will require sustained and carefully designed policy interventions, supported by enhanced fiscal capacity.

4. Resource Management by the State Government in Jharkhand

Resource mobilisation in Jharkhand presents significant opportunities and challenges. Resource mobilisation from sources within state includes tax and non-tax revenues, with mining as a primary source. External resource mobilisation for the State government is driven by central government transfers, multilateral financing, corporate social responsibility (CSR) funds, and emerging climate finance mechanisms. While public debt in the state remains within Fiscal Responsibility and Budget Management (FRBM) limits, it constrains fiscal flexibility.

Expenditure Patterns

The Jharkhand Government's total expenditure from 2001–02 to 2022–23 grew at an average annual rate of 12.4 percent. Spending rose from Rs. 7,934 crore in 2001–02 to Rs. 91,638 crore in 2022–23 (Chart 3), showing a consistent upward trend. This more than elevenfold increase over two decades reflects the state's expanding administrative capacity and developmental ambitions.

After Jharkhand's formation, expenditure grew gradually during initial few years, crossing Rs. 10,000 crore by 2003–04. From 2007–08 to 2013–14, growth remained steady, with spending nearing Rs. 25,000 crore by 2011–12, likely driven by welfare schemes. A sharper acceleration is visible from 2014–15 onward, with government expenditure surpassing Rs. 50,000 crore by 2016–17, possibly due to enhanced central transfers and the rollout of flagship schemes.

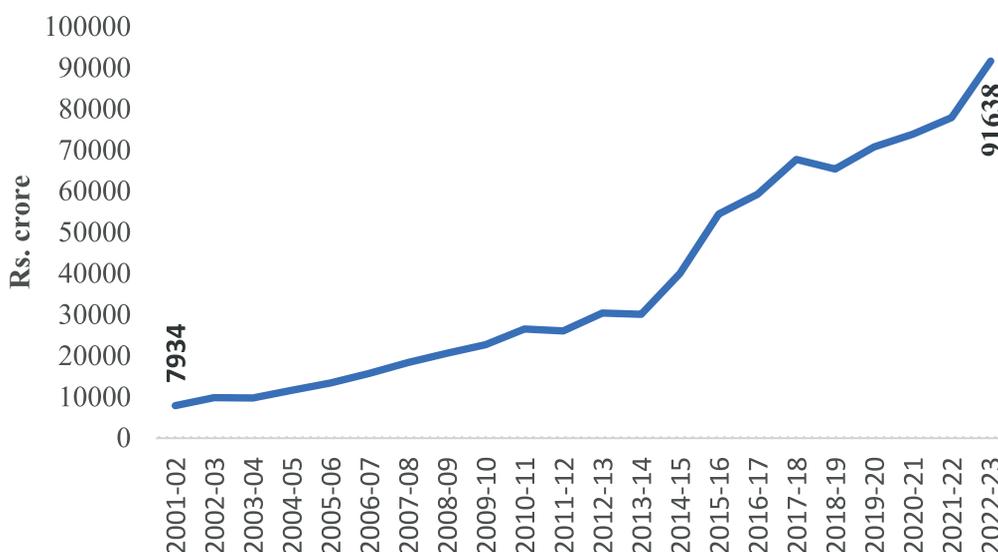
Despite disruptions from the Covid-19 pandemic, the post-2020 phase shows continued fiscal expansion in the state. This trajectory suggests a sustained

commitment to development, though deeper analysis into sectoral allocations and the balance between capital and revenue expenditure would offer more nuanced insights into this growth.

Chart 4, showing year-on-year percentage growth rate of total expenditure by the Jharkhand government from 2002–03 to 2022–23, reveals a fluctuating but gradually declining trend. In the early years, growth rates were high, often exceeding 20 percent, reflecting the state’s initial phase of administrative expansion and infrastructure development. In addition, the graph shows considerable volatility, with sharp peaks and troughs indicating inconsistent fiscal momentum, possibly influenced by political transitions, central transfers, and economic cycles.

