



## Summary Report for the State of Madhya Pradesh



## ***1. Demography***

As per Census population projections for 2022-23, Madhya Pradesh has a population of 86.6 million and represents 6.2 percent of India's total population.<sup>1</sup> The State's projected population growth rate (1.2 percent) is higher than the national average (0.9 percent), as of 2022-23. As per 2021 projections, the State's population density, at 274 per sq. km., is lower than the national average of 415 per sq. km. However, its dependency ratio is higher than the national average, as per 2021 projection. Only 29 percent of the State's population resides in urban areas according to 2023 projection. The sex ratio in the State (female births per 1000 male births) is above the national average (NFHS V, 2019-21).

The annual Unemployment Rate for the State, at 1.6 percent, is much below the national average of 3.2 percent, while the Female Labour Force Participation Rate has improved and remained above the national estimates since 2017-18. The working population in the State is predominantly concentrated in the Agriculture, Forestry, and Fishing (59.8 percent); Services (21.9 percent); and Construction (11.1 percent) sectors, as of 2022-23.<sup>2</sup>

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

Madhya Pradesh's real GSDP grew at an average rate of 6.8 percent from 2012-13 and 2021-22, which is higher than the national average growth rate of 5.6 percent.<sup>3</sup> The State's share in India's nominal GDP, which was 5.0 percent in 1990-91, had decreased to 3.7 percent in 2015-16, but bounced back close to the 1990-91 level, at 4.8 percent in 2021-22. Its nominal per capita income is 20 percent lower than the national per capita income, as of 2021-22.

As of 2021-22, the State derives 44.7 percent of its GSVA from the Agriculture sector, followed by the Services (32.9 percent) and Industry (22.5 percent) sectors, in that order. During the period 2013-14 to 2022-23, the State's Agriculture, Manufacturing and Services sectors grew by 6.2 percent, 3.8 percent, and 6.0 percent annually as compared to the respective national averages of 4.1 percent, 5.5 percent, and 6.6 percent.<sup>4</sup>

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

Madhya Pradesh's literacy rate, at 69.3 percent, is lower than the national average of 73 percent, as of 2011.<sup>5</sup> As of 2016-17, the State had lower school drop-out rates (28.5 percent for Class X) and also lower pass percentages (76.4 percent for Class X and 79.8 percent for Class XII) as compared to the respective national averages. The Gross Enrolment Ratio at the Higher Secondary level (45.3 percent in 2015-16) is below the national average, but at the Higher Education level, it is close to the national average (27.3 percent in 2021).<sup>6</sup> For people aged 18

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

<sup>4</sup> Data used is sourced from MoSPI, as of March 2024.

<sup>5</sup> Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs (2011).

<sup>6</sup> Data on drop-out rates, pass percentage of students and Gross Enrolment Ratio at Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

to 23 years, both the Gender Parity Index in higher education (the ratio of girls to boys enrolled in higher education institutions) as well as college density are lower than the respective national averages, as of 2021.<sup>7</sup>

As of 2020, the life expectancy in Madhya Pradesh, at 67.4 years, is lower than the national average of 70 years. The Total Fertility Rate in the State is at par with the national average, but the Infant Mortality Rate is much higher (43 deaths per 1000 live births) as compared to the national average (28 deaths per 1000 live births), as of 2019-21. The percentage of fully immunised children in the State is close to the national average, as of 2019-21. There has been an improvement in the basic “quality of life” indicators in the State over the last two decades. The households’ access to electricity is at par with the national average, but access to drinking water and sanitation facilities lag behind the respective national benchmarks, as of 2019-21.

#### ***4. State of Public Finances***

Madhya Pradesh’s debt-to-GSDP ratio, at 27.6 percent in 2022-23,<sup>8</sup> is lower than that of a median State. However, its contingent liabilities, at 3.3 percent of GSDP, are higher than those of a median State, as of 2021-22. The State’s fiscal deficit and primary deficit are close to the corresponding levels of a median State, as of 2022-23.<sup>9</sup> The State had a revenue surplus of 0.1 percent of GSDP in 2022-23, which is higher than that of a median State (deficit of 0.4 percent).

