



Summary Report for the State of Arunachal Pradesh



1. Demography

As per 2023 Census population projections, Arunachal Pradesh has a population of 1.6 million and represents 0.1 per cent of the country's total population.¹ The State's projected population growth, at 0.9 per cent, is equal to the national average, as of 2022-23. The State's population density, at 17 persons per sq. km., is the lowest among all States of the country. Its dependency ratio (67.5 per cent) is higher than the national average (55.7 per cent). A majority of the State's population still lives in rural areas, with only 25.6 per cent of its population residing in urban areas. As per the National Family Health Survey (NFHS V, 2019-21), the sex ratio at birth (female births per 1000 male births), for the State is higher than the national estimate.

As of 2022-23, the State's annual unemployment rate, at 4.8 per cent, is above the national average, but the Female Labour Force Participation Rate, at 58.7 per cent, is much better as compared to the national average. The working population in the State is predominantly concentrated in just two sectors, Agriculture (62.1 per cent) and Services (28.9 per cent).²

2. Economic Structure (Growth and Sectoral Composition)

Arunachal Pradesh's real GSDP grew at an average rate of 6.2 per cent during the period 2012-13 and 2021-22, which is higher than the national average growth rate of 5.6 per cent.³ The State's share in the country's nominal GDP has increased over time, standing at 0.15 per cent in 2021-22. Its nominal per capita income is 33 per cent higher than the national per capita income, as of 2021-22.

Among the major sectors, Services sector has a share of 40.2 per cent in the State's GSVA, as of 2021-22, followed by the Agriculture (37.2 per cent) and Industry (22.6 per cent) sectors, in that order. During the period 2013-14 to 2022-23, these three sectors grew by 7.6 per cent, 4.1 per cent, and 8.9 per cent per annum, respectively.⁴

3. Socio-economic Indicators

Arunachal Pradesh's literacy rate, at 65.4 per cent, is lower than the national average of 73 per cent, as of 2011.⁵ As of 2016-17, the State had a higher school drop-out rate (41.9 per cent for Classes VIII to X) and higher pass percentages (93.9 per cent for Class X and 90.2 per cent for Class XII). The Gross Enrolment Ratio at the Higher Secondary level (61.8 per cent in 2015-16) and at the Higher Education level (33.7 per cent in 2021) are both above the respective

¹ Projected data on population growth rate, dependency ratio, population density, and urban population is sourced from "Population Projections for India and States, 2011-2036" by the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, Government of India.

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

³ Data on Economic Structure is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of August 2023.

⁴ Data sourced from MoSPI, as of March 2024.

⁵ Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.

national averages.⁶ For people aged 18 to 23 years, the Gender Parity Index in higher education (the ratio of girls to boys enrolled in higher education institutions) as well as the college density, are both lower than the respective national averages, as of 2021.⁷

In terms of health indicators, the Infant Mortality Rate, at 21 deaths per 1000 live births in 2020 and the Total Fertility Rate, at 1.8 children per woman in 2019-21, are both below the respective national averages.⁸ The ratio of fully immunised children (64.9 per cent) is lower than the national average for 2019-21. The State has shown improvement in the “quality of life” indicators over the decades. The households’ access to drinking water (94.2 per cent) and electricity (94.7 per cent) in the State are both slightly lower than the respective national averages, but access to sanitation facilities (82.3 per cent) is much better as compared to the national average, as of 2019-21.

4. State of Public Finances

Arunachal Pradesh’s debt-to-GSDP ratio, at 50 per cent in 2022-23, is markedly higher than that of a median State,⁹ even though its contingent liabilities, close to zero, are much lower than those of a median State, as of 2022-23.¹⁰ The fiscal deficit and primary deficit levels, at 7.8 per cent and 5.4 per cent, respectively, are more than twice the corresponding figures for a median State. The State had a revenue surplus of 15.2 per cent of GSDP in 2022-23, which is much higher than a median State’s surplus of -0.4 per cent. As of 2022-23, the State collected more revenue as compared to a median State. Its expenditure-to-GSDP ratio is very high, with both the revenue and capital expenditures being several times higher as compared to the corresponding levels of a median State.

The State’s share in taxes from Centre, as per the recommendations of the Finance Commission (FC), has increased from 1.4 per cent to 1.8 per cent between the 14th and 15th FCs. The State’s share in the total grants-in-aid has remained low at 0.2 per cent and 0.5 per cent, respectively, under both the 14th and 15th FC recommendations.

5. Fiscal Rules

The Arunachal Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2006, was enacted under the 12th FC recommendations, which requires the State government to present the Macroeconomic Framework Statement, Medium Term Fiscal Policy Statement, and a Fiscal Policy Strategy Statement alongside the budget every year. Since 2006, the Act has been amended six times in 2011, 2012, 2018, 2021, 2022, and 2024.

⁶ Data on dropout rates, pass percentage of students and Gross Enrolment Ratio at Higher Secondary Level is taken from the Unified District Information System for Education, 2015-16.

⁷ Data on Gross Enrolment Ratio at Higher Education Level, Gender Parity Index, and college density is taken from the All-India Survey on Higher Education, 2020-21.

⁸ Data on health variables is sourced from National Family Health Survey and the Sample Registration System

⁹ Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

¹⁰ For calculation of a median State, the 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.

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

Revenue Deficit: The initial Act, 2006, mandated the State to maintain at least the level of Revenue Surplus in the Base Year (average of the years 2001-02 to 2003-04) in subsequent years, beginning with Financial Year 2005-06 and ending with 2008-09, and adhere to it thereafter. The 2011, 2012, and 2018 amendments reiterated these commitments towards maintaining the revenue surplus.

Fiscal Deficit: The 2006 Act established reducing the fiscal deficit to 3 per cent of GSDP by 2009-10.¹¹ The 2011, 2012, and 2018 amendments maintained the 3 per cent limit. The 2021 amendment granted a one-time additional borrowing of 2 per cent of GSDP for 2020-21, with relaxations to the borrowing limits dependent on the implementation of certain schemes. And, the 2022 amendment required the State to adhere to a maximum fiscal deficit of 3 per cent of GSDP from 2023-24 to 2025-26.

Outstanding Liabilities: The Act mandated the State to maintain total debt liabilities below 50.1 per cent of GSDP by 2014-15. The 2018 amendment requirement the State to maintain a debt-GSDP ratio of less than or equal to 25 per cent of the preceding year. The 2024 amendment restricted the total outstanding liabilities during 2023-24, 2024-25, and 2025-26 at 33.10 per cent, 32.80 per cent, and 32.50 per cent of GSDP, respectively, and thereafter maintaining the said ratio or reducing it.

Fiscal Discipline: As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the period from 2017-18 to 2021-22, the State was able to achieve the revenue deficit targets for all five years; the fiscal deficit targets for three out of the five years (2018-19, 2019-20 and 2020-21), and targeted ratios for the outstanding liabilities for just once in five years (2021-22).

¹¹ Data is sourced from the State Audit Report of the CAG for the respective years and the State Government Gazette.