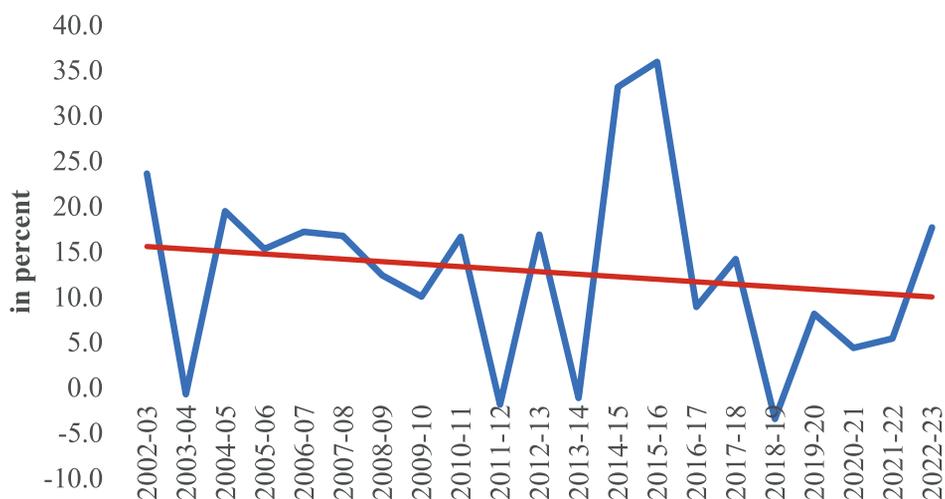
The overall trend line slopes downward, implying that while expenditure has increased in absolute terms, the pace of annual growth has moderated. This deceleration could be due to changes in revenue receipt patterns, stabilisation of major schemes, or fiscal consolidation efforts.

Chart 4
Total Expenditure by State Government in Jharkhand



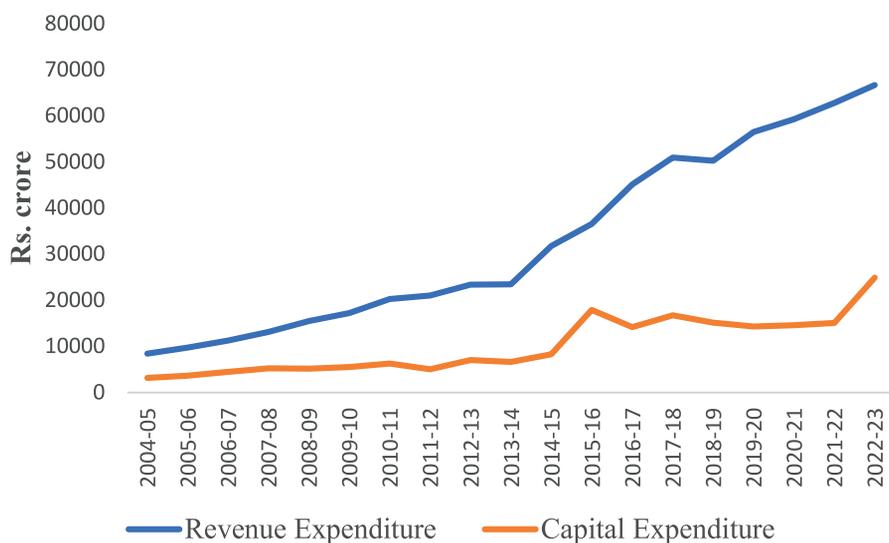
Source: EPWRF India Time Series Database

Chart 5
Percentage Change (y-o-y) in Total Expenditure by State Government in Jharkhand



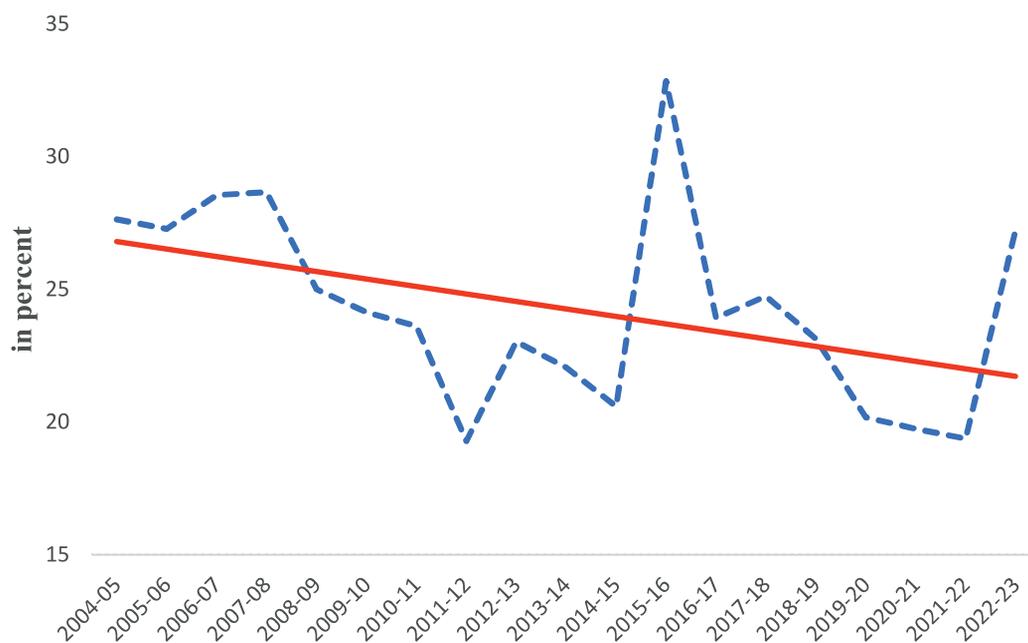
Source: EPWRF India Time Series Database