As of 2022-23, the State collected less revenue (15.4 percent of GSDP) through its own non-tax and own tax revenue including transfers from the Centre as compared to a median State. Transfers from Centre account for 55 percent of the State’s revenue receipts, as of 2022-23. The State’s expenditure, at 19 percent of its GSDP, is about 5 percentage points lower than that of a median State, as of 2022-23.

The Debt Sustainability Analysis shows that under the baseline scenario, wherein growth, effective interest rates, and primary deficits continue at their 10-year averages (2012-13 to 2021-22), the State’s debt-to-GSDP ratio is projected to remain almost at the elevated level of 28.6 percent by 2026-27. Its debt-to-GSDP ratio is projected to decline only under scenarios of higher real growth, or lower primary deficit, or a combination of the two.

The State’s share in taxes from the Centre, as per the recommendations of the Finance Commission (FC), increased from 7.5 percent under 14<sup>th</sup> FC to 7.9 percent under the 15<sup>th</sup> FC. The State’s share in the total grants-in-aid also increased by 0.7 percentage points to 5 percent under the 15<sup>th</sup> FC, as compared to the corresponding figure of 4.3 percent under the 14<sup>th</sup> FC.

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<sup>7</sup> 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.

<sup>8</sup> Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

<sup>9</sup> 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.

## 5. Fiscal Rules

The Madhya Pradesh Rajkoshiya Uttardayitva Evam Budget Prabandhan Adhiniyam (MPFRBM) Act, 2005, was enacted under the 12<sup>th</sup> FC's recommendations, which established fiscal rules in the State. The Act has been amended seven times, in 2009, 2011, 2012, 2016, 2017, 2020 and 2021, since its enactment.

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

**Revenue Deficit:** The original Act mandated the State to eliminate its revenue deficit by 31 March 2009 and generate revenue surplus thereafter.

**Fiscal Deficit:** The original Act mandated a reduction of fiscal deficit to 3 percent of GSDP by 31 March 2009. The 2009 amendment changed this limit to 4 percent of GSDP by March 2010 and the 2011 amendment again lowered it to 3 percent of GSDP by 2011-12, with the mandate to maintain it, thereafter, anchored to an annual limit of 3 percent of GSDP. In the 2016 amendment, the State was given a flexibility of 0.25 percent over and above the 3 percent limit if its debt-GSDP ratio were less than or equal to 25 percent in the preceding year. In 2020-21, the fiscal deficit target was set at 5 percent, including a 1.5 percent conditional loan for reforms and a 0.5 percent unconditional loan. The 15<sup>th</sup> FC recommended fiscal deficit limits of 3 percent from 2023-26, along with a total outstanding debt-to-GSDP ratio of 33.7 percent by 2025-26.

**Public Debt:** Initially the Act mandated the State to ensure that within a period of 10 years, that is, as on 31 March 2015, the total liabilities do not exceed 40 percent of the estimated GSDP for that year.<sup>10</sup> In 2012, the Act was amended to modify the total outstanding debt targets such that they would not exceed 37.6 percent, 36.8 percent, 36 percent, and 35.3 percent for the financial years 2011-12, 2012-13, 2013-14, and 2014-15, respectively. The 15<sup>th</sup> FC recommended the following total outstanding debt-to-GSDP ratio for Madhya Pradesh for each year starting from 31.7 percent in 2020-21 to 33.7 percent in 2025-26.

**Fiscal Discipline:** As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the period 2016-17 to 2020-21, the State was able to meet all targets for three years (2016-17, 2017-18, and 2019-20). However, it could not maintain the same status and missed these for two years, 2019-20 and 2020-21.

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<sup>10</sup> Data is sourced from the State Audit Report of the CAG for the respective years and the State Government Gazette.