Chart 6
Revenue and Capital Expenditure by the State Government in Jharkhand



Source: EPWRF India Time Series Database

Chart 7
Capital Expenditure as a Percentage of Total Expenditure in Jharkhand



Source: EPWRF India Time Series Database

Revenue and capital expenditures by the Jharkhand state government have steadily increased over the years (Chart 6). However, in most years, revenue expenditure growth has exceeded capital expenditure growth, with only a few exceptions when capital expenditure grew faster. This trend indicates increasing commitments to recurring expenses, including salaries, subsidies, and maintenance, while investment in infrastructure and asset creation has expanded more slowly.

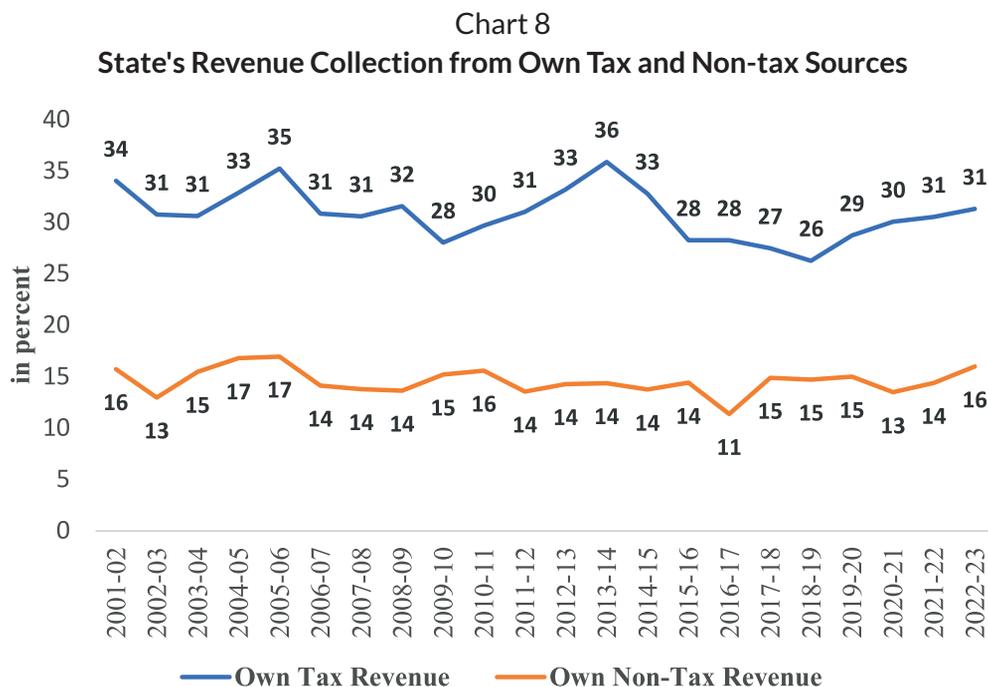
Jharkhand State government's capital expenditure as a percentage of total expenditure from 2004–05 to 2022–23 shows a fluctuating pattern with periods of decline and recovery (Chart 7). In the early years, the proportion was high, around 28–29 percent, showing a strong focus on infrastructure and asset development. From 2008–09, it gradually declined, reaching 19 percent in both 2011–12 and 2021–22, suggesting a shift toward revenue expenditures, such as salaries, subsidies, and maintenance. In 2015–16, capital expenditure peaked at 33 percent, reflecting a temporary focus on developmental initiatives or major investments.

However, the proportion capital expenditure as a percentage of total expenditure

in Jharkhand has stabilised between 20 and 25 percent in the last few years post Covid-19 pandemic, then rose to 27 percent in 2022–23. This recent increase may signal renewed focus on infrastructure, public works, or capital-intensive programs. The long-term average remains in the mid-twenties, and the variability highlights the impact of policy changes, budget constraints, and administrative capacity on capital investment decisions.

Resource Mobilisation

An examination of Jharkhand's revenue receipts from own sources from 2001–02 to 2022–23 (Chart 8) shows a clear pattern in the composition of own tax and non-tax revenue. In the early years, own tax revenue was about 34 to 35 percent, while non-tax revenue contributed 16 to 17 percent, reflecting a balanced reliance on both internal resource streams. From 2006–07 onward, the share of own tax revenue fluctuated between 28 and 33 percent, before reaching a low of 27 percent and 26 percent in 2017–18 and 2018–19, respectively. This reduction could mainly be due to structural changes, such as the implementation of the Goods and Services Tax (GST) and increased reliance on central transfers.



Source: EPWRF India Time Series Database

Non-tax revenue remained stable at 14 to 15 percent for most of the period, with a temporary drop to 11 percent in 2016–17, followed by a recovery to 15 to 16 percent in recent years (Chart 8). This stability, despite Jharkhand’s substantial mineral resources, suggests limited expansion of the non-tax revenue base beyond the existing pattern of royalties and fees.

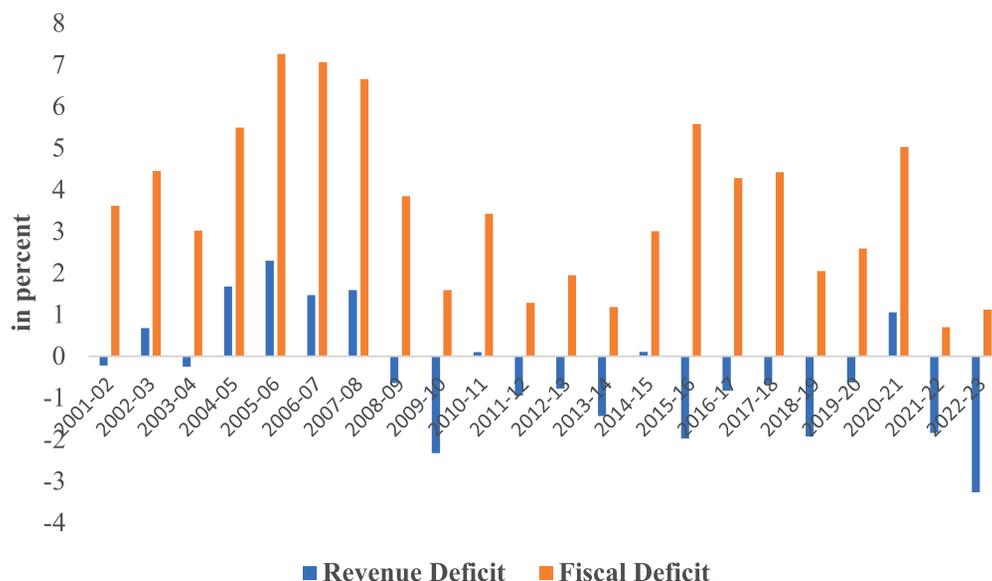
Overall, the combined share of own tax and non-tax revenue has declined from nearly 50 percent in the early 2000s to about 45–47 percent in recent years, showing increased reliance on central transfers to meet state’s fiscal needs. These trends highlight the need for Jharkhand to strengthen tax administration and diversify non-tax revenue sources to improve fiscal autonomy and reduce vulnerability to changes in central devolution.

Revenue Deficit and Fiscal Deficit

Following initial years of deficit, the revenue account of the Jharkhand State government remained in surplus from 2008–09 to 2022–23, except during 2010–11, 2014–15, and 2020–21. Chart 9 presents a comparison of Jharkhand’s Revenue Deficit and Fiscal Deficit as percentages of Gross State Domestic Product (GSDP) from 2002–03 to 2023–24. The Fiscal Deficit consistently exceeded the Revenue Deficit, underscoring the state’s dependence on borrowings for both capital and, previously, revenue expenditures. Between 2002–03 and 2007–08, both deficits were elevated, with the Fiscal Deficit reaching its highest point in 2007–08, indicating significant fiscal management challenges. After 2010–11, the Revenue Deficit became negative, resulting in a revenue surplus. This outcome demonstrates that Jharkhand generated adequate revenue to meet operational expenditures, reflecting enhanced fiscal discipline.

The revenue surplus has continued to increase, reaching its highest level in 2023–24. This trend may be attributed to improved tax collection, more effective resource mobilisation, or reduced revenue expenditure. In contrast, the fiscal deficit has been volatile, with a sharp increase in 2020–21, likely due to Covid-19 pandemic-related spending and revenue declines. Nevertheless, the overall pattern indicates gradual fiscal consolidation. The widening gap between the two deficits in recent years suggests that, although revenue management has improved, capital and developmental expenditures continue to challenge fiscal balance. This pattern reflects a maturing fiscal framework in which operational sustainability is achieved, yet strategic investments still necessitate deficit financing, a characteristic commonly observed in developing economies pursuing growth.

Chart 9
Revenue Deficit and Fiscal Deficit as a percentage of state's GDP



Source: EPWRF India Time Series Database

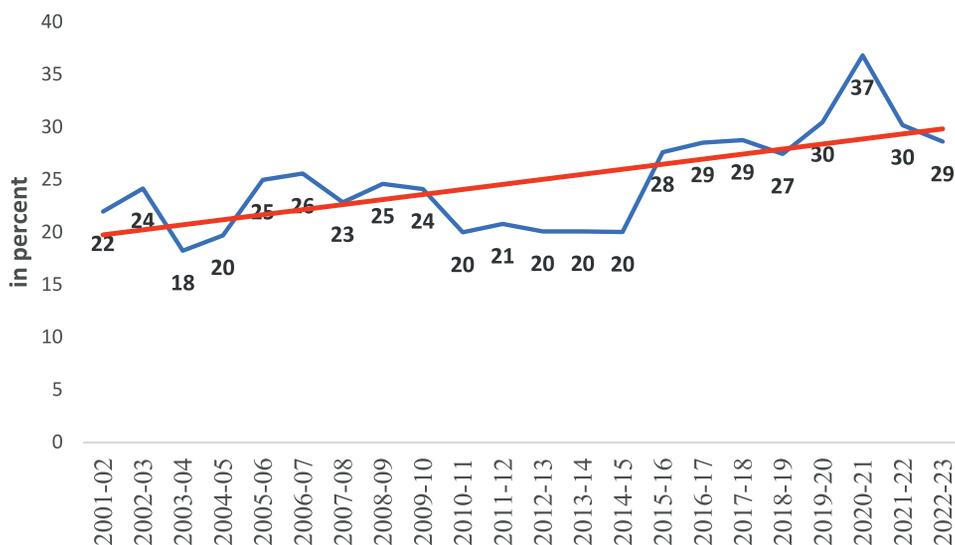
Debt Management

Jharkhand's debt-to-GSDP ratio remains within the prescribed limits established by the Fiscal Responsibility and Budget Management (FRBM) framework. Nevertheless, committed expenditures, especially salaries and pensions, continue to limit fiscal flexibility of the state government. Amendments to the Jharkhand Fiscal Responsibility and Budget Management (JFRBM) Act demonstrate efforts to sustain fiscal responsibility while addressing economic shocks.

The outstanding liabilities of the Jharkhand government, measured as a percentage of GSDP, has fluctuated during the period 2001–02 to 2022–23 (Chart 10). Initially, the ratio was approximately 22–24 percent, declining to 18 percent in 2003–04 before rising to 20 percent in 2004–05. The ratio increased sharply to 25 percent in 2005–06 and 26 percent in 2006–07, then eased to 23 percent in 2007–08. It remained in the mid-twenties until 2009–10, declined to 20 percent by 2010–11, and stayed around 20–21 percent through 2014–15. In 2015–16, liabilities rose to 28 percent, followed by an increase to 29 percent in 2016–17 and 2017–18.

In 2020–21, outstanding liabilities rose sharply to 37 percent of GSDP, indicating significant fiscal stress due to the impact of Covid-19 pandemic. In subsequent years, the ratio declined to 30 percent in 2021–22 and 29 percent in 2022–23, reflecting partial fiscal consolidation, although remaining above levels observed in the first decade. These data indicate a long-term trend of increasing liabilities relative to GSDP, with periods of stability in the early 2010s and marked increases in the mid-2010s and during the Covid-19 pandemic. This pattern highlights the ongoing challenges in managing the state’s debt.

Chart 10
Outstanding Liability of The State Government as a Percentage of GSDP at Current Prices in Jharkhand



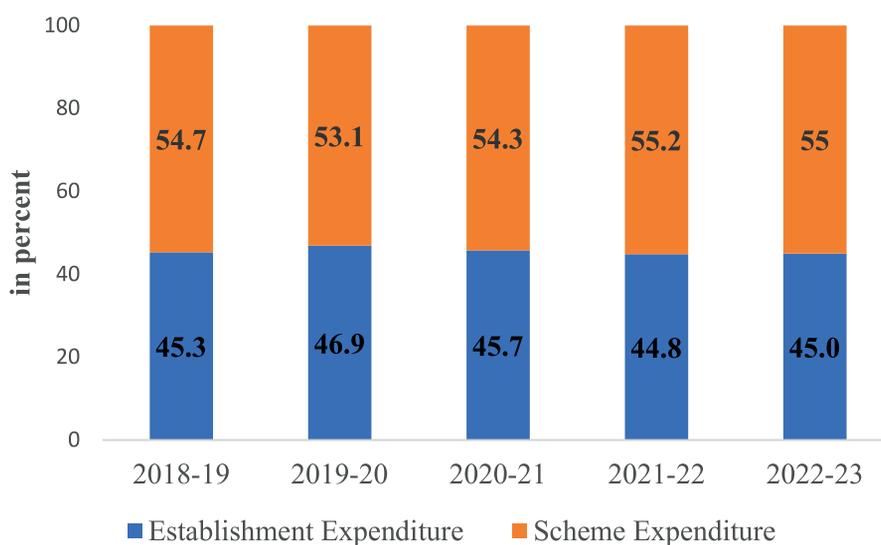
Source: EPWRF India Time Series Database

5. Managing Public Resources for Inclusive and Sustainable Growth

Achieving inclusive and sustainable growth in Jharkhand requires consistent investment in health, education, skills development, and welfare programmes. However, public expenditure has been constrained by high levels of committed spending, limiting the fiscal space available for developmental priorities. Between 2018-19 and 2022-23, establishment expenditure accounted for approximately 54 to 55 percent of total state government spending (Chart 11).

Recent budget and provisional estimates for 2023-24 and 2024-25 demonstrate a shift in Jharkhand’s expenditure priorities, marked by a consistent decline in establishment expenditure and a corresponding rise in scheme expenditure. Establishment expenditure, which comprises salaries, pensions, and other committed liabilities, accounted for 45.3 percent in 2018-19 and 45.0 percent in 2022-23. This figure is projected to decrease to 38.1 percent in the 2024-25 budget. In contrast, scheme expenditure, which includes developmental programmes and welfare schemes, increased marginally from 54.7 percent in 2018-19 to 55.0 percent in 2022-23 and is projected to reach 61.9 percent in the 2024-25 budget.

Chart 11
Composition of Expenditure by State Government in Jharkhand



Source: Jharkhand Economic Survey, 2024-25.

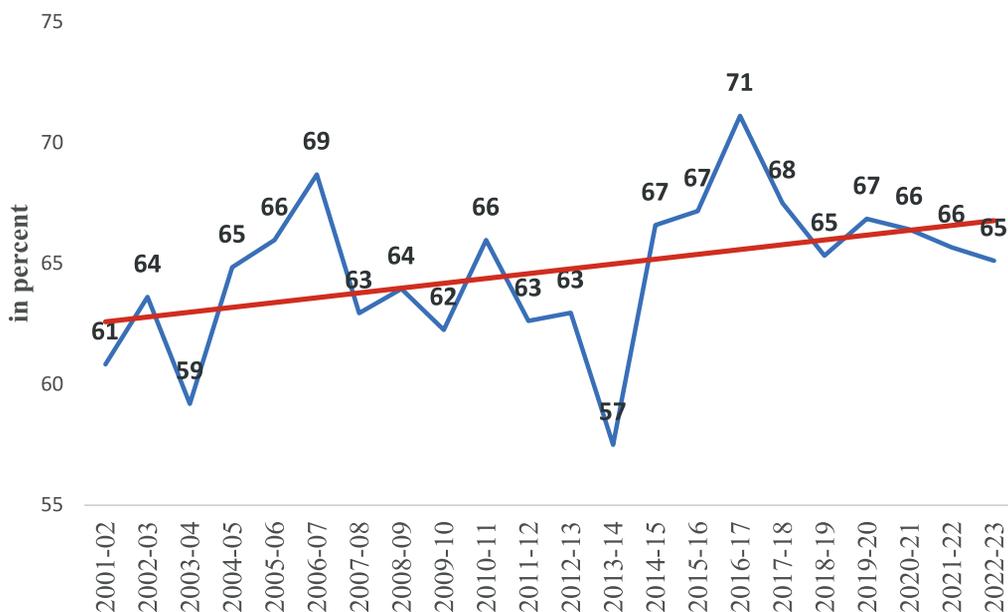
This pattern suggests that the state government is reallocating resources toward developmental and welfare initiatives in recent budgets. This approach aims to reduce the burden of committed expenditure and enhance the capacity to deliver public services and targeted interventions. To achieve improved development outcomes, the state government should further reprioritise its fiscal orientation to strengthen inclusive growth and advance human development indicators.

Prioritising Developmental Spending

The proportion of developmental expenditure within total revenue expenditure in Jharkhand indicates the state's prioritisation of growth-oriented activities over routine or non-developmental obligations. This proportion has fluctuated over time, reflecting shifts in government priorities across sectors such as education, health, infrastructure, and welfare, as well as periods when a greater share was allocated to salaries, pensions, and administrative costs.

Data from 2001–02 to 2022–23 reveal a generally stable yet variable trend, with the share ranging from 57 percent to 71 percent (Chart 12). In the initial years, the share remained in the mid-60 percent range, declined to 59 percent in 2002–03, and increased to 69 percent

Chart 12
Share of Developmental Expenditure in
Total Revenue Expenditure in Jharkhand



Source: EPWRF India Time Series Database

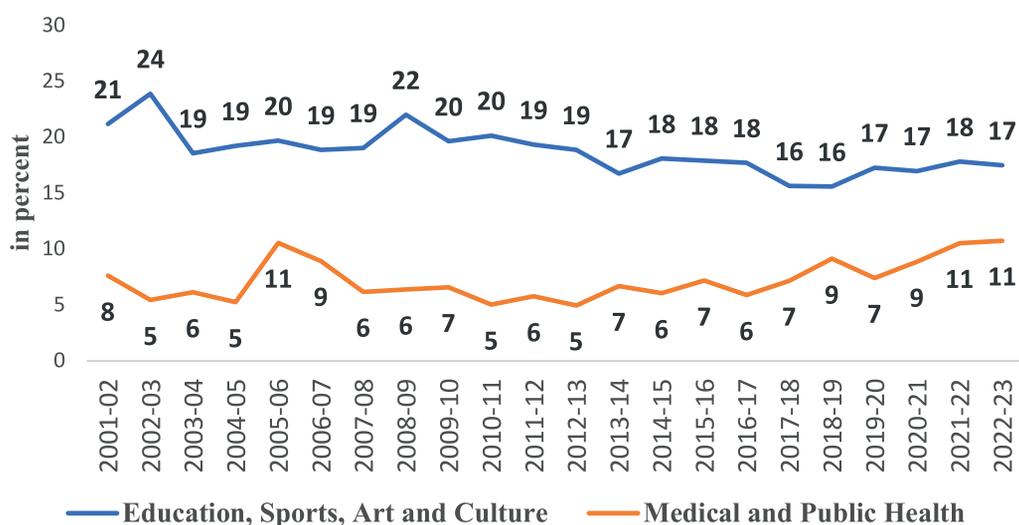
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and increased to 69 percent by 2005–06, indicating a heightened focus of the State government on developmental activities. A significant decrease occurred in 2012–13, reaching a low of 57 percent, likely due to fiscal constraints or increased committed expenditures. The share subsequently rose to 71 percent in 2015–16, representing the highest level of developmental prioritization during the period.

From 2016–17 onward, the share stabilised between 65 and 67 percent, indicating a consistent allocation pattern with a moderate emphasis on development. The trend line displays a slight upward trajectory over the two decades, suggesting that, despite intermittent declines, Jharkhand has gradually increased its commitment to developmental spending within its revenue expenditure framework.

State government expenditure on Education, Sports, Art and Culture, and Medical and Public Health is essential for promoting inclusive and sustainable development. Investment in education empowers youth, increases employability, and stimulates innovation. Expenditure on medical and public health leads to healthier populations, reduces disease burden, and strengthens resilience to health crises. Collectively, these sectors contribute to building human capital, reducing inequality, and improving quality of life. Prioritising developmental expenditure in these areas demonstrates a government's commitment to long-term progress and the well-being of its citizens.

Chart 13
Share of Expenditure on Education, Sports, Art and Culture
and Medical and Public Health in Revenue Expenditure



Source: EPWRF India Time Series Database

The proportion of revenue expenditure in Jharkhand allocated to two primary components of developmental spending: Education, Sports, Art and Culture, and Medical and Public Health is shown in Chart 12. The allocation for Education, Sports, Art, and Culture was 21 percent in 2001-02, peaked at 24 percent in 2002-03, and subsequently declined, stabilizing at 16-18 percent in recent years. This trend indicates a reduced emphasis on these sectors, despite their significance for human development.

The allocation for Medical and Public Health has also fluctuated over time, but has generally remained modest. It began at 8 percent, decreased to 5 percent in 2002-03, and increased to 11 percent in 2005-06. After varying between 6 and 9 percent for several years, the share returned to 11 percent in 2020-21 and has remained at this level through 2022-23. This pattern suggests that, while spending on education-related sectors has declined, health-related expenditure has become more prominent, indicating a potential

Jharkhand's human development indicators continue to lag behind the national average, underscoring the urgent need for stronger, sustained investment in critical areas. These areas include primary and secondary healthcare systems, improved school infrastructure, teacher training, and enhanced learning outcomes. Skilling and employment programmes that empower youth and reduce poverty, targeted tribal welfare initiatives addressing historical disadvantages, and focused efforts on women's empowerment and maternal health are also essential for inclusive progress. Addressing these challenges requires substantial and continuous investment by the state government, reflected in increased developmental spending within its revenue expenditure framework.

Fiscal Rules and Fiscal Discipline in Jharkhand

Jharkhand's fiscal rule framework, anchored in the Jharkhand Fiscal Responsibility and Budget Management (JFRBM) Act, 2007, has evolved significantly in response to changing macroeconomic conditions and the state's developmental needs. Introduced in line with the Twelfth Finance Commission's recommendations, the Act established legally binding targets to eliminate the revenue deficit, limit the fiscal deficit, and manage public debt. Subsequent amendments in 2010, 2012, 2015, 2020, and 2021 reflect an ongoing effort to balance fiscal discipline with emerging fiscal pressures, including those arising from structural constraints and economic shocks.

The revenue deficit target illustrates the challenges of sustaining fiscal consolidation in a structurally weak state. While the original Act required elimination of the revenue deficit by 2009, the deadline was repeatedly extended—first to 2012 and later to 2015—highlighting the state’s limited capacity to mobilise revenue and the persistence of high committed expenditure. Similar flexibility was introduced for fiscal deficit targets. The three percent of GSDP cap originally mandated for 2009 was successively extended and revised to accommodate periods of fiscal stress, culminating in a temporary increase to 5 percent during 2020–21 to address the extraordinary demands of the COVID-19 pandemic. These amendments underscore the tension between maintaining fiscal prudence and responding to developmental and countercyclical spending needs.

Provisions for debt management were also subject to periodic revision. The original requirement to limit outstanding liabilities to 25 percent of GSDP was subsequently modified, with later amendments introducing a sequence of annual debt-to-GSDP ceilings through 2018–19. These adjustments reflect the state's evolving borrowing needs and the imperative to maintain medium-term debt sustainability amid volatile revenue streams, particularly those from mining.

Assessments by the Comptroller and Auditor General of India (CAG) for 2017–18 to 2021–22 indicate a mixed record of compliance. Jharkhand generally met revenue and fiscal deficit targets, with deviations occurring primarily during periods of significant fiscal stress. However, the state failed to achieve its outstanding liabilities targets for most of the period, attaining compliance only in 2021–22. This trend underscores persistent structural fiscal rigidities, limited mobilisation of own-source revenues, and continued reliance on central transfers and borrowing to fund development expenditure.

In summary, Jharkhand’s experience with fiscal rules demonstrates both notable progress and enduring vulnerabilities. Although the JFRBM framework has contributed to enhanced fiscal discipline, the frequency of amendments indicates a need to better align fiscal targets with the state's revenue capacity, development objectives, and susceptibility to economic and environmental shocks. Expanding fiscal space in Jharkhand will require not only adherence to rule-based discipline but also significant improvements in revenue administration, expenditure efficiency, and institutional capacity.

6. Conclusion

Jharkhand stands at a crucial juncture in its development trajectory. Despite being endowed with vast mineral reserves, extensive forest cover, and a young labour force, the state continues to grapple with deep-rooted fiscal, structural, and institutional challenges that have constrained its long-term development. The enduring paradox of being “mineral-rich but income-poor” underscores the disconnect between natural wealth and human development outcomes. This gap reflects not only weak mobilisation of internal revenues and limited economic diversification, but also persistent governance bottlenecks and a reliance on central transfers and borrowings to finance development expenditure.

The analysis presented in this paper shows that strengthening fiscal capacity is central to unlocking Jharkhand’s growth potential. Own-source revenue mobilisation remains insufficient relative to the state’s development needs. Addressing this requires a comprehensive strategy encompassing modernised tax systems, robust monitoring of mining operations, rationalisation of royalties and fees, and greater fiscal empowerment of local governments. Enhancing the buoyancy and elasticity of revenue streams is essential to reduce vulnerability to external shocks and to ensure predictable development financing.

Equally important is the need to improve public expenditure efficiency. The state’s expenditure profile reveals a dominance of revenue spending, driven by salaries, pensions, subsidies, and maintenance commitments. While these are necessary components of governance, they crowd out resources for growth-enhancing capital investments in infrastructure, human capital, and climate-resilient systems. Strengthening public investment management must therefore be a priority. Transparency and accountability mechanisms can further improve the quality and outcomes of public spending.

The paper also highlights the importance of fiscal rules and debt management. Although the JFRBM framework has helped inculcate fiscal discipline, repeated amendments indicate that existing targets are often misaligned with the state’s structural realities and development pressures. Jharkhand requires a more flexible, context-sensitive framework that balances fiscal prudence with countercyclical needs and long-term development objectives. Medium-term fiscal planning—anchored in realistic revenue projections, contingent liability assessments, and climate-related fiscal risk analyses—will be crucial for sustainable fiscal management.

Looking ahead, Jharkhand's development prospects depend on its ability to transition from a resource-dependent economy to a diversified, knowledge- and service-driven growth model. This calls for proactive industrial policy, improvement in the investment climate, and expansion of sectors such as agro-processing, forest-based industries, manufacturing, logistics, tourism, and modern services. Such diversification would not only reduce overdependence on mining but also generate stable employment opportunities, especially for the state's large rural workforce.

Inclusive and sustainable development must remain the cornerstone of Jharkhand's strategy. Investments in health, education, nutrition, social protection, gender inclusion, and tribal development are essential for building human capabilities. At the same time, the state must address ecological vulnerabilities arising from unsustainable mining, deforestation, and climate change.

In summary, transforming Jharkhand into a regional growth engine requires a comprehensive fiscal reform, strengthened institutional capacity, improved governance, and strategic public investment. Sustained commitment to these priorities could enable the state to convert its natural wealth into human prosperity and progress toward inclusive, sustainable, and resilient development.